

MORESCO Corporation

The 67th Term Financial Results Briefing Materials (From March 1, 2024 to February 28, 2025)

Tokyo Stock Exchange Standard Market 5018 (Petroleum and Coal Products)
April 21, 2025

Contents

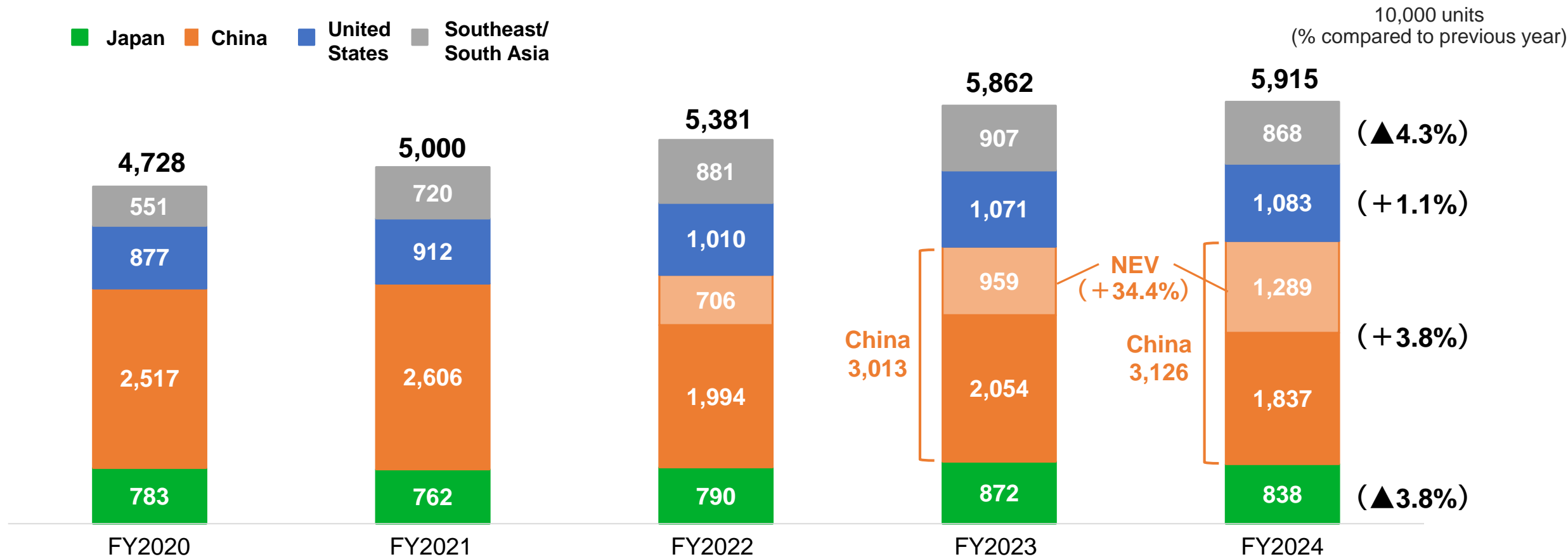
- **Management environment and business overview**
- **Performance report**
- **Topics**
- **Progress of the 10th Medium-Term Management Plan**

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➤ Decreased from the previous year in Japan, Southeast/South Asia. Production volume of new energy vehicles significantly increased in China.

Volume of automobile production in areas where our business sites are located

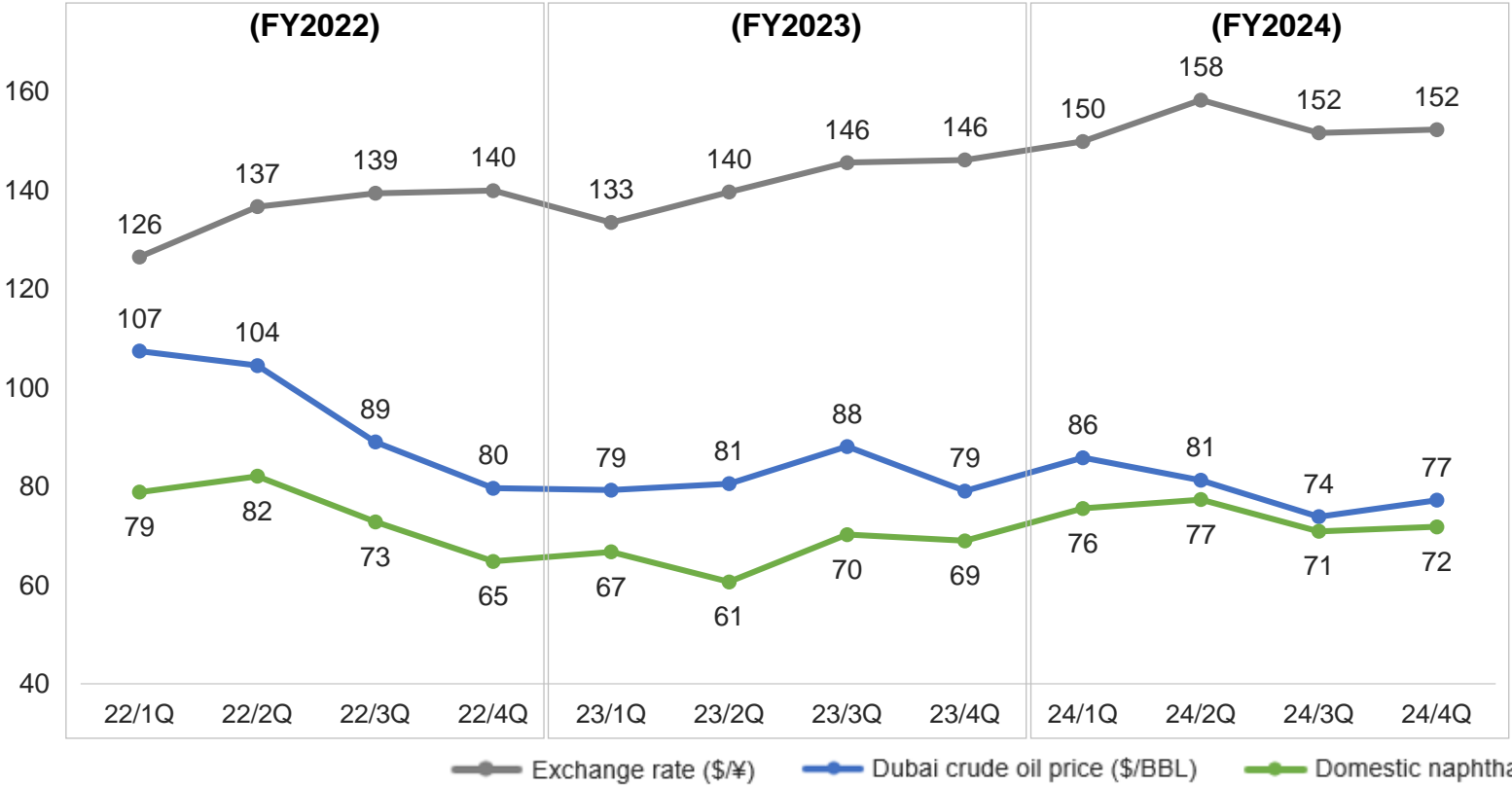


Source: Prepared by MORESCO based on data released by MarkLines Co., Ltd.
Note 1: Data is aggregated based on MORESCO's fiscal year (Japan: March to February, overseas: January to December).
Note 2: Data for Southeast/South Asia includes only Thailand, Indonesia, and India, where we have operating sites.
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Business Environment - Trends in foreign exchange, crude oil and naphtha prices

- The exchange rate moved toward a weaker yen compared to the previous year and the plan.
- The crude oil price remained lower than expected.

Trends in foreign exchange, crude oil and naphtha prices (quarterly)



Comparison with the plan

	FY2024 Result	FY2024 Plan	Vs. Plan	(YoY change)
Exchange rate (\$/¥)	152.3	145.0	+7.3	+11.1
Crude oil price (\$/BBL)	79.5	97.0	+17.5	-2.2
Domestic naphtha price (¥1,000/KL)	73.9	-	-	+7.2

Source: Prepared by MORESCO based on publicly available data
Note: Prices are on a three-month average basis.

