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# Annual Securities Report

Fiscal year	From March 1, 2024
(The 67th)	to February 28, 2025

MORESCO Corporation

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## [Cover Page]

[Document Filed]	Annual Securities Report (“Yukashoken Hokokusho”)
[Applicable Law]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Submit to]	Director, Kinki Local Finance Bureau
[Reporting Date]	May 29, 2025
[Fiscal Year]	The 67th Term (from March 1, 2024 to February 28, 2025)
[Company Name]	MORESCO Corporation
[Company Name in English]	MORESCO Corporation
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[Contact Person]	Hirofumi Fujimoto, Director, Managing Executive Officer
[Place Where Available for Public Inspection]	MORESCO Corporation Tokyo Branch (1-8-1 Nishi-shimbashi, Minato-ku, Tokyo) MORESCO Corporation Osaka Branch (3-2-15 Bingo-machi, Chuo-ku, Osaka City) Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabuto-cho, Chuo-ku, Tokyo)

Part I. Company Information

I. Company Overview

1. Key Financial Data and Trends

(1) Consolidated Management Indicators

Fiscal year		63rd	64th	65th	66th	67th
Year end		February 2021	February 2022	February 2023	February 2024	February 2024
Net sales	(Millions of yen)	24,479	27,300	30,333	31,886	34,374
Ordinary profit	(Millions of yen)	1,030	2,011	1,046	1,826	1,821
Profit attributable to owners of parent	(Millions of yen)	518	1,808	615	1,283	1,013
Comprehensive income	(Millions of yen)	683	2,848	1,353	2,265	2,419
Net assets	(Millions of yen)	18,163	20,551	21,240	23,122	25,009
Total assets	(Millions of yen)	27,707	29,008	32,017	37,053	38,297
Net assets per share	(Yen)	1,695.81	1,914.94	2,008.49	2,179.85	2,364.63
Earnings per share	(Yen)	54.09	192.76	66.19	139.01	110.47
Diluted earnings per share	(Yen)	—	—	—	—	—
Capital adequacy ratio	(%)	57.4	61.9	57.9	54.3	56.6
Rate of return on equity	(%)	3.3	10.7	3.4	6.6	4.8
Price-earnings ratio	(Times)	20.9	5.8	17.4	9.9	10.8
Cash flows from operating activities	(Millions of yen)	2,088	2,333	515	2,934	2,751
Cash flows from investing activities	(Millions of yen)	(660)	603	(1,172)	(4,250)	(1,214)
Cash flows from financing activities	(Millions of yen)	(1,019)	(2,937)	1,227	2,819	(1,677)
Cash and cash equivalents at the end of period	(Millions of yen)	3,675	3,654	4,186	5,566	5,508
Number of employees	(Persons)	791	787	784	821	795

- Notes: 1. Diluted earnings per share are not stated as there are no dilutive shares.  
2. Starting from the beginning of the 65th term, the Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. Therefore, the major management indicators of the 65th term and thereafter are the figures after the said accounting standard has been applied.

## (2) Non-consolidated Management Indicators

Fiscal year		63rd	64th	65th	66th	67th
Year end		February 2021	February 2022	February 2023	February 2024	February 2025
Net sales	(Millions of yen)	14,961	16,288	17,162	17,575	18,918
Ordinary profit	(Millions of yen)	642	1,284	1,004	980	1,135
Profit (loss)	(Millions of yen)	(63)	1,650	856	541	745
Capital stock	(Millions of yen)	2,118	2,118	2,118	2,118	2,118
Total number of issued shares	(Thousands of shares)	9,697	9,697	9,697	9,697	9,697
Net assets	(Millions of yen)	10,904	12,138	12,474	12,694	12,959
Total assets	(Millions of yen)	18,614	17,955	20,200	23,067	22,796
Net assets per share	(Yen)	1,163.00	1,294.05	1,351.83	1,374.85	1,413.09
Dividend per share (Interim dividend per share)	(Yen)	40.00 (15.00)	40.00 (20.00)	40.00 (20.00)	45.00 (20.00)	45.00 (20.00)
Earnings (loss) per share	(Yen)	(6.63)	175.92	92.15	58.63	81.22
Diluted earnings per share	(Yen)	—	—	—	—	—
Capital adequacy ratio	(%)	58.6	67.6	61.8	55.0	56.8
Rate of return on equity	(%)	—	14.3	7.0	4.3	5.8
Price-earnings ratio	(Times)	—	6.3	12.5	23.5	14.7
Payout ratio	(%)	—	22.7	43.4	76.8	55.4
Number of employees	(Persons)	391	384	381	387	372
Total shareholder return (Comparison: Dividend-included TOPIX)	(%) (%)	78.8 (121.8)	80.3 (125.9)	85.2 (136.6)	103.0 (188.0)	126.9 (200.2)
Highest share price	(Yen)	1,271	1,282	1,279	1,516	1,444
Lowest share price	(Yen)	730	1,050	1,021	1,111	1,050

- Notes: 1. Diluted earnings per share are not stated as there are no dilutive shares.  
2. Rate of return on equity of the 63rd term is not stated because a net loss was recorded for the year.  
3. Price-earnings ratio and payout ratio for the 63rd term are not stated because net loss per share was recorded for the year.  
4. Highest and lowest share prices are those on the Tokyo Stock Exchange (First Section) on and before April 3, 2022, those on the Tokyo Stock Exchange (Prime Market) from April 4, 2022, and those on the Tokyo Stock Exchange (Standard Market) from October 20, 2023.  
5. Starting from the beginning of the 65th term, the Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. Therefore, the major management indicators of the 65th term and thereafter are the figures after the said accounting standard has been applied.  
6. Dividend per share for the 66th term includes a commemorative dividend (the 65th anniversary of the Company) of 5 yen.

## 2. Corporate History

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

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

### 3. Business Line

The MORESCO Group consists of the Company (MORESCO Corporation), 15 consolidated subsidiaries, and an equity method affiliate. The main business is manufacture and sales of chemical products (special lubricants, synthetic lubricants, liquid paraffin & sulfonates, hot melt adhesives, energy device materials), and the major products are as follows:

#### [Special Lubricants]

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

#### [Synthetic Lubricants]

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

#### [Liquid Paraffin & Sulfonates]

Liquid paraffin, sulfonate

#### [Hot melt adhesives]

Hot melt adhesives

#### [Energy device materials]

Organic EL sealant, gas & water vapor transmittance measurement device

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

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

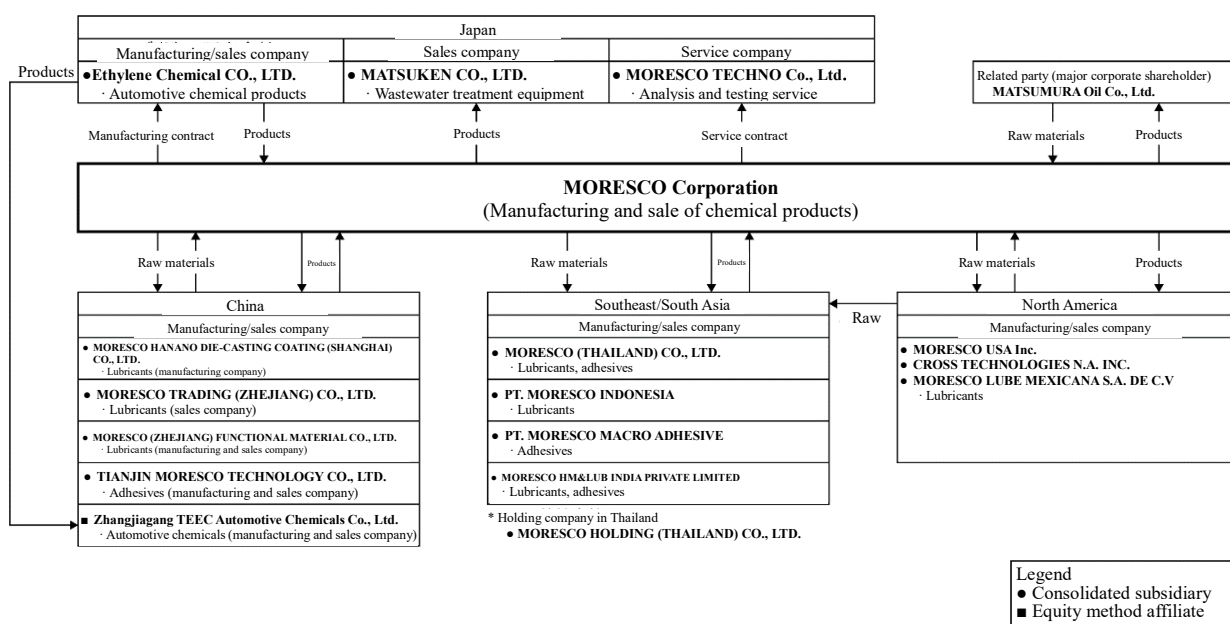
In China, MORESCO HANANO DIE-CASTING COATING (SHANGHAI) CO., LTD., and MORESCO (ZHEJIANG) FUNCTIONAL MATERIAL CO., LTD. manufacture special lubricants, and MORESCO TRADING (ZHEJIANG) CO., LTD. and MORESCO (ZHEJIANG) FUNCTIONAL MATERIAL CO., LTD. sell them. TIANJIN MORESCO TECHNOLOGY CO., LTD. manufactures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

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

In North America, MORESCO USA Inc. and CROSS TECHNOLOGIES N.A. INC. manufacture and sell special lubricants in the United States.

#### [Business organization diagram]

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



#### 4. Information on Subsidiaries and Affiliates

Name	Address	Capital stock	Main business	Ownership of voting rights (%)	Relationship
(Consolidated subsidiaries)					
MATSUKEN CO., LTD.	Chuo-ku, Osaka	20 million yen	Sales and export of wastewater treatment equipment and agents	100.0	Selling the wastewater treatment agents manufactured by the Company. Concurrent officers Officers of the Company: 2 Employees of the Company: 1 Renting the office.
MORESCO TECHNO Co., Ltd.	Chuo-ku, Kobe	10 million yen	Analysis and testing	100.0	Conducting lubricant control (testing and analysis) of fluids manufactured and sold by the Company Concurrent officers Officers of the Company: 2 Employees of the Company: 1 Renting a part of the office and analytical equipment
Ethylene Chemical CO., LTD.	Ichihara, Chiba	90 million yen	Manufacture, sales, and export of heat transfer media and automotive chemical products	60.9	Producing the Company's heat transfer media and lubricants for hot forging Concurrent officers None
MORESCO HANANO DIE-CASTING COATING (SHANGHAI) CO., LTD. (Note 3)	China Shanghai	1 million USD	Manufacture of die casting fluids	78.0	Engaging in licensed production of the Company's die casting fluids Concurrent officers Employees of the Company: 4
TIANJIN MORESCO TECHNOLOGY CO., LTD. (Note 2)	China Tianjin	10 million USD	Manufacture, sales, and import/export of hot melt adhesives	100.0	Engaging in licensed production and sales of the Company's hot melt adhesives Concurrent officers Officers of the Company: 1 Employees of the Company: 3
MORESCO (ZHEJIANG) FUNCTION MATERIAL CO., LTD. (Notes 2, 4)	China Haining	9 million USD	Development, manufacture, sales, and import/export of lubricants and sealants	100.0	Engaging in licensed production and sales of lubricants of the Company Concurrent officers Officers of the Company: 1 Employees of the Company: 3
MORESCO TRADING (ZHEJIANG) CO., LTD. (Note 5)	China Haining	13 million CNY	Sales and import/export of lubricants and sealants, and import/export of materials for the products	100.0	Engaging in sales of the Company's lubricants under license by MORESCO HANANO DIE-CASTING COATING (SHANGHAI) CO., LTD. and MORESCO (ZHEJIANG) FUNCTION MATERIAL CO., LTD. Concurrent officers Officers of the Company: 1 Employees of the Company: 2
MORESCO (THAILAND) CO., LTD.	Thailand Chonburi	17.5 million Thai baht	Manufacture, sales, and import/export of lubricants, and import and sales of hot melt adhesives	99.2 (51.2) (Note 1)	Engaging in licensed production and sales of the Company's lubricants Concurrent officers Officers of the Company: 2 Employees of the Company: 1
MORESCO HOLDING (THAILAND) CO., LTD.	Thailand Chonburi	2 million Thai baht	Investment	90.6 (9.2) (Note 1)	Holding company in Thailand Concurrent officers Officers of the Company: 2 Employees of the Company: 1
PT. MORESCO INDONESIA (Note 2)	Indonesia Karawang	3.5 million USD	Manufacture, sales, and import/export of lubricants	51.0	Engaging in licensed production and sales of the Company's lubricants Concurrent officers Officers of the Company: 2
PT. MORESCO MACRO ADHESIVE (Note 2)	Indonesia Jakarta	3 million USD	Manufacture, sales, and import/export of hot melt adhesives	51.0	Engaging in licensed production and sales of the Company's hot melt adhesives Concurrent officers Officers of the Company: 1 Employees of the Company: 1
MORESCO HM&LUB INDIA PRIVATE LIMITED (Note 2)	India Ahmedabad, Gujarat	800 million Indian rupee	Manufacture, sales, and import/export of hot melt adhesives and lubricants	100.0 (7.5) (Note 1)	Engaging in licensed production and sales of the Company's lubricants and hot melt adhesives Concurrent officers Officers of the Company: 1 Employees of the Company: 1
MORESCO USA Inc.	United States Fountain Inn, South Carolina	10 USD	Manufacture, sales, and import/export of lubricants	100.0	Engaging in licensed production and sales of the Company's lubricants Concurrent officers Officers of the Company: 1 Employees of the Company: 1

Name	Address	Capital stock	Main business	Ownership of voting rights (%)	Relationship
CROSS TECHNOLOGIES N.A. INC.	United States Westland, Michigan	0 USD	Manufacture and sales of lubricants	100.0 (100.0) (Note 1)	Engaging in licensed production and sales of the Company's lubricants Concurrent officers Officers of the Company: 1 Employees of the Company: 1
MORESCO LUBE MEXICANA S.A. DE C.V. (Note 6)	Mexico Aguascalientes, Aguascalientes	0 USD	Import and sales of lubricants, etc.	100.0 (75.0) (Note 1)	Engaging in sales of the Company's lubricants under license by MORESCO USA Inc. and CROSS TECHNOLOGIES N.A. INC. Concurrent officers Officers of the Company: 1
(Equity method affiliates) Zhangjiagang TEEC Automotive Chemicals Co., Ltd.	China Zhangjiagang, Jiangsu Province	5 million USD	Manufacture and sales of automotive chemical products	25.0 (25.0) (Note 1)	—

- (Notes)
- Figures in brackets represent the percentage of indirect ownership included in Ownership of voting rights.
  - Indicates companies classified as specified subsidiaries.
  - MORESCO HANANO DIE-CASTING COATING (SHANGHAI) CO., LTD. is undergoing liquidation proceedings as of February 28, 2025.
  - Wuxi MoreTex Technology Co., Ltd. was absorbed by MORESCO (ZHEJIANG) FUNCTIONAL MATERIAL CO., LTD. on February 14, 2025 and has therefore been deleted. The figure presented for capital stock of MORESCO (ZHEJIANG) FUNCTIONAL MATERIAL CO., LTD. is the amount of paid-up capital as of February 28, 2025, and the amount of its registered capital is USD 12 million.
  - WUXI MORESCO TRADING CO., LTD. was absorbed by MORESCO TRADING (ZHEJIANG) CO., LTD. on December 12, 2024 and has therefore been deleted. The figure presented for capital stock of MORESCO TRADING (ZHEJIANG) CO., LTD. is the amount of paid-up capital as of February 28, 2025 after it was increased due to the merger, and the amount of its registered capital is 17 million Chinese yuan.
  - MORESCO USA Inc., a subsidiary of the Company, established MORESCO LUBE MEXICANA S.A. DE C.V. as a subsidiary on January 15, 2025. The company had no paid-up capital as of February 28, 2025, but its registered capital is USD 200,000.

## 5. Employees

### (1) Consolidated companies

As of February 28, 2025

Segment	Number of employees (persons)
Japan	451
China	116
Southeast/South Asia	199
North America	29
Total	795

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

### (2) Information on the reporting company

As of February 28, 2025

Number of employees (persons)	Average age (years old)	Average length of service (years)	Average annual salary (yen)
372	44.3	14.5	6,899,187

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

(3) Labor unions

The MORESCO Group's labor unions in Japan are MORESCO Labor Union and MATSUKEN Labor Union. Employees of MORESCO Corporation (including those seconded to subsidiaries or affiliates) belong to MORESCO Labor Union, and employees of MATSUKEN CO., LTD. belong to MATSUKEN Labor Union. MORESCO Labor Union has branches at all business locations, and the union's headquarters is located at the Head Office of the Company. As of February 28, 2025, MORESCO Labor Union had 266 members and MATSUKEN Labor Union had 18 members. None of the MORESCO Group's labor unions are members of any superior body. Some of the overseas consolidated companies have labor unions. The labor-management relationship is stable and there are no special matters to be noted.

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

(i) Reporting company

Fiscal year under review				
Percentage of female workers in management positions (%) (Note 1)	Percentage of male workers taking childcare leave (%) (Note 2)	Differences in wages between male and female workers (%) (Note 1)		
		All workers	Regular employees	Part-time/ fixed-term workers
11.7	87.5	79.2	82.3	66.7

- (Notes) 1. Calculated in accordance with the provisions of the Act on Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015)
2. Based on the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991), the rate of childcare leave, etc. taken was calculated in accordance with Article 71-4, Item 1 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991).

(ii) Reporting company and its consolidated subsidiaries

Fiscal year under review				
Percentage of female workers in management positions (%) (Note 1,3)	Percentage of male workers taking childcare leave (%) (Note 2,4)	Differences in wages between male and female workers (%) (Note 5)		
		All workers	Regular employees	Part-time/fixed-term workers
21.2	77.8	—	—	—

- (Notes) 1. Calculated in accordance with the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015)
2. Based on the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991), the rate of childcare leave, etc. taken was calculated in accordance with Article 71-4, Item 1 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991).
3. Calculated for the reporting company and its consolidated subsidiaries both in Japan and overseas
4. Calculated only for the reporting company and its consolidated subsidiaries in Japan
5. Differences in wages between male and female workers are calculated in accordance with the provisions of the Act on Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015) and the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991) only for the subject reporting company. Therefore, the figures are omitted and presented with "—".

## II. Business Overview

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

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

#### (1) Management policy

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

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

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

In the environment surrounding the MORESCO Group, while the Japanese economy maintains a recovery trend and gradual economic growth is expected to continue, there are concerns about the impact of serious labor shortages, rising prices, increasing interest rates, and sharp exchange rate fluctuations. Overseas, the outlook is expected to remain uncertain due to factors such as the negative impact on the global economy of protectionist measures by the Trump administration in the United States, which took office in January 2025, the slow economic recovery in China, and concerns about persistently high resource prices due to the war in Ukraine and the unstable situation in the Middle East.

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

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

In the United States, a backlash against decarbonization efforts is evident. While closely monitoring the impact of this move, the MORESCO Group will strive to increase corporate value under the five basic policies stated in the Medium-Term Management Plan: 1) Promotion of sustainability management, 2) Enhancement of our product portfolio, 3) Creation of next-generation businesses, 4) Innovation of business processes, and 5) Improvement of the return on capital.

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

##### 1) Promotion of sustainability management, 2) Enhancement of our product portfolio

In May 2024, to strengthen our research and development capabilities and accelerate the expansion of our global business, we integrated the Functional Fluids Division and the Synthetic Lubricants Division to establish the Special Lubricants Division. Consolidating the functions of the two Divisions, the new Division will further advance initiatives such as the expansion and global launch of MORESCO Green SX products\* and development of PFAS-free lubricants. In our efforts toward a circular economy, we have been making steady progress toward realization of material recycling, including being certified as a wide-area certified business operator in January 2025. We will continue to promote these efforts.

\* MORESCO certifies the products that may significantly contribute to the seven issues of materiality, based on evaluation of the entire product cycle, from procurement of raw materials to disposal, as MORESCO Green SX products.

##### 3) Creation of next-generation businesses

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

##### 4) Innovation of business processes

While we previously relied on researchers' experience and intuition, adopting a data-driven approach that utilizes generative AI to narrow down promising candidates has enabled us to conduct formulation studies for the development and improvement of hot-melt adhesives more quickly and efficiently. We are also advancing the introduction of DX at our manufacturing sites, which is expected to contribute to the prompt and efficient prediction of equipment failures and the development and improvement of products. Through these activities, we will continue to strive toward the realization of “MORESCO Informatics.”

The Liquid Paraffin & Sulfonates Division is steadily progressing with preparation for pilot production with a view to the introduction of a new chemical treatment method (single-substance treatment method), aiming to establish a production system capable of flexibly responding to future supply and demand conditions.

##### 5) Improvement of the return on capital

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

Additionally, as a company-wide initiative, we are creating ROIC reverse trees by Division and implementing target management using ROIC indicators. These activities are expected to lead to improvement of the return on capital.

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

For overseas group companies, we are strengthening our R&D structure, primarily in Thailand and China, to advance product development tailored to regional characteristics. Additionally, we are advancing the stabilization of production at our new plant in China and the global launch of products owned by CROSS TECHNOLOGIES N.A. INC., a subsidiary of MORESCO USA Inc. Through these activities, we will expand our business in overseas growth markets centered on Southeast/South Asia, North America, and China.

■ Business targets for FY2026 under the 10th Medium-Term Management Plan

- Net sales: 38.0 billion yen, operating profit: 2.7 billion yen, ordinary profit: 3.0 billion yen
- ROE: 8% level, consolidated payout ratio: 30% or more, sales ratio of MGS products: 40%

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

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

	FY2023 (Result)	FY2024 (Result)	FY2025 (Target)	FY2026 (Target)
Net sales (millions of yen)	31,886	34,374	36,500	38,000
Operating profit (millions of yen)	1,225	1,391	1,750	2,700
Ordinary profit (millions of yen)	1,826	1,821	2,100	3,000
Profit attributable to owners of parent (millions of yen)	1,283	1,013	1,300	—
Ordinary profit margin (%)	5.7%	5.3%	5.8%	7.9%

## 2. Sustainability Approaches and Initiatives

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

### Basic policy on sustainability management

Facing the growing importance of sustainability management, the MORESCO Group's mission is to contribute to society as innovative companies that pioneer a new society and future in order to "deliver sustainable one-of-a-kind products to the world." We, together with our stakeholders, aim to increase our corporate value over the medium to long term by maximizing our strengths as R&D-oriented group companies, creating economic value through our business, and at the same time, contributing to solving environmental and social issues related to sustainability. In March 2022, the MORESCO Group established the MORESCO Group Sustainability Policy as the core policy for its sustainability management.

