

Mid-Term Management Plan

Challenge 2024

1 Introduce new business portfolio management
Set a portfolio to 3 domains—Focus, develop, Base (P14)

2 Formulate 5 strategies for mid-term management plan, in accordance with business policy “Aiming to improve corporate value through Business portfolio optimum” (P19)

3 Formulate a Mid- to Long-term plan
FY2024 goal : Operating Income 3.0 billion yen, ROE 8%
FY2030 goal : Operating Income over 5.0 billion yen (P28)

4 Formulate a management strategy with strong awareness of ESG (P31)

- Calculate GHG emissions for realization of carbon neutrality (P33)
- Clarify a financial policy. Optimize the overall balance of growth investment, not limit equipment investment (P36)

- I. Review of the previous Mid-Term plan “Waku Waku 21”
- II. Carlit Group's long-term vision
- III. Mid-Term Management Plan **C**hallenge2024
 - 1. Acceleration of growth businesses
 - 2. Expansion of R&D
 - 3. Improvement of profitability of existing businesses
 - 4. Advancement of ESG management
 - 5. Restructure of business infrastructure

I. Review of the previous Mid-Term plan

“Waku Waku 21”

Review of the previous Mid-Term plan


◆ Reflect the previous Mid-Term plan problems in the new Mid-Term plan

〈 Basic theme〉

Build up a solid business foothold in a profit-oriented manner and promote investments of management resources for new initiatives.

〈 Review of the previous mid-term plan〉

Average : Sales-oriented : Insufficient profit-oriented awareness
 Poor : Short-term viewpoint : Failed to actively invest management resources due to immature growth strategies



〈 The concept of the previous mid-term plan 〉


New Initiatives

- R&D • New business
- M & A
- Overseas Business


Solidification of business foothold

- Strengthen the foundation of existing and peripheral businesses

Poor : Sticking to existing businesses
 Poor : Insufficient focus on R&D and new business
 Poor : Lack of strategic approach to M&A in growth areas
 Average: Withdrawal from Vietnam and Singapore



Excellent: Slight increase in sales and profit
 Favorable market environment for existing businesses
 Average : Lack of awareness of financial goals Insufficient profitability.
 Excellent: Acquired Minamisawa Construction Co.
 Expansion of peripheral businesses



Review of the previous mid-term plan

	FY2018 Actual (At the beginning of the previous mid-term plan)	FY2021 Plan (Final Year of the previous Mid-Term Plan)	FY2021 Actual
Sales※	34 billion yen	42 billion yen	34 billion yen
Operating income	2.3 billion yen	3.0 billion yen	2.5 billion yen
ROE	6%	8%	7%

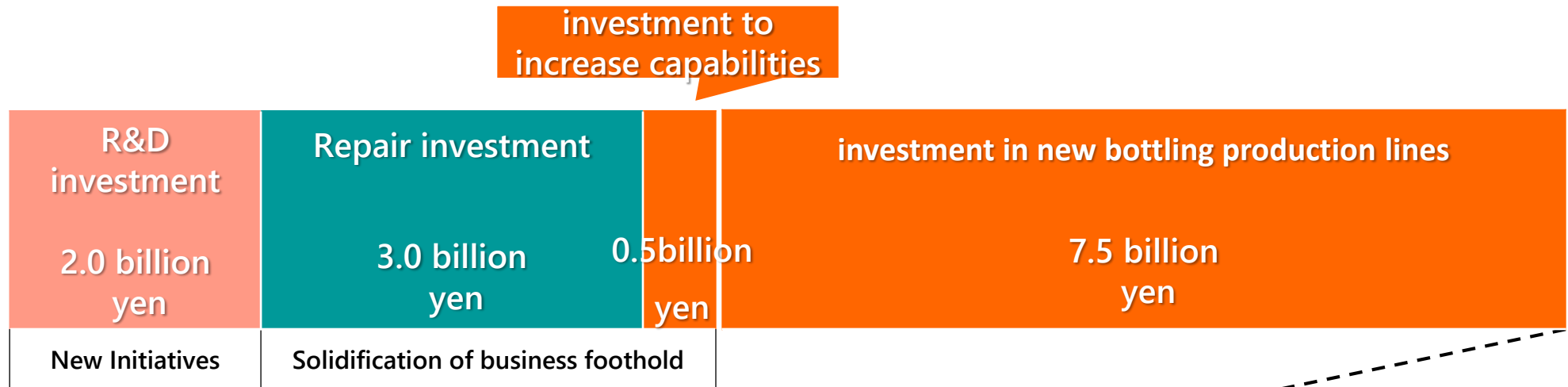
※Sales are calculated based on the IFRS.

- ◆ Operating profit: -0.5 bn yen vs. plan [Breakdown] - 0.7 billion yen in new businesses and products, +0.2 billion yen in existing businesses
- ◆ COVID-19 has had a tremendous impact ⇒ However, not only the negative impact, but also the recovery demand in the semiconductor and automotive sectors
- ◆ The decision to discontinue construction of a new bottling production line was made due to significant changes in market conditions, including a significant decrease in domestic and international tourist demand ⇒ The impact on the for-profit plan is negligible

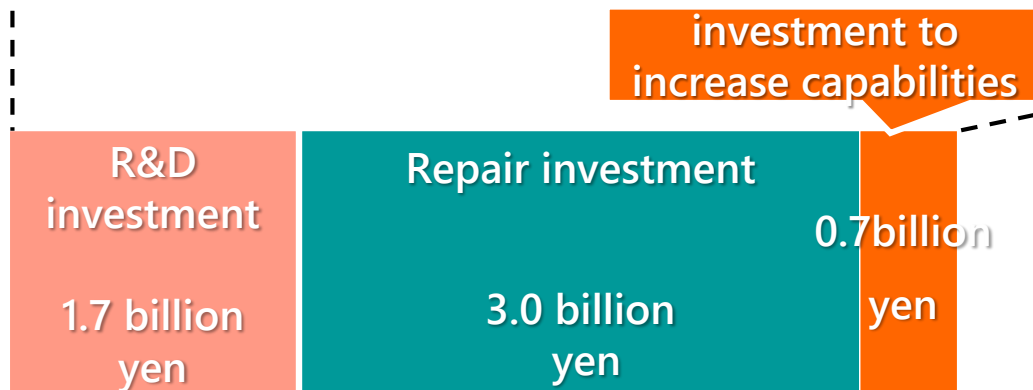
Review of the previous mid-term plan

- ◆ R&D and repair investments were implemented as planned
- ◆ Significant reduction in investment to increase capabilities is due to the suspension of investment in new bottling production lines.

Plan



Achievement



Total results: approx. 6.0 billion yen

Carlit Group's long-term vision

Our recognition of social issues

◆ Organize and analyze social issues for 2030

Social issues

Keywords

Projections for 2030

Realization of Society 5.0

- Building an Information Society
- Digitization of Objects by Metaverse
- Rise of Robots and AI

More advanced electronic devices such as cell phones

Convenient and Secure infrastructure and mobility

- Promotion and Realization of MaaS
- Expansion of space development and satellite industry
- Realizing the Mobility of the Future

Realization of High-Performance Energy Storage Device Supporting Lifestyles from Space and the Sky

Richer and Eco-friendly living

- Stable supply of Renewable Energy
- Rise of Next-Generation Energy
- Achieving an Environmentally Conscious Supply Chain

Further promotion of clean energy to achieve carbon neutrality

Basic Concept of the Carlit Group

Management Philosophy

Earning Trust and Tackling Countless Challenges

Corporate Slogan

Giving Shape to Infinite Possibilities

◆ Our Approach to Stakeholders

Employees

- Respect for each individual's independence
- Valuing communication

Client

- Challenges in Manufacturing to Meet Needs
- Providing services that meet expectations

Stockholders

- Make an adequate return on investment by increasing the value of the enterprise

