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July 28, 2023

Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending March 31, 2024
(Based on Japanese GAAP)

Company name: Carlit Holdings Co., Ltd. (hereafter ‘the Company’)
Listed exchange: Prime Market, Tokyo Stock Exchange Code Number: 4275
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Scheduled date to file quarterly securities report: August 4, 2023
Scheduled date to commence dividend payments: –
Preparation of explanatory materials for quarterly financial results: No
Holding of quarterly financial results briefing: No

(Amounts are rounded down to the nearest million yen)

1. Consolidated financial results for the three months of the fiscal year ending March 31, 2024
(from April 1, 2023 to June 30, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
Jun. 30, 2023	8,823	6.4	514	36.4	677	29.8	505	19.4
Jun. 30, 2022	8,291	4.8	377	(13.0)	522	(5.0)	423	7.7

Note: Comprehensive income For the three months ended Jun. 30, 2023: ¥1,065 million [260.4%]

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

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
Jun. 30, 2023	21.39	–
Jun. 30, 2022	17.83	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
Jun. 30, 2023	51,513	33,765	65.5	1,427.49
Mar. 31, 2023	51,230	33,179	64.8	1,402.70

Reference: Shareholders' equity: As of Jun. 30, 2023: ¥33,765 million; As of Mar. 31, 2023: ¥33,179 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2023	–	0.00	–	20.00	20.00
Fiscal year ending Mar. 31, 2024	–				
Fiscal year ending Mar. 31, 2024 (Forecast)		0.00	–	20.00	20.00

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

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

(from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending Sep. 30, 2023	18,000	2.4	800	(27.6)	900	(30.1)	750	(21.1)	31.57
Full year	38,000	5.5	2,700	2.3	2,900	(0.4)	2,300	2.4	96.80

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

* Notes

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

(4) Number of issued shares (common shares)

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

As of Jun. 30, 2023	24,050,000 shares	As of Mar. 31, 2023	24,050,000 shares
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(ii) Number of treasury shares at the end of the period

As of Jun. 30, 2023	396,097 shares	As of Mar. 31, 2023	396,097 shares
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(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended Jun. 30, 2023	23,653,903 shares	Three months ended Jun. 30, 2022	23,764,684 shares
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* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(Notice concerning forward-looking statements)

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

(Other special matters)

Not applicable

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1. Quarterly Qualitative Information on Business Results

We have formulated our 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 R&D; (3) improving the profitability of existing businesses; (4) advancement of ESG management; and (5) rebuilding of business infrastructure.

In addition to this, in May 2023, we revised our Medium-term Management Plan “Challenge 2024” on a rolling basis in order to better ensure that we will achieve the goals of the Medium-term Management Plan by responding flexibly to changes in the business environment, and formulated the new Medium-term Management Plan “Rolling Plan 2023,” which adds specific measures for improving our ROE and PER.

(1) Explanations of Business Results

(i) Explanation of operating results

In the three months ended June 30, 2023, our performance was supported by strong sales mainly for the chemical products business segment (chemicals, material assessment service), the bottling business segment, and the metal working business segment (heat-resistant metal parts for furnace). Meanwhile, the chemical products business segment (electronic materials and silicon wafers) was affected by slowing global demand for semiconductors.

(ii) Explanations by business segment

Starting from the first quarter ended June 30, 2023, in conjunction with the transition to business management for each business domain based on the business portfolio, the Company has appointed an officer in charge for each business segment, aiming to clarify the investment efficiency, profitability, etc. of each business domain, and clarified the executive functions and scope of responsibility of the officers. In accordance with the revision of the management categories for making management decisions and formulating budgets, the reportable segments have been changed from the previous four categories of “Chemical Products Business,” “Bottling Business,” “Industrial Materials Business,” and “Engineering Services Business” to the four categories of “Chemical Products Business,” “Bottling Business,” “Metal Working Business,” and “Engineering Services Business.” Segment information for the three months ended June 30, 2022 is based on the classification of the reportable segments after the change.

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
Jun. 30, 2023	8,823	6.4	514	36.4	677	29.8	505	19.4
Jun. 30, 2022	8,291	4.8	377	(13.0)	522	(5.0)	423	7.7

Our main products and services are as follows.

