MORESCO Corporation

The 68th 2Q (Interim) Financial Report

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

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

October 20, 2025

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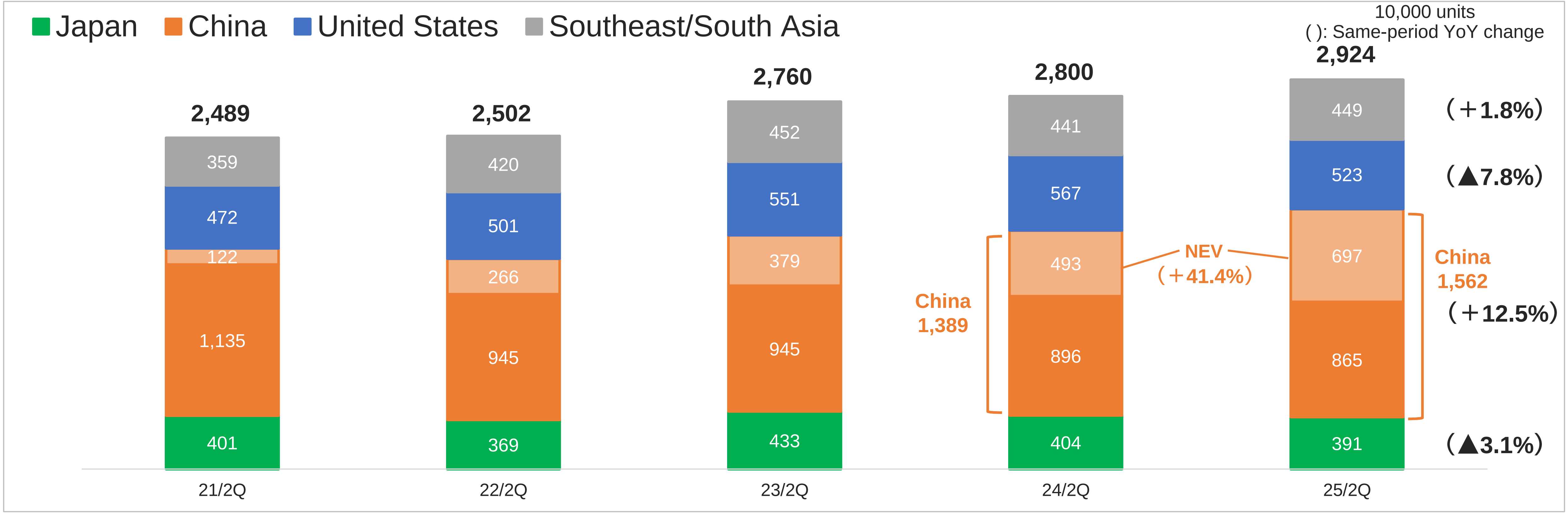
Business Environment - Volume of automobile production

- Domestic automobile production in Japan was sluggish, down 3.1% year-on-year. In the U.S., production saw a significant decline of 7.8%.
- In China, growth continues with a 12.5% increase in total vehicle production, driven by strong demand for new energy vehicles.

Trends in the volume of automobile production in areas where our business sites are located

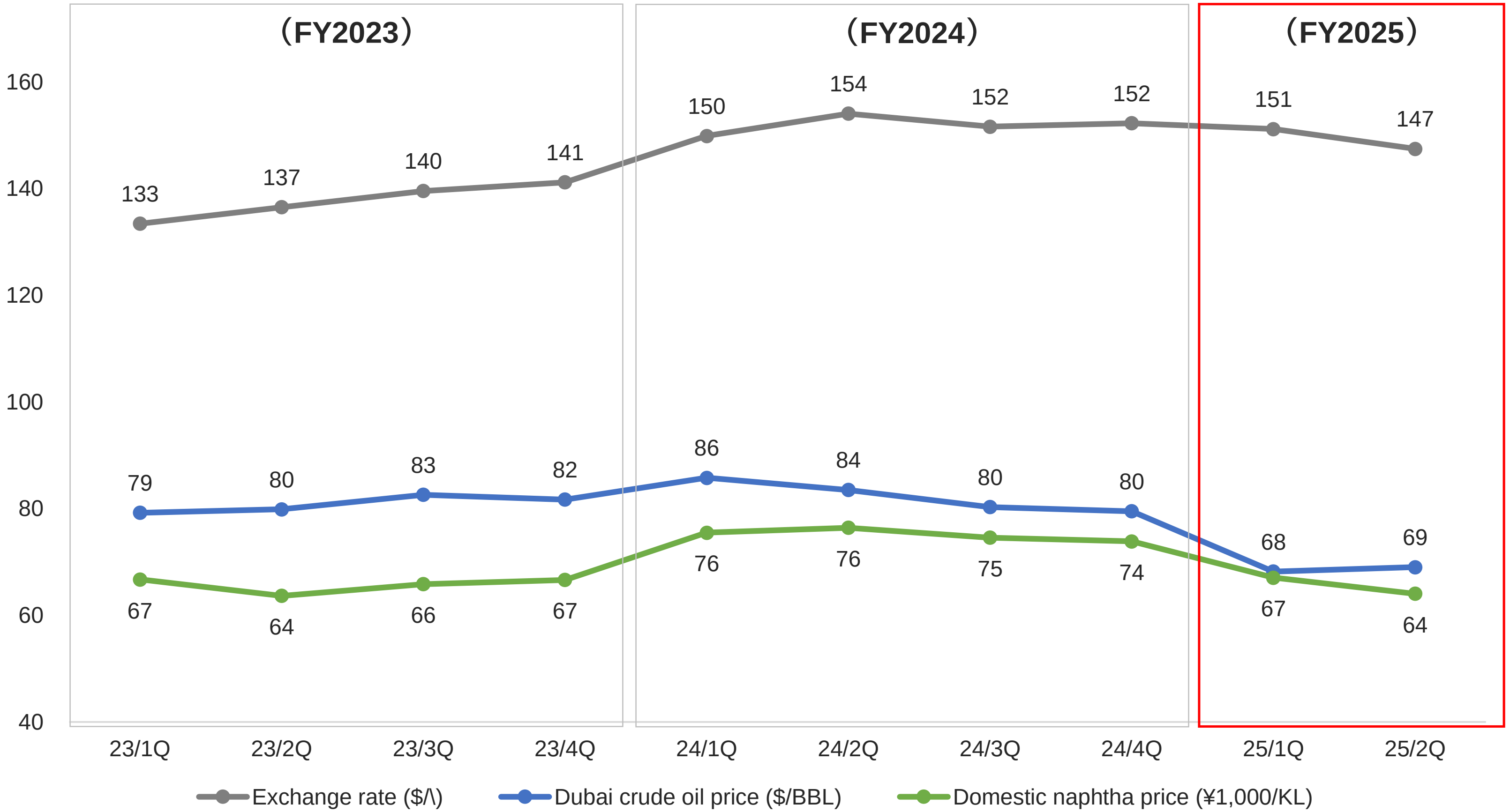


Source: Prepared by MORESCO based on data released by MarkLines Co., Ltd.
Note 1: Data is aggregated based on MORESCO's fiscal year (Japan: March to August, overseas: January to June).
Note 2: Data for Southeast/South Asia includes only Thailand, Indonesia, and India, where we have operating sites.

