

Carlit Report 2025

Giving Shape to Infinite Possibilities

Management Philosophy Framework of Carlit

In order for the Carlit Group, which operates across various business domains, to evolve as one, it is essential to have shared values and a Code of Conduct. The Management Philosophy Framework clearly defines our raison d'être and the future we aspire to. We aim to achieve sustainable growth and contribute to society by continuing to take on challenges with everyone aligned in the same direction.



Management Philosophy

For Confidence and Infinite Challenges

Raison d'être (Purpose)

Providing "Relief" and "Prosperity" through reliable manufacturing and services



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



Soichiro Asano, founder
(1848 - 1930)

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 Efforts (Funto Doryoku)," which means rising to the occasion in the face of adversity, 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.

Corporate Slogan

Giving Shape to Infinite Possibilities

Since its establishment, the Company has expanded into a variety of business domains, including agrochemicals, electronic materials, bottling, and metal parts, starting with the manufacturing of Carlit explosives 100 years ago. As we embark upon the Company's next 100 years, we will continue to embrace new business challenges breaking the status quo based on our management philosophy, "For Confidence and Infinite Challenges." Our corporate slogan is "Giving Shape to Infinite Possibilities," which is based on Carlit's logo representing infinity.

Our Value (Code of Conduct)

1. Customer First Policy

Earn customer trust by understanding their needs and providing products and services that meet those needs

2. Safety First

Delivering high-quality, safe products and services that customers and society demand with a sense of urgency

3. Social Contribution

Considering the problems around us as our own and fulfilling our responsibility to society

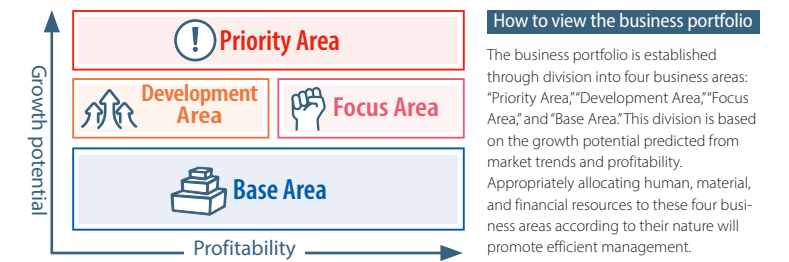
Our Vision (Ideal Carlit Group in 2030)

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

Business Domain

We are giving shape to the infinite possibilities offered by Chemistry and Technology and meeting a wide range of needs in society.

The Company is supported by four key segments: chemical products, bottling, metal working, and engineering services. In FY2024, the silicon wafer business in the chemical product segment was impacted by customer production and inventory adjustments. On the other hand, the chemicals and electronic materials businesses in the chemical product segment and the engineering services segment performed well.



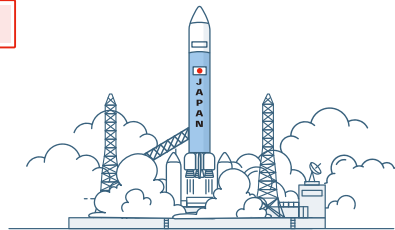
Chemical Products Segment

We support people's lives through reliable technology associated with chemistry, including emergency safety flares for protecting people's safety; ammonium perchlorate, a raw material for solid propellants for rockets; functional materials and silicon wafers used in IT devices; and commissioned evaluation services that perform various evaluation tests on chemical substances, battery devices, and others.

Raw materials for solid propellants for rockets (chemicals)

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.

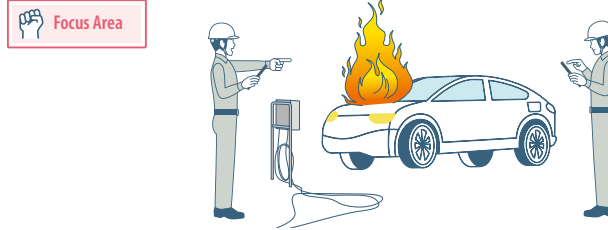
Priority Area



Battery testing (contract assessment)

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.

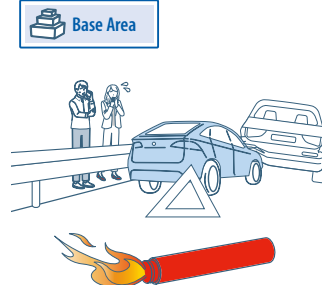
Focus Area



Signal flares (explosives)

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

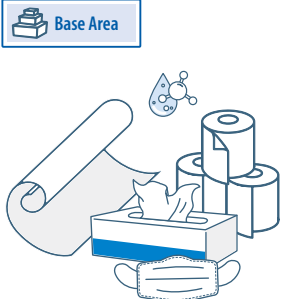
Base Area



Bleaching agents (chemicals)

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

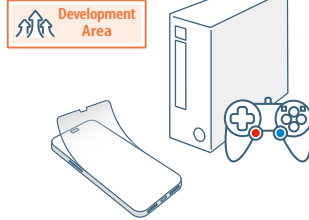
Base Area



Electronic and Functional materials (electronic materials)

We manufacture and sell "conductive polymers" used as capacitor materials in a wide range of electronic devices, as well as "ionic conductivity imparting agents" used in protective films applied to displays such as those on mobile phones.

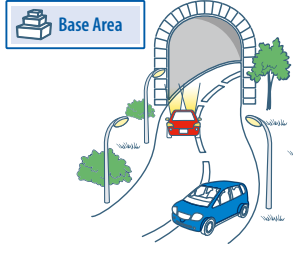
Development Area



Industrial explosives (explosives)

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

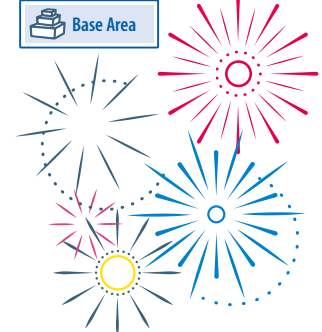
Base Area



Fireworks raw materials (explosives)

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. We are the only company in Japan that manufactures potassium perchlorate, which is used as an explosive raw material.

Base Area



Abrasive materials (ceramic materials)

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.

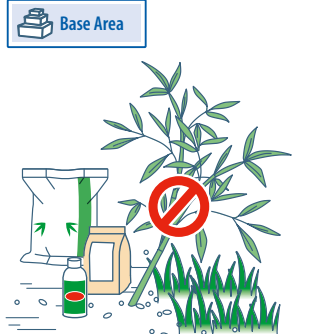
Base Area



Agrichemicals (chemicals)

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

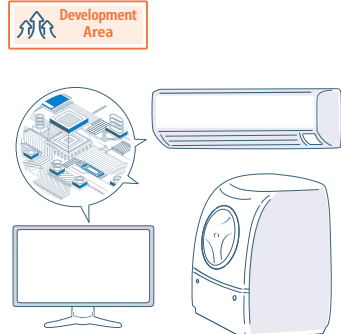
Base Area



Silicon wafers for semiconductors (semiconductor silicon wafers)

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.

Development Area



Bottling Segment

We provide contract manufacturing of plastic bottle and canned beverages, necessities of people's lives. With sophisticated production facilities, we realize a seamless production system for mixing, filling, packaging, and testing and produce and supply mainly green tea products in a safe and efficient manner.

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

We provide contract manufacturing of green tea and coffee beverages.

Base Area



Metal Working Segment

With reliable technology, we fabricate heat-resistant metal parts for furnaces supporting city waste incinerators and biomass power stations, and metal parts used in automobiles and construction equipment, contributing to industry development.

Heat-resistant metal parts for furnaces (Namatkiko 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.

Base Area



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 construction machinery, automobiles, etc.

Base Area



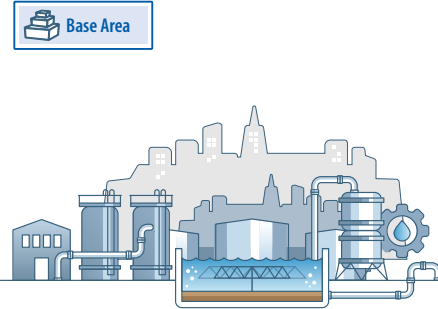
Engineering Services Segment

We conduct a wide range of business activities such as industrial paint sales and contracting for painting work, design and supervision of water supply, sewerage, and effluent treatment facilities, buildings, etc., maintenance, management, and termite control of equipment, and real estate rental.

Structural design (General Design Co., Ltd.)

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

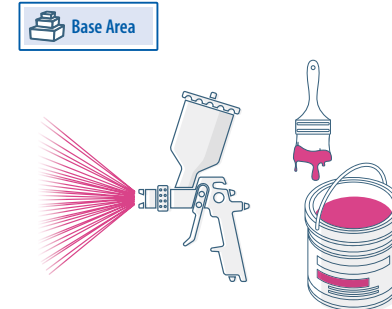
Base Area



Sales of paint and painting work (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.

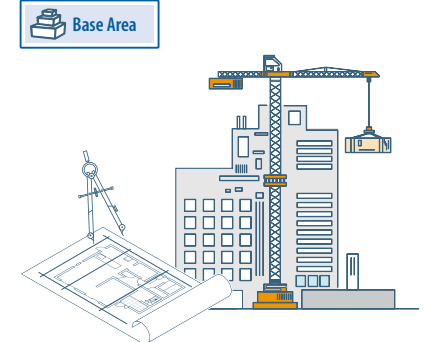
Base Area



Engineering and construction work (Carlit Sangyo Co., Ltd. and Minamisawa Construction Co., Ltd.)

Carlit Sangyo conducts equipment maintenance and construction works, and Minamisawa Construction carries out the design and execution of construction works and civil engineering works.

Base Area



At a Glance

Carlit's Business Created through the Power of Chemistry and Technology

Carlit was initially established as a company specializing in the production of "Carlit explosives," which were manufactured in Japan and contributed to the nation's economic growth. Ammonium perchlorate, a raw material for such explosives, is currently used as a solid propellant. We are the only company in Japan that industrially produces ammonium perchlorate. Our two core technologies are electrolysis technology for the production of ammonium perchlorate and the technology we have developed for handling explosives and dangerous substances, and they are linked to various businesses.

Chemical Products Segment P.51

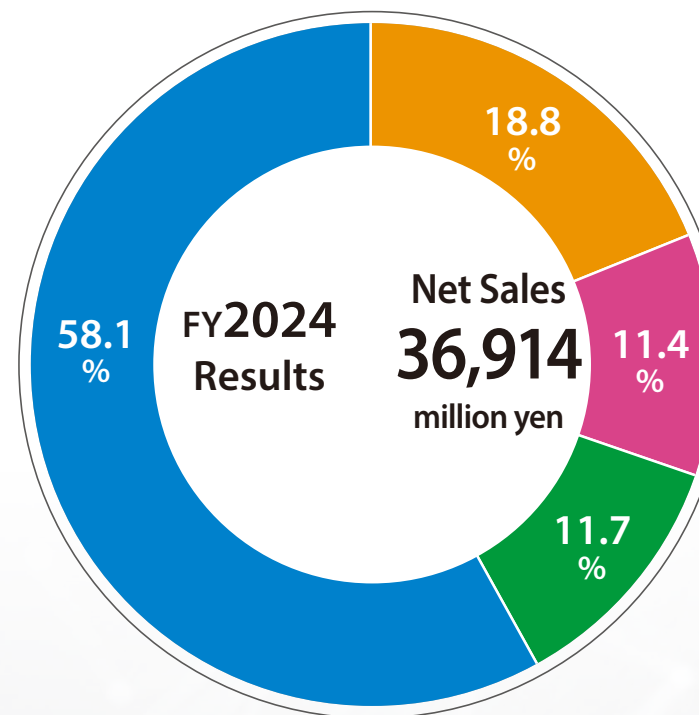
Net sales **22,423** million yen

Operating profit **1,478** million yen

Strengths

- Manufacturing technology and handling expertise accumulated over many years regarding pyrotechnics, etc.
- Electrochemistry-related broad product lineup and highly reliable product development capability

Explosives	Chemicals	Electronic materials	Contract assessment service	Ceramic materials	Semiconductor silicon wafers
<ul style="list-style-type: none"> Industrial explosives Signal flares Pyrotechnic raw materials 	<ul style="list-style-type: none"> Raw material for solid propellants for rockets Industrial chemical products Agrochemicals Metal electrodes 	<ul style="list-style-type: none"> Electronic materials Functional materials 	<ul style="list-style-type: none"> Hazard assessment testing Battery performance testing 	<ul style="list-style-type: none"> Grinding abrasives 	<ul style="list-style-type: none"> 4 to 6-inch silicon wafers



Metal Working Segment P.53

Net sales **7,230** million yen

Operating profit **508** million yen

Strengths

- Production technology know-how for fire- and heat-resistant materials which has been accumulated over long years
- Presence in the market of metal parts for construction equipment

Heat-resistant metal parts for furnaces	Various metal springs, pressed products
<ul style="list-style-type: none"> Anchor metal Retainers Stud welding 	<ul style="list-style-type: none"> Flat washers Spring washers Snap rings (flat spring)



Bottling Segment P.52

Net sales **4,524** million yen

Operating profit **345** million yen

Strengths

- Rich water resources because factories are adjacent to the Tone River
- High logistics convenience because of convenient location, North Kanto (Gunma Prefecture)

Contract manufacturing of PET bottles and beverage cans

- PET line (aseptic filling)
- PET line (hot pack)
- Can line



Engineering Services Segment P.54

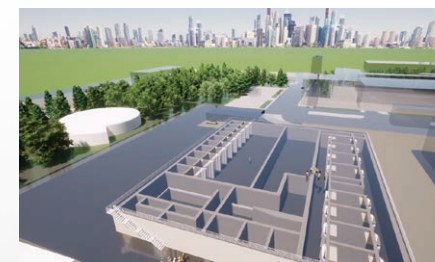
Net sales **4,411** million yen

Operating profit **822** million yen

Strengths

- Engineering synergy with the Chemical Products Segment
- Presence in local areas, and structural design technology and know-how accumulated over many years

Engineering and construction work	Sales of paints and painting service	Structural design and supervision
<ul style="list-style-type: none"> Electricity, mechanical piping, civil engineering, etc. Electrolysis plants Amenities 	<ul style="list-style-type: none"> Sales of industrial, heavy duty anticorrosion and architectural paints Sales of painting equipment and machinery Contracting for various painting services 	<ul style="list-style-type: none"> Architectural and civil engineering design (structure) Architectural design (design) Seismic diagnosis and reinforcement



Carlit at a Glance

Operating profit 3,046 million yen	Operating profit margin 8.25%	ROE 6.9%	Profit attributable to owners of parent 2,570 million yen	R&D expenses 847 million yen	Capital investment amount 3,376 million yen
Number of manufacturing bases 14	GHG emissions 241,851 t-CO ₂ (48% reduction in Scope 1+2 compared to FY2013)	Dividend payout ratio 72.5% (FY2024 Results)	Number of employees 1,090 (Including 183 engineers) (As of June 2025)	Proportion of women among new graduate hires 39.4% (Cumulative total since FY2015)	Ratio of Outside Directors 3 out of 7 (As of June 2025)

Editorial Policy

The Carlit Group (Carlit 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 sustainability activities.

Key Points of Integrated Report 2025

Carlit’s Vision for 2035

This section introduces our Group's Vision from 2030 to 2035 and the sources and mechanisms of value creation that support its realization. Together with a message from our President, we will present the Carlit Group's Vision for the future, drawing on our strengths in chemistry and technology that we have cultivated over many years.

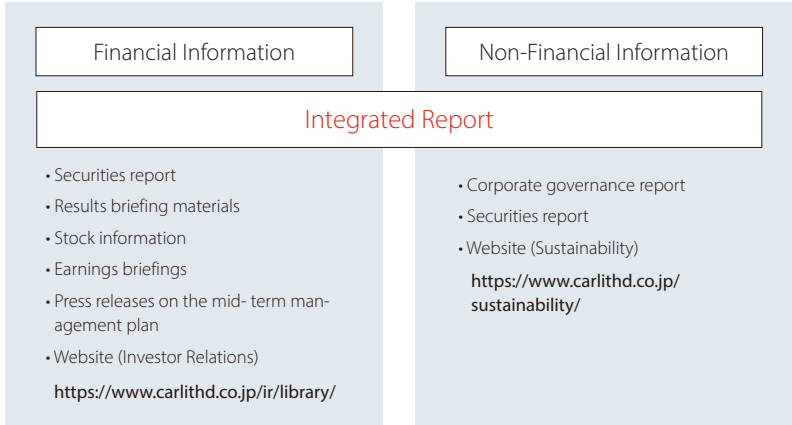
Management strategies based on the new Mid-Term Management Plan

Under the new Mid-Term Management Plan, “Challenge 2027,” the officers in charge of finance and business managers will present our strategic direction. Specific business strategies, R&D and intellectual property, as well as human resource strategies will be introduced in line with material issues and the Mid-Term Management Plan.

Sustainability management measures

This section introduces our efforts toward sustainability management, which forms the foundation for continuous value creation. We will introduce measures to reinforce management resilience, including those for the environment, climate change, human rights, and governance.

Disclosure Framework



Referenced Guidelines

- IFRS Foundation, an 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, 2024 to March 31, 2025 (Including business activities started after April 2025)
- In this report, “our Group” and the “Company” refer to Carlit Co., Ltd. and its consolidated subsidiaries.

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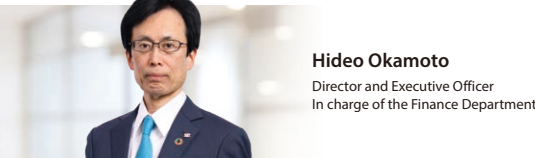
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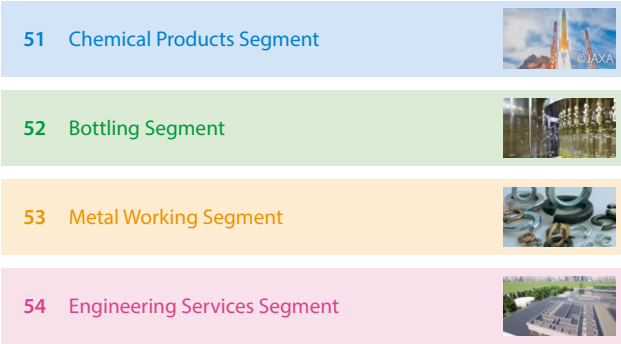
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Message from the President



Leveraging the power of **chemistry** and **technology**, we forge a path of challenge and grow through portfolio management.

Hirofumi Kaneko

Representative Director and President & CEO

Accelerate Transformation and Value Creation Toward the Next 10 Years

The environment surrounding us is undergoing significant changes, such as the increasing complexity of social issues and the acceleration of technological innovation. The Carlit Group will continue to evolve by leveraging the power of “chemistry” and “technology” to contribute to a sustainable society and the well-being of people’s lives.

The Carlit Group is currently undergoing a significant transformation. In light of the accelerating pace of global change and the growing complexity of social issues, we believe that to remain a vital company in the future, we must be prepared to transform ourselves rather than simply continuing along the same path.

Towards becoming the ideal Carlit Group we aspire to be in ten years’ time, we define our mission as follows: “To contribute to a sustainable society by combining the power of ‘chemistry’ and ‘technology’ to support people’s happy lives.” This vision embodies the Company’s social responsibility and our determination to create sustainable value.

We have identified a unique role for the Carlit Group, leveraging the strengths of our diverse businesses and technologies. With the determination to respond flexibly to changes in the world and take steady steps forward, we launched our new Mid-Term Management Plan, “Challenge 2027,” in April 2025.

These three years will be positioned as a “period of sowing seeds,” during which we will lay the groundwork for growth beyond 2030 with an eye toward the next decade. Our efforts will be concentrated on research and development, human resource strategies, and evolving our organizational culture.

“Challenge 2024” Our Mid-Term Management Plan: Laying the Foundation for Business Portfolio Management

As the first stage of our growth plan for 2030, we launched “Challenge 2024” to strengthen our revenue and establish a flexible strategic execution framework. This initiative included the introduction of business portfolio management and restructuring of our management framework. Steady efforts on the ground supported our ability to respond rapidly to changes in the business environment and allocate management resources optimally.

As Stage 1 of growth toward 2030, we positioned “Challenge 2024” as a three-year plan to achieve earnings improvement in existing business groups and strengthen our foundation. Since FY2022, we have implemented business portfolio management based on the value criteria of

“growth potential” and “return on invested capital.” Based on profitability, we have also defined three business areas—“Focus Area,” “Development Area,” and “Base Area.” The “Focus Area” encompasses electronic materials and silicon wafers, both of which are projected to generate

substantial profits. The “Development Area” includes ammonium perchlorate for space and defense applications (chemicals) and battery assessment (contract assessment), which should be nurtured for future growth. The “Base Area” encompasses warning flares and basic chemicals (chemicals), which are a source of stable earnings, as well as the Metal Working and Bottling Businesses of Group companies. We were able to establish the foundation for business portfolio management by clarifying our policy for intensively and strategically allocating management resources, including people, goods, and money, to each business.

Specifically, in the ammonium perchlorate (chemical) and battery testing businesses (contract assessment), both of which were identified as development areas, we successfully made new business investments in anticipation of future growth. These investments were highly rated as a major achievement. Our technological strengths lie in the areas of our rocket-related business that utilize ammonium perchlorate and our battery testing business. We have high expectations for these businesses as a starting point for future earnings growth.

Our target for operating profit was 3 billion yen in FY2024, the final year of “Challenge 2024,” but we achieved this goal one year ahead of schedule.

Since the second year of the mid-term plan, we have flexibly reviewed the plan on a rolling basis, and we have met the challenge of implementing measures beyond our initial expectations, such as integrating three companies. As part of our ongoing business infrastructure enhancement initiatives, we transitioned from a pure holding company to a business holding company in 2024, a change that had a substantial impact on our internal operations.

It was necessary to transfer the qualifications held by each

company, including those related to hazardous materials handling. In addition, there was a limited period to prepare for the merger and acquisition of Nippon Carlit and Silicon Technology. However, owing to the efforts of the employees of each department and site, the transition was completed in a shorter timeframe than expected. As a result, the sense of unity in decision-making within the Group has been enhanced, and a framework has been established that enables the flexible execution of strategies.

In the final fiscal year, some growth areas were impacted by external factors, including deteriorating market conditions. However, we believe that we achieved our goals.

On the other hand, the electronic materials and silicon wafer businesses exhibited sluggishness due to factors such as inventory adjustments in Japan and abroad, with the silicon wafer business experiencing a notable decline in profit even in the final fiscal year. Additionally, it is evident that challenges remain, including the fact that we have only produced results for half of our non-financial issues such as decarbonization and human capital management. We acknowledge the pressing need to transition from the “under consideration” phase to the “implementation phase” in our approach to environmental measures and human resource development.

In light of these developments, the Group has steadily enhanced the speed of its organizational development and management decision-making. I believe that over the past three years, we have made significant progress in becoming a company that is capable of adapting and evolving. I have requested that the sites address numerous issues, and I believe that the efforts of each and every employee who tackled them have brought us to this stage.

Entering the Transformation Phase Ahead of 2030: Growth Strategies in the New Mid-Term Management Plan “Challenge 2027”

In the new mid-term plan, the Priority Area has been identified as a key driver of growth. We are making concentrated investments in areas of social significance and technological superiority, such as space and defense, battery testing, and silicon wafers.

“Challenge 2027,” a new mid-term management plan launched in FY2025, is positioned as Stage 2 of our growth strategy for 2030 and beyond.

In accordance with the frameworks and management foundation

established through “Challenge 2024,” we intend to sow the seeds for value creation for the next 10 years, designating this as a “phase of transformation.” The fundamental idea behind “Challenge 2027” is not simply to expand our business, but to achieve growth in areas that contribute

Message from the President

Growth vision toward 2035 and positioning of Mid-Term Management Plan “Challenge 2027”



to solving social issues and to become a company that is chosen on a sustained basis. We will continue to select and focus on technologies, human resources, and capital from a medium- to long-term perspective while maintaining the flexibility to rapidly respond to changes.

Deepening portfolio management and defining priority area

“Challenge 2027” introduces the “Priority Area” as a strategic starting point for accelerating growth. Building on the existing three areas of Focus, Development, and Base, we have identified fields with significant social impact where we can leverage our technological strengths. We have now taken the step of visualizing these areas and establishing a framework for allocating management resources to them.

Our full-scale entry into the space and defense sectors is representative of this. Carlit is Japan’s sole manufacturer of ammonium perchlorate, a raw material for solid propellants. While we have historically focused on supplying this raw material, our new mid-term plan involves moving downstream into “propellant” manufacturing. We have decided to invest in new production lines that can serve both the commercial and defense sectors.

Historically, the defense industry has been a sector that is rarely discussed; however, amid rising geopolitical risks in recent years, its importance has been reaffirmed in Japan as well. Major corporations engaged in defense-related businesses are now beginning to disclose their operations. We have also clearly expressed our commitment to communicating our endeavors as socially significant. Such initiatives are indeed highly rated by institutional investors and hold significant meaning from the perspective of shareholder accountability.

Focus and development areas aiming for high revenue

In the contract assessment field, which is positioned as part of the “Focus Area,” we are currently constructing a second battery testing facility to respond to the expansion of the large-scale battery market, centered on electric vehicles (EVs). While Carlit’s battery assessment technology originated from small-scale cells, it is now evolving toward a framework that supports large-scale cells for automotive applications. While the rate of EV adoption differs across regions, the medium- to long-term growth in demand is projected to be

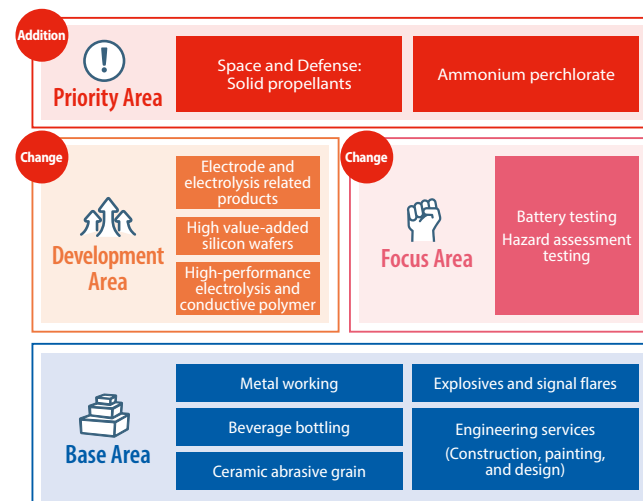
consistent. We are committed to reliably capturing this “demand for testing” and contributing to societal transformation.

On the other hand, in the silicon wafer business designated as part of the “Development Area,” the Company is maintaining its unique strategy despite the current market downturn. Our small-diameter wafers are gaining a presence in a niche market amid the withdrawal of major players, and we are deepening our relationships with mid-sized customers by leveraging our customization capabilities. Carlit’s technical expertise is particularly valuable in this area, as it enables us to flexibly engage in small-volume, diverse-product manufacturing, rather than mass production. We aim to take a significant leap forward during the economic recovery phase.

Secure business stability through multiple portfolios

The three segments defined in the “Base Area” – automotive emergency safety flares and bottling, metal working, and engineering services – where the Company holds over 80% of the domestic market share, play a role in collateralizing the stability of our performance. To maintain the business as a revenue source over the long term, we

Review of business portfolio



will invest with a focus on sustainability, in addition to pursuing opportunities for earnings improvement.

Pioneering the Future of Chemistry and Technology through R&D that Embraces Challenges

The key to long-term corporate value lies in technological capabilities that can anticipate change and evolve independently. The Carlit Group pursues “research and development with the power to transform society” and drives transformation. Now is the optimal time for planting the seeds that will yield future success. The next pillars of our business will be cultivated by diverse research themes and the challenges our human resources take on autonomously.

Research and development are one of the most crucial pillars of “Challenge 2027.” To achieve greater synergy between business and technology and tackle themes directly addressing societal challenges, we comprehensively restructured our research framework in FY2024, establishing a three-research-laboratory system in Gunma, Nagano, and Akagi. Departing from the prior Gunma-centric paradigm, we have established an environment in which each research laboratory can pursue themes by leveraging its distinct strengths and flexibility.

This reorganization is not merely a decentralization of the base; it is intended to diversify research themes, enhance development efficiency, and facilitate knowledge sharing across teams. In the past, a single researcher typically handled a theme from start to finish. We are now transitioning to a multi-researcher team structure. This evolving framework facilitates collaboration among bases based on the maturity and progress of the technology. Furthermore, by allocating researchers across multiple bases and assigning them functions tailored to specific themes, we are optimizing resource utilization. Despite physical distances, the mechanisms and awareness needed for collaboration are being established, paving the way for striking a balance between cooperation and the division of duties.

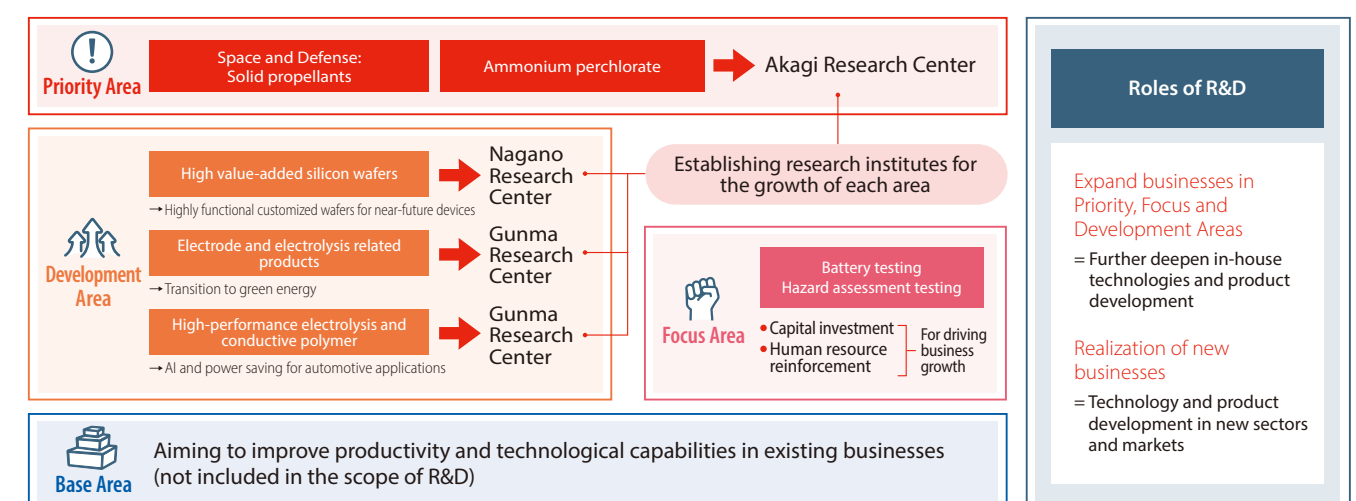
At the Gunma Research Center, our focus is on electronic materials and chemical products derived from electrolysis; at the Akagi Research Center, solid propellants; and at the Nagano Research Center, silicon wafers. Each base narrows down its research themes at the discretion

of the director, aligning with its associated product portfolio. We have abandoned the previous hierarchical structure, fostering a horizontal, peer-to-peer research culture. This change has contributed to increased development speed and diversity. It is imperative that research institutes engage in mutual enhancement through constructive competition and the identification of methods to produce research results.

We are also expanding our collaboration with external parties and actively incorporating knowledge from outside the Company through joint research with universities and companies. In light of the mounting development requests from external sources, particularly in the silicon wafer business, we are witnessing an escalation in theme setting that is being driven not only by our internal initiatives but also by emerging market demands. A research framework is emerging that systematically incorporates technology development and implementation, with societal expectations and challenges as the starting point.

We are positioning the three-year period of this “Challenge 2027” as a “seed-sowing period” to yield results by 2030. The process of creating new products takes time; however, looking ahead over a six-year span, including the next mid-term plan, establishing two or three new pillars is a realistic goal. We are also encouraged by the growing number of motivated young researchers expressing aspirations like, “I want to change society with my technology” and “I want to take on the challenge of practical application.”

R&D in the business portfolio



Message from the President

Maximizing the Power of People: Human Resource Strategies and Corporate Culture Reform

When people change, organizations change. By renewing our evaluation system and promoting career diversification, we aim to foster an environment that fully utilizes the talents of each individual.

The human resources environment has undergone significant changes in recent years. While the recruitment of young talent has become more challenging, the active job market has also led to an increase in mid-career resignations. In order to attract and retain talent in this climate, we must transform not only our systems and evaluation methods but also our corporate culture itself.

In FY2023, we conducted a comprehensive review of our personnel evaluation system. We are transitioning from the conventional seniority-based approach to a fair evaluation process that fosters a sense of fairness and satisfaction. The Company has recently adopted new evaluation mechanisms, including 360-degree evaluations and one-on-one meetings, which were not utilized in the past. This approach fosters a climate where managers routinely understand their staff's perspectives and challenges, creating a foundation for two-way dialogue. These initiatives are enhancing management quality while also fostering a more open organization. By incorporating feedback from colleagues and staff, not just managers' subjective views, we are improving management quality and stimulating communication.

We have also introduced a specialist career track to broaden career

options. This system respects the aspirations of those who express a desire to specialize in a specific field. While initially focused on research positions, we plan to gradually expand it to Head Office divisions. From the perspective of developing future management executives, it is essential to gain experience across multiple divisions. However, for employees who express a desire to contribute in a specific field, it is equally necessary to respect that aspiration and offer equivalent treatment. We believe that providing career paths tailored to each employee's aspirations is the cornerstone of our cultural transformation, turning diversity into a strength. This approach is helping us move away from the uniform mindset that associates promotions solely with managerial positions, fostering a culture that embraces diverse ways of working.

Furthermore, we are promoting personnel exchanges between workplaces as well as job rotations, initiating efforts to bring fresh perspectives to on-site divisions and research institutes, where a sense of stagnation can easily develop. Talent truly shines when placed in the right role. We believe that an environment where each individual can work with motivation and pride is the driving force behind transformation.

Achieving Both Sustainability and Economic Efficiency

Investing in decarbonization initiatives is a strategic initiative that also enhances corporate value. Initiatives that strike a balance between business operations and reducing environmental impact serve as the twin pillars of a sustainable society and management.

Tackling global environmental issues is no longer a recommendation, it's an imperative for companies. The Carlit Group has established ambitious goals: a 46% reduction in Scope 1 and 2 greenhouse gas (GHG) emissions by 2030 and the achievement of carbon neutrality by 2050.

In line with this policy, effective initiatives have already been

commenced in each business segment. For instance, in the Bottling Segment, we have decided to replace 30-year old outdated equipment with energy-efficient alternatives. This initiative is not driven solely by the need to enhance production efficiency or address the challenges posed by aging equipment. It is also a strategic decision to align with our business partners' requests to reduce CO₂

emissions, fulfilling our social responsibility. Outdated equipment can compromise a company's competitive edge in terms of energy efficiency and environmental performance, posing a risk of a decline in orders. While this investment will temporarily impact our business results, we believe it will simultaneously generate significant medium to long-term benefits, including enhancing competitiveness, main-

taining customer trust, and reducing environmental impact.

Therefore, it is essential to integrate sustainability initiatives as a core component of our management strategy, viewing them not as "costs" but as "investments in the future." Moving forward, we aim to broaden the scope of environmental initiatives across the entire Group while continuing to build upon effective, site-based efforts.

Financial Strategy: Identify Risks and Enhance Capital Efficiency

In a time of substantial change, it is essential to make flexible and strategic investment decisions. Our objective is to maximize capital efficiency through the selection and concentration of growth opportunities.

Management resources are limited. Within these constraints, the key lies in how efficiently we allocate them to promising areas with future potential. In my opinion, the core of a financial strategy lies in the process of "selection and concentration." Improving operating profit is not merely about meeting revenue targets; it serves as the foundation for investing in future growth and is the source for properly distributing returns to shareholders and employees. At our Company, while we reallocate earned profits to key investments, we are also committed to enhancing dividends for shareholders. Furthermore, we have implemented full-scale wage increases for employees for three consecutive years, recognizing that returning value to our personnel is a vital component of supporting corporate growth. We believe that this balanced profit distribution is essential for the sustainable enhancement of corporate value.

