

# Financial Results of 2021

**KATAKURA INDUSTRIES CO., LTD.**

(Code 3001, TSE 1st section)

February 28, 2022

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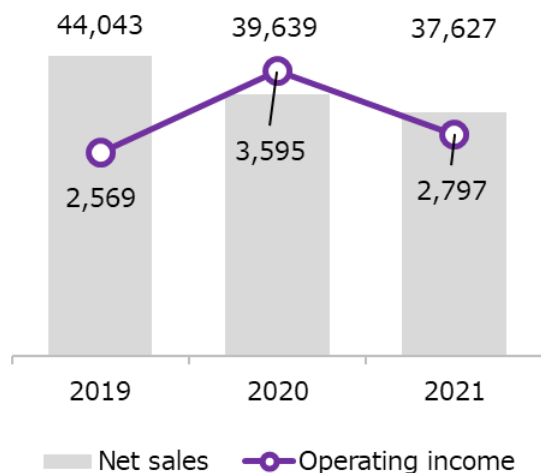
# 1. Financial Highlights of 2021

# Consolidated Income Statement

Financial Results of 2021

(Million yen)	2021Actual	2020Actual	YoY change
	A	B	C=A-B
Net sales	<b>37,627</b>	39,639	▲ 2,012
Operating income	<b>2,797</b>	3,595	▲ 798
Operating income ratio	<b>7.4%</b>	9.1%	▲ 1.7pt
Ordinary income	<b>3,855</b>	4,544	▲ 689
Extraordinary income	<b>3,914</b>	1,752	2,162
Extraordinary loss	<b>▲ 278</b>	▲ 1,827	1,549
Profit before income taxes	<b>7,491</b>	4,469	3,022
Profit attributable to owners of parent	<b>4,953</b>	2,871	2,082

## 【Three-Year Summary】



### 【Net sales·Operating income】

- Net sales and operating income decreased (Details are given on next page)

### 【Extraordinary income】

- Gain on sales of non-current assets: 3,812M

### 【Extraordinary loss】

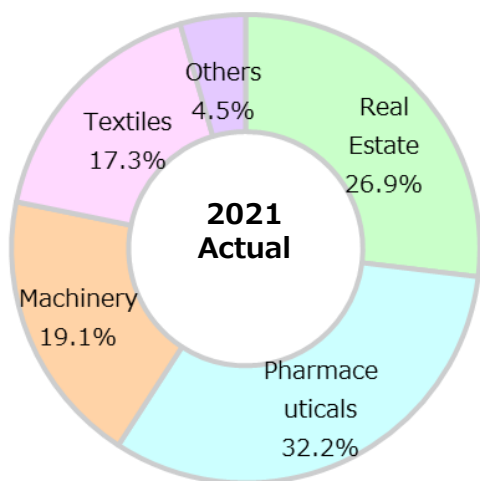
- Extra retirement payments: (102M)  
(2020: (993M))
- Loss on disposal of non-current assets: (176M)

# Consolidated Income Statement / Business Segment

Financial Results of 2021

(Million yen)	2021 Actual		2020 Actual		YoY change	
	A		B		C=A-B	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate	10,125	3,590	9,827	3,691	① 298	▲ 101
Pharmaceuticals	12,132	105	13,729	579	② ▲ 1,597	▲ 474
Machinery	7,171	47	8,069	93	③ ▲ 898	▲ 46
Textiles	6,496	115	6,353	274	④ 143	▲ 159
Others	1,702	138	1,659	103	⑤ 43	35
adjustments	-	▲ 1,200	-	▲ 1,146	-	▲ 54
<b>Total</b>	<b>37,627</b>	<b>2,797</b>	<b>39,639</b>	<b>3,595</b>	<b>▲ 2,012</b>	<b>▲ 798</b>

Business Segment Sales



**① : Increase in sales but decrease in earnings in real estate**

- Although sales increased due to the carrying out of renewals, etc. for shopping centers, earnings decreased as a result of special factors caused by recording a portion of fixed costs incurred during temporary closures of shopping centers in the previous fiscal year as extraordinary loss.

