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(Stock Exchange Code 4275)

Date of sending by postal mail: June 13, 2023

Start date of measures for electronic provision: June 6, 2023

**To Shareholders with Voting Rights:**

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

**NOTICE OF THE 10TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

We are pleased to announce the 10th Annual General Meeting of Shareholders of Carlit Holdings Co., Ltd. (the “Company”), which will be held as indicated below.

When convening this general meeting of shareholders, the Company takes measures for providing in electronic format the information that constitutes the content of reference documents for the general meeting of shareholders, etc. (items subject to measures for electronic provision). This information is posted on each of the following websites, so please access either of those websites to confirm the information.

The Company’s website:

<https://www.carlithd.co.jp/ir/stock/meeting.html> (in Japanese)

Website for posted informational materials for the general meeting of shareholders:

<https://d.sokai.jp/4275/teiji/> (in Japanese)

TSE website (Listed Company Search):

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show> (in Japanese)

(Access the TSE website by using the internet address shown above, enter “Carlit Holdings” in “Issue name (company name)” or the Company’s securities code “4275” in “Code,” and click “Search.” Then, click “Basic information” and select “Documents for public inspection/PR information.” Under “Filed information available for public inspection,” click “Click here for access” under “[Notice of General Shareholders Meeting /Informational Materials for a General Shareholders Meeting].”)

Instead of attending the meeting in person, you may exercise your voting rights in writing or via the Internet or similar means. Please review the attached Reference Documents for the General Meeting of Shareholders on pages 5 to 11, and exercise your voting rights by 5 p.m. on Wednesday, June 28, 2023, Japan time, in accordance with “Guidance on Exercising Voting Rights” on pages 3 to 4.

- 1. Date and Time:** Thursday, June 29, 2023, at 10 a.m. Japan time  
Reception start time: 9:30 a.m.
- 2. Place:** Conference room at the Head Office located at  
Sumitomo Corporation Kyobashi Bldg. 7F,  
1-17-10, Kyobashi, Chuo-ku, Tokyo, Japan

### 3. Meeting Agenda:

- Matters to be reported:** (1) The Business Report, the Consolidated Financial Statements for the Company's 10th Fiscal Year (April 1, 2022–March 31, 2023) and the results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board
- (2) The Non-Consolidated Financial Statements for the Company's 10th Fiscal Year (April 1, 2022–March 31, 2023)

**Proposals to be resolved:**

- Proposal 1:** Appropriation of Surplus
- Proposal 2:** Election of Seven (7) Directors
- Proposal 3:** Election of One (1) Audit & Supervisory Board Member

- In the event that no vote for or against the proposals is indicated in the enclosed Voting Rights Exercise Form, it will be handled as a vote in favor of the proposal.
- When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.
- When attending the meeting, please bring this Notice with you for resource saving purposes.
- There will be no gifts given out to those who attend the General Meeting of Shareholders. We seek your kind understanding on this matter.
- In the event of a correction to the items subject to measures for electronic provision, a notice that the correction was made, together with the information before and after the correction, will be posted on the websites where the information is provided.
- In accordance with a revision of the Companies Act, in principle you are to check items subject to measures for electronic provision by accessing the websites where the information is provided, and we will deliver paper-based documents stating the items only to shareholders who request the delivery of paper-based documents by the record date. However, for this general meeting of shareholders, we have delivered paper-based documents stating the items subject to measures for electronic provision to all shareholders, regardless of whether or not they have requested them.

In addition, among the items subject to measures for electronic provision, in accordance with the provisions of laws and regulations and Article 16 of the Articles of Incorporation of the Company, the following items are not provided in the paper-based documents that are sent.

- (i) "System for Ensuring the Appropriateness of Operations and the Operation Status of This System" in the Business Report
- (ii) "Consolidated Statement of Changes in Equity" and "Notes to the Consolidated Financial Statements" in the Consolidated Financial Statements
- (iii) "Non-Consolidated Statement of Changes in Equity" and "Notes to the Non-Consolidated Financial Statements" in the Non-Consolidated Financial Statements

Therefore the Business Report, Consolidated Financial Statements, and Non-Consolidated Financial Statements listed in these documents constitute a portion of the documents which are audited when the accounting audit report is prepared by the Accounting Auditor and the audit report is created by the Audit & Supervisory Board Members.

## Guidance on Exercising Voting Rights

If you will not attend the General Meeting of Shareholders, you can exercise your voting rights using one of the following methods. Please do so by 5 p.m. on Wednesday, June 28, 2023, Japan time.

Deadline for exercising voting rights

Wednesday, June 28, 2023,  
at 5 p.m. Japan time

### 1. Exercising voting rights in writing (by mail)



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

### 2. Exercising voting rights online

#### (1) Smart Voting



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

#### (2) Voting rights exercise code/password entry

- (i) Visit the Voting Rights Exercise Website (URL below) and log in using the voting rights exercise code and password printed on the enclosed Voting Rights Exercise Form. Follow the instructions on the screen to enter your votes. Note that for security purposes, you are required to change your password the first time you log in.  
Voting Rights Exercise Website: <https://soukai.mizuho-tb.co.jp/> (in Japanese only)
- (ii) Your password (including the new one you enter after logging in for the first time) is only valid for this General Meeting of Shareholders. We will issue a new password for the next General Meeting of Shareholders.
- (iii) Your password is the means of verifying your identity as the person exercising your voting rights. Note that we will never ask you for your password.
- (iv) If you enter an incorrect password more than a certain number of times, your account will be locked and inaccessible. If your account is locked, follow the instructions on the screen.

(3) Notes

- (i) The deadline for exercising voting rights is 5 p.m. on Wednesday, June 28, 2023, Japan time. Accordingly, you must finish entering your votes by that time. We recommend voting early.
- (ii) If you wish to revise your votes after exercising your voting rights via Smart Voting, we ask that you use the method described in (2) on page 3.
- (iii) If you exercise your voting rights by mail and online, only your online votes are valid. If you exercise your voting rights multiple times online, only the votes from the final instance are valid.
- (iv) Shareholders are responsible for the expense of connecting to the Internet.
- (v) Although we have checked that common Internet-enabled devices work properly with the online voting options, the options may not be available with some devices or in some circumstances.

3. Contact for inquiries

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

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



0120-768-524

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

4. Platform for institutional investors to exercise voting rights electronically

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

# Reference Documents for the General Meeting of Shareholders

## Proposals and References

### **Proposal 1:** Appropriation of Surplus

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

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

In light of the Company's results for the fiscal year ended March 31, 2023, we hereby propose to pay a year-end ordinary dividend of ¥20 per share for the fiscal year as follows.

- (1) Type of dividend property: Cash
- (2) Matters concerning allotment of dividend property to shareholders and the total amount thereof  
Amount for each common stock of the Company: ¥20 per share  
Total amount to be distributed: ¥479,156,060
- (3) Effective date for the dividends of surplus: June 30, 2023

**Proposal 2:** Election of Seven (7) Directors

The terms of office of all eight (8) Directors will expire at the conclusion of this Annual General Meeting of Shareholders. We hereby propose that seven (7) Directors be elected, including two (2) Directors to be newly appointed.

