



KURABO REPORT 2023

# Multiple business entities provide boundless synergy to drive innovation

Since its founding, Kurabo has always been a pioneer in contributing to society. Besides pursuing business that helps achieve the common worldwide goals of the SDGs, we conduct sustainable business with the aim of solving a wide range of social challenges.

Through the synergy of our five businesses of textiles, chemical products, advanced technology, food and services, and real estate, we have constantly acquired new knowledge and captured markets on our path of growth.

Our businesses have provided stable cash flow that has allowed us to invest in growth and priority fields. This has given us our greatest strength: the resilience to weather the ever-changing events of an uncertain world. By leveraging this strength to foster innovation and constantly take on new challenges, we are living up to society's expectations and boosting our corporate value.

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## 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.

## 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, 2022 to March 31, 2023. 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.

# Value Creation History

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.

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.

Enters polyurethane market

## 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

1960

Advancing business



**Koshiro Ohara**  
First president

1888

It all started with textiles

## 1962 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.

## Serving society

### Spirit of service



**Magosaburo Ohara**  
Second president of Kurabo

Because he understood just how important employees are to a company, and because of the spirit of service which his father, Koshiro, instilled in him, Magosaburo expanded the scope and variety of initiatives undertaken by Kurabo to improve employee working conditions and to give back to the local community. He poured his energy into numerous projects, including the establishment of the Ohara Museum of Art, the Kurashiki Central Hospital, and the Ohara Memorial Institute for Science of Labor. At the heart of the initiatives that Kurabo undertakes today—to help society, to help communities, to help people—can be found the DNA of those early initiatives that has been passed down, uninterrupted, for more than a century.

### Giving back to the community



Okayama University Institute of Plant Science and Resources



Ishii Memorial Aizen-en Social Welfare Corporation

Enters inspection, measurement, and information processing systems market

**1976** Launches electronics business

Advances technologies for measuring color in dyeing factories

Color control affects the quality of dyeing. To control color at its increasingly high-tech dyeing factories, Kurabo took color control technology, which accurately calculates the dye recipe and amount, and developed it into the CCM (computer color matching) system. Kurabo soon went on to apply its development prowess to inspection, measurement, and information processing technologies.

**2012**

Opens Kumamoto Development Center (now Kumamoto Office and R&D Center)



**2016**

Launches biomass power business

**1980**

**1990**

**2000**

**2010**

**2020**

Enters bio-research and filter market

**1982** Launches biomedical business

Applies bioengineering and advanced technology from the Technical Research Laboratory

Efforts at the Technical Research Laboratory led to the birth of the sterilized filter. Demands for automated laboratory equipment in genetic research-related fields grew, and Kurabo responded by developing an automated nucleic acid isolation system. This product was lauded as one of the three most important pieces of equipment in the gene analysis field.

**1987** Launches real estate business

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

**2016**

Kurabo Advanced Technology Center completed

**2018**

Opens TIC (Textile Innovation Center)



**2020**

Launches robot system business

Long-term vision

**2030**

Vision

A strong corporate group that generates innovation and high profit

### Improving working conditions

1930



Today



Ohara Museum of Art

1908



Detached family housing units

1921



Today



Ohara Memorial Institute for Science of Labor

1923



Today



Ohara Healthcare Foundation Kurashiki Central Hospital

# Value Creation Process

## The Kurabo Group contributes to a better

### Input

#### 6 capitals

##### Human capital

- Number of employees: 4,189
- Engagement score: 43%

##### Financial capital

- Net assets: 102,907 million yen
- Total assets: 174,086 million yen
- Equity ratio: 58.2%

##### Manufactured capital

- Production bases: 40 in 8 countries (Japan and overseas)
- Capital investment: 4,647 million yen

##### Intellectual capital

- R&D expenditures: 1,903 million yen
- Number of patents held: 319 in Japan; 117 overseas

##### Social and relationship capital

- Partnership Building Declaration
- Community service

##### Natural capital

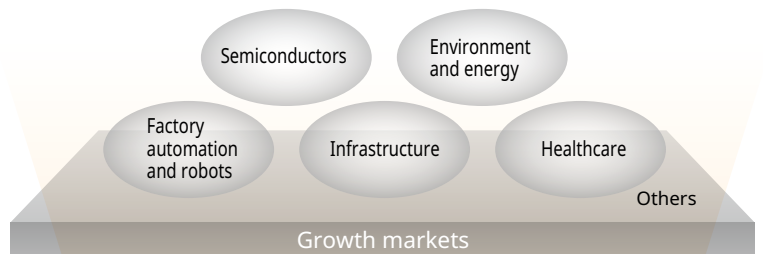
- Energy consumption: 1,526,891 GJ
- Recycling rate: 95.2%
- Water consumption: 4,348,000 m<sup>3</sup>

Note: As of the fiscal year ended March 2023; consolidated basis

### 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

P29

- 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

# future through the creation of new value

## 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
- Feather-alternative recycled material

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

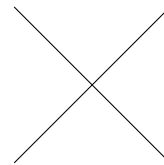
## Outcome

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



## Society





Provision of products and services that enrich individuals and society



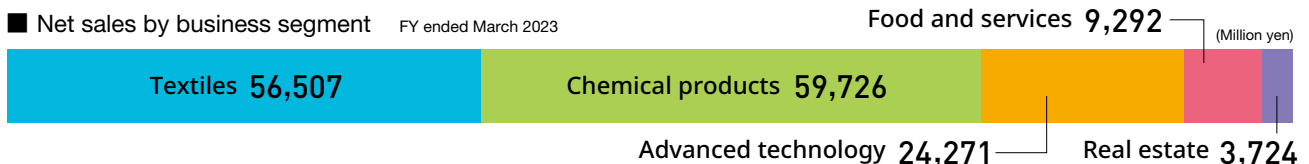
## Kurabo

A strong corporate group that generates innovation and high profit

# Kurabo's 5 Business Domains

	Description	Business fields
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. 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"> <li>● Casual clothing materials</li> <li>● Uniform materials</li> <li>● Lifestyle materials</li> <li>● Yarn materials for towels/socks/underwear</li> <li>● Work environment support tools</li> </ul> <p>■ Net sales ratio (FY ended March 2023)</p> <div style="display: flex; align-items: center;"> <div style="width: 36.8%; height: 15px; background-color: #00AEEF; margin-right: 5px;"></div> <span style="font-size: 24px; font-weight: bold;">36.8%</span> </div>
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. In semiconductor-related products, Kurabo uses its proprietary processing technology to develop resin products. 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"> <li>● Polyurethane foam</li> <li>● Housing construction materials</li> <li>● High-performance plastic products</li> <li>● Functional films</li> <li>● Reinforcing fabrics</li> <li>● Nonwoven fabric</li> </ul> <p>■ Net sales ratio (FY ended March 2023)</p> <div style="display: flex; align-items: center;"> <div style="width: 38.9%; height: 15px; background-color: #92D050; margin-right: 5px;"></div> <span style="font-size: 24px; font-weight: bold;">38.9%</span> </div>
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 wastewater and waste gas treatment, it is also expanding into biomass power generation. 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"> <li>● Color and image processing</li> <li>● Product inspection/ measurement</li> <li>● Environmental plant equipment</li> <li>● Biomass power generation</li> <li>● Regenerative medicine</li> <li>● Gene analysis</li> </ul> <p>■ Net sales ratio (FY ended March 2023)</p> <div style="display: flex; align-items: center;"> <div style="width: 15.8%; height: 15px; background-color: #FFC000; margin-right: 5px;"></div> <span style="font-size: 24px; font-weight: bold;">15.8%</span> </div>
Food and Services	 <p>In the food sector, Japan Jiffy Foods offers safe and reliable freeze-dried products. 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"> <li>● Freeze-dried food</li> <li>● Driving school</li> <li>● Hotel and cultural facilities</li> </ul> <p>■ Net sales ratio (FY ended March 2023)</p> <div style="display: flex; align-items: center;"> <div style="width: 6.1%; height: 15px; background-color: #E91E63; margin-right: 5px;"></div> <span style="font-size: 24px; font-weight: bold;">6.1%</span> </div>

P23





- Yarn, textiles, textile products
- Functional cotton
- Biomimetic material
- Risk-management system for working in hot environments
- Upcycling system



## Shifting from “things” to “concepts” to build new value and markets

Under our guiding principle, “human friendly concept,” we are shifting our business away from consumption of things and towards consumption of concepts and services, in which we provide solutions to lifestyle and social issues. Through co-creation with partner companies, we are building new value and new markets beyond textiles.



- Flexible polyurethane foam
- High-performance plastic products for semiconductor production equipment
- Functional films
- Housing construction materials and heat-insulating materials
- Reinforcing fabric sheets
- Nonwovens, filters



## Opening up new markets by developing original products in original ways

Kurabo has a development organization that generates synergies through its wide range of accumulated technologies. By accelerating the fusion of materials that have individual functions, Kurabo is able to come out with high-value-added products found at no other company.



- Infrastructure maintenance/inspection system
- 3D vision robot system
- Infrared film thickness meters
- AFVI system for HDI/flex PCBs
- DNA isolation device
- Gene analysis service
- Cell and tissue products
- Waste gas/wastewater treatment system
- Heat treatment equipment



## Offering solutions to complex social issues

To support people’s lives and the society of the future, Kurabo is seeking to develop even more sophisticated technologies. These technologies would be applied to such areas as social infrastructure maintenance, cutting-edge medical research, and advanced energy development utilizing big data.



## Real Estate



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. Through such real estate projects, Kurabo is contributing to people’s lives and the wider community.

- Real estate development
- Real estate leasing
- Real estate management

■ Net sales ratio (FY ended March 2023)



### ■ Operating profit by business segment

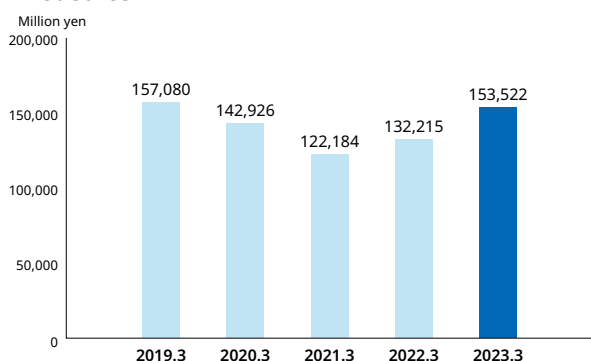
FY ended March 2023

(Million yen)

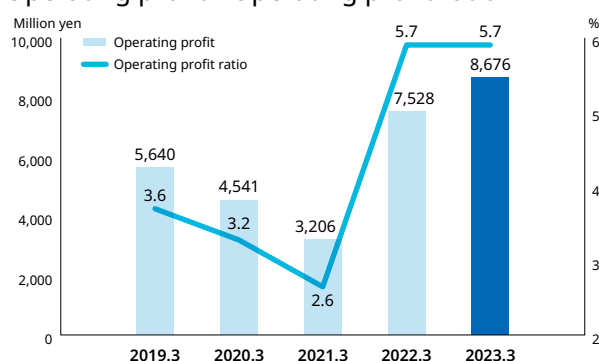


# Financial Data

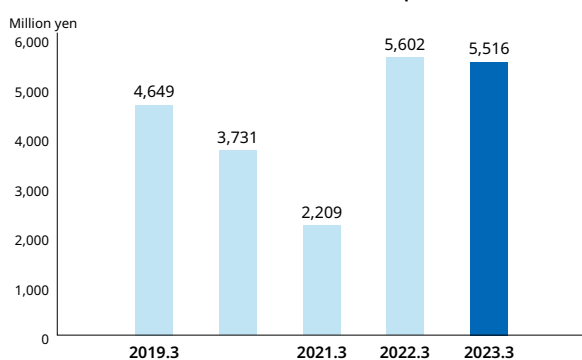
Net sales



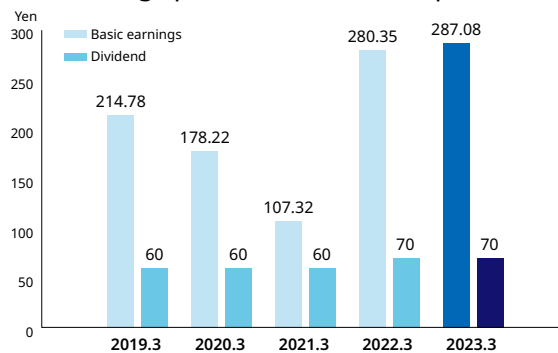
Operating profit / Operating profit ratio



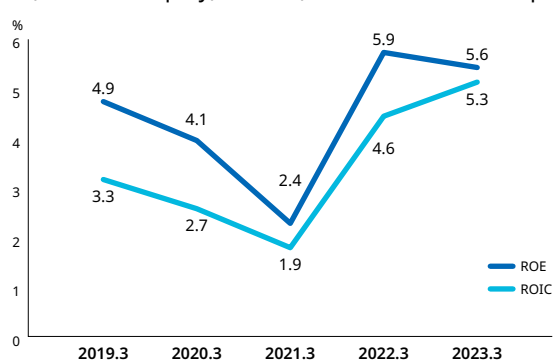
Profit attributable to owners of parent



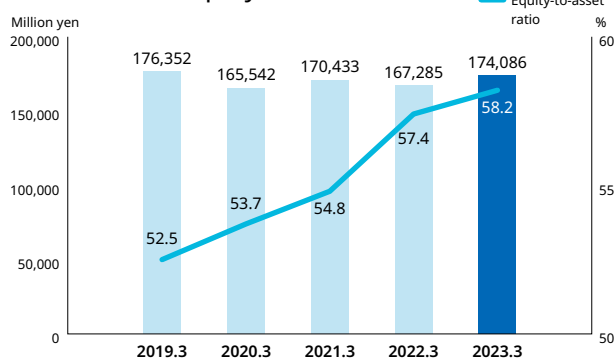
Basic earnings per share / Dividend per share



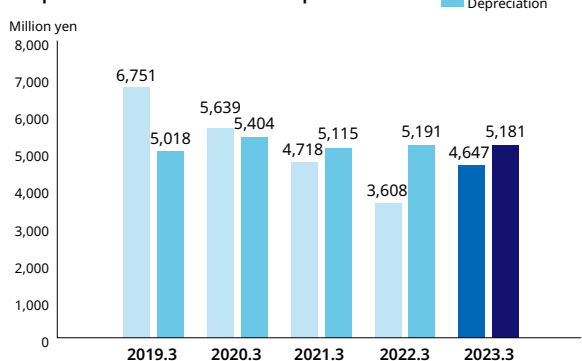
ROE (return on equity) / ROIC (return on invested capital)



