Annual Securities Report

Fiscal year	From March 1, 2025
(The 68th)	to February 28, 2026

MORESCO Corporation

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[Fiscal Year]	The 68th Term (from March 1, 2025 to February 28, 2026)
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[Place Where Available for Public Inspection]	MORESCO Corporation Tokyo Branch (1-8-1 Nishi-shimbashi, Minato-ku, Tokyo) MORESCO Corporation Osaka Branch (3-2-15 Bingo-machi, Chuo-ku, Osaka City) Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabuto-cho, Chuo-ku, Tokyo)

Part I. Company Information

I. Company Overview

1. Key Financial Data and Trends

(1) Consolidated Management Indicators

Fiscal year		64th	65th	66th	67th	68th
Year end		February 2022	February 2023	February 2024	February 2025	February 2026
Net sales	(Millions of yen)	27,300	30,333	31,886	34,374	34,871
Ordinary profit	(Millions of yen)	2,011	1,046	1,826	1,821	2,704
Profit attributable to owners of parent	(Millions of yen)	1,808	615	1,283	1,013	1,525
Comprehensive income	(Millions of yen)	2,848	1,353	2,265	2,419	2,463
Net assets	(Millions of yen)	20,551	21,240	23,122	25,009	26,883
Total assets	(Millions of yen)	29,008	32,017	37,053	38,297	40,683
Net assets per share	(Yen)	1,914.94	2,008.49	2,179.85	2,364.63	2,558.24
Earnings per share	(Yen)	192.76	66.19	139.01	110.47	166.23
Diluted earnings per share	(Yen)	—	—	—	—	—
Capital adequacy ratio	(%)	61.9	57.9	54.3	56.6	57.7
Rate of return on equity	(%)	10.7	3.4	6.6	4.8	6.8
Price-earnings ratio	(Times)	5.8	17.4	9.9	10.8	13.1
Cash flows from operating activities	(Millions of yen)	2,333	515	2,934	2,751	2,982
Cash flows from investing activities	(Millions of yen)	603	(1,172)	(4,250)	(1,214)	(729)
Cash flows from financing activities	(Millions of yen)	(2,937)	1,227	2,819	(1,677)	(1,027)
Cash and cash equivalents at the end of period	(Millions of yen)	3,654	4,186	5,566	5,508	6,914
Number of employees	(Persons)	787	784	821	795	797

(Notes) 1. Diluted earnings per share are not stated as there are no dilutive shares.

2. Starting from the beginning of the 65th term, the Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. Therefore, the major management indicators of the 65th term and thereafter are the figures after the said accounting standard has been applied.

(2) Non-consolidated Management Indicators

Fiscal year		64th	65th	66th	67th	68th
Year end		February 2022	February 2023	February 2024	February 2025	February 2026
Net sales	(Millions of yen)	16,288	17,162	17,575	18,918	18,930
Ordinary profit	(Millions of yen)	1,284	1,004	980	1,135	2,034
Profit (loss)	(Millions of yen)	1,650	856	541	745	1,214
Capital stock	(Millions of yen)	2,118	2,118	2,118	2,118	2,118
Total number of issued shares	(Thousands of shares)	9,697	9,697	9,697	9,697	9,697
Net assets	(Millions of yen)	12,138	12,474	12,694	12,959	13,887
Total assets	(Millions of yen)	17,955	20,200	23,067	22,796	24,037
Net assets per share	(Yen)	1,294.05	1,351.83	1,374.85	1,413.09	1,513.26
Dividend per share (Interim dividend per share)	(Yen)	40.00 (20.00)	40.00 (20.00)	45.00 (20.00)	45.00 (20.00)	55.00 (20.00)
Earnings (loss) per share	(Yen)	175.92	92.15	58.63	81.22	132.31
Diluted earnings per share	(Yen)	—	—	—	—	—
Capital adequacy ratio	(%)	67.6	61.8	55.0	56.8	57.8
Rate of return on equity	(%)	14.3	7.0	4.3	5.8	9.0
Price-earnings ratio	(Times)	6.3	12.5	23.5	14.7	16.5
Payout ratio	(%)	22.7	43.4	76.8	55.4	41.6
Number of employees	(Persons)	384	381	387	372	374
Total shareholder return (Comparison: Dividend-included TOPIX)	(%) (%)	80.3 (125.9)	85.2 (136.6)	103.0 (188.0)	126.9 (200.2)	212.8 (238.4)
Highest share price	(Yen)	1,282	1,279	1,516	1,444	2,223
Lowest share price	(Yen)	1,050	1,021	1,111	1,050	1,045

(Notes) 1. Diluted earnings per share are not stated as there are no dilutive shares.
2. Highest and lowest share prices are those on the Tokyo Stock Exchange (First Section) on and before April 3, 2022, those on the Tokyo Stock Exchange (Prime Market) from April 4, 2022, and those on the Tokyo Stock Exchange (Standard Market) from October 20, 2023.
3. Starting from the beginning of the 65th term, the Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. Therefore, the major management indicators of the 65th term and thereafter are the figures after the said accounting standard has been applied.
4. Dividend per share for the 66th term includes a commemorative dividend (the 65th anniversary of the Company) of 5 yen.
5. Of the 55 yen dividend per share for the 68th term, the year-end dividend of 35 yen is subject to a resolution at the Ordinary General Meeting of Shareholders scheduled to be held on May 27, 2026.

2. Corporate History

Date	Event
November 1955	Research laboratory (origin of the Company) established in the Shinkawa Plant of Matsumura Oil Co., Ltd.
October 1958	The research laboratory separated from Matsumura Oil Co., Ltd. to establish the Company.
December 1959	Head Office and Nishinomiya Plant constructed in Nishinomiya City, Hyogo, to develop and manufacture special lubricants, such as high vacuum pump oil, and synthetic lubricants
March 1962	Developed water glycol fire-resistant hydraulic fluid HYDOL H-200 and 300
December 1965	Chiba Plant built in Ichihara City, Chiba, to start mass production of liquid paraffin and petroleum sulfonates
March 1971	Tokyo Sales Office opened in Chuo-ku, Tokyo
March 1973	MATSUKEN CO., LTD. (currently consolidated subsidiary) established
November 1980	Nagoya Sales Office opened in Higashi-ku, Nagoya City
September 1986	Akoh Plant built in Akoh City, Hyogo, to start mass production of hot melt adhesives
November 1990	Akoh Plant second construction: lubricating oil production line completed
March 1992	MORESCO TECHNO Co., Ltd. (now consolidated subsidiary) established
March 1994	MORESCO SERVICE Co., Ltd. established
June 1995	MORESCO (THAILAND) CO., LTD. (now consolidated subsidiary) established in Chonburi, Thailand
September 1998	Acquired ISO 9001 international quality standard certification
January 2001	Head Office / R&D Center relocated to Chuo-ku, Kobe
March 2001	Akoh Plant third construction: lubricant distillation equipment and other facilities transferred from Nishinomiya Plant (Nishinomiya plant site was sold due to expropriation)
March 2001	Wuxi MoreTex Technology Co., Ltd. (now consolidated subsidiary) established in Wuxi City, China, as a joint venture with a Taiwanese firm
November 2001	MORESCO Hommachi Bldg. built in Chuo-ku, Osaka, to which Osaka Branch relocated
February 2003	MORESCO (THAILAND) CO., LTD. (now consolidated subsidiary) established in Chonburi, Thailand
November 2003	Stock registered with the Japan Securities Dealers Association
December 2004	Cancelled over-the-counter registration with the Japan Securities Dealers Association, and listed on JASDAQ market
September 2005	Nagoya Sales Office relocated to Naka-ku, Nagoya City
February 2006	Acquired ISO 14001 international environmental standard certification
May 2006	MORESCO USA Inc. (now consolidated subsidiary) established in Michigan, USA
July 2008	Listed on the Tokyo Stock Exchange Second Section
May 2009	WUXI MORESCO TRADING CO., LTD. established in Wuxi City, China
August 2009	Acquired business related to manufacturing and sales of die casting lubricants from HANANO Corporation
September 2009	Changed company name from Matsumura Oil Research Corp. to MORESCO Corporation
September 2009	Succeeded the lubricant business of MATSUKEN CO., LTD. (now consolidated subsidiary) through an absorption-type company split
February 2010	Made MORESCO HANANO DIE-CASTING COATING (SHANGHAI）CO., LTD. (now consolidated subsidiary) in Shanghai, China, a consolidated subsidiary
March 2010	Made Ethylene Chemical CO., LTD. (now consolidated subsidiary) an equity method affiliate
February 2011	Listed on the Tokyo Stock Exchange First Section
June 2011	PT. MORESCO INDONESIA (now consolidated subsidiary) established in Karawang, Indonesia
September 2011	Made Ethylene Chemical CO., LTD. (now consolidated subsidiary) a consolidated subsidiary from an equity method affiliate
January 2012	PT. MORESCO MACRO ADHESIVE (now consolidated subsidiary) established in Jakarta, Indonesia
August 2013	Acquired business related to manufacturing and sales of die casting fluids and lubricants for hot forging from NICCA Chemical Co., Ltd.
March 2014	TIANJIN MORESCO TECHNOLOGY CO., LTD. (now consolidated subsidiary) established in Tianjin, China
August 2015	Tokyo Branch relocated to Minato-ku, Tokyo
October 2015	Second R&D building constructed at the Head Office / R&D Center site
November 2015	Changed the Japanese company name of WUXI MORESCO TRADING CO., LTD.
February 2017	MORESCO HM&LUB INDIA PRIVATE LIMITED (now consolidated subsidiary) established in Ahmedabad, Gujarat, India

Date	Event
September 2017	Absorbed MORESCO SERVICE Co., Ltd., a consolidated subsidiary
November 2017	Nagoya Sales Office relocated to Naka-ku, Nagoya City
May 2020	Became a company with an audit and supervisory committee
April 2021	Sold MORESCO Hommachi Bldg.
May 2021	Tokyo Branch relocated to Minato-ku, Tokyo
March 2022	MORESCO (ZHEJIANG) FUNCTION MATERIAL CO., LTD. (now consolidated subsidiary) established in Haining, China
April 2022	Listed on the Tokyo Stock Exchange Prime Market
November 2022	MORESCO TRADING (ZHEJIANG) CO., LTD. (now consolidated subsidiary) established in Haining, China
September 2023	Acquired all of the equity of Wuxi MoreTex Technology Co., Ltd., an equity method affiliate, and made it a consolidated subsidiary
October 2023	Moved to the Tokyo Stock Exchange Standard Market
October 2023	Acquired all businesses of CROSS TECHNOLOGIES GROUP, INC. and established CROSS TECHNOLOGIES N.A. INC. in Michigan, USA
December 2024	MORESCO TRADING (ZHEJIANG) CO., LTD. (currently a consolidated subsidiary) absorbed and merged WUXI MORESCO TRADING CO., LTD., which was a consolidated subsidiary
January 2025	MORESCO USA Inc., a consolidated subsidiary, established MORESCO LUBE MEXICANA S.A. DE C.V. (currently a consolidated subsidiary) as a subsidiary in Aguascalientes, Mexico
February 2025	MORESCO (ZHEJIANG) FUNCTIONAL MATERIAL CO., LTD. (currently a consolidated subsidiary) absorbed and merged Wuxi More Tex Technology Co., Ltd., which was a consolidated subsidiary
April 2025	MORESCO (ZHEJIANG) FUNCTIONAL MATERIAL CO., LTD., a consolidated subsidiary, established MORESCO (HAINING) NEW INTERFACE MATERIAL CO., LTD. as a subsidiary in Haining, China
January 2026	MORESCO USA Inc. (currently a consolidated subsidiary) absorbed and merged with CROSS TECHNOLOGIES N.A. INC., which was a consolidated subsidiary

3. Business Line

The MORESCO Group consists of the Company (MORESCO Corporation), 16 subsidiaries, and an equity method affiliate. The main business is manufacture and sales of chemical products (special lubricants, synthetic lubricants, liquid paraffin & sulfonates, hot melt adhesives, energy device materials), and the major products are as follows:

[Special Lubricants]

High vacuum pump oil, fire-resistant hydraulic fluid, die casting fluids, lubricant for hot forging, cutting fluids, brake fluids and antifreeze for automobiles, heat transfer medium, lubricants for polyurethane and composites industries

[Synthetic Lubricants]

High temperature lubricating oil, hard disk surface lubricant, radiation resistant lubricating oil

[Liquid Paraffin & Sulfonates]

Liquid paraffin, sulfonate

[Hot melt adhesives]

Hot melt adhesives

[Energy device materials]

Organic EL sealant, gas & water vapor transmittance measurement device

The Group consists of four reportable segments organized by region, based on manufacturing and sales structures: Japan, China, Southeast/South Asia, and North America.

In Japan, the Company is engaged in manufacture and sales of major products. Ethylene Chemical CO., LTD. is engaged in manufacture and sales of brake fluids and antifreeze for automobiles.

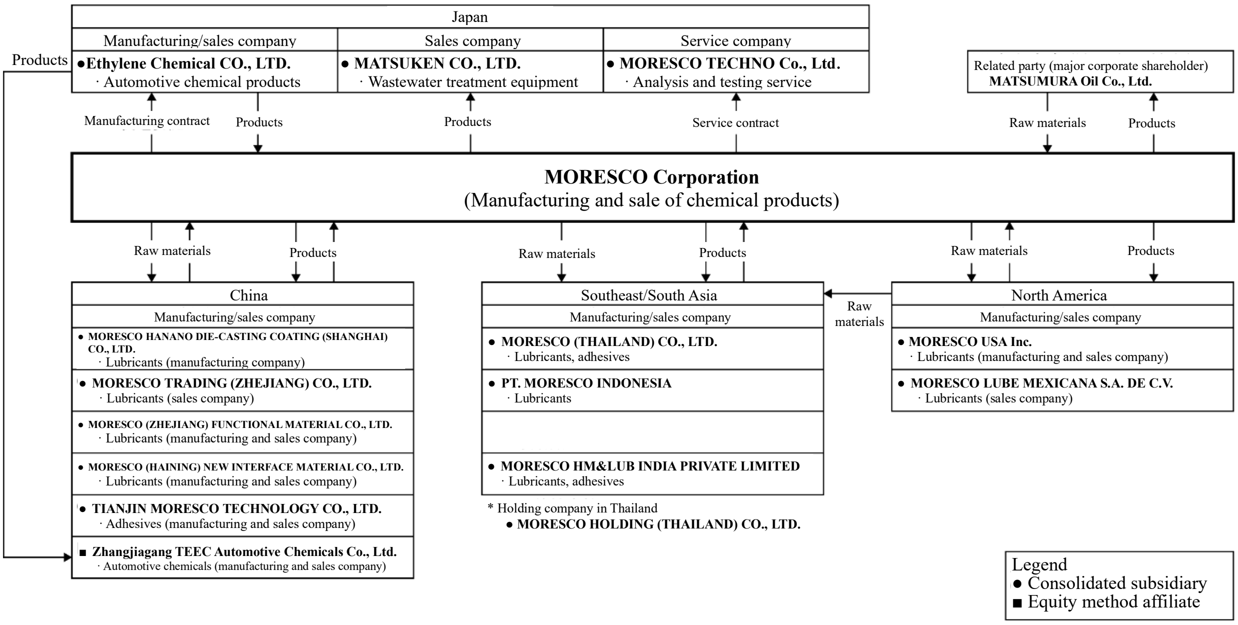
In China, MORESCO HANANO DIE-CASTING COATING (SHANGHAI) CO., LTD., MORESCO (ZHEJIANG) FUNCTIONAL MATERIAL CO., LTD., and MORESCO (HAINING) NEW INTERFACE MATERIAL CO., LTD. manufacture special lubricants, and MORESCO TRADING (ZHEJIANG) CO., LTD., MORESCO (ZHEJIANG) FUNCTIONAL MATERIAL CO., LTD., and MORESCO (HAINING) NEW INTERFACE MATERIAL CO., LTD. sell them. TIANJIN MORESCO TECHNOLOGY CO., LTD. manufactures and sells hot melt adhesives.

In Southeast/South Asia, MORESCO (THAILAND) CO., LTD. manufactures and sells special lubricants and imports and sells hot melt adhesives. In Indonesia, PT. MORESCO INDONESIA manufactures and sells special lubricants, and PT. MORESCO MACRO ADHESIVE manufactures and sells hot melt adhesives. In India, MORESCO HM&LUB INDIA PRIVATE LIMITED manufactures and sells special lubricants and hot melt adhesives.

In North America, MORESCO USA Inc. manufactures and sells special lubricants in the United States, and MORESCO LUBE MEXICANA S.A. DE C.V. sells special lubricants in Mexico.

[Business organization diagram]

The business organization diagram below shows the Group's businesses described above.



4. Information on Subsidiaries and Affiliates

Name	Address	Capital stock	Main business	Ownership of voting rights (%)	Relationship
(Consolidated subsidiaries) MATSUKEN CO., LTD.	Chuo-ku, Osaka	20 million yen	Sales and export of wastewater treatment equipment and agents	100.0	Selling the wastewater treatment agents manufactured by the Company. Concurrent officers Officers of the Company: 2 Employees of the Company: 1 Renting the office.
MORESCO TECHNO Co., Ltd.	Chuo-ku, Kobe	10 million yen	Analysis and testing	100.0	Conducting lubricant control (testing and analysis) of fluids manufactured and sold by the Company Concurrent officers Officers of the Company: 2 Employees of the Company: 1 Renting a part of the office and analytical equipment
Ethylene Chemical CO., LTD.	Ichihara, Chiba	90 million yen	Manufacture, sales, and export of heat transfer media and automotive chemical products	60.9	Producing the Company’s heat transfer media and lubricants for hot forging Concurrent officers None
MORESCO HANANO DIE-CASTING COATING (SHANGHAI) CO., LTD. (Note 3)	China Shanghai	1 million USD	Manufacture of die casting fluids	100.0	Engaging in licensed production of the Company’s die casting fluids Concurrent officers Employees of the Company: 2
TIANJIN MORESCO TECHNOLOGY CO., LTD. (Note 2)	China Tianjin	10 million USD	Manufacture, sales, and import/export of hot melt adhesives	100.0	Engaging in licensed production and sales of the Company’s hot melt adhesives Concurrent officers Officers of the Company: 1 Employees of the Company: 4
MORESCO (ZHEJIANG) FUNCTION MATERIAL CO., LTD. (Notes 2, 4)	China Haining	12 million USD	Development, manufacture, sales, and import/export of lubricants and sealants	100.0	Engaging in licensed production and sales of lubricants of the Company Concurrent officers Officers of the Company: 1 Employees of the Company: 3
MORESCO TRADING (ZHEJIANG) CO., LTD. (Note 2)	China Haining	17 million CNY	Sales and import/export of lubricants and sealants, and import/export of materials for the products	100.0	Engaging in sales of the Company’s lubricants under license by MORESCO HANANO DIE-CASTING COATING (SHANGHAI) CO., LTD. and MORESCO (ZHEJIANG) FUNCTION MATERIAL CO., LTD. Concurrent officers Officers of the Company: 1 Employees of the Company: 2
MORESCO (HAINING) NEW INTERFACE MATERIAL CO., LTD. (Note 4)	China Haining	1 million CNY	Development, manufacture, sales, and import/export of lubricants	100.0 (Note 1)	Engaging in sales of the Company’s lubricants under license by MORESCO HANANO DIE-CASTING COATING (SHANGHAI) CO., LTD. and MORESCO (ZHEJIANG) FUNCTION MATERIAL CO., LTD. Concurrent officers Officers of the Company: 1 Employees of the Company: 3
MORESCO (THAILAND) CO., LTD.	Thailand Chonburi	18 million Thai baht	Manufacture, sales, and import/export of lubricants, and import and sales of hot melt adhesives	99.2 (51.2) (Note 1)	Engaging in licensed production and sales of the Company’s lubricants Concurrent officers Officers of the Company: 1 Employees of the Company: 2
MORESCO HOLDING (THAILAND) CO., LTD.	Thailand Chonburi	2 million Thai baht	Investment	90.6 (9.2) (Note 1)	Holding company in Thailand Concurrent officers Officers of the Company: 2 Employees of the Company: 1
PT. MORESCO INDONESIA (Note 2)	Indonesia Karawang	4 million USD	Manufacture, sales, and import/export of lubricants	51.0	Engaging in licensed production and sales of the Company’s lubricants Concurrent officers Officers of the Company: 2
PT. MORESCO MACRO ADHESIVE (Note 2)	Indonesia Jakarta	3 million USD	Manufacture, sales, and import/export of hot melt adhesives	51.0	Engaging in licensed production and sales of the Company’s hot melt adhesives Concurrent officers Officers of the Company: 1 Employees of the Company: 1

MORESCO HM&LUB INDIA PRIVATE LIMITED (Note 2)	India Ahmedabad, Gujarat	800 million Indian rupee	Manufacture, sales, and import/export of hot melt adhesives and lubricants	100.0 (7.5) (Note 1)	Engaging in licensed production and sales of the Company's lubricants and hot melt adhesives Concurrent officers Officers of the Company: 1 Employees of the Company: 2
MORESCO USA Inc. (Note 5)	United States Westland, Michigan	10 USD	Manufacture, sales, and import/export of lubricants	100.0	Engaging in licensed production and sales of the Company's lubricants Concurrent officers Officers of the Company: 1 Employees of the Company: 1
MORESCO LUBE MEXICANA S.A. DE C.V.	Mexico Aguascalientes, Aguascalientes	10 million Mexican peso	Import and sales of lubricants, etc.	100.0 (75.0) (Note 1)	Engaging in sales of the Company's lubricants under license by MORESCO USA Inc. Concurrent officers Officers of the Company: 1 Employees of the Company: 1
(Equity method affiliates) Zhangjiagang TEEC Automotive Chemicals Co., Ltd.	China Zhangjiagang, Jiangsu Province	30 million USD	Manufacture and sales of automotive chemical products	25.0 (25.0) (Note 1)	—

(Notes) 1. Figures in brackets represent the percentage of indirect ownership included in the ownership ratio.
2. Indicates companies classified as specified subsidiaries.
3. On February 5, 2026, the Company acquired all of the equity interests in MORESCO HANANO DIE-CASTING COATING (SHANGHAI) CO., LTD., making it the Company's wholly owned subsidiary. Upon completion of the tax liquidation procedures, the company is scheduled to be absorbed by MORESCO (ZHEJIANG) FUNCTIONAL MATERIAL CO., LTD.
4. On April 22, 2025, MORESCO (ZHEJIANG) FUNCTIONAL MATERIAL CO., LTD., a subsidiary of the Company, established MORESCO (HAINING) NEW INTERFACE MATERIAL CO., LTD. as its subsidiary.
5. CROSS TECHNOLOGIES N.A. INC. was absorbed by MORESCO USA Inc. on January 1, 2026 and has therefore been removed from the list of important subsidiaries.

5. Employees

(1) Consolidated companies

As of February 28, 2026

Segment	Number of employees (persons)
Japan	453
China	111
Southeast/South Asia	198
North America	35
Total	797

(Notes) 1. The number of employees represents the number of full-time employees.

(2) Information on the reporting company

As of February 28, 2026

Number of employees (persons)	Average age (years old)	Average length of service (years)	Average annual salary (yen)
374	44.7	15.0	7,106,424

(Notes) 1. The number of employees represents the number of full-time employees.
2. Average annual salary includes bonuses and non-standard wages.
3. All of the above employees belong to the Japan segment.

(3) Labor unions

The MORESCO Group's labor unions in Japan are MORESCO Labor Union and MATSUKEN Labor Union. Employees of MORESCO Corporation (including those seconded to subsidiaries or affiliates) belong to MORESCO Labor Union, and employees of MATSUKEN CO., LTD. belong to MATSUKEN Labor Union. MORESCO Labor Union has branches at all business locations, and the union's headquarters is located at the Head Office of the Company. As of February 28, 2026, MORESCO Labor Union had 251 members and MATSUKEN Labor Union had 17 members. None of the MORESCO Group's labor unions are members of any superior body. Some of the overseas consolidated companies have labor unions. The labor-management relationship is stable and there are no special matters to be noted.

(4) Percentage of female workers in management positions, percentage of male workers taking childcare leave, and differences in wages between male and female workers

(i) Reporting company

Fiscal year under review				
Percentage of female workers in management positions (%) (Note 1)	Percentage of male workers taking childcare leave (%) (Note 2)	Differences in wages between male and female workers (%) (Note 1)		
		All workers	Regular employees	Part-time/ fixed-term workers
9.5	114.3	79.4	83.0	70.1

(Notes) 1. Calculated in accordance with the provisions of the Act on Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015)

2. Based on the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991), the rate of childcare leave, etc. taken was calculated in accordance with Article 71-6, Item 1 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991).

(ii) Reporting company and its consolidated subsidiaries

Fiscal year under review				
Percentage of female workers in management positions (%) (Note 1,3)	Percentage of male workers taking childcare leave (%) (Note 2,4)	Differences in wages between male and female workers (%) (Note 5)		
		All workers	Regular employees	Part-time/fixed-term workers
19.0	100.0	—	—	—

(Notes) 1. Calculated in accordance with the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015)

2. Based on the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991), the rate of childcare leave, etc. taken was calculated in accordance with Article 71-6, Item 1 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991).

3. Calculated for the reporting company and its consolidated subsidiaries both in Japan and overseas

4. Calculated only for the reporting company and its consolidated subsidiaries in Japan

5. Differences in wages between male and female workers are calculated in accordance with the provisions of the Act on Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015) and the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991) only for the subject reporting company. Therefore, the figures are omitted and presented with "-".

II. Business Overview

1. Management Policy, Business Environment, Issues to Be Addressed, etc.

Matters discussed in relation to the future reflect the judgment of the MORESCO Group as of the end of the consolidated fiscal year under review.

(1) Management policy

Under the management philosophy of "R&D for users," the MORESCO Group has contributed to our society by satisfying customer needs in the field of interface science (friction, abrasion, etc. that occurs at contact points between things). The current Medium-Term Management Plan (FY2024 to FY2026) upholds the five Medium-Term Corporate Policies below:

1) Promotion of sustainability management
2) Enhancement of our product portfolio
3) Creation of next-generation businesses
4) Innovation of business processes
5) Improvement of the return on capital

(2) Business environment, management strategy, and priority business and financial issues to be addressed

In the environment surrounding the MORESCO Group, while gradual economic growth is expected to continue in Japan, driven by increased IT investment and government measures to strengthen growth investments, there are concerns about the impact of continued serious labor shortages, increasing interest rates, and sharp fluctuations in exchange rates and crude oil prices. Overseas, while factors such as global monetary easing, financial expansion in major economies, and aggressive investment in AI are expected to have a positive impact on the global economy, the economic outlook has become increasingly uncertain due to the prolonged uncertainty surrounding the U.S. government's new tariff measures, the slowdown in the Chinese economy, and new geopolitical risks in the Middle East and South America.

Furthermore, to achieve sustainable growth, it is necessary to implement management strategies that address social issues such as growing awareness of environmental problems and labor shortages due to the declining birthrate and aging population.

In this business environment, we have been implementing the 10th Medium-Term Management Plan, covering the three-year period from FY2024 to FY2026 with the theme of achieving both "realization of a sustainable society" and "increasing the added value of the business."

At present, there are concerns about the negative impact of deteriorating Japan-China relations on the Japanese economy, as well as the situation in the Middle East. While closely monitoring the impact of this move,the MORESCO Group will strive to increase corporate value under the five basic policies stated in the Medium-Term Management Plan: 1) Promotion of sustainability management, 2) Enhancement of our product portfolio, 3) Creation of next-generation businesses, 4) Innovation of business processes, and 5) Improvement of the return on capital.

■ Regarding the progress of the 10th Medium-Term Management Plan

1) Promotion of sustainability management and 2) Enhancement of our product portfolio

In the Special Lubricants Division, established through integration in May 2024, has consolidated the functions of the former Divisions and is promoting the expansion of the MORESCO Green SX product* lineup and its global rollout, as well as the commercialization of PFAS-free lubricants for semiconductor applications. We are also working on the development of radiation-resistant lubricants for fusion energy facilities. In promoting the circular economy, the use of waste oil and recycled oil is expanding, and the development of material recycling systems is progressing steadily. We will continue to promote these efforts.

* MORESCO certifies products that may significantly contribute to the seven issues of materiality, based on evaluation of the entire product cycle, from procurement of raw materials to disposal, as MORESCO Green SX (MGS) products. The target is for MGS products to account for 40% of sales in FY2026.

3) Creation of next-generation businesses

In the life sciences segment, we are steadily advancing efforts to commercialize nanoemulsion technology and develop autophagy activating drugs. In the Energy Device Materials business, we are focusing on enhancing the performance of sealants for perovskite solar cells. We will accelerate these efforts.

To support the creation of new businesses, we are currently constructing a new research center and aim to begin operations by early 2027.

4) Innovation of business processes

By utilizing machine learning, we can now conduct formulation studies for the development and improvement of products quickly and efficiently. We are also working to improve experimental efficiency by automating development processes through laboratory automation. Through these activities, we will continue to strive toward the realization of "MORESCO Informatics."

The Liquid Paraffin & Sulfonates Division has introduced a new chemical treatment method (single-substance treatment method) and is establishing a production system capable of flexibly responding to future supply and demand conditions.

5) Improvement of the return on capital

In the hot melt adhesive business, which is facing a difficult profit situation due to factors such as soaring raw material prices, we will work to improve profitability through the development and sales of high-value-added products, a shift in our product portfolio, and a review of our global production system.

Additionally, as a company-wide initiative, we are creating ROIC trees for each business and implementing target management using ROIC indicators. These efforts are expected to lead to improvement of the return on capital.

■ Overseas strategies of the 10th Medium-Term Management Plan

For overseas group companies, we are strengthening our R&D structure, primarily in Thailand and China, to advance product development tailored to regional characteristics. Additionally, we implemented corporate acquisitions to strengthen our North America operations. Through these activities, we will expand our business in overseas markets, centered on Southeast/South Asia, North America, and China.

(3) Objective indicators for determining achievement status of management goals

In FY2026, the final year of the 10th Medium-Term Management Plan (FY2024 to FY2026), under the above management policies and strategies, the targets have been set as follows.

	FY2023 (Result)	FY2024 (Result)	FY2025 (Result)	FY2026 (Plan)
Net sales (millions of yen)	31,886	34,374	34,871	37,000
Operating profit (millions of yen)	1,225	1,391	2,367	2,400
Ordinary profit (millions of yen)	1,826	1,821	2,704	2,700
Profit attributable to owners of parent (millions of yen)	1,283	1,013	1,525	1,550
Ordinary profit margin (%)	5.7%	5.3%	7.8%	7.3%

2. Sustainability Approaches and Initiatives

Matters discussed in relation to the future reflect the judgment of the MORESCO Group as of the end of the consolidated fiscal year under review.

Basic policy on sustainability management

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. In March 2022, the MORESCO Group established the MORESCO Group Sustainability Policy as the core policy for its sustainability management.

MORESCO Group Sustainability Policy

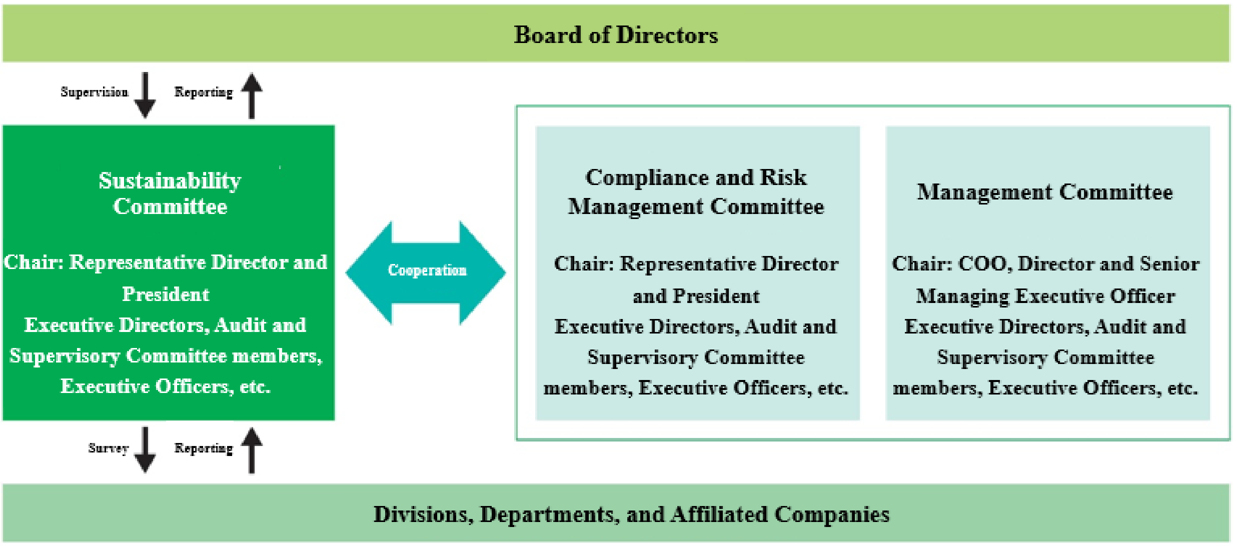
The MORESCO Group, as a specialist in the interface science stated in its management philosophy, will actively promote sustainability activities to further contribute to solving social and environmental issues. We strive to raise the trust of stakeholders by balancing the "realization of a sustainable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

Date		Actions
2021	November	Identification of issues of materiality related to sustainability
2022	March	Establishment of the Sustainability Committee, establishment of the Corporate Sustainability Department, formulation of the MORESCO Group Sustainability Policy
2022	November	Endorsement of the TCFD recommendations and disclosure of climate-related financial information based on the recommendations
2023	May	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
2023	September	Commencement of selecting the MORESCO Green SX (MGS) products, which contribute significantly to the realization of issues of materiality
2024	February	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 FY2022 was 28.9%).
2025	March	Establishment of the Sustainability Management Department, commencement of initiatives based on revised issues of materiality

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 both the "realization of a sustainable society" and "improvement of corporate value in the medium to long term." In addition, we established 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 Committee meets at least once a half to discuss a wide range of issues related to sustainability and reflect them in business strategies and policies in a timely manner.

