



May 26, 2026

To whom it may concern:

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Notice of Publication and Video Distribution of the FY2026 Results Briefing  
(Q&A Addendum Version)

We are pleased to announce that the Results Briefing for FY2026 video is now available, as detailed below.

The Results Briefing for FY2026 was held via live streaming for institutional investors and securities analysts on May 19. In consideration of fair disclosure, the recording of the briefing is now available as an on-demand video on YouTube.

The briefing topics and presenters are as follows.

- |  |        |   |
|--|--------|---|
| 1. Financial Highlights of FY2026                              | pp.4–  | Hideo Okamoto, CFO<br>Director & Senior Managing Executive Officer<br>in charge of the Finance Department   |
| 2. Full-Year Plan for FY2027                                   | pp.10– |   |
| 3. Mid-Term Management Plan<br>Challenge2027 Rolling Plan 2026 | pp.16– | Hirofumi Kaneko,<br>Director and President & CEO  |
| 4. Q&A Session   | pp.25– | • Hirofumi Kaneko,<br>Director and President & CEO<br>• Hideo Okamoto, CFO<br>• Shigenobu Takahashi, CPO<br>• Yoji Yamaguchi, Executive Officer & CTO<br>• Tomonori Hikichi, Executive Officer, In charge of<br>Administration Division<br>• Akira Goto, Executive Officer, In charge of Corporate<br>Planning Department |

Please view the video at the URL below.

<https://youtu.be/le1fu941Lwc>

# Result Briefing of FY2026

Mid-Term Management Plan Challenge2027 Rolling Plan 2026



**CODE : 4275 TSE Prime Market**

- **Financial Highlights of FY2026**

- **Full-Year Plan for FY2027**

**Director & Senior Managing Executive Officer**

**in charge of the Finance Department      Hideo Okamoto**

- **Mid-Term Management Plan Challenge2027**

**Rolling Plan 2026**

**President & CEO      Hirofumi Kaneko**

# Financial Highlights of FY2026

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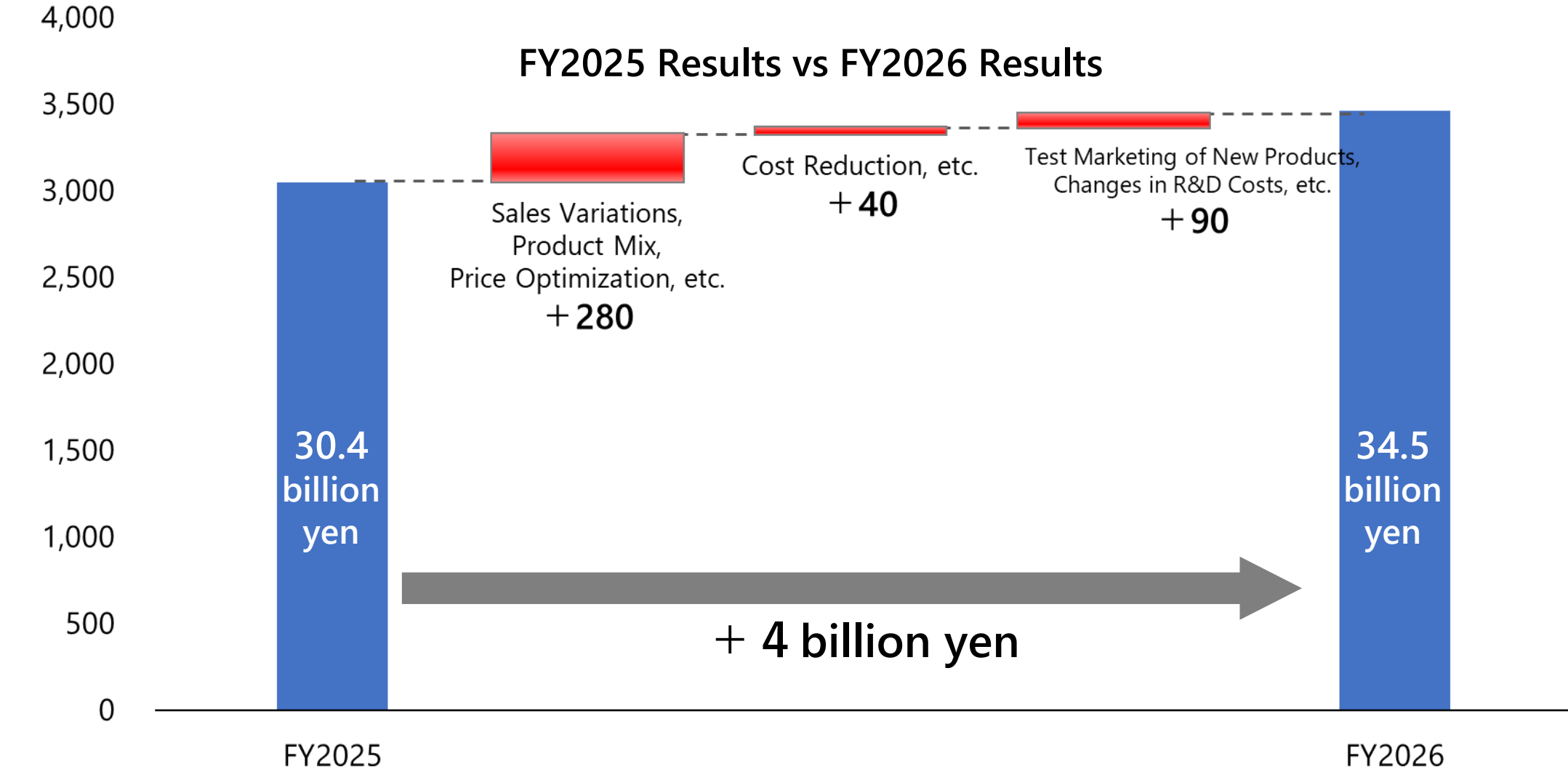
# Consolidated Performance

(Millions of yen)	FY2025 Results	FY2026 Results	Year of Year change	Rate of change
<b>Net sales</b>	<b>36,914</b>	<b>36,247</b>	<b>▲666</b>	<b>▲1.8%</b>
Direct cost of sales	27,662	26,714	▲947	▲3.4%
Distribution cost and administrative expense	6,205	6,073	▲132	▲2.1%
<b>Operating profit</b>	<b>3,046</b>	<b>3,459</b>	<b>+412</b>	<b>+13.5%</b>
<b>Ordinary profit</b>	<b>3,320</b>	<b>3,755</b>	<b>+435</b>	<b>+13.1%</b>
<b>Net profit</b>	<b>2,570</b>	<b>2,976</b>	<b>+406</b>	<b>+15.8%</b>
<b>Dividend per share (Fiscal year end)</b>	<b>36</b>	<b>42</b>	<b>+6</b>	<b>+16.6%</b>

Extraordinary income : Gain on the sale of investment securities 795  
 Extraordinary losses : Loss on retirement of non-current assets & Impairment losses 348

