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(Stock Exchange Code 4275)

June 14, 2022

To Shareholders with Voting Rights:

Hirofumi Kaneko
President and Representative Director
Carlit Holdings Co., Ltd.
1-17-10, Kyobashi, Chuo-ku, Tokyo, Japan

NOTICE OF THE 9TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

We are pleased to announce the 9th Annual General Meeting of Shareholders of Carlit Holdings Co., Ltd. (the “Company”), which will be held as indicated below.

Instead of attending the meeting in person, you may exercise your voting rights in writing or via the Internet. Please review the attached Reference Documents for the General Meeting of Shareholders, indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form and return it so that it is received by 5 p.m. on Tuesday, June 28, 2022, Japan time.

- 1. Date and Time:** Wednesday, June 29, 2022, at 10 a.m. Japan time
Reception start time: 9:30 a.m.
- 2. Place:** Conference room at the Head Office located at
Sumitomo Corporation Kyobashi Bldg. 7F,
1-17-10, Kyobashi, Chuo-ku, Tokyo, Japan
- 3. Meeting Agenda:**
 - Matters to be reported:**
 1. The Business Report, the Consolidated Financial Statements for the Company’s 9th Fiscal Year (April 1, 2021–March 31, 2022) and the results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board of the Consolidated Financial Statements
 2. The Non-Consolidated Financial Statements for the Company’s 9th Fiscal Year (April 1, 2021–March 31, 2022)
 - Proposals to be resolved:**
 - Proposal 1:** Appropriation of Surplus
 - Proposal 2:** Amendment to the Articles of Incorporation
 - Proposal 3:** Election of Eight (8) Directors
 - Proposal 4:** Election of One (1) Substitute Audit & Supervisory Board Member

- When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.
- When attending the meeting, please bring this Notice with you for resource saving purposes.
- There will be no gifts given out to those who attend the General Meeting of Shareholders. We seek your kind understanding on this matter.
- Modifications, if any, to the Reference Documents for the General Meeting of Shareholders, as well as the Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements, will be posted on the Company's Website (<https://www.carlithd.co.jp>; in Japanese only) on the Internet.
- The following documents are provided to shareholders of the Company through the Company's Web site (<https://www.carlithd.co.jp>) on the Internet in accordance with the relevant laws and regulations and Article 16 of the Articles of Incorporation, and accordingly are not included in this Notice. Therefore, the Attachments to this Notice form a part of the Consolidated and Non-Consolidated Financial Statements that were subjected to audits when the Accounting Auditor prepared its Independent Auditor's Report and the Audit & Supervisory Board prepared its Audit Report.
 - 1) The Notes to the Non-Consolidated Financial Statements and the Non-Consolidated Statement of Changes in Equity
 - 2) The Notes to the Consolidated Financial Statements and the Consolidated Statement of Changes in Equity

Guidance on Exercising Voting Rights

If you will not attend the General Meeting of Shareholders, you can exercise your voting rights using one of the following methods. Please do so by 5 p.m. on Tuesday, June 28, 2022, Japan time.

Deadline for exercising voting rights

Tuesday, June 28, 2022, at 5 p.m.
Japan time

1. Exercising voting rights in writing (by mail)



Indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form and return it so that it is received by the aforementioned deadline. If you mail your form, please use the enclosed sticker to cover the information you enter.

2. Exercising voting rights online

(1) Smart Voting



- (i) Point the camera of your smartphone at the QR code on the bottom right of the enclosed Voting Rights Exercise Form. Once you have accessed the Smart Voting page, follow the instructions on the screen to enter your votes (There is no need to enter a voting rights exercise code or password).
- (ii) You can only use Smart Voting once to exercise your voting rights.

(2) Voting rights exercise code/password entry

- (i) Visit the Voting Rights Exercise Website (URL below) and log in using the voting rights exercise code and password printed on the enclosed Voting Rights Exercise Form. Follow the instructions on the screen to enter your votes. Note that for security purposes, you are required to change your password the first time you log in.

Voting Rights Exercise Website: <https://soukai.mizuho-tb.co.jp/> (in Japanese only)

- (ii) Your password (including the new one you enter after logging in for the first time) is only valid for this General Meeting of Shareholders. We will issue a new password for the next General Meeting of Shareholders.
- (iii) Your password is the means of verifying your identity as the person exercising your voting rights. Note that we will never ask you for your password.
- (iv) If you enter an incorrect password more than a certain number of times, your account will be locked and inaccessible. If your account is locked, follow the instructions on the screen.

(3) Notes

- (i) The deadline for exercising voting rights is 5 p.m. on Tuesday, June 28, 2022, Japan time. Accordingly, you must finish entering your votes by that time. We recommend voting early.
- (ii) If you wish to revise your votes after exercising your voting rights via Smart Voting, we ask that you use the method described in (2) above.
- (iii) If you exercise your voting rights by mail and online, only your online votes are valid. If you exercise your voting rights multiple times online, only the votes from the final instance are valid.
- (iv) Shareholders are responsible for the expense of connecting to the Internet.
- (v) Although we have checked that common Internet-enabled devices work properly with the online voting options, the options may not be available with some devices or in some circumstances.

3. Contact for inquiries

If you have any questions, please contact the Stock Transfer Agency Department of Mizuho Trust & Banking Co., Ltd., the shareholder register administrator.

Contact information for help with Smart Voting and the Voting Rights Exercise Website



0120-768-524

(9 a.m.–9 p.m. Japan time every day except New Year holidays)

4. Platform for institutional investors to exercise voting rights electronically

In addition to the aforementioned methods, management and trust banks and other nominal shareholders (including standing proxies) may use the platform for institutional investors to exercise voting rights electronically operated by ICJ, Inc. to exercise their rights electronically at the Company's General Meeting of Shareholders if they have applied to use the platform in advance.

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal 1: Appropriation of Surplus

We believe that providing an appropriate return of profits to shareholders is one of our most important management tasks.

We therefore abide by the basic policy of ensuring stable and continuous dividends in our profit appropriation while endeavoring to secure internal reserves required to take effective measures to address future-oriented initiatives: R&D efforts to develop original businesses with growth potential, the vitalization of existing businesses and the expansion of business fields.

In light of the Company's results for the fiscal year ended March 31, 2022, we hereby propose to pay a year-end ordinary dividend of ¥16 per share for the fiscal year as follows.

- (1) Type of dividend property: Cash
- (2) Matters concerning allotment of dividend property to shareholders and the total amount thereof
Amount for each common stock of the Company: ¥16 per share
Total amount to be distributed: ¥383,324,544
- (3) Effective date for the dividends of surplus: June 30, 2022

Proposal 2: Amendment to the Articles of Incorporation

1. Reasons for the amendment

- (1) Since the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) are to be enforced on September 1, 2022, the Company proposes to make the following changes to its Articles of Incorporation in preparation for the introduction of the system for providing informational materials for the General Meeting of Shareholders in electronic format.
- (i) Article 16, paragraph 1 in “Proposed amendments” below will stipulate that the Company shall take measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. in electronic format.
- (ii) Article 16, paragraph 2 in “Proposed amendments” below will establish the provision to limit the scope of the items to be stated in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents.
- (iii) Since the provisions for Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc. (Article 16 of the current Articles of Incorporation) will no longer be required, they will be deleted.
- (iv) Accompanying the aforementioned establishment and deletion of provisions, supplementary provisions regarding the effective date, etc. will be established.
- (2) To give the Board of Directors flexibility in operation, Convener and Chairmanship of Meeting of the Board of Directors is amended to include the phrase “the Director designated in advance by the Board of Directors.” (Article 23 in “Proposed amendments” below)

2. Details of the amendment

The details of the amendment are as follows:

(Changes indicated with an underline)

Current Articles of Incorporation	Proposed amendments
<u>Article 16. (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.)</u> <u>When the Company convenes a General Meeting of Shareholders, if it discloses information that is to be stated or presented in the reference documents for the general meeting of shareholders, business report, non-consolidated financial statements and consolidated financial statements through the Internet in accordance with the provisions prescribed by the Ministry of Justice Order, it may be deemed that the Company has provided this information to shareholders.</u>	(Deleted)

Current Articles of Incorporation	Proposed amendments
<p style="text-align: center;">(Newly added)</p> <p>Article 23. (Convener and Chairmanship of Meeting of the Board of Directors)</p> <ol style="list-style-type: none"> 1. Unless otherwise provided for by laws and regulations, the <u>Chair of the Board of Directors</u> shall convene meetings of the Board of Directors and chair the meetings. 2. In cases where <u>the post of the Chair of the Board of Directors is vacant, or the Chair of the Board of Directors is prevented from so acting, the President shall convene meetings of the Board of Directors and chair the meetings. In such cases, if the President is prevented from so acting,</u> another Director who is designated in accordance with an order of priority determined in advance by the Board of Directors shall convene a meeting of the Board of Directors and chair the meeting. <p style="text-align: center;">(Newly added)</p>	<p>Article 16. (Measures, etc. for Providing Information in Electronic Format)</p> <ol style="list-style-type: none"> 1. <u>When the Company convenes a general meeting of shareholders, it shall take measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. in electronic format.</u> 2. <u>Among items for which the measures for providing information in electronic format will be taken, the Company may exclude all or some of those items designated by the Ministry of Justice Order from statements in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights.</u> <p>Article 23. (Convener and Chairmanship of Meeting of the Board of Directors)</p> <ol style="list-style-type: none"> 1. Unless otherwise provided for by laws and regulations, the <u>Director designated in advance by the Board of Directors</u> shall convene meetings of the Board of Directors and chair the meetings. 2. In cases where <u>the Director described in the preceding paragraph</u> is vacant or prevented from so acting, another Director who is designated in accordance with an order of priority determined in advance by the Board of Directors shall convene a meeting of the Board of Directors and chair the meeting. <p>(Supplementary Provisions)</p> <ol style="list-style-type: none"> 1. <u>The deletion of Article 16 (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.) in the pre-amended Articles of Incorporation and the establishment of the new Article 16 (Measures, etc. for Providing Information in Electronic Format) in the amended Articles of Incorporation shall be effective from the date of enforcement of the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter referred to as the “Date of Enforcement”).</u> 2. <u>Notwithstanding the provision of the preceding paragraph, Article 16 of the pre-amended Articles of Incorporation shall remain effective regarding any general meeting of shareholders held on a date within six months from the Date of Enforcement.</u>

Current Articles of Incorporation	Proposed amendments
	<u>3. These Supplementary Provisions shall be deleted on the date when six months have elapsed from the Date of Enforcement or three months have elapsed from the date of the general meeting of shareholders in the preceding paragraph, whichever is later.</u>

Note: Some underlining does not coincide with the Japanese version because of translation adjustments.