Society

= Significance of our company

Providing "secure" and "affluence" through reliable manufacturing and services

Ideal Carlit Group In 2030

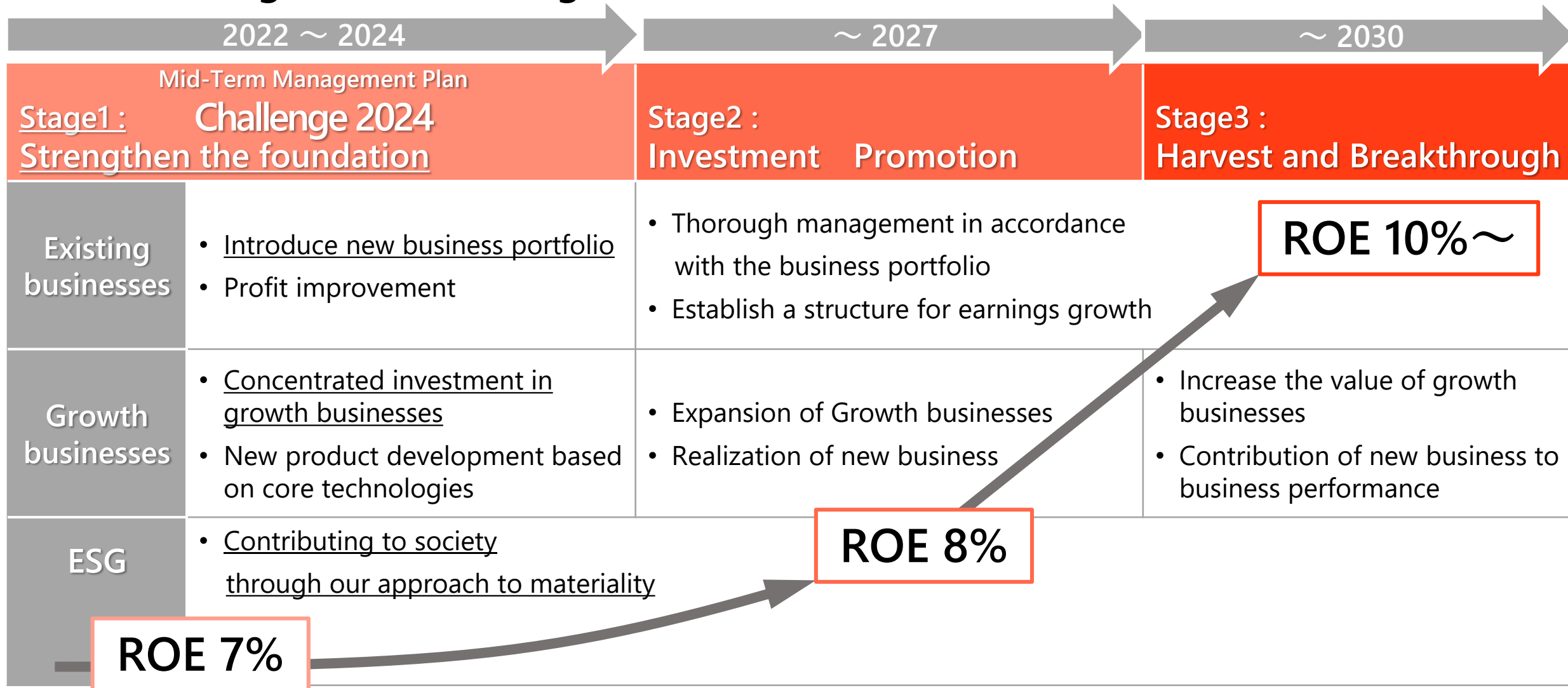
To contribute to a sustainable society by combining the power of "chemistry" and "technology" to support people's happy lives.

Our capital input

- ◆ **Human Capital**
Human resources to carry out our slogan
- ◆ **Social and Relational Capital**
Trusted by history
Brand strength for diverse markets
- ◆ **Financial Capital**
Sound financial structure
- ◆ **Intellectual and Manufacturing Capital**
Basic research and accumulated knowledge
Creative and Development Technology Capability
Manufacturing Technology
- ◆ **Natural Capital**
Abundant Water Resources
Ownership of hydroelectric power plants

Ideal Carlit Group

◆ Three stages we are taking toward 2030



Introduce business portfolio management

◆ Predicting growth potential based on market trends

Realization of Society 5.0

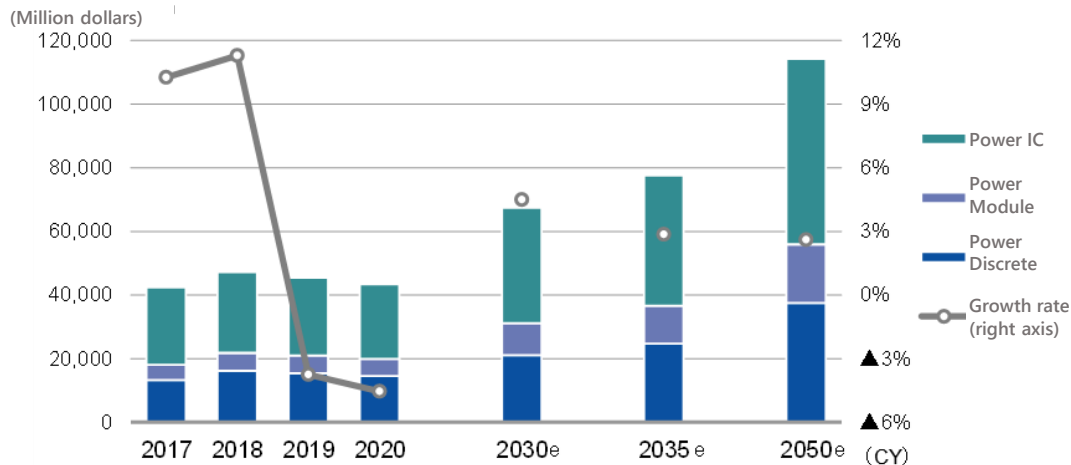
The electronics and semiconductor industries, including power semiconductors and advanced packaging, are expected to grow worldwide

Related Items

Electronic Materials

Silicon Wafers

Long-term global market forecast for power semiconductors



※1 The growth rate after 2030 is the average annual growth rate between the immediately preceding forecast year and the relevant forecast year. e.g.2030: 2020 ~ 2030

※2 After 2030: Mizuho Bank Industry Research Division forecasts

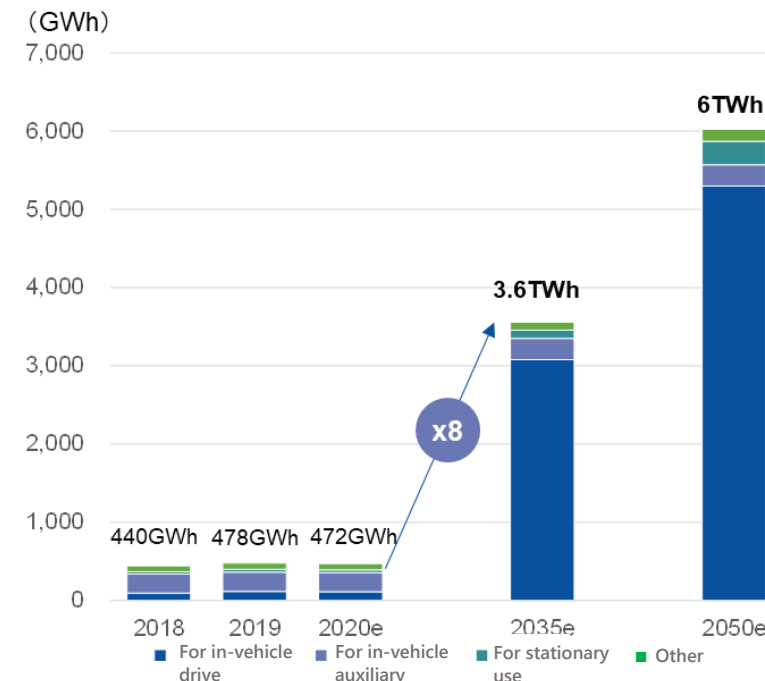
※3 Estimate as of July 2021

Source: Mizuho Bank Industry Research Division

Convenient and Secure infrastructure and mobility

EV market, including automotive storage batteries, is expected to expand rapidly.