**② : Decrease in sales and earnings in pharmaceuticals**

- Sales and earnings decreased due to the impact of drug price revisions in addition to a decrease in sales of long-term listed products and the impact of inventory adjustments by clients.

**③ : Decrease in sales and earnings in machinery**

- Sales decreased due to the decrease in orders of fire engines.
- With regard to the operating income and loss status, although initiatives to reduce costs for the fire engine business succeeded, earnings decreased due to the decrease in sales in addition to the additional estimation and recording of costs to remove asbestos.

**④ : Increase in sales but decrease in earnings in textiles**

- Sales increased as a result of strong performances in functional fibers, such as heat-resistant fibers.
- With regard to the operating income and loss status, earnings decreased due to the additional estimation and recording of costs to remove asbestos.

**⑤ : Increase in sales and earnings in others**

- Sales increased due to the favorable sales of flower-visiting insects and other factors.
- With regard to the operating income and loss status, earnings increased due to the increase in sales in addition to the decrease in labor costs in the building management services business and other factors.

# Consolidated Balance Sheet

(Million yen)		2021.12	2020.12	YoY change
		A	B	A-B
Current assets		<b>57,059</b>	53,822	3,237
Non-current assets		<b>82,914</b>	80,561	2,353
	Property, plant and equipment	<b>44,789</b>	46,143	▲ 1,354
	Intangible assets	<b>361</b>	381	▲ 20
	Investments and other assets	<b>37,763</b>	34,036	3,727
	Investment securities	<b>34,151</b>	31,166	2,985
	<b>Total assets</b>	<b>139,973</b>	134,384	5,589
Total liabilities		<b>52,362</b>	52,541	▲ 179
	Loans	<b>11,017</b>	12,713	▲ 1,696
	Lease and guarantee deposits	<b>9,136</b>	9,084	52
	Deferred tax liabilities	<b>9,899</b>	8,622	1,277
Total net assets		<b>87,611</b>	81,843	5,768
	Retained earnings	<b>47,095</b>	42,689	4,406
	Valuation difference on available-for-sale securities	<b>15,593</b>	14,264	1,329
	<b>Total liabilities and net assets</b>	<b>139,973</b>	134,384	5,589

• Down due to depreciation

• Up due to valuation difference in market value

• Down due to repayment

• Up due to recording of profit

# Consolidated Statement of Cash Flows

Financial Results of 2021

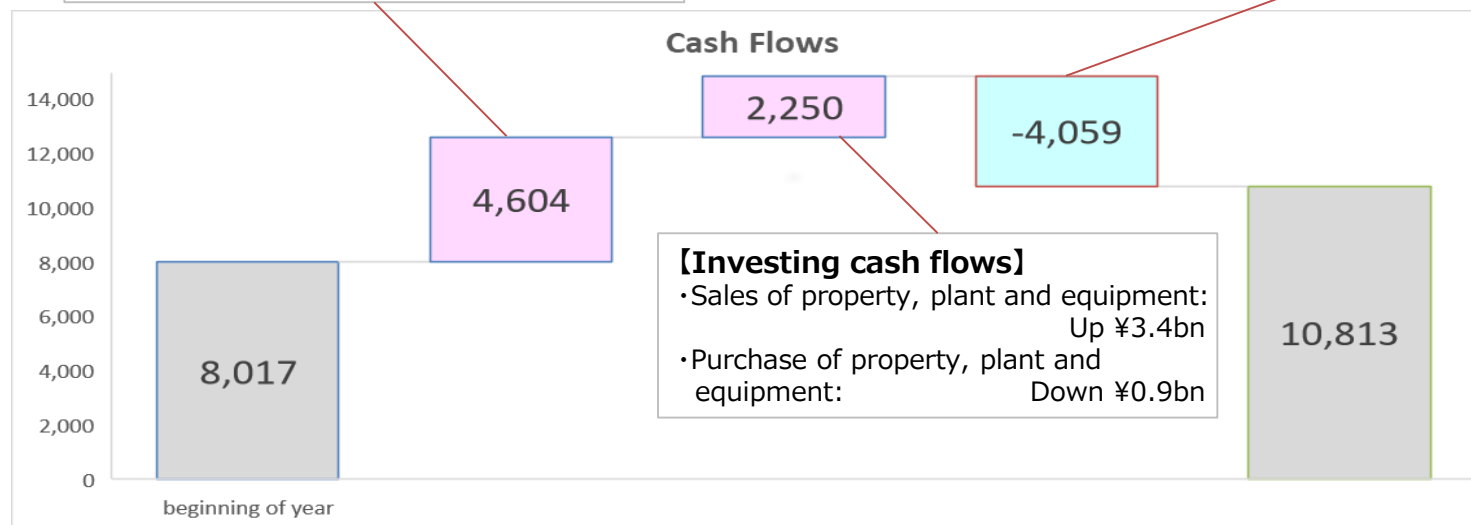
(Million yen)	2021Actual	2020Actual
Cash and cash equivalents at beginning of year	8,017	3,503
Operating cash flows	4,604	6,530
Investing cash flows	2,250	2,167
Financing cash flows	▲ 4,059	▲ 4,184
Net increase (decrease) in cash and cash equivalents	2,796	4,514
Cash and cash equivalents at end of year	10,813	8,017