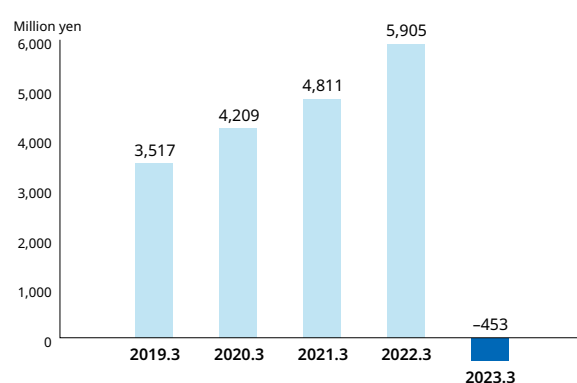
Total assets / Equity-to-asset ratio



Capital investment / Depreciation

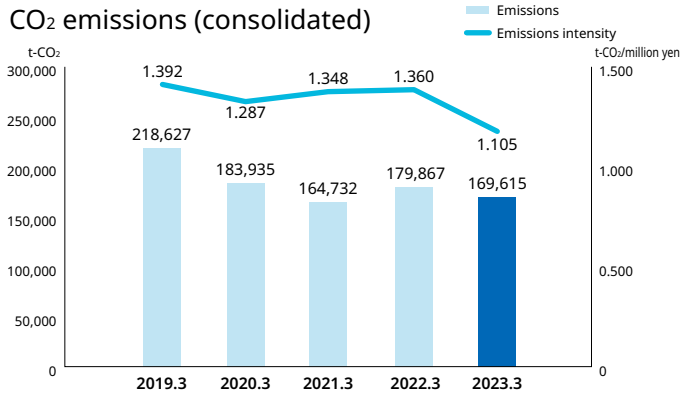


Free cash flows

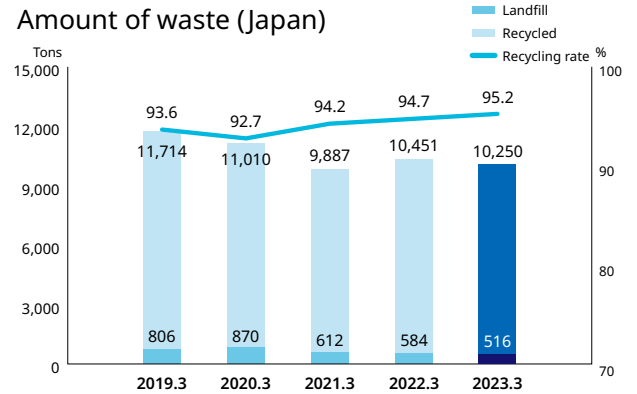


# Non-financial Data

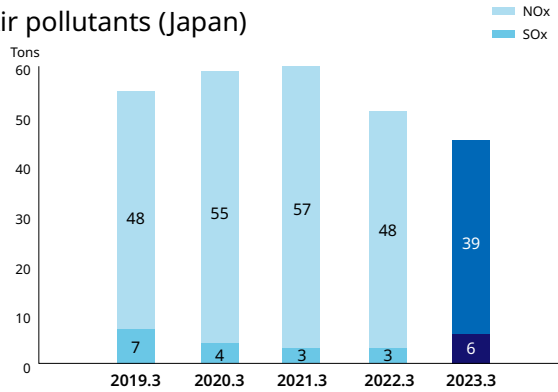
CO<sub>2</sub> emissions (consolidated)



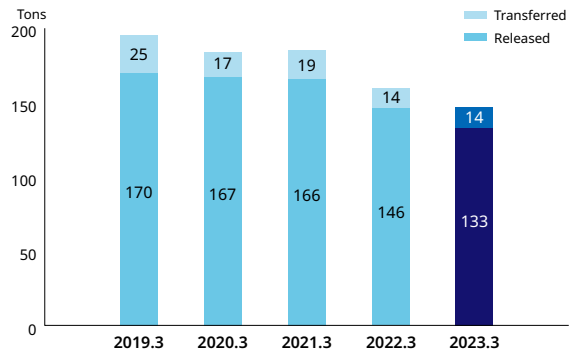
Amount of waste (Japan)



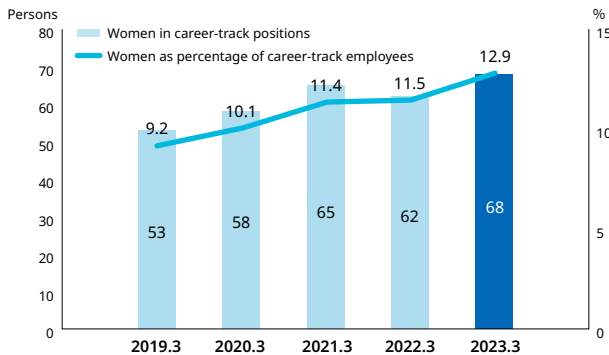
Air pollutants (Japan)



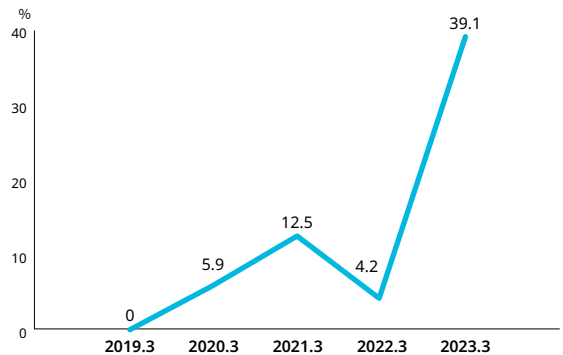
Chemical substances (PRTR) (non-consolidated)



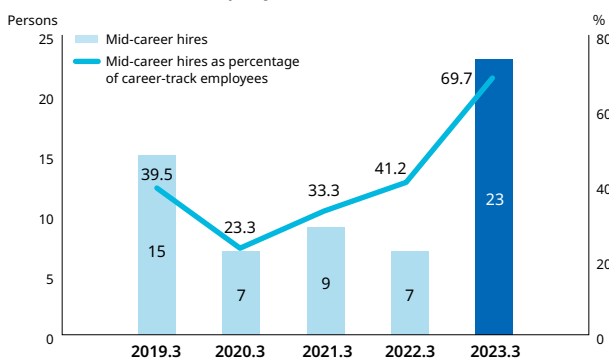
Women in career-track positions, and women as percentage of career-track employees (non-consolidated)



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



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





President  
Kurabo Industries Ltd.  
**Haruya Fujita**

# Improving employee engagement— The foundation for sustainable management in pursuit of business-driven new value creation

In line with a management philosophy that states, “TheKurabo Group contributes to a better future through the creation of new value,” we put into practice sustainable management that contributes to addressing social issues through our businesses.

The aim of a company is to make profits while contributing to the betterment and resolution of social issues. Particularly for manufacturers like ourselves, the primary mission is to always be creating new value and providing customers with better products and services. We believe that the source of value creation is people and that improving employee engagement is extremely important, as it allows diverse human resources to work with enthusiasm and motivation. Moving forward, as we continue to strengthen our CSR system and act in accordance with the code of conduct for executives and employees, as well as the Kurabo Group Code of Ethics, which specifies this code of conduct, we will pursue sustained corporate growth and sustainable management throughout the supply chain.

## Fiscal 2022 performance evaluation and analysis

In fiscal 2022, which was the first year of our Progress'24 medium-term corporate business plan, we met our goals, achieving net sales of 153.5 billion yen, operating profit of 8.6 billion yen, and ordinary profit of 10 billion yen. Ordinary profit was the highest ever since we began releasing consolidated financial statements in 1977.

Although the business environment continued to be difficult due to soaring raw material and energy prices, exchange rate fluctuations, and supply chain disruptions, in the growing market of semiconductor manufacturing our sales remained strong, thanks to a focus on functional resin products, measuring devices, and cleaning equipment.

In the textile business, which is our core, founding business, various efforts, such as developing high-performance materials using our proprietary technologies and expanding their sales, changing our

business model from “selling things” to “selling concepts and services,” and reforming our business structure, have finally started to bear fruit. This, in conjunction with solid performance of our overseas subsidiaries, has made us profitable for the first time in five fiscal years.

Still, we are faced with a number of challenges. For example, increases in raw material and fuel costs have not been properly passed on to prices, and there are delays in the progress of technological development and market development in some new businesses, which are expected to be mainstays of next-generation earnings. In addition to continuing to pass on cost increases, we are acting company-wide with a sense of urgency and from the perspective of capital efficiency to speed up business expansion and commercialization, improve profitability in low-margin businesses, and assess business continuity.

With regard to capital efficiency, as a manufacturer, we invest capital in the form of numerous production facilities and employees. If capital efficiency was our only consideration, it would naturally be improved by outsourcing our production functions to another company, but then there would no point in being a manufacturer. In order to innovate and provide the world with useful products, we believe it essential that we manufacture ourselves. Thus, it is important to raise productivity and increase profits by developing and manufacturing high-value-added products. This by no means implies that we should simply abandon a business because it is unprofitable. How can we utilize our management resources, including human capital, to create materials, technologies, products, services, and business models that will generate new innovation? This, we believe, is the most important consideration for us as a manufacturer.

Of course this cannot be accomplished overnight. What is important is that we can keep up with the speed that the world demands. In order to shift to more capital efficiency-conscious management and business operations as we transform our business portfolio, in addition to sales and profit targets, we have established ROA, ROE, and ROIC as KPIs in the Progress'24 medium-term corporate business plan for realizing our



Long-term Vision 2030. Although the levels are still low, our final targets are ROA of 5.3%, ROE of 7.0%, and ROIC of 5.6% (for the fiscal year ending March 2025). In terms of our progress in the first year of the medium-term corporate business plan, we achieved our targets in all KPIs, with ROA of 5.1%, ROE of 5.6%, and ROIC of 5.3%. However, when we examine each business and initiative individually, there are some which are not progressing as planned. Thus, we will continue to maintain a company-wide sense of urgency as we swiftly and appropriately implement the PDCA cycle and flexibly adapt to environmental changes, reviewing and revising strategies and measures to achieve our goals.

### Progress'24 medium-term corporate business plan

The Kurabo Group formulated the Long-term Vision 2030 in 2019 with the aim of achieving long-term growth and sustained improvement in corporate value. The Progress'24 medium-term corporate business plan is the second stage of this long-term vision and encompasses an extremely important three-year period intended to get those initiatives whose progress was set back by the pandemic and other factors back on track for growth leading into stage three.

The following priority measures have been established:

- 1. Expand growth and priority businesses and strengthen profitability in core businesses**
- 2. Create new businesses by strengthening R&D activities and quickly place them on a profitable footing**
- 3. Contribute to the SDGs**
- 4. Promote a diverse workforce**

The status of progress and challenges for each are as follows.

#### **1. Expand growth and priority businesses and strengthen profitability in core businesses**

Sales of high-performance plastic products, inspection equipment, and other products for the growing

semiconductor manufacturing-related sector have been strong. We believe that this is an area that will continue to grow. In fiscal 2022 we completed expansion of the factory of our silicon wafer cleaning equipment manufacturing and sales subsidiary. In fiscal 2023, we plan to begin construction of a new building at our Kumamoto Office and R&D Center, which manufactures high-performance plastic products. At our Mie Plant, we plan to increase production facilities for functional films.

At the same time, however, in our core businesses, due to soaring prices of raw materials and energy, we have not been able to sufficiently pass on cost increases to sales prices. Automation and QR system implementation at production bases are also issues. Nevertheless, in our textile business, we are expanding sales of high-performance materials that utilize our proprietary technology, and demand for casual clothing is recovering. In the field of automotive interior materials, which had been affected by production cuts due to semiconductor shortages, we are working to improve profitability via cost pass-throughs, cost reductions, and production efficiency improvements.

#### **2. Create new businesses by strengthening R&D activities and quickly place them on a profitable footing**

With regard to the Technical Research Laboratory, which is the central organization for research and development activities in the Kurabo Group, we had been working on developing a new structure since before I became president. It is currently a matrix-type organization centered on the core technology group and applied development group. Progress'24 is being positioned as the period during which we will reap the fruits of these efforts.

In order to keep up with the speed of technological innovations, such as in IoT and AI, we are concentrating our researcher personnel and funds on research and development in priority business areas. Specifically, we are pursuing 3D vision sensor technology-driven robot control in factory floor automation, measurement technology that allows semiconductor manufacturing advancements, and gene extraction and analysis technology. We are pursuing these as close-to-commercialization initiatives via market-oriented research and development. We aim to create next-generation business through collaboration between the Technical Research Laboratory and business departments.

#### **3. Contribute to the SDGs**

Contributing to the achievement of the SDGs is essential for sustaining business into the future. It will also lead to increased corporate value.

For our Group, we have made goal 9 (Industry, innovation and infrastructure), goal 11 (Sustainable cities and communities), and goal 12 (Responsible consumption and production) our chief priorities. We are actively working in SDG-related business, including L $\infty$ PLUS, a system of upcycling textile cutting waste and discarded clothing, KuranZero high-performance insulation, which improves home energy efficiency, and biomass power generation, which utilizes timber from forest thinning.

We also recognize that risks and opportunities related to global climate change will have a significant impact on our business strategy. Thus, we have formulated a carbon neutrality roadmap for our entire Group to achieve carbon neutrality by 2050 and reduce CO<sub>2</sub> emissions by 46% by 2030 compared to fiscal 2013. Although the CO<sub>2</sub> emissions reduction rate in fiscal 2022 was 35.2%, in contrast to the target reduction of 38% compared to fiscal 2013, by switching fuels and utilizing renewable energy, we are aiming to realize a business model with a low environmental impact and contribute to the development of a circular economy.

#### 4. Promote a diverse workforce

It is individual people whose efforts make it possible for us to achieve our goal of becoming a strong corporate group that generates innovation and high profit. It is important to be an organization characterized by a high level of engagement where each and every member of our diverse human resources are empowered to perform to their full potential and, thereby, contribute to the organization. To this end, we are pursuing a range of measures, including (1) promoting empowerment education and DE&I to bring out employees' abilities; (2) developing flextime and telework systems to realize flexible work styles; and (3) securing diverse human resources and utilizing IoT and DX-driven education for business transformation.

### Optimizing the business portfolio

Our basic business portfolio policy is to concentrate management resources on priority businesses in growth markets and strengthen the profitability of core businesses. Considering capital efficiency, and with the aim of improving growth potential and profitability, we are focusing R&D, human resources, and other management resources on priority areas such as semiconductor manufacturing-related business, automation and control equipment, high-performance materials, and genetics. We are working to ensure that these fields will become pillars for future earnings, including M&A of related companies with which synergy can be expected, such as by supplementing technological shortcomings and strengthening the supply chain.

Meanwhile, our large-scale textile and polyurethane foam businesses are stable earnings bases that support the Kurabo Group's foundation. However, as they also include businesses with low profitability, we have begun implementing structural improvements by establishing business continuity criteria. Our aim is to optimize our business portfolio and quickly transition to a highly profitable structure by pursuing initiatives tailored to the circumstances of each business.

Recently, there has been a lot of talk about conglomerate discounts for companies with diversified businesses. While I believe that we should concentrate our capital on businesses that have the potential for future growth, I also think that the very process by which we have expanded our business areas can be seen as conglomerate discounting. We have never expanded our business unnecessarily; rather, we have done it in the context of some kind of relationship. The wide range of businesses developed from the chemical products business begun in the 1960s, as well as the origin of the Advanced Technology Division, are the result of a roughly 60-year history of expanding non-textile business, mostly involving the repurposing of technology, digging deeper into the market, and developing technologies at the Technical Research Laboratory to produce business, which was successfully developed for the market. In that sense, rather than a "discount," I would call it a synergy-generating "conglomerate premium."

### Implementing sustainable management

Sustainable management is something that has been attracting attention of late. Sustainability in pursuing future



corporate value has been the foundation of our thinking since our founding more than 130 years ago. If CSR, which has as its basic premise complying with the law in both letter and spirit and acting with good intentions for society, is seen as the “defense” a company utilizes for survival, then sustainable management is the “offense.” You cannot use CSR alone to properly increase profits, which is one of the reasons why a company exists. Sustainable management is about maximizing opportunities for incorporating new business opportunities as society, and what it expects, changes significantly. It is of the utmost importance that the two wheels of CSR and sustainable management function in an integrated manner within the same system.

On the other hand, while it is also connected with business portfolio optimization, when implementing sustainable management, it is important to focus on whether or not our current business is the “best owner” for addressing social issues. Moving forward, we will need to adopt a perspective that carefully assesses the energy and resources needed to meet all the demands of society, as well as the profits that can be obtained from them. In addition to the perspective of “buying time with money,” you can turn risks into opportunities by “buying what your company needs but doesn’t have to solve problems.” It goes without saying you cannot have sustainable management without maintaining a focus on how best to secure profits.