The candidates for Director are as follows:

No.	Name (Date of birth)	Past experience, positions and responsibilities (significant concurrent positions)	Number of shares of the Company held
1	[Reappointment] Hirofumi Kaneko (April 30, 1960)	<p>April 1984      Joined Japan Carlit Co., Ltd. June 2015      Executive Officer of the Company President and Representative Director, General Manager, Sales Headquarters, Japan Carlit Co., Ltd. June 2016      Director, Executive Officer, Supervisor, Group Sales of the Company President and Representative Director, Japan Carlit Co., Ltd. April 2018      Director, Managing Executive Officer, Supervisor, Group Sales Department of the Company April 2019      Director, Managing Executive Officer, Supervisor, Group Strategy Department of the Company June 2020      President and Representative Director, in charge of Research &amp; Development Center, Internal Audit Office of the Company April 2021      President and Representative Director, in charge of Internal Audit Office of the Company April 2023      Representative Director and President &amp; CEO, in charge of Corporate Planning Department and Internal Audit Office of the Company (to present)</p>	27,000
[Reason for selection as a candidate for Director] Mr. Hirofumi Kaneko has served the position of Representative Director and President & CEO of the Company after he served as President and Representative Director at Japan Carlit Co., Ltd., and Director, Managing Executive Officer, and Supervisor, Group Sales Department and Group Strategy Department of the Company. He has achievements regarding business management and development of management strategy of the entire Group, as well as a wealth of experience as a corporate manager. Accordingly, the Company selected him as a candidate for Director.			
2	[Reappointment] Toshifumi Yachi (June 5, 1961)	<p>April 1985      Joined The Fuji Bank, Limited (currently Mizuho Bank, Ltd.) January 2011    General Manager, Kyoto Chuo Branch, Mizuho Bank, Ltd. May 2014      General Manager, Personnel Division of the Company January 2017    Head of Management Strategy Office of the Company April 2018      President and Representative Director, SD Network Co., Ltd. April 2019      Executive Officer, General Manager, Personnel Division, Head of Secretary's Office of the Company June 2020      Director, Executive Officer, in charge of Personnel Division, General Affairs Division, Secretary's Office, General Manager, Personnel Division, Head of Secretary's Office of the Company April 2021      Director, Executive Officer, in charge of Personnel Division, General Affairs Division, Secretary's Office, Head of Secretary's Office of the Company April 2022      Director, Executive Officer, in charge of General Affairs Division, Secretary's Office, Personnel Division, and Finance Division, Head of Secretary's Office of the Company (to present) April 2023      Director, Executive Officer, Japan Carlit Co., Ltd. (to present)</p>	4,900
[Reason for selection as a candidate for Director] Mr. Toshifumi Yachi has assumed the positions of Director, Executive Officer, in charge of the General Affairs Division, Secretary's Office, Personnel Division, and Finance Division and the Head of Secretary's Office of the Company after he served as Head of Management Strategy Office of the Company, President and Representative Director, SD Network Co., Ltd., and Executive Officer, General Manager, Personnel Division, Head of Secretary's Office of the Company. He has a wealth of knowledge and experience regarding management and administration of the entire Group. Accordingly, the Company selected him as a candidate for Director.			

No.	Name (Date of birth)	Past experience, positions and responsibilities (significant concurrent positions)	Number of shares of the Company held
3	[New appointment] Fumio Ogawa (March 21, 1967)	<p>March 1991      Joined Japan Carlit Co., Ltd.</p> <p>April 2016      General Manager, Electronic Materials Division, Sales Headquarters, Japan Carlit Co., Ltd.</p> <p>April 2018      Assistant General Manager, Sales Headquarters, General Manager, Chemicals Division, General Manager, Electronic Materials Division, Japan Carlit Co., Ltd.</p> <p>April 2019      Assistant General Manager, Sales Headquarters, General Manager, Chemical Agents Division, Japan Carlit Co., Ltd.</p> <p>April 2020      General Manager, Sales Headquarters, General Manager, Chemical Agents Division, General Manager, Electronic Materials Division, Japan Carlit Co., Ltd.</p> <p>July 2021        Executive Officer, General Manager, Sales Headquarters, Japan Carlit Co., Ltd.</p> <p>April 2022        Executive Officer of the Company Director, General Manager, Sales Headquarters, Japan Carlit Co., Ltd.</p> <p>April 2023        Executive Officer, in charge of the Chemical Products segment of the Company (to present) Representative Director and President &amp; CEO, Japan Carlit Co., Ltd. (to present)</p>	2,700
<p>[Reason for selection as a candidate for Director] Mr. Fumio Ogawa has served in the position of Representative Director and President &amp; CEO of Japan Carlit Co., Ltd. after he served as Assistant General Manager of the Sales Headquarters, General Manager of the Chemicals Division, and General Manager of the Electronic Materials Division at Japan Carlit Co., Ltd., and Executive Officer and General Manager of the Sales Headquarters at Japan Carlit Co., Ltd. He has a wealth of knowledge and experience regarding the Chemical Products segment of the Group. Accordingly, the Company selected him as a candidate for Director.</p>			
4	[New appointment] Youji Yamaguchi (June 3, 1965)	<p>April 1988      Joined Japan Carlit Co., Ltd.</p> <p>July 2015        General Manager, Akagi Plant, Production Headquarters, Japan Carlit Co., Ltd.</p> <p>April 2018      General Manager, Engineering Group, Akagi Plant, Production Headquarters, Head of the Material Hazard Assessment Testing Laboratory, Japan Carlit Co., Ltd.</p> <p>April 2019      Director, Silicon Technology Corporation</p> <p>April 2021      Managing Director, Silicon Technology Corporation</p> <p>April 2022      Executive Officer of the Company (to present)</p> <p>June 2022      COO, Silicon Technology Corporation (to present)</p>	5,200
<p>[Reason for selection as a candidate for Director] Mr. Youji Yamaguchi has served in the position of COO of Silicon Valley Corporation after he served as General Manager of the Engineering Group, Akagi Plant, Production Headquarters and as Head of the Material Hazard Assessment Testing Laboratory at Japan Carlit Co., Ltd. He has a wealth of knowledge and experience regarding the Chemical Products segment and Industrial Materials segment of the Group. Accordingly, the Company selected him as a candidate for Director.</p>			

