

COMPANY RESEARCH AND ANALYSIS REPORT

Kurabo Industries Ltd.

3106

Tokyo Stock Exchange Prime Market

4-Sep.-2025

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FISCO Ltd.

<https://www.fisco.co.jp>

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Summary

Achieved significant profit growth exceeding plans in FY3/25. The new medium-term corporate business plan aims to further accelerate business portfolio transformation

1. Business description

Kurabo Industries Ltd. <3106> (hereafter, also “the Company”) is a long-established major textile company founded in 1888. From its early days, the Company has constantly looked ahead and sought to create new value. Today, its business areas cover a broad range, from those that underpin daily life such as textiles, automobiles, housing, biomedical, and foods, to those that support industry including electronics, semiconductors, and environmental plant engineering. The Company has a tradition of proactive community service since it was founded. It plans to continue working toward Sustainable Development Goals (SDGs) shared by the international community and pursue the development of products and technologies based on themes such as health, comfort, and environmental awareness to contribute to a better future.

The previous medium-term corporate business plan Progress’24 (FY3/23–FY3/25), which concluded in FY3/25, saw continued struggles in the Textiles Business due to adverse external factors. However, earnings were underpinned by growth in highly profitable businesses with strong growth potential, such as the semiconductor production-related business. Under the new medium-term corporate business plan Accelerate’27, the Company will concentrate management resources on priority businesses and further accelerate business portfolio transformation.

2. Value creation process

The Company’s value creation process is about creating value by deploying its management resources such as its accumulated technologies and expertise and human resources to solve social problems and supply growth markets. Looking back at its history, its current businesses are all derived from its founding Textiles Business. These businesses include the Chemical Products Business, where the increasing uses of its resin processing technologies now include housing construction materials and automotive materials, and the electronics business (Advanced Technology Business), which automates color control in the dyeing process and has expanded to color management and inspection and measurement. The Real Estate Business (a stable source of earnings) and R&D structure centered on the Technical Research Laboratory also support value creation. The Company has crafted a value creation story that combines solving social problems and sustained growth by concentrating its management resources on markets that are highly profitable and have strong growth potential, including the semiconductor production-related market and the life science and technology domain (which encompasses automation and control systems, medical devices, and food-related markets).

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Summary

3. Overview for FY3/25 results

In the FY3/25 consolidated results, net sales were ¥150,660mn, down 0.4% year on year (YoY), and operating profit was ¥10,311mn, up 12.3%. Despite a modest decline in sales, the Company recorded a significant increase in profit. The small drop in net sales was mainly due to a decline in the Textiles Business, which experienced a slump in sales for casual wear, and the impact of the transfer of the machine tool business in the Advanced Technology Business. On the other hand, there was considerable sales growth in the Chemical Products Business, with high-performance plastic products for semiconductor manufacturing equipment and functional films for solar batteries performing strongly. In terms of profit, the Company achieved a significant increase, exceeding the target, due to the growth in sales of high-value added products in the Chemical Products Business, as well as a return to profitability in the Textiles Business, supported by improved earnings from overseas subsidiaries.

4. Basic policy of new medium-term corporate business plan Accelerate'27

Accelerate'27, the new medium-term corporate business plan, marks the third stage of the Long-term Vision 2030* (FY3/20–FY3/31), which began in FY2019. Under the basic policy of accelerating growth in high-profit businesses and increasing corporate value through efficient use of management resources, the Company aims to further accelerate business portfolio transformation by positioning the semiconductor production-related and life science and technology domains as priority businesses and move toward completing the final stage of the vision. For the final year of the plan (FY3/28), the Company is targeting consolidated net sales of ¥165.0bn and operating profit of ¥13.0bn, with the operating profit ratio improving to 7.9% (up 1.1 percentage points (pp) from FY3/25). In addition, by allocating resources and implementing financial and capital policies with an emphasis on capital efficiency, it aims to raise ROIC to at least 7.9% (up 2.4pp) and ROE to at least 10.0% (up 2.4pp).

| * The Company's vision for 2030 is to become "a strong corporate group that generates innovation and high profit." |

5. FY3/26 forecasts

For FY3/26, the first year of the new medium-term corporate business plan Accelerate'27, the Company forecasts consolidated net sales of ¥144,000mn (down 4.4% YoY) and operating profit of ¥8,000mn (down 22.4%). The decrease in sales is expected to result from the Textiles Business, which is undergoing structural reforms, and the Chemical Products Business, which is forecasting lower sales due to a delayed recovery in the semiconductor market. Operating profit is expected to decline due to factors including abnormal operating costs associated with plant closures and rising labor and other costs. On the other hand, profit attributable to owners of parent is expected to increase, supported by gains on the sale of cross-shareholdings. The Company plans an annual dividend of ¥282 per share (¥141 interim, ¥141 period-end), an increase of ¥102 from FY3/25.

Key Points

- Despite a slight decline in net sales in FY3/25, the Company achieved significant profit growth and met its final-year profit target under the previous medium-term corporate business plan
- Aims to solve social issues and achieve sustained growth by concentrating management resources on highly profitable and high-growth fields such as semiconductor production-related products, and automation and control systems
- The new medium-term corporate business plan will further accelerate business portfolio transformation and drive improvements in profit ratio and capital efficiency
- Will continue proactive shareholder returns. Under the new plan, the Company is targeting a dividend on equity (DOE) of 4% and plans to repurchase ¥20.0bn in shares over the three-year period

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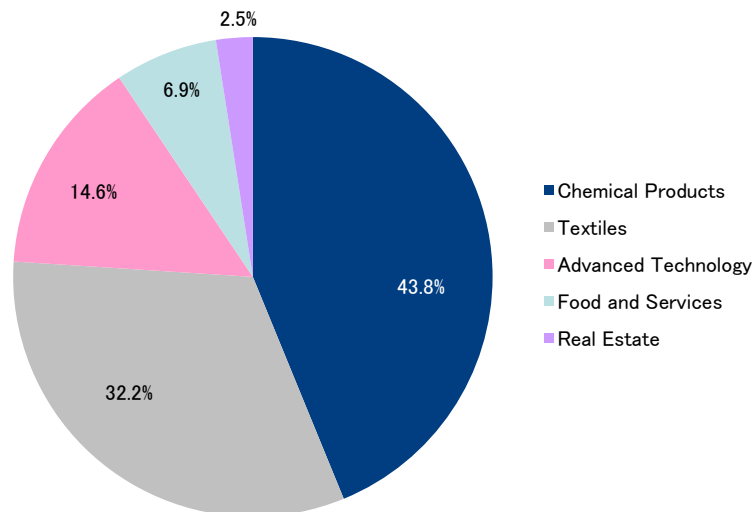
Business description

Operates in broad business areas that support daily life and industry

The Company is a major textile company founded in 1888. Its management philosophy states: “the Kurabo Group contributes to a better future through the creation of new value.” From its early days, the Company has constantly looked ahead and sought to create new value. Today, its business areas range widely from textiles, automobiles, housing, biomedical, and foods, which underpin daily life, to electronics, semiconductors, and environmental plant engineering, which support industry.

