June 4, 2025

Informational Materials for the 12th 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
  "Main places of business and plants"
  "Status of employees"
  "Share Acquisition Rights"
  "Status of the Accounting Auditor"
  "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 12 (April 1, 2024–March 31, 2025)

Carlit 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

Main places of business and plants (as of March 31, 2025)

(i) Main places of business

Head Office		Chuo-ku, Tokyo
Sales Offices	Kyushu Sales Office Hokkaido Sales Office	Fukuoka-shi, Fukuoka Sapporo-shi, Hokkaido
Branch	Osaka Branch	Osaka-shi, Osaka
Laboratories	Gunma Laboratory Akagi Laboratory Nagano Laboratory	Shibukawa-shi, Gunma Shibukawa-shi, Gunma Saku-shi, Nagano
Plants	Gunma Plant Akagi Plant Nagano Plant Shiga Plant	Shibukawa-shi, Gunma Shibukawa-shi, Gunma Saku-shi, Nagano Inukami-gun, Shiga
Distribution Center	Toyota Distribution Center	Toyota-shi, Aichi

(ii) Main places of business and plants of the subsidiary companies

JC Bottling Co., Ltd.	Head Office	Chuo-ku, Tokyo
	Shibukawa Plant	Shibukawa-shi, Gunma
Fuji Shoji Co., Ltd.	Head Office	Osaka-shi, Osaka
	Shiga Plant	Inukami-gun, Shiga
Namitakiko Co., Ltd.	Head Office and Factory	Osaka-shi, Osaka
	Tokyo Office	Chuo-ku, Tokyo
General Design Co., Ltd.	Head Office	Minato-ku, Tokyo
Toyo Spring industrial Co., Ltd.	Head Office	Matsudo-shi, Chiba
	Ishioka Plant	Omitama-shi, Ibaraki
	Kashiwabara Plant	Ishioka-shi, Ibaraki
Carlit Sangyo Co., Ltd.	Head Office	Shibukawa-shi, Gunma
Minamisawa Construction Co., Ltd.	Head Office	Shibukawa-shi, Gunma
Japan Carlit (Shanghai) Co., Ltd.	Head Office	Shanghai, China

Note: On October 1, 2024, the Company carried out an absorption-type merger, whereby the Company was the surviving company and its consolidated subsidiaries, Japan Carlit Co., Ltd. and Silicon Technology Corporation, were the absorbed entities.

Status of employees (as of March 31, 2025)

Status of Group employees

Business segment	Number of employees	Change from end of previous year
Chemicals Products segment	530	-2
Bottling segment	135	+4
Metal Working segment	219	-4
Engineering Services segment	186	+5
Total	1,070	+3

Notes: 1. “Number of employees” is the number of working employees.

2. Effective October 1, 2024, the Company transitioned from a holding company to an operating company through the absorption-type merger of our wholly-owned subsidiaries Japan Carlit Co., Ltd. and Silicon Technology Corporation, which were dissolved as a result. In line with this, we revised our segment classifications, and the Company’s segment, which had been included under “Other,” is now presented under “Chemical Products.”

Share Acquisition Rights

(1) Status of share acquisition rights on March 31, 2025

No items to report.

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

No items to report.

Status of the Accounting Auditor

(1) Name of the Accounting Auditor

Ernst & Young ShinNihon LLC

(2) Amount of compensation for the Accounting Auditor for the year ended March 31, 2025

(i)	Compensation for the Accounting Auditor for the year ended March 31, 2025	¥48 million
(ii)	Total amount of money and other economic benefits to be paid to the Accounting Auditor by the Company and its subsidiary companies	¥48 million

Notes:
1. The respective amounts of compensation for auditing services under the Companies Act and the Financial Instruments and Exchange Act are not classified in the agreement for auditing services between the Company and the Accounting Auditor, and cannot be classified in practical terms; therefore, the amount of compensation for the year ended March 31, 2025 is indicated as the total of both.
2. The Audit & Supervisory Board agreed to the compensation for the Accounting Auditor after undergoing the steps necessary to verify the appropriateness of the basis for calculating compensation, details of auditing plans, and the like.
3. In addition to the above, the amount of compensation for the Accounting Auditor includes ¥1 million as the amount of additional compensation related to the preceding fiscal year.
4. The significant subsidiaries located overseas are audited by audit firms other than the Company's accounting auditor.

