June 4, 2024

Informational Materials for the 11th Annual General Meeting of Shareholders

(Items excluded in accordance with laws and regulations and the Company's Articles of Incorporation from paper-based documents delivered in response to a request for delivery of documents stating items subject to measures for electronic provision)

- Business Report
  "System for Ensuring the Appropriateness of Operations and the Operation Status of this System"

- Consolidated Financial Statements
  "Consolidated Statement of Changes in Equity"
  "Notes to Consolidated Financial Statements"

- Non-consolidated Financial Statements
  "Non-consolidated Statement of Changes in Equity"
  "Notes to Non-consolidated Financial Statements"

Year 11 (April 1, 2023–March 31, 2024)

Carlit Holdings Co., Ltd.

In accordance with the provisions of laws and regulations and Article 16 of the Company's Articles of Incorporation, the above items are excluded from the paper-based documents delivered to shareholders who have made a request for delivery of such documents.

For this General Meeting of Shareholders, documents containing the items subject to measures for electronic provision excluding the above items are sent to all shareholders regardless of whether or not there was a request for provision of paper-based documents.

Business Report

System for Ensuring the Appropriateness of Operations and the Operation Status of this System

The Company's Board of Directors passed a resolution regarding the Basic Policy for the Internal Control System as follows.

(1) System for ensuring that Directors' and employees' execution of duties complies with laws and regulations and the Company's articles of incorporation

(i) The Group enacted the Group Compliance Charter to serve as the code to be complied with by Directors and employees; the charter sets out laws and regulations, internal rules, and other social norms to follow in all situations involving corporate activities. The Group set out systems, management methods, and other basic matters for managing the Group's compliance based on the Group Compliance Charter in Group Compliance Management Rules, under which education and awareness of compliance are promoted, the Group Compliance Manual is established and revised, the status of compliance is checked, and the internal reporting system is properly operated.

(ii) Under laws and regulations and the Company's articles of incorporation and rules for the Board of Directors, the Board of Directors holds ordinary meetings of the Board of Directors once each month and extraordinary meetings of the Board of Directors as necessary, at which they determine important matters pertaining to management and compliance and supervise Directors' execution of duties.

(iii) Audit and Supervisory Board Members conduct audits in addition to auditing Directors' execution of duties by attending meetings of the Board of Directors and voicing their opinions when necessary. Additionally, Standing Audit & Supervisory Board Members audit Directors' execution of duties by attending not only meetings of the Board of Directors but also other important meetings, such as Group Management Strategy Meetings and Compliance Committee meetings.

(iv) The Compliance Committee reviews matters pertaining to compliance and strives to promote compliance throughout the Group with the Company's Legal Affairs & Compliance Division as its executive office.

(v) The Company's Internal Audit Office regularly conducts audits of the status of the Group's operation, draws attention to problems in divisions and departments subject to audits, and issues instructions for improving operations.

(vi) The Group designates as independent officers Outside Directors and Outside Audit & Supervisory Board Members deemed to be capable of fulfilling the roles expected of independent officers.

(2) System for ensuring the reliability of financial reports

(i) The Group maintains an internal control system for ensuring the reliability of financial reports and works ceaselessly to improve operations by continuously assessing the status of the system's operation.

(ii) The Group sets out basic policy for financial reports.

(iii) The Company's Internal Audit Office conducts audits of each company in the Group.

(3) System for retaining and managing information pertaining to Directors' execution of duties

(i) The Group has established Group Information Management Rules that set out basic policy for the proper protection and use of information about Group companies.

(ii) The Group properly retains and manages documents pertaining to Directors' execution of duties in accordance with the provisions of laws and regulations and internal rules.

(iii) The Group implements appropriate protective measures for computers, networks, and other information infrastructure to prevent internal and external threats from arising.

(4) System for ensuring that Directors execute their duties efficiently

(i) The Group will define Directors' terms as one year and introduce an Executive Officer system to facilitate the efficient execution of Directors' duties based on Directors' decisions and in response to rapid changes in the business environment.

(ii) In principle, Group Management Strategy Meetings to be attended by all Directors, all Executive Officers, and Standing Audit & Supervisory Board Members will be held monthly to facilitate deliberation over important matters pertaining to management and enable the swift execution of duties.

(iii) With long-term management goals and basic stances as our management policy, the Group's Board of Directors determines medium-term management policies based on medium-term management plans and annual management policies and annual management budgets in each fiscal year that account for the Company's business environment and conditions, after deliberation by Group Management Strategy Meetings.

(5) System for ensuring the appropriateness of the Group's operations

(i) Through Directors and Audit & Supervisory Board Members, the Company implements blanket management of the business and constant supervision of the accounting of each company in the Group while at the same time respecting their autonomy, and Audit & Supervisory Board Members of the Company and those of each Group company exchange information accordingly while collaborating sufficiently.

(ii) In an effort to ensure the appropriateness and efficiency of Group-wide operations, the presidents of each Group company attend Group Management Strategy Meetings, which are generally held every month, and report and examine matters such as the progress of the management budgets and management policies of the companies.

(iii) The Company's Internal Audit Office conducts audits of each company in the Group.

(6) Rules and other systems for managing the risk of loss

(i) The Company will establish Group Crisis Management Rules to respond appropriately to unexpected circumstances that could arise in the process of conducting business activities in an effort to create a system for maintaining the stability of the Group's organizational operations and limiting expected losses to the extent possible.

