

**Supplementary Materials for Financial Results of 2024  
Action to Implement Management that is  
Conscious of Cost of Capital and Stock Price**

**KATAKURA INDUSTRIES CO., LTD.**

(Code 3001, TSE Standard Market)

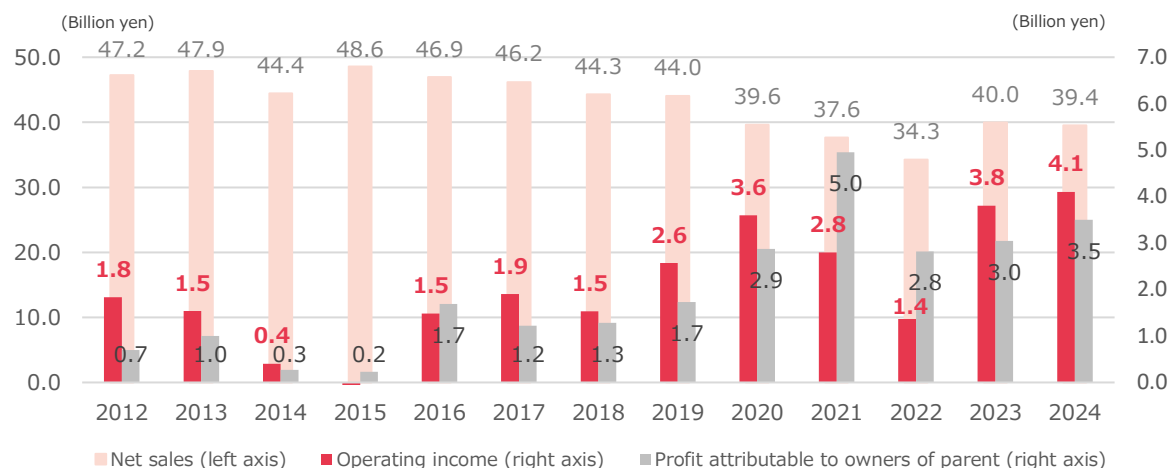
February 28, 2025

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.

# Analysis of Current Situation

Financial Results of 2024

## Net sales, operating income, and profit attributable to owners of parent



•Medium-term Management Plan (2012-2016)  
•Expansion of New businesses

•Medium-term Management Plan (2017-2021)  
•Withdrawal from unprofitable businesses and promotion of structural reforms

•Withdrawal of 2021 Medium-term Management Plan  
•Embarkation on the structural reform of Pharmaceuticals  
•Implementation of new M&A

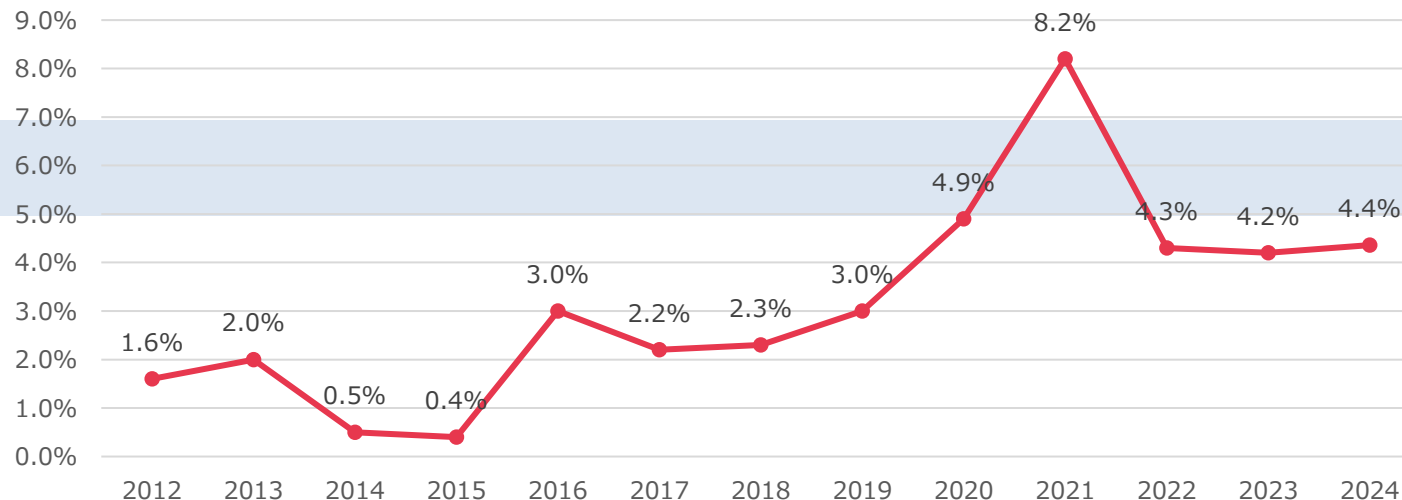
### Understanding of the current situation