### 【Operating cash flows】

- Profit before income taxes: Up ¥7.4bn
- Depreciation: Up ¥3.2bn
- Gain (loss) on sales of non-current assets: Down ¥3.8bn
- Income taxes paid: Down ¥1.5bn

### 【Financing cash flows】

- Repayments of long-term loans payable: Down ¥1.5bn
- Acquisition of own shares: Down ¥1.3bn



# Capital Expenditures, Depreciation and R&D Expenditures

Financial Results of 2021

(Million yen)		2021Actual	2020Actual	YoY change
		A	B	A-B
	Pharmaceuticals	<b>1,040</b>	767	273
	Real Estate	<b>311</b>	209	102
	Other Segment	<b>832</b>	551	281
	Capital expenditures	<b>2,183</b>	1,527	656

	Real Estate	<b>1,503</b>	1,569	▲ 66
	Pharmaceuticals	<b>810</b>	946	▲ 136
	Other Segment	<b>945</b>	440	505
	Depreciation	<b>3,258</b>	2,955	303

	Pharmaceuticals	<b>1,956</b>	1,981	▲ 25
	Other Segment	<b>92</b>	65	27
	R&D Expenditures	<b>2,048</b>	2,046	2

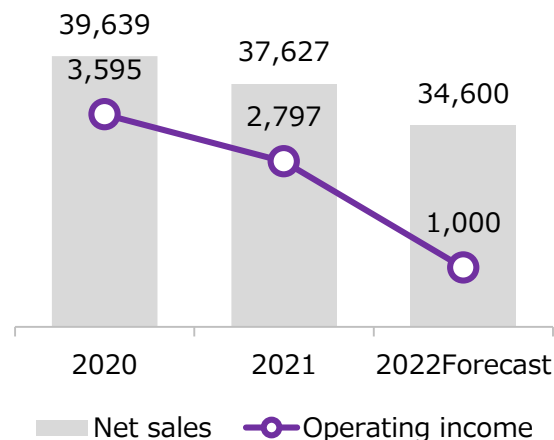


## 2. 2022 Forecast

# Consolidated Income Statement / Forecast

(Million yen)	2022Forecast	2021Actual	YoY change
	A	B	C=A-B
Net sales	<b>34,600</b>	37,627	▲ 3,027
Operating income	<b>1,000</b>	2,797	▲ 1,797
Operating income ratio	<b>2.9%</b>	7.4%	▲ 4.5pt
Ordinary income	<b>2,100</b>	3,855	▲ 1,755
Extraordinary income	<b>1,000</b>	3,914	▲ 2,914
Extraordinary loss	<b>0</b>	▲ 278	278
Profit before income taxes	<b>3,100</b>	7,491	▲ 4,391
Profit attributable to owners of parent	<b>2,100</b>	4,953	▲ 2,853

