

Financial Results of 2025 2nd Quarter

KATAKURA INDUSTRIES CO., LTD.

(Code 3001, TSE Standard Market)

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1. Financial Highlights of 2025 2nd Quarter

Consolidated Income Statement

Financial Results of 2025 2Q

(Million yen)	Jan-Jun 2025 Actual	Jan-Jun 2024 Actual	YoY Change	Jan-Jun 2025 Forecast	Actual vs. Forecast
	A	B	A-B	C	A-C
Net sales	20,755	19,651	1,104	21,200	(445)
Operating income	3,156	2,110	1,046	2,500	656
Operating income ratio	15.2%	10.7%	4.5pt	11.8%	3.4pt
Ordinary income	3,870	2,856	1,014	3,000	870
Extraordinary income	1,250	17	1,233	—	—
Extraordinary loss	—	128	(128)	—	—
Income taxes	1,546	813	733	—	—
Profit attributable to owners of parent	3,538	1,840	1,698	2,800	738

■ YoY difference

Net sales & operating income

- Both sales and earnings increased (details are given on the next page)

Extraordinary income

- Gain on sales of non-current assets: Up 1,233M (FY2024: 17M → FY2025: 1,250M)
FY2025: 813M from sale of leasehold interests in land and 389M from sale of the buildings of the former Kazo Plant and sale of other related assets in Machinery

Extraordinary loss

- Impairment loss: Down 128M (FY2024: 128M → FY2025: None)

■ Forecast difference

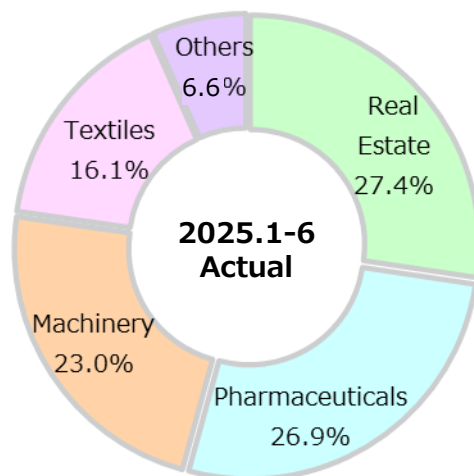
- Net sales fell short of the forecast in Machinery and Textiles.
- Operating income exceeded the forecast, owing primarily to a decline in fixed costs in Pharmaceuticals.

Consolidated Income Statement / Business Segment

Financial Results of 2025 2Q

(Million yen)		Jan-Jun 2025 Actual		Jan-Jun 2024 Actual		YoY Change	
		A		B		A-B	
		Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
	Real Estate	5,678	2,152	5,484	2,276	① 194	(124)
	Pharmaceuticals	5,587	447	6,066	(33)	② (479)	480
	Machinery	4,774	641	3,398	(0)	③ 1,376	641
	Textiles	3,334	332	3,294	364	④ 40	(32)
	Others	1,380	82	1,407	94	⑤ (27)	(12)
	Adjustments	—	(499)	—	(590)	—	91
	Total	20,755	3,156	19,651	2,110	1,104	1,046

Business Segment Sales



① Increase in sales but decrease in earnings in real estate

- Sales increased due primarily to an increase in rental income from tenants at the COCOON CITY Shopping Center.
- Earnings decreased due to the rise in property tax and an increase in costs, such as repair cost.

② Improvement in operating profit despite decrease in sales in pharmaceuticals

- Sales decreased due to the impact of National Health Insurance (NHI) drug price revisions despite contribution from Bepridil Hydrochloride Tablets released in February 2024.
- Operating profit improved thanks mainly to a decline in fixed costs as a result of the voluntary early retirement program implemented in the previous fiscal year.

③ Increase in sales and improvement in operating profit in machinery

- Sales increased due to the progress of sales from orders carried forward from the previous fiscal year, as the chassis* supply shortage was easing, which was caused mainly by shortages of automotive semiconductors and the model changes undertaken to comply with laws and regulations.

*Refers to the basic parts (body) of an automobile involved in movement, including the engine and chassis frame.

- In addition to the increase in sales, operating profit improved due to cost reductions resulting from the leveling of production of products whose orders were carried forward.

④ Increase in sales but decrease in earnings in textiles

- Sales increased as Nitivy Co., Ltd. saw solid performance in its heat-resistant fibers and other products.
- Earnings declined due to soaring raw materials and other prices and increases in labor and other costs.

⑤ Decreases in sales and earnings in others

- Sales and earnings decreased due chiefly to a decline in sales of pollinating insects.