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

- The USD/JPY exchange rate trended toward a stronger yen.
- The crude oil price remained lower than planned.

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



Comparison with the plan

	FY2024 (Average from March to August)	FY2025 Plan	Vs. Plan
Exchange rate ($/¥)	147.5	145.0	+2.5
Crude oil price ($/BBL)	069.1	079.5	－10.4
Domestic naphtha price (¥1,000/KL)	664.1	-	-

Source: Prepared by MORESCO based on publicly available data

Consolidated Statement of Income

MORESCO

- Revenue declined due to a decrease in automobile production and lower sales in the hot melt adhesive segment.
- Due to foreign exchange losses, both ordinary profit and net profit for the interim period declined.

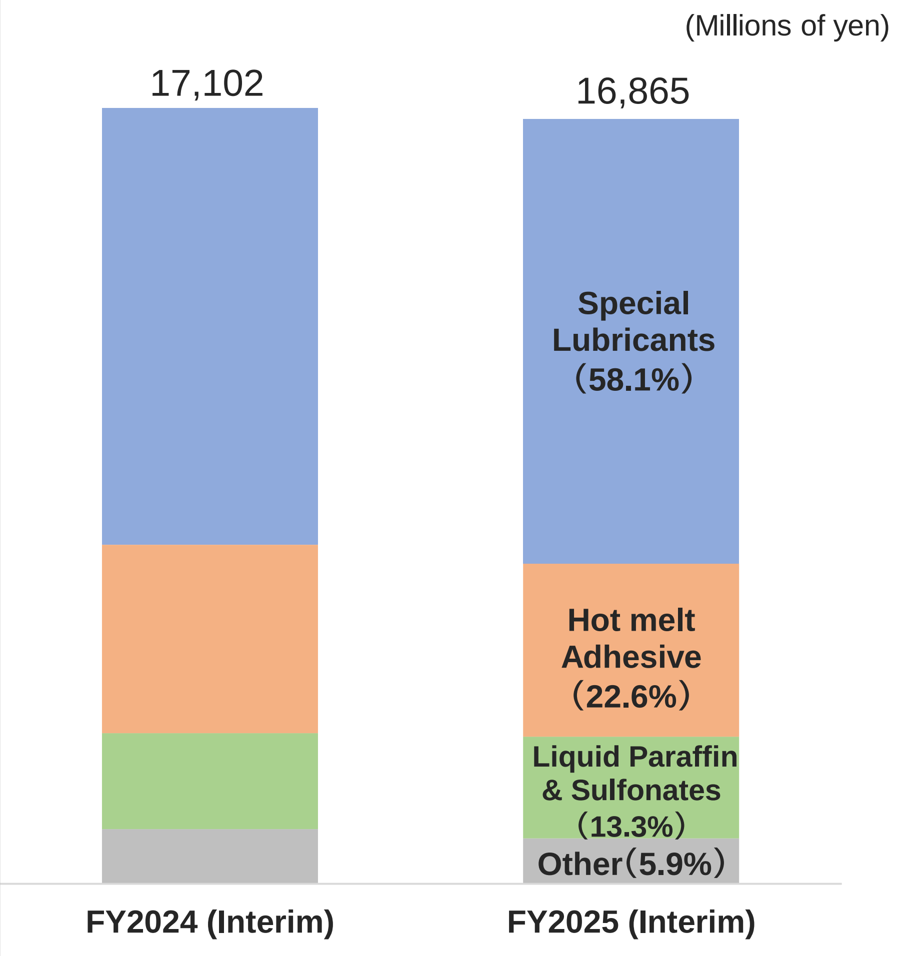
(Millions of yen)	FY2024 Interim	FY2025 Interim	Same-period YoY change	
			Change in amount	Change in percentage
Net sales	17,102	16,865	▲237	▲1.4%
Gross profit	4,901	5,122	＋221	＋4.5%
SG&A	4,230	4,173	▲57	▲1.4%
Operating profit	671	949	＋279	＋41.5%
Non-operating profit (loss)	294	▲28	▲322	▲109.5%
Ordinary profit	965	922	▲43	▲4.5%
Profit before tax	917	919	＋2	＋0.2%
Profit*	576	506	▲70	▲12.1%

* Profit attributable to owners of the parent

Net sales by Division

- Hard disk surface lubricants continue to perform well. (Special Lubricants Division)
- Demand for liquid paraffin remains strong. (Liquid Paraffin & Sulfonates Division)

(Millions of yen)	FY2024 Interim	FY2025 Interim	Same-period YoY change	
			Change in amount	Change in percentage
Special Lubricants Division	9,628	9,804	＋176	＋1.8%
Hot melt Adhesive Division	4,152	3,815	▲337	▲8.1%
Liquid Paraffin & Sulfonates Division	2,114	2,243	＋129	＋6.1%
Other	1,208	1,002	▲206	▲17.0%
Total net sales	17,102	16,865	▲237	▲1.4%



Special Lubricants Division

[Net sales] Up 1.8% same-period YoY (¥4,909 million) [Sales volume] Down 0.8% same-period YoY

DC (die casting) fluids

- Revenue declined due to a decrease in customer operating rates.

