

MORESCO Group Integrated Report 2024

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

**Contributing to a Bright Future as a specialist
in Interface Science**

MORESCO

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MORESCO

Launch of the Premier Issue of the Integrated Report

The MORESCO Group has launched the MORESCO Group Integrated Report 2024 with the aim of helping all our stakeholders, including shareholders and investors, understand the Group’s efforts toward sustainable value creation.

This report details our management philosophy, management strategy, business model, approach to sustainability issues, and governance system, providing an integrated description of a roadmap for the MORESCO Group to realize its ideal state. It also introduces our value creation process and material issues (materiality) from a long-term perspective as well as medium- to long-term business strategies and governance initiatives, along with messages from directors.

As a “specialist in the interface science,” the Group has created products and services that meet the needs of the times. It has cultivated world-class technological strengths through struggles and explorations that connect various “boundaries” that lie, for example, between things and between technologies. We will draw on our technological strengths to protect and improve the global environment while also implementing initiatives to enhance the value of our business, with the goal of achieving both “realization of a sustainable society” and “increasing added value of business” at the same time.

With its sights set on becoming a corporate group that “delivers sustainable one-of-a-kind products to the world,” the MORESCO Group will continue pioneering in the field of “interface science.”

Overview of MORESCO Group Integrated Report 2024

1. Values & Long-term Strategy

The Group’s current goal, its long-term vision (learning from the past and developing new ideas), and the material issues (materiality) that need to be addressed to achieve the vision, along with a message from the CEO

2. Execution Strategy

Business strategies set out in our 10th Medium-Term Management Plan (FY2024-FY2026) to achieve long-term goals and targets, along with a message from the CFO

3. Innovation

Message from the CTO introducing R&D department efforts to create new businesses

4. Sustainability

Status of promotion of sustainability management with specific examples of our initiatives

5. Corporate Governance

Corporate governance system and our efforts to strengthen it, along with a message from an independent outside director

両角元寿

Motohisa Morozumi

CEO, Representative Director, President

Editorial Policy

Reporting period

This report covers fiscal 2023 (March 1, 2023 – February 29, 2024) and includes some information from before and after this reporting period.

Scope of this report

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

Forward-looking statements

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

Inquiries regarding this Integrated Report

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Referential guidelines

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

Guidance for Collaborative Value Creation

Logical Structure of This Integrated Report and Its Relevance to the Guidance for Collaborative Value Creation 2.0

Values	Long-term Strategy	Execution Strategy	Outcomes and Key Performance Indicators	Governance
Message from the CEO (pp. 7–12) Our Current Goal Our Principles of Action Our Code of Conduct (pp. 5–6) Material Issues (Materiality) for Sustainability (pp. 21–24) Business Overview Financial and Non-Financial Highlights (pp. 29–32)	Message from the CEO (pp. 7–12) Long-term Vision of the MORESCO Group (pp. 13–16) Value Creation Process (pp. 17–18) Strengths of the MORESCO Group (Business Model) (pp. 19–20) Business Overview Financial and Non-Financial Highlights (pp. 29–32) Medium- to Long-term Risks and Opportunities, and Materiality (pp. 25–26) Sustainability (pp. 49–58)	Message from the CEO (pp. 7–12) Message from the CFO (pp. 33–36) Message from the CTO (pp. 45–48) 10th Medium-Term Management Plan (pp. 37–38) Business Strategies (pp. 39–44)	Message from the CFO (pp. 33–36) Medium- to Long-term Risks and Opportunities, and Materiality (pp. 25–26) Financial Summary (pp. 69–70)	Interview with an Independent Outside Director (pp. 65–66) Corporate Governance (pp. 59–64) Compliance and Risk Management (pp. 67–68)
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Our Current Goal

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

**Contributing to a Bright Future
as a specialist in Interface Science**

Our Principles of Action

MORESCO Group Management Philosophy

1. Under the motto of “R&D for users,” the MORESCO Group will contribute to our society by satisfying customer needs in the field of interface science.
2. As specialists in interface science, the MORESCO Group will continue expanding into new business fields and providing new interface functions and services.
3. The MORESCO Group will create new value by fostering a working environment that respects an individual and a freewheeling thinking.

Our Code of Conduct

MORESCO Corporate Behavior Charter (Ten Principles)

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

Message from the CEO



Motohisa Morozumi
CEO, Representative Director, President

As a pioneering innovator, we will deliver sustainable one-of-a-kind products to the world by expanding the scope of our existing business and developing original technologies.

Renowned for our R&D expertise, we have developed a wide range of products that have captured large market shares.

Matsumura Oil Research Corporation (renamed MORESCO Corporation in 2009) was founded in 1958 as an in-house venture when seven researchers from Matsumura Oil Co., Ltd., a manufacturer and seller of industrial lubricants, came together to launch the business. At that time, most special lubricants had to be imported; the new venture was formed to begin domestic production of these products.

The new company faced many difficulties at the beginning, but a diligent devotion to research and development enabled the new venture to overcome a series of challenges in the quest to commercialize its products. The company succeeded in developing a wide spectrum of products, including high-vacuum pump oil, now a flagship product, as well as fire-resistant hydraulic fluids used in the steel and automotive industries and liquid paraffin, a raw material used in cosmetics. Since its founding, the company has demonstrated the courage to overcome challenges and has worked to improve its products in response to customer demand and the needs of the times. A focus on becoming R&D-oriented group companies has resulted in the development of a highly competitive range of products that have captured the leading share of the domestic market.

Today, our strength is evident in products that provide the functions of lubrication, adhesion, and surface protection in what is known as the “interface” where parts are in contact. By making full use of the blending, synthesis, and refining technologies we have developed since our founding, we are able to discern specific needs through dialogue with our customers. By combining these skills in our role as “specialists in interface

science,” we engage in customer-focused R&D that has led to the development of many one-of-a-kind and high-value-added products that continue to lead their respective markets.

The lubricant segment is an extensive one that encompasses a wide variety of products. The special lubricants we handle are mainly used for processing automotive parts, and our flagship product accounts for about 40% of our sales. While we have many competitors both inside and outside Japan, we have been able to supply market-leading products with high added value in terms of lubricity, corrosion resistance, and reduced environmental impact. By focusing on product development that is closely attuned to customer needs, we have been able to best our competitors in terms of creating value. Our outlook is always fixed on the future so that we can quickly foresee the needs of the automotive industry. This enables us to steer our R&D efforts to the creation of special lubricants that help to add even greater value to our customers’ products.

While our products primarily serve the automotive industry, one of our distinguishing features is our strength at establishing a robust business structure that is resilient to fluctuating market conditions in any particular industry. We have achieved this by focusing on management that is agile and resilient, regardless of the external economic or market environment, across multiple fields and applications. By employing the proprietary technologies we have refined in our development of special lubricants, we have steadily expanded the scope of our business to include adhesives, synthetic lubricants, the new field of energy device materials, and life sciences.

Emphasizing value creation through creative thinking

Having inherited the aspirations of our founding members, our Group promotes management grounded in the three themes of the MORESCO Group Management Philosophy.

The first theme is, “Under the motto of R&D for users, the MORESCO Group will contribute to our society by satisfying customer needs in the field of interface science.” Since our

founding, we have grown as R&D-oriented group companies, which has led to our current emphasis on sustainability management.

The second theme is, “As specialists in interface science, the MORESCO Group will continue expanding into new business fields and providing new interface functions and services.” This philosophy has driven us to develop new businesses as evident in our current MOLGADC Project, a company-wide initiative to develop next-generation businesses.

Our third theme is, “The MORESCO Group will create new value by fostering a working environment that respects an individual and a freewheeling thinking.” This approach represents our fundamental approach to human capital management. Moreover, this philosophy underpins our human resource development policy, in-house environment improvement policy, human rights policy, and other initiatives.

Among these, we place the greatest importance on the following aspect: as specialists in interface science, we ensure that free thinking drives our research and development. To that end, our R&D Department has spent many years pursuing “research group initiatives.” In short, our researchers determine the theme they want to address, recruit researchers from within

the company to collaborate on the theme, and proceed with their research and development efforts. One advantage of this approach is our ability to recruit researchers from across departmental boundaries, which enables us to take on challenges that would not be possible under a conventional methodology. This approach has led to some very interesting technologies, some of which have been incorporated into our businesses.

In addition, since fiscal 2021 we have been providing innovation training through a one-year course aimed at imparting knowledge related to marketing and other paths to commercialization. At the conclusion of the course, participants are called upon to make a presentation to management on their efforts to commercialize the subject of their research themes. A feature of this training is the opportunity it provides for us to demonstrate our respect for the voluntary efforts of our employees, which is what leads to value creation as the fruit of free thinking, as highlighted in our management philosophy. To date, three presentations have been delivered, and one will be launched as an official internal project in fiscal 2024. We look forward to monitoring the future path to commercialization for these products.

Establishing the structural foundation for growth in our three global regions

Looking to the economic environment and our efforts related to our Group over the past few years, our performance declined in fiscal 2020 due to the impact of the COVID-19 pandemic. Although we started to recover in fiscal 2021, we struggled in fiscal 2022 due to the soaring costs of raw materials arising from the outbreak of the Ukraine crisis. In fiscal 2023, we began to recover through progress with price adjustments and were able to make a fresh start toward further growth. From this foundation, the adoption of our 10th Medium-Term Management Plan marks a new beginning in fiscal 2024.

During this period, the global automotive industry underwent a major transformation with the accelerating introduction of electric vehicles (EVs) and plug-in hybrid vehicles. Chinese companies have taken a notable lead with this trend, while Japanese companies are unfortunately lagging behind. Traditionally, our company has engaged in research and development in Japan that has led to the shipment of our products to global markets. However, we recognize that our future challenge will be to strengthen our R&D system outside Japan.

In particular, Chinese industry has been the first in the world to introduce the ultra-large die casting technology known as giga casting for the production of EVs. As our die-casting

lubricants are the top-selling product in both Japan and China, we need to tailor an appropriate response to the EV trend. So, in fiscal 2023, we established a new R&D center in China in response to the increasingly important need to undertake research and development in China. We also integrated two factories in China and built a new, highly productive factory in the city of Haining. As the demand for ever-lighter automobiles continues to grow, we intend to promote R&D with an eye to the future in order to maintain our leadership in the production of die-casting lubricants that can help meet this challenge.

Toward this end, in fiscal 2023 we acquired CROSS TECHNOLOGIES GROUP, INC. in the U.S.A. In addition to gaining a production foothold in that region, we have established a base for expanding our sales channels to companies in North America. We believe that these efforts have resulted in a business development system that serves the three key regions identified in our global strategy, as we were already expanding in Southeast Asia and South Asia.

Another market shift that we have been focusing on in recent years is the growth trend in hot melt adhesives. This product line has captured a large share of the market both inside and outside Japan for use in hygiene materials such as for sanitary products as well as disposable diapers for children and

adults. While the Japanese market for these products is expected to shrink in the future due to Japan’s population decline, demand is expected to increase outside Japan, primarily in the emerging economies of Southeast and South

Asia. We intend to pursue global expansion of the hot melt adhesives market, mirroring what we have achieved in the special lubricants market.

Implementing our 10th Medium-Term Management Plan (FY2024–FY2026) around our core initiative of MORESCO Green SX certified products

The automotive industry as well as the general economic environment in which our Group operates continue to undergo dramatic change. In response, we are now developing our 10th Medium-Term Management Plan, which builds on the themes of achieving both “realization of a sustainable society” and “increasing added value of business.” In formulating this plan, we initially held numerous internal discussions that resulted in the formulation of our primary policy, which is to implement sustainability management. Early on, we listed seven material issues related to sustainability management for fiscal 2021, and each business division presented to the Sustainability Committee the results of its own discussions, including the identification of specific risks and opportunities. The resulting plan sets out five policies from the perspective of how we will work to address these material issues specifically.

The first policy is to promote sustainability management. We typically evaluate the entire life cycle of our products, from raw material procurement to final disposal, and certify products that contribute significantly to the seven “target initiatives” addressing the material issues as MORESCO Green SX (MGS). Our priority initiative is to contribute solutions to societal and environmental issues by increasing the sales ratio of MGS products while growing our business revenue. While the sales ratio of MGS products reached 29% for fiscal 2022, we have adopted the goal of increasing this ratio to 40% for fiscal 2026 and 50% for fiscal 2030.

The strength of our Group lies in the large number of niche-market products we offer that have captured large market shares. We believe that, by developing MGS-certified products to reduce environmental impact, we can develop our business in a manner that is beneficial to our customers, who seek to attain carbon neutrality. At the same time, we can also benefit our Group, which is dedicated to the manufacture of products offering high added value.

As part of the effort to implement sustainability management, we are also focusing on reducing our own greenhouse gas (GHG) emissions, which reflects our commitment to reducing our environmental impact. Our fiscal 2030 goal is to reduce our Scope 1 and Scope 2 GHG emissions attributable to our own

energy consumption by 46% relative to fiscal 2013. Ultimately, our intention is to achieve carbon neutrality, including Scope 3 emissions, by fiscal 2050. In fiscal 2023, we assigned carbon neutrality officers to our Akoh Plant and Chiba Plant. We are committed to strengthening our efforts in this area in cooperation with the Corporate Sustainability Department of our head office.

Our second policy is to enhance our product portfolio. Toward this end, it is essential that we accelerate the development of high-value-added products while accommodating the trends of the circular economy of the future. As part of this effort, we are already working on recycling the components of our fire-resistant hydraulic fluids. While we work to solve technical issues, we are also pursuing industry-wide efforts such as developing a process for collecting spent fluids.

Another important issue in the advancement of our product portfolio is our efforts in markets outside Japan. In addition to our production and sales of special lubricants and hot melt adhesives in global markets, we intend to accelerate the growth of synthetic lubricants outside Japan. In this regard, we have integrated our synthetic lubricants and special lubricants businesses in order to strengthen sales outside Japan. Specifically, we have added the synthetic lubricants business to the product portfolio handled by our special lubricants businesses at our locations outside Japan.

Our third policy is to create next-generation businesses. Through the MOLGADC Project, which I introduced earlier, we remain focused on developing new businesses with an eye to the future under a research and development structure that encompasses all our business divisions.

The first business theme we can mention under our medium-term plan is the development and application of a patented nanoemulsion technology, which represents our new entry into the life science business. Our current medium-term plan anticipates that major cosmetics manufacturers will begin adopting these nanoemulsions; moreover, within fiscal 2024 we intend to start selling our own lotions and serums. Nanoemulsion technology improves the absorption efficiency of functional ingredients in cosmetics, pharmaceuticals, foodstuffs, and other life science fields, so we hold high expectations for this new

business. Moreover, in the past few years, great progress has been made in drug discovery and development to control the activity of autophagy, and we are confident that we are steadily approaching commercialization of a relevant product.

Another medium-term business development theme is the development of sealants for perovskite solar cells, which many consider to be the next generation of photovoltaic energy. Through a collaborative project involving industry, government, and academia, we have been focusing on research and development with the aim of commercializing an associated product within fiscal 2026. Having originally offered organic device sealants, we aim to contribute to practical applications by leveraging our expertise in the technologies we have cultivated in this area.

Another one of our long-term new business initiatives is the development of technology to obtain non-petrochemical materials. As the raw materials for our products are obtained from the final stage of oil refining, the expected restructuring of the domestic oil industry may make it difficult for us to procure a stable supply of associated raw materials in the future. To address this risk, we aim to establish technologies for synthesizing non-petrochemical hydrocarbons from biomethane, which has a high potential to contribute to global warming. We intend to produce 10 metric tons of bio formic acid in fiscal 2026 and eventually realize domestic production and in-house procurement of non-petrochemical materials.

Our fourth policy is the pursuit of business process innovation. As a representative initiative in this effort, our

production departments are developing production processes that will significantly improve the yield of sulfonates at our Chiba Plant, where we aim to begin operation in fiscal 2026. At the Akoh Plant, we are focused on developing equipment that reduces the labor required for the production of hot melt adhesives and special lubricants while maximizing production efficiency through the effective use of the digital transformation. We plan to set a target for this within the period of our current medium-term plan and introduce such equipment under our 11th Medium-Term Management Plan.

Our R&D departments aim to establish MORESCO Informatics as part of the digital transformation. We envision that a data-driven approach will significantly streamline our product development process.

Our fifth policy is to improve our return on capital. In order to improve our price-to-book ratio, we intend to improve our return on capital through both growth strategies and capital and financial strategies. With regard to growth strategies, we will focus on two initiatives: promoting key measures in each business division and major area with sustainability management as the pillar; and creating next-generation businesses under the MOLGADC Project. In terms of capital and financial strategies, we will promote metrics that lead to improved profitability in each business division, such as using ROIC indicators; position shareholder returns as a key management priority; implement a dividend policy targeting a consolidated dividend payout ratio of at least 30%; promote human capital management; enhance our investor relations; and actively engage in dialogue with investors.

Managing human capital in a period of accelerating global expansion

As I mentioned at the beginning of my message, in order to steadily implement our 10th Medium-Term Management Plan, we believe it is essential that we advance human capital management in keeping with our management philosophy of “fostering a working environment that respects an individual and a freewheeling thinking.”

To that end, it is essential that we create an environment in which people of diverse backgrounds can create value through creative thinking. It is also important that we provide opportunities for young people to gain a wider range of experience, which includes gaining experience working in other countries.

At the same time, as we accelerate our global expansion, we recognize that training our employees in other countries is also an important challenge. Currently, the person in charge of

our business in China is a Chinese executive officer, and we believe that, going forward, we can promote sustainable business growth by training local personnel in each region. We will review our human resource training system so that local employees eventually take charge of our businesses outside Japan.

In addition to strengthening our human resource foundation, we will focus on further strengthening our corporate governance. We are adopting a variety of measures, including improving the effectiveness of our Board of Directors.

In addition to encouraging free and open discussion at Board of Directors meetings, we held two-day off-site meetings twice a year for formulating our 10th Medium-Term Management Plan. At these meetings, our internal directors, outside directors, and executive officers engaged in in-depth discussions about

the future of our business. Our outside directors were particularly active at asking questions and offering suggestions from their respective areas of expertise. I believe such an open atmosphere allows for very meaningful discussions.

I have learned a lot from these discussions as well as from

our 10th Medium-Term Management Plan, such as the specific suggestions about employee engagement we received from our female outside director, which have been extremely helpful in considering measures to improve governance.

Becoming an innovator essential to the emergence of a society devoted to sustainability

As specialists in interface science, our Group is proud to have led the industry through its strengths in capturing the leading share of niche markets. Our concern is to take on the mission of leading the way to a more sustainable society of the future. Moreover, I also hope that the growth of our company will lead to the sustainable growth of the industry as a whole. In fact, most of the new products developed by our Group are related to the issues of environmental and social sustainability. As we continue to accelerate our efforts into the future, we hope that the MORESCO Group will be recognized by our stakeholders as a company that is essential to realizing a sustainable society.

In order to achieve both “realization of a sustainable society” and “increasing added value of business,” which are

the themes of our 10th Medium-Term Management Plan, it is essential that we strike a balance between societal value and economic value. In this regard, our customers must feel that the MORESCO Group’s high-value-added products will reduce labor requirements, lower total costs, and minimize GHG emissions. Going forward, society will strengthen regulations targeting the achievement of carbon neutrality, and then is likely to introduce carbon taxes. By anticipating this situation and taking the lead in the industrial sector, we will help to ensure the achievement of sustainable growth in the future. We look forward to the continued support of our stakeholders as we pursue these initiatives.



Long-term Vision of the MORESCO Group

Learning from the Past

1958–1970

Beginning of History

1971–1990

Growth and Development

1991–2019

Entering Global Markets

2020 and beyond

Aiming for Sustainable Growth

MORESCO's history begins with researchers

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

Business expansion into the hot melt adhesives market

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

MORESCO's ambitious goal of becoming a global business

Our overseas expansion began in 1995 with the establishment of MORESCO (THAILAND) CO., LTD. It was a difficult time as our head office was damaged by the Great Hanshin-Awaji Earthquake, but we decided that we would need to build a production and sales system close to the production bases of user companies, amid the trend of major Japanese industries relocating production overseas, including automobile production. In 1997, in the interest of strengthening new business ventures, we successfully developed and commercialized MORESCO PHOSFAROL A-20H, a hard disk surface lubricant. As an indispensable material for achieving higher recording density and speed in hard disks, it is still very much in demand today as a one-of-a-kind product internationally. In 2001, our Head Office and Research Center were relocated from Nishinomiya City to Chuo-ku, Kobe City, and in 2009 the company name was changed to MORESCO Corporation. Since 2011, utilizing the technology cultivated through the production of hot melt adhesives, we have made progress in the development of sealants used for a variety of applications, including MOISTURE CUT, a sealant that prevents external moisture infiltration to extend the life of organic electro-luminescence devices. In 2001, after we relocated to Chuo-ku, Kobe City, our second advance into the overseas market was China, giving a boost to a series of expansions in our global presence in North America in 2006, followed by Indonesia in 2011. In 2017, we established an operation base in India, further solidifying our global manufacturing and sales system. MORESCO's global strategy is to take a strategic and panoramic perspective of the entire world, while staying firmly rooted in local communities.

Toward new next-generation businesses incorporating sustainability management

In the changing business environment where we operate, we have explored a variety of different approaches to driving sustainable growth. In 2021, aiming for successful sustainability management, we identified seven material issues (materiality). We practice sustainability management by increasing sales of products that have low environmental impact and thus contribute to addressing materiality certified as MORESCO Green SX. Also, in our efforts to operate business on a global scale in line with situations internationally, we established a new R&D Center in China in 2023 to keep pace with the remarkable evolution of EVs. We have worked to expand our hot melt adhesive business in three overseas regions (Southeast/South Asia, North America, and China). Furthermore, in North America, we acquired CROSS TECHNOLOGIES GROUP, INC. Having secured a new lubricant production base, we are committed to developing, manufacturing, and selling higher-performance products. Most recently, the Functional Fluids Division merged with the Synthetic Lubricants Division to form the Special Lubricants Division, in the interest of upgrading our global product portfolio. In the R&D Department, the company-wide MOLGADC Project launched in 2023 is working tirelessly to create next-generation businesses, with the spirit of an “R&D-oriented company” that has been passed down and developed since the company's foundation.

Brief History

Our R&D History

1958

Developed and domestically produced a high-vacuum pump oil.

1961

Developed and domestically produced liquid paraffin.

1962

Started production of petroleum sulfonate.

1963

Developed a water-glycol fire-resistant hydraulic fluid.

1964

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

1966

Developed high-viscosity type liquid paraffin.

1966

Developed a petroleum-based anti-wear hydraulic oil.

1966

Developed a compressor oil.

Large-scale falling-film vacuum distillation equipment

Die casting machine

1971

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

1972

Developed a water-soluble die casting oil.

1976

Developed a hot melt adhesive.

1978

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

1979

Developed a high-temperature synthetic lubricating oil.

1983

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

1983

Developed a radiation-resistant lubricating oil and grease.

1985

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

1990

Developed a biostatic water-soluble cutting oil.

1990

Developed a hot melt adhesive for disposable diapers.

Die casting lubricant

Refined liquid paraffin

UF (RO) membrane wastewater treatment equipment

1991

Developed a high-temperature grease base oil for automobiles.

1996

Developed a bakery divider oil.

1997

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

2005

Developed a hot melt pseudo-adhesive for automobile interiors.

2008

Developed ExcelCoat zero-waste hot melt packaging.

2009

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

2010

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

2011

Developed an organic device sealant.

2015

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

2018

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

2018

Developed Organic Photovoltaics (OPV).

Hard disk surface lubricant

ExcelCoat

Water-soluble minimum quantity spray type releasing agent

Organic Photovoltaics (OPV)

2020

Launched TIS-compliant products for Toyota Motor Corporation.

2020

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

2020

Invented nanoemulsion and developed MORESCO-NANOREACH.

2021

Developed a lubricant back spray system.

2021

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

2023

Expanded into the nanoemulsion-applied cosmetics business.

2023

Began research on converting biogas to bio formic acid.

Irigrasia Series

Okoppe Hokko Biogas Plant (Okoppe Town, Hokkaido)

Long-term Vision of the MORESCO Group

Developing New Ideas

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

Building a foundation for sustainability management and a company-wide development system	
FY2023 result	
Net sales	31,886 million yen
Operating profit margin	3.8%
ROE	6.6%
Sales ratio of MGS products	29% (FY2022 result)
GHG emissions reduction rate (Compared to FY2013)	34% (FY2022 result)

“Realization of a sustainable society” and “increasing added value of business” through sustainability management	
10th Medium-Term Management Plan (FY2024–FY2026)	
Net sales	38,000 million yen
Operating profit margin	7%
ROE	8% level
Sales ratio of MGS products	40%
GHG emissions reduction rate (Compared to FY2013)	—

As an innovative company pioneering the frontier of a sustainable society	
FY2030 target	
Net sales	50,000 million yen
Operating profit margin	10%
ROE	10% level
Sales ratio of MGS products	50%
GHG emissions reduction rate (Compared to FY2013)	46%

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

Contributing to a Bright Future as a specialist in Interface Science

To realize sustainability management, we have identified seven material issues (materiality) and created a roadmap toward our ideal status in 2030. The products that contribute to dealing with materiality are certified as MORESCO Green SX (MGS) and their sales ratio is set as a management target. With an eye on the future, we also launched MOLGADC, an R&D project that will pave the way for a sustainable society, with a company-wide R&D system in place to manage the project. As for global expansion, production and sales systems have been established in Southeast/South Asia, North America, and China. Moreover, we have embarked on shifting our management focus from sales increases to return on capital.

