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May 15, 2023

Consolidated Financial Results for the Fiscal Year Ended 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 of annual general meeting of shareholders: June 29, 2023
Scheduled date to file securities report: June 29, 2023
Scheduled date to commence dividend payments: June 30, 2023
Preparation of explanatory materials for full-term financial results: Yes
Holding of full-term financial results briefing: Yes

(Amounts are rounded down to the nearest million yen)

1. Consolidated financial results for the fiscal year ended March 31, 2023
(April 1, 2022 to March 31, 2023)

1) Consolidated operating results (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	%
For the fiscal year ended								
Mar. 31, 2023	36,008	6.2	2,640	5.3	2,910	6.1	2,246	(3.8)
Mar. 31, 2022	33,894	—	2,506	—	2,742	—	2,336	—

Note: Comprehensive income Fiscal year ended Mar. 31, 2023: ¥2,736 million [22.9%]
Fiscal year ended Mar. 31, 2022: ¥2,225 million [(26.2)%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit/total assets	Operating profit/net sales
For the fiscal year ended	Yen	Yen	%	%	%
Mar. 31, 2023	94.55	—	7.0	5.7	7.3
Mar. 31, 2022	98.31	—	7.8	5.4	7.4

Reference:

Share of profit of entities accounted for using equity method: Fiscal year ended Mar. 31, 2023: ¥12 million
Fiscal year ended Mar. 31, 2022: ¥21 million

2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
Mar. 31, 2023	51,230	33,179	64.8	1,402.70
Mar. 31, 2022	50,078	30,903	61.7	1,300.41

Reference: Shareholders' equity: As of Mar. 31, 2023: ¥33,179 million
As of Mar. 31, 2022: ¥30,903 million

3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash flows from equivalents at year-end
For the fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Mar. 31, 2023	2,064	(65)	(1,784)	3,809
Mar. 31, 2022	3,063	(984)	(3,981)	3,589

2. Cash dividends

	Cash dividends per share					Total cash dividends (annual)	Payout ratio (consolidated)	Dividends to net assets ratio (consolidated)
	1Q	2Q	3Q	Fiscal year end	Annual			
For the fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Mar. 31, 2022	—	0.00	—	16.00	16.00	383	16.3	1.3
Mar. 31, 2023	—	0.00	—	20.00	20.00	479	21.2	1.5
Mar. 31, 2024 (Forecast)	—	0.00	—	20.00	20.00		20.7	

Note: Revisions to the forecast of cash dividends most recently announced: Yes

3. Forecasts of consolidated financial results for the fiscal year ending March 31, 2024

(April 1, 2023 to March 31, 2024)

(Percentages indicate changes from the same period of previous fiscal year)

	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
1 st half	18,000	2.4	800	(27.6)	900	(30.1)	750	(21.1)	31.57
Full year	38,000	5.5	2,700	2.3	2,900	(0.4)	2,300	2.4	96.80

Notes

1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

2) Changes in accounting policies, changes in accounting estimates, and restatement

1. Changes in accounting policies due to revisions to accounting standards and other regulations: None

2. Changes in accounting policies due to other than 1. above: None

3. Changes in accounting estimates: None

4. Restatement: None

3) Number of issued shares (common shares)

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

As of Mar. 31, 2023	24,050,000 shares	As of Mar. 31, 2022	24,050,000 shares
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2. Number of treasury shares at the end of the period

As of Mar. 31, 2023	396,097 shares	As of Mar. 31, 2022	285,316 shares
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3. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

As of Mar. 31, 2023	23,763,709 shares	As of Mar. 31, 2022	23,769,684 shares
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(Reference) Non-consolidated financial results for the fiscal year ended March 31, 2023
(April 1, 2022 to March 31, 2023)

1) Non-consolidated operating results

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the fiscal year ended								
Mar. 31, 2023	2,092	(5.9)	773	15.6	1,005	16.8	2,370	159.2
Mar. 31, 2022	2,223	(18.4)	668	(24.8)	860	(18.3)	914	(6.7)
	Profit per share		Diluted profit per share					
For the fiscal year ended	Yen		Yen					
Mar. 31, 2023	99.72		—					
Mar. 31, 2022	38.46		—					

2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
Mar. 31, 2023	35,584	29,324	82.4	1,239.75
Mar. 31, 2022	34,703	28,077	80.9	1,180.88

Reference: Shareholders' equity: As of Mar. 31, 2023: ¥29,324 million; As of Mar. 31, 2022: ¥28,077 million

* Financial results reports are exempt from audit 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 "Qualitative Information on Business Results, (1) Explanations of Business Results" on page 2 of the attached document.

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

Video recording.

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1. Qualitative Information on Business Results

We have formulated a new Medium-term Management Plan entitled “Challenge 2024” that kicked off in fiscal year 2022. Our management policy is to pursue improvements in corporate value through the optimization of our business portfolio. In line with this policy, we are currently undertaking specific measures centered on the following five strategies: (1) accelerating growth businesses; (2) expanding research and development; (3) improving the profitability of existing businesses; (4) improving ESG management; and (5) rebuilding business infrastructure. We are also endeavoring to further strengthen corporate governance, giving tangible shape to profitable growth and ESG, and aiming to become a corporate group that is trusted by society.