Proposal 3: Election of Eight (8) Directors

The terms of office of all nine (9) Directors will expire at the conclusion of this Annual General Meeting of Shareholders. We hereby propose that eight (8) Directors be elected, including one (1) Director to be newly appointed.

The candidates for Director are as follows:

No.	Name (Date of birth)	Past experience, positions and responsibilities (significant concurrent positions)	Number of shares of the Company held
1	[Reappointment] Hirofumi Kaneko (April 30, 1960)	April 1984 Joined Japan Carlit Co., Ltd. June 2015 Executive Officer of the Company President and Representative Director, General Manager, Sales Headquarters, Japan Carlit Co., Ltd. June 2016 Director, Executive Officer, Supervisor, Group Sales of the Company President and Representative Director, Japan Carlit Co., Ltd. April 2018 Director, Managing Executive Officer, Supervisor, Group Sales Department of the Company April 2019 Director, Managing Executive Officer, Supervisor, Group Strategy Department of the Company June 2020 President and Representative Director, in charge of Research & Development Center, Internal Audit Office of the Company April 2021 President and Representative Director, in charge of Internal Audit Office of the Company April 2022 President and Representative Director, in charge of Corporate Planning Department and Internal Audit Office of the Company (to present)	22,200
[Reason for selection as a candidate for Director] Mr. Hirofumi Kaneko has served the position of President and Representative Director of the Company after he served as President and Representative Director at Japan Carlit Co., Ltd., and Director, Managing Executive Officer, and Supervisor, Group Sales Department and Group Strategy Department of the Company. He has achievements regarding business management and development of management strategy of the entire Group, as well as a wealth of experience as a corporate manager. Accordingly, the Company selected him as a candidate for Director.			

No.	Name (Date of birth)	Past experience, positions and responsibilities (significant concurrent positions)	Number of shares of the Company held
2	[Reappointment] Takashi Morishita (September 16, 1958)	<p>April 1981 Joined Japan Carlit Co., Ltd.</p> <p>April 2015 Executive Officer of the Company President and Representative Director, Silicon Technology Corporation</p> <p>June 2017 Director, Executive Officer, in charge of Management Strategy Office of the Company President and Representative Director, Silicon Technology Corporation</p> <p>April 2018 Director, Managing Executive Officer, Supervisor, Group Strategy Department of the Company</p> <p>April 2019 Director, Managing Executive Officer, Supervisor, Group Sales Department of the Company</p> <p>April 2020 President and Representative Director, Japan Carlit Co., Ltd. (to present)</p> <p>June 2021 Director, Senior Managing Executive Officer, in charge of Management Strategy Office, New Business Development Department, Public Relations & ESG Promotion Department of the Company</p> <p>April 2022 Director, Senior Managing Executive Officer, Assistant to the President, in charge of the Public Relations & Sustainability Promotion Division (to present)</p>	12,900
<p>[Reason for selection as a candidate for Director] Mr. Takashi Morishita assumed the position of Director, Senior Managing Executive Officer, and Assistant to the President in charge of the Public Relations & Sustainability Promotion Division of the Company after he served as President and Representative Director at Japan Carlit Co., Ltd., and Director, Managing Executive Officer, and Supervisor, Group Strategy Department and Group Sales Department of the Company. He has achievements regarding business management of the entire Group, as well as a wealth of experience as a corporate manager. Accordingly, the Company selected him as a candidate for Director.</p>			
3	[Reappointment] Hideo Okamoto (July 15, 1961)	<p>April 1985 Joined The Fuji Bank, Limited (currently Mizuho Bank, Ltd.)</p> <p>August 2006 Assistant Director, Group Strategy Department, Mizuho Financial Group, Inc.</p> <p>April 2012 General Manager, Legal Affairs Office, Mizuho Trust & Banking Co., Ltd.</p> <p>October 2013 General Manager, Legal Affairs Division, Head of Internal Audit Office of the Company</p> <p>June 2016 Executive Officer, General Manager, Legal Affairs & Compliance Division of the Company</p> <p>June 2019 Director, Executive Officer, Supervisor, Group Management Department, and General Manager, Legal Affairs & Compliance Division of the Company</p> <p>June 2020 Director, Executive Officer, in charge of Finance Division, IT Systems Promotion Division, Legal Affairs & Compliance Division, and General Manager, Legal Affairs & Compliance Division of the Company</p> <p>April 2022 Director, Executive Officer, in charge of Legal Affairs & Compliance Division, and General Manager, Legal Affairs & Compliance Division of the Company (to present)</p>	5,200
<p>[Reason for selection as a candidate for Director] Mr. Hideo Okamoto has a wealth of overseas work experience and achievements regarding corporate legal affairs at Mizuho Bank, Ltd., and since 2013, he has been involved in the Company's legal affairs, compliance and internal audits and currently serves as Director, Executive Officer, in charge of the Legal Affairs & Compliance Division, and General Manager, Legal Affairs & Compliance Division of the Company. He has experience and achievements regarding the legal affairs and compliance of the entire Group. Accordingly, the Company selected him as a candidate for Director.</p>			

No.	Name (Date of birth)	Past experience, positions and responsibilities (significant concurrent positions)	Number of shares of the Company held
4	[Reappointment] Teiji Sakata (January 11, 1960)	<p>April 1988 Joined Japan Carlit Co., Ltd.</p> <p>July 2005 Senior Assistant General Manager, Chemical Agents Division, Chemical Agents Headquarters, Japan Carlit Co., Ltd.</p> <p>June 2012 Director, General Manager, Sales Headquarters, JC Bottling Co., Ltd.</p> <p>June 2015 Managing Director, General Manager, Sales Headquarters, JC Bottling Co., Ltd.</p> <p>April 2017 Director, General Manager, Sales Headquarters, Japan Carlit Co., Ltd.</p> <p>April 2018 Executive Officer of the Company President and Representative Director, Japan Carlit Co., Ltd.</p> <p>April 2019 Executive Officer, Supervisor, Group Production Department of the Company President and Representative Director, Japan Carlit Co., Ltd.</p> <p>June 2019 Director, Executive Officer, Supervisor, Group Production Department of the Company President and Representative Director, Japan Carlit Co., Ltd.</p> <p>April 2020 President and Representative Director, JC Bottling Co., Ltd. (to present)</p> <p>June 2020 Director, Executive Officer of the Company (to present)</p>	8,200
<p>[Reason for selection as a candidate for Director] Mr. Teiji Sakata assumed the position of President and Representative Director at JC Bottling Co., Ltd. after serving as President and Representative Director at Japan Carlit Co., Ltd. He has achievements regarding business management of the entire Group, as well as a wealth of experience as a corporate manager. Accordingly, the Company selected him as a candidate for Director.</p>			
5	[Reappointment] Toshifumi Yachi (June 5, 1961)	<p>April 1985 Joined The Fuji Bank, Limited (currently Mizuho Bank, Ltd.)</p> <p>January 2011 General Manager, Kyoto Chuo Branch, Mizuho Bank, Ltd.</p> <p>May 2014 General Manager, Personnel Division of the Company</p> <p>January 2017 Head of Management Strategy Office of the Company</p> <p>April 2018 President and Representative Director, SD Network Co., Ltd.</p> <p>April 2019 Executive Officer, General Manager, Personnel Division, Head of Secretary's Office of the Company</p> <p>June 2020 Director, Executive Officer, in charge of Personnel Division, General Affairs Division, Secretary's Office, General Manager, Personnel Division, Head of Secretary's Office of the Company</p> <p>April 2021 Director, Executive Officer, in charge of Personnel Division, General Affairs Division, Secretary's Office, Head of Secretary's Office of the Company President and Representative Director, Sankyo Jitsugyo Co., Ltd. (to present)</p> <p>April 2022 Director, Executive Officer, in charge of General Affairs Division, Secretary's Office, Personnel Division, and Finance Division, Head of Secretary's Office of the Company (to present)</p>	4,100
<p>[Reason for selection as a candidate for Director] Mr. Toshifumi Yachi has assumed the positions of Director, Executive Officer, in charge of the General Affairs Division, Secretary's Office, Personnel Division, and Finance Division and the Head of Secretary's Office of the Company after he served as Head of Management Strategy Office of the Company, President and Representative Director, SD Network Co., Ltd., and Executive Officer, General Manager, Personnel Division, Head of Secretary's Office of the Company. He has a wealth of knowledge and experience regarding management and administration of the entire Group. Accordingly, the Company selected him as a candidate for Director.</p>			

