MORESCO Group Integrated Report 2025

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

Contributing to a Bright Future as a specialist in Interface Science

MORESCO Corporation

5-5-3 Minatojimaminami-machi, Chuo-ku,
Kobe-city, Hyogo 650-0047 Japan
TEL: +81-78-303-9010

https://www.moresco.co.jp/en/index.php

Editorial Policy

Reporting period

This report covers fiscal 2024 (March 1, 2024 – February 28, 2025) and includes some information from before and after this reporting period.

Scope of this report

MORESCO Corporation and its group companies (consolidated subsidiaries) in Japan and overseas

Referential guidelines

- "International Integrated Reporting Framework" by the International Integrated Reporting Council (IIRC)
- "Guidance for Collaborative Value Creation 2.0" by the Ministry of Economy, Trade and Industry

Forward-looking statements

This Integrated Report contains earnings forecasts. These forward-looking statements involve risks and uncertainties and are not intended to guarantee future performance. Please note that future results may differ from the planned figures due to changes in the business environment and other reasons.

Inquiries regarding this Integrated Report

Corporate Communications Department (TEL: +81-78-303-9058)

Information Disclosure System

Editorial Focus for 2025

Theme: Highlighting the MORESCO Group's On-site Capabilities

PART 1
Message from Management
This message from the CEO highlights the strengths of the MORESCO Group and the sources of its corporate value; the current status and future challenges of initiatives to expand outside Japan; the progress achieved with implementation of our Medium-Term Management Plan; and the company's focus on implementing sustainability management.

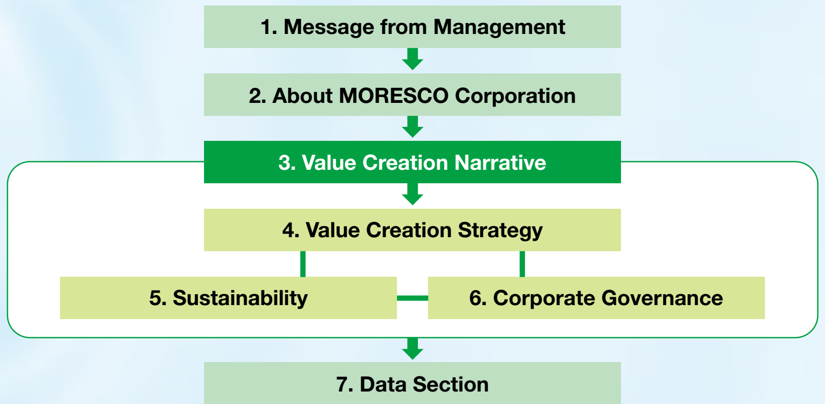
PART 2
About MORESCO Corporation
This section includes a review of the company's growth journey since its founding; a business overview of the company; and a map depicting the company's development in Japan and overseas. The section titled "MORESCO in Our Lifestyle" uses a simple illustration depicting the scope of application of the MORESCO Group's products.

PART 3
Value Creation Narrative
This section outlines the value creation process, our corporate strengths, and seven materialities comprising critical issues related to business activities and critical issues related to corporate management, as well as the MORESCO Green SX representative products.

PART 4
Value Creation Strategy
Regarding the financial strategy, our CFO provides a detailed explanation of the challenge of managing with a focus on return on invested capital (ROIC) by means of an ROIC tree. Concerning the business strategy, we present an overview and the challenges facing each business segment. We also address the marketing of the MORESCO Green SX products. Further, our CTO explains the R&D system, projects responsible for creating next-generation businesses, and the digital transformation of R&D. In addition, this section features two articles of "Capabilities in Our R&D Sites" and "Capabilities in Our Production Sites," spotlighting our on-site capabilities.

PART 5
Sustainability
As part of our sustainability management initiatives, this section provides our environmental aspects such as combating climate change issues and a roadmap to carbon neutrality. For social aspects, it provides detailed information on the company's human resource strategy, diversity management, and strengthening of our human rights due diligence framework.

PART 6
Corporate Governance
The topics covered in this section include the corporate governance structure and our efforts to strengthen it as well as an evaluation of the effectiveness of the board of directors. An interview with an independent outside director is also presented.



Our Current Goal

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

Contributing to a Bright Future as a specialist in Interface Science

Our Principles of Action

MORESCO Group Management Philosophy

1. Under the motto of "R&D for users," the MORESCO Group will contribute to our society by satisfying customer needs in the field of interface science.

2. As specialists in interface science, the MORESCO Group will continue expanding into new business fields and providing new interface functions and services.

3. The MORESCO Group will create new value by fostering a working environment that respects an individual and a freewheeling thinking.

Our Code of Conduct

MORESCO Corporate Behavior Charter (Ten Principles)

The MORESCO Group has established ten principles to ensure that we respect human rights, comply with laws and international rules and respect the spirit thereof, and act in a socially responsible manner both in Japan and overseas.

Contents

PART 1

Message from the CEO

Motohisa Morozumi
CEO, Representative Director, President

We will pursue sustainable growth and new value creation, while both creating next-generation businesses and deepening our existing ones.

The Strengths of the MORESCO Group and the Sources of Its Corporate Value

Pioneering new business segments with a spirit of embracing new challenges

Since its founding in 1958, the MORESCO Group has honed its unique technologies related to the interface science of lubrication, adhesion, and surface protection, namely, boundaries that lie between things and between technologies. By freely combining our three core technologies—blending, synthesis, and refining—we have developed one-of-a-kind products that meet the diverse needs of industry, establishing a solid position in markets in Japan and around the world.

The driving force behind our development of innovative products demonstrating competitive advantages is our resolute corporate spirit of continuing to embrace new challenges. Whenever I see our associates at work in the field, I am convinced that our culture of “trying things first” and “never fearing failure” remains deeply rooted within the employees of our Group. Furthermore, the strong market shares captured by many of our products has left us well positioned to monitor emerging technical demand and gather market information from customers. The insights gained in this way serve as the inspiration for our next new research and development themes.

Currently, our Group is implementing an approach we call “ambidextrous management,” which aims to expand our existing businesses even as we continue to develop new ones. I believe that the driving force behind this approach is our Group’s outstanding on-site capabilities, which can be summed up as “the power to elevate on-site capabilities.” One specific effort intended to hone our capabilities is our Research Group Initiatives, through which our researchers can use a certain amount of time during their working day to research a topic independently. I believe that providing such a high degree of freedom in identifying research topics and engaging in such activities not only broadens and enhances our researchers’ own expertise but also fosters the ability to realize their potential in the future. A second related resource is Social Innovation Training, in which researchers are given the freedom to select a topic that will lead to the resolution of a societal issue with the goal of devising a commercial solution. In fiscal 2023, we launched a sanitary materials recycling project, and we are currently collaborating with business partners on this initiative. In fiscal 2024, a project related to lubricants was launched. I believe that learning the process of devising social innovations will prove to be very useful to nurture the personnel who will develop our next-generation businesses. Our third and final resource is our Small Group Initiative, which we have been implementing for many years, primarily in our production department. In recent years, we have been working on challenging themes from a sustainability perspective. While we have noted the growth of our Group, including participating members, we hold high expectations that these activities will also contribute to sustainability management. These initiatives are improving the expertise and implementation capabilities of each individual at all the various sites within our Group, essentially raising the overall level of the field. Going forward, our Group will continue to leverage our high level of technological skill in the field of interface science and our drive to push forward without fear of failure in order to enhance the level of proficiency at each site. Success in these endeavors is increasing our corporate value while contributing to sustainable growth.

The Current Status and Future Challenges of Initiatives to Expand Outside Japan

Promoting exchanges between our locations in Japan and other countries while strengthening the development system at each location

Since establishing our first local subsidiary in Thailand in 1995, the MORESCO Group has succeeded in establishing footholds in China, the U.S.A., Indonesia, India, and Mexico. This effort has promoted local product development and production that enables us to respond quickly to the unique specifications and needs of each individual market.

Last year, we launched the global R&D meetings, which we believe will serve as an important foundation for our technology strategy of ongoing expansion outside Japan. At this event, product development personnel from each location gather to discuss topics and share technologies across the Group while collaborating and integrating resources. This initiative is enabling us to develop locally-focused high-value-added products that are increasingly in demand, accelerate development, and respond to changes in the global market environment. We are already seeing results, such as an information-sharing effort between our Chinese site and other sites on technology related to die casting lubricants for EV giga casting in China. Also, in fiscal 2025, we have begun deployment of this technology in Japan.

In the face of increasing geopolitical and tariff risks, we remain committed to strengthening the capabilities of all our locations to ensure that product development, production, and sales can be undertaken locally.

The Progress Achieved with Implementation of Our Medium-Term Management Plan

Executing the plan by strengthening our revenue base and creating next-generation businesses

Under our 10th Medium-Term Management Plan, which was launched in fiscal 2024, we have identified the target of increasing the sales ratio of MORESCO Green SX (“MGS”) products to 50% by fiscal 2030, thereby establishing this objective as a pillar of our Group’s sustainable growth strategy. This effort aims to balance the enhancement of our corporate added economic value with the response to societal issues and needs.

In fiscal 2024, the sales ratio of MGS products was 34%, representing a mere 1% increase from the previous fiscal year, which is by no means satisfactory. The reason for this situation is that, compared to the Japanese market, the sales ratio of MGS products is low in markets outside Japan, where sales of non-MGS products are high, resulting in only a slight increase for the entire group. Going forward, we intend to address the need to increase the sales ratio of MGS products in markets outside Japan.

Notably, sales of new products in fiscal 2024 reached a 10-year high. Many of these were MGS products, demonstrating our Group’s excellent product development capabilities. This result also enabled us to post an admirable start to the first year of our 10th Medium-Term Management Plan.

Looking at the performance of each business segment, our Functional Fluids Business, one of the two businesses within the Special Lubricants Division, performed well, with global sales exceeding the previous year in the automotive-related sector, which accounts for a large portion of our sales. Despite the challenging conditions for Japanese automobile manufacturers in Southeast Asia, we were able to achieve this positive result by introducing innovative products.

Our other business in this division, the Synthetic Lubricants Business, handles products that, while subject to significant sales fluctuations, contribute significantly to profitability. In fiscal 2024, sales of surface lubricants for hard disks posted a substantial increase. Due to the resurgence in investment in data centers, which had been stagnant for the past few years, sales increased about 3.5-fold year-on-year. Furthermore, as the use of organic fluorine compounds such as per and poly-fluoroalkyl substances (PFAS) has become an issue of public concern, we have been focusing on developing PFAS-free products for use in semiconductor equipment. We aim to grow this business to the same scale as that for hard disk surface lubricants by around 2030. We are also participating as the only lubricant manufacturer in a national project related to nuclear fusion power generation. Moreover, we are committed to contributing to next-generation energy production by leveraging our radiation-resistant lubricating oil used in the decommissioning project for the Fukushima Daiichi Nuclear Power Plant.

Our Hot Melt Adhesives Division experienced a challenging year. While crude oil and naphtha prices have stabilized, the rise in raw material prices triggered by a worsening supply-demand imbalance has not subsided. Furthermore, delays in passing on these price hikes have led to a rapid deterioration in profitability, leading to the recording of an impairment loss of ¥188 million. As I mentioned above, market demand around the world has been growing increasingly diverse. We remain focused on recovering within the period covered by our 10th Medium-Term Management Plan by strengthening our sales capabilities to local customers while responding to global demand from our Japanese customers. We will also review our raw materials strategies, evaluate unprofitable products, and examine our production facilities.

Looking to our Liquid Paraffin & Sulfonates Division, sales of liquid paraffin for polystyrene applications exhibited strength. Furthermore, innovations in our production processes paved the way for new business development during the year. Because sulfonates are a co-product with liquid paraffin, we had not been able to fully meet customer demand for sulfonates until recently. These production process innovations will dramatically increase our production ratio of sulfonates, enabling us to meet the growing demand. We also intend to optimize our inventory management and improve profitability. Our nearly 60 years of accumulated technology and experience at our production sites have borne fruit, and our success at overcoming longstanding production challenges has marked a major turning point. This has raised our expectations for future business prospects.

In our Energy Device Materials Division, sales of sealants for organic EL displays registered strong growth in Taiwan, China, and Japan. Starting this fiscal year, a key focus of our efforts is a plan to accelerate development toward mass production of sealants for perovskite solar cells, taking into account the production processes of the various solar cell manufacturers. We are also expanding the scope of application of our gas & water vapor transmittance measurement devices, which boast world-class accuracy, to include perovskite solar cells in addition to traditional applications such as organic EL displays. Japan is currently focused on achieving production of perovskite solar cells, and we believe the next few years will prove crucial. We will continue to work diligently, guided by the belief that we are responsible for the sealant development in Japan.

As for our Life Science R&D Department, we are pursuing commercialization in two areas: nanoemulsion technology and development of autophagy activating drugs. Regarding nanoemulsion technology, we began selling lotions and serums under the MORESCO brand in fiscal 2025. The main purpose of this initiative is to increase market awareness of our nanoemulsion technology, which is unmatched for the small size of our particles. We are already in discussions with a major domestic cosmetics manufacturer about commercializing our products, and we believe the next few years will be crucial to the success of this endeavor. Regarding drug discovery, we are also committed to the development of autophagy activating drugs. During the preceding fiscal year, we succeeded in synthesizing a substance believed to be effective against specific diseases and filed a patent application. We are currently at the stage of conducting safety evaluations and will begin searching for potential licensees, primarily pharmaceutical companies, during the period of our 10th Medium-term Management Plan. Our efforts in the drug discovery business are positioned as a first step toward creating a new business model for our Group.

The Status and Ongoing Challenges Facing Sustainability Management

Developing next-generation businesses through initiatives designed to address societal issues

To promote sustainability management, the MORESCO Group has positioned the "circular economy" as an important theme, and last year we appointed a dedicated executive officer to focus on this area. As part of this effort, we intend to adopt reusable and recyclable materials as a substitute for our conventional thermal treatments.

Additionally, we have adopted a long-term perspective toward the development of technology for obtaining non-petrochemical materials. This initiative encompasses the world's first technology to convert biomethane gas into bio formic acid, which is then converted into hydrocarbons, a raw material for our Group's products. While results are gradually emerging, there is still a long way to go for commercialization. We believe we are currently in the stage of solidifying foundational technologies and will continue to steadily advance our development.

As a diverse company, we recognize that a key theme is how we balance improvements to the profitability of our existing businesses with our investments in future growth. As a chief executive, I remain committed to fulfilling my responsibility to ensure that the strength of our current revenue base is properly recognized and that interest in our Group's future potential remains high.

Our Group is continuing to make steady progress toward achieving our goal of carbon neutrality. We plan to reduce greenhouse gas emissions by 46% compared to fiscal 2013 levels by fiscal 2030, eventually reaching carbon neutrality by fiscal 2050. As of the end of fiscal 2024, we had managed to reduce our Scope 1 and 2 emissions by roughly 36%. In addition, we plan to introduce a zero-emissions electricity plan for our headquarters, Chiba Plant, and Akoh Plant in fiscal 2025. We believe this initiative will enable us to achieve our fiscal 2030 target.

At the same time, however, we acknowledge that achieving our goal of a 60% reduction in emissions by fiscal 2035 will require additional efforts. Simply introducing the aforementioned electricity plan will increase costs and will not necessarily ensure sustainable management. Therefore, we believe that innovation in our production processes is essential to achieving this goal. Currently, the Process & Production Technology Department, Chiba Plant, and Akoh Plant are collaborating to advance discussions toward our next medium-term management plan.

Moreover, we understand that sustainability management cannot be achieved simply by ensuring that management embraces the concept. Going forward, we will continue to provide opportunities for delivering direct explanations and engaging in dialogue with all employees about our Medium-Term Management Plan and other policies. We intend to arrange town hall meetings and other means of expanding employee awareness and encouraging buy-in.

Another area of focus is our effort to strengthen our human capital management initiatives. Many employees of our Group are proud of being part of R&D-oriented group companies, so we will continue to foster and instill this mindset. We will also continue to assume responsibility for nurturing an environment that inspires far-out research and development.

With regard to developing global human resources, we will continue to hold global conferences for our production and R&D departments, promoting personal exchanges and providing opportunities for employees to be exposed to international business practices early in their careers. These efforts will enable us to develop personnel who can thrive in a global business environment.

Looking to the theme of corporate governance, we are taking steps to change the composition of our Board of Directors in fiscal 2025 in order to establish a system that incorporates a more diverse range of perspectives into management deliberations. Our newly appointed Outside Director, Hiroshi Sakai, has long experience in research and development in the electronics sector and has served as a CTO, which enables him to bring a fresh viewpoint on markets and sectors that differ from those of our Group. His new standpoint is extremely valuable, and we expect it will further broaden the scope of discussions at our board of directors' meetings.

We are also making progress to establish a system that will strengthen our sustainability management. We have reorganized our Corporate Sustainability Department and established a new Sustainability Management Department overseeing two dedicated organizations: the Sustainability Office and the CN Office. This novel approach has strengthened our system for promoting sustainability management company-wide.

Although we have some emerging challenges after the first year of our 10th Medium-Term Management Plan, we feel the policy itself is achieving progress. By steadily addressing each of these challenges, we intend to ensure solid performance in the short term while establishing a strong foundation for sustainable growth over the medium and long terms.

PART 2

Our Growth Journey

Brief History

MORESCO's history begins with researchers

Established by young researchers to domestically produce special lubricants, which had been mainly imported

The MORESCO Group was born in 1958, when Japan was in the midst of a period of rapid economic growth. The Research and Development Division was spun off from Matsumura Oil Co., Ltd., a manufacturer and seller of industrial lubricants, to establish Matsumura Oil Research Corporation (former name). In those days, when special lubricants mostly consisted of imports, our researchers succeeded in producing vacuum pump oil domestically, putting it into the market under the product name "NEOVAC." Following the start of liquid paraffin production for the first time in Japan in 1961, we built our Chiba Plant in 1965 for full-scale production of liquid paraffin and petroleum sulfonates. The liquid paraffin, initially used mainly in cosmetics and polystyrene tableware, has recently widened its area of usage to the production of separator membranes for lithium-ion batteries, etc., for which we maintain the top market share in Japan to date. Our water-glycol fire-resistant hydraulic fluid, HYDOL, which protects factories from fire, was also developed at this time. This innovative product contributes to improved safety in hot metal processing work environments in the steel and automobile industries, as well as other industries. All of the products in our Group, which started under the motto "R&D for Users" as a group of chemical experts in the interface science field, hold majority shares in niche markets.

Business expansion and creation of one-of-a-kind products

Entering the hot melt adhesives market and growth toward business diversification

After opening Tokyo Office (now Tokyo Branch) in 1971, we developed water-soluble die casting lubricant used in the casting of aluminum automotive parts in 1972; the conventional mineral oil-based releasing agent was made water-soluble in response to calls for enhanced safety. And it was 1976 when we entered the hot melt adhesives market. We discussed diversifying our business in the interest of stable management, and embarked into the hot melt adhesives business with its potential for growth in the domestic market. In 1986, we built the Akoh Plant, where a mass production system for hot melt adhesives was established. This led to the development of the synthetic rubber-based hot melt adhesive MOLESCO-MELT in 1990, which opened the door to our subsequent entry into the field of sanitary materials, such as for disposable diapers, making a significant contribution to our overseas expansion. Regarding lubricants, in 1979 we began research on the effective use of highly heat-resistant byproducts generated during the production of synthetic high-vacuum pump oils and developed a high-temperature lubricating oil called HILUBE, followed by high-temperature grease base oils for automobiles, which are now one-of-a-kind products used across the world.

Toward MORESCO's goal of becoming a global business

Steadily building a foundation to become a global business

Following the establishment of our first overseas subsidiary in Thailand in 1995, we expanded our operations to China in 2001, North America in 2006, Indonesia in 2011, and India in 2017, solidifying our global manufacturing and sales systems. Our Group's global strategy is to maintain a higher viewpoint to maintain a broader global vision as we establish our businesses in each region. The year 1995 was a difficult time as our head office was damaged by the Great Hanshin-Awaji Earthquake, but we needed to build a production and sales system close to the production bases of user companies, reflecting the trend of the Japanese automobile companies and other major industries relocating production overseas. In 1997, in the interest of strengthening new business ventures, we successfully developed and commercialized MORESCO PHOSFAROL A-20H, a hard disk surface lubricant. As an indispensable material for achieving higher recording density and speed in hard disks, it is still very much in demand today as a one-of-a-kind product internationally. In 2001, our Head Office and Research Center were relocated to Kobe, and in 2009 the company name was changed to the MORESCO Corporation. Since 2011, utilizing the technology developed through the production of hot melt adhesives, we have made progress in the development of sealants used for a variety of applications, including MOISTURE CUT, a sealant that prevents external moisture infiltration to extend the life of organic electro-luminescence devices.

Creating new business for the next generation

Sustainability management that contributes to society through unique technology and product development

Having explored a variety of different approaches to driving sustainable growth, we identified seven material issues (materiality) in 2021. We practice sustainability management by increasing sales of products that have low environmental impact and thus contribute to addressing materiality certified as MORESCO Green SX. Also, in our efforts to operate business on a global scale, we established a new R&D Center in China in 2023 to keep pace with the remarkable evolution of EVs. We have worked to expand our hot melt adhesives business in three overseas regions (Southeast/South Asia, North America, and China). Additionally, in North America, we set up CROSS TECHNOLOGIES N.A. INC. through M&A.

Having secured a new lubricant production base, we are committed to developing, manufacturing, and selling higher-performance products. Our Group has been operating its business mainly through B2B transactions, but has recently released Irigrasia, cosmetic products that use our proprietary nanoemulsion technology, for individual consumers. By offering our Group's products and services directly to a larger number of consumers, we aim to enhance our brand recognition. Carrying on our spirit as an "R&D-oriented company," thinking that has been passed down and built upon since the company's foundation, we will continue to make tireless efforts in a variety of activities, including MOLGADC, a company-wide project to create next-generation businesses led by the R&D department.

Our R&D History

1958–1970 Beginning of History

1958 ● Developed and domestically produced a high-vacuum pump oil.

1961 ● Developed and domestically produced liquid paraffin.

1962 ● Started production of petroleum sulfonate.

1963 ● Developed a water-glycol fire-resistant hydraulic fluid.

Die casting machine


Large-scale falling-film vacuum distillation equipment

1964 ● Developed a cutting oil, grinding oil and additive for cutting oils.

1966 ● Developed high-viscosity type liquid paraffin.

1966 ● Developed a petroleum-based anti-wear hydraulic oil.

1966 ● Developed a compressor oil.

1971–1990 Growth and Development

1971 ● Developed a wastewater treatment emulsifying agent. (MATSUKEN CO., LTD.)

1972 ● Developed a water-soluble die casting oil.


Die casting lubricant

1976 ● Developed a hot melt adhesive.

1978 ● Developed refined liquid paraffin (for food trays and cosmetics).


Refined liquid paraffin

1979 ● Developed a high-temperature synthetic lubricating oil.

1983 ● Developed an (active gas resistant) vacuum pump oil for semiconductors.

1983 ● Developed a radiation-resistant lubricating oil and grease.

1985 ● Developed UF/RO membrane wastewater treatment equipment. (MATSUKEN CO., LTD.)


UF/RO membrane wastewater treatment equipment

1990 ● Developed a biostatic water-soluble cutting oil.

1990 ● Developed a hot melt adhesive for disposable diapers.

1991–2019 Entering Global Markets

1991 ● Developed a high-temperature grease base oil for automobiles.

1996 ● Developed a bakery divider oil.

1997 ● Developed a surface lubricant and additive for mobile and desktop hard disks.


Hard disk surface lubricant

2005 ● Developed a hot melt pseudo-adhesive for automobile interiors.

2008 ● Developed ExcelCoat zero-waste hot melt packaging.


ExcelCoat

2009 ● Developed the world's highest-level moisture transmittance measurement device.

2010 ● Produced a heat transfer medium at Ethylene Chemical Co., Ltd.

2011 ● Developed an organic device sealant.

2015 ● Developed a low-temperature spray-type hot melt adhesive.

2018 ● Developed a water-soluble minimum quantity spray type releasing agent.


Water-soluble minimum quantity spray type releasing agent

2018 ● Developed Organic Photovoltaics (OPV).


Organic Photovoltaics (OPV)

2020 and beyond Aiming for Sustainable Growth

2020 ● Launched TIS-compliant products for Toyota Motor Corporation.

2020 ● Placed biomass hot melt adhesives on the market (acquired the Biomass Mark).

2020 ● Invented nanoemulsion and developed MORESCO-NANOREACH.

2021 ● Developed a lubricant back spray system.

2021 ● Elucidated the radiation resistance mechanism of MORESCO-HIRAD through joint research with the European Accelerator Project.

Radiation-resistant lubricating oil and grease

2023 ● Began research on converting biogas to bio formic acid.

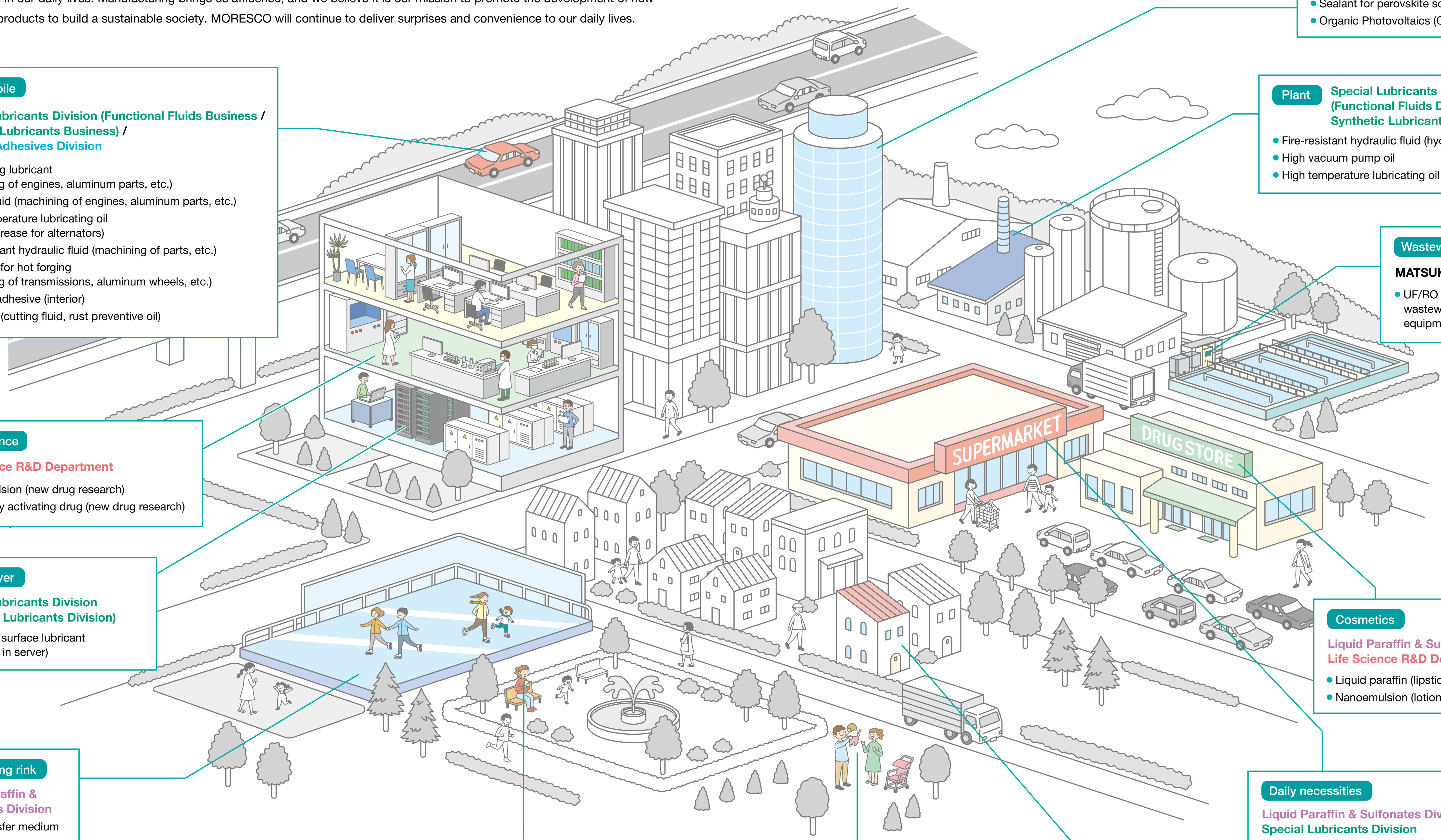

Okoppe Hokko Biogas Plant (Okoppe Town, Hokkaido)

2025 ● Launched nanoemulsion technology-based Irigrasia cosmetics

Irigrasia Series

MORESCO in Our Lifestyle

The MORESCO Group, R&D-oriented group companies that demonstrate their competitiveness on a global stage, offers technologies that are used in our daily lives. Manufacturing brings us affluence, and we believe it is our mission to promote the development of new eco-friendly products to build a sustainable society. MORESCO will continue to deliver surprises and convenience to our daily lives.



Flexible solar cells for office windows

Energy Device Materials Division

- Sealant for perovskite solar cells
- Organic Photovoltaics (OPV)

Automobile

Special Lubricants Division (Functional Fluids Business / Synthetic Lubricants Business) / Hot Melt Adhesives Division

- Die casting lubricant (machining of engines, aluminum parts, etc.)
- Cutting fluid (machining of engines, aluminum parts, etc.)
- High temperature lubricating oil (bearing grease for alternators)
- Fire-resistant hydraulic fluid (machining of parts, etc.)
- Lubricant for hot forging (machining of transmissions, aluminum wheels, etc.)
- Hot melt adhesive (interior)
- Sulfonate (cutting fluid, rust preventive oil)

Plant

Special Lubricants Division (Functional Fluids Division / Synthetic Lubricants Business)

- Fire-resistant hydraulic fluid (hydraulic equipment)
- High vacuum pump oil
- High temperature lubricating oil (bread ovens, etc.)

Wastewater treatment

MATSUKEN CO., LTD.

- UF/RO membrane wastewater treatment equipment

Life science

Life Science R&D Department

- Nanoemulsion (new drug research)
- Autophagy activating drug (new drug research)

PC / server

Special Lubricants Division (Synthetic Lubricants Division)

- Hard disc surface lubricant (hard disk in server)

Cosmetics

Liquid Paraffin & Sulfonates Division / Life Science R&D Department

- Liquid paraffin (lipstick, etc.)
- Nanoemulsion (lotion, etc.)

Ice skating rink

Liquid Paraffin & Sulfonates Division

- Heat transfer medium

Daily necessities

Liquid Paraffin & Sulfonates Division / Special Lubricants Division (Functional Fluids Division) / Hot Melt Adhesives Division

- Liquid paraffin (food container)
- High vacuum pump oil (vacuum packing)
- Hot melt adhesive (pet sheet, label, etc.)