(ii) The Company will analyze and consider countermeasures for the risks associated with the execution of business in each division and department of the Company and in each Group company.
For industrial safety and health risks, the Company will establish Group Risk Assessment Guidelines and conduct integrated, effective risk assessments within the Group to prevent industrial accidents. Additionally, for legal risks, the Company has decided to establish Group Legal Risk Management Rules and have the Legal Affairs & Compliance Division manage the Group's legal risks.

(iii) Decisions about new business ventures, major investment projects, and the like are reached through deliberation by the Company's Proposal Screening Board, at Group Management Strategy Meetings, and by the Board of Directors.

(7) Employees requested by Audit & Supervisory Board Members for helping with their duties, and the employees' independence from Directors

(i) When the Audit & Supervisory Board requests Audit & Supervisory Board Member selection assistants for helping with their duties, the Company will assign employees accordingly. The Company will discuss selections with Directors before finalizing them.

(ii) Audit & Supervisory Board Member selection assistants will have no concurrent duties pertaining to the execution of business, and the assistants will prioritize any commands from the Audit & Supervisory Board over commands from Directors.

(iii) The Board of Directors will determine personnel changes, performance evaluations, and disciplinary action for Audit & Supervisory Board Member selection assistants only after receiving approval from the Audit & Supervisory Board.

(8) System for reporting to Audit & Supervisory Board Members and system for ensuring the effective implementation of audits by Audit & Supervisory Board Members

(i) When Group Directors and employees discover circumstances that substantially impact the Company, they will report to Audit & Supervisory Board Members.

(ii) Audit & Supervisory Board Members may request reports pertaining to the execution of duties from Directors or employees at any time.

(iii) Audit & Supervisory Board Members will regularly hold separate meetings with the Representative Director and Accounting Auditor to exchange opinions.

(iv) Audit & Supervisory Board Members will work in close coordination with the Internal Audit Office and request reports on plans, results, and other aspects of internal audits.

(v) When an Audit & Supervisory Board Member requests the prepayment of expenses for their execution of duties based on Article 388 of the Companies Act, the Company will discuss the matter with the relevant departments and then promptly process the expenses or obligations, except when it is deemed that the expenses or obligations were unnecessary for the Audit & Supervisory Board Member's execution of the duties.

The operation status of the system for ensuring the appropriateness of operations is as described below.

Initiatives for compliance

The Company established the Group Compliance Charter for the purpose of enabling the Group to carry out corporate activities fairly and with integrity. In the current fiscal year, the Compliance Committee met three times, monitored the status of compliance in Group companies, and deployed measures for promoting compliance throughout the Group. Additionally, the Legal Affairs & Compliance Division took the lead in conducting compliance training for Group companies in an effort to enable them to carry out business activities fairly and with integrity. The Group also established and spread the word about an internal reporting system under which inquiries go directly to outside attorneys.

Under the Company’s internal control system, the Internal Audit Office, which reports to the President and Representative Director, takes the lead in auditing the operation status of the internal control system for the entire Group.

Initiatives for ensuring the appropriateness and efficiency of the execution of business

The Board of Directors held a total of 22 ordinary meetings of the Board of Directors and extraordinary meetings of the Board of Directors (including five written resolutions) at which they engaged in a lively exchange of opinions on proposals brought for discussion. Additionally, the Company held one Budget Meeting for reporting on the progress of the management budgets and management policies of each Group company, 15 Group Management Strategy Meetings attended by Directors and Audit & Supervisory Board Members (including Outside Officers) as well as the representative directors of consolidated subsidiary companies, and 12 Management Meetings attended by the Company’s Directors and Executive Officers at which the performance and other matters pertaining to Group companies were reported and examined.

Consolidated Statement of Changes in Equity
(April 1, 2023–March 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2023	2,099	1,190	25,371	(241)	28,420
Changes during period					
Dividends of surplus			(479)		(479)
Profit attributable to owners of parent			2,598		2,598
Purchase of treasury shares				(119)	(119)
Disposal of treasury shares				27	27
Net changes in items other than shareholders' equity					
Total changes during period	–	–	2,119	(91)	2,027
Balance as of March 31, 2024	2,099	1,190	27,491	(333)	30,448

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance as of April 1, 2023	4,758	8	137	(145)	4,758	33,179
Changes during period						
Dividends of surplus						(479)
Profit attributable to owners of parent						2,598
Purchase of treasury shares						(119)
Disposal of treasury shares						27
Net changes in items other than shareholders' equity	1,378	(6)	20	175	1,568	1,568
Total changes during period	1,378	(6)	20	175	1,568	3,596
Balance as of March 31, 2024	6,136	2	158	29	6,327	36,775

Notes to Consolidated Financial Statements

1. Basis of preparation of consolidated financial statements

(1) Scope of consolidation

(i) Status of consolidated subsidiaries

Number of consolidated subsidiaries:	13 companies
Names of consolidated subsidiaries:	Japan Carlit Co., Ltd., JC Bottling Co., Ltd., Silicon Technology Corporation, Carlit Sangyo Co., Ltd., Japan Carlit (Shanghai) Co., Ltd., Fuji Shoji Co., Ltd., Namitakiko Co., Ltd., General Design Co., Ltd., Toyo Spring industrial Co., Ltd., Asia Giken Co., Ltd., SD Network Co., Ltd., JC Power Supply Co., Ltd., Minamisawa Construction Co., Ltd.

(ii) Names of unconsolidated subsidiaries

Not applicable

(2) Application of equity method

(i) Number of associates accounted for using equity method: 1 company

Name of company: Japex Co., Ltd.

(ii) Unconsolidated subsidiaries not accounted for using equity method

Not applicable

(iii) Associates not accounted for using equity method

Name of company: Higashi Nihon Nitto Ace Co., Ltd.