Cutting fluids

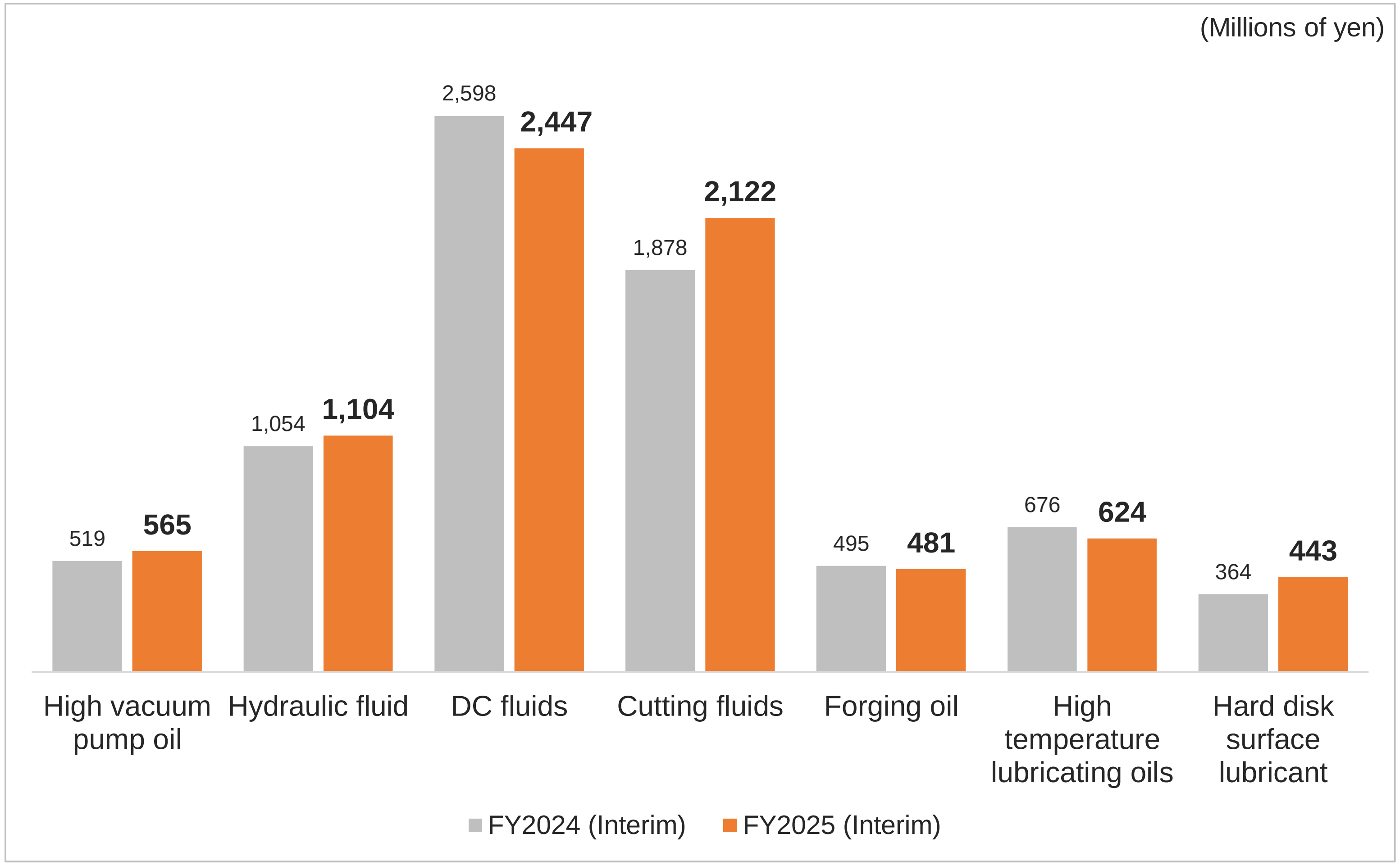
- Revenue increased as China, Japan, and North America continued to perform strongly.

High temperature lubricating oils

- Revenue declined due to a decrease in domestic demand.

HD (hard disk) surface lubricant

- Continued strong performance led to increased revenue.



Hot melt Adhesive Division

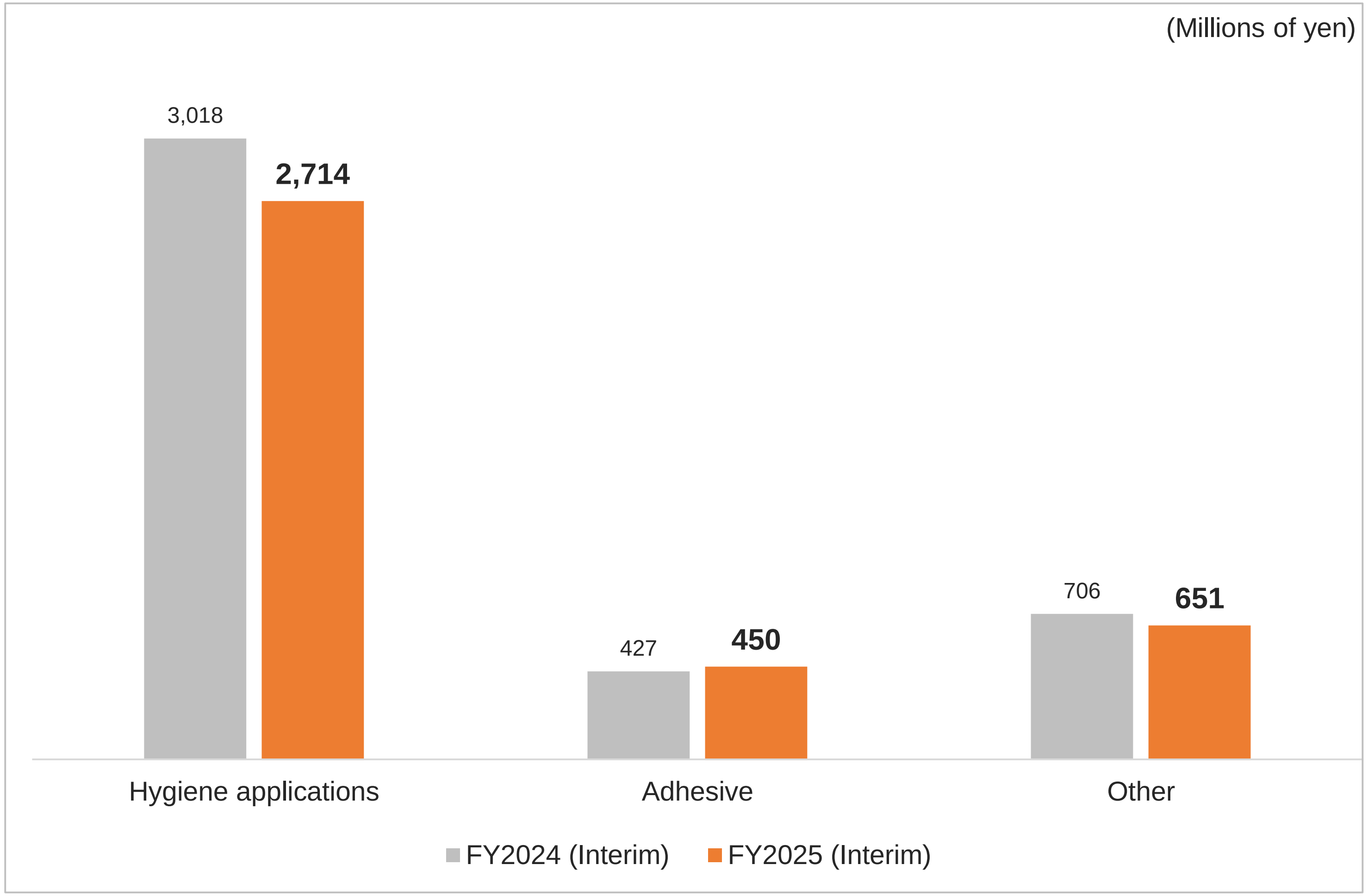
[Net sales] Down 8.1% same-period YoY (¥3,815 million) [Sales volume] Down 6.4% same-period YoY

Hygiene applications

- Sales volume declined in Japan and China, resulting in decreased revenue.

