



KURABO REPORT 2024

Aim to be a strong and trusted company always striving for more sustainable management and innovation creation

Under the Long-term Vision 2030 of Kurabo Industries, its subsidiaries, and affiliates aimed at becoming a strong corporate group that generates innovation and high profit, we are aggressively investing in growth and priority businesses and boosting our technological and development strength.

This unchanging mission will be further energized in 2024 under Kurabo's new leadership. We believe that succeeding beyond expectations will earn us even greater trust.

Besides striving to respond to the many wishes of society through more sustainable management, the Kurabo Group will never stop taking on the challenges of creating new innovation.



PHILOSOPHY

Management philosophy

The Kurabo Group contributes to a better future
through the creation of new value

Company creed

Be of one mind and make concerted efforts

Our company creed represents the words of our first president, Koshiro Ohara, who aimed to create an environment that prioritizes harmony and solidarity and that is conducive to motivating young employees to perform beyond their limits. The creed conveys the idea that we should combine our efforts to work as one, even when there are differences in capabilities or talent between individuals. This phrase comes from *The Commentary of Zuo on the Spring and Autumn Annals*, an ancient work based on a Chinese chronicle compiled by Chinese philosopher Confucius of the Spring and Autumn period (approximately 771 to 476 BC).

Company motto

Humility bears profit

Our company motto means that people who are conceited invite trouble, while those who humbly work hard reap benefits. This phrase, a creed passed down through generations of the family of Kurabo's first president Koshiro Ohara, comes from a passage in the Confucian *Classic of History*. Foregoing pride and working tirelessly is the core philosophy of our corporate management—a philosophy deeply ingrained in all our employees.



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Editorial policy

In addition to financial information including business results and strategy, this report is edited with the intention of informing shareholders, investors, and other stakeholders of the Kurabo Group's non-financial information such as ESG topics.

Organizations covered
The Kurabo Group

Period covered
This report covers the period from April 1, 2023 to March 31, 2024. For more detailed information, please see our website.
<https://www.kurabo.co.jp/english/>

Figures in this report
Figures may differ from the data reported in the previous fiscal year, as data prior to the reporting year has been reviewed and revised in accordance with the companies covered in this report. Furthermore, figures may differ from those reported in the previous fiscal year due to rounding off.

Disclaimer
This report contains forward-looking statements on the Kurabo Group. Such forward-looking statements are based on information available at the time and may differ from the results of our future business activities.

Kurabo has steadily grown the scope of its business in a history spanning more than 130 years. In addition to our chemical products business, where the increasing uses of our resin processing technologies now include housing construction materials and automotive materials, and our electronics business, which automates color control in the dyeing process and has expanded to color management and inspection and measurement, we are also active in the fields of engineering, biomedical, and food. All of these businesses are the offspring of our founding business, textile manufacturing. We will step up our efforts to boldly take on the challenges of technological innovation so that we can continue offering users new value, prioritize ESG in management, and keep on growing as a global company that contributes to people and society.

1888 Kurashiki Spinning Works founded
Launches textile business
Establishes technique for spinning low-count yarn for denim and casual clothing materials
Kurabo was founded as a spinning company in Kurashiki, Okayama, starting a new industry there. It blended various kinds of raw cotton from around the world to provide cotton yarn of consistent quality. It also established a technique for spinning low-count yarn ideal for heavy fabrics, and it became among the first companies in Japan to develop denim material.

1962 Launches chemical products business
From mattress fabric sales to polyurethane manufacturing
Since Kurabo was already selling mattress fabric, it also began handling flexible polyurethane foam when this material started being used for bedding overseas. Eventually, Kurabo would also enter the market for housing construction material, making rigid polyurethane foam to meet increasing demand for housing insulation.

1970 Launches food and services business
Pioneers the production and sales of freeze-dried food in Japan
Develops flue gas desulfurization system
1970 Launches engineering business
Advances technologies for treating flue gas and wastewater from dyeing factories
To solve the problem of wastewater from its textile plants, Kurabo developed a system to neutralize alkaline wastewater by blending in acidic flue gas. This process also desulfurizes the flue gas. Since then, Kurabo has applied its technologies to the development of environmental plant facilities such as those for waste gas and wastewater processing, incineration, and biomass boilers.

1888
It all started with textiles

Advancing business

Koshiro Ohara
First president

Makes effective use of idle land to help ensure solid asset management

2020 Launches robot system business



A strong corporate group that generates innovation and high profit

Value Creation Process

Management philosophy

The Kurabo Group contributes to a better future through the creation of new value

Input

6 capitals

Human capital

- Number of employees: 3,899
- Engagement score (Kurabo Industries): 42%

Financial capital

- Net assets: 118,074 million yen
- Total assets: 192,789 million yen
- Equity ratio: 60.6%

Manufactured capital

- Production bases: 39 in 6 countries (Japan and overseas)
- Capital investment: 4,959 million yen

Intellectual capital

- R&D expenditures: 1,932 million yen
- Number of patents held (Kurabo Industries): 315 in Japan; 87 overseas
- Number of trademarks held (Kurabo Industries): 1,496 in Japan; 691 overseas

Social and relationship capital

- Kurabo Group Human Rights Policy
- Multi-stakeholder Policy
- Declaration of Responsible Corporate Behavior
- Partnership Building Declaration
- Community service

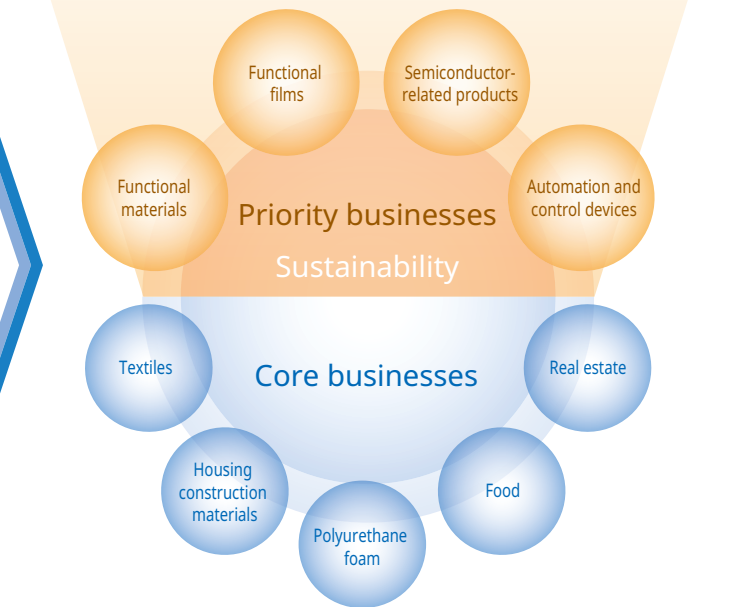
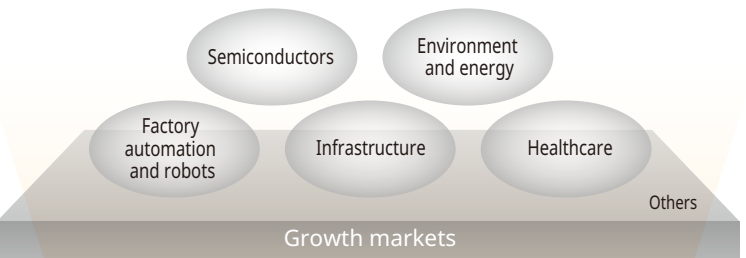
Natural capital

- Energy consumption (in Japan): 1,349,693 GJ
- Recycling rate (in Japan): 96.0%
- Water consumption: 5,315,733 tons

Business activities

Basic policy

Work to expand operations by concentrating management resources on the Kurabo Group's priority businesses in growth markets and focus on strengthening the profitability of core businesses



Progress '24 medium-term corporate business plan P16

Materiality

P31

- Realize a safe, secure, and comfortable society
- Consider the global environment and contribute to a circular economy
- Empower a diversity of people and respect human rights
- Strengthen governance and CSR for sustainable growth

Social issues

Output

Create high-value-added technologies, products, and services

Textiles

Yarn, textiles, textile products, others

- Upcycling system
- Natural fiber with added functionality
- On-site risk management system for workers
- Sustainable insulation

P17

Chemical Products

Films, semiconductors, construction materials, industrial materials, others

- High-performance plastic products for semiconductor production equipment
- Reinforcing fabrics
- Recycled wood plastic/aluminum composite material

P19

Advanced Technology

Electronics, engineering, biomedical

- High-speed 3D vision sensors
- Infrared film thickness meters
- Environmental plant equipment
- Biomass power plants
- Gene extraction and analysis

P21

Food and Services

- Freeze-dried food
- Hotel

P23

Real Estate

- Real estate leasing
- Effective use of idle land

P24

Outcome

Environmental friendliness; safe, secure, and comfortable lifestyles; automation; etc.

Society

Provision of products and services that enrich individuals and society



Kurabo

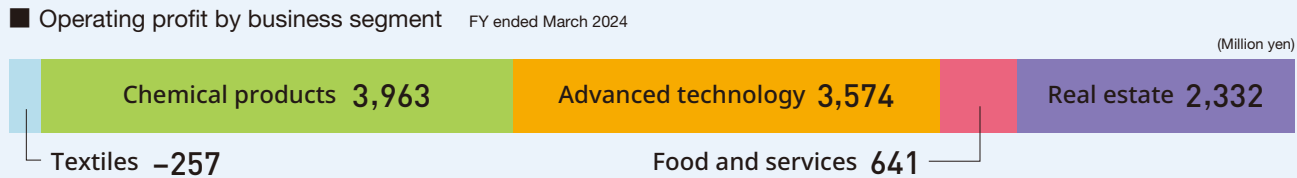
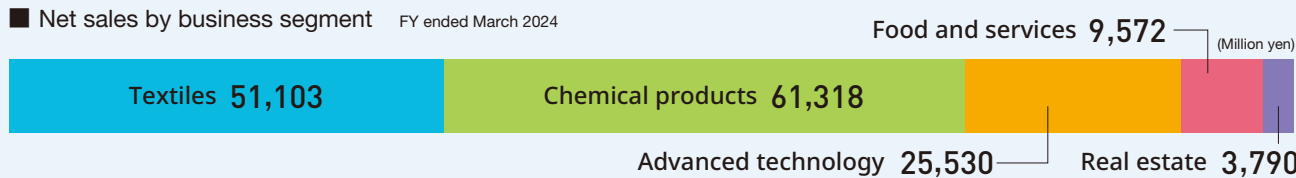
A strong corporate group that generates innovation and high profit

An organization with a diverse and highly engaged workforce

Note: As of the fiscal year ended March 2024; consolidated basis

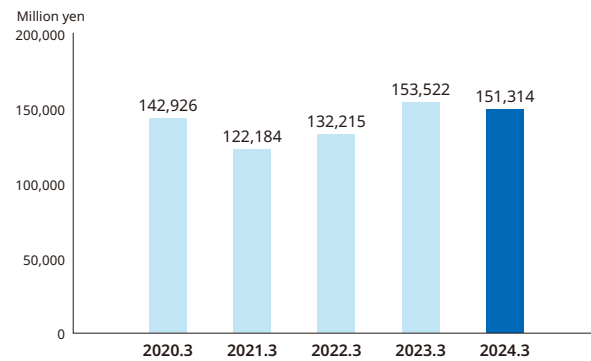
Kurabo's 5 Business Domains

	Description	Business fields	Main products and services	Product examples	
Textiles	<p>By making the most of its unique, advanced technologies in spinning, weaving, dyeing, and processing, Kurabo has come out with a string of highly functional and refined textile products based on natural fibers such as cotton, wool, and linen.</p> <p>Kurabo's high-value-added textiles, which combine function, aesthetics, and touch, have in recent years become increasingly widespread in overseas markets. The company strives to offer new lifestyle choices through its textile products. We are also offering solutions to social issues through IoT and through sustainable businesses centered on environmentally friendly fiber recycling.</p>	<ul style="list-style-type: none">Casual clothing materialsUniform materialsLifestyle materialsYarn materials for towels/socks/underwearWork environment support tools <p>■ Net sales ratio (FY ended March 2024)</p> <p>33.8%</p>	<ul style="list-style-type: none">Yarn, textiles, textile productsFunctional cottonSustainable insulationRisk-management system for working in hot environmentsUpcycling system	<div><p>Clothing materials</p></div> <div><p>Functional cotton</p></div> <div><p>Uniform materials</p></div>	P17
Chemical Products	<p>For automotive interior, housing construction, and heat-insulating materials, Kurabo uses its original resin compounding and molding technology to gain an advantage over its competitors.</p> <p>In semiconductor-related products, Kurabo uses its proprietary processing technology to develop resin products.</p> <p>And when it comes to film materials, Kurabo has established a super-high-temperature molding technique that yields super engineering plastic film. Kurabo is thus contributing to the creation of high-value-added products.</p>	<ul style="list-style-type: none">Polyurethane foamHousing construction materialsHigh-performance plastic productsFunctional filmsReinforcing fabricsNonwoven fabric <p>■ Net sales ratio (FY ended March 2024)</p> <p>40.5%</p>	<ul style="list-style-type: none">Flexible polyurethane foamHigh-performance plastic products for semiconductor production equipmentFunctional filmsHousing construction materials and heat-insulating materialsReinforcing fabric sheetsNonwovens, filters	<div><p>High-performance plastic products</p></div> <div><p>Functional films</p></div> <div><p>Thermoplastic carbon fiber composite material</p></div>	P19
Advanced Technology	<p>Kurabo's electronics business contributes to the advancement of manufacturing by providing inspection and measuring devices centered on color sensing technology. While the engineering business has its foundations in environmental plant technologies such as waste gas and wastewater treatment, it is also expanding into biomass power generation.</p> <p>The biomedical business offers reagents, equipment, and services for drug discovery, cosmetics development, and preclinical studies. We contribute to safety, security, and comfort in people's lives through advanced manufacturing, research, and energy utilization.</p>	<ul style="list-style-type: none">Color and image processingProduct inspection/measurementEnvironmental plant equipmentBiomass power generationRegenerative medicineGene analysis <p>■ Net sales ratio (FY ended March 2024)</p> <p>16.9%</p>	<ul style="list-style-type: none">Infrastructure maintenance/inspection system3D vision robot systemInfrared film thickness metersAFVI system for HDI/flex PCBsDNA isolation deviceGene analysis serviceCell and tissue productsWaste gas/wastewater treatment systemHeat treatment equipment	<div><p>Livestock waste treatment system</p></div> <div><p>High-speed 3D vision sensor</p></div> <div><p>Mixing and deaerating system</p></div>	P21
Food and Services	<p>In the food sector, Japan Jiffy Foods offers safe and reliable freeze-dried products.</p> <p>In the service sector, Kurabo's very first factory in Kurashiki has been refurbished—yet retains its classic shape and charm—to house a commercial/cultural complex called Kurashiki Ivy Square. Meanwhile, the Kurabo Driving School contributes to the safety of the local community.</p>	<ul style="list-style-type: none">Freeze-dried foodDriving schoolHotel and cultural facilities <p>■ Net sales ratio (FY ended March 2024)</p> <p>6.3%</p>			P23
Real Estate			<p>Kurabo owns numerous plants and related facilities across Japan. The company's real estate business makes effective use of idle land on such Kurabo-owned property, thereby contributing to local communities while managing assets effectively.</p> <p>Through such real estate projects, Kurabo is contributing to people's lives and the wider community.</p>	<ul style="list-style-type: none">Real estate developmentReal estate leasingReal estate management <p>■ Net sales ratio (FY ended March 2024)</p> <p>2.5%</p>	P24

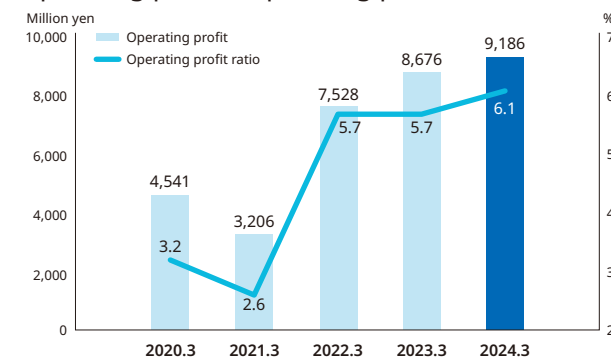


Financial Data (consolidated)

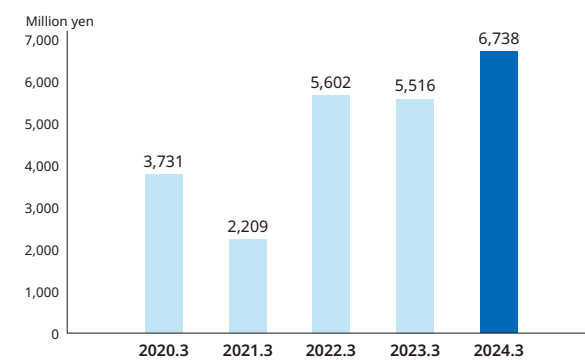
Net sales



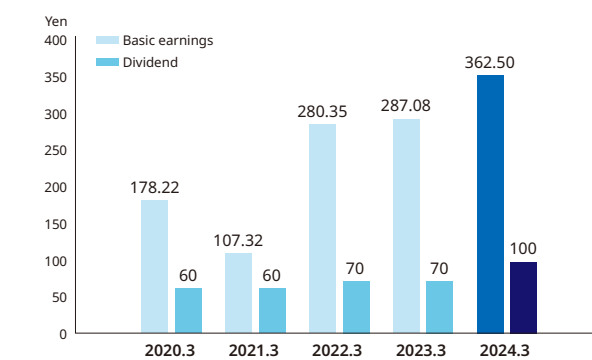
Operating profit / Operating profit ratio



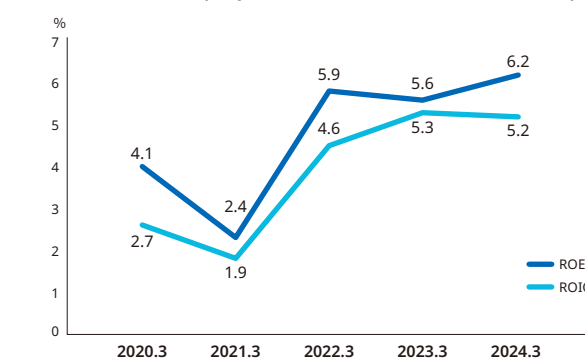
Profit attributable to owners of parent



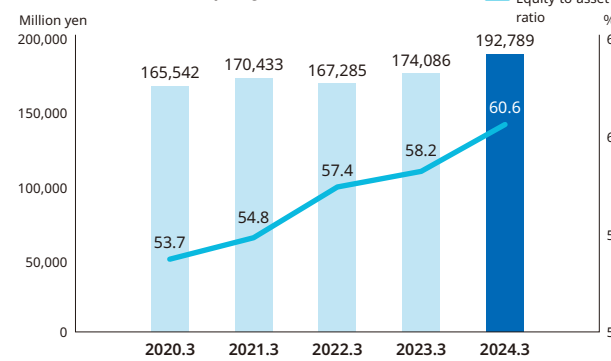
Basic earnings per share / Dividend per share



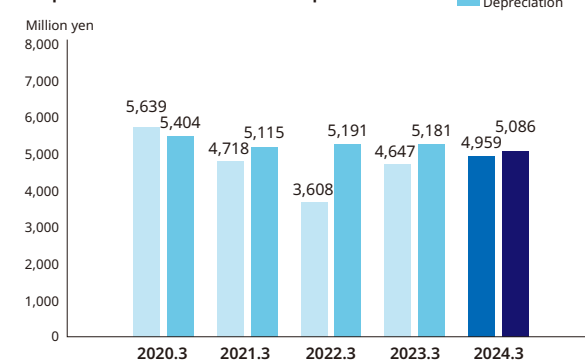
ROE (return on equity) / ROIC (return on invested capital)



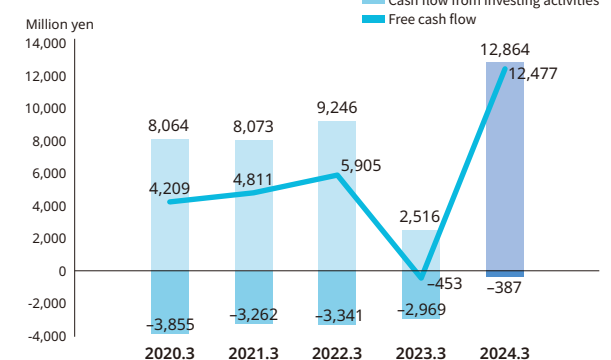
Total assets / Equity-to-asset ratio



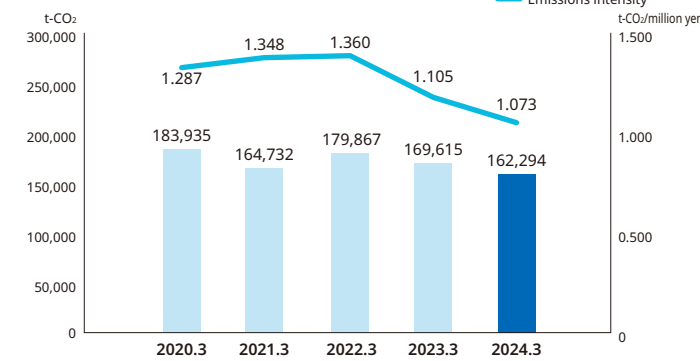
Capital investment / Depreciation



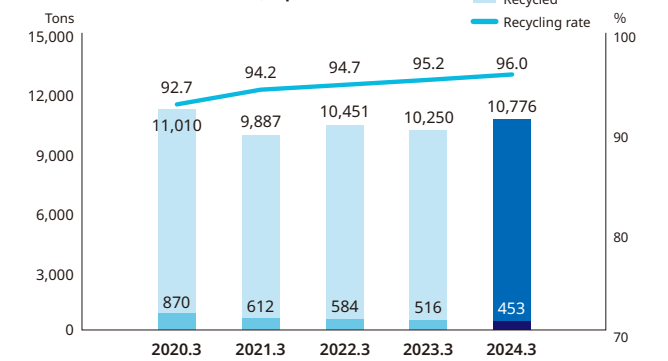
Cash flows



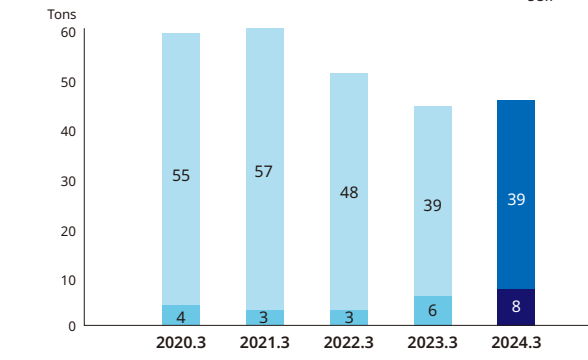
Non-financial Data

CO₂ emissions (consolidated)