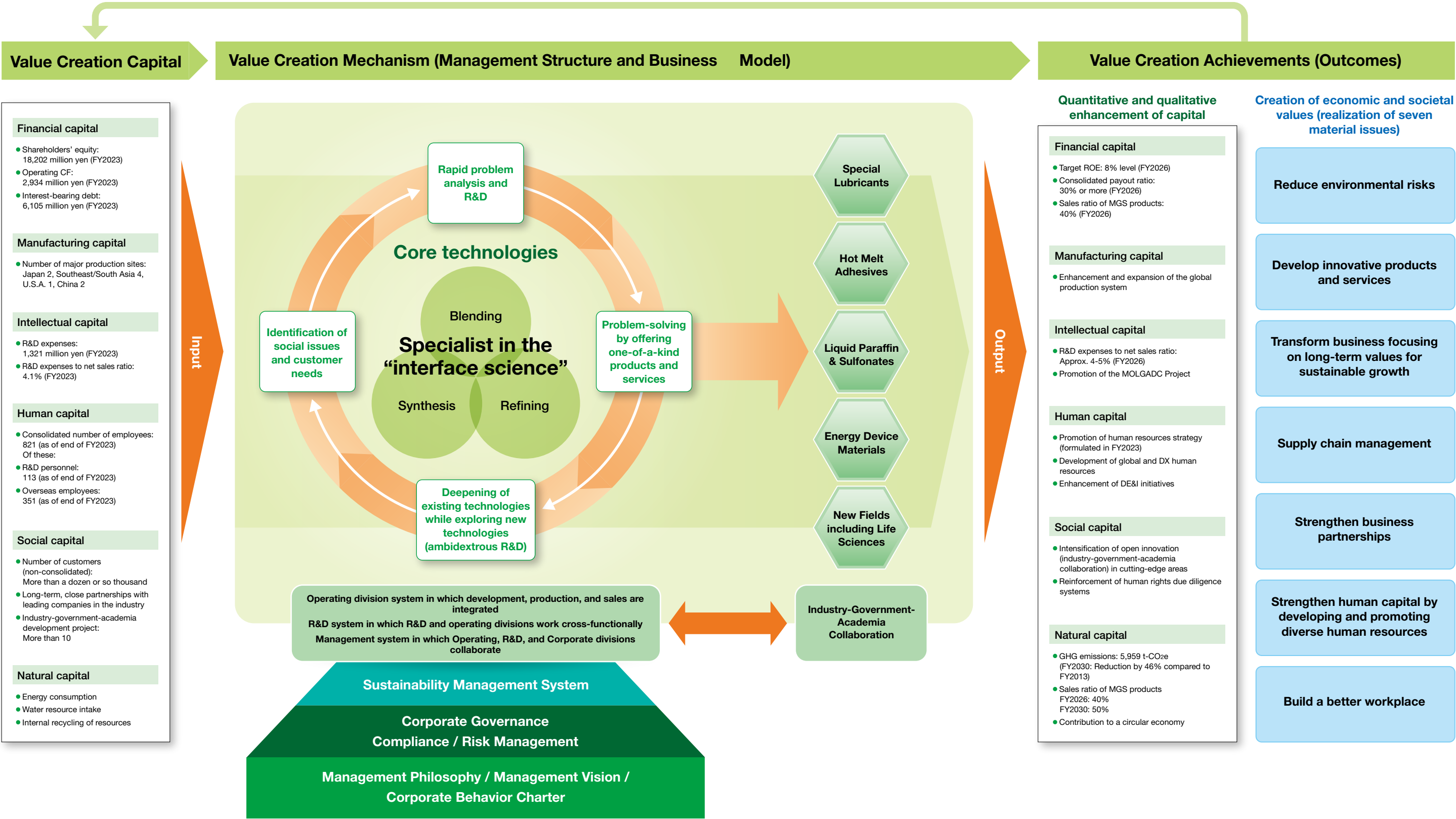
Our theme is achieving both “realization of a sustainable society” and “increasing added value of business.” We aim to increase the MGS product sales ratio to 40% by fiscal 2026 to contribute to environmental and social sustainability, while at the same time upgrading our product portfolio and adding higher value. In the next-generation business MOLGADC Project, commercialization in the area of life sciences will occur as early as fiscal 2024. Now that our integrated system from development and production through sales in North America has been established, we will step up our global operations. In terms of return on capital, we aim for an ROE level of 8%, which exceeds our cost of shareholders’ equity, and will also set the

stage for an ROIC-based business portfolio strategy.

In addition to achieving a 50% MGS product sales ratio, a 46% GHG emissions reduction, and a 10% ROE, the MORESCO Group intends to establish a new, unique position in life sciences, next-generation photovoltaics, non-petrochemical materials, and other areas. By earnestly pursuing our management vision of “delivering sustainable one-of-a-kind products to the world,” we hope our stakeholders will recognize us as an “integral part of a sustainable society” and as an innovative company pioneering the frontier of a sustainable society.

Value Creation Process

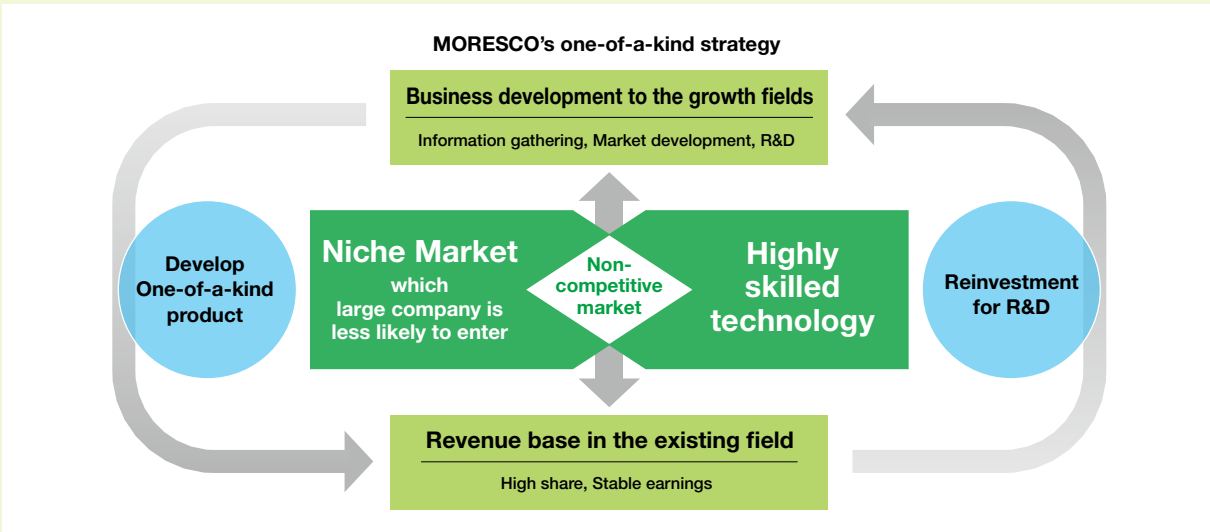
We will transform one-of-a-kind products and services created in full coordination of development, production, and sales based on our core technologies: blending, synthesis, and refining, into economic and societal values as well as corporate value under a management system in which Operating, R&D, and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



Strengths of the MORESCO Group (Business Model)

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

Specialists in interface science



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

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

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



Hard disk surface lubricant

Growth strategy to further bolster core technologies

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



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



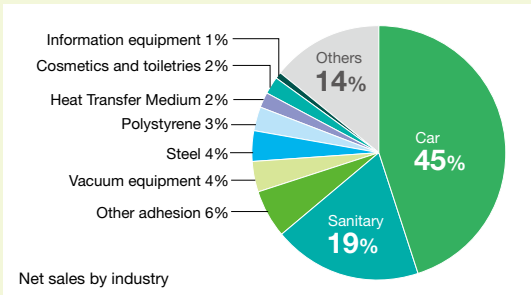
Water-glycol fire-resistant hydraulic fluid (70% share in Japan)

Number one share in the industry inside and outside Japan

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

Diversification management

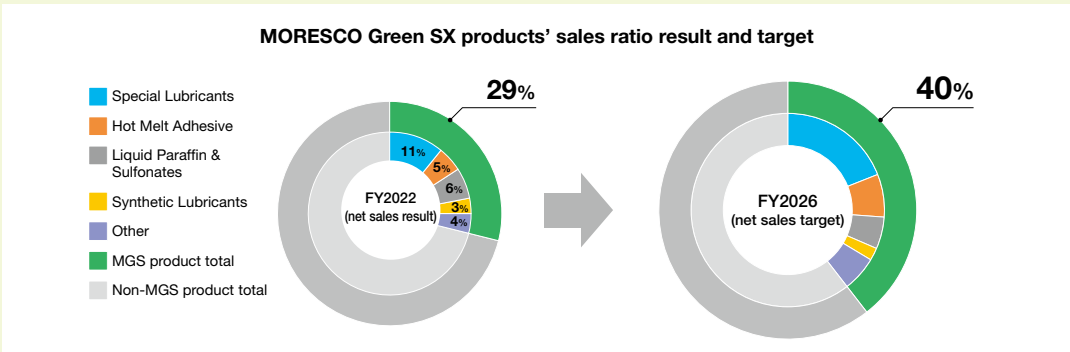
In terms of net sales by industry, automotive accounts for about 45%, followed by sanitary materials about 19%. By offering products that have versatile applications to many different sectors, we have established “diversification management” that is less influenced by specific industries.



Sustainability management

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

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



Next-gen. business creation (MOLGADC Project)

Purpose and Vision of the R&D Division

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

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

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

Global strategy

The MORESCO Group is expanding its businesses, such as special lubricants and hot melt adhesives, into emerging economies in countries such as China, Thailand, Indonesia, and India, where continual high growth is expected for the automotive and sanitary materials sectors. In China, having developed a local sales network, we are increasing sales efforts to Japanese, European, American, and Chinese companies. Our local development capabilities are also being bolstered to quickly respond to changing market needs. Also in the highly attractive North American market, in addition to enhancing our sales network, we will further expand the market by reinforcing product improvement, development, and customer service systems.

In fiscal 2023, we reinforced our global operations, with a special focus on securing a production base in North America, expanding sales to U.S.-based companies, and restructuring our business in China.



We acquired CROSS TECHNOLOGIES GROUP, INC. in the U.S., now serving as our production and R&D base.



Two special lubricant manufacturers in Shanghai and Wuxi were consolidated into our new base, MORESCO (ZHEJIANG) FUNCTIONAL MATERIAL CO., LTD.




















Material Issues (Materiality) for Sustainability

The MORESCO Group’s mission is to contribute to society as an innovative company that enables a sustainable future in order to “deliver sustainable one-of-a-kind products to the world.” In response to the growing importance of sustainability issues, we uphold the MORESCO Group Sustainability Policy of striving to balance the “realization of a sustainable society” and the “improvement of corporate value throughout the medium and long term” by making the best use possible of our management resources. Our 10th Medium-Term Management Plan, which started in fiscal 2024, also includes “realization of a sustainable society” (promotion of sustainability management), with this Policy as a leading theme.

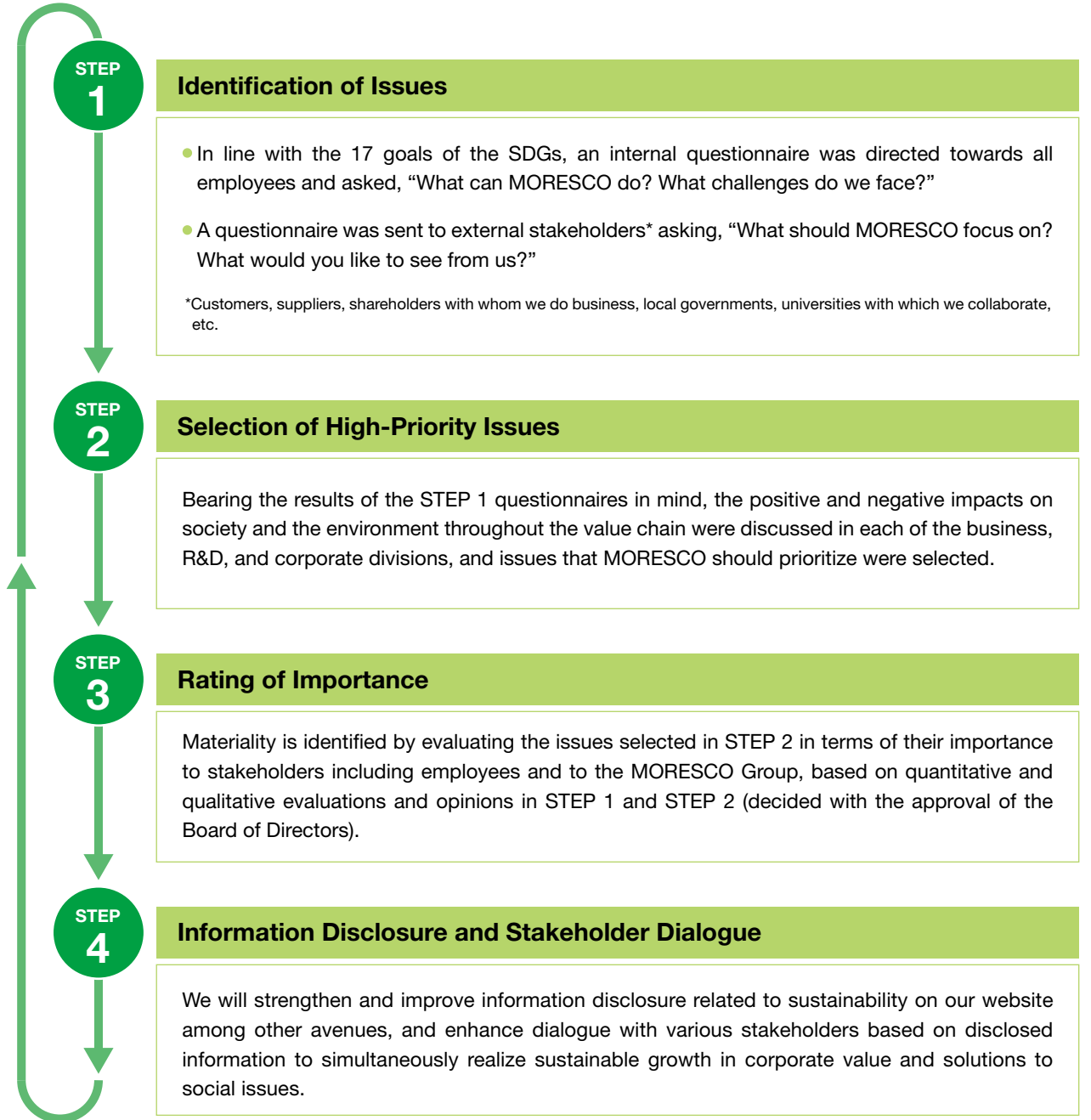
As a concrete action to promote sustainability management,

in November 2021, we identified “seven material issues (materiality)” comprising five material issues related to our business activities and two material issues related to corporate management that supports our business activities. The seven materialities were determined based on interviews with internal and external stakeholders and discussions with operating divisions and related divisions as to which items in the environmental and social issues related to the UN 17 Sustainable Development Goals (SDGs) the Group is particularly capable of contributing to solving. In consideration of changes in circumstances surrounding sustainability issues and dialogue with stakeholders, the Group intends to review key issues to be addressed in a timely manner.

MORESCO’s seven materialities

	Task	SDGs-Related	The Initiative
Critical Issues related to business activities	Reduce environmental risks	   	<ul style="list-style-type: none">Develop long-lasting products that generate less wastage with limiting impact to the environmentEstablish a “reduce- reuse- recycle” culture at workplaceReduce CO2 emissions and wastewater in manufacturing processesDevelop and deliver eco-friendly productsInvest in and adopt renewable energy sources and implement energy savings practices
	Develop innovative products and services	 	<ul style="list-style-type: none">Invest in innovations and new technologies in existing business to help reduce the cost and make them affordable for allIdentify and develop new business opportunities
	Transform business focusing on long-term values for sustainable growth	  	<ul style="list-style-type: none">Create long-term, sustainable impact across employees, customers, suppliers, communities, and shareholders by utilizing data analysisOptimize production efficiency and minimize environmental impact using digital technologyMake the workplace safer by promoting machine automation in the factories and conducting regular safety checks
	Supply chain management	  	<ul style="list-style-type: none">Ensure sustainable and stable procurement of raw materialsSelect suppliers having good socially conscious vision and capability of navigating change/disruptionReinforce supply chain network and resilienceStrengthen BCP system
	Strengthen business partnerships		<ul style="list-style-type: none">Create innovation through joint research with research institutions, etc.Form partnerships with key customers and suppliers for competitive advantages and technology advancementsCo-create values with local communities and promote CSR activities
Critical Issues related to corporate management	Strengthen human capital by developing and promoting diverse human resources	  	<ul style="list-style-type: none">Develop global talent to meet business needsEnsure fair hiring practices and equal pay for equal workPromote career advancements for female employeesProvide career development and leadership training to accelerate the growth of employees
	Build a better workplace	  	<ul style="list-style-type: none">Improve employees’ work-life balanceUphold human and labor rightsEstablish a corporate culture that emphasizes diversity, equity, and inclusiveness (DE&I)Ensure competitive compensation and benefits to attract and retain talentEnsure harassment-free working environmentPromote Business Process Reengineering (BPR) to make changes for the better

Materiality identification process



Materiality in Management and Business Strategies

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

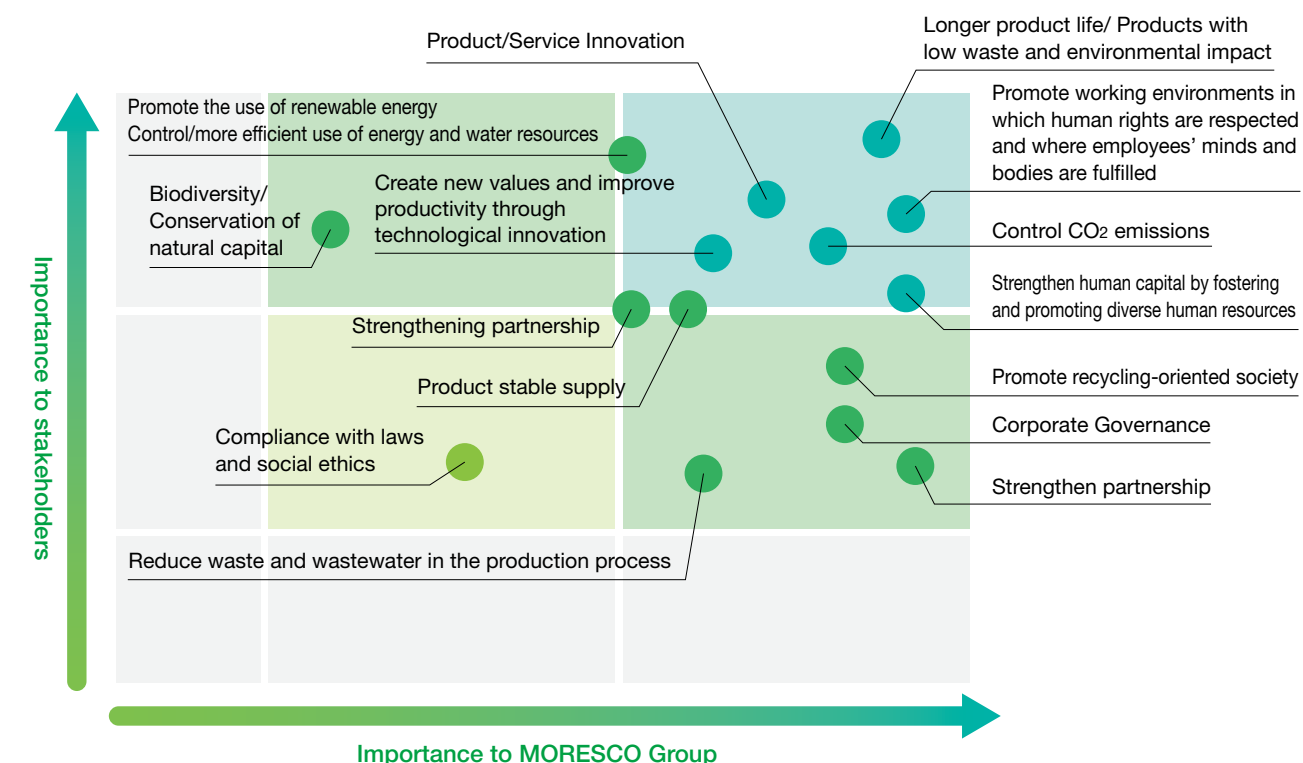
First, setting initiatives to be worked on for each materiality, we organized the priorities of issues and initiatives on a materiality map with two axes of “importance to the MORESCO Group” and “importance to its stakeholders.”

Specifically, in November 2022, we endorsed the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and enhanced climate change-related disclosure, along with setting GHG emissions reduction targets by 2030 (see page 53). In fiscal 2023, we strengthened our

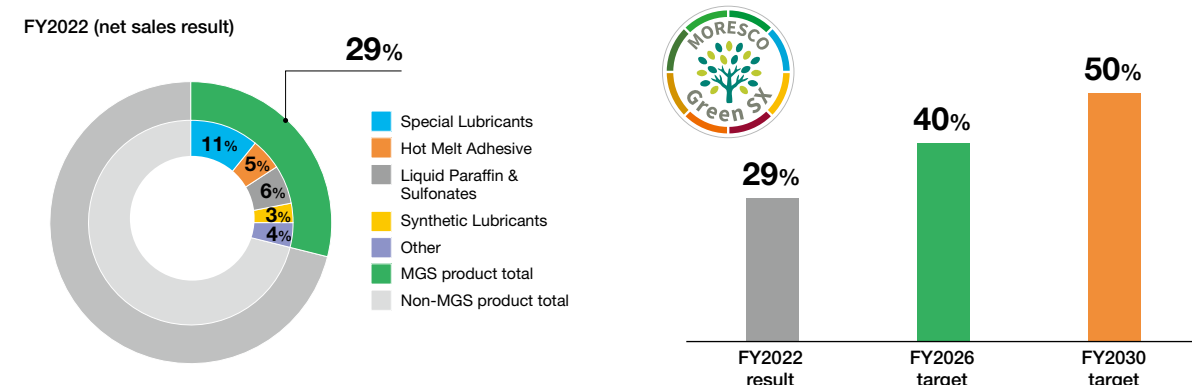
human capital management and human rights-based management (see pages 55 to 58). In addition, considering sustainability issues as an “opportunity” and as part of initiatives to achieve both “realization of a sustainable society” and “increasing added value of business,” the Group has been selecting MORESCO Green SX (MGS) products and striving to expand sales of these products since September 2023 (see pages 27 to 28). Our 10th Medium-Term Management Plan aims to increase the ratio of MGS products to consolidated net sales from 29% in fiscal 2022 to 40% in fiscal 2026 and further to 50% in fiscal 2030.

