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August 9, 2022

Consolidated Financial Results for the Three Months Ended June 30, 2022 (Under Japanese GAAP)

Company name: Kurabo Industries Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 3106
 URL: <https://www.kurabo.co.jp/>
 Representative: Haruya Fujita, President
 Inquiries: Hiroshi Fujii, Director, Executive Officer, and Manager of Finance & Accounting Department
 Telephone: +81-6-6266-5188
 Scheduled date to file quarterly securities report: August 10, 2022
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2022	34,026	20.8	1,575	68.3	2,519	76.5	1,619	39.6
June 30, 2021	28,166	–	936	–	1,427	–	1,160	–

Note: Comprehensive income For the three months ended June 30, 2022: ¥2,749 million [495.7%]
 For the three months ended June 30, 2021: ¥461 million [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
June 30, 2022	82.21	–
June 30, 2021	56.99	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
June 30, 2022	168,694	98,303	57.4
March 31, 2022	167,285	97,415	57.4

Reference: Equity
 As of June 30, 2022: ¥96,793 million
 As of March 31, 2022: ¥96,016 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	–	0.00	–	70.00	70.00
Fiscal year ending March 31, 2023	–				
Fiscal year ending March 31, 2023 (Forecast)		35.00	–	35.00	70.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Forecast of consolidated financial results for the year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Three months ending September 30, 2022	68,000	13.3	2,100	(31.3)	2,600	(29.0)	1,600	(32.8)	81.46
Full year	145,000	9.7	7,000	(7.0)	7,600	(13.5)	5,300	(5.4)	270.38

Note: Revisions to the forecasts of financial results most recently announced: None

* **Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

Note: For the details, please refer to “(Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements) in (3) Notes to quarterly consolidated financial statements in 2. Quarterly consolidated financial statements and significant notes thereto” on page 8 of the attached materials.

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2022	20,000,000 shares
As of March 31, 2022	20,756,228 shares

(ii) Number of treasury shares at the end of the period

As of June 30, 2022	443,795 shares
As of March 31, 2022	971,652 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2022	19,705,608 shares
Three months ended June 30, 2021	20,357,809 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(Caution regarding forward-looking statements and others)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, the statements herein do not constitute assurances regarding the Company’s actual results. Actual financial and other results may differ substantially from the statements herein due to various factors. For matters regarding the above earnings forecasts, please refer to “(3) Explanation of consolidated financial forecasts and other forward-looking statements” of “1. Qualitative information regarding financial results for the three months ended June 30, 2022” on page 3 of the attached materials.

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1. Qualitative information regarding financial results for the three months ended June 30, 2022

(1) Explanation of operating results

During the first three months of the fiscal year ending March 31, 2023 (from April 1, 2022 to June 30, 2022) the Japanese economy showed signs of picking up amidst normalization of socioeconomic activities with the gradual easing of the impact of COVID-19.

On the other hand, the outlook remains uncertain due to higher prices of raw materials and cost increases due to the depreciation of the yen and disruption of the global supply chain from the impact of circumstances including the Shanghai lockdown.

In this type of environment, the Group has strived to expand business operations of growth and priority businesses, and enhance the earning capability of core businesses based on the basic policy of “expand high-profit businesses and strengthen core businesses to achieve sustainable growth” in the new medium-term corporate business plan “Progress’ 24” that came into effect in April 2022. We also focused on passing on the soaring costs of raw materials to selling prices.

As a result, net sales for the period under review were ¥34.0 billion (up 20.8% YoY), operating profit was ¥1.57 billion (up 68.3% YoY), ordinary profit was ¥2.51 billion (up 76.5% YoY), and profit attributable to owners of parent was ¥1.61 billion (up 39.6% YoY).

Results by segment are as follows.

(Textiles)

Yarns experienced increased revenue with recovery in orders from domestic and overseas subsidiaries,

Fabrics experienced increased revenues due to recovery from large-scale decrease in orders of casual clothing materials caused by spread of the COVID-19 virus, as well as steady sales in uniform materials.

Textile products (Sewn products, etc.) experienced increased revenue from increased orders of casual wear.

As a result, net sales were ¥12.9 billion (up 42.4% YoY) with operating profit of ¥0.21 billion (operating loss of ¥0.29 billion in the same period of the previous fiscal year).

(Chemical Products)

Flexible polyurethane foam remained in a difficult environment in Japan due to production adjustments by automobile manufacturers affected by semiconductor shortages and difficulty in procuring parts due to the Shanghai lockdown, while overseas subsidiaries experienced increase in overall sales due to recovery from the effects of COVID-19.