Consolidated Statement of Income

- Sales increased due to an increase in the sales volume both in Japan and overseas and sales price adjustments.
- Profit decreased due to recording of decline in gain on bargain purchase and an impairment loss (extraordinary loss).

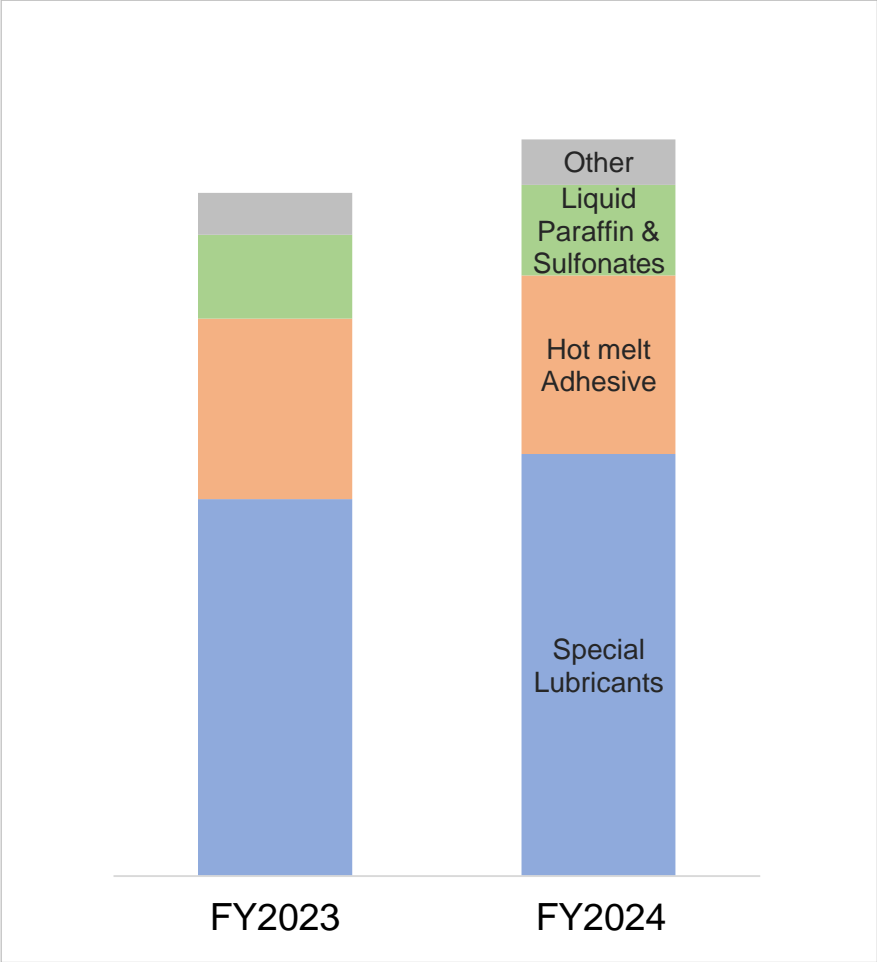
(Millions of yen)	FY2023	FY2024	Year-on-year change	
			Change in amount	Change in percentage
Net sales	31,886	34,374	+2,488	+7.8%
Gross profit	8,984	9,960	+976	+10.9%
SG&A	7,759	8,569	+810	+10.4%
Operating profit	1,225	1,391	+166	+13.6%
Non-operating profit (loss)	601	430	▲171	▲28.5%
Ordinary profit	1,826	1,821	▲5	▲0.3%
Profit before tax	2,055	1,585	▲470	▲22.9%
Profit*	1,283	1,013	▲270	▲21.1%

* Profit attributable to owners of parent.

Net sales by Division

- Hard disk surface lubricants showed stable performance. (Special Lubricants Division)
- Demand for liquid paraffin recovered. (Liquid Paraffin & Sulfonates Division)

(Millions of yen)	FY2023	FY2024	Year-on-year change	
			Change in amount	Change in percentage
Special Lubricants Division	17,584	19,697	+2,113	+ 12.0%
Hot melt Adhesive Division	8,430	8,332	▲98	▲1.2%
Liquid Paraffin & Sulfonates Division	3,909	4,234	+ 325	+ 8.3%
Other	1,964	2,110	+146	+ 7.4%
Total net sales	31,886	34,374	+ 2,488	+ 7.8%



Special Lubricants Division

[Net sales] **Up 12.0%** year on year (¥19,697 million) [Sales volume] **Up 2.1%** year on year

DC (die casting) fluids

- Despite advancement in sales of high-value-added products, overall sales decreased due to lower operating rates of customers.

Cutting fluids

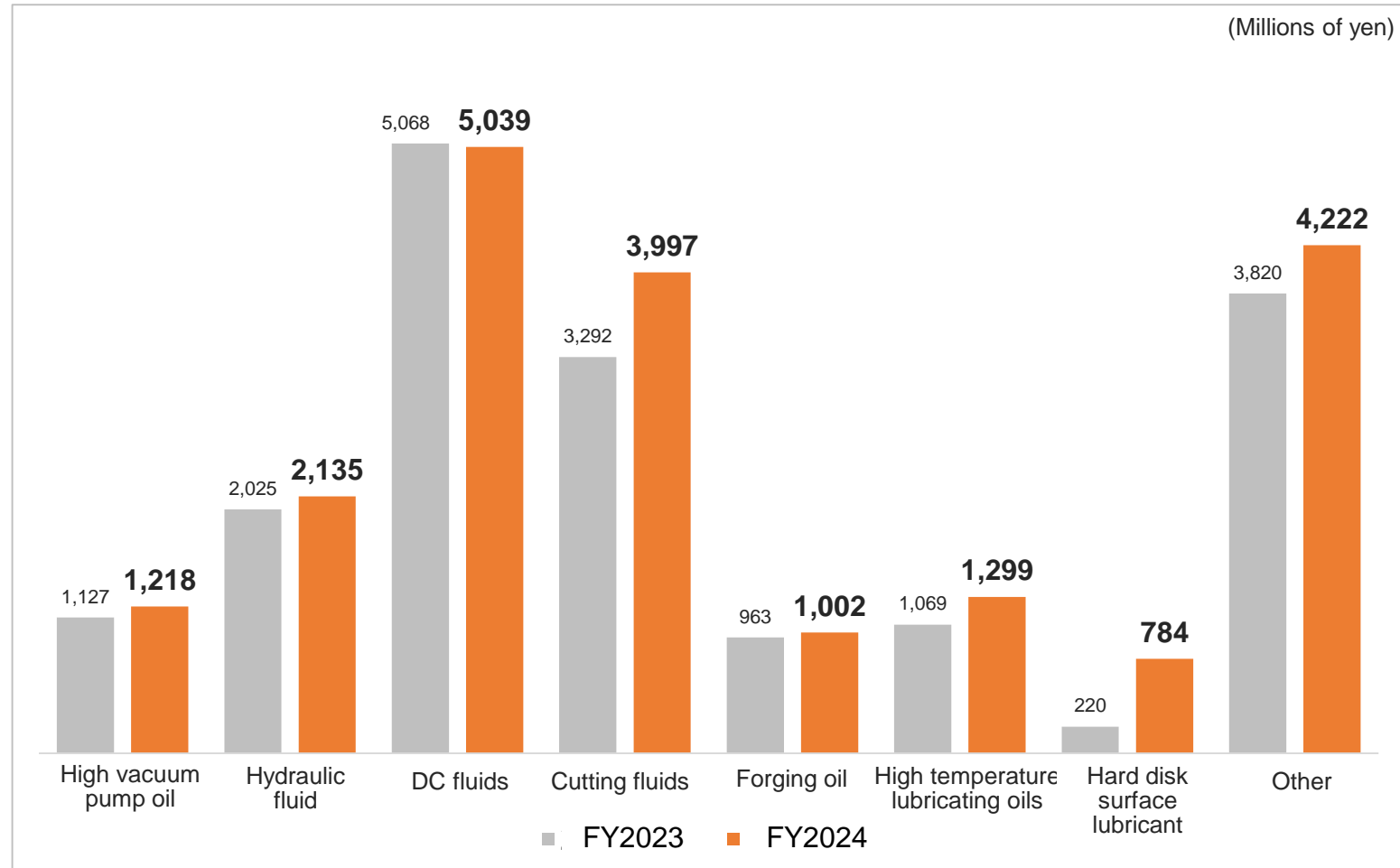
- Japan and China showed steady performance. Sales increased due partly to business acquisition in North America.