Adhesive

- Sales recovered in Japan and China, resulting in increased revenue.



Liquid Paraffin & Sulfonates Division

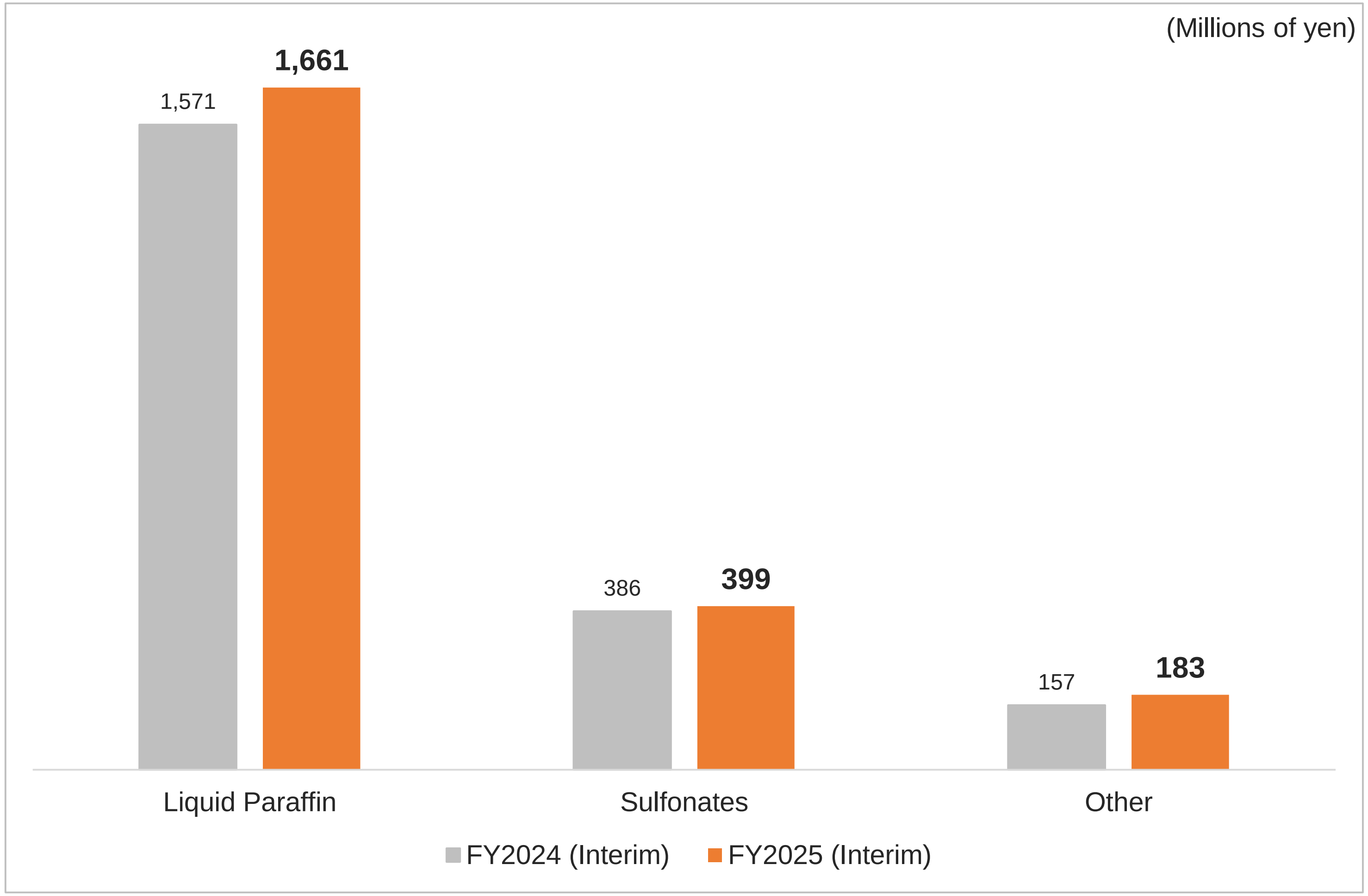
[Net sales] Up 6.1% same-period YoY (¥2,243 million)   [Sales volume] Up 4.1% same-period YoY

➢ Liquid Paraffin

- Revenue increased due to price adjustments and a recovery in demand for polystyrene plasticizer applications.

➢ Sulfonates

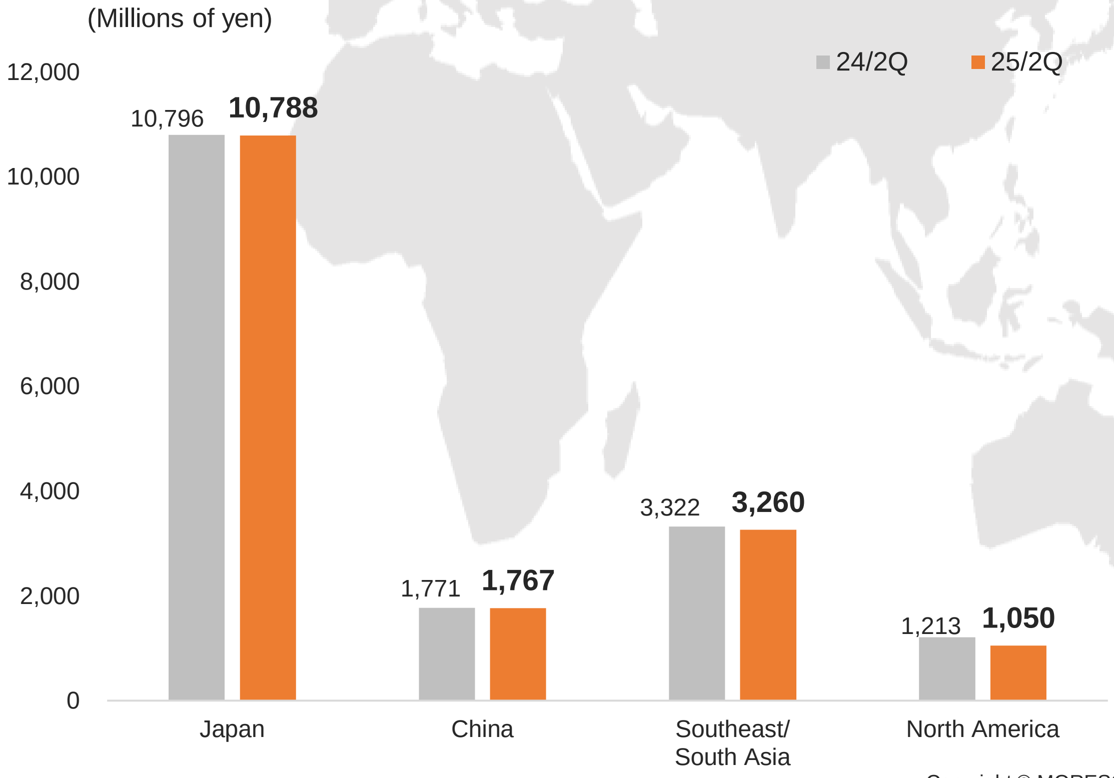
- Revenue increased due to steady domestic demand.