In FY2025, for the purpose of further enhancing our sustainability management, we established a new Sustainability Management Department, under which we placed the CN Office and the Sustainability Office. This allows our initiatives based on company-wide policies to be implemented at the plant and worksite levels, including subsidiaries both in Japan and overseas, thereby strengthening the management structure of the entire organization. Furthermore, we are working to ensure that sustainability policies are embedded throughout the Group, including business divisions and manufacturing sites, with the aim of making the initiatives more effective.



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. 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.

In FY2024, in light of changes in the business environment and social demands, the issues of materiality were reviewed and revised in line with the 10th Medium-Term Management Plan. For this revision, we adopted the concept of dynamic materiality, recognizing that the materiality of sustainability issues fluctuates over time and with changes in the external environment, and reevaluated the priorities of materiality initiatives in light of their financial impact and their importance as social issues. This will enable us to make further efforts and contributions toward achieving our sustainability goals.

The major changes to materiality are as follows:

- Response to biodiversity and natural capital

  We have adopted a policy of placing greater emphasis on issues related to biodiversity and natural capital and addressing them from both risk and opportunity perspectives.
- Promotion of diversity in human capital

  We have expanded the concept of diversity and incorporated items that were previously included in our internal environment improvement policies as key issues for human resource development. In particular, we have positioned cognitive diversity, in addition to gender, as an element of corporate competitiveness and value creation.
- Strengthening response to geopolitical risks

  In light of changes in the business environment, we will strengthen vigilance against geopolitical risks and proceed with reviewing our risk management system.

Sustainability issues of high financial importance

Of the MORESCO Group's seven issues of materiality, those that are expected to have a significant and immediate financial impact are as follows: "Develop and sell innovative products and services," "Reduce environmental risks", "Create new value and improve productivity through technological innovation," "Strengthen human capital by developing and promoting diverse human resources," and "Build a better workplace that is physically and mentally fulfilling and emphasizes human rights." The Sustainability Committee has summarized the "strategies" for addressing these issues and the "metrics and targets" that we aim to achieve as follows.

(1) Addressing climate change

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.

(i) Governance

Please refer to "System to promote sustainability management and governance" in this Report.

(ii) Risk management

Please refer to "Risk management system" in this Report.

(iii) 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-change-related risks and opportunities MORESCO faces (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.

The issues we recognize as major risks and opportunities are as follows:

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 need 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

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-CO2 in 2030 as assumed by the IEA's NZE2050 Scenario, the carbon price in yen is expected to be 21,000 yen/t-CO2 when converted at the average dollar-yen exchange rate for FY2025 (1 dollar = 150 yen). If the CO2 emissions of our domestic Group companies in 2030 remain unchanged from FY2025, the carbon tax burden for that year is expected to be 110 million yen (0.5% of sales in FY2025).

In the Physical Risk Scenario, disruption of main plant operations and logistics networks due to storm surges caused by large typhoons (acute risk) or sea level rise due to temperature rise (chronic risk) is expected to have a large financial impact. 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.

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

The MORESCO 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

(i) 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 CO2 emissions for FY2030 are expected to fall below the target of 5,960 tons.

(ii) Selection of MORESCO Green SX products

Please refer to "MORESCO Green SX" in this Report.

(iii) 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 the MOLGADC Project, a next-generation business creation plan.

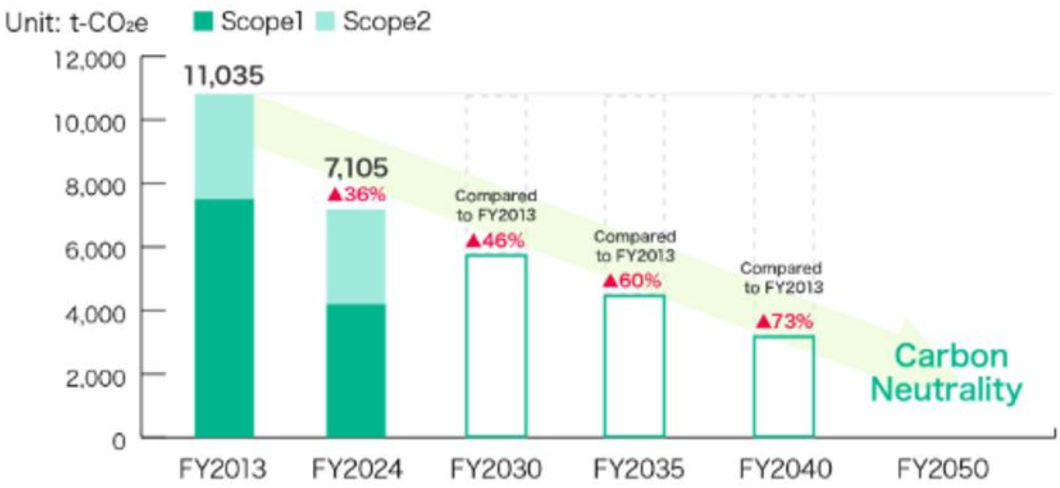
Measures to address the Physical Risk Scenario

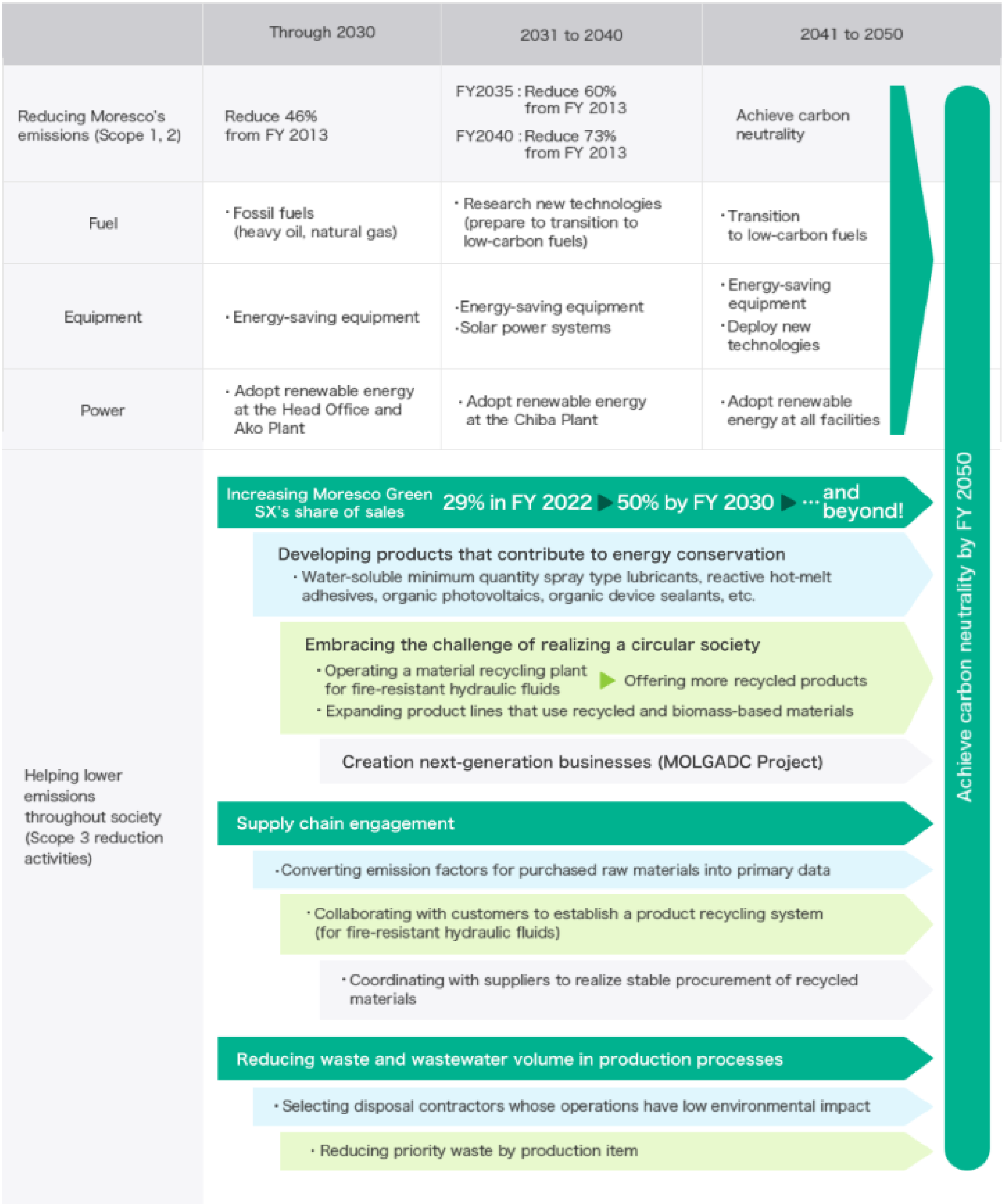
As a countermeasure against natural disasters, we have already prepared a BCP for the Akoh Plant based on the assumption that a Nankai Trough earthquake could trigger a tsunami of up to 3 meters. We believe a similar scale of damage and countermeasures will be necessary for storm surges and increasing 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.

(iv) Metrics and targets

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, Against the target of a 46% reduction in emissions by FY2030 compared to FY2013 levels, we achieved a 53% reduction in FY2025. Going forward, by accelerating efforts to further reduce emissions toward the target of a 60% reduction by FY2035, we aim to achieve carbon neutrality by FY2050.

Roadmap to Carbon Neutrality





	Item	Boundary	Target year	Level
Goal 1	Scope 1+2 emissions	Consolidated MORESCO Group companies in Japan	FY2030	46% reduction (vs. FY2013)
Goal 2	Scope 1+2+3 emissions	Consolidated MORESCO Group companies in Japan	FY2050	Carbon neutrality

(2) MORESCO Green SX

The MORESCO Group certifies the products that may significantly contribute to the initiatives for our seven issues of materiality, based on evaluation of the entire product cycle, from procurement of raw materials to disposal, as MORESCO Green SX (MGS) products.

(i) Governance

The MORESCO Green SX Internal Review Board meets twice a year, in March and September, to ascertain the sales of MGS products and the MGS sales ratio of the entire MORESCO Group. At the same time, the Board members and external experts discuss new MGS product candidates. The results of the meetings are reported to the Sustainability Committee for necessary certifications, and then they are reported to the Board of Directors.

(ii) Risk management
Please refer to "Risk management system" in this Report.

(iii) Strategy
Increasing the ratio of MGS products in total sales is one of the main measures for "promotion of sustainability management," one of the five pillars of the 10th Medium-Term Management Plan. It is also one of the measures that will drive "enhancement of our product portfolio," another one of the five pillars.

(iv) Metrics and targets
The MORESCO Group has adopted the sales ratio of MGS products (34% actual in FY2024), as an indicator for the development and sales of MGS and set targets of 40% for FY2026 and 50% for FY2030.

(3) Human capital and diversity
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.

(i) Governance
Please refer to "System to promote sustainability management and governance" in this Report.

(ii) Risk management
Please refer to "Risk management system" in this Report.

(iii) Strategy
Human resources development policy
Based on its Management Philosophy and the Sustainability Policy, the MORESCO Group established a basic approach for its human resources policy in May 2023. 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
We seek "professional human resources" who continuously hone their expertise to create value that will make people around the world happy.

■ Freewheeling thinking
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
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
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.

In-house environment development policy

At the same time of the establishment of the human resources development policy, the MORESCO Group 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 equity are the key elements in helping each employee broaden the framework of common sense.

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. 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, equity, and inclusion.

(iv) Metrics and targets

To promote a human resources strategy that is linked to our management strategy, 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.” 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 equity
- 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

MORESCO Corporation

Indicator		FY2023	FY2024	FY2025	Target
Ratio of female managers		9.5%	11.7%	9.5%	(FY2030) 15%
Ratio of male employees taking childcare leave		63.6%	87.5%	114.3%	(FY2030) 80%
Wage difference between men and women	All workers	78.8%	79.2%	79.4%	—%
	Regular employees	82.8%	82.3%	83.0%	—%
	Part-time/fixed-term workers	67.4%	66.7%	70.1%	—%

MORESCO Group

Indicator	FY2023	FY2024	FY2025	Target
Ratio of female managers (in Japan and overseas)	20.8%	21.2%	19.0%	—%
Ratio of male employees taking childcare leave (in Japan only)	66.7%	77.8%	100.0%	—%

For the basis of calculation, please refer to Part I., 1. Company Overview, Employees of this Report.

(4) Human rights-respecting management

In conjunction with rebuilding of its human resources strategy, the MORESCO Group is also working to enhance human rights-respecting management. As the first initiative, we established the MORESCO Group Policy on Human Rights in May 2023 in accordance with the Guiding Principles on Business and Human Rights adopted by the United Nations Human Rights Council.

(i) Governance

Please refer to "System to promote sustainability management and governance" in this Report.

(ii) Risk management

Please refer to "Risk management system" in this Report.

(iii) Strategy

Building and strengthening of a human rights due diligence system

The MORESCO Group promotes building of a human rights due diligence system. In FY2025, we conducted human rights due diligence training for all employees with the aim of strengthening our response to human rights risks. We also conducted e-learning on the internal whistleblowing system and training on harassment prevention (anger management).

To identify material human rights risks for the Group, we determined the human rights risk assessment items suitable for the Group by referring to various relevant guidelines both in Japan and overseas and the opinions of external experts. In FY2025, we conducted human rights risk assessment for all employees using the determined human rights risk assessment items. Based on the results of the assessment, we plan to identify material human rights risks and develop and implement plans to prevent and mitigate their impacts on human rights. Going forward, we will 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.

(iv) Metrics and targets

To strengthen the Group's human rights-respecting management, we conduct training programs on harassment prevention for domestic Group companies, with a target of achieving a 100% participation rate.

3. Business and Other Risks

Of the matters concerning the business overview and accounting condition, etc. stated in the Annual Securities Report, the matters that the management recognizes as major risks that may have a significant impact on the financial position, operating results, and cash flows of consolidated companies are as follows:

Matters discussed in relation to the future reflect the judgment of the MORESCO Group as of the end of the consolidated fiscal year under review.

(1) Business expansion in overseas market

The MORESCO Group has established overseas subsidiaries in China, Thailand, Indonesia, the United States, and India as production and sales bases to promote overseas businesses. The Group's overseas sales, mainly from the Asian region, such as China and Southeast Asia, are 14,479 million yen in fiscal year ended February 2025 and 14,622 million yen in fiscal year ended February 2026, with a ratio to the consolidated net sales of 42.1% and 41.9%, respectively. Fluctuations in the economic condition and the value of currencies, changes in political situations, occurrence of disasters and infectious diseases, changes in laws and regulations, and other variable factors in these overseas markets may have an impact on the business performance and financial position of the Group.

(2) Climate change

The MORESCO Group sees climate change as an important issue in management and recognizes that the risks and opportunities associated with climate change have a significant impact on its business strategies.

Regarding climate-related risks, we recognize the transition risks, such as the rise in costs and changes in market, and the physical risks, such as supply chain-related risk, as the risks with a high degree of materiality and probability.

Meanwhile, the Group also sees climate change not only as a risk but also as an opportunity. We will operate our businesses while balancing the "realization of a sustainable society" and the "improvement of our corporate value in the medium to long term," and we will further contribute to solving social issues and environmental issues, thereby proactively tackling the sustainability issues.

(3) Risks related to manufacturing of products

i) Risks associated with natural disasters, pandemics, accidents, etc.

The MORESCO Group has production sites both inside and outside Japan and is therefore greatly responsible for ensuring stable supply. If a large-scale natural disaster, a pandemic, or an accident occurs and makes it difficult for these sites to supply products, it may affect the Group's business performance and financial condition.

ii) Concentration on specific production sites

[Special Lubricants]

The Company owns the synthesis equipment for production of high-temperature lubricating oils at the Akoh Plant and the equipment for production of hard disk surface lubricants at the Head Office / R&D Center. If a serious trouble occurs at the plant or the Head Office and then the operation of the equipment is suspended for a long period of time, it may temporarily stop the supply of products. The amount of stock is for about 1.0 months.

[Liquid Paraffin & Sulfonates]

The Company produces liquid paraffin and its joint product sulfonate by the sulfuric acid refining method. The advantage of the sulfuric acid refining method is that sulfonate can be produced as a joint product, while the disadvantage is that waste sulfuric acid is generated in the production process. The Company has established an integrated production line (closed system) covering all processes, including disposal of waste sulfuric acid, in which the plant is directly connected by a pipeline to an adjacent waste sulfuric acid recycling company. However, since disposal of waste sulfuric acid is performed with equipment of another company, any change in the plant of the said company, such as transfer or downsizing of the plant or modification of equipment, may have an impact on the production capacity of our Liquid Paraffin & Sulfonates division.

In addition, the Company produces liquid paraffin and sulfonate only at the Chiba Plant. If a serious problem occurs at the plant and then the plant's operation is suspended for a long period of time, the supply of products may temporarily stop. The amount of stock at the plant is for about 1.0 months.

In response to these risks related to manufacturing of products, the MORESCO Group has taken initiatives to avoid the occurrence of the risks and minimize the damage if they occur, such as formulating a business continuity plan for each site, carrying out periodic maintenance and inspection of equipment, and conducting disaster drills.

(4) Product quality

The MORESCO Group strives to maintain and improve the quality and reliability of its products in accordance with strict internal quality assurance criteria, including acquisition of ISO 9001 certification. However, it is impossible to completely eliminate all the risks related to quality defects, and there is a risk of a lawsuit, etc. if an unexpected defect arises. In the event that a quality assurance problem arises with a product of the Group, it will generate costs for compensation and undermine the reliability of the product, leading to a loss of customers, which may eventually affect the business performance of the Group. Although the MORESCO Group has insurance against product liability claims, there is no guarantee that the final amount of compensation to be paid will be completely covered. Therefore, product defects may affect the business performance and financial position of the Group.

(5) Risks associated with purchase of raw materials

The MORESCO Group's products are mainly made from lubricants, petrochemicals, and chemical products. These materials are affected by fluctuations in prices of crude oil and naphtha. The crude oil and naphtha prices may continue to significantly fluctuate due to the supply-demand trends in Japan or overseas. In the Great East Japan Earthquake, the manufacturing plants of the raw materials were damaged, which affected our production. Similarly, there is a possibility in the future that a disaster or an accident resulting in supply disruption or consolidation/elimination of businesses on the supplier side may interrupt our procurement of raw materials.

The Group has responded to the impact of fluctuations of raw material prices by revising prices of the products linked to crude oil and naphtha prices through negotiations with the major customers of special lubricants. We will continue to reflect the price rises in the product prices while also working to reduce costs and promote a shift to high value-added products. To secure necessary raw materials, we will take measures such as securing suppliers on a global level and diversifying the materials we use. However, if these measures do not sufficiently work, it may affect the business performance of the Group.

(6) Risks related to research and development

The MORESCO Group believes that the development of new products contribute to the improvement of profitability and the future growth of the Group, under which we have been investing a large amount of our resources in new product development. Under the 10th Medium-Term Management Plan, which started in FY2024, we are promoting Project MOLGADC, a company-wide, cross-divisional development system that collaborates with industry, government, and academia, to engage in research and development.

Under these policies, the R&D department and sales divisions keep close contact with each other and work to properly identify the market needs and achieve research results as soon as possible by using internal and external networks (people, technologies, etc.). However, if we fail to obtain appropriate profits in return for the investment made, it may affect the business performance and financial position of the Group.

(7) Patent application

Our basic policy is to apply for patents for all new technologies that the Group has developed. However, for patents related to a production method, etc. of which infringement is difficult to find or patents related to special lubricants, etc. of which blending know-how may be leaked to competitors if the composition is disclosed in patents, we may refrain from filing an application to protect confidentiality. This means that if a competitor applies for a patent on any of the matters above, the patent may be granted. In preparation for such a situation, the Company has decided to keep records of the implementation of such matters within the company so that we will be able to claim a non-exclusive license based on the right of prior use.

(8) Environmental regulations

We strive to comply with environmental laws and regulations. However, in response to social demands for environmental conservation, environmental laws and regulations may be newly established or revised, resulting in the need for capital investment or reorganization of relevant businesses, which may affect the business performance and the financial position of the Group.

(9) Risks related to compliance
The MORESCO Group has established the Compliance Policy, aiming to ensure that all the employees and executives engage in corporate activities in accordance with the Management Philosophy and the MORESCO Corporate Behavior Charter and thereby become a company supported by its stakeholders. Based on this Policy, systems to ensure compliance have been developed and promoted. We also work to maintain and improve the compliance systems by conducting internal audits on our Group companies.
If a serious violation of a law or regulation occurs despite these efforts, it may deteriorate our social credibility, etc. and affect the business performance and financial position of the Group

(10) Information security
In recent years, many cases of leakage of information owned by companies have occurred due to cyber attacks, unauthorized access, computer virus infection, etc. The Company is working to prevent the leakage by implementing measures such as establishing the Information Security Policy and related regulations, introducing products with information security measures applied, and providing information security education programs for both executives and regular employees.
However, if leakage of information occurs due to an unexpected situation, it may deteriorate our social credibility, etc. and affect the business performance and financial position of the Group.

(11) Risks related to valuation of inventories
The Company applies the Accounting Standard for Measurement of Inventories. If we determine that our profitability has declined due to a rapid change in the market environment or other reason and record a valuation loss on the inventories we hold, it may affect the business performance and financial position of the Group.

(12) Risks related to impairment loss on fixed assets
The Company applies the Accounting Standard for Impairment of Fixed Assets. If an impairment loss is recorded on our fixed assets due to a decline in profitability as a result of significant deterioration of the business environment or a fall of market prices, etc., it may affect the business performance and the financial position of the Group.

4. Analysis of Financial Position, Operating Results, and Cash Flows by Management

(1) Overview of operation results
The overview of the financial position, operating results, and cash flows (hereinafter, “the operating results, etc.”) of the MORESCO GROUP (the Company and its consolidated subsidiaries and equity method affiliates) of the consolidated fiscal year under review is as follows:

i) Financial position and operating results
During the consolidated fiscal year under review, the Japanese economy saw corporate earnings decline from the previous year due to the impact of U.S. tariffs, while profits continued to increase owning to lower energy costs and higher overseas earnings resulting from the weak yen. In the world economy, in addition to the slowdown in China, the negative impact of U.S. tariff policies on the global economy became apparent, which hindered manufacturing activity. Furthermore, there are concerns that the U.S. administration’s use of military force against Venezuela and Iran may lead to a prolonged period of high crude oil prices, and the economic outlook remains uncertain.
Under these circumstances, our financial position and operating results of the fiscal year under review are as follows.

a. Financial position
Total assets as of the end of the fiscal year under review were 40,683 million yen, an increase of 2,386 million yen from the end of the previous consolidated fiscal year. This was mainly due to increases of 1,406 million yen in cash and deposits, 531 million yen in accounts receivable, and 1,087 million yen in investments and other assets.
Liabilities increased by 511 million yen from the end of the previous consolidated fiscal year to 13,799 million yen. This was mainly due to increases of 275 million yen in short-term borrowings and 146 million yen in income taxes payable.
Net assets increased by 1,874 million yen from the end of the previous consolidated fiscal year to 26,883 million yen. This was mainly due to increases of 1,112 million yen in retained earnings, 199 million yen in foreign currency translation adjustment, and 323 million yen in remeasurements of defined benefit plans.

b. Operating results
Due to increased sales of high-value-added products and reduction of selling, general and administrative expenses despite a decrease in automobile production volume in Japan and overseas excluding China and India, net sales increased 1.4% year on year to 34,871 million yen and operating profit increased 70.2% year on year to 2,367 million yen. Ordinary profit increased 48.5% year on year to 2,704 million yen, and profit attributable to owners of parent increased 50.6% year on year to 1,525 million yen.

Operating results by segment are as follows.
Japan
In the Special Lubricants sector, although sales of fire-resistant hydraulic fluids, etc. declined due to sluggish automobile production, net sales for the entire sector exceeded that of the previous year thanks to new sales expansion of cutting fluids and an increase in net sales of hard disk surface lubricants for data centers. In the Hot melt Adhesive sector, revenue decreased due to a decline in sales of products for hygiene materials. In the Liquid Paraffin & Sulfonates sector, revenue increased due to the correction of selling prices and other factors. In the Other sector, revenue increased due to an increase in sales of wastewater treatment equipment.

As a result, net sales to external customers of this segment were 22,249 million yen (up 2.8% year on year) with segment profit of 1,526 million yen (up 75.2%) due to increased sales of high-value-added products and cost reductions.

China
Revenue from Special Lubricants increased due to an increase in net sales of cutting fluids, etc. despite a decrease in sales of die casting fluids resulting from the decline in the capacity utilization rates of Japanese automobile manufacturers. Revenue from Hot Melt Adhesive decreased due to a decline in net sales for filters.

As a result, net sales to external customers of this segment were 3,811 million yen (up 1.4% year on year) with segment profit of 336 million yen (up 57.3% year on year), reflecting progress in streamlining following the restructuring of Chinese subsidiaries.

Southeast/South Asia
Sales of Special Lubricants increased mainly due to an increase in net sales of cutting fluids resulting from new sales expansion. Sales of Hot Melt Adhesive decreased due to a decline in demand from major customers for products for hygiene materials.

As a result, net sales to external customers of this segment were 6,762 million yen (down 1.5% year on year) with segment profit of 343 million yen (up 56.3%) due to increased sales of high-value-added products and cost reductions.

North America
Sales of Special Lubricants decreased due to a decline in demand from major customers resulting from the decrease in automobile production.

As a result, net sales to external customers of this segment were 2,050 million yen (down 3.0% year on year), while segment profit was 156 million yen (up 46.4% year on year) due to the effect of integration with the newly acquired subsidiary CROSS TECHNOLOGIES N.A. INC.

ii) Cash flows

Cash and cash equivalents at the end of the consolidated fiscal year under review increased by 1,406 million yen from the end of the previous consolidated fiscal year to 6,914 million yen. Cash flow conditions are as follows.

Net cash provided by operating activities was 2,982 million yen (net cash provided of 2,751 million yen in the previous year). This is mainly due to profit before income taxes.

Net cash used in investing activities was 729 million yen (net cash used of 1,214 million yen in the previous year). This is mainly due to purchase of property, plant and equipment.

Net cash used by financing activities was 1,027 million yen (net cash used of 1,677 million yen in the previous year). This is mainly due to proceeds from long-term loans payable.

iii) Production, orders, and sales results

a. Production results

Production results for the consolidated fiscal year under review by segment are as follows:

Segment	Consolidated fiscal year under review (From March 1, 2025 to February 28, 2026)	Year-on-year change (%)
Japan (millions of yen)	20,598	101.6
China (millions of yen)	4,377	102.8
Southeast/South Asia (millions of yen)	7,519	96.7
North America (millions of yen)	895	84.2
Total (millions of yen)	33,390	100.1

(Note) Amounts are calculated based on selling prices.

b. Order results

Since the MORESCO Group’s chemicals business is mainly make-to-stock production, order results are not stated.

c. Sales results

Sales results for the consolidated fiscal year under review by segment are as follows:

Segment	Consolidated fiscal year under review (From March 1, 2025 to February 28, 2026)	Year-on-year change (%)
Japan (millions of yen)	22,249	102.8
China (millions of yen)	3,811	101.4
Southeast/South Asia (millions of yen)	6,762	98.5
North America (millions of yen)	2,050	97.0
Total (millions of yen)	34,871	101.4

(Notes) Sales results by our major customer and their ratio to total sales results in the previous consolidated fiscal year and the consolidated fiscal year under review are as follows.

Major customer	Previous consolidated fiscal year (From March 1, 2024 to February 28, 2025)		Consolidated fiscal year under review (From March 1, 2025 to February 28, 2026)	
	Value (millions of yen)	Ratio (%)	Value (millions of yen)	Ratio (%)
MATSUMURA Oil Co., Ltd.	5,137	14.9	5,127	14.7

(2) Analysis and discussion on operating results by management

The following is a summary of the MORESCO Group’s awareness, analysis, and discussion on its operating results from the management’s perspective.

Matters discussed in relation to the future reflect the judgment as of the end of the consolidated fiscal year under review.

i) Awareness, analysis, and discussion on financial position and operating results

Regarding the Group's operating results for the consolidated fiscal year under review, net sales were 34,871 million yen (up 1.4% year on year). This was due to increased sales of high-value-added products despite a decline in automobile production in Japan and in overseas markets other than China and India. In terms of profit, due to increased sales of high-value-added products and reduction of selling, general and administrative expenses, operating profit, ordinary profit, and profit attributable to owners of parent were 2,367 million yen (up 70.2% year on year), 2,704 million yen (up 48.5% year on year), and 1,525 million yen (up 50.6% year on year), respectively.

Analysis on the financial position is as described in "II Business Overview 4. Analysis of Financial Position, Operating Results, and Cash Flows by Management (1) Overview of operation results i) Financial position and operating results a. Financial position."

ii) Analysis and discussion on cash flows and information on capital resources and liquidity of funds

During the consolidated fiscal year under review, we purchased property, plant and equipment using the income obtained from operating activities as the financial resources. Details are stated in "II Business Overview 4. Analysis of Financial Position, Operating Results, and Cash Flows by Management (1) Overview of operation results ii) Cash flows."

Regarding the Group's capital resources and liquidity of funds, necessary funds are secured with funds on hand and borrowings from financial institutions. Regarding funds on hand, in addition to acquiring cash continuously and stably from operating activities, we work to promote efficient fund management by consolidating funds of the Group companies. As for borrowings from financial institutions, we have concluded overdraft agreements with major partner financial institutions to ensure the liquidity of funds.

iii) Significant accounting estimates and assumptions used therein

The significant accounting estimates and assumptions used therein that we used in preparing the consolidated financial statements are as stated in "V. Financial Information, 1. Consolidated Financial Statements, etc., (1) Notes to the consolidated financial statements (Significant accounting estimates)."

iv) Management policy, management strategy, and objective indicators for determining achievement status of management goals

The consolidated fiscal year was the second year of the 10th Medium-Term Management Plan (FY2024–FY2026). The achievement status of the target figures for the consolidated fiscal year is as follows.

	FY 2025 (Target)	FY 2025 (Result)	Achievement rate
Net sales (millions of yen)	36,500	34,871	95.5%
Operating profit (millions of yen)	1,750	2,367	135.3%
Ordinary profit (millions of yen)	2,100	2,704	128.8%
Profit attributable to owners of parent (millions of yen)	1,300	1,525	117.3%
Ordinary profit margin	5.8%	7.8%	—

(Note) Targets are the figures released on April 11, 2025.

The target figures for FY2026 are as stated in "II Business Overview, 1. Management Policy, Business Environment, Issues to be Addressed, etc., (3) Objective indicators for determining achievement status of management goals," and the issues to be addressed for their achievement are as stated in "II Business Overview, 1. Management Policy, Business Environment, Issues to be Addressed, etc., (2) Business environment, management strategy, and priority business and financial issues to be addressed."

5. Material Agreements, etc

At a meeting of the Board of Directors held on December 12, 2025, the Company resolved to carry out an absorption-type merger in which MORESCO USA Inc., a consolidated subsidiary of the Company, would be the surviving company and CROSS TECHNOLOGIES N.A.INC., also a consolidated subsidiary of the Company, would be the disappearing company. The absorption-type merger was completed on January 1, 2026.

Details are as stated in "V. Financial Information, 1. Consolidated Financial Statements, etc., (1) Notes to the consolidated financial statements (Additional information)."