# Consolidated Performance Changes Breakdown

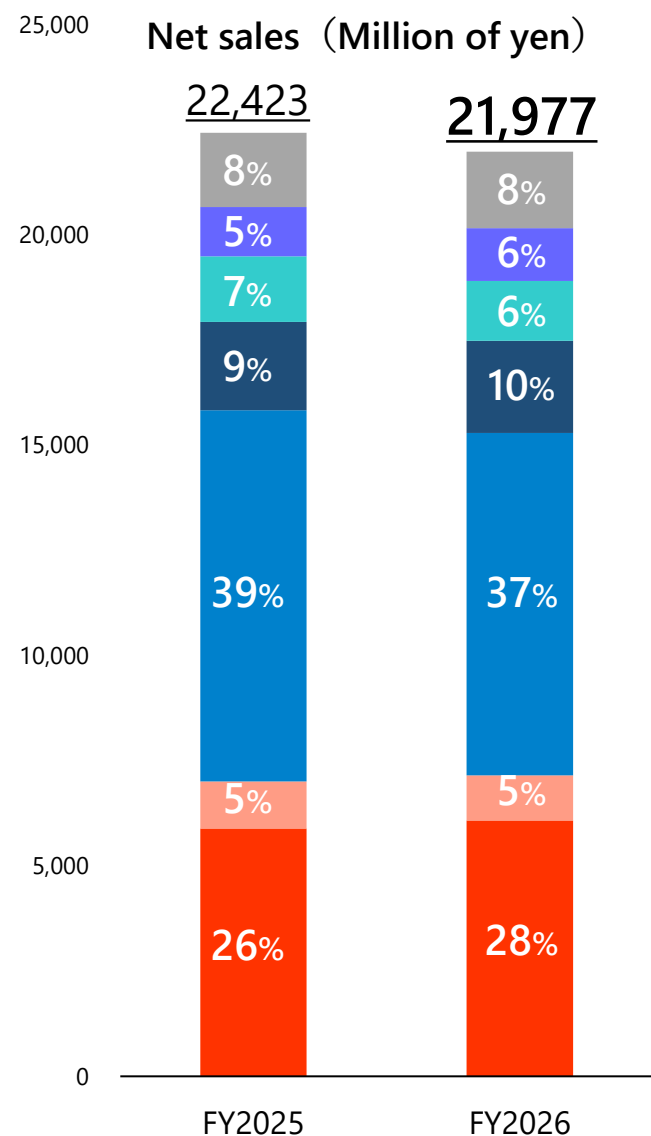
(Million of yen)










# Consolidated Performance by Business Segments

(Millions of yen)	Net Sales			Operating Profit		
	FY2025 Results	FY2026 Results	Change	FY2025 Results	FY2026 Results	Change
Chemical products	22,423	21,977	▲446	1,478	1,858	+380
Bottling	4,524	4,480	▲44	345	378	+33
Metal working	7,230	7,303	+73	508	602	+94
Engineering service	4,411	5,251	+840	822	795	▲27
Subtotal	38,590	39,013	+422	3,154	3,635	+480
Total	36,914	36,247	▲666	3,046	3,459	+412

# Chemical Products segment



Sub-segments	Rate of change	Explanations by Sub-segment
 <b>Explosives</b>	+ 3%	<ul style="list-style-type: none"> <li>Industrial explosives experienced a slight decrease in sales volume due to reduced demand for crushing limestone, but sales and profits increased due to the reflection of fair prices to sales companies.</li> <li>Automotive emergency flares saw an increase in sales due to steady demand from automobile factories. However, profits decreased due to increased production costs.</li> <li>Signal flares for highway use saw an increase in sales and profits due to steady demand and the reflection of fair prices.</li> <li>Raw materials for fireworks saw steady sales of fireworks components, but overall sales and profit decreased due to the reduced sales volume related to other raw materials, such as oxidizing agents and metal powders.</li> </ul>
 <b>Material assessment service</b>	▲4%	<ul style="list-style-type: none"> <li>Despite being impacted by an adjustment period for some demand, net sales of safety evaluation testing remained flat due to orders for high-value-added testing. At the same time, profits decreased due to an increase in depreciation for new equipment.</li> <li>Secondary batteries testing was impacted by a slowdown in demand for EVs and an adjustment period for some customers, resulting in decreased sales and profit.</li> </ul>
 <b>Chemicals</b>	▲8%	<ul style="list-style-type: none"> <li>Sodium chlorate sales and profit decreased due to a decline in demand for paper pulp bleaching.</li> <li>For ammonium perchlorate (the raw material in propellants for rockets and defense missiles), steady demand led to increased sales and profits.</li> <li>Electrodes experienced an increase in sales and profit due to strong replacement demand for seawater electrolysis applications.</li> <li>Perchloric acid sales and profit decreased due to sluggish overseas demand.</li> </ul>
 <b>Electronic materials</b>	+ 4%	<ul style="list-style-type: none"> <li>Sales of capacitor electrolytes have continued to decline due to the slowdown in demand for EVs. However, sales of high-value-added products—such as capacitor materials for high-efficiency circuits for high-end servers, a market undergoing remarkable growth—increased, resulting in higher sales and profit.</li> </ul>
 <b>Ceramic materials</b>	▲9%	<ul style="list-style-type: none"> <li>Sales across the entire product range decreased due to sluggish demand for abrasive grains for the automotive and steel sectors, resulting in lower sales and profit.</li> </ul>
 <b>Silicon wafers</b>	+ 7%	<ul style="list-style-type: none"> <li>Uncertainty remains due to excessive customer inventories and production adjustments. In the first half of the fiscal year, sales increased supported by demand from some customers, but profit declined due to the impact of factors such as the sluggish growth in sales of high-profit products and lower factory operating rates as a result of inventory adjustments.</li> </ul>
 <b>(Real Estate and Others)</b>		

# Base Area(Business Portfolio) segments

25,000

Net sales (Million of yen)

20,000

15,000

10,000

5,000

0

16,165

17,034

4,411

5,251

7,230




7,303

4,524

4,480

FY2025

FY2026

Segments	Rate of change	Explanations by Segment
 <b>Bottling</b>	▲1%	Orders and operations for all production lines (ambient-temperature aseptic filling production line, hot-temperature filling production line, and can production line) remained steady. However, it was not enough to cover the impact of the first quarter's reduced sales, resulting in decreased sales. On the other hand, profit increased due to cost reduction and other initiatives.
 <b>Metal Working</b>	+1%	<ul style="list-style-type: none"> <li>•Sales of anchors for use inside heat-resistant furnaces and retainers for dust collectors were supported by renewal demand arising from regular maintenance at steel mills, cement factories, and waste treatment facilities, but sales nevertheless decreased in the second half of the fiscal year due to projects coming to a close and other factors. On the other hand, profitability improved and profit increased due to factors such as progress in price optimization.</li> <li>•Various metal springs and pressed products were affected by production cuts at construction machinery-related customers; however, a recovery among automobile-related customers and efforts to maintain appropriate prices and improve productivity led to increased sales and profits.</li> </ul>
 <b>Engineering Services</b>	+19%	<ul style="list-style-type: none"> <li>•For engineering and construction work, sales increased due to the impact of increased internal engineering work projects. However, profits decreased due to the intensifying competitive environment in the construction sector.</li> <li>•In industrial paints and painting work, while sales of industrial paints remained solid, sluggish demand for construction machinery led to a reduction in the number of painting jobs handled, resulting in lower sales and profits.</li> <li>•Demand for structural design remained steady, mainly for seismic reinforcement design; however, the impact of accounting treatment on certain detailed design projects resulted in flat sales. Moreover, due to an increase in general and administrative expenses, profit decreased.</li> </ul>

# Full Year Plan for FY2027

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# FY2027 Plan

- ◆ Uncertainty regarding the future remains extremely high due to such risks as supply disruptions and rising costs stemming from conditions in the Middle East.

(Millions of yen)		FY2026 Results	FY2027 Plan	Change	Rate of change
Net sales	1 <sup>st</sup> half	17,763	17,300	▲463	▲2.6%
	<b>Full year</b>	36,247	<b>37,200</b>	+ 953	+ 2.6%
Operating profit	1 <sup>st</sup> half	1,504	1,100	▲404	▲26.8%
	<b>Full year</b>	3,459	<b>3,200</b>	▲259	▲7.4%
Ordinary profit	1 <sup>st</sup> half	1,657	1,200	▲457	▲27.5%
	<b>Full year</b>	3,755	<b>3,300</b>	▲455	▲12.1%
Net profit	1 <sup>st</sup> half	1,149	1,400	+ 251	+ 21.8%
	<b>Full year</b>	2,976	<b>3,000</b>	+ 24	+ 0.8%
Dividend per share	<b>Per share</b>	42 yen	<b>42 yen</b>	±0	-

# Plans by Business Segments

- ◆ Uncertainty regarding the future remains extremely high due to such risks as supply disruptions and rising costs stemming from conditions in the Middle East.