Furthermore, pursuing sustained growth within an increasingly uncertain business environment requires management that is grounded in expanding the financial base to a certain extent. In particular, we identify shareholder returns as one of our company’s top priorities, implementing a basic policy of stable and continuous returns on profits.

Under Progress’24, we are aiming for a total payout ratio, including treasury share acquisition, of 50% or more and are working to improve capital efficiency by directing the majority of free cash flow to shareholder returns.

## Conclusion

When I became president, I sent a message to all Group employees, telling them to “keep, break, and create.” By “keep,” I mean observing morals, ethics, and societal and company rules and ensuring compliance, as well as protecting the corporate philosophy and DNA that our company has cherished since its founding. By “break,” I mean reviewing existing systems, methods, and business models, and doing away with any that are unnecessary and no longer suitable due to changes in the business environment and the times. And, by “create,” I mean creating new markets, technologies, products, systems,



and business models in place of what was destroyed so that we are constantly taking on new challenges to achieve our goals. This is in keeping with my motto of “fluidity and immutability.”

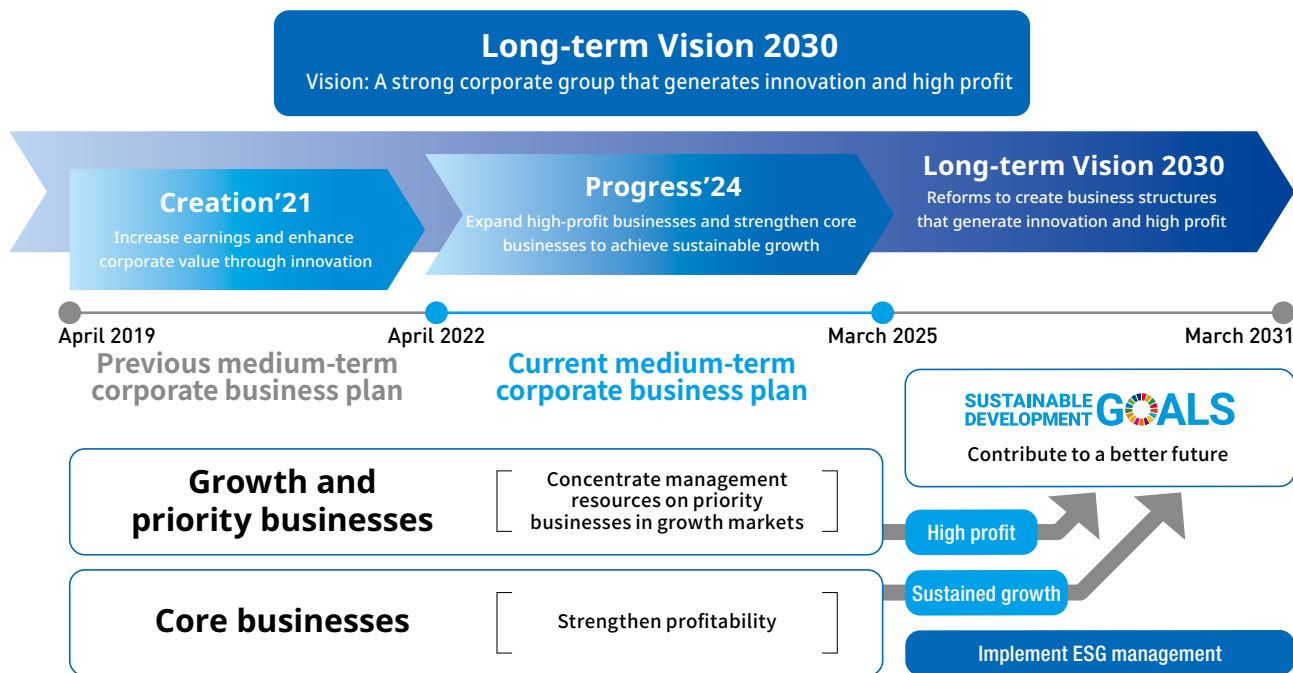
It is important that each and every employee, who possess the DNA that our company has cultivated over its more than 130-year history, shares our management philosophy—“The Kurabo Group contributes to a better future through the creation of new value”—and that they feel that they are contributing to sustained growth and improved corporate value. On the occasion of our 130th anniversary, we sent out a corporate message, both internally and externally, saying, “Bring the world something exciting.” The following year, we issued our D&I declaration (changed to DE&I this year) and worked on work style reforms, such as introducing a business casual dress code. I feel that these ideas are finally taking hold within the company and that employee awareness and organizational culture is steadily reforming. In particular, we are working at improving employee engagement so that the younger personnel, who represent the future of our Group can feel a sense of enthusiasm and motivation about their work.

In order to respond quickly and appropriately to changing environmental and social needs, current values, and other factors, we emphasize the PDCA (plan, do, check, act) cycle. We will pursue further increase in our corporate value by steadily implementing the various measures of our Progress’24 medium-term corporate business plan and Long-term Vision 2030, as well as reviewing as needed our portfolio reforms, the content of our priority measures, and the relative prioritization of our management resource investments. We will communicate the details of these PDCA policies so that everyone can have a better understanding of them. I thank you for your continued support.

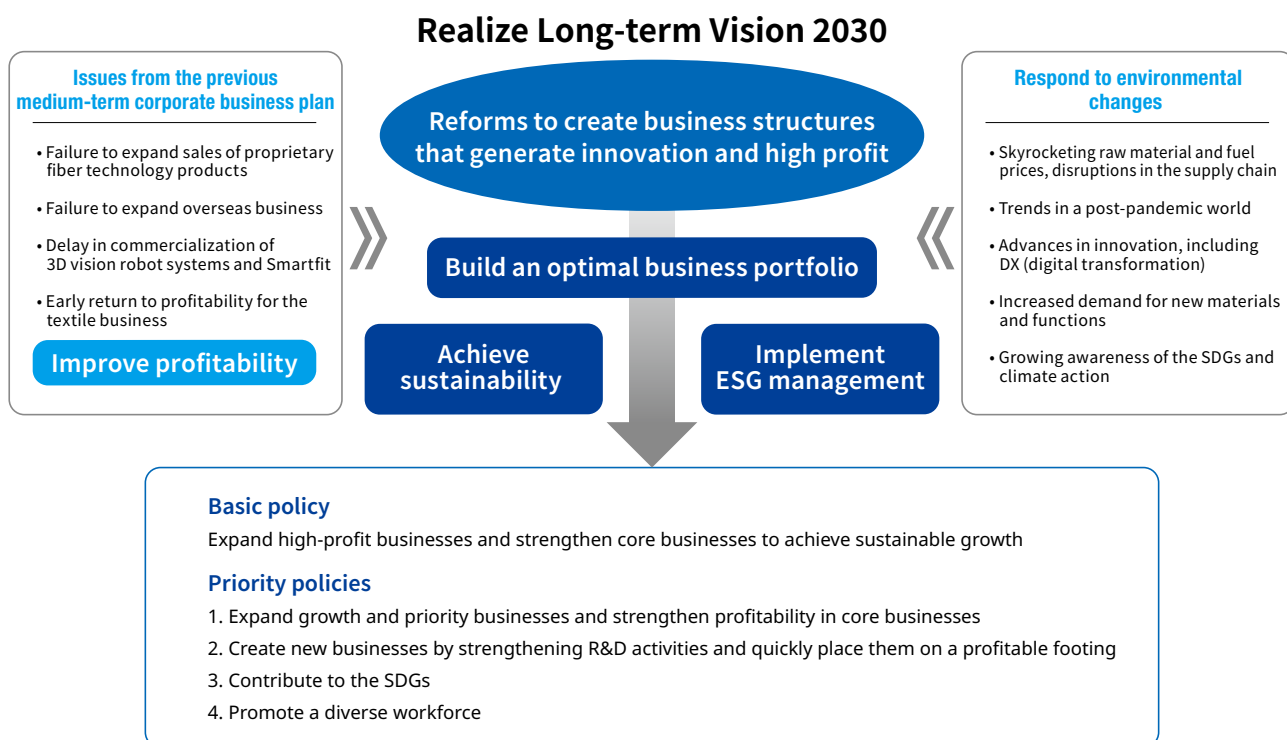


## Long-term Vision and Progress'24 medium-term corporate business plan

### Positioning within the Long-term Vision



### Direction of Progress'24



# Textiles



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

## Atsushi Kitabatake

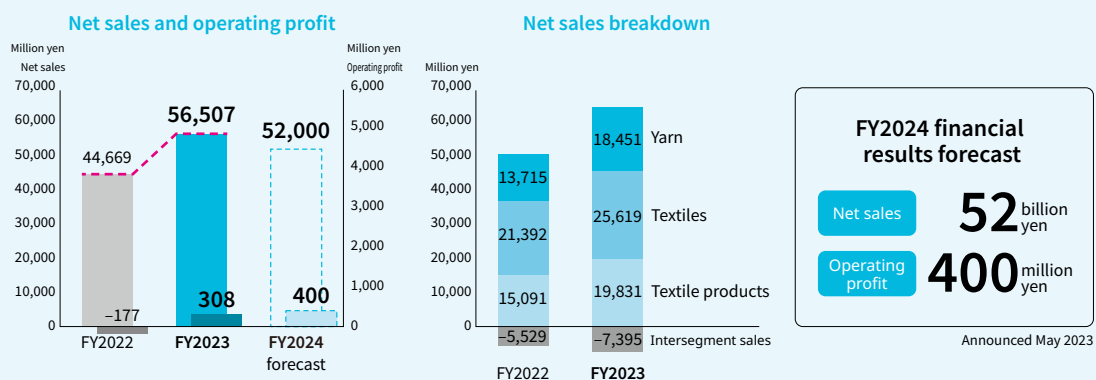
Representative Director  
 Director, Senior Managing Executive Officer  
 General Manager, Textile Business Division

## 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.

## Results by segment



## Business fields

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

## Strategy

### ● Review of the fiscal year ended March 2023

Because of concerns that profitability would decline due to improvements in the quality of overseas textile manufacturers, mainly in Asia, as well as other factors like a constant oversupply of clothing, we have been transforming our business model with the aim of rebuilding our revenue base. In 2018, we established the Textile Innovation Center, a research and development organization, and we have been pursuing the development of advanced, proprietary core technology instead of generalized textile manufacturing technology.

Amidst a chronic oversupply of general clothing, we have

been shifting our business away from consumption of things and towards consumption of concepts and services, and have been pursuing sustainable initiatives wherever there is a particularly pronounced increase in demand. With demand recovering in the wake of the pandemic and positive results finally starting to appear, we were able to post a profit for the first time in five fiscal years. We will continue to accelerate the transformation of our business model, improve the value we provide, and build a stable revenue base during the Progress'24 period.

### ● Measures and outlook for the fiscal year ending March 2024

The environment surrounding the textile industry is becoming increasingly uncertain due to a variety of factors, including significant fluctuations in raw material and fuel prices and foreign exchange rates. At the same time, however, demand for high-performance textile products and sustainable materials is increasing. Given this environment, and with the aim of increasing revenues, we will pursue development of new products and services that meet market needs, as well

as utilize the flexible, high-quality production systems at our global production bases to continue providing solutions adapted to a changing market. At the same time, we will establish a revenue structure that is less susceptible to market conditions by pursuing the development of unique, high-value-added, sustainability-focused technologies and by developing business that helps to address social issues.

## News

In yarn, we are working to develop new functionality for, and expand sales of, our NaTech functional cotton, which leverages raw material reforming technology. In textiles and textile products, we are transforming our uniform business into one that provides safety and comfort to workers. In 2022, we concluded a licensing agreement with Solvay S.A. in Belgium regarding the production and sales of the PROBAN flame retardant processing technology. By using this technology in conjunction with our existing BREVANO flame-retardant material, we can now offer safety and comfort in a range of different contexts.

In the area of casual wear, we are working on a variety of objectives, including developing products that use sustainable raw materials and expanding sales of products that utilize the L∞PLUS

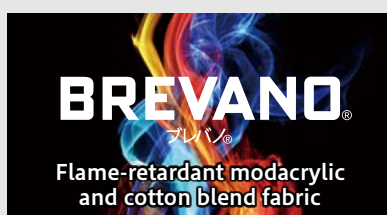
upcycling system. Through these efforts we are working to develop and sell products and technologies in a variety of fields that will contribute to the realization of a sustainable society. To deal with soaring raw material and fuel prices, we will pass on the costs to product prices and improve production efficiency, thereby expanding profits.



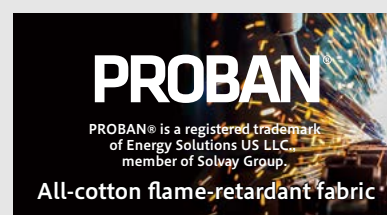
Functional cotton



Textile upcycling system



Flame-retardant modacrylic and cotton blend fabric



PROBAN® is a registered trademark of Energy Solutions US LLC member of Solvay Group.  
All-cotton flame-retardant fabric

# Chemical Products



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

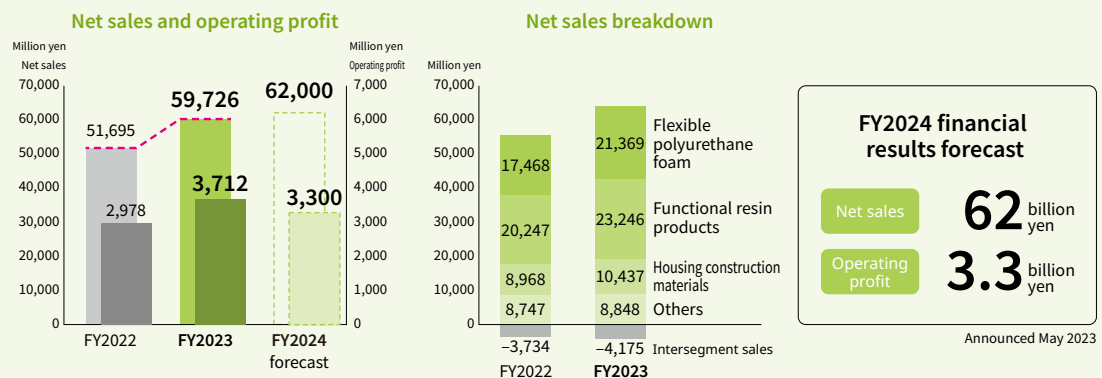
Representative Director  
 Director, Senior Managing Executive Officer  
 General Manager, Chemical Products Division

## Overview

Kurabo's chemical product business continues to grow beyond conventional industry boundaries, and it now operates in a diverse range of fields. Using proprietary technologies, we provide many products in various markets. For automotive interior, housing construction, and heat-insulating materials, we use our original resin compounding and molding technology to gain an advantage over our competitors. In semiconductor-related products, we use

proprietary processing technology to develop high-performance plastic products for semiconductor production equipment. When it comes to film materials, we have established a super-high-temperature molding technique that yields heat-resistant super engineering plastic film. And in the field of nonwoven fabrics, we are developing materials with various functions. Kurabo is thus contributing to the creation of high-value-added products in various fields.

## Results by segment



## Business fields

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

## Strategy

### ● Review of the fiscal year ended March 2023

We are pursuing the Progress'24 basic policy to expand business scope by further concentrating management resources on growth and priority businesses and to achieve results in new business in our core businesses. However, in the first year of Progress'24, the business environment changed significantly in a short period of time, and, with the rise in raw material and fuel prices, we were forced to focus on passing

costs on to product prices. Nevertheless, due to strong demand in the semiconductor industry, we were able to significantly expand our business in the field of high-performance plastic products, which is a growth/priority business. For core businesses, we focused on launching new business and improving profitability, mainly through price pass-through, and we were able to achieve a certain degree of results.

