

# MORESCO Corporation

## The 68th 1Q Financial Report

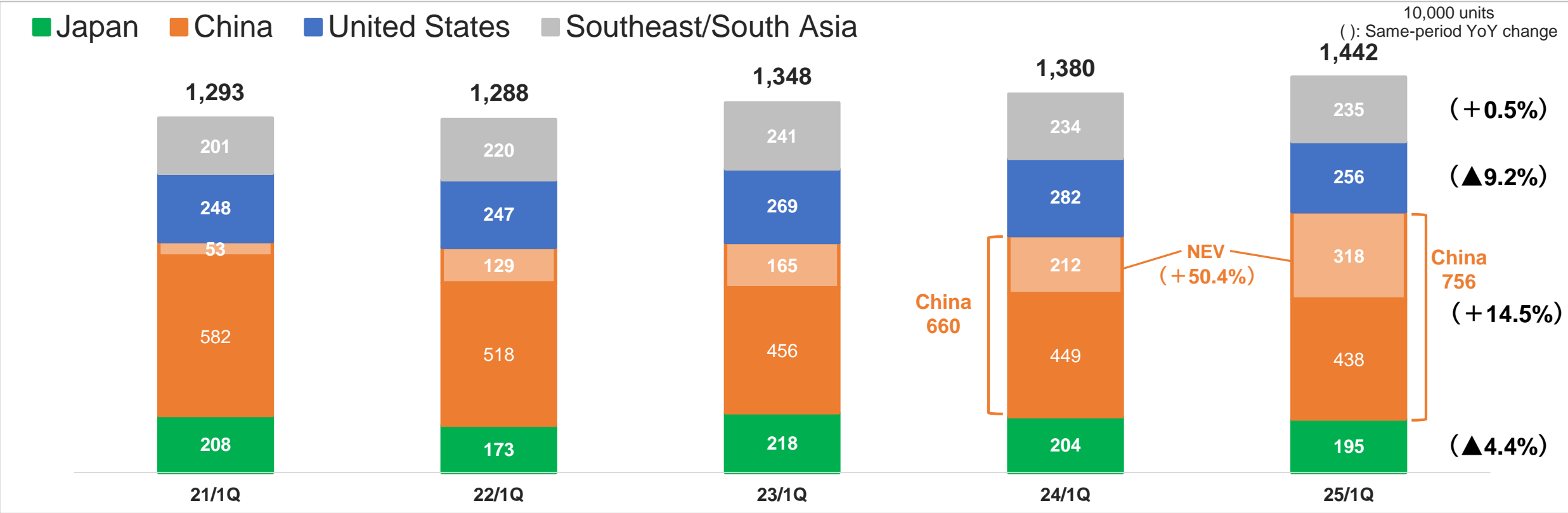
(From March 1, 2025 to May 31, 2025)

Tokyo Stock Exchange Standard Market 5018 (Petroleum and Coal Products)

July 18, 2025

- Domestic production volume in Japan declined by 4.4% year-on-year, reflecting sluggish performance. In the United States, production saw a significant decrease.
- In China, strong performance in new energy vehicles led to an overall increase of 14.5%.