Information equipment

Liquid Paraffin & Sulfonates Division / Special Lubricants Division (Functional Fluids Division) / Energy Device Materials Division

- Liquid paraffin (lithium-ion battery membrane production process)
- High vacuum pump oil (semiconductor manufacturing process)
- Organic device sealant (organic EL)
- Gas & water vapor transmittance measurement device

Disposable diaper

Hot Melt Adhesives Division

- Hot melt adhesive

Housing

Hot Melt Adhesives Division

- Hot melt adhesive (heat insulating material)

Business Overview / Domestic and Overseas Net Sales

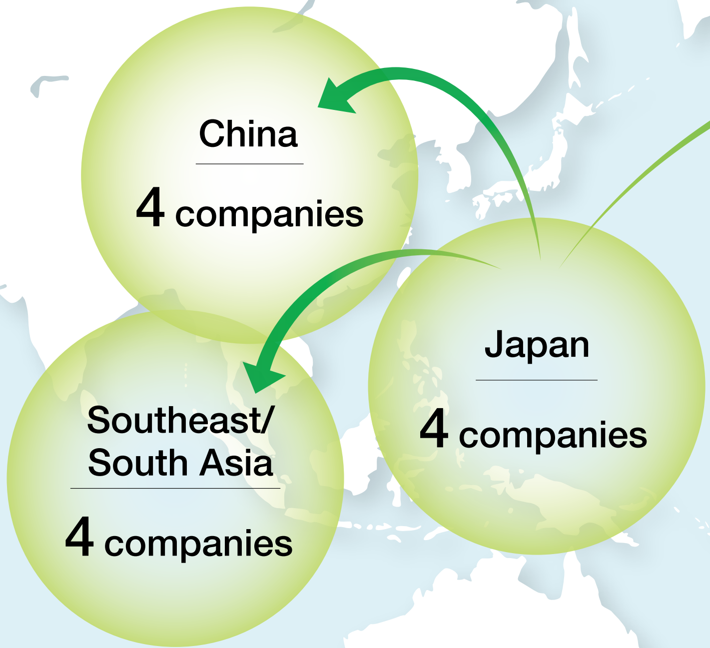
The MORESCO Group is expanding its business in growing overseas markets extending from Southeast/South Asia and North America through China, centering on Japan as a hub. (14 consolidated subsidiaries)

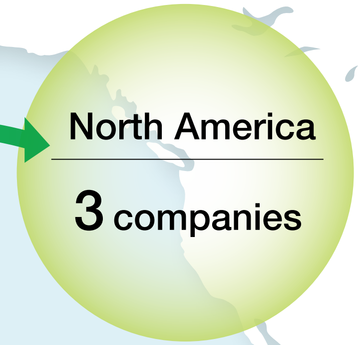
Number of domestic and overseas business locations

15 companies

Number of consolidated employees

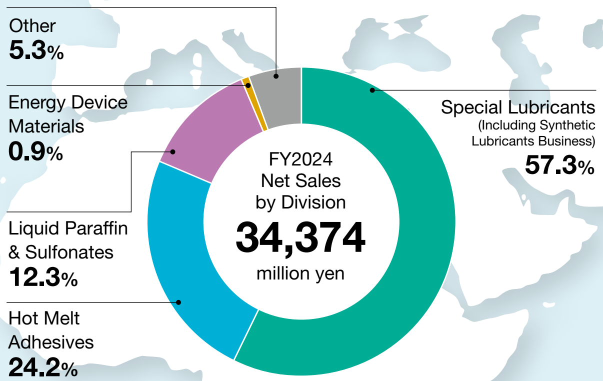
795 (as of the end of FY2024)





Segment Information

By Division



*The Synthetic Lubricants Division was integrated into the Special Lubricants Division on May 30, 2024.

Special Lubricants

- **Functional Fluids**
  Industrial lubricants for plants and equipment
- **Synthetic Lubricants**
  Synthetic lubricants used in precision machinery and harsh environments

Hot Melt Adhesives

Adhesives used for disposable diapers, adhesive labels, etc.

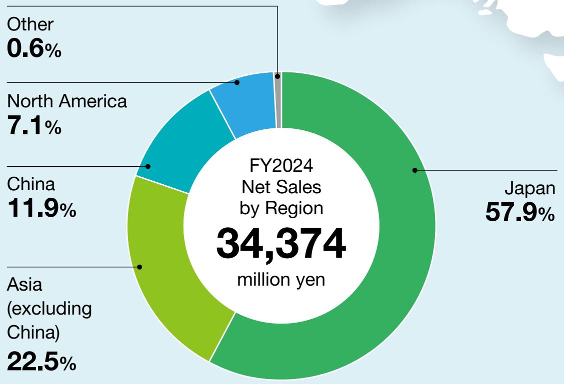
Liquid Paraffin & Sulfonates

Additives used in cosmetic raw materials

Energy Device Materials

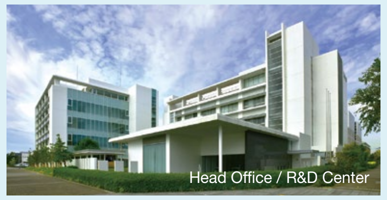
Sealants and measuring devices used in the organic device field

By Region



Japan

MORESCO Corporation



Chiba Plant

Akoh Plant

- Tokyo Branch
- Osaka Branch
- Nagoya Sales Office

Domestic Group Companies (3 companies)

MATSUKEN CO., LTD.

MATSUKEN deals in all kinds of environmental products, mainly wastewater treatment equipment and chemicals, as well as cleaning equipment and fluids of the MORESCO Group.

3 locations: Head Office (Osaka), Nagoya, Tokyo

MORESCO TECHNO CO., LTD.

This company offers analytical services that help users protect the environment, such as analysis and control tests of lubricants in general, and analysis of hazardous substances.

1 location: Kobe

Ethylene Chemical CO., LTD.

This company manufactures and sells automotive chemical products and NYBRINE (heat transfer medium).

2 locations: Head Office/Plant and Tokyo Sales Office

Overseas Group Companies (11 companies)

North America

Operating a diversified business with an R&D system in place

With its improved products as well as enhanced development and customer service systems, the MORESCO Group will diversify its business operations in the United States.

MORESCO USA Inc.

CROSS TECHNOLOGIES N.A. INC.

MORESCO LUBE MEXICANA S.A. DE C.V.

China

Pursuing further growth with our reinforced local network

Building and leveraging a local sales network, we are engaged in activities to bolster sales not only to Japanese companies but also to European, American, and Chinese companies. We are also boosting our local development capabilities, intent on community-based product development and customer services.

TIANJIN MORESCO TECHNOLOGY CO., LTD.

MORESCO (ZHEJIANG) FUNCTIONAL MATERIAL CO., LTD.

MORESCO TRADING (ZHEJIANG) CO., LTD.

MORESCO (HAINING) NEW INTERFACE MATERIAL CO., LTD.

Thailand

Strengthening our revenue base

Our lubricant business is operating mainly in the automotive-related field in Thailand. Along with strengthening the revenue base, we will promote contract manufacturing to support our Japanese customers.

MORESCO (THAILAND) CO., LTD.

Indonesia

Expanding business in the areas of automotive and sanitary materials

We focus on hot melt adhesives for sanitary materials as well as automotives, and aim to further increase our market share using Indonesia's high economic growth as support.

PT. MORESCO INDONESIA

PT. MORESCO MACRO ADHESIVE

India

Local production and sales set to start in growing markets

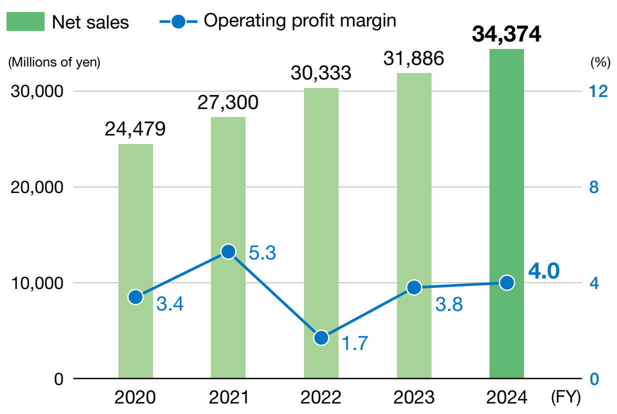
We have established an overseas production and sales base in India following China, the U.S., and Southeast Asia. We are bolstering our efforts in expanding the hot melt adhesives and lubricants businesses in the Indian market, which is expected to grow further.

MORESCO HM&LUB INDIA PRIVATE LIMITED

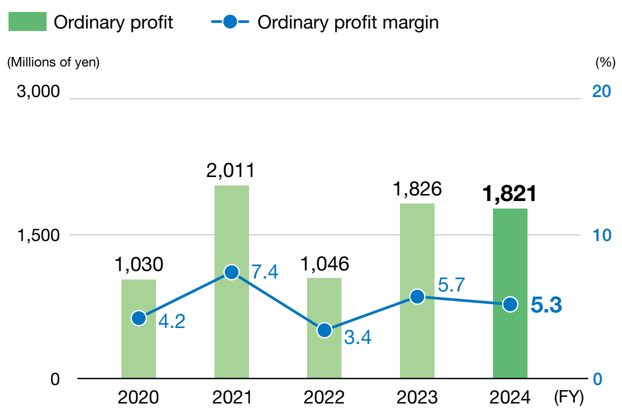
Financial and Non-Financial Highlights

Financial Highlights (Consolidated)

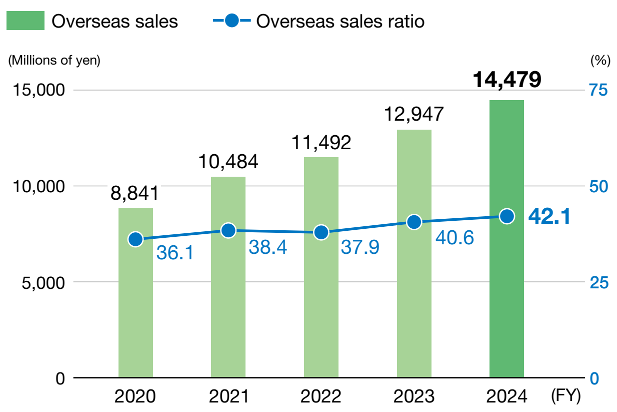
Net Sales and Operating Profit Margin



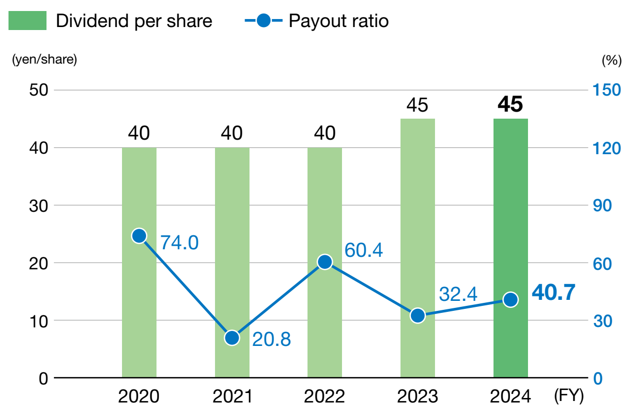
Ordinary Profit and Ordinary Profit Margin



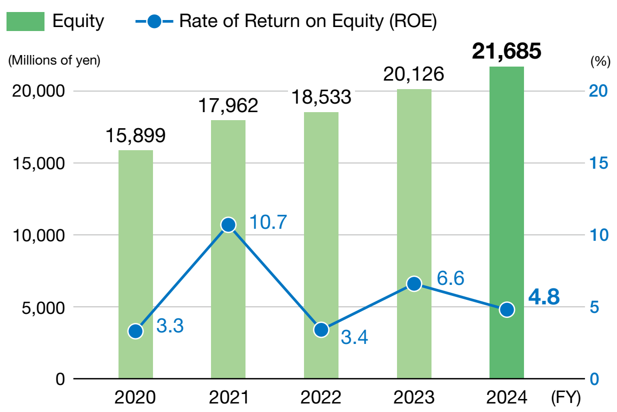
Overseas Sales and Overseas Sales Ratio



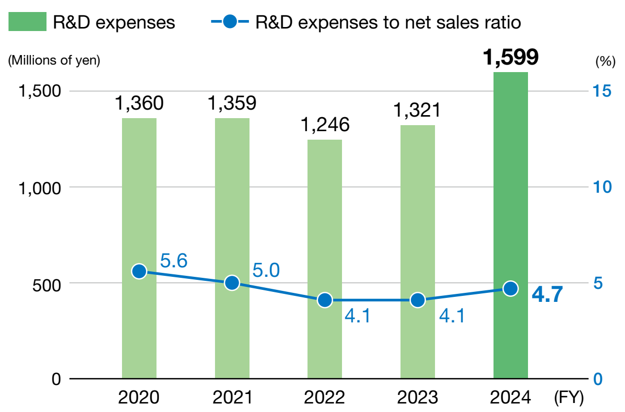
Dividend per Share and Payout Ratio



Equity and Rate of Return on Equity (ROE)



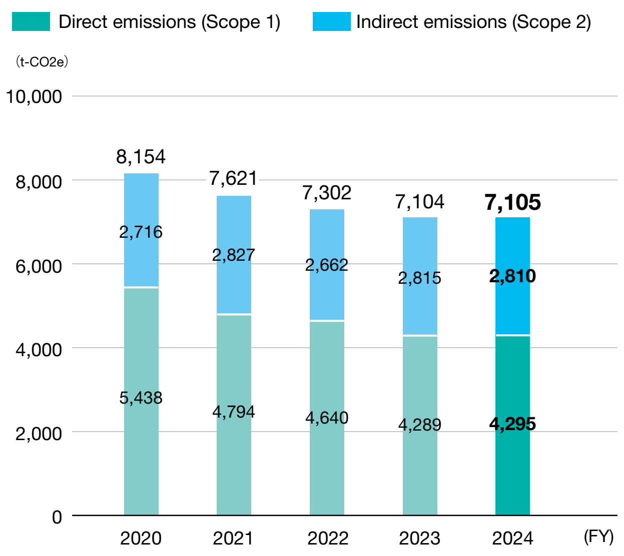
R&D Expenses and R&D Expenses to Net Sales Ratio



Non-Financial Highlights

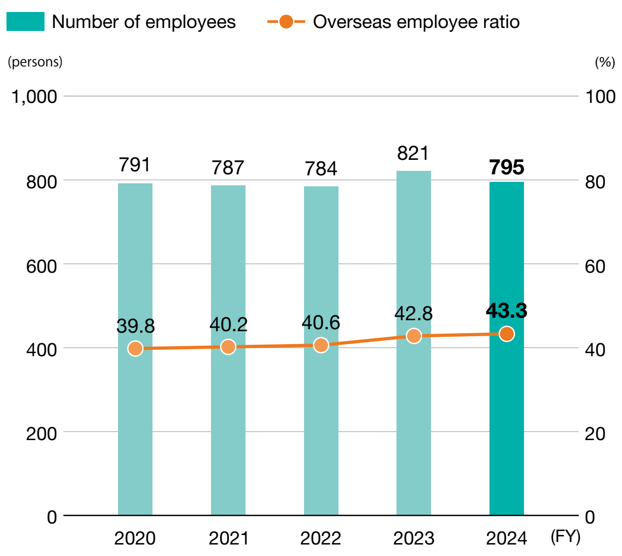
GHG Emissions

<Direct emissions (Scope 1) + Indirect emissions (Scope 2)>
(Domestic Group Companies)

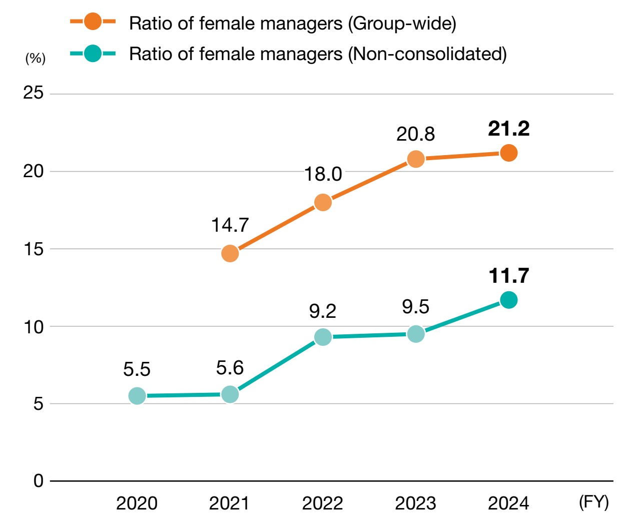


Number of Employees and Overseas Employee Ratio

(consolidated)

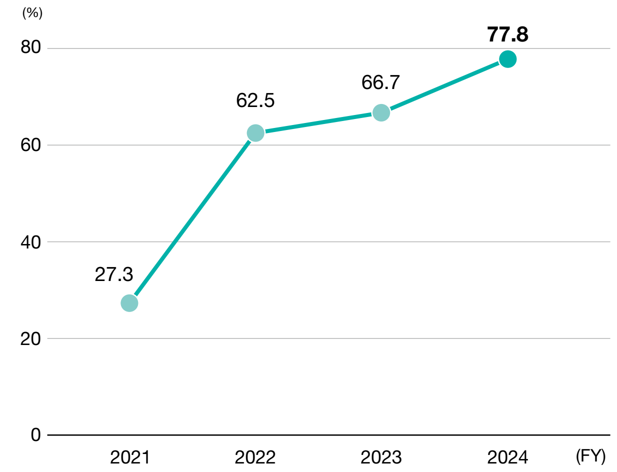


Ratio of Female Managers



Ratio of Male Employees Taking Childcare Leave

(Domestic: Incl. domestic group companies)



PART 3

Value Creation Process

We will transform one-of-a-kind products and services created in full coordination of development, production, and sales based on our core technologies: blending, synthesis, and refining, into economic and societal values as well as corporate value under a management system in which Operating, R&D, and Corporate divisions work in unison.

Value Creation Capital

Financial capital
- Shareholders' equity: 18,714 million yen (FY2024)
- Operating CF: 2,751 million yen (FY2024)
- Interest-bearing debt: 5,117 million yen (FY2024)

Manufacturing capital
- Number of major production sites: Japan 2, Southeast/South Asia 4, U.S.A. 1, China 3

Intellectual capital
- R&D expenses: 1,599 million yen (FY2024)
- R&D expenses to net sales ratio: 4.7% (FY2024)

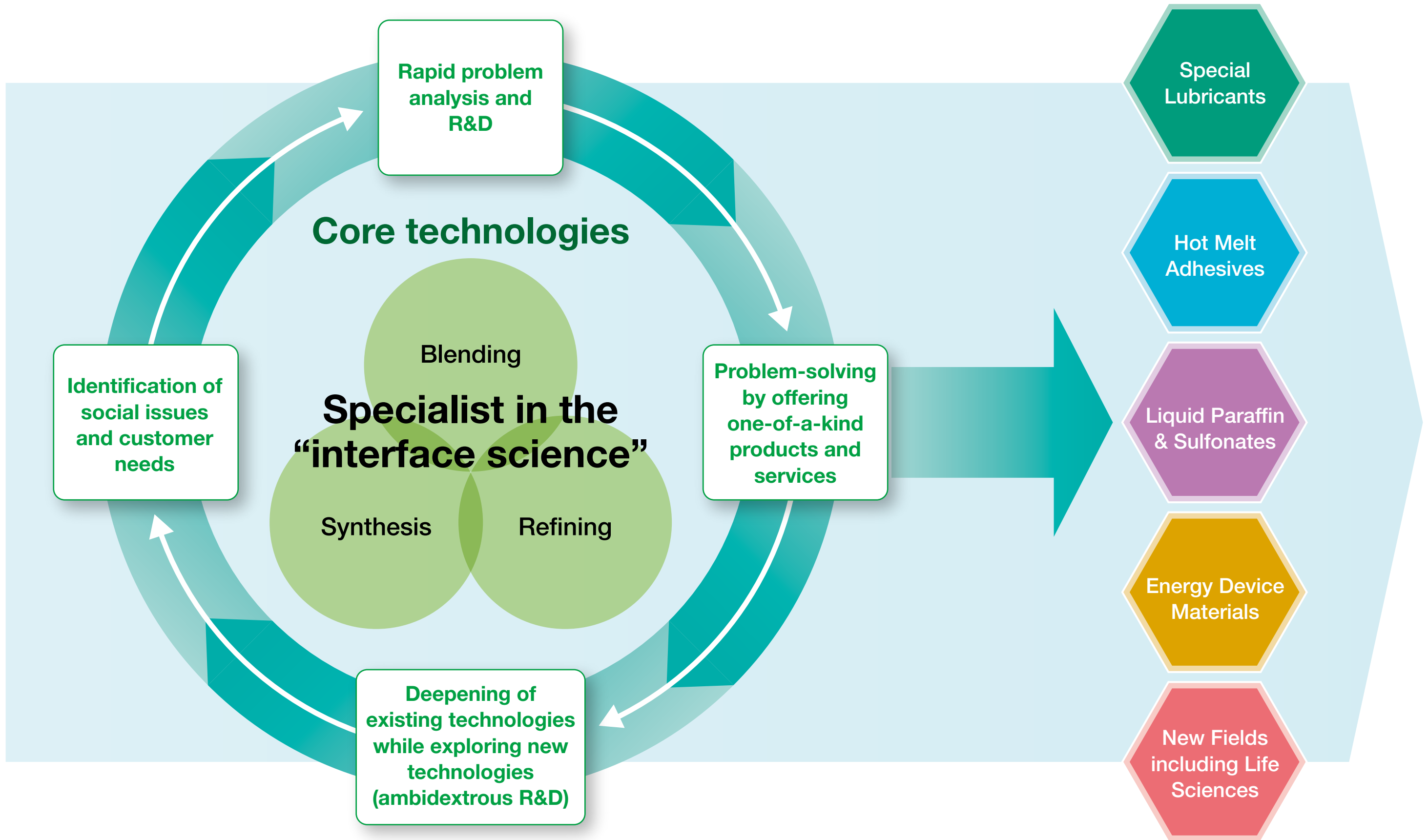
Human capital
- Consolidated number of employees: 795 (as of end of FY2024) Of these:
- R&D personnel: 105 (as of end of FY2024)
- Overseas employees: 344 (as of end of FY2024)

Social capital
- Number of customers (non-consolidated): More than a dozen or so thousand
- Long-term, close partnerships with leading companies in the industry
- Industry-government-academia development project: More than 15

Natural capital
- Energy consumption
- Water resource intake
- Internal recycling of resources

Input

Value Creation Mechanism (Management Structure and Business Model)



Operating division system in which development, production, and sales are integrated
R&D system in which R&D and operating divisions work cross-functionally
Management system in which Operating, R&D, and Corporate divisions collaborate

Industry-Government-Academia Collaboration

Sustainability Management System

Corporate Governance
Compliance / Risk Management

Management Philosophy / Management Vision / Corporate Behavior Charter

Output

Value Creation Achievements (Outcomes)

Quantitative and qualitative enhancement of capital

Financial capital
- Target ROE: 8% level (FY2026)
- Consolidated payout ratio: 30% or more (FY2026)
- Sales ratio of MGS products: 40% (FY2026)

Manufacturing capital
- Enhancement and expansion of the global production system

Intellectual capital
- R&D expenses to net sales ratio: Approx. 4-5% (FY2026)
- Promotion of the MOLGADC Project

Human capital
- Promotion of human resources strategy (formulated in FY2023)
- Development of global and DX human resources
- Enhancement of DE&I initiatives

Social capital
- Intensification of open innovation (industry-government-academia collaboration) in cutting-edge areas
- Reinforcement of human rights due diligence systems

Natural capital
- GHG emissions: 5,959 t-CO_2e (FY2030: Reduction by 46% compared to FY2013)
- Sales ratio of MGS products FY2026: 40% FY2030: 50%
- Contribution to a circular economy

Creation of economic and societal values (realization of seven material issues)

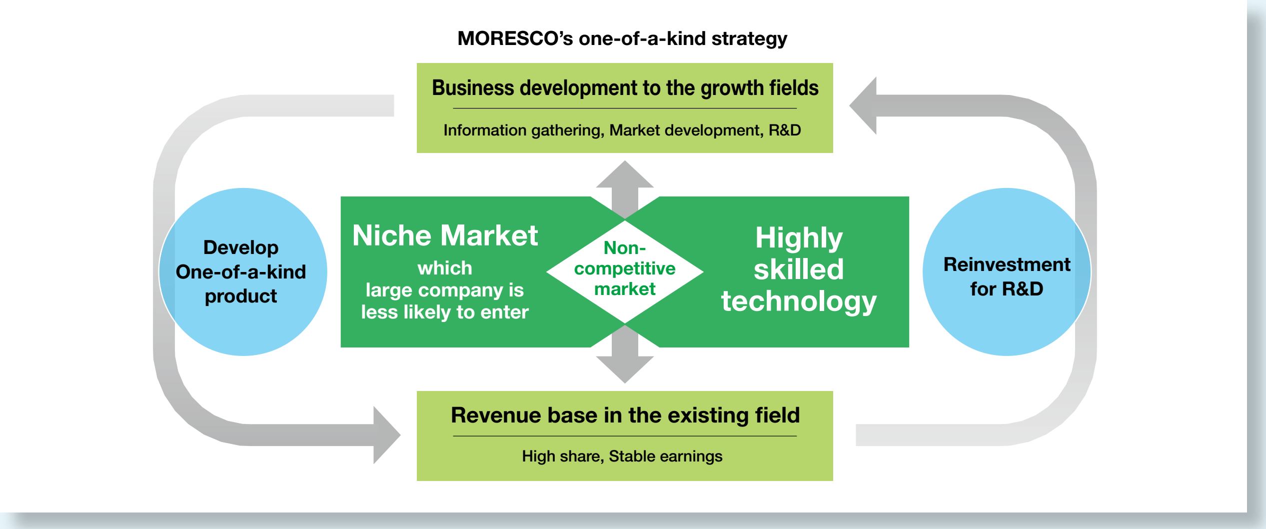
- Develop and sell innovative products and services
- Reduce environmental risks
- Create new value and improve productivity through technological innovation
- Strengthen the supply chain to ensure a stable, sustainable supply
- Strengthen business partnerships
- Strengthen human capital by supporting growth and appointing a diverse workforce
- Build a better workplace that is physically and mentally fulfilling and emphasizes human rights

Strengths of the MORESCO Group (Business Model)

The ability to maintain a high market share with one-of-a-kind core technology in the interface science field and an R&D system for creating next-generation businesses, sustainability management supported by MORESCO Green SX, and a global strategy that spreads throughout the world: these are the three core competencies that will shape the bright future of the MORESCO Group.

Specialists in interface science

“The field of interface science” originally refers to an area that cuts across multiple fields. In this area where objects come into contact with one another, MORESCO’s products serve primarily as lubrication, adhesion, and surface protection, and each of these products is truly a specialist fulfilling its function. In the field of interface science, which exists in every industry, MORESCO creates one-of-a-kind core technologies, utilizes them as its strengths, and takes on challenges in next-generation fields while maintaining the top share in the industry.



MORESCO’s one-of-a-kind core technologies

As an R&D-oriented company, we discover needs based on dialogue with customers utilizing technology we have cultivated since our founding. Ex.: MORESCO PHOSFAROL protects hard disk information at the nano-level.


Hard disk surface lubricant

Growth strategy to further bolster core technologies

MORESCO’s revenue base is supported by its products maintaining a high market share since its foundation, enabling us to invest in research and development and create more one-of-a-kind products.

High temperature grease base oil for automobiles
(100% share in Japan)

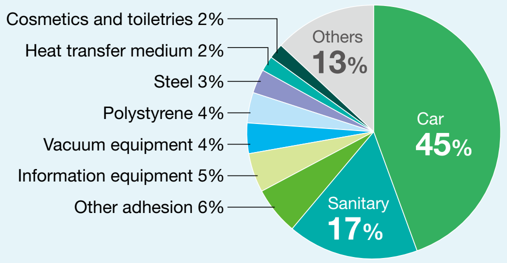
Water-glycol fire-resistant hydraulic fluid
(70% share in Japan)

Number one share in the industry inside and outside Japan

As we have many products with a high market share, we receive product development requests under a wide range of themes from Japan and overseas. Our R&D system, under which sales and development departments work together on these development themes, is the driving force behind new product development.

Diversification management

In terms of net sales by industry, automotive accounts for about 45%, followed by sanitary materials about 17%. By offering products that have versatile applications to many different sectors, we have established “diversification management” that is less influenced by specific industries.

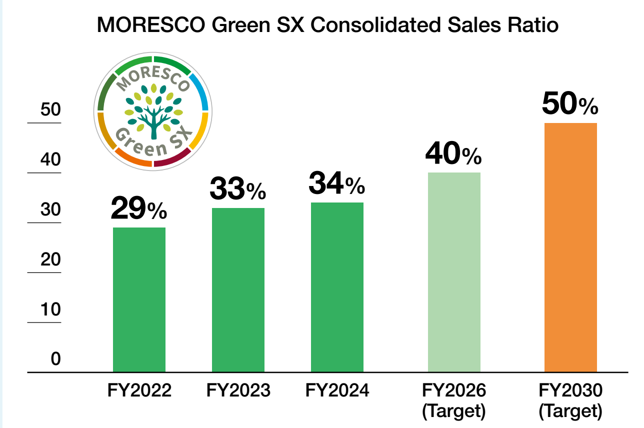


FY2024 net sales ratio by industry (consolidated)

Sustainability management

As set forth in the 10th Medium-Term Management Plan, the theme under which the MORESCO Group is now committed to in its business is achieving both “realization of a sustainable society” and “increasing added value of business.” Over the medium- to long-term, under the slogan of “Delivering sustainable one-of-a-kind products to the world,” we work toward the goal of a 46% reduction of GHG emissions in our own energy consumption by fiscal 2030 (compared to fiscal 2013) and becoming carbon neutral in Scopes 1, 2, and 3 (including the supply chain) by fiscal 2050.

The core initiative to achieve this vision is to improve the sales ratio of MORESCO Green SX (MGS) products. Contributing to a sustainable society by developing and expanding sales of MGS products with low environmental impact and high added value—this is a measure we believe that can be executed only by the MORESCO Group, which has continued to produce high market share products with its one-of-a-kind core technologies.



Next-gen. business creation (MOLGADC Project)

Purpose and Vision of the R&D Division

Purpose: **Energizing people and the Earth with the power of science**

Vision: **We are specialists in the interface science.**

Under the Purpose and Vision of the R&D Division and the cross-divisional development system, we will break new ground in the next-generation businesses centered on the MOLGADC Project, never hesitating to take risks. We will launch world-leading, highly original products mainly in the areas of “environment,” “information,” “semiconductors,” “energy devices,” and “life sciences” with appropriate timing.

Global strategy

The MORESCO Group is expanding its businesses, such as special lubricants and hot melt adhesives, into emerging economies in countries such as China, Thailand, Indonesia, and India, where continual high growth is expected for the automotive and sanitary materials sectors. We have restructured our business in China and have developed a local sales network to increase sales efforts to Japanese, European, American, and Chinese companies. Our local development capabilities are also being bolstered to quickly respond to changing market needs. Meanwhile, in North America, we acquired and relaunched CROSS TECHNOLOGIES N.A. INC. as a new production base for lubricants. Going forward, the company will help to enhance our sales network, expand sales channels to U.S. companies, and reinforce our systems for product improvement, development, and customer service. In addition, in 2025 we will establish a group company in Mexico to strengthen our global expansion.


CROSS TECHNOLOGIES N.A. INC.
Development, production, and sales base for lubricants


MORESCO (ZHEJIANG) FUNCTIONAL MATERIAL CO., LTD.
Development, production, and sales base for lubricants and sealants

Material Issues (Materiality) for Sustainability

As part of our efforts to realize a sustainable society, MORESCO has promoted responses to environmental and social issues based on the materialities identified in fiscal 2021. In light of changes in our business environment and social demands, we have reviewed and revised our materialities for the first time in three years in line with the 10th Medium-Term Management Plan.

With this revision, we incorporated the concept of dynamic materiality, which states that the importance of sustainability issues changes with the passage of time and the external environment, and examined the priority of initiatives within our materialities from the perspective of their financial impact and importance as social issues.

We are also holding dialogues with internal and external stakeholders, conducting awareness surveys for directors and senior management, and holding discussions with business divisions and related departments, in order to reassess our priority issues and their importance, further contributing to achieving our sustainability goals.

The revised materialities will serve as an important guideline for achieving both "realization of a sustainable society" and "increasing added value of business." We will continue to implement concrete actions to steadily achieve results toward our "ideal state" in 2030.