### MORESCO Group Sustainability Policy

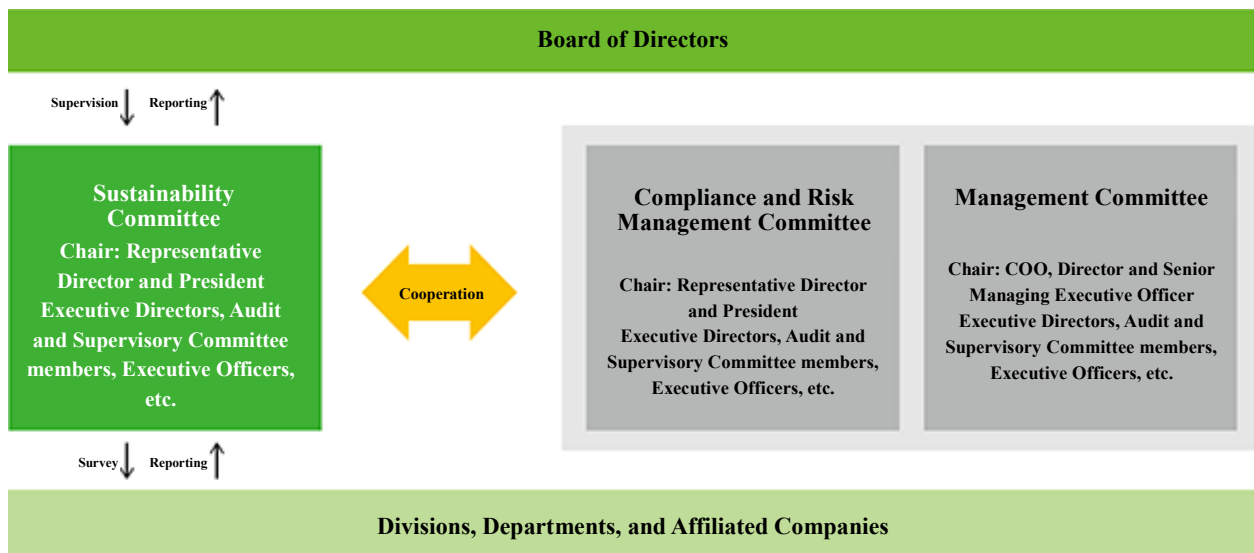
The MORESCO Group, as a specialist in the interface science stated in its management philosophy, will actively promote sustainability activities to further contribute to solving social and environmental issues. We strive to raise the trust of stakeholders by balancing the "realization of a sustainable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

Date		Actions
2021	November	Identification of issues of materiality related to sustainability
2022	March	Establishment of the Sustainability Committee, establishment of the Corporate Sustainability Department, formulation of the MORESCO Group Sustainability Policy
2022	November	Endorsement of the TCFD recommendations and disclosure of climate-related financial information based on the recommendations
2023	May	Formulation of the MORESCO Group Policy on Human Rights, commencement of development and enhancement of the human rights due diligence system, establishment of the policies for human resources development and in-house environment development, formulation of the human resources strategy
2023	September	Commencement of selecting the MORESCO Green SX (MGS) products, which contribute significantly to the realization of issues of materiality
2024	February	The 10th Medium-Term Management Plan set targets for the MGS product sales ratio to be 40% in FY2026 and 50% in FY2030 (result in FY2022 was 28.9%).
2025	March	Establishment of the Sustainability Management Department, commencement of initiatives based on revised issues of materiality

### System to promote sustainability management and governance

Facing the growing importance of sustainability management, the MORESCO Group established the "Sustainability Committee" in April 2022 in order to operate our business based on both the "realization of a sustainable society" and "improvement of corporate value in the medium to long term." In addition, we established the Corporate Sustainability Department, a dedicated department to oversee the Group's promotion of sustainability. The Sustainability Committee, which is chaired by the Representative Director and President and consists of members such as the executive directors, Audit and Supervisory Committee members, and executive officers, examines and formulates basic policies and strategies related to sustainability management. The director in charge of sustainability reports on the contents of the deliberations of the Sustainability Committee to the Board of Directors, which oversees the Committee. The Committee meets at least once a half to discuss a wide range of issues related to sustainability and reflect them in business strategies and policies in a timely manner.

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



#### Risk management system

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

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

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

The major changes to materiality are as follows:

- Response to biodiversity and natural capital

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

- Promotion of diversity in human capital

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

- Strengthening response to geopolitical risks

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

#### Sustainability issues of high financial importance

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

#### (1) Addressing climate change

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

##### (i) Governance

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

##### (ii) Risk management

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

##### (iii) Strategy

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

## 1. Major climate-change-related risks and opportunities MORESCO faces (scenario analysis)

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

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

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

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

## 2. Financial impact

In the Transition Risk Scenario, the financial impact is expected to be particularly significant in the upstream supply chain due to rising base oil purchase prices caused by factors such as carbon pricing (introduction of a carbon tax). Under certain assumptions, our base oil procurement price may increase by 50% in 2030 compared to the average for the past 5 years. At present, the rise in raw material prices can be passed on to most products. However, the emergence of alternative products may become a major threat even for them in the medium term. Assuming a carbon price of 140 USD/t-CO<sub>2</sub> in 2030 as assumed by the IEA's NZE2050 Scenario, the carbon price in yen is expected to be 21,200 yen/t-CO<sub>2</sub> when converted at the average dollar-yen exchange rate for FY2024 (1 dollar = 152 yen). If the CO<sub>2</sub> emissions of our domestic Group companies in 2030 remain unchanged from FY2024, the carbon tax burden for that year is expected to be 151 million yen (0.8% of sales in FY2024). However, if the domestic Group company reduction plans are implemented as planned, the carbon tax burden is expected to be 127 million yen (0.5% of sales in FY2024).

In the Physical Risk Scenario, disruption of main plant operations and logistics networks due to storm surges caused by large typhoons (acute risk) or sea level rise due to temperature rise (chronic risk) is expected to have a large financial impact. In the event that a physical risk materializes, we have calculated the amount of damage to our assets and operations based on the following three scenarios: (1) the maximum damage assumed in the storm surge hazard maps published by local governments (Chiba Plant, Akoh Plant, and Ethylene Chemical CO.,LTD. flooded to approx. 3 m), (2) storm surges of with a flood depth of approx. 1 m occurring nationwide (Chiba Plant, Akoh Plant, and Ethylene Chemical CO.,LTD. flooded to approx. 1 m), and (3) storm surges of with a flood depth of approx. 1 m occurring mainly in Chiba or Hyogo Prefecture (Chiba Plant, the adjacent Ethylene Chemical CO.,LTD.,

or Akoh Plant flooded to approx. 1 m). In addition, a quantitative assessment of physical risks was conducted in light of the increasing possibility of storm surges due to an increase in average temperatures.

### Physical Risk Simulations

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

(Note)

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

### 3. Measures to address risks and opportunities

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

#### Measures to address the Transition Risk Scenario

##### (i) Formulation of greenhouse gas reduction plans

Going forward, we will focus our efforts on reducing greenhouse gas emissions through investments such as the introduction of renewable energy at major sites, more efficient energy use at manufacturing sites, and the upgrading of manufacturing facilities and air conditioning systems. The accumulated amortization for the investments required for these activities is expected to be approximately 93 million yen.

If these measures are implemented as scheduled and all other conditions remain constant, the Group's CO<sub>2</sub> emissions for FY2030 are expected to fall below the target of 5,960 tons.

##### (ii) Selection of MORESCO Green SX products

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

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

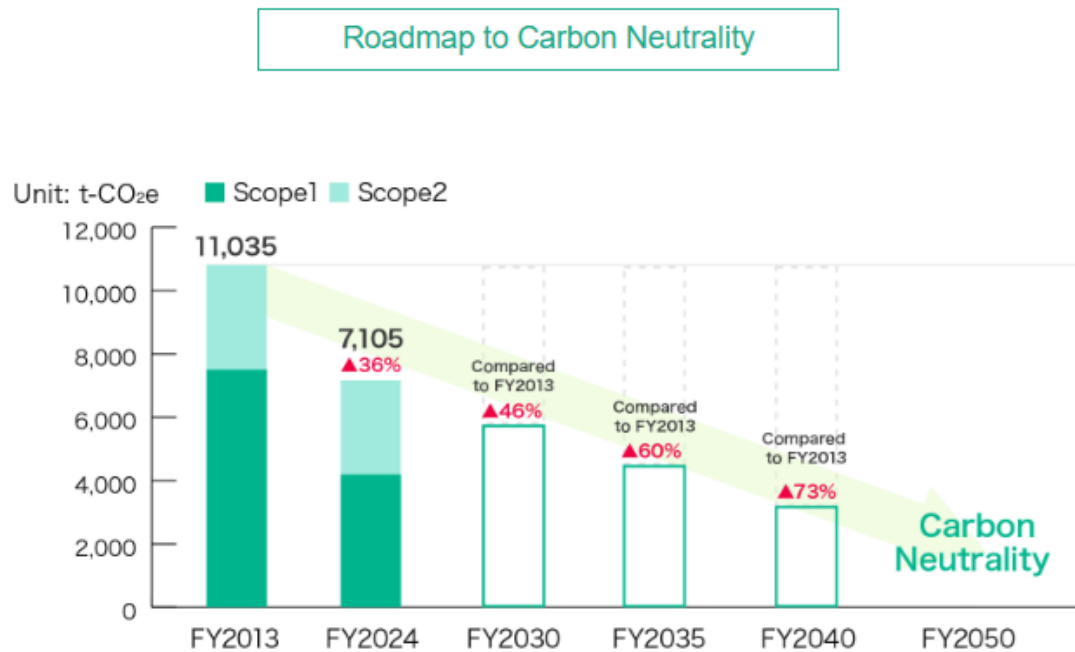
As a medium- to long-term response to climate change, we are promoting the development and production of polymers made from non-petrochemical materials as part of the MOLGADC Project, a next-generation business creation plan.

#### Measures to address the Physical Risk Scenario

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

(iv) Metrics and targets

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



	Through 2030	2031 to 2040	2041 to 2050
Reducing Moresco's emissions (Scope 1, 2)	Reduce 46% from FY 2013	FY2035 : Reduce 60% from FY 2013 FY2040 : Reduce 73% from FY 2013	Achieve carbon neutrality
Fuel	• Fossil fuels (heavy oil, natural gas)	• Research new technologies (prepare to transition to low-carbon fuels)	• Transition to low-carbon fuels
Equipment	• Energy-saving equipment	• Energy-saving equipment • Solar power systems	• Energy-saving equipment • Deploy new technologies
Power	• Adopt renewable energy at the Head Office and Ako Plant	• Adopt renewable energy at the Chiba Plant	• Adopt renewable energy at all facilities
Helping lower emissions throughout society (Scope 3 reduction activities)	Increasing Moresco Green SX's share of sales 29% in FY 2022 ▶ 50% by FY 2030 ▶ ... and beyond!		
	Developing products that contribute to energy conservation • Water-soluble minimum quantity spray type lubricants, reactive hot-melt adhesives, organic photovoltaics, organic device sealants, etc.		
	Embracing the challenge of realizing a circular society • Operating a material recycling plant for fire-resistant hydraulic fluids ▶ Offering more recycled products • Expanding product lines that use recycled and biomass-based materials		
	Creation next-generation businesses (MOLGADC Project)		
	Supply chain engagement		
	• Converting emission factors for purchased raw materials into primary data		
	• Collaborating with customers to establish a product recycling system (for fire-resistant hydraulic fluids)		
	• Coordinating with suppliers to realize stable procurement of recycled materials		
	Reducing waste and wastewater volume in production processes		
	• Selecting disposal contractors whose operations have low environmental impact		
	• Reducing priority waste by production item		

Achieve carbon neutrality by FY 2050

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

## (2) MORESCO Green SX

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

### (i) Governance

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

- (ii) Risk management  
Please refer to “Risk management system” in this Report.

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

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

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

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

- (ii) Risk management  
Please refer to “Risk management system” in this Report.

- (iii) Strategy  
Human resources development policy  
Based on its Management Philosophy and the Sustainability Policy, the MORESCO Group established a basic approach for its human resources policy in May 2023. In accordance with this basic approach, we have set four mindsets we seek in our human resources: “professionalism,” “freewheeling thinking,” “ability to empathize with and involve others,” and “willingness to continue to take on challenges.”

### Basic approach

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

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

### The mindsets we seek in

#### ■ Professionalism

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

#### ■ Freewheeling thinking

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

#### ■ Ability to empathize with and involve others

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

#### ■ Willingness to continue to take on challenges

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

### In-house environment development policy

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

### Basic approach

The MORESCO Group declares as part of its Management Philosophy that it will create new value by fostering a working environment that respects an individual and a free-wheeling 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 values diversity, equity, and inclusion.

### (iv) Metrics and targets

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

## Human resources strategy

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

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

### Strategic target 1

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

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

### Strategic target 2

**Enhancement of human resources needed to execute management strategy**

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

### MORESCO Corporation

Indicator		FY2022	FY2023	FY2024	Target
Ratio of female managers		9.2%	9.5%	11.7%	(FY2030) 15%
Ratio of male employees taking childcare leave		71.4%	63.6%	87.5%	(FY2030) 80%
Wage difference between men and women	All workers	78.0%	78.8%	79.2%	—%
	Regular employees	83.0%	82.8%	82.3%	—%
	Part-time/fixed-term workers	61.5%	67.4%	66.7%	—%

### MORESCO Group

Indicator		FY2022	FY2023	FY2024	Target
Ratio of female managers (in Japan and overseas)		18.0%	20.8%	21.2%	—%
Ratio of male employees taking childcare leave (in Japan only)		62.5%	66.7%	77.8%	—%

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

(4) Human rights-respecting management

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

(i) Governance

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

(ii) Risk management

Please refer to “Risk management system” in this Report.

(iii) Strategy

Building and strengthening of a human rights due diligence system

The MORESCO Group promotes building of a human rights due diligence system. In FY2024, as part of our human rights due diligence, we conducted e-learning training for employees, etc. on the themes of harassment prevention and LGBTQ.

To identify material human rights risks for the Group, we examined the human rights risk assessment items suitable for our company by referring to various relevant guidelines both in Japan and overseas and the opinions of external experts. In FY2025, we will conduct human rights risk assessment for all employees using the identified human rights risk assessment items. Based on the results of this assessment and the 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.

(iv) Metrics and targets

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

### 3. Business and Other Risks

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

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

#### (1) Business expansion in overseas market

The MORESCO Group has established overseas subsidiaries in China, Thailand, Indonesia, the United States, and India as production and sales bases to promote overseas businesses. The Group's overseas sales, mainly from the Asian region, such as China and Southeast Asia, are 12,947 million yen in fiscal year ended February 2024 and 14,479 million yen in fiscal year ended February 2025, with a ratio to the consolidated net sales of 40.6% and 42.1%, respectively. Fluctuations in the economic condition and the value of currencies, changes in political situations, occurrence of disasters and infectious diseases, changes in laws and regulations, and other variable factors in these overseas markets may have an impact on the business performance and financial position of the Group.

#### (2) Climate change

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

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

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

#### (3) Risks related to manufacturing of products

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

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

##### ii) Concentration on specific production sites

###### [Special Lubricants]

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

###### [Liquid Paraffin & Sulfonates]

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

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

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

#### (4) Product quality

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

#### (5) Risks associated with purchase of raw materials

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

procurement of raw materials.

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

(6) Risks related to research and development

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

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

(7) Patent application

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

(8) Environmental regulations

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

(9) Risks related to compliance

The MORESCO Group has established the Compliance Policy, aiming to ensure that all the employees and executives engage in corporate activities in accordance with the Management Philosophy and the MORESCO Corporate Behavior Charter and thereby become a company supported by its stakeholders. Based on this Policy, systems to ensure compliance have been developed and promoted. We also work to maintain and improve the compliance systems by conducting internal audits on our Group companies.

If a serious violation of a law or regulation occurs despite these efforts, it may deteriorate our social credibility, etc. and affect the business performance and financial position of the Group

(10) Information security

In recent years, many cases of leakage of information owned by companies have occurred due to cyber attacks, unauthorized access, computer virus infection, etc. The Company is working to prevent the leakage by implementing measures such as establishing the Information Security Policy and related regulations, introducing products with information security measures applied, and providing information security education programs for both executives and regular employees.

However, if leakage of information occurs due to an unexpected situation, it may deteriorate our social credibility, etc. and affect the business performance and financial position of the Group.

(11) Risks related to valuation of inventories

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

(12) Risks related to impairment loss on fixed assets

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

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

(1) Overview of operation results

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

i) Financial position and operating results

During the consolidated fiscal year under review, the Japanese economy was mostly on a gradual recovery trend as efforts have been made to normalize economic activity, while prices continue to rise and the manufacturing industry lacks strength. In the world economy, the outlook remains uncertain, with the Trump administration in the U.S. strengthening protectionist policies such as additional tariffs, China continuing to face falling prices and slow recovery in consumption, and geopolitical risks in Europe and the Middle East.

Under these circumstances, our financial position and operating results of the fiscal year under review are as follows.

a. Financial position

Total assets as of the end of the fiscal year under review were 38,297 million yen, an increase of 1,244 million yen from the end of the previous consolidated fiscal year. This was mainly due to increases of 439 million yen in inventory, 274 million yen in property, plant and equipment, 143 million yen in intangible assets, and 556 million yen in investments and other assets.

Liabilities decreased by 643 million yen from the end of the previous consolidated fiscal year to 13,288 million yen. This was mainly due to a decrease of 1,125 million yen in long-term borrowings.

Net assets increased by 1,887 million yen from the end of the previous consolidated fiscal year to 25,009 million yen. This was mainly due to increases of 599 million yen in retained earnings, 1,010 million yen in foreign currency translation adjustment, and 328 million yen in non-controlling interests.

b. Operating results

Due to increased sales volume both in Japan and overseas and adjustments to selling prices, net sales increased 7.8% year on year to 34,374 million yen and operating profit increased 13.6% year on year to 1,391 million yen. On the other hand, due to decreases in foreign exchange gains and share of profit of entities accounted for using the equity method, ordinary profit decreased 0.3% year on year to 1,821 million yen and profit attributable to owners of parent decreased 21.1% year on year to 1,013 million yen.

Operating results by segment are as follows.

#### Japan

In the Special Lubricants sector, although net sales of forging fluids, fire-resistant hydraulic fluids, die casting fluids, etc. declined, net sales for the entire sector exceeded that of the previous year thanks to steady sales of heat transfer medium and a significant increase in net sales of hard disk surface lubricants. In the Hot melt Adhesive sector, revenue decreased due to a decline in sales of products for hygiene materials. In the Liquid Paraffin & Sulfonates sector, net sales for the entire sector exceeded that of the previous year due to an increase in sales of liquid paraffin resulting from a recovery in demand for products for polystyrene plasticizer applications. In the Other sector, revenue increased due to sales of large-scale water treatment equipment by a subsidiary.

As a result, net sales to external customers of this segment were 21,640 million yen (up 7.0% year on year) with segment profit of 871 million yen (up 48.6% year on year).

#### China

Sales of both Special Lubricants and Hot melt Adhesive increased due to an increase in automobile production despite the impact of the decline in the capacity utilization rates of Japanese auto manufacturers, and steady sales of products for hygiene materials and air purifiers, respectively.

As a result, net sales to external customers of this segment were 3,758 million yen (up 6.3% year on year) with segment profit of 214 million yen (up 81.9% year on year).

#### Southeast/South Asia

Sales of Special Lubricants increased despite a decline in customer demand due to a decrease in automobile production, thanks to selling price adjustments and new sales expansion. Sales of Hot melt Adhesive decreased due to inventory adjustments at major customers and a decline in demand.

As a result, net sales to external customers of this segment were 6,862 million yen (up 1.8% year on year) with segment profit of 219 million yen (down 29.0% year on year) due to a decline in profits from hot melt adhesives.

#### North America

Sales of Special Lubricants increased due to an increase in automobile production and the acquisition of CROSS TECHNOLOGIES N.A. INC. as a new consolidated subsidiary upon the business acquisition implemented in the previous fiscal year. However, it is taking time to realize synergies from the integration process.

As a result, net sales to external customers of this segment were 2,113 million yen (up 52.7% year on year) with segment profit of 107 million yen (down 41.1% year on year).

#### ii) Cash flows

Cash and cash equivalents at the end of the consolidated fiscal year under review decreased by 58 million yen from the end of the previous consolidated fiscal year to 5,508 million yen. Cash flow conditions are as follows.

Net cash provided by operating activities was 2,751 million yen (net cash provided of 2,934 million yen in the previous year). This is mainly due to profit before income taxes.

Net cash used in investing activities was 1,214 million yen (net cash used of 4,250 million yen in the previous year). This is mainly due to purchase of property, plant and equipment.

Net cash used by financing activities was 1,677 million yen (net cash provided of 2,819 million yen in the previous year). This is mainly due to proceeds from long-term loans payable.

iii) Production, orders, and sales results

a. Production results

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

Segment	Consolidated fiscal year under review (From March 1, 2024 to February 28, 2025)	Year-on-year change (%)
Japan (millions of yen)	20,268	104.3
China (millions of yen)	4,256	137.7
Southeast/South Asia (millions of yen)	7,774	109.5
North America (millions of yen)	1,064	194.8
Total (millions of yen)	33,362	110.6

(Note) Amounts are calculated based on selling prices.

b. Order results

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

c. Sales results

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

Segment	Consolidated fiscal year under review (From March 1, 2024 to February 28, 2025)	Year-on-year change (%)
Japan (millions of yen)	21,640	107.0
China (millions of yen)	3,758	106.3
Southeast/South Asia (millions of yen)	6,862	101.8
North America (millions of yen)	2,113	152.7
Total (millions of yen)	34,374	107.8

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

Major customer	Previous consolidated fiscal year (From March 1, 2023 to February 29, 2024)		Consolidated fiscal year under review (From March 1, 2024 to February 28, 2025)	
	Value (millions of yen)	Ratio (%)	Value (millions of yen)	Ratio (%)
MATSUMURA Oil Co., Ltd.	5,124	16.1	5,137	14.9

(2) Analysis and discussion on operating results by management

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

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

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

Regarding the Group's operating results for the consolidated fiscal year under review, net sales were 34,374 million yen (up 7.8% year on year). This was due to an increase in sales volume and adjustment of product prices both in Japan and overseas. In terms of profit, operating profit increased 13.6% from the previous year to 1,391 million yen due to increased sales. On the other hand, due to decreases in foreign exchange gains and share of profit of entities accounted for using the equity method, ordinary profit decreased 0.3% year on year to 1,821 million yen and profit attributable to owners of parent decreased 21.1% year on year to 1,013 million yen.

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

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

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

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

iii) Significant accounting estimates and assumptions used therein

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

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

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

	FY 2024 (Target)	FY 2024 (Result)	Achievement rate
Net sales (millions of yen)	34,000	34,374	101.1%
Operating profit (millions of yen)	1,560	1,391	89.2%
Ordinary profit (millions of yen)	1,850	1,821	98.4%
Profit attributable to owners of parent (millions of yen)	1,050	1,013	96.5%
Ordinary profit margin	5.4%	5.3%	—

(Note) Targets are the figures released on April 12, 2024.

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

5. Material Business Agreements, etc.  
Not applicable.

## 6. Research and Development Activities

The MORESCO Group actively engages in new research and development activities that can balance environmental protection and profitability, in order to respond to increasingly diversified customer needs and contribute to the realization of a sustainable society, as well as to create businesses in new fields. Based on the technologies to add advanced functions through refining, synthesis, modification, and blending of raw materials and to evaluate product characteristics that satisfy customer requirements, the Group is promoting research and development in each field of special lubricants, synthetic lubricants, hot melt adhesives, and new business development to help bring about a carbon neutral society. Our R&D hub is based in Japan. Engineers are sent from Japan to China, Southeast Asia, and the U.S. to conduct local-based product development while encouraging collaboration between segments. We hold global development meetings on a regular basis to raise the overall development level and promote the sharing and dissemination of local specific information. We have thus established a system that enables prompt development at each site.

Mainly at our Head Office / R&D Center, we have an R&D Department related to each business division and the Corporate R&D Department in charge of new business development, and we promote development of new materials, new technologies, and new products and improvement development for existing products in each of the fields of environment, information and electronics, energy device, and life science. We have 105 research and development staff members, which account for 13.2% of all employees.

The main themes, results, and expenses for research and development of each segment for the consolidated fiscal year under review are as follows. The total amount spent for research and development for the consolidated fiscal year under review was 1,599 million yen.

### (1) Japan

#### [Special Lubricants]

Mainly in the development section of each field placed within the Functional Fluids R&D Department, research and development is conducted on die casting fluids, fire-resistant hydraulic fluids, lubricants for hot forging, metal working fluids, etc.

Efforts are focused on development of new products that can contribute to reducing environmental impact, resources saving and recycling toward realizing a sustainable society, establishment of basic technologies using IoT/AI and sensors, and the development of peripheral equipment capable of extending life or reducing the amount of use of fluids.