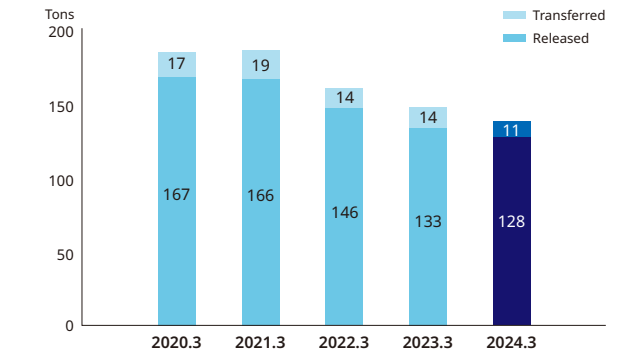
Amount of waste (Japan)



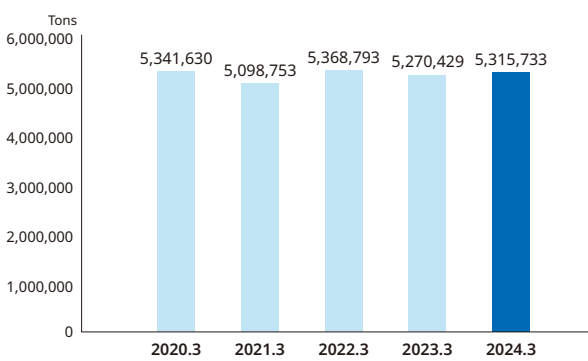
Air pollutants (Japan)



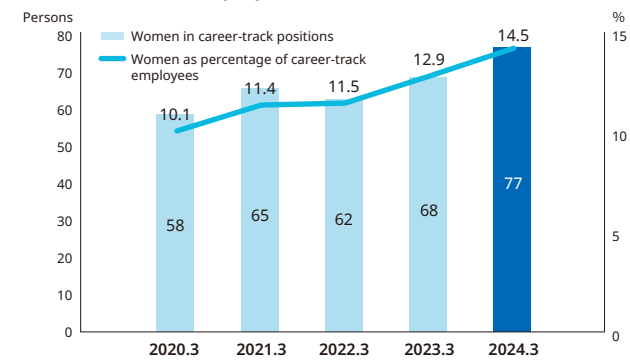
Chemical substances (PRTR) (non-consolidated)



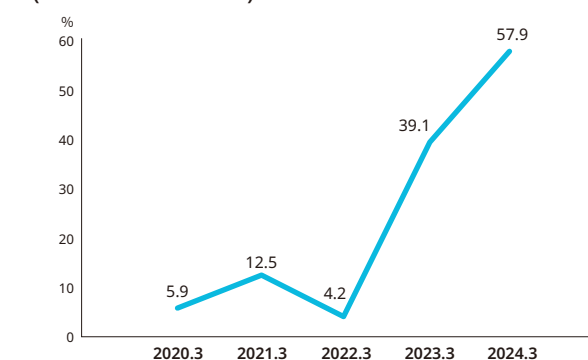
Water consumption (consolidated)



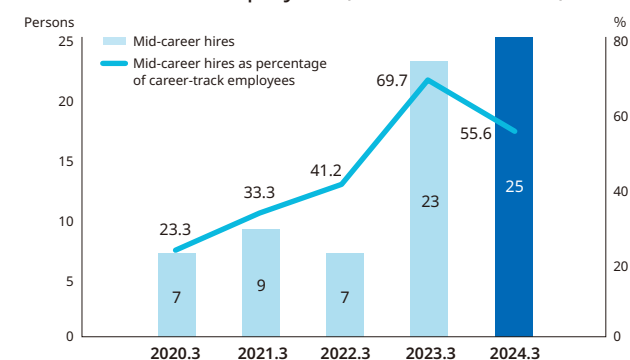
Women in career-track positions, and women as percentage of career-track employees (non-consolidated)



Parental leave utilization rate of male employees (non-consolidated)



Mid-career hires, and mid-career hires as percentage of career-track employees (non-consolidated)



Striving to become a truly high-profit business by achieving the goals set forth in the Long-term Vision 2030 early

President and Representative Director
Kurabo Industries Ltd.

Shinji Nishigaki

I'm Shinji Nishigaki, and I recently became the 15th president of Kurabo Industries. Since joining the company 38 years ago in 1986, I've built my career on the front lines of sales in the Chemical Products Division. Now I look forward to working closely with Chairman Fujita to achieve sustained growth from my new position as the Kurabo Group's chief executive.

I'll look to Chairman Fujita to strengthen our organization and governance to ensure we can earn social trust, while my role, as a president who hails from the sales side of the business, will be to execute operations, with a focus on leading our executive team through business policies and strategies in an effort to build an optimal business portfolio for expanding the Group's profits.

Reflecting on fiscal 2023 results

During the fiscal year ended March 2024, net sales fell 1.4% from the previous fiscal year as a slowdown in the textile business and a mid-year share transfer in the machine tool business compounded an ongoing period of adjustment in the semiconductor market, which we consider a growth market. However, operating profit and ordinary profit rose 5.9% and 1.7%, respectively, to their highest levels since we began consolidated accounting in 1977, while the operating profit ratio is also rising. These and other developments indicate that we're steadily improving profitability in today's rapidly changing business environment, which has been a major challenge for the Group. As a result, it's fair to say that the transition to an optimal business portfolio, while gradual, is making steady progress as we strive to become "a strong corporate group that generates innovation and high profit," as set forth in the Long-term Vision 2030.

Comparing individual businesses' results to results of the previous fiscal year, textile business performance fell due to the effects of factors including customers' inventory adjustments and a warm winter, but the chemical products and advanced technology businesses posted robust gains in each of their priority fields despite a slowdown in the semiconductor market. Added to the progress made in strengthening our core businesses, these factors helped drive significant growth in profits across the Group.

Final year of the Progress'24 medium-term corporate business plan

Under the Long-term Vision 2030, which sets forth our goal of becoming a strong corporate group that generates innovation and high profit, we've entered the final fiscal year that will cap Progress'24.

After achieving the plan's sales target in fiscal 2022, we unfortunately failed to do so in fiscal 2023, the second

year of the plan, as a result of factors including the removal of fourth-quarter results for Kuraki Co., Ltd. from the scope of consolidation as a result of a share transfer in the machine tool business, the effects of inventory adjustments by some customers in the textile business, and a period of adjustment in the semiconductor market, which has grown consistently until now.

However, despite those challenges, the chemical products and advanced technology businesses, which have been working to expand growth and priority businesses and strengthen core businesses, posted robust results, notching new records in consolidated profits at every stage. As a result, Kurabo posted record ordinary profit for the third year running, achieving the target for the second year of Progress'24.

The medium-term corporate business plan is our commitment to stakeholders, and I believe these results embody the minimum acceptable level of performance in that regard.

We're planning to post record profits for fiscal 2024, the plan's last year, as well, and the progress towards achieving the Progress'24 targets is palpable.

Turning to an evaluation of progress and issues and how we dealt with them in each business segment during fiscal 2023, the textile business turned the corner to profitability in fiscal 2022 thanks to increased sales of high-performance products made possible by proprietary technology, for example functional materials and sustainable materials, although it fell back into the red in fiscal 2023 due to factors including cost increases caused by a weak yen, inventory adjustments in the uniform market, and a warm winter.

Our ongoing effort to build production structures, which has been a challenge, continues, and we will strengthen competitiveness by moving quickly to build global production structures with QR support, with a focus on Southeast Asia. By taking steps to improve profitability by shifting costs onto prices and working to further increase sales of high-performance products, we're aiming



to return to profitability during this fiscal year.

In the chemical products business, we're starting to see the results of expanded sales and various improvement efforts geared to strengthen core businesses, despite lags in reflecting rising raw material costs in flexible polyurethane foam and housing construction material prices. In growth and priority businesses, the Mie Plant dramatically boosted production capacity by adding a new, large line to accommodate increased orders for functional films from a large customer. With regard to the semiconductor market, which is expected to grow further in the future, we're making investments as planned to expand the business, including by constructing a new building, tentatively called the Kumamoto Innovation Center, at the Kumamoto Office and R&D Center, and a new molding factory at the Neyagawa Plant to boost production of fluororesin materials, a major raw material in semiconductor production. We continue putting in place structures to help achieve the goals set forth in the Long-term Vision 2030 sooner than envisioned.

In the advanced technology business, progress in infrastructure testing and robot vision systems for factory automation (FA), which are priority businesses, is lagging, but we were able to generate sufficient performance in the business overall thanks to robust sales, including of product groups targeting the semiconductor market, and overseas rollouts of products like mixing and deaerating systems. With regard to infrastructure testing and FA robot vision systems, we're accelerating investment of resources and taking steps to overcome lags in product rollouts in growth markets in the life sciences and technology business domain, including the biomedical business.

Although the pace of the recent increases in raw material and energy costs that have significantly impacted profitability throughout the Group is slowing, we still need to continue increasing prices as necessary for the portion of those increases that has not yet been reflected in pricing.

In addition to accelerating these actions in each

business to help achieve the goals for the final year in Progress'24, we will also implement capital policies founded on awareness of capital efficiency as we strive to achieve the ROE target of 8% or greater set forth in the Long-term Vision 2030 by 2027, before the next medium-term corporate business plan ends, and the target of 10% or greater, as revised upward, in 2030.

Realizing the Long-term Vision 2030

The Long-term Vision 2030 is a plan that must be accomplished, despite the fact that the market environment has changed significantly since it was drafted in 2018. I'm aware that we need to achieve some targets earlier from the standpoint of implementing business founded on awareness of cost of capital and share price.

To that end, it is important to achieve the goals set forth in the plan for this fiscal year—the final year of the current medium-term corporate business plan and the halfway point of the Long-term Vision—and reflected in the next medium-term corporate business plan, which will be drafted during the second half of this fiscal year, and leveraged to realize the Long-term Vision 2030.

Medium- and long-term growth is seen as a certainty in the semiconductor market, a sector with which I've long been involved. Instead of contenting ourselves with expansion on par with the market's growth rate, we will aim to expand our business by greater than the market's growth, which is expected to run from 7% to 8% annually. To that end, in addition to concentrating and allocating resources on an ongoing basis and working to accommodate additional growth in production, we will need to be able to accommodate a growing market. What we most need to focus on right now is strengthening the development capabilities that the market and customers require, and we will build the Kumamoto Innovation Center not merely as a production facility, but also as a development facility capable of innovation.

Our business portfolio

Although the textile business operated at a loss last fiscal year, it posted profits in fiscal 2022 thanks to the success of products like NaTech functional cotton and the L∞PLUS upcycling system, both of which leverage proprietary technologies. Conditions remain challenging at present, but I believe that there's still room for Kurabo to demonstrate value by developing products that contribute to a sustainable society.

There remain sectors in not only the textile business, but also the chemical products and advanced technology businesses that are characterized by low profit levels due to various factors, for example poor economic conditions in the market environments. However, those businesses, products, and services can contribute to the realization of

a sustainable future society, and we're working to improve business results as quickly as possible. Naturally, I'm aware that we may need to carry out radical structural reforms depending on the status of those improvements and the results of associated measures.

At the same time, while the pace of expansion in some priority businesses where we're seeking to expand operations is lacking speed, overall, we're seeing growth that generally aligns with expectations, and businesses targeting the semiconductor market in particular are exhibiting growth that exceeds what we anticipated. Going forward, in addition to allocating resources in an ongoing and concentrated manner to priority businesses so that we can accelerate the development of robust profit-generating structures, our policy will be to build an optimal portfolio for priority businesses where we've pursued initiatives to date, for example in the film business and in life sciences and technologies businesses.

We will actively consider M&As that promise synergies with any of our businesses and happiness for the employees of involved companies.

Thoughts on sustainable management

Since its founding in 1888, Kurabo has a history of practicing sustainable management by, for example, improving the work environment and contributing to local communities, and we have inherited that DNA.

Under Progress'24, we have disclosed our Basic

Policy on Sustainability in line with the Corporate Governance Code put in place by the Tokyo Stock Exchange for corporate groups listed on the Prime Market. The policy reads as follows: The Kurabo Group believes that in order to contribute to a sustainable society, it must strive to improve its own corporate value on an ongoing basis. We will develop and expand high-profit businesses by creating high-value-added technologies, products, and services. In addition, in line with our



Basic Policy on Sustainability

Basic policy

The Kurabo Group believes that in order to contribute to a sustainable society, it must strive to improve its own corporate value on an ongoing basis. We will develop and expand high-profit businesses by creating high-value-added technologies, products, and services. In addition, in line with our management philosophy—the Kurabo Group contributes to a better future through the creation of new value—we will conduct business by keeping in mind the following four practices.

- 1 Contributing to the resolution of social issues through our businesses
- 2 Carrying out business activities founded on an awareness of the need to protect the Earth's environment
- 3 Putting in place a workplace environment characterized by respect for human rights, worker-friendly policies, and an engaging atmosphere
- 4 Working to earn the trust of society and stakeholders

management philosophy—the Kurabo Group contributes to a better future through the creation of new value—we will conduct business by keeping in mind the following four practices: (1) Contributing to the resolution of social issues through our businesses; (2) Carrying out business activities founded on an awareness of the need to protect the Earth’s environment; (3) Putting in place a workplace environment characterized by respect for human rights, worker-friendly policies, and an engaging atmosphere; (4) Working to earn the trust of society and stakeholders.

For me, each and every employee in the Kurabo Group embodies the most important aspect of sustainable management. As a manufacturer, we need to evolve in response to the changing times, and that makes it necessary for the people who are involved with manufacturing to move forward and grow while adapting to changes in society. If we can become the kind of organization that can pass the baton on to the next generation and build systems for doing so, I believe that will help us become sustainable. That, too, is part of the DNA that’s been passed down in an uninterrupted chain since Kurabo’s founding.

Strengthening corporate governance

As a part of society, the Kurabo Group needs governance. It’s also necessary for us to disclose information about the full range of business activities undertaken by Kurabo to all stakeholders, including shareholders and investors. In that sense, it’s important to strengthen governance structures one at a time.

The Basic Policy on Sustainability described above is also based on the Group’s materialities, and the governance structures the Group uses to resolve issues have earned it praise as a Prime Market-listed company that maintains a high level of fairness and transparency.

The foundation on which such governance structures rest consists of individual employees’ understanding of the Group’s management philosophy and their willingness to act in a disciplined manner in accordance with it, and we in the executive leadership hope for the happiness of the employees and consider rewarding their conduct to be the most important priority. At the same time, contributing to the development of business partners and local communities and rewarding the shareholders and investors who trust and support us are also key aspects of corporate management.

In that context, rather than merely continuing our dividend policy, which adopted a total payout ratio of 50% or greater as a target in Progress’24, we will consider how we can implement new polices to return profits to shareholders or increase the total payout ratio target in the next medium-term corporate business plan in the event a capital surplus remains after making growth investments in the future. We will also pursue IR activities centered on



active information disclosure and robust dialogue so that shareholders and investors can continue to make investments with peace of mind.

Conclusion

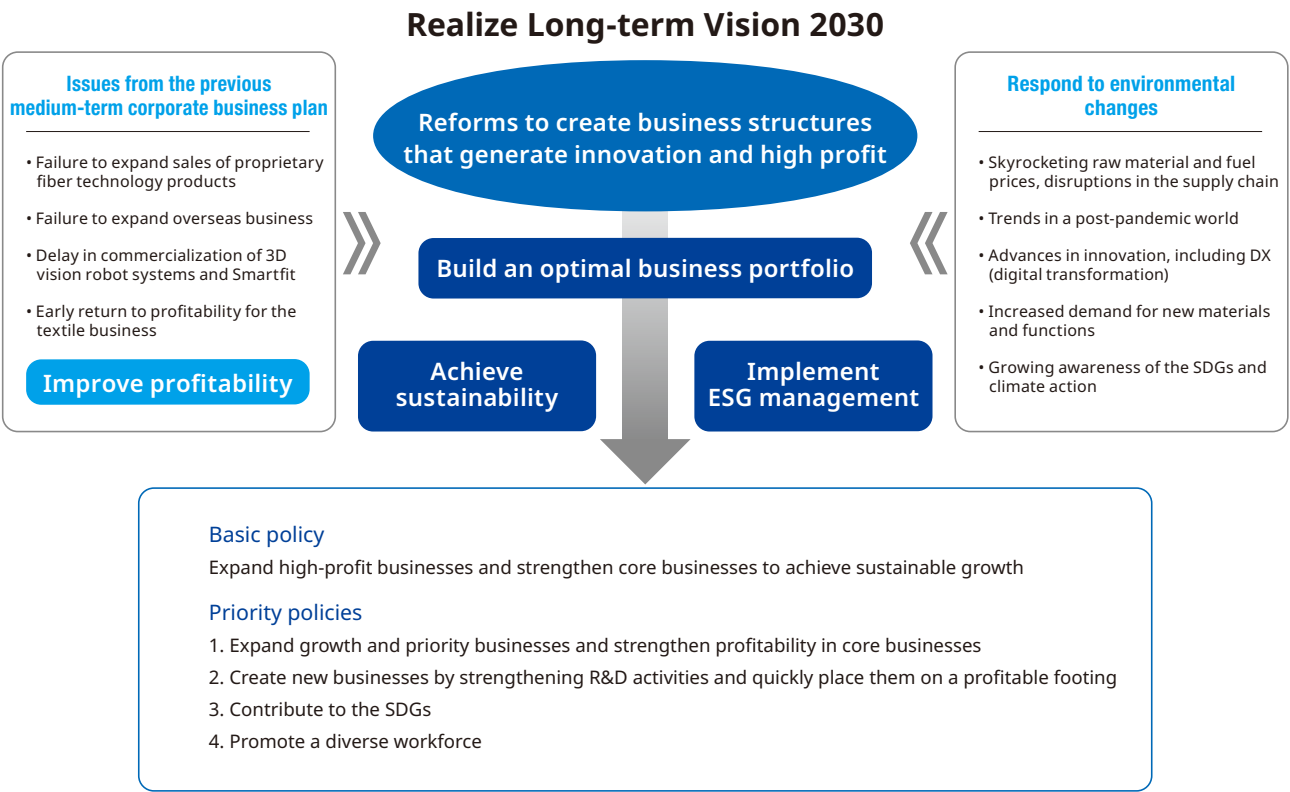
The Kurabo Group, which began with the textile business, has developed operations in a broad range of business domains, including automobiles, housing, biomedical, and food, all of which support modern life, and semiconductors, electronics, and environmental plants, all of which support industry.

I believe this is the result of having developed and extended the businesses we’ve inherited over 136 years in an effort to accommodate the requirements of the times and of society and proof that the willingness to embrace challenges that runs in our DNA has been passed down in a sustainable manner.

As I mentioned above, in order for the Group to contribute to the realization of a sustainable society, we must seek to improve our corporate value in a sustained manner. To that end, we must undertake initiatives that balance social value with corporate value, and it will be important to conduct business in a sustainable manner from a medium- and long-term perspective. In short, I believe that the Group’s mission is to move beyond temporary things and short-sighted actions by consistently supplying useful products and services that evolve over time and in response to society’s needs in a way that earns recognition of Kurabo’s value. Going forward, we will work to supply creative, truly valuable products, information, and services in an effort to create the richer and healthier living environment that society needs.

I recognize that shareholders and other stakeholders are highly interested in our future initiatives and in our vision for the future. Financial reports and IR materials tend to focus on recent performance reports and upcoming fiscal years’ budgets, but in the future, I hope to actively disclose information about the former topics, too.

Progress in the Progress’24 medium-term corporate business plan



	Companywide targets (Unit: 100 million yen)				
	(Baseline fiscal year)	(First fiscal year)	(Final fiscal year)		
	FY2021 results	FY2022 results	FY2023 results	FY2024 forecast*	FY2024 medium-term plan targets
Net sales	1,322	1,535	1,513	1,540	1,600
Operating profit	75	86	91	96	96
Ordinary profit	87	100	101	108	102
Profit attributable to owners of parent	56	55	67	75	72
Sales operating profit ratio	5.7%	5.7%	6.1%	6.2%	6.0%
ROE (return on equity)	5.9%	5.6%	6.2%	6.2%	7.0%

*Announced in August 2024

Targets by business (Unit: 100 million yen)						
		FY2021 results	FY2022 results	FY2023 results	FY2024 forecast	FY2024 medium-term plan targets
Textiles	Net sales	446	565	511	520	540
	Operating profit	–1	3	–2	3	8
Chemical Products	Net sales	516	597	613	670	630
	Operating profit	29	37	39	48	39
Advanced Technology	Net sales	235	242	255	213	290
	Operating profit	27	28	35	28	30
Food and Services	Net sales	84	92	95	100	103
	Operating profit	2	4	6	6	7
Real Estate	Net sales	37	37	37	37	37
	Operating profit	27	24	23	22	23

Textiles

Business fields

- Casual clothing materials
- Uniform materials
- Lifestyle materials
- Yarn materials for towels/socks/underwear
- Wearable systems

Leveraging our unique technology to offer new value and working to create sustainable business focused on addressing social issues.

Atsushi Kitabatake

Director,
Senior Managing Executive Officer
General Manager, Textile Business Division



Overview

We are making the most of our unique, advanced technologies in spinning, weaving, dyeing, and processing, and globally expanding our supply chain, which includes sewing, to create new value with textile products centered on natural fibers. In particular, we have made a name for ourselves in denim and fabrics used for uniforms and casual wear. In recent years, we have been working to provide

improved value focused on addressing social issues, such as through the development of new, high-value-added textiles that combine function, aesthetics, and touch and the creation of sustainable, IoT and textile recycling-driven business. As our slogan states, “Giving customers joy and wonder. Your best partner—Kurabo,” we journey alongside our customers as partners, always working to deliver them new value.

Strategy

● Review of the fiscal year ended March 2024

In relation to the Progress'24 priority policy for our textile business to expand sales of high-function materials and sustainable materials that take advantage of proprietary technologies, sales of NaTech, a functional cotton, which leverages raw material reforming technology, have expanded into underwear and other areas. In our uniform-related business, we are strengthening products and services that provide safety and comfort to workers. Sales of flame-retardant materials, such as BREVANO and PROBANO, have expanded steadily. We have gone ahead with full-scale

introduction of a smartphone-less smartwatch, which was a highly requested element of the Smartfit management system for reducing risks in hot environments.

For the L∞PLUS upcycling system, which we are developing as a sustainable initiative, we have expanded our collaboration in a variety of fields with companies, textile producing regions, and local governments. Additionally, in order to expand the upcycling system in the ASEAN region, we have introduced a production line at Thai Kurabo.