(3) Details of non-auditing services

No items to report.

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

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

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

No items to report.

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, Full-Time 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 reports

(i) The Group maintains an internal control system for ensuring the reliability of reports, including non-financial information, both within and outside the organization, and makes necessary corrections by continuously assessing the status of the system's operation.

(ii) The Group has established the Basic Policy on Financial Reporting as a basic policy for preparing reliable financial reports.

(iii) The Group has established the IT Response Policy as a basic policy on IT control.

(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 Company has established the Group IT Management Rules, which set out the basic policy for Group companies regarding the security of IT infrastructures and the data they handle.

(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 Full-Time Audit & Supervisory Board Members will be held monthly, and Management Meetings to be attended by Full-Time Directors and all Executive Officers 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 Executive Officers in charge of each business domain oversee their respective areas, and 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.

(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 Group 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 two 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 a compliance consultation desk 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 17 ordinary meetings of the Board of Directors and extraordinary meetings of the Board of Directors at which they engaged in a lively exchange of opinions on proposals brought for discussion. Additionally, the Company held two Budget Meeting for reporting on the progress of the management budgets and management policies of each Group company, 13 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, 2024–March 31, 2025)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2024	2,099	1,190	27,491	(333)	30,448
Changes during period					
Dividends of surplus			(790)		(790)
Profit attributable to owners of parent			2,570		2,570
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	1,779	(0)	1,779
Balance as of March 31, 2025	2,099	1,190	29,271	(333)	32,228

	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, 2024	6,136	2	158	29	6,327	36,775
Changes during period						
Dividends of surplus						(790)
Profit attributable to owners of parent						2,570
Purchase of treasury shares						(0)
Net changes in items other than shareholders' equity	(1,298)	(12)	40	194	(1,075)	(1,075)
Total changes during period	(1,298)	(12)	40	194	(1,075)	704
Balance as of March 31, 2025	4,838	(10)	198	224	5,251	37,479

Notes to Consolidated Financial Statements

1. Notes on going concern assumption

Not applicable

2. Basis of preparation of consolidated financial statements

(1) Scope of consolidation

(i) Status of consolidated subsidiaries

Number of consolidated subsidiaries:	11 companies
Names of consolidated subsidiaries:	JC Bottling Co., Ltd., Carlit Sangyo Co., Ltd., Japan Carlit (Shanghai) Co., Ltd., Fuji Shoji Co., Ltd., Namitakiko Co., Ltd., General Design Co., Ltd., Toyo Spring industrial Co., Ltd., Asia Giken Co., Ltd., SD Network Co., Ltd., JC Power Supply Co., Ltd., Minamisawa Construction Co., Ltd.

Japan Carlit Co., Ltd. and Silicon Technology Corporation, which had been consolidated subsidiaries until the previous fiscal year, were dissolved through an absorption-type merger effective October 1, 2024, with the Company as the surviving entity. Accordingly, they have been excluded from the scope of consolidation.

(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 the Nagano Plant of the Company, JC Bottling Co., Ltd., 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 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.

D. Provision for share awards for directors

To prepare for the delivery of the Company's shares to the Company's directors, etc. 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 and past service costs

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.

Past service costs 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 in which the costs are incurred.

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

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

In Chemicals, Bottling, and Metal Working segments, the Group purchases, 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, etc., revenue is recognized at the time of delivery of products to customers since customers gain control over products, etc. 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. Of sales of products, etc., for transactions 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.

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.

3. Note on changes in accounting policies

(Application of the "Accounting Standard for Current Income Taxes," etc.)

The Company has applied the "Accounting Standard for Current Income Taxes" (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; the "Revised Accounting Standard of 2022"), etc. from the beginning of the current fiscal year.

Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and to the transitional treatment in the proviso of paragraph 65-2(2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022). This does not affect the consolidated financial statements.

4. Note on changes in presentation

(Consolidated statement of income)

"Foreign exchange gains," which were presented separately under "Non-operating income" in the previous fiscal year, have been included in "Other" under "Non-operating income" in the current fiscal year due to the decreased materiality.

"Foreign exchange gains" in the previous fiscal year amounted to ¥20 million.