- ◆ We embarked on structural reforms from 2017.
- ◆ We carried out structural reforms including downsizing of and withdrawing from unprofitable businesses as well as cutting down the workforce from 2018 and thereafter. While net sales temporarily decreased, we have been able to sustain stable revenue. Associated with this, profit attributable to owners of parent also increased.
- ◆ From 2021 and thereafter, while earnings significantly decreased in Pharmaceuticals due to the impact of annual NHI drug price revisions, operating income gradually increased driven by Real Estate and Functional Fibers businesses in addition to the implementation of continued structural reforms.

# Analysis of Current Situation

Financial Results of 2024

## ROE



\*The cost of capital of the Company is estimated at between 5 and 7% based on factors including market conditions and risk factors.

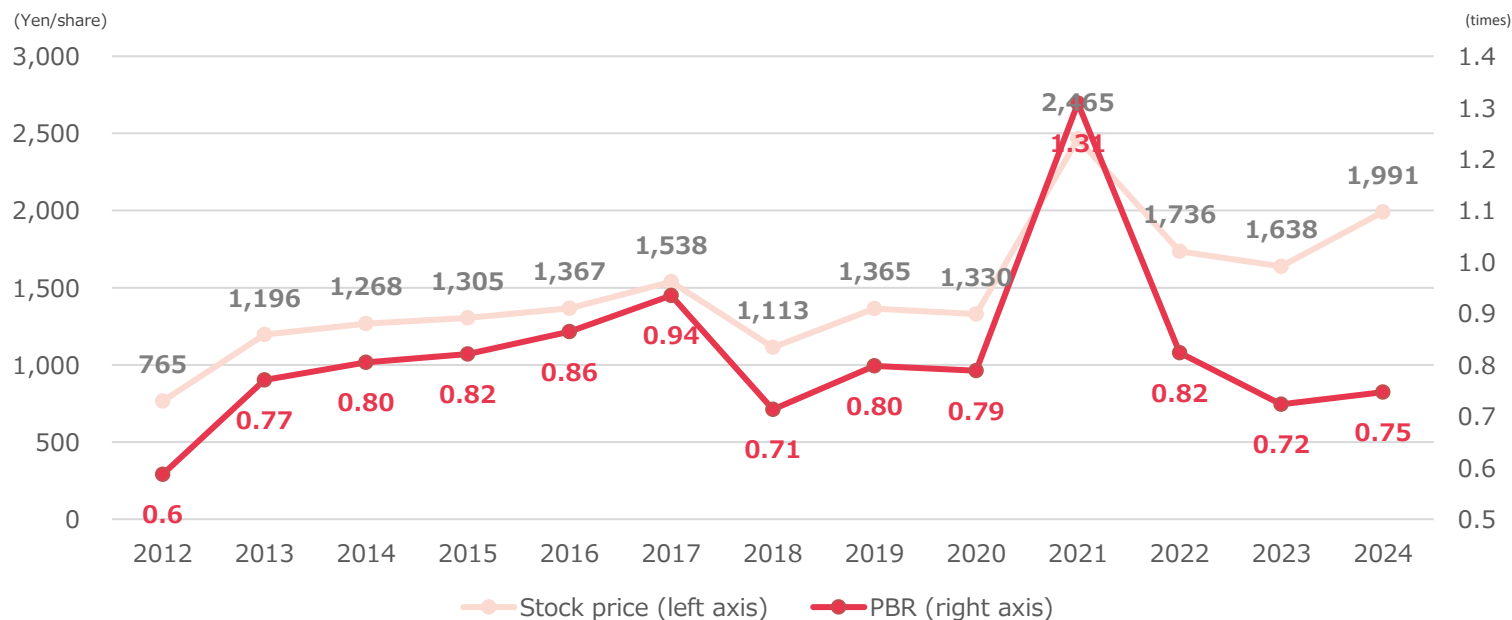
### Understanding of the current situation