(Reason for not applying the equity method)

The companies not accounted for using equity method are excluded from the scope of application of the equity method because they only have an immaterial impact on profit and loss (equity portion) and retained earnings (equity portion), etc., and are not significant as a whole.

(3) Fiscal year of consolidated subsidiaries

The fiscal year-end of Japan Carlit (Shanghai) Co., Ltd., an overseas consolidated subsidiary, is December 31. In preparing the consolidated financial statements, the financial statements as of December 31 are used, and adjustments necessary for consolidation are made for material transactions that occurred between December 31 and the consolidated balance sheet date. Other consolidated subsidiaries' fiscal year-end is the same as the consolidated balance sheet date.

(4) Accounting policies

(i) Valuation basis and methods for significant assets

A. Available-for-sale securities

Securities excluding non-marketable shares, etc.:	Stated at fair value (valuation differences are booked directly in a separate component of net assets, and cost of securities sold is determined by the moving average method)
Non-marketable shares, etc.:	Stated at cost determined by the moving average method

B. Derivatives — Stated at fair value

C. Inventories — Stated mainly at cost determined by the moving average method

(Balance sheet amounts are calculated by writing down book values as a result of lowered profitability)

(ii) Accounting methods for depreciation of significant depreciable assets

A. Property, plant and equipment (excluding leased assets)

The declining balance method is applied, while the straight-line method is applied for buildings acquired on or after April 1, 1998 (excluding facilities attached to buildings) and facilities attached to buildings and structures acquired on or after April 1, 2016.

In addition, the straight-line method is applied by JC Bottling Co., Ltd., Silicon Technology Corporation, Japan Carlit (Shanghai) Co., Ltd., and JC Power Supply Co., Ltd.

The ranges of major useful lives are from 7 to 50 years for buildings, from 7 to 60 years for structures, and from 4 to 22 years for machinery and equipment.

B. Intangible assets (excluding leased assets)

The straight-line method is applied, while software for internal use is amortized using the straight-line method over its useful life as internally determined (five years).

C. Leased assets

Leased assets related to finance lease transactions that do not transfer ownership

The straight-line method is applied assuming the lease period as the useful life without residual value.

(iii) Accounting policy for significant provisions

A. Allowance for doubtful accounts

To prepare for credit losses on receivables, an estimated uncollectable amount is provided at the amount estimated by either using the historical rate of credit loss for general receivables, or based on individual consideration of collectability for specific receivables such as highly doubtful receivables.

B. Provision for bonuses

To prepare for the payment of bonuses to employees, the amount expected to be paid is provided.

C. Provision for environmental measures

To prepare for the treatment of PCB waste required under the "Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes," the amount of estimated treatment cost is provided.

D. Provision for share awards

To prepare for the delivery of the Company's shares to the Company's employees as well as directors and employees of certain Company subsidiaries through the trust, the estimated amount of share awards obligation is provided.

E. Provision for share awards for directors

To prepare for the delivery of the Company's shares to the Company's directors through the trust, the estimated amount of share awards obligation is provided.

(iv) Accounting methods for retirement benefits

A. Method of attributing expected retirement benefits to periods

In the calculation of retirement benefit obligations, expected retirement benefits are attributed to the period up to the end of the current fiscal year on a benefit formula basis.

B. Amortization of actuarial gains and losses

Actuarial gains and losses are amortized using the straight-line method over certain years (eight years) within the average remaining service years of employees when incurred in each fiscal year, from the fiscal year following the accrual of each gain or loss.

C. Simplified accounting method used by small companies

Certain consolidated subsidiaries apply a simplified accounting method in which the calculation of retirement benefit liability and retirement benefit expenses is carried out by using a method in which the retirement benefit obligations are deemed to be the amount of retirement benefits to be paid in cases where all eligible employees retired voluntarily at the fiscal year-end date.

(v) Accounting policy for significant revenue and expenses

The Group has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, revised on March 31, 2020) and the "Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, revised on March 26, 2021), and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

A. Revenue recognition related to chemicals, bottling, and metal working

In Chemicals, Bottling, and Metal Working segments, the Group manufactures and sells signal flares, industrial explosives, raw materials for propellant, raw materials for fireworks, sodium chlorate, agrichemicals, abrasives, silicon wafers, PET bottle and can beverages, heat-resistant refractories, metal working materials, etc. Regarding these, the Group identifies the services provided by the Group as performance obligation.

For the sale of these products, revenue is recognized at the time of delivery of products to customers since customers gain control over products upon delivery and performance obligation of the Group is satisfied at the time of delivery. However, in accordance with alternative treatment prescribed in Paragraph 98 of the Guidance on Accounting Standard for Revenue Recognition, for domestic sales of products, etc., revenue is recognized at the time of shipment if the period between the time of shipment and the time of delivery is deemed normal. For sales of products, etc. in which the Company or its consolidated subsidiaries are considered acting as an agent, the Group recognizes the difference between the amounts received from customers and the amounts paid to suppliers as revenue. For transactions in which the Group bears an obligation to repurchase the supplied materials from suppliers, the Group recognizes only the amount equivalent to the processing fee as revenue because it has no control over the supplied materials.

B. Revenue recognition related to engineering services

In Engineering Services segment, the Group performs engineering and construction work, design and administration of buildings, sales of industrial paints and painting work. Regarding these, the Group identifies the services provided by the Group as performance obligation.

