

Results Briefing of FY2024

Mid-Term Management Plan

「Challenge2024 Grow Up Plan 2024」



CODE : 4275 TSE Prime Market

- **Financial Highlights of FY2024**

- **Full-Year Plan for FY2025**

CFO Hideo Okamoto

- **Mid-Term Management Plan**

「Challenge2024 Grow Up Plan 2024」

CEO Kaneko Hirofumi

Financial Highlights of FY2024

Consolidated Performance

(Million yen)	FY2023 Results	FY2024 Results	Year of Year change
			Rate of change
Net sales	36,008	36,577	+568 +1.6%
Direct cost of sales	27,321	27,075	△246 +0.9%
Distribution cost and administrative expense	6,046	6,149	+103 △1.7%
Operating profit	2,640	3,352	+711 +27.0%
Ordinary profit	2,910	3,600	+690 +23.7%
Net profit	2,246	2,598	+351 +15.7%
Dividend per share (Fiscal year end)	20Yen	33Yen	+13 +65.0%

Extraordinary income :gain on the sale of investment securities (142)

Extraordinary losses :Loss on retirement of property, plant and equipment (37)

Consolidated Performance by Business Segments

(Million yen)	Net Sales			Operating Profit		
	FY2023 Results	FY2024 Results	Change	FY2023 Results	FY2024 Results	Change
Chemical products	20,159	20,422	+262	1,554	1,690	+136
Bottling	4,774	5,150	+376	151	609	+457
Metal working	7,478	7,304	△173	441	461	+19
Engineering service	4,203	4,346	+142	651	818	+167
Subtotal	36,615	37,223	+607	2,798	3,579	+780
Total	36,008	36,577	+568	2,640	3,352	+711

Explanations of Products ①

【Chemical products①】

Chemical products	
Industrial explosives	↘ Industrial explosives experienced a decrease in sales and profit due to a decline in demand for crushed limestone as well as soaring costs for raw materials and other factors
Automotive emergency flares	↗ Automotive emergency flares saw an increase in sales and profit due to higher demand, as the automotive production increased.
Signal flares for highway use	↗ Signal flares for highway use experienced an increase in sales and profit due to higher demand, as the constraints on people's movement caused by COVID-19 were eased.
Raw materials for fireworks	↗ Raw materials for fireworks saw an increase in both sales and profits due to the improved profitability resulting from efforts to review the product mix among others, as well as an increase in the number of fireworks shows.
Space industry	— Developing Solid propellants with clients. Although the first launch failed, we are continuing consideration of second models.
Material assessment service	↗ Safety evaluation testing and secondary batteries testing sales and profit both increased due to active development of batteries continuing.
Chemicals	
Sodium chlorate	↗ Sodium chlorate sales and profit increased as we maintained stable supply to meet demand for pulp bleaching applications.
Ammonium perchlorate	↗ Ammonium perchlorate (the raw material in propellants for rockets and defense missiles) saw sales and profit increase due to increased demand for defense applications.
Electrodes	↗ Although electrodes experienced a decrease 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	↘ Perchloric acid sales increased given increased demand in Japan and overseas. However, profit decreased due to soaring costs for raw materials.
Electronic materials	↘ 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 will continue to focus on product development and sales activities including product performance enhancement and compliance with environmental regulations.

Explanations of Products ②

【Chemical products②】

Ceramics	↘	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	↘	Sales and profit decreased amid an ongoing scenario of excessive customer inventories and production adjustments attributable to the global slump in semiconductor demand.

【Bottling】

Bottling	↗	PET sales volume remained steady, driven by increased consumer spending and inbound tourist demand. In addition, the Company's efforts to maintain appropriate prices and improve costs delivered increased sales and profits.
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【Metal working】

Anchors for refractories	↗	Heat-resistant metal parts for furnaces saw a decrease in sales due to the sale of a related subsidiary in the previous fiscal year to focus on stable growth and profitability as well as a review of the product mix, but an increase in profit due to the maintenance of fair prices and concentration of resources on products where we have strengths.
Various metal spring and pressed product	↘	For various metal spring and pressed products, sales increased due to strong overall demand up through the third quarter. However, profit decreased due to a considerable drop in demand among our major customers (construction machinery and autos) beginning in the fourth quarter.

【Engineering services】

Engineering & construction work	↗	For engineering and construction work, sales and profit increased due to an upturn in the number of construction projects.
Industrial paint and painting work	↗	While sales of industrial paints and painting work decreased due to the absence of large spot projects recorded in the previous fiscal year, profit increased due to favorable market conditions overall.
Structural design	↗	Structural design sales and profits increased due to an increase in highly profitable projects.

