

The way forward

CEO Interview

MORESCO

67th Business Report

Mar. 1, 2024 - Feb. 28, 2025

Assessing Changing Conditions in Each Country and Continuing to Respond Flexibly to Their Needs

In the 67th fiscal year, sales increased 7.8% YoY to 34.37 billion yen, and operating profit rose 13.6% to 1.39 billion yen. While we did not reach our planned targets, we achieved solid results by responding flexibly to market changes, even amid sluggish production by Japanese automakers both domestically and internationally during the year. By division, sales in the Special Lubricants Division grew 12% YoY, driven by the acquisition of new customers for cutting fluids and a significant recovery in sales of hard disk surface lubricants following renewed investment in data centers, despite slower sales of die-casting lubricants. In the Hot Melt Adhesives Division, strong demand for filters and hygiene materials in China was offset by lower sales in Japan, resulting in sales remaining flat YoY. In the Liquid Paraffin & Sulfonates Division, increased demand for liquid paraffin led to higher sales than the previous year.

Based on these results, we have identified three key priorities for the 68th fiscal year. First, we will focus on improving profitability in the hot melt adhesives business in the Japanese and Indonesian markets, where rising raw material costs impacted performance. Second, we will work to generate synergies from the acquisition of CROSS in the United States to increase earnings. Our efforts will include reducing production costs and improving operational efficiency through production transfers, as well as globally expanding silicone products manufactured in the United States. Third, we will strengthen our sustainability initiatives. Although new product development for MORESCO Green SX (MGS)* progressed well in the 67th fiscal year, sales of core MGS products, such as die-casting lubricants for Japanese automakers, fell short of expectations. We aim to reach our target of raising the MGS sales ratio to 40% by FY2026 through both product development and aggressive sales expansion. We will also closely monitor the potential impact of recently imposed U.S. tariffs.

From a medium- to long-term perspective, we are strengthening our regional R&D structure and enhancing our presence in each market by accurately and promptly delivering high-value-added products tailored to local characteristics and needs (see inside pages). We are also steadily advancing the creation of new businesses, including developing cosmetic ingredients utilizing nanoemulsion technology and sealants for perovskite solar cells, to accelerate MORESCO's new value creation.

*Products are certified as MORESCO Green SX when their entire life cycle—from raw material procurement to disposal—is evaluated, and they are found to make significant contributions to our seven material issues and help reduce environmental impact.

MORESCO Corporation

Motohisa Morozumi
CEO, Representative Director, President



In Thailand

Working to expand recycled base oil from Thailand across Southeast and South Asia



Current Market Situation

With automobile production declining due to the economic slowdown and stricter auto loan screenings, and price competition with rival products intensifying, we are working to expand our market share by promoting MORESCO's unique value through environmentally friendly oil made from recycled waste oil.



MORESCO's Research and Development

Using recycled base oil, we produce die-casting lubricants, metalworking fluids, and other products. By sourcing raw materials domestically, we reduce CO₂ emissions during transportation. Our environmentally friendly products are highly valued in markets that increasingly prioritize sustainability, and we are considering expansion throughout Southeast and South Asia.



Future Outlook

Along with expanding sales of our popular products made with recycled base oil, we will further contribute to reducing environmental impact by developing products that meet market needs, including the use of recycled cooking oil, which is also a source of water pollution in Thailand.



MORESCO (THAILAND) CO., LTD.



MORESCO (ZHEJIANG) FUNCTIONAL MATERIALS CO., LTD.

In the USA

Leveraging a Flexible, Market-Responsive Structure to Expand Market Share



Current Market Situation

As the new administration makes significant policy shifts, expanding our business as a locally established company is more important than ever. In this context, our 2023 acquisition of local company CROSS is a major advantage.



MORESCO's Research and Development

To meet the diverse needs of the local market, we are leveraging CROSS's expertise to pursue in-house development and production of silicone, the primary raw material for die-casting lubricants. Rather than simply formulating with existing materials, we are developing silicone from the ground up, enabling us to meticulously meet customer performance requirements better and strengthen our cost competitiveness.



Future Outlook

We aim to enhance the profitability of the entire Group by supplying silicone to MORESCO JAPAN and other sites. We will also advance the global expansion of CROSS's environmentally friendly mold release agents for urethane.



CROSS TECHNOLOGIES N.A. INC.



Head Office & R&D Center

In China

Strengthening the Lineup of Insert Casting Release Agents to Enhance Market Presence



Current Market Situation

In China, New Energy Vehicles (NEVs) that do not use internal combustion engines now account for over 40% of the automotive market. As on-site insert casting technologies continue to advance, there is growing demand for high-performance release agents that can accommodate wide mold temperature variations and complex cast part shapes.



