

# COMPANY RESEARCH AND ANALYSIS REPORT

## Kurabo Industries Ltd.

3106

Tokyo Stock Exchange Prime Market

13-Feb.-2026

FISCO Ltd. Analyst

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FISCO Ltd.

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

## Contents

<b>Summary</b>	<b>01</b>
1. Business description	01
2. Value creation process	01
3. Overview of 1H FY3/26 results	01
4. FY3/26 forecasts	02
5. Basic policy of medium-term corporate business plan Accelerate'27	02
<b>Business description</b>	<b>02</b>
<b>Value creation process</b>	<b>05</b>
<b>Results trends</b>	<b>06</b>
1. Overview of 1H FY3/26 results	06
2. Summary of 1H FY3/26 results	09
<b>Results of main activities</b>	<b>10</b>
1. Progress of business portfolio strategy	10
2. Outcomes of R&D activities	10
<b>Outlook</b>	<b>11</b>
1. FY3/26 forecasts	11
2. FISCO's view	12
<b>Overview of medium-term corporate business plan Accelerate'27</b>	<b>12</b>
1. Basic policy	12
2. Numerical targets	12
3. Business portfolio strategy	13
4. Outlook for each business segment	14
5. Cash allocation	15
6. Roadmap to improving capital profitability	17
7. Focus points for FISCO in the medium to long term	17
<b>Results trends</b>	<b>18</b>
<b>Shareholder return</b>	<b>20</b>

**Kurabo Industries Ltd.** | 13-Feb.-2026  
3106 Tokyo Stock Exchange Prime Market | <https://www.kurabo.co.jp/english/finance/>

## Summary

### While sales and profit both decreased in 1H FY3/26, the profit level was higher than forecast

#### 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. Going forward, it will conduct its business activities with sustainability in mind and pursue the development of products and technologies based on themes such as health, comfort, and environmental awareness to contribute to a better future. Under the newly begun medium-term corporate business plan Accelerate'27, the Company plans to concentrate management resources on priority businesses in which growth may be expected 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 stable earnings in the Real Estate Business and R&D structure centered on the Technical Research Laboratory also support value creation. At present, 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, the life science-related domain (which encompasses automation and control systems, medical devices, food-related markets, etc.), high-performance films, and robot vision systems.

#### 3. Overview of 1H FY3/26 results

In the 1H FY3/26 consolidated results, net sales were ¥69,245mn, down 3.6% year on year (YoY), and operating profit was ¥3,929mn, down 7.3%. While both sales and profit decreased, the profit level was higher than forecast. Net sales slowed in the Chemical Products Business due to a slump in the semiconductor market, apart from in cutting-edge areas such as AI and data centers. They also slumped in the Textiles Business, which is undergoing structural reforms. On the other hand, there was strong growth in the Advanced Technology Business, while the Food and Services Business and Real Estate Business also performed steadily. On the profit front, there was a decrease in profit due to factors such as lower sales and structural reform costs, but each business performed well relative to the forecasts. Furthermore, the Company realized a substantial increase in profit attributable to owners of parent due to recording gains on the sale of cross-shareholdings.

## Kurabo Industries Ltd. | 13-Feb.-2026

3106 Tokyo Stock Exchange Prime Market | <https://www.kurabo.co.jp/english/finance/>

### Summary

#### 4. FY3/26 forecasts

For the FY3/26 consolidated results, the Company expects that net sales and operating profit will be in line with the initial forecasts, with net sales decreasing 4.4% YoY to ¥144.0bn and operating profit falling 22.4% to ¥8.0bn. 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 the Anjo Mill's closure and rising labor and other costs (closure of the Anjo Mill was completed at the end of July). 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 already issued, ¥141 period-end), an increase of ¥102 from FY3/25.

#### 5. Basic policy of medium-term corporate business plan Accelerate'27

Accelerate'27 (FY3/26–FY3/28), the new medium-term corporate business plan, marks the third stage of the Long-term Vision 2030\* (FY3/20–FY3/31). 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-related 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). It has also set a dividend on equity (DOE) target of 4% and aims to repurchase ¥20.0bn in shares over three years.

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

#### Key Points

- While sales and profit both decreased in 1H FY3/26, the profit level was higher than forecast
- For FY3/26, the full-year forecasts remain unchanged for net sales and operating profit, while bottom-line profit has been revised upward
- The medium-term corporate business plan will further accelerate business portfolio transformation and drive improvements in profit margins and capital efficiency
- In terms of shareholder returns, the Company is targeting a dividend on equity (DOE) of 4% and aims to repurchase ¥20.0bn in shares over a three-year period

## ■ 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.

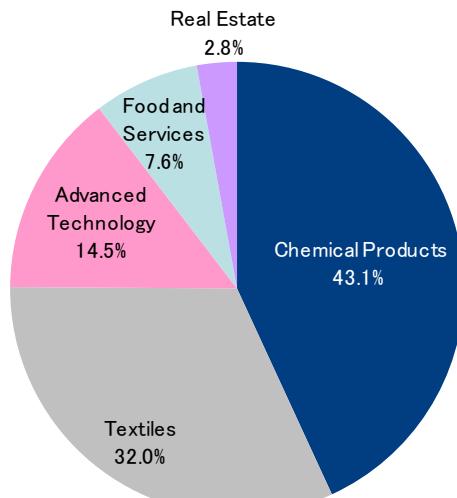
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**3106 Tokyo Stock Exchange Prime Market** | <https://www.kurabo.co.jp/english/finance/>

Business description

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. In descending order, net sales in 1H FY3/26 broke down into 43.1% for Chemical Products, 32.0% for Textiles, 14.5% for Advanced Technology, 7.6% for Food and Services, and 2.8% for Real Estate.

