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October 31, 2022

Consolidated Financial Results
for the Second 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

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Scheduled date to file quarterly securities report: November 8, 2022

Scheduled date to commence dividend payments: –

Preparation of explanatory materials for quarterly financial results: Yes

Holding of quarterly financial results briefing: Yes

(Amounts are rounded down to the nearest million yen)

1. Consolidated financial results for the six months of the fiscal year ending March 31, 2023
(from April 1, 2022 to September 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	%
Six months ended								
Sep. 30, 2022	17,586	9.9	1,104	6.3	1,287	13.2	951	(6.8)
Sep. 30, 2021	16,006	–	1,039	–	1,137	–	1,020	–

Note: Comprehensive income For the six months ended Sep. 30, 2022: ¥1,023 million [(28.3)%]

For the six months ended Sep. 30, 2021: ¥1,428 million [–%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
Sep. 30, 2022	40.01	–
Sep. 30, 2021	42.92	–

(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
Sep. 30, 2022	51,197	31,547	61.6	1,327.06
Mar. 31, 2022	50,078	30,903	61.7	1,300.41

Reference: Shareholders' equity: As of Sep. 30, 2022: ¥31,547 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	–	0.00			
Fiscal year ending Mar. 31, 2023 (Forecast)			–	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)

	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
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 11 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 Sep. 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 Sep. 30, 2022	277,447 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)

Six months ended Sep. 30, 2022	23,768,624 shares	Six months ended Sep. 30, 2021	23,774,684 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.

(Acquisition method of explanatory materials for financial results and contents of financial results briefing)

After the results briefing, the Company will promptly post the presentation materials on its website.

(Other special matters)

Not applicable

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1. Quarterly Qualitative Information on Business Results

(i) Announcement of the new Medium-term Management Plan

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.

(ii) Issuance of integrated report

On October 7, 2022, the Company issued its integrated report “Carlit Report 2022” and posted it on our website.

Carlit Report 2022 includes the policy of our new Medium-term Management Plan created through back-casting based on our vision of “Supporting happy lifestyles by combining the power of ‘chemicals’ and ‘technology’ to contribute to a sustainable society,” our performance goals, and our environmental and social initiatives. Carlit Report 2022 also expands our ESG information disclosure on initiatives related to our response to climate change and on human capital to implement sustainable management.

(1) Explanations of Business Results

(i) Explanation of operating results

In the six months ended September 30, 2022, despite the impact of surging costs for raw materials and energy, due to strong sales and price updates in chemicals, electronic materials, and ceramics in the chemical products business segment, and in silicon wafers for semiconductors in the industrial materials business segment, we enjoyed increased sales and profit compared to both the same period of the previous fiscal year and the plans.

Furthermore, for the previous fiscal year, we recorded ¥392 million yen in bargain purchase, due to acquiring shares of Minamisawa Construction Co., Ltd. on September 2021. For this fiscal year, we recorded ¥88 million in extraordinary income on gain on sales of investment securities.

(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	%
Six months ended								
Sep. 30, 2022	17,586	9.9	1,104	6.3	1,287	13.2	951	(6.8)
Sep. 30, 2021	16,006	—	1,039	—	1,137	—	1,020	—

(ii) Explanation by business segment

Our main products and services are as follows.

Chemical products

Explosives = decrease in sales and profit

- Industrial explosives experienced both a decrease in sales due to the withdraw from unprofitable manufacturing locations and a decrease in profit due to surging costs for raw materials and energy.
- Automotive emergency flares saw an increase in sales for new vehicles. In terms of replacements for automobile inspections, sales increased due to an increased number of inspections and an increase in sales of emergency flares with glass-breaking function in response to torrential rain disasters and from customers’ improved safety awareness. However, profit decreased due to surging costs for raw materials.
- 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 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 and plan to begin shipping within the fiscal year.

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 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 an 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 decrease in profit due to surging raw materials and energy prices.
- Electrodes saw 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 the implementation of price updates and increased demand.

Electronic materials = decrease in sales and profit

- Electronic materials experienced decreased sales and profit due to flat orders for personal computers, stagnation in semiconductor and parts supply and the Chinese market, and the impact of surging costs for raw materials and energy.
- While functional materials were impacted by stagnation in the Chinese market and changes in raw materials for costumer products, price updates led to increased sales. However, profit decreased due to surging costs for raw materials and energy.

Ceramics = increase in sales and profit

- Ceramics saw increased sales and profit due to price updates and new sales expansion.

Bottling

- PET experienced increased sales due to a recovery in demand.
- Cans experienced decreased sales due to the decline in sales of coffee for vending machines.
- Others saw increased sales due to orders for new products.
- While sales increased, profit experienced operating losses due to surging costs of energy prices. We could not recover operating losses due to the implementation of regular repairs done during each first quarter.

