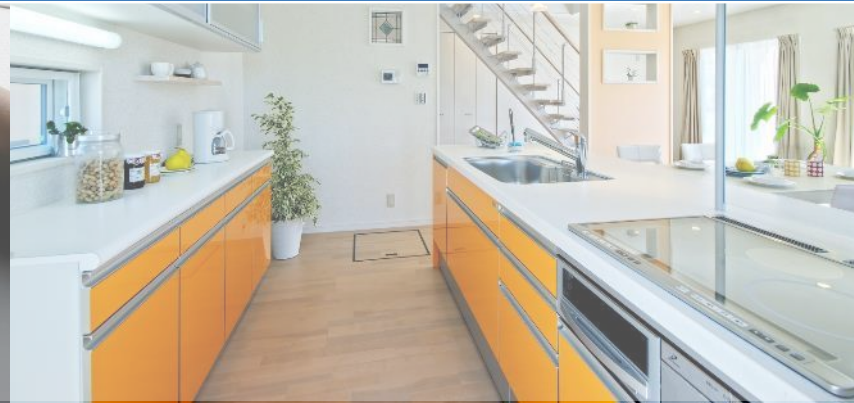
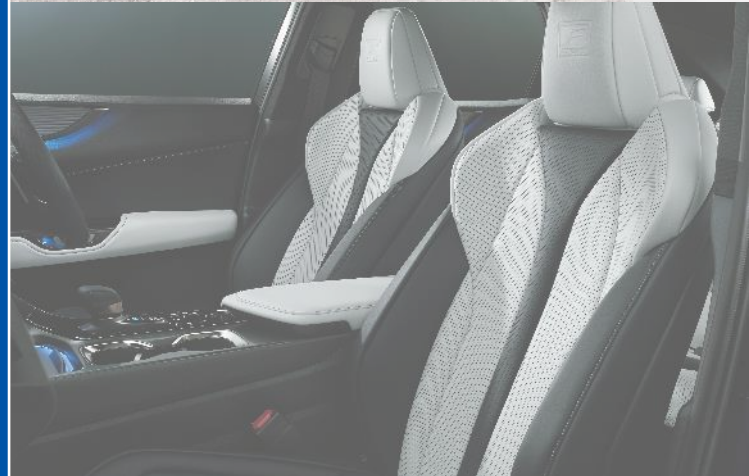




Long-Term Vision and Mid-term Business Plan

May 27, 2024

Kyowa Leather Cloth Co.,Ltd.
Stock Code: 3553



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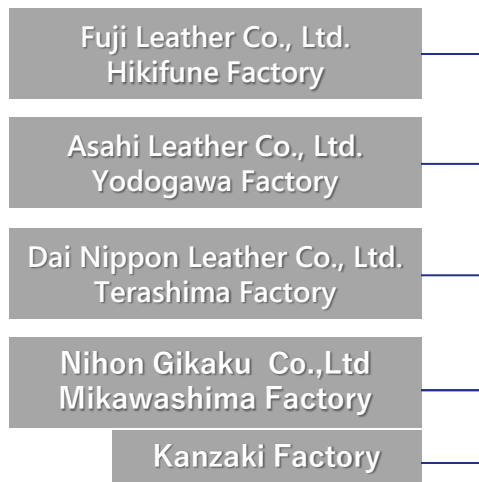
Company Overview



Company Profile

Company Name	Kyowa Leather Cloth Co., Ltd.	
Establishment	August 1935	
Sales	52 billion yen (Fiscal Year ending March 2024)	
Consolidated Number of Employees	1,395 (plus temporary employees 113) (as of the end of March 2024)	
Products	Automotive	Synthetic leather for interiors, molded composite materials for interiors, decorative films for interiors and exteriors
	Housing and Housing Equipment	Decorative films for steel plates and plywood
	Fashion and Living Materials	Synthetic leather for furniture, synthetic leather for footwear, synthetic leather for miscellaneous goods
Offices	Headquarters, Technology Center, QA Center, Tokyo Sales Office, Hanshin Sales Office, Tenryu No. 1 Factory, Tenryu No. 2 Factory, Shinshiro Factory, Asaba Factory	
Consolidated subsidiaries	Kyowa Life Techno Co., Ltd Kyowa Support & Service Co., Ltd Kyowa-GSK Plastics (Langfang) Co., Ltd. (China)	
Affiliates accounted for by the equity method	Nanya Kyowa Plastics (Nantong) Co., Ltd. (China)	





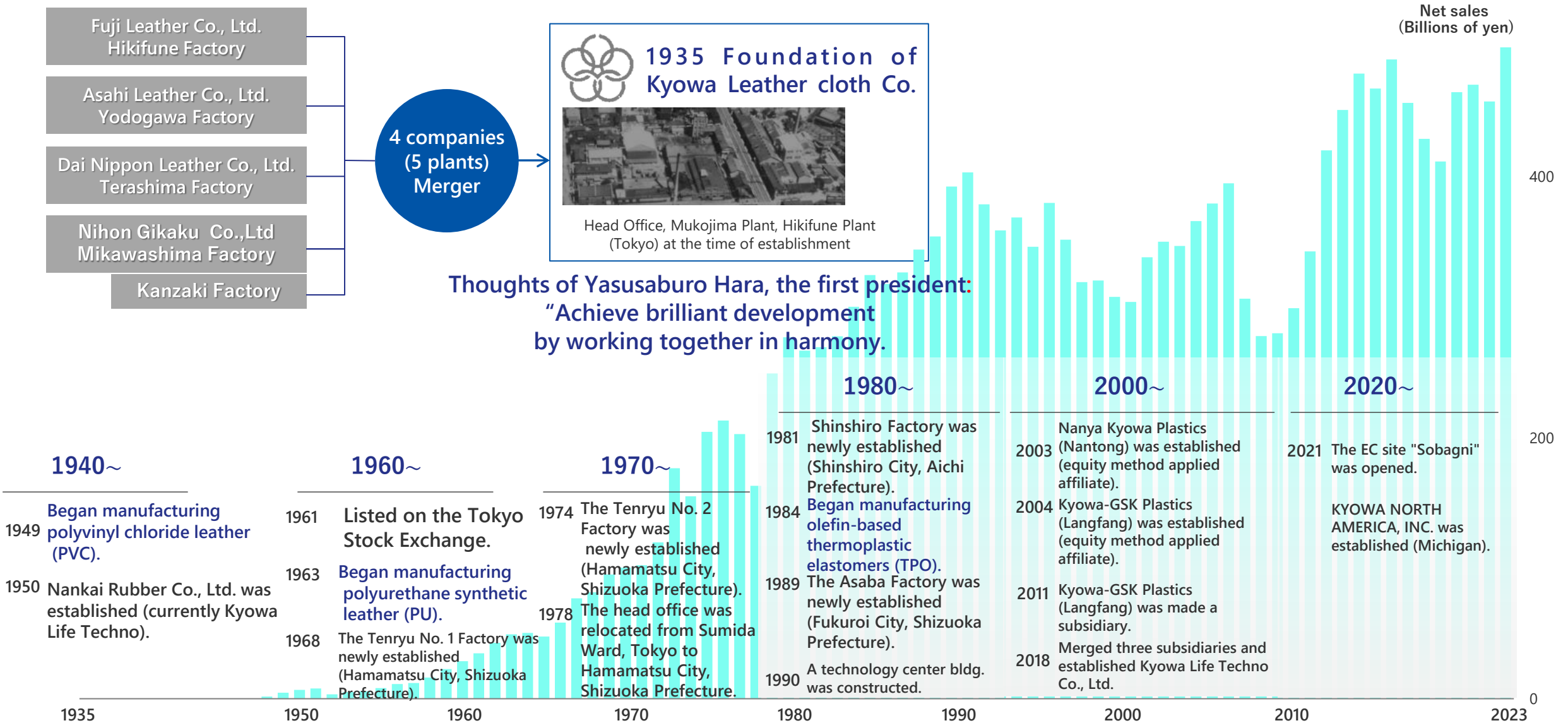
4 companies
(5 plants)
Merger

1935 Foundation of Kyowa Leather cloth Co.

Head Office, Mukojima Plant, Hikifune Plant (Tokyo) at the time of establishment

Thoughts of Yasusaburo Hara, the first president:
"Achieve brilliant development by working together in harmony."

Net sales
(Billions of yen)



1935 Establishment of Kyowa Leather Cloth

Housing & Sundries

Wall cloth, rubber hose
Gloves, boots, fishing coats



Housing & Living Materials

1951

Started PVC leather production for automobile interiors



PVC for Automobile

1963

Launch of urethane synthetic leather for shoes and bags



composite material

Urethane synthetic leather for fashion

Film

1990

Launch of "SOFKA III" PVC mat'l for thermoform interior parts



Molded Skin

Urethane skin for automobiles

1993

Launch of TPO for automobile door trims



TPO

1949

Production of PVC leather for furniture begins



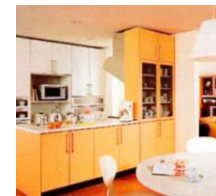
1960

Laminated PVC and urethane foam



1989

Decorative Film for Residential Housing Started production



1992

Development of urethane synthetic leather for automobile seats



2012

Synthetic leather for automobile seat main Production started



– Used in various parts as a leading manufacturer of surface materials for automobiles