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

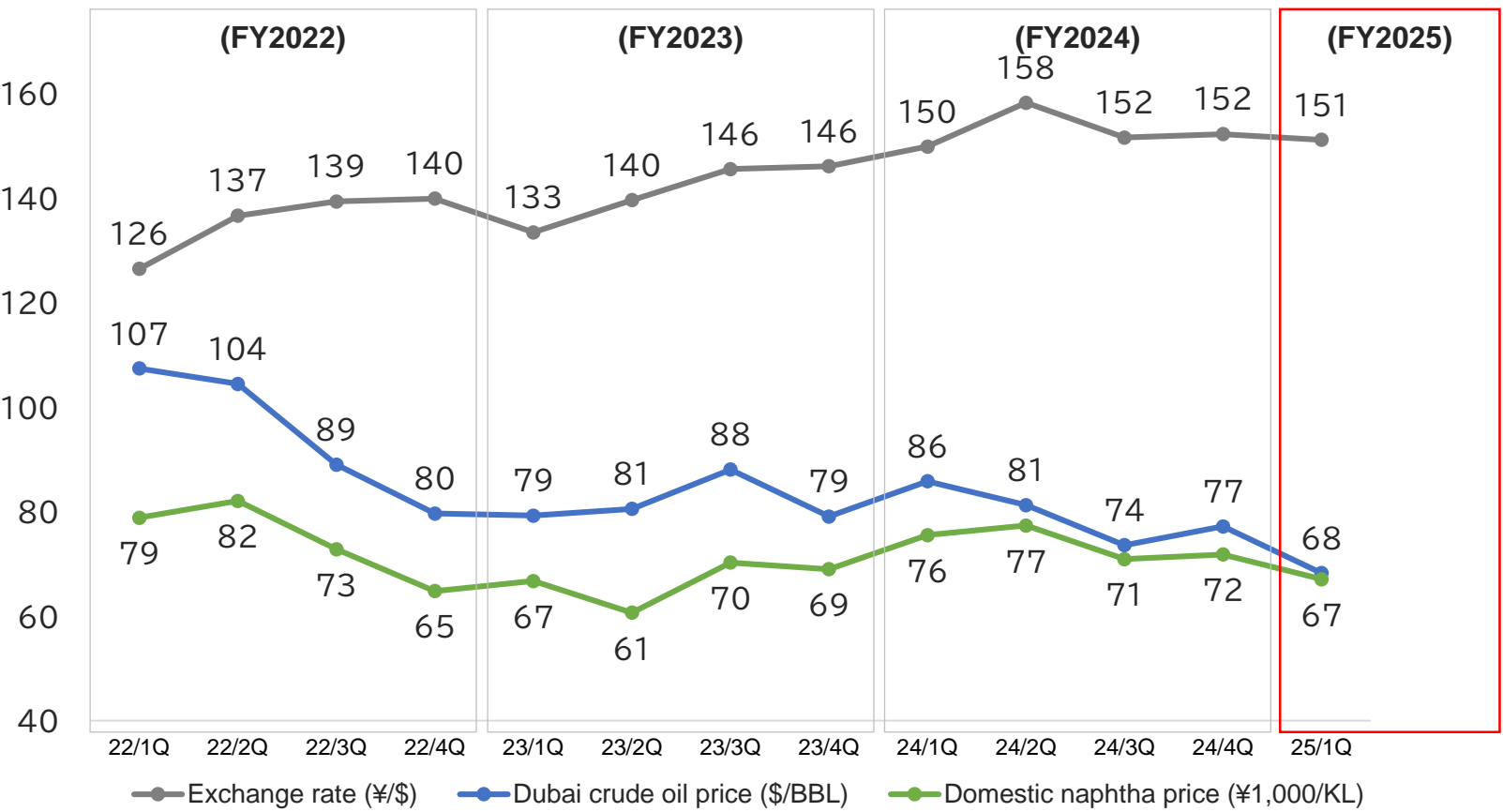


Source: Prepared by MORESCO based on data released by MarkLines Co., Ltd.  
Note 1: Data is aggregated based on MORESCO's fiscal year (Japan: March to May, overseas: January to March).  
Note 2: Data for Southeast/South Asia includes only Thailand, Indonesia, and India, where we have operating sites.

Business Environment - Trends in foreign exchange, crude oil and naphtha prices

- During the period, the USD/JPY exchange rate generally remained at a level indicative of yen depreciation.
- Crude oil prices trended downward and fell below the planned levels.

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



Comparison with the plan

	FY2024 (Average from January to March)	FY2025 Plan	Vs. Plan
Exchange rate (\$/¥)	151.2	145.0	+6.2
Crude oil price (\$/BBL)	68.2	79.5	-11.3
Domestic naphtha price (¥1,000/KL)	67.1	-	-

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

# Consolidated Statement of Income

## ➤ Net sales

- Revenue increased due to higher sales in the Liquid Paraffin & Sulfonates Division and price adjustments, primarily in the Special Lubricants Division.