Storage Battery Market Forecast



Related Items

Electronic Materials

Silicon Wafers

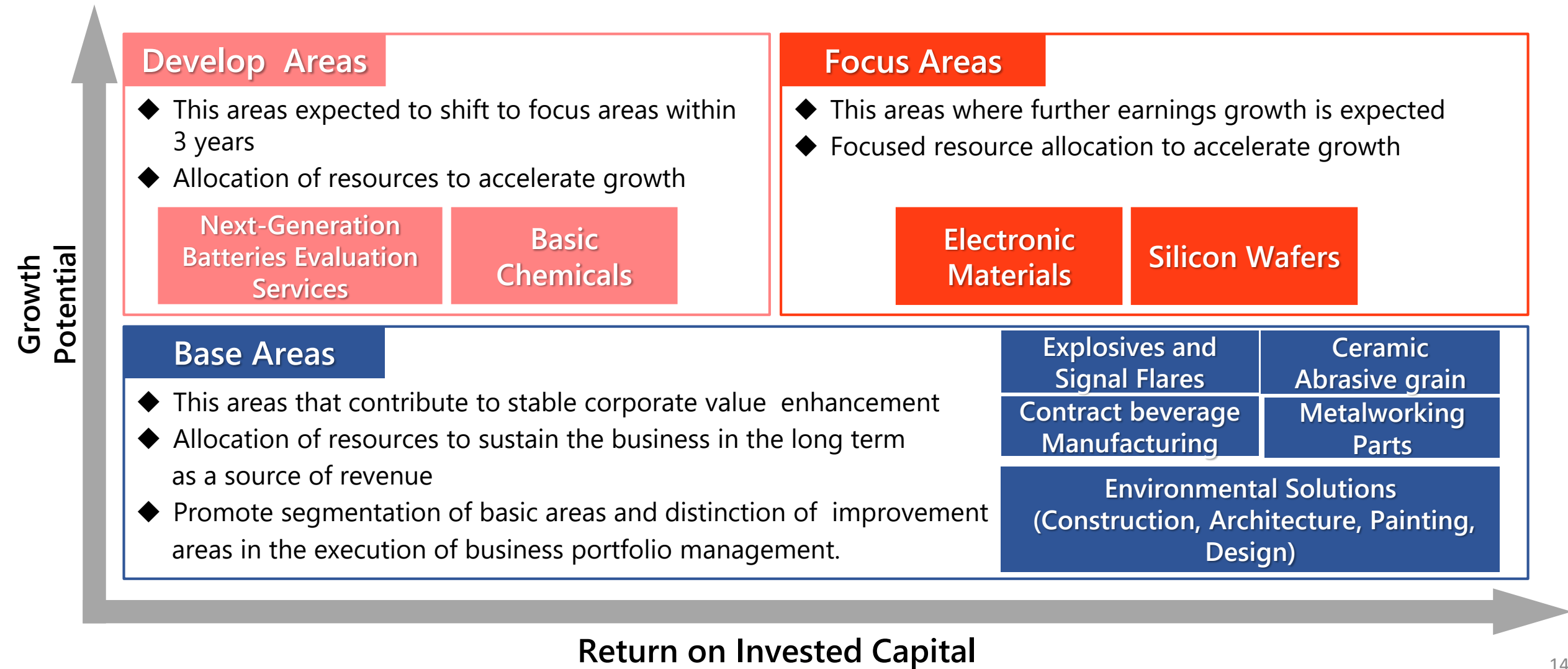
Next-Generation Batteries Evaluation Services

Source: Mizuho Bank Industry Research Division

※ Estimated based on the assumption that increasingly strict electric vehicle-related regulations in each country will be in effect as of May 2021.

Introduce business portfolio management

◆ Three business portfolios based on market growth potential and our strengths



Carlit Group's Vision for Growth

- ◆ Establish focus areas based on market needs related to social issues
- ◆ During the mid-term plan period (~2024), specialize in "development of new applications" of existing product lines to generate profits

Social Issue

Focus and Develop Areas

For 2030

Realization of Society 5.0

Electronic Materials

Repeatedly implement growth strategies for focus and develop areas

Convenient and Secure infrastructure and Mobility

Silicon Wafers



Oxidation Reaction Technology

"Evolution" and "Deepen" of core technologies

Richer and Eco-friendly living

Next-Generation Batteries Evaluation Services

Electrode and Electrolysis Technology

Ionic Compounds Synthesis Technology

Basic Chemicals

Integrated Production Process Technology

Expansion of focus areas through new products

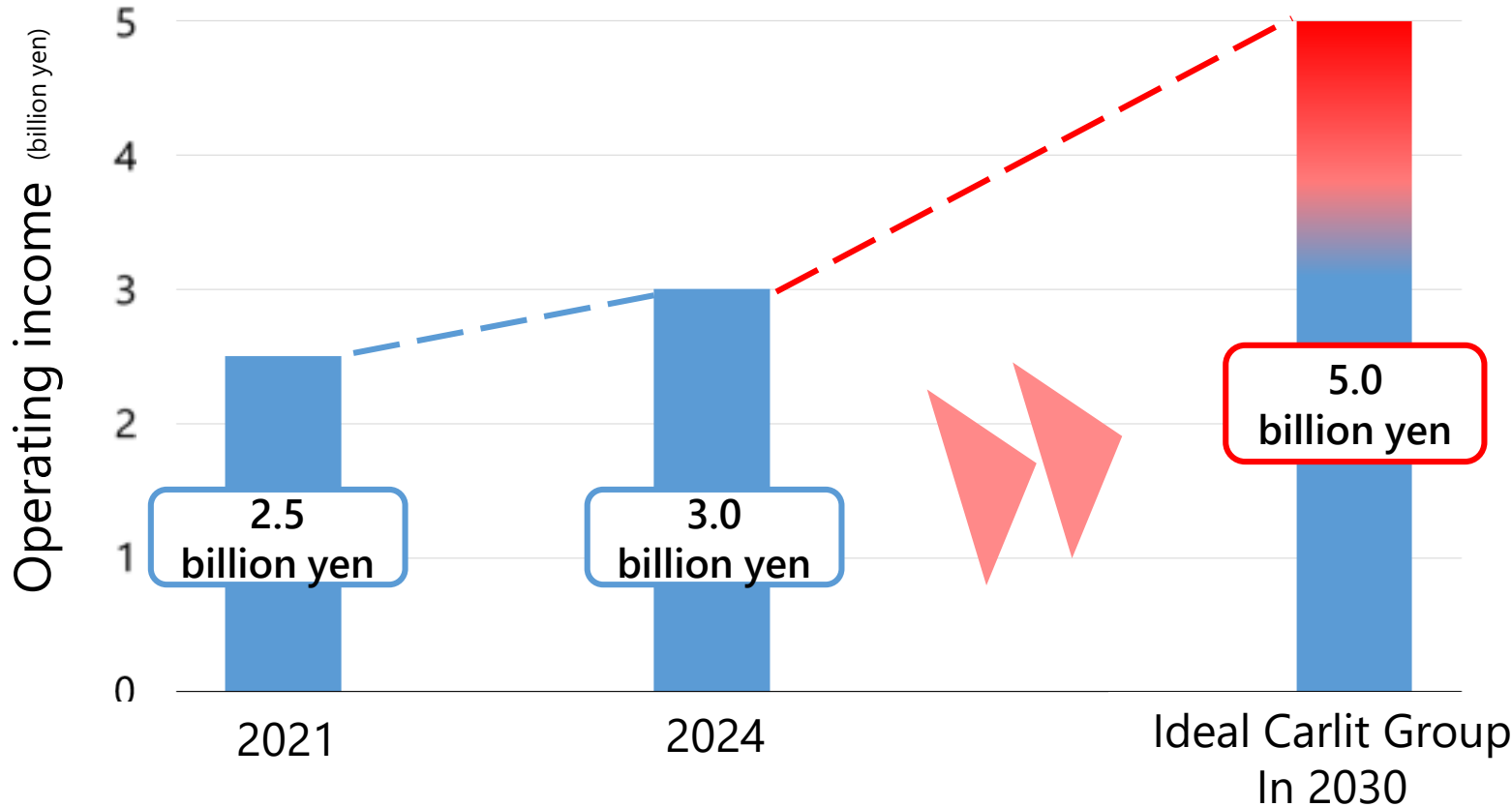
Market scale

- + Our "core technologies"
- + Concept of "chemical manufacturer"

= Selected areas of focus and develop
 = We will concentrate our resources of people, equipment, and money.

Carlit Group's Vision for Growth

◆ Roadmap toward 2030 for the three areas



Achieving Ideal Carlit Group in 2030

by combining forces in all three areas.

Focus Areas

Develop Areas













- ✓ Efforts in Focus and Develop Areas
- ✓ Creation of new products through evolution of core technologies
- Successful growth businesses are essential.