High temperature lubricating oils

- Sales increased due to an increase in demand and price adjustments.

HD (hard disk) surface lubricant

- Sales increased due to an increase in demand.



Hot melt Adhesive Division

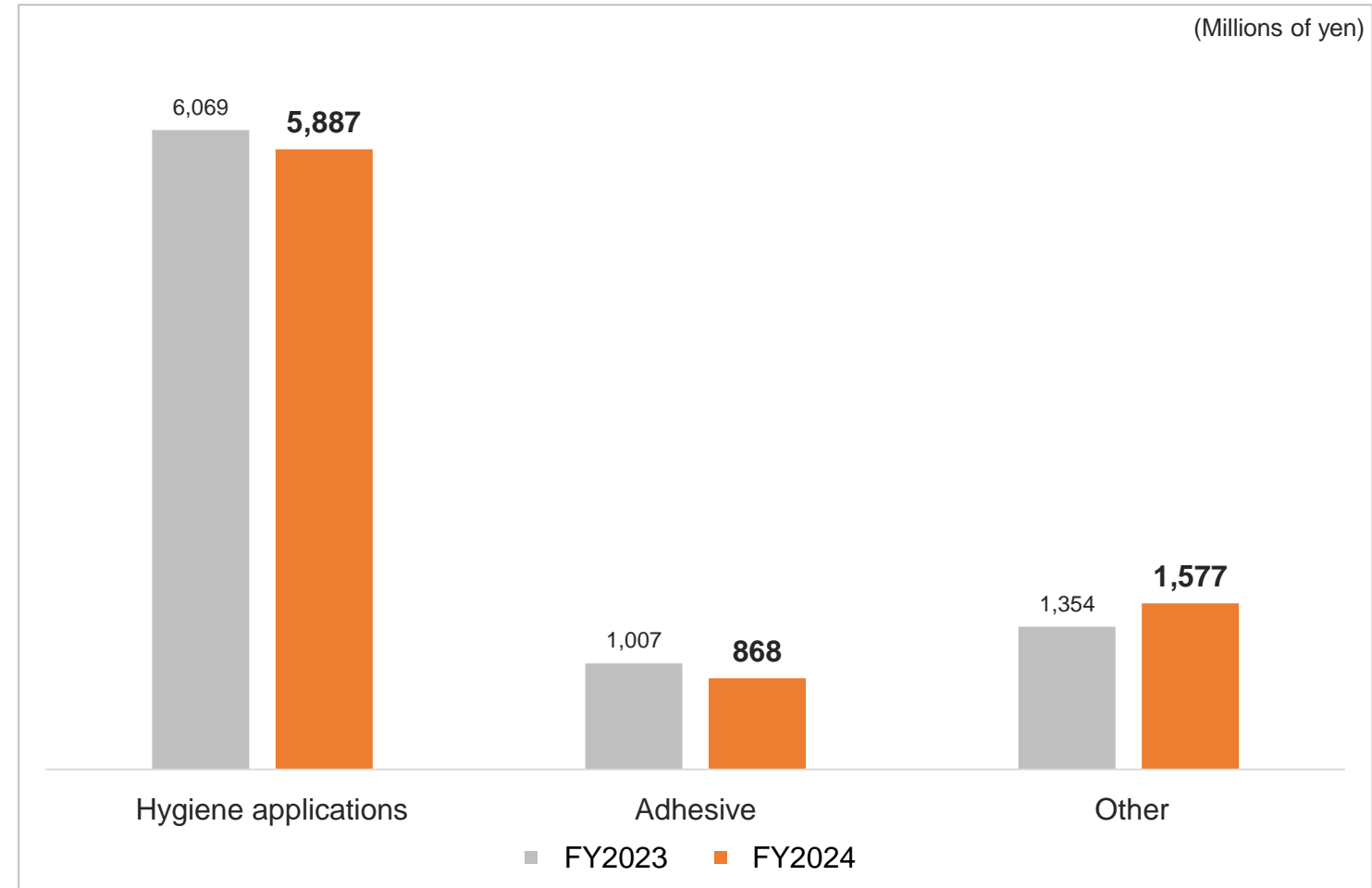
[Net sales] **Down 1.2%** year on year (¥8,332 million) [Sales volume] **Down 0.8%** year on year

Hygiene applications

- Sales volume decreased mainly in Japan and Southeast/South Asia. Sales decreased due partly to the impact of price competition.

Adhesive

- Sales decreased due to sluggish overseas demand.



Liquid Paraffin & Sulfonates Division

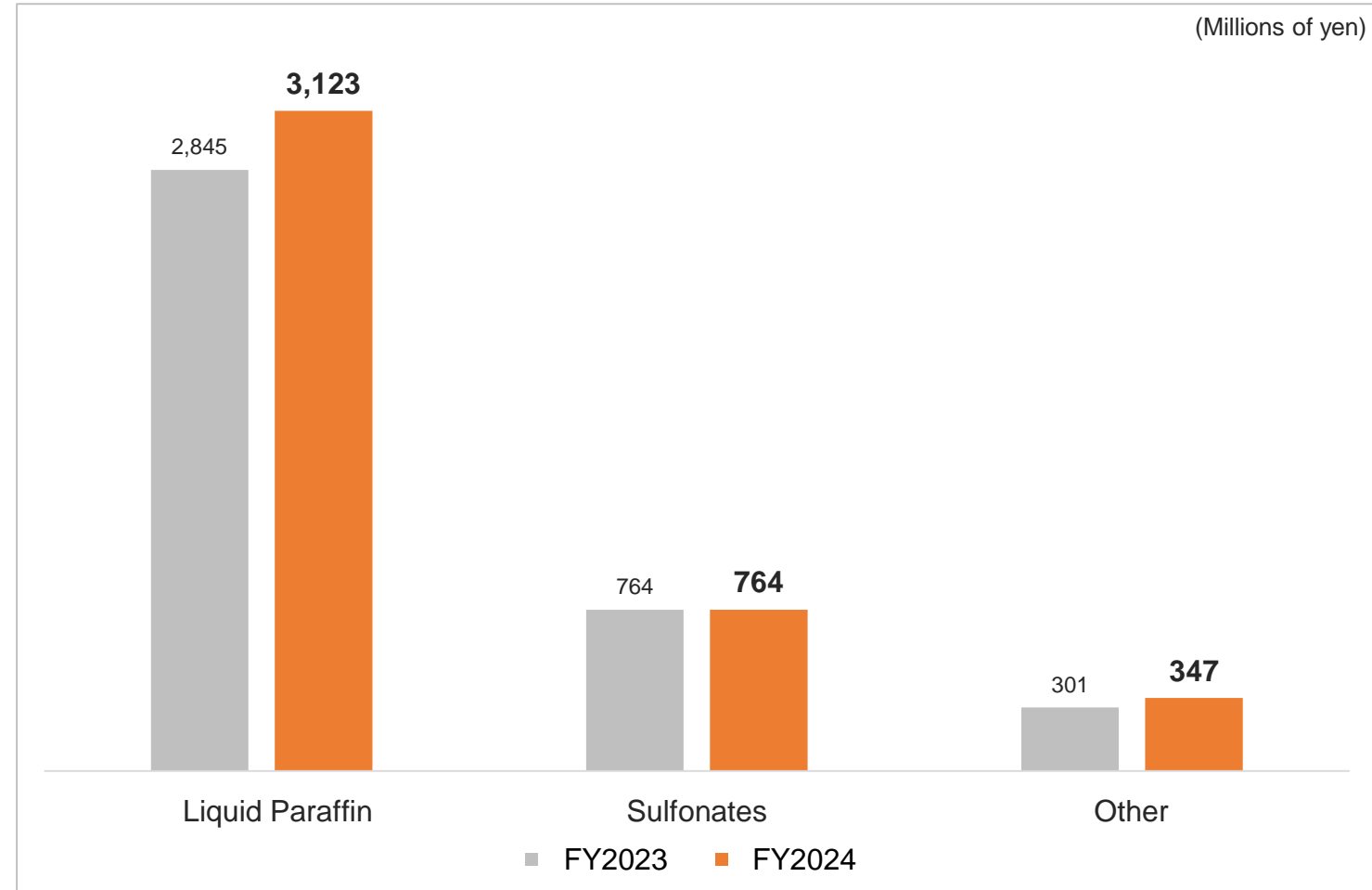
[Net sales] **Up 8.3%** year on year (¥4,234 million) [Sales volume] **Up 5.3%** year on year

Liquid Paraffin

- Products for polystyrene plasticizer applications showed steady performance.
- Sales for cosmetic applications were moderate.