In the new mid-term management plan, ¥9 billion in capital investment is allocated to the Priority Area and ¥7.5 billion to the Base Area. In the space and defense sector, we have decided to invest in the enhancement of manufacturing equipment and quality

control frameworks. In the Base Area, we plan to invest approximately ¥4 billion in renewing bottling lines. We regard these decisions not merely as "defensive" measures, but as "proactive steps with a view to the future."

In the face of challenges in a dynamic business environment, prudent investment decisions require striking a balance between caution and agility. For instance, in the silicon wafer business, we have temporarily postponed large-scale investments due to the delayed recovery of market conditions. However, with a well-defined strategy to capture market share in niche sectors, we are poised to make swift investment decisions as the recovery phase unfolds.

With regard to financial indicators, we have explicitly defined targets for operating profit margin and ROE in our mid-term plan, promoting management practices that are mindful of the cost of capital. Going forward, we aim to enhance disclosure, including ensuring greater visibility into cash flows and KPIs for capital profitability, to deepen dialogue both internally and externally.

Become a "Company that Embraces Challenge" with Our Employees

We are evolving from a "calm and stable good company" into a "strong company that drives transformation." Our goal is to evolve into a company that shapes the future, driven by the efforts of each and every employee.

Carlit has long been known as a "good company." We take pride in our culture of integrity and the sound management approach we have cultivated over our long history. However, in a rapidly changing society, such virtues can sometimes hinder our ability to adapt.

I am now strongly focused on transforming from a "gentle, stable, good company" into a "strong company that drives transformation." Fortunately, more employees are demonstrating new talents in their new assignments. For instance, we have seen young employees transferred from research institutes to the sales or corporate planning division achieve results that exceed expectations. I truly believe that uncovering hidden talents enhances a company's underlying

strength. "Challenge 2027" is our opportunity to reinvent ourselves as individuals who embrace challenges. Our goal is to foster a group-wide culture in which we embrace change without fear and have the courage to venture into new areas and are genuinely supported by the Company in tackling such challenges.

Looking toward 2030 and beyond, the Carlit Group aspires to be a company that continues to deliver value to society by harnessing the power of "chemistry," "technology," and "people." We will continue to move forward, embracing challenges and striving to meet your expectations.



Development of Carlit

Over 100 years, we have delivered products that have continued to be trusted by customers through continuous improvement of technology since the foundation in 1918 with “Carlit explosives.” We will continue to strive to be a corporate group that contributes to society.

History of Products and Services

C Chemical Products Segment B Bottling Segment
M Metal Working Segment E Engineering Services Segment

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

1919 Start of production and sale of Carlit explosives C



1939 Start of production and sale of abrasive material “Sakrandam” C

1946 Start of manufacturing and sale of railway signal tubes C



1949 Start of production and sale of “Dezorate” herbicide C



1951 Start of sale of coating materials E

1953 Start of production and sale of textile bleaching agent “Silbrite” C

1955 Start of production and sale of sodium chlorate for pulp bleaching C

1960 Start of production and sale of non-hem spring washers M

1964 Start of production and sale of “Ammonium Perchlorate” as a raw material for solid propellants for rockets C



1966 Start of production and sale of “HIFLARE,” an automotive emergency flare C



1970 Start of coating business E

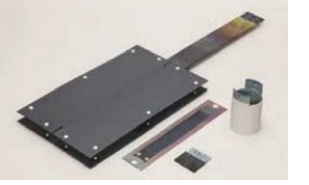
1971 Start of manufacturing and sale of “Road Flare” highway signal tubes C

1973 Start of production and sale of thin plate springs M
Start of production and sale of “Anchor” for heat-resistant refractory materials M

1975 Start of production and sale of “Hypocell,” a sodium hypochlorite electrolysis generator C

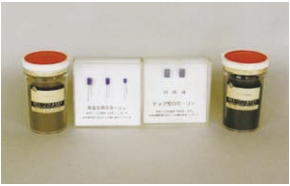
1980 Start of designing water supply and sewerage facility structures E
Start of engineering plant business E

1983 Start of production and sale of “Exeroad,” a metal electrode C



Start of contract work for hazard assessment testing C

1985 Start of production and sale of organic conductive material “TCNQ Complex” C



Established an integrated framework for precision pressed products M

1992 Start of operation of No. 1 can line B

1997 Start of production and sale of dust collector component holders M
Start of operation of No. 2 can and 500 ml PET lines B

2001 Start of production and sale of conductive polymer aluminum solid electrolysis condenser “PC-CON” C



2002 Start of production and sale of power semiconductor substrate “ST-Wafer” C

2006 Start of production and sale of “HIFLARE+PICK,” an automotive emergency safety torch with glass breaker C



2007 Obtained Hazard Analysis and Critical Control Points (HACCP) certification B

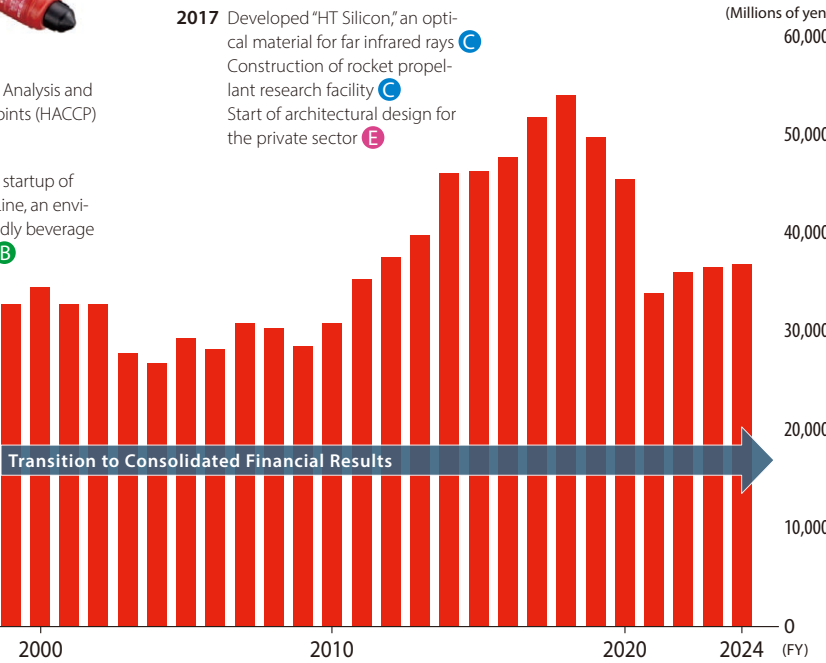
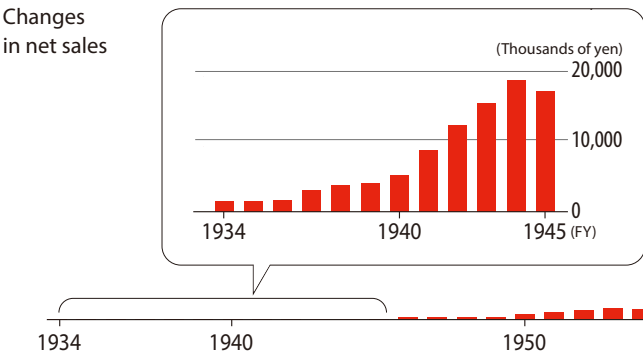
2010 Introduction and startup of operation of NS Line, an environmentally friendly beverage bottling system B

2011 Simultaneous launch of three lines (can, PET, NS) B

2013 Established a Battery Laboratory C



2017 Developed “HT Silicon,” an optical material for far infrared rays C
Construction of rocket propellant research facility C
Start of architectural design for the private sector E



Social Value Created by Carlit

1918 -

Contributed to domestic production of industrial explosives

Birth of Carlit's electrolysis technology

Deepen our knowledge of hazardous materials handling

- 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 Saku Power Plant was constructed. (Currently, the Company owns and operates only the Koto Power Station, which was constructed in 1953.)
- 1946** The Ministry of Transportation (now the Ministry of Land, Infrastructure, Transport and Tourism) requested that we develop warning flares 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.

1983 -

Became the first organization in Japan to offer a contract risk assessment testing service by applying the technology it cultivated for handling hazardous materials

- 1983** Utilizing its accumulation of chemical technologies, became 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. Later, the electronic materials business drove sales, while sales of existing products were sluggish.
- 1991** JC Beverage Co., Ltd. (now JC Bottling Co., Ltd.) 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 Co., Ltd.

2013 -

With “electrolysis” and “hazardous materials handling” as our core technologies, we are combining the power of Chemistry and Technology to move forward into the next 100 years

- 2013** Carlit Holdings Co., Ltd., established. Converted to a pure holding company.
Established a Battery Laboratory in response to the need for improved battery performance and safety.
- 2018** Celebrated the centenary of the Company's founding.
Undertook a major renovation of the Koto Power Plant to continue its environmentally friendly business.
Expanded business domains and markets through mergers and acquisitions.
M&A results: **2012** Fuji Shoji Co., Ltd., Namitakiko Co., Ltd.; **2013** General Design Co., Ltd.; **2014** Toyo Spring Industrial Co., Ltd.
- 2024** Changed the corporate name from Carlit Holdings Co., Ltd. to Carlit Co., Ltd.
Carlit Co., Ltd. absorbed Japan Carlit Co., Ltd. and Silicon Technology Corporation.

Core Technologies of Carlit

The Company was founded in 1918, when our founder introduced Carlit explosives technology from Sweden to produce domestic explosives. With “electrolysis technology” for producing ammonium perchlorate and “chemical and hazardous materials handling technology” as our key pillars, we aim to tackle societal challenges through chemistry and technology over the next 100 years.

Core Technologies of Carlit

Ammonium perchlorate, the primary ingredient in Carlit explosives, is now used as a raw material for solid propellants for rockets.

As Japan's sole manufacturer of ammonium perchlorate, we produce and sell this material.

Leveraging our expertise in handling chemicals and hazardous materials, we manufacture and sell warning flares, including

automotive emergency safety flares and roadwork signal flares, to support safety in our car-dependent society.

Furthermore, our risk assessment laboratory, established in 1983, is Japan's first contract organization for conducting hazard assessment testing, utilizing this technology.

Furthermore, herbicides made from sodium chlorate, a byproduct of electrolysis, are employed in green space management and agriculture due to their safe and environmentally friendly nature with minimal environmental impact.

In addition, we manufacture and sell insoluble electrodes that leverage our electrolysis technology, which we have developed over many years.

In addition, we are dedicated to positively impacting society through a diverse range of products and services. This includes our expansion into the electronic materials business, the silicon wafer business, and, in recent years, the beverage bottling business, utilizing the abundant water resources from underground streams originating in the Tone River and Mount Haruna, as well as the metal working business and the engineering services business.

Mobility

Contributing to the safety of a mobility society,
from road safety to automobile assessment testing



Warning flares

We promote the “safety of a car-dependent society and railways” by providing signal products, including automotive emergency safety flares, roadwork signal flares, and railway signal flares.

Installation rate on
registered vehicles in Japan **80%**

Next-generation infrastructure

Applying electrochemistry to revolutionize space
development and renewable energy



Raw materials for solid propellants

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.

Domestic market share **100%**



Commissioned material assessment tests

We provide services backed by our top-tier knowledge in hazardous material handling and assessment in Japan.

Established in 1983, Japan's first private testing agency commissioned to conduct hazardous substance testing

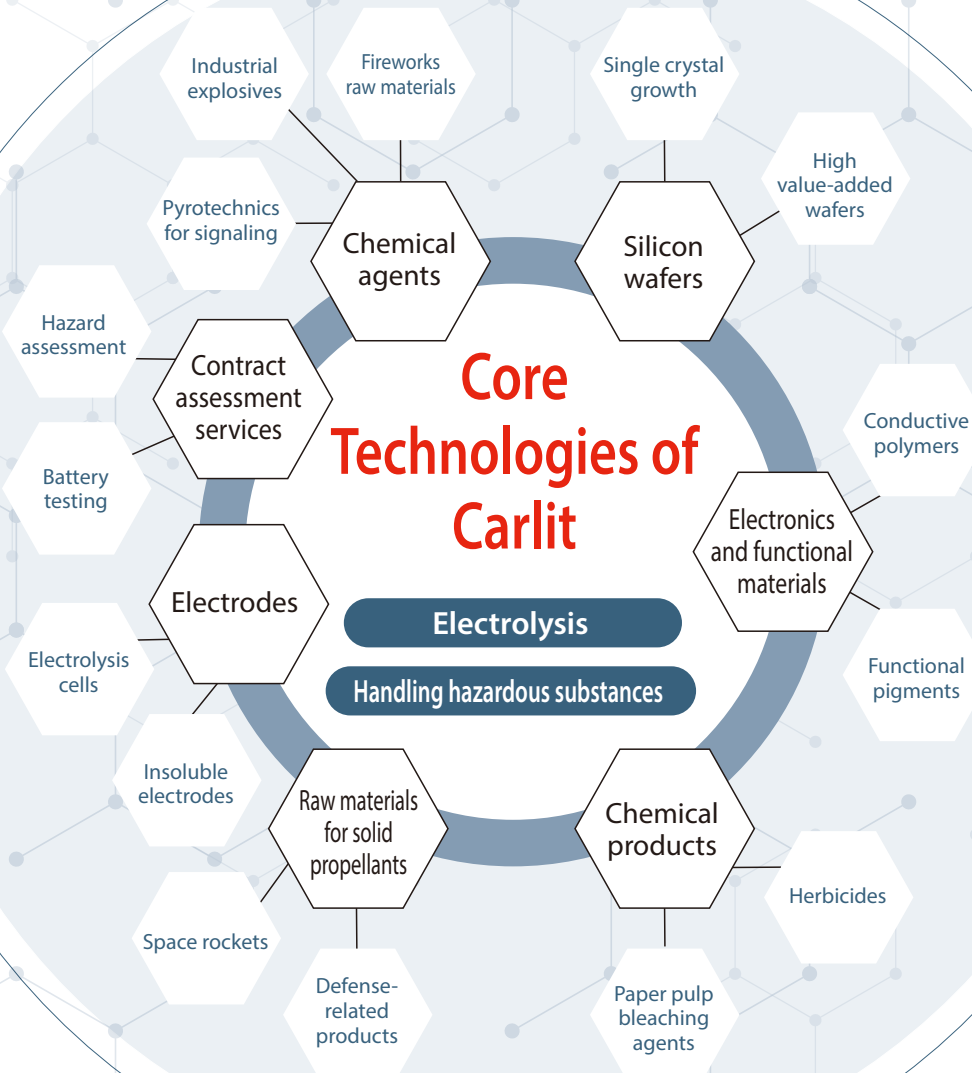


Electrodes

Since our founding, we have cultivated technologies related to electrodes and electrolysis. We apply these technologies to create innovative solutions for switching to renewable energy.

A leading electrode manufacturer in Japan, offering a wide range of products, from platinum-based to lead dioxide-based catalysts

Products developed from our core technologies



Advanced Electronics

Supporting the realization of electronics' evolution from inorganic to organic materials



Silicon wafers

We support the development of next-generation devices by leveraging the strengths of our integrated manufacturing process, beginning with silicon ingot production, and our unique R&D structure as a chemical manufacturer.

One of Japan's leading integrated manufacturers of small-diameter wafers



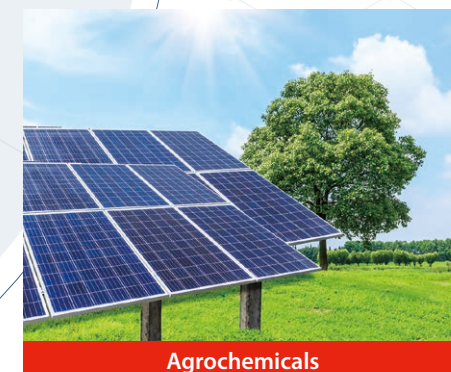
Electronic materials

We contribute to the realization of high-performance devices with low environmental impact by developing conductive polymers and other materials based on our knowledge of electrochemistry.

A chemical manufacturer with a history of developing and manufacturing solid aluminum electrolytic capacitors

Life Sciences

We enhance the quality of daily life by leveraging technology in the field of inorganic chemical products.



Agrochemicals

Environmentally friendly products contribute to the landscape management of residential areas and historic sites, enriching the quality of people's lives.

Salt-based herbicide market share **40%**



Paper pulp bleaching agent

We provide bleaching agents for wood chips, which are utilized as a fundamental raw material in the production of various paper products, including copy paper, hygienic paper such as toilet paper, and paper diapers.

Leading manufacturer in Japan

Roadmap for Realizing the Ideal Carlit Group in 2030

Since its establishment, the Carlit Group has been dedicated to contributing to society and people, and has consistently met the challenge of creating value through its business activities. Guided by a management philosophy rooted in its founding spirit, the Group will pursue value creation through its Mid-Term Management Plan, "Challenge2027." This involves optimizing its business portfolio and pursuing business strategies, human resource strategies, and financial strategies, accompanied by investment and R&D.

Business Portfolio

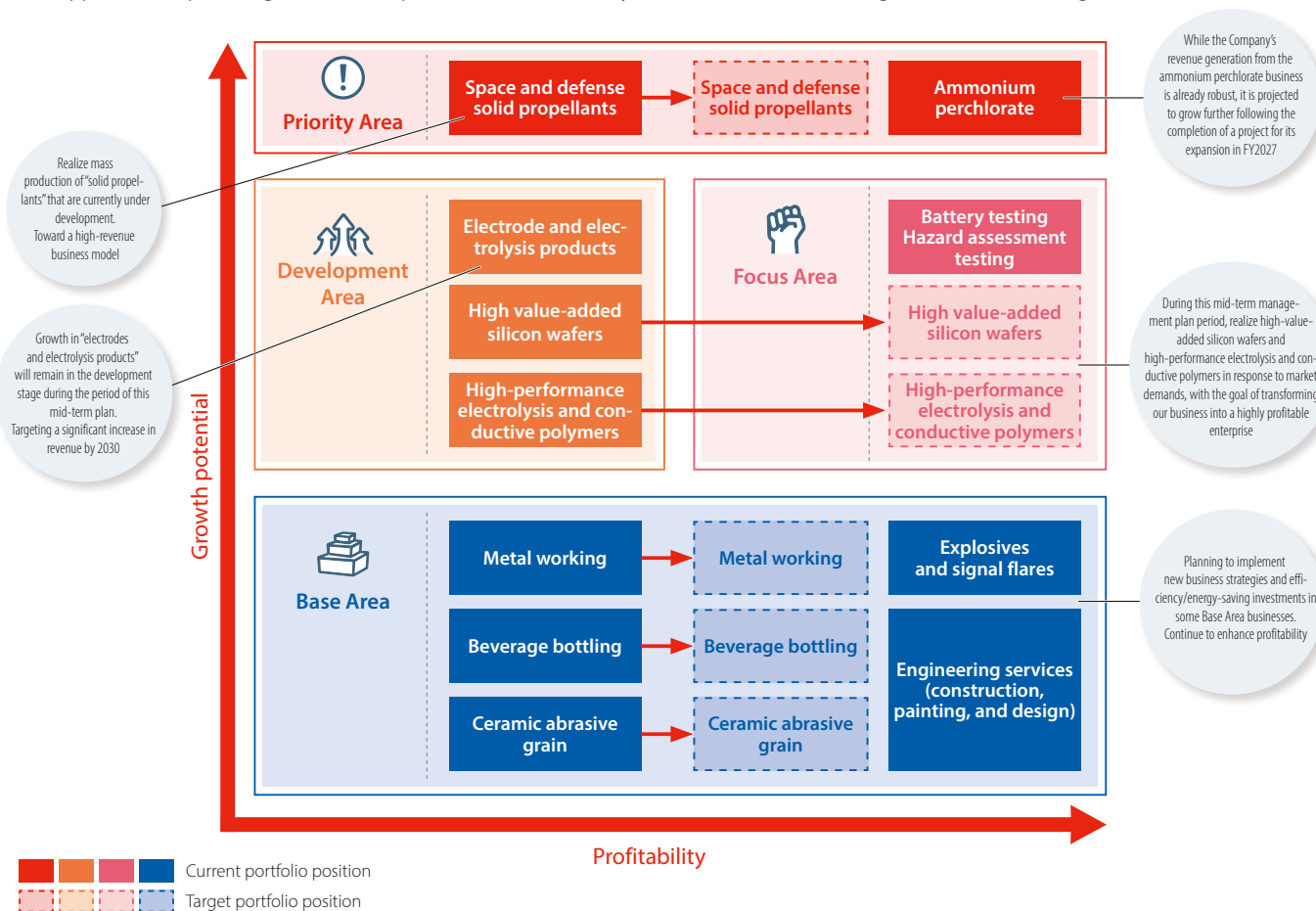
We analyzed the results and challenges of the previous Mid-Term Management Plan, "Challenge 2024," and optimized our business portfolio to align with changes in the business environment.

We have established the "Priority Area" as a business area that exhibits characteristics of both the high-revenue-generating Focus Area and the Development Area and is expected to ultimately become part of the Focus Area. The "solid propellants" utilized for space development and defense applications, along with their raw material, "ammonium perchlorate," were strategically positioned in the Priority Area. Ammonium perchlorate represents the Company's founding business, while solid propellants embody the culmination of our core technologies. Through this strategic realignment, we aim to leverage our technology to support people's lives from outer space and the skies, anticipating the future expansion of the space development market and the growing defense demand to protect Japan's airspace.

Furthermore, for high-value-added silicon wafers, which are

expected to contribute to improving the performance of electronic devices, the Company will leverage its strength in integrated manufacturing to improve profitability in the small-diameter market, which is seeing a decrease in domestic manufacturers. The Company is working to transition this area from the Development Area to the Focus Area. In the high-performance electrolysis and conductive polymers business, we are dedicated to enhancing product performance, including power saving and temperature durability. Furthermore, we are committed to developing products that have minimal environmental impact. By contributing to the further diffusion of AI and aiming to create value, we will improve profitability and also shift this from the Development Area to the Focus Area. Furthermore, we will be making efficiency improvements and energy-saving investments in our Base Area businesses. Our strategic objective is to enhance corporate value and improve profitability, with the goal of realizing the Ideal Carlit Group in 2030.

Our approach to optimizing our business portfolio over the three years of our Mid-Term Management Plan "Challenge 2027"



Our Vision

Since its founding, 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 our Vision (Aspiration for 2030-2035), and through the growth strategies in our Mid-Term Management Plan "Challenge 2027," we will work to create value by addressing social issues.



Value Creation Process

Since its founding, 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. To realize our management philosophy, we have established our Vision, and through strategies in line with the business portfolios in our Mid-Term Management Plan “Challenge 2027,” we will work to create value by addressing social issues.

Founding Spirit

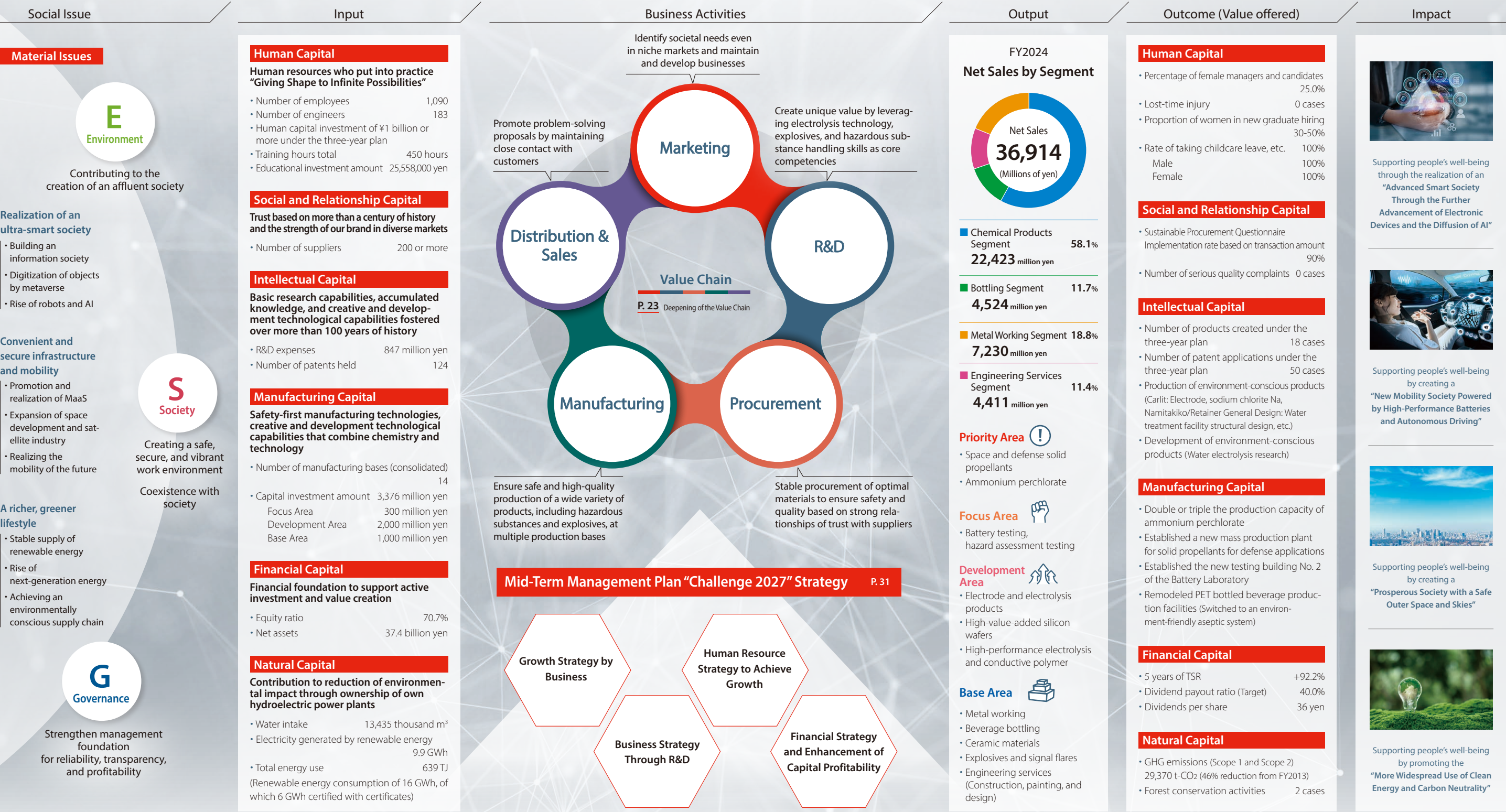
Management Philosophy

Strenuous Efforts (Funto Doryoku)

For Confidence and Infinite Challenges

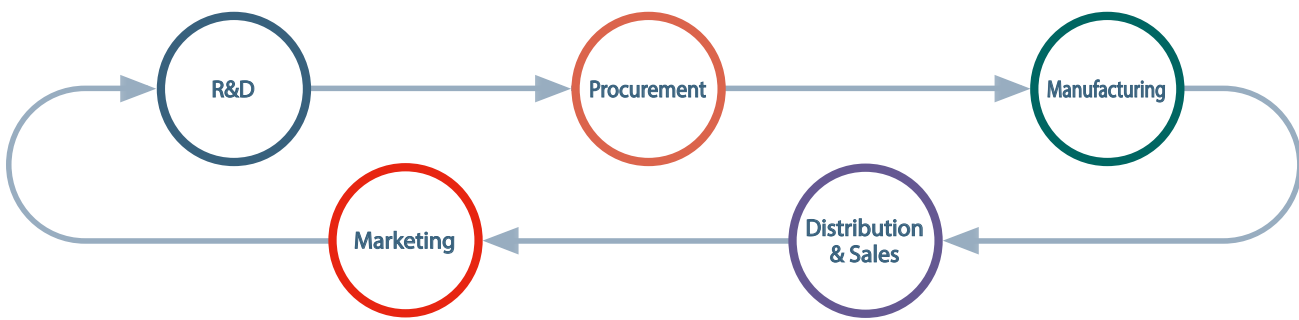
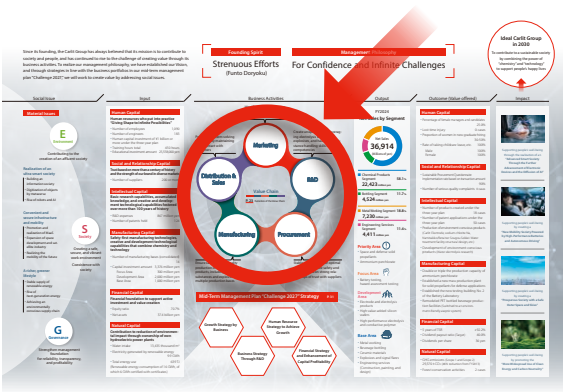
Ideal Carlit Group in 2030

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



Deepening of Value Chain that Drives Value Co-Creation

As illustrated in the value creation model, the activities within the value chain strengthen our business operations by efficiently utilizing the various forms of capital available within the Carlit Group and leveraging Carlit's unique strengths. In this section, we present the capital and resources that are essential for each activity, Carlit's distinctive features and strengths, and the obstacles we intend to overcome for continued progress.



 : Contributing to the creation of an affluent society
 : Coexistence with Society
 : Strengthen management foundation for reliability, transparency, and profitability

C Chemical Products Segment
B Bottling Segment
M Metal Working Segment
E Engineering Services Segment
(End of March 2025)

	R&D	Procurement	Manufacturing	Distribution & Sales	Marketing
	Our core technologies, centered on electrolysis and the handling of explosives and hazardous materials, form the foundation for developing technologies and services that create a prosperous future and a safe and secure society.	We enable high-quality, reliable, and stable manufacturing through ensuring material quality and stable supply, coupled with sustainable procurement that is mindful of labor, ethics, and the environment. We prioritize continuous trust and cooperation with our suppliers, aiming for procurement activities that enable sustainable growth for both parties.	We strictly manage manufacturing, quality, cost, and delivery (QCD) to safely produce a wide variety of products, including hazardous materials and explosives. We accomplish this through a variety of initiatives, including those related to quality assurance, production technology, equipment management, and production control. These initiatives help us combat aging, reduce environmental impact, and enhance production efficiency, all with the goal of earning our customers' trust.	We have extensive knowledge of our diverse product lineup and the specific characteristics of the markets they serve, providing tailored support and sales activities, and offering solutions and services that meet our customers' needs. We integrate customer feedback and market conditions into our product development, improvements, and production processes to ensure customer satisfaction.	We implement management strategies to build and maintain optimal business models, organizing our portfolio into four business segments. We realize people's safety and well-being by identifying societal needs, even in niche markets, and by maintaining and developing businesses.
Relevant Material Issues / Actions Addressing Social Issues	<div>Contributing to life and the environment</div> <div>Contributing to a smart society</div> <div>Promotion of climate change action and environmental management</div> <div>Contributing to safety and security</div>	<div>Promote supply chain management</div> <div>Communication with stakeholders</div> <div>Legal compliance</div> <div>Advanced cyber security and DX implementation</div>	<div>Promotion of climate change action and environmental management</div> <div>Contributing to safety and security</div> <div>Communication with stakeholders</div> <div>Contribute to sustainable development of local communities</div>	<div>Contributing to life and the environment</div> <div>Contributing to a smart society</div> <div>Communication with stakeholders</div> <div>Legal compliance</div>	<div>Contributing to life and the environment</div> <div>Contributing to a smart society</div> <div>Contributing to safety and security</div> <div>Communication with stakeholders</div>
Key Capital and Resources	Human Capital Human resources with in-depth knowledge of key technologies Intellectual Capital Wide range of research and development themes Unique technologies found only in niche industries Social and Relationship Capital Cooperation with customers and suppliers Industry-government-academia collaboration	Human Capital Purchasing talent to achieve stable product supply Intellectual Capital Procurement know-how to support a broad product lineup Social and Relationship Capital Relationship of trust with suppliers Natural Capital Procurement of environmentally friendly parts and materials	Human Capital Process and manufacturing technology talent Intellectual Capital Accumulation of manufacturing technology and know-how in handling raw materials and products Social and Relationship Capital Relationship of trust with customers and suppliers Natural Capital Abundance of water sources, electricity, gas, raw materials, etc. Manufacturing Capital Fourteen bases in total, including locations in Gunma, Nagano, Shiga, Ibaraki, Osaka, and others	Human Capital Sales and customer relations talent Intellectual Capital Know-how relating to various market environments and supply chain characteristics Social and Relationship Capital Relationships of trust with clients and customers	Human Capital Human resources with expertise in various business models for R&D, procurement, manufacturing, and sales Intellectual Capital Core technologies that leverage the strengths of each business segment and field Social and Relationship Capital Building relationships of trust with stakeholders
Features and Strengths of Carlit	<ul style="list-style-type: none">Laboratory structure linked to production sites CKnowledge and know-how as Japan's only raw material manufacturer for solid propellants CAbility to develop products and services that utilize electrolysis and hazardous materials handling technologies C	<ul style="list-style-type: none">Relationships of trust and collaboration with suppliers CBMEStable supply chain management through purchasing from multiple sources CBMEAchieving stable procurement through an integrated manufacturing system, including in-house production of intermediate raw materials C	<ul style="list-style-type: none">Japan's only industrial production technology for ammonium perchlorate CProduction and handling technologies for hazardous substances and chemicals CPossession of hydroelectric power plants with abundant water sources CBHistorically proven metal working and structural design technologies ME	<ul style="list-style-type: none">Strong and close relationships of trust with customers through direct sales CBMELineup of special and unique products and services MEProposing customized products and other solutions from the customer's perspective CBME	<ul style="list-style-type: none">A one-of-a-kind product that combines core technologies CBMEAbility to develop value-added products based on market-oriented approaches CBMEHigh market resilience through multiple business segments CBME
Challenges for Deepening (In terms of the Capital Axis)	<ul style="list-style-type: none">Transform core technologies into sustainable growth models CCreation of new core technologies for sustainable growth C	<ul style="list-style-type: none">Sustainable supply chain management CBMEEffective use of resources CBMEAdvanced procurement risk management CBME	<ul style="list-style-type: none">Ensuring employee health and safety CBMEClimate Change Action CBMETechnology transfer adapted to an aging population CBMEShift to more efficient production technology CBMERealization of new factories and production technologies for new businesses C	<ul style="list-style-type: none">Rapid response to changing market needs CBMEOffering customer solutions that integrate sales, development, and production CMECollection of market information to advance core technologies CBME	<ul style="list-style-type: none">Raise brand and company name recognition CBMEStrengthen global expansion CMEDevelop and enhance both specialist and generalist talent CBME

Material Issues, Risks and Opportunities

The Carlit Group is committed to addressing material issues to continually increase corporate value. We will strive to achieve growth and social contribution in a rapidly changing business environment by properly recognizing the risks and opportunities inherent in each material issue and reflecting them in our management strategies and business activities.

