

Giving Shape
to Infinite
Possibilities

2023

Integrated Report Carlit Report



Carlit Holdings Co., Ltd.

Publication of the Integrated Report

Since its establishment in 1918, our Group has continued to take on the challenge of creating unique value with the mission of solving social issues through our business activities, such as “what society needs” and “how we can contribute to the growth of society”.

The Mid-Term Management Plan “Challenge 2024,” which started in FY2022, is back-casted from Ideal Carlit Group in 2030, which is “To contribute to a sustainable society by combining the power of ‘chemistry’ and ‘technology’ to support people’s happy lives”. We have established a business portfolio and aim to increase corporate value through its optimization. We also reviewed Materiality in terms of its importance to our stakeholders and to the Company. Through the implementation of the plan, we will realize “profitable growth” and “advanced ESG management” to become a corporate group that is trusted by society.

This year’s Integrated Report presents our initiatives for FY2022, the first year of “Challenge 2024”. In an effort to deepen your understanding of our medium- to long-term vision, we declare that the information provided in this report is accurate, as it was prepared by consolidating information throughout the Group in close cooperation with each division, referring to the “International Integrated Reporting Framework” and the “Guidance on Integrated Disclosure and Dialogue for Value Creation”, etc.



Editorial Policy

The Carlit Group (Carlit Holdings, Co. Ltd. and consolidated subsidiaries) attaches great importance to active dialogue with stakeholders in all of its business activities. The purpose of this report is to provide a comprehensive understanding of the social and economic value created by the Carlit Group by reporting on management strategies, business and CSR activities.

Reference Guidelines

- International Integrated Reporting Council (IIRC) “International Integrated Reporting Framework”
- Ministry of Economy, Trade and Industry (METI) “Guidance on Integrated Disclosure and Dialogue for Value Creation”

Scope of Reporting

- From April 1, 2022 to March 31, 2023 (including business activities started after April 2023)
- In this report, “our Group” and the “Company” refer to Carlit Holdings Co., Ltd. and its consolidated subsidiaries.

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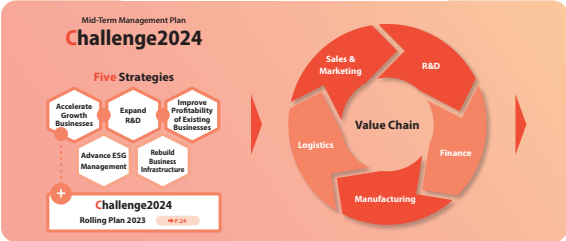
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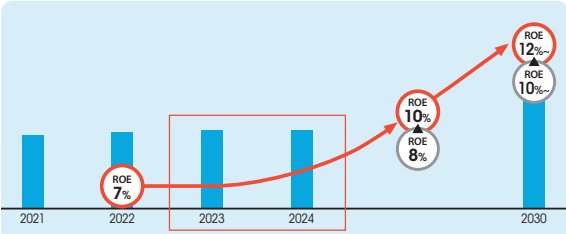
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Message from the President



We are committed to reform and growth for Ideal Carlit Group in 2030.

Hirofumi Kaneko

Representative Director and President & CEO

"Trust" and "Infinite Possibilities" that we have accumulated since our founding

The entire Group will work together to promote people's well-being.

Soichiro Asano, the founder of our Group, established various businesses such as cement, oil, coal mining, port, shipping, railway, and education, and was known as the "Cement King" and "Father of the Keihin Industrial Zone," building the Asano Zaibatsu in a single generation.

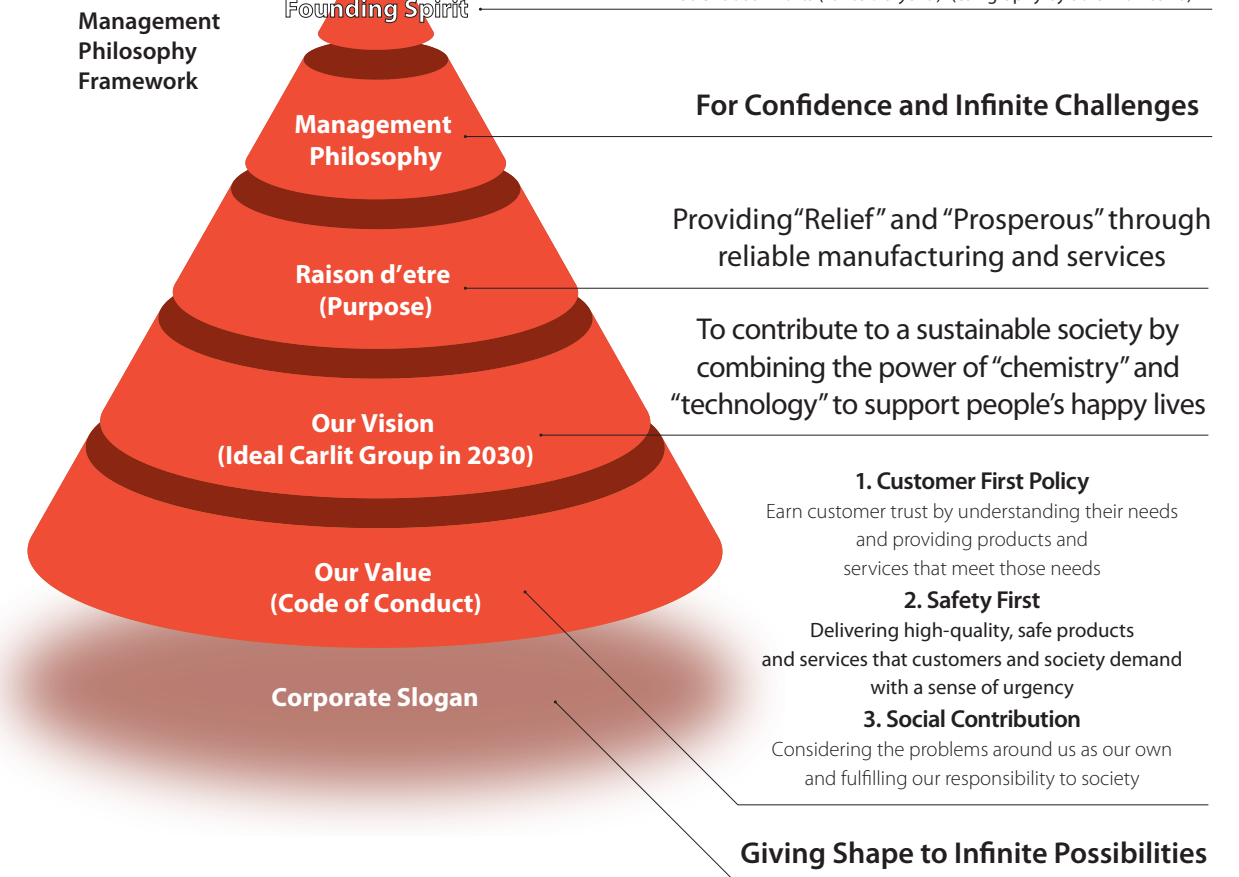
In 1918, Asano acquired the patent rights to "Carlit Explosives" from a Swedish company with the aim of producing industrial explosives (dynamite) domestically, which was dependent on imports, and began production the following year. The founding spirit of "Strenuous Efforts" was a spiritual pillar of the Company, reflecting Asano's belief in creating businesses necessary for society with an indomitable fighting spirit without giving up in the face of adversity.

With the transition to a holding company structure in 2013, we adopted "For Confidence and Infinite Challenges" as our corporate philosophy. The key word for our Group is "trust". I personally value the word "trust". In addition to building relationships with our customers, we cannot do anything without trust within the Company and the Group. The outside Directors' assessment of the Company is "an honest, reputable and good company," which also indicates trust. "Trust" is the very word that describes our Group.

Industrial explosives, our founding business, are chemical products that require strict control by the government and society at large, and require teamwork and meticulous care within the Company to prevent accidents, not to mention in the manufacturing field. With such "hazardous materials" as our founding business, building a strong relationship of trust both in and outside the Company has permeated our Group's corporate culture and become



"Strenuous Efforts (Funto Doryoku)" (calligraphy by Soichiro Asano)



ingrained in our DNA. When I was in sales, one of my business partners said to me, "Your company never lies. That is why I choose your company." His words serve as the medal of honor for our Group.

With "trust" as our banner, our Group has continued to take on the challenge of achieving new growth. We have risen to the challenge of developing breakthrough products in various fields, such as pulp bleaching agents, herbicides, and solid rocket fuel oxidizers, by transforming chemical technologies accumulated since our founding, and we have also taken on the challenge of expanding our business domain through mergers and acquisitions. We have also created a framework to support growth by respecting the human rights and diversity of our employees and treating our human resources as "human capital". In particular, we have set targets for the ratio of newly hired female graduates and female managers, and are working to increase the number of female employees involved in management decisions.

And in 2018, we decided on the corporate slogan "Giving Shape to Infinite Possibilities," which reaffirms our position in the product groups we have been trying to develop and the business domains we have been expanding, and expresses our determination to work together as a Group to achieve new growth.

In the Mid-Term Management Plan "Challenge 2024," formulated in FY2022, we announced the "Ideal Carlit Group in 2030: To contribute to a sustainable society by combining the power of "chemistry" and "technology" to support people's happy lives" and "Raison d'être (Purpose): "Providing 'Relief' and 'Prosperous' through reliable manufacturing and services".

Looking ahead to 2030, we have set a vision to focus on and develop our electronic materials, silicon wafer business, next-generation battery assessment service and basic chemicals to address social issues, such as the realization of an ultra-smart society, convenient and safe infrastructure and mobility, and a more prosperous and environmentally friendly lifestyle.

Looking at our Group's products and services from a bird's eye view, flares used in automobiles to ensure safety in the event of a breakdown or accident, raw materials for fireworks that light up the night sky as a summer tradition, herbicides used in forest management, earthquake-resistant buildings, canal designs that reduce flood damage,

heat-resistant hardware for high-temperature furnaces that help reduce environmental impact, raw materials for solid propellants for the rockets of the future, the development of efficient electrical materials to accompany the development of battery devices, and the assessment of battery performance and safety are just a few examples of the wide range of areas in which we support daily life and contribute to the happiness of consumers. In addition, the scope of our Group's contribution to happiness continues to expand through our Group companies that have joined us through mergers and acquisitions.

To contribute to a sustainable society by combining the power of "chemistry" and "technology" to support people's happy lives. "Ideal Carlit Group in 2030" is the Carlit Group's commitment to its stakeholders to promote innovation and become a company that supports the happiness of as many people as possible by adding not only Japan Carlit chemical products, but also the technologies and diverse human capital of our Group companies.

As a corporate citizen to build a sustainable society, we will continue to advance our ESG management, rebuild our business infrastructure, and further strengthen our corporate foundation, including developing human resources who will lead the future and improving the work environment. We will continue to take steady steps forward to support people's well-being.

Steady Steps Toward the Ideal Carlit Group in 2030

Innovation for 2030 is well underway.

The first year of the Mid-Term Management Plan Challenge 2024, back-casted from the Ideal Carlit Group in 2030, has been completed. "To contribute to a sustainable society by combining the power of 'chemistry' and 'technology' to support people's happy lives" The Ideal Carlit Group in 2030 is the future that Carlit Holdings aspires to, in which a wide range of products and services, with an emphasis on chemical products as the mainstay of our sales, will support the happiness of consumers.

The Mid-Term Management Plan "Challenge 2024" is a milestone in the realization of our vision, which aims to increase corporate value by moving away from a short-term sales orientation and optimizing our business portfolio, and to implement specific measures based on the following five pillars of innovation.

● Accelerate Growth Businesses

Appropriately allocate resources to focus on electronic materials, silicon wafer business and basic chemicals

● Expand R&D

Improve core technologies, develop long-life products and create new products quickly

● Improve Profitability of Existing Businesses

Strict financial discipline and planned capital investment by setting KPIs for gross profit and SG&A expenses

● Advance ESG Management

Expand social ties through climate change and carbon neutrality measures, stakeholder dialogue, etc.

● Rebuild Business Infrastructure

Clarify financial policy, including investments for growth and shareholder return. Promote DX to improve management efficiency

In addition, the Director Compensation Plan is a performance-based stock compensation plan that clearly links compensation to business performance and share value, with the aim of raising awareness among Directors that



they are responsible for, and should contribute to, improving medium- to long-term performance and increasing the corporate value in their respective areas of responsibility.

We will drive DX in the reconstruction of our business infrastructure. We will accelerate digital investments to expedite management decision-making, and strengthen cybersecurity measures to prepare for the increasing number of cyberattacks that are becoming more sophisticated and complex.

We will move away from the legacy systems of the past and shift to cloud computing, paperless systems, and advanced cybersecurity measures to consolidate and link information that has been divided by department, which will also allow us to accelerate management and improve the efficiency of risk management, procurement, production, and inventory management. We believe that renewing our systems will also encourage the creation of new, previously abandoned ideas.

Record Operating Profit and Ordinary Profit for the Fiscal Year Ended March 31, 2023

Although some of our businesses were affected by changes in the business environment, we were able to increase both sales and profits for two consecutive periods.

In FY2022, we achieved record-high operating profit and ordinary profit despite a challenging business environment due to rising raw material and energy costs, production adjustments caused by the semiconductor shortage, and the lockdown in China. Although sales increased in all business segments, from chemical products to bottling, industrial components and engineering services, operating profit declined in bottling and engineering services. In the bottling segment, higher costs, including higher energy costs, and in engineering services, a decline in highly profitable business were the main reasons for the decline in profit. The increase in bottling costs was due to a delay in shifting to appropriate pricing, mainly by shifting prices to PET bottles, which is expected to be resolved in the fiscal year ending March 31, 2024.

Meanwhile, according to the business portfolio introduced in the fiscal year ended March 31, 2023, the businesses in the Base Area and Develop Area generally progressed as planned. However, the electronic materials and silicon wafer businesses, which are our Focus Areas, performed well in the first half of the period under review, but in the second half, the decline in market demand associated with the recession in the Chinese economy resulted in a decline in sales and profit for the period as a whole. This effect is expected to last until the end of 2023, but we are working to develop a framework that will enable us to steadily improve sales and earnings when the environment becomes more favorable.

Financial Summary

(Millions of yen)

	FYE 3/2022	FYE 3/2023	Change
	Results	Results	Rate of change
Net sales	33,894	36,008	+2,114 +6.2%
Cost of sales	25,246	27,321	+2,075 +8.2%
Distribution cost and administrative expense	6,140	6,046	△94 △1.5%
Operating profit	2,506	2,640	+133 +5.3%
Ordinary profit	2,742	2,910	+168 +6.1%
Profit attributable to owners of parent	2,336	2,246	△89 △3.8%

Extraordinary income: Gain on sale of investment securities 424
Extraordinary losses: Loss on sale of shares of subsidiaries and associates 82

Restructuring Business Segments in the Period ending March 2024 from a Business Portfolio Management Perspective

The silicon wafer business, our focus area, has been transferred to the Chemical Products Business division.

We will continue the favorable trend of the fiscal year ended March 31, 2023, which ended with an increase in both sales and profit, in the fiscal year ending March 31, 2024. On the other hand, we have decided to focus on rebuilding our electronic materials and silicon wafer businesses, which have been struggling due to a decline in demand in the semiconductor market associated with the economic slowdown in China, and developing a framework for when the business turns around. Therefore, the silicon wafer business will be transferred from the Industrial Materials business to the Chemical Products business, the core business of our Group in order to strengthen management. As part of this change, the Industrial Materials business has been renamed the Metal Working business to reflect the fact that it now consists of two businesses: heat-resistant metal parts for furnaces and various metal springs and pressed products, in order to make the segment name and business description more understandable both internally and externally. This change is in line with our business portfolio management.

In the business portfolio category, Electronic Materials and Silicon Wafers are businesses that we have positioned as “focus areas” where we expect further revenue growth and will allocate concentrated resources to accelerate growth. The semiconductor market is a market that has continued to grow while experiencing repeated booms and busts, known as the “silicon cycle.” As the business reaches the bottom of this cycle in the fiscal year ending March 31, 2024, we will focus on investments that will ensure we capture demand when the market returns to a growth trajectory. We will begin to address markets where major semiconductor manufacturers “do not make products” and work with customers to create new markets in areas where they “cannot make products.” By promoting cooperation from the development stage, we aim to achieve a breakthrough in sales at the time of mass production. To this end, we will also upgrade and reinforce our facilities. We will expand production capacity and functions, including a silicon single crystal ingot furnace (CZ furnace), a high-precision single wafer polisher, and an annealing furnace.

In addition, we will continue to steadily implement measures set forth in the Mid-Term Management Plan “Challenge 2024” in the “Base Area” and “Develop Area”. For the fiscal year ending March 31, 2024, we expect to increase both sales and operating profit, and we believe that if the favorable market environment in the electronic materials and silicon wafer businesses accelerates, further improvements in performance can be expected.

Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2024 (Millions of yen)

	FYE 3/2023 Results	FYE 3/2024 Forecast	Change Rate of change
Net sales	36,008	38,000	+1,992 +5.5%
Operating profit	2,640	3,150	+510 +19.3%
Ordinary profit	2,910	3,400	+490 +16.8%
Profit attributable to owners of parent	2,246	2,600	+354 +15.7%
Dividend per share	20 Yen	20 Yen	—

Launched bottom-up reforms to strengthen our business foundation for 2030

Formulated a rolling plan to improve PBR. Revised upward the target roadmap for ROE.

At present, there are increasing demands, especially from the capital markets, for listed companies to improve their return on capital and market valuation in order to improve their price-book value ratio (PBR). In order to promote strategies that are highly valued by the market, our Group's approach and specific measures to improve Return on Equity (ROE) and Price

Earnings Ratio (PER), which form the basis of the PBR, were disclosed with the announcement of the results for the year ended March 31, 2023, as the Mid-Term Management Plan “Challenge 2024 Rolling Plan 2023”.

In improving ROE, we have broken it down into components, drivers, and issues to be considered, referring to the DuPont analysis, and organized them as initiatives to improve PBR. We will implement a range of specific measures, such as improving operating profit ratio, reviewing operations and integrating administration departments by promoting IT, establishing a pension trust, reorganizing and integrating subsidiaries, mergers and acquisitions, and selling real estate. To support the steady implementation of these measures, we have revised our roadmap to raise our ROE target from 8% to 10% in 2024 and from 10% to 12% or more in 2030.

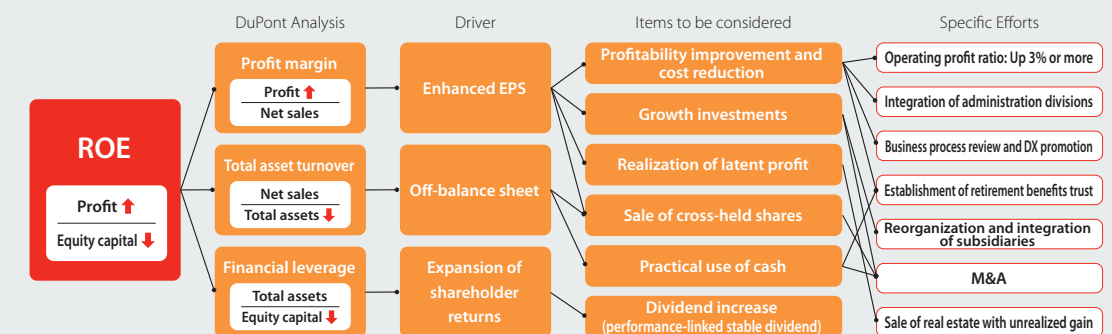
This is a bottom-up reform, mainly compiled by the Corporate Planning Department. When this breakdown chart was presented as an agenda item for the Board of Directors, I was convinced that committing to this plan with our stakeholders would take the Company to a new level. And I was delighted to have had the opportunity to execute it. After the announcement, we received compliments from the management of our business partners, commenting they were amazed we went public with it. In addition, when we explained the results at the General Meeting of Shareholders, we received positive feedback from our shareholders, who highly appreciated our efforts in improving ROE and PER.

We will implement a total of 15 initiatives (7 to increase ROE and 8 to increase PER) to further enhance corporate value. Specifically, to increase operating profit ratio by 3% or more, we will accelerate value creation, including improvement of profits and organization of non-core assets, and advance ESG management, including human capital management and decarbonization.

After achieving a 3% increase in operating profit ratio, we will accelerate efforts to achieve our “Ideal Carlit Group in 2030” by investing and returning an additional 1% in investments in Focus and Develop Areas, 1% in shareholder returns, and 1% in human capital investments based on our business portfolio management.

Concepts and Efforts for Improving ROE

- Improving ROE is the starting point and crucial to enhance PBR
- Systematic implementation of specific actions based on a medium- to long-term value creation story



Approach and Actions to Improve PER

- Improving PER, the expected value of profit growth, is also important to enhance PBR
- The key to improving PER is to reduce the cost of capital through both financial and non-financial efforts, in addition to formulating and implementing growth strategies



Aggressive Disclosure of ESG Indicators

We will continue to develop and deepen our sustainability management through dialogue with our stakeholders.

In January 2023, the “Cabinet Office Ordinance on Disclosure of Corporate Information, etc.” and “Matters to be Considered Concerning Disclosure of Corporate Information, etc. (Disclosure Guidelines)”, etc. came into effect. Accordingly, a new section entitled “Sustainability Approach and Actions” was added to our Annual Securities Report for the fiscal year ended March 31, 2023. In the E (Environment) section, we disclosed the “4°C Scenario” and “2°C Scenario” and targets for reducing emissions in the supply chain in accordance with TCFD recommendations, and in the S (Society) section, we addressed the promotion of women’s activities, diversity, human capital enhancement, and health management, disclosing the percentage of women hired as new graduates, the percentage of women in management positions, the gender pay gap, and the percentage of men taking childcare leave.

I believe that such requests for disclosure should be seen as an opportunity to disclose as much information as possible. As we continue to develop and deepen our sustainability management, it is important to engage in dialogue with various stakeholders. We recognize that there are still many details to be worked out regarding scenario analysis and targets for supply chain emission reduction in line with the TCFD recommendations. However, by disclosing the information, we can receive opinions and suggestions from various stakeholders and further work on refining the details. We believe that such dialogue with institutional investors, individual investors and shareholders is essential for Carlit Holdings to become stronger.

More specifically, with regard to supply chain emissions, we have established a target to reduce Scope 1 and Scope 2 emissions within the Group’s control by 46% from FY2013 levels by 2030, while Scope 3 emissions, which account for approximately 80% of our total emissions, are currently subject to a high degree of uncertainty due to the complexity and various calculation methods used. We intend to engage in dialogue with our stakeholders to refine our reduction efforts and work out the details of the reductions to achieve carbon neutrality by 2050.

Working towards a corporate group employees are proud to work for

We will focus on human capital management in order to become a corporate Group valued by society.

Society’s perception of companies has changed dramatically over the past decade. In the past, companies that performed well were highly valued, but more recently, non-financial measures, such as employee work environment and improving employee engagement have been added as important aspects of assessment. Our Group management has also initiated reforms of personnel systems and work styles based on engagement surveys, and is promoting human capital management that focuses on developing a work environment in which a diverse range of talents can play an active role by promoting diversity and inclusion, starting with female employees.

Although ensuring more females play an active role in management has attracted much attention in society, the percentage of females in management positions at the Company and its core company, Nippon Carlit, combined for

the fiscal year ended March 31, 2023, was only 1.7%. However, the percentage of females in management candidate positions (section chiefs and supervisors) is 14.8%, which indicates that there are many promising candidates, and we hope that we can nurture and promote them to management positions and have them serve as role models for females Directors involved in management decisions in the future. Although it will take some time, we will continue to focus on nurturing female managers and officers unique to our Group.

In order to increase the rate of childcare leave taken not only by female but also by males, we have been working to make childcare leave at the time of childbirth a paid leave. In the fiscal year ended March 31, 2023, the rate of childcare leave of two weeks or more taken by male employees of the Company and its core company, Japan Carlit, was 80%. Going forward, as part of our efforts to improve the work environment from a policy perspective, we will continue to promote the use of childcare leave so that both males and females can take 100% of their childcare leave.

In addition, in order to realize our top priority Materiality of “Creating a Safe, Secure, and Vibrant Work Environment,” we announced our “Health Management Declaration” on August 1, 2022, and in March 2023, our Group was certified as a “company with excellent health management.”

Furthermore, in November 2022, our Group adopted the opinions of junior employees and introduced a business casual dress code, including no ties. This has been generally well received within the Group, and we believe it is helping to motivate junior employees.

Looking to the next generation, the Governance Committee plays a central role in discussing the future management framework for our Group, the image of the people who will support the future of the Company, and succession planning. We will continue to strengthen our training programs, building on our efforts to date, for example by transferring members who are suitable for the next level of management, including top management of each operating company, to gain management experience.

Aiming for a 30% payout ratio

We will aim for a dividend payout ratio of 30%, balanced with investment in Focus and Develop Areas and human capital.

Our slogan for the fiscal year ending March 31, 2024 is “Reform and Growth.” “Challenge 2024” is a reform designed to enable our Group capable of responding to the accelerating pace of environmental change, and is a three-year period for strengthening our foundation to promote steady growth.

We have continued to return profits to shareholders by increasing dividends for two consecutive years. Going forward, we will continue to aim for a dividend as close to 30% as possible and a payout ratio in the high 20% range, although our target payout ratio of 20-30% remains unchanged, based on paying a year-end dividend once a year. Of course, we will also focus on improving operating profit, which is the source of the dividend. We will work to improve return on capital, which is required of listed companies, PBR, which represents an improvement in market valuation, and ROE.

We sincerely appreciate the continued understanding and support of our shareholders and other stakeholders.

History of Value Creation

The Carlit Group has a long history of supporting Japanese industry, starting with the technology of salt water electrolysis. During this time, industrial structure has undergone drastic changes, but each time we have sought a way to create corporate value and redoubled our efforts. Since 1990, we have been working to build on our overall strength and increasing corporate value as a Group through equity participation in each of our companies.

Origin of the Company Name

The Company was established when Soichiro Asano, our founder, introduced Carlit explosives technology from Sweden with the aim of achieving domestic self-sufficiency in explosives. Our name is derived from this “Carlit explosive,” and its raw material, ammonium perchlorate, is still used today as raw materials for solid propellants in the rocket and defense industries.



Soichiro Asano

Founding Spirit: “Strenuous Effort”

Soichiro Asano, the founder of our Group who built the Asano Zaibatsu in a single generation, established various businesses, including cement, oil, coal mining, port, shipping, railway, and education, and was known as the “Cement King” and the “Father of the Keihin Industrial Zone”.

The road to success was a difficult one, and the repeated setbacks and challenges to overcome them made him known as “a man who always rises up after repeated setbacks”.

The founder’s philosophy of “Strenuous Effort”, which means rising to the occasion in the face of adversity, to never giving up, and creating businesses needed by society with an indomitable fighting spirit, is the foundation of our management philosophy and corporate slogan, and has been passed down to this day.

1918 -

Founding and Post-World War II Development

- 1918: At the time, dynamite, which was dependent on imports, was the main type of industrial explosives, but Soichiro Asano, our founder, obtained patent rights from a Swedish company to manufacture and sell Carlit explosives in Japan, which could be produced domestically. The company began production the following year.
- 1928: Based on the belief that owning a private hydroelectric power plant was essential for our development, the Koto Power Plant was constructed.
- 1946: The Ministry of Transportation (now the Ministry of Land, Infrastructure, Transport and Tourism) requested that we develop a signal flare tube due to the needs for signaling devices to prevent accidents. We began production and received large orders.
- 1964: When the National Defense Agency (now the Ministry of Defense) and research laboratories at the University of Tokyo began developing rockets, ammonium perchlorate was identified as a raw material for solid propellants. We were the only manufacturer in Japan of ammonium perchlorate as the main raw material for Carlit explosives and began developing and manufacturing it for use in solid propellants.

History of Products and Service

*The history of each company’s products and services includes those prior to the establishment of the Group.

Chemical Products Business

1919 Start of production and sale of Carlit explosives	1946 Start of production and sale of railway signal flares	1953 Start of production and sale of textile bleaching agent “Silbrite”	1964 Start of production and sale of “Ammonium Perchlorate” as a raw material for solid propellants for rockets	1971 Start of production and sale of “ROAD FLARE”, a highway signal torch tube
1939 Start of production and sale of abrasive material “Sakrandam”	1949 Start of production and sale of “Dezorate” herbicide	1955 Start of production and sale of sodium chlorate for pulp bleaching	1966 Start of production and sale of “HIFLARE”, an automotive emergency flare	1975 Start of production and sale of “Hypocell”, a sodium hypochlorite electrolysis generator

Bottling Business

1992 Start of operation of No. 1 can line	1997 Startup of operation of No. 2 can and 500 ml PET lines	2007 Obtained Hazard Analysis and Critical Control Points (HACCP) certificate	2010 Introduction and startup of operation of NS Line, an environmentally friendly beverage bottling system	2011 Simultaneous launch of three lines (can, PET, NS)	2020 Obtained Food Safety Management System (FSMC) 22000 certification
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Metal Working Business

1960 Start of production and sale of non-hem spring washers	1973 Start of production and sale of thin plate springs	1973 Start of production and sale of “Anchor” for heat-resistant refractory materials	1985 Established an integrated framework for precision pressed products
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Engineering Services Business

1951 Start of sale of coating materials	1970 Start of coating business	1980 Start of designing water supply and sewerage facility structures	1980 Start of engineering plant business	1997 Start of production and sale of dust collector component holders	2017 Start of architectural design for the private sector
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1983 -

The New Carlit, Emerging from a Business Downturn

- 1983 Utilizing its accumulation of chemical technologies, becomes the first contract organization for hazard assessment testing in Japan. Contributed significantly to the establishment of the Hazardous Materials Confirmation Test under the Fire Service Act.
- 1984 Established the Central Research Laboratories (now the R&D Center) and focused on the development of new products.
- 1985 Contributed to the improvement of capacitor performance by developing the organic conductive material “TCNQ complex.” Entered the electronic materials business.
- While sales of existing products were sluggish due to deteriorating business confidence in Japan, the electronic materials business drove sales.
- 1991 JC Beverage (now JC Bottling) was established as a result of considering expansion in business segments other than Chemical Products.
- 1994: Focus on the electronics industry led to the establishment of Silicon Technology Corporation.

2013 -

Establishment of the New Carlit

- 2013 Established Carlit Holdings.
- 2013 Established a Battery Laboratory in response to the need for improved battery performance and safety.
- 2018 Celebrated the centenary of the Company’s founding.
- 2018 Undertook a major renovation of the Koto Power Plant to continue its environmentally friendly business.
- Expanded business domains and markets through mergers and acquisitions.
2012 Fuji Shoji Co., Ltd., Namitakiko Co., Ltd.
2013 General Design Co., Ltd.
2014 Toyo Spring Industrial Co., Ltd.