Base Areas

- ✓ Review of management through introduction of business portfolio
- ✓ Model change of product lines to meet customer needs
- ✓ → Improve and strengthen profitability of existing businesses

Materiality of Carlit Group

- ◆ Management with "ESG and Profitable Growth"
- ◆ Contributing to the realization of a sustainable society through materiality

E Environ-mental	Contributing to the creation of an affluent society	<ul style="list-style-type: none"> Contribution to Life and Environment Promoting Supply Chain Management Contribution to Smart Society Promote climate change action and environmental management   	G Govern-ance	Strengthen management foundation for reliability, transparency, and profitability	<ul style="list-style-type: none"> Ensure credibility regarding the determination of material facts Legal Compliance Advanced cyber security and DX implementation   
S Society	Creating a safe, secure, and vibrant work environment	<ul style="list-style-type: none"> Employee Satisfaction and Health Management Ensure human resources education and diversity of human resources Responding to Work System Reform Maintaining a safe and hygienic work environment   	S Society	Coexistence with society	<ul style="list-style-type: none"> Contribution to safety and security Communication with Stakeholders Contribution to sustainable development of local communities   

- Advancement of ESG Management
- Restructuring of business infrastructure

Implement these two points as a management strategy

Mid-Term Management Plan

Challenge 2024

Management Policies and Strategies

◆ To realize our "Vision for 2030" we are pursuing the following strategies

Management Policy

Aiming to increase corporate value by optimizing the business portfolio

Challenge 2024 5 Strategies

Part 1

1. Accelerate growth businesses

2. Expansion of R&D

3. Improving profitability of existing businesses

Part 2

4. Advancement of ESG management

5. Rebuilding of business infrastructure

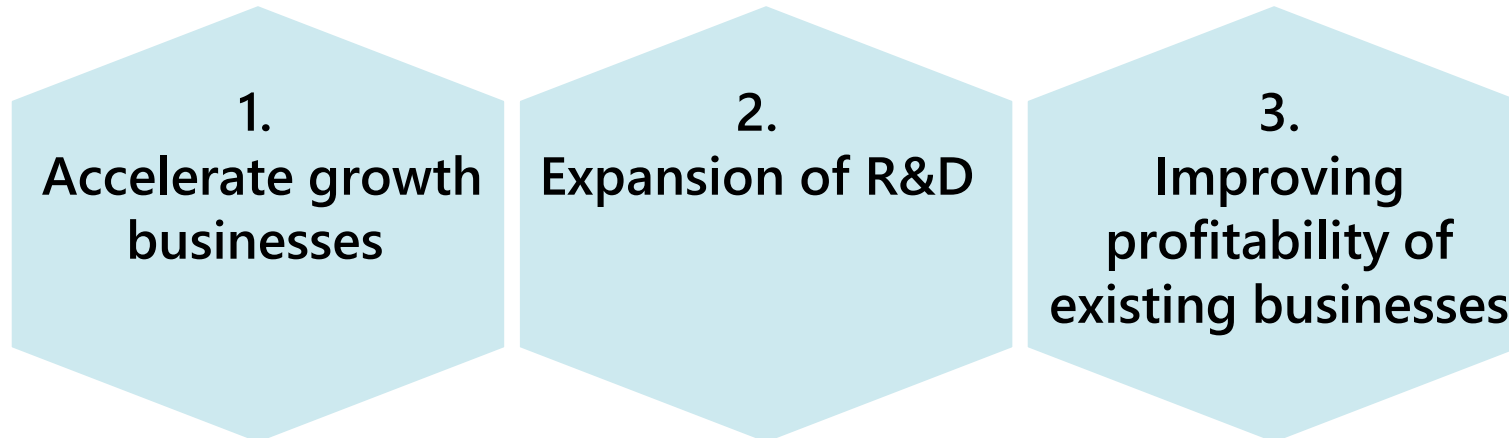
Strategy execution through PDCA cycle

→ Plan to proceed while reviewing

Mid-Term Management Plan

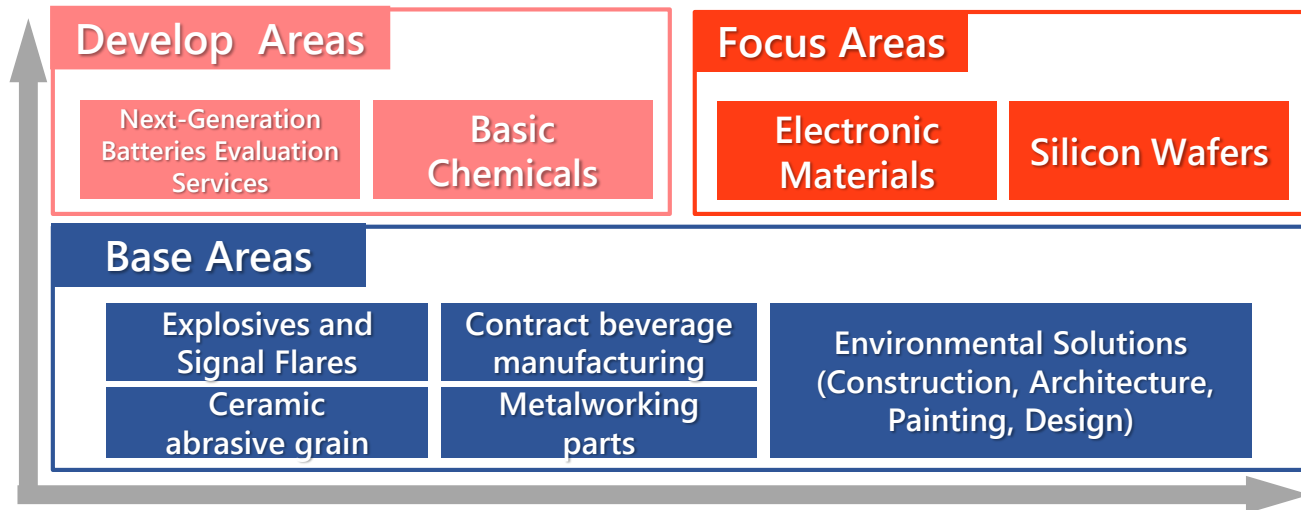
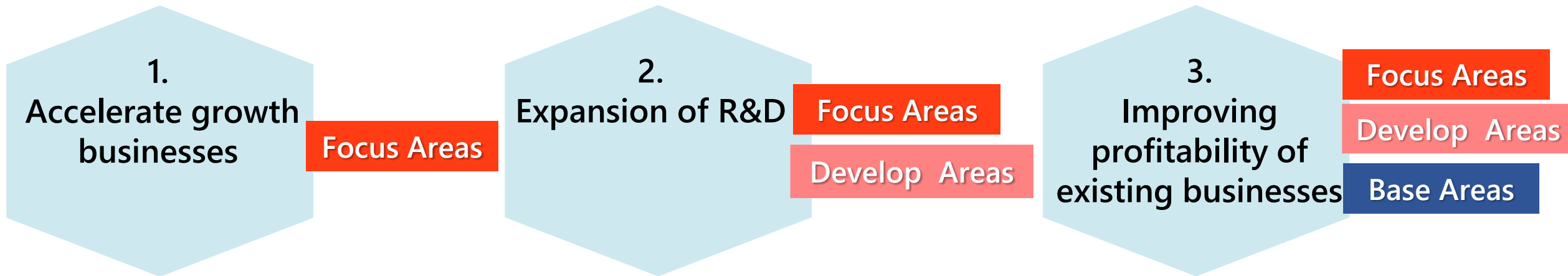
Challenge 2024

Part 1



Challenge 2024 3 strategies related to performance

◆ Build strategies for each of the three areas and execute portfolio management



Focus Areas : 3 Strategies
Develop Areas : 2 Strategies
Base Areas : 1 Strategy
Number of strategies for each area
 = Resource allocation of
people, equipment, and money

1. Accelerate growth businesses

Electronic
Materials

- ◆ Continuing to respond to new "needs" with our strengths and specificity
- ◆ Become a one-of-a-kind+ Niche Top Company by Our Unique Assets

Assumed Market

- Targeting the expanding market for the advancement of smart society
- **Developing products with the aim of becoming a one-of-a-kind chemical manufacturer**
- **Provide special high value-added materials** necessary for the development of devices and systems such as PCs, 5G, in-vehicle systems, IoT modules, etc.

Growth Policy (Sales)

- **Accelerate expansion into overseas markets**, mainly targeting China
- Increase product lineups that are both unique and have high market appeal by capturing needs through communication with customers.

Growth Policy (Investment)

- **In-house production of core processes**
 - Expanding Profitability
 - Improvement of technical capabilities

1. Accelerate growth businesses

Silicon
Wafers

- ◆ Creating areas that major manufacturers "can't make it" from areas that they "don't make it"

Assumed Market

Start by approaching markets where major competitors "don't make it"
Creating new markets together with our customers in areas where "can't make it".