As for the return of profits to shareholders, our basic policy is to continuously pay and raise stable dividends whilst strengthening our financial structure and corporate foundation. Our Medium-term Management Plan calls for a dividend payout ratio of between 20% and 30%.

Based on this basic policy and payout ratio target, and after comprehensively taking into account factors such as the link to consolidated earnings, we decided to raise our year-end dividend forecast by ¥4 to pay an annual ordinary dividend of ¥20 per share.

This proposal will be submitted and officially approved at the annual general meeting of shareholders scheduled to be held in June 2023.

(1) Explanations of Business Results

(i) Explanation of operating results

In the fiscal year ended March 31, 2023, consolidated net sales were brisk in mainly the chemical products business segment (chemicals, material assessment service, ceramics) and the industrial materials business segment (anchors for refractories, various metal spring and pressed products). Even though raw material prices and energy costs skyrocketed, we managed to keep the impacts to a minimum.

Also, we recorded extraordinary income of ¥255 million from gain on the sale of investment securities, as well as extraordinary losses of ¥82 million from loss on the sale of shares of subsidiaries and associates in connection with the sales of Sankyo Jitsugyo Co., Ltd. and Nishiyama Filter 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)

For the fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Mar. 31, 2023	36,008	6.2	2,640	5.3	2,910	6.1	2,246	(3.8)
Mar. 31, 2022	33,894	14.4	2,506	59.1	2,742	54.9	2,336	89.8

(ii) Explanations by business segment

Chemical products

Explosives = increase 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 maintaining fair prices.
- Raw materials for fireworks enjoyed increases in sales and profit with the partial return of fireworks displays.
- In the space industry, we continue to engage in the joint development of solid propellants with our customers. We manufactured a propellant and completed its delivery to the launch site in preparation for the first rocket blast-off.

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.
- Despite the impacts of sky-high raw material prices and energy costs, ammonium perchlorate (the raw material in propellants for rockets and defense missiles) sales and profit increased due to growth in sales for rocket propellant applications.
- Electrodes saw increases in both sales and profit due to maintaining fair prices and new orders for plating applications.
- Perchloric acid sales and profit decreased on sluggish overseas 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 China 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 markets affected by the China lockdown.

Ceramics = increase in sales and profit

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

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.
- Business segment profit overall was dented by soaring energy costs.

Industrial materials

- Sales of silicon wafers increased in the first half as conditions in the global semiconductor market remained favorable, but sales and profit declined in the second half due to weak demand stemming from China lockdown and the added impact of rising energy costs. We continued to focus on development and sales of high-value-added products, such as microelectromechanical systems (MEMS) and high-flatness wafers used in various sensors and microphones.
- 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, profit and sales increased due to continued strong demand of construction machinery.

Engineering services

- For engineering & construction work, sales and profit decreased due to the decline in highly profitable projects.
- Industrial paints and painting work experienced increased sales and profit due to favorable market conditions.
- Profit in structural design declined due to fewer high-margin projects at a time when market competition is heating up.

These results are provided below.

Business segments	Net sales		Operating profit	
	FY2022	FY2023	FY2022	FY2023
Chemical products	16,950	17,896	1,172	1,294
Bottling	4,360	4,774	218	151
Industrial materials	9,313	9,741	654	700
Engineering services	4,173	4,203	892	651
Subtotal	34,798	36,615	2,937	2,798
Other	(904)	(607)	(430)	(158)
Total	33,894	36,008	2,506	2,640

(iii) Forecasts for the fiscal year ending March 31, 2024

In terms of our outlook for the global economy, we predict that persistently high inflation and interest rates will send the economies of Europe and North America into a recession toward 2023. In Asia, economic activity will head towards a recovery, driven by services consumption centering on China where the government has abandoned its zero-COVID-19 policy, but growth has been shackled by a downturn in domestic demand and slowing foreign demand due to rising commodity prices. We think the global economy will recover slowly through to 2024 from lingering inflationary pressures.

In Japan, however, despite downward pressures stemming from higher prices and an overseas economic slowdown, positive growth will be maintained due to recovery in mainly services consumption and inbound tourism demand. We expect the Japanese economy to hold firm in 2023 in relative terms compared to the negative growth of major developed countries. Our Board of Directors is discussing how the Group may be impacted and what measures it can take based on a number of scenario assumptions, including a global economic downturn and a recovery in domestic services consumption and inbound tourism demand.

In light of the economic environment mentioned above, our outlook for each business segment is as follows. Please note that from the fiscal year ending March 31, 2024, we plan to make changes to the makeup of our business segments for the purpose of more effective business portfolio management. The information presented below corresponds to the business segments for the fiscal year ended March 31, 2023.