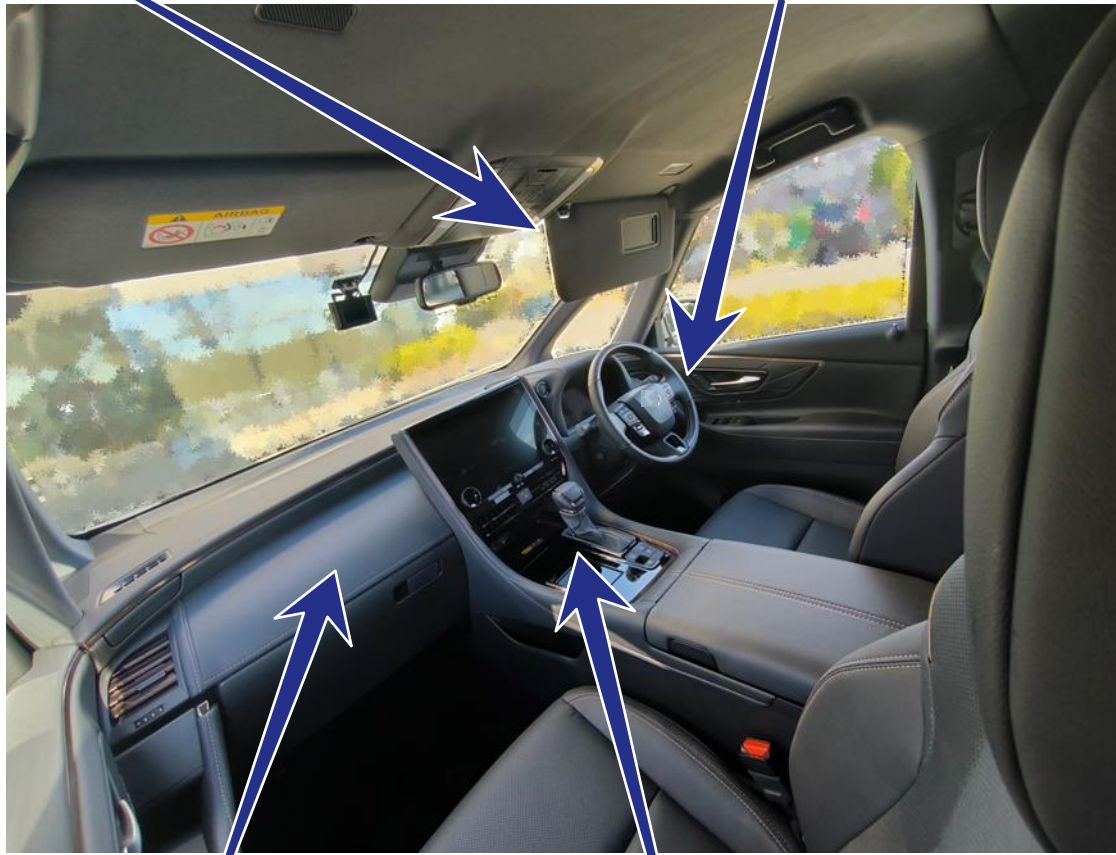
Sun visor : PVC sheet

Steering wheel: PU synthetic leather

Door trim: TPO composite, PVC composite
Door ornament: PVC synthetic leather, PU synthetic leather

Tonneau cover: PVC synthetic leather

Luggage cover: PVC synthetic leather



Instrument panels: TPO sheets and TPO composite materials • Decorative films

Shift boots and assist grips: PU synthetic leather

Seat: PVC synthetic leather, PU synthetic leather

Seat backboard: TPO composite and PVC composite

- Expanding the product's applications to industrial applications such as for bullet trains having various expertise accumulated in the housing equipment field

Wood grain film



Outdoor film



Light resistance

Large Molded Films



TOM molding

Adhesive film



Molded film



Membrane Molding



Stone pattern



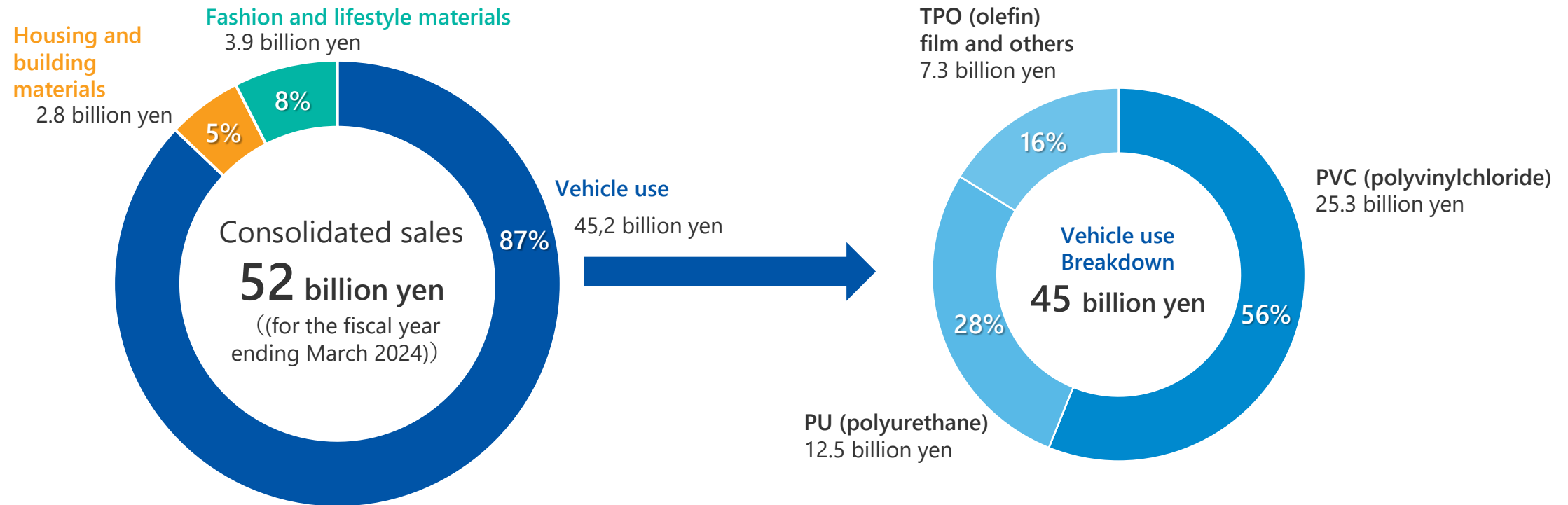
Wood grain pattern



metal pattern

- Automobile interior material consists 87% of total sales, holding the largest share of synthetic leather materials for automotive interiors in Japan, ranked among the “top” group in the world as well.
- For housing and building materials, we provide durable films for kitchens, unit baths, entrance doors, etc.
- For fashion and lifestyle materials, we commercialize synthetic leather for bags, women's clothing, boots, etc.

Sales by application



Offices and Affiliated Companies

Kyowa Leather Cloth Co., Ltd

Subsidiaries and Affiliates

Kyowa-GSK Plastics (Langfang) Co., Ltd. (China)

Manufacture and sales of synthetic leather for vehicles (consolidated subsidiary)



Shinshiro Plant (Shinshiro City, Aichi Prefecture)

TPO composite materials, TPO sheets, PVC sheet



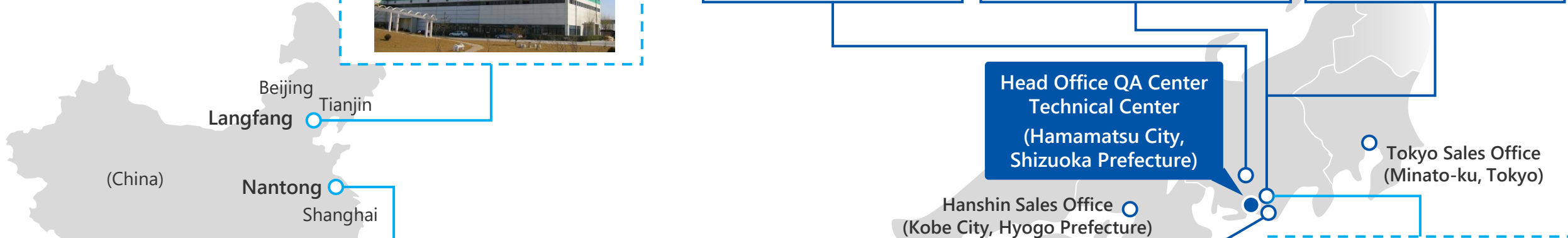
Tenryu Plant No.1 (Hamamatsu City, Shizuoka Prefecture)

PVC synthetic leather and PVC composite materials



Tenryu No.2 Plant (Hamamatsu City, Shizuoka Prefecture)

PU synthetic leather



Head Office QA Center Technical Center (Hamamatsu City, Shizuoka Prefecture)

Tokyo Sales Office (Minato-ku, Tokyo)

Hanshin Sales Office (Kobe City, Hyogo Prefecture)

Nanya Kyowa Plastics (Nantong) Co., Ltd. (China)

Manufacture and sales of films for housing and housing equipment (equity method affiliate)



Kyowa Life Techno Co., Ltd (Naruto City, Tokushima Prefecture)

Manufacture and sales of synthetic leather for fashion and lifestyle materials, and films for housing and residential use (consolidated subsidiary)



Asaba Plant (Fukuroi City, Shizuoka Prefecture)

Films for steel sheet plywood, Decorative films



Kyowa Support & Service Co., Ltd (Hamamatsu City, Shizuoka Prefecture)

Worker dispatch services, warehousing, synthetic leather manufacturing and incidental operations (Consolidated subsidiary)

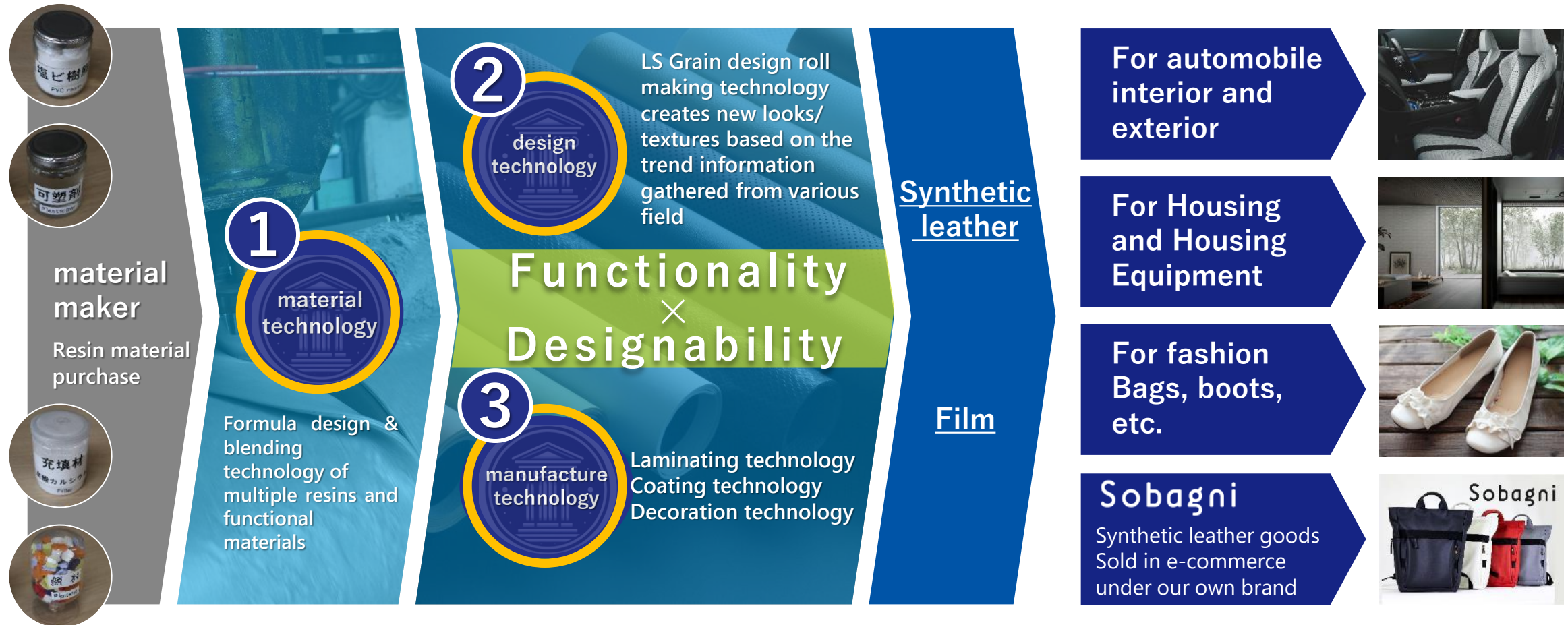




Features & Strengths



- Kyowa Leather Cloth's strengths (1) material technology, (2) design technology, and (3) manufacturing technology.
- Mass production of products that meet the stringent quality requirements of automobile manufacturers keeps us at the top in the Japanese automotive interior composite skin material market.



