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July 29, 2022

Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending March 31, 2023
(Based on Japanese GAAP)

Company name: Carlit Holdings Co., Ltd. (hereafter 'the Company')

Listed exchange: Prime Section, Tokyo Stock Exchange Code Number: 4275

URL: <https://www.carlithd.co.jp>

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Scheduled date to file quarterly securities report: August 5, 2022

Scheduled date to commence dividend payments: –

Preparation of explanatory materials for quarterly financial results: None

Holding of quarterly financial results briefing: None

(Amounts are rounded down to the nearest million yen)

1. Consolidated financial results for the three months of the fiscal year ending March 31, 2023
(from April 1, 2022 to June 30, 2022)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
Jun. 30, 2022	8,291	4.8	377	(13.0)	522	(5.0)	423	7.7
Jun. 30, 2021	7,913	–	433	–	549	–	393	–

Note: Comprehensive income For the three months ended Jun. 30, 2022: ¥295 million [(5.8)%]

For the three months ended Jun. 30, 2021: ¥313 million [–%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
Jun. 30, 2022	17.83	–
Jun. 30, 2021	16.54	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
Jun. 30, 2022	51,607	30,816	59.7	1,296.73
Mar. 31, 2022	50,078	30,903	61.7	1,300.41

Reference: Shareholders' equity: As of Jun. 30, 2022: ¥30,816 million; As of Mar. 31, 2022: ¥30,903 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2022	–	0.00	–	16.00	16.00
Fiscal year ending Mar. 31, 2023	–				
Fiscal year ending Mar. 31, 2023 (Forecast)		0.00	–	16.00	16.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Forecasts of consolidated financial results for the fiscal year ending March 31, 2023

(from April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes for

the full year and changes from the same quarter of the previous fiscal year for the quarter)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending Sep. 30, 2022	17,000	6.2	700	(32.7)	800	(29.7)	550	(46.1)	23.10
Full year	35,000	3.3	2,500	(0.3)	2,700	(1.6)	1,900	(18.7)	79.90

Note: Revisions to the forecasts of consolidated financial results most recently announced: None

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes
Note: For details, please refer to "2. Quarterly Consolidated Financial Statements, (3) Notes to Quarterly Consolidated Financial Statements" on page 10 of the attached document.
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of Jun. 30, 2022	24,050,000 shares	As of Mar. 31, 2022	24,050,000 shares
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(ii) Number of treasury shares at the end of the period

As of Jun. 30, 2022	285,316 shares	As of Mar. 31, 2022	285,316 shares
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(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended Jun. 30, 2022	23,764,684 shares	Three months ended Jun. 30, 2021	23,776,684 shares
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* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(Notice concerning forward-looking statements)

The forward-looking statements described in this document, such as business forecasts, are based on information available at the time of release of these materials and reasonable assumptions made by the Company, and do not represent a commitment from the Company that they will be achieved. Actual financial results, etc. may differ significantly from this forecast due to various factors. For assumptions used for earnings forecasts and notes on the use of earnings forecasts, please refer to "1. Quarterly Qualitative Information on Business Results, (3) Explanation of Forward-Looking Statements including Forecasts of Consolidated Financial Results" on page 5 of the attached document.

(Other special matters)

Not applicable

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1. Quarterly Qualitative Information on Business Results

The Company formulated its new Medium-term Management Plan “Challenge 2024,” with fiscal year 2022 as the starting year and disclosed it on June 15, 2022.

The Company has established its management policy, “Aiming to enhance corporate value through the optimization of our business portfolio” based on a review of the previous Medium-term Management Plan. According to this policy, we will carry out specific measures centered on our five strategies of “Accelerating growth businesses,” “Expanding and improving research and development,” “Improving the profitability of existing businesses,” “Advancing ESG management,” and “Rebuilding business infrastructure.” We will also work to further enhance corporate governance, to give shape to “profitable growth” and “ESG”, aiming to become a corporate group that is trusted by society.

(1) Explanations of Business Results

(i) Explanation of operating results

In the three months ended June 30, 2022, results were strongly impacted by reduced automotive production and surging costs for raw materials and energy which are continuing from last period. We are moving forward with continuous price updates in response to surging costs.

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
Jun. 30, 2022	8,291	4.8	377	(13.0)	522	(5.0)	423	7.7
Jun. 30, 2021	7,913	—	433	—	549	—	393	—

(ii) Explanation by business segment

Our main products and services are as follows. “Large-scale” refers to changes of 30% or more.