Sulfonates

- Net sales remained at the same level as the previous year amid sluggish demand.



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Consolidated Statement of Income

Net sales

- An increase in sales of Special Lubricants Division
- Recovery in demand in Liquid Paraffin & Sulfonates Division

Operating Profit

- Adjustments of sales prices and sales expansion of high-value-added products
- An increase in R&D expenses

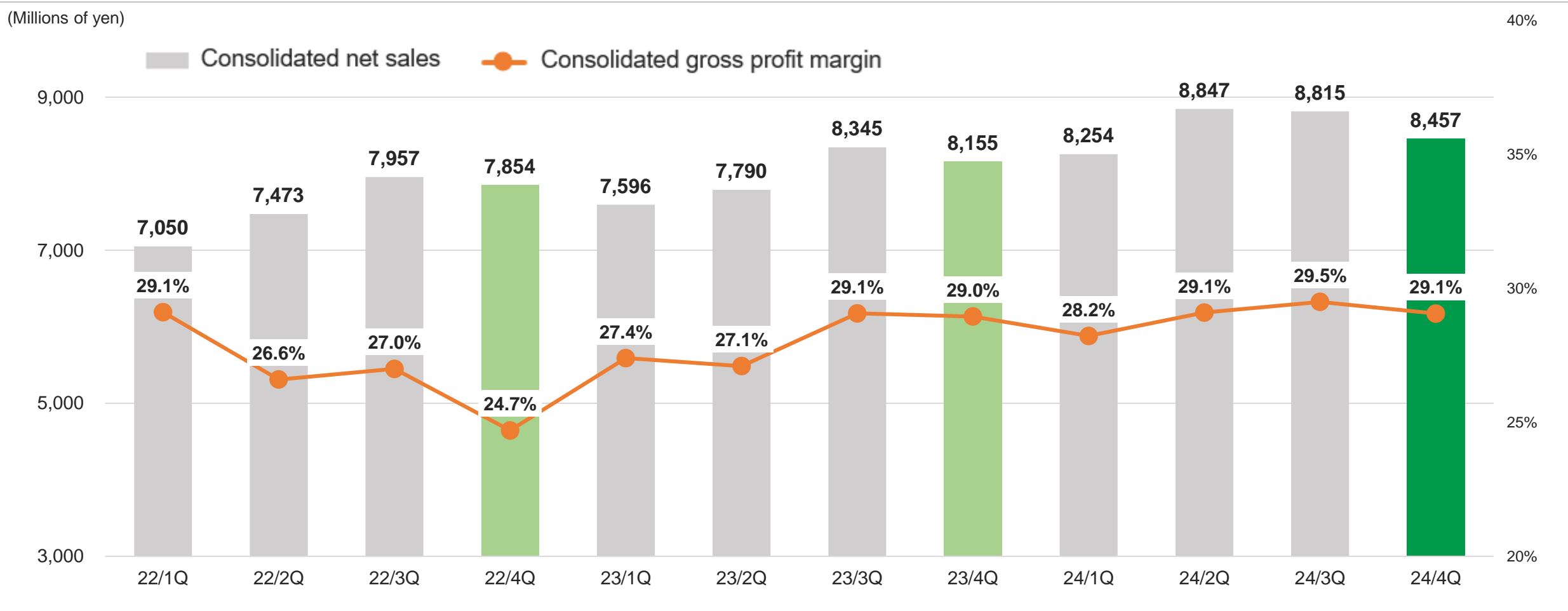
Profit

- A decrease in foreign exchange gains
- Recognition of impairment losses
- Gain on bargain purchase recognized in the previous year

(Millions of yen)	FY2023	FY2024	Year-on-year change	
			Change in amount	Change in percentage
Net sales	31,886	34,374	+ 2,488	+ 7.8%
Gross profit	8,984	9,960	+ 976	+ 10.9%
SG&A	7,759	8,569	+ 810	+ 10.4%
R&D expenses	(1,321)	(1,599)	+ 278	+ 21.0%
Operating profit	1,225	1,391	+ 166	+ 13.6%
Non-operating profit (loss)	601	430	▲171	▲28.5%
Ordinary profit	1,826	1,821	▲5	▲0.3%
Ordinary profit	2,055	1,585	▲470	▲22.9%
Profit	1,283	1,013	▲270	▲21.1%