MORESCO's Research and Development

We are expanding our lineup of low-application release agents that not only meet basic market performance standards but also support a wide range of mold materials, including aluminum and magnesium. These products offer additional benefits such as extending mold life and reducing noise.



Future Outlook

As a leading provider of die-casting lubricants, we will continue to respond swiftly to the trend toward larger casting machines and more complex molds. In collaboration with our U.S. group company, CROSS, we will also expand into urethane and tire release agents. Our goal is to become the No. 1 release agent manufacturer in China.

In Japan

Advancing Recycling Technologies to Promote and Expand the Circular Economy



Current Market Situation

As the circular economy becomes a national policy priority, interest in material recycling is rising. Japan remains one of the most environmentally conscious countries globally, and we are actively working to develop advanced environmental technologies and build effective circular systems.



MORESCO's Research and Development

Currently, only the HYDOL Series, a water-glycol-based fire-resistant hydraulic fluid, is recyclable. However, we are expanding our efforts, including obtaining wide-area industrial waste certification for our heat transfer medium NYBRINE in January 2025. We are also working to overcome technical and legal challenges to enable recycling for other products.



Future Outlook

As we advance our material recycling initiatives and enhance recycling technologies, we plan to set concrete targets by FY2030. Through these efforts, we aim to contribute to reducing GHG emissions and protecting the environment.

MORESCO Highlights of the Year

Sept. Held a Company Tour for Shareholders

We held a company briefing and internal tour for 28 shareholders and their guests. As they viewed our products and equipment firsthand, we received many questions, reaffirming the high interest in our business.



Oct. Participated in Perovskite Solar Cell Demonstration Test

As part of a demonstration project led by Professor Emeritus Tsutomu Miyasaka of Toin University of Yokohama, prototypes using our sealants were installed at a farm in Takatsuki City, Osaka Prefecture. Thanks to the excellent barrier properties of our sealants, the solar cells can stably supply electricity even when exposed to rain.



Jan. Installed Organic Photovoltaic (OPV) Solar Panels in the Greenhouse of Maniwa High School

In a joint project with the Institute of Scientific and Industrial Research at Osaka University, Okayama Prefectural Maniwa High School, and the City of Maniwa, OPV panels were installed in the school's agricultural greenhouse. This initiative aims to establish a new agrivoltaics model that promotes local energy production and consumption.



Jan. Our Employee Participated as a Panelist at the Fusion Energy Seminar during ENEX2025

At the fusion energy seminar held during ENEX2025, our employee spoke before an audience of about 300 people, discussing our radiation resistant lubricating oil and the technical support required to ensure the long-term stable operation of fusion-related equipment.



Close up MORESCO 1

Online Sales of Irigracia, Featuring 18nm Ultra-Fine Nanoemulsion, Have Begun

MORESCO's First Cosmetics Brand Is Born!

Irigracia



Point 1

Remarkable Penetration*¹
with Proprietary Nano System

Point 2

Contains Stabilized Retinol*²
in Nano Form

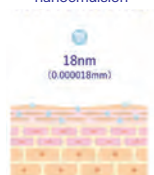
Point 3

Low Irritation*³, Suitable for
a Wide Range of Users

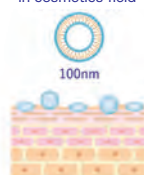
Our nanoemulsion technology was developed over several years of R&D. Irigracia is MORESCO's first BtoC cosmetics brand utilizing this technology. This spring, we launched lotion and serum products. The highly absorbent nanoemulsion penetrates the stratum corneum and helps condition the skin. Currently, we are focusing on developing non-penetrating nanoemulsions, which are less likely to absorb into the skin. By encapsulating potentially irritating ingredients, such as UV absorbers, within these non-penetrating nanoemulsions, we can reduce skin burden while evenly spreading the product over fine gaps to enhance UV protection. We are actively promoting and selling the brand in Japan and planning to launch sunscreen products as new offerings.

*1 To the stratum corneum *2 Skin conditioning ingredient (retinyl palmitate)
*3 Stinging test completed

Irigracia's nanoemulsion



Liposome, hot topic in cosmetics field



Illustration



Unlike conventional emulsions, our nanoemulsion is significantly smaller and features uniform particle sizes, resulting in a clear, transparent appearance rather than the typical cloudiness. This gives products a clean, high-quality impression even through packaging, which has been highly rated.