(Millions of yen)	Net Sales			Operating Profit		
	FY2026 Results	FY2027 Plan	Change	FY2026 Results	FY2027 Plan	Change
Chemical Products	21,977	24,000	+ 2,023	1,858	2,100	+ 242
Bottling	4,480	3,600	▲880	378	0	▲378
Metal working	7,303	7,400	+ 97	602	620	+ 18
Engineering Service	5,251	5,800	+ 549	795	650	▲145
Subtotal	39,013	40,800	+ 1,787	3,635	3,370	▲265
Total	36,247	37,200	+ 953	3,459	3,200	▲259

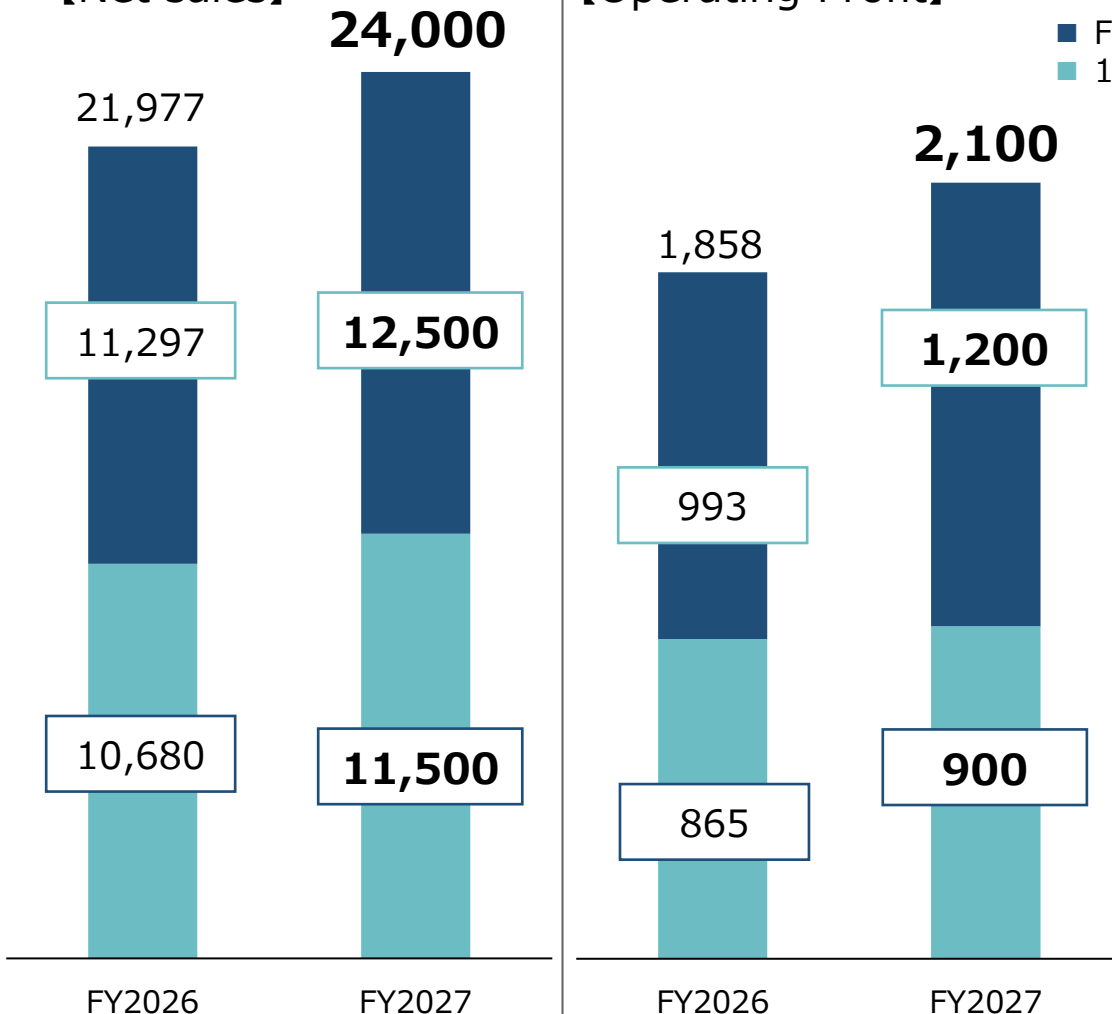
# Chemical Products Business

【Net sales】

【Operating Profit】

(Millions of yen)

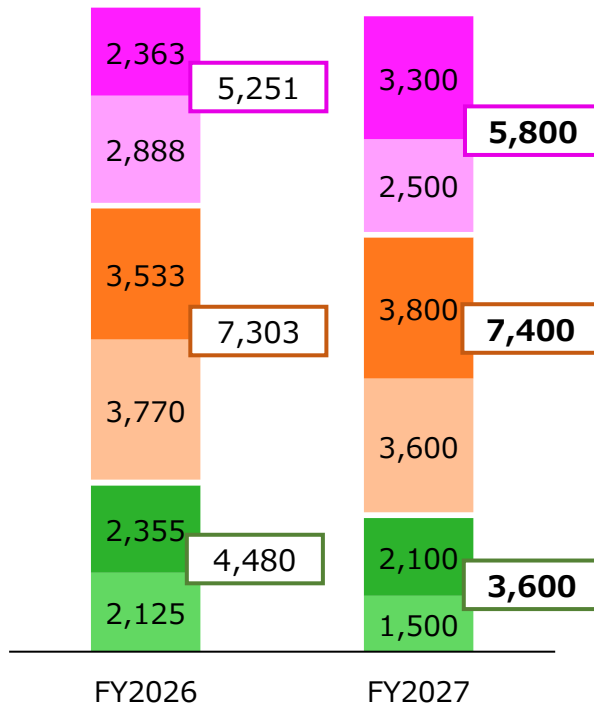
■ Full year  
■ 1<sup>st</sup> half



- Chemical products**  
(Industrial explosives, Automotive emergency flares etc.)  
Demand is expected to remain firm, as in the previous fiscal year. We will continue efforts to reflect appropriate pricing..
- Material assessment service**  
As EV demand slows, the adjustment period at some customers is expected to continue. We aim to increase laboratory utilization not only through repeat business from existing projects, but also by acquiring new customers.
- Chemicals** (Sodium chlorate, Ammonium perchlorate etc.)  
For sodium chlorate, a raw material used in paper and pulp bleaching, sales volume is expected to increase year on year. For ammonium perchlorate, a raw material for propellants, we plan to increase sales in line with demand forecasts.
- Electronic materials**  
Demand for electronic components for high-end servers is expected to continue increasing, as in the previous fiscal year. In addition, we also expect a recovery in demand for automotive applications, and both sales and profit are expected to grow.
- Ceramics**  
Demand conditions are expected to remain firm, with no major change from the previous fiscal year.
- Silicon wafers**  
A recovery in the market is expected to remain challenging this fiscal year as well. We aim to improve performance by further promoting structural reforms through production optimization, efficiency improvements, and price revisions. We will also continue to explore the development and mass production of high-value-added products.