No.	Name (Date of birth)	Past experience, positions and responsibilities (significant concurrent positions)	Number of shares of the Company held
6	[Reappointment] [Outside Director] Kazuo Yamamoto (March 11, 1948)	<p>April 1971 Joined Shoichi Ikeda & Co. (currently Ernst & Young ShinNihon LLC)</p> <p>July 2010 President, Kazuo Yamamoto Certified Public Accountant and Tax Accountant Office (to present)</p> <p>June 2012 Outside Auditor, PC DEPOT Corporation</p> <p>September 2014 Outside Auditor, Lacto Japan Co., Ltd.</p> <p>June 2016 Outside Director of the Company (to present)</p> <p>[Reason for selection as a candidate for Outside Director and a summary of expected roles] Mr. Kazuo Yamamoto has never in the past been involved in the management of a company except as an outside officer. However, the Company selected him as a candidate for Outside Director as he has professional knowledge as a certified public accountant and has served as an outside auditor of other companies. If he is re-elected, the Company intends for him to be involved in the Company's policy for the election and dismissal of senior management and the policy for determining the compensation system and compensation amounts for Directors from an independent standpoint as a member of the Governance Committee.</p>	—
7	[Reappointment] [Outside Director] Seiichi Shimbo (April 9, 1951)	<p>April 1975 Joined Tokio Marine Fire Insurance Co., Ltd.</p> <p>April 2000 General Manager, Corporate Planning Department, Tokio Marine Fire Insurance Co., Ltd.</p> <p>June 2003 General Manager for 3rd Automobile Sales Department of Tokyo Automobile Headquarter, Tokio Marine Fire Insurance Co., Ltd.</p> <p>June 2004 Executive Officer, Tokio Marine Fire Insurance Co., Ltd.</p> <p>October 2006 Managing Executive Officer, Tokio Marine & Nichido Fire Insurance Co., Ltd.</p> <p>July 2009 Senior Director, Non-life Insurance Policy-holders Protection Corporation of Japan</p> <p>June 2013 Outside Auditor, TOKYO OHKA KOGYO CO., LTD.</p> <p>June 2015 Outside Director, Itochu Enex Co., Ltd.</p> <p>June 2018 Outside Director of the Company (to present)</p> <p>[Reason for selection as a candidate for Outside Director and a summary of expected roles] Mr. Seiichi Shimbo has served in positions of outside director and outside auditor at several companies after he served as Managing Executive Officer at Tokio Marine & Nichido Fire Insurance Co., Ltd. He has a wealth of experience regarding the various aspects of management. Accordingly, the Company selected him as a candidate for Outside Director. If he is re-elected, the Company intends for him to be involved in the Company's policy for the election and dismissal of senior management and the policy for determining the compensation system and compensation amounts for Directors from an independent standpoint as a member of the Governance Committee.</p>	6,000
8	[New appointment] [Outside Director] Yukari Murayama (August 4, 1972)	<p>April 2000 Registered as an attorney at law (Tokyo Bar Association) Worked at Bingham Sakai Mimura Aizawa</p> <p>January 2010 Seconded to Supervision Bureau, Financial Services Agency</p> <p>April 2012 Returned to Bingham Sakai Mimura Aizawa</p> <p>April 2015 Partner at Anderson Mori & Tomotsune (to present)</p> <p>June 2015 Outside Audit & Supervisory Board Member, Information Services International-Dentsu, Ltd.</p> <p>March 2016 Outside Director, Information Services International-Dentsu, Ltd. (to present)</p> <p>(Significant concurrent positions) Outside Director, Information Services International-Dentsu, Ltd.</p> <p>[Reason for selection as a candidate for Outside Director and a summary of expected roles] Ms. Yukari Murayama has never in the past been involved in the management of a company except as an outside officer. However, the Company selected her as a candidate for Outside Director as she has professional knowledge as an attorney and has served as an outside director and outside auditor of other companies. If she is elected, the Company intends for her to be involved in the Company's policy for the election and dismissal of senior management and the policy for determining the compensation system and compensation amounts for Directors from an independent standpoint as a member of the Governance Committee.</p>	—

(Notes)

1. There is no special interest between each of the candidates for Director and the Company.
2. Mr. Kazuo Yamamoto and Mr. Seiichi Shimbo are candidates for Outside Director. The Company has designated these two candidates as Independent Directors as prescribed in the regulations of the Tokyo Stock Exchange. If they are re-

elected and assume the position of Independent Director, the Company intends to continue with the appointment submitted to the same Exchange.

3. Ms. Yukari Murayama is a candidate for Outside Director. If she is elected and assumes the position of Outside Director, the Company intends to notify the Tokyo Stock Exchange that she is an Independent Director as prescribed in the regulations of the Tokyo Stock Exchange.
4. The Company has prescribed in its Articles of Incorporation that the Company may enter into a liability limitation agreement with Directors (excluding Directors with executive authority over operations) to limit their liability for damages to the Company within a certain limited amount to enable the Company to attract talented human resources as Outside Directors. Accordingly, if Mr. Kazuo Yamamoto and Mr. Seiichi Shimbo are re-elected and assume the position of Outside Director, the Company intends to continue the said agreement with them.
Additionally, if Ms. Yukari Murayama is elected and assumes the position of Outside Director, the Company intends to enter into the said agreement with her.
The outline of the liability limitation agreement is as follows.
 - Should the candidate cause any damage to the Company as an Outside Director, provided that the candidate has executed his or her duties in good faith without gross negligence, the candidate shall be liable for compensation for damages to the Company, with the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act as the maximum amount of such liability.
5. The Company has entered into a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act to cover legal damages and litigation expenses to be paid for shareholders or other third parties by the insured including the Company's Directors. If the candidates are elected and assume the office of Director, they will be insured under the insurance contract. Additionally, the Company plans to renew the insurance contract with the same contents at the next renewal.
6. Mr. Kazuo Yamamoto will have served as an Outside Director of the Company for six years at the conclusion of this General Meeting of Shareholders.
7. Mr. Seiichi Shimbo will have served as an Outside Director of the Company for four years at the conclusion of this General Meeting of Shareholders.

Proposal 4: Election of One (1) Substitute Audit & Supervisory Board Member

The qualification of Mr. Tetsuro Sugiura, the substitute Outside Audit & Supervisory Board Member elected at the 5th Annual General Meeting of Shareholders on June 28, 2018, expires at the start of this General Meeting of Shareholders. Accordingly, we hereby propose that one (1) substitute Audit & Supervisory Board Member be elected once again.

The validity of the election under this proposal can be nullified by resolution of the Board of Directors if the consent of the Audit & Supervisory Board has been obtained; provided, however, that it is only in a time before assuming office.

This proposal has received the consent of the Audit & Supervisory Board.

The candidate for substitute Outside Audit & Supervisory Board Member is as follows:

Name (Date of birth)	Past experience and positions (significant concurrent positions)	Number of shares of the Company held
[Outside Audit & Supervisory Board Member] Tetsuro Sugiura (July 30, 1954)	April 1977 Joined The Fuji Bank, Limited (currently Mizuho Bank, Ltd.) June 1996 General Manager, Economic Research Department, Fuji Research Institute Ltd. January 2001 Director, Chief Economist, Fuji Research Institute Ltd. April 2005 Executive Officer, Mizuho Financial Group, Inc. April 2007 Senior Managing Executive Officer, Mizuho Research & Technologies, Ltd. April 2014 Senior Executive, Japan Economic Research Institute June 2017 Outside Audit & Supervisory Board Member, FUYO AUTO LEASE CO., LTD. June 2019 Outside Director, The Chiba Kogyo Bank, Ltd. (to present) (Significant concurrent positions) Outside Director, The Chiba Kogyo Bank, Ltd.	-
[Reason for selection as a candidate for substitute Outside Audit & Supervisory Board Member] Mr. Tetsuro Sugiura has knowledge of various aspects of management and as an audit and supervisory board member from his time as a senior managing executive officer at Mizuho Research & Technologies, Ltd., an outside audit and supervisory board member at FUYO AUTO LEASE CO., LTD. and an outside director at The Chiba Kogyo Bank, Ltd. Accordingly, the Company selected him as a candidate for substitute Outside Audit & Supervisory Board Member.		

(Notes)

1. There is no special interest between the candidate for substitute Outside Audit & Supervisory Board Member and the Company.
2. Mr. Tetsuro Sugiura is a candidate for substitute Outside Audit & Supervisory Board Member. If his election is approved and he assumes the position of Audit & Supervisory Board Member, the Company intends to notify the Tokyo Stock Exchange that he is an Independent Audit & Supervisory Board Member as prescribed in the regulations of the Tokyo Stock Exchange.
3. The Company has prescribed in its Articles of Incorporation that the Company may enter into a liability limitation agreement with Audit & Supervisory Board Members to limit their liability for damages to the Company within a certain limited amount to enable the Company to attract talented human resources as Audit & Supervisory Board Members. If the election of Mr. Tetsuro Sugiura, a candidate for substitute Outside Audit & Supervisory Board Member, is approved and he assumes the position, the Company intends to enter into a liability limitation agreement with him.
The outline of the liability limitation agreement is as follows.
 - Should the candidate cause any damage to the Company as an Audit & Supervisory Board Member, provided that the candidate has executed his or her duties in good faith without gross negligence, the candidate shall be liable for compensation for damages to the Company, with the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act as the maximum amount of such liability.
4. The Company has entered into a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act to cover legal damages and litigation expenses to be paid for shareholders or other third parties by the insured including the Company's Audit & Supervisory Board Members. If the election of Mr. Tetsuro Sugiura, a candidate for substitute Outside Audit & Supervisory Board Member, is approved and he assumes the position, he will be insured under the insurance contract.

Expertise and experience of candidates for Director, Audit & Supervisory Board Members, and Executive Officers (skill matrix)

• Expertise and experience of candidates for Director are as follows:

Positions	Name	Corporate management	Finance and accounting	Manufacturing, research and development, and technology	Legal affairs, risk management, and governance	Planning and marketing	Global experience
President and Representative Director	Hirofumi Kaneko	○		○	○	○	○
Director, Senior Managing Executive Officer	Takashi Morishita	○		○		○	
Director, Executive Officer	Hideo Okamoto		○		○		○
Director, Executive Officer	Teiji Sakata	○				○	
Director, Executive Officer	Toshifumi Yachi	○	○			○	
Director (Outside)	Kazuo Yamamoto		○		○		
Director (Outside)	Seiichi Shimbo	○			○	○	
Director (Outside)	Yukari Murayama				○		

- Expertise and experience of Audit & Supervisory Board Members and Executive Officers who do not concurrently serve as Director are as follows:

Positions	Name	Corporate management	Finance and accounting	Manufacturing, research and development, and technology	Legal affairs, risk management, and governance	Planning and marketing	Global experience
Audit & Supervisory Board Member (Outside)	Katsunori Nozawa	○	○		○	○	○
Audit & Supervisory Board Member (Outside)	Norio Matsuo				○	○	
Audit & Supervisory Board Member	Akinori Aoki		○	○		○	
Audit & Supervisory Board Member	Tsunemichi Iwai					○	
Executive Officer	Tsuyoshi Aoyama	○		○		○	
Executive Officer	Shigenobu Takahashi			○	○		
Executive Officer	Youzi Yamaguchi			○		○	
Executive Officer	Fumio Ogawa			○		○	
Executive Officer	Shin Amanai	○		○		○	

(Attachment)

Business Report

(April 1, 2021–March 31, 2022)

1. The Present State of the Group

(1) Progress and outcomes of business

The Company published Carlit Report 2021, an integrated report containing the history of the Carlit Group's (the "Group") value creation, its business models, and material issues and how they relate to ESG and SDGs as well as the Group's initiatives for sustainability and ESG through manufacturing. The report is available on the Sustainability page of the Company website (Japanese version only).

Additionally, as indicated on the List of Market Segment Selection Results published by the Tokyo Stock Exchange on January 11, 2022, the Company transitioned to the Prime market on April 4, 2022.

We intend to continue proactively engaging in dialogue with our shareholders and other stakeholders and working toward sustained growth and improving corporate value over the medium and long term.

In the current fiscal year, we recorded net sales of ¥33,894 million (+¥4,262 million/+14.4% YoY). Operating profit was ¥2,506 million (+¥931 million/+59.1%), ordinary profit was ¥2,742 million (+¥972 million/+54.9%), and profit attributable to owners of the parent company was ¥2,336 million (+¥1,105 million/+89.8%).