ShortShort termMediumMedium termLong term

ESG	Material Issues	Area of Social Issue Addressed	Relevant Stakeholders	Vision for 2030	Risks	Time Frame	Opportunities		Time Frame	Qualitative Goals	Initiatives	Key Performance Indicators (KPIs)	Target Year	FY2024 Results	Relevant SDGs
Environment	Contributing to the creation of an affluent society	Contributing to life and the environment	All stakeholders	Create products that support the creation of a prosperous society and contribute to the creation of a convenient and secure lifestyle and society	Products become obsolete due to lifestyle and social changes and technological innovation	Medium	Increase corporate value by providing products that respond to changing lifestyles, environments, and society		M L	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 (5 products contributing to the living environment + 5 products contributing to a smart society) 30 patent applications	FY2024	Number of products created: 3 (Total for three years: 7) Number of patent applications: 11 (Total for three years: 31)	<div>9</div> <div>11</div> <div>12</div>
		Contributing to a smart society				Short			S M						
		Promotion of supply chain management	Business partners	Contribute to environmental conservation by achieving an environmentally conscious supply chain	Environmental issues such as global warming and water resource depletion and social issues such as human rights and labor becoming manifest or increasingly serious	S M L	Increase corporate value by promoting activities such as manufacturing, provision of services, and procurement that contribute to resolving social issues.		S M L	Understand environmental activities across the supply chain	Conduct a Sustainable Procurement Questionnaire	Surveyed 90% of suppliers on a procurement amount basis (enhanced the procurement questionnaire)	FY2025	Surveyed 75% of suppliers on a procurement amount basis in 2022	
		Promotion of climate change action and environmental management	All stakeholders	Contribute to society by reducing energy and water resources both in intensity and total amount	Lack of climate change measures and environmental considerations reduce supply chain credibility and stakeholder confidence	Medium	Increase corporate value by establishing a supply chain and providing products that contribute to reducing environmental impact		M L	Reduce CO ₂ emissions	Establish a carbon neutrality promotion department	46% reduction compared to FY2013 (Scope 1 and Scope 2)	FY2030	48% reduction compared to FY2013 (Scope 1 and Scope 2)	
										Switch to renewable energy sources	Promote renewable energy facility installation plans	Set renewable energy usage rate targets	FY2026	Promoted the transition to renewable energy by introducing in-house carbon pricing	
										Eliminate serious environmental accidents	Implement environmental risk assessment and training	Serious environmental accidents: 0 cases	Every year	0 cases	
										Eliminate violations of environmental laws and regulations		Serious violations: 0 cases	Every year	0 cases	
Society	Creating a safe, secure, and vibrant work environment	Employee satisfaction and health management	Employees	Employees able to work in good health and vitality	Decline in organizational performance due to deteriorating health of employees and decreased job satisfaction and an uncomfortable work environment	S M L	Improve organizational performance through executive and employee satisfaction and health management		S M L	Improve employee engagement scores	Implement engagement surveys and obtain feedback	Continuously improve scores	Every year	Ongoing implementation of surveys	<div>3</div> <div>5</div> <div>8</div>
		Ensure human resource training and diversity	Employees	Promote human resource diversity and foster diverse human resources through fair treatment to revitalize the workplace	Failure to secure human resources with diverse skills and capabilities, resulting in the inability to improve organizational capabilities and increase corporate value	S M L	Increase corporate value through the active participation of human resources with diverse abilities and skills		S M L	Active investment in human resources	Execute diverse training programs	20% increase in human resource investment per person (Compared to FY2020)	FY2024	83% increase per person	
										Promote employee health	Promote regular health checkups and manage checkup rates	100%	FY2026	99.3%	
		Addressing work system reform	Employees	Have employees choose diverse work styles as we move toward a society of active participation by all citizens to revitalize the workplace	Inability to improve organizational capabilities and increase corporate value due to lack of work style options	S M L	Create a thriving workplace by offering a variety of work style options, leading to improved organizational performance		S M L	Reduce smoking	Implement programs to quit smoking	Smoker rate: 5.0%	FY2026	26.8%	
										Increase the proportion of female in new graduate hiring	Implement measures to raise awareness in recruitment activities	≥ 30.0%	Every year	30.0%	
		Maintain a safe and hygienic work environment	Employees Local communities	Maintain accident-free and disaster-free operations, earning the trust of society	Business disruption	Short	Increase corporate value by achieving a stable supply framework		Medium	Increase percentage of female managers	Increase number of candidates for appointment	≥ 3.0%	FY2024	4.7%	
	Coexistence with society	Contributing to safety and security	Employees Customers Business partners	Continuously supply safe, high-quality products, earning the trust of customers	Loss of social credibility due to deterioration in product quality and safety, etc.	Short	Increase corporate value by providing valuable products of quality and safety performance		Medium	Eliminate quality complaints	Analyze complaint and obtain feedback	Serious quality complaints: 0	Every year	0 cases	<div>4</div> <div>7</div> <div>13</div>
		Communication with stakeholders	All stakeholders	Be appraised by stakeholders based on thorough fair disclosure and constructive dialogue	Fair trading is hindered by insider trading and social credibility is lost	Short	Increase corporate value by engaging in constructive dialogue with stakeholders and gaining a better understanding of them		Medium	Strengthen group-wide production and quality risk management framework	Identify and continuously manage production and quality risks	Host monthly production/quality meetings Follow up on the status of response to major risks	Every year	The valuation method was updated in conjunction with the revision of the risk map, which included enhancing the quantitative risk assessment and objective assessments conducted by another division	
										Enhance selection and analysis of critical risks	Establish a Group Risk Management Committee to collect and analyze potential risks and select key risks	Continued active and proactive implementation	Every year	Ongoing	
										Promote understanding of our business among stakeholders	Conduct briefings on financial results, individual IR meetings, and small meetings	Published annually	Every year	Ongoing	
		Contribute to sustainable development of local communities	Local communities	Promote social contribution activities and be understood and appreciated in the community	Loss of credibility in regions where we operate, making it impossible to continue business activities	Short	Gain the trust of communities in the regions we operate, stabilize business operations, and increase our corporate value		Medium	Publication of the Integrated Report	Translate financial materials into English	Issued annually	Every year	Ongoing	
Governance	Strengthen management foundation for reliability, transparency, and profitability	Ensure credibility regarding the determination of material facts	Shareholders and investors	Maintain growth by building a corporate governance framework that responds to a changing society	Failure to respond promptly and flexibly to the increasing sophistication of corporate governance, resulting in damaged corporate value over the medium term	Medium	Continue to promote corporate governance in response to a changing society, leading to increased corporate value		Medium	Improve the effectiveness of the Board of Directors	Evaluate the effectiveness of the Board of Directors	Continuously improve scores	Every year	Score improvement	<div>8</div> <div>16</div> <div>17</div>
		Legal compliance	Employees Business partners	Comply with laws and regulations and changing social norms by instilling awareness on compliance	Violation of laws and regulations, scandals, etc., possibly resulting in significant losses or, in some cases, hindrance to business continuity	Short	Thorough compliance and prevention of legal violations and misconduct, leading to increased corporate value		Medium	Adhere to Corporate Governance Code	Periodic review of corporate governance reports and appropriate disclosure	Continuation	Every year	Ongoing	
		Advanced cyber security and DX implementation	Employees	Respond to increasingly sophisticated and complex cyberattacks and capture business and revenue opportunities through DX promotion	Serious cybersecurity incidents resulting in significant losses or, in some cases, hindering corporate continuity	Short	Improve organizational performance and increase corporate value through prevention of incidents and DX promotion		Medium	Promote compliance management	Develop and disseminate compliance code of conduct	Compliance training for all Group companies	Every year	Ongoing	
										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	14 items	

Stakeholder Engagement

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 creating deeper mutual understanding through a healthy exchange of opinions is essential to enhancing corporate value, we will continue to strive for proactive communication.

Stakeholder	Group Stance	Main Approach	Major Findings and Actions Through Communication	Division
 Shareholders and investors	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 improve market confidence, and strive to enhance corporate value through a better understanding of our Group.	<ul style="list-style-type: none">General meeting of shareholdersIntegrated ReportWebsiteFactory toursFinancial results briefing and mid-term management plan announcements: 2IR interviews: 101 (cumulative FY2024 financial results)Shareholder Relations (SR) interviews: 6 companies* <p>* FY2023</p>	We have revised our shareholder return policy with the aim of enhancing profit returns. The mid-term management plan includes the concept of capital allocation as a concrete plan for improving capital profitability.	<ul style="list-style-type: none">General Affairs Department, Administration DivisionCorporate Planning Department
 Employees	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 diversityGroup newsletters and IntranetEmployee engagement surveysSustainability promotion training program	Consider and promote human capital management	<ul style="list-style-type: none">Human Resources Department, Administration DivisionPublic Relations & IR Group, Corporate Planning Department
 Customers	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 sustainable products and services in collaboration with customers	<ul style="list-style-type: none">Sales DivisionResearch & Development DivisionSustainability Promotion Group, Corporate Planning Department
 Business partners	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 QuestionnaireResponses to the CDP Questionnaire	Consideration of efforts to address climate change, water security and biodiversity throughout the supply chain, and determination of internal carbon prices	<ul style="list-style-type: none">Sustainability Promotion Group, Corporate Planning DepartmentSupplies Department, Administration Division
 Local communities	We are committed to contributing to the sustainable development of local communities through our various activities. We remain committed to fostering open communication with the local communities where we have established bases.	<ul style="list-style-type: none">Forest conservation activitiesHolding science experiment classes at elementary schoolsAcceptance of donations through product salesSponsorship of fireworks shows, etc.Website	Consideration and promotion of activities to earn the trust of the local communities where we conduct our business	<ul style="list-style-type: none">Each plant and base administration divisionCorporate Planning DepartmentSales DivisionResearch & Development Division

Dialogue with Investors

In July 2024, the Company made a strategic decision to separate the sustainability function from the "Public Relations & Sustainability Group," which had been handling internal and external communications, investor relations (IR), and sustainability activities. The Company then newly established the "Public Relations & IR Group." This change was made to maintain and enhance market confidence and strengthen IR activities.

We facilitate opportunities for dialogue with investors, including annual financial results briefings and quarterly IR meetings. In FY2024, we also held tours of our major manufacturing facilities, the Gunma and Akagi Plants, for institutional investors. The feedback we received from these tours indicated that seeing the facilities firsthand "deepened understanding of our growth businesses."

The opinions and requests expressed to us during these dialogues are shared with the relevant divisions and management and used to improve our corporate activities. Specifically, we reviewed our

shareholder return policy with the aim of enhancing profit distribution. To improve capital profitability, we advanced discussions and implemented concrete measures, including incorporating our approach to capital allocation in the medium-term management plan. Going forward, we will continue to pursue sustainable growth by enhancing our corporate value and market rating over the medium- to long-term. We are committed to the timely, accurate, and fair disclosure of information and two-way dialogue.



A factory tour

Dialogue with Employees

The Company regards its employees as its most valuable asset and fosters a corporate management style that prioritizes respect for diversity and enhanced engagement. We believe that creating an environment where our human resources can thrive is essential to our sustainable growth and the realization of our vision. We are committed to engaging in dialogue with our employees.

For instance, commencing in FY2023, we initiated luncheon sessions for female employees at the Head Office to network with female outside officers. In FY2024, 41 women participated in the program across seven sessions. Feedback gathered from employees during these gatherings is relayed to the officer in charge of human resources. Additionally, outside officers provide employees with an external perspective on the Company, fostering a sense of attachment and responsibility among employees. We will continue to

expand the bases where these gatherings are held and engage in ongoing dialogue with employees.

By pursuing human capital management and sustainability, we aim to enhance corporate value.



A lunch meeting between Outside Director Murayama, Outside Audit & Supervisory Board Member Mitamura, and female employees

Dialogue with Local Communities

We recognize that our manufacturing activities are made possible with the understanding and cooperation of the local communities where our facilities are located. For this reason, we strive to build trusting relationships with these regions.

Specifically, we provide educational support by holding annual science experiment classes at elementary schools in Shibukawa City, Gunma Prefecture, where our main manufacturing base is located.

In FY2024, we introduced a "Non-FIT Non-Fossil Certificate" issued by the Saku Power Plant, a hydroelectric facility associated with our founder. This initiative is based on the concept of "local production and local consumption of environmental value," with the aim of making sustainable contributions to local communities.

We remain committed to maintaining stable business operations and enhancing corporate value to contribute to the sustainable development of local communities.



A science experiment class

Review of Past Mid-Term Management Plans

	100-Year Foundation FY2015 - FY2018	Waku Waku 21 FY2019 - FY2021			
Numerical targets and results		FY2018 Results (As of the start of the previous mid-term plan)	FY2021 Plan (The final year of the previous mid-term plan)	FY2021 Results	
	Net Sales	65.0 billion yen	Net Sales 34.0 billion yen	42.0 billion yen	34.0 billion yen
	Operating profit	3.5 billion yen	Operating profit 2.3 billion yen	3.0 billion yen	2.5 billion yen
	Operating profit margin	5.0%	ROE 6.0%	8.0%	7.8%
	Capital investment plan	20.0 billion yen (Total for 4 years)	* The calculation of net sales has been simplified based on the new accounting standard		
The merger and acquisition of Sankyo Jitsugyo. Operating profit of Group companies increased 150% in four years		<ul style="list-style-type: none">■ Operating profit: 500 million yen below the plan. Breakdown: 700 million yen below the target for new businesses and products, and 200 million yen above the target for existing businesses■ The impact of the pandemic has been significant. However, the impact has not been entirely negative. We have also successfully captured the recovery in demand in the semiconductor and automotive sectors.■ Due to significant changes in market conditions, including a sharp decline in domestic and inbound tourist demand, we decided to halt the construction of a new bottling line. The impact thereof on the operating profit plan was minimal.			
Review	Topic	Basic Theme			
	<ul style="list-style-type: none">■ Having commemorated our centennial anniversary in 2018, establish a robust business foundation that will serve as the cornerstone for the next century■ Solidify the path to achieving the Group's mid- and long-term target of 100 billion yen in net sales	Review of Waku Waku 21			
	Strategies	Concept of Waku Waku 21			
	<ul style="list-style-type: none">■ Create new businesses and products■ Expand overseas sales■ Improve profitability of existing businesses■ Strengthen Group management under the holding company structure	<div>New Initiatives</div> <ul style="list-style-type: none">• R&D and new businesses• M&A• Overseas business <div>Solidification of our business foothold</div> <ul style="list-style-type: none">• Strengthen the foundation of existing and peripheral businesses			
		<div>△ : Sales-oriented. Insufficient profit-oriented awareness</div> <div>✕ : Short-term perspective. Growth strategy was insufficient. Lack of active investment of management resources</div> <div>✕ : Had to focus on our existing businesses</div> <div>✕ : Insufficient specialization in specific R&D and new businesses</div> <div>✕ : Inadequate approach to M&A in growth areas</div> <div>△ : Withdrawal from Vietnam and Singapore bases</div> <div>○ : Slight increase in sales and profit</div> <div>Good market environment for existing businesses</div> <div>△ : Lack of awareness of financial targets. Insufficient profitability</div> <div>✕ : Acquisition of Minamisawa Construction.</div> <div>Expansion of peripheral businesses</div>			
		The Company's new business segment, which has faced challenges, has benefited from the increased demand for semiconductors and automobiles during the pandemic. Regarding investment plans, due to external factors, including the pandemic and trade tensions between the United States and China, the Company has decided to cancel its plans to invest in a new beverage bottling line.			
Challenges	<ul style="list-style-type: none">■ Failure to create new products and businesses■ While sales at overseas bases increased slightly, the scale of overseas business did not meet initial expectations	<ul style="list-style-type: none">■ Sales-oriented: Insufficient profit-oriented awareness■ Short-term perspective: Due to a lack of active investment of management resources, we had to focus on our existing businesses■ Lack of awareness of financial targets: insufficient profitability			

New Mid-Term Management Plan “Challenge 2027”

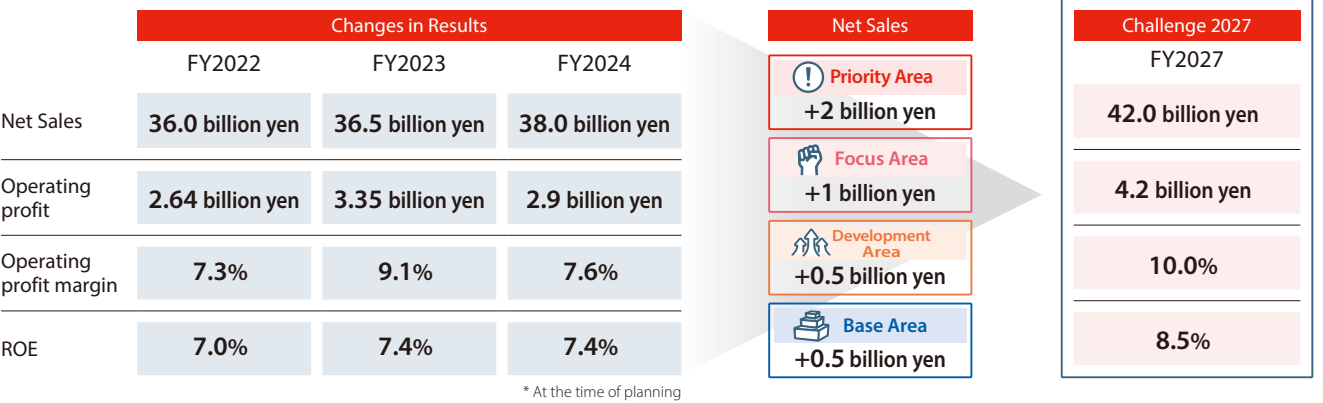
We formulated “Challenge 2027” as the second stage of our long-term vision, looking ahead to 2030 and 2035. Through prudent management of “capital costs” and our stock price, we aim to realize the ideal Carlit Group with a mission “To contribute to a sustainable society by combining the power of ‘chemistry’ and ‘technology’ to support people’s happy lives.”

Profit Plan of Mid-Term Management Plan “Challenge 2027”

We have thoroughly analyzed the results and challenges of Challenge 2024, positioning it as Stage 1, and have optimized our business portfolio in line with changes in the business environment. We have newly defined the “Priority Area” that encompasses the “Focus Area,” where we anticipate revenue growth, and the “Development Area,” which we expect to ultimately become part of

the Focus Area. We have positioned solid propellants used in space development and defense applications, along with their raw material, ammonium perchlorate, as part of the Priority Area. We will also optimize other areas and thoroughly implement business portfolio management tailored to them. By enhancing sales and profitability to increase corporate value, we will achieve our vision.

Overall business growth plan under the Mid-Term Management Plan “Challenge 2027”



Strategy by Business Segment

	Key Points of Growth from FY2027 to FY2035
Space and defense solid propellants (ammonium perchlorate)	<ul style="list-style-type: none">The global expansion of the space industry and the upward trend in Japan's defense budget are expected to drive increased demandLaunch of the full-scale development of not only solid propellants but also their raw materials
Battery testing, hazard assessment testing	<ul style="list-style-type: none">As a company that handles explosives and hazardous materials, we prioritize technical skill succession as a management challenge and promote human resource developmentOur objective is to augment the value of our services, expanding beyond mere “test result reporting” to include “analysis of results.”While the development of automotive batteries abroad has largely concluded, there is still strong demand for domestic development. We are capturing market demand by establishing a comprehensive framework for battery assessments, covering both large and small batteries
High value-added silicon wafers	<ul style="list-style-type: none">Markets with many users, such as those of automotive applications, industrial machinery, and power semiconductors, continue to adjust their inventories, and market uncertainty will persist up through 2025–2026. Our strategy is to take an offensive stance that is aligned with the market recovery.Investment in single crystal growth and cutting/polishing processing facilities has largely concluded. Automation investment continues.R&D investment and human resource allocation continue.To secure revenues during semiconductor market downturns, promote the decentralization of human resources through the three-company merger conducted in October 2024
High-performance electrolysis and conductive polymer	<ul style="list-style-type: none">Strengthen R&D and product developmentPromote development focused on low environmental impact and characteristics tailored to market needs.Respond to societal challenges and demand, such as advanced communication devices, AI technology and related diversity of lifestyles, and the expansion of next-generation mobility, including HVs and EVs.Target overseas markets to drive business growth

P.51 Strategy by Business Segment

Capital Investment for Growth

Plant	Capital Investment Plan
Gunma Plant	<ul style="list-style-type: none">Ammonium perchlorate plantFY2026/H1: Complete expansion and reinforcement of post-production process facilitiesFY2026/H2: Complete reinforcement of the electrolysis production facilities for ammonium perchlorateBattery laboratory: Complete the second testing building in 2025. Further enhancement of testing facilities to meet needs
Nagano Plant	<ul style="list-style-type: none">High value-added facilities: Targeting MEMS, RF, etc. (discrete field) and optoelectronics fieldAutomation and reinforcement of facilities: Automation of surface grinding and polishing processes, augmentation of cutting processes
Akagi Plant	<ul style="list-style-type: none">Warning flare plants: Automating the loading, examination, and transportation processes for Super High Flare automotive emergency safety flares and Road Flare highway signal flaresSolid propellant manufacturing facilities: Aiming to evolve from pilot plants to full-scale production facilities

P.43 Message from the Production and Quality Officer

Growth Strategy Through R&D

To ensure that the Company can continue to create value for the next 100 years, it is crucial to contribute to the realization of a circular society by developing technology that minimizes environmental impact. The rapid increase in electronic devices, driven by advancements in AI and automotive applications, the expansion of space and

defense applications, and the pursuit of carbon neutrality, has increased demand for our core technology. This has resulted in a growing number of development projects. In light of these developments, we have adopted “Green Innovation” as a keyword that defines our R&D vision for this mid-term plan.

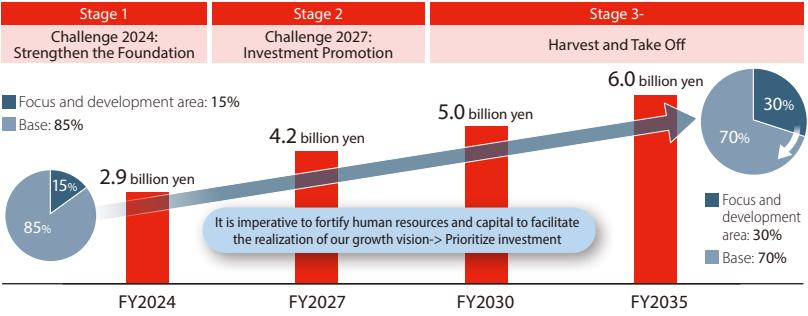
P.37 Message from the Research and Development Officer

Human Resource Strategy to Achieve Growth

Our Group recognizes that a human resource strategy and human capital investment are critical management priorities for realizing our vision. We are committed to recruiting a diverse talent pool, including new graduates, young professionals, experienced specialists and business development talent. This approach ensures that we have the human resources necessary to sustain and grow our business. Furthermore, we will promote the development of talent that contributes to corporate growth and the creation of new businesses.

This includes the early identification of talent and systematic development through personality assessments and appropriate placement. It also includes succession planning for technical skills, enhancing compensation and benefits, and developing digital talent. Additionally, we will promote the development of an environment in which diverse talent can thrive. We are committed to investing in our human capital, recognizing this approach as a cornerstone of our human resource strategy.

Roadmap and human resource strategy approach toward the desired vision



- Approach to Base Area**
- Ensure business continuity by securing human resources
 - Fulfilling our corporate social responsibility (CSR) by creating an exceptional workplace and respecting human rights
 - Improve efficiency through IT and digital transformation (DX)
- Approach to Priority, Focus and Development Areas**
- Secure core human resources who embody our Management Philosophy, “For Confidence and Infinite Challenges”
 - Create new innovations that leverage diversity
 - Secure digital talent for expanding new businesses and enhance cybersecurity

P.47 Human Resource Strategies

Financial Strategy and Enhancement of Capital Profitability

- Carlit Group's Financial Policy
- Improve capital profitability and efficiency to promote the Group’s continued growth and enhance its corporate value from a finance perspective
- Improve capital profitability through appropriate capital allocation
 - Improve capital efficiency (further reduction of cross-shareholdings, etc.)
 - Deliver appropriate shareholder returns based on an optimal capital structure

P.33 Message from the Financial Officer

Message from the Financial Officer

We will promote the sustainable enhancement of corporate value by improving capital profitability and efficiency, pursuing proactive capital investment, and expanding shareholder returns through financial strategies that are mindful of capital costs.

Hideo Okamoto
Director and Executive Officer
In charge of the Finance Department



The Carlit Group's finance division, as a “division connecting business and finance,” plays a role that extends beyond accounting and bookkeeping. It promotes management focused on capital efficiency and contributes to the enhancement of the corporate value of the entire Group. To achieve the Mid-Term Management Plan “Challenge 2027,” the finance division will support the improvement of revenue across all businesses, allocate funds properly for sustainable growth, and deliver shareholder returns that take into account an optimal capital structure.

FY2024 Business Performance

For FY2024, the final year of the Mid-Term Management Plan “Challenge 2024,” the Company's performance was as follows: net sales of ¥36.9 billion (up ¥340 million year-on-year), operating profit of ¥3.05 billion (down ¥310 million year-on-year), and profit of ¥2.57 billion (down ¥30 million year-on-year). As a result, the Company fell short of the operating profit target set under the “Grow Up Plan 2024.” Return on Equity (ROE) was 6.9% (previous year: 7.4%), and the operating profit margin was 8.3% (previous year: 9.2%), both falling short of the targets set under the Mid-term Management Plan.

Regarding the performance of the business segments, the explosives, chemicals, electronic materials, and material assessment

service businesses of the Chemical Products segment demonstrated consistent performance and contributed to enhanced profitability. However, silicon wafers saw weak results due to continued inventory adjustments by semiconductor business partners. The Bottling segment saw a decline in profit due to reduced order volumes, among other factors. On the other hand, the Metal Working and Engineering Services segments both experienced an increase in profit. We will strive to improve profitability across all segments through initiatives such as enhancing productivity and maintaining appropriate pricing.

As of the end of March 2025, the equity ratio stood at 70%, a figure that attests to the Company's financial soundness.

FY2025 Outlook

Our new Mid-Term Management Plan “Challenge 2027” commenced in FY2025. Under this plan, we will pursue aggressive capital investment, research and development, and human capital investment. Our objective is to achieve an operating profit of ¥4 billion, an operating profit margin of 10%, and ROE exceeding 8% by FY2027.

For FY2025, we project increased revenue and profit compared to FY2024, with net sales of ¥39.0 billion, operating profit of ¥3.1 billion, and profit of ¥2.7 billion.

The primary drivers of revenue growth in the Chemical Products segment include the full-scale operation of new equipment in the material assessment service business and the anticipated recovery in the silicon wafer business during the second half of the year. The Bottling, Metal Working, and Engineering Services segments are also expected to enjoy stable performance.

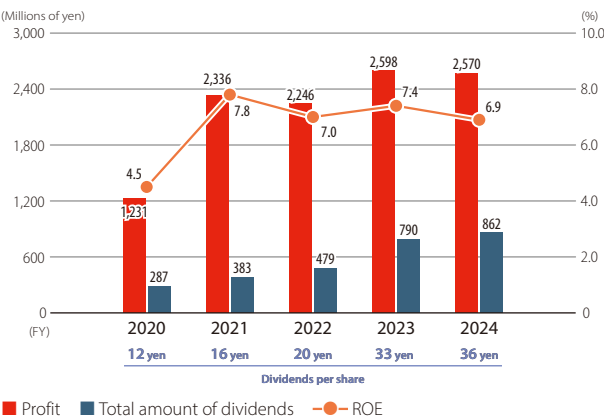
	(Millions of yen)					
	Net sales			Operating profit		
	FY2023 Result	FY2024 Result	FY2025 Forecast	FY2023 Result	FY2024 Result	FY2025 Forecast
Chemical Products	20,865	22,423	23,500	1,521	1,478	1,550
Bottling	5,150	4,524	4,600	609	345	450
Metal working	7,304	7,230	7,300	461	508	550
Engineering services	4,346	4,411	5,000	818	822	650
Total of business segments	37,666	38,590	40,400	3,410	3,154	3,200
Group total	36,577	36,914	39,000	3,352	3,046	3,100

Changes in Capital Profitability and Efficiency

Our Group's return on equity (ROE) in FY2024 was 6.9% (7.4% in the previous fiscal year), falling short of the 8% target under the Mid-term Management Plan. Despite efforts to improve profitability through cost reductions and appropriate price revisions by each Group company, the operating profit margin was 8.3%, down from 9.2% in the previous fiscal year, resulting in lower ROE. Improving capital profitability remains a challenge.

In FY2025, the first year of our new Mid-Term Management Plan “Challenge 2027,” our business will prioritize enhancing capital profitability and efficiency. This will be achieved through strategic investments in the Focus Area and the expansion of facilities in existing areas, with the aim of further boosting profitability. We will promote optimal capital allocation in order to continually increase corporate value.

Changes in capital profitability



Carlit Group's Financial and Capital Strategy

Our Group management is committed to operating with a strong awareness of capital costs. The Group's financial policies are as follows.

Carlit Group's Financial Policy

- Improve capital profitability and capital efficiency to promote the Group's continued growth and corporate value improvement in regard to finance.
- (1) Improve capital profitability through appropriate capital allocation
 - (2) Improve capital efficiency
 - (3) Deliver appropriate shareholder returns based on an optimal capital structure

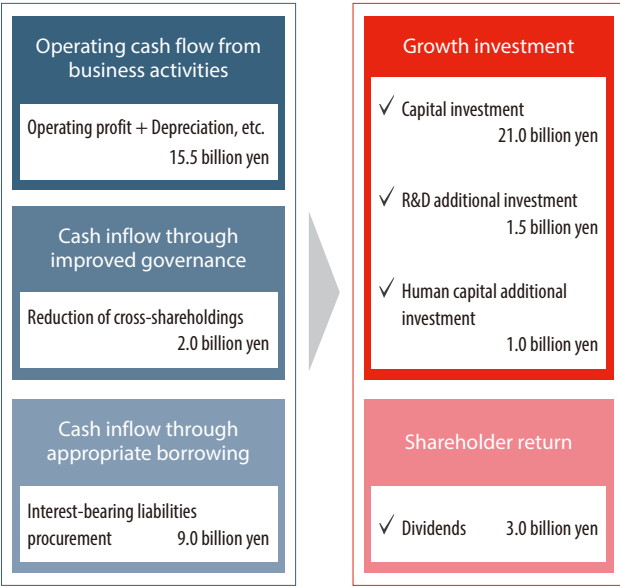
(1) Improve capital profitability through appropriate capital allocation

Our Group's objective is to enhance capital profitability through effective allocation of capital. In addition to cash flows from business activities, capital obtained through financing and reducing cross-shareholdings will be utilized for active investment in growth.

Regarding capital investment, we intend to make significant investments in the Chemical Products segment, with a focus on expanding production capacity and allocating new capital to the Priority Area, which has high return and growth potential. Concurrently, we will make well-balanced investments in existing businesses, including large-scale refurbishments and facility construction to address aging infrastructure, thereby supporting stable business operations.

In pursuing these growth investments and shareholder returns, we intend to make flexible investment decisions while strictly maintaining financial discipline in relation to capital and debts, including maintaining an appropriate equity ratio.

Cumulative cash flows in the Mid-Term Management Plan “Challenge 2027”



Message from the Financial Officer

(2) Improve capital efficiency

Our Group will continue its efforts to further improve ROE.

To increase profits, we will maintain appropriate sales prices and increase sales volume by enhancing production capacity in the Priority Area. To enhance capital efficiency, we will promote the reduction of cross-shareholdings, proper management of inventory, and shortening of accounts receivable collection cycles to reduce working capital.

We will verify that the revenue generated from invested capital is

commensurate with the cost of capital, and we will strive for the continued improvement of capital efficiency.

(3) Deliver appropriate shareholder returns based on an optimal capital structure

We will make strategic investments in growth areas while maintaining financial soundness and enhance shareholder returns. Our shareholder return policy for FY2025 is as follows.

FY2025 Shareholder Return Policy

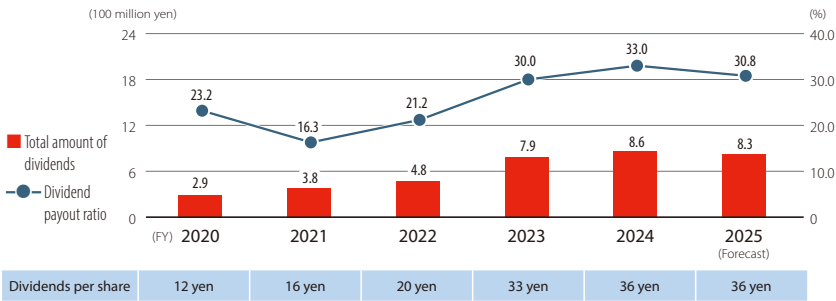
The target for the total return ratio was set at 30% of consolidated profit in FY2024, but was increased to 40% in FY2025. The target dividend payout ratio is 30% or more of consolidated net income, and we plan to pay stable and continuous dividends. The Company will repurchase treasury stock flexibly and at an appropriate timing, taking into account factors such as on-hand liquidity, cash flow prospects, and our stock price. The target amount is 40% of consolidated profit less total dividends.

	FY2024	FY2025 (Announced on May 16, 2025)
Total payout ratio	30%	40%
Dividend payout ratio	-	≥ 30%
Acquisition of treasury share	-	The target amount is 40% of consolidated profit less total dividends.

Acquisition of treasury share

As announced on May 15, 2025, we have established a limit of 1 billion yen for treasury share repurchases. Consequently, the total payout ratio for FY2024 was 72.5%, exceeding the target of 30%.

Changes in actual and forecast dividend



$$\text{Total payout ratio for FY N (\%)} = \frac{(\text{Total annual dividends for FY N}) + (\text{Repurchase amount of treasury share for FY N+1})}{(\text{Profit attributable to owners of parent for FY N})}$$

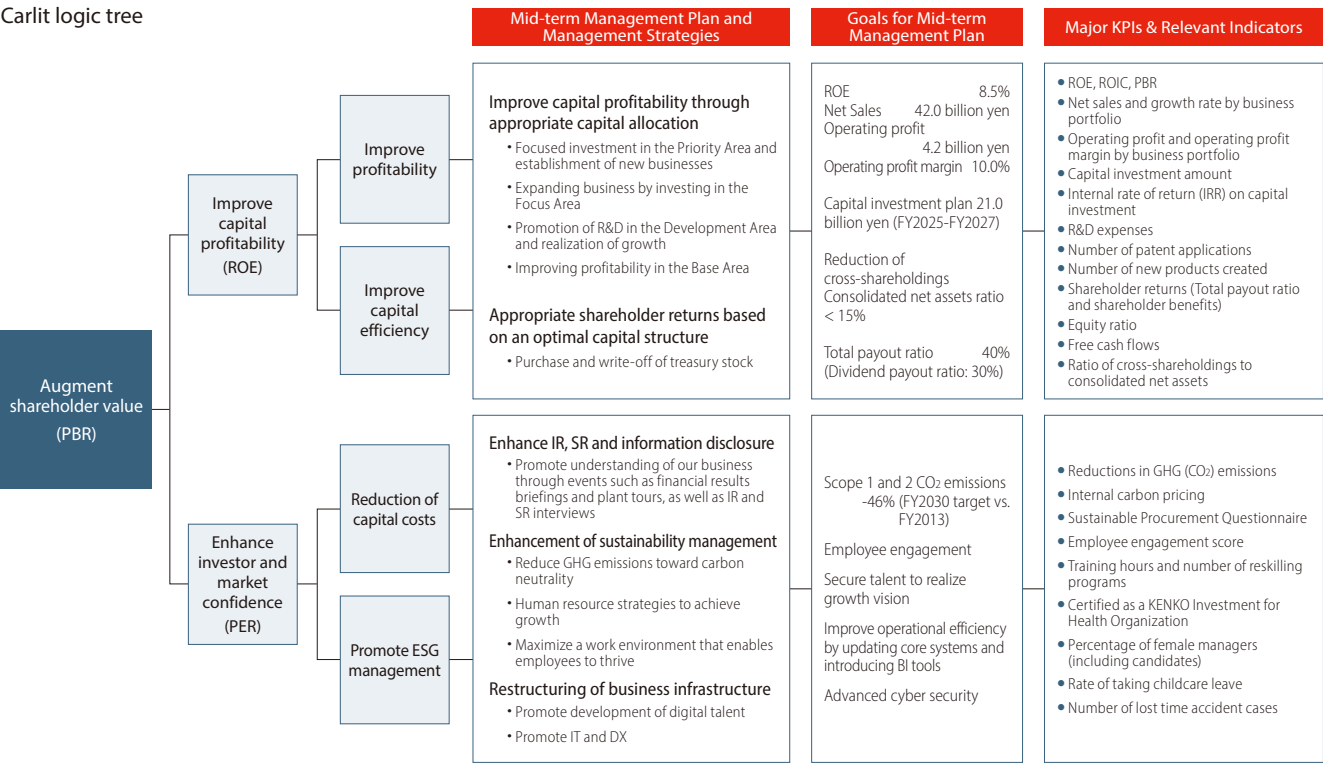
Dialogue with Capital Market

The Company places great importance on dialogue with capital markets and is working to promptly reflect the expectations and opinions of shareholders in its management. We will continue to develop our trusting relationship with capital markets through active dialogue with shareholders, institutional investors, and analysts.

