

66th Business Report

Mar. 1, 2023 – Feb. 29, 2024

The way forward CEO Interview

As a market leader in the boundary area, we are contributing to the world with products that offer top environmental performance and even more.



In the 66th reporting period, the impact of trade friction between the US and China as well as rising logistics costs led to net sales increasing 5.1% YoY to 31.88 billion yen and operating profit rising 134.2% to 1.22 billion yen. By division, net sales in the Functional Fluids Division rose 7.6% on the back of increased automobile production in Japan and the US. In the Hot Melt Adhesive Division, net sales increased 10% due to strong growth in the use of hygiene material products, especially in Japan and Southeast and South Asia. At the same time, the Synthetic Lubricants Division saw a sharp dip in net sales by 21.5% due to demand for hard disk drives decreasing as investment in data centers slows down. And despite a decline in net sales volume of liquid paraffin, the Liquid Paraffin & Sulfonates Division saw a net sales increase of 3.1% due to the correction of product selling prices.

We begin our 10th Medium-Term Management Plan from FY2024. Achieving both the realization of a sustainable society and increasing added value of business are the themes of this plan. The plan is to further strengthen the posture of promoting the development and sale of high value-added products that we have been maintaining for the past few years. Specifically, this will entail a more proactive launch of products with a focus on contributions to the environment and a continued acceleration of measures and product development to drive the market in the boundary area. MORESCO Green SX (MGS) products will be at the center of this plan. By developing and increasing sales of MGS products that meet the diverse needs that exist throughout an entire life cycle, first among which is offering functionality that improves not only environmental performance but also better work efficiency for customers and product added value, we will both implement these initiatives intended to realize a sustainable society and contribute to the sustainability of our customers.

These activities are not limited to Japan. Focusing on China and the US, countries where we strengthened our foundation under the previous Medium-Term Management Plan, more than ever before we will develop products that are both environmentally friendly and offer the functionality that meets market demands so that we achieve results as we move forward. In China, the production process in particular is changing drastically as the development of new energy vehicles progresses. In the US, demand for hybrid vehicles has defied previous forecasts by in fact increasing, and the situation unfolding provides us with greater business opportunities as evidenced by developments such as an expected comeback for Japanese car manufacturers. By continuing to precisely pinpoint the needs of each country's market in real time, we are assuredly taking advantage of the new business opportunities that come our way to expand our global market share.

MORESCO Corporation

Motoshi Morozumi
CEO, Representative Director, President



Based on Sustainability Man Making Sure That MORESCO

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



Nobuhiro Sewaki

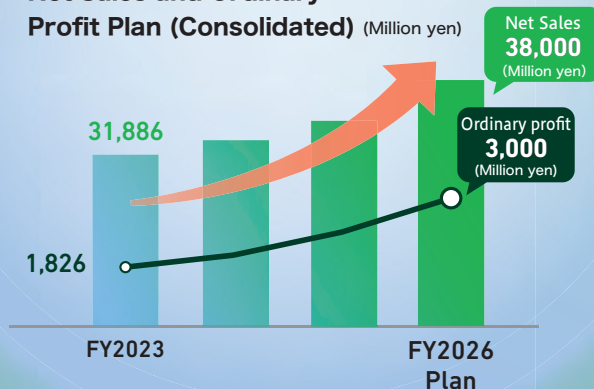
COO, Director,
Senior Managing Executive Officer

The 10th Medium-Term Management Plan for the period of FY2024 to FY2026 consists of five basic policies, which were established after a process of backcasting from a vision of what the Company aspires to be in 2030 and considering what should be done in the present to work toward that goal. The plan involves further enhancement of our precision in developing the right products that meet customer needs and the development speed that enables us to quickly deliver new value to the market. Policy 2, "Enhancement of Our Product Portfolio," is at the core of our efforts toward achieving these goals. With an aim toward maximizing the value of the products we offer, we will consolidate our development capacity and increase sales of MGS products that both contribute to the businesses and profitability of our customers; products based on the objective of contributing positively to the environment. At the same time, we will promote the optimization of capital allocation by picking and choosing from among our offerings in ways such as eliminating products for which no growth scenario can be envisioned. And by developing MORESCO products for use in various fields and available in diverse price ranges, we will prompt our customers to engage more positively with the environment, further strengthen the market position of MORESCO as a supplier of high value-added products, and improve capital efficiency. We will also steadily achieve results in new business fields that provide the next foundation for growth. Regarding nanoemulsion in the field of life science, our desire is to start business operations targeting cosmetics and supplements during this new Medium-Term Management Plan. Having already applied for a patent for drug discovery technology targeting autophagy, we will proceed ahead with negotiations to collaborate with pharmaceutical companies. Expect to see MORESCO evolve into an entity that is capable of further contributions as we move toward the realization of the vision of what we aspire to be.