Notably, because Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) went into effect at the start of the current fiscal year, figures from the previous fiscal year are calculated as though the standards were in effect then, and are provided here for reference.

Additionally, because of problems with production in the Chemical Products segment, in the second quarter of the current fiscal year, we recorded both compensation expenses (¥139 million in non-operating expenses) and insurance income (¥96 million in non-operating income). Furthermore, we recorded gain on sale of investment securities of ¥108 million and gain on bargain purchase of ¥392 million as extraordinary income associated with our September 2021 acquisition of shares of Minamisawa Construction Co., Ltd., and recorded loss on sale of non-current assets of ¥22 million and loss on retirement of non-current assets of ¥215 million as extraordinary losses.

The following is information about the main fluctuations in net sales.

Chemical Products

In the explosives sector, sales and profits for industrial explosives declined due to slumping demand for explosives for civil engineering and the surging cost of raw materials. Overall, both sales and profits for automotive emergency flares declined. Sales of flares to serve as replacements after vehicle inspection rose as the number of cars taken in for inspections increased, and sales of flares with glass breakers also increased as more people changed over to them thanks to a growing awareness of safety and measures against heavy rainfall disasters. Conversely, sales of flares for new cars decreased because fewer cars were manufactured and expenses for raw materials increased. Smoke fires for highway use saw increased sales and profits thanks to stronger demand rooted in the recovery of road traffic volumes. In terms of raw materials for fireworks, both sales and profits increased as some fireworks shows were held. In the space industry, we are working with customer to develop solid propellants, and have obtained positive results of actual scale-model static firing tests. We intend to move ahead with development for manufacturing articles for flights.

In the material assessment sector, consistently lively battery development led to increased sales and profits in material hazard assessment testing and battery testing. We intend to continue devoting energy to reinforcing facilities and expanding sales.

In the chemicals sector, although recovering demand for paper boosted sales for sodium chlorate (a paper pulp bleaching agent), profits fell substantially as the expense of making adjustments in domestic transport increased in response to slowdowns in international transport. Sales and profits for sodium chlorite used for sterilization and deodorization both declined as customers adjusted inventory. Sales and profits for

ammonium perchlorate fell substantially with the postponement of the launch of the H3 Launch Vehicle. Increased demand drove up sales and profits for perchloric acid. In terms of electrodes, although sales increased amid price revisions and spot demand, profits fell, in part because of the surging price of raw materials.

In the electronics sector, sales and profits for electronic materials increased due to stronger demand for PCs and communication equipment and adoption of the Company's materials in relation to 5G. Functional materials saw both sales and profits increase as demand for office multifunction devices recovered.

In the ceramics sector, sales and profits increased substantially amid growing demand for semiconductors and customers securing inventory.

As a result, net sales for the Chemical Products segment were ¥16,950 million (+¥1,374 million/+8.8% YoY), while operating profit was ¥1,172 million (+¥428 million/+57.6%).

Bottling

In the Bottling segment, although both sales and profits fell for plastic-bottled beverages as a result of customer inventory adjustments, canned drinks saw increases in sales and profit thanks to efficiency of production, and products in the consignment category due to the increase in carbonated beverages.

As a result, net sales for the Bottling segment were ¥4,360 million (+¥121 million/+2.9% YoY), while operating profit was ¥218 million (+¥140 million/+182.0%).

Industrial Materials

Sales and profits for silicon wafers increased due to continued demand for semiconductors. The Company began selling "High Flatness Wafer" used in the microelectromechanical systems (MEMS) used in sensors and microphones. Sales and profits for heat-resistant refractories increased due to the recovery of anchors, the key product. Despite the impact of reduced automobile production, favorable conditions persisted for springs and washers for construction machinery, pushing both sales and profits upward.

As a result, net sales for the Industrial Materials segment were ¥9,313 million (+¥1,686 million/+22.1% YoY), while operating profit was ¥654 million (+¥423 million/+183.8%).

Engineering Services

Despite the new contributions of Minamisawa Construction Co., Ltd. to consolidated results, sales and profits in engineering and construction work declined as the number of orders for engineering and construction work fell. Sales of industrial paints and painting works saw substantially increased sales and profits thanks to increased sales of industrial paints, acquisition of new paint items, and spot orders for major facilities. As for structural design, sales and profits increased due to a growing number of highly profitable properties.

As a result, net sales for the Engineering Services segment were ¥4,173 million (+¥1,370 million/+48.9% YoY), while operating profit was ¥892 million (+¥502 million/+128.7%).

Net sales by business segment

Segment	Previous consolidated fiscal year		Current fiscal year	
	Amount (Millions of yen)	Percentage (%)	Amount (Millions of yen)	Percentage (%)
Chemical Products	15,576	51.5	16,950	48.7
Bottling	4,239	14.0	4,360	12.5
Industrial Materials	7,627	25.2	9,313	26.8
Engineering Services	2,802	9.3	4,173	12.0
Subtotal	30,245	100	34,798	100
Other	(613)	–	(904)	–
Total	29,631	–	33,894	–

Note: Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) went into effect at the start of the current fiscal year. Accordingly, figures from the previous fiscal years are calculated as though the standards were in effect then, and are provided here for reference.

(2) Capital investments

The total of capital investments made during the current fiscal year was ¥911 million.

(i) Main facilities completed during the current fiscal year

No items to report.

(ii) New construction/enhancement of main facilities during the current fiscal year

Chemical Products segment

Japan Carlit Co., Ltd.: Expansion of propellant research facilities

(iii) Sale/removal/loss of material non-current assets

No items to report.

(3) Financing

Regarding financing for facilities and other projects during the current fiscal year, we procured necessary funds mainly from own capital and loans from financial institutions. Consolidated interest-bearing liabilities amounted to ¥4,386 million, a decrease of ¥3,509 million from the previous year.

(4) Issues to address

1. Fundamental management policy

Management philosophy: For Confidence and Infinite Challenge

We unveiled this management philosophy when we transitioned to a holding company structure in 2013. At the time, we were preparing to celebrate the 100th anniversary of our establishment in 2018, and we wanted to better position ourselves to pursue our current reason for existence and ambitious development for the future in the spirit of our founder, Soichiro Asano.

We believe it is our mission to contribute to both society and individual people. To achieve this mission, we must establish a sustainable business foundation and develop enduring technology. We intend to develop new products and make forays into new business segments while improving our research and development structure, striving to proactively develop new businesses including M&As and expanding overseas with the priority placed on maintaining trust from stakeholders.

All employees of the Carlit Group will work together to earn the world's trust by tackling countless challenges.

2. Medium- and long-term management strategies

Fiscal 2021 marked the final year of our three-year medium-term management plan, Waku-Waku 21. True to the basic theme of the plan—to lay a solid foundation for business and to invest management resources into new initiatives with a view toward ensuring profits—we executed several measures. We altered plans for new products and businesses in response to the substantial impact of trade friction between the USA and China and the COVID-19 pandemic, and this caused us to diverge from the numerical targets. We are presently formulating the new medium-term management plan, which is set to begin in fiscal 2022, and will review the former medium-term management plan in conjunction with the release of the new plan.

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

(5) Recent trends in Group assets, profits and losses

Category	Year 6 (Year ended March 2019)	Year 7 (Year ended March 2020)	Year 8 (Year ended March 2021)	Year 9 Current fiscal year (Year ended March 2022)
Net sales (Millions of yen)	54,049	49,745	45,537	33,894
Ordinary profit (Millions of yen)	2,551	1,732	1,770	2,742
Profit attributable to owners of the parent (Millions of yen)	1,579	690	1,231	2,336
Profit per share (Yen)	66.70	29.14	51.82	98.31
Total assets (Millions of yen)	53,712	48,924	50,953	50,078
Net assets (Millions of yen)	26,752	26,209	28,977	30,903
Net assets per share (Yen)	1,130.06	1,106.00	1,218.73	1,300.41

Note: Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) went into effect at the start of the current fiscal year. Accordingly, figures from the current fiscal year are calculated in accordance with the new standards.

(6) Status of the parent company and significant subsidiaries (as of March 31, 2022)

(i) Relationship with the parent company

No items to report.

(ii) Status of significant subsidiary companies

Company name	Stated capital (Millions of yen)	Ownership equity	Description of main businesses
Japan Carlit Co., Ltd.	1,204	100%	Manufacturing and selling explosives, chemical products, electronic materials, abrasives, raw materials for fireworks, etc. and contracting material hazard assessment testing and battery testing
Silicon Technology Corporation	450	100%	Manufacturing and selling single-crystal silicon and silicon wafers for semiconductors
JC Bottling Co., Ltd.	400	100%	Bottling and selling soft drinks
Fuji Shoji Co., Ltd.	12	100%	Selling industrial paints, performing painting work
Namitakiko Co., Ltd.	33	100%	Manufacturing and selling heat-resistant furnace hardware
General Design Co., Ltd.	10	100%	Designing and supervising buildings, structures, water supply and wastewater systems, wastewater treatment facilities, etc.
Toyo Spring industrial Co., Ltd.	40	100%	Manufacturing and selling springs for automobiles and construction machinery
Sankyo Jitsugyo Co., Ltd.	30	100%	Selling raw materials of synthetic resins

Note: We have 15 consolidated subsidiary companies and one company accounted for using the equity method.