Activities from July 2024 to June 2025

	Handled by	Number of times	Main topics
Results briefing	President and Financial Officer	2 times	New Mid-term Management Plan
Dialogue with institutional investors and analysts	President, General Manager of Public Relations & IR Group	101 times	Business strategy
General meeting of shareholders	President and Financial Officer	1 time	Business Report

Carlit logic tree



Roles to be Fulfilled by Financial Officer

To date, the Company has prioritized its business operations that focus on operating profit and operating profit margin, as demonstrated by its P/L. Consequently, the Company's operating profit, operating cash flow, profit, and ROE levels have all shown marked improvement. However, going forward, it is imperative to place strong emphasis on enhancing the profitability and efficiency of capital and assets, such as ROE and ROIC.

We acknowledge that the Company's theoretical cost of equity capital, as calculated using the CAPM method, ranges from 6.6% to 8.1%. However, our ROE has remained relatively stable at around 7% in recent years. From the perspective of our financial strategy, our focus will be on achieving a sustainable ROE that consistently exceeds the cost of equity capital and drives profitability.

To enhance corporate value through improved ROE, we will actively invest in growth areas, research and development, and human capital over the next three years, leveraging our stable operating cash flow

(EBITDA). We also aim to instill within the Company the importance of improving capital efficiency and ensuring that capital profitability is commensurate with the cost of capital.

The Company's consolidated equity ratio has improved to approximately 70%, ensuring financial soundness. We have decided to raise the target level for the total payout ratio from 30% to around 40% for FY2025 and improve our capital structure through treasury share buy-backs. We will continue to prioritize maintaining financial stability, investing in growth areas, and enhancing shareholder returns.

FY2025 is a pivotal year as we initiate our new Mid-term Management Plan. Our finance division is responsible for executing financial strategies that ensure sustainable growth. We are committed to building and maintaining trust with our stakeholders, with the goal of maximizing the Group's sustainable growth of dialogue with capital market and corporate value from the perspectives of "capital cost," "ROE," and "corporate value."

The Company's cost of equity (calculated using the Capital Asset Pricing Model, or CAPM)

As of June 2025

$$\text{Risk free rate} + \beta \text{ value} \times \text{Market risk premium} = \text{Cost of equity (theoretical value)}$$

$$1.46\% + 0.85-1.10 \times 6.02\% = 6.6\%-8.1\%$$

Changes in the Company's ROE

FY2022	FY2023	FY2024	FY2027 target
7.0%	7.4%	6.9%	8.5%

	FY2020	FY2021	FY2022	FY2023	FY2024
Total shareholder return (TSR) (%)	159.9	148.3	159.2	256.0	252.1
(Compared to: TOPIX (including dividends)) (%)	(142.1)	(145.0)	(153.4)	(216.8)	(213.4)
Highest stock price (yen)	826	974	843	1,112	1,579
Lowest stock price (yen)	431	604	604	676	995

Message from the Research and Development Officer

The world is evolving at an accelerated pace with the fusion of various technologies.

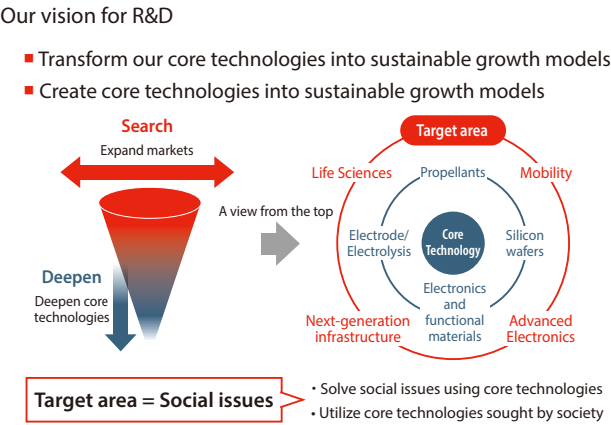
“The future is faster than you think. The world will transform itself in ten years’ time” *1
-The Carlit Group is dedicated to enhancing its core technologies in anticipation of future developments and will continue to evolve in accordance with societal needs.

Yoji Yamaguchi
Executive Officer
In charge of Research & Development Division



*1 Source: “The Future Is Faster Than You Think,” Peter Diamandis and Steven Kotler (NewsPicks, Inc.)

In recent years, technological advances have accelerated and society has undergone rapid evolution. A great deal of energy is required to achieve this rapid evolution. To realize a sustainable society, which may appear to be incompatible with this rapid evolution, the Company is expected to innovate its core technologies. Our Group is committed to contributing to the global community through green energy and materials, as well as through green innovation, as outlined in the Company’s Mid-Term Management Plan “Challenge 2027.”



Keyword for the Midterm Plan Period | Green Innovation

Electrode, hydro, and power-saving optoelectronics technologies that require Carlit’s core technologies to support carbon neutrality

Core Technology	For Green Innovation	Keyword
■ Propellants	Manufactured from (hydro and solar power) sea water and clean energy	Space and defense
■ High value-added silicon wafers	Green Device from FZ to CZ Wafer Innovation of manufacturing technology and energy saving	Next-generation semiconductor devices
■ Electrode/Electrolysis	Conversion of renewable energy into green hydrogen, CO ₂ capture	Carbon neutrality through next-generation energy
■ Electronics and functional materials	Expansion of materials for power-saving devices	AI, mobility

Multiple Core Technologies that Link Technological Innovation to Social Value

The rapid increase in electronic devices, driven by advancements in artificial intelligence (AI) and mobility transformation, the expansion of space and defense applications, and the pursuit of carbon neutrality have led to demand for application of the Company’s core technologies, resulting in a significant increase in development projects.

In particular, the following four core technologies represent the foundation of our business:

- (i) Organic conductive materials (capacitors and electrostatic control) → Electronic devices
- (ii) Silicon wafers → Electronic devices
- (iii) Oxidizers (e.g., ammonium perchlorate) and electrodes for their

production → Space and defense, carbon neutrality
(iv) Explosives using oxidants → Space and defense
Our Group is spearheading advancements in R&D to address the growing demand for low-power consumption and environmentally friendly electronic devices, the expanding domestic demand for space and defense applications, and, in the medium to long term, the energy transition. For instance, the integration of AI into society necessitates an unparalleled scale of servers, resulting in substantial energy consumption. The Company’s technological innovations in organic conductive materials and silicon wafers will contribute to carbon neutrality through reduced power consumption while also driving the widespread use of AI.

Renovation of R&D Strategy: Shift to a “Priority Model” framework

“Focusing on technology breakthroughs”

Our Group’s research and development has evolved from incremental improvements to significant “technological breakthroughs.” To offer the technologies and materials demanded by major societal transformations, our approach to research and development involves first breaking the mold to take a leap forward (testing and selecting ideas that transcend conventional wisdom) and then continuously nurturing and developing them.

“Focusing on areas of significant transformation and growth”

Electronic materials usage, energy initiatives, and—though slightly different—space and defense initiatives are undergoing significant transformation and growth. Consequently, we are focusing our resources on these areas of significant transformation and growth.

“Acceleration of research”

As the world evolves at an accelerating pace, the Company is also accelerating its research to keep pace with the speed expected for commercialization. We divide the process into stages for testing new ideas and those for combining technology, making quick decisions to increase development speed. In addition, the Company has established research centers adjacent to each of our plants. This initiative aims to facilitate a seamless and quick transition from research to production by creating a three-research-center framework in Gunma, Akagi, and Nagano.

Focus Technology Themes and Their Social Significance

Electronic materials, semiconductor [low power consumption, environmentally friendly (PFAS-free)]

The demand for electronic devices is surging due to the integration of artificial intelligence (AI) and the electrification and automation of automobiles. AI requires low power consumption (low resistance, high voltage) to drive vast numbers of components, while automotive applications demand particularly high heat resistance and durability. Our Group was the first in the world to commercialize conductive polymers (polypyrrole), and we have since developed and commercialized multiple unique conductive polymers that are unrivaled by our competitors. We can customize materials to optimal specifications for qualities such as low power loss, or synthesize new conductive materials. Demand for special low-power silicon wafers is also rapidly increasing. We will develop materials that support low power consumption and drive global transformation through AI.

Specifically, we are committed to revolutionizing our Group’s electrode technology in the following areas to support carbon neutrality:

• Low Power Consumption

The adoption of high-flatness, high-resistance wafers is expanding. We are developing wafers that support next-generation electronic and optoelectronic devices, where ultimate flatness is required for multiple applications.

• Environmental Action

The environmental impact of perfluoroalkyl substances (PFAS) is a topic that is being discussed more frequently in the media. While PFAS are widely used, finding alternative materials is challenging, creating a strong demand for material transformation. To meet the growing demand for PFAS-free products, we are developing multiple structures and cultivating them into the next core materials that will support the environment.

Space and defense [solid propellants]

We have developed solid propellants by leveraging our proprietary ammonium perchlorate, a raw material for solid propellants. By customizing ammonium perchlorate and using entirely domestic raw materials, we have realized high performance and stable supply. Following its adoption for space applications, a decision has been made to use it in defense applications as well. To meet domestic demand, we will allocate maximum investment and development resources to this area as part of the “Priority Area” under our mid-term plan. We will advance the development of next-generation products and expand applications, developing this into our next core business.

Electrodes: Converting renewable power into hydrogen and achieving carbon negativity

The NEDO project*2 for water electrolysis—conversion of green power to hydrogen—has been completed, and we will now aim for practical application. Beginning this fiscal year, the Company will participate in CO₂ capture through NEDO’s Moonshot Research and Development Program*3. We are committed to revolutionizing our electrode technology to support carbon neutrality.

P.39 R&D and Intellectual Property Strategies

*2 Collaborative Industry-Academia-Government research and development Project for Solving Common Challenges Toward Dramatically Expanded Use of Fuel Cells and Related Equipment / Technology Development for Advancement of Hydrogen Utilization

*3 Integrated Electrochemical Systems for Scalable CO₂ Conversion to Chemical Feedstocks

As mentioned earlier, accelerated societal transformation requires new technology and materials, creating numerous challenges and opportunities. We will address the many expectations and demands placed on our Group and contribute to society through green innovation.

R&D and Intellectual Property Strategies

The Company leverages its unparalleled strengths—its core technology—to pursue research and development that drives societal transformation. The objective is to achieve breakthroughs that transcend stage-specific improvements and performance enhancements. Furthermore, we maximize our intellectual property and intangible assets that are our deliverables to enhance our business competitiveness.

Research and Development Strategy

The significance of our Group's research and development is fundamentally grounded in protecting and nurturing society, and maintaining a sustainable world and environment. Our Group's R&D division must be indispensable for societal transformation, unparalleled in excellence, and in step with society. We prioritize public confidence and the trust of our customers, recognizing them as our most valuable assets. In line with the vision outlined below, we will concentrate our efforts on four core technology fields: Electrode Technology, Solid Propellant Technology, Semiconductor Technology, and Advanced Functional Materials Technology.

Carlit Group's R&D Vision

- Leverage and innovate our core technologies
- Not for the next, but for the beyond.

- Focus on areas of transformation and growth
- Create fundamental technologies and materials that can be applied and developed for multiple applications

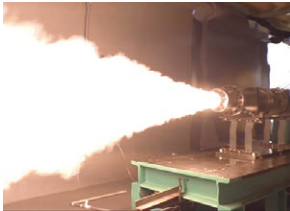
Roadmap for research and development towards 2035

Space and defense solid propellants	Development of commercial rocket motors Development and mass production of defense rocket motors	Mass production of commercial rocket motors	Development of original propellant Development of new defense items	Space business Market size will increase by approximately 2.3 times Global markets from 2023 to 2035
High value-added silicon wafers	Process design and processing technology development Development of wafers for MEMS and SAW filters Development of materials for optical waveguides Development of composite wafers			Generative AI market Annual growth rate of 42% Global markets from 2023 to 2032
Electrode and electrolysis products	Development and enlargement of PEM-type water electrolysis system Development of low-CO ₂ technologies Development of electrodes for large-scale power storage devices		Development of next-generation electrodes	GX public-private investment Total of about 20 trillion yen Cabinet Secretariat 2030 -
High-performance electrolysis conductive polymer	Development of capacitor materials (high voltage and low power consumption) Development of conductive polymers Development of capacitor materials for HEV/EV vehicles	Development of next-generation capacitor materials	Development of materials for fuel cell materials	EVs-HVs Market size will increase by approximately double Global markets from 2024 to 2035
FY2024	FY2027	FY2030	FY2035	

Case Examples of R&D

Meeting defense demand and high-performance requirements with solid propellants

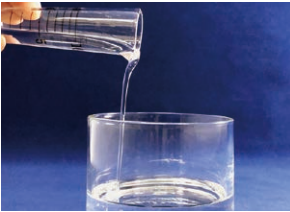
Our solid propellants, initially developed for space applications, are now being adopted for defense uses. This development represents the birth of a new core product that integrates the Company's core, ammonium perchlorate, with explosives manufacturing. We are on track to complete the largest investment in the Company's history by 2027, at which time we will establish production facilities and commence manufacturing. We are committed to meeting the growing demand for high-performance propellants in the defense sector.



Solid propellant combustion testing

Contributing to environmental and social development with non-PFAS materials

In our ongoing commitment to environmental responsibility, we have developed a PFAS (perfluoroalkyl substances)-free film adhesive. This product has been adopted by multiple companies, and we anticipate growing demand. Liquid crystal displays, for instance, consist of multiple laminated films and our product is used in them to prevent static electricity.

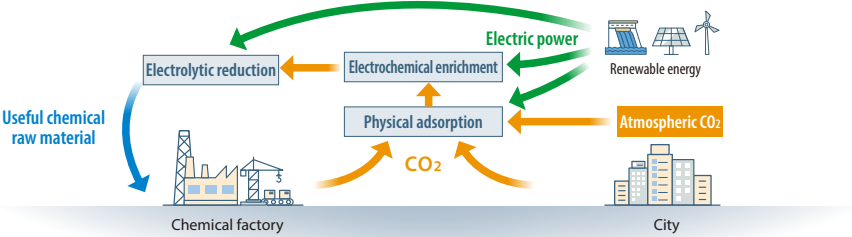


Environmentally friendly (PFAS-free) antistatic material

Solving energy conversion challenges with innovative electrode and electrolysis technology

Green hydrogen production technology
We are developing a PEM-type water electrolysis system that generates hydrogen from water using renewable energy. From FY2023 to 2024, we collaborated with Tosoh Corporation and RIKEN on the NEDO-commissioned R&D project, "Collaborative Industry-Academia-Government research and development Project for Solving Common Challenges Toward Dramatically Expanded Use of Fuel Cells and Related Equipment."
In this project, the Company developed technology to enlarge an electrolyzer (cell) incorporating a new catalyst (iridium-containing manganese oxide) used for green hydrogen production, advancing the establishment of the technological foundation necessary for commercialization. Leveraging the results obtained from this project, the

Company will continue its efforts toward real-world implementation.
Innovative CO₂ capture and resource utilization system (carbon negative)
In April 2025, the Company joined the 'Integrated Electrochemical Systems for Scalable CO₂ Conversion to Chemical Feedstocks' project, which is being carried out by NEDO under the leadership of Professor Masakazu Sugiyama of the University of Tokyo, who acts as Project Manager.
The objective of this project is to develop an integrated system that captures and enriches (concentrates) CO₂ from the atmosphere and buildings. The system will then use renewable energy to reduce CO₂ and water and use electrochemical methods to reduce CO₂, converting it into useful resources such as ethylene and other C₂+ compounds.
The Company will leverage its core technology from our founding—electrolyzer electrodes and electrolyzer cell technology—to advance this project toward the realization of a decarbonized society.



Intellectual Property Strategy

In today's highly competitive business environment, it is crucial to swiftly protect intellectual property—the ideas behind and results of our research. We secure first-to-file rights at the idea stage and then promptly transition to prioritize the acquisition of patents. The Company's technologies are primarily a collection of know-how, and only a small portion is filed and registered as patents. To safeguard and enhance our expertise, we have implemented a comprehensive protection strategy for classified information.
In particular, our expertise lies in the electronic materials business, where we place a strong focus on patent applications and hold numerous

patents. In the face of technological innovation and a highly competitive market environment, we are committed to achieving and maintaining technological superiority, and we are actively pursuing patent applications to leverage this superiority in our business. Furthermore, we manage proprietary know-how related to product manufacturing and handling for certain aspects of the Company's core technology in the explosives and chemical businesses. We maintain confidentiality in these areas, thereby sustaining long-term competitive advantages. By strategically integrating these open and closed strategies, we are fortifying a robust foundation for achieving sustainable business growth and technological innovation.

Securing and Developing Human Resources to Support Intellectual Property Strategies

We recognize the importance of nurturing young researchers for the advancement of ongoing intellectual property activities. We promote initiatives that cultivate an intellectual property mindset among researchers. As part of this initiative, we have systematically provided intellectual property education since FY2020. Newly assigned researchers receive introductory training to learn the fundamentals of intellectual property. They then deepen their practical

knowledge by studying specific aspects of rights acquisition, such as patent proposals, ideation, patent rights, and infringement avoidance. Mid-career researchers and leadership-level personnel study intellectual property development contracts to strengthen their contractual knowledge and risk management capabilities. We provide education tailored to each career stage, developing the talent necessary to support our intellectual property strategies.

Challenges and Countermeasures

"To contribute to a sustainable society by combining the power of 'chemistry' and 'technology' to support happy lives," it is essential to accelerate research. Given our limited resources, it is essential to reduce time and the number of evaluations through meticulous forecasting.

Rather than processing tasks sequentially as results are obtained, we will handle necessary tasks—such as conducting experiments by anticipating requirements—through more advanced multitasking, thereby compressing the time normally required.

Special Feature: Engineers Roundtable Discussion



Manami Nakamura Leader, Gunma Research Center Research & Development Division
Daiki Kashiwai Chief, Research Planning Dept. Research & Development Division
Takuya Takahashi Leader, Akagi Research Center Research & Development Division
Tsukasa Aoyama Nagano Research Center Research & Development Division

A Three-Research-Center Framework for Strengthening Development Capabilities and Tackling the Challenge of New Value Creation

After merging with Japan Carlit and Silicon Technology in October 2024, the Company shifted to a three-research-center framework. This time, we invited researchers from each research center to discuss their current initiatives, challenges for enhancing future competitiveness, and the potential for collaboration among centers.

What is your professional role at Carlit?

Kashiwai Until the end of last year, I was engaged in research at the Gunma Research Center. I am currently affiliated with the Research Planning Dept., where I analyze prospective research themes in the life sciences field. These include solid propellants handled at Akagi and cosmetic ingredients and pesticides at Gunma. Additionally, I am involved in tasks that include coordination and negotiation, both internally and externally.

Nakamura Until last year, I worked on life science themes, such as deodorants, at the Gunma Research Center. My current professional focus is on developing electronic materials, including electrolyte materials used in capacitors.

Takahashi At the Akagi Research Center, I specialize in the

development and prototyping of solid propellants for rockets and rocket motors. Specifically, I am responsible for conducting non-destructive examinations using radiation and ultrasonic waves to verify the quality of solid propellants. I am also involved in building our quality assurance framework by developing technology documentation and standards for product commercialization.

Aoyama The Nagano Research Center was established last October. We are committed to a business model that is not contingent on the silicon cycle. Our research and development efforts are focused on the design of customized wafers. We are expanding into areas that our Group has yet to fully enter, such as AI-related fields, smartphones, and MEMS for automobiles.

In what areas of technology does Carlit demonstrate particular expertise?

Kashiwai I believe the Company's strength lies in continuously refining the technology and expertise cultivated since our founding as an explosives manufacturer. The Company has cultivated and evolved by its reputation providing services tailored to each business segment. This approach has been the driving force behind our significant market share and the source of our competitiveness. Conversely, if we were to cease this ongoing refinement, our competitive edge could rapidly erode. The three-research-laboratories framework is particularly significant in this regard.

Nakamura As a company that handles all types of hazardous materials, our high level of safety awareness is a defining characteristic. I personally feel secure and grateful to be able to conduct research in such an environment. We are committed to pursuing

research while ensuring safety, and our proven track record has earned us the trust of our valued customers.

Takahashi In addition to our solid propellants, I believe that one of the Company's strengths is our mindset and initiative to create new products using our own materials as raw ingredients. Our expertise is evident in our ability to refine existing technologies, thereby paving the way for the development of subsequent innovations.

Aoyama In the field of semiconductors, I believe the Company's most significant strength lies in its integrated manufacturing process, which directly produces silicon wafers from silicon ingots. Device stacking is currently advancing in the semiconductor industry, and the Company is developing ultra-flat wafers using its high-flatness technology to achieve higher functionality and added value.

What lessons did you learn to overcome challenges and create value?

Takahashi Solid propellants are still a relatively unknown technology, but I believe that if the Company's products ultimately come to be used in rockets and satellite launches; they can contribute to everyday services like car navigation, communications, and weather forecasting. The opportunity to connect with people's lives provides a significant sense of purpose. When we initially engaged in large-scale prototyping for the space industry, despite implementing every possible risk countermeasure, equipment failures occasionally occurred, halting production. Our meticulous approach to problem resolution, culminating in the successful delivery of the development item, has led to a profound sense of professional fulfillment.

Nakamura I believe it's crucial to consider how much extra value we can add with the limited time and personnel available to us. In my research in the life sciences field, there were instances where we proceeded with a composition proposed by a customer but failed to achieve the desired performance. Through extensive trial and error, we sometimes discovered that the composition we proposed was

actually more suitable than the customer's original suggestion.

Kashiwai Within the life sciences field, certain themes were found to have limited commercial viability due to their minimal connection to the Company's existing business portfolio. On the other hand, themes related to existing businesses often have clear significance for the Company, including in terms of social responsibility, which facilitates more seamless consideration of commercialization. It is essential to clearly define "Why should Carlit pursue this?" from the start of theme development to ensure we gain the buy-in of those within and outside the Company.

Aoyama As the Nagano Research Center was only recently established, its limited equipment is a current weakness. We believe that advancing the development and sale of our proven high-flatness wafers is the key to enhancing profitability. Utilizing this revenue base will allow us to proceed with capital investments for equipment that will support next-generation applications, such as film-coated wafers.

What should we prioritize to build synergies?

Kashiwai The establishment of research centers at each manufacturing base has strengthened the connection between research and business, and a framework for enhancing competitiveness is taking shape. We believe it is necessary to further deepen collaboration to generate synergies among the research centers.

Nakamura Until recently, the Company's R&D strategy placed a strong emphasis on exploring entirely new domains. However, we are now implementing a new strategy of "selection and concentration" for research themes, advancing projects suited to each base. I believe that our ability to conduct research efficiently is largely due

to our ability to collaborate with research centers, as well as to share technology and knowledge with plants and technology groups.

Takahashi I agree with you. With clearly defined management policies, including "selection and concentration" and our vision for "Ideal Carlit Group in 2030," the Company has a well-defined direction for the future, which facilitates our work.

Aoyama The establishment of the Nagano Research Center has had a significant impact on accelerating our R&D processes. It is imperative to run the PDCA cycle with our current staffing levels in order to achieve consistent results.

What type of career vision is necessary to generate innovation?

Aoyama While statistical approaches are in demand in the semiconductor industry, they have not yet been utilized in the Company's research field. Going forward, we aim to delve deeply into statistics, enhance the efficiency of the PDCA cycle, and link this to high-quality research activities.

Nakamura My academic background is in the biological sciences, so I have limited experience with chemistry. However, I feel a connection across fields because materials used in cosmetics can also be applied to electronic materials. In the future, I want to take on the challenge of integrating insights from different fields to create new value.

Takahashi The current challenge for non-destructive examinations, in which I am involved, is how to perform examinations in an accurate and cost-effective manner. I would like to thoroughly refine that process. While we are still in the process of developing our quality assurance program, my objective is to put in place a system that

will enable us to confidently assert, "This ensures quality."

Kashiwai In university, I pursued a specialization in organic synthetic chemistry, and upon graduating, I sought to leverage what I had learned to contribute to the betterment of society by joining this Company. My current role, which involves visiting customers and conveying their passion to our researchers, is what I had sought. During my two-year tenure at the Gunma Research Center, I had the opportunity to gain invaluable experience in scaling-up and learning the plant mechanism. Going forward, I plan to leverage that experience to identify themes that can be addressed only by Carlit, with the goal of offering valuable new innovations to society.

Message from the Production and Quality Officer

On-Site Capabilities to Build Trust

- Evolution of Production Base Supporting Safety, Quality, and Growth

Shigenobu Takahashi
Director and Executive Officer
Manufacturing Division
In charge of Production and Quality Management Department



The new Mid-Term Management Plan “Challenge 2027” outlines a total capital investment of ¥21 billion for the “Investment Promotion” stage, aimed at realizing our ideal state for fiscal years 2030 to 2035. This strategic initiative encompasses investments to augment production capacity, with a focus on high-return growth investments, investments in new production facilities, and investments for expansion and efficiency improvements. Additionally, the plan entails investments for renewal and

countermeasures against aging equipment to ensure a safe and secure production framework essential for stable revenue, investments to enhance the working environment, and investments in energy-saving and labor-saving equipment that emphasize Environmental, Social, and Governance (ESG) perspectives, such as energy-saving effects. These investments will be pursued by implementing portfolio management and promoting capital expenditures based on the internal rate of return (IRR).

Strengthening Safe and Secure Production Structure

Ensuring safety is paramount in all production activities. Our objective is to achieve a zero accident and incident rate, thereby safeguarding the well-being of our employees and the community while systematically identifying risks inherent in manufacturing processes and the materials we utilize. This commitment to safety ensures the well-being of employees, logistics personnel, customers, and other stakeholders, contributing to our plants being trusted by society.

To achieve this objective, the Production and Quality Management Department conducts activities to manage and mitigate risks that threaten the stable production and quality of products across all Group companies. A key activity is the monthly “Group Production and Quality

Meeting,” attended by the Quality Control and Quality Assurance managers from operating companies with manufacturing divisions. This meeting is a valuable forum where employees from different industries gain new insights by viewing issues from each other’s perspectives.

Furthermore, to prevent accidents and disasters before they occur, we are carrying out risk assessments, including those involving chemical substances, across all Group companies. In addition to estimating hazardous operations and implementing measures to mitigate risks, we also conduct on-site inspections to verify risks related to occupational safety, the work environment, and product quality from multiple perspectives.

Growth and Capital Investment Strategies in Line with “Challenge 2027”

Pursuant to the new Mid-Term Management Plan “Challenge 2027,” we intend to proceed with investments totaling ¥21 billion. We anticipate high profitability and future growth potential from these capital investments.

With respect to the “Priority Area” established following the business portfolio review in the final year of the previous Mid-term Management Plan, we intend to allocate ¥9 billion to expand production capacity and invest in new production facilities for solid

propellants used in space development and defense applications, as well as for ammonium perchlorate, their raw material. For the “Focus Area,” we plan to allocate ¥2 billion to enhance, optimize, and renew battery testing and hazard assessment testing facilities and address their aging issues. For the “Development Area,” ¥2.5 billion has been allocated for new equipment investments, renewals, and addressing aging issues in electrode/electrolyte-related products, high-value-

added silicon wafers, high-performance electrolytes, and conductive polymers. For the “Base Area,” investments totaling ¥7.5 billion are planned for the metal working, beverage bottling, ceramic abrasive grain, explosives and signal flare, and engineering services divisions. These investments aim to promote renewal and address aging issues

through a range of measures, including substantial ESG investments, the adoption of energy-efficient and labor-saving equipment, and enhancements of the work environment.

We will continue to rigorously implement portfolio management and promote capital investments based on the internal rate of return (IRR).

Contributing to ESG and Carbon Neutrality

The Japanese Government has expressed its willingness to aim to achieve virtually zero emissions of greenhouse gases such as CO₂ by 2050, and the Carlit Group is also working actively toward the realization of carbon neutrality.

To achieve our goal of reducing energy-derived CO₂ emissions by 46% by 2030 compared to FY2013 levels, we are promoting energy conservation and generation. Our focus is primarily on Scope 1 and 2 emissions (direct and indirect). Specifically, we are introducing high-efficiency, energy-saving equipment and improving production and operational processes. To promote renewable energy use, we are encouraging the transition to renewable energy sources and promoting the efficient use of electricity from the Koto Hydroelectric Power Plant, which supplies power to the Company’s Gunma Plant. Furthermore, we are expanding and increasing solar power

generation facilities at both the Gunma and Akagi Plants.

As a key investment project in Base Area, we are advancing large-scale ESG investments related to energy conservation and renewable energy. One example is the Bottling segment’s conversion from the conventional “hot pack” method, which uses heat to sterilize PET bottles on beverage production lines, to the “aseptic” method. This new method enables beverages to be filled in a sterile environment, reduces energy consumption, and allows for the production of thinner, lighter PET bottles. This is expected to reduce environmental impact and cut CO₂ emissions during transportation through integrated PET bottle molding.

We will continue these activities proactively to contribute to achieving carbon neutrality.

Quality Assurance and Customer Trust

In terms of quality, we are actively engaged in quality improvement activities aimed at earning customer trust and satisfaction. These activities ensure that our products can be used with confidence.

To promote stable production across Group companies and mitigate risks, the aforementioned monthly “Group Production and Quality Meetings” incorporate risk analysis regarding industrial accidents, environmental incidents, and quality complaints. This involves identifying root causes, implementing recurrence prevention measures, and deploying these measures across all Group companies.

Furthermore, at the biannual Group Production and Quality Special Meeting, the President of each Group company reviews issues related to accidents, disasters, and quality complaints arising within their companies. They report on policies aimed at preventing recurrence and the outcomes of such efforts. This enables us to assess the continued implementation and embedding of countermeasures formulated by each company, thereby realizing an effective organization across the entire Group.

Creating a Sustainable Work Environment

In accordance with the Industrial Safety and Health Act, each group company holds safety and health-related meetings and disaster prevention drills. Furthermore, Group companies visit each other’s production sites to assess working conditions and share information, which helps prevent serious accidents and improves the work environment.

As part of our facility investments to create a more comfortable workplace, we are constructing a new technology development building at the Akagi Plant. After its completion, we will renovate the

Akagi Plant’s general office and administration building to further improve the working environment.

Additionally, as part of our DX/IT investments, we are replacing core systems and introducing digital tools to advance the digitalization of production fields through IoT and smart devices.



Akagi Plant

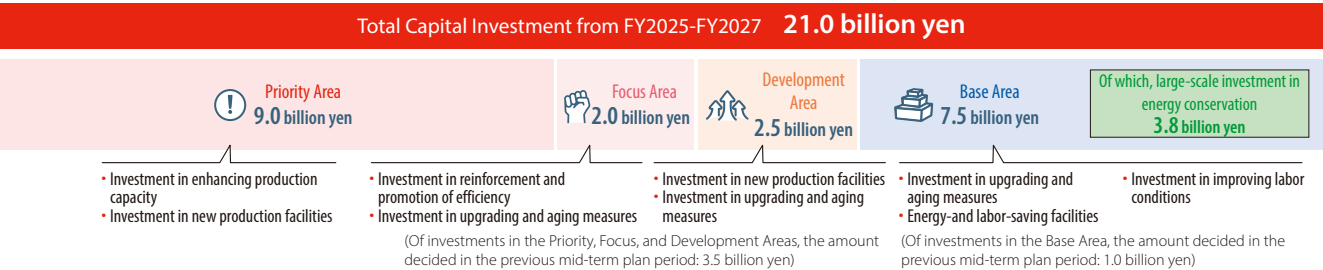
Future Policy

As we strive to create a socially and environmentally mindful, sustainable society, we aim to establish a comfortable and pleasant work environment for our employees. Guided by our Management Philosophy, “For Confidence and Infinite Challenges,” we will maintain

and enhance market trust by providing quality products and services that satisfy our customers and ensure their peace of mind.

Furthermore, we will promote bold growth investments to enhance corporate value and achieve sustainable growth.

Achieve our vision for FY2030-2035 by driving capital investment in the “investment promotion” stage



Dialogue: Human Resource Strategies



Embracing the Challenge of Human Capital Management: Linking On-Site Capabilities to Corporate Value

Under the new Mid-Term Management Plan “Challenge 2027,” the Carlit Group positions human resource strategies and human capital investment as key management strategies to realize its vision. Human Capital: To strengthen human capital management, Executive Officer Hikichi and Outside Director Fujiwara will discuss on-site Carlit’s initiatives, building a “company where people can grow,” the legacy of our corporate culture, and future challenges.

How to Define and Cultivate Human Capital

Fujiwara I was employed by an audit firm as a certified public accountant. The firm believes that people are its greatest asset and established a human capital management framework relatively early on. Given this background, I naturally embraced the concept of human capital management. At Carlit, however, such initiatives are still in their infancy.

Hikichi Yes. The Company has just started to implement human capital initiatives and has not yet reached the stage of establishing clear mechanisms or achieving visibility. To be honest, we also recognize that the awareness of “strategically viewing people as capital”

has not always been strong.

Fujiwara This means that we can change things going forward. Indeed, even if external disclosure requirements are the catalyst, the Company’s commitment to the cause would make a huge difference in terms of how it transforms. Given such circumstances, Carlit’s management is working earnestly to understand the essence of human capital. During the Board of Directors meetings and other sessions, there are heated discussions about “how to ensure this isn’t just done for appearances, but actually takes root.”

Building Human Capital that Embraces Challenges

Fujiwara Under the Mid-Term Management Plan “Challenge 2027,” our human resource strategies are organized around three key concepts: “Acquisition, Development, and Engagement.” I believe that integrating these strategies with our overall management will be key to our future success.

Hikichi Regarding recruitment, it’s important to acknowledge that science and technology students tend to make up the majority. Even within this context, we are refining our recruitment activities to consider trends and attract talent with diverse values and perspectives. As part of our human capital management initiatives, we are pushing forward with the introduction of a talent management system for “Development and Engagement.” First, we will launch the system on a pilot basis with a select group of employees to identify and resolve any

operational challenges we encounter before rolling it out on a company-wide basis. By establishing a mechanism to visualize and centrally manage individual skill and career information, we aim to match talent with appropriate positions and facilitate effective development.

Fujiwara Indeed, I believe that the development of such a mechanism is essential for effective human capital management. A highly effective strategy for ensuring that the mechanism is embedded in a steady and sustainable manner is to start with model cases and gradually roll it out.

Hikichi It has been exactly one year since we introduced the new personnel evaluation system last fiscal year, and we are currently conducting a review. Our objective is to develop a system that fosters employee engagement and enables them to embrace challenges,

while ensuring the effectiveness of the evaluation process. This initiative stems from our strategic ambition to transition to a system that prioritizes motivation and attitude. To realize the Priority Area outlined in our mid-term plan, it is essential to develop human resources who are capable of taking on new challenges without being constrained by existing frameworks. We aim to fortify our foundation as a “company where people can grow” by strategically investing in human capital in a manner that aligns with our management strategies.

Fujiwara Fostering a sense of conviction through the system — that “we are truly visible to the Company” — should also lead to

improved engagement.

Hikichi We are also focusing on instilling our Management Philosophy. Since individual behavior aligned with our Management Philosophy contributes to the realization of a prosperous future, we feel it is necessary to create opportunities for employees to consider the meaning behind their work – how it connects to the Company and society. Meanwhile, while we have established KPIs for human capital in the new mid-term plan, many aspects of these initiatives have yet to be clarified. The challenge lies in clarifying each element and determining the extent to which we can increase both speed and precision.