## 【Three-Year Summary】



### 【Net sales·Operating income】

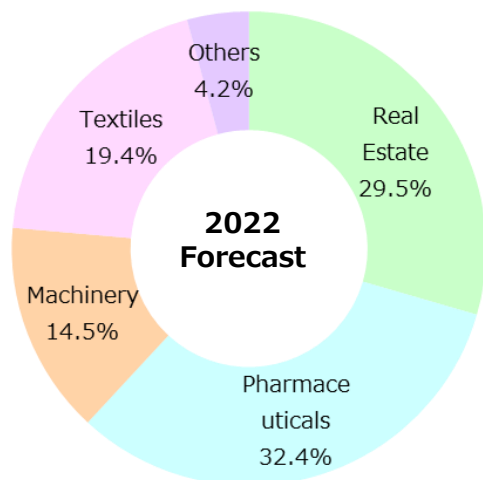
- Expected decrease in sales and earnings (Details are given on next page)

### 【Major extraordinary income (loss)】

- Expected to record gain on sales of non-current assets, etc.

(Million yen)	2022Forecast		2021Actual		YoY change	
	A		B		C=A-B	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate	10,200	3,600	10,125	3,590	75	10
Pharmaceuticals	11,200	▲ 1,600	12,132	105	① ▲ 932	▲ 1,705
Machinery	5,000	▲ 400	7,171	47	② ▲ 2,171	▲ 447
Textiles	6,700	350	6,496	115	204	235
Others	1,500	150	1,702	138	▲ 202	12
adjustments	-	▲ 1,100	-	▲ 1,200	-	100
<b>Total</b>	<b>34,600</b>	<b>1,000</b>	<b>37,627</b>	<b>2,797</b>	<b>▲ 3,027</b>	<b>▲ 1,797</b>

## Business Segment Sales



### ① : Decrease in sales and earnings in pharmaceuticals

- Details are given on pages 12 to 13

### ② : Decrease in sales and earnings in machinery

- Sales decreased significantly due to a decrease in orders for fire engines because of the impact of COVID-19 in addition to delays in delivering chassis because of the global semiconductor shortage that has continued since 2021.

● Drug price revisions    Start of the annual NHI drug price revision

<p>➤ Structural reforms</p>	<ul style="list-style-type: none"> <li>✓ Establish proprietary sales system (from April 2022)</li> <li>➔ <u>Despite temporary unprofitability due to inventory adjustments for consigned goods out for sales in 1Q, the Company expects to see the realization of the impact of increased profitability from 2Q.</u></li> </ul>
<p>➤ Strengthen product succession</p>	<ul style="list-style-type: none"> <li>✓ Commence sales of two products (from April 2022)</li> <li>✓ In negotiations for various other products</li> <li>➔ <u>Improve base earning power through succession and sales collaborations that immediately contribute to profits.</u></li> </ul>
<p>➤ New drug development, etc.</p>	<ul style="list-style-type: none"> <li>✓ CNT-01 (Licensing agreement with Osaka University)</li> <li>✓ Biso Tape (Developed in China)</li> <li>✓ Promote joint development with corporations and academia domestically and overseas</li> <li>➔ <u>Work to efficiently develop new drugs and generic drugs through cooperation in order to improve earning power in the medium to long term.</u></li> </ul>

## Pharmaceuticals: Topics and Their Impact (Expected for FY2022)

### □ Topic ①

- Inventory adjustments will occur with Astellas, which is the Company's main sales partner, due to the Company commencing proprietary sales of all products, which it is working on as a part of structural reforms, from April 2022.
- Due to this factor, sales to Astellas during January to March 2022 will be insignificant, and as a result, the impact on the operating income and loss status is expected to be about negative ¥0.9 billion due to preparations for transitioning to proprietary sales in the same period.