(iii) Status of specified wholly-owned subsidiary companies on March 31, 2022

Company name	Address	Book value of shares (Millions of yen)	Total assets owned by the Company (Millions of yen)
Japan Carlit Co., Ltd.	1-17-10, Kyobashi, Chuo-ku, Tokyo, Japan	11,666	34,703

(7) Description of main businesses (as of March 31, 2022)

Business segment	Description of main businesses
Chemical Products	<p>< Explosives > Manufacturing and selling industrial explosives, automotive emergency flares, smoke fires, and raw materials for fireworks</p> <p>< Material assessments > Material hazard assessment testing, battery testing</p> <p>< Chemicals > Manufacturing and selling sodium chlorate, ammonium perchlorate, sodium chlorite, agrichemicals, electrodes, perchloric acid, and plastic raw materials</p> <p>< Electronics > Manufacturing and selling materials for organic conducting materials, optical function materials, and ion conducting materials</p> <p>< Ceramics > Manufacturing and selling abrasives</p>
Bottling	Bottling and selling soft drinks
Industrial Materials	Manufacturing and selling silicon wafers for semiconductors, heat-resistant refractories, and springs
Engineering Services	Selling industrial paints, performing painting work, designing and supervising water supply and wastewater systems and wastewater treatment facilities and buildings

(8) Main places of business and plants (as of March 31, 2022)

(i) Main places of business

Head Office	Chuo-ku, Tokyo
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(ii) Main places of business and plants of the subsidiary companies

Japan Carlit Co., Ltd.	Head Office	Chuo-ku, Tokyo
	Research & Development Center	Shibukawa-shi, Gunma
	Gunma Plant	Shibukawa-shi, Gunma
	Akagi Plant	Shibukawa-shi, Gunma
	Shiga Office	Inukami-gun, Shiga
Silicon Technology Corporation	Head Office	Chuo-ku, Tokyo
	Shinano Plant	Saku-shi, Nagano
JC Bottling Co., Ltd.	Head Office	Chuo-ku, Tokyo
	Shibukawa Plant	Shibukawa-shi, Gunma
Fuji Shoji Co., Ltd.	Head Office	Osaka-shi, Osaka
	Shiga Plant	Inukami-gun, Shiga
Namitakiko Co., Ltd.	Head Office and Factory	Osaka-shi, Osaka
	Tokyo Office	Chuo-ku, Tokyo
General Design Co., Ltd.		Minato-ku, Tokyo
Toyo Spring industrial Co., Ltd.	Head Office	Matsudo-shi, Chiba
	Ishioka Plant	Omitama-shi, Ibaraki
	Kashiwabara Plant	Ishioka-shi, Ibaraki
Sankyo Jitsugyo Co., Ltd.	Head Office	Chuo-ku, Tokyo

(9) Status of employees (as of March 31, 2022)

Status of Group employees

Business segment	Number of employees	Change from end of previous year
Chemical Products	371	+46
Bottling	138	-5
Industrial Materials	350	-1
Engineering Services	178	+19
Other	58	-36
Total	1,095	+23

Note: "Number of employees" is the number of working employees.

(10) Main lenders (as of March 31, 2022)

(Millions of yen)

Lender	Borrowings
Mizuho Bank, Ltd.	778
The Gunma Bank, Ltd.	659
Mizuho Trust & Banking Co., Ltd.	410
Resona Bank, Limited	335

(11) Status of business transfers, absorption-type company splits, and incorporation-type company splits

No items to report.

(12) Status of acquisitions of businesses

No items to report.

(13) Status of succession of the rights and obligations of the businesses of other corporations under absorption-type mergers or absorption-type company splits

No items to report.

(14) Status of acquisition or disposition of shares or other equity, share acquisition rights of other companies
No items to report.

2. The Company's Shares (as of March 31, 2022)

- (1) Total number of authorized shares: 80,000,000
- (2) Total number of issued shares: 23,957,784 (excluding 92,216 treasury shares)
- (3) Number of shareholders: 31,475
- (4) Major shareholders

Shareholder name	Number of shares owned (Thousands of shares)	Ownership ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	2,468	10.3
Custody Bank of Japan, Ltd. (Marubeni retirement benefit trust account re-entrusted by Mizuho Trust & Banking Co., Ltd.)	1,997	8.3
NOF CORPORATION	915	3.8
Custody Bank of Japan, Ltd. (Mizuho Bank retirement benefit trust account re-entrusted by Mizuho Trust & Banking Co., Ltd.)	913	3.8
Meiji Yasuda Life Insurance Company	700	2.9
NAGASE & CO., LTD.	700	2.9
Goldman Sachs International	675	2.8
Fuyo General Lease Co., Ltd.	522	2.2
Kanto Denka Kogyo Co., Ltd.	464	1.9
Custody Bank of Japan, Ltd. (trust account)	451	1.9

- Notes:
1. Ownership ratios were calculated after excluding the 92,216 treasury shares.
 2. The shares owned by the Marubeni retirement benefit trust account with Mizuho Trust & Banking Co., Ltd. were purchased by Marubeni Corporation as a retirement benefit trust.
 3. The shares owned by the Mizuho Bank retirement benefit trust account with Mizuho Trust & Banking Co., Ltd. were purchased by Mizuho Bank, Ltd. as a retirement benefit trust.
 4. The number of treasury shares does not include the 181,100 shares owned by Custody Bank of Japan, Ltd. (Trust E Account) for the performance-linked stock compensation plan for Directors.

- (5) Status of shares issued to Company Officers as compensation for execution of duties during the current fiscal year

Type of Officer	Number of shares (Thousands of shares)	Recipients (Number of people)
Directors (excluding Outside Directors)	–	–
Outside Directors	–	–
Audit & Supervisory Board Members	–	–

Note: Details of the Company's stock compensation plan can be found under "4. Company Officers, (4) Compensation, etc. of Directors and Audit & Supervisory Board Members" on page 26 of the Business Report.

- (6) Important matters pertaining to other shares

No items to report.

3. Share Acquisition Rights

- (1) Status of share acquisition rights on March 31, 2022

No items to report.

- (2) Status of share acquisition rights issued during the current fiscal year

No items to report.

4. Company Officers

(1) Names, etc. of Directors and Audit & Supervisory Board Members (as of March 31, 2022)

Position in the Company	Name	Areas of responsibility and significant concurrent positions
President and Representative Director	Hirofumi Kaneko	In charge of the Internal Audit Office
Director	Takashi Morishita	Senior Managing Executive Officer, in charge of Management Strategy Office and Public Relations & ESG Promotion Department; President and Representative Director, Japan Carlit Co., Ltd.
Director	Hideo Okamoto	Executive Officer, in charge of Legal Affairs & Compliance Division, Finance Division, and IT Systems Promotion Division, and General Manager, Legal Affairs & Compliance Division of the Company
Director	Teiji Sakata	Executive Officer; President and Representative Director, JC Bottling Co., Ltd.
Director	Fumitaka Sawamura	Executive Officer; President and Representative Director, Namitakiko Co., Ltd.
Director	Toshifumi Yachi	Executive Officer, in charge of General Affairs Division, Secretary's Office, and Personnel Division, Head of Secretary's Office of the Company; President and Representative Director, Sankyo Jitsugyo Co., Ltd.
Director	Fumie Omura	Outside Director, TRE HOLDINGS CORPORATION
Director	Kazuo Yamamoto	
Director	Seiichi Shimbo	
Standing Audit & Supervisory Board Member	Katsunori Nozawa	Audit & Supervisory Board Member, Japan Carlit Co., Ltd.
Audit & Supervisory Board Member	Norio Matsuo	Outside Audit & Supervisory Board Member, Central General Development Co., Ltd.
Audit & Supervisory Board Member	Akinori Aoki	Full-Time Audit & Supervisory Board Member, Japan Carlit Co., Ltd.
Audit & Supervisory Board Member	Tsunemichi Iwai	Audit & Supervisory Board Member, Japan Carlit Co., Ltd.

- Notes:
1. Directors Fumie Omura, Kazuo Yamamoto, and Seiichi Shimbo are Outside Directors as defined in Article 2, Paragraph 15 of the Companies Act.
 2. Standing Audit & Supervisory Board Member Katsunori Nozawa and Audit & Supervisory Board Member Norio Matsuo are Outside Audit & Supervisor Board Members as defined in Article 2, Paragraph 16 of the Companies Act.
 3. Directors Fumie Omura, Kazuo Yamamoto, and Seiichi Shimbo; Standing Audit & Supervisory Board Member Katsunori Nozawa; and Audit & Supervisory Board Member Norio Matsuo have been reported to the Tokyo Stock Exchange as independent officers.
 4. Standing Audit & Supervisory Board Member Tsuneo Morita stepped down when his term ended at the conclusion of the 8th Annual General Meeting of Shareholders held on June 29, 2021.

(2) Summary of the content of liability limitation agreements

The Company and the Directors (excluding those who are Directors with executive authority over operations) and Audit & Supervisory Board Members have entered into agreements limiting the Directors' and Audit & Supervisory Board Members' liability for compensation for damages to the Company when they cause damage to the Company to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act, provided that they have executed their duties in good faith without gross negligence.

(3) Summary of the content of the directors and officers liability insurance contract

The Company has entered into a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act. The insured parties under the insurance contract are the Directors and Audit & Supervisory Board Members of the Company and those of its subsidiary companies under the Companies Act; the insured parties do not pay insurance premiums. The

insurance covers damage (legal damages and litigation expenses) suffered by Officers of the Company when shareholders or other third parties seek compensatory damages during the term of the insurance as a result of the Officers' actions or inaction.

(4) Compensation, etc. of Directors and Audit & Supervisory Board Members

(i) Policies for determining the details of Officer compensation, etc.

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

Additionally, the Board of Directors judges whether compensation for individual Directors for the current fiscal year aligns with policies for determining the details of the compensation by verifying the methods of determining the details, whether such determined details are consistent with the policies, and whether the advice from the Governance Committee has been properly regarded.

The following are the details of policies for determining the details of compensation for individual Directors.

I. Basic policy

Our basic policy for determining compensation for individual Directors is to set it at appropriate levels for their responsibilities under a system linked to shareholders' interests so that the compensation serves as a sufficient incentive for the Directors to persistently strive to improve the value of the Company. 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.

II. Policies for determining amounts of basic compensation (monetary compensation) for individuals (including policies for determining the timing and conditions for providing the 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, the Company's performance, and Company employees' wage levels as well as assessments of their duties. In these assessments, the Representative Director assesses the status of each Director's duties and consults with the Governance Committee, which reports to the Board of Directors, which then deliberates over and finalizes the assessments.

III. Policies for determining details about bonuses and methods of calculating amounts and figures (including policies for determining the timing and conditions for providing the compensation)

Regarding bonuses, the performance-linked stock compensation plan aims to raise Directors' motivation to contribute to improving performance and increasing corporate value over the medium and long term by clarifying the link between Director compensation and the Company's performance and share price. The maximum total performance-linked stock compensation for a single fiscal year is ¥60 million. Directors (excluding Outside Directors) are awarded points corresponding to their level of achievement based on Company regulations for granting shares to Officers. Consolidated ordinary profit serves as the baseline for assessing their level of achievement. Consolidated ordinary profit was selected as the baseline metric rather than operating profit, which reflects business activities and fluctuates in response to financing activities, because it expresses the overall profitability of management activities. Directors are granted shares of the Company corresponding to the number of points awarded when they acquire rights to receive benefits under certain conditions. In principle, they receive the shares when they step down from their positions 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.

a. Eligible recipients of bonuses

Directors (excluding Outside Directors)

b. Assets provided as performance-linked remuneration

Common stock of the Company and cash

c. Method of calculating stock compensation payments

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

Number of points = Funds for distribution (Table 1) x (Scheduled recipient's point percentage (Table 2) ÷ Total number of points to be 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 ¥1,200 million or greater, and profit of ¥600 million or greater	1.5% of consolidated ordinary profit (Maximum: ¥60 million)
Consolidated ordinary profit of less than ¥1,200 million, or profit of less than ¥600 million when ordinary profit is ¥1,200 million or greater	No payments

- Notes: 1. Consolidated ordinary profit and funds for distribution are rounded down to the nearest million yen.
2. If suitable reasons exist, the Board of Directors may pass a resolution to award no points.