No.	Name (Date of birth)	Past experience, positions and responsibilities (significant concurrent positions)	Number of shares of the Company held
5	[Reappointment] [Outside Director] Kazuo Yamamoto (March 11, 1948)	<p>April 1971      Joined Shoichi Ikeda &amp; Co. (currently Ernst &amp; Young ShinNihon LLC)</p> <p>July 2010      President, Kazuo Yamamoto Certified Public Accountant and Tax Accountant Office (to present)</p> <p>June 2012      Outside Auditor, PC DEPOT Corporation</p> <p>September 2014      Outside Auditor, Lacto Japan Co., Ltd.</p> <p>June 2016      Outside Director of the Company (to present)</p> <p>[Reason for selection as a candidate for Outside Director and a summary of expected roles] Mr. Kazuo Yamamoto has never in the past been involved in the management of a company except as an outside officer. However, the Company selected him as a candidate for Outside Director as he has professional knowledge as a certified public accountant and has served as an outside auditor of other companies. If he is re-elected, the Company intends for him to be involved in the Company's policy for the election and dismissal of senior management and the policy for determining the compensation system and compensation amounts for Directors from an independent standpoint as a member of the Governance Committee.</p>	—
6	[Reappointment] [Outside Director] Seiichi Shimbo (April 9, 1951)	<p>April 1975      Joined Tokio Marine Fire Insurance Co., Ltd.</p> <p>April 2000      General Manager, Corporate Planning Department, Tokio Marine Fire Insurance Co., Ltd.</p> <p>June 2003      General Manager for 3rd Automobile Sales Department of Tokyo Automobile Headquarter, Tokio Marine Fire Insurance Co., Ltd.</p> <p>June 2004      Executive Officer, Tokio Marine Fire Insurance Co., Ltd.</p> <p>October 2006      Managing Executive Officer, Tokio Marine &amp; Nichido Fire Insurance Co., Ltd.</p> <p>July 2009      Senior Director, Non-life Insurance Policy-holders Protection Corporation of Japan</p> <p>June 2013      Outside Auditor, TOKYO OHKA KOGYO CO., LTD.</p> <p>June 2015      Outside Director, Itochu Enex Co., Ltd.</p> <p>June 2018      Outside Director of the Company (to present)</p> <p>[Reason for selection as a candidate for Outside Director and a summary of expected roles] Mr. Seiichi Shimbo has served in positions of outside director and outside auditor at several companies after he served as Managing Executive Officer at Tokio Marine &amp; Nichido Fire Insurance Co., Ltd. He has a wealth of experience regarding the various aspects of management. Accordingly, the Company selected him as a candidate for Outside Director. If he is re-elected, the Company intends for him to be involved in the Company's policy for the election and dismissal of senior management and the policy for determining the compensation system and compensation amounts for Directors from an independent standpoint as a member of the Governance Committee.</p>	6,800



No.	Name (Date of birth)	Past experience, positions and responsibilities (significant concurrent positions)	Number of shares of the Company held
7	[Reappointment] [Outside Director] Yukari Murayama (August 4, 1972)	<p>April 2000 Registered as an attorney at law Attorney at law, Bingham Sakai Mimura Aizawa (foreign law joint enterprise) (formerly Hideyuki Sakai Law Firm)</p> <p>January 2010 Seconded to Supervision Bureau, Financial Services Agency (Non-Bank Finance Companies Office and Financial System Stabilization Management Office)</p> <p>April 2012 Returned to Bingham Sakai Mimura Aizawa (foreign law joint enterprise) Office counsel, Bingham Sakai Mimura Aizawa</p> <p>April 2013 Partner at Bingham Sakai Mimura Aizawa</p> <p>April 2015 Partner at Anderson Mori &amp; Tomotsune (currently Anderson Mori &amp; Tomotsune Foreign Law Joint Enterprise) (to present)</p> <p>June 2015 Outside Audit &amp; Supervisory Board Member, Information Services International-Dentsu, Ltd.</p> <p>March 2016 Outside Director, Information Services International-Dentsu, Ltd.</p> <p>June 2022 Outside Director of the Company (to present)</p> <p>March 2023 Outside Director, Information Services International-Dentsu, Ltd. (Audit and Supervisory Committee Member) (to present)</p> <p>(Significant concurrent positions) Outside Director, Information Services International-Dentsu, Ltd. (Audit and Supervisory Committee Member)</p>	-
		[Reason for selection as a candidate for Outside Director and a summary of expected roles] Ms. Yukari Murayama has never in the past been involved in the management of a company except as an outside officer. However, the Company selected her as a candidate for Outside Director as she has professional knowledge as an attorney and has served as an outside director and outside auditor of other companies. If she is re-elected, the Company intends for her to be involved in the Company's policy for the election and dismissal of senior management and the policy for determining the compensation system and compensation amounts for Directors from an independent standpoint as a member of the Governance Committee.	

(Notes)

1. There is no special interest between each of the candidates for Director and the Company.
2. Mr. Kazuo Yamamoto, Mr. Seiichi Shimbo, and Ms. Yukari Murayama are candidates for Outside Director. The Company has designated these three candidates as Independent Directors as prescribed in the regulations of the Tokyo Stock Exchange. If they are re-elected and assume the position of Independent Director, the Company intends to continue with the appointment submitted to the same Exchange.
3. The Company has prescribed in its Articles of Incorporation that the Company may enter into a liability limitation agreement with Directors (excluding Directors with executive authority over operations) to limit their liability for damages to the Company within a certain limited amount to enable the Company to attract talented human resources as Outside Directors. Accordingly, if Mr. Kazuo Yamamoto, Mr. Seiichi Shimbo, and Ms. Yukari Murayama are re-elected and assume the position of Outside Director, the Company intends to continue the said agreement with them. The outline of the liability limitation agreement is as follows.
  - Should the candidate cause any damage to the Company as an Outside Director, provided that the candidate has executed his or her duties in good faith without gross negligence, the candidate shall be liable for compensation for damages to the Company, with the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act as the maximum amount of such liability.
4. The Company has entered into a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act to cover legal damages and litigation expenses to be paid for shareholders or other third parties by the insured including the Company's Directors. If the candidates are elected and assume the office of Director, they will be insured under the insurance contract. Additionally, the Company plans to renew the insurance contract with the same contents at the next renewal.
5. Mr. Kazuo Yamamoto will have served as an Outside Director of the Company for seven years at the conclusion of this General Meeting of Shareholders.
6. Mr. Seiichi Shimbo will have served as an Outside Director of the Company for five years at the conclusion of this General Meeting of Shareholders.
7. Ms. Yukari Murayama will have served as an Outside Director of the Company for one year at the conclusion of this General Meeting of Shareholders.
8. Ms. Yukari Murayama's name on the family register is Yukari Hagiwara.

**Proposal 3: Election of One (1) Audit & Supervisory Board Member**

The Audit & Supervisory Board Member, Mr. Norio Matsuo, will resign at the conclusion of this Annual General Meeting of Shareholders. Accordingly, we hereby propose that one (1) Audit & Supervisory Board Member be elected.

As the candidate for Audit & Supervisory Board Member, Mr. Yasuhiro Fujiwara is to be elected as a substitute Audit & Supervisory Board Member to fill the vacancy of Mr. Norio Matsuo, his term of office will be until the expiry of the term of office of the retiring Audit & Supervisory Board Member.

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

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

Name (Date of birth)	Past experience and positions (significant concurrent positions)	Number of shares of the Company held
[New appointment] [Outside Audit & Supervisory Board Member] Yasuhiro Fujiwara (January 3, 1972)	April 1995      Joined Mitsui Home Co., Ltd. July 1998      Left Mitsui Home Co., Ltd. October 2001    Joined ChuoAoyama Audit Corporation (later MISUZU Audit Corporation) June 2007      Left MISUZU Audit Corporation July 2007      Joined Shin Nihon & Co. (currently Ernst & Young ShinNihon LLC) December 2020    Left Ernst & Young ShinNihon LLC January 2021    Representative, Fujiwara Accounting Office (to present) Representative Director, Kaikei Oen Kobo Co., Ltd. (to present) June 2021      Outside Director (Audit), Fukoku Co., Ltd. (to present) (Significant concurrent positions) Outside Director (Audit), Fukoku Co., Ltd.	–
[Reason for selection as a candidate for Outside Audit & Supervisory Board Member] Mr. Yasuhiro Fujiwara has never in the past been involved in the management of a company except as an outside officer. However, the Company selected him as a candidate for Outside Audit & Supervisory Board Member as he has professional knowledge as a certified public accountant and has served as an outside director (auditor) of another company.		