The introduction of laboratory automation and materials informatics is also being considered to improve development efficiency.

For die casting fluids, we have completed the development of products that can be used with minimum-quantity spray to improve the environment in plants and can improve quality and productivity. In the future, we will promote the development of new products of the minimum-quantity spray type, which can contribute to a shift to EVs and weight reduction of automobile manufacturers. We will also advance the development of technology to easily visualize the coating state in order to realize and support efficient minimum-quantity spray.

In the field of fire-resistant hydraulic fluids, as the top manufacturer of water-glycol hydraulic fluids in Japan, we are accelerating initiatives to protect the environment. In addition to brushing up the recycling system for collecting main elements from deteriorated hydraulic fluids and reusing them, we are promoting the development of an automatic monitoring system to extend the life of hydraulic fluids to reduce waste, thereby contributing to the reduction of environmental impact.

In the field of lubricants for hot forging, we promote the development of white-type lubricants, which can replace graphite and contribute to a cleaner working environment in factories. In line with the recent move of automakers toward EVs and weight reduction, aluminum forging, which is expected to be stronger and lighter, is increasingly employed in the manufacturing process for suspension parts. Therefore, we are focusing not only on iron forging but also on the field of aluminum forging.

For metal working fluids, we are working to sophisticate the core technologies for water soluble cutting fluids, which can contribute to raising environment-friendliness and improving productivity. At the same time, we are proactively making use of reused materials and containers and working on the development of an automatic monitoring system to realize long-life working fluids, with the aim of stabilizing the metal working performance and contributing to reducing waste and then to reducing environmental impact.

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

In the field of hard disk surface lubricants, major disk manufacturers are introducing new chemical compounds that can achieve a lower floating level (smaller gap) between the magnetic head and hard disk, which is necessary to further increase the recording density. While working to enhance the basic manufacturing technologies to stabilize the quality, we are also focusing efforts on molecular design of new compounds that satisfy the required characteristics of the next-generation hard disk. Specifically, we are continuing the development of lubricants with new structures that have excellent durability and heat resistance required for microwave-assisted magnetic recording (MAMR) and heat-assisted magnetic recording (HAMR), which are expected to be high-capacity magnetic recording media.

For special fluids for hard disk drive internal parts and semiconductor manufacturing equipment, we are working on the development of highly refined fluids by thoroughly eliminating low-volatility components, which are disliked as the cause of outgassing, and their market evaluation is now advancing.

In addition, with the aim of building new businesses, we have ventured into the field of semiconductor equipment by developing materials using biomass materials and grease base oils that are alternative materials under the PFAS (PerFluoro Alkyl Substances) regulations and that also achieve extremely low outgassing and low vapor pressure characteristics. We will develop highly unique, high-performance additives in line with market trends and requirements, such as lubricity and conductivity, thus contributing to a sustainable society. At the same time, we will continue to focus efforts on the design of new raw materials and additives and the development of new products, which have functions different from commercially available materials, through collaboration with other divisions and Group companies using synthesis technologies.

[Hot melt Adhesive]

The R&D Department placed within the Hot melt Adhesive Division conducts development of low-odor adhesives with no volatile organic compounds (VOC), which are friendly to the environment and human health, as well as the development of new products, such as low-temperature coating-type adhesives that can realize energy saving and reactive-type hot-melt adhesives that may overcome the lack of heat resistance, a weak point of hot melt adhesives.

For the hygiene products industry, one of our major markets, along with our customers' business expansion overseas, we promote the development of new products using locally procurable materials while continuing to provide technical support for local production sites. We are also focusing on the development of new products to meet the diverse needs of the market, including the development of low-quantity application-type hot-melt adhesives, which can have sufficient adhesion with a small amount of application, by using adhesive interface analysis technology, as well as new products with additional functions other than adhesion.

In response to the growing global awareness of environmental issues in recent years, we are working to enhance our lineup of biomass hot melt adhesives and hot melt adhesives made from 100% naturally derived ingredients, aiming for carbon neutrality and effective use of resources. We have also succeeded in improving the performance of reactive-type hot-melt adhesives for automobile interiors, which have been increasingly adopted by our new customer automobile manufacturers.

Hot-melt adhesives do not contain organic solvents and are friendly to human health and the environment. In addition to that, we will enhance our product lineup that achieves both functionality and environmental friendliness by utilizing M-Zero™ technology, which can remove even trace amounts of residual solvents from the raw materials.

[New Business Development]

Focusing on the environment, information and electronics, energy devices, and life science as keywords, we continue to conduct various kinds of research and development with the aim of creating new businesses.

In the energy device field, in particular, we develop and sell products centering on organic EL device sealants. We are also promoting the development of sealants for flexible-type devices, micro LEDs, and perovskite solar cells, which are expected to be next-generation organic devices, and they are undergoing customer evaluation. In addition, we continue to be engaged in sales and contract analysis of gas & vapor transmittance measurement devices for films, etc. used for flexible-type devices, and we have increased achievements mainly in Japan. Furthermore, with a view to a hydrogen society, we released a new device specializing in hydrogen transmittance at the end of the previous fiscal year. Regarding organic photovoltaics (OPV), through cooperation with overseas manufacturers on products or materials, we have started sales, taking advantage of roll-to-roll processing that enables our own trial production. Using our own roll-to-roll facility, we are able to undertake contract manufacturing of perovskite solar cells, as well as OPV.

In the life science sector, in cooperation with multiple universities and research institutions, we are advancing drug discovery research targeting autophagy. Autophagy is a homeostatic function inside cells, which is known to decline with age. Autophagy is considered to have a close relationship with various lifestyle-related diseases, and drugs that activate autophagy are expected to contribute to promoting healthy life expectancy. In February 2024, we filed the first patent application for the developed compound. After this, we will proceed with the expansion of safety and pharmacokinetic data in preparation for out-licensing to major pharmaceutical companies while clarifying the mechanism of action of the developed compound, with the aim of early commercialization. Moreover, we have applied nanoemulsion technology, which can significantly increase the absorbability of various types of drugs, to cosmetics ingredients, and domestic brand holders are now considering adopting them. Additionally, we launched our own cosmetics brand, "Irigrasia," using an e-commerce site and commenced sales in April 2025 with the aim of enhancing user evaluation and recognition of the cosmetics to which nanoemulsion technology is applied. As for development of other new businesses, we are advancing development for manufacturing of non-petroleum/coal-derived oils from biogas, based on a long-term management plan. We have already started operating a pilot plant to demonstrate the technical concept and to identify tasks for further expansion. In addition, we are introducing DX throughout our R&D sector to improve the efficiency and speed of research and development.

The amount spent for research and development related to the Japan segment is 1,363 million yen.

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

Mainly regarding die casting fluids and metal working fluids, we are focusing efforts on development of products that meet local needs. Our R&D staff members are stationed to help enhance the local development systems. For die casting fluids, we promote sharing of our development know-how of a leading company and advance product development tailored to local needs in a timely manner, with the aim of increasing market share, including local users. For metal working fluids, we promote sharing of our core technologies we have cultivated in Japan in the development of water-soluble cutting fluids, thereby advancing the development of new products that meet local needs.

The amount spent for research and development related to the China, Southeast/South Asia, and North America segments is 236 million yen.

### III. Equipment and Facilities

#### 1. Capital Expenditures

The MORESCO Group makes capital investment mainly for the purpose of streamlining and maintenance of production equipment and enhancing research and development capacity. As a result, capital expenditures (including property, plant and equipment, and intangible assets) in the consolidated fiscal year under review totaled 1,391 million yen.

Major capital expenditures of the MORESCO Group are as follows:

Japan

At MORESCO Corporation, 1,230 million yen was spent mainly for the construction of the Second Research Center (tentative name) and the renewal of manufacturing equipment at production sites.

#### 2. Major Equipment and Facilities

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

##### (1) The Company (reporting company)

As of February 28, 2025

Business site (Location)	Segment	Type of equipment/facility	Book value (millions of yen)						Number of employees (Persons)
			Buildings and structures	Machinery, equipment and vehicles	Land (Area m <sup>2</sup> )	Leased assets	Other	Total	
Head Office / R&D Center (Chuo-ku, Kobe)	Japan	R&D equipment Office equipment	1,128	3	481 (6,500.06)	5	251	1,868	160
Chiba Plant (Ichihara, Chiba)	Japan	Production equipment	416	349	298 (28,492.20)	—	56	1,118	48
Akoh Plant (Akoh, Hyogo)	Japan	Production equipment	424	227	779 (39,863.38)	—	36	1,466	97

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

##### (2) Subsidiaries in Japan

As of February 28, 2025

Company name	Business site (Location)	Segment	Type of equipment/facility	Book value (millions of yen)						Number of employees (Persons)
				Buildings and structures	Machinery, equipment and vehicles	Land (Area m <sup>2</sup> )	Leased assets	Other	Total	
Ethylene Chemical CO., LTD.	Head Office Plant (Ichihara, Chiba)	Japan	Production equipment	688	235	470 (22,733.15)	53	28	1,474	44

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

## (3) Subsidiaries outside Japan

As of February 28, 2025

As of February 28, 2023											
Company name	Business site (Location)	Segment	Type of equipment/ facility	Book value (millions of yen)							Number of employees (Persons)
				Buildings and structures	Machinery, equipment and vehicles	Land		Leased assets	Other	Total	
						Area (㎡)	Value				
MORESCO (THAILAND) CO., LTD.	Head Office Plant (Chonburi, Thailand)	Southeast/ South Asia	Production equipment	195	76	8,700	73	61	73	478	81
PT. MORESCO INDONESIA	Head Office Plant (Karawang, Indonesia)	Southeast/ South Asia	Production equipment	86	61	11,000	51	—	4	203	46
PT. MORESCO MACRO ADHESIVE	Plant (Serang, Indonesia)	Southeast/ South Asia	Production equipment	1	111	— [5,000]	—	—	16	128	40
TIANJIN MORESCO TECHNOLOGY CO., LTD.	Head Office Plant (Tianjin, China)	China	Production equipment	505	201	— [25,012]	—	1	198	906	34
MORESCO (ZHEJIANG) FUNCTIONAL MATERIAL CO., LTD.	Head Office Plant (Haining, China)	China	Production equipment	1,244	430	— [23,334]	—	—	310	1,984	41
MORESCO HM&LUB INDIA PRIVATE LIMITED	Head Office Plant (Ahmedabad, Gujarat, India)	Southeast/ South Asia	Production equipment	454	294	— [25,651]	—	—	212	960	32
MORESCO USA Inc.	Head Office (Fountain Inn, South Carolina, United States,)	North America	Office	2	2	14,164	316	1	2	323	5
CROSS TECHNOLOGIES N.A. INC.	Head Office Plant (Westland, Michigan, United States)	North America	Production equipment	0	161	—	—	4	41	206	23

(Notes) 1. Book value for “Other” represents the total amount of tools, furniture and fixtures; construction in progress; software; and leasehold rights.

2. Figures in brackets [ ] indicate the areas leased from lenders other than consolidated companies.

### 3. Plans for Additions and Disposals of Facilities

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

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

Name of company/business site	Location	Segment	Type of equipment/facility	Planned investment amount		Funding method	Scheduled start and completion		Capacity to be added upon completion (%)
				Total (Millions of yen)	Amount already paid (Millions of yen)		Start	Completion	
MORESCO Corporation Head Office / R&D Center	Chuo-ku, Kobe	Japan	R&D equipment	22	—	Funds on hand	March 2025	February 2026	—
			Establishment of the Second R&D Center (tentative name)	789	440	Funds on hand	November 2024	December 2026	—
MORESCO Corporation Chiba Plant	Ichihara, Chiba	Japan	Streamlining, maintenance and renewal of production equipment for liquid paraffin and sulfonate	107	5	Funds on hand	August 2024	February 2026	—
MORESCO Corporation Akoh Plant	Akoh, Hyogo	Japan	Streamlining, maintenance and renewal of hot melt adhesive production equipment	135	—	Funds on hand	March 2025	February 2026	—
			Streamlining, maintenance and renewal of lubricant production equipment	46	—	Funds on hand	March 2025	February 2026	—

#### IV. Information on the Reporting Company

##### 1. Information on the Company's Shares, etc.

###### (1) Total number of shares, etc.

###### i) Total number of shares

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

###### ii) Issued shares

Type	Number of issued shares as of the end of fiscal year (February 28, 2025)	Number of issued shares as of the reporting date (May 29, 2025)	Stock exchange on which the Company is listed or financial instruments association where the Company is licensed	Description
Common shares	9,696,500	9,696,500	Tokyo Stock Exchange Standard Market	Number of shares constituting one unit of stock 100
Total	9,696,500	9,696,500	—	—

###### (2) Information on share acquisition rights, etc.

###### i) Details of stock option program

Not applicable.

###### ii) Details of rights plan

Not applicable.

###### iii) Information on other share acquisition rights, etc.

Not applicable.

###### (3) Information on exercise of moving strike convertible bonds with share acquisition rights

Not applicable.

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

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

(Note) Third-party allocation as restricted stock-based compensation

Allocation to: Six Directors (excluding Outside Directors)

Issue price: 1,928 yen

Capital incorporation: 964 yen

Total paid-in amount: 40 million yen (contribution in kind of monetary compensation claim)

## (5) Composition of issued shares by type of shareholder

As of February 28, 2025

As of February 28, 2023

Category	Status of shares (one unit of stock: 100 shares)								Less-than-one-unit shares (shares)
	Governments and municipalities	Financial institutions	Financial instruments business operators	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders	—	3	10	124	35	17	13,397	13,586	—
Shares held (units)	—	5,065	703	30,392	1,136	88	59,465	96,849	11,600
Percentage of shares held (%)	—	5.23	0.73	31.38	1.17	0.09	61.40	100.00	—

(Note) 525,810 shares of treasury stock are included in the listings of 5,258 units in “Individuals and others” and 10 shares in “Less-than-one-unit shares.”

## (6) Major shareholders

As of February 28, 2025

Name	Address	Shares held (Thousands of shares)	Percentage of shares held to the total number of issued shares (excluding treasury shares) (%)
MATSUMURA Oil Co., Ltd.	2-8-5 Nishitenma, Kita-ku, Osaka	1,067	11.6
COSMO OIL LUBRICANTS CO., LTD.	1-1-1 Shibaura, Minato-ku, Tokyo	503	5.4
MORESCO Employee Stock Ownership Plan	5-5-3 Minatojimaminamimachi, Chuo-ku, Kobe	422	4.6
Nippon Soda Co., Ltd.	2-2-1 Otemachi, Chiyoda-ku, Tokyo	365	3.9
STARLITE Co., Ltd.	4-23-7 Ohmiya, Asahi-ku, Osaka	326	3.5
Mizuho Bank, Ltd.	1-5-5 Otemachi, Chiyoda-ku, Tokyo	250	2.7
MUFG Bank, Ltd.	1-4-5 Marunouchi, Chiyoda-ku, Tokyo	250	2.7
Osaka Small and Medium Business Investment & Consultation Co., Ltd.	3-3-23 Nakanoshima, Kita-ku, Osaka	209	2.2
Shima Trading Co., Ltd.	2-12-14 Ginza, Chuo-ku, Tokyo	165	1.7
KYODO YUSHI CO., LTD.	2-2-30 Tsujido Kandai, Fujisawa	164	1.7
Total	—	3,722	40.5

## (7) Information on voting rights

## i) Issued shares

As of February 28, 2025

Category	Number of shares	Number of voting rights	Description
Shares without voting rights	—	—	—
Shares with restricted voting rights (treasury shares, etc.)	—	—	—
Shares with restricted voting rights (others)	—	—	—
Shares with full voting rights (treasury shares, etc.)	Common shares 525,800	—	—
Shares with full voting rights (others)	Common shares 9,159,100	91,591	—
Less-than-one-unit shares	Common shares 11,600	—	—
Total number of issued shares	9,696,500	—	—
Total number of voting rights held by all shareholders	—	91,591	—

(Note) Common shares of “Less-than-one-unit shares” include 10 shares of treasury stock held by the Company.

## ii) Treasury shares, etc.

As of February 28, 2025

Shareholder name	Shareholder address	Number of shares held under own name (shares)	Number of shares held under another name (shares)	Total number of shares held (shares)	Percentage of shares held to the total number of issued shares (%)
MORESCO Corporation	5-5-3 Minatojimaminamimachi, Chuo-ku, Kobe	525,800	—	525,800	5.4
Total	—	525,800	—	525,800	5.4

## 2. Information on Acquisition of Treasury Shares, etc.

## Type of shares

## Acquisition of common stock under Article 155, Item 3 and 7 of the Companies Act

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

## (2) Acquisition by resolution of Board of Directors

Acquisition of treasury shares in accordance with the provision of the Articles of Incorporation under Article 459, Paragraph 1 of the Companies Act

Category	Number of shares	Total price (yen)
Status of resolution at the Board of Directors meeting (February 21, 2024) (Acquisition period: March 1, 2024 to April 30, 2024)	80,000	100,000,000
Treasury shares acquired before the fiscal year under review	—	—
Treasury shares acquired during the fiscal year under review	71,600	99,894,600
Total number and price of remaining resolved shares	8,400	105,400
Unexercised ratio as of the end of the fiscal year under review (%)	10.5	0.1
Treasury shares acquired during the current period	—	—
Unexercised ratio as of the reporting date (%)	10.5	0.1

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

Category	Number of shares	Total price (yen)
Treasury shares acquired during the fiscal year under review	80	97,840
Treasury shares acquired during the current period	—	—

(Note) The number of treasury shares held during the current period does not include less-than-one-unit shares purchased from May 1, 2025 to the reporting date of this Annual Securities Report.

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

Category	Fiscal year under review		Current period	
	Number of shares	Total amount disposed (Yen)	Number of shares	Total amount disposed (Yen)
Acquired treasury shares for which subscribers were solicited	—	—	—	—
Acquired treasury shares that were disposed of	—	—	—	—
Acquired treasury shares transferred due to merger, share exchange, share delivery or split	—	—	—	—
Other (disposal of treasury shares as restricted stock-based compensation)	9,590	12,965,680	—	—
Total number of treasury shares held	525,810	—	525,810	—

(Note) The number of treasury shares held during the current period does not include less-than-one-unit shares purchased from May 1, 2025 to the reporting date of this Annual Securities Report.

### 3. Dividend Policy

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

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

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

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

Based on the above policy, and with the addition of a commemorative dividend of 5 yen (commemorating the 65th anniversary), we have decided to pay a dividend per share of 45.00 yen (including 20 yen for an interim dividend) for the fiscal year under review.

As a result, dividends from surplus for the fiscal year under review amounted to 414 million yen.

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

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

Date of resolution	Total dividend amount (Millions of yen)	Dividend per share (Yen)
October 11, 2024 Resolution of the Board of Directors	183	20
May 29, 2025 Resolution of the Ordinary General Meeting of Shareholders	229	25

4. Corporate Governance, etc.

(1) Overview of corporate governance

i) Basic policy on corporate governance

- I. The Company will always pursue the best corporate governance and make continuous efforts for the enhancement thereof.
- II. The Company believes that the basis of corporate governance is that communication in all directions within the Company is in a good condition and/or active. In other words, corporate governance functions effectively when policies, strategies, plans, instructions, etc. are communicated accurately, properly, and smoothly, while results and the implementation status are reported correctly. Based on this belief, the MORESCO Group recognizes the strengthening of corporate governance as an important management issue. By developing and enhancing the systems therefor, we will ensure the soundness and transparency of management while making decisions in a prompt and dynamic manner in response to changes in the environment. We believe this is the key to our corporate governance and will work to enhance corporate governance in line with the basic policy below.
  - i. We respect the rights of shareholders and ensure their equality.
  - ii. We consider the interests of not only our shareholders but also the Company's employees, customers, business partners, creditors, local communities, and various other stakeholders, and we work in cooperation with these stakeholders in an appropriate manner.
  - iii. We properly disclose information of the company and ensure transparency in the company's decision making.
  - iv. We have constructive dialogue with shareholders who have investment policies consistent with the interests of shareholders over the medium to long term.

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

A. Overview of corporate governance structure

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

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

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

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

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

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

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

The structure of each institution and committee is as follows. (◎: Chairperson)

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

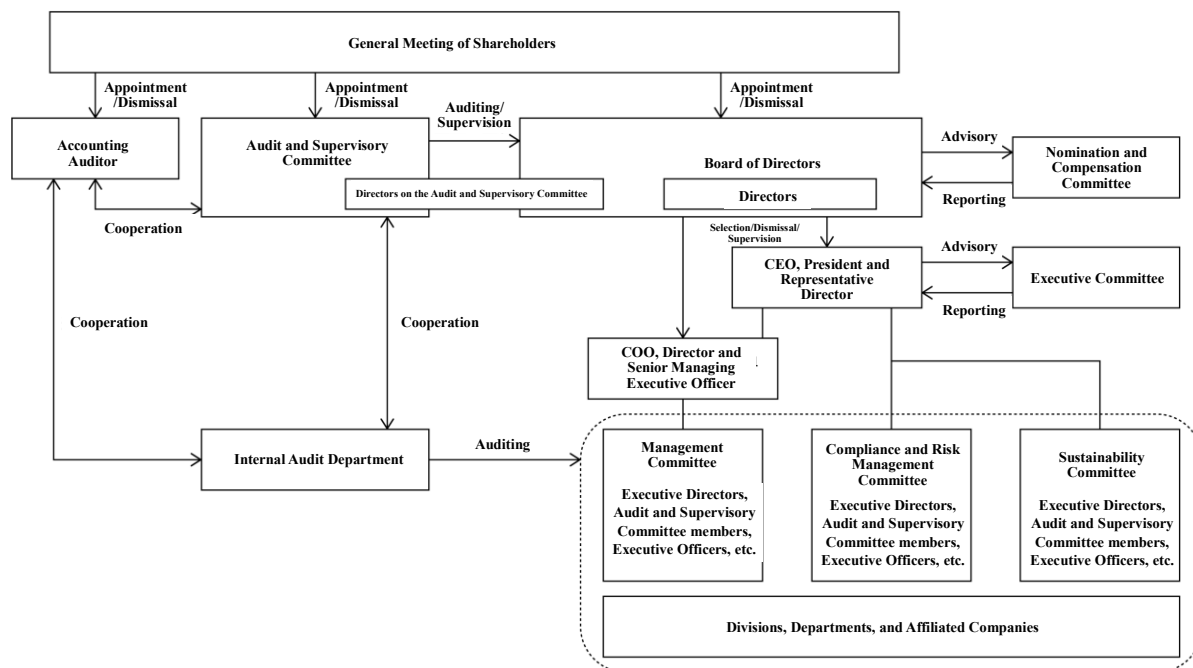
B. Reasons for adopting the current structure

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

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

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

## MORESCO Group Corporate Governance Structure



iii) Other matters related to corporate governance

A. Status of establishment of internal control system

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

- a) System to ensure that execution of duties by directors and employees complies with laws, regulations, and the Company's articles of incorporation
  - a. We will establish the MORESCO Corporate Behavior Charter as the basis of our compliance systems and will continue to ensure that responding to social requirements, including legal compliance, is the basis of all corporate activities.
  - b. We will establish a Compliance and Risk Management Committee (chaired by the President and Representative Director and composed of executive directors, full-time Audit and Supervisory Committee members, executive officers, etc.) to oversee overall compliance and promote the establishment of compliance systems.
  - c. In order to promote compliance, we will provide training and other guidance so that directors and employees can each perceive compliance as a personal responsibility and conduct business operations accordingly.
  - d. The Audit and Supervisory Committee and the Internal Audit Department will work together to examine compliance systems, identify any problems with laws and regulations, the company's articles of incorporation, and/or internal regulations, and report to the Compliance and Risk Management Committee. The Compliance and Risk Management Committee will regularly review compliance systems and will endeavor to identify problems and make improvements.
  - e. An internal reporting system has been established, with "Internal Reporting System Regulations" that clearly state that employees of the Company or its subsidiaries will not be treated unfairly if they become aware of and report an act that is suspected to be improper under laws, regulations, the Company's articles of incorporation, or internal regulations. Employees, etc. who treat such reporters unfavorably will be handled in accordance with the Employment Regulations. Additionally, the presence or absence of any such reports will be reported to the Compliance and Risk Management Committee.
- b) System for storing and managing information related to execution of duties by Directors
  - a. We will appropriately store and manage the following documents (including electromagnetic records) related to execution of duties by directors in accordance with laws and regulations and the Regulations for Management of Important Documents.
    - i. Minutes of General Meetings of Stockholders and related materials
    - ii. Minutes of meetings of the Board of Directors and related materials
    - iii. Minutes of Management Committee meetings and related materials
    - iv. Other important documents related to execution of duties by directors
  - b. Information management will be handled in accordance with the Information Security Policy, Regulations for Management of Confidential Information, and Basic Policy on Protection of Personal Information.
- c) Regulations and other systems for managing the risk of loss
  - a. We will promote the establishment of systems based on the Risk Management Policy, with the aforementioned Compliance and Risk Management Committee as the primary promoting body, identify risks concerning the Company and its subsidiaries, and take appropriate risk countermeasures.
  - b. To prepare for risks that may seriously affect the management of the Company, we will establish an emergency response headquarters under the direction of the President and Representative Director, in accordance with the Crisis Management Regulations, and take the necessary measures to minimize losses due to the occurrence of such risks.
- d) System to ensure efficient execution of duties by directors
  - a. Regular meetings of the Board of Directors will take place once a month in principle, with the purpose of making decisions on important matters and supervising the execution of business by directors.
  - b. In order to further strengthen the functions of the Board of Directors and improve the efficiency of management, we will introduce a system of executive officers responsible for business execution functions, with Management Committee meetings held once a month in principle. These meetings will be attended by executive directors, full-time Audit and Supervisory Committee members, executive officers, etc., who will discuss basic matters and important matters regarding execution of business.
  - c. Regarding business operations, we will formulate Medium-Term Management Plans and plans for each fiscal year based on the future business environment outlook, and we will set company-wide goals. In each business division, we will formulate and execute concrete plans to achieve these goals.
- e) System to ensure proper business operations in the corporate group, i.e. the Company and its subsidiaries
  - a. Management items outlined by periodic reports and prior consultations on important projects will be defined by the Management Regulations for Affiliated Companies, and departments with jurisdiction over management of subsidiary companies will exercise overall management of these companies.
  - b. The Company's executive directors, executive officers, and members of the Audit and Supervisory Committee, etc. will be dispatched as directors or auditors of subsidiary companies. Directors will monitor and supervise the execution of duties by the directors of subsidiaries. Members of the Audit and Supervisory Committee will audit the business execution of subsidiaries. Additionally, the Internal Audit Department will conduct regular audits of subsidiaries.
  - c. As a fundamental rule, subsidiaries will autonomously establish internal control systems based on the size, business characteristics, institutional specifications, and other company characteristics or distinguishing features, while also maintaining cooperation and information sharing with the Company.
  - d. The directors of subsidiaries will, regularly or as needed, report monthly and quarterly business results and other information about business execution at the Company's Management Committee meetings.
- f) System concerning directors and employees who should assist with the duties of the Audit and Supervisory Committee, and matters regarding independence from other directors for such directors and employees
  - a. If the Audit and Supervisory Committee requests the placement of employees to assist the Committee with its duties, this shall be arranged within reason following consultation with the Committee. No directors to assist the Audit and Supervisory Committee will be placed.