# Base Area(Business Portfolio) segments

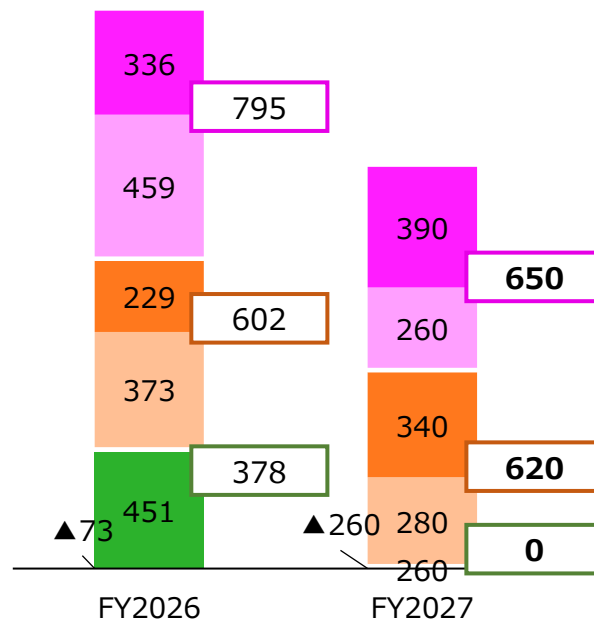
## 【Net Sales】



## 【Operating profit】

(Millions of yen)

■ ■ ■ Full year  
■ ■ ■ 1<sup>st</sup> Half



### ■ Bottling

One of our PET beverage production lines will undergo renovation work over a nine-month period from April to December. Since production will be limited to only two lines — one PET beverage production line and one canned beverage production line — through the third quarter, we expect business performance this fiscal year to decline significantly. Performance is expected to recover from the next fiscal year (ending March 2028) onward. (For details, please refer to p. 15.)

### ■ Metal Working

Both the heat-resistant metal products segment and the metal springs and stamped products segment are expected to remain firm, as in the previous fiscal year. We will continue to promote production efficiency improvements and the acquisition of new projects.

### ■ Engineering Services

The main factor behind the decline in profit is the construction and equipment installation segment, reflecting a decrease in in-house projects and intensifying competition in securing external projects. The paint and coating segment and the structural design segment are expected to remain firm in line with domestic economic trends.

# Reference: Current Status of the Bottling Segment

## ◆ The bottling segment has 3 production lines in total:

- ① Can Line
- ② PET Line (Hot pack)     …… A production line that sterilizes PET bottles using heat
- ③ PET Line (Non-Steriant)     …… A production line that aseptically fills products at room temperature in a sterile environment

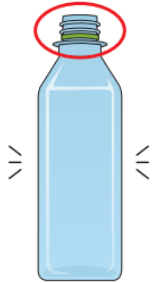
The PET line in item ② is being upgraded from a hot-pack system to an aseptic filling system

→ Most of our core PET beverage products are already aseptic products, and we expect further market penetration going forward.

The new line will enable us to produce a wider range of products, enhancing our competitiveness in the industry.

ライン更新によりアセプティック品が製造可能に

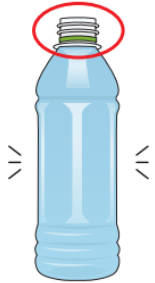
低コスト&軽量&環境に優しい  
最新トレンドペットボトル



アセプティック品

- ・飲み口が透明
- ・樹脂量が少なく、薄肉なボトル
- ・樹脂量が少なく、環境に優しい

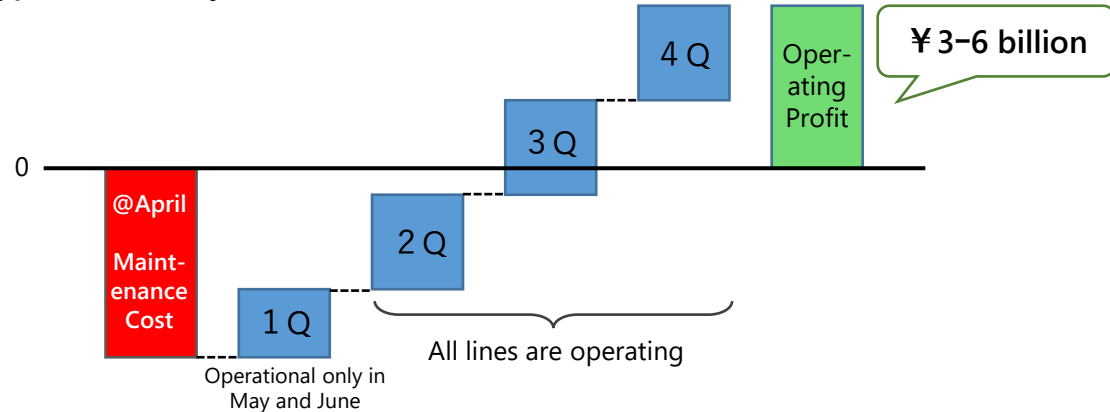
従来品



ホットパック品

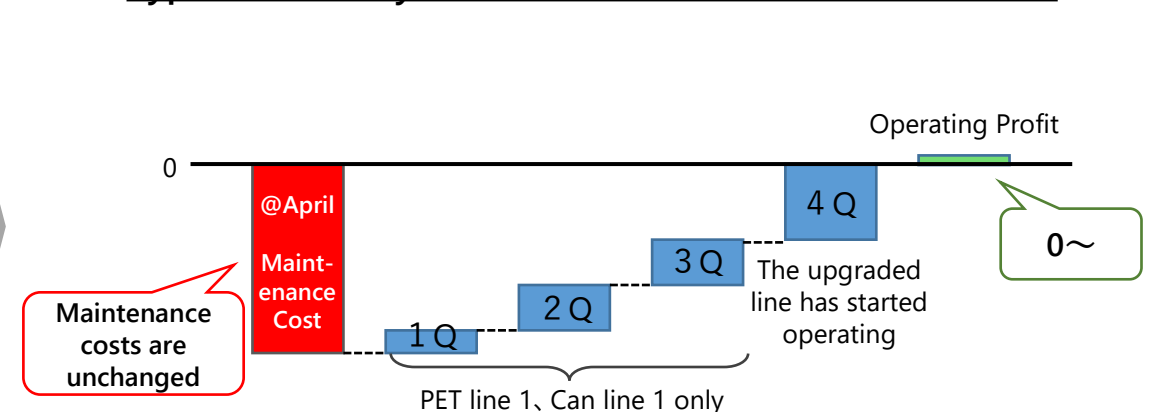
- ・飲み口が白色
- ・樹脂量が多く、肉厚なボトル
- ・樹脂量が多く、資材コストが下がりにくい

Typical Quarterly Profit Trend in Normal Years



As part of beverage manufacturing, scheduled maintenance is always carried out for one month in April, including cleaning and sterilization of all lines and piping. From May onward, production resumes and generates profit while covering the maintenance costs.

Typical Quarterly Profit Trend in the Current Fiscal Year



Through the third quarter, production will be limited to only two lines — one PET beverage production line and one canned beverage production line. While these lines will generate sales and profit, performance is expected to only cover the scheduled maintenance costs

# Mid-Term Management Plan **C**hallenge2027 Rolling Plan 2026

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- 1 . Review of Business Environment: Changes in FY2026
- 2 . Growth Vision of Carlit
- 3 . Capital Allocation Concept
- 4 . Capital Investments
- 5 . Space and Defense Solid Propellants (Ammonium Perchlorate)
- 6 . Human Capital Investments
- 7 . Capital Profitability and Market Valuation

# 1. Review of Business Environment: Changes in FY2025

## ◆ Environmental changes in FY2026

### Social and Economic Environment

- ✓ Persistent inflation driven by rising costs of materials, energy, logistics and other inputs
  - ✓ Growing geopolitical risks, including developments in Ukraine, the Middle East and Taiwan, have become increasingly normalized
- **This is leading to a change in thinking regarding security in response to geopolitical risks**

### Requests for Listed Companies

- ✓ Further Advancement of Management with an Awareness of Capital Costs
- ✓ Clarify the growth investment story and strengthen disclosure of non-financial information
- ✓ Optimize the business portfolio by clearly defining selection and concentration