Consolidated Balance Sheet

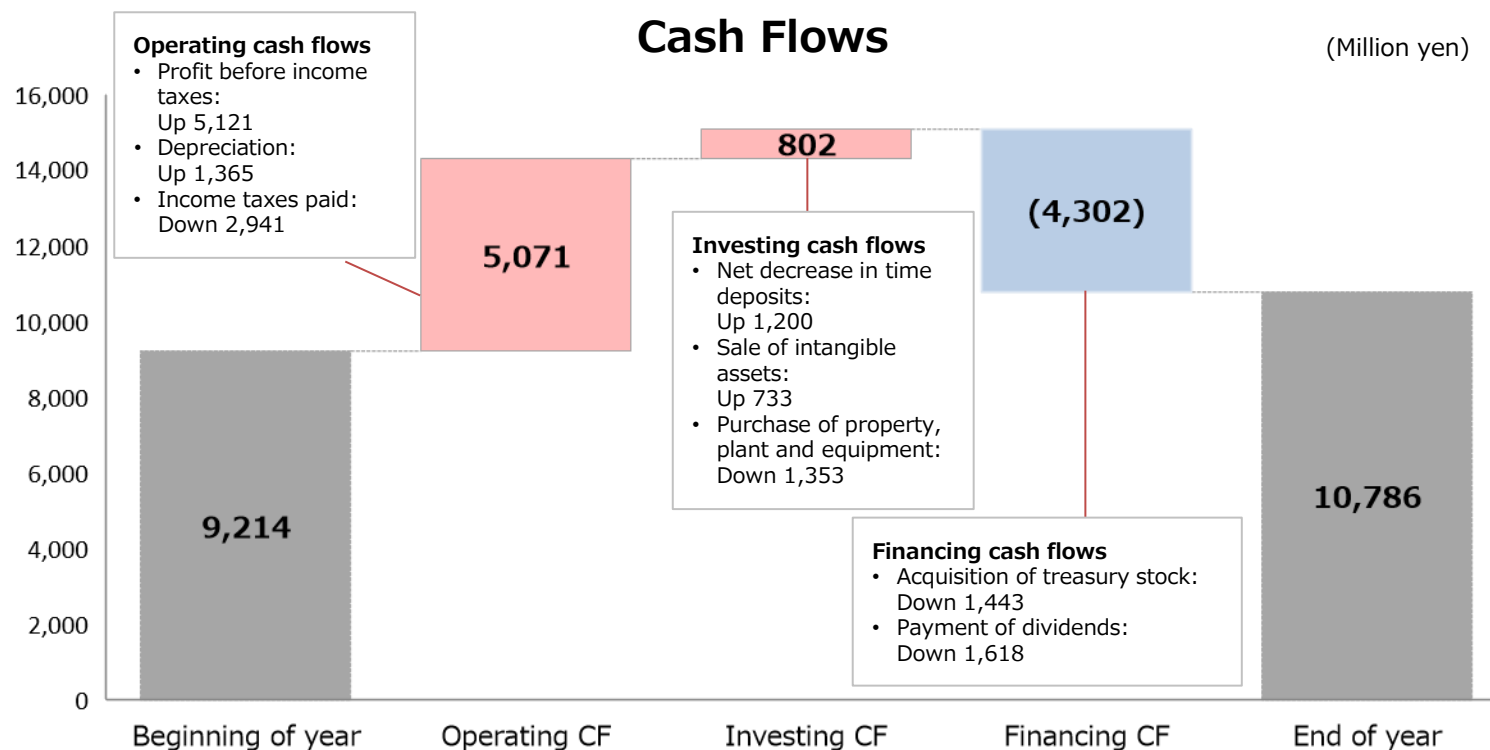
Financial Results of 2025 2Q

(Million yen)		Jun 30, 2025	Dec 31, 2024	Change	
		A	B	A-B	
Current assets		55,318	58,437	(3,119)	
	Notes and accounts receivable - trade	6,253	8,574	(2,321)	Down due to collections
Non-current assets		81,791	82,348	(557)	
Total assets		137,110	140,786	(3,676)	
Total liabilities		47,979	51,054	(3,075)	
	Income taxes-current payable	949	2,887	(1,938)	Down due to payment of income taxes
	Loans payable	8,750	9,752	(1,002)	Down due to scheduled repayments
Total net assets		89,130	89,731	(601)	
	Capital surplus	15,531	15,000	531	
	Retained earnings	57,082	55,166	1,916	Up due to recording of profit
	Treasury stock	(5,845)	(4,463)	(1,382)	Down due to acquisition of treasury stock
	Non-controlling interests	3,079	3,693	(614)	
Total liabilities and net assets		137,110	140,786	(3,676)	Up and down due to additional purchase of shares in a subsidiary