5. Notes on significant accounting estimates

(Valuation of non-current assets within the silicon wafer sector asset group included in the Chemical Products segment)

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

Impairment loss within the silicon wafer sector asset group ¥943 million

(2) Information regarding the content of significant accounting estimates for identified items

(i) Method of calculation

The Group operates multiple businesses, and for business assets, the smallest unit for asset grouping is defined by the business segment, namely Chemical Products, Bottling, Metal Working, and Engineering Services. For consolidated subsidiaries, which primarily operate a single line of business, the smallest asset group is defined on a company basis. Based on this, the Company determines that there is an indication of impairment when, for each business segment, the losses or negative cash flows from operating activities will continue, when there are changes in the scope or method of use that will cause a significant decline in the recoverable amount, or when there is significant deterioration in the business environment or a significant drop in the market price and other factors. When it is determined that 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.

In the current fiscal year, it was determined that there were indications of impairment in the silicon wafer sector asset group due to continued recording of operating losses, resulting from excessive customer inventories and production adjustments stemming from a sluggish semiconductor market. As a result, after carefully reviewing future business plans, the total undiscounted future cash flows expected to be generated from the asset group were negative, the recoverable amount was deemed to be zero, and the entire carrying amount was reduced and recognized as an impairment loss.

(ii) Primary assumptions

The estimate of the total future cash flows used to determine the recognition and measure an impairment loss was calculated based on the budget, with the main assumptions being sales volume and sales price per unit based on demand forecasts of major customers and recent sales performance.

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

The identification of indications of impairment and recognition and measurement of impairment losses may significantly impact the consolidated financial statements in the next fiscal year if it becomes necessary to revise the assumptions used in the estimates due to changes in future business conditions or other factors.

6. Notes to consolidated balance sheet

(1) Assets pledged as collateral

Factory foundation	¥5,997 million	(Note)
Investment securities	¥0 million	
Total	¥5,998 million	

(Corresponding liabilities)

Accounts payable - trade	¥25 million
Electronically recorded obligations - operating	¥71 million
Long-term borrowings	¥126 million
(of which current portion:	¥103 million)
Total	¥224 million

(Note) Factory foundation

Buildings	¥2,705 million
Structures	¥1,559 million
Machinery and equipment	¥1,666 million
Land	¥66 million
Total	¥5,997 million

(2) Accumulated depreciation of property, plant and equipment ¥36,648 million

(3) Trade notes receivable endorsed ¥24 million

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

Notes receivable - trade	¥231 million
Accounts receivable - trade	¥7,601 million
Electronically recorded monetary claims - operating	¥1,232 million
Contract assets	¥584 million
Total	¥9,649 million

7. Notes to consolidated statement of income

Impairment losses

During the current fiscal year, the Group recorded impairment losses on the following asset groups.

(i) Main assets for which impairment losses were recognized

(Millions of yen)

Location	Used for	Category	Amount
Saku-shi, Nagano	Silicon wafer manufacturing facility, etc.	Building, machinery and equipment, etc.	943

(ii) Background to the recognition of impairment losses

The Group operates multiple businesses, and for business assets, the smallest unit for asset grouping is defined by the business segment, namely Chemical Products, Bottling, Metal Working, and Engineering Services. For consolidated subsidiaries, which primarily operate a single line of business, the smallest asset group is defined on a company basis.

In the current fiscal year, the Group recorded an impairment loss under extraordinary losses by reducing the carrying amount of assets in the silicon wafer sector to their recoverable amount. This was due to continued operating losses resulting from excessive customer inventories and production adjustments attributable to the downturn in the semiconductor market.

(Calculation method of recoverable amount)

The recoverable amount is measured based on value in use; however, as the total undiscounted future cash flows were negative, the recoverable amount was deemed to be zero, and the entire carrying amount was recognized as an impairment loss.

(Breakdown of impairment losses)

The breakdown of impairment losses was as follows: buildings and structures - ¥173 million; machinery, equipment, and vehicles - ¥382 million; land - ¥120 million; construction in progress - ¥241 million; and other - ¥25 million.