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

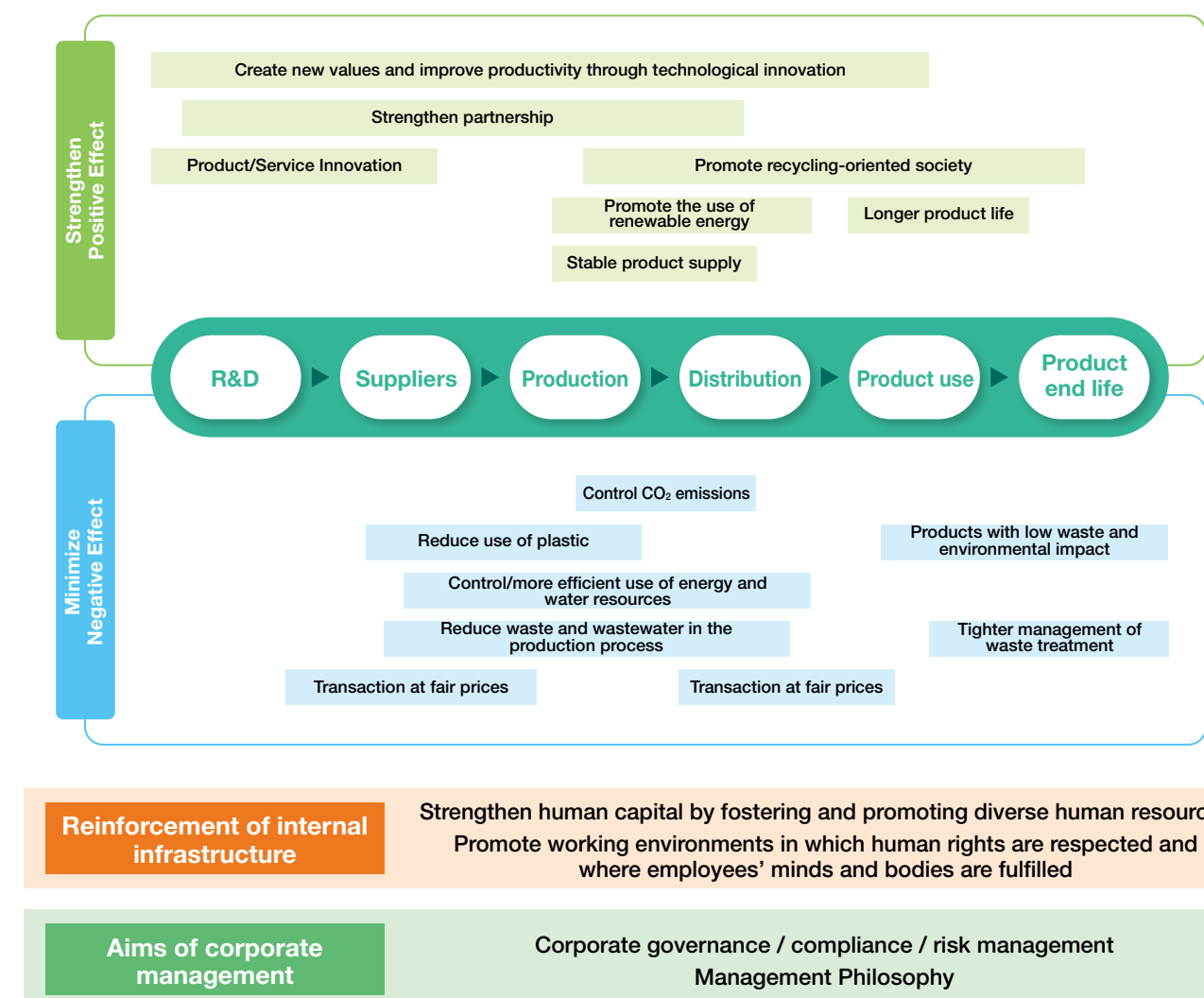
Materiality Map



Sales expansion of MORESCO Green SX products



Relationship between management strategy, business activities, and materiality



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

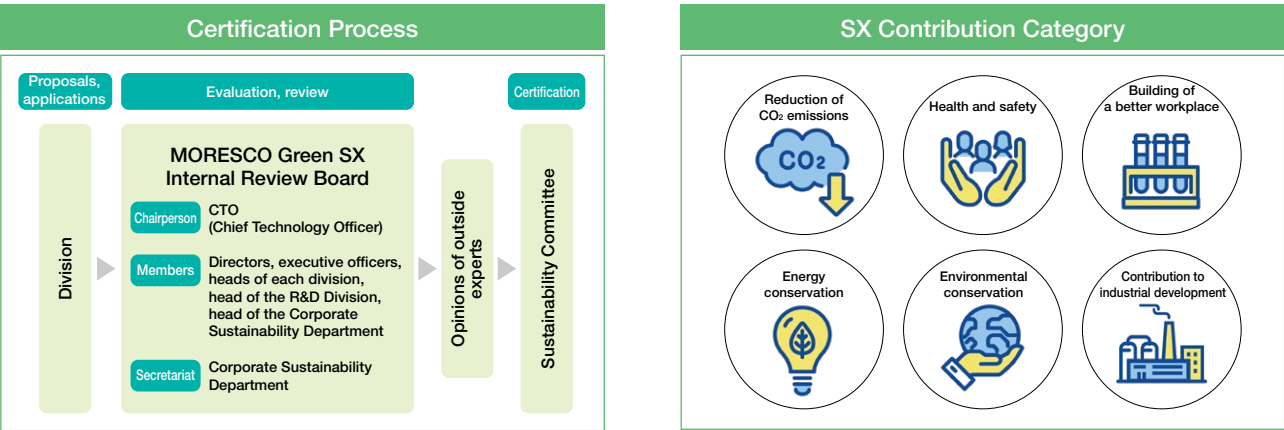
Based on the concept of Dynamic Materiality, the MORESCO Group has set KPIs for issues of particular financial importance (and urgency as social issues) among the seven materialities, along with targets for fiscal 2030. Targets for some of the KPIs have also been set for fiscal 2026, the final year of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

Materiality	Opportunities	Risks		Major KPIs	FY2023 Results	FY2026 Target (Final year of the 10th Medium-Term Management Plan)	FY2030 Target	Related pages
Reduce environmental risks	<ul style="list-style-type: none">Develop long-lasting products that generate less wastage with limiting impact to the environmentEstablish a "reduce- reuse- recycle" culture at workplaceDevelop and deliver eco-friendly productsConserve natural capital and biodiversity	<ul style="list-style-type: none">Reduce GHG emissions and wastewater in manufacturing processesInvest in and adopt renewable energy sources and implement energy savings practicesConserve natural capital and biodiversity		GHG emissions reduction target	7,104 t-CO ₂ e (36% decrease compared to FY2013)	—	5,959 t-CO ₂ e (46% decrease compared to FY2013)	MORESCO Green SX (pp. 27–28) Sustainability (Environment) (pp. 51–54)
				Sales ratio of MGS products	28.9% (FY2022)	40%	50%	
Develop innovative products and services	<ul style="list-style-type: none">Develop innovative products and servicesInvest in innovations and new technologies in existing business to help reduce the cost and make them affordable for allIdentify and develop new business opportunities			Sales ratio of MGS products	28.9% (FY2022)	40%	50%	MORESCO Green SX (pp. 27–28) Sustainability (Environment) (pp. 51–54)
				R&D expenses to net sales ratio	4.1%	Approx. 4–5%	Approx. 5%	
Transform business focusing on long-term values for sustainable growth	<ul style="list-style-type: none">Create long-term, sustainable impact across employees, customers, suppliers, communities, and shareholders by utilizing data analysisOptimize production efficiency and minimize environmental impact using digital technologyMake the workplace safer by promoting machine automation in the factories and conducting regular safety checks	<ul style="list-style-type: none">Make the workplace safer by promoting machine automation in the factories and conducting regular safety checks		Man-hour productivity	7,258 yen/hour	—	—	Medium-Term Management Plan (pp. 37–38) Corporate Strategy (pp. 39–44) Message from the CTO (pp. 45–48)
				Number of occupational/ work-related accidents	0	0	0	
Supply chain management	<ul style="list-style-type: none">Select suppliers having good socially conscious vision and capability of navigating change/disruption	<ul style="list-style-type: none">Ensure sustainable and stable procurement of raw materialsSelect suppliers having good socially conscious vision and capability of navigating change/disruptionReinforce supply chain network and resilienceStrengthen BCP system		Supplier human rights DD investigation under consideration	Formulation of human rights policy Examination of major human rights risks	Conducting supplier surveys Enhancement of human rights DD framework		Sustainability (Social) (pp. 57–58)
				Response under consideration regarding physical risks of climate change at major factories	—			
Strengthen business partnerships	<ul style="list-style-type: none">Create innovation through joint research with research institutions, etc.Form partnerships with key customers and suppliers for competitive advantages and technology advancementsCo-create values with local communities and promote CSR activities			Examples of industry-government-academia collaboration achievements	Industry-government-academia collaboration in the rollout of sealant for perovskite solar cells, autophagy drug development, nanoemulsion cosmetics, bio formic acid creation, gas and water vapor transmission rate measuring devices, etc.	—	Industry-government-academia collaboration in securing an overwhelming market share in sealant for perovskite solar cells; promoting the development of multiple potential new drugs, and entry into the CDMO business; enhancement of our nanoemulsion cosmetics lineup and application in medical DDS; commercialization of biopolymers (non-petrochemical); etc.	Sustainability (Social) (pp. 57–58)
Strengthen human capital by developing and promoting diverse human resources	<ul style="list-style-type: none">Develop global talent to meet business needsPromote career advancements for female employees (effective use of human resources)Provide career development and leadership training to accelerate the growth of employees			Employee engagement (related items)	3.24/5 (including group companies in Japan)	—	3.5/5 (including group companies in Japan)	Sustainability (Social) (pp. 55–56)
				Ratio of female managers	Non-consolidated 9.5% Group 20.8%	—	Targets under review	
Build a better workplace	<ul style="list-style-type: none">Improve employees' work-life balanceUphold human and labor rightsEstablish a corporate culture that emphasizes diversity, equity, and inclusiveness (DE&I)Ensure competitive compensation and benefits to attract and retain talentEnsure harassment-free working environmentPromote Business Process Reengineering (BPR) to make changes for the better	<ul style="list-style-type: none">Ensure competitive compensation and benefits to attract and retain talent		Employee engagement (related items)	2.97/5 (including group companies in Japan)	—	3.30/5 (including group companies in Japan)	Sustainability (Social) (pp. 55–56) Sustainability (Social) (pp. 57–58)
				Number of human rights training sessions provided and participation rate	LGBTQ training 100% Harassment training 76% Human rights training 87%	—	Human rights-related training at least once a year, 100% participation rate	
				Wage difference between men and women	78.8%	—	Targets under review	
				Ratio of male employees taking childcare leave	Non-consolidated 63.6% Including group companies in Japan 66.7%	—	Targets under review	

MORESCO Green SX

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

Certification Process and Contribution Category



SX Contribution Category	Major Examples	Relevant MORESCO Materiality Initiatives	Relevant SDGs
Reduction of CO ₂ emissions	Use biomass feedstock Recycle raw materials and products Used in the production of environmentally friendly vehicles Reduce power consumption when used Contribute to a hydrogen society Used for renewable energy	Reduce CO ₂ emissions, waste, and wastewater in manufacturing processes Invest in and adopt renewable energy sources and implement energy saving practices	13
Energy conservation	Reduced energy consumption Utilize recycled products Improvement to unit energy consumption by improving productivity Reduced raw material consumption Longer life Used in energy-saving products	Establish a “reduce, reuse, recycle” culture at the workplace Develop and deliver eco-friendly products (resource conservation) Invest in and adopt renewable energy sources and implement energy saving practices	7, 12, 13
Environmental conservation	Reduced waste liquids Collection and recycling Reduced emissions for environmentally hazardous substances Use recycled materials Contribute to reducing the environmental impact of users	Develop long-lasting products that generate less waste and limit the impact on the environment Reduce CO ₂ emissions, waste, and wastewater in manufacturing processes Optimize production efficiency and minimize environmental impact using digital technology	6, 12, 15
Building of a better workplace	Reduced waste liquids Contribute to improving the user's work environment Contribute to user workplace safety	Make the workplace safer by promoting machine automation in factories and conducting regular safety checks	3, 8
Health and safety	Use materials that are safe for human health (For pharmaceuticals, foods, cosmetics, etc.)	Procurement that considers human rights and the origins of raw materials Develop and deliver eco-friendly products (resource conservation)	3
Contribution to industrial development	Contribute to an information society Contribute to the SDGs through the development of advanced technologies	Optimize production efficiency and minimize environmental impact using digital technology	9

MORESCO Green SX Representative Products

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

Energy conservation

Environmental conservation

Building of a better workplace

Generally, mold release agents are diluted tens to hundreds of times, but the products developed by our company are not diluted, making them extremely stable. Since only a very small amount is applied, waste liquid is reduced and a longer mold life is achieved, reducing production costs. Compared to general release agents, this product reduces petrochemical-derived raw materials by 38% per product produced by the customer. This contributes to improving the work environment by reducing compressor power consumption, reducing the amount of mold release mist scattered, and reducing noise.



Water-glycol fire-resistant hydraulic fluid: HYDOL

Reduction of CO₂ emissions

Environmental conservation

Our hydraulic fluid has excellent lubricity and stability, as well as highly balanced performance, and is especially optimal in workplaces where there is a risk of fire. We have also been working on reuse and recycling efforts, and have developed a technology that extracts only the deteriorated additives that make up 20% of the fluid and recycles the remaining clean water-glycol components. In addition to reducing the amount of petrochemical-derived raw materials used through the recovery and reuse of hydraulic fluid, this significantly reduces waste. The introduction of biomass PG also contributes to the reduction of CO₂ emissions.



Reactive hot melt: MORESCO-MELT RO-400

Energy conservation

Building of a better workplace

A reactive hot melt that hardens due to moisture contained in the air or adherends. It is mainly used for adhesion for automobile interiors. Having excellent coating properties, it can be applied by bead or spray. It contributes to improving productivity and reducing energy use by eliminating the need for a drying process after coating, as well as improving the environment by eliminating solvents.



Organic photovoltaics: MORESCO-OPV Flexi

Reduction of CO₂ emissions

Energy conservation

Environmental conservation

In addition to contributing to the reduction of greenhouse gases by creating renewable energy through solar power generation, CO₂ emissions during manufacturing are also reduced to 1/5 and waste to 1/10,000 compared to silicon solar cells. Being semitransparent and featuring a high-quality design, they can also function as an interior decoration when attached to windows to generate electricity.



Gas & water vapor transmittance measurement device: MORESCO-SuperDetect

Reduction of CO₂ emissions

Environmental conservation

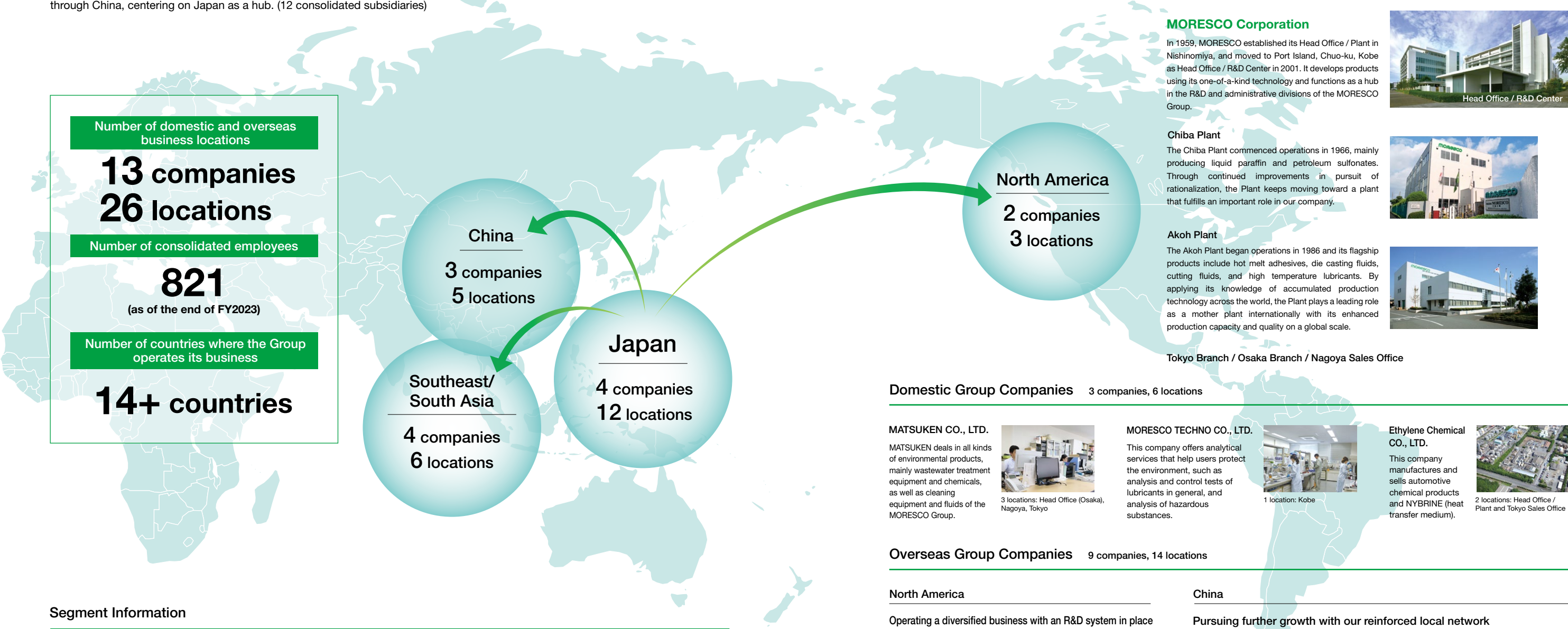
Contribution to industrial development

Measures the gas barrier properties of films quickly and with world-class sensitivity and high precision. It contributes to R&D and quality control in various fields, including organic devices and solar cells, fuel cells, hydrogen energy, and food and medical product packaging. Furthermore, the development of multi-chamber type equipment enables multiple sample measurements, reducing workload. No petrochemical-derived raw materials are used for the main raw materials, and parts can also be reused.

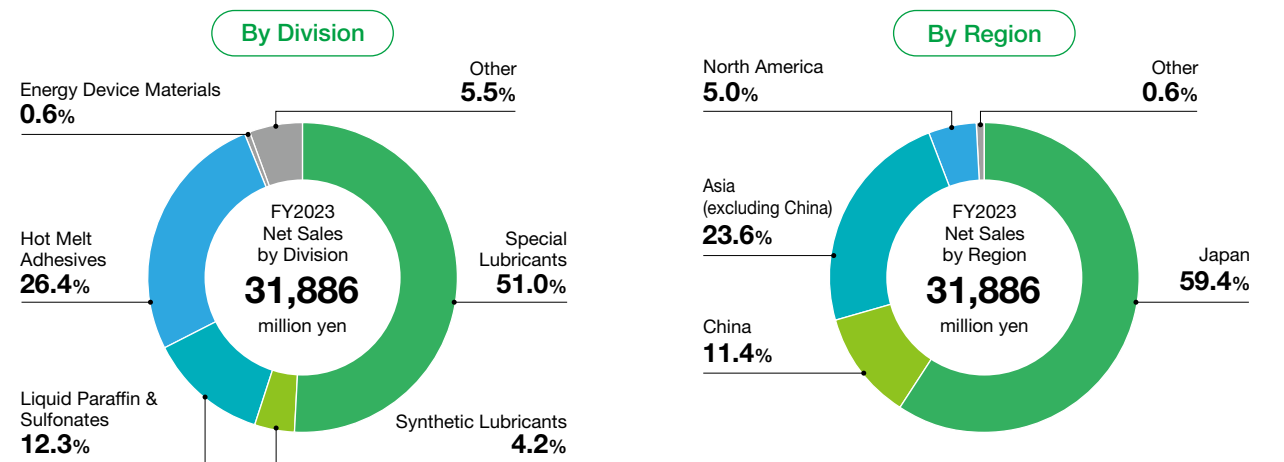


Business Overview / Domestic and Overseas Net Sales

The MORESCO Group is expanding its business in growing overseas markets extending from Southeast/South Asia and North America through China, centering on Japan as a hub. (12 consolidated subsidiaries)



Segment Information



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

North America

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

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

MORESCO USA Inc.

Cross Technologies N.A. Inc.

China

Pursuing further growth with our reinforced local network

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

MORESCO TRADING (ZHEJIANG) CO., LTD.

MORESCO (ZHEJIANG) FUNCTIONAL MATERIAL CO., LTD.

TIANJIN MORESCO TECHNOLOGY CO., LTD.

Thailand

Strengthening our revenue base

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

MORESCO (THAILAND) CO., LTD.

Indonesia

Expanding business in the areas of automotive and sanitary materials

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

PT. MORESCO INDONESIA

PT. MORESCO MACRO ADHESIVE

India

Local production and sales set to start in growing markets

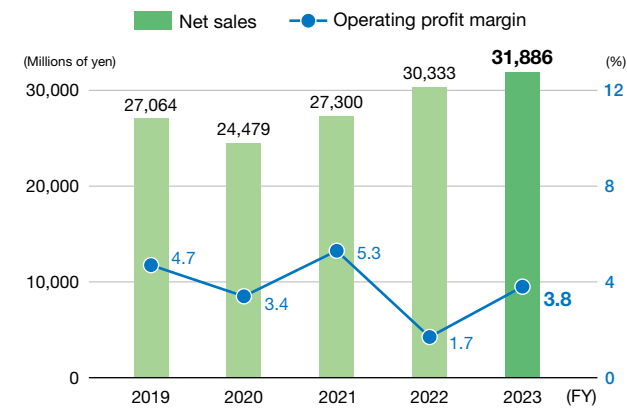
We have established an overseas production and sales base in India following China, the U.S., and Southeast Asia. We are bolstering our efforts in expanding the hot melt adhesives and lubricants businesses in the Indian market, which is expected to grow further.

MORESCO HM & LUB INDIA PRIVATE LIMITED

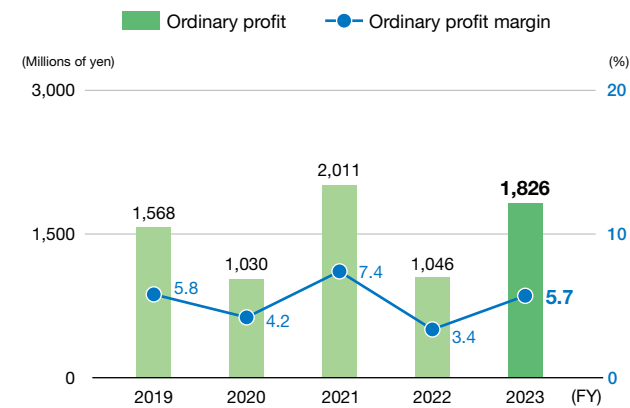
Financial and Non-Financial Highlights

Financial Highlights (Consolidated)

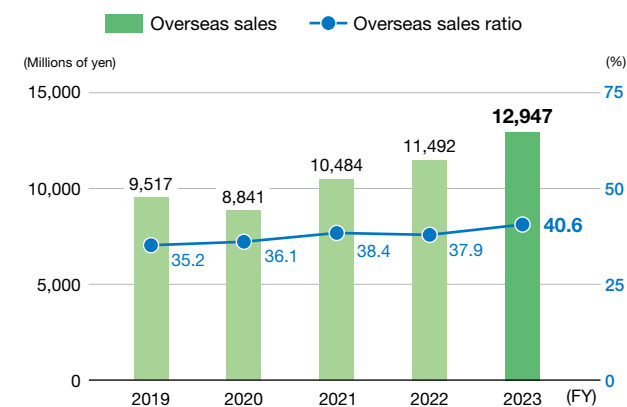
Net Sales and Operating Profit Margin



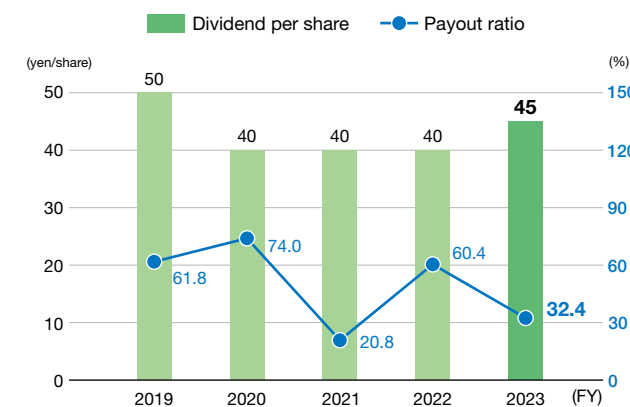
Ordinary Profit and Ordinary Profit Margin



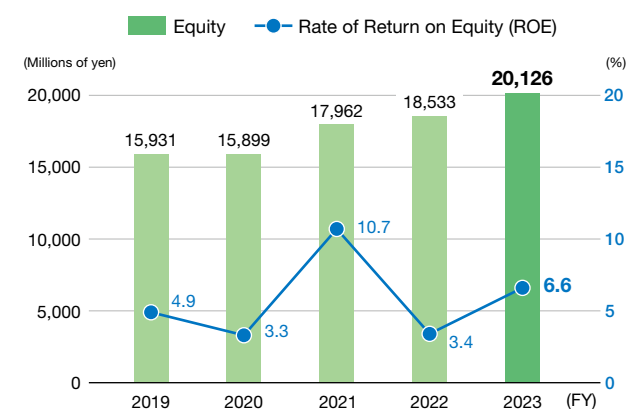
Overseas Sales and Overseas Sales Ratio



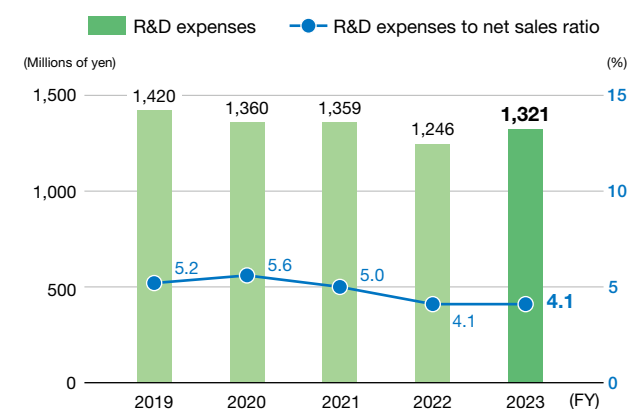
Dividend per Share and Payout Ratio



Equity and Rate of Return on Equity (ROE)