Chemical products

Explosives = increase in sales and profit

- Sales of industrial explosives increased due to price revisions, but profit decreased due to soaring costs for raw materials and other factors.
- Automotive emergency flares saw an increase in sales and profit due to strong sales for new vehicles with the automotive industry recovering from the effects of semiconductor shortages and delays in parts procurement.
- Signal flares for highway use experienced an increase in sales and profit due to higher demand mainly during major holidays, as the constraints on people’s movement caused by COVID-19 were eased.
- Raw materials for fireworks enjoyed increased sales and profit as the number of fireworks shows is on the rise.

Material assessment service = increase in sales and profit

- Safety evaluation testing and secondary batteries testing sales and profit both increased due to active development of batteries continuing.

Chemicals = increase in sales and profit

- Sodium chlorate sales and profit increased as we maintained stable supply to meet demand for pulp bleaching applications.
- Ammonium perchlorate (the raw material in propellants for rockets and defense missiles) saw sales and profit increase due to increased demand for defense applications.
- Although electrodes experienced a decline in sales due to inventory adjustments by customers and a decline in spot orders, profit increased due to increased sales of high value-added products.
- Perchloric acid sales increased given increased demand in Japan and overseas. However, profit decreased due to soaring costs for raw materials.

Electronic materials = decrease in sales and profit

- Sales and profits of electronic materials and functional materials decreased due to continued sluggish demand in Asia and other overseas markets, and domestic demand affected by such factors as customers' inventory adjustments. We continued to focus on product development and sales activities including product performance enhancement and compliance with environmental regulations.

Ceramics = decrease in sales and profit

- Despite efforts to expand new sales and increase market share, sales and profit decreased due to sluggish demand from domestic grindstone and abrasive paper manufacturers.

Silicon wafers = decrease in sales and profit

- With the global slump in semiconductor demand, sales and profit decreased due to a drop-off in demand from major customers. We continued to focus on activities such as development of high value-added products including High Flatness Wafers, productivity improvement of existing product lines, and new customer development.

Bottling

- Both PET and cans performed well, driven by increased consumer spending and inbound tourist demand. In addition, the company's efforts to improve costs have been effective and delivered increased sales and profits.

Metal working

- Heat-resistant metal parts for furnace experienced favorable performance due to strong sales of anchors and retainers mainly for steel manufacturers. In addition, the company's efforts to improve productivity have been effective and delivered increased sales and profits.
- For various metal spring and pressed products, sales increased due to continued strong demand related to auto and construction machinery. On the other hand, profit decreased due to the impact of soaring costs for raw materials and other factors.

Engineering services

- For engineering & construction work, sales increased while profit decreased given no highly profitable projects were obtained.
- Sales of industrial paints and painting work experienced increased sales and profit due to favorable market conditions.
- Structural design sales and profits increased due to an increase in highly profitable projects.

These results are provided below.

(Millions of yen)

Business segments	Net sales		Operating profit	
	Three months ended		Three months ended	
	Jun. 30, 2022	Jun. 30, 2023	Jun. 30, 2022	Jun. 30, 2023
Chemical products	4,822	5,115	422	420
Bottling	989	1,100	(238)	(170)
Metal working	1,726	1,807	62	112
Engineering services	874	922	140	173
Subtotal	8,413	8,946	386	535
Other	(121)	(122)	(9)	(21)
Total	8,291	8,823	377	514

(2) Summary of the Consolidated Balance Sheets

(Assets)

Total assets was ¥51,513 million, an increase of ¥282 million from the end of the previous fiscal year. This was primarily driven by increases in investment securities of ¥622 million and inventories of ¥259 million; partially offset by decreases in cash and deposits of ¥341 million and notes and accounts receivable – trade, and contract assets of ¥397 million.

(Liabilities)

Liabilities was ¥17,747 million, a decrease of ¥303 million from the end of the previous fiscal year. This was primarily driven by decreases in notes and accounts payable - trade of ¥669 million and interest - bearing liabilities of ¥330 million; partially offset by increases in provision for bonuses of ¥307 million and advances received of ¥241 million.