Full Year Plan for FY2025

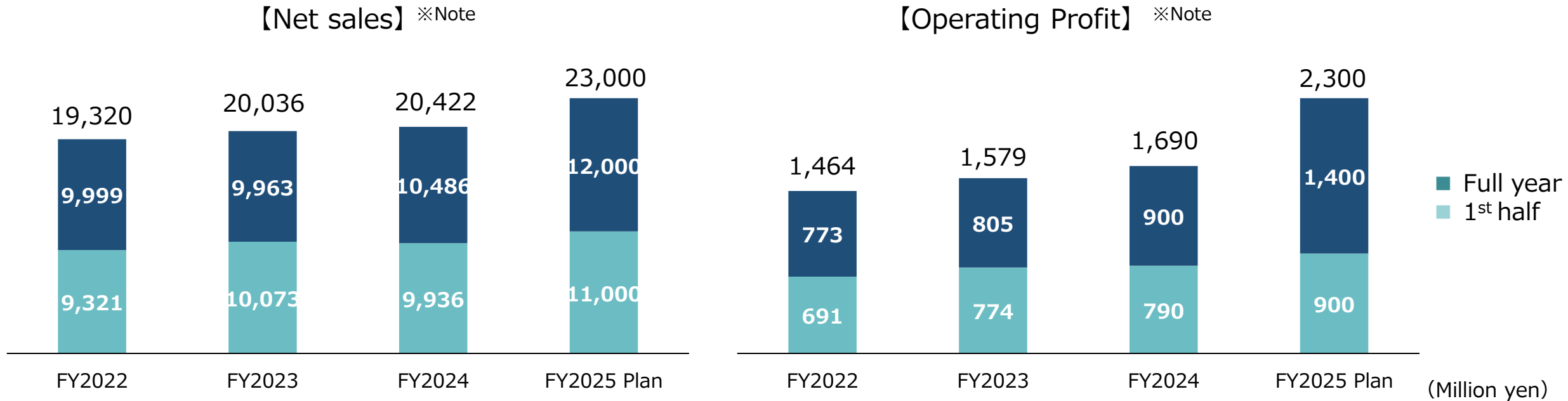
FY2025 Plan

		FY 2024 Results	FY 2025 Plan	Change	Rate of change
(Million yen)					
Net sales	1 st half	17,672	18,500	+827	+4.7%
	Full year	36,577	38,000	+1,422	+3.9%
Operating profit	1 st half	1,384	1,600	+215	+15.6%
	Full year	3,352	3,800	+447	+13.4%
Ordinary profit	1 st half	1,564	1,700	+135	+8.7%
	Full year	3,600	4,000	+399	+11.1%
Net profit	1 st half	1,173	1,200	+26	+2.3%
	Full year	2,598	2,800	+201	+7.7%
Dividend per share	Per share	33 Yen	36 Yen	+3	+9.1%

Plans by Business Segments

(Million yen)	Net Sales			Operating Profit		
	FY2024 Results	FY2025 Plan	Change	FY2024 Results	FY2025 Plan	Change
Chemical Products	20,422	23,000	+2,577	1,690	2,300	+609
Bottling	5,150	4,700	△450	609	600	△9
Metal working	7,304	7,200	△104	461	500	+38
Engineering Service	4,346	5,500	+1,153	818	800	△18
Subtotal	37,223	40,400	+3,176	3,579	4,200	+620
Total	36,577	38,000	+1,422	3,352	3,800	+447

Chemical Products Business

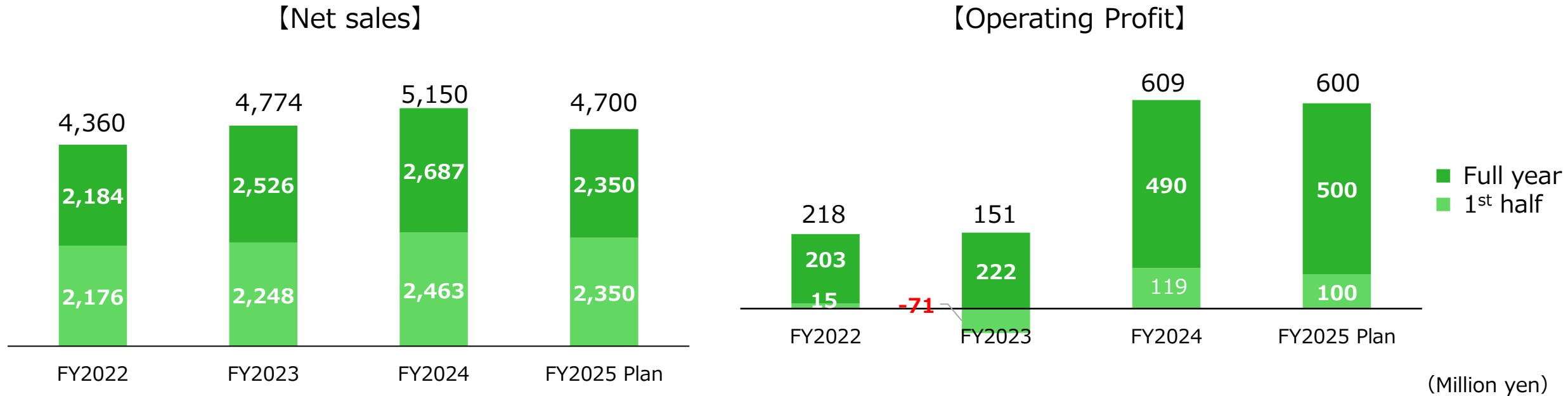


The Explosives sector (e.g. Automotive emergency flares saw) , the Chemicals sector (Basic Chemicals) 、 and Material assessment service sector (Safety evaluation testing, secondary batteries testing) are expected to be stable, as in the previous year.

In addition, demands for Electronic materials sector are expected to recover during the first half of FY2025 and for Silicon wafers sector during the second half of FY2025, due to the pick-up in the semiconductor cycle.

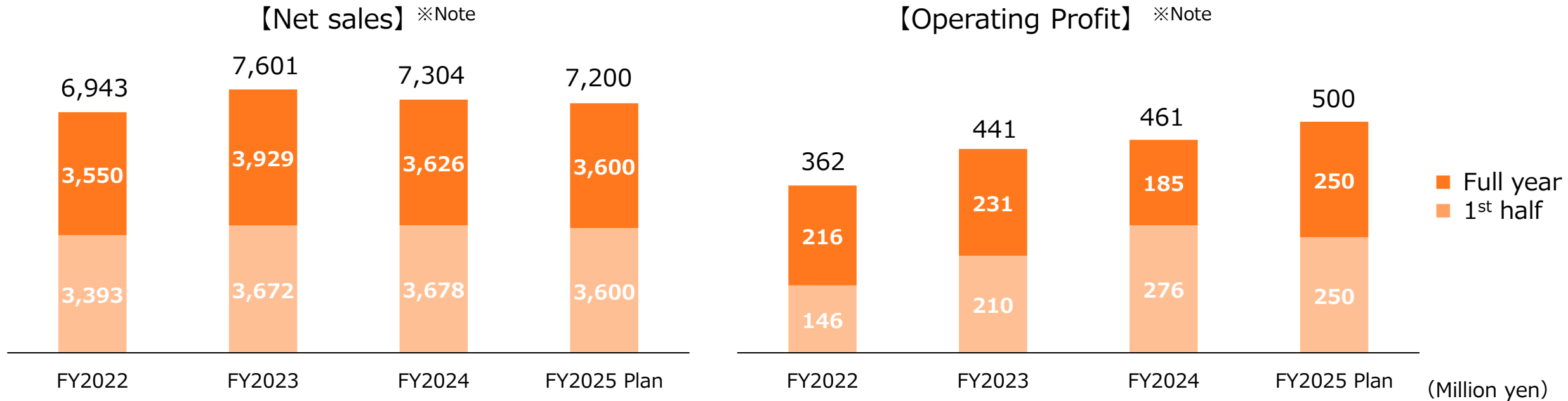
※Note FY2022 and FY2023 results are reference values that simply add or subtract the results of the Silicon wafers sector to or from the results of the former reporting segment.