MORESCO's Seven Materialities

	Materiality	Related SDGs	Initiatives
Critical Issues Related to Business Activities	Develop and sell innovative products and services	7, 12, 9, 13, 6, 3, 8	• Cultivate next-generation businesses and enhance our product portfolio • Develop longer lasting products that have a reduced impact on the environment and generate less GHG emissions, waste, etc.
	Reduce environmental risks	7, 12, 13, 6	• Reduce GHG emissions, waste, and wastewater in business activities and throughout the supply chain • Invest in and adopt renewable energy sources and implement energy-saving practices • Support a circular economy • Promote nature-positive business practices
	Create new value and improve productivity through technological innovation	9, 8, 12	• Develop and establish new business models • Optimize production and business processes using digital technologies
	Strengthen the supply chain to ensure a stable, sustainable supply	11, 12, 8	• Strengthen supply systems and the secure procurement of raw materials throughout the supply chain • Strengthen and promote sustainable procurement taking into consideration both society and the environment • Strengthen BCP systems taking into consideration economic security
	Strengthen business partnerships	17	• Create innovation through collaboration with stakeholders • Strengthen cooperation and activities with local communities
Critical Issues Related to Corporate Management	Strengthen human capital by supporting growth and appointing a diverse workforce	4, 5, 8	• Create evaluation and training systems that strengthen and grow human capital • Ensure the human resources necessary for the implementation of business strategies • Establish an organizational system that emphasizes DE&I (Diversity, Equity, and Inclusion)
	Build a better workplace that is physically and mentally fulfilling and emphasizes human rights	3, 8, 16	• Thoroughly ensure human rights-respecting management • Create a work environment and business culture that emphasizes DE&I • Promote health management • Improve work-life balance by supporting flexible working styles • Review business processes to lead to workstyle reforms for employees • Realize a work environment that is safe, secure, and comfortable

Materiality in Management and Business Strategies

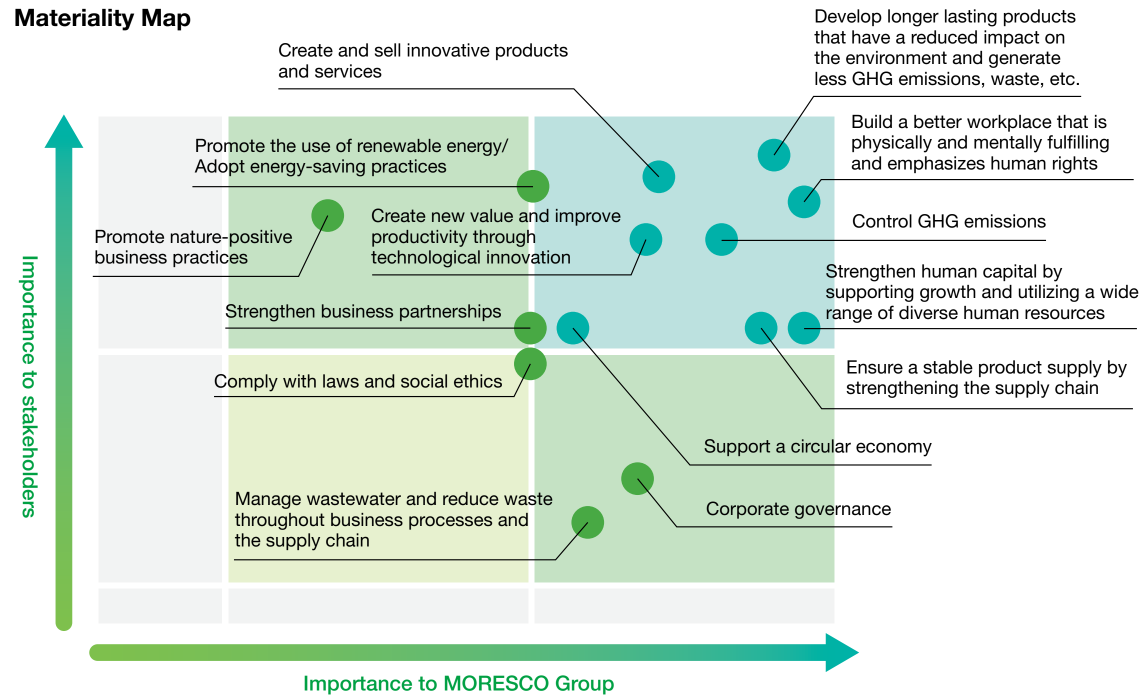
To align medium- and long-term sustainability issues with management strategies and plans, the MORESCO Group created a roadmap toward its "ideal state" in 2030 and is moving steadily toward the goal by implementing plans on a yearly basis.

First, setting initiatives to be worked on for each materiality, we organized the priorities of issues and initiatives on a materiality map with two axes of "importance to the MORESCO Group" and "importance to its stakeholders."

Specifically, in November 2022, we endorsed the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and enhanced climate change-related disclosure, along with setting GHG emissions reduction targets by 2030 (see page 60). In fiscal 2023, we strengthened our human capital management and human rights-based management (see pages 61 to 66). In addition, considering sustainability issues as an "opportunity" and as part of initiatives to achieve both "realization of a sustainable society" and "increasing added value of business," the Group has been selecting MORESCO Green SX (MGS) products and striving to expand sales of these products since September 2023 (see pages 25 to 28). Our 10th Medium-Term Management Plan aims to increase the ratio of MGS products to consolidated net sales from 34% in fiscal 2024 to 40% in fiscal 2026 and further to 50% in fiscal 2030.

In addition, our materiality-related initiatives are sorted out across the supply chain and reflected in specific initiatives in the annual business plans of respective divisions.

Materiality Map



Key changes in materiality:

- **Biodiversity and natural capital measures**
  We have decided to place greater emphasis on issues related to biodiversity and natural capital and address them from both a risk and opportunity perspective.
- **Promoting diverse human capital**
  We have broadened the concept of diversity to incorporate items previously under our in-house environment development policy into the company's materiality of human resource development. In particular, we now recognize cognitive diversity, alongside gender diversity, as a key element for strengthening competitiveness and creating value.
- **Strengthening geopolitical risk management**
  In light of changes in the business environment, we are heightening our vigilance toward geopolitical risks and moving forward with a review of our risk management system.

WEB For details on the relationship between materiality and management strategy/business activities → https://www.moresco.co.jp/en/sustainability/sdgs.php

Medium- to Long-term Risks and Opportunities, and Materiality

Based on the concept of Dynamic Materiality, the MORESCO Group has set KPIs for issues of particular financial importance (and urgency as social issues) among the seven materialities, along with targets for fiscal 2030. Targets for some of the KPIs have also been set for fiscal 2026, the final year of the 10th Medium-Term Management Plan.

Materiality identification process

STEP 1 Identification of Issues

- In line with the 17 goals of the SDGs, an internal questionnaire was directed towards all employees and asked, "What can MORESCO do? What challenges do we face?"
- A questionnaire was sent to external stakeholders* asking, "What should MORESCO focus on? What would you like to see from us?"

*Customers, suppliers, shareholders with whom we do business, local governments, universities with which we collaborate, etc.

STEP 2 Selection of High-Priority Issues

Bearing the results of the STEP 1 questionnaires in mind, the positive and negative impacts on society and the environment throughout the value chain were discussed in each of the business, R&D, and corporate divisions, and issues that MORESCO should prioritize were selected.

STEP 3 Rating of Importance

Materiality is identified by evaluating the issues selected in STEP 2 in terms of their importance to stakeholders including employees and to the MORESCO Group, based on quantitative and qualitative evaluations and opinions in STEP 1 and STEP 2 (decided with the approval of the Board of Directors).

STEP 4 Information Disclosure and Stakeholder Dialogue

We will strengthen and improve information disclosure related to sustainability on our website among other avenues, and enhance dialogue with various stakeholders based on disclosed information to simultaneously realize sustainable growth in corporate value and solutions to social issues.

	Materiality	Opportunities	Risks	Major KPIs	FY2024 Results	FY2026 Target (Final year of the 10th Medium-Term Management Plan)	FY2030 Target	Related pages
Critical Issues Related to Business Activities	Develop and sell innovative products and services	• Cultivate next-generation businesses and enhance our product portfolio • Develop longer lasting products that have a reduced impact on the environment and generate less GHG emissions, waste, etc.		Sales ratio of MGS products	34%	40%	50%	MORESCO Green SX (pp. 25–28) Sustainability (Environment) (pp. 57–60)
				R&D expenses to net sales ratio	4.7%	Approx. 4–5%	Approx. 5%	
	Reduce environmental risks	• Support a circular economy • Promote nature-positive business practices	• Reduce GHG emissions, waste, and wastewater in business activities and throughout the supply chain • Invest in and adopt renewable energy sources and implement energy-saving practices • Support a circular economy • Promote nature-positive business practices	GHG emissions targets	7,105 t-CO_2e (36% decrease compared to FY2013)	–	5,959 t-CO_2e (46% decrease compared to FY2013)	MORESCO Green SX (pp. 25–28) Sustainability (Environment) (pp. 57–60)
				Sales ratio of MGS products	34%	40%	50%	
	Create new value and improve productivity through technological innovation	• Develop and establish new business models • Optimize production and business processes using digital technologies		Man-hour productivity	8,137 yen/hour	–	–	Progress of the 10th Medium-Term Management Plan (pp. 35–36) Business Strategies (pp. 37–46) Message from the CTO (pp. 47–50)
				Number of occupational/ work-related accidents (lost time injuries)	0	0	0	
	Strengthen the supply chain to ensure a stable, sustainable supply	• Strengthen and promote sustainable procurement taking into consideration both society and the environment	• Strengthen supply systems and the secure procurement of raw materials throughout the supply chain • Strengthen and promote sustainable procurement taking into consideration both society and the environment • Strengthen BCP systems taking into consideration economic security	Supplier human rights due diligence investigation under consideration	–	Conducting supplier surveys Enhancement of human rights due diligence system		Sustainability (Social) (pp. 65–66)
				Response under consideration regarding physical risks of climate change at major factories	–			
	Strengthen business partnerships	• Create innovation through collaboration with stakeholders • Strengthen cooperation and activities with local communities		Examples of industry-government-academia collaboration achievements	Industry-government-academia collaboration in the rollout of: • Sealants for perovskite solar cells • Autophagy drug development • Nanoemulsion cosmetics • Bio formic acid creation • Gas and water vapor transmission rate measuring devices, etc.	–	• Acquisition of a high market share in sealants for perovskite solar cells • Diversification of pipeline to drive growth and stability in the drug discovery business • Enhancement of our nanoemulsion cosmetics lineup and application in medical DDS • Industry-government-academia collaboration to commercialize lubricants and polymer materials derived from non-petrochemical materials	Message from the CTO (pp. 47–50) Sustainability (Social) (pp. 65–66)
Critical Issues Related to Corporate Management	Strengthen human capital by supporting growth and appointing a diverse workforce	• Create evaluation and training systems that strengthen and grow human capital • Ensure the human resources necessary for the implementation of business strategies • Establish an organizational system that emphasizes DE&I (Diversity, Equity, and Inclusion)		Employee engagement (related items)	3.22/5 (including group companies in Japan)	–	3.5/5 (including group companies in Japan)	Sustainability (Social) (pp. 61–64)
				Ratio of female managers	Non-consolidated 11.7% Group 21.2%	–	Non-consolidated 15%	
	Build a better workplace that is physically and mentally fulfilling and emphasizes human rights	• Create a work environment and business culture that emphasizes DE&I • Promote health management • Improve work-life balance by supporting flexible working styles • Review business processes to lead to workstyle reforms for employees • Realize a work environment that is safe, secure, and comfortable	• Thoroughly ensure human rights-respecting management • Realize a work environment that is safe, secure, and comfortable	Employee engagement (related items)	3.11/5 (including group companies in Japan)	–	3.30/5 (including group companies in Japan)	Sustainability (Social) (pp. 61–64) Sustainability (Social) (pp. 65–66)
				Number of human rights training sessions provided and participation rate	Human rights training 2 times LGBTQ training 100% Harassment training 100%	–	Human rights-related training at least once a year, 100% participation rate	
				Wage difference between men and women	79.2%	–	Targets under review	
				Ratio of male employees taking childcare leave	Non-consolidated 87.5% Including group companies in Japan 77.8%	–	Including group companies in Japan 80% or more	

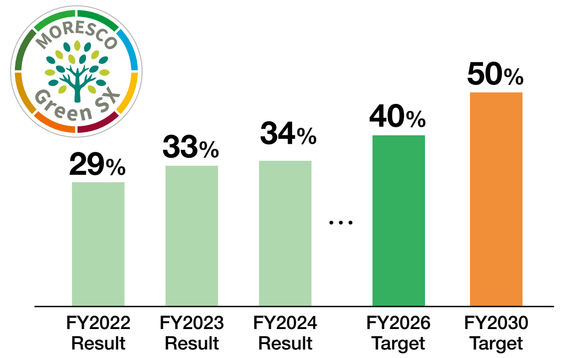
MORESCO Green SX

MORESCO Green SX products undergo evaluation throughout their life cycle, from raw material procurement to disposal, and are certified as products that make a considerable contribution as "initiatives" to address our seven material issues. For certification, products proposed by each operating division are screened by an internal review committee consisting of management and division managers before being officially certified by the Sustainability Committee. The certification and its operation are verified by a third party and evaluated as appropriate.

Certification Process and Contribution Category

Certification Process

MORESCO Green SX Consolidated Sales Ratio



SX Contribution Category	Major Examples	Relevant Materiality Initiatives	Relevant SDGs
Reduction of CO_2 emissions	• Use biomass feedstock • Recycle raw materials and products • Used in the production of environmentally friendly vehicles • Reduce power consumption when used • Contribute to a hydrogen society • Used for renewable energy	• Reduce CO_2 emissions, waste, and wastewater in manufacturing processes • Invest in and adopt renewable energy sources and implement energy saving practices	13
Energy conservation	• Reduced energy consumption • Utilize recycled products • Improvement to unit energy consumption by improving productivity • Reduced raw material consumption • Longer life • Used in energy-saving products	• Establish a "reduce, reuse, recycle" culture at the workplace • Develop and deliver eco-friendly products (resource conservation) • Invest in and adopt renewable energy sources and implement energy saving practices	7, 12, 13
Environmental conservation	• Reduced waste liquids • Collection and recycling • Reduced emissions for environmentally hazardous substances • Use recycled materials • Contribute to reducing the environmental impact of users	• Develop long-lasting products that generate less waste and limit the impact on the environment • Reduce CO_2 emissions, waste, and wastewater in manufacturing processes • Optimize production efficiency and minimize environmental impact using digital technology	6, 12, 15
Building of a better workplace	• Reduced waste liquids • Contribute to improving the user's work environment • Contribute to user workplace safety	• Make the workplace safer by promoting machine automation in factories and conducting regular safety checks	3, 8
Health and safety	• Use materials that are safe for human health (For pharmaceuticals, foods, cosmetics, etc.)	• Procurement that considers human rights and the origins of raw materials • Develop and deliver eco-friendly products (resource conservation)	3
Contribution to industrial development	• Contribute to an information society • Contribute to the SDGs through the development of advanced technologies	• Optimize production efficiency and minimize environmental impact using digital technology	9

MORESCO Green SX Representative Products

Water-soluble minimum quantity spray type release agent GRAPHACE MQ Series

Reasons for certification and overview

Energy conservation | Environmental conservation | Building of a better workplace

Die casting is a casting method in which molten metal is forced into a mold under high pressure and then solidified. To release the heated metal from the mold, a die casting lubricant is required—MORESCO's GRAPHACE products. Used in die casting machines that produce aluminum automotive parts and magnesium components, the lubricant contributes to improved productivity and a better work environment. Generally, mold release agents are diluted tens to hundreds of times, but the GRAPHACE MQ Series water-soluble minimum quantity spray type release agent is not diluted, making it extremely stable. Since only a very small amount is applied, no waste liquid is generated, leading to improved work environments, reduced production costs due to a longer mold life, and energy savings resulting from lower power consumption by the compressor.

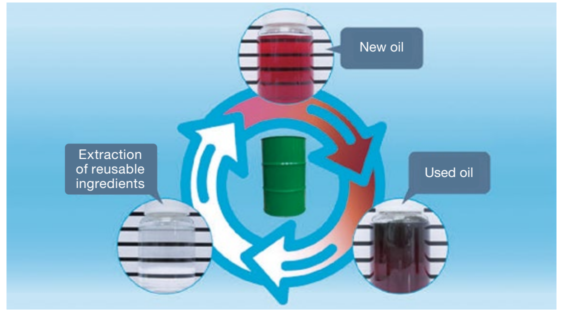
Example applications

Primarily used in the forming process (die casting) of aluminum automotive parts and magnesium components.

Looking ahead

We will continue to leverage the lubricant's high environmental performance and functionality, promoting its benefits for both the factory and global environment, while pursuing an expansion of sales channels in Japan and overseas.

Water-glycol fire-resistant hydraulic fluid HYDOL



Reasons for certification and overview

Reduction of CO_2 emissions | Environmental conservation

This water-glycol fire-resistant hydraulic fluid offers excellent lubricity and stability, contributing to the reliable operation of hydraulic equipment requiring precise movement. It is particularly well-suited for sites where there is a risk of fire. We have also been working on reuse and recycling efforts. Conventionally, hydraulic fluids deteriorate over time and must be disposed of as industrial waste, with incineration posing an environmental impact. To address this, we developed a technology that extracts only the deteriorated additives that make up 20% of the fluid and recycles the remaining clean water-glycol component. In addition to reducing the amount of petrochemical-derived raw materials used through the recovery and reuse of hydraulic fluid, this significantly reduces waste. It also contributes to the reduction of CO_2 emissions by utilizing recycled glycol components.

Example applications

Used in die casting machines that produce aluminum automotive parts, as well as hydraulic equipment for steelmaking and pressing, the fluid not only ensures stable operation but also protects factory facilities from fire.

Looking ahead

We will expand the scope of our recycling initiatives to include products other than water-glycol fire-resistant hydraulic fluid, while improving the recycling technologies. Through these activities, we will reduce the use of petrochemical materials and significantly reduce waste. With targets set for fiscal 2030, we will be working with partner companies and others to help lower GHG emissions and protect the environment.

MORESCO Green SX Representative Products

Reactive hot melt adhesive MORESCO-MELT RO-400

Reasons for certification and overview

Energy conservation | Building of a better workplace

A reactive hot melt adhesive that hardens due to moisture contained in the air or adherends is an improvement over conventional hot melt adhesives thanks to its higher heat resistance. It provides superb initial adhesive strength immediately after application, has excellent coating properties, and can be sprayed on. Additionally, it is suitable for processes with longer intervals between coating and adhesion, and demonstrates heat resistance that is superior to conventional products. By eliminating the need for a drying process after coating, it helps boost productivity and reduce energy use, while the solvent-free formulation contributes to improving the environment and resource saving.

Example applications

Mainly used for adhesion of plastics for automobile interiors to surface materials. As the use of plastic materials increases with vehicle weight reductions, the product demonstrates high adhesive strength even for polypropylene parts, which are generally considered difficult to bond.

Looking ahead

We aim to further expand sales to domestic and overseas automobile manufacturers.

Gas & water vapor transmittance measurement device MORESCO-SuperDetect

Reasons for certification and overview

Reduction of CO_2 emissions | Environmental conservation | Contribution to industrial development

Measures the gas barrier properties of films quickly and with world-class sensitivity and high precision. It contributes to R&D and quality control in various fields, including organic devices and solar cells, fuel cells, hydrogen energy, and food and medical product packaging. The device can detect water vapor transmittance as low as 10^{-7} g/m^2/day—equivalent to one drop of water per day permeating a film sample the size of ten soccer fields. The development of multi-chamber type equipment enables multiple sample measurements, contributing to reducing workload. Furthermore, no petrochemical-derived raw materials are used for the main raw materials, and parts can also be reused, thereby lowering the environmental impact.

Example applications

This single instrument can directly measure the transmittance of gases (water vapor, oxygen, nitrogen, helium, carbon dioxide, hydrogen, etc.) even in the sealant with the actual device. Its high speed, precision, and sensitivity are invaluable for organic device and barrier film R&D, as well as production and quality control, whether for electronic components and devices or food and pharmaceutical packaging, all of which require the efficient measurement of large numbers of samples.

Looking ahead

The device is already in use for automotive fuel cells and related applications, contributing to progress toward a hydrogen-based society. Demand is also increasing for applications in the research and development of perovskite solar cells and other flexible devices, with future expansion expected into quality control.

UF/RO membrane wastewater treatment equipment

Reasons for certification and overview

Reduction of CO_2 emissions | Energy conservation | Environmental conservation | Building of a better workplace | Contribution to industrial development

This wastewater treatment equipment is a fully automatic system that directly filters and concentrates wastewater using ultrafiltration (UF) and reverse osmosis (RO) membranes. It reduces wastewater to one-tenth to one-twentieth of its original volume, greatly cutting waste output. The system also contributes to the SDGs by safely and reliably producing clean water while operating unattended, thereby reducing person-hours required and treatment costs, in addition to reducing the volume of industrial waste. Since no wastewater treatment agents are used, the treated water can be recycled and reused for the circulation of water resources at plants.

Example applications

Applications include wastewater treatment in the die casting and metalworking industries, as well as use in the aircraft parts sector, where demand is expected to grow, and cleaning equipment. In addition, as part of a recycling-oriented agriculture policy in the city of Maniwa, Okayama Prefecture, the equipment has been introduced at a bio-liquid fertilizer concentration facility. There, it concentrates food waste and night soil sludge to reduce waste emissions and produce environmentally friendly, highly concentrated bio-liquid fertilizer for farmers.

Looking ahead

We will actively promote the superb quality and extensive lineup of products manufactured by MATSUKEN CO., LTD., and step up efforts to develop new markets such as printing manufacturers. In addition to the domestic market, we are also expanding into regions where Japanese companies are expanding their operations internationally, including China and Southeast Asia. We will continue to expand our business, contributing to industrial development through our strength in environmentally beneficial technologies.

Bio-liquid fertilizer concentration facility in Maniwa City, Okayama Prefecture

Centrifugal separators for removing contaminants

Concentration of liquid fertilizer using UF membrane system

Electrodialysis collects essential ions from the liquid

Company Profile: MATSUKEN CO., LTD.

A company specializing in environmental solutions, MATSUKEN handles a wide range of environmental products, with a focus on UF/RO membrane wastewater treatment equipment, cleaning equipment, water treatment chemicals, and water-based cleaning agents. As a technical consulting company, MATSUKEN not only supplies products (equipment) but also pursues total solutions that include optimal services (operational methods) to contribute toward societal sustainability.

Eijiro Oda
President

PART 4

Message from the CFO

Hirofumi Fujimoto
CFO, Director, Managing Executive Officer

We are working to improve profit margins and ROE to achieve the targets in the 10th Medium-Term Management Plan.

Business results for fiscal 2024

A year Special Lubricants Division led overall performance, while challenges with management became clear

During fiscal 2024, driven by its mainstay special lubricants and other businesses, the MORESCO Group recorded net sales of 34,374 million yen (up 7.8% year-on-year) and an operating profit of 1,391 million yen (up 13.6%), achieving an increase in both sales and profit. On the other hand, ordinary profit was 1,821 million yen (down 0.3%), with profit attributable to owners of parent coming to 1,013 million yen (down 21.1%), resulting in a decrease in profit in terms of earnings from the Group's overall business.

Looking at return on capital, ROE (return on equity) was 4.8% and ROIC (return on invested capital) was 3.6%, falling short of our target WACC (weighted average cost of capital) of around 8%. The reasons behind this are that the sales of a certain number of products did not go as initially planned and that the sales ratio stalled for MORESCO Green SX ("MGS") products, which provide high added value to customers and are expected to be highly profitable for the Group. Going forward, we believe it is important to increase its sales ratio not only in Japan but also in overseas markets.

By product, price correction and sales expansion of high-value-added products have been taking effect, especially in the Special Lubricants Division. In this division, sales growth was seen in hard disk surface lubricants, as well as in automotive-related products, especially overseas. In the Liquid Paraffin & Sulfonates Division, demand for liquid paraffin recovered, enabling a stable earnings base. The Hot Melt Adhesives Division, however, posted an impairment loss of 188 million yen due to the issues with revenue structure becoming apparent, such as intensifying competition in Southeast Asia and sustained high raw material prices. This had a significant impact on net profit for the period under review, resulting in a decrease in net profit.

In fiscal 2024, we reaffirmed the Group's strengths, particularly in the Special Lubricants Division, while issues with the Group's overall profit structure and capital efficiency came into sharp relief. Based on these results, we will reconsider the role that finance should play and move forward with strategies to increase earning power.

Management Objectives of the 10th Medium-Term Management Plan

Million yen

		FY2024 Result	FY2026 Plan	FY2030 Target
Performance	Net sales	34,374	38,000	50,000
	Sales growth rate	8%	6%	7%
	Operating profit	1,391	2,700	5,000
	Operating profit margin	4.0%	7%	10%
	Ordinary profit	1,821	3,000	–
Capital efficiency	ROE	4.8%	8% level	10% level
	Consolidated payout ratio	40.7%	30% or more	30% or more
Non-financial targets	Sales ratio of MGS products	34%	40%	50%
	GHG emissions reduction rate *Compared to FY2013	36%	–	46%

Financial challenges for fiscal 2025

Pursuing improvement both in profitability and capital efficiency through ROIC-based management

For fiscal 2025, we plan net sales of 36,500 million yen, an operating profit of 1,750 million yen, and an operating profit margin of 4.8%, which we expect to be higher than fiscal 2024 in terms of sales and profit. There remains, however, a wide divergence from the financial KPIs (management indicators) set forth in the 10th Medium-Term Management Plan (the "10th Medium-Term Plan"), which are an operating profit margin of 7% and ROE of 8%, and we are fully aware that improving both profitability and capital efficiency is an urgent need.

In accordance with these circumstances, our Group is promoting ROIC-based management. In fiscal 2024, each division created a business ROIC tree, and with front-line initiatives incorporated into the tree as KPIs, target management has begun using it. In fiscal 2025, by further enhancing its accuracy, we will improve ROIC and other financial indicators.

With regard to cash allocation, we have maintained an R&D ratio (R&D expenses to net sales ratio) of roughly 4 to 5% and intend to maintain this level. In principle, while capital expenditures are generally kept within depreciation limits, we will make proactive investment decisions when M&A projects or asset purchases are necessary in order to strengthen our revenue base in the future, as we did in fiscal 2023. In the second half of 2025, we expect a full-scale capital investment in the Research Center II (tentative name), which was acquired in 2024. We will further enhance our R&D system, which is one of the Group's strengths.

As I have explained so far, in fiscal 2025, based on the linkage between financial KPIs and front-line initiatives confirmed by ROIC tree deployment, we will strive to increase our corporate value by executing financial strategies with a focus on investment in growth that will demonstrate our R&D capabilities, financial support through business process reviews, and alignment with the seven materialities.

R&D ratio (R&D expenses to net sales ratio)

(Millions of yen)	FY2020	FY2021	FY2022	FY2023	FY2024
R&D expenses	1,360	1,359	1,246	1,321	1,599
Net sales	24,479	27,300	30,333	31,886	34,374
R&D ratio (R&D expenses to net sales ratio)	5.6%	5.0%	4.1%	4.1%	4.7%

Business ROIC Tree

		ROIC Improvement Driver	KPI 1	KPI 2	Responsible division
ROIC	Operating profit to net sales ratio	Sales expansion	Strengthening existing markets (customers)	MGS product sales expansion with marketing approaches leveraging our high market share	Sales / R&D
			Development of new markets (customers)	Promotion of new product development and sales in Japan and overseas	Sales / R&D
			Increase in flagship product production capacity	Development of production processes utilizing our unique expertise	R&D
		Thorough cost control	Raw material supplier diversification	Utilization of recycling and reuse	R&D / Production
			Increase in manufacturing equipment utilization ratio	Product consolidation promotion	Sales
				Reduction of downtime	Production
		Reduction of SG&A expenses	Improvement of corporate division efficiency	DX utilization	Corporate
	Invested capital turnover ratio	Improvement of working capital turnover ratio	Thorough CCC (Cash Conversion Cycle) management	Early collection of trade receivables	Corporate
			Appropriate inventory management	Lead time shortening (strict forecast management)	Sales / Production

In actual operation, responsible divisions manage individual leading indicators as well to achieve KPI 2. Through the creation and operation of the ROIC tree, the linkage between each employee's daily activities and ROIC indicators has become clearer. We have also confirmed an increased awareness of management indicators focusing on the balance sheet and hope this initiative will facilitate improvement of return on capital.

Progress of the 10th Medium-Term Management Plan

Promoting investment for enhancement of our product portfolio and profit growth

At the beginning of 2024, we formulated our 10th Medium-Term Management Plan, with a three-year implementation period from fiscal 2024 to 2026. Currently, based on this plan, the entire Group is undertaking initiatives aimed at increasing corporate value over the medium to long term. As the person in charge of finance, while objectively inspecting the implementation status toward the achievement of quantitative targets, I will not simply dismiss differences between the plan and actual results as unmet targets, but will continue to encourage operating divisions to achieve the plan by analyzing which indicators are not being achieved and why, as well as structural factors from a financial perspective. In my view, these interactions between the finance and operating divisions will direct us toward our next strategy.

To be more specific about our initiative: for "enhancement of our product portfolio," which is one of the basic policies of the 10th Medium-Term Plan, the Accounting Department has updated our cost management system and visualized the profitability of individual products. Based on this information, we are now considering the consolidation of unprofitable products and reviewing raw material procurement methods as Group-wide initiatives. Through these activities, we will raise the profitability of our business.

The integration of the Functional Fluids business and Synthetic Lubricants business implemented last year is another initiative that contributes to the "enhancement of our product portfolio." This integration has the potential to create new values as well. In recent years, the Synthetic Lubricants business has been focusing on the development of PFAS-free lubricants, for which demand is expected to rise from the perspective of environmental measures. We have strengthened our product development capabilities by reallocating resources from the Functional Fluids Business for the development of this PFAS-free product through organizational integration. Although the market is still in the process of emergence and it is not clear whether this initiative will bring profit during the 10th Medium-Term Plan period, we expect that it has potential to grow into a pillar of our Group as a high-value-added product in the future.

Meanwhile, our Synthetic Lubricants business has operated mainly in the domestic market, but combining this with Functional Fluids business, which has a strong track record in Asia and North America, our sales capabilities will increase globally. We recognize the importance of providing solid financial support for these efforts.

Along with that, it goes without saying that making investments in anticipation of future growth is important. As I mentioned earlier, the Group's strength lies in its R&D capabilities. Our policy for R&D and capital investment is to continue strategic investment toward medium- to long-term growth while avoiding excessive investment.

Promotion of human capital management

Fostering a corporate culture where every employee can thrive

In the "improvement of the return on capital" stipulated in the basic policies of our 10th Medium-Term Plan, promoting human capital management is an important initiative. The Group is committed to strengthening its human capital under the theme of balancing the "realization of a sustainable society" and the "improvement of corporate value throughout the medium and long term." As one of these efforts, we are creating an environment in which all human resources can play an active role. Specifically, we are working to foster a corporate culture that emphasizes diversity, inclusion, and equity; to develop grading, evaluation, and compensation systems along with recruitment and training systems with no discrimination based on attributes; and to create an environment where members can work autonomously with high motivation.

Another effort is to develop the human resources needed to execute our management strategy. This includes familiarizing all Group employees with corporate philosophy and management strategy; developing and securing the human resources needed to expand our business, strengthen our foundation, and build the future; and allocating human resources based on talent portfolio analysis. Going forward, we will translate each of these strategies into KPIs for the human resources and general affairs divisions, steadily enhancing our human capital.

It is our attitude of valuing our employees' freewheeling thinking and willingness to take on challenges that has supported the Group's growth achieved so far as an organization. We will continue to maintain and foster this corporate culture while promoting sustainability management to be a company that welcomes people who want to develop their potential. We appreciate your understanding.

Enhancement of shareholder value

Building relationships of trust through information dissemination and dialogue

With shareholder returns positioned as a key management issue, the Group returns profits to shareholders in consideration of its business performance and other factors. In addition, in line with our basic policy of securing internal reserves necessary for future business development and reinforcement of management structure, we aim to maintain a consolidated payout ratio of at least 30%. For fiscal 2025, our projected annual dividend is 45 yen per share and our projected consolidated payout ratio is 31.7%.

Our Group's PBR (price book-value ratio) has been below one for some time. We take this seriously, but to raise the PBR, in addition to increasing profit, we think it is important that our stakeholders have a sense of anticipation about the future of the Group. With this in mind, we will actively communicate MORESCO's strengths and weaknesses and the future vision we have set.