- ◆ While ROE significantly improved, it remains at a level below the cost of capital, except in 2021.
- ◆ Analysis of factors affecting ROE shows that the capital efficiency of some businesses and low financial leverage are deemed to be the major factors—the issues the Company should address.
- ◆ Recently, while a repurchase of treasury shares was conducted and dividends were significantly increased, shareholders' equity is in an increasing trend due to the increase in the interests of the Company in its subsidiaries in addition to profit accumulation.

# Analysis of Current Situation

Financial Results of 2024

## PBR and stock price at end of period



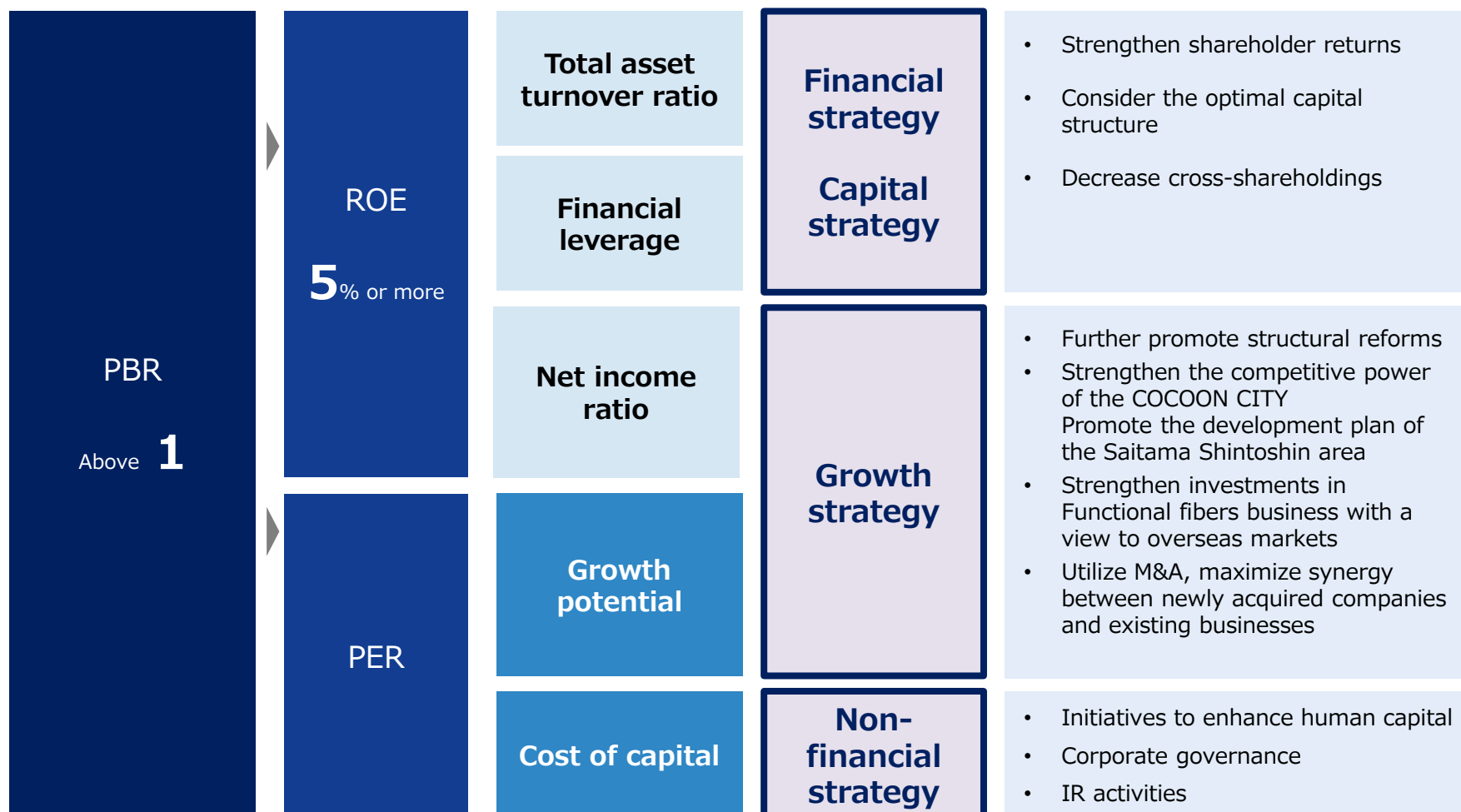
### Understanding of the current situation