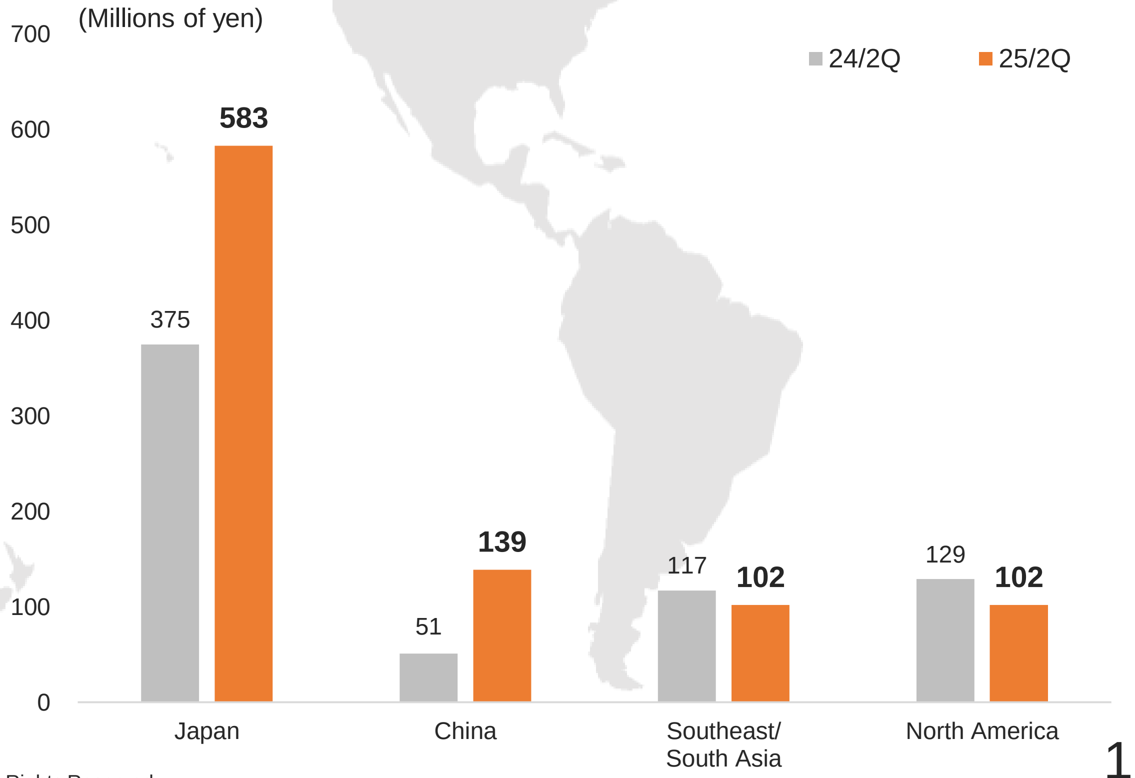
Consolidated Segment Profits and Losses

[Japan]	Revenue and profit increased due to expanded sales of cutting fluids and higher sales of surface lubricants for hard disks used in data centers.
[China]	Although revenue declined due to lower operating rates among Japanese manufacturers, increased sales of cutting fluids and adhesives, along with progress in streamlining efforts, led to higher profits.
[Southeast/South Asia]	Revenue and profit declined due to reduced demand for hot melt adhesives.
[North America]	Revenue and profit declined as major customer demand remained sluggish due to a decrease in automobile production.

Net sales



Operating profit



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Consolidated Statement of Income

MORESCO

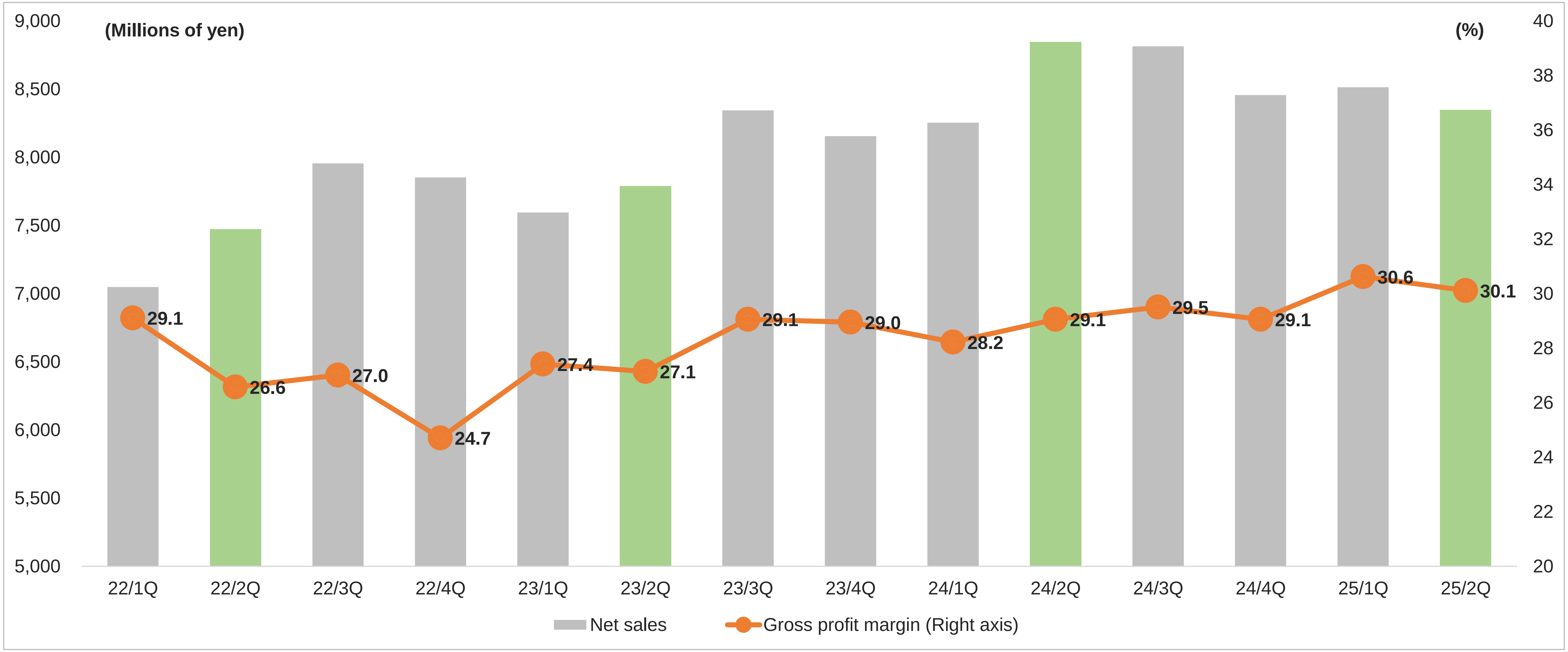
- **Net sales**
  - Revenue declined due to a decrease in automobile production and lower sales in the hot melt adhesive segment.
- **Operating profit**
  - Profit increased due to the expansion of value-added product sales and the control of selling, general and administrative expenses.
  - R&D expenses decreased due to the absence of temporary spending recorded in the same period last year.
- **Profit**
  - Profit declined due to the impact of foreign exchange losses.