Moving forward, we will continue to actively promote the purpose of the Group and establish a trusting relationship with our shareholders by disclosing information and engaging in sincere and productive dialogue.

Shareholder Returns

	FY2020	FY2021	FY2022	FY2023	FY2024
Dividend per share (yen)	40.00	40.00	40.00	45.00	45.00
Consolidated payout ratio	74.0%	20.8%	60.4%	32.4%	40.7%
Dividend on equity (DOE)	2.09%	1.99%	2.06%	1.90%	1.83%

Long-term Vision of the MORESCO Group

As a "specialist in interface science," the MORESCO Group has repeatedly taken on the challenge of connecting various "boundaries" that lie, for example, between things and between technologies all through the ages, and has cultivated world-class technological strengths. With the sustainability of the global environment becoming a serious issue, our current goal is to "deliver sustainable one-of-a-kind products to the world," utilizing our technological strengths. The MORESCO Group will keep moving toward its long-term vision, as an innovative company pioneering the frontier of a sustainable society.

FY2024 result

Net sales	34,374 million yen
Operating profit margin	4.0%
ROE	4.8%
Sales ratio of MGS products	34%
GHG emissions reduction rate (Compared to FY2013)	36%

In a rapidly changing global context, taking the changes in the business environment as excellent opportunities, we took steps to increase our corporate value. Specifically, we improved our development capabilities by leveraging evolving DX technology to launch environmentally conscious products that meet customer needs, thereby enhancing sustainability and business value.

In addressing materiality, we have adopted the concept of dynamic materiality to reevaluate priority issues to approach and their significance. We will steadily continue to advance our efforts to achieve our sustainability goals.

Responding to changes in the business environment and promoting sustainability management

Balancing the "realization of a sustainable society" and "increasing added value of business" through sustainability management

As an innovator pioneering the frontier of a sustainable society

10th Medium-Term Management Plan (FY2024–FY2026)

Net sales	38,000 million yen
Operating profit margin	7%
ROE	8% level
Sales ratio of MGS products	40%
GHG emissions reduction rate (Compared to FY2013)	–

In accordance with the theme of achieving both "realization of a sustainable society" and "increasing added value of business," one of our key initiatives is to raise the sales ratio of MORESCO Green SX, an environmentally friendly product, to 40%. By achieving this target, we will simultaneously promote the enhancement of sustainability and business value. We are also working to "create next-generation businesses" through our R&D project MOLGADC and are strengthening the R&D and production systems of our overseas subsidiaries. The MORESCO Group strives to solidify its management base and improve its return on capital through ROIC-based management.

FY2030 target

Net sales	50,000 million yen
Operating profit margin	10%
ROE	10% level
Sales ratio of MGS products	50%
GHG emissions reduction rate (Compared to FY2013)	46%

Since its founding, our Group has valued the spirit of taking on challenges and created numerous one-of-a-kind products by pursuing creative research and development activities. Toward fiscal 2030, we hope to establish a new, unique position in the areas of Energy Device Materials, Life Science R&D, and circular products. The MORESCO Group will earnestly seek to deliver sustainable one-of-a-kind products to the world, aiming to be an integral part of a sustainable society by solving social issues, continuing as an innovator who pioneers the frontier of a sustainable society.

Progress of the 10th Medium-Term Management Plan

The MORESCO Group is implementing its 10th Medium-Term Management Plan covering the fiscal years 2024 to 2026. To further strengthen and accelerate the efforts outlined in the 9th Medium-Term Management Plan, the 10th plan holds the theme of achieving both “realization of a sustainable society” and “increasing added value to business.”

Five Basic Policies of the 10th Medium-Term Management Plan (FY2024–FY2026)

In the 10th Medium-Term Management Plan, we have established the following five basic policies for the realization of the theme and announced major initiatives to be implemented to this end. Having also set division-based priority measures, we will strive to add value to our business both in Japan and overseas, while at the same time continuing to strengthen our global structure.

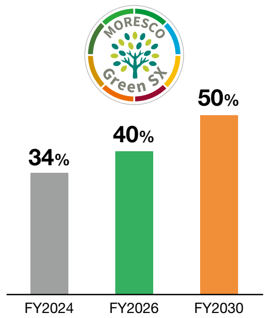
Theme of the 10th Medium-Term Management Plan

Achieving both “realization of a sustainable society” and “increasing added value of business”

Basic policies	Major initiatives
Promotion of Sustainability Management	• Promotion of carbon neutrality • Increasing MGS product sales ratio • Efforts to reduce environmental impact
Enhancement of Our Product Portfolio	• Development and sales expansion of high-value-added products • Response to circular economy
Creation of Next-Generation Business	• Focus on life science business • Development of technology to create non-petrochemical materials • Promoting businesses related to perovskite solar cells
Innovation of Business Processes	• Innovation of production processes • Promotion of DX • Addressing logistics issues
Improvement of the Return on Capital	• Measures to improve PBR • Shareholder returns • Promotion of human capital management • Strengthening IR activities

Promotion of Sustainability Management

We will upgrade our product portfolio by increasing sales of value-added MORESCO Green SX (MGS) products up to their ratio accounting for 40% of total sales in the final year of the plan and further to 50% by fiscal 2030.



MGS product sales ratio target

Enhancement of Our Product Portfolio

We will increase sales of MGS products, particularly special lubricants and hot melt adhesives. In addition, we will be in keeping with the circular economy by building a circular model that takes into consideration the product life cycle: manufacturing, use, collection, and recycling.

Circular model

Creation of Next-Generation Business

In the life science field, commercialization of our original technology, nanoemulsion, and autophagy-targeted drug discovery are underway. In the development of technology for creating non-petrochemical materials, we aim to produce bio formic acid at our biogas plant.

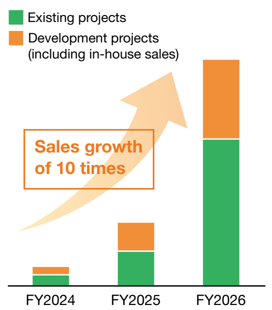
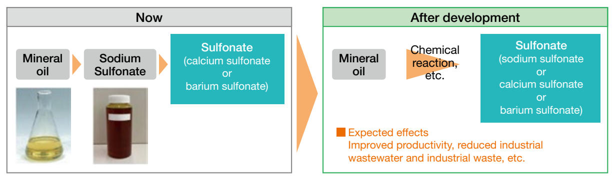


Image of expansion of life science

Innovation of Business Processes

We will establish technology to shorten the sulfonate production process (single-substance treatment method) and develop a new manufacturing process that will reduce industrial waste. We will also advance digital transformation (DX) of R&D with informatics to expedite the development and improvement of products.



Improvement of the Return on Capital

Advance both growth strategy and capital/financial strategy to achieve “improvement of the return on capital”

With regard to growth strategy, we will focus on promoting the priority measures in respective operating divisions and major areas on the foundation of sustainability management, and creating next-generation businesses through the “MOLGADC” Project. Meanwhile, our capital and financial strategies comprise pushing ahead with measures to improve profitability in each operating division, including the use of ROIC indicators; implementing a dividend policy aiming for a consolidated payout ratio of 30% or more, with shareholder returns positioned as a key management issue; promoting human capital management; enhanced investor relations activities; and active dialogue with investors.

Growth strategy

Promotion of Sustainability Management/Enhancement of Our Product Portfolio/ Creation of Next-Generation Business

- Continue development of MGS products and set sales prices that meet customer needs while ensuring appropriate margins
- Promote enhancement of a product portfolio that leads to reorganization of our business portfolio
- Launch nanoemulsion products and out-license autophagy activating drugs in the life science business
- Expand business in overseas growth markets centered around Southeast/South Asia, North America, and China

Capital and financial strategies

Promotion of profitability improvement measures/Shareholder returns/ Human capital management/Strengthening IR activities

- Identify low-growth products in each business division and promote measures that will lead to improved profitability (utilization of ROIC indicators, etc.)
- Positioning shareholder returns as a key management issue, implement a dividend policy aimed at a consolidated dividend payout ratio of 30% or more
- Promote human capital management linked to management strategy
- Enhance IR information and hold active dialogue with investors

Progress of the 10th Medium-Term Management Plan

Basic policies	Major initiatives	Major achievements
Promotion of Sustainability Management	• Promotion of carbon neutrality • Increasing MGS product sales ratio • Efforts to reduce environmental impact	• Achieved GHG reduction rate of 36% in FY2024 (compared to FY2013)
Enhancement of Our Product Portfolio	• Development and sales expansion of high-value-added products • Response to circular economy	• 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	• Focus on life science business • Development of technology to create non-petrochemical materials • Promoting businesses related to perovskite solar cells	• 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	• Innovation of production processes • Promotion of DX • Addressing logistics issues	• 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	• Measures to improve PBR • Shareholder returns • Promotion of human capital management • Strengthening IR activities	• Started creating ROIC reverse trees by Division and target management using ROIC indicators.
Overseas strategy		
Enhancement of global structure	【China】Early stabilization of operation of new plants, strengthening of development system 【North America】Creating synergies through business acquisitions, etc. 【Southeast/South Asia】Enhancement of R&D function in Thailand	• 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.

Business Strategies

Special Lubricants Division/Functional Fluids Business

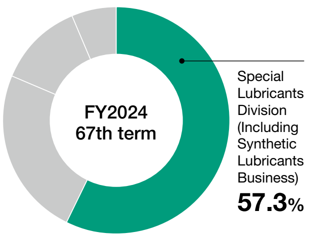
Meeting the challenges of extreme-condition worksites with market share-leading products to sustain tomorrow's industries

Hidenori Amaki
Executive Officer, North America
Division Manager, Special Lubricants Division

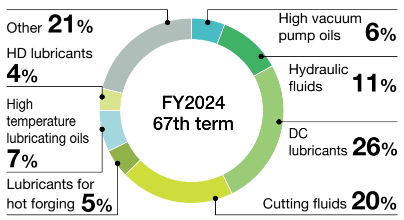
Main Products/Applications

Die casting lubricants/Automobiles, etc.
Cutting fluids/Automobiles, Aircraft, etc.

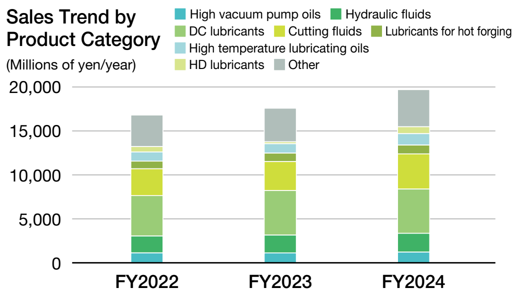
Share of Consolidated Net Sales



Share of Sales by Product Category



Sales Trend by Product Category
(Millions of yen/year)



DC: Die casting HD: Hard disk drives

Business Overview and Characteristics

Anticipating market needs with the technological capability to deliver optimal products

Functional Fluids business is a core business of the MORESCO Group, in which we provide high-quality, high-performance special lubricants to manufacturers in Japan and overseas. Our product lines reliably provide multiple functions such as lubrication, cooling, cleaning, and protection, even under extreme operating conditions across diverse manufacturing sites, including the automotive industry. They contribute to stable product quality, improved equipment utilization ratios, and enhanced safety.

Our main products include die casting lubricants, water-glycol fire-resistant hydraulic fluids, and high vacuum pump oils, which maintain the top share in the Japanese market, as well as cutting fluids and lubricants for hot forging. In particular, sales of cutting fluids have doubled over the past decade through product upgrades, while in die casting lubricants, our focus on the development and sales expansion of minimum quantity spray type lubricants has achieved good results. In recent years, we have also expanded globally, steadily increasing our presence in overseas markets. Through these efforts, the Group has established competitive advantages in selected fields and maintained its position as a price leader, guiding appropriate pricing that reflects product value.

This competitiveness is underpinned by close collaboration across development, production, and sales. The sales department identifies customer challenges directly at their production sites; the development department designs products based on field knowledge; and it cooperates with the production department to commercialize products in a short time frame. This integrated approach fosters trust with customers and allows us to respond quickly to their needs.

Furthermore, the Group as a whole produces raw materials for special lubricants, such as silicone, alkyl diphenyl ether, and sulfonates, which also contribute significantly to boosting competitiveness.

Current Challenges and Initiatives

Responding swiftly to rapid market changes while advancing environment-driven product transformation and global expansion

In recent years, Japan's automotive market has contracted amid the shift to decarbonization and electrification, while rising demands for sustainability and environmental performance have driven rapid changes in market needs. In the Functional Fluids business, we must respond quickly by developing high-performance, eco-friendly products and building a sales structure that delivers them reliably to market. Amid intensifying domestic and global competition in technology and cost, technological innovation is vital for differentiation and price competitiveness.

In this environment, the MORESCO Group is both applying existing technological strengths and actively exploring new fields and markets. In die casting lubricants, in particular, we aim to further expand sales of our GRAPHACE MQ Series minimum quantity spray type lubricants, leveraging our high market share in Japan. And going forward, we will build on our top position in the Asian market to further strengthen our presence in global markets.

In the giga casting field, which involves aluminum casting for battery electric vehicles (BEVs) that require ever-lighter components, our subsidiary in China has steadily built a track record with local automakers and is using that foothold to accelerate expansion to Japanese automakers. Such progress is underpinned by sales activities that draw on the local sales channels developed through our China operations.

Medium- to Long-Term Outlook

Pursuing sustainable growth and structural transformation through environmentally friendly products and human resources development

In the Functional Fluids business, our medium- to long-term growth strategy is built on three strategic priorities: ① Expanding market share and further overseas expansion; ② Cultivating new businesses, new fields, and new geographic areas; and ③ Securing human resources and pursuing business profitability. Through these initiatives, we aim to advance further and structurally transform the business.

To grow market share, we are expanding our lineup of eco-friendly MORESCO Green SX products, and also taking measures to support the circular economy. For example, we have begun using recycled propylene glycol in our water-glycol fire-resistant hydraulic fluids and have also started recycling raw materials in our water-soluble cutting fluids. We will continue to build our global market share by intensifying the development and broader adoption of high-value-added products.

In pursuing new fields and applications, we are making full use of the products handled by the Special Lubricants Division and technical cooperation. Notably, our North American subsidiary, CROSS TECHNOLOGIES N.A. INC., has expanded beyond lubricants into new areas such as urethane molding lubricants, engaging in cross-sector development; it is also beginning to extend its business into areas beyond North America.

Promotion of MORESCO Green SX

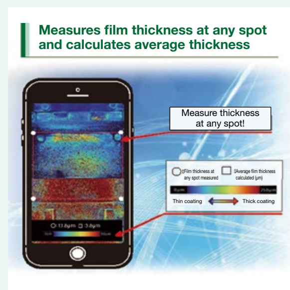
The MORESCO Group defines MORESCO Green SX products as those that combine environmental performance with high functionality, underscoring our growing commitment to a decarbonized society. In die casting lubricants, we are developing minimum quantity spray type lubricants that help reduce CO_2 emissions and waste liquids by cutting application amounts. In water-glycol fire-resistant hydraulic fluids, we offer products that maintain high lubricity and durability while reducing fire risks and supporting equipment maintenance.

In addition, we are developing our Premium Series of eco-friendly products, which utilize biomass-derived and recycled raw materials with a view toward Scope 3 emissions reduction and life cycle assessment.

TOPICS

In the Functional Fluids business, we developed a mobile app named CoatMap that offers a simple way to measure the film thickness of an applied die casting lubricant. It is a new visualization tool that supports improvements in process and product quality at customer sites. The app enables on-the-spot visualization of coating conditions by simply taking a picture of the surface of a part coated with release agent using a smartphone or tablet.

Before this app, verifying the volume of coating and checking for unevenness relied on the intuition and skill of experienced workers. Using digital technology to replace subjectivity supports standardization and saves labor. In addition, by showing the differences between the ideal and actual coating conditions, the tool helps ensure optimal use of release agents and improves yield. Going forward, CoatMap will serve as a platform for addressing issues at customers' production sites, and it will help promote sales of the Group's products.



Special Lubricants Division/Synthetic Lubricants Business

Unlocking new possibilities for lubricants through advanced synthesis and refining technologies

Hidenori Amaki
Executive Officer, North America
General Manager, Special Lubricants Division

Main Products/Applications

High temperature lubricating oils/Automobiles, etc.
Hard disk surface lubricants/Hard disk drives

Business Overview and Characteristics

Creating one-of-a-kind value through the coordination of top-level technologies in synthesis, refining, and lubrication

The Synthetic Lubricants business began with the development of alkyl diphenyl ether (ADE) as a synthetic vacuum pump oil and has since expanded into a lineup of one-of-a-kind products created by skillfully integrating synthesis, refining, and lubrication technologies. Today, with high temperature lubricating oils and grease base oils at its core, the division has built a product lineup that commands an overwhelming share of the market in Japan, supporting a stable revenue base. In particular, our high temperature grease base oil used in automotive electrical components is a long-selling product with a 100% domestic market share that has been used continuously for decades.

Meanwhile, our hard disk surface lubricants achieve lubrication with an ultra-thin film only a single molecule thick. In this area, too, we maintain a high share of the global market, giving us an overwhelming competitive edge. Backed by close communication with customers, our strength in making comprehensive proposals, which include application development and evaluation technologies, has resulted in products that embody MORESCO's distinctive synthesis-plus-lubrication concept.

Another major strength is our advanced refining technology. Our high-purity processing technology—refined through the stringent impurity removal required for hard disk surface lubricants—provides unrivaled advantages in fields where nano-level reliability is critical. We excel at customizing products to meet customer needs and are steadily building our presence in high-value-added niche markets with high barriers to entry.

Current Challenges and Initiatives

Driving further growth through semiconductors and global expansion

The markets for our main products—high-temperature lubricants and hard disk surface lubricants—are trending downward both in Japan and overseas due to the shift to battery electric vehicles (BEVs) in the automotive sector and the transition to semiconductor storage devices. This has made it clear that a dependence on the domestic market cannot sustain future growth.

Against this backdrop, we are focusing on developing new markets. For example, investment in data centers worldwide is expected to remain strong. Although hard disk drives continue to be the main type of storage device in use, we are also working to develop new products in anticipation of potential lubricants for magnetic tape used for recording and lubricants for equipment used to manufacture solid state drives (SSD) and other semiconductor products. This will allow us to meet the demand for storage in data centers fueled by the growth of generative AI and cloud computing.

As part of our growth strategy, we are also fully engaging in global expansion. For previously untapped overseas markets, we are already collaborating with both Japanese and foreign companies, working to establish partnerships that encompass everything from materials supply to application development and final production. In grease base oils, in particular, our Group supplies the base oils to local partners who manufacture products and thus expand sales, enabling us to capture overseas demand. In addition, we have newly established the Synthetic Lubricants Business Development Department to enhance efforts to develop new products and those that do not contain organic fluorine compounds (PFAS).

Medium- to Long-Term Outlook

Creating new core business pillars through technological advancement and global co-creation

Over the medium to long term, we intend to position the commercialization of PFAS-free products as the third core growth engine of the Synthetic Lubricants business, with a focus on the semiconductor field. This initiative aims to reduce environmental impact, including toxicity to humans, while also achieving higher performance. The idea is to leverage the outgassing evaluation and analysis technologies we have cultivated over many years in the vacuum lubrication field to provide superior products. We are already receiving positive feedback from many customers in Japan and overseas, and are working to build a production system to ensure that we can provide a stable supply.

Such research and development succeeds by adhering to a process that ensures customer needs are well understood, within a system that allows us to provide rapid customization both in Japan and overseas, an added value unique to our Group.

Looking ahead, our goal is to develop PFAS-free products into a core business alongside high temperature lubricating oils and hard disk surface lubricants, thereby diversifying our earnings structure. We also aim to expand applications of PFAS-free products beyond semiconductors to other fields, including energy-related areas such as thermal management, leading to sustained technological progress and market expansion. Over the long term, by extending our collaboration with overseas partners, we will establish a more robust supply chain and evaluation/analysis framework, enabling us to deliver reliable, high-quality lubrication solutions on a global scale.

Promotion of MORESCO Green SX

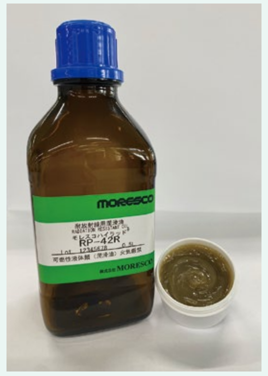
As we progress toward delivering more MORESCO Green SX products, we will leverage our strength as the only company in the world with ADE synthesis and distillation facilities to continue developing PFAS-free products. We will also promote the environmental value of our existing products in energy savings, longer service life, and reduced outgassing.

Particularly in the semiconductor field, there is a growing demand for alternatives to PFAS products in anticipation of tighter regulations, and we are responding with products that reduce environmental impact. In addition, we emphasize the environmental benefits of high temperature lubricating oils, radiation resistant lubricating oils, and hard disk surface lubricants through their ability to boost energy efficiency and extend equipment life.

In the medium to long term, we envision PFAS-free products, primarily for semiconductors, becoming a business centerpiece alongside our existing grease base oils and hard disk surface lubricants. We will prepare for market expansion going forward by capitalizing on our strengths in customization and an agile development structure.

TOPICS

As part of our commitment to using technology to help address social issues, we are developing and supplying world-class radiation resistant lubricating oils that provide long-term, stable lubrication even under extreme high-radiation conditions, such as in nuclear power plants. Our radiation resistant lubricating oils have already proven indispensable in major projects worldwide—for example, in the Large Hadron Collider at the European Organization for Nuclear Research (CERN)'s laboratory for particle physics, the largest of the world's three active particle accelerators, and in Japan through participation in the recently established Japan Fusion Energy Council (J-Fusion), created as an initiative of the Cabinet Office. Most recently, we entered into a business partnership with Kyoto Fusioneering Ltd., an engineering company specializing in fusion energy plants, to develop and market radiation-resistant lubricants for use in fusion power facilities. Our efforts in establishing reliable lubrication in radiation environments allow us to contribute at the forefront of chemical and energy innovations.



Radiation resistant lubricating oil and grease

Hot Melt Adhesives Division

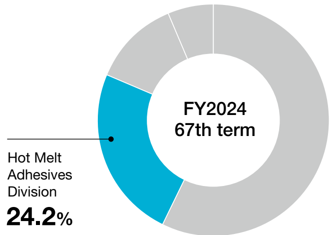
Advancing next-generation adhesive solutions through diverse technologies and problem-solving expertise

Kazuyoshi Fujita
Executive Officer
Division Manager, Hot Melt Adhesives Division

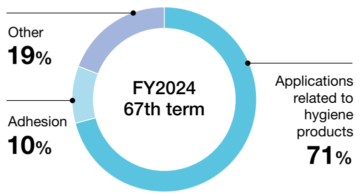
Main Products/Applications

Hot melt adhesives/Sanitary materials, Adhesion, etc.

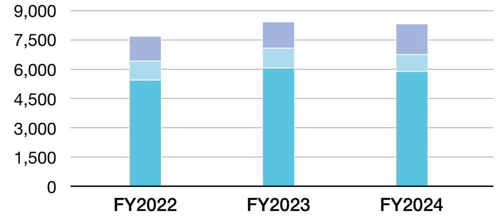
Share of Consolidated Net Sales



Share of Sales by Product Category



Sales Trend by Product Category
(Millions of yen/year)



Business Overview and Characteristics

Pioneering new applications in multiple fields with combined technologies

Marketed under the MORESCO-MELT brand, our hot melt adhesives are one of the Group's core product lines, second only to special lubricants; they account for roughly one-quarter of annual sales. Beyond their importance to overall sales, the adhesives are solvent-free and therefore gentle to both people and the environment.

We pioneered this field by utilizing accumulated technologies in which the Group has key strengths—advanced blending technology cultivated through special lubricants, expertise in molecular design through organic synthesis, and refining techniques for removing impurities. These capabilities allow us to develop hot melt adhesive applications tailored to individual customers in a timely manner.

Today, our adhesives play a vital role in a wide range of fields—from hygiene products such as disposable diapers which are the primary application, adhesion products such as labels, and industrial products such as auto interiors and air filters. We maintain the top domestic market share in the adhesion segment in particular. Overseas markets, primarily in Asia, account for about 50% of total sales, with our manufacturing and sales carried out at production bases in China, Indonesia, and India.

In adhesives for hygiene products, which represent around 70% of hot melt adhesive sales, the Japanese market for infant diapers is declining. Still, demand for products for the elderly remains steady, and pet sheets for dogs and cats are on the rise. The MORESCO Group is currently the only Japanese-owned manufacturer of hot melt adhesives for hygiene products in the domestic market. In Southeast Asia, by contrast, demand for infant diapers is increasing with the population growth, while pet products are expanding worldwide. By tailoring adhesives to the climate and usage conditions of each market, we are working to further expand demand.

Current Challenges and Initiatives

Strength in solving problems through providing customer-centric solutions

One of the Group's key strengths is our ability to supply products optimized for a wide range of adhesive needs.

For example, we provide synthetic-rubber-based hot melt adhesives for hygiene products, olefin-based products for auto interiors and air filters, and high-value-added reactive hot melt adhesives for auto interiors, which require higher bonding strength and heat resistance.

In developing new products, our researchers will visit a customer's production site to gather details about specific manufacturing problems, analyze the root causes using appropriate analytical equipment when necessary, and propose solutions in a timely manner.

We also conduct verification testing by installing the same adhesive application equipment used by customers at our own facilities.

Through these widespread efforts, we have built relationships of trust with customers who know they can rely on MORESCO to consult with when challenges arise.

For fiscal 2025, in addition to our flagship adhesives for hygiene products, we are focusing on tapping into demand in fields where we have a strong competitive edge. In particular, we are building on our strong track record in adhesion applications to expand into shipping labels and envelope flap adhesives (known as “Adhere,” press-bond adhesive technology).

Medium- to Long-Term Outlook

Enhancing competitiveness with high-value-added products and expanding overseas

To strengthen its presence in the global marketplace, the MORESCO Group must compete with highly cost-competitive global manufacturers as well as local home-market manufacturers. As R&D-oriented group companies, it will be increasingly important for the Group to develop high-value-added products in addition to improving production efficiency. We will therefore broaden our lineup of high-functionality products, along with MORESCO Green SX products, which help reduce environmental impact, to maintain and strengthen our competitive edge.

Our business to date has relied on serving the needs of Japanese manufacturers in such areas as hygiene products and auto interiors, through which we have expanded into markets in China, Southeast Asia, and India. We anticipate expanding our reach into Africa and other emerging markets in the future, growing our business by effectively addressing the unique environmental and technical challenges in each market.

Promotion of MORESCO Green SX

In the Hot Melt Adhesives Division, we are also actively developing MORESCO Green SX products. One example is our reactive hot melt adhesive, which hardens due to moisture contained in the air or adherends. It exhibits higher heat resistance than conventional hot melt adhesives and is expected to replace solvent-based adhesives, thereby contributing to environmental improvement.

Regarding hot melt adhesives for adhesion, we have developed biomass hot melt adhesives that incorporate 25–30% plant-derived resins, helping to reduce the use of petroleum resources and curb CO_2 emissions.

Furthermore, we are accelerating our activities and working toward a circular economy by participating in the disposable diaper recycling business as part of our 10th Medium-Term Management Plan.

TOPICS

Adhere hot melt adhesives are a new type of proposed adhesive designed to address durability and odor issues commonly associated with natural rubber-based Adhere adhesives. The coated surface itself is not sticky, but strong self-adhesion is achieved when the coated surfaces are pressed together. This eliminates the need for release paper, contributing to resource savings in manufacturing and waste reduction after use. Also, the process does not require heating, which further reduces energy requirements. Because these adhesives contain no natural rubber, they also eliminate concerns about latex allergies, offering a safer and more reliable material that enables a clear product differentiation. We anticipate wider adoption across industries where recyclability and safety are essential, including envelope flaps, airline baggage tags, temporary ID labels, and temporary bonding applications. We have positioned these hot melt adhesives as one of our future growth drivers and will continue to improve their performance and develop new applications.

Hot melt adhesives

Liquid Paraffin & Sulfonates Division

Accelerating new application development and global growth together with high-function materials

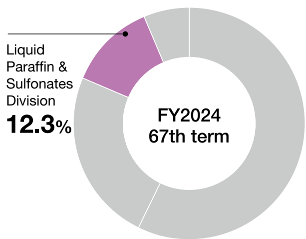
Yasushi Hosooka

Executive Officer
Division Manager, Liquid Paraffin & Sulfonates Division
Division Manager, Device Materials Division

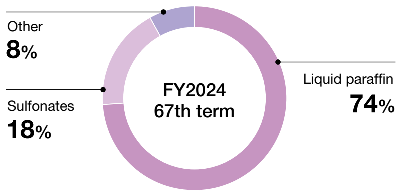
Main Products/Applications

Liquid paraffin/Pharmaceuticals, Cosmetics, Food trays, etc.
Sulfonates/Metal working fluids, Rust preventive oils, etc.

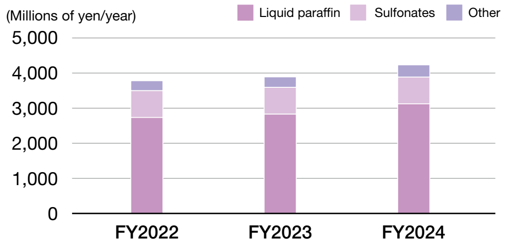
Share of Consolidated Net Sales



Share of Sales by Product Category



Sales Trend by Product Category



Business Overview and Characteristics

A supply system of versatile, reliable materials backed by 60 years of technology and experience

The Liquid Paraffin & Sulfonates Division supplies materials for a range of industries, including pharmaceuticals, cosmetics, chemicals, and lubricants, with a focus on liquid paraffin and sulfonates produced through the sulfonation process. Liquid paraffin is an extremely safe "human-friendly oil" made by refining lubricating oil using sulfuric acid until it reaches a colorless, transparent, odorless, and tasteless state. It is used as a raw material in pharmaceuticals, cosmetics, and toiletries, as a resin additive for food trays, and in the production of lithium-ion battery membranes, among its applications. MORESCO's liquid paraffin has been widely adopted, as safety is crucial in these fields for both humans and the environment. It maintains the top market share in Japan and is valued for its consistent quality and reliable supply.

Sulfonates exhibit excellent surfactant and rust preventive properties, finding wide use in metal working fluids and rust preventive oils. The Group produces and sells petroleum sulfonates, obtained as a co-product of liquid paraffin, and synthetic sulfonates, derived from heavy alkyl benzene. Petroleum sulfonates hold the top domestic market share, and our one-of-a-kind sulfonation technology enables the flexible production of both high- and low-molecular-weight types, allowing us to meet a diverse range of customer needs.

These products are underpinned by more than 60 years of production experience and the integrated production system at our Chiba Plant. Its Closed System, in which sulfuric acid supply and waste acid treatment are done through external pipelines, ensures workplace safety while reducing environmental impact—an approach that provides MORESCO with a distinct competitive edge.

Current Challenges and Initiatives

A growth strategy built on equipment efficiency improvement, market expansion, and new production technologies

In the Liquid Paraffin & Sulfonates Division, with limited options for raw material procurement and constraints on site expansion, our focus urgently needs to be on improving production efficiency. We can accomplish this by consolidating low-profit products, utilizing idle facilities, and implementing process improvements, while also working to reduce industrial waste and enhance the efficiency of waste liquid treatment to lower environmental impact.

Within this framework, we are pursuing strategies tailored to each product line to drive growth. For liquid paraffin, while ensuring stable demand domestically, we are strengthening exports to the overseas business sites of Japanese companies, particularly in the cosmetics sector. Our product's safety and purity are recognized internationally, and we are stepping up efforts for a full-scale expansion into overseas markets.

For sulfonates, we are in full-scale supply mode for overseas markets that include East Asia (China and South Korea), ASEAN countries, and North America. Petroleum sulfonates in particular are produced by only a limited number of companies worldwide, allowing us to differentiate our products based on their inherent strengths. However, our conventional production process has made it challenging to meet the demands of overseas customers. To address this, we have developed a new production process (see the TOPICS section below), which enables a significant increase in production volume.