**Net sales breakdown by business segment (1H FY3/26)**



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

**(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.

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**Kurabo Industries Ltd.** | **13-Feb.-2026**  
**3106 Tokyo Stock Exchange Prime Market** | <https://www.kurabo.co.jp/english/finance/>

Business description

**(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 the natural fiber cotton. It has 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<sup>\*1</sup>, which adds various functions to natural fibers used as materials for towels, socks, and underwear; L<sup>o</sup>PLUS<sup>\*2</sup>, an upcycling system for textile cutting waste in casual wear materials; flame-retardant fabrics BREVANO and PROBAN used as uniform materials; and work environment support tool product Smartfit for Work<sup>\*3</sup>, an on-site risk management system.

\*1 Made using Kurabo's proprietary technologies, NaTech can give functionality to natural fibers. It provides warmth, deodorization, and moisture absorption and desorption, effects that continue even after repeated washings.

\*2 L<sup>o</sup>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.

**(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.

**Kurabo Industries Ltd.** | **13-Feb.-2026**  
**3106 Tokyo Stock Exchange Prime Market** | <https://www.kurabo.co.jp/english/finance/>

Business description

**(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. Going forward, synergistic effects with the Advanced Technology Business may also be expected in the life science-related business area. 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 development and safety of the local community. With a distinctive red brick facade covered in ivy, Kurashiki Ivy Square in Kurashiki Bikan Historical Area is a consistently popular cultural facility that also offers accommodation. It is a landmark in the Company's birthplace of Kurashiki.

**(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 in the Textiles Business, such as former factory sites, through the development of offices, commercial facilities, mega-solar installations, and other properties. It is highly profitable, generating stable operating profit of over ¥2.0bn with limited costs even in times of recession, underpinning the Company's earnings as a source of revenue supporting the growth of the entire Group.

## ■ **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 of 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-related 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 systems (chemical concentration meters), life science (gene extraction and analysis), and new materials (super engineering plastic film and fiber reinforced composites).

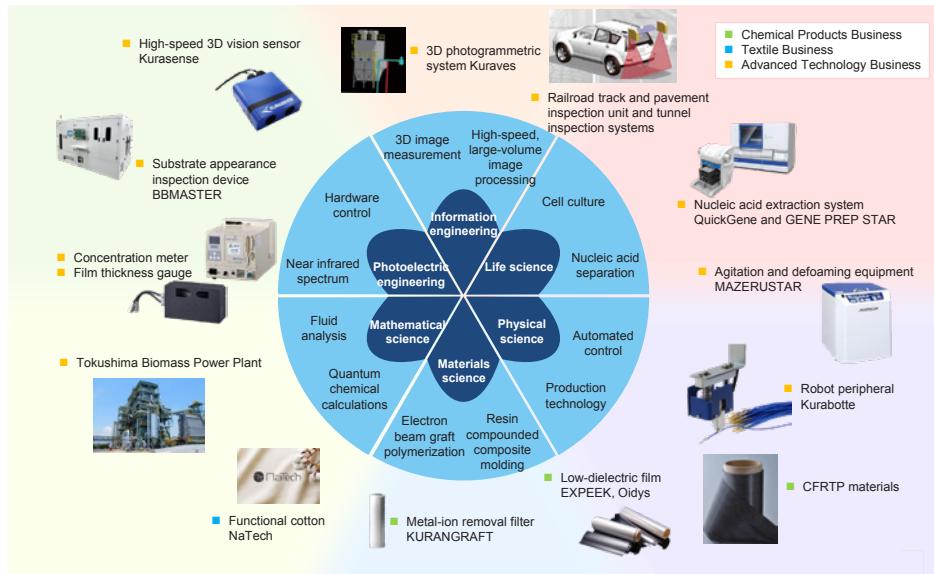
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3106 Tokyo Stock Exchange Prime Market | <https://www.kurabo.co.jp/english/finance/>

### Value creation process

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-related 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 IR briefing materials

## Results trends

**While sales and profit decreased in the 1H results due to factors such as a slump in the semiconductor market, the profit level was higher than forecast**

### 1. Overview of 1H FY3/26 results

In the 1H FY3/26 consolidated results, net sales were ¥69,245mn (down 3.6% YoY), operating profit was ¥3,929mn (down 7.3%), ordinary profit was ¥4,843mn (down 5.0%), and profit attributable to owners of parent (net profit) was ¥6,421mn (down 87.5%). Sales and profit (except for net profit) therefore declined, but the profit level exceeded the forecast.

Net sales decreased in the Chemical Products Business as sales of high-performance plastic products slowed due to a slump in the non-AI related semiconductor market. They also slumped in the Textiles Business, which is undergoing structural reforms, due to the casual wear division's struggles. However, the decrease was within the anticipated range for both businesses. On the other hand, in the Advanced Technology Business, there was strong growth in net sales for factory automation (FA) equipment, inspection systems for the railway industry, wafer cleaning systems, etc. The Food and Services Business and Real Estate Business also performed steadily overall.

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**Kurabo Industries Ltd.** | **13-Feb.-2026**  
**3106 Tokyo Stock Exchange Prime Market** | <https://www.kurabo.co.jp/english/finance/>

Results trends

Profit decreased due to factors such as slower sales of high-performance plastic products in the Chemical Products Business and structural reform costs in the Textiles Business. However, the Company was able to achieve a profit level significantly exceeding the forecast mainly due to growth of the Advanced Technology Business and improvement in the Food and Services Business and Real Estate Business. Furthermore, net profit increased substantially due to recording gain on the sales of cross-shareholdings (¥4.3bn).