The Company has five business segments. The Textiles Business is its founding business. The other four segments are the Chemical Products Business, Advanced Technology Business, Food and Services Business, and Real Estate Business. Net sales in FY3/25 broke down into 43.8% for Chemical Products, 32.2% for Textiles, 14.6% for Advanced Technology, 6.9% for Food and Services, and 2.5% for Real Estate, in descending order.

Net sales breakdown by business segment (FY3/25)



Source: Prepared by FISCO from the Company's financial results

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Business description

(1) Chemical Products Business

Harnessing proprietary resin compounding and molding technology, the Chemical Products Business supplies a diverse range of products from automobile interior materials to housing construction materials and heat-insulating materials, high-performance plastic products for semiconductor manufacturing equipment, functional films, and nonwoven fabric used as industrial materials. The Company regards high-performance plastic products for semiconductor manufacturing equipment and functional films as priority products and is pushing ahead with expanding the scope of these businesses to supply growth markets. It is also actively engaged in R&D, focusing on development of new products in each business area. In housing construction materials, the Company is developing environmental-friendly products such as laminated wood using recycled wood plastic. In functional films, it is developing new functions and production technologies for semiconductor, automotive, and electronic component applications. It is also improving production technologies and product performance of high-performance plastic products for semiconductor manufacturing equipment and developing production, forming, and processing technologies for Kura Power Sheet, CFRTP materials in the high-performance composite materials business.

(2) Textiles Business

The mainstay products of the Textiles Business are casual clothing materials, uniform materials, and yarn materials for towels, socks, and underwear. A new business is work environment support tools. By making the most of its unique, advanced technologies in spinning, weaving, dyeing and processing, and sewing, the Company has developed many highly functional and refined textile products based on natural fibers (mainly cotton). It also established a leading position in heavy fabrics for uniforms, casual wear, and denim. The Textiles Business continues to face headwinds amid a decline in domestic casual wear demand and intensifying price competition with overseas products. However, the Company is transforming to a business model that delivers new value by initiatives such as smart factories that harness AI and IoT and sustainable resource recycling of textiles, and development of new products and services that utilize its proprietary technologies. Focus products include NaTech^{*1}, which adds various functions to natural fibers used as materials for towels, socks, and underwear; L∞PLUS^{*2}, an upcycling system for textile cutting waste in casual wear materials; flame-retardant fabrics BREVANO and PROBANO used as uniform materials; and work environment support tool product Smartfit for Work^{*3}, an on-site risk management system.

^{*1} Made from proprietary Kurabo raw materials, NaTech is a natural fiber with enhanced functionality. Users can choose from materials with one of four functions (moisture wicking and heat generating, moisture wicking, deodorizing, and moisture control), all with superb resistance to repeated washing.

^{*2} L∞PLUS is a material born from a recycling project, as well as the name for Kurabo's sustainable system of upcycling textile cutting waste and creating new clothing and fashion accessories with it, and the products made by the system.

^{*3} The tool analyzes and assesses data obtained by wearable devices such as workers' biological signs and local weather information, providing real-time notifications of the risk of working in severe heat and changes in physical condition to support risk management.

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Business description

(3) Advanced Technology Business

The Advanced Technology Business comprises the life science, electronics, and engineering businesses, among other operations. The life science business includes the biomedical business, which provides research reagents, equipment, and services for drug discovery, cosmetics development, and preclinical studies. It also handles robot vision systems (industrial robot sensing devices)* and automation and control systems. By combining core technologies in biomedical and vision sensors, the Company is working to generate synergies. The electronics business provides products based on its color sensing technologies such as inspection, measurement, and control systems for various industries including semiconductor printed circuit boards and films, helping to improve the quality of manufacturing. It also conducts R&D and product development in future growth areas such as infrastructure inspection systems that harness image processing and information processing technologies, as well as film thickness measurement systems that apply optical measuring technologies. The engineering business engages in environmental plant engineering such as wastewater and exhaust gas treatment, and also handles semiconductor cleaning systems and biomass power generation.

* The Company has developed technologies that enable robots to “see” (instantly determine the position of the objects they are picking up so that they can handle moving objects and soft materials that change shape) and accurately perceive objects by the use of AI. The robot industry is an area with considerable growth potential, because it is commercializing robots to perform hazardous tasks and to save labor in elderly care and healthcare settings, which suffer labor shortages.

(4) Food and Services Business

The Food and Services Business manufactures and sells freeze-dried food and operates a hotel and other facilities. In the food business, Group company Japan Jiffy Foods, Inc. is the first company in Japan to manufacture freeze-dried food on a commercial basis, contributing to the improvement of people’s health and dietary culture through the supply of safe, high-quality products. In the services business, the Company operates Kurashiki Ivy Square (hotel, restaurant, banquet hall, and other facilities), a cultural complex converted from the Company’s original head office spinning mill, and Kurabo Driving School, which contributes to the safety of the local community. With a distinctive red brick facade covered in ivy, Kurashiki Ivy Square is located in Kurashiki Bikan Historical Area and has been a consistently popular cultural facility that also offers accommodation.

(5) Real Estate Business

In the Real Estate Business, the Company operates a real estate rental business, aiming for long-term, stable revenue by making effective use of idle land, such as former factory sites, through the development of offices, commercial facilities, mega-solar installations and other properties. It is highly profitable, generating operating profit of over ¥2.0bn with limited costs even in times of recession, underpinning the Company’s earnings as a stable source of revenue.

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Value creation process

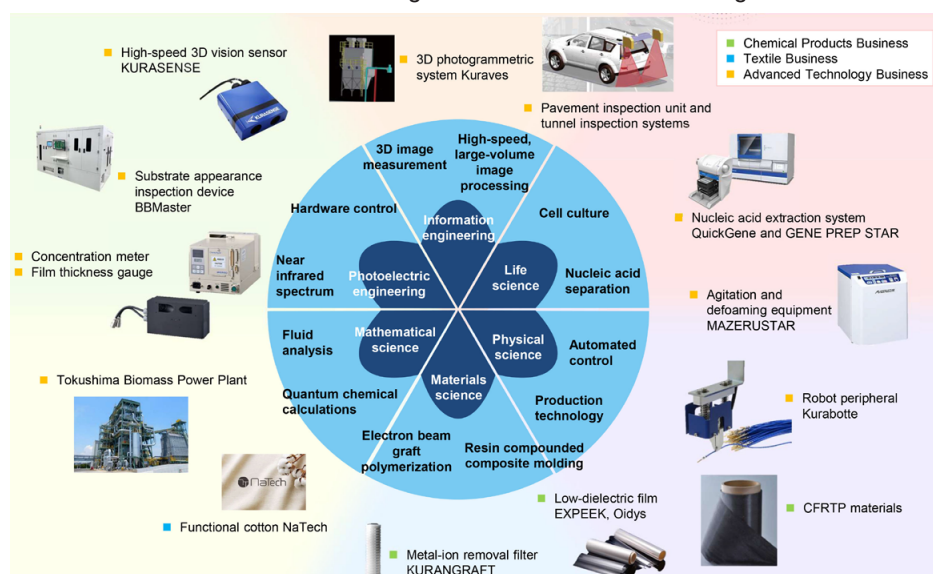
Create new value in growing markets by leveraging technology and expertise to solve social issues