### ● Measures and outlook for the fiscal year ending March 2024

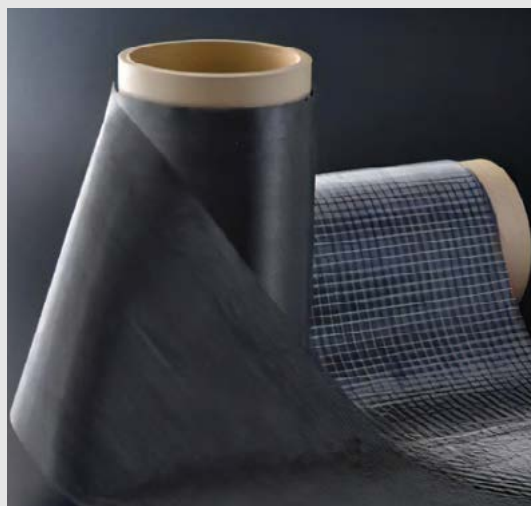
In the second year of Progress'24, we will continue to pass costs on to product prices as we did in the first year, while concentrating management resources on growth and priority businesses. Specifically, we will pursue new initiatives to deepen our reach into the target markets of our four growth and priority businesses: high-performance plastic products, functional films, functional materials, and nonwoven fabrics. In

our core businesses of flexible polyurethane foam and housing construction materials, we aim to secure stable earnings by developing new products and cultivating new markets while rebuilding our production base. At the same time, we will carry out business operations with sustainability in mind, such as by incorporating DX at manufacturing sites and working toward carbon neutrality.

## News

For functional films, we will utilize a newly constructed line at our Mie Plant to increase sales to the energy market. For high-performance plastic products for semiconductor production equipment, we are proceeding with the construction of a new building at our main base of operations, the Kumamoto Office and R&D Center. We will continue to refine our technology to meet the ever-evolving and increasing level of performance of semiconductors, which will lead to further expansion of our business. In addition, we are working to speed up the development and marketing of KURAPOWERSHEET, a thermoplastic carbon fiber composite material, which is expected to become a new business pillar.

For nonwoven fabrics, we will work to expand sales by improving the performance of automotive filters, our main application, and by setting up a system to increase production of semiconductor chemical cleaning filters. In our core business, we are reorganizing our flexible polyurethane foam flame lamination bases. Overseas, we are considering expanding the production line for automobile seat molds at our Brazilian subsidiary in order to respond to increased orders. In the area of housing construction materials, we will build a full-scale mass production system in our precast business.



KURAPOWERSHEET thermoplastic carbon fiber composite material



High-performance plastic products



KranCsair air filter for automotive engines

# Advanced Technology



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

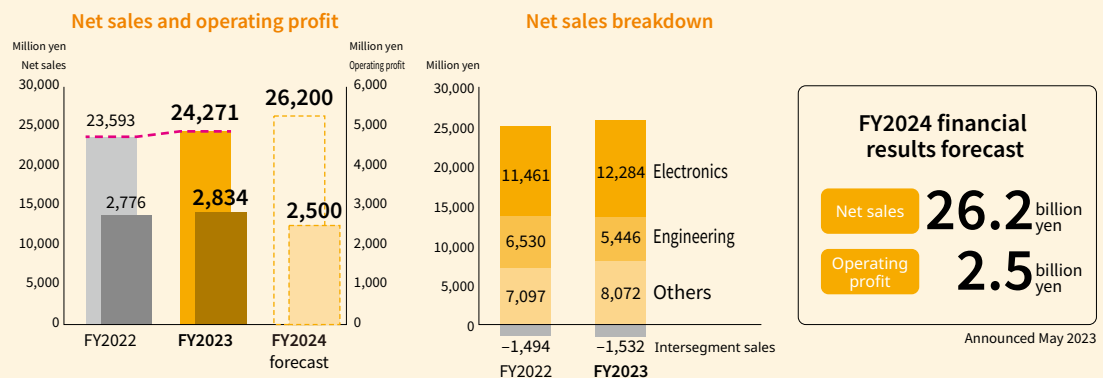
Director  
 Managing Executive Officer  
 General Manager, Advanced Technology Division

## Overview

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

generation. The biomedical business offers reagents, equipment, and services for drug discovery, cosmetics development, and preclinical studies. 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.

## Results by segment



## Business fields

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

## Strategy

### ● Review of the fiscal year ended March 2023

Our first priority policy under Progress'24 is “establishment of competitive advantages through strengthening of products and sales expansion in overseas markets.” In fiscal 2022, we began accepting orders for KURASENSE high-speed 3D vision sensor-equipped robot package systems for wire harnesses. Overseas expansion of our pavement inspection system has been delayed due to factors such as pandemic-related travel restrictions, but sales of mixing and deaerating systems are steadily expanding. Sales of high-temperature phosphoric acid circulation equipment for semiconductor manufacturing also remained strong.

### ● Measures and outlook for the fiscal year ending March 2024

There continue to be delays in the supply of some products, like electrical and electronic components and plastic products, to the market. This is causing delays in the introduction of equipment at customer companies and affecting production in our business. Amidst this, for electronics, we are developing and selling inspection, measurement, and control systems for a wide range of industries, including semiconductor circuit boards and films. Our state-of-the-art inspection and measurement systems, which utilize our unique technology based on core image and information processing technologies, and factory automation systems for production lines, such as for electronic components, help customer companies improve quality and productivity at production sites in a range of industries. We will continue to work at gaining a competitive advantage by

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. In fiscal 2022, we focused on expanding sales of our effluent treatment facilities and FUNTO livestock waste treatment system, which repeatedly recycles livestock manure into clean compost.

strengthening our product capabilities, expanding sales to overseas markets, strengthening our product development capabilities for the new technology of robot vision systems, and expanding our semiconductor-related inspection and measurement business.

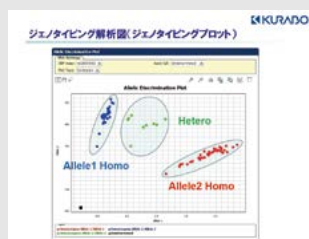
In engineering, we are conducting engineering work for environmental plants and operating biomass power plants. We will continue to work to expand new environment-related business and expand sales to overseas markets.

In biomedical, we sell gene extraction/analysis kits and various reagent kits. In addition to expanding our business related to gene extraction and analysis, we will work to expand sales channels for mixing and deaerating systems.

## News

In electronics, we are working to expand sales of pavement inspection systems to overseas markets, especially the Indian market. We are also working to expand our semiconductor-related business. Our KURASENSE high-speed 3D vision sensor won the Japan Machinery Federation Chairman's Prize at the 10th Robot Award in October 2022. We will capitalize on this award to propel continued development and expansion of sales of our unique technology.

In engineering, we are working to expand new environmental businesses such as biomass-related businesses. In biomedical, we will contribute to the spread of personalized medicine, improvement in agricultural and livestock breeding, and other developments through genetic analysis services with enhanced analytical capabilities.



Gene analysis service



KURASENSE high-speed 3D vision robot system

## 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, driving school, and other facilities, with the aim of enriching and improving quality of life and contributing to local communities.

The market for freeze-dried foods is expanding thanks to their deliciousness and convenience. As the trend toward

individual servings continues, this growth is expected to continue in the future. 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 communicates the traditions and culture of Japan.

### Strategy

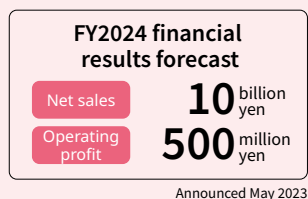
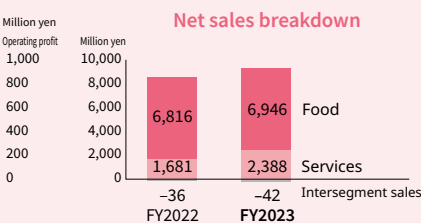
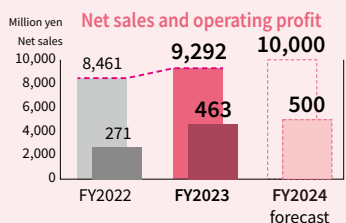
#### ● Review of the fiscal year ended March 2023 Measures and outlook for the fiscal year ending March 2024

In the food business, in response to the increased demand for home-cooked meals during the pandemic, we focused on expanding sales of molding soups, which can be easily enjoyed at home or at work. For the fiscal year ending March 2024, although there are concerns stemming from recovery in demand for eating out due to the removal of restrictions on movement and the impact of the wait-and-see buying mentality caused by price increases from soaring raw material costs, we are aiming to expand business through the development of new products that emphasize deliciousness and authenticity, such as plant-based protein foods, and the strengthening of our B2B

proposal-based business for major food manufacturers.

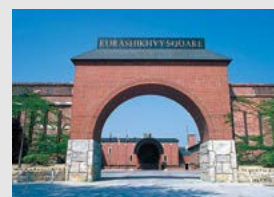
The hotel business had faced difficulty due to the pandemic, but the occupancy rate for the renovated accommodation division has been strong due to the removal of restrictions on movement and the introduction of measures to support tourism business. Although the food and beverage division continues to be affected by self-imposed banquet restrictions, we will continue to implement infection control measures that prioritize the safety and security of our customers and staff and will strive to attract MICE events and capture inbound tourism demand by providing attractive plans and services.

#### Results by segment



### News

Kurashiki Ivy Square celebrated its 50th anniversary, and two facilities, the Kurabo Memorial Hall and Ivy Red Brick Hall, were renovated. In April 2023, Kurashiki Ivy Square was selected as the main venue for the G7 Kurashiki Labour and Employment Ministers' Meeting. During an excursion held in conjunction with the meeting, representatives from each country were given a tour of the Kurabo Memorial Hall. We received high praise for our work environment development and improvement efforts.



Kurashiki Ivy Square



# 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

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 as they undergo business changeover, thereby contributing to local communities while managing assets effectively. Kurabo

supports the development of commercial facilities and runs buildings for rent that lead to the revitalization of local communities. It also provides land for environmentally friendly mega-solar facilities. Through such real estate projects, Kurabo is contributing to people's lives and the wider community.

## Strategy

### ● Review of the fiscal year ended March 2023 Measures and outlook for the fiscal year ending March 2024

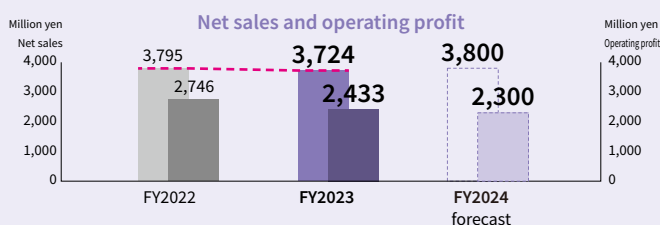
In the fiscal year ended March 2023, our focuses included redevelopment preparations for early monetization of idle land, attracting tenants for our rental properties, and renewing the contract terms of existing properties. Revenue and profit decreased compared to the previous fiscal year due to factors such as changes in some rental conditions upon contract renewal and an increase in repair and maintenance costs. However, in line with our basic policy of securing stable profits over the long term, we had factored this into our Progress'24 planning. Sales were thus almost as planned, with operating profit exceeding our plan due to cost reductions and other

factors.

In the fiscal year ending March 2024, for large commercial facilities, which are the driving force of our leasing business, intensifying competition from online shopping and new business formats may have a significant impact on the business environment for leased properties. However, we will continue working to maintain and secure long-term, stable earnings through efficient business while closely monitoring the business environments of our leased customers.

We also expect to generate profits from the commencement of redevelopment of some idle land and the start of leasing.

### Results by segment



### FY2024 financial results forecast

Net sales **3.8 billion yen**  
Operating profit **2.3 billion yen**

Announced May 2023

## News

In the large-scale commercial facility rental business, regarding the redevelopment of the former Seiyu mall in Anjo, the demolition work of the old facility has been completed and land leasing began at the end of June 2023. Additionally, we have concluded a fixed-term land lease reservation agreement for a portion of the former Marugame factory site. We will continue to work towards the early monetization of our remaining land.



Large commercial facility

# 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.

**Katsuma Yagi**

Managing Executive Officer  
Manager, Technical Research Laboratory

## R&D overview

### R&D policy

Kurabo's Technical Research Laboratory of the Advanced Technology Center aims to create new business using new, core technologies to tackle the challenge of innovation with new ideas and frameworks. In addition to contributing to the profits of business divisions, we also conduct development activities that facilitate expedited implementation of new core technologies in business divisions' products. Our organization comprises a core technology group, which handles research, and an applied development group, which pursues development. Together they enable us to handle everything

from technology-generating R&D to business-generating business development. The core technology group develops new core and differentiated technologies that lead to technologies enabling us to compete in the market. The applied development group finds added value in accumulated and acquired technologies, which is then utilized to generate new business and products. As the central organization for research and development activities in the Kurabo Group, we help to ensure its future.



## R&D strategy

### R&D strategy and focus areas

The primary focus areas of the applied development group are robot control (robot sensing), semiconductor chemical liquid measurement (in-situ measuring), life sciences (genetic analysis), and functional materials (films and fiber-reinforced resins). It concentrates on future markets for existing businesses and the development of new business while innovating core technologies. As for the technologies underpinning these, the core technology group's six teams (mathematical science, information engineering, physical science, photoelectric engineering, materials science, life science) carry out research activities that serve as the foundation for material and product development, which

augments our technological strengths.

Research and development that leads to new business is carried out using our own, unique system, which incorporates the applied development group and core technology group within a matrix structure. The core technology group is also an incubation center for young researchers. Not only does it cultivate highly specialized researchers, but it also equips them with business acumen and skills that allow them to work in the applied development group on research and development in their given business field, as well as puts them on a career path as new business innovators who will venture out into the market themselves.

## News

The Technical Research Laboratory adopts an open plan layout and promotes interaction and exchange between different specialized fields. Technology fusion among multiple research fields is a key strategy of the lab.

The projects undertaken by the Technical Research Laboratory are focused on priority business areas. They are systems products related to automation, inspection, and measurement; semiconductor-related plastic products and chemical control; life sciences dealing with nucleic acid extraction, gene analysis, and cell products; and functional materials involving films and fiber-reinforced resins. By combining six specialized technologies, we aim to create new business found nowhere else.



Kurabo Advanced Technology Center

### Robot sensing

Eyes that control robot movement



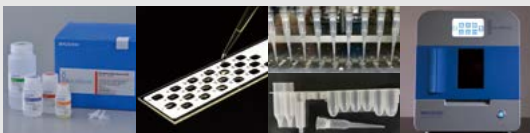
### Semiconductor solutions

Ascertaining and controlling cleaning status



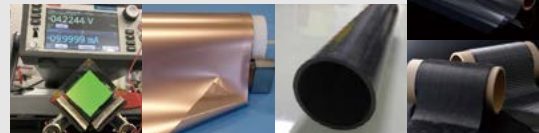
### Life sciences

Nucleic acid isolation and genetic analysis for clinical fields



### Materials solutions

Lightweight materials and low dielectric films for 5G





## Improve capital efficiency by increasing profitability through expansion of high-profit businesses and strengthening of core businesses and by enhancing shareholder returns to achieve sustainable growth

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

**Hiroshi Fujii**

### Analysis and evaluation of the fiscal year ended March 2023

## Despite the impact of a rapidly changing environment and the pandemic, ordinary profit reached record highs two years in a row thanks to an expansion in growth and high-profit fields

For the fiscal year ended March 2023, due to considerations at the time that second quarter results were announced, such as the recovery in clothing sales in the textile business and the strong performance of semiconductor-related products in the chemical products business and advanced technology business, we revised our earnings forecast upwards and, for our final financial results, recorded all-time high ordinary profit of over 10 billion yen. Although the rate of profit increase declined due to impairment losses in the machine tool business being recorded as an extraordinary loss, the medium-term business plan first-year target for profit attributable to owners of parent was also exceeded. The operating profit margin was 5.7%, compared to the initially planned 4.8%, a result of growth in profitable businesses and an improvement in profitability, which had been a concern.