1. Materials Technology

- The know-how in material formulation and processing technology has enabled us mixing/dispersion(uniform mix) of the synthetic resins and appropriate additives.
- Functional materials are added, and surface treatment is applied to provide a variety of functions such as antifouling, anti-mildew and antibacterial, and temperature rise suppression

Mixing and dispersion

- Polyvinyl chloride (PVC)
- Polyurethane (PU)
- Olefin-based thermoplastics Elastomers (TPO), etc.

× Additives

Addition of functional ingredients and additives for uniform mixing



Addition of various functions

antibacterial

Heat resistant

infrared radiation reflection

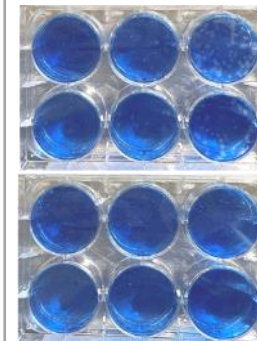
watertight

Anti-mildew

ultraviolet reflection

Deodorant

Antifouling



Raw products
White spots
Viral infections

Antiviral Leather
No white spots
observed.

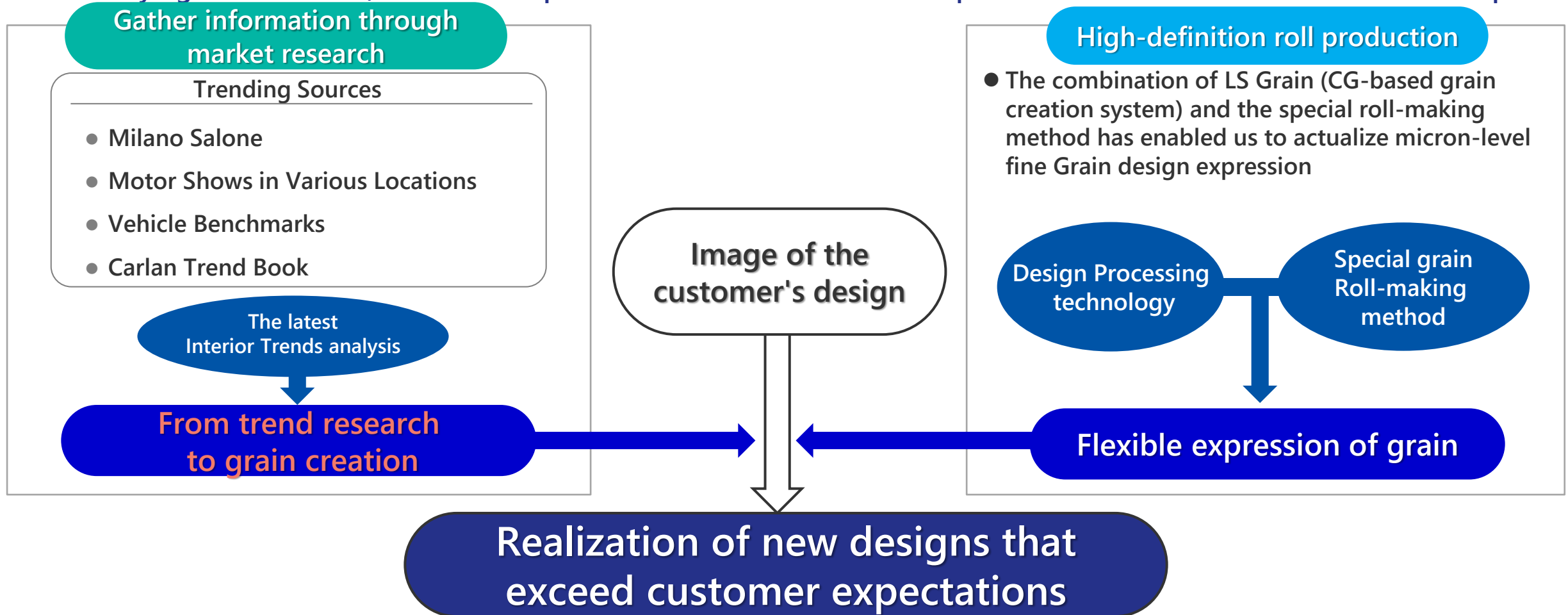
Examples of Functional Materials

Antiviral Leather
disperse the antiviral agent in the surface treatment agent, Laminated

Solar Heat Reflective Exterior Film
Reflecting UV/IR rays on PVC Formulated with pigments

2. Design Technology (Design)

- Utilizing various trend information from various venues/media like Milano Salone and Carlin's trend books, trend surveys, vehicle benchmarks*, etc., our design team keep creating new grain patterns.**
- Embodying leather colors, textures and patterns that exceed customer expectations that meet their needs and concepts



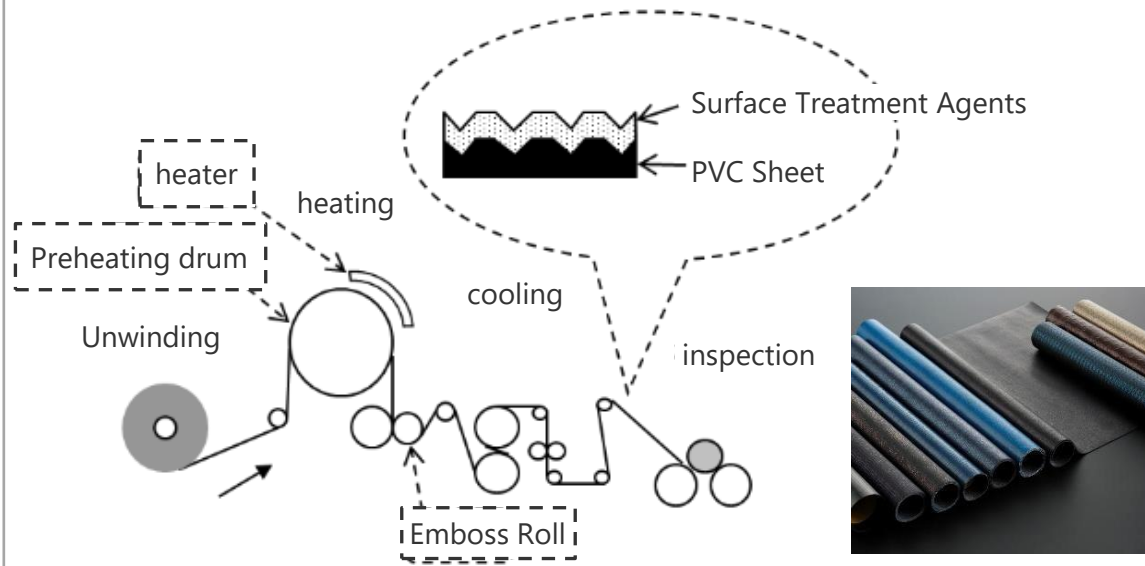
* Vehicle benchmarks: Our research on trends in the color and pattern of interiors of many car models.

** Grain: The unevenness of the pattern or pattern on the surface that shapes the texture and appearance of leather

– Laminating technology for calendered (rolled) synthetic films, embossing* and decoration processing technologies

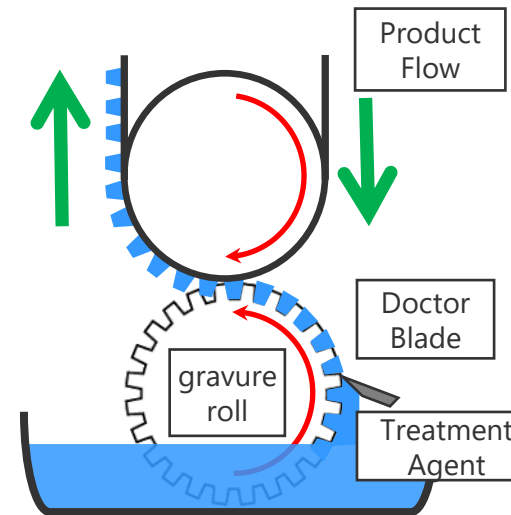
Embossing technology

- Having the rolled films go through between a grain roll and a back-up roll set up parallel to transfer the texture on the grain roll surface to the film surface. Micro-fine engraved LS G rains are available as well.
- Proper controls of the processing temperatures & pressures enables embossing not losing any special functions such as heat/chemical resistance for which the additives are mixed or coated in prior processes

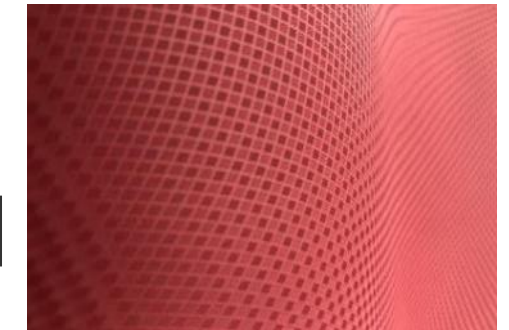


Decoration processing technology

- A technology that applies fine processing to the surface of a metal roll, precisely transfers the design to the substrate, and prints it.



With printing technology, the flat surface film shows a 3-dimensional look by shadows / highlights printed on the surface.