Instagram



Online shop

Close up MORESCO 2



Introducing the MQ Series: Water-Soluble Minimum Quantity Spray Type Lubricant

Advancing Toward Achieving 40% Sales Ratio for MGS Products!

Point 1

Contributes to Zero
Wastewater On-Site

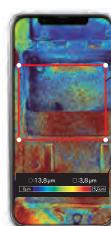
Point 2

Reduces Power Consumption
and CO₂ Emissions by 60%

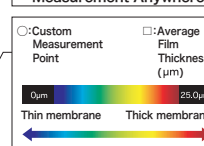
Point 3

Improves Workplace Environment
by Reducing Noise

Mainly sold in Japan, the MQ Series of water-soluble minimum quantity spray type lubricants is a MORESCO Green SX (MGS) flagship product. Its key feature is the exceptionally low application volume required, eliminating wastewater from lubricant use. Additionally, reducing the air-blow time needed to evenly apply the lubricant significantly cuts power consumption and CO₂ emissions while also lowering noise levels within factories. With these outstanding environmental and functional benefits, we aim to promote both environmental preservation and workplace improvement, contributing to expanded sales in the market.



Membrane Thickness Measurement Anywhere



Environmental Noise Data During the Production Cycle

	Minimum	Maximum
Release agent application	78dB	83dB
Air blow	86dB	91dB
Injection - Curing	76dB	81dB
Other	76dB	81dB

Using our proprietary smartphone app, users can photograph molds to measure membrane thickness. This tool is useful for checking the application status of release agents and setting initial casting conditions, including robot teaching.

Prolonged exposure to noise over 85 dB increases the risk of noise-induced hearing loss. The MQ Series reduces air-blow cycle time by 60%, offering effective noise reduction benefits.



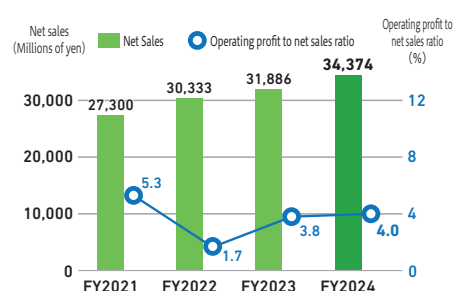
Water-Soluble Minimum Quantity Spray Type Lubricant

Major Consolidated Financial Indicators

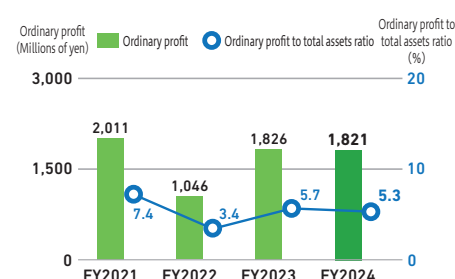
During the consolidated fiscal year under review, the Japanese economy showed a moderate recovery trend as efforts to normalize economic activity progressed. However, rising prices continued, and the manufacturing sector lacked strong momentum. Globally, the United States reinforced protectionist policies, including additional tariffs under the Trump administration, while China continued to face falling prices and a delayed recovery in consumer spending. Geopolitical risks in Europe and the Middle East remain concerning, leaving the outlook uncertain.

Amid these circumstances, our group recorded net sales of 34,374 million yen, a 7.8% increase YoY, driven by higher sales volumes and price adjustments in both domestic and international markets. Operating profit rose 13.6% YoY to 1,391 million yen. On the other hand, ordinary profit declined 0.3% YoY to 1,821 million yen due to lower foreign exchange gains and decreased equity in earnings of affiliates, and profit attributable to owners of the parent fell 21.1% YoY to 1,013 million yen.

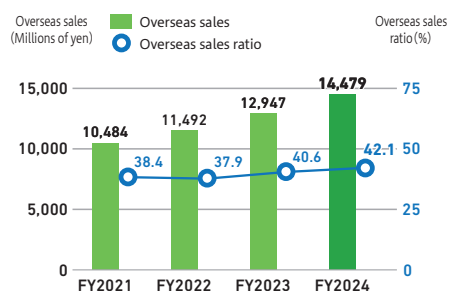
Net Sales and Operating Profit to Net Sales Ratio



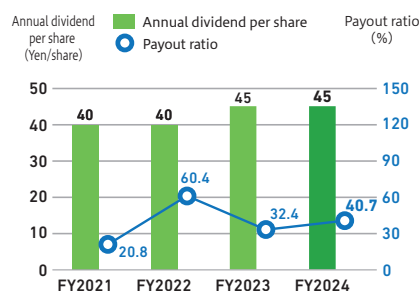
Ordinary Profit and Ordinary to Total Assets Ratio