In the chemical products business segment, despite weakening demand for electronic equipment materials owing to impacts from the Chinese economy, we expect economic growth in Japan to drive brisk sales of products for automotive applications and basic chemical products. For the bottling business segment, we forecast sales and profit growth on the back of increased domestic consumption of beverages due to a recovery in inbound tourist demand. For the industrial materials and engineering services business segments, we forecast solid results in line with the fortunes of the Japanese economy. Our consolidated financial results forecasts for the fiscal year ending March 31, 2024 are as follows.

(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
1 st half	18,000	2.4	800	(27.6)	900	(30.1)	750	(21.1)	31.57
Full year	38,000	5.5	2,700	2.3	2,900	(0.4)	2,300	2.4	96.80

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

(i) Consolidated balance sheets

(Millions of yen)

	Mar. 31, 2022	Mar. 31, 2023	Year-on-year changes
Total assets	50,078	51,230	1,152
Net assets	30,903	33,179	2,275
Equity ratio	61.7%	64.8%	3.1%
Net assets per share	¥1,300.41	¥1,402.70	¥102.29
Interest - bearing liabilities	4,386	3,067	(1,319)

(Assets)

Total assets was ¥51,230 million, an increase of ¥1,152 million from the end of the previous fiscal year. This was primarily driven by increases in cash and deposits of ¥197 million, inventories of ¥1,108 million, accounts receivable – other (which is included in “other” in current assets”) of ¥183 million, investment securities of ¥482 million; partially offset by decreases in notes and accounts receivable - trade and contract assets of ¥188 million, property, plant and equipment of ¥463 million.

(Liabilities)

Liabilities was ¥18,051 million, a decrease of ¥1,123 million from the end of the previous fiscal year. This was primarily driven by decreases in notes and accounts payable –trade of ¥633 million, interest - bearing liabilities of ¥1,319 million; partially offset by increases in income taxes payable of ¥105 million, deferred tax liabilities of ¥224 million, retirement benefit liability of ¥104 million.

(Net assets)

Total net assets was ¥33,179 million, an increase of ¥2,275 million from the end of the previous fiscal year. This was primarily driven by increases in retained earnings of ¥1,862 million most of which derived from profit, valuation difference on available-for-sale securities of ¥567 million; partially offset by decreases in treasury shares of ¥75 million, remeasurements of defined benefit plans of ¥81 million.

As a result of the above, net assets per share was ¥1,402.70, an increase of ¥102.29 from the end of the previous fiscal year. Equity ratio increased from 61.7% to 64.8%.

(ii) Consolidated cash flow statements

(Millions of yen)

	Mar. 31, 2022	Mar. 31, 2023	Year-on-year changes
Cash flows from operating activities	3,063	2,064	(998)
Cash flows from investing activities	(984)	(65)	918
Cash flows from financing activities	(3,981)	(1,784)	2,197
Net increase (decrease) in cash and cash equivalents	(1,906)	219	2,126
Cash and cash equivalents at end of period	3,589	3,809	219

The balance of cash and cash equivalents at the end of this fiscal year was ¥ 3,809 million, an increase of ¥ 219 million from the end of the previous fiscal year.

Cash flows during this fiscal year and their causes are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥ 2,064 million, a decrease of ¥998 million from the previous fiscal year. This was primarily driven by profit before income taxes of ¥3,243 million, depreciation of ¥1,712 million, increase in inventories of ¥1,131 million, and income taxes paid of ¥880 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥65 million, a decrease of ¥918 million from the previous fiscal year. This was primarily driven by purchase of non-current assets of ¥1,075 million, proceeds from sale of investment securities of ¥654 million, interest and dividends received of ¥235 million, and proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation of ¥104 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥1,784 million, a decrease of ¥2,197 million from the previous fiscal year. This was primarily driven by net decrease in borrowings of ¥992 million, and dividends paid of ¥382 million.

(iii) Trends in cash flow indicators

	Mar. 31, 2019	Mar. 31, 2020	Mar. 31, 2021	Mar. 31, 2022	Mar. 31, 2023
Equity ratio	49.8%	53.6%	56.9%	61.7%	64.8%
Equity ratio based on market value	34.2%	22.6%	34.2%	31.5%	32.0%
Interest-bearing debt to cash flow ratio (years)	3.7	3.3	1.9	1.4	1.5
Interest coverage ratio (times)	35.3	34.2	55.1	48.4	34.3

Equity ratio: Equity capital/ total assets

Equity ratio based on market value: Market capitalization/total assets

Interest - bearing debt to cash flow ratio: Interest - bearing liabilities/operating cash flow

Interest coverage ratio: Operating cash flow/interest payments

(Notes) 1. Indicators are calculated based on consolidated figures.

2. Market capitalization is calculated using the closing share price at the end of the year multiplied by the total number of issued shares at the end of the period (less treasury stock at cost).

3. Operating cash flow is net cash provided by operating activities as shown in the consolidated statements of cash flows. Interest-bearing debt is all liabilities in the consolidated balance sheets for which interest is payable. Interest payments are the amount of interest paid as presented in the consolidated statements of cash flows.