6. Research and Development Activities

As a "specialist in interface science," the MORESCO Group aims to respond to diversifying customer needs, realize a sustainable society, and create new businesses. The Group is promoting "ambidextrous research and development," which synchronizes the deepening of existing technologies with the exploration of new fields. Based on technologies to add advanced functions through refining, synthesis, modification, and blending of raw materials and to evaluate product characteristics that satisfy customer requirements, we are advancing research and development in each field of special lubricants, synthetic lubricants, hot melt adhesives, and new businesses to help bring about a carbon neutral society.

Our R&D hub is based in Japan. Engineers are sent from Japan to China, Southeast Asia, and North America to conduct product development based on local needs while encouraging collaboration between segments. We hold global development meetings on a regular basis to raise the development level and promote the sharing and dissemination of local specific information, thereby establishing a system that enables prompt development on a global scale.

Mainly at our Head Office/R&D Center, we have an R&D Department for each business division and the Corporate R&D Department, in charge of new business development, and we promote development of new materials, new technologies, and new products and improvement of existing products in each of the fields of environment, information and electronics, energy devices, and life science. We have 109 research and development staff members on a consolidated basis, which account for 13.7% of all employees.

The research and development activities by segment for the consolidated fiscal year under review are as follows. The total amount spent on research and development for the consolidated fiscal year under review was 1,544 million yen.

(1) Japan

i) Special Lubricants

In the Functional Fluids R&D Department, research and development is conducted on die casting fluids, fire-resistant hydraulic fluids, lubricants for hot forging, metal working fluids such as cutting oils, as well as synthetic lubricants including grease base oils and hard disk surface lubricants.

Efforts are focused on development of products that can contribute to reducing environmental impact, resources saving and recycling, establishment of basic technologies using IoT/AI and sensors, and the development of peripheral equipment capable of extending life or reducing the amount of use of fluids. Laboratory automation (LA) and materials informatics (MI) have also been introduced to dramatically improve development efficiency.

- Die casting fluids: We have completed the development of products that can be used with minimum-quantity spray to improve the environment in plants and productivity. At present, we are promoting the development of next-generation minimum quantity spray-type lubricants that contribute to a shift to EVs and weight reduction of automobiles, as well as the development of simulation technology to visualize the coating state.
- Fire-resistant hydraulic fluids: As the top manufacturer in Japan, we have improved the accuracy of the recycling system, which collects main elements from deteriorated hydraulic fluids and reuses them, to reduce waste, thereby contributing to the reduction of environmental impact.
- Lubricants for hot forging: We promote the development of white-type lubricants, which can replace graphite. In particular, we are focusing on the field of aluminum forging, where demand is increasing in line with the recent trend toward EVs.
- Metal working fluids: While working to sophisticate the core technologies for water soluble cutting fluids, we are also promoting the use of reused materials and pursuing the stabilization of the metal working performance and the extension of fluid life through an automatic monitoring system.

In the Synthetic Lubricants R&D Department, we conduct research and development on hard disk (HD) surface lubricants, grease base oils for hard disk drive internal parts, fluids for semiconductor manufacturing equipment, etc. With our unique molecular structure design and advanced synthesis/refining technologies, we focus on developing one-of-a-kind products.

- Hard disk (HD) surface lubricants: Major disk manufacturers have introduced new chemical compounds that can achieve a lower floating level, which is necessary to further increase the recording density. We are currently continuing the development of ultra-heat-resistant lubricants compatible with next-generation technologies such as microwave-assisted magnetic recording (MAMR) and heat-assisted magnetic recording (HAMR).
- Semiconductors and special fluids: Our highly refined fluids, which eliminate outgassing to the utmost level, are highly evaluated in the market. In addition, with an eye toward the PFAS regulations, we have developed a grease base oil with extremely low outgassing and low vapor pressure characteristics as an alternative material and have begun full-scale deployment in the field of semiconductor equipment.

ii) Hot melt Adhesive Development

The R&D Department conducts development of low-odor adhesives with no volatile organic compounds (VOCs), as well as the development of new products, such as low-temperature coating-type adhesives that can realize energy saving and reactive-type hot-melt adhesives with high heat resistance.

- For the hygiene products industry: We are focusing on the development of products that exhibit high adhesion performance with a small amount of application by using interface analysis technology.
- Environmental friendliness: We are working to enhance our lineup of biomass hot melt adhesives and hot melt adhesives made from 100% naturally derived ingredients.
- Automobile sector: We have succeeded in improving the performance of reactive-type hot-melt adhesives for automobile interiors, which have been increasingly adopted by automobile manufacturers.
- M-Zero™ technology: Based on our proprietary M-Zero™ technology, which can remove trace amounts of residual solvents from raw materials, we are enhancing our product lineup, which achieves both functionality and environmental friendliness.

iii) New Business Development

Focusing on the environment, information and electronics, energy devices, and life science as key fields, we aim to create future pillars of our business.

- Energy devices: Focusing on sealants for organic EL devices, customer evaluation is progressing for materials under development for flexible devices and perovskite solar cells. Furthermore, we released a hydrogen transmittance measurement device with a view to realizing a hydrogen-based society and also started contract manufacturing of solar cells using our roll-to-roll facilities.
- Life science In cooperation with universities and other institutions, we are advancing drug discovery research aimed at addressing lifestyle-related diseases through autophagy activation. Following a patent application filed in February 2024, we are currently working to generate additional data for out-licensing to major pharmaceutical companies.
- Cosmetics business: We launched our own brand, Irigrasia, developed using our unique nanoemulsion technology, in April 2025. The product has been well received by users for its excellent skin absorption, and we will accelerate expansion into high-performance markets, including medical-grade cosmetics.
- Fusion energy (nuclear fusion): Based on our long-term management plan, we are strengthening our participation in the fusion power generation field, which is expected to become a next-generation energy source. Through our participation in the Japan Fusion Energy Industry Council (J-Fusion) and our collaboration with Kyoto Fusioneering Ltd., we are accelerating the establishment of a framework for the development and supply of radiation-resistant lubricants in preparation for the operation of a prototype fusion reactor in the 2030s.

Across our R&D activities, we have established a framework to prioritize the allocation of resources generated through “defensive DX (efficiency improvement)” to these “offensive R&D (new business creation)” initiatives. The amount spent for research and development related to the Japan segment is 1,332 million yen.

(2) China, Southeast/South Asia, and North America

Mainly regarding die casting fluids and metal working fluids, we are focusing efforts on development of products that anticipate local needs. For die casting fluids, we are striving to expand our market share by sharing the know-how we have cultivated as a leading company in Japan and expanding our presence among local users. For metal working fluids, we also adapt our core technologies for water-soluble cutting fluids to local conditions and launch products in a timely manner.

The amount spent for research and development related to the China, Southeast/South Asia, and North America segments is 212 million yen.

III. Equipment and Facilities

1. Capital Expenditures

The MORESCO Group makes capital investment mainly for the purpose of streamlining and maintenance of production equipment and enhancing research and development capacity. As a result, capital expenditures (including property, plant and equipment, and intangible assets) in the consolidated fiscal year under review totaled 615 million yen.

Major capital expenditures of the MORESCO Group are as follows:

Japan

At MORESCO Corporation, 484 million yen was spent mainly on the regular renewal of manufacturing equipment.

2. Major Equipment and Facilities

Major equipment and facilities of the MORESCO Group (the Company and its consolidated subsidiaries) are as follows.

(1) The Company (reporting company)

As of February 28, 2026

Business site (Location)	Segment	Type of equipment/facility	Book value (millions of yen)						Number of employees (Persons)
			Buildings and structures	Machinery, equipment and vehicles	Land (Area m^2)	Leased assets	Other	Total	
Head Office / R&D Center (Chuo-ku, Kobe)	Japan	R&D equipment Office equipment	1,109	11	481 (6,500.06)	15	304	1,920	160
Chiba Plant (Ichihara, Chiba)	Japan	Production equipment	385	324	298 (28,492.20)	—	50	1,057	48
Akoh Plant (Akoh, Hyogo)	Japan	Production equipment	388	207	779 (39,863.38)	—	40	1,413	102

(Note) Book value for “Other” represents the total amount of tools, furniture and fixtures; construction in progress; and software, etc.

(2) Subsidiaries in Japan

As of February 28, 2026

Company name	Business site (Location)	Segment	Type of equipment/facility	Book value (millions of yen)						Number of employees (Persons)
				Buildings and structures	Machinery, equipment and vehicles	Land (Area m^2)	Leased assets	Other	Total	
Ethylene Chemical CO., LTD.	Head Office Plant (Ichihara, Chiba)	Japan	Production equipment	645	203	470 (22,733.15)	35	22	1,375	44

(Note) Book value for “Other” represents the total amount of tools, furniture and fixtures; and software, etc.

(3) Subsidiaries outside Japan

As of February 28, 2026

Company name	Business site (Location)	Segment	Type of equipment/ facility	Book value (millions of yen)							Number of employees (Persons)
				Buildings and structures	Machinery, equipment and vehicles	Land		Leased assets	Other	Total	
						Area (㎡)	Value				
MORESCO (THAILAND) CO., LTD.	Head Office Plant (Chonburi, Thailand)	Southeast/ South Asia	Production equipment	203	80	8,700	78	61	74	496	83
PT. MORESCO INDONESIA	Head Office Plant (Karawang, Indonesia)	Southeast/ South Asia	Production equipment	72	56	11,000	49	—	4	180	45
PT. MORESCO MACRO ADHESIVE	Plant (Serang, Indonesia)	Southeast/ South Asia	Production equipment	1	87	— [5,000]	—	—	7	94	39
TIANJIN MORESCO TECHNOLOGY CO., LTD.	Head Office Plant (Tianjin, China)	China	Production equipment	479	162	— [25,012]	—	2	195	838	30
MORESCO (ZHEJIANG) FUNCTIONAL MATERIAL CO., LTD.	Head Office Plant (Haining, China)	China	Production equipment	1,216	392	— [23,334]	—	—	284	1,892	3
MORESCO HM&LUB INDIA PRIVATE LIMITED	Head Office Plant (Ahmedabad, Gujarat, India)	Southeast/ South Asia	Production equipment	408	222	— [25,651]	—	—	193	823	31
MORESCO USA Inc.	Head Office (Westland, Michigan, United States)	North America	Office	1	1	14,164	313	—	7	323	5
CROSS TECHNOLOGIES N.A. INC.	Head Office Plant (Westland, Michigan, United States)	North America	Production equipment	0	128	—	—	3	52	183	26

(Notes) 1. Book value for "Other" represents the total amount of tools, furniture and fixtures; construction in progress; software; and leasehold rights.
2. Figures in brackets [ ] indicate the areas leased from lenders other than consolidated companies.
3. CROSS TECHNOLOGIES N.A. INC. ceased to exist as a result of an absorption-type merger in which MORESCO USA Inc. was the surviving company, effective on January 1, 2026.

3. Plans for Additions and Disposals of Facilities

Plans for building, etc. of important equipment and facilities as of the end of the consolidated fiscal year under review are as follows.

There are no plans for disposal of important equipment and facilities.

Name of company/business site	Location	Segment	Type of equipment/facility	Planned investment amount		Funding method	Scheduled start and completion		Capacity to be added upon completion (%)
				Total (Millions of yen)	Amount already paid (Millions of yen)		Start	Completion	
MORESCO Corporation Head Office / R&D Center	Chuo-ku, Kobe	Japan	R&D equipment	83	26	Funds on hand	February 2026	February 2027	—
			Establishment of the Second R&D Center (tentative name)	1,167	440	Funds on hand	November 2024	March 2027	—
MORESCO Corporation Chiba Plant	Ichihara, Chiba	Japan	Streamlining, maintenance and renewal of production equipment for liquid paraffin and sulfonate	168	—	Funds on hand	March 2026	September 2027	—
MORESCO Corporation Akoh Plant	Akoh, Hyogo	Japan	Streamlining, maintenance and renewal of hot melt adhesive production equipment	65	—	Funds on hand	March 2026	February 2027	—
			Streamlining, maintenance and renewal of lubricant production equipment	149	—	Funds on hand	March 2026	February 2027	—

IV. Information on the Reporting Company

1. Information on the Company's Shares, etc.
   (1) Total number of shares, etc.
      i) Total number of shares

Type	Total number of shares authorized to be issued
Common shares	20,000,000
Total	20,000,000

   ii) Issued shares

Type	Number of issued shares as of the end of fiscal year (February 28, 2026)	Number of issued shares as of the reporting date (May 26, 2026)	Stock exchange on which the Company is listed or financial instruments association where the Company is licensed	Description
Common shares	9,696,500	9,696,500	Tokyo Stock Exchange Standard Market	Number of shares constituting one unit of stock 100
Total	9,696,500	9,696,500	—	—

   (2) Information on share acquisition rights, etc.
      i) Details of stock option program
         Not applicable.

      ii) Details of rights plan
         Not applicable.

      iii) Information on other share acquisition rights, etc.
         Not applicable.

   (3) Information on exercise of moving strike convertible bonds with share acquisition rights
      Not applicable.

   (4) Changes in the total number of issued shares, capital stock, etc.

Date	Increase/ decrease in total number of issued shares (shares)	Shares issued and outstanding (shares)	Increase/ decrease in capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Increase/ decrease in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
June 28, 2018 (Note)	20,700	9,696,500	20	2,118	20	1,906

(Note) Third-party allocation as restricted stock-based compensation
Allocation to: Six Directors (excluding Outside Directors)
Issue price: 1,928 yen
Capital incorporation: 964 yen
Total paid-in amount: 40 million yen (contribution in kind of monetary compensation claim)

(5) Composition of issued shares by type of shareholder

As of February 28, 2026

Category	Status of shares (one unit of stock: 100 shares)								Less-than-one-unit shares (shares)
	Governments and municipalities	Financial institutions	Financial instruments business operators	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders	—	4	12	131	40	20	12,954	13,161	—
Shares held (units)	—	5,111	645	30,391	1,845	124	58,685	96,801	16,400
Percentage of shares held (%)	—	5.28	0.67	31.40	1.91	0.13	60.62	100.00	—

(Note) 519,320 shares of treasury stock are included in the listings of 5,193 units in “Individuals and others” and 20 shares in “Less-than-one-unit shares.”

(6) Major shareholders

As of February 28, 2026

Name	Address	Shares held (Thousands of shares)	Percentage of shares held to the total number of issued shares (excluding treasury shares) (%)
MATSUMURA Oil Co., Ltd.	2-8-5 Nishitenma, Kita-ku, Osaka	1,067	11.6
COSMO OIL LUBRICANTS CO., LTD.	1-7-1 Kyobashi, Chuo-ku, Tokyo	503	5.5
MORESCO Employee Stock Ownership Plan	5-5-3 Minatojimaminamimachi, Chuo-ku, Kobe	388	4.2
Nippon Soda Co., Ltd.	2-7-2 Marunouchi, Chiyoda-ku, Tokyo	365	4.0
STARLITE Co., Ltd.	4-23-7 Ohmiya, Asahi-ku, Osaka	326	3.6
Mizuho Bank, Ltd.	1-5-5 Otemachi, Chiyoda-ku, Tokyo	250	2.7
MUFG Bank, Ltd.	1-4-5 Marunouchi, Chiyoda-ku, Tokyo	250	2.7
Osaka Small and Medium Business Investment & Consultation Co., Ltd.	3-3-23 Nakanoshima, Kita-ku, Osaka	209	2.3
Shima Trading Co., Ltd.	2-12-14 Ginza, Chuo-ku, Tokyo	165	1.8
KYODO YUSHI CO., LTD.	2-2-30 Tsujido Kandai, Fujisawa	164	1.8
Total	—	3,688	40.2

(7) Information on voting rights

i) Issued shares

As of February 28, 2026

Category	Number of shares	Number of voting rights	Description
Shares without voting rights	—	—	—
Shares with restricted voting rights (treasury shares, etc.)	—	—	—
Shares with restricted voting rights (others)	—	—	—
Shares with full voting rights (treasury shares, etc.)	Common shares 519,300	—	—
Shares with full voting rights (others)	Common shares 9,160,800	91,608	—
Less-than-one-unit shares	Common shares 11,400	—	—
Total number of issued shares	9,696,500	—	—
Total number of voting rights held by all shareholders	—	91,608	—

(Note) Common shares of “Less-than-one-unit shares” include 20 shares of treasury stock held by the Company.

ii) Treasury shares, etc.

As of February 28, 2026

Shareholder name	Shareholder address	Number of shares held under own name (shares)	Number of shares held under another name (shares)	Total number of shares held (shares)	Percentage of shares held to the total number of issued shares (%)
MORESCO Corporation	5-5-3 Minatojimaminamimachi, Chuo-ku, Kobe	519,300	—	519,300	5.4
Total	—	519,300	—	519,300	5.4

2. Information on Acquisition of Treasury Shares, etc.

Type of shares Acquisition of common stock under Article 155, Item 7 of the Companies Act

(1) Acquisition by resolution of General Meeting of Shareholders
Not applicable.

(2) Acquisition by resolution of Board of Directors
Not applicable.

(3) Acquisition not based on resolution of the General Meeting of Shareholders or of the Board of Directors

Category	Number of shares	Total price (yen)
Treasury shares acquired during the fiscal year under review	60	72,600
Treasury shares acquired during the current period	56	108,756

(Note) The number of treasury shares held during the current period does not include less-than-one-unit shares purchased from May 1, 2026 to the reporting date of this Annual Securities Report.

(4) Status of the disposition and holding of acquired treasury shares

Category	Fiscal year under review		Current period	
	Number of shares	Total amount disposed (Yen)	Number of shares	Total amount disposed (Yen)
Acquired treasury shares for which subscribers were solicited	—	—	—	—
Acquired treasury shares that were disposed of	—	—	—	—
Acquired treasury shares transferred due to merger, share exchange, share delivery or split	—	—	—	—
Other (disposal of treasury shares as restricted stock-based compensation)	6,550	7,977,900	—	—
Total number of treasury shares held	519,320	—	519,376	—

(Note) The number of treasury shares held during the current period does not include less-than-one-unit shares purchased from May 1, 2026 to the reporting date of this Annual Securities Report.

3. Dividend Policy

The Company positions shareholder returns as its key management issue in terms of profit distribution. It is therefore the Company's basic policy to return profits to its shareholders in light of business performance, etc. while securing the internal reserves required for future business expansion and the enhancement of the management structure. Moreover, the Company aims for a consolidated dividend payout ratio of 30% or more as part of its capital policy, including profit distribution.

In principle, the Company pays dividends from surplus twice a year: interim dividend and year-end dividend.

The decision-making bodies for these dividends from surplus are the General Meeting of Shareholders for the year-end dividend and the Board of Directors for the interim dividend.

The Articles of Incorporation stipulate that the Company may pay dividends from surplus by resolution of the Board of Directors in accordance with the provision of Article 459, Paragraph 1 of the Companies Act.

Based on the above policy, we plan to resolve at the Ordinary General Meeting of Shareholders scheduled for May 27, 2026 an annual dividend of 55.00 yen per share (including 20 yen for an interim dividend) and a year-end dividend of 35.00 yen per share. As a result, dividends from surplus for the fiscal year under review amounted to 505 million yen.

Internal reserves will be used for responding to changes in the economic environment and market, making capital investments to enhance cost competitiveness, reinforcing technology and production structures to respond to market needs, launching overseas strategies, and actively promoting research and development, thereby enhancing our corporate value.

Dividends from surplus for the fiscal year under review are as follows.

Date of resolution	Total dividend amount (Millions of yen)	Dividend per share (Yen)
October 14, 2025 Resolution of the Board of Directors	184	20
May 27, 2026 Resolution of the Ordinary General Meeting of Shareholders scheduled	321	35

4. Corporate Governance, etc.

(1) Overview of corporate governance

i) Basic policy on corporate governance

I. The Company will always pursue the best corporate governance and make continuous efforts for the enhancement thereof.

II. The Company 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.

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.

ii) Overview of the current corporate governance structure and reasons for adopting the current structure

A. Overview of corporate governance structure

The Company adopts the system of a company with an Audit and Supervisory Committee and appointed six directors (total includes one Outside Director; directors on the Audit and Supervisory Committee are excluded) and four directors who are Audit and Supervisory Committee members (total includes three outside directors).

The Board of Directors meets once a month in principle, and in addition to monitoring and supervising the execution of business by the company, it also makes decisions on important matters related to management of the company. Regarding analysis of differences between monthly budgets and actual results, the Board of Directors gives instructions and guidance based on reports toward achieving planned goals.

The Executive Committee, consisting of executive directors, meets once a month in principle. The committee discusses the decisions of the President and Representative Director in order to facilitate the smooth execution of business while avoiding excessive concentration of authority.

Additionally, the Company has established a Nomination and Compensation Committee as an advisory body to the Board of Directors and has established a system to further strengthen corporate governance. Specifically, the appointment of director candidates and the allocation of remuneration are determined by resolution of the Board of Directors after deliberation and reporting by the Nomination and Compensation Committee, which includes all independent Outside Directors.

Furthermore, the Company has introduced an executive officer system with the purpose of realizing more efficient management and swifter decision-making. Management Committee meetings with executive directors, full-time Audit and Supervisory Committee members, executive officers, etc. are held once a month in principle. These meetings are held to report on and discuss important matters relating to corporate management and to promote mutual understanding of the current state of corporate management. The contents of these meetings are disclosed and communicated to all employees.

The Compliance and Risk Management Committee is composed of executive directors, full-time Audit and Supervisory Committee members, executive officers, etc., and meets when meetings of the Management Committee are held in order to establish systems for compliance and risk management and check progress in this regard.

In March 2022, we established the "Sustainability Committee" in order to operate our business based on the "realization of a sustainable society" and "improvement of corporate value in the medium to long term." In addition, we have established the Sustainability Management Department as a dedicated department to oversee the Group's promotion of sustainability. The Sustainability Committee 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. The Committee meets semiannually to discuss a wide range of risks and opportunities, including social and environmental issues related to sustainability, and reflect them in business strategies and policies in a timely manner.

The structure of each institution and committee as of May 26, 2026 (the reporting date of the Annual Securities Report) is as follows.

(◎: Chairperson)

Title	Name	Outside	Board of Directors	Executive Committee	Nomination and Compensation Committee	Management Committee	Compliance and Risk Management Committee	Sustainability Committee
Representative Director, President CEO	Motohisa Morozumi		◎	◎	◎	○	◎	◎
Director Senior Managing Executive Officer COO	Nobuhiro Sewaki		○	○		◎	○	○
Director Managing Executive Officer CFO Sustainability	Hirofumi Fujimoto		○	○		○	○	○
Director Executive Officer Global Operations	Jiro Hosomi		○	○		○	○	○
Director Executive Officer CTO	Katsuhito Fukuda		○	○		○	○	○
Director	Hiroshi Sakai	○	○		○			
Director (Full-time Audit and Supervisory Committee Member)	Mikio Honda		○			○	○	○
Director (Audit and Supervisory Committee Member)	Mikio Nakajo	○	○		○			
Director (Audit and Supervisory Committee Member)	Hidetoshi Nakatsuka	○	○		○			
Director (Audit and Supervisory Committee Member)	Hiroko Fuji	○	○		○			

* The Company has proposed as agenda items (matters for resolution) for the 68th Ordinary General Meeting of Shareholders scheduled to be held on May 27, 2026 "Election of Six Directors (excluding Directors who are Audit and Supervisory Committee Members)" and "Election of Four Directors who are Audit and Supervisory Committee Members." If these proposals are approved, the structure of each institution and committee will be as follows:

Title	Name	Outside	Board of Directors	Executive Committee	Nomination and Compensation Committee	Management Committee	Compliance and Risk Management Committee	Sustainability Committee
Representative Director, President CEO	Motohisa Morozumi		◎	◎	◎	○	◎	◎
Director Senior Managing Executive Officer COO	Nobuhiro Sewaki		○	○		◎	○	○
Director Managing Executive Officer CFO Sustainability	Hirofumi Fujimoto		○	○		○	○	○
Director Executive Officer Global Operations	Jiro Hosomi		○	○		○	○	○
Director Executive Officer CTO	Katsuhito Fukuda		○	○		○	○	○
Director	Hiroshi Sakai	○	○		○			
Director (Full-time Audit and Supervisory Committee Member)	Tadashi Takeuchi		○			○	○	○
Director (Audit and Supervisory Committee Member)	Mikio Nakajo	○	○		○			
Director (Audit and Supervisory Committee Member)	Hiroko Fuji	○	○		○			
Director (Audit and Supervisory Committee Member)	Yukiko Hirazawa	○	○		○			

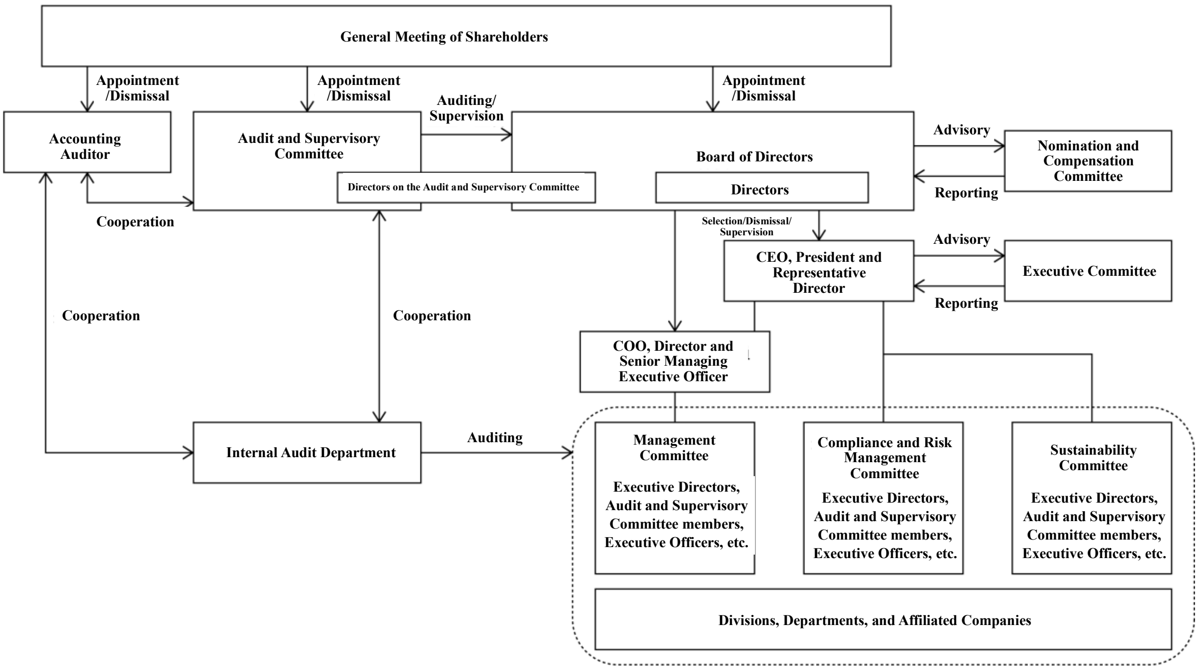
B. Reasons for adopting the current structure

The Company has adopted the Company with Audit Committee System for the following reasons.

- In order to establish a structure that is capable of properly responding to expectations of our stakeholders both inside and outside Japan, the Audit and Supervisory Committee, the majority of whose members are Outside Directors, is responsible for auditing and supervising the legality and appropriateness of business execution, while the Nomination and Compensation Committee is formed to ensure higher transparency in management.
- In order to make prompt and decisive decisions, the authority of the Board of Directors to make business decisions shall be delegated to the directors, thereby speeding up management decision-making and execution under the appropriate supervision of the Board of Directors and creating a system that allows the Board of Directors to focus on discussions of corporate strategy and other issues.

The MORESCO Group’s corporate governance structure is as illustrated below.

MORESCO Group Corporate Governance Structure



iii) Other matters related to corporate governance

A. Status of establishment of internal control system

The Company has resolved the Basic Policy Regarding Establishment of Internal Control Systems below by the Board of Directors. According to this policy, the Company has been establishing the systems, and the after-mentioned Compliance and Risk Management Committee Secretariat is responsible for progress management thereof.

a) System to ensure that execution of duties by directors and employees complies with laws, regulations, and the Company's articles of incorporation

a. We will establish the MORESCO Corporate Behavior Charter as the basis of our compliance systems and will continue to ensure that responding to social requirements, including legal compliance, is the basis of all corporate activities.

b. We will establish a Compliance and Risk Management Committee (chaired by the President and Representative Director and composed of executive directors, full-time Audit and Supervisory Committee members, executive officers, etc.) to oversee overall compliance and promote the establishment of compliance systems.

c. In order to promote compliance, we will provide training and other guidance so that directors and employees can each perceive compliance as a personal responsibility and conduct business operations accordingly.

d. The Audit and Supervisory Committee and the Internal Audit Department will work together to examine compliance systems, identify any problems with laws and regulations, the company's articles of incorporation, and/or internal regulations, and report to the Compliance and Risk Management Committee. The Compliance and Risk Management Committee will regularly review compliance systems and will endeavor to identify problems and make improvements.

e. An internal reporting system has been established, with "Internal Reporting System Regulations" that clearly state that employees of the Company or its subsidiaries will not be treated unfairly if they become aware of and report an act that is suspected to be improper under laws, regulations, the Company's articles of incorporation, or internal regulations. Employees, etc. who treat such reporters unfavorably will be handled in accordance with the Employment Regulations. Additionally, the presence or absence of any such reports will be reported to the Compliance and Risk Management Committee.

b) System for storing and managing information related to execution of duties by Directors

a. We will appropriately store and manage the following documents (including electromagnetic records) related to execution of duties by directors in accordance with laws and regulations and the Regulations for Management of Important Documents.

i. Minutes of General Meetings of Stockholders and related materials

ii. Minutes of meetings of the Board of Directors and related materials

iii. Minutes of Management Committee meetings and related materials

iv. Other important documents related to execution of duties by directors

b. Information management will be handled in accordance with the Information Security Policy, Regulations for Management of Confidential Information, and Basic Policy on Protection of Personal Information.

c) Regulations and other systems for managing the risk of loss

a. We will promote the establishment of systems based on the Risk Management Policy, with the aforementioned Compliance and Risk Management Committee as the primary promoting body, identify risks concerning the Company and its subsidiaries, and take appropriate risk countermeasures.

b. To prepare for risks that may seriously affect the management of the Company, we will establish an emergency response headquarters under the direction of the President and Representative Director, in accordance with the Crisis Management Regulations, and take the necessary measures to minimize losses due to the occurrence of such risks.

d) System to ensure efficient execution of duties by directors

a. Regular meetings of the Board of Directors will take place once a month in principle, with the purpose of making decisions on important matters and supervising the execution of business by directors.

b. In order to further strengthen the functions of the Board of Directors and improve the efficiency of management, we will introduce a system of executive officers responsible for business execution functions, with Management Committee meetings held once a month in principle. These meetings will be attended by executive directors, full-time Audit and Supervisory Committee members, executive officers, etc., who will discuss basic matters and important matters regarding execution of business.

c. Regarding business operations, we will formulate Medium-Term Management Plans and plans for each fiscal year based on the future business environment outlook, and we will set company-wide goals. In each business division, we will formulate and execute concrete plans to achieve these goals.

e) System to ensure proper business operations in the corporate group, i.e. the Company and its subsidiaries

a. Management items outlined by periodic reports and prior consultations on important projects will be defined by the Management Regulations for Affiliated Companies, and departments with jurisdiction over management of subsidiary companies will exercise overall management of these companies.

b. The Company's executive directors, executive officers, and members of the Audit and Supervisory Committee, etc. will be dispatched as directors or auditors of subsidiary companies. Directors will monitor and supervise the execution of duties by the directors of subsidiaries. Members of the Audit and Supervisory Committee will audit the business execution of subsidiaries. Additionally, the Internal Audit Department will conduct regular audits of subsidiaries.

c. As a fundamental rule, subsidiaries will autonomously establish internal control systems based on the size, business characteristics, institutional specifications, and other company characteristics or distinguishing features, while also maintaining cooperation and information sharing with the Company.

d. The directors of subsidiaries will, regularly or as needed, report monthly and quarterly business results and other information about business execution at the Company's Management Committee meetings.

f) System concerning directors and employees who should assist with the duties of the Audit and Supervisory Committee, and matters regarding independence from other directors for such directors and employees

a. If the Audit and Supervisory Committee requests the placement of employees to assist the Committee with its duties, this shall be arranged within reason following consultation with the Committee. No directors to assist the Audit and Supervisory Committee will be placed.

b. Independence from directors when making decisions on matters concerning personnel rights, such as appointments or transfers of such employees, will be ensured by obtaining the prior consent of the Audit and Supervisory Committee.

g) System for directors and employees to report to the Audit and Supervisory Committee, system for other reports to the Audit and Supervisory Committee, and other systems to ensure that audits by the Audit and Supervisory Committee are conducted effectively

a. Directors, employees, subsidiary directors/employees, and those who receive reports from them must immediately report any important matters that affect the business or performance of the Company to the Audit and Supervisory Committee. In accordance with the Internal Reporting System Regulations, employees who make such reports must not be treated unfavorably on the grounds of having made such reports.

b. In order for full-time Audit and Supervisory Committee members to fully understand important decision-making processes and the status of business execution outside of meetings of the Board of Directors, these committee members are permitted to attend other important meetings, such as Management Committee meetings and meetings of the Compliance and Risk Management Committee, view key approval documents, contracts, and other important documents related to execution of business, and ask directors and/or employees for explanations of these as necessary.

c. Under the independence and authority asserted through the "Audit and Supervisory Committee Regulations" and "Auditing/Supervision Standards of the Audit and Supervisory Committee," the Audit and Supervisory Committee will work to achieve audit results in close cooperation with the Internal Audit Department and accounting auditors while also ensuring the effectiveness of audits.

d. If the Audit and Supervisory Committee or a member of the Committee requests advance payment or redemption of expenses necessary to perform audits, directors, etc. will comply unless the contents of the audit and/or funds required are unreasonable.

e. The Company will establish other necessary systems to ensure the effectiveness of audits by the Audit and Supervisory Committee.

h) System for ensuring the reliability of financial reports

a. The Company will establish and operate internal control systems under the direction of the President and Director and establish relevant regulations to ensure the reliability of financial reports and effectively and appropriately submit internal control reports as stipulated by the Financial Instruments and Exchange Act.

b. The Company will ensure compliance with the Financial Instruments and Exchange Act and related laws and regulations through continuous evaluation of the proper functioning of internal control systems and making of necessary improvements.

i) Basic systems for eliminating antisocial forces

a. Under the MORESCO Corporate Behavior Charter, the basic policy of the Company is to have no relationships of any kind with antisocial forces or groups that threaten the order and safety of civil society. The Company aims to spread awareness of this basic policy among all directors and employees via the internal network, etc.

b. We will respond resolutely to unreasonable demands and efforts by antisocial forces and groups in line with the Regulations for Countermeasures Against Antisocial Forces.

c. The General Affairs Department will be the department responsible for responses to antisocial forces and groups. Any unreasonable demands or efforts by antisocial forces and groups will be immediately reported to this department, with organizational measures taken to centralize the response.

d. The above department will maintain close cooperation with the police and other such bodies and will promptly contact them in the event of any unreasonable demands or efforts by antisocial forces and groups in order to request appropriate guidance and support in a timely manner.