8. 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, 2024	Increase	Decrease	As of March 31, 2025
Issued shares				
Common shares	24,050,000	–	–	24,050,000
Treasury shares				
Common shares	480,797	62	–	480,859

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 beginning of the current fiscal year and 131,800 shares at the end of the current fiscal year) and the Company's shares held by the Board Benefit Trust (BBT) (256,800 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 62 treasury shares is due to the acquisition of fractional unit shares.

(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 27, 2024	Common shares	790	¥33	March 31, 2024	June 28, 2024

Note: The total dividends resolved at the Annual General Meeting of Shareholders on June 27, 2024 includes dividends of ¥12 million on the Company's shares held by the Japanese version of Employee Stock Ownership Plan (J-ESOP) and Board Benefit Trust (BBT).

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

Resolution	Class of shares	Dividend source	Total dividends (Millions of yen)	Dividends per share	Record date	Effective date
Annual General Meeting of Shareholders on June 27, 2025	Common shares	Retained earnings	862	¥36	March 31, 2025	June 30, 2025

Note: The total dividends resolved at the Annual General Meeting of Shareholders on June 27, 2025 includes dividends of ¥13 million on the Company's shares held by the Japanese version of Employee Stock Ownership Plan (J-ESOP) and Board Benefit Trust (BBT).

9. 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.

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, 2025 (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	8,426	8,426	–
(2) Long-term borrowings (including current portion)	[470]	[464]	(5)
(3) Lease liabilities (including current portion)	[809]	[786]	(23)
(4) Derivatives	[15] (*3)	[15] (*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,” 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	8,368	1,596	6,772
Items whose carrying amount does not exceed acquisition cost	Shares	58	79	(21)
Total		8,426	1,675	6,750

Sales of available-for-sale securities during the current fiscal year are ¥2,331 million, resulting in a total gain on sale of ¥2,055 million.

(2) Long-term borrowings (including current portion), and (3) 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.

(4) 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 ¥204 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	4,945	–	–
Notes and accounts receivable - trade, and contract assets	9,649	–	–
Total	14,595	–	–

(Note 4) Repayment schedule of 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
Long-term borrowings	235	235	–	–	–	–
Lease liabilities	149	160	490	7	1	–
Total	384	396	490	7	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	8,426	–	–	8,426
Total assets	8,426	–	–	8,426
Derivatives				
Currency derivatives	–	15	–	15
Total liabilities	–	15	–	15

(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)	–	464	–	464
Lease liabilities (including current portion)	–	786	–	786
Total liabilities	–	1,251	–	1,251

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.

10. 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
1,837	2,694

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).

11. Notes to per share information

Net assets per share	¥1,590.20
Earnings per share	¥109.07

12. Notes to revenue recognition

(1) Information on disaggregation of revenue

Information on disaggregation of revenue from contracts with customers

(Millions of yen)

	Reportable segment				Total
	Chemical Products	Bottling	Metal Working	Engineering Services	
Net sales					
Goods transferred at a point in time	21,476	4,524	7,074	1,759	34,834
Goods transferred over time	–	–	–	1,851	1,851
Revenue from contracts with customers	21,476	4,524	7,074	3,611	36,686
Other revenue	215	–	5	6	227
Net sales from external customers	21,692	4,524	7,079	3,618	36,914

Note: Effective October 1, 2024, the Company transitioned from a holding company to an operating company through the absorption-type merger of our consolidated subsidiaries Japan Carlit Co., Ltd. and Silicon Technology Corporation, which were dissolved as a result. In line with this, we revised our segment classifications. Accordingly, from the current fiscal year, the Company's financial information, which had been included under "Other," is now presented under "Chemical Products."

(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, 2025)
Contract assets	584
Contract liabilities	489

(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	832
After one year	–
Total	832

13. Notes regarding significant subsequent events

(Purchase and cancellation of treasury shares)

At the Board of Directors held on May 15, 2025, the Company resolved to purchase treasury shares, pursuant to Article 156 of the Companies Act as applied mutatis mutandis pursuant to Article 165, Paragraph 3 of the same Act, and also resolved to cancel a portion of its treasury shares, pursuant to Article 178 of the Companies Act.