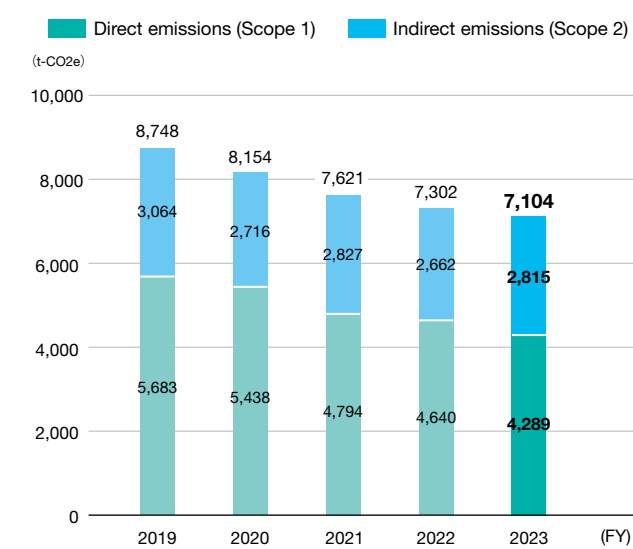
R&D Expenses and R&D Expenses to Net Sales Ratio



Non-Financial Highlights

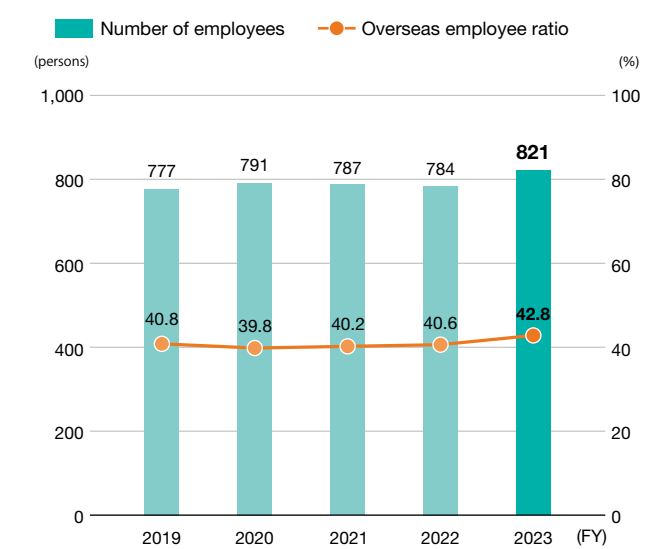
GHG Emissions

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

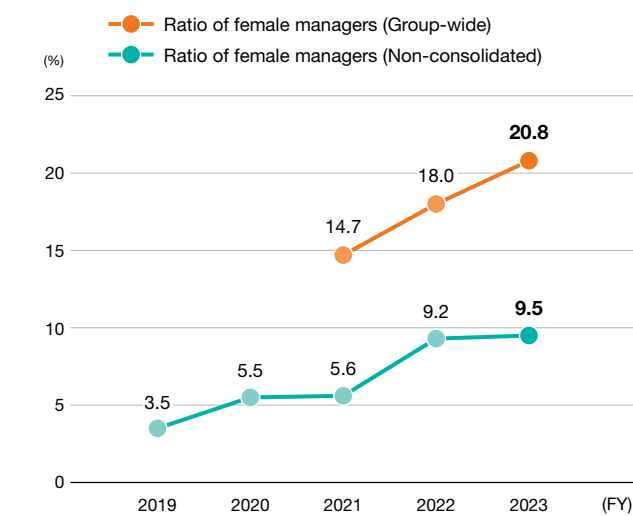


Number of Employees and Overseas Employee Ratio

(consolidated)

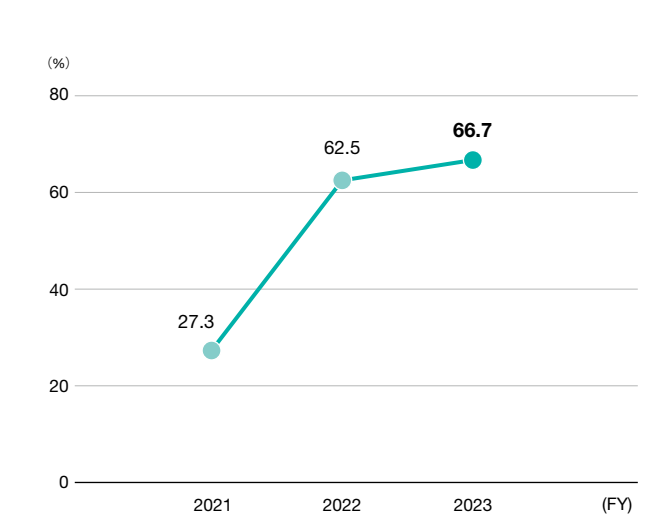


Ratio of Female Managers



Ratio of Male Employees Taking Childcare Leave

(Domestic: Incl. domestic group companies)



Message from the CFO

Hirofumi Fujimoto

CFO, Director, Senior Executive Officer

We will meet the expectations of our stakeholders through agile management that closely monitors capital costs as well as our share price.

In fiscal 2023, we saw increased sales and profits amid volatile market conditions.

As the COVID-19 pandemic was coming to an end in fiscal 2023, the economic outlook remained unclear amid shifting events marked by conflicts in Ukraine and the Middle East, an economic downturn in China, and monetary tightening in the U.S.A. During this period, our net sales increased 5.1% year-on-year to 31,886 million yen thanks to a recovery in the auto industry, our primary customer. This performance was driven by increased production volume in North America and Southeast Asia, which led to an increase in the volume of shipments of our products. The effects of sales price revisions and the yen's depreciation also contributed to this outcome. Although sales prices increased, our operating profit totaled

1,225 million yen due to the delay between sales price revisions and the earlier increase in the price of raw materials. This time lag is now gradually resolving.

Our price revision efforts over the past year have progressed smoothly overall thanks to customer appreciation of our one-of-a-kind products, which represents one of our strengths. On the other hand, price revisions for highly competitive products have not progressed as expected.

Looking ahead, as Japan makes progress with efforts to escape from its deflationary economy, we are hopeful that the economy will transition to a gradual recovery. On the other hand, we are concerned that prices—including the costs of raw materials, labor, and logistics—will continue to rise. We also contend that the outlook for the economic situation outside Japan remains uncertain.

A decade of earning cash from existing businesses and investing in growth

In this economic environment, we have begun implementing our 10th Medium-Term Management Plan, which spans the three-year period from fiscal 2024 to fiscal 2026. The plan is based on the theme of achieving both “realizing a sustainable society” and “increasing the added value of our business” in order to achieve sustainable growth while responding to social issues such as growing awareness of environmental issues and labor shortages due to the declining birthrate and aging population.

Regarding the circumstances that led to the formulation of our 10th Medium-Term Plan, our management policy up until our 8th plan was to increase sales and profits. However, beginning with our 9th plan, we have shifted to a management style that focuses on improving capital efficiency and have sought to improve our ROE across the entire company. Beginning with our 10th plan, we will set out to further implement agile management that closely monitors capital costs and our share price while increasing our corporate value. Our major business divisions have also begun considering the adoption of divisional ROIC and ROIC trees.

Looking at our cash flow growth over the past decade, we have accumulated cash as a result of our business expansion from 2013 to 2018 and have actively invested this cash in growth initiatives. Specifically, in 2013, we expanded our business by purchasing Nicca Chemical's special lubricant manufacturing and sales business. In 2014, we established a manufacturing and sales base for hot melt adhesives for disposable diapers in Tianjin, China. In 2017, we further expanded our business by establishing a production base in India as well.

On the other hand, since 2019, against the backdrop of U.S.-China trade friction and growing uncertainty regarding our businesses outside Japan, we have been shifting to a management style that focuses on return on capital and capital costs, as mentioned above. We have shrunk our balance sheet by reducing cross-shareholdings and selling our own building in Honmachi, Osaka. We have also taken steps to concentrate management resources on special lubricants and our other core businesses.

Some of the cash generated through these initiatives was used for the acquisition of Cross Technologies Group, Inc. of the U.S.A. in 2023, which is strengthening our business in the special lubricant field with products such as our die casting lubricants. This investment was determined in an effort to establish a vertically integrated business model in the ever-growing North American market and to prepare our company to deal with increasing geopolitical risk around the world. This business model encompasses product planning and development, raw material production, and product manufacturing and sales. This will enable us to reduce costs, promote the development of new products,

strengthen our system for ensuring stability of supply, and expand our sales channels to companies in the U.S.A.

Targeting an operating profit margin of 7% and an ROE of 8% level by fiscal 2026

The management goal of our 10th Medium-Term Management Plan is to increase the sales ratio of the MORESCO Green SX (MGS) products from 29% in fiscal 2022 to 40% by fiscal 2026. As will be described in greater detail later, MGS is a strategy aimed at contributing solutions to global warming and other societal issues while increasing corporate value by enhancing our product portfolio. As a result, we aim to steadily achieve our targets of an operating profit margin of 7%, an ROE in the 8% level, and a consolidated payout ratio of at least 30% for the same year. Calculated from our past performance, our cost of shareholders' equity ranges from 5.5% to 6.5%. In line with the government-supported Ito Review and a survey by the Life Insurance Association of Japan, investors' average expected return is calculated at approximately 8%. We were mindful of this expectation when we set our ROE target. Furthermore, we have adopted the following targets for fiscal 2030: an operating profit margin of 10%, a ROE in the 10% level, and a consolidated payout ratio of at least 30%.

Over the past 10 years, we have generated cash flows of 2 billion yen to 2.5 billion yen; from fiscal 2024 onward, however, we intend to increase our cash generation to the range of 2.5 billion yen to 3 billion yen. This will broaden our options, particularly with regard to M&A, and increase our investment in research and development. While the R&D expenses to net sales ratio in the chemical industry is in the range of 3% to 4%, we are aiming for a higher ratio of around 5% as an R&D-oriented company. Through active investment in research and development, we will focus on developing high-added-value products, including MGS products and the one-of-a-kind products that arise from them.

Formulating a Medium-Term Management Plan that emphasizes return on capital

To achieve the goals of the 10th Medium-Term Management Plan, our first policy is “Promotion of Sustainability Management.” In the coming era, it will be essential to pursue both societal value and economic value, as we believe that this approach will ultimately lead to improved return on capital.

One specific initiative we are implementing is to enhance our efforts toward achieving carbon neutrality. By fiscal 2030, we will reduce GHG emissions by 46% relative to fiscal 2013 levels. As the CFO, Director, and Senior Executive Officer responsible for sustainability, I am determined to achieve this goal with a deep sense of commitment.

In 2022, we declared our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and we are now strengthening our efforts in this area and in disclosure of information on climate change issues. We are also working to raise awareness of this challenge throughout the company by introducing an internal carbon pricing scheme.

We expect that societal demand for carbon neutrality initiatives and greater information disclosure will continue to increase in the years ahead, and we recognize that it is essential that we respond quickly to this trend. In addition, we are confident that increasing the sales ratio of MGS products while we promote sustainability management will directly lead to increased societal and economic values, as mentioned above.

The second policy under our plan is “Enhancement of Our Product Portfolio.” This is an important issue in terms of improving our return on capital as well. This point has been an ongoing topic of discussion at our Board of Directors’ meetings. Going forward, as we develop businesses that surpass our cost of capital, we intend to invest the cash generated through existing businesses into the development of products with higher added value. In this way, we aim to construct an optimal business portfolio.

To improve our return on capital, it is paramount that we link our human resources strategy to our management strategy. As stated in our management philosophy, the MORESCO group will create new value by fostering a working environment that respects an individual and a freewheeling thinking. As a company that has focused on research and development since our founding, we have established a history of emphasizing human resource

development. Based on this foundation, we formulated a “Human resources strategy” in parallel with the adoption of our Medium-Term Management Plan for fiscal 2023.

To ensure that our workforce continues to thrive, each employee must learn to accept and share in diverse values and expand the scope of what is considered common sense. To help each employee achieve the latter, we believe it is necessary to nurture a work environment that values diversity, fairness, and inclusion.

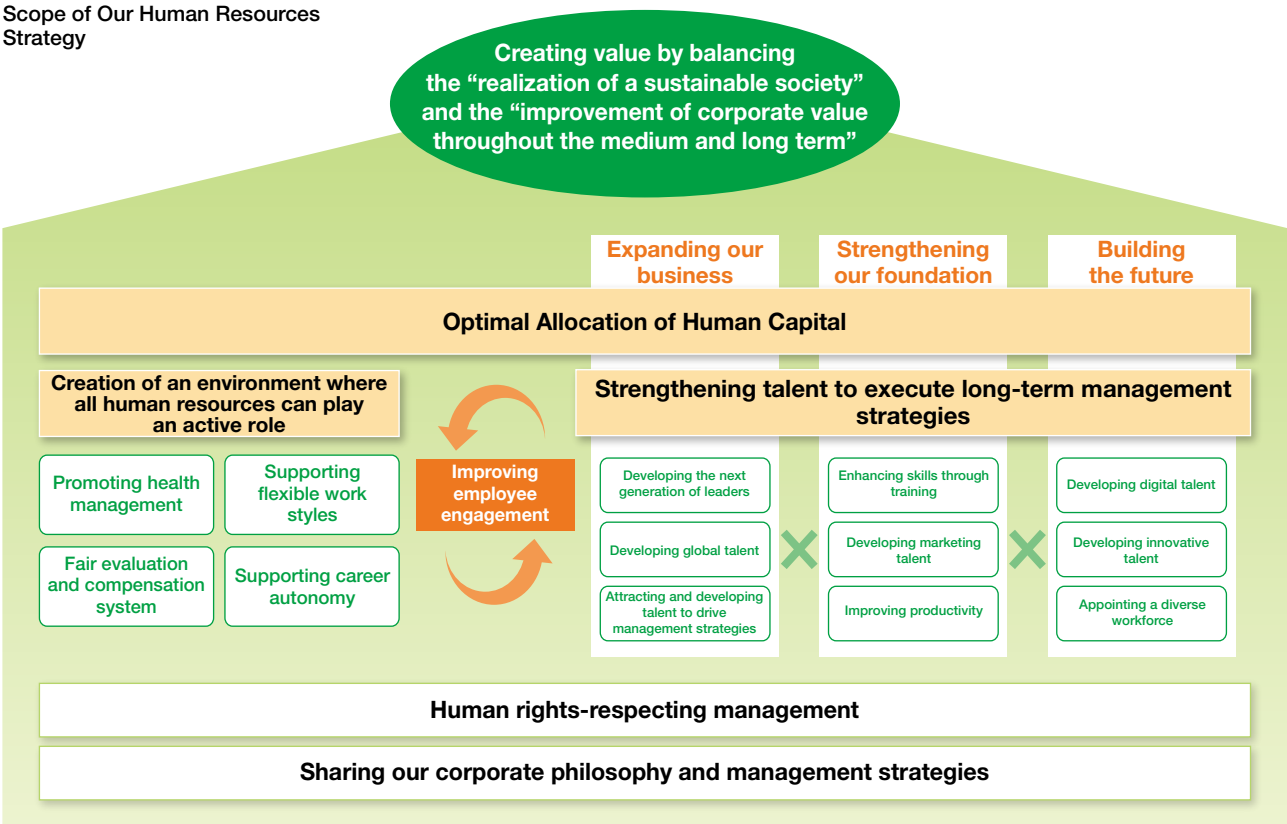
As evidenced by the “Scope of Our Human Resources Strategy,” two themes are paramount: “Human rights-respecting management” and “Sharing our corporate philosophy and management strategies.” In order to achieve our vision of “Optimal Allocation of Human Capital,” we are implementing 13 initiatives that address these two perspectives: “Creation of an environment where all human resources can play an active role” and “Strengthening talent to execute long-term management strategies.” We believe that by fully interacting with one other, these environmental and personnel aspects can generate a synergistic effect that enables us to aim higher. Furthermore, the nine initiatives identified under the personnel aspect are intended to support the three major pillars of “Expanding our business,” “Strengthening our foundation,” and “Building the future.”

Going forward, our Group will continue to implement human resource strategies to contribute to achieving both “realization of a sustainable society” and “increasing added value of business” over the medium and long terms while continuing to develop a corporate culture that respects humanity.

Management Objectives of the 10th Medium-Term Management Plan

Million yen		FY2023 Result	FY2026 Plan	FY2030 Target
Performance	Net sales	31,886	38,000	50,000
	Sales growth rate	—	6%	7%
	Operating profit	1,225	2,700	5,000
	Operating profit margin	3.8%	7%	10%
	Ordinary profit	1,826	3,000	—
Capital efficiency	ROE	6.6%	8% level	10% level
	Consolidated payout ratio	32.4%	30% or more	30% or more
Non-financial targets	Sales ratio of MGS products	29% (FY2022 result)	40%	50%
	GHG emissions reduction rate *Compared to FY2013	34% (FY2022 result)	—	46%

Scope of Our Human Resources Strategy



Further strengthening our engagement with stakeholders

With the objective of increasing shareholder value, our Group intends to place an even greater emphasis on agile management that closely monitors capital costs and our share price.

We have always recognized that shareholder returns should remain an important management priority. Toward this end, we have returned profits to shareholders while maintaining an appropriate level of internal reserves. Starting with our 10th Medium-Term Management Plan, we are clarifying our shareholder return policy by adopting a consolidated payout ratio of at least 30% with a focus on providing stable dividends over the medium and long terms. We also intend to maintain a flexible approach to acquiring treasury stock. In March and April 2024, for example, we acquired about 70,000 shares of treasury stock for a total acquisition value of about 100 million yen.

In an effort to curb capital costs and improve our market valuation, we intend to further enhance our efforts to maintain constructive dialogue with investors and other stakeholders. Conventionally, we have held financial performance briefings for institutional investors as well as briefings for individual investors. Going forward, we intend to go beyond simple

briefings by promoting a deeper understanding of our business through exhibits of our products and other initiatives. Starting in fiscal 2022, we began distributing reports prepared by external analysts both inside and outside Japan. As well, we have been strengthening our public relations activities by establishing our Corporate Sustainability Department in fiscal 2022 and our IR Department in fiscal 2023. In addition to disclosing financial data, we are expanding our disclosure of non-financial information related to TCFD and ESG on our website. In the future, we also intend to comply with the Tokyo Stock Exchange’s request for simultaneous disclosure of financial statements and timely disclosure of other information in both Japanese and English.

Furthermore, beginning in fiscal 2024, we have published an annual Integrated Report. Through this publication, we will communicate information about our corporate philosophy, our path to medium- and long-term growth, and our policy on sustainability management. We will also focus on improving our information disclosure and strengthening constructive dialogue while soliciting the candid opinions of all concerned regarding the content of the Integrated Report. We remain grateful to our stakeholders for their invaluable support in the past and in the years to come.

10th Medium-Term Management Plan

The MORESCO Group has formulated its 10th Medium-Term Management Plan covering the fiscal years 2024 to 2026. To further strengthen and accelerate the efforts outlined in the 9th Medium-Term Management Plan, the 10th plan holds the theme of achieving both “realization of a sustainable society” and “increasing added value of business.” Based on the basic policies, the Group will work as one to deliver “sustainable one-of-a-kind products” to the world and thereby contribute to the realization of a sustainable society.

Review of the 9th Medium-Term Management Plan (FY2021–FY2023)

Medium-Term Corporate Policies	Major achievements	Ongoing issues
1) Contribute to realization of a sustainable society (Promotion of sustainability management)	<ul style="list-style-type: none">Start of the certification system for MORESCO Green SX (hereinafter “MGS”) products products”Establishment of Corporate Sustainability Department and committees	<ul style="list-style-type: none">Expansion of MORESCO Green SX productsAcceleration of product development on the theme of environmental responsiveness
2) Increase added value of business and develop new business fields	<ul style="list-style-type: none">Progress in price correction in key areasReinforcement of company-wide development systemIndustry-academia collaboration with external organizations	<ul style="list-style-type: none">Expansion of target products by continuing price correction activitiesCommercialization of research results in new business fields
3) Reduce manufacturing costs and improve quality	<ul style="list-style-type: none">Renewal of aging equipment, system automation (quality control), etc.	<ul style="list-style-type: none">Deployment of domestic know-how overseas
4) Improve operational efficiency in the administrative division	<ul style="list-style-type: none">Work style reform using DX (choice of diverse work styles)	<ul style="list-style-type: none">Further improvement in operational efficiency by utilizing DX/AI technology, etc.
5) Enhance compliance	<ul style="list-style-type: none">Expansion of in-house training programs	<ul style="list-style-type: none">Establishment of a global compliance system
Overseas strategy		
Promote business development in China, North America, and emerging countries	<ul style="list-style-type: none">Introduction of executive officers in charge for our three major overseas areas (Southeast/South Asia, China, and North America)Restructuring of China businessReinforcement of the North American lubricant business through acquisitions	<ul style="list-style-type: none">Improving profitability of China businessBusiness expansion in North America and Mexico
Capital strategy		
Promote ROIC management to enhance capital efficiency	<ul style="list-style-type: none">Establishment of ROIC project team and enhancement of employee awareness	<ul style="list-style-type: none">Utilization of ROIC indicators, etc.

* Products that may significantly contribute to the issues of materiality based on evaluation of the entire product cycle, from procurement of raw materials to disposal, are certified as MORESCO Green SX products.
(Reference) <https://www.moresco.co.jp/en/sustainability/sdgs.php>

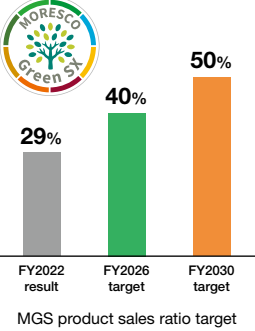
Five Basic Policies of the 10th Medium-Term Management Plan (FY2024–FY2026)

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

Theme of the 10th Medium-Term Management Plan		
Achieving both “realization of a sustainable society” and “increasing added value of business”		
Basic policies	Major initiatives	
Promotion of Sustainability Management	<ul style="list-style-type: none">Promotion of carbon neutralityEfforts to reduce environmental impact	<ul style="list-style-type: none">Increasing MGS product sales ratio
Enhancement of Our Product Portfolio	<ul style="list-style-type: none">Development and sales expansion of high-value-added productsResponse to circular economy	
Creation of Next-Generation Business	<ul style="list-style-type: none">Focus on life science businessPromoting businesses related to perovskite solar cells	<ul style="list-style-type: none">Development of technology to create non-petrochemical materials
Innovation of Business Processes	<ul style="list-style-type: none">Innovation of production processesAddressing logistics issues	<ul style="list-style-type: none">Promotion of DX
Improvement of the Return on Capital	<ul style="list-style-type: none">Measures to improve PBRPromotion of human capital management	<ul style="list-style-type: none">Shareholder returnsStrengthening IR activities

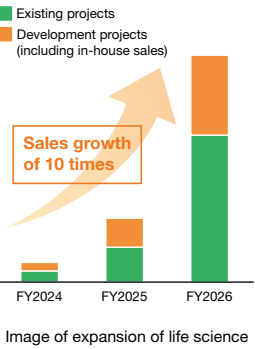
Promotion of Sustainability Management

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



Creation of Next-Generation Business

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



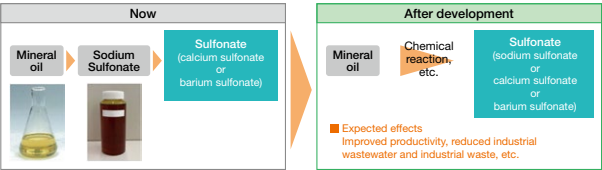
Enhancement of Our Product Portfolio

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



Innovation of Business Processes

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



Improvement of the Return on Capital

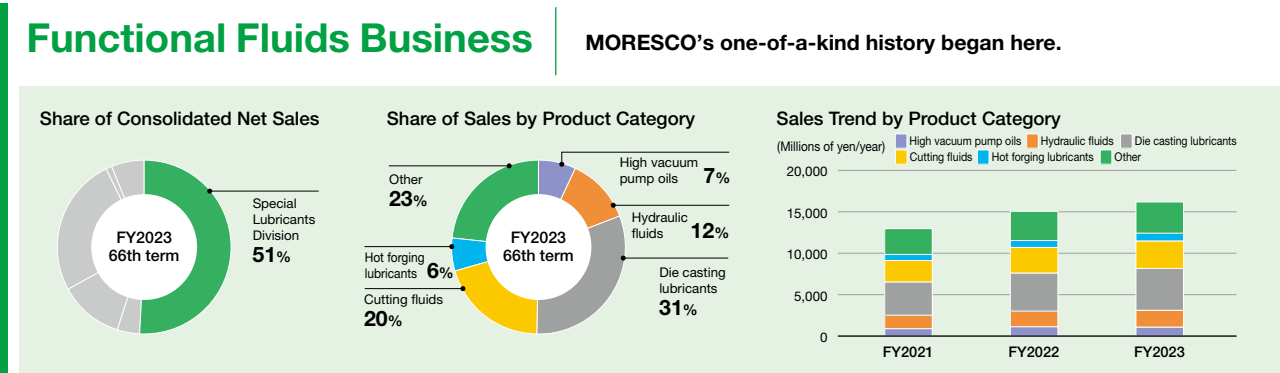
Advance both growth strategy and capital/financial strategy to achieve “improvement of the return on capital”

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

Growth strategy	Promotion of Sustainability Management/Enhancement of Our Product Portfolio/Creation of Next-Generation Business <ul style="list-style-type: none">Continue development of MGS products and set sales prices that meet customer needs while ensuring appropriate marginsPromote enhancement of a product portfolio that leads to reorganization of our business portfolioLaunch nanoemulsion products and out-license autophagy activating drugs in the life science businessExpand business in overseas growth markets centered around Southeast/South Asia, North America, and China
Capital and financial strategies	Promotion of profitability improvement measures/Shareholder returns/Human capital management/Strengthening IR activities <ul style="list-style-type: none">Identify low-growth products in each business division and promote measures that will lead to improved profitability (utilization of ROIC indicators, etc.)Positioning shareholder returns as a key management issue, implement a dividend policy aimed at a consolidated dividend payout ratio of 30% or morePromote human capital management linked to management strategyEnhance IR information and hold active dialogue with investors

Business Strategies

Special Lubricants Division



On May 30, 2024, we merged our Functional Materials Division and Synthetic Lubricants Division to form the Special Lubricants Division in order to enhance our global product portfolio. As we aim to further improve customer satisfaction going forward, we will combine the capital of both businesses to further accelerate product development, market development, and global expansion.