Cultivated Strengths

Carlit Group has identified six forms of capital as the strength that enable us to deliver *monozukuri* and services our customers demand. These forms of capital, developed under the management philosophy of “For Confidence and Infinite Challenges”, play an important role in the value creation process.

Human Capital

Human Capital “Giving Shape to Infinite Possibilities”

Our corporate slogan, “Giving Shape to Infinite Possibilities,” best describes our “human capital,” an important element of our value creation. Under the Mid-Term Management Plan “Challenge 2024 Rolling Plan 2023,” we are working on human capital investment and personnel system reform, and our mission is to develop human resources who can boldly take on challenges, take action, and co-create value through collaboration. In this way, we aim to achieve further growth by promoting the enhancement of human capital.

Creating a Safe, Secure, and Vibrant Workplace Environment → P.47

Social and Relationship Capital

Trust based on more than a century of history and the strength of our brand in diverse markets

In our ongoing dialogue with customers, shareholders, investors, business partners, employees and local communities, we consider “trust” to be an important keyword. We have the strength to be a company that supports society and brings happiness. Our four business segments empower us to operate in a wide range of fields. We will continue to strengthen our visibility and corporate brand to achieve further growth.

Coexistence with Society → P.53

Intellectual Capital

Basic Research and Accumulated Knowledge: Creation and Development of Technological Capabilities

The Mid-Term Management Plan “Challenge 2024” clearly states that we will prioritize “Focus Areas” and “Develop Areas” to promote the development of new products and materials. Specifically, we are focusing on “Development of new products by advancing our core technologies” and “Development of high-value-added materials that respond to change”. In particular, we are focusing on the three areas of “Mobility,” “Electronics,” and “Life Sciences” to develop sustainable products that leverage our corporate strengths. Through these efforts, we aim to strengthen our intellectual capital and improve our competitiveness.

Manufacturing Capital

Production Technology: Creation and Development of Technological Capabilities

We possess highly unique manufacturing capital that can drive our business and contribute to solving social problems. Our strengths also include integrated production process technologies such as silicon wafer manufacturing and the production of industrial explosives and hazardous materials. In addition, we actively promote quality improvement activities through Group-wide production and quality risk management. Under the Mid-Term Management Plan “Challenge 2024,” we plan to invest approximately 7 billion yen in facilities to address aging, reduce our environmental impact, and improve production efficiency. Through these efforts, we aim to ensure customer trust and satisfaction.

Financial Capital

Sound financial structure

The Mid-Term Management Plan “Challenge 2024 Rolling Plan 2023” sets forth “Improving PBR (aiming to become a company with PBR over x1)” as a core issue. To achieve this goal, we plan to implement 15 initiatives to improve ROE and PER. These initiatives are aimed at investing in growth by making the most of our sound and favorable financial position. Specifically, these initiatives include the promotion of IT, the development of research facilities, and the promotion of factory innovation. We plan to aggressively promote these initiatives in our Mid-Term Management Plan.

Financial and Capital Strategy → P.25

Natural Capital

Rich Water Resources: Owning a Hydroelectric Power Plans

Carlit owns a hydroelectric power plant as our main business of electrolysis. The power plant uses the difference in elevation of the riverbed to generate clean energy with minimal impact on the natural environment. We are also working to reduce environmental impact throughout our supply chain, including sustainable procurement and more efficient transportation.

Contributing to the creation of an affluent society → P.41



Business Domain

The four pillars of the Company's business activities are the chemical products business, the bottling business, the metal working business, and the engineering services business.

Although raw material and energy costs rose sharply in FY2022, we were able to minimize their impact and achieve record profits.

We will continue to leverage our strengths in a broad range of business domains to support industrial development and affluent lifestyles by providing products and services needed by society.

Chemical Products Business*

Chemical agent: **B D L**; Consigned assessment: **E**; Chemical products: **A F J**;
Electronic material: **K**; Semiconductor silicon wafer: **M**; Ceramic material: **C**

Bottling Business

PET bottle, beverage can **N**

Metal Working Business*

Heat-resistant metal parts for furnace **G**, various metal springs and pressed products **H**

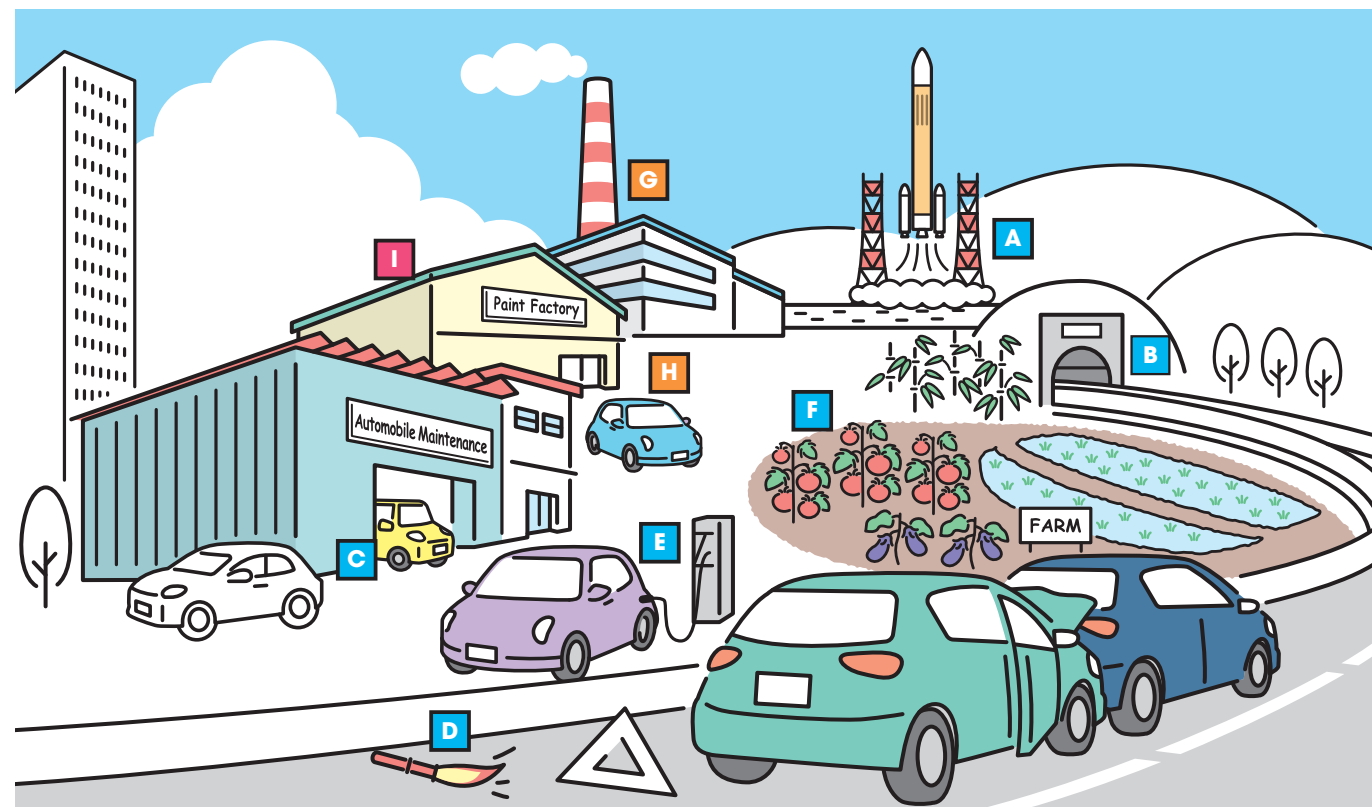
Engineering Services Business

Engineering and construction work; Industrial paints and painting work **I**; Structural design **O**

*Reporting segment was changed in FY2023.

● "Silicon Wafers", which had been part of the "Industrial Components Business", was transferred to the "Chemical Products Business", and the "Focus Areas" and "Develop Areas" in the business portfolio were combined into one segment.

● Two segments, "Heat-Resistant Metal Parts for Furnace" and "Various Metal Springs and Pressed Products", were integrated into the "Metal Working Business".



A Raw materials for solid propellants for rockets (Japan Carlit Co., Ltd.)

We are the only company in Japan to manufacture ammonium perchlorate, which is used as a raw material for solid propellants for space rockets and defense missiles.

B Industrial explosives (Japan Carlit Co., Ltd.)

We manufacture high-safety industrial explosives that are used in civil engineering works such as tunneling and in the mining of limestone for cement.

C Abrasive materials (Japan Carlit Co., Ltd.)

We manufacture and sell abrasive materials used as raw materials for grinding wheels, coated abrasives, and refractory materials required for automobiles, steelmaking, silicon wafers for semiconductors, etc.

D Signal flares (Japan Carlit Co., Ltd.)

Automotive emergency flares and highway signal flares are used to ensure personal safety in the event of an automobile accident or breakdown.

E Battery testing (Japan Carlit Co., Ltd.)

We provide contract charge-discharge cycle testing, performance testing, and safety testing for storage batteries such as secondary lithium-ion batteries used in electric vehicles.

F Agrichemicals (Japan Carlit Co., Ltd.)

We deal with environmentally friendly products, such as the safe and effective herbicide Dezolate, treatment and preventive medicines for powdery mildew, and fertilizers containing many natural ingredients.

G Heat-resistant metal parts for furnaces (Namatikiko Co., Ltd.)

We manufacture and sell heat-resistant metal parts for furnaces for holding and securing refractory materials in cement plants, chemical plants, blast furnaces, municipal waste incinerators, industrial plants, etc.

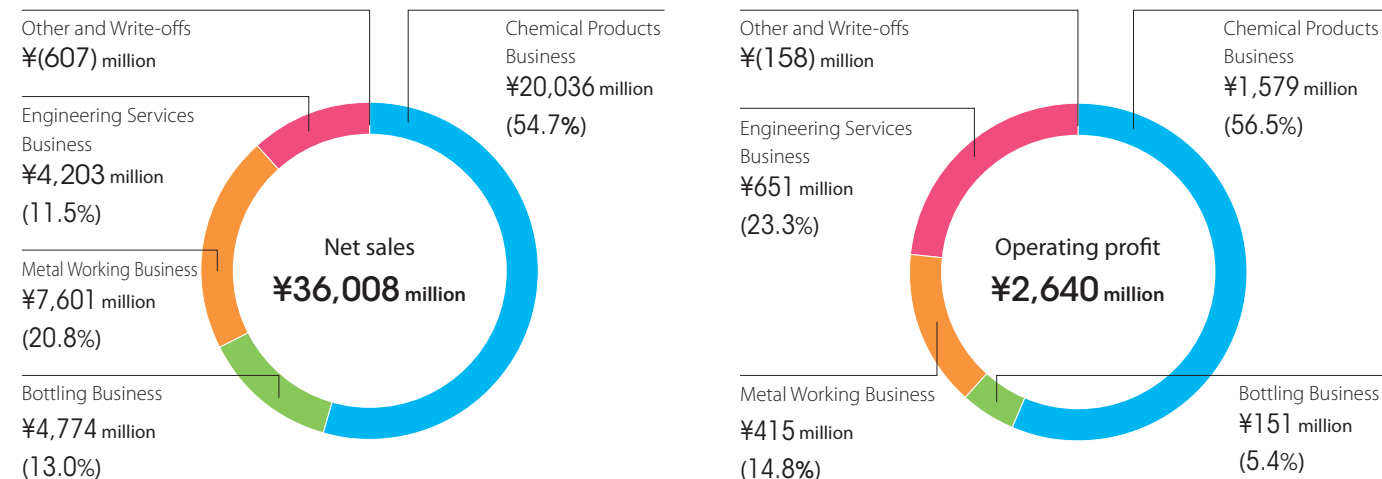
H Various metal springs and pressed products (Toyo Spring Industrial Co., Ltd.)

We manufacture and sell various metal springs and pressed products, such as spring washers used in automobiles, construction machinery, etc.

I Paint and coating (Fuji Shoji Co., Ltd.)

We meet a variety of painting needs, including sales of various coating materials mainly for industrial use and heavy-duty anti-corrosion purposes, painting work at our own paint factory, and contract painting at customer factories.

FY2022 Results



J Bleaching agent (Japan Carlit Co., Ltd.)

Sodium chlorate, used as a bleaching agent for paper pulp, and sodium hypochlorite, used as a bleaching agent for textiles.

K Protective film (Japan Carlit Co., Ltd.)

Ion conductive additives (CIL) used in protective films for cell phones and other displays eliminate static electricity and also prevent dust from adhering to the display.

L Fireworks raw materials (Japan Carlit Co., Ltd.)

We manufacture and sell explosive raw materials and industrial chemicals for pyrotechnics and fireworks manufacturers, in order to support the traditional Japanese culture of fireworks.

M Silicon wafers (Silicon Technology Corporation)

We manufacture and sell semiconductor silicon wafers, used as base materials for semiconductor devices used in consumer electronics, such as televisions and air conditioners, as well as in audio devices, personal computers, mobile phones, and automobiles.

N PET bottled and canned beverages (JC Bottling Co., Ltd.)

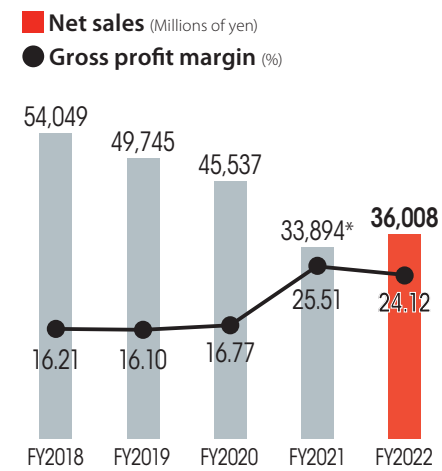
We provide contract manufacturing of tea and coffee beverages.

O Water and sewage treatment facilities (General Design Co., Ltd.)

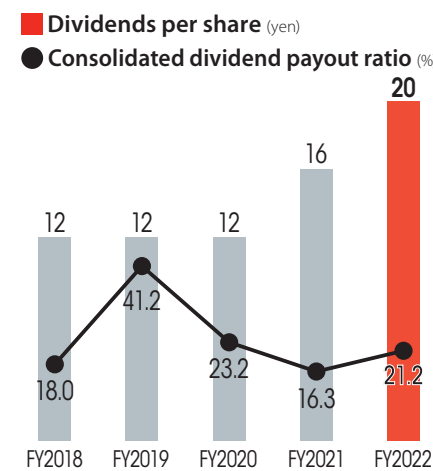
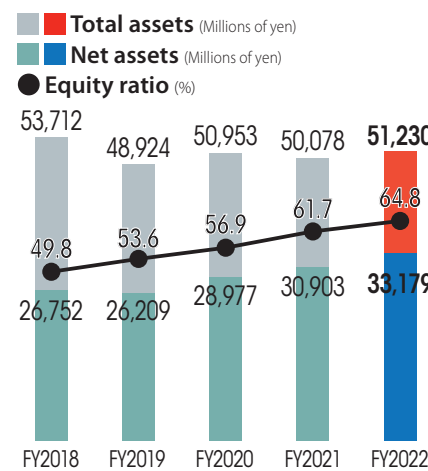
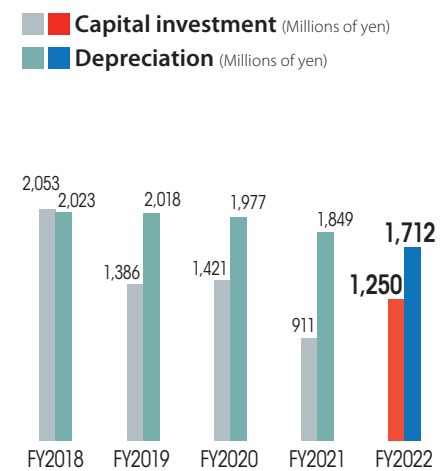
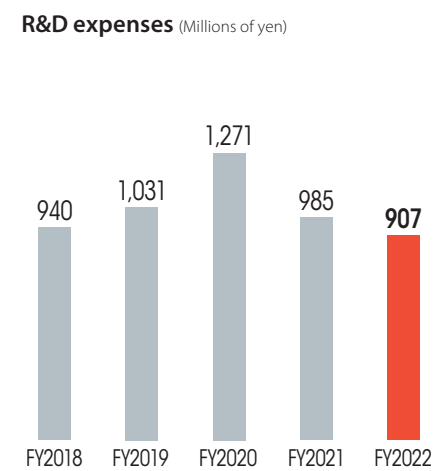
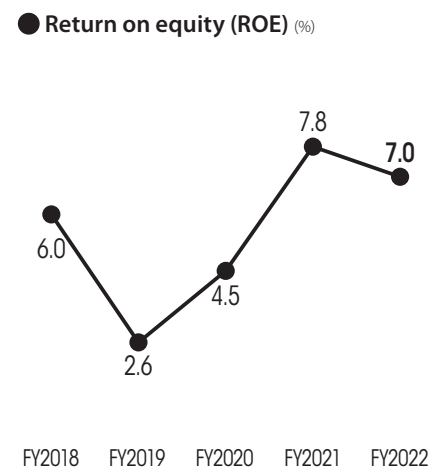
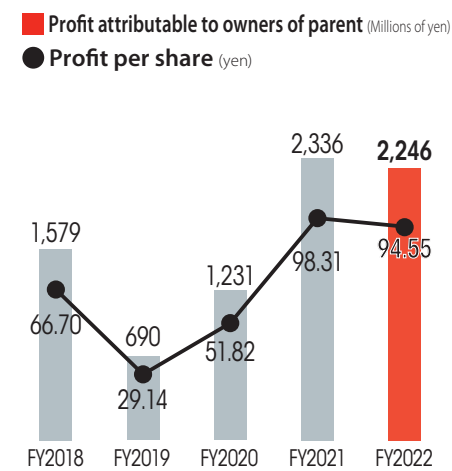
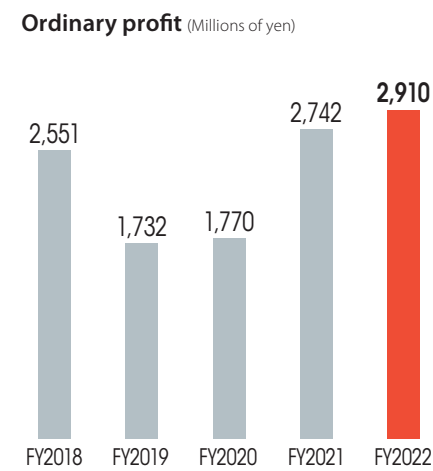
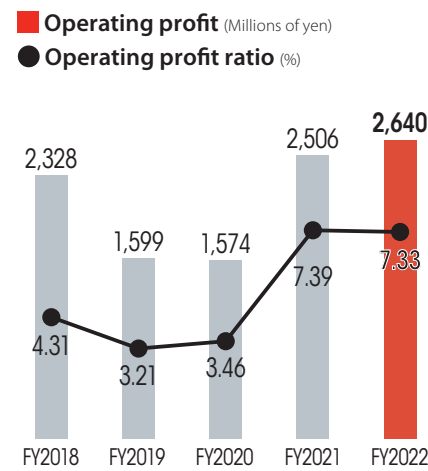
We develop structural designs for large-scale facilities, such as drinking water and wastewater treatment plants.

Financial/Non-Financial Highlights

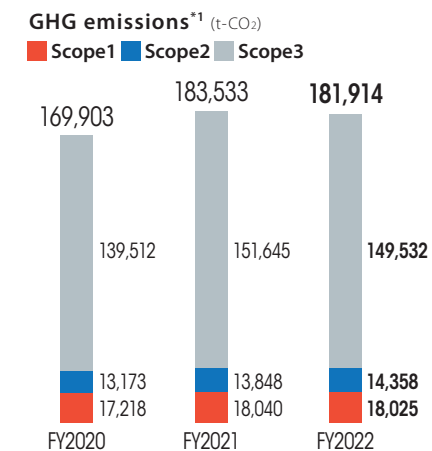
Financial Highlights



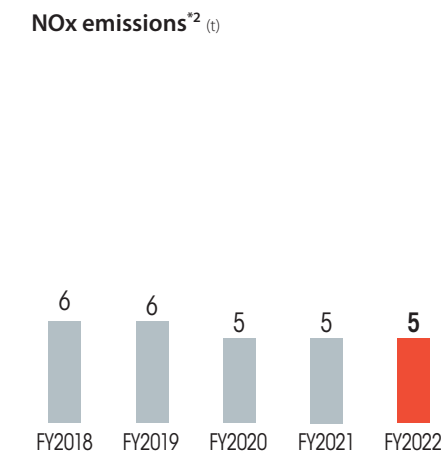
*Accounting Standard for Revenue Recognition (ASBJ Statement No. 29), etc. has been applied since FY2021



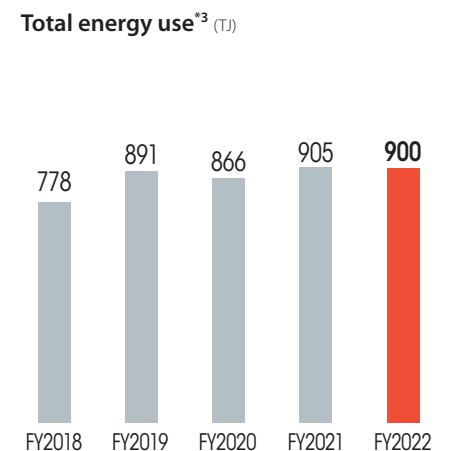
Non-Financial Highlights



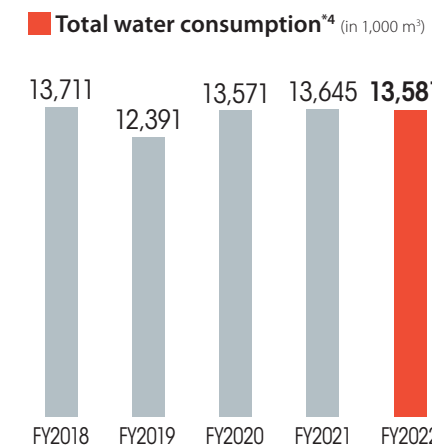
Based on the guidelines of the GHG Protocol, we started the calculations from the results of FY2020. FY2022 showed a decrease of approximately 5% year on year. As this is the second year of full calculation, we are reviewing the items to be calculated to improve the accuracy of the calculation each year.



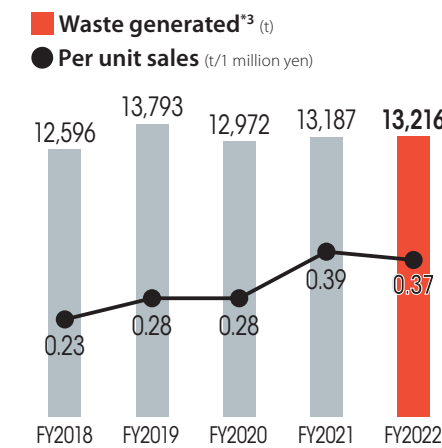
Since FY2020, total energy consumption has decreased due to the COVID-19 pandemic, resulting in a decrease in NOx emissions. In the time following, diesel oil consumption has been decreasing, and in FY2022, it was lower than before the COVID-19 pandemic.



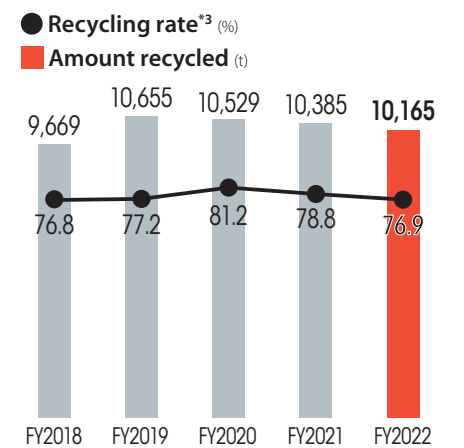
Although the amount of energy used in FY2022 is slightly lower than in FY2021, it is essentially unchanged. This is due to the stabilization of production activities after the COVID-19 pandemic. Electric power system energy did not change, and fuel energy decreased slightly.



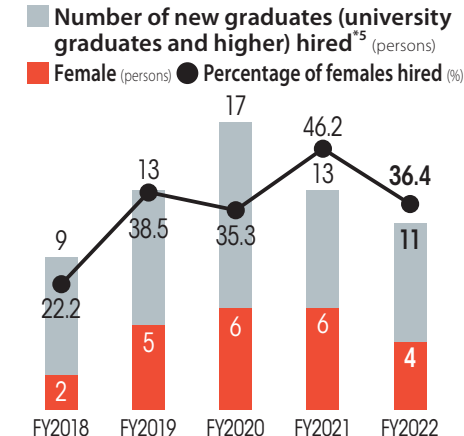
Although the total amount of water consumed in FY2022 was slightly lower than in FY2021, it is essentially unchanged. Water is a very important raw material for our Group, not only for our products but also for production processes. For this reason, we strive to manage the use of water as an important resource and to control it so that there is no waste.



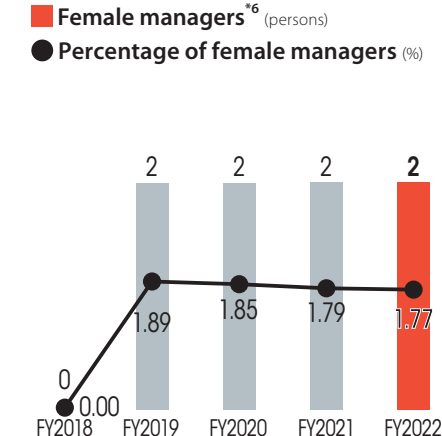
Despite the increase in net sales in FY2022, the amount of waste generated was approximately the same as in FY2021. This is due to our daily activities focused on production efficiency.



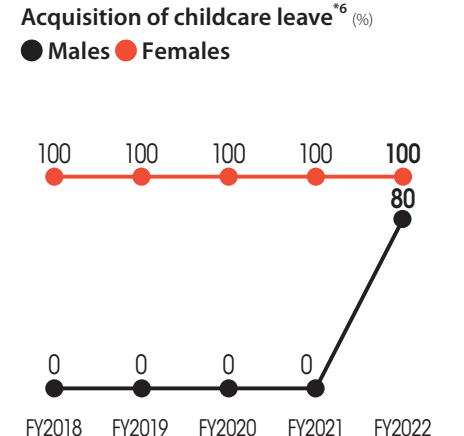
The waste recycling rate in FY2022 decreased by approximately 1.9% compared to FY2021. This is due to progress in the proper sorting and disposal of waste through appropriate daily waste management.



Our target for females in new graduate hires is 30% or more, and the cumulative figure through FY2022 was 38.2%. We will continue to maintain a ratio of 30% or more.



The percentage of female managers was 1.7% in FY2022. By FY2026, we aim to achieve a ratio of females in manager positions of 5% and to nurture female employees who will be involved in management decisions in the future.



In addition to maintaining the 100% childcare leave rate for females, we also promoted paid childcare leave at the time of childbirth to improve the childcare leave rate for men. As a result, 80.0 percent of men took at least two weeks of childcare leave in FY2022.

*1 Results from Carlit Holdings, Japan Carlit, JC Bottling, Silicon Technology, Namitakiko, Toyo Spring Industrial, and Fuji Shoji

*2 Results from Japan Carlit and JC Bottling

*3 Results from Japan Carlit, JC Bottling, Silicon Technology, Namitakiko, Toyo Spring Industrial, and Fuji Shoji

*4 Results from Japan Carlit, JC Bottling, Silicon Technology, Namitakiko, and Toyo Spring Industrial

*5 Results from Carlit Holdings

*6 Results from Carlit Holdings and Japan Carlit

Value Creation Process

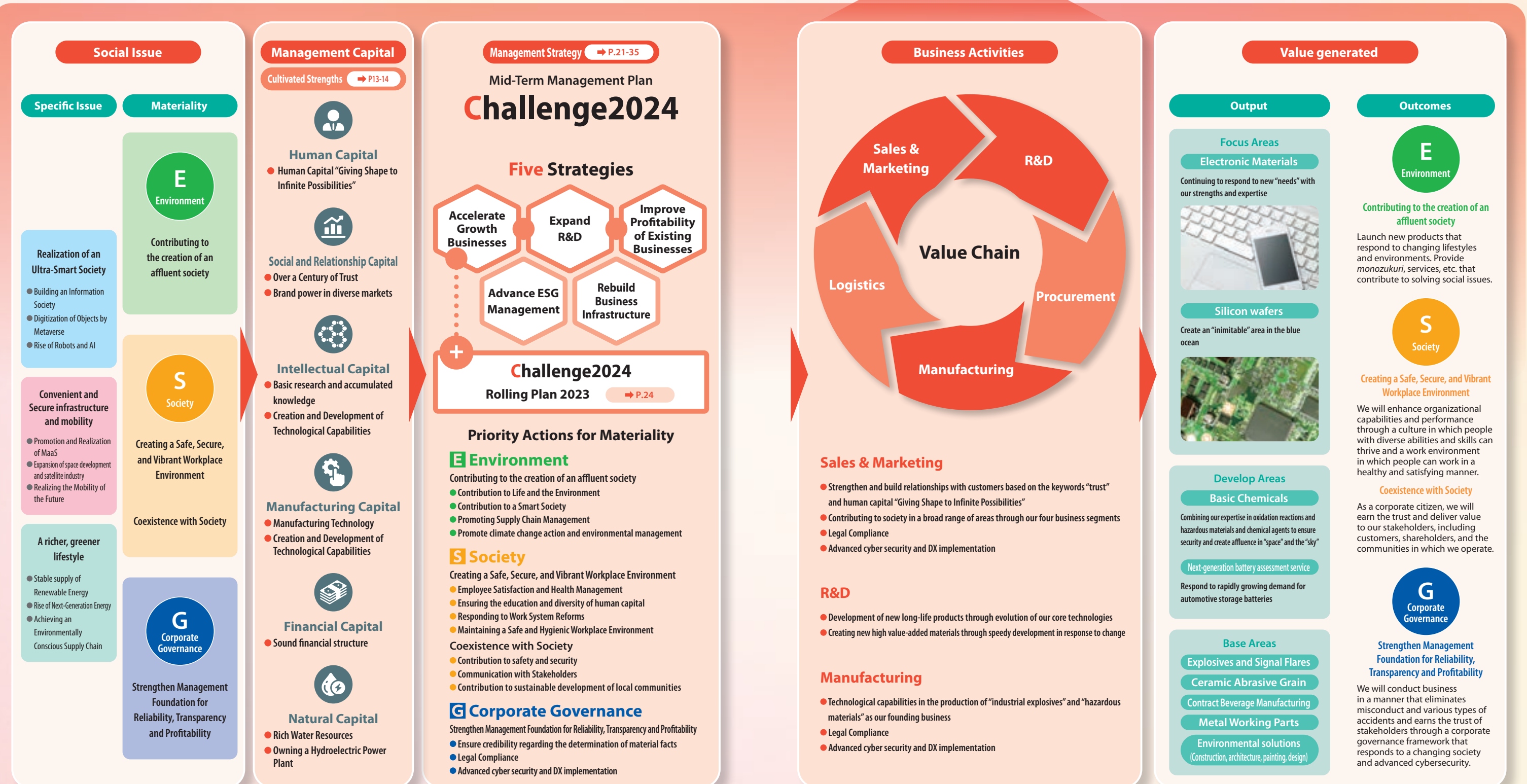
Since its establishment, the Carlit Group has always believed that its mission is to contribute to society and people, and has continued to rise to the challenge of creating value through its business activities.