(3) Basic Policy on Profit Distribution and Cash Dividends

We have decided on the amount of profit distribution to shareholders and retained earnings after comprehensively taking into account such factors as the business environment, earnings, and future business expansion. Retained earnings will be used to invest in mainly R&D in fields with growth potential or those that are unique to the Group, and in measures geared towards revitalizing existing businesses and expanding our business domains. They will also be effectively used to bolster our business foundation.

Our basic policy is to pay a fiscal year-end dividend once a year from surplus funds. Our dividend payout ratio target is 20%–30%.

In addition, with regard to interim dividends, the Articles of Incorporation stipulates that the Company may, pursuant to a resolution of the Board of Directors, pay an interim dividend to persons registered or recorded in the list of shareholders, or registered as a share pledgee, as of September 30 every year. Fiscal year-end dividends are authorized by the general meeting of shareholders, while interim dividends are authorized by the Board of Directors.

Regarding the year-end dividend for the fiscal year ended March 31, 2023, we plan to pay an ordinary dividend of ¥20 per share, comprehensively taking into account earnings for this fiscal year and the future outlook, among other matters.

For next fiscal year too, we forecast an annual dividend of ¥20 per share.

2. Basic Stance on Selection of Accounting Standards

The Company and its consolidated subsidiaries (collectively, “the Group”) prepare their consolidated financial statements based on the generally accepted accounting principles in Japan to allow comparisons with prior years and other companies.

Regarding the application of International Financial Reporting Standards, the Group will take appropriate actions by considering various circumstances both in Japan and overseas.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	3,768	3,966
Notes and accounts receivable - trade and contract assets	10,145	9,957
Merchandise and finished goods	2,693	3,056
Work in process	500	514
Raw materials and supplies	1,577	2,309
Other	2,107	2,236
Allowance for doubtful accounts	(8)	(13)
Total current assets	20,785	22,027
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,692	8,260
Machinery, equipment and vehicles, net	3,207	3,049
Land	5,868	5,868
Leased assets, net	1,248	1,071
Construction in progress	107	400
Other, net	236	247
Total property, plant and equipment	19,361	18,898
Intangible assets		
Other	96	85
Total intangible assets	96	85
Investments and other assets		
Investment securities	8,583	9,066
Deferred tax assets	595	539
Retirement benefit asset	6	5
Other	651	692
Allowance for doubtful accounts	(2)	(84)
Total investments and other assets	9,834	10,218
Total non-current assets	29,293	29,202
Total assets	50,078	51,230

As of March 31, 2022

As of March 31, 2023

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,217	5,584
Short-term borrowings	302	157
Current portion of long-term borrowings	977	847
Income taxes payable	488	594
Provision for bonuses	660	676
Other	2,454	2,168
Total current liabilities	11,100	10,029
Non-current liabilities		
Long-term borrowings	1,788	941
Lease obligations	410	933
Deferred tax liabilities	3,207	3,431
Provision for environmental measures	10	5
Provision for share awards for directors	50	75
Retirement benefit liability	1,113	1,218
Other	1,491	1,414
Total non-current liabilities	8,074	8,021
Total liabilities	19,174	18,051
Net assets		
Shareholders' equity		
Share capital	2,099	2,099
Capital surplus	1,192	1,190
Retained earnings	23,509	25,371
Treasury shares	(166)	(241)
Total shareholders' equity	26,634	28,420
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,190	4,758
Deferred gains or losses on hedges	31	8
Foreign currency translation adjustment	111	137
Remeasurements of defined benefit plans	(64)	(145)
Total accumulated other comprehensive income	4,269	4,758
Total net assets	30,903	33,179
Total liabilities and net assets	50,078	51,230

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Millions of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net sales	33,894	36,008
Cost of sales	25,246	27,321
Gross profit	8,647	8,686
Selling, general and administrative expenses	6,140	6,046
Operating profit	2,506	2,640
Non-operating income		
Dividend income	203	235
Share of profit of entities accounted for using equity method	21	12
Foreign exchange gains	48	20
Miscellaneous income	195	103
Total non-operating income	468	372
Non-operating expenses		
Interest expenses	64	59
Costs related to the suspension of operations	—	14
Miscellaneous losses	168	28
Total non-operating expenses	232	102
Ordinary profit	2,742	2,910
Extraordinary income		
Gain on sale of non-current assets	0	7
Gain on sale of investment securities	108	424
Gain on bargain purchase	392	—
Total extraordinary income	500	431
Extraordinary losses		
Loss on sale of non-current assets	22	0
Loss on retirement of non-current assets	215	16
Loss on valuation of investment securities	—	82
Total extraordinary losses	237	99
Profit before income taxes	3,005	3,243
Income taxes-current	693	906
Income taxes - deferred	(25)	89
Total income taxes	668	996
Profit	2,336	2,246
Profit attributable to owners of parent	2,336	2,246

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Profit	2,336	2,246
Other comprehensive income		
Valuation difference on available-for-sale securities	(268)	567
Deferred gains or losses on hedges	(1)	(22)
Foreign currency translation adjustment	40	26
Remeasurements of defined benefit plans, net of tax	118	(81)
Total other comprehensive income	(110)	489
Comprehensive income	2,225	2,736
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,225	2,736