Opportunities

- Growth in new demand due to accelerated demand for battery electric vehicles (BEV)
- Increased aluminum processing due to demand for weight reduction
- Acceleration of measures to support the circular economy

Risks

- High dependence on the auto industry
- Rapid decline in demand for internal combustion vehicles due to the accelerated adoption of BEVs
- Geopolitical risks related to material procurement

Characteristics of the Business

MORESCO's one-of-a-kind history began in 1958 when our predecessor, Matsumura Oil Research Corporation, became the first company in Japan to produce high vacuum pump oil. The Functional Fluids business, which includes high vacuum pump oil, remains MORESCO's main business, as it accounts for 50% of total net sales. The Functional Fluids business develops and markets high-performance special lubricants by making full use of blending technology employed in the mixing of various ingredients. The main customer for these products has been the auto industry, but the business has been expanding to encompass a wide range of industries from steelmaking to semiconductor fabrication. The international sales ratio has thus increased to 60%, and sales territories have expanded to include companies outside Japan, leading the company's global expansion.

Business Environment and Growth Strategy

In the Functional Fluids business, we are highly regarded for the high quality and high functionality of our products, and many of our product groups are the

In Focus

In August 2023, MORESCO, through its consolidated subsidiary MORESCO USA Inc. of the U.S.A. (MUSA), signed an agreement to acquire the entire business of CROSS TECHNOLOGIES GROUP, INC. (effective on October 20 of the same year). MUSA had been obtaining raw materials from CROSS TECHNOLOGIES GROUP, INC. for use in die casting lubricants and other products. In addition to reducing costs and improving product development capabilities through in-house production of raw materials at our U.S. manufacturing bases, we expect to achieve stable supply in North America by having secured this additional production base. Simultaneously, we will expand sales to U.S. companies through the sales channels of CROSS TECHNOLOGIES GROUP, INC. Fiscal 2024 represents an important year for our efforts to continue pursuing the post-merger integration.

leaders in their respective markets in Japan. Although it has taken time to pass on the costs of fluctuating raw material prices associated with some products, the pass-on rate, which takes into account the time lag, has been maintained at an extremely high level. Our growth strategies include strengthening the sales of Gigacast products and MORESCO Green SX products, which are initiatives to meet BEV-related demand, mainly in the field of die casting oils; strengthening our response to the circular economy by leveraging our raw material procurement capabilities (promoting the use of biomass and recycled resources and the like); and post-merger integration (in-house production of raw materials and strengthening synergies and the like) in our North American acquisition project. We believe that the shift to BEVs carries risks, but at the same time it presents significant opportunities as well.

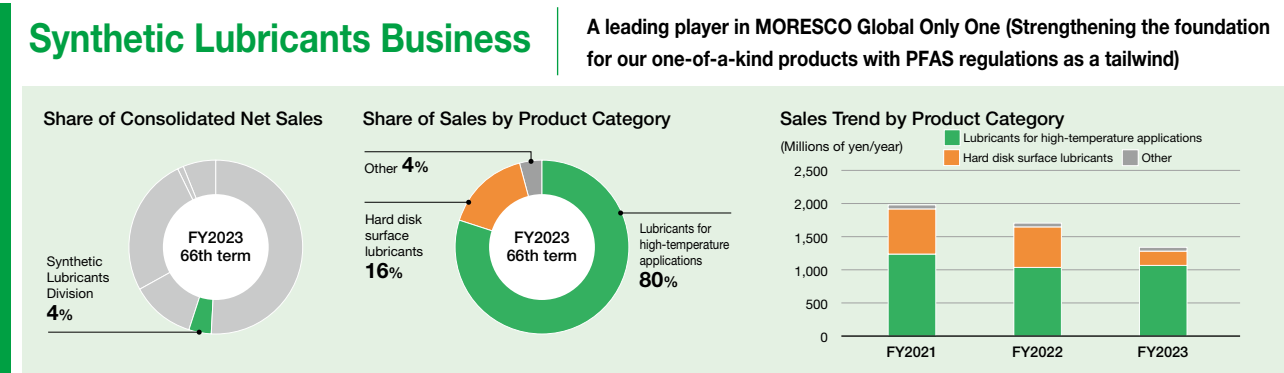
Capital to Support Our Competitive Advantage

Manufacturing capital:	A global production system situated close to major customers <ul style="list-style-type: none">New plant: MORESCO (ZHEJIANG) FUNCTIONAL MATERIAL CO., LTD.
Intellectual capital:	Product development capabilities (formulation expertise, evaluation technology), and intellectual property rights
Human capital:	An R&D personnel / human resources system that integrates development, production, and sales
Social capital:	Brand power and raw material procurement capabilities based on a large market share*, a global sales network, and an enhanced customer support system that includes technical services utilizing IoT technology

*Products that have captured large shares of their respective markets in Japan include the following: water-glycol fire-resistant hydraulic fluids (70% share), high vacuum pump oils (70%), die casting lubricants (55%), plunger lubricants (60%), and white lubricants for hot forging (60%).

MORESCO Green SX

- Die casting lubricant (Water-soluble minimum quantity spray type release agent contributing to "Energy conservation," "Environmental conservation," and "Building of a better workplace"), Fire-resistant hydraulic fluid (contributing to "Reduction of CO₂ emissions" and "Environmental conservation")
- Premium Series (products made from biomass and recycled raw materials)



Opportunities

- Responding to growing demand for lubricants that serve as alternatives to organic fluorine compounds in the semiconductor industry and elsewhere
- Pursuing full-scale global expansion, including to the European and North American markets
- Strengthening partnerships to enhance global expansion capabilities

Risks

- Acceleration of BEV adoption and delays in investment in data center construction
- Technological improvements and new entrants by companies outside Japan

Characteristics of the Business

Our Synthetic Lubricants business manufactures lubricants incorporating special functions achieved through molecular synthesis technology. The Synthetic Lubricants business is a leading player in MORESCO Global Only One, producing many one-of-a-kind products on the global market. Specifically, this business produces grease base oil for bearings used in automotive electrical components, high-temperature lubricants for a wide range of applications such as office automation equipment, and hard disk surface lubricants. Although the scale of this business is rather small due to its status as a niche market, the base of new markets is wide, and high rates of growth are expected. In light of the market characteristics shown under the "Business Environment and Growth Strategy" section below, it is possible to maintain a high level of profitability in this area. In the future, we expect that the strengthening of regulations on organic fluorine compounds (also known as PFAS; see feature article "In Focus" below) will lead to new demand in the semiconductor segment and in other markets as well.

In Focus

PFAS (perfluoroalkyl compounds and polyfluoroalkyl compounds) are substances that do not readily decompose in nature and are known to be toxic to human health; consequently, the global movement to restrict and eliminate their use has been accelerating. Currently, products that incorporate raw materials derived from PFAS—such as lubricants used in industrial machinery; semiconductor fabrication and inspection equipment; and BEVs—are expected to be rapidly replaced with PFAS-free alternatives. Our special ADE products are effective fluorine-alternative lubricants with ultra-low vapor pressure. Entry into the semiconductor fabrication industry means full-scale entry into the global market that encompasses Europe and the U.S.A. By combining our brand power with partners who complement our ability to gather information from the international market, we aim to become the standard-bearer in the global PFAS-free market.

Business Environment and Growth Strategy

In existing markets, we must continue to monitor the trends of companies outside Japan, but the risk of new entrants is not high. We also have a system in place to identify customer needs accurately in new markets and develop products quickly. Our growth strategies encompass the following: develop and market lubricants that can be used as alternatives to organic fluorine compounds in the semiconductor industry; develop hard disk surface lubricants for next-generation data centers, which are increasing in number with the growing adoption of AI; and accelerate international expansion in the alkyl diphenyl ether (ADE) field. Risks include a sudden drop in demand for internal combustion engines due to the acceleration of BEV adoption and a longer-than-expected delay in data center investment; at the same time, however, new BEV-related demand can also be expected.

Capital to Support Our Competitive Advantage

Manufacturing capital:	The industry's only alkyl diphenyl ether (ADE) facility providing synthesis, distillation, and the like
Intellectual capital:	Product development capabilities, intellectual property rights, and new market discovery capabilities
Human capital:	An R&D personnel / human resources system that integrates development, production, and sales
Social capital:	Brand & reputation as a global, one-of-a-kind company*

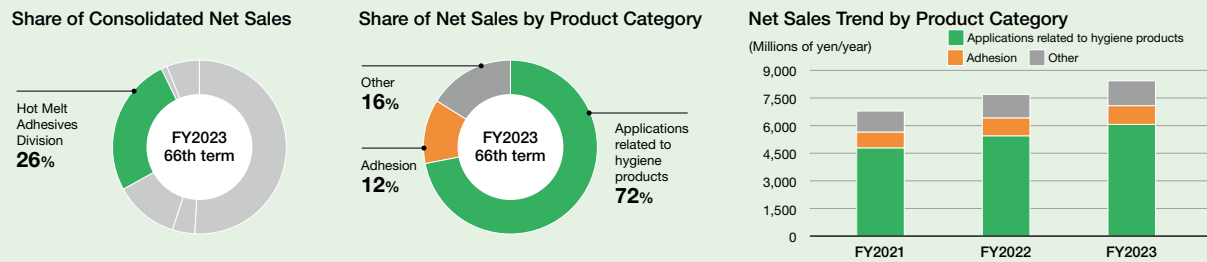
*Products with a large share of global markets: high-temperature grease base oils for automobiles (15% worldwide, 100% in Japan) and hard disk surface lubricants (80% worldwide) One-of-a-kind products in global markets: high-temperature grease base oil for automobiles, hard disk surface lubricants, and radiation resistant lubricating oil and grease

MORESCO Green SX

- High temperature lubricating oil (contributing to "Energy conservation," "Environmental conservation," and "Health and safety"), Radiation resistant lubricating oil and grease (contributing to "Environmental conservation"), Hard disk surface lubricant (contributing to "Contribution to industrial development")

Hot Melt Adhesives Division

Accelerating our international expansion focused on the growing Asian region with environment-friendly and human-friendly products



Opportunities

- Serving the growing demand in South and Southeast Asia
- Accelerating the use of solvent-free products and expanding into new applications (in the medical, labeling, automobile, and housing markets)
- Responding to the need for innovative technologies to contribute to the emergence of a sustainable society

Risks

- Intensifying price competition both inside and outside Japan (Competitors are global companies with large market shares.)
- Difficulty in procuring raw materials (especially petrochemicals) due to the reduction in crude oil production
- Identifying practical applications for adhesive-free technologies (thermal fusion technology and the like)

Characteristics of the Business

Hot melt adhesives melt when heated and harden when cooled, remaining solid at room temperature. We develop environment-friendly products by taking the customer's perspective, focusing on resource and energy conservation. These products include packaging products that generate no waste and adhesives that melt at lower temperatures. Hot melt adhesives contain no organic solvents, so they are benign to both human health and the environment. Typical applications include hygiene products such as disposable diapers, adhesion products such as labels, and industrial products such as auto interiors and air filters. We are skilled at accurately analyzing customer needs and responding to them in our product development efforts, and we have earned a high level of trust in this regard. In recent years, we have employed our one-of-a-kind blending and polymer modification technologies to develop and expand sales of "Reactive hot melt adhesives" that offer excellent heat resistance once cured. The international sales ratio of our hot melt adhesives is high, at about 50%, mainly to Asian markets. This is one of our businesses demonstrating global growth.

In Focus

Benzene, toluene, and other volatile organic compounds (VOCs) contribute to photochemical smog and air pollution. They also have adverse effects on human health, as witnessed in sick building syndrome that some experience indoors and in motor vehicles. Various countries have been focused on curbing emissions of these substances through regulations, while manufacturers are turning to low-VOC products due to growing awareness of sustainability issues. We have developed M-Zero™ technology, an outgassing removal technology that removes trace amounts of residual solvents and characteristic odors from hot melt adhesives. We are deploying this innovative technology in our new products.

Business Environment and Growth Strategy

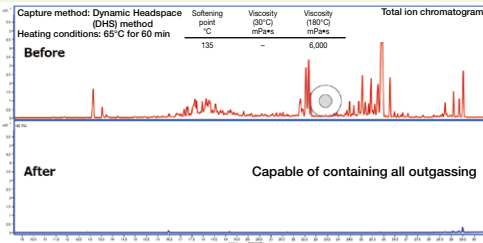
In our flagship hygiene products application, we are in competition with leading global companies both in Japan and elsewhere, but the market is expected to continue growing, especially in Asia. We are the only purely Japanese manufacturer of hot melt adhesives for hygiene products in Japan, with 16% of the domestic market, and are the leader in the adhesion segment of the Japanese market. The main risks are intensifying price competition both inside and outside Japan as well as difficulties in procuring raw materials. Our main growth strategies are to strengthen our sales in markets outside Japan and to expand sales of high-value-added products such as the MORESCO Green SX series and low-VOC products (see feature article "In Focus" below) for the medical, labeling, automotive, and housing markets.

Capital to Support Our Competitive Advantage

Manufacturing capital:	Production locations situated close to major customers (outside Japan)
Intellectual capital:	Analytical capabilities sufficient to provide solutions to customer issues; product development capabilities sufficient to meet customer demands
Human capital:	An R&D personnel / human resources system that integrates development, production, and sales
Social capital:	A customer base encompassing major domestic manufacturers of hygiene products

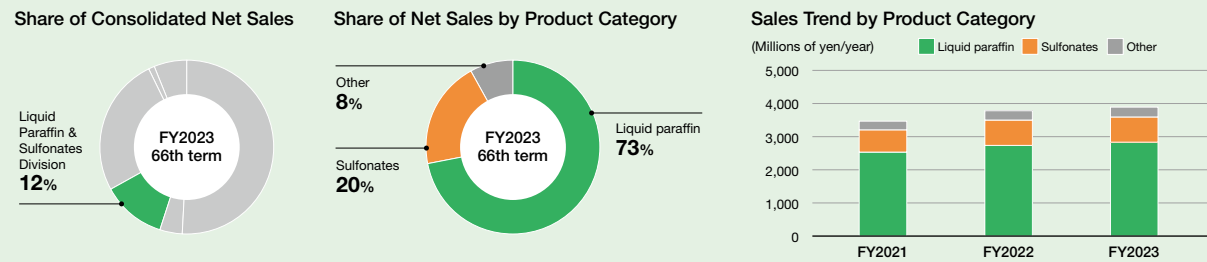
MORESCO Green SX

- Reactive hot melt adhesive for automotive interiors and other applications: No drying process required after application (contributing to "Energy conservation" and "Building of a better workplace")
- Hot melt adhesives incorporating biomass raw materials (contributing to "Reduction of CO₂ emissions")
- Hot melt adhesives for low-temperature applications (contributing to "Reduction of CO₂ emissions" and "Energy conservation")



Liquid Paraffin & Sulfonates Division

Leading the Japanese market with an overwhelming market share



Opportunities

- Development of products using petroleum-free materials
- Emergence of new demand arising from the market shift toward BEVs
- Increased demand for environment-friendly products (MORESCO Green SX products)
- Stable demand for petroleum sulfonates

Risks

- Difficulty in procuring raw materials due to the trend among suppliers to consolidate their facilities and other factors
- Concentration of production bases (Chiba Plant)
- Reduction in the number of auto parts required due to the shift to BEVs
- Geopolitical risks (such as rising crude oil prices)

Characteristics of the Business

In 1965, we successfully produced liquid paraffin and sulfonates for the first time in Japan. Even now, we remain the number one domestic producer, having captured an overwhelming 40% of the liquid paraffin market and 55% of the sulfonate market in Japan. Liquid paraffin is an extremely safe "human-friendly" oil that is refined to a colorless, transparent, tasteless, and odorless product that is used in pharmaceuticals; cosmetics and toiletries; raw materials for food containers; and the production of lithium-ion battery membranes. Sulfonates exhibit surfactant and corrosion-resistance characteristics, and their main applications are metalworking fluids and corrosion-prevention oils.

In Focus

MORESCO's liquid paraffin and petroleum sulfonate product lines are characterized by the fact that the two products are produced simultaneously through the sulfonation process of lubricating oil (known as "co-production"). In recent years, the production of liquid paraffin through the hydrogenation method has become mainstream, so the number of companies producing petroleum sulfonates has been decreasing worldwide. For this reason, while we have received many inquiries from outside Japan regarding our petroleum sulfonate products, our sales growth has been limited by the limited production ratio in light of our co-production process with liquid paraffin. By improving our one-of-a-kind sulfonation technology and selecting and procuring lubricating oils suitable for sulfonate production, we can significantly increase the production ratio of sulfonates in the production process, which will enable us to further increase sales to customers outside Japan.

Development of a novel manufacturing processes

Now

After development

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Energy Device Materials Division

Contributing to next-generation growth in the organic device segment

Opportunities

- The emergence of rapid growth in the organic electroluminescent (EL) product market
- Acceleration of product development through open innovation
- Global adoption of climate change countermeasures (solar cells and fuel cells)

Risks

- Concentration of market share among Chinese companies in the organic device industry
- Geopolitical risks

Characteristics of the Business

Our Energy Device Materials business is a fairly young segment that has been engaged in full-scale production and sales of organic device products since 2012. Organic devices represent a new technology that is rapidly expanding in scope of application: it encompasses the organic EL displays used in TV screens, thin electronic paper, and next-generation solar cells (see feature article “In Focus” below) that are beginning to be adopted for practical use. An important factor that determines the quality of organic devices is the sealant that is intended to prevent infiltration by moisture. The core businesses of our Energy Device Materials Division are the manufacturing and sales of encapsulants for organic devices, devices for inspecting and measuring the permeability by water vapor and other substances in the development of organic devices, and flexible organic photovoltaic cells (OPVs), considered the next generation of solar cells. “MORESCO-SuperDetect,” an innovation of our company exhibiting the industry’s highest level of sensitivity, is a device that measures permeability by gases and water vapor.

Business Environment and Growth Strategy

Organic devices are expected to be used in a broad range of product segments in the future, as they can be employed to take advantage of their high flexibility and

transparency. In addition to developing the organic electroluminescent displays used in smartphone and computer screens, we are promoting the development of sealants for perovskite solar cells and electronic paper. Our product “MORESCO-SuperDetect” can be used not only in organic devices, but also for inspection and measurement of semiconductor products as well as in industries where hydrogen is used, such as fuel cells. In the future, we intend to expand our sales by adding general-purpose models to our product line. We aim to expand sales of organic photovoltaics by promoting material development and improving conversion efficiency. Many organic device manufacturers are Chinese companies, and expanding our share of the Chinese market, which currently accounts for the majority of our sealant sales, is the key to growth. Conversely, the concentration of our market among Chinese companies presents the biggest risk, but we intend to reduce this risk by promoting the parallel development of domestic markets for both MORESCO-SuperDetect and perovskite solar cells.

Capital to Support Our Competitive Advantage

Manufacturing capital:	“MORESCO-SuperDetect” is a measuring device capable of detecting the world’s highest gas and water vapor permeability, as it offers quality and technical sophistication unmatched by competitors.
Intellectual capital:	Long-developed expertise in compounding and polymer material technologies associated with the hot melt adhesive business Intellectual property rights, such as patents related to sealants and measuring devices
Human capital:	An R&D personnel / human resources system that integrates development, production, and sales
Social capital:	An open innovation system through collaboration among industry, government, and academia (see feature article “In Focus” below)

MORESCO Green SX

- Organic photovoltaics (OPV, contributing to “Reduction of CO₂ emissions,” “Energy conservation,” and “Environmental conservation”), Gas & water vapor transmittance measurement device (contributing to “Reduction of CO₂ emissions,” “Environmental conservation,” and “Contribution to industrial development”), Organic device sealant (contributing to “Energy conservation”)

In Focus

Against the backdrop of accelerated adoption of climate change countermeasures worldwide, the development and commercialization of next-generation solar cells is now progressing rapidly. MORESCO-OPV Flexi, our organic photovoltaics, is an environment-friendly product with a reduced environmental impact that can reduce CO₂ emissions during manufacturing to 1/5 those of silicon-based solar cells while also reducing waste to 1/10000 that of the silicon-based product. Also attractive are the exceptional flexibility and transparency of this product, which make it very amenable to greater design freedom. This product is now in use at JR Takanawa Gateway Station and the Nagasaki Lantern Festival in Japan, and it has been selected as a candidate product for installation at Expo 2025 Osaka, Kansai. Looking to perovskite solar cells, we are participating in a consortium brought together by Professor Tsutomu Miyasaka of Toin University of Yokohama to provide sealants, thereby contributing to the practical application of these innovative solar cells by 2026.

Reduction of CO₂ emissions

Energy conservation

Environmental conservation

Organic photovoltaics MORESCO-OPV Flexi

In addition to contributing to the reduction of greenhouse gases by creating renewable energy through solar power generation, CO₂ emissions during manufacturing are also reduced to 1/5 and waste to 1/10,000 compared to silicon solar cells.

Being semitransparent and featuring a high-quality design, they can also function as an interior decoration when attached to windows to generate electricity.



Reduction of CO₂ emissions

Environmental conservation

Contribution to industrial development

Gas & water vapor transmittance measurement device MORESCO-SuperDetect

Measures the gas barrier properties of films quickly and with world-class sensitivity and high precision. It contributes to R&D and quality control in various fields, including organic devices and solar cells, fuel cells, hydrogen energy, and food and medical product packaging.

Furthermore, the development of multi-chamber type equipment enables multiple sample measurements, reducing workload. No petrochemical-derived raw materials are used for the main raw materials, and parts can also be reused.



Life Science R&D Department

The vanguard of the “MOLGADC” Project will enter the cosmetics field in fiscal 2024.

Opportunities

- Opportunities associated with entry into the B-to-C market (increased sales and other factors)
- Increased recognition of the company
- Increased awareness of a healthy life and longer life expectancy (growing interest in pharmaceuticals offering autophagy regulation)
- Market expansion (men’s cosmetics)

Risks

- Risks associated with entering the B-to-C market (risk of leakage of personal information and other factors)
- Negative image of a petroleum-related company participating in the cosmetics market

Characteristics of the Business

As R&D-oriented group companies, MORESCO takes two approaches to technological development. The first is to develop technology that further improves the technology we have already cultivated while underpinning the one-of-a-kind position of our existing businesses. The second is to undertake basic research utilizing our technology to address societal issues that we consider important in light of our corporate philosophy and values. The Life Science R&D Department is one of the units promoting our in-house “MOLGADC” Project, which is responsible for the latter mission. With the goal of promoting good health and extending lifespans, we are promoting basic research by our internal business divisions in cooperation with industry, government, and academia. At the same time, we are developing new business segments for our company.