Total assets at the end of the current fiscal year were 174.0 billion yen, an increase of 6.8 billion yen compared to the end of the previous fiscal year, mainly due to an increase in inventories of 7.7 billion yen. As a result of factors such as an increase in valuation difference on available-for-sale securities, net assets were 102.9 billion yen, an increase of 5.4 billion yen compared to the end of the previous fiscal year. As a result, the equity-to-asset ratio increased by 0.8 points to 58.2%, thus helping to maintain a stable financial base.

A challenge we face is that our inventories are increasing, which is also impacting our financial position and operating cash flow. This is to prevent opportunity losses, as we are conducting early procurement in anticipation of rising raw material prices and difficulties in procuring raw materials. We plan to normalize the situation towards the second half of the fiscal year ending March 2024.

The full-year forecasts for the fiscal year ending March 2024, announced in May 2023, showed net sales of 154.0 billion yen, a year-on-year increase; and operating profit of 7.9 billion yen and ordinary profit of 8.5 billion yen, a

year-on-year decrease. However, our plan is to increase profit attributable to owners of parent to 5.8 billion yen year-on-year as a result of such factors as a decrease in extraordinary losses.

Looking at performance by segment, although revenue in the textile business will decline due to a drop in orders caused by inventory adjustments at some customers, we plan to continue operating in the black from the previous year as we keep expanding sales of high-performance products driven by our proprietary technology. In the chemical products business, revenue should increase as automobile production volume is expected to recover in the second half of the fiscal year and a new production line for functional films at the Mie Plant will enter full-scale production. However, profits will likely decline due to a drop in sales of high-performance plastic products for semiconductor manufacturing equipment, which had been strong up until the previous fiscal year, as well as increasing depreciation and other costs. In the advanced technology business, we expect that difficulties in procuring parts will gradually be resolved. As we expand sales of 3D vision robot systems, infrastructure inspection equipment, and other products, revenue should increase. However, profits are expected to decrease due to a decline in sales of products for the semiconductor market, which had been performing well in the previous fiscal year. In the food and services business, with demand for home-cooked meals becoming firmly established, sales of molding soups are strong, and hotel-related business is also recovering; thus, revenue and profits are expected to increase. In the real estate business, we will continue to secure and maintain long-term, stable earnings, but we predict a slight increase in revenue and a decrease in profits due to an expected increase in repair costs.

Although we are in a rapidly changing and uncertain business environment, we will steadily execute our plans for each business and strive to achieve sustained growth and increased corporate value for the Group.

### We achieved our first-year targets of ROE 5.5% and ROIC 4.3% under a basic policy of expanding high-profit businesses and strengthening core businesses to achieve sustainable growth

Our Progress'24 medium-term corporate business plan starting in April 2022 incorporated a basic policy of expanding high-profit businesses and strengthening core businesses to achieve sustainable growth. This policy means concentrating management resources on growth/priority businesses in growth markets and working to strengthen the profitability of our core businesses with the aim of building an optimal business portfolio that will sustainably increase corporate value even in a rapidly changing business environment. Therefore, from the standpoint of capital efficiency, we have designated ROE (return on equity) as an important indicator. Also, in order for business divisions to shift to highly profitable business through the creation of new value, we have established ROIC (return on invested capital) as a management indicator for internal management. We will have each business division conduct ROIC-focused management in pursuit of efficient, high-value-added product development that increases ROE for the overall Group.

Results for the fiscal year ended March 2023 were ROE of 5.6% and ROIC of 5.3%. We surpassed the medium-term corporate business plan first-year targets for

ROE and ROIC of 5.5% and 4.3%, respectively. Additionally, the cost of equity estimated by Kurabo is 5% to 6%, and the WACC (weighted average cost of capital) is 4% to 5%; thus, both ROE and ROIC are at the same level as the cost of capital. Furthermore, we aim to improve ROE by both improving profitability and optimizing capital.

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 during the current medium-term corporate business plan. 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. For the fiscal year ended March 2023, as a result of a 70 yen per share dividend and treasury share acquisition of 2 billion yen, the total payout ratio was 60.5%, exceeding the target value.

### M&A as a growth strategy

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### In fields where there is an obvious lack of speed in the evolution and commercialization of our own technology, M&A is an important strategy in that it buys time

In an unpredictable and rapidly changing social and business environment, we endeavor to transform ourselves into a corporate group that continues to generate new innovation and high profits. To guide us towards this goal, we have drawn up a future vision for the Group that takes into account such factors as the social landscape 10 years from now and have formulated the Long-term Vision 2030 as a growth story for the realization of this vision.

By 2030, our lives are expected to become even healthier and more comfortable thanks to technological innovations, such as dramatic advancements in IT and the energy revolution. In preparation for this, and rooted in the spirit of challenge and the DNA of sustainability passed down since our founding, the Kurabo Group will create technologies, products, and services capable of contributing to the realization of a sustainable society and transform our business structure towards high profitability. However, in areas such as innovative digital technology use, clean energy-related technology development, and

high-value-added materials development, there is an obvious lack of speed in the evolution and commercialization of our own technologies. Thus, we recognize M&A as an important strategy because it buys time. While there are a variety of ways of going about M&A, including everything from using introductions from intermediaries and financial institutions to a direct approach from our company, this does not mean that anything is fine so long as it leads to an M&A that will increase profits. There are three conditions that must be met for an M&A: (1) the target company has a corporate mindset that matches the basic philosophy of our Group; (2) earnings are expected to increase as a result of the synergy between the target company and our priority business in a growth market that we are currently involved in; and (3) the investment profitability criteria established by our Group are satisfied. In any case, when it comes to M&As, timing is important; hence, we work to ensure that we are prepared during normal times so as not to miss good opportunities.

# Identifying Material Issues

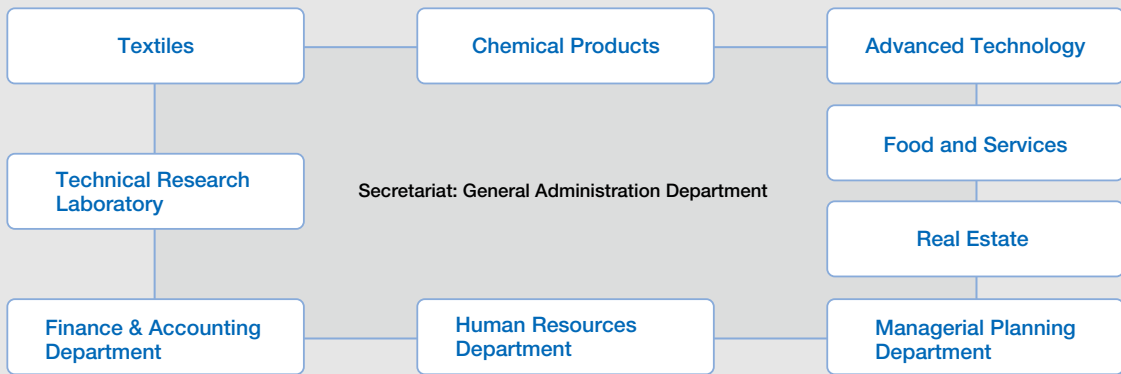
Ever since its founding, the Kurabo Group has grown by pursuing sustainable management, developing proprietary technologies, and innovating. With dramatic changes in the global environment, the state of society, and values, we believe that continuing to contribute to solving social challenges through new technologies and innovation will be key factors in our growth. With this in mind, and based on the goal of putting into practice our management philosophy, we have identified material issues with the aim of using resources effectively to boost the sustainability of our business and raise corporate value. We will continue to pursue sustainable management through these material issues, with the added goal of contributing to achieving the SDGs. Note that the materiality we have identified will be revised as needed based on changes in society and progress in our initiatives.

## Identification process

Along with help from outside experts, the material issues were identified by the Materiality Assessment Committee. This cross-organizational team comprises representatives from 10 divisions of Kurabo: the five businesses of textiles, chemical products, advanced technology, food and services, and real estate; and from the Managerial Planning Department, Finance & Accounting Department, Human Resources Department, General Administration Department, and Technical Research Laboratory.

estate; and from the Managerial Planning Department, Finance & Accounting Department, Human Resources Department, General Administration Department, and Technical Research Laboratory.

■ Materiality Assessment Committee organization chart



STEP 1

Narrowing down the issues

The Materiality Assessment Committee selected sustainability issues based on social trends while referencing global disclosure standards such as the GRI Standards.



STEP 2

Understanding the risks and opportunities of issues

The issues that the committee selected were looked at in terms of the risks and opportunities they presented for the business environment (business activities). These were presented to four outside directors at individual interviews.



STEP 3

Publicizing the risks and opportunities in-house

After a number of interviews, the high-priority issues were compiled into a report. Thoughts and policies regarding the risks and opportunities from the heads of nine divisions were shared among all Kurabo Group employees through this report.



Compilation of material issues identified at Kurabo (PDF file for in-house use)



STEP 4

Studying the importance of issues

Based on the interviews held among the Materiality Assessment Committee and the four outside directors, a long list of social issues, their risks, and opportunities, as they relate to the Kurabo Group, was created. Through discussions among its members and dialogue with outside experts, the Materiality Assessment Committee organized and evaluated the issues contained in the long list in terms of importance to stakeholders and importance to Kurabo.



STEP 5

Identifying material issues

Based on the review of the issues by the Materiality Assessment Committee, the Management Council and the Board of Directors held discussions over numerous sessions before finally identifying the material issues.

■ Material issues and their social risks and opportunities

Social issues	Opportunities	Risks
<ul style="list-style-type: none"> <li>■ Ensuring safe, secure, and comfortable social infrastructure</li> <li>■ Decrease in the workforce due to aging population and low birthrate</li> <li>■ Responding to acceleration of digital technology</li> </ul>	<ul style="list-style-type: none"> <li>■ Expansion of business through new development of highly functional materials</li> <li>■ Sophistication of performance and quality demanded by the market</li> <li>■ Evolution of digital technologies, faster speed of innovation</li> </ul>	<ul style="list-style-type: none"> <li>■ Losses/damages and loss of public trust due to poor quality</li> <li>■ Shortage of manufacturing workers, skills not passed on</li> <li>■ Cyberattacks, information leaks</li> </ul>
<ul style="list-style-type: none"> <li>■ Creation of a circular economy</li> <li>■ Mitigation of global warming, protection of Earth's environment</li> <li>■ Reduction of environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>■ Expansion of demand for sustainable businesses and products</li> <li>■ Improved corporate image resulting from environmental protection activities</li> <li>■ Reduction of carbon tax burden through decrease in GHG emissions</li> </ul>	<ul style="list-style-type: none"> <li>■ Losses/damages and loss of public trust due to inadequate environmental protection</li> <li>■ Squeeze on profits due to rising cost of environmental measures</li> <li>■ Difficulty of continuing business due to inadequate response to environmental regulations</li> </ul>
<ul style="list-style-type: none"> <li>■ Remedy of economic disparity and eradication of poverty</li> <li>■ Respect for workers' rights</li> <li>■ Decrease in the workforce due to aging population and low birthrate</li> <li>■ Improvement in job satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>■ Increase in corporate value through respect for human rights</li> <li>■ Innovation through a diversity of values</li> <li>■ Strengthening of partnerships with suppliers</li> </ul>	<ul style="list-style-type: none"> <li>■ Losses/damages and loss of public trust due to human rights problems</li> <li>■ Higher costs of raw materials and labor</li> <li>■ Trouble finding diverse human resources to hire</li> </ul>
<ul style="list-style-type: none"> <li>■ Strengthening stakeholder engagement</li> <li>■ Corporate scandals</li> <li>■ Betterment of local communities</li> </ul>	<ul style="list-style-type: none"> <li>■ Improved corporate image resulting from the building of trust</li> <li>■ Sustained growth through response to changing values</li> <li>■ Creation of new value through coexistence with communities</li> </ul>	<ul style="list-style-type: none"> <li>■ Losses/damages and loss of public trust due to scandals</li> <li>■ Disasters, geopolitical risks</li> <li>■ Cyberattacks, information leaks</li> </ul>



Materiality	Main measures	Relevant SDGs
<p>▶ Realize a safe, secure, and comfortable society</p>	<ul style="list-style-type: none"> <li>■ Develop and provide products and services for the semiconductor market that contribute to the advancement of a digital society</li> <li>■ 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</li> <li>■ Conduct R&amp;D and pursue an IP strategy to support innovative technology and advanced quality</li> </ul>	
<p>▶ Consider the environment and contribute to a circular economy</p>	<ul style="list-style-type: none"> <li>■ Expand environmentally friendly products</li> <li>■ Build a circular business model</li> <li>■ Pursue initiatives towards carbon neutrality</li> <li>■ Develop technologies to reduce environmental impact</li> <li>■ Strengthen business continuity plan</li> </ul>	
<p>▶ Empower a diversity of people and respect human rights</p>	<ul style="list-style-type: none"> <li>■ Offer human rights education and closely monitor the supply chain</li> <li>■ Empower a diversity of people (diversity, equity, and inclusion)</li> <li>■ Promote flexible work styles, improve worker engagement</li> <li>■ Thoroughly manage safety and health, promote health management</li> <li>■ Increase productivity through automation and digital transformation</li> </ul>	
<p>▶ Strengthen governance and CSR for sustained growth</p>	<ul style="list-style-type: none"> <li>■ Offer thorough compliance education, strengthen internal control</li> <li>■ Ensure sufficient dialogue with stakeholders</li> <li>■ Ensure thorough disclosure of non-financial information</li> <li>■ Manage with an awareness of return on capital and stock price</li> <li>■ Have a business portfolio strategy, properly distribute management resources</li> <li>■ Strengthen business risk management</li> </ul>	

# Board of Directors (As of June 29, 2023)



## 1 Haruya Fujita

Representative Director, President  
Date of birth: July 26, 1958  
Number of shares held: 16,700

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

## 5 Shinji Nishigaki

Director, Managing Executive Officer  
Manager of Industrial Materials Sales Department, Chemical Products Division  
Date of birth: July 11, 1962  
Number of shares held: 2,700

Apr. 1986 Joined Kurabo  
Jun. 2014 Manager of Industrial Materials Sales Department (to present)  
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 (to present)

## 9 Teppei Mogi

Outside Director  
(Audit and Supervisory Committee Member)  
Date of birth: October 17, 1958  
Number of shares held: 0

Important concurrent positions:  
Outside director (Audit and Supervisory Committee member) of NIITAKA Co., Ltd.  
Managing director of Japan Association of Arbitrators  
Managing partner of Oh-Ebashi LPC & Partners  
Jun. 2015 Auditor of Kurabo  
Jun. 2016 Director (Audit and Supervisory Committee member) of Kurabo (to present)

## 2 Atsushi Kitabatake

Representative Director, Director  
Senior Managing Executive Officer  
General Manager of Textile Business Division  
Date of birth: January 11, 1960  
Number of shares held: 6,300

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 (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: 6,600

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

## 10 Daisuke Shinkawa

Outside Director  
(Audit and Supervisory Committee Member)  
Date of birth: April 28, 1964  
Number of shares held: 0

Important concurrent positions:  
Outside director (Audit and Supervisory Committee member) of SHIMA SEIKI MFG., LTD.  
Representative partner of Hokuto & Co.  
Jun. 2016 Director (Audit and Supervisory Committee member) of Kurabo (to present)

## 3 Toshio Baba

Representative Director, Director  
Senior Managing Executive Officer  
General Manager of Chemical Products Division  
Date of birth: June 9, 1959  
Number of shares held: 5,800