(3) Consolidated Statements of Changes in Shareholders' Equity

For the fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,099	1,192	21,460	(155)	24,597
Cumulative effects of changes in accounting policies			(0)		(0)
Restated balance	2,099	1,192	21,459	(155)	24,596
Changes during period					
Dividends of surplus			(287)		(287)
Profit attributable to owners of parent			2,336		2,336
Purchase of treasury shares				(10)	(10)
Disposal of treasury shares					—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	2,049	(10)	2,038
Balance at end of period	2,099	1,192	23,509	(166)	26,634

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	4,458	32	70	(182)	4,379	28,977
Cumulative effects of changes in accounting policies						(0)
Restated balance	4,458	32	70	(182)	4,379	28,976
Changes during period						
Dividends of surplus						(287)
Profit attributable to owners of parent						2,336
Purchase of treasury shares						(10)
Disposal of treasury shares						—
Net changes in items other than shareholders' equity	(268)	(1)	40	118	(110)	(110)
Total changes during period	(268)	(1)	40	118	(110)	1,927
Balance at end of period	4,190	31	111	(64)	4,269	30,903

For the fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,099	1,192	23,509	(166)	26,634
Cumulative effects of changes in accounting policies					—
Restated balance	2,099	1,192	23,509	(166)	26,634
Changes during period					
Dividends of surplus			(383)		(383)
Profit attributable to owners of parent			2,246		2,246
Purchase of treasury shares				(79)	(79)
Disposal of treasury shares		(1)		4	2
Net changes in items other than shareholders' equity					
Total changes during period	—	(1)	1,863	(75)	1,786
Balance at end of period	2,099	1,190	25,371	(241)	28,420

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	4,190	31	111	(64)	4,269	30,903
Cumulative effects of changes in accounting policies						—
Restated balance	4,190	31	111	(64)	4,269	30,903
Changes during period						
Dividends of surplus						(383)
Profit attributable to owners of parent						2,246
Purchase of treasury shares						(79)
Disposal of treasury shares						2
Net changes in items other than shareholders' equity	567	(22)	26	(81)	489	489
Total changes during period	567	(22)	26	(81)	489	2,276
Balance at end of period	4,758	8	137	(145)	4,758	33,179

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	3,005	3,243
Depreciation	1,849	1,712
Amortization of goodwill	6	—
Gain on bargain purchase	(392)	—
Increase (decrease) in provision for bonuses	19	17
Increase (decrease) in provision for share awards for directors (and other officers)	41	24
Increase (decrease) in retirement benefit liability	(118)	104
Increase (decrease) in provision for environmental measures	—	(4)
Interest and dividend income	(204)	(235)
Insurance claim income	(110)	(0)
Interest expenses	64	59
Share of loss (profit) of entities accounted for using equity method	(21)	(12)
Loss (gain) on sale of investment securities	(108)	(424)
Loss (gain) on valuation of investment securities	—	82
Loss (gain) on sale of property, plant and equipment	22	(7)
Loss on retirement of property, plant and equipment	215	16
Decrease (increase) in trade receivables	(591)	128
Decrease (increase) in inventories	(1,201)	(1,131)
Increase (decrease) in trade payables	814	(294)
Other, net	400	(473)
Subtotal	3,692	2,804
Income taxes paid	(887)	(880)
Income taxes refund	146	184
Decrease (increase) in guarantee deposits	1	(44)
Proceeds from insurance income	110	0
Net cash provided by (used in) operating activities	3,063	2,064
Cash flows from investing activities		
Payments into time deposits	(25)	(0)
Proceeds from withdrawal of time deposits	42	23
Purchase of non-current assets	(1,044)	(1,075)
Payments for retirement of non-current assets	(200)	(12)
Proceeds from sale of property, plant and equipment	47	23
Purchase of investment securities	(21)	(21)
Proceeds from sale of investment securities	173	654
Interest and dividends received	204	235
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(218)	—
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	—	104
Other, net	57	1
Net cash provided by (used in) investing activities	(984)	(65)

(Millions of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,821)	(15)
Proceeds from long-term borrowings	1,000	—
Repayments of long-term borrowings	(1,505)	(977)
Dividends paid	(287)	(382)
Interest paid	(63)	(60)
Refund of long-term deposits received	(68)	(68)
Other, net	(234)	(280)
Net cash provided by (used in) financing activities	(3,981)	(1,784)
Effect of exchange rate change on cash and cash equivalents	(3)	5
Net increase (decrease) in cash and cash equivalents	(1,906)	219
Cash and cash equivalents at beginning of period	5,496	3,589
Cash and cash equivalents at end of period	3,589	3,809

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable

Basis of Preparation of Consolidated Financial Statements

1. Scope of consolidation

(1) Consolidated subsidiaries

The Company had 13 subsidiary companies at March 31, 2023. The subsidiary companies are listed as follows.