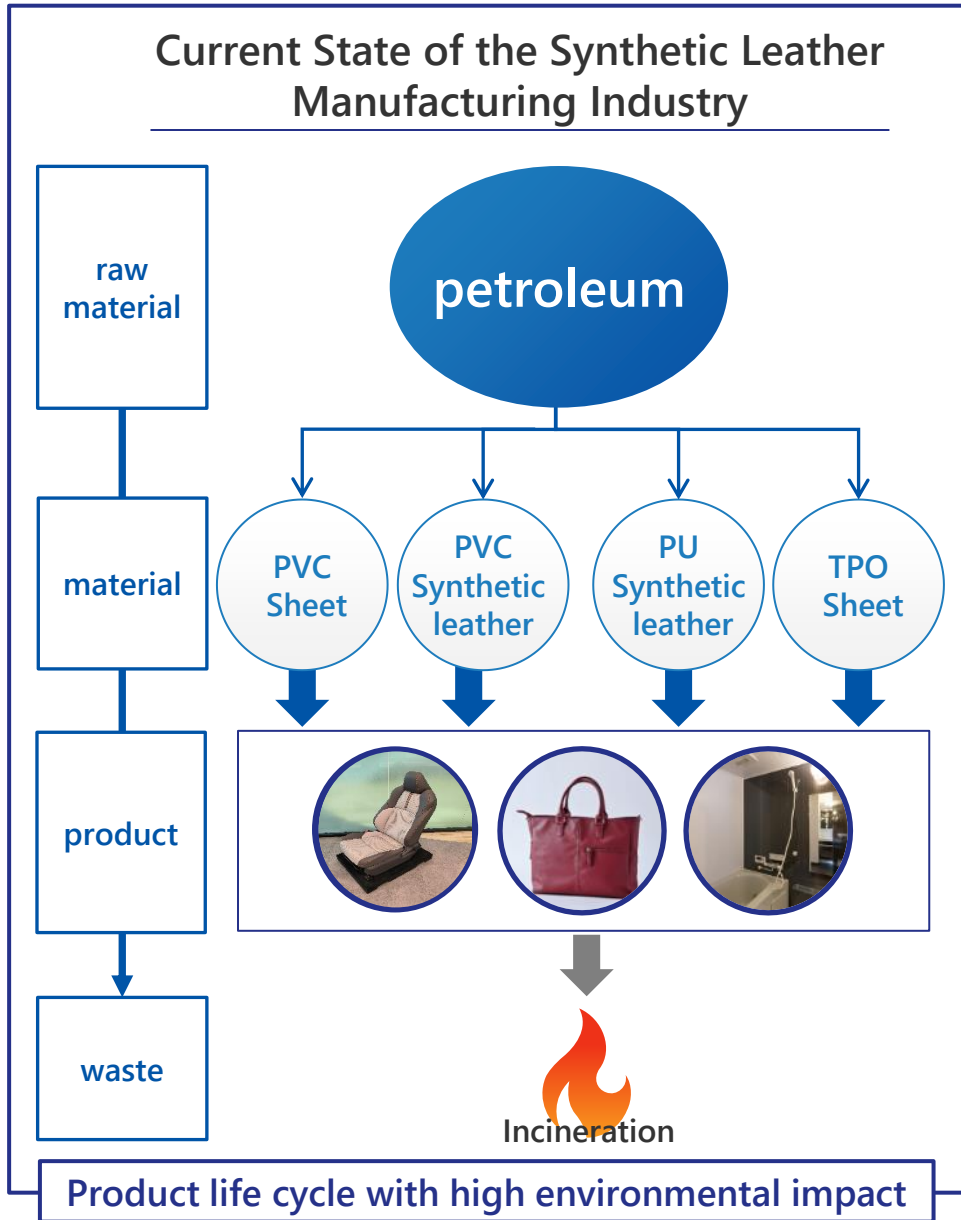
* * Embossing: A processing method to create uneven patterns on the surface of synthetic leather and film products.



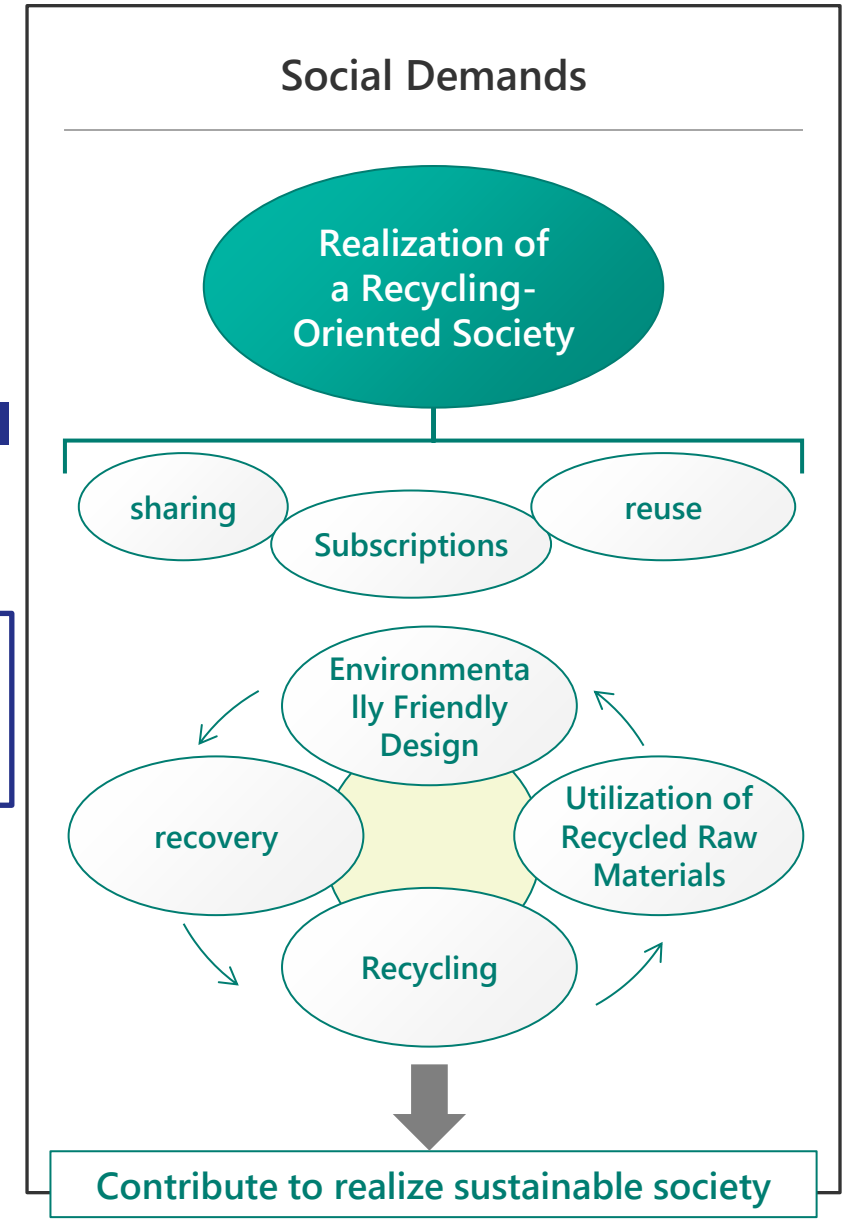
Long-Term Vision and Medium-Term Business Plan



"Long-Term Vision" Recognize the Challenge(s) facing Kyowa



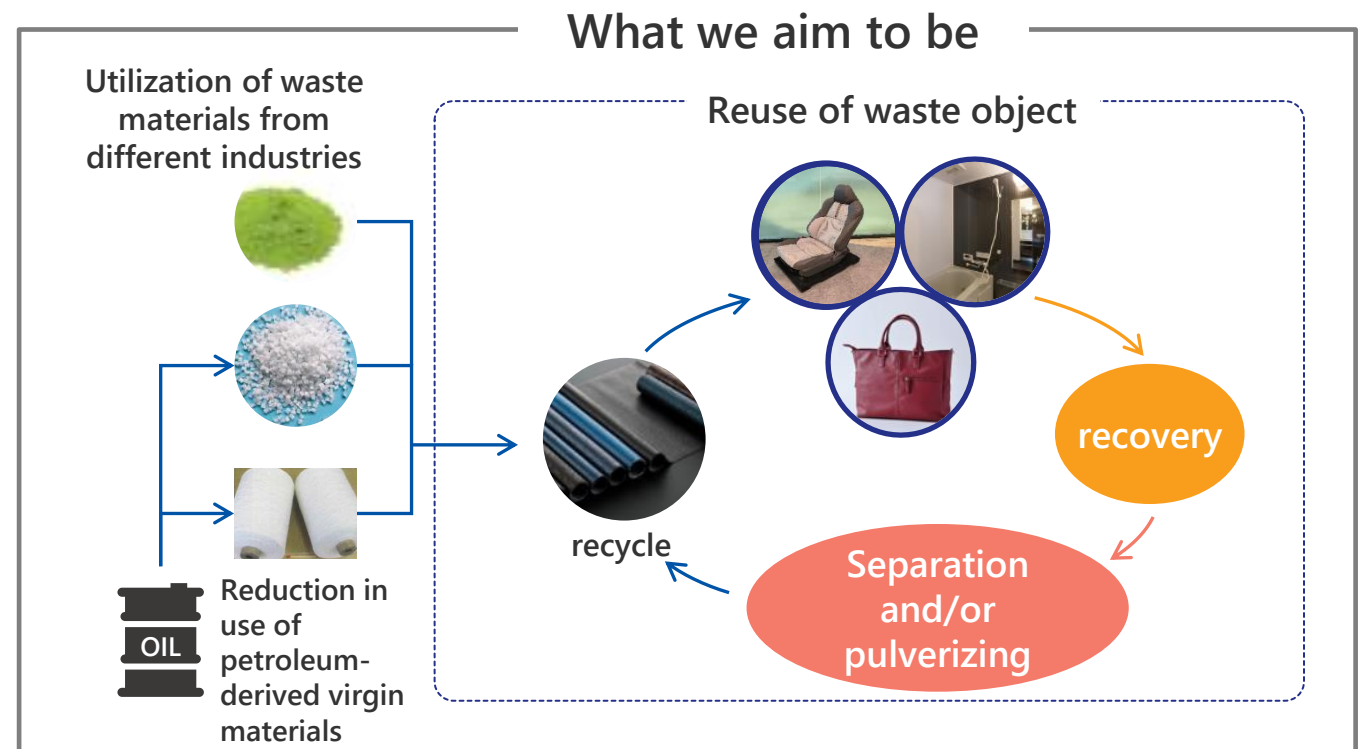
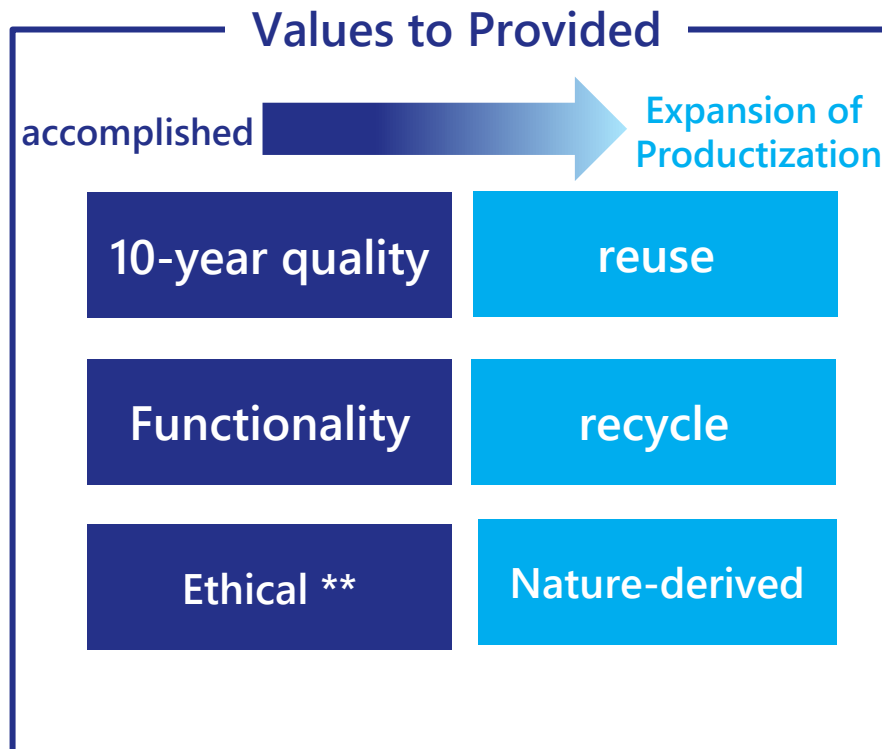
Kyowa Leather Cloth's current business model does not meet enough the social demands



Become a “Leading Company to Realize Circular Economy*”.