In order to realize our management philosophy, we have established the Ideal Carlit Group in 2030, and through the five strategies in our Mid-Term Management Plan “Challenge 2024,” we will work to create value by solving social problems.

Ideal Carlit Group In 2030

→ P.21-22

To contribute to a sustainable society by combining the power of “chemistry” and “technology” to support people’s happy lives



Carlit Group's Growth Strategy

We derived our growth strategy by reviewing internal issues we have faced in the past, and clarifying our vision for the future.

Here we introduce our future vision and how we will continue to grow based on our plans and strategies.

Ideal Carlit Group In 2030

To contribute to a sustainable society by combining the power of "chemistry" and "technology" to support people's happy lives

FY2019 to FY2021

Mid-Term Management Plan "Waku Waku 21"

Challenge2024 First Year Actual (FY2022)

FY2022 to FY2024

Stage 1: Strengthen the Foundation

Mid-Term Management Plan

Challenge2024

FY2025 to FY2027

Stage 2: Investment Promotion

FY2027 to FY2030

Stage 3: Harvest and Breakthrough

Build a solid business foothold based on a profit-oriented approach and promote the investment of management resources for new initiatives

Strategy and concept

- New Initiatives**
 - R&D and new businesses
 - M&A
 - Overseas business
- Solidification of our business foothold**
 - Strengthen the foundation of existing and peripheral businesses

Review

Highlighted "internal issues"

- Sales-oriented
 - Insufficient profit-oriented awareness
- Short-term viewpoint
 - Sticking to existing businesses due to failure to actively invest management resources
- Lack of awareness of financial goals
 - Insufficient profitability

In our revenue plan, we struggled as new businesses failed to bear fruit, but were helped by the recovery in demand in the semiconductor and automotive sectors. In our investment plan, we decided to cancel investment for a new line in the Beverage Bottling Business due to external factors such as the U.S.-China trade friction and the COVID-19 pandemic.

The highlighted "internal issues" are fundamental challenges that have been carried forward from the past and from the previous Mid-Term Management Plan. We believe that how to solve these issues will be the key to achieving our medium- to long-term growth and our long-term vision. In formulating the new Mid-Term Management Plan Challenge 2024, we were strongly aware of how to address these issues.

Numerical targets and results

	FY2018 Actual	FY2021 Plan	FY2021 Actual
Net sales*	34 billion yen	42 billion yen	34 billion yen
Operating profit	2.3 billion yen	3.0 billion yen	2.5 billion yen
ROE	6%	8%	7%

*Referential value calculated assuming that the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29), etc., has been applied

Changes in the external environment that occurred in FY2022

Social and Economic Environment

- Prolonged impact on domestic and international economic activity by COVID-19 variants
- Destabilization of the global environment due to the prolonged Russian invasion of Ukraine

Requests for Listed Companies

- Requests to improve return on Capital and Market Valuation for the purpose of increasing PBR
- Efforts to achieve SDGs by 2030 and advancing ESG Management

Although drastic environmental changes both in Japan and overseas have significantly affected our business activities, we will continue to create a strong Carlit Group by reinforcing our foundation.

Review

In FY2022, both sales and profit increased. This was due to strong performance of the chemicals and ceramic materials sectors in the chemical product divisions, and heat-resistant metal parts for furnace and various metal springs and pressed products in the industrial materials divisions, despite the impact of rising raw material prices and energy costs on the Group as a whole.

Newly highlighted issues

Specific measures to improve and enhance PBR

- In order to address the newly highlighted issues and achieve the Mid-Term Management Plan Challenge 2024 and Ideal Carlit Group In 2023, we have formulated the Mid-Term Management Plan Challenge 2024 Rolling Plan 2023. With strong awareness of improving PBR, we will promote strategies that will be highly valued by the market.

→ P.24

Numerical targets and results

	FY2022 Plan	FY2022 Results	FY2023 Plan
Net sales*	35 billion yen	36 billion yen	38 billion yen
Operating profit	2.5 billion yen	2.6 billion yen	3.1 billion yen
ROE	—	7%	—

Existing businesses

- Introduce new business portfolio
- Profit improvement

Growth businesses

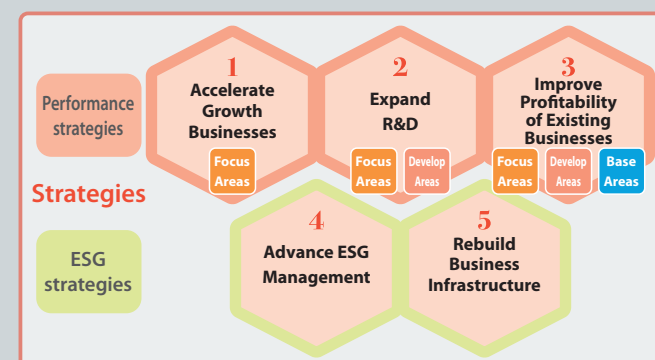
- Concentrated investment in growth businesses
- New product development based on core technologies

ESG

- Contributing to society through our approach to materiality

Management Policy

Aiming to increase corporate value by optimizing our business portfolio



Introduction of business portfolio management

→ P.23

Growth vision

→ P.23

Materiality

→ P.39, 40

Numerical targets

	FY2024 goal
Net sales	37 billion yen
Operating profit	3.0 billion yen
ROE	8%

Next Mid-Term Management Plan

FY2027 target

Ideal Carlit Group In 2030

FY2030 target

5.0 billion yen or more

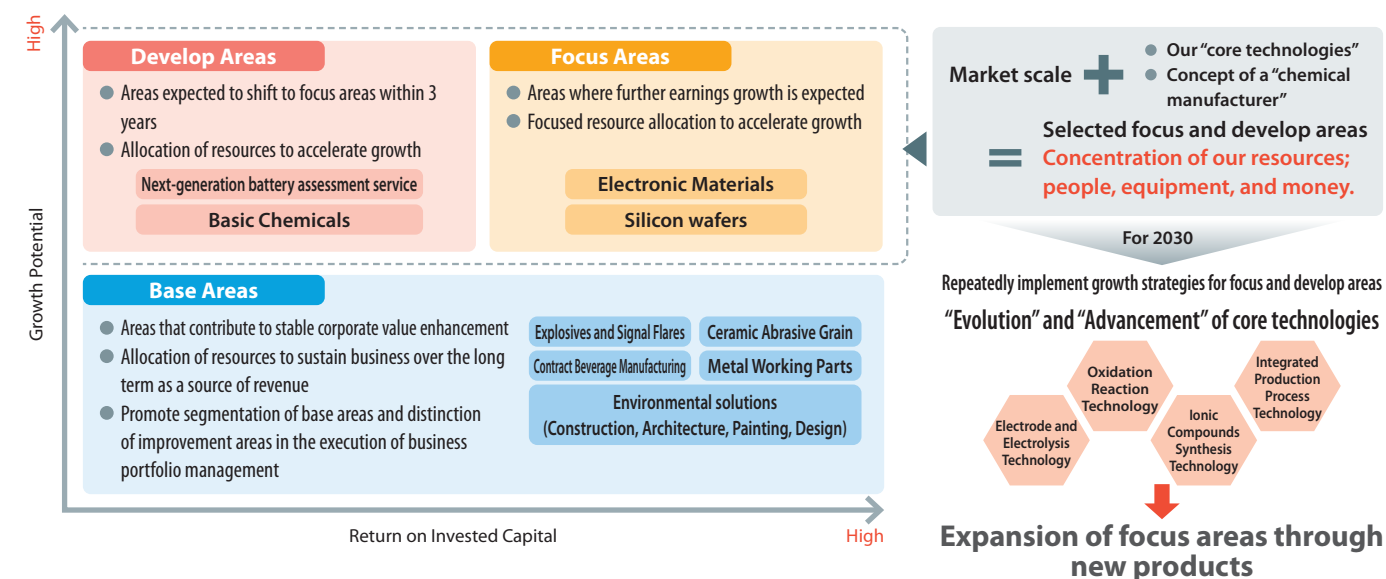
10%

12%~

Long-Term Outlook and Mid-Term Management Plan **Challenge 2024**

Our vision behind the Ideal Carlit Group in 2030 is “To contribute to a sustainable society by combining the power of “chemistry” and “technology” to support people’s happy lives.” Challenge 2024 is the first stage to realize the Ideal Carlit Group In 2030. It is the first step of our challenge toward bridging the gap between the internal issues and our vision, and we have positioned it as a period for strengthening our foundation.

Growth vision based on business portfolio management



Until now, we have had no concept of a business portfolio based on the potential for growth or profitability. As a result, the review of the previous mid-term plan identified issues such as “passive in investment of management resources” and “insufficient focus on R&D and new business,” and we had been focused on “base area” oriented management, aimed at maintaining stability and profitability for business as a whole.

With the introduction of business portfolio management, we have defined “develop areas,” “focus areas” and “base areas” based on the growth potential predicted from market trends, our strengths, and profitability.

By appropriately focusing human, material, and financial resources on these three business portfolios, we will promote management that will enable us to improve profitability and create new businesses.

Operating income of 5 billion yen in 2030 is a target that will be achieved only by achieving both “success in focus and develop areas” and “improvement and strengthening of profitability in base areas.” As we promote business portfolio management, we will concentrate our resources on focus and develop areas. To achieve this, it is essential to provide solid support from our base area businesses. The entire Carlit Group will realize the Ideal Carlit Group in 2030 by combining the strengths of all three areas.

Mid-Term Management Plan **Challenge 2024**

Management Policy: Aiming to increase corporate value by optimizing our business portfolio

Five Strategies



Mid-Term Management Plan “Challenge 2024 Rolling Plan 2023”

The Group has been working on the promotion of business portfolio management based on the Mid-Term Management Plan Challenge 2024 and various measures including 5 Strategies in order to achieve the Ideal Carlit Group in 2030. Looking back over the first year, we conducted a rolling review of the Mid-Term Management Plan with the aim of responding flexibly to changes in the business environment and better ensuring the achievement of the Ideal Carlit Group in 2030. Although the basic policy of Challenge 2024 and our 5 Strategies have not changed, we have added specific measures aimed at improving the Group’s ROE and PER in response to the growing demand for improvement in capital profitability and market valuation aimed at improving PBR.

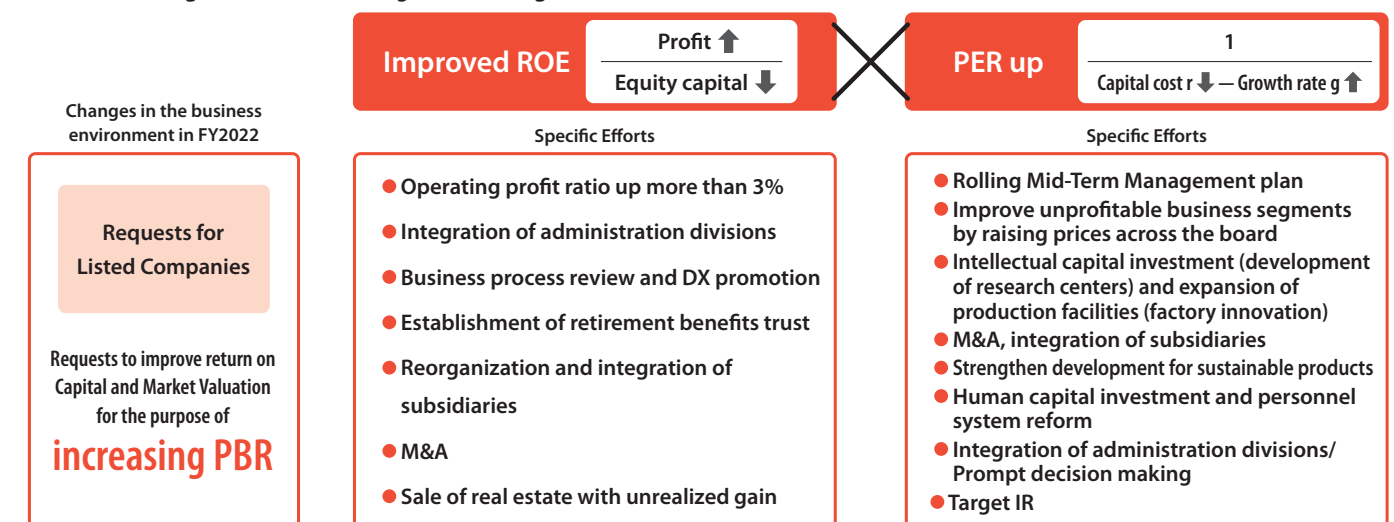
Improving ROE is the starting point and crucial to enhance PBR. We will implement seven specific actions based on a medium- to long-term value creation story. As company-wide initiatives, we are promoting improvement of operating profit ratio and efficiency through business process review and promotion of IT, focusing on the

focus areas and develop areas. In addition, we will promote the effective use of cash we hold and the off-balance sheet as part of initiatives to establish a retirement benefits trust and reorganization and integration of group companies.

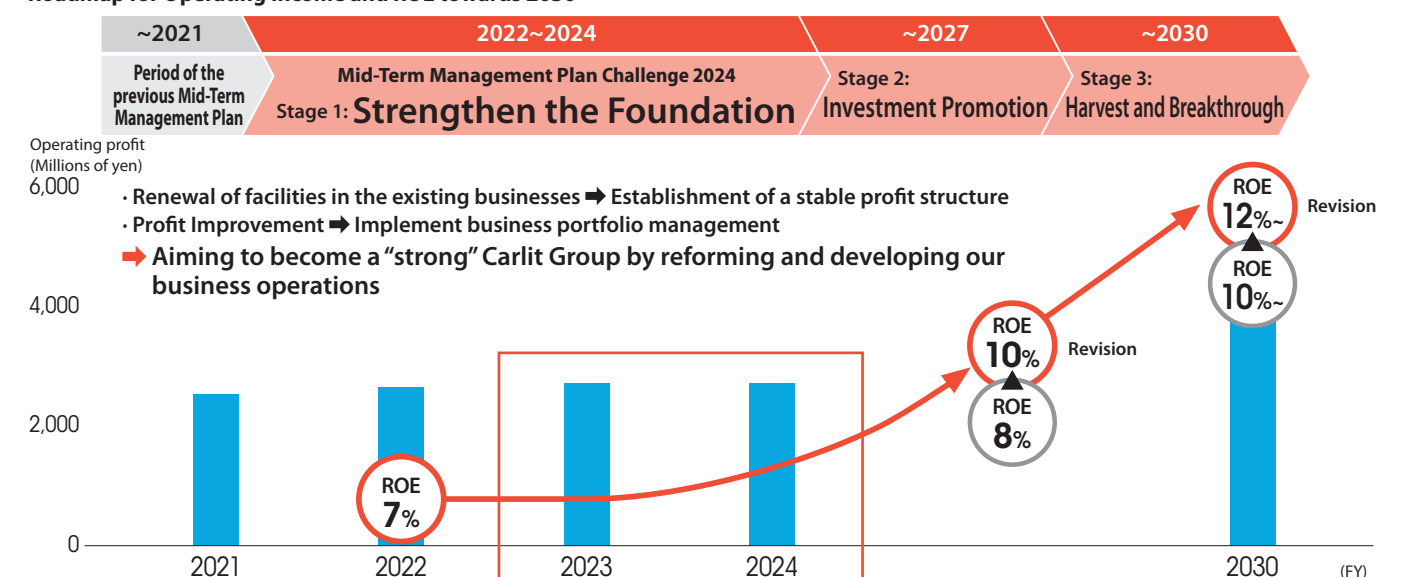
Improving PER, the expected value of profit growth, is also important to enhance PBR. To improve PER, we aim to reduce the cost of capital through both financial and non-financial efforts, in addition to formulating and implementing growth strategies. We will promote eight specific initiatives whose drivers include optimal capital structure, fostering growth expectations, and non-financial strategies.

Based on the initiatives of the Mid-Term Management Plan Challenge 2024 Rolling Plan 2023 and changes in the business environment, we have updated the roadmap for operating income and ROE for 2030. We will increase ROE by 2% in Stage 2 “Investment Promotion” and Stage 3 “Harvest and Breakthrough,” respectively, and promote each initiative to realize the Ideal Carlit Group in 2030.

Mid-Term Management Plan “Challenge 2024 Rolling Plan 2023”



Roadmap for Operating Income and ROE towards 2030



Financial and Capital Strategy

We will promote aggressive investment to build earning capacity, aiming for the Ideal Carlit Group in 2030.

Kazuki Maruyama
Deputy Manager of Finance Department



FY2022, the first year of the Mid-Term Management Plan Challenge 2024

The Mid-Term Management Plan Challenge 2024, which was backcast from the Ideal Carlit Group in 2030, started with the goal of focusing on strengthening the foundation as the first stage of three stages over nine years from 2022 to 2030. Primary measures include (1) improving profitability of existing businesses <ROE 7%> and (2) concentrated investment in growth businesses.

For financial results in FY2022, the first year of the Mid-Term Management Plan, the external environment was severe, including rising raw material prices and energy costs. The Group, however, successfully achieved record-high operating income thanks to initiatives to maintain fair prices, improve productivity and reduce indirect costs. This is a result of company-wide efforts to “improve profitability of existing businesses,” a measure to “strengthen the foundation.”

In addition to the increase in operating income, ROE also exceeded 7% in FY2021 and FY2022 for two fiscal years in a row, from 5.4% in FY2020. We successfully achieved ROE of 7%, a target in the Mid-Term Management Plan, in the first year of the plan. This result is one step away from 8%, the target set forth in our next Mid-Term Management Plan, and we have revised the target figures in the long-term roadmap.

We recognize that the profitability generated here will be a very important factor in raising our profit base and supporting continuous growth investment in the future.

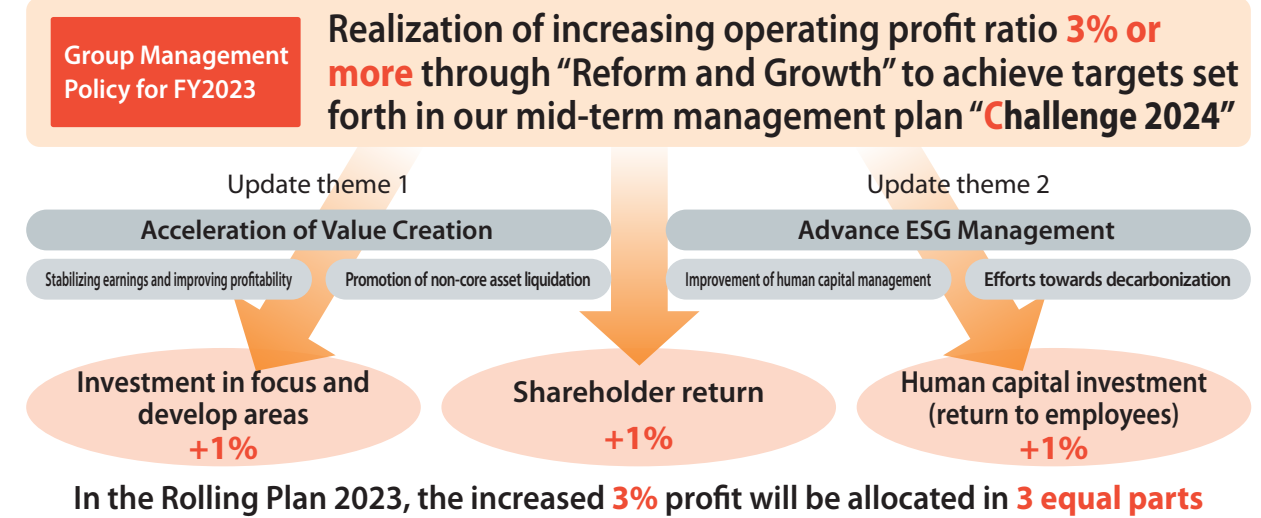
First-year review of the Mid-Term Management Plan and announcement of Rolling Plan 2023

In FY2023, we revised the Mid-Term Management Plan based on the results of FY2022, the first year of the Mid-Term Management Plan, and announced the Rolling Plan 2023. We believe that the core issue of the Rolling Plan 2023 is to increase corporate value, specifically to achieve PBR of more than 1 times. Improving PBR means promoting reform and growth based on improved ROE and PER.

In the short term, we will work to revise low-profitability businesses and further streamline management. The Finance Department aims to increase operating profit ratio by 3% or more to 10% as soon as possible, which is the target of the Rolling Plan 2023, by clarifying the concept of appropriate profit and fair prices in existing businesses through the utilization of analysis of other companies in the same industry and analysis of the profit structure of existing businesses, and by identifying problems in our profit structure and supporting efforts to improve it. As stated in the Rolling Plan 2023, we plan to allocate the realized profit equally to (1) accelerated investment in the focus and develop areas, (2) advancement of human capital, and (3) enhancement of shareholder returns, in order to promote further investment and increase profitability.

We will also reorganize cross-shareholdings and non-core assets to improve ROA (Return On Assets).

Aiming for Carlit Group operating profit ratio from 7% to 10%, dividing 3% into three



Active investment for medium- to long-term growth

We believe that it is very important to make efforts to improve profitability and PER over the medium to long term, as well as initiatives that will generate immediate results. In the past, we have not invested sufficiently in growth for the future, and in light of this reflection, the Finance Department will be working to actively support growth investments that make the most of our sound financial position. This includes, of course, investment aimed at improving the efficiency of existing facilities and profitability. Even if active capital investment potentially increases costs in the short term and reduces operating income, we will support appropriate investment at the appropriate time. In addition to “electronic materials” and “silicon wafers,” which are our focus areas, we plan to enhance facilities related to “basic chemicals,” including “battery assessment services” and “raw materials for solid propellants for rockets,” both of which are categorized as develop areas. We will promote capital and human investment to develop more than one income pillar for the future.

We will work to increase our awareness of ESG.

When investing, we will actively utilize not only our own capital but also external financing. By applying appropriate leverage, we aim to lower the cost of capital (WACC) and increase earnings, which will also greatly improve our metrics, such as ROIC, and improve our market reputation, including our PER. Of course, even though we will adopt an aggressive investment policy, we will maintain financial discipline by balancing our capital adequacy ratio. [→ P.17](#)

In this way, the Finance Department will give priority to enhancing our earning capacity in the future, further reinforcing our business segments and sharing a bright future with our stakeholders.

We will make investments with a focus on business sustainability and distribute profit appropriately.

Here I will explain initiatives that are important to promote the advancement of ESG management.

We will be particularly conscious of carbon neutrality in capital investment, and will afford due consideration to reducing CO₂ emissions, improving energy efficiency, and the utilization of renewable energy.

In the area of human capital, we will aggressively invest in human resources, which are the foundation of Carlit and our greatest asset. In particular, in order to focus on the development of the next-generation management including the promotion of diversity, we will execute various training programs including “Management” and “Leadership” programs. For details, please see [→ P.47](#), “Strengthening of Human Resources to Support Value Creation.”

We aim to increase the operating profit ratio by 3% or more. As stated in the Rolling Plan 2023, we plan to allocate the realized profit equally to (1) accelerated investment in the focus and develop areas, (2) advancement of human capital, and (3) increased shareholder returns. The dividend policy states a plan to stably achieve a dividend payout ratio of 20 to 30%, and we have increased dividends over two consecutive periods. We will continue to consider further improvements in investment yields, including dividend increases, in order to meet the expectations of our shareholders.

The entire Finance Department will accelerate efforts to improve satisfaction of all our stakeholders and ensure continued growth of the Company.

R&D and Intellectual Property Strategy

Forecasting from “core technology” and backcasting from our “future vision”

Yasushi Aizawa

Japan Carlit Co., Ltd.
Executive General Manager, Research & Development Division and Manager,
Research & Development Center, Research & Development Division



Development Policies

- Development of new long-life products through evolution of our core technologies
- Creating new high value-added materials through speedy development in response to change

Development Policy Resources

Development investment
0.5 billion yen/year

Development personnel
35

Important patents
41

Value Creation

Profit target
0.3 billion yen

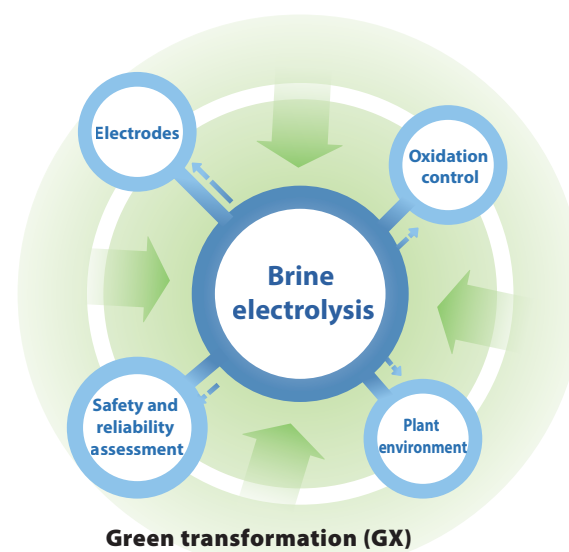
Patent applications
30

R&D activities based on our core technologies

The brine electrolysis technology that we have been pursuing as our core technology since our founding was to realize our founding philosophy of all-Japan manufacturing in harmony with Japan's natural environment by combining Japan's abundant water resources, electricity generated by hydroelectric power, and salt, a marine resource.

While we have been exposed to rapid external changes amidst the recent trend of globalization, we will continue to embrace our approach to further advancing this core technology and creating new and unique products as our basic policy for research and development.

In recent years, the chemical manufacturers are required to research and develop products that reduce CO₂ emissions or do not emit environmental pollutants. The development of such products is highly compatible with our core technology based on inorganic chemistry and electrochemistry, and we will incorporate manufacturing methods that take advantage of the realization of green transformation (GX) combined with green chemistry (GC) and DX into our future core technologies.



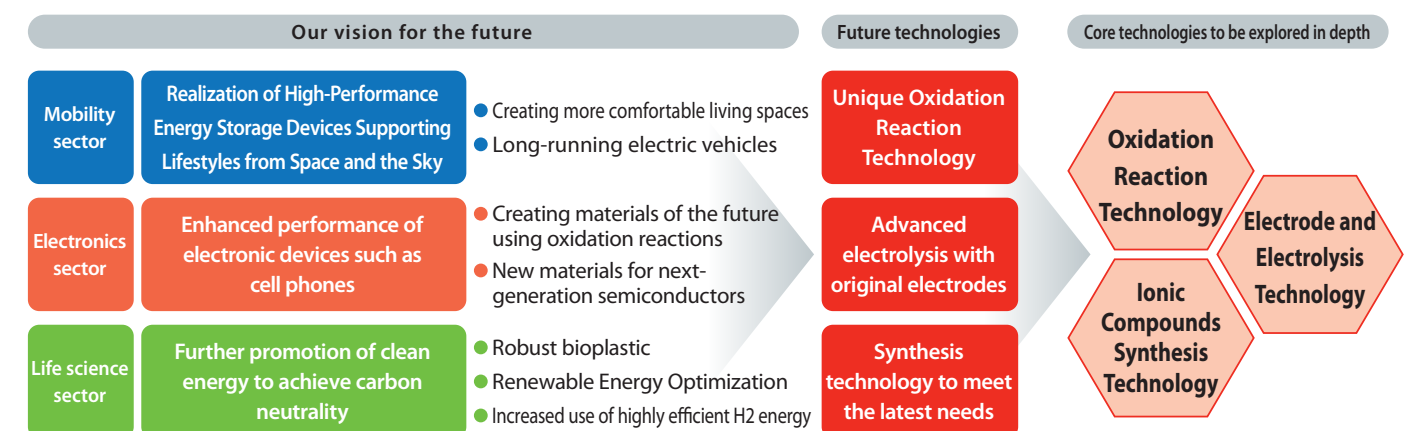
A three-pronged development strategy aimed at potential markets

We predict that the **mobility sector**, the **electronics sector** and the **life science sector** will become focus areas in our research and development activities.

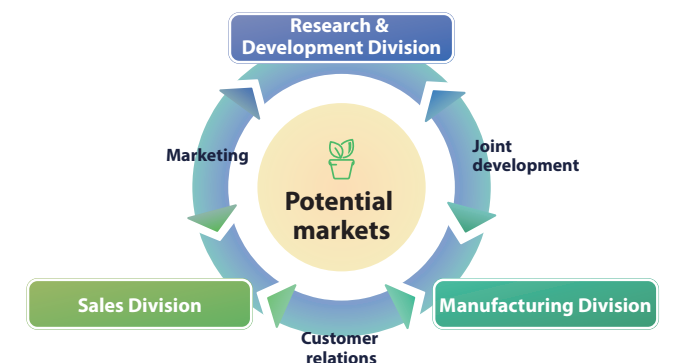
In the mobility sector, we are considering development centered primarily on the battery testing service business with a focus on lithium batteries for EVs, and the rocket propellant business, etc. In the electronics sector, we plan to promote development focused on the electronic material business to meet the needs of the next-generation customers and the semiconductor-related business in collaboration with Silicon Technology, a group company. In the life science sector, we are considering development themes centering on the biopolymer

business and the cosmetics raw material business whose themes include the global environment and human life.

As a strategy for these focused areas, we aim to develop a stronger market presence by introducing new products into potential markets. To this end, it is important to take a forward-looking (predictive) approach to development. The most challenging aspect to this approach is how far the development should be forward-looking. It is essential that we keep up with our competitors while also ensuring that our predictions are accurate. It is extremely difficult for the research and development department alone to achieve such accurate predictions, and company-wide development activities will become indispensable.



We are aiming at a three-pronged development approach through our Research & Development Division, the Sales Division and the Manufacturing Division. In order to target potential markets, it is not enough to simply identify customer wants and needs, but it is necessary to conduct in-depth marketing that extends to customer insights. For this purpose, it is essential to work closely with the Sales Division, which serves as our customer contact point. It is also important to quickly lead R&D to commercialization so that products are launched at the most appropriate time. For those reasons, we are working to realize seamless commercialization through joint development with the Manufacturing Division.