Japan Carlit Co., Ltd., JC Bottling Co., Ltd., Silicon Technology Co., Ltd., Carlit Sangyo Co., Ltd., Japan Carlit (Shanghai) Co., Ltd., Fuji Shoji Co., Ltd., Namitakiko Co., Ltd., General Design Co., Ltd., Toyo Spring Industrial Co., Ltd., Asia Giken Co., Ltd., SD Network Co., Ltd., JC Power Supply Co., Ltd., Minamisawa Construction Co., Ltd.

During this fiscal year, Sankyo Jitsugyo Co., Ltd. And Nishiyama Filter Co., Ltd., was excluded from the scope of consolidation because the Company sold all held shares of the said companies.

(2) Unconsolidated subsidiary

Not applicable

2. Equity method accounting

(1) The following affiliate company is accounted for using the equity method.

Affiliate company: one

Japex Co., Ltd.

(2) Unconsolidated subsidiary accounted for using the equity method

Not applicable

(3) Affiliate company not accounted for using the equity method

Higashi Nihon Nitto Ace Co., Ltd.

The affiliate company not accounted for using the equity method is excluded from the scope of application of the equity method due to its minor influence in terms of profit (loss) (amount corresponding to the Company's ownership interest) and retained earnings (amount corresponding to the Company's ownership interest) on the consolidated financial statements, and its immateriality as a whole.

3. Fiscal year of consolidated subsidiary company

The fiscal year-end of the overseas subsidiary Japan Carlit (Shanghai) Co., Ltd. is December 31. To prepare the consolidated financial statements, its financial statements as of that date are used, and necessary adjustments are made on consolidation to reflect any significant transactions that occurred between its fiscal year-end and the end of the fiscal year.

The fiscal year-end of other subsidiaries is same as the end of the fiscal year.

4. Accounting policies

(1) Basis and method of valuation of important assets

- (i) Available-for-sale securities
Securities excluding nonmarketable securities
Stated at market value based on market prices, etc. (Valuation difference are included directly in net assets, and cost of securities sold is determined using the moving-average method.)
Nonmarketable securities
Stated at cost determined by the moving-average method
- (ii) Derivatives
Stated at market value
- (iii) Inventories
Stated principally at cost determined by the moving-average method (Balance sheet values are calculated by reducing the book values of these assets based on a decline in profitability.)

(2) Method of depreciation and amortization of important depreciable and amortizable assets

- (i) Property, Plant and Equipment (excluding leased assets)
Property, plant and equipment are depreciated principally using the declining-balance method. Buildings (excluding facilities attached to buildings) acquired subsequent to March 31, 1998 and facilities attached to buildings and structures acquired subsequent to March 31, 2016 are depreciated using the straight-line method.
JC bottling Co., Ltd. and Silicon Technology Co., Ltd. depreciate their property, plant and equipment using the straight-line method.
The useful lives of major assets are as follows:
Buildings; 12 to 50 years
Structures; 7 to 60 years
Machinery and equipment; 3 to 22 years
- (ii) Intangible Assets (excluding leased assets)
Intangible assets are amortized using the straight-line method.
Software for internal use is amortized using the straight-line method over the estimated useful lives (5 years).
- (iii) Leased assets
Leased assets related to finance lease transactions that do not transfer ownership are depreciated using the straight-line method based on the assumption that the useful lives are equivalent to the lease terms and the residual value is zero.

(3) Basis for recording important provisions

- (i) Allowance for doubtful accounts
Allowance for doubtful accounts is provided for possible losses arising from bad debts at an amount determined based on the historical default rates for general receivables, and an individual estimate of uncollectible amounts for specific doubtful receivables from borrowers experiencing financial difficulties.
- (ii) Provision for bonuses
Provision for bonuses is provided for the bonus payments to employees in the estimated bonus amount attributable to the current fiscal year.
- (iii) Provision for environmental measures
To prepare for the treatment of PCB waste required under the “Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes,” the amount of estimated treatment cost is provided.
- (iv) Provision for share awards for directors
To prepare for future awards of the Company shares to directors through a trust, provision for

share awards for directors is provided for estimated share award debt.

(4) Accounting method for retirement benefits

- (i) Method for attributing expected retirement benefits to periods of service
In calculating the amount of retirement benefit obligations, expected retirement benefits are attributed to the period up to the end of the fiscal year on a benefit formula basis.
- (ii) Treatment of actuarial gains or losses
Actuarial gains or losses are amortized using the straight-line method over a certain number of years (8 years) within the average remaining years of service of the eligible employees at the time of recognition, and allocated proportionately from the fiscal year following the respective fiscal year of recognition.
- (iii) Adoption of the simplified method by companies that are small in size
Certain consolidated subsidiary companies, in the calculation of retirement benefit liability and retirement benefit expenses, apply the simplified method in which the amount to be required at the year-end for voluntary termination is used as retirement benefit obligations.

(5) Recognition of significant revenues and expenses

The Group has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and the “Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, revised on March 26, 2021), and recognizes the amount of revenues expected to be received in exchange for promised goods or services when or as control of the goods or services transfers to the customer.