(Notes)

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

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

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

Positions	Name	Corporate management	Finance and accounting	Manufacturing, research and development, and technology	Legal affairs, risk management, and governance	Planning and marketing	Global experience
Representative Director and President & CEO	Hirofumi Kaneko	○		○	○	○	○
Director, Executive Officer	Toshifumi Yachi	○	○			○	
Director, Executive Officer	Fumio Ogawa	○		○		○	
Director, Executive Officer	Youji Yamaguchi	○		○		○	
Director (Outside)	Kazuo Yamamoto		○		○		
Director (Outside)	Seiichi Shimbo	○			○	○	
Director (Outside)	Yukari Murayama				○		

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

Positions	Name	Corporate management	Finance and accounting	Manufacturing, research and development, and technology	Legal affairs, risk management, and governance	Planning and marketing	Global experience
Audit & Supervisory Board Member (Outside)	Katsunori Nozawa	○	○		○	○	○
Audit & Supervisory Board Member (Outside)	Yasuhiro Fujiwara		○		○	○	
Audit & Supervisory Board Member	Akinori Aoki		○	○		○	
Audit & Supervisory Board Member	Tsunemichi Iwai					○	
Executive Officer	Hideo Okamoto		○		○		○
Executive Officer	Shigenobu Takahashi			○	○		
Executive Officer	Shin Amanai	○		○		○	
Executive Officer	Ryuichi Nakatsu	○				○	

(Attachment)

## Business Report

(April 1, 2022–March 31, 2023)

### 1. The Present State of the Group

#### (1) Progress and outcomes of business

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.

In the current fiscal year, we recorded net sales of ¥36,008 million (+¥2,114 million/+6.2% YoY). Operating profit was ¥2,640 million (+¥133 million/+5.3%), ordinary profit was ¥2,910 million (+¥168 million/+6.1%), and profit attributable to owners of the parent company was ¥2,246 million (-¥89 million/-3.8%).

In the current fiscal year, consolidated net sales were brisk in mainly the Chemical Products segment (chemicals, material assessments, ceramics) and the Industrial Materials segment (heat-resistant refractories, various metal spring and pressed products). Also, we recorded extraordinary income of ¥424 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., etc.

Furthermore, for the previous fiscal year, we recorded compensation expenses of ¥139 million as non-operating expenses and insurance claim income of ¥110 million as non-operating income. In addition, we recorded ¥392 million in bargain purchase associated with acquiring shares of Minamisawa Construction Co., Ltd. and ¥108 million in extraordinary income on gain on sale of investment securities.

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

#### Chemical Products

In the explosives sector, industrial explosives experienced both a decrease in sales due to the withdrawal 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, and sales of replacements for automobile inspections grew due to an increase in sales of emergency flares with glass breaking function in response to torrential rain disasters and due to customers’ improved safety awareness. However, profit decreased due to surging costs for raw materials. Sales and profit increased for smoke fires for highway use due to the recovery in traffic volume and increased demand for construction regulation, and due to our 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.

In the material assessment sector, although sales of both material hazard assessment testing and battery testing increased due to active development of batteries, profit experienced a decrease due to surging electric power prices.

In the chemicals sector, sales and profit for sodium chlorate (for pulp bleaching) 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 to new orders for plating applications. Perchloric acid sales and profit decreased on sluggish overseas demand.

In the electronics sector, we experienced increased sales of electrolytes for electric double layer capacitors. However in this product group overall, 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 in this product group overall, sales and profit decreased due to sluggish smartphone and flat panel display markets affected by the China lockdown.

In the ceramics sector, we enjoyed increased sales and profit due to market share expansion, new sales expansion and maintaining fair prices.

As a result, net sales for the Chemical Products segment were ¥17,896 million (+¥946 million/+5.6% YoY), while operating profit was ¥1,294 million (+¥122 million/+10.4%).

### **Bottling**

In the Bottling segment, plastic-bottled beverages experienced increased sales due to a recovery in demand and orders for new products. Canned drinks experienced decreased sales due to the decline in demand for coffee sold in vending machines. Products in the consignment category saw increased sales due to orders for new products. Business segment profit overall was dented by soaring energy costs.

As a result, net sales for the Bottling segment were ¥4,774 million (+¥414 million/+9.5% YoY), while operating profit was ¥151 million (-¥67 million/-30.7%).

### **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. Heat-resistant 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 for construction machinery.

As a result, net sales for the Industrial Materials segment were ¥9,741 million (+¥428 million/+4.6% YoY), while operating profit was ¥700 million (+¥46 million/+7.0%).

### **Engineering Services**

For engineering and 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.

As a result, net sales for the Engineering Services segment were ¥4,203 million (+¥30 million/+0.7% YoY), while operating profit was ¥651 million (-¥241 million/-27.0%).

## Net sales by business segment

Segment	Previous consolidated fiscal year		Current fiscal year	
	Amount (Millions of yen)	Percentage (%)	Amount (Millions of yen)	Percentage (%)
Chemical Products	16,950	48.7	17,896	48.9
Bottling	4,360	12.5	4,774	13.0
Industrial Materials	9,313	26.8	9,741	26.6
Engineering Services	4,173	12.0	4,203	11.5
Subtotal	34,798	100.0	36,615	100.0
Other	(904)	–	(607)	–
Total	33,894	–	36,008	–

### (2) Capital investments

The total of capital investments made during the current fiscal year was ¥1,250 million.

#### (i) Main facilities completed during the current fiscal year

Chemical Products segment

Japan Carlit Co., Ltd. Construction of a new office and warehouse

Industrial Materials segment

Toyo Spring industrial Co., Ltd. Construction of additional thermal treatment furnace

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

No items to report.

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

No items to report.

### (3) Financing

Regarding financing for facilities and other projects during the current fiscal year, we procured necessary funds mainly from own capital and loans from financial institutions. Consolidated interest-bearing liabilities amounted to ¥3,067 million, a decrease of ¥1,319 million from the previous year.

### (4) Issues to address

#### 1. Fundamental management policy

Management philosophy: For Confidence and Infinite Challenge

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

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

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

## 2. Medium- and long-term management strategies

We have determined that our vision for the Company in 2030 is “Supporting happy lifestyles by combining the power of ‘chemicals’ and ‘technology’ to contribute to a sustainable society,” and we are carrying out a three-year Medium-term Management Plan entitled “Challenge 2024” that kicked off in fiscal year 2022. We have established five strategies related to improving business results and ESG management and are carrying out the plan based on our management policy of improving corporate value by introducing business portfolio management.

In addition, aiming to improve PBR, we have formulated the “Challenge 2024 Rolling Plan 2023” Medium-Term Management Plan that prescribes various specific actions, and we are carrying out a flexible management strategy that is suitable for the external environment.