TOPIC

Selected for joint research on green hydrogen production, a NEDO-commissioned project for a decarbonized society

Related SDGs



Japan Carlit's proposal was selected for the “Collaborative Industry-Academia-Government R&D Project for Solving Common Challenges Toward Dramatically Expanded Use of Fuel Cells and Related Equipment/Technology Development for Advancement of Hydrogen Utilization” as a project commissioned by NEDO

— Proposed jointly with Tosoh Corporation and the Institute of Physical and Chemical Research (RIKEN) —

Japan Carlit Co., Ltd. submitted a joint proposal with the above two companies, which has recently been adopted.

In this project, Japan Carlit will play the role of design, prototyping and evaluation of electrolysis equipment (cells), taking advantage of the electrolysis technology Japan Carlit has cultivated over many years and the results of research, development and

production of electrodes that serve as a catalyst. The R&D proposal concerns a new catalyst (iridium-containing manganese oxide) for the production of “green hydrogen,” which is attracting attention as an energy source for a decarbonized society. The purpose of this project is to develop an industrially viable production method for iridium-containing manganese oxides, an optimal method for water electrolysis, and technologies for larger-scale electrolysis equipment, thereby establishing the technological foundation necessary for commercialization. In order to realize a sustainable society, the Group will aim at carbon neutrality in all its business activities, including research and development.

For details, please visit NEDO's website. ➔



“Rebuilding Business Infrastructure” Strategy

Development of young human resources in “rebuilding business infrastructure”

(As the first step toward the promotion of DX)

Hajime Yamamoto

General Manager, Management Strategy Group, Corporate Planning Department and Deputy Manager, Public Relations & Sustainability Group



Rebuilding business infrastructure in the Mid-Term Management Plan Rolling Plan 2023

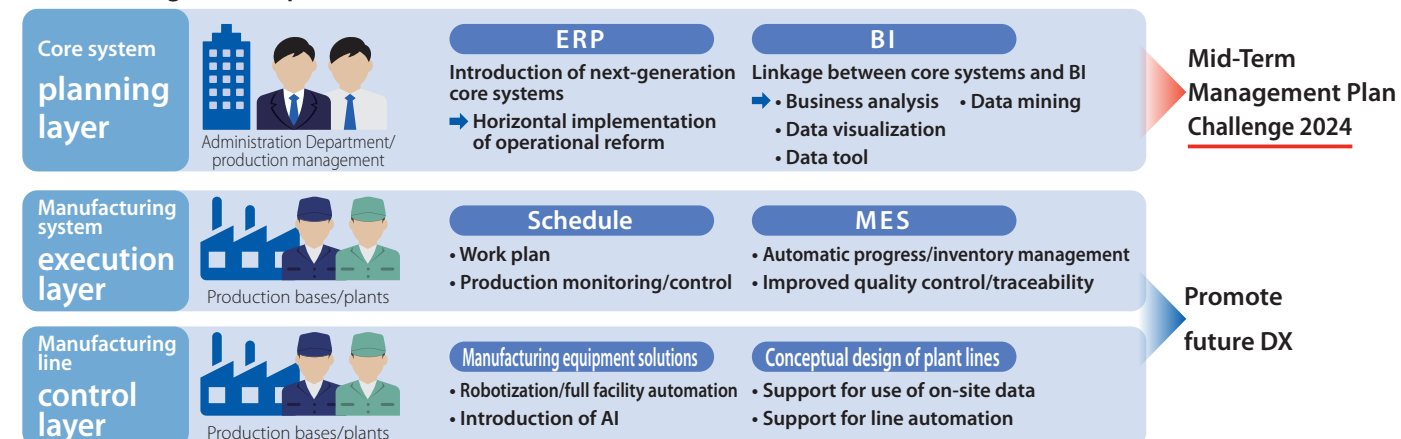
In the Mid-Term Management Plan Challenge 2024 Rolling Plan 2023, we aim to build a sustainable business infrastructure by improving profitability and reducing costs through business process review and IT promotion. → P.24 Specifically, we will look to rebuild our business infrastructure by standardizing operations that have been personalized, designing new work flows and revising systems.

During the Mid-Term Management Plan Challenge 2024, we are moving away from our legacy systems, introducing next-generation core systems, and revising our operations to make them more efficient and streamlined, regardless of traditional values and practices. By assessing each requirement and operational design to be implemented in these next-generation systems, we will enhance risk management while improving operational efficiency in order to build a business infrastructure trusted by our stakeholders. Business infrastructure is the

cornerstone for any organization to ensure appropriate business operations and business continuity. It is also an important factor that affects improvement of operational efficiency and work style reform.

In introducing our next-generation core systems, we will also prepare for future DX promotion and lay the foundation for facilitating open innovation and business model transformation. During the Mid-Term Management Plan, we are working on the “planning layer” in the overall plan for DX. In the future, we will aim for “reform and growth” through the use of digital technology in our manufacturing systems and lines. Under the management philosophy “For Confidence and Infinite Challenges,” we will realize the creation of new value by integrating management, administration, sales, production, and research and development and promoting work style reform.

Overall image of the plan to realize DX



Development of young human resources to promote reform

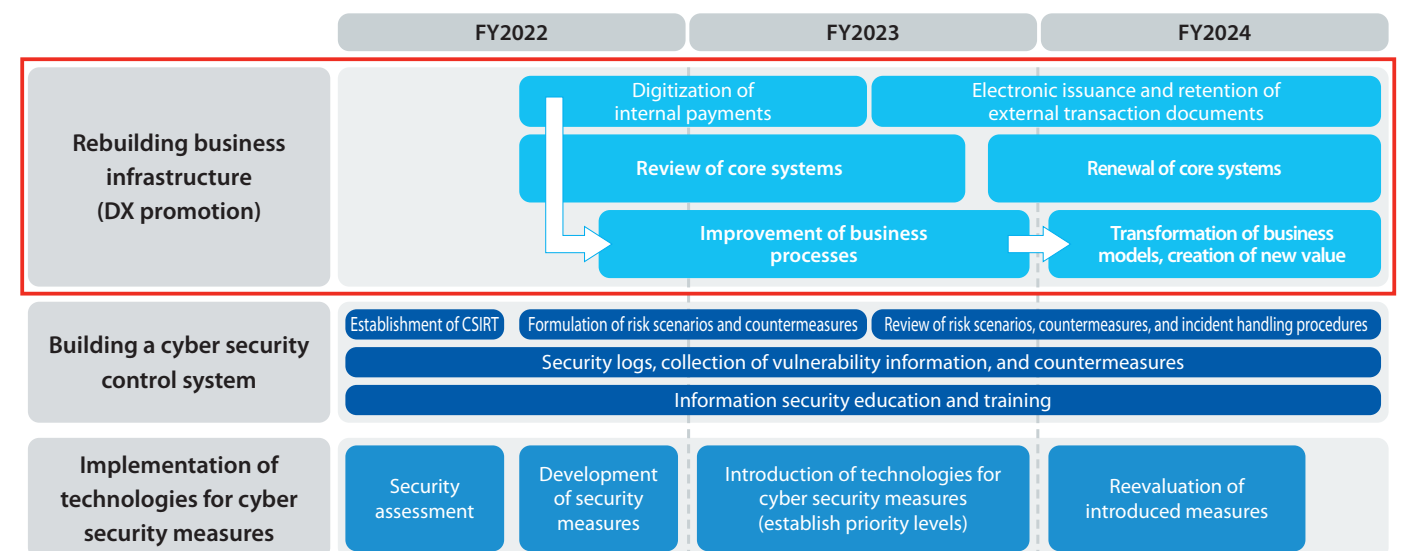
As part of last year's Mid-Term Management Plan Challenge 2024, mid-career and young employees realized operational reform including systematization of approval of proposals, attendance management, and billing documents. In these initiatives, young human resources took the lead and through repeated trial and error, designed new operations that moved away from conventional procedures, making it possible to implement new systems and revise operations.

We also believe that the competencies of our young human resources are indispensable for the implementation of our next-generation core systems and business reforms, with a view to promoting DX in the future. The revision of our core systems first requires a thorough understanding of our operations. To understand operational procedures and the significance of information, and to design work flows for data processing, it is important to have an

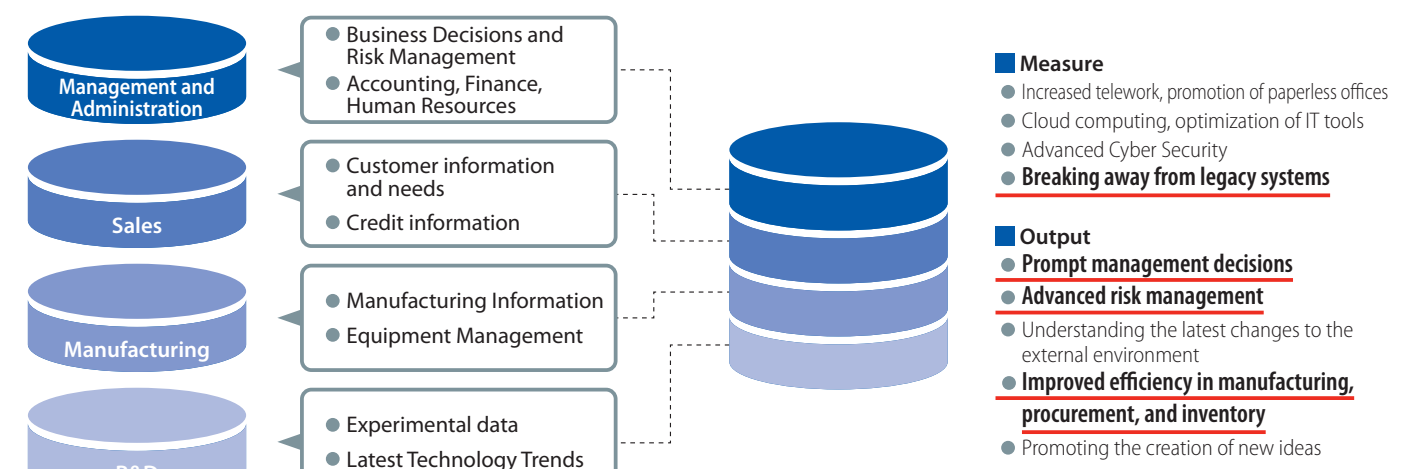
understanding of operations and operational design skills that do not adhere to conventional procedures and IT skills. Participation will provide the opportunity to understand operations and internal control systems used in each department.

The Corporate Planning Department is actively appointing young human resources as project members, focusing on the “rebuilding of business infrastructure” strategy, in order to establish a training system that enables the next generation of human resources to develop a managerial perspective. Through this initiative, we plan to promote the achievement of the Mid-Term Management Plan and the realization of Ideal Carlit Group in 2030 by increasing human resources who can practice the management philosophy “For Confidence and Infinite Challenges” and the corporate slogan “Giving Shape to Infinite Possibilities.”

Roadmap based on the Mid-Term Management Plan



Main measures and results



Digital investment driving open innovation that brings departments together

Strategies by business

Chemical Products Business

Accelerate R&D and market development in the chemical product segment by evolving technologies we have cultivated and flexibly managing a new organizational framework

FY2023 Strategic Policy

In FY2023, we established a new framework by adding Silicon Technology Corporation to the chemical product segment. We have included electronic materials and silicon wafers in our focus areas. We are aiming for synergy in the areas of semiconductors and electronic materials by combining our knowledge of silicon wafer development with conventional electronic materials. In the current fiscal year, both businesses have been forced to stagnate due to the economic downturn in China. However, we have continued to develop new technology. We will allocate development resources to focus areas to keep pace with the wave of technological innovation.

For basic chemicals and next-generation battery assessment services, our develop areas, we need to actively invest in production and material assessment facilities to meet growing demand in Japan. For basic chemicals, which suffered from rising raw material and energy costs, we will continue to secure profit through the appeal of fair selling prices. As for battery assessment, it is expected that the development of next-generation batteries will continue to be active, as seen in the promotion of electric vehicles. We believe that the expansion of facilities to meet growing demand is an urgent issue, and we are considering the expansion of facilities in the Battery Laboratory between FY2025 and FY2027.



Fumio Ogawa
Director and Executive Officer,
in charge of Chemical Product Segment
Representative Director and President & CEO,
Japan Carlit Co., Ltd.

In the base area, it is essential that we achieve stable management of ceramic materials, which serve as the raw materials for explosives, such as emergency flares, and abrasive materials. Due to the shift of COVID-19 to Class 5, the flow of people is recovering, and the use of emergency flares has increased as people resume travelling by car. Procurement of automotive components is also showing signs of recovery, leading to the recovery of sales of new automobiles. This is a social environment that is definitely beneficial for us.

Aiming to achieve the FY2024 target of a 3% or more increase in operating profit ratio, we will make the necessary capital investment in each area in a timely manner.

Pick Up

Toward the realization of our plan to expand ammonium perchlorate facilities

We have commenced full-scale activities to realize our plan to expand ammonium perchlorate (hereinafter “AP”) facilities, which was in the planning stage in the previous fiscal year, and have announced details of investment to increase production. Due to increased demand for defense and space rockets, it has become necessary to expand production of AP. Large budgets have been allocated to domestic defense due to the war in Ukraine, and competition with other countries has become more severe in the space industry. Against this background, expectations of us as the only domestic producer of such products have greatly increased.

In addition, due to strong demand for perchlorate, we have started to formulate an overall capital investment plan. In the time following, we will expand facilities as needed while monitoring the trend in demand for AP.



©JAXA

To become the only manufacturer in Japan to increase production of small-diameter wafers, which support industries that create new wafers for use in electronic components in the near future

FY2023 Strategic Policy

(1) Electronic components in the near future

“Electronic components in the near future,” which are expected to change the world we live in and enrich our lives, will be developed and delivered to the world using small-diameter wafers. Today’s thriving domestic manufacturers are developing many unique electronic components that will support the near future. New electronic components are not moving to processes that use large-diameter wafers, but rather many of them are being produced on small-diameter wafers.

Under such circumstances, Silicon Technology in the chemical product segment has developed small-diameter ultra-high flatness wafers and ultra-high resistance wafers, and has started providing them for new and near-future electronic components. We will continue to develop, customize and provide wafers that meet customer requirements based on customer feedback.

Although it will take some time from product development for products to achieve market growth, there are many types of near-future components that we expect to show promise in the growth period. We intend to become the only small-diameter wafer manufacturer that manufactures customized small-diameter wafers, is closely involved in development, and contributes to social development.



Youji Yamaguchi
Director and Executive Officer
COO, Silicon Technology Corporation

Although currently all attention is on silicon wafers with a large diameter of 300 mm, we aim to create specialized and customized small-diameter wafers that are difficult to obtain required for electronic components for the near future.

(2) Plan to increase production

There have been many requests for an increase in the supply of 6-inch wafers, and we have planned to invest in facilities to accommodate a near doubling of production. As part of these efforts, we plan to introduce new furnaces in FY2023. Although the supply of wafers from major manufacturers is decreasing and they are becoming difficult to obtain, we hope to make up for the shortage of semiconductors by increasing production of small-diameter wafers.

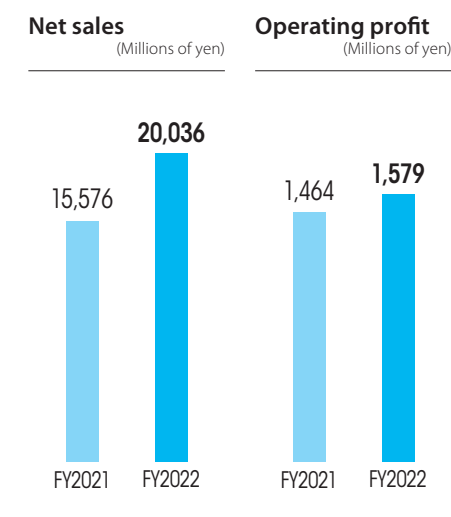
FY2022 Review by Business Segment

In FY2022, despite a substantial increase in raw material prices and energy costs due to the rapid depreciation of the yen, sales and profit increased over the entire segment.

At Japan Carlit, our challenge was to generate appeal by offering fair prices to ensure profitability, and our sales department has worked tirelessly on negotiations in this area. The manufacturing department also worked to reduce costs through process improvement, resulting in record-high profit.

Silicon Technology posted record-high sales and profit in the first half, but a drop in sales in the second half due to the decline in the Chinese economy. Although we have acquired new customers through sales activities and new orders for wafers with new specifications, we have not been able to overcome the impact of economic trends. We have a policy, therefore, to increase the ratio of sales of products for power semiconductor applications and automotive applications to ensure a stable product mix.

In order to make the segment more profitable, we will realize evolution through both process improvement and sales activities.



Strategies by business

Bottling Business

To further enhance safety and quality,
solidify our profit base, and think and act
with an eye to the future.

FY2023 Strategic Policy

The environment surrounding the Company has been affected by unpredictable events including the decline in beverage consumption due to the COVID-19 pandemic and rising energy costs resulting from Russia's invasion of Ukraine. The beverage market is becoming saturated, partly because of the declining birthrate, the aging of society, and the declining population. We are also facing new environmental issues such as the promotion of PET bottle recycling and the reduction of natural resources and energy.

It is necessary that we see this current environment as an opportunity that will lead to the generation of new businesses and the expansion of existing businesses, to return to basics and to solidify our profit base.

In FY2023, we are focusing on solidifying our foundation for the final year of the Mid-Term Management Plan. We will make thorough efforts to improve safety and quality, and realize more efficient production and cost reductions based on customer trust.

We also need to promote investment plans with an eye to the future and formulate future growth strategies. In addition to capital investment, investment in human capital will also be important.



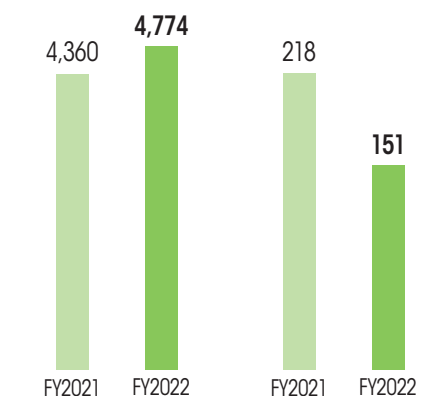
Ryuichi Nakatsu
Executive Officer, Bottling Segment
Representative Director, JC Bottling Co., Ltd.

In FY2024, after establishing a stable production system and solidifying our profit base, we will select and focus on existing businesses and formulate concrete investment strategies for the future.

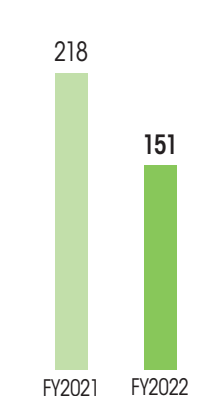
We also hope to further strengthen our human resource development and create a better work-life balance for our employees in order to create a more efficient team dynamic.

We believe that the achievement of the targets set forth in our Mid-Term Management Plan and reinforcing our organizational capabilities will lead to increased customer and employee satisfaction, which will in turn pave the way for the next 5, 10 and 20 years.

Net sales
(Millions of yen)



Operating profit
(Millions of yen)



FY2022 Review by Business Segment

In FY2022, the beverage market (shipment volume) increased year on year owing to the recovery of human traffic flow from the COVID-19 pandemic and the high temperatures experienced in the first half of the fiscal year.

Our manufacturing and sales departments have worked together based on a management policy to expand our existing businesses and improve production efficiency, resulting in an increase in sales of PET tea products, which are our main products.

As a result, net sales increased year on year, while profit decreased year on year due to rising energy costs.

Strategies by business

Metal Working Business

Work to further refine our superior metal
working technologies and improve
profitability through expansion of
manufacturing and business domains



Hideo Okamoto
Executive Officer, Metal Working Segment

FY2023 Strategic Policy

The metal working segment consists of three companies: Namitakiko Co., Ltd., Toyo Spring Industrial Co., Ltd., and Asia Giken Co., Ltd. They provide products and services that meet the needs of a variety of customers, primarily using iron, stainless steel and other metals as raw materials.

This segment is a stable revenue base within the Group characterized by a large number of products with high market share. The basic strategy of the metal working segment is not only to maintain high quality and product performance, but also to further refine processing technologies, actively engage in sectors related to existing businesses and overseas transactions, expand our business base, and improve profitability.

Namitakiko Co., Ltd. has the largest market share in Japan for refractory materials (anchors) used for incinerators in municipal waste plants and industrial furnaces, and parts (retainers) for exhaust gas filtration type dust collectors, contributing to social countermeasures to combat environmental issues. In addition to promoting stud welding work at various plants and biomass power plants, we also have a policy to actively work on the expansion of business activities with overseas customers, in order to further expand our business base.

Toyo Spring Industrial Co., Ltd. has met various needs primarily in the construction machinery, automobile, semiconductor, and electronics

industries with its unique and superior molding, heat treatment, and surface treatment technologies. We will continue to focus on the development, manufacture and sales of reliable and value-added products by further enhancing our technological capabilities. Although the automotive industry is moving toward the adoption of EVs, the impact on our products is not expected to be significant at present. We will continue to meet customer requirements through technological innovation in materials, etc.

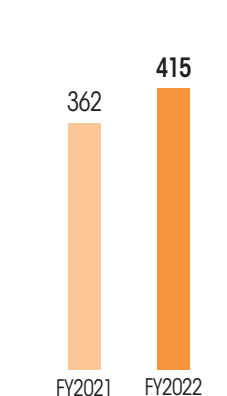
Asia Giken Co., Ltd. boasts top-class technologies in Japan for CD studs, welding machines and automatic welding robots, among other things, and aims to become a leading company in the stud industry. Our strategy for automatic welding robots is to tap into demand in China and Southeast Asia.

Although these three companies are engaged in different product segments, we will promote collaboration in the areas of technology, know-how, and management methods to advance technological innovation and address environmental issues.

Net sales
(Millions of yen)



Operating profit
(Millions of yen)



FY2022 Review by Business Segment

In the metal working segment, despite the high prices of stainless steel and iron materials, which form our main raw materials, and the rise in energy costs, we continued to improve production efficiency, reduce costs, and secure fair prices. As a result, overall segment performance in FY2022 showed an increase in sales and profit from FY2021.

Namitakiko Co., Ltd. posted an increase in sales and profit year on year due to the strong performance of anchors and retainers, which form our main products. Toyo Spring Industrial Co., Ltd. also posted strong sales of parts for construction equipment and automobiles, including those for overseas markets, resulting in an increase in sales and profit year on year.

In FY2023, sales and profit are expected to increase year on year for the entire segment.

Strategies by business

Engineering Services Business

Further establish brand strength based on reliable technological capabilities and explore new peripheral business domains

FY2023 Strategic Policy

In our Mid-Term Management Plan, the engineering service segment has defined “maintenance of high profitability” and “innovation of the production systems” as specific measures for business growth. Value required to combat social issues that change over time is not uniform. We will strengthen and enhance our management resources and invest in human resources, technology and ICT to enable the entire Group to demonstrate its diverse expertise, technical and management capabilities. Aiming for sustainable growth in corporate value, we will respond to changes in the external environment in an agile manner, maintain profit levels, expand new peripheral business domains to establish a new revenue base, and work on initiatives under the theme of becoming the best partner for society and our customers.

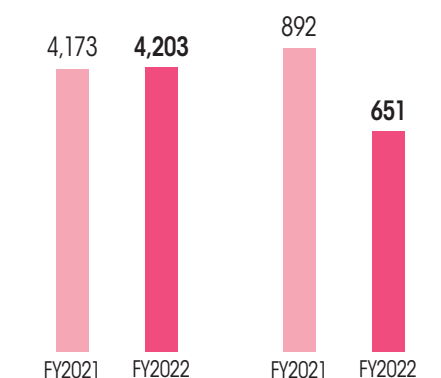
For FY2023 and FY2024, engineering and construction work will establish a maintenance and support system for the Carlit Group’s production activities, while strengthening cooperation within the Group and reinforcing sales and production systems. In the industrial paints and painting work trading company division, we will promote sales of new paints that meet customer requirements, obtain



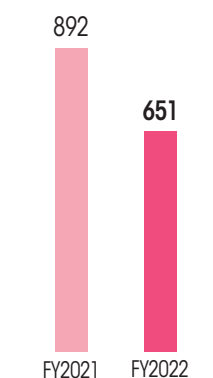
Shin Amanai
Executive Officer, Engineering Service Segment
Representative Director and President, General Design Co., Ltd.

information on demand for the introduction of new equipment and equipment upgrades and make proposals, expand geographically into the Kanto and eastern Japan, and aim to increase sales by developing new customers for mass production coating of large components, which is one of our strengths. In the area of structural design, we will enhance our technological brand through the construction of resilient buildings and infrastructure, and expand our peripheral business domains while promoting productivity improvements through DX and IT in order to maintain a stable profit base. We will also strengthen our profit structure over the medium to long term by steadily improving our profitability, in order to realize sustainable growth.

Net sales
(Millions of yen)



Operating profit
(Millions of yen)



FY2022 Review by Business Segment

In FY2022, engineering and construction posted a decrease in sales and profit due to a decrease in highly profitable projects, industrial paints and painting work saw an increase in sales and profit due to favorable market conditions, and structural design recorded a decrease in profit due to a decrease in highly profitable projects as a result of the increasingly competitive market environment for routine work. The severe market environment continues, with soaring material and labor costs and a shortage of human resources. Under such an environment, we are working to secure and train qualified staff and engineers, and to improve productivity by utilizing IT and DX, in order to maintain existing high profitability. We also aim to aggressively expand our peripheral businesses based on the reliable technological capabilities we have accumulated over many years.

Sustainability Management

To achieve sustainability, it is essential to pursue the creation of social value while also striving for growth.

We aim to be a company trusted by society by realizing “profitable growth” and “ESG” toward the realization of a sustainable society.

Ideal Carlit Group In 2030

To contribute to a sustainable society by combining the power of “chemistry” and “technology” to support people’s happy lives.

Basic Policy for Sustainability

Through manufacturing and the provision of services under our management philosophy, the Carlit Group intends to contribute to the resolution of social issues with the aim of realizing a sustainable society.

Management Philosophy

For Confidence and Infinite Challenges



SDGs (Sustainable Development Goals) Initiatives

SDGs (Sustainable Development Goals), were adopted by the United Nations in September 2015 and described in the 2030 Agenda for Sustainable Development as universal goals for a sustainable and better world by 2030. Composed of 17 goals and 169 targets, it vows to “leave no one behind”. We will contribute to the achievement of SDGs and the realization of a sustainable society through our materiality initiatives in order to realize our vision.



Sustainability Promotion Framework

Promotion Framework

We have established a Sustainability Committee under the supervision of the Board of Directors, chaired by the Representative Director and President & CEO (hereinafter referred to as “Representative Director and President”) and composed of all Directors and Executive Officers as well as Outside Audit & Supervisory Board Members, to promote sustainability initiatives.

This Committee reviews and formulates policies, strategies, plans, and measures in relation to sustainability, identifies issues facing each

Group company, and clarifies measures to strengthen and improve them.

The Public Relations & Sustainability Group serves as the secretariat, and deliberations are reported to the Group Management Strategy Meeting, the Management Meeting, and the Board of Directors as appropriate. In addition, the Governance Committee, Compliance Committee and Group Risk Management Committee, etc. are working together to strengthen activities to further promote sustainability.



Main items discussed by the Sustainability Committee in fiscal year 2022

Timing of meeting	Main items discussed
June 2022	Review materiality, report results of calculation of supply chain emissions, and update TCFD disclosure information.
July 2022	Report on proposed responses to CDP Climate Change Questionnaire 2022.
Sep 2022	Discussion on the draft proofreading of the Integrated Report “Carlit Report 2022”

Overview of Other Committees

Committee	Members	Purpose	Activities	Frequency
Governance Committee	Representative Director and President, all Outside Directors	Ensure transparency and fairness in management.	Deliberate on matters related to our corporate governance framework, evaluation of the effectiveness of the operation of the Board of Directors, policies for the election and dismissal of Directors and Audit & Supervisory Board Members, policies for compensation systems and amount of compensation paid to Directors, and policies for the election and dismissal of the Representative Director and succession planning.	When meetings are convened
Group Research and Development Committee	Representative Director and President, Management Strategy Group, multiple departments including Legal & Compliance Department	Ensure that research and development or business development activities of each Carlit Group company is conducted in accordance with the management policies of Carlit Holdings Co., Ltd.	Estimation of man-hours and budget for R&D for the following fiscal year, discussion of relevant market information, and discussion of the direction, schedule, and investment for commercialization. Understand, instruct, and guide R&D budgeting at each operating company	Once a quarter
Group Risk Management Committee	Representative Director and President, Directors and Executive Officers, Management Strategy Group	Develop management strategies within acceptable risk limits by managing all risks of each Group company and implement countermeasures, and achieve management objectives while managing risks.	Analyze causes and deliberate on measures to prevent recurrence of risk events that have a significant impact on Group management	In principle February, May, August, November
Compliance Committee	Representative Director and President, Directors, Legal & Compliance Department	Practice fair and sound Group corporate activities in compliance with “laws and regulations, internal regulations, and other social norms.”	Deliberate and report on matters related to compliance of the Company and its Group companies (organizational changes related to compliance, establishment of regulations related to Group compliance management, etc.) and matters (including measures to prevent recurrence) related to compliance violations (related to law violations and service disciplines, etc.).	In principle February and August

Basic CSR Policy

Under our management philosophy of “For Confidence and Infinite Challenge,” our Group aims to realize a sustainable society and enhance corporate value by placing priority on securing the trust of all stakeholders, while fulfilling our social responsibilities through proactive CSR initiatives. For policy details, please refer to our company website.