On-Site Safety and Quality Culture Supported by Integrity and Dialogue

Fujiwara It is evident that Carlit’s worksites are characterized by a notable level of safety awareness. It is noteworthy how naturally employees communicate with each other, immediately sharing even the slightest sense of anomaly.

Hikichi Indeed, behaviors such as “not looking the other way” and “reporting immediately if something seems amiss” are standard practices at worksites. Daily dialogue and trust are essential for effective communication of issues and concerns. I believe that this openness contributes to building safe and robust worksites.

Fujiwara This culture appears to have emerged organically from

each individual employee’s sense of integrity, rather being driven by rigid rules. This is something I perceive as Carlit’s distinctive culture.

Hikichi Worksites encompass a substantial body of accumulated knowledge, stemming from years of experience, as well as technological expertise that cannot be fully expressed in words. These assets are of incalculable value and must be imparted to the next generation with the utmost care. For such purpose, it is essential to not only transfer knowledge but also engage in ongoing dialogue, collaborative problem-solving, and the development of shared understanding.



Passing on On-Site Capabilities to the Next Generation—Toward Human Resource Development and Cultural Continuity

Fujiwara This wealth of on-site experience undoubtedly contributes to Carlit’s “on-site capabilities” and technical strengths. “On-site capabilities” are a key aspect of Carlit’s operations. In environments where products such as explosives and hazardous materials are handled, it is essential to adhere to the highest safety standards. Integrity and effective communication are naturally cultivated and become deeply ingrained in the corporate culture. This is a tremendous strength. This culture is a vital intangible asset for Carlit. By carefully nurturing it as the cornerstone of human resource development, I firmly believe it will consistently bolster corporate value.

Hikichi Indeed. It is a culture that has been developed over the course of more than a century through a process of learning from past experiences. I believe this captures the core of Carlit’s identity and its commitment to corporate value. However, these matters cannot remain tacit knowledge indefinitely. To ensure safe and efficient operations, it is essential to acquire the necessary knowledge and skills. Consequently, we are continually exploring new on-site guidance methods, educational approaches, and training programs. Furthermore, some employees have pursued master’s degrees with

the Company’s support. In the future, it will become increasingly important to create an environment that provides encouragement for those employees who wish to learn on their own initiative.

Fujiwara Such mechanisms will also serve as the foundation for cultivating future leaders.

Hikichi Yes. In terms of succession planning, it is essential to implement a process that allows individuals to articulate their learning objectives and growth aspirations. Subsequently, opportunities should be provided that align with these wishes.

Fujiwara How can we effectively communicate Carlit’s core value, including its on-site capabilities and the integrity of its people, to the next generation and embed it into the Company’s corporate value? As an Outside Director, I would like to observe this process closely.

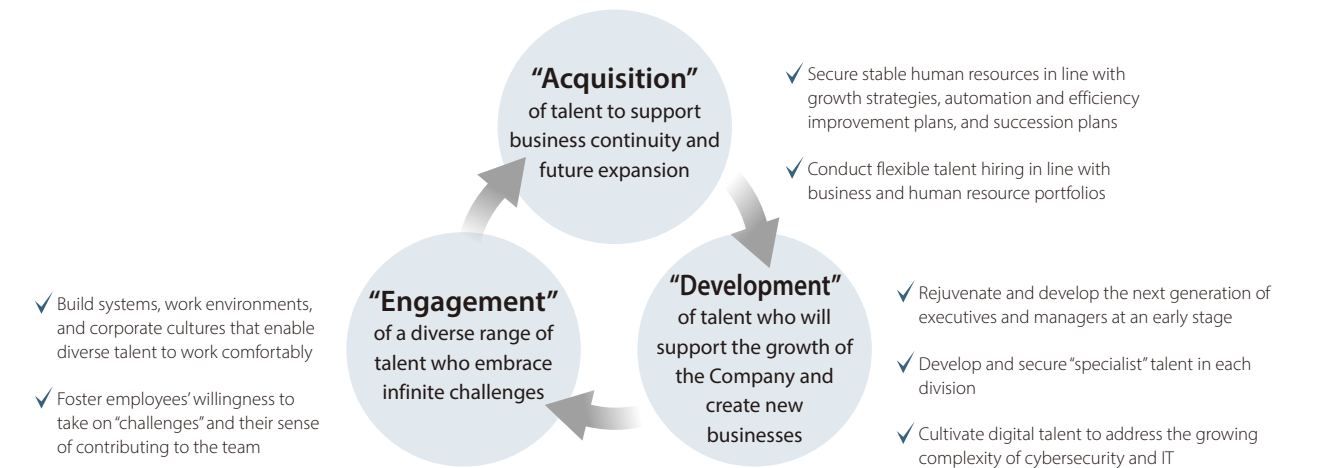
Hikichi Thank you. We aim to build an environment where each employee can think about their own growth and take action proactively, through continually taking on challenges and making improvements. Given the Company’s reputation in regard to the integrity and directness of our people, it is essential to respect their decisions and provide support that encourages them to push forward.

Human Resource Strategies

Our Group's human resource strategies, which are designed to realize our Group's vision, form a crucial element that supports the Company's sustainable growth. We will continue to "invest in our people" by promoting the recruitment and development of a diverse workforce. We will leverage our century's worth of accumulated experience and knowledge to foster an environment where all employees can work with peace of mind and pursue self-development. Our goal is to create a workplace where diverse talent can thrive.



Basic Approach to Human Resource Strategies and Human Capital Investment



Human resource strategies: acquisition, development, and engagement

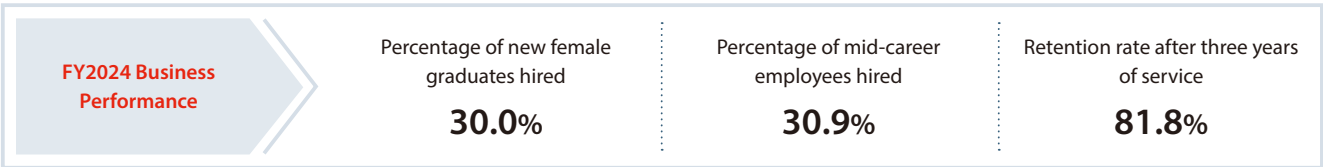
	Required Action	Specific Initiatives	Target (KPI)	Investment Scale
Acquisition	<div>Reinforce human resources in line with the expansion of Priority, Focus, and Development Area businesses (Hiring of new graduates and junior talent)</div> <div>Reinforce specialists, digital talent, and business development talent (Hiring of mid-career talent)</div>	<div>[Hiring of new graduates and junior talent] Promote branding to enhance the Company's appeal and name recognition. Diversification of recruitment methods</div> <div>[Hiring of mid-career talent] Strengthen recruitment of mid-career personnel in the technical and corporate fields (IT, finance, legal, etc.) Including hiring of foreign nationals</div>	<div>[Hiring of new graduates and junior talent] • Number of employees hired: 80 over 3 years • Recognition +10% (various surveys)</div> <div>[Hiring of mid-career talent] Number of employees hired: 20 over 3 years (Limited to those targeted for priority reinforcement)</div>	0.4 billion yen -
Development	<div>Early identification and systematic development of core talent (Understanding the personality of each employee and ensuring their appropriate placement)</div> <div>Development of specialists (Promote the transfer of veteran employees' skills and enhance the salary and benefits of specialist talent)</div> <div>Development and reinforcement of digital talent</div>	<div>Utilizing one-on-one meetings, personnel records, and 360-degree evaluations for talent management and appropriate placement</div> <div>Continued optimization of personnel evaluation systems</div> <div>Enhancement of specialized reskilling programs</div>	<div>Establish talent management for core employees in their 30~40's</div> <div>Formulate and implement evaluation and compensation systems for specialist talent</div> <div>Optimized and revised training content. Training time: 400~500 hours</div> <div>Expansion of Reskilling Program +25 programs over 3 years</div>	0.3 billion yen -
Engagement	<div>Creating an environment where all employees can work comfortably and grow and play an active role</div> <div>Selection and promotion based on ability and willingness to embody "For Confidence and Infinite Challenges"</div> <div>Creating a mechanism that maximizes organizational and team strengths</div>	<div>Foster a mindset and corporate culture that enables diverse talent to play an active role</div> <div>Clarify goals of leaders, managers, and players, and properly implement the new evaluation system → Promote team building and maintain high motivation</div>	<div>Maintain the KENKO Investment for Health Organization certification</div> <div>Percentage of female managers: 5%</div> <div>Percentage of female managerial candidates: 20%</div> <div>Employee engagement: 70%</div>	0.3 billion yen -

* The investment scale is assumed to be the total expenses incurred over the three-year period of the mid-term plan.

Acquisition of Human Resources in Line with Business Expansion

At the Company, we aim to recruit talent who possess the flexibility to engage in diverse business operations within a small, dynamic team. Furthermore, to foster new creativity through diverse values, we actively recruit a wide range of talent, regardless of gender or

career background. We firmly believe that the growth of each and every employee—the greatest asset of our Group—and their ability to leverage their strengths as valuable human resources will lead to the Group's enduring and stable development.



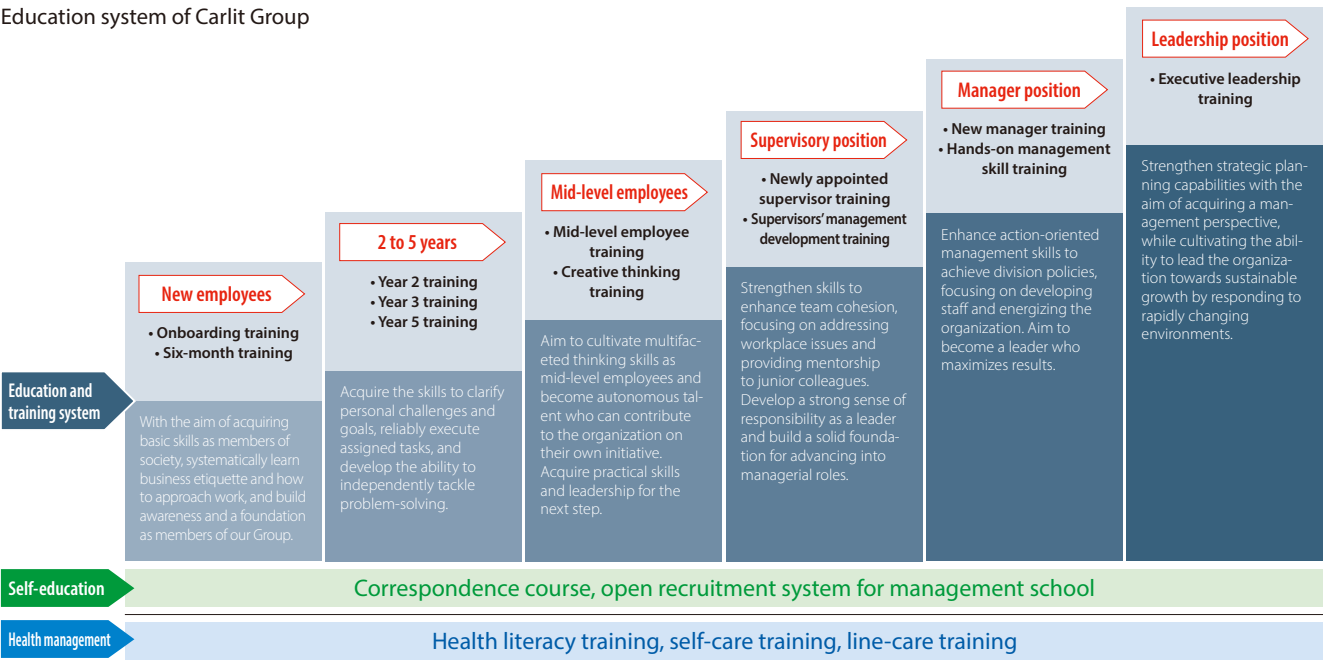
* Records of Carlit Co., Ltd.

Development of Human Capital to Support Value Creation

To ensure the development of talent who will be entrusted with the future of our Group, we are working to enhance our education system and training programs, making them accessible to all employees across the entire Group. In FY2024, we initiated the establishment of a new training system that emphasizes the enhancement of training for young employees as a key priority. This initiative is aimed at the systematic development of core personnel. By offering junior employees opportunities to experience personal growth and refine the qualities

essential for future leadership, we seek to bolster the overall competitiveness of the Company. In addition, as part of the Company's initiative to develop specialist talent, we have created a specialist career path for R&D personnel at the manager level and above. We expect that talent with advanced expertise will maximize their knowledge and technical skills to drive further corporate growth. We will continue to explore expanding the scope of eligible positions and support career development aligned with employees' strengths and aspirations.

Education system of Carlit Group



Human Resource Strategies

Establishing a Work Environment Where Diverse Talent Can Contribute Meaningfully

Revamping the personnel system

Guided by our management philosophy, “For Confidence and Infinite Challenges,” we introduced a new personnel system in FY2024. This system aims to create an organization where every employee acts autonomously and embraces challenges. The new system clarifies the ideal employee profile for the Company and explicitly defines the roles, specialized skills, and competencies expected of managers. This promotes proactive employee action. Furthermore, we redesigned the evaluation system to clarify expected results and how to fulfill them. This strengthens the mechanism for measuring contributions to the organization. To promote acceptance among employees, we established a framework that emphasizes two-way communication with evaluators. Through these initiatives, we aim to maximize employee capabilities, build an environment where all employees can thrive, and achieve sustainable growth.

Promotion of active participation of women

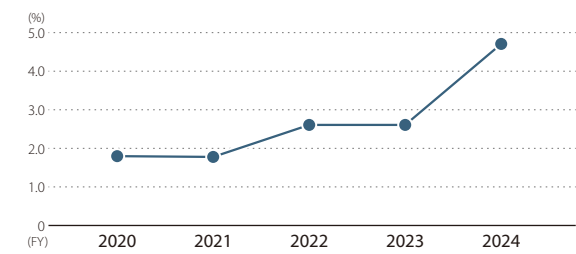
We believe that sustainable organizational growth stems from leveraging the strengths of diverse talent, regardless of gender, to tackle challenges from multifaceted perspectives. Consequently, we actively promote the hiring of women, development of core human assets, and advancement of women into managerial roles. In FY2024, 4.7% of managers were female, while females accounted for 19.4% of the candidates for manager positions (section chief or supervisor level). This represents a 2.5-fold increase in the proportion of female managers compared to FY2020.

As part of our initiatives to promote women's advancement, we carried out training programs for officers and managers in FY2021. These programs reaffirmed the necessity of “promoting women's advancement and diversity” and building supportive organizations. We also offer training for female employees centered on cultivating the mindset required for leadership and promoting a change in thinking. Furthermore, to enable female employees who have become managers to proactively build their future careers as leaders, we introduced an external mentoring program in FY2024. We will continue to promote women's advancement and develop female employees who will participate in management decision-making.

Diversity & Inclusion

Diversity in human resources is essential for organizational and corporate growth. We actively hire mid-career professionals and international students, having hired a cumulative total of six new graduates who are foreign nationals as of FY2024. We have expanded employment opportunities for people with disabilities. For example, we now employ visually impaired individuals as shiatsu therapists in our massage rooms. We have also revised our Personnel System to ensure that senior employees with extensive experience and knowledge can continue to thrive with high motivation. We will continue our efforts to provide an environment where all employees can maximize their potential.

Percentage of female managers: * Records of Carlit Co., Ltd.



Engagement survey

The Company's mission is to provide employees with a better environment and enable them to maximize their performance. Beginning in FY2022, we introduced an engagement survey to measure satisfaction with the Company and identify areas for improvement. Following a thorough review, we have implemented the following measures: enhanced treatment such as salary and benefits, provision of targeted training to bolster managerial skills, introduction of 360-degree evaluations, and facilitation of town hall meetings at our plants. Moving forward, we will establish mechanisms that enable each department to run its own engagement improvement cycle. This will enhance employee engagement, leading to increased labor productivity, improved business performance, reduced turnover, and higher hiring rates. These efforts will contribute to the sustainable development of our Group and the enhanced performance of our employees.

Employees' utilization of childcare leave

Following the introduction of childcare leave at birth in FY2022, the Company is promoting childcare leave utilization for all employees, regardless of gender, through initiatives such as manager training programs. To facilitate the utilization of leave by male employees, childcare leave at birth is treated as paid leave. In FY2023, the rate of

male employees taking two weeks or more of childcare leave reached 100%. In FY2024, a high rate was maintained at 91%. In FY2024, male employees who took childcare leave at birth took an average of 66 days of leave. We will continue to respect the diverse work styles of our employees and strive to create a supportive work environment.

Health Management

To bolster our “Health Management” initiatives, which aim to support employees and their families in maintaining good health to enhance productivity, we announced a “Health Management Declaration” by the President in 2022. Our commitment to health management has been recognized, as demonstrated by our certification as a KENKO Investment for Health Organization for three consecutive years. With regard to the framework for promoting health management, we have appointed the President and Representative Director of Carlit as

the “Health Management Officer,” the Human Resources officer as the “Health Management Promotion Officer,” and the Human Resources Department as a “Health Management Promotion Department.” We are collaborating on this initiative with the Carlit Health Insurance Association and the occupational physicians, the general affairs and human resources divisions, the Health Committee, and the Workers' Unions of each Group company.

Health Management Declaration

Based on the Group's management philosophy of “Earning Trust and Tackling Countless Challenges,” Carlit is striving to achieve sustainable and stable growth. We believe that the physical and mental health of employees, our human resources, is the foundation for this sustainable and stable growth. Carlit pledges to promote health management to further improve the physical and mental health of our employees.

Representative Director and President & CEO Hirofumi Kaneko

Indicators related to our Group's health management issues

	FY2022	FY2023	FY2024
■ Health check-up rate (target: 100%)	97.9%	99.4%	99.3%
■ Stress check rate (target: 100%)	93.8%	98.1%	97.6%
■ Specific health guidance implementation rate (target: 80%)	85.6%	87.7%	85.6% (estimated)
■ Influenza vaccination participation rate (target: 60%)	39.3%	35.8%	42.3%

Ensuring a Safe and Healthy Work Environment

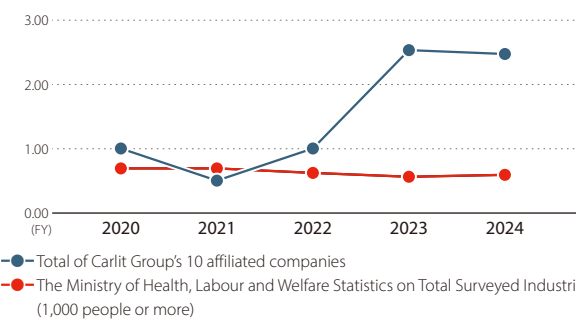
Ensuring a safe and healthy work environment is a critical component of safeguarding employee well-being and health. Our Group's objective is to eliminate accidents and incidents by identifying risks in manufacturing processes and materials handled, sharing awareness, and deepening knowledge to ensure the safety of all involved.

Specifically, we hold monthly Group Production and Quality Meetings to conduct causal analyses of any accidents or complaints that have arisen. We then implement countermeasures on a company-wide basis and across all departments to prevent recurrence. Additionally, we conduct thorough risk assessments, including those for chemical substances, and verify occupational safety, the work environment, and product quality from multiple angles through field inspections.

Despite these ongoing activities, in fiscal years 2023 and 2024, we experienced lost-time injuries due to falls and slips.

To prevent recurrence, we review the circumstances of past serious lost-time accidents to reaffirm their causes and confirm that countermeasures remain in place. Our objective is to create a safer and more comfortable work environment through these efforts.

Occupational injury frequency rate



Employee Voices



Miho Kumagai
Deputy Manager
Finance
Department

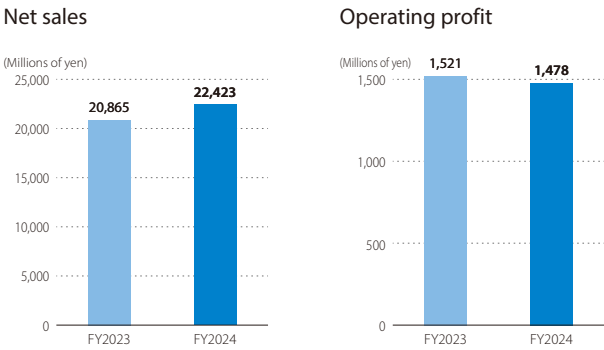
Expanding Horizons through External Dialogue

I participated in the External Mentoring Program. This program involves holding meetings with female officers and managers from other companies to reflect on their career and life plans. In this round, the program targeted newly appointed female managers. Through this program, I gained opportunities to discover my own strengths and challenges, clarifying my vision of a career and manager role that aligns with who I am. I anticipate that it will serve as an invaluable reference for shaping my future career and professional conduct. My desire to leverage the insights gained from this program and continue growing has deepened.

Strategy by Business Segment

Chemical Products Segment

Execute Aggressive Investment in Solid Propellant Business; Support Safe and Secure Lives of People from Outer Space and the Skies



S Strengths

- ▶ Manufacturing technology and handling expertise in explosives, pyrotechnics, and hazardous materials accumulated over many years
- ▶ A wide range of electrochemical products, including electrolysis and electronic materials, coupled with highly reliable product development capabilities
- ▶ Strong presence in the signal flares market and the paper and pulp bleaching market
- ▶ The only manufacturing technology for ammonium perchlorate and potassium perchlorate in Japan
- ▶ State-of-the-art integrated manufacturing technology for silicon wafers
- ▶ Rapid technological development is made possible by having dedicated R&D divisions for each business segment

O Opportunities

- ▶ Widespread use of electric vehicles and next-generation automobiles
- ▶ Diversification of lifestyles through IoT, AI, cloud computing, and communications
- ▶ Growing semiconductor demand driven by an increasingly digital society
- ▶ Growth in space-related development and the satellite industry amid advancement in communications and strengthening defenses
- ▶ Technological advancement for a stable renewable energy supply

W Weaknesses

- ▶ Insufficient presence in international market
- ▶ Optimization of production systems, including factory automation
- ▶ Lack of new businesses and products

T Threats

- ▶ Decreasing demand for automobiles, paper products, and other consumer goods due to a shrinking Japanese population
- ▶ Product obsolescence due to innovations accompanying the digital transformation of society

SWOT

Review of the Previous Mid-Term Management Plan “Challenge 2024”

In FY2024, the final year of the Mid-Term Management Plan “Challenge 2024,” the Company saw performance growth in both the chemicals business—which includes ammonium perchlorate (AP) used in solid propellants for rockets and defense-related products—and the electronic materials business—which supplies materials for electronic equipment such as AI servers. This growth contributed to achieving the initial mid-term plan target of ¥3 billion in company-wide operating profit for the second consecutive year. However, the performance of automotive emergency safety flares in the explosives business was somewhat sluggish due to factors such as delays in passing on increased production costs to prices and reduced demand in the silicon wafers business due to

customer inventory adjustments.

In addition, to promote future growth, we have expanded our hazardous substance assessment testing and battery testing facilities in the material assessment service business. In the chemicals business, we have also initiated the enhancement of AP manufacturing equipment, which is scheduled to commence operation in 2027. This initiative will prioritize the expansion of the Focus and Development Areas in alignment with our portfolio strategy. Anticipating medium-to-long-term demand growth for defense-related products, we have initiated the development and manufacturing of solid propellants for defense applications, broadening our reach downstream from the AP business.

Strategies for Realizing the New Mid-Term Management Plan “Challenge 2027” and the Vision for Ideal Carlit Group in 2030

FY2025 marks the first year of Stage 2 of the new Mid-Term Management Plan “Challenge 2027.” The Chemical Products segment encompasses the Priority, Focus, and Development Areas within the business portfolio and forms the core of the Carlit Group. The key strategic focus for FY2025 is the newly established “Priority Area: Space & Defense Solid Propellants.” We will leverage our two core strengths—being Japan’s sole AP manufacturer and possessing expertise in explosives manufacturing—to enter the solid propellant business. Approximately ¥8 billion in capital investment will be executed between FY2027 and FY2028 to achieve commercialization.

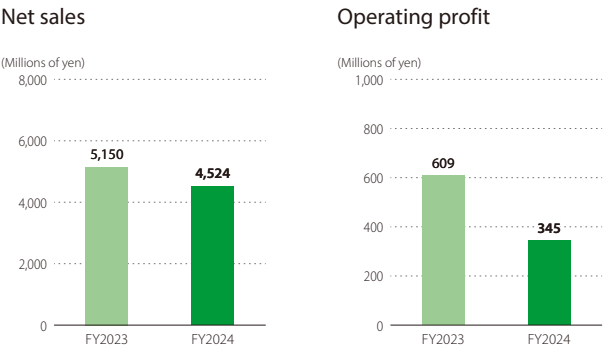
In addition, we acknowledge that the rising costs of labor, raw materials,

transportation, and other expenses represent a significant concern for the Base Area businesses, including the explosives business. We will continue advocating for appropriate pricing this fiscal year and seek our customers’ understanding.

FY2025 will serve as a preparatory period leading into the final year of the mid-term plan. While focusing on driving performance and capital investment in Priority, Focus, and Development Area businesses, we will also aim to expand various business fields that support affluent and safe lifestyles. This will contribute to achieving the company-wide mid-term plan target of 4.2 billion yen in operating profit.

Bottling Segment

Proactively seek capital investments that accurately reflect market shifts in order to create an environmentally friendly future



S Strengths

- ▶ Abundant water resources from the Tone River and underground water from Mount Haruna
- ▶ High logistics convenience due to its prime location, just a short distance from the Shibukawa Interchange on the Kan-Etsu Expressway, approximately 100 km from Tokyo, the capital city with a population exceeding 14 million

O Opportunities

- ▶ Expansion of order-receiving areas through sustainability initiatives
- ▶ Increased beverage consumption due to growing inbound demand
- ▶ Expansion of green tea beverages due to health consciousness

W Weaknesses

- ▶ Business model specialized in contract manufacturing, where adding value is difficult

T Threats

- ▶ Contraction of the beverage market due to a shrinking Japanese population
- ▶ Transformation of the beverage market driven by changing trends, such as consumers’ perceptions of beverages in PET bottles

SWOT

Review of the Previous Mid-Term Management Plan “Challenge 2024”

In 2024, the peak season for the beverage market was during the hottest summer on record. However, overall soft drink sales declined slightly due to consumers holding back on purchases in response to price increases. Beyond this impact, the Company experienced a 4% decrease in PET bottle beverage sales due to equipment restoration delays following regular maintenance and a reduction in order volumes. This led to a decline in revenues and profits for the entire Bottling segment.

In the beverage market, sustainability challenges—including resource

and energy issues and climate change—are increasing, driving a shift toward environmentally friendly manufacturing methods and containers. The Company is planning new large-scale capital investments to reduce environmental impact and enhance production efficiency.

We will respond to customer and consumer needs, secure stable orders, build a profit structure, and further solidify the position of our core businesses within our Group.

Strategies for Realizing the New Mid-Term Management Plan “Challenge 2027” and the Vision for Ideal Carlit Group in 2030

FY2025 marks a significant milestone as we enter a new stage in the first year of our new Mid-Term Management Plan “Challenge 2027.” We will accurately capture market shifts centered on environmental measures, such as carbon neutrality, energy reduction, and the effective utilization of PET bottles, and make capital investments to shape the future.

Specifically, we will upgrade our existing PET Line 3 manufacturing facilities to aseptic specifications that contribute to the realization of carbon neutrality, with the aim of further enhancing corporate value. We will also make strategic investments in our human capital, attracting top talent

and enhancing our training systems to fortify our internal foundation.

With dramatic changes in the beverage market and aging facilities, maintaining the status quo can only be seen as falling behind. We will proactively drive “innovation,” leveraging our strengths while considering market trends.

By 2030, our goal is to be a “people- and eco-friendly company,” contributing to a sustainable society and supporting the quality of life of people.

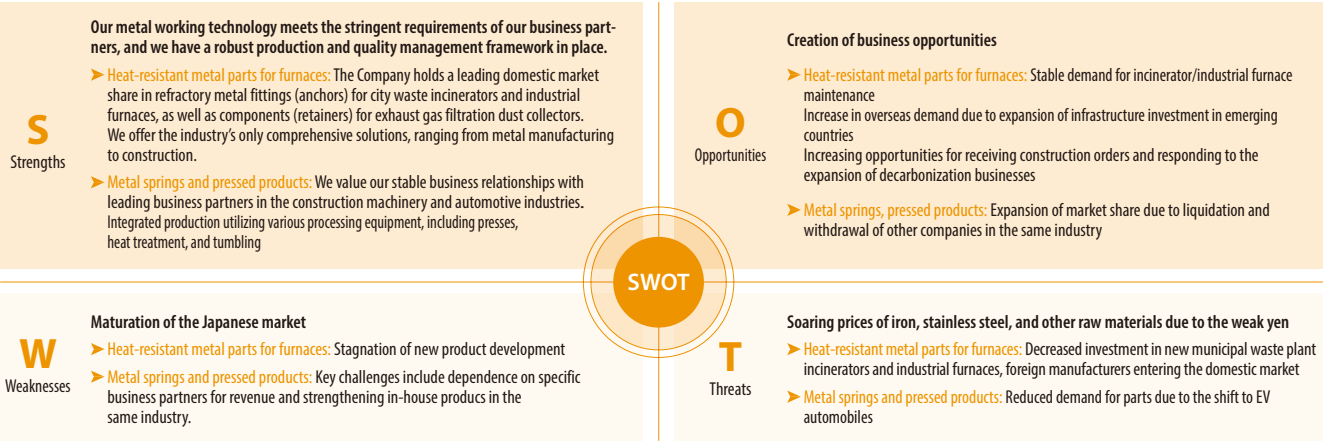
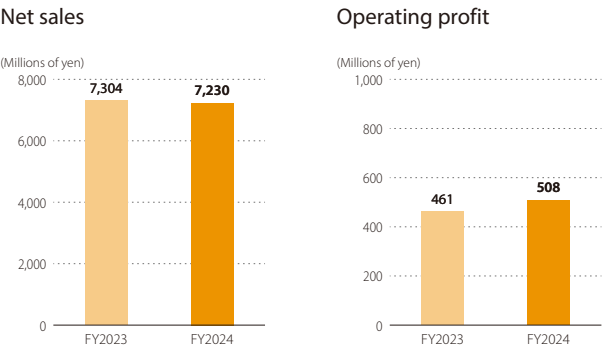
Strategy by Business Segment

Metal Working
Segment

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



Hideo Okamoto
Director and Executive Officer
In charge of the Metal Working
Segment



Review of the Previous Mid-Term Management Plan “Challenge 2024”

The Metal Working segment consists of “heat-resistant metal parts for furnaces” and “various metal springs and pressed products.”

For “heat-resistant metal parts for furnaces,” such as anchors and retainers, net sales and profits increased year on year due to the maintenance of appropriate prices and review of the business portfolio. In FY2025, we expect sales and operating profit to increase slightly through strengthening relationships with existing customers.

In the CD stud and welding robot business (related to heat-resistant metal parts for furnaces), although net sales decreased slightly year on year, operating profit improved as a result of thorough cost-reduction measures. In FY2025, we will continue activities with profitability in mind and aim to meet our fiscal budget.

For various metal springs and pressed products, sales to the construction machinery and automotive industries were sluggish, resulting in decreased net sales and profits despite efforts to maintain fair prices. In FY2025, while sales to the construction machinery and automobile industries are expected to hover at the same level, we aim to meet the fiscal budget by maintaining fair prices and expanding new sales.

Strategies for Realizing the New Mid-Term Management Plan “Challenge 2027” and the Vision for Ideal Carlit Group in 2030

The Metal Working segment is a stable revenue base within the Group that is characterized by a large number of products with high market share. During the period of the Mid-Term Management Plan “Challenge 2027,” we will contribute to the sustainable growth of Carlit under our basic strategy of actively developing products and businesses that meet the needs of a wide range of users by further refining our processing technologies while maintaining high quality and high performance within the “Base Area.”

In the field of heat-resistant metal parts for furnaces, we aim to become a one-of-a-kind company through differentiation by improving product and service variations and quality through an integrated system ranging from metal manufacturing to construction, promoting in-house manufacturing, and strengthening the supply chain, with the aim of achieving the target for FY2025. In addition, we will continue to expand sales of CD studs, increase our market presence, and further reduce production costs.

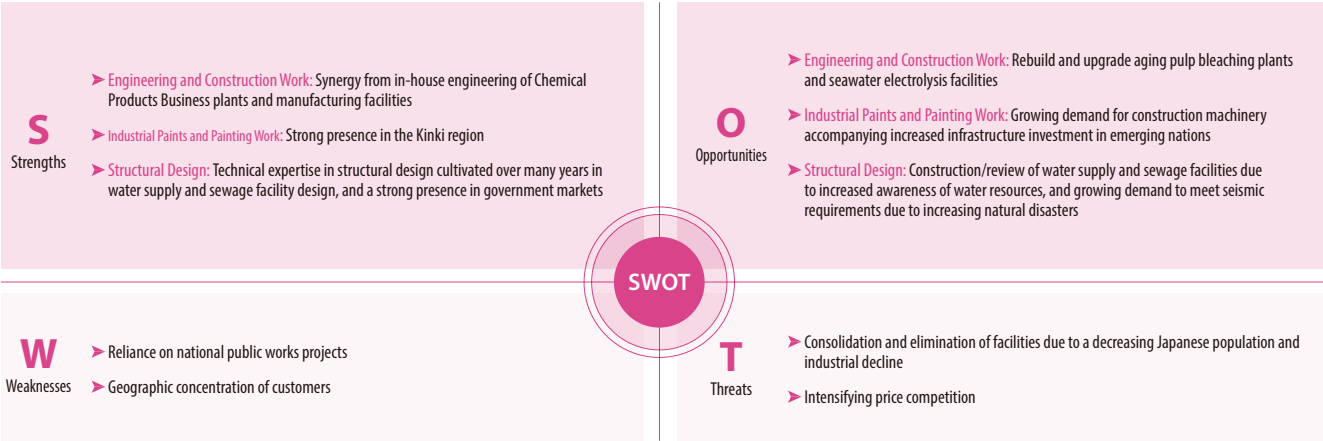
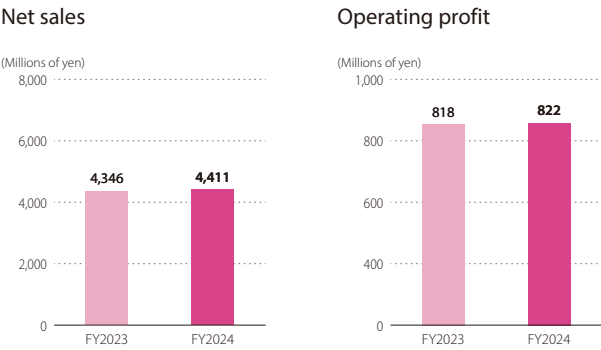
In the field of metal springs and pressed products, we aim to expand earnings by promoting in-house production of highly profitable products that are expected to see a recovery in demand in the future. In addition to reviewing low profit and unprofitable products, we will also promote the use of IT to improve administrative efficiency.

Engineering Services
Segment

A Sustainable Social Infrastructure Built on Technological Innovation and Trust



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



Review of the Previous Mid-Term Management Plan “Challenge 2024”

As part of our Mid-Term Management Plan Challenge 2024, the final year of which was FY2024, we focused on achieving sustainable growth in corporate value, with the aim of “sustaining high profitability” and “innovating our production system.” In FY2024, both sales and profits from Engineering and Construction Work achieved the targets due to an increase in the number of internal construction projects, although maintaining profitability became a challenge due to intensified competition for external construction projects. In Industrial Paints and Painting Work, while sales of paints and equipment remained stable, the decline in demand for high-margin painting services led to a reduction in overall profits. In Structural Design, we achieved results in public projects against the backdrop of growing demand for disaster prevention and mitigation; however, profitability remained an issue in private projects due to intensified competition. We need to build a foundation for further growth based on these achievements and challenges. In particular, we need to strengthen our competitiveness and expand our business domains while leveraging our existing technological strengths.