The Company's value creation process is about creating new value by deploying its management resources such as its accumulated technologies, expertise and human resources to solve social problems and expand into growth markets. Its history shows that many its current businesses originated as offshoots of the Company's founding Textiles Business. They include: 1) the Chemical Products Business, which was the result of applying its resin processing technologies to housing construction materials and auto parts; 2) the electronics business, which developed from applying automated control of color in the dyeing process to testing and measurement; 3) the engineering business, which applied the exhaust gas and wastewater treatment technologies of its own factories to environmental plant equipment; and 4) the life science business, which evolved from the development work of the Technical Research Laboratory such as the development of filtration type particulate filters with antibacterial action, automated nucleic acid isolation systems, and robot vision sensing. The Real Estate Business, which utilizes former factory sites, is a stable source of earnings, and the Company's R&D structure* centered on the Technical Research Laboratory also supports value creation.

* Consists of the core technology group, which cultivates core technologies, and the applied development group, which develops products. The six core technologies are mathematical science, physical science, photoelectric engineering, information engineering, materials science, and life science. It also develops new businesses based on key R&D themes related to robots (robot sensing), semiconductor chemical liquid measurement (In-Situ measuring) systems for semiconductors, life science (gene extraction and analysis), and new materials (high-performance super engineering plastic film and fiber reinforced composites).

The Company has crafted a value creation story that combines solving social problems and sustained growth by concentrating its management resources on markets that are highly profitable and have strong growth potential, including the semiconductor production-related market and the life science and technology domain (which comprises markets such as automation and control systems, and medical devices).

Products and services generated from six core technologies



Source: The Company's financial results and new medium-term corporate business plan materials

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Results trends

Strong growth in semiconductor production-related business led to significant increase in profit, exceeding plan in FY3/25

1. Overview for FY3/25 results

In the FY3/25 consolidated results, net sales were ¥150,660mn (down 0.4% YoY), operating profit was ¥10,311mn (up 12.3%), ordinary profit was ¥11,784mn (up 15.6%), and profit attributable to owners of parent was ¥9,014mn (up 33.8%). All profit lines showed significant profit growth that exceeded the Company's targets despite slightly lower sales. Profit attributable to owners of parent reached a record high for the second consecutive fiscal year, supported in part by gains on the sale of cross-shareholdings.

Net sales declined slightly, as growth in the Chemical Products Business—driven by strong performance in high-performance plastic products for semiconductor manufacturing equipment and functional films for solar batteries—was offset by a decline in the Textiles Business, where sales of casual wear struggled, and by the impact of the transfer of the machine tool business* in the Advanced Technology Business. However, the negative impact of the machine tool business transfer was within expectations, and the Company maintained solid performance in the electronics business, with liquid component concentration meters for semiconductor manufacturing equipment, and in the engineering business, with environment-related operations. The Food and Services Business and Real Estate Business also performed steadily.

| * Impact of the transfer of shares of Kuraki Co., Ltd. in January 2024 |

In terms of profit, the Company realized a significant increase and surpassed targets, with the operating profit ratio improving to 6.8% (6.1% in FY3/24). This was mainly due to the growth in sales of high-value added products and the effects of price revisions in the Chemical Products Business, as well as the Textiles Business returning to profitability, supported by the growth of proprietary technology-based products and improved earnings at overseas subsidiaries. In addition, the Company recorded approximately ¥1.7bn in gains on the sale of cross-shareholdings as extraordinary income, while booking approximately ¥0.8bn in business restructuring expenses related to the closure of the Anjo Mill (Textiles Business) and approximately ¥2.7bn in impairment losses as extraordinary losses.

There were no big changes in the Company's financial condition, although total assets shrunk slightly, decreasing 1.2% compared to the end of FY3/24 to ¥190,529mn due to a decrease in cash and deposits accompanying a share buyback. On the other hand, shareholders' equity increased by 2.5% to ¥119,805mn as the accumulation of retained earnings exceeded the negative factors such as dividend payments and share buybacks. This also raised the equity ratio from 60.6% at the end of the previous fiscal year to 62.9%.

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Results trends

Results overview for FY3/25

(¥mn)

	FY3/24		vs. revised forecast (announced on August 7)	FY3/25		YoY		vs. forecast	
	Results	vs. net sales		Results	vs. net sales	Change amount	% change	Change amount	Achievement rate
Net sales	151,314	-	154,000	150,660	-	-653	-0.4%	-3,340	-2.2%
Chemical Products Business	61,318	40.5%	67,000	66,002	43.8%	4,684	7.6%	-998	-1.5%
Textiles Business	51,103	33.8%	52,000	48,532	32.2%	-2,570	-5.0%	-3,468	-6.7%
Advanced Technology Business	25,530	16.9%	21,300	21,943	14.6%	-3,587	-14.1%	643	3.0%
Food and Services Business	9,572	6.3%	10,000	10,458	6.9%	886	9.3%	458	4.6%
Real Estate Business	3,790	2.5%	3,700	3,723	2.5%	-66	-1.8%	23	0.6%
Cost of sales	120,985	80.0%	-	119,001	79.0%	-1,984	-1.6%	-	-
SG&A expenses	21,142	13.9%	-	21,346	14.2%	203	1.0%	-	-
Operating profit	9,186	6.1%	9,600	10,311	6.8%	1,125	12.3%	711	7.4%
Chemical Products Business	3,963	6.5%	4,800	5,030	7.6%	1,066	26.9%	230	4.8%
Textiles Business	-257	-	300	75	0.2%	333	-	-225	-75.0%
Advanced Technology Business	3,574	14.0%	2,800	3,341	15.2%	-233	-6.5%	541	19.3%
Food and Services Business	641	6.7%	600	724	6.9%	83	13.0%	124	20.7%
Real Estate Business	2,332	61.5%	2,200	2,243	60.3%	-88	-3.8%	43	2.0%
Ordinary profit	10,191	6.7%	10,800	11,784	7.8%	1,592	15.6%	984	9.1%
Profit attributable to owners of parent	6,738	4.5%	7,500	9,014	6.0%	2,275	33.8%	1,514	20.2%

Source: Prepared by FISCO from the Company's financial results, financial statements, and new medium-term corporate business plan materials

Results by business are summarized below.

