

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

August 9, 2023

## Consolidated Financial Results for the Three Months Ended June 30, 2023 (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: Kiyoshi Hamaguchi, Manager of Finance & Accounting Department  
 Telephone: +81-6-6266-5188  
 Scheduled date to file quarterly securities report: August 10, 2023  
 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, 2023 (from April 1, 2023 to June 30, 2023)

#### (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, 2023	33,338	(2.0)	975	(38.1)	1,550	(38.5)	957	(40.9)
June 30, 2022	34,026	20.8	1,575	68.3	2,519	76.5	1,619	39.6

Note: Comprehensive income For the three months ended June 30, 2023: ¥4,668 million [69.8%]  
 For the three months ended June 30, 2022: ¥2,749 million [495.7%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
June 30, 2023	50.89	–
June 30, 2022	82.21	–

#### (2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
June 30, 2023	176,413	106,889	59.7
March 31, 2023	174,086	102,907	58.2

Reference: Equity  
 As of June 30, 2023: ¥105,325 million  
 As of March 31, 2023: ¥101,334 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, 2023	–	35.00	–	35.00	70.00
Fiscal year ending March 31, 2024	–				
Fiscal year ending March 31, 2024 (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 fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(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
Six months ending September 30, 2023	68,500	(4.9)	1,900	(44.2)	2,300	(50.5)	1,400	(57.1)	74.41
Full year	154,000	0.3	7,900	(8.9)	8,500	(15.2)	5,800	5.1	308.29

Note: Revisions to the forecast 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, 2023	20,000,000 shares
As of March 31, 2023	20,000,000 shares

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

As of June 30, 2023	1,186,463 shares
As of March 31, 2023	1,186,212 shares

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

Three months ended June 30, 2023	18,813,685 shares
Three months ended June 30, 2022	19,705,608 shares

Note: The Company has introduced the Board Benefit Trust, a share-based compensation plan for directors, etc. using a trust, and the Company’s shares held by the trust account are included in the number of treasury 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, 2023” on page 3 of the attached materials.

Attached Material

1. Qualitative information regarding financial results for the three months ended June 30, 2023 .....	2
(1) Explanation of operating results .....	2
(2) Explanation of financial position .....	3
(3) Explanation of consolidated financial forecasts and other forward-looking statements.....	3
2. Quarterly consolidated financial statements and significant notes thereto.....	4
(1) Quarterly consolidated balance sheet.....	4
(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income .....	6
Quarterly consolidated statement of income (cumulative) .....	6
Quarterly consolidated statement of comprehensive income (cumulative) .....	7
(3) Notes to quarterly consolidated financial statements.....	8
(Notes on premise of going concern).....	8
(Notes on quarterly consolidated balance sheet).....	8
(Notes on significant changes in the amount of shareholders' equity) .....	8
(Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements) .....	8
(Additional information).....	8
(Segment information).....	9
(Relationship to revenue recognition).....	10

# 1. Qualitative information regarding financial results for the three months ended June 30, 2023

## (1) Explanation of operating results

During the first three months of the fiscal year ending March 31, 2024 (from April 1, 2023 to June 30, 2023), the Japanese economy remained on a moderate recovery trend amidst normalization of socioeconomic activities as restrictions on activities due to COVID-19 were lifted.

On the other hand, amid concerns regarding geopolitical risks, such as the prolongation of the situation surrounding Russia and Ukraine, not being eradicated, the outlook continued to remain uncertain mainly due to the impact of increased commodity price and concerns about a global economic recession caused by the monetary policies of Europe and the U.S.

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 medium-term corporate business plan “Progress’ 24” that came into effect in April 2022.

For the results for the three months ended June 30, 2023, net sales were ¥33.3 billion (down 2.0% YoY), operating profit was ¥0.97 billion (down 38.1% YoY), ordinary profit was ¥1.55 billion (down 38.5% YoY), and profit attributable to owners of parent was ¥0.95 billion (down 40.9% YoY).

Results by segment are as follows.

### (Textiles)

Yarns experienced decreased revenue from decreased orders at overseas subsidiaries due to the impact of inventory adjustments by customers despite steady sales of high-performance products that we produce with our unique technologies.

Fabrics experienced increased revenue due to recovery in orders of casual clothing materials.

Textile products (sewn products, etc.) experienced decreased revenue from decreased orders due to inventory adjustments by customers.

As a result, net sales were ¥11.6 billion (down 9.7% YoY) with operating loss of ¥0.37 billion (operating profit of ¥0.21 billion in the same period of the previous fiscal year) due in part to increased costs.

### (Chemical Products)

Flexible polyurethane foam for automotive interior experienced increased revenue due to steady orders at domestic and Brazilian subsidiaries, despite the sluggish sales at Chinese subsidiaries.

Functional resin products experienced increased revenue due to recovery in orders of functional films for solar cells and automobiles, despite a decrease in orders for high-performance plastic products for semiconductor production in line with a slowdown in semiconductor demand.