Materiality

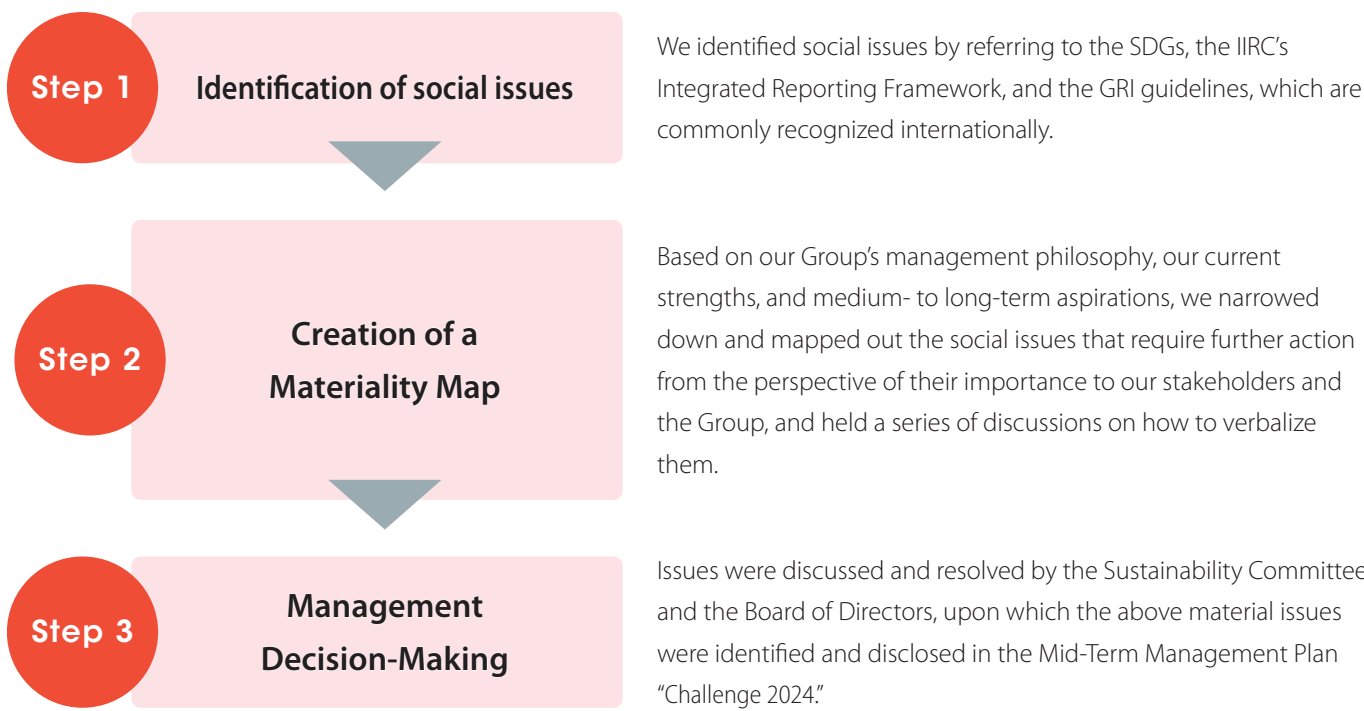
Our Group identified material issues in 2019 with the transition from CSR reporting to issuing an integrated report.

Taking into consideration the ever-changing social issues, including the need to address climate change, in order to realize a sustainable society, we have reviewed our plan in conjunction with the formulation of our Mid-Term Management Plan “Challenge 2024,” which was launched in fiscal 2022.

In response to identified material issues, the Company will establish two strategies, “advancement of ESG management” and “restructuring of business infrastructure,” and implement portfolio management.

Materiality		Social Issues to be Addressed	Page for reference	Challenge 2024 ESG Related Strategies
E Environmental	Contributing to the creation of an affluent society	● Contributing to life and the environment ● Contributing to a smart society ● Promoting supply chain management ● Promoting climate change action and environmental management	→ P.41	
		9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 11 SUSTAINABLE CITIES AND COMMUNITIES, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION		
S Society	Creating a safe, secure, and vibrant work environment	● Employee satisfaction and health management ● Ensure human resource training and diversity ● Addressing work system reform ● Maintaining a safe and hygienic work environment	→ P.47	
	Coexistence with society	● Contributing to safety and security ● Communication with stakeholders ● Contributing to sustainable development of local communities	→ P.53	Advancement of ESG management
G Governance	Strengthen management foundation for reliability, transparency, and profitability	● Ensure credibility regarding the determination of material facts ● Legal Compliance ● Advanced cyber security and DX implementation	→ P.55	
		8 DECENT WORK AND ECONOMIC GROWTH, 16 SOCIAL JUSTICE AND INCLUSIVE GROWTH, 17 PARTNERSHIPS FOR THE GOALS		Restructuring of business infrastructure

Materiality Identification Process



Materiality KPIs and Progress

ESG Field	Materiality	Social Issues to be Addressed	Vision for 2030	Risk	Opportunity		Qualitative Goal	Initiatives	KPIs (Key Performance Indicators)	Target Year	FY2022 Results	Relevant SDGs
E Environmental	Contributing to the creation of an affluent society	● Contributing to life and the environment	Create products that support the creation of a prosperous society and contribute to the realization of a convenient and secure lifestyle and society.	Products become obsolete due to lifestyle and social changes and technological innovation.	Increase corporate value by providing products that respond to changing lifestyles, environments, and society.		Launch products that contribute to people's lives, the environment, and a smart society.	Strengthen R&D capabilities for value creation.	Create 10 product lines (five products contributing to the living environment +five products contributing to a smart society). 30 patent applications	FY2024	Number of products created: 3 Number of patent applications: 13	  
		● Contributing to a smart society										
		● Promoting supply chain management	Contribute to environmental conservation by realizing an environmentally conscious supply chain.	Environmental issues such as global warming and water resource depletion, and social issues such as human rights and labor, become more apparent and serious.	Increase corporate value by promoting activities such as manufacturing, provision of services, and procurement that contribute to resolving social issues.		Understand environmental activities across the supply chain.	Conduct a sustainable procurement questionnaire.	Conducted on 70% of suppliers based on procurement amount.	FY2022	75%	
		● Promoting climate change action and environmental management	Contribute to society by reducing energy and water consumption on a per unit basis and in total amount.	Lack of climate change measures and environmental considerations reduce supply chain credibility and stakeholder confidence.	Increase corporate value by establishing a supply chain and providing products that contribute to reducing environmental impact.		Reduction of CO ₂ emissions.	Establish carbon neutrality promotion department.	46% reduction compared to fiscal 2013 (Scope 1 and Scope 2).	FY2030	40%	
							Switch to renewable energy sources.	Promote renewable energy facility installation plans.	Set renewable energy usage rate targets.	FY2023	Activities to set renewable energy usage rate targets.	
							Eliminate serious environmental accidents.	Implement environmental risk assessment and training.	0 cases	Every year	0 cases	
							Eliminate violations of environmental laws and regulations.		0 cases	Every year	0 cases	
S Society	Creating a safe, secure, and vibrant work environment	● Employee satisfaction and health management	Employees are able to work in good health and energetically.	Decline in organizational performance due to deteriorating health of executives and employees and decreased job satisfaction and ease of work.	Improve organizational performance through executive and employee satisfaction and health management.		Improve employee engagement scores.	Implement engagement surveys and obtain feedback.	Continuous score improvement.	Every year	Ongoing implementation of surveys.	  
							Active investment in human capital.	Execute diverse training programs.	20% increase in human capital investment per capita (compared to FY2020).	FY2024	27% increase per capita	
							Employee health promotion.	Promote regular health checkups and manage checkup rates.	100%	FY2026	97.9%	
							Reduction of smokers.	Implement quit smoking programs.	Smoking rate 5%	FY2026	32.8%	
		● Ensure human resource training and diversity	Promotion of human resource diversity and fair and equitable treatment of personnel resulting in the fostering of diverse human resources and revitalization of the workplace.	Failure to secure human resources with diverse skills and capabilities, resulting in the inability to improve organizational capabilities and increase corporate value.	Increase corporate value through the active participation of human resources with diverse abilities and skills.		Increase the ratio of female recruits in new graduate hiring.	Implement measures to raise awareness in recruitment activities.	30% or more	Every year	36.4%	
							Improve the utilization rate of the childcare leave system for female employees.	Provide training for new employees and managers.	100%	Every year	100%	
							Increase percentage of female managers.	Increase number of candidates for appointment.	3% or more	FY2024	1.77%	
		● Addressing work system reform	Employees are choosing a variety of work styles, and workplaces are being revitalized as we work towards a society that encourages the active participation of all citizens.	Inability to improve organizational capabilities and increase corporate value due to lack of work style options.	Improve "ease of work" by offering a variety of work style options, leading to improved organizational performance.		Increase telework rates.	Streamline business inventory and work environment.	50% (non-industrial work)	FY2024	20.0%	  
	Coexistence with society	● Maintaining a safe and hygienic work environment	Maintain accident-free and disaster-free operations, earning the trust of society.	Business disruption.	Increase corporate value by achieving a stable supply framework.		Eliminate serious industrial accidents.	Execute safety patrols and analysis of incidents and obtain feedback.	Lost time injuries: 0	Every year	Two cases	
							Eliminate quality complaints.	Analyze complaint events and obtain feedback.	Serious quality complaints: 0	Every year	0 cases	
							Strengthen group-wide production and quality risk management framework.	Identification and ongoing management of production and quality risks.	Hold monthly production and quality meetings and follow-up on status of responses to major risks.	Every year	Revised risk map and selected key risks to be addressed.	
		● Communication with stakeholders	Appraised by stakeholders based on thorough fair disclosure and constructive dialogue.	Fair trading is hindered by insider trading and social credibility is lost.	Increase corporate value by engaging in constructive dialogue with stakeholders and gaining a better understanding of them.		Enhance selection and analysis of critical risks.	Establish a Group Risk Management Committee to collect and analyze potential risks and select key risks.				
							Promote understanding of our business among stakeholders.	Conduct briefings on financial results, individual IR meetings, and small meetings.	Continued active and proactive implementation.	Every year	Ongoing	
		● Contributing to sustainable development of local communities	Promote social contribution activities and be understood and appreciated in the community	Loss of credibility in regions we operate, making it impossible to continue business activities.	Gain the trust of communities in the regions we operate, stabilize business operations, and increase our corporate value.		Issue integrated reports.	Issued annually	Every year	Ongoing		
							Translate financial material into English.	Ongoing	Every year	Ongoing		
							Promote activities for carbon offsetting.	Consider introducing carbon credits based on business areas.	Ongoing	Every year	Ongoing	
G Governance	Strengthen management foundation for reliability, transparency, and profitability	● Ensure credibility regarding the determination of material facts	Maintain growth by building a corporate governance framework that responds to a changing society.	Fail to respond promptly and flexibly to the increasing sophistication of corporate governance, resulting in damaged corporate value over the medium term	Continue to promote corporate governance in response to a changing society, leading to increased corporate value.		Improve the effectiveness of the Board of Directors.	Evaluate the effectiveness of the Board of Directors.	Continuous score improvement.	Every year	Score improvement	  
							Adhere to Corporate Governance Code.	Periodic review of corporate governance reports and appropriate disclosure.	Ongoing	Every year	Ongoing	
		● Legal Compliance	Comply with laws and regulations and changing social norms through the permeance of compliance awareness.	Violation of laws and regulations, scandals, etc., possibly resulting in significant losses or, in some cases, hindrance to business continuity.	Thorough compliance and prevention of legal violations and misconduct, leading to increased corporate value.		Promote compliance management.	Develop and disseminate compliance code of conduct.	Compliance training for all Group companies.	Every year	Ongoing	
		● Advanced cyber security and DX implementation	Respond to increasingly sophisticated and complex cyber attacks and capture business and revenue opportunities through DX promotion.	Serious cybersecurity incidents resulting in significant losses or, in some cases, hindering corporate continuity.	Improve organizational performance and increase corporate value through prevention of incidents and DX promotion.		Advancement based on cybersecurity management guidelines as an indicator.	Comply with cybersecurity management guidelines and promote DX.	Achieve a rating of 4 or higher for all 40 items.	FY2024	Achieved 6 items	

Contributing to the creation of an affluent society



Promoting supply chain management

In order to contribute to the realization of a sustainable society, our Group is working to promote sustainable procurement with our suppliers.

To achieve a sustainable society through responsible procurement, we have formulated a “Basic Group Policy for Sustainable Procurement” and “Sustainable Procurement Guidelines.” We strive to build good relationships with our suppliers by ensuring that they understand the basic policies of the Carlit Group’s procurement activities.

Basic Concept

In recent years, environmental issues, such as the depletion of limited natural resources, water shortages, and global warming are becoming more evident, and there is a growing sense of urgency about global sustainability. In addition, social issues, such as human rights and labor are becoming increasingly serious, and organizations are required not only to comply with the laws and regulations of each country, but also to respect internationally recognized standards and

principles and the spirit under which they were established, and to contribute to the realization of a sustainable society.

Based on the belief that sustainability initiatives can only be completed through the involvement of the entire supply chain, our Group will not only work to provide products and services that contribute to resolving social issues, but also promote socially and environmentally friendly procurement activities.

Chemical Product and Wastewater Management Initiatives



The Carlit Group has obtained ISO 14001 certification for several Group companies, and through its environmental management system, identifies potential water pollutants that could be harmful to water ecosystems and human health. In particular, Japan Carlit Co., Ltd., JC Bottling Co., Ltd. and Carlit Sangyo Co., Ltd., whose business areas are related to Japan Carlit, have obtained certification as part of the Japan Carlit organization and have expanded the scope of their activities to engage in environmental impact assessments. With regard to the results of the ISO audit in fiscal 2022, no significant findings were detected, and we believe that the PDCA cycle is continuing to function effectively.

Specific methods and standards include the identification and classification of potential water pollutants in accordance with the Water Pollution Control Law, the PRTR Law, and other laws and regulations, and initiatives to establish manufacturing processes that do not contain harmful chemical substances in wastewater, and systems to monitor wastewater using conductivity meters and pH meters to immediately detect any leakage from the plants.

Carlit Group Basic Policy for Sustainable Procurement

The Carlit Group conducts fair and equitable purchasing activities in compliance with laws and regulations and with high ethical standards. To realize a sustainable society, we will fulfill our social responsibility as a corporation by giving due consideration to environmental conservation, resource protection, safety and human rights, etc.

1. Promotion of fair and equitable transactions

- We select suppliers based on a fair evaluation of the safety, quality, price, and delivery time of products and services, transparency and stability of corporate management, manufacturing and supply capabilities, sustainability measures, and other factors.
- We open the door to procurement and provide fair entry opportunities to suppliers.

2. Building trusting relationships with business partners

- Based on the basic understanding that our suppliers are partners in the execution of our business activities, we aim to deepen mutual understanding and build long-term relationships of trust.
- We faithfully execute contracts with suppliers and properly manage confidential and personal information related to procurement activities. In addition, we do not engage in procurement transactions that infringe the intellectual property or other rights of third parties.

3. Compliance with laws and social norms

- In carrying out procurement activities, we comply with relevant laws and regulations.
- We do not engage in illegal activities to entertain or offer gifts to business partners in accordance with laws and internal standards. In addition, procurement personnel do not give or receive personal benefits in the performance of their work.

4. Environmental considerations

- We proactively address climate change and work to reduce greenhouse gas emissions.
- We work to conserve biodiversity, protect and maintain resources, and improve the environment.
- We work to reduce waste and recycle resources and energy.

5. Respect for human rights

- We eliminate all human rights violations, including forced labor, child labor, and harassment throughout our supply chain.

Our hydroelectric power plant



Koto Hydroelectric Power Plant

Koto Hydroelectric Power Plant

Our Group’s core technology is electrolysis, and securing stable electric power is essential. This hydroelectric power plant was built in 1953 by Japan Carlit Co., Ltd. in anticipation of the future power situation in Japan.

The main feature of this power plant is that it utilizes the difference in elevation of the river bottom and does not require large-scale civil engineering work like a dam. The discharged water is also used to generate electricity at downstream power plants in Gunma and other prefectures. The power generation structure is truly synonymous with clean energy, making effective use of renewable energy sources that do not damage the natural system.

In fiscal 2021, the plant generated approximately 18.6 million kWh of electricity, leading to an annual reduction of more than 8,300 tons of CO₂ emissions from an environmental perspective and a contribution of approximately 300 million yen in terms of purchased electricity rates from a business performance perspective.

We will carefully maintain and utilize the Koto Hydroelectric Power Plant, the “treasure” of our Group, and contribute to society from an environmental perspective through environmentally conscious operations.

100% renewable energy plant/Gunma Plant, Japan Carlit Co., Ltd.

The plant began operations in 1934, mainly to produce raw materials by electrolysis. The plant manufactures ammonium perchlorate, a raw material for solid propellants used in rockets, as well as electronic materials and related products, all of which are powered by renewable energy generated at the Koto Hydroelectric Power Plant.

A battery laboratory, which conducts charge-discharge cycle tests and storage degradation tests on batteries, is also located on the factory premises. Clean energy supports the performance and safety of storage batteries, which are garnering attention as a sustainable energy source.

Climate Change Action (TCFD* initiatives)

We recognize that climate change is one of the most important management issues affecting our business activities, and we are working to mitigate it, while taking into account the risks and opportunities that climate change poses to our Group's business environment.

In light of the importance of accurately communicating the impact of climate change on our Company to our stakeholders, we have endorsed and signed the TCFD (Task Force on Climate-related Financial Disclosure). In accordance with their recommendations, and based on information from the Intergovernmental Panel on Climate Change (IPCC) and the World Wide Fund for Nature (WWF), we have begun analyzing the "4°C scenario," in which the global average temperature rises 4°C compared to pre-industrial levels without any measures being taken, and the "2°C scenario," in which measures are taken to limit the



rise in temperature to 2°C, in terms of both risk and opportunity. In our Mid-Term Management Plan "Challenge 2024," which aims to realize a sustainable society, we will continue to update and expand the scope of our research by improving the accuracy of our analysis and concretely reflecting the results in our management and business strategies by making the indicators more concrete, thereby improving the resilience of our management.

Task Force on Climate-related Financial Disclosures established by the Financial Stability Board (FSB) at the request of G20 finance ministers and central bank governors

Governance

We have established a Sustainability Committee under the supervision of the Board of Directors, chaired by the Representative Director and President and composed of all Directors and Executive Officers as well as Outside Audit & Supervisory Board Members, to promote activities.

The Committee deliberates on and formulates policies, strategies, plans, and measures concerning sustainability, including climate change countermeasures, and identifies issues facing each Group company and clarifies measures to strengthen and improve them. Deliberations are reported to the Group Management Strategy Meeting, the Management Meeting, and the Board of Directors as appropriate. The Board of Directors will promote active and proactive discussions on sustainability issues.

The committee set up an environment and climate change-related agenda and has formulated policies on carbon neutrality and environmental management, including setting CO₂ emission reduction targets, calculating the Group's emissions across Scope 1, 2, and 3 to

Sustainability Promotion Framework



reduce supply chain emissions, and procurement policies aimed at achieving sustainable procurement.

Strategies

In accordance with TCFD recommendations, we began analyzing the "4°C scenario" and the "2°C scenario" in terms of both risks and opportunities. The repercussions of each scenario and major impact on our Group are shown on the right.

While climate change is a risk to our business activities, we recognize that it also represents an opportunity to enhance the value of our products and service offerings and our corporate value. In accordance with our Basic Policy for Sustainability, we promote the provision of decarbonization products and services that address climate change and limit its progression, and the creation of new businesses.

We aim to improve the accuracy of our analysis and assessment of the real and potential impacts of climate change risks and opportunities on our business activities, strategic and financial plans, and identify key impacts of high priority, and consider countermeasures. These results will be supervised by the Board of Directors, and efforts will be made to reflect them concretely in management strategies as appropriate to improve management resilience, and will be disclosed as soon as they become available.

The repercussions of each scenario and major impact on our Group

Scenario	Risks and opportunities	Changes related to climate change		Major impact	Main repercussions on our Group	Detailed repercussions
4°C	Risk	Physical risk ^{*1}	Chronic risk ^{*2}	Changes in precipitation and weather patterns	Rising temperatures and water shortages	Decline in production efficiency, rising costs of countermeasures, reconsideration of work styles
		Acute risk ^{*3}	Change in lifestyle	Increased risk of infections	Employee health considerations	
	Opportunity	Markets, products and services	Lifestyle changes due to rising temperatures	Increased demand for products and services that adapt to ongoing climate change	Total switch to flares with glass crushers	
					Increased demand for beverages	
2°C	Risk	Migration risk ^{*4}	Legal and regulatory risks	Introduction of carbon pricing	Carbon tax accruals	Increase in costs
			Technology risk	Tighter CO ₂ emission regulations	Energy conservation measures need to be strengthened and manufacturing facilities must be upgraded to higher efficiency.	Increase in capital expenditure
			Market risk	Expansion of renewable energy	Increase in energy costs	Increase in manufacturing costs
			Reputation risk	Change in investor valuation	Insufficient action on climate change will lead to deterioration of investor reputation and difficulty in obtaining financing.	Reduction in investment.
		Changes in customer requirements.		Insufficient action on climate change will result in exclusion from the supply chain.	Decrease in sales of relevant products.	
	Opportunity	Markets, products and services	Lifestyle changes due to increased environmental awareness.	Increased demand for environmentally friendly products and services that contribute to climate change mitigation.	Increase in demand for electrolytes for regenerative energy applications.	
					Popularization of electric vehicles	
					Realization of a hydrogen recycling society	
					Increase in storage battery demand	
Common to 2°C and 4°C scenarios	Opportunity	Resource efficiency	Promotion of energy conservation and reduction of waste disposal.	Cost reduction	Reduction of fuel and electricity costs	
		Energy	Promotion of energy creation	Promotion of procurement of clean energy	Continued operation of hydroelectric power plants and promotion of switching to solar power generation.	
		Resilience	Planned climate change measures reflected in management	Risk mitigation	Fire insurance with water damage coverage, reinforced waterproofing facilities.	

*1 Physical risk = Disasters and other damage caused by climate change

*2 Chronic risk = Impacts from long-term changes in precipitation patterns, changes in weather patterns, and increases in average temperatures and sea levels.

*3 Acute risk = Impact of extreme weather events such as typhoons, floods, storm surges, etc.

*4 Transition risk = Risks arising from the transition to a decarbonized society aimed at mitigating climate change.

Risk Management

Natural disasters, outbreaks of infectious diseases, and other factors may have a significant impact on the economic environment, cause damage to production facilities, harm human resources, and also cause major changes in customer demand. We recognize that these are among the key risk factors that could significantly affect our performance and financial position.

In order to further strengthen risk management and take appropriate measures, the Corporate Planning Department is responsible for major impacts on the economic environment, the Human Resources Department and the General Affairs Department are responsible for major harm to personnel, and the Public Relations & Sustainability Group is responsible for disclosing these to stakeholders in a timely

and appropriate manner. Furthermore, the Production and Quality Management Department was established in fiscal 2021 to strengthen risk management for production activities and product quality.

We also established a Group Risk Management Committee chaired by the Representative Director and President to establish a comprehensive risk management framework, including climate change risks.

We will continue to make further efforts to ensure that risk information collected from each Group company is reported to management in a timely manner, and that risks throughout the Group are detected without fail, prioritized for countermeasures, and management decisions are made without delay.

Indicators and Targets

Global warming caused by climate change has resulted in extreme weather events, such as torrential rains, heat waves and droughts, which have caused significant damage to the natural environment, including floods and droughts. Our Group recognizes that climate change is one of the most important social issues to be resolved, especially since the Group is built on the bounty of abundant natural resources such as water.

To achieve carbon neutrality by 2050, we will actively work to reduce greenhouse gas emissions by promoting energy conservation measures and the use of renewable energy. We will also strive to improve the scope of disclosure of energy consumption and CO₂ emissions data.

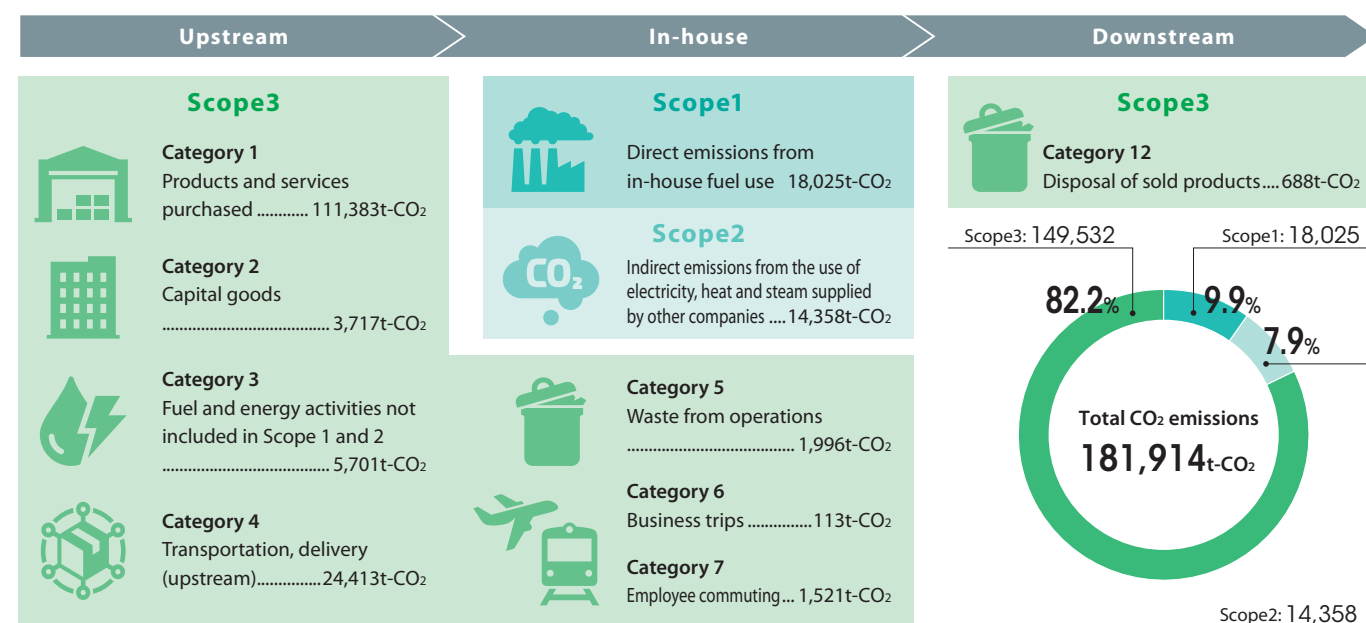
*"Zeroboard" was audited by SOCOTEC Certification Japan, the Japanese subsidiary of the international certification organization SOCOTEC, to ensure that it is properly designed in accordance with ISO14064-3, and is compliant with the GHG Protocol "Corporate Accounting and Reporting Standard" and "Corporate Value Chain (Scope 3) Accounting and Reporting Standard", "GHG Protocol Scope 2 Guidance", "ISO14064-1" and "Basic Guidelines for Accounting for Companies' Greenhouse Gas Emissions Throughout the Supply Chain (ver. 2.3)" (Ministry of the Environment).

Supply chain emissions

Our Group has calculated supply chain CO₂ emissions (Scope 1, 2, and 3) as an indicator to measure and manage risks and opportunities related to climate change. We will work to reduce greenhouse gas emissions by establishing a framework for regular management of real emissions.

GHG emissions calculation and visualization cloud service "zeroboard" is used for the calculation.

Actual supply chain CO₂ emissions in FY2022



Climate Change Opportunities

We recognize that while climate change poses a risk to business activities, it also presents opportunities, and we are working to address climate change, provide products and services aimed at decarbonization to limit its progress, and promote the creation of new businesses.

Example of a product that addresses climate change - Flamethrowers with glass breakers-

In recent years, the occurrence of torrential rains has increased, resulting in many fatal accidents involving people trapped in their cars due to flooded roads and overflowing rivers. According to a Kyodo News survey, approximately 30% of the people who died due to Typhoon No.19 in 2019 were caught in floods.

If a car is submerged to a certain depth, water pressure builds, making it difficult to open the doors. Further flooding may cause the electrical systems to fail, preventing power windows from opening.

JAF (Japan Automobile Federation) experiments have shown that side glass cannot be broken by anything other than devices specifically designed for escape, due to the difficulty of exerting force in a confined car and the resistance of water when submerged. The Ministry of Land, Infrastructure, Transport and Tourism recommends breaking the side glass with a glass breaker



to escape, while the National Consumer Affairs Center of Japan recommends installing a hammer or similar device for emergency escapes.

Japan Carlit Co., Ltd., which boasts the top share of the automotive emergency safety flares market, manufactures and sells the "Super Hiflare + Pick," which has an escape glass breaker attached to its tip.

In addition to contributing to increased safety in the event of automobile accidents and breakdowns, we are appealing to customers to switch from regular products as a way to prepare for safety in response to climate change.

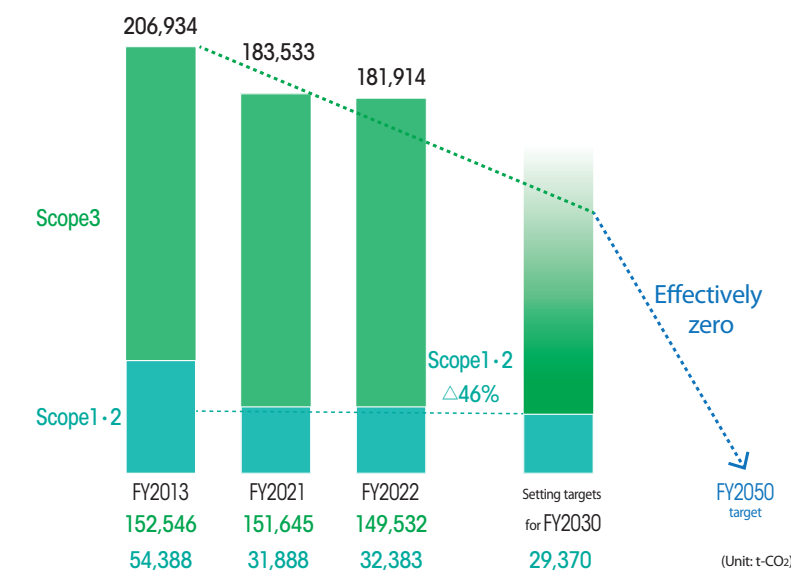
Supply chain emission reduction targets

To realize a sustainable society, we are committed to achieving carbon neutrality throughout our business activities and supply chain by 2050.

For Scope 1 and 2, we have set a milestone of a 46% reduction compared to the fiscal 2013 level by 2030. To achieve our goals, we will work to promote energy conservation and energy creation, promote the use of renewable energy, and expand the scope of information disclosure on related energy consumption.

Scope 3 emissions account for approximately 80% of the Group's total emissions, and we recognize that reducing Scope 3 emissions is

essential to achieving a decarbonized society. In particular, Category 1, which corresponds to products and services purchased, accounts for approximately 70% of Scope 3. In order to achieve decarbonization through the supply chain, we will work to strengthen communication with suppliers through sustainable procurement questionnaires and emission accounting systems, and promote efforts to reduce carbon emissions. We will also work to set Scope 3 reduction targets by 2030 with a view to achieving carbon neutrality by 2050.



*Results for Carlit Holdings Co., Ltd., Japan Carlit Co., Ltd., JC Bottling Co., Ltd., Silicon Technology Corporation, Namitakiko Co., Ltd., Toyo Spring Industrial Co., Ltd., and Fuji Shoji Co., Ltd.