(Themes of the 10th Medium-Term Management Plan)

**Achieving both
"realization of a sustainable society"
and "increasing added value of business"**

Net Sales and Ordinary Profit Plan (Consolidated) (Million yen)



MORESCO Highlights of the Year

Sept. | Okoppe Town Carbon Neutral Innovation Project adopted

This four-way joint project between MORESCO, Osaka University, the town of Okoppe in Hokkaido, and Iwata Chizaki, Inc. was selected for adoption by the Zero Carbon Innovation Introduction Support Project, an open-application program by the Hokkaido prefectural government. The innovation project aims to reduce greenhouse gas emissions and make new use of biomethane gas.



Oct. | Lecture offered by specially appointed professor Miyasaka of Toin University of Yokohama

A lecture titled "High Performance Perovskite Solar Cells and Development Technologies for Film-type Modules" was held. MORESCO employees were able to experience firsthand the great potential of perovskite solar cells, which are next-generation solar cells.



Management, More Precisely Meets Global Needs

1 Reduce impact to the environment, starting with us Promotion of Sustainability Management

In order to now contribute even more to the realization of a sustainable society, our product development will focus on how to contribute to creating a better environment. By promoting efforts to improve existing products and develop new products, we will increase the sales ratio of MGS products from 29% (in FY2022) to 40% in FY2026, the final year of the new Medium-Term Management Plan. We will also continue to provide more effective environmental response in ways such as aiming to reduce by 2030 the GHG emissions from our own energy consumption by 46% from the 2013 level.

2 Accelerate the provision of high value-added products Enhancement of Our Product Portfolio

We will promote the upgrading of our product portfolio by expanding sales of high value-added MGS products. We will also continue our proactive involvement in the creation of a circular economy system that effectively utilizes resources through the recovery, recycling, and reuse of raw materials and products.

3 Make progress in new business fields Creation of Next-generation Businesses

In order to develop the pillars of MORESCO's new businesses, we are in the process of currently researching new business fields under a development system that spans divisions and collaborates with industry, government, and academia. Focusing on the MOLGADC project that addresses five key research themes, we will rapidly and rigorously scrutinize various themes from which to pick and choose that which we believe indicate positives such as growth potential and feasibility.

4 Increase the speed and accuracy of product development Innovation of Business Processes

Production processes will come under review and efforts will be made to internalize the manufacturing of raw materials. We will promote the digital transformation of our R&D department with the aim of creating a system to increase the speed and precision of product development so that we can properly respond to the changes in an increasingly volatile market. As we have had success in one product area in developing new products based on the results of accumulated data analysis, we are currently promoting this initiative on a cross-divisional basis.

5 Make the organization more efficient and assuredly profitable Improvement of the Return on Capital

Optimizing business operations, we will proceed forward with the process of keeping this an organization that increases return on invested capital (ROIC) with the aim of earning yet more support and trust from our investors in Japan and overseas. And as we strive to improve our price to book ratio (PBR), we will assign ever more importance to dialogue with our shareholders in ways such as upping shareholder returns and consolidating human resource strategies to elevate the business foundation, upgrading investor relations activities, and issuing an integrated report.

More information on the 10th Medium-Term Management Plan is available here.



Feb. Briefing held for individual investors

Company information session for individual investors held at The Tokyo Shoken Building (Chuo-ku, Tokyo). The session was attended by 204 individual investors, who asked questions and offered verbal support for MORESCO business activities and performance.



Feb. Developed a new measuring device well suited for gas permeation measurement

There was development of the MORESCO-SuperDetectC-S1, a new device equipped with a Cold Cathode Gauge (CCG), which functions as a robust and highly sensitive detector. It offers short measuring time and reduced maintenance frequency as benefits.