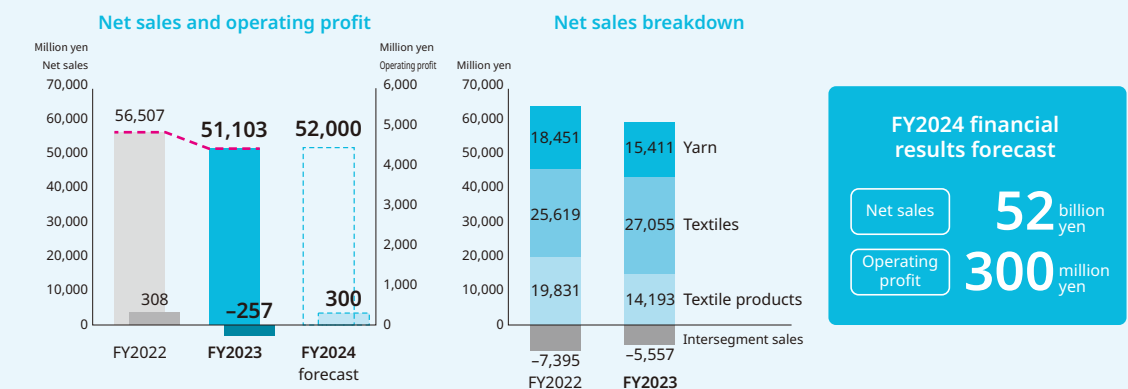
● Measures and outlook for the fiscal year ending March 2025

This year is the final year of Progress'24, and we are positioning it as an important year for building a stable revenue base leading into the next medium-term corporate business plan. To this end, we will work to expand our business by strengthening our product appeal to meet end-user needs and promoting new development in overseas markets.

Specifically, for NaTech, we will focus on developing new functions that match the needs of end users and expand its product range to include outerwear, bedding, and other areas

in order to build a foundation for further growth. In uniform-related business, we will actively participate in overseas exhibitions, focusing chiefly on flame-retardant materials, and we will promote in overseas markets products and services that provide safety and comfort to workers, for which we have cultivated sales in the Japanese market. In casual wear, where there is an increasing emphasis on health and comfort, we will utilize our proprietary technology to develop new, lightweight and stretchy textiles, working to expand sales further both domestically and overseas.

Results by segment



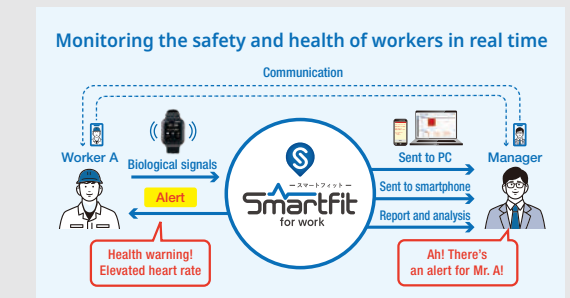
News

In our textile business, which provides safety and comfort to workers, we are offering new value through an integration of technology that we have cultivated in the textile industry with digital technology. One such example is Smartfit, which was developed in conjunction with Osaka University, the Japan Weather Association and others, and which has been available since fiscal 2018 to support heat risk and health management. A wearable device worn by workers analyzes their heart rate and other biological signals, along with on-site environmental information, and the results are then communicated to the workers and managers in real time.

Starting in fiscal 2023, we have added a visualized report function to help promote workplace safety and health activities, and we have launched a service that not only provides real-time evaluation but also facilitates improvement of the entire workplace environment, which includes workers. These safety and health solutions have been well received and

Smartfit has been introduced to more than 80 companies in a wide range of industries and sectors, including construction, manufacturing, and power, with major companies, in particular, beginning to take steps toward full-scale implementation.

As corporate interest in health management grows, we will continue to seek further improvements in usability to provide safety and comfort to workers.



Chemical Products

Business fields

- Polyurethane foam
- Housing construction materials
- High-performance plastic products
- Functional films
- Reinforcing fabrics
- Nonwoven fabric

Positioning high-performance plastic products, functional films, functional materials, and nonwovens as four growth and priority businesses through which to contribute to the creation of high-value-added products.



Toshio Baba | Director
Senior Managing Executive Officer
General Manager, Chemical Products Division

Overview

Kurabo's chemical products business spans a wide range of fields, and we use proprietary technologies to provide a variety of products to diverse markets. In semiconductor-related products, we use proprietary processing technology to develop high-performance plastic products for semiconductor production equipment. In film-related business, we have commercialized super engineering plastic films and high-performance, multi-layer films produced using a super-high-temperature deposition technique. In the field of

nonwoven fabrics, we are developing nonwovens with various functionalities, and, in the fields of automotive interior, housing construction, and insulation, we use our original resin compounding and molding technologies to differentiate us from the competition through the high-value-added products we offer. And, moving forward, we will contribute to society by expanding the development and sales of environmentally friendly and SDG-conscious products.

Strategy

● Review of the fiscal year ended March 2024

We are pursuing the basic policy of our medium-term corporate business plan to expand business scope by further concentrating resources on growth and priority businesses and to achieve results in new business within our core businesses. In the second year of the Progress'24 period, our growth and priority businesses saw a drop in orders for high-performance plastic products due to a slowdown in the semiconductor market. However, earnings improved due to an expansion of functional films for the energy market, a

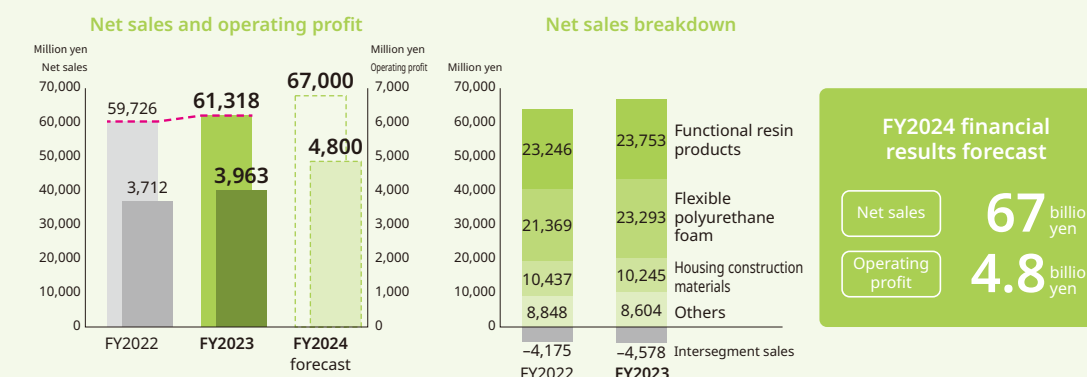
recovery in the automotive market, which is one of our core businesses, and our continued success in passing rising raw material costs on to product prices. All of this enabled us to achieve record profits in our chemical products business. Additionally, we will pursue large-scale capital investments, such as constructing a new building for the Kumamoto Office and R&D Center and adding a wider film production line, to increase our capacity centered on the area of high-performance plastic products.

● Measures and outlook for the fiscal year ending March 2025

In our chemical products business, we will continue to follow the basic policy for the final year of the medium-term corporate business plan. Specifically, while continuing to pass costs on to product prices, we will concentrate resources on growth and priority businesses, further expanding the scope of our high-performance plastic products and functional film divisions. In our core businesses of flexible polyurethane foam and housing construction materials, we will aim to further

improve profits by strengthening our competitiveness through digital transformation at production sites and developing new businesses and markets. Furthermore, we will work to ensure an unprecedented level of inter-organizational communication and pursue business operations with a focus on building a highly engaged organization.

Results by segment



News

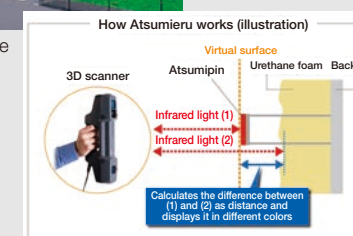
For high-performance plastics products, we are moving forward with the construction of a new building at our Kumamoto Office and R&D Center, aiming for completion in March 2025. We will more than double our current supply capacity, which includes expanding the fluoroplastic molding capacity invested into our Neyagawa Plant. We will also respond further to demand for cleaner products, as well as improve our unique cleaning technologies. In functional films, we will focus on increasing production of the new line at our Mie Plant, which began operations last year, and will work to deepen our presence in the energy market.

In addition, we are working to speed up the development and marketing of KURAPOWER SHEET, a thermoplastic carbon fiber composite material, which is expected to become a new business pillar. For nonwoven fabrics, we will work to improve the performance of automotive filters, our main application, and increase production of semiconductor chemical cleaning filters. In our core business, we are working on expanding our automobile seat mold manufacturing line for flexible polyurethane at our Brazilian subsidiary,

aiming to start operations in fiscal 2025. Additionally, in housing construction materials, we will establish a system to increase production for our precast business. In insulation, we will completely switch to non-fluorocarbon foaming agents, reduce the number of people on construction sites, and promote the use of our Atsumieru on-site urethane foam thickness measurement system to improve quality, thereby contributing to the achievement of the SDGs.



New building at the Kumamoto Office and R&D Center



Advanced Technology

Business fields

- Color and image processing
- Product inspection/measurement
- Environmental plant equipment
- Biomass power generation equipment
- Gene analysis-related products

With a focus on advanced manufacturing based on our unique vision sensor technology, we contribute to the safety, security, and comfort of daily life in a wide range of fields.

Kenshi Kawano

Director
Managing Executive Officer
General Manager, Advanced Technology Division



Overview

Kurabo's electronics business contributes to the advancement of manufacturing by providing inspection and measuring devices centered on color sensing technology. While our engineering business has its foundations in environmental plant technologies, such as waste gas and wastewater treatment, it is also expanding into biomass power generation. Our life sciences technology business

utilizes sensors and AI in life sciences fields, such as drug discovery, cosmetics development, and preclinical studies, to provide research reagents and equipment, lab automation, and other products and services. These businesses make up Kurabo's Advanced Technology Division, which contributes to safety, security, and comfort in people's lives through advanced manufacturing, research, and energy utilization.

Strategy

● Review of the fiscal year ended March 2024

Our first priority policy under Progress'24 is "establishment of competitive advantages through strengthening of product appeal and sales expansion in overseas markets." With regard to this, we have improved the recognition accuracy of our KURASENSE high-speed 3D vision sensor and have released a new model with a detachable sensor head. We have also focused our efforts on developing new applications, such as soldering systems. We are currently working to strengthen sales of our pavement inspection equipment in Asia, primarily India and South Korea. Meanwhile, in Japan, we have steadily expanded our business by, for example, working with JR-Central to jointly develop a system that uses cameras and sensors attached to Shinkansen trains to measure the condition of rails and railroad ties. In pharmaceutical and energy-related fields, which are growing markets, sales of mixing and deaerating systems are expanding steadily, primarily to overseas markets. Furthermore, for in-situ measuring systems being developed for semiconductor manufacturing, we have decided to pursue

user evaluation of prototypes and to set up an environment for practical development within the Technical Research Laboratory in order to begin new development.

With regard to the second priority policy, "introduction of product groups that help solve social issues," we aim to differentiate ourselves by expanding our products and services that contribute to addressing social issues, such as environmental systems-related, infrastructure inspection, and gene extraction and analysis-related products. Our FUNTO livestock waste treatment system, which repeatedly recycles livestock manure into clean compost, has been well received by users who have adopted it. However, new sales have been more difficult than expected due to the worsening business environment for dairy farmers, who have been affected by rising feed prices and other factors. Meanwhile, sales of exhaust gas treatment equipment have continued to grow, and, in the new energy field of the decarbonized era, we received our first order for a denitrification unit for an ammonia-fueled combustion furnace.

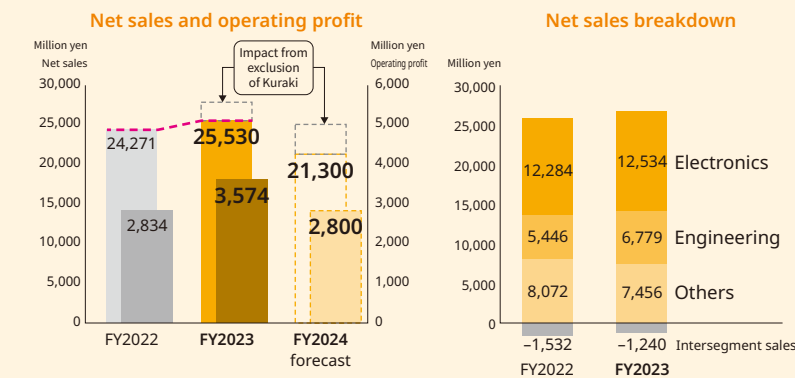
● Measures and outlook for the fiscal year ending March 2025

In our electronics business, we will strive to gain a competitive advantage by strengthening product appeal and will expand sales into overseas markets. We will also work to strengthen the product appeal of our new KURASENSE technology and expand sales of pavement inspection systems to overseas markets, including Asia, as well as expand our semiconductor-related inspection and measurement business.

In the area of engineering, we will work to expand new environment-related business, such as FUNTO, and to expand sales into overseas markets.

With regard to life sciences, in addition to expanding our business in the field of gene extraction and analysis, we will also work to promote our MAZERUSTAR mixing and deaerating system in new fields, such as beauty, cosmetics, and energy, and to expand sales in overseas markets.

Results by segment



FY2024 financial results forecast

Net sales **21.3** billion yen
Operating profit **2.8** billion yen

News

By combining the high-speed image processing technology developed by Kurabo for the PG-4 pavement inspection system with the Shinkansen track measurement technology and know-how that JR-Central has cultivated, as well as by further improving high-definition camera accuracy and analysis system sophistication, a track material monitoring system was completed, which can accurately measure the condition of track materials even at speeds of 300 km/h. This first-in-Japan system can measure the track materials of the Tokaido Shinkansen line while the trains travel at high speed. Moving forward, JR-Central will conduct verification and will further improve the accuracy of the system with a view to putting it into practical use in or after 2027. In addition to promoting the product to other JR companies, Kurabo also aims to introduce it for conventional lines and private railways.

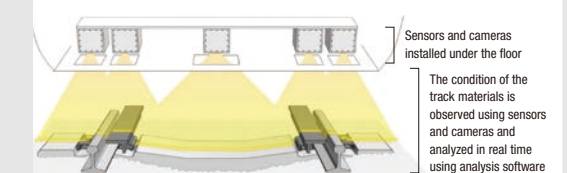
We will continue to refine our visual technology, which enables us to clearly capture fleeting phenomena indistinguishable to the naked eye, to turn it into observation and examination technology that

will make it possible to perform observations with greater precision and to diagnose whether something is normal or abnormal, thereby contributing to greater efficiency and labor savings, not only in the field of infrastructure but also in the field of robotics, such as for automation.



Photo provided by JR-Central

Under the floor of a Tokaido Shinkansen car



Kurabo Business Divisions

Food and Services

Beyond manufacturing and selling freeze-dried food, we also operate a hotel, driving school, and commercial/cultural complex. We also pursue community contribution initiatives, primarily in our home base of Kurashiki.

Susumu Inaoka | Director
Executive Officer
Officer in charge of Managerial Planning Department, Human Resources Department, Environment & Construction Department, Intellectual Property Department, and Technical Research Laboratory



Overview

We manufacture and sell freeze-dried foods, as well as operate a hotel and other facilities, with the aim of enriching and improving quality of life and contributing to local communities.

As the trend toward individual servings continues, the market for freeze-dried foods is expanding thanks to their

deliciousness and convenience. Kurashiki Ivy Square, our hotel-centered cultural complex that was converted from the original factory used at the time of Kurabo's founding, is a Kurashiki landmark, as it is the birthplace of the Kurabo Group and is a beacon of tradition and culture.

Strategy

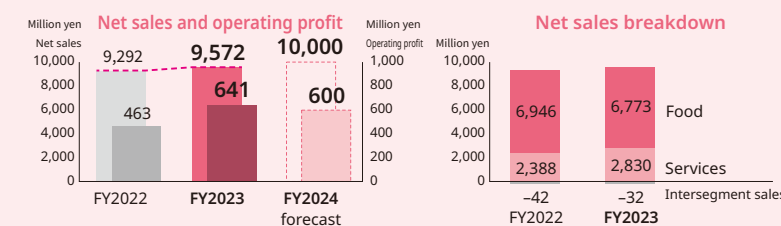
● Review of the fiscal year ended March 2024 Measures and outlook for the fiscal year ending March 2025

Our food business in the fiscal year ended March 2024 experienced sluggish sales of instant noodle ingredients and molding soups due to consumer restraint caused by rising prices. In the fiscal year ending March 2025, we are concerned that consumers will continue to be frugal due to rising prices of processed foods. However, we will continue to develop and offer environmentally friendly, health-conscious plant protein foods, as well as high-value-added products that emphasize deliciousness and authenticity, with the aim of expanding our

business through improved customer satisfaction and strengthening our B2B proposal-based business.

Our hotel business is supported by strong demand for domestic travel and inbound tourism, which has ensured we maintain high occupancy rates as well as fostered increasing recovery in banquet demand. For the fiscal year ending March 2025, we will continue to plan attractive events and services, and will strengthen our efforts to attract MICE events and capture inbound tourism demand.

Results by segment



FY2024 financial results forecast

Net sales: 10 billion yen
Operating profit: 600 million yen

News

Japan Jiffy Foods, a manufacturer and seller of freeze-dried foods, sees reducing CO₂ emissions and improving productivity through energy conservation as important issues for sustainable growth. To this end, the company is gradually making capital investments in facilities, such as updating the freezing equipment in its factories and converting its heavy oil steam boilers to LNG boilers. In addition to strengthening its environmentally conscious business activities, the company will carry out SDG-focused initiatives and strive to be a company that contributes to improving people's health and food culture, as stated in the company's business philosophy.



Vacuum freeze-dryer

Kurabo Business Divisions

Real Estate

Promoting local revitalization through effective utilization of idle land and renting out tenant buildings and large commercial facilities.

Hiroshi Fujii | Director
Executive Officer
Officer in charge of Finance & Accounting Department, System & EDP Department, General Administration Department, and Estate Promotion Department



Overview

In our real estate business, our mission is to ensure stable, long-term earnings for the Group. Towards that end, we are making effective use of the land we own across Japan that used to be the sites of numerous factories and related facilities, resulting from a change in business. We support the

development of commercial facilities and run office buildings that lead to the revitalization of local communities. We also provide land for mega-solar facilities that contribute to environmental preservation. Through such real estate projects, Kurabo is contributing to people's lives and the wider community.

Strategy

● Review of the fiscal year ended March 2024 Measures and outlook for the fiscal year ending March 2025

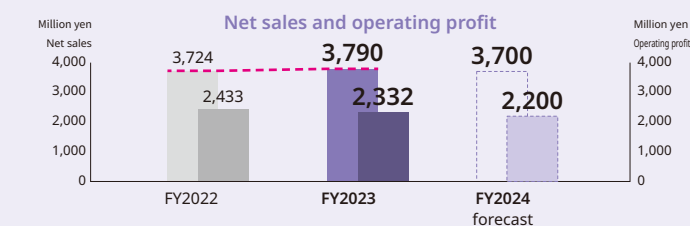
In commercial facilities, while hypermarkets are struggling, food supermarkets, discount supermarkets, and home improvement stores are accelerating their openings, especially in urban areas, and the difference in performance between different business types is becoming clear. Depending on the business type and performance of tenants, there is a concern that they may ask for reduced rent or even terminate their contracts midway.

In this environment, for the fiscal year ended March 2024, we focused on quickly monetizing unused land and renewing contract periods for existing properties. In the redevelopment of the former Seiyu mall in Anjo and the former Marugame mill site, the land delivery was completed as scheduled, and agreements were reached to renew contract periods for

several properties, progressing as planned. As a result, we were able to exceed our targets for both net sales and operating profit in the second year of the Progress '24 medium-term corporate business plan.

For the fiscal year ending March 2025, we will focus on renewing property contracts that are expiring during the fiscal year and on acquiring tenants for office buildings. In terms of business performance, net sales are expected to meet the target for the final year of the medium-term corporate business plan, such as with the full contribution to earnings achieved from the redevelopment of the former Marugame mill site. However, profits are expected to decline slightly due to such factors as increased repair and maintenance costs.

Results by segment



FY2024 financial results forecast

Net sales: 3.7 billion yen
Operating profit: 2.2 billion yen

News

As part of our SDGs activities, the Kurabo Annex Building obtained rental office building environmental certification in February 2024. It received an S rank (the highest rank on a five-point scale) in the CASBEE (Comprehensive Assessment System for Built Environment Efficiency) for Real Estate program and a four-star rank (the second highest rank on a five-point scale) in the BELS (Building-Housing Energy-efficiency Labeling System) program.



CASBEE certificate



BELS plate

Technical Research Laboratory



Kurabo's core technology group and applied development group aim to create new business using new, core technologies to tackle the challenge of innovation with new ideas and frameworks.

Shoichi Nishii | Executive Officer
Manager, Technical Research Laboratory

R&D overview

R&D policy

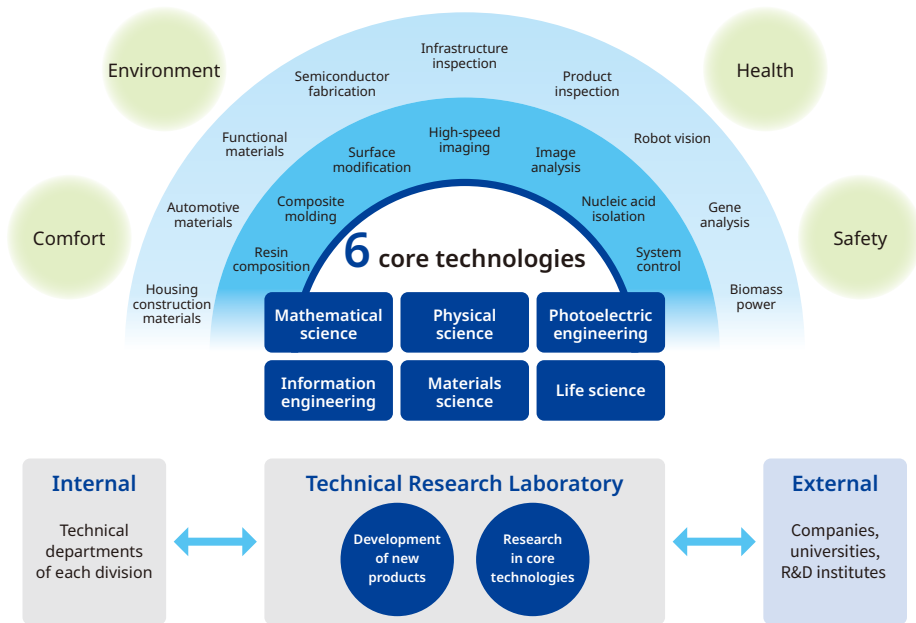
The Technical Research Laboratory establishes what themes to focus on in creating next-generation technologies for our core businesses and then conducts research and development for those themes. In fiscal 2024, we will add themes that line up with material issues and will pursue research and development that accord with the following three policies.

The first policy is to create innovation. We will strengthen collaboration with universities and public institutions, incorporate the latest technologies, and create new value through cross-field and cross-industry interaction.

The second policy is to strengthen our technological

capabilities. We will go deeper with our core technologies and improve our technological capabilities to support next-generation products and services, while also refining the technologies we have cultivated thus far and acquiring and expanding new technologies.

The third policy is to pursue environmentally friendly technology development, whereby we take on new technological challenges related to cleaning and water treatment and contribute to solving social issues through research and development that is aligned with the SDGs and that reduces environmental impact.



Kurabo's Advanced Technology Center



Clean room

R&D strategy

R&D strategy and focus areas

The applied development group is working on new business development while innovating core technologies, with a focus on future markets for our core businesses. We have made the following progress on four new business development projects.