Bottling Business



As in previous years, costs for scheduled maintenance will be incurred in the first half of FY2025. Demand for beverages is expected to continue due to increased inbound demand, and net sales and operating profits are expected to be similar to the previous year.

Metal Working Business



Sales of Heat-resistant metal parts for furnaces are expected to remain steady as in the previous year.

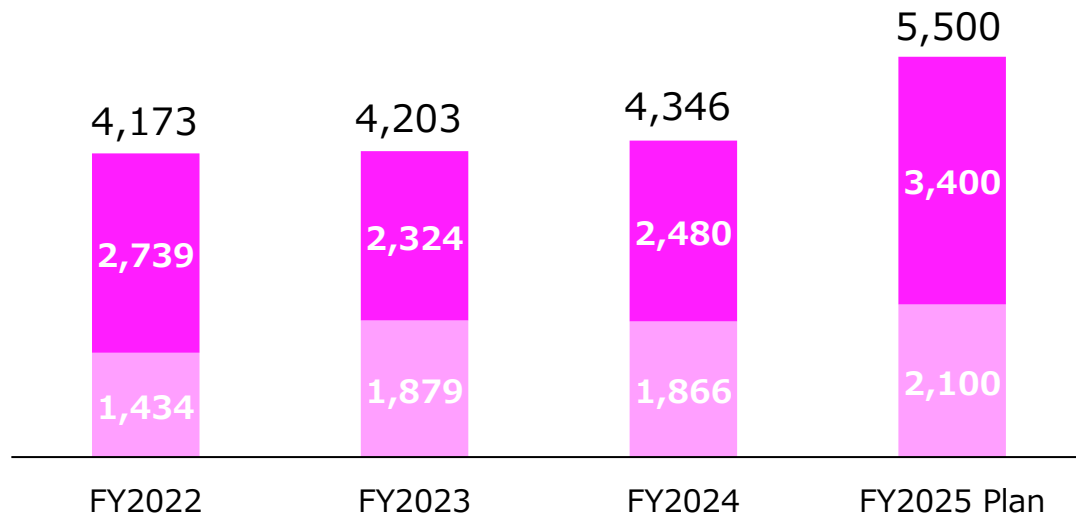
For various metal spring and pressed products are expected to be affected by a drop in demand from the construction machinery and automobile sectors.

The company aims to increase profits by thoroughly implementing price raising activities to achieve reasonable prices and concentration of resources on products where we have strengths.

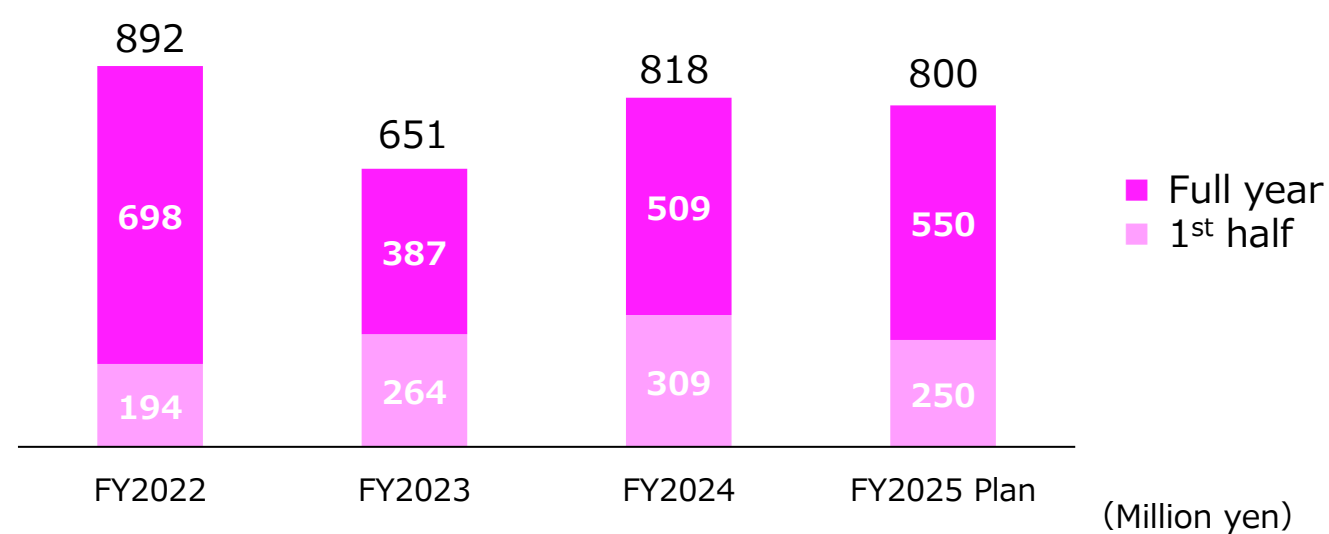
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Engineering Service Business