In Engineering Services segment, as the certainty of result for the progress part is recognized and the control over goods or services is transferred to the customer over time, the Group recognizes revenue over time as the performance obligation to transfer goods or service is satisfied. In addition, the method of estimating progress towards satisfaction of performance obligations is the cost-based input method. Furthermore, when it is not possible to reasonably estimate progress towards satisfaction of performance obligations, the Group applies the cost recovery method.

(vi) Other significant matters for preparing consolidated financial statements

A. Accounting policy for translation of significant foreign currency assets or liabilities into Japanese yen

Monetary receivables and payables in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing as of the consolidated balance sheet date, and translation differences are accounted for as profit or loss. Assets and liabilities of foreign subsidiaries are translated into Japanese yen at the spot exchange rate prevailing as of the balance sheet date of foreign subsidiaries, and their revenue and expenses are translated into Japanese yen at the average exchange rate during the period. Translation differences are included in foreign currency translation adjustment under net assets.

B. Method of significant hedge accounting

a. Method of hedge accounting

In principle, the deferral hedge accounting is applied.

The Group applies *furiate-shori* (designated exceptional hedge accounting under the Japanese GAAP) for forward exchange contracts that meet the requirements.

b. Hedging instruments and hedged items

Hedging instruments	Hedged items
Forward exchange contracts and currency options	Forecast transactions in foreign currencies

c. Hedging policy

The Group hedges exchange rate fluctuation risks in accordance with the Rules for Managing Derivatives, which are internal regulations.

d. Method of assessing hedge effectiveness

The effectiveness of hedging activities is determined, in principle, by comparing the cumulative fluctuation of the market price or cash flow of the hedged item with that of the hedging instrument during the period from the start of the hedge to the point at which effectiveness is determined, based on the amount of fluctuation in both cases.

2. Significant accounting estimates

(Valuation of property, plant and equipment within the ceramics sector asset group included in the Chemical Products segment)

(1) Amount recorded in the consolidated financial statements for the current fiscal year

Property, plant and equipment within the ceramics sector asset group ¥616 million

The Company has determined that there is an indication of impairment for land held in the ceramics sector due to a significant decline in market prices. However, no impairment loss was recognized because the total undiscounted future cash flows exceeds the carrying amount of the non-current assets of the relevant assets or asset group.

(2) Other information that contributes to understanding of users of the consolidated financial statements

(i) Method of calculation

When there is an event that indicates the possibility that the assets or asset group based on the business may be impaired (hereinafter "indication of impairment"), the Company, in principle, determines whether to recognize an impairment loss specifically based on whether the losses or negative cash flows from operating activities will continue, whether there are changes in the scope or method of use that will cause a significant decline in the recoverable amount, whether there is a significant deterioration in the business environment, whether there is a significant drop in the market price, and other factors. When an indication of impairment exists, the Company determines whether an impairment loss should be recognized by comparing the total undiscounted future cash flows expected to be derived from the non-current assets of the relevant assets or asset group with the carrying amount. As a result, when it is determined that an impairment loss must be recognized, the carrying amount of the asset is reduced to its recoverable amount, and the reduction in the carrying amount is recognized as an impairment loss.

(ii) Primary assumptions

The estimate of undiscounted future cash flows used in the judgment of recognizing an impairment loss was calculated based on the forecast of operating profit for the following fiscal year, which was revised based on the budget in light of the most recent financial results, and on the growth rate for the next fiscal year and thereafter that was estimated taking into account the market growth rate. The primary assumptions used in the estimate of undiscounted future cash flows are the forecast of operating profit for the following fiscal year, which was the assumption used when calculating future cash flows, and the growth rate for the next fiscal year and thereafter.

(iii) Impact on consolidated financial statements for the next fiscal year

The primary assumptions above may be affected by cost increases due to exchange rate fluctuations, as well as uncertain economic conditions in the automobile industry, steel industry, and other industries that handle metal products. Although the total undiscounted future cash flows are well above the carrying amount of the non-current assets, significant changes in economic and other conditions due to these effects could result in an impairment loss.

3. Notes to consolidated balance sheet

(1) Assets pledged as collateral

Factory foundation	¥5,620 million	(Note)
Investment securities	¥0 million	
Total	¥5,620 million	

(Corresponding liabilities)

Accounts payable - trade	¥14 million
Electronically recorded obligations - operating	¥2 million
Long-term borrowings	¥176 million
(of which current portion:	¥129 million)
Total	¥192 million

(Note) Factory foundation

Buildings	¥2,746 million
Structures	¥1,528 million
Machinery and equipment	¥1,278 million
Land	¥66 million
Total	¥5,620 million

(2) Accumulated depreciation of property, plant and equipment ¥35,829 million

(3) Trade notes receivable endorsed ¥9 million

(4) Amount of notes and accounts receivable - trade, and contract assets arising from contracts with customers

Notes receivable - trade	¥407 million
Accounts receivable - trade	¥9,903 million
Electronically recorded monetary claims - operating	¥1,311 million
Contract assets	¥420 million
Total	¥12,042 million

4. Notes to consolidated statement of changes in equity

(1) Total number of issued shares, and class and number of treasury shares

(Shares)

Class of shares	As of April 1, 2023	Increase	Decrease	As of March 31, 2024
Issued shares				
Common shares	24,050,000	–	–	24,050,000
Treasury shares				
Common shares	396,097	131,800	47,100	480,797

Notes: 1. Treasury shares include the Company's shares held by the Japanese version of Employee Stock Ownership Plan (J-ESOP) (131,800 shares at the end of the current fiscal year) and the Company's shares held by the Board Benefit Trust (BBT) (303,900 shares at the beginning of the current fiscal year and 256,800 shares at the end of the current fiscal year).