B. Status of establishment of risk management system

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. In this system, initiatives to enhance risk management and compliance are promoted.

a) Risk management

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, 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.

Deliberations and progress at each function-specific meeting are monitored by the secretariat and reported to the Compliance and Risk Management Committee to be properly managed.

As the initiatives to prevent leakage of confidential information, in accordance with laws and regulations and the Information Security Policy, we have established the Regulations for Management of Confidential Information and the Electronic Information Management Guidelines and promote operation management to prevent leakage of both written and electronic information through such measures as controlling viewing authority, ID/password management, and restricting data transfer to external memory media or external cloud services. In addition, we work to ensure that employees are aware of the importance of information management through internal training and other opportunities. We also ensure thorough awareness of the importance of information management through internal training and other means, and as a measure to prevent the leakage of trade secrets, we require employees to submit a written pledge of confidentiality.

b) Compliance system

Regarding compliance, we have established the Compliance Regulations, Compliance Promotion Guidelines, and Internal Reporting System Regulations.

Each organization formulates a list of laws and regulations that it should observe, and the status of compliance with the listed laws and regulations are checked twice a year. The results are gathered by the secretariat and reported to the Compliance and Risk Management Committee. If any problem is found regarding the compliance status, the relevant business site shall prepare an improvement plan and report it to the Compliance and Risk Management Committee. Discussions and conclusions at the Compliance and Risk Management Committee meeting are reported at the Board of Directors meeting held in the same month, where Outside Directors give advice as necessary. To prepare for non-compliance with laws and regulations if found, an internal reporting system has been established and operated in which the company lawyer, full-time Audit and Supervisory Committee members, and General Manager of the Internal Audit Department will accept reports. Employees are familiarized with the system.

In promoting compliance, we believe that the employees' awareness of compliance with laws and regulations is crucial. We regularly provide internal training to ensure thorough understanding of the importance of confidential management, as well as training on the Act on the Protection of Personal Information and harassment prevention, an e-learning program on the themes of a whistleblowing system and insider trading regulations, and training on practical operations for contracts. We also provide education on compliance and risk management as appropriate in training programs based on job ranks, such as new employees, mid-career employees, and management, and training programs based on job functions, such as sales, production, and R&D. During the fiscal year under review, we verified the status of compliance with the regulations on confidential information management and ensured appropriate measures were taken. During the fiscal year under review, we conducted sustainability training for all employees to deepen their understanding of the MORESCO Group's efforts to achieve both the "realization of a sustainable society" and the "improvement of corporate value in the medium to long term," as well as human rights due diligence training to strengthen our response to human rights risks. We also conducted e-learning on the internal whistleblowing system and training on harassment prevention (anger management). Compliance awareness surveys for all employees are also conducted on a regular basis to grasp the Group's status of compliance.

Through these initiatives, we are further strengthening the Group's overall compliance framework and risk management.

Regarding the protection of personal information, including Specific Personal Information (My Number), we have established a management system under the Basic Policy on Protection of Personal Information and the Basic Policy on Proper Handling of Personal Numbers and Specific Personal Information, and we promote its operation by conducting training, etc. on the Act on the Protection of Personal Information for all employees.

C. Overview of content of limited liability contracts

Pursuant to the provisions of the Articles of Incorporation, the Company has entered into a limited liability contract with the Outside Directors and the Audit and Supervisory Committee members in accordance with the provision of Article 427, Paragraph 1 of the Companies Act to limit their liability for indemnity under Article 423, Paragraph 1 of the Act to the maximum amount stipulated in Article 425, Paragraph 1 of the Act.

D. Overview of the content of the directors and officers liability insurance contract

The Company has entered into a directors and officers liability insurance (D&O Insurance) contract prescribed in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The scope of the insured parties of the insurance contract is directors, corporate auditors, executive officers, and employees in managerial or supervisory positions. The insurance premiums are not paid by the insured. The insurance contract will cover any damage that may be incurred in association with any liability that directors of the insured bear with regard to the execution of their duties or any claim filed with regard to such liability. However, in order to ensure that the appropriateness of the execution of duties by the insured is not impaired, damage attributable to any act conducted with awareness that it is violating any law or regulation will not be covered.

E. Director membership

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.

F. Requirements for director appointment

The Company's Articles of Incorporation stipulate that resolutions for the appointment of directors shall be approved by a majority of the voting rights of shareholders present at the meeting with attendance of shareholders holding at least one-third of eligible voting rights.

The Articles of Incorporation also stipulate that cumulative voting shall not be used in the appointment of directors.

G. Matters for resolution of the General Meeting of Shareholders that may be resolved by the Board of Directors

a) Decision-making body for distribution of surplus, etc.

The Company's Articles of Incorporation stipulate that, unless otherwise stipulated in laws and regulations, distribution of surplus and other matters specified in the items of Article 459, Paragraph 1 of the Companies Act may be decided by resolution of the Board of Directors instead of resolution of the General Meeting of Shareholders. The purpose of this is to allow flexible return of profits to shareholders. However, year-end dividends shall be decided by resolution of the General Meeting of Shareholders.

b) Exemption of directors from liability

The Company's Articles of Incorporation stipulate that pursuant to the provision of Article 426, Paragraph 1 of the Companies Act, liability of directors (including former directors) as stipulated in Article 423, Paragraph 1 of the Act may be exempted within the legal limit. The purpose of this is to enable directors to fully perform their expected roles.

H. Requirements for special resolution of the General Meeting of Shareholders

The Company's Articles of Incorporation stipulate that special resolutions as provided for in Article 309, Paragraph 2 of the Companies Act shall be approved by two-thirds of the voting rights of shareholders present at the meeting with attendance of shareholders holding at least one-third of eligible voting rights. This is intended to facilitate the smooth operation of the General Meeting of Shareholders by relaxing the quorum for special resolutions of the General Meeting of Shareholders.

I. Activities of the Board of Directors

During the fiscal year under review, the Company's Board of Directors met 15 times, and the status of attendance of each director is as follows:

Name	Number of meetings held	Number of meetings attended (%)
Motohisa Morozumi	15	15（100%）
Nobuhiro Sewaki	15	15（100%）
Hirofumi Fujimoto	15	15（100%）
Jiro Hosomi	15	15（100%）
Katsuhito Fukuda	11	11（100%）
Hiroshi Sakai	11	11（100%）
Mikio Honda	15	15（100%）
Mikio Nakajo	15	15（100%）
Hidetoshi Nakatsuka	15	15（100%）
Hiroko Fuji	15	15（100%）

(Note) The number of times Director Katsuhito Fukuda and Hiroshi Sakai attended meetings is recorded from the time they were elected and assumed office at the 67th Annual General Meeting of Shareholders held on May 29, 2025.

J. Specific matters, etc. discussed by the Board of Directors

Specific matters, etc. discussed by the Board of Directors are as follows.

・Statutory matters to be resolved
・Revision of the Basic Policy on Corporate Governance
・Handling of strategically held shares
・Certification as a KENKO Investment for Health organization
・Establishment or absorption of overseas subsidiaries, acquisition of their equity interests, and their dissolution
・Revision of full-year consolidated results forecast and dividend forecast
・Results of the Board of Directors evaluation and responses thereto
・Contents of quarterly and semi-annual reports
・Details of monthly financial difference analysis
・Details of deliberations by the Compliance and Risk Management Committee
・Details of deliberations by the Sustainability Committee
・Important organizational changes and personnel transfers
・Business portfolio

K. Activities of the Nomination and Compensation Committee

During the fiscal year under review, the Company's Nomination and Compensation Committee met four times, and the status of attendance of each director is as follows:

Name	Number of meetings held	Number of meetings attended (%)
Motohisa Morozumi	4	4（100%）
Hiroshi Sakai	3	3（100%）
Mikio Nakajo	4	4（100%）
Hidetoshi Nakatsuka	4	4（100%）
Hiroko Fuji	4	4（100%）

(Note) The number of times Director Hiroshi Sakai attended meetings is recorded from the time he was elected and assumed office at the 67th Annual General Meeting of Shareholders held on May 29, 2025.

L. Specific matters, etc. discussed by the Nomination and Compensation Committee

Specific matters, etc. discussed by the Nomination and Compensation Committee are as follows.

・Whether or not to review policies and procedures regarding nomination and compensation
・Review of the Regulations on the Nomination and Compensation Committee
・Director candidates
・Compensation system
・Amounts of compensation for individual directors
・Skills matrix

(2) Officers

i) List of officers

a. The status of officers of the Company as of May 26, 2026 (the reporting date of the Annual Securities Report) is as follows:

Male: 9, Female: 1 (Female officers accounting for 10.0%)

Title	Name	Date of birth	Career summary	Term of office	Shares held (shares)
Representative Director President CEO	Motohisa Morozumi	April 23, 1962	April 1987 Joined HBF Japan (currently Sekisui Fuller Company, Ltd.) March 1999 Joined the Company. Section Manager, Tokyo Sales, Sales Department III March 2007 General Manager, Sales Department, Hot melt Adhesive of the Company May 2008 Executive Officer General Manager, Sales Department, Hot melt Adhesive of the Company March 2011 Executive Officer Division Manager, Hot melt Adhesive and General Manager, Sales Department, Hot melt Adhesive of the Company May 2011 Director and Executive Officer Division Manager, Hot melt Adhesive and General Manager, Sales Department, Hot melt Adhesive of the Company 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 of the Company March 2015 Director and Executive Officer Division Manager, Hot melt Adhesive of the Company May 2017 Director and Senior Managing Executive Officer Division Manager, Hot melt Adhesive and Division Manager, Metal Working Fluids of the Company May 2018 Representative Director, President and Executive Officer, COO May 2021 Representative Director, President, CEO of the Company (current position)	(Note 2)	45,819
Director Senior Managing Executive Officer, COO	Nobuhiro Sewaki	March 23, 1964	April 1982 Joined the Company March 2008 General Manager, Sales Department, Functional Fluids Division of the Company May 2010 Executive Officer General Manager, Sales Department, Functional Fluids Division of the Company March 2015 Representative Director, President of MORESCO (THAILAND) CO., LTD. May 2015 Executive Officer in charge of Southeast Asia of the Company May 2016 Senior Executive Officer in charge of Southeast Asia of the Company February 2017 Representative Director, President of MORESCO HM&LUB INDIA PRIVATE LIMITED May 2017 Director, Senior Executive Officer in charge of Southeast Asia of the Company May 2018 Director, Senior Executive Officer in charge of overseas of the Company November 2020 Chairman, Wuxi MoreTex Technology Co., Ltd. May 2021 Director, Senior Managing Executive Officer, COO (current position) April 2025 President, Representative Director, MORESCO TECHNO Co., Ltd. (current position)	(Note 2)	23,838
Director Managing Executive Officer, CFO Sustainability	Hirofumi Fujimoto	July 14, 1966	April 2010 Syndication Promotion Manager, Products Distribution Department, Mizuho Corporate Bank, Ltd. (currently, Mizuho Bank, Ltd.) July 2012 Deputy General Manager, Shinjuku Corporate Banking Department, Mizuho Corporate Bank, Ltd. April 2015 General Manager, Investors Service Department, Trust & Custody Services Bank, Ltd. (currently, Custody Bank of Japan, Ltd.) May 2017 Senior Manager, Internal Audit Department, Mizuho Bank, Ltd. March 2019 Joined the Company. Deputy General Manager, Strategy Planning Department March 2020 General Manager, Overseas Sales Department, Hot melt Adhesive of the Company January 2021 Executive Officer, CFO Administrative Division of the Company March 2021 Executive Officer, CFO Administrative Division and Safety of the Company May 2021 Director, Senior Executive Officer, CFO Administrative Division and Safety of the Company March 2022 Director Senior Executive Officer, CFO of the Company April 2024 Director, Senior Executive Officer, CFO Sustainability of the Company May 2025 Director, Managing Executive Officer, CFO Sustainability of the Company (current position)	(Note 2)	11,287

Title	Name	Date of birth	Career summary		Term of office	Shares held (shares)
Director Executive Officer, Global Operations	Jiro Hosomi	June 9, 1972	April 1996 March 2014 May 2018 May 2019 May 2021 March 2023 May 2024 March 2025	Joined the Company General Manager, Sales Department, Metal Working Fluids of the Company Division Manager, Metal Working Fluids and General Manager, Sales Department, Metal Working Fluids of the Company Executive Officer Division Manager, Metal Working Fluids and General Manager, Sales Department, Metal Working Fluids of the Company President, Representative Director, MORESCO TECHNO Co., Ltd. (current position) Executive Officer Division Manager, Functional Fluids of the Company Director, Executive Officer, Global Operations of the Company (current position) Representative Director, President of MORESCO HM&LUB INDIA PRIVATE LIMITED (current position)	(Note 2)	9,154
Director Executive Officer CTO	Katsuhito Fukuda	March 3, 1970	April 1992 March 2012 March 2015 March 2021 March 2022 May 2025	Joined the Company General Manager, R&D Department, Hot melt Adhesive of the Company Executive Officer General Manager, R&D Department, Hot melt Adhesive of the Company Executive Officer General Manager, R&D Department, Hot melt Adhesive and General Manager, Corporate R&D Department of the Company Executive Officer General Manager, Corporate R&D Department of the Company Director, Executive Officer, CTO (current position)	(Note 2)	3,193
Director	Hiroshi Sakai	October 25, 1961	November 2007 September 2008 January 2012 January 2015 January 2019 January 2020 March 2020 January 2022 January 2022 January 2023 January 2025 May 2025	General Manager, Ichihara R&D Center, HD Division, Electronics Section, Showa Denko K.K. (now Resonac Corporation) General Manager, Technology Development Department, HD Section, Showa Denko K.K. Corporate Fellow and General Manager, Technology Development Department, HD Section, Showa Denko K.K. Senior Corporate Fellow and General Manager, Technology Development Control Department, HD Division, Showa Denko K.K. Trustee and General Manager, Technology Development Control Department, Device Solutions Division, Showa Denko K.K. Corporate Officer and Chief Technology Officer (CTO), Showa Denko K.K Director, Corporate Officer, and Chief Technology Officer (CTO), Showa Denko K.K. Director, Managing Corporate Officer, and Chief Technology Officer (CTO), Showa Denko K.K. Managing Corporate Officer and Chief Technology Officer (CTO), Showa Denko Materials Co., Ltd. (now Resonac Corporation) Fellow, Resonac Corporation Advisor, Resonac Hard Disk Corporation (current position) Director of the Company (current position)	(Note 2)	669
Director (Full-time Audit and Supervisory Committee Member)	Mikio Honda	June 21, 1962	April 1986 March 2007 March 2010 March 2012 March 2017 May 2022	Joined the Company Section Manager of General Affairs, General Affairs Department of the Company Section Manager of Human Resources, Human Resources Department, Administration Division of the Company Section Manager of Operations, Akoh Plant of the Company General Manager, General Affairs Department of the Company Director of the Company (Audit and Supervisory Committee Member) (current position)	(Note 3)	4,462
Director (Audit and Supervisory Committee Member)	Mikio Nakajo	March 19, 1963	April 1998 April 2005 June 2010 June 2011 May 2019 June 2019 May 2020	Registered as attorney, joined the Sawada and Kikui Law Office (now Sawada, Nakajo and Mori Law Office) Partner attorney, Sawada and Nakajo Law Office (now Sawada, Nakajo and Mori Law Office) External auditor, Nishishiba Electric, Co., Ltd. External auditor, GLORY LTD. Representative attorney, Sawada, Nakajo and Mori Law Office (current position) External auditor, Yamato Kogyo Co., Ltd. (current position) Director of the Company (Audit and Supervisory Committee Member) (current position)	(Note 3)	446

Title	Name	Date of birth	Career summary		Term of office	Shares held (shares)
Director (Audit and Supervisory Committee Member)	Hidetoshi Nakatsuka	October 26, 1964	April 1983	Hired by the Osaka Regional Taxation Bureau	(Note 3)	5,218
			July 2000	Company Split PT (in charge of notification of organizational restructuring taxation systems), Corporation Taxation Division, Taxation Department, and Large Enterprise Examination Division, Large Enterprise Examination and Criminal Investigation Department, National Tax Agency		
			January 2002	Corporate Planning Office, Tax Bureau, Ministry of Finance (in charge of consolidated taxation laws) and Large Enterprise Examination Division, Large Enterprise Examination and Criminal Investigation Department, National Tax Agency		
			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 of the Company (Audit and Supervisory Committee Member) (current position)		
			June 2023	Outside Director, KAJI TECHNOLOGY CORPORATION (current position)		
Director (Audit and Supervisory Committee Member)	Hiroko Fuji	September 27, 1960	April 1981	Joined Daimaru Co., Ltd. (currently, Daimaru Matsuzakaya Department Stores Co. Ltd.)	(Note 4)	5,441
			May 2011	Executive Officer and General Manager, MD Promotion Department 2, MD Strategy Promotion Office, Daimaru Matsuzakaya Department Stores Co. Ltd.		
			September 2011	Executive Officer and General Manager, MD Strategy Promotion Office, Independent Business Unit, 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.		
			January 2021	Executive Officer in charge of Special Assignments from President, Daimaru Matsuzakaya Department Stores, Co. Ltd.		
			June 2021	General Manager, Ad Tele-support Division, AD DAISEN Co., Ltd.		
			May 2022	Director of the Company		
			May 2025	Director of the Company (Audit and Supervisory Committee Member) (current position)		
Total						109,727

(Notes)
1. Directors Hiroshi Sakai, Mikio Nakajo, Hidetoshi Nakatsuka and Hiroko Fuji are Outside Directors.
2. The term of office is until the conclusion of the General Meeting of Shareholders for the last fiscal year that ends within a year after the appointment on May 29, 2025.
3. The term of office is until the conclusion of the General Meeting of Shareholders for the last fiscal year that ends within two years after the appointment on May 30, 2024.
4. Since this appointment is due to the resignation of the predecessor, the term of office is until the expiration of the term of office of the predecessor. The predecessor's term of office is until the conclusion of the General Meeting of Shareholders for the last fiscal year that ends within two years after the appointment on May 30, 2024.
5. As an initiative to enhance corporate governance, the Company has introduced the executive officer system since May 30, 2006 for the purpose of expediting decision making and strengthening the functions of the Board of Directors.
   Currently, the Company has 14 executive officers.
   Senior Managing Executive Officer, COO, President, Representative Director of MORESCO TECHNO Co., Ltd.: Nobuhiro Sewaki
   Managing Executive Officer, CFO, Sustainability: Hirofumi Fujimoto
   Senior Executive Officer, President, Representative Director of MATSUKEN CO., LTD.: Eijiro Oda
   Executive Officer, North America, Division Manager, Special Lubricants: Hidenori Amaki
   Executive Officer, Southeast/South Asia President of MORESCO (THAILAND) CO., LTD. and President of PT. MORESCO MACRO ADHESIVE: Keiichi Matsutani
   Executive Officer, CTO: Katsuhito Fukuda
   Executive Officer, China
   President of MORESCO HANANO DIE-CASTING COATING (SHANGHAI) CO., LTD.,

President of MORESCO (ZHEJIANG) FUNCTIONAL MATERIAL CO., LTD., President of MORESCO TRADING (ZHEJIANG) CO., LTD. and MORESCO (HAINING) NEW INTERFACE MATERIAL CO., LTD.: Liu Yingjin

Executive Officer, Global Operations, and President of MORESCO HM&LUB INDIA PRIVATE LIMITED.: Jiro Hosomi

Executive Officer Division Manager, Hot melt Adhesive: Kazuyoshi Fujita

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

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

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

Executive Officer, Corporate Strategy, and General Manager of Strategy Planning Department: Yasufumi Kuki

Executive Officer, Life Science, Nagayoshi Kobatashi

b. The Company has proposed as agenda items (matters for resolution) for the 68th Ordinary General Meeting of Shareholders scheduled to be held on May 27, 2026 “Election of Six Directors (excluding Directors who are Audit and Supervisory Committee Members)” and “Election of Four Directors who are Audit and Supervisory Committee Members.” If these proposals are approved, the status of officers of the Company will be as follows: The positions and titles of the officers listed here include the matters for resolution (positions, etc.) at the Board of Directors meeting scheduled to be held immediately after the relevant Ordinary General Meeting of Shareholders.

Male: 8, Female: 2 (Female officers accounting for 20.0%)

Title	Name	Date of birth	Career summary		Term of office	Shares held (shares)
Representative Director President CEO	Motohisa Morozumi	April 23, 1962	April 1987	Joined HBF Japan (currently Sekisui Fuller Company, Ltd.)	(Note 2)	45,819
			March 1999	Joined the Company. Section Manager, Tokyo Sales, Sales Department III		
			March 2007	General Manager, Sales Department, Hot melt Adhesive of the Company		
			May 2008	Executive Officer General Manager, Sales Department, Hot melt Adhesive of the Company		
			March 2011	Executive Officer Division Manager, Hot melt Adhesive and General Manager, Sales Department, Hot melt Adhesive of the Company		
			May 2011	Director and Executive Officer Division Manager, Hot melt Adhesive and General Manager, Sales Department, Hot melt Adhesive of the Company		
			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 of the Company		
			March 2015	Director and Executive Officer Division Manager, Hot melt Adhesive of the Company		
			May 2017	Director and Senior Managing Executive Officer Division Manager, Hot melt Adhesive and Division Manager, Metal Working Fluids of the Company		
			May 2018	Representative Director, President and Executive Officer, COO		
			May 2021	Representative Director, President, CEO of the Company (current position)		
Director Senior Managing Executive Officer, COO	Nobuhiro Sewaki	March 23, 1964	April 1982	Joined the Company	(Note 2)	23,838
			March 2008	General Manager, Sales Department, Functional Fluids Division of the Company		
			May 2010	Executive Officer General Manager, Sales Department, Functional Fluids Division of the Company		
			March 2015	Representative Director, President of MORESCO (THAILAND) CO., LTD.		
			May 2015	Executive Officer in charge of Southeast Asia of the Company		
			May 2016	Senior Executive Officer in charge of Southeast Asia of the Company		
			February 2017	Representative Director, President of MORESCO HM&LUB INDIA PRIVATE LIMITED		
			May 2017	Director, Senior Executive Officer in charge of Southeast Asia of the Company		
			May 2018	Director, Senior Executive Officer in charge of overseas of the Company		
			November 2020	Chairman, Wuxi MoreTex Technology Co., Ltd.		
			May 2021	Director, Senior Managing Executive Officer, COO (current position)		
			April 2025	President, Representative Director, MORESCO TECHNO Co., Ltd. (current position)		

Title	Name	Date of birth	Career summary		Term of office	Shares held (shares)
Director Managing Executive Officer, CFO Sustainability	Hirofumi Fujimoto	July 14, 1966	April 2010 July 2012 April 2015 May 2017 March 2019 March 2020 January 2021 March 2021 May 2021 March 2022 April 2024 May 2025	Syndication Promotion Manager, Products Distribution Department, Mizuho Corporate Bank, Ltd. (currently, Mizuho Bank, Ltd.) Deputy General Manager, Shinjuku Corporate Banking Department, Mizuho Corporate Bank Ltd. General Manager, Investors Service Department, Trust & Custody Services Bank, Ltd. (currently, Custody Bank of Japan, Ltd.) Senior Manager, Internal Audit Department, Mizuho Bank, Ltd. Joined the Company. Deputy General Manager, Strategy Planning Department General Manager, Overseas Sales Department, Hot melt Adhesive of the Company Executive Officer, CFO Administrative Division of the Company Executive Officer, CFO Administrative Division and Safety of the Company Director, Senior Executive Officer, CFO Administrative Division and Safety of the Company Director Senior Executive Officer, CFO of the Company Director, Senior Executive Officer, CFO Sustainability of the Company Director, Managing Executive Officer, CFO Sustainability of the Company (current position)	(Note 2)	11,287
Director Executive Officer, Global Operations	Jiro Hosomi	June 9, 1972	April 1996 March 2014 May 2018 May 2019 May 2021 March 2023 May 2024 March 2025	Joined the Company General Manager, Sales Department, Metal Working Fluids of the Company Division Manager, Metal Working Fluids and General Manager, Sales Department, Metal Working Fluids of the Company Executive Officer Division Manager, Metal Working Fluids and General Manager, Sales Department, Metal Working Fluids of the Company President, Representative Director, MORESCO TECHNO Co., Ltd. (current position) Executive Officer Division Manager, Functional Fluids of the Company Director, Executive Officer, Global Operations of the Company (current position) Representative Director, President of MORESCO HM&LUB INDIA PRIVATE LIMITED (current position)	(Note 2)	9,154
Director Executive Officer CTO	Katsuhito Fukuda	March 3, 1970	April 1992 March 2012 March 2015 March 2021 March 2022 May 2025	Joined the Company General Manager, R&D Department, Hot melt Adhesive of the Company Executive Officer General Manager, R&D Department, Hot melt Adhesive of the Company Executive Officer General Manager, R&D Department, Hot melt Adhesive and General Manager, Corporate R&D Department of the Company Executive Officer General Manager, Corporate R&D Department of the Company Director, Executive Officer, CTO (current position)	(Note 2)	3,193
Director	Hiroshi Sakai	October 25, 1961	November 2007 September 2008 January 2012 January 2015 January 2019 January 2020 March 2020 January 2022 January 2022 January 2023 January 2025 May 2025	General Manager, Ichihara R&D Center, HD Division, Electronics Section, Showa Denko K.K. (now Resonac Corporation) General Manager, Technology Development Department, HD Section, Showa Denko K.K. Corporate Fellow and General Manager, Technology Development Department, HD Section, Showa Denko K.K. Senior Corporate Fellow and General Manager, Technology Development Control Department, HD Division, Showa Denko K.K. Trustee and General Manager, Technology Development Control Department, Device Solutions Division, Showa Denko K.K. Corporate Officer and Chief Technology Officer (CTO), Showa Denko K.K Director, Corporate Officer, and Chief Technology Officer (CTO), Showa Denko K.K. Director, Managing Corporate Officer, and Chief Technology Officer (CTO), Showa Denko K.K. Managing Corporate Officer and Chief Technology Officer (CTO), Showa Denko Materials Co., Ltd. (now Resonac Corporation) Fellow, Resonac Corporation Advisor, Resonac Hard Disk Corporation (current position) Director of the Company (current position)	(Note 2)	669

Title	Name	Date of birth	Career summary	Term of office	Shares held (shares)
Director (Full-time Audit and Supervisory Committee Member)	Tadashi Takeuchi	July 18, 1967	April 1993 Joined the Company March 2007 Oyama Sales Manager (Section Manager), Sales Department, Functional Fluids of the Company March 2011 Sales Support Section Manager and Sales Planning Section Manager, Osaka Branch of the Company March 2016 General Manager in charge of Strategy Planning Department of the Company March 2018 General Manager, Human Resources Department, Administrative Division of the Company May 2022 General Manager, Human Resources Department, and General Manager, General Affairs Department of the Company February 2023 General Manager, Human Resources Department of the Company March 2024 General Manager, Internal Audit Department of the Company May 2026 Director of the Company (Audit and Supervisory Committee Member) (current position)	(Note 3)	121
Director (Audit and Supervisory Committee Member)	Mikio Nakajo	March 19, 1963	April 1998 Registered as attorney, joined the Sawada and Kikui Law Office (now Sawada, Nakajo and Mori Law Office) April 2005 Partner attorney, Sawada and Nakajo 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 of the Company (Audit and Supervisory Committee Member) (current position)	(Note 3)	446
Director (Audit and Supervisory Committee Member)	Hiroko Fuji	September 27, 1960	April 1981 Joined Daimaru Co., Ltd. (currently, Daimaru Matsuzakaya Department Stores Co. Ltd.) May 2011 Executive Officer and General Manager, MD Promotion Department 2, MD Strategy Promotion Office, Daimaru Matsuzakaya Department Stores Co. Ltd. September 2011 Executive Officer and General Manager, MD Strategy Promotion Office, Independent Business Unit, 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. January 2021 Executive Officer in charge of Special Assignments from President, Daimaru Matsuzakaya Department Stores, Co. Ltd. June 2021 General Manager, Ad Tele-support Division, AD DAISEN Co., Ltd. May 2022 Director of the Company May 2025 Director of the Company (Audit and Supervisory Committee Member) (current position)	(Note 3)	5,441
Director (Audit and Supervisory Committee Member)	Yukiko Hirazawa	March 17, 1964	April 1982 Joined the Osaka Regional Taxation Bureau July 2017 District Director, Kainan Tax Office July 2022 District Director, Kadoma Tax Office September 2024 Opened Yukiko Hirazawa Tax Accountant Office, Director (current position) June 2025 Outside Director, Hoshiden Corporation (current position) May 2025 Director of the Company (Audit and Supervisory Committee Member) (current position)	(Note 3)	—
Total					99,968

(Notes)
1. Directors Hiroshi Sakai, Mikio Nakajo, Hiroko Fuji and Yukiko Hirazawa are Outside Directors.
2. The term of office is until the conclusion of the General Meeting of Shareholders for the last fiscal year that ends within a year after the appointment on May 27, 2026.
3. The term of office is until the conclusion of the General Meeting of Shareholders for the last fiscal year that ends within two years after the appointment on May 27, 2026.
4. As an initiative to enhance corporate governance, the Company has introduced the executive officer system since May 30, 2006 for the purpose of expediting decision making and strengthening the functions of the Board of Directors.
   Currently, the Company has 14 executive officers.