【Net sales】

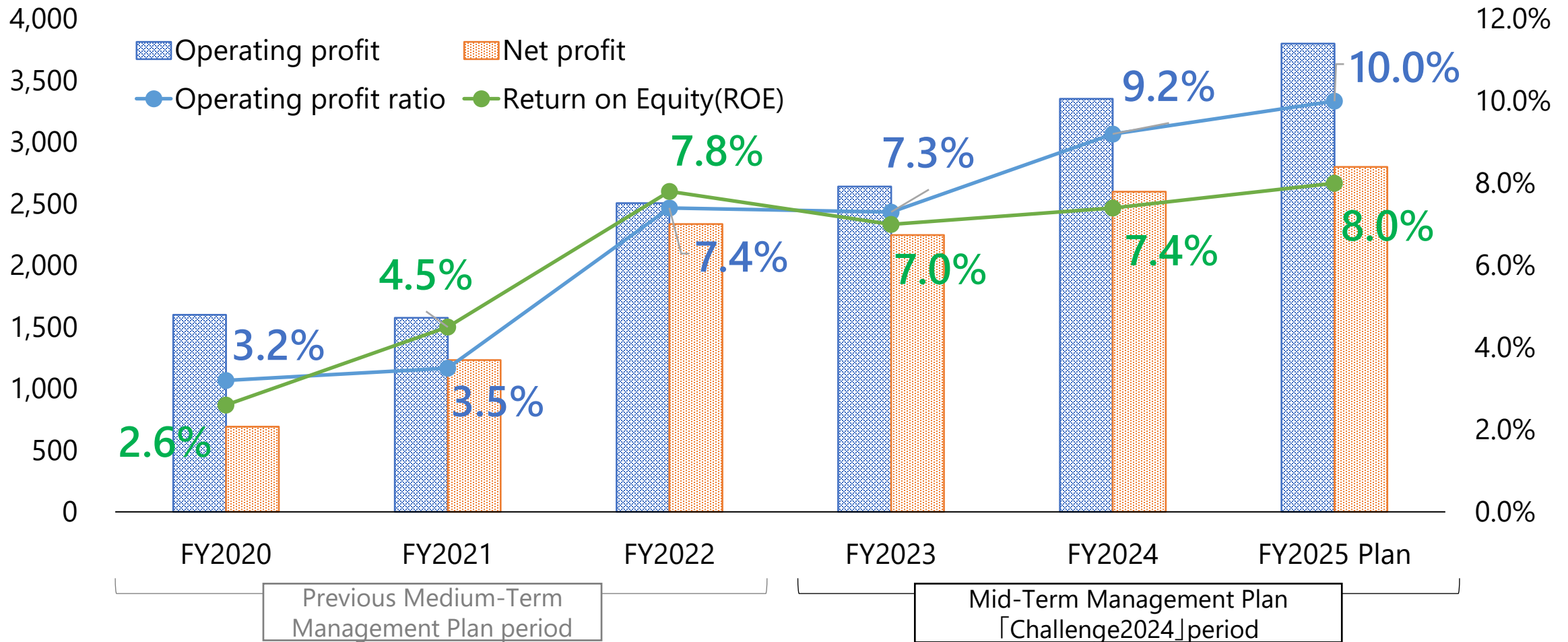


【Operating Profit】



Although the competitive environment continues to intensify in for engineering and construction work, sales activities are being conducted to win public works and other construction projects as well as in-house construction and installation. The sales of industrial paints and painting work sector and Structural design sector market is expected to remain firm as in the previous year, as the market is favorable.

Trends and Plan for Return on Capital



Achieving ROE targets...

- Consolidated operating profit margin more to 10%
- Appropriate allocation of resources and capital to investment projects
- Promoting the maximization of operating cash flow in each business segment

Mid-Term Management Plan **C**hallenge 2024

Grow Up Plan 2024

Review of Business Environment: Changes in the Environment

◆ Environmental changes in 2023~2024

Social and Economic Environment

- ✓ Destabilization global situation affected by the prolonged invasion of Ukraine and radicalization of Middle East conflicts.
- ✓ Fluctuations in transportation costs due to "the 2024 bug" in the Japan's logistics Industry.
- ✓ Ongoing slump in demand for electronic materials and semiconductor materials.

Requests for Listed Companies

- ✓ Requests to improve Return on Capital and Market Valuation for the purpose of increasing PBR.
- Further progress expected after March 2023.

◆ Our situation in 2023-2024

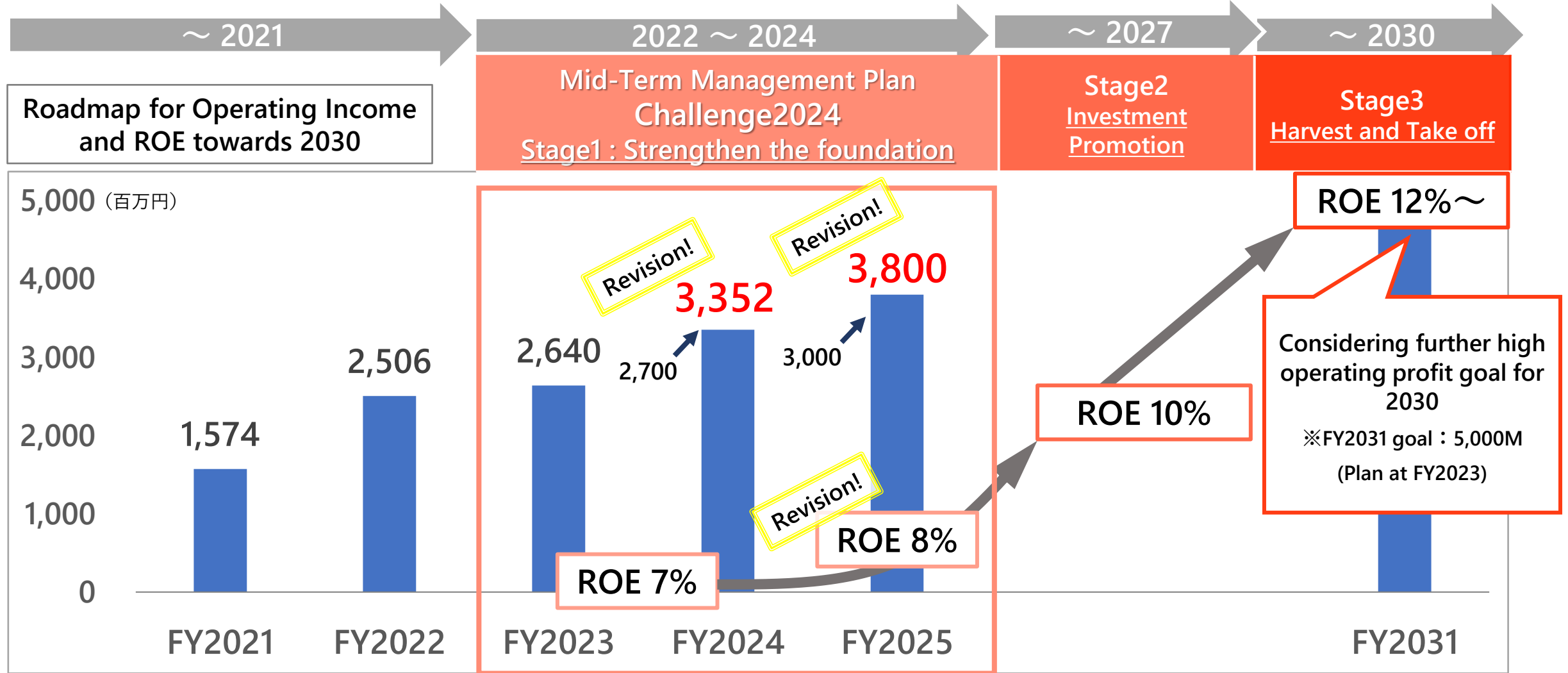
- Forecast of record profit. Achieved "Challenge2024" operating income target ahead of schedule.
- Halfway to improving Return on Capital as stated in "Rolling Plan 2023"