- ◆ Stock prices are on an increasing trend due to measures such as sustaining stable revenue with the implementation of structural reforms as well as strengthening shareholders returns.
- ◆ Meanwhile, while PBR changed significantly in 2021 due to impacts including management buyout, it remained somewhere around 0.7 to 0.9 times except 2021, showing the insufficient increase in stock prices in terms of shareholders' equity ratio. (Sluggish PBR is caused in part by an increase in shareholders' equity due to the increase in the interests of the Company in its subsidiaries.)

# Initiatives to Improve Corporate Value

## ■ Policy to achieve a PBR above 1

Aim to achieve ROE of 5% or more and a PBR above 1 as soon as possible with the following initiatives



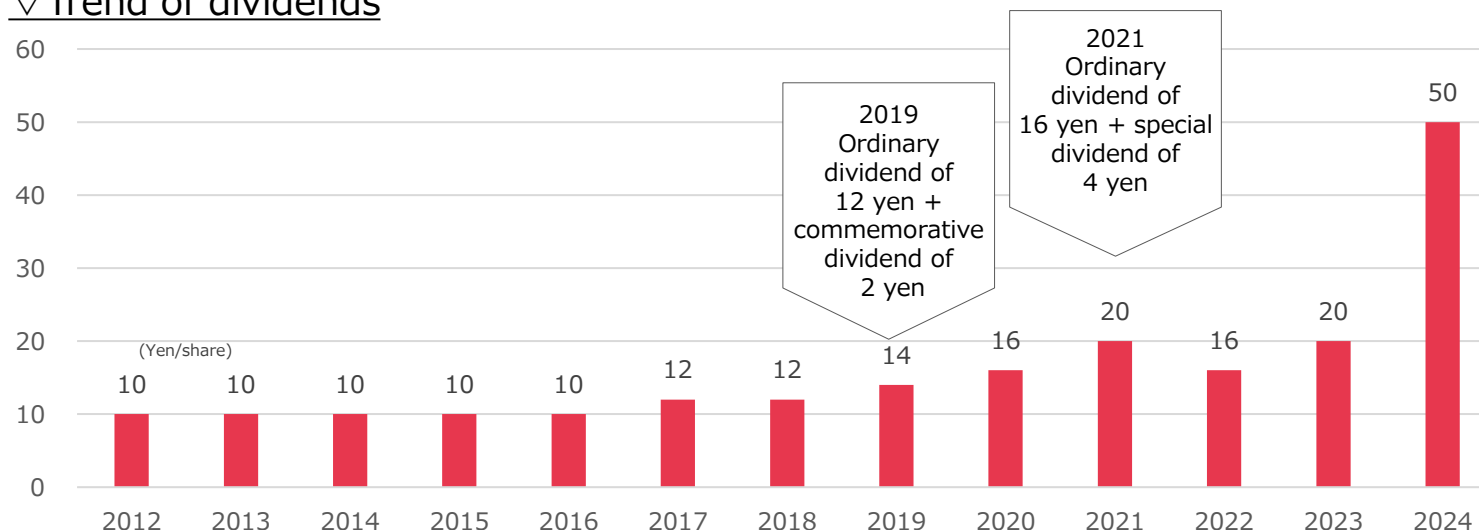
# Initiatives to Improve Corporate Value