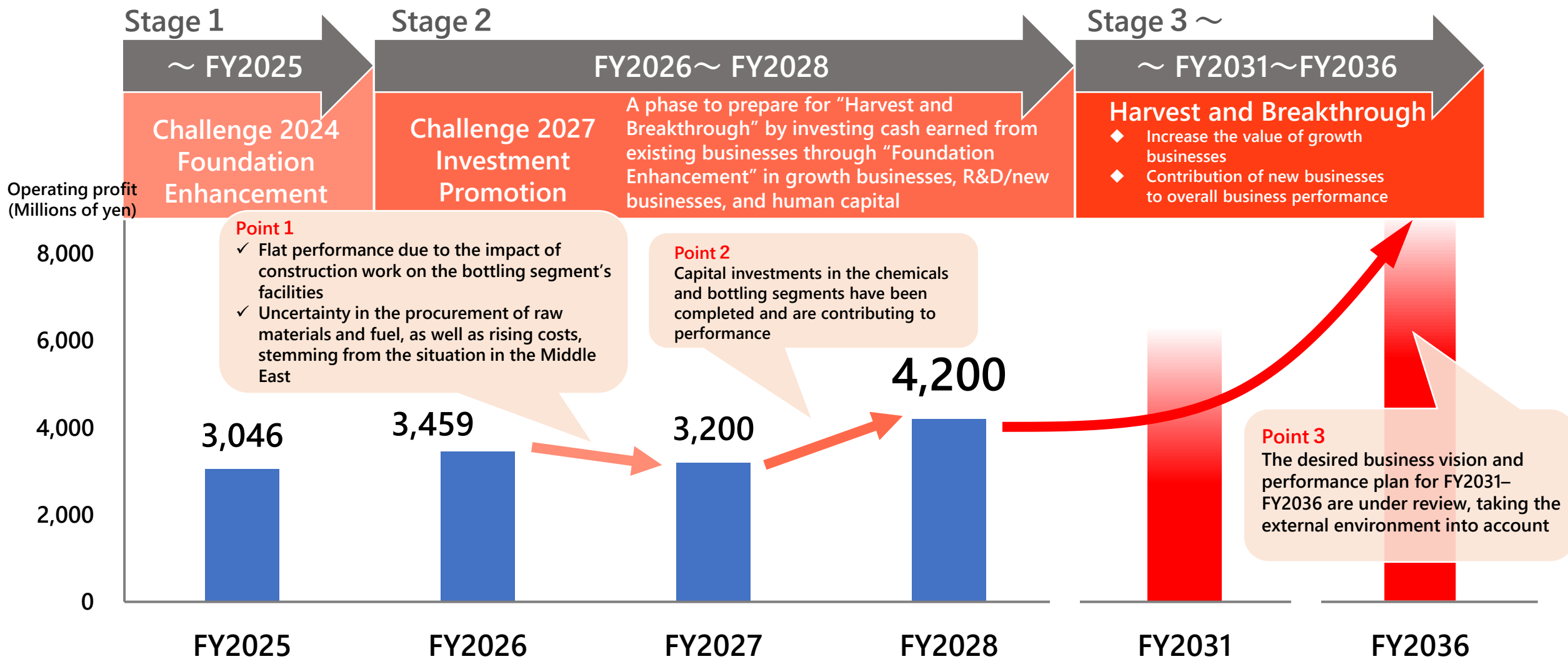
## ◆ Our situation in FY2026

- ✓ Record-high profit, with operating profit exceeding ¥3.4 billion
- ✓ Capital investment in additional ammonium perchlorate production capacity and R&D for solid propellants progressed smoothly, with key strategic businesses performing well

**Planning Further Business Development Investments, Focusing on Key Strategic Businesses While Taking External Environmental Changes into Account**

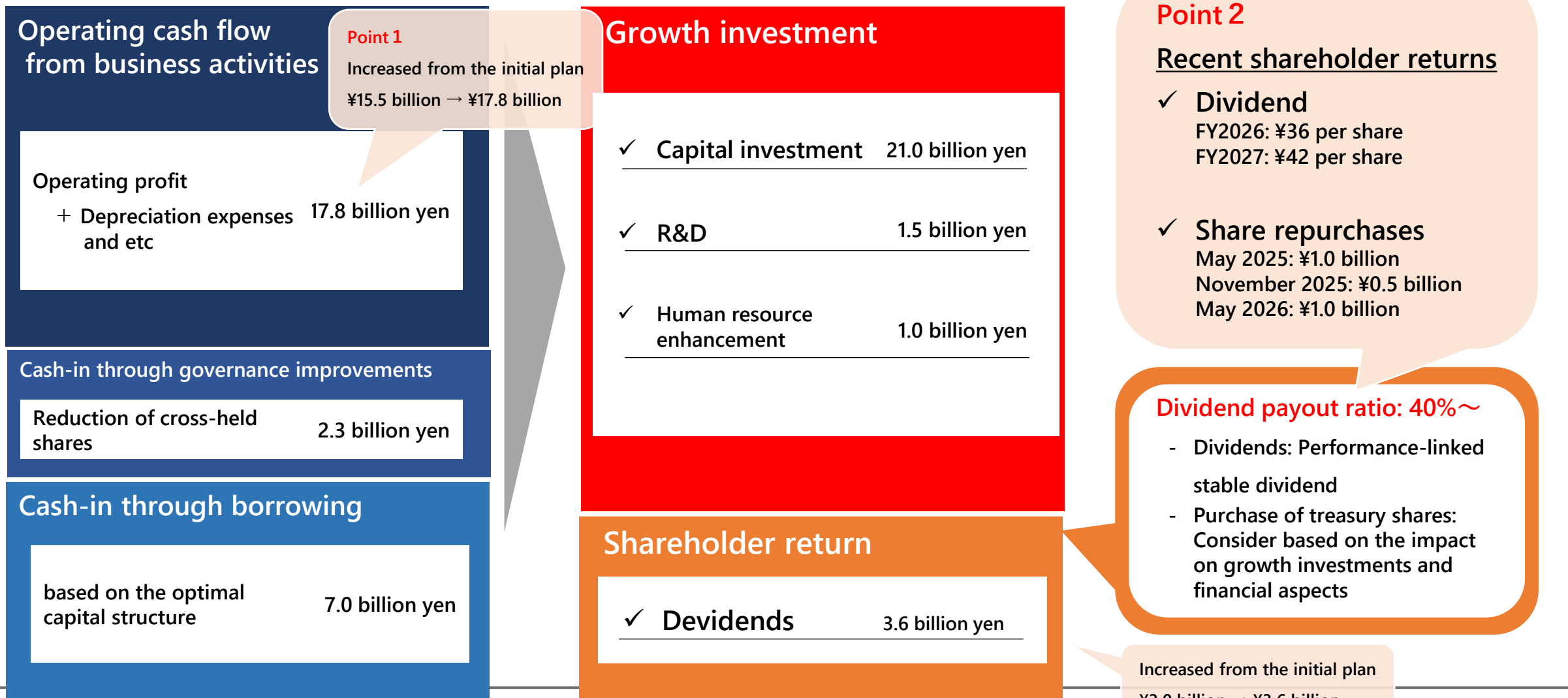
# 2. Growth Vision of Carlit

◆ Growth Vision Toward 2035 and Progress of the Medium-Term Management Plan “Challenge 2027”