Chemical products

Explosives = decrease in sales and profit

- Industrial explosives experienced a large-scale decrease in sales due to the withdraw from unprofitable manufacturing locations. There was also a large-scale decrease in profit due to surging costs for raw materials.
- Automotive emergency flares saw a decrease in sales for new vehicles due to a decrease in automotive production. In terms of replacements for automobile inspections, while there was an increase in sales of emergency flares with glass-breaking function in response to torrential rain disasters and from customers’ improved safety awareness, sales of regular products decreased, leading to overall decreases in sales and profit.
- Sales and profit increased for smoke fires for highway use from increased demand due to the recovery in traffic volume and price updates.
- Raw materials for fireworks enjoyed large-scale increases in sales and profit with the partial return of fireworks displays.
- In the space industry, we are pursuing the joint development of propellants with our customers. We have completed preparations for a production system and the administrative procedures toward practical implementation.

Material assessment service = increase in sales, decrease in profit

- Although sales of both safety evaluation testing and secondary batteries testing increased due to active development of batteries, profit experienced a large-scale decrease due to surging electric power prices.

Chemicals = increase in sales and profit

- For sodium chlorate (for pulp bleaching), sales increased with price updates, and profit experienced a large-scale increase with improvements in shipping efficiency.
- Sodium Chlorite experienced decreased sales and profit due to decreased demand for antibacterial and bleaching applications.
- Ammonium perchlorate saw a decrease in sales due to fluctuations in the order receiving period for defense applications and a large-scale decrease in profit due to surging raw materials and electric power prices.

- Electrodes saw large-scale increases in both sales and profit due to both price updates and increased demand centered on water electrolysis applications.
- Perchloric acid enjoyed increased sales and profit due to increased demand.

Electronic materials = increase in sales and profit

- Electronic materials saw increased sales and profit due to increased demand for personal computers and communication devices and the adoption of 5G-related devices.
- Functional materials experienced decreased sales and profit due to a decline in demand for electronic office equipment and the impact of the Shanghai lockdowns.

Ceramics = increase in sales and profit

- Ceramics saw increases in sales and profit due to increased demand prior to price updates.

Bottling

- PET and others saw sales and profit on par with the same quarter of the previous year.
- Cans experienced decreased sales and profit due to the decline in sales of coffee for vending machines.
- Each first quarter, bottling records large-scale operating losses due to the implementation of regular repairs.

Industrial materials

- Silicon wafers saw increases in sales and profit with the continued trend of expanded demand for semiconductors. We focused on the development and sales of high-value-added products such as High Flatness Wafers for microelectromechanical systems (MEMS) used in various sensors and microphones, and for TC-SAW filters.
- In terms of anchors for refractories, in addition to the steady sales of our mainstay anchors, sales increased due to spot orders for retainers, but profit decreased due to the impact of surging raw materials costs.
- While sales decreased for various metal spring and pressed products due to the impact of reduced automobile production, profit increased due to growing demand related to construction machinery and price updates.

Engineering services

- For engineering & construction work, while sales increased with the new addition of Minamisawa Construction Co., Ltd. to the scope of consolidation, profit decreased due to the decline in highly profitable projects.
- While sales increased for sales of industrial paints & painting work, profit decreased due to the decline in highly profitable projects.
- Structural design & administration of buildings was strong, producing similar results as the same period of the previous fiscal year.

These results are provided below.

(Millions of yen)

Business segments	Net sales		Operating profit	
	Three months ended		Three months ended	
	Jun. 30, 2021	Jun. 30, 2022	Jun. 30, 2021	Jun. 30, 2022
Chemical products	4,157	4,179	277	316
Bottling	1,001	989	(188)	(238)
Industrial materials	2,215	2,369	169	168
Engineering services	702	874	155	140
Subtotal	8,076	8,413	413	386
Other	(163)	(121)	19	(9)
Total	7,913	8,291	433	377

(2) Summary of the Consolidated Balance Sheets

(Assets)

Total assets was ¥51,607 million, an increase of ¥1,528 million from the end of the previous fiscal year. This was primarily driven by increases in cash and deposits of ¥1,866 million, and inventories of ¥506 million; partially offset by decreases in notes and accounts receivable – trade, and contract assets of ¥644 million, and investment securities of ¥345 million.