Financial Results of 2024

## Financial strategy and capital strategy

### Strengthen shareholder returns

#### ▽Trend of dividends



Accumulated repurchases of treasury shares from 2019 to 2024  
 ➡ 2,687,300 shares, 3,994 million yen

Total payout ratio has been adopted since 2023

#### Circumstances

- ◆ Dividends were increased gradually after structural reforms.
- ◆ We have adopted total payout ratio since 2023 and flexibly repurchased treasury shares as appropriate in addition to implementing stable dividends.

# Initiatives to Improve Corporate Value

## Financial strategy and capital strategy

### ■ Strengthen shareholder returns

#### ▽ Recent shareholder returns

##### ▽ Basic policy

With regard to the distribution of profits, the Company strives to implement stable dividends and flexibly repurchase treasury shares as appropriate for the purpose of improving capital efficiency, etc.

With regard to the total payout ratio, excluding special factors\*, the Company will strive to return profits with a target of approximately 60% of profit attributable to owners of parent.

\*Assumes significant changes in net income due to temporary recording of losses or profits.

#### Shareholder returns in FY2024

- ◆ **The previous total payout ratio of 30% was significantly increased to 60%** in November 2024 for the purpose of further strengthening profit returned and increasingly improving capital efficiency.
- ◆ The Company repurchased 700 thousand treasury shares at the amount of 1,301 million yen in August 2024.

《Reference》

	FY2023	FY2024	FY2025 (Forecast)
Dividends per share (Yen)	20	50	50
Total dividend payment (Million yen)	663	1,623	—
Amount of share repurchase (Million yen)	239	1,301	(Note)
Total payout ratio	29.7%	83.0%	—

Note: Repurchase will be considered as and when appropriate.

# Initiatives to Improve Corporate Value

## Growth strategy

### ■ Strengthen existing businesses: Real Estate, Functional Fibers, Machinery, and Pharmaceuticals

- ◆ In Real Estate, formulate the redevelopment plan of the land the Company owns in the Saitama Shintoshin area based on construction costs and market trends, while aiming to enhance the area value through strategic renovation of COCOON CITY. At the same time, consider the promotion of the development of real estate properties Group companies own, as well as development in lands other than the ones the Company owns.
- ◆ In Functional Fibers business, grow the business as a new core of the Group business by newly developing overseas markets and increasing its production capacity.
- ◆ In Machinery, realize stable revenue by streamlining production systems and increasing sales of high value-added vehicles.
- ◆ In Pharmaceuticals, continue structural reforms aimed at maintaining efficient operations at the appropriate size and boosting the top line, amid the continued decrease in sales expected in the future due to annual NHI drug price revisions.

### ■ Strengthen new businesses: Promote inorganic strategies

- ◆ Continue inorganic strategies including M&A.  
Explore a target company considering growth potential as a business in addition to synergy with existing businesses.
- ◆ Strengthen IT business (digital transformation and artificial intelligence) by utilizing an IT company newly acquired in 2023 as a core.  
Promote strengthening of personnel structure to expand this business as a pillar of revenue in the future.



# Initiatives to Improve Corporate Value

## Non-financial strategy

### ■ Initiatives to enhance human capital

#### Personnel system/treatment



#### Personnel development



#### Working environment



#### Corporate culture



#### From 2019

- ◆ Personnel system/treatment
  - Staggered working hours system, hourly paid leave system
  - Encouragement of taking consecutive leave
  - Revisions to the personnel treatment system
- Revisions to the awards system
- ◆ Working environment
  - Launch of a satellite office, setting up of additional meeting spaces within the Company
- ◆ Personnel development
  - Position-based training, training for management positions

#### From 2020 (amid the pandemic)

- ◆ Personnel system/treatment
  - Work-from-home system
  - Mentorship program
  - Rise in starting salary for new graduates for two straight years
  - Strengthening of mid-career hiring
- ◆ Working environment
  - Setting up of a new space for concentrating on work
  - Liberalization of the dress code
- ◆ Personnel development
  - Introduction of communication support tools
  - Internal control training
  - Training for management and instructors