- b. Independence from directors when making decisions on matters concerning personnel rights, such as appointments or transfers of such employees, will be ensured by obtaining the prior consent of the Audit and Supervisory Committee.
- g) System for directors and employees to report to the Audit and Supervisory Committee, system for other reports to the Audit and Supervisory Committee, and other systems to ensure that audits by the Audit and Supervisory Committee are conducted effectively
  - a. Directors, employees, subsidiary directors/employees, and those who receive reports from them must immediately report any important matters that affect the business or performance of the Company to the Audit and Supervisory Committee. In accordance with the Internal Reporting System Regulations, employees who make such reports must not be treated unfavorably on the grounds of having made such reports.
  - b. In order for full-time Audit and Supervisory Committee members to fully understand important decision-making processes and the status of business execution outside of meetings of the Board of Directors, these committee members are permitted to attend other important meetings, such as Management Committee meetings and meetings of the Compliance and Risk Management Committee, view key approval documents, contracts, and other important documents related to execution of business, and ask directors and/or employees for explanations of these as necessary.
  - c. Under the independence and authority asserted through the “Audit and Supervisory Committee Regulations” and “Auditing/Supervision Standards of the Audit and Supervisory Committee,” the Audit and Supervisory Committee will work to achieve audit results in close cooperation with the Internal Audit Department and accounting auditors while also ensuring the effectiveness of audits.
  - d. If the Audit and Supervisory Committee or a member of the Committee requests advance payment or redemption of expenses necessary to perform audits, directors, etc. will comply unless the contents of the audit and/or funds required are unreasonable.
  - e. The Company will establish other necessary systems to ensure the effectiveness of audits by the Audit and Supervisory Committee.
- h) System for ensuring the reliability of financial reports
  - a. The Company will establish and operate internal control systems under the direction of the President and Director and establish relevant regulations to ensure the reliability of financial reports and effectively and appropriately submit internal control reports as stipulated by the Financial Instruments and Exchange Act.
  - b. The Company will ensure compliance with the Financial Instruments and Exchange Act and related laws and regulations through continuous evaluation of the proper functioning of internal control systems and making of necessary improvements.
- i) Basic systems for eliminating antisocial forces
  - a. Under the MORESCO Corporate Behavior Charter, the basic policy of the Company is to have no relationships of any kind with antisocial forces or groups that threaten the order and safety of civil society. The Company aims to spread awareness of this basic policy among all directors and employees via the internal network, etc.
  - b. We will respond resolutely to unreasonable demands and efforts by antisocial forces and groups in line with the Regulations for Countermeasures Against Antisocial Forces.
  - c. The General Affairs Department will be the department responsible for responses to antisocial forces and groups. Any unreasonable demands or efforts by antisocial forces and groups will be immediately reported to this department, with organizational measures taken to centralize the response.
  - d. The above department will maintain close cooperation with the police and other such bodies and will promptly contact them in the event of any unreasonable demands or efforts by antisocial forces and groups in order to request appropriate guidance and support in a timely manner.

B. Status of establishment of risk management system

The Company has established a Compliance and Risk Management Committee that consists of members including executive directors, full-time Audit and Supervisory Committee members, and executive officers, with the General Affairs Department and Legal Department serving as the secretariat. In this system, initiatives to enhance risk management and compliance are promoted.

a) Risk management

Regarding the 17 risk items that should be addressed by the Company, which were extracted from the total 235 risk items listed up at all business sites, each of the four function-specific meetings, namely, the sales meeting, production engineering meeting, R&D meeting, and Head Office division meeting, identifies the risk items that each function should address. We are working to establish and review the systems for checking and management to prevent such risks from emerging and to enhance the operation thereof. In case of a risk arising, we promote the preparation of an emergency countermeasures manual for each risk in accordance with the Crisis Management Regulations.

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

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

b) Compliance system

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

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

In promoting compliance, we believe that the employees' awareness of compliance with laws and regulations is crucial. We regularly provide internal training to ensure thorough understanding of the importance of confidential management, as well as training on harassment prevention, an e-learning program on insider trading regulations, and training on practical operations for contracts. We also provide education on compliance and risk management as appropriate in training programs based on job ranks, such as new employees, mid-career employees, and management, and training programs based on job functions, such as sales, production, and R&D. During the fiscal year under review, we verified the status of compliance with the regulations on confidential information management and ensured appropriate measures were taken. We also conducted video training on the theme of "Handling Confidential Information" for employees of overseas subsidiaries, and also implemented e-learning on the theme of LGBTQ as part of our human rights due diligence. Furthermore, compliance awareness surveys for all employees are conducted on a regular basis to grasp the Group's status of compliance.

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

C. Overview of content of limited liability contracts

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

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

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

E. Director membership

The Company's Articles of Incorporation stipulate that the number of Directors (excluding Directors on the Audit and Supervisory Committee) shall be no more than eight, and the number of Directors on the Audit and Supervisory Committee shall be no more than five.

F. Requirements for director appointment

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

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

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

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

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

b) Exemption of directors from liability

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

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

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

I. Activities of the Board of Directors

During the fiscal year under review, the Company's Board of Directors met 14 times, and the status of attendance of each director is as follows:

Name	Number of meetings held	Number of meetings attended (%)
Motohisa Morozumi	14	14 (100%)
Nobuhiro Sewaki	14	14 (100%)
Yasuo Sakane	14	13 (92%)
Hirofumi Fujimoto	14	14 (100%)
Jiro Hosomi	10	10 (100%)
Hiroko Fuji	14	14 (100%)
Mikio Honda	14	14 (100%)
Kazuo Machigaki	14	14 (100%)
Mikio Nakajo	14	14 (100%)
Hidetoshi Nakatsuka	14	14 (100%)

(Note) The number of times Director Jiro Hosomi attended meetings is recorded from the time he was elected and assumed office at the 66th Annual General Meeting of Shareholders held on May 30, 2024.

- J. Specific matters, etc. discussed by the Board of Directors  
 Specific matters, etc. discussed by the Board of Directors are as follows.
- Statutory matters to be resolved
  - Revision of the Basic Policy on Corporate Governance
  - Certification as a KENKO Investment for Health organization
  - Revision of the Basic Sustainability Policy
  - Establishment or absorption of overseas subsidiaries
  - Acquisition of real estate
  - Acquisition of strategically held shares
  - Results of the Board of Directors evaluation and responses thereto
  - Contents of the Integrated Report
  - Contents of quarterly and semi-annual reports
  - Details of monthly financial difference analysis
  - Details of deliberations by the Compliance and Risk Management Committee
  - Details of deliberations by the Sustainability Committee
  - Important organizational changes and personnel transfers
  - Business portfolio

K. Activities of the Nomination and Compensation Committee

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

Name	Number of meetings held	Number of meetings attended (%)
Motohisa Morozumi	5	5 (100%)
Hiroko Fuji	5	5 (100%)
Kazuo Machigaki	5	5 (100%)
Mikio Nakajo	5	5 (100%)
Hidetoshi Nakatsuka	5	5 (100%)

- L. Specific matters, etc. discussed by the Nomination and Compensation Committee  
 Specific matters, etc. discussed by the Nomination and Compensation Committee are as follows.
- Whether or not to review policies and procedures regarding nomination and compensation
  - Review of the Regulations on the Nomination and Compensation Committee
  - Director candidates
  - Compensation system
  - Revision of compensation amounts
  - Amounts of compensation for individual directors

(2) Officers

i) List of officers

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

Title	Name	Date of birth	Career summary	Term of office	Shares held (shares)
Representative Director President CEO	Motohisa Morozumi	April 23, 1962	<p>April 1987 Joined HBF Japan (currently Sekisui Fuller Company, Ltd.)</p> <p>March 1999 Joined the Company. Section Manager, Tokyo Sales, Sales Department III</p> <p>March 2007 General Manager, Sales Department, Hot melt Adhesive of the Company</p> <p>May 2008 Executive Officer General Manager, Sales Department, Hot melt Adhesive of the Company</p> <p>March 2011 Executive Officer Division Manager, Hot melt Adhesive and General Manager, Sales Department, Hot melt Adhesive of the Company</p> <p>May 2011 Director and Executive Officer Division Manager, Hot melt Adhesive and General Manager, Sales Department, Hot melt Adhesive of the Company</p> <p>January 2012 Representative Director, President of PT.MORESCO MACRO ADHESIVE</p> <p>May 2014 Director and Managing Executive Officer Division Manager, Hot melt Adhesive and General Manager, Sales Department, Hot melt Adhesive of the Company</p> <p>March 2015 Director and Executive Officer Division Manager, Hot melt Adhesive of the Company</p> <p>May 2017 Director and Senior Managing Executive Officer Division Manager, Hot melt Adhesive and Division Manager, Metal Working Fluids of the Company</p> <p>May 2018 Representative Director, President and Executive Officer, COO</p> <p>May 2021 Representative Director, President, CEO of the Company (current position)</p>	(Note 2)	40,544
Director Senior Managing Executive Officer, COO	Nobuhiro Sewaki	March 23, 1964	<p>April 1982 Joined the Company</p> <p>March 2008 General Manager, Sales Department, Functional Fluids Division of the Company</p> <p>May 2010 Executive Officer General Manager, Sales Department, Functional Fluids Division of the Company</p> <p>March 2015 Representative Director, President of MORESCO (THAILAND) CO., LTD.</p> <p>May 2015 Executive Officer in charge of Southeast Asia of the Company</p> <p>May 2016 Senior Executive Officer in charge of Southeast Asia of the Company</p> <p>February 2017 Representative Director, President of MORESCO HM&amp;LUB INDIA PRIVATE LIMITED</p> <p>May 2017 Director, Senior Executive Officer in charge of Southeast Asia of the Company</p> <p>May 2018 Director, Senior Executive Officer in charge of overseas of the Company</p> <p>November 2020 Chairman, Wuxi MoreTex Technology Co., Ltd.</p> <p>May 2021 Director, Senior Managing Executive Officer, COO (current position)</p> <p>April 2025 President, Representative Director, MORESCO TECHNO Co., Ltd. (current position)</p>	(Note 2)	21,978
Director Managing Executive Officer, CFO Sustainability	Hirofumi Fujimoto	July 14, 1966	<p>April 2010 Syndication Promotion Manager, Products Distribution Department, Mizuho Corporate Bank, Ltd. (currently, Mizuho Bank, Ltd.)</p> <p>July 2012 Deputy General Manager, Shinjuku Corporate Banking Department, Mizuho Corporate Bank, Ltd.</p> <p>April 2015 General Manager, Investors Service Department, Trust &amp; Custody Services Bank, Ltd. (currently, Custody Bank of Japan, Ltd.)</p> <p>May 2017 Senior Manager, Internal Audit Department, Mizuho Bank, Ltd.</p> <p>March 2019 Joined the Company. Deputy General Manager, Strategy Planning Department</p> <p>March 2020 General Manager, Overseas Sales Department, Hot melt Adhesive of the Company</p> <p>January 2021 Executive Officer, CFO Administrative Division of the Company</p> <p>March 2021 Executive Officer, CFO Administrative Division and Safety of the Company</p> <p>May 2021 Director, Senior Executive Officer, CFO Administrative Division and Safety of the Company</p> <p>March 2022 Director Senior Executive Officer, CFO of the Company</p> <p>April 2024 Director, Senior Executive Officer, CFO Sustainability of the Company</p> <p>May 2025 Director, Managing Executive Officer, CFO Sustainability of the Company (current position)</p>	(Note 2)	9,159

Title	Name	Date of birth	Career summary		Term of office	Shares held (shares)
Director Executive Officer, Global Operations	Jiro Hosomi	June 9, 1972	April 1996 March 2014 May 2018 May 2019 May 2021 March 2023 May 2024 March 2025	Joined the Company General Manager, Sales Department, Metal Working Fluids of the Company Division Manager, Metal Working Fluids and General Manager, Sales Department, Metal Working Fluids of the Company Executive Officer Division Manager, Metal Working Fluids and General Manager, Sales Department, Metal Working Fluids of the Company President, Representative Director, MORESCO TECHNO Co., Ltd. (current position) Executive Officer Division Manager, Functional Fluids of the Company Director, Executive Officer, Global Operations of the Company (current position) Representative Director, President of MORESCO HM&LUB INDIA PRIVATE LIMITED (current position)	(Note 2)	7,942
Director Executive Officer CTO	Katsuhito Fukuda	March 3, 1970	April 1992 March 2012 March 2015 March 2021 March 2022 May 2025	Joined the Company General Manager, R&D Department, Hot melt Adhesive of the Company Executive Officer General Manager, R&D Department, Hot melt Adhesive of the Company Executive Officer General Manager, R&D Department, Hot melt Adhesive and General Manager, Corporate R&D Department of the Company Executive Officer General Manager, Corporate R&D Department of the Company Director, Executive Officer, CTO (current position)	(Note 2)	1,609
Director	Hiroshi Sakai	October 25, 1961	November 2007 September 2008 January 2012 January 2015 January 2019 January 2020 March 2020 January 2022 January 2022 January 2023 January 2025 May 2025	General Manager, Ichihara R&D Center, HD Division, Electronics Section, Showa Denko K.K. (now Resonac Corporation) General Manager, Technology Development Department, HD Section, Showa Denko K.K. Corporate Fellow and General Manager, Technology Development Department, HD Section, Showa Denko K.K. Senior Corporate Fellow and General Manager, Technology Development Control Department, HD Division, Showa Denko K.K. Trustee and General Manager, Technology Development Control Department, Device Solutions Division, Showa Denko K.K. Corporate Officer and Chief Technology Officer (CTO), Showa Denko K.K. Director, Corporate Officer, and Chief Technology Officer (CTO), Showa Denko K.K. Director, Managing Corporate Officer, and Chief Technology Officer (CTO), Showa Denko K.K. Managing Corporate Officer and Chief Technology Officer (CTO), Showa Denko Materials Co., Ltd. (now Resonac Corporation) Fellow, Resonac Corporation Advisor, Resonac Hard Disk Corporation (current position) Director of the Company (current position)	(Note 2)	—
Director (Full-time Audit and Supervisory Committee Member)	Mikio Honda	June 21, 1962	April 1986 March 2007 March 2010 March 2012 March 2017 May 2022	Joined the Company Section Manager of General Affairs, General Affairs Department of the Company Section Manager of Human Resources, Human Resources Department, Administration Division of the Company Section Manager of Operations, Akoh Plant of the Company General Manager, General Affairs Department of the Company Director of the Company (Audit and Supervisory Committee Member) (current position)	(Note 3)	4,468
Director (Audit and Supervisory Committee Member)	Mikio Nakajo	March 19, 1963	April 1998 April 2005 June 2010 June 2011 May 2019 June 2019 May 2020 April 2022	Registered as attorney, joined the Sawada and Kikui Law Office (now Sawada, Nakajo and Mori Law Office) Partner attorney, Sawada and Nakajo Law Office (now Sawada, Nakajo and Mori Law Office) External auditor, Nishishiba Electric, Co., Ltd. External auditor, GLORY LTD. Representative attorney, Sawada, Nakajo and Mori Law Office (current position) External auditor, Yamato Kogyo Co., Ltd. (current position) Director of the Company (Audit and Supervisory Committee Member) (current position) President, Hyogo Bar Association	(Note 3)	—

Title	Name	Date of birth	Career summary	Term of office	Shares held (shares)
Director (Audit and Supervisory Committee Member)	Hidetoshi Nakatsuka	October 26, 1964	<p>April 1983      Hired by the Osaka Regional Taxation Bureau</p> <p>July 2000      Company Split PT (in charge of notification of organizational restructuring taxation systems), Corporation Taxation Division, Taxation Department, and Large Enterprise Examination Division, Large Enterprise Examination and Criminal Investigation Department, National Tax Agency</p> <p>January 2002    Corporate Planning Office, Tax Bureau, Ministry of Finance (in charge of consolidated taxation laws) and Large Enterprise Examination Division, Large Enterprise Examination and Criminal Investigation Department, National Tax Agency</p> <p>July 2009      International Investigation Director, Examination Division, First Examination Department, Osaka Regional Taxation Bureau</p> <p>July 2012      Assistant Director, Comprehensive Investigation Division, First Examination Department, Osaka Regional Taxation Bureau</p> <p>August 2013    Registered as tax accountant, opened Hidetoshi Nakatsuka Tax Accountant Office, representative (current position)</p> <p>April 2014      Special Professor, Graduate School and Faculty of Law, Himeji Dokkyo University</p> <p>December 2018 External auditor, Tiger Corporation (current position)</p> <p>May 2020      Director of the Company (Audit and Supervisory Committee Member) (current position)</p> <p>June 2023      Outside Director, KAJI TECHNOLOGY CORPORATION (current position)</p>	(Note 3)	3,710
Director (Audit and Supervisory Committee Member)	Hiroko Fuji	September 27, 1960	<p>April 1981      Joined Daimaru Co., Ltd. (currently, Daimaru Matsuzakaya Department Stores Co. Ltd.)</p> <p>May 2011      Executive Officer and General Manager, MD Promotion Department 2, MD Strategy Promotion Office, Daimaru Matsuzakaya Department Stores Co. Ltd.</p> <p>September 2011 Executive Officer and General Manager, MD Strategy Promotion Office, Independent Business Unit, Daimaru Matsuzakaya Department Stores Co. Ltd.</p> <p>April 2013      Executive Officer and Store Manager, Daimaru Osaka Umeda, Daimaru Matsuzakaya Department Stores, Co. Ltd.</p> <p>January 2017    Executive Officer and Store Manager, Daimaru Kobe, Daimaru Matsuzakaya Department Stores, Co. Ltd.</p> <p>January 2020    Executive Officer and Store Manager, Daimaru Sapporo, Daimaru Matsuzakaya Department Stores, Co. Ltd.</p> <p>January 2021    Executive Officer in charge of Special Assignments from President, Daimaru Matsuzakaya Department Stores, Co. Ltd.</p> <p>June 2021      General Manager, Ad Tele-support Division, AD DAISEN Co., Ltd.</p> <p>May 2022      Director of the Company</p> <p>May 2025      Director of the Company (Audit and Supervisory Committee Member) (current position)</p>	(Note 4)	3,710
Total					93,214

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

INTERFACE MATERIAL CO., LTD.: Liu Yingjin  
 Executive Officer, Global Operations, and President of MORESCO HM&LUB INDIA PRIVATE LIMITED.: Jiro Hosomi  
 Executive Officer Division Manager, Hot melt Adhesive: Kazuyoshi Fujita  
 Executive Officer, Division Manager, Liquid Paraffin & Sulfonates and Division Manager, Device Materials: Yasushi Hosooka  
 Executive Officer, Circular Products, General Manager, Corporate R&D Department: Naohiro Kanematsu  
 Executive Officer, Production and Safety, and General Manager of Production Technology Development Department: Hiroki Iwase  
 Executive Officer, Corporate Strategy, and General Manager of Corporate Planning Department: Yasufumi Kuki  
 Executive Officer, Life Science, Nagayoshi Kobatashi

ii) Outside Officers

A. Relationship with Outside Directors

The Company has four Outside Directors (including three Outside Directors who are Audit and Supervisory Committee members). All of these Outside Directors are independent officers as defined in the Securities Listing Regulations of the Tokyo Stock Exchange.

Hiroshi Sakai, Outside Director, has been engaged in research and development in the electronics field at a major chemical manufacturer for many years, and has abundant experience and knowledge in the development of products related to MORESCO Corporation and products with reduced environmental impact. He was also deeply involved in the management of the manufacturer as its director and CTO. We have concluded that by leveraging his abundant experience and knowledge, he will provide us with guidance and advice regarding the management and research and development of the Company. He is from Resonac Corporation, and the Company has a relationship with Resonac Corporation involving joint research and development. Although there is a trading relationship between the Company and Resonac Corporation, the transactions amount to less than 1% of the Company's consolidated net sales. In addition, he concurrently serves as an advisor to Resonac Hard Disk Corporation, with which the Company has a relationship involving joint research and development. Although there is a trading relationship between the Company and Resonac Corporation, the transactions amount to less than 1% of the Company's consolidated net sales.

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

Hidetoshi Nakatsuka, Outside Director who is an Audit and Supervisory Committee Member, has experience of being involved in tax administration for many years. He is also familiar with corporate taxation as a tax accountant and thus has acquired professional knowledge about finance, accounting and taxation. By making use of his experience and knowledge, he has properly performed auditing and supervision. He is a representative of the Hidetoshi Nakatsuka Tax Accountant Office and also serves as an external auditor of Tiger Corporation and an outside director of KAJI TECHNOLOGY CORPORATION. However, there is no relationship that should be disclosed between the Company and the Office or either of the two companies.