(1) Chemical Products Business

In the Chemical Products Business, both sales and profit increased, with net sales up 7.6% YoY to ¥66,002mn and segment profit increasing 26.9% to ¥5,030mn. 1) In high-performance plastic products, sales of high-performance plastic products for semiconductor manufacturing equipment and functional films for solar batteries were strong. 2) Soft polyurethane performed strongly, with demand for automobile interior materials solid in Japan and at the Brazilian subsidiary, while the Chinese subsidiary remained sluggish. The Company also made steady progress in passing on raw material and labor cost increases to prices. 3) In housing construction materials, although there was a slump in demand for heat-insulating materials, there was an increase in orders for precast concrete products for housing complexes. 4) In nonwoven fabrics, sales of filters for automobiles recovered. In terms of profit, the business realized a large increase due to the growth in sales of products with high added value, especially high-performance plastic products, and the effects of price revisions.

(2) Textiles Business

In the Textiles Business, although net sales decreased 5.0% YoY to ¥48,532mn, there was a return to profitability with segment profit of ¥75mn (¥257mn segment loss in FY3/24). 1) In yarn, sales of the high-performance product NaTech and denim-related sales at the Thai subsidiary were strong. 2) In textiles, while materials for the Middle East performed steadily, sales of materials for casual wear declined. 3) Sales of Smartfit, a risk-reduction management system for hot environments, increased. However, textile products for casual wear were sluggish. In terms of profit, the business returned to profitability, mainly due to improved earnings at overseas subsidiaries (driven by multiple factors, including stable sales volumes, improvements to operational efficiency, and foreign exchange effects), as well as growth in proprietary technology-based products.

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Results trends

(3) Advanced Technology Business

Net sales decreased 14.1% YoY to ¥21,943mn and segment profit declined by 6.5% to ¥3,341mn. These decreases in sales and profit were mainly due to the impact of the transfer of the machine tool business and a decline in sales of wafer cleaning equipment. However, 1) in the electronics business, sales of chemical concentration meters for semiconductor manufacturing equipment and film thickness meters for the steel industry were steady. 2) In the engineering business, although there was a decline in sales of chemical supply systems for the semiconductor industry, sales of exhaust gas treatment equipment were steady and there was a contribution from a major plant project at a subsidiary. 3) In the biomedical business, Agitation and defoaming equipment performed steadily.

(4) Food and Services Business

Net sales rose 9.3% YoY to ¥10,458mn and segment profit increased 13.0% to ¥724mn, resulting in higher sales and profit. 1) In the food sector, although molded soups were sluggish, sales of instant noodle ingredients and other products grew. 2) In hotel-related business, strong domestic travel and inbound demand contributed to performance.

(5) Real Estate Business

Net sales decreased 1.8% YoY to ¥3,723mn and segment profit declined 3.8% to ¥2,243mn. Although net sales were roughly in line with FY3/24, profit fell due to an increase in taxes and dues, among other factors. However, the segment margin remained at the high level of 60.3% (61.5% in FY3/24) and the business continued to be a stable revenue source.

2. Summary of FY3/25 results

To summarize FY3/25, the Company achieved significant profit growth that exceeded its plan, driven by strong performance in priority areas such as the semiconductor production-related business—an outcome that can be positively evaluated as a conclusion to the final year of the medium-term corporate business plan. In addition, the Company made notable progress in reforming not only its business portfolio but also its balance sheet, through initiatives such as structural reforms (including the closure of domestic production sites), the sale of cross-shareholdings, and share buybacks—important steps toward improving capital efficiency. In the life science and technology domain, which is another key focus of the new medium-term corporate business plan, the Company also made progress by establishing a structure that enables synergy across technologies and beginning specific initiatives such as the automation of pharmaceutical dispensing operations.

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Review of previous medium-term corporate business plan Progress'24

Steady progress in business portfolio transformation toward accelerated growth

Under the medium-term corporate business plan Progress'24 (FY3/23–FY3/25), which concluded in FY3/25, the Company worked under the basic policy of expanding high-profit businesses and strengthening core businesses to achieve sustainable growth. Key initiatives included expanding growth and priority businesses and strengthening profitability in core businesses, and creating new businesses by strengthening R&D activities and quickly placing them on a profitable footing. In particular, the semiconductor production-related business, a key growth area, expanded, and fundamental business structure reforms also progressed steadily.

(1) Achievement of numerical targets

Although net sales fell short of the plan due to factors such as the transfer of the machine tools business, profit at all levels exceeded the plan thanks to growth in the semiconductor production-related business, one of the Company's priority areas, reflecting progress in business portfolio transformation. ROE also significantly outperformed the plan, driven by improvement in the operating profit ratio and proactive shareholder return measures, including dividend increases and share buybacks. The total return ratio over the three years reached 74.1%, exceeding the 50% target, and capital investment was generally executed as planned.

Results under the previous medium-term corporate business plan

(¥bn)

	Base year FY3/22 results	FY3/23 results	FY3/24 results	FY3/25 (final year)	
				Medium-term corporate business plan target	Results
Net sales	132.2	153.5	151.3	160.0	150.6
Operating profit	7.5	8.6	9.1	9.6	10.3
Ordinary profit	8.7	10.0	10.1	10.2	11.7
Profit attributable to owners of parent	5.6	5.5	6.7	7.2	9.0
Operating profit ratio	5.7%	5.7%	6.1%	6.0%	6.8%
ROE (return on equity)	5.9%	5.6%	6.2%	7.0%	7.6%
ROA (return on assets)	4.5%	5.1%	5.0%	5.3%	5.4%
ROIC (return on invested capital)	4.6%	5.3%	5.2%	5.6%	5.5%

Source: Prepared by FISCO from the Company's financial results, financial statements, and new medium-term corporate business plan materials

(2) Achievements (and challenges) in key measures

1) Expanding growth and priority businesses and strengthening profitability in core businesses

The Company achieved results such as growth in the semiconductor production-related business, profitability in the film business, and expansion of proprietary technology-based textile products. The Company's self-assessment for this initiative is Good.

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Review of previous medium-term corporate business plan Progress'24

2) Creating new businesses by strengthening R&D activities and quickly placing them on a profitable footing

While R&D progressed steadily, commercialization of areas such as robot vision has been delayed. The Company's self-assessment for this initiative is Fair.

3) Contributing to the SDGs

The Company identified material issues and implemented measures toward carbon neutrality. Its self-assessment for this initiative is Good.

4) Promoting a diverse work force

Through the promotion of DE&I, the Company developed HR systems and environments that enable diverse personnel to work with comfort and a sense of purpose. Its self-assessment for this initiative is Good.

5) Business structure reform (notable initiatives)

The Company undertook fundamental business structure reforms, including the transfer of the machine tools business, closure of the Anjo Mill (as part of restructuring domestic production bases in the Textiles Business), and reorganization of the soft polyurethane business in China. Its self-assessment for this initiative is the highest rating, Excellent.