Pick up questions



Global expansion led by

MORESCO's Strategy for China and North America



Liu Yingjin

Executive Officer in charge of China

Q.What kind of initiatives are you focusing on in the Chinese market?

Our main focus is on the development and sales of oil products for the manufacture of parts for new energy vehicles, as well as research.

In China, we will attempt to enhance production capacity and efficiency, while also advancing business developments such as the manufacturing and sales of products for new energy vehicles and sealants for organic EL by consolidating the functional fluid production bases in Wuxi and Shanghai into the newly established MORESCO (ZHEJIANG) FUNCTIONAL MATERIAL CO., LTD., in Haining City. Currently, the main demand in China's automotive industry is for oils that have minimal impact on the environment and are compatible with the integrated casting (gigacasting) process that has been introduced in recent years. In January of last year, we established an R&D center in Wuxi and have been investing in facilities in ways such as installing cutting-edge inspection equipment, as well as focusing efforts on human resource development through steps such as receiving guidance from Japanese researchers and engineers. We are strengthening our development capabilities for gigacast products from multiple angles. And we have established smart manufacturing lines that will lead to improved production efficiency, while moving forward with initiatives to increase profitability, such as the search for and verification of petrochemical materials in China, which will enable us to reduce procurement costs.

Q.To what extent have those initiatives taken hold in the Chinese market?

In addition to having already launched mold releasing agents compatible with gigacasting, we are also making progress in new fields in terms of product development and sales, so our presence in China is steadily on the rise.

The release of releasing agent for gigacast thin large parts (for integrated/structural use) as a product for new energy vehicles and getting them adopted has been a major achievement this term. We are seeing an increase in inquiries received about oil-based mold releasing agents, which are in high demand in China, especially for the type for application in small amounts that offer excellent value for the cost. We are also reaping the dividends of trying our hand in new fields through the horizontal deployment of technology, such as titanium forging lubricants for aviation parts that draw on the insights we have in die casting and forging, and battery coolant fluid for EV vehicles that utilize our know-how about refrigerants. In terms of indicators such as sales volume and profit margins, we determined that these new products have contributed well to our business in China. We are moving forward by singling out as offerings in China the high-value-added products that can better meet customer needs.



MORESCO (ZHEJIANG) FUNCTIONAL MATERIAL CO., LTD.



Hidenori Amaki

Executive Officer in charge of North America

Q.What was your intention in acquiring the business interests of US lubricants manufacturer Cross?

We acquired Cross in order to increase our die casting lubricant market share.

By transitioning our production of die casting lubricant from an outsourced model to an internal one, we have established a system that enables us to supply products in a more stable manner than before. We had been procuring mainly from Cross silicone, the main material that goes into die casting lubricant, so by developing and producing it internally we are now able to develop products that are a more precise fit for the needs of our customers. The resultant functional and cost advantages this gives us relative to our competitors can be expected to further expand our market share.

Q.What sort of initiatives will you move forward with in order to acquire new sales channels and expand sales in the US?

The know-how and insights of Cross and MORESCO can be mutually shared in succession, the combination of which we will apply to the launch of a sales offensive that is far-reaching and yet precise.

We will tap into the advantage we share with Cross in that each of us has bases in either the north or south so that we step up our sales force in both areas. Cross' product lineup will be leveraged as a new strength for MORESCO, while Cross will be able to enhance their ability to provide better solutions through the die casting lubricant, plunger lubricants and other strengths that MORESCO boasts. The resultant synergy will enhance the sales capabilities of both firms, thus enabling us to increase our presence in the industry. In the US, as sales of new energy vehicles are on the increase, demand for hybrid vehicles is also on the rise due to the lack of charging facilities. By making a point of keeping in close touch in ways such as sharing information on sales performance in each area, we will develop a system that can assuredly meet the needs of both new energy vehicles and hybrid vehicles.



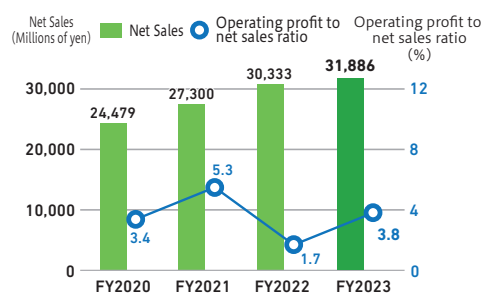
Cross Technologies Group, Inc.