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

Category	Year 7 (Year ended March 2020)	Year 8 (Year ended March 2021)	Year 9 (Year ended March 2022)	Year 10 Current fiscal year (Year ended March 2023)
Net sales (Millions of yen)	49,745	45,537	33,894	36,008
Ordinary profit (Millions of yen)	1,732	1,770	2,742	2,910
Profit attributable to owners of the parent (Millions of yen)	690	1,231	2,336	2,246
Profit per share (Yen)	29.14	51.82	98.31	94.55
Total assets (Millions of yen)	48,924	50,953	50,078	51,230
Net assets (Millions of yen)	26,209	28,977	30,903	33,179
Net assets per share (Yen)	1,106.00	1,218.73	1,300.41	1,402.70

Note: Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) went into effect at the start of Year 9. Accordingly, figures for Year 9 and year 10 are calculated in accordance with the new standards.

### (6) Status of the parent company and significant subsidiaries (as of March 31, 2023)

#### (i) Relationship with the parent company

No items to report.

#### (ii) Status of significant subsidiary companies

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

Notes: 1. We have 13 consolidated subsidiary companies and one company accounted for using the equity method.

2. On October 28, 2022, the Company transferred all shares in Sankyo Jitsugyo Co., Ltd., which had been 100% owned by the Company, to Shinrai Chemical Co., Ltd.

(iii) Status of specified wholly-owned subsidiary companies on March 31, 2023

Company name	Address	Book value of shares (Millions of yen)	Total assets owned by the Company (Millions of yen)
Japan Carlit Co., Ltd.	1-17-10, Kyobashi, Chuo-ku, Tokyo, Japan	11,666	35,584

(7) Description of main businesses (as of March 31, 2023)

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

(8) Main places of business and plants (as of March 31, 2023)

(i) Main places of business

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

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

## (9) Status of employees (as of March 31, 2023)

## Status of Group employees

Business segment	Number of employees	Change from end of previous year
Chemical Products	361	-10
Bottling	139	+1
Industrial Materials	343	-7
Engineering Services	180	+2
Other	59	+1
Total	1,082	-13

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

## (10) Main lenders (as of March 31, 2023)

(Millions of yen)

Lender	Borrowings
Mizuho Bank, Ltd.	507
The Gunma Bank, Ltd.	426
Mizuho Trust & Banking Co., Ltd.	261
Resona Bank, Limited	221

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

No items to report.

## (12) Status of acquisitions of businesses

No items to report.

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

No items to report.

(14) Status of acquisition or disposition of shares or other equity, share acquisition rights of other companies

On October 28, 2022, the Company transferred all shares in Sankyo Jitsugyo Co., Ltd., which had been 100% owned by the Company, to Shinrai Chemical Co., Ltd.

## 2. The Company's Shares (as of March 31, 2023)

- (1) Total number of authorized shares: 80,000,000
- (2) Total number of issued shares: 23,957,803 (excluding 92,197 treasury shares)
- (3) Number of shareholders: 36,801
- (4) Major shareholders

Shareholder name	Number of shares owned (Thousands of shares)	Ownership ratio (%)
Custody Bank of Japan, Ltd. (Marubeni retirement benefit trust account re-entrusted by Mizuho Trust & Banking Co., Ltd.)	1,997	8.3
The Master Trust Bank of Japan, Ltd. (trust account)	1,807	7.5
NOF CORPORATION	915	3.8
Custody Bank of Japan, Ltd. (Mizuho Bank retirement benefit trust account re-entrusted by Mizuho Trust & Banking Co., Ltd.)	913	3.8
Meiji Yasuda Life Insurance Company	700	2.9
NAGASE & CO., LTD.	700	2.9
Fuyo General Lease Co., Ltd.	522	2.2
Kanto Denka Kogyo Co., Ltd.	464	1.9
Carlit Holdings Employee Stock Ownership Association	420	1.8
Daiso Chemical Co., Ltd.	418	1.8

- Notes:
1. Ownership ratios were calculated after excluding the 92,197 treasury shares.
  2. The shares owned by the Marubeni retirement benefit trust account with Mizuho Trust & Banking Co., Ltd. were purchased by Marubeni Corporation as a retirement benefit trust.
  3. The shares owned by the Mizuho Bank retirement benefit trust account with Mizuho Trust & Banking Co., Ltd. were purchased by Mizuho Bank, Ltd. as a retirement benefit trust.
  4. The number of treasury shares does not include the 303,900 shares owned by Custody Bank of Japan, Ltd. (Trust E Account) for the performance-linked stock compensation plan for Directors.

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

Type of Officer	Number of shares (Hundreds of shares)	Recipients (Number of people)
Directors (excluding Outside Directors)	79	1
Outside Directors	–	–
Audit & Supervisory Board Members	–	–

- Notes:
1. The above are the shares which were provided to retired Company Officers.
  2. Details of the Company's stock compensation plan can be found under "4. Company Officers, (4) Compensation, etc. of Directors and Audit & Supervisory Board Members" on page 21 of the Business Report.

- (6) Important matters pertaining to other shares

No items to report.

## 3. Share Acquisition Rights

- (1) Status of share acquisition rights on March 31, 2023

No items to report.

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

No items to report.

#### 4. Company Officers

##### (1) Names, etc. of Directors and Audit & Supervisory Board Members (as of March 31, 2023)

Position in the Company	Name	Areas of responsibility and significant concurrent positions
President and Representative Director	Hirofumi Kaneko	In charge of the Corporate Planning Department and Internal Audit Office
Director	Takashi Morishita	Senior Managing Executive Officer, Assistant to the President, in charge of the Public Relations & Sustainability Promotion Division; President and Representative Director, Japan Carlit Co., Ltd.
Director	Hideo Okamoto	Executive Officer, in charge of Legal Affairs & Compliance Division, Finance Division, and IT Systems Promotion Division, and General Manager, Legal Affairs & Compliance Division
Director	Teiji Sakata	Executive Officer; President and Representative Director, JC Bottling Co., Ltd.
Director	Toshifumi Yachi	Executive Officer, in charge of General Affairs Division, Secretary's Office, Personnel Division, and Finance Division, and Head of Secretary's Office
Director	Kazuo Yamamoto	
Director	Seiichi Shimbo	
Director	Yukari Murayama	Outside Director, Information Services International-Dentsu, Ltd. (Audit and Supervisory Committee Member)
Standing Audit & Supervisory Board Member	Katsunori Nozawa	Audit & Supervisory Board Member, Japan Carlit Co., Ltd.; Outside Director, WELCIA Holdings Co., Ltd.
Audit & Supervisory Board Member	Norio Matsuo	Outside Audit & Supervisory Board Member, Central General Development Co., Ltd.
Audit & Supervisory Board Member	Akinori Aoki	Full-Time Audit & Supervisory Board Member, Japan Carlit Co., Ltd.
Audit & Supervisory Board Member	Tsunemichi Iwai	Audit & Supervisory Board Member, Japan Carlit Co., Ltd.