(1) Reason for the purchase and cancellation of treasury shares

Our Medium-term Management Plan "Challenge 2027" (from the fiscal year ending March 31, 2026 to the fiscal year ending March 31, 2028) announced in March 2025 sets out the Group's financial policy of providing appropriate shareholder returns based on an optimal capital structure. Based on this policy, the

Company has decided to purchase and cancel treasury shares with the aim of providing flexible shareholder returns while maintaining an eye on improving capital efficiency.

(2) Details of the purchase

(i)	Class of shares to be purchased	Common shares of the Company
(ii)	Total number of shares that can be purchased	1,300,000 (maximum) (5.4% of the total number of issued shares (excluding treasury shares))
(iii)	Total purchase cost of shares	¥1 billion (maximum)
(iv)	Purchase period	May 16, 2025 to November 28, 2025
(v)	Purchase method	Market purchase on the Tokyo Stock Exchange

(3) Details of the cancellation

(i)	Class of shares to be canceled	Common shares of the Company
(ii)	Total number of shares to be canceled	Total number of treasury shares purchased under (2) above
(iii)	Scheduled cancellation date	December 26, 2025

14. Other notes

(Business combinations, etc.)

(Transactions under common control)

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 consolidated subsidiaries, Japan Carlit Co., Ltd. and Silicon Technology Corporation, and completed the absorption-type merger on October 1, 2024.

1. Overview of business combination

(1) 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

(2) Date of business combination

October 1, 2024

(3) 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.

(4) Name of company after combination

Carlit Co., Ltd.

(5) Other matters related to the overview of transactions

The purpose is to promote growth strategies and improve management efficiency by shifting from the current holding company structure to an operating 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.

2. Overview of the accounting methods 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 are treated as transactions under common control.

Non-consolidated Statement of Changes in Equity

(April 1, 2024–March 31, 2025)

(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, 2024	2,099	1,196	13,715	14,911	10,052	10,052	(333)	26,729
Changes during period								
Dividends of surplus					(790)	(790)		(790)
Profit					3,457	3,457		3,457
Purchase of treasury shares							(0)	(0)
Net changes in items other than shareholders' equity								
Total changes during period	—	—	—	—	2,667	2,667	(0)	2,667
Balance as of March 31, 2025	2,099	1,196	13,715	14,911	12,719	12,719	(333)	29,397

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance as of April 1, 2024	4,348	—	4,348	31,077
Changes during period				
Dividends of surplus				(790)
Profit				3,457
Purchase of treasury shares				(0)
Net changes in items other than shareholders' equity	379	(10)	368	368
Total changes during period	379	(10)	368	3,035
Balance as of March 31, 2025	4,727	(10)	4,716	34,113

Notes to Non-consolidated Financial Statements

1. Notes on going concern assumption

Not applicable

2. 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

(iii) Derivatives

Stated at fair value

(iv) Inventories

Stated at cost determined by the moving average method (Balance sheet amounts are calculated by writing down book values as a result of lowered profitability)

(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 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 bottling plants (leased to subsidiaries and associates) and the Nagano Plant.

The ranges of major useful lives are from 7 to 50 years for buildings, from 7 to 60 years for structures, 4 to 22 years for machinery and equipment, and from 2 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).

(iii) 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.

(3) Accounting policy for provisions

(i) Allowance for doubtful accounts

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

(ii) Provision for bonuses

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

(iii) Provision for retirement benefits (prepaid pension cost)

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.

The Company has established a retirement benefit trust.

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 and past service costs

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.

Past service costs 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 in which the costs are incurred.

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.

(iv) 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.

(v) Provision for share awards for directors

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

(4) Accounting policy for revenue and expenses

The Company purchases, manufactures, and sells signal flares, industrial explosives, raw materials for propellant, raw materials for fireworks, sodium chlorate, agrichemicals, abrasives, silicon wafers, etc. Regarding these, the Company identifies the services provided by the Company as performance obligation.

For the sale of these products, etc., revenue is recognized at the time of delivery since customers gain control over products, etc. upon delivery and performance obligation of the Company 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. Of sales of products, etc., for transactions in which the Company is considered acting as an agent, the Company recognizes the difference between the amounts received from customers and the amounts paid to suppliers as revenue. For transactions in which the Company bears an obligation to repurchase the supplied materials from suppliers, the Company recognizes only the amount equivalent to the processing fee as revenue because it has no control over the supplied materials.