## ➤ Operating Profit

- Profit increased due to the absence of the temporary rise in R&D expenses seen in the same period of the previous year, along with reductions in cost of sales and effective control of SG&A.

## ➤ Net income

- Ordinary profit and net income declined due to the impact of exchange rate fluctuations.

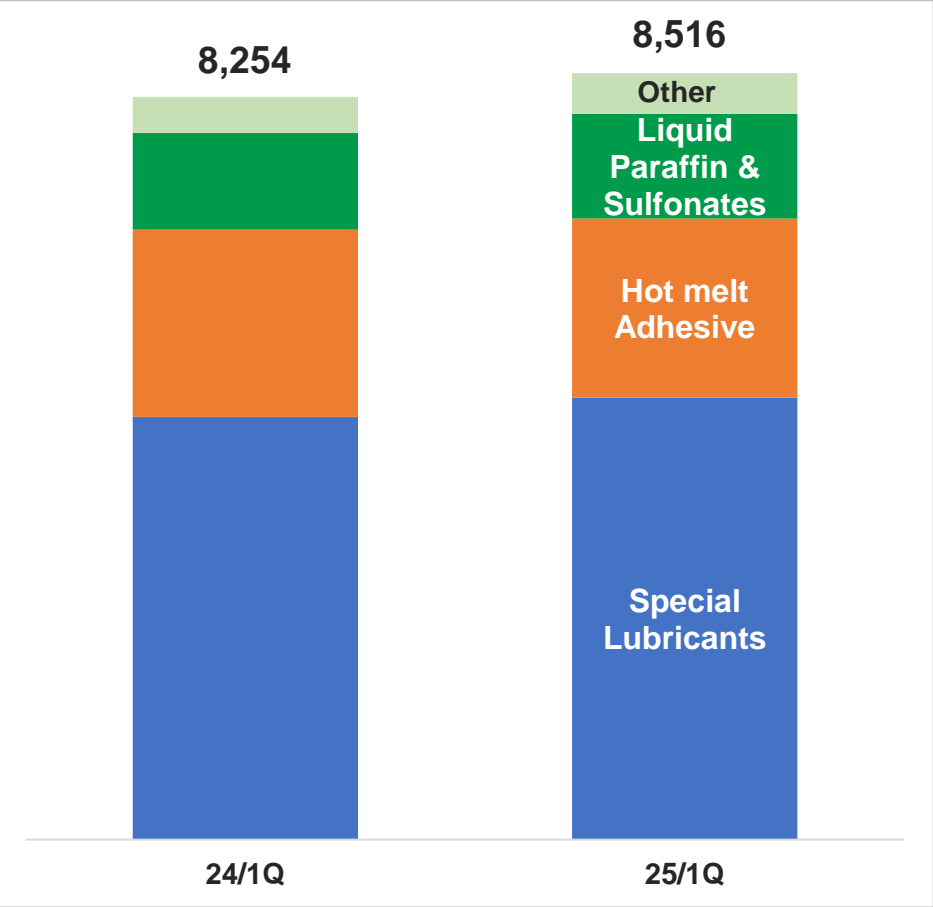
(Millions of yen)	24/1Q	25/1Q	Same-period YoY change	
			Change in amount	Change in percentage
<b>Net sales</b>	8,254	<b>8,516</b>	<b>+261</b>	<b>+3.2%</b>
Gross profit	2,330	<b>2,608</b>	<b>+ 278</b>	<b>+11.9%</b>
SG&A	2,140	<b>2,088</b>	<b>▲52</b>	<b>▲2.4%</b>
<b>Operating profit</b>	189	<b>520</b>	<b>+ 330</b>	<b>174.4%</b>
Non-operating profit (loss)	260	<b>▲78</b>	<b>▲338</b>	<b>▲129.8%</b>
Ordinary profit	450	<b>441</b>	<b>▲9</b>	<b>▲1.9%</b>
Profit before tax	402	<b>438</b>	<b>+ 36</b>	<b>+ 9.0%</b>
<b>Profit*</b>	250	<b>237</b>	<b>▲12</b>	<b>▲4.9%</b>

\* Profit attributable to owners of the parent

# Net sales by Division

- Revenue increased, driven by higher sales in the Special Lubricants Division and the Liquid Paraffin & Sulfonates Division.