Hiroko Fuji, Outside Director who is an Audit and Supervisory Committee Member, served as an executive officer for 10 years at a major department store which is a group company of a listed corporation and was deeply involved in management of the company through working as the store manager of several flagship stores of the department store. She thus has abundant experience and knowledge with regard to management. She was appointed as a Director of the Company in May 2022. Utilizing her experience and insights, she has provided guidance and advice on the Company's management and the career development of female employees and female managers. Through dialogue with employees in the sales and corporate administration departments, she has contributed to enhancing employee engagement and human resource development. We believe that she is capable of appropriately performing audit and supervisory duties by leveraging her experience and insights. She used to be an executive officer of Daimaru Matsuzakaya Department Stores Co. Ltd. in the past, but there is no relationship that should be disclosed between the Company and Daimaru Matsuzakaya Department Stores Co. Ltd.

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

B. Policy on independence of Outside Directors

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

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

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

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

(3) Status of Audits

i) Status of audits by the Audit and Supervisory Committee

A. Organization and personnel of the Audit and Supervisory Committee

The Audit and Supervisory Committee consists of four members, including three independent Outside Directors, and one of them has been appointed as a full-time Audit and Supervisory Committee Member.

The Outside Director who is an Audit and Supervisory Committee Member has abundant experience and extensive knowledge in management, legal affairs, taxation, etc. and is responsible for performing the audit function from an independent third-party perspective. Director Hidetoshi Nakatsuka, who is an Audit and Supervisory Committee Member, has experience of being involved in tax administration and is also familiar with corporate taxation as a tax accountant, thus having professional knowledge about finance, accounting and taxation.

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

B. The Audit and Supervisory Committee meetings

The Audit and Supervisory Committee meetings are held in conjunction with the Board of Directors' meetings and also on a quarterly basis. During the fiscal year under review, 17 meetings were held. The meeting time was about 1.3 hours for regular meetings and about 2.7 hours for quarterly meetings.

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

Name	Number of meetings held	Number of meetings attended (%)
Mikio Honda	17	17(100%)
Kazuo Machigaki	17	17(100%)
Mikio Nakajo	17	17(100%)
Hidetoshi Nakatsuka	17	17(100%)

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

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

- Statutory matters to be resolved
- Revision of the criteria for selection and evaluation of accounting auditors
- Audit policy and audit plan of the Audit and Supervisory Committee
- Evaluation of the committee activities for the Audit and Supervisory Committee audit reports
- Exchange of information with the accounting auditor on the status of audits and various consultations regarding KAM
- Evaluation of accounting auditors
- Formation of opinions on nomination and remuneration of directors who are not a member of the Audit and Supervisory Committee
- Exchange of opinions with directors, including Representative Directors
- Individual interviews with executive officers, etc.
- Exchange of opinions with General Manager, Internal Audit Department
- Exchange of opinions with the Compliance and Risk Management Committee secretariat
- Status of compliance with the Corporate Governance Code

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

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

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

ii) Status of internal audits

A Internal audits

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

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

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

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

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

C. Initiatives to ensure the effectiveness of internal audits

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

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

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

iii) Status of accounting audits

A. Name of auditing firm

Grant Thornton Taiyo LLC

B. Continuous audit period

6 years

C. Certified public accountants performing audit work

Kenji Furuta

Tatsuya Yoshinaga

D. Composition of assistants involved in audit work

Assistants who are involved in the accounting audit work of the Company are 5 certified public accountants and 15 others.

E. Policy and reason for selecting accounting auditors

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

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

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

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

Grant Thornton Taiyo LLC received an order of suspension of operations from the Financial Services Agency on December 26, 2023, and a summary of the disciplinary action is as follows:

- a) Target of the disciplinary action  
Grant Thornton Taiyo LLC
- b) Major contents of the disciplinary action  
Suspension of operations related to the conclusion of new contracts for a period of three months from January 1, 2024 to March 31, 2024
- c) Reason for the disciplinary action  
Two certified public accountants, who are partners of the audit firm, failed to exercise due care and certified financial statements that contained material misrepresentations as not containing material misrepresentations.

Regarding the business improvement efforts made by the audit firm in response to the disciplinary action taken by the Financial Services Agency in December 2023, the Audit and Supervisory Committee has concluded that a certain level of progress has been recognized by the FSA and that the audit firm's business improvement report to the FSA has been completed. The Committee also found no items to be pointed out regarding the management system. Furthermore, the Committee also examined the evaluation items for accounting auditors set by the Company and found no significant items to be pointed out. As a result, the Committee concluded that there was no problem with appointing the said audit firm as the accounting auditor.

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

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

iv) Details of audit fees, etc.

A. Remuneration to auditing certified public accountants, etc.

Category	Previous consolidated fiscal year		Consolidated fiscal year under review	
	Fees for audit certification (millions of yen)	Fees for non-audit services (millions of yen)	Fees for audit certification (millions of yen)	Fees for non-audit services (millions of yen)
The Company (reporting company)	28	—	30	—
Consolidated subsidiaries	—	—	—	—
Total	28	—	30	—

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

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

Non-audit services at consolidated subsidiaries are taxation-related services by GRANT THORNTON INDIA LLP for both the previous consolidated fiscal year and the consolidated fiscal year under review.

C. Policy for determining audit fees

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

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

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

(4) Remuneration, etc. for officers

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

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

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

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

Remuneration of a director consists of base remuneration, which is fixed compensation calculated based on his/her position and performance of the previous fiscal year, and restricted stock compensation, which is non-monetary compensation to provide incentives for improving medium- to long-term corporate value. For Outside Directors, base remuneration calculated based only on their positions are paid.

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

a) Base remuneration

i) Amount calculated according to position

ii) Amount calculated according to performance of the previous year

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

b) Non-monetary remuneration (restricted stock compensation)

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

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

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

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

Remuneration of Directors is determined Public by the Board of Directors, within the limit for the amount of remuneration decided at the General Meeting of Shareholders, after deliberation and reporting by the Nomination and Compensation Committee.

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

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

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

During the fiscal year under review, the Nomination and Compensation Committee met five times, on March 13 and April 12, 2024, and January 14 and February 14, 2025, to discuss mainly the matters related to the revision of the base remuneration for each Director and matters related to the revision of the amount of remuneration for Directors.

In response to the report on the matters related to the revision of the base remuneration for each Director, the Board of Directors discussed and resolved the matters at its meeting held on May 30, 2024.

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

Officer category	Amount of remuneration etc. (Millions of yen)	Total amount of remuneration, etc. by type (millions of yen)			Number of eligible officers
		Base remuneration		Restricted stock compensation	
		Position-based remuneration	Performance-linked remuneration		
Director (excluding Directors on Audit and Supervisory Committee, and Outside Directors)	183	137	33	13	5
Director (Audit and Supervisory Committee Member) (excluding Outside Directors))	13	13	—	—	1
Outside Directors	28	28	—	—	4
Total	223	177	33	13	10

- (Notes)
1. Regarding remuneration, etc. of each individual for the fiscal year under review, the Board of Directors has confirmed that the method of determining the content of remuneration, etc. and the content of the determined remuneration, etc. are consistent with the above-mentioned policy and that reports from the Nomination and Compensation Committee are respected, and thus it judged that the remuneration etc. complies with the said policy.
  2. The Audit and Supervisory Committee of the Company has expressed their opinion that remuneration etc., of Directors (excluding Directors who are Audit and Supervisory Committee Members) has been determined by the Board of Directors after deliberation and reporting by the Nomination and Compensation Committee and that the amount of individual remuneration and the process for determining the amount are appropriate.

(5) Information on shareholdings

i) Standards and approach toward classification of investment shares

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

ii) investment shares held for purposes other than pure investment

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

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

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

B. Number of issues and balance sheet amount

	Number of issues	Total balance sheet amount (millions of yen)
Unlisted shares	5	218
Shares other than unlisted shares	4	312

(Note) During the fiscal year under review, an impairment loss of 47 million yen was recognized on unlisted shares.

(Issues whose number of shares increased during the fiscal year under review)

	Number of issues	Total acquisition cost for increased shares (millions of yen)	Reason for increase in number of shares
Unlisted shares	—	—	—
Shares other than unlisted shares	1	63	To maintain and enhance business relationships

(Issues whose number of shares decreased during the fiscal year under review)

Not applicable.

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

Specified investment shares

Issue	Fiscal year under review	Previous fiscal year	Purpose of holding, outline of business partnership, quantitative effects of holding, and reason for the increase in the number of shares (Note 1)	Holding of the Company's shares
	Number of shares	Number of shares		
	Balance sheet amount (Millions of yen)	Balance sheet amount (Millions of yen)		
Nippon Soda Co., Ltd. (Note 2)	40,304	20,152	The Company's Chiba Plant has business relationships with several consolidated subsidiaries of this company for product sales, purchase of subsidiary materials, disposal of waste sulfuric acid, etc. The shareholding is for the purpose of maintaining and enhancing these business relationships.	Yes
	118	124		
Mizuho Financial Group, Inc.	23,600	23,600	The shareholding is for the purpose of maintaining and enhancing the business relationships, mainly for fund procurement both inside and outside Japan, with this company as a major partner financial institution.	Yes
	99	66		
YUSHIRO CHEMICAL INDUSTRY CO., LTD. (Note 3)	30,000	—	The Company has a business relationship with this company for the sale of products. The shareholding is for the purpose of maintaining and enhancing this business relationship.	Yes
	60	—		
Mitsubishi UFJ Financial Group, Inc.	30,000	18,400	The shareholding is for the purpose of maintaining and enhancing the business relationships, mainly for fund procurement both inside and outside Japan, with this company as a major partner financial institution.	Yes
	35	28		

- (Notes) 1. Quantitative effects of holding are not stated as they are difficult to describe. The rationale of holding is verified by the Board of Directors every year according to the method described in B. above.
2. Nippon Soda Co., Ltd. implemented a 2-for-1 stock split of its common stock effective October 1, 2024, with September 30, 2024 as the record date.
3. YUSHIRO CHEMICAL INDUSTRY CO., LTD. changed its name to YUSHIRO INC. on April 1, 2025.

iii) Investment shares held for pure investment purposes

Not applicable.

## V. Financial Information

### 1. Basis of preparation of consolidated and non-consolidated financial statements

- (1) The consolidated financial statements of the Company are prepared in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976).
- (2) The non-consolidated financial statements of the Company are prepared in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963, hereinafter referred to as the “Financial Statement Regulations”).

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

### 2. Audit certification

Pursuant to the provisions of Article 193-2, Paragraph 1, of the Financial Instruments and Exchange Act, the Company is audited by Grant Thornton Taiyo LLC with respect to its consolidated financial statements for the consolidated fiscal year (March 1, 2024 to February 28, 2025) and its non-consolidated financial statements for the fiscal year (March 1, 2024 to February 28, 2025).

### 3. Special efforts to ensure the appropriateness of consolidated financial statements, etc.

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

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

(Millions of yen)

	Previous consolidated fiscal year (as of February 29, 2024)	Consolidated fiscal year under review (February 28, 2025)
<b>Assets</b>		
Current assets		
Cash and deposits	5,636	5,508
Notes receivable - trade	194	113
Electronically recorded monetary claims	1,129	1,126
Accounts receivable - trade	6,618	6,892
Merchandise and finished goods	3,693	4,044
Raw materials and supplies	2,994	3,082
Other	750	511
Allowance for doubtful accounts	(25)	(16)
Total current assets	20,989	21,260
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,077	9,690
Accumulated depreciation	(4,072)	(4,507)
Buildings and structures, net	5,005	5,183
Machinery, equipment and vehicles	11,881	12,264
Accumulated depreciation	(9,568)	(10,124)
Machinery, equipment and vehicles, net	2,313	2,141
Land	1,963	2,528
Leased assets	230	289
Accumulated depreciation	(170)	(189)
Leased assets, net	92	100
Construction in progress	33	27
Other	※ 3 3,356	※ 3 3,505
Accumulated depreciation	(2,914)	(3,069)
Other, net	※ 3 442	※ 3 436
Total property, plant and equipment	10,140	10,414
Intangible assets		
Goodwill	543	543
Leased assets	35	26
Other	650	802
Total intangible assets	1,228	1,372
Investments and other assets		
Investment securities	※ 1 611	※ 1 654
Investments in capital	※ 2 1,940	※ 2 2,280
Deferred tax assets	218	229
Net defined benefit asset	1,700	1,852
Other	228	238
Allowance for doubtful accounts	(1)	(1)
Investment securities	4,695	5,251
Total non-current assets	16,063	17,037
Total assets	37,053	38,297

(Millions of yen)

	Previous consolidated fiscal year (as of February 29, 2024)	Consolidated fiscal year under review (February 28, 2025)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	4,469	4,544
Electronically recorded obligations	439	456
Contract liability	77	48
Short-term borrowings	3,040	3,177
Income taxes payable	268	233
Provision for bonuses	500	537
Other	1,066	1,367
Total current liabilities	9,860	10,362
Non-current liabilities		
Long-term borrowings	3,065	1,940
Net defined benefit liability	543	548
Other	463	438
Total non-current liabilities	4,071	2,926
Total liabilities	13,931	13,288
<b>Net assets</b>		
Shareholders' equity		
Capital stock	2,118	2,118
Capital surplus	1,971	1,972
Retained earnings	14,674	15,273
Treasury shares	(561)	(649)
Total shareholders' equity	18,202	18,714
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	127	145
Foreign currency translation adjustment	1,200	2,210
Remeasurements of defined benefit plans	597	616
Total accumulated other comprehensive income	1,924	2,972
Non-controlling interests	2,996	3,324
Total net assets	23,122	25,009
Total liabilities and net assets	37,053	38,297

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

(Millions of yen)

	Previous consolidated fiscal year (From March 1, 2023 to February 29, 2024)	Consolidated fiscal year under review (From March 1, 2024 to February 28, 2025)
Net sales	※ 1 31,886	※ 1 34,374
Cost of sales	※ 2 22,902	※ 2 24,414
Gross profit	8,984	9,960
Selling, general and administrative expenses	※ 3, ※ 4 7,759	※ 3, ※ 4 8,569
Operating profit	1,225	1,391
Non-operating income		
Interest income	25	38
Dividend income	22	25
Foreign exchange gains	251	97
Share of profit of entities accounted for using equity method	314	221
Subsidy income	—	97
Other	103	69
Total non-operating income	714	547
Non-operating expenses		
Interest expenses	12	67
Loss on retirement of non-current assets	7	1
Amortization of business commencement expenses	67	—
Other	27	49
Total non-operating expenses	113	117
Ordinary profit	1,826	1,821
Extraordinary income		
Gain on bargain purchase	285	—
Total extraordinary income	285	—
Extraordinary losses		
Impairment loss	※ 5 31	※ 5 188
Loss on valuation of investment securities	—	48
Loss on step acquisitions	25	—
Total extraordinary losses	56	236
Profit before income taxes	2,055	1,585
Income taxes - current	534	452
Income taxes - deferred	72	(41)
Total income taxes	606	411
Profit	1,449	1,174
Profit attributable to non-controlling interests	165	161
Profit attributable to owners of parent	1,283	1,013

Consolidated statement of comprehensive income

(Millions of yen)

	Previous consolidated fiscal year (From March 1, 2023 to February 29, 2024)	Consolidated fiscal year under review (From March 1, 2024 to February 28, 2025)
Profit	1,449	1,174
Other comprehensive income		
Valuation difference on available-for-sale securities	60	16
Foreign currency translation adjustment	424	1,102
Remeasurements of defined benefit plans, net of tax	301	23
Share of other comprehensive income of entities accounted for using equity method	31	105
Total other comprehensive income	※ 1 816	※ 1 1,246
Comprehensive income	2,265	2,419
Comprehensive income attributable to		
Owners of parent	1,962	2,060
Non-controlling interests	303	359

iii) Consolidated statement of changes in equity  
Previous consolidated fiscal year (from March 1, 2023 to February 29, 2024)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,118	1,976	13,760	(567)	17,287
Changes during period					
Dividends of surplus			(369)		(369)
Profit attributable to owners of parent			1,283		1,283
Purchase of treasury shares		(0)		6	6
Disposal of treasury shares		(6)			(6)
Net changes in items other than shareholders' equity					
Total changes during period	—	(6)	914	6	914
Balance at end of period	2,118	1,971	14,674	(561)	18,202

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	74	879	293	1,246	2,706	21,240
Changes during period						
Dividends of surplus						(369)
Profit attributable to owners of parent						1,283
Purchase of treasury shares						6
Disposal of treasury shares						(6)
Net changes in items other than shareholders' equity	53	322	304	678	290	968
Total changes during period	53	322	304	678	290	1,883
Balance at end of period	127	1,200	597	1,924	2,996	23,122

Consolidated fiscal year under review (from March 1, 2024 to February 28, 2025)

(Millions of yen)

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

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

## iv) Consolidated statement of cash flows

(Millions of yen)

	Previous consolidated fiscal year (From March 1, 2022 to February 28, 2023)	Consolidated fiscal year under review (From March 1, 2023 to February 29, 2024)
Cash flows from operating activities		
Profit before income taxes	2,055	1,585
Depreciation	1,188	1,295
Impairment loss	31	188
Share of loss (profit) of entities accounted for using equity method	(314)	(221)
Loss (gain) on sale of property, plant and equipment	(9)	(9)
Decrease (increase) in net defined benefit asset	(502)	(157)
Increase (decrease) in provision for bonuses	36	35
Increase (decrease) in allowance for doubtful accounts	3	(9)
Interest and dividend income	(47)	(63)
Interest expenses	12	67
Decrease (increase) in trade receivables	623	165
Decrease (increase) in inventories	44	(142)
Increase (decrease) in trade payables	(430)	(87)
Gain on bargain purchase	(285)	—
Loss (gain) on valuation of investment securities	—	48
Subsidy income	—	(97)
Other	1,133	508
Subtotal	3,538	3,104
Interest and dividends received	126	116
Interest paid	3	(64)
Income taxes paid	(733)	(502)
Amount of subsidies received	—	97
Cash flows from operating activities	2,934	2,751
Cash flows from investing activities		
Net decrease (increase) in time deposits	—	70
Purchase of property, plant and equipment	(2,452)	(969)
Proceeds from sale of property, plant and equipment	41	9
Purchase of intangible assets	(265)	(175)
Purchase of investment securities	(5)	(69)
Payments for transfer of business	※ 2 (1,300)	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	※ 3 (232)	—
Other	(37)	(81)
Cash flows from investing activities	(4,250)	(1,214)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	271	(154)
Proceeds from long-term loans payable	3,536	—
Repayments of long-term borrowings	(575)	(899)
Purchase of treasury shares	—	(100)
Dividends paid	(369)	(414)
Dividends paid to non-controlling interests	(19)	(31)
Other	(25)	(79)
Cash flows from financing activities	2,819	(1,677)
Effect of exchange rate change on cash and cash equivalents	(123)	82
Net increase (decrease) in cash and cash equivalents	1,380	(58)
Cash and cash equivalents at beginning of period	4,186	5,566
Cash and cash equivalents at end of period	※ 1 5,566	※ 1 5,508

## Notes

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

### 1. Scope of consolidation

Number of consolidated subsidiaries: 15

Names of consolidated subsidiaries

MATSUKEN CO., LTD.

MORESCO TECHNO Co., Ltd.

Ethylene Chemical CO., LTD.

Wuxi MoreTex Technology Co., Ltd

MORESCO HANANO DIE-CASTING COATING (SHANGHAI) CO., LTD.

TIANJIN MORESCO TECHNOLOGY CO., LTD.

MORESCO (ZHEJIANG) FUNCTIONAL MATERIAL CO., LTD.

MORESCO TRADING (ZHEJIANG) CO., LTD.

MORESCO (THAILAND) CO., LTD.

MORESCO HOLDING (THAILAND) CO., LTD.

PT. MORESCO INDONESIA

PT. MORESCO MACRO ADHESIVE

MORESCO HM&LUB INDIA PRIVATE LIMITED

MORESCO USA Inc.

CROSS TECHNOLOGIES N.A. INC.

Wuxi MoreTex Technology Co., Ltd. was dissolved through an absorption-type merger with MORESCO (ZHEJIANG) FUNCTIONAL MATERIAL CO., LTD. as the surviving company, effective February 14, 2025.

MORESCO HANANO DIE-CASTING COATING (SHANGHAI) CO., LTD. is undergoing liquidation proceedings as of February 28, 2025.

WUXI MORESCO TRADING CO., LTD., which was a consolidated subsidiary of the Company, was dissolved through an absorption-type merger with MORESCO TRADING (ZHEJIANG) CO., LTD. as the surviving company, effective December 12, 2024, and has therefore been excluded from the scope of consolidation.

### 2. Application of equity method

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

Names of affiliates

Zhangjiagang TEEC Automotive Chemicals Co., Ltd.

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

3. Fiscal years, etc. of consolidated subsidiaries

Among the consolidated subsidiaries,

Wuxi MoreTex Technology Co., Ltd.

MORESCO HANANO DIE-CASTING COATING (SHANGHAI) CO., LTD.

TIANJIN MORESCO TECHNOLOGY CO., LTD.

MORESCO (ZHEJIANG) FUNCTION MATERIAL CO., LTD.

MORESCO TRADING (ZHEJIANG) CO., LTD.

MORESCO (THAILAND) CO., LTD.

MORESCO HOLDING (THAILAND) CO., LTD.

PT. MORESCO INDONESIA

PT. MORESCO MACRO ADHESIVE

MORESCO HM&LUB INDIA PRIVATE LIMITED

MORESCO USA Inc.

CROSS TECHNOLOGIES N.A. INC.

settle their accounts on December 31,

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

4. Information on accounting policies

(1) Standards and methods for evaluating important assets

i) Securities

Available-for-sale securities

Securities other than shares without a market price

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

Shares without a market price

Moving average cost method

ii) Derivatives

Fair value method

iii) Inventories

Mainly gross average cost method

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

(2) Depreciation methods for important depreciable assets

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

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

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

Major useful lives are as follows.

Buildings and structures: 3 to 60 years

Machinery, equipment and vehicles: 4 to 15 years

ii) Intangible assets (excluding leased assets)

The straight-line method is adopted.

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

iii) Leased assets

Leased assets relating to finance lease without transfer of ownership

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

- (3) Accounting standards for important reserves and allowances
  - i) Allowance for doubtful accounts  
In order to prepare for possible losses on uncollectible receivables held, estimated uncollectible amounts are posted: for general receivables, according to the historical percentage of uncollectibles, and for doubtful receivables, considering the probability of collection.
  - ii) Provision for bonuses  
In order to prepare for payment of bonuses to employees, a provision is made based on the estimated bonus payments, which are attributable to the consolidated fiscal year under review.
- (4) Accounting standards for important income and expenses  
The main business of the MORESCO Group is manufacture and sale of chemical products (special lubricants, liquid paraffin & sulfonates, hot melt adhesives, and energy device materials). With regard to sale of such goods and products, the Group determines that control of goods is transferred to customers at the time of delivery. As the period between shipment and delivery is a normal period of time, the Group applies alternative treatment based on importance, etc., and recognizes revenue at the time of shipment of goods and products for inside Japan. For overseas, based on the terms of trade stipulated by Incoterms, etc., the Group determines that control of goods and products is transferred to customers and its performance obligations are satisfied when risks are transferred to customers. Therefore, the Group recognizes revenue at the time of shipment of goods and products in principle.
- (5) Accounting treatment for retirement benefits
  - i) Method to attribute the estimated retirement benefits to the periods  
To calculate retirement benefit obligations, the benefit formula method is adopted as a method to attribute the estimated retirement benefits to the periods up to the end of the consolidated fiscal year under review.
  - ii) Method of amortization of actuarial gains and losses  
The actuarial differences are recognized in the following consolidated fiscal year by the straight-line method over a certain period (mainly 14 years) that are not more than the average remaining service period of employees at the time of the accrual of a difference.
- (6) Standards for translation of important foreign currency-denominated assets or liabilities into Japanese yen  
Foreign currency receivables/payables are translated into Japanese yen using the spot foreign exchange rate on the consolidated closing date, and translation differences are treated as income or loss. The assets and liabilities of subsidiaries overseas are translated into Japanese yen using the spot foreign exchange rate on the closing date; income and expenses are translated into yen using an average market rate during the period, and translation differences are included in "Foreign currency translation adjustment" and "Noncontrolling interests" of the "Net assets".
- (7) Important hedge accounting methods
  - i) Hedge accounting method  
Exceptional accounting is adopted for interest-rate swaps that meet the requirements for exceptional accounting.
  - ii) Means of hedging and hedged items  
Means of hedging: interest-rate swaps  
Hedged items: borrowings
  - iii) Hedging policy  
Hedging is conducted within the range of the target obligations for the purpose of reducing interest rate risks and improving the financial account balance.
  - iv) Method for evaluating the effectiveness of hedges  
The evaluation of hedge effectiveness is omitted for interest-rate swaps for which exceptional accounting is used.
- (8) Method and period of amortization of goodwill  
Goodwill is regularly amortized using the straight-line method over an effective period up to 20 years. However, minor goodwill is entirely amortized all at once.
- (9) Scope of cash and cash equivalents in consolidated statement of cash flows  
Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.
- (10) Accounting principles and procedures that were adopted when relevant accounting standards, etc. were unclear  
Restricted stock compensation system  
Remuneration, etc. paid to directors of the Company based on the Company's restricted stock compensation system is treated as expenses over the applicable service period.