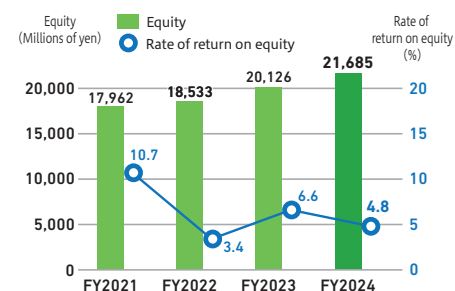
Overseas Sales and Overseas Sales Ratio



Annual Dividend per Share and Payout Ratio

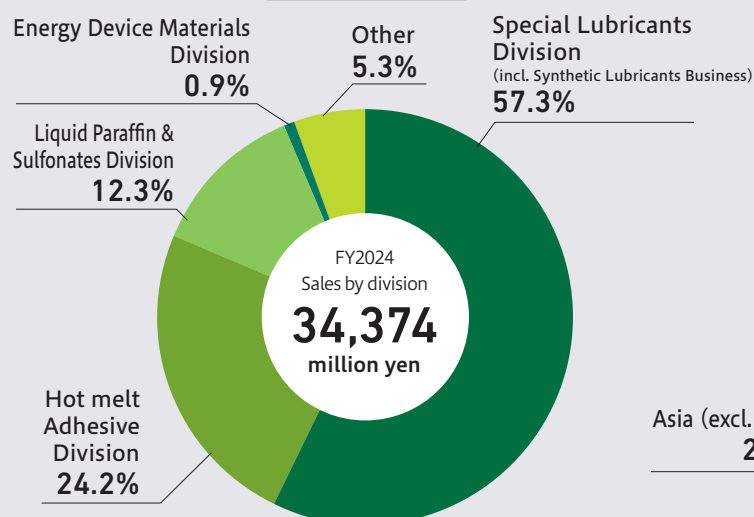


Equity and Rate of Return on Equity (ROE)

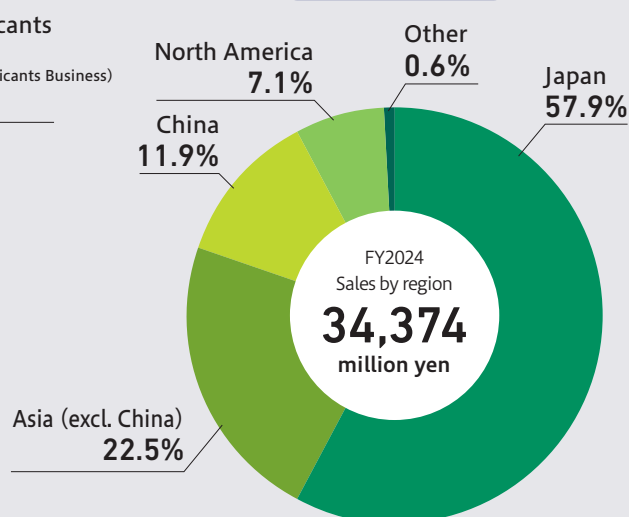


Segment Information

By Division



By Region



Information on Shareholder Benefits

We at MORESCO offer a shareholder benefit program to show our gratitude to shareholders for their ongoing support, make the Company's shares more attractive as an investment, and to encourage more people to maintain shares in the Company over the medium to long term. We remain committed to further growth to meet the expectations of our shareholders and sincerely appreciate your continued support.

Shareholder Benefits

Number of shares held and continuous holding period	Shareholder Benefits
300 shares or more and less than 3 years of continuous ownership	QUO Card worth 3,000 yen
300 shares or more and 3 or more years of continuous holding period	QUO Card worth 4,000 yen

Benefits are available to shareholders who hold three units (300 shares) or more of the Company's stock and are listed or recorded in the shareholders' register as of the last day of February every year.

A continuous holding period of three years or more is defined as being listed under the same shareholder number in the shareholder register for seven consecutive record dates at the end of February and the end of August.

***If a shareholder holding fewer than 300 shares increases their holdings to 300 or more shares and has at least 300 as of the end of February, the period during which they held fewer than 300 shares will also be counted toward the continuous holding period.**

Timing of Benefit Delivery

Benefits will be mailed in late May of each year, enclosed with the business report.

[How to Check Your Shareholding Period]

If you would like to confirm the holding period of your shares, please contact the number below to request a certificate of share transactions.