(Millions of yen)	FY2024 Interim	FY2025 Interim	Same-period YoY change	
			Change in amount	Change in percentage
Net sales	17,102	**16,865**	**▲237**	**▲1.4%**
Gross profit	4,901	**5,122**	**＋221**	**+4.5%**
SG&A	4,230	**4,173**	**▲57**	**▲1.4%**
R&D expenses	(810)	**(777)**	**▲33**	**▲4.1%**
Operating profit	671	**949**	**＋279**	**＋41.5%**
Non-operating profit (loss)	294	**▲28**	**▲322**	**▲109.5%**
Ordinary profit	965	**922**	**▲43**	**▲4.5%**
Profit before tax	917	**919**	**＋2**	**＋0.2%**
Profit*	576	**506**	**▲70**	**▲12.1%**

* Profit attributable to owners of the parent

Trends in Consolidated Net Sales and Consolidated Gross Profit Margin (Quarterly)

- The gross profit margin has remained in the 30% range, driven by increased sales of value-added products.



Consolidated Balance Sheet

Inventories

- Merchandise and finished goods ▲313

Property, plant and equipment

- Buildings and structures ▲314

Interest-bearing liabilities

- Long-term borrowings ▲502

Accumulated comprehensive income

- Foreign currency translation adjustments ▲829

(Millions of yen)		Prior Period-End Change			Prior Period-End Change
Cash and deposits	5,068	▲439	Trade payables	4,752	▲248
Trade receivables	8,156	＋25	Interest-bearing liabilities	4,477	▲640
Inventories	6,550	▲577	Other current liabilities	1,945	▲240
Other	588	＋93	Other non-current liabilities	1,064	＋78
Total current assets	20,362	▲898	Total liabilities	12,238	▲1,050
Property, plant and equipment	9,780	▲634	Share capital/ capital surplus	4,090	±0
Intangible assets	1,247	▲125	Retained earnings	15,549	＋276
Investments and other	5,186	▲65	Treasury shares	△641	＋8
			Accumulated comprehensive income	2,146	▲826
			Non-controlling interests	3,192	▲132
Total non-current assets	16,212	▲825	Total net assets	24,336	▲673
Total assets	36,574	▲1,723	Total liabilities and capital	36,574	▲1,723

Consolidated Cash flow

➢ Factors behind change

Operating cash flow

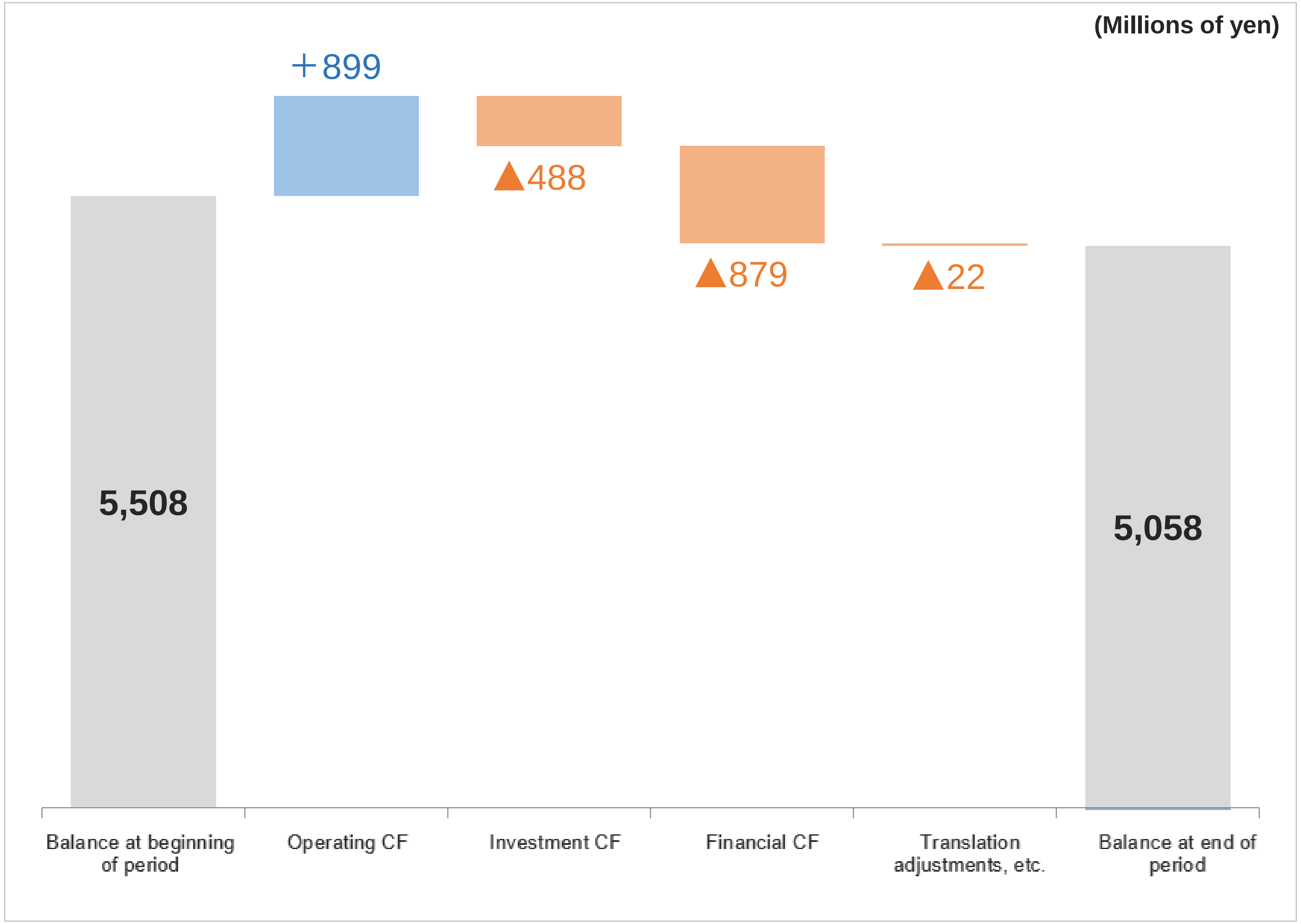
- Profit before income taxes ＋919
- Depreciation ＋599