Overview of new medium-term corporate business plan

Aims to further accelerate business portfolio transformation by concentrating management resources on priority businesses

The new medium-term corporate business plan Accelerate'27 (FY3/26–FY3/28) marks the third stage in the Company's Long-term Vision 2030, which aims to transform the business structure into one that generates innovation and high profitability. This phase will further accelerate business portfolio transformation and serve as the lead-in to the final stage of the vision.

1. Basic policy

Under the basic policy of accelerating growth in high-profit businesses and increasing corporate value through efficient use of management resources, the Company will promote four key initiatives: 1) Developing and accelerating priority businesses in growth markets and strengthen profitability of core businesses; 2) Strengthening R&D activities and create new businesses to place them on a profitable footing; 3) Contributing to the realization of a sustainable society; and 4) Building a highly engaged organization. In particular, the Company intends to further accelerate business portfolio transformation by driving additional growth in priority businesses such as the semiconductor production-related business—which gained traction under the previous medium-term corporate business plan—and advancing structural reforms in core businesses.

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Overview of new medium-term corporate business plan

2. Numerical targets

For the final year of the plan (FY3/28), the Company is targeting consolidated net sales of ¥165.0bn (three-year average growth rate of 3.1%) and operating profit of ¥13.0bn (8.0%), with the aim of improving the operating profit ratio to 7.9% (up 1.1pp from FY3/25). In addition, the Company plans to raise ROIC to 7.9% (up 2.4pp) and ROE to 10.0% (up 2.4pp) through improved capital efficiency and appropriate financial and capital policies.

Numerical targets of the new medium-term corporate business plan

(¥bn)

	Base year FY3/25 results	FY3/26 forecast	FY3/27 plan	FY3/28 (final year)		
				Plan	Change	CAGR
Net sales	150.6	144.0	152.0	165.0	14.3	3.1%
Operating profit	10.3	8.0	11.2	13.0	2.6	8.0%
Ordinary profit	11.7	9.5	12.0	13.0	1.2	3.3%
Profit attributable to owners of parent	9.0	9.5	10.0	11.0	1.9	6.9%
Operating profit ratio	6.8%	5.6%	7.4%	7.9%	1.1pp	
ROE (return on equity)	7.6%	8.0%	9.0%	10.0%	2.4pp	
ROA (return on assets)	5.4%	4.3%	6.2%	7.5%	2.1pp	
ROIC (return on invested capital)	5.5%	4.4%	6.4%	7.9%	2.4pp	

Note: Change indicates the difference between the FY3/28 plan and FY3/25 result. CAGR is the average growth rate from FY3/25 to FY3/28.

Source: Prepared by FISCO from the Company's financial statements and new medium-term corporate business plan materials

3. Business portfolio strategy

The Company's strategy is to divide its business portfolio into priority businesses and core businesses, and to further accelerate business portfolio transformation by concentrating management resources on the highly profitable and high-growth priority businesses. Meanwhile, for core businesses that contribute to solving social issues, the Company will promote resource-circulating and environmentally conscious businesses, strengthen partnerships with business collaborators, and restructure low-profitability businesses. The priority businesses are defined to include areas such as the semiconductor production-related domain*1 (high-performance plastic products, functional films, liquid component concentration meters, chemical supply systems, wafer cleaning systems, etc.) and the life science and technology domain*2 (Agitation and defoaming equipment, gene extraction equipment and contract analysis services, robot vision, automation systems, food-related products, etc.). The Company will provide products and services across segments and business categories.

*1 In response to continued market expansion in wafer and semiconductor manufacturing processes (both front-end and back-end), the Company will offer a wide range of products. In March 2025, a new building at the Kumamoto Innovation Center was completed, strengthening both production capacity and development systems for high-performance plastic products. The sales target for FY3/28 is ¥31.3bn (1.5 times that of FY3/25).

*2 By combining key technologies such as biomedical and vision sensors, the Company aims to address social issues such as health promotion and labor shortages through automation solutions. A recent example includes automating pharmaceutical dispensing operations (a key issue for pharmacies) by combining robot vision (and collaborative robots) with Agitation and defoaming equipments. The sales target for FY3/28 is ¥17.1bn (1.2 times that of FY3/25).

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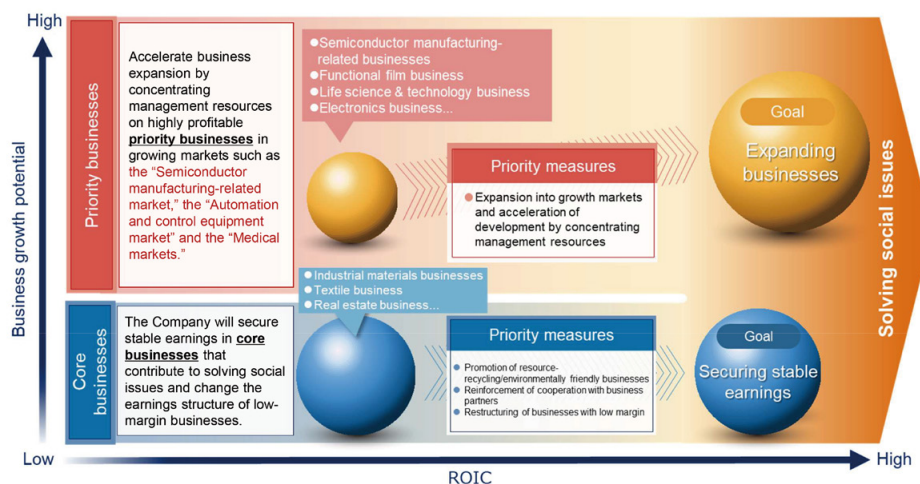
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Overview of new medium-term corporate business plan

Target business portfolio image

Accelerate business portfolio reform by concentrating management resources on highly profitable priority businesses



Source: The Company's financial statements and new medium-term corporate business plan materials

Priority domains and corresponding products and services

Priority domain	Business category	Main products and services	Segment
Semiconductor production-related	High-performance plastic products	Processed high-performance plastics (fluororesins, super engineering plastics), fluororesin materials, filters, etc.	Chemical Products
	Functional films	Films for semiconductor processes (release films, dicing films, etc.)	Chemical Products
	Electronics	Liquid component concentration meters, etc.	Advanced Technology
	Engineering	Chemical supply systems, wafer cleaning systems, etc.	Advanced Technology
Life science and technology domain	Life science and technology	Agitation and defoaming equipment, gene extraction equipment and contract analysis services, robot vision, automation systems (laboratory/factory automation), etc.	Advanced Technology
	Food	Freeze-dried foods	Food and Services
Other	Functional films	Sealing materials for solar cesss, various high-performance films	Chemical Products
	Electronics	Infrastructure inspection systems, film thickness meters, etc.	Advanced Technology

Source: The Company's financial statements and new medium-term corporate business plan materials

4. Outlook for each business segment

(1) Chemical Products Business

For FY3/28, the Company is planning net sales of ¥74.0bn (average annual growth rate of 3.9%) and segment profit of ¥6.0bn (6.1%). It will focus management resources on expanding the high-performance products business (high-performance plastic products and functional films) for the semiconductor and energy-related markets, while also developing new businesses and deepening its presence in the industrial materials field for the automotive and housing-related markets. Although a temporary market adjustment is expected in the semiconductor production-related field in FY3/26, the first year of the plan, significant growth is projected thereafter. The segment profit ratio is expected to improve to 8.1% (up 0.5pp from FY3/25), driven by growth in high-profit, high-performance plastic products.