▶ Formulation of "Glow Up Plan 2024" for further growth

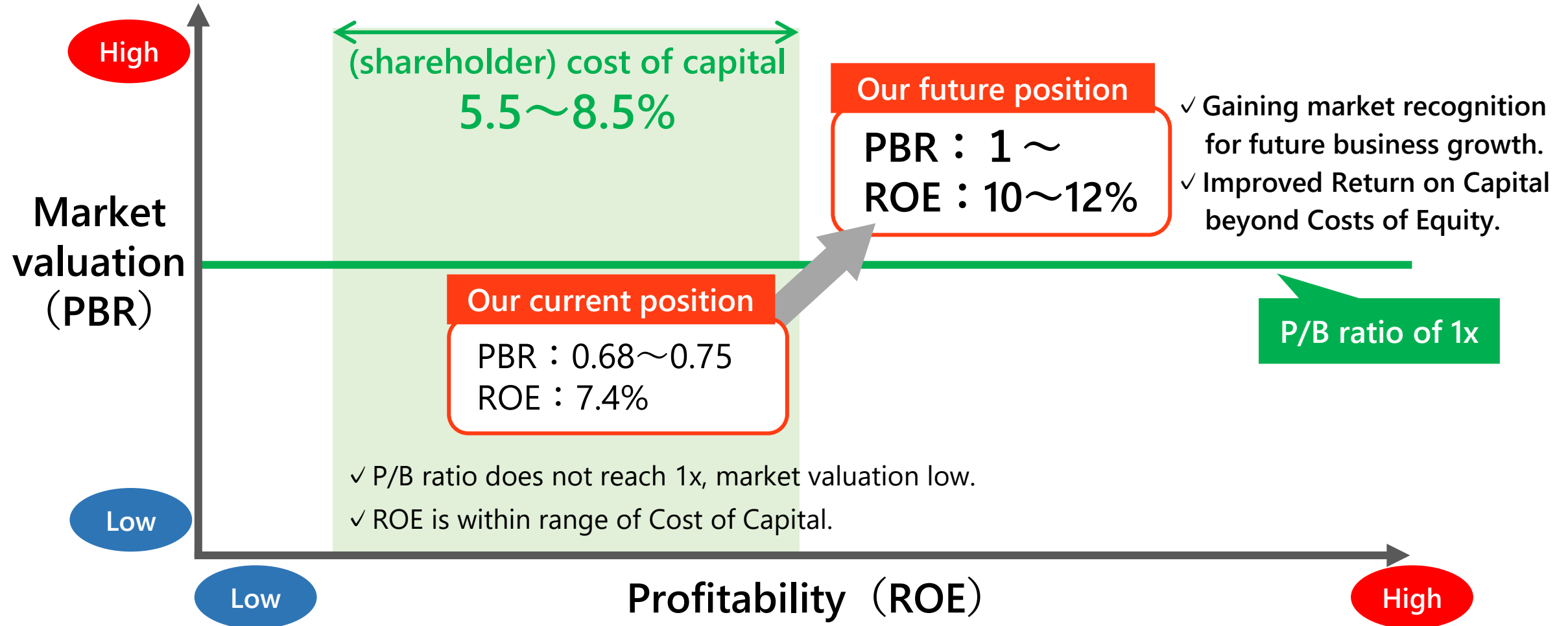
Carlit Group's roadmap toward 2030

◆ Update operation profit goals in roadmap

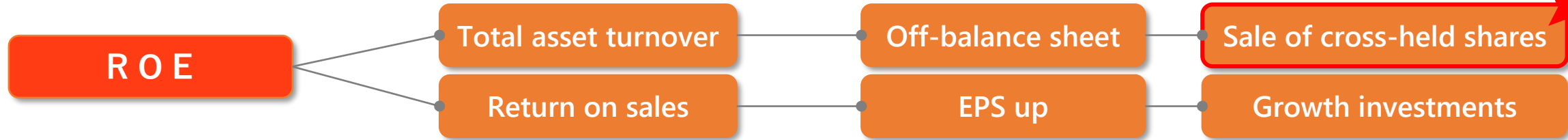


Matrix analysis on Return on Capital and Market Valuation

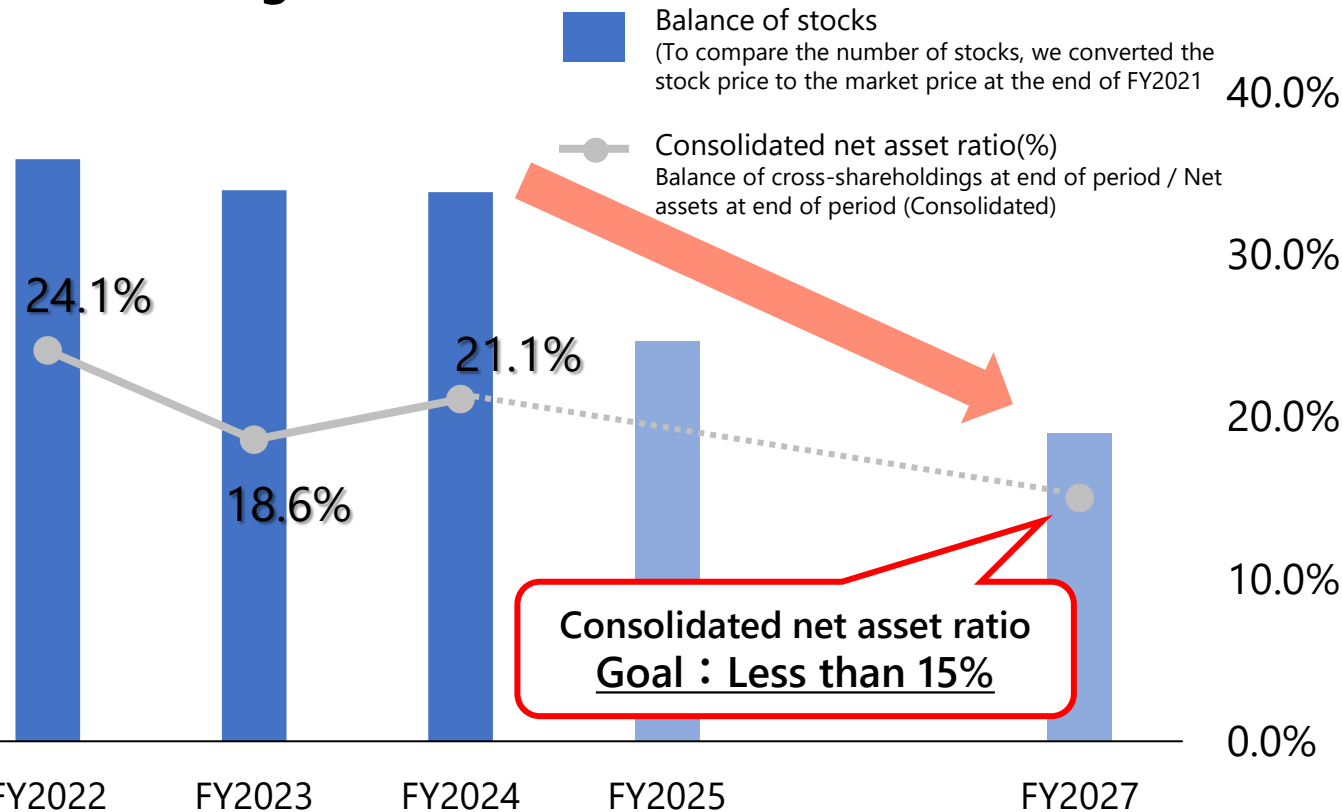
- ◆ Confirm our position in the matrix on Return on Capital and Market Valuation
- ◆ Considering further improvement measures to be added to Medium-Term Management Plan "Challenge2024" and "Rolling Plan 2024"



Policy on Cross-held shares



- ◆ Balance sheet aware management to achieve further growth of the group from a financial perspective
- ◆ Proceeding reduction of sale of cross-held shares and streamlining of assets