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.
- Anchors for refractories experienced increased sales and profit due to strong sales of our mainstay anchors and retainers centered on demand from urban garbage incineration.
- For various metal spring and pressed products, while sales for automobiles decreased due to the impact of reduced automobile production, profit and sales increased due to strong sales of 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.
- Sales and profit increased for industrial paints & painting work due to a strong market environment and new sales expansion.
- For structural design & administration of buildings, while sales decreased due to fluctuations in the order receiving period, strong sales of highly profitable services led to increased profit.

These results are provided below.

(Millions of yen)

Business segments	Net sales		Operating profit	
	Six months ended		Six months ended	
	Sep. 30, 2021	Sep. 30, 2022	Sep. 30, 2021	Sep. 30, 2022
Chemical products	8,192	8,816	549	571
Bottling	2,176	2,248	15	(71)
Industrial materials	4,522	4,930	288	412
Engineering services	1,434	1,879	194	264
Subtotal	16,326	17,874	1,048	1,177
Other	(319)	(288)	(8)	(73)
Total	16,006	17,586	1,039	1,104

(2) Summary of the Consolidated Balance Sheets and Cash Flow Statements

(i) Consolidated Balance Sheets

(Assets)

Total assets was ¥51,197 million, an increase of ¥1,119 million from the end of the previous fiscal year. This was primarily driven by increases in cash and deposits of ¥1,353 million, and inventories of ¥564 million; partially offset by decreases in notes and accounts receivable – trade, and contract assets of ¥314 million, and property, plant and equipment of ¥505 million.

(Liabilities)

Liabilities was ¥19,650 million, an increase of ¥475 million from the end of the previous fiscal year. This was primarily driven by an increase in interest - bearing liabilities of ¥1,280 million; partially offset by a decrease in notes and accounts payable - trade of ¥933 million.

(Net assets)

Total net assets was ¥31,547 million, an increase of ¥643 million from the end of the previous fiscal year. This was primarily driven by increases in retained earnings of ¥566 million most of which derived from profit attributable to owners of parent, and foreign currency translation adjustment of ¥61 million.

As a result of the above, shareholders' equity ratio decreased from 61.7% to 61.6%.

(ii) Consolidated Cash Flow Statements

The balance of cash and cash equivalents at the end of the second quarter of this fiscal year was ¥4,964 million, an increase of ¥1,374 million from the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥642 million. Major cash inflows included profit before income taxes of ¥1,381 million, depreciation of ¥833 million, and decrease in trade receivables and contract assets of ¥740 million, while major cash outflows included increase in inventories of ¥562 million, decrease in trade payables of ¥985 million, and income taxes paid of ¥597 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥43 million. Major cash outflows included purchase of non-current assets of ¥307 million, while major cash inflows included proceeds from sale of investment securities of ¥119 million, interest and dividends received (which is included in "Other, net" in cash flows from investing activities) of ¥130 million.

(Cash flows from financing activities)

Net cash provided by financing activities was ¥770 million. Major cash inflows included net increase in borrowings of ¥1,365 million, while major cash outflows included dividends paid of ¥382 million.

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

Given the unclear future risk of surging raw materials and energy prices, we will keep our full-year forecast of FY2022 unchanged. We will promptly make an announcement following a sufficient examination at the point when disclosure is possible.

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

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	3,768	5,122
Notes and accounts receivable – trade, and contract assets	10,145	9,831
Merchandise and finished goods	2,693	3,227
Work in process	500	506
Raw materials and supplies	1,577	1,602
Other	2,107	2,232
Allowance for doubtful accounts	(8)	(9)
Total current assets	20,785	22,513
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,692	8,447
Machinery, equipment and vehicles, net	3,207	2,994
Land	5,868	5,868
Construction in progress	107	162
Other, net	1,485	1,382
Total property, plant and equipment	19,361	18,856
Intangible assets		
Other	96	90
Total intangible assets	96	90
Investments and other assets		
Investment securities	8,583	8,490
Retirement benefit asset	6	6
Other	1,246	1,242
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	9,834	9,737
Total non-current assets	29,293	28,683
Total assets	50,078	51,197

As of March 31, 2022

As of September 30, 2022

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,217	5,284
Short-term borrowings	302	2,145
Current portion of long-term borrowings	977	942
Income taxes payable	488	419
Provision for bonuses	660	654
Other	2,454	2,707
Total current liabilities	11,100	12,153
Non-current liabilities		
Long-term borrowings	1,788	1,365
Provision for environmental measures	10	8
Provision for share awards for directors (and the officers)	50	66
Retirement benefit liability	1,113	1,078
Other	5,110	4,977
Total non-current liabilities	8,074	7,496
Total liabilities	19,174	19,650
Net assets		
Shareholders' equity		
Share capital	2,099	2,099
Capital surplus	1,192	1,192
Retained earnings	23,509	24,075
Treasury shares	(166)	(162)
Total shareholders' equity	26,634	27,205
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,190	4,137
Deferred gains or losses on hedges	31	76
Foreign currency translation adjustment	111	173
Remeasurements of defined benefit plans	(64)	(45)
Total accumulated other comprehensive income	4,269	4,341
Total net assets	30,903	31,547
Total liabilities and net assets	50,078	51,197