Housing construction products experienced increased revenue due to strong sales of heat-insulating materials.

Nonwoven fabrics and functional materials experienced revenue at around the same level year on year.

As a result, net sales were ¥14.1 billion (up 2.4% YoY) with operating profit of ¥0.7 billion (up 4.8% YoY).

### (Advanced Technology)

Electronics businesses experienced decreased revenue as there was a decrease in the amount of orders at a subsidiary for silicon wafer cleaning equipment, despite strong sales for film thickness meters and chemical concentration meters.

Engineering businesses experienced increased revenue due to steady performance by chemical supply systems for the semiconductor industry, and steady construction of industrial equipment at a subsidiary.

Biomedical businesses experienced increased revenue mainly due to steady overseas sales of mixer/deaerator and machine tools experienced increased revenue due to solid performance in North America and China.

As a result, net sales were ¥4.4 billion (up 6.5% YoY) with operating profit of ¥0.18 billion (up 12.4% YoY).

(Food and Services)

Freeze-dried foods experienced decreased revenue due to sluggish sales of instant noodle ingredients and molding soup because of the impact of restrained purchasing caused by declining demand for in-home foods associated with the recovery of demand for eating out as well as increased retail sales prices.

Hotels and their related services experienced increased revenue due to the effects of abolishment of restrictions on activity and support measures for the tourism business.

As a result, net sales were ¥2.1 billion (down 1.8% YoY) with operating profit of ¥0.09 billion (down 30.4% YoY).

(Real Estate)

Real estate leasing recorded net sales of ¥0.9 billion (up 0.6% YoY) with operating profit of ¥0.62 billion (down 3.8% YoY) resulting from an increase in repair expenses, etc.

## **(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, 2024 increased by ¥2.3 billion from the end of the previous fiscal year to ¥176.4 billion mainly due to an increase in investment securities, although notes and accounts receivable - trade, and contract assets decreased.

Liabilities decreased by ¥1.6 billion from the end of the previous fiscal year to ¥69.5 billion mainly due to decreases in short-term borrowings and notes and accounts payable - trade, although there was an increase in deferred tax liabilities, which are included in “other” under non-current liabilities.

Net assets increased by ¥3.9 billion from the end of the previous fiscal year to ¥106.8 billion mainly due to an increase in valuation difference on available-for-sale securities.

As a result of the above, the equity-to-asset ratio was 59.7%, up 1.5 percentage points.

## **(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 11, 2023 for the second quarter (cumulative) (April 1, 2023 to September 30, 2023) and the full year (April 1, 2023 to March 31, 2024).

Furthermore, regarding the fire accident (“Notification on the Possibility of the Occurrence of Damages to the Company” released on July 27, 2022) that occurred on June 30, 2022, which is described in “Notes on quarterly consolidated balance sheet (Contingent liabilities),” although there is a possibility that the Company may incur additional damages, 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, 2023	As of June 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	10,392	9,943
Notes and accounts receivable - trade, and contract assets	37,894	34,925
Merchandise and finished goods	16,561	17,101
Work in process	9,801	10,928
Raw materials and supplies	6,821	6,517
Other	3,345	3,319
Allowance for doubtful accounts	(45)	(42)
Total current assets	84,771	82,693
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	23,230	22,998
Other, net	23,945	23,990
Total property, plant and equipment	47,176	46,989
Intangible assets	1,447	1,478
Investments and other assets		
Investment securities	36,868	41,500
Other	4,058	3,980
Allowance for doubtful accounts	(236)	(230)
Total investments and other assets	40,690	45,250
Total non-current assets	89,315	93,719
Total assets	174,086	176,413
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	21,242	20,214
Short-term borrowings	13,002	11,786
Income taxes payable	1,636	739
Provision for bonuses	1,461	557
Other	8,687	9,597
Total current liabilities	46,030	42,895
Non-current liabilities		
Long-term borrowings	1,555	1,444
Provision for retirement benefits for directors (and other officers)	226	191
Provision for share-based payments	128	146
Retirement benefit liability	12,891	12,912
Other	10,348	11,933
Total non-current liabilities	25,149	26,627
Total liabilities	71,179	69,523

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Net assets		
Shareholders' equity		
Share capital	22,040	22,040
Capital surplus	15,210	15,210
Retained earnings	61,137	61,432
Treasury shares	(2,477)	(2,477)
Total shareholders' equity	95,910	96,205
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,193	16,433
Deferred gains or losses on hedges	(43)	109
Foreign currency translation adjustment	(7,523)	(7,223)
Remeasurements of defined benefit plans	(202)	(199)
Total accumulated other comprehensive income	5,424	9,120
Non-controlling interests	1,572	1,564
Total net assets	102,907	106,889
Total liabilities and net assets	174,086	176,413