Working toward carbon neutrality

Scope 1・2

Promote energy savings and creation

- Introduction of high-efficiency, energy-saving equipment
- Improve production and business processes
- Promote energy recycling
- Carbon offset through afforestation

Promote the use of renewable energy

- Efficient use of hydroelectric power
- Switch to renewable energy sources
- Expansion of solar power generation facilities

Scope 3

Enhanced promotion across the supply chain

- Promotion of sustainable procurement
- Improved transportation efficiency
- Contribution to energy saving through new product development
- Promotion of the 3R's

Creating a safe, secure, and vibrant work environment



“Developing Human Resources to Continue to Take on the Challenges of the Next 100 Years”

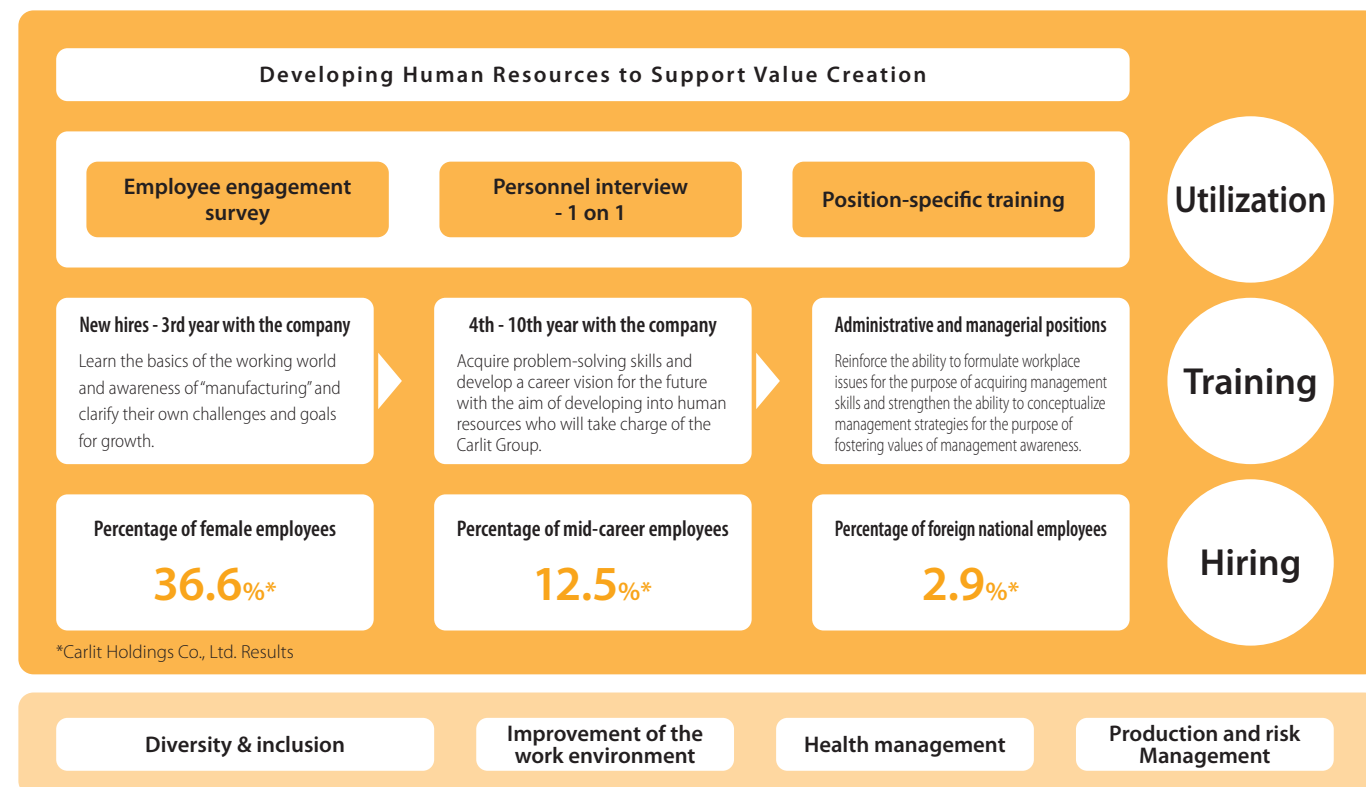
“Investing in people” has a significant impact on enhancing corporate value. While leveraging the experience and knowledge we have accumulated over 100 years, we will further promote “investing in people” by taking on the challenge of developing new training programs, systems, and work environments that are not bound by the past. We will continue to nurture our diverse human resources to enable them to earn trust and continue to boldly take on the challenges of the “next 100 years.”

Carlit Group’s Human Resources Vision

Based on our management philosophy of “For Confidence and Infinite Challenge,” we will continue to ensure compliance with our “Action Guidelines” and respect employees who continue to challenge themselves.

- 1 We are convinced that the growth of each and every employee and exertion of their strengths as “human assets” of the Carlit Group will lead to permanent and stable Group development.
- 2 We respect diversity in terms of nationality, race, gender, age, creed, etc., and emphasize mutual recognition and enhancement.
- 3 We will provide opportunities for the Carlit Group’s “human assets” to feel fulfillment and pride through their work, and to actively participate with vigor and enthusiasm.

Developing Human Resources to Support Value Creation



Message from the Chief Human Resources Officer

Aggressive investment in human capital to increase corporate value

Tomonori Hikichi

Executive Officer



In our Mid-Term Management Plan “Challenge 2024” announced in 2022, we have established “creating a safe, secure, and vibrant work environment” as one of the material issues of our ESG strategy, and are promoting **(1) employee satisfaction and health management, (2) human resource training and ensuring human resources diversity, (3) workstyle reform, and (4) development of a safe and healthy work environment.** In the Rolling Plan 2023 announced in 2023, we reaffirmed “human capital investment and human resource system reform” as a priority theme in our approach to our Social (human, intellectual, and social capital) ESG strategy.

Human capital investment is the process of viewing human resources as capital and investing in it in various ways to draw out the capabilities of individuals and organizations and increase corporate value. This corporate value must not only have current profitability, but also sustainable growth potential looking 10, 30, or 50 years into the future.

We will utilize the 100 years of experience and knowledge we have accumulated as a Group and take on the challenge of expanding new training programs and systems and improving the work environment without being tethered to the past, and further promote “human capital investment” to increase corporate value with sustainable growth potential.

Developing Human Resources to Meet the Times

Until a few decades ago, on-the-job training (OJT), in which senior employees train junior employees, was the core measure for human resource development within our Group. We were able to continue to grow through the establishment of a human resource development framework that did not require additional education and training costs. However, in recent years, the business environment has changed rapidly, and the level of quality, knowledge, skills, and technology required of employees have become increasingly higher, making it difficult to develop human resources solely through in-house, on-the-job training. Our Group will actively invest in human resources, and in DX and production facilities, to provide opportunities for learning and skill development and for individual growth, and to “create a safe, secure and vibrant work environment.”

Human Resource Framework to Enable Employees to “Feel a Sense of Fulfillment in Their Work”

We are reforming our personnel framework based on the three missions of “developing human resources to boldly take on challenges,” “developing human resources to take initiative,” and “developing human resources to co-create value through collaboration.” Major measures include: **(1) detailed and verbalized definition of requirements for individual positions and ranks, (2) establishment of multiple career plans (establishment of specialized positions), and (3) increasing the number of employees over 60 years of age.** In addition, we will continue to implement measures to benefit all employees and enable them to “feel a sense of fulfillment in their work,” such as clear goal setting and evaluation guidance reflecting the PDCA cycle (Plan (Planning) Do (Execution) Check (Evaluation) Action (Improvement)) for each department and individual employee, implementation of 1-on-1 meetings, including HR interviews, and sharing career visions through the use of a functional skill development questionnaire which enables employees to communicate their position, abilities, and assignment preferences to the Human Resources Department.

Ideal Carlit Group In 2030

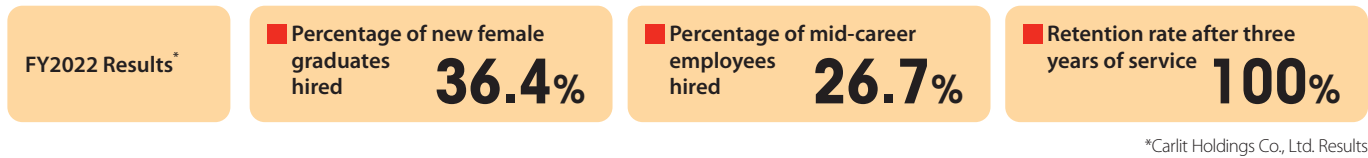
In order to enhance “corporate value” in terms of human resource strategy in a challenging business environment, we believe it is extremely important to further promote diversity, accelerate the creation of opportunities for diverse human resources to fully demonstrate their capabilities, and manage the workplace of individual companies and departments. Without a functioning workplace, even the best strategies and policies will not produce results. I feel that management plays a very important role in the workplace, whether it is constantly sharing the values and thoughts of subordinates, how quickly management can identify dissatisfaction, whether they direct and guide them in challenging tasks that promote growth, and how they enliven the ambition and motivation of each of their subordinates.

We will continue to work with each company and department to strengthen and develop management skills, provide support, and promote diversity, and will work on human resource strategies to achieve our “Ideal Carlit Group in 2030.”

Recruitment of Future Leaders

We hire people who are flexible enough to perform a wide range of work within a small and selective group. In this context, we also hire females and mid-career employees to support new creation with diverse values.

In addition, because our employees are able to experience a wide range of work from a young age, we have a high retention rate after three years of service.



Developing Human Capital to Support Value Creation

We are convinced that the growth of each and every employee who are the most valuable assets of the Group and exertion of their strengths as “human assets” will lead to the permanent and stable development of the Group. To develop human resources who will become future leaders, we are striving to enhance our education framework and training programs that all Group companies can implement across the board. We offer position-specific training for new employees to management positions, and other general training such

as financial training, language training, and presentation training. In recent years, we have focused on the development of executive candidates and enhancing our training programs. We also encourage self-development, and provide financial assistance for correspondence and e-learning courses on the condition that the employee passes the course. We have also established a qualification acquisition bonus system to encourage the acquisition of various qualifications.



General training (annual group open training that focuses on what employees want to learn each year)

Financial training	Learn the basics of accounting knowledge for beginners and understand the business environment of the Company.
Presentation training	Understand the essence of presentations and learn to improve communication skills to engage others.
English language training	Explanation of self-development methods for learning English and practical exercises to learn how to structure a business presentation in English.

Self-development support

Correspondence education	All 99 courses are available. Monthly application is available, and upon completion of the course, all course fees are covered by the Company.
Management school open enrollment program	Attend outside management school to learn logical thinking, business strategy and marketing.



Leveraging Human Capital

Female involvement

Our Group is primarily a manufacturing company, and we recognize that we have been lagging behind with regard to female involvement due to past tendencies to recruit mainly male employees. We believe that a diverse workforce, regardless of gender, will lead to the further growth of our Group, and are actively recruiting females, training core female human resources, and promoting females to management positions. In fiscal 2022, the ratio of female managers was 1.7%, and the ratio of female candidates for managerial positions (assistant manager and senior manager class) was 14.8%. We will continue to promote female involvement and nurture female employees who will be involved in management decision-making in the future.

Placing the right people in the right and rewarding position

Once a year, employees in general and supervisory positions have the opportunity to report their positions, abilities, and future career prospects to their superiors. In addition, employees meet regularly with the Human Resources Department. By encouraging employees to think about and communicate the challenges they want to take on and their future careers, we are working to ascertain job satisfaction levels and place the right people in the right positions so that they can better demonstrate their abilities and strengths.

Target percentage of female managers*

	FY2022 Results	FY2024 target	FY2026 target
Percentage of female managers	1.7%	3.0%	5.0%
Percentage of female managerial candidates	14.8%	16.0%	18.0%

*Results of Carlit Holdings Co., Ltd. and Japan Carlit Co., Ltd.

Diversity & inclusion

“Diversity” in human resources is essential for organizational and corporate growth. Our Group has been actively engaged in M&A’s for approximately 10 years. This has brought in many people with different experiences, knowledge, and identities, and we have also been actively recruiting mid-career employees and international students. As for multinational human resources, we have hired a cumulative total of five new graduates by fiscal 2022. We believe that the stimulation experienced by new human resources will spread throughout the Group as a “positive influence” through various interactions such as personnel

transfers across the Group, educational training, and exchange events, and that the spread of this “positive influence” will lead to the growth of human resources to drive “innovation”. In order for the Company to accelerate its expansion into overseas markets in the future, it will be important for employees to gain a better understanding of others with different experiences, cultures, and ideologies. By accepting and understanding others, both domestically and internationally, we will grow into a Company that is even more “capable of taking on and continue to take on new challenges”.

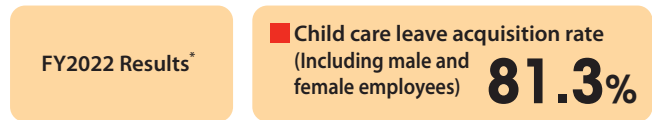
Creating a Pleasant Work Environment

Engagement survey

In order to provide employees with a better environment and enable them to maximize their capabilities, we launched an engagement survey in fiscal 2022 to assess satisfaction levels and areas for improvement. As a result of the survey conducted in the previous fiscal year, opinions were raised regarding the improvement of salaries and benefits, etc., and as a result, we have been working on increasing allowances, etc. We will continue to enhance employee engagement through improvement activities based on the regular implementation of surveys and assessing their effectiveness, which will lead to the permanent development of our Group and improvement of employee performance through higher labor productivity and performance, lower turnover and higher recruitment rates.

Childcare leave taken by male employees

In the past, the rate of female employees taking childcare leave continued to be 100%, but the rate of male employees taking childcare leave was very low. With the establishment of childcare leave at birth in fiscal 2022, we are also promoting the use of childcare leave by male employees by providing training on childcare leave for managers and other measures. As a result of the introduction of paid childcare leave at birth to make it easier for male employees to take such leave, the percentage of male employees taking at least two weeks of childcare leave has reached 100% after the introduction of the leave in July 2022. We will continue to respect the diverse work styles of our employees and strive to create a comfortable work environment.



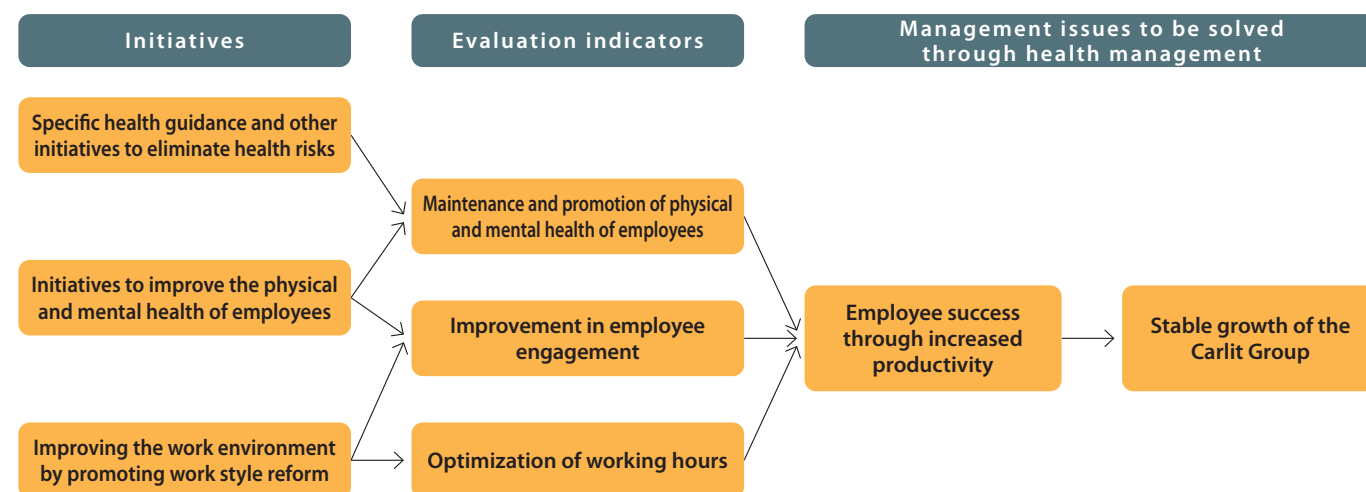
*Results of Carlit Holdings Co., Ltd. and Japan Carlit Co., Ltd.

Health management

On August 1, 2022, Representative Director and President & CEO, Hirofumi Kaneko announced our “Health Management Declaration” in order to strengthen our “health management” initiatives, in which the company supports employees and their families in maintaining good health, with the aim of improving productivity by ensuring that employees and their families are healthy and in good spirits.

The Representative Director and President of Carlit Holdings has been designated as the “Health Management Officer,” the officer in

charge of human resources is designated as the “Health Management Promotion Manager,” and the Human Resources Department is designated as the “Health Management Promotion Department,” and we will work to promote health management by sharing information and exchanging opinions with the Carlit Health Insurance Association, industrial physicians at Group companies, general affairs and human resources related divisions, the health committee, and labor unions.



In order to achieve stable growth of the Group, we aim to improve employee productivity by promoting health management to maintain and improve the physical and mental health of our employees, increase their engagement, and optimize their working hours.

- Subsidies for influenza vaccinations
- Recommendation of health checkups and specific health guidance for employees and their families
- Subsidies for medical checkups
- Subsidies for brain checkups at age 50, 55, and 60
- Distribution of household medication

In addition to continuing our past efforts, we will further strengthen our support for health through health promotion events.

- Establishment of a health consultation helpline
- Provision of health-related information
- Encouragement of sports
- Health promotion apps
- Quit smoking support

Indicators related to the Group's health management issues

In particular, given the high average age of employees, efforts are being made to achieve a 100% health checkup rate and to increase the number of employees receiving specific health guidance, and these efforts are showing results. By further reinforcing these activities, we hope to prevent lifestyle-related diseases and develop employee skills and productivity, thereby improving the overall value of the Company.

	FY2021	FY2022
● Health check-up rate (target 100%)	96.7%	97.9%
● Stress check rate (target 100%)	96.0%	93.8%
● Specific health guidance implementation rate (target 60%)	48.7%	72.1% (estimated)
● Influenza vaccination participation rate (target 60%)	40.3%	39.3%

Group-wide Production and Quality Risk Management

Risk Management Framework

Our Production and Quality Management Department is responsible for managing and reducing risks that threaten the stable production and quality of Group company products. As a key activity, we hold monthly group production and quality meetings attended by quality control and quality assurance managers of operating companies with manufacturing departments. At this meeting, the causes of accidents and complaints reported by each company are analyzed and information is shared. We will also identify risk factors underlying accidents and complaints, and laterally deploy related information and countermeasures to prevent the recurrence of similar events. This is a valuable opportunity for employees working in different industries to gain new insights by observing events from different angles.

In the event of a serious accident or complaint, such as the frequent occurrence of similar events within a short period of time, cases involving lost time injuries, or significant damage, we individually discuss the matter with each operating company to find a solution. Responsible personnel of the department will increase the frequency of visits to the production sites of each company, and work together with the personnel of the operating companies to detect and manage quality risks and confirm the effectiveness of measures to prevent recurrence.

Addressing risks

There are a variety of risks that can potentially interfere with day-to-day business activities, including the inability to procure raw materials or products due to accidents during transportation, the inability to continue production due to the inability to find replacements for outdated equipment, or environmental pollution that halts production. In order to address such risks, we are promoting “risk impact assessment,” in which each Group company predicts the frequency in which risks may materialize and the amount of damage they may incur if they do, and prioritize risks by quantitatively evaluating their impact on management and formulating and preparing countermeasures in advance. This is done even at operating companies that do not have a manufacturing department, targeting risks that could hinder the provision of services to customers.

The results of risk impact assessments are reported at special meetings of the Group's production and quality meetings held twice a year, attended by senior management, to enable speedy management decisions, such as budget measures. Furthermore, in the event that a significant risk is detected that may affect the entire Group, it is also reported to the Group Risk Management Committee, which discusses overall risks related to business operations.

Maintaining a safe and hygienic work environment

Safety activities

The aforementioned Group production and quality meeting also addresses safety activities related to production activities. Because our Group consists of companies in different industries, there are cases where countermeasures for accidents or complaints that occur at one company cannot be deployed directly to another. However, by understanding production processes of different industries through discussions at Group production and quality meetings, new insights are discovered, leading to improvements across the entire group.

Safety activities include safety and health-related meetings and disaster drills conducted by each Group company in accordance with the Industrial Safety and Health Act. Group companies, whose industries are close related, share information by visiting respective factories and exchanging opinions on equipment safety measures.

Working towards a safer workplace

Japan Carlit Co., Ltd. creates a calendar of accidents and disasters that have occurred in the past so that they can be compiled into a record and not become a formality.

In addition, with the aim of increasing awareness of potential risks, we have introduced safety simulation devices that simulate the sensation of being in an accident. Safety training programs to date have consisted mainly of lectures incorporating video materials for safety training and on-the-job training using standard manuals, which

did not lead to a familiarity with accidents and disasters. However, the introduction of safety simulation devices has enabled us to educate employees by actually experiencing the dangers that lurk in familiar everyday tasks. This facility is also utilized by other Group companies and is operated to contribute to safety across the entire Group.

Other Group companies are also engaged in various activities on a company-by-company basis, including the preparation and use of hazard maps for plant sites, including partner companies, risk reduction activities for all workers, and participation in safety training programs for major suppliers.

Although we are engaged in a wide range of safety activities, we recorded two accidents in fiscal 2022 that resulted in lost time. In addition to such serious accidents, we will further promote improvement activities throughout the Group by taking various considerations to eliminate accidents and disasters. We believe this will lead to improvements not only in production but also in the work environment.

Examples of safety simulation devices

- Entanglement safety simulation device
- Explosion safety simulation device
- Water pressure safety simulation device
- Pinching safety simulation device
- Slip and fall safety simulation device

	FY2018	FY2019	FY2020	FY2021	FY2022
Number of lost time accidents (cases)	2	3	2	1	2

Coexistence with society

Relevant
SDGs

4

QUALITY
EDUCATION

7

AFFORDABLE AND
CLEAN ENERGY

13

CLIMATE
ACTION



Stakeholder Communication

Our Group provides corporate information to all stakeholders in a timely, accurate, and fair manner, and is working to expand opportunities for information dissemination and enrich its content with the aim of two-way communication.

Based on the recognition that deepening mutual understanding through a healthy exchange of opinions is essential to enhancing corporate value, we will continue to strive for proactive communication.

Stakeholders	Group stance	Main approach	Key findings and actions identified through communication
<div>Customers</div> <div></div>	We strive to maintain long-term relationships of trust with our customers by providing quality and services that enable them to use our products with satisfaction and confidence.	<ul style="list-style-type: none">Communication through sales activitiesQuality assurance supportWebsiteResponse to sustainability-related surveys	Consider offering sustainability-related products and services in collaboration with customers
<div>Shareholders and investors</div> <div></div>	We will engage in effective dialogue with shareholders and investors regarding management policies, business strategies, and performance trends, fulfill our accountability to shareholders, maintain and enhance market confidence, and strive to enhance corporate value through a better understanding of our Group.	<ul style="list-style-type: none">General meeting of shareholdersFinancial results briefing and Mid-Term Management Plan announcementIndividual meetingsSmall meetingsIntegrated ReportsWebsiteFactory tour	Changed reporting segments to better communicate business portfolio management.
<div>Business partners</div> <div></div>	In accordance with our Basic Policy for Sustainable Procurement, we conduct responsible transactions that take society and the environment into consideration. We also aim to realize a sustainable society through the entire supply chain by strengthening mutual developmental partnerships with our suppliers in accordance with our procurement guidelines.	<ul style="list-style-type: none">Sustainable Procurement GuidelinesCommunication through purchasing activitiesSustainable procurement questionnaire	Consideration of climate change and water security initiatives across the supply chain
<div>Employees</div> <div></div>	We regard human resources, which are our greatest asset, as “human assets” and strive to create a framework that respects the human rights and diversity of our employees and encourages their growth, as well as a comfortable and pleasant work environment.	<ul style="list-style-type: none">Human resources visionVarious educational systemsPromotion of diversityCompany newsletters and intranetEmployee engagement surveySustainability promotion training program	Consideration and promotion of human capital management

Respect for human rights

We respect the human rights of each and every Carlit Group officer and employee, and all stakeholders involved in our business activities to promote our business.

Formulation of company-wide guidelines on human rights

The “Group Compliance Charter” clearly implies “respect for human rights and improvement of the work environment” and clearly states that we respect human rights and strive to create a safe and lively work environment that is free from discrimination and harassment.

Specific initiatives

- Health management → P51
- Create a pleasant work environment → P50
- Internal reporting system (compliance consultation desk) → P66

Source: Group Compliance Charter

Guidelines for action

(1) We prohibit unfair discrimination or harassment on the grounds of race, creed, gender, age, religion, nationality, ethnicity, language, place of origin, physical characteristics, disability or illness in all

aspects of our corporate activities, and shall strive to ensure a healthy work environment.

(2) We respect each individual’s personal character and individuality. We will evaluate the results of employee work fairly, and will make use of the results in fair treatment, and will strive to manage personnel fairly in terms of transfers and promotions, etc.

Initiatives on human rights issues across the supply chain

We have established the “Carlit Group Basic Policy for Sustainable Procurement” and the “Carlit Group Sustainable Procurement Guidelines.” We ask our suppliers understand the content and take action on human rights issues. The “Procurement Guidelines” clearly stipulate compliance of the following; “respect for human rights” “prohibition of forced labor,” “prohibition of child labor,” “prohibition of discrimination,” “appropriate wages,” and “working hours.”

A survey based on these policies was conducted in fiscal 2022 and no forced labor or child labor was detected across the supply chain. Please refer to our website for guideline details, etc.

We will continue to further strengthen our initiatives to improve quality and eliminate complaints.

Eliminate quality complaints.

We have established quality assurance as one of our basic CSR policies. To earn the trust and ensure the satisfaction of our customers, we are actively working to improve the quality of our chemical products and other business fields.

Elimination of complaints

We consider “coexistence with society” to be an important material issue and pursue “contribution to safety and security” as a social issue, with the goal of eliminating quality complaints.

Quality complaints in fiscal 2022 also decreased from the previous year. Because some of our products boast top market share, reducing quality complaints is an important initiative to earn customer trust.

In addition, to strengthen our quality assurance system, Japan Carlit Co., Ltd., JC Bottling Co., Ltd., Carlit Sangyo Co., Ltd., Silicon Technology Corporation, Toyo Spring Industrial Co., Ltd., and General Design Co., Ltd. have acquired ISO9001 certification, an international standard for quality management systems, and have received favorable evaluations at annual audits. We will continue to further strengthen our initiatives to improve quality and eliminate complaints.

Community Contribution Activities

We consider “contribution to the sustainable development of local communities” to be an important material issue, and are developing various activities to support the sustainable community development.

Benefit scholarship program

Introduced in 2018, the scholarship program is designed to assist students who have difficulty attending school for financial reasons and provides up to five students with two years of non-repayable tuition.

We will continue to support the young people who will lead the future. Applications for fiscal 2024 will begin in February 2024. Please refer to the announcement on our Company website.

Forest conservation activity “Japan Carlit Forest”

Gunma Prefecture aims to improve the diverse functions of forests, such as the prevention of global warming, through the Prefectural Forest Maintenance Partner Project. Japan Carlit Co., Ltd., which owns two major manufacturing sites and a hydroelectric power plant in the prefecture, has been participating in this project since fiscal 2022 to protect the natural environment, which serves as a water source for the local Gunma area and other metropolitan areas, by properly maintaining and preserving forests, thereby contributing to safe living in the region.

Strengthen management foundation for reliability, transparency, and profitability



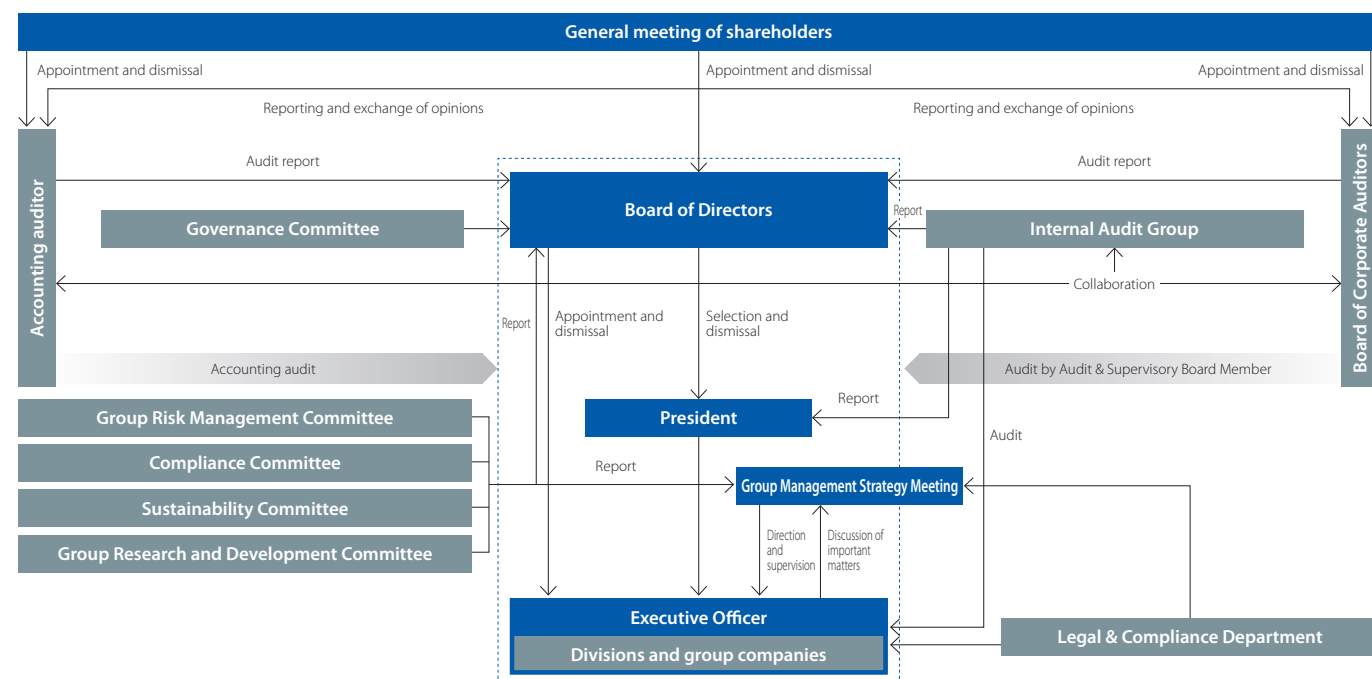
Corporate Governance

Basic Concept

We are pursuing sustainable growth and medium- to long-term enhancement of corporate value under our group management philosophy of “For Confidence and Infinite Challenges.” We have adopted customer first, safety first, and social contribution as our action guidelines. As part of management structure reform, we have also introduced a holding company structure to create an efficient management framework by separating management decision-making and supervisory functions from business execution functions.

We attach great importance to enhancing corporate governance, and have established a framework to earn the trust and appreciation of stakeholders to accelerate corporate growth and enhance corporate value. In addition, we have compiled a policy entitled “Approach to Each Principle of the Corporate Governance Code” and posted it on our website.