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Overview of new medium-term corporate business plan

(2) Textiles Business

For FY3/28, the Company is planning net sales of ¥49.0bn (average annual growth rate of 0.3%) and segment profit of ¥1.2bn (152.0%). Amid ongoing challenges in the business environment, including intensified price competition, the Company aims to enhance added value through strengthened development of proprietary technologies and improve competitiveness by investing in facilities at overseas bases, thereby advancing the development and expansion of its global supply chain. Although structural reform expenses are expected in FY3/26, the first year of the plan, the Company aims to boost profitability thereafter through the effects of structural reforms, enhancement of proprietary technology-based products, and expansion of the global supply chain. The segment profit ratio is expected to improve to 2.4% (up 2.2pp from FY3/25).

(3) Advanced Technology Business

For FY3/28, the Company is planning net sales of ¥27.0bn (average annual growth rate of 7.2%) and segment profit of ¥4.0bn (6.2%). It will work to accelerate growth in priority areas such as the semiconductor production-related business and the life science and technology business, while also strengthening profitability and developing new markets in areas that contribute to solving social issues, including environmental businesses (wastewater and exhaust gas treatment, biomass, etc.) and infrastructure-related businesses (such as transportation infrastructure inspection). In the life science and technology business, performance is expected to be driven by the expansion of the bio field and laboratory automation systems, as well as equipment and device supply to the semiconductor-related field. The segment profit ratio is projected to remain at a high level of 14.8%, albeit down 0.4pp from FY3/25.

(4) Food and Services Business

For FY3/28, the Company is planning net sales of ¥11.2bn (average annual growth rate of 2.3%) and segment profit of ¥0.8bn (3.4%). In the food business, it will work to increase market penetration of existing products, develop differentiated products, and explore new sales channels. Freeze-dried foods will also play a role as part of the priority life science and technology business. The services business (hotel business) is expected to continue stable performance through capturing demand from tourism and inbound visitors and enhancing customer satisfaction.

(5) Real Estate Business

For FY3/28, the Company is planning net sales of ¥3.8bn (average annual growth rate of 0.7%) and segment profit of ¥2.2bn (down 0.6%). The business will continue to play an important role as a source of long-term stable income through the effective utilization of idle assets such as former factory sites. As most lease agreements are long term, the business is expected to continue stable performance.

5. Cash allocation

Over the three-year period, the Company plans to invest a total of ¥31.0bn, including ¥21.0bn in capital investment (of which ¥8.7bn will be allocated to priority businesses and ¥2.4bn to environmental initiatives) and ¥10.0bn in M&A. For shareholder returns over the same period, the Company plans a total of ¥33.0bn, consisting of ¥13.0bn in dividends and ¥20.0bn in share buybacks, aiming for a well-balanced allocation between growth investment and shareholder returns. These funds are expected to be sourced from ¥36.0bn in operating cash flow*1, ¥23.0bn from the sale of non-operating assets*2, and ¥5.0bn from borrowings and other means.

*1 After deducting ¥6.0bn in R&D expenses

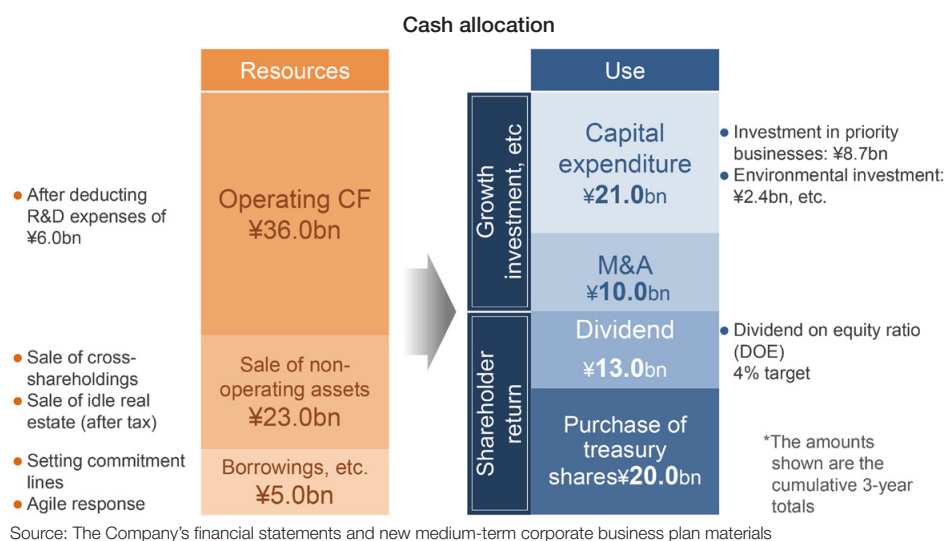
*2 Including the sale of cross-shareholdings and idle real estate

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Overview of new medium-term corporate business plan



(1) Shareholder return policy

To provide stable and high-level dividends, the Company has set a target dividend on equity (DOE) of 4% for the duration of the new medium-term corporate business plan. In addition, it plans to repurchase ¥20.0bn in shares over the three-year period.

(2) Reduction of cross-shareholdings

The Company plans to gradually reduce cross-shareholdings to below 20% of consolidated net assets by FY3/28, and will allocate the resulting cash to share buybacks and other purposes. As of the end of FY3/25, the balance of investment securities stood at approximately ¥56.0bn, and net assets at approximately ¥121.0bn. Based on current market conditions and book value, the Company estimates that the scale of potential sales would be around ¥30.0bn.

(3) R&D investment (strengthening R&D)

The Company plans to invest ¥6.0bn in R&D over the three-year period. In particular, it will accelerate four key projects being promoted as the main next-generation businesses through collaboration between the Technical Research Laboratory and each business division: robot sensing, semiconductor solutions, life science and technology, and material solutions.