Table 2: Point Percentages

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

- Notes: 1. A maximum total of 120,000 points can be awarded in a single fiscal year.
2. Monetary amounts allocated according to point percentages are rounded down to the nearest ¥10,000.

When a scheduled recipient steps down from their position, they acquire the right to receive the number of shares calculated using the following formula and based on the cumulative number of points awarded to them over the years using the aforementioned formula. Note that when the number of shares to be provided involves a fraction, a monetary payment corresponding to the fraction will be provided. Additionally, when a scheduled recipient has died, their surviving family will be provided with a monetary payment corresponding to the number of shares owed to the recipient multiplied by the closing price or the indicative price of the stock on the day of the recipient's death.

Number of shares to be provided = Cumulative points x 1.0

IV. Policies for determining percentages of amounts of monetary compensation, performance-linked compensation, non-monetary compensation, and other forms of compensation for individual Directors

The Governance Committee examines percentages of compensation for each type of Director based on levels of compensation benchmarked against those of companies with scales, lines and categories of business similar to the Company's. The Board of Directors regards advice from the Governance Committee and determines the details of individual Director compensation such that they fall within the scope of the compensation percentage for each type of Director advised by the Governance Committee.

Specifically, as outlined in Section I, 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. In addition to the basic compensation, which serves as fixed compensation, Directors with executive authority over operations are awarded points corresponding to the Company's performance each fiscal year as outlined in Section III as performance-linked stock compensation. In principle, they

receive the number of shares corresponding to their cumulative point total as a bonus when they step down from their positions as Directors. Accordingly, the percentages of compensation of Directors with executive authority over operations may fluctuate in response to the number of points awarded as performance-linked stock compensation.

V. Determining the details of individual Director compensation

In pursuit of transparency and objectivity with regard to amounts of compensation for individual Directors, the Board of Directors requests and receives advice from the Governance Committee and then deliberates over and determines the amounts. Regarding the performance-linked stock compensation plan, points are calculated in line with the details in Section III and finalized by resolution of the Board of Directors.

(ii) Total amount of compensation for the year ended March 31, 2022

Type of Officer	Total amount of compensation (Millions of yen)	Total amount by type of compensation (Millions of yen)			Number of eligible recipients
		Basic compensation	Performance-linked compensation	Non-monetary compensation	
Directors	164 (including 21 for Outside Directors)	123 (including 21 for Outside Directors)	41 (including 0 for Outside Directors)	–	9 (including 3 Outside Directors)
Audit & Supervisory Board Members	35 (including 22 for Outside Audit & Supervisory Board Members)	35 (including 22 for Outside Audit & Supervisory Board Members)	–	–	5 (including 3 Outside Audit & Supervisory Board Members)

- Notes:
1. At the 6th Annual General Meeting of Shareholders held on June 27, 2019, the shareholders passed a resolution to limit Director compensation to ¥300 million per year (not including portions of wages corresponding to services as an employee for individuals concurrently serving as Directors).
 2. At the 1st Annual General Meeting of Shareholders held on June 27, 2014, the shareholders passed a resolution to limit Audit & Supervisory Board Member compensation to ¥60 million per year.
 3. Included in the above is the Audit & Supervisory Board Member who resigned at the conclusion of the 8th Annual General Meeting of Shareholders held on June 29, 2021.

(5) Outside Officers

- (i) Significant concurrent positions (e.g. director with executive authority over operations) with other companies, and the Company's relationship with the other companies

No items to report.

- (ii) Concurrent positions as outside officers with other companies, and the Company's relationship with the other companies

Outside Director Fumie Omura is concurrently serving as an outside director at TRE HOLDINGS CORPORATION. Notably, there is no special interest between the Company and TRE HOLDINGS CORPORATION.

Outside Auditing & Supervisor Board Member Norio Matsuo is concurrently serving as an outside audit and supervisory board member at Central General Development Co., Ltd. Notably, there is no special interest between the Company and Central General Development Co., Ltd.

(iii) Status of main activities during the current fiscal year

Name	Position	Status of main activities and summary of duties performed with regard to their expected role as an Outside Director
Fumie Omura	Outside Director	Of the 18 meetings of the Board of Directors held during the year, she attended 13 of the 14 that did not involve the four written resolutions. With efforts highlighted by proactive contributions to discussions based on her expert knowledge and experience as a licensed attorney, she is fulfilling her role, which is to ensure the relevance and appropriateness of the decisions of the Board of Directors. Additionally, as the chair of the Governance Committee, she attended 11 of the 12 committee's meetings held this year, and is serving a supervisory function over the process of determining the Company's policies for electing and dismissing senior management and for determining compensation plans and amounts of compensation for Directors.
Kazuo Yamamoto	Outside Director	Of the 18 meetings of the Board of Directors held during the year, he attended all 14 that did not involve the four written resolutions. With efforts highlighted by proactive contributions to discussions based on his expert knowledge and experience as a certified public accountant, he is fulfilling his role, which is to ensure the relevance and appropriateness of the decisions of the Board of Directors. Additionally, as a member of the Governance Committee, he attended all 12 of the committee's meetings held this year, and is serving a supervisory function over the process of determining the Company's policies for electing and dismissing senior management and for determining compensation plans and amounts of compensation for Directors.
Seiichi Shimbo	Outside Director	Of the 18 meetings of the Board of Directors held during the year, he attended all 14 that did not involve the four written resolutions. With efforts highlighted by proactive contributions to discussions based on his experience from successive service in posts as an outside officer at several companies, he is fulfilling his role, which is to ensure the relevance and appropriateness of the decisions of the Board of Directors. Additionally, as a member of the Governance Committee, he attended all 12 of the committee's meetings held this year, and is serving a supervisory function over the process of determining the Company's policies for electing and dismissing senior management and for determining compensation plans and amounts of compensation for Directors.
Katsunori Nozawa	Outside Audit & Supervisory Board Member	Of the 14 meetings of the Board of Directors held after he assumed the position of Outside Audit & Supervisory Board Member of the Company, he attended all 11 that did not involve the three written resolutions, and attended all 15 of the Audit & Supervisory Board meetings. His contributions to discussions are based mainly on the knowledge and perspectives he has cultivated at financial institutions, where he started his career.
Norio Matsuo	Outside Audit & Supervisory Board Member	Of the 18 meetings of the Board of Directors held during the year, he attended all 14 that did not involve the four written resolutions, and attended all 21 of the Audit & Supervisory Board meetings. His contributions to discussions are based mainly on the knowledge and perspectives he has cultivated at financial institutions, where he started his career.

5. Status of the Accounting Auditor

(1) Name of the Accounting Auditor

Ernst & Young ShinNihon LLC

(2) Amount of compensation for the Accounting Auditor for the year ended March 31, 2022

- | | |
|---|-------------|
| (i) Compensation for the Accounting Auditor for the year ended March 31, 2022 | ¥28 million |
| (ii) Total amount of money and other economic benefits to be paid to the Accounting Auditor by the Company and its subsidiary companies | ¥48 million |

- Notes:
1. The respective amounts of compensation for auditing services under the Companies Act and the Financial Instruments and Exchange Act are not classified in the agreement for auditing services between the Company and the Accounting Auditor, and cannot be classified in practical terms; therefore, the amount of compensation for the year ended March 31, 2022 is indicated as the total of both.
 2. The Audit & Supervisory Board agreed to the compensation for the Accounting Auditor after undergoing the steps necessary to verify the appropriateness of the basis for calculating compensation, details of auditing plans, and the like.

(3) Details of non-auditing services

No items to report.

(4) Policy for deciding to dismiss or refuse to reappoint the Accounting Auditor

The Company's policy is for the Audit & Supervisory Board to undergo the necessary procedures, including dismissing the Accounting Auditor with a unanimous vote when the Accounting Auditor falls under the items of Article 340, Paragraph 1 of the Companies Act and dismissal is deemed appropriate, and considering dismissing or refusing to reappoint the Accounting Auditor based on the facts and including the matter as a proposal to be discussed at a Meeting of Shareholders when necessary when the Accounting Auditor's competence to continue their duties is called into question.

(5) Orders issued to the Accounting Auditor to suspend business operations in the last two years

No items to report.

6. Company Structure and Policies

The Company's Board of Directors passed a resolution for and operates the Basic Policy for the Internal Control System as follows.

- (1) System for ensuring that Directors' and employees' execution of duties complies with laws and regulations and the Company's articles of incorporation
 - (i) The Group enacted the Group Compliance Charter to serve as the code to be complied with by Directors and employees; the charter sets out laws and regulations, internal rules, and other social norms to follow in all situations involving corporate activities. The Group set out systems, management methods, and other basic matters for managing the Group's compliance based on the Group Compliance Charter in Group Compliance Management Rules, under which education and awareness of compliance are promoted, the Group Compliance Manual is established and revised, the status of compliance is checked, and the internal reporting system is properly operated.
 - (ii) Under laws and regulations and the Company's articles of incorporation and rules for the Board of Directors, the Board of Directors holds ordinary meetings of the Board of Directors once each month and extraordinary meetings of the Board of Directors as necessary, at which they determine important matters pertaining to management and compliance and supervise Directors' execution of duties.
 - (iii) Audit and Supervisory Board Members conduct audits in addition to auditing Directors' execution of duties by attending meetings of the Board of Directors and voicing their opinions when necessary. Additionally, Standing Audit & Supervisory Board Members audit Directors' execution of duties by attending not only meetings of the Board of Directors but also other important meetings, such as Group Management Strategy Meetings and Compliance Committee meetings.
 - (iv) The Compliance Committee reviews matters pertaining to compliance and strives to promote compliance throughout the Group with the Company's Legal Affairs & Compliance Division as its executive office.
 - (v) The Company's Internal Audit Office regularly conducts audits of the status of the Group's operation, draws attention to problems in divisions and departments subject to audits, and issues instructions for improving operations.
 - (vi) The Group designates as independent officers Outside Directors and Outside Audit & Supervisory Board Members deemed to be capable of fulfilling the roles expected of independent officers.
- (2) System for ensuring the reliability of financial reports
 - (i) The Group maintains an internal control system for ensuring the reliability of financial reports and works ceaselessly to improve operations by continuously assessing the status of the system's operation.
 - (ii) The Group sets out basic policy for financial reports.
 - (iii) The Company's Internal Audit Office conducts audits of each company in the Group.
- (3) System for retaining and managing information pertaining to Directors' execution of duties
 - (i) The Group has established Group Information Management Rules that set out basic policy for the proper protection and use of information about Group companies.
 - (ii) The Group properly retains and manages documents pertaining to Directors' execution of duties in accordance with the provisions of laws and regulations and internal rules.
 - (iii) The Group implements appropriate protective measures for computers, networks, and other information infrastructure to prevent internal and external threats from arising.
- (4) System for ensuring that Directors execute their duties efficiently
 - (i) The Group will define Directors' terms as one year and introduce an Executive Officer system to facilitate the efficient execution of Directors' duties based on Directors' decisions and in response to rapid changes in the business environment.