(Liabilities)

Liabilities was ¥20,790 million, an increase of ¥1,616 million from the end of the previous fiscal year. This was primarily driven by increases in interest - bearing liabilities of ¥1,582 million, provision for bonuses of ¥288 million, and contract liabilities (which is included in “other” in current liabilities”) of ¥236 million; partially offset by a decrease in notes and accounts payable - trade of ¥660 million.

(Net assets)

Total net assets was ¥30,816 million, a decrease of ¥87 million from the end of the previous fiscal year. This was primarily driven by a decrease in valuation difference on available-for-sale securities of ¥219 million; partially offset by increases in deferred gains or losses on hedges of ¥50 million, retained earnings of ¥40 million most of which derived from profit attributable to owners of parent, and foreign currency translation adjustment of ¥32 million.

As a result of the above, shareholders’ equity ratio decreased from 61.7% to 59.7%.

(3) Explanation of Forward-Looking Statements Including Forecasts of Consolidated Financial Results

In terms of the economic outlook, we are still unsure of when COVID-19 will be contained. Unpredictable conditions continue, including changes in demand from changes in behavior patterns, the impacts on various industries caused by increased demand and shortages of semiconductors due to the popularization and spread of 5G, IoT, and AI, and the impact of China's COVID-19 policies. However, the world economy, mainly in North America, is emerging from the COVID-19 pandemic and headed toward a gradual recovery.

Meanwhile, the deterioration in conditions between Russia and Ukraine starting in February 2022 has caused large fluctuation risks in the global resources supply chain and energy policies. The Company sees the main risk scenario resulting from these conditions as persistently high resource prices, economic decline centered on Europe, and a risk-off move in the financial markets. We are holding numerous discussions at our Board of Directors on the impact of this main scenario on the Company and on our countermeasures.

Based on the economic environment above, our present outlook for each business segment is as follows:

In the chemical products business, although we expect a limited recovery in automotive product sales due to the semiconductor shortage and other factors, demand for semiconductors, electronic equipment, and 5G-related materials is robust. Therefore, we plan to invest in enhancing our production capacity for related materials and forecast the chemical products business segment to trend strongly. We expect the bottling business to be flat, paralleling drink consumption trends in Japan. While there is concern over rising steel materials prices for the industrial materials business, we expect it to remain strong due to growing demand related to construction machinery and heavy equipment. We forecast the engineering services business to trend strongly.

The forecasts of the consolidated financial results for the fiscal year ending March 31, 2023 are as follows:

(Percentages indicate year-on-year changes for the full year and changes from the same quarter of the previous fiscal year for the quarter)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending Sep. 30, 2022	17,000	6.2	700	(32.7)	800	(29.7)	550	(46.1)	23.10
Full year	35,000	3.3	2,500	(0.3)	2,700	(1.6)	1,900	(18.7)	79.90

2. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	3,768	5,635
Notes and accounts receivable – trade, and contract assets	10,145	9,500
Merchandise and finished goods	2,693	3,154
Work in process	500	564
Raw materials and supplies	1,577	1,559
Other	2,107	2,491
Allowance for doubtful accounts	(8)	(9)
Total current assets	20,785	22,897
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,692	8,564
Machinery, equipment and vehicles, net	3,207	3,100
Land	5,868	5,868
Construction in progress	107	89
Other, net	1,485	1,438
Total property, plant and equipment	19,361	19,061
Intangible assets		
Other	96	94
Total intangible assets	96	94
Investments and other assets		
Investment securities	8,583	8,238
Retirement benefit asset	6	6
Other	1,246	1,310
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	9,834	9,553
Total non-current assets	29,293	28,709
Total assets	50,078	51,607

As of March 31, 2022

As of June 30, 2022

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,217	5,556
Short-term borrowings	302	2,161
Current portion of long-term borrowings	977	959
Income taxes payable	488	225
Provision for bonuses	660	949
Other	2,454	3,249
Total current liabilities	11,100	13,102
Non-current liabilities		
Long-term borrowings	1,788	1,577
Provision for environmental measures	10	8
Provision for share awards for directors (and the officers)	50	60
Retirement benefit liability	1,113	1,099
Other	5,110	4,942
Total non-current liabilities	8,074	7,687
Total liabilities	19,174	20,790
Net assets		
Shareholders' equity		
Share capital	2,099	2,099
Capital surplus	1,192	1,192
Retained earnings	23,509	23,549
Treasury shares	(166)	(166)
Total shareholders' equity	26,634	26,675
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,190	3,970
Deferred gains or losses on hedges	31	81
Foreign currency translation adjustment	111	143
Remeasurements of defined benefit plans	(64)	(54)
Total accumulated other comprehensive income	4,269	4,140
Total net assets	30,903	30,816
Total liabilities and net assets	50,078	51,607