(5) Accounting policy for translation of 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 balance sheet date, and translation differences are accounted for as profit or loss.

(6) Method of hedge accounting

(i) Method of hedge accounting

In principle, the deferral hedge accounting is applied.

(ii) Hedging instruments and hedged items

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

(iii) Hedging policy

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

(iv) 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.

3. Note on changes in accounting policies

(Application of the “Accounting Standard for Current Income Taxes,” etc.)

The Company has applied the “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022; the “Revised Accounting Standard of 2022”), etc. from the beginning of the current fiscal year.

Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and to the transitional treatment in the proviso of paragraph 65-2(2) of the “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022). This does not affect the non-consolidated financial statements.

4. Note on changes in presentation

Following the transition from a holding company to an operating company through the absorption-type merger on October 1, 2024, we have reorganized the financial statements as follows.

(Non-consolidated statement of income)

Among Group management contributions, real estate lease revenue, and dividend income from subsidiaries and affiliates, which were presented under “Operating revenue” in the previous fiscal year, Group management contributions and real estate lease revenue have been reclassified to “Net sales,” and dividend income from subsidiaries and affiliates have been reclassified to “Dividend income” under “Non-operating income.”

As a result, ¥2,081 million previously presented in “Operating revenue” and ¥182 million previously presented in “Dividend income” under “Non-operating income” in the previous fiscal year have been reclassified to ¥1,105 million in “Net sales” and ¥1,158 million in “Dividend income” under “Non-operating income,” respectively.

“Operating expenses” presented in the previous fiscal year have been reclassified with expenses related to real estate leasing to “Cost of sales” and expenses other than those related to real estate leasing to “Selling, general and administrative expenses.”

As a result, ¥1,276 million previously presented in “Operating expenses” in the previous fiscal year have been reclassified to ¥61 million in “Cost of sales” and ¥1,215 million in “Selling, general and administrative expenses.”

5. Notes on significant accounting estimates

(Valuation of non-current assets within the silicon wafer sector asset group included in the Chemical Products segment)

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

Impairment loss within the silicon wafer sector asset group ¥943 million

(2) Information regarding the content of significant accounting estimates for identified items

This is the same content as in "(2) Information regarding the content of significant accounting estimates for identified items" of "5. Notes on significant accounting estimates" of the Notes to Consolidated Financial Statements.

6. Notes to non-consolidated balance sheet

(1) Assets pledged as collateral

Factory foundation	¥5,997 million	(Note)
Total	¥5,997 million	

(Corresponding liabilities)

Long-term borrowings	¥126 million
(of which current portion:	¥103 million)
Total	¥126 million

(Note) Factory foundation

Buildings	¥2,705 million
Structures	¥1,559 million
Machinery and equipment	¥1,666 million
Land	¥66 million
Total	¥5,997 million

(2) Accumulated depreciation of property, plant and equipment ¥28,310 million

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

Short-term monetary receivables	¥267 million
Short-term monetary payables	¥954 million
Long-term monetary payables	¥474 million

7. Notes to non-consolidated statement of income

(1) Amount of transactions with subsidiaries and associates

Amount of transactions from operating transactions	
Net sales	¥1,143 million
Purchases	¥237 million
Selling, general and administrative expenses	¥9 million
Transactions other than operating transactions	¥1,783 million

(2) Impairment losses

This note has been omitted as the same information has been disclosed in "7. Notes to consolidated statement of income, Impairment losses" in the Notes to Consolidated Financial Statements.

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

Class and number of treasury shares

(Shares)

Class of shares	As of April 1, 2024	Increase	Decrease	As of March 31, 2025
Common shares	480,797	62	–	480,859

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 beginning of the current fiscal year and 131,800 shares at the end of the current fiscal year) and the Company's shares held by the Board Benefit Trust (BBT) (256,800 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 62 treasury shares is due to the acquisition of fractional unit shares.