Major Consolidated Financial Indicators

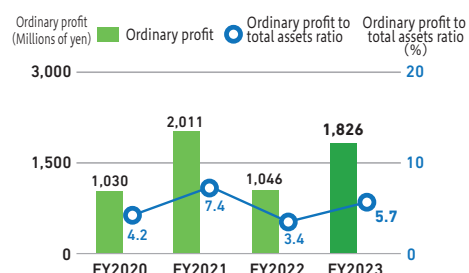
During the consolidated fiscal year under review, the Japanese economy generally displayed signs of recovery despite personal consumption dampened by rising prices and exports compromised by the slowdown of economies overseas. Although the US economy started to see the effects of monetary tightening while inflation slowed and China implemented economic stimulus measures, economies elsewhere in the world suggested lingering uncertainty about the future. In addition, significant fluctuations in the exchange rate were brought about by the respective monetary policies of Japan and the US.

Amid these circumstances, the Group posted net sales of 31,886 million yen (up 5.1% YoY) and operating profit of 1,225 million yen (up 134.2% YoY), a significant increase owing to higher sales prices and increased sales volume overseas. Ordinary profit increased YoY 74.6% to 1,826 million yen, driven by foreign exchange gains and a one-time investment gain from converting a Chinese equity-method affiliate into a subsidiary. Profit attributable to owners of the parent rose by 108.8% to 1,283 million yen, due to recording a gain on negative goodwill in extraordinary income.

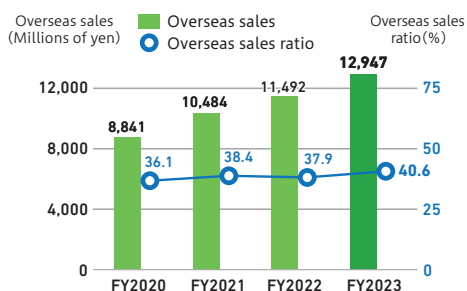
Net Sales and Operating Profit to Net Sales Ratio



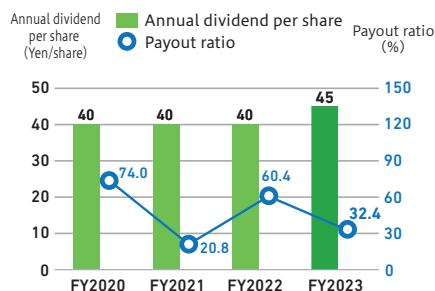
Ordinary Profit and Ordinary to Total Assets Ratio



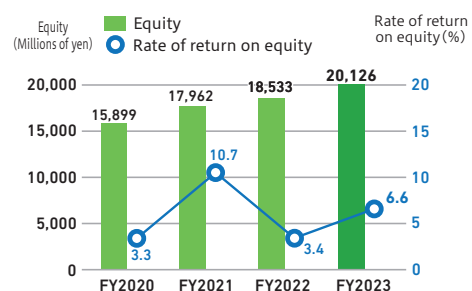
Overseas Sales and Overseas Sales Ratio



Annual Dividend per Share and Payout Ratio

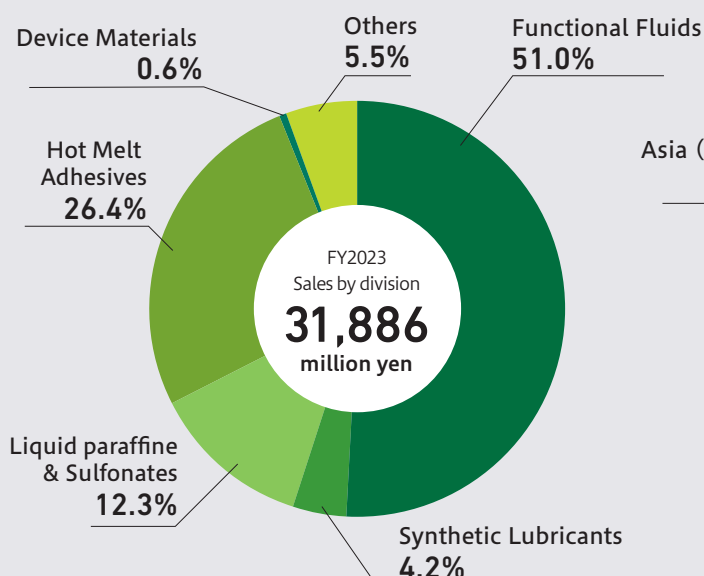


Equity and Rate of Return on Equity (ROE)