Strategies for Realizing the New Mid-Term Management Plan “Challenge 2027” and the Vision for Ideal Carlit Group in 2030

Under the new Mid-Term Management Plan “Challenge 2027,” we will promote growth strategies for each business with the aim of becoming “an ideal partner that contributes to society through reliable technology.” In Engineering and Construction Work, we aim to expand our earnings base by acquiring new customers, strengthening our sales capabilities, and improving our order structure to respond to the increase in external construction projects. In Industrial Paints and Painting Work, we will strengthen our focus on highly profitable subcontracting painting work and aim for further growth by developing new customers. In Structural Design, we will work to strengthen our technological capabilities and deepen our expertise in order to secure a stable supply of public projects and generate more inquiries against the backdrop of growing demand for disaster prevention and mitigation. We will enhance our presence in the public and private sectors to meet growing demand.

To support these initiatives, we will promote human resource development and technological enhancement, as well as innovation of our production system leveraging DX and ICT. In addition, we aim to build a foundation for sustainable growth and solve social issues while promptly responding to changes in the external environment by acquiring new customers and expanding peripheral businesses.

Special Feature: Solid Propellant-Related Business



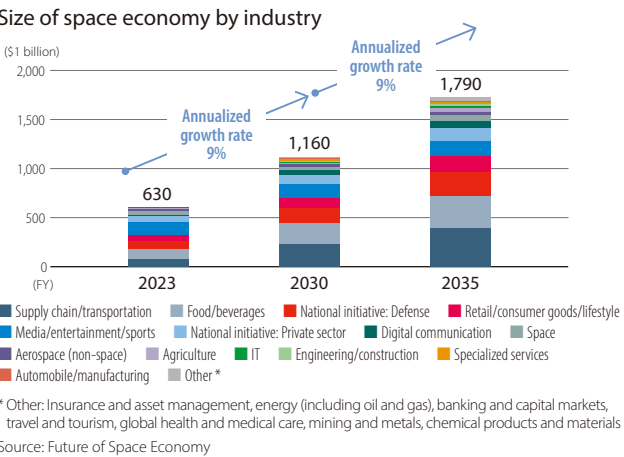
We have entered an age in which the sphere of human activity is expanding into outer space in earnest. Our Group is making use of the chemical technologies it has cultivated over many years to develop technologies for space transportation. By playing a role in the development of the space transportation field, we will contribute to solving various issues on Earth and aim for a future in which more affluent social activities are realized.

Expansion of Global Space Business

In the 21st century, a game changer initiated by the United States occurred in the field of space development, and an era has arrived in which private companies can participate in the space development field that had historically been driven mainly by governments. Many investors have high hopes for the space business, and coupled with government support, the space industry has grown rapidly over the past few years. In particular, in the field of artificial satellites for operation in outer space, technological innovations aimed at higher performance, smaller size, and lower cost are advancing dramatically along with the development of industrial technology. Numerous concepts have been proposed for industrial applications that leverage space technology. In addition to services in orbit, such as communications, observation, and positioning, these technologies have become essential to our lives, particularly in terms of security.

On the other hand, particularly in the field of transportation to deliver goods into space, the number of launched aircraft is increasing rapidly, centered on the United States and China. However, due to technical and cost issues, including those related to manufacturing technology,

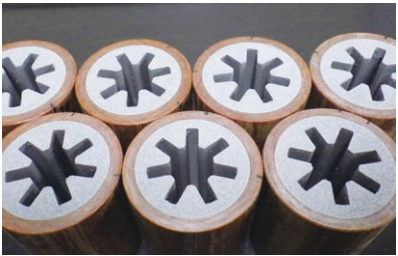
safety, and reliability, many countries, Japan included, have not been able to achieve growth as rapid as that of the satellite field. Our Group aims to contribute to the development of this field in particular.



Carlit's Contribution to the Space Industry

As the sole Japanese manufacturer of ammonium perchlorate, the main component of solid propellants, our Group has supported the Japanese space industry for approximately 60 years. The Company's strength in the space industry stems from being the only company in Japan to have a production plant, in addition to possessing advanced know-how in the safety management of explosives and chemical plant operation, as well as the technological capabilities it has cultivated over many years. This advantage has given the Company the confidence to contribute to the space industry, enabling it to establish a unique position in the market.

In the future, we will further deepen our ammonium perchlorate production technology and advance the development of new solid propellant technology, aiming to contribute to the development of the space transportation field and society.



Solid propellants for testing

As the only company in Japan that produces the main component of the solid propellant for H3 rockets

The solid propellant of the solid booster (SRB-3) used in the H3 rocket contains approximately 70% ammonium perchlorate. As the only company in Japan with production facilities for ammonium perchlorate, the Company is actively responding to customer needs. We plan to increase production capacity by two-to-three fold from FY2027 to prepare for future demand growth. We will continue to build trusting relationships with customers through our sales activities to meet demand.

Promoting development of solid propellants for defense-related products

The application of the Company's solid propellant technology is also expanding into the development of defense-related products. To contribute to the government's policy for addressing the situation relating to Japan's neighboring countries, we will advance the development of technologies developed in the space transportation field to support Japan's national security. By further improving the Company's solid propellant technology, we hope to realize innovative development in space transportation and stable production technology for defense-related products, enabling the application of our technologies to both areas in the future.

Construction of a Framework to Deal with Changes and Ensure Continuous, Stable Supply

The space defense industry market is expected to continue expanding, with the solid propellant field projected to grow significantly. While Japan's solid propellant technology is well-established, customer demands have recently become more stringent and diversified. Therefore, the Company will invest in technological advancement to ensure it can meet future product supply needs. Furthermore, it will promptly establish a framework capable of ensuring stable supply to our customers, ready to respond to anticipated "changes."

Our Group has worked to build technology in various fields for solid propellant development, including manufacturing process design, measurement, and inspection. Moving forward, we plan to develop and apply these technologies and also explore new opportunities. We remain committed to our mission of providing our customers with the products they desire, regardless of the circumstances.

Voice

Katsuhiko Nozoe
General Manager
of Propellant
Development Group
Sales Division
Explosives
Department

Pioneering Space Development

"Mr. Nozoe, do you think it will work this time?" This question is frequently asked by our employees. Each time, I reflect on the hard work and dedication of everyone that has been involved thus far, and I respond, "It will be fine. You've all demonstrated remarkable dedication and hard work." In reality, the success rates vary. With solid-fuel rockets, there are still quite a few things we will not know until they are actually launched. This is partly due to the challenges posed by new projects, but it also stems from the difficulty that if even one piece of technology doesn't mesh perfectly, it can prevent the success of the entire endeavor. I truly feel that everyone's technical level is improving with each project. I firmly believe that in the near future, rockets powered by the Company's solid propellants will be used to launch satellites into space on a routine basis. With that conviction, I will continue to dedicate myself to our daily development efforts.

Environment

Carlit will conduct business activities with a focus on preserving and maintaining the global environment to achieve a sustainable society. Our objective is to develop products that have a reduced environmental impact while respecting the natural environment. We are committed to enhancing our efforts to address environmental challenges by reducing our environmental impact in production activities, promoting efficient resource utilization, and developing environmentally conscious products. This initiative is aimed at contributing to the realization of a sustainable society.

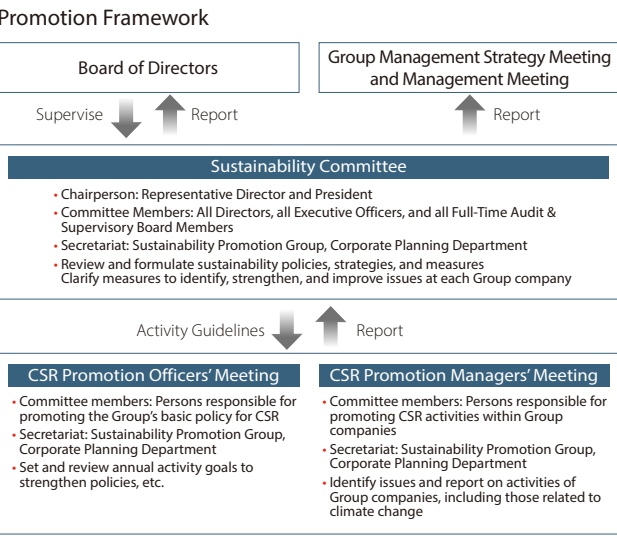
Sustainability Promotion Framework

Our Group has 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 Full-Time Audit & Supervisory Board Members, to promote Group-wide sustainability activities.

This committee reviews and formulates policies, strategies, plans, and measures related to sustainability. These include greenhouse gas emissions reduction and climate change countermeasures. Specifically, the committee addresses progress management toward achieving GHG emissions reduction targets and new initiatives, while also reporting on and discussing matters such as raising sustainability awareness and enhancing supply chain initiatives. The matters deliberated and reported on are appropriately reported to the Group Management Strategy Meeting, Management Meeting, and the Board of Directors, promoting vigorous and active discussion on sustainability issues.

In addition, the Sustainability Committee has established two meeting bodies under its umbrella: the CSR Promotion Officers' Meeting and the CSR Promotion Managers' Meeting. This enables the promotion

and coordination of sustainability activities not only at the management level but also across all layers, from managers to staff members.

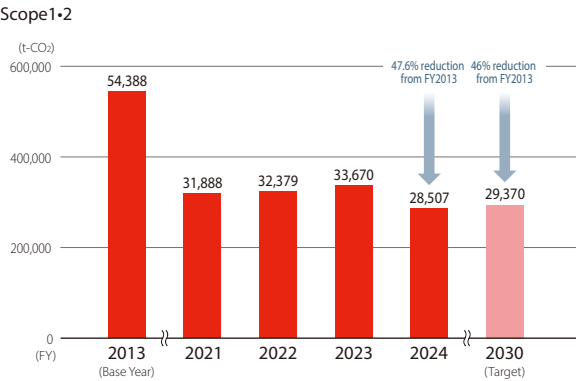


Efforts to Reduce GHG Emissions

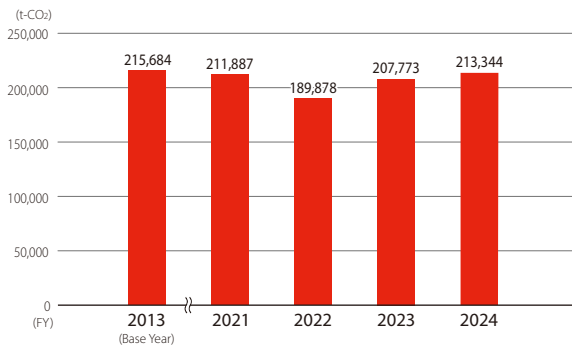
Our Group is fully committed to reducing greenhouse gas (GHG) emissions, including CO₂, to realize a sustainable future. As the impacts of climate change intensify, extreme weather events such as torrential rains, heatwaves, and droughts are causing significant damage to the natural environment, including through floods and water shortages. We acknowledge that the operations of our Group are dependent on the availability of natural resources, including water. Therefore, we recognize climate change as a significant social issue

that demands resolution. In accordance with the objectives outlined in the Paris Agreement, our Group is committed to reducing Scope 1 and 2 emissions by 46% by 2030, compared to FY2013 levels. In addition, we are taking proactive steps to achieve carbon neutrality by 2050. These include promoting energy conservation measures and the use of renewable energy, as well as actively working to reduce GHG emissions. In FY2024, we decided to invest in the introduction of aseptic lines in the Bottling segment, which are expected to

Changes in greenhouse gas emissions



Scope 3



significantly reduce GHG emissions. Furthermore, to drive and accelerate GHG emissions reduction, we studied internal carbon pricing and implemented it in May 2025. We expect this will further enhance

motivation within the Company for GHG reduction measures. We will continue to advance various initiatives to achieve our GHG emissions reduction targets and move toward carbon neutrality.

Management of Water Discharge and Chemical Products

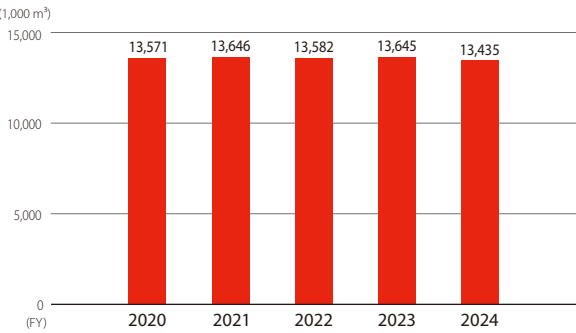
Our Group's origins lie in the saltwater electrolysis business, utilizing water rights from the Tone River. This technology remains the cornerstone of our Chemical Products segment to this day. The hydropower generator owned by the Company is utilized for the production of ammonium perchlorate, a Priority Area business, and for the material assessment service (contract battery testing), a Focus Area business. Additionally, the beverage plants in the Bottling segment (JC Bottling) utilize abundant underground water supplied from the foothills of Mount Haruna.

The Company recognizes the risk of potentially contaminating the vast Tone River basin due to inadequate management of wastewater originating from its main plants (Carlit Gunma Plant, JC Bottling), which could adversely affect drinking water and agricultural water supplies in the Tokyo metropolitan area. Therefore, the Company rigorously manages wastewater quality, has in place multiple overflow prevention frameworks, and conducts daily training to mitigate environmental pollution risks.

In addition, our Group has multiple Group companies that have obtained ISO14001 certification, which attests to their adherence to environmental management system standards. We identify potential water pollutants that could harm aquatic ecosystems and human health. Notably, the ISO audit in FY2024 did not identify any signifi-

cant issues, confirming that our PDCA cycle is functioning continuously and effectively. Our specific methods and standards include the identification and classification of potential water pollutants in accordance with applicable laws and ordinances, such as the Water Pollution Prevention Act and the PRTR Act. We are also committed to establishing manufacturing processes with low discharge risks. In addition, we utilize a range of instruments, including conductivity and pH meters, to conduct regular monitoring of wastewater. This allows us to swiftly identify any leakage from our facilities.

Water consumption



Biodiversity Initiatives

Our Group's Bottling segment utilizes coffee beans as raw materials for the production of specific products. (While this business involves contract manufacturing for customers, the coffee beans used as raw materials are sourced from Vietnam and other places.) Concerns about potential biodiversity loss due to deforestation and forest

destruction associated with farmland expansion for coffee cultivation have prompted us to take action. We are committed to procuring beans in a way that aligns with our commitment to forest conservation. This commitment includes verifying the Rainforest Alliance certification of our suppliers.

Energy-Saving Capital Investment

The Mid-Term Management Plan "Challenge 2027" is positioned as the "Investment Promotion" stage within our long-term vision. We will make strategic investments in growth areas such as expanding production facilities and establishing new businesses. We will also make investments in energy-saving equipment that contributes to carbon neutrality.

The most significant investment in energy-saving equipment to be made by FY2027 is the introduction of aseptic lines in the Bottling segment. Presently, certain PET bottle beverage production lines utilize a hot-fill sterilization system, which employs high temperatures for sterilization. The hot-fill method has the disadvantages of high

energy consumption and being limited to production using PET bottles with a large resin volume. The aseptic line, scheduled for construction and introduction in FY2026, will adopt a production method that fills beverages under sterile conditions. This approach allows for enhanced production efficiency, reduced energy consumption, PET bottle resin usage, and water usage (water intake). The projected greenhouse gas emissions reduction effect is significant, achieving a CO₂ reduction of 3,050 t-CO₂/year, equivalent to 1,650 kiloliters of crude oil/year. This will play a key role in enabling our Group to achieve its target for GHG emissions reduction.

Climate Change Action (TCFD* Initiatives)

We recognize that climate change is one of the most important management issues affecting our business activities and 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 the Company to our stakeholders, we have endorsed and signed the Task Force on Climate-related Financial Disclosure (TCFD) recommendations. 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 "1.5/2°C scenario," in which measures are taken to limit the rise in temperature to 1.5°C, in terms of both risks and opportunities. As

part of our long-term vision for a sustainable society, we will continue to enhance the precision of our analysis and expand the scope of our review. This includes refining indicators, quantifying impacts, and developing countermeasures for each scenario. We will strive to integrate scenario analysis into our management and business strategies, thereby advancing efforts to improve resilience against climate change.



*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

As a governance function, we have established a sustainability promotion framework supervised by the Board of Directors (Sustainability Committee, Sustainability Promotion Group, CSR Promotion Officers' Meeting, CSR Promotion Managers' Meeting). In accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we assess the impact

and key effects of various scenarios on our organization. We also report on supply chain emissions and discuss measures to reduce them. In addition, we implement risk management strategies through the sustainability promotion framework and in coordination with bodies such as the Group Risk Management Committee. This approach is intended to strengthen our governance functions.

Strategies

In accordance with the TCFD recommendations, we are analyzing the "4°C scenario" and the "scenarios below 1.5/2°C," in terms of both risks and opportunities. The table on the right presents the impacts on our Group and the key implications of each scenario. We are working to improve the accuracy of our analysis and risk assessment of the actual and potential impacts of climate-related risks and opportunities on our business, strategies, and financial plans. This includes identifying high-priority key impacts and assessing their risks. The Board of Directors oversees the results of scenario analysis and strives to properly reflect them in our management strategy. Thereby, we will enhance management resilience through concrete initiatives. We will also proceed with the refinement and review of

scenario analysis as needed and disclose findings when they become available. While climate change poses risks to the Company's business, it also presents opportunities to enhance the value of our products and services as well as our corporate value. Many of the Company's products are affected by climate change, including flares used during heavy rain disasters and beverage products, which are seeing increased demand due to rising average temperatures. In accordance with our Group's Basic Policy for Sustainability, the Company is actively involved in the creation, research and development of new products, services, and businesses that address climate change and contribute to decarbonization to mitigate its progression.



Impact on our Group and key implications of each scenario

Scenario	Category			Major Impact	Risk and Opportunity	Potential Impact	Assumed Economic Impact
4°C	Risk	Physical risk*1	Acute risk*2	Changes in precipitation and weather patterns	Increase in torrential rains and other severe wind and flood damage	Damage to production facilities, production stagnation and reduced efficiency, and rising flood control costs	Increase in equipment repair costs Increase in manufacturing costs
					Rise in average temperatures	Soaring prices of raw materials due to a decrease in suitable areas for growing coffee and tea	Shrinkage of sales in the Bottling segment
		Chronic risk*3		Changes in precipitation and weather patterns	Water shortage due to changes in precipitation	Decreased operation of hydroelectric power plants and increased costs associated with securing alternative water sources and introducing water reuse systems	Increase in energy costs Increase in manufacturing costs
					Rise in average temperatures	Impact on air conditioning equipment in warehouses and factories	Increase in energy costs
	Opportunities	Markets, products, and services		Changes in precipitation and weather patterns	Increased demand for products and services that adapt to the intensifying storm and flood damage	Increase production of flares with escape mechanisms for when a vehicle is submerged in water	Sales growth in Explosives
					Increased demand for products and services due to rising average temperatures	Increased demand for PET bottled and canned beverages Increased demand for industrial water treatment agents for odor control	Expansion of sales in the Bottling segment Expansion of sales in the chemicals business
< 1.5/2°C	Risk	Migration risk*4	Legal and regulatory risk	Changes in social demands	Strengthening and tightening of emission regulations, such as the introduction of a carbon tax	Introduction of environment-friendly equipment, full-scale introduction of emissions trading and application of carbon tax	Increase in capital investment costs Increase in operation costs Increase in raw material procurement costs
			Technology risk	Development and diffusion of low-carbon emission technologies	Social demand for low-carbon emission technologies	Deterioration of competitiveness due to delayed action for low-carbon technologies	Increase in capital investment costs Decline in the number of distributors
			Reputation risk	Changes in social demands	Requests for disclosure of data on progress in Climate Change Action	Stricter criteria for trading and investment decisions, poor reputation due to delays in action	Increase in fund procurement costs Decline in the number of suppliers and distributors
	Opportunities	Markets, products, and services		Changes in precipitation and weather patterns	Increased demand for products and services that adapt to ongoing climate change	Increased demand for meteorological satellite launches	Expansion of sales in the chemicals business
					Widespread use of renewable energy	Popularization of electric vehicles and increase in storage battery demand Widespread use of hydrogen energy and large-capacity storage batteries	Expansion of sales in the material assessment service and electronic materials businesses Expansion of sales in the chemicals business
		Resource efficiency		Diffusion of energy-saving environment	Diffusion of energy-saving production facilities Stable market distribution of renewable energy	Establishment of highly energy-efficient production systems, utilization of hydroelectric power plants, expansion of photovoltaic power generation, and promotion of non-fossil certified electricity use	Reduction of energy costs Reduction of operation costs
					Requests for disclosure of data on progress in Climate Change Action	Improvement of external reputation by enhancing Climate Change Action	Reduction in fund procurement costs Expansion of suppliers and distributors
		Reputation		Changes in social demands	Requests for disclosure of data on progress in Climate Change Action	Improvement of external reputation by enhancing Climate Change Action	Reduction in fund procurement costs Expansion of suppliers and distributors

*1 Physical risk: Disasters and other damage caused by climate change.
*2 Acute risk: Impact of extreme weather events such as typhoons, floods, storm surges, etc.
*3 Chronic risk: Impacts from long-term changes in precipitation patterns, changes in weather patterns, and increases in average temperatures and sea levels.
*4 Transition risk: Risks arising from the transition to a decarbonized society aimed at mitigating climate change.

Risk Management

Our Group may be significantly impacted by various disasters caused by climate change. Some potential consequences include damage to production facilities and human resources, as well as significant shifts in customer demand trends. We recognize that natural disasters, extreme weather, and pandemics are critical risk factors that could substantially affect our Group's business performance and financial condition. We promote risk management by assigning responsibilities: the Corporate Planning Department handles impacts on the economic environment; the Human Resources Department and General Affairs Department manage impacts related to human casualties; the Production and Quality Management Department oversees impacts on production activities and quality; and the Public Relations and IR Group is responsible for disclosing information on the above to

stakeholders in a timely and appropriate manner. Furthermore, we have established a Group Risk Management Committee chaired by the President and Representative Director to build a comprehensive risk management framework that includes risks stemming from climate change. Risk: We conduct risk assessment and management to minimize risks, including the prompt aggregation and reporting of risk information, verification of impacts across the entire Group, and swift execution of countermeasures based on management decisions. Furthermore, recognizing the importance of addressing sustainability throughout the entire supply chain, our Group promotes socially and environmentally conscious activities by ensuring thorough awareness and adherence to our "Sustainable Procurement Guidelines" among internal and external stakeholders, even in procurement and transportation.

Climate Change Action (TCFD Initiatives)

Indicators and Targets

We have established and disclosed metrics and targets as performance indicators related to our efforts to realize carbon neutrality by 2050 and our measures to address climate-related risk and opportunities.

- Supply chain's CO₂ emissions results
- Supply chain's CO₂ emissions reduction targets for Scopes 1 and 2
- Launch of products that contribute to a better life for people, a healthier environment, and a smarter society: the number of products created and the number of patent applications filed

In addition, the Company has introduced hydroelectric power plants and solar power generation systems. We are currently considering setting targets for renewable energy usage rates and introducing internal carbon pricing.

Moving forward, we will continue to actively pursue GHG emissions reduction through investments in energy-saving equipment and the utilization of renewable energy. We will also explore enhancing our indicators and targets, as well as expanding the scope of our information disclosure.

Supply chain emissions

Our Group calculates supply chain CO₂ emissions (Scopes 1, 2, and 3)

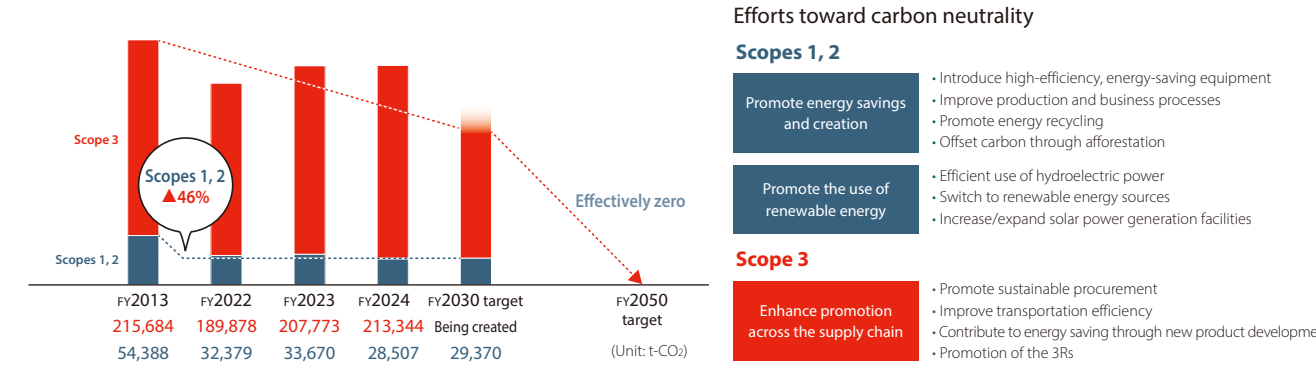
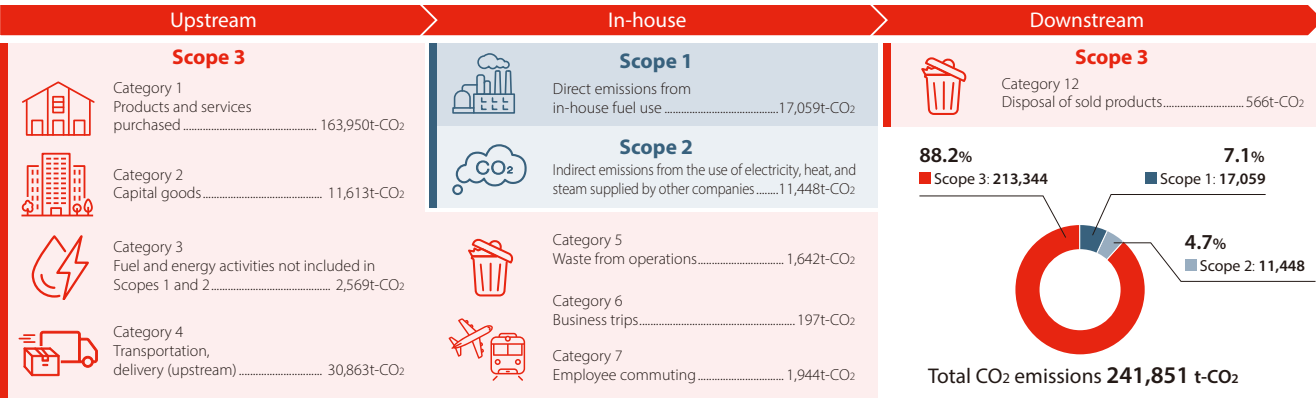
as an indicator to measure and manage risks and opportunities related to climate change. We will work to reduce greenhouse gas emissions by establishing a framework for regular management of real emissions.

Scope 3 emissions, in particular, account for over 80% of our Group's total emissions. We recognize that reducing Scope 3 emissions is essential for achieving carbon neutrality. Approximately 80% of Scope 3 emissions are attributable to Category 1 emissions. Accordingly, we will enhance communication with our supply chain partners to advance decarbonization efforts and promote reduction initiatives. We will also proceed with setting specific Scope 3 reduction targets.

Supply chain emissions: reduction targets for scopes 1 and 2 emissions

For Scopes 1 and 2, we have set a milestone to reduce supply chain emissions by 46% by 2030 compared to FY2013. To achieve this goal, we are promoting investments in energy-saving equipment, process improvements, and increased use of renewable energy.

FY2024 supply chain CO₂ emission results



* Scope of calculation: Carlit Co., Ltd., JC Bottling Co., Ltd., Namitakiko Co., Ltd., Toyo Spring Industrial Co., Ltd., Fuji Shoji Co., Ltd.
* Company names as of FY2024

Contributing to the Environment through Business and Services

Material assessment service business supporting development of next-generation batteries

The Company's material assessment service business contributes to the development and realization of next-generation batteries that promote the use of renewable energy, achieve carbon neutrality, and reduce environmental impact. We conduct numerous assessments specifically for "batteries" used in applications such as renewable energy storage, peak time shifting, and batteries for electric and hybrid vehicles.

Our material assessment service is divided into two categories: "hazard assessment testing" and "battery testing". Hazard assessment testing evaluates battery safety by subjecting batteries to stresses that could potentially cause ignition or explosion. These stresses include short-circuit tests, nail penetration tests, crush tests, and submersion tests. Battery testing utilizes various power sources and storage chambers capable of controlling temperature to perform charge-discharge tests under conditions matching the battery's intended operating environment.



Battery laboratory

Owner of a hydroelectric power plant

As a company whose core technology is electrolysis, we require significant amounts of electricity to conduct our business. The Company's Koto Hydroelectric Power Plant in Gunma Prefecture is a hydroelectric facility constructed in 1953 by the Company (formerly Japan Carlit Co., Ltd.) in anticipation of the necessity to secure stable power supplies for the future. This plant utilizes the elevation difference in the riverbed of the Tone River. The discharged water is also utilized by downstream power plants in Gunma Prefecture and other locations. Hydropower is a clean energy source that does not harm natural ecosystems. Its annual generation capacity is approximately 18.6 million kWh. This reduces CO₂ emissions by over 8,300 tons per year when compared to purchasing electricity. It also provides cost savings of approximately 300 million yen. All the electricity used at the Company's Gunma Plants—for manufacturing raw materials for solid propellants for rockets and electronic materials, as well as for battery testing to evaluate the functionality of storage batteries—is sourced from renewable energy generated at the Koto Hydroelectric Power Plant. We will continue to carefully maintain and utilize the Koto Hydroelectric Power Plant, helping society through business operations that consider environmental conservation.



Koto Hydroelectric Power Plant

Column

The Path to a Sustainable Future through Internal Carbon Pricing

The Company has a long-standing commitment to promoting clean energy, leveraging hydroelectric and solar power generation. From 2025, we have implemented an Internal Carbon Pricing (ICP) system to further enhance our efforts to reduce greenhouse gas (GHG) emissions, with the objective of achieving low-carbon investments and realizing carbon neutrality.

The internal carbon price is a mechanism that assigns a hypothetical price to the Company's GHG emissions. When making capital investment decisions, this price is considered, ensuring that the reduction of GHG emissions is economically advantageous. This initiative promotes investments that reduce environmental impact and pursues sustainable business operations.

In addition, the Company has implemented an incentive program for capital investments and manufacturing process improvements that is expected to reduce GHG emissions by at least one ton per year. Rewards are also calculated based on the internal carbon price. This system provides support and encouragement to divisions and employees actively engaged in environmental improvement while also aiming to raise employee environmental awareness. The incentive program's eligibility and reward amounts are determined following review by the Sustainability Committee.

The introduction of internal carbon pricing is not merely a policy measure; it represents a new step toward uniting all employees in engaging in environmental protection efforts. Through this initiative, the Company aims to contribute to the realization of a better global environment and pass on a beautiful Earth to future generations.

Overview of ICP Framework

Scope of ICP framework	<ul style="list-style-type: none">• Capital investment that reduces annual GHG emissions by more than 1 ton of CO₂ equivalent• The process improvement that reduces annual GHG emissions by more than 1 ton of CO₂ equivalent
Application method of ICP framework	<ul style="list-style-type: none">• Incorporated the monetary value derived from applying the internal carbon price to GHG emissions reductions associated with targeted capital investments into the estimation of investment effect, using this as one of the investment decision criteria• Established an incentive program for divisions that propose and implement targeted capital investments and process improvements. The internal carbon price should be applied to determine payment amounts in order to reflect the reduction of GHG emissions.

Supply Chain Management

It is essential to secure the highest standards of quality and reliability in manufacturing while also pursuing initiatives for sustainable procurement while securing quality of law materials and reliable procurement that take into account labor, ethics, and the environment into account. We place great importance on maintaining ongoing relationships of trust and cooperation with our suppliers and aim to build sound relationships with them that enable the sustainable growth of both parties.

Promotion of Fair Trade

Our Group is committed to the following initiatives and requests that our suppliers strive for compliance as well.

1. Basic stance on fair corporate activities

2. Building appropriate relationships with local governments and public officials wherever our business is conducted, whether in Japan or overseas

3. Prevention of any improper exchange of benefits with customers, business partners, etc., whether in sales, purchasing, or other activities

4. Prevention of violations of competition laws in sales activities, etc.
5. Elimination of relations with antisocial forces, including both individuals and organizations

6. Prevention of unauthorized use of third-party intellectual property and the illegal reproduction of copyrighted works

7. Establishment of external complaint and consultation desks

8. Prohibition of insider trading

9. Prohibition of conflicts of interest

Environmental Initiatives

Our Group is committed to initiatives aligned with the following policy and requests that our suppliers strive for compliance as well.

1. Basic policy on environmental initiatives

We will establish mechanisms to identify and resolve environmental issues within our business processes. We will also be responsible for identifying and managing any causes or factors that have an environmental impact.

2. Control of chemical substances specified by laws and regulations in manufacturing processes, products, and services

We oversee the management of chemical substances in product manufacturing, closely track the volume of chemical substances handled, and provide comprehensive reports to administrative authorities.

3. Management and reduction of wastewater, sludge, and exhaust emissions

We establish voluntary environmental impact reduction targets that meet or exceed legal and regulatory requirements. We are also working to prevent pollution; monitor and control wastewater, sludge, and exhaust emissions; and reduce discharge volumes.
4. Sustainable and efficient use of resources (energy, water, raw materials, etc.)

We set voluntary targets for resource and energy conservation and strive for continuous, effective utilization of resources and energy.

5. Reduction of greenhouse gas (GHG) emissions

In response to the global challenges posed by climate change and global warming, we are committed to setting voluntary reduction targets for greenhouse gases, including carbon dioxide, methane, and fluorocarbons, and to working towards their reduction.

6. Waste identification, management, reduction, and responsible disposal or recycling

We will establish voluntary targets to reduce waste and work to achieve them.

7. Biodiversity initiatives

We will assess the direct and indirect impacts of our business activities on ecosystems and work to conserve biodiversity and promote its sustainable use.

Sustainable Procurement Questionnaire

Our Group has established the “Group Basic Policy for Sustainable Procurement” and “Sustainable Procurement Guidelines” towards the realization of a sustainable society through responsible procurement. To ensure our suppliers understand and apply the Carlit Group's basic policy for procurement activities, we conduct a Sustainable Procurement Questionnaire.

The questionnaire is reviewed and conducted every three years. When the questionnaire was last conducted (FY2022), we surveyed the top 75% of suppliers by procurement value, covering items such

as “Fair and Equitable Transactions,” “Trusting Relationships with our Business Partners (Information Management and Rights),” “Compliance with Laws and Social Norms,” “Environmental Consideration,” and “Respect for Human Rights.”

In FY2025, we plan to conduct a more advanced Sustainable Procurement Questionnaire, reflecting changes in social conditions and evolving CSR requirements. Our objective is to obtain responses from over 90% of our top suppliers based on procurement value.

Human Rights

Carlit respects the human rights of every officer and employee within our Group, as well as all stakeholders involved in our corporate activities, and conducts business accordingly. We are committed to incorporating labor and ethical considerations into all aspects of our corporate activities, including procurement, manufacturing, and sales. This approach ensures that our products and services provide our customers with peace of mind.

Basic Approach: Carlit Group's Human Resources Vision

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

1. We are convinced that the growth of each and every employee and the expression of their strengths as human assets of the Carlit Group will lead to ongoing and stable
- Group development.

2. We respect diversity in terms of nationality, race, gender, age, creed, etc., and emphasize mutual acceptance and growth.

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.

Formulation of Company-wide Guidelines on Human Rights

The Group Compliance Charter underscores our commitment to “respect human rights and improve the work environment,” showing clearly that we respect human rights and strive to create a safe and vibrant work environment free from discrimination and harassment.