In our robotics-related project, we have undertaken research and development to strengthen the 3D measurement and image recognition technologies that are the core technologies of KURASENSE, a high-speed 3D vision sensor developed for production lines in the automotive and home appliance industries.

In our semiconductor-related project, we offered a semiconductor cleaning equipment manufacturer a prototype machine, which measures the chemical concentration and film thickness of silicon wafers during cleaning, and we worked on developing next-generation cleaning and control technologies. We will develop such technologies beyond the semiconductor field as new cleaning technologies that reduce environmental impact.

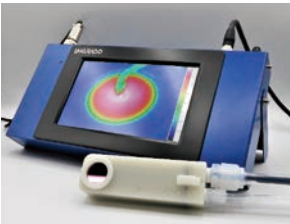
In our life sciences-related project, we engaged in research and development of nucleic acid extraction devices, extraction methods, and reagent kits that can be used in the field of

clinical diagnostics. We will develop competitive product technologies by incorporating technologies from universities and by collaborating with other companies.

And in our functional materials-related project, we are developing high-value-added materials and ingredients using composite and special surface treatment technologies that are based on functional films and carbon fiber sheets. In particular, we are working on a copper-clad laminate film substrate with low dielectric properties, which is expected to be used as a device substrate for 5G and 6G communications, and we will continue to evaluate it within the market.



Robotics-related (KURASENSE)



Semiconductor-related (in-situ measurement)

News

We are focused on improving the surface quality of raw cotton, which is something that we have cultivated as a core technology at our Technical Research Laboratory. Starting in fiscal 2023, we have begun a three-year joint research project with the Takasaki Institute for Advanced Quantum Science, National Institutes for Quantum Science and Technology (QST) on modifying raw cotton using electron beams in order to strengthen the core technology underpinning our NaTech functional cotton material. The main focus of this joint research is graft processing technology, which polymerizes functional

monomers on raw cotton. In the fiscal year ended March 2024, we conducted research and development to estimate the degree of polymerization in the graft reaction, as well as pursued development of technology to control the reaction conditions during processing. In an era of ever-evolving AI, mathematical analysis, and simulation technologies, the Technical Research Laboratory will strengthen collaboration with external organizations and apply cutting-edge technology to the creation of new products and innovation in production technology.



Takasaki Institute for Advanced Quantum Science (photo provided by the QST)



Hiroshi Fujii

Director
Executive officer
Officer in charge of Finance & Accounting Department, System & EDP Department,
General Administration Department, and Estate Promotion Department

Pursuing business with an awareness of cost of capital and share price

Analysis and evaluation of performance for the fiscal year ended March 2024

Overview of business performance

In the fiscal year ended March 2024, the textile business was affected by customer inventory adjustments and other factors, resulting in sales of 151.3 billion yen, a year-on-year decrease of 2.2 billion yen, or 1.4%. However, this was offset by the chemical products business and the advanced technology business, which performed steadily despite a slowdown in the semiconductor market, with operating profit increasing by 500 million yen, or 5.9%, year-on-year to 9.18 billion yen. Even though operating profit increased, ordinary

profit only increased by 160 million yen, or 1.7%, year-on-year to 10.19 billion yen due to a year-on-year decrease in foreign exchange gains. Although extraordinary losses totaled 1.37 billion yen, including impairment losses and losses on sales of affiliated company shares, extraordinary gains totaled 1.7 billion yen, including gains on sales of investment securities. As a result, profit attributable to owners of parent increased by 1.22 billion yen, or 22.1%, year-on-year to 6.73 billion yen, with all consolidated profit metrics reaching an all-time high.

Results

(Million yen)

	FY2022 results	FY2023 results	FY2024 plan
Net sales	153,522	151,314	154,000
Operating profit	8,676	9,186	9,600
Ordinary profit	10,024	10,191	10,800
Profit attributable to owners of parent	5,516	6,738	7,500
Capital investment	4,647	4,959	9,500
Depreciation	5,181	5,086	5,400

Financial status

(Million yen)

	FY2022 results	FY2023 results	Increase/decrease
Current assets	84,771	89,320	4,548
Fixed assets	89,315	103,469	14,153
Total assets	174,086	192,789	18,702
Current liabilities	46,030	44,055	-1,975
Fixed liabilities	25,149	30,659	5,509
Total liabilities	71,179	74,714	3,534
Total net assets	102,907	118,074	15,167
Equity-to-asset ratio	58.2%	60.6%	2.4%
ROE	5.6%	6.2%	0.6%

Financial status

Total assets as of the end of the fiscal year under review increased by 18.7 billion yen year-on-year to 192.7 billion yen, due mainly to an increase in investment securities accompanying rising share prices, and despite a decrease in inventory assets. Liabilities increased by 3.5 billion yen year-on-year to 74.7 billion yen due to an increase in deferred tax liabilities, and despite a decrease in short-term borrowings. Net assets increased by 15.1 billion yen year-on-year to 118.0 billion yen due to an increase in valuation difference on available-for-sale securities and retained earnings. As a result, the equity-to-asset ratio increased by 2.4 points to 60.6%. ROE also increased by 0.6 points to 6.2%.

Status of cash flows

Cash flow from operating activities for the fiscal year under review was a positive 12.86 billion yen, due in part to net

income before taxes of 10.51 billion yen and internal reserves for depreciation of 5.08 billion yen, and despite the payment of 2.95 billion yen in corporate tax and other expenses.

Cash flow from investing activities was a negative 380 million yen, due to expenditures of 4.59 billion yen for the purchase of property, plant and equipment and intangible fixed assets, and despite income of 2.44 billion yen from sale of shares of a subsidiary resulting in change in scope of consolidation and income of 2.18 billion yen from sale of investment securities. Cash flow from financing activities was a negative 6.95 billion yen, due to expenditures of 2.47 billion yen for purchase of treasury shares, expenditures of 1.91 billion yen for the repayment of long-term borrowings, and dividend payments of 1.41 billion yen. As a result, cash and cash equivalents at the end of the fiscal year under review increased by 5.76 billion yen year-on-year to 16.12 billion yen.

Status of cash flows

(Million yen)

	FY2022 results	FY2023 results	Increase/decrease
Cash flow from operating activities	2,516	12,864	10,347
Cash flow from investing activities	-2,969	-387	2,582
Cash flow from financing activities	-3,581	-6,951	-3,370
Ending balances of cash and cash equivalents	10,360	16,123	5,763

Earnings forecast for the fiscal year ending March 2025

Regarding future economic conditions, we expect gradual growth due to cyclical increases in wages and prices. However, with regard to external demand, there are concerns about the impact on logistics and resource prices that the slowdown in the Chinese economy and the war in the Middle East will have. In this business environment, rising wages and logistics costs, as well as the risk of fluctuations in raw material and fuel prices, are ongoing challenges, and we will continue to address these via cost pass-throughs and cost reductions.

Regarding the full-year forecast for the fiscal year ending March 2025, we expect net sales to be 154.0 billion yen, an increase of 2.6 billion yen, or 1.8%, year-on-year. Operating profit is expected to be 9.6 billion yen, ordinary profit to be

10.8 billion yen, and net profit attributable to owners of parent to be 7.5 billion yen. Each profit category is expected to increase year-on-year, reaching new record highs for a second consecutive year.

We plan to make capital investments of 9.5 billion yen in the fiscal year ending March 2025, which will significantly exceed depreciation of 5.4 billion yen. Approximately 70% of total capital investment, or 6.5 billion yen, was for the chemical products business, mainly for the construction of a new building at the Kumamoto Office and R&D Center, the installation of production equipment for fluororesin materials, and the expansion of a production line for flexible polyurethane molded products in Brazil.

Breakdown of capital investment by business

(Million yen)

	FY2022 results	FY2023 results	FY2024 plan
Textiles	1,067	1,238	1,400
Chemical Products	2,073	2,218	6,500
Advanced Technology	610	667	400
Food and Services	781	523	400
Real Estate	129	284	800

Shareholder returns

In recognition of the fact that dividends to shareholders is one of the top priorities for a company, our basic policy is to provide stable and continuous profit returns. Pursuing sustained growth within an increasingly uncertain business environment requires management that is grounded in expanding the financial base to a certain extent. However, for profit returns, we also consider treasury share acquisition and have set a target value of 50% or higher for the total payout ratio for the current Progress'24 medium-term corporate business plan period (from the fiscal year ended March 2023 to the fiscal year ending March 2025).

This approach aims to improve capital efficiency by returning to shareholders most of the free cash flow, which is obtained by subtracting investment cash flow from operating

cash flow.

In accordance with this policy, we paid an interim dividend of 40 yen, a year-end dividend of 60 yen, and an annual dividend of 100 yen per share for the fiscal year ended March 2024, which was a year-on-year increase of 30 yen. Combined with the acquisition of treasury shares, the total payout ratio was 61.4%.

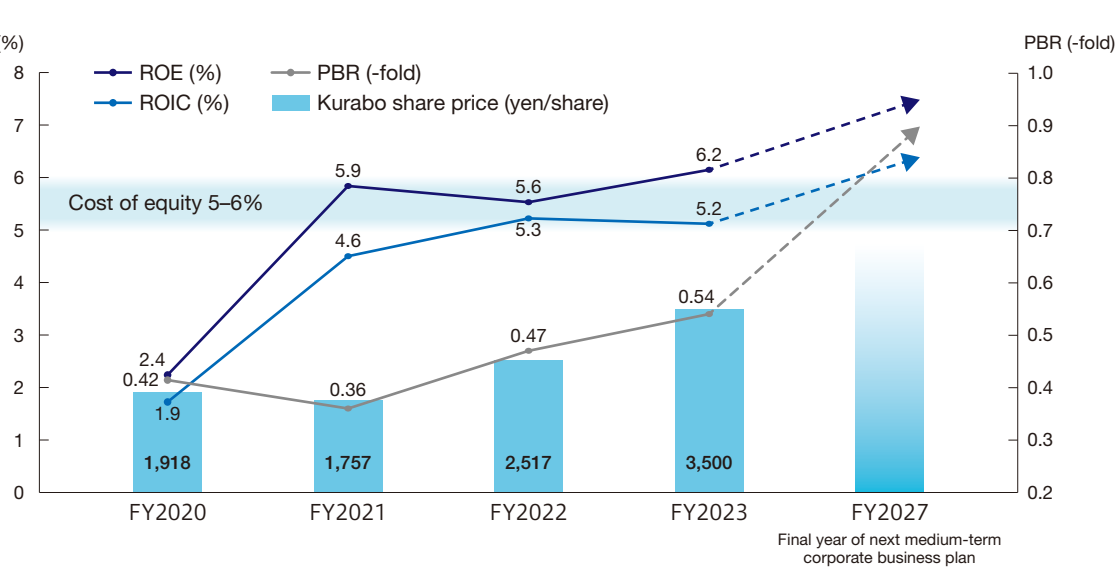
Regarding dividends per share for the fiscal year ending March 2025, we predict an interim dividend of 60 yen, a year-end dividend of 60 yen, and an annual dividend of 120 yen, which is a year-on-year increase of 20 yen per share.

Improving return on capital

In 2019, the Kurabo Group formulated its Long-term Vision 2030 to become a strong corporate group that generates innovation and high profit. Towards that end, we have been pursuing business that maintains an awareness of capital efficiency, incorporating ROIC, ROE, and ROA as internal management indicators. We are currently in the final year of our Progress'24 three-year medium-term corporate business plan, which is the second stage of our Long-term Vision 2030. Based on an analysis of the current situation of our Group, we have decided to bring forward the targets of the Long-term Vision 2030 and strive to achieve an ROE of 8% or more during the next medium-term corporate business plan period and 10% or more by 2030.

Current analysis and evaluation of cost of capital and share price
Currently, our Group's ROE (6.2% for fiscal 2023) is roughly within the range of the cost of equity calculated using CAPM (5% to 6%). ROIC is also showing signs of improvement. Although ROE, share price, and PBR are on an upward trend, they are still below par when compared with the overall Prime Market, and we recognize that a gap exists when compared with shareholders' expected rates of return.

ROE, ROIC, PBR, and Kurabo share price



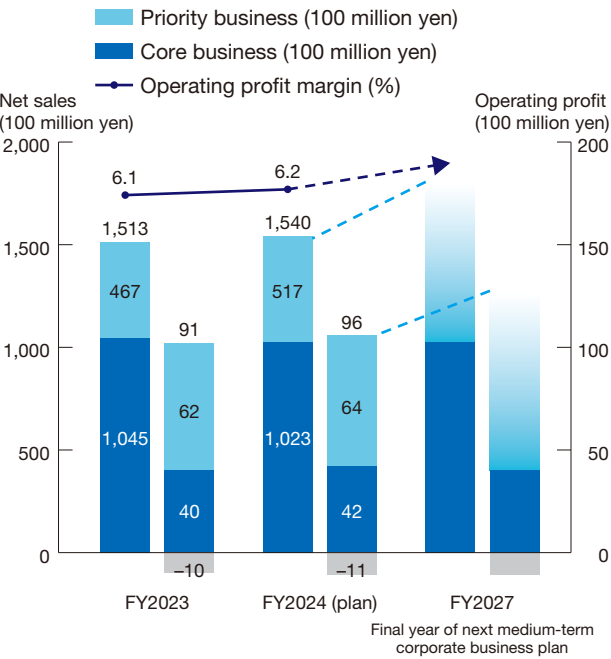
Increasing profits to improve ROE

In the Long-term Vision 2030, the aim of the Kurabo Group is to become a strong corporate group that generates innovation and high profit and to contribute to a better future. To this end, the Group is concentrating resources on priority businesses in growth markets, such as semiconductor manufacturing, automation and control equipment, and medical, with the aim of building a business portfolio geared towards sustained growth.

Due to the impact of the COVID-19 pandemic, which occurred immediately after the launch of our Long-Term Vision 2030, we were forced to temporarily slow our growth rate, and our operating profit margin, which was an issue, remained sluggish. However, our profit levels have been steadily improving, with operating profit for the fiscal year ended March 2024 reaching a new record high since the start of consolidated financial statements in 1977, and ordinary profit also reached a new record for the third consecutive year.

In our priority businesses, as well, performance is progressing smoothly, and we will pursue efforts to achieve our targets for the final year of Progress'24, and to further improve profitability in the next medium-term corporate business plan starting in fiscal 2025.

Net sales and operating profit



Capital policy and investor relations

We will implement measures to improve ROE by building a business portfolio optimized to continuously increase our corporate value. We will also implement capital policies focused on capital efficiency as well as investor relations aimed at enhancing communication with shareholders and investors, all of which is aimed at achieving a PBR of 1 or more.

Disciplined capital allocation

We will undertake steady capital allocation in order to achieve the capital policy target (total return ratio of 50% or more) set out in Progress'24. If surplus funds remain after making growth investments, we will consider implementing further shareholder return measures and further raising our target total return ratio in our next medium-term corporate business plan.

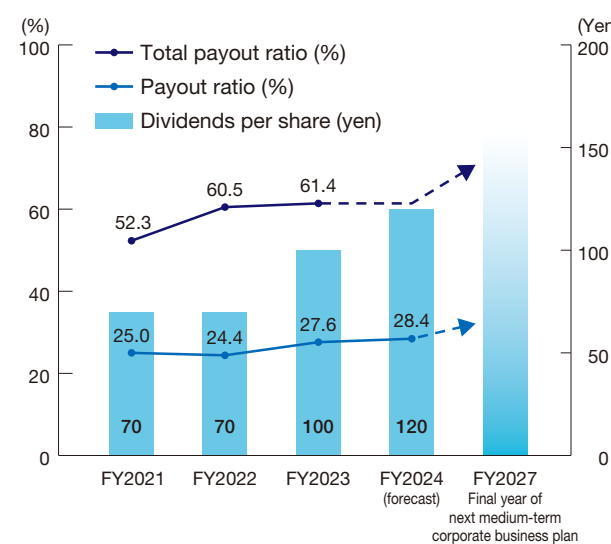
Reducing cross-shareholdings

We will gradually sell off our cross-shareholdings until they account for 20% or less of our consolidated net assets. While we restructure our business portfolio, we intend to use the cash obtained from this sale to buy back treasury shares and to invest in growth, including M&A, as well as for structural reforms and other initiatives.

Investor relations aimed at enhancing communication with shareholders and investors

In addition to the financial results briefings and individual meetings with investors that we currently conduct, we will strengthen our information dissemination capabilities, such as by distributing corporate information via external platforms, in order to provide a deeper understanding of our Group's growth strategy and other matters.

Dividends per share, total payout ratio, payout ratio







Pursuing sustainable management through clear action plans

To realize its management philosophy, in 2023 the Kurabo Group identified material issues (important issues) with the aim of using resources effectively to boost the sustainability of its business and raise corporate value.

At board meetings, we report on our initiatives and review the material issues as needed based on changes in society and progress with the initiatives.

We have carefully discussed and formulated concrete initiatives and KPIs for this fiscal year's material issues.

Social issues	Risks and opportunities	Materiality	Main measures	Initiatives, KPIs <small>Figures in [] are results for fiscal 2023. * are Kurabo Industries' KPIs.</small>
<ul style="list-style-type: none"> Ensuring safe, secure, and comfortable social infrastructure Decrease in the workforce due to aging population and low birthrate Responding to acceleration of digital technolog 	<p>Opportunities</p> <ul style="list-style-type: none"> Expansion of business through new development of highly functional materials Sophistication of performance and quality demanded by the market Evolution of digital technologies, faster speed of innovation <p>Risks</p> <ul style="list-style-type: none"> Losses/damages and loss of public trust due to poor quality Decreases in safety and quality due to factors including a shortage of workers and failure to pass on skills 	<p>Realize a safe, secure, and comfortable society</p> 	<ul style="list-style-type: none"> Develop and provide products and services for the semiconductor market that contribute to the advancement of a digital society In response to a decrease in the working population, expand the factory automation and robot business, make production bases into smart factories, and build QR systems Conduct R&D and pursue an IP strategy to support innovative technology and advanced quality Expand sales of products that contribute to safety and security 	<ul style="list-style-type: none"> Double manufacturing and development capacity of high-performance plastic products for semiconductor production equipment, such as through construction of a new building at the Kumamoto Office and R&D Center Expand functional films for advanced semiconductor back-end processes Conduct implementation evaluation of in-situ measuring and control Expand sales in the factory automation and robot business Make production bases into smart factories through digitalization of production control, and build QR systems Boost functions of KURASENSE high-speed 3D vision sensors Secure technologies for converting and carbon fiber composite material Obtain and exercise intellectual property rights to expand priority businesses, and boost information sharing between business divisions Provide uniform clothing materials, such as flame-retardant and antistatic materials Expand sales of Smartfit risk-management system for hot work environments
<ul style="list-style-type: none"> Creation of a circular economy Mitigation of global warming, protection of Earth's environment Reduction of environmental impact 	<p>Opportunities</p> <ul style="list-style-type: none"> Expansion of demand for sustainable businesses and products Improved corporate image resulting from environmental protection activities Reduction of carbon tax burden through decrease in GHG emissions <p>Risks</p> <ul style="list-style-type: none"> Losses/damages and loss of public trust due to inadequate environmental protection Squeeze on profits due to rising cost of environmental measures Difficulty of continuing business due to inadequate response to environmental regulations 	<p>Consider the environment and contribute to a circular economy</p> 	<ul style="list-style-type: none"> Expand environmentally friendly products Build a circular business model Pursue initiatives towards carbon neutrality Develop technologies to reduce environmental impact Strengthen business continuity plan 	<ul style="list-style-type: none"> Expand sales of NaTech functional cotton, AIR FLAKE sustainable insulation, KURATTICE ECO, a composite of recycled wood powder and aluminum, and FUNTO livestock waste treatment system Expand the market for L∞PLUS upcycling system Target for waste recycling rate: 97% [96.0%] in Japan in 2024 Target for CO₂ emission reductions (against fiscal 2013): 40% in 2024 [38.0%] Conduct in-process recycling of raw material waste Save resources by developing other uses for waste Develop next-generation dyeing technologies Survey and research cleaning methods using functional water Review alternative production bases for emergencies
<ul style="list-style-type: none"> Remedy of economic disparity and eradication of poverty Respect for workers' rights Decrease in the workforce due to aging population and low birthrate Improvement in job satisfaction 	<p>Opportunities</p> <ul style="list-style-type: none"> Increase in corporate value through respect for human rights Innovation through a diversity of values Strengthening of partnerships with suppliers <p>Risks</p> <ul style="list-style-type: none"> Losses/damages and loss of public trust due to human rights problems Higher costs of raw materials and labor Trouble finding diverse human resources to hire 	<p>Empower a diversity of people and respect human rights</p> 	<ul style="list-style-type: none"> Offer human rights education and closely monitor the supply chain Empower a diversity of people (pursue DE&I) Promote flexible work styles, improve worker engagement Thoroughly manage safety and health, promote health management Increase productivity through automation and digital transformation 	<ul style="list-style-type: none"> Inform suppliers about the Kurabo Group's human rights policy (starting in fiscal 2024) Conduct CSR questionnaires at suppliers (starting in fiscal 2024) Target for female workers in management positions: At least 3% [3.0%]* Target for new female graduates in career-track positions: At least 30% [45.0%]* Target for percentage of sections with women in career-track positions: 45% [44.8%]* Target for hiring persons with disabilities: Higher than legal requirement [2.69%]* Target for percentage of male employees taking parental leave: At least 30% [57.9%]* Target for taking paid leave: Average of at least 12 days per year per employee [14.6%]* Target for engagement score: At least 50% [42%]* Zero disasters and traffic accidents Continue to be certified as a Health & Productivity Management Outstanding Organization with a deviation value of at least 50 [49.8]* Turn production bases into smart factories Further the use of generative AI, no-code tools, and robotic process automation tools
<ul style="list-style-type: none"> Strengthening stakeholder engagement Corporate scandals Betterment of local communities 	<p>Opportunities</p> <ul style="list-style-type: none"> Improved corporate image resulting from the building of trust Sustained growth through response to changing values Creation of new value through coexistence with communities <p>Risks</p> <ul style="list-style-type: none"> Losses/damages and loss of public trust due to scandals Disasters, geopolitical risks Cyberattacks, information leaks 	<p>Strengthen governance and CSR for sustained growth</p> 	<ul style="list-style-type: none"> Offer thorough compliance education, strengthen internal control Ensure sufficient communication with stakeholders Ensure thorough disclosure of non-financial information Manage with an awareness of return on capital and share price Have a business portfolio strategy, properly distribute management resources Strengthen business risk management 	<ul style="list-style-type: none"> Conduct job-level-specific education for new managers, mid-career hires, and new employees Conduct compliance audits Communicate more with institutional investors Hold IR briefings (twice a year) Publish the <i>Kurabo Report</i> Aim for an ROE of at least 8% in the period of the next medium-term corporate business plan (fiscal 2025–2027), and at least 10% in 2030 Gradually reduce cross-shareholdings and increase the total payout ratio Concentrate management resources in priority businesses in growth fields Secure stable profits in core businesses that can solve social issues, and restructure low-profit businesses Make a risk map



Directors (As of June 25, 2024)

1 Haruya Fujita

Representative Director,
Chairman of the Board
Date of birth: July 26, 1958
Number of shares held: 17,700

Apr. 1983 Joined Kurabo
Jun. 2012 Director, executive officer
Jun. 2013 Director, managing executive officer
Jun. 2014 Representative director, president
Jun. 2024 Representative director, chairman
(to present)

2 Shinji Nishigaki

Representative Director, President
Date of birth: July 11, 1962
Number of shares held: 3,300

Apr. 1986 Joined Kurabo
Jun. 2014 Manager of Industrial Materials Sales
Department
Apr. 2018 Manager of Industrial Materials Sales
Department; manager of Kumamoto
Office and R&D Center
Jun. 2018 Executive officer
Jun. 2022 Managing executive officer
Jun. 2023 Director, managing executive officer
Jun. 2024 Representative director, president
(to present)

3 Atsushi Kitabatake

Director, Senior Managing Executive Officer
General Manager of Textile Business Division
Date of birth: January 11, 1960
Number of shares held: 6,800

Apr. 1982 Joined Kurabo
Apr. 2006 Manager of Textile Materials Sales
Department
Jun. 2013 Executive officer
Jun. 2014 Director, executive officer
Jun. 2017 Representative director, director,
managing executive officer
Jun. 2022 Representative director, director,
senior managing executive officer
Jun. 2024 Director, senior managing executive
officer (to present)

4 Toshio Baba

Director, Senior Managing Executive Officer
General Manager of Chemical Products Division
Date of birth: June 9, 1959
Number of shares held: 6,400

Apr. 1982 Joined Kurabo
Oct. 2004 Manager of Industrial Materials
Sales Department
Jun. 2012 Executive officer
Jun. 2014 Director, executive officer
Jun. 2017 Representative director, director,
managing executive officer
Jun. 2022 Representative director, director,
senior managing executive officer
Jun. 2024 Director, senior managing executive
officer (to present)

5 Kenshi Kawano

Director, Managing Executive Officer
General Manager of Advanced Technology Division
Date of birth: March 19, 1962
Number of shares held: 6,200

Apr. 1985 Joined Kurabo
Apr. 2011 Manager of Hong Kong Branch;
president of Kurabo Denim (HK) Limited
Sept. 2013 Manager of Hong Kong Branch
Apr. 2014 Assistant to manager of Managerial
Planning Department
Jun. 2014 Executive officer
Jun. 2017 Director, executive officer
Jun. 2020 Director, managing executive officer
(to present)

6 Susumu Inaoka

Director, Executive Officer
Officer in charge of Managerial Planning Department,
Human Resources Department, Environment &
Construction Department, Intellectual Property Department,
and Technical Research Laboratory
Date of birth: June 3, 1960
Number of shares held: 7,100

Apr. 1983 Joined Kurabo
May 2007 Manager of Chemical Products
Administration Department
Jun. 2010 Standing auditor
Jun. 2014 Director, executive officer (to present)

Executive Officers (As of June 25, 2024)

Managing Executive Officer
Akito Aitoku
Manager of Industrial Materials Sales
Department, Chemical Products Division

Managing Executive Officer
Masatake Nakagawa
Officer in charge of Textile Products Business,
Textile Business Division; representative director and
president of Kurabo International Co., Ltd.