2. The increase of 131,800 treasury shares is due to the acquisition of 131,800 shares by J-ESOP.

3. The decrease of 47,100 treasury shares is due to a decrease of 47,100 shares resulting from provision to retired Directors from BBT.

(2) Dividends

(i) Dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends per share	Record date	Effective date
Annual General Meeting of Shareholders on June 29, 2023	Common shares	479	¥20	March 31, 2023	June 30, 2023

(ii) Dividends whose record date is in current fiscal year but whose effective date falls in the following fiscal year

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends per share	Record date	Effective date
Annual General Meeting of Shareholders on June 27, 2024	Common shares	790	¥33	March 31, 2024	June 28, 2024

5. Notes to financial instruments

1. Status of financial instruments

(1) Policy on financial instruments

The Group limits its investment activities to short-term deposits, etc., and raises necessary funds through loans from financial institutions such as banks, capital increases, and other optimal methods. The Group uses derivatives to avoid foreign exchange fluctuation risks arising from its business activities, and does not engage in speculative transactions, limiting the use of derivatives to those based on actual demand.

(2) Description of financial instruments and their risks, and risk management system

Notes and accounts receivable - trade, which are trade receivables, are exposed to credit risks of customers. Regarding such risks, in accordance with the Group's sales regulations, the Group manages due dates and remaining balances for each customer and monitors the credit status of major customers whenever necessary.

Investment securities are shares, corporate bonds, and equity securities of companies with which the Group has business relationships and are exposed to market price fluctuation risk and the credit risk of the investee, and their fair values are periodically determined and reported to the Board of Directors.

Notes and accounts payable - trade, which are trade payables, and income taxes payable are due within one year.

Of borrowings, short-term borrowings are financing mainly for operating transactions, while long-term borrowings (in principle, up to five years) and lease liabilities related to finance lease transactions are financing mainly for capital expenditures.

Derivatives are forward exchange contracts and currency options for hedging transactions against the risk of exchange rate fluctuations for forecast transactions in foreign currencies. The Group executes and manages derivatives in accordance with internal regulations that stipulate transaction authority. In using derivatives, the Group has transactions only with highly rated financial institutions in order to mitigate credit risk.

Trade payables, income taxes payable, and borrowings are exposed to liquidity risk, but the Group manages this risk by such means as having each company prepare a monthly cash management plan.

(3) Supplementary explanation on fair values of financial instruments

With regard to the contract amounts relating to derivatives in "Fair values of financial instruments," that amounts themselves do not indicate market risk on derivatives.

2. Fair values of financial instruments

Carrying amounts in the consolidated balance sheet as of March 31, 2024 (the consolidated balance sheet date of the current fiscal year), fair values and the differences between them are as follows. Non-marketable shares, etc. are not included in the following table (please refer to (Note 2) below).

(Millions of yen)

	Carrying amount (*1)	Fair value (*1)	Difference
(1) Investment securities Available-for-sale securities	10,833	10,833	–
(2) Long-term borrowings (including current portion)	[941]	[935]	(5)
(3) Lease liabilities (including current portion)	[984]	[1,025]	40
(4) Derivatives	3 (*3)	3 (*3)	–

*1 Values recorded in liabilities are shown in square brackets.

*2 Because "Cash and deposits," "Notes and accounts receivable - trade, and contract assets," "Notes and accounts payable - trade," "Short-term borrowings," and "Income taxes payable" are settled within a short period and therefore the fair value is close to the carrying amount, they are omitted here.

*3 Net receivables and payables arising from derivatives are presented on a net basis.

(Note 1) Methods for calculating fair values of financial instruments, and securities and derivatives

(1) Investment securities

The fair value of shares is based on the prices quoted by stock exchanges.

Securities are held as available-for-sale securities, and the difference between the carrying amount in the consolidated balance sheet and the acquisition cost for these securities is as follows.

(Millions of yen)

	Class	Carrying amount in the consolidated balance sheet	Acquisition cost	Difference
Items whose carrying amount exceeds acquisition cost	Shares	10,775	3,429	7,345
Items whose carrying amount does not exceed acquisition cost	Shares	58	68	(10)
Total		10,833	3,498	7,334

Sales of available-for-sale securities during the current fiscal year are ¥210 million, resulting in a total gain on sale of ¥142 million.

(2) Long-term borrowings (including current portion), and (5) Lease liabilities (including current portion)

The fair value of these is calculated by discounting the total of principal and interest at an interest rate that would be charged for new similar loans or lease transactions.

(3) Derivatives

The fair value is calculated based on the value provided by the financial institutions with which the Group has transactions.

(Note 2) Since unlisted shares, etc. (carrying amount of ¥191 million in the consolidated balance sheet) are considered non-marketable shares, etc., they are not included in "(1) Investment securities - Available-for-sale securities."

(Note 3) Maturity of monetary claims after the consolidated balance sheet date

(Millions of yen)

	Within 1 year	After 1 year through 5 years	After 5 years
Cash and deposits	2,921	–	–
Notes and accounts receivable - trade, and contract assets	12,042		
Total	14,963	–	–

(Note 4) Repayment schedule of short-term borrowings, long-term borrowings, and lease liabilities after the consolidated balance sheet date

(Millions of yen)

	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years
Short-term borrowings	89	–	–	–	–	–
Long-term borrowings	470	235	235	–	–	–
Lease liabilities	216	137	147	478	3	1
Total	776	372	383	478	3	1

3. Matters related to the breakdown by level of fair values of financial instruments, etc.

Fair values of financial instruments are categorized into the following three levels in accordance with observability and significance of inputs used to measure fair value.