(Millions of yen)	24/1Q	25/1Q	Same-period YoY change	
			Change in amount	Change in percentage
Special Lubricants Division	4,696	<b>4,909</b>	+ 213	+ 4.5%
Hot melt Adhesive Division	2,081	<b>1,994</b>	▲ 87	▲ 4.2%
Liquid Paraffin & Sulfonates Division	1,076	<b>1,162</b>	+ 86	+ 8.0%
Other	401	<b>450</b>	+ 49	+ 12.2%
Total net sales	8,254	<b>8,516</b>	+ 261	+ 3.2%



# Special Lubricants Division

**[Net sales] Up 4.5%** same-period YoY (¥4,909 million) **[Sales volume] Up 2.2%** same-period YoY

## ➤ DC (die casting) fluids

- The decline in domestic demand in Japan and weak performance in China had an impact.

## ➤ Cutting fluids

- Sales increased both domestically and internationally.

## ➤ High temperature lubricating oils

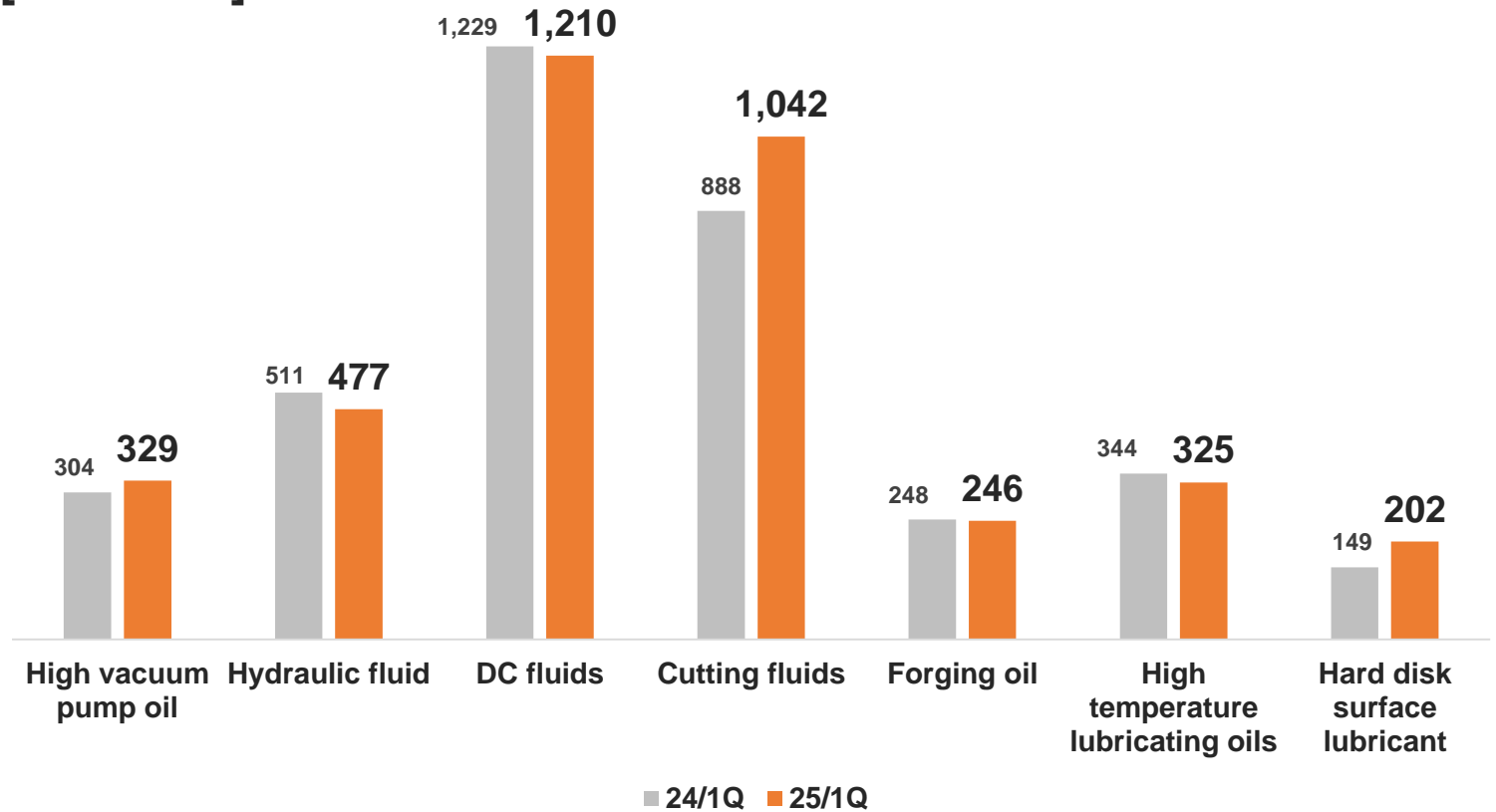
- Domestic demand remained sluggish.