Executive Officer
Masahiro Hirata
General manager of Tokyo Branch; manager
of Tokyo Branch General Administration
Department

Executive Officer
Kazuo Matsui
Manager of Managerial Planning Department

Executive Officer
Kiyoshi Morishige
Officer in charge of Industrial Equipment
Business, Advanced Technology Division;
representative director of Seiki Co., Ltd.

Executive Officer
Akio Kurosawa
Manager of Information Systems
Department, Advanced Technology Division

Executive Officer
Hirotsugu Marumo
Manager of Human Resources
Department

Executive Officer
Masanori Isobe
Deputy general manager of
Advanced Technology Division

Executive Officer
Yoshifumi Morimatsu
Manager of Chemical Products
Administration Department, Chemical
Products Division

Executive Officer
Toru Komatsu
Manager of General Administration
Department; director of Kurabo Memorial Hall

Executive Officer
Ippei Yamauchi
Manager of Textile Business Administration
Department and manager of Textile
Technical Department, Textile Business Division

Executive Officer
Masashi Nakano
Manager of Chemical Products Technical
Administration Department, Chemical
Products Division

Executive Officer
Shoichi Nishii
Manager of Technical Research Laboratory



Representative Director
and
Chairman of the Board
Haruya Fujita

Building on the reforms we've made to date to realize, maintain,
and strengthen the best possible corporate governance

**Having steadily improved our CSR
structures and trained individual
employees to strengthen governance
is our key strength**

During the 10 years that have passed since I became president in June 2014, there have been major changes in the governance requirements imposed on companies, underlying approaches, and specific measures. Against that backdrop, we've undertaken a variety of reforms and initiatives to realize, maintain, and strengthen the best possible corporate governance to ensure that it complies with the Corporate Governance Code that was formulated and applied to listed companies in 2015. Specifically, we established an Audit and Supervisory Committee in 2016, and independent outside directors (including one female outside director) currently account for one-third of our Board of Directors. In 2019, we created the Nomination and Remuneration Advisory Committee. The six-person body, which consists of four independent outside directors (one of whom serves as chair) along with a director/full-time Audit and Supervisory Committee member and the president, has worked to build fair, transparent governance structures by, for example, discussing the appointment of officers and their remuneration.

Those efforts have continued since our listing moved to the Prime Market following the adoption of new market categories by the Tokyo Stock Exchange in April 2022, and in addition to

expanding departments and personnel responsible for tasks including disclosing sustainability-related information in our securities reports, publishing our first integrated report in November 2023, and endorsing the Task Force on Climate-related Financial Disclosures, our Board of Directors has held numerous discussions. We've also worked to increase the effectiveness of the board and invigorate its discussions by, for example, drawing on the frank and valuable views of outside directors. These actions and their results are summarized as part of our annual evaluation of the effectiveness of the Board of Directors, which has found that the PDCA cycle is being implemented in an appropriate manner.

With regard to the development and administration of our internal control system, management and employees alike are subject to appropriate monitoring and oversight, and methods and channels for reporting corporate ethics-related problems (including an internal hotline) are functioning effectively.

We're also steadily improving our CSR structures, which serve as the basis for maintaining and strengthening governance by, for example, creating a Quality Assurance Committee, enhancing actions taken by CSR expert committees, and facilitating discussions by the CSR Committee and reporting to the Board of Directors. One of the Group's strengths in terms of its efforts to further strengthen its governance is that it has been able to train individual employees, who play the lead role in CSR compliance, as well as the department personnel who work in each secretariat.

**Addressing the 3 issues identified by
the evaluation of the effectiveness of
the Board of Directors**

With regard to the three issues identified by inside and outside directors in the course of evaluating the effectiveness of the Board of Directors (planning to train future leaders, how to realize medium- and long-term strategies, and appropriate risk-taking), it will be important to continue to study them from the perspective of strengthening governance and to implement necessary reforms.

This time, we found a competent successor in President Nishigaki, but we will need to create mechanisms that will ensure we can choose suitable future candidates for leadership positions who can exercise companywide management and to train candidates with the skills they'll need to do so as a priority on par with enhancing training and education for newly appointed officers.

At the same time, society's values are undergoing significant change, and the expectations of shareholders and other stakeholders with regard to Kurabo are becoming more complex and wide-ranging. In fact, the demographics of our shareholders are changing. A new group of shareholders has joined the community of fans who own Kurabo stock, augmenting people with ties to the place of our founding and other long-term shareholders. We need to strengthen our IR outreach to such shareholders, and as we reform our portfolio to reflect our future medium- and long-term strategies, I believe that we should further diversify the makeup of the current Board of Directors by, for example, appointing multiple female directors and others with deep knowledge of corporate management, technology, and the industries we've targeted with growth and priority businesses to foster broad-ranging discussions about specific strategies, policies, issues, and other topics.

Furthermore, deeper discussions and improvements in planning effective action will be necessary in ensuring appropriate risk-taking to realize a level of profit that sufficiently exceeds cost of capital and in formulating business continuity plans to address weaknesses and risks that remain concerns, as we look to orchestrate large-scale M&As in the future. In this way, the number of important matters that need to be discussed as we invigorate the Board of Directors is growing, and I look forward to working to reform the board so that it can dedicate more time to discussions based on the importance of issues, medium- and long-term strategies, and other factors going forward.

In addition to addressing these three issues, we will focus on communicating information about the direction of the Group's operations and the manner in which its business activities are being advanced, including how the PDCA cycle is being implemented, to all stakeholders in an appropriate, easy-to-understand manner.

**Appointing new leaders of
outstanding character through
discussions by the Nomination and
Remuneration Advisory Committee**

Reflecting our belief that people must become sustainable if the company is to continue to be sustainable, the Nomination and Remuneration Advisory Committee began discussing candidates for the position of president about two years ago so that formulation of the next medium-term corporate business plan in fiscal 2024 could be carried out under new leadership. I prepared multiple proposals after exchanging views with two other representative directors and submitted them to the committee. We worked to ensure that outside committee members understood the personality and disposition of the candidates, including through discussions during regular committee meetings and information sessions during visits to worksites. A consensus took shape after about a year of discussions, and following meetings of the Nomination and Remuneration Advisory Committee with the candidates and interviews (about their aspirations and doubts about becoming president), the committee unanimously agreed in February 2024 that Mr. Nishigaki was competent to serve as my successor. That assessment was reported to the Board of Directors at a meeting in late March, and the decision to appoint Mr. Nishigaki to serve as president was made official by resolution of the Board of Directors following the general meeting of shareholders in June and then announced to the public.

In addition to recognizing that Mr. Nishigaki possesses the character traits needed to serve as president in the form of leadership, knowledge, and moral values, the committee was united in its view that the semiconductor-related business he has long fostered made an extremely large contribution to record-high profit during the fiscal year ended in March 2024 and to Kurabo's excellent performance over the last several years. I have high expectations for his ability to act, his knowledge, the breadth of his connections, and his sales and negotiating skills as the Group seeks to further expand its business going forward.

**Maintaining and strengthening
governance structures at arm's
length from operations**

Going forward, my basic job will be to maintain and strengthen governance structures by ensuring that appropriate information and materials are provided to directors in a timely manner and invigorating discussions by the Board of Directors as it monitors and oversees the Group's operations. It will be especially important for myself, the chairman, to achieve a high level of fairness and impartiality and to communicate both inside and outside Kurabo as necessary.

I'll do this job at arm's length from operations so that there's no confusion about who's in charge. I'm resolved to do it well as the final task entrusted to me at the end of my 40-plus years of work at Kurabo.

Message from an Outside Director

Helping Kurabo continue to embrace challenges without fear of change from a governance standpoint

We spoke to Outside Director Nishimura, now in his seventh year, about the work and effectiveness of the Board of Directors and the future prospects for Kurabo as it embarks on the next stage of its journey under new leadership.



Outside Director
(Member, Audit and Supervisory Committee)
Motoshide Nishimura

Kurabo’s organizational culture

I think Kurabo’s organizational culture can be summed up in the phrase “simplicity and fortitude.” Although there’s nothing showy about the company, you can sense each officer and employee’s pride in their company and its long history. However, signs of change in that culture have begun to show in recent years. I think Chairman Fujita’s emphasis on embracing new challenges is a great example of such change. You can feel a growing willingness to take action in pursuit of change, even if it won’t make an immediate contribution to the company’s performance.

Effectiveness of the Board of Directors and governance structures

Board meetings operate in a relaxed atmosphere but nonetheless retain a sense of tension. When listening to inside directors, it’s apparent that they respect one another, even when making critical observations. This may be because everyone shares a desire to improve the entire company, and not only their own department, in day-to-day meetings. Even when some problem occurs, directors act in a prudent and deliberate manner while sharing information, which indicates that governance considerations are being taken into account.

Issues related to for improving the board’s effectiveness

The results of regular surveys administered by an outside entity make clear issues that need to be overcome in order to improve the board’s effectiveness. While the board received a passing mark for its effectiveness, the survey points out that communication with shareholders is an issue, and I feel the same way myself.

Personally, I have a strong desire to see more opportunities for explaining Kurabo’s latent growth potential and the recovery in its profitability to investors. I’m also involved in investor relations as an executive at a listed company, and I’ve learned much from investors. In particular,

I’d like to see Kurabo carefully ascertain expectations of institutional investors with long-term positions in the company’s shares.

Future aspirations as an outside director

As an outside director, I hope to contribute to Kurabo’s medium- and long-term performance. There are already sustainability initiatives being carried out internally, and new businesses are being steadily cultivated. However, the question remains of how Kurabo’s long-term corporate value will be increased. We are responsible for properly using the assets left by those who came before us to realize continuing growth. As Kurabo embraces challenges without fear of change while maintaining a sense of prudence and deliberateness based on the company creed of “Be of one mind and make concerted efforts,” I look forward to offering support so that I can contribute as an outside director.

Future expectations for Kurabo

I’d like to see President Nishigaki focus on achieving Progress’24 and the Long-term Vision 2030. Working to implement medium- and long-term plans will be important as he takes over management of the company from Chairman Fujita. I’d like to see President Nishigaki further expand operations in the semiconductor field, his area of strength, while boosting unifying forces within the company. I’ve practiced kendo for a long time, and within the discipline is the teaching of “Shu-Ha-Ri*.” I have high expectations as far as what can be accomplished if President Nishigaki pursues his own approach and skills in a careful and progressive manner.

*This phrase refers to stages in the practice of disciplines like kendo and tea ceremony. “Shu” refers to the need to obey and master the teachings of your instructor. “Ha” means thinking about other instructors’ teachings and developing the right mindset and skills. Finally, “Ri” refers to forging your own unique approach.

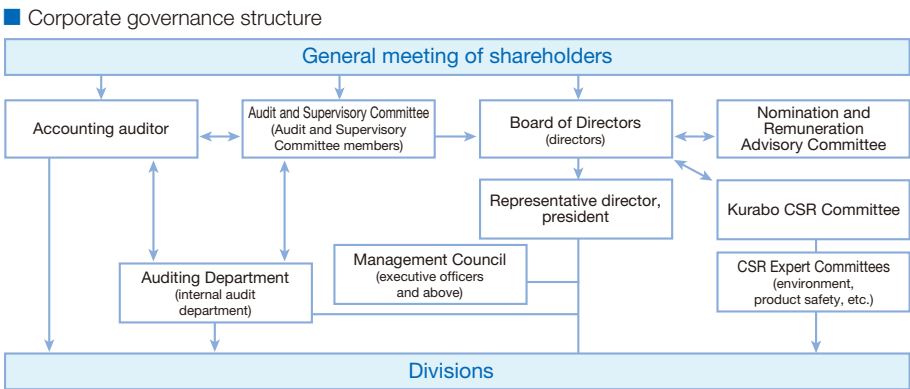
Governance

Corporate governance

Basic philosophy

Through a resolution of the Board of Directors, we have formulated the Kurabo Corporate Governance Guidelines, which details matters such as the basic philosophy and framework related to corporate governance. The goal is to achieve the highest level of corporate governance in the Kurabo Group.
The basic philosophy of Kurabo’s corporate governance is as follows.

1. Based on our management philosophy of “The Kurabo Group contributes to a better future through the creation of new value,” we strive for fair and transparent business activities in order to be a corporate group providing value to shareholders, business partners, local communities, and other stakeholders.
2. We strive for the highest level of corporate governance through continuous and comprehensive action in order to achieve sustainable growth and boost corporate value in the medium to long term.



Activities of the Board of Directors

Meeting frequency

As a general rule, meetings are held once a month. In fiscal 2023 (from April 1, 2023 to March 31, 2024), the Board of Directors met 15 times.

Content of discussion

- Progress of business plans, such as the Progress’24 medium-term corporate business plan
- Implementation of management that is conscious of capital cost and stock price
- Important capital investment plans and transfer of a significant subsidiary
- Appointment, handling, etc., of directors, executive officers, and important employees
- Internal control and risk management of the Kurabo Group
- Management issues related to sustainability (materialities, human capital management, human rights in the supply chain, information disclosure based on TCFD recommendations, etc.)

Composition and status of activities of the Audit and Supervisory Committee

The Audit and Supervisory Committee comprises five members, one full-time (inside) and four part-time (independent outside). It works in collaboration with the accounting auditor and the internal audit department (eight persons).

Meeting frequency

As a general rule, meetings are held once a month. In fiscal 2023 (from April 1, 2023 to March 31, 2024), the Audit and Supervisory Committee met 13 times.

Content of discussion

- Opinions regarding the appointment, remuneration, etc., of directors (excluding Audit and Supervisory Committee members)
- Maintenance and operational status of internal control systems
- Progress of the Progress’24 medium-term corporate business plan
- Progress of sustainability initiatives
- Appointment of accounting auditors and the appropriateness of audits
- Status of compliance

Governance

Composition and status of activities of the Nomination and Remuneration Advisory Committee

This committee comprises the president and all members of the Audit and Supervisory Committee. It strives to ensure objectivity and transparency, as well as strengthen accountability, with regard to such matters as the nomination of directors and executive officers and the determination of remuneration.

Meeting frequency

Meetings are held according to an annual schedule. In fiscal 2023 (from April 1, 2023 to March 31, 2024), the Nomination and Remuneration Advisory Committee met seven times.

Content of discussion

- Recommendations regarding appointment of directors and executive officers
- President succession planning
 - Director or executive officer candidates
 - Members of the management team

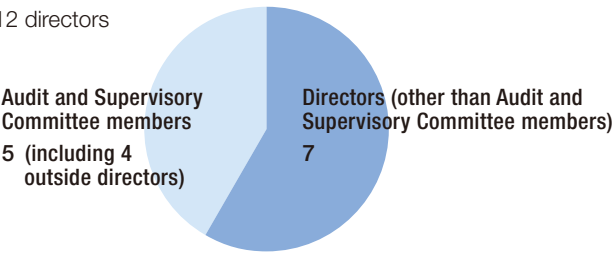
- Recommendations regarding remuneration for directors and executive officers (excluding directors who are Audit and Supervisory Committee members)
- Directors' and executive officers' remuneration system
 - Directors' and executive officers' remuneration planning
 - Directors' and executive officers' remuneration results

Overview of self-assessment of effectiveness of Board of Directors

All board members answered a questionnaire. The answers were compiled into the following self-assessment of Board of Directors' effectiveness in fiscal 2023.

Respondents

All 12 directors



Question content

- Board of Directors' composition and operation
- Management strategy and business strategy
- Corporate ethics and risk management
- Assessment and remuneration of the management team
- Communication with shareholders, etc.

Total 32 questions

Response format

5-level rating, free written responses, anonymous

Overview of analysis and assessment

Kurabo's Board of Directors have been judged to have achieved effectiveness overall. This conclusion is based on analysis and assessment of questionnaire responses by Kurabo and an outside institute, and on progress in the following five areas described below.

1. The composition of the Board of Directors is appropriate, given the good balance of managers representing various businesses, back-office departments, and experience of members, and the good ratio of independent outside directors, including female directors. The board also enabled smooth discussions on matters, thanks to allotting sufficient time to explain and answer questions, creating documents that were generally of appropriate content and volume, and distributing these documents before meetings.
2. Each year sees increasingly vibrant discussions on things like annual, medium-, and long-term corporate business plans, R&D, and important capital investment.
3. Remuneration for the management team is decided with input from the Nomination and Remuneration Advisory Committee and is tied to appropriate incentives.
4. The management team and employees are appropriately monitored and supervised through the operation of an internal control system, and methods (such as a whistleblowing system) to effectively convey problems with corporate ethics are functioning well.
5. Communication with stakeholders is steadily improving thanks to investor relations and the publication of the Kurabo Report.

Moving forward

Kurabo's Board of Directors strives to improve its effectiveness by using the results of this analysis and assessment to hold deeper discussions on how to continue to realize medium- and long-term strategies, communicate with stakeholders, take appropriate risks, and build a process for choosing future company leaders.

Reasons for appointment of directors

Haruya Fujita Representative Director / Chairman of the Board

Mr. Haruya Fujita assumed the position of director of the company in June 2012, and as representative director and president since June 2014 he has demonstrated outstanding management capability, facilitating the enhancement of corporate value. The company has judged that he is a talented individual who is capable of continuing to manage the whole Group appropriately as a director to contribute to the further enhancement of corporate value.

Atsushi Kitabatake Director / Senior Managing Executive Officer

Mr. Atsushi Kitabatake assumed the position of director of the company in June 2014 and representative director in June 2017, and since then he has drawn on his wealth of experience and knowledge in all aspects of the textile business as the director in charge of the textile business, facilitating the enhancement of corporate value. The company has judged that he is a talented individual who is capable of continuing to manage the whole Group appropriately as a director to contribute to the further enhancement of corporate value.

Kenshi Kawano Director / Managing Executive Officer

Mr. Kenshi Kawano assumed the position of director of the company in June 2017, and since then he has drawn on his wealth of experience and knowledge in all aspects of the advanced technology business as the director in charge of advanced technology business, facilitating the enhancement of corporate value. The company has judged that he is a talented individual who is capable of continuing to manage the whole Group appropriately as a director to contribute to the further enhancement of corporate value.

Hiroshi Fujii Director / Executive Officer

Mr. Hiroshi Fujii assumed the position of director of the company in June 2016, and since then he has drawn on his wealth of experience and knowledge in operations related to finance and accounting, systems, legal affairs, risk management, and real estate as the director in charge of the finance and accounting, system & EDP, and general administration departments, and real estate business, facilitating the enhancement of corporate value. The company has judged that he is a talented individual who is capable of continuing to manage the whole Group appropriately as a director to contribute to the further enhancement of corporate value.

Tepppei Mogi Outside Director / Audit and Supervisory Committee Member

Although in the past Mr. Tepppei Mogi has not been involved in the management of a company in a manner other than serving as an outside director or outside auditor, he has been engaged in corporate legal affairs for many years as an attorney at law. The company has judged that he is capable of continuing to properly audit and supervise the execution of duties by directors from an objective and independent perspective as an outside director (Audit and Supervisory Committee member).

Motohide Nishimura Outside Director / Audit and Supervisory Committee Member

Mr. Motohide Nishimura has experience in management for many years. The company has judged that he is capable of continuing to properly audit and supervise the execution of duties by directors from an objective and independent perspective as an outside director (Audit and Supervisory Committee member).

Shinji Nishigaki Representative Director / President

Mr. Shinji Nishigaki assumed the position of director of the company in June 2023, and since then he has demonstrated outstanding management capability in all aspects of the chemical products business, in particular, as the director in charge of high-performance plastic products for semiconductor manufacturing equipment, a growth and priority business for the company, facilitating the enhancement of corporate value. The company has judged that he is a talented individual who is capable of continuing to manage the whole Group appropriately as a director to contribute to the further enhancement of corporate value.