Level 1 fair value: Fair value measured by quoted prices for assets or liabilities subject to the measurement of fair value formed in active markets that are observable inputs related to fair value measurement

Level 2 fair value: Fair value measured by using observable inputs related to fair value measurement other than inputs related to Level 1 fair value measurement

Level 3 fair value: Fair value measured by using unobservable inputs related to fair value measurement

If multiple inputs are used that significantly affect the measurement of fair value, the fair value is categorized into the lowest priority level in fair value measurement among levels of those inputs.

(1) Financial instruments recorded in the consolidated balance sheet at fair value

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	10,833	–	–	10,833
Derivatives				
Currency derivatives	–	3	–	3
Total assets	10,833	3	–	10,836

(2) Financial instruments other than those recorded in the consolidated balance sheet at fair value

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term borrowings (including current portion)	–	935	–	935
Lease liabilities (including current portion)	–	1,025	–	1,025
Total liabilities	–	1,960	–	1,960

Note: Valuation techniques used in measurement of fair value and explanation of inputs pertaining to the measurement of fair value

Investment securities

Fair values of listed shares are evaluated using quoted prices. Listed shares are traded in active markets, so their fair values are categorized as Level 1 fair value.

Derivatives

Fair values of forward exchange contracts are measured with the discounted present value method using observable inputs such as exchange rates, so their fair values are categorized as Level 2 fair value.

Long-term borrowings and lease liabilities

The fair values of these are measured using the discounted present value method based on the total amount of principal and interest and an interest rate that takes account of the term to maturity and credit risk of such liabilities, and are categorized as Level 2 fair value.

6. Notes to real estate for rent

(1) Status of real estate for rent

The Group owns high-end senior citizen condominiums (including land) for rent in Yokohama City, Kanagawa Prefecture, and other areas.

(2) Fair values of real estate for rent

(Millions of yen)

Carrying amount in the consolidated balance sheet	Fair value
1,912	2,765

Notes: 1. The carrying amount in the consolidated balance sheet represents the amount of acquisition cost less accumulated depreciation.

2. Fair values at the end of the current fiscal year are the amount determined primarily based on the "Real Estate Appraisal Standards" (including those adjusted using relevant indexes).

7. Notes to per share information

Net assets per share ¥1,560.32

Earnings per share ¥109.91

8. Notes to revenue recognition

(1) Information on disaggregation of revenue

Information on disaggregation of revenue from contracts with customers

(Millions of yen)

	Reportable segment					Other (Note)	Total
	Chemical Products	Bottling	Metal Working	Engineering Services	Total		
Net sales							
Goods transferred at a point in time	19,960	5,150	7,155	1,732	34,000	–	34,000
Goods transferred over time	–	–	–	2,310	2,310	–	2,310
Revenue from contracts with customers	19,960	5,150	7,155	4,043	36,311	–	36,311
Other revenue	97	–	5	6	110	155	266
Net sales from external customers	20,058	5,150	7,161	4,050	36,421	155	36,577

Notes: 1. "Other" comprises business operations that are not categorized as reportable segments, and includes the Company as a holding company.

2. Starting from the current fiscal year, 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."

(2) Basic information for understanding revenue from contracts with customers

Basic information for understanding revenue from contracts with customers is stated in "(v) Accounting policy for significant revenue and expenses" in "(4) Accounting policies" under "1. Basis of preparation of consolidated financial statements."

(3) Information for understanding the amount of revenue for the current fiscal year and the fiscal years that follow

(i) Balance of contract assets and contract liabilities

Contract assets are unclaimed accounts receivable related to revenue that has been recognized based on measured progress, mainly in engineering services. Contract assets are transferred to trade receivable when accepted by the customer. Contract liabilities are mainly advances received from the customer under a contract.

The balance of contract assets and contract liabilities are as follows.

(Millions of yen)

	Current fiscal year (March 31, 2024)
Contract assets	420
Contract liabilities	382

(ii) Transaction price allocated to remaining performance obligations

The amounts of transaction price allocated to performance obligations not yet satisfied (or partially not yet satisfied) at the end of the current fiscal year and anticipated to be recognized in future are as follows.

(Millions of yen)

Due within one year	962
After one year	0
Total	963

9. Notes to additional information

(1) Transactions in which the Company's shares are issued to employees through a trust

Japanese version of Employee Stock Ownership Plan (J-ESOP)

In accordance with the resolution of the Board of Directors meeting held on November 28, 2023, the Company has established the "Japanese version of Employee Stock Ownership Plan (J-ESOP)" (hereinafter "the Plan") from December 12, 2023, with the aim of fostering employees' eagerness to make management decisions from the perspective of group management and to take on the challenges of creating new businesses by having employees become shareholders and by uniting them to see eye-to-eye with shareholders.

(i) Overview of transactions

The Plan is a trust-type scheme based on the Employee Stock Ownership Plan (ESOP) in the U.S., under which the Company's shares are provided to eligible employees who meet certain requirements in accordance with the Company's share benefit regulations established in advance.

The Company grants points to eligible employees in accordance with the Company's performance and other factors, and when they acquire the right to receive benefits under certain conditions, the Company grants them Company shares equivalent to the points granted. The shares to be provided to eligible employees shall be acquired in the future by means of cash set aside in advance in a trust, and they shall be segregated and managed as trust assets.

(ii) Shares of the Company remaining in the trust

The Company's shares remaining in the trust are recorded as treasury shares under net assets at their book value in the trust (excluding the amount of incidental expenses). The book value and number of such treasury shares amounted to ¥119 million and 131,000 shares at the end of the current fiscal year.