With regard to cash flows, cash flow from operating activities was significantly positive (¥9,028mn) due to a decrease in operating capital. Cash flow from investing activities was slightly negative (-¥352mn), with sales of cross-shareholdings (positive) and capital investment, etc. (negative) mostly offsetting each other. Cash flow from financing activities was significantly negative (-¥8,735mn) due to repurchasing shares and paying dividends. Based on the above, the balance of cash and cash equivalents decreased ¥181mn from the end of the previous fiscal year to ¥14,977mn.

There were no notable changes in the Company's financial condition. Total assets remained flat, decreasing 0.2% from the end of the previous fiscal year to ¥190,193mn. Investment securities increased despite pursuing the sale of cross-shareholdings due to the impact of higher share prices (evaluation at market price). Meanwhile, shareholders' equity increased 3.8% from the end of the previous fiscal year to ¥124,396mn, as the enhancement of valuation difference on available-for-sale securities (unrealized gain on investment securities) in association with higher share prices and the increase in retained earnings exceeded outflows (repurchasing of shares and payment of dividends). As a result, the equity ratio rose somewhat to 65.4% (62.9% at end of previous fiscal year).

**Results overview for 1H FY3/26**

	1H FY3/25		1H FY3/26		YoY		1H FY3/26		Revised forecast		(\$mn)
	Results	vs. net sales	Results	vs. net sales	Change amount	% change	Initial forecast	vs. net sales	(announced on August 7)	vs. net sales	
Net sales	71,845	-	69,245	-	-2,599	-3.6%	68,000	-	70,000	-	
Chemical Products Business	32,592	45.4%	29,869	43.1%	-2,723	-8.4%	-	-	30,000	42.9%	
Textiles Business	23,650	32.9%	22,131	32.0%	-1,519	-6.4%	-	-	22,000	31.4%	
Advanced Technology Business	8,866	12.3%	10,044	14.5%	1,177	13.3%	-	-	10,900	15.6%	
Food and Services Business	4,873	6.8%	5,230	7.6%	356	7.3%	-	-	5,100	7.3%	
Real Estate Business	1,862	2.6%	1,971	2.8%	109	5.9%	-	-	2,000	2.9%	
Gross profit	14,656	20.4%	14,555	21.0%	-100	-0.7%	-	-	-	-	
SG&A expenses	10,415	14.5%	10,625	15.3%	210	2.0%	-	-	-	-	
Operating profit	4,241	5.9%	3,929	5.7%	-311	-7.3%	2,200	3.2%	3,200	4.6%	
Chemical Products Business	2,312	7.1%	1,564	5.2%	-748	-32.4%	-	-	1,300	4.3%	
Textiles Business	35	0.1%	-524	-2.4%	-560	-	-	-	-700	-	
Advanced Technology Business	1,052	11.9%	1,830	18.2%	777	73.9%	-	-	1,700	15.6%	
Food and Services Business	217	4.5%	369	7.1%	152	70.0%	-	-	300	5.9%	
Real Estate Business	1,186	63.7%	1,245	63.2%	59	5.0%	-	-	1,100	55.0%	
Ordinary profit	5,100	7.1%	4,843	7.0%	-257	-5.0%	3,000	4.4%	4,000	5.7%	
Profit attributable to owners of parent	3,425	4.8%	6,421	9.3%	2,995	87.5%	5,000	7.4%	5,600	8.0%	

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

**Kurabo Industries Ltd.** | **13-Feb.-2026**  
**3106 Tokyo Stock Exchange Prime Market** | <https://www.kurabo.co.jp/english/finance/>

Results trends

**Financial condition (simplified)**

	End of FY3/25	End of 1H FY3/26	Change amount	(¥mn) % change
<b>Current assets</b>	84,835	79,795	-5,039	-5.9%
<b>Non-current assets</b>	105,693	110,397	4,704	4.5%
Property, plant and equipment	44,268	43,471	-796	-1.8%
Intangible fixed assets	1,533	1,493	-40	-2.6%
Investments and other assets (investment securities)	59,891 55,994	65,432 61,672	5,541 5,678	9.3% 10.1%
<b>Total assets</b>	<b>190,529</b>	<b>190,193</b>	-335	-0.2%
<b>Current liabilities</b>	39,502	33,740	-5,762	-14.6%
<b>Non-current liabilities</b>	29,843	30,751	907	3.0%
<b>Net assets</b>	<b>121,182</b>	<b>125,701</b>	4,518	3.7%
Shareholders' equity	119,805	124,396	4,591	3.8%
<b>Total liabilities and net assets</b>	<b>190,529</b>	<b>190,193</b>	-335	-0.2%

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**

Sales and profit both decreased, with net sales declining 8.4% YoY to ¥29,869mn and segment profit dropping 32.4% to ¥1,564mn. Sales of high-performance plastic products slowed due to a slump in the non-AI related semiconductor market, but the decline was within the anticipated range. On the other hand, functional films for solar batteries performed steadily, while the adoption of functional films in the semiconductor production-related domain (semiconductors for AI, etc.) is also steadily growing (see below for details). In industrial materials, there was strong growth in orders for soft polyurethane for automobile interiors and non-woven fabrics and heat-insulating materials for automobile filters. Profit decreased due to lower sales putting downward pressure on earnings. Although the Company engaged in structural reforms and productivity improvement for industrial materials, the segment margin fell to 5.2% (7.1% in 1H FY3/25) due to the slump in high-performance plastic products, which are highly profitable.