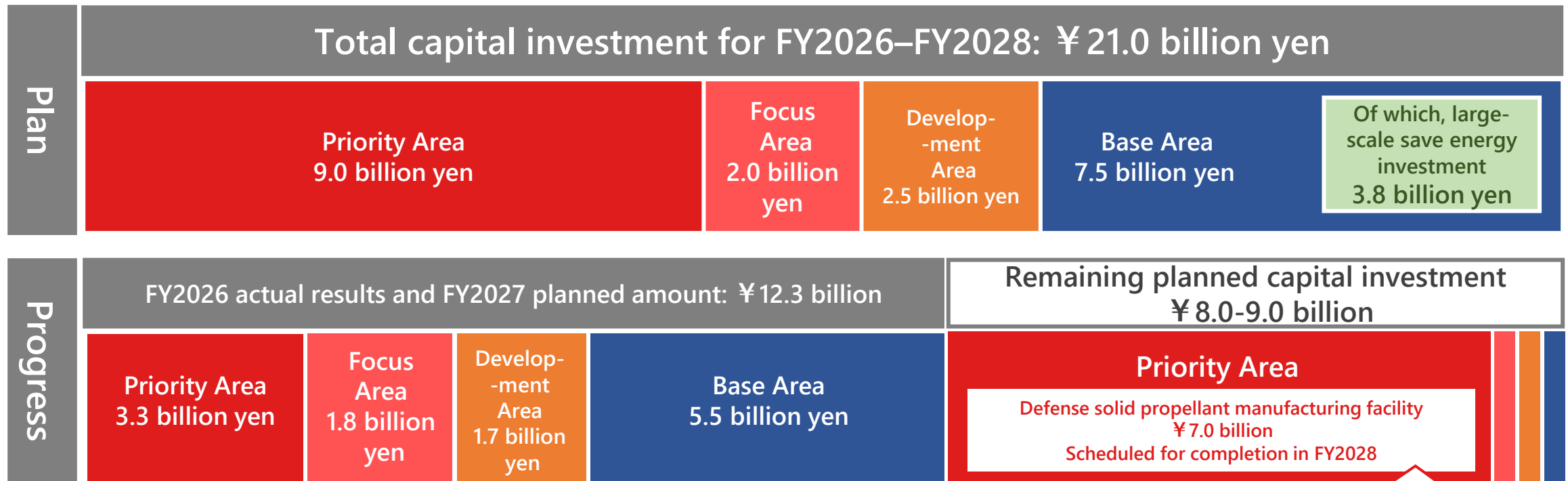
# 3. Capital Allocation Concept

## ◆ Current Status and Approach to Capital Allocation During “Challenge2027” Plan Period



# 4. Capital Investments

## ◆ Progress of Capital Investments During FY2025–FY2026



- Capital investments are being executed with a focus on key strategic areas in line with the Challenge 2027 plan
- A beverage production line that will significantly reduce CO2 emissions is scheduled to be introduced in winter FY2027
- We are also advancing the review of the next capital investment plan in light of changes in the external environment

Of the total ¥8.0 billion, approximately ¥1.0 billion will be recognized in FY2026–FY2027

# 5. Space and Defense Solid Propellants (Ammonium Perchlorate)

◆ Leveraging a Stable Ammonium Perchlorate (AP) Supply Base to Promote Mass Production of Solid Propellants and Expansion into Adjacent Areas, and to Develop This into a Core Growth Business in the 2030s

2025-2027

### Changes in the External Environment

- Defense buildup program
- Revision of the guidelines for the operation of the Three Principles on Transfer of Defense Equipment and Technology
- Expansion of the space business

### Establishing the Foundation

- Completed the first phase of AP production capacity expansion investment; full-scale operation to begin in 2027  
→ Building a supply capacity that is two to three times larger than in FY2024
- **Initiated strategic business development for space development and defense applications**  
→ Further equipment and new plant investments, Acquisition of land for business development, etc.

2028-2030

### Scaling Up Mass Production

- Operate the new solid propellant plant for defense applications and transition to full-scale mass production
- Begin mass production for defense applications and expand into the space applications market
- Expand the lineup of compatible launch vehicles and increase the number of adopted platforms

2030-2035

### Expansion into Adjacent Areas and Higher Profitability

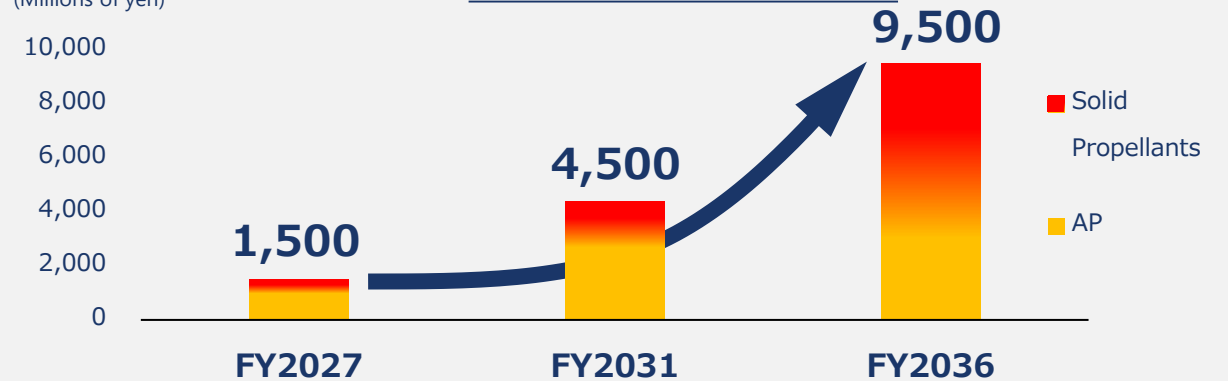
- Develop proprietary propellants
- Expand into new defense items, related components, and contract-based services
- Evolve into an integrated value-added business from raw material supply

### Memo : Carlit's Competitive Advantages

- Stable AP supply base supported by an integrated production system
- Extensive know-how in handling explosives and hazardous materials accumulated over many years
- High business scalability through integrated operations spanning raw materials, propellants, and adjacent areas

Net Sales (Millions of yen)

### Sales Growth Outlook



# 6. Human Capital Investments

- ◆ We position **“employee engagement”** as an important evaluation metric for enhancing corporate value, and will create the next growth phase by fostering a virtuous cycle in which employee growth drives corporate growth.

## Employee Engagement: +6.5 Pt\* (~FY2028)

※FY2026 : 63.5%



### 1. Back to our founding spirit of challenge

Purpose: Enhancing competitiveness and growth potential

Key Initiatives: Early problem solving through 1-on-1 meetings  
Encouraging challenge opportunities  
Utilizing digital and IT technologies

### 2. Talent management for value creation

Purpose: The active engagement of talent who enhance corporate value

Key Initiatives: Talent development through delegation of authority  
Strengthening evaluator development to ensure accurate observation and evaluation