**(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, 2022	Three months ended June 30, 2023
Net sales	34,026	33,338
Cost of sales	27,451	27,189
Gross profit	6,574	6,149
Selling, general and administrative expenses	4,999	5,174
Operating profit	1,575	975
Non-operating income		
Interest income	17	22
Dividend income	572	590
Share of profit of entities accounted for using equity method	5	7
Other	546	166
Total non-operating income	1,141	788
Non-operating expenses		
Interest expenses	58	85
Other	138	128
Total non-operating expenses	197	213
Ordinary profit	2,519	1,550
Extraordinary income		
Gain on sale of investment securities	–	100
Total extraordinary income	–	100
Extraordinary losses		
Loss on disposal of non-current assets	19	106
Loss on sale of investment securities	–	6
Total extraordinary losses	19	112
Profit before income taxes	2,500	1,537
Income taxes	846	609
Profit	1,653	928
Profit (loss) attributable to non-controlling interests	33	(28)
Profit attributable to owners of parent	1,619	957

**Quarterly consolidated statement of comprehensive income (cumulative)**

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	1,653	928
Other comprehensive income		
Valuation difference on available-for-sale securities	(127)	3,237
Deferred gains or losses on hedges	121	153
Foreign currency translation adjustment	1,068	332
Remeasurements of defined benefit plans, net of tax	9	2
Share of other comprehensive income of entities accounted for using equity method	23	13
Total other comprehensive income	1,095	3,739
Comprehensive income	2,749	4,668
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,615	4,653
Comprehensive income attributable to non-controlling interests	133	14

### **(3) Notes to quarterly consolidated financial statements**

#### **(Notes on premise of going concern)**

Not applicable.

#### **(Notes on quarterly consolidated balance sheet)**

##### **(Contingent liabilities)**

On June 30, 2022, a fire broke out at the logistics facility Ami No. 2 Logistics Center of SBS Flec Co., Ltd. (location: 6-1 Hoshinosato, Ami-machi, Inashiki-gun, Ibaraki) at which the Company's Chemical Products Division had conducted heat-insulating work. The fire was extinguished on July 5, 2022.

During the fiscal year ended March 31, 2023, the Company recorded losses on fire disaster under extraordinary losses of ¥295 million to account for the Company's contribution as discussed and determined among the relevant companies at behest of SBS Flec Co., Ltd. and other expenses. The aforementioned disbursement is provisional given that proportional liability with respect to the fire and the overall amount of damages attributable to the fire have yet to be determined at this point in time. As such, the Company may incur additional damages pursuant to factors such as the overall amount of damages, which is to be determined based on findings of the currently ongoing investigation by fire authorities into the cause of the fire and also based on results of discussions with concerned parties.

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

Not applicable.

#### **(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 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)**

Regarding the fire accident described in "Notes on quarterly consolidated balance sheet (Contingent liabilities)," the cause of the fire is still under investigation by fire authorities and we have not yet determined the details and the amount of additional damage to the Company resulting from the fire at this point in time. The Company will announce any specific impact on earnings in the future as soon as it becomes clear.

**(Segment information)**

I 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	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 reportable segment.

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

II Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

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	11,675	14,124	4,422	2,179	936	33,338	–	33,338
Intersegment sales or transfers	15	9	85	11	109	233	(233)	–
Total	11,690	14,133	4,508	2,191	1,046	33,571	(233)	33,338
Segment profit (loss)	(373)	700	187	97	623	1,235	(260)	975

(Notes) 1. The segment profit or loss adjustment of negative ¥260 million includes company-wide expenses of negative ¥257 million and other adjustments of negative ¥2 million. Company-wide expenses are mainly R&D expenses not attributable to the reportable segment.

2. Segment profit or loss is adjusted with operating profit in the quarterly consolidated statement 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, 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

Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

(Millions of yen)

	Reportable segments					Total
	Textiles	Chemical Products	Advanced Technology	Food and Services	Real Estate	
Yarns	4,070	–	–	–	–	4,070
Fabrics	5,942	–	–	–	–	5,942
Textile products (Sewn products, etc.)	3,125	–	–	–	–	3,125
Flexible polyurethane foam	–	4,921	–	–	–	4,921
Functional resin products	–	5,716	–	–	–	5,716
Housing construction products	–	2,353	–	–	–	2,353
Electronics businesses	–	–	2,346	–	–	2,346
Engineering businesses	–	–	1,098	–	–	1,098
Freeze-dried foods	–	–	–	1,546	–	1,546
Services	–	–	–	645	–	645
Others	–	2,179	1,220	–	–	3,399
Intersegment sales	(1,462)	(1,045)	(243)	(11)	–	(2,762)
Revenue from contracts with customers	11,675	14,124	4,422	2,179	–	32,401
Other revenue	–	–	–	–	936	936
Sales to outside customers	11,675	14,124	4,422	2,179	936	33,338