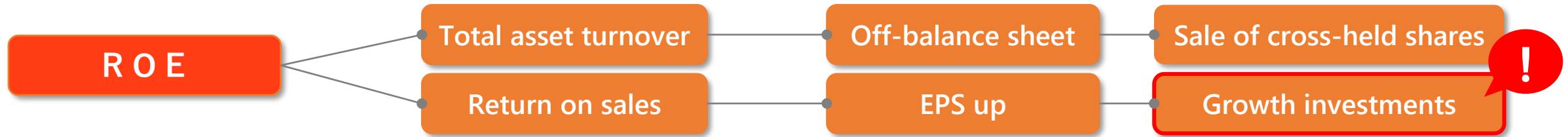
External Environment

- ✓ Increase of consolidated net assets ratio due to recent stock market rally

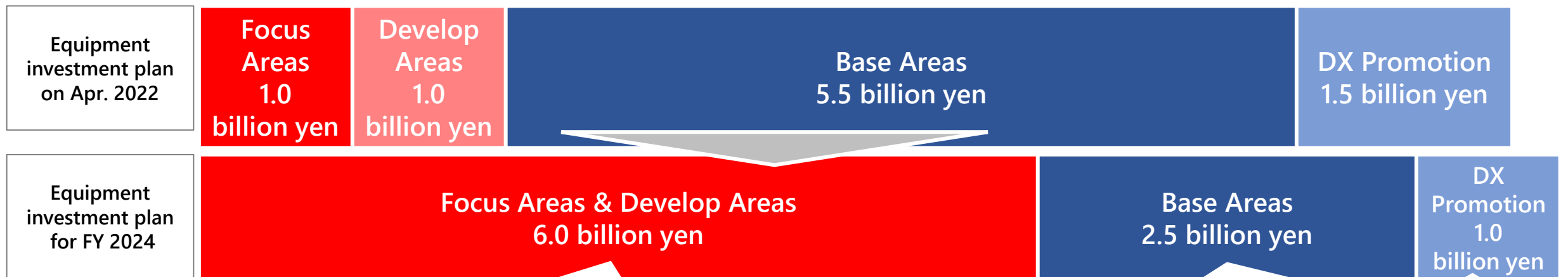
Policy on Cross-held shares

- ✓ Reducing sale of cross-held shares based on comprehensive, mid- and long-term consideration of Cost of Capital and other indicators
- ✓ Reducing consolidated net assets ratio to the goal of under 15% by the end of FY2027

Equipment investment plan & Growth investment



- ◆ Prioritize profitable growth investment projects and progress promptly
- ◆ Carry out investments on business in the Base Area (expecting stable earning due to low volatility)