### 3. Promoting a workstyle mindset

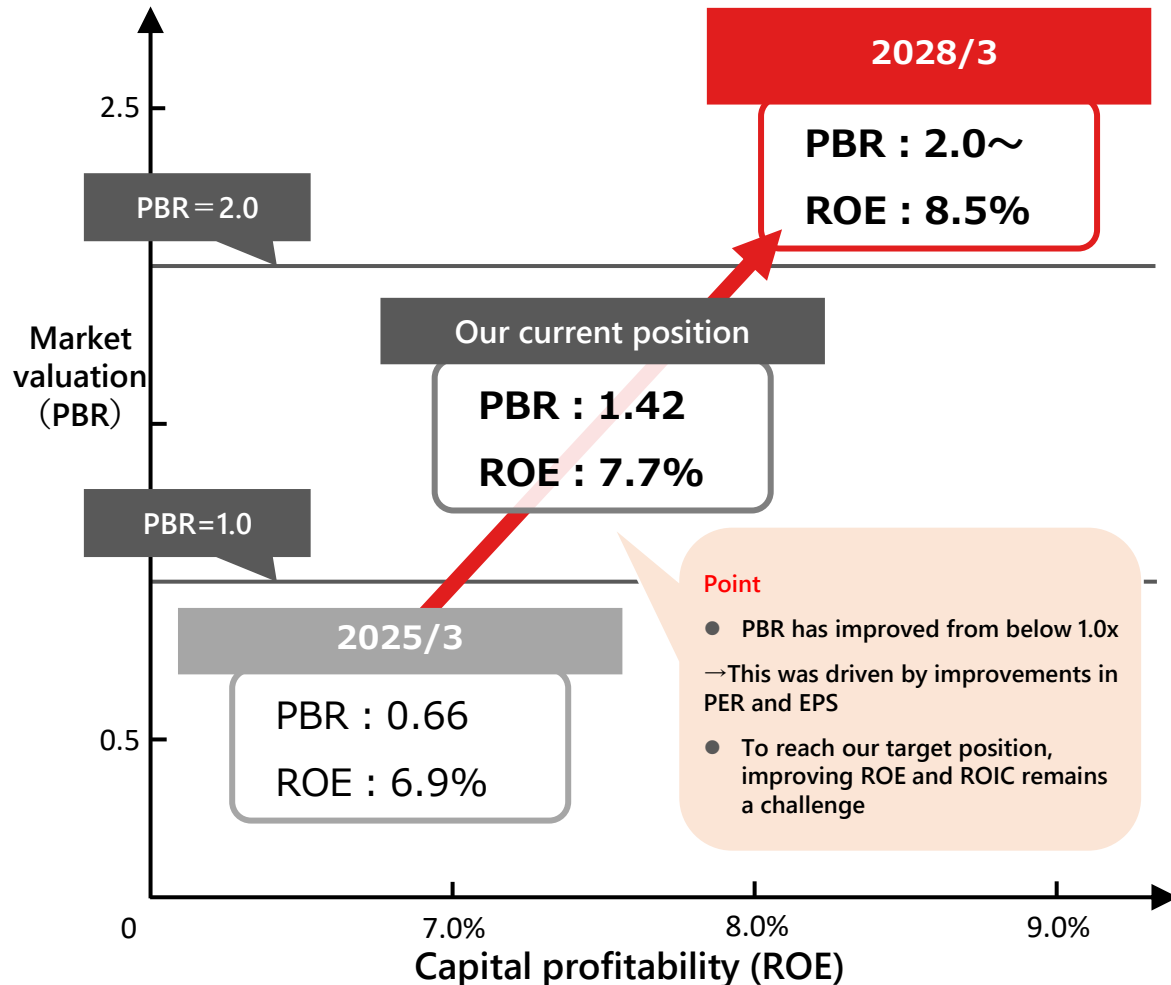
Purpose: Improving collaboration awareness and employee satisfaction

Key Initiatives: Regular group discussions to share failure cases and success stories

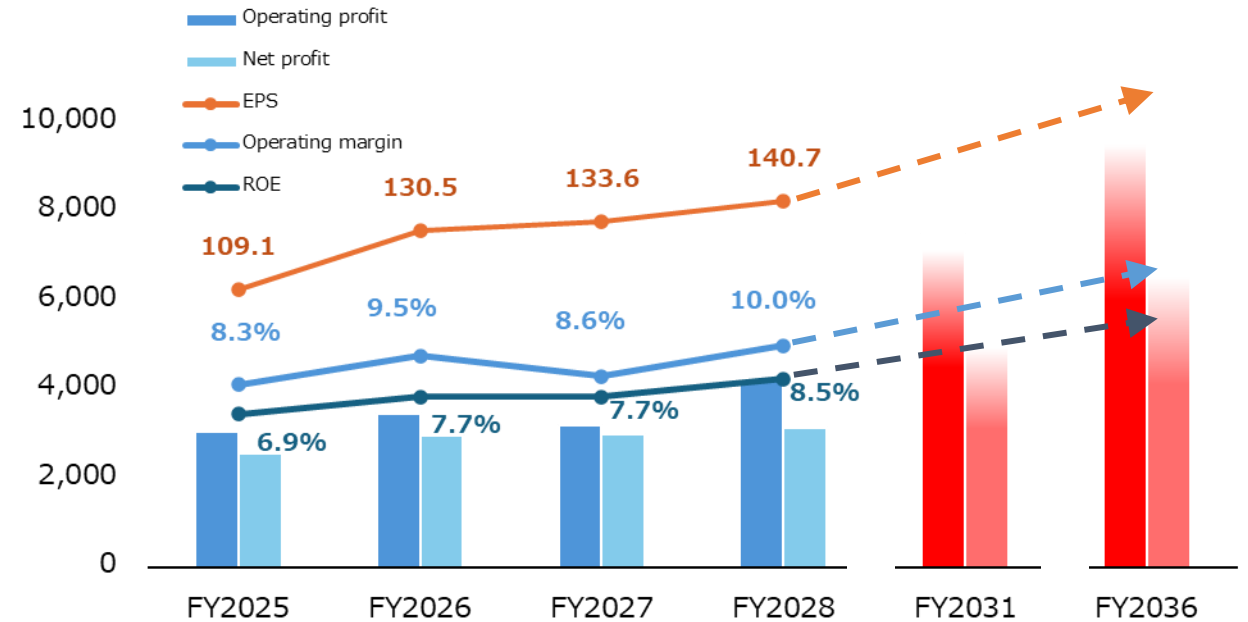
# 7. Capital Profitability and Market Valuation

- ◆ Market valuation has improved significantly. We will continue to consider measures to enhance profitability in line with our cost of capital.

## Analysis on capital profitability and market valuation



## Trends in capital profitability



- ✓ We will seek to **improve operating profit margin** and aim for an ROE that exceeds the cost of capital
- ✓ We will pursue stable **EPS growth**, which forms the foundation of corporate value

# Q&A Session

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# Q&A Session

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- Q.
- How much of the risk of crude oil and naphtha shortages is reflected in the current earnings forecast?
  - There is no comment in the business plan about the impact of the situation in the Middle East. Should we understand that it has no impact on this fiscal year's figures?
  - Does ammonium perchlorate use crude oil or naphtha as raw materials? Is the supply stable?

- A.
- We are continuously monitoring the potential impact of heightened tensions in the Middle East on our raw material procurement.
  - At present, we have not obtained any information indicating a significant impact on our earnings from supply stability concerns, and therefore we have not incorporated such an impact into our earnings forecast.
  - That said, raw material prices have already been rising across a range of our products. While we intend to offset the impact on earnings through appropriate price revisions, the outlook remains uncertain.
  - In any event, if it becomes clear that heightened tensions in the Middle East or other factors will have a material impact on our business performance, we will promptly disclose such information on our website and through other appropriate channels.
  - Please note that ammonium perchlorate does not contain any raw materials derived from crude oil or naphtha. As mentioned, supply remains stable at present.

# Q&A Session

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- Q.
- In the forecast for next fiscal year, the Chemical Products Segment is expected to grow by 10% in sales and 13% in operating profit.
  - I imagine the situation in the Middle East may also be a factor, but what are the main growth drivers?
  - Although next fiscal year's earnings are described as being in a "holding pattern," the Chemical Products Segment appears to show relatively strong growth. I understand that the capital investment in ammonium perchlorate has not yet been completed, so what are the factors behind this?
- A.
- As shown on page 13, we expect the Chemical Products Segment to grow across a range of fields, based on the assumption that this will contribute to an overall improvement in performance.
  - Regarding ammonium perchlorate, which has drawn your attention, the capital investment will not yet be completed; however, we expect demand and unit prices to increase, and it is expected to be one of our growth drivers.
  - In the Electronic Materials sub-segment, in addition to polymer-based materials for high-end servers, which also drove performance last year, we expect a recovery in demand for automotive applications, and therefore are assuming significant growth.
  - Of course, all of these factors may change depending on developments in the Middle East. As mentioned earlier, if tensions escalate further and we determine that there will be a material impact on our earnings, we will promptly disclose it through our website and other channels.

# Q&A Session

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- Q.
- Regarding the total of ¥8 billion for solid propellant facilities for defense use stated under capital expenditures, is it correct that this will be fully covered by subsidies from the Ministry of Defense?
  - If so, what do you plan to use the capital expenditure funds for?
- 

- A.
- You are correct: the construction costs for the solid propellant manufacturing facilities for defense use that we are currently advancing are planned to be covered by the Ministry of Defense's initial equipment costs.
  - From a cash flow perspective, the funds will also be used to repay the additional borrowings we have taken on. This will improve our financial flexibility, enabling us to pursue further growth investments, such as the acquisition of land for business development.
  - If we decide on any additional growth investments, including capital expenditures or the acquisition of land for development, we will promptly disclose them as well. Please stay tuned for further updates.