Corporate Governance Framework



Initiatives to Strengthen Corporate Governance

May 2006	Formulation of basic policies regarding internal control systems
June 2007	Introduction of Executive Officer System
June 2012	Abolition of retirement benefit plan for Directors/First appointment of outside directors
Oct. 2013	Establishment of a pure holding company, Carlit Holdings Co., Ltd., through a single share transfer
Nov. 2015	Introduction of the Board Benefit Trust (BBT) plan
June 2017	Formulation of Corporate Governance Guidelines
Dec. 2018	Establishment of Governance Committee
Mar. 2021	Formulation of policy for determining the content of compensation, etc. for each individual director
May 2021	Formulation of a skills matrix for Directors, Audit & Supervisory Board Members and Executive Officers
June 2021	Partial revision of the Board Benefit Trust (BBT) plan
Apr. 2022	Formulation of “Approach to Each Principle of the Corporate Governance Code”

Management (Management Framework)

Based on decisions made by the Board of Directors, we have introduced a one-year term of office for Directors and an Executive Officer framework to facilitate the efficient execution of operations in response to rapid changes in the business environment. In addition, four Audit & Supervisory Board Members, including three Outside Directors and two Outside Audit & Supervisory Board Members (one full-time Audit & Supervisory Board Member and one part-time Audit & Supervisory Board Member), supervise the execution of business by Directors, and we believe that the management supervision function is sufficient.

Outside Directors and Audit & Supervisory Board Members make useful recommendations from an independent and impartial standpoint, utilizing their extensive knowledge and experience in general management, laws and regulations, finance and corporate governance, etc. In addition, each Audit & Supervisory Board member attends important meetings such as the Group Management Strategy Meeting to become familiar with our Group's business activities and enhance the effectiveness of management supervision.



Governance Committee

To ensure transparency and fairness in management, we have established the Governance Committee, the majority of whose members are Outside Directors, and serves as an advisory body to the Board of Directors. The Committee deliberates on policies for the appointment and dismissal of senior management and Audit & Supervisory Board members, policies on the compensation structure and amount of compensation for directors, and matters related to corporate governance, and provides opinions and advice to the Board of Directors. The composition of the Governance Committee is shown on the right.

Role	Title	Name
Chairperson	Outside Director	Kazuo Yamamoto
Committee member	Outside Director	Seiichi Shimbo
Committee member	Outside Director	Yukari Murayama
Committee member	Representative Director and President & CEO	Hirofumi Kaneko

For more information on main discussions → P.59

Structure of Outside Officers (as of June 29, 2023)

	Name	Main reasons for appointment	Attendance (FY2022)		
			Board of Directors meetings (22 meetings)*1	Board of Corporate Auditors meetings (22 meetings)	Governance Committee (10 meetings)
Outside Director	Kazuo Yamamoto	Although he has no direct experience in corporate management other than as an Outside Officer, he has professional knowledge as a certified public accountant and experience as an outside auditor at other organizations.	100%	—	100%
	Seiichi Shimbo	After serving as Managing Executive Officer of Tokio Marine & Nichido Fire Insurance Co., Ltd., he served as outside director and outside auditor at several organizations. He has extensive experience in various aspects of management.	100%	—	100%
	Yukari Murayama	Although she has no direct experience in corporate management other than as an Outside Officer, she has professional knowledge as an attorney and experience as an outside director and outside auditor at other organizations.	92%	—	100%
Outside Audit & Supervisory Board Member	Katsunori Nozawa	After serving as Managing Executive Officer of Mizuho Securities Co., Ltd., he assumed the position of President and Representative Director of Mizuho Capital Partners Co., Ltd. (currently MCP Partners Co., Ltd.). He has extensive experience in all aspects of management.	100%	100%	—
	Yasuhiro Fujiwara	Although he has no direct experience in corporate management other than as an Outside Officer, he has professional knowledge as a certified public accountant and experience as an outside director (member of audit committee) at other organizations.	—	—	—

*1 The above number of meetings of the Board of Directors includes five written resolutions that are deemed to have been passed.

*2 Ms. Yukari Murayama, an Outside Director, was appointed at the 9th Annual General Meeting of Shareholders held on June 29, 2022, and her attendance at the Board of Directors meetings and Governance Committee meetings since then is shown.

Expertise and Experience of Officers (skills matrix)

Position	Name	Corporate Management	Finance and Accounting	Manufacturing, R&D, and Technology	Legal, Risk Management, Governance	Planning & Marketing	Global Experience
Representative Director and President & CEO	Hirofumi Kaneko	○		○	○	○	○
Director, Executive Officer	Fumio Ogawa	○		○		○	
Director, Executive Officer	Youji Yamaguchi	○		○		○	
Director (Outside)	Kazuo Yamamoto		○		○		
Director (Outside)	Seiichi Shimbo	○			○	○	
Director (Outside)	Yukari Murayama				○		
Audit & Supervisory Board Member (Outside)	Katsunori Nozawa	○	○		○	○	○
Audit & Supervisory Board Member (Outside)	Yasuhiro Fujiwara		○		○	○	
Audit & Supervisory Board Members	Akinori Aoki		○	○		○	
Audit & Supervisory Board Members	Tsunemichi Iwai					○	
Executive Officer	Hideo Okamoto		○		○		○
Executive Officer	Shigenobu Takahashi			○	○		
Executive Officer	Shin Amanai	○		○		○	
Executive Officer	Ryuichi Nakatsu	○				○	
Executive Officer	Tomonori Hikichi					○	

Assessment of Effectiveness of Board of Directors

The Company conducts an annual self-assessment in the form of a questionnaire to ensure that the Board of Directors is appropriately fulfilling its roles and responsibilities and to ensure its effectiveness.

① Evaluation and analysis methods

In March 2023, we conducted a survey among all Directors and Audit & Supervisory Board Members regarding the evaluation of the effectiveness of the Board of Directors in fiscal 2022, asking questions and open-ended responses on the following. The Board of Directors then evaluated these aggregate results at its April meeting and reviewed the current strengths and challenges of the Company's Board. The implementation and tabulation of the survey was outsourced to a third-party organization to ensure objectivity.

Survey items: 8 categories, 33 questions

- Roles and functions of the Board of Directors
- Composition and size of the Board of Directors
- Operation of the Board of Directors
- Cooperation with audit institutions
- Relationship with Outside Directors
- Relationship with shareholders and investors
- Operation of Governance Committee
- General overview

② Evaluation

The Company's Board of Directors continues to assess that the effectiveness of the Board of Directors is largely ensured, as it was in the previous year. In particular, as part of our efforts to emphasize governance, we have been able to collect information for risk management of the Group through cooperation with audit institutions, and through the effective use of the Group Risk Management Committee and the Management Committee. In addition, our Outside Directors are strongly aware of the Group as a whole, actively inspecting Group companies and participating in meetings other than those of the Board of Directors.

We recognize that enhancing medium- to long-term discussions on management personnel development, including succession planning, and the composition of the Board of Directors are particularly important issues. The Company plans to continue its efforts to improve the effectiveness of the Board of Directors, by holding discussions at the Governance Committee, reporting to the Board of Directors, and improving the environment for Board resolutions.

Examples of Key Discussions at the 2022 Board of Directors Meetings

Development of next generation management candidates

We prepared a portfolio of human resources for the entire Group and a list of candidates for the next generation of management at each Group company, and discussed our development policies.

Formulation of the Mid-Term Management Plan “Rolling Plan 2023”

In order to better ensure the achievement of our Mid-Term Management Plan “Challenge 2024” by responding to changes in the business environment, we have reviewed the Mid-Term Management Plan on a rolling basis and formulated a new Mid-Term Management Plan “Rolling Plan 2023” with additional specific measures aimed at improving our ROE and PER.

Officer Compensation

Policy for determining the details of Officer compensation, etc.

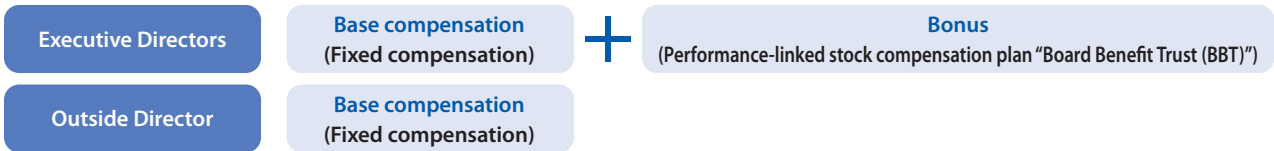
The Company determines policies for determining the details of compensation for individual Directors through resolutions by the Board of Directors. Before reaching these resolutions, the Board of Directors requests and receives advice from the Governance Committee.

Basic policy

Our basic policy for determining compensation for individual Directors is to set it at appropriate levels for their responsibilities under a system

linked to shareholder interests so that the compensation serves as a sufficient incentive for the Directors to persistently strive to improve the corporate value. Specifically, compensation for Directors with executive authority over operations comprises basic compensation, which serves as their fixed compensation, and bonuses, while Outside Directors, who are tasked with supervisory functions, are only paid the basic compensation in light of their duties.

Compensation structure



Type of compensation

Base compensation	As basic compensation, Company Directors are paid a fixed monthly amount determined based on many factors, including their position, responsibilities, what other companies are paying, Company performance, and Company employee wage levels as well as assessments of their duties.
Bonus (Performance-linked stock compensation plan “Board Benefit Trust (BBT)”)	<ul style="list-style-type: none">● The Company's performance-linked stock compensation plan aims to raise Directors' motivation to contribute to improving performance and increasing corporate value over the medium and long term by clarifying the link between Director compensation and Company performance and share price.● The maximum total performance-linked stock compensation for a single fiscal year is ¥60 million.● Directors (excluding Outside Directors) are awarded points corresponding to their level of achievement based on Company regulations for granting shares to Officers. Consolidated ordinary profit serves as the baseline for assessing their level of achievement. Consolidated ordinary profit was selected as the baseline metric rather than operating profit, which reflects business activities and fluctuates in response to financing activities, because it expresses the overall profitability of management activities. Directors are granted shares of the Company corresponding to the number of points awarded when they acquire rights to receive benefits under certain conditions. In principle, they receive the shares when they step down from their position as Directors. The granted shares are acquired from the market or through disposal of the Company's treasury stock using money set in trust in advance.

Performance-linked stock compensation plan “Board Benefit Trust (BBT)”

Method of Calculation for the payment amount, etc.

The number of points to be awarded is calculated using the following formula, and points are awarded to the scheduled recipients each year on the day on which the Annual General Meeting of Shareholders concludes.

Number of points = Funds for distribution (Table 1) ×
$$\frac{\text{(Scheduled recipient's point percentage as specified in Table 2} \div \text{Total number of points to be awarded)}}{\text{Share price when the trust acquires the shares (Points are rounded down to the nearest whole number)}}$$

Number of shares granted = accumulated points × 1.0

Table 1 Funds for Distribution

Level of performance	Funds for distribution
Consolidated ordinary profit of ¥1,500 million or greater, and profit of ¥1,000 million or greater	1.0% of consolidated ordinary profit (Maximum for Directors: ¥60 million)
Consolidated ordinary profit of less than ¥1,500 million, or profit of less than ¥1,000 million when ordinary profit is ¥1,500 million or greater	No payments

Note 1: Consolidated ordinary profit and funds for distribution are rounded down to the nearest million yen.

Note 2: If suitable reasons exist, the Board of Directors may pass a resolution to award no points.

Table 2. Point Percentages

Position	Point percentage	Position	Point percentage
Chair of the Board of Directors	2.5	Senior Managing Director	2.0
President	4.0	Managing Director	1.5
Vice President	2.5	Director	1.0

Note 1: A maximum total of 120,000 points can be awarded to Directors in a single fiscal year.

Note 2: Monetary amounts allocated according to point percentages are rounded down to the nearest ¥10,000.

Total amount of compensation, etc. for each category of officers (FY2022)

Officer classification	Total amount of compensation, etc. (Millions of yen)	Total amount of compensation by type (Millions of yen)				Number of eligible recipients (persons)
		Fixed compensation	Performance-linked compensation	Retirement benefits	Of the amount at left, the amount of non-monetary compensation	
Directors ^{*1}	127	104	22	—	22	6 ^{*3}
Outside Director	21	21	—	—	—	4 ^{*4}
Audit & Supervisory Board Members ^{*2}	13	13	—	—	—	2
Outside Audit & Supervisory Board Member	23	23	—	—	—	2

*1 Excluding Outside Directors *2 Excluding Outside Audit & Supervisory Board Members

*3 The above includes one Director who retired at the conclusion of the 9th Annual General Meeting of Shareholders held on June 29, 2022.

*4 The above includes one Outside Director who retired at the conclusion of the 9th Annual General Meeting of Shareholders held on June 29, 2022.



Seichi Shimbo
Outside Director

After serving as Managing Executive Officer of Tokio Marine & Nichido Fire Insurance Co., Ltd., he served as outside director and outside auditor at several organizations. Outside Director since June 2018.

Hirofumi Kaneko
Representative Director and President & CEO

Kazuo Yamamoto
Outside Director

After joining Shoichi Ikeda & Co. (currently Ernst & Young ShinNihon LLC), he established Kazuo Yamamoto Certified Public Accountant and Tax Accountant Office, and assumed the position of President. Outside Director since June 2016.

Yukari Murayama
Outside Director

After registering as an attorney at law, she was seconded to the Supervision Bureau, Financial Services Agency and became a partner at Anderson Mori & Tomotsune. Outside Director since June 2022.

Special Feature Governance Committee Roundtable Discussion: President and Outside Directors

Continuous and constant reforms for sustainable growth

Carlit invites Outside Directors with diverse experience and extensive knowledge to participate in active discussions at the Board of Directors meetings and the Governance Committee meetings. A roundtable discussion was held among three Outside Directors and Hirofumi Kaneko, Representative Director and President & Chief Executive Officer, to discuss the formulation of the Mid-Term Management Plan “Challenge 2024” and “Challenge 2024 Rolling Plan 2023” and future challenges.

Reforming governance from an external perspective

Active discussion, not in pre-established harmony

Kaneko We are pleased to welcome all of the Outside Directors who are also members of the Governance Committee. What are your impressions of the discussions held by the Governance Committee and the Board of Directors over the past year?

Murayama A year has passed since I took office, and I myself am finally able to fully grasp our Group situation. Our Board of Directors and Governance Committee engage in substantive and active discussions, rather than pre-established harmonious ones, on a variety of governance issues. For example, with respect to the nomination of Director candidates, the Governance Committee follows a process that

emphasizes fairness and transparency by taking the time to interview candidates and deliberate in light of its predetermined director selection policy.

Shimbo I have also served as an outside director for other companies, and I believe that our Governance Committee and Board of Directors function well at a level comparable to those of other organizations, with various topics being raised each year with lively discussions. I am especially favorable of the fact that President Kaneko and the Directors and Executive Officers take the opinions of Outside Directors seriously. One issue is that the Governance Committee does not provide sufficient information regarding its discussions to other

Officers. As a measure to remedy this, we are promoting reforms to disclose a summary of the minutes of the meetings to internal officers starting this fiscal year.

Yamamoto As an accountant, I have offered various opinions and recommendations to many companies. Based on that experience, I have noticed that management of many companies tend to become overeager when it comes to nominating candidates for Directors, including successors, and determining executive compensation. Such a culture was seen at Carlit in the past, but since Mr. Kaneko took office as President, the environment has become one in which Outside Directors can freely express their opinions and offer suggestions. I feel that governance reforms are progressing from an external perspective.

Replacement of Executives leading to succession plans

Shimbo The Governance Committee has been discussing the individual evaluation of Directors, and has been considering the introduction of a framework to evaluate the fixed compensation portion through the same personnel evaluation process as employees. Ultimately, the Board of Directors was consulted and made a decision, and the ratio of Outside Directors has also increased to more than one-third. I feel that what was discussed in the Governance Committee is being properly reflected in management.

Murayama In order for our Group to grow sustainably in the rapidly changing business environment seen in recent years, it is essential to develop products and commercialize services that address new social issues and customer expectations. As an incentive to encourage such reforms and challenges, we have been considering revisions to grant stock-linked compensation to Executive Officers in the same manner as Directors.

Yamamoto This term saw a change in Officers and a significant rejuvenation. I believe this is the result of the Governance Committee's recommendations. I am convinced that this rejuvenation of Officers has also had the effect of building a succession plan, which has been a challenge for the Company. This rejuvenation of Officers also seems to have provided significant stimulus to employees, and the Company as a whole has become more energized. I feel that the atmosphere has changed significantly.

Kaneko The main focus of the Governance Committee is the succession plan to nurture incoming managers and successors. As a personnel change leading to this succession plan, we have replaced and rejuvenated our Officers and the management and General Managers of our operating companies. By taking into account the opinions of the Outside Directors, I believe that we were able to make a bold decision to appoint the right person for the right position without being constrained by precedent.

Embodying profitable growth

What we hope to accomplish under the Mid-Term Management Plan

Yamamoto Some companies in Europe and the United States are reluctant to formulate mid-term management plans because of the uncertainty of the recent business environment. However, in Japan, as in our Group, it is common practice to formulate a medium- to long-term vision and formulate a mid-term management plan to take various measures to realize that vision. In an environment where the concept of medium- to long-term management plans is becoming increasingly diverse, how does the President hope to reform and manage the Company through the Mid-Term Management Plan? It is also important to have a discussion that clarifies what the President wants to achieve. In that aspect, President Kaneko was clear.

Kaneko Our Mid-Term Management Plan, “Challenge 2024,” is a milestone for our Group. Under our long-term vision of “Ideal Carlit Group in 2030,” we have formulated a three-year Mid-Term Management Plan and have also drawn up a rolling plan for the fiscal year ending March 31, 2024, as part of our business portfolio management. Although this initiative is unprecedented for our Group, for my part, I was determined to dispel long-standing doubts and pursue the ideal form of a mid-term management plan.

Shimbo The discussions at the Board of Directors meetings on measures necessary to realize the Group's management philosophy of “For Confidence and Infinite Challenges” were, as I recall now, extremely fruitful. In addition, In order to reflect President Kaneko's strong desire for “profitable growth,” more active discussions took place, and young

employees of the Corporate Planning Department as secretariat in particular worked hard to prepare a range of useful materials. It was also wonderful to witness the strong development in them.

Murayama Although I was not involved in the formulation of the Mid-Term Management Plan “Challenge 2024,” I was reminded that the process of thoroughly discussing and sharing the long-term vision and measures to achieve it is very important in the process of formulating and rolling out the plan. I believe that only through this process can management resources be more appropriately allocated to capital investment, R&D, and other activities. After the first year, I feel that our Group's vision has become clearer.



Breaking away from an emphasis on top-line

Murayama With regard to “profitable growth,” did the two Outside Directors offer any advice or comments?

Shimbo Until Mr. Kaneko became President, our Group was top-line oriented. The excessive emphasis on the top line had been a cause of conflict and reducing the vitality of the Group, so together with Mr. Yamamoto, I have made various suggestions and advice to the Group. Mr. Kaneko then took over as President, and the company made a major shift from focusing on the top line to focusing on profits.

Penetration is key to the rolling plan**Groundbreaking rolling plan**

Kaneko The concept and specific measures to improve PBR (Price to Book Ratio) and ROE (Return on Equity), the basis of PBR, were disclosed as the Mid-Term Management Plan “Challenge 2024 Rolling Plan 2023” concurrently with the announcement of financial results for the fiscal year ended March 31, 2023. Following the announcement, we received compliments from the management of our business partners, commenting they were amazed at the level of publicity. At the General Meeting of Shareholders, we also received a positive response from our shareholders, who looked favorably on our stance on improving ROE and PBR.

Murayama That’s good to hear. I think it is commendable that the Company has adopted a theoretical approach by breaking down the drivers to examine specific measures to improve ROE and PER, which are important management issues. With regards to an increase in operating profit ratio of more than 3%, we also provided details on how the acquired cash flow will be used. This was also commendable from the perspective of being an entry point for dialogue with stakeholders.

Shimbo I like the DuPont decomposition and analysis and the timely manner in which it is being developed. Now that we have the framework in the form of a rolling plan, we need to ensure this approach penetrates all our Group companies. We believe that this penetration is one of the major focuses for governance for the fiscal year ending March 31, 2024, and we intend to gather information on various ideas and success stories and make propositions.

Kaneko In the first year of our Mid-Term Management Plan “Challenge 2024,” we were generally able to achieve our goals and achieve record-high operating profit and ordinary profit. We will continue this positive trend in the fiscal year ending March 31, 2024.

Yamamoto The suggestions and comments we have offered since we took office as Outside Directors are finally taking shape. Maximizing this virtuous cycle is one challenge for our management going forward. We will continue to make candid and honest recommendations.

Yamamoto It is also important that the operating companies and the holding company maintain a good relationship in order to instill such a rolling plan. In Japan, there are many cases where group management fails due to insufficient communication between the operating companies and the holding company. From the perspective of the operating companies, they would rebel against strategies formulated by the holding company saying, “The holding company doesn’t even know what’s going on the front lines, but they like to talk big.....,” while the holding company will respond in a condescending tone saying, “The operating companies don’t understand anything we say to them.”

Reaching every corner of the Group

Yamamoto Our Group is a “solid, earnest and good company.” Many of our employees are individuals who, when properly presented with numerical targets, will work hard to achieve them. In order to instill our rolling plan, we need to translate it into quantitative goals that are easy for them to understand.

Murayama While it is important for us to translate this information, I believe it is also important to develop the capacity to accomplish such work independently. I believe that we are in the midst of implementing various initiatives, including management training that includes interaction with people outside the Company and training for team leader classes, but it is also important to devise ways to foster an attitude to boldly tackle new issues such as the rolling plan, including the mindset of the entire Group.

Kaneko My firsthand feeling is that the plan has penetrated to some extent up to the General Manager level, but I am somewhat concerned about whether Managers and general employees understand the Mid-Term Management Plan and rolling plan. Therefore, I try to visit the front lines as much as possible and hold free-talking meetings mainly with younger employees, where I explain this diagram and go around saying, “Your department/company can improve its ROE and PER by doing this, so please do your best.”

Shimbo That’s a good idea. Both the Mid-Term Management Plan and the rolling plan were finalized by taking seriously the opinions and suggestions of our younger employees. President Kaneko is able to provide such bottom-up leadership, which makes it easier for younger employees to speak up. I believe it is harder to the younger generations to offer their opinions and suggestions in organizations that have a more rigid and stubborn top management. If this is able to reach every

corner of the Group, it will no doubt be reflected in our business performance and improve our ROE and PER.

Effective use of cross-shareholdings

Kaneko From a fresh perspective, what are some of the other challenges facing the Group?

Yamamoto As an Outside Officer, I think it would be better to consider the effective use of cross-shareholdings, which I proposed to reduce at the beginning of my tenure. We have discussed this several times at the Board of Directors meetings and Governance Committee meetings, but for example, if we make an aggressive investment and unfortunately lose money, we can make up the deficit by selling the cross-held shares. We should also seek to make such effective use of the cross-held shares.

Shimbo The Financial Services Agency has also instructed financial institutions to actively reduce their cross-shareholdings, so they too are working to reduce such shares. Because the need for cross-shareholding is declining, it would be beneficial to look at them as assets to compensate for investment losses.

The key to governance is communication**Increase opportunities for face-to-face conversation**

Yamamoto I have been an Outside Director since 2016 and have been involved in discussions at various meetings including the Board of Directors meetings. As a result, I have found that our challenge is that we have an overwhelmingly weak succession plan for developing candidates for the next President and Board of Directors. We need to properly create a system and educational program to develop candidates for management and executives who will lead our Group in the future. The Group’s reforms are moving forward, albeit gradually, with the formulation of a Mid-Term Management Plan based on portfolio management and long-term vision, as well as a one-year rolling plan. My wish is for President Kaneko to be actively involved in building and implementing a succession plan to systematically develop his successors.

Shimbo As Mr. Yamamoto said, our Company is a “solid, earnest and good company.” On the other hand, the ability to reform and the speed



Murayama There is also the idea of using the funds to invest in updating aging facilities, etc. It is important to update them systematically. It would be beneficial to use the funds as an asset for this purpose.

in which reforms are implemented are not yet there. The most promising are the young employees and female employees who are not bound by organizational norms. It is important to promote diversity and inclusion in order to give them more of a voice. When I think back to the beginning of my tenure as an Outside Director in 2018, I can’t help but feel a sense of detachment as these human capital issues have come to light as a result of solving a mountainous pile of management issues one by one.

Murayama We will continue to focus on the promotion of diversity and inclusion that Mr. Shimbo mentioned. In order to promote the diversification of human resources, our Group is steadily working to improve the environment for the advancement of females in the workplace. However, as the ratio of female managers in the Group’s core companies remains at 1.7%, it is necessary to respond more aggressively and with a sense of urgency and therefore, we will provide intensive support in this area. Strengthening risk management and governance are also important issues. In order to appropriately identify and control risks, we will proactively provide advice based on the knowledge and experience we have developed as attorneys.

Kaneko My impression is that the relationship between the operating companies and the holding company, which Mr. Yamamoto pointed out, still faces a hurdle to overcome. This is a situation that poses challenges not only in terms of Group governance, but also in terms of compliance. I now understand that the key to strengthening governance is not only to disseminate the Mid-Term Management Plan and rolling plan, but also to stimulate communication throughout the Group. For this purpose, IT tools such as e-mail and online conference systems would work, but I myself have decided to meet with employees in person as much as possible and increase opportunities to communicate face-to-face. Thank you all so much for today.

All Thank you very much.

Risk Management

We comprehensively identify various risk events surrounding each business in our Group and identify the risks of important businesses based on the degree of impact and frequency of occurrence of each risk item.

Depending on the nature of the identified risks, each division of Carlit Holdings will strive to minimize the impact on business continuity and management by taking appropriate measures to reduce the impact of manifested risks and the likelihood of their occurrence.

We conduct risk assessments on a regular basis to objectively verify the effectiveness of risk countermeasures and to recognize and evaluate new risks.

Risk Management Framework

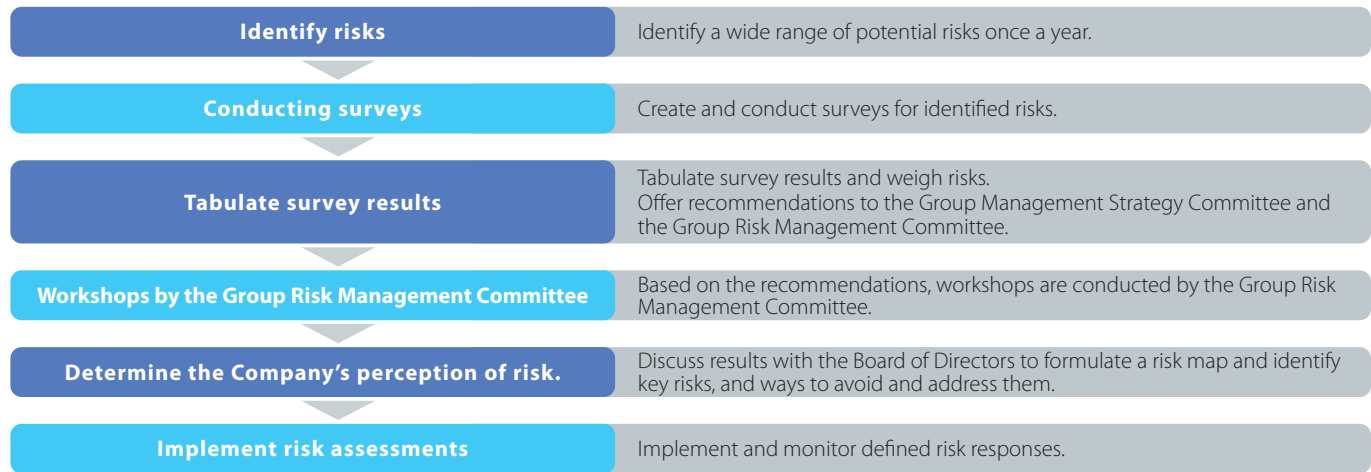
With regard to management risks, the Group Risk Management Committee, chaired by the Representative Director and President, collects and analyzes risks and selects critical risks that have a significant impact on management. The Sustainability Committee and the Compliance Committee also report to the Board of Directors as necessary for deliberation.



Selection of “Critical Risks”

The Board of Directors identifies critical risks from the risks identified through risk assessment, and discusses and decides on risk avoidance measures and policies to address them.

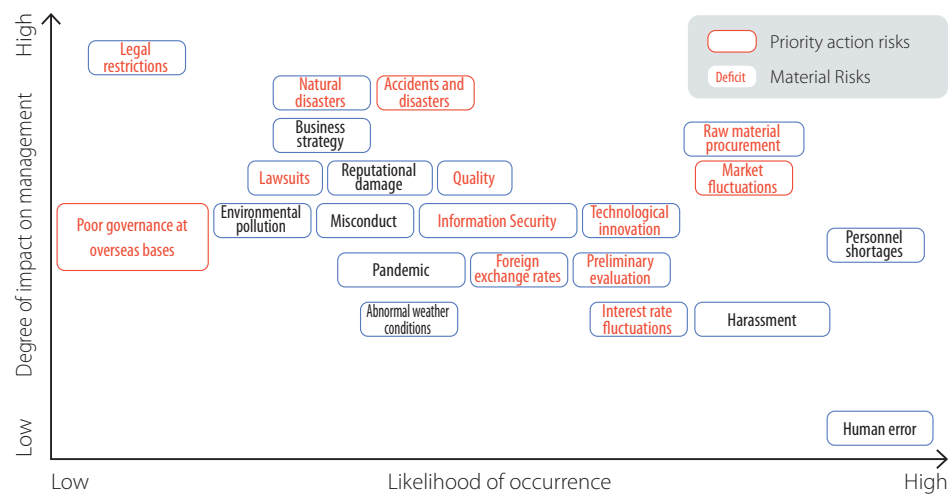
Risk assessment flow



Risk map

Based on the results of the workshops conducted by the Group Risk Management Committee, the Board of Directors formulated a risk map. The risk map is revised annually according to the results of the risk assessment. Significant risks that the Group is currently aware of are indicated in red.

In addition, based on comprehensive consideration of changes in the internal and external environment surrounding our Group, we have established “market trend fluctuations,” “accidents and disasters,” and “poor governance at overseas bases” as “priority risks” in our Group risk management.