- Notes:
1. Directors Kazuo Yamamoto, Seiichi Shimbo, and Yukari Murayama are Outside Directors as defined in Article 2, Paragraph 15 of the Companies Act.
  2. Standing Audit & Supervisory Board Member Katsunori Nozawa and Audit & Supervisory Board Member Norio Matsuo are Outside Audit & Supervisor Board Members as defined in Article 2, Paragraph 16 of the Companies Act.
  3. Directors Kazuo Yamamoto, Seiichi Shimbo, and Yukari Murayama; Standing Audit & Supervisory Board Member Katsunori Nozawa; and Audit & Supervisory Board Member Norio Matsuo have been reported to the Tokyo Stock Exchange as independent officers.

##### (2) Summary of the content of liability limitation agreements

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

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

The Company has entered into a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act. The insured parties under the insurance contract are the Directors and Audit & Supervisory Board Members of the Company and those of its subsidiary companies under the Companies Act; the insured parties do not pay insurance premiums. The insurance covers damage (legal damages and litigation expenses) suffered by Officers of the Company when shareholders or other third parties seek compensatory damages during the term of the insurance as a result of the Officers' actions or inaction.

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

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

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

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

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

I. Basic policy

Our basic policy for determining compensation for individual Directors is to set it at appropriate levels for their responsibilities under a system linked to shareholders' interests so that the compensation serves as a sufficient incentive for the Directors to persistently strive to improve the value of the Company. Specifically, compensation for Directors with executive authority over operations comprises basic compensation, which serves as their fixed compensation, and bonuses, while Outside Directors, who are tasked with supervisory functions, are only paid the basic compensation in light of their duties.

II. Policies for determining amounts of basic compensation (monetary compensation) for individuals (including policies for determining the timing and conditions for providing the compensation)

As basic compensation, Company Directors are paid a fixed monthly amount determined based on many factors, including their position, responsibilities, what other companies are paying, the Company's performance, and Company employees' wage levels as well as assessments of their duties. In these assessments, the Representative Director assesses the status of each Director's duties and consults with the Governance Committee, which reports to the Board of Directors, which then deliberates over and finalizes the assessments.

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

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

a. Eligible recipients of bonuses

Directors (excluding Outside Directors)

b. Assets provided as performance-linked remuneration

Common stock of the Company and cash

c. Method of calculating stock compensation payments

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

Number of points = Funds for distribution (Table 1) x (Scheduled recipient's point percentage (Table 2) ÷ Total number of points to be awarded) ÷ Share price when the trust acquires the shares (Points are rounded down to the nearest whole number)

Table 1: Funds for Distribution

Level of performance	Funds for distribution
Consolidated ordinary profit of ¥1,500 million or greater, and profit of ¥1,000 million or greater	1.0% of consolidated ordinary profit (Maximum for Directors: ¥60 million)
Consolidated ordinary profit of less than ¥1,500 million, or profit of less than ¥1,000 million when ordinary profit is ¥1,500 million or greater	No payments

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

Table 2: Point Percentages

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

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

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

Number of shares to be provided = Cumulative points x 1.0

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

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

Specifically, as outlined in Section I, compensation for Directors with executive authority over operations comprises basic compensation, which serves as their fixed compensation, and bonuses, while Outside Directors, who are tasked with supervisory functions, are only paid the basic compensation in light of their duties. In addition to the basic compensation, which serves as fixed compensation, Directors with executive authority over operations are awarded points corresponding to the Company's performance each fiscal year as outlined in Section III as performance-linked stock compensation. In principle, they receive the number of shares corresponding to their cumulative point total as a bonus when they step down from their positions as Directors. Accordingly, the percentages of compensation of Directors with

executive authority over operations may fluctuate in response to the number of points awarded as performance-linked stock compensation.

#### V. Determining the details of individual Director compensation

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

#### (ii) Total amount of compensation for the year ended March 31, 2023

Type of Officer	Total amount of compensation (Millions of yen)	Total amount by type of compensation (Millions of yen)			Number of eligible recipients
		Basic compensation	Performance-linked compensation	Of the amount at left, the amount of non-monetary compensation	
Directors	148 (including 21 for Outside Directors)	126 (including 21 for Outside Directors)	22 (including 0 for Outside Directors)	22 (including 0 for Outside Directors)	10 (including 4 for Outside Directors)
Audit & Supervisory Board Members	37 (including 23 for Outside Audit & Supervisory Board Members)	37 (including 23 for Outside Audit & Supervisory Board Members)	–	–	4 (including 2 for Outside Audit & Supervisory Board Members)

- Notes:
- At the 6th Annual General Meeting of Shareholders held on June 27, 2019, the shareholders passed a resolution to limit Director compensation to ¥300 million per year (of which the limit per year for Outside Directors is ¥30 million). (However this does not include portions of wages corresponding to services as an employee for individuals concurrently serving as Directors.) The number of Directors at the conclusion of the General Meeting of Shareholders was nine (including three Outside Directors). Separate from the above, at the 2nd Annual General Meeting of Shareholders held on June 26, 2015, the shareholders passed a resolution to introduce a performance-linked stock compensation plan which limits compensation to Directors (excluding Outside Directors) to a maximum of ¥60 million in a single fiscal year. The number of Directors (excluding Outside Directors) at the conclusion of the General Meeting of Shareholders was five. In addition to the above limit, at the 8th Annual General Meeting of Shareholders held on June 29, 2021, the shareholders passed a resolution to establish a maximum of 120,000 points granted to Directors under the performance-linked stock compensation plan during a single fiscal year. The number of Directors (excluding Outside Directors) at the conclusion of the General Meeting of Shareholders was six. Details of the performance-linked stock compensation plan are as described in Section III “Policies for determining details about bonuses and methods of calculating amounts and figures” in “(i) Policies for determining the details of Officer compensation, etc.”
  - At the 1st Annual General Meeting of Shareholders held on June 27, 2014, the shareholders passed a resolution to limit Audit & Supervisory Board Member compensation to ¥60 million per year. The number of Audit & Supervisory Board Members at the conclusion of the General Meeting of Shareholders was four.
  - Included in the above are the two Directors (including one Outside Director) who resigned at the conclusion of the 9th Annual General Meeting of Shareholders held on June 29, 2022.
  - Performance-linked compensation and non-monetary compensation show the upper limits for recording of expenses related to the performance-linked stock compensation Plan in that fiscal year.

#### (5) Outside Officers

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

No items to report.

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

Outside Director Yukari Murayama is concurrently serving as an Outside Director (Audit and Supervisory Committee Member) at Information Services International-Dentsu, Ltd. Notably, there is no special interest between the Company and Information Services International-Dentsu, Ltd.

Outside Audit & Supervisory Board Member Katsunori Nozawa is concurrently serving as an Outside Director at WELCIA Holdings Co., Ltd. Notably, there is no special interest between the Company and WELCIA Holdings Co., Ltd.

Outside Audit & Supervisory Board Member Norio Matsuo is concurrently serving as an Outside Audit & Supervisory Board Member at Central General Development Co., Ltd. Notably, there is no special interest between the Company and Central General Development Co., Ltd.