Functional resin products experienced increased revenue as high-performance plastic products for semiconductor production performed well against the backdrop of a booming semiconductor market, while sales of functional films for automobiles were sluggish.

Housing construction products experienced increased revenue due to recovery of sales of products such as landscape materials.

Nonwoven fabrics experienced decreased revenue due to sluggish sales of automotive and hygiene materials.

As a result, net sales were ¥13.7 billion (up 16.9% YoY) with operating profit of ¥0.66 billion (up 5.5% YoY).

(Advanced Technology)

Electronics businesses experienced increased revenue with a large-scale project at a subsidiary for silicon wafer cleaning equipment, while sales of AFVI systems for HDI/Flex PCB and chemical concentration meters were sluggish due to the disrupted global supply chain caused by circumstances such as the Shanghai lockdown.

Engineering businesses experienced decreased revenue with few large-scale plant-related projects, even though there was an increase in chemical supply system for the semiconductor industry.

Biomedical businesses experienced increased revenue due to favorable overseas sales of mixer / deaerator while machine tools experienced decreased revenue due to sluggish sales both domestically and in North America.

As a result, net sales were ¥4.1 billion (down 7.7% YoY) with operating profit of ¥0.16 billion (up 4.5% YoY).

(Food and Services)

Freeze-dried foods experienced increased revenue with strong sales of molding soup due to demand for in-home foods.

Hotels and their related services experienced increased revenue due to relaxed restrictions on activity and support for the tourism business.

As a result, net sales were ¥2.2 billion (up 22.5% YoY) with operating profit of ¥0.14 billion (operating loss of ¥0.05 billion in the same period of the previous fiscal year).

(Real Estate)

Due to reduced office space of some tenants, etc., real estate leasing experienced net sales of ¥0.9 billion (down 4.3% YoY), with operating profit of ¥0.64 billion (down 12.0% YoY) due to increased repair and maintenance costs.

(2) Explanation of Financial Position

(Assets, liabilities and net assets)

Total assets at the end of the first quarter of the fiscal year ending March 31, 2023 increased by ¥1.4 billion from the end of the previous fiscal year to ¥168.6 billion due to an increase in inventories, although notes and accounts receivable-trade decreased.

Liabilities increased by ¥0.5 billion from the end of the previous fiscal year to ¥70.3 billion due to an increase in short-term borrowings, although provision for bonuses and income taxes payable decreased.

Net assets increased ¥0.8 billion to ¥98.3 billion due to an increase in foreign currency translation adjustment.

As a result of the above, the equity-to-asset ratio was 57.4%.

(3) Explanation of consolidated financial forecasts and other forward-looking statements

At this point in time, there are no changes in consolidated earnings forecasts announced on May 12, 2022 for the second quarter (cumulative) (April 1, 2022 to September 30, 2022) and the full year (April 1, 2022 to March 31, 2023).

Although there is a possibility that the Company may suffer damages as a result of the fire accident that occurred on June 30, 2022, as described in “Additional information,” the impact of such damages has not been determined at this point in time, and is therefore not taken into account in these consolidated financial forecasts.

The Company will announce any specific impact on earnings in the future as soon as it becomes clear.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	14,116	14,165
Notes and accounts receivable - trade, and contract assets	35,513	32,460
Merchandise and finished goods	12,133	13,362
Work in process	7,587	9,218
Raw materials and supplies	5,751	6,698
Other	3,340	4,034
Allowance for doubtful accounts	(44)	(40)
Total current assets	78,397	79,898
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	23,642	23,465
Other, net	26,043	26,328
Total property, plant and equipment	49,686	49,794
Intangible assets	1,378	1,418
Investments and other assets		
Investment securities	33,975	33,823
Other	4,060	4,017
Allowance for doubtful accounts	(212)	(258)
Total investments and other assets	37,823	37,582
Total non-current assets	88,888	88,795
Total assets	167,285	168,694
Liabilities		
Current liabilities		
Notes and accounts payable - trade	22,419	22,148
Short-term borrowings	8,864	11,247
Income taxes payable	1,630	899
Provision for bonuses	1,478	540
Other	8,369	9,344
Total current liabilities	42,761	44,180
Non-current liabilities		
Long-term borrowings	3,499	3,350
Provision for retirement benefits for directors (and other officers)	207	201
Provision for share-based compensation	74	91
Retirement benefit liability	12,963	12,880
Other	10,363	9,686
Total non-current liabilities	27,109	26,211
Total liabilities	69,870	70,391