## ➤ HD (hard disk) surface lubricant

- Demand from key customers remained at a high level.

### [Net Sales]

(Millions of yen)



# Hot melt Adhesive Division

[Net sales] **Down 4.2%** same-period YoY (¥1,994 million) [Sales volume] **Down 3.3%** same-period YoY

## ➤ Hygiene applications

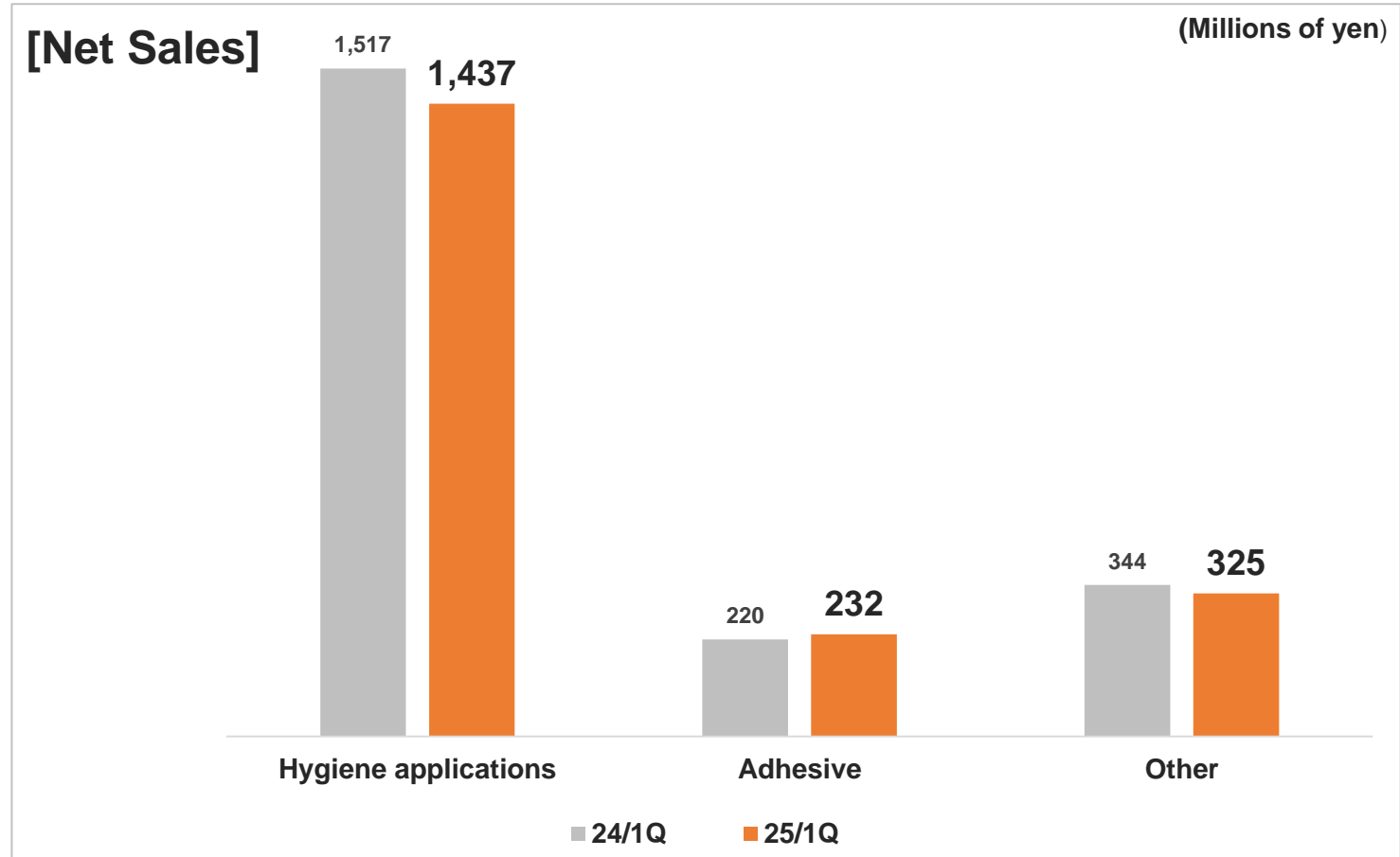
- Demand declined in both Japan and China.