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

Name	Position	Status of main activities and summary of duties performed with regard to their expected role as an Outside Director
Kazuo Yamamoto	Outside Director	Of the 22 meetings of the Board of Directors held during the year, Mr. Kazuo Yamamoto attended all 17 that did not involve the five written resolutions. With efforts highlighted by proactive contributions to discussions based on his expert knowledge and experience as a certified public accountant, he is fulfilling his role, which is to ensure the relevance and appropriateness of the decisions of the Board of Directors. Additionally, as the chair of the Governance Committee, he attended all 10 of the committee's meetings held this year, and is serving a supervisory function over the process of determining the Company's policies for electing and dismissing senior management and for determining compensation plans and amounts of compensation for Directors.
Seiichi Shimbo	Outside Director	Of the 22 meetings of the Board of Directors held during the year, Mr. Seiichi Shimbo attended all 17 that did not involve the five written resolutions. With efforts highlighted by proactive contributions to discussions based on his experience from successive service in posts as an outside officer at several companies, he is fulfilling his role, which is to ensure the relevance and appropriateness of the decisions of the Board of Directors. Additionally, as a member of the Governance Committee, he attended all 10 of the committee's meetings held this year, and is serving a supervisory function over the process of determining the Company's policies for electing and dismissing senior management and for determining compensation plans and amounts of compensation for Directors.
Yukari Murayama	Outside Director	Of the 17 meetings of the Board of Directors held since her appointment as an Outside Director of the Company, Ms. Yukari Murayama attended 12 of the 13 that did not involve the four written resolutions. With efforts highlighted by proactive contributions to discussions based on her expert knowledge and experience as a licensed attorney, she is fulfilling her role, which is to ensure the relevance and appropriateness of the decisions of the Board of Directors. Additionally, as a member of the Governance Committee, she attended all 8 of the committee's meetings held since her appointment as an Outside Director of the Company, and is serving a supervisory function over the process of determining the Company's policies for electing and dismissing senior management and for determining compensation plans and amounts of compensation for Directors.
Katsunori Nozawa	Outside Audit & Supervisory Board Member	Of the 22 meetings of the Board of Directors held during the year, Mr. Katsunori Nozawa attended all 17 that did not involve the five written resolutions, and attended all 22 of the Audit & Supervisory Board meetings. His contributions to discussions are based mainly on the knowledge and perspectives he has cultivated at financial institutions, where he started his career.
Norio Matsuo	Outside Audit & Supervisory Board Member	Of the 22 meetings of the Board of Directors held during the year, Mr. Norio Matsuo attended all 17 that did not involve the five written resolutions, and attended all 22 of the Audit & Supervisory Board meetings. His contributions to discussions are based mainly on the knowledge and perspectives he has cultivated at financial institutions, where he started his career.

5. Status of the Accounting Auditor

(1) Name of the Accounting Auditor

Ernst & Young ShinNihon LLC

(2) Amount of compensation for the Accounting Auditor for the year ended March 31, 2023

- |   |             |
|---|-------------|
| (i) Compensation for the Accounting Auditor for the year ended March 31, 2023   | ¥28 million |
| (ii) Total amount of money and other economic benefits to be paid to the Accounting Auditor by the Company and its subsidiary companies | ¥48 million |

- Notes:
1. The respective amounts of compensation for auditing services under the Companies Act and the Financial Instruments and Exchange Act are not classified in the agreement for auditing services between the Company and the Accounting Auditor, and cannot be classified in practical terms; therefore, the amount of compensation for the year ended March 31, 2023 is indicated as the total of both.
  2. The Audit & Supervisory Board agreed to the compensation for the Accounting Auditor after undergoing the steps necessary to verify the appropriateness of the basis for calculating compensation, details of auditing plans, and the like.
  3. In addition to the above, the amount of compensation for the Accounting Auditor includes ¥4 million as the amount of additional compensation related to the preceding fiscal year.

(3) Details of non-auditing services

No items to report.

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

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

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

No items to report.

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

# Consolidated Financial Statements

Consolidated Balance Sheets (as of March 31, 2023)

(Millions of yen)

Accounts	Amounts
<b>Assets</b>	
<b>I Current assets</b>	
Cash and deposits	3,966
Notes and accounts receivable - trade, and contract assets	9,957
Merchandise and finished goods	3,056
Work in process	514
Raw materials and supplies	2,309
Other	2,236
Allowance for doubtful accounts	(13)
Total current assets	22,027
<b>II Non-current assets</b>	
1 Property, plant and equipment	
Buildings and structures	8,260
Machinery, equipment and vehicles	3,049
Land	5,868
Leased assets	1,071
Construction in progress	400
Other	247
Total property, plant and equipment	18,898
2 Intangible assets	
Other	85
Total intangible assets	85
3 Investments and other assets	
Investment securities	9,066
Deferred tax assets	539
Retirement benefit asset	5
Other	692
Allowance for doubtful accounts	(84)
Total investments and other assets	10,218
Total non-current assets	29,202
<b>Total assets</b>	<b>51,230</b>

		(Millions of yen)
Accounts		Amounts
<b>Liabilities</b>		
<b>I</b>	<b>Current liabilities</b>	
	Notes and accounts payable - trade	5,584
	Short-term borrowings	157
	Current portion of long-term borrowings	847
	Income taxes payable	594
	Provision for bonuses	676
	Other	2,168
	Total current liabilities	10,029
<b>II</b>	<b>Non-current liabilities</b>	
	Long-term borrowings	941
	Lease obligations	933
	Deferred tax liabilities	3,431
	Provision for environmental measures	5
	Provision for share awards for directors	75
	Retirement benefit liability	1,218
	Other	1,414
	Total non-current liabilities	8,021
	<b>Total liabilities</b>	<b>18,051</b>
<b>Net assets</b>		
<b>I</b>	<b>Shareholders' equity</b>	
	Share capital	2,099
	Capital surplus	1,190
	Retained earnings	25,371
	Treasury shares	(241)
	Total shareholders' equity	28,420
<b>II</b>	<b>Accumulated other comprehensive income</b>	
	Valuation difference on available-for-sale securities	4,758
	Deferred gains or losses on hedges	8
	Foreign currency translation adjustment	137
	Remeasurements of defined benefit plans	(145)
	Total accumulated other comprehensive income	4,758
	<b>Total net assets</b>	<b>33,179</b>
	<b>Total liabilities and net assets</b>	<b>51,230</b>

**Consolidated Statements of Income** (from April 1, 2022 to March 31, 2023)

(Millions of yen)

Accounts	Amounts	
<b>I Net sales</b>		<b>36,008</b>
<b>II Cost of sales</b>		<b>27,321</b>
Gross profit		8,686
<b>III Selling, general and administrative expenses</b>		
Selling, general and administrative expenses	6,046	6,046
<b>Operating profit</b>		<b>2,640</b>
<b>IV Non-operating income</b>		
Dividend income	235	
Share of profit of entities accounted for using equity method	12	
Foreign exchange gains	20	
Other	103	372
<b>V Non-operating expenses</b>		
Interest expenses	59	
Costs related to the suspension of operations	14	
Other	28	102
<b>Ordinary profit</b>		<b>2,910</b>
<b>VI Extraordinary income</b>		
Gain on sale of non-current assets	7	
Gain on sale of investment securities	424	431
<b>VII Extraordinary losses</b>		
Loss on sale of non-current assets	0	
Loss on retirement of non-current assets	16	
Loss on sale of shares of subsidiaries and associates	82	99
<b>Profit before income taxes</b>		<b>3,243</b>
Income taxes - current	906	
Income taxes - deferred	89	996
<b>Profit</b>		<b>2,246</b>
<b>VIII Profit attributable to owners of parent</b>		<b>2,246</b>