Overview of Critical Risks and Countermeasures

Risk Item	Overview	Countermeasures
Technological innovation	Risk of existing products becoming obsolete due to technological innovation in electronic materials products, functional materials products, silicon wafer products, etc.	<ul style="list-style-type: none">Establish a meeting for regular information sharing among manufacturing, sales, and development departments.Share the progress of development with management at R&D Committee meetings
Market trend fluctuations	Market trend fluctuations may affect the Group as a whole, and particularly in the bottling business, there is a risk of changes in demand due to changes in customer sales strategies and weather conditions, etc.	<ul style="list-style-type: none">Strengthen relationships with brand companies and strive for stable orders by building an organizational structure and meetings that bring together manufacturing, sales, and quality assurance departments.
Raw material procurement	Risk of supply disruptions to customers due to disruptions in the stable procurement of raw materials, and the risk of fluctuations in raw material and fuel prices, which may affect our business performance and financial position.	<ul style="list-style-type: none">Diversify risks by adopting multi-company purchasing and securing multiple purchase routes for raw material procurement.
Foreign exchange rate fluctuations	Risk of soaring costs of imported raw materials due to the weak yen. Risk of price competitiveness of exported products such as electronic material products, functional material products, and silicon wafer products declining due to appreciation of the yen.	<ul style="list-style-type: none">Contracts were signed with certain customers to reflect the impact of foreign exchange rates on sales prices.For some imported goods, purchase prices are fixed in advance through forward exchange contracts to reduce the impact.
Accidents and disasters	Risk of damage to facilities, harm to human resources or interruption of business activities due to large-scale accidents or disasters at factories that handle hazardous materials.	<ul style="list-style-type: none">At factories that handle hazardous materials, implement prevention measures through regular factory inspections and strengthen fire extinguishing drills, etc.
Quality	Risk of credit deterioration due to product defects or quality issues, or additional costs incurred in the procurement of substitute products.	<ul style="list-style-type: none">Establish a meeting for the purpose of strengthening our quality control framework, etc., and implement initiatives to share information from the first sign of quality problems.
Legal restrictions	Risk of hindrance to the manufacturing and sale of the subject products, such as bans on the use of certain raw materials, due to increased legal restrictions.	<ul style="list-style-type: none">In the Chemical Products Business field, we will constantly monitor environmental issues and trends in legal and regulatory revisions concerning chemical substances, etc., and consider introducing alternative products at the same time.
Lawsuits	Risk of deterioration of financial position or creditworthiness due to legal proceedings, such as lawsuits, concerning our business activities and intellectual property rights.	<ul style="list-style-type: none">Conduct examinations by the relevant departments at the time of contract conclusion and commencement of transactions in accordance with the rules and regulationsTraining and guidance on appropriate initial response to problems
Changes in asset valuation	Risk of deterioration of financial position due to the recoverable amount for fixed assets falling below the book value Risk of significant declines in the value of securities held due to economic fluctuations, etc.	<ul style="list-style-type: none">For fixed asset investment projects, meetings are held to discuss the appropriateness of the investment, and decisions are made after identifying all potential risks.Reduce the risk of stock fluctuations by regularly clarifying the purpose of held securities and selling unnecessary stock.
Pandemic	Risk of deterioration in financial position in the Bottling Business, which is heavily affected by changes in human traffic flow due to lockdowns, etc. Risk of disruption of business activities due to outbreaks of infection among employees.	<ul style="list-style-type: none">Strive to secure stable orders by strengthening relationships with brands in the Bottling Business.Prevent the spread of viruses by ensuring that employees are aware of government prevention measures and by developing measures to respond in the event of an outbreak of infections.
Natural disasters	Risk of damage to production facilities and harm to human resources due to earthquakes, tsunamis, typhoons, heavy rain, etc., and risk of changes in customer demand trends.	<ul style="list-style-type: none">Formulation of a BCPIntroduction of safety confirmation system for employees and their families.Insurance coverage for production facilities in the event of natural disasters.
Information Security	Risk of information leakage, destruction, falsification, or information system shutdown due to external attacks or internal negligence.	<ul style="list-style-type: none">Continuously implement measures to strengthen IT security, etc., in accordance with regulations.Establish management systems and employee training.
Interest rate fluctuations	Risk of deterioration in financial position due to rising interest rates.	<ul style="list-style-type: none">Diversify risk by implementing interest rate swaps, etc., in accordance with regulations.
Poor governance at overseas bases	Risk of loss of credibility due to legal violations or other irregularities resulting from poor governance at overseas bases.	<ul style="list-style-type: none">Establish a highly transparent management framework by securing human resources to maintain appropriate operations, requesting regular reports on the status of business execution and financial status, and conducting operational audits.

Compliance

Top management regards corporate ethics and compliance with laws and regulations (compliance) as the cornerstone of corporate management. Based on our management philosophy, “For Confidence and Infinite Challenges,” we are actively promoting compliance to ensure that each and every employee acts with high ethical standards.

Compliance Promotion Framework

■ Compliance Promotion Meeting, Compliance Committee

The Carlit Group holds a “Compliance Promotion Meeting” once a quarter to ascertain the level of compliance at each of our Group companies. In addition, the “Compliance Committee” meets every six months to discuss important compliance-related matters and measures to strengthen compliance.

■ Compliance Promotion Officer

One Compliance Promotion Officer is appointed in each company and department, and is responsible for checking the level of compliance within individual departments and fielding questions regarding compliance from employees.

■ Compliance training

The Legal & Compliance Department conducts annual training at all factories, sales offices, and business sites of each Group company to ensure thorough compliance training for all employees.



Group Priority Initiatives

Carlit Group Priority Initiatives

- 1 Compliance with Antimonopoly Act and prohibition of bid rigging
- 2 Prevention of corrupt practices (bribery, etc.)
- 3 Prevention of harassment and improvement of work environment
- 4 Thorough compliance with business laws (manufacturing, environment, safety, quality)
- 5 Thorough information security

1 Compliance with Antimonopoly Act and prohibition of bid rigging

- In order to conduct fair and just corporate activities, the Carlit Group has set compliance of the Antimonopoly Act as one of our important codes of conduct. The prohibition of cartels and bid rigging is clearly stipulated in the “Group Antimonopoly Act Compliance Regulations,” and all Group companies are informed of and thoroughly enforced by the regulations.
- The above regulations specify the types of violations including cartels, rules for contact with other companies in the same industry, rules for disciplinary action against violators, and a system for the reduction or exemption of fees. Compliance training on the Antimonopoly Act is provided annually to all Group companies.

2 Prevention of corrupt practices (bribery, etc.)

- All Group companies are informed of the prohibition of excessive business entertainment and the giving and receiving of gifts in Japan and overseas.
- The “Group Anti-Corruption Regulations” have been established to prohibit bribery, etc., and stipulate that entertainment and gifts to domestic and overseas public officials and excessive entertainment and gifts to private business partners are prohibited, and all Group employees are required to act with the highest ethical standards.

3 Prevention of harassment and improvement of work environment

- Prohibition of harassment is clearly stated in the employment regulations of each Group company, “Group Compliance Charter,” and “Group Harassment Prevention Regulations.”
- Compliance training conducted annually at each Group company places a particular focus on harassment.
- Through the display of compliance awareness posters at each Group site, we are working to improve the work environment by strictly prohibiting bullying and harassment.



4 Thorough compliance with business laws

- Our Group recognizes that compliance with laws and regulations pertaining to the manufacturing, environment, safety, quality, etc. of each Group company, or so-called business laws, is an important management issue.
- Each Group company conducts semiannual inspections of its compliance with regulatory requirements for products, goods, and services, and is working to prevent illegal or fraudulent activities. In addition, we ensure that the details of regulations are reviewed whenever they are revised.

5 Thorough information security

- The Group is working on risk countermeasures to protect our information assets in accordance with “Group Information Management Regulations.”
- We regularly send out information on information security to our employees and conduct various security training programs using e-learning and other means to raise information security awareness.
- As a countermeasure against information leakage due to cyber attacks, etc., we monitor unauthorized access through the use of firewalls and security software. In addition, we have established a “Group Cybersecurity Policy” and “Group Cybersecurity Handling Procedure” to ensure information security within the Group and implement the necessary measures on an ongoing basis.

Group Cybersecurity Policy

- 1 Management will provide leadership and promote security measures
- 2 Strive to improve security measures including the supply chain
- 3 Communicate appropriately with stakeholders, and disclose information on security measures.

Internal reporting system (compliance consultation desk)

The Carlit Group has established a “Compliance Consultation Desk,” which serves as a contact point for internal reporting, for the purpose of identifying illegal or fraudulent activities at an early stage and taking appropriate actions. The contact point is the Legal & Compliance Department or an outside attorney, and reports can be made anonymously by e-mail, telephone, or mail.

Details regarding the internal reporting system are shared with employees through compliance training programs and posters.

Number of internal reports (cases)

FY2020	FY2021	FY2022
1	10	12



Director



Hirofumi Kaneko
Representative Director
and President & CEO

April 1984: Joined Japan Carlit Co., Ltd.
June 2015: Executive Officer, President and Representative Director, General Manager, Sales Headquarters, Japan Carlit Co., Ltd.
June 2016: Director, Executive Officer Supervisor, Group Sales President and Representative Director, Japan Carlit Co., Ltd.
April 2018: Director, Managing Executive Officer Supervisor, Group Sales Department
April 2019: Director, Managing Executive Officer Supervisor, Group Strategy Department
June 2020: President and Representative Director In charge of Research & Development Center, Internal Audit Group
April 2021: President and Representative Director In charge of Internal Audit Group
April 2023: Representative Director and President & CEO In charge of Corporate Planning Department, Internal Audit Group (to present)



Fumio Ogawa
Director

March 1991: Joined Japan Carlit Co., Ltd.
April 2016: General Manager, Electronic Materials Division, Sales Headquarters
April 2018: Assistant General Manager, Sales Headquarters, General Manager, Chemicals Division, General Manager, Electronic Materials Division, Japan Carlit Co., Ltd.
April 2019: Assistant General Manager, Sales Headquarters, General Manager, Chemical Agents Division, Japan Carlit Co., Ltd.
April 2020: General Manager, Sales Headquarters, General Manager, Chemical Agents Division, General Manager, Electronic Materials Division, Japan Carlit Co., Ltd.
July 2021: Executive Officer, Director, General Manager, Sales Headquarters, Japan Carlit Co., Ltd.
April 2022: Executive Officer of the Company, Director, General Manager, Sales Headquarters, Japan Carlit Co., Ltd.
April 2023: Executive Officer in charge of the Chemical Products Segment, Representative Director and President & CEO, Japan Carlit Co., Ltd. (to present)
June 2023: Director, Executive Officer In charge of the Chemicals Products segment (to present)



Youji Yamaguchi
Director

April 1988: Joined Japan Carlit Co., Ltd.
July 2015: General Manager, Akagi Plant, Production Headquarters, Japan Carlit Co., Ltd.
April 2018: General Manager, Engineering Group, Akagi Plant, Production Headquarters, and Head of the Risk Assessment Testing Laboratory
April 2019: Seconded to Silicon Technology Corporation (Director)
April 2021: Managing Director, Silicon Technology Corporation
April 2022: Executive Officer (to present)
June 2022: COO, Silicon Technology Corporation (to present)
June 2023: Director and Executive Officer



Kazuo Yamamoto
Outside Director
Independent Director

April 1971: Joined Shoichi Ikeda & Co. (currently Ernst & Young ShinNihon LLC)
July 2010: President, Kazuo Yamamoto Certified Public Accountant and Tax Accountant Office (to present)
June 2012: Outside Auditor, PC Depot Corporation
September 2014: Outside Auditor, Lacto Japan Co., Ltd.
June 2016: Outside Director of the Company (to present)



Seiichi Shimbo
Outside Director
Independent Director

April 1975: Joined Tokio Marine Fire Insurance Co., Ltd.
April 2000: General Manager, Corporate Planning Department, Tokio Marine Fire Insurance Co., Ltd.
June 2003: General Manager for 3rd Automotive Sales Department of Tokyo Automobile Headquarter, Tokio Marine Fire Insurance Co., Ltd.
June 2004: Executive Officer, Tokio Marine Fire Insurance Co., Ltd.
October 2006: Managing Executive Officer, Tokio Marine & Nichido Fire Insurance Co., Ltd.
July 2009: Senior Director, Non-Life Insurance Policyholders Protection Corporation of Japan
June 2013: Outside Auditor, TOKYO OHKA KOGYO CO., LTD.
June 2015: Outside Director, Itochu Enex Co., Ltd.
June 2018: Outside Director of the Company (to present)



Yukari Murayama
Outside Director
Independent Director

April 2000: Registered as an attorney at law Attorney at law, Bingham Sakai Mimura Aizawa (foreign law joint enterprise) (formerly Hideyuki Sakai Law Firm)
January 2010: Seconded to Supervision Bureau, Financial Services Agency (Non-Bank Finance Companies Office and Financial System Stabilization Management Office)
April 2012: Returned to Bingham Sakai Mimura Aizawa Office counsel, Bingham Sakai Mimura Aizawa
April 2013: Partner at Bingham Sakai Mimura Aizawa
April 2015: Partner at Anderson Mori & Tomotsune (currently Anderson Mori & Tomotsune Foreign Law Joint Enterprise) (to present)
June 2015: Outside Audit & Supervisory Board Member, Information Services International-Dentsu, Ltd.
March 2016: Outside Director, Information Services International-Dentsu, Ltd.
June 2022: Outside Director of the Company (to present)
March 2023: Outside Director, Information Services International-Dentsu, Ltd. (Audit and Supervisory Committee Member) (to present)

Audit & Supervisory Board Members



Katsunori Nozawa
Outside Audit &
Supervisory Board Member
Independent Director

April 1982: Joined The Fuji Bank, Limited (currently Mizuho Bank, Ltd.)
November 2003: Credit Officer, Credit Department No.1, Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)
May 2007: General Manager, Leveraged Finance Business Department, Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)
April 2011: Managing Executive Officer, Mizuho Securities Co., Ltd.
April 2017: Vice President, Mizuho Capital Partners Co., Ltd. (currently MCP Partners Co., Ltd.)
November 2017: Director & Chief Executive Officer, Mizuho Capital Partners Co., Ltd. (currently MCP Partners Co., Ltd.)
June 2021: Outside Audit & Supervisory Board Member of the Company (to present), Audit & Supervisory Board Member, Japan Carlit Co., Ltd. (to present)
May 2022: Outside Director, WELCIA HOLDINGS CO., LTD. (to present)



Yasuhiro Fujiwara
Outside Audit &
Supervisory Board Member
Independent Director

April 1995: Joined Mitsui Home Co., Ltd.
July 1998: Left Mitsui Home Co., Ltd.
October 2001: Joined ChuoAoyama Audit Corporation (later MISUZU Audit Corporation)
June 2007: Left MISUZU Audit Corporation
July 2007: Joined Shin Nihon & Co. (currently Ernst & Young ShinNihon LLC)
December 2020: Left Ernst & Young ShinNihon LLC
January: 2021: Representative, Fujiwara Accounting Office (to present), Representative Director, Kaikei Oen Kobo Co., Ltd. (to present)
June 2021: Outside Director (Audit), Fukoku Co., Ltd. (to present)
June 2023: Outside Audit & Supervisory Board Member of the Company (to present)



Akinori Aoki
Audit & Supervisory Board Members

April 1978: Joined Japan Carlit Co., Ltd.
June 2009: Executive Officer, Japan Carlit Co., Ltd., President and Representative Director, Daiichi Yakuhin Kogyo Co., Ltd.
October 2013: Executive Officer of the Company, Director and Vice President, JAPEX CO., LTD.
June 2017: Audit & Supervisory Board Member of the Company (to present), Audit & Supervisory Board Member, Japan Carlit Co., Ltd. (to present)
June 2019: Full-Time Audit & Supervisory Board Member, Japan Carlit Co., Ltd. (to present)

Executive Officer

Hirofumi Kaneko
President
In charge of the Corporate Planning Department, Internal Audit Group

Fumio Ogawa
In charge of the Chemicals Products Segment Representative Director and President & CEO, Japan Carlit Co., Ltd.

Youji Yamaguchi
COO,
Silicon Technology Corporation

Hideo Okamoto
In charge of the Metal Working Segment In charge of Legal & Compliance Department, Finance Department Director and Executive Officer, Japan Carlit Co., Ltd.

Shigenobu Takahashi
In charge of Carbon Neutral Promotion and Production Quality Control Department Director and Executive Officer, Japan Carlit Co., Ltd.

Shin Amanai
In charge of Engineering Service Segment Representative Director and President, General Design Co., Ltd.

Ryuichi Nakatsu
In charge of the Bottling Segment Representative Director and President, JC Bottling Co., Ltd.

Tomonori Hikichi
General Affairs Department, Office of the Secretary, Human Resources Department Director and Executive Officer, Japan Carlit Co., Ltd.

11 years of Key Financial and Non-Financial Data

Company website > IR Library

<https://www.carlithd.co.jp/en/ir/library/>

Japan Carlit Co., Ltd.		Carlit Holdings Co., Ltd.			
		FY2012	FY2013	FY2014	FY2015
Main operating results					
Net sales	(Millions of yen)	37,570	39,834	46,109	46,378
Operating profit	(Millions of yen)	1,384	1,594	1,199	1,250
Ordinary profit	(Millions of yen)	1,525	1,677	1,317	1,330
Profit attributable to owners of parent	(Millions of yen)	1,595	1,251	1,064	754
Net assets	(Millions of yen)	17,479	19,004	20,624	22,437
Total assets	(Millions of yen)	36,367	43,523	44,999	46,728
Cash flows from operating activities	(Millions of yen)	1,402	1,829	968	2,294
Cash flows from investing activities	(Millions of yen)	Δ 1,463	Δ 3,678	Δ 1,176	Δ 795
Cash flows from financing activities	(Millions of yen)	837	2,411	Δ 289	424
Cash and cash equivalents at end of period	(Millions of yen)	2,726	3,341	2,886	4,788
Key indicators					
Net assets per share	(Yen)	841.00	922.98	1,020.60	948.40
Basic earnings per share	(Yen)	77.47	60.76	51.84	33.13
Equity-to-asset ratio	(%)	47.6	43.7	45.8	48.0
Return on equity (ROE)	(%)	9.7	6.9	5.4	3.5
Return on assets	(%)	4.4	4.2	3.0	2.9
Price-earnings ratio	(Times)	6.7	7.8	12.2	15.0
Other indicators					
Capital investment	(Millions of yen)	1,443	4,469	1,201	1,016
R&D expenses	(Millions of yen)	589	560	658	716
Interest-bearing liabilities	(Millions of yen)	6,519	9,569	9,911	9,697
Dividends per share	(Yen)	9	10	10	10
Dividend payout ratio	(%)	11.6	16.5	19.3	19.3
ESG indicators *Carlit HD non-consolidated					
GHG emissions	(t-CO ₂)	—	206,934	—	—
Total energy use	(TJ)	—	1,153	859	813
Number of employees	(People)	—	910	934	967
Number of new graduates hired*	(People)	—	—	—	12

*Carlit Holdings Co., Ltd. was established as the holding company on October 1, 2013 through a share transfer from Japan Carlit Co., Ltd. The operating results and indicators for the

FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
47,767	51,785	54,049	49,745	45,537	33,894	36,008
1,351	2,028	2,328	1,599	1,574	2,506	2,640
1,439	2,176	2,551	1,732	1,770	2,742	2,910
765	1,506	1,579	690	1,231	2,336	2,246
23,920	25,688	26,752	26,209	28,977	30,903	33,179
49,438	54,208	53,712	48,924	50,953	50,078	51,230
2,384	2,880	2,848	2,899	4,193	3,063	2,064
Δ 2,871	Δ 1,633	Δ 1,832	Δ 1,145	Δ 1,135	Δ 984	Δ 65
Δ 137	Δ 1,155	Δ 953	Δ 1,424	Δ 2,187	Δ 3,981	Δ 1,784
4,131	4,222	4,286	4,622	5,496	3,589	3,809
1,010.55	1,085.11	1,130.06	1,106.00	1,218.73	1,300.41	1,402.70
32.33	63.65	66.70	29.14	51.82	98.31	94.55
48.4	47.4	49.8	53.6	56.9	61.7	64.8
3.3	6.1	6.0	2.6	4.5	7.8	7.0
3.0	4.2	4.7	3.4	3.5	5.4	5.7
17.7	17.0	11.6	16.0	14.1	6.7	7.3
3,859	3,483	2,053	1,386	1,421	911	1,250
912	1,050	940	1,031	1,271	985	907
10,307	9,565	10,557	9,566	7,896	4,386	3,067
10	12	12	12	12	16	20
30.9	18.9	18.0	41.2	23.2	16.3	21.2
—	—	—	—	169,903	183,533	181,914
775	778	778	891	866	905	900
995	1,062	1,098	1,091	1,072	1,095	1,082
12	17	9	11	17	13	11

fiscal year ended March 2013 shown here are the consolidated results of Japan Carlit Co., Ltd., which is a subsidiary.

Company Profile and Stock Information

Company Profile (as of March 31, 2023)

Company name	Carlit Holdings Co., Ltd.
Established	October 1, 2013
Share capital	2,099 million yen
Employees	1,082 (consolidated)



Major group companies

Company name	Business description	Base (location)
Chemical Products Business		
Japan Carlit Co., Ltd.	Manufacture and sales of explosives/chemical products/electronic materials/abrasive materials/firework materials and contracting of material hazard assessment testing and battery testing	● Head Office (Tokyo) ● R&D Center (Gunma Prefecture) ● Akagi Plant (Gunma Prefecture) ● Gunma Plant (Gunma Prefecture) ● Hokkaido Sales Office (Hokkaido) ● Toyota Distribution Center (Aichi Prefecture) ● Osaka Branch (Osaka Prefecture) ● Shiga Branch (Shiga Prefecture) ● Kyushu Sales Office (Fukuoka Prefecture) ● Koto Hydroelectric Power Plant (Gunma Prefecture)
Silicon Technology Corporation	Manufacture and sales of monocrystalline silicon and silicon wafers for semiconductors	● Head Office (Tokyo) ● Shinano Plant (Nagano Prefecture)
Japan Carlit (Shanghai) Co., Ltd.	Sourcing and sales of chemical products and electronic materials	● Head Office (Shanghai, China)
Japex Co., Ltd.	Sales of industrial explosives	● Head Office (Tokyo) ● Hokkaido Sales Office (Hokkaido) ● Tohoku Sales Division (Miyagi Prefecture) ● Chubu Sales Division (Aichi Prefecture) ● Kansai Sales Division (Osaka Prefecture) ● Kyushu Sales Division (Fukuoka Prefecture)
Bottling Business		
JC Bottling Co., Ltd.	Beverage bottling/sales	● Head Office (Tokyo) ● Shibukawa Plant (Gunma Prefecture)
Metal Working Business		
Namitakiko Co., Ltd.	Manufacture and sales of various heat-resistant metal parts for furnaces	● Head Office and Head Office Plant (Osaka Prefecture) ● Shodoshima Plant (Kagawa Prefecture) ● Hari Plant (Nara Prefecture) ● Tokyo Sales Office (Tokyo) ● Nagoya Sales Office (Aichi Prefecture) ● Kyushu Sales Office (Fukuoka Prefecture)
Asia Giken Co., Ltd.	Manufacture and sales of studs and welding machines	● Head Office (Osaka Prefecture) ● Kyushu Plant (Fukuoka Prefecture)
Toyo Spring industrial Co., Ltd.	Manufacture and sales of various metal springs and pressed products for automobiles and construction machinery	● Head Office (Chiba Prefecture) ● Nagoya Sales Office (Aichi Prefecture) ● Ishioka Plant (Ibaraki Prefecture) ● Kashiwabara Plant (Ibaraki Prefecture)
Engineering Services Business		
Carlit Sangyo Co., Ltd.	Engineering and construction work as well as termite extermination services and outsourcing	● Head Office (Gunma Prefecture)
Minamisawa Construction Co., Ltd.	Construction and design/construction of civil engineering works	● Head Office (Gunma Prefecture)
Fuji Shoji Co., Ltd.	Sales of industrial paints and painting work	● Head Office (Osaka Prefecture) ● Shiga Branch and Shiga Plant (Shiga Prefecture)
General Design Co., Ltd.	Design and administration of buildings and works as well as sewer, water supply, and effluent treatment facilities	● Head Office (Tokyo)
SD Network Co., Ltd.	Design and supervision of construction and consulting services	● Head Office (Hyogo Prefecture) ● Design Office (Osaka Prefecture)

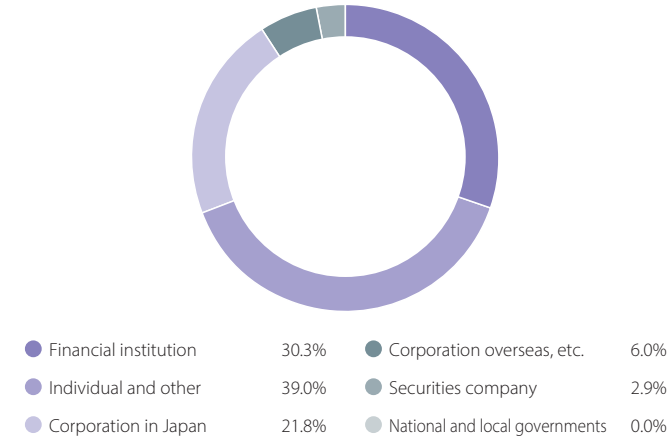
Stock Data (as of March 31, 2023)

Total number of shares authorized	80,000,000 shares
Total number of shares issued and outstanding	24,050,000 shares
Share unit number	100 shares
Number of shareholders	36,801
Listed exchange	Tokyo Stock Exchange (Prime Market)
Stock exchange code	4275
Audit corporation	Ernst & Young ShinNihon LLC
Administrator of the register of shareholders	Mizuho Trust & Banking Co., Ltd. 1-3-3, Marunouchi, Chiyoda-ku, Tokyo Japan

Major Shareholders

Shareholder name	Number of shares owned (Thousands of shares)	Ownership ratio (%)
Custody Bank of Japan, Ltd. (Marubeni retirement benefit trust account re-entrusted by Mizuho Trust & Banking Co., Ltd.)	1,997	8.3
The Master Trust Bank of Japan, Ltd. (trust account)	1,807	7.5
NOF CORPORATION	915	3.8
Custody Bank of Japan, Ltd. (Mizuho Bank retirement benefit trust account re-entrusted by Mizuho Trust & Banking Co., Ltd.)	913	3.8
Meiji Yasuda Life Insurance Company	700	2.9
NAGASE & CO., LTD.	700	2.9
Fuyo General Lease Co., Ltd.	522	2.2
Kanto Denka Kogyo Co., Ltd.	464	1.9
Carlit Holdings Employee Stock Ownership Association	420	1.8
Daiso Chemical Co., Ltd.	418	1.8

Distribution of shares by owner



About our website



<https://www.carlithd.co.jp/en/> ▶▶▶▶▶



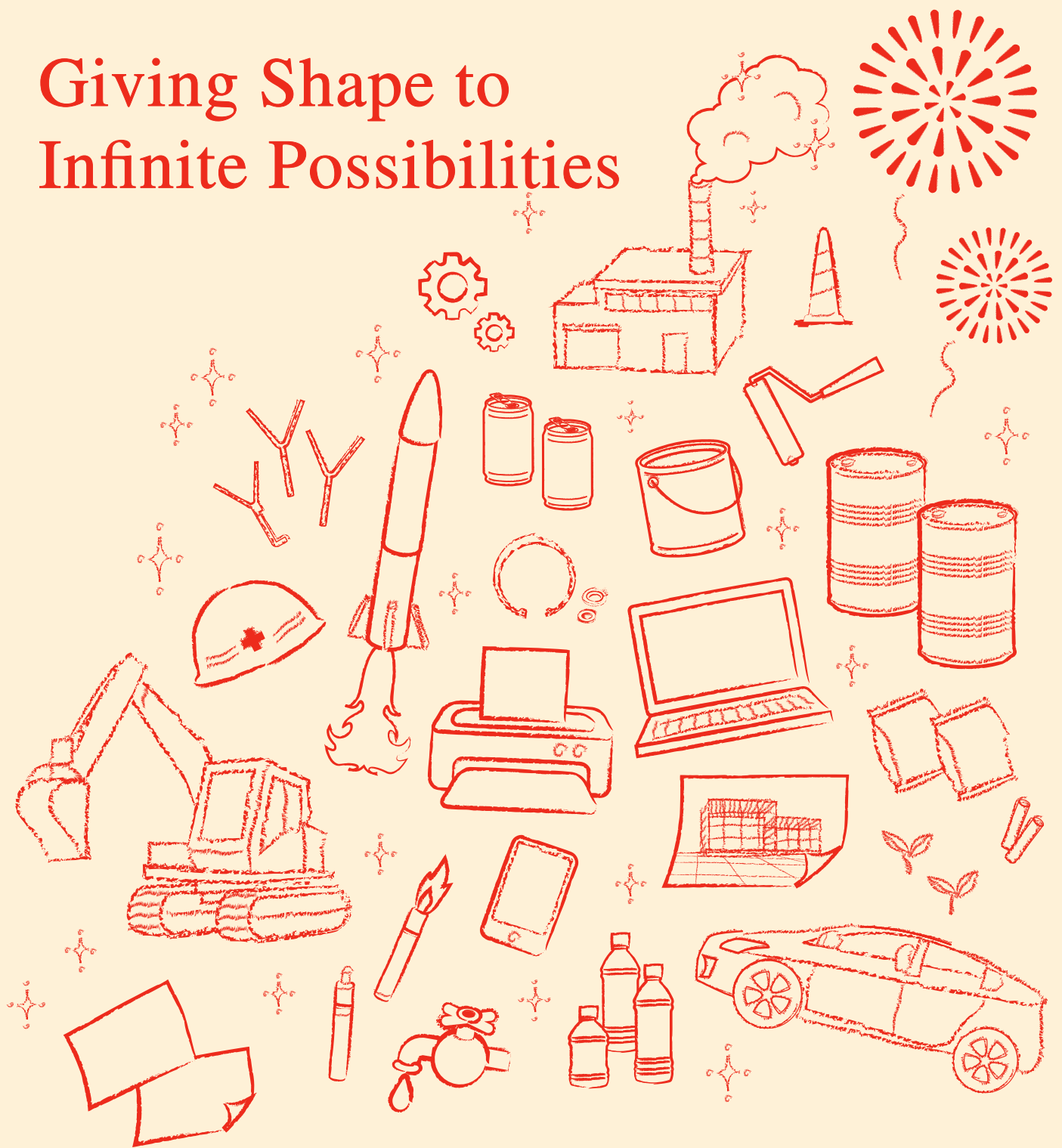
Investor Relations
<https://www.carlithd.co.jp/en/ir/>



Quick Guide (Japanese Only)
<https://www.carlithd.co.jp/corporate/guide.html>



Giving Shape to Infinite Possibilities



"People" and "Technology" Create the Future.
Carlit Holdings continues to take on challenges today.



Carlit Holdings Co., Ltd.

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