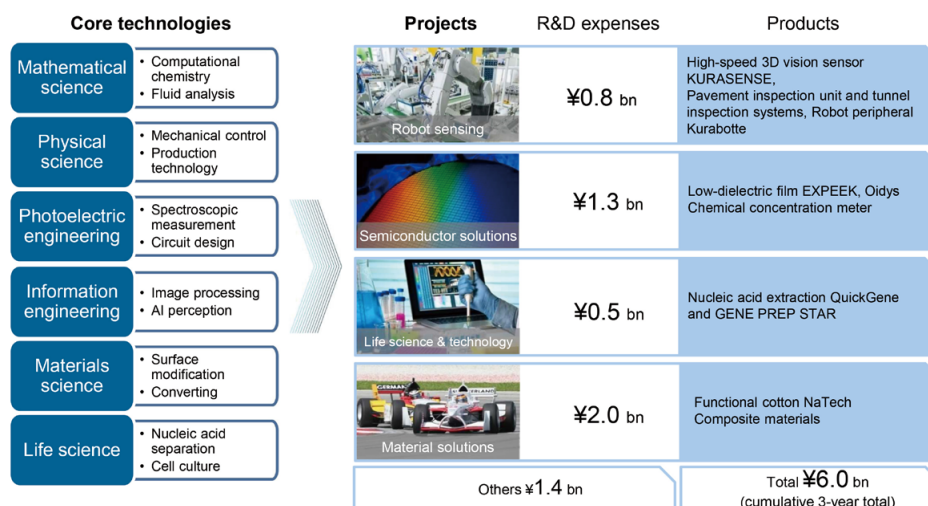
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Overview of new medium-term corporate business plan

Breakdown of R&D expenses (priority projects)



Source: The Company's financial statements and new medium-term corporate business plan materials

6. Roadmap to improving capital profitability

According to the Company's estimates, its cost of equity is in the range of 6–7%, but it recognizes that shareholders expect an even higher return. To meet these expectations, the Company aims to raise its PBR—starting with consistently maintaining a level above 1 time—through efforts such as achieving the ROE target of 10% or higher set under the new medium-term corporate business plan and enhancing IR activities. In particular, to improve ROE, the Company will focus on raising ROIC through business portfolio transformation and the reduction of cross-shareholdings, while also enhancing shareholder returns.

■ Outlook

Although net sales and operating profit are expected to decline in FY3/26 due to structural reforms, profit attributable to owners of parent is projected to increase, supported by gains on the sale of cross-shareholdings

1. FY3/26 forecasts

For FY3/26, the first year of the new medium-term corporate business plan Accelerate'27, the Company forecasts net sales of ¥144,000mn (down 4.4% YoY), operating profit of ¥8,000mn (down 22.4%), ordinary profit of ¥9,500mn (down 19.4%), and profit attributable to owners of parent of ¥9,500mn (up 5.4%).

Net sales are expected to decline in the Textiles Business, which is undergoing structural reforms, and in the Chemical Products Business, where a delayed recovery in the semiconductor market is anticipated. Operating profit is also projected to decrease due to factors such as abnormal operating costs associated with plant closures and higher labor and other costs. On the other hand, the Company aims to secure profit growth in profit attributable to owners of parent through gains on the sale of cross-shareholdings.

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Outlook

FY3/26 forecasts

	FY3/25		FY3/26		YoY	
	Results	Composition ratio	Initial forecast	Composition ratio	Change amount	% change
Net sales	150,660	-	144,000	-	-6,660	-4.4%
Chemical Products Business	66,002	43.8%	64,000	44.4%	-2,002	-3.0%
Textiles Business	48,532	32.2%	43,500	30.2%	-5,032	-10.4%
Advanced Technology Business	21,943	14.6%	22,200	15.4%	257	1.2%
Food and Services Business	10,458	6.9%	10,500	7.3%	42	0.4%
Real Estate Business	3,723	2.5%	3,800	2.6%	77	2.1%
Operating profit	10,311	6.8%	8,000	5.6%	-2,311	-22.4%
Chemical Products Business	5,030	7.6%	3,900	6.1%	-1,130	-22.5%
Textiles Business	75	0.2%	-700	-1.6%	-775	-
Advanced Technology Business	3,341	15.2%	3,000	13.5%	-341	-10.2%
Food and Services Business	724	6.9%	700	6.7%	-24	-3.3%
Real Estate Business	2,243	60.3%	2,200	57.9%	-43	-1.9%
Ordinary profit	11,784	7.8%	9,500	6.6%	-2,284	-19.4%
Profit attributable to owners of parent	9,014	6.0%	9,500	6.6%	486	5.4%

Source: Prepared by FISCO from the Company's financial results, financial statements, and new medium-term corporate business plan materials

2. FISCO's focus points

FISCO believes that the Company's earnings forecasts reasonably incorporate both external factors (such as cyclical adjustments in the semiconductor market) and internal factors (such as structural reform expense in the Textiles Business). The key point of interest is the outlook for the semiconductor market, which is expected to recover in the 2H of FY3/26. The extent to which the Company can capture that recovery demand will not only determine the potential for earnings upside, but also serve as an important indicator for assessing growth in priority businesses beyond FY3/27. From a medium- to long-term perspective, we will also be watching progress in the life science and technology business, which holds strong potential to drive innovation. Should new growth pillars such as robot vision and biomedical gain traction and the business creation pipeline begin to fill out, the Company will be taking a major step forward toward realizing its targeted business portfolio.

Results trends

Engaging in business structural reforms. Profitability improved due to a focus on semiconductor production-related business

Looking back at earnings trends from FY3/17 onward, net sales mostly trended down through FY3/21 because of changes in the market environment in Japan and overseas and the impact of foreign exchange rates and the COVID-19 pandemic. Net sales were weak for all segments, especially the Textiles Business, which was affected by external factors such as slow casual wear demand in Japan and intensifying price competition with overseas products as well as withdrawing from unprofitable businesses. Net sales recovered from FY3/22 through FY3/23, driven by a bottoming out of the Textiles Business which had undergone structural reforms, and growth in the Chemical Products and Advanced Technology Business, supported by strong performance in the semiconductor production-related field. However, in FY3/24 and FY 3/25, growth stagnated due to the impact of the transfer of the machine tool business and other factors.

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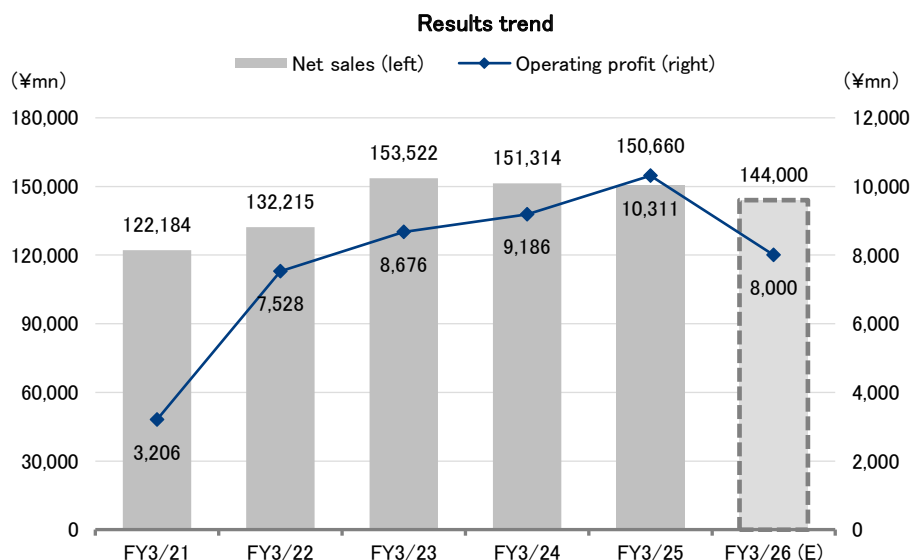
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Results trends