Contact : Osaka Corporate Agency Division,
Mitsubishi UFJ Trust and Banking Corporation

TEL : 0120-094-777 (toll free)

Hours : 10:00-17:00 on weekdays

(unavailable on Saturdays, Sundays and national holidays)

Company Profile and Stock Information (As of February 28, 2025)

■ Company Profile

Company name	MORESCO Corporation
Establishment	October 27, 1958
Capital	2,118,294,000 yen
Number of Employees	372

■ Head Office and Business Offices

Head Office & R&D Center	5-5-3, Minatojimaminami-machi, Chuo-ku, Kobe-city, Hyogo 650-0047 Japan TEL: 078-303-9010 (main contact number)
Branch	Tokyo Branch, Osaka Branch
Sales Office	Nagoya Sales Office
Plants	Chiba Plant, Akoh Plant

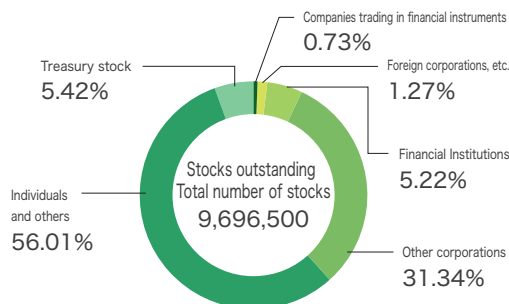
■ Situation of Stock

Total number of authorized stocks : 20,000,000

Total number of stocks outstanding : 9,696,500

Number of shareholders : 15,872

■ Distribution of Shares by Shareholder



■ Directors (As of May 29, 2025)

Motohisa Morozumi	CEO, Representative Director, President
Nobuhiro Sewaki	COO, Director, Senior Managing Executive Officer
Hirofumi Fujimoto	CFO, Director, Managing Executive Officer
Jiro Hosomi	Director, Executive Officer, Global Operations
Katsuhito Fukuda	CTO, Director, Executive Officer
Hiroshi Sakai	Outside Director
Mikio Honda	Director, Full-time Audit and Supervisory Committee Member
Mikio Nakajo	Outside Director, Audit and Supervisory Committee Member
Hidetoshi Nakatsuka	Outside Director, Audit and Supervisory Committee Member
Hiroko Fuji	Outside Director, Audit and Supervisory Committee Member

■ Major Shareholders

Name of shareholders	Number of stocks	Investment ratio
Matsumura Oil Co., Ltd.	1,067,000	11.6%
COSMO OIL LUBRICANTS CO., LTD.	503,000	5.4%
MORESCO Employee Stock Ownership Plan	422,420	4.6%
NIPPON SODA CO., LTD.	365,000	3.9%
STARLITE Co., Ltd.	326,000	3.5%
Mizuho Bank, Ltd.	250,000	2.7%
MUFG Bank, Ltd.	250,000	2.7%
Osaka Small and Medium Business Investment & Consultation Co., Ltd.	209,600	2.2%
Shima Trading Co., LTD.	165,000	1.7%
KYODO YUSHI CO., LTD.	164,000	1.7%

Note: The investment ratio is computed by excluding 525,810 shares of treasury stock.

Shareholder Memo

■ Fiscal year

March 1 through the last day of February of the following year

■ Shareholder Fixed Date for Year-end Dividend Receipt

End of Feb.

(In the case of interim dividends)

August 31

■ Ordinary General Meeting of Shareholders

May every year

■ Administrator of shareholder registry and account management institution for special accounts

Mitsubishi UFJ Trust and Banking Corporation

■ Contact information

Mitsubishi UFJ Trust and Banking Corporation
Osaka Corporate Agency Division
3-6-3 Fushimi-cho, Chuo-ku, Osaka-shi,
Osaka 541-8502 Japan
Telephone: 0120-094-777 (toll free)

■ Listed Stock Exchanges

Tokyo Stock Exchange

Method of Public Notice

Public notice will be made electronically.

URL for public notice:

<https://www.moresco.co.jp/ir/notice.php>

(In the event of an accident or other unavoidable circumstances that preclude electronic public notice, public notice will be given in the Nihon Keizai Shimbun.)

Caveats

- Regarding changes of address, purchase requests and any other such procedures, the basic rule is that shareholders are asked to contact the securities company or other organization where they opened their account. Note that the administrator of shareholder registry (Mitsubishi UFJ Trust and Banking Corporation) is unable to process such procedures.
- For any procedures regarding shares recorded in special accounts, please contact Mitsubishi UFJ Trust and Banking Corporation, which is the management institution for special accounts. The Mitsubishi UFJ Trust and Banking Corporation head office and branches nationwide will also be able to assist with these procedures.
- Dividends that have not yet been received will be paid at the Mitsubishi UFJ Trust and Banking Corporation head office and branches.