(Important accounting estimates)

1. Valuation of inventories

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

	Previous consolidated fiscal year	Consolidated fiscal year under review
Merchandise and finished goods	3,693	4,044
Raw materials and supplies	2,994	3,082
Cost of sales	(29)	81

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

(2) Information on the details of accounting estimates

i) Calculation method

The balance sheet values of merchandise and finished goods, and raw materials and supplies, are calculated by writing down the book values in response to decreased profitability. If the net sales value or replacement cost of merchandise and finished goods, or raw materials and supplies, is lower than their book value, said net sales value or replacement cost is stated as the carrying value of the consolidated balance sheet. For inventories that fall out of the normal operating cycle, those that have passed a certain period of time or have exceeded a certain turnover period as of the end of the fiscal year are judged as slow-moving stock, excluding those judged to have the potential to be sold as a result of individual examination in light of the future sales prospect based on past sales performance, etc., and the fact of decreased profitability is reflected by using a regular write-down method of book values.

ii) Major assumptions

Calculation of the net sales value or replacement cost of inventories is based on the actual result of sales or purchases before the final date of the consolidated fiscal year. The net sales value or replacement cost of inventories that have not been sold or purchased for a certain period of time is estimated considering past sales or purchase records. The sales potential of slow-moving stock is examined individually in light of the future sales prospect based on past sales performance, etc.

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

If the net sales value or replacement cost significantly declines due to changes in the market environment, it may have a serious impact on income of the following consolidated fiscal year.

2. Impairment losses on non-current assets

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

	Previous consolidated fiscal year	Consolidated fiscal year under review
Property, plant and equipment	10,140	10,414
Intangible assets	1,228	1,372
Impairment loss	31	188

(2) Information on the details of accounting estimates

i) Calculation method

The Company classified assets into the smallest cash-generating groups. For the asset groups that may be impaired, if the total amount of cash before discount that would be received from such asset groups is lower than their book value, the book value is reduced to the recoverable amount, and the reduced amount is recorded as an impairment loss.

ii) Major assumptions

The future cash to be generated from continuous use of asset groups are estimated based on the business plan approved by the Board of Directors. Major assumption in these estimates is sales forecast, which is made based on the market trends, recent business performance, etc.

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

If the estimated future cash flows significantly decline due to deterioration of the business environment, etc., it may have a serious impact on income of the following consolidated fiscal year.

(Changes in accounting policies)

Not applicable

(Accounting standards not yet applied)

- “Accounting Standard for Current Income Taxes, etc.” (ASBJ Statement No. 27, October 28, 2022)
  - “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, October 28, 2022)
  - “Implementation Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022)
- (1) Outline  
These standards determine the classification for income taxes, etc. when levied on other comprehensive income, as well as the tax effect treatment related to the sales of shares in subsidiaries, etc. when a group taxation regime is applied.
  - (2) Scheduled date of application  
To be applied from the beginning of the fiscal year ending February 2026.
  - (3) Impact of the application of the accounting standard, etc.  
Application of the “Accounting Standard for Current Income Taxes, etc.” has no impact on the consolidated financial statements.
- 
- “Accounting Standard for Leases” (ASBJ Statement No. 34, September 13, 2024)
  - “Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33, September 13, 2024)
- Other amendments to related Accounting Standards, Implementation Guidance, Practical Solutions, and Transferred Guidance
- (1) Outline  
Similar to international accounting standards, these standards establish treatments such as recognizing assets and liabilities for all leases by the lessee.
  - (2) Scheduled date of application  
To be applied from the beginning of the fiscal year ending February 2029.
  - (3) Impact of the application of the accounting standard, etc.  
The level of impact on the consolidated financial statements of application of the “Accounting Standard for Leases,” etc. is currently being evaluated.

(Changes in presentation)

(Consolidated balance sheet)

“Electronically recorded monetary claims,” which was included in “Notes receivable - trade” under “Current assets” in the previous consolidated fiscal year, has been presented separately from the consolidated fiscal year under review to improve clarity of presentation. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, 1,324 million yen previously presented for “Notes receivable - trade” under “Current assets” in the consolidated balance sheet for the previous fiscal year has been reclassified as “Notes receivable - trade” of 194 million yen and “Electronically recorded monetary claims” of 1,129 million yen.

In accordance with the separate presentation above, “Electronically recorded monetary claims” for the previous consolidated fiscal year is also presented separately in Notes (Financial instruments) “2. Fair value, etc. of financial instruments” and “3. Matters relating to breakdown, etc. of fair values of financial instruments by level.”

“Electronically recorded obligations,” which was included in “Notes and accounts payable - trade” under “Current liabilities” in the previous consolidated fiscal year, has been presented separately from the consolidated fiscal year under review to improve clarity of presentation. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, 4,908 million yen previously presented for “Notes and accounts payable - trade” under “Current liabilities” in the consolidated balance sheet for the previous fiscal year has been reclassified as “Notes and accounts payable - trade” of 4,469 million yen and “Electronically recorded obligations” of 439 million yen.

(Consolidated balance sheet)

\*1 Investments in unconsolidated subsidiaries are as follows.

	Previous consolidated fiscal year (as of February 29, 2024)	Consolidated fiscal year under review (February 28, 2025)
Investment securities (stocks)	3million yen	3million yen

\*2 Investments in affiliates are as follows.

	Previous consolidated fiscal year (as of February 29, 2024)	Consolidated fiscal year under review (February 28, 2025)
Investments in capital	2,077million yen	2,279million yen

\*3 Reduction entry

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

	Previous consolidated fiscal year (as of February 29, 2024)	Consolidated fiscal year under review (February 28, 2025)
Property, plant and equipment; Other	11million yen	11million yen

(Consolidated statement of income)

\*1 Revenue arising from contracts with customers

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

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

Previous consolidated fiscal year (From March 1, 2023 to February 29, 2024)	Consolidated fiscal year under review (From March 1, 2024 to February 28, 2025)
(29) million yen	(81)million yen)

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

	Previous consolidated fiscal year (From March 1, 2023 to February 29, 2024)	Consolidated fiscal year under review (From March 1, 2024 to February 28, 2025)
Salaries	2,162million yen	2,374million yen
Provision for bonuses	283	317
Retirement benefit expenses	199	92
Provision of allowance for doubtful accounts	(3)	(2)
Depreciation	434	473
Freightage expenses	905	945

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

Previous consolidated fiscal year (From March 1, 2023 to February 29, 2024)	Consolidated fiscal year under review (From March 1, 2024 to February 28, 2025)
1,321million yen	1,599million yen

\*5 Impairment loss

Previous consolidated fiscal year (From March 1, 2023 to February 29, 2024)

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

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

Location	Use	Type	Amount of the impairment loss
Head Office	R&D assets	Buildings, tools, furniture and fixtures, and software	31 million yen

(ii) Background leading to recognition of the impairment loss

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

(iii) Method of asset grouping

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

(iv) Calculation method of recoverable amount

The recoverable amount for measuring impairment losses is calculated based on the value in use, and the value in use is calculated to be zero.

(v) Amount of impairment loss

The impairment loss of 31 million yen is recorded as an extraordinary loss, and the breakdown is as follows.

Buildings	3 million yen
Tools, furniture and fixtures	25 million yen
Software	3 million yen
Total	31 million yen

Consolidated fiscal year under review (From March 1, 2024 to February 28, 2025)

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

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

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

(ii) Background leading to recognition of the impairment loss

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

(iii) Method of asset grouping

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

(iv) Calculation method of recoverable amount

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

(v) Amount of impairment loss

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

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

(Consolidated statement of comprehensive income)

\*1 Reclassification adjustments and tax effects relating to other comprehensive income

	Previous consolidated fiscal year (From March 1, 2023 to February 29, 2024)	Consolidated fiscal year under review (From March 1, 2024 to February 28, 2025)
Valuation difference on available-for-sale securities:		
Amount arising during the period	86million yen	22million yen
Reclassification adjustments	—	—
Before tax-effect adjustment	86	22
Amount of tax effects	(25)	(7)
Valuation difference on available-for-sale securities	60	16
Foreign currency translation adjustment:		
Amount arising during the period	424	1,102
Reclassification adjustments	—	—
Before tax-effect adjustment	424	1,102
Amount of tax effects	—	—
Foreign currency translation adjustment	424	1,102
Remeasurements of defined benefit plans:		
Amount arising during the period	450	103
Reclassification adjustments	(15)	(71)
Before tax-effect adjustment	435	32
Amount of tax effects	(133)	(9)
Remeasurements of defined benefit plans, net of tax	301	23
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising during the period	31	105
Reclassification adjustments	—	—
Share of other comprehensive income of entities accounted for using equity method	31	105
Total other comprehensive income	816	1,246

(Consolidated statement of changes in equity)

Previous consolidated fiscal year (from March 1, 2023 to February 29, 2024)

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

	Shares at the beginning of period	Increase during period	Decrease during period	Shares at the end of period
Issued shares				
Common shares	9,696,500	—	—	9,696,500
Total	9,696,500	—	—	9,696,500
Treasury shares				
Common shares (Note)	468,970	—	5,250	463,720
Total	468,970	—	5,250	463,720

(Note) The breakdown of the increase and decrease in the number of treasury shares is as follows:

Decrease due to disposal of treasury shares as restricted stock compensation: 5,250 shares

2. Share acquisition rights and treasury share acquisition rights

Not applicable.

3. Dividends

(1) Amount of dividends paid

Resolution	Types of shares	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on May 30, 2023	Common shares	185	20.00	February 28, 2023	May 31, 2023
Board of Directors meeting on October 12, 2023	Common shares	185	20.00	August 31, 2023	November 13, 2023

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

Resolution	Types of shares	Source of dividend	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on May 30, 2024	Common shares	Retained earnings	231	25.00	February 29, 2024	May 31, 2024

Consolidated fiscal year under review (from March 1, 2024 to February 28, 2025)

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

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

(Note) The breakdown of the increase and decrease in the number of treasury shares is as follows:

Increase due to acquisition of treasury shares based on the resolution of the Board of Directors on February 21, 2024: 71,600 shares

Increase due to purchase of shares less than one unit: 80 shares

Decrease due to disposal of treasury shares as restricted stock compensation: 9,590 shares

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

3. Dividends

(1) Amount of dividends paid

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

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

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

## (Consolidated statement of cash flows)

## \*1 Reconciliation of cash and cash equivalents at end of period and the amount recorded in the consolidated balance sheet

	Previous consolidated fiscal year (From March 1, 2023 to February 29, 2024)	Consolidated fiscal year under review (From March 1, 2024 to February 28, 2025)
Cash and deposits	5,636million yen	5,508million yen
Time deposits with maturities of more than three months	(70)	—
Cash and cash equivalents	5,566	5,508

## \*2 Major components of assets and liabilities related to transfer of business in exchange for cash and cash equivalents

Previous consolidated fiscal year (from March 1, 2023 to February 29, 2024)

In connection with the acquisition of business of CROSS TECHNOLOGIES GROUP, INC. by MORESCO USA Inc., a consolidated subsidiary, the acquisition price of assets and liabilities and net payments for the business acquisition are as follows.

Current assets	410 million yen
Non-current assets	406
Goodwill	565
Current liabilities	(81)
Business acquisition price	1,300
Cash and cash equivalents	—
Payments for transfer of business	1,300

Consolidated fiscal year under review (from March 1, 2024 to February 28, 2025)

Not applicable

## \*3 Major components of assets and liabilities of companies that became new consolidated subsidiaries through the acquisition of equity interests

Previous consolidated fiscal year (from March 1, 2023 to February 29, 2024)

Wuxi MoreTex Technology Co., Ltd. was newly consolidated due to the acquisition of equity interests. The breakdown of assets and liabilities at the time of the consolidation and the relationship between the acquisition price and the net payments for the acquisition are as follows.

Current assets	1,595 million yen
Current liabilities	(314)
Non-current liabilities	(72)
Gain on bargain purchase	(285)
Acquisition price of equity interests	925
Loss on step acquisitions	34
Acquisition cost until control is obtained	(497)
Cash and cash equivalents	(231)
Payments for transfer of business	232

Consolidated fiscal year under review (from March 1, 2024 to February 28, 2025)

Not applicable

(Leases)

(Borrower side)

1. Finance lease transactions

Finance lease transactions without transfer of ownership

i) Details of leased assets

Vehicles, tools, furniture and fixtures, and software

ii) Depreciation method of leased assets

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

2. Operating lease transactions

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

(Millions of yen)

	Previous consolidated fiscal year (as of February 29, 2024)	Consolidated fiscal year under review (February 28, 2025)
Due within one year	39	39
Due after one year	155	116
Total	194	155

(Financial instruments)

1. Overview of financial instruments

(1) Policy to manage financial instruments

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

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

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

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

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

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

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

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

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

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

2. Fair value, etc. of financial instruments

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

	Previous consolidated fiscal year (as of February 29, 2024)		
	Balance sheet amount (*1) (Millions of yen)	Fair value (*1) (Millions of yen)	Difference (Millions of yen)
i) Notes receivable - trade	194		
ii) Electronically recorded monetary claims	1,129		
iii) Accounts receivable - trade	6,618		
Allowance for doubtful accounts (*3)	(25)		
	7,917	7,917	—
iv) Investment securities			
Available-for-sale securities	343	343	—
v) Long-term borrowings (including current portion)	(3,795)	(3,764)	(31)

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

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

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

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

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

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

(Millions of yen)

Category	Previous consolidated fiscal year (as of February 29, 2024)	Consolidated fiscal year under review (February 28, 2025)
Unlisted shares	265	218
Shares of affiliated companies	3	3
Investments in capital	1,940	2,280

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

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

	Previous consolidated fiscal year (as of February 29, 2024)			
	Due within 1 year (Millions of yen)	Due after 1 year but within 5 years (Millions of yen)	Due after 5 years but within 10 years (Millions of yen)	Due after 10 years (Millions of yen)
Cash and deposits	5,636	—	—	—
Notes receivable - trade	194	—	—	—
Electronically recorded monetary claims	1,129	—	—	—
Accounts receivable - trade	6,618	—	—	—
Total	13,577	—	—	—

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

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

	Previous consolidated fiscal year (as of February 29, 2024)					
	Due within 1 year (Millions of yen)	Due after 1 year but within 2 years (Millions of yen)	Due after 2 years but within 3 years (Millions of yen)	Due after 3 years but within 4 years (Millions of yen)	Due after 4 years but within 5 years (Millions of yen)	Due after 5 years (Millions of yen)
Short-term borrowings	2,310	—	—	—	—	—
Long-term borrowings	730	979	979	660	385	62
Total	3,040	979	979	660	385	62

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

3. Matters relating to breakdown, etc. of fair values of financial instruments by level  
fair values of financial instruments are classified into the following three levels based on the observability and materiality of inputs used to calculate fair values.

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

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

Level 3 fair value: Fair value calculated using unobservable inputs

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

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

Previous consolidated fiscal year (as of February 29, 2024)

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities Available-for-sale securities	343	—	—	343
Total assets	343	—	—	343

Consolidated fiscal year under review (as of February 28, 2025)

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

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

Previous consolidated fiscal year (as of February 29, 2024)

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Notes receivable - trade	—	194	—	194
Electronically recorded monetary claims	—	1,129	—	1,129
Accounts receivable - trade	—	6,618	—	6,618
Allowance for doubtful accounts	—	(25)	—	(25)
Total assets	—	7,917	—	7,917
Long-term borrowings (including current portion)	—	3,764	—	3,764
Total liabilities	—	3,764	—	3,764

Consolidated fiscal year under review (as of February 28, 2025)

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

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

- i) Notes receivable, electronically recorded monetary claims, and accounts receivable  
Since these are settled in a short period of time, their fair value reflects the credit risk by deducting the allowance for doubtful accounts. It is classified as Level 2 fair value.
- ii) Investment securities  
For investment securities, listed shares are valued using quoted prices. Since listed shares are traded in active markets, their fair value is classified as Level 1 fair value.
- iii) Long-term borrowings  
The fair value of long-term borrowings is calculated by discounting the total amount of principal and interest by the assumed interest rate that would be applied when new borrowings are conducted. It is classified as Level 2 fair value.
- iv) Derivative transactions  
The fair value of derivative transactions are calculated based on the prices, etc. presented by relevant financial institutions, etc. It is classified as Level 2 fair value.

## (Securities)

## 1. Available-for-sale securities

Previous consolidated fiscal year (as of February 29, 2024)

	Type	Balance sheet amount (Millions of yen)	Acquisition price (Millions of yen)	Difference (Millions of yen)
Securities whose B/S amount exceeds their acquisition price	(1) Stocks	342	141	201
	(2) Bonds			
	i) National/local government bonds	—	—	—
	ii) Corporate bonds	—	—	—
	iii) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	342	141	201
Securities whose B/S amount does not exceed their acquisition price	(1) Stocks	0	1	(0)
	(2) Bonds			
	i) National/local government bonds	—	—	—
	ii) Corporate bonds	—	—	—
	iii) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	0	1	(0)
Total		343	142	201

(Note) Unlisted shares (consolidated balance sheet amount: 265 million yen) are not included in the above table because they are shares without a market price.

Consolidated fiscal year under review (as of February 28, 2025)

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

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

2. Available-for-sale securities sold

Previous consolidated fiscal year (From March 1, 2023 to February 29, 2024)

Not applicable.

Consolidated fiscal year under review (From March 1, 2024 to February 28, 2025)

Not applicable.

3. Available-for-sale securities impaired

Previous consolidated fiscal year (From March 1, 2023 to February 29, 2024)

Not applicable.

Consolidated fiscal year under review (From March 1, 2024 to February 28, 2025)

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

(Derivative transactions)

1. Derivative transactions for which hedge accounting is not applied  
Currency-related  
Previous consolidated fiscal year (as of February 29, 2024)  
Not applicable.

Consolidated fiscal year under review (as of February 28, 2025)

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

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

(Retirement benefits)

1. Outline of adopted retirement benefit plans

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

2. Defined-benefit plan

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

	Previous consolidated fiscal year (From March 1, 2023 to February 29, 2024)	Consolidated fiscal year under review (From March 1, 2024 to February 28, 2025)
Retirement benefit obligations at the beginning of the period	2,892 <sup>million</sup> yen	2,924 <sup>million</sup> yen
Service cost	210	207
Interest cost	33	35
Actuarial gains and losses generated	(80)	(141)
Retirement benefits paid	(131)	(108)
Retirement benefit obligations at the end of the period	2,924	2,917

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

	Previous consolidated fiscal year (From March 1, 2023 to February 29, 2024)	Consolidated fiscal year under review (From March 1, 2024 to February 28, 2025)
Pension assets at the beginning of the period	3,665 <sup>million</sup> yen	4,198 <sup>million</sup> yen
Expected return	92	105
Actuarial gains and losses generated	394	(39)
Contribution from employers	158	154
Retirement benefits paid	(110)	(68)
Pension assets at the end of the period	4,198	4,351

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

	Previous consolidated fiscal year (From March 1, 2023 to February 29, 2024)	Consolidated fiscal year under review (From March 1, 2024 to February 28, 2025)
Net defined benefit liability at the beginning of the period	111 <sup>million</sup> yen	117 <sup>million</sup> yen
Retirement benefit expenses	18	17
Retirement benefits paid	(12)	(4)
Net defined benefit liability at the end of the period	117	131

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

	Previous consolidated fiscal year (as of February 29, 2024)	Consolidated fiscal year under review (February 28, 2025)
Retirement benefit obligations for funded plans	2,498 <sup>million</sup> yen	2,500 <sup>million</sup> yen
Pension assets	(4,198)	(4,351)
	(1,700)	(1,852)
Retirement benefit obligations for unfunded plans	543	548
Net defined liability and asset reported on the consolidated balance sheet	(1,157)	(1,304)
Net defined benefit liability	543	548
Net defined benefit asset	(1,700)	(1,852)
Net defined liability and asset reported on the consolidated balance sheet	(1,157)	(1,304)

(5) The amounts of components of retirement benefit expenses

	Previous consolidated fiscal year (From March 1, 2023 to February 29, 2024)	Consolidated fiscal year under review (From March 1, 2024 to February 28, 2025)
Service cost	210 <sup>million</sup> yen	207 <sup>million</sup> yen
Interest cost	33	35
Expected return	(92)	(105)
Amortization of actuarial gains and losses	(39)	(71)
Retirement benefit expenses calculated using the simplified method	18	17
Retirement benefit expenses related to defined benefit plan	131	84

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

	Previous consolidated fiscal year (From March 1, 2022 to February 28, 2023)	Consolidated fiscal year under review (From March 1, 2023 to February 29, 2024)
Actuarial gains and losses	435 <sup>million</sup> yen	32 <sup>million</sup> yen

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

	Previous consolidated fiscal year (as of February 29, 2024)	Consolidated fiscal year under review (February 28, 2025)
Unrecognized actuarial gains and losses	858 <sup>million</sup> yen	890 <sup>million</sup> yen

(8) Pension assets

i) Major components of pension assets

Ratio of each major component of pension assets is as follows:

	Previous consolidated fiscal year (as of February 29, 2024)	Consolidated fiscal year under review (February 28, 2025)
Bonds	62.0%	63.2%
Stocks	35.3	34.2
Other	2.7	2.6
Total	100.0	100.0

ii) Method of setting the long-term expected return rate

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

(9) Actuarial assumptions used  
Principal actuarial assumptions

	Previous consolidated fiscal year (as of February 29, 2024)	Consolidated fiscal year under review (February 28, 2025)
Discount rate	Mainly 1.2%	Mainly 1.7%
Long-term expected return rate	2.5%	2.5%
Expected salary increase rate	Mainly 2.8%	Mainly 2.8%

3. Defined contribution plans

The required amounts of contribution to the defined contribution plans of the Company and its consolidated subsidiaries were 43 million yen for the previous fiscal year (from March 1, 2023 to February 29, 2024) and 43 million yen for the consolidated fiscal year under review (from March 1, 2024 to February 28, 2025).