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 (to present)

## 7 Hiroshi Fujii

Director, Executive Officer  
Officer in charge of Finance & Accounting Department, System & EDP Department, General Administration Department, and Estate Promotion Department  
Date of birth: September 22, 1960  
Number of shares held: 6,900

Apr. 1983 Joined Kurabo  
Apr. 2011 Manager of Finance & Accounting Department  
Jun. 2013 Executive officer  
Jun. 2016 Director, executive officer (to present)

## 11 Motohide Nishimura

Outside Director  
(Audit and Supervisory Committee Member)  
Date of birth: July 6, 1955  
Numbers of shares held: 0

Important concurrent positions:  
Representative director and president of SENSU ELECTRIC CO., LTD.  
Jun. 2018 Director (Audit and Supervisory Committee member) of Kurabo (to present)

## 4 Kenshi Kawano

Director, Managing Executive Officer  
General Manager of Advanced Technology Division  
Date of birth: March 19, 1962  
Number of shares held: 5,500

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)

## 8 Osamu Okada

Director (Full-time Audit and Supervisory Committee Member)  
Date of birth: October 21, 1960  
Number of shares held: 8,200

Apr. 1984 Joined Kurabo  
Jun. 2010 Manager of Human Resources Department  
Jun. 2012 Executive officer  
Jun. 2016 Director (full-time Audit and Supervisory Committee member) (to present)

## 12 Misako Tanizawa

Outside Director  
(Audit and Supervisory Committee Member)  
Date of birth: November 29, 1961  
Number of shares held: 0

Important concurrent positions:  
Auditor of Hyogo University of Teacher Education  
Representative of Tanizawa Certified Public Accountant Office  
Jun. 2019 Director (Audit and Supervisory Committee member) of Kurabo (to present)



## Directors' Skills Matrix and Activity Status

		Attributes	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	✓		✓		✓	✓	✓	✓	Board of Directors meetings: 15/15
	Atsushi Kitabatake	Inside	✓		✓		✓				Board of Directors meetings: 14/15
	Toshio Baba	Inside	✓		✓		✓				Board of Directors meetings: 15/15
	Kenshi Kawano	Inside	✓		✓		✓	✓	✓		Board of Directors meetings: 15/15
	Shinji Nishigaki	Inside	✓		✓		✓	✓			Board of Directors meetings: — (newly appointed)
	Susumu Inaoka	Inside	✓	✓			✓	✓	✓		Board of Directors meetings: 15/15
	Hiroshi Fujii	Inside	✓			✓	✓	✓		✓	Board of Directors meetings: 15/15
Directors who are Audit and Supervisory Committee members	Osamu Okada	Inside		✓			✓	✓		✓	Board of Directors meetings: 15/15 Audit and Supervisory Committee meetings: 13/13
	Teppei Mogi	Outside Independent					✓	✓		✓	Board of Directors meetings: 15/15 Audit and Supervisory Committee meetings: 13/13
	Daisuke Shinkawa	Outside Independent				✓	✓	✓			Board of Directors meetings: 15/15 Audit and Supervisory Committee meetings: 13/13
	Motohide Nishimura	Outside Independent	✓		✓			✓		✓	Board of Directors meetings: 15/15 Audit and Supervisory Committee meetings: 13/13
	Misako Tanizawa	Outside Independent				✓	✓	✓			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.



Outside director  
(Audit and Supervisory  
Committee member)

**Teppei Mogi**

Mr. Mogi joined Itochu Corporation in 1983 and registered as an attorney in 1989. Utilizing his experience at a trading company, Mr. Mogi has been involved in corporate advisory services, contract negotiations, dispute resolution services and more for over 30 years, mainly in international corporate law. He is a partner at Oh-Ebashi LPC & Partners. He has served as outside director since 2016.



Outside director  
(Audit and Supervisory  
Committee member)

**Misako Tanizawa**

Ms. Tanizawa joined Tohmatsu & Co. (name at the time) in 1992. She registered as a certified public accountant in 1996. For private-sector companies, she is primarily involved in manufacturing industry-related auditing. Ms. Tanizawa also does auditing and consulting for independent administrative agencies and national universities. In 2017, she established the Tanizawa Certified Public Accountant Office. She has served as outside director since 2019.

## Contributing to stronger corporate governance from an objective perspective for the sake of enhanced corporate value

In 2023, Kurabo is undertaking next-generation-focused governance reforms. We asked outside directors Teppei Mogi and Misako Tanizawa to share their thoughts on those reforms and of the challenges ahead.

### Kurabo's corporate culture and Board of Directors

**Mogi:** Kurabo has a long history, which began in the textile industry. The challenge now is figuring out how to grow its non-textile business, which is something the company has been focused on for some time. On the other hand, textiles are still positioned as a core business.

**Tanizawa:** Kurabo has a warm and welcoming culture. During the pandemic, information was shared between different business divisions, providing employees with a sense of unity.

**Mogi:** The Board of Directors is made up of directors who oversee the various business divisions, thus the proportion of directors who are involved in business execution is large. From the standpoint of monitoring and supervising management, I think it is beneficial that we outside directors are able to communicate directly with the top executives of each business division at board meetings. These meetings serve as a forum for free and open discussion, where communication between the heads of the individual businesses is lively and robust.

**“ From the standpoint of monitoring and supervising management, it is beneficial to be able to communicate directly with the top executives of each business division ”**

**Tanizawa:** There is a relaxed atmosphere conducive to

discussion, as evidenced by how we forgo titles and, instead, address one another informally.

The Board of Directors welcomes and constructively discusses individual opinions, conveying the sense that it is proactively working to improve issues. In addition, information necessary for management decision-making is shared in a timely manner, and advance explanations are provided as necessary. And, by continuing to substantively enhance these advance explanations, I feel that the effectiveness of the Board of Directors can be improved even further.

**Mogi:** As an outside director, I think that the roles expected of me include supervising operation of the compliance system from a lawyer's perspective, assessing the legal risks of new projects and potential disputes, and, confirming whether the duty of care of a good manager is being fulfilled when making decisions at board meetings. With regard to shareholders, because I have a responsibility to do what I can to increase corporate value, as a lawyer, I feel I have an even heavier responsibility to analyze legal risks and participate in business decisions.

**Tanizawa:** I think the expectation for me is to provide independent and objective auditing and supervision, drawing on my experience in auditing various industries and my expertise in accounting.

Additionally, I imagine I am expected to bring change to the company as the only woman—an outsider—on the previously all-male Board of Directors. This isn't due to my direct influence but, rather, to the insights or awareness

that I may contribute to.

Recently, diversity and inclusion (D&I) has been expanded to include equity (E). An important concept in DE&I is how to fairly provide stepping stones to accommodate gender and individuality. Although Kurabo has been focused on human rights awareness since before the 2019 D&I declaration, it continues to work daily to raise awareness even further.

## Diversity in the Board of Directors

**Mogi:** From the standpoint of diversity, I think it is possible to quickly change the thinking within organizations that are dominated by 'company men' to something that is more in line with global standards by increasing the number of outside directors, including not only women but also foreign nationals and outside directors with expertise not found within the company.

Currently, the Board is made up of outside directors of varied backgrounds, but, with society continuing to change dramatically, we could start bringing in corporate managers of different backgrounds, such as those in the IT field, who are not bound by conventional thinking.

**Tanizawa:** When it comes to Board diversity, the focus is often on women and non-Japanese, but diversity of experience and expertise is an important element. As a manufacturing company, I feel it is necessary that Kurabo have a certain percentage of directors from technical fields. Enhancing the diversity of directors in line with the evolution of business will lead to improved effectiveness.

“ Rather than focusing solely on women, it is important for the composition of the Board to represent diverse experience and expertise ”

**Mogi:** A key challenge is selecting future core business out of a range of business that the company is developing, concentrating more management resources, including human resources, into it while, at the same time, reducing the number of unprofitable business. Top management is required to have the leadership to pursue selection and concentration while getting others within the company on board, even if it means taking a certain level of risk. However, this requires the Board of Directors to have a support structure in place for it, and, as an outside director, I would like to play a role in providing that support, if necessary.

**Tanizawa:** ROIC has also been added to the KPIs in the medium-term corporate business plan. Although Kurabo has been creating a vision incorporating ROIC from an early stage, it was difficult to aim for a certain level of ROIC for each business division. For this reason, priority businesses in each division are being identified and a

business portfolio developed. Also, I feel there has been a lack of discussion regarding stock prices and market capitalization at board meetings, but it is something that they are already aware of and are proactively working to promote dialogue with stakeholders.

The medium-term corporate business plan also stipulates a basic policy regarding sustainability, part of which calls for business activities that reflect a concern for global environmental conservation. A challenge for the future is creating a governance system that takes sustainability into account.

## Kurabo's next generation

**Tanizawa:** A frequent subject of discussion at board meetings is human resource investment. The issue of what kinds of human resources Kurabo needs and how to develop them should be considered in conjunction with its long-term vision.

**Mogi:** In order to secure excellent human resources, Kurabo first needs to be an attractive company. I also believe it is important to have flexibility in personnel and salary systems. This is a topic requiring serious discussion.

Furthermore, I would like to see Kurabo in the future developing a globalized workforce, such as by hiring more globally diverse human resources. Today, although the chemical products business is operating overseas along with automobile manufacturers, and the textile business is also shifting its production base overseas, their business transactions are strictly aimed at Japanese companies and cannot be called true globalization. Adopting a global perspective allows you to seize business opportunities that you would have previously been unaware of.

“ Globalization of employees for the next generation— Incorporating an international perspective can lead to new business opportunities ”

**Tanizawa:** Kurabo handles materials related to all aspects of life— food, clothing, and housing. It also has a division with a strong interest in, and technology for, the transition to a digital society. I want Kurabo to be a company that creates products that are both people-friendly and environmentally friendly and that creates a better future for society.

From a sustainability perspective, human resource investment and environment-related information disclosure will become increasingly important. I believe that proactively disclosing non-financial information will make it easier for investors to invest over the medium to long term.

# Governance

## Corporate governance

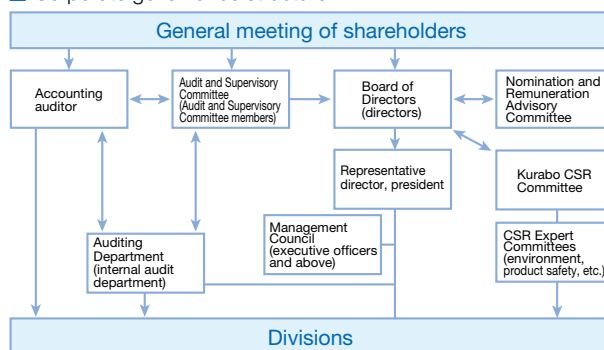
### Basic philosophy

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.

■ Corporate governance structure



## Activities of the Board of Directors

### Meeting frequency

As a general rule, meetings are held once a month. In fiscal 2022 (from April 1, 2022 to March 31, 2023), the Board of Directors met 15 times. In addition, a resolution (written resolution) of the Board of Directors pursuant to Article 370 of the Companies Act and Article 26 of Kurabo’s articles of incorporation was passed one time.

### Content of discussion

- Matters related to the progress of business plans, such as the Progress’24 medium-term corporate business plan
- Matters related to the acquisition or disposition of assets, including important capital investments
- Matters related to the appointment, handling, etc., of directors, executive officers, and important employees
- Matters related to internal control and risk management of the Kurabo Group
- Matters related to evaluation of the effectiveness of the Board of Directors

## 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 2022 (from April 1, 2022 to March 31, 2023), the Audit and Supervisory Committee met 13 times.

### Content of discussion

- Matters related to opinions regarding the appointment, remuneration, etc., of directors (excluding Audit and Supervisory Committee members)
- Matters related to the maintenance and operational status of internal control systems
- Matters related to the progress of the Progress’24 medium-term corporate business plan
- Matters related to the progress of sustainability initiatives
- Matters regarding the appointment of accounting auditors and the appropriateness of audits
- Matters related to the status of compliance

## 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 2022 (from April 1, 2022 to March 31, 2023), the Nomination and Remuneration Advisory Committee met five times.

### Content of discussion

Recommendations regarding appointment of directors and executive officers

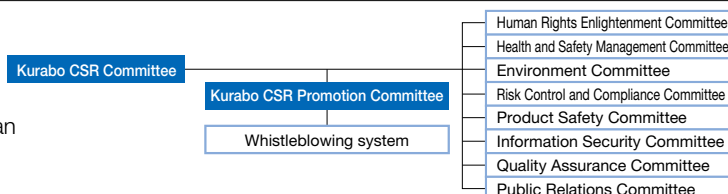
- Matters regarding director or executive officer candidates
- Matters regarding senior management

Recommendations regarding remuneration for directors and executive officers (excluding directors who are Audit and Supervisory Committee members)

- Matters regarding directors’ and executive officers’ remuneration system
- Matters regarding directors’ and executive officers’ remuneration results
- Matters regarding directors’ and executive officers’ remuneration planning

## 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.



## 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)	219	194	25	7
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. Regarding remuneration for directors other than Audit and Supervisory Committee members, the Audit and Supervisory Committee, based on the recommendations of the voluntary Nomination and Remuneration Advisory Committee, which is comprised of the president and all Audit and Supervisory Committee members, discussed and considered remuneration levels in light of position and various other factors, including content that motivates contribution to improving corporate value. The content of remuneration and other compensation has been determined to be appropriate.

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	FY2022 target	FY2022 results
Consolidated operating profit	7 billion yen	8.6 billion yen
Consolidated ROE	5.5%	5.6%

# Report Based on TCFD Recommendations



In recent years, environmental issues such as climate change have become an increasingly serious worldwide problem. Global warming has had adverse effects such as abnormal weather, and responding to climate change has become an important issue for companies. Recognizing that climate change-related risks and opportunities will have a significant impact on its business strategy, the Kurabo Group has positioned carbon neutrality as a high-priority issue with the aim of helping achieve a sustainable society.

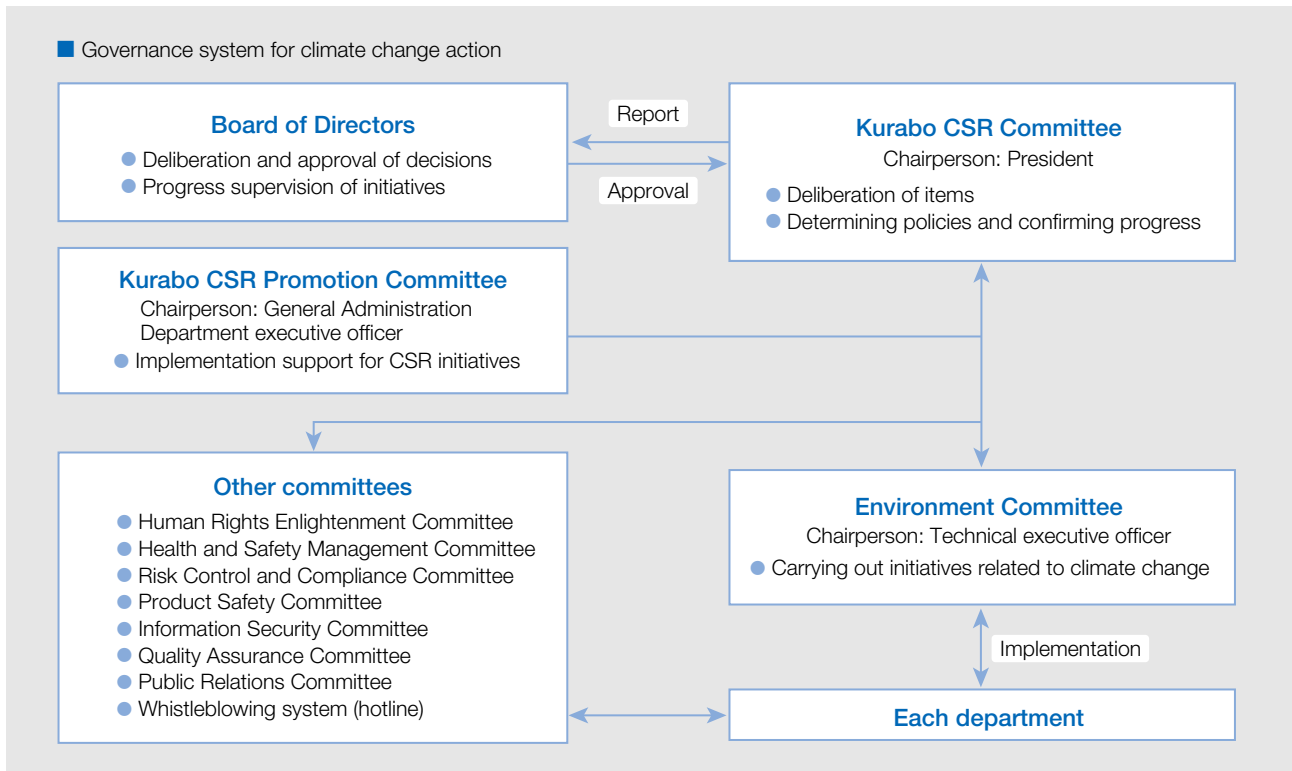
As part of efforts to strengthen its system for achieving carbon neutrality, the Kurabo Group has declared its support for the TCFD recommendations and has announced initiatives to address climate change based on the recommendations.