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income (For the three months)

(Millions of yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Net sales	7,913	8,291
Cost of sales	6,004	6,444
Gross profit	1,908	1,846
Selling, general and administrative expenses	1,475	1,469
Operating profit	433	377
Non-operating income		
Interest income	0	0
Dividend income	101	119
Share of profit of entities accounted for using equity method	6	1
Miscellaneous income	34	45
Total non-operating income	142	167
Non-operating expenses		
Interest expenses	17	15
Miscellaneous losses	8	6
Total non-operating expenses	25	22
Ordinary profit	549	522
Extraordinary income		
Gain on sale of non-current assets	—	0
Gain on sale of investment securities	—	88
Total extraordinary income	—	88
Extraordinary losses		
Loss on retirement of non-current assets	4	0
Total extraordinary losses	4	0
Profit before income taxes	545	610
Income taxes	151	186
Profit	393	423
Profit attributable to owners of parent	393	423

Quarterly Consolidated Statements of Comprehensive Income (For the three months)

(Millions of yen)

	For the fiscal year ended June 30, 2021	For the fiscal year ended June 30, 2022
Profit	393	423
Other comprehensive income		
Valuation difference on available-for-sale securities	(105)	(219)
Deferred gains or losses on hedges	(10)	50
Foreign currency translation adjustment	24	32
Remeasurements of defined benefit plans, net of tax	11	9
Total other comprehensive income	(79)	(128)
Comprehensive income	313	295
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	313	295

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable

Significant Changes in Amounts of Shareholders' Equity

Not applicable

Adoption of Accounting Treatment Specific to the Preparation of Quarterly Consolidated Financial Statements

Calculation method of income tax expense

Income tax expense is calculated by multiplying profit before income taxes by reasonably estimated effective tax rate after applying tax effect accounting for the fiscal year including this first quarter. Also, income taxes - deferred is included in income taxes.

Segment information**(1) First three months of the fiscal year ended March 31, 2022 (April 1, 2021 to June 30, 2021)****(i) Amounts of net sales and profit or loss by reportable segment**

(Millions of yen)

	Reportable Segment					Other (Note)	Total
	Chemicals	Bottling	Industrial Materials	Engineering Services	Sub-total		
Net sales							
Outside customers	4,071	1,001	2,165	635	7,874	38	7,913
Inter-segment sales	86	—	49	66	202	1,127	1,330
Total	4,157	1,001	2,215	702	8,076	1,166	9,243
Segment profit (loss)	277	(188)	169	155	413	827	1,241

Note: "Other" comprises business operations that are not categorized as reportable segments, and includes the Company as a holding company.

(ii) Differences between the total amount of profit or loss in reportable segments and the amount recorded on the quarterly consolidated statements of income and details thereof (reconciliation)

(Millions of yen)

Profit	Amount
Reportable segments total	413
"Other" segment profit	827
Inter-segment eliminations	(808)
Operating profit in the quarterly consolidated statements of income	433

(2) First three months of the fiscal year ended March 31, 2023 (April 1, 2022 to June 30, 2022)**(i) Amounts of net sales and profit or loss by reportable segment**

(Millions of yen)

	Reportable Segment					Other (Note)	Total
	Chemicals	Bottling	Industrial Materials	Engineering Services	Sub-total		
Net sales							
Outside customers	4,091	989	2,334	836	8,252	38	8,291
Inter-segment sales	88	—	34	37	160	1,016	1,177
Total	4,179	989	2,369	874	8,413	1,055	9,468
Segment profit (loss)	316	(238)	168	140	386	722	1,109

Note: "Other" comprises business operations that are not categorized as reportable segments, and includes the Company as a holding company.

(ii) Differences between the total amount of profit or loss in reportable segments and the amount recorded on the quarterly consolidated statements of income and details thereof (reconciliation)

(Millions of yen)

Profit	Amount
Reportable segments total	386
"Other" segment profit	722
Inter-segment eliminations	(732)
Operating profit in the quarterly consolidated statements of income	377

Subsequent Events

Not applicable