(Stock options)

Not applicable

(Tax effect accounting)

1. Major components of deferred tax assets and liabilities

	Previous consolidated fiscal year (as of February 29, 2024)	Consolidated fiscal year under review (February 28, 2025)
Deferred tax assets		
Asset adjustment account	167 <sup>million</sup> yen	175 <sup>million</sup> yen
Provision for bonuses	149	154
Net defined benefit liability	155	160
Deferred assets	—	22
Impairment loss	18	72
Loss on valuation of investment securities	6	21
Tax loss carried forward (Note 1)	435	457
Enterprise tax payable	13	19
Other	25	68
Subtotal deferred tax assets	967	1,147
Valuation allowance for tax loss carried forward (Note 1)	(383)	(409)
Valuation allowance for the sum of deductible temporary differences, etc.	(136)	(153)
Subtotal valuation allowance	(519)	(562)
Total deferred tax assets	449	586
Deferred tax liabilities		
Reserve for reduction entry of replaced property	(6)	(6)
Net defined benefit asset	(255)	(300)
Retained profit	(241)	(273)
Other	(84)	(97)
Total deferred tax liabilities	(587)	(676)
Net deferred tax assets (liabilities)	(138)	(90)

(Changes in presentation)

“Impairment loss” and “Loss on valuation of investment securities” included in “Other” under deferred tax assets in Notes for the previous consolidated fiscal year have been presented independently as their materiality has increased. To reflect this change in presentation, Notes for the previous fiscal year have been reclassified.

As a result, 49 million yen presented for “Other” under deferred tax assets in Notes for the previous fiscal year has been reclassified as “Impairment loss” of 18 million yen, “Loss on valuation of investment securities” of 6 million yen, and “Other” of 25 million yen.

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

Previous consolidated fiscal year (as of February 29, 2024)							
	Due within 1 year (Millions of yen)	Due after 1 year but within 2 years (Millions of yen)	Due after 2 years but within 3 years (Millions of yen)	Due after 3 years but within 4 years (Millions of yen)	Due after 4 years but within 5 years (Millions of yen)	Due after 5 years (Millions of yen)	Total (Millions of yen)
Tax loss carried forward (*1)	6	0	0	37	104	287	435
Valuation allowance	(6)	(0)	(0)	(37)	(79)	(260)	(383)
Deferred tax assets	—	—	—	—	25	27	52

(\*1) Tax loss carried forward represents the amount after being multiplied by the statutory tax rate.

Consolidated fiscal year under review (as of February 28, 2025)

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

(\*2) Tax loss carried forward represents the amount after being multiplied by the statutory tax rate.

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

	Previous consolidated fiscal year (as of February 29, 2024)	Consolidated fiscal year under review (February 28, 2025)
Deferred tax assets - non-current assets	218 <sup>million</sup> yen	229 <sup>million</sup> yen
Other - non-current liabilities	(356)	(319)

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

	Previous consolidated fiscal year (as of February 29, 2024)	Consolidated fiscal year under review (February 28, 2025)
Statutory tax rate		30.6%
(Adjustments)		
Entertainment expenses and other items that are permanently excluded from deductible expenses		1.1
Dividend income and other items that are permanently excluded from taxable income		(6.9)
Special deduction for income tax	Description is omitted because the difference between the statutory tax rate and the effective income tax rate after application of tax effect accounting is 5/100 or lower.	(4.6)
Per capita resident tax		0.6
Changes in valuation allowance		2.7
Difference in effective tax rate with consolidated subsidiaries		(4.0)
Share of profit of entities accounted for using the equity method		(4.7)
Elimination of dividend income from consolidated subsidiaries		8.3
Amortization of goodwill		1.1
Other		1.7
Effective income tax rate after application of tax effect accounting		25.9

3. Changes in income tax rate after the account closing date

The FY2025 Tax Reform Act (amendments to national and local taxes) was promulgated on March 31, 2025, under which a special defense corporate tax is scheduled to be established. Accordingly, for temporary differences expected to be resolved in a consolidated fiscal year beginning on or after March 1, 2027, the statutory effective tax rate to be used to calculate deferred tax assets and deferred tax liabilities will change from 30.6% to 31.5%.

The impact of this tax rate change on the consolidated financial statements is immaterial.

(Business combinations, etc.)

(Accounting treatment for contingent consideration in business combinations)

As the amount of contingent consideration for the business transfer from CROSS TECHNOLOGIES GROUP, INC., which took place on October 20, 2023, was finalized during the consolidated fiscal year under review, the adjustment to the consideration was deemed to have been incurred as acquisition cost at the time of the acquisition, and additional goodwill was recognized.

- |   |  |
|---|--|
| 1. Additionally recognized acquisition cost (amount of goodwill recognized) | 6 million yen  |
| 2. Amortization of additionally recognized goodwill                         | 1 million yen  |
| 3. Amortization method and amortization period                              | Straight-line amortization over a period of 12 years |

(Asset retirement obligations)

Description is omitted due to its low materiality.

(Investment property)

Description is omitted due to its low materiality.

(Revenue recognition)

1. Information regarding disaggregated revenue arising from contracts with customers

“Synthetic Lubricants,” which was previously included in the “Other” category, has been reclassified into the “Special Lubricants” category from the consolidated fiscal year under review following the organizational change.

In line with this change, it has also been reclassified and presented in the category after change for the previous consolidated fiscal year.

Previous consolidated fiscal year (From March 1, 2023 to February 29, 2024)

(Millions of yen)

Category	Reported segment				Total
	Japan	China	Southeast/South Asia	North America	
Special Lubricants	10,651	2,556	3,162	1,215	17,584
Hot melt adhesives	4,414	770	3,204	42	8,430
Other	4,899	210	371	127	5,608
Revenue arising from contracts with customers	19,964	3,536	6,737	1,384	31,621
Other revenue	265	—	—	—	265
Revenues from external customers	20,229	3,536	6,737	1,384	31,886

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

Consolidated fiscal year under review (From March 1, 2024 to February 28, 2025)

(Millions of yen)

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

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

2. Useful information in understanding revenue

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

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

Previous consolidated fiscal year (From March 1, 2023 to February 29, 2024)

- i) Balance, etc. of contract liabilities

(Millions of yen)

	Consolidated fiscal year under review
Receivables arising from contracts with customers (balance at the beginning of the year)	7,595
Receivables arising from contracts with customers (balance at the end of the year)	7,942
Contract liabilities (balance at the beginning of the year)	94
Contract liabilities (balance at the end of the year)	77

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

Of the amount of revenue recognized in the fiscal year under review, the amount included in the balance of contract liabilities at the beginning of the fiscal year was 94 million yen.

The reason for the decrease of 17 million yen in contract liabilities in the consolidated fiscal year under review is due to a decrease in advances received.

- ii) Transaction prices allocated to remaining performance obligations

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

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

Consolidated fiscal year under review (From March 1, 2024 to February 28, 2025)

- i) Balance, etc. of contract liabilities

(Millions of yen)

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

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

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

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

- ii) Transaction prices allocated to remaining performance obligations

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

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

(Segment Information, etc.)

Segment information

1. Outline of the reported segments

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

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

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

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

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

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

Intersegment sales or transfers are based on prevailing market prices.

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

Previous consolidated fiscal year (From March 1, 2023 to February 29, 2024)

(Millions of yen)

	Reported segment					Adjustments (Notes) 1, 2	Consolidated total (Note 3)
	Japan	China	Southeast/South Asia	North America	Total		
Net sales							
Revenues from external customers	20,229	3,536	6,737	1,384	31,886	—	31,886
Intersegment sales or transfers	1,491	420	47	8	1,966	(1,966)	—
Total	21,720	3,956	6,784	1,392	33,852	(1,966)	31,886
Segment profit	586	118	309	181	1,194	31	1,225
Segment assets	23,817	7,340	6,788	2,522	40,466	(3,414)	37,053
Other items							
Depreciation	686	142	230	23	1,080	—	1,080
Amortization of goodwill	76	—	—	7	83	—	83
Investment in equity method affiliates	1,939	—	—	—	1,939	—	1,939
Increase in property, plant and equipment, and intangible assets	475	1,510	187	1,054	3,226	—	3,226

- (Notes) 1. Adjustments to segment profit of 31 million yen include 2 million yen for elimination of intersegment transactions, 28 million yen for adjustment of inventories and 0 million yen for adjustment of allowance for doubtful accounts.
2. Adjustments to segment assets of -3,414 million yen include -4,807 million yen for intersegment elimination and 1,393 million yen for company-wide assets. Company-wide assets refer to the Company's financial assets (cash and deposits, and investment securities) that do not belong to reporting segments.
3. Segment profit has been adjusted for alongside operating profit on the consolidated financial statements.
4. Information concerning impairment loss on non-current assets or goodwill, etc. for each reported segment  
(Significant impairment losses on non-current assets)  
In the "Japan" segment, an impairment loss of 31 million yen is recorded for assets with no prospect of recovery in the future.

Consolidated fiscal year under review (From March 1, 2024 to February 28, 2025)

(Millions of yen)

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

- (Notes) 1. Adjustments to segment profit of -20 million yen include 0 million yen for elimination of intersegment transactions, -20 million yen for adjustment of inventories and -1 million yen for adjustment of allowance for doubtful accounts.
2. Adjustments to segment assets of -3,315 million yen include -4,051 million yen for intersegment elimination and 737 million yen for company-wide assets. Company-wide assets refer to the Company's financial assets (cash and deposits, and investment securities) that do not belong to reporting segments.
3. Segment profit has been adjusted for alongside operating profit on the consolidated financial statements.
4. Information concerning impairment loss on non-current assets or goodwill, etc. for each reported segment  
(Significant impairment losses on non-current assets)  
In the "Japan" segment, an impairment loss of 188 million yen is recorded for assets with no prospect of recovery in the future.

Information associated with reported segments

Previous consolidated fiscal year (From March 1, 2023 to February 29, 2024)

1. Information for each product or service

	Special Lubricants	Liquid Paraffin & Sulfonates	Hot melt adhesives	Energy device materials	Other chemical products	Total
Revenues from external customers	17,584	3,909	8,430	200	1,764	31,886

2. Information for each region

(1) Net sales

(Millions of yen)

Japan	China	Asia (excluding China)		North America	Other	Total
			Indonesia			
18,940	3,646	7,512	3,418	1,599	189	31,886

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

(2) Property, plant and equipment

(Millions of yen)

Japan	China	Asia (excluding China)	North America	Total
5,566	2,491	1,590	494	10,140

3. Information for each of main customers

(Millions of yen)

Name	Net sales	Relevant segment
Matsumura Oil Co., Ltd.	5,124	Japan

Consolidated fiscal year under review (From March 1, 2024 to February 28, 2025)

1. Information for each product or service

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

(Note) “Synthetic Lubricants,” which was previously presented independently, has been reclassified into the “Special Lubricants” from the consolidated fiscal year under review following the organizational change.

In line with this change, it has also been reclassified and presented in the category after change for the previous consolidated fiscal year.

2. Information for each region

(1) Net sales

(Millions of yen)

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

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

(2) Property, plant and equipment

(Millions of yen)

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

## 3. Information for each of main customers

(Millions of yen)

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

Disclosure of impairment loss on non-current assets for each reported segment  
Previous consolidated fiscal year (From March 1, 2023 to February 29, 2024)

(Millions of yen)

	Japan	China	Southeast/South Asia	North America	Total
Impairment loss	31	—	—	—	31

Consolidated fiscal year under review (From March 1, 2024 to February 28, 2025)

(Millions of yen)

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

Amortization and unamortized balance of goodwill for each reported segment  
Previous consolidated fiscal year (From March 1, 2023 to February 29, 2024)

(Millions of yen)

	Japan	China	Southeast/South Asia	North America	Total
Amortization of goodwill	76	—	—	7	83
Balance at end of period	16	—	—	527	543

Consolidated fiscal year under review (From March 1, 2024 to February 28, 2025)

(Millions of yen)

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

Information about gain on bargain purchase for each reported segment

Previous consolidated fiscal year (From March 1, 2023 to February 29, 2024)

In the “China” segment, gain on bargain purchase was recognized due to the Company’s acquisition of additional equity in investment of Wuxi MoreTex Technology Co., Ltd., which was an equity method affiliate, to make it a subsidiary. The amount of gain on bargain purchase recorded with respect to this matter is 285 million yen. Please note that gain on bargain purchase is not included in segment profit as it is extraordinary income.

Consolidated fiscal year under review (From March 1, 2024 to February 28, 2025)

Not applicable.

#### Related parties

##### 1. Transactions with related parties

Transactions of the Company with related parties

Parent company and major shareholders, etc. of the Company

Previous consolidated fiscal year (From March 1, 2023 to February 29, 2024)

Type	Name	Location	Capital (Millions of yen)	Business	Holding (held) ratio of voting rights (%)	Relation	Transactions	Amount (Millions of yen)	Account item	Year-end balance (Millions of yen)
Major shareholder	Matsumura Oil Co., Ltd.	Kita-ku, Osaka	70	Manufacture and sale of industrial lubricants, etc.	(Holding) Direct 2.1 (Held) Direct 11.5	Sales of the Company’s products and purchase of materials	Sales of products (Note 1)	5,029	Accounts receivable - trade	1,309

(Note 1) Transaction terms and policies to determine them

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

Consolidated fiscal year under review (From March 1, 2024 to February 28, 2025)

Type	Name	Location	Capital (Millions of yen)	Business	Holding (held) ratio of voting rights (%)	Relation	Transactions	Amount (Millions of yen)	Account item	Year-end balance (Millions of yen)
Major shareholder	Matsumura Oil Co., Ltd.	Kita-ku, Osaka	70	Manufacture and sale of industrial lubricants, etc.	(Holding) Direct 2.1 (Held) Direct 11.6	Sales of the Company’s products and purchase of materials	Sales of products (Note 1)	5,040	Accounts receivable - trade	1,313

(Note 1) Transaction terms and policies to determine them

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

(Per-share information)

	Previous consolidated fiscal year (From March 1, 2023 to February 29, 2024)	Consolidated fiscal year under review (From March 1, 2024 to February 28, 2025)
Net assets per share	2,179.85	2,364.63
Earnings per share	139.01	110.47
Diluted earnings per share	Not provided because there are no dilutive shares.	Not provided because there are no dilutive shares.

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

	Previous consolidated fiscal year (From March 1, 2023 to February 29, 2024)	Consolidated fiscal year under review (From March 1, 2024 to February 28, 2025)
Profit attributable to owners of parent (millions of yen)	1,283	1,013
Amount not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent pertaining to common stock (Millions of yen)	1,283	1,013
Average number of shares of common stock outstanding during the period (Shares)	9,231,073	9,170,545

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

	Previous consolidated fiscal year (as of February 29, 2024)	Consolidated fiscal year under review (February 28, 2025)
Total net assets (Millions of yen)	23,122	25,009
Amount deducted from total net assets (Millions of yen)	2,996	3,324
(Of which, non-controlling interests (Millions of yen))	(2,996)	(3,324)
Net assets at the end of the fiscal year related to common shares (Millions of yen)	20,126	21,685
The number of common shares at the end of the fiscal year used to calculate net assets per share (Shares)	9,232,780	9,170,690

(Significant subsequent events)

Not applicable.

- v) Consolidated supplemental schedules  
Detailed schedule of bonds payable  
Not applicable.

Detailed schedule of borrowings

Category	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (%)	Maturity date
Short-term borrowings	2,310	2,171	0.4	—
Current portion of long-term borrowings	730	1,007	1.3	—
Current portion of lease obligations	61	64	—	—
Long-term borrowings (excluding current portion)	3,065	1,940	1.3	2026 - 2032
Lease obligations (excluding current portion)	80	77	—	2026 - 2030
Total	6,246	5,258	—	—

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

	Due after 1 year but within 2 years (Millions of yen)	Due after 2 years but within 3 years (Millions of yen)	Due after 3 years but within 4 years (Millions of yen)	Due after 4 years but within 5 years (Millions of yen)
Long-term borrowings	833	660	385	20
Leased obligations	41	25	6	2

Detailed schedule of asset retirement obligations

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

(2) Other

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

(Cumulative period)	Second quarter	Consolidated fiscal year under review
Net sales ((Millions of yen)	17,102	34,374
Profit before income taxes ((Millions of yen)	917	1,585
Profit attributable to owners of parent ((Millions of yen)	576	1,013
Earnings per share (Yen)	62.77	110.47

## 2. Non-Consolidated Financial Statements, etc.

## (1) Non-Consolidated Financial Statements

## i) Non-consolidated balance sheet

(Millions of yen)

	Previous consolidated fiscal year (as of February 29, 2024)	Consolidated fiscal year under review (February 28, 2025)
<b>Assets</b>		
Current assets		
Cash and deposits	1,299	603
Notes receivable - trade	140	68
Electronically recorded monetary claims	※ 1 746	※ 1 736
Accounts receivable - trade	※ 1 3,615	※ 1 4,030
Merchandise and finished goods	2,231	2,238
Raw materials and supplies	1,126	1,210
Other	※ 1 1,300	※ 1 867
Allowance for doubtful accounts	(9)	(0)
Total current assets	10,447	9,752
Non-current assets		
Property, plant and equipment		
Buildings	1,794	1,914
Structures	56	91
Machinery and equipment	581	579
Vehicles	1	0
Tools, Furniture and fixtures	※ 2 180	※ 2 152
Land	1,328	1,558
Leased assets	7	5
Construction in progress	21	24
Total property, plant and equipment	3,967	4,324
Intangible assets		
Goodwill	16	—
Software	60	147
Other	1	25
Total intangible assets	76	172
Investments and other assets		
Investment securities	483	530
Shares of affiliated companies	2,354	2,354
Investments in capital of subsidiaries and associates	2,792	2,909
Deferred tax assets	52	104
Long-term loans receivable	※ 1 2,005	※ 1 1,599
Long-term prepaid expenses	2	28
Prepaid pension cost	793	932
Other	97	93
Allowance for doubtful accounts	(1)	(1)
Total investments and other assets	8,577	8,549
Total non-current assets	12,620	13,045
Total assets	23,067	22,796

(Millions of yen)

	Previous consolidated fiscal year (as of February 29, 2024)	Consolidated fiscal year under review (February 28, 2025)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	※ 1 2,611	※ 1 2,740
Electronically recorded obligations	472	476
Short-term borrowings	2,850	2,590
Leased obligations	2	2
Accounts payable - other	※ 1 607	※ 1 747
Accrued expenses	96	99
Income taxes payable	66	124
Provision for bonuses	424	437
Other	※ 1 596	※ 1 606
Total current liabilities	7,724	7,821
Non-current liabilities		
Long-term borrowings	2,285	1,645
Leased obligations	6	4
Provision for retirement benefits	355	365
Other	3	2
Total non-current liabilities	2,649	2,016
Total liabilities	10,374	9,837
<b>Net assets</b>		
Shareholders' equity		
Capital stock	2,118	2,118
Capital surplus		
Legal capital surplus	1,906	1,906
Other capital surplus	67	69
Total capital surplus	1,974	1,975
Retained earnings		
Legal retained earnings	75	75
Other retained earnings		
Reserve for reduction entry of replaced property	13	13
General reserve	6,500	6,500
Retained earnings brought forward	2,474	2,806
Total retained earnings	9,063	9,393
Treasury shares	(561)	(649)
Total shareholders' equity	12,594	12,837
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	100	122
Total valuation and translation adjustments	100	122
Total net assets	12,694	12,959
Total liabilities and net assets	23,067	22,796

ii) Non-consolidated statement of income

(Millions of yen)

	Previous consolidated fiscal year (From March 1, 2023 to February 29, 2024)	Consolidated fiscal year under review (From March 1, 2024 to February 28, 2025)
Net sales	※ 2 17,575	※ 2 18,918
Cost of sales	※ 2 12,544	※ 2 13,359
Gross profit	5,031	5,559
Selling, general and administrative expenses	※ 1, ※ 2 4,552	※ 1, ※ 2 4,839
Operating profit	479	720
Non-operating income		
Interest and dividend income	※ 2 352	※ 2 380
Foreign exchange gains	141	—
Subsidy income	—	57
Other	※ 2 36	※ 2 28
Total non-operating income	529	465
Non-operating expenses		
Interest expenses	※ 2 20	※ 2 32
Loss on retirement of non-current assets	—	16
Other	7	2
Total non-operating expenses	27	50
Ordinary profit	980	1,135
Extraordinary losses		
Loss on valuation of investment securities	—	47
Loss on valuation of shares of subsidiaries and associates	198	—
Impairment loss	31	188
Total extraordinary losses	229	236
Profit before income taxes	751	899
Income taxes - current	204	216
Income taxes - deferred	6	(62)
Total income taxes	210	154
Profit	541	745

iii) Non-consolidated statement of changes in equity  
Previous fiscal year (from March 1, 2023 to February 29, 2024)

(Millions of yen)

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	
						Reserve for reduction entry of replaced property	Voluntary reserve
Balance at beginning of period	2,118	1,906	68	1,974	75	14	6,050
Changes during period							
Reversal of reserve for reduction entry of replaced property				—		(1)	
Provision for voluntary reserve				—			450
Dividends of surplus				—			
Profit				—			
Disposal of treasury shares			(0)	(0)			
Net changes in items other than shareholders' equity							
Total changes during period	—	—	(0)	(0)	—	(1)	450
Balance at end of period	2,118	1,906	67	1,974	75	13	6,500

	Shareholders' equity				Valuation and translation adjustments		Total net assets
	Retained earnings		Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
	Other retained earnings	Total retained earnings					
	Retained earnings brought forward						
Balance at beginning of period	2,752	8,891	(567)	12,416	58	58	12,474
Changes during period							
Reversal of reserve for reduction entry of replaced property	1	—		—			—
Provision for voluntary reserve	(450)	—		—			—
Dividends of surplus	(369)	(369)		(369)			(369)
Profit	541	541		541			541
Disposal of treasury shares			6	6			6
Net changes in items other than shareholders' equity					42	42	42
Total changes during period	(277)	172	6	178	42	42	220
Balance at end of period	2,474	9,063	(561)	12,594	100	100	12,694

Fiscal year under review (from March 1, 2024 to February 28, 2025)

(Millions of yen)

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

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

## Notes

### (Significant accounting policies)

1. Standards and methods for evaluating assets
  - (1) Standards and methods for evaluating securities
    - Shares in subsidiaries and affiliates
      - Moving average cost method
    - Available-for-sale securities
      - Securities other than shares without a market price
        - Fair value method (unrealized gain and loss, net of tax are recorded in net assets, and the moving average method is used to calculate the cost of securities sold)
      - Shares without a market price
        - Moving average cost method
  - (2) Standards and methods for evaluating derivatives
    - Fair value method
  - (3) Standards and methods for evaluating inventories
    - Mainly gross average cost method
      - (The balance sheet values are calculated by writing down the book values in response to decreased profitability)
2. Depreciation method of non-current assets
  - (1) Property, plant and equipment (excluding leased assets)
    - The declining-balance method is adopted. (However, the straight-line method is used for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016.) Major useful lives are as follows.
      - Buildings: 3 to 50 years
      - Machinery and equipment: 4 to 15 years
  - (2) Intangible assets
    - The straight-line method is adopted. For software used in-house, the straight-line method is adopted based on the usable period inside the company (5 years).
  - (3) Leased assets
    - Leased assets relating to finance lease without transfer of ownership
      - The straight-line method is used with a useful life of the lease period and with a residual value of zero.
3. Accounting standards for important reserves and allowances
  - (1) Allowance for doubtful accounts
    - In order to prepare for possible losses on uncollectible receivables held, estimated uncollectible amounts are posted: for general receivables, according to the historical percentage of uncollectibles, and for doubtful receivables, considering the probability of collection.
  - (2) Provision for bonuses
    - In order to prepare for payment of bonuses to employees, a provision is made based on the estimated bonus payments, which are attributable to the fiscal year under review.

(3) Provision for retirement benefits

In order to prepare for payment of retirement benefits to employees, a provision is made based on the estimated amounts of retirement benefit obligations and pension assets at the end of the fiscal year under review.