Medium- to Long-Term Outlook

A next-generation business plan driven by both liquid paraffin and sulfonates

Over the medium to long term, we will be implementing a structural shift that places greater emphasis on petroleum sulfonates. Up to now, we have produced petroleum sulfonates as a co-product within a system centered on liquid paraffin. Going forward, we will make effective capital investments to transition to a new production process, thereby raising the production ratio of petroleum sulfonates and enhancing profitability.

With the facility expansion currently underway at the Chiba Plant, we aim to double the annual production and sales volumes of sulfonates.

Going forward, we plan to deal with the constraints of limited plant space by using efficient equipment layouts. We will also optimize production processes and strengthen our application-specific product design capabilities to establish a foundation for our next-generation materials business. The shift to a business model for the next 10 to 20 years is already fully underway.

Promotion of MORESCO Green SX

In the Liquid Paraffin & Sulfonates Division, we are advancing environmental initiatives related to both product areas. With liquid paraffin, our strength lies in its high level of safety, which is particularly valued in the pharmaceutical and cosmetics fields.

In sulfonates, we are pursuing product development aimed at reducing environmental impact. That means proposing products to customers that incorporate recycled raw materials into the oil components or are made using plant-derived raw materials. These efforts are positioned as part of the Group's MORESCO Green SX framework for making environmentally friendly products.

TOPICS

In the Liquid Paraffin & Sulfonates Division, we are developing a new production process designed to increase sales of petroleum sulfonates. The process utilizes sulfonation to selectively separate and refine base oils with a high aromatic hydrocarbon content, aiming to increase both production capacity and ratio. At the same time, we are working to improve yield by molecular weight category. High-molecular-weight sulfonates are primarily used as rust inhibitors and dispersants, while low-molecular-weight sulfonates serve as emulsifiers in metal working fluids, such as water-soluble cutting oils, functioning as surfactants that enable the uniform mixing of water and oil.

In fiscal 2024, we strengthened production of high-molecular-weight sulfonates. In fiscal 2025, we plan to expand production of low-molecular-weight sulfonates, aiming to establish a technology that can be used for a variety of applications. We aim to double the sales volume through these initiatives, while enhancing the competitiveness of the sulfonates business and improving the division's profitability.

Sulfonates

Energy Device Materials Division

Pioneering the future of next-generation energy materials based on high-performance materials and proprietary evaluation technologies

Yasushi Hosooka
Executive Officer
Division Manager,
Liquid Paraffin & Sulfonates Division
Division Manager,
Device Materials Division

Main Products/Applications

Organic device sealants/Organic electroluminescent (EL) material, etc.

Business Overview and Characteristics

Sealants and evaluation technologies that ensure the reliability of organic devices

The Energy Device Materials Division develops, manufactures, and markets sealants that are vital to the performance and service life of organic devices such as organic EL. Sealants are critical products that prevent the ingress of gases and moisture, thereby enhancing device quality and ensuring long-term reliability. Our core products are sealants for Passive Matrix OLED displays, where we hold a leading market share in Japan, China, and Taiwan—markets known for their stringent quality standards, and our development achievements are highly regarded by those markets. Building on this strong track record in organic device sealants, we are also advancing the development of sealants for perovskite solar cells.

To verify the high gas barrier performance of our sealants, we developed MORESCO-SuperDetect, a device capable of measuring gas and water vapor transmittance, even in the sealant with the actual device. With world-class sensitivity and precision, MORESCO-SuperDetect enables the accurate measurement of gas barrier performance in films, supporting both faster development cycles and responsiveness to evolving customer requirements. Furthermore, MORESCO-SuperDetect contributes to the division's revenue not only through the evaluation of our own products, but also through contract analysis services and equipment sales in fields such as organic devices, fuel cells, and hydrogen energy.

Current Challenges and Medium- to Long-Term Outlook

Addressing next-generation energy needs with advanced materials and equipment

In organic electroluminescence, our core market, a certain level of adoption of organic EL displays has already been achieved, primarily in the smartphone market, but growth is now plateauing. In contrast, momentum is building in perovskite solar cells, as the Japanese government promotes the further development and broader adoption of this technology. Some company has announced multi-hundred-billion-yen investments in domestic production facilities, and rapid technological innovation and market expansion are expected in the near future. We actively participate in consortia that bring together universities and industry, enabling us to stay informed about cutting-edge research and development trends and user needs. We have also established a system to reflect what we learn in our product development. Taking this approach, we are advancing on two fronts: supplying sealants for perovskite solar cells and providing evaluation with our equipment. This field will be one of the MORESCO Group's key growth drivers, and we view the next two years as critical to keeping pace with industry developments while driving new value creation through advanced materials.

Promotion of MORESCO Green SX

Organic device sealants contribute to longer service life of devices and greater energy efficiency. Flexible, lightweight Organic Photovoltaics (OPV) will support sustainability transformation (SX) by helping to reduce CO_2 emissions, conserve energy, and protect the environment. Likewise, our gas & water vapor transmittance measurement device plays a vital role in R&D, quality control, and industrial development in various fields by enabling high-precision evaluation of film barrier performance. Through these efforts, we remain committed to solving social challenges with our high-performance materials and equipment.

TOPICS

Amid surging interest in perovskite solar cells, we have positioned accelerated sealant development as a key priority. We have also established a system for evaluating the sealants when applied to actual devices, enhancing the integration between development and implementation testing.

In the field of OPV, we are conducting pilot testing of wavelength-selective solar cells that allow light required for plant growth to pass through while blocking other wavelengths, with the aim of applying them in agricultural greenhouses. At Expo 2025 Osaka, Kansai, we are showcasing the *OPTree2*, a tree-shaped bench equipped with OPV that allows visitors to plug in and charge their smartphones or other devices. Looking forward, we remain committed to environmental stewardship and to developing products that deliver practical value to society.

Life Science R&D Department

Pursuing new social value and revenue streams through nanoemulsion technology and drug discovery research

Nagayoshi Kobayashi
Executive Officer
Life Science

Main Products/Applications

Nanoemulsion/Cosmetics

Business Overview and Characteristics

Creating new sustainable businesses based on our strength in synthesis technology

Through the MOLGADC Project, our cross-divisional R&D program for next-generation businesses, we are advancing two key initiatives: the commercialization of nanoemulsion technology and the development of autophagy activating drugs.

In nanoemulsion technology, the Life Science R&D Department possesses advanced dispersion technology that can produce uniform nanoemulsions with particle sizes ranging from 6 to 18 nm, among the smallest in the world, and we hold multiple patents in this field. These nanoemulsions offer exceptional skin penetration and high stability, with a wide range of potential applications spanning formulation of cosmetics and pharmaceuticals, supplements, fragrances, and coatings.

Autophagy activating drugs support cellular health by promoting the breakdown and recycling of cellular waste and abnormal proteins, holding great potential for slowing the aging process. By leveraging the MORESCO Group's strengths in organic synthesis and evaluation equipment, and through active collaboration on research with domestic academic institutions, we are also establishing a leading position in the development of autophagy activating drugs.

Current Challenges and Medium- to Long-Term Outlook

Targeting stable profitability within five years through new business initiatives

The Life Science R&D Department has begun selling lotion and serum products that incorporate our nanoemulsion technology. The primary objective of this initiative is to raise market recognition of MORESCO Group's nanoemulsion technology. Currently, major Japanese cosmetics manufacturers are also developing products utilizing our technology. In addition, we have discovered a nanoemulsion that, despite its extremely small particle size, exhibits low skin penetration, and have filed a patent for an innovative nanoemulsion containing UV filters with potential skin irritation. On the pharmaceutical front, we are advancing efforts with an eye toward licensing our intellectual property to pharmaceutical companies for autophagy activating drugs, which we anticipate will be effective in treating aging-related diseases and other conditions. We have also identified a compound that activates mitophagy, a type of autophagy that specifically targets mitochondria, and are conducting joint research with a university to enhance drug efficacy and elucidate the mechanisms of action.

We aim to generate stable earnings from nanoemulsion products over the next five years as we build the business. In drug discovery research, our goal is to monetize this patent-pending autophagy activating compound through out-licensing. With regard to extending healthy life expectancy, a central theme of the Life Science R&D Department, we believe that we can greatly expand the scope of our business by contributing to next-generation medical technologies.

Promotion of MORESCO Green SX

Some ultraviolet (UV) filters used in sunscreens have raised concerns about potential adverse effects on marine life. We found that nano-emulsifying UV filters dramatically boosts SPF, allowing the same sun protection with less UV filters than conventional formulations. As climate warming intensifies and the demand for sun care continues to rise worldwide, we view this new technology as a means to help conserve resources and mitigate environmental impact. We are working toward early commercialization not only in Japan but also in overseas growth markets such as South Korea and Thailand.

TOPICS

Our Irigrasia Series of cosmetics, formulated with a nanoemulsion that offers high skin penetration, was launched in April 2025, backed by a full social media and sales campaign. The series includes a lotion and serum containing a lipid-soluble vitamin A nanoemulsion designed for age-appropriate moisturizing care. We also plan to launch sun care products containing a UV filter nanoemulsion within the period covered by the 10th Medium-Term Management Plan. Going forward, we will intensify our efforts to advance nanoemulsion technology and achieve early commercialization success.

Message from the CTO

Katsuhito Fukuda
CTO, Director, Executive Officer

We will further underpin the MORESCO Group's strengths of R&D capabilities as a means of enhancing our corporate value.

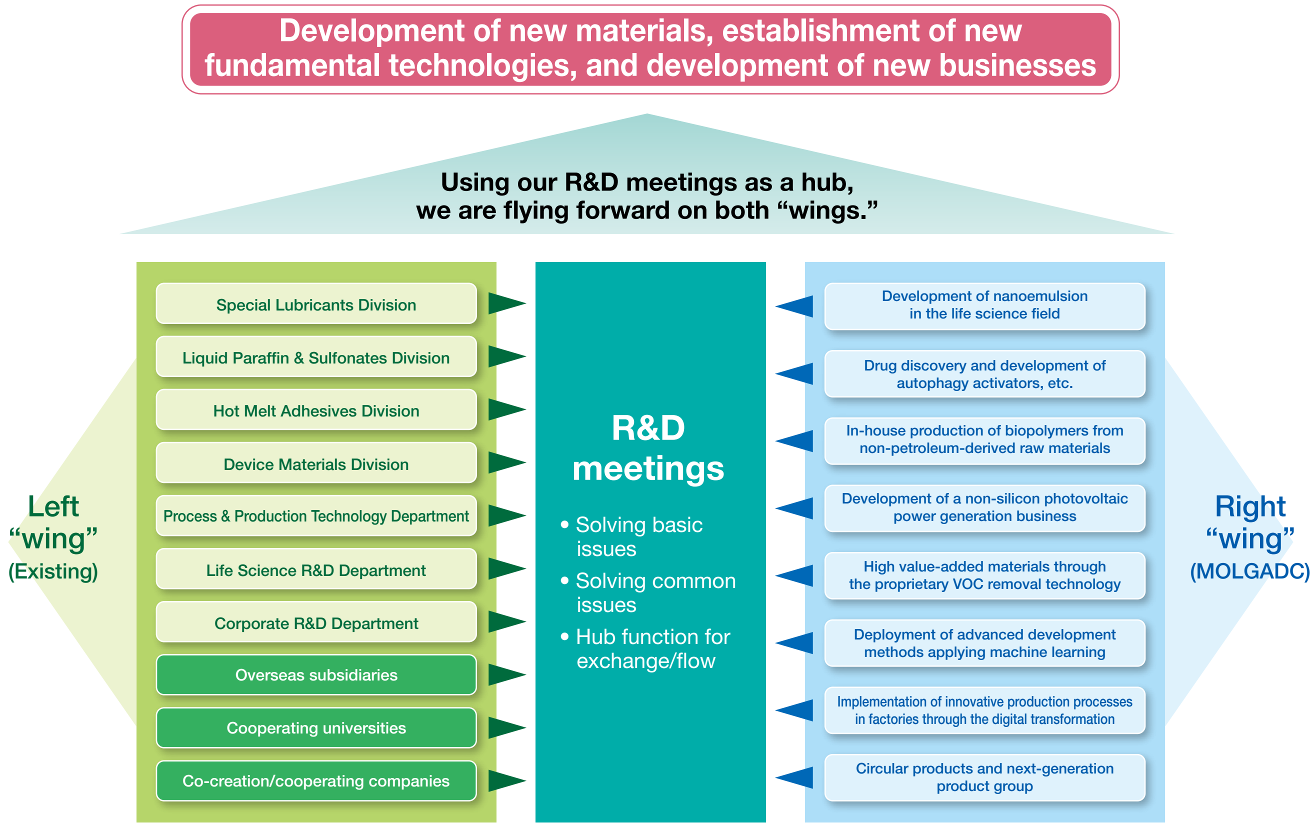
Purpose of the R&D Division

Energizing People and the Earth with the Power of Science

To instill a sense of fulfilling social responsibility, we reflect "energizing people and the Earth with the power of science" in our R&D division's purpose as we advance our daily research and development work. The hiragana characters かがく (*kagaku*, or "science") represent our proactive approach to incorporating diverse realms of science that extend beyond the traditional boundaries of chemistry to encompass pharmacology, biology, medicine, physics, and data science. Furthermore, as we have identified R&D themes related to the UN's 17 sustainable development goals (SDGs), we work to develop new products and technologies within the R&D Department.

The vision of the R&D Department is "We are specialists in interface science." The word *interface* previously referred to the boundary region between materials and was commonly used in the fields of lubrication and adhesion. Our Group's technology related to this boundary region is currently expected to be applied to sectors such as semiconductors, energy, and the life sciences; however, we are now expanding it beyond this framework to enter the boundary region of interfaces in a variety of industries, as we aim to become specialists "across a broader range of fields."

Our Group's R&D division is committed to utilizing the blending, synthesis, and refining technologies we have cultivated since our founding to develop one-of-a-kind, high-value-added products that can find application around the world. Through this approach, we are addressing various societal issues while we contribute to the emergence of a society dedicated to a sustainable future.



A Customer-Focused Research and Development System Since Our Founding

R&D Capable of Linking Customer Needs to Commercialization

The on-site capabilities of our Group's R&D division is the result of our research and development system focusing on customer sites. Our researchers accompany our sales representatives to customer venues and listen to them voice their needs directly. We then conduct testing during the planning, development, and production phases while adhering to our commercialization system in order to provide highly reliable products. Utilizing our Group's extensive collection of analytical and evaluation equipment, we analyze the mechanisms of functional expression, identify the causes of customer issues, and conduct testing under conditions similar to those of the actual equipment. We also conduct product evaluations not only by visiting the customer's own site, but also by using similar equipment to that of the customer in their presence. This approach can be applied to various cases, including testing without interruption to the customer's production line.

Furthermore, our Group's many products with high market shares enable us to constantly monitor the emerging needs of our customers. In recent years, we have accurately identified our customers' environmental challenges and have developed and provided a minimum quantity spray type die casting lubricant that significantly reduces waste liquid.

Another on-site capability is our culture of sharing research and technological results with other researchers. We foster an open R&D culture — which has become one of our Group's greatest assets — by holding events such as our Research Results Presentations; our local R&D meetings, where we share insights and actively discuss issues; and our global R&D meetings, where development personnel from outside Japan gather to share information and issues. An open culture in which researchers feel free to exchange their opinions and actively become involved in themes being pursued by other departments is deeply rooted in our workplace, as this environment fertilizes the soil that sparks further innovation.

A Corporate Culture That Encourages Researchers to Take on New Challenges

Selecting Themes and Training Systems that Spark Curiosity

Our R&D division actively supports its researchers through Research Group Initiatives, Social Innovation Training, and other such efforts.

Our Research Group Initiatives encourage our researchers to identify themes of personal interest, proactively recruit colleagues to their cause, and form teams to delve into the research theme of their choice. A distinctive feature of this approach is that our researchers are able to set aside a predetermined amount of time for research during their regular working hours. These activities focus on resolving questions that arise in their daily work and help to water the roots of next-generation development. This approach has proven to be quite popular, as our researchers have tackled more than 200 research themes over the past 20 years. A recent example came out of Research Group Initiatives, a theme leading to the development of a new business such as autonomous automated experiments performed with a robotic arm utilizing machine learning. During this fiscal year, we are continuing to work on eight research themes.

In addition, even as we keep our Group's core technologies at top of mind, our Social Innovation Training is cultivating the ability to commercialize innovations that can address societal issues, rather than focusing on themes that are simply extensions of existing businesses. We hope to develop in our researchers the ability to think in a way that will lead to the creation of next-generation businesses that few could have predicted.

Our Group is home to many inquisitive researchers who are eager to proactively showcase their achievements, and the culture that recognizes these is rooted in our research sites. As CTO, I value this culture, and I intend to continue providing backing in order to link actual business operations to the themes and outcomes born from initiatives undertaken by these research groups.

10th Medium-Term Management Plan

Creating New Businesses and Deepening Our Existing Ones

Our 10th Medium-Term Management Plan calls for "ambidextrous R&D" capable of simultaneously creating new businesses and deepening our existing ones. As CTO, I will appropriately allocate the resources of our R&D division to enhance the feasibility of this initiative.

In our existing businesses, we are required to simultaneously improve profitability by reducing costs and secure competitive advantage by enhancing product functionality. We aim to achieve this goal through a variety of measures that include new digital tools such as machine learning to streamline the design of product formulations.

New business development will be centered on the "MOLGADC" development project, which spans business divisions internally and promotes collaborations among industry, government, and academia. Our current priority development themes include commercializing nanoemulsions, developing autophagy activating drugs, developing sealants for perovskite solar cells, in-house production of lubricants and polymers from non-petrochemical materials, and producing radiation-resistant lubricants.

Furthermore, collaboration between the R&D teams in each business division is essential to achieving the objectives of our 10th Medium-Term Plan. Our Group holds R&D meetings where researchers present their research and technological results, share knowledge, and actively discuss the challenges they face. Through these R&D meetings, all participants share their R&D themes and the development and sales status of new products. When deemed necessary, we quickly launch projects and assemble development teams with the right people in the right positions. Recently, we also held global R&D meetings that includes researchers from our locations outside Japan, further strengthening our global R&D structure.

Moreover, to overcome challenges and achieve our goals, we plan to actively pursue alliances and M&A with companies that possess capabilities not available within the Group. For example, CROSS TECHNOLOGIES N.A. INC., which we acquired in 2023, serves as our Group's lubricant manufacturing base in North America and is expected to establish sales channels with European and American parts manufacturers.

MOLGADC Initiatives

R&D Project for Creating Next-Generation Businesses

One of the stated policies of our 10th Medium-Term Plan is "creating next-generation businesses." The MOLGADC R&D Project, which promotes multiple medium-term research themes across the company with an eye toward future commercialization, plays a central role. This project aims to develop new technologies and businesses that will represent the foundation of our Group's future operations. We repeatedly identify new business themes and evaluate their feasibility, allocating resources to projects with high investment profitability and viability and flexibly shifting the themes covered by this project as appropriate.

One of our key themes has been the development of our own brand of cosmetics incorporating our proprietary nanoemulsion technology. We launched online sales of lotions and serums in fiscal 2025. We aim to raise awareness of our nanoemulsion technology, which is unmatched by other companies due to the fineness of its particles, ultimately leading to its adoption by major cosmetic manufacturers.

In addition, in the development of autophagy activating drugs, last year we successfully synthesized a substance believed to be effective against specific diseases and filed a patent application. We are currently in the phase of conducting safety evaluations. During the period our 10th Medium-Term Plan is in effect, we will begin exploring potential licensees, primarily among pharmaceutical companies. Clearly, for long-term projects such as these, maintaining the motivation of researchers is crucial. Providing mental support is especially important when they encounter a roadblock, and we intend to provide attentive, personalized support for each individual.

We are also conducting research on the technology for producing high-concentration bio formic acid using biomethane from biogas. We are currently conducting demonstration research on bio formic acid production in Okoppe, Hokkaido. Our ultimate goal is to use catalysts to convert bio formic acid into various gases and synthesize raw materials for lubricants and adhesives. We have achieved some success in using Fischer-Tropsch synthesis to convert biogas into lubricants and polymer raw materials. Although there remain many challenges to practical application, key elements are now coming together. We intend to continue developing this technology so that it can become a core technology of the future.

Regarding circular products, we are working to get water-glycol component recycling on track in addition to working on other products. We are currently conducting technological research and development on the recycling of used oils and emulsion waste liquids. We believe that by addressing issues such as determining how to demulsify and reuse emulsified waste, in addition to utilizing conventional distillation technology, we can dramatically increase the number of products that can be recycled.

We believe that radiation resistant lubricating oils will become even more important as progress continues with the development of nuclear fusion power generation and its related equipment progresses. Our Group's radiation resistant lubricating oils have already earned high praise for their performance in radiation environments, such as in nuclear power facilities, electron microscopes, and the decommissioning project at the Fukushima Daiichi Nuclear Power Plant. We are currently engaged in research to further expand the scope of application of these products, with a view to expanding into new sectors such as nuclear fusion reactors and space equipment. As a lubricant manufacturer, our activities in these socially important fields differentiate us from our competitors and represent an excellent opportunity for us to demonstrate our strong presence.

Of course, none of these research themes can be pursued with internal resources alone; we are therefore seeking to incorporate external knowledge as we pursue them. We are actively engaging in collaborations involving industry, government, and academia, as such associations open us up to perspectives not available solely within our Group while also increasing technological scalability.

The Digital Transformation of R&D

Innovating R&D Driven by Machine Learning and Other Technologies

Our R&D division is promoting the digital transformation in the R&D sector under the banner of MORESCO Informatics. Starting in fiscal 2024, we selected one researcher from each business division to attend specialized lectures so that we can train these individuals as core personnel in the machine learning field. We expect this initiative not only to enhance operational efficiency but also to fundamentally improve the quality and pace of research.

Particularly notable results have been achieved in the field of formulation design. A process that previously required numerous prototypes can now be efficiently designed in a short period of time by utilizing a materials database and machine learning. This innovative approach also helps prevent effective formulations from being overlooked, improving the quality of our R&D. Formulations derived from machine learning are verified to coincide with the knowledge and expertise of experienced researchers before they can be utilized as technical knowledge. We believe these efforts have the potential to dramatically change the way R&D is conducted.

Furthermore, in the fields of drug discovery support and the prediction of the properties of unknown substances, we are introducing methods such as "chemoinformatics" to realize the full potential of our research. In the future, we intend to utilize this information proactively in proposing new structures.

Within our R&D division, we have established a policy of ensuring that all our researchers undergo compulsory training in the digital transformation. The company is also supporting young employees who exhibit a strong interest in machine learning. Currently, in order to further strengthen our promotion of the digital transformation, we are making appropriate personnel allocations across the entire R&D Department and establishing an organizational structure with a long-term perspective.

Going forward, we will continue to maximize our corporate value as we strive to explore the full potential of our strengths as R&D-oriented group companies.

Capabilities in Our R&D Sites

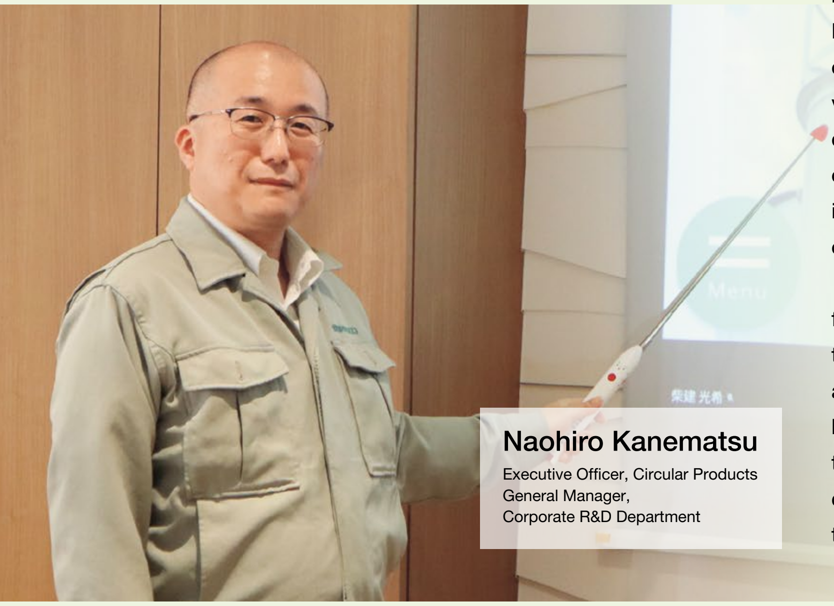
Circular products

Pioneering Future-Oriented Recycling Technology by Combining Findings and Expertise

Employing on-site data and years of our research to elucidate recycling mechanisms

The MORESCO Group's fire-resistant hydraulic fluids have captured a large share of the market. However, a lack of technology that enables the reuse of used product has typically resulted in their disposal. Our Group has many advantages, including the ability to monitor usage statuses at our numerous customer locations through our lubrication management services; moreover, thanks to our large share of the market, we have the ability to collect large volumes of used product. In order to enhance customer confidence, I have spent a decade devising a recycling method, leveraging the knowledge of formulation design I have gained during my time as a researcher. Initially, extracting usable components from the collected used product proved to be challenging. However, our Group's prior research on oil degradation enabled us to establish a separation method that put us on the path to developing a recycling method.

Basic research was completed in fiscal 2013, and over the course of about one year, we set up a facility at our Akoh Plant and successfully brought the technology into practical use. This was possible thanks to an environment that facilitated collaboration among all relevant departments, allowing us to work toward a common goal through repeated trial and error. Our customers and dealers also collaborated in this effort. Some of our customers even took the trouble to tour the plant where we carry out the recycling process. Clearly, our recycling technology is quite unique, and being able to recyclable raw materials in-house has become a key strength of our Group.



Naohiro Kanematsu
Executive Officer, Circular Products
General Manager,
Corporate R&D Department

A diligent approach to problem-solving while emphasizing direct observation of our products in use on-site

I believe the capabilities in our Group's R&D sites lie in their diligence in focusing consistently on a single theme. While some themes call for rapid results, a well-balanced approach is crucial in solving long-term challenges such as recycling.

In that context, when conducting research and development, we place great importance on observing actual phenomena. We particularly value what occurs during experiments as well as the insights we gain from direct observation. It is also important for us to understand how the products we've helped design are actually used by customers. For example, the way fire-resistant hydraulic fluids are used varies greatly from one customer to another. For this reason, we pay close attention to understanding what is happening on-site.

Our Group's R&D culture also fosters an environment in which employees can proactively take on theme that interest them in an atmosphere that encourages communication with other departments across the company. We are therefore able to devise solutions through the sharing of ideas in a collegial atmosphere.

Interactions that elicit new insights while meeting the challenge of pioneering new recycling technologies

We regularly present our research findings, including those related to circular products, at internal Research Results Presentations and other such events. As mentioned, these opportunities enable us to obtain advice from researchers from various disciplines and thereby gain fresh perspectives in devising solutions to various problems. Moreover, by sharing ongoing research themes and new ideas, we often gain new insights and pointers, even if the theme is not directly related to our own research focus.

Now that we have established a recycling technology for fire-resistant hydraulic fluids, our next step is to extend this technology to other product areas and thus contribute to greater added value. My dream is to establish a circular products business as one of our business segments. Although the technical hurdles remain high, I will continue to take on this challenge with a strong ambition while closely monitoring market trends and incorporating new products and other innovations.

Hot Melt Adhesives

Seeking to Develop High-value-added Products by Capturing Increasingly Diverse Demand

Committed to the relentless investigation of the science of adhesion

I have been involved in the development of hot melt adhesives since first joining the company back in 2006. While engaged in the work of creating products tailored to the specific needs of individual customers, I have also found time to focus on pioneering new applications.

When I joined the company, we were involved in pursuing the development of hot melt adhesives for use in automotive interiors, but we encountered issues related to heat resistance and adhesive strength. To address these issues, I frequently visited our customers' sites, persistently analyzing the causes of defects during the evaluation stage and suggesting improvements. This process encouraged our customers to collaborate with us more closely. After a process of repeated trial and error, we eventually succeeded in the successful development of reactive hot melt adhesives offering high heat resistance and ample adhesive strength. Furthermore, in the design of manufacturing equipment, we collaborated with our manufacturing division and with the Process & Production Technology Department to establish a production system capable of accommodating our customers' mass production schedules.

In my work, I derive great fulfillment in addressing our customers' requests by leveraging the diverse analytical technologies of the MORESCO Group to devise and suggest solutions, which is also one of our greatest strengths.

Looking to the future while pursuing practical technologies

The capabilities in our R&D sites lie not only in developing new technologies, but also in polishing them into something that has practical application in the real world. Even when we develop products that meet customer performance requirements, unexpected issues can emerge on-site. Therefore, we make every effort to detect true needs and the variable factors in our customers' working environments, ensuring that no essential information necessary for successful product development is overlooked.

We also make a point to share information with our sales and production divisions in the early stages of development, ensuring that the entire team maintains a shared sense of purpose regarding our rationale for developing a particular product.

The key to R&D is to never be satisfied with the status quo and to always pursue new technologies while seeking to add value. In fact, I regularly communicate this to my subordinates. I believe that, even after developing a new product, researchers have a responsibility to maintain their R&D efforts, always seeking further improvements while remaining committed to exceeding the status quo.

R&D focused on realizing the potential of next-generation hot melt adhesives

In recent years, the demand for sustainable adhesives has been increasing. Our Group is engaged in developing hot melt adhesives incorporating biomass raw materials as well as those that can be applied at low temperatures in an effort to increase their energy efficiency. We have already launched several products, and are developing technologies that meet societal demands while constantly monitoring the latest industry needs and innovations.

At our Research Results Presentations, we introduced our M-Zero™ impurity removal technology, which utilizes melt-mixing technology and advanced analytical techniques to remove impurities such as volatile organic compounds (VOCs) and other sources of odors. This technology is currently being deployed in other departments as part of the MOLGADC Project.

To improve development efficiency, we are employing machine learning in formulation design for material substitution and other applications. By leveraging the vast amount of development data we have accumulated over the years, we are seeing some success even in improvements to existing products.

We believe that promptly identifying latent customer needs and providing high-value-added products that meet those needs will become an approach that gains even greater traction in the future. To achieve this, it is essential that we communicate our technological capabilities, build relationships of trust through active dialogue, and work collaboratively with customers from the early stages of development. Through these efforts, we will continue to advance research and development as a company that remains the first choice of our customers.

Eiji Kusunoki
General Manager,
R&D Department
Hot Melt Adhesives Division

Capabilities in Our Production Sites

Chiba Plant

On-site capabilities that deliver high quality and manufacturing expertise that embraces change

Accumulating and transferring technology is the secret to our on-site capabilities

After beginning operation in 1965, the Chiba Plant is marking its 60th anniversary this year. While the plant produces liquid paraffin and sulfonates, it is notable for being the only plant in Japan engaged in large-scale production of sulfonates with a sulfuric acid refining method.

I believe the Chiba Plant's on-site capabilities lie in the wealth of knowledge and technical expertise it applies to maintaining continuous production. We ensure stable quality by combining our advanced technical skills and experience with a thorough understanding of the characteristics of our equipment and processes; moreover, we engage in a conscious effort to pass on our skills to our younger employees. This capability underpins the foundation that supports our product quality. We place a high priority on being well prepared to respond to any situation that may arise, and we are constantly honing our knowledge and technical capabilities to adapt with greater flexibility.

We also provide regular safety education and training while thoroughly instilling accident prevention and risk management practices. This approach has enabled us to maintain a safe and secure working environment for our employees.

Sustainable plant operations coupled with autonomous on-site capabilities

The Chiba Plant's fundamental values are embedded within the concepts of "never disrupting downstream processes" and "completing one's work oneself." In addition, as the Chiba Plant is located in a chemical complex, we pay the utmost attention to safety and accident prevention. In the interests of managing the safety of employees and equipment, the Akoh Plant and Chiba Plant engage in proactive collaboration while sharing information.