R&D Focus

One of the areas we are focusing on to promote good health and an extended lifespan is autophagy. As a natural mechanism for regenerating old organelles in human cells, autophagy is expected to exhibit anti-aging effects while

supporting healing from lifestyle-related diseases. Synthesis technology is important in the development of autophagy-activating drugs; this is where we can apply our organic synthesis technology. Another area we are focusing on is nanoemulsions. An emulsion is an aqueous liquid in which compounds that are poorly soluble in water are dispersed as small emulsified particles. These particles are used as ingredients in cosmetics, medicines, foodstuffs, and other products. The smaller the particle size, the higher the quality, as evident in the higher percutaneous absorption rate of cosmetics and the bio-absorption rate of active ingredients in medicines. By employing our proprietary patented technology, we have succeeded in achieving the industry’s smallest nanoparticle.

Business Environment and Commercialization Strategies

Our life science business is a promising new segment that operates in a global growth market. We have also proven that our technology can be utilized to advantage in this field. Our commercialization strategy is to start selling nanoemulsion products (see feature article “In Focus” below) and to expand our presence in the cosmetics field, where we already market our liquid paraffin as a raw material, by manufacturing and selling new and innovative products. In the drug discovery segment, we are considering expanding our existing collaborations with industry, government, and academia and securing license revenue by early licensing out the patent we filed in 2024. Risks exist in entering the B-to-C market, where we have no experience, but we believe the potential is vast.

We understand our character as a company involved in the petroleum industry may be perceived in a negative light by some, presenting a risk in the cosmetics market that we are beginning to enter. Nevertheless, we intend to proceed with commercialization by steadily establishing a track record and gaining consumer recognition of the functionality and safety of our one-of-a-kind nanoemulsion products.

In Focus

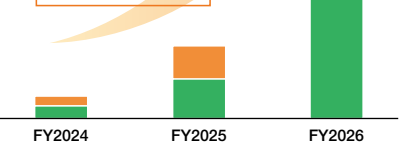
In October 2023, we announced our entry into the cosmetics business. Using our industry-leading nanoemulsion technology, we will develop lotions and serums in collaboration with OEM manufacturers and launch a dedicated website to promote our own brand (the Irigrasia Series), with a plan to begin selling these products online in fiscal 2024. After that, we plan to continue expanding our business in the Life Science segment by offering cosmetics, pharmaceuticals, and foodstuffs. Under our 10th Medium-Term Management Plan, announced in February 2024, we have adopted a target of a ten-times growth in net sales during the period of the plan (fiscal 2024 to 2026).



Image of expansion of life science

- Existing projects
- Development projects (including in-house sales)

Sales growth
of 10 times



Message from the CTO



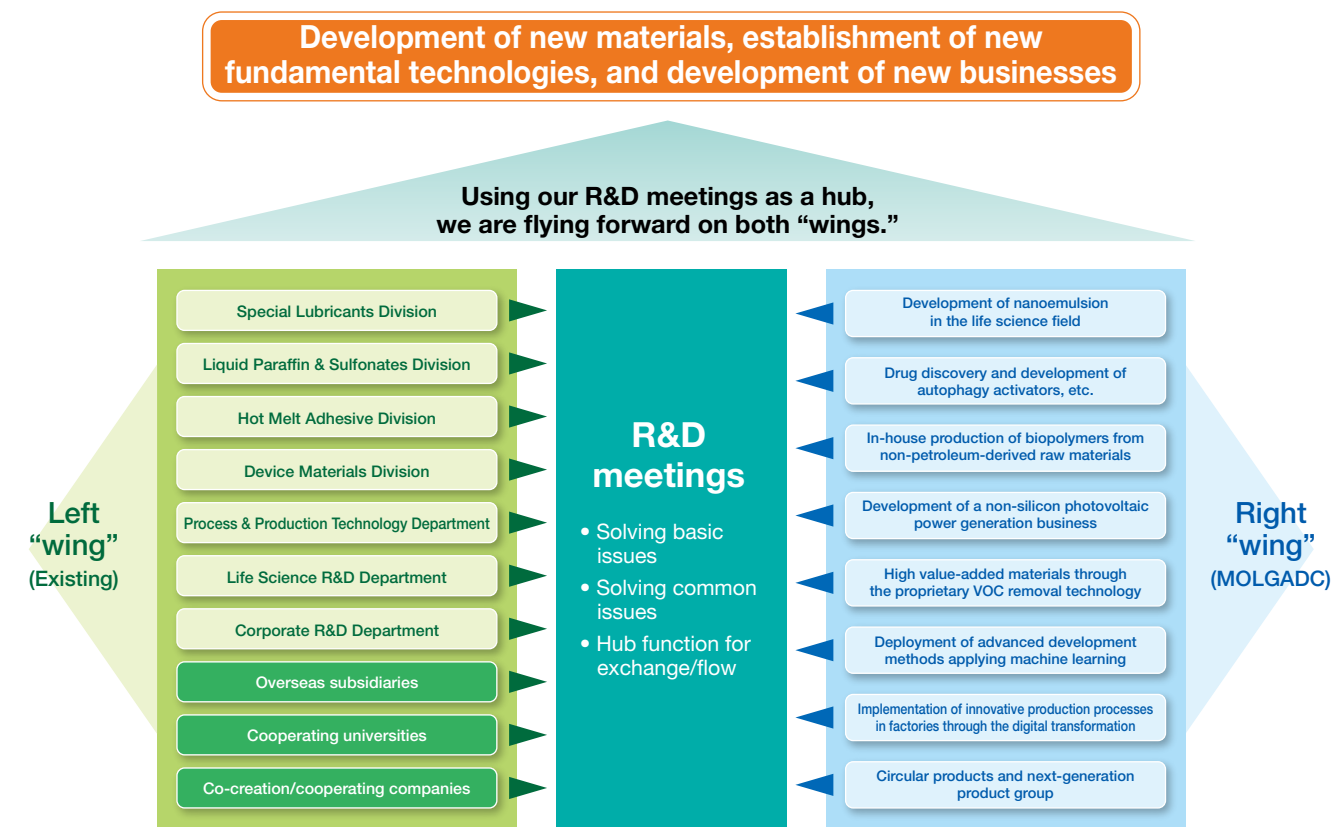
In keeping with the purpose of the R&D Department, we are accelerating the development of technologies and products that address social issues and global challenges.

Our purpose is to energize people and the Earth with the power of science.

As an R&D-oriented company, our Group has been excelling at innovation by making full use of the blending, synthesis, and refining technologies we have developed since our founding. At the same time, we are identifying market needs through dialogue with customers as we continue to create value by linking innovations to market needs.

In order to achieve sustainable growth in the future, we have adopted the concept of “ambidextrous R&D,” which aims to devise solutions to social issues by synchronizing our R&D in terms of both our existing businesses and the new fields we are pursuing. As shown in the accompanying diagram, our R&D meetings represent the hub of this effort. The table at left

(our left “wing”) lists the business divisions that will further improve the technologies they have developed in their existing businesses. As part of this initiative, we are advancing R&D by also collaborating with academia, our subsidiaries outside Japan and the companies that represent our co-creators. Looking to the table at the right of the diagram (our right “wing”), we are working with various institutions to develop new businesses that contribute solutions to social issues over the medium and long terms, centering on the efforts of the MOLGADC Project. By propelling ourselves forward with both these left and right wings and pursuing new stages, we aim to enhance our product portfolio, develop new businesses and fields, and train the workforce that will drive us forward along the path to our goals.



In the past, our R&D efforts were pursued within the individual silos of our respective business units. However, by providing a hub for R&D meetings, we have been able to address problems across the organization. At the same time, we are working to shift the company’s focus, aiming to have everyone share a common awareness of the importance of research and development in order to instill a cross-sectional research and development mindset. For this reason, the R&D Department spent about two years discussing and defining a common purpose. This is what we have incorporated into the phrase “Energizing people and the Earth with the power of science.” We deliberately used the term science here because we want to address social issues while also bringing about a major shift in thinking through science in general, going beyond chemistry alone to encompass pharmacology, biology, medicine, physics, data chemistry, and other fields that will expand as future areas of interest. In addition, we have indicated our vision as “We are specialists in interface science.” This phrase has long been used in reference to the interface between materials from the perspectives of lubrication and adhesion. As mentioned above, as the R&D Department moves forward, we will transcend chemistry to become “specialists across borders” in a variety of interdisciplinary fields.

Research Group Initiatives Intended to encourage innovative R&D

Under our 10th Medium-Term Management Plan, we have identified the “Creation of Next-Generation Business” as one of our policies. As part of this effort, we have been promoting the company-wide MOLGADC Project to pursue the development of new businesses as well as new technologies and new fundamental technologies. The name MOLGADC was originally coined from the initials of five key projects, but it has since been expanded to include eight projects.

One of the mechanisms for promoting innovative research and development under the MOLGADC Project is what we call “research group initiatives.” This is a system by which researchers are encouraged to devote about 15% of their total work time to projects they are eager to pursue. In addition, they can publicize the project they are working on within the company and recruit research associates. Initial research expenses are covered under budget allocations, but if the project is recognized as a “star project,” an additional R&D budget is provided that allows the researchers to fully engage in surveys, experiments, prototyping, and other aspects.

Further, as part of an initiative called “innovation training,” we have created an opportunity for submission of proposals targeting commercialization of research projects. Through these

measures, we are increasing the motivation behind research and development within the company and pursuing the development of new technologies that only MORESCO could create.

The primary undertakings under the MOLGADC Project include the application of nanoemulsions to the life sciences field; the development of non-petroleum-derived biopolymers; sealants for perovskite solar cells, a non-silicon solar element material; and the expansion of the organic photovoltaics (OPV) material business. As these are all innovative technologies, the hurdles to practical application are high, and results will not necessarily be achieved in the short term. As a general guideline, progress will be reviewed every three years at R&D meetings to decide whether to continue the research and development. If deemed necessary, research projects may be supplanted with others.

Ongoing progress with the nanoemulsion cosmetics business

The most promising undertaking under the MOLGADC Project is the recent commercialization of nanoemulsions (patented) in the life sciences segment. We have been applying our expertise in surfactant technology for five or six years in an effort to put this innovation to practical use and are finally reaching the stage of recovering our investment.

One feature of this technology is the size of the capsules, which feature a shell made of a surfactant called a nanoemulsion. While the conventional minimum size has been about 100 nanometers in diameter, our proprietary technology enables us to encapsulate active ingredients within an extremely small capsule measuring only 10 nanometers in diameter. At this size, the capsules can even pass between human cells. In the case of cosmetics, for example, it is possible to deliver coenzyme Q10, which has antioxidant properties, into the skin. Currently, we are working on commercialization, which includes establishment of a mass production system in response to adoption by major cosmetics manufacturers. We are also developing our own line of cosmetics incorporating nanoemulsions. We expect sales to grow approximately 10-fold by fiscal 2026 compared to fiscal 2024, making this a promising field.

In our life sciences segment, we are also taking on the challenge of applying our synthesis technology to engage in joint research and development of new low-molecular-weight compounds that promote autophagy. Autophagy is a mechanism that is expected to find applications in several areas, including anti-aging, extending healthy lifespan, and preventing and treating disease. In 2020, we invested in a business venture involved in related research and development and are conducting joint research into drug discovery that controls the activity of autophagy. This initiative enabled us to employ the synthesis

and purification technologies we have refined through the development of synthetic lubricants and hard disk surface lubricants. In March 2024, we applied for a patent for a related technology and are currently investigating various target diseases and suggesting solutions to pharmaceutical companies around the world. The exit strategy for the drug discovery business will be to secure revenue by out-licensing to pharmaceutical companies at the early stage of drug discovery, and further to secure ongoing licensing income.

Promoting research and development that contributes to the preservation of the global environment

One of the tasks that the MOLGADC Project has undertaken with a long-term perspective is the development of technology to create non-petrochemical materials. The goal of this effort is to establish technology to synthesize non-petrochemical hydrocarbons using biomethane, a gas with a high global warming potential. Specifically, biogas produced through methane fermentation using cattle manure and food waste as raw materials is converted into bio formic acid through a special chemical reaction. This bio formic acid is then converted into a hydrocarbon for use as a raw material for our products. This project was originally taken up when we heard from an institute in Hokkaido that was researching the production of biomethane gas. They were having difficulty dealing with the formic acid, a by-product of methanol synthesis from biomethane.

We are currently conducting demonstration experiments at a pilot plant in Hokkaido as part of our plan to produce 10 metric tons of bio formic acid annually beginning in fiscal 2026. By around 2030, we aim to begin domestic production and in-house procurement of biopolymers and biolubricants, which are non-petrochemical materials obtained from bio formic acid. Currently, we manufacture products using petrochemical-derived polymers and lubricants as raw materials; in the future, however, we have big dreams of becoming a manufacturer of non-petrochemical polymers and lubricants through technical collaboration with major chemical companies.

Another area in which we have undertaken a long-term R&D project is contributing to the energy sector. Currently, our Energy Device Materials Division is working on the commercialization of organic photovoltaics (OPV). While the challenge has been to improve power generation efficiency, we are working with a university laboratory that has expertise in OPV material development to jointly develop new high-efficiency power generation materials. Currently, the design of promising new materials is progressing, and we look forward to further results.

In addition to this initiative, we are engaged in research and development of sealants for perovskite solar cells, aiming for practical use within fiscal 2026. This solar cell innovation is a

Japanese technology invented by Professor Tsutomu Miyasaka of Toin University of Yokohama. It is lightweight, thin, flexible, applicable as a coating, and can generate power efficiently even when irradiated with only a small amount of light. We are partnered with three other companies in a technical consortium with the aim of conducting domestic manufacturing and devising practical applications, and we are currently working on demonstration experiments.

As interface specialists, we are applying the material technology we have cultivated in the development of sealants for organic electroluminescence (EL) to develop a sealant that does not damage the perovskite elements and can be applied simply by laminating the substrate. Perovskite elements have the disadvantage of being vulnerable to moisture, but the sealant we have developed is expected to effectively prevent moisture infiltration. As perovskite solar cells become more widespread in the future, we are proceeding with ongoing research and development with the expectation that our sealant will also find wide application.

Pursuing the important mission of contributing to the circular economy

Referring to our diagram outlining our approach to ambidextrous R&D, the left wing of the diagram reveals our effort to enhance our product portfolio by strengthening our existing businesses. At the core of this effort is the challenge to engage with the circular economy; specifically, we plan to establish our own “circular model” in our Special Lubricants Division and other departments.

We are already able to recycle our fire-resistant hydraulic fluids. Taking advantage of our experience in managing product lubrication at our customers’ manufacturing sites, we are engaged in a project to extract glycol, the main component, from spent hydraulic fluids and regenerate it for future reuse. Currently, the collection rate of spent fluids is about 50%; in the future, we hope to achieve a 100% collection rate for reuse through a collaboration with collection companies. Devising ways to accommodate the needs of the circular economy will be an important challenge in the years ahead. We will appoint an executive officer in charge of circular products and will comprehensively strengthen our efforts to establish a circular model and utilize recycled resources in products other than our fire-resistant hydraulic fluids. We also intend to design formulations that are easily regenerated.

Positioning MORESCO Informatics as a driver of the digital transformation of R&D

Next, I would like to discuss our efforts to promote the digital transformation within our R&D Department. At our company, we

are challenging ourselves to introduce innovations into our material development process across business divisions, with the R&D Department operating at the heart of this effort. In addition, by adopting a data-driven approach, we are developing and improving products quickly and efficiently. This is how we aim to establish MORESCO Informatics as the digital transformation of R&D in a manner that only our company can undertake.

Our strength in promoting the digital transformation in research and development is reflected in our efforts to utilize the big data accumulated within the company, mainly among people who majored in machine learning at university. For example, when it comes to the composition of hot melt adhesives, our researchers used to rely on their experience and intuition while engaged in trial-and-error development. More recently, however, we have been using generative AI to narrow down promising candidates. As this example clearly shows, this approach increases the efficiency of our R&D. We are training and assigning people with expertise in machine learning to each business division and are strengthening our informatics initiatives in each division’s development efforts. In addition, as the digital transformation is not limited to research and development, it is being introduced at manufacturing sites as well, and we expect it to contribute quickly and efficiently to equipment failure prediction and product development and improvement.

So far, I have introduced our research and development efforts. In the years ahead, human resource development will become key to strengthening our existing businesses and exploring new fields and potential businesses through our ambidextrous R&D. For the R&D Department, we will move forward with acquiring and developing personnel who can participate in our goal of “energizing people and the Earth with the power of science.” At the same time, we will work to structure an environment in which every member of our workforce can thrive.

I believe that we need workers who can take pride and experience fulfillment in their work through the development of technologies and products that respond to social and global issues, as stated in our purpose. To achieve this, we need to determine whether a particular customer request addresses a social or global issue, and if not, we need to be willing to propose an alternative solution. One concrete initiative is the MORESCO Green SX products. We intend to create the kind of value that only our company can provide by bringing together diverse personnel and diverse customers who empathize with this way of thinking across borders.

My dream is that we grow into a comprehensive chemical company, led by a development department that takes a long-term perspective and is constantly evolving even though it may appear unchanged from the outside.

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

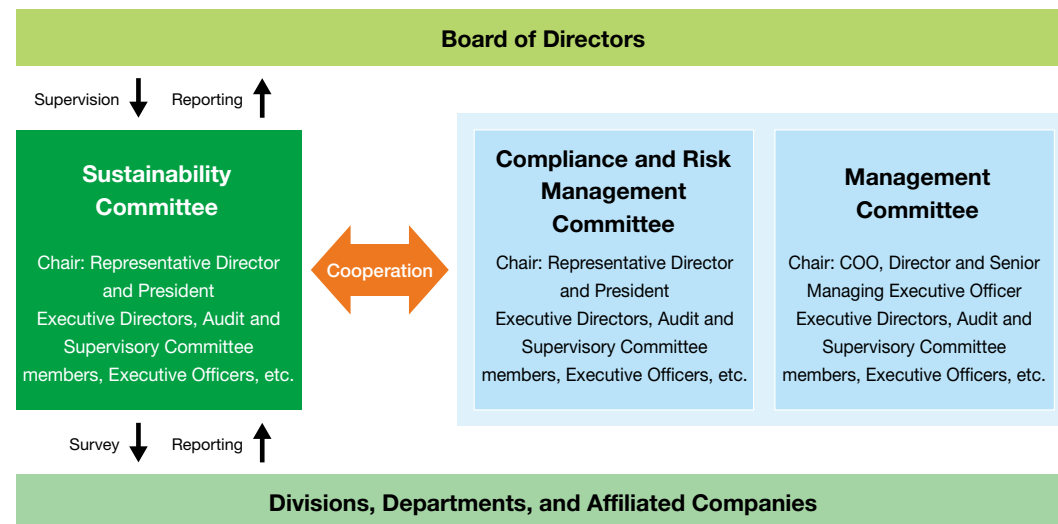
MORESCO Group Sustainability Policy

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

System to Promote Sustainability Management and Governance

Facing the growing importance of sustainability management, the MORESCO Group established the “Sustainability Committee” in April 2022 in order to operate our business based on 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 quarter to discuss a wide range of risks and opportunities that include social or environmental issues related to sustainability, an example being climate change, and reflect them in business strategies and policies in a timely manner.



Risk Management System

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

Regarding risks and opportunities related to sustainability issues, seven issues of materiality have been identified under the initiative of the Sustainability Committee, based on issues found and classified through interviews with internal and external stakeholders and discussions with divisions and related

departments (see pages 21–26). For the issues of materiality, the Corporate Sustainability Department takes the lead in identifying key risks and opportunities in collaboration with relevant divisions, departments, and affiliated companies. The identified risks and opportunities are reported to the Sustainability Committee for discussion, along with the formulation of response policies, measures, and targets. Details of the discussion are reported to the Board of Directors, under whose supervision the final decision is made.

Past Sustainability Management Initiatives

Date	Actions
November 2021	Identification of issues of materiality related to sustainability
March 2022	Establishment of the Sustainability Committee, establishment of the Corporate Sustainability Department, formulation of the MORESCO Group Sustainability Policy
November 2022	Endorsement of the TCFD recommendations and disclosure of climate-related financial information based on the recommendations
May 2023	Formulation of the MORESCO Group Policy on Human Rights, commencement of development and enhancement of the human rights due diligence system, establishment of the policies for human resources development and in-house environment development, formulation of the human resources strategy
September 2023	Commencement of selecting the MORESCO Green SX (MGS) products, which contribute significantly to the realization of issues of materiality
February 2024	The 10th Medium-Term Management Plan set targets for the MGS product sales ratio to be 40% in FY2026 and 50% in FY2030 (result in FY2022 was 29%).

Date	Main agenda items
April 2022	1st Sustainability Committee meeting <ul style="list-style-type: none">• Agenda item 1 Approval of the chair, secretary, clerks, and membership• Agenda item 2 Approval of regulations• Agenda item 3 Reports and discussions on the results of questionnaires into risks and business opportunities• Agenda item 4 Study seminars for Sustainability Committee members
October 2022	2nd Sustainability Committee meeting <ul style="list-style-type: none">• Agenda item 1 Climate-related risks and opportunities• Agenda item 2 Measurement and estimation of greenhouse gas (GHG) emissions, and plans to reduce them• Agenda item 3 Overview of the MORESCO Green SX• Agenda item 4 Status of response to TCFD recommendations• Agenda item 5 Discussions into support for TCFD recommendations
April 2023	3rd Sustainability Committee meeting <ul style="list-style-type: none">• Agenda item 1 Reports on status of initiatives related to human rights due diligence• Agenda item 2 Response to revisions to laws by the Cabinet Office and government• Agenda item 3 Response to GHG emission reports and new IPCC targets• Agenda item 4 Approval for the MORESCO Green SX list
May 2023	4th Sustainability Committee meeting <ul style="list-style-type: none">• Agenda item 1 Response to revisions to laws by the Cabinet Office and government• Agenda item 2 Human rights due diligence systems and human rights risk results reports• Agenda item 3 Reports on publicizing MORESCO Green SX externally
October 2023	5th Sustainability Committee meeting <ul style="list-style-type: none">• Agenda item 1 Ideas for launching a corporate website related to a management approach that focuses on respect for human rights• Agenda item 2 General framework policy for disclosing sustainability information (related KPIs) in securities reports• Agenda item 3 New trends related to sustainability information disclosure (from METI, ISSB, TCFD, TNFD, etc.)• Agenda item 4 Approval for introduction of internal carbon pricing• Agenda item 5 Certification for new MORESCO Green SX products and approval of the MORESCO Green SX logo
November 2023	6th Sustainability Committee meeting <ul style="list-style-type: none">• Agenda item 1 Analysis of questionnaires into risks and opportunities• Agenda item 2 Discussions into the drafting of a long-term vision
April 2024	7th Sustainability Committee meeting <ul style="list-style-type: none">• Agenda item 1 Proposals for a governance framework related to sustainability• Agenda item 2 Plans to respond to TNFD recommendations• Agenda item 3 Approval for human capital/human disclosure proposals (integrated reports)

Materiality Related to Global Environmental Issues

We have identified seven material issues (materiality) related to sustainability, and some are highly relevant to the global environment, particularly “Reduce environmental risks” and “Develop innovative products and services.” Of these two, the one that is predicted to provide the big business opportunities on the financial aspect is “Develop innovative products and services.” As a specific measure toward this, we are strengthening our development of MORESCO Green SX (MGS) products (see pages 27–28). Elsewhere, issues that are predicted to present major business risks from a financial perspective are

those related to climate change issues. As specific countermeasures, we have begun to identify risks and opportunities based on the TCFD’s recommendations, and to disclose information.

Other than the above, we believe that issues related to natural capital and biodiversity have the potential to grow in financial importance in the future. Our Group plan to move forward with preparations to disclose information in line with the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD).

Quality and Environmental Policy

For us to strengthen the way in which we respond to material issues (materiality) related to sustainability, in March 2024 we merged our previously separate quality and environmental policies into the Quality and Environmental Policy. This also worked to update the policies as the quality policy had first been formulated in April 1998 and last revised in March 2023, while the environmental policy was originally created in March 2001, and last revised in March 2023.

Quality and Environmental Policy

As specialists in the interface science, we will strive to improve customer satisfaction by developing products that respond to customer feedback and providing products that can be used with peace of mind.

Furthermore, we will reduce the environmental impact of our business activities and contribute to protecting the global environment and the sustainable development of society.

1. Contribute to customer satisfaction

We will contribute to society through our corporate activities by providing products and services that earn the trust and satisfaction of our customers.

2. Improve productivity

We will aim to improve productivity by improving our business processes.

3. Comply with laws and regulations

We will comply with quality and environmental laws, regulations, and ordinances related to our business activities, as well as with laws and regulations required by society and our customers.

4. Reduce environmental impact

We will strive to improve environmental issues and prevent environmental pollution, will promote energy conservation and recycling, and will provide environmentally friendly products in our business activities.

5. Improve the effectiveness of quality and environmental management systems

We will continuously improve our quality and environmental initiatives in response to changes in the business environment.