Senior Managing Executive Officer, COO, President, Representative Director of MORESCO TECHNO Co., Ltd.: Nobuhiro Sewaki
Managing Executive Officer, CFO, Sustainability: Hirofumi Fujimoto
Senior Executive Officer, President, Representative Director of MATSUKEN CO., LTD.: Eijiro Oda
Executive Officer, North America, Division Manager, Special Lubricants: Hidenori Amaki
Executive Officer, Southeast/South Asia President of MORESCO (THAILAND) CO., LTD. and President of PT. MORESCO MACRO ADHESIVE: Keiichi Matsutani
Executive Officer, CTO: Katsuhito Fukuda
Executive Officer, China
President of MORESCO HANANO DIE-CASTING COATING (SHANGHAI) CO., LTD., President of MORESCO (ZHEJIANG) FUNCTIONAL MATERIAL CO., LTD., President of MORESCO TRADING (ZHEJIANG) CO., LTD. and MORESCO (HAINING) NEW INTERFACE MATERIAL CO., LTD.: Liu Yingjin
Executive Officer, Global Operations, and President of MORESCO HM&LUB INDIA PRIVATE LIMITED.: Jiro Hosomi
Executive Officer Division Manager, Hot melt Adhesive: Kazuyoshi Fujita
Executive Officer, Division Manager, Liquid Paraffin & Sulfonates and Division Manager, Device Materials: Yasushi Hosooka
Executive Officer, Circular Products, General Manager, Corporate R&D Department: Naohiro Kanematsu
Executive Officer, Production and Safety, and General Manager of Process & Production Technology Department: Hiroki Iwase
Executive Officer, Corporate Strategy, and General Manager of Strategy Planning Department: Yasufumi Kuki
Executive Officer, Life Science, Nagayoshi Kobatashi

ii) Outside Officers

A. Relationship with Outside Directors

As of May 26, 2026 (the reporting date of the Annual Securities Report), the Company had four Outside Directors (including three Outside Directors who are Audit and Supervisory Committee members).All of these Outside Directors are independent officers as defined in the Securities Listing Regulations of the Tokyo Stock Exchange. The Company has proposed as agenda items (matters for resolution) for the 68th Ordinary General Meeting of Shareholders scheduled to be held on May 27, 2026 “Election of Six Directors (excluding Directors who are Audit and Supervisory Committee Members)” and “Election of Four Directors who are Audit and Supervisory Committee Members.” If these proposals are approved, Yukiko Hirazawa will replace Hidetoshi Nakatsuka as a Director who is an Audit and Supervisory Committee member. After the agendum is approved as originally proposed, there will be no change to the number of members mentioned above.

Hiroshi Sakai, Outside Director, 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. By leveraging his abundant experience and knowledge, he provides us with guidance and advice regarding the management and research and development of the Company. He is from Resonac Corporation, and the Company has a relationship with Resonac Corporation involving joint research and development. Although there is a trading relationship between the Company and Resonac Corporation, the transactions amount to less than 1% of the Company’s consolidated net sales. In addition, he concurrently serves as an advisor to Resonac Hard Disk Corporation, with which the Company has a relationship involving joint research and development. Although there is a trading relationship between the Company and Resonac Corporation, the transactions amount to less than 1% of the Company’s consolidated net sales.

Mikio Nakajo, Outside Director who is an Audit and Supervisory Committee Member, has professional knowledge and extensive experience gained over many years as an attorney. By making use of his experience and knowledge, he has properly performed auditing and supervision. He is the representative attorney of the Sawada, Nakajo and Mori Law Office and also serves as an external auditor of Yamato Kogyo Co., Ltd. However, there is no relationship that should be disclosed between the Company and the Law Office or Yamato Kogyo Co., Ltd.

Hidetoshi Nakatsuka, Outside Director who is an Audit and Supervisory Committee Member, 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 finance, accounting and taxation. By making use of his experience and knowledge, he has properly performed auditing and supervision. He is a representative of the Hidetoshi Nakatsuka Tax Accountant Office and also serves as an external auditor of Tiger Corporation and an outside director of KAJI TECHNOLOGY CORPORATION. However, there is no relationship that should be disclosed between the Company and the Office or either of the two companies.

Hiroko Fuji, Outside Director who is an Audit and Supervisory Committee Member, 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. She was appointed as a Director of the Company in 2022. Utilizing her experience and insights, she has provided guidance and advice on the Company’s management and the career development of female employees and female managers. Through dialogue with employees in the sales and corporate administration departments, she has contributed to enhancing employee engagement and human resource development. By leveraging her experience and insights, she appropriately performs audit and supervisory duties. She used to be an executive officer of Daimaru Matsuzakaya Department Stores Co. Ltd. in the past, but there is no relationship that should be disclosed between the Company and Daimaru Matsuzakaya Department Stores Co. Ltd.

Yukiko Hirazawa, an Outside Director who is an Audit and Supervisory Committee Member, has experience of being involved in tax administration for many years. She is also familiar with corporate taxation as a tax accountant and thus has acquired professional knowledge about finance, accounting, and taxation. We have appointed her as an Outside Director who is an Audit and Supervisory Committee Member as we believe that she can make use of her experience and knowledge in audit and supervisory duties. She is the head of the Yukiko Hirazawa Tax Accountant Office and also serves as an outside director of Hoshiden Corporation. However, there is no relationship that should be disclosed between the Company and the Office or Hoshiden Corporation.

As stated above, there are no personal, capital, trading or any other relationships between the Company and its Outside Directors that may cause conflicts of interest with general shareholders.

B. Policy on independence of Outside Directors

In appointing Outside Directors, the Company has not established any particular criteria or policy concerning their independence. However, when appointing an Outside Director, we determine for each candidate, based on his/her career history and relationship with Company, whether sufficient independence can be ensured so that the candidate will be able to perform his/her duties as an Outside Director in a standpoint independent from management of the Company.

iii) Mutual cooperation between supervision or audits by Outside Directors and internal audits, audits by Audit and Supervisory Committee Members and accounting audits, and relationship with internal control department

All of the Outside Directors of the Company supervise or audit business management from a standpoint independent from the Company’s management. They receive reports on the status of development and operation of internal control systems, including compliance and risk management, and express opinions as appropriate.

The Audit and Supervisory Committee, of which a majority of members are Outside Directors, exchange opinions and information with directors in charge of internal control whenever necessary, and work to improve effectiveness of supervision and auditing in cooperation with the internal control department, accounting auditors, etc. Through these measures, the Company strives to ensure the soundness and appropriateness of its business management.

(3) Status of Audits

i) Status of audits by the Audit and Supervisory Committee

A. Organization and personnel of the Audit and Supervisory Committee

The Audit and Supervisory Committee consists of four members, including three independent Outside Directors, and one of them has been appointed as a full-time Audit and Supervisory Committee Member. The Company has proposed as one of the agenda items (matters for resolution) for the 68th Ordinary General Meeting of Shareholders scheduled to be held on May 27, 2026 "Election of Four Directors who are Audit and Supervisory Committee Members." If this proposal is approved, Yukiko Hirazawa will replace Hidetoshi Nakatsuka as a Director who is an Audit and Supervisory Committee member. After the agendum is approved as originally proposed, there will be no change to the number of members mentioned above.

The Outside Director who is an Audit and Supervisory Committee Member has abundant experience and extensive knowledge in management, legal affairs, taxation, etc. and is responsible for performing the audit function from an independent third-party perspective. Director Hidetoshi Nakatsuka and Audit and Supervisory Committee Member Yukiko Hirazawa have experience in tax administration and are also well versed in corporate taxation as tax accountants, and therefore possess professional knowledge of finance, accounting, and taxation.

The Audit and Supervisory Committee conducts systematic audits and gives opinions based on reports it receives from the Internal Audit Department and through other internal control systems. The Internal Audit Department and accounting auditors keep close contact through reporting to each other on audit plans and the status of implementation, results, etc. on a regular basis and exchanging opinions, with the aim of improving the effectiveness of audits.

B. The Audit and Supervisory Committee meetings

The Audit and Supervisory Committee meetings are held in conjunction with the Board of Directors' meetings and also on a quarterly basis. During the fiscal year under review, 17 meetings were held. The meeting time was about 1.2 hours for regular meetings and about 1.7 hours for quarterly meetings.

The status of attendance of the Audit and Supervisory Committee Members is as follows.

Name	Number of meetings held	Number of meetings attended (%)
Mikio Honda	17	17(100%)
Mikio Nakajo	17	16(94%)
Hidetoshi Nakatsuka	17	17(100%)
Hiroko Fuji	13	13(100%)

(Note) The number of times Director Hiroko Fuji attended meetings is recorded from the time he was elected and assumed office at the 67th Annual General Meeting of Shareholders held on May 29, 2025.

C. Specific matters, etc. discussed by the Audit and Supervisory Committee

Specific matters, etc. discussed by the Audit and Supervisory Committee are as follows.

- Statutory matters to be resolved
- Audit policy and audit plan of the Audit and Supervisory Committee
- Evaluation of the committee activities for the Audit and Supervisory Committee audit reports
- Exchange of information with the accounting auditor on the status of audits and various consultations regarding KAM
- Evaluation of accounting auditors
- Comprehensive approval for non-assurance services provided by the accounting auditor
- Formation of opinions on nomination and remuneration of directors who are not a member of the Audit and Supervisory Committee
- Exchange of opinions with directors, including Representative Directors
- Individual interviews with executive officers, etc.
- Exchange of opinions with General Manager, Internal Audit Department
- Exchange of opinions with the Compliance and Risk Management Committee secretariat

D. Major activities of full-time Audit and Supervisory Committee Members

Major activities of the full-time Audit and Supervisory Committee Members are as follows.

- Attendance at important meetings, such as the meetings of the Management Committee, Compliance and Risk Management Committee, and Sustainability Committee
- Viewing approval documents, contracts, and minutes of meetings
- Regular meetings with the Internal Audit Department
- Investigation on the status of operations and property of business sites in Japan
- Auditing of overseas subsidiaries on-site and using online meetings
- Monitoring the status of deliberations of the Nomination and Compensation Committee

ii) Status of internal audits

A Internal audits

The Company has an internal audit system in which the Internal Audit Department, established as an organization under direct control of the President and consisting of four members, checks and provides guidance for all departments, including subsidiaries, regarding compliance with laws and regulations, the effectiveness of internal control, etc. on a regular basis.

The Internal Audit Department conducts internal control audits over financial reporting, accounting audits, operational audits, and special audits assigned by the Director and President to check whether the business activities in each department are appropriate and effective and in compliance with laws and regulations, the Articles of Incorporation, and other company regulations and standards, thereby contributing to improving management efficiency and proper business management of the Company.

B. Mutual cooperation between internal audits, audits by Audit and Supervisory Committee, and accounting audits, and relationship between these audits and the internal control department

At the Company, the Internal Audit Department and the full-time Audit and Supervisory Committee Members hold regular monthly meetings, where the Internal Audit Department reports on audit plans and the status of internal audit activities and opinions are exchanged. They have a system of mutual cooperation on a daily basis, such as conducting joint audits of subsidiaries, including those overseas, from the perspective of improving audit efficiency. The full-time Audit and Supervisory Committee Members report on the regular meetings with the Internal Audit Department at the monthly meetings of the Audit and Supervisory Committee. They also receive reports from the Internal Audit Department at the quarterly meetings of the Audit and Supervisory Committee to exchange opinions.

For accounting audits, the Internal Audit Department collaborates with the accounting auditor as needed regarding internal control audits over financial reporting, etc. In addition, the Internal Audit Department, along with the Audit and Supervisory Committee, attend the audit plan briefings and semiannual audit report meetings by the accounting auditor to exchange opinions and ensure close cooperation.

C. Initiatives to ensure the effectiveness of internal audits

The Internal Audit Department is positioned as the core of the internal control function that the executive sector, centered around the Director and President, is forming. While receiving specific instructions from the Director and President at monthly reporting meetings, it reports to and exchange opinions with the Audit and Supervisory Committee on audit plans and results on a regular basis.

The Audit and Supervisory Committee, when it deems necessary, may request the Internal Audit Department to conduct an investigation or give specific instructions regarding the execution of its duties, thereby ensuring the effectiveness of audits.

The Internal Audit Department does not have a system in place to report audit results directly to the Board of Directors. However, it reports overall audit results twice a year at the Compliance and Risk Management Committee meetings attended by executive directors and full-time Audit and Supervisory Committee Members, and the results are also reported to the Board of Directors in the month in which the report is made.

iii) Status of accounting audits

A. Name of auditing firm

Grant Thornton Taiyo LLC

B. Continuous audit period

7 years

C. Certified public accountants performing audit work

Kenji Furuta
Tatsuya Yoshinaga

D. Composition of assistants involved in audit work

Assistants who are involved in the accounting audit work of the Company are 6 certified public accountants and 13 others.

E. Policy and reason for selecting accounting auditors

As a result of considering comprehensively the quality management system, independence, expertise, the system for auditing activities, and the level of audit compensation in accordance with the Criteria for Selecting Accounting Auditor Candidates, the Company has determined that Grant Thornton Taiyo LLC has a system to ensure that the Company's accounting audit is conducted properly and adequately, and thus it appointed the firm as its accounting auditor.

If the accounting auditor is deemed to fall under any of the items of Article 340, Paragraph 1 of the Companies Act, the Audit and Supervisory Committee will dismiss the accounting auditor with the consent of all of the Audit and Supervisory Committee Members. In such a case, an Audit and Supervisory Committee Member selected by the Committee will report the dismissal of the accounting auditor and the reason therefor at the first General Meeting of Shareholders convened after the dismissal.

In addition, the Audit and Supervisory Committee will determine whether it is appropriate to submit a proposal for dismissal or refusal of reappointment of the accounting auditor for the General Meeting of Shareholders when:

a) the accounting auditor has received disciplinary treatment or disposition by the supervisory authorities due to a serious violation of the Certified Public Accountants Act or other important law or regulation, and the Committee has judged that there is no prospect of improvement thereto;
b) as a result of comprehensive examination, the Committee has judged that the audit quality, quality management, independence, efficiency, comprehensive abilities, etc., of the accounting auditor are insufficient;
c) the continuous audit period of the accounting auditor exceeds 10 years in principle; or
d) the Committee has judged that replacement of the accounting auditor will enable the Company to establish a more appropriate audit system.

F. Evaluation of the accounting auditor by the Audit and Supervisory Committee

The Company's Audit and Supervisory Committee examined the evaluation items of the accounting auditor, including its quality management system, details of the audit plan, audit operations (audit items, audit time, etc.), communication with management and the Audit and Supervisory Committee, and response to the Group audits. As a result, no significant items to be pointed out were found, and therefore the Committee has reappointed the accounting auditor.

iv) Details of audit fees, etc.

A. Remuneration to auditing certified public accountants, etc.

Category	Previous consolidated fiscal year		Consolidated fiscal year under review	
	Fees for audit certification (millions of yen)	Fees for non-audit services (millions of yen)	Fees for audit certification (millions of yen)	Fees for non-audit services (millions of yen)
The Company (reporting company)	30	—	30	—
Consolidated subsidiaries	—	—	—	—
Total	30	—	30	—

B. Remuneration to the network of the auditing certified public accountants, etc. (excluding remuneration from A.)

Category	Previous consolidated fiscal year		Consolidated fiscal year under review	
	Fees for audit certification (millions of yen)	Fees for non-audit services (millions of yen)	Fees for audit certification (millions of yen)	Fees for non-audit services (millions of yen)
The Company (reporting company)	—	—	—	—
Consolidated subsidiaries	2	—	2	0
Total	2	—	2	0

C. Policy for determining audit fees

The fees are determined properly by the Representative Director with consent of the Audit and Supervisory Committee in accordance with the Articles of Incorporation, taking into consideration the audit plan, audit content, audit schedule, etc. of the accounting auditor.

D. Reasons for the Audit and Supervisory Committee's consent to fees, etc. of the accounting auditor

The Audit and Supervisory Committee, based on the draft of the audit policy for the relevant fiscal year submitted by the accounting auditor and the hearing of executive employees on their recognition and intention, examined the analysis/evaluation of audit results of the previous fiscal year, analysis on the difference between the audit plan and results, the appropriateness of the audit time, staffing plan and the remuneration estimate, and the reasonable rate of audit remuneration, etc. As a result, no problems were found with these matters, and the Committee judged the fees, etc. as appropriate and thus provided consent as prescribed in Article 399, Paragraph 1 of the Companies Act.

(4) Remuneration, etc. for officers

i) Policies for determining the amount and calculation method of remuneration, etc. of officers

A. Policy for determining remuneration of Directors (excluding Directors who are Audit and Supervisory Committee Members)

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, our policy is to consider the balance with business performance results, duties, position, general level, and the employee salaries.

Remuneration of a director 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. For Outside Directors, base remuneration calculated based only on their positions are paid.

The amount of each type of remuneration is calculated as described below and paid at the time as indicated, though the ratio of each type of remuneration has not been determined.

a) Base remuneration

i) Amount calculated according to position

ii) Amount calculated according to performance of the previous year

The total amount of i) and ii) is paid in a fixed amount every month from June each year to May the following year.

b) 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.

When a director concurrently serves as an executive officer, no remuneration is paid for the duties of the executive officer.

At the 66th Ordinary General Meeting of Shareholders held on May 30, 2024, it was decided that remuneration of Directors (excluding directors who are Audit and Supervisory Committee Members) should be not more than 250 million yen annually (including an annual amount of not more than 20 million yen for Outside Directors) and remuneration of Directors who are Audit and Supervisory Committee Members should be not more than 50 million yen annually. As of the conclusion of the said General Meeting of Shareholders, the number of Directors (excluding Directors who are Audit and Supervisory Committee Members) was six (including one Outside Director), and the number of Directors who are Audit and Supervisory Committee Members was four (including three Outside Directors). As of the reporting date of the annual securities report, the Company had six Directors (excluding Directors who are Audit and Supervisory Committee Members, including one Outside Director) and four Directors who are Audit and Supervisory Committee Members (including three Outside Directors) who were eligible for the remuneration. In addition, separately from the monetary remuneration, it was also decided at the 62nd Ordinary General Meeting of Shareholders held on May 26, 2020 that the amount of restricted stock compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members, and Outside Directors) should be not more than 50 million yen annually and the total number of common shares of the Company to be issued or disposed of should be not more than 40,000 shares annually. As of the conclusion of the said General Meeting of Shareholders, the number of Directors (excluding Directors who are Audit and Supervisory Committee Members, and Outside Directors) was five. As of the reporting date of the annual securities report, the Company had five Directors (excluding Directors who are Audit and Supervisory Committee Members, and Outside Directors) who were eligible for the remuneration.

B. Procedure for determining remuneration of Directors (excluding Directors who are Audit and Supervisory Committee Members)

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.

The Nomination and Compensation Committee, upon consultation with the Board of Directors, discusses the base remuneration and non-monetary remuneration, in comparison with executive compensation of Japanese listed companies of the same scale as the Company in terms of sales and the number of employees, using survey data of external organizations, in consideration of the Company's performance results, etc. (for base remuneration) and 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.

Remuneration of Directors who are Audit and Supervisory Committee Members is decided through deliberation by the Audit and Supervisory Committee.

C. Activities of the Nomination and Compensation Committee and the Board of Directors in the process of determining remuneration of Directors (excluding Directors who are Audit and Supervisory Committee Members) during the fiscal year under review

During the fiscal year under review, the Nomination and Compensation Committee met four times, on April 11 and May 29, 2025, and January 13 and February 12, 2026, to discuss mainly the matters related to the revision of the base remuneration for each Director and matters related to the revision of the amount of remuneration for Directors.

In response to the report on the matters related to the revision of the base remuneration for each Director, the Board of Directors discussed and resolved the matters at its meeting held on May 29, 2025.

ii) Total remuneration by officer category, remuneration amount by type, and number of eligible officers

Officer category	Amount of remuneration etc. (Millions of yen)	Total amount of remuneration, etc. by type (millions of yen)			Number of eligible officers
		Base remuneration		Restricted stock compensation	
		Position-based remuneration	Performance-linked remuneration		
Director (excluding Directors on Audit and Supervisory Committee, and Outside Directors)	178	138	32	8	6
Director (Audit and Supervisory Committee Member) (excluding Outside Directors))	13	13	—	—	1
Outside Directors	29	29	—	—	6
Total	220	179	32	8	13

(Notes)
1. The number of eligible officers includes two Directors who were not Audit and Supervisory Committee Members (including one Outside Director), who retired upon the expiration of their term of office at the conclusion of the 67th Ordinary General Meeting of Shareholders held on May 29, 2025, and an Outside Director who was an Audit and Supervisory Committee Member, who resigned upon conclusion of the same General Meeting of Shareholders.
2. Regarding remuneration, etc. of each individual for the fiscal year under review, the Board of Directors has confirmed that the method of determining the content of remuneration, etc. and the content of the determined remuneration, etc. are consistent with the above-mentioned policy and that reports from the Nomination and Compensation Committee are respected, and thus it judged that the remuneration etc. complies with the said policy.
3. The Audit and Supervisory Committee of the Company has expressed their opinion that remuneration etc., of Directors (excluding Directors who are Audit and Supervisory Committee Members) has been determined by the Board of Directors after deliberation and reporting by the Nomination and Compensation Committee and that the amount of individual remuneration and the process for determining the amount are appropriate.

(5) Information on shareholdings

i) Standards and approach toward classification of investment shares

The Company classifies its equity securities into investment shares held for pure investment, which are held purely for the purpose of receiving profits from stock price fluctuations or stock dividends, and investment shares held for purposes other than pure investment, which are deemed strategically necessary. In principle, our policy is not to hold investment shares for pure investment

ii) investment shares held for purposes other than pure investment

A. Shareholding policy and method of verifying rationale of holding, and details of verification by Board of Directors, etc. concerning holding of individual issues

The Company's policy is to examine whether to hold or sell the investment shares each year at the Board of Directors' meeting, based on awareness of the capital cost of the Company, as well as dividends, capital gains, and profits from transactions, also in consideration of the rationale of the purposes of holding, such as business partnerships, maintaining or enhancing transactions, and stabilizing the shares.

In light of this policy, the Company regularly determines the necessity of holding at the Board of Directors' meetings, based on the purpose of holding, status of transactions, benefits associated with the holding, etc.

B. Number of issues and balance sheet amount

	Number of issues	Total balance sheet amount (millions of yen)
Unlisted shares	5	215
Shares other than unlisted shares	4	489

(Note) During the fiscal year under review, an impairment loss of 3 million yen was recognized on unlisted shares.

(Issues whose number of shares increased during the fiscal year under review)
Not applicable.

(Issues whose number of shares decreased during the fiscal year under review)
Not applicable.

C. Information on number of shares and balance sheet amount of specified investment shares

Specified investment shares

Issue	Fiscal year under review	Previous fiscal year	Purpose of holding, outline of business partnership, quantitative effects of holding, and reason for the increase in the number of shares (Note 1)	Holding of the Company's shares
	Number of shares	Number of shares		
	Balance sheet amount (Millions of yen)	Balance sheet amount (Millions of yen)		
Nippon Soda Co., Ltd.	40,304	40,304	The Company's Chiba Plant has business relationships with several consolidated subsidiaries of this company for product sales, purchase of subsidiary materials, disposal of waste sulfuric acid, etc. The shareholding is for the purpose of maintaining and enhancing these business relationships.	Yes
	169	118		
Mizuho Financial Group, Inc.	23,600	23,600	The shareholding is for the purpose of maintaining and enhancing the business relationships, mainly for fund procurement both inside and outside Japan, with this company as a major partner financial institution.	Yes
	169	99		
YUSHIRO INC. (Note 2)	30,000	30,000	The Company has a business relationship with this company for the sale of products. The shareholding is for the purpose of maintaining and enhancing this business relationship.	Yes
	97	60		
Mitsubishi UFJ Financial Group, Inc.	18,400	18,400	The shareholding is for the purpose of maintaining and enhancing the business relationships, mainly for fund procurement both inside and outside Japan, with this company as a major partner financial institution.	Yes
	55	35		

(Notes) 1. Quantitative effects of holding are not stated as they are difficult to describe. The rationale of holding is verified by the Board of Directors every year according to the method described in B. above.
2. YUSHIRO INC. changed its name from YUSHIRO CHEMICAL INDUSTRY CO., LTD. on April 1, 2025.

iii) Investment shares held for pure investment purposes
Not applicable.

V. Financial Information

1. Basis of preparation of consolidated and non-consolidated financial statements
   (1) The consolidated financial statements of the Company are prepared in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976).

   (2) The non-consolidated financial statements of the Company are prepared in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963, hereinafter referred to as the “Financial Statement Regulations”).

   As the Company qualifies as a company submitting non-consolidated financial statements prepared in accordance with special provisions, the Company prepares its non-consolidated financial statements pursuant to Article 127 of the Financial Statements Regulations.

2. Audit certification
   Pursuant to the provisions of Article 193-2, Paragraph 1, of the Financial Instruments and Exchange Act, the Company is audited by Grant Thornton Taiyo LLC with respect to its consolidated financial statements for the consolidated fiscal year (March 1, 2025 to February 28, 2026) and its non-consolidated financial statements for the fiscal year (March 1, 2025 to February 28, 2026).

3. Special efforts to ensure the appropriateness of consolidated financial statements, etc.
   The Company makes special efforts to ensure the appropriateness of its consolidated financial statements, etc. Specifically, in order to accurately ascertain the content of the accounting standards and appropriately address changes in these accounting standards, the Company maintains membership in the Financial Accounting Standards Foundation and regularly participates in seminars held by the Foundation.

1. Consolidated Financial Statements, etc.
(1) Consolidated Financial Statements
i) Consolidated balance sheet

(Millions of yen)

	Previous consolidated fiscal year (as of February 28, 2025)	Consolidated fiscal year under review (February 28, 2026)
Assets		
Current assets		
Cash and deposits	5,508	6,914
Notes receivable - trade	113	※4 45
Electronically recorded monetary claims	1,126	※4 1,333
Accounts receivable - trade	6,892	7,284
Merchandise and finished goods	4,044	3,774
Raw materials and supplies	3,082	3,118
Other	511	672
Allowance for doubtful accounts	(16)	(10)
Total current assets	21,260	23,129
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,690	9,809
Accumulated depreciation	(4,507)	(4,865)
Buildings and structures, net	5,183	4,944
Machinery, equipment and vehicles	12,264	12,512
Accumulated depreciation	(10,124)	(10,646)
Machinery, equipment and vehicles, net	2,141	1,866
Land	2,528	2,527
Leased assets	289	234
Accumulated depreciation	(189)	(135)
Leased assets, net	100	99
Construction in progress	27	59
Other	※3 3,505	※3 3,627
Accumulated depreciation	(3,069)	(3,190)
Other, net	※3 436	※3 437
Total property, plant and equipment	10,414	9,932
Intangible assets		
Goodwill	543	488
Leased assets	26	17
Other	802	778
Total intangible assets	1,372	1,283
Investments and other assets		
Investment securities	※1 654	※1 894
Investments in capital	※2 2,280	※2 2,561
Deferred tax assets	229	223
Net defined benefit asset	1,852	2,458
Other	238	204
Allowance for doubtful accounts	(1)	(0)
Investment securities	5,251	6,338
Total non-current assets	17,037	17,553
Total assets	38,297	40,683

(Millions of yen)

	Previous consolidated fiscal year (as of February 28, 2025)	Consolidated fiscal year under review (February 28, 2026)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,544	※4 4,567
Electronically recorded obligations	456	※4 514
Contract liability	48	157
Short-term borrowings	3,177	3,452
Income taxes payable	233	379
Provision for bonuses	537	547
Provision for loss on liquidation of affiliates	—	65
Other	1,367	1,532
Total current liabilities	10,362	11,213
Non-current liabilities		
Long-term borrowings	1,940	1,108
Net defined benefit liability	548	524
Other	438	953
Total non-current liabilities	2,926	2,586
Total liabilities	13,288	13,799
Net assets		
Shareholders' equity		
Capital stock	2,118	2,118
Capital surplus	1,972	1,978
Retained earnings	15,273	16,385
Treasury shares	(649)	(641)
Total shareholders' equity	18,714	19,841
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	145	288
Foreign currency translation adjustment	2,210	2,409
Remeasurements of defined benefit plans	616	939
Total accumulated other comprehensive income	2,972	3,637
Non-controlling interests	3,324	3,406
Total net assets	25,009	26,883
Total liabilities and net assets	38,297	40,683

ii) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

(Millions of yen)

	Previous consolidated fiscal year (From March 1, 2024 to February 28, 2025)	Consolidated fiscal year under review (From March 1, 2025 to February 28, 2026)
Net sales	※1 34,374	※1 34,871
Cost of sales	※2 24,414	※2 23,914
Gross profit	9,960	10,957
Selling, general and administrative expenses	※3, ※4 8,569	※3,※4 8,590
Operating profit	1,391	2,367
Non-operating income		
Interest income	38	38
Dividend income	25	31
Foreign exchange gains	97	—
Share of profit of entities accounted for using equity method	221	258
Subsidy income	97	72
Other	69	53
Total non-operating income	547	452
Non-operating expenses		
Interest expenses	67	46
Foreign exchange loss	—	54
Loss on retirement of non-current assets	1	1
Other	49	15
Total non-operating expenses	117	115
Ordinary profit	1,821	2,704
Extraordinary losses		
Impairment loss	※5 188	※5 29
Loss on valuation of investment securities	48	3
Provision for loss on liquidation of affiliates	—	※6 61
Total extraordinary losses	236	92
Profit before income taxes	1,585	2,612
Income taxes - current	452	645
Income taxes - deferred	(41)	232
Total income taxes	411	877
Profit	1,174	1,735
Profit attributable to non-controlling interests	161	210
Profit attributable to owners of parent	1,013	1,525

Consolidated statement of comprehensive income

(Millions of yen)

	Previous consolidated fiscal year (From March 1, 2024 to February 28, 2025)	Consolidated fiscal year under review (From March 1, 2025 to February 28, 2026)
Profit	1,174	1,735
Other comprehensive income		
Valuation difference on available-for-sale securities	16	158
Foreign currency translation adjustment	1,102	192
Remeasurements of defined benefit plans, net of tax	23	326
Share of other comprehensive income of entities accounted for using equity method	105	52
Total other comprehensive income	※1 1,246	※1 728
Comprehensive income	2,419	2,463
Comprehensive income attributable to		
Owners of parent	2,060	2,191
Non-controlling interests	359	273

iii) Consolidated statement of changes in equity
Previous consolidated fiscal year (from March 1, 2024 to February 28, 2025)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,118	1,971	14,674	(561)	18,202
Changes during period					
Dividends of surplus			(414)		(414)
Profit attributable to owners of parent			1,013		1,013
Purchase of treasury shares				(100)	(100)
Disposal of treasury shares		1		12	13
Net changes in items other than shareholders' equity					
Total changes during period	—	1	599	(88)	512
Balance at end of period	2,118	1,972	15,273	(649)	18,714

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	127	1,200	597	1,924	2,996	23,122
Changes during period						
Dividends of surplus						(414)
Profit attributable to owners of parent						1,013
Purchase of treasury shares						(100)
Disposal of treasury shares						13
Net changes in items other than shareholders' equity	18	1,010	19	1,047	328	1,375
Total changes during period	18	1,010	19	1,047	328	1,887
Balance at end of period	145	2,210	616	2,972	3,324	25,009

Consolidated fiscal year under review (from March 1, 2025 to February 28, 2026)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,118	1,972	15,273	(649)	18,714
Changes during period					
Dividends of surplus			(413)		(413)
Profit attributable to owners of parent			1,525		1,525
Acquisition of treasury shares				(0)	(0)
Disposal of treasury shares		(0)		8	8
Changes in the parent's ownership interest arising from transactions with non-controlling interests		7			7
Net changes in items other than shareholders' equity					
Total changes during period	—	7	1,112	8	1,127
Balance at end of period	2,118	1,978	16,385	(641)	19,841

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	145	2.210	616	2,972	3,324	25,009
Changes during period						
Dividends of surplus						(413)
Profit attributable to owners of parent						1,525
Acquisition of treasury shares						(0)
Disposal of treasury shares						8
Changes in the parent's ownership interest arising from transactions with non-controlling interests						7
Net changes in items other than shareholders' equity	143	199	323	665	82	747
Total changes during period	143	199	323	665	82	1,874
Balance at end of period	288	2,409	939	3,637	3,406	26,883

iv) Consolidated statement of cash flows

(Millions of yen)

	Previous consolidated fiscal year (From March 1, 2024 to February 28, 2025)	Consolidated fiscal year under review (From March 1, 2025 to February 29, 2026)
Cash flows from operating activities		
Profit before income taxes	1,585	2,612
Depreciation	1,295	1,223
Impairment loss	188	29
Provision for loss on liquidation of affiliates	—	61
Share of loss (profit) of entities accounted for using equity method	(221)	(258)
Loss (gain) on sale of property, plant and equipment	(9)	(11)
Decrease (increase) in net defined benefit asset	(157)	(632)
Increase (decrease) in provision for bonuses	35	9
Increase (decrease) in allowance for doubtful accounts	(9)	(7)
Interest and dividend income	(63)	(69)
Interest expenses	67	46
Decrease (increase) in trade receivables	165	(478)
Decrease (increase) in inventories	(142)	207
Increase (decrease) in trade payables	(87)	70
Loss (gain) on valuation of investment securities	48	3
Subsidy income	(97)	(72)
Other	508	594
Subtotal	3,104	3,325
Interest and dividends received	116	132
Interest paid	(64)	(48)
Income taxes paid	(502)	(509)
Amount of subsidies received	97	82
Cash flows from operating activities	2,751	2,982
Cash flows from investing activities		
Net decrease (increase) in time deposits	70	—
Purchase of property, plant and equipment	(969)	(687)
Proceeds from sale of property, plant and equipment	9	12
Purchase of intangible assets	(175)	(38)
Purchase of investment securities	(69)	(6)
Other	(81)	(9)
Cash flows from investing activities	(1,214)	(729)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(154)	629
Repayments of long-term borrowings	(899)	(1,159)
Purchase of treasury shares	(100)	(0)
Dividends paid	(414)	(413)
Dividends paid to non-controlling interests	(31)	(15)
Other	(79)	(69)
Cash flows from financing activities	(1,677)	(1,027)
Effect of exchange rate change on cash and cash equivalents	82	181
Net increase (decrease) in cash and cash equivalents	(58)	1,406
Cash and cash equivalents at beginning of period	5,566	5,508
Cash and cash equivalents at end of period	※1 5,508	※1 6,915

Notes

(Important matters that are the basis for preparation of consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 16

Names of consolidated subsidiaries

MATSUKEN CO., LTD.
MORESCO TECHNO Co., Ltd.
Ethylene Chemical CO., LTD.
MORESCO HANANO DIE-CASTING COATING (SHANGHAI) CO., LTD.
TIANJIN MORESCO TECHNOLOGY CO., LTD.
MORESCO (ZHEJIANG) FUNCTIONAL MATERIAL CO., LTD.
MORESCO TRADING (ZHEJIANG) CO., LTD.
MORESCO (HAINING) NEW INTERFACE MATERIAL CO., LTD.
MORESCO (THAILAND) CO., LTD.
MORESCO HOLDING (THAILAND) CO., LTD.
PT. MORESCO INDONESIA
PT. MORESCO MACRO ADHESIVE
MORESCO HM&LUB INDIA PRIVATE LIMITED
MORESCO USA Inc.
CROSS TECHNOLOGIES N.A. INC.
MORESCO LUBE MEXICANA S.A. DE C.V.