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Net assets		
Shareholders' equity		
Share capital	22,040	22,040
Capital surplus	15,210	15,210
Retained earnings	59,293	57,913
Treasury shares	(2,082)	(922)
Total shareholders' equity	94,461	94,242
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,410	10,283
Deferred gains or losses on hedges	52	174
Foreign currency translation adjustment	(8,637)	(7,646)
Remeasurements of defined benefit plans	(270)	(260)
Total accumulated other comprehensive income	1,555	2,551
Non-controlling interests	1,398	1,510
Total net assets	97,415	98,303
Total liabilities and net assets	167,285	168,694

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income**Quarterly consolidated statement of income (cumulative)**

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	28,166	34,026
Cost of sales	22,439	27,451
Gross profit	5,727	6,574
Selling, general and administrative expenses	4,791	4,999
Operating profit	936	1,575
Non-operating income		
Interest income	3	17
Dividend income	465	572
Share of profit of entities accounted for using equity method	–	5
Foreign exchange gains	54	438
Other	120	107
Total non-operating income	643	1,141
Non-operating expenses		
Interest expenses	46	58
Share of loss of entities accounted for using equity method	4	–
Expenses on inactive noncurrent assets	46	50
Other	53	88
Total non-operating expenses	151	197
Ordinary profit	1,427	2,519
Extraordinary income		
Gain on sale of investment securities	402	–
Gain on sale of non-current assets	124	–
Total extraordinary income	526	–
Extraordinary losses		
Loss on disposal of non-current assets	6	19
Business restructuring expenses	96	–
Total extraordinary losses	103	19
Profit before income taxes	1,851	2,500
Income taxes	693	846
Profit	1,157	1,653
Profit (loss) attributable to non-controlling interests	(2)	33
Profit attributable to owners of parent	1,160	1,619

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit	1,157	1,653
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,016)	(127)
Deferred gains or losses on hedges	(13)	121
Foreign currency translation adjustment	285	1,068
Remeasurements of defined benefit plans, net of tax	34	9
Share of other comprehensive income of entities accounted for using equity method	13	23
Total other comprehensive income	(696)	1,095
Comprehensive income	461	2,749
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	405	2,615
Comprehensive income attributable to non-controlling interests	56	133

(3) Notes to quarterly consolidated financial statements

(Notes on premise of going concern)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

1. Purchase of treasury shares

At the board of directors meeting held on May 12, 2022, the Company resolved to acquire treasury shares based on the provisions in Article 156 of the Companies Act, applied by replacing the provisions of Article 165, Paragraph 3 of the same Act, and is proceeding with the acquisition of treasury shares through market purchases on the Tokyo Stock Exchange from May 13, 2022 to December 31, 2022, with up to a total of 1,100,000 shares to be acquired at up to a total acquisition price of ¥2.0 billion. As a result, treasury shares increased ¥446 million (228,200 shares) during the first three months of the fiscal year ending March 31, 2023.

2. Cancellation of treasury shares

At the board of directors meeting held on May 12, 2022, the Company resolved to cancel treasury shares based on the provisions of Article 178 of the Companies Act, and on May 23, 2022, the cancellation of 756,228 shares of treasury shares was carried out. This led to a decrease in retained earnings and treasury shares by ¥1,607 million each during the period under review.

As a result, treasury shares were ¥922 million at the end of the first quarter of the fiscal year ending March 31, 2023.

(Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements)

(Calculation of cost of tax)

The effective tax rate after applying the accounting effect of taxes on profit before taxes for the consolidated fiscal year including the quarter under review is reasonably estimated, and profit before taxes is multiplied by the estimated effective tax rate to calculate cost of tax. However, if the calculation of the cost of tax using the estimated effective tax rate results in significantly unreasonable results, the effective statutory tax rate is used.

(Additional information)

(Fire accident)

A fire broke out at a logistics facility where the Company's Chemical Products Division had conducted heatproofing work.

We deeply apologize to all parties concerned for any inconvenience and concern caused by this fire.

1. Overview of the fire accident

(1) Place of occurrence

Name: Ami No. 2 Logistics Center of SBS Flec Co., Ltd.
Location: 6-1 Hoshinosato, Ami-machi, Inashiki-gun, Ibaraki

(2) Date and time of occurrence

June 30, 2022 (Thursday)	Occurrence
July 5, 2022 (Tuesday)	Fire extinguished

2. Cause of fire and details of damage

The cause of the fire is currently under investigation, and depending on the cause of the fire and the results of discussions with concerned parties, there is a possibility that the Company may incur damages related to this fire accident. At this point in time, we have not yet determined the amount of damage to the Company resulting from the fire, but we will make an announcement as soon as we are in a position to disclose such information.