Combating Climate Change Issues (Response to the TCFD)

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

Information Disclosure Based on TCFD Recommendations

I. Governance

Our response to climate change issues is promoted by the Sustainability Committee, under the supervision of the Board of Directors and based on our sustainability promotion framework (see page 49). In April and October 2022, the Sustainability Committee held focused discussions on climate change issues, and reported to the Board of Directors on the climate-related risks and opportunities it identified and measures to counter these. After deliberations and decision-making by the Board of Directors, in November 2022 we announced our support for the TCFD’s recommendations. Then, in July 2024, the Sustainability Committee deliberated the potential financial impact of climate-related risks and opportunities, as well as countermeasures and other topics.

II. Strategy

The MORESCO Group manufactures and sells chemical and petroleum products to be used as raw materials and fuels (including fossil fuels)

and recognizes that climate change is an extremely important issue that brings both risks and opportunities.

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

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

Premise scenarios

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

Prescriptive scenarios for achieving zero greenhouse gas emissions at a global scale by 2050. In principle, policies, energy and industrial structures, resource prices, etc., are based on the Net Zero Emissions by 2050 Scenario (NZE) defined in the IEA’s World Energy Outlook 2021, and average temperature and other assumptions related to climate change are based on the SSP1-1.9 scenario, in the IPCC’s Sixth Assessment Report.

② Physical Risk Scenario (4.0°C scenario)

Scenario in which effective policies to address climate change issues are not implemented, incorporating the withdrawal of currently announced policies and targets for greenhouse gas reduction. In principle, policies, energy and industrial structure, resource prices, etc. are based on the Stated Policies Scenario (STEPS) defined in the IEA’s World Energy Outlook 2021, and average temperature and other assumptions related to climate change are based on the SSP5-8.5 scenario, defined in the IPCC’s Sixth Assessment Report.

Risks

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

Environment

Opportunities

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

2. Financial Impact

In the Transition Risk Scenario, the financial impact that is expected to be particularly large is the rising raw material procurement costs caused by carbon pricing (the introduction of a carbon tax) in the upstream supply chain. At present, the rise in raw material prices can be passed on to almost all products. However, the emergence of alternative products may become a major threat in the medium term. Downstream in the supply chain, in the automotive sector, which accounts for 40% of our net sales, the ratio of battery electric vehicles may expand at a faster pace and wider range than we anticipate, which may result in increased investment expenditures, etc. in response.

In the Physical Risk Scenario, disruption of 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. Both risks are associated with concerns about damage to production facilities, suspension of operations, and disruption of the supply chain at the Akoh Plant and the Chiba Plant, our main production bases in Japan.

3. Measures to address risks and opportunities

Our Group acts in a timely manner to understand all risks and opportunities, including those related to climate change, and are continuously investigating measures to address these. Going forward, we will continue to prioritize urgent risks and opportunities, and further expand our countermeasures.

III. Risk Management

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

IV. Metrics and Targets

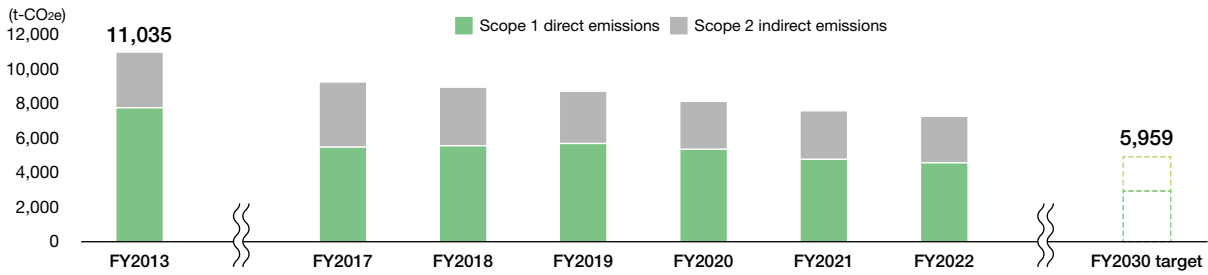
1. Metrics and targets for assessing climate-related risks and opportunities

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

GHG emissions reduction goal

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

Changes in Scope 1 & 2 GHG emissions in the MORESCO Group (in Japan)



Promotion of Renewable Energy Usage and Energy-Saving

As part of our efforts to curb GHG emissions, we are promoting the use of renewable energy and initiatives to use less energy. As a concrete example, we have decided that from fiscal 2025 onward, our Kobe head office and Akoh Plant will only be supplied with

energy from renewable sources. We also carry out energy-saving checkups at our manufacturing sites, and identify energy usage hotspots or places where energy is lost, and formulate plans to reduce its use, as well as making more efficient use of energy.

Control of Waste and Wastewater in the Production Process

As well as controlling GHG emissions, our Group is also proactive in our efforts to curb the amount of waste and wastewater produced in production processes. At our Akoh Plant, in February 2024 we switched to a method of waste treatment that does not require a heat source, and thereby lowered our environmental impact. We are also in the information-gathering stage for recycling waste plastics as recarburizers. At our Chiba Plant, meanwhile, we

have constructed a closed system in collaboration with a sulfuric acid manufacturer, and we send waste acids produced in the manufacturing process for liquid paraffin and sulfonates, and then recycled sulfuric acids are reused as part of our raw materials. We are also working to improve the recycling rate for process water used in refining processes, and to minimize the amount of industrial water that becomes wastewater.

Contribution to a Circular Economy

Contribution to a circular economy has been selected as one of the main measures of our 10th Medium-Term Management Plan. We have long focused on promoting recycling for our lubricants and containers. For water soluble cutting fluids, 50% of the drums used for shipping are reused, while some hot melt adhesives employ a packaging container which, in part, can be used as adhesive materials. For our fire-resistant hydraulic fluids, by extracting the

degraded additives that make up 20% of the fluid, the rest can be reused. As our products have captured such a large market share, we also benefit from economies of scale on the material procurement aspect. In the future, we will use these benefits to improve the recycling rate for our products and make greater use of biomass materials. As an example, water-glycol fire-resistant hydraulic fluid “HYDOL” is one of our flagship MORESCO Green SX products.

Conservation of Natural Capital and Biodiversity

At the UN Conference of the Parties to the Convention on Biological Diversity (COP15) in December 2022, the Kunming-Montreal Global Biodiversity Framework was adopted as a new global target related to biodiversity as the world moves toward 2030. Companies are called on to analyze their reliance on natural capital in their business activities, or the impact their business activities have on natural capital. They are also asked to identify

related risks and opportunities, implement measures to address these, and disclose related information. In September 2023, the TNFD announced the first iteration of its recommendations.

The MORESCO Group recognizes that conserving natural capital and biodiversity is an important issue for society, but also that it is important financially because it could have a significant influence on our corporate value in the future.

Social

Social

Highly relevant priority issues (materiality ①)

Strengthen human capital by developing and promoting diverse human resources

Build a better workplace

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

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

In order to balance “realization of a sustainable society” and “improvement of corporate value in the medium to long term” as stated in the MORESCO Group Sustainability Policy, it is important to support the growth of all employees so that they can maximize their capabilities and motivation and to create an environment in which all human resources can play an active role. Under this idea, we established the

human resources development policy and the in-house environment development policy in May 2023. Based on these two policies, in line with the formulation of the 10th Medium-Term Management Plan, we have formulated the human resources strategy, which summarizes specific initiatives toward achieving our materiality targets.

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

Human Resources Development Policy

Fundamental approach and mindset required of personnel

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 (stronger individuals)

We seek “professional human resources” who continuously hone their expertise to create value that will make people around the world happy.

Freewheeling thinking (stronger individuals)

New value can be created through “freewheeling thinking” enabled by expanding the framework of your common sense without being bound by precedent or common sense.

Ability to empathize with and involve others (stronger organization)

In order to build a human network in business, it is necessary to have the “ability to empathize” with and understand diverse values and the “ability to involve” the members around you by demonstrating leadership.

Willingness to continue to take on challenges (stronger individuals)

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

Professionalism

Ability to empathize with and involve others

Willingness to continue to take on challenges

Freewheeling thinking

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 fairness 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, fairness, and inclusion.

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

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

Fair and equitable assessment and educational system

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

MORESCO’s workstyle reform

Our workstyle reforms aim to raise labor productivity, ensure that the profits of such productivity improvements are fed back to employees,

and develop working environments that put a smile on the face of every employee. Employees are also encouraged to take paid holidays and the acquisition rate is increasing year by year. In the future, we plan to enhance our support for more flexible ways of working, such as flex systems and working from home. We will also review our post-retirement reemployment system. In these ways, we will promote better use of our diverse personnel.

Health management

In April 2020, we established the MORESCO Health Management Declaration with the aim of organizing and systematizing earlier efforts related to health management, clarifying our policies as a group, and promoting health maintenance and promotion measures. In 2024, we were selected for the fourth year in a row in the large enterprise category of the Certified Health & Productivity Management Outstanding Organizations, which is co-run by the Ministry of Economy, Trade and Industry.



Action plans founded in laws and regulations

In addition to all of the initiatives mentioned above that we are implementing voluntarily, we have formulated an action plan (between April 2020 and March 2025), based on the Act on Advancement of Measures to Support Raising Next-Generation Children, as well as an action plan (between April 2021 and March 2026) based on the Act on Promotion of Women’s Participation and Advancement in the Workplace.

Personnel Strategies Linked to Management Strategies

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

Human resources strategy

Goal:

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

Target:

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

Strategic target 1

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

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

Strategic target 2

Enhancement of human resources needed to execute management strategy

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

Strengthening Our Human Rights Due Diligence Framework

MORESCO Group Policy on Human Rights

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. To explain the content of the Policy and the background of its establishment, we conducted training for all Group employees in Japan from December 2023 to January 2024 and asked all employees to comply with the Policy.

MORESCO Group Policy on Human Rights (Excerpt)

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

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

<Policy chapters>

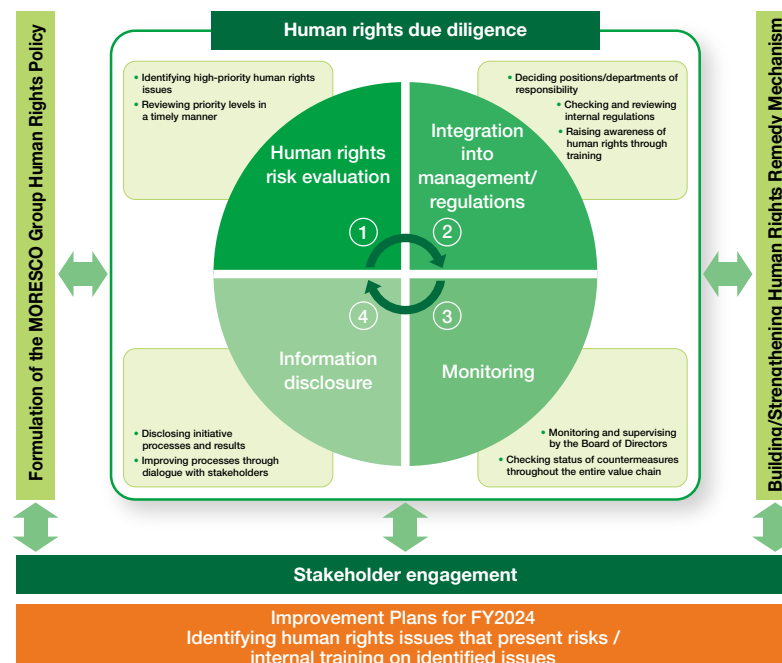
- | | | |
|-----------------------------------|--|------------------------------------|
| 1. Basic Approach to Human Rights | 4. Dialogue and Consultation | 7. Manager |
| 2. Scope of Application | 5. Remedial Action | 8. Information Disclosure |
| 3. Human Rights Due Diligence | 6. Education, Training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

Building and strengthening of a human rights due diligence system

The MORESCO Group promotes building of a human rights due diligence system. In FY2023, we examined the human rights risks that are important to the Group by referring to various relevant guidelines both in Japan and overseas, awareness surveys targeting directors and executives, and opinions of external experts. Based also on the results of the FY2023 employee engagement survey, we plan to identify material human rights risks. For the identified human rights risks, we plan to strengthen and promote countermeasures and disclose relevant information on our corporate website and other media. 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.



Stakeholder-Related Materiality

A large number of the products that we sell command an extremely large market share, and therefore our responsibility as a supplier for stable supplies, technological development, and safe products and services is also significant. In terms of procuring the materials we need to support stable supplies, demands for sustainability-focused procurement that considers the global environment and society are

growing stronger. Alongside this, we have to take into account geopolitical risks to ensure economic security. We have, therefore, laid out three areas of materiality to tackle: “Supply chain management,” “Transform business focusing on long-term values for sustainable growth,” and “Strengthen business partnerships.”

Commitment to Stakeholders and Communities

MORESCO Corporate Behavior Charter

In March 2008, our Group created the MORESCO Corporate Behavior Charter to codify the corporate ethics we should comply with as a responsible corporate group. The ten principles that make up the charter cover topics such as our supply responsibilities as a supplier, the safety of our products and services, anti-corruption measures, personal information protection, information disclosure, and regional contributions. In addition to these

voluntary efforts, we endorsed the Cabinet Office's Building Partnerships for the Future project and in July 2022 we announced our support for the Declaration of Partnership Building.

Purchasing Policy

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

MORESCO Corporate Behavior Charter

Based on the ten principles below, the MORESCO Group will respect human rights, comply with laws and international rules and respect the spirit thereof, and act in a socially responsible manner both in Japan and overseas.

1. We will earn the satisfaction and trust of our customers by developing and providing products and services that are useful to society with adequate consideration to safety and our responsibility as a supplier.
2. We will not engage in bribery, corruption, or inappropriate collusion, and will offer products and services through fair, transparent, and free competition, and conduct transactions appropriately.
3. We will give adequate consideration to the protection of customer information and personal information, and will treat such information appropriately.
4. We will communicate with shareholders and various other members of society, and will disclose corporate information in an appropriate and fair manner.
5. We will maintain an internal control system and conduct work appropriately according to prescribed procedures to ensure the reliability of financial reporting.
6. We will achieve comfort and prosperity by working to develop the potential of all employees and maintaining a safe and pleasant working environment while respecting the personality and individuality of every employee.
7. We acknowledge that efforts to combat environmental problems are essential requirements of corporate existence and activities, and will act assertively.
8. We will engage proactively in social contribution activities as a good corporate citizen.
9. We will have nothing to do with any anti-social force or group that threatens the order and safety of civil society.
10. We will comply with international rules and local laws and will also respect local cultures and traditions and contribute to the development thereof when conducting business internationally.

Purchasing Policy

MORESCO will promote procurement activities under the following purchasing policy based on the belief of our Management Vision “MORESCO Group delivers sustainable one-of-a-kind products to the world” and the “MORESCO Corporate Behavior Charter.”

1. We conduct global procurement activities by providing fair trade and opportunities based on legal compliance and corporate ethics.
2. In cooperation with our suppliers, we promote the maintenance and improvement of quality and safety, appropriate pricing, improvement of delivery time, and stable supply.
3. We aim for sustainable initiatives throughout the supply chain, taking into consideration “consideration for the global environment,” “resource conservation,” and “the protection of human rights and the labor environment”.

Corporate Governance at MORESCO

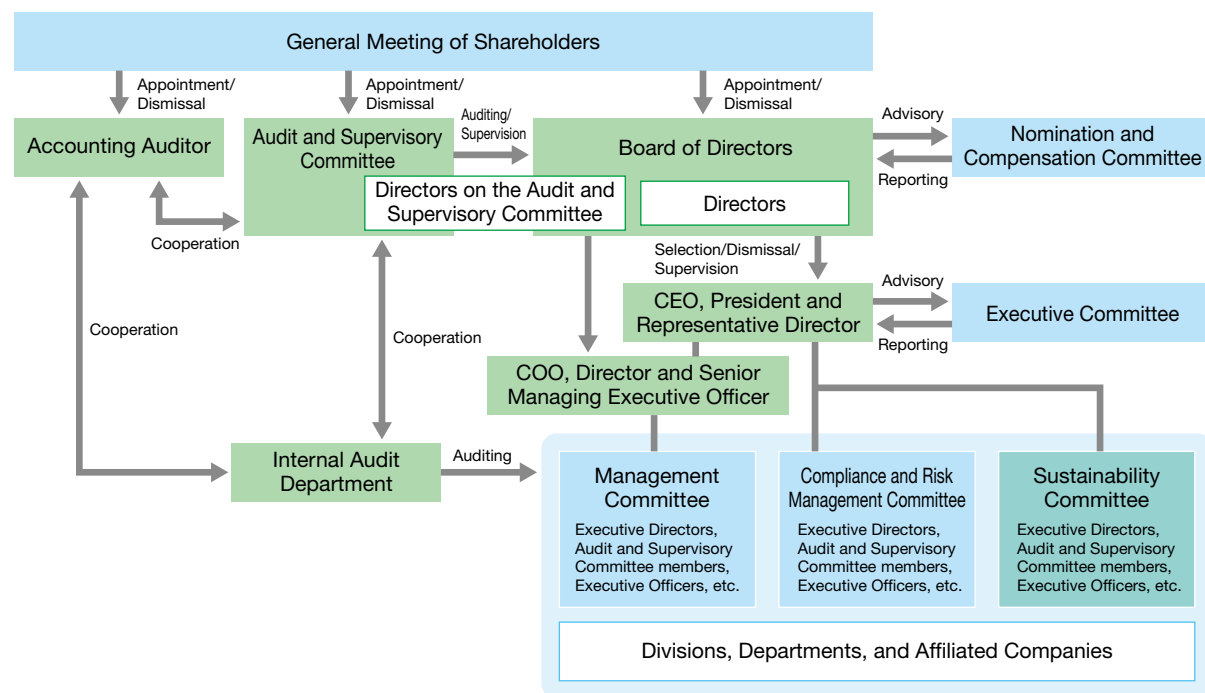
The Company Group will always pursue the best corporate governance and make continuous efforts for the enhancement thereof. And, the Company Group believes that the basis of corporate governance is that communication in all directions within the Company is in a good condition and/or active. In other words, corporate governance functions effectively when policies, strategies, plans, instructions, etc. are communicated accurately, properly, and smoothly, while results and the implementation status are reported correctly. Based on this belief, the MORESCO

Group recognizes the strengthening of corporate governance as an important management issue. By developing and enhancing the systems therefor, we will ensure the soundness and transparency of management while making decisions in a prompt and dynamic manner in response to changes in the environment. We believe this is the key to our corporate governance and will work to enhance corporate governance in line with the basic policy below.

Basic approach

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

Corporate Governance Structure







Roles and Activities of Major Institutions and Committees

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

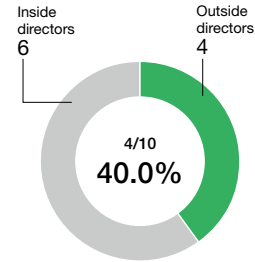
Efforts to Strengthen Governance

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

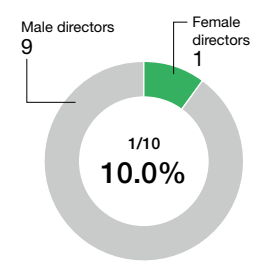
Directors *As of May 30, 2024

Director					
Name and title		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
Career summary		March 2011 Executive Officer Division Manager, Hot Melt Adhesive, MORESCO Corporation May 2011 Director and Executive Officer Division Manager, Hot Melt Adhesive, MORESCO Corporation May 2014 Director and Managing Executive Officer Division Manager, Hot Melt Adhesive, MORESCO Corporation May 2017 Director and Senior Managing Executive Officer Division Manager, Hot Melt Adhesive and Division Manager, Metal Working Fluids, MORESCO Corporation May 2018 President and Representative Director, COO, MORESCO Corporation May 2021 President and Representative Director, CEO, MORESCO Corporation (current position)	May 2010 Executive Officer General Manager, Sales Department, Functional Fluids, MORESCO Corporation May 2015 Executive Officer in charge of Southeast Asia, MORESCO Corporation May 2016 Senior Executive Officer in charge of Southeast Asia, MORESCO Corporation May 2017 Director, Senior Executive Officer in charge of Southeast Asia, MORESCO Corporation May 2018 Director, Senior Executive Officer in charge of Global Operations, MORESCO Corporation May 2021 Director and Senior Managing Executive Officer, COO, MORESCO Corporation (current position)	March 2016 Executive Officer Division Manager, Synthetic Lubricants, MORESCO Corporation May 2018 Director and Senior Executive Officer, CTO Division Manager, Synthetic Lubricants and General Manager, Corporate R&D Department, MORESCO Corporation March 2021 Director and Senior Executive Officer, CTO General Manager, Life Science R&D Department, MORESCO Corporation May 2021 Director and Managing Executive Officer, CTO General Manager, Life Science R&D Department, MORESCO Corporation March 2022 Director and Managing Executive Officer, CTO, MORESCO Corporation (current position)	March 2019 Deputy General Manager, Strategy Planning Department, MORESCO Corporation March 2020 General Manager, Overseas Sales Department, Hot Melt Adhesive, MORESCO Corporation January 2021 Executive Officer in charge of administration segments, CFO, MORESCO Corporation May 2021 Director and Senior Executive Officer, CFO in charge of administration segments and Safety, MORESCO Corporation March 2022 Director and Senior Executive Officer, CFO, MORESCO Corporation April 2024 Director and Senior Executive Officer, CFO in charge of Sustainability, MORESCO Corporation (current position)
Shares held		34,488	19,523	10,150	6,679
Attendance at Board of Directors meetings		17/17	17/17	17/17	17/17
Attendance at Nomination and Compensation Committee meetings		4/4	–	–	–
Body membership (◎ denotes chair)	Nomination and Compensation Committee	◎	–	–	–
	Executive Committee	◎	○	○	○
	Management Committee	○	◎	○	○
	Compliance and Risk Management Committee	◎	○	○	○
	Sustainability Committee	◎	○	○	○
	Audit and Supervisory Committee	–	–	–	–
Skills matrix	Corporate management	○	○	○	○
	R&D			○	
	Internationality	○	○	○	○
	Sales/marketing	○	○		○
	Production		○		
	Legal/governance				○
	Finance/accounting				○

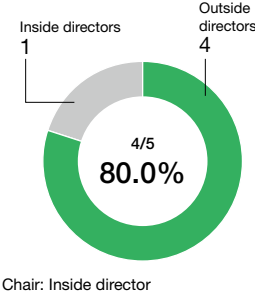
Ratio of outside directors



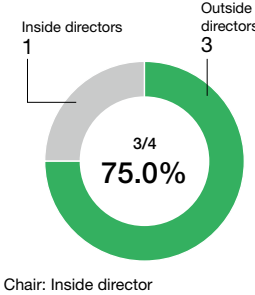
Ratio of female directors









Nomination and
Compensation Committee



Audit and Supervisory
Committee



					
Jiro Hosomi Director, Executive Officer in charge of overseas	Hiroko Fuji Independent Outside Director	Mikio Honda Director, Full-time Audit and Supervisory Committee Member	Kazuo Machigaki Independent Outside Director, Audit and Supervisory Committee Member	Mikio Nakajo Independent Outside Director, Audit and Supervisory Committee Member	Hidetoshi Nakatsuka Independent Outside Director, Audit and Supervisory Committee Member
March 2014 General Manager, Sales Department, Metal Working Fluids, MORESCO Corporation May 2018 Division Manager, Metal Working Fluids, MORESCO Corporation May 2019 Executive Officer Division Manager, Metal Working Fluids, MORESCO Corporation May 2021 President and Representative Director, MORESCO TECHNO Co., Ltd. (current position) March 2023 Executive Officer Division Manager, Functional Fluids, MORESCO Corporation May 2024 Director and Executive Officer in charge of Overseas, MORESCO Corporation (current position)	May 2011 Executive Officer and General Manager, MD Promotion Department 2, MD Strategy Promotion Office, Daimaru Co., Ltd. (currently, Daimaru Matsuzakaya Department Stores Co., Ltd.) September 2011 Executive Officer and General Manager, Independent Business Unit, MD Strategy Promotion Office, Daimaru Matsuzakaya Department Stores Co., Ltd. April 2013 Executive Officer and Store Manager, Daimaru Osaka Umeda, Daimaru Matsuzakaya Department Stores, Co., Ltd. January 2017 Executive Officer and Store Manager, Daimaru Kobe, Daimaru Matsuzakaya Department Stores, Co., Ltd. January 2020 Executive Officer and Store Manager, Daimaru Sapporo, Daimaru Matsuzakaya Department Stores, Co., Ltd. May 2022 Director, MORESCO Corporation (current position)	March 2007 Section Manager of General Affairs, General Affairs Department, MORESCO Corporation March 2010 Section Manager of Human Resources, Human Resources Department, Administration Division, MORESCO Corporation March 2012 Section Manager of Operations, Akoh Plant, MORESCO Corporation March 2017 General Manager, General Affairs Department, MORESCO Corporation May 2022 Director (full-time Audit and Supervisory Committee Member), MORESCO Corporation (current position)	July 1995 Manager of Tokyo Plant, TOCALO Co., Ltd. September 1999 Manager of Akashi Plant, TOCALO Co., Ltd. June 2005 Director and Deputy General Manager of Manufacturing Division, TOCALO Co., Ltd. June 2007 Representative Director and President, TOCALO Co., Ltd. June 2013 Representative Director and Chairman, TOCALO Co., Ltd. May 2020 Director (Audit and Supervisory Committee Member), MORESCO Corporation (current position)	April 1998 Registered as attorney, joined the Sawada and Kikui Law Office (now Sawada, Nakajo and Mori Law Office) June 2010 External auditor, Nishishiba Electric, Co., Ltd. June 2011 External auditor, GLORY LTD. May 2019 Representative attorney, Sawada, Nakajo and Mori Law Office (current position) June 2019 External auditor, YAMATO KOGYO CO., LTD. (current position) May 2020 Director (Audit and Supervisory Committee Member), MORESCO Corporation (current position)	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) December 2018 External auditor, Tiger Corporation (current position) May 2020 Director (Audit and Supervisory Committee Member), MORESCO Corporation (current position) June 2023 Outside Director, KAJI TECHNOLOGY CORPORATION (current position)
6,554	2,284	4,468	5,778	0	2,284
–	17/17	17/17	17/17	17/17	17/17
–	4/4	–	4/4	4/4	4/4
–	○	–	○	○	○
○	–	–	–	–	–
○	–	○	–	–	–
○	–	○	–	–	–
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					○

Reasons for appointment of independent outside directors

Name	Reason for appointment
Hiroko Fuji	Hiroko Fuji served as an executive officer for 10 years at a major department store which is a group company of a listed corporation and was deeply involved in management of the company through working as the store manager of several flagship stores of the department store. She thus has abundant experience and knowledge with regard to management. By making use of this experience and knowledge, she has provided us with guidance and advice on management of the company and the career development of female employees and female managers of the company, and she has contributed to improving employee engagement and human resource development through dialogue with employees of corporate administration segments. She has been appointed as an outside director so that we can continue to benefit from her guidance and advice based on her experience and knowledge.
Kazuo Machigaki	Kazuo Machigaki has served for many years as Representative Director, President and Representative Director, Chairman of TOCALO Co., Ltd., a top manufacturer in the field of surface modification, and possesses abundant experience and extensive knowledge as a manager. He has been appointed as an outside director on the Audit and Supervisory Committee as we have determined that he will execute his auditing and oversight functions appropriately by making use of that experience and expertise.
Mikio Nakajo	Mikio Nakajo served for many years as an attorney and has gained professional expertise and a wide range of experience, and is also well-versed in auditing operations at a listed company, having worked as an outside auditor at a company listed on the Tokyo Stock Exchange. He has been appointed as an outside director on the Audit and Supervisory Committee as we have determined that he will execute his auditing and oversight functions by making use of that experience and expertise.
Hidetoshi Nakatsuka	Hidetoshi Nakatsuka has experience of being involved in tax administration for many years. He is also familiar with corporate taxation as a tax accountant and thus has acquired professional knowledge about accounting and taxation. He has been appointed as an outside director on the Audit and Supervisory Committee as we have determined that he will execute his auditing and oversight functions appropriately by making use of that experience and expertise.