(iii) Book value of borrowings recorded under the gross price method

Not applicable

(2) Establishment of a retirement benefit trust

Japan Carlit Co., Ltd., a consolidated subsidiary of the Company, established a retirement benefit trust and contributed ¥715 million in cash and deposits during the current fiscal year to further improve the soundness of its retirement benefit plan. As a result, the retirement benefit liability decreased by the same amount.

(3) Absorption-type merger of consolidated subsidiaries

At a meeting of the Board of Directors held on November 28, 2023, the Company resolved to merge its wholly owned subsidiaries, Japan Carlit Co., Ltd. and Silicon Technology Corporation, effective October 1, 2024, and entered into merger agreements on the same date.

(i) Overview of transactions

A. Names of the combined companies and their businesses

Names of the combined companies	Description of businesses
Japan Carlit Co., Ltd.	Manufacture and sale of chemical products, electronic materials, etc.
Silicon Technology Corporation	Manufacture and sales of silicon wafers for semiconductors

B. Date of business combination (scheduled)

October 1, 2024

C. Legal form of business combination

An absorption-type merger in which the Company will be the surviving company and Japan Carlit Co., Ltd. and Silicon Technology Corporation will be the absorbed companies.

D. Name of company after combination

Carlit Co., Ltd.

E. Other matters related to the overview of transactions

The purpose is to promote growth strategies and improve management efficiency by shifting from the current pure holding company structure to an operating holding company structure and integrating the management structure by merging Japan Carlit Co., Ltd. and Silicon Technology Corporation into the Company, based on the focus and development areas in the business portfolio set forth in the medium-term management plan.

(ii) Overview of the accounting methods to be implemented

In accordance with the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019), the transactions will be treated as transactions under common control.

Non-consolidated Statement of Changes in Equity
(April 1, 2023–March 31, 2024)

(Millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings		
Balance as of April 1, 2023	2,099	1,196	13,715	14,911	9,391	9,391	(241)	26,160
Changes during period								
Dividends of surplus					(479)	(479)		(479)
Profit					1,140	1,140		1,140
Purchase of treasury shares							(119)	(119)
Disposal of treasury shares							27	27
Net changes in items other than shareholders' equity								
Total changes during period	—	—	—	—	660	660	(91)	568
Balance as of March 31, 2024	2,099	1,196	13,715	14,911	10,052	10,052	(333)	26,729

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance as of April 1, 2023	3,163	3,163	29,324
Changes during period			
Dividends of surplus			(479)
Profit			1,140
Purchase of treasury shares			(119)
Disposal of treasury shares			27
Net changes in items other than shareholders' equity	1,184	1,184	1,184
Total changes during period	1,184	1,184	1,753
Balance as of March 31, 2024	4,348	4,348	31,077

Notes to Non-consolidated Financial Statements

1. Significant accounting policies

(1) Valuation basis and methods for significant assets

(i) Shares of subsidiaries and associates

Stated at cost determined by the moving average method

(ii) Available-for-sale securities

Securities excluding non-marketable shares, etc.:	Stated at fair value (valuation differences are booked directly in a separate component of net assets, and cost of securities sold is determined by the moving average method)
Non-marketable shares, etc.:	Stated at cost determined by the moving average method

(2) Accounting methods for depreciation of non-current assets

(i) Property, plant and equipment (excluding leased assets)

The declining balance method is applied, while the straight-line method is applied for buildings, and facilities attached to buildings and structures acquired on or after April 1, 2016.

The ranges of major useful lives are from 8 to 50 years for buildings, from 10 to 60 years for structures, and from 5 to 20 years for tools, furniture and fixtures.

(ii) Intangible assets (excluding leased assets)

The straight-line method is applied, while software for internal use is amortized using the straight-line method over its useful life as internally determined (five years).

(3) Accounting policy for provisions

(i) Provision for bonuses

To prepare for the payment of bonuses to employees, the amount expected to be paid is provided.

(ii) Provision for retirement benefits

To prepare for the payment of retirement benefits for employees, an amount based on the projected retirement benefit obligations and plan assets as of the current fiscal year end is recorded.

A. Method of attributing expected retirement benefits to periods

In the calculation of retirement benefit obligations, expected retirement benefits are attributed to the period up to the end of the current fiscal year on a benefit formula basis.

B. Amortization of actuarial gains and losses

Actuarial gains and losses are amortized using the straight-line method over certain years (eight years) within the average remaining service years of employees when incurred in each fiscal year, from the fiscal year following the accrual of each gain or loss.

The accounting methods for unrecognized actuarial gains or losses, and for unrecognized past service costs, are different from these accounting methods in the consolidated financial statements.

(iii) Provision for share awards

To prepare for the delivery of the Company's shares to the Company's employees through the trust, the estimated amount of share awards obligation is provided.

(iv) Provision for share awards for directors

To prepare for the delivery of the Company's shares to the Company's directors through the trust, the estimated amount of share awards obligation is provided.

(4) Accounting policy for revenue and expenses

The primary revenues for the Company as a holding company are Group management contributions and dividend income from subsidiaries and affiliates.

(1) Group management contributions

The Company is obligated to carry out management for Group companies primarily for achieving improved Group management efficiency. The Company receives the Group management contributions as the price for this management. Because this obligation is fulfilled with the passage of time, revenue is recognized as uniform amount throughout the contract period.

(2) Dividend income from subsidiaries and affiliates

Revenue is recognized based on the dividend record dates.