Toshio Baba Director / Senior Managing Executive Officer

Mr. Toshio Baba assumed the position of director of the company in June 2014 and representative director in June 2017, and since then he has drawn on his wealth of experience and knowledge in all aspects of the chemical products business as the director in charge of the chemical products business, facilitating the enhancement of corporate value. The company has judged that he is a talented individual who is capable of continuing to manage the whole Group appropriately as a director to contribute to the further enhancement of corporate value.

Susumu Inaoka Director / Executive Officer

Mr. Susumu Inaoka assumed the position of director of the company in June 2014, and since then he has drawn on his wealth of experience and knowledge in managerial planning, personnel policy, intellectual property strategy, and R&D as the director in charge of managerial planning, personnel, environment and construction, intellectual property, and the Technical Research Laboratory, facilitating the enhancement of corporate value. The company has judged that he is a talented individual who is capable of continuing to manage the whole Group appropriately as a director to contribute to the further enhancement of corporate value.

Osamu Okada Director / Full-time Audit and Supervisory Committee Member

Mr. Osamu Okada assumed the position of director (full-time Audit and Supervisory Committee member) of the company in June 2016, and as a full-time Audit and Supervisory Committee member, he has enhanced the effectiveness of audit by cooperating with the Auditing Department, properly auditing and supervising the execution of duties by directors. The company has judged that he is a talented individual who is capable of continuing to carry out his duties in an appropriate manner as a director (Audit and Supervisory Committee member).

Daisuke Shinkawa Outside Director / Audit and Supervisory Committee Member

Although in the past Mr. Daisuke Shinkawa has not been involved in the management of a company in a manner other than serving as an outside director or outside auditor, he has a wealth of experience and a high level of accounting knowledge as a certified public accountant. The company has judged that he is capable of continuing to properly audit and supervise the execution of duties by directors from an objective and independent perspective as an outside director (Audit and Supervisory Committee member).

Misako Tanizawa Outside Director / Audit and Supervisory Committee Member

Although in the past Ms. Misako Tanizawa has not been involved in the management of a company in a manner other than serving as an outside director or outside auditor, she has a wealth of experience and a high level of accounting knowledge as a certified public accountant. The company has judged that she is capable of continuing to properly audit and supervise the execution of duties by directors and executive officers from an objective and independent perspective as an outside director (Audit and Supervisory Committee member). She can also offer female viewpoints and perspectives in contributing to promoting DE&I, an important management strategy of the company.

Governance

Director remuneration

1 Basic policy

Remuneration for directors (excluding directors who are Audit and Supervisory Committee members; the same shall apply hereinafter) shall consist of basic remuneration (monetary remuneration) and performance-linked share-based remuneration. They shall be determined based on whether or not said director has the right to represent the company, what their position is, etc., and shall be within the respective amount limit and other conditions determined by resolution of the general meeting of shareholders. With regard to performance-linked share-based remuneration, the basic policy is to clarify the linkage of performance and share value, and, thereby, heighten motivation to contribute to improvement in business performance and increased corporate value.

2. Policy regarding the determination of methods for calculating individual remuneration and other compensation for directors
(includes policies regarding determination of the timing and conditions for awarding remuneration and other compensation to directors)

- Basic remuneration for directors shall be determined based on a comprehensive consideration of such factors as whether or not said director has the right to represent the company, their individual responsibilities and performance, the company's performance, and social standards. It shall be paid monthly in cash.
- Regarding performance-linked share-based remuneration provided as a part of director remuneration, with the aim of providing a healthy incentive for the sustained growth of the Kurabo Group, the number of shares to be delivered shall be calculated based on the regulations established by the Board of Directors according to the degree of achievement of medium-term corporate business plan performance targets and ROE targets. These shares shall be delivered after directors retire.

3. Policy regarding the determination of the ratio of the amount of monetary remuneration and other compensation to the amount of individual remuneration and other compensation for directors

The payout ratio between basic remuneration (monetary remuneration) and performance-linked share-based remuneration will be determined so as to provide appropriate incentives for directors, with basic remuneration (monetary remuneration) being the main component.

4. Methods for determining the content of individual remuneration and other considerations for directors

- To ensure the transparency and objectivity of decision-making procedures regarding the content of individual remuneration for directors, we shall establish a voluntary Nomination and Remuneration Advisory Committee to deliberate on director nomination and remuneration. The chairperson and majority of its members shall be independent outside directors.
- The Board of Directors shall invest the president with the authority to determine the content of individual remuneration for each director based on the recommendations of the Nomination and Remuneration Advisory Committee and the opinions of the Audit and Supervisory Committee.
- The president shall, in line with the authority vested as per the above, determine the amount of remuneration for each individual director, taking into account the recommendations of the Nomination and Remuneration Advisory Committee, the opinions of the Audit and Supervisory Committee, and the content of discussion by the Board of Directors. In addition, after rendering a decision, the president shall report the details of this decision to the Nomination and Remuneration Advisory Committee.

Regarding the determination of remuneration for the directors who are Audit and Supervisory Committee members, the basic policy shall be to provide a fixed monetary remuneration, which is within the amount limit established by resolution of the general meeting of shareholders and which reflects comprehensive consideration of such factors as whether a director who is a member of the Audit and Supervisory Committee is full-time or part-time, their roles, and social standards. This policy is established by resolution of the Board of Directors.

Amount of remuneration and other compensation for directors for the latest fiscal year

1. Total amount of remuneration and other compensation by director category, total amount of remuneration and other compensation by type, and number of eligible directors

Category	Total amount of remuneration and other compensation (million yen)	Total amount of remuneration and other compensation by type (million yen)		Number of eligible directors
		Basic remuneration	Performance-linked share-based remuneration	
Directors (excluding Audit and Supervisory Committee members) (excluding outside directors)	249	218	30	8
Directors (Audit and Supervisory Committee members) (excluding outside directors)	21	21	—	1
Outside directors	24	24	—	4

Note: 1. The amount of remuneration and other compensation for directors does not include the employee salary of directors who also serve as employees.
2. The number of people on the left includes one director who retired from office as of the end of the ordinary general meeting of shareholders on June 29, 2023.

2. Matters regarding performance-based remuneration, non-monetary remuneration, and other compensation

Director remuneration at Kurabo consists of basic remuneration (monetary remuneration) and performance-linked share-based remuneration. In order to ensure performance-linked share-based remuneration provides a healthy incentive for directors to contribute to the sustained growth of the Kurabo Group, the number of shares to be delivered is, based on regulations established by the Board of Directors, calculated according to the degree of achievement of medium-term corporate business plan

performance targets (targets for consolidated operating profit) and ROE targets. These shares are delivered after directors retire.

The targets and results for indicators related to performance-linked share-based remuneration are as follows.

Performance indicators	FY2023 target	FY2023 results
Consolidated operating profit	8.5 billion yen	9.1 billion yen
Consolidated ROE	6.3%	6.2%

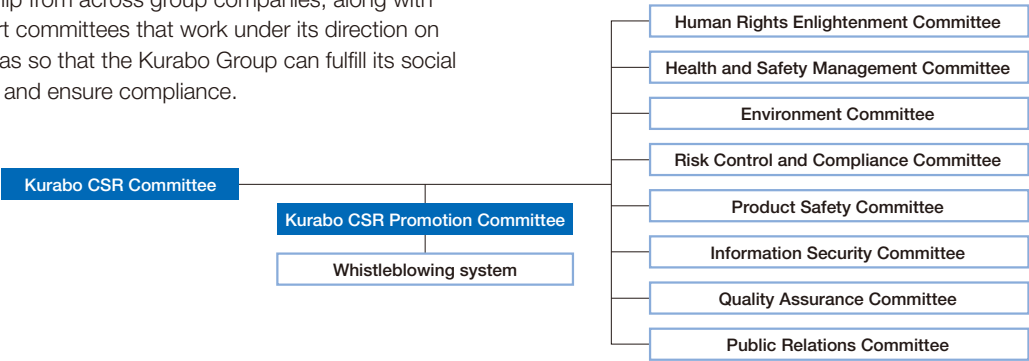
Directors’ skills matrix and activity status

		Attributes	Gender	Expertise and experience possessed by the directors								Attendance
				Corporate management	Personnel	Sales & marketing	Finance & accounting	Legal affairs & risk management	ESG	Manufacturing, research & technical development	Global experience	
Directors	Haruya Fujita	Inside	Male	○		○		○	○	○	○	Board of Directors meetings: 15/15
	Shinji Nishigaki	Inside	Male	○		○		○	○	○		Board of Directors meetings: 12/12
	Atsushi Kitabatake	Inside	Male	○		○			○			Board of Directors meetings: 15/15
	Toshio Baba	Inside	Male	○		○			○			Board of Directors meetings: 15/15
	Kenshi Kawano	Inside	Male	○		○			○	○	○	Board of Directors meetings: 15/15
	Susumu Inaoka	Inside	Male	○	○			○	○	○		Board of Directors meetings: 15/15
	Hiroshi Fujii	Inside	Male	○			○	○	○		○	Board of Directors meetings: 15/15
Directors who are Audit and Supervisory Committee members	Osamu Okada	Inside	Male		○		○	○	○		○	Board of Directors meetings: 15/15 Audit and Supervisory Committee meetings: 13/13
	Teppei Mogi	Outside Independent	Male					○	○		○	Board of Directors meetings: 15/15 Audit and Supervisory Committee meetings: 13/13
	Daisuke Shinkawa	Outside Independent	Male				○	○	○			Board of Directors meetings: 15/15 Audit and Supervisory Committee meetings: 13/13
	Motohide Nishimura	Outside Independent	Male	○		○			○		○	Board of Directors meetings: 15/15 Audit and Supervisory Committee meetings: 13/13
	Misako Tanizawa	Outside Independent	Female				○	○	○			Board of Directors meetings: 15/15 Audit and Supervisory Committee meetings: 13/13

Note: 1. The above table presents only the main expertise and experience possessed by each director, and it does not represent the entirety of their expertise and experience.
2. "Independent" refers to independent outside directors who meet the requirements of our internal regulation of "Criteria for Independence of Outside Directors" and of an independent director/auditor pursuant to Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange.
3. Regarding the Board of Director meeting attendance of Mr. Nishigaki, the total number of board meetings counted is different from that of other directors because he was elected as a director at the ordinary general meeting of shareholders on June 29, 2023.

Promoting CSR and compliance

We've established the Kurabo CSR Committee, which draws its membership from across group companies, along with various expert committees that work under its direction on particular areas so that the Kurabo Group can fulfill its social responsibility and ensure compliance.



Report Based on TCFD Recommendations



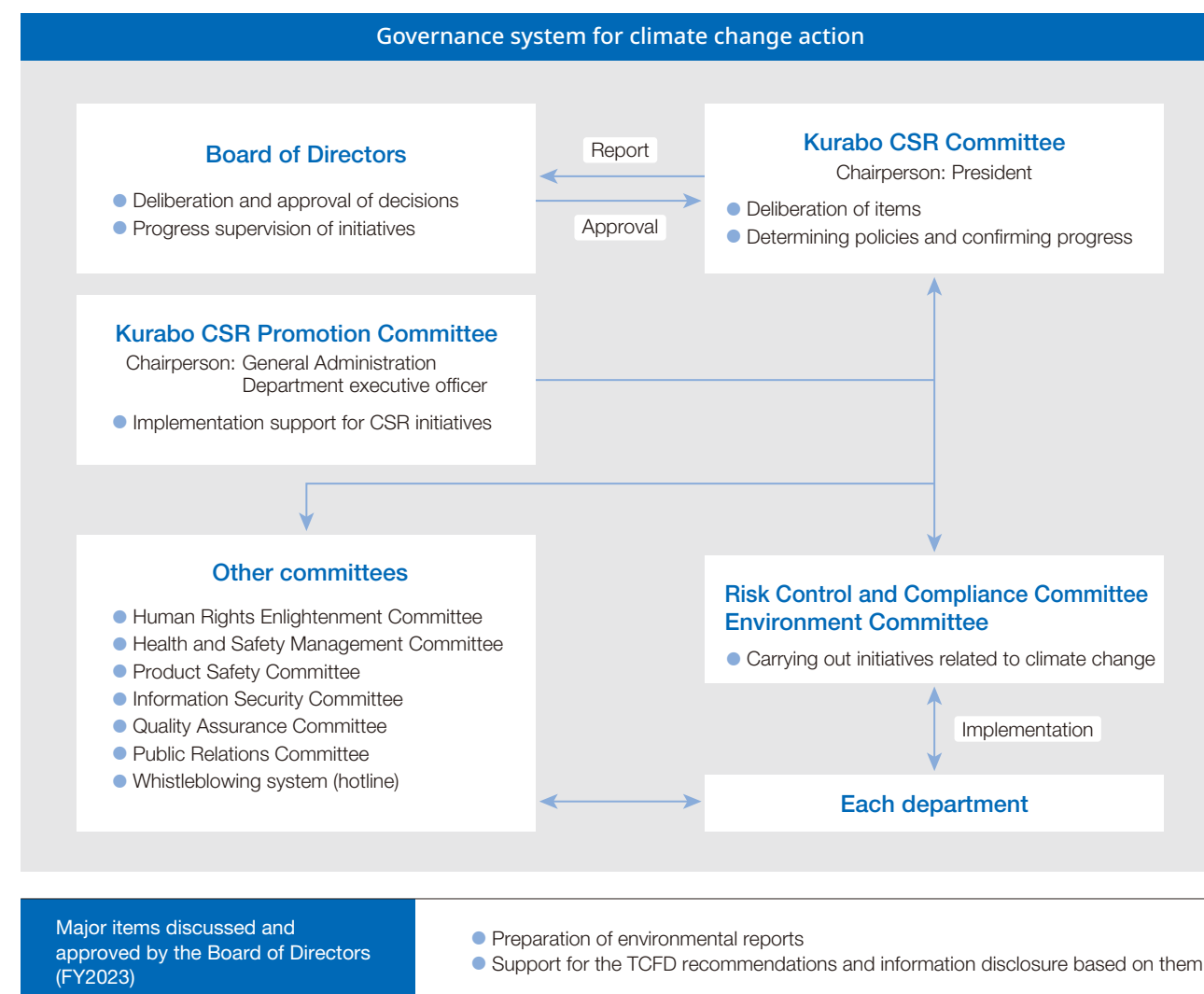
The Kurabo Group has set “consideration for the global environment and contribution to a circular economy” as one of its material issues. Recognizing that climate change-related risks and opportunities have a significant impact on our business strategies, we have positioned “achieving carbon neutrality” as a key issue and are striving to realize a sustainable society.

Governance

One of the Kurabo Group's basic policies on sustainability is to “carry out business activities that are conscious of the preservation of the global environment.” Under the supervision of the Kurabo CSR Committee, which is chaired by the president, we are implementing initiatives centered on the Risk Control and Compliance Committee and Environment Committee. Regarding responses to climate change-related risks and opportunities, the Kurabo CSR Committee approves the action policies of the Risk Control

and Compliance Committee and Environment Committee, receives activity reports, and reports the activity policies and results to the Board of Directors once a year.

The Board of Directors deliberates and supervises the goals and plans of these initiatives, as well as the progress of each measure. The Board of Directors also decides on strategies related to sustainability, such as the Basic Policy on Sustainability and the Kurabo Group Environment Charter.



Strategy

The Kurabo Group has established a CO₂ emissions reduction transition plan (carbon neutrality roadmap) in 2022 toward the government's goal of carbon neutrality in 2050, and the entire Group is conducting activities to reduce CO₂ emissions.

In addition, we have compiled a list of risks and opportunities to comprehensively understand the impact of climate change on our business in 2030 and to carry out initiatives to address issues caused by climate change.

As part of the process of identifying risks and opportunities, we first interviewed each department about

climate change-related risks and opportunities and created a comprehensive list. We then organized and narrowed down this list from the perspective of the magnitude of the impact on business, and we identified important climate change-related risks and opportunities for the Group's business based on the evaluation results of scenario analysis.

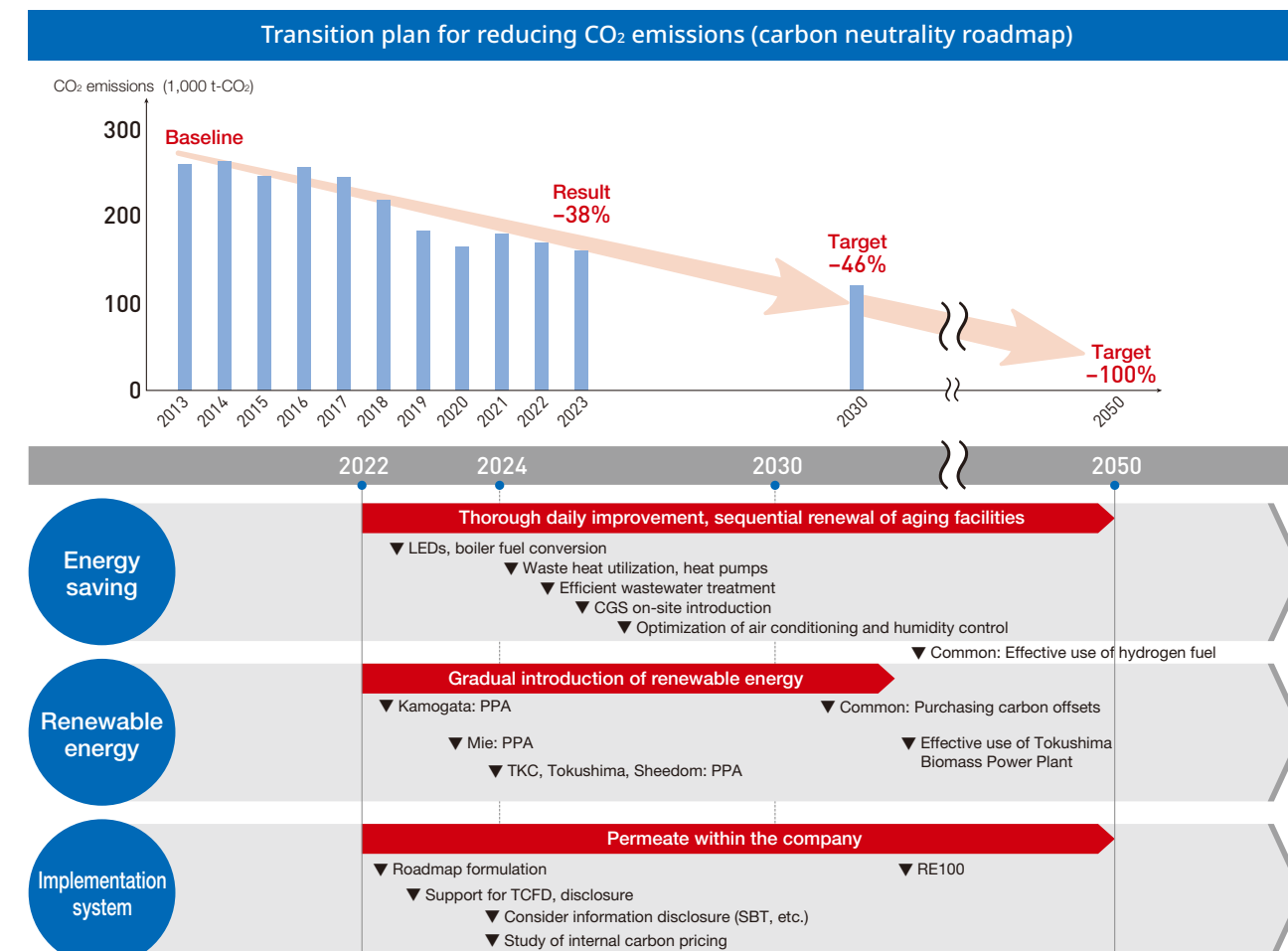
Going forward, we will proceed with a detailed examination and strive to reduce risks that have a large impact and to operate our business by accurately seizing opportunities.

Overview of scenario analysis

Scenario analysis is based on the STEPS, SDS, and NZE 2050 of the IEA (International Energy Agency) World Energy Outlook, and SSP1-1.9 and SSP5-8.5 of the Sixth Assessment Report of the IPCC (Intergovernmental Panel on Climate Change). And we analyzed transition risks and opportunities in the 1.5°C scenario and physical risks and opportunities in the 4°C scenario.

For analysis, the definitions of the degree of impact and the time axis are as follows.

Degree of impact	Large: Significant long-term impact, or expected impact amount of 500 million yen or more	Time axis	Short term: Up to 3 years;
	Moderate: Temporarily significant impact, or expected impact amount of 100 million yen or more		Medium term: 3–10 years;
			Long term: 10 years or longer



Report Based on TCFD Recommendations

Risks

Type	Classification	Impact	Countermeasure	Degree of impact (large/moderate)	Time axis
Transition risks	Policy and legal	Increase in energy costs due to the introduction of a carbon tax	<ul style="list-style-type: none">Implement energy conservation measures such as boiler fuel conversion and heat pumpsIntroduce renewable energy such as solar PPA	Large	Medium to long term
		Cost pass-through occurs due to the introduction of carbon pricing into the energy and raw materials supply chain	<ul style="list-style-type: none">Encourage and cooperate with suppliers to develop low-carbon materials, etc.Diversify raw material procurement methods	Large	Medium to long term
		Mandates on and regulation of existing products and services	<ul style="list-style-type: none">Rise in raw material prices due to stricter environmental regulations on plastics and other productsDiversify suppliers in consideration of environmental impactReduce the amount of raw materials and components used	Moderate	Short, medium, and long term
	Technology and market	Changing customer behavior	<ul style="list-style-type: none">Increase in costs due to conducting energy conservation and introducing high-efficiency equipment, etc.Improve the efficiency of our own production processesImprove the efficiency of production processes throughout the value chain	Large	Short, medium, and long term
		Costs to transition to lower-emissions technology	<ul style="list-style-type: none">Increase in costs associated with introduction of renewable energy and purchase of clean energyIntroduce renewable energy such as solar PPAEffectively use existing large-scale power sources (mega solar, biomass)	Moderate	Medium to long term
Physical risks	Reputation	Increase stakeholder concern or negative stakeholder feedback	<ul style="list-style-type: none">Impact on securing R&D personnel and hiring of new graduatesImplement and improve human capital management	Moderate	Short, medium, and long term
	Acute	Increased severity of extreme weather events such as cyclones and floods	<ul style="list-style-type: none">Equipment damage, decreased production due to suspension of activities, and increased recovery costs due to typhoons, floods, etc.Strengthen BCP (business continuity plan)Confirm hazard maps and assess risks at company sites and major business partners	Large	Short, medium, and long term
			<ul style="list-style-type: none">Suspension of production due to damage to suppliers and disruption of transportation routes caused by typhoons, floods, etc.Diversify production and procurement methods, such as by diversifying suppliers and reconstructing supply networksDeploy procurement BCP and implement BCP assessment at suppliers	Moderate	Medium to long term
	Chronic	Rising mean temperatures	<ul style="list-style-type: none">Increase air conditioning costsIntroduce energy-saving equipment and enhance power saving in factories and officesIntroduce renewable energy such as solar PPA	Moderate	Short, medium, and long term

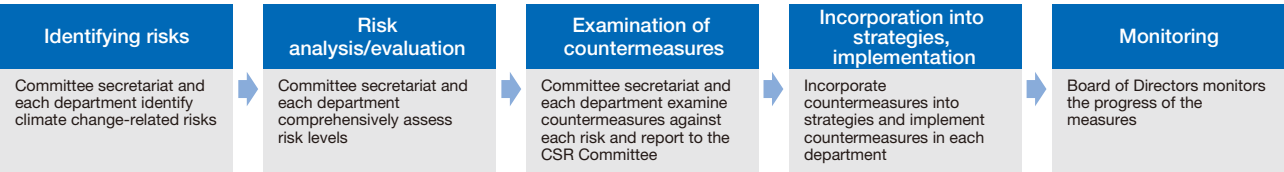
Opportunities

Type	Classification	Impact	Countermeasure	Degree of impact (large/moderate)	Time axis
Opportunities	Resource efficiency	Use of recycling	<ul style="list-style-type: none">Growing demand for parts and materials compatible with the circular economy against the backdrop of the transition to a circular economyExpand recycling-oriented business such as through L=PLUS and other recycling of clothing cutting wasteExpand Air Flake recycled polyester and biodegradable fiber productsExpand recycled wood powder resin products such as Kurattice Eco	Large	Short, medium, and long term
	Energy source	Use of lower-emission sources of energy	<ul style="list-style-type: none">Reduction of carbon tax burden by reducing GHG emissions through decarbonization measuresImplement energy conservation measures such as boiler fuel conversion and heat pumpsIntroduce renewable energy such as solar PPA	Large	Medium to long term
			<ul style="list-style-type: none">Reduction of energy costs through energy-saving activities and procurement of low-cost, high-quality renewable energy and hydrogenImplement energy conservation measures such as boiler fuel conversion and heat pumpsIntroduce renewable energy such as solar PPA	Moderate	Short, medium, and long term
	Products and services	Development and/or expansion of low-emission goods and services	<ul style="list-style-type: none">Growing demand and expansion of needs for low-carbon and decarbonized productsPursue decarbonization and strengthen product competitiveness by understanding the carbon footprintExpand eco-friendly high-performance materials such as NaTechExpand eco-friendly functional films such as KuranSeal SeriesAcquire tenants by obtaining environmental certification for real estate rental buildings	Large	Short, medium, and long term
	Markets	Access to new markets	<ul style="list-style-type: none">Growing demand for parts and materials due to the rapid spread of EVsRespond to growing demand for semiconductors through high-performance plastic productsExpand demand for mainstay products and newly developed products in each segment, including the advanced technology business	Large	Short, medium, and long term
	Resilience	Business continuity	<ul style="list-style-type: none">Strengthening competitiveness backed by a strong ability to respond to disasters by dispersing production bases throughout the worldPractice sustained business activities by strengthening BCP	Large	Short, medium, and long term

Risk management

Climate change-related risks are appropriately managed under the leadership of the Risk Control and Compliance Committee and Environment Committee in accordance with the following assessment and management process. In

addition, climate change-related risks are managed by the entire Kurabo Group as one of the risks that have a significant impact on the business of the Kurabo Group.