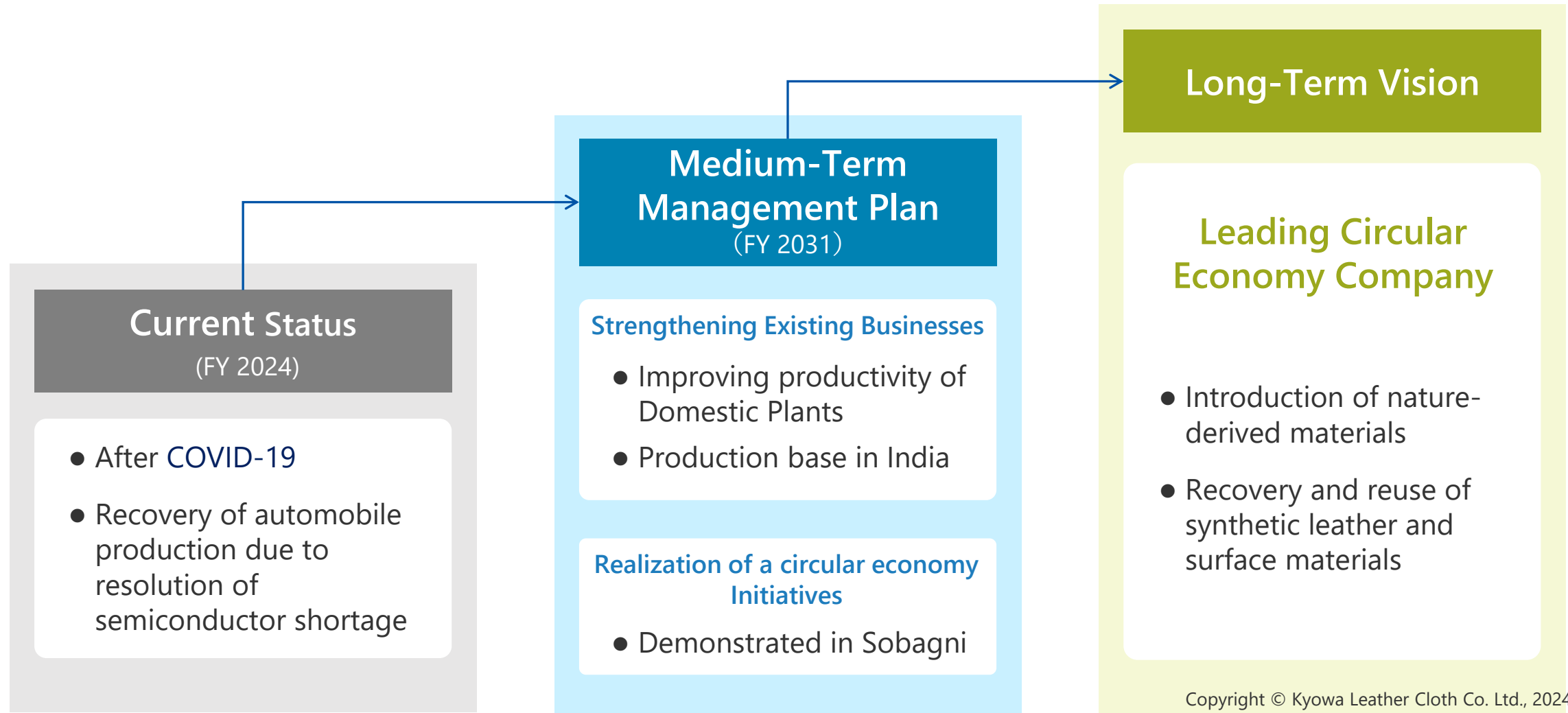
Achieve sustainable growth by enhancing environmental value

Reduce using petroleum-derived raw materials by introducing or replacing to the nature-derived materials, etc.
Realize manufacturing of products with low environmental impact by improved recycling and reuse.



*Circular economy: a resource-recycling society **Ethical: ideas and actions that consider the global environment, humans, animals, etc.

- Become a leading company running to achieve circular economy society in the long term
- The medium-term business plan; 1. keep working on initiatives to realize the long-term vision above, and; 2. improve profitability by strengthening existing businesses





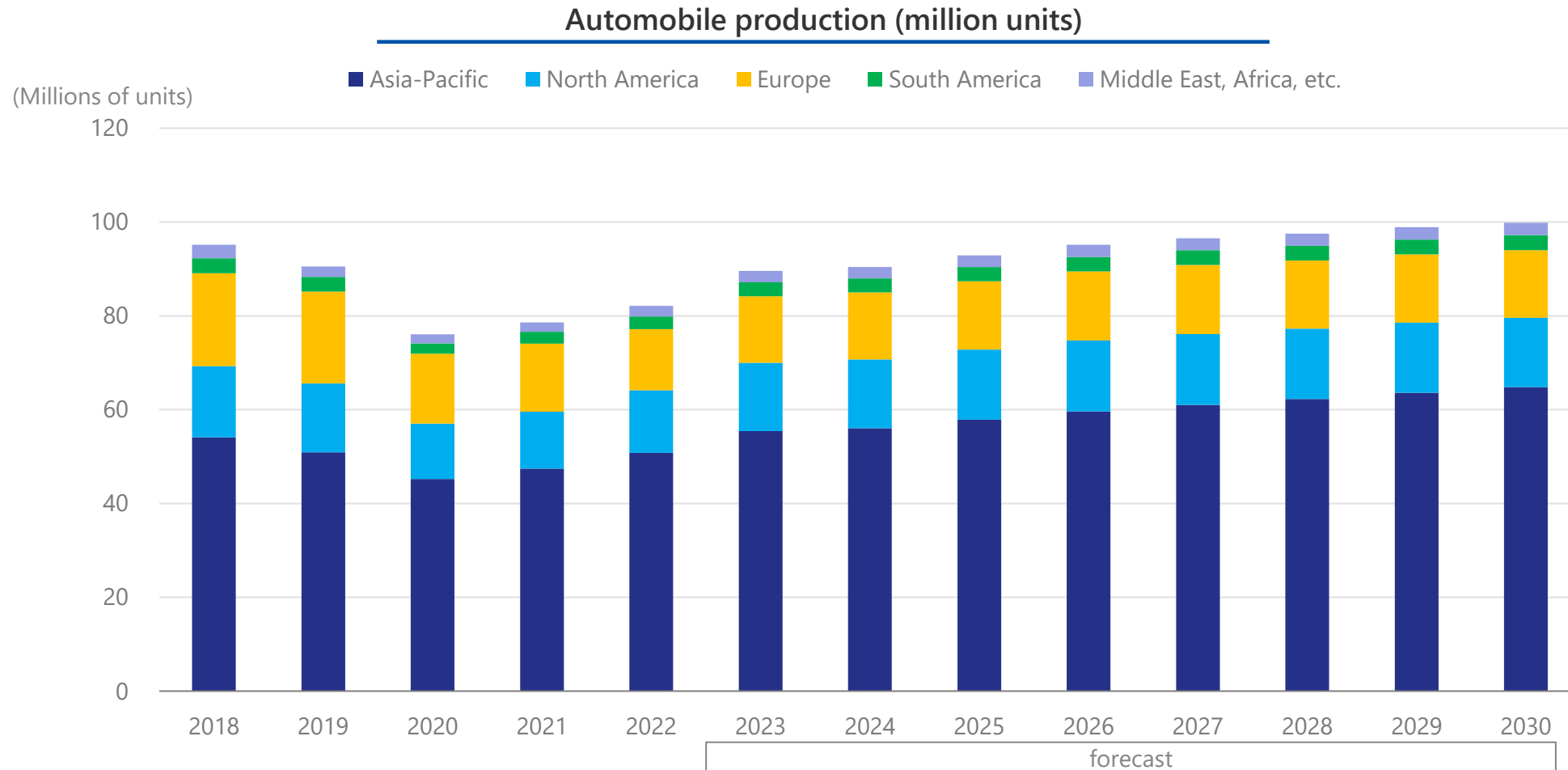
External Environment Forecast

- Automobile Production will expand in Emerging Countries, but the Growth in Developed Countries seems to be slow.
- Growing move to require the environmental protection will give birth a trend of using more synthetic leather and less natural leather for automobile interiors

Key measures

- 1) Improve the productivity of existing plants in Japan**
- 2) Launch a new business in India**
- 3) Prove the circular economy through “Sobagni” business to implement the long-term vision**

- Automobile production was affected by the COVID-19 disaster, but recovered after bottoming out in 2020
- Growth in developed markets are slowing as they approach saturation, but markets in emerging nations (Asia-Pacific) are expanding and are expected to continue to grow at a high rate.



(Source: MarkLines)

- Synthetic leather is durable and requires low-maintenance, making it an ideal material for vehicles that are used hard by many passengers, such as SUVs and minivans.
- Emerging automakers producing BEVs tend to choose synthetic leather over genuine leather for both ethical and high-performance reasons.