**(2) Textiles Business**

Sales and profit both decreased, with net sales declining 6.4% YoY to ¥22,131mn and a segment loss of ¥524mn (profit of ¥35mn in 1H FY3/25). While sales of yarn performed steadily, especially differentiated yarn such as NaTech, a high-performance cotton yarn made using material modification technology, casual wear struggled both domestically and overseas due to a decrease in orders from major customers. Furthermore, there was a one-time adjustment in uniforms due to the loss of a major contract for Smartfit, but sales of products for uniform apparel grew. Profit decreased substantially (recorded segment loss) due to downward pressure on earnings from lower sales as well as the occurrence of temporary structural reform costs (expenses associated with the closure of the Anjo Mill). The closure of the Anjo Mill was completed at the end of July.

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**Kurabo Industries Ltd.** | **13-Feb.-2026**  
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Results trends

**(3) Advanced Technology Business**

Both sales and profit increased, with net sales rising 13.3% YoY to ¥10,044mn and segment profit jumping 73.9% to ¥1,830mn. Sales of products such as chemical concentration meters for the semiconductor production-related domain and wafer and filter cleaning systems performed strongly, while electronics and engineering boosted results. In life science and technology, increased orders for FA equipment at a subsidiary offset decreased exports of stirring and defoaming equipment to North America due to the impact of US tariffs and slow sales of robot vision systems. Profit increased substantially due to higher sales boosting earnings and the contributions of projects with high profit margins. The segment margin therefore improved significantly to 18.2% (11.9% in 1H FY3/25).

**(4) Food and Services Business**

Net sales rose 7.3% YoY to ¥5,230mn and segment profit increased 70.0% to ¥369mn, resulting in higher sales and profit. Net sales performed well in both food and service. In food, there was strong growth in sales of instant noodles ingredients, while for soup, adoption of new products and development of new customers progressed. In service, accommodation and restaurant sales in hotel-related business grew strongly on the back of robust inbound tourism demand, while banquet demand also showed a recovery trend. On the profit front, due to the effect of reduced fixed costs associated with higher sales, the segment margin improved to 7.1% (4.5% in 1H FY3/25).

**(5) Real Estate Business**

Sales and profit both increased, with net sales rising 5.9% YoY to ¥1,971mn and segment profit up 5.0% to ¥1,245mn. The opening of new leased properties contributed to the improved performance. The segment margin remained at the high level of 63.2% (63.7% in 1H FY3/25).

**2. Summary of 1H FY3/26 results**

Sales and profit decreased in 1H FY3/26. However, in terms of the context for this lull in results, cyclical developments in the semiconductor market (slow recovery) and strategic initiatives (structural reform costs) had a major impact, and there is no sign of a decline in the Company's inherent growth potential and profitability. Meanwhile, there is some variation in results by product group, but each business performed steadily relative to the forecasts. One might say that the Company achieving profits surpassing the forecasts has once again confirmed the strength of its complex earnings structure. Furthermore, in terms of activities, while it completed the closure of the Anjo Mill, it was also able to demonstrate notable achievements aimed at business portfolio reform and supply chain restructuring, such as beginning full-scale operation of the Kumamoto Innovation Center. Amid the protracted slump in the semiconductor market, there are other factors that can be deemed positive for the future: 1) the steadily expanding presence of the Company's functional films in the area of semiconductor production processes for AI (back-end processes), where growth may be expected, while meeting highly demanding performance requirements, and 2) the development of increased production capacity for metal ion removal filters for semiconductor photoresist processing using the Company's proprietary material modification technology.

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## Results of main activities

### Providing competitive products in the semiconductor production-related domain

#### 1. Progress of business portfolio strategy

##### (1) Semiconductor production-related domain

In the semiconductor production-related domain, which is a priority business, sales of mainstay high-performance plastic products slowed due to the impact of the slump in the overall semiconductor market, but the Company showed steady growth of functional films for manufacturing processes for semiconductors for AI (back-end processes), for which demand is growing. The need for these in semiconductor back-end processing is increasing in light of the limits on miniaturization in front-end processing. In particular, the market is being driven by a shift toward advanced packaging in application areas such as AI, data centers, and autonomous driving, and the Company's functional films are well-positioned to capture this growth area. Specifically, products such as functional film for dicing process tape and Oidys® package release film are being adopted in the production process for semiconductors for AI. They are valued for meeting high performance requirements and their excellent cost effectiveness.

##### (2) Life science-related domain

Another priority business is the life science-related domain. The Company attended the 2025 International Robot Exhibition (December 3 to 6), where it exhibited its solutions for wire harness production automation, dispensing automation, automobile part assembly automation, automation of research tasks (lab automation), etc. Furthermore, in terms of specific examples, it is working on charging automation (high-precision sensing functions, operation, etc.), which is an issue in the electric vehicle production process. In this domain, the vision it has outlined is to help resolve social issues such as improving health and addressing labor shortages by combining biotechnology and automation solutions, but it is expected that it will take some time to create new markets and fully commercialize business. Co-creating value with customers who face issues and collaborating with partners are the keys to determining whether the Company will succeed in harnessing this domain's huge potential. Therefore, a key question is how to first raise awareness of its technological capabilities (solution capabilities) in society.

#### 2. Outcomes of R&D activities

In materials science, one of its six core technologies, the Company has enhanced production capacity for KURANGRAFT, a metal ion removal filter that leverages electron beam graft polymerization technology\*. KURANGRAFT is a filter that removes or reduces trace metal ions contained in chemicals used in semiconductor photoresist processing. The Company is aiming for annual sales of ¥0.5bn in the semiconductor production market. It also intends to explore development in other fields.