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

(Millions of yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Net sales	16,006	17,586
Cost of sales	11,983	13,433
Gross profit	4,023	4,152
Selling, general and administrative expenses	2,984	3,047
Operating profit	1,039	1,104
Non-operating income		
Interest income	0	0
Dividend income	109	130
Share of profit of entities accounted for using equity method	12	3
Miscellaneous income	164	90
Total non-operating income	286	225
Non-operating expenses		
Interest expenses	33	30
Miscellaneous losses	155	11
Total non-operating expenses	188	42
Ordinary profit	1,137	1,287
Extraordinary income		
Gain on sale of non-current assets	—	6
Gain on sale of investment securities	—	88
Gain on bargain purchase	209	—
Total extraordinary income	209	94
Extraordinary losses		
Loss on retirement of non-current assets	6	0
Total extraordinary losses	6	0
Profit before income taxes	1,339	1,381
Income taxes	319	430
Profit	1,020	951
Profit attributable to owners of parent	1,020	951

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

(Millions of yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Profit	1,020	951
Other comprehensive income		
Valuation difference on available-for-sale securities	362	(52)
Deferred gains or losses on hedges	(8)	45
Foreign currency translation adjustment	31	61
Remeasurements of defined benefit plans, net of tax	22	18
Total other comprehensive income	408	72
Comprehensive income	1,428	1,023
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,428	1,023

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	1,339	1,381
Depreciation	881	833
Amortization of goodwill	3	—
Gain on bargain purchase	(209)	—
Insurance claim income	(110)	—
Loss (gain) on sale of investment securities	—	(88)
Decrease (increase) in trade receivables	1,140	—
Decrease (increase) in trade receivables and contract assets	—	740
Decrease (increase) in inventories	(814)	(562)
Increase (decrease) in trade payables	(23)	(985)
Other, net	14	(264)
Subtotal	2,221	1,054
Income taxes paid	(588)	(597)
Income taxes refund	146	185
Proceeds from insurance income	110	—
Net cash provided by (used in) operating activities	1,889	642
Cash flows from investing activities		
Payments into time deposits	(13)	—
Proceeds from withdrawal of time deposits	36	23
Purchase of non-current assets	(582)	(307)
Proceeds from sale of non-current assets	—	3
Purchase of investment securities	(10)	(12)
Proceeds from sale of investment securities	—	119
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(218)	—
Other, net	102	128
Net cash provided by (used in) investing activities	(687)	(43)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	54	1,823
Repayments of long-term borrowings	(752)	(458)
Dividends paid	(287)	(382)
Interest paid	(32)	(30)
Refund of long-term deposits received	(68)	(68)
Other, net	(107)	(113)
Net cash provided by (used in) financing activities	(1,193)	770
Effect of exchange rate change on cash and cash equivalents	6	6
Net increase (decrease) in cash and cash equivalents	15	1,374
Cash and cash equivalents at beginning of period	5,496	3,589
Cash and cash equivalents at end of period	5,511	4,964

(4) 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 second quarter. Also, income taxes - deferred is included in income taxes.

Segment information

(1) First six-months of the fiscal year ended March 31, 2022 (April 1, 2021 to September 30, 2021)

(i) Amounts of net sales and profit or loss by reportable segment

(Millions of yen)

	Reportable Segment					Other (Note)	Total
	Chemical Products	Bottling	Industrial Materials	Engineering Services	Sub-total		
Net sales							
Outside customers	8,020	2,176	4,432	1,298	15,928	77	16,006
Inter-segment sales	171	—	90	135	397	1,441	1,838
Total	8,192	2,176	4,522	1,434	16,326	1,519	17,845
Segment profit (loss)	549	15	288	194	1,048	804	1,852

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	1,048
"Other" segment profit	804
Inter-segment eliminations	(812)
Operating profit in the quarterly consolidated statements of income	1,039

(iii) Information concerning impairment of non-current assets or goodwill for each reportable segment

Material gain on bargain purchase

At the end of second quarter of this fiscal year, Japan Carlit Co., Ltd. acquired 100% of issued shares of Minamisawa Construction Co., Ltd., which belongs to Engineering Services. Accordingly, the Group recognized gain on bargain purchase for ¥209 million. However, this amount is provisional since purchase price allocation was not yet complete at the end of second quarter of this fiscal year. Also, this income is represented as extraordinary income, therefore, it does not includes in segment profit listed above.

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

(Millions of yen)

	Reportable Segment					Other (Note)	Total
	Chemical Products	Bottling	Industrial Materials	Engineering Services	Sub-total		
Net sales							
Outside customers	8,640	2,248	4,856	1,763	17,508	77	17,586
Inter-segment sales	175	—	74	116	366	1,378	1,744
Total	8,816	2,248	4,930	1,879	17,874	1,456	19,330
Segment profit (loss)	571	(71)	412	264	1,177	751	1,928

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	1,177
“Other” segment profit	751
Inter-segment eliminations	(824)
Operating profit in the quarterly consolidated statements of income	1,104