Metrics and goals

The Kurabo Group aims to achieve carbon neutrality in 2050 as a long-term goal for reducing CO₂ emissions. Especially for the period up to 2030, we have formulated a roadmap to achieve the government target of a 46% reduction compared to fiscal 2013. The entire Kurabo Group will work to reduce its

CO₂ emissions (Scope 1, Scope 2) on an absolute quantity basis. We believe that advancing these initiatives will further enhance the value to society of our corporate group, improve production efficiency, strengthen our foundation as a manufacturing company, and ultimately improve profitability.

Medium- to long-term CO₂ emission reduction targets

	2024	2030	2050
CO ₂ emissions reduction targets (Scope 1/2)	40% reduction (against FY2013)	46% reduction (against FY2013)	Carbon neutral

CO₂ emissions

Category	FY2023 results
Scope 1	33,538 t-CO ₂ /year
Scope 2	128,756 t-CO ₂ /year
Total	162,294 t-CO ₂ /year

Environmental targets and results

To systematically carry out environmental conservation, the Kurabo Group has set medium-term targets (three-year numerical targets) for reduction of CO₂ emissions and recycling rate in pursuit of zero emissions. We are striving to combat climate change and effectively utilize resources.

For fiscal 2023, we set a target of reducing CO₂ emissions by 39% compared to fiscal 2013 and engaged to reduce energy consumption through energy-saving measures. The resulting 38% reduction, although short of the target, was an improvement on the 35.2% reduction achieved in fiscal 2022.

Regarding zero emissions, the recycling rate was 96.0%, reaching our target of 96%.

The Kurabo Group has set a long-term environmental goal of reducing CO₂ emissions by 46% from fiscal 2013 levels in 2030 and becoming carbon neutral in 2050. The environmental target of the Progress'24 medium-term corporate business plan (FY2022–2024) is to reduce CO₂ emissions by 40% compared to fiscal 2013 by fiscal 2024. In addition, our recycling rate target is 97% so that we can further advance zero emissions.

Target item		FY2022 results	FY2023 targets	FY2023 results	FY2024 targets
Reduction of CO ₂ emissions	Absolute reduction (against FY2013)	35.2% reduction	39% reduction	38.0% reduction	40% reduction
Efforts toward zero emissions	Improvement in recycling rate of waste	95.2%	96%	96.0%	97%

Items for future consideration

As part of efforts to strengthen the system for pursuing carbon neutrality, we will consider introducing internal carbon pricing, participating in RE100, and obtaining SBT

certification. In addition to climate change, we will also carry out initiatives that take into consideration natural capital such as water resources and biodiversity.

Environment

Environment Charter

In 1998, the Kurabo Environment Charter was established to define Kurabo's basic policies on environmental issues and behavioral guidelines for employees. After deciding that the entire Kurabo Group should work toward environmental conservation, in 2006 we revised the Kurabo Environment Charter into the Kurabo Group Environment Charter, which the entire group abides by.

In addition, when we formulated our carbon neutrality roadmap in 2022, we specified the importance of climate change countermeasures.

Kurabo Group Environment Charter

1. Basic policies

The Kurabo Group systematically and continuously strives to reduce environmental impact to contribute to the conservation of the global environment. In particular, we position climate change as an important issue and work to reduce CO₂ emissions at all stages, such as development, production, and sales.

To this end, we actively improve the level of our environmental management in all fields of business activities and provide products and services that are harmonious with the environment.

2. Behavioral guidelines

(1) Compliance with applicable laws and regulations

Setting and practice of voluntary management standards

(2) Furthering environmental sustainability

We will implement the following efforts with the aim of building a carbon-free, resource-recycling society.

1. Reduction of CO₂ emissions based on the carbon neutrality roadmap

• Furthering of efficient use of energy

• Introduction of renewable energy and furthering of energy transition

2. Effective utilization of resources and stepping up of recycling

3. Development of technologies, products, and services that contribute to reducing environmental impact

(3) Operating bases in coexistence with local environment, ensuring safety and health

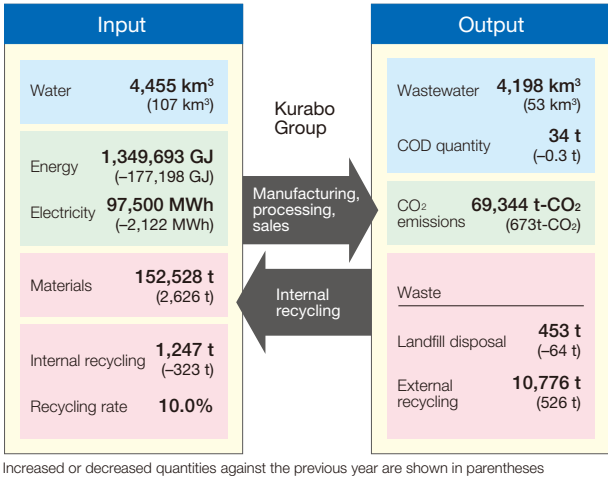
(4) Thorough in-house environmental system, and education on the environment

Reducing environmental impact

The Kurabo Group has always striven to supply high-quality products and services to the market in efforts to contribute to a better future. We also work to accurately understand the impact that business activities have on the environment so that we can reduce it.

Since climate change is a global issue, we will work with overseas affiliated companies as well, but other environmental impacts (such as air and water pollution) will be dealt with in consideration of regional characteristics.

As for the state of our environmental impact, we have totaled the environmental impact figures for Kurabo and domestic affiliated companies. However, some data for overseas bases have not been tallied.



Striving to be carbon neutral

Solar power generation

Since 2022, we have been installing solar power generation equipment on our plants. In Japan, we have installed equipment on (in chronological order) our Kamogata Plant, Mie Plant, and Tokushima Plant, and on the Kamigori Plant of Sheedom Co., Ltd. Overseas, Thai Kurabo Co., Ltd. has solar power generation equipment. To continue expanding our use of renewable energy, we have plans for solar installations on facilities including the Shizuoka Plant of Kurashiki Textile Manufacturing Co., Ltd. and Seiki Co., Ltd.



Thai Kurabo

Supply chain CO₂ emissions (Scope 3)

In regards to supply chain CO₂ emissions (Scope 3), based on our consolidated accounting data, we used the Ministry of the Environment's Database on Emissions Unit Values for Accounting of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain, and the Inventory Database for Environmental Analysis (IDEA), to determine the emission amounts for categories 1 to 8 of Scope 3. Moving forward, besides calculating the downstream processes of categories 9 to 15, we will focus on reducing emissions in category 1, in which we have relatively high emissions.

■ Supply chain CO₂ emissions (Scope 3)

Category	FY2023 results
1 to 8	619,600 t-CO ₂ /year

Saving resources

We strive to save resources in numerous ways. For example, Kurabo bases carry out in-process recycling of raw material waste, or they develop other uses for this waste.

■ Resource saving examples (at Kurabo)

Base	Item	Explanation
Anjo Plant	Textile waste	Cotton and lint that drop during the spinning and weaving processes are reused as textile raw materials. As well, offcuts from the sewing processes outside of Kurabo are collected by the Textile Business Division, then undergo fiber opening and reclaiming at the Anjo Plant to be reused as raw material in textile and other products.
Tokushima Plant	Caustic soda Ammonia	Most of the caustic soda is recovered, concentrated, and recycled from the discharged washing water. Ammonia used for ammonia mercerization is also recovered and recycled in the same way as caustic soda.
Neyagawa Plant, Gunma Plant	Molding waste	Of the molding waste generated in the production process of extrusion-molded products for housing materials, that which is salvageable is crushed and reused for molding materials.
Susono Plant, Kamogata Plant	Polyurethane scraps	The offcuts of flexible polyurethane foam are crushed, molded, and reused as chip foam.
Mie Plant	Film scraps	The offcuts from plastic film manufacture are recycled and reused as material when and where possible.

Protecting biodiversity

The Kurabo Group strives to protect biodiversity through activities that keep to a minimum the effect of business on the natural ecosystem. These activities include Kurabo bases holding local cleanups, especially along the shores of the ocean and rivers, which are rich in biological resources.

Kurabo's Mie Plant borders on Ise Bay and the Shitomo River and is located in an area abundant in water resources. To mark June 8 World Oceans Day, Mie Plant employees conduct at least one cleanup a year to pick up litter, a cause of sea pollution, thus helping preserve the area's biodiversity.



Mie Plant employees with the litter they picked up on the beach

Environmental Report publication

For details on the environmental activities of Kurabo and its group companies in and outside Japan, see *Environmental Report 2024*.
https://www.kurabo.co.jp/english/sustainability/env_report2024.pdf

Human Resource Strategy

The Kurabo Group seeks to build an organization characterized by a high level of engagement among employees who take the initiative to contribute to sustained improvement of corporate value in a comfortable and rewarding work environment.

Executive Officer
Manager, Human
Resources Department
**Hirotsugu
Marumo**



Human resource strategy and priority measures

The Kurabo Group aims to be a strong corporate group that generates innovation and high profit in the dynamic era of VUCA. To continue raising corporate value, we have reworded a phrase from our first president, Koshiro Ohara—“Give it everything we’ve got”—to one geared to today’s employees—“Bring the world something exciting.” We concentrate on fostering employees who can use curiosity and drive to create new value and who possess the spirit of challenge that Kurabo was founded on and the capacity for creative thinking.

With this in mind, it is essential that we build an organization characterized by a high level of engagement where each employee has a sense of fulfillment and positivity and can actively contribute to the organization. To this end, we pursue the three pillars of (1) fostering a vibrant organizational culture by furthering DE&I (diversity, equity, and inclusion), (2) promoting flexible work styles, and (3) securing and developing diverse human resources.

1. Fostering a vibrant organizational culture through DE&I

Our company creed, “Be of one mind and make concerted efforts,” conveys the idea that we should combine our efforts to work as one, even when there are differences in capabilities or talent between individuals. To this day, we value this founding idea, which is familiar to today’s concept of DE&I. To foster an organizational culture empowered by DE&I, we have the following four initiatives.

The first is to help people understand what unconscious bias is and create workplaces free of harassment. We have created our own training booklets and videos so that all employees can recognize unconscious bias and consider other people’s feelings. To free workplaces of harassment, all employees are obligated to take training at least once a year. The second initiative regards gender equality. Regardless of whether someone is a new graduate or a mid-career hire, we continuously and actively recruit women for career-track positions. We work to raise the percentage of women in various departments so that they can play an active role in their departments. Third, we strive to further understanding of LGBTQ+ issues. Kurabo has obtained gold certification in the Pride Index for the third year in a row for efforts such as revising in-house rules on same-sex partnerships. Fourth, we have hired persons with disabilities at a rate higher than the legal requirement.

2. Promoting flexible work styles

To build a comfortable workplace that allows a work-life balance, we have six measures in place. The first measure is

the establishment of a flextime system, a telework system, and a gradual increase in factory days off. The second is to encourage employees to use paid leave, half-day paid leave, and hourly paid leave. The third is to improve the rate of male employees taking parental leave. We believe that having men involved in childcare will help their children grow, develop fathers’ time management and multitasking skills, and also help their partners to continue their careers. The fourth is the introduction of office casual wear and a revamped factory worker uniform. In fiscal 2024, we introduced a genderless uniform that offers safety and functionality. The fifth is safety and health management. Recognizing safety as the top priority at production sites, we strive for safety and health management with the goal of preventing workplace accidents by clarifying safety rules, providing thorough safety education, and implementing safety activities. The sixth is health management. We aim to be certified as a Health & Productivity Management Outstanding Organization with a deviation score of at least 50.

3. Securing and developing diverse human resources

We are securing and developing diverse human resources who will contribute in growth and priority business areas. We are doing this in three ways. First is the strengthening of recruitment capabilities. To do this, we are using recruitment agencies and direct recruiting, revamping the careers section of our website, and incorporating alumni* hiring tools. We are putting particular focus on mid-career hires, who are now hired in larger numbers than new graduates. We also hire

foreign nationals as career-track employees every year. Second, feedback on the content of in-house training is provided to the bosses of employees taking this training to ensure training results are firmly established. Third, we have IoT training and DX (digital transformation) technical training aimed at creating smart factories and at revolutionizing business. Besides training technical employees to enable them to use IoT at production sites, we train mid-level employees so that they can design DX technology-driven business transformation.

Our engagement score, a KPI for an organization’s level of engagement, is only 42%, not a satisfying number. We will strive to improve on this by analyzing survey results, boosting individual employee engagement through one-on-one meetings and other ways, and steadily implementing the above measures.

Main KPIs related to human resource strategy (non-consolidated)				
	Indicator	FY 2022	FY 2023	Goal
Engagement score	Total of affirmative response rate related to employee net promoter scores, desire to contribute, and feeling of achievement	43%	42%	50% or more
1. Fostering a vibrant organizational culture through DE&I	Rate of women graduates in career-track positions	40.0%	45.0%	30% or more (FY2024)
	Rate of sections with women in career-track positions	41.4%	44.8%	45% or more (at the end of FY2024)
	Hiring rate of persons with disabilities	2.57%	2.69%	Higher than legal requirement
2. Promoting flexible work styles	Days of paid leave taken	13.6 days	14.6 days	12 days or more (FY2024)
	Parental leave rate of male employees	39.1%	57.9%	30% or more (FY2024)
	Number of workplace accidents	10	9	0
3. Securing and developing diverse human resources	Mid-career hires as percentage of career-track hires	69.7%	55.6%	Undecided
	Training cost per employee	34,000 yen	33,000 yen	40,000 yen or more

*In a corporate setting, “alumni” means former company employees who have retired. Alumni hiring is thus bringing these people back to the company as employees.

Fiscal 2024 Kurabo educational system

In order to be a strong corporate group that generates innovation and high profit, we pursue human resource development with the aim of cultivating the next-generation of trailblazing leaders and of broadening and improving the knowledge and skills that our employees possess. In addition to CSR education, we provide job-level-specific education tailored to different job grades and topical education to enhance expertise.

Job grade	OJT	CSR education	Job-level-specific education	Specialized education (by theme)	Selective education	Support for autonomous career development
K1 K2 K3 K4 K5	Target management system, personnel evaluation system, overseas assignments, temporary transfer to group company	Compliance (job-level-specific education, e-learning, use of teaching materials, worksite training) Safety and health (safety education, mental health management, video-based learning) Human rights awareness (job-level-specific education, outside seminars, e-learning, video-based learning)	Evaluator training	Management updates	(Training outside the company)	Autonomous career design training, career seminars, interviews Self-reporting system Language education (English, Chinese, TOEIC, other) Support for attending outside seminars Support for distance learning (including e-learning) Qualifications (bookkeeping, QC, various certification exams)
			K5 course (new managers) Nikkei Test			
S1 S2 S3			S1A course (manager candidates) TOEIC S1 reports/presentations S1B course Nikkei Test, TOEIC Mental health management S2A course One-on-one activation Nikkei Test Trainer			
S4 M1			M1 reports/presentations 1st- and 2nd-year career-track employees: EB course Introductory education, Bookkeeping, TOEIC factory hands-on training			
C1-3 T1-4 G1-2 M2-3	Personnel evaluation system Division education	Environment, quality, product safety, other (introductory education, other)	CA course (specialist candidates) TA course (instructor candidates) TB course (those promoted to higher technical posts) Basic education (distance learning): Basic (required), business, technical, common	Strategic sales Intellectual property English presentations Sales basics Marketing basics Accounting basics (MG) Logical communication Furthering IoT	Education at offices/plants Training method education, small-group activities Introductory education, other	



Manager, Human Resources
Development Section,
Human Resources Department

Tamako Nakamura

Functional Fiber Materials
Section, Environment-friendly
Materials Department,
Chemical Products Division

Lu Ao

Spinning Section, Anjo Mill,
Textile Business Division

Fuka Yamaguchi

Measurement Systems Section,
Inspection and Measurement
Systems Department,
Advanced Technology Division

Akiko Fukuda

Fostering innovation by building an organization where people respect and take advantage of one another's differences with an open mindset

With the Long-term Vision 2030, Kurabo set the goal of becoming a strong corporate group that generates innovation and high profit. We asked some young employees who will be responsible for Kurabo's future what it means to build an organization that fosters innovation and what they can do to help create such an organization.

Initiatives promoting human resource diversity

Nakamura

With regard to organizations that foster innovation, first off, I think diversity is important. We differ not only in terms of characteristics you can see, for example age and sex, but also in invisible traits, for example experience, values, gender identity, and sexual orientation. I think if we have an organization where we can take advantage of those characteristics, we can leverage diversity as a strength.

During a DE&I (diversity, equity, and inclusion) seminar the other day, I learned that Matthew Syed, in his book *Rebel Ideas: The Power of Diverse Thinking*, has written the CIA's failure to prevent the 9/11 terror attacks in the U.S. could've been due to a lack of diversity. The idea is that uniformity in race, ethnicity, sex, social class, and other characteristics resulting from the fact that most individuals who satisfied the agency's rigorous hiring standards were middle- and upper-class white men, caused analysts to overlook a variety of warning signs. I gained a new appreciation of the fact that the diverse perspectives of people with various backgrounds, knowledge, and experience are essential for organizations to foster innovation. How do you feel about diversity at Kurabo?

Lu

When I joined the company, I was the only foreigner on the Chemical Products Division floor, although now there are two more. I feel that DE&I is making progress at Kurabo now that there are more women in career-track positions and employees with disabilities, as well as foreigners.

Fukuda

Now that you mention it, there were almost no women in career-track positions at the Advanced Technology Center, where I work, when I came to the company, but the number of female employees has risen quite a bit over the last few years, to the point that people are pointing out that we need more female restrooms.

I've spoken my mind since I joined the company, but I think things like the exchange of views have become even more dynamic now that younger Generation Z colleagues, who tend to speak in a way that's not shaped by what they suspect others feel, are joining us. (Laughs)

Yamaguchi

Employees of a wide range of ages work at the Anjo Mill, too, but some workers who have long careers voice resistance to new tools, which they have trouble acclimating to. I think it's important for younger employees like myself to understand that and offer support.

The true purpose of DE&I is to increase the number of players, rather than spectators, so that a diverse range of members can contribute to the team.

Tamako Nakamura

Nakamura

Right, the generational gap. That's an issue we should address in the future. The true purpose of DE&I is to increase the number of players, rather than spectators, so that a diverse range of members can contribute to the team while leveraging their own individuality. I'd like to see all employees work to practice DE&I in the spirit of our company creed, "Be of one mind and make concerted efforts."

Next, I'd like to hear your thoughts on what sorts of organizations foster innovation.

What does it mean for an organization to foster innovation?

Yamaguchi

Organizations where people can cooperate with people from other departments with an open mindset and where individual employees' views are not dismissed out of hand can foster innovation. The Anjo Mill is home to the Textile Innovation Center, which carries out research and development work for the textile business. Part of that involves product development and research into production site automation that looks 10 years into the future. That process includes cooperation that transcends departmental boundaries in pursuit of the same goal, and I think that's really important.

Fukuda

People who have worked for a company with a long history, like Kurabo, for many years are susceptible to becoming trapped in a box in terms of things like how they do their jobs. In order to foster innovation, I think the organization has to keep people from doing their jobs with a sense of inertia while allowing them to look around them in a comprehensive and objective manner. I also think it's important for the organization to encourage employees to be receptive to conditions both inside and outside the company so that they can continually think about what's necessary now and where there's room for growth. Personally, I make an effort to interact with friends from other communities, but I think it's also OK just to actively interact with people from other departments at the company. In that sense, the way the Anjo Mill keeps development and manufacturing teams in close proximity is a good thing in that it fosters the active exchange of information. I think there are lessons for us here since many departments lack such exchanges even though our division and the Technical Research Laboratory are located in the same building.

In order to foster innovation, it's important to make a decision to embrace the challenge of creating something new.

Lu Ao



Lu

In order to foster innovation, I think it's necessary to have an environment where management resists the urge to decide things based on their own experiences of success or on preconceived notions. It's necessary to understand that innovation means creating things that don't currently exist or that aren't currently available in the world, and the management team needs to make decisions about goals, directions, and investments for new businesses. In addition, I think it's necessary to give the people doing the work authority and responsibility for their work. At the same time, those people need a heightened sense of objectivity, and we need to create an environment capable of absorbing multifaceted human resources and knowledge, including from outside the company.