Efforts to Strengthen the Functions of the Board of Directors

Appointment and Dismissal of Directors

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

In nominating directorial candidates, in line with our Basic

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

Training for Directors

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

Our outside directors can at any time they need to, or when

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

Evaluation of Board of Directors Effectiveness

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

In directors' self-evaluations held in January 2023, they generally scored themselves well in the areas of the board's composition, deliberations, and selection of agenda items. Some directors, on the other hand, expressed opinions regarding its composition and selection of agenda items, namely that the Board of Directors' composition should be improved by greater diversity in terms of its members' traits, and that there should be greater discussion about strategies and major policies. At a meeting of the Board of Directors the following month, the board took these self-evaluation results into account and determined that it was generally operating effectively overall. However, it did

take on board the feedback it had received. In response, it decided to continue discussions aimed at securing more diversity as a board, and to further raise the effectiveness of its discussions by holding more in-depth discussions about management strategies and other medium- and long-term agenda items through opportunities such as off-site meetings or extra meetings between directors after official Board of Directors meetings end. In line with these decisions, the Board of Directors held meetings about the 10th MORESCO Medium-Term Management Plan in July, November, and December 2023.

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

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

An opinion was expressed, though, that cooperation between the Audit and Supervisory Committee and Internal Audit Department should be improved. As such, the Board of Directors decided that the Audit and Supervisory Committee would take the lead in addressing this issue. It also determined, to continue to further raise the effectiveness of its discussions, to set up an opportunity for discussions with the CEO about medium- to long-term agenda items such as business strategies, in addition to the off-site meetings and extra meetings between directors

after official Board of Directors meetings end. In this way, it decided to secure more time for more in-depth discussions.

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

Director self-evaluation topics:

1. Composition of the Board of Directors

2. Operations of the Board of Directors

3. Deliberations by the Board of Directors

4. Selection of agenda items by the Board of Directors

5. Content of agenda items by the Board of Directors

6. Systems supporting the Board of Directors

7. Overall evaluation

Director Compensation

Policy and procedures for determining compensation

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

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

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

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

Compensation breakdown

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

Base remuneration

① Amount calculated according to position

② Amount calculated according to performance of the previous year

The total amount of ① and ② is paid in a fixed amount every month from June each year to May the following year.

Non-monetary remuneration (restricted stock compensation)

The number of shares equivalent to the amount calculated according to the position is paid in June each year.

Interview with an Independent Outside Director



Taking advantage of the opportunity to gather a wide range of information through on-site board meetings, plant tours, and exchanges of opinion with employees

I started my career in the retail sector in the city of Kobe before serving as an executive officer in Tokyo, Osaka, Kobe, and Sapporo. In 2022, I was appointed as an outside director of the MORESCO Group. When I was asked to take on this position, I accepted the position with the expectation that I could contribute to improving the company's value while also supporting Kobe, a city with which I have been familiar for many years.

After having gained about two years of experience attending meetings of the Board of Directors, I am able to express my opinions on the management of the company from my perspective as a representative of all stakeholders, which includes shareholders and other investors. First, regarding my evaluation of the effectiveness of the Board of Directors, we conducted a director evaluation survey within the company. The results are shared at the Board of Directors meetings, where appropriate measures are discussed if deemed necessary. We are committed to taking action with a focus on issues associated with a particularly low evaluation score and evaluations that have recorded a lower year-on-year score.

As one example, it has been pointed out that the other outside directors and I lack sufficient knowledge of MORESCO's business. In this regard, only one of the four outside directors has extensive knowledge of our industry, and the other outside directors, including myself, were rather unfamiliar with either products or the industry.

Therefore, in order to gain the knowledge necessary to fulfill my responsibilities as an outside director, I arrange opportunities during each period to discuss the progress of the management plan with the various Division Managers. During these meetings, I make an effort to obtain details about the status of the supply chain, from the procurement of raw materials to manufacturing and sales. In addition,

I participate in board meetings at the Chiba Plant and the Akoh Plant, tour the plants, and exchange opinions with employees on-site. Of course, I do receive briefing materials related to the agenda items before the board meetings and am able to ask each director any questions I might have. I believe that, through these efforts, even outside directors are able to acquire sufficient knowledge about the industry and products and take part in productive discussions at board meetings.

MORESCO's Board of Directors meetings involve thorough discussion of all agenda items

Discussions at the Board of Directors often exceed the time limit. In the last two years in particular, discussions have sometimes been extended due to ongoing M&A and medium-term management planning. Furthermore, if discussions still do not conclude, we hold extraordinary meetings of the Board of Directors and individual meetings between outside directors and the CEO as an opportunity for further exchanges of opinion. I feel that the company can be characterized as one that ensures sufficient time for deliberation before discussion is exhausted, and that the CEO, who also serves as the chair, leads the Board of Directors objectively.

For example, in 2023, in the case of the business that was purchased from CROSS TECHNOLOGIES GROUP, INC., as a member of the Board of Directors of the company, I asked for a detailed description of the risks accompanying the M&A transaction, any other options available, as well as what levels of risk would be if the transaction were not carried out, and questioned whether the purchase price was appropriate. I finally approved the transaction as I received a sufficient explanation from the company.

In addition, we hold off-site meetings twice a year to discuss the broad direction of the company's strategy. These meetings include the CEO, the company's directors, outside directors, and the executive officers. Because a strong desire exists among the outside directors to

learn about some preliminary discussions before going up to the Board of Directors, we obtained the CEO's permission to use an off-site meeting as an opportunity for receiving explanations. I am able to speak objectively from the point of view of whether the business strategy will contribute to the solution of society's problems, or whether it will increase the value of the company. We do not restrict ourselves to discussions of issues limited to the Medium-Term Management Plan, as we also discuss management issues over the long term.

Another of the important responsibilities of outside directors is the obligation to carefully study the content of the Medium-Term Management Plan to ensure that management is not swept up in unfounded optimism, so to speak. In addition, I try to raise topics that are sometimes painful for people in the company to hear about, such as the full extent of the business risks that can be objectively foreseen. On the other hand, I also try to determine whether any new business opportunities exist.

Moreover, we closely monitor the progress of the Medium-Term Management Plan, and if it deviates from the target value in any way, we investigate the reason for it and strive to propose improvement measures. With regard to the aforementioned acquisition of CROSS TECHNOLOGIES GROUP, INC., we peruse monthly reports to monitor whether potential risks have come to the fore since then and whether direct acquisition benefits have materialized, such as the securing of production centers. We also inquire about whether synergies are being realized as expected, such as the expansion of business in countries outside the U.S.A. and the acquisition of new customers.

Offering high praise for the company's bold approach of taking on highly challenging business goals

With regard to the 10th Medium-Term Management Plan, we will first strengthen our efforts to improve return on capital, and we expect to enhance and transform our product portfolio by focusing on return on invested capital (ROIC). We believe that, by penetrating the various business departments of the company, our product portfolio will improve faster than expected, leading to an improved return on capital.

In fact, my current perception is that the hurdles are high for all targets of the plan, but I believe that the potential for achieving them will increase through our use of ROIC as a metric. The issuance of the company's 10th Medium-Term Management Plan is considered a preliminary step for the return from the Standard Market to the Prime Market of the Tokyo Stock Exchange. As an outside director, I will reliably monitor whether the emphasis on ROIC has been thoroughly instilled across the company.

The company is also focusing on sustainability management. Although we are a consumer of petrochemical materials, we have adopted the rather high target of 40% of product sales (by FY 2026) accruing from MORESCO Green SX (MGS) products in order to achieve the target of carbon neutrality. I sense an extraordinary

determination in the sincere way the company is working to achieve its goals, and as an outside director, I will do my utmost to help them achieve them.

It goes without saying that, in order to achieve these lofty management goals, the cooperation of each and every employee is an essential prerequisite. I also believe that employee engagement is also crucial. I would like to share with you my opinions regarding the issues identified from an analysis of the engagement surveys, while determining whether any room exists for improving any gaps that may exist in awareness between management and employees in the workplace.

Hoping to more actively promote MORESCO's approach to value creation

One of the issues related to corporate governance at the company is that the Chief Executive Officer also serves as Chair of the Board of Directors. From the perspective of the principle of separation of supervision and execution, it will be necessary to address this issue in the future. At present, however, even though the CEO also sits as the Chair, he is able to make objective judgments as a supervisor and appears to be practicing good governance.

Further, since the skills required of directors differ depending on the management issues that happen to be at the fore, we believe it is necessary to review the skill matrix from time to time, rather than identifying it and fixing it all in one step. For example, in the past, sustainability has typically not been listed as an item, but it is commendable that a new responsibility has been added and an individual has been assigned to this task. On the other hand, while we can claim to be R&D-oriented group companies, we have had only one director assigned to assume responsibility for research and development. However, we have several executive officers who engage in R&D endeavors, which effectively provides a strong lineup for this area. I believe it is necessary to disclose adequate information on these points so that stakeholders do not develop a misunderstanding our position. Clearly, in order for us to continue growing as a global company, it is indispensable that we maintain a diverse Board of Directors. Toward that end, we should consider appointing outstanding personnel who include women as well as foreign nationals.

Moreover, I would like to see the company strengthen its efforts to disseminate information to stakeholders in the future, including through Investor Relations initiatives. Since we are a B-to-B company, we seem to have maintained limited contact with end users.

Going forward, we hope to promote the disclosure of information on our website and in our Integrated Report so that stakeholders can gain an even clearer understanding of the company while we actively promote the significance of the MORESCO Group's raison d'être. I would also like the company to differentiate itself from its competitors and achieve further growth by assuming leadership in the industry through a strengthened branding effort. I intend to utilize my experience in the B-to-C market to contribute in this area in my role as an outside director.

Compliance and Risk Management

Our Compliance and Risk Management Framework

For us to respond to the various risks and opportunities that come with our overall business operations, the Company has established a Compliance and Risk Management Committee that consists of members including executive directors, full-time Audit and Supervisory Committee members, and executive officers, with the General Affairs Department and Legal Department serving as the secretariat. The Compliance and Risk Management Committee meets on the same days as the Management Committee. At a meeting of the Compliance and Risk Management Committee in April 2024, regarding the 17 risk items that should be addressed by the Company, which were extracted from the total 235 risk items listed up at all business sites, we extracted seven risk items that require particular focus in fiscal 2024. We focus on these seven risk items, and each of the four function-specific meetings, namely, the sales meeting, production engineering meeting, R&D meeting, and Head Office division meeting, identifies the risk items that each function should address. We are working to establish and review the

systems for checking and management to prevent such risks from emerging and to enhance the operation thereof. In case of a risk arising, we promote the preparation of an emergency countermeasures manual for each risk in accordance with the Crisis Management Regulations.

Additionally, we have set meetings of the Sustainability Committee at once a quarter or more to review risks and opportunities linked to the MORESCO Group's medium- and long-term sustainability and discuss their countermeasures. The membership of the Sustainability Committee is the same as that of the Compliance and Risk Management Committee, and in principle the two committees meet on the same days. Through the above, we have constructed a framework that allows us to consistently understand both short-term and medium- and long-term risks and opportunities. For the major medium- and long-term risks and opportunities that the Sustainability Committee identifies, we organize these as material sustainability issues (materiality), and work to counter them (see pages 21–26).

Major Risks Identified and Addressed in FY2023

Risks	Overview	Countermeasures
① Compliance	Risks associated with breaches of laws and regulations	<ul style="list-style-type: none">Minimize risk of contract breachesVerify status of compliance with relevant laws and regulationsConduct chemical substance risk assessments
② Enacted/revised laws	Risks associated with ignorance of, or insufficient response to, enacted or revised laws	<ul style="list-style-type: none">Implement effective investigations into the status of legal compliance
③ Information security	Risks associated with inadequate information security	<ul style="list-style-type: none">Run training to raise awareness of information securityExecute hardware security countermeasures at overseas sitesReceive non-disclosure agreements from all employees, etc.
④ Disasters	Risks associated with a disaster (excluding those in ⑤)	<ul style="list-style-type: none">Apply overseas crisis management manuals
⑤ Production equipment stoppages	Risks associated with equipment stoppages (excluding those in ④)	<ul style="list-style-type: none">Make systematic capital investments (replacing aging equipment, etc.)Conduct regular investigations and servicing (yearly maintenance plans)Prepare sparesSecure inventory
⑥ Clerical or operational mistakes	Risks associated with clerical or operational mistakes	<ul style="list-style-type: none">Promote measures to prevent recurrence of serious incidents or mistakesLearn from near-misses

⑦ Operational stagnation	Risks associated with stagnation in our operations	<ul style="list-style-type: none">Spread operations over multiple sites
⑧ Market fluctuations	Risks associated with significant market fluctuations impacting our business	<ul style="list-style-type: none">Gather and analyze market information
⑨ Bankruptcy of business partners	Risks associated with the bankruptcy of business partners impacting our business	<ul style="list-style-type: none">Operate and maintain credit management regulations
⑩ New product development	Risks associated with stagnation in new product development, etc.	<ul style="list-style-type: none">R&D system that encompasses all our divisions to develop new applicationsExplore next SDGs-related themesCreate collaborations between different departments, companies, and industries
⑪ Product defects	Risks associated with defects or flaws in our products	<ul style="list-style-type: none">Promote responses to complaints
⑫ Environmental pollution	Risks associated with environmental pollution by our factories, etc.	<ul style="list-style-type: none">Implement environmental management with periodic measurement and compliance with control valuesCheck and manage wastewaterManage industrial wasteManage the consumption of energy and other resources
⑬ Raw material procurement	Risks associated with delays in procuring raw materials	<ul style="list-style-type: none">Advance measures to counter supply instability and rocketing prices for raw materials (strengthening BCP measures)
⑭ Insufficient funding	Risks associated with obstacles to funding	<ul style="list-style-type: none">Establish and monitor emergency funding as part of BCPMonitor deposit balances for overseas subsidiaries
⑮ Effective use of human resources	Risks associated with an inability to use human resources effectively	<ul style="list-style-type: none">Review work arrangements for temporary workers
⑯ Inadequate labor management	Risks associated with a lack of adequate labor management	<ul style="list-style-type: none">Conduct anti-harassment training (including at group companies in Japan)Switch to conditions that offer the same pay for the same work
⑰ Risk countermeasures for fraud, etc.	Risks associated with not suitably preparing for or countering fraud, etc.	<ul style="list-style-type: none">Promote measures to prevent fraud at subsidiaries (mainly overseas subsidiaries)

Eleven-Year Financial Summary

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Consolidated fiscal year (Million yen)											
Net sales	23,724	26,820	26,266	26,674	27,922	28,806	27,064	24,479	27,300	30,333	31,886
Operating profit	1,818	2,250	2,125	2,374	2,330	1,950	1,279	842	1,434	523	1,225
Ordinary profit	2,012	2,765	2,378	2,658	2,600	2,202	1,568	1,030	2,011	1,046	1,826
Profit before income taxes	2,012	2,765	2,378	2,658	2,600	2,278	1,568	911	2,844	1,046	2,055
Profit attributable to owners of parent	1,212	1,639	1,526	1,600	1,623	1,438	776	518	1,808	615	1,283
Comprehensive income	1,811	2,533	1,103	1,771	2,199	1,172	953	683	2,848	1,353	2,265
Capital expenditures	1,027	2,346	2,318	839	1,287	2,329	892	725	1,279	1,318	3,226
Depreciation	633	707	871	1,074	1,171	1,251	1,348	1,328	1,210	1,236	1,188
R&D expenses	1,033	1,087	1,031	1,157	1,270	1,416	1,420	1,360	1,359	1,246	1,321
Cash flows from operating activities	1,286	2,263	2,008	2,842	2,376	2,599	1,771	2,088	2,333	515	2,934
Cash flows from investing activities	(2,210)	(2,178)	(2,195)	(1,104)	(1,138)	(2,060)	(1,589)	(660)	603	(1,172)	(4,250)
Cash flows from financing activities	1,245	646	(5)	(1,296)	(346)	(949)	78	(1,019)	(2,937)	1,227	2,819
Year-end figures (Million yen)											
Total assets	19,657	24,411	24,845	25,317	27,257	28,256	28,129	27,707	29,008	32,017	37,053
Property, plant and equipment	5,077	6,679	8,083	7,863	8,027	9,231	9,034	8,518	8,304	8,610	10,140
Net assets	11,187	13,396	14,251	15,594	17,339	17,775	18,209	18,163	20,551	21,240	23,122
Cash per share (Yen)											
Earnings per share	132.48	169.52	157.83	165.54	167.77	148.85	80.91	54.09	192.76	66.19	139.01
Net assets per share	1,050.34	1,238.66	1,318.48	1,433.28	1,584.28	1,637.29	1,659.74	1,695.81	1,914.94	2,008.49	2,179.85
Dividend per share	30.00	40.00	40.00	45.00	45.00	50.00	50.00	40.00	40.00	40.00	45.00
Major indicators (%)											
Rate of return on equity (ROE)	13.6	14.8	12.3	12.0	11.1	9.3	4.9	3.3	10.7	3.4	6.6
Capital adequacy ratio	51.7	49.1	51.3	54.7	56.2	55.6	56.6	57.4	61.9	57.9	54.3
Consolidated payout ratio	22.6	23.6	25.3	27.2	26.8	33.6	61.8	74.0	20.8	60.4	32.4
Share information											
Price-earnings ratio (PER) (Times)	11.6	13.2	8.2	10.5	11.1	10.4	13.7	20.9	5.8	17.4	9.9
Highest share price (Yen)	1,959	2,268	2,500	1,849	2,345	2,026	1,557	1,271	1,282	1,279	1,516
Lowest share price (Yen)	767	1,444	1,288	1,045	1,560	1,331	1,102	730	1,050	1,021	1,111
Other											
Number of employees (Persons)	588	634	659	694	722	765	777	791	787	784	821

Sites, Group Companies, and Overseas Distributors

Domestic Offices & Plants

Head Office / R&D Center 5-5-3 Minatojimaminami-machi, Chuo-ku, Kobe-city, Hyogo 650-0047 Japan TEL: +81-78-303-9010 FAX: +81-78-303-9020	Nagoya Sales Office 11F Ichigo Marunouchi Bldg., 3-17-13 Marunouchi, Naka-ku, Nagoya-city, Aichi 460-0002 Japan TEL: +81-52-950-5115 FAX: +81-52-950-5040
Tokyo Branch 8F REVZO Toranomon, 1-8-1 Nishi-shimbashi, Minato-ku, Tokyo 105-0003 Japan TEL: +81-3-6205-7911 FAX: +81-3-6205-7915	Chiba Plant 12-3 Goi Minami-kaigan, Ichihara-city, Chiba 290-0045 Japan TEL: +81-436-22-2181 FAX: +81-436-21-8629
Osaka Branch 3-2-15 Bingo-machi, Chuo-ku, Osaka-city 541-0051 Japan TEL: +81-6-6262-3310 FAX: +81-6-6262-3327 Customer Center (Reference about Products) TEL: +81-6-6262-3385	Akoh Plant 641 Tenwa, Akoh-city, Hyogo 678-0256 Japan TEL: +81-791-42-2100 FAX: +81-791-43-3179

Group Companies (Domestic / International)

Japan MATSUKEN CO., LTD. MORESCO TECHNO Co., Ltd. Ethylene Chemical CO., LTD.	Asia Southeast Asia MORESCO (THAILAND) CO., LTD. PT. MORESCO INDONESIA PT. MORESCO MACRO ADHESIVE South Asia MORESCO HM&LUB INDIA PRIVATE LIMITED
China TIANJIN MORESCO TECHNOLOGY CO., LTD. MORESCO (ZHEJIANG) FUNCTIONAL MATERIAL CO., LTD. MORESCO TRADING (ZHEJIANG) CO., LTD.	U.S.A. MORESCO USA Inc. Cross Technologies N.A. Inc.

Overseas Distributors

Taiwan Macesemic Company Ltd. TOJIN CORPORATION HSU TSIENT INDUSTRIAL CO., LTD. E. ZOON CO., LTD. HAI LU JYA HE CO., LTD.	Philippines ALLEN SPECIALTY PRODUCTS CO. HANANO PHILIPPINES CORPORATION [HPC]
Korea KUK DONG OIL & CHEMICAL CO., LTD. KOREA VACUUM TECH., LTD. KOREA DONG JI TRADING CO., LTD.	Vietnam LIKAN-VINA CO., LTD.
Hong Kong SPEEDFAST ENTERPRISES LIMITED	India TRIGON TS LLP
Malaysia MISAKI (M) SDN. BHD. HANANO (MALAYSIA) SDN. BHD. [HMS]	Mexico ASER DEL BAJIO.
	Australia Interchem Pty Ltd
	Turkey Sera Makina

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

Company Profile

Company Name	MORESCO Corporation	Directors (As of May 30, 2024)	
Establishment	October 27, 1958	CEO, Representative Director, President	Motohisa Morozumi
Capital	2,118,294,000 yen	COO, Director, Senior Managing Executive Officer	Nobuhiro Sewaki
Number of Employees	821 (consolidated) 387 (non-consolidated)	CTO, Director, Managing Executive Officer	Yasuo Sakane
Head Office and Business Offices		CFO, Director, Senior Executive Officer	Hirofumi Fujimoto
Head Office & R&D Center	5-5-3 Minatojimaminami-machi, Chuo-ku, Kobe-city, Hyogo 650-0047 Japan TEL: +81-78-303-9010	Director, Executive Officer	Jiro Hosomi
Branch	Tokyo Branch, Osaka Branch	Outside Director	Hiroko Fuji
Sales Office	Nagoya Sales Office	Director, Audit and Supervisory Committee Member	Mikio Honda
Plants	Chiba Plant, Akoh Plant	Outside 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

Stock Information

Situation of Stock

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

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.

Distribution of Shares by Shareholder