- (i) Revenue Recognition of Chemicals, Bottling, and Industrial Materials Segments
In Chemicals, Bottling, and Industrial Materials Segments, the Group manufactures and sells Signal flares, Industrial explosives, Raw materials for propellant, Raw materials for fireworks, Sodium chlorate, Agrichemicals, Abrasives, PET bottle and can beverages, Heat-resistant refractories, Metal working materials, and Silicon wafers. Regarding these, the Group identifies the services provided by the Group as performance obligation.
For the sale of these products, revenue is recognized when products are delivered to customers. The reason is that customers gain control of products upon delivery and the Company fulfills its obligation to supply the products at that time. In accordance with alternative treatment prescribed in the proviso of Paragraph 98 of the “Guidance on Accounting Standard for Revenue Recognition,” for products sold in Japan, revenue is recognized when products are shipped because the length of time between shipping and delivery is general. For transactions in which the Group is considered acting as an agent, the Group recognizes the difference between the amounts received from customers and the amounts paid to suppliers as revenue. For outsourcing transactions with buy-back contract, the Group recognizes the compensation received as a consideration for work processed as revenue because it has no control over the raw materials received from contracting companies.
- (ii) Revenue Recognition of Engineering Services Segment
In Engineering Services Segment, the Group performs Engineering and construction work, Design and administration of buildings, Sales of industrial paints and painting work. Regarding these, the Group identifies the services provided by the Group as performance obligation.
In Engineering Services Segment, the certainty of result for the progress part is recognized and the control over goods or services is transferred to the customer for a period of time. Consequently, the Group recognizes revenue for a period of time as the performance obligation to transfer goods or service is satisfied. In addition, the method of estimating the progress pertaining to the fulfillment of performance obligations is the cost-based input method. In case that the progress of the performance obligation satisfied cannot be appropriately measured, the Group applies the cost recovery method for revenue recognition.

(6) Translation of significant foreign currency assets or liabilities into Japanese yen

All monetary receivables and payables denominated in foreign currencies are translated into yen at the exchange rate in effect at the balance sheet date and gains or losses arising from such translation are credited or charged to income. Assets and liabilities of overseas subsidiaries are translated into yen at the exchange rate in effect at the balance sheet date, whereas revenue and expenses of such subsidiaries are translated into yen using the average exchange rate during the fiscal year. Translation adjustments are included into foreign currency translation adjustments in net assets.

(7) Method of important hedge accounting

(i) Hedge accounting method

Deferral hedge accounting is applied in principle.

For foreign exchange forward contracts that satisfy the requirements for allocation treatment, allocation treatment is applied.

(ii) Hedging instruments and hedged items

Hedging instruments

Foreign exchange forward contracts

Hedged items

Future transactions denominated in foreign currencies

(iii) Hedging policy

The Company and its consolidated subsidiary companies hedge exchange rate fluctuation risk based on internal risk management policy.

(iv) Method for assessing hedge effectiveness

The hedge effectiveness is assessed by comparing the changes in the exchange rate or the accumulated cash flows between hedging instruments and hedged items from the commencement of the hedges up to the time of assessment in principle.

(8) Amortization method and period of goodwill

Goodwill is amortized using the straight-line method over reasonable periods estimated for each acquisition. If reasonable periods are not able to be estimated, goodwill is amortized over 5 years. If the value of goodwill is immaterial, the aggregate amount is written off in the year in which it arises.

Changes in Presentation Method

Consolidated Statement of Income

“Insurance claim income” which was presented separately for the fiscal year ended March 31, 2022, is included in “Miscellaneous income” under “Non-operating income” for the fiscal year ended March 31, 2023. To reflect this change in the method of presentation, the consolidated statement of income for the fiscal year ended March 31, 2022 has been restated.

As a result, the ¥110 million that was presented in “Insurance claim income” in the consolidated statement of income for the fiscal year ended March 31, 2022 is reclassified and presented as “Miscellaneous income” under “Non-operating income”.

“Compensation expenses” and “Commission expenses” which were presented separately for the fiscal year ended March 31, 2022, are included in “Miscellaneous losses” under “Non-operating expenses” for the fiscal year ended March 31, 2023. To reflect this change in the method of presentation, the consolidated statement of income for the fiscal year ended March 31, 2022 has been restated.

As a result, the ¥139 million that was presented in “Compensation expenses” and the ¥13 million that was presented in “Commission expenses” in the consolidated statement of income for the fiscal year ended March 31, 2022 is reclassified and presented as “Miscellaneous losses” under “Non-operating expenses”.

Segment Information

(1) Overview of reporting segments

The business segments of the Group are the business units of the Group, of which financial information is available separately in order for the Board of Directors to conduct periodic review to determine allocation of management resources and evaluate business performance by unit.

The Group is engaged in production and sale of chemicals, which is foundation of its business, and various businesses such as Bottling. And the Group companies separately draw up their comprehensive strategies on their products sold and services provided in domestic and overseas markets and develop their business activities.