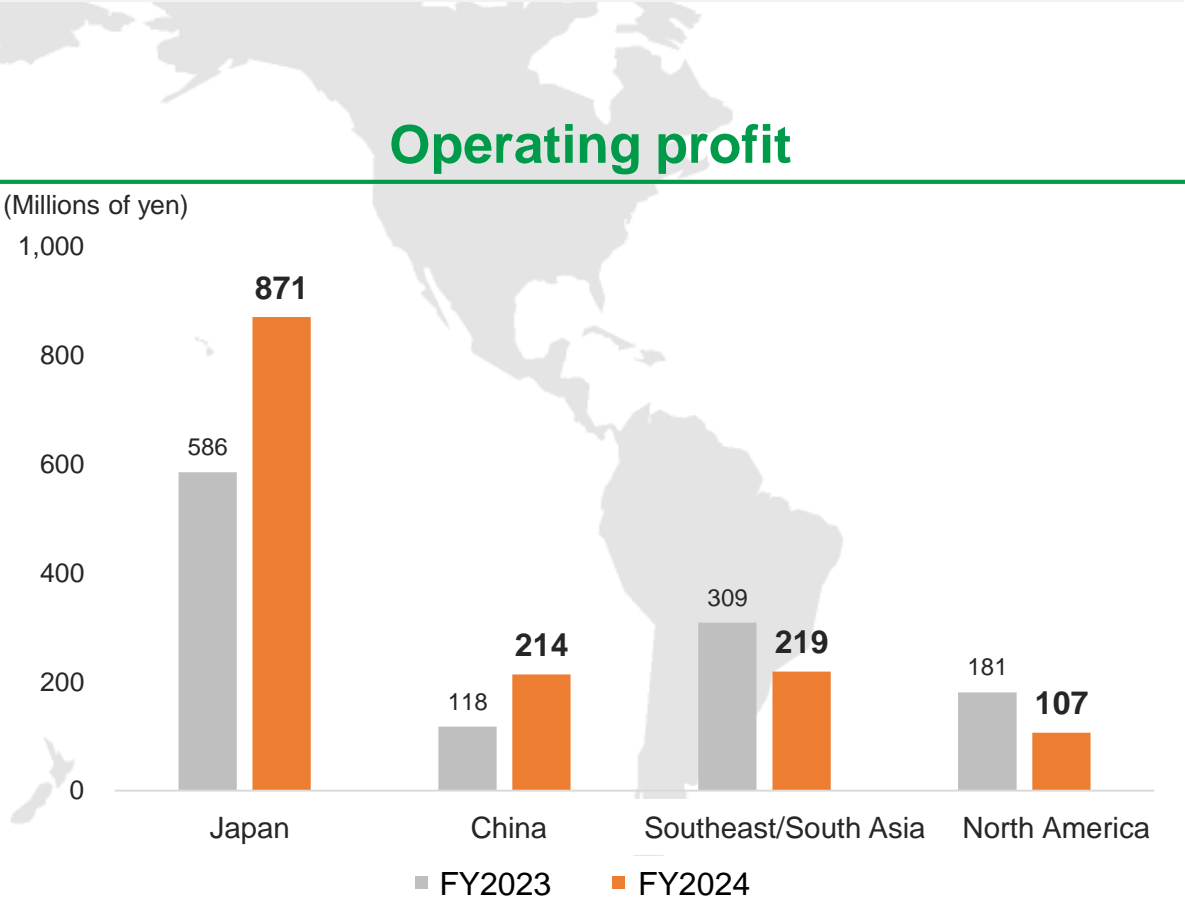
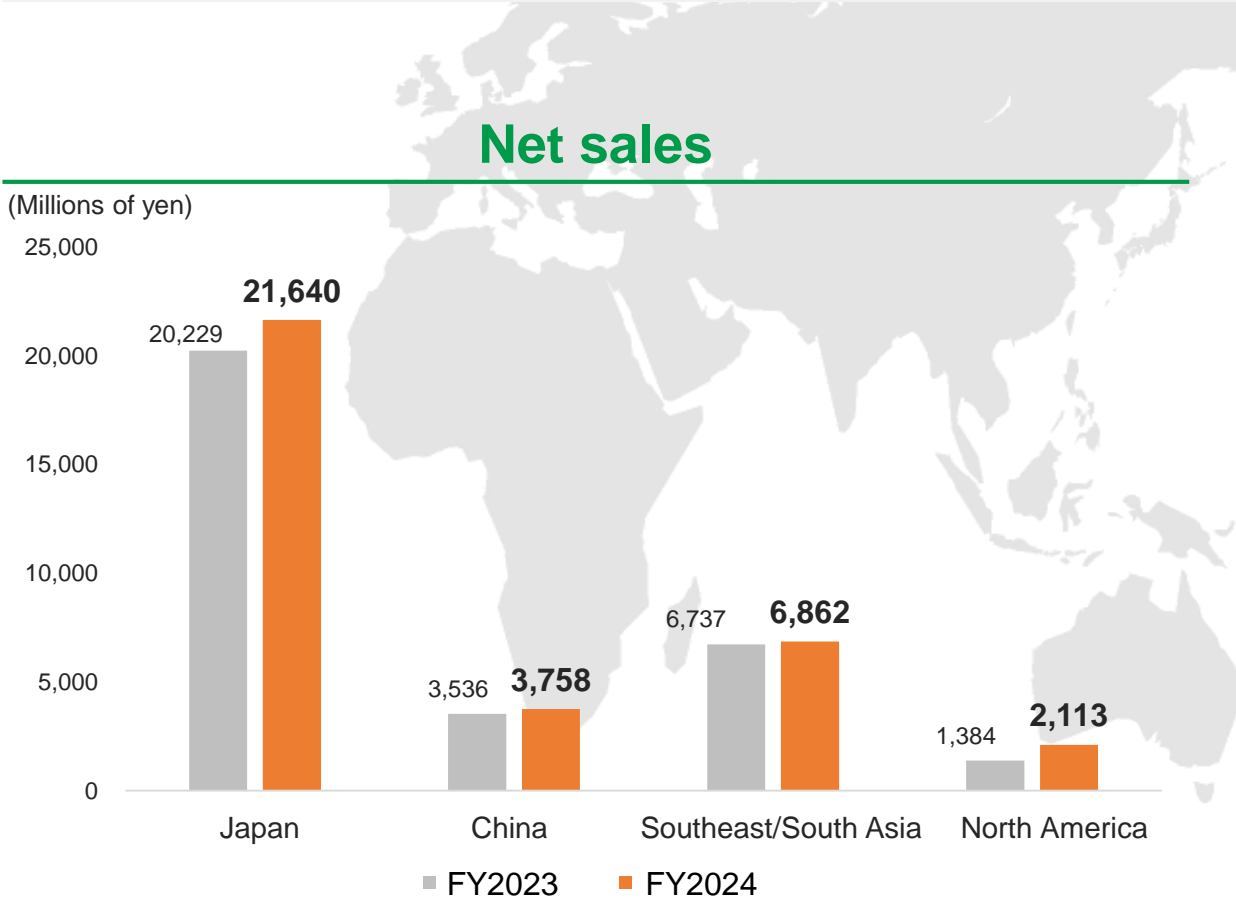
Trends in Consolidated Net sales and Consolidated Gross Profit Margin (quarterly)

- Consolidated net sales exceeded the level of the previous year, maintaining an increasing trend.
- Consolidated gross profit margin remained at around 29%.



Consolidated Segment Profits and Losses

[Japan]	Sales increased due to stable performance of heat transfer medium and hard disk surface lubricants, and profit increased thanks to progress in price adjustments.
[China]	The automobile production volume in China as a whole increased. Both sales and profit increased due to robust sales of hot melt adhesives.
[Southeast/South Asia]	Sales increased due partly to an increase in sales of lubricants to new customers. Profit of the entire segment decreased, reflecting a decrease in sales of hot melt adhesives.
[North America]	Sales increased as a result of making the acquired business a consolidated subsidiary. Profit decreased due to an increase in expenses for integration.



Consolidated Balance sheet

Inventories	
• Products	+ 355
Property, plant and equipment	
• Land	+ 273
Investments and other	
• Investments in capital of subsidiaries and associates	+ 340
Interest-bearing liabilities	
• Long-term borrowings	▲ 1,125
Treasury shares	+ 88
Accumulated comprehensive income	
• Foreign currency translation adjustment	+ 1,010

(Millions of yen)		Change in amount			Change in amount
Cash and deposits	5,508	▲ 128	Trade payables	5,000	+ 92
Trade receivables	8,131	+ 189	Interest-bearing liabilities	5,117	▲ 988
Inventories	7,126	+ 439	Other current liabilities	2,185	+ 273
Other	495	▲ 230	Other non-current liabilities	986	▲ 20
Total current assets	21,260	+ 271	Total liabilities	13,288	▲ 643
Property, plant and equipment	10,414	+ 274	Share capital/capital surplus	4,090	+ 1
Intangible assets	1,372	+ 144	Retained earnings	15,273	+ 599
Investments and other	5,251	+ 556	Treasury shares	△ 649	+ 88
			Accumulated comprehensive income	2,972	+ 1,048
			Non-controlling interests	3,324	+ 328
Total non-current assets	17,037	+ 974	Total net assets	25,009	+ 1,887
Total assets	38,297	1,244	Total liabilities and capital	38,297	+ 1,244

Consolidated Cash flow

➤ Factors behind change

(Millions of yen)