## Governance

Part of the Kurabo Group’s basic policy on sustainability is to “carry out business activities founded on an awareness of the need to protect the Earth’s environment.”

We regard environmental matters such as climate change as some of the most important issues (materiality) for solving society’s problems and achieving sustained corporate development. Under the supervision of the Kurabo CSR Committee, which is chaired by the president, we are implementing initiatives centered on the Environment Committee, which is chaired by an executive officer with a

technical background. Regarding responses to climate change-related risks and opportunities, the CSR Committee approves the action policies of the 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.



Major items discussed and approved by the Board of Directors (FY2021–2022)

- Development of a transition plan for reducing CO<sub>2</sub> emissions (carbon neutrality roadmap)
- Matters related to the basic policy on sustainability (carry out business activities founded on an awareness of the need to protect the Earth’s environment)
- Revision of the Kurabo Group Environment Charter
- Preparation of environmental reports



## Strategy

The Kurabo Group has established a CO<sub>2</sub> 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 CO<sub>2</sub> emissions.

In addition, we have compiled a list of risks and opportunities in order 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

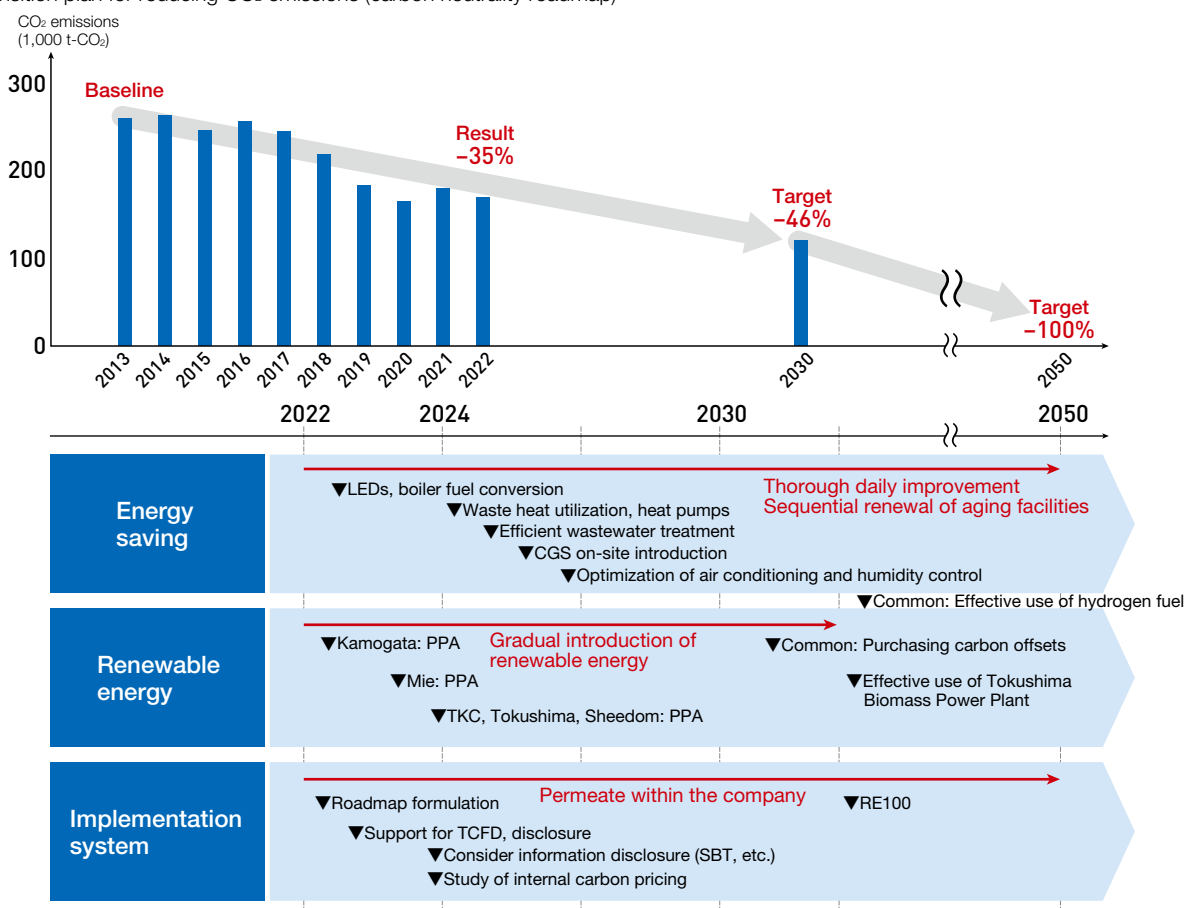
opportunities, we first interviewed each department about climate change-related risks and opportunities and created a comprehensive list. We then organized and narrowed down this list from the perspective of the magnitude of the impact on business, and we identified important climate change-related 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	Time axis
Large: Significant long-term impact, or expected impact amount of 500 million yen or more	Short term: Up to 3 years; Medium term: 3–10 years; Long term: 10 years or longer
Moderate: Temporarily significant impact, or expected impact amount of 100 million yen or more	

### ■ Transition plan for reducing CO<sub>2</sub> emissions (carbon neutrality roadmap)



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

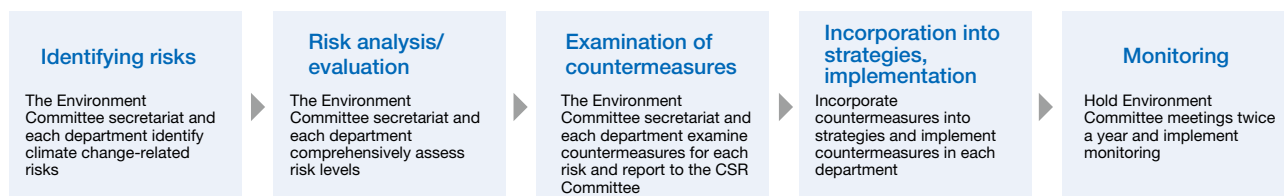
Opportunities

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

## Risk management

Climate change-related risks are appropriately managed under the leadership of the 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 Group.



## Metrics and goals

The Kurabo Group aims to achieve carbon neutrality in 2050 as a long-term goal for reducing CO<sub>2</sub> 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 CO<sub>2</sub> 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.

We are also preparing to calculate CO<sub>2</sub> supply chain emissions (Scope 3). After the calculations are complete, we will look into formulating Scope 3 CO<sub>2</sub> emissions reduction targets.

### ■ Medium- to long-term CO<sub>2</sub> emission reduction targets

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

### ■ CO<sub>2</sub> emissions

Category	FY2022 results
Scope 1	36,237 t-CO <sub>2</sub> /year
Scope 2	133,378 t-CO <sub>2</sub> /year
Total	169,615 t-CO <sub>2</sub> /year

## Environmental targets and results

In order to systematically carry out environmental conservation, the Kurabo Group has set medium-term targets (three-year numerical targets) for reduction of CO<sub>2</sub> emissions and recycling rate in pursuit of zero emissions. We are striving to combat climate change and effectively utilize resources. For fiscal 2022, we set a target of reducing CO<sub>2</sub> emissions by 38% compared to fiscal 2013 and engaged to reduce energy consumption through energy-saving measures. The resulting 35.2% reduction, although short of the target, was an improvement on the 31.3% reduction achieved in fiscal 2021. Regarding zero emissions, the recycling rate was 95.2%, short of our target of 96%. The number of sites that have

achieved zero emissions (recycling rate of 98% or more) has increased from 27 in fiscal 2021 to 32 in fiscal 2022, and efforts have progressed steadily.

The Kurabo Group has set a long-term environmental goal of reducing CO<sub>2</sub> 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 CO<sub>2</sub> emissions by 40% compared to fiscal 2013 by fiscal 2024. In fiscal 2023, the second year of Progress'24, we aim to reduce emissions by 39% compared to fiscal 2013.

Target item		FY2021 results	FY2022 targets	FY2022 results	FY2023 targets
Reduction of CO <sub>2</sub> emissions	Absolute reduction (against FY2013)	31.3% reduction	38% reduction	35.2% reduction	39% reduction
Efforts toward zero emissions	Improvement in recycling rate of waste	94.7%	96%	95.2%	96%

## Items for future consideration

As described above, we will proceed with the calculation and disclosure of indicators related to Scope 3 CO<sub>2</sub> emissions. We are also looking into other ways to strengthen the system for pursuing carbon neutrality: introducing internal carbon pricing, which is one of the cross-industry metrics that the

TCFD Guidance recommends be disclosed; converting 100% of the electricity used in our business to renewable energy (participation in RE100); and obtaining certification of CO<sub>2</sub> reduction targets (SBT certification) that meet the standards required by the Paris Agreement.

# 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 CO<sub>2</sub> 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

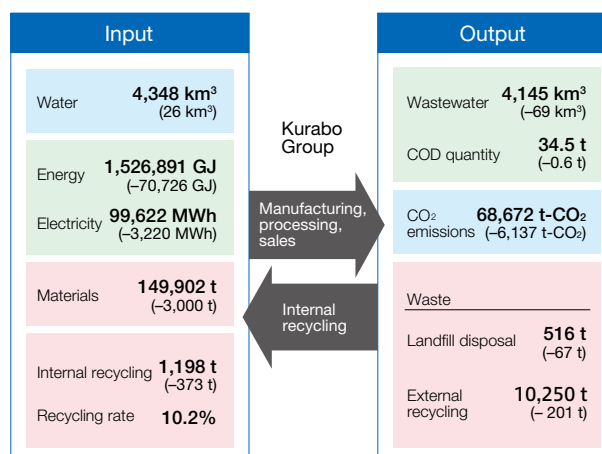
- (1) Compliance with applicable laws and regulations
  - Setting and practice of voluntary management standards
- (2) Furthering environmental sustainability
  - We will implement the following efforts with the aim of building a carbon-free, resource-recycling society.
    1. Reduction of CO<sub>2</sub> 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 about system

## 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 Industries and domestic affiliated companies. However, some data for overseas bases have not been tallied.



Increased or decreased quantities against the previous year are shown in parentheses

## Increasing environmentally friendly products and building a circular business model

### L∞PLUS

L∞PLUS is an initiative that we began developing in 2017 to upcycle things like unneeded products and textile scrap materials generated in the textile production process into various products. This is done by recycling them using the unique fiber opening and reclaiming technologies at the Anjo Mill. The resulting fabric is a new and sustainable fashion material created by combining scrap materials of different colors to create unique patterns.

Through collaboration with partner companies, we are expanding our efforts beyond the creation of similar items, such as denim products made from denim products. For example, we make casual materials from kimono fabric, and socks from towel fabric.



Textile upcycling system

### KURATTICE ECO

KURATTICE ECO is made by coating recycled wood-plastic composite onto aluminum using Kurabo's unique extrusion molding technology. It is then sanded to give it the look and feel of natural wood. KURATTICE ECO has the feel of natural wood, but with the added features of a metal-wood composite material.

KURATTICE ECO is lightweight and strong, and boasts long-term durability and workability, making it suitable for a broad range of applications, from high-rise buildings to homes and exteriors. In a range of applications and settings, it is an ideal alternative to natural wood, which cannot compare to KURATTICE ECO in terms of qualities like strength, weather resistance, and durability.



### Wood biomass power generation business

The Tokushima Biomass Power Plant, which began operation in July 2016, combines steam turbines with our proprietary fluidized bed boiler technology. It uses timber from forest thinning and other sources to generate power. By using leftover material from, for example, forest thinning in Tokushima Prefecture for fuel, the power plant stimulates local forestry and protects forests, and contributes to the realization of a carbon-free society and a better energy mix.



### Environmental Report publication

For details on the environmental activities of Kurabo and its group companies in and outside Japan, see *Environmental Report 2023*.

[https://www.kurabo.co.jp/english/sustainability/env\\_report2023.pdf](https://www.kurabo.co.jp/english/sustainability/env_report2023.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

In order for Kurabo to remain an essential part of society in the rapidly changing VUCA era, it is essential that we cultivate human resources and create an organization characterized by the spirit of challenge that has been with Kurabo since its founding and possessed of a capacity for creative thinking and a desire to bring the world something exciting.

That is why we are promoting DE&I (diversity, equity, and inclusion) and flexible work styles. The aim is to foster a corporate culture where diverse human resources are empowered to perform to their full potential as they use their initiative to go about their duties.

Furthermore, in order for us to be a strong corporate group that generates innovation and high profit leading to sustained improvement in corporate value, we work to 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, (2) promoting flexible work styles, and (3) securing and developing diverse human resources.

### (1) Fostering a vibrant organizational culture

The first measure is promotion of DE&I. Specifically, we have created a pamphlet and conduct awareness training to facilitate understanding of unconscious bias. To further the active participation of women, we actively hire women for career-track positions to increase the proportion of women in management positions. In addition, with regard to deepening understanding of LGBTQ+ issues, we have obtained gold certification in the Pride Index thanks to measures like establishing a consultation desk and developing and revising in-house rules on same-sex partners. We are also focused on employing people with disabilities and on creating a harassment-free workplace.

The second measure is running an empowerment program aimed at helping employees draw out and manifest their abilities and, thereby, invigorate the company. In this program, we hold one-on-one meetings for department managers and section managers where they think about and share their own goals and those of their subordinates.

The third measure is conducting an engagement survey and then, based on the results, implementing specific measures to increase engagement. The survey results are reported to the heads of each division. The measures planned for each division are explained and opinions exchanged at meetings of the Management Council, and information is shared between divisions.

### (2) Promoting flexible work styles

The first measure is the establishment of a flex time system, a telework system, and a business casual dress code. We pursue active participation of human resources by creating a comfortable workplace that is conducive to work-life balance, employee autonomy, and free thinking, as well as by actively stimulating communication. We also allow employees to pursue second jobs, and this is stipulated in work regulations and made known to our employees. The second measure is to encourage employees to take paid leave and to use the hourly paid leave system. The third is to improve the rate of male employees taking parental leave. We believe that having men involved in childcare will improve fathers' time management and multitasking skills and also help mothers to continue their careers. The fourth is safety and health management. We recognize safety as the top priority at production sites and, thus, set safety priority management targets, share information on occupational accidents that have occurred, and conduct safety management field surveys company-wide. In addition, we have positioned health management as a key management issue and have been certified as a Health & Productivity Management Outstanding Organization.