- ✓ Special Quality
- ✓ High value-added products

Developing valuable wafers to support industry and technological innovation where semiconductors are in short supply

Growth Policy (Sales)

- Meeting the needs of customers in "Insufficient wafers" and "Special wafers"
- Evolution of special wafers from customer information to **more specific wafers**
- Providing services from the development phase and making great strides in sales through mass production

Growth Policy (Investment)

Renewal of manufacturing equipment to enhance functionality
productivity increase : Renewal of 2 single crystal silicon ingot pullers
Labor and energy saving : Automatic mounting machine
High value-added products : high precision single wafer polishing machine, annealing chamber

1. Accelerate growth businesses

Basic
Chemicals

- ◆ "Propellant raw materials" in the " Develop Areas : Basic Chemicals"
- ◆ Combining our expertise in oxidation reactions and hazardous materials and chemicals to create security and abundance in "space" and "sky"

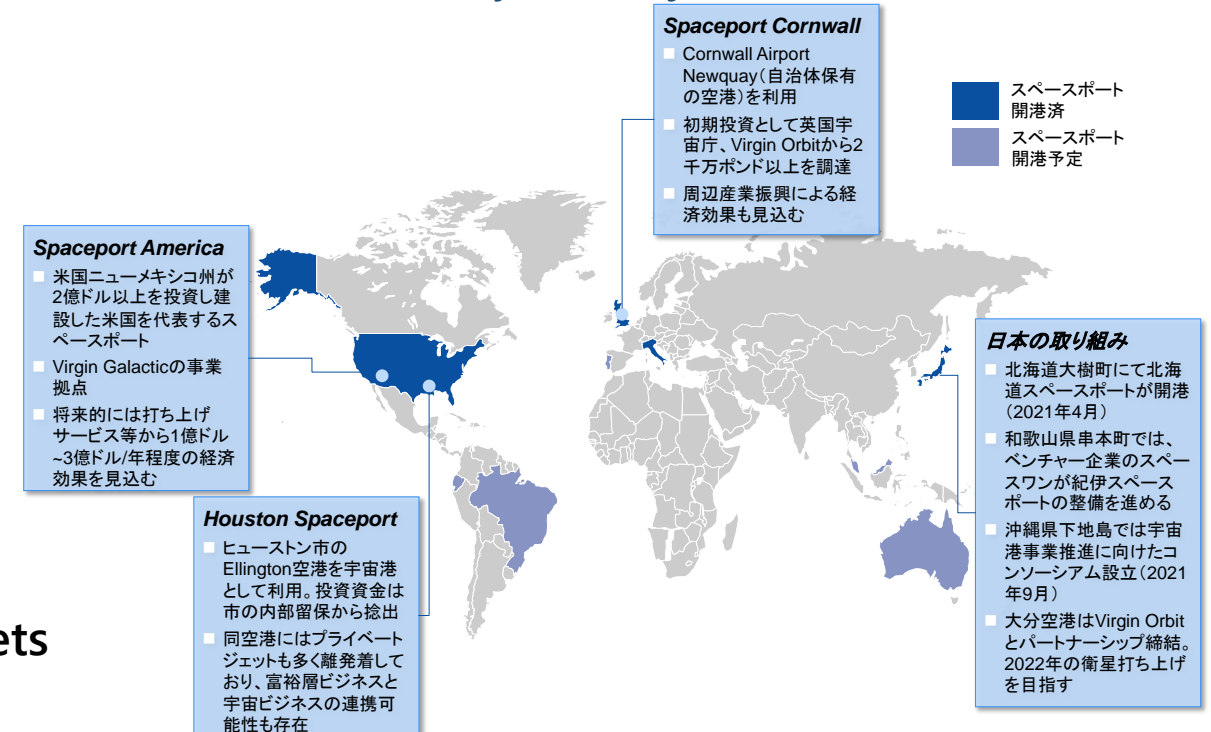
Assumed Market

- **Increased demand for defense**, essential for domestic production
- Increased supply of solid propellants
- Satellite transportation business, including defense use, is becoming more active

Growth Policy

- **Ammonium perchlorate** production facility expanded
- Investment scale will be set flexibly
- Propellant development products for commercial rockets
- Continue to study production methods
- To develop new applications, such as for defense

Status of spaceport projects under consideration and opening in each country and major initiatives



Source: Mizuho Bank Industry Research Division

Spaceports, which are landing and taking off points for spacecraft, are being opened in various countries, including Japan.

2. Expansion of R&D

◆ Expansion of R&D system, mainly in the "chemical field"

2022-2024 Development Policies

- Development of new long-life products through evolution of our core technologies
- Creating new high value-added materials through speedy development in response to change

◆ R&D Resources

R&D investment : 0.5 billion yen/year

Development personnel : 35

Important patent : 41

◆ Value Creation

Profit Target : 0.5 billion yen

Patent Application : 30

PICK UP!

Constructed a new third large laboratory

SDGs related products, etc.

→Product development to meet future social needs



Plans to introduce additional large laboratories following the first and second to increase the speed of scale-up development.

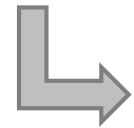
2. Expansion of R&D

◆ Forecasting from "core technology" and backcasting from "future state "

We have created new products
But...

no new Carlit "pillar" businesses have been created to rival

- ✓ Chlorate
- ✓ Signal Flares
- ✓ Electronic Materials



Transform into an organization that creates new businesses by returning to and deepening core technologies

The future to be realized

What future technologies are we aiming for?

Core technologies to be explored in depth

More advanced electronic devices such as cell phones

Realization of High-Performance Energy Storage Device Supporting Lifestyles from Space and the Sky

Further promotion of clean energy to achieve carbon neutrality

- Creating more comfortable living spaces
- Long-running electric vehicles
- Highly efficient use of H₂ energy
- Robust bioplastic
- Creating materials of the future using oxidation reactions
- Renewable Energy Optimization

Unique Oxidation Reaction Technology

Advanced electrolysis with original electrodes

Synthesis technology to meet the latest needs

Electrode and Electrolysis Technology

Oxidation Reaction Technology

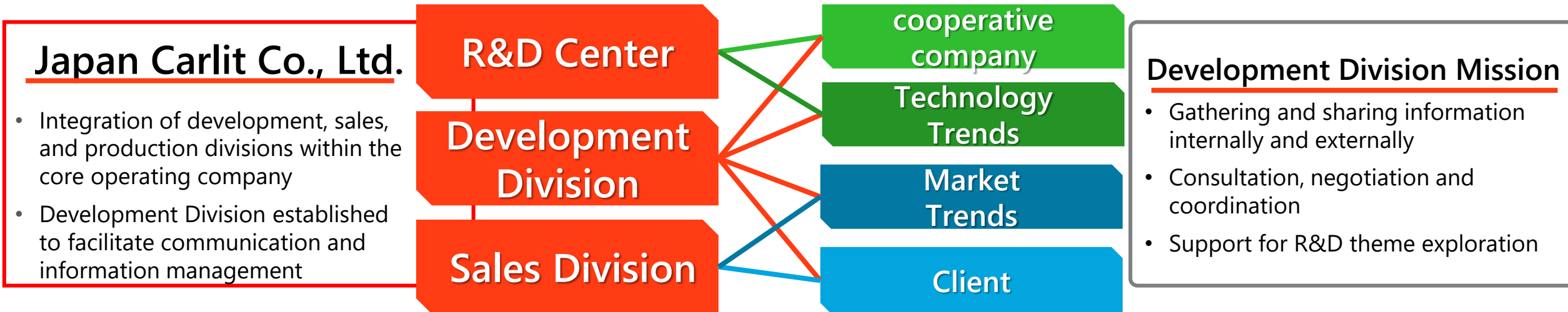
Ionic Compounds Synthesis Technology

2. Expansion of R&D

◆ Execute "engineering chain management" to create "new products" from core technologies

Our R&D Structure

External Conditions



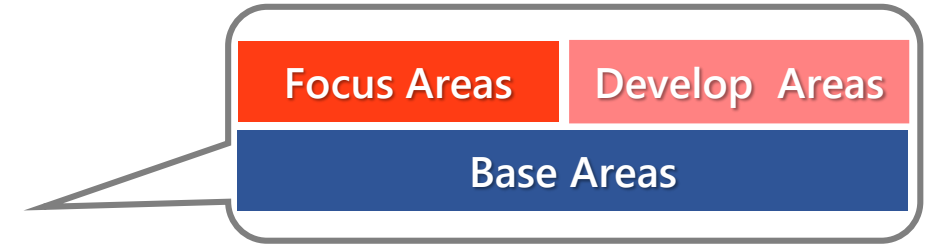
- Speeding up management decisions
- Creating innovation through revitalized interdepartmental communication

- Make accurate business decisions by supplementing accurate customer needs and market trends
- Promote innovation creation by overseeing internal and external information