#### From 2024: Toward the new era

- ◆ Formulation of new corporate identity
  - Mission
  - Our values
  - Code of conduct
    - ↳ Individual awareness
    - ↳ Individual actions
    - ↳ Group awareness and actions
- ◆ Introduction of new personnel system (scheduled to be introduced in 2025)
  - Elicit and inspire motivation and job satisfaction from employees by making evaluation and treatment systems further fair, which are based on results regardless of factors including age, gender, academic background, and race.
  - ➡ Realize sustainable growth of the Company by increasing competitiveness of the organization.

# Initiatives to Improve Corporate Value

## Non-financial strategy

### ■ Corporate governance

#### ◆ Governance

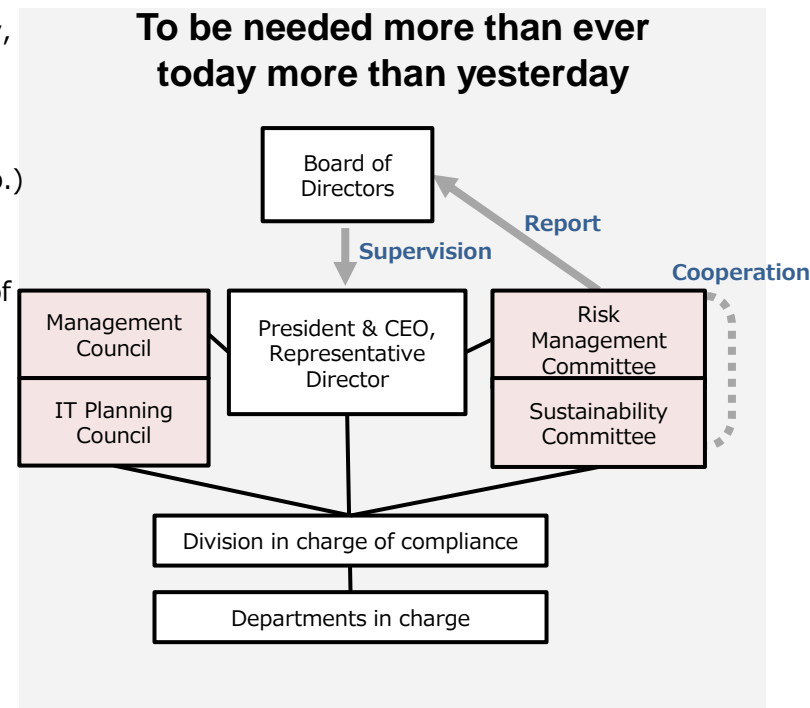
- ▶ A Sustainability Committee is in place, which formulates the Group's policy, discusses its common issues, monitors the status of promotion, and reports to the Board of Directors.
- ▶ IT Planning Council has been newly established. (The council manages IT administration, IT investment, and digital transformation of the entire Group.)

#### ◆ Risk management

- ▶ The Risk Management Committee regularly collects risk information and shares it with executives and relevant departments depending on the level of urgency. The committee controls the risk until the situation has been resolved.
- ▶ Business and other risks are constantly monitored by departments in charge. The committee comprehensively identifies the Group's risks and reports to the Board of Directors.

#### ◆ Compliance promotion

- ▶ We are committed to maintaining and strengthening the Group-wide comprehensive compliance system, establishing a division in charge of compliance.
- ▶ Individual divisions and Group companies work to ensure and strengthen compliance in accordance with the following internal rules: Compliance Regulations, which set out our compliance policy, system, and management methods; and Katakura Group Compliance Manual, which is designed to help employees understand the basic approach to compliance.



### ■ IR activities

- ▶ We disclose information in a fair, impartial, timely, and appropriate manner (disclosure in English for overseas investors and preparation of shareholder newsletters for individual investors).
- ▶ A general meeting of shareholders and an earnings briefing are positioned as places to hold constructive dialogues with shareholders and sincere and well-considered responses will be provided to questions from shareholders. Opinions of shareholders grasped during the dialogues are fed back to the management.