In order to facilitate utilization of these various systems, it is essential that employees know about them; so, in addition to other employee welfare systems, we disseminate information about these systems through handbooks and videos made available through Kurabo's intranet and in-house magazine. It should be noted that the company magazine, *Doushin*, was first published in 1917 and has been used for more than a century as a communication tool between Kurabo and its employees.

### (3) Securing and developing diverse human resources

The first measure for securing and developing diverse human resources who will contribute in growth and priority business areas is the strengthening of recruitment capabilities. We hire year-round people who have experience and who are referred to us. Additionally, to prevent talented employees from leaving, we introduced a spousal transfer leave system in September 2023. Our second measure is the establishment of in-house training. We require employees to report their training to their superiors and to submit a feedback report that includes their supervisor's comments. The third measure is IoT utilization and DX education. We conduct training for technical employees in order to cultivate human resources capable of utilizing IoT at manufacturing sites. Additionally, we train mid-level employees to turn them into individuals who can design DX technology-driven business transformation.



### Fiscal 2023 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, topical education to enhance expertise, DX-related education, and individuality and ability-empowering education.

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 Division education, 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) Information security (e-learning, other) Environment, quality, product safety, other (introductory education, other)	Evaluator training	Empowerment Management updates	Training outside the company KPC Management School (management strategy course)	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)
S1 S2 S3			K5 course (new managers) Nikkei Test	DX leader	Mirai-juku ("Future Academy") phase II Strengthen global competence	
S4			S1A course (manager candidates) TOEIC S1 reports/presentations S1B course Nikkei Test, TOEIC Mental health management	Strategic sales Intellectual property English presentations		
M1			S2A course	Sales basics DX utilization basics Marketing basics		
C1-3 T1-4 G1-2 M2-3	Personnel evaluation system Division education, 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) Information security (e-learning, other) Environment, quality, product safety, other (introductory education, other)	Trainer	Accounting basics (MG) Logical communication	Education at offices/plants Training method education, small-group activities Introductory education, other	
			M1 reports/presentations 1st- and 2nd-year career-track employees: EB course Introductory education, Bookkeeping, TOEIC factory hands-on training	Furthering IoT		
			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			

# Society

## Diversity, equity, and 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 at Kurabo 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.

<p><b>1 Communicating the president’s message</b></p> <p>Kurabo’s top management communicates the importance of diversity, equity, and inclusion to all employees.</p>	<p><b>3 Raising awareness through our in-house magazine and other means</b></p> <p>We’re working to raise awareness of diversity, equity, and inclusion through our in-house magazine, over the company intranet, and with posters.</p>
<p><b>2 Initiatives to eliminate unconscious bias</b></p> <p>We believe that eliminating unconscious bias is an essential part of achieving diversity, equity, and inclusion, and we offer awareness-raising programs and training.</p>	<p><b>4 IkuBoss* initiative</b></p> <p>To accelerate our achievement of diversity, equity, and inclusion, we are encouraging all of our executives and managers to embrace the ideal of the “IkuBoss,” an approach that encourages subordinates to balance the demands of their jobs and personal lives.</p> <p><small>*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.</small></p>

### 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



## Health management

Health management means implementing a strategy that considers the maintenance and improvement of employees' health to be integral to the company's management. We're working with the Kurabo Health Insurance Union to take steps to foster and improve employee health.

### Health checkups and preventive measures

Health checkups	Anti-smoking measures	Infectious-disease measures and disease-prevention measures
<ul style="list-style-type: none"> <li>● Regular health checkups</li> <li>● Lifestyle disease checks</li> <li>● Gynecological examinations</li> <li>● Specific health checkups</li> </ul>	<ul style="list-style-type: none"> <li>● Subsidies to offset the cost of outpatient treatment to quit smoking</li> </ul>	<ul style="list-style-type: none"> <li>● In-house flu vaccination program</li> <li>● Distribution of Kurabo's disinfectant and mask</li> <li>● Distribution of toothpaste/toothbrush set</li> <li>● Guidance on how to sleep well (sleep deviation test)</li> <li>● Subsidies to offset the cost of flu vaccinations</li> <li>● Gum disease checks</li> </ul>

### Health guidance and exercise recommendations

Health guidance	Exercise recommendations
<ul style="list-style-type: none"> <li>● Specific health guidance</li> <li>● Health guidance for young employees</li> <li>● Telephone-based health guidance for persons aged 65 to 74</li> <li>● Telephone-based health consultations</li> </ul>	<ul style="list-style-type: none"> <li>● Exercise events</li> <li>● Subsidies to offset the cost of fitness club memberships</li> </ul>

### Mental health

Mental health measures
<ul style="list-style-type: none"> <li>● Stress checks</li> <li>● Telephone-based mental health consultations</li> <li>● Mental health counseling</li> <li>● Promoting a work-life balance (flextime, telework, hourly paid leave, etc.)</li> <li>● Employee engagement surveys</li> </ul>



Certificate of recognition

### Kurabo recognized for outstanding health and productivity management

Kurabo was selected in the large enterprise category of the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program.\*

\* The program highlights companies that demonstrate outstanding health and productivity management. It is organized by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.

## Social initiatives

### 10-100 Project

The 10-100 (ten hundred) Project is a unique Kurabo activity aimed at boosting employees' awareness of social action programs. 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).

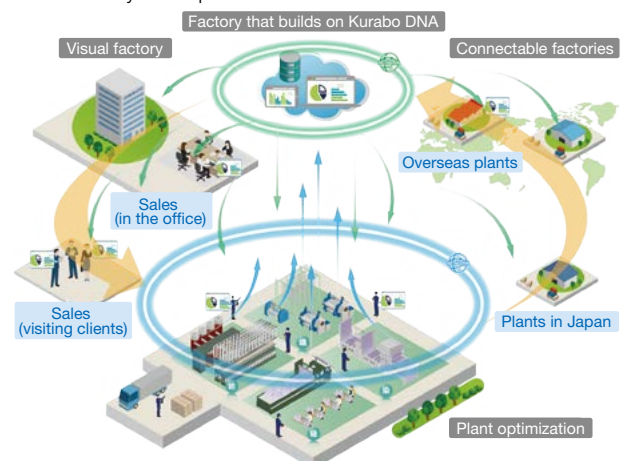


10-100 Project poster

## Boosting productivity with automation and DX

In response to an aging population, low birthrate, a declining labor force, and the difficulty of finding a diversity of employees to hire, Kurabo is pursuing automation and DX (digital transformation). The TIC (Textile Innovation Center), located in Kurabo's Anjo Plant, is an independent entity under the direct management of Kurabo's Textile Business. The TIC brings together specialists in spinning, weaving, dyeing, and processing to conduct research and development for the next generation. In addition to creating a new framework for global expansion, the TIC aims to achieve smart factories by using IoT to improve visualization and labor-saving measures in production processes and with research and development in factory automation.

### Smart factory concept



## Key Consolidated Financial Data for the Past 11 Years

	March 2013	March 2014	March 2015	March 2016
<b>Results (million yen)</b>				
Net sales	146,868	164,847	169,527	173,229
Operating profit	2,547	2,847	2,742	4,349
Ordinary profit	2,123	3,130	3,762	4,521
Profit attributable to owners of parent	764	1,471	1,146	2,608
<b>Financial position (million yen)</b>				
Net assets	88,282	89,301	95,909	88,759
Total assets	180,614	184,656	195,754	181,549
Capital investment	9,149	4,650	3,592	7,285
Depreciation	5,572	6,007	5,703	5,236
<b>Cash flows (million yen)</b>				
Cash flow from operating activities	5,231	7,272	10,072	13,496
Cash flow from investing activities	(6,485)	(3,362)	(3,658)	(5,810)
Free cash flow	(1,254)	3,910	6,414	7,686
Cash flow from financing activities	(1,518)	(1,638)	(4,976)	(6,110)
<b>Per share data (yen)</b>				
Basic earnings per share	3.31	6.38	4.97	11.33
Net assets per share	369.52	371.49	398.18	374.85
Dividends per share	5.00	5.00	5.00	5.00
<b>Management indicators (%)</b>				
Operating profit ratio	1.7	1.7	1.6	2.5
ROA (return on assets)	1.4	1.6	1.4	2.3
ROE (return on equity)	0.9	1.7	1.3	3.0
ROIC (return on invested capital)	1.5	1.4	1.4	2.3
Equity-to-asset ratio	47.2	46.4	46.9	46.8
Payout ratio	151.1	78.4	100.6	44.1
Total payout ratio	151.1	78.7	101.0	74.9

Note 1: 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 2: 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.

March 2017	March 2018	March 2019	March 2020	March 2021	March 2022	March 2023
161,804	161,752	157,080	142,926	122,184	132,215	<b>153,522</b>
6,160	6,875	5,640	4,541	3,206	7,528	<b>8,676</b>
6,579	7,357	6,190	5,485	4,242	8,783	<b>10,024</b>
3,588	4,869	4,649	3,731	2,209	5,602	<b>5,516</b>
96,244	100,440	95,970	90,383	95,004	97,415	<b>102,907</b>
181,529	183,355	176,352	165,542	170,433	167,285	<b>174,086</b>
3,445	3,966	6,751	5,639	4,718	3,608	<b>4,647</b>
4,965	4,947	5,018	5,404	5,115	5,191	<b>5,181</b>
10,760	14,127	9,225	8,064	8,073	9,246	<b>2,516</b>
(3,701)	(3,689)	(5,708)	(3,855)	(3,262)	(3,341)	<b>(2,969)</b>
7,059	10,438	3,517	4,209	4,811	5,905	<b>(453)</b>
(8,942)	(6,543)	(4,710)	(4,678)	(1,324)	(14,065)	<b>(3,581)</b>
15.84	21.61	214.78	178.22	107.32	280.35	<b>287.08</b>
410.21	437.89	4,303.85	4,322.47	4,537.70	4,853.12	<b>5,386.20</b>
5.00	7.00	60.00	60.00	60.00	70.00	<b>70.00</b>
3.8	4.3	3.6	3.2	2.6	5.7	<b>5.7</b>
3.4	3.8	3.1	2.7	1.9	4.5	<b>5.1</b>
4.0	5.1	4.9	4.1	2.4	5.9	<b>5.6</b>
3.5	3.9	3.3	2.7	1.9	4.6	<b>5.3</b>
51.2	52.8	52.5	53.7	54.8	57.4	<b>58.2</b>
31.6	32.4	27.9	33.7	55.9	25.0	<b>24.4</b>
31.7	69.9	75.8	78.6	56.3	52.3	<b>60.5</b>

# Company Profile

## 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

Haruya Fujita, Representative Director, President

**Number of employees** (consolidated Kurabo Group)

4,189 (as of March 31, 2023)



## Major shareholders (as of March 31, 2023)

Shareholder name	Number of shares held (thousands)	Shareholding percentage (%)
The Master Trust Bank of Japan, Ltd. (trust account)	1,837	9.71
Nippon Life Insurance Company	920	4.86
Sumitomo Mitsui Banking Corporation	782	4.13
Mizuho Bank, Ltd.	782	4.13
The Chugoku Bank, Limited	726	3.84
Custody Bank of Japan, Ltd. (trust account)	676	3.57
DFA Intl Small Cap Value Portfolio	361	1.91
Northern Trust Co. (AVFC) Re U.S. Tax Exempted Pension Funds Sec Lending	332	1.75
Kurabo Kyo-ei-kai	327	1.73
Sumitomo Mitsui Trust Bank, Limited	317	1.67

Note 1: The Company holds 1,083 thousand shares, but is excluded from the list of major shareholders above.

Note 2: The shareholding percentage is calculated after deducting treasury shares.

## Stock information (as of March 31, 2023)

### Securities code

3106

### Stock exchange listing

Prime Market, Tokyo Stock Exchange

### Total number of authorized shares

97,701 thousand shares

### Total number of issued shares

20,000 thousand shares

### Number of shareholders

14,030

# Offices and Plants

## Group companies in Japan

### Textiles

#### Taishoboseki Industries Ltd.

Line of business: Manufacture and sales of yarn; real estate leasing

#### Kurabo International Co., Ltd.

Line of business: Manufacture and sales of textile products (sewn products, others)

#### Aramis Co., Ltd.

Line of business: Planning and sales of textile products (sewn products, others)

### Chemical Products

#### Kurashiki Textile Manufacturing Co., Ltd.

Line of business: Manufacture, processing, and sales of nonwoven fabrics and functional materials

#### 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

### Advanced Technology

#### Kuraki Co., Ltd.\*

Line of business: Manufacture and sales of machine tools and others

#### Echo Giken Co., Ltd.

Line of business: Manufacture and sales of silicon wafer cleaning equipment

#### Kurabo Plant System Co., Ltd.

Line of business: Design, manufacture, and construction of factory facilities, environmental facilities, and electrical instrumentation equipment

#### Kurabo Techno System Ltd.

Line of business: Installation, adjustment, maintenance, and sales of information system equipment

#### Yamabun Electronics Co., Ltd.

Line of business: Manufacture and sales of thickness measuring systems for plastic films and sheets, and thickness control-related devices

#### Seiki Co., Ltd.

Line of business: Manufacture and sales of FA systems for electronic components, connectors, and automobiles

### Food and Services

#### Japan Jiffy Foods, Inc.

Line of business: Manufacture and sales of freeze-dried foods

#### Kurashiki Ivy Square, Ltd.

Line of business: Hotel management, others

#### Kurabo Driving School Co., Ltd.

Line of business: Driving school

#### Koei Shoji Co., Ltd.

Line of business: Life/nonlife insurance agency, leasing business

## Overseas group companies

### Textiles

#### Brazil

#### Kurashiki do Brasil Textil Ltda.

Line of business: Manufacture and sales of yarn

#### Thailand

#### Thai Kurabo Co., Ltd.

Line of business: Manufacture and sales of yarn and textiles

#### Thai Textile Development and Finishing Co., Ltd.

Line of business: Dyeing and finishing of yarn and textiles

#### Indonesia

#### P.T. Kurabo Manunggal Textile Industries

Line of business: Manufacture and sales of yarn and textiles

#### China

#### Kurabo Shanghai Co., Ltd.

Line of business: Sales of yarn, textiles, and textile products (sewn products, others); installation and maintenance of information system equipment and inspection/measurement systems

#### Vietnam

#### Kurabo Vietnam Co., Ltd.

Line of business: Sales of yarn, textiles, and textile products (sewn products, others)

### Chemical Products

#### Brazil

#### Kurashiki Chemical Products do Brasil Ltda.

Line of business: Manufacture, processing, and sales of flexible polyurethane foam

#### China

#### Guangzhou Kurabo Chemicals Co., Ltd.

Line of business: Manufacture, processing, and sales of flexible polyurethane foam

#### Guangzhou KCF Plastics Co., Ltd.

Line of business: Manufacture, processing, and sales of flexible polyurethane foam

#### Foshan Kurashiki Textile Manufacturing Co., Ltd.

Line of business: Processing, purchasing, and sales of nonwoven fabrics

### Advanced Technology

#### United States

#### Kuraki America Corporation\*

Line of business: Sales, installation, and maintenance of machine tools

#### China

#### Kuraki Shanghai Co., Ltd.\*

Line of business: Sales, installation, and maintenance of machine tools

#### Taiwan

#### Kuraki Taiwan Co., Ltd.\*

Line of business: Manufacture and sales of machine tools

\* On September 6, 2023, Kurabo signed an agreement to transfer all shares of Kuraki Co., Ltd.