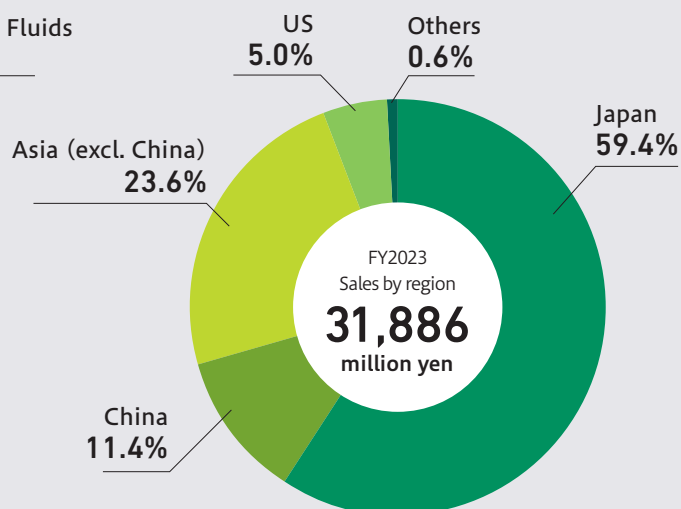


Segment Information

By Division



By Region



MORESCO will hold a tour of our Head Office / R&D Center for the purpose of providing our shareholders with a deeper understanding of our company. We would like to take this opportunity to familiarize participants with our R&D activities.



Outline of the Tour

Site of tour	MORESCO Corporation Head Office / R&D Center (5-5-3, Minatojimmaminami-machi, Chuo-ku, Kobe-city)
Tour date and time	Thu. Sept. 19, 2024, from 11:00 till 15:00
Participation fee	Free of charge (participants are responsible for round-trip transportation to and from the location of the start and finish of the tour)
Miscellaneous	Photographs and videos may not be taken during the tour. Any personal information about shareholders (or accompanying persons) obtained through application will be used only as needed for organizing the tour.

Rules for Applying

Eligibility	Shareholders who hold Company shares as of the end of February 2024 (can be accompanied by up to one person of elementary school age or older)
Maximum number of participants	30 (including accompanying individuals) *Should the number of applicants exceed the maximum, a drawing will be held and only the winners will be notified by email sometime around mid-August 2024.
Deadline for application	Fri. July 12, 2024

For inquiries Public Relations Department, IR Department, MORESCO Corporation Tel. 078-303-9058
■Hours: 10:00–17:00 on weekdays (unavailable on Saturdays, Sundays and national holidays)

We at MORESCO offer a shareholder benefit program to show our gratitude to shareholders for their ongoing support, make the Company's shares more attractive as an investment, and to encourage more people to maintain shares in the Company over the medium to long term.

Shareholder Benefits

Number of shares held and continuous holding period	Shareholder Benefits
300 shares or more and less than 3 years of continuous ownership	QUO Card worth 3,000 yen
300 shares or more and 3 or more years of continuous holding period	QUO Card worth 4,000 yen

Benefits are available to shareholders who hold three units (300 shares) or more of the Company's stock and are listed or recorded in the shareholders' register as of the last day of February every year.

Timing of Benefit Delivery

Benefits will be mailed in late May of each year, enclosed with the business report.

For details, please see the Shareholder Benefit Information section on our website.