Investment cash flow

- Purchase of property, plant and equipment ▲400

Financial cash flow

- Repayments of long-term borrowings ▲817
- Dividends paid ▲229



FY2025 Consolidated Earnings Forecast

- **Assumptions for 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)	FY2025 forecasts	FY2025 Interim results	Progress rate
Net sales	36,500	**16,865**	46.2%
Operating profit	1,750	**949**	54.3%
Ordinary profit	2,100	**922**	43.9%
Profit*	1,300	**506**	38.9%

* Profit attributable to owners of the parent

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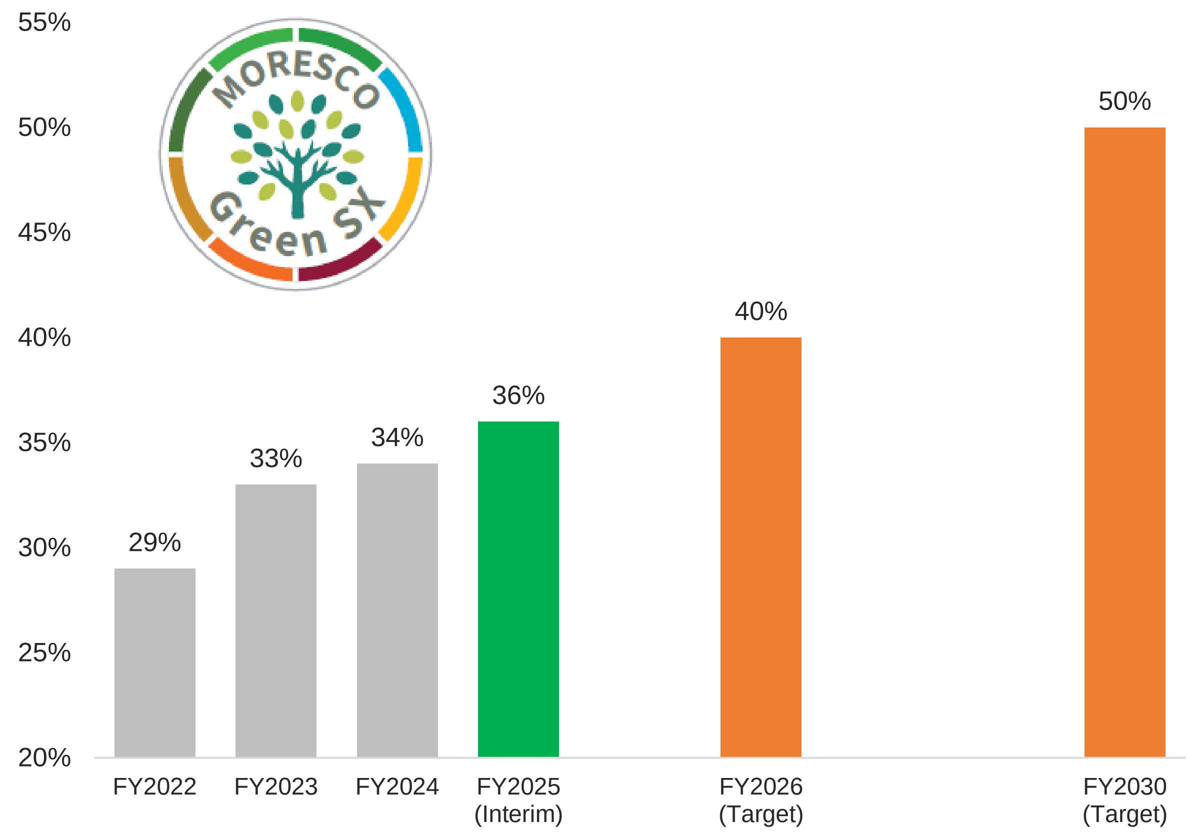
Topics for FY2025 (MGS Products Sales Ratio)

We offer products that meet customers‘ environmental needs (MGS products*) not only in Japan, but also in Thailand and China. The sales ratio of MGS products － such as water soluble cutting fluids, fire-resistant hydraulic fluid, and vacuum pump oils－is on the rise.

MGS products sales ratio targets



* MGS products

We evaluates the entire life cycle of a product, from the procurement of raw materials to disposal, and certifies a product as "MORESCO Green SX" if it has a particularly significant contribution to our material issues.

(MGS products certification flow)

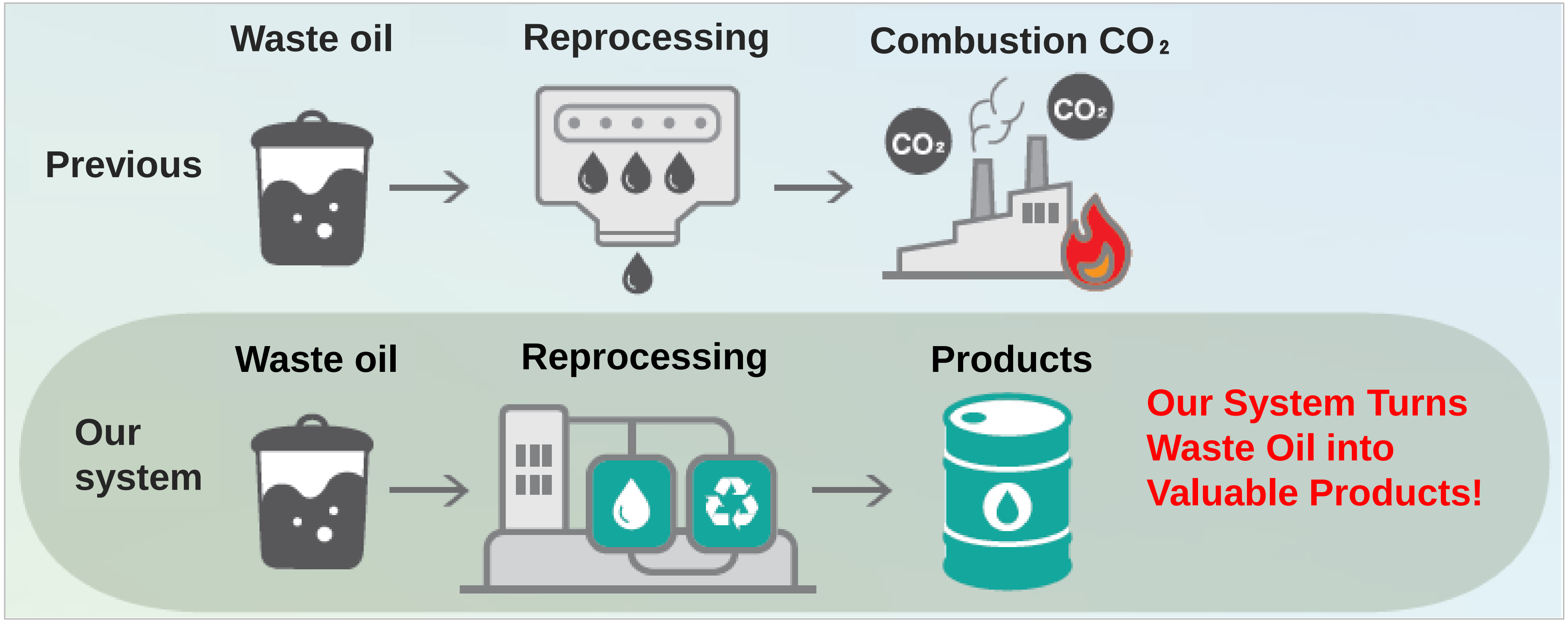
Topics for FY2025 (Material Recycling)

MORESCO

Establishing a recycling system for raw materials and reusing regenerated oil as a feedstock.