9. Notes to tax effect accounting

(1) Major components of deferred tax assets and liabilities

(Deferred tax assets)

Provision for bonuses	¥161 million
Accrued enterprise tax	¥50 million
Inventories	¥61 million
Provision for share awards for directors	¥35 million
Provision for share awards	¥13 million
Amount of retirement benefit trust established	¥215 million
Loss on valuation of investment securities	¥15 million
Loss on adjustment of gain on sale of investment securities	¥259 million
Shares of subsidiaries and associates	¥210 million
Impairment losses	¥301 million
Asset retirement obligations	¥26 million
Other	¥64 million
Subtotal	¥1,416 million
Valuation allowance	¥(542) million
Total	¥874 million

(Deferred tax liabilities)

Valuation difference on available-for-sale securities	¥(1,820) million
Property, plant and equipment	¥(1,633) million
Other	¥(30) million
Total	¥(3,484) million
Net deferred tax liabilities	¥(2,610) million

Note: The valuation allowance increased ¥125 million compared to the end of the previous fiscal year. This was primarily due to an increase in the valuation allowance related to the loss on adjustment of gain on sale of investment securities and impairment losses and a decrease in the valuation allowance related to shares of subsidiaries and associates.

(2) Adjustment of deferred tax assets and deferred tax liabilities due to changes in income tax rates

Adjustment of deferred tax assets and deferred tax liabilities due to changes in income tax rates

Due to the enactment of the “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 13 of 2025) in the Japanese Diet on March 31, 2025, the “Special Corporation Tax for National Defense” will be imposed from the fiscal years beginning on or after April 1, 2026.

Accordingly, deferred tax assets and deferred tax liabilities related to temporary differences expected to be reversed in the fiscal years beginning on April 1, 2026 are calculated by changing the statutory effective tax rate from 31% to 32%.

As a result of this change, deferred tax liabilities (amount after deducting the amount of deferred tax assets) for the current fiscal year increased by ¥92 million, income taxes - deferred increased by ¥35 million, and valuation difference on available-for-sale securities decreased by ¥56 million.

10. 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, 2025 (Millions of yen)
Subsidiary	Japan Carlit Co., Ltd. (Note 1)	Ownership Directly 100%	Business management Financial assistance Interlocking officers	Lending of funds (Note 2) Collection of funds (Note 2)	976 486	– —	– –
Subsidiary	JC Bottling Co., Ltd.	Ownership Directly 100%	Business management Financial assistance Factory rental	Collection of funds (Note 2) Return of long-term deposits (Note 3)	237 63	Long-term loans receivable from subsidiaries and associates Long-term deposits received	815 472
Subsidiary	Carlit Sangyo Co., Ltd.	Ownership Directly 100%	Receipt of surplus funds Orders for construction work, etc.	Demolition and removal of non-current assets (Note 4) Construction projects, etc. (Note 4)	464 610	Accounts payable - other	671
Subsidiary	Toyo Spring industrial Co., Ltd.	Ownership Directly 100%	Business management Financial assistance Interlocking officers	Lending of funds (Note 2)	200	Long-term loans receivable from subsidiaries and associates	628
Subsidiary	General Design Co., Ltd.	Ownership Directly 100%	Business management Receipt of surplus funds	Deposits of funds (Note 2)	232	Deposits received	669

Transaction terms and method of determining transaction terms

Notes:
1. The Company absorbed the entity through a merger effective October 1, 2024. Accordingly, the transaction amount reflects the amount transacted during the period when the entity was a related party.
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.
3. This is a construction deposit for the construction of rented factories and manufacturing facilities.
4. Orders placed with Carlit Sangyo Co., Ltd. for construction projects, etc. and management are determined in coordination with general transaction terms, taking into account prevailing market prices.

11. Notes to per share information

Net assets per share	¥1,447.39
Earnings per share	¥146.71

12. 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."

13. Notes regarding significant subsequent events

(Purchase and cancellation of treasury shares)

This note has been omitted as the same information has been disclosed in “13. Notes regarding significant subsequent events” in the Notes to Consolidated Financial Statements.

14. Other notes

(Business combinations, etc.)

(Transactions under common control)

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 consolidated subsidiaries, Japan Carlit Co., Ltd. and Silicon Technology Corporation, and completed the absorption-type merger on October 1, 2024. For an overview of the transactions and accounting methods implemented, please refer to “14. Other notes (Business combinations, etc.)” in Consolidated Financial Statements and Notes to Consolidated Financial Statements.

As a result of this merger, a gain on extinguishment of tie-in shares amounting to ¥2,480 million was recorded as extraordinary income in the non-consolidated statement of income for the current fiscal year.