Operating cash flow

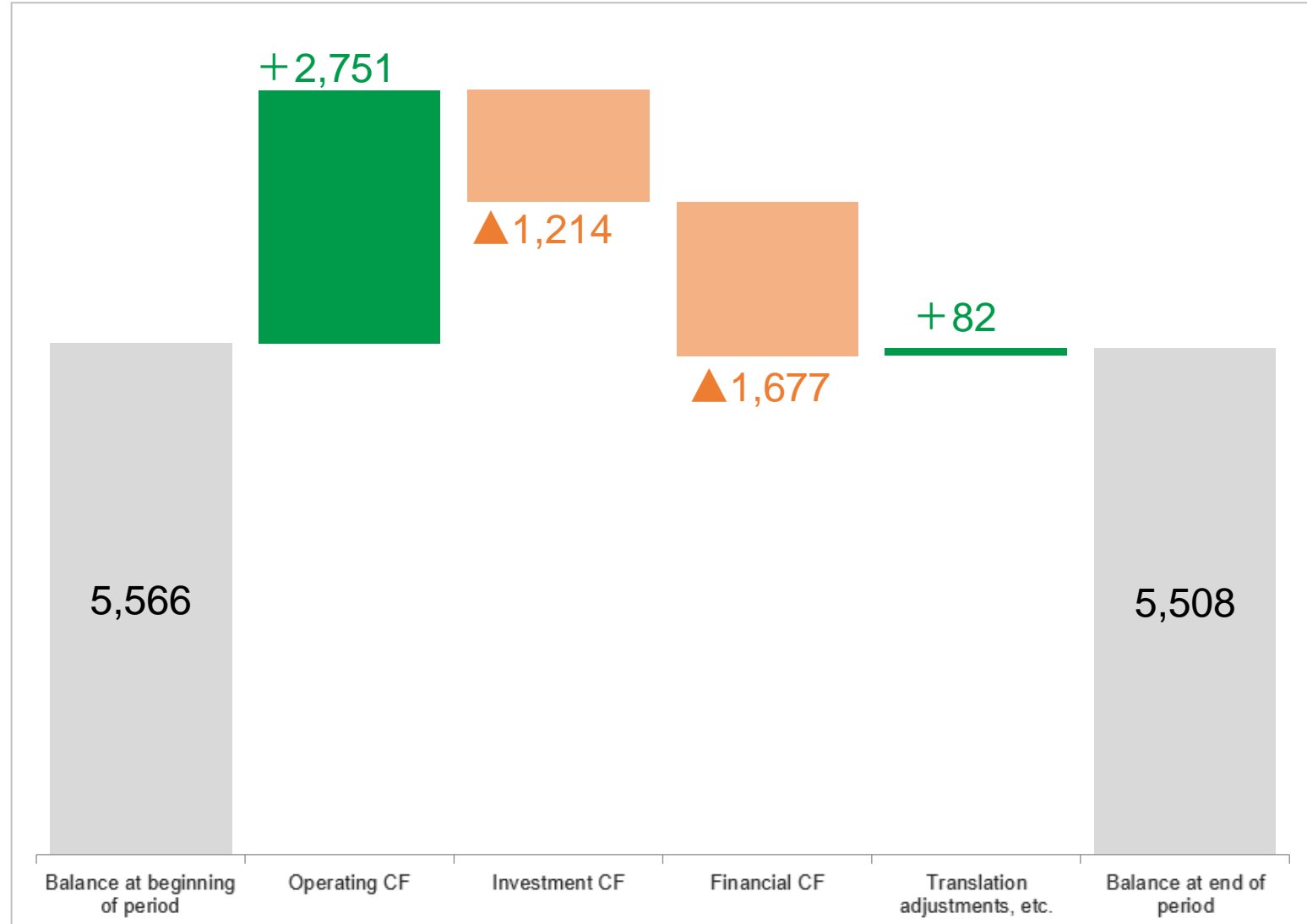
- Profit before income taxes +1,585
- Depreciation +1,295
- Share of profit of entities accounted for using equity method ▲221

Investment cash flow

- Purchase of property, plant and equipment ▲969

Financial cash flow

- Repayments of long-term borrowings ▲899
- Purchase of treasury shares ▲100
- Dividends paid ▲414



FY2025 Earnings Forecast

Premises of the full-year forecasts

- Crude oil price: 79.5\$/b
- Exchange rate: \$145 dollars/¥1

Dividend/share (forecasts)

- ¥45 (Interim: ¥20; year-end: ¥25)

	FY2024 results	FY2025 forecasts	Year-on-year change	
			Change in amount	Change in percentage
(Millions of yen)				
Net sales	34,374	36,500	+ 2,126	+ 6.2%
Operating profit	1,391	1,750	+ 359	+ 25.8%
Ordinary profit	1,821	2,100	+ 279	+ 15.3%
Profit*	1,013	1,300	+ 287	+ 28.3%

* Profit attributable to owners of parent.
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Topics for FY2024 (Accelerating involvement in nuclear fusion power generation)

- MORESCO contributes to the development of nuclear fusion equipment with its radiation resistant lubricating oil.
- We are the first lubricant manufacturer to be accepted as a member of the Japan Fusion Energy Council (J-Fusion).

Our radiation resistant lubricating oil (MORESCO-HIRAD)

- ✓ Our radiation resistant lubricating oil (MORESCO-HIRAD) has the world highest level radiation resistance and hardly deteriorates even in an environment under high radiation levels, such as a nuclear power plant, an accelerator, and the Fukushima nuclear power plant decommissioning site, contributing to the long-term stable and safe operation of the facilities in terms of lubrication.

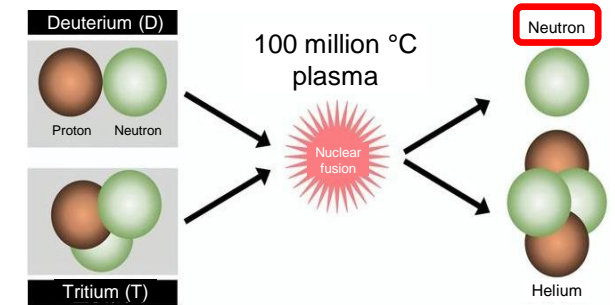


Our external activities related to nuclear fusion power generation

- ✓ As the only company capable of providing lubrication for nuclear fusion power generation, we are expanding our presence through repeated technical/contribution presentations by our professional employees.
 - Fusion Power World (November 2024)
 - The QST Symposium (December 2024)
 - Annual Symposium on the ITER/BA Activities (January 2025)
 - Renewable Energy Exhibition (January 2025)

[What is **nuclear fusion power generation**?]

- ✓ Nuclear fusion power generation uses neutrons released when the nuclei of deuterium and tritium are collided and fused at an extremely high temperature and speed, similar to the process that occurs inside the sun, as the heat source for power generation.



- ✓ Deuterium, which serves as fuel, is virtually inexhaustible in seawater. One gram of this fuel is expected to generate as much power as 8 tons of petroleum. Also producing little radioactive waste, it is a safe, CO₂-free next-generation technology.

[What is **J-Fusion**?]

- ✓ It is a non-profit corporation established in March 2024 under the leadership of the Cabinet Office, based on the government's **Fusion Energy Innovation Strategy**, with the aim of contributing to the development of humankind through the creation of a nuclear fusion industry that will provide stable and clean energy for the future.

Topics for FY2024 (Special Lubricants Division)

- [PFAS-free lubricant] Developed a lubricant for semiconductor manufacturing equipment and promoted sample work both in Japan and overseas.
- [Die casting lubricant] Increased track record in the gigacast field in China. Expansion to Japanese manufacturers is planned for the future.

Initiatives for PFAS-free lubricant

- ✓ The fluorine grease market (worldwide) is expected to grow from 70 billion yen in 2022 to over 100 billion yen by 2028.
- ✓ MORESCO will promote PFAS-free products in the semiconductor manufacturing equipment market and industrial machinery market.

(Business schedule)

- From 2024: Progress with sample evaluation
- From 2026: Start of product sales (mainly electronic components)
- From 2028: Sales expansion (expansion from electronic components to industrial machinery)
- From 2030: Positioning as a main product

[What is PFAS-free?]

- ✓ PFAS (Per- and Polyfluoroalkyl substances) products are industrial lubricants that offer low friction and high durability and play a role in reducing wear on components even in a harsh environment. However, they are generally called “forever chemicals” because they are difficult to break down in the natural environment or within the human body, and there are concerns about their potential adverse effects on health and the environment due to accumulation.
- ✓ Under these circumstances, bio-based materials and silicon-based materials that **do not contain PFAS (PFAS-free materials)** are beginning to be used as alternatives for industrial products.

Initiatives for die casting lubricants in the gigacast field

- ✓ China
 - Accumulated track record of supplying products to major vehicle manufacturers and emerging EV manufacturers (2024)
- ✓ North America
 - Working to expand into manufacturing bases of Chinese manufacturers (2025)
- ✓ Japan
 - Promoting sample evaluation (from 2025)
 - * Japanese manufacturers are planning mass production in China and the United States.

Topics for FY2024 (Sealant for perovskite)

- We are accelerating efforts for the early development of sealants for perovskite (PSC), such as collaborating with the Technology Collaboration Consortium (Prof. Miyasaka, Toin University of Yokohama) and joining the Film Photovoltaic Research Consortium (Prof. Wakamiya, Kyoto University).