2. Notes to non-consolidated balance sheet

(1) Accumulated depreciation of property, plant and equipment ¥596 million

(2) Contingent liabilities (Guarantee obligations)

(Millions of yen)

Guarantee	Balance of guarantee obligations	Description of guaranteed obligations
Japan Carlit (Shanghai) Co., Ltd.	79	Guarantee obligation for borrowings

(3) Monetary receivables from and monetary payables to subsidiaries and associates (excluding those presented as separate line items)

Short-term monetary receivables ¥10 million
Short-term monetary payables ¥1,174 million

3. Notes to non-consolidated statement of income

Amount of transactions with subsidiaries and associates

Operating revenue	¥1,925 million
Operating expenses	¥3 million
Transactions other than operating transactions	¥87 million

4. Notes to non-consolidated statement of changes in equity

Class and number of treasury shares

(Shares)

Class of shares	As of April 1, 2023	Increase	Decrease	As of March 31, 2024
Common shares	396,097	131,800	47,100	480,797

Notes: 1. Treasury shares include the Company's shares held by the Japanese version of Employee Stock Ownership Plan (J-ESOP) (131,800 shares at the end of the current fiscal year) and the Company's shares held by the Board Benefit Trust (BBT) (303,900 shares at the beginning of the current fiscal year and 256,800 shares at the end of the current fiscal year).

2. The increase of 131,800 treasury shares is due to the acquisition of 131,800 shares by J-ESOP.

3. The decrease of 47,100 treasury shares is due to a decrease of 47,100 shares resulting from provision to retired Directors from BBT.

5. Notes to tax effect accounting

Major components of deferred tax assets and liabilities

(Deferred tax assets)

Provision for bonuses	¥24 million
Accrued enterprise tax	¥7 million
Provision for share awards for directors	¥26 million
Provision for retirement benefits	¥11 million
Loss on valuation of investment securities	¥13 million
Shares of subsidiaries and associates	¥399 million
Other	¥9 million
Subtotal	¥493 million
Valuation allowance	¥(416) million
Total	¥76 million

(Deferred tax liabilities)

Valuation difference on available-for-sale securities	¥(1,934) million
Property, plant and equipment	¥(219) million
Transfer profit and loss adjustment	¥(502) million
Total	¥(2,656) million
Net deferred tax liabilities	¥(2,579) million

6. Notes to related party transactions

Subsidiaries, etc.

Type	Name	Percentage of voting rights holding or being held	Relationship with the related party	Description of transactions	Amount of transactions (Millions of yen)	Account	Balance as of March 31, 2024 (Millions of yen)
Subsidiary	Japan Carlit Co., Ltd.	Ownership Directly 100%	Business management Financial assistance Interlocking officers	Receipt of Group management contributions (Note 1)	598	Trade accounts receivable	–
				Lending of funds (Note 2)	766	Short-term loans receivable from subsidiaries and associates	3,101
				Lending of funds (Note 2)	715	Long-term loans receivable from subsidiaries and associates	2,647
Subsidiary	JC Bottling Co., Ltd.	Ownership Directly 100%	Business management Financial assistance Interlocking officers	Collection of funds (Note 2)	214	Short-term loans receivable from subsidiaries and associates	237
				Lending of funds (Note 2)	147	Long-term loans receivable from subsidiaries and associates	1,052
Subsidiary	Silicon Technology Corporation	Ownership Directly 100%	Business management Financial assistance Interlocking officers	Lending of funds (Note 2)	481	Short-term loans receivable from subsidiaries and associates	1,699
				Lending of funds (Note 2)	560	Long-term loans receivable from subsidiaries and associates	448
Subsidiary	Carlit Sangyo Co., Ltd.	Ownership Indirectly 100%	Receipt of surplus funds	Deposits of funds (Note 2)	189	Deposits received	434

Type	Name	Percentage of voting rights holding or being held	Relationship with the related party	Description of transactions	Amount of transactions (Millions of yen)	Account	Balance as of March 31, 2024 (Millions of yen)
Subsidiary	Toyo Spring industrial Co., Ltd.	Ownership Directly 100%	Business management Financial assistance Interlocking officers	Lending of funds (Note 2)	75	Short-term loans receivable from subsidiaries and associates	530
				Lending of funds (Note 2)	200	Long-term loans receivable from subsidiaries and associates	590
Subsidiary	General Design Co., Ltd.	Ownership Directly 100%	Business management Receipt of surplus funds Interlocking officers	Return of funds (Note 2)	2	Deposits received	437

Transaction terms and method of determining transaction terms

Notes: 1. Group companies bear the necessary expenses for the operation of the Company in proportion to the size of their business operations, etc. as Group management contributions.

2. As a part of a cash management system, the interest rate for loans receivable and deposits received is determined in a reasonable manner by taking market interest rates into consideration.

7. Notes to per share information

Net assets per share	¥1,318.58
Earnings per share	¥48.21

8. Notes to revenue recognition

Basic information for understanding revenue from contracts with customers

Basic information for understanding revenue from contracts with customers is stated in “(4) Accounting policy for revenue and expenses, in 1. Significant accounting policies.”

9. Notes to additional information

(1) Transactions in which the Company’s shares are issued to employees through a trust

Notes on transactions in which the Company’s shares are issued to employees through a trust are omitted because the same information is presented in “9. Notes to additional information (1) Transactions in which the Company’s shares are issued to employees through a trust.”

(2) Absorption-type merger of consolidated subsidiaries

Notes on absorption-type merger of consolidated subsidiaries are omitted because the same information is presented in “9. Notes to additional information (3) Absorption-type merger of consolidated subsidiaries.”