### □ Topic ②

- The Company is working to develop new drugs and generic drugs as a measure to improve earning power from a medium- to long-term perspective.
- R&D expenditures will increase by about ¥0.8 billion year on year, primarily due to research stage development for the new drug pipeline in FY2022.

Operating income of Pharmaceuticals in FY2022 is expected to land at negative ¥1.6 billion due to the temporary unprofitability in Topic ① in addition to the negative impact of an increase in R&D expenditures on the operating income and loss status in Topic ②.

(Million yen)		2022Forecast	2021Actual	YoY change
		A	B	A-B
Pharmaceuticals		<b>1,000</b>	1,040	▲ 40
Real Estate		<b>238</b>	311	▲ 73
Other Segment		<b>402</b>	832	▲ 430
Capital expenditures		<b>1,640</b>	2,183	▲ 543

Real Estate		<b>1,433</b>	1,503	▲ 70
Pharmaceuticals		<b>800</b>	810	▲ 10
Other Segment		<b>419</b>	945	▲ 526
Depreciation		<b>2,652</b>	3,258	▲ 606

Pharmaceuticals		<b>2,776</b>	1,956	820
Other Segment		<b>97</b>	92	5
R&D Expenditures		<b>2,873</b>	2,048	825

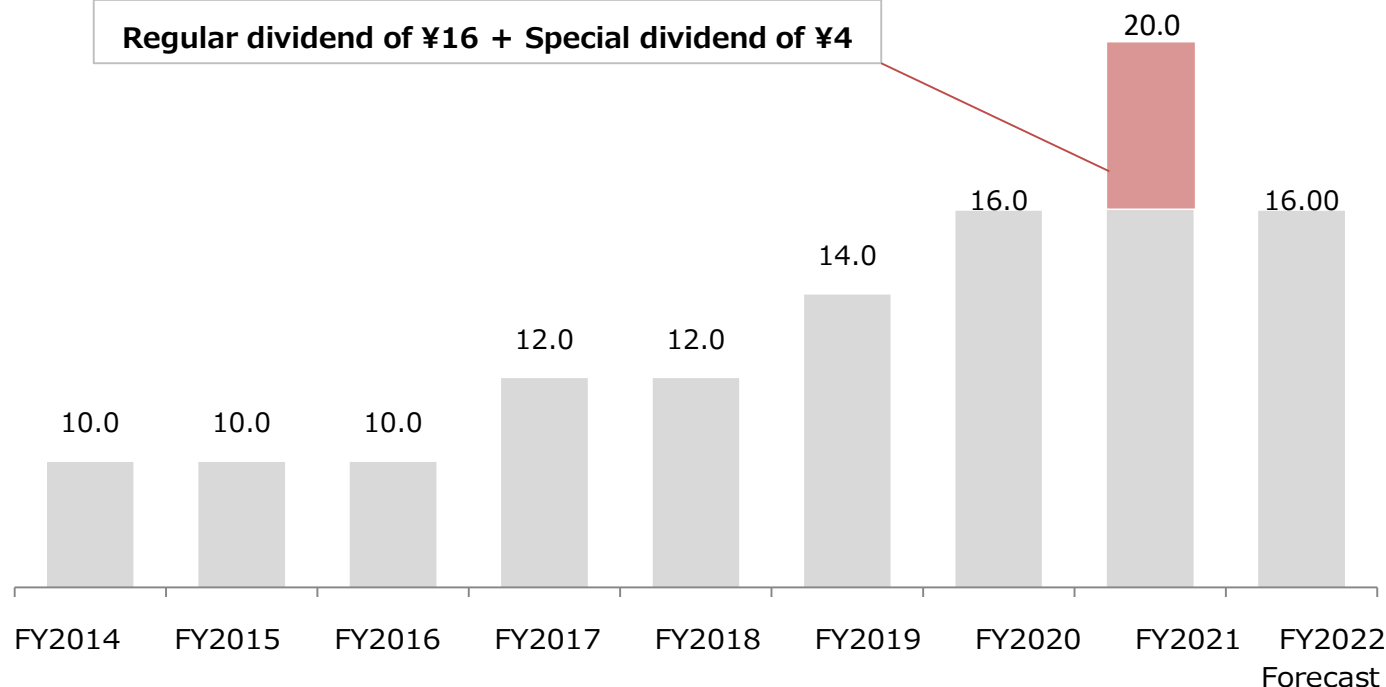
## 3. Dividends and Dividend Policy

# Shareholder Returns (Dividends)

## < Dividend Policy >

- The Company regards returning profits to shareholders as one of our important management policy.
- The basic policy for allocating earnings is to pay a consistent and stable dividend to shareholders while taking into account results of operations as well as the need to fund upcoming business operations and maintain sufficient retained earnings and dividend payout ratio.

**Regular dividend of ¥16 + Special dividend of ¥4**



Net income (Million yen)	268	226	1,691	1,224	1,283	1,732	2,871	4,953	2,100
Net income per share (yen)	7.62	6.44	48.11	34.83	36.56	49.42	82.71	147.56	63.22
Dividend payout ratio (%)	131.2%	155.2%	20.8%	34.5%	32.8%	28.3%	19.3%	13.6%	25.3%



# 《Supplementary Information①》 The Source of Katakura's Diversification

Founded 1873  
Established 1920

## Silk thread production



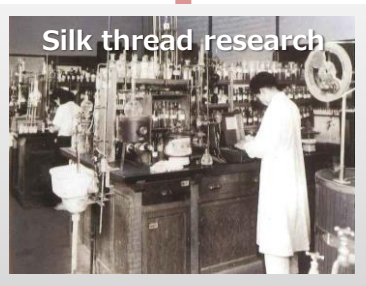