Takayuki Akimitsu
General Manager,
Chiba Plant,
Liquid Paraffin &
Sulfonates Division

To improve production efficiency, we focus on company-wide initiatives such as improvement proposals and what we call "Q-up activities." We believe these efforts, which are intended to spur the motivation of all employees, are a hallmark of the MORESCO Group.

Last year, when updating our control system, we collaborated with the Process & Production Technology Department to incorporate worksite skills and expertise into the system. We believe this endeavor has deepened mutual understanding and improved knowledge-gathering among our employees.

Contributing to a reduced environmental impact is another important mission we have adopted. Toward this end, we have introduced an environmental management system and defined non-financial key performance indicators for our production division. Our environmental initiatives also include efforts to recycle sulfuric acid and reduce electricity consumption while minimizing CO_2 emissions, lubricant consumption, and wastewater volumes.

Strengthening our collaboration with the Process & Production Technology Department to increase sulfonate production

As a co-production with liquid paraffin, sulfonates have a low production ratio, so we have not been able to fully meet demand for this product in the past. However, new innovations in the production process have made it possible to increase production of sulfonates. Going forward, with support from the Process & Production Technology Department, we will continue to consider our production plans, raw material procurement, and the introduction of new equipment, aiming to further increase mass production while also monitoring demand from outside Japan. Moreover, we intend to actively leverage the advantages of the digital transformation to adopt manufacturing processes that are even more reliable and efficient.

Akoh Plant

Evolving as a "Mother Plant" That Leads the World Through Continual Improvement

A production site that combines good judgment with abilities to constantly improve

The Akoh Plant produces both hot melt adhesives and special lubricants, two products with notably different properties. As a global "mother plant," it shares the expertise it has cultivated in Japan with plants outside the country.

Hot melt adhesives manufacturing primarily involves melting solid raw materials at high temperatures. Since operators must handle tasks such as material input and temperature control, careful observation and judgment are required throughout the entire process. Meanwhile, although automation is progressing at our special lubricant production site, some tasks, such as raw material input, are still performed manually, as they also require specialized skills. In this environment, our knowledge of the characteristics of each process enables us to support our production sites through teamwork tailored to the particular circumstances.

We believe the Akoh Plant's on-site capabilities lie in its abilities to constantly improve. These include expertise of skilled workers who can maintain stable operation even in a high temperature environment; the organizational strength required to ensure precise adherence to procedures; and the drive to improve processes and equipment without being satisfied with the status quo while striving to increase productivity.

Fostering a work environment that values safety, regulations, and feedback from the worksite

At the Akoh Plant's production site, our comprehensive focus is on stringent operational basics. Adhering to established procedures is a key element of our dual commitment to both quality and safety.

In addition, all our workers approach their work with an awareness of the need for continual improvements. We have established a system for proposing suggestions for improvements, and a culture of submitting suggestions — in which employees are encouraged to immediately suggest ideas that emerge in their daily work routines — and so-called "Q-up activities" has taken root.

Maintaining collaboration with the Process & Production Technology Department is also important, and we work together to solve issues arising through feedback from the worksite. For example, improvements to our lubricant agitating process resulted in a shortened production process. We also plan to introduce collaborative robots, which are expected to contribute to increased productivity in our multi-product manufacturing sites. Through this approach, the Akoh Plant has achieved consistently high quality and sustained improvements to its on-site capabilities.

Building a future through innovations in processes and equipment

For a company focused on contributing to the emergence of a sustainable society, sustainability management is paramount. Our Akoh Plant has established an environmental management system and is working to reduce electricity consumption, CO_2 emissions, fuel consumption, and wastewater volume, among other environmental conservation efforts. We have established non-financial key performance indicators for the production division to contribute to a reduced environmental impact, and we are working with our R&D division to promote greater participation in the so-called circular economy, which includes raw material recycling. We are also focused on transferring skills to the next generation of workers, both in Japan and other countries, and using enhanced practical on-the-job training to cultivate personnel with the ability to make their own decisions and suggest improvements.

As a production site that handles a variety of products, we will continue to hone our flexible response capabilities through collaboration with the Process & Production Technology Department, which includes employing the tools of the digital transformation.

Isamu Nemoto
General Manager,
Akoh Plant

Aiming to Advance Mass Production Technology Through Improvements Initiated at the Worksite in Collaboration with the Process & Production Technology Department

Hiroki Iwase
Executive Officer, Production & Safety
General Manager, Process & Production Technology Department

The role of the Process & Production Technology Department is to serve as a bridge between the technologies and formulations developed in the R&D division and the continuation of stable mass production in our plants. Of course, data obtained in the laboratory cannot necessarily be used as is on the factory floor. The scale-up process inevitably brings with it unique worksite challenges, such as differences in equipment structure and operating conditions, variations in mixing conditions, and subtle fluctuations in temperature control. To bridge this gap between experimentation and mass production, the Process & Production Technology Department emphasizes close collaboration with our production sites.

As part of our effort to implement the digital transformation, we are also working to create an environment in which information is shared in real time and identified instantaneously. In addition to implementing conventional process improvements, we aim to utilize data as a means of preventing accidents and improving both quality and productivity. It is important not only to consider numerical information but also to value the awareness and intuitive sense of experienced workplace personnel while reflecting them in the equipment and systems.

Going forward, we will continue to work with our production sites to further enhance the reliability and efficiency of our production. We believe that the integration of manufacturing and technological development is the source of the MORESCO Group's competitiveness. Furthermore, we will keep contributing to the emergence of a society committed to sustainability as we advance our carbon-neutrality initiatives.

PART 5

Sustainability

Facing the growing importance of sustainability management, the MORESCO Group's mission is to contribute to society as innovative companies that pioneer a new society and future in order to "deliver sustainable one-of-a-kind products to the world." We, together with our stakeholders, aim to increase our corporate value over the medium to long term by maximizing our strengths as R&D-oriented group companies, creating economic value through our business, and at the same time, contributing to solving environmental and social issues related to sustainability.

MORESCO Group Sustainability Policy

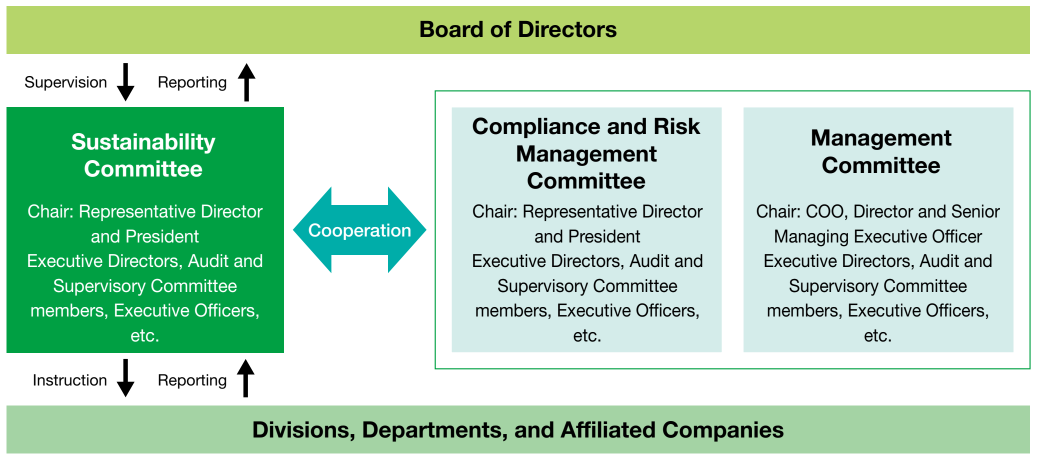
The MORESCO Group, as a specialist in the interface science stated in its management philosophy, will actively promote sustainability activities to further contribute to solving social and environmental issues. We strive to raise the trust of stakeholders by balancing the "realization of a sustainable society" and the "improvement of corporate value throughout the medium and long term" while operating business.

System to Promote Sustainability Management and Governance

Facing the growing importance of sustainability management, the MORESCO Group established the Sustainability Committee in April 2022 in order to operate our business based on the "realization of a sustainable society" and the "improvement of corporate value throughout the medium and long term," as well as the Corporate Sustainability Department, a dedicated department to oversee the Group's promotion of sustainability.

The Sustainability Committee, which is chaired by the Representative Director and President and consists of members such as the executive directors, Audit and Supervisory Committee members, and executive officers, examines and formulates basic policies and strategies related to sustainability management. The director in charge of sustainability reports on the contents of the deliberations of the Sustainability Committee to the Board of Directors, which oversees the committee. The Sustainability Committee meets at least once a half to discuss a wide range of sustainability-related issues and reflect them in business strategies and policies in a timely manner.

In FY2025, with the aim of further enhancing sustainability management, we established the Sustainability Management Department with the CN Office and Sustainability Office underneath it. With these bodies, we are raising awareness among subsidiaries inside and outside Japan—right down to the plant or worksite level—of initiatives based on company-wide policies, and strengthening our organization-wide management system. Furthermore, we are ensuring that sustainability policy takes root in business divisions, manufacturing sites, and elsewhere throughout the MORESCO Group, and linking this to effective efforts.



Risk Management System

In order to address the various risks inherent in and related to management issues, the MORESCO Group has established the Compliance and Risk Management Committee and the Sustainability Committee and is working to enhance its risk management.

Regarding risks and opportunities related to sustainability issues, seven issues of materiality have been identified under the initiative of the Sustainability Committee, based on issues found and classified through interviews with internal and external stakeholders and discussions with divisions and related departments (see pages 21–24). For the issues of materiality, the Sustainability Management Department takes the lead in identifying key risks and opportunities in collaboration with relevant divisions, departments, and affiliated companies. The identified risks and opportunities are reported to the Sustainability Committee for discussion, along with the formulation of response policies, measures, and targets. Details of the discussion are reported to the Board of Directors, under whose supervision the final decision is made.

Past Sustainability Management Initiatives

Date	Actions
November 2021	Identification of issues of materiality related to sustainability
March 2022	Establishment of the Sustainability Committee, establishment of the Corporate Sustainability Department, formulation of the MORESCO Group Sustainability Policy
November 2022	Endorsement of the TCFD recommendations and disclosure of climate-related financial information based on the recommendations
May 2023	Formulation of the MORESCO Group Policy on Human Rights, commencement of development and enhancement of the human rights due diligence system, establishment of the policies for human resources development and in-house environment development, formulation of the human resources strategy
September 2023	Commencement of selecting the MORESCO Green SX (MGS) products, which contribute significantly to the realization of issues of materiality
February 2024	The 10th Medium-Term Management Plan set targets for the MGS product sales ratio to be 40% in FY2026 and 50% in FY2030 (result in FY2024 was 34%).
March 2025	Establishment of the Sustainability Management Department, and commencement of initiatives based on updated materiality
May 2025	Implementation of sustainability training

Date	Main agenda items
April 2022	**1st Sustainability Committee meeting** • Agenda item 1 Approval of the chair, secretary, clerks, and membership • Agenda item 2 Approval of regulations • Agenda item 3 Reports and discussions on the results of questionnaires into risks and business opportunities • Agenda item 4 Study seminars for Sustainability Committee members
October 2022	**2nd Sustainability Committee meeting** • Agenda item 1 Climate-related risks and opportunities • Agenda item 2 Measurement and estimation of greenhouse gas (GHG) emissions, and plans to reduce them • Agenda item 3 Overview of the MORESCO Green SX • Agenda item 4 Status of response to TCFD recommendations • Agenda item 5 Discussions into support for TCFD recommendations
April 2023	**3rd Sustainability Committee meeting** • Agenda item 1 Reports on status of initiatives related to human rights due diligence • Agenda item 2 Response to revisions to laws by the Cabinet Office and government • Agenda item 3 Response to GHG emission reports and new IPCC targets • Agenda item 4 Approval for the MORESCO Green SX list
May 2023	**4th Sustainability Committee meeting** • Agenda item 1 Response to revisions to laws by the Cabinet Office and government • Agenda item 2 Human rights due diligence systems and human rights risk results reports • Agenda item 3 Reports on publicizing MORESCO Green SX externally
October 2023	**5th Sustainability Committee meeting** • Agenda item 1 Ideas for launching a corporate website related to a management approach that focuses on respect for human rights • Agenda item 2 General framework policy for disclosing sustainability information (related KPIs) in securities reports • Agenda item 3 New trends related to sustainability information disclosure (from METI, ISSB, TCFD, TNFD, etc.) • Agenda item 4 Approval for introduction of internal carbon pricing • Agenda item 5 Certification for new MORESCO Green SX products and approval of the MORESCO Green SX logo

Date	Main agenda items
November 2023	**6th Sustainability Committee meeting** • Agenda item 1 Analysis of questionnaires into risks and opportunities • Agenda item 2 Discussions into the drafting of a long-term vision
April 2024	**7th Sustainability Committee meeting** • Agenda item 1 Proposals for a governance framework related to sustainability • Agenda item 2 Plans to respond to TNFD recommendations • Agenda item 3 Approval for human capital/human disclosure proposals (integrated reports)
May 2024	**8th Sustainability Committee meeting** • Agenda item 1 Update to materiality • Agenda item 2 Management method for the Sustainability Committee • Agenda item 3 Enhancements to information disclosure based on TCFD recommendations
July 2024	**9th Sustainability Committee meeting** • Agenda item 1 Additional certification for MGS products and approval for disclosure proposals • Agenda item 2 Information disclosure based on TCFD recommendations (progress and plans) • Agenda item 3 Response to natural disaster risks (climate-related physical risks, etc.)
October 2024	**10th Sustainability Committee meeting** • Agenda item 1 CN roadmap and decarbonization investment simulation • Agenda item 2 FY2023 Scope 3 report and Scope 3 target setting direction • Agenda item 3 Approval for updated materiality disclosure proposals • Agenda item 4 FY2023 MGS product sales ratio and report on additional certification for MGS products
April 2025	**11th Sustainability Committee meeting** • Agenda item 1 Approval for CN roadmap revision proposals and for ICP price revisions • Agenda item 2 FY2024 GHG Scope 1 & 2 emissions report • Agenda item 3 FY2024 MGS product sales ratio report and additional certification for MGS products • Agenda item 4 Human rights risk evaluation report
May 2025	**12th Sustainability Committee meeting** • Agenda item 1 TNFD study seminars

Materiality Related to Global Environmental Issues

We have identified seven material issues (materiality) related to sustainability, and some are highly relevant to the global environment, particularly “Reduce environmental risks” and “Develop innovative products and services.” Of these two, the one that is predicted to provide the big business opportunities on the financial aspect is “Develop innovative products and services.” As a specific measure toward this, we are strengthening our development of MORESCO Green SX products (see pages 25–28). Elsewhere, issues that are predicted to present major business risks from a financial perspective are those related to climate change issues. As specific countermeasures, we have begun to identify risks and opportunities based on the TCFD’s recommendations, and to disclose information and we will continue to act going forward.

Other than the above, we believe that issues related to natural capital and biodiversity have the potential to grow in financial importance in the future. We are disclosing information in line with the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD) and will continue to move ahead with our responses.

WEB Details of our Quality and Environmental Policy → https://www.moresco.co.jp/en/sustainability/quality.php

Combating Climate Change Issues (Response to the TCFD)

As part of its efforts to address climate change issues, in November 2022, the MORESCO Group expressed its endorsement of the TCFD recommendations to strengthen its climate change efforts and disclosures.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Information Disclosure Based on TCFD Recommendations

I. Governance

Our response to climate change issues is promoted by the Sustainability Committee, under the supervision of the Board of Directors and based on our sustainability promotion framework (see page 55). In April and October 2022, the Sustainability Committee held focused discussions on climate change issues, and reported to the Board of Directors on the climate-related risks and opportunities it identified and measures to counter these. After deliberations and decision-making by the Board of Directors, in November 2022 we announced our support for the TCFD’s recommendations. Then, in July 2024, the Sustainability Committee deliberated the potential financial impact of climate-related risks and opportunities, as well as countermeasures and other topics.

II. Strategy

The MORESCO Group manufactures and sells chemical and petroleum products to be used as raw materials and fuels (including fossil fuels) and recognizes that climate change is an extremely important issue that brings both risks and opportunities.

1. Major climate-related risks and opportunities we face (scenario analysis)

Regarding climate change, various scenarios can be considered depending on trends in global warming countermeasures taken by major countries. Assuming two typical scenarios, (1) Transition Risk Scenario (1.5°C or lower scenario) and (2) Physical Risk Scenario (4.0°C scenario), the Group examined risks and opportunities for its core businesses, namely, Special Lubricants, Liquid Paraffin & Sulfonates, Hot Melt Adhesives, and other new businesses, primarily for the period until the 2030s. In identifying and selecting risks and opportunities, the Corporate Sustainability Department took the lead in conducting study sessions in each business division based on the results of awareness surveys conducted in major business divisions and making decisions based on the opinions of external experts.

Premise scenarios

① **Transition Risk Scenario (1.5°C or lower scenario)**

Prescriptive scenarios for achieving zero greenhouse gas emissions at a global scale by 2050. In principle, policies, energy and industrial structures, resource prices, etc., are based on the Net Zero Emissions by 2050 Scenario (NZE) defined in the IEA’s World Energy Outlook 2023, and average temperature and other assumptions related to climate change are based on the SSP1-1.9 scenario, in the IPCC’s Sixth Assessment Report.

② **Physical Risk Scenario (4.0°C scenario)**

Scenario in which effective policies to address climate change issues are not implemented, incorporating the withdrawal of currently announced policies and targets for greenhouse gas reduction. In principle, policies, energy and industrial structure, resource prices, etc. are based on the Stated Policies Scenario (STEPS) defined in the IEA’s World Energy Outlook 2023, and average temperature and other assumptions related to climate change are based on the SSP5-8.5 scenario, defined in the IPCC’s Sixth Assessment Report.

Risks

	Expected events	Expected time to become evident	Material risks	Countermeasures
1.5°C Scenario	Rising carbon prices	Medium term	Increased costs in response to carbon neutrality policies	Promotion of energy conservation by improving productivity, utilization of renewable energy, utilization of petrochemical materials
	Soaring raw material and fuel prices and procurement difficulties	Short to medium term	Decline in cost competitiveness due to soaring raw material and fuel prices	Global procurement and sustainable procurement
	Changes in the competitive environment	Short to medium term	Development of high-value-added products, etc. by competitors	Development and sales of high-value-added products (MGS)
	Changes in customer behavior	Short term	Fundamental changes in the competitive environment and industrial structure	Research and development of environmentally friendly products (MGS)
	Responding to the circular economy	Short to medium term	Strengthened legislation related to resource recycling and waste management and treatment both in Japan and overseas	Utilization of recycled and reused materials
	Changes in awareness of investors and financial institutions	Short term	Possible investment withdrawal by investors and financial institutions and deterioration of loan conditions	Proactive and continuous disclosure of initiatives to reduce environmental impact
4.0°C Scenario	Rising average temperature	Short to long term	Deterioration of working environment and decline in productivity due to rising average temperature	Improvement of production and working environment through automation
	Intensifying extreme weather	Short to long term	Supply chain disruption due to damage to suppliers and logistics networks	Strengthening the supply chain network
	Rising sea level	Short to long term	Risk of damage to production sites due to storm surges, etc.	Flood damage countermeasures at production bases, dispersion of inventories and production bases
	Water resources, resource recycling, wastewater and waste management	Short to medium term	Strengthened legislation related to resource recycling and waste management and treatment	Development of alternative raw materials, utilization of recycled and reused materials

Opportunities

	Expected events	Expected time to become evident	Material opportunities	Countermeasures
1.5°C Scenario	Rising carbon prices	Medium term	Possibility of promoting substitution to energy-saving product groups	Development of recycled oil and high-value-added products
	Soaring raw material and fuel prices and procurement difficulties	Short to medium term	Increased competitiveness of factories close to demand areas and companies and factories with excellent BCP capabilities	Stable procurement through diversification of raw material sources
	Changes in the competitive environment	Short to medium term	Growing demand for high-value-added products	Development and sales of environmentally friendly products (MGS) and strengthening price competitiveness
	Changes in customer behavior	Short term	Increased demand for products with lower environmental impact and products utilizing production processes to reduce GHG emissions	Research and development of environmentally friendly products (MGS)
	Responding to the circular economy	Short to medium term	Growing needs for lubricant recycling, extending service life, etc.	Development and sales of environmentally friendly products (MGS), utilization of recycled and reused materials
	Changes in awareness of investors and financial institutions	Short term	Adoption of ESG-related stock indices, increasing shareholding by long-term investors and improving reputation	Proactive and continuous disclosure of initiatives to reduce environmental impact
4.0°C Scenario	Rising average temperature	Short to long term	Growing demand for products with excellent heat resistance	Product development to meet new demands
	Intensifying extreme weather	Short to long term	Stable operation and supply, increasing customer and investor satisfaction and trust	Strengthening the supply chain network
	Rising sea level	Short to long term	Improving reliability by building factories and supply systems resistant to floods and other disasters	Hazard analysis and formulation of disaster response BCP
	Water resources, resource recycling, wastewater and waste management	Short to medium term	Expanding customer base by recycling products and using recycled materials	Development of alternative raw materials, utilization of recycled and reused materials

2. Financial impact

Financial implications of the Transition Risk Scenario

In the Transition Risk Scenario, the financial impact is expected to be particularly significant in the upstream supply chain due to rising base oil purchase prices caused by factors such as carbon pricing (introduction of a carbon tax). Under certain assumptions, our base oil procurement price may increase by 50% in 2030 compared to the average for the past 5 years. At present, the rise in raw material prices can be passed on to most products. However, the emergence of alternative products may become a major threat even for them in the medium term. Assuming a carbon price of 140 USD/t-CO_2 in 2030 as assumed by the IEA’s NZE2050 Scenario, the carbon price in yen is expected to be 21,280 yen/t-CO_2 when converted at the average dollar-yen exchange rate for FY2024 (1 dollar = 152 yen). If the CO_2 emissions of our domestic Group companies in 2030 remain unchanged from FY2024, the carbon tax burden for that year is expected to be 151 million yen (0.6% of sales in FY2024). However, if the domestic Group company reduction plans are implemented as planned, the carbon tax burden is expected to be 127 million yen (0.5% of sales in FY2024).

Financial implications of the Physical Risk Scenario

In the Physical Risk Scenario, financial impacts associated with operation disruptions at major plants and logistics networks are expected to be significant, due to storm surges caused by large typhoons (acute risk) and sea level rise due to rising temperatures (chronic risk). In the event that a physical risk materializes, we have calculated the amount of damage to our assets and operations based on the following three scenarios: (1) the maximum damage assumed in the storm surge hazard maps published by local governments (Chiba Plant, Akoh Plant, and Ethylene Chemical CO.,LTD. flooded to approx. 3 m), (2) storm surges of with a flood depth of approx. 1 m occurring nationwide (Chiba Plant, Akoh Plant, and Ethylene Chemical CO.,LTD. flooded to approx. 1 m), and (3) storm surges of with a flood depth of approx. 1 m occurring mainly in Chiba or Hyogo Prefecture (Chiba Plant, the adjacent Ethylene Chemical CO.,LTD., or Akoh Plant flooded to approx. 1 m). In addition, a quantitative assessment of physical risks was conducted in light of the increasing possibility of storm surges due to an increase in average temperatures.

E Environment

Physical Risk Simulations

	Amount of Monetary Damage			Probability	Current Monetary Damage Caused by Storm Surges (1)	Physical Risk in the Case of a 4°C Increase (2)	Incremental Increase in Physical Risk (2) - (1)	Countermeasure
	Total amount	Assets	Suspension of Operations					
Scenario (1) Flooding of approximately 3 meters occurring nationwide (as predicted by hazard maps)	7,230 million yen	3,524 million yen	3,706 million yen	Assumed probability: 1/1000	7.2 million yen annually	14.4 million yen annually	7.2 million yen annually	Confirming the BCP for each site and considering the necessary measures
Scenario (2) Flooding of approximately 1 meter occurring nationwide	3,069 million yen	1,752 million yen	1,316 million yen	Assumed probability: 1/200	15.3 million yen annually	30.7 million yen annually	15.3 million yen annually	Confirming the BCP for each site and considering the necessary measures
Scenario (3) Flooding of approximately 1 meter occurring at Akoh or Chiba	1,534 million yen	876 million yen	658 million yen	Assumed probability: 1/100	15.3 million yen annually	30.7 million yen annually	15.3 million yen annually	Confirming the BCP for each site and considering the necessary measures

(Note)
1. The monetary amount and increase in physical risk were estimated based on three scenarios by the Corporate Sustainability Department, the personnel in charge of promoting carbon neutrality at the Chiba Plant, and the personnel in charge of promoting carbon neutrality at the Akoh Plant, referring to the ideas of the Ministry of Land, Infrastructure, Transport and Tourism's "A Guide to Flood Risk Assessments for Enhanced TCFD Disclosures."
2. Scenario (1) assumes that a typhoon of the same magnitude as the 1934 Muroto typhoon (with a central pressure of 911.6 hPa at landfall) will occur nationwide. Scenario (2) assumes that, for example, a typhoon of the same magnitude as the Ise Bay typhoon of 1959 (929 hPa) will occur nationwide. Scenario (3) assumes that a typhoon of the same magnitude as the Ise Bay typhoon will make landfall in Chiba or Hyogo Prefecture.

3. Measures to address risks and opportunities

Our Group has reconsidered its response to the risks and opportunities considered to be of relatively high importance as follows.

Measures to address the Transition Risk Scenario

(1) Formulation of greenhouse gas reduction plans

Going forward, we will focus our efforts on reducing greenhouse gas emissions through investments such as the introduction of renewable energy at major sites, more efficient energy use at manufacturing sites, and the upgrading of manufacturing facilities and air conditioning systems. The accumulated amortization for the investments required for these activities is expected to be approximately 93 million yen. If these measures are implemented as scheduled and all other conditions remain constant, the Group's CO_2 emissions for FY2030 are expected to fall below the target of 5,960 tons.

(2) Selection of MORESCO Green SX products

In September 2023, our Group began certifying "MORESCO Green SX (MGS)" products. MGS products are evaluated throughout their entire life cycles, from the procurement of raw materials to disposal, and are certified as products that contribute significantly to our seven materialities initiatives. With regard to certification, products proposed by each business department are reviewed by an internal review committee consisting of management and the heads of each business department, and then the product is officially certified by the Sustainability Committee. Certification and operation are then verified by a third party and evaluated for validity. In FY2024, MGS products accounted for 34% of consolidated net sales. As part of our 10th Medium-Term Management Plan, the Group established a plan to raise the ratio of MGS sales to 40% by FY2026 and 50% by FY2030.

(3) Development and production of polymers from non-petrochemical raw materials

As a medium- to long-term response to climate change, we are promoting the development and production of polymers made from non-petrochemical materials as part of MOLGADC, a next-generation business creation plan.

Measures to address the Physical Risk Scenario

As a countermeasure against natural disasters, we have already prepared a BCP for the Akoh Plant based on the assumption that a Nankai Trough earthquake could trigger a tsunami of up to 3 meters. We believe a similar scale of damage and countermeasures will be necessary for storm surges and increasing sea levels. The Chiba Plant is expected to suffer similar damage. Based on the estimated physical risks associated with climate change, we will review our BCP for natural disasters at our major sites and consider necessary measures.

III. Risk Management

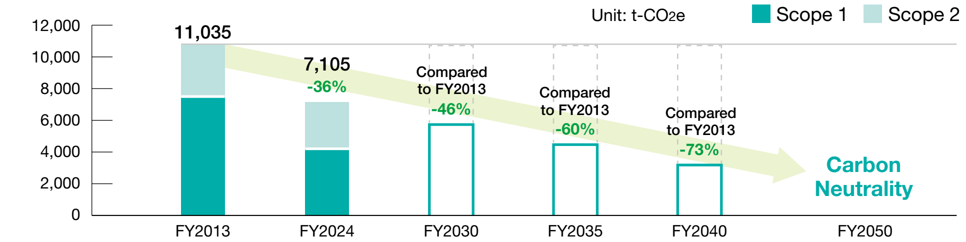
When it comes to risks and opportunities related to climate change, these are managed under our group-wide risk management system. In selecting and identifying specific climate-related risks and opportunities, the Corporate Sustainability Department plays a central role in conducting study sessions at each business division based on awareness surveys carried out for the main business divisions and the Life Science R&D Department. The identified risks and opportunities are then reported to the Sustainability Committee to deliberate and formulate response policies, measures, and targets accordingly. The details of the deliberations are reported to the Board of Directors and final decisions will be made under their supervision.

IV. Metrics and Targets

Metrics and targets for assessing climate-related risks and opportunities

Regarding greenhouse gas (GHG) emissions, which are an important risk related to environmental impact, based on the standards of the GHG Protocol, we are promoting quantitative measurements of (1) direct emissions from the use of heavy oil, gas, and other fuels in our manufacturing processes and business activities (Scope 1), (2) indirect emissions from the purchase of electricity and heat energy from other companies (Scope 2), and (3) indirect emissions other than those defined in Scope 1 and Scope 2 (emissions from the supply chains related to the Group's activities). For Scope 1 and 2, we aim to reduce emissions by 46% by FY2030 compared to FY2013 levels, and we aim to achieve carbon neutrality by FY2050.

Roadmap to Carbon Neutrality



	Through 2030	2031 to 2040	2041 to 2050
Reducing MORESCO's emissions (Scope 1, 2)	Reduce 46% from FY 2013	FY2035 : Reduce 60% from FY 2013 FY2040 : Reduce 73% from FY 2013	Achieve carbon neutrality
Fuel	• Fossil fuels (heavy oil, natural gas)	• Research new technologies (prepare to transition to low-carbon fuels)	• Transition to low-carbon fuels
Equipment	• Energy-saving equipment	• Energy-saving equipment • Solar power systems	• Energy-saving equipment • Deploy new technologies
Power	• Adopt renewable energy at the Head Office and Akoh Plant	• Adopt renewable energy at the Chiba Plant	• Adopt renewable energy at all facilities

Helping lower emissions throughout society (Scope 3 reduction activities)

- **Increasing MORESCO Green SX's share of sales**: 29% in FY 2022 ▶ 50% by FY 2030 ▶ And beyond!
- **Developing products that contribute to energy conservation**
  - Water-soluble minimum quantity spray type lubricants, reactive hot-melt adhesives, organic photovoltaics, organic device sealants, etc.
- **Embracing the challenge of realizing a circular society**
  - Operating a material recycling plant for fire-resistant hydraulic fluids ▶ Offering more recycled products
  - Expanding product lines that use recycled and biomass-based materials
- **Creation next-generation businesses (MOLGADC Project)**
- **Supply chain engagement**
  - Converting emission factors for purchased raw materials into primary data
  - Collaborating with customers to establish a product recycling system (for fire-resistant hydraulic fluids)
  - Coordinating with suppliers to realize stable procurement of recycled materials
- **Reducing waste and wastewater volume in production processes**
  - Selecting disposal contractors whose operations have low environmental impact
  - Reducing priority waste by production item

Achieve carbon neutrality by FY 2050

GHG emissions reduction goal

	Target	Boundary	Target Fiscal Year	Level
Goal 1	Scope 1 + 2 emissions	MORESCO domestic group companies (consolidated)	FY2030	46% reduction (compared to FY2013)
Goal 2	Scope 1 + 2 emissions	MORESCO domestic group companies (consolidated)	FY2050	Carbon neutral

Natural Capital and Biodiversity Conservation Initiatives (Start of Response to the TNFD)

In line with the recommendations announced by the TNFD in September 2023, we have begun activities to disclose information on natural capital and biodiversity. We are now implementing initial efforts to categorize our reliance and impact on natural capital and identify risks and opportunities with reference to the TNFD's guidelines.

We recognize that natural capital and biodiversity are important management issues in the medium and long term for our sustainable growth. In the future, we consider taking a step-by-step approach, while working to develop an internal framework. Going forward, we will also look at integrating this with TCFD disclosure to achieve more comprehensive, transparent information disclosure, and will contribute to the "realization of a sustainable society" and "increasing added value of business."