- (ii) In principle, Group Management Strategy Meetings to be attended by all Directors, all Executive Officers, and Standing Audit & Supervisory Board Members will be held monthly to facilitate deliberation over important matters pertaining to management and enable the swift execution of duties.
- (iii) With long-term management goals and basic stances as our management policy, the Group's Board of Directors determines medium-term management policies based on medium-term management plans and annual management policies and annual management budgets in each fiscal year that account for the Company's business environment and conditions, after deliberation by Group Management Strategy Meetings.

(5) System for ensuring the appropriateness of the Group's operations

- (i) Through Directors and Audit & Supervisory Board Members, the Company implements blanket management of the business and constant supervision of the accounting of each company in the Group while at the same time respecting their autonomy, and Audit & Supervisory Board Members of the Company and those of each Group company exchange information accordingly while collaborating sufficiently.
- (ii) In an effort to ensure the appropriateness and efficiency of Group-wide operations, the presidents of each Group company attend Group Management Strategy Meetings, which are generally held every month, and report and examine matters such as the progress of the management budgets and management policies of the companies.
- (iii) The Company's Internal Audit Office conducts audits of each company in the Group.

(6) Rules and other systems for managing the risk of loss

- (i) The Company will establish Group Crisis Management Rules to respond appropriately to unexpected circumstances that could arise in the process of conducting business activities in an effort to create a system for maintaining the stability of the Group's organizational operations and limiting expected losses to the extent possible.
- (ii) The Company will analyze and consider countermeasures for the risks associated with the execution of business in each division and department of the Company and in each Group company.

For industrial safety and health risks, the Company will establish Group Risk Assessment Guidelines and conduct integrated, effective risk assessments within the Group to prevent industrial accidents.

Additionally, for legal risks, the Company has decided to establish Group Legal Risk Management Rules and have the Legal Affairs & Compliance Division manage the Group's legal risks.
- (iii) Decisions about new business ventures, major investment projects, and the like are reached through deliberation by the Company's Proposal Screening Board, at Group Management Strategy Meetings, and by the Board of Directors.

(7) Employees requested by Audit & Supervisory Board Members for helping with their duties, and the employees' independence from Directors

- (i) When the Audit & Supervisory Board requests Audit & Supervisory Board Member selection assistants for helping with their duties, the Company will assign employees accordingly. The Company will discuss selections with Directors before finalizing them.
- (ii) Audit & Supervisory Board Member selection assistants will have no concurrent duties pertaining to the execution of business, and the assistants will prioritize any commands from the Audit & Supervisory Board over commands from Directors.
- (iii) The Board of Directors will determine personnel changes, performance evaluations, and disciplinary action for Audit & Supervisory Board Member selection assistants only after receiving approval from the Audit & Supervisory Board.

- (8) System for reporting to Audit & Supervisory Board Members and system for ensuring the effective implementation of audits by Audit & Supervisory Board Members
- (i) When Group Directors and employees discover circumstances that substantially impact the Company, they will report to Audit & Supervisory Board Members.
 - (ii) Audit & Supervisory Board Members may request reports pertaining to the execution of duties from Directors or employees at any time.
 - (iii) Audit & Supervisory Board Members will regularly hold separate meetings with the Representative Director and Accounting Auditor to exchange opinions.
 - (iv) Audit & Supervisory Board Members will work in close coordination with the Internal Audit Office and request reports on plans, results, and other aspects of internal audits.
 - (v) When an Audit & Supervisory Board Member requests the prepayment of expenses for their execution of duties based on Article 388 of the Companies Act, the Company will discuss the matter with the relevant departments and then promptly process the expenses or obligations, except when it is deemed that the expenses or obligations were unnecessary for the Audit & Supervisory Board Member's execution of the duties.

7. Operation Status of the Internal Control System for Ensuring the Appropriateness of Operations

Initiatives for compliance

The Company established the Group Compliance Charter for the purpose of enabling the Group to carry out corporate activities fairly and with integrity. In the current fiscal year, the Compliance Committee met two times, monitored the status of compliance in Group companies, and deployed measures for promoting compliance throughout the Group. Additionally, the Legal Affairs & Compliance Division took the lead in conducting compliance training for Group companies in an effort to enable them to carry out business activities fairly and with integrity. The Group also established and spread the word about an internal reporting system under which inquiries go directly to outside attorneys.

Under the Company's internal control system, the Internal Audit Office, which reports to the President and Representative Director, takes the lead in auditing the operation status of the internal control system for the entire Group.

Initiatives for ensuring the appropriateness and efficiency of the execution of business

The Board of Directors held a total of 18 ordinary meetings of the Board of Directors and extraordinary meetings of the Board of Directors (including four written resolutions) at which they engaged in a lively exchange of opinions on proposals brought for discussion. Additionally, the Company held two Budget Meetings for reporting on the progress of the management budgets and management policies of each Group company, 15 Group Management Strategy Meetings attended by Directors and Audit & Supervisory Board Members (including Outside Officers) as well as the representative directors of consolidated subsidiary companies, and 12 Management Meetings attended by the Company's Directors and Executive Officers at which the performance and other matters pertaining to Group companies were reported and examined.

Note: All monetary amounts and numbers of shares in this Business Report have been rounded down to the nearest whole unit.

Consolidated Financial Statements

Consolidated Balance Sheets (as of March 31, 2022)

(Millions of yen)

Accounts	Amounts
Assets	
I Current assets	
Cash and deposits	3,768
Notes and accounts receivable - trade, and contract assets	10,145
Merchandise and finished goods	2,693
Work in process	500
Raw materials and supplies	1,577
Other	2,107
Allowance for doubtful accounts	(8)
Total current assets	20,785
II Non-current assets	
1 Property, plant and equipment	
Buildings and structures	8,692
Machinery, equipment and vehicles	3,207
Land	5,868
Leased assets	1,248
Construction in progress	107
Other	236
Total property, plant and equipment	19,361
2 Intangible assets	
Other	96
Total intangible assets	96
3 Investments and other assets	
Investment securities	8,583
Deferred tax assets	595
Retirement benefit asset	6
Other	651
Allowance for doubtful accounts	(2)
Total investments and other assets	9,834
Total non-current assets	29,293
Total assets	50,078

		(Millions of yen)
Accounts		Amounts
Liabilities		
I	Current liabilities	
	Notes and accounts payable - trade	6,217
	Short-term borrowings	302
	Current portion of long-term borrowings	977
	Income taxes payable	488
	Provision for bonuses	660
	Other	2,454
	Total current liabilities	11,100
II	Non-current liabilities	
	Long-term borrowings	1,788
	Lease obligations	410
	Deferred tax liabilities	3,207
	Provision for environmental measures	10
	Provision for share awards for directors	50
	Retirement benefit liability	1,113
	Other	1,491
	Total non-current liabilities	8,074
	Total liabilities	19,174
Net assets		
I	Shareholders' equity	
	Share capital	2,099
	Capital surplus	1,192
	Retained earnings	23,509
	Treasury shares	(166)
	Total shareholders' equity	26,634
II	Accumulated other comprehensive income	
	Valuation difference on available-for-sale securities	4,190
	Deferred gains or losses on hedges	31
	Foreign currency translation adjustment	111
	Remeasurements of defined benefit plans	(64)
	Total accumulated other comprehensive income	4,269
	Total net assets	30,903
	Total liabilities and net assets	50,078

Consolidated Statements of Income (from April 1, 2021 to March 31, 2022)

(Millions of yen)

Accounts	Amounts	
I Net sales		33,894
II Cost of sales		25,246
Gross profit		8,647
III Selling, general and administrative expenses		
Selling, general and administrative expenses	6,140	6,140
Operating profit		2,506
IV Non-operating income		
Dividend income	203	
Share of profit of entities accounted for using equity method	21	
Insurance claim income	110	
Foreign exchange gains	48	
Other	84	468
V Non-operating expenses		
Interest expenses	64	
Compensation expenses	139	
Commission expenses	13	
Other	16	232
Ordinary profit		2,742
VI Extraordinary income		
Gain on sale of non-current assets	0	
Gain on sale of investment securities	108	
Gain on bargain purchase	392	500
VII Extraordinary losses		
Loss on sale of non-current assets	22	
Loss on retirement of non-current assets	215	237
Profit before income taxes		3,005
Income taxes - current	693	
Income taxes - deferred	(25)	668
Profit		2,336
VIII Profit attributable to owners of parent		2,336

Non-consolidated Financial Statements

Non-consolidated Balance Sheets (as of March 31, 2022)

		(Millions of yen)
Accounts		Amounts
Assets		
I	Current assets	
	Cash and deposits	2,763
	Short-term loans receivable from subsidiaries and associates	5,379
	Other	22
	Total current assets	8,165
II	Non-current assets	
1	Property, plant and equipment	
	Buildings and structures	1,313
	Tools, furniture and fixtures	5
	Land	265
	Total property, plant and equipment	1,584
2	Intangible assets	
	Software	15
	Software in progress	13
	Total intangible assets	28
3	Investments and other assets	
	Investment securities	7,461
	Shares of subsidiaries and associates	15,139
	Long-term loans receivable from subsidiaries and associates	2,171
	Other	153
	Total investments and other assets	24,925
	Total non-current assets	26,538
	Total assets	34,703