2023 Synthetic leather specification car models

TOYOTA



Prius



MIRAI



Alphard



Corolla



bZ4X



RAV4



Harrier



LEXUS ES



LEXUS IS



LEXUS RC



LEXUS NX



LEXUS UX

SUBARU



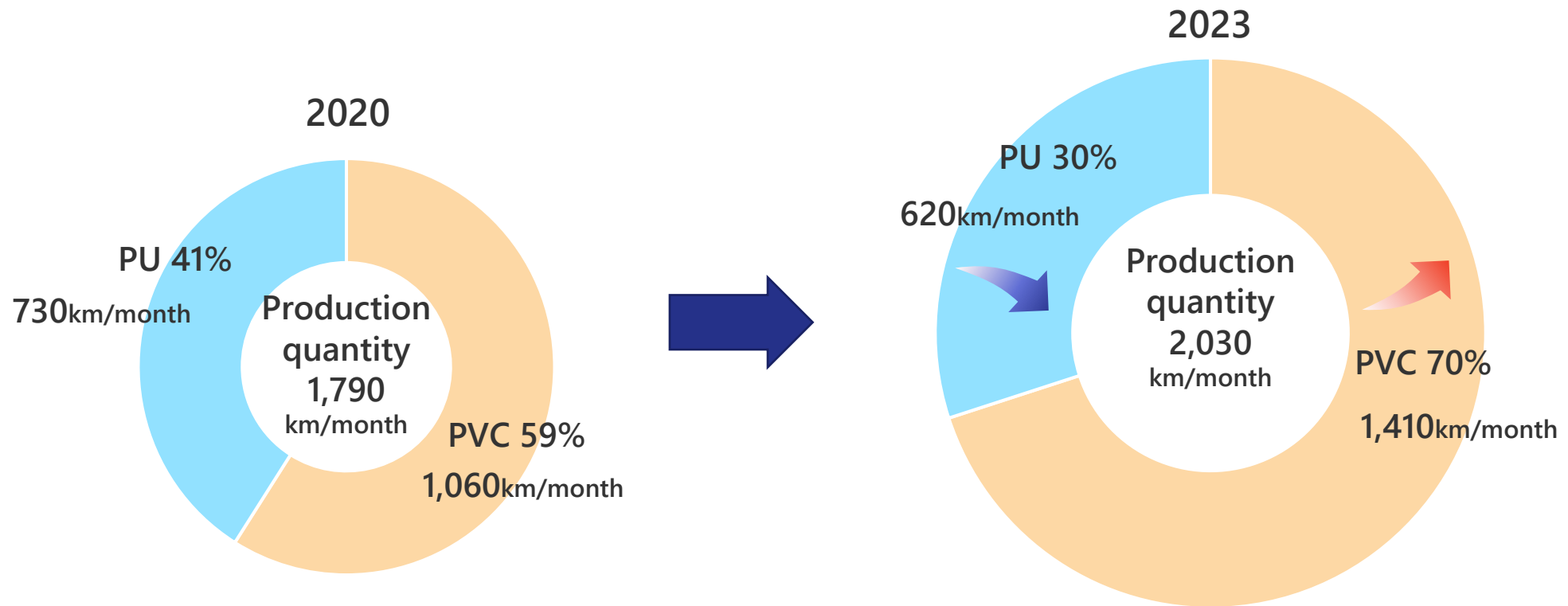
Forester



Outback

- Demand for PVC products has been increasing since 2020 onward due to cost and recyclability
- Volume of our PU products has decreased by about 15% compared to the peak year of 2020

PU and PVC production ratio and monthly production volume



PVC demand is expected to continue to increase

Strengthen existing businesses - Key Measures 1) 2/2

Improve productivity of existing plants in Japan

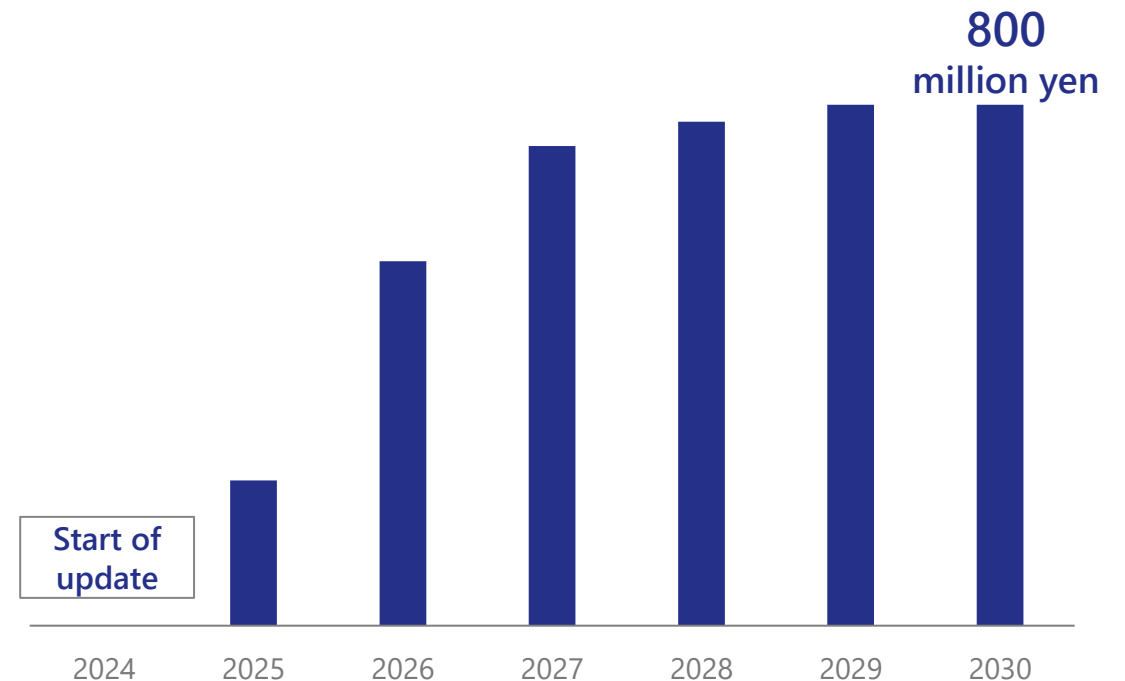
- In order to respond to increased demand for PVC, we will replace/renovate aging facilities, mainly at Tenryu Plant No. 1, and expect to improve production efficiency and reduce the cost of production by 800 million yen.
- Watching carefully the future trend of domestic automobile production, we may consider reorganizing product items allocation for existing plants, and/or other measures depending on the situation.

Facility Renewal Schedule for Tenryu No.1 Plant

(Millions of yen)

(Millions of yen / fiscal year)	Capital Investment	2024	2025	2026	2027	2028	
Calendering machine	1,840	→					
Mixer	250		→				
Laminating machine	540	→					
Gravure Printing machine	410			→			
Foaming machine	580		→				
total amount	3,620	→					

Production Cost reduction effect of Equipment renewal



Strengthen existing businesses - Key Measures 2) 1/2

Entering the Indian market

- Considering the slowdown in market growth in Japan, the U.S., and China, we assume that the sales scale will be maintained in the mid-term business plan.
- Business plan for sales (volume) expansion is set mainly for the business in India, meaning a new entry into the market.

Indian Market

Automobile Production 2020 2030 ※
4 million units ⇒ 7 million units

Mid-priced SUV (3-5 million yen) 0.2 million units ⇒ 1.0 million units ※

Rapid growth in demand for minivans and SUVs, which are hot sellers in developed countries, from the bipolarized market demanding low-priced small cars, or, ultra-luxury vehicles.

PU and high-end PVC currently used in India are mainly imported from China which are expected to be relatively expensive due to tariffs and transportation costs

Strengths of Kyowa Leather Cloth Products

tender and comfortable feeling

High Durability

The main vehicles in which our products are used are in the mid-to-high-end price range of 3-8 million yen.

Mostly used for rear seats of sedans, minivans, and SUVs.

India is a huge market where Kyowa Leather Cloth has the big advantages. We aim at expanding sales by creating market, having big advantage of Kyowa going ahead of rivalries.