✓ Expecting high profitability through investments on Focus and Develop Areas

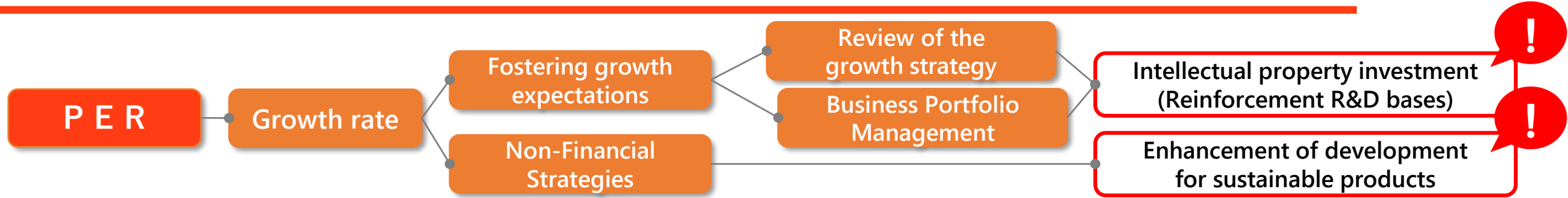
✓ Investments on Base Areas are sufficient on profitability, and expected to generate stable profit, pursuing ESG as energy-saving

Ammonium perchlorate business : 2.5 billion yen
 Material assessment service business : 2.0 billion yen
 Silicon wafers business : 1.0 billion yen
 R&D : 0.5 billion yen

Explosives business : 1.0 billion yen
 Energy- and labor-saving equipment : 0.5 billion yen
 Others (Investment in renewal and aging equipment) : 1.0 billion yen

Core systems update, etc.

Fostering growth expectations by expansion of R&D



- ◆ “ Ideal Carlit Group In 2030 ” in Research and Development
Specialize in chemical and Semiconductor field, and create new products to establish new business

Efforts in the Final Year of the Medium-Term Management Plan

1. New challenge of Electrodes Technology Business
New energy storage device materials, hydrogen generating electrode (NEDO joint research), CO2 capture
2. New challenge of Electronic materials technology
Ionic conductor materials, Conductive polymer
3. Expansion of research and development on Optical, Semiconductor field
Development of high value-added wafer materials, research of optical materials

science
Life

Electronics

The future to be realized

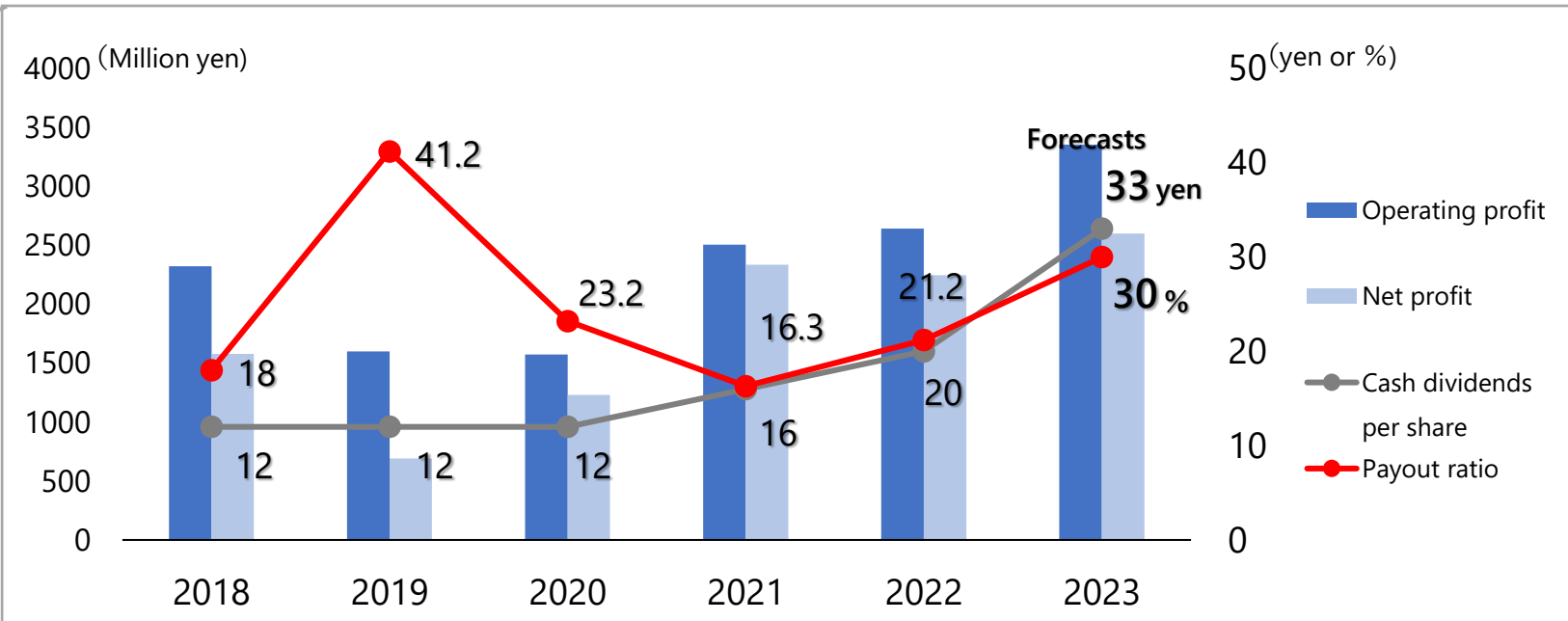
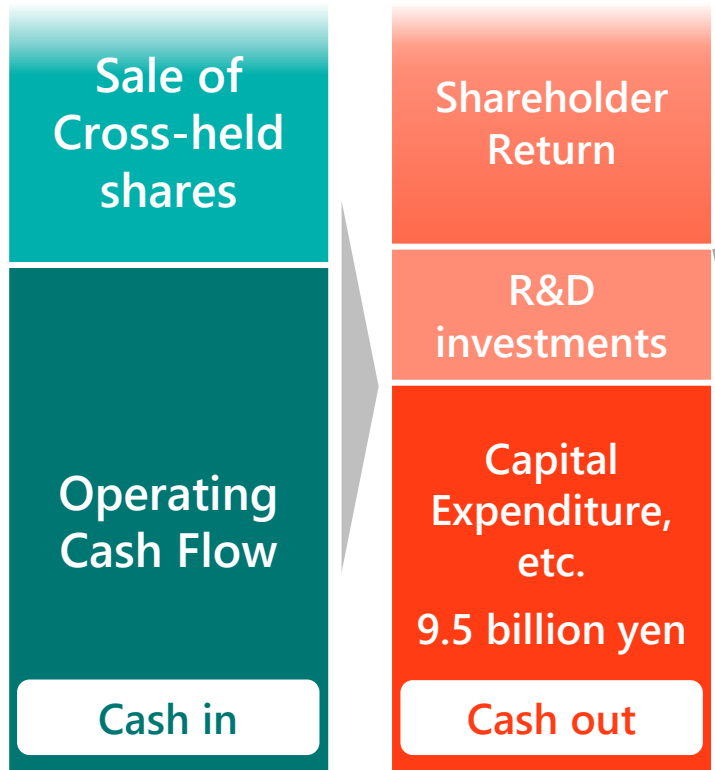
Further promotion of clean energy to achieve carbon neutrality