## ➤ Adhesive

- Performance was strong in Japan and Southeast Asia.

## ➤ Other

- Sales declined in China.



# Liquid Paraffin & Sulfonates Division

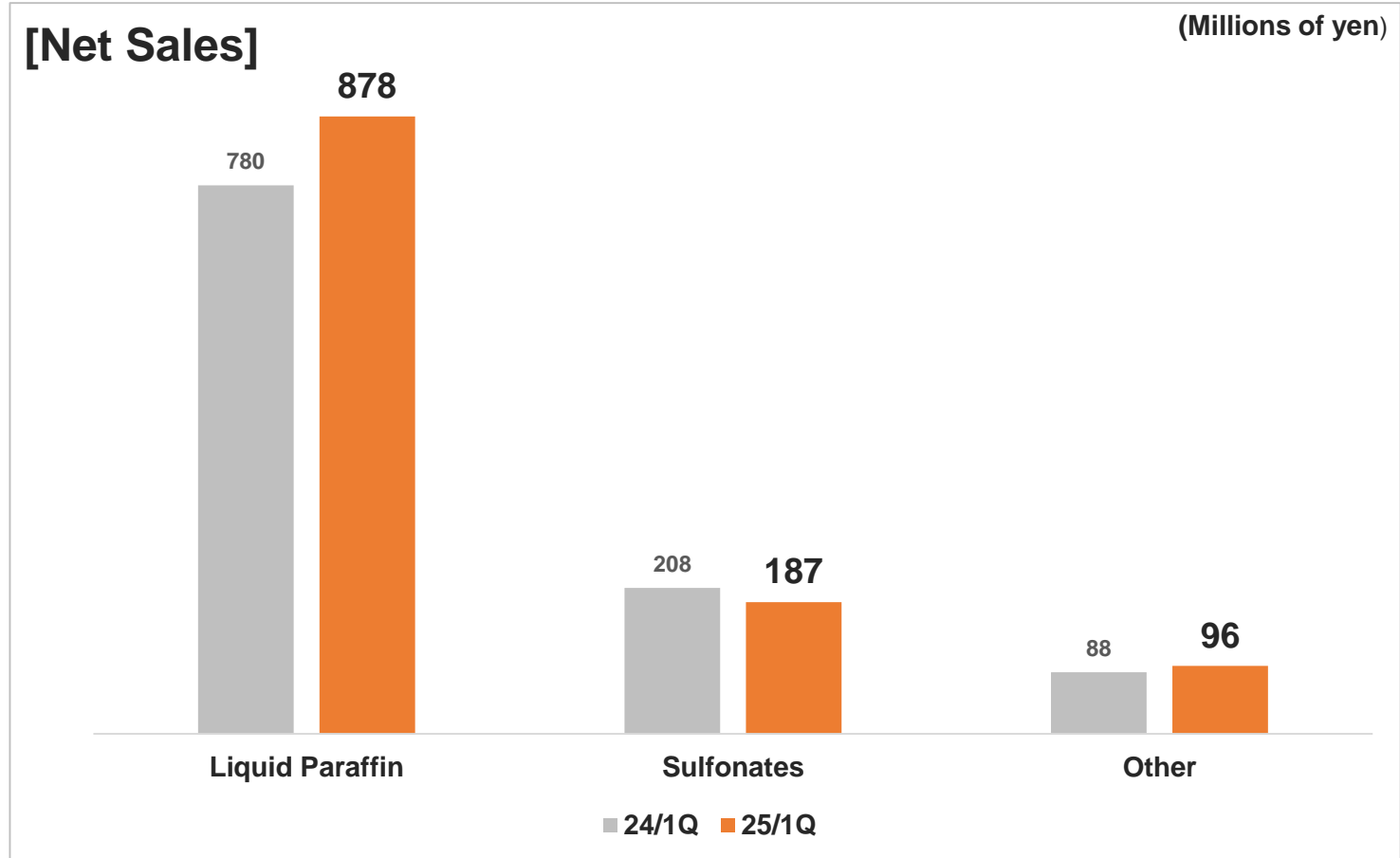
[Net sales] **Up 8.0%** same-period YoY (¥1,162 million) [Sales volume] **Up 6.8%** same-period YoY