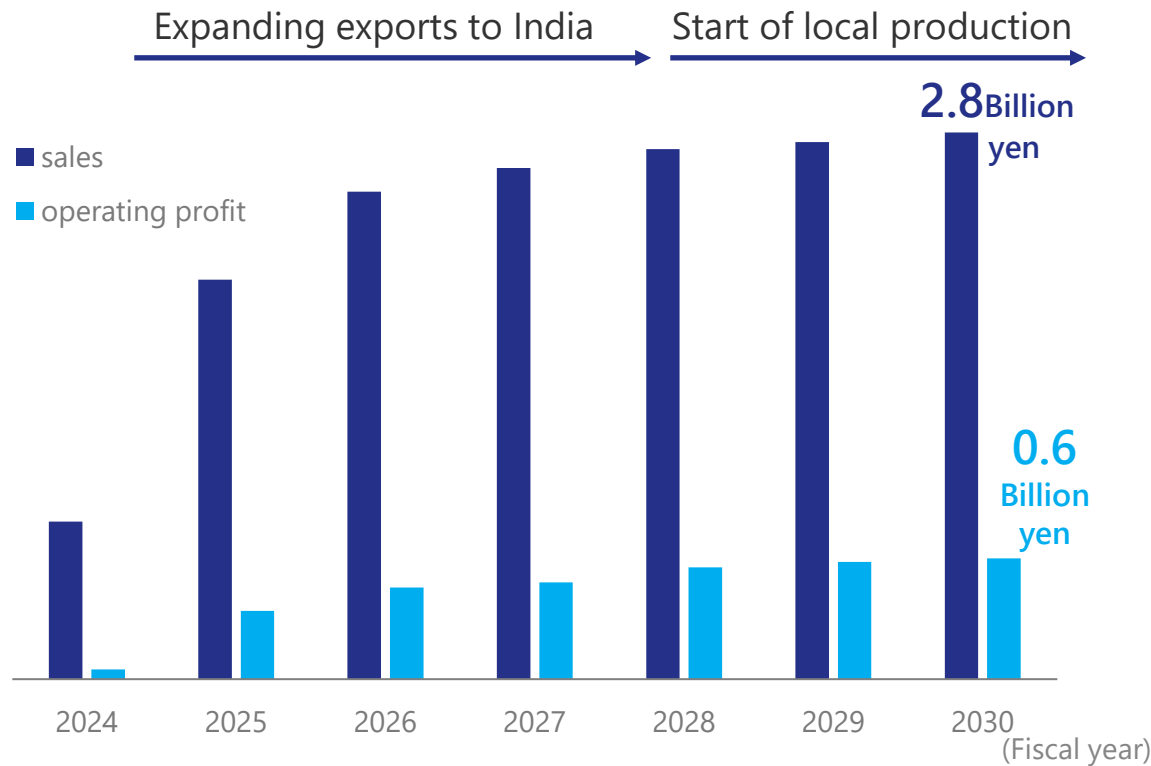
*Our forecast

Strengthen existing businesses - Key Measures 2) 2/2

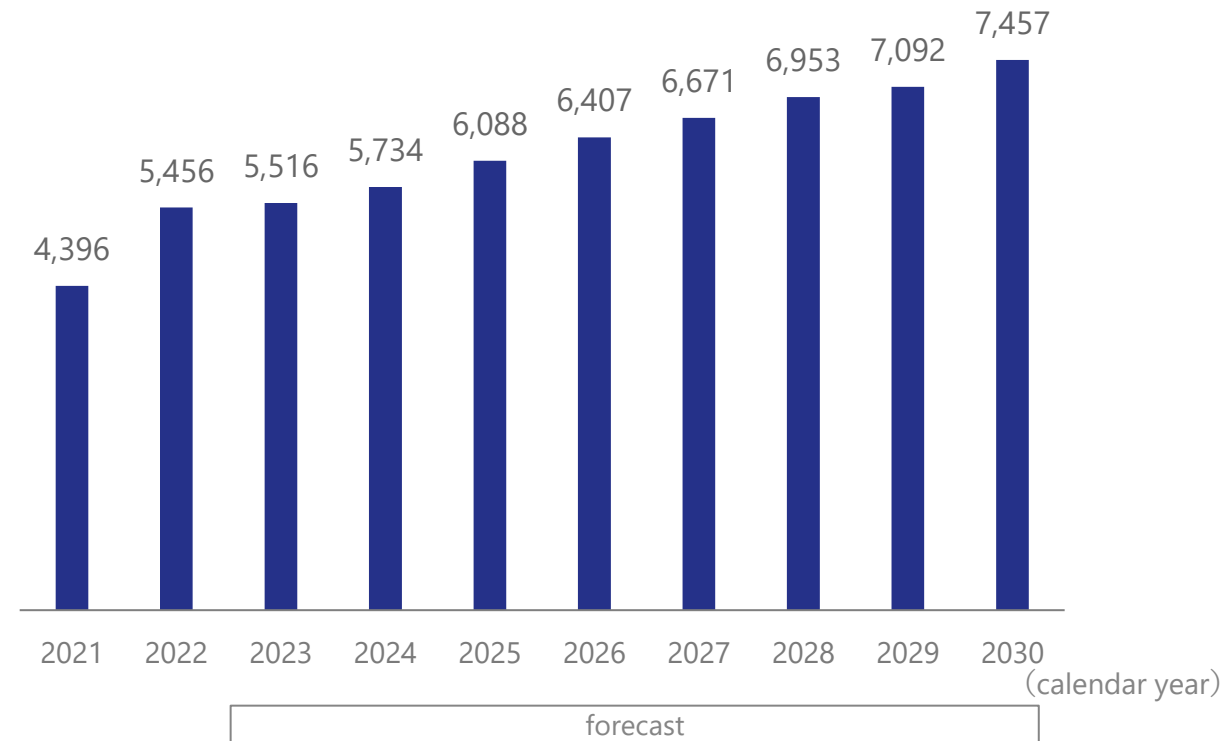
Entering the Indian market

- Automobile production in India is expected to keep significant growth (1.4 times in 2030 of that of 2022).
- Entered the Indian market in partnership with the Krishna Group*. Started exporting synthetic leather from Japan this year, consider to set up a local production plant in 2027.

Sales and Operating Income Plan in India



India automobile production (thousand units)

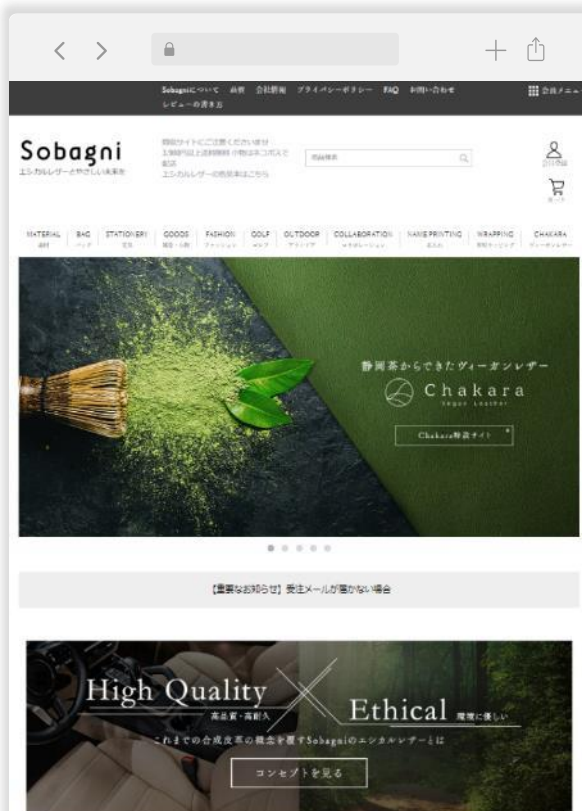


*Krishna Group: A group of companies engaged in the manufacture of auto parts, real estate development, travel business, media business, etc. in India.

Entry into the B to C business as “Sobagni” in 2021: a demonstration model of the Circular Economy

- Put the synthetic leather for luxury cars into the fashion and lifestyle goods.
- Reusing scrap materials for automobiles and using nature derived materials such as Japanese tea (maccha)
- Launched an e-commerce site (Sobagni) and entered the B to C business.

Aiming to be a company that is friendly to people, animals, and the earth by delivering the benefits of ethical leather directly to the consumers.



Unparalleled lightness, high durability used for automobile seats



Animal-, people-, and earth-friendly with natural and recycled materials without using animal materials



Create value for, and contribute to the society through collaboration with local businesses

A proof of the dream to provide with products and goods that a recycling-oriented society requires



10-year quality

Automotive Industry Standards

Functionality

Lightweight, water and stain resistant

Ethical

No animal materials

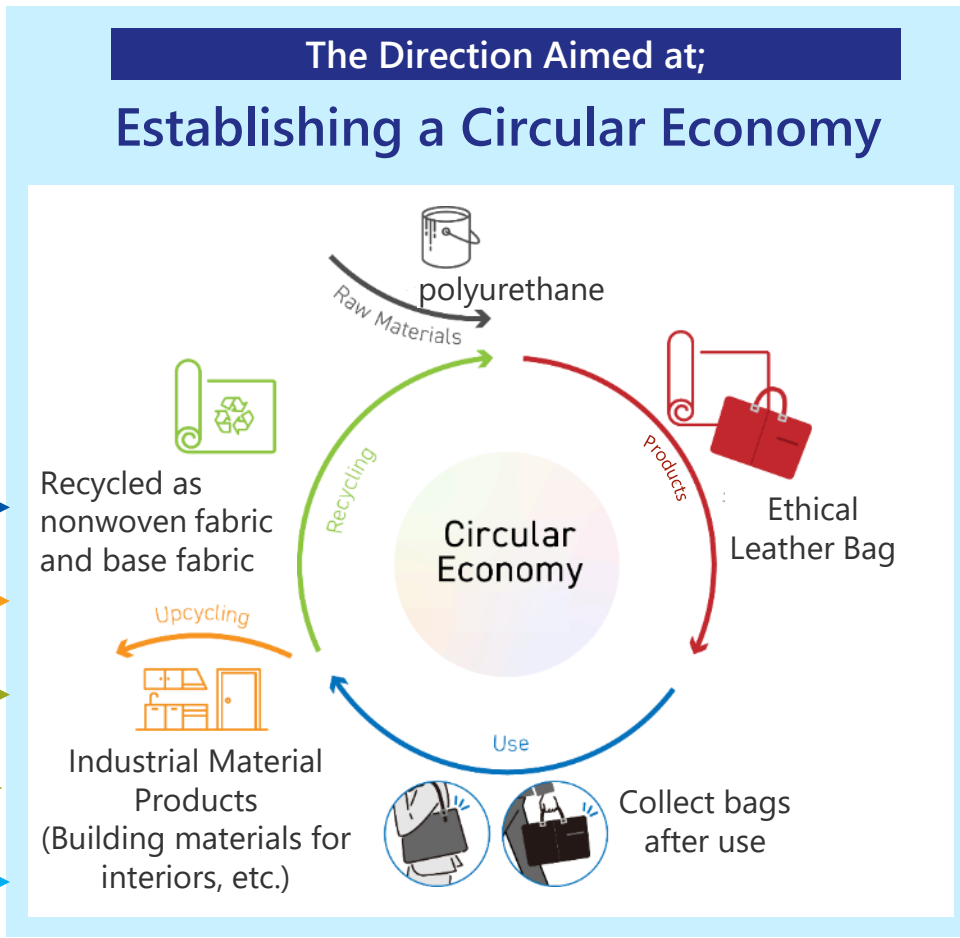
Nature-derived

More than 50% of plant-derived materials used

reuse

Utilization of offcuts of materials for automobiles, etc.