\* Electron beam graft polymerization technology is being jointly developed with the Takasaki Institute for Advanced Quantum Science (National Research and Development Agency). It is a modification technology that adds new functions to polymer materials such as natural fiber by irradiating them with an electron beam (radiation). Functions such as moisture wicking and heat generating, moisture wicking, and deodorizing are added to NaTech functional cotton by applying this technology to natural fibers such as raw cotton.

**Kurabo Industries Ltd.** | **13-Feb.-2026**  
**3106 Tokyo Stock Exchange Prime Market** | <https://www.kurabo.co.jp/english/finance/>

## Outlook

### The FY3/26 forecasts for net sales and operating profit remain unchanged

#### 1. FY3/26 forecasts

For the FY3/26 results, the Company expects net sales to decrease 4.4% YoY to ¥144.0bn, operating profit to drop 22.4% to ¥8.0bn, and ordinary profit to decline 19.4% to ¥9.5bn, in line with the initial forecasts. On the other hand, the forecast for profit attributable to owners of parent has been revised upward to ¥10.5bn, an increase of 16.5%.

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 the Anjo Mill's closure and higher labor and other costs (closure of the Anjo Mill was completed at the end of July). The Company aims to secure growth in profit attributable to owners of parent through gains on the sale of cross-shareholdings.

The reason that the full-year forecasts remain unchanged despite the 1H results exceeding the initial forecasts is the Company is taking a conservative view of the semiconductor market's recovery. The breakdown by business has been partially revised: the forecast was revised downward in the Chemical Products Business, where delayed recovery is expected for high-performance plastic products, but it was revised upward for the Advanced Technology Business, where there are strong sales of products for the semiconductor production-related domain, and the Food and Services Business, in which sales expansion is progressing. It is therefore assumed that overall results will meet the initial forecasts.

#### FY3/26 forecasts

	FY3/26 forecasts						(¥mn)	
	FY3/25				FY3/26		YoY	
	Results (a)	vs. net sales	Initial forecast	vs. net sales	Revised forecast (b)	Composition ratio	(b) - (a)	% change
<b>Net sales</b>	150,660	-	144,000	-	144,000	-	-6,660	-4.4%
Chemical Products Business	66,002	43.8%	64,000	44.4%	62,500	43.4%	-3,502	-5.3%
Textiles Business	48,532	32.2%	43,500	30.2%	43,500	30.2%	-5,032	-10.4%
Advanced Technology Business	21,943	14.6%	22,200	15.4%	23,200	16.1%	1,257	5.7%
Food and Services Business	10,458	6.9%	10,500	7.3%	11,000	7.6%	542	5.2%
Real Estate Business	3,723	2.5%	3,800	2.6%	3,800	2.6%	77	2.1%
<b>Operating profit</b>	10,311	6.8%	8,000	5.6%	8,000	5.6%	-2,311	-22.4%
Chemical Products Business	5,030	7.6%	3,900	6.1%	3,500	5.6%	-1,530	-30.4%
Textiles Business	75	0.2%	-700	-1.6%	-700	-1.6%	-775	-
Advanced Technology Business	3,341	15.2%	3,000	13.5%	3,400	14.7%	59	1.8%
Food and Services Business	724	6.9%	700	6.7%	700	6.4%	-24	-3.3%
Real Estate Business	2,243	60.3%	2,200	57.9%	2,200	57.9%	-43	-1.9%
<b>Ordinary profit</b>	11,784	7.8%	9,500	6.6%	9,500	6.6%	-2,284	-19.4%
<b>Profit attributable to owners of parent</b>	9,014	6.0%	9,500	6.6%	10,500	7.3%	1,486	16.5%

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

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**Kurabo Industries Ltd.** | **13-Feb.-2026**  
3106 Tokyo Stock Exchange Prime Market | <https://www.kurabo.co.jp/english/finance/>

Outlook

**2. FISCO's view**

To achieve the forecasts, net sales of ¥74,755mn and operating profit of ¥4,071mn will be required in 2H. While it is necessary to continue monitoring the uncertain international situation, market trends, and so forth, the Company's forecasts are at a level which conservatively factors in the slump in the semiconductor market, and we at FISCO view them as thoroughly achievable. Accordingly, if the semiconductor market recovers faster than anticipated, it is even possible that results will be higher than the forecasts. A lull in results is forecast for FY3/26, the first year of the medium-term plan. Attention should therefore be paid to how the Company develops its structure to accelerate growth in the next fiscal year and beyond. Key points will be its production capacity enhancement, R&D, quality enhancement, and strengthening of relationships with customers in order to capture the recovery of the overall semiconductor market and growth in demand for semiconductors for AI, including the Kumamoto Innovation Center, which began full-scale operation in July. Furthermore, attention should be paid to the roadmap to improving profit and loss in the Textiles Business, which has undertaken structural reforms. If progress is made on developing a global chain focused on the growth of highly profitable proprietary technology products (e.g., NaTech) and overseas production sites, it seems very likely that the Company will return to profitability in the next fiscal year.