More advanced electronic devices such as smart phones

Stable dividend payments linked to business performance



- ◆ Control financial leverage appropriately, optimize equity capital level, and maintain soundness
- ◆ Strategically allocate resources from operating cash flow and asset sale, and pursue improvements in profitability and growth expectations

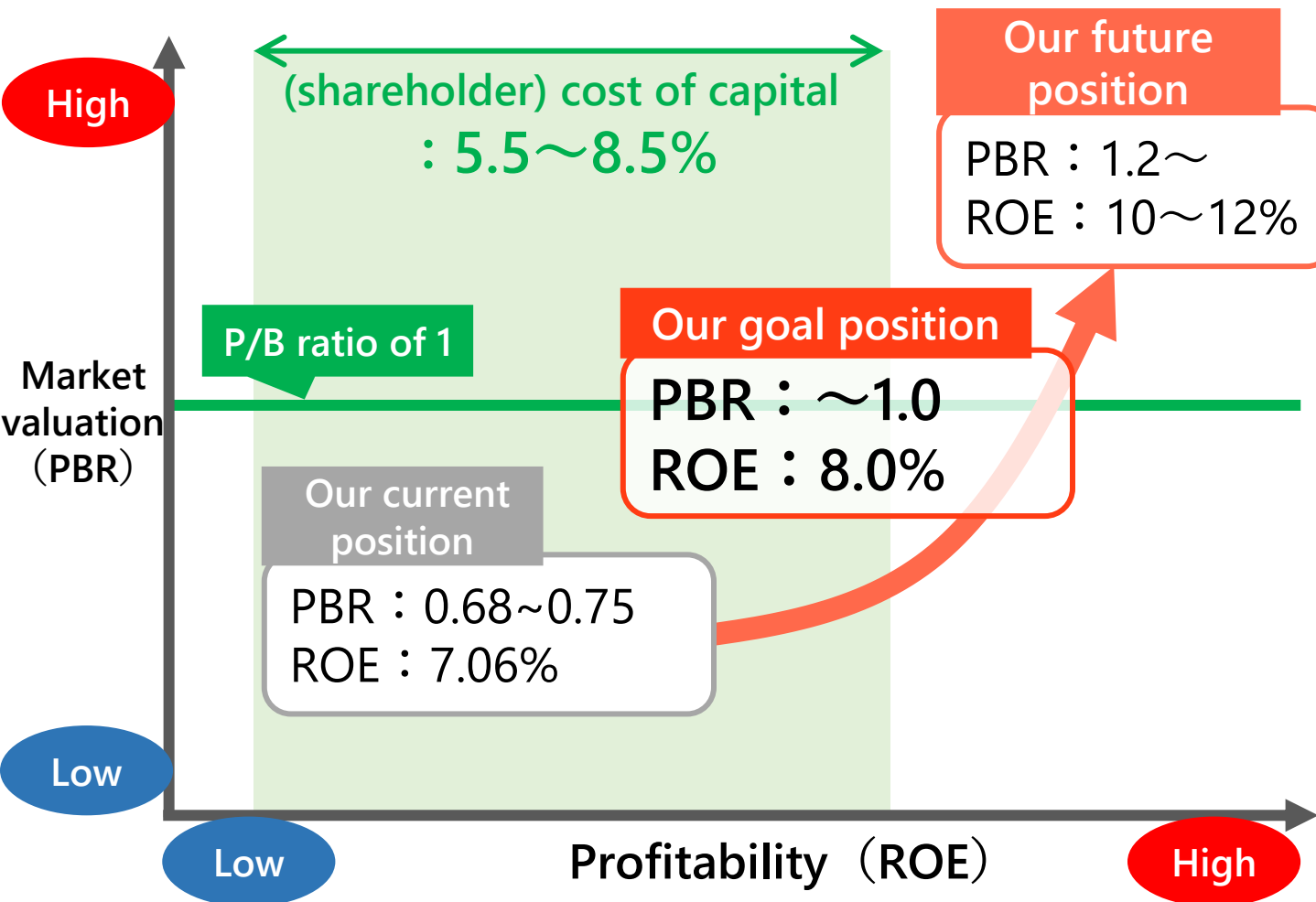


✓ We will promote growth investment, and work to return profits with a total payout ratio of 30%.

※Total payout ratio = (Total dividend payments + Total share buy-back) / Profit attributable to owners of parent

Final year Mid-Term Management Plan "Challenge2024"

◆ Aim to achieve PBR over 1.0 and ROE 8.0% by accelerating investment in growth-driving businesses and further strengthening shareholder returns



Mid-Term Management Plan "Grow up Plan 2024"

1. Achievement of Mid-Term Management Plan "Challenge2024"
2. Consolidated operating profit margin more to 10%
3. Capital optimization and Improved return on capital
4. Fostering growth expectations by expansion of R&D
5. Execute appropriate shareholder returns

For Confidence and Infinite Challenges



Giving Shape to Infinite Possibilities