## Raw silk



Ownership of Tomioka Silk Mill 1939-2005 (66 years)



Carrying on the tradition of raw silk production



Innovating originating from research to create outstanding silk products



Utilizing know-how for the internal development of manufacturing equipment



Utilizing the former sites of thread factories

## Textiles

**Apparel**  
Manufacture and sale of underwear and socks

**Ogran Japan Co., Ltd.**  
Manufacture and sale of casual innerwear

**Nitivity Co., Ltd.**  
Manufacture and sale of functional fibers

## Pharmaceuticals

**Toa Eiyo Ltd.**  
Manufacture and sale of prescription drugs

## Machinery

**Nihon Kikai Kogyo Co., Ltd.**  
Manufacture and sale of fire engines

## Real Estate

**Real Estate**  
Operation of shopping centers, real estate leasing  
Development and use of company-owned land

**Textiles**

Nursing care underwear



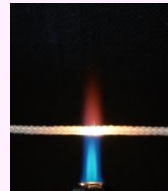
Apparel

Licensed products



Ogran Japan Co., Ltd.

Alumina fiber yarn (heat-resistant fibers)



Nitivity Co., Ltd.

**Pharmaceuticals**



Toa Eiyo Ltd.

**Machinery**

Fire truck



Nihon Kikai Kogyo Co., Ltd.

**Real Estate**

Tokyo Square Garden



COCOON City



Real Estate

**Other segments**

(\* ) Included in "Others" segment

Agricultural and related products



Food



Life Solutions

Mulberry Garden



Building maintenance



Katakura Caron Service Corp.

## <Disclaimer >

Sales and earnings forecasts and other forward-looking statements in this document are based on the economic forecast and other current assumptions. These statements are not guarantees or promises regarding future performance. Furthermore, forecasts may be revised at any time without prior notice. —

Katakura has exercised care to be certain that all information in this document is correct. However, Katakura assumes no responsibility whatsoever for any errors in this information.

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World Heritage Site "Tomioka Silk Mill"



Special WEB page "history walked the Katakura and Tomioka Silk Mill"

<https://www.katakura.co.jp/tomioka.htm>