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February 3, 2023

Consolidated Financial Results
for the Third 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: February 13, 2023

Scheduled date to commence dividend payments: –

Preparation of explanatory materials for quarterly financial results: No

Holding of quarterly financial results briefing: No

(Amounts are rounded down to the nearest million yen)

1. Consolidated financial results for the nine months of the fiscal year ending March 31, 2023
(from April 1, 2022 to December 31, 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	%
Nine months ended								
Dec. 31, 2022	26,564	6.2	1,740	(0.9)	2,012	3.1	1,459	(15.0)
Dec. 31, 2021	25,022	–	1,756	–	1,951	–	1,717	–

Note: Comprehensive income For the nine months ended Dec. 31, 2022: ¥1,609 million [(17.4)%]

For the nine months ended Dec. 31, 2021: ¥1,947 million [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
Dec. 31, 2022	61.40	–
Dec. 31, 2021	72.25	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
Dec. 31, 2022	53,198	32,141	60.4	1,351.37
Mar. 31, 2022	50,078	30,903	61.7	1,300.41

Reference: Shareholders' equity: As of Dec. 31, 2022: ¥32,141 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)

(Percentages indicate year-on-year changes)

	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 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 Dec. 31, 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 Dec. 31, 2022	265,447 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)

Nine months ended Dec. 31, 2022	23,771,267 shares	Nine months ended Dec. 31, 2021	23,771,351 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

(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 nine months ended December 31, 2022, we enjoyed steady sales due to strong sales for chemicals, electronic materials, and ceramics in the chemical products business segment and products including silicon wafers for semiconductors in the industrial materials business segment, while we strove to reduce impact in response to surging costs for raw materials and energy. In addition, we recorded ¥168 million in extraordinary income on gain on sale of investment securities, and ¥50 million in extraordinary losses on loss on sale of shares of subsidiaries and associates in connection with the sale of Sankyo Jitsugyo Co., Ltd.

Furthermore, for the previous fiscal year, we recorded compensation expenses of ¥139 million as non-operating expenses and insurance claim income of ¥96 million as non-operating income. In addition, we recorded ¥209 million in bargain purchase associated with acquiring shares of Minamisawa Construction Co., Ltd. and ¥100 million in extraordinary income on gain on sale of investment securities.

These results are provided below.

(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	%
Nine months ended								
Dec. 31, 2022	26,564	6.2	1,740	(0.9)	2,012	3.1	1,459	(15.0)
Dec. 31, 2021	25,022	—	1,756	—	1,951	—	1,717	—

(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 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 signal flares for highway use due to the recovery in traffic volume and increased demand for construction regulation, 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 plan to manufacture propellant and assemble motor components by the end of this 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

- Sodium chlorate (for pulp bleaching) sales and profit increased due to maintaining fair prices.
- Sodium chlorite experienced decreased sales and profit due to sluggish sales in the textile bleaching and electronic materials business segment.
- Ammonium perchlorate (raw material in propellants for rocket and defense missiles) sales increased due to higher sales for rocket propellants. However, profit decreased due to surging costs for raw materials and energy.
- Electrodes saw increases in both sales and profit due to maintaining fair prices and new orders for plating applications.
- Perchloric acid enjoyed increased sales and profit due to maintaining fair prices and increased demand.

Electronic materials = decrease in sales and profit

- Electronic materials experienced increased sales of electrolytes for electric double-layer capacitors. However, sales and profit decreased due to the decline in demand for PCs, and the impact of the Shanghai lockdown and power restrictions.
- Functional materials experienced increased sales of near-infrared absorbing dyes due to growing demand for authentication sensors and other products. However, sales and profit decreased due to sluggish smartphone and flat panel display (FPD) markets affected by the Shanghai lockdown.

Ceramics = increase in sales and profit

- We enjoyed increased sales and profit due to maintaining fair prices, market share expansion and new sales expansion.

Bottling

- PET experienced increased sales due to a recovery in demand and orders for new products.
- 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.
- Profit decreased due to surging costs for energy.

Industrial materials

- Silicon wafers enjoyed increased sales and profit despite the impacts of inventory adjustments by customers and surging costs for raw materials and energy. We focused on maintaining fair prices and 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 continued strong sales of construction machinery.

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.
- Industrial paints and painting work experienced increased sales and profit due to continued favorable market conditions and new sales expansion.
- Structural design & administration of buildings enjoyed increased sales and profit due to continued strong sales of highly profitable services.

These results are provided below.

(Millions of yen)

Business segments	Net sales		Operating profit	
	Nine months ended		Nine months ended	
	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022
Chemical products	12,570	13,179	900	778
Bottling	3,246	3,464	116	31
Industrial materials	6,869	7,360	423	591
Engineering services	2,793	2,987	330	407
Subtotal	25,481	26,992	1,770	1,808
Other	(458)	(427)	(13)	(68)
Total	25,022	26,564	1,756	1,740

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

(Assets)

Total assets was ¥53,198 million, an increase of ¥3,119 million from the end of the previous fiscal year. This was primarily driven by increases in cash and deposits of ¥1,091 million, notes and accounts receivable – trade and contract assets of ¥1,850 million and inventories of ¥862 million; partially offset by decreases in property, plant and equipment of ¥592 million and investment securities of ¥89 million.

(Liabilities)

Liabilities was ¥21,056 million, an increase of ¥1,881 million from the end of the previous fiscal year. This was primarily driven by increases in notes and accounts payable - trade of ¥946 million, and interest - bearing liabilities of ¥864 million.