Whether there are second chances following failure is also an important element. It's the people involved in failures who learn the most from that experience, and they have an appetite for success as a result. It's extremely wasteful not to give such people opportunities to come back from those failures.

In Europe and the U.S., the thinking is that even if 90% of R&D investments fail, that's fine as long as 10% succeed. By contrast, in Asia and Japan, companies are apparently able to recoup 90% of their R&D investments. The flip side of that is that companies only make investments when they're assured of being able to turn a profit. I think there's a tendency to take a slow and deliberate approach to non-continuous innovation that seeks to create completely new things from scratch, even if those same companies invest in continuous innovations like model changes. To foster innovation, I think it's important to adopt a more open mindset and carefully gather seeds.

Nakamura

So "open mindset" is a keyword for innovation.

Adopting flexible workstyles and securing diverse human resources

Nakamura

To build an organization that fosters innovation, we're pursuing DE&I initiatives including fostering a vibrant organizational culture, promoting flexible work styles, and securing and developing diverse human resources. For example, we believe it's important not only to have parental leave for male employees, but also to boost psychological safety so that it's easy to take leave. This thinking has spread throughout the company, with some employees recently taking long-term leave and others taking a second leave.



Lu Ao

Ao joined Kurabo in 2019. He did so because he felt he could learn from the history of the company, which had carried out measures such as establishing the Institute for Science of Labor in keeping with its belief that no business can prosper if its employees are not happy. Today, he's involved with marketing to develop a business centered on KURAPOWERSHEET, a thermoplastic carbon fiber composite material.

Lu

I use Kurabo's flextime system for myself, but I also use it to facilitate interactions with offices in Europe and North America. Carrying out these interactions in real time has allowed me to reduce time loss. And telework has freed me from the stress of competing for conference room space.

Fukuda

Since our business partners in other countries put in place a web environment during the pandemic, we can have short meetings right away, without needing to travel abroad. Thanks to the telework system, I'm able to participate in online meetings from home, for which I'm extremely grateful.

I've been thinking we need to provide feedback about how these measures aren't just available on paper, but are actually being used, so it was good to be able to tell Ms. Nakamura how we're using flextime and other systems today. (Laughs)

Yamaguchi

From the standpoint of human resource development, recently we've been holding regular, one-on-one meetings with section managers. We haven't had an environment that allows employees to speak candidly with section managers until now, and being able to share work-related concerns, objectives, and other information helps create peace of mind while giving employees a chance to sense their own motivation and growth. I've learned that such initiatives help create an organization characterized by a high level of engagement.

One-on-one meetings provide a chance to sense your own motivation and growth, helping to build an organization with high engagement.

Fuka Yamaguchi

Lu

Our division's one-on-one meetings include an after-work drink to foster smooth communication. From the standpoint of securing diverse human resources, I'd love to see us hire people from Europe or the U.S. who are well versed in Western culture and business practices.

Nakamura

We're searching for human resources from Europe and the U.S. since there have been requests from other divisions, too, but it's difficult to accommodate requests for human resources who can also speak Japanese, which will be a challenge going forward.

Helping build an organization that fosters innovation

Nakamura

By the way, are you all actually aware of anything or doing anything to build an organization that fosters innovation?

Yamaguchi

My area of responsibility has been in production management and quality control, which are both factory floor-based operations. Recently I've taken a step outside the mill and visited customers with sales personnel to listen to their views, which I'm bringing to bear on production and development work. For example, one customer from an area famous for towel production asked whether we can create a yarn that will maintain towel quality even after it's been washed 100 times. In response, we sought to investigate how we could keep the cavities in hollow fibers, which are used for their fluffy texture and absorbability, from being crushed as a result of multiple trips through a washing machine. To that end, we utilized ideas from employees with extensive experience to test small lots in an effort to speedily respond to the customer's request. We're also working to streamline work in the mill by incorporating new tools, rather than sticking to conventional approaches.



Fuka Yamaguchi

Fuka joined Kurabo in 2020. While researching potential employers out of an interest in textiles, which she studied in university, she found Kurabo, which has survived in the yarn industry by adopting new technologies, appealing. She's currently involved with operations including the design of yarn ordered by sales personnel at the Anjo Mill and factory progress management and quality control.

Fukuda

Tasks that are carried out on a monthly or annual basis, for example exhibits at tradeshow, are prone to fall back on however they were handled the last time, but we're trying to incorporate new ways of showing products and services and proposals by reassessing trends, relationships with business partners, and other factors.

We're also focusing on making suggestions like capital investments where necessary. For example, since translating sales materials from scratch every time is extremely inefficient, our department entered into an annual contract for an AI translation tool. This allowed us to create all the necessary materials during the first year, and since our use didn't reach the contracted number of characters, we entered into a joint contract with a neighboring department to reduce the cost. I look forward to using this sort of approach in the future while staying aware of cost-effectiveness.

Lu

I strive to try new approaches without becoming a prisoner of fixed ideas. I think that's the good thing about being a layperson. Specifically, in addition to exhibiting the strength and low weight of carbon fiber, KURAPOWERSHEET, a thermoplastic carbon fiber composite material I'm involved with, softens like chocolate when heated and hardens when cooled, giving it high potential from the standpoint of recyclability. But nobody on our team has done specialized research into carbon fibers. I think that's what enables us to develop applications drawing on flexible ideas and perspectives. That's what's good about laypeople. Although we're primarily targeting aerospace, sports, and leisure products at present, I think the material could be used in hydrogen tanks as we look towards the hydrogen-fueled society of the future.

Nakamura

I mentioned increasing the number of players earlier, but as I've learned how everyone is already making the most of their individuality in their workplace and coming up with ideas in order to drive change, it occurs to me that this process is itself innovation.

I imagine you're already doing this, but how can you help build an organization that fosters innovation in the future? Tell me about your aspirations.

Yamaguchi

I look forward to further increasing the number of initiatives undertaken with local communities as we work to increase sales of L∞PLUS, our textile upcycling system. We've already launched a project to upcycle fan merchandise promoting Seahorses Mikawa, a local professional basketball team in Anjo, and a joint project with Japan Airlines and other partners to upcycle and commercialize blankets used on JAL flights. I look forward to helping develop new businesses by actively reaching out to companies in other industries.

As a yarn engineer, I believe that we could develop more applications if we can create fine yarn with L∞PLUS, so I'd like to contribute to that effort. In time I'd like to work at an overseas plant, so I'd like to increase my skill level by, for example, increasing yarn-related knowledge and experience.



Akiko Fukuda

Akiko joined Kurabo in 2016. Her interest in manufacturing, a Japanese strength, inspired her to join a materials manufacturer that she felt can compete on the global stage. Currently, she's responsible for international sales of quality control equipment used at production sites and also involved with sales promotion and public relations in her division.

I'd like to help discover new businesses with information I've uncovered while leveraging my ability to come up with creative ideas and my communication skills as strengths.

Akiko Fukuda

Fukuda

Right now, I'm involved with quality control equipment, whose applications are relatively fixed. There's a possibility that existing demand will dry up or change with the times, so our department is pursuing development work and market research with a sense of urgency in an effort to discover a business to replace those products. It's been refreshing to listen today to two people who are involved in "upstream" work with materials. It would be great if that presented a chance for discovering new businesses from the standpoint of proposing solutions to the world's problems.

Since I feel my personal strengths are my ability to come up with creative ideas and my communication skills, I will continue to stay abreast of industry news and trends in the future as I look for areas where our department can get involved.

Lu

The products I've been responsible for haven't gained traction in the world yet, and we can—indeed, we need to—foster lots of innovation in the future. Our mission is to generate results, and I look forward to seeing KURAPOWERSHEET used in things like golf clubs and bicycles. I will work to realize that.

Nakamura

We've worked to deepen understanding as a first step in areas like unconscious bias and LGBTQ+ issues, but now we need to bring what we've learned into the workplace, and creating an organization where people respect one another with an open mindset will be important to innovation.

Thank you for participating today.

Society

Diversity, equity & inclusion

A key part of the Kurabo Group's management strategy is to further diversity, equity, and inclusion so that all employees can take full advantage of their abilities and gain a sense of achievement as they do their jobs. We're working to create a corporate culture that ensures all employees can live up to their potential.



Initiatives to achieve a diverse workforce

We have formulated and are implementing a variety of initiatives that encourage respect for and acceptance of diversity (for example, in terms of gender, age, cultural background, nationality, ethnicity, sexual orientation, gender identity, disability, work style, lifestyle, knowledge, experience, skills, and values). These will ensure that we hire and empower a diverse range of employees so that everyone in the Kurabo Group can live up to their full potential.

- 1 Initiatives to further gender equality
- 2 Actively hiring individuals with disabilities
- 3 Actively hiring foreign nationals
- 4 LGBTQ+ initiatives
- 5 Initiatives to ensure older employees can live up to their potential

Initiatives to raise awareness among executives and employees

We're striving to change how all executives and employees think and act to help them better understand that building a workplace that empowers a diversity of human resources leads to innovation and new value.

- 1 Communicating the president's message
- 2 Initiatives to eliminate unconscious bias
- 3 Raising awareness through our in-house magazine and other means
- 4 IkuBoss* initiative

*IkuBoss supervisors think about how to help their subordinates balance the demands of work and personal life, generating organizational results while striving to enjoy their own professional and personal lives.

Initiatives to further work-life balance

We're dedicated to creating a workplace environment that's conducive to flexible, diverse work styles so that all employees can improve their own work-life balance.

- 1 Initiatives for flexible work styles
- 2 Initiatives to help employees balance the demands of work and parenting
- 3 Initiatives to help employees balance the demands of work and nursing care

Corporate awards for DE&I initiatives

Kurabo took part for the first time in the 2023 edition of the D&I Award, one of Japan's most prestigious D&I awards and organized by JobRainbow Co., Ltd. In the award, which recognizes companies for their D&I initiatives, Kurabo was certified as an advanced rank company. And in the Pride Index 2023, organized by the Work with Pride Association, Kurabo obtained gold certification for the third year in a row. We will continue with a range of measures towards creating a workplace environment in which employees can work with a high level of satisfaction and use their talents to the fullest.



Social initiatives

10-100 Project

The 10-100 (ten hundred) Project is a unique Kurabo activity in which employees' participation in clean-up campaigns is transformed into tangible form and given back to society. Specifically, for every 10 people taking part in clean-up campaigns, 100 anti-virus hand towels are donated to kindergartens, facilities for the elderly, and the cities of Kurashiki (the birthplace of Kurabo) and Osaka (the location of the head office). A total of 7,600 of these towels were donated in 2023.



10-100 Project poster

Kurabo Group company magazine, Doushin

The name of our company magazine, *Doushin*, comes from our company creed, *Doushin rikiryoku* in Japanese ("Be of one mind and make concerted efforts"). The magazine is published 11 times a year with the aim of creating a sense of oneness in the Group and sharing information among the many Kurabo Group employees doing a variety of jobs. As much of *Doushin's* planning, writing, and photography as possible is done in house, resulting in a long-loved company magazine that brings warmth to all employees.



Over a century of publication

The first issue of our company newsletter was called *Kurashiki Jiho*, which began as a monthly in-house publication in July 1917 in tabloid newspaper form. The precursor to this was the in-house bulletin *Kurabo Fujin no Tomo*, published by the Kurabo School inside the factory during the era of Magosaburo Ohara, the second president of Kurabo. Magosaburo was dedicated to improving the educational level and sensibilities of employees. Kurabo's newsletter has a history of more than 100 years and over 1,000 issues, making it one of the oldest in-house magazines still in existence in Japan. At Kurabo Memorial Hall (inside Kurashiki Ivy Square) in Kurashiki, Okayama, visitors can peruse a database of these 1,000 past issues.

From the Doushin editor

I've been a fan of *Doushin* since I joined Kurabo and I'm proud to be in charge of editing this historic publication. Continuing with the tradition and culture of this communication tool created by my predecessors, I will ensure that *Doushin* continues to endear itself by sharing information and furthering mutual understanding through the personal messages and dreams of Kurabo Group employees.

Labor Policy Section,
Human Resources Department
Daichi Kushiro



Kurabo publishes its history of education

In May 2024, we published Kurabo's History of Education. Interspersed with examples from the times, it looks at how we have striven to foster employees through 136 years of heartfelt education and training. From our efforts to build a new educational system to jump-start the company after World War II, to compliance measures in recent years, and on

to initiatives to foster our next generation of leaders, the publication details both the philosophies and concrete plans behind Kurabo's human resource education.



Key Consolidated Financial Data for the Past 11 Years

		March 2014	March 2015	March 2016	March 2017	March 2018	March 2019	March 2020	March 2021	March 2022	March 2023	March 2024
Results (million yen)												
Net sales	Textiles	81,148	82,107	80,495	69,509	64,099	59,754	51,555	42,185	44,669	56,507	51,103
	Chemical Products	56,453	56,470	57,126	58,452	62,170	61,193	55,785	48,555	51,695	59,726	61,318
	Advanced Technology	14,736	17,398	21,252	19,156	20,620	21,056	21,846	18,695	23,593	24,271	25,530
	Food and Services	8,244	9,176	9,966	10,295	10,478	10,631	9,416	8,683	8,461	9,292	9,572
	Real Estate	4,264	4,375	4,389	4,390	4,383	4,445	4,321	4,065	3,795	3,724	3,790
	Total	164,847	169,527	173,229	161,804	161,752	157,080	142,926	122,184	132,215	153,522	151,314
Operating profit	Textiles	747	410	744	971	695	(956)	(1,701)	(1,824)	(177)	308	(257)
	Chemical Products	433	166	697	2,146	2,360	1,951	972	1,408	2,978	3,712	3,963
	Advanced Technology	250	344	731	473	1,191	2,248	2,781	1,560	2,776	2,834	3,574
	Food and Services	484	722	887	1,054	1,167	959	622	277	271	463	641
	Real Estate	2,993	3,079	3,108	3,061	2,984	3,044	3,002	2,846	2,746	2,433	2,332
	Elimination or companywide	(2,062)	(1,981)	(1,820)	(1,546)	(1,523)	(1,607)	(1,136)	(1,061)	(1,067)	(1,076)	(1,068)
	Total	2,847	2,742	4,349	6,160	6,875	5,640	4,541	3,206	7,528	8,676	9,186
Ordinary profit		3,130	3,762	4,521	6,579	7,357	6,190	5,485	4,242	8,783	10,024	10,191
Profit attributable to owners of parent		1,471	1,146	2,608	3,588	4,869	4,649	3,731	2,209	5,602	5,516	6,738
Financial position (million yen)												
Net assets		89,301	95,909	88,759	96,244	100,440	95,970	90,383	95,004	97,415	102,907	118,074
Total assets		184,656	195,754	181,549	181,529	183,355	176,352	165,542	170,433	167,285	174,086	192,789
Capital investment		4,650	3,592	7,285	3,445	3,966	6,751	5,639	4,718	3,608	4,647	4,959
Depreciation		6,007	5,703	5,236	4,965	4,947	5,018	5,404	5,115	5,191	5,181	5,086
Cash flows (million yen)												
Cash flow from operating activities		7,272	10,072	13,496	10,760	14,127	9,225	8,064	8,073	9,246	2,516	12,864
Cash flow from investing activities		(3,362)	(3,658)	(5,810)	(3,701)	(3,689)	(5,708)	(3,855)	(3,262)	(3,341)	(2,969)	(387)
Free cash flow		3,910	6,414	7,686	7,059	10,438	3,517	4,209	4,811	5,905	(453)	12,477
Cash flow from financing activities		(1,638)	(4,976)	(6,110)	(8,942)	(6,543)	(4,710)	(4,678)	(1,324)	(14,065)	(3,581)	(6,951)
Per share data (yen)												
Basic earnings per share		6.38	4.97	11.33	15.84	21.61	214.78	178.22	107.32	280.35	287.08	362.50
Net assets per share		371.49	398.18	374.85	410.21	437.89	4,303.85	4,322.47	4,537.70	4,853.12	5,386.20	6,513.02
Dividends per share		5.00	5.00	5.00	5.00	7.00	60.00	60.00	60.00	70.00	70.00	100.00
Management indicators (%)												
Operating profit ratio		1.7	1.6	2.5	3.8	4.3	3.6	3.2	2.6	5.7	5.7	6.1
ROA (return on assets)		1.6	1.4	2.3	3.4	3.8	3.1	2.7	1.9	4.5	5.1	5.0
ROE (return on equity)		1.7	1.3	3.0	4.0	5.1	4.9	4.1	2.4	5.9	5.6	6.2
ROIC (return on invested capital)		1.4	1.4	2.3	3.5	3.9	3.3	2.7	1.9	4.6	5.3	5.2
Equity-to-asset ratio		46.4	46.9	46.8	51.2	52.8	52.5	53.7	54.8	57.4	58.2	60.6
Payout ratio		78.4	100.6	44.1	31.6	32.4	27.9	33.7	55.9	25.0	24.4	27.6
Total payout ratio		78.7	101.0	74.9	31.7	69.9	75.8	78.6	56.3	52.3	60.5	61.4

Note 1: The Kurabo Group changed its reportable segments in the fiscal year ended March 2017. The segment information for the fiscal year ended March 2016 and prior has been restated to reflect the current segment classifications.

Note 2: The Company carried out a consolidation of common shares on a 10 for 1 basis (ratio of 1 new share for every 10 old shares) with an effective date of October 1, 2018. Net profit per share has been calculated assuming that the consolidation of shares was carried out at the beginning of the fiscal year ended March 2019.

Note 3: Starting from the fiscal year ended March 2020, the Company has introduced a trust-based share remuneration system for directors called "share delivery trust." The Company shares held by the trust account are included in treasury share that is deducted from the calculation of the total number of issued shares at the end of the period and the average number of shares during the period when calculating the amount of net assets per share and basic earnings per share.

Company Information

Company profile

Company name	Kurabo Industries Ltd.
Locations	Osaka Head Office 2-4-31 Kyutaro-machi, Chuo-ku, Osaka 541-8581, Japan Tel: +81-6-6266-5111 Fax: +81-6-6266-5555 Tokyo Branch 6F, Tokyo Art Club Building, 6-19-15 Shimbashi, Minato-ku, Tokyo 105-0004, Japan Tel: +81-3-6371-1400 Fax: +81-3-6371-1399
Founded	March 9, 1888
Share capital	22,040 million yen
Representative	Shinji Nishigaki, Representative Director, President
Number of employees	3,899 (as of March 31, 2024)
(consolidated Kurabo Group)	

Main offices and plants			
Category	Name		Location
Offices and research center	Osaka Head Office		Chuo-ku, Osaka
	Tokyo Branch		Minato-ku, Tokyo
	Technical Research Laboratory		Neyagawa, Osaka
Plants	Textiles	Anjo Mill	Anjo, Aichi
		Tokushima Plant	Anan, Tokushima
	Chemical products	Neyagawa Plant	Neyagawa, Osaka
		Susono Plant	Susono, Shizuoka
		Gunma Plant	Isesaki, Gunma
		Kamogata Plant	Asaguchi, Okayama
		Mie Plant	Tsu, Mie
		Kumamoto Office and R&D Center	Kikuchi, Kumamoto

Major shareholders

(As of March 31, 2024)

Shareholder name	Number of shares held (thousands)	Shareholding percentage (%)
The Master Trust Bank of Japan, Ltd. (trust account)	1,665	9.20
Nippon Life Insurance Company	920	5.08
Mizuho Bank, Ltd.	782	4.32
The Chugoku Bank, Limited	726	4.01
Custody Bank of Japan, Ltd. (trust account)	623	3.44
Sumitomo Mitsui Banking Corporation	559	3.08
Kurabo Kyoei-kai	335	1.85
Sumitomo Mitsui Trust Bank, Limited	317	1.75
Kurabo Employee Stock Ownership Association	272	1.50
DFA Intl Small Cap Value Portfolio	271	1.49

Note 1: The Company holds 897 thousand shares, but is excluded from the list of major shareholders above.
Note 2: The shareholding percentage is calculated after deducting treasury shares.

Group Companies

Japan

Textiles	Advanced Technology	Food and Services
Taishoboseki Industries Ltd. Line of business: Manufacture and sales of yarn; real estate leasing	Echo Giken Co., Ltd. Line of business: Manufacture and sales of silicon wafer cleaning equipment	Japan Jiffy Foods, Inc. Line of business: Manufacture and sales of freeze-dried foods
Kurabo International Co., Ltd. Line of business: Manufacture and sales of textile products (sewn products, others)	Kurabo Plant System Co., Ltd. Line of business: Design, manufacture, and construction of factory facilities, environmental facilities, and electrical instrumentation equipment	Kurashiki Ivy Square, Ltd. Line of business: Hotel management, others
Aramis Co., Ltd. Line of business: Planning and sales of textile products (sewn products, others)	Kurabo Techno System Ltd. Line of business: Installation, adjustment, maintenance, and sales of information system equipment	Kurabo Driving School Co., Ltd. Line of business: Driving school
Chemical Products	Yamabun Electronics Co., Ltd. Line of business: Manufacture and sales of thickness measuring systems for plastic films and sheets, and thickness control-related devices	Koei Shoji Co., Ltd. Line of business: Life/nonlife insurance agency, leasing business
Kurashiki Textile Manufacturing Co., Ltd. Line of business: Manufacture, processing, and sales of nonwoven fabrics and functional materials	Seiki Co., Ltd. Line of business: Manufacture and sales of FA systems for electronic components, connectors, and automobiles	
Tomei Kasei Co., Ltd. Line of business: Manufacture, processing, and sales of flexible polyurethane foam		
Kurabo Chemical Works Co., Ltd. Line of business: Manufacture, processing, and sales of functional plastic products, flexible and rigid polyurethane foam, and synthetic wood		
Sheedom Co., Ltd. Line of business: Manufacture, processing, and sales of functional film		

Overseas

Textiles	Chemical Products
Brazil Kurashiki do Brasil Textil Ltda. Line of business: Manufacture and sales of yarn	Brazil Kurashiki Chemical Products do Brasil Ltda. Line of business: Manufacture, processing, and sales of flexible polyurethane foam
Thailand Thai Kurabo Co., Ltd. Line of business: Manufacture and sales of yarn and textiles	China Guangzhou Kurabo Chemicals Co., Ltd. Line of business: Manufacture, processing, and sales of flexible polyurethane foam
Thai Textile Development and Finishing Co., Ltd. Line of business: Dyeing and finishing of textiles	Guangzhou KCF Plastics Co., Ltd. Line of business: Manufacture, processing, and sales of flexible polyurethane foam
Indonesia P.T. Kurabo Manunggal Textile Industries Line of business: Manufacture and sales of yarn and textiles	Foshan Kurashiki Textile Manufacturing Co., Ltd. Line of business: Processing, purchasing, and sales of nonwoven fabrics
China Kurabo Shanghai Co., Ltd. Line of business: Sales of yarn, textiles, and textile products (sewn products, others)	
Vietnam Kurabo Vietnam Co., Ltd. Line of business: Sales of yarn, textiles, and textile products (sewn products, others)	