MORESCO (HAINING) NEW INTERFACE MATERIAL CO., LTD. and MORESCO LUBE MEXICANA S.A. DE C.V. were newly established during the consolidated fiscal year under review and are therefore included in the scope of consolidation.

CROSS TECHNOLOGIES N.A. INC. was dissolved through an absorption-type merger with MORESCO USA Inc. as the surviving company, effective January 1, 2026.

MORESCO HANANO DIE-CASTING COATING (SHANGHAI) CO., LTD. is undergoing liquidation proceedings as of February 28, 2026. Upon completion of the tax liquidation procedures, the company is scheduled to be absorbed by MORESCO (ZHEJIANG) FUNCTIONAL MATERIAL CO., LTD.

TIANJIN MORESCO TECHNOLOGY CO., LTD. is scheduled to dissolve and start liquidation by May 2026.

Wuxi MoreTex Technology Co., Ltd., which was a consolidated subsidiary of the Company, was dissolved through an absorption-type merger with MORESCO (ZHEJIANG) FUNCTIONAL MATERIAL CO., LTD.
as the surviving company, effective February 14, 2025, and has therefore been excluded from the scope of consolidation.

(2) Major unconsolidated subsidiaries

Ethy-chemi Service Co., Ltd. is a small company, and its total assets, net sales, net profit/loss for the current period, and retained earnings do not have a significant impact on the consolidated financial statements. Therefore, it has been excluded from the scope of consolidation.

2. Application of equity method

(1) Number of affiliates accounted for using equity method: 1

Names of affiliates

Zhangjiagang TEEC Automotive Chemicals Co., Ltd.

(2) Non-consolidated subsidiaries and affiliates not accounted for using equity method

Ethy-chemi Service Co., Ltd. is excluded from the scope of the equity method because its impact on consolidated profit or loss and retained earnings is immaterial and not significant overall.

(3) Matters requiring special disclosure regarding the application of the equity method

Zhangjiagang TEEC Automotive Chemicals Co., Ltd. settles its accounts on December 31. In preparing the consolidated financial statements, non-consolidated financial statements as of the settlement date are used.

3. Fiscal years, etc. of consolidated subsidiaries

Among the consolidated subsidiaries,
MORESCO HANANO DIE-CASTING COATING (SHANGHAI) CO., LTD.
TIANJIN MORESCO TECHNOLOGY CO., LTD.
MORESCO (ZHEJIANG) FUNCTION MATERIAL CO., LTD.
MORESCO TRADING (ZHEJIANG) CO., LTD.
MORESCO (HAINING) NEW INTERFACE MATERIAL CO., LTD.
MORESCO (THAILAND) CO., LTD.
MORESCO HOLDING (THAILAND) CO., LTD.
PT. MORESCO INDONESIA
PT. MORESCO MACRO ADHESIVE
MORESCO HM&LUB INDIA PRIVATE LIMITED
MORESCO USA Inc.
CROSS TECHNOLOGIES N.A. INC.
MORESCO LUBE MEXICANA S.A. DE C.V.
settle their accounts on December 31,

In preparing the consolidated financial statements, non-consolidated financial statements as of their settlement date are used. However, for important transactions that took place during the period from the settlement date to the consolidated settlement date, adjustments necessary for consolidated accounting have been made.

4. Information on accounting policies

(1) Standards and methods for evaluating important assets

i) Securities

Available-for-sale securities

Securities other than shares without a market price

Fair value method (unrealized gain and loss, net of tax are recorded in net assets, and the moving average method is used to calculate the cost of securities sold)

Shares without a market price

Moving average cost method

ii) Derivatives

Fair value method

iii) Inventories

Mainly gross average cost method

(The balance sheet values are calculated by writing down the book values in response to decreased profitability)

(2) Depreciation methods for important depreciable assets

i) Property, plant and equipment (excluding leased assets)

The Company and its consolidated subsidiaries in Japan adopt mainly the declining-balance method and overseas consolidated subsidiaries adopt the straight-line method.

However, the Company and its consolidated subsidiaries in Japan adopt the straight-line method for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016.

Major useful lives are as follows.

Buildings and structures: 3 to 60 years

Machinery, equipment and vehicles: 4 to 15 years

ii) Intangible assets (excluding leased assets)

The straight-line method is adopted.

Useful life of software used in-house is based on the usable period inside the company (5 years).

iii) Leased assets

Leased assets relating to finance lease without transfer of ownership

The straight-line method is used with a useful life of the lease period and with a residual value of zero.

(3) Accounting standards for important reserves and allowances

i) Allowance for doubtful accounts

In order to prepare for possible losses on uncollectible receivables held, estimated uncollectible amounts are posted: for general receivables, according to the historical percentage of uncollectibles, and for doubtful receivables, considering the probability of collection.

ii) Provision for bonuses

In order to prepare for payment of bonuses to employees, a provision is made based on the estimated bonus payments, which are attributable to the consolidated fiscal year under review.

iii) Provision for loss on liquidation of affiliates

In order to prepare for losses on liquidation of consolidated subsidiaries, an estimated amount of such losses is posted.

(4) Accounting standards for important income and expenses

The main business of the MORESCO Group is manufacture and sale of chemical products (special lubricants, liquid paraffin & sulfonates, hot melt adhesives, and energy device materials). With regard to sale of such goods and products, the Group determines that control of goods is transferred to customers at the time of delivery. As the period between shipment and delivery is a normal period of time, the Group applies alternative treatment based on importance, etc., and recognizes revenue at the time of shipment of goods and products for inside Japan. For overseas, based on the terms of trade stipulated by Incoterms, etc., the Group determines that control of goods and products is transferred to customers and its performance obligations are satisfied when risks are transferred to customers. Therefore, the Group recognizes revenue at the time of shipment of goods and products in principle. The consideration for the transaction is received within approximately one year after the performance obligations are satisfied and does not contain any significant financial components.

(5) Accounting treatment for retirement benefits

i) Method to attribute the estimated retirement benefits to the periods

To calculate retirement benefit obligations, the benefit formula method is adopted as a method to attribute the estimated retirement benefits to the periods up to the end of the consolidated fiscal year under review.

ii) Method of amortization of actuarial gains and losses

The actuarial differences are recognized in the following consolidated fiscal year by the straight-line method over a certain period (mainly 14 years) that are not more than the average remaining service period of employees at the time of the accrual of a difference.

(6) Standards for translation of important foreign currency-denominated assets or liabilities into Japanese yen

Foreign currency receivables/payables are translated into Japanese yen using the spot foreign exchange rate on the consolidated closing date, and translation differences are treated as income or loss. The assets and liabilities of subsidiaries overseas are translated into Japanese yen using the spot foreign exchange rate on the closing date; income and expenses are translated into yen using an average market rate during the period, and translation differences are included in "Foreign currency translation adjustment" and "Noncontrolling interests" of the "Net assets".

(7) Important hedge accounting methods

i) Hedge accounting method

Exceptional accounting is adopted for interest-rate swaps that meet the requirements for exceptional accounting.

ii) Means of hedging and hedged items

Means of hedging: interest-rate swaps

Hedged items: borrowings

iii) Hedging policy

Hedging is conducted within the range of the target obligations for the purpose of reducing interest rate risks and improving the financial account balance.

iv) Method for evaluating the effectiveness of hedges

The evaluation of hedge effectiveness is omitted for interest-rate swaps for which exceptional accounting is used.

(8) Method and period of amortization of goodwill

Goodwill is regularly amortized using the straight-line method over an effective period up to 20 years. However, minor goodwill is entirely amortized all at once.

(9) Scope of cash and cash equivalents in consolidated statement of cash flows

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

(10) Accounting principles and procedures that were adopted when relevant accounting standards, etc. were unclear

Restricted stock compensation system

Remuneration, etc. paid to directors of the Company based on the Company's restricted stock compensation system is treated as expenses over the applicable service period.

(Important accounting estimates)
(Valuation of inventories)

(1) Amount recorded in the consolidated financial statements for the consolidated fiscal year under review

(Millions of yen)

	Previous consolidated fiscal year	Consolidated fiscal year under review
Merchandise and finished goods	4,044	3,774
Raw materials and supplies	3,082	3,118
Cost of sales	81	121

Loss on valuation of inventories included in cost of sales (negative figures indicate reversal) is stated at net amount after reversal.

(2) Information on the details of accounting estimates

i) Calculation method

The value of inventories is determined using the write-down method, based on a decline in profitability, whereby inventories are written down to their net sales value when the net sales value falls below their book value. On the other hand, for slow-moving stock that fall out of the normal operating cycle and are subject to specific sales plans or other relevant factors, the recoverable amount is determined individually based on future sales prospects. For other slow-moving stock, a valuation loss ratio is established based on historical inventory aging data and other relevant factors, and its book value is written down systematically.

ii) Major assumptions

The net sales value is calculated based on the recent actual result of sales and other factors. Future sales prospects used in individual evaluations are prepared based on orders received from specific customers and past sales performance, among other factors. The valuation loss ratio is determined based on the trend in slow-moving stock over a specified period in the past and the assumption that the same trend will continue for current inventories.

iii) Impact on the consolidated financial statements for the following consolidated fiscal year

If the selling price of a product is lower than expected due to changes in the market environment, or if actual inventory aging and disposal trends deviate from the historical data used as the basis for the valuation loss ratio, or if the sales plans underlying the individual evaluations do not materialize, it may have a serious impact on income of the following consolidated fiscal year.

(Changes in accounting policies)

(Application of the “Accounting Standard for Current Income Taxes,” etc.)

The “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022), the “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, October 28, 2022), and the “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022) have been applied from the beginning of the consolidated fiscal year under review. This application has no impact on the consolidated financial statements.

(Accounting standards not yet applied)

- “Accounting Standard for Leases” (ASBJ Statement No. 34, September 13, 2024)
- “Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33, September 13, 2024)

Other amendments to related Accounting Standards, Implementation Guidance, Practical Solutions, and Transferred Guidance

(1) Outline

Similar to international accounting standards, these standards establish treatments such as recognizing assets and liabilities for all leases by the lessee.

(2) Scheduled date of application

To be applied from the beginning of the fiscal year ending February 2029.

(3) Impact of the application of the accounting standard, etc.

The level of impact on the consolidated financial statements of application of the “Accounting Standard for Leases,” etc. is currently being evaluated.

- “Practical Guidelines on Accounting for Financial Instruments” (Transferred Guidance No. 9, March 11, 2025)

(1) Outline

The Guidance revises the accounting treatment for equity interests in venture capital funds and similar funds held by listed companies and other entities so that investors are provided with useful information through the measurement at fair value of unquoted shares held by such funds.

(2) Scheduled date of application

To be applied from the beginning of the fiscal year ending February 2028.

(3) Impact of the application of the accounting standard, etc.

Application of the “Practical Guidelines on Accounting for Financial Instruments” has no impact on the consolidated financial statements.

(Additional information)
(Dissolution and liquidation of consolidated subsidiaries)
At the meeting of the Board of Directors held on December 12, 2025, the Company resolved to dissolve TIANJIN MORESCO TECHNOLOGY CO., LTD., a consolidated subsidiary of the Company.

(1) Reason for dissolution and liquidation
As part of the review of the Group's global production structure, the Company has been gradually outsourcing production to local cooperating companies and transferring production to its Akoh Plant and plants in Indonesia operated by its consolidated subsidiaries. As a result, TIANJIN MORESCO TECHNOLOGY CO., LTD. will be dissolved and liquidated.

(2) Outline of the subsidiary to be dissolved and liquidated
i. Name: TIANJIN MORESCO TECHNOLOGY CO., LTD.
ii. Address: No.6, Tongyuan Road, Wangwenzhuang Town, Xiqing District, Tianjin, P.R. China
iii. Representative: Kenji Yumoto, President
iv. Capital stock: USD 10 million
v. Line of business: Manufacture, sales, and import/export of hot melt adhesives

(3) Schedule for dissolution and liquidation
We plan to begin liquidation procedures by May 2026, and liquidation is expected to be completed upon completion of the necessary procedures in accordance with local laws and regulations.

(4) Impact of dissolution and liquidation on profit and loss
For the consolidated fiscal year under review, provision for loss on liquidation of subsidiaries and associates of 61 million yen is recorded as an extraordinary loss.

(Absorption-type merger between consolidated subsidiaries)
At a meeting of the Board of Directors held on December 12, 2025, the Company resolved to carry out an absorption-type merger in which MORESCO USA Inc., a consolidated subsidiary of the Company, would be the surviving company and CROSS TECHNOLOGIES N.A. INC., also a consolidated subsidiary of the Company, would be the disappearing company. The procedures for the absorption-type merger were completed on January 1, 2026.

(1) Outline of the business combination
(i) Names and business lines of the companies involved in the combination
Absorbing company: MORESCO USA Inc.
Line of business: Manufacture, sales, and import/export of lubricants
Absorbed company: CROSS TECHNOLOGIES N.A. INC.
Line of business: Manufacture and sales of lubricants
(ii) Date of business combination
January 1, 2026
(iii) Legal form of business combination
An absorption-type merger in which MORESCO USA Inc. is the surviving company and CROSS TECHNOLOGIES N.A. INC. is the disappearing company
(iv) Other matters related to the outline of the transaction
Through this merger, we aim to strengthen our revenue base by enhancing competitiveness through the sharing of know-how in sales and research and development and by improving operational efficiency and reducing costs through the integration of overlapping operations.

(2) Outline of accounting treatment
Based on the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), the transaction will be accounted for as a transaction under common control.

(Consolidated balance sheet)
*1 Investments in unconsolidated subsidiaries are as follows.

	Previous consolidated fiscal year (as of February 28, 2025)	Consolidated fiscal year under review (February 28, 2026)
Investment securities (stocks)	3million yen	3million yen

*2 Investments in affiliates are as follows.

	Previous consolidated fiscal year (as of February 28, 2025)	Consolidated fiscal year under review (February 28, 2026)
Investments in capital	2,279million yen	2,560million yen

*3 Reduction entry
Total reduction entries due to acquisition of government subsidies, etc. for property, plant and equipment are as follows.

	Previous consolidated fiscal year (as of February 28, 2025)	Consolidated fiscal year under review (February 28, 2026)
Property, plant and equipment; Other	11million yen	3million yen

*4 Notes maturing on the last day of the consolidated fiscal year are accounted for as if they were settled on the clearing date. Because the last day of the consolidated fiscal year under review fell on a holiday for financial institutions, the following notes maturing on the last day of the consolidated fiscal year are included in the year-end balance:

	Previous consolidated fiscal year (as of February 28, 2025)	Consolidated fiscal year under review (February 28, 2026)
Notes receivable - trade	—	7million yen
Electronically recorded monetary claims	—	59
Notes payable - trade	—	24
Electronically recorded obligations	—	56

(Consolidated statement of income)

*1 Revenue arising from contracts with customers
With respect to net sales, the Company does not disaggregate revenue arising from contracts with customers and other revenues. The amount of revenue arising from contracts with customers is presented in “Notes to consolidated Financial Statements (Revenue recognition), 1. Information regarding disaggregated revenue arising from contracts with customers.”

*2 The ending inventory is the amount after write-down in response to decreased profitability, and loss on valuation of inventories below is included in cost of sales.

Previous consolidated fiscal year (From March 1, 2024 to February 28, 2025)	Consolidated fiscal year under review (From March 1, 2025 to February 28, 2026)
81 million yen	121million yen

*3 Major components of selling, general and administrative expenses and their amounts are as follows.

	Previous consolidated fiscal year (From March 1, 2024 to February 28, 2025)	Consolidated fiscal year under review (From March 1, 2025 to February 28, 2026)
Salaries	2,374million yen	2,416million yen
Provision for bonuses	317	325
Retirement benefit expenses	92	96
Provision of allowance for doubtful accounts	(2)	2
Depreciation	473	449
Freightage expenses	945	943

*4 Research and development expenses included in general and administrative expenses

Previous consolidated fiscal year (From March 1, 2024 to February 28, 2025)	Consolidated fiscal year under review (From March 1, 2025 to February 28, 2026)
1,599million yen	1,544million yen

*5 Impairment loss

Previous consolidated fiscal year (From March 1, 2024 to February 28, 2025)

During the consolidated fiscal year under review, the Group recorded an impairment loss for the following asset group.

(i) Outline of the asset group for which impairment loss was recognized

Location	Use	Type	Amount of the impairment loss
Head Office, Akoh Plant	R&D assets, manufacturing assets	Buildings, machinery and equipment, tools, furniture and fixtures	188 million yen

(ii) Background leading to recognition of the impairment loss

With regard to R&D assets at the Head Office and manufacturing assets at the Akoh Plant an impairment loss was recognized for assets that are unlikely to be used and assets that are unlikely to be recovered in the future.

(iii) Method of asset grouping

The MORESCO Group generally classifies its assets into the smallest units that generate independent cash flows.

(iv) Calculation method of recoverable amount

The recoverable amount for measuring impairment losses is calculated based on the value in use, which is determined by discounting future cash flows at a rate of 5.89%.

(v) Amount of impairment loss

The impairment loss of 188 million yen is recorded as an extraordinary loss, and the breakdown is as follows.

Buildings	17 million yen
Machinery and equipment	157 million yen
Tools, furniture and fixtures	15 million yen
Total	188 million yen

Consolidated fiscal year under review (From March 1, 2025 to February 28, 2026)

Description is omitted due to its low materiality.

*6 Provision for loss on liquidation of affiliates
Previous consolidated fiscal year (From March 1, 2024 to February 28, 2025)
Not applicable.

Consolidated fiscal year under review (From March 1, 2025 to February 28, 2026)
To prepare for losses from the dissolution and liquidation of TIANJIN MORESCO TECHNOLOGY CO., LTD., a consolidated subsidiary of the Company, an estimated loss of 61 million yen is recorded as an extraordinary loss.

(Consolidated statement of comprehensive income)
*1 Reclassification adjustments and tax effects relating to other comprehensive income

	Previous consolidated fiscal year (From March 1, 2024 to February 28, 2025)	Consolidated fiscal year under review (From March 1, 2025 to February 28, 2026)
Valuation difference on available-for-sale securities:		
Amount arising during the period	22million yen	236million yen
Reclassification adjustments	—	—
Before tax-effect adjustment	22	236
Amount of tax effects	(7)	(78)
Valuation difference on available-for-sale securities	16	158
Foreign currency translation adjustment:		
Amount arising during the period	1,102	192
Reclassification adjustments	—	—
Before tax-effect adjustment	1,102	192
Amount of tax effects	—	—
Foreign currency translation adjustment	1,102	192
Remeasurements of defined benefit plans:		
Amount arising during the period	103	558
Reclassification adjustments	(71)	(71)
Before tax-effect adjustment	32	487
Amount of tax effects	(9)	(161)
Remeasurements of defined benefit plans, net of tax	23	326
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising during the period	105	52
Reclassification adjustments	—	—
Share of other comprehensive income of entities accounted for using equity method	105	52
Total other comprehensive income	1,246	728

(Consolidated statement of changes in equity)
Previous consolidated fiscal year (from March 1, 2024 to February 28, 2025)
1. Matters concerning the type and total number of issued shares and treasury shares

	Shares at the beginning of period	Increase during period	Decrease during period	Shares at the end of period
Issued shares				
Common shares	9,696,500	—	—	9,696,500
Total	9,696,500	—	—	9,696,500
Treasury shares				
Common shares (Note)	463,720	71,680	9,590	525,810
Total	463,720	71,680	9,590	525,810

(Note) The breakdown of the increase and decrease in the number of treasury shares is as follows:
Increase due to acquisition of treasury shares based on the resolution of the Board of Directors on February 21, 2024: 71,600 shares
Increase due to purchase of shares less than one unit: 80 shares
Decrease due to disposal of treasury shares as restricted stock compensation: 9,590 shares

2. Share acquisition rights and treasury share acquisition rights
Not applicable.

3. Dividends
(1) Amount of dividends paid

Resolution	Types of shares	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on May 30, 2024	Common shares	231	25.00	February 29, 2024	May 31, 2024
Board of Directors meeting on October 11, 2024	Common shares	183	20.00	August 31, 2024	November 12, 2024

(2) Dividend for which the record date falls in the consolidated fiscal year under review but the effective date comes after the end of that consolidated fiscal year

Resolution	Types of shares	Source of dividend	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on May 29, 2025	Common shares	Retained earnings	229	25.00	February 28, 2025	May 30, 2025

Consolidated fiscal year under review (from March 1, 2025 to February 28, 2026)

1. Matters concerning the type and total number of issued shares and treasury shares

	Shares at the beginning of period	Increase during period	Decrease during period	Shares at the end of period
Issued shares				
Common shares	9,696,500	—	—	9,696,500
Total	9,696,500	—	—	9,696,500
Treasury shares				
Common shares (Note)	525,810	60	6,550	519,320
Total	525,810	60	6,550	519,320

(Note) The breakdown of the increase and decrease in the number of treasury shares is as follows:
Increase due to purchase of shares less than one unit: 60 shares
Decrease due to disposal of treasury shares as restricted stock compensation: 6,550 shares

2. Share acquisition rights and treasury share acquisition rights
Not applicable.

3. Dividends
(1) Amount of dividends paid

Resolution	Types of shares	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on May 29, 2025	Common shares	229	25.00	February 28, 2025	May 30, 2025
Board of Directors meeting on October 14, 2025	Common shares	184	20.00	August 31, 2025	November 11, 2025

(2) Dividend for which the record date falls in the consolidated fiscal year under review but the effective date comes after the end of that consolidated fiscal year

Resolution	Types of shares	Source of dividend	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on May 27, 2026	Common shares	Retained earnings	321	35.00	February 28, 2026	May 28, 2026

(Consolidated statement of cash flows)
*1 Reconciliation of cash and cash equivalents at end of period and the amount recorded in the consolidated balance sheet

	Previous consolidated fiscal year (From March 1, 2024 to February 28, 2025)	Consolidated fiscal year under review (From March 1, 2025 to February 28, 2026)
Cash and deposits	5,508million yen	6,914million yen
Cash and cash equivalents	5,508	6,914

(Leases)

(Borrower side)

1. Finance lease transactions

Finance lease transactions without transfer of ownership

i) Details of leased assets

Vehicles, tools, furniture and fixtures, and software

ii) Depreciation method of leased assets

As described in “4. Information on accounting policies (2) Depreciation methods for important depreciable assets” under “Important matters that are the basis for preparation of consolidated financial statements.”

2. Operating lease transactions

Future minimum lease payments required under non-cancellable operating lease transactions

(Millions of yen)

	Previous consolidated fiscal year (as of February 28, 2025)	Consolidated fiscal year under review (February 28, 2026)
Due within one year	39	39
Due after one year	116	77
Total	155	116

(Financial instruments)

1. Overview of financial instruments

(1) Policy to manage financial instruments

The MORESCO Group’s policy is to limit its fund management to short-term deposits, etc. and to raise its funds mainly through borrowings from banks. The Group uses derivative instruments to hedge the risks below and does not enter into any speculative transactions.

(2) Description of financial instruments, related risks, and risk management structure

Notes payable, accounts payable – trade, and electronically recorded obligations, which are operating receivables, are exposed to customers’ credit risks. For credit risks, we have a system in which due dates and balances of operating receivables are managed for each business partner in accordance with the credit management regulations, and the credit status of all business partners is reviewed once a year In addition, the Company receives advances or guarantee deposits as necessary, with the aim of reducing credit risks. Moreover, due to the Group’s global business development, part of accounts receivable are exposed to exchange rate fluctuation risks. However, these risks are hedged using forward exchange contracts as necessary.

Investment securities are mainly shares of companies with which the Company has business relationships and are exposed to market price fluctuation risks. However, we regularly check the market price and financial position of each issuing company and review the holding status.

All of the notes payable, accounts payable – trade, and electronically recorded obligations, which are operating payables, are due within one year.

Among borrowings, short-term borrowings are mainly for operating transactions and long-term borrowings are mainly for capital expenditures. Variable-rate borrowings are exposed to interest rate fluctuation risks. The Company uses fixed-rate borrowings for long-term borrowings in principle. For borrowings with variable interest rates, the Company uses derivative transactions (interest rate swaps) for each individual contract as necessary to hedge the interest rate fluctuation risks and fix the interest rates payable. The evaluation of hedge effectiveness is omitted as requirements for exceptional accounting of interest-rate swaps are met.

Derivative transactions are executed and managed in the Accounting Department in accordance with the internal regulations that specify transaction responsibilities. In using derivatives, the Company uses only major financial institutions with high social credibility.

Operating payables and borrowings are exposed to liquidity risks. However, the Group manages the liquidity risks by such measures as having each company prepare a monthly financing plan.

(3) Supplemental explanation on the fair value, etc. of financial instruments

The fair value of financial instruments includes the value based on their market prices, or the value reasonably calculated if market prices are not available. Since the calculation of fair value of financial instruments reflects variable factors, it is subject to change depending on different assumptions used.

2. Fair value, etc. of financial instruments

Amounts posted on the consolidated balance sheet, fair values, and the corresponding differences between the two are as follows. Instruments that do not have market prices (see Note 1) are not included.

	Previous consolidated fiscal year (as of February 28, 2025)		
	Balance sheet amount (*1) (Millions of yen)	Fair value (*1) (Millions of yen)	Difference (Millions of yen)
i) Notes receivable - trade	113		
ii) Electronically recorded monetary claims	1,126		
iii) Accounts receivable - trade	6,892		
Allowance for doubtful accounts (*3)	(16)		
	8,115	8,815	—
iv) Investment securities			
Available-for-sale securities	433	433	—
v) Long-term borrowings (including current portion)	(2,947)	(2,914)	(33)
vi) Derivative transactions (*4)	2	2	—

	Consolidated fiscal year under review (as of February 28, 2026)		
	Balance sheet amount (*1) (Millions of yen)	Fair value (*1) (Millions of yen)	Difference (Millions of yen)
i) Notes receivable - trade	45		
ii) Electronically recorded monetary claims	1,333		
iii) Accounts receivable - trade	7,284		
Allowance for doubtful accounts (*3)	(10)		
	8,651	8,651	—
iv) Investment securities			
Available-for-sale securities	676	676	—
v) Long-term borrowings (including current portion)	(1,768)	(1,741)	(28)
vi) Derivative transactions (*4)	0	0	—

(*1) Items recorded as liabilities are presented in parentheses.

(*2) Notes to cash and deposits, notes and accounts payable - trade, income taxes payable, contract liability, and short-term borrowings are omitted, as these are settled within a short time frame and therefore have a fair value almost equal to their book value.

(*3) Allowance for doubtful accounts for notes and accounts receivable - trade is excluded.

(*4) Net receivables and payables, which were derived from derivative transactions, are presented in net amounts.

(Note 1) The instruments below are not included as they do not have market prices.

(Millions of yen)

Category	Previous consolidated fiscal year (as of February 28, 2025)	Consolidated fiscal year under review (February 28, 2026)
Unlisted shares	218	215
Shares of affiliated companies	3	3
Investments in capital	2,280	2,561

These are not included in “iv) Investment securities” of the previous consolidated fiscal year and “iv) Investment securities” of the consolidated fiscal year under review, as they do not have market prices.

(Note 2) Redemption schedule after the balance sheet date for monetary receivables

	Previous consolidated fiscal year (as of February 28, 2025)			
	Due within 1 year (Millions of yen)	Due after 1 year but within 5 years (Millions of yen)	Due after 5 years but within 10 years (Millions of yen)	Due after 10 years (Millions of yen)
Cash and deposits	5,508	–	–	–
Notes receivable - trade	113	–	–	–
Electronically recorded monetary claims	1,126	–	–	–
Accounts receivable - trade	6,892	–	–	–
Total	13,638	–	–	–

	Consolidated fiscal year under review (February 28, 2026)			
	Due within 1 year (Millions of yen)	Due after 1 year but within 5 years (Millions of yen)	Due after 5 years but within 10 years (Millions of yen)	Due after 10 years (Millions of yen)
Cash and deposits	6,914	–	–	–
Notes receivable - trade	45	–	–	–
Electronically recorded monetary claims	1,333	–	–	–
Accounts receivable - trade	7,284	–	–	–
Total	15,575	–	–	–

(Note 3) Redemption schedule after the balance sheet date for borrowings

	Previous consolidated fiscal year (as of February 28, 2025)					
	Due within 1 year (Millions of yen)	Due after 1 year but within 2 years (Millions of yen)	Due after 2 years but within 3 years (Millions of yen)	Due after 3 years but within 4 years (Millions of yen)	Due after 4 years but within 5 years (Millions of yen)	Due after 5 years (Millions of yen)
Short-term borrowings	2,171	—	—	—	—	—
Long-term borrowings	1,007	833	660	385	20	42
Total	3,177	833	660	385	20	42

	Consolidated fiscal year under review (February 28, 2026)					
	Due within 1 year (Millions of yen)	Due after 1 year but within 2 years (Millions of yen)	Due after 2 years but within 3 years (Millions of yen)	Due after 3 years but within 4 years (Millions of yen)	Due after 4 years but within 5 years (Millions of yen)	Due after 5 years (Millions of yen)
Short-term borrowings	2,792	—	—	—	—	—
Long-term borrowings	660	662	385	20	20	22
Total	3,452	662	385	20	20	22

3. Matters relating to breakdown, etc. of fair values of financial instruments by level

fair values of financial instruments are classified into the following three levels based on the observability and materiality of inputs used to calculate fair values.

Level 1 fair value: Fair value calculated using observable inputs, i.e., quoted prices in active markets for assets or liabilities that are the subject of the fair value measurement

Level 2 fair value: Fair value calculated using observable inputs other than Level 1 inputs

Level 3 fair value: Fair value calculated using unobservable inputs

When multiple inputs that have a significant impact on the calculation of fair value are used, the fair value is classified in the level with the lowest priority in the calculation of fair value among the levels to which those inputs belong.

i) Financial instruments recorded in the consolidated balance sheet at fair value

Previous consolidated fiscal year (as of February 28, 2025)

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities Available-for-sale securities	433	—	—	433
Derivative transactions Currency-related	—	2	—	2
Total assets	433	2	—	435

Consolidated fiscal year under review (as of February 28, 2026)

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities Available-for-sale securities	676	—	—	676
Derivative transactions Currency-related	—	0	—	0
Total liabilities	676	0	—	676

ii) Financial instruments other than those recorded in the consolidated balance sheet at fair value

Previous consolidated fiscal year (as of February 28, 2025)

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Notes receivable - trade	—	113	—	113
Electronically recorded monetary claims	—	1,126	—	1,126
Accounts receivable - trade	—	6,892	—	6,892
Allowance for doubtful accounts	—	(16)	—	(16)
Total assets	—	8,115	—	8,115
Long-term borrowings (including current portion)	—	2,914	—	2,914
Total liabilities	—	2,914	—	2,914

Consolidated fiscal year under review (as of February 28, 2026)

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Notes receivable - trade	−	45	−	45
Electronically recorded monetary claims	−	1,333	−	1,333
Accounts receivable - trade	−	7,284	−	7,284
Allowance for doubtful accounts	−	(10)	−	(10)
Total assets	−	8,651	−	8,651
Long-term borrowings (including current portion)	−	1,741	−	1,741
Total liabilities	−	1,741	−	1,741

(Note) Valuation methods used for the measurement of fair value and a description of inputs

i) Notes receivable, electronically recorded monetary claims, and accounts receivable
Since these are settled in a short period of time, their fair value reflects the credit risk by deducting the allowance for doubtful accounts. It is classified as Level 2 fair value.

ii) Investment securities
For investment securities, listed shares are valued using quoted prices. Since listed shares are traded in active markets, their fair value is classified as Level 1 fair value.

iii) Long-term borrowings
The fair value of long-term borrowings is calculated by discounting the total amount of principal and interest by the assumed interest rate that would be applied when new borrowings are conducted. It is classified as Level 2 fair value.

iv) Derivative transactions
The fair value of derivative transactions are calculated based on the prices, etc. presented by relevant financial institutions, etc. It is classified as Level 2 fair value.