(Net assets)

Total net assets was ¥32,141 million, an increase of ¥1,237 million from the end of the previous fiscal year. This was primarily driven by increases in retained earnings of ¥1,075 million most of which derived from profit attributable to owners of parent, valuation difference on available-for-sale securities of ¥75 million and foreign currency translation adjustment of ¥60 million.

As a result of the above, shareholders' equity ratio decreased from 61.7% to 60.4%.

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

We maintain our full-year forecast for the year ending March 31, 2023 unchanged from the forecast announced on May 13, 2022. This is due to uncertain future risks of surging costs for raw materials and energy and the economic slowdown in China.

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

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	3,768	4,860
Notes and accounts receivable – trade, and contract assets	10,145	11,995
Merchandise and finished goods	2,693	3,185
Work in process	500	521
Raw materials and supplies	1,577	1,928
Other	2,107	2,150
Allowance for doubtful accounts	(8)	(8)
Total current assets	20,785	24,633
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,692	8,385
Machinery, equipment and vehicles, net	3,207	3,003
Land	5,868	5,868
Construction in progress	107	175
Other, net	1,485	1,335
Total property, plant and equipment	19,361	18,769
Intangible assets		
Other	96	84
Total intangible assets	96	84
Investments and other assets		
Investment securities	8,583	8,493
Retirement benefit asset	6	6
Other	1,246	1,279
Allowance for doubtful accounts	(2)	(69)
Total investments and other assets	9,834	9,710
Total non-current assets	29,293	28,564
Total assets	50,078	53,198

As of March 31, 2022

As of December 31, 2022

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,217	7,164
Short-term borrowings	302	2,003
Current portion of long-term borrowings	977	924
Income taxes payable	488	313
Provision for bonuses	660	309
Other	2,454	3,055
Total current liabilities	11,100	13,770
Non-current liabilities		
Long-term borrowings	1,788	1,153
Provision for environmental measures	10	5
Provision for share awards for directors (and the officers)	50	80
Retirement benefit liability	1,113	1,063
Other	5,110	4,983
Total non-current liabilities	8,074	7,286
Total liabilities	19,174	21,056
Net assets		
Shareholders' equity		
Share capital	2,099	2,099
Capital surplus	1,192	1,190
Retained earnings	23,509	24,584
Treasury shares	(166)	(151)
Total shareholders' equity	26,634	27,723
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,190	4,266
Deferred gains or losses on hedges	31	16
Foreign currency translation adjustment	111	172
Remeasurements of defined benefit plans	(64)	(36)
Total accumulated other comprehensive income	4,269	4,418
Total net assets	30,903	32,141
Total liabilities and net assets	50,078	53,198

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

(Millions of yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Net sales	25,022	26,564
Cost of sales	18,812	20,217
Gross profit	6,210	6,346
Selling, general and administrative expenses	4,453	4,606
Operating profit	1,756	1,740
Non-operating income		
Interest income	0	0
Dividend income	195	227
Share of profit of entities accounted for using equity method	16	8
Miscellaneous income	194	98
Total non-operating income	406	334
Non-operating expenses		
Interest expenses	48	45
Miscellaneous losses	163	17
Total non-operating expenses	211	62
Ordinary profit	1,951	2,012
Extraordinary income		
Gain on sale of non-current assets	0	6
Gain on sale of investment securities	100	168
Gain on bargain purchase	209	—
Total extraordinary income	310	175
Extraordinary losses		
Loss on sale of non-current assets	—	0
Loss on retirement of non-current assets	6	2
Loss on sale of shares of subsidiaries and associates	—	50
Total extraordinary losses	6	53
Profit before income taxes	2,254	2,134
Income taxes	536	674
Profit	1,717	1,459
Profit attributable to owners of parent	1,717	1,459

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

(Millions of yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Profit	1,717	1,459
Other comprehensive income		
Valuation difference on available-for-sale securities	170	75
Deferred gains or losses on hedges	(10)	(15)
Foreign currency translation adjustment	36	60
Remeasurements of defined benefit plans, net of tax	33	28
Total other comprehensive income	229	149
Comprehensive income	1,947	1,609
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,947	1,609

(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 third quarter. Also, income taxes - deferred is included in income taxes.

Changes in the scope of Consolidation or Application of the Equity Method

Significant changes in the scope of Consolidation

During the third quarter of this fiscal year, Sankyo Jitsugyo Co., Ltd. was excluded from the scope of consolidation because the Company sold all held shares of the said company.

Segment information

(1) First nine-months of the fiscal year ended March 31, 2022 (April 1, 2021 to December 31, 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	12,312	3,246	6,741	2,604	24,905	116	25,022
Inter-segment sales	258	—	128	188	575	1,754	2,330
Total	12,570	3,246	6,869	2,793	25,481	1,871	27,352
Segment profit (loss)	900	116	423	330	1,770	798	2,568

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	1,770
"Other" segment profit	798
Inter-segment eliminations	(811)
Operating profit in the quarterly consolidated statements of income	1,756

(2) First nine-months of the fiscal year ending March 31, 2023 (April 1, 2022 to December 31, 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	12,916	3,464	7,238	2,827	26,446	117	26,564
Inter-segment sales	263	—	122	159	545	1,657	2,202
Total	13,179	3,464	7,360	2,987	26,992	1,774	28,767
Segment profit (loss)	778	31	591	407	1,808	762	2,571

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	1,808
“Other” segment profit	762
Inter-segment eliminations	(830)
Operating profit in the quarterly consolidated statements of income	1,740