Consolidated Statement of Cash Flows

Financial Results of 2025 2Q

(Million yen)		Jan-Jun 2025 Actual	Jan-Jun 2024 Actual
Cash and cash equivalents at beginning of period		9,214	10,837
	Operating cash flows	5,071	2,712
	Investing cash flows	802	3,224
	Financing cash flows	(4,302)	(2,636)
Net increase (decrease) in cash and cash equivalents		1,571	3,301
Cash and cash equivalents at end of period		10,786	14,139



2. Priority Issues by Business Segment

Real Estate

Financial Results of 2025 2Q

■ Business conditions

◆ COCOON CITY

- Rental income increased as a result of proactive renovation and other initiatives for the 10th anniversary.
- Rents for rental properties in the area increased at lease renewals.
- Costs show an increasing trend, including property tax and lease costs, which have risen every year, and repair costs.

◆ Other properties

- The sale of buildings and the start of leasing the land of the former Kazo Plant have made the property profitable.
- Capital expenditures are made to address issues, including aging and deterioration of properties and natural disasters.



COCOON CITY celebrated its 10th anniversary.

■ Future initiatives

◆ COCOON CITY and its surrounding area

- Strengthen the competitive power through strategic replacement of tenants and capital expenditures.
- Promote development plans step-by-step to further increase the value of the area.
- The demolition of the buildings of the former Tokyo Research Laboratories has been completed. Develop rental houses for opening in 2027.

◆ Other properties

- Sustain asset value and generate stable revenue through appropriate maintenance and capital expenditures.
- Increase revenue by investing in new real estate properties.



Pharmaceuticals

■ Business conditions

- ◆ Sales decreased as selling prices continued to decline due to annual NHI drug price revisions.
- ◆ Profit recovered as a result of structural reforms including the voluntary early retirement program implemented in the previous fiscal year and closure of branches and sales offices.
- ◆ The decision to discontinue the development of CNT-01 (a therapeutic drug for triglyceride deposit cardiomyovasculopathy) had a minimal impact on financial results.

■ Future initiatives

◆ Development and launch of new products

- Enhance communication with medical institutions in preparation for the release of Tolvaptan 3.75 mg tablets (a therapeutic drug for heart failure; low-dose formulation), which is a generic drug [To be released in December 2025].
- Promote the development of generic drugs and new sales alliances with other companies.

◆ Overseas expansion

- Expand into the Chinese market with transdermal patch of β 1 blocker Biso[®] Tape [Preparing for marketing approval].

◆ Sales activities

- Increase the market share of Bepridil Hydrochloride Tablets (a therapeutic drug for arrhythmia and angina), which is a generic drug released in February 2024.
- Optimize sales activities to align them with the distribution channels in a proprietary sales system.

◆ Measures to increase profitability

- Review unprofitable products and make use of administrative measures related to drug price increases.



Machinery

■ Regarding the Conclusion of Partner Agreement with Magirus in Japan

- ◆ In May 2025, Katakura Industries announced the conclusion of Partner Agreement with MAGIRUS GmbH (hereinafter referred as “Magirus”), a German fire engine manufacturer, for operation in Japan, and from this June onward, we started sales and service/maintenance activities for Magirus' aerial firefighting product such as ladder trucks.
- ◆ Magirus is one of renowned fire engine manufacturers in the world known for its high technology and performance, especially in the ladder truck segment.
- ◆ Nihon Kikai Kogyo Co., Ltd., our group company, had sold considerable volume of aerial work platform in the previous years, however, their sales have been in decrease recently.
- ◆ With this Partner Agreement with Magirus in effect, we intend not only to expand and reinforce our product line-up of Machinery Group but to help improve in our profitability at the same time.



Machinery

■ Business conditions

Business remained on a recovery trend as delays in deliveries of chassis eased and sales from orders carried forward from the previous fiscal year progressed

- ◆ Delays in the chassis supply, which were caused by shortages of automotive semiconductors and the model changes undertaken to comply with laws and regulations, have been reduced faster than expected. As a result, sales from orders carried forward from the previous fiscal year progressed, and sales grew.

A recovery is forecast for FY2025 full-year results

- ◆ Progress has been made in passing the increases in raw materials and other prices on to selling prices.
- ◆ Sales and earnings increased with the increased sales of small-sized vehicles, the business's mainstay, as well as medium-sized vehicles.
- ◆ Costs were reduced resulting from the leveling of production of products whose orders were carried forward.

■ Future initiatives

- ◆ Strengthen relationships with agents and promote initiatives to acquire new orders.
- ◆ Engage in sales activities aimed at winning new orders for Magirus' aerial firefighting products such as ladder trucks and establish efficient maintenance systems.



Textiles

■ Functional Fibers Business (Nitivy Co., Ltd.)

Heat-resistant fibers: Sales for metal manufacturing and aircraft applications grew.