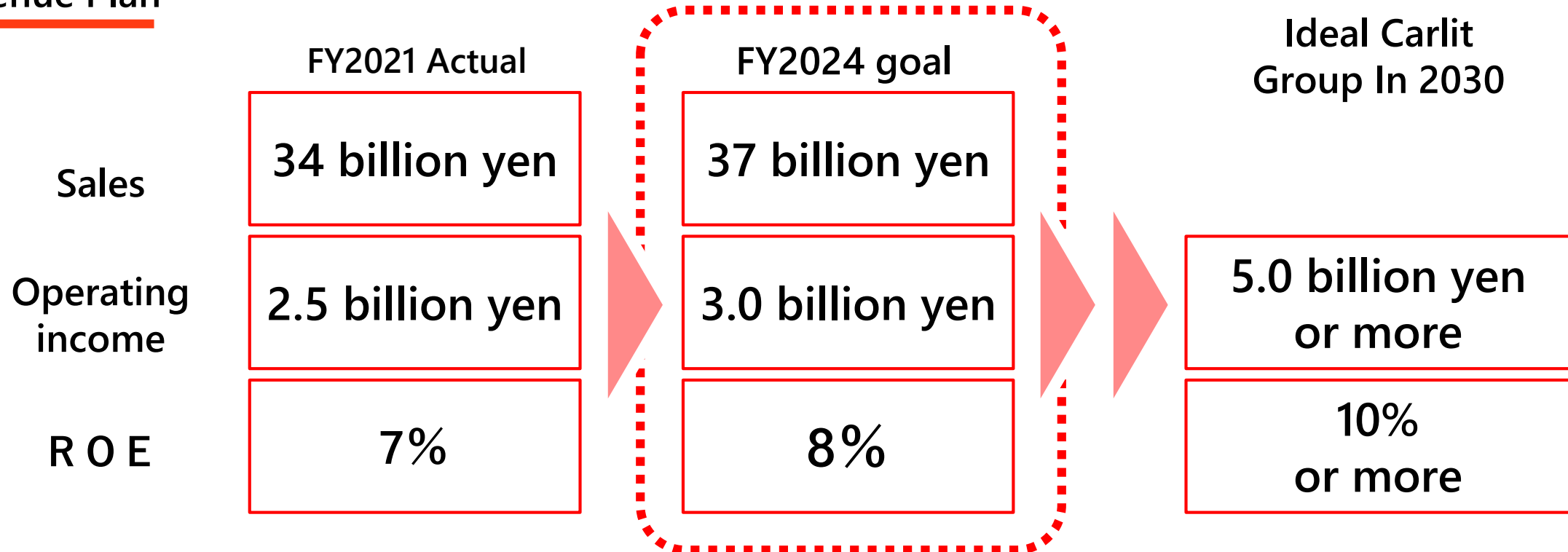
▶ **Speeding up "management decisions" and "innovation" to create new products**

3. Improving profitability of existing businesses

- ◆ Improvement of earnings in existing businesses
 - Thorough financial discipline with "Gross Profit" and "SG&A" as KPIs.
- ◆ Execute portfolio management with cost of capital in mind



Revenue Plan



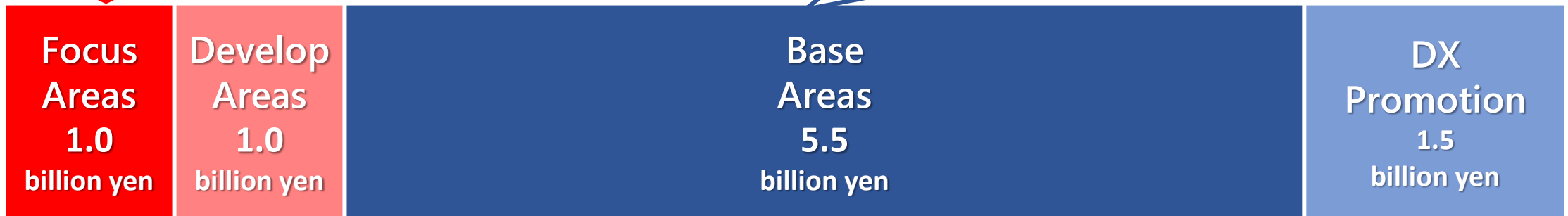
3. Improving profitability of existing businesses

Capital Investment Plan

◆ Equipment investment 9.0 billion yen planned (total for 3 years)

New and development equipment : 30%
Investment in equipment
enhancement and renewal : 70%

Investment in renewal and aging equipment : 55%
Energy- and labor-saving equipment : 30%
Investment in labor environment improvement : 15%



New and development equipment : 20%
Investment in renewal and aging equipment : 80%

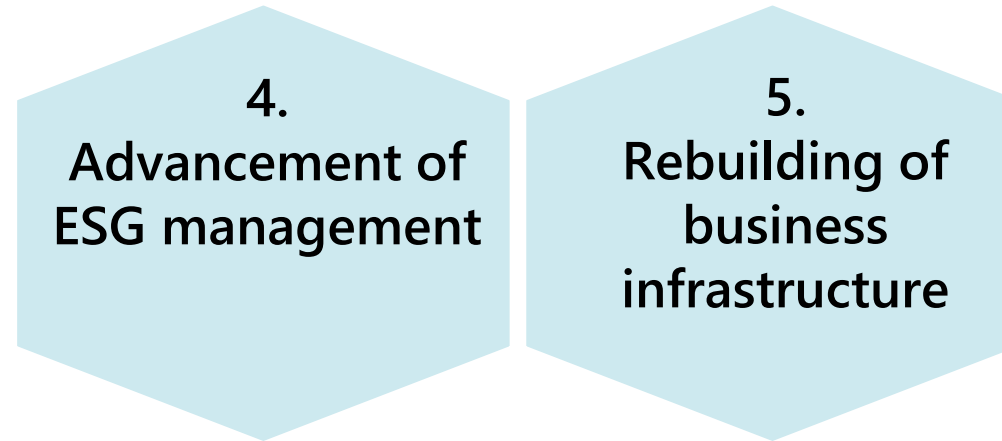
Mainly digital investment for DX
promotion, etc.

- In addition to investments in efficiency and manpower saving, investments that contribute to ESG and BCP are also actively executed in the infrastructure area
- Flexible investment allocations for uncertain growth investments such as M&As and raw material business for propulsion drugs are set separately from this table.

Mid-Term Management Plan


Challenge 2024

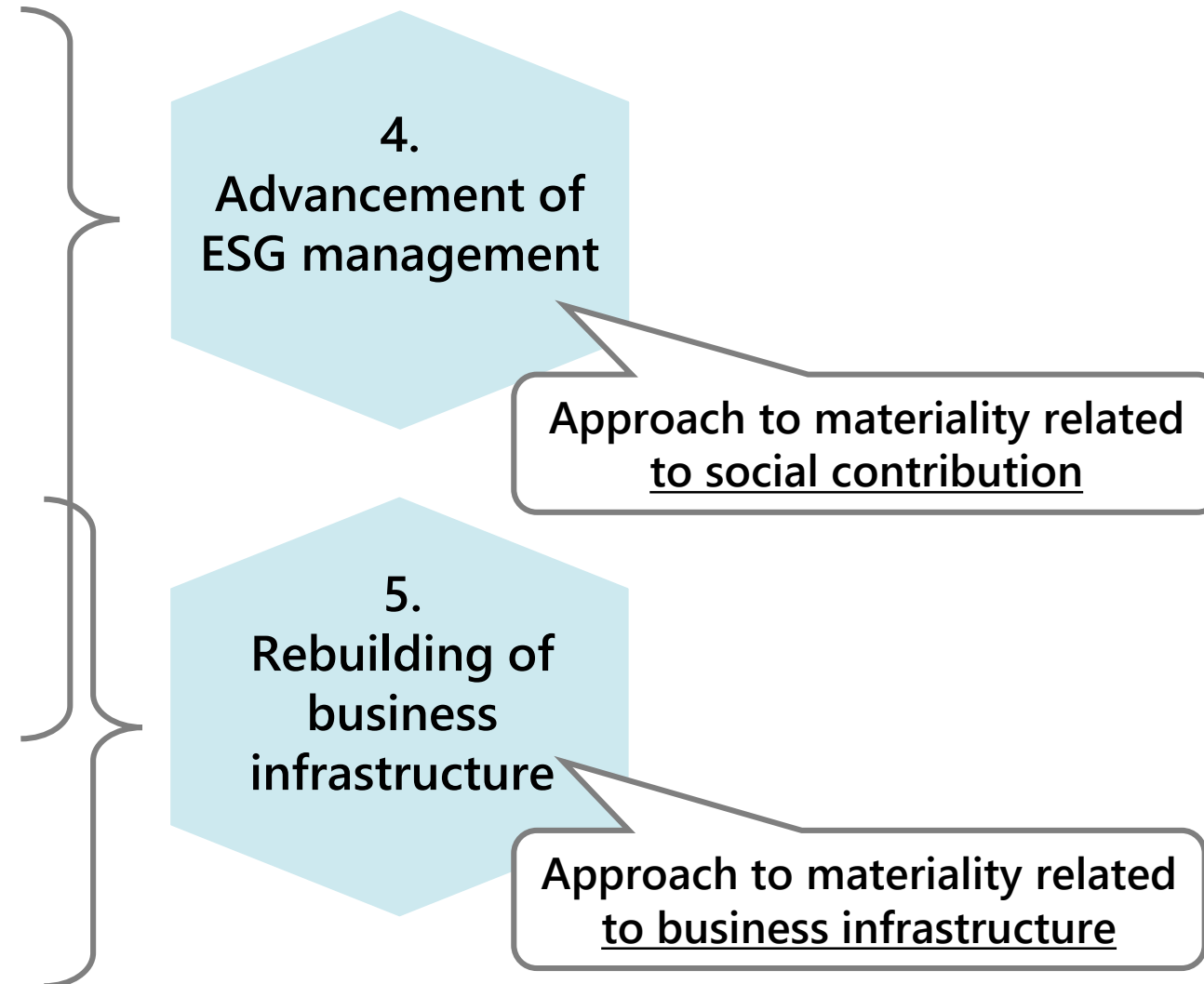
Part 2



Challenge 2024 Two strategies for ESG

◆ Build strategies for each of the materialities listed. Also execute portfolio management