Consequently, the Group has identified its business segments at the company level, aggregated the business segments with similar economic characteristics, products and services, and set out the four reportable segments, namely, Chemicals, Bottling, Industrial Materials, and Engineering Services.

The main products and services in each reportable segment are as follows.

Reportable segment	Main products and services
Chemicals	〈Explosives〉 Industrial explosives, Signal flares for automobile use, Smoke fires, Raw materials for fireworks 〈Chemicals〉 Sodium chlorate, Ammonium perchlorate, Agrichemicals, Electrodes, Perchloric acid, Plastic raw materials 〈Electronics〉 Organic conducting materials, Optical function materials, Ion conducting materials 〈Material assessments〉 Material hazard assessment testing, Battery testing 〈Ceramics〉 Abrasives
Bottling	Bottling and packaging
Industrial Materials	Silicon wafers, Heat-resistant refractories, Springs
Engineering Services	Engineering and construction work, Sales of industrial paints and painting work, Design and administration of buildings

(2) Methods to calculate amounts of net sales, profit or loss, assets, and other items by reportable segment

The accounting method applied to reportable segments is same as the principles and procedures that are described in “Summary of significant accounting policies.”

Segment profit is based on operating profit.

Inter-segment sales and eliminations are based on market price.

(3) Amounts of net sales, profit or loss, assets, and other items by reportable segment

For the fiscal year ended March 31, 2022

(Millions of yen)

	Reporting Segment					Other (Note)	Total
	Chemicals	Bottling	Industrial Materials	Engineering Services	Sub-total		
Net sales							
Outside customers	16,595	4,360	9,144	3,637	33,738	155	33,894
Inter-segment sales	355	—	169	536	1,060	2,067	3,128
Total	16,950	4,360	9,313	4,173	34,798	2,223	37,022
Segment profit	1,172	218	654	892	2,937	669	3,606
Segment Assets	26,746	4,588	8,211	3,770	43,317	35,445	78,763
Other items							
Depreciation	1,234	228	332	68	1,864	76	1,941
Tangible/intangible fixed assets increased	483	115	260	160	1,019	32	1,052

(Note) “Other” comprises business operations that are not categorized as reportable segments, and includes the Company.

(Millions of yen)

	Reportable segments total	“Other” segment sales	Inter-segment eliminations	Consolidated
Net sales	34,798	2,223	(3,128)	33,894
Profit	2,937	669	(1,099)	2,506
Assets	43,317	35,445	(28,684)	50,078
Other items				
Depreciation	1,864	76	(111)	1,830
Tangible/intangible fixed assets increased	1,019	32	(100)	952

For the fiscal year ended March 31, 2023

(Millions of yen)

	Reporting Segment					Other (Note)	Total
	Chemicals	Bottling	Industrial Materials	Engineering Services	Sub-total		
Net sales							
Outside customers	17,541	4,774	9,573	3,961	35,851	156	36,008
Inter-segment sales	354	—	168	241	764	1,935	2,699
Total	17,896	4,774	9,741	4,203	36,615	2,092	38,708
Segment profit	1,294	151	700	651	2,798	773	3,571
Segment Assets	28,439	4,380	8,643	4,055	45,519	36,109	81,629
Other items							
Depreciation	1,117	226	293	87	1,725	60	1,786
Tangible/intangible fixed assets increased	758	71	416	49	1,295	7	1,302

(Note) "Other" comprises business operations that are not categorized as reportable segments, and includes the Company.

(Millions of yen)

	Reportable segments total	"Other" segment sales	Inter-segment eliminations	Consolidated
Net sales	36,615	2,092	(2,699)	36,008
Profit	2,798	773	(931)	2,640
Assets	45,519	36,109	(30,398)	51,230
Other items				
Depreciation	1,725	60	(74)	1,711
Tangible/intangible fixed assets increased	1,295	7	(37)	1,265

Per Share Information

	Mar. 31, 2022	Mar. 31, 2023
Net assets per share	¥1,300.41	¥1,402.70
Basic earnings per share	¥98.31	¥94.55

Notes 1. Diluted net income per share is not stated because there was no diluted share.

2. For the purpose of calculating net assets per share, the shares held by BBT are included in treasury shares which are excluded from the total number of issued shares at fiscal year-end. The number of the shares held by BBT excluded in the calculation of net assets per share was 181,100 as of March 31, 2022, and 303,900 as of March 31, 2023.

For the purpose of calculating net income per share, the shares held by BBT are included in treasury shares which are excluded from calculation of average number of shares outstanding during the period. The average number of the shares held by BBT excluded in calculation of net income per share was 181,000 for the year ended March 31, 2022, and 186,067 for the year ended March 31, 2023.

3. Basis for calculation of net income per share was as follows:

(Millions of yen)

	Mar. 31, 2022	Mar. 31, 2023
Profit attributable to owners of parent	2,336	2,246
Profit not attributable to common share holders	—	—
Profit attributable to owners of parent pertaining to common shares	2,336	2,246
Average number of common shares outstanding during the period (thousands of shares)	23,770	23,764

Subsequent Events

Not applicable