(Net assets)

Total net assets was ¥33,765 million, an increase of ¥586 million from the end of the previous fiscal year. This was primarily driven by increases in valuation difference on available-for-sale securities of ¥427 million, deferred gains or losses on hedges of ¥108 million and retained earnings of ¥26 million most of which derived from profit attributable to owners of parent. As a result of the above, shareholders' equity ratio increased from 64.8% to 65.5%.

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

We predict the global economy to slow down throughout the year, with a sense of economic stagnation intensifying toward the second half of 2023 in the context of high interest rates and high inflation. With the effects of monetary tightening, Europe and the U.S. face recessionary conditions, and also China given sluggish investment appetite with protracted real estate market adjustment represents a drag on growth into 2024.

We expect the U.S. and Europe to fall into recession in 2023 as the impacts of policy rate hikes spread throughout those economies. We are assuming that the economic pick-up after 2024 will proceed at a slower pace. In China and the ASEAN countries, the rapid recovery in demand associated with the resumption of the economy is slowing, and we expect the sense of economic slowdown to continue through 2024 due to weak private sector investment and hiring appetite, weakness in the U.S. and Europe, and prolonged adjustment in the real estate market and semiconductor cycle.

In the fiscal year ending March 31, 2024, we expect the Japanese economy to recover moderately, given a continued recovery in consumption centered on services notwithstanding downward pressure from the U.S. recession and the prolonged adjustment of the semiconductor cycle. We expect the economic recovery phase to continue in the fiscal year ending March 31, 2024, although only at a moderate tempo as the effects of wage increases are reduced by inflation.

In light of the economic environment mentioned above, our outlook for each business segment is as follows.

In the chemical products business segment, despite weakening demand for electronic materials and electronic equipment materials such as silicon wafers due to the prolonged adjustment of the semiconductor cycle, we expect the Japanese economy's recovery to drive brisk sales of products for automotive applications and basic chemical products. We are expecting the bottling business to continue to increase revenues and profits due to the recovery of inbound tourist demand and record heat waves driving increased beverage consumption. We expect the metal working business and engineering services business to achieve solid results in line with the fortunes of the Japanese economy. The consolidated earnings forecast for the fiscal year ending March 31, 2024 is as announced on May 15, 2023.

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending Sep. 30, 2023	18,000	2.4	800	(27.6)	900	(30.1)	750	(21.1)	31.57
Full year	38,000	5.5	2,700	2.3	2,900	(0.4)	2,300	2.4	96.80

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

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	3,966	3,625
Notes and accounts receivable - trade, and contract assets	9,957	9,560
Merchandise and finished goods	3,056	3,399
Work in process	514	500
Raw materials and supplies	2,309	2,240
Other	2,236	2,468
Allowance for doubtful accounts	(13)	(16)
Total current assets	22,027	21,778
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,260	8,440
Machinery, equipment and vehicles, net	3,049	3,047
Land	5,868	5,868
Construction in progress	400	104
Other, net	1,319	1,280
Total property, plant and equipment	18,898	18,740
Intangible assets		
Other	85	91
Total intangible assets	85	91
Investments and other assets		
Investment securities	9,066	9,688
Retirement benefit asset	5	5
Other	1,232	1,295
Allowance for doubtful accounts	(84)	(86)
Total investments and other assets	10,218	10,902
Total non-current assets	29,202	29,734
Total assets	51,230	51,513

As of March 31, 2023

As of June 30, 2023

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,584	4,914
Short-term borrowings	157	48
Current portion of long-term borrowings	847	753
Income taxes payable	594	235
Provision for bonuses	676	983
Other	2,168	2,759
Total current liabilities	10,029	9,695
Non-current liabilities		
Long-term borrowings	941	824
Provision for environmental measures	5	5
Provision for share awards for directors (and other officers)	75	81
Retirement benefit liability	1,218	1,196
Other	5,780	5,944
Total non-current liabilities	8,021	8,052
Total liabilities	18,051	17,747
Net assets		
Shareholders' equity		
Share capital	2,099	2,099
Capital surplus	1,190	1,190
Retained earnings	25,371	25,398
Treasury shares	(241)	(241)
Total shareholders' equity	28,420	28,447
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,758	5,185
Deferred gains or losses on hedges	8	116
Foreign currency translation adjustment	137	146
Remeasurements of defined benefit plans	(145)	(130)
Total accumulated other comprehensive income	4,758	5,318
Total net assets	33,179	33,765
Total liabilities and net assets	51,230	51,513