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G Govern-ance	Strengthen management foundation for reliability, transparency, and profitability	<ul style="list-style-type: none"> Ensure credibility regarding the determination of material facts Legal Compliance Advanced cyber security and DX implementation 	  



4. Advancement of ESG management

Climate Change Action

- ◆ Disclosure of climate change-related information in accordance with TCFD
- ◆ Analyzing and addressing climate risks and opportunities to enhance resilience

Strengthening of promotion and management systems

- Strengthening sustainability promotion and management systems
- Analyzing climate risks and opportunities **to enhance resilience**
→ Quantitative disclosure and formulation of response measures

Calculation & Analysis

- **Improve the accuracy of GHG emissions analysis** by introducing calculation services
→ Set GHG emission reduction targets for 2030 and 2050

Action

- Establish a plan for transitioning to **carbon neutrality**
- Promote development and expansion of **environmentally friendly products and services**
- Promoting **Sustainable Procurement**
- Promote **internal enlightenment** through training, etc.

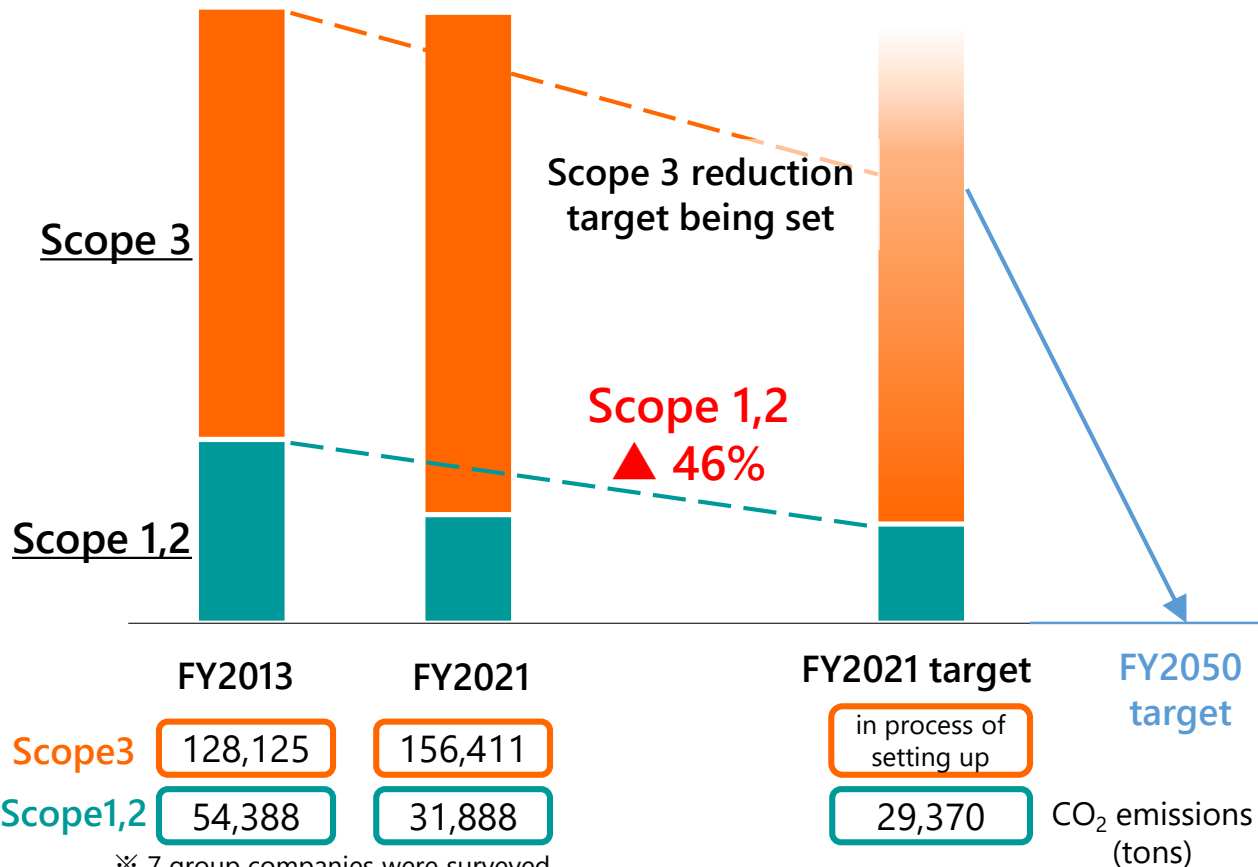
4. Advancement of ESG management

The challenge of becoming carbon neutrality

◆ GHG emissions reduction target

FY 2030 $\triangle 46\%$ (Scope1,2)

FY 2050 Transition plan in place to achieve carbon neutrality



※ 7 group companies were surveyed
 Carlit Holdings, Japan Carlit, Silicon Technology, JC Bottling,
 Namitakiko, Toyo Spring Industrial, Fuji Shoji

◆ Working toward carbon neutrality

Scope 1, 2

Promote energy savings and creation

- Introduction of high-efficiency, energy-saving equipment
- Improve production and business processes
- Promotion of energy recycling
- Carbon offset through afforestation

Promote the use of renewable energy

- Efficient Use of Hydroelectric Power Plant Electricity
- Switch to renewable energy sources
- Expansion and expansion of solar power generation facilities

Scope 3

Enhanced promotion throughout the supply chain

- Promotion of Sustainable Procurement
- Improving transportation efficiency
- Contribution to energy saving through new product development
- Promotion of 3R's

4. Advancement of ESG management

Connection to Society

◆ Creating a rewarding workplace for employees

◆ Promoting Diversity and Inclusion

Engagement

- ✓ Improved engagement "employee-company bond"
- ✓ Checking the relationship between employees and the company from multiple perspectives to identify and improve issues

KPI

Employee Engagement Survey to be implemented from FY2022
→ Continuous improvement of engagement score (KPI to be set in the future)

Human Resource Development

- ✓ Foster a desire to make management decisions from a group management perspective and to take on the challenge of creating new businesses
- ✓ Execution of various training programs such as "Management", "Leadership", etc.

Human capital investment: 20% improvement per person
(Next generation management especially strengthened 25% increase)

Health Management

- ✓ Focusing on improving the health of employees and their families, aiming for "Health and Productivity Management Organization" certification in 3 years.