## ■ Overview of medium-term corporate business plan Accelerate'27

### **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.

**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.

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**Kurabo Industries Ltd.** | **13-Feb.-2026**  
**3106 Tokyo Stock Exchange Prime Market** | <https://www.kurabo.co.jp/english/finance/>

Overview of medium-term corporate business plan Accelerate'27

**Numerical targets of the medium-term corporate business plan**

	Base year FY3/25 results	FY3/26 forecast	FY3/27 plan	FY3/28 (final year)		
				Plan	Change	CAGR
<b>Net sales</b>	150.6	144.0	152.0	165.0	14.3	3.1%
<b>Operating profit</b>	10.3	8.0	11.2	13.0	2.6	8.0%
<b>Ordinary profit</b>	11.7	9.5	12.0	13.0	1.2	3.3%
<b>Profit attributable to owners of parent</b>	9.0	9.5	10.0	11.0	1.9	6.9%
<b>Operating profit ratio</b>	6.8%	5.6%	7.4%	7.9%	1.1pp	
<b>ROE (return on equity)</b>	7.6%	8.7%	9.0%	10.0%	2.4pp	
<b>ROA (return on assets)</b>	5.4%	4.2%	6.2%	7.5%	2.1pp	
<b>ROIC (return on invested capital)</b>	5.5%	4.2%	6.4%	7.9%	2.4pp	

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<sup>\*1</sup> (high-performance plastic products, functional films, concentration meters, chemical supply systems, wafer cleaning systems, etc.) and the life science-related domain<sup>\*2</sup> (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 July 2025, the Kumamoto Innovation Center began full-scale operation, 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 equipment. The sales target for FY3/28 is ¥17.1bn (1.2 times that of FY3/25).

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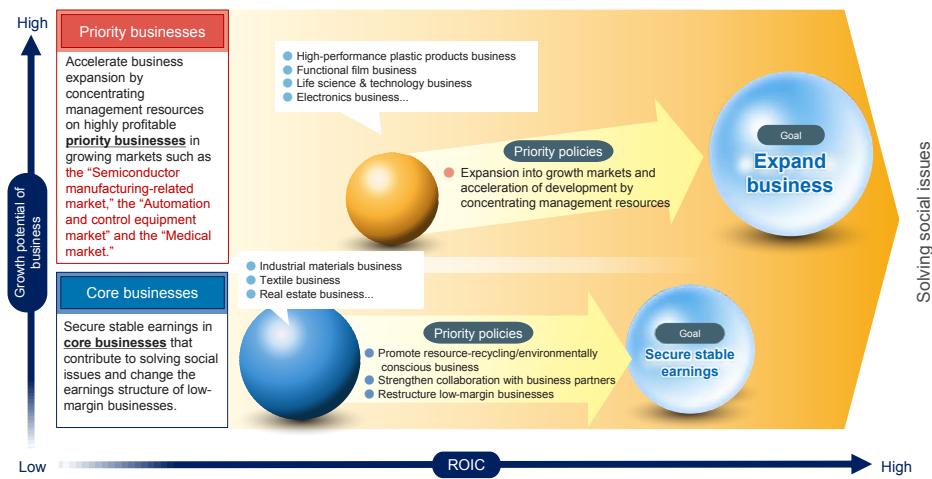
## Kurabo Industries Ltd. | 13-Feb.-2026

3106 Tokyo Stock Exchange Prime Market | <https://www.kurabo.co.jp/english/finance/>

Overview of medium-term corporate business plan Accelerate'27

### Target business portfolio image

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



Source: The Company's IR briefing 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	Concentration meters, etc.	Advanced Technology
	Engineering	Chemical supply systems, wafer cleaning systems, etc.	Advanced Technology
Life science-related	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 batteries, various high-performance films	Chemical Products
	Electronics	Infrastructure inspection systems, film thickness gauges, etc.	Advanced Technology

Source: Prepared by FISCO from 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 semi-conductor production-related field in FY3/26, the first year of the plan, significant growth is projected thereafter. The operating 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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**Kurabo Industries Ltd.** | **13-Feb.-2026**  
**3106 Tokyo Stock Exchange Prime Market** | <https://www.kurabo.co.jp/english/finance/>

Overview of medium-term corporate business plan Accelerate'27

#### **(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 operating 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-related 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 infrastructure inspection). In the life science-related 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 operating 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-related 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 in the Textiles Business. 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.

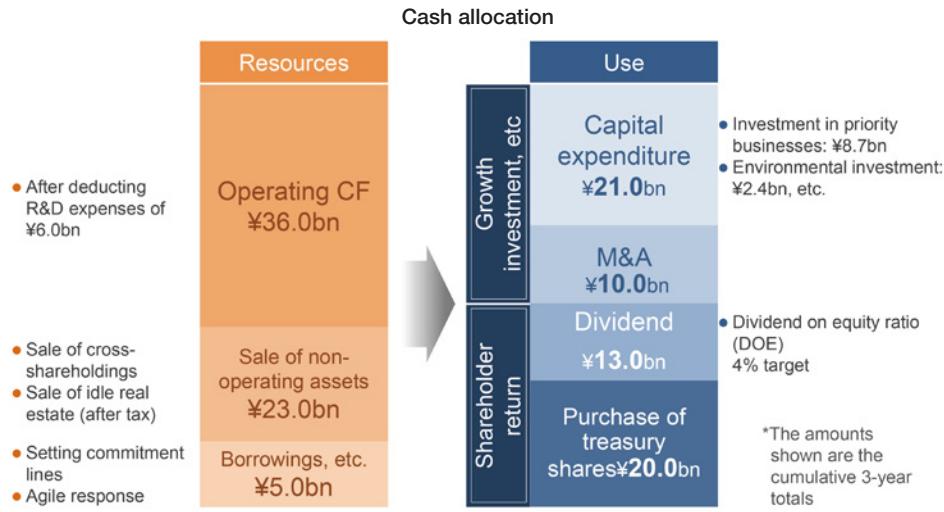
\*1 After deducting ¥6.0bn in R&D expenses

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

## Kurabo Industries Ltd. | 13-Feb.-2026

3106 Tokyo Stock Exchange Prime Market | <https://www.kurabo.co.jp/english/finance/>

Overview of medium-term corporate business plan Accelerate'27



### (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.

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

The Company plans to invest ¥6.0.bn 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.