## ➤ Liquid Paraffin

- Growth was driven by demand for polystyrene plasticizer applications.

## ➤ Sulfonates

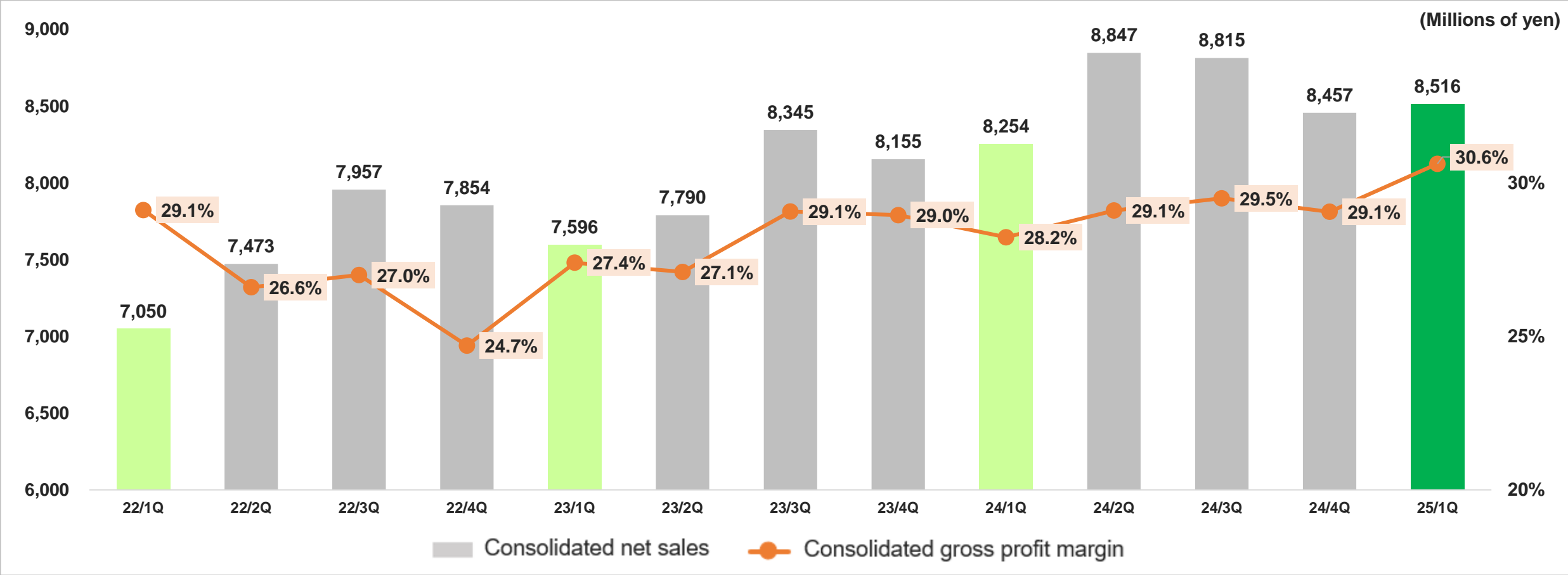
- Sales were sluggish both domestically and internationally.