Group Compliance Charter Action Guidelines (excerpt)

(1) Respect for Human Rights

- (i) Prohibition of unjust discrimination and harassment

We strictly prohibit any form of unjust discrimination or harassment on the basis of race, creed, gender, age, religion, nationality, ethnicity, language, place of origin, physical characteristics, disability, or illness in all aspects of our corporate activities. We are committed to maintaining a healthy and inclusive workplace environment.
- (ii) Respect for privacy and protection of personal information

We respect the privacy of each individual. We exercise the utmost care when handling personal information and strive to ensure its proper protection and management.
- (iii) Respect for each individual's unique qualities and impartial administration of personnel systems

We respect each individual's personal character and individuality. We

will evaluate the results of employee work fairly, use the results in fair treatment, and strive to manage personnel fairly in terms of transfers and promotions, etc.

- (iv) Prohibition of harassment

We are committed to maintaining a harassment-free environment, meaning that we do not engage in or tolerate any form of harassment, including sexual harassment, maternity harassment, or workplace bullying.

(2) Promoting a Safe and Healthy Workplace

We will work to maintain and improve health and ensure safety and health in the workplace so that all employees can work with peace of mind. The Carlit Group is committed to adhering to all applicable labor laws and regulations and ensuring the protection of workers' rights.

Initiatives on Human Rights Issues across the Supply Chain

Our Group has established the “Basic Policy for Sustainable Procurement” and “Sustainable Procurement Guidelines” as part of our supply chain management, stipulating the following:

Carlit Group Basic Policy for Sustainable Procurement (Excerpt)

Respect for Human Rights

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

Carlit Group Sustainable Procurement Guidelines (Excerpt)

Respect for Human Rights

- Prohibition of inhumane practices, including child labor, forced labor, abuse, and human trafficking

• Prohibition of any form of discrimination on the basis of gender, nationality, race, creed, age, disability, sexual orientation, or gender identity

• Prevention of harassment that undermines personal dignity

• Promotion of responsible sourcing practices with regard to conflict minerals

• Compliance with occupational safety and health laws, prioritizing employee well-being while striving to create safe and comfortable workplaces

- Compliance with all applicable laws and regulations, striving to minimize excessive working hours

• Ensuring that wages are paid in accordance with applicable laws

• Compliance with all applicable laws regarding freedom of association and collective bargaining rights to support and respect employee rights

We review and conduct questionnaires based on this basic policy and guidelines every three years to ensure that our business partners fully understand the content. We are pleased to report that our supply chain is free of forced and child labor. Please visit the Company website for details on the basic policy and guidelines.

Please visit the Company website for details on the system and priority initiatives.
<https://www.carlithd.co.jp/en/sustainability/about/procurement.html>



Roundtable Discussion by Outside Officers



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 Foreign Law Joint Enterprise. Outside Director of the Company since 2022.

Yasuhiro Fujiwara
Outside Director

A certified public accountant. The representative of Fujiwara Accounting Office, after working for ChuoAoyama Audit Corporation and Shin Nihon & Co. (currently Ernst & Young ShinNihon LLC). Outside Director since June 2024, after assuming the position of Outside Audit & Supervisory Board Member in June 2023.

Harutoshi Sato
Outside Director

Outside Director of the Company since June 2025, after serving as Senior Managing Executive Officer, Division Manager, Research and Development Division, TOKYO OHKA KOGYO CO., LTD.

Shinichi Iwamura
Full-Time Outside Audit & Supervisory Board Member

Assumed the post of Director (Audit & Supervisory Board Member) of Asset Management One Co., Ltd., after serving as Executive Officer of Mizuho Trust & Banking Co., Ltd., Executive Vice President of Japan Pension Operation Service, Ltd., and others. Outside Audit & Supervisory Board Member since June 2024.

Reiko Mitamura
Outside Audit & Supervisory Board Member

A certified public accountant. The representative of Reiko Mitamura Certified Public Accountant Office, after working for ChuoAoyama Audit Corporation, etc. Outside Audit & Supervisory Board Member since June 2024.

Challenges Faced by Outside Officers Who Support Change and Lead the Enhancement of Corporate Value

The Carlit Group is currently undergoing a period of significant transformation, including the transition to an operating holding company structure and the formulation of its mid-term management plan, Challenge 2027. We asked Outside Directors—who actively engage in management from an external perspective and support transformation through dialogue—to share their roles, experiences, and future outlook.

Enhancing the Clarity of “Ideal Carlit Group in 2030”

Murayama The Company’s strategic initiatives, aimed at enhancing profitability, investing in growth businesses, and advancing DX initiatives in accordance with the “Ideal Carlit Group” vision, are progressing in a steady manner. Discussions regarding the enhancement of capital efficiency, including ROE and ROIC, are also becoming more active. However, further strengthening of R&D capabilities and driving innovation remain key challenges for sustainable growth. Our on-site teams are addressing immediate challenges with unwavering integrity. It is becoming increasingly critical to fully harness this strength of our on-site teams in order to tangibly achieve high profitability and efficiency.

Iwamura The Carlit Group has achieved a significant milestone with its transition to a business holding company structure and formulation of a new mid-term management plan. While the readiness to address these changes on-site is encouraging, the future vision of “Aspiration for 2030-35” still lacks sufficient definition. It is essential that we define our business scale, profit structure, and approach to providing value to society with greater clarity. It is also essential to enable employees to align their daily work with the Company’s future vision to understand them. By breaking down the vision into its most fundamental components, ensuring that the image remains

sharp even when enlarged, employees will find it easier to understand their roles with greater clarity.

Fujiwara As societal changes accelerate, it is essential to outline the process toward our “ideal” future state in detail. This will foster understanding and acceptance both internally and externally. The Company produced outstanding results under the previous mid-term plan, including achieving the 3 billion yen target for operating profit ahead of schedule. However, we failed to achieve the targeted 10% operating profit margin. As such, challenges remain in terms of enhancing our PBR level and gaining recognition from capital mar-



kets. By clearly defining the path to our “ideal state” and considering both our quantitative achievements and challenges that remain, we believe that further growth can be expected.

Sato In June of 2025, I assumed the role of

Outside Director, and my first impression of Carlit was that it is a solid company. I believe that its trust, expertise, and century-long history form the foundation of this solidity. However, I also sense a strong desire for growth. If the market recognizes both this solid foundation and a growth trajectory, the PBR level will improve. For instance, I would like to encourage management to proactively communicate how the Company intersects with broader trends, such as national-level industrial security and the energy transition.

Mitamura Regarding the penetration of motivation for growth, the results of the previous mid-term management plan showed that there are certain challenges. While external factors played a role, one of the initial themes, “accelerating growth businesses,” was not fully realized, leading to sluggish profit margin growth. I believe that if management presents a high-resolution vision for growth and a mid-to-long-term direction, enabling every member of the organization to recognize what they should be doing, it will drive innovation.

Formulation of the Dialogue-Focused Mid-Term Management Plan “Challenge 2027”

Fujiwara Outside Directors were involved from the initial stages of the formulation of this Mid-Term Management Plan “Challenge 2027.” The process involved discussing and refining the core elements on a monthly basis at Board of Directors meetings and in other forums, and it was extremely intensive. Activities to disseminate the plan internally, such as company-wide briefings, have elicited diverse opinions from our employees. I firmly believe that the first step toward achieving results is for each employee to view the plan as a theme that is personally relevant to them.

Iwamura I hope that a process of having substantive discussions among members of the Board of Directors, starting from the direction and basic policy stages, will become established. This should lead to the unified formulation of not only a business strategy, but also a human resources strategy, sustainability strategy, and DX strategy. Ideally, the Carlit Group’s “grand design” would be thoroughly discussed, and employees would develop conviction for the contents and a shared understanding of the transformation process.



Murayama The strategic allocation of investment capital to high-growth sectors emerged as a natural outcome of our deliberations. The previous mid-term plan placed significant emphasis on investment allocation in the Base Area. In contrast, discussions on the current plan centered on investment allocation with a focus on future growth potential. This has led to a greater focus on optimizing investment allocation and improving capital efficiency.

Mitamura In comparison with previous mid-term plans, this one incorporates a well-balanced perspective encompassing a business strategy, financial strategy, and non-financial aspects. As we move forward, it is imperative to enhance the plan’s effectiveness and ensure its comprehensive execution by the entire workforce. The plan must be executed throughout the organization, not solely among management and executives.

Sato Indeed. Regarding the mid-term plan, I believe that monitoring future trends is more crucial than examining past data. Given the potential for future changes, it is crucial to allocate time for a review of assumptions when they are invalidated. Carlit’s rolling approach is a significant strength.

Iwamura Precisely. By viewing the plan flexibly and revising it rather than treating it as fixed, we can build a corporate structure resilient to change. I believe that we are currently in an era where management flexibility is being put to the test.

Roundtable Discussion by Outside Officers

A Sense of Unity as a Group: Beyond the Holding Company Structure

Murayama After transitioning to a business holding company structure several months ago, I believe the groundwork is now in place to view our businesses from a group-wide perspective. I also assess that the Company is making progress in accelerating decision-making and optimizing R&D and personnel structures.

Sato I believe that management's deliberate promotion of mechanisms that enable knowledge and talent to flow within the Group, while leveraging the strengths of each company, will result in closer collaboration.

Mitamura After listening to feedback from worksites, it appears that the purpose behind returning to a business holding company structure has not yet been fully understood. Given that the numerical results have yet to be analyzed, it is premature for me to provide an evaluation as an accountant.

Iwamura To establish a connection between this structural change and a sense of unity as the Carlit Group, it is essential to

"enhance clarity" and "clarify our ideal future state," as previously stated. We must communicate the fact that the transition to a business holding company structure resulted from redefining not only our core business but also the ideal state for the entire Group.

Fujiwara It is essential to ensure that there is clear alignment between our overall strategies and the decision-making at worksites. Otherwise, there is a risk of compromising speed and flexibility. As a specific example, I believe that the specific details of the implementation of the new structure—including the reorganization of practical operations such as accounting software and systems—will be key.



Investment in People Enhances Corporate Value

Mitamura I believe that the core discussions on sustainability and human capital revolve around establishing companies and organizations that provide a secure working environment for employees. In this regard, the first step is to update to the latest rules and mechanisms and to promote training that encourages interaction among employees. Furthermore, an organization cannot be sustainable unless it focuses not only on developing internal talent but also on attracting external talent.

Iwamura Management must specify the specific types of talent that are necessary to achieve sustainable growth in corporate value. Integrating the human resource strategy with the management and business strategies outlined in the new Mid-Term Management Plan will allow us to discuss "investment in people" that contributes to sustainable growth across the entire Group.

Murayama While recruitment and development plans are



progressing steadily, linking them to the management strategy remains a challenge that requires higher priority and more-focused efforts. Cultivating a culture that encourages us to "Embrace Challenges," as stated in our Management Philosophy, is also crucial. While the Governance Committee is deepening its discussions on management talent, I believe the core issues remain unchanged.

Fujiwara It is imperative for there to be effective alignment between the mid-term management strategy and the desired talent profile and human asset strategy. The organizational culture is commendable in that the organization is leveraging external disclosure requirements as a catalyst to engage with talent and deepen discussions. I am eager to see the future integration of strategies and the resolution of challenges.

Sato When deepening discussions, it is crucial not only to begin with the "ideal state" in mind and work backward, but also to understand the Company's position relative to external benchmarks. Succession planning is a multifaceted process that encompasses various elements, including operational management, human resource development, and organizational development. As an Outside Director, I believe it is necessary to further these discussions by incorporating external trends and best practices.

Changing Roles of Outside Directors and Their Effective Involvement in Management

Fujiwara First, I believe it is crucial to thoroughly monitor the progress of the new mid-term plan. The Ministry of Economy, Trade

and Industry's "Five Principles for Board of Directors to Enhance Growth Power" also includes the phrase "Promotion of Medium- to

Long-term Oriented Management." While this topic intersects with the human resource strategy, business strategy discussions often prioritize the short term. The Board of Directors must play a proactive role in promoting growth and improvement by ensuring the medium-to-long-term alignment of each strategy and our assessment by the capital markets.

Murayama Specifically, while quantitative monitoring of investment projects and new ventures is essential, qualitative assessment is also necessary. This evaluation should assess whether projects align with the "ideal future state" and contribute to enhancing corporate value. It is imperative that the Board of Directors actively leverages external expertise and information on leading practices to enhance the objectivity and quality of its discussions and decision-making.

Mitamura Carlit is distinguished by its ample opportunities for Outside Officers to gather information. The ability to participate in all meeting bodies and gain insight into every corner of the Company, including employee conditions, creates strength through "low information asymmetry." By systematically compiling information gathered during meetings while maintaining an objective and proactive stance, the roles of an Outside Audit & Supervisory Board Member can be fulfilled.

Supporting Transformation and Sustainability from the Perspective of Outside Officers

Iwamura We recognize that the functions required of Audit & Supervisory Board Members extend beyond compliance audits, with advisory support for management being crucial. Furthermore, it is vital for Outside Officers to pose questions from a long-term perspective, unconstrained by short-term performance, and thereby contribute to enhancing corporate value over the medium to long term. To that end, at future Board of Directors and Audit & Supervisory Board meetings, I intend to deepen fundamental discussions on topics such as Carlit's purpose.

Mitamura Indeed. This aligns with the "clarity" mentioned earlier. It is vital for both management and all employees to have a strong awareness of our purpose. While internal decisions and approvals are based on established rules and regulations, it is also crucial to ensure that they are aligned with our organizational purpose. From my standpoint as an Audit & Supervisory Board Member, I would like to ask probing questions about our purpose and the "ideal state" it underpins.

Fujiwara The Company is well-suited for deepening its strengths given its strong operational capabilities and, above all, culture of diligence. While challenges remain, I firmly believe that there is significant room for growth if we maintain a positive outlook. As an Outside Officer, I aim to contribute to enhancing our corporate value by fostering candid dialogue with management and employees, based on a foundation of trust.

Sato In our discussions, I would like to support the "Infinite

Sato Carlit's Board of Directors fosters an open and inclusive atmosphere, facilitating practical discussions. My professional background is in chemical manufacturing, and I have firsthand experience with the rapid pace of change and competitive environment, particularly in the semiconductor field. Drawing on this experience, I aim to offer insights on decision-making speed and technological strategies, provide guidance on system design and governance by leveraging my experience and expertise, and make more effective proposals.

Iwamura As an Outside Officer, I consider it crucial for a company to proactively engage with investors. Investors oversee a vast number of companies; if we fail to take the initiative, opportunities for dialogue will not arise. By proactively communicating our strategy and vision and soliciting constructive feedback, we can further enhance the clarity of our management approach. For such purposes, it is essential that we maintain a strong sense of unity as "Team Carlit." It is essential to understand our worksites and business environment, as well as the broader management context, including strategies for enhancing corporate value and optimizing the effectiveness of the Board of Directors. I believe that the key to realizing transformation lies in every member of "Team Carlit" adopting a stance focused on deep knowledge, understanding, and insight.

Challenges" that President Kaneko emphasizes and champions. In order to embark on new challenges, it is essential that management and the Board of Directors provide backing and support for these new endeavors. In addition to those with a background in manufacturing, such as myself, I aim to establish a more diverse management structure that includes lawyers, accountants, and others, and to continue to embrace "Challenges."

Murayama To tackle the challenges facing Carlit and to effectively respond to the accelerating pace of external environmental changes, it is imperative to establish a highly sensitive risk monitoring system. As previously stated, we aim to utilize our diverse backgrounds and insights as Outside Officers to pose fundamental questions, such as "Why make that choice?" and "What will it achieve?," thereby facilitating ongoing dialogue that enhances the quality of our management.



Corporate Governance

Our Group’s mission is to contribute to a sustainable society by combining the power of “chemistry” and “technology” to support people’s happy lives. To achieve this objective, corporate governance is considered as important framework to maintain transparent, fair, and sound management. We will continue to build a foundation for high-quality management through continual reform and improvement.

Basic Concept

With “For Confidence and Infinite Challenges” as our Group management philosophy and “Customer First,” “Safety First,” and “Social Contribution” as our action guidelines, we pursue sustainable growth and increased corporate value over the medium to long term. We attach great importance to strengthening corporate governance and are building a framework that will earn the trust and recognition of our stakeholders, with a view to accelerating corporate growth and enhancing corporate value.

[Commitment to each principle of the Corporate Governance Code \(Japanese only\)](https://www.carlithd.co.jp/sustainability/files/corporate_governance_code.pdf)
https://www.carlithd.co.jp/sustainability/files/corporate_governance_code.pdf

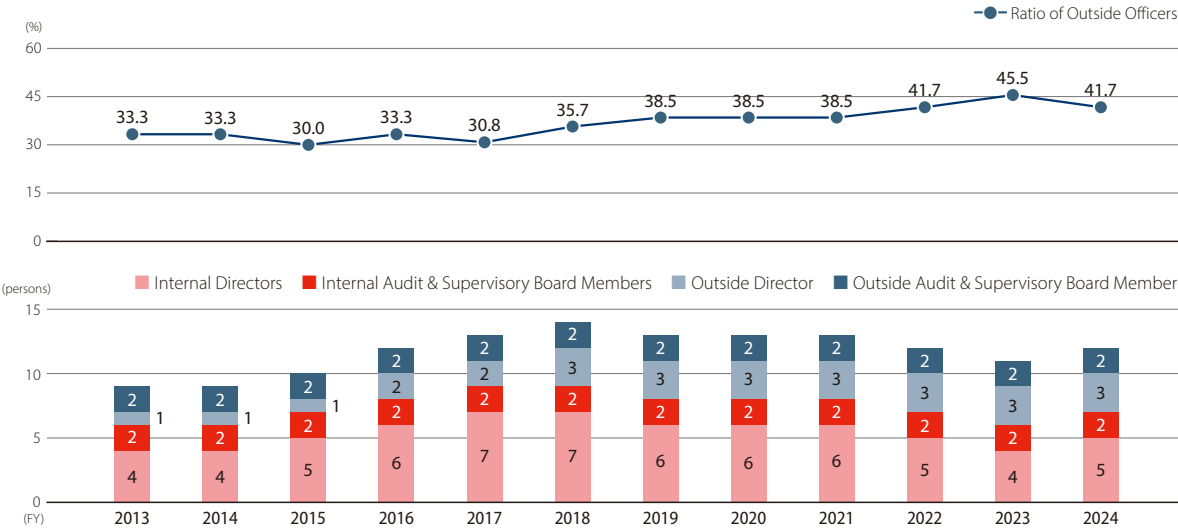
[Corporate Governance Report \(Japanese only\)](https://contents.xj-storage.jp/xcontents/AS05983/d0857a10/65a7/4854/88a0/5c3b49ae4e5f/140120250617591588.pdf)
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Corporate Governance Framework

Board of Directors (FY2024 results)

Chair	Representative Director and President & CEO Hirofumi Kaneko
Members	April - June 2024: Kaneko, Ogawa, Yamaguchi, Yamamoto, Shimbo, Murayama, Nozawa, Fujiwara, Aoki, Iwai After June 2024: Kaneko, Ogawa, Yamaguchi, Okamoto, Takahashi, Shimbo, Murayama, Fujiwara, Iwamura, Mitamura, Aoki, Iwai
Number of meetings held	17
Key roles	To ensure that our management practices enhance corporate value and align with shareholder interests, the Board of Directors oversees the performance of duties by executive officers and Directors based on our management philosophy and policies.
List of agenda items	In addition to matters requiring a resolution under laws, the Articles of Incorporation, or Board of Directors Regulations, the Board also deliberates on the formulation of mid-term management plans based on management policies and company-wide business strategies. In FY2024, as the final year of the Mid-Term Management Plan “Challenge 2024,” the Board engaged in a series of discussions and deliberations on a range of key issues, including progress and results reports, and addressed business risks.

Changes in Corporate Governance Framework

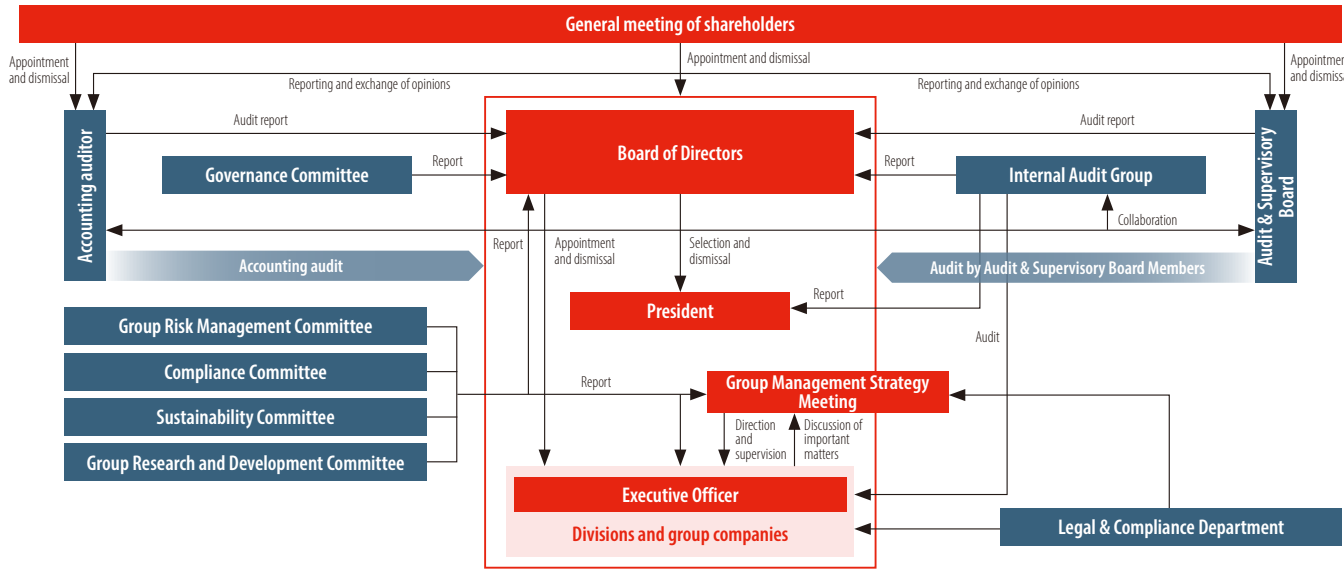


- 2010s

 - Formulation of the basic policy regarding internal control systems
 - Introduction of Executive Officer framework
 - Abolition of retirement benefit plan for Officers/First appointment of an Outside Director
 - Establishment of a pure holding company, Carlit Holdings Co., Ltd., through a single share transfer
 - Introduction of the Board Benefit Trust (BBT) plan
 - Formulation of Corporate Governance Guidelines
 - Establishment of Governance Committee
- 2020s

 - Formulation of policy for determining the content of compensation, etc. for individual Directors
 - Formulation of a skills matrix for Directors, Audit & Supervisory Board Members, and Executive Officers
 - Formulation of the “Approach to Each Principle of the Corporate Governance Code”
 - Change of company name to Carlit Co., Ltd.
 - Merger by absorption between Japan Carlit Co. Ltd. and Silicon Technology Corporation, transitioning from pure holding company to business holding company structure

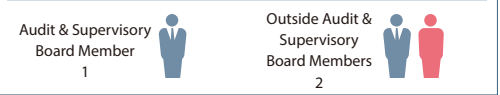
Corporate Governance Framework



Directors: 7 (After June 2025)



Audit & Supervisory Board Members: 3 (After June 2025)



Audit & Supervisory Board (FY2024 Results)

Chair	Representative Director and President & CEO Hirofumi Kaneko
Members	April - June 2024: Nozawa, Fujiwara, Aoki, Iwai After June 2024: Iwamura, Mitamura, Aoki, Iwai
Number of meetings held	20
Key roles	The Audit & Supervisory Board is responsible for discussing key issues related to audits and exchanging views. Its roles involve receiving explanations of audit plans from the accounting auditor, attending on-site inspections of business sites, receiving reports on audit results from the accounting auditor, and holding meetings to exchange views to foster close cooperation.
List of agenda items	The Audit & Supervisory Board resolved matters such as the preparation of the Audit & Supervisory Board's audit reports and the auditing of the securities report. The meetings also covered reports on various other matters, including the accounting auditor's audit policy and the determination of audit fees.

Governance Committee (FY2024 Results)

Chair	Up to June 30: Kazuo Yamamoto; After July: Seiichi Shimbo
Members	April - June 2024: Kaneko, Yamamoto, Shimbo, Murayama After June 2024: Kaneko, Shimbo, Murayama, Fujiwara
Number of meetings held	6
Attendance rate	100% (all Committee members)
Key roles	To ensure transparency and impartiality in management, we have established the Governance Committee. The majority of its members are Outside Directors, and it serves as an independent advisory body under the Board of Directors.
List of agenda items	The primary deliberations centered on reviewing the proposals on the election of Directors and Audit & Supervisory Board Members submitted at the FY2024 Annual General Meeting of Shareholders, as well as the executive structure. Additionally, a wide range of topics were discussed and deliberated, including the compensation system and remuneration for Directors, the effectiveness of the Board of Directors, the development of the next generation of management candidates, and matters related to corporate governance.

Examples of major discussions at the FY2024 Board of Directors meeting

Review of the previous Mid-Term Management Plan “Challenge 2024” and formulation of the new Mid-Term Management Plan

We conducted a review of the achievement status of the goals set in the previous Mid-Term Management Plan “Challenge 2024,” which focused on the concept of strengthening our foundation. We engaged in extensive discussions to formulate the subsequent mid-term management plan, including topics such as the effectiveness of management based on the business portfolio, the outcomes of profit structure reviews, the status of foundation strengthening through investments in each business domain, and initiatives and challenges for new business and product development. This resulted in the development of the new Mid-Term Management Plan “Challenge 2027,” which is focused on the concept of promoting investment.

Corporate Governance

Assessment of the Effectiveness of the 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.

(i) Evaluation method and process

Conducting a survey

In March 2025, we conducted a questionnaire among all Directors and Audit & Supervisory Board Members on the following items. The consideration of the content of the questionnaire was commissioned to a third-party organization to ensure objectivity.

① Roles and functions of the Board of Directors

② Composition and size of the Board of Directors

③ Operation of the Board of Directors

④ Cooperation with audit institutions

⑤ Relationship with Outside Directors

⑥ Relationship with shareholders and investors

⑦ Operation of Governance Committee

⑧ General overview

Evaluation and review

At the May Board of Directors meeting, we evaluated the survey results and confirmed the current strengths and challenges of our Board of Directors. To maintain objectivity, the survey's implementation, data collection, and analysis were commissioned to a third-party organization.

Identifying and improving problems

Consider and implement improvement measures for issues in evaluation results.

(ii) Evaluation results

Outline of the evaluation results

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 fiscal year. It was confirmed that the Governance Committee engages in thorough and active discussions on succession planning and director nomination and compensation. In addition, active meetings are held with shareholders and investors, with their feedback appropriately conveyed to the Board of Directors. However, we acknowledge that there are certain challenges pertaining to the administrative aspects of the Board of Directors, including the advance provision of materials essential for the Board of Directors' discussions. We will consider specific measures going forward.

Policy for addressing issues

Regarding the advance provision of materials required for Board of Directors' discussions, we will consider measures such as clarifying key points in currently used presentation materials and streamlining them into more focused and concise documents. After a thorough review of the effectiveness of the Board of Directors, we are committed to making further improvements in this area.

Board Benefit Trust (BBT), the performance-linked stock compensation plan

Method of calculation for payment amounts

The number of points 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)

Number of shares granted = Accumulated points × 1.0

×

(Scheduled recipient's point percentage as specified in Table 2 / Total number of points awarded)

Share price when the trust acquires the shares

(Points are rounded down to the nearest whole number)

Table 1. Funds for distribution

Level of performance	Funds for distribution
Consolidated ordinary profit of 2 billion yen or more and consolidated profit of 1.5 billion yen or more	1.0% of consolidated ordinary profit (Maximum for Directors: ¥60 million) (Maximum for Executive Officers: ¥20 million)
Consolidated ordinary profit of less than 2 billion yen or profit of less than 1.5 billion yen when ordinary profit is 2 billion yen 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
Director and Chairperson	2.5	Senior Managing Director	2.0
Director and President	4.0	Managing Director	1.5
Director and Senior Vice President	2.5	Directors	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 yen.

Total amount of compensation, etc. for each category of officers (FY2024)

Officer classification	Total amount of compensation (Millions of yen)	Total amount of compensation by type (Millions of yen)			Number of eligible recipients (Persons)
		Base compensation	Performance-linked compensation	Of the amount to the left, the amount of non-monetary compensation	
Directors *1	124	97	26	26	5*3
Outside Director	21	21	0	0	4
Audit & Supervisory Board Member*2	13	13	-	-	2
Outside Audit & Supervisory Board Member	23	23	-	-	4*4

*1 Excluding Outside Directors
*2 Excluding Outside Audit & Supervisory Board Members
*3 The above includes one Outside Director who left office due to the expiration of his/her term upon the conclusion of the 11th Annual General Meeting of Shareholders held on June 27, 2024.
*4 The above includes two Outside Audit & Supervisory Board Members who left office upon the conclusion of the 11th Annual General Meeting of Shareholders held on June 27, 2024.

Officer Compensation

Policy for determining the details of Officer compensation, etc.

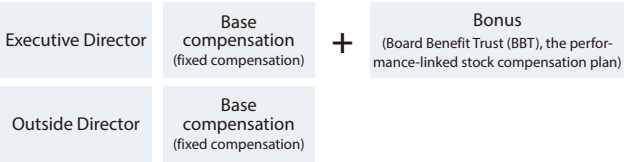
The Board of Directors resolves the decision-making policy regarding the details of individual Directors' remuneration and other matters. Before reaching these resolutions, the Board of Directors requests and receives advice from the Governance Committee.

Basic policy

Our basic policy for determining compensation for individual Directors of the Company 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 (Board Benefit Trust (BBT), the performance-linked stock compensation plan)	<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 terms 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 because it reflects business activities and fluctuates in response to financing activities, and 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, and in principle receive the shares when stepping 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.

Succession Plan

The qualities required of successors to the next management team include: (1) strong sense of ethics and fairness, (2) strategic thinking, (3) transformational leadership, (4) results orientation, and (5) capabilities in organizational development and talent cultivation. We are developing and selecting successors who can make decisive management decisions while gaining diverse experience. Each final

successor is selected by the Board of Directors based on recommendations from the Governance Committee. Successor development plans are reviewed in light of changes in the environment and business conditions. Their content is recognized as an important and ongoing matter for consideration, and the Governance Committee's deliberations are occasionally reported to the Board of Directors.

Cross-Shareholdings

At the Board of Directors meetings, the Company conducts an annual review of the rationality and economic soundness of the objectives of its cross-shareholdings. In the event that the rationale for retaining shares is deemed unsound, we may consider divesting

or reducing them. In addition, we are pursuing reduction initiatives to enhance capital efficiency, aiming to achieve a consolidated net asset ratio below 15% by the end of FY2026.

Our Leadership (As of the end of June 2025)

Directors



Hirofumi Kaneko
Representative Director
Number of shares owned
34,500 shares
Attendance at FY2024 Board of Directors Meetings
100% (17/17 times)

Apr. 1984 Joined Japan Carlit Co., Ltd.
Jun. 2015 Executive Officer of the Company
President and Representative Director, General Manager of Sales Division, Japan Carlit Co., Ltd.
Jun. 2016 Director and Executive Officer of the Company Supervisor, Group Sales
President and Representative Director, Japan Carlit Co., Ltd.
Apr. 2018 Director and Managing Executive Officer, Supervisor of group sales divisions of the Company
Jun. 2020 President and Representative Director of the Company, in charge of R&D Centers and Internal Audit Group
Apr. 2023 Representative Director and President & CEO of the Company, in charge of Corporate Planning Department and Internal Audit Group
Apr. 2024 Representative Director and President & CEO of the Company, in charge of Internal Audit Group (to present)



Ryuichi Nakatsu
Director
Number of shares owned
4,100 shares
Attendance at FY2024 Board of Directors Meetings
-

Apr. 1991 Joined Japan Carlit Co., Ltd.
Jan. 2017 General Manager, Personnel Division, Head of Secretary's Office of the Company
Apr. 2019 General Manager of General Affairs Division of the Company
Apr. 2020 Director of JC Bottling Co., Ltd.
Jun. 2022 Managing Director of the above company
Apr. 2023 Representative Director and President of the above company (to present)
Apr. 2024 Executive Officer of the Company, in charge of Bottling Segment
Apr. 2025 Executive Officer of the Company, in charge of Corporate Planning Department and Bottling Segment
Jun. 2025 Director and Executive Officer of the Company, in charge of Corporate Planning Department and Bottling Segment (to present)



Harutoshi Sato
Outside Director
Independent Director
Number of shares owned
- shares
Attendance at FY2024 Board of Directors Meetings
-

Apr. 1984 Joined TOKYO OHKA KOGYO CO., LTD.
Dec. 1992 Seconded to TOKYO OHKA KOGYO AMERICA, INC.
Feb. 1999 Returned to TOKYO OHKA KOGYO CO., LTD.
Apr. 2004 General Manager, Quality Assurance Dept. of the above company
Apr. 2007 General Manager, Advanced Materials Development Department II of the above company
Jun. 2009 Executive Officer, Deputy Division Manager, Research and Development Division, and General Manager, Advanced Material Development Department III of the above company
Jun. 2012 Director, Executive Officer, Division Manager, Research and Development Division of the above company
Jun. 2017 Director, Managing Executive Officer, Division Manager, Research and Development Division of the above company
Mar. 2019 Director, Senior Managing Executive Officer, Division Manager, Research and Development Division, of the above company
Mar. 2022 Director of the above company (to present)
Jun. 2025 Outside Director of the Company (to present)



Hideo Okamoto
Director
Number of shares owned
7,300 shares
Attendance at FY2024 Board of Directors Meetings *1
100% (13/13 times)

Apr. 1985 Joined The Fuji Bank, Limited (currently Mizuho Bank, Ltd.)
Aug. 2006 Deputy General Manager, Group Strategy Dept. of Mizuho Financial Group, Inc.
Apr. 2012 General Manager, Legal Affairs Office of Mizuho Trust & Banking Co., Ltd.
Oct. 2013 General Manager, Legal Affairs Department, and Head of Internal Audit Group of the Company
Jun. 2019 Director and Executive Officer, Supervisor of group management divisions, General Manager, Legal & Compliance Department of the Company
Jun. 2020 Director and Executive Officer in charge of Finance Department, IT System Promotion Department, and Legal & Compliance Department, General Manager, Legal Affairs and Compliance Department of the Company
Oct. 2023 Executive Officer of the Company, in charge of Metal Working Segment, Finance Department, and Legal & Compliance Department Director and Executive Officer, Japan Carlit Co., Ltd.
Jun. 2024 Director and Executive Officer of the Company, in charge of Finance Department, Legal & Compliance Department, and Metal Working Segment (to present)



Shigenobu Takahashi
Director
Number of shares owned
7,500 shares
Attendance at FY2024 Board of Directors Meetings *1
100% (13/13 times)

Apr. 1983 Joined Japan Carlit Co., Ltd.
Apr. 2016 General Manager of Gunma Plant, Manufacturing Division, Japan Carlit Co., Ltd.
Apr. 2019 Director, Silicon Technology Corporation
Apr. 2020 Executive Officer, General Manager of Manufacturing Division, Japan Carlit Co., Ltd.
Apr. 2021 Executive Officer of the Company
Director, General Manager of Manufacturing Division, Japan Carlit Co., Ltd.
Nov. 2023 Executive Officer of the Company, in charge of Carbon Neutral Promotion and Production and Quality Management Department Director and Executive Officer of Japan Carlit Co., Ltd., in charge of Manufacturing Division
Jun. 2024 Director and Executive Officer of the Company, in charge of Manufacturing Division and Production and Quality Management Department
Apr. 2025 Director and Executive Officer of the Company, supervising Manufacturing Division and Nagano Plant, in charge of Production and Quality Management Department (to present)



Yasuhiro Fujiwara
Outside Director
Independent Director
Number of shares owned
- shares
Attendance at FY2024 Board of Directors Meetings *2
94% (16/17 times)
FY2024 Audit & Supervisory Board Attendance rate
100% (5/5 times)

Apr. 1995 Joined Mitsui Home Co., Ltd.
Jul. 1998 Left Mitsui Home Co., Ltd.
Oct. 2001 Joined ChuoAoyama Audit Corporation
Jul. 2007 Joined Shin Nihon & Co. (currently Ernst & Young ShinNihon LLC)
Jan. 2021 Representative, Fujiwara Accounting Office (to present)
Representative Director of Kaikai Oen Kobo Co., Ltd. (to present)
Outside Director (Audit and Supervisory Committee Member), FUKOKU CO., LTD. (to present)
Jun. 2023 Outside Audit & Supervisory Board Member of the Company
Jun. 2024 Outside Director of the Company (to present)

Audit & Supervisory Board Members



Shinichi Iwamura
Full-Time Outside Audit & Supervisory Board Member
Independent Director
Number of shares owned:
- shares
Attendance at FY2024 Board of Directors Meetings *1
100% (13/13 times)
Attendance at FY2024 Audit & Supervisory Board Meetings *1
100% (15/15 times)

Apr. 1989 Joined Yasuda Trust and Banking Co., Ltd. (currently Mizuho Trust & Banking, Ltd.)
Apr. 2012 General Manager, Pension Trust Department, Mizuho Trust & Banking Co., Ltd.
Apr. 2015 Deputy General Manager, Asset Management Coordination Department of Mizuho Financial Group, Inc.
General Manager, Investment Department of Mizuho Trust & Banking Co., Ltd.
Apr. 2017 Executive Officer, General Manager, Integrated Strategy Department of Mizuho Trust & Banking Co., Ltd.
Jun. 2019 Executive Vice President of Japan Pension Operation Service, Ltd.
Apr. 2020 Managing Executive Officer of Asset Management One Co., Ltd.
Jun. 2023 Director (Audit & Supervisory Committee Member) of Asset Management One Co., Ltd.
Jun. 2024 Outside Full-time Audit & Supervisory Board Member of the Company (to present)



Reiko Mitamura
Outside Audit & Supervisory Board Member
Independent Director
Number of shares owned:
- shares
Attendance at FY2024 Board of Directors Meetings *1
100% (13/13 times)
Attendance at FY2024 Audit & Supervisory Board Meetings *1
100% (15/15 times)

Oct. 2000 Joined ChuoAoyama Audit Corporation
Apr. 2006 Representative, Reiko Nakamura Certified Public Accounting Office
Sep. 2010 Joined Seisen Audit Corporation
Jul. 2016 Changed the name Reiko Nakamura Certified Public Accounting Office to Reiko Mitamura Certified Public Accounting Office (present name)
Jun. 2024 Outside Audit & Supervisory Board Member of the Company (to present)



Akinori Aoki
Audit & Supervisory Board Member
Number of shares owned:
8,600 shares
Attendance at FY2024 Board of Directors Meetings
100% (17/17 times)
Attendance at FY2024 Audit & Supervisory Board Meetings
100% (20/20 times)

Apr. 1978 Joined Japan Carlit Co., Ltd.
Jun. 2009 Executive Officer of Japan Carlit Co., Ltd.
President and Representative Director of Daichi Yakuhin Kogyo Co., Ltd.
Oct. 2013 Executive Officer of the Company
Director and Vice President of JAPEX CORPORATION
Jun. 2017 Audit & Supervisory Board Member of the Company (to present)
Apr. 2019 Full-time Audit & Supervisory Board Member of Japan Carlit Co., Ltd.