Turning to profit, the operating profit ratio trended mostly in the 3% range through FY3/21. Although the Real Estate Business was a stable source of earnings and added value was increasing in the Advanced Technology Business and others, the Textiles Business remained weak. During the period of medium-term corporate business plan Advance'18 (FY3/17–FY3/19), the Company worked on expanding all businesses with a basic policy of “transforming the business to increase earnings.” The policy entailed: 1) expanding and strengthening the overseas business; 2) restructuring the domestic business; 3) transforming into a market-oriented business in anticipation of future markets, and 4) pursuing highly profitable businesses. However, the Company missed plan targets, because the speed of change in the operating environment was faster than expected, and withdrawal from and scaling back unprofitable businesses had a negative impact. It also did not achieve targets of the previous medium-term corporate business plan Creation'21, when the Company focused on earnings expansion through innovation and improving corporate value, because the global COVID-19 pandemic was a drag on the pace of reform. However, under the most recent plan, Progress'24, despite continued struggles in the Textiles Business, earnings were underpinned by expansion of the highly profitable Advanced Technology Business and growth in the semiconductor production-related field, which lifted overall profit levels. As a result, operating profit exceeded ¥10.0bn in FY3/25, marking the fourth consecutive year of profit growth.

Looking at the Company's financial condition, it reduced total assets through structural reforms and cuts in investment securities, while limiting the increase in shareholders' equity through aggressive shareholder returns, including share buybacks. Although shareholders' equity was kept to a moderate increase, the equity ratio rose from the 50% to 60% range. ROE (an indicator of capital efficiency) also improved alongside the operating profit ratio, trending around the 6% mark since FY3/22, and rose to 7.6% in FY3/25, supported by gains on the sale of cross-shareholdings.



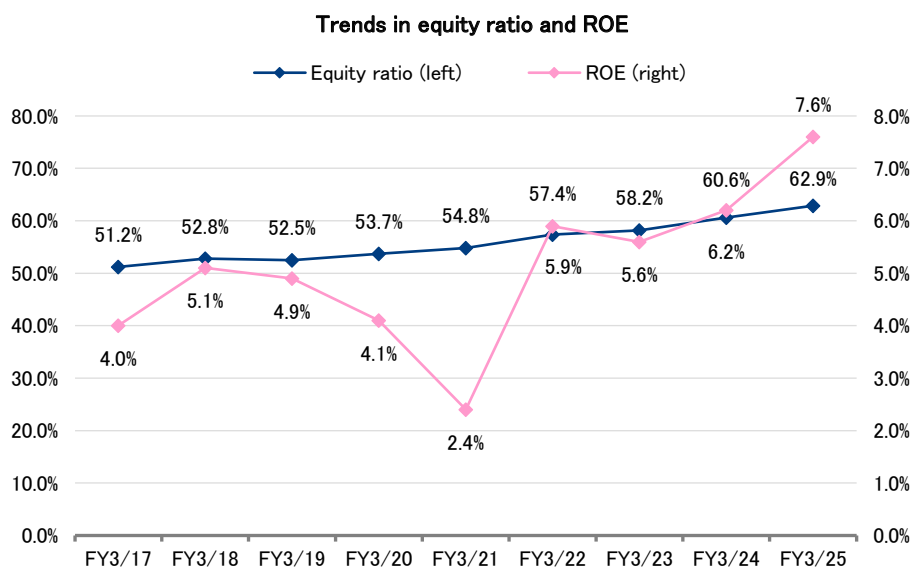
Source: Prepared by FISCO from the Company's financial results

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Results trends



Source: Prepared by FISCO from the Company's financial results

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Shareholder return

Targeting DOE of 4% under the new medium-term corporate business plan to sustain high dividends and implement share buybacks

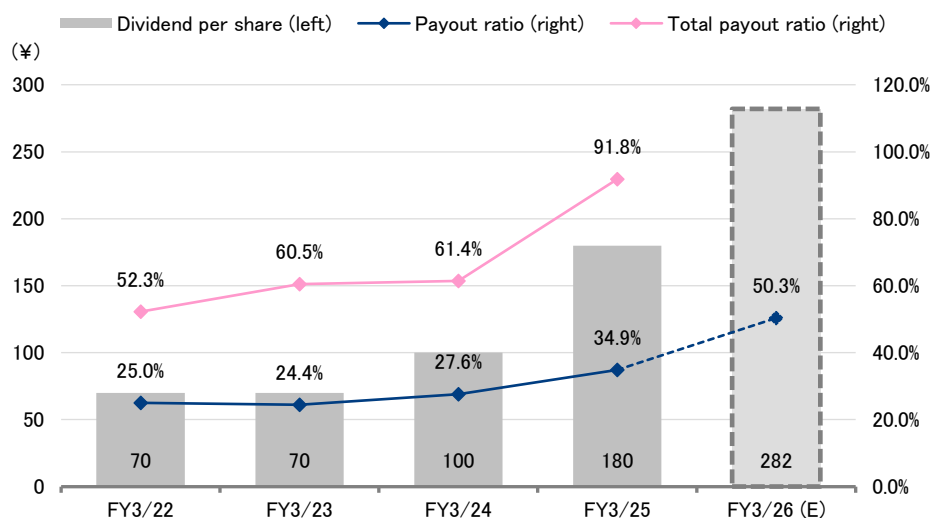
Under the previous medium-term corporate business plan, the Company targeted a total return ratio of 50% or higher through dividends and share buybacks (the actual result exceeded the target, reaching 74.1% over the three-year period). In the new medium-term corporate business plan, the Company has set a target dividend on equity (DOE) of 4% to maintain stable, high-level dividends, and also plans to repurchase ¥20.0bn in shares over the three-year period.

For FY3/25, the Company paid an annual dividend of ¥180 per share (¥60 interim, ¥120 period-end), an increase of ¥80 YoY. For FY3/26, it plans to raise the dividend by ¥102 YoY to ¥282 per share (¥141 interim, ¥141 period-end), with a forecast DOE of 4%.

In addition, based on a resolution by the Board of Directors dated November 7, 2024, the Company is implementing a share buyback program with an upper limit of 1,300,000 shares and ¥6.0bn in total acquisition cost, with an acquisition period from November 8, 2024 to October 31, 2025*.

* As of June 30, 2025, 822,600 shares had been repurchased, totaling ¥4.7bn.

Trends in dividend per share, payout ratio, and total payout ratio



Source: Prepared by FISCO from the Company's financial results, financial statements, and new medium-term corporate business plan materials

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