- We have established a recycling system (regeneration technology) that collects and reprocesses waste oil, and in some of our products, the regenerated oil is reused as a raw material. This approach helps reduce CO_2 emissions associated with conventional disposal methods and also contributes to lowering product costs.

Material Recycling of Raw Materials



Topics for FY2025 (Initiatives for PFAS-Free Lubricants)

We are developing lubricants for semiconductor manufacturing equipment and continuing to promote sample work both domestically and internationally.

PFAS-free products

[Our Initiatives]

- ✓ The fluorine grease market (worldwide) is expected to grow from 72 billion yen in 2024 to over 110 billion yen by 2029, according to some views.
- ✓ Leveraging our expertise in molecular synthesis and formulation technologies cultivated through the development of high-temperature lubricants, we aim to expand our PFAS-free products offerings in the semiconductor manufacturing equipment and industrial machinery markets.

[Features of our products]

- ✓ Our products are characterized by extremely low vapor pressure, making them suitable for use in high-temperature and high-vacuum environments in semiconductor manufacturing.
- ✓ Because they generate minimal outgas, they help maintain a stable vacuum environment.
- ✓ In recent years, as the operating conditions for lubricants have become more demanding due to semiconductor miniaturization, our products contribute to improved yield by minimizing wafer contamination caused by outgas.

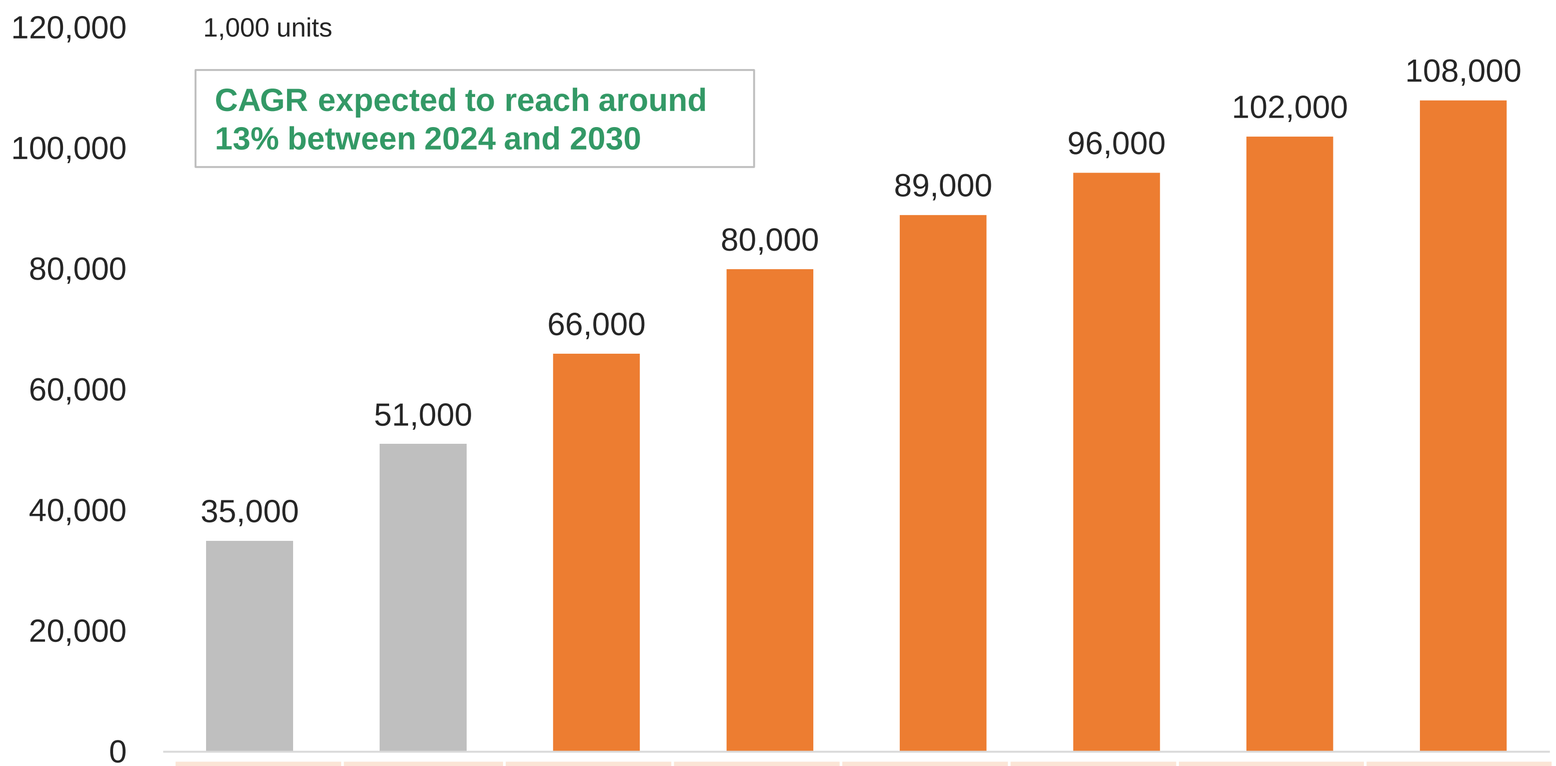
Business schedule

- From 2025: **Continued sample evaluation Development of manufacturing technology**
- From 2025: 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 (targeting sales of 1 billion yen)

Topics for FY2025 (Hard Disk Surface Lubricant)

The nearline storage HDD market for data centers is expected to continue growing.

Trends in the HDD Market (Nearline Storage)



2023	2024	2025	2026	2027	2028	2029	2030
Results		Estimate	Forecasts				
35,000	51,000	66,000	80,000	89,000	96,000	102,000	108,000

Source: "2025 Global Electronics Market Comprehensive Survey" by Fuji Chimera Research Institute, Inc.

Hard Disk Surface Lubricant

- Our hard disk surface lubricants protect the data recorded on disks with a nanometer-level* thin film, contributing to improved reliability of hard disk drives.
- We continuously develop new products tailored to customer needs, striving to maintain and expand our market share.

* Nano: One Billionth

Head Office and R&D Center

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

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