S Social

Critical Issues related to corporate management | Strengthen human capital by supporting growth and appointing a diverse workforce | Build a better workplace that is physically and mentally fulfilling and emphasizes human rights

Materiality for a Management Approach Focused on Human Capital and Respect for Human Rights

Of the areas of materiality that face us, two of those that are deeply connected to social issues are "Strengthen human capital by developing and promoting diverse human resources" and "Build a better workplace." We have positioned these two as materiality that forms the foundation supporting all of our business activities including the remaining five material issues.

In order to balance "realization of a sustainable society" and "improvement of corporate value in the medium to long term" as stated in the MORESCO Group Sustainability Policy, it is important to support the growth of all employees so that they can maximize their capabilities and motivation and to create an environment in which all human resources can play an active role. Under this idea, we established the human resources development policy and the in-house environment development policy in May 2023. Based on these two policies, in line with the formulation of the 10th Medium-Term Management Plan, we have formulated the human resources strategy, which summarizes specific initiatives toward achieving our materiality targets.

At the same time, we are strengthening our management in terms of its focus on human rights, and in accordance with the UN's Guiding Principles on Business and Human Rights, in May 2023 we also unveiled the MORESCO Group Policy on Human Rights. Now, we are moving forward with efforts to develop and strengthen our human rights due diligence framework, including by identifying human rights risks and studying countermeasures.

Personnel Strategies Linked to Management Strategies

In line with the formulation of the 10th Medium-Term Management Plan, we have formulated a human resources strategy as a specific policy toward achieving our materiality targets. Specifically, we have set strategic target 1, "Creation of an environment where all human resources can play an active role," and strategic target 2, "Enhancement of human resources needed to execute our management strategy," and optimize our allocation of human capital. KPIs are set for individual targets, and we will promote and supervise efforts to achieve them.

Human resources strategy

Goal:
Strengthen human capital to achieve both "realization of a sustainable society" and "improvement of corporate value in the medium to long term"

Target:
Human capital is optimally allocated in accordance with the management strategy.

Strategic target 1 Creation of an environment where all human resources can play an active role

- Foster a corporate culture that emphasizes diversity, inclusion, and fairness
- Develop grading/evaluation/compensation systems and recruitment/training systems with no discrimination based on attributes
- Create an environment where members can work autonomously with high motivation

Strategic target 2 Enhancement of human resources needed to execute management strategy

- Familiarize all Group employees with corporate philosophy and management strategy
- Develop and secure the human resources needed to expand business, strengthen the foundation, and create the future
- Allocate human resources based on talent portfolio analysis

Human Resources Development Policy

Fundamental approach and mindset required of personnel

Based on its Management Philosophy and the Sustainability Policy, the MORESCO Group has established a basic approach for its human resources policy. In accordance with this basic approach, we have set four mindsets we seek in our human resources: "professionalism," "freewheeling thinking," "ability to empathize with and involve others," and "willingness to continue to take on challenges."

Basic approach

The MORESCO Group declares as part of its Management Philosophy that it will create new value by fostering a working environment that respects an individual and a freewheeling thinking. As a research and development-oriented company, the MORESCO Group is committed to providing manufacturing and services that will make people around the world happy.

To this end, in an environment where people with diverse backgrounds can play active roles, we will develop human resources who can broaden the framework of their common sense, create new value through freewheeling thinking, contribute to research and development, which is the source of our competitiveness, and link the results of R&D to "contributing to a sustainable society" and "improving corporate value."

The mindsets we seek in

Professionalism (stronger individuals)
We seek "professional human resources" who continuously hone their expertise to create value that will make people around the world happy.

Freewheeling thinking (stronger individuals)
New value can be created through "freewheeling thinking" enabled by expanding the framework of your common sense without being bound by precedent or common sense.

Ability to empathize with and involve others (stronger organization)
In order to build a human network in business, it is necessary to have the "ability to empathize" with and understand diverse values and the "ability to involve" the members around you by demonstrating leadership.

Willingness to continue to take on challenges (stronger individuals)
As a specialist in interface science, for the creation of new value, it is necessary to view changes as opportunities to transform yourself and continue to take on challenges.

Enhancing Human Resource Training Initiatives

Education and Training

The objective of our Group's education and training activities is to improve the business skills of each employee. The ultimate goal is to enhance the level of satisfaction of employees. Particular emphasis is education in foreign languages and cultural communication in order to develop global human resources in line with modern globalization trends.

Human Resources Development and Education Programs

Training by level
- New employee training
- Training after six months
- Younger employee training
- Mid-level employee training
- New manager training
- Manager training, etc.

Business skill training
- Business manner training
- Intellectual property training
- Accounting basics training
- Foreign language training, etc.

Training by job
- Training by job type (sales, development, production, administration)
- External training
- Lectures
- Internal study sessions, etc.

Self-development support
- Language school subsidy system
- Qualification acquisition bonus etc.
- Compliance training, etc.

In-house Environment Development Policy

At the same time of the establishment of the human resources development policy, the MORESCO Group has also established a basic approach for the policy to improve its in-house environment. To maximize the capabilities of the Group as an organization, it is important to have an organizational culture that not only helps each employee improve his or her skills but also allows all employees to exercise their abilities to the fullest. The most important element for human resources of MORESCO, a research and development-oriented company, is the willingness to broaden the framework of their own common sense. And we believe that diversity, inclusion, and fairness are the key elements in helping each employee broaden the framework of common sense.

Basic approach

Our Group declares as part of its Management Philosophy that it will create new value by fostering a working environment that respects an individual and a freewheeling thinking. To foster a working environment that respects an individual, we believe it is important for each employee to accept different values and broaden his/her framework of common sense. And to enable each employee to broaden the framework of common sense, it is important to develop a working environment that value diversity, fairness, and inclusion.

Diversity, equity, and inclusiveness: diversity management that respects the unique traits of individuals

We have created numerous one-of-a-kind products in the past, and there are a number of factors behind this. These include an R&D environment that merges diverse specialists in blend, synthesis, and refining technologies, an approach of bringing sales, development, and production together to pursue customer solutions; and corporate staff that link technical development results to corporate and social values. We believe that having people with varied personalities and backgrounds, and proactively working to draw out these positives can propel us forward as a corporate group. This diversity will help to invigorate communication within our organization and help to build stronger teamwork.

S Social

Diversity Initiatives

General Employer Action Plan

Act on Advancement of Measures to Support Raising Next-Generation Children

We hereby formulate the following action plan to improve the employment environment in a manner that supports employees in balancing work and child-rearing responsibilities, and to promote diverse working conditions for all employees, including those who are not engaged in child-rearing.

1. Plan Period April 1, 2025 to March 31, 2030

2. Contents

Goal 1 We aim to create an employment environment that enables employees to balance work and child-rearing responsibilities, and that supports even those who are not engaged in child-rearing in achieving a harmonious work-life balance.

Measures (April 1, 2025-) We conduct an annual quantitative review of the outcomes of our initiatives and evaluate opportunities for further improvement.

Numerical Targets
- Increase the percentage of male employees taking childcare leave to at least 80% during the plan period. (At the time of planning: 75%)
- Raise the proportion of female managers to 15.0% during the plan period. (At the time of planning: 11.6%)

Goal 2 During the plan period, we will review internal systems as part of our flexible work style initiatives to foster a more supportive and comfortable work environment for all employees.

Measures
- (2025 to 2030) We are reviewing our telecommuting and employee benefits programs to better support diverse working styles.
- (2025) We conduct employee surveys to identify needs and inform future improvements.

Act on Promotion of Women's Participation and Advancement in the Workplace.

Based on the ACT, in order to carry out the development and maintenance of employment environment in which women can play an active role, we develop an action plan as follows.

1. Plan Period April 1, 2021 to March 31, 2026

2. Aims, Approaches, and Implementation term

Aim 1 Increase the ratio of female employees in managerial positions (section managers and above) to 8% or more. (At the time of planning: 6.3%)

Approach 1
- Since September, 2021: Started considering career development training. (target persons will be decided by consideration)
- Since September, 2022: Conducted career development training.
- Since November, 2022: Conducted of career development training results and started of planning for the next year and thereafter.

Aim 2 Two new systems will be established to improve the usage record of the system to support the balance between work life and family life.

Approach 2
- Since September, 2021: Understanding the usage of current system.
- Since December, 2021: Making awareness of systems that are rarely used.
- Since March, 2022: Starting development of new system.
- Since February, 2023: Check the usage of current system and consider whether a new system should be implemented.

Fair and equitable assessment and educational system

Our Group helps support our employees' growth through interviews by the Human Resources Department, self-reporting systems, and in-house seminars. Also, by subsidizing employees' efforts to learn other languages or earn qualifications, we help them to gain new skills or improve existing ones. Furthermore, we offer support for career development so that employees can motivate themselves and enhance their capabilities, and build a career path from among varied workstyles.

MORESCO's workstyle reform

Our Group's workstyle reforms aim to raise labor productivity, ensure that the profits of such productivity improvements are fed back to employees, and develop working environments that put a smile on the face of every employee. Employees are also encouraged to take paid holidays and the acquisition rate is increasing year by year. In the future, we will enhance working from home and childcare leave, and review our post-retirement reemployment system. In these ways, we will promote better use of our diverse personnel.

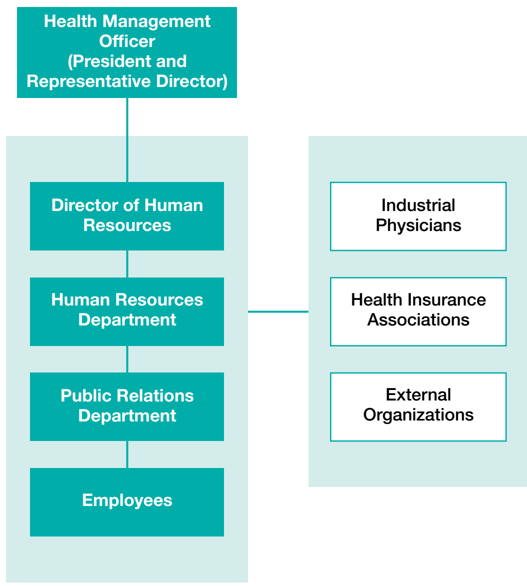
Health management

In April 2020, we established the MORESCO Health Management Declaration with the aim of organizing and systematizing earlier efforts related to health management, clarifying our policies as a group, and promoting health maintenance and promotion measures. In 2025, we were selected for the fifth year in a row in the large enterprise category of the Certified Health & Productivity Management Outstanding Organizations, which is co-run by the Ministry of Economy, Trade and Industry.

Health Management Promotion System

At our Group, the President and Representative Director will be the officer responsible for health management, and the Director of Human Resources and Human Resources Department will promote health management. Additionally, MORESCO will take these measures while cooperating with industrial physicians and health insurance associations with regards to health issues, etc., and while cooperating with the Public Relations Department with regards to transmission of information, etc.

Health Management Promotion System



MORESCO Health Management Declaration

MORESCO believes that physical and mental health of employees is essential to the sustainable development of the company. In order to make "a company where everyone can grow in a rich environment and cultivate new value" a reality, we are promoting the development of employee health.

【Key Policies】

1. Maintaining/promoting physical and mental health

We will promote activities that allow employees to maintain physical and mental health, such as health checkups, establishing exercise habits, and revitalizing communication in the workplace.

2. Creation of comfortable workplaces

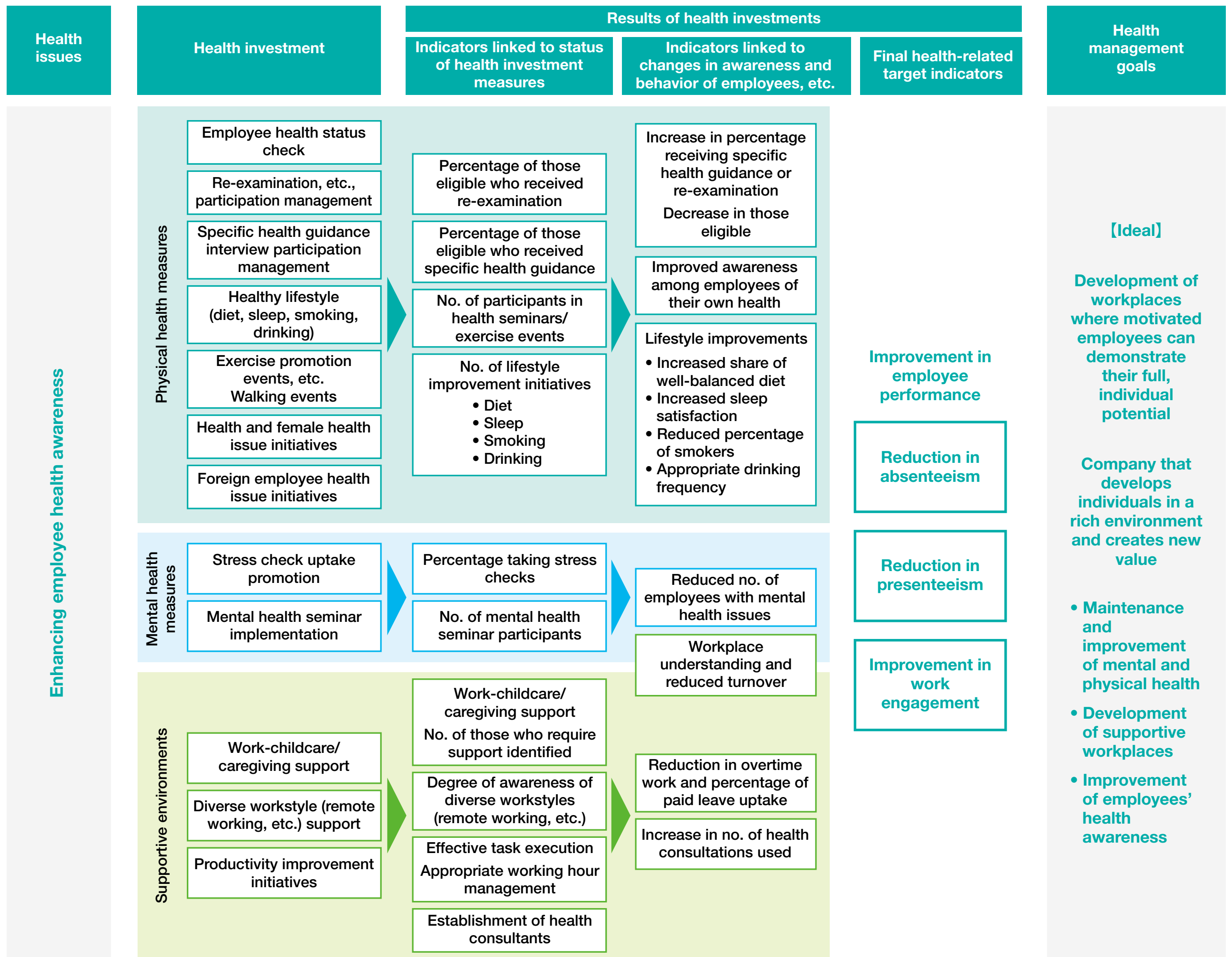
We will implement measures to achieve a work/life balance, such as recommending that employees take paid leave, supporting individual working styles with regards to childcare, nursing care, etc.,

3. Raising health awareness of employees

We will support the health management of each employee by improving each employee's knowledge and understanding of health.

April 1, 2020
Motohisa Morozumi
President and Representative Director
MORESCO Corporation

Health Management Strategy Map



Strengthening Our Human Rights Due Diligence Framework

MORESCO Group Policy on Human Rights

One of the ways that our Group addresses materiality related to sustainability issues is by strengthening respect for human rights. In accordance with the Guiding Principles on Business and Human Rights adopted by the United Nations Human Rights Council, we have formulated a human rights policy, and we are working to build a human rights due diligence system, and to build and strengthen remedy mechanisms.

MORESCO Group Policy on Human Rights (Excerpt)

The MORESCO Group hereby establishes the "MORESCO Group Policy on Human Rights" (this "Policy") in accordance with the "UN Guiding Principles on Business and Human Rights" adopted by the UN Human Rights Council, for the purpose of promoting respect for human rights for all people affected by the business activities of the MORESCO Group, as we aim to "realize a sustainable society" and "enhance corporate value over the medium and long term".

May 12, 2023
Motohisa Morozumi
CEO, Representative Director, President
MORESCO Corporation

<Policy chapters>

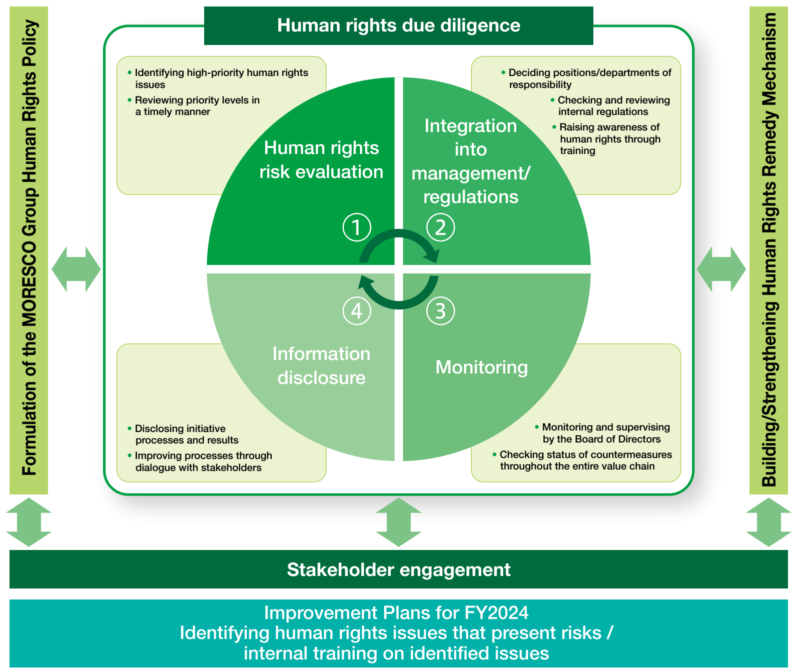
1. Basic Approach to Human Rights
2. Scope of Application
3. Human Rights Due Diligence
4. Dialogue and Consultation
5. Remedial Action
6. Education, Training and Dissemination
7. Manager
8. Information Disclosure
9. Applicable Laws and Regulations

Building and strengthening of a human rights due diligence system

The MORESCO Group promotes building of a human rights due diligence system. In FY2023, we examined the human rights risks that are important to the Group by referring to various relevant guidelines both in Japan and overseas, awareness surveys targeting directors and executives, and opinions of external experts. In FY2024, we selected human rights risks based on our business characteristics, and formulated specific assessment criteria. In FY2025, then, we are carrying out human rights risk assessment for all employees (including temporary workers) associated with the Group inside Japan, and moving forward with identifying material human rights risks. For the identified risks, we enact appropriate measures as well as disclose information on their progress and results proactively via our corporate website and other media. Going forward, we will continue to build and strengthen our human rights due diligence system, including human rights risk assessment throughout the supply chain.

Building and strengthening of a remedy mechanism

To build a remedy mechanism, the MORESCO Group has started with checking the relevant internal systems and regulations applicable to the employees of MORESCO Corporation. We are also strengthening the guidance and supervision of our Group companies, based on the results of an employee engagement survey targeting all Group employees, etc. Taking into consideration the severity of the identified human rights risks, we intend to gradually build and strengthen a remedy mechanism that meets the requirements of the UN Guiding Principles on Business and Human Rights.



Human Rights Training

We conduct suitable education and training to ensure all directors and employees throughout the Group are aware of our human rights policy.

We held training on two themes during FY2024: LGBTQ training in August 2024 and harassment prevention training in January 2025. All employees participated in both and deepened their understanding.

FY2024 Human Rights Training Record

	Held	Scope	Participation	Understanding
LGBTQ training	August 2024	MORESCO Group employees (including part-time, contract, and temporary workers)	100%	93%
Harassment prevention training	January 2025		100%	97%

Consultation system

As one of remedial methods by which we aim to prevent or lessen our business activities' adverse impact on human rights, we have put in place an internal whistleblowing system and consultation systems at our sites, including those outside Japan. In this way, we are able to respond swiftly.

Stakeholder-Related Materiality

A large number of the products that we sell command an extremely large market share, and therefore our responsibility as a supplier for stable supplies, technological development, and safe products and services is also significant. In terms of procuring the materials we need to support stable supplies, demands for sustainability-focused procurement that considers the global environment and society are growing stronger. Alongside this, we have to take into account geopolitical risks to ensure economic security. We have, therefore, laid out three areas of materiality to tackle: "Supply chain management," "Transform business focusing on long-term values for sustainable growth," and "Strengthen business partnerships."

Commitment to Stakeholders and Communities

MORESCO Corporate Behavior Charter

In March 2008, our Group created the MORESCO Corporate Behavior Charter to codify the corporate ethics we should comply with as a responsible corporate group. The ten principles that make up the charter cover topics such as our supply responsibilities as a supplier, the safety of our products and services, anticorruption measures, personal information protection, information disclosure, and regional contributions. In addition to these voluntary efforts, we endorsed the Cabinet Office's Building Partnerships for the Future project and in July 2022 we announced our support for the Declaration of Partnership Building.

WEB Details of the MORESCO Corporate Behavior Charter → https://www.moresco.co.jp/en/sustainability/action_charter.php

Purchasing Policy

With the aim of strengthening the procurement of raw materials for which we are responsible, we formulated our Purchasing Policy (revised in May 2022).

WEB Details of the Purchasing Policy → https://www.moresco.co.jp/en/sustainability/purchase.php

PART 6

Corporate Governance

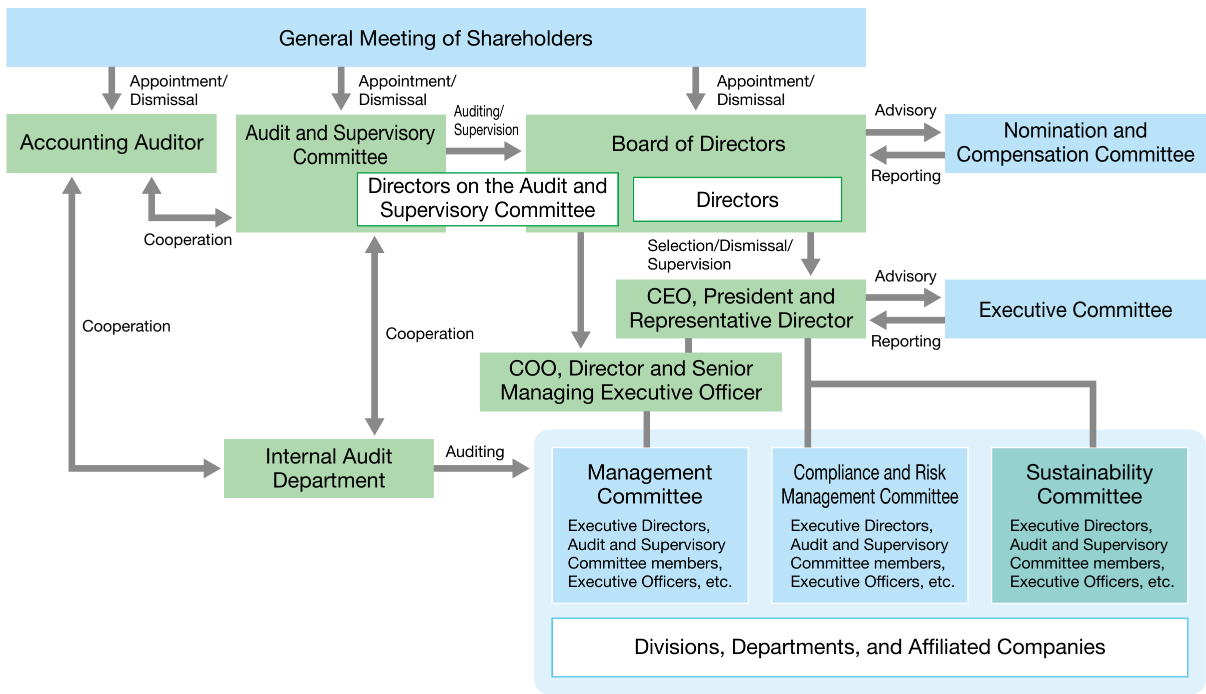
Corporate Governance at MORESCO

The Company Group will always pursue the best corporate governance and make continuous efforts for the enhancement thereof. And, the Company Group believes that the basis of corporate governance is that communication in all directions within the Company is in a good condition and/or active. In other words, corporate governance functions effectively when policies, strategies, plans, instructions, etc. are communicated accurately, properly, and smoothly, while results and the implementation status are reported correctly. Based on this belief, the MORESCO Group recognizes the strengthening of corporate governance as an important management issue. By developing and enhancing the systems therefor, we will ensure the soundness and transparency of management while making decisions in a prompt and dynamic manner in response to changes in the environment. We believe this is the key to our corporate governance and will work to enhance corporate governance in line with the basic policy below.

Basic approach

i. We respect the rights of shareholders and ensure their equality.
ii. We consider the interests of not only our shareholders but also the Company's employees, customers, business partners, creditors, local communities, and various other stakeholders, and we work in cooperation with these stakeholders in an appropriate manner.
iii. We properly disclose information of the company and ensure transparency in the company's decision making.
iv. We have constructive dialogue with shareholders who have investment policies consistent with the interests of shareholders over the medium to long term.

Corporate Governance Structure



Roles and Activities of Major Institutions and Committees

Institution and committee	Membership	Roles & activities
Board of Directors	Chair: President 6 inside directors and 4 outside directors	Makes decisions regarding important business execution Supervises business execution by directors
Nomination and Compensation Committee	Chair: President 1 inside director and 4 outside directors	Deliberates on director appointment/dismissal, representative director selection/dismissal, and the remuneration amount of each individual (excluding Audit and Supervisory Committee members), and reports on the above to the Board of Directors
Executive Committee	Chair: President 5 inside directors	Consists of executive directors, discusses the decisions of the President Acts to prevent an excessive concentration of authority in the president, and ensures smooth business execution
Management Committee	Chair: Director and Senior Managing Executive Officer 5 inside directors, Audit and Supervisory Committee member, executive officers, etc.	Reports and discusses important matters related to corporate management Encourages mutual understanding about the current state of, and approaches to, corporate management
Compliance and Risk Management Committee	Chair: President 5 inside directors, Audit and Supervisory Committee member, executive officers, etc.	Formulates and promotes policies and plans related to compliance and risk management, and checks progress of such * Meets on days the Management Committee meets
Sustainability Committee	Chair: President 5 inside directors, Audit and Supervisory Committee member, executive officers, etc.	Formulates and promotes policies and plans related to sustainability, and identifies and monitors related risks and business opportunities * Meets once a half, on days the Compliance and Risk Management Committee meets
Audit and Supervisory Committee	Chair: Audit and Supervisory Committee member 1 inside director and 3 outside directors	Audits and oversees the legality and appropriateness of directors' business execution Collaborates with accounting auditors, the Internal Audit Department, internal control departments, etc.

Body Membership

Name	Title	Attendance at Board of Directors meetings	Attendance at Nomination and Compensation Committee meetings	Executive Committee	Management Committee	Compliance and Risk Management Committee	Sustainability Committee	Audit and Supervisory Committee
Motohisa Morozumi	CEO, Representative Director, President	◉ 14/14	◉ 5/5	◉	●	◉	◉	—
Nobuhiro Sewaki	COO, Director, Senior Managing Executive Officer	● 14/14	—	●	◉	●	●	—
Hirofumi Fujimoto	CFO, Director, Managing Executive Officer	● 14/14	—	●	●	●	●	—
Jiro Hosomi	Director, Executive Officer in charge of Global Operations	● 10/10	—	●	●	●	●	—
Katsuhito Fukuda	CTO, Director, Executive Officer	● —	—	●	●	●	●	—
Hiroshi Sakai	Independent Outside Director	● —	● —	—	—	—	—	—
Mikio Honda	Director, Full-time Audit and Supervisory Committee Member	● 14/14	—	—	●	●	●	◉
Mikio Nakajo	Independent Outside Director, Audit and Supervisory Committee Member	● 14/14	● 5/5	—	—	—	—	●
Hidetoshi Nakatsuka	Independent Outside Director, Audit and Supervisory Committee Member	● 14/14	● 5/5	—	—	—	—	●
Hiroko Fuji	Independent Outside Director, Audit and Supervisory Committee Member	● 14/14	● 5/5	—	—	—	—	●

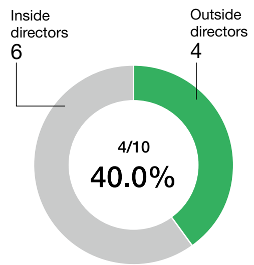
Notes:
The ◉ symbol denotes the board/committee chair.
Attendance at Board of Directors meetings and Nomination and Compensation Committee meetings are for FY2024.
The number of times Jiro Hosomi attended meetings is recorded from the time he was elected and assumed office at the 66th Annual General Meeting of Shareholders held on May 30, 2024.
The status of attendance of Katsuhito Fukuda and Hiroshi Sakai was not stated as they were elected and assumed office at the 67th Annual General Meeting of Shareholders held on May 29, 2025.

Efforts to Strengthen Governance

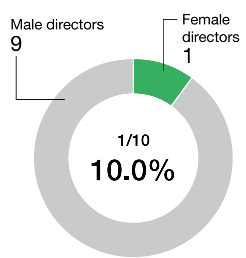
May 2014	Appointed our first female director (an independent outside director)
February 2017	Began to evaluate the Board of Directors effectiveness
May 2017	Introduced restricted stock-based compensation
May 2018	Formulated our Basic Policy on Corporate Governance
June 2019	Began preparations to adopt the system of a company with an audit and supervisory committee
May 2020	Shifted decision-making regarding the remuneration amount of each individual to the Board of Directors
May 2020	Adopted the system of a company with an audit and supervisory committee, established our Nomination and Compensation Committee
March 2022	Formulated the MORESCO Group Sustainability Policy and established the Sustainability Committee
April 2024	Appointed a director in charge of sustainability

Composition of the Board of Directors and Audit and Supervisory Committee

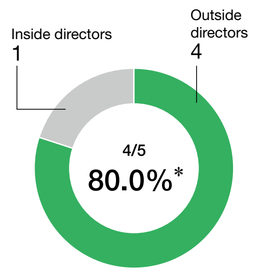
Ratio of outside directors



Ratio of female directors

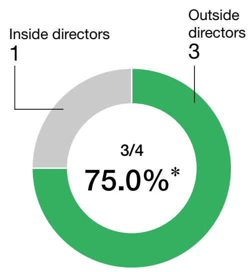


Nomination and Compensation Committee



Chair: Inside director
*Ratio of outside directors

Audit and Supervisory Committee



Chair: Inside director
*Ratio of outside directors

Skills Matrix for Directors and Audit and Supervisory Committee Members

Name and title		Corporate management	Sustainability	R&D	Internationality	Sales/ marketing	Production	Legal/ governance	Finance/ accounting
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 in charge of Global Operations	●	●		●	●			
Katsuhito Fukuda	CTO, Director, Executive Officer		●	●					
Hiroshi Sakai	Independent Outside Director	●	●	●	●				
Mikio Honda	Director, Full-time Audit and Supervisory Committee Member							●	
Mikio Nakajo	Independent Outside Director, Audit and Supervisory Committee Member							●	
Hidetoshi Nakatsuka	Independent Outside Director, Audit and Supervisory Committee Member								●
Hiroko Fuji	Independent Outside Director, Audit and Supervisory Committee Member	●	●			●			

*Topics listed in the skills matrix above do not represent the full extent of each director's knowledge, etc.

Efforts to Strengthen the Functions of the Board of Directors

Appointment and Dismissal of Directors

We believe that our Board of Directors must maintain an appropriate balance of the expertise, experience, and performance it needs overall for its business execution and oversight, and welcome diversity in terms of inside and outside experience, independence, gender, nationality, and other traits. Furthermore, to ensure that the scale of the Board of Directors does not hinder its speedy decision-making, the Company's Articles of Incorporation stipulate that the number of Directors (excluding Directors on the Audit and Supervisory Committee) shall be no more than eight, and the number of Directors on the Audit and Supervisory Committee shall be no more than five. Our policy for nominating candidates for Directors (excluding Directors on the Audit and Supervisory Committee) and candidates for Directors on the Audit and Supervisory Committee is to nominate individuals who are capable of realizing such a Board of Directors.