- Q. • The initial equipment costs were allocated to the capital investment for defense propellant facilities, but if we acquire new land or build a new plant in the future, is there a possibility that initial equipment costs would also be allocated to those projects?

A.

- There is a possibility, but at this point, nothing has been decided.
- If we make any decisions in the future regarding capital expenditures, subsidies, or initial equipment costs, we will promptly disclose them.

# Q&A Session

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- Q.
- Does the aseptic line renewal project in the Bottling Segment qualify as a growth investment for your company, or is it positioned as a replacement of aging equipment?
  - You mentioned that production line refurbishment will be carried out in the Bottling Segment, but will customers not leave during that period?
  - Could you also tell us to what extent you expect the Bottling Segment to recover in the next fiscal year?
- 
- A.
- The renewal of the PET beverage production line in our Bottling Segment is an investment with multiple purposes, including a shift in the product mix, responding to customer demand, and reducing environmental impact.
  - In addition, once the renewal work is completed, we will be able to carry out PET bottle blow molding, which was not possible before. By performing bottle molding together with beverage filling, we expect to generate higher sales and profits than before.
  - Our bottling plant is located in Shibukawa, Gunma Prefecture, and has a strong logistics advantage in the greater Kanto area. For that reason, this renewal project is a capital investment that our customers are also welcoming and requesting. We do not expect any customer attrition.
  - After the renewal, we expect to receive orders not only from our major customer, ITO EN, but also from a broader range of customers. We anticipate that orders and plant utilization after the work is completed will expand compared with the current level.

# Q&A Session

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- Q.
- Could you share your views on the significance and strategic position of continuing the bottling business, given the many attractive growth areas available?
  - I wonder whether the Silicon Wafers sub-segment is truly a business that your company should be pursuing. Would it not be better to leave it to other companies?
  - Will you not review your business portfolio during the current Mid-Term Management Plan period?
- 
- A.
- Regarding the review of our business portfolio, we continue to examine it as an important management issue; however, we do not plan any major changes during the “Challenge 2027” Mid-Term Management Plan period.
  - In addition to synergies such as the characteristics of our products and technologies, plant locations, and shared customers, we consider business performance and the external environment, and evaluate options such as business consolidation and divestiture.
  - We also view the full-scale launch of growth businesses and the visible emergence of earnings as important factors, and we will work to reconfigure our business portfolio at the most appropriate timing.

- 
- Q. • On page 22, the combined sales for propellants and AP are stated as ¥1.5 billion, while the previous page refers to “development products” of ¥90 million. Should we understand that AP sales are currently around ¥1.4 billion?
- 
- A. • As a factor behind the increase in profit in the previous fiscal year, we have indicated ¥90 million in sales profit from propellant development products; however, the actual sales amount is larger than that.
- Please note that our explanation is limited to the combined figure for AP and propellant development products.

# Q&A Session

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- Q.
- Of the ¥9.5 billion in sales for the Space and Defense business in fiscal 2035 shown on page 22, is the ¥8 billion recorded as initial equipment costs included in sales?
  - Should we understand that the figure represents pure sales excluding the initial equipment cost allocation?
- 

- A.
- In our image of sales growth, the recognition of initial equipment costs and similar items is not included.
  - The figure represents only the sales of products and services that we provide, such as AP and solid propellants.

- Q.
- You mentioned that you are reviewing the growth vision beyond 2030. Could the level fall below ¥5 billion or ¥6 billion, or should we understand that you are aiming for a higher target?
  - The bar graph for fiscal 2035 profit on page 19 is positioned at around ¥8 billion. Should we expect profit to grow to that level?
  - Will all of the additional profit of several billion yen beyond 2030 come from defense-related businesses?
- A.
- With respect to our desired state in 2030 and 2035, we view changes in the external environment as a tailwind, and we are moving forward with discussions based on a profit structure that exceeds the ¥5 billion and ¥6 billion figures previously presented.
  - However, due to the unstable economic environment, including the recent heightened tensions in the Middle East, we have refrained from presenting specific numerical targets in this rolling plan. We appreciate your understanding.
  - As for the businesses and products that will contribute to growth after 2030, they will not be limited to defense-related items. For example, even within propellants, we expect demand from space development to increase further. In addition, we believe that the Electronic Materials sub-segment, where the market has been growing rapidly in recent years, will also play a leading role.

Q.

- Could you tell us about your pricing strategy for each segment?

A.

- We are continuously engaging with customers across all segments to achieve appropriate pricing.
- We will also work to reflect cost increases resulting from changes in the situation in the Middle East as needed; however, given the rapid shifts in the market and external environment, it remains uncertain how much of this can be strategically incorporated in advance.
- In addition, for cost increases associated with capital investments in areas such as ammonium perchlorate and the Bottling Segment, we intend to continue advancing price pass-through while gaining our customers' understanding.

- Q.
- When do you expect to receive the initial equipment costs for solid propellants? Will it be after the facilities have been completed?
  - Also, from an accounting perspective, is there a possibility that receiving the initial equipment costs will result in a one-time gain being recorded in the future?
- 
- A.
- To summarize the new solid propellant plant, we plan to complete the building and facilities in fiscal 2027, and then proceed through test sales and other steps before final acceptance.
  - We expect to receive the initial equipment costs in fiscal 2028, and they are scheduled to be recognized as sales and profit in fiscal 2028 from an accounting perspective.
  - As mentioned earlier, the sales growth figures shown on page 22 do not include any sales or profit from the initial equipment costs.

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- Q. • On page 22, you mention the development of original propellants during the 2030–2035 period. How would these differ from your existing propellants?
- Also, in the lower section, you mention expanding related products. Could you tell us what kinds of products you have in mind?

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- A. • We are conducting R&D aimed at improving the drawbacks of solid propellants. One such drawback is that manufacturing takes time, and especially when stable quality is required, it takes a considerable amount of time. At present, we are researching and developing propellants that can deliver high performance with a shorter manufacturing period, with the goal of reducing production costs.
- As for defense propellants, we would like to advance development while conducting joint research with our customers, in order to enhance the various performance characteristics required of propellants.
  - Regarding the expansion of propellant-related products, we are also considering development in other peripheral areas that are not propellants themselves. By advancing joint research with our customers, we aim to enter new business areas.

The forward-lookings statements about the Carlit Group's earnings forecasts contained in this document are based on the certain assumptions that we believe to be reasonable at the present time. Therefore, actual results may differ materially from the forecasts.

The following is a list of the main factors that may affect the Company's earnings , but new factors may arise.

- ① Global economic and social situation and trends in regulations such as taxation, and other laws ,etc.
- ② Exchange rate
- ③ Stock market quotation
- ④ Product supply-demand situation and procurement environment
- ⑤ Financing environment
- ⑥ Granting and licensing of important patents and patent-related disputes, etc.
- ⑦ Regulations and issues related to the environment
- ⑧ Defects in products or services
- ⑨ Litigation and other legal proceedings
- ⑩ Rapid technological changes and the timing of development, manufacturing, and market launch of products using new technologies
- ⑪ Business restructuring
- ⑫ Information Security
- ⑬ Major disaster
- ⑭ Social and political turmoil due to terrorism, war, infectious disease pandemics, etc.
- ⑮ Important matters concerning directors, major shareholders, affiliates, etc. of the company

# **For Confidence and Infinite Challenges**



## **Giving Shape to Infinite Possibilities**

**(This document is prepared in reference to the Japanese disclosure. In the event of any discrepancies or inconsistencies between this English version and the original Japanese document, the Japanese version shall prevail.)**