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

(Millions of yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Net sales	8,291	8,823
Cost of sales	6,444	6,740
Gross profit	1,846	2,083
Selling, general and administrative expenses	1,469	1,569
Operating profit	377	514
Non-operating income		
Interest income	0	0
Dividend income	119	128
Share of profit of entities accounted for using equity method	1	4
Miscellaneous income	45	47
Total non-operating income	167	180
Non-operating expenses		
Interest expenses	15	11
Miscellaneous losses	6	5
Total non-operating expenses	22	17
Ordinary profit	522	677
Extraordinary income		
Gain on sale of non-current assets	0	0
Gain on sale of investment securities	88	-
Total extraordinary income	88	0
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Total extraordinary losses	0	0
Profit before income taxes	610	677
Income taxes	186	171
Profit	423	505
Profit attributable to owners of parent	423	505

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

(Millions of yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Profit	423	505
Other comprehensive income		
Valuation difference on available-for-sale securities	(219)	427
Deferred gains or losses on hedges	50	108
Foreign currency translation adjustment	32	8
Remeasurements of defined benefit plans, net of tax	9	15
Total other comprehensive income	(128)	559
Comprehensive income	295	1,065
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	295	1,065

(3) Notes to Quarterly Consolidated Financial Statements
Going Concern Assumption

Not applicable

Significant Changes in Amounts of Shareholders' Equity

Not applicable

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

Calculation method of income tax expense

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

Segment information

(1) First three months of the fiscal year ended March 31, 2023 (April 1, 2022 to June 30, 2022)

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

(Millions of yen)

	Reportable Segment					Other (Note)	Total
	Chemical Products	Bottling	Metal Working	Engineering Services	Sub-total		
Net sales							
Outside customers	4,733	989	1,692	836	8,252	38	8,291
Inter-segment sales	88	–	34	37	160	1,016	1,177
Total	4,822	989	1,726	874	8,413	1,055	9,468
Segment profit (loss)	422	(238)	62	140	386	722	1,109

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

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

(Millions of yen)

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

(2) First three months of the fiscal year ending March 31, 2024 (April 1, 2023 to June 30, 2023)**(i) Amounts of net sales and profit or loss by reportable segment**

(Millions of yen)

	Reportable Segment					Other (Note)	Total
	Chemical Products	Bottling	Metal Working	Engineering Services	Sub-total		
Net sales							
Outside customers	5,028	1,100	1,775	880	8,784	38	8,823
Inter-segment sales	87	–	32	41	161	1,213	1,375
Total	5,115	1,100	1,807	922	8,946	1,252	10,198
Segment profit (loss)	420	(170)	112	173	535	945	1,481

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

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

(Millions of yen)

Profit	Amount
Reportable segments total	535
“Other” segment profit	945
Inter-segment eliminations	(966)
Operating profit in the quarterly consolidated statements of income	514

(iii) Changes to Reportable Segments

Starting from the first quarter ended June 30, 2023, in conjunction with the transition to business management for each business domain based on the business portfolio, the Company has appointed an officer in charge for each business segment, aiming to clarify the investment efficiency, profitability, etc. of each business domain, and clarified the executive functions and scope of responsibility of the officers. In accordance with the revised management categories for making management decisions and formulating budgets, the reportable segments have been changed from the previous four categories of “Chemical Products Business,” “Bottling Business,” “Industrial Materials Business,” and “Engineering Services Business” to the four categories of “Chemical Products Business,” “Bottling Business,” “Metal Working Business,” and “Engineering Services Business.”

Segment information for the three months ended June 30, 2022 is based on the classification of the reportable segments after the change.

Subsequent Events

Not applicable