(Securities)
1. Available-for-sale securities
Previous consolidated fiscal year (as of February 28, 2025)

	Type	Balance sheet amount (Millions of yen)	Acquisition price (Millions of yen)	Difference (Millions of yen)
Securities whose B/S amount exceeds their acquisition price	(1) Stocks	373	147	226
	(2) Bonds			
	i) National/local government bonds	—	—	—
	ii) Corporate bonds	—	—	—
	iii) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	373	147	226
Securities whose B/S amount does not exceed their acquisition price	(1) Stocks	61	63	(2)
	(2) Bonds			
	i) National/local government bonds	—	—	—
	ii) Corporate bonds	—	—	—
	iii) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	61	63	(2)
Total		433	210	223

(Note) Unlisted shares (consolidated balance sheet amount: 218 million yen) are not included in the above table because they are shares without a market price.

Consolidated fiscal year under review (as of February 28, 2026)

	Type	Balance sheet amount (Millions of yen)	Acquisition price (Millions of yen)	Difference (Millions of yen)
Securities whose B/S amount exceeds their acquisition price	(1) Stocks	676	216	459
	(2) Bonds			
	i) National/local government bonds	—	—	—
	ii) Corporate bonds	—	—	—
	iii) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	676	216	459
Securities whose B/S amount does not exceed their acquisition price	(1) Stocks	0	0	(0)
	(2) Bonds			
	i) National/local government bonds	—	—	—
	ii) Corporate bonds	—	—	—
	iii) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	0	0	(0)
Total		676	216	459

(Note) Unlisted shares (consolidated balance sheet amount: 215 million yen) are not included in the above table because they are shares without a market price.

2. Available-for-sale securities sold

Previous consolidated fiscal year (From March 1, 2024 to February 28, 2025)

Not applicable.

Consolidated fiscal year under review (From March 1, 2025 to February 28, 2026)

Not applicable.

3. Available-for-sale securities impaired

Previous consolidated fiscal year (From March 1, 2024 to February 28, 2025)

An impairment loss of 48 million yen was recognized on marketable securities, including 48 million yen on stocks classified as available-for-sale securities.

Consolidated fiscal year under review (From March 1, 2025 to February 28, 2026)

An impairment loss of 3 million yen was recognized on marketable securities, including 3 million yen on stocks classified as available-for-sale securities.

(Derivative transactions)

1. Derivative transactions for which hedge accounting is not applied
Currency-related
Previous consolidated fiscal year (as of February 28, 2025)

Category	Transaction type	Notional amounts (Millions of yen)	Of notional amounts, over 1 year (Millions of yen)	Fair value (Millions of yen)	Valuation gain or loss (Millions of yen)
Non-market transactions	Forward foreign exchange contracts Sell: USD	160	—	2	2
Total		160	—	2	2

Consolidated fiscal year under review (as of February 28, 2026)

Category	Transaction type	Notional amounts (Millions of yen)	Of notional amounts, over 1 year (Millions of yen)	Fair value (Millions of yen)	Valuation gain or loss (Millions of yen)
Non-market transactions	Forward foreign exchange contracts Sell: USD	166	—	0	0
Total		166	—	0	0

2. Derivative transactions for which hedge accounting is applied
Not applicable.

(Retirement benefits)

1. Outline of adopted retirement benefit plans
The Company and some of its consolidated subsidiaries in Japan use both a retirement lump-sum plan and a defined benefit pension plan as the defined benefit-type systems and a defined contribution pension plan as the defined contribution-type system. Some consolidated subsidiaries in Japan use both a retirement lump-sum plan and the Smaller Enterprise Retirement Allowance Mutual Aid Scheme, and some overseas consolidated subsidiaries adopt both the defined benefit-type and defined contribution-type plans. Some consolidated subsidiaries apply the simplified method for calculation of net defined benefit liability and retirement benefit expenses by treating the required amount of payment at the end of fiscal year relating to retirement benefits as retirement benefit obligations.

2. Defined-benefit plan
(1) Adjustments between the beginning and ending balances of retirement benefit obligations (except for plans using a simplified method presented in (3))

	Previous consolidated fiscal year (From March 1, 2024 to February 28, 2025)	Consolidated fiscal year under review (From March 1, 2025 to February 28, 2026)
Retirement benefit obligations at the beginning of the period	2,924 million yen	2,917 million yen
Service cost	207	189
Interest cost	35	50
Actuarial gains and losses generated	(141)	(184)
Retirement benefits paid	(108)	(333)
Retirement benefit obligations at the end of the period	2,917	2,639

(2) Adjustments between the beginning and ending balances of pension assets (except for plans using a simplified method presented in (3))

	Previous consolidated fiscal year (From March 1, 2024 to February 28, 2025)	Consolidated fiscal year under review (From March 1, 2025 to February 28, 2026)
Pension assets at the beginning of the period	4,198 million yen	4,351 million yen
Expected return	105	109
Actuarial gains and losses generated	(39)	374
Contribution from employers	154	151
Retirement benefits paid	(68)	(264)
Pension assets at the end of the period	4,351	4,721

(3) Adjustments between the beginning and ending balances of net defined benefit liability for plans using a simplified method

	Previous consolidated fiscal year (From March 1, 2024 to February 28, 2025)	Consolidated fiscal year under review (From March 1, 2025 to February 28, 2026)
Net defined benefit liability at the beginning of the period	117 million yen	131 million yen
Retirement benefit expenses	17	21
Retirement benefits paid	(4)	(3)
Net defined benefit liability at the end of the period	131	148

(4) Adjustments between the ending balances of retirement benefit obligations and pension assets and the net defined benefit liability and net defined benefit asset reported on the consolidated balance sheet (including plans using a simplified method presented in (3))

	Previous consolidated fiscal year (as of February 28, 2025)	Consolidated fiscal year under review (February 28, 2026)
Retirement benefit obligations for funded plans	2,500 million yen	2,263 million yen
Pension assets	(4,351)	(4,721)
	(1,852)	(2,458)
Retirement benefit obligations for unfunded plans	548	524
Net defined liability and asset reported on the consolidated balance sheet	(1,304)	(1,933)
Net defined benefit liability	548	524
Net defined benefit asset	(1,852)	(2,458)
Net defined liability and asset reported on the consolidated balance sheet	(1,304)	(1,933)

(5) The amounts of components of retirement benefit expenses

	Previous consolidated fiscal year (From March 1, 2024 to February 28, 2025)	Consolidated fiscal year under review (From March 1, 2025 to February 28, 2026)
Service cost	207 million yen	189 million yen
Interest cost	35	50
Expected return	(105)	(109)
Amortization of actuarial gains and losses	(71)	(71)
Retirement benefit expenses calculated using the simplified method	17	21
Retirement benefit expenses related to defined benefit plan	84	80

(6) Remeasurements of defined benefit plans reported under “Other comprehensive income”
Remeasurements of defined benefit plans (reported under “Other comprehensive income” in the statements of comprehensive income) (before tax effects) are as follows:

	Previous consolidated fiscal year (From March 1, 2024 to February 28, 2025)	Consolidated fiscal year under review (From March 1, 2025 to February 28, 2026)
Actuarial gains and losses	32 million yen	487 million yen

(7) Remeasurements of defined benefit plans reported under “Accumulated other comprehensive income”
Remeasurements of defined benefit plans (reported under “Accumulated other comprehensive income” in the net assets section in the consolidated balance sheets) (before tax effects) are as follows:

	Previous consolidated fiscal year (as of February 28, 2025)	Consolidated fiscal year under review (February 28, 2026)
Unrecognized actuarial gains and losses	890 million yen	1,377 million yen

(8) Pension assets
i) Major components of pension assets
Ratio of each major component of pension assets is as follows:

	Previous consolidated fiscal year (as of February 28, 2025)	Consolidated fiscal year under review (February 28, 2026)
Bonds	63.2%	64.7%
Stocks	34.2	32.8
Other	2.6	2.5
Total	100.0	100.0

ii) Method of setting the long-term expected return rate
To determine the long-term expected return rate on pension assets, we consider the current and expected allocation of pension assets and the current and expected future long-term rates of return from the various assets that make up pension assets.

(9) Actuarial assumptions used
Principal actuarial assumptions

	Previous consolidated fiscal year (as of February 28, 2025)	Consolidated fiscal year under review (February 28, 2026)
Discount rate	Mainly 1.7%	Mainly 2.5%
Long-term expected return rate	2.5%	2.5%
Expected salary increase rate	Mainly 2.8%	Mainly 2.8%

3. Defined contribution plans
The required amounts of contribution to the defined contribution plans of the Company and its consolidated subsidiaries were 48 million yen for the previous fiscal year (from March 1, 2024 to February 28, 2025) and 48 million yen for the consolidated fiscal year under review (from March 1, 2025 to February 28, 2026).

(Stock options)

Not applicable

(Tax effect accounting)

1. Major components of deferred tax assets and liabilities

	Previous consolidated fiscal year (as of February 28, 2025)	Consolidated fiscal year under review (February 28, 2026)
Deferred tax assets		
Asset adjustment account	175 million yen	161 million yen
Provision for bonuses	154	157
Net defined benefit liability	160	161
Deferred assets	22	26
Impairment loss	72	64
Loss on valuation of investment securities	21	22
Tax loss carried forward (Note)	457	442
Enterprise tax payable	19	25
Other	68	(26)
Subtotal deferred tax assets	1,147	1,032
Valuation allowance for tax loss carried forward (Note)	(409)	(402)
Valuation allowance for the sum of deductible temporary differences, etc.	(153)	(259)
Total valuation allowance	(562)	(661)
Total deferred tax assets	586	371
Deferred tax liabilities		
Reserve for reduction entry of replaced property	(6)	(5)
Net defined benefit asset	(300)	(354)
Retained profit	(273)	(273)
Other	(97)	(97)
Total deferred tax liabilities	(676)	(676)
Net deferred tax assets (liabilities)	(90)	(90)

(Note) Amounts of tax losses carried forward and deferred tax assets by carry-forward period

Previous consolidated fiscal year (as of February 28, 2025)

	Due within 1 year (Millions of yen)	Due after 1 year but within 2 years (Millions of yen)	Due after 2 years but within 3 years (Millions of yen)	Due after 3 years but within 4 years (Millions of yen)	Due after 4 years but within 5 years (Millions of yen)	Due after 5 years (Millions of yen)	Total (Millions of yen)
Tax loss carried forward (*)	0	0	98	67	9	282	457
Valuation allowance	(0)	(0)	(98)	(67)	(9)	(264)	(438)
Deferred tax assets	—	—	—	—	—	19	19

(*) Tax loss carried forward represents the amount after being multiplied by the statutory tax rate.

Consolidated fiscal year under review (as of February 28, 2026)

	Due within 1 year (Millions of yen)	Due after 1 year but within 2 years (Millions of yen)	Due after 2 years but within 3 years (Millions of yen)	Due after 3 years but within 4 years (Millions of yen)	Due after 4 years but within 5 years (Millions of yen)	Due after 5 years (Millions of yen)	Total (Millions of yen)
Tax loss carried forward (*)	0	96	44	22	20	260	442
Valuation allowance	(0)	(96)	(44)	(22)	(20)	(220)	(402)
Deferred tax assets	—	—	—	—	—	39	39

(*) Tax loss carried forward represents the amount after being multiplied by the statutory tax rate.

2. The net amount of deferred tax assets for the previous and current consolidated fiscal years is included in the following items on the consolidated balance sheet

	Previous consolidated fiscal year (as of February 28, 2025)	Consolidated fiscal year under review (February 28, 2026)
Deferred tax assets - non-current assets	229 million yen	223 million yen
Other - non-current liabilities	(319)	(864)

2. The reconciliation of significant differences between the statutory tax rate and the effective income tax rate after application of tax effect accounting

	Previous consolidated fiscal year (as of February 28, 2025)	Consolidated fiscal year under review (as of February 28, 2026)
Statutory tax rate	30.6%	30.6%
(Adjustments)		
Entertainment expenses and other items that are permanently excluded from deductible expenses	1.1	0.6
Dividend income and other items that are permanently excluded from taxable income	(6.9)	(8.6)
Special deduction for income tax	(4.6)	(3.8)
Per capita resident tax	0.6	0.4
Changes in valuation allowance	2.7	1.6
Difference in effective tax rate with consolidated subsidiaries	(4.0)	(2.3)
Share of profit of entities accounted for using the equity method	(4.7)	(3.4)
Elimination of dividend income from consolidated subsidiaries	8.3	10.5
Amortization of goodwill	1.1	0.4
Tax effect of undistributed earnings of consolidated subsidiaries	1.6	7.9
Other	0.1	(0.5)
Effective income tax rate after application of tax effect accounting	25.9	33.6

(Changes in presentation)

"Tax effects on retained profit of consolidated subsidiaries," which was included in "Other" in notes for the previous consolidated fiscal year, has been presented separately because of its increased materiality. To reflect this change in the presentation method, notes for the previous fiscal year have been reclassified.

As a result, the 1.7% previously presented in "Other" in notes for the previous consolidated fiscal year has been reclassified as "Tax effects on retained profit of consolidated subsidiaries" of 1.6% and "Other" of 0.1%.

3. Adjustment of the amounts of deferred tax assets and deferred tax liabilities resulting from changes in income tax rates

The Act Partially Amending the Income Tax Act, etc. (Act No. 13 of 2025) was enacted by the National Diet on March 31, 2025. As a result, the Special Corporation Tax for Defense will be imposed from consolidated fiscal year beginning on or after April 1, 2026.

Accordingly, deferred tax assets and deferred tax liabilities related to temporary differences and other items expected to reverse in consolidated fiscal years beginning on or after March 1, 2027 have been calculated using a statutory effective tax rate of 31.5%, instead of 30.6%.

The impact of this change on the consolidated financial statements is minor.

(Business combinations, etc.)
Not applicable.

(Asset retirement obligations)
Description is omitted due to its low materiality.

(Investment property)
Description is omitted due to its low materiality.

(Revenue recognition)
1. Information regarding disaggregated revenue arising from contracts with customers

Previous consolidated fiscal year (From March 1, 2024 to February 28, 2025)

(Millions of yen)

Category	Reported segment				Total
	Japan	China	Southeast/South Asia	North America	
Special Lubricants	11,625	2,667	3,319	2,087	19,697
Hot melt adhesives	4,253	874	3,185	20	8,332
Other	5,485	217	357	7	6,066
Revenue arising from contracts with customers	21,362	3,758	6,862	2,113	34,095
Other revenue	278	—	—	—	278
Revenues from external customers	21,640	3,758	6,862	2,113	34,374

(Note) “Other” includes Liquid Paraffin & Sulfonates, Energy Device Materials, and equipment sales.

Consolidated fiscal year under review (From March 1, 2025 to February 28, 2026)

(Millions of yen)

Category	Reported segment				Total
	Japan	China	Southeast/South Asia	North America	
Special Lubricants	12,000	2,827	3,439	1,973	20,238
Hot melt adhesives	4,124	659	2,937	—	7,720
Other	5,827	325	386	77	6,615
Revenue arising from contracts with customers	21,951	3,811	6,762	2,050	34,573
Other revenue	298	—	—	—	298
Revenues from external customers	22,249	3,811	6,762	2,050	34,871

(Note) “Other” includes Liquid Paraffin & Sulfonates, Energy Device Materials, and equipment sales.

2. Useful information in understanding revenue

As described in “Important matters that are the basis for preparation of consolidated financial statements) 4. Information on accounting policies, (4) Accounting standards for important income and expenses.”

3. Relationship between satisfaction of performance obligations based on contracts with customers and cash flows arising from such contracts, and information on the amount and timing of revenue arising from contracts with customers that exist at the end of the fiscal year under review, which is expected to be recognized in and after the following fiscal year.

Previous consolidated fiscal year (From March 1, 2024 to February 28, 2025)

i) Balance, etc. of contract liabilities

(Millions of yen)

	Consolidated fiscal year under review
Receivables arising from contracts with customers (balance at the beginning of the year)	7,942
Receivables arising from contracts with customers (balance at the end of the year)	8,131
Contract liabilities (balance at the beginning of the year)	77
Contract liabilities (balance at the end of the year)	48

Balance at the end of the year of contract assets is mainly related to advances received from customers with regard to equipment sales contracts, for which revenue is recognized at the time of delivery. Contract liabilities are reversed in line with revenue recognition.

Of the amount of revenue recognized in the fiscal year under review, the amount included in the balance of contract liabilities at the beginning of the fiscal year was 77 million yen.

The reason for the decrease of 30 million yen in contract liabilities in the consolidated fiscal year under review is due to a decrease in advances received.

ii) Transaction prices allocated to remaining performance obligations

Since the Group has no important transactions with expected term of more than one year, the practical expedient is applied and description of information on remaining performance obligations is omitted.

There are no material transactions in consideration arising from contracts with customers that are not included in the transaction price.

Consolidated fiscal year under review (From March 1, 2025 to February 28, 2026)

i) Balance, etc. of contract liabilities

(Millions of yen)

	Consolidated fiscal year under review
Receivables arising from contracts with customers (balance at the beginning of the year)	8,131
Receivables arising from contracts with customers (balance at the end of the year)	8,661
Contract liabilities (balance at the beginning of the year)	48
Contract liabilities (balance at the end of the year)	157

Balance at the end of the year of contract assets is mainly related to advances received from customers with regard to equipment sales contracts, for which revenue is recognized at the time of delivery. Contract liabilities are reversed in line with revenue recognition.

Of the amount of revenue recognized in the fiscal year under review, the amount included in the balance of contract liabilities at the beginning of the fiscal year was 48 million yen.

The reason for the decrease of 110 million yen in contract liabilities in the consolidated fiscal year under review is due to a decrease in advances received.

ii) Transaction prices allocated to remaining performance obligations

Since the Group has no important transactions with expected term of more than one year, the practical expedient is applied and description of information on remaining performance obligations is omitted.

There are no material transactions in consideration arising from contracts with customers that are not included in the transaction price.

(Segment Information, etc.)

Segment information

1. Outline of the reported segments

The Company's reported segments are business units of the Company for which discrete financial information is available and for which the Board of Directors regularly conducts a review for the purpose of making decisions about management resources to be allocated to the segments and assessing the segment's performance.

The Company manufactures and sells mainly chemical products (special lubricants, liquid paraffin & sulfonates, hot melt adhesives). The Company is responsible for businesses in Japan, and local subsidiaries in China, Southeast/South Asia, and North America are responsible for businesses in respective regions overseas. Overseas subsidiaries are independent business management units, which formulate comprehensive strategies on products they deal with for their respective areas and conduct business activities.

In view of this, the Company is comprised of four reportable segments organized by region based on manufacturing and sales structures: Japan, China, Southeast/South Asia, and North America. The "Japan" segment is engaged in a rental building business besides the chemical products business.

2. Explanation of measurements of sales, profit (loss), asset, liability, and other items for each reporting segment

The accounting method for the reported segments is mostly the same as described in "Important matters that are the basis for preparation of consolidated financial statements."

Profit figures of the reported segments are based on operating profit.

Intersegment sales or transfers are based on prevailing market prices.

3. Disclosure of sales, profit (loss), asset, liability, and other items for each reporting segment

Previous consolidated fiscal year (From March 1, 2024 to February 28, 2025)

(Millions of yen)

	Reported segment					Adjustments (Notes) 1, 2	Consolidated total (Note 3)
	Japan	China	Southeast/South Asia	North America	Total		
Net sales							
Revenues from external customers	21,640	3,758	6,862	2,113	34,374	－	34,374
Intersegment sales or transfers	1,707	536	8	16	2,268	(2,268)	－
Total	23,348	4,294	6,870	2,129	36,641	(2,268)	34,374
Segment profit	871	214	219	107	1,411	(20)	1,391
Segment assets	24,326	7,196	7,319	2,771	41,612	(3,315)	38,297
Other items							
Depreciation	653	263	241	51	1,208	－	1,208
Amortization of goodwill	16	－	－	50	67	－	67
Investment in equity method affiliates	2,279	－	－	－	2,279	－	2,279
Increase in property, plant and equipment, and intangible assets	1,230	31	101	29	1,391	－	1,391

(Notes) 1. Adjustments to segment profit of -20 million yen include 0 million yen for elimination of intersegment transactions, -20 million yen for adjustment of inventories and -1 million yen for adjustment of allowance for doubtful accounts.

2. Adjustments to segment assets of -3,315 million yen include -4,051 million yen for intersegment elimination and 737 million yen for company-wide assets. Company-wide assets refer to the Company's financial assets (cash and deposits, and investment securities) that do not belong to reporting segments.

3. Segment profit has been adjusted for alongside operating profit on the consolidated financial statements.

4. Information concerning impairment loss on non-current assets or goodwill, etc. for each reported segment

(Significant impairment losses on non-current assets)

In the "Japan" segment, an impairment loss of 188 million yen is recorded for assets with no prospect of recovery in the future.

Consolidated fiscal year under review (From March 1, 2025 to February 28, 2026)

(Millions of yen)

	Reported segment					Adjustments (Notes) 1, 2	Consolidated total (Note 3)
	Japan	China	Southeast/South Asia	North America	Total		
Net sales							
Revenues from external customers	22,249	3,811	6,762	2,050	34,871	—	34,871
Intersegment sales or transfers	1,554	476	9	2	2,041	(2,041)	—
Total	23,803	4,287	6,771	2,051	36,912	(2,041)	34,871
Segment profit	1,526	336	343	156	2,362	6	2,367
Segment assets	25,018	6,719	7,145	2,782	41,665	(982)	40,683
Other items							
Depreciation	613	247	232	43	1,135	—	1,135
Amortization of goodwill	—	—	—	47	47	—	47
Investment in equity method affiliates	2,560	—	—	—	2,560	—	2,560
Increase in property, plant and equipment, and intangible assets	484	13	107	12	615	—	615

(Notes) 1. Adjustments to segment profit of 6 million yen include 1 million yen for elimination of intersegment transactions, 5 million yen for adjustment of inventories and 0 million yen for adjustment of allowance for doubtful accounts.

2. Adjustments to segment assets of -982 million yen include -2,620 million yen for intersegment elimination and 1,638 million yen for company-wide assets. Company-wide assets refer to the Company's financial assets (cash and deposits, and investment securities) that do not belong to reporting segments.

3. Segment profit has been adjusted for alongside operating profit on the consolidated financial statements.

Information associated with reported segments

Previous consolidated fiscal year (From March 1, 2024 to February 28, 2025)

1. Information for each product or service

	Special Lubricants	Liquid Paraffin & Sulfonates	Hot melt adhesives	Energy device materials	Other chemical products	Total
Revenues from external customers	19,697	4,234	8,332	296	1,814	34,374

2. Information for each region

(1) Net sales

(Millions of yen)

Japan	China	Asia (excluding China)		North America	Other	Total
			Indonesia			
19,895	4,092	7,720	3,454	2,456	212	34,374

(Note) Net sales are classified by country or region based on the geographic location of the customers.

(2) Property, plant and equipment

(Millions of yen)

Japan	China	Asia (excluding China)	North America	Total
5,839	2,472	1,576	527	10,414

3. Information for each of main customers

(Millions of yen)

Name	Net sales	Relevant segment
Matsumura Oil Co., Ltd.	5,137	Japan

Consolidated fiscal year under review (From March 1, 2025 to February 28, 2026)

1. Information for each product or service

	Special Lubricants	Liquid Paraffin & Sulfonates	Hot melt adhesives	Energy device materials	Other chemical products	Total
Revenues from external customers	20,238	4,298	7,720	283	2,332	34,871

2. Information for each region

(1) Net sales

(Millions of yen)

Japan	China	Asia (excluding China)		North America	Other	Total
			Indonesia			
20,249	4,318	7,794	3,268	2,335	175	34,871

(Note) Net sales are classified by country or region based on the geographic location of the customers.

(2) Property, plant and equipment

(Millions of yen)

Japan	China	Asia (excluding China)	North America	Total
5,709	2,318	1,415	490	9,932

3. Information for each of main customers

(Millions of yen)

Name	Net sales	Relevant segment
Matsumura Oil Co., Ltd.	5,127	Japan

Disclosure of impairment loss on non-current assets for each reported segment

Previous consolidated fiscal year (From March 1, 2024 to February 28, 2025)

(Millions of yen)

	Japan	China	Southeast/South Asia	North America	Total
Impairment loss	188	―	―	―	188

Consolidated fiscal year under review (From March 1, 2025 to February 28, 2026)

(Millions of yen)

	Japan	China	Southeast/South Asia	North America	Total
Impairment loss	29	―	―	―	29

Amortization and unamortized balance of goodwill for each reported segment

Previous consolidated fiscal year (From March 1, 2024 to February 28, 2025)

(Millions of yen)

	Japan	China	Southeast/South Asia	North America	Total
Amortization of goodwill	16	―	―	50	67
Balance at end of period	―	―	―	543	543

Consolidated fiscal year under review (From March 1, 2025 to February 28, 2026)

(Millions of yen)

	Japan	China	Southeast/South Asia	North America	Total
Amortization of goodwill	―	―	―	47	47
Balance at end of period	―	―	―	488	488

Information about gain on bargain purchase for each reported segment

Previous consolidated fiscal year (From March 1, 2024 to February 28, 2025)

Not applicable.

Consolidated fiscal year under review (From March 1, 2025 to February 28, 2026)

Not applicable.

Related parties

1. Transactions with related parties

Transactions of the Company with related parties

Parent company and major shareholders, etc. of the Company

Previous consolidated fiscal year (From March 1, 2024 to February 28, 2025)

Type	Name	Location	Capital (Millions of yen)	Business	Holding (held) ratio of voting rights (%)	Relation	Transactions	Amount (Millions of yen)	Account item	Year-end balance (Millions of yen)
Major shareholder	Matsumura Oil Co., Ltd.	Kita-ku, Osaka	70	Manufacture and sale of industrial lubricants, etc.	(Holding) Direct 2.1 (Held) Direct 11.5	Sales of the Company's products and purchase of materials	Sales of products (Note 1)	5,040	Accounts receivable - trade	1,313

(Note 1) Transaction terms and policies to determine them

The terms for sales of the Company's products are determined in light of market prices, considering the economic rationality, and in accordance with the basic sales agreement.

Consolidated fiscal year under review (From March 1, 2025 to February 28, 2026)

Type	Name	Location	Capital (Millions of yen)	Business	Holding (held) ratio of voting rights (%)	Relation	Transactions	Amount (Millions of yen)	Account item	Year-end balance (Millions of yen)
Major shareholder	Matsumura Oil Co., Ltd.	Kita-ku, Osaka	70	Manufacture and sale of industrial lubricants, etc.	(Holding) Direct 2.1 (Held) Direct 11.6	Sales of the Company's products and purchase of materials	Sales of products (Note 1)	4,934	Accounts receivable - trade	1,285

(Note 1) Transaction terms and policies to determine them

The terms for sales of the Company's products are determined in light of market prices, considering the economic rationality, and in accordance with the basic sales agreement.

2. Notes concerning the parent company or significant affiliates

Summary of financial information of significant affiliates

In the consolidated fiscal year under review, the significant affiliate is Zhangjiagang TEEC Automotive Chemicals Co., Ltd., and its summarized financial statements are as follows.

(Millions of yen)

	Zhangjiagang TEEC Automotive Chemicals Co., Ltd.	
	Previous consolidated fiscal year	Consolidated fiscal year under review
Total current assets	5,227	8,975
Total non-current assets	5,240	4,737
Total current liabilities	1,351	3,473
Total non-current liabilities	—	—
Total net assets	9,117	10,239
Net sales	7,878	8,435
Profit before income taxes	1,000	1,187
Profit	884	1,044

(Per-share information)

	Previous consolidated fiscal year (From March 1, 2024 to February 28, 2025)	Consolidated fiscal year under review (From March 1, 2025 to February 28, 2026)
Net assets per share	2,364.63	2,558.24
Earnings per share	110.47	166.23
Diluted earnings per share	Not provided because there are no dilutive shares.	Not provided because there are no dilutive shares.

(Note 1) Calculation basis of earnings per share is as follows.

	Previous consolidated fiscal year (From March 1, 2024 to February 28, 2025)	Consolidated fiscal year under review (From March 1, 2025 to February 28, 2026)
Profit attributable to owners of parent (millions of yen)	1,013	1,525
Amount not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent pertaining to common stock (Millions of yen)	1,013	1,525
Average number of shares of common stock outstanding during the period (Shares)	9,170,545	9,175,079

(Note 2) Calculation basis of net assets per share is as follows.

	Previous consolidated fiscal year (as of February 28, 2025)	Consolidated fiscal year under review (February 28, 2026)
Total net assets (Millions of yen)	25,009	26,883
Amount deducted from total net assets (Millions of yen)	3,324	3,406
(Of which, non-controlling interests (Millions of yen))	(3,324)	(3,406)
Net assets at the end of the fiscal year related to common shares (Millions of yen)	21,685	23,477
The number of common shares at the end of the fiscal year used to calculate net assets per share (Shares)	9,170,690	9,177,180

(Significant subsequent events)

Not applicable.

v) Consolidated supplemental schedules

Detailed schedule of bonds payable

Not applicable.

Detailed schedule of borrowings

Category	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (%)	Maturity date
Short-term borrowings	2,171	2,792	0.7	—
Current portion of long-term borrowings	1,007	660	0.9	—
Current portion of lease obligations	64	52	—	—
Long-term borrowings (excluding current portion)	1,940	1,108	0.9	2027 - 2032
Lease obligations (excluding current portion)	77	61	—	2027 - 2032
Total	5,258	4,674	—	—

(Notes)
1. The average interest rate represents the weighted-average rate applicable to the year-end balance of borrowings.
2. Current portion of long-term borrowings is included in "Short-term borrowings" on the consolidated balance sheet.
3. The average interest rate of lease obligations is not provided because lease obligations are recorded on the consolidated balance sheet before deducting the amount equivalent to interest included in the total lease payment.
4. The aggregate annual maturities of long-term borrowings and lease obligations (excluding the current portion) within five years after the consolidated balance sheet date are as follows.

	Due after 1 year but within 2 years (Millions of yen)	Due after 2 years but within 3 years (Millions of yen)	Due after 3 years but within 4 years (Millions of yen)	Due after 4 years but within 5 years (Millions of yen)
Long-term borrowings	662	385	20	20
Leased obligations	36	14	5	3

Detailed schedule of asset retirement obligations

The amounts of asset retirement obligations at the beginning and the end of the current fiscal year are one percent or less of the total liabilities and net assets at the beginning and the end of the current fiscal year. Accordingly, the preparation of the schedules has been omitted pursuant to the provision of Article 92-2 of the Regulations on Consolidated Financial Statements.