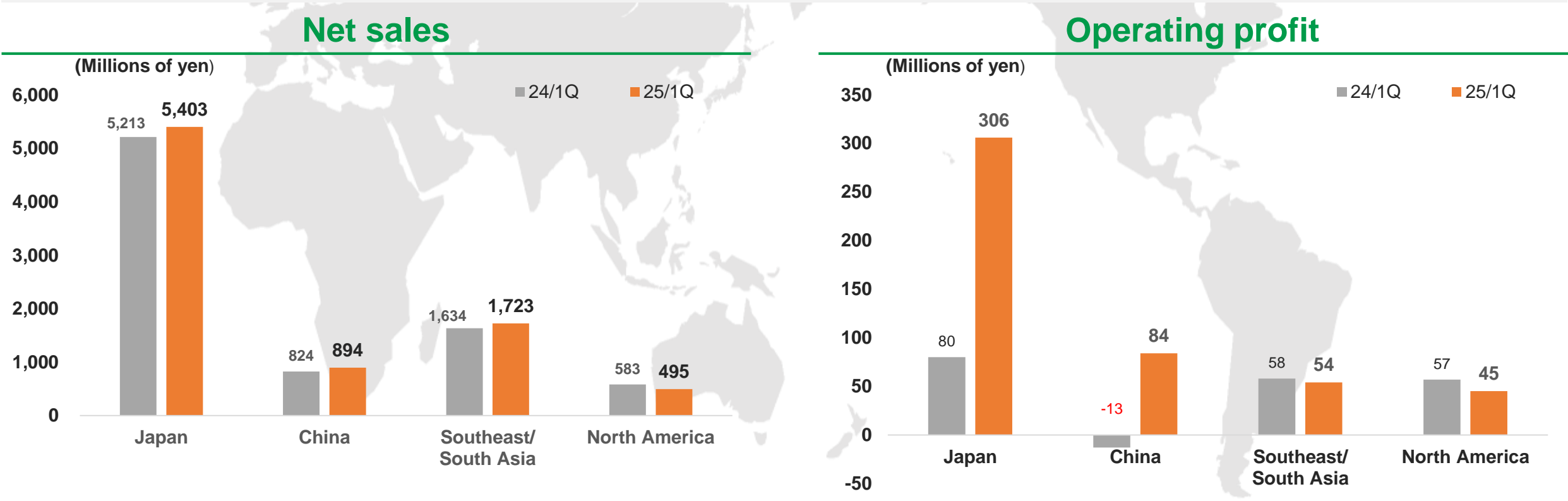
# Trends in Net Sales and Gross Profit Margin

- Revenue maintained an upward trend compared to the same period of the previous year.
- The increase in sales of high value-added products led to a rise in the gross profit margin to the 30% range.



# Consolidated Segment Profits and Losses

[Japan]	Increased revenue and profit were achieved due to higher sales and improved profit margins in the Special Lubricants Division and the Liquid Paraffin & Sulfonates Division.
[China]	Although sales of hot melt adhesives remained sluggish, increased sales of cutting oils and other products contributed to higher revenue and profit.
[Southeast/South Asia]	Although revenue increased due to the successful expansion of special lubricants, profit declined as a result of decreased earnings from hot melt adhesives.
[North America]	Revenue and profit declined due to reduced demand from key customers, resulting from a decrease in automobile production volume.



# FY2025 Consolidated 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)

(Millions of yen)	FY2024 results	FY2025 forecasts	Year-on-year change	
			Change in amount	Change in percentage
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 the parent



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

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