(Impact of COVID-19)

There were no significant changes to the impact of COVID-19 described in the financial statements for the fiscal year ended March 31, 2022 (Additional information).

(Segment information)

I Three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

Information on the amounts of sales and profit or loss by reportable segment

(Millions of yen)

	Reportable segments						Adjustments (Note 1)	Amount recorded in the quarterly consolidated statement of income (Note 2)
	Textiles	Chemical Products	Advanced Technology	Food and Services	Real Estate	Total		
Sales								
Sales to outside customers	9,075	11,806	4,498	1,812	973	28,166	–	28,166
Intersegment sales or transfers	12	15	58	5	124	215	(215)	–
Total	9,087	11,822	4,557	1,817	1,097	28,382	(215)	28,166
Segment profit (loss)	(294)	633	159	(50)	735	1,184	(248)	936

(Notes) 1. The segment profit or loss adjustment of -negative ¥248 million includes company-wide expenses of -negative ¥251 million and other adjustments of ¥2 million. Company-wide expenses are mainly R&D expenses not attributable to the reporting segment.

2. Segment profit or loss is adjusted with operating income in the consolidated statements of income.

II Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

Information on the amounts of sales and profit or loss by reportable segment

(Millions of yen)

	Reportable segments						Adjustments (Note 1)	Amount recorded in the quarterly consolidated statement of income (Note 2)
	Textiles	Chemical Products	Advanced Technology	Food and Services	Real Estate	Total		
Sales								
Sales to outside customers	12,926	13,796	4,151	2,220	931	34,026	–	34,026
Intersegment sales or transfers	11	31	47	11	109	212	(212)	–
Total	12,937	13,828	4,199	2,232	1,041	34,238	(212)	34,026
Segment profit (loss)	216	668	167	140	647	1,840	(265)	1,575

(Notes) 1. The segment profit adjustment of negative ¥265 million includes company-wide expenses of negative ¥265 million and other adjustments of ¥0 million. Company-wide expenses are mainly R&D expenses not attributable to the reporting segment.

2. Segment profit is adjusted with operating income in the consolidated statements of income.

(Relationship to revenue recognition)

Information on disaggregation of revenue from contracts with customers

[Breakdown by type of goods or services]

Three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

(Millions of yen)

	Reportable segments					Total
	Textiles	Chemical Products	Advanced Technology	Food and Services	Real Estate	
Yarns	3,059	—	—	—	—	3,059
Fabrics	4,275	—	—	—	—	4,275
Textile products (Sewn products, etc.)	2,778	—	—	—	—	2,778
Flexible polyurethane foam	—	3,974	—	—	—	3,974
Functional resin products	—	4,639	—	—	—	4,639
Housing construction products	—	1,832	—	—	—	1,832
Electronics businesses	—	—	2,021	—	—	2,021
Engineering businesses	—	—	1,569	—	—	1,569
Freeze-dried foods	—	—	—	1,500	—	1,500
Services	—	—	—	317	—	317
Others	—	2,249	1,211	—	—	3,461
Intersegment sales	(1,037)	(890)	(304)	(5)	—	(2,237)
Revenue from contracts with customers	9,075	11,806	4,498	1,812	—	27,193
Other revenue	—	—	—	—	973	973
Sales to outside customers	9,075	11,806	4,498	1,812	973	28,166

Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

(Millions of yen)

	Reportable segments					Total
	Textiles	Chemical Products	Advanced Technology	Food and Services	Real Estate	
Yarns	4,399	–	–	–	–	4,399
Fabrics	5,322	–	–	–	–	5,322
Textile products (Sewn products, etc.)	4,892	–	–	–	–	4,892
Flexible polyurethane foam	–	4,645	–	–	–	4,645
Functional resin products	–	5,557	–	–	–	5,557
Housing construction products	–	2,340	–	–	–	2,340
Electronics businesses	–	–	2,634	–	–	2,634
Engineering businesses	–	–	811	–	–	811
Freeze-dried foods	–	–	–	1,691	–	1,691
Services	–	–	–	540	–	540
Others	–	2,198	980	–	–	3,179
Intersegment sales	(1,688)	(945)	(274)	(11)	–	(2,920)
Revenue from contracts with customers	12,926	13,796	4,151	2,220	–	33,094
Other revenue	–	–	–	–	931	931
Sales to outside customers	12,926	13,796	4,151	2,220	931	34,026