#### Breakdown of R&D expenses (priority projects)

Core technologies	Projects	R&D expenses	Products
Mathematical science	Computational chemistry Fluid analysis	¥0.8 bn	High-speed 3D vision sensor KURASENSE, Pavement inspection unit and tunnel inspection systems, Robot peripheral Kurabotte
Physical science	Mechanical control Production technology	¥1.3 bn	Low-dielectric film EXPEEK, Oidys Chemical concentration meter
Photoelectric engineering	Spectroscopic measurement Circuit design	¥0.5 bn	Nucleic acid extraction QuickGene and GENE PREP STAR
Information engineering	Image processing AI perception	¥2.0 bn	Functional cotton NaTech Composite materials
Materials science	Surface modification Converting	Others ¥1.4 bn	Total ¥6.0 bn (cumulative 3-year total)
Life science	Nucleic acid separation Cell culture		

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

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**Kurabo Industries Ltd.** | **13-Feb.-2026**  
**3106 Tokyo Stock Exchange Prime Market** | <https://www.kurabo.co.jp/english/finance/>

Overview of medium-term corporate business plan Accelerate'27

#### **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 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.

#### **7. Focus points for FISCO in the medium to long term**

Given the changes in the environment surrounding the founding Textiles Business, we at FISCO deem the direction of the Long-term Vision 2030 (reforming the business structure to create innovation and high earnings) that the Company has pursued until now to be appealing and convincing. Furthermore, the newly launched medium-term corporate business plan Accelerate'27 leverages the Company's strengths and positions the semiconductor production-related domain and life science-related domain, which may be expected to have high growth and profitability, as priority businesses. It also lays out a cross-organizational policy of concentrating management resources and finally gives concrete form to the planned business portfolio reforms. The remaining question is how to assess their feasibility, speed of implementation, and potential scope. Notable points in each domain are as follows.

- (1) In the semiconductor production-related domain, besides performance, quality, and cost, the key issue is how it will be possible to meet semiconductor production equipment manufacturers' demand (issues) through technological development, etc. With regard to this point, it will be important to pay attention to developments in functional films, whose use is steadily growing in production processes for semiconductors for AI, and KURANGRAFT, which leverages the Company's proprietary technology. If the Company can continue to produce differentiated products like these and capture demand in key growth areas, it will likely be able to achieve profit growth while also switching to an earnings structure that is less susceptible to market conditions.
- (2) In the life science-related domain, based on the Company's vision of creating new value with a focus on addressing social issues, the keys to success will be collaborating with partners and co-creating value with customers facing issues such as labor shortages and lack of productivity. To achieve this, it will be essential to develop channels in industries where there has been a lack of pipelines, such as the nursing care and medical field. Accordingly, it will be necessary to keep an eye on future developments in terms of how the Company accesses customers (markets), including the use of external resources through strategic alliances, M&A, etc. While it may be necessary to take a long-term view when it comes to full-scale commercialization in this domain, it has the potential to significantly alter the business model.

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**Kurabo Industries Ltd.** | **13-Feb.-2026**  
**3106 Tokyo Stock Exchange Prime Market** | <https://www.kurabo.co.jp/english/finance/>

Overview of medium-term corporate business plan Accelerate'27

Furthermore, key factors in judging future feasibility are the backing provided by intellectual capital and financial capital. Intellectual capital is of course the technology, expertise, and knowledge the Company has accumulated to date, and the key point is how this will be applied and monetized. Meanwhile, when it comes to financial capital, the existence of cross-shareholdings with considerable unrealized gains (investment securities balance of around ¥61.6bn) is a major point. In the past, there was a tendency for investors to view this as a factor that reduces capital efficiency, but going forward, it should instead be seen as a driver of value creation based on its use for growth investments and R&D. The Company has stated that it plans to pursue a gradual approach to sales of cross-shareholdings during the period of the medium-term corporate business plan and allocate the funds raised thereby to growth investments and shareholder returns. This may be viewed as a major period of transition in terms of reforming the business portfolio and improving the balance sheet at the same time. In light of the above, the three key points from a medium- to long-term perspective may be broadly summed up as follows: How will the Company link intellectual capital to earnings? How will it leverage financial capital? And how will it collaborate with external resources, including M&A?

## ■ Results trend

### **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 Business 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.

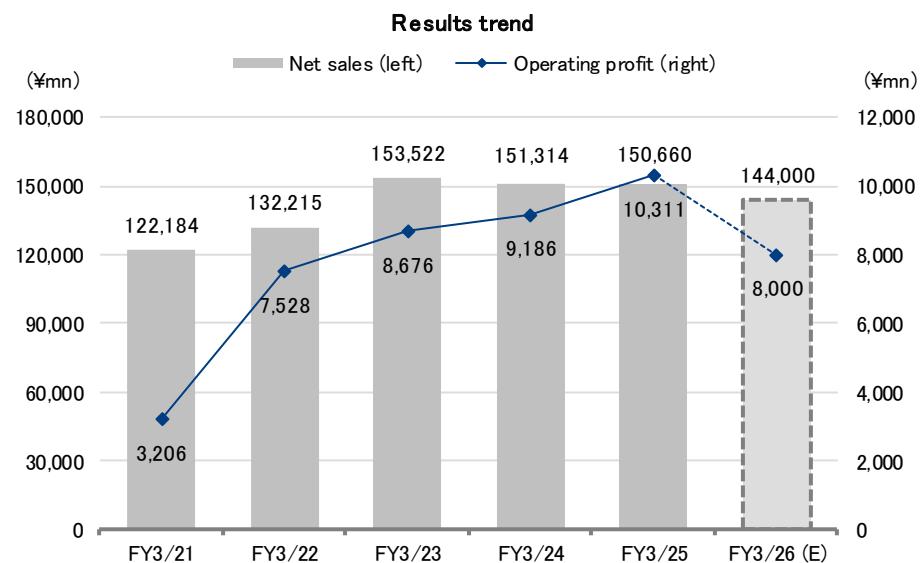
Turning to profit, the operating profit ratio trended mostly in the 3% range through FY3/21. Although the Real Estate Business was a stable source of earnings and added value was increasing in the Advanced Technology Business and others, the Textiles Business remained weak. During the period of medium-term 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 the targets of the medium-term corporate business plan Creation'21 (FY3/20–FY3/22), 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 previous plan, Progress'24 (FY3/23–FY3/25), 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.