Examples of development activities in FY2024

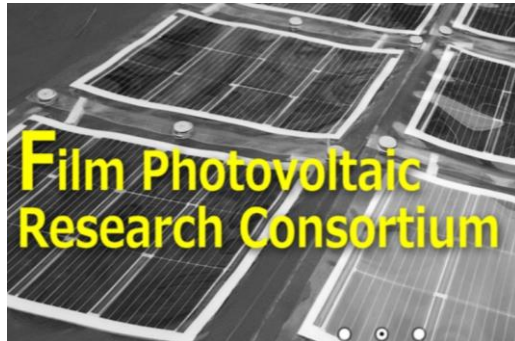
■ Collaboration with Prof. Miyasaka (Toin University of Yokohama)

- Our sealant applied to PSC installed for demonstration purposes at a farm in Takatsuki City (October 2024)

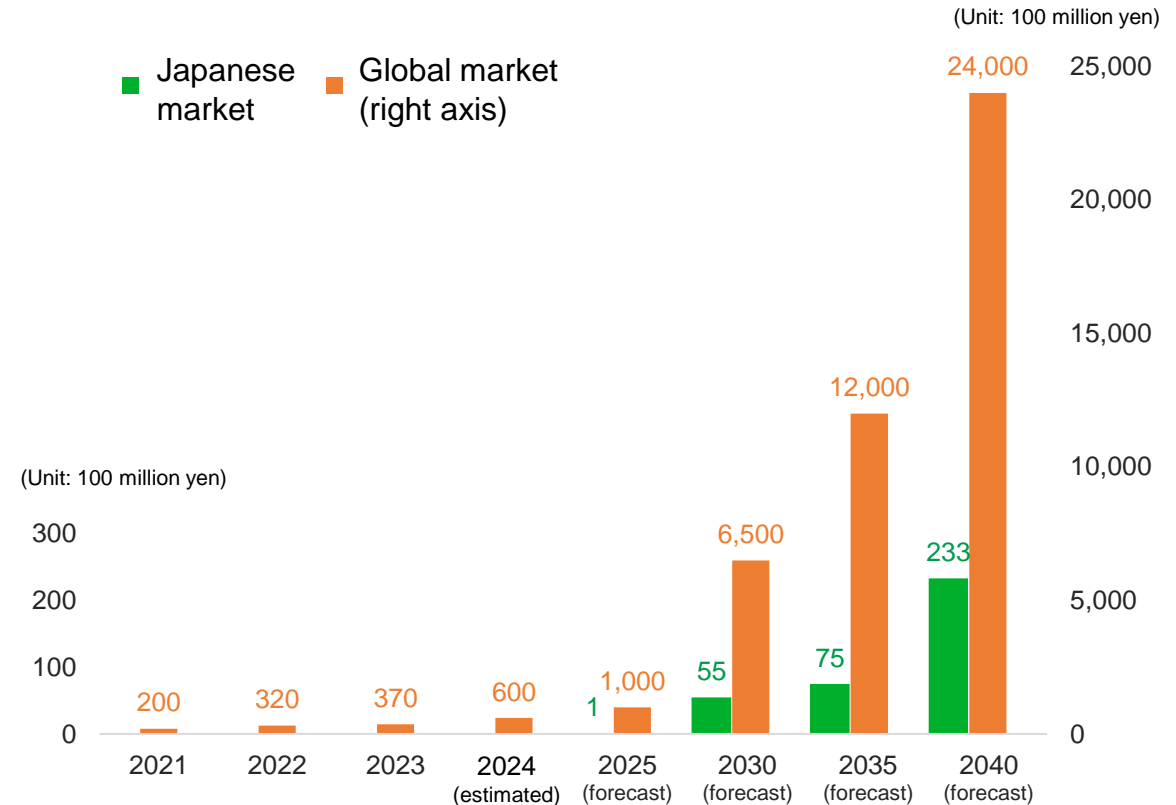


■ Joined the Film Photovoltaic Research Consortium* (April 1, 2025)

* Film Photovoltaic Research Consortium
It is a joint venture led by Professor Wakamiya of Kyoto University, established to accelerate the practical application of film photovoltaic cells (mainly perovskite solar cells). Companies from a wide range of fields are participating in this consortium.



(Reference) Market size for perovskite solar cells



Source: "Development trends and future outlook for new and next-generation photovoltaic batteries 2024" by Fuji Keizai
Note: Calculated on a calendar year basis (January to December) for the global market and on a fiscal year basis (April to March) for the Japanese market.

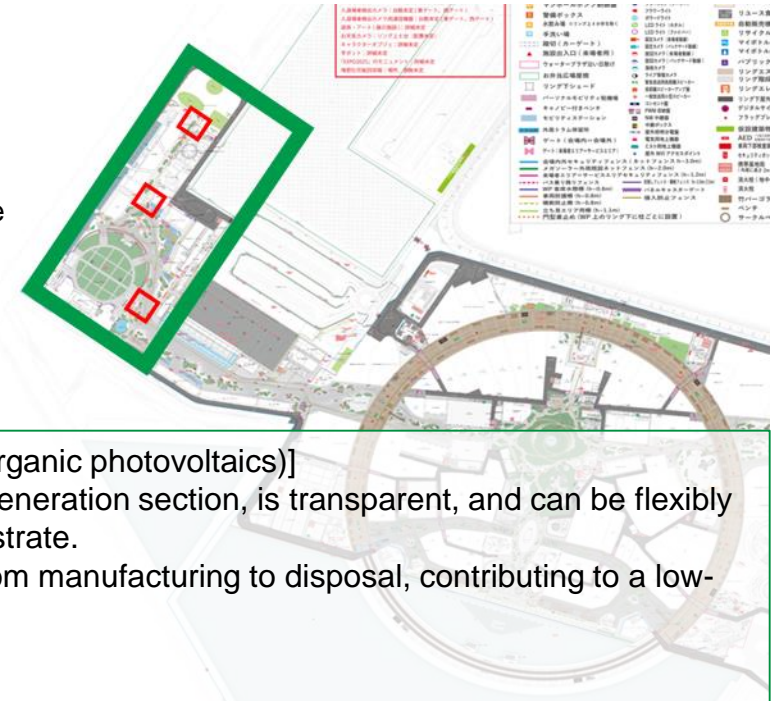
Topics for FY2024 (Expo 2025 Osaka, Kansai)

- MORESCO is supporting the Expo 2025 Osaka, Kansai, Japan, and has installed “OPTree2” structures, which are OPV (flexible organic photovoltaics) shaped like trees, at three locations within the venue.

Photo of an actual OPTree2



(Expo 2025 Osaka, Kansai)
April 13 to October 13, 2025
(Locations)
Installed at **three locations** within the Future City area



[Features of OPV (flexible organic photovoltaics)]

- OPV has a thin power generation section, is transparent, and can be flexibly fabricated on a film substrate.
- OPV emits little CO₂, from manufacturing to disposal, contributing to a low-carbon society.

[Features of OPTree2]

- The two curved leaves (green) are semi-transparent OPV and generate electricity.
- The electricity generated is charged to the battery inside the bench and can be used to charge smartphones and other devices via a USB cable.