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

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

ii) Method of amortization of actuarial gains and losses

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

4. Accounting standards for important income and expenses

The main business of the Company is manufacture and sale of chemical products (special lubricants, liquid paraffin & sulfonates, hot melt adhesives, and energy device materials). With regard to sale of such goods and products, the Group determines that control of goods is transferred to customers at the time of delivery. As the period between shipment and delivery is a normal period of time, the Group applies alternative treatment based on importance, etc., and recognizes revenue at the time of shipment of goods and products for inside Japan. For overseas, based on the terms of trade stipulated by Incoterms, etc., the Group determines that control of goods and products is transferred to customers and its performance obligations are satisfied when risks are transferred to customers. Therefore, the Group recognizes revenue at the time of shipment of goods and products in principle.

5. Other important matters that are the basis for preparation of non-consolidated financial statements

(1) Method and period of amortization of goodwill

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

(2) Accounting treatment for retirement benefits

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

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

Restricted stock compensation system

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

(Important accounting estimates)

1. Valuation of inventories

(1) Amount recorded in the non-consolidated financial statements for the fiscal year under review  
(Millions of yen)

	Previous fiscal year	Fiscal year under review
Merchandise and finished goods	2,231	2,233
Raw materials and supplies	1,126	1,210
Cost of sales	(16)	65

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

(2) Information on the details of accounting estimates

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

2. Impairment losses on non-current assets

(1) Amount recorded in the non-consolidated financial statements for the fiscal year under review  
(Millions of yen)

	Previous fiscal year	Fiscal year under review
Property, plant and equipment	3,967	4,324
Intangible assets	76	172
Impairment loss	31	188

(2) Information on the details of accounting estimates

Notes are omitted because the same information is provided in “Notes (Important accounting estimates)” to consolidated financial statements.

(Changes in accounting policies)

Not applicable.

(Changes in presentation)

(Non-consolidated balance sheet)

“Electronically recorded monetary claims,” which was included in “Notes receivable - trade” under “Current assets” in the previous fiscal year, has been presented separately from the fiscal year under review to improve clarity of presentation. To reflect this change in presentation, the non-consolidated financial statements for the previous fiscal year have been reclassified.

As a result, 886 million yen previously presented for “Notes receivable - trade” under “Current assets” in the non-consolidated balance sheet for the previous fiscal year has been reclassified as “Notes receivable - trade” of 140 million yen and “Electronically recorded monetary claims” of 746 million yen.

The item presented in “Notes and accounts payable - trade” under “Current liabilities” in the previous fiscal year has been renamed to “Electronically recorded obligations” in the fiscal year under review to improve clarity of presentation.

(Non-consolidated Statement of Income)

“Loss on retirement of non-current assets” under “Non-operating expenses,” which was presented independently in the previous fiscal year, has been included in “Other” from the fiscal year under review as it accounts for less than 10% of the total amount of non-operating expenses. To reflect this change in presentation, the non-consolidated financial statements for the previous fiscal year have been reclassified.

As a result, “Loss on retirement of non-current assets” of 6 million yen and “Other” of 1 million yen, which were presented under “Non-operating expenses” in the non-consolidated statement of income for the previous fiscal year, have been reclassified as “Other” of 7 million yen.

(Non-consolidated balance sheet)

\*1 Receivables from and payables to subsidiaries and associates

	Previous consolidated fiscal year (as of February 29, 2024)	Consolidated fiscal year under review (February 28, 2025)
Short-term receivables	1,572million yen	1,223million yen
Short-term payables	774	877
Long-term receivables	2,049	1,599

\*2 Reduction entry

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

	Previous consolidated fiscal year (as of February 29, 2024)	Consolidated fiscal year under review (February 28, 2025)
Tools, Furniture and fixtures	11million yen	11million yen

3. Guarantee obligations

We provide guarantees on borrowings, etc. of subsidiaries and associates below.

Borrowings

	Previous consolidated fiscal year (as of February 29, 2024)	Consolidated fiscal year under review (February 28, 2025)
TIANJIN MORESCO TECHNOLOGY CO., LTD.	13million yen	76million yen
PT. MORESCO MACRO ADHESIVE	30	—
MORESCO (ZHEJIANG) FUNCTIONAL MATERIAL CO., LTD.	804	624

(Non-consolidated statement of income)

\*1 Selling expenses accounted for 34% in the previous fiscal year and account for 31% in the fiscal year under review. General and administrative expenses accounted for 66% in the previous fiscal year and account for 69% in the fiscal year under review.

Major components and amounts are as follows.

	Previous consolidated fiscal year (From March 1, 2023 to February 29, 2024)	Consolidated fiscal year under review (From March 1, 2024 to February 28, 2025)
Salaries	1,305million yen	1,304million yen
Provision for bonuses	293	310
Retirement benefit expenses	83	55
Provision of allowance for doubtful accounts	1	(8)
Depreciation	262	198
Freightage expenses	534	568

\*2 Transactions with subsidiaries and associates

	Previous consolidated fiscal year (From March 1, 2023 to February 29, 2024)	Consolidated fiscal year under review (From March 1, 2024 to February 28, 2025)
Net sales	1,472million yen	1,680million yen
Purchase of goods	999	1,088
Selling, general and administrative expenses	20	17
Non-operating transactions	355	380

(Securities)

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

(Tax effect accounting)

1. Major components of deferred tax assets and liabilities

	Previous consolidated fiscal year (as of February 29, 2024)	Consolidated fiscal year under review (February 28, 2025)
Deferred tax assets		
Provision for bonuses	130million yen	134million yen
Provision for retirement benefits	109	112
Loss on valuation of inventories	33	47
Deferred assets	—	22
Impairment loss	17	71
Loss on valuation of investment securities	6	21
Loss on valuation of shares of subsidiaries and associates	89	89
Other	65	71
Subtotal deferred tax assets	449	566
Valuation allowance	(114)	(127)
Total deferred tax assets	335	440
Deferred tax liabilities		
Reserve for reduction entry of replaced property	(6)	(6)
Prepaid pension cost	(243)	(285)
Other	(35)	(45)
Total deferred tax liabilities	(284)	(335)
Net deferred tax assets (liabilities)	52	104

(Changes in presentation)

“Impairment loss” and “Loss on valuation of investment securities” included in “Other” under deferred tax assets in Notes for the previous fiscal year have been presented independently as their materiality has increased. To reflect this change in presentation, Notes for the previous fiscal year have been reclassified.

As a result, 89 million yen presented for “Other” under deferred tax assets in Notes for the previous fiscal year has been reclassified as “Impairment loss” of 17 million yen, “Loss on valuation of investment securities” of 6 million yen, and “Other” of 65 million yen.

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

	Previous consolidated fiscal year (as of February 29, 2024)	Consolidated fiscal year under review (February 28, 2025)
Statutory tax rate	30.6%	30.6%
(Reconciliations)		
Permanently non-deductible amount (entertainment expenses, etc.)	1.9	1.9
Permanently non-taxable amount (dividend income, etc.)	(10.4)	(10.2)
Special deduction of income taxes	(6.5)	(8.2)
Per capita tax	1.3	1.0
Increase (decrease) in valuation allowance	8.0	1.4
Withholding tax on dividends from foreign subsidiaries	2.2	2.9
Amortization of goodwill	3.1	0.6
Other	(2.3)	(2.9)
Actual effective income tax rate after application of tax-effect accounting	27.9	17.1

### 3. Changes in income tax rate after the account closing date

The FY2025 Tax Reform Act (amendments to national and local taxes) was promulgated on March 31, 2025, under which a special defense corporate tax is scheduled to be established. Accordingly, for temporary differences expected to be resolved in a consolidated fiscal year beginning on or after March 1, 2027, the statutory effective tax rate to be used to calculate deferred tax assets and deferred tax liabilities will change from 30.6% to 31.5%.

The impact of this tax rate change on the non-consolidated financial statements is immaterial.

(Business combinations, etc.)

Not applicable.

(Revenue recognition)

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

(Significant subsequent events)

Not applicable.

#### iv) Non-consolidated supplemental schedules

##### Detailed schedule of fixed assets

(Millions of yen)

Category	Types of assets	Balance at beginning of period	Increase in the fiscal year under review	Decrease in the fiscal year under review	Amortization of goodwill	Balance at end of period	Accumulated depreciation
Property, plant and equipment	Buildings	3,816	260	19 (17)	122	4,057	2,142
	Structures	473	47	1	11	519	428
	Machinery and equipment	7,505	382	273 (157)	226	7,613	7,035
	Vehicles	30	—	3	0	27	26
	Tools, Furniture and fixtures	2,303	87	99 (15)	99	2,290	2,128
	Land	1,328	229	—	—	1,558	—
	Leased assets	20	—	—	2	20	14
	Construction in progress	21	1,060	1,057	—	24	—
	Total	15,494	2,065	1,453 (188)	462	16,107	11,783
Intangible assets	Goodwill	1,467	—	—	16	1,467	1,467
	Software	733	124	11	37	847	700
	Other	1	149	124	0	26	0
	Total	2,202	273	135	53	2,340	2,168

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

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

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

(Millions of yen)

Types of assets	Site	Value
Machinery and equipment	Chiba Plant	226
Machinery and equipment	Akoh Plant	156
Buildings	Kobe Head Office	210
Land	Kobe Head Office	229

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

(Millions of yen)

Types of assets	Site	Value
Machinery and equipment	Chiba Plant	74

## Detailed schedule of allowances

(Millions of yen)

Account item	Balance at beginning of period	Increase in the fiscal year under review	Decrease in the fiscal year under review	Balance at end of period
Allowance for doubtful accounts	10	—	8	2
Provision for bonuses	424	437	424	437

## (2) Details of major assets and liabilities

This information is omitted because the Company prepares consolidated financial statements.

## (3) Other

Not applicable.

## VI. Outline of Share-related Administration of Reporting Company

Fiscal year	From March 1 to the end of February	
Ordinary general meeting of shareholders	May	
Record date	Last day of February	
Record dates for dividend of surplus	Last day of February August 31	
Number of shares constituting one unit of stock	100	
Repurchase of less-than-one-unit shares	<p>Special account Osaka Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation 3-6-3 Fushimi-cho, Chuo-ku, Osaka</p> <p>Special account Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo</p> <p>_____</p>	
Place for repurchase processing		
Administrator of shareholders' register		
Contact place		
Repurchase charge	Free	
Method of public notice	<p>Public notice by the Company shall be given by electronic means; provided, however, that in the event an accident or any other unavoidable reason prevents public notice by electronic means, the notice can be given in the Nihon Keizai Shimbun.</p> <p>URL for public notice: <a href="https://www.moresco.co.jp/">https://www.moresco.co.jp/</a></p>	
Special benefits for shareholders	Number of shares held and continued holding period	Details of benefit
	300 shares or more, and continued holding period of less than 3 years	Quo card 3,000 yen
	300 shares or more, and continued holding period of 3 years or more	Quo card 4,000 yen
	<p>Eligible shareholders are those listed or recorded on the shareholders' register as of the last day of February each year and holding 300 shares or more of the Company's stock.</p> <p>* Continued holding period of 3 years or more means that the same shareholder number is listed or recorded on the shareholders' register as of the end of February and the end of August for at least seven consecutive times.</p> <p>* If a shareholder holding less than 300 shares later purchases additional shares to hold 300 shares or more as of the end of February, the period of holding less than 300 shares is included in the consecutive holding period.</p>	

## VII. Reference Information of Reporting Company

1. Information on parent company, etc. of the reporting company  
The Company has no parent company, etc. as prescribed in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.
2. Other reference information  
The Company filed the following documents between the beginning of the fiscal year under review and the date when this Annual Securities Report (Yukashoken-Hokokusho) was filed.
  - (1) Annual securities report and attached documents, and confirmation note  
Fiscal year (the 66th) (from March 1, 2023 to February 29, 2024)  
Submitted to the director of the Kinki Local Finance Bureau on May 30, 2024
  - (2) Internal Control Report and its attached documents  
Submitted to the director of the Kinki Local Finance Bureau on May 30, 2024
  - (3) Quarterly reports and confirmation notes  
(The 1st quarter of 67th term) (from March 1, 2024 to May 31, 2024)  
Submitted to the director of the Kinki Local Finance Bureau on July 12, 2024
  - (4) Semi-annual reports and confirmation notes  
(The 67th term) (from March 1, 2024 to August 31, 2024)  
Submitted to the director of the Kinki Local Finance Bureau on October 11, 2024
  - (5) Extraordinary Report  
Submitted to the director of the Kinki Local Finance Bureau on June 5, 2024  
An extraordinary report according to the provision of Article 19, Paragraph 2, Item 9-2 (Matters that require a resolution of a general meeting of shareholders) of the Cabinet Office Order on Disclosure of Corporate Affairs

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

Not applicable.

# Independent Auditors' Audit Report and Internal Control Audit Report

May 29, 2025

MORESCO Corporation  
The Board of Directors

Grant Thornton Taiyo  
LLC

Osaka Office

Designated Limited  
Partner  
Engagement Partner

Certified Public  
Accountant Kenji Furuta

Seal

Designated Limited  
Partner  
Engagement Partner

Certified Public  
Accountant Tatsuya Yosinaga

Seal

## <Financial statements audit>

### Opinion

In order to provide the audit certification in accordance with the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the accompanying consolidated financial statements presented under “Financial Information” of MORESCO Corporation for the period from March 1, 2024 to February 28, 2025, which comprise the consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows, important matters that are the basis for preparation of consolidated financial statements, other Notes, and consolidated supplemental schedules.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of MORESCO Corporation and its consolidated subsidiaries as of February 28, 2025, and their financial performance and cash flows for the consolidated fiscal year then ended in accordance with accounting principles generally accepted in Japan.

### Basis of Opinion

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

### Key Audit Matters

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

Valuation of inventories of MORESCO Corporation	
Description of Key Audit Matters and the Reasons for the Description	Auditor's Response
<p>In the consolidated balance sheet for the consolidated fiscal year ended February 28, 2025 of MORESCO Corporation, "Merchandise and finished goods" of 4,044 million yen and "Raw materials and supplies" of 3,082 million yen are reported.</p> <p>As described in Notes (Important accounting estimates), the Company calculates the balance sheet values of inventories by writing down the book values in response to decreased profitability, and those that have passed a certain period of time or have exceeded a certain turnover period as of the end of the fiscal year are judged as slow-moving stock, excluding those judged to have the potential to be sold as a result of individual examination in light of the future sales prospect based on past sales performance, etc., and the fact of decreased profitability is reflected by using a regular write-down method of book values.</p> <p>Determination of a certain period of time or a certain turnover period, which is the basis of judgment of slow-moving stock, includes judgment by management. Also, individual examination in light of the future sales prospect is conducted using order estimates based on past sales performance, etc., which is associated with a high degree of uncertainty because the order estimates may fluctuate due to factors beyond management's control.</p> <p>As such, we determined valuation of inventories held by the Company as a Key Audit Matter.</p>	<p>In order to examine the adequacy of the valuation of inventories of MORESCO Corporation, we performed the following audit procedures.</p> <ul style="list-style-type: none"> <li>• Evaluated the effectiveness of the design and operation of internal control related to the valuation of inventories. In particular, we focused on internal control to conduct individual examination of future sales prospect of slow-moving stock.</li> <li>• Discussed with management, etc. on whether the standards for evaluating inventories adopted by the Company are appropriate for the Company's businesses and comply with the Accounting Standard for Measurement of Inventories," and examined their rationality.</li> <li>• Questioned management, etc. about the basis of a certain period and a certain turnover period set by management and whether or not to review the valuation policy. Also analyzed the trends in subsequent sales results of the slow-moving stock in the past and verified the rationality of the valuation policy.</li> <li>• Checked the accuracy of the data of receipt/payment dates, which is the basis of calculation of a certain period, by verifying the consistency with the dates on the daily manufacturing report. Also, checked the accuracy of the quantity of inventories consumed during the current period, which is the basis of calculation of a certain turnover period, by verifying the consistency with the output data of the inventory management system.</li> <li>• Checked the accuracy of sales results data of the preceding fiscal year, which is the basis of calculation of future sales prospect, by verifying the consistency with the output data of the sales management system.</li> <li>• To confirm the rationality of the results of the individual examination of sales prospect, questioned management, etc. whether the future sales prospect calculated based on the results, etc. of the preceding fiscal year involves any other matters to be considered in estimation.</li> <li>• Confirmed that internal approval procedure was followed for the individual examination of sales prospect.</li> </ul>

#### Other Statements

Other statements comprise the information included in the Annual Securities Report other than the consolidated financial statements and non-consolidated financial statements, as well as our auditor's report thereon. Management is responsible for the preparation and disclosure of other statements. The Audit and Supervisory Committee is responsible for monitoring the execution of the duties of directors related to designing and operating the process of reporting other statements.

Other statements are not included in the scope of our audit opinion regarding the consolidated financial statements, and we do not express our opinion on the other statements.

Our responsibility with regard to the audit of the consolidated financial statements is to read through other statements and consider whether there are any material differences between the other statements and the consolidated financial statements or the knowledge we have obtained through our audit. Furthermore, it is our responsibility to pay attention to whether or not there are signs of material errors in other statements, in addition to such material differences.

When we determine that there are material errors in other statements through our audit work, we are required to report such fact.

We have found no matters to report regarding other statements.

#### Management's and the Audit and Supervisory Committee's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles for consolidated financial statements generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit and Supervisory Committee is responsible for overseeing the directors' performance of their duties, including the design, implementation and maintenance of the Group's financial reporting process.

## Auditor's Responsibility for the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, based on our audit and to issue an auditor's report that includes our opinion from an independent standpoint. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement, whether due to fraud or error, design and perform audit procedures responsive to those risks. The audit procedures are selected and performed depending on the auditor's judgment. Also, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies and the method of their application, and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to express our opinion with exclusions in the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by the audit standards.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence in Japan and report all matters that may reasonably be thought to affect our independence, as well as any measures taken to remove impediments or safeguards applied to reduce impediments to an acceptable level, where applicable.

We have determined, from among the matters discussed with the Audit and Supervisory Committee, those considered to be of particular significance in the audit of the consolidated financial statements for the current fiscal year as Key Audit Matters, and have disclosed them in our auditor's report. However, such matters are not disclosed when public disclosure is prohibited by laws or regulations, or in extremely limited circumstances where we reasonably conclude that the adverse consequences of such disclosure would outweigh the public interest benefits.

## <Internal control audit>

### Opinion

We have audited, pursuant to the provisions of Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act of Japan, the internal control report as of February 28, 2025 of MORESCO Corporation.

In our opinion, the above internal control report, in which MORESCO Corporation indicated that internal control over financial reporting as of February 28, 2025 was effective, fairly represents, in all material respects, evaluation results of internal control over financial reporting in accordance with evaluation standards for internal control over financial reporting generally accepted in Japan.

### Basis of Opinion

We conducted our audit of internal control in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under these standards are described in the section titled 'Auditor's Responsibility for the Audit of the Internal Control Report.' We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements in Japan, and we have fulfilled our other ethical responsibilities as auditors in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Management's and the Audit and Supervisory Committee's Responsibility for the Internal Control Report

Management is responsible for establishing and operating internal control over financial reporting, and for preparing and fairly presenting the Internal Control Report in accordance with the standards for evaluation of internal control over financial reporting generally accepted in Japan.

The Audit and Supervisory Committee is responsible for monitoring and examining the design and operation of internal control over financial reporting.

It should be noted that internal control over financial reporting may not completely prevent or detect misstatements in financial reporting.

#### Auditor's Responsibility for the Internal Control Report

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that includes our opinion from an independent standpoint.

As part of our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the internal control audit are selected and performed, depending on the auditor's judgment, based on the significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments of internal control over financial reporting that management presents.
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding the planned scope and timing of our internal control audit, the results thereof, material weaknesses in internal control identified that should be disclosed and those that were remediated, and other matters required by the standards for internal control audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence in Japan and report all matters that may reasonably be thought to affect our independence, as well as any measures taken to remove impediments or safeguards applied to reduce impediments to an acceptable level, where applicable.

#### <Remuneration information>

The amounts of fees for audit certification and fees for non-audit services for the Company and its subsidiaries paid to our audit firm and to those who belong to the same network as our audit firm are presented in "(3) Status of Audits" of "Corporate Governance, etc." included in the "Information on the Reporting Company."

#### Conflicts of Interest

Our firm or its engagement partners have no interest in the Company and its consolidated subsidiaries which should be disclosed in compliance with the Certified Public Accountants Act.

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- (Notes)
1. The document presented above is a digitized copy of the original version of the Independent Auditors' Audit Report and Internal Control Audit Report. The original report is kept separately by the Company (the reporting company of the Annual Securities Report).
  2. XBRL data is not included in the scope of the audit.

## Independent Auditor's Audit Report

May 29, 2025

MORESCO Corporation  
The Board of Directors

Grant Thornton Taiyo  
LLC

Osaka Office

Designated Limited  
Partner  
Engagement Partner

Certified Public  
Accountant Kenji Furuta

Seal

Designated Limited  
Partner  
Engagement Partner

Certified Public  
Accountant Tatsuya Yosinaga

Seal

### Opinion

In order to provide the audit certification in accordance with the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the accompanying non-consolidated financial statements presented under “Financial Information” of MORESCO Corporation for the 67th fiscal year from March 1, 2024 to February 28, 2025, which comprise the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, significant accounting policies and other Notes, and the non-consolidated supplemental schedules.

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of MORESCO Corporation as at February 28, 2025, and its financial performance and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

### Basis of Opinion

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

### Key Audit Matters

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

Valuation of inventories
Statement is omitted because it is the same information as the Key Audit Matters presented in the audit report of the consolidated financial statements.

#### Other Statements

Other statements comprise the information included in the Annual Securities Report other than the consolidated financial statements and non-consolidated financial statements, as well as our auditor's report thereon. Management is responsible for the preparation and disclosure of other statements. The Audit and Supervisory Committee is responsible for monitoring the execution of the duties of directors related to designing and operating the process of reporting other statements.

Other statements are not included in the scope of our audit opinion regarding the non-consolidated financial statements, and we do not express our opinion on the other statements.

Our responsibility with regard to the audit of the non-consolidated financial statements is to read through other statements and consider whether there are any material differences between the other statements and the non-consolidated financial statements or the knowledge we have obtained through our audit. Furthermore, it is our responsibility to pay attention to whether or not there are signs of material errors in other statements, in addition to such material differences.

When we determine that there are material errors in other statements through our audit work, we are required to report such fact.

We have found no matters to report regarding other statements.

#### Management's and the Audit and Supervisory Committee's Responsibility for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with accounting principles for non-consolidated financial statements generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit and Supervisory Committee is responsible for overseeing the directors' performance of their duties, including the design, implementation and maintenance of the Group's financial reporting process.

#### Auditor's Responsibility for the Non-Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, based on our audit and to issue an auditor's report that includes our opinion from an independent standpoint. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these non-consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement, whether due to fraud or error, design and perform audit procedures responsive to those risks. The audit procedures are selected and performed depending on the auditor's judgment. Also, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies and the method of their application, and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to express our opinion with exclusions in the non-consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the non-consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit and Supervisory Committee regarding the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by the audit standards.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence in Japan and report all matters that may reasonably be thought to affect our independence, as well as any measures taken to remove impediments or safeguards applied to reduce impediments to an acceptable level, where applicable.

Of matters discussed with the Audit and Supervisory Committee, we determine the ones we judge to be of particular importance to our audit of the non-consolidated financial statements for the fiscal year under review and identify them as Key Audit Matters. We describe these matters in our auditor's report unless laws or regulations prohibit public disclosure regarding the matters, or when, in extremely rare circumstances, we determine that a matter should not be reported because disadvantages of doing so would reasonably be expected to outweigh the public interests of such communication.

<Remuneration information>

Remuneration-related information is provided in the audit report on the consolidated financial statements.

Conflicts of Interest

Our firm or its engagement partners have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

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- (Notes)
1. The document presented above is a digitized copy of the original version of the Independent Auditors' Audit Report and Internal Control Audit Report. The original report is kept separately by the Company (the reporting company of the Annual Securities Report).
  2. XBRL data is not included in the scope of the audit.