		(Millions of yen)
Accounts		Amounts
Liabilities		
I	Current liabilities	
	Current portion of long-term borrowings	977
	Deposits received	543
	Provision for bonuses	56
	Other	126
	Total current liabilities	1,703
II	Non-current liabilities	
	Long-term borrowings	1,788
	Long-term deposits received	1,219
	Deferred tax liabilities	1,823
	Provision for retirement benefits	40
	Provision for share awards for directors	50
	Total non-current liabilities	4,922
	Total liabilities	6,626
Net assets		
I	Shareholders' equity	
1	Share capital	2,099
2	Capital surplus	
	(1) Legal capital surplus	1,196
	(2) Other capital surplus	13,715
	Total capital surplus	14,911
3	Retained earnings	
	(1) Other retained earnings	
	Retained earnings brought forward	7,404
	Total other retained earnings	7,404
	Total retained earnings	7,404
4	Treasury shares	(155)
	Total shareholders' equity	24,259
II	Valuation and translation adjustments	
	Valuation difference on available-for-sale securities	3,817
	Total valuation and translation adjustments	3,817
	Total net assets	28,077
	Total liabilities and net assets	34,703

Non-consolidated Statements of Income (from April 1, 2021 to March 31, 2022)

(Millions of yen)

Accounts	Amounts	
I Operating revenue		2,223
II Operating expenses		1,554
Operating profit		668
III Non-operating income		
Interest income	49	
Dividend income	180	
Other	6	236
IV Non-operating expenses		
Interest expenses	29	
Commission expenses	13	
Other	1	44
Ordinary profit		860
V Extraordinary income		
Gain on sale of investment securities	108	108
VI Extraordinary losses		
Loss on retirement of non-current assets	2	2
Profit before income taxes		966
Income taxes - current	117	
Income taxes - deferred	(65)	51
Profit		914

Audit Reports

Certified copy of Accounting Auditor's Report on Consolidated Financial Statements

Independent Auditor's Report (Translation)

May 25, 2022

The Board of Directors
Carlit Holdings Co., Ltd.

Ernst & Young ShinNihon LLC
Tokyo Office, Japan

Designated Engagement Partner,
Certified Public Accountant Takashi Uchikoshi

Designated Engagement Partner,
Certified Public Accountant Koichiro Haraga

Audit Opinion

Pursuant to Article 444, paragraph (4) of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity, and the notes to the consolidated financial statements of Carlit Holdings Co., Ltd. (the "Company") applicable to the fiscal year from April 1, 2021 to March 31, 2022.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and results of operations of the Group, which consisted of the Company and its consolidated subsidiaries, applicable to the fiscal year ended March 31, 2022, in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. Audit & Supervisory Board Members and Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to the maintenance and operation of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan; this includes the maintenance and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the decisions of users taken on the basis of the consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, etc., whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider, in making those risk assessments, internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and the notes thereto are in accordance with accounting standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly represent the underlying transactions and accounting events.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies

in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Conflicts of Interest

Our firm and the designated engagement partners have no interest in the Company and its consolidated subsidiaries which should be disclosed in accordance with the Certified Public Accountants Act.

Certified copy of Accounting Auditor's Report on Financial Statements: translation

Independent Auditor's Report (Translation)

May 25, 2022

The Board of Directors
Carlit Holdings Co., Ltd.

Ernst & Young ShinNihon LLC
Tokyo Office, Japan

Designated Engagement Partner,
Certified Public Accountant Takashi Uchikoshi

Designated Engagement Partner,
Certified Public Accountant Koichiro Haraga

Audit Opinion

Pursuant to Article 436, paragraph (2), item (i) of the Companies Act, we have audited the accompanying non-consolidated financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, the notes to the non-consolidated financial statements and the related supplemental schedules (collectively, "non-consolidated financial statements, etc.") of Carlit Holdings Co., Ltd. (the "Company") applicable to the 9th fiscal year from April 1, 2021 to March 31, 2022.

In our opinion, the non-consolidated financial statements, etc. referred to above present fairly, in all material respects, the financial position and results of operations of the Company, applicable to the fiscal year ended March 31, 2022, in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements, Etc. section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements, etc. in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. Audit & Supervisory Board Members and Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to the maintenance and operation of the reporting process for the other information.

Our opinion on the non-consolidated financial statements and the accompanying supplementary schedules does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the non-consolidated financial statements and the accompanying supplementary schedules, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-consolidated financial statements and the accompanying supplementary schedules or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Non-consolidated Financial Statements, Etc.

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements, etc. in accordance with accounting principles generally accepted in Japan; this includes the maintenance and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of non-consolidated financial statements, etc. that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, etc., management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements, etc. with the assumption of the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements, Etc.

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the non-consolidated financial statements, etc. based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the decisions of users taken on the basis of the non-consolidated financial statements, etc.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, etc., whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider, in making those risk assessments, internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the non-consolidated financial statements, etc. is not expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the non-consolidated financial statements, etc. and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the non-consolidated financial statements, etc. or, if the notes to the non-consolidated financial statements, etc. on material uncertainty are inadequate, to express a qualified opinion with exceptions on the non-consolidated financial statements, etc. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the non-consolidated financial statements, etc. and the notes thereto are in accordance with accounting standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the non-consolidated financial statements, etc., including the related notes thereto, and whether the non-consolidated financial statements, etc. fairly represent the underlying transactions and accounting events.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with them all relationships and other matters that may

reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Conflicts of Interest

Our firm and the designated engagement partners have no interest in the Company which should be disclosed in accordance with the Certified Public Accountants Act.

Certified copy of Audit & Supervisory Board's Audit Report

Audit Report

The Audit & Supervisory Board has received the reports of the business performance of the Directors during the 9th fiscal year from April 1, 2021 through March 31, 2022 from each of the Audit & Supervisory Board Members. After discussing the reports, we have prepared this Audit Report and report as follows.

1. Method and Content of Audit Conducted by Audit & Supervisory Board Members and Audit & Supervisory Board

- (1) The Audit & Supervisory Board established auditing policies, allocation of duties and other relevant matters and received reports from each Audit & Supervisory Board Member regarding his or her audits and results thereof, as well as received reports from the Directors, other relevant personnel, and the accounting auditors regarding performance of their duties, and sought explanations as necessary.
- (2) Each Audit & Supervisory Board Member complied with the auditing standards for Audit & Supervisory Board Members established by the Audit & Supervisory Board, followed the audit policies, allocation of duties, etc., communicated with Directors, the internal audit department, and other employees, through web conferences, as well as worked to enhance environment for information collection and auditing, while conducting the audit by the following methods:
 - 1) Audit & Supervisory Board Members attended the meetings of the Board of Directors and other important meetings of the Company, received reports from Directors and employees, etc. on the status and results of the execution of their duties and asked them for explanations as necessary, reviewed important approval documents, etc. and conducted investigation on the status of business operations and assets regarding Head Office and at major offices. As for the subsidiaries, each Audit & Supervisory Board Member promoted communications with the Directors and the Audit & Supervisory Board Members, etc. and received reports on the business of the subsidiaries, physically visiting some of them as necessary.
 - 2) Each Audit & Supervisory Board Member periodically received reports from the Directors, employees, and others; requested explanation as necessary; inspected important documents supporting decisions and other records; and expressed opinions regarding the details of the Board of Directors' resolutions and the system that is developed and operated in accordance with such resolutions concerning the development of systems to ensure that Directors' performance of duties provided in the Business Report are in compliance with laws and regulations, the Articles of Incorporation, and the system to ensure the adequacy of operations of the Group, consisting of Kubota Corporation and its subsidiaries, as stipulated under Article 100, Paragraphs 1 and 3 of the Regulations for Enforcement of the Companies Act (internal control system). For internal control associated with the Company's financial reporting, each Audit & Supervisory Board Member received reports from the Directors and Ernst & Young ShinNihon LLC on the evaluation of the relevant internal control as well as the status of the accounting audit and sought clarification when necessary.
 - 3) We also observed and verified that the Accounting Auditors implemented appropriate audits while maintaining independence, received reports from the Accounting Auditors on the execution of their duties, and sought explanations whenever necessary. In addition, each Audit & Supervisory Board Member was informed of the establishment of the "System for ensuring that duties are performed appropriately" (matters stipulated in the items of Article 131 of the Corporate Calculation Regulations) in accordance with "Standards for the Quality Control of Audits" (Business Accounting Council, October 28, 2005), etc. by the Accounting Auditor and requested explanations as necessary.

Based on the methods mentioned above, we have reviewed the Business Report and its supplementary schedules, the Non-Consolidated Financial Statements (Balance Sheets, Statements of Income, Non-Consolidated Statement of Changes in Equity and Notes to the Non-Consolidated Financial Statements)

and their supplementary schedules and the Consolidated Financial Statements (Consolidated Balance Sheets, Consolidated Statements of Income, Consolidated Statement of Changes in Equity and Notes to the Consolidated Financial Statements) related to the fiscal year.

2. Results of Audit

(1) Results of Audit of Business Report

- 1) In our opinion, the Business Report and supplementary schedules are in accordance with the related laws and regulations and Articles of Incorporation, and fairly represent the Company's condition.
- 2) We found no wrongful act or material fact in violation of law or regulations or in violation of the Company's Articles of Incorporation with respect to the execution of duties by the Directors.
- 3) In our opinion, the contents of the resolutions of the Board of Directors regarding the internal control system are fair and reasonable. Furthermore, there are no matters that we should point out regarding the contents of the Business Report and execution of duties by the Directors related to internal control systems, including internal control systems over financial reporting.

(2) Results of Audit of Financial Statements and the Accompanying Supplementary Schedules

In our opinion, the methods and results of the audit conducted by the accounting auditor, Ernst & Young ShinNihon LLC, are appropriate.

(3) Results of Audit of Consolidated Financial Statements

In our opinion, the methods and results of the audit conducted by the accounting auditor, Ernst & Young ShinNihon LLC, are appropriate.

May 26, 2022

	Audit & Supervisory Board, Carlit Holdings Co., Ltd.
Standing Audit & Supervisory Board Member	Katsunori Nozawa (Seal)
Audit & Supervisory Board Member	Akinori Aoki (Seal)
Audit & Supervisory Board Member	Norio Matsuo (Seal)
Audit & Supervisory Board Member	Tsunemichi Iwai (Seal)

(Note) Standing Audit & Supervisory Board Member Katsunori Nozawa and Audit & Supervisory Board Member Norio Matsuo are Outside Audit & Supervisory Board Members provided for by Article 2, item 16 and Article 335, Paragraph 3 of the Companies Act.