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Review of the 10th Medium-Term Management Plan

(Basic policies)	(Major initiatives)	(Major achievements)
Promotion of Sustainability Management	<ul style="list-style-type: none"> Promotion of carbon neutrality Increasing MGS product sales ratio Efforts to reduce environmental impact 	<ul style="list-style-type: none"> Achieved GHG reduction rate of 36% in FY2024 (compared to FY2013).
Enhancement of Our Product Portfolio	<ul style="list-style-type: none"> Development and sales expansion of high-value-added products Response to circular economy 	<ul style="list-style-type: none"> Integrated Functional Fluids Division and Synthetic Lubricants Division to establish Special Lubricants Division. Accelerated the development of PFAS-free lubricant and other new products in the semiconductor field. In response to the circular economy, obtained certification as a certified wide-area business operator* in January 2025.
Creation of Next-Generation Business	<ul style="list-style-type: none"> Focus on life science business Development of technology to create non-petrochemical materials Promoting businesses related to perovskite solar cells 	<ul style="list-style-type: none"> Started online sales of our own cosmetics using our unique nanoemulsion. In the development of autophagy activating drugs, target protein discovery progressed. In the development of perovskite solar cells, demonstration experiments progressed and we joined the Film Photovoltaic Research Consortium.
Innovation of Business Processes	<ul style="list-style-type: none"> Innovation of production processes Promotion of DX Addressing logistics issues 	<ul style="list-style-type: none"> Accelerated and streamlined product development and improvement through the use of generative AI. In the Liquid Paraffin & Sulfonates Division, preparation for pilot production progressed with a view to the introduction of a new chemical treatment method (single-substance treatment method).
Improvement of the Return on Capital	<ul style="list-style-type: none"> Measures to improve PBR Shareholder returns Promotion of human capital management Strengthening IR activities 	<ul style="list-style-type: none"> Started creating ROIC reverse trees by Division and target management using ROIC indicators.
(Overseas strategy)		
Enhancement of global structure	<div> <div>[China]</div> <div>Early stabilization of operation of new plants, strengthening of development system</div> </div> <div> <div>[North America]</div> <div>Creating synergies through business acquisitions, etc.</div> </div> <div> <div>[Southeast/South Asia]</div> <div>Enhancement of R&D function in Thailand</div> </div>	<ul style="list-style-type: none"> Enhancement of R&D systems advanced mainly in Thailand and China. Production at the new plant in China has stabilized.

* The wide-area certification system is a system in which manufacturers, processors, and distributors of products (manufacturers, etc.) obtain certification from the Minister of the Environment to collect waste from their own products and recycle them into raw materials for products or properly dispose of them.

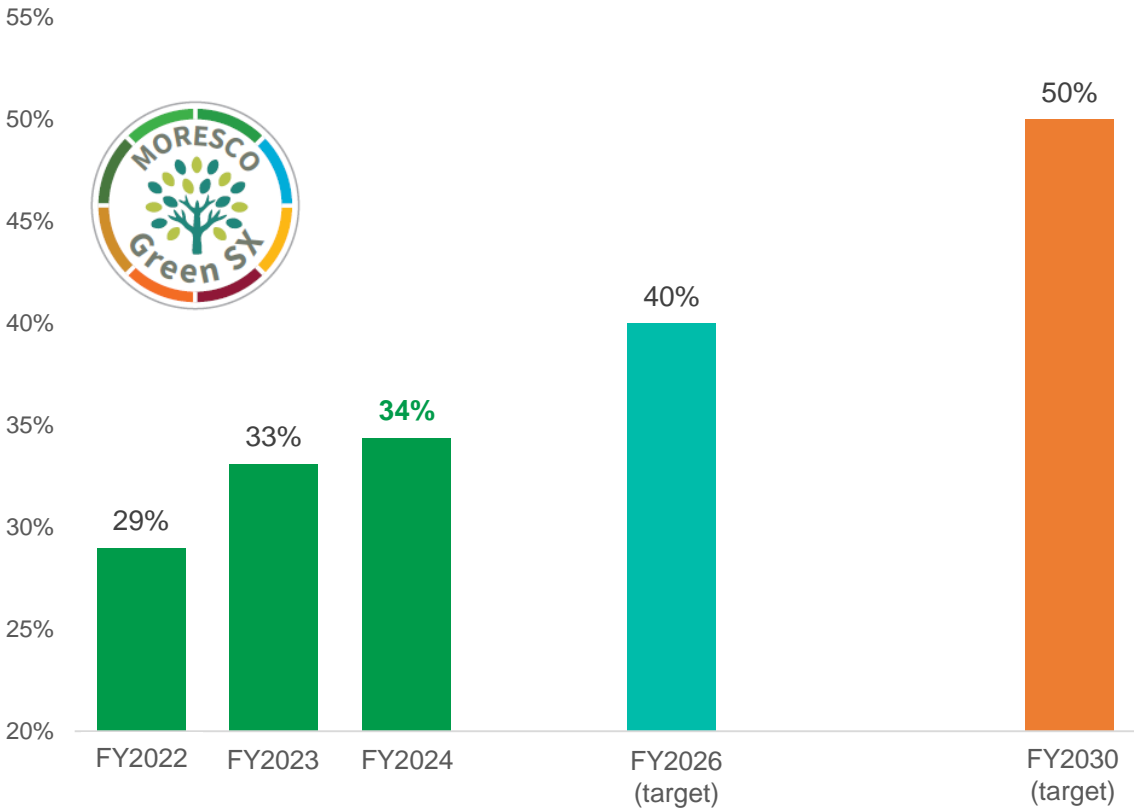
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MORESCO Green SX (MGS) Products Sales Ratio

➤ To achieve the FY2026 target (40%), we will accelerate efforts to improve existing products to make them MGS products and also efforts to develop new MGS products.

MGS products sales ratio targets



MGS products

Water soluble cutting fluids
MORESCO TOOLMATE GR-5

- Environmental conservation
- Building of a better workplace



UF/RO membrane wastewater treatment equipment
UMO series, MK series

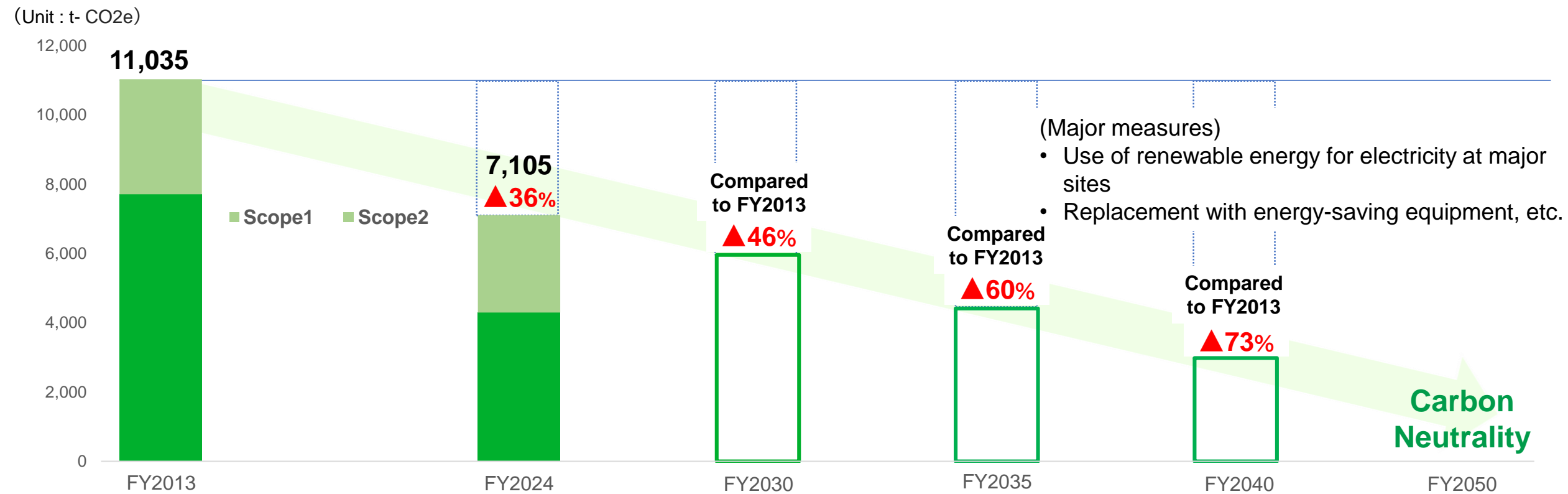
- Reduction of CO₂ emissions
- Building of a better workplace
- Energy conservation
- Contribution to industrial development
- Environmental conservation



Roadmap to Carbon Neutrality

- Revised our roadmap in response to the decision on Japan's next reduction target (NDC: Nationally Determined Contribution) released in February 2025.
- 60% reduction in GHG emissions from internal energy consumption by 2035 and 73% reduction by 2040 (compared to FY2013)

Roadmap to Carbon Neutrality





MORESCO Group delivers sustainable one-of-a-kind products

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