- ◆ Launched metal manufacturing applications in the U.S. market in full scale. Sales for aircraft applications remained robust.
- ◆ Sales for semiconductor manufacturing applications are still affected by continued delays in recovery in demand-supply cycles (expected to recover in around 2026).

Water-soluble fibers: Inventory adjustments are expected for artificial leather applications in the second half.

- ◆ In Japan, sales of artificial leather applications used for automotive interiors have remained robust. However, inventory adjustments by customers are expected in the second half.
- ◆ Shipments for overseas high-end towel applications are being adjusted to align with customers' inventory turnover.

Future initiatives

- ◆ Work to expand sales channels overseas, particularly in the U.S. and Europe, while paying close attention to the impact of tariffs.
- ◆ Reinforce the personnel structure to prepare for the completion of the firing furnace in 2026 1Q.



Heat-resistant rings
(Heat-resistant fibers for semiconductor manufacturing applications)



A towel manufactured using water-soluble fibers in its manufacturing process
(Water-soluble fibers for zero-twist yarn applications)

■ Practical Clothing Business (Ogran Japan Co., Ltd.)

- ◆ While mail-order sales of functional underwear were strong, the launch of summer items of basic innerwear was rescheduled for later dates.
- ◆ Aim to enhance profitability by aggregating product lineups and reviewing the structure of brands.
- ◆ Focus on functional underwear, especially light incontinence underwear for active seniors. Promote proactive sales activities aimed at acquiring new business partners in the mail-order and e-commerce fields.



Note: Image generated by artificial intelligence (Copilot).

New Businesses

Garden Express Co., Ltd. (Planting business)

- ◆ Sales and earnings have grown strongly.
- ◆ A nationwide network of over 100 agents has been established.
- ◆ Business with corporate clients has been on the rise.



Note: Image generated by artificial intelligence (ChatGPT).

Future initiatives

- ◆ Enhance the efficiency of sales activities through the use of customer data.
- ◆ Establish price and service systems in response to diverse needs.

Katakura CrossTechnology Co., Ltd. (IT business)

- ◆ Sales and earnings have grown strongly.
- ◆ The increased number of SEs has grown the number of clients by more than ten.
- ◆ Their in-house artificial intelligence has expanded the use of digital technologies in the Katakura Group.



Note: Image generated by artificial intelligence (ChatGPT).

Future initiatives

- ◆ Improve profitability with additional staff in place.
- ◆ Further strengthen digital transformation in the Group.

[Approach to newly acquired companies]

Appropriate PMI (Ensure corporate governance as a group company)
Enhance corporate value (Increase revenue and maximize synergistic effects)

3. Development of Foundational Structures

Corporate Governance System and Risk Management

Financial Results of 2025 2Q



Strengthen the corporate governance system

- Make efforts to enhance the effectiveness of the Board of Directors
- Continuously provide officer training
- Enhance management and governance of Group companies
- Continuously provide internal control training



Upgrade risk management

- Compliance
Expand the scope of management and work to promote compliance across the entire Group
- Business continuity system
Advance business continuity planning (BCP) and crisis management initiatives



Promote digital transformation (DX)

- IT Planning Council
Formulate and execute company-wide DX strategies
- Utilization of generative artificial intelligence (AI)
Increase productivity, standardize quality, and reduce costs



Enhance human capital

- Transition to a new personnel system that is aligned with the Corporate Identity
- Reorganization of training systems
- Human resource exchanges within the Group

Promote the establishment of the foundation to support sustainable growth

4. 2025 Forecast, and Dividends and Dividend Policy

2025 Forecast

Financial Results of 2025 2Q

(Million yen)	2025 Forecast after revision	2025 Forecast before revision	Change
	A	B	A-B
Net sales	40,700	40,600	100
Operating income	5,000	4,600	400
Operating income ratio	12.3%	11.3%	1.0pt
Ordinary income	6,000	5,500	500
Profit attributable to owners of parent	4,900	4,000	900

Supplementary notes

- Based on the following results of the first half of the FY2025, we have revised the 2025 forecast upward for net sales and each stage of profit, namely operating income, ordinary income, and profit attributable to owners of parent.
 - Decrease in R&D expenditures in Pharmaceuticals
 - Decline in costs resulting from the leveling of production of carried-forward products in Machinery
 - Recording of extraordinary income from the sale of the buildings of the former Kazo Plant

Shareholder Returns (Dividends)

<Shareholder Return 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.

■ Recent dividends paid and 2025 forecast

	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.

In FY2025, the Company conducted a share repurchase on May 14, 2025, as outlined below.

- ◆ Total no. of shares repurchased: 650,000 (2.00% of the total number of issued shares [excluding treasury shares])
- ◆ Total share repurchase cost: Approx. 1,443 million yen