Contact for confirmation of MORESCO share holding period Osaka Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation TEL: 0120-094-777 (toll free)

Company Profile and Stock Information (As of February 29, 2024)

Company Profile

Company name : MORESCO Corporation
 Establishment : October 27, 1958
 Capital : 2,118,294,000 yen
 Number of employees : 387

Head Office and Business Offices

Head Office & R&D Center :5-5-3,Minatojimmaminami-machi, Chuo-ku, Kobe-city, Hyogo 650-0047 Japan
 Telephone: 078-303-9010 (main contact number)
 Branch :Tokyo Branch, Osaka Branch
 Sales Office :Nagoya Sales Office
 Plants :Chiba Plant, Akoh Plant

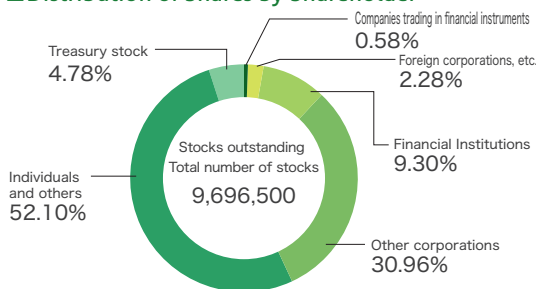
Directors(As of May 30, 2024)

Motohisa Morozumi CEO, Representative Director, President
 Nobuhiro Sewaki COO, Director, Senior Managing Executive Officer
 Yasuo Sakane CTO, Director, Managing Executive Officer
 Hirofumi Fujimoto CFO, Director, Senior Executive Officer
 Jiro Hosomi Director, Executive Officer
 Hiroko Fuji Outside Director
 Mikio Honda Director, Audit and Supervisory Committee Member
 Kazuo Machigaki Outside Director, Audit and Supervisory Committee Member
 Mikio Nakajo Outside Director, Audit and Supervisory Committee Member
 Hidetoshi Nakatsuka Outside Director, Audit and Supervisory Committee Member

Situation of Stock

Total number of authorized stocks: 20,000,000
 Total number of stocks outstanding: 9,696,500
 Number of shareholders: 15,635

Distribution of Shares by Shareholder



Major Shareholders

Name of shareholders	Number of stocks	Investment ratio
MATSUMURA OIL Co., Ltd.	1,067,000	11.5%
COSMO OIL LUBRICANTS CO., LTD.	503,000	5.4%
MORESCO Employee Stock Ownership Plan	412,120	4.4%
NIPPON SODA CO., LTD.	365,000	3.9%
The Master Trust Bank of Japan, Ltd. (Trust Account)	351,000	3.8%
STARLITE Co., Ltd.	326,000	3.5%
Mizuho Bank, Ltd.	250,000	2.7%
MUFG Bank, Ltd.	250,000	2.7%
Osaka Small and Medium Business Investment & Consultation Co., Ltd.	209,600	2.2%
Shima Trading Co., LTD.	165,000	1.7%

Note: The investment ratio is computed by excluding 463,720 shares of treasury stock.

Shareholder Memo

Fiscal year

March 1 through the last day of February of the following year

Shareholder Fixed Date for Year-end Dividend Receipt

End of Feb.

(In the case of interim dividends)

August 31

Ordinary General Meeting of Shareholders

May every year

Administrator of shareholder registry and account management institution for special accounts

Mitsubishi UFJ Trust and Banking Corporation

Contact information

Mitsubishi UFJ Trust and Banking Corporation
 Osaka Corporate Agency Division
 3-6-3 Fushimi-cho, Chuo-ku, Osaka-shi,
 Osaka 541-8502 Japan
 Telephone: 0120-094-777 (toll free)

Listed Stock Exchanges

Tokyo Stock Exchange

Method of Public Notice

Public notice will be made electronically.

URL for public notice:

<https://www.moresco.co.jp/ir/notice.php>

(In the event of an accident or other unavoidable circumstances that preclude electronic public notice, public notice will be given in the Nihon Keizai Shimbun.)

Caveats

- Regarding changes of address, purchase requests and any other such procedures, the basic rule is that shareholders are asked to contact the securities company or other organization where they opened their account. Note that the administrator of shareholder registry (Mitsubishi UFJ Trust and Banking Corporation) is unable to process such procedures.
- For any procedures regarding shares recorded in special accounts, please contact Mitsubishi UFJ Trust and Banking Corporation, which is the management institution for special accounts. The Mitsubishi UFJ Trust and Banking Corporation head office and branches nationwide will also be able to assist with these procedures.
- Dividends that have not yet been received will be paid at the Mitsubishi UFJ Trust and Banking Corporation head office and branches.