# Non-consolidated Financial Statements

Non-consolidated Balance Sheets (as of March 31, 2023)

		(Millions of yen)
Accounts		Amounts
<b>Assets</b>		
<b>I</b>	<b>Current assets</b>	
	Cash and deposits	2,964
	Short-term loans receivable from subsidiaries and associates	4,862
	Other	152
	Total current assets	7,978
<b>II</b>	<b>Non-current assets</b>	
1	Property, plant and equipment	
	Buildings and structures	1,263
	Tools, furniture and fixtures	6
	Land	265
	Total property, plant and equipment	1,534
2	Intangible assets	
	Software	21
	Software in progress	2
	Total intangible assets	24
3	Investments and other assets	
	Investment securities	6,187
	Shares of subsidiaries and associates	14,977
	Long-term loans receivable from subsidiaries and associates	4,730
	Other	151
	Total investments and other assets	26,046
	Total non-current assets	27,605
	<b>Total assets</b>	<b>35,584</b>

		(Millions of yen)
Accounts		Amounts
<b>Liabilities</b>		
<b>I</b>	<b>Current liabilities</b>	
	Current portion of long-term borrowings	847
	Deposits received	1,004
	Provision for bonuses	68
	Other	51
	Total current liabilities	1,971
<b>II</b>	<b>Non-current liabilities</b>	
	Long-term borrowings	941
	Long-term deposits received	1,164
	Deferred tax liabilities	2,068
	Provision for retirement benefits	38
	Provision for share awards for directors	75
	Total non-current liabilities	4,288
<b>Total liabilities</b>		<b>6,259</b>
<b>Net assets</b>		
<b>I</b>	<b>Shareholders' equity</b>	
1	Share capital	2,099
2	Capital surplus	
	(1) Legal capital surplus	1,196
	(2) Other capital surplus	13,715
	Total capital surplus	14,911
3	Retained earnings	
	(1) Other retained earnings	
	Retained earnings brought forward	9,391
	Total other retained earnings	9,391
	Total retained earnings	9,391
4	Treasury shares	(241)
	Total shareholders' equity	26,160
<b>II</b>	<b>Valuation and translation adjustments</b>	
	Valuation difference on available-for-sale securities	3,163
	Total valuation and translation adjustments	3,163
<b>Total net assets</b>		<b>29,324</b>
<b>Total liabilities and net assets</b>		<b>35,584</b>

**Non-consolidated Statements of Income** (from April 1, 2022 to March 31, 2023)

(Millions of yen)

Accounts	Amounts	
<b>I Operating revenue</b>		<b>2,092</b>
<b>II Operating expenses</b>		<b>1,319</b>
<b>Operating profit</b>		<b>773</b>
<b>III Non-operating income</b>		
Interest income	56	
Dividend income	210	
Other	4	271
<b>IV Non-operating expenses</b>		
Interest expenses	24	
Commission expenses	13	
Other	2	39
<b>Ordinary profit</b>		<b>1,005</b>
<b>V Extraordinary income</b>		
Gain on sale of investment securities	1,957	
Gain on sale of shares of subsidiaries and associates	15	1,973
<b>VI Extraordinary losses</b>		
Loss on retirement of non-current assets	0	0
<b>Profit before income taxes</b>		<b>2,978</b>
Income taxes - current	68	
Income taxes - deferred	538	607
<b>Profit</b>		<b>2,370</b>



# Audit Reports

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

### Independent Auditor's Report (Translation)

May 23, 2023

The Board of Directors

Carlit Holdings Co., Ltd.

**Ernst & Young ShinNihon LLC**

**Tokyo Office, Japan**

Designated Engagement Partner,  
Certified Public Accountant

Koichiro Haraga

Designated Engagement Partner,  
Certified Public Accountant

Kenichi Ishida

#### *Audit Opinion*

Pursuant to Article 444, paragraph (4) of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity, and the notes to the consolidated financial statements of Carlit Holdings Co., Ltd. (the "Company") applicable to the fiscal year from April 1, 2022 to March 31, 2023.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and results of operations of the Group, which consisted of the Company and its consolidated subsidiaries, applicable to the fiscal year ended March 31, 2023, in accordance with accounting principles generally accepted in Japan.

#### *Basis for Audit Opinion*

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

#### *Other Information*

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

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

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

*Conflicts of Interest*

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

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

Independent Auditor's Report (Translation)

May 23, 2023

The Board of Directors

Carlit Holdings Co., Ltd.

**Ernst & Young ShinNihon LLC**

**Tokyo Office, Japan**

Designated Engagement Partner,  
Certified Public Accountant

Koichiro Haraga

Designated Engagement Partner,  
Certified Public Accountant

Kenichi Ishida

*Audit Opinion*

Pursuant to Article 436, paragraph (2), item (i) of the Companies Act, we have audited the accompanying non-consolidated financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, the notes to the non-consolidated financial statements and the related supplemental schedules (collectively, "non-consolidated financial statements, etc.") of Carlit Holdings Co., Ltd. (the "Company") applicable to the 10th fiscal year from April 1, 2022 to March 31, 2023.

In our opinion, the non-consolidated financial statements, etc. referred to above present fairly, in all material respects, the financial position and results of operations of the Company, applicable to the fiscal year ended March 31, 2023, in accordance with accounting principles generally accepted in Japan.

*Basis for Audit Opinion*

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

*Other Information*

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other

information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

*Conflicts of Interest*

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

## Certified copy of Audit & Supervisory Board's Audit Report

### Audit Report

The Audit & Supervisory Board has received the reports of the business performance of the Directors during the 10th fiscal year from April 1, 2022 through March 31, 2023 from each of the Audit & Supervisory Board Members. After discussing the reports, we have prepared this Audit Report and report as follows.

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

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

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

2. Results of Audit

(1) Results of Audit of Business Report

(i) In our opinion, the Business Report and supplementary schedules are in accordance with the related laws and regulations and Articles of Incorporation, and fairly represent the Company's condition.

(ii) We found no wrongful act or material fact in violation of law or regulations or in violation of the Company's Articles of Incorporation with respect to the execution of duties by the Directors.

(iii) In our opinion, the contents of the resolutions of the Board of Directors regarding the internal control system are fair and reasonable. Furthermore, there are no matters that we should point out regarding the contents of the Business Report and execution of duties by the Directors related to internal control systems, including internal control systems over financial reporting.

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

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

(3) Results of Audit of Consolidated Financial Statements

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

May 24, 2023

Audit & Supervisory Board,  
Carlit Holdings Co., Ltd.

Standing Audit & Supervisory Board Member	Katsunori Nozawa (Seal)
Audit & Supervisory Board Member	Akinori Aoki (Seal)
Audit & Supervisory Board Member	Norio Matsuo (Seal)
Audit & Supervisory Board Member	Tsunemichi Iwai (Seal)

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