Executive Officers

Hirofumi Kaneko
President
In charge of Internal Audit Group

Hideo Okamoto
In charge of Finance Department, Legal & Compliance Department, and Metal Working Segment

Shigenobu Takahashi
In charge of Manufacturing Division, supervision of Nagano Plant, and Production and Quality Management Department

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

Yoji Yamaguchi
In charge of Research & Development Division

Fumio Ogawa
General Manager of Research & Development Division

Shin Amanai
In charge of Engineering Services Segment, President and Representative Director of Sougou Sekkei Co., Ltd.

Tomonori Hikichi
General Manager of Administration Division

Yuichi Koishi
In charge of Sales Division, General Manager of Sales Division

Akira Gotou
President and Representative Director of Toyo Spring Industrial Co., Ltd.

Expertise and experience (skills matrix) of Directors, Audit & Supervisory Board Members, and Executive Officers

Position	Name	Corporate management	Finance and accounting	Research and development, manufacturing and technology	Legal affairs, risk management, and governance	Planning & marketing	Global experience	Environment & sustainability	Human resources & diversity
Representative Director and President & CEO	Hirofumi Kaneko	○		○	○	○	○		○
Director and Executive Officer	Hideo Okamoto		○		○		○		○
Director and Executive Officer	Shigenobu Takahashi			○	○			○	○
Director and Executive Officer	Ryuichi Nakatsu	○				○		○	○
Director (Outside)	Yukari Murayama		○		○	○			○
Director (Outside)	Yasuhiro Fujiwara		○		○				
Director (Outside)	Harutoshi Sato	○		○			○		
Audit & Supervisory Board Member (Outside)	Shinichi Iwamura	○	○		○				
Audit & Supervisory Board Member (Outside)	Reiko Mitamura		○		○				
Audit & Supervisory Board Member	Akinori Aoki		○	○		○			
Executive Officer	Yoji Yamaguchi	○		○		○		○	○
Executive Officer	Fumio Ogawa	○		○		○		○	○
Executive Officer	Shin Amanai	○		○		○			○
Executive Officer	Tomonori Hikichi					○			○
Executive Officer	Yuichi Koishi					○	○		○
Executive Officer	Akira Gotou	○	○			○			○

Definitions of items of expected skills

Corporate management	Has a track record in management in other companies, group companies, etc. and a wealth of experience and knowledge in corporate management
Finance and accounting	Has specialized experience and knowledge in the finance and accounting field
R&D, manufacturing, technology	Has experience and knowledge related to processes of research and development, and manufacturing
Legal affairs, risk management, and governance	Has experience and knowledge related to legal affairs, compliance, risk management, and law
Planning & marketing	Has experience and knowledge in planning and marketing that look ahead to future market trends
Global experience	Has experience in overseas business management and knowledge of international business environments
Environment & sustainability	Has experience and knowledge related to business activities and management for a sustainable society
Human resources & diversity	Has experience and knowledge in training and development of diverse human resources

Risk Management

We methodically assess the risk events impacting each business within our Group, leveraging a systematic approach to identify significant risks based on their potential impact and frequency. Depending on the nature of the identified risks, each division of Carlit 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

Regarding management risks, the Group Risk Management Committee, chaired by the Representative Director and President, is responsible for collecting and analyzing risks, as well as selecting 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.

Corporate Governance Framework→ P.70

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

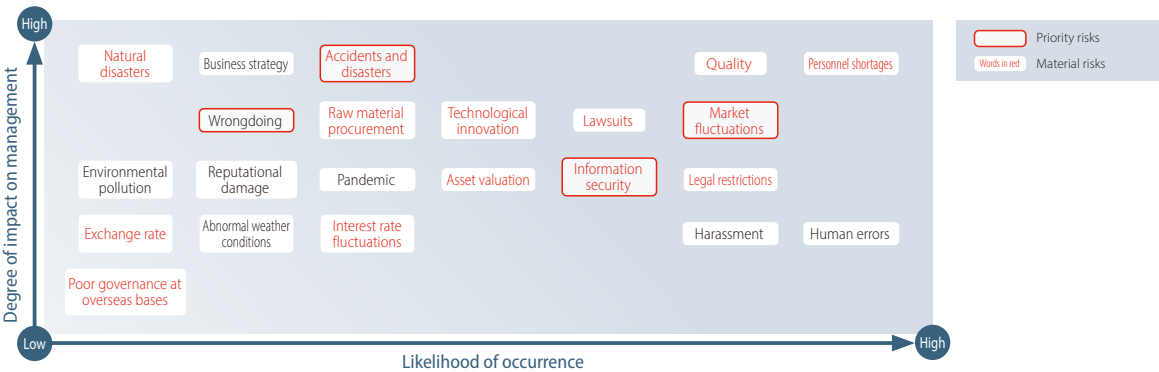
Identify risks	Identify a wide range of potential risks once a year.
Conducting a survey	Create and conduct surveys for identified risks.
Tabulate survey results	Tabulate survey results and weigh risks. Offer recommendations to the Group Management Strategy Meeting and the Group Risk Management Committee.
Workshops by the Group Risk Management Committee	The Group Risk Management Committee conducts workshops based on the recommendations.
Determine the Company's perception of risk	Discuss results with the Board of Directors to formulate a risk map, and identify key risks and ways to avoid and address them.
Implement risk assessments	Implement and monitor defined risk responses.

Risk Map

The Board of Directors determines the risk map based on the results of the workshops conducted by the Group Risk Management Committee. The risk map is revised annually based on the outcomes of the risk assessment process. In the diagram below, the material risks that our Group is currently aware of are indicated in red. In FY2024, we updated our assessment methods in response to the increasingly sophisticated risk management demanded by society. The new methods include more sophisticated quantitative risk assessment and two-tiered assessment by separate divisions. Consequently, the risk map has undergone significant changes in its categorization of items compared to the previous fiscal year.

Material risks: For an overview of the significant risks indicated in red, and their corresponding countermeasures, please refer to the website.
https://www.carlithd.co.jp/en/sustainability/about/risk_management.html



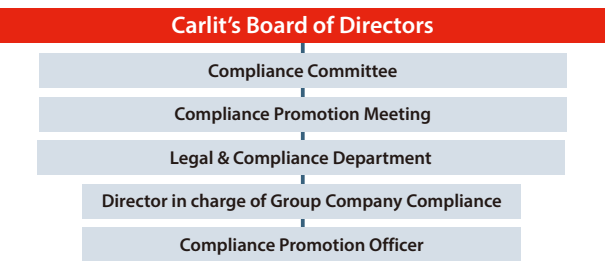


Compliance

Top management regards corporate ethics and compliance with laws and regulations 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

- The Compliance Committee convenes biannually to address critical compliance matters.
- The Compliance Promotion Officer is responsible for receiving compliance-related inquiries from employees.
- The Legal & Compliance Department conducts annual training to ensure that all employees are educated on compliance.



Group Priority Initiatives

- 1. Compliance with Antimonopoly Act and prohibition of bid rigging**
To ensure fair and equitable corporate activities, we have established regulations prohibiting cartels and bid-rigging. Through compliance training, we ensure that all Group companies are thoroughly aware of and adhere to the required standards.
- 2. Thorough compliance with business laws**
Each Group company conducts semi-annual inspections of its compliance with laws and regulations concerning manufacturing, the environment, safety, quality, and other matters (industry laws), and works to prevent illegal or improper conduct.
- 3. Prevention of harassment and improvement of work environment**
We have established regulations prohibiting harassment and provide focused training on this topic during compliance training sessions. We display posters to raise awareness of compliance and work to improve the workplace environment.
- 4. Prevention of corrupt practices (bribery, etc.)**
We have established regulations prohibiting the provision of entertainment and gifts to public officials in Japan and abroad, as well as excessive entertainment and gifts to private business partners. We ensure that these regulations are thoroughly understood and adhered to.
- 5. Thorough information security**
We offer various security training programs for employees via e-learning and other means, with the objective of enhancing employee awareness of information security.



Internal Reporting System (Compliance Consultation Desk)

To promptly identify and properly address any illegal or improper conduct, we have established a “Compliance Consultation Desk” as a designated reporting channel for whistle-blowing. The Legal & Compliance Department is responsible for receiving all inquiries made to the Compliance Consultation Desk.

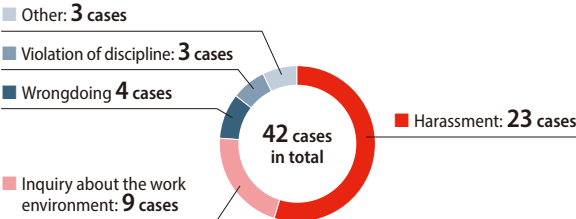
Our guidelines explicitly prohibit any disadvantageous treatment of informants or inquirers. We ensure thorough internal awareness through compliance training provided to all employees. Inquiries are accepted from our Group employees as well as external business partners.



Number of internal reports (cases)

FY2021	FY2022	FY2023	FY2024	Total
10	12	14	6	42

Breakdown of internal reports (Cumulative total of cases from FY2021 to FY2024)



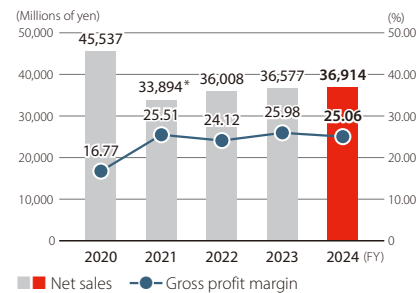
Please visit the Company website for details on the system and priority initiatives.
<https://www.carlithd.co.jp/en/sustainability/about/compliance.html>



Financial/Non-Financial Highlights

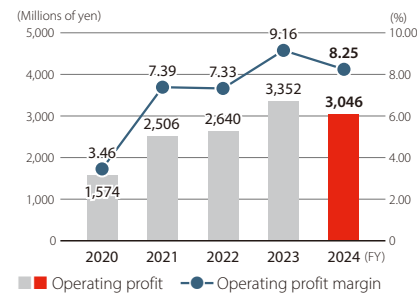
Financial Highlights

Net Sales / Gross profit margin



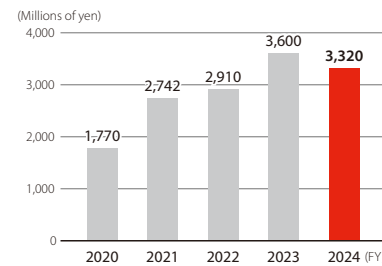
Net sales increased by 337 million yen year on year, due to the strong performance of the chemicals and electronic materials businesses of the Chemical Products segment. On the other hand, the gross profit margin declined by 0.92 percentage points due to higher personnel and energy expenses.

Operating profit / Operating profit margin



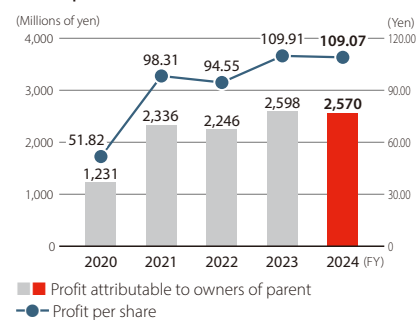
Operating profit decreased by 305 million yen year on year, amounting to 3,046 million yen. This was primarily attributable to the impact of lower production volumes in the Bottling segment and customer production and inventory adjustments that affected the silicon wafer business of the Chemical Products segment. The operating profit margin decreased by 0.91 percentage point to 8.25%.

Ordinary profit



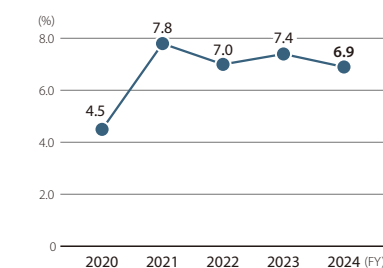
Ordinary profit decreased by 280 million yen year on year, totaling 3,320 million yen, reflecting a decline in operating profit due to the reasons outlined on the left.

Profit attributable to owners of parent / Profit per share



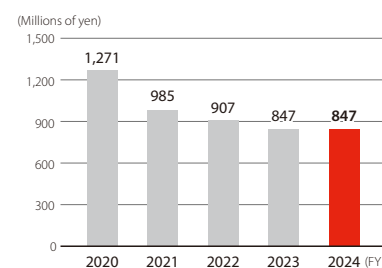
Despite a gain on sale of investment securities, profit decreased by 28 million yen year on year due to the recording of a loss on retirement of non-current assets and impairment losses. Profit per share decreased by 0.84 yen to 109.07 yen.

Return on equity (ROE)



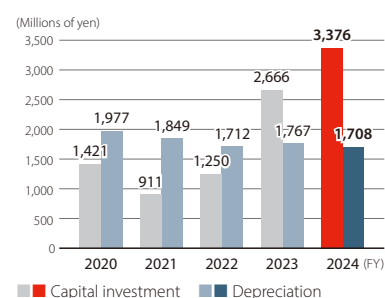
ROE decreased by 0.5 percentage point to 6.9%, due to a modest decline in profit and an increase in equity capital.

R&D expenses



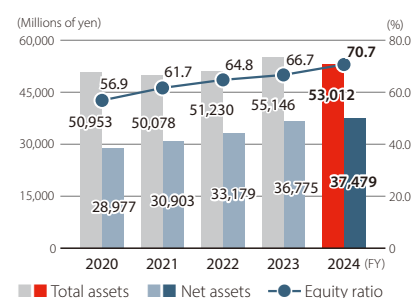
R&D expenses remained at the previous fiscal year's level, amounting to 847 million yen. The Chemical Products segment includes the Gunma Research Center, which is engaged in research and development of electrode materials, capacitor materials, and next-generation functional dye materials; the Nagano Research Center, which is engaged in research on customized wafers and next-generation semiconductor products; and the Akagi Research Center, which is engaged in research on solid propellants for space and defense applications.

Capital investment / Depreciation



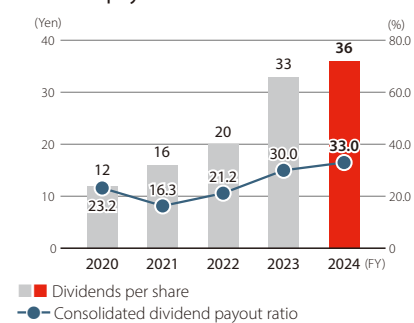
Capital investment increased by 710 million yen year on year to 3,376 million yen, mainly due to testing facilities for the material assessment service and manufacturing facilities for the chemicals business of the Chemical Products segment. Depreciation and amortization decreased by 59 million yen to 1,708 million yen.

Total assets / Net assets / Equity ratio



Total assets decreased by 2,133 million yen compared to the end of the previous fiscal year, due to an increase in cash and deposits, as well as property, plant, and equipment, although investment securities, notes, and accounts receivable - trade, and contract assets decreased. Net assets increased by 704 million yen due to the posting of profit. Consequently, the equity ratio increased by 4.0 percentage points to 70.7%.

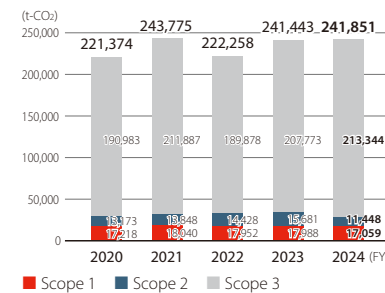
Dividends per share / Consolidated dividend payout ratio



In accordance with our policy of ensuring a total payout ratio of 30%, we have distributed a dividend of 36 yen per share. In FY2025, the Company revised its shareholder return policy with the aim of enhancing shareholder returns. The revised policy targets a dividend payout ratio of 30% or higher and a total payout ratio of 40%, including the acquisition of treasury stock.

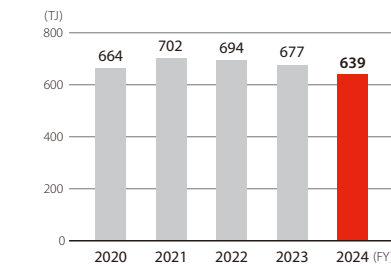
Non-Financial Highlights

Greenhouse gas (GHG) emissions *1



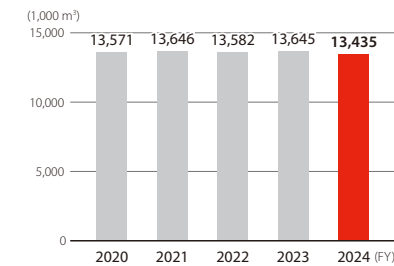
GHG emissions (Scope 1 and 2) were reduced by approximately 48% compared to FY2013, achieving the FY2030 target. As this was due to a reduction in the production of certain products, we will continue to promote reduction activities, including for Scope 3.

Total energy use *2



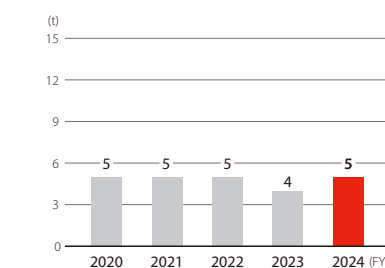
Total energy input decreased compared to previous years. This was due to the promotion of switching from kerosene to LPG and, as with GHG emissions, a reduction in the production of certain products.

Total water consumption *3



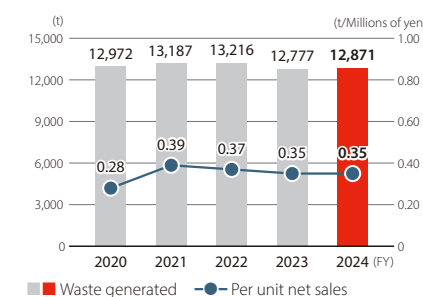
Total water consumption has remained relatively stable since FY2020. Water resources are a critical source of raw materials for our Group's manufacturing operations, and we are committed to managing their use appropriately to avoid wasteful consumption of valuable water resources.

NOx emissions *4



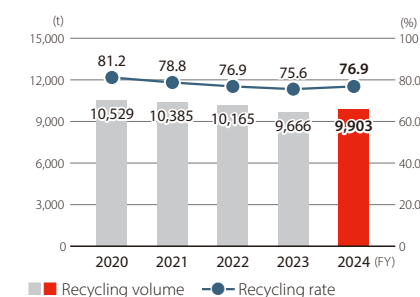
NOx emissions have remained relatively stable since FY2020. The primary source of emissions is LNG boilers, owing to stable production activities.

Waste generated*2 / Per unit net sales



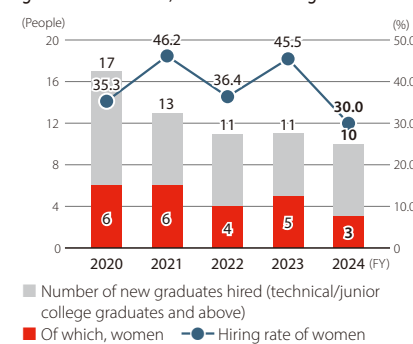
The amount of waste generated increased slightly due to the slight increase in net sales compared to the previous year. We will continue our efforts to reduce the incidence of defective products and improve yields, which we promoted last year.

Recycling volume and recycling rate *2



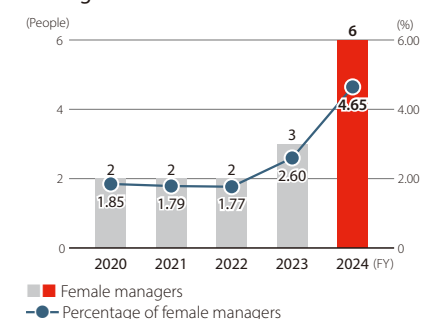
The recycling rate increased by about 1.3% compared to the previous year. This was also due to a slight increase in the amount of waste generated and an increase in the amount of recycling.

Number of new graduates hired (technical/junior college graduates and above)*5,6 / Women / Hiring rate of women



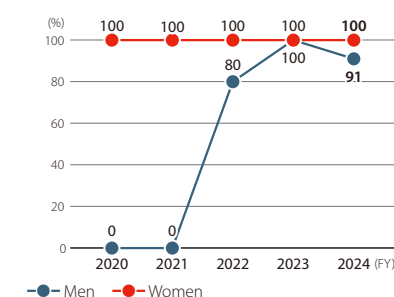
We set a target of at least 30% for the proportion of women among new graduate hires with technical or junior college degrees, and the cumulative proportion of new female graduates hired up through FY2024 was 39.4%. We will continue to maintain a proportion of 30% or more.

Female managers*7 / Percentage of female managers



Our objective is to increase the percentage of female managers to more than 5% by FY2026, while the percentage of female managers stood at 4.65% in FY2024. We will provide training to female employees who have the potential to become involved in management decision-making in the future.

Rate of taking childcare leave *7,8



The rate of men taking childcare leave has increased as a result of measures such as the provision of paid leave for childcare at birth. The rate of men taking two weeks or more of childcare leave reached 100% in FY2023 and remained high at 90.9% in FY2024.

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

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

*3 Results for Japan Carlit Co., Ltd., JC Bottling Co., Ltd., Silicon Technology Corp., Namitakiko Co., Ltd., and Toyo Spring Industrial Co., Ltd.

*4 Results for Japan Carlit Co., Ltd. and JC Bottling Co., Ltd. *5 Results for Carlit Holdings Co., Ltd. up to FY2023

*6 Regular employees who joined the Company as new graduates in each fiscal year (including those who joined the Company after April)

*7 Results for Carlit Holdings Co., Ltd. and Japan Carlit Co., Ltd. up to FY2023

*8 Percentage of employees taking two weeks or more of childcare leave, childcare leave at birth, or postpartum leave

The company names listed from *1 to *7 are as of April 1, 2024.

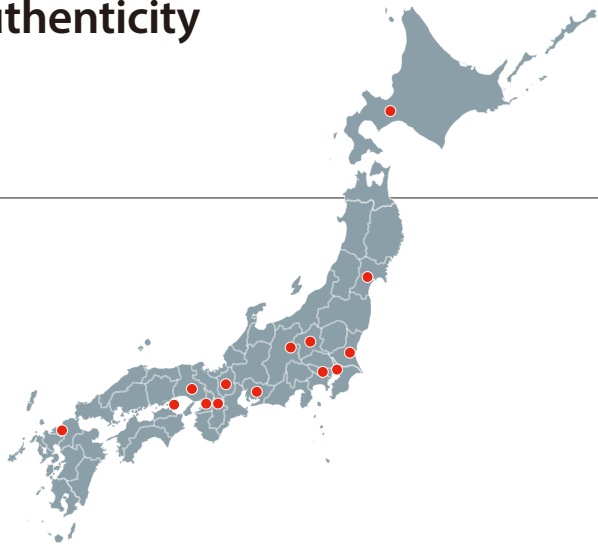
11 Years of Key Financial and Non-Financial Data

	Unit	FY2014	FY2015	FY2016	FY2017		FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Main operating results													
Net Sales	(Millions of yen)	46,109	46,378	47,767	51,785		54,049	49,745	45,537	33,894	36,008	36,577	36,914
Operating profit	(Millions of yen)	1,199	1,250	1,351	2,028		2,328	1,599	1,574	2,506	2,640	3,352	3,046
Ordinary profit	(Millions of yen)	1,317	1,330	1,439	2,176		2,551	1,732	1,770	2,742	2,910	3,600	3,320
Profit attributable to owners of parent	(Millions of yen)	1,064	754	765	1,506		1,579	690	1,231	2,336	2,246	2,598	2,570
Net assets	(Millions of yen)	20,624	22,437	23,920	25,688		26,752	26,209	28,977	30,903	33,179	36,775	37,479
Total assets	(Millions of yen)	44,999	46,728	49,438	54,208		53,712	48,924	50,953	50,078	51,230	55,146	53,012
Cash flows from operating activities	(Millions of yen)	968	2,294	2,384	2,880		2,848	2,899	4,193	3,063	2,064	2,155	4,696
Cash flows from investing activities	(Millions of yen)	(1,176)	(795)	(2,871)	(1,633)		(1,832)	(1,145)	(1,135)	(984)	(65)	(1,373)	(991)
Cash flows from financing activities	(Millions of yen)	(289)	424	(137)	(1,155)		(953)	(1,424)	(2,187)	(3,981)	(1,784)	(1,839)	(1,699)
Cash and cash equivalents at end of period	(Millions of yen)	2,886	4,788	4,131	4,222		4,286	4,622	5,496	3,589	3,809	2,753	4,768
Key indicators													
Net assets per share	(yen)	1,020.60	948.40	1,010.55	1,085.11		1,130.06	1,106.00	1,218.73	1,300.41	1,402.70	1,560.32	1,590.20
Profit per share	(yen)	51.84	33.13	32.33	63.65		66.70	29.14	51.82	98.31	94.55	109.91	109.07
Equity ratio	(%)	45.8	48.0	48.4	47.4		49.8	53.6	56.9	61.7	64.8	66.7	70.7
Return on equity (ROE)	(%)	5.4	3.5	3.3	6.1		6.0	2.6	4.5	7.8	7.0	7.4	6.9
Return on assets	(%)	3.0	2.9	3.0	4.2		4.7	3.4	3.5	5.4	5.7	6.8	6.1
Price-earnings ratio	(Times)	12.2	15.0	17.7	17.0		11.6	16.0	14.1	6.7	7.3	10.1	9.7
Other indicators													
Capital investment	(Millions of yen)	1,201	1,016	3,859	3,483		2,053	1,386	1,421	911	1,250	2,666	3,376
R&D expenses	(Millions of yen)	658	716	912	1,050		940	1,031	1,271	985	907	847	847
Interest-bearing liabilities	(Millions of yen)	9,911	9,697	10,307	9,565		10,557	9,566	7,896	4,386	3,067	2,015	1,280
Dividends per share	(yen)	10	10	10	12		12	12	12	16	20	33	36
Dividend payout ratio	(%)	19.3	19.3	30.9	18.9		18.0	41.2	23.2	16.3	21.2	30.0	33.0
ESG indicators													
GHG emissions	(t-CO ₂)	—	—	—	—		—	—	221,374	243,775	222,258	241,443	241,851
Total energy use	(TJ)	768	727	693	696		697	675	664	702	694	677	639
Number of employees	(People)	934	967	995	1,062		1,098	1,091	1,072	1,095	1,082	1,067	1,070
Number of new graduates hired (Former Carlit Holdings (non-consolidated))	(People)	—	12	12	17		9	11	17	13	11	11	10

Company Profile/Statement of Authenticity

Company Profile

Company name	Carlit Co., Ltd.
Established	October 1, 2013
Share capital	2,099 million yen
Employees	1,090 (consolidated) (as of June 30, 2025)



Operating companies list

	Company name	Business description	Base (location)
Chemical Products Segment	Carlit Co., Ltd.	Manufacture and sales of explosives/chemical products/electronic materials/abrasive materials/ firework materials/monocrystalline silicon for semiconductor/silicon wafers for semiconductors Contracting for hazard assessment testing and battery testing	● Head Office (Tokyo) ● Akagi Plant (Gunma Prefecture) ● Gunma Plant (Gunma Prefecture) ● Nagano Plant (Nagano Prefecture) ● Hokkaido Sales Office (Hokkaido) ● Toyota Delivery Center (Aichi Prefecture) ● Osaka Branch (Osaka Prefecture) ● Shiga Plant (Shiga Prefecture) ● Kyushu Sales Office (Fukuoka Prefecture) ● Koto Hydroelectric Power Plant (Gunma 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 Department (Miyagi Prefecture) ● Chubu Sales Department (Aichi Prefecture) ● Kansai Sales Department (Osaka Prefecture)
Bottling Segment	JC Bottling Co., Ltd.	Beverage bottling/sales	● Head Office (Tokyo) ● Shibukawa Plant (Gunma Prefecture)
Metal Working Segment	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) ● Sales Office, 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 Segment	Carlit Sangyo Co., Ltd.	Engineering, construction work, termite extermination services and contracting	● 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 Branch (Osaka Prefecture) ● Shiga Branch and 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)

Statement of Authenticity

The Carlit Group has published CSR Reports since FY2014 and Integrated Reports since FY2019 to deepen understanding of our mid-to-long-term growth and enhancement of corporate value. The “Carlit Report 2025” details the content of our Mid-Term Management Plan “Challenge 2027,” the initiatives toward our ideal state in 2030 and 2035, and our approach to realizing such goals in both financial and non-financial terms. It details the key challenges the Carlit Group must prioritize to maintain alignment with our Management Philosophy, “For Confidence and Infinite Challenges.” Furthermore, it presents our value creation story, demonstrating how our initiatives—including sustainability efforts—as a chemical manufacturer translate into financial value.

As the officer with overall responsibility for the preparation of this report, I hereby certify that the preparation process was proper and that the content is accurate. It is my sincere hope that this report will assist our diverse range of stakeholders, including shareholders and investors, in comprehending the Carlit Group's endeavors towards sustainable growth and the realization of a sustainable society.



Ryuichi Nakatsu
Director and Executive Officer
In charge of the Corporate Planning Department

Stock Information/Investor FAQ

Stock Information (as of March 31, 2025)

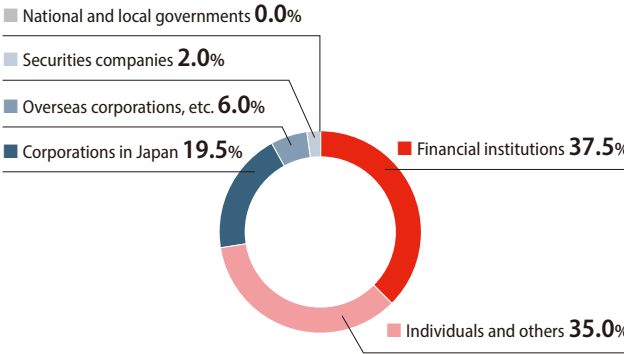
Total number of authorized shares	80,000,000 shares
Total number of shares issued and outstanding	23,957,741 shares (excluding 92,259 shares of treasury stock)
Share unit number	100 shares
Number of shareholders	32,261
Listed exchange	Tokyo Stock Exchange (Prime Market)
Stock exchange code	4275
Audit 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 (%)
The Master Trust Bank of Japan, Ltd. (trust account)	2,779	11.6
Mizuho Trust & Banking Co., Ltd. Marubeni retirement benefit trust account Re-trustee: Custody Bank of Japan, Ltd.	1,997	8.3
Custody Bank of Japan, Ltd. (trust account)	1,107	4.6
NOF CORPORATION	915	3.8
Mizuho Trust & Banking Co., Ltd. Mizuho Bank retirement benefit trust account Re-trustee: Custody Bank of Japan, 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
Daiso Chemical Co., Ltd.	418	1.7
Carlit Employee Stock Ownership Association	405	1.7

Notes 1. The shareholding ratio was calculated after deducting 92,259 treasury shares.
2. Shares held by Mizuho Trust & Banking Co., Ltd. Marubeni retirement benefit trust account were contributed by Marubeni Corporation as a retirement benefit trust.
3. Shares held by Mizuho Trust & Banking Co., Ltd. Mizuho Bank retirement benefit trust account were contributed by Mizuho Bank, Ltd. as a retirement benefit trust.
4. The treasury shares do not include shares held by Custody Bank of Japan, Ltd. (Trust E account) in relation to the Board Benefit Trust (BBT) and the Japan Employee Stock Ownership Plan (J-ESOP).

Distribution of shares by owner



Investor FAQ

- Q** Regarding ammonium perchlorate, the Company is reported to be the only industrial producer in Japan. Is there no risk of new market entrants or of the product being replaced by alternatives?
- A** We understand that there are significant technical barriers to entry in the ammonium perchlorate industry, including the use of electrolysis technology in the manufacturing process and the need for expertise in the handling of hazardous materials. While the increased use of “liquid propellants” as an alternative is a concern, we anticipate a low substitution risk due to Japan's rocket launch environment and the usage characteristics of defense-related products.
- Q** Regarding the mid-term management plan's target of “achieving a 8-10% return on equity (ROE),” this appears challenging in light of the current profit margin. What specific measures are you planning to implement to achieve this target?
- A** Specific measures are currently under discussion as management issues. First, as a chemical manufacturer, we aim to increase our operating profit margin not only by improving profitability in our existing business groups but also by commercializing new high-margin products. To achieve short-term goals, we are also considering options that include restructuring our equity capital.
- Q** With respect to mergers and acquisitions (M&A), the Company has been quite active in the past. Which factors would be most influential in determining whether the Company will pursue M&A going forward?
- A** Historically, we have actively pursued M&A as part of a management policy focused on expanding our sales scale. Our current management policy prioritizes and promotes capital investment in new and growth businesses over M&A. If we were to pursue M&A in the future, we would focus on business synergies.



Carlit Co., Ltd.

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