(2) Other

Semi-annual financial information and others for the fiscal year under review

(Cumulative period)		Second quarter	Consolidated fiscal year under review
Net sales	((Millions of yen)	16,865	34,871
Profit before income taxes	(Millions of yen)	919	2,612
Profit attributable to owners of parent	((Millions of yen)	506	1,525
Earnings per share	(Yen)	55.15	166.23

2. Non-Consolidated Financial Statements, etc.
(1) Non-Consolidated Financial Statements
i) Non-consolidated balance sheet

(Millions of yen)

	Previous consolidated fiscal year (as of February 28, 2025)	Consolidated fiscal year under review (February 28, 2026)
Assets		
Current assets		
Cash and deposits	603	1,415
Notes receivable - trade	68	※3 30
Electronically recorded monetary claims	※1 736	※1, ※3 850
Accounts receivable - trade	※1 4,030	※1 4,173
Merchandise and finished goods	2,238	2,228
Raw materials and supplies	1,210	1,278
Other	※1 867	※1 761
Allowance for doubtful accounts	(0)	(1)
Total current assets	9,752	10,734
Non-current assets		
Property, plant and equipment		
Buildings	1,914	1,828
Structures	91	88
Machinery and equipment	579	542
Vehicles	0	0
Tools, furniture and fixtures	※2 152	※2 192
Land	1,558	1,558
Leased assets	5	15
Construction in progress	24	48
Total property, plant and equipment	4,324	4,271
Intangible assets		
Software	147	150
Other	25	7
Total intangible assets	172	157
Investments and other assets		
Investment securities	530	704
Shares of affiliated companies	2,354	2,065
Investments in capital of subsidiaries and associates	2,909	3,369
Deferred tax assets	104	96
Long-term loans receivable	※1 1,599	※1 1,465
Long-term prepaid expenses	28	21
Prepaid pension cost	932	1,066
Other	93	89
Allowance for doubtful accounts	(1)	—
Total investments and other assets	8,549	8,875
Total non-current assets	13,045	13,303
Total assets	22,796	24,037

(Millions of yen)

	Previous consolidated fiscal year (as of February 29, 2025)	Consolidated fiscal year under review (February 28, 2026)
Liabilities		
Current liabilities		
Accounts payable - trade	※1 2,740	※1 2,527
Electronically recorded obligations	476	※3 510
Short-term borrowings	2,590	3,432
Leased obligations	2	4
Accounts payable - other	※1 747	※1 823
Accrued expenses	99	128
Income taxes payable	124	224
Provision for bonuses	437	449
Other	※1 606	※1 694
Total current liabilities	7,821	8,790
Non-current liabilities		
Long-term borrowings	1,645	1,005
Leased obligations	4	13
Provision for retirement benefits	365	342
Other	2	1
Total non-current liabilities	2,016	1,360
Total liabilities	9,837	10,150
Net assets		
Shareholders' equity		
Capital stock	2,118	2,118
Capital surplus		
Legal capital surplus	1,906	1,906
Other capital surplus	69	69
Total capital surplus	1,975	1,975
Retained earnings		
Legal retained earnings	75	75
Other retained earnings		
Reserve for reduction entry of replaced property	13	12
General reserve	6,500	6,500
Retained earnings brought forward	2,806	3,608
Total retained earnings	9,393	10,194
Treasury shares	(649)	(641)
Total shareholders' equity	12,837	13,646
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	122	241
Total valuation and translation adjustments	122	241
Total net assets	12,959	13,887
Total liabilities and net assets	22,796	24,037

ii) Non-consolidated statement of income

(Millions of yen)

	Previous consolidated fiscal year (From March 1, 2024 to February 28, 2025)	Consolidated fiscal year under review (From March 1, 2025 to February 28, 2026)
Net sales	※2 18,918	※2 18,930
Cost of sales	※2 13,359	※2 12,872
Gross profit	5,559	6,058
Selling, general and administrative expenses	※1,※2 4,839	※1,※2 4,809
Operating profit	720	1,250
Non-operating income		
Interest and dividend income	※2 380	※2 766
Foreign exchange gains	—	10
Subsidy income	57	23
Other	※2 28	※2 27
Total non-operating income	465	826
Non-operating expenses		
Interest expenses	※2 32	※2 40
Loss on retirement of non-current assets	16	—
Other	2	2
Total non-operating expenses	50	42
Ordinary profit	1,135	2,034
Extraordinary losses		
Loss on valuation of investment securities	47	3
Loss on valuation of shares of subsidiaries and associates	—	※3 309
Loss on valuation of investments in subsidiaries and associates	—	※4 214
Impairment loss	188	29
Total extraordinary losses	236	554
Profit before income taxes	899	1,479
Income taxes - current	216	314
Income taxes - deferred	(62)	(48)
Total income taxes	154	265
Profit	745	1,214

iii) Non-consolidated statement of changes in equity

Previous fiscal year (from March 1, 2024 to February 28, 2025)

(Millions of yen)

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	
						Reserve for reduction entry of replaced property	Voluntary reserve
Balance at beginning of period	2,118	1,906	67	1,974	75	13	6,500
Changes during period							
Reversal of reserve for reduction entry of replaced property						(1)	
Dividends of surplus							
Profit							
Acquisition of treasury shares							
Disposal of treasury shares			1	1			
Net changes in items other than shareholders' equity							
Total changes during period	—	—	1	1	—	(1)	—
Balance at end of period	2,118	1,906	69	1,975	75	13	6,500

	Shareholders' equity				Valuation and translation adjustments		Total net assets
	Retained earnings		Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
	Other retained earnings	Total retained earnings					
	Retained earnings brought forward						
Balance at beginning of period	2,474	9,063	(561)	12,594	100	100	12,694
Changes during period							
Reversal of reserve for reduction entry of replaced property	1	—		—			—
Dividends of surplus	(414)	(414)		(414)			(414)
Profit	745	745		745			745
Acquisition of treasury shares			(100)	(100)			(100)
Disposal of treasury shares			12	13			13
Net changes in items other than shareholders' equity					22	22	22
Total changes during period	331	331	(88)	244	22	22	265
Balance at end of period	2,806	9,393	(649)	12,837	122	122	12,959

Fiscal year under review (from March 1, 2025 to February 28, 2026)

(Millions of yen)

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	
						Reserve for reduction entry of replaced property	Voluntary reserve
Balance at beginning of period	2,118	1,906	69	1,975	75	13	6,500
Changes during period							
Reversal of reserve for reduction entry of replaced property						(1)	
Dividends of surplus							
Profit							
Acquisition of treasury shares							
Disposal of treasury shares			(0)	(0)			
Net changes in items other than shareholders' equity							
Total changes during period	—	—	(0)	(0)	—	(1)	—
Balance at end of period	2,118	1,906	69	1,975	75	12	6,500

	Shareholders' equity				Valuation and translation adjustments		Total net assets
	Retained earnings		Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
	Other retained earnings	Total retained earnings					
	Retained earnings brought forward						
Balance at beginning of period	2,806	9,393	(649)	12,837	122	122	12,959
Changes during period							
Reversal of reserve for reduction entry of replaced property	1	—		—			—
Dividends of surplus	(413)	(413)		(413)			(413)
Profit	1,214	1,214		1,214			1,214
Acquisition of treasury shares			(0)	(0)			(0)
Disposal of treasury shares			8	8			8
Net changes in items other than shareholders' equity					119	119	119
Total changes during period	802	801	8	809	119	119	928
Balance at end of period	3,608	10,194	(641)	13,646	241	241	13,887

Notes
(Significant accounting policies)

1. Standards and methods for evaluating assets
   (1) Standards and methods for evaluating securities
   Shares in subsidiaries and affiliates
   Moving average cost method

   Available-for-sale securities
   Securities other than shares without a market price
   Fair value method (unrealized gain and loss, net of tax are recorded in net assets, and the moving average method is used to calculate the cost of securities sold)
   Shares without a market price
   Moving average cost method

   (2) Standards and methods for evaluating derivatives
   Fair value method

   (3) Standards and methods for evaluating inventories
   Mainly gross average cost method
   (The balance sheet values are calculated by writing down the book values in response to decreased profitability)

2. Depreciation method of non-current assets
   (1) Property, plant and equipment (excluding leased assets)
   The declining-balance method is adopted. (However, the straight-line method is used for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016.) Major useful lives are as follows.
   Buildings: 3 to 50 years
   Machinery and equipment: 4 to 15 years

   (2) Intangible assets
   The straight-line method is adopted. For software used in-house, the straight-line method is adopted based on the usable period inside the company (5 years).

   (3) Leased assets
   Leased assets relating to finance lease without transfer of ownership
   The straight-line method is used with a useful life of the lease period and with a residual value of zero.

3. Accounting standards for important reserves and allowances
   (1) Allowance for doubtful accounts
   In order to prepare for possible losses on uncollectible receivables held, estimated uncollectible amounts are posted: for general receivables, according to the historical percentage of uncollectibles, and for doubtful receivables, considering the probability of collection.

   (2) Provision for bonuses
   In order to prepare for payment of bonuses to employees, a provision is made based on the estimated bonus payments, which are attributable to the fiscal year under review.

(3) Provision for retirement benefits
In order to prepare for payment of retirement benefits to employees, a provision is made based on the estimated amounts of retirement benefit obligations and pension assets at the end of the fiscal year under review.
i) Method to attribute the estimated retirement benefits to the periods
To calculate retirement benefit obligations, the benefit formula method is adopted as a method to attribute the estimated retirement benefits to the periods up to the end of the fiscal year under review.

ii) Method of amortization of actuarial gains and losses
The actuarial differences are recognized in the following fiscal year by the straight-line method over a certain period (mainly 14 years) that are not more than the average remaining service period of employees at the time of the accrual of a difference.

4. Accounting standards for important income and expenses
The main business of the Company is manufacture and sale of chemical products (special lubricants, liquid paraffin & sulfonates, hot melt adhesives, and energy device materials). With regard to sale of such goods and products, the Group determines that control of goods is transferred to customers at the time of delivery. As the period between shipment and delivery is a normal period of time, the Group applies alternative treatment based on importance, etc., and recognizes revenue at the time of shipment of goods and products for inside Japan. For overseas, based on the terms of trade stipulated by Incoterms, etc., the Group determines that control of goods and products is transferred to customers and its performance obligations are satisfied when risks are transferred to customers. Therefore, the Group recognizes revenue at the time of shipment of goods and products in principle. The consideration for the transaction is received within approximately one year after the performance obligations are satisfied and does not contain any significant financial components.

5. Other important matters that are the basis for preparation of non-consolidated financial statements
(1) Method and period of amortization of goodwill
Goodwill is regularly amortized using the straight-line method over an effective period up to 20 years. However, minor goodwill is entirely amortized all at once.

(2) Accounting treatment for retirement benefits
The method of accounting treatment for unrecognized actuarial gains and losses on retirement benefits is different from the method of accounting treatment used in the consolidated financial statements.

(3) Accounting principles and procedures that were adopted when relevant accounting standards, etc. were unclear
Restricted stock compensation system
Remuneration, etc. paid to directors of the Company based on the Company's restricted stock compensation system is treated as expenses over the applicable service period.

(Important accounting estimates)
(Valuation of inventories)
(1) Amount recorded in the non-consolidated financial statements for the fiscal year under review

(Millions of yen)

	Previous fiscal year	Fiscal year under review
Merchandise and finished goods	2,238	2,228
Raw materials and supplies	1,210	1,278
Cost of sales	65	97

Loss on valuation of inventories included in cost of sales (reversal) is stated at net amount after reversal.

(2) Information on the details of accounting estimates
Notes are omitted because the same information is provided in "Notes (Important accounting estimates)"to consolidated financial statements.

(Changes in accounting policies)

(Application of the "Accounting Standard for Current Income Taxes," etc.) The "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022) and the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022) have been applied from the beginning of the fiscal year under review. This application has no impact on the non-consolidated financial statements.

(Additional information)

Notes are omitted because the same information is provided in "Notes (Additional information)"to consolidated financial statements.

(Non-consolidated balance sheet)

*1 Receivables from and payables to subsidiaries and associates

	Previous consolidated fiscal year (as of February 28, 2025)	Consolidated fiscal year under review (February 28, 2026)
Short-term receivables	1,223million yen	1,080million yen
Short-term payables	877	721
Long-term receivables	1,599	1,465

*2 Reduction entry

Total reduction entries due to acquisition of government subsidies, etc. for property, plant and equipment are as follows.

	Previous consolidated fiscal year (as of February 28, 2025)	Consolidated fiscal year under review (February 28, 2026)
Tools, furniture and fixtures	11million yen	3million yen

*3 Notes maturing on the last day of the fiscal year are accounted for as if they were settled on the clearing date.

Because the last day of the fiscal year under review fell on a holiday for financial institutions, the following notes maturing on the last day of the fiscal year are included in the year-end balance:

	Previous consolidated fiscal year (as of February 28, 2025)	Consolidated fiscal year under review (February 28, 2026)
Notes receivable - trade	—	7million yen
Electronically recorded monetary claims	—	41
Electronically recorded obligations	—	56

(Non-consolidated statement of income)

*1 Selling expenses accounted for 31% in the previous fiscal year and account for 31% in the fiscal year under review. General and administrative expenses accounted for 69% in the previous fiscal year and account for 69% in the fiscal year under review.

Major components and amounts are as follows.

	Previous consolidated fiscal year (From March 1, 2024 to February 28, 2025)	Consolidated fiscal year under review (From March 1, 2025 to February 28, 2026)
Salaries	1,304million yen	1,320million yen
Provision for bonuses	310	317
Retirement benefit expenses	55	54
Provision of allowance for doubtful accounts	(8)	0
Depreciation	198	172
Freightage expenses	568	592

*2 Transactions with subsidiaries and associates

	Previous consolidated fiscal year (From March 1, 2024 to February 28, 2025)	Consolidated fiscal year under review (From March 1, 2025 to February 28, 2026)
Net sales	1,680million yen	1,565million yen
Purchase of goods	1,088	1,047
Selling, general and administrative expenses	17	25
Non-operating transactions	380	759

*3 Note on loss on valuation of shares of subsidiaries and associates
Loss on valuation of shares of subsidiaries and associates is loss on valuation of shares of MORESCO HM&LUB INDIA PRIVATE LIMITED, a consolidated subsidiary.

*4 Note on loss on valuation of investments in capital of subsidiaries and associates
Loss on valuation of investments in capital of subsidiaries and associates is loss on valuation of investments in capital of TIANJIN MORESCO TECHNOLOGY CO., LTD.

(Securities)
Shares in subsidiaries (2,065 million yen recorded for fiscal year under review and 2,354 million yen recorded for previous fiscal year on the balance sheet) are not presented because they are shares without a market price.

(Tax effect accounting)
1. Major components of deferred tax assets and liabilities

	Previous consolidated fiscal year (as of February 28, 2025)	Consolidated fiscal year under review (February 28, 2026)
Deferred tax assets		
Provision for bonuses	134million yen	137million yen
Provision for retirement benefits	112	108
Loss on valuation of inventories	47	77
Deferred assets	22	26
Impairment loss	71	64
Loss on valuation of investment securities	21	22
Loss on valuation of shares of subsidiaries and associates	89	188
Loss on valuation of investments in subsidiaries and associates	—	68
Other	71	76
Subtotal deferred tax assets	566	766
Valuation allowance	(127)	(227)
Total deferred tax assets	440	538
Deferred tax liabilities		
Reserve for reduction entry of replaced property	(6)	(5)
Prepaid pension cost	(285)	(336)
Other	(45)	(101)
Total deferred tax liabilities	(335)	(442)
Net deferred tax assets (liabilities)	104	96

2. The reconciliation of significant differences between the statutory tax rate and effective income tax rate after application of tax effect accounting

	Previous consolidated fiscal year (as of February 28, 2025)	Consolidated fiscal year under review (February 28, 2026)
Statutory tax rate	30.6%	30.6%
(Reconciliations)		
Permanently non-deductible amount (entertainment expenses, etc.)	1.9	1.0
Permanently non-taxable amount (dividend income, etc.)	(10.2)	(13.9)
Special deduction of income taxes	(8.2)	(6.6)
Per capita tax	1.0	0.6
Increase (decrease) in valuation allowance	1.4	6.4
Withholding tax on dividends from foreign subsidiaries	2.9	1.2
Amortization of goodwill	0.6	—
Other	(2.9)	(1.3)
Actual effective income tax rate after application of tax-effect accounting	17.1	17.9

3. Adjustment of the amounts of deferred tax assets and deferred tax liabilities resulting from changes in income tax rates

The Act Partially Amending the Income Tax Act, etc. (Act No. 13 of 2025) was enacted by the National Diet on March 31, 2025. As a result, the Special Corporation Tax for Defense will be imposed from fiscal year beginning on or after April 1, 2026.

Accordingly, deferred tax assets and deferred tax liabilities related to temporary differences and other items expected to reverse in fiscal years beginning on or after March 1, 2027 have been calculated using a statutory effective tax rate of 31.5%, instead of 30.6%.

The impact of this change on the non-consolidated financial statements is minor.

(Business combinations, etc.)

Not applicable.

(Revenue recognition)

Note to useful information in understanding revenue arising from contracts with customers is omitted because the same information is provided in “Notes (Revenue recognition)” to consolidated financial statements.

(Significant subsequent events)

Not applicable.

iv) Non-consolidated supplemental schedules

Detailed schedule of fixed assets

(Millions of yen)

Category	Types of assets	Balance at beginning of period	Increase in the fiscal year under review	Decrease in the fiscal year under review	Amortization of goodwill	Balance at end of period	Accumulated depreciation
Property, plant and equipment	Buildings	4,057	49	14 (13)	121	4,091	2,263
	Structures	519	10	—	13	529	441
	Machinery and equipment	7,613	170	30 (14)	193	7,754	7,212
	Vehicles	27	0	6 (0)	0	21	21
	Tools, furniture and fixtures	2,290	121	72 (1)	81	2,339	2,148
	Land	1,558	—	—	—	1,558	—
	Leased assets	20	12	—	2	31	17
	Construction in progress	24	454	429	—	48	—
	Total	16,107	817	551 (29)	411	16,372	12,101
Intangible assets	Goodwill	1,467	—	—	—	1,467	1,467
	Software	847	52	—	49	899	749
	Other	26	34	52	0	8	1
	Total	2,340	86	52	49	2,374	2,216

(Notes) 1. Balance at beginning of period and balance at end of period are indicated by the acquisition prices.

2. Figures in parentheses for “Decrease in the fiscal year under review” are the amounts of impairment losses recorded.

3. Major components of the increase in the fiscal year under review are as follows.

(Millions of yen)

Types of assets	Site	Value
Machinery and equipment	Chiba Plant	83
Machinery and equipment	Akoh Plant	77
Tools, furniture and fixtures	Kobe Head Office	94

4. Major components of the decrease in the fiscal year under review are as follows.

(Millions of yen)

Types of assets	Site	Value
Tools, furniture and fixtures	Kobe Head Office	46

Detailed schedule of allowances

(Millions of yen)

Account item	Balance at beginning of period	Increase in the fiscal year under review	Decrease in the fiscal year under review	Balance at end of period
Allowance for doubtful accounts	2	0	1	1
Provision for bonuses	437	449	437	449

(2) Details of major assets and liabilities
This information is omitted because the Company prepares consolidated financial statements.

(3) Other
Not applicable.

VI. Outline of Share-related Administration of Reporting Company

<table>
<tr><td>Fiscal year</td><td>From March 1 to the end of February</td></tr>
<tr><td>Ordinary general meeting of shareholders</td><td>May</td></tr>
<tr><td>Record date</td><td>Last day of February</td></tr>
<tr><td>Record dates for dividend of surplus</td><td>Last day of February
August 31</td></tr>
<tr><td>Number of shares constituting one unit of stock</td><td>100</td></tr>
<tr><td>Repurchase of less-than-one-unit shares

Place for repurchase processing

Administrator of shareholders’ register

Contact place

Repurchase charge</td><td>

Special account
Osaka Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation
3-6-3 Fushimi-cho, Chuo-ku, Osaka
Special account
Mitsubishi UFJ Trust and Banking Corporation
1-4-5 Marunouchi, Chiyoda-ku, Tokyo
―――
Free</td></tr>
<tr><td>Method of public notice</td><td>Public notice by the Company shall be given by electronic means; provided, however, that in the event an accident or any other unavoidable reason prevents public notice by electronic means, the notice can be given in the Nihon Keizai Shimbun.
URL for public notice:
https://www.moresco.co.jp/</td></tr>
<tr><td>Special benefits for shareholders</td><td><table><tr><th>Number of shares held and continued holding period</th><th>Details of benefit</th></tr><tr><td>300 shares or more, and continued holding period of less than 3 years</td><td>Quo card 3,000 yen</td></tr><tr><td>300 shares or more, and continued holding period of 3 years or more</td><td>Quo card 4,000 yen</td></tr></table>Eligible shareholders are those listed or recorded on the shareholders’ register as of the last day of February each year and holding 300 shares or more of the Company’s stock.
* Continued holding period of 3 years or more means that the same shareholder number is listed or recorded on the shareholders’ register as of the end of February and the end of August for at least seven consecutive times.
* If a shareholder holding less than 300 shares later purchases additional shares to hold 300 shares or more as of the end of February, the period of holding less than 300 shares is included in the consecutive holding period.</td></tr>
</table>

VII. Reference Information of Reporting Company

1. Information on parent company, etc. of the reporting company
   The Company has no parent company, etc. as prescribed in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other reference information
   The Company filed the following documents between the beginning of the fiscal year under review and the date when this Annual Securities Report (Yukashoken-Hokokusho) was filed.

   (1) Annual securities report and attached documents, and confirmation note
   Fiscal year (the 67th) (from March 1, 2024 to February 28, 2025)
   Submitted to the director of the Kinki Local Finance Bureau on May 29, 2025

   (2) Internal Control Report and its attached documents
   Submitted to the director of the Kinki Local Finance Bureau on May 29, 2025

   (3) Semi-annual reports and confirmation notes
   (The 68th term) (from March 1, 2025 to August 31, 2025)
   Submitted to the director of the Kinki Local Finance Bureau on October 14, 2025

   (4) Extraordinary Report
   Submitted to the director of the Kinki Local Finance Bureau on June 2, 2025
   An extraordinary report according to the provision of Article 19, Paragraph 2, Item 9-2 (Matters that require a resolution of a general meeting of shareholders) of the Cabinet Office Order on Disclosure of Corporate Affairs

   Submitted to the director of the Kinki Local Finance Bureau on December 12, 2025
   An extraordinary report according to the provision of Article 19, Paragraph 2, Item 3 (Change to a specified subsidiary company) of the Cabinet Office Order on Disclosure of Corporate Affairs

Part II. Information on the Reporting Company's Guarantor, etc.

Not applicable.

Independent Auditors' Audit Report and Internal Control Audit Report

May 26, 2026

MORESCO Corporation
The Board of Directors

Grant Thornton Taiyo LLC

Osaka Office

Designated Limited Partner Engagement Partner	Certified Public Accountant	Kenji Furuta
Designated Limited Partner Engagement Partner	Certified Public Accountant	Tatsuya Yosinaga

<Financial statements audit>

Opinion

In order to provide the audit certification in accordance with the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the accompanying consolidated financial statements presented under "Financial Information" of MORESCO Corporation for the period from March 1, 2025 to February 28, 2026, which comprise the consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows, important matters that are the basis for preparation of consolidated financial statements, other Notes, and consolidated supplemental schedules.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of MORESCO Corporation and its consolidated subsidiaries as of February 28, 2026, and their financial performance and cash flows for the consolidated fiscal year then ended in accordance with accounting principles generally accepted in Japan.

Basis of Opinion

We conducted our audit in accordance with the auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Adequacy of the valuation of inventories of MORESCO Corporation	
Description of Key Audit Matters and the Reasons for the Description	Auditor's Response
In the consolidated balance sheet for the consolidated fiscal year ended February 28, 2026 of MORESCO Corporation, "Merchandise and finished goods" of 3,774 million yen and "Raw materials and supplies" of 3,118 million yen are reported. Of these, inventories of MORESCO Corporation account for approximately 51%, making them particularly important. As described in Notes (Important accounting estimates), the Company calculates the values of inventories by writing down the book values in response to decreased profitability. For slow-moving stock that fall out of the normal operating cycle, the fact of decreased profitability is reflected either by determining the recoverable amount individually based on future sales prospects or by establishing a valuation loss ratio based on historical inventory aging data and other relevant factors and systematically writing down their book value. Future sales prospects used in individual evaluations are based on order estimates based on past sales performance, etc., and the valuation loss ratio is based on the assumption that the trend in slow-moving stock over a specified period in the past will continue in the future. These are associated with uncertainty because they may fluctuate due to factors beyond management's control. As such, we determined the adequacy of the valuation of inventories held by MORESCO Corporation as a Key Audit Matter.	In order to examine the adequacy of the valuation of inventories of MORESCO Corporation, we performed the following audit procedures. In order to examine the adequacy of the valuation of inventories of MORESCO Corporation, we performed the following audit procedures. • Discussed with management, etc. on whether the standards for evaluating inventories adopted by the Company are appropriate for the Company's businesses and comply with the "Accounting Standard for Measurement of Inventories," and examined their rationality. • Checked the accuracy of sales results data of the preceding fiscal year, which is the basis of calculation of future sales prospects, by verifying the consistency with the output data of the sales management system. • To confirm the rationality of sales prospects, questioned management, etc. whether the future sales prospects calculated based on the results, etc. of the preceding fiscal year involves any other matters to be considered in estimation. • Confirmed by viewing approval documents that the internal approval procedure was followed for inventory items subject to the method of determining the recoverable amount individually. • To verify the accuracy of the historical inventory aging data, which forms the basis for the method of systematically writing down book values, compared past inventory data with sales and inventory clearance data for the fiscal year under review. To determine whether the valuation loss ratio determined based on these results would continue to be applicable in the future, analyzed trends in the subsequent sales performance of slow-moving stock in the past and questioned management, etc. whether there were any circumstances that would warrant a review of the valuation method.

Other Statements

Other statements comprise the information included in the Annual Securities Report other than the consolidated financial statements and non-consolidated financial statements, as well as our auditor's report thereon. Management is responsible for the preparation and disclosure of other statements. The Audit and Supervisory Committee is responsible for monitoring the execution of the duties of directors related to designing and operating the process of reporting other statements.

Other statements are not included in the scope of our audit opinion regarding the consolidated financial statements, and we do not express our opinion on the other statements.

Our responsibility with regard to the audit of the consolidated financial statements is to read through other statements and consider whether there are any material differences between the other statements and the consolidated financial statements or the knowledge we have obtained through our audit. Furthermore, it is our responsibility to pay attention to whether or not there are signs of material errors in other statements, in addition to such material differences.

When we determine that there are material errors in other statements through our audit work, we are required to report such fact.

We have found no matters to report regarding other statements.

Management's and the Audit and Supervisory Committee's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles for consolidated financial statements generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit and Supervisory Committee is responsible for overseeing the directors' performance of their duties, including the design, implementation and maintenance of the Group's financial reporting process.

Auditor’s Responsibility for the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, based on our audit and to issue an auditor’s report that includes our opinion from an independent standpoint. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

・ Identify and assess the risks of material misstatement, whether due to fraud or error, design and perform audit procedures responsive to those risks. The audit procedures are selected and performed depending on the auditor’s judgment. Also, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
・ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group’s internal control.
・ Evaluate the appropriateness of accounting policies and the method of their application, and the reasonableness of accounting estimates and related disclosures made by management.
・ Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to express our opinion with exclusions in the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
・ Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
・ To obtain sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries, which forms the bases for expressing an opinion on the consolidated financial statements, plan and conduct an audit of the consolidated financial statements. We are responsible for the direction, supervision, and review of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by the audit standards.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence in Japan and report all matters that may reasonably be thought to affect our independence, as well as any measures taken to remove impediments or safeguards applied to reduce impediments to an acceptable level, where applicable.

We have determined, from among the matters discussed with the Audit and Supervisory Committee, those considered to be of particular significance in the audit of the consolidated financial statements for the current fiscal year as Key Audit Matters, and have disclosed them in our auditor’s report. However, such matters are not disclosed when public disclosure is prohibited by laws or regulations, or in extremely limited circumstances where we reasonably conclude that the adverse consequences of such disclosure would outweigh the public interest benefits.

<Internal control audit>

Opinion

We have audited, pursuant to the provisions of Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act of Japan, the internal control report as of February 28, 2026 of MORESCO Corporation.

In our opinion, the above internal control report, in which MORESCO Corporation indicated that internal control over financial reporting as of February 28, 2026 was effective, fairly represents, in all material respects, evaluation results of internal control over financial reporting in accordance with evaluation standards for internal control over financial reporting generally accepted in Japan.

Basis of Opinion

We conducted our audit of internal control in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under these standards are described in the section titled ‘Auditor’s Responsibility for the Audit of the Internal Control Report.’ We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements in Japan, and we have fulfilled our other ethical responsibilities as auditors in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management’s and the Audit and Supervisory Committee’s Responsibility for the Internal Control Report

Management is responsible for establishing and operating internal control over financial reporting, and for preparing and fairly presenting the Internal Control Report in accordance with the standards for evaluation of internal control over financial reporting generally accepted in Japan.

The Audit and Supervisory Committee is responsible for monitoring and examining the design and operation of internal control over financial reporting.

It should be noted that internal control over financial reporting may not completely prevent or detect misstatements in financial reporting.

Auditor’s Responsibility for the Internal Control Report

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor’s report that includes our opinion from an independent standpoint.

As part of our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

・ Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the internal control audit are selected and performed, depending on the auditor’s judgment, based on the significance of effect on the reliability of financial reporting.
・ Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments of internal control over financial reporting that management presents.
・ To obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report, plan and conduct an audit of internal control. We are responsible for the direction, supervision and review of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding the planned scope and timing of our internal control audit, the results thereof, material weaknesses in internal control identified that should be disclosed and those that were remediated, and other matters required by the standards for internal control audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence in Japan and report all matters that may reasonably be thought to affect our independence, as well as any measures taken to remove impediments or safeguards applied to reduce impediments to an acceptable level, where applicable.

<Remuneration information>

The amounts of fees for audit certification and fees for non-audit services for the Company and its subsidiaries paid to our audit firm and to those who belong to the same network as our audit firm are presented in “(3) Status of Audits” of “Corporate Governance, etc.” included in the “Information on the Reporting Company.”

Conflicts of Interest

Our firm or its engagement partners have no interest in the Company and its consolidated subsidiaries which should be disclosed in compliance with the Certified Public Accountants Act.

(Notes) 1. The document presented above is a digitized copy of the original version of the Independent Auditors’ Audit Report and Internal Control Audit Report. The original report is kept separately by the Company (the reporting company of the Annual Securities Report).

2. XBRL data is not included in the scope of the audit.

Independent Auditor's Audit Report

May 26, 2026

MORESCO Corporation
The Board of Directors

Grant Thornton Taiyo LLC

Osaka Office

Designated Limited Partner Engagement Partner	Certified Public Accountant	Kenji Furuta
Designated Limited Partner Engagement Partner	Certified Public Accountant	Tatsuya Yosinaga

Opinion
In order to provide the audit certification in accordance with the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the accompanying non-consolidated financial statements presented under "Financial Information" of MORESCO Corporation for the 67th fiscal year from March 1, 2025 to February 28, 2026, which comprise the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, significant accounting policies and other Notes, and the non-consolidated supplemental schedules.

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of MORESCO Corporation as at February 28, 2026, and its financial performance and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

Basis of Opinion
We conducted our audit in accordance with the auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the non-consolidated financial statements of the current period. These matters were addressed in the context of the audit of the non-consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Adequacy of the valuation of inventories
Statement is omitted because it is the same information as the Key Audit Matters (Adequacy of the valuation of inventories of MORESCO Corporation) presented in the audit report of the consolidated financial statements.

Other Statements

Other statements comprise the information included in the Annual Securities Report other than the consolidated financial statements and non-consolidated financial statements, as well as our auditor's report thereon. Management is responsible for the preparation and disclosure of other statements. The Audit and Supervisory Committee is responsible for monitoring the execution of the duties of directors related to designing and operating the process of reporting other statements.

Other statements are not included in the scope of our audit opinion regarding the non-consolidated financial statements, and we do not express our opinion on the other statements.

Our responsibility with regard to the audit of the non-consolidated financial statements is to read through other statements and consider whether there are any material differences between the other statements and the non-consolidated financial statements or the knowledge we have obtained through our audit. Furthermore, it is our responsibility to pay attention to whether or not there are signs of material errors in other statements, in addition to such material differences.

When we determine that there are material errors in other statements through our audit work, we are required to report such fact.

We have found no matters to report regarding other statements.

Management's and the Audit and Supervisory Committee's Responsibility for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with accounting principles for non-consolidated financial statements generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit and Supervisory Committee is responsible for overseeing the directors' performance of their duties, including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibility for the Non-Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, based on our audit and to issue an auditor's report that includes our opinion from an independent standpoint. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these non-consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

・ Identify and assess the risks of material misstatement, whether due to fraud or error, design and perform audit procedures responsive to those risks. The audit procedures are selected and performed depending on the auditor's judgment. Also, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
・ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
・ Evaluate the appropriateness of accounting policies and the method of their application, and the reasonableness of accounting estimates and related disclosures made by management.
・ Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to express our opinion with exclusions in the non-consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
・ Evaluate whether the presentation and disclosures in the non-consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit and Supervisory Committee regarding the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by the audit standards.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence in Japan and report all matters that may reasonably be thought to affect our independence, as well as any measures taken to remove impediments or safeguards applied to reduce impediments to an acceptable level, where applicable.

Of matters discussed with the Audit and Supervisory Committee, we determine the ones we judge to be of particular importance to our audit of the non-consolidated financial statements for the fiscal year under review and identify them as Key Audit Matters. We describe these matters in our auditor's report unless laws or regulations prohibit public disclosure regarding the matters, or when, in extremely rare circumstances, we determine that a matter should not be reported because disadvantages of doing so would reasonably be expected to outweigh the public interests of such communication.

<Remuneration information>

Remuneration-related information is provided in the audit report on the consolidated financial statements.

Conflicts of Interest

Our firm or its engagement partners have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

(Notes)
1. The document presented above is a digitized copy of the original version of the Independent Auditors' Audit Report and Internal Control Audit Report. The original report is kept separately by the Company (the reporting company of the Annual Securities Report).
2. XBRL data is not included in the scope of the audit.