recycle

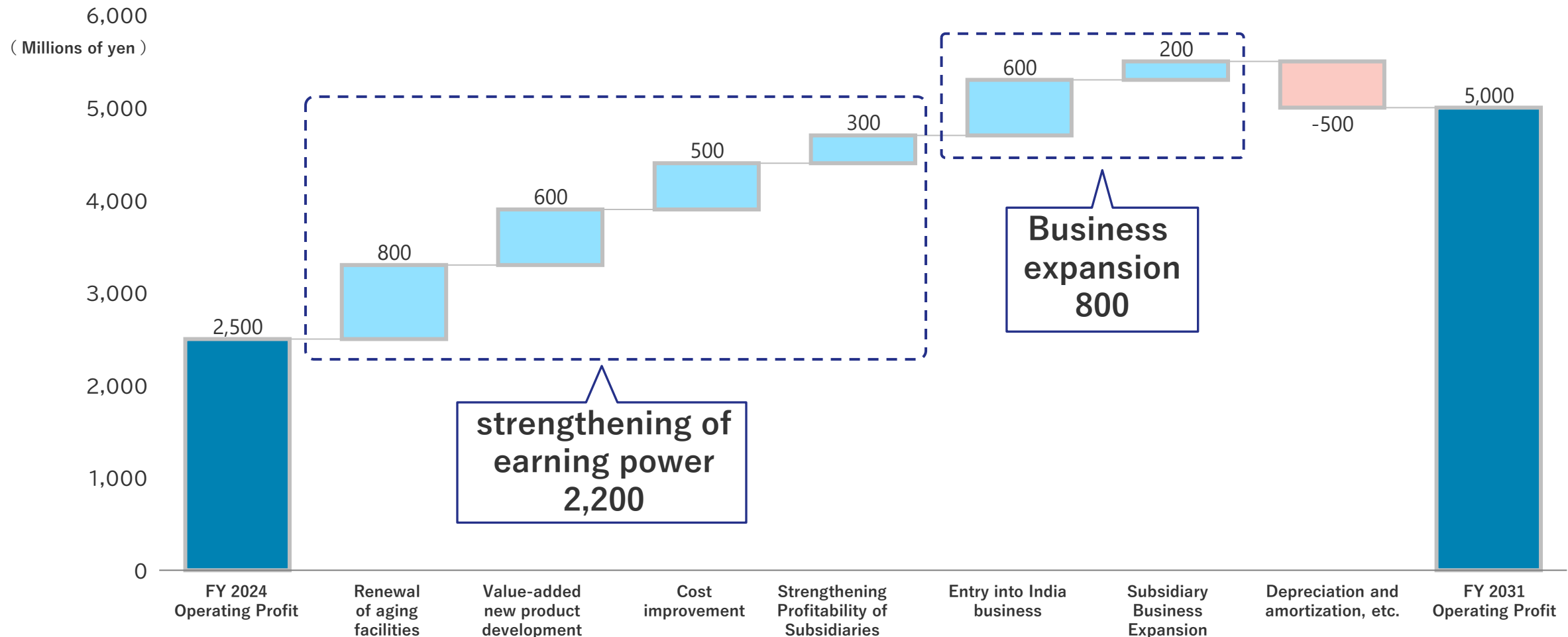


The Direction Aimed at; Establishing a Circular Economy

Collect and recycle products

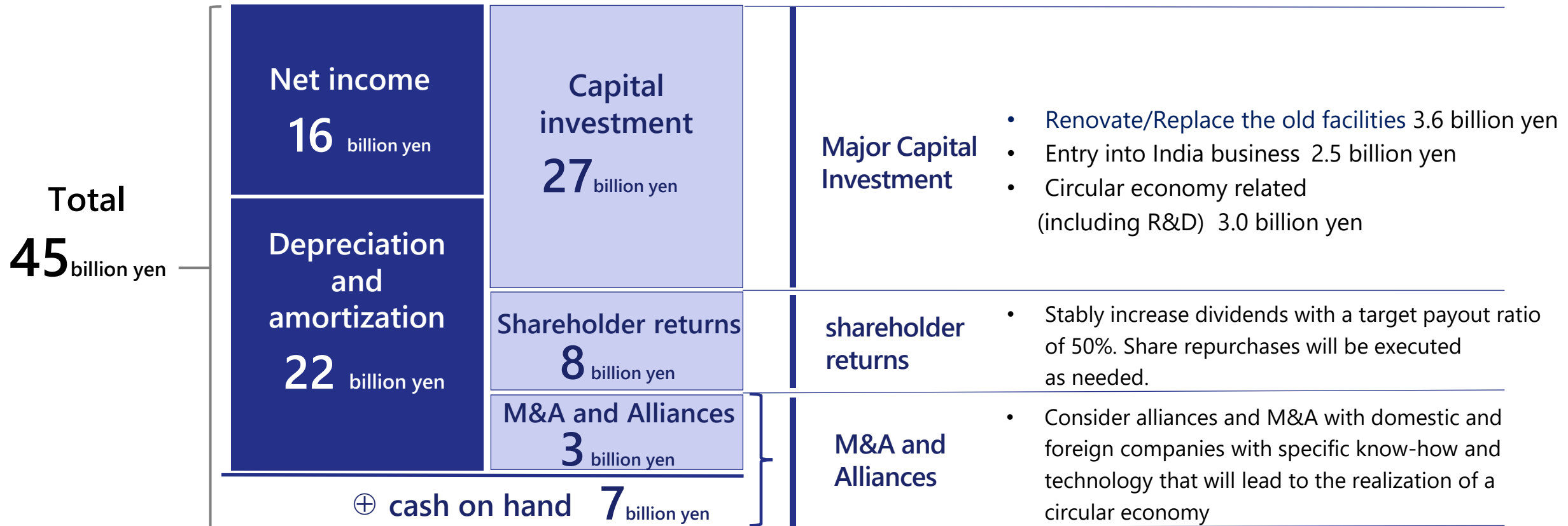
Analysis of Profit Increase/Decrease in 2030 Mid-Term Management Plan

- Gain 2.2 billion yen by strengthening profitability through facility upgrades, etc. at Tenryu No. 1 Plant
- Gain 0.8 billion yen by business expansion, including entry into the synthetic leather business for automobiles in India.
- On the other hand, operating income for FY2031 is anticipated to be 5.0 billion yen due to increase of depreciation and amortization expenses, etc.



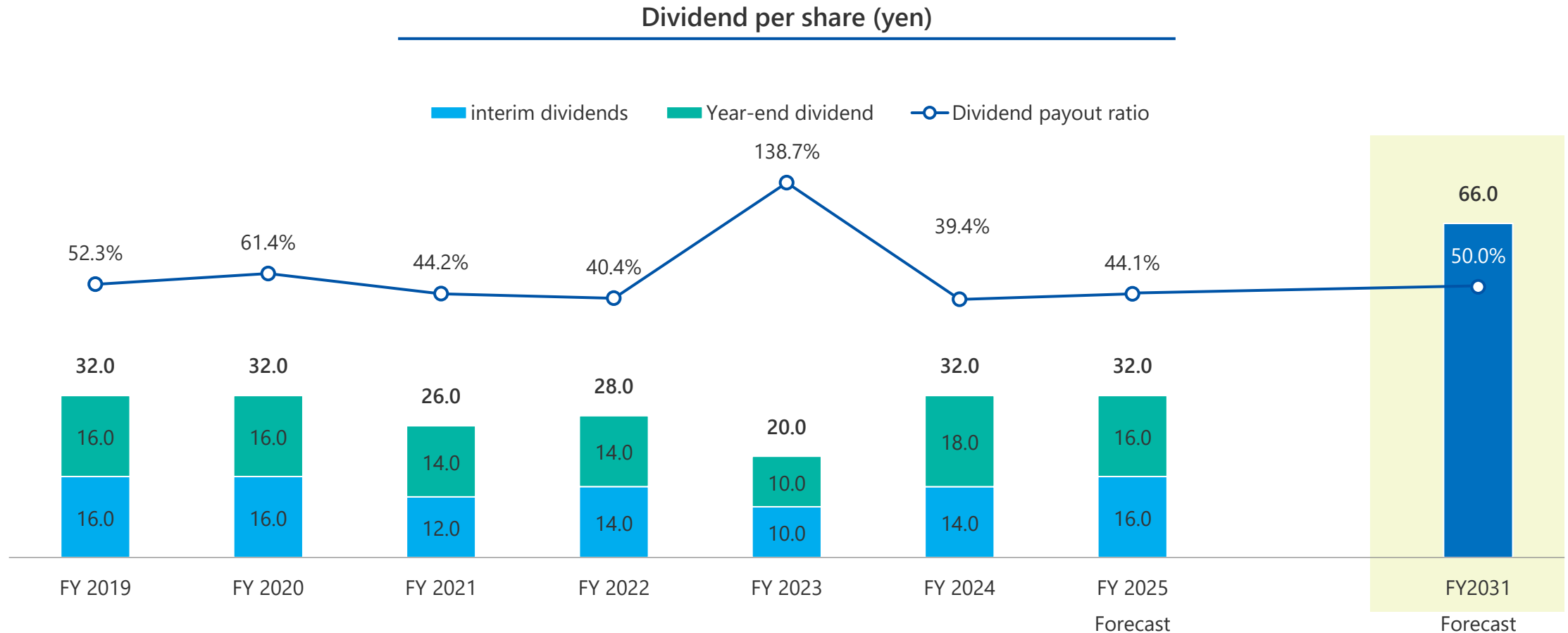
- 1) Aggressive investment for growth : Investment in domestic plants to improve productivity and reduce environmental impact • Investment in overseas business • Increase of R&D budget
- 2) Shareholder returns : Steadily increase dividends & Stock repurchase timely
- 3) M&A and Alliances : Collaboration with partners and mergers and acquisitions to realize the circular economy

Mid-term Business Plan Cash Allocation for 7 Years of Activities

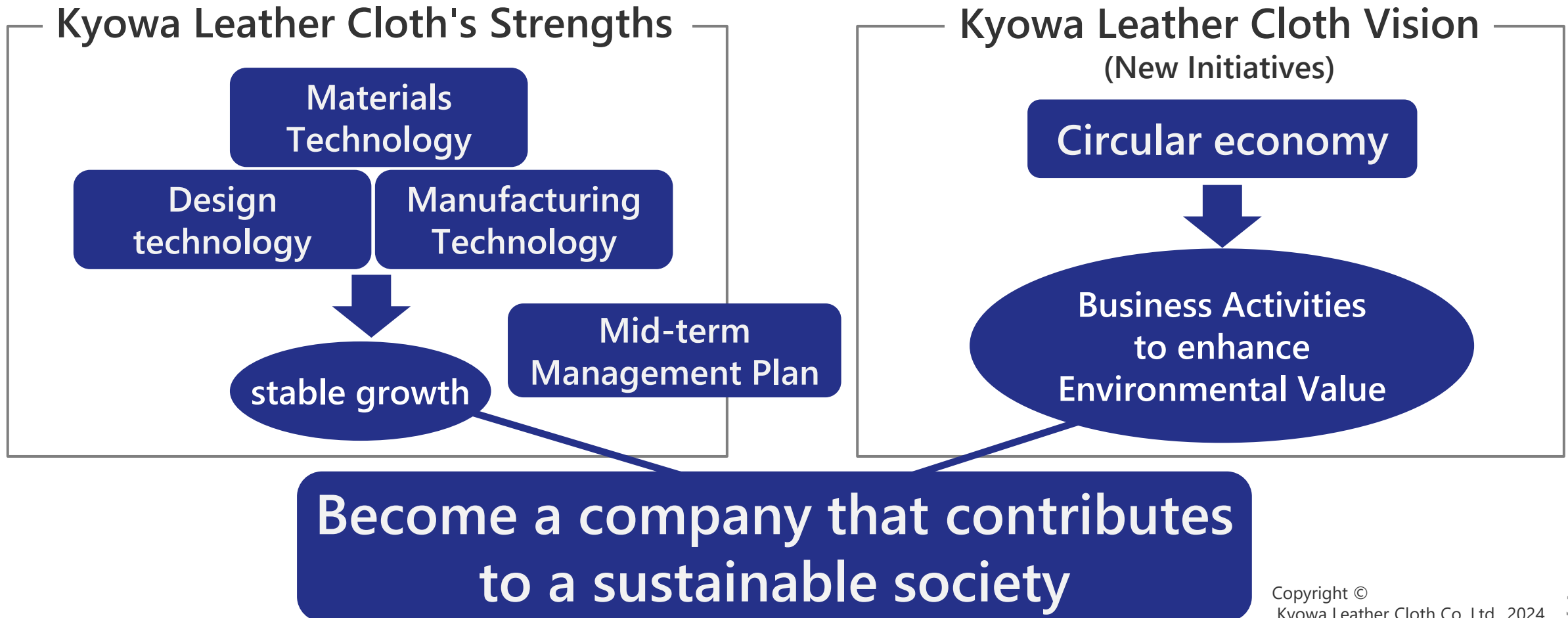


Dividend Forecast

- Plans to pay an annual DPS of 32.0 yen for the fiscal year ending March 31, 2025
- Changed dividend policy to a payout ratio of 50%, planning an annual DPS of 66.0 yen for the fiscal year ending March 31, 2031.



- In order to realize a recycling-oriented society, we re-examined the question "What can Kyowa Leather Cloth contribute?" "Kyowa Long Term Vision" has been re-built this way and has been announced here.
- Having a medium-term management plan up to 2030, we will keep striving for transforming Kyowa from a conventional manufacturing company to the company which is able to contribute to a sustainable society.



Provide comfortable space with chemistry



【Contact】

Kyowa Leather Cloth Corporation

General Affairs & Human Resources Department

<https://www.kyowale.co.jp/en/contact/>

Forward-looking statements, such as earnings forecasts, contained in this material are based on information currently available to the Company and certain assumptions that the Company deems reasonable, and actual results may differ significantly due to various factors.