- 100% of employees receive periodical medical examination
- Smoking rate 5%

Diversity

- ✓ Develop a work environment where diverse human resources can work together in the same way (remote work, factory automation, etc.)
- ✓ Promotion of women's activities

Ratio of female manager
FY2021 : 1.8%
FY2024 : 3% or more
FY2027 : 5% or more

4. Advancement of ESG management

Communication with Stakeholders

◆ Promoting communication with stakeholders and providing value

For communication with stakeholders

- Promoting active and proactive communication based on guidelines for Investor and Company Engagement
- Continuation of financial results briefings and individual meetings
- Publish integrated reports in accordance with a framework that meets investor needs
- Organize small meetings on areas and products that are highly compatible with the SDGs and ESGs

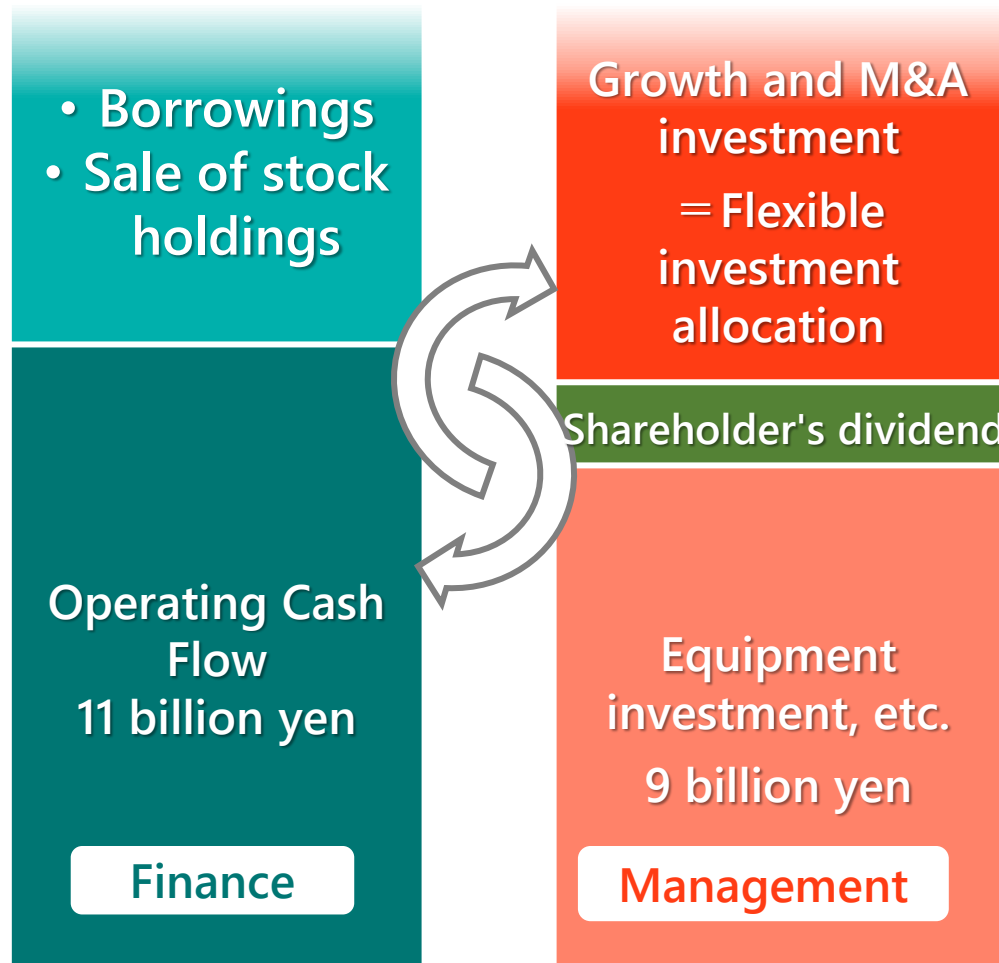
Providing value to stakeholders

- Dividend policy with an eye on stable returns
- Continue to target a consolidated dividend payout ratio of 20% to 30%.

5. Rebuilding of business infrastructure

Clarification of Financial Policies

- ◆ Aggressive investment in growth is a top priority
⇒ Not only equipment investment, but also M&A investment will be considered.
- ◆ Clarify financial policy and aim for optimal balance between investment and shareholder returns



◆ Growth and M&A investment

Flexible allocation of growth investments to focus/develop areas

○ Considering business alliances and **M&A** to strengthen market and technology competitiveness

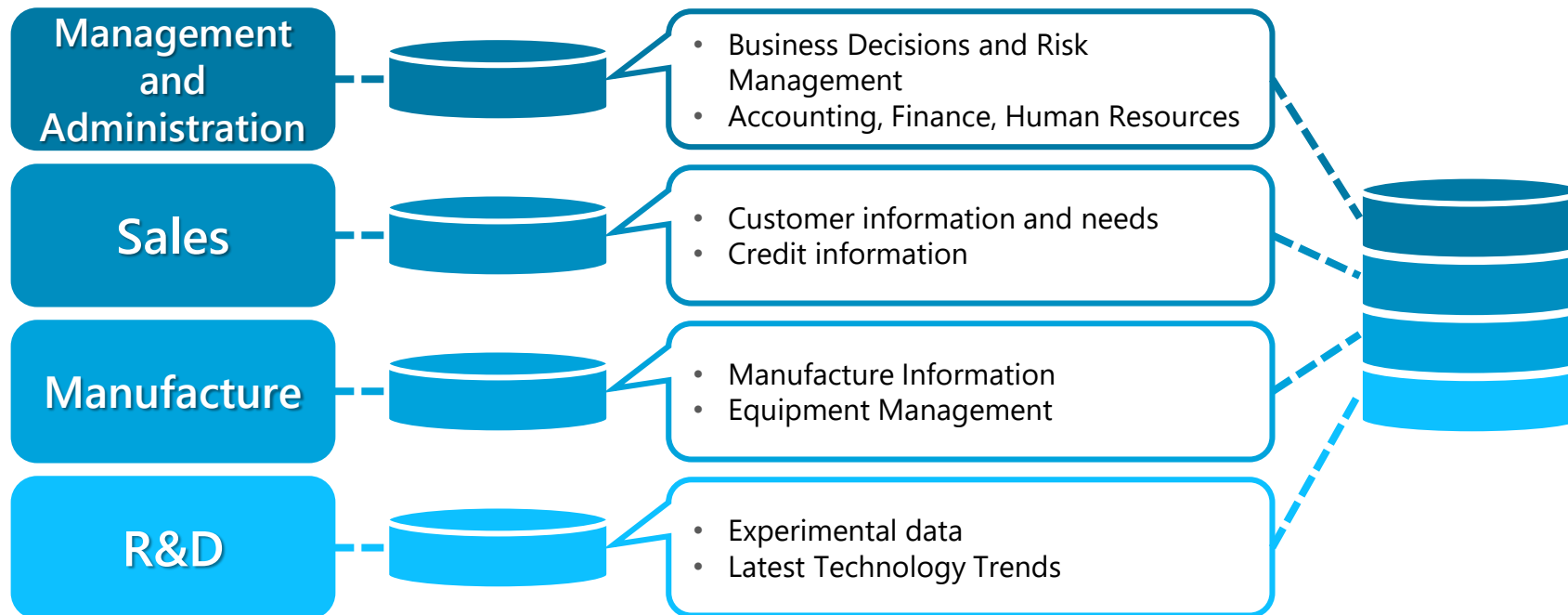
○ Investments to strengthen the raw materials for propulsion business

◆ Shareholder's dividend

Target dividend payout : 20%-30%

5. Rebuilding of business infrastructure DX Promotion

- ◆ Accelerate digital investments to speed up management decisions
- ◆ Strengthen cyber security measures to prepare for increasingly sophisticated and complex cyber attacks



Digital investments consolidate and link information
from various departments

Measure

- ✓ Expansion of telework, promotion of paperless office
- ✓ Cloud computing, optimization of IT tools
- ✓ Advanced Cyber Security
- ✓ Breaking away from legacy systems

Outputs

- Speeding up management
- Advanced risk management
- Understanding the latest external environment
- Improved efficiency of manufacture, procurement, and inventory
- Promoting the creation of new ideas

Finally

◆ To realize our "Vision for 2030" we are pursuing the following strategies

Management Policy

Aiming to increase corporate value by optimizing the business portfolio

Challenge 2024 5 Strategies

Part 1

1. Accelerate growth businesses

2. Expansion of R&D

3. Improving profitability of existing businesses

Part 2

4. Advancement of ESG management

5. Rebuilding of business infrastructure

Strategy execution through PDCA cycle

→ Plan to proceed while reviewing

信頼と限りなき挑戦

Earning Trust and Tackling Countless Challenges



無限の可能性をカタチに

Giving Shape to Infinite Possibilities

- ◆ The forward-looking statements about the Carlit Holdings Group's performance contained in this document are based on certain assumptions that we believe to be reasonable at the present time. Therefore, actual results may differ materially from the forward-looking statements.
- ◆ The following is a list of the main factors that may affect the Company's performance, but new factors may arise.
 - ① Global economic and social conditions and trends in regulations, taxation, and other laws and regulations
 - ② Rate of exchange
 - ③ Stock quotation
 - ④ Product supply-demand situation and parts procurement environment
 - ⑤ Financing environment
 - ⑥ Granting and licensing of important patents and patent-related disputes, etc.
 - ⑦ Regulations and issues related to the environment
 - ⑧ Defects in products or services, etc.
 - ⑨ Litigation and other legal proceedings
 - ⑩ Rapid technological changes and the timing of development, manufacturing, and market launch of products using new technologies
 - ⑪ Business restructuring
 - ⑫ Information Security
 - ⑬ Major disaster
 - ⑭ Social and political turmoil due to terrorism, war, infectious disease epidemics, etc.
 - ⑮ Important matters concerning directors, major shareholders, affiliates, etc. of the company