In nominating directorial candidates, in line with our Basic Policy on Corporate Governance, the president makes proposals to the Executive Committee. The candidates that the committee gives its consent to become directors (not including those who are also on the Audit and Supervisory Committee) or directors who are also on the Audit and Supervisory Committee are discussed by the Nomination and Compensation Committee, who report their findings to the Board of Directors, who make the final decision. However, for agenda items related to the appointment of directors who are also on the Audit and Supervisory Committee, permission is received from the committee. In addition, when a director meets the criteria for dismissal, the matter will be discussed at the Executive Committee, and after deliberation and reporting by the Nomination and Compensation Committee, a resolution will be passed at a meeting of the Board of Directors and proposed as an agenda item at the General Meeting of Shareholders.

Reasons for appointment of independent outside directors

Name	Reason for appointment
Hiroshi Sakai	Hiroshi Sakai has been engaged in research and development in the electronics field at a major chemical manufacturer for many years, and has abundant experience and knowledge in the development of products related to MORESCO Corporation and products with reduced environmental impact. He was also deeply involved in the management of the manufacturer as its director and CTO. He has been appointed as an outside director as we have determined that by leveraging his abundant experience and knowledge, he will provide us with guidance and advice regarding the management and research and development of the Company.
Mikio Nakajo	Mikio Nakajo served for many years as an attorney and has gained professional expertise and a wide range of experience, and is also well-versed in auditing operations at a listed company, having worked as an outside auditor at a company listed on the Tokyo Stock Exchange. He has been appointed as an outside director on the Audit and Supervisory Committee as we have determined that he will execute his auditing and oversight functions by making use of that experience and expertise.
Hidetoshi Nakatsuka	Hidetoshi Nakatsuka has experience of being involved in tax administration for many years. He is also familiar with corporate taxation as a tax accountant and thus has acquired professional knowledge about accounting and taxation. He has been appointed as an outside director on the Audit and Supervisory Committee as we have determined that he will execute his auditing and oversight functions appropriately by making use of that experience and expertise.
Hiroko Fuji	Hiroko Fuji served as an executive officer for 10 years at a major department store which is a group company of a listed corporation and was deeply involved in management of the company through working as the store manager of several flagship stores of the department store. She thus has abundant experience and knowledge with regard to management. By making use of this experience and knowledge, she has provided us with guidance and advice on management of the company and the career development of female employees and female managers of the company, and she has contributed to improving employee engagement and human resource development through dialogue with employees in the sales and corporate administration departments. She has been appointed as an outside director who is an Audit and Supervisory Committee Member as we have determined that she is capable of appropriately performing audit and supervisory duties by leveraging her experience and insights.

Training for Directors

Even after directors have been appointed, our training policy for directors is to encourage them to acquire and master knowledge, skills, abilities, etc. they each need in the Board of Directors or Audit and Supervisory Committee, and to continuously improve themselves. To make this a reality, we provide opportunities for the relevant directors to get together and at those times hold study seminars themed around matters they should find interesting, and make these a chance for directors to work on self-improvement.

Our outside directors can at any time they need to, or when they feel it appropriate, can ask inside directors, executive officers, or other employees for explanations or reports, or can request internal documents. Each November, we hold a meeting between our CFO and our outside directors, as a chance to hear from outside directors about their opinions or wishes regarding overall management or similar. This feedback is shared with inside directors, executive officers, or others at the Executive Committee or Management Committee, where necessary responses or measures are investigated and implemented.

Evaluation of Board of Directors Effectiveness

In February each year, the Board of Directors refers to self-evaluations by each director, as well as other materials, as it analyzes and evaluates its overall effectiveness. A summary of its findings are disclosed in our annual Corporate Governance Report.

In directors' self-evaluations in January 2024, the Board of Directors' composition, deliberations, and selection of agenda items scored well in general. In response to the discussions about medium- and long-term agenda items that had been highlighted as an issue the year before, directors evaluated positively the fact that they had been able to discuss these outside of normal Board of Directors meetings.

However, some felt that the amount of time organized was insufficient. At a meeting of the Board of Directors the following month, as a result of discussion that took these self-evaluations into account, the board judged itself to be in general functioning well, and determined that it was generally operating effectively overall.

In directors' self-evaluations in January 2025, the Board of Directors' composition, deliberations, and selection of agenda items once again scored well in general. Improvements were also seen in the evaluation scores for time given to discussions at Board of Directors meetings and cooperation with the Internal Audit Department. In terms of the issues identified in the previous year—diversity of board members, time set aside to study meeting materials in advance of board meetings, and discussions on issues that show the broad direction of corporate strategy by the board—improved evaluation scores were seen in some areas, but were still comparatively low. At a meeting of the Board of Directors the following month, as a result of discussion that took these self-evaluations into account, the board judged itself to be in general functioning well, and determined that it was generally operating effectively overall. However, it did take on board the feedback it had received. In response, it decided to continue discussions aimed at securing diversity as a board, to strive to provide meeting materials even earlier, and to set up an opportunity for discussions with the CEO about medium- to long-term agenda items such as business strategies, in addition to the off-site meetings and extra meetings between directors after official Board of Directors meetings end. In this way, it decided to secure more time for more in-depth discussions.

The Company's Board of Directors will continue to implement necessary measures in a timely manner to enhance its effectiveness.

Director self-evaluation topics:
1. Composition of the Board of Directors
2. Operations of the Board of Directors
3. Deliberations by the Board of Directors
4. Selection of agenda items by the Board of Directors
5. Content of agenda items by the Board of Directors
6. Systems supporting the Board of Directors
7. Overall evaluation

Director Compensation

Policy and procedures for determining compensation

The remuneration of the Company's Directors is determined according to the Regulations for Remuneration of Directors, etc., and the improvement (revision) of the regulations is determined by the Board of Directors after deliberation and reporting by the Nomination and Compensation Committee.

In determining remuneration of Directors (not including those who are on the Audit and Supervisory Committee), our policy is to consider the balance with business performance results, duties, position, general level, and the employee salaries. Remuneration of Directors is determined Public by the Board of Directors, within the limit for the amount of remuneration decided at the General Meeting of Shareholders, after deliberation and reporting by the Nomination and Compensation Committee.

In addition, the Nomination and Compensation Committee, upon consultation with the Board of Directors, discusses the base remuneration and non-monetary remuneration, in consideration of the Company's performance results, etc. (for base remuneration) and in consideration of the degree of achievement of non-financial indicators (for non-monetary remuneration), and reports the total remuneration amount and the remuneration amount of each individual to the Board of Directors.

And remuneration of Directors who are Audit and Supervisory Committee Members is decided through deliberation by the Audit and Supervisory Committee, with careful consideration to the individual's role (full-time or part-time), amount of auditing tasks, societal norms, a balance with the compensation for directors (not including those who are also on the Audit and Supervisory Committee), provided that it falls within maximums set at the General Meeting of Shareholder.

Compensation breakdown

- Remuneration of a director (not including those who are on the Audit and Supervisory Committee) consists of base remuneration, which is fixed compensation calculated based on his/her position and performance of the previous fiscal year, and restricted stock compensation, which is non-monetary compensation to provide incentives for improving medium- to long-term corporate value. Where the director is also an executive officer, they will receive no additional compensation related to their duties as executive officer.
- Compensation for outside directors (not including those who are on the Audit and Supervisory Committee), from the standpoint of their role and need for independence, will comprise base remuneration calculated based only on their positions.
- Compensation for directors who are on the Audit and Supervisory Committee, from the standpoint of their role and other factors, will comprise only fixed compensation.

Base remuneration
① Amount calculated according to position
② Amount calculated according to performance of the previous year
The total amount of ① and ② is paid in a fixed amount every month from June each year to May the following year.

Non-monetary remuneration (restricted stock compensation)
The number of shares equivalent to the amount calculated according to the position is paid in June each year.

Interview with an Independent Outside Director

I will contribute to the sustainable growth of MORESCO by acting as a bridge between technology and management.

Hiroshi Sakai
Independent Outside Director

Goals on assuming the position of outside director

I was appointed as an outside director in May 2025. I have been involved in hard disk-related R&D and management as CTO at a materials and chemical manufacturer. I have been in contact with the MORESCO Group for many years as a user of hard disk surface lubricants as well as through regular technical exchange meetings and I appreciate its technology-oriented corporate stance. With the opportunity to be involved in management as an outside director, I will utilize my experience to contribute to the MORESCO Group's sustainable growth from the viewpoint of bridging technology and management.

I was impressed with how R&D-oriented the Group is; I saw MORESCO's top executives attending the technical exchange meetings in person and engaged in discussion with engineers at the site. This attitude embodies "growth-oriented governance," a framework in which management and R&D are integrated, and I view this as one of the strengths of the Group. This earnest approach to the development of products that address social challenges, as represented by MORESCO Green SX products, also resonates with me.

With regard to corporate governance, four of our ten directors are independent outside directors, and three of them are members of the Audit and Supervisory Committee. The system clearly separates execution and supervision, making it highly effective from an external perspective. Our Group is also actively engaged in disseminating information to the capital market through integrated reports and by other means.

In times of great uncertainty, we need to improve the quality of corporate governance more and more. I will use my experience in technology and management to make constructive recommendations by monitoring the transparency and appropriateness of management decisions from a variety of different angles.

Evaluation of the 10th Medium-Term Management Plan

Our Group's 10th Medium-Term Management Plan sets forth the goal of achieving both "realization of a sustainable society" and "increasing added value of business." This is an ambitious plan that aims to integrate solving social issues and producing economic results. In particular, numerical targets such as raising the sales ratio of MORESCO Green SX products to 40% and improving operating profit margin are clear challenges that we are determined to meet.

On the other hand, from what I can tell, the relatively low operating profit margin is an issue although we have many one-of-a-kind products. I speculate that the composition of our business portfolio is one of the causes. The high composition of the automotive sector, where price revisions are generally difficult, may have affected profitability. Given that, going forward, I think it is necessary to discuss the possibility of expanding information electronics and other sectors. For my part, I will apply the knowledge I have gained to provide specific advice in the three areas of "Enhancement of Our Product Portfolio," "Creation of Next-Generation Business," and "Innovation of Business Processes." In particular, I intend to make proposals to raise R&D efficiency using computational science-based methods that I have been working with for blending and synthesis in "blending, synthesis, and refining technologies," or our Group's signature strengths, thereby contributing mainly to the development of high-value-added products in tandem with ongoing data-driven development leveraging generative AI.

Enhancement of corporate value from a long-term perspective

For our Group to grow over the long term, it is essential to invest in human resources as well as to further improve our technological strengths. The "four mindsets we seek in our human resources," as set forth in our human resources development policy, are aligned with our Group's founding spirit, which values freewheeling thinking and the willingness to take on challenges. I believe they will serve as a driving force for sustainable value creation.

For the creation of next-generation businesses and innovation, effective mechanisms have been developed, such as the cross-divisional R&D meetings and Research Group Initiatives that support voluntary activities for researchers. Furthermore, new business development through co-creation with external parties is progressing, and I recognize that developing a management system that shares the same purpose and values not only within the R&D division but throughout the company is our future challenge.

Moving forward, along with business growth and profitability improvement, I will provide constructive suggestions on sustainability management issues from an external perspective as an outside director. I hope this will contribute to the enhancement of our corporate value.

Directors

*As of May 29, 2025

1 Motohisa Morozumi

CEO, Representative Director, President

Shares held: 40,544

March 2011	Executive Officer Division Manager, Hot Melt Adhesive and General Manager, Sales Department, Hot Melt Adhesive, MORESCO Corporation
May 2011	Director and Executive Officer Division Manager, Hot Melt Adhesive and General Manager, Sales Department, Hot Melt Adhesive, MORESCO Corporation
January 2012	Representative Director, President of PT. MORESCO MACRO ADHESIVE
May 2014	Director and Managing Executive Officer Division Manager, Hot Melt Adhesive and General Manager, Sales Department, Hot Melt Adhesive, MORESCO Corporation
May 2017	Director and Senior Managing Executive Officer Division Manager, Hot Melt Adhesive and Division Manager, Metal Working Fluids, MORESCO Corporation
May 2018	President and Representative Director, COO, MORESCO Corporation
May 2021	CEO, MORESCO Corporation (current position)

2 Nobuhiro Sewaki

COO, Director, Senior Managing Executive Officer

Shares held: 21,978

May 2010	Executive Officer General Manager, Sales Department, Functional Fluids, MORESCO Corporation
March 2015	Representative Director, President of MORESCO (THAILAND) CO., LTD.
May 2015	Executive Officer in charge of Southeast Asia, MORESCO Corporation
May 2016	Senior Executive Officer in charge of Southeast Asia, MORESCO Corporation
February 2017	Representative Director, President of MORESCO HM&LUB INDIA PRIVATE LIMITED
May 2017	Director, Senior Executive Officer in charge of Southeast Asia, MORESCO Corporation
May 2018	Director, Senior Executive Officer in charge of Global Operations, MORESCO Corporation
May 2021	Director and Senior Managing Executive Officer, COO, MORESCO Corporation (current position)
April 2025	President, Representative Director, MORESCO TECHNO Co., Ltd. (current position)

3 Hirofumi Fujimoto

CFO, Director, Managing Executive Officer

Shares held: 9,159

March 2019	Joined the Company. Deputy General Manager, Strategy Planning Department
March 2020	General Manager, Overseas Sales Department, Hot Melt Adhesive, MORESCO Corporation
January 2021	Executive Officer in charge of administration segments, CFO, MORESCO Corporation
May 2021	Director and Senior Executive Officer, CFO in charge of administration segments and Safety, MORESCO Corporation
March 2022	Director and Senior Executive Officer, CFO, MORESCO Corporation
April 2024	Director and Senior Executive Officer, CFO in charge of Sustainability, MORESCO Corporation
May 2025	Director, Managing Executive Officer, CFO Sustainability, MORESCO Corporation (current position)

4 Jiro Hosomi

Director, Executive Officer in charge of Global Operations

Shares held: 7,942

March 2014	General Manager, Sales Department, Metal Working Fluids, MORESCO Corporation
May 2018	Division Manager, Metal Working Fluids and General Manager, Sales Department, Metal Working Fluids, MORESCO Corporation
May 2019	Executive Officer Division Manager, Metal Working Fluids and General Manager, Sales Department, Metal Working Fluids, MORESCO Corporation
May 2021	President and Representative Director, MORESCO TECHNO Co., Ltd.
March 2023	Executive Officer Division Manager, Functional Fluids, MORESCO Corporation
May 2024	Director and Executive Officer in charge of Global Operations, MORESCO Corporation (current position)
March 2025	Representative Director, President of MORESCO HM&LUB INDIA PRIVATE LIMITED (current position)

5 Katsuhito Fukuda

CTO, Director, Executive Officer

Shares held: 1,609

March 2012	General Manager, R&D Department, Hot Melt Adhesive, MORESCO Corporation
March 2015	Executive Officer General Manager, R&D Department, Hot Melt Adhesive, MORESCO Corporation
March 2021	Executive Officer General Manager, R&D Department, Hot Melt Adhesive and General Manager, Corporate R&D Department, MORESCO Corporation
March 2022	Executive Officer General Manager, Corporate R&D Department, MORESCO Corporation
May 2025	Director, Executive Officer, CTO, MORESCO Corporation (current position)

6 Hiroshi Sakai

Independent Outside Director

Shares held: 0

January 2012	Corporate Fellow and General Manager, Technology Development Department, HD Section, Showa Denko K.K. (now Resonac Corporation)
January 2015	Senior Corporate Fellow and General Manager, Technology Development Control Department, HD Division, Showa Denko K.K.
January 2019	Trustee and General Manager, Technology Development Control Department, Device Solutions Division, Showa Denko K.K.
March 2020	Director, Corporate Officer, and Chief Technology Officer (CTO), Showa Denko K.K.
January 2022	Director, Managing Corporate Officer, and Chief Technology Officer (CTO), Showa Denko K.K.
January 2022	Managing Corporate Officer and Chief Technology Officer (CTO), Showa Denko Materials Co., Ltd. (now Resonac Corporation)
May 2025	Director, MORESCO Corporation (current position)

7 Mikio Honda

Director, Full-time Audit and Supervisory Committee Member

Shares held: 4,562

March 2007	Section Manager of General Affairs, General Affairs Department, MORESCO Corporation
March 2010	Section Manager of Human Resources, Human Resources Department, Administration Division, MORESCO Corporation
March 2012	Section Manager of Operations, Akoh Plant, MORESCO Corporation
March 2017	General Manager, General Affairs Department, MORESCO Corporation
May 2022	Director (full-time Audit and Supervisory Committee Member), MORESCO Corporation (current position)

8 Mikio Nakajo

Independent Outside Director, Audit and Supervisory Committee Member

Shares held: 0

April 1998	Registered as attorney, joined the Sawada and Kikui Law Office (now Sawada, Nakajo and Mori Law Office)
June 2010	External auditor, Nishishiba Electric, Co., Ltd.
June 2011	External auditor, GLORY LTD.
May 2019	Representative attorney, Sawada, Nakajo and Mori Law Office (current position)
June 2019	External auditor, YAMATO KOGYO CO., LTD. (current position)
May 2020	Director (Audit and Supervisory Committee Member), MORESCO Corporation (current position)

9 Hidetoshi Nakatsuka

Independent Outside Director, Audit and Supervisory Committee Member

Shares held: 3,710

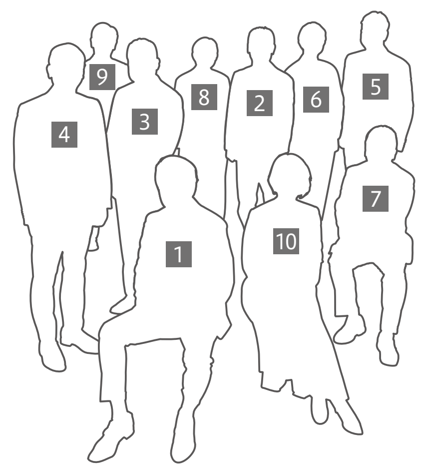
July 2009	International Investigation Director, Examination Division, First Examination Department, Osaka Regional Taxation Bureau
July 2012	Assistant Director, Comprehensive Investigation Division, First Examination Department, Osaka Regional Taxation Bureau
August 2013	Registered as tax accountant, opened Hidetoshi Nakatsuka Tax Accountant Office, representative (current position)
April 2014	Special Professor, Graduate School and Faculty of Law, Himeji Dokkyo University
December 2018	External auditor, Tiger Corporation (current position)
May 2020	Director (Audit and Supervisory Committee Member), MORESCO Corporation (current position)
June 2023	Outside Director, KAJI TECHNOLOGY CORPORATION (current position)

10 Hiroko Fuji

Independent Outside Director, Audit and Supervisory Committee Member

Shares held: 3,710

May 2011	Executive Officer and General Manager, MD Promotion Department 2, MD Strategy Promotion Office, Daimaru Co., Ltd. (currently, Daimaru Matsuzakaya Department Stores Co., Ltd.)
September 2011	Executive Officer and General Manager, Independent Business Unit, MD Strategy Promotion Office, Daimaru Matsuzakaya Department Stores Co., Ltd.
April 2013	Executive Officer and Store Manager, Daimaru Osaka Umeda, Daimaru Matsuzakaya Department Stores, Co., Ltd.
January 2017	Executive Officer and Store Manager, Daimaru Kobe, Daimaru Matsuzakaya Department Stores, Co., Ltd.
January 2020	Executive Officer and Store Manager, Daimaru Sapporo, Daimaru Matsuzakaya Department Stores, Co., Ltd.
May 2022	Director, MORESCO Corporation
May 2025	Director (Audit and Supervisory Committee Member), MORESCO Corporation (current position)



Compliance and Risk Management

Our Compliance and Risk Management Framework

For us to respond to the various risks and opportunities that come with our overall business operations, the Company has established a Compliance and Risk Management Committee that consists of members including executive directors, full-time Audit and Supervisory Committee members, and executive officers, with the General Affairs Department and Legal Department serving as the secretariat. The Compliance and Risk Management Committee meets on the same days as the Management Committee. At a meeting of the Compliance and Risk Management Committee in April 2025, regarding the 17 risk items that should be addressed by the Company, which were extracted from the total 235 risk items listed up at all business sites, we extracted seven risk items that require particular focus in fiscal 2025. We focus on these seven risk items, and each of the four function-specific meetings, namely, the sales meeting, production engineering meeting, R&D meeting, and Head Office division meeting, identifies the risk items that each function should address. We are working to establish and review the systems for checking and management to prevent such risks from emerging and to enhance the operation thereof. In case of a risk arising, we promote the preparation of an emergency countermeasures manual for each risk in accordance with the Crisis Management Regulations.

Additionally, we have set meetings of the Sustainability Committee at least once a half to review risks and opportunities linked to the MORESCO Group's medium- and long-term sustainability and discuss their countermeasures. The membership of the Sustainability Committee is the same as that of the Compliance and Risk Management Committee, and in principle the two committees meet on the same days. Through the above, we have constructed a framework that allows us to consistently understand both short-term and medium- and long-term risks and opportunities. For the major medium- and long-term risks and opportunities that the Sustainability Committee identifies, we organize these as material sustainability issues (materiality), and work to counter them (see pages 21–24).

Major Risks Identified and Addressed in FY2024

Risks	Overview	Countermeasures
① Compliance	Risks associated with breaches of laws and regulations	· Minimize risk of a breach of contract · Verify status of compliance with relevant laws and regulations · Conduct chemical substance risk assessments
② Enacted/revised laws	Risks associated with ignorance of, or insufficient response to, enacted or revised laws	· Implement effective investigations into the status of legal compliance
③ Information security	Risks associated with inadequate information security	· Run training to raise awareness of information security
④ Disasters	Risks associated with a disaster (excluding those in ⑤)	· Investigate management systems for employees stationed overseas
⑤ Production equipment stoppages	Risks associated with equipment stoppages (excluding those in ④)	· Make systematic capital investments (replacing aging equipment, etc.) · Conduct regular investigations and servicing (yearly maintenance plans) · Prepare spares · Secure inventory
⑥ Clerical or operational mistakes	Risks associated with clerical or operational mistakes	· Promote measures to prevent recurrence of serious incidents or mistakes · Learn from near-misses
⑦ Operational stagnation	Risks associated with stagnation in our operations	· Spread operations over multiple sites
⑧ Market fluctuations	Risks associated with significant market fluctuations impacting our business	· Gather and analyze market information
⑨ Bankruptcy of business partners	Risks associated with the bankruptcy of business partners impacting our business	· Operate and maintain credit management regulations
⑩ New product development	Risks associated with stagnation in new product development, etc.	· Develop new applications via an R&D system that encompasses all our divisions and upgrade our marketing · Create collaborations between different departments, companies, and industries
⑪ Product defects	Risks associated with defects or flaws in our products	· Promote responses to complaints
⑫ Environmental pollution	Risks associated with environmental pollution by our factories, etc.	· Implement environmental management with periodic measurement and compliance with control values · Check and manage wastewater · Manage industrial waste · Manage the consumption of energy and other resources
⑬ Raw material procurement	Risks associated with delays in procuring raw materials	· Advance measures to counter supply instability and rocketing prices for raw materials (strengthening BCP measures)
⑭ Insufficient funding	Risks associated with obstacles to funding	· Establish and monitor emergency funding as part of BCP · Monitor deposit balances for overseas subsidiaries
⑮ Effective use of human resources	Risks associated with an inability to use human resources effectively	· Respond to growing difficulty of recruiting due to changing recruitment environment
⑯ Inadequate labor management	Risks associated with a lack of adequate labor management	· Conduct anti-harassment training (including at group companies in Japan) · Raise awareness of stamping out unpaid overtime
⑰ Risk countermeasures for fraud, etc.	Risks associated with not suitably preparing for or countering fraud, etc.	· Promote measures to prevent fraud at subsidiaries (mainly overseas subsidiaries)

PART 7

Data Section

Eleven-Year Financial Summary

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Consolidated fiscal year (Million yen)											
Net sales	26,820	26,266	26,674	27,922	28,806	27,064	24,479	27,300	30,333	31,886	34,374
Operating profit	2,250	2,125	2,374	2,330	1,950	1,279	842	1,434	523	1,225	1,391
Ordinary profit	2,765	2,378	2,658	2,600	2,202	1,568	1,030	2,011	1,046	1,826	1,821
Profit before income taxes	2,765	2,378	2,658	2,600	2,278	1,568	911	2,844	1,046	2,055	1,585
Profit attributable to owners of parent	1,639	1,526	1,600	1,623	1,438	776	518	1,808	615	1,283	1,013
Comprehensive income	2,533	1,103	1,771	2,199	1,172	953	683	2,848	1,353	2,265	2,419
Capital expenditures	2,346	2,318	839	1,287	2,329	892	725	1,279	1,318	3,226	1,391
Depreciation	707	871	1,074	1,171	1,251	1,348	1,328	1,210	1,236	1,188	1,295
R&D expenses	1,087	1,031	1,157	1,270	1,416	1,420	1,360	1,359	1,246	1,321	1,599
Cash flows from operating activities	2,263	2,008	2,842	2,376	2,599	1,771	2,088	2,333	515	2,934	2,751
Cash flows from investing activities	(2,178)	(2,195)	(1,104)	(1,138)	(2,060)	(1,589)	(660)	603	(1,172)	(4,250)	(1,214)
Cash flows from financing activities	646	(5)	(1,296)	(346)	(949)	78	(1,019)	(2,937)	1,227	2,819	(1,677)
Year-end figures (Million yen)											
Total assets	24,411	24,845	25,317	27,257	28,256	28,129	27,707	29,008	32,017	37,053	38,297
Property, plant and equipment	6,679	8,083	7,863	8,027	9,231	9,034	8,518	8,304	8,610	10,140	10,414
Net assets	13,396	14,251	15,594	17,339	17,775	18,209	18,163	20,551	21,240	23,122	25,009
Cash per share (Yen)											
Earnings per share	169.52	157.83	165.54	167.77	148.85	80.91	54.09	192.76	66.19	139.01	110.47
Net assets per share	1,238.66	1,318.48	1,433.28	1,584.28	1,637.29	1,659.74	1,695.81	1,914.94	2,008.49	2,179.85	2,364.63
Dividend per share	40.00	40.00	45.00	45.00	50.00	50.00	40.00	40.00	40.00	45.00	45.00
Major indicators (%)											
Rate of return on equity (ROE)	14.8	12.3	12.0	11.1	9.3	4.9	3.3	10.7	3.4	6.6	4.8
Capital adequacy ratio	49.1	51.3	54.7	56.2	55.6	56.6	57.4	61.9	57.9	54.3	56.6
Consolidated payout ratio	23.6	25.3	27.2	26.8	33.6	61.8	74.0	20.8	60.4	32.4	40.7
Share information											
Price-earnings ratio (PER) (Times)	13.2	8.2	10.5	11.1	10.4	13.7	20.9	5.8	17.4	9.9	10.8
Highest share price (Yen)	2,268	2,500	1,849	2,345	2,026	1,557	1,271	1,282	1,279	1,516	1,444
Lowest share price (Yen)	1,444	1,288	1,045	1,560	1,331	1,102	730	1,050	1,021	1,111	1,050
Other											
Number of employees (Persons)	634	659	694	722	765	777	791	787	784	821	795

Sites, Group Companies, and Overseas Distributors

Domestic Offices & Plants

Head Office / R&D Center
5-5-3 Minatojimaminami-machi, Chuo-ku, Kobe-city, Hyogo
650-0047 Japan
TEL: +81-78-303-9010 FAX: +81-78-303-9020

Tokyo Branch
8F REVZO Toranomon, 1-8-1 Nishi-shimbashi, Minato-ku, Tokyo
105-0003 Japan
TEL: +81-3-6205-7911 FAX: +81-3-6205-7915

Osaka Branch
3-2-15 Bingo-machi, Chuo-ku, Osaka-city
541-0051 Japan
TEL: +81-6-6262-3310 FAX: +81-6-6262-3327
Customer Center (Reference about Products)
TEL: +81-6-6262-3385

Nagoya Sales Office
11F Ichigo Marunouchi Bldg., 3-17-13 Marunouchi, Naka-ku,
Nagoya-city, Aichi 460-0002 Japan
TEL: +81-52-950-5115 FAX: +81-52-950-5040

Chiba Plant
12-3 Goi Minami-kaigan, Ichihara-city, Chiba 290-0045 Japan
TEL: +81-436-22-2181 FAX: +81-436-21-8629

Akoh Plant
641 Tenwa, Akoh-city, Hyogo 678-0256 Japan
TEL: +81-791-42-2100 FAX: +81-791-43-3179

Group Companies (Domestic / International)

Japan
- MATSUKEN CO., LTD.
- MORESCO TECHNO Co., Ltd.
- Ethylene Chemical CO., LTD.

China
- TIANJIN MORESCO TECHNOLOGY CO., LTD.
- MORESCO (ZHEJIANG) FUNCTIONAL MATERIAL CO., LTD.
- MORESCO TRADING (ZHEJIANG) CO., LTD.
- MORESCO (HAINING) NEW INTERFACE MATERIAL CO., LTD.

Asia
Southeast Asia
- MORESCO (THAILAND) CO., LTD.
- PT. MORESCO INDONESIA
- PT. MORESCO MACRO ADHESIVE

South Asia
- MORESCO HM&LUB INDIA PRIVATE LIMITED

U.S.A.
- MORESCO USA Inc.
- CROSS TECHNOLOGIES N.A. INC.
- MORESCO LUB MEXICANA S.A. DE C.V.

Overseas Distributors

Global Sales Partners
- HAI LU JYA HE CO., LTD.

Taiwan
- Macesemic Company Ltd.
- TOJIN CORPORATION
- HSU TSIEN INDUSTRIAL CO., LTD.
- E. ZOON CO., LTD.

Korea
- KUK DONG OIL & CHEMICAL CO., LTD.
- KOREA VACUUM TECH., LTD.
- KOREA DONG JI TRADING CO., LTD.

Malaysia
- HANANO (MALAYSIA) SDN. BHD. [HMS]
- YL CREATE TECH SDN. BHD.

Philippines
- ALLEN SPECIALTY PRODUCTS CO.
- HANANO PHILIPPINES CORPORATION [HPC]

Vietnam
- LIKAN-VINA CO., LTD.

India
- TRIGON TS LLP

Mexico
- ASER DEL BAJIO.

Australia
- Interchem Pty Ltd

Turkey
- Sera Makina

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	795 (consolidated) 372 (non-consolidated)

Head Office and Business Offices

Head Office & R&D Center	5-5-3 Minatojimaminami-machi, Chuo-ku, Kobe-city, Hyogo 650-0047 Japan TEL: +81-78-303-9010
Branch	Tokyo Branch, Osaka Branch
Sales Office	Nagoya Sales Office
Plants	Chiba Plant, Akoh Plant

Directors (As of May 29, 2025)

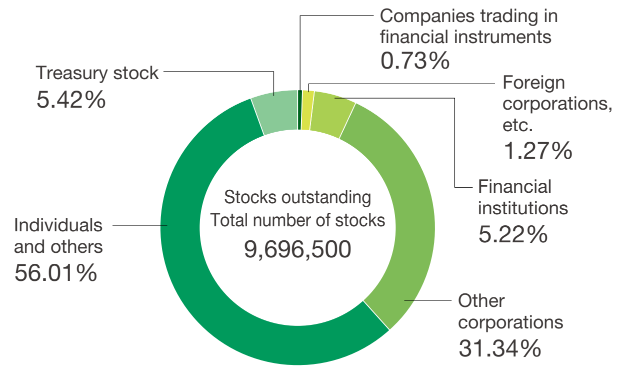
CEO, Representative Director, President	**Motohisa Morozumi**
COO, Director, Senior Managing Executive Officer	**Nobuhiro Sewaki**
CFO, Director, Managing Executive Officer	**Hirofumi Fujimoto**
Director, Executive Officer, Global Operations	**Jiro Hosomi**
CTO, Director, Executive Officer	**Katsuhito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

Stock Information

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



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.