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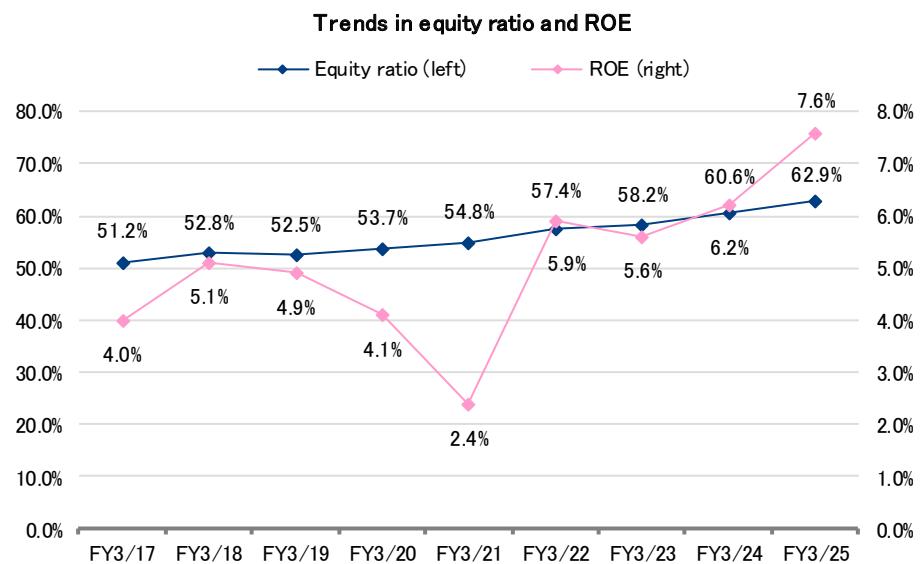
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**3106 Tokyo Stock Exchange Prime Market** | <https://www.kurabo.co.jp/english/finance/>

Results trend

Looking at the Company's financial condition, it reduced total assets through structural reforms and cuts in investment securities, while also 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% range to the 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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Kurabo Industries Ltd. | 13-Feb.-2026  
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## Shareholder return

### Targeting DOE of 4% to sustain high dividends and planning to implement share buybacks

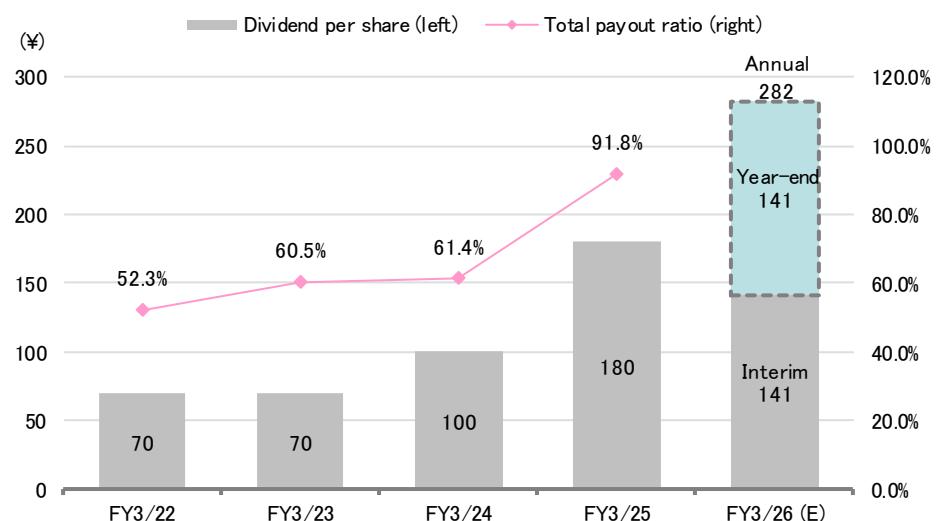
In the newly begun medium-term corporate business plan, the Company has set a target dividend on equity (DOE) of 4% to maintain stable, high-level dividends and also plans to repurchase ¥20.0bn in shares over the three-year period. For FY3/26, it plans to raise the dividend by ¥102 YoY to ¥282 per share (¥141 interim already paid, ¥141 period-end), with a forecast DOE of 4%.

In addition, based on a resolution by the Board of Directors on November 7, 2024, the Company implemented share buybacks costing around ¥6.0bn (987,000 shares) during the period from November 8, 2024, to October 31, 2025\*1. On November 11, 2025, the Board of Directors also resolved to implement a share buyback program with an upper limit of 1,000,000 shares and ¥7.0bn in total acquisition cost, with an acquisition period from November 12, 2025, to September 30, 2026\*2.

\*1 This includes around ¥2.5bn (367,000 shares) for shares acquired in FY3/26.

\*2 At the same time, it also resolved to cancel 1,000 treasury shares, which was implemented on November 25, 2025.

Trends in dividend per share 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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