

Challenge 2027: Stage 2

Mid-Term Management Plan 2025-2027



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Reviewing the Previous Mid-Term Management Plan Challenge 2024

Reviewing the Previous Mid-Term Management Plan Challenge 2024

◆ Optimization of business portfolio and increased corporate value based on the five strategies of the previous Mid-Term Management Plan

< Five Strategies >

1. Accelerate growth businesses
2. Expand R&D
3. Improve profitability of existing businesses
4. Advance ESG management
5. Restructuring of business infrastructure

< Review >

- ✕ : Market environment slowed down for electronic materials and silicon wafers
- : Narrowed down development fields (to about half). Three research laboratories system
- △ : Although operating profit of 3.0 billion yen was achieved, profit margin improvement was insufficient
- △ : Promoted initiatives such as climate change and human capital investment
- : Implemented a review of shifting to an operating holding company structure. Expansion of IT environment, etc.

< Management Policy >

Aiming to increase corporate value by optimizing business portfolio

- : Carried out management in line with our business portfolio
 - ▷ Integration of businesses in the Focus and Development Areas into one company
 - ▷ Aggressive investment in the Focus and Development Area businesses
 - ▷ Withdrawal from some unprofitable businesses and products
 - ▷ Profitability improvement in the Base Area businesses (increase in operating profit)

Reviewing the Previous Mid-Term Management Plan Challenge 2024

- ◆ Profitability improved thanks to the fruition of various planned initiatives and changes in the external environment

	FY2021 (Start of the previous Mid-Term Management Plan)		FY2024 Initial Plan (Final year of the previous Mid-Term Management Plan)		FY2022	FY2023	FY2024
Net sales	33.8 billion yen		37.0 billion yen		36.0 billion yen	36.5 billion yen	38.0 billion yen
Operating profit	2.50 billion yen		3.0 billion yen		2.64 billion yen	3.35 billion yen	2.9 billion yen
Profit	2.33 billion yen		2.2 billion yen		2.24 billion yen	2.59 billion yen	2.8 billion yen

- ✓ Operating profit achieved the initial plan by +350 million yen in FY2023.
Profit-focused initiatives such as fair price negotiations and manufacturing cost reductions yielded results. Contributions from new businesses and new products were still small.
- ✓ The markets for electronic materials and silicon wafers were sluggish due to the effects of domestic and international inventory adjustments.
In particular, profits in the silicon wafer sector have significantly declined even in the final year.

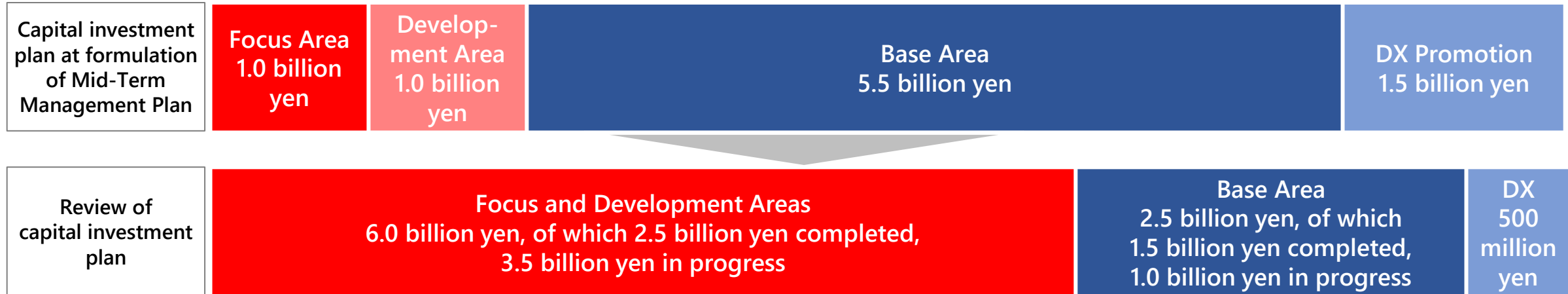


Reviewing of profit structure as the “Foundation Enhancement” stage. Respond flexibly to changes in the external environment

While optimizing the business portfolio, aim to further strengthen profitability by establishing new businesses

Reviewing the Previous Mid-Term Management Plan Challenge 2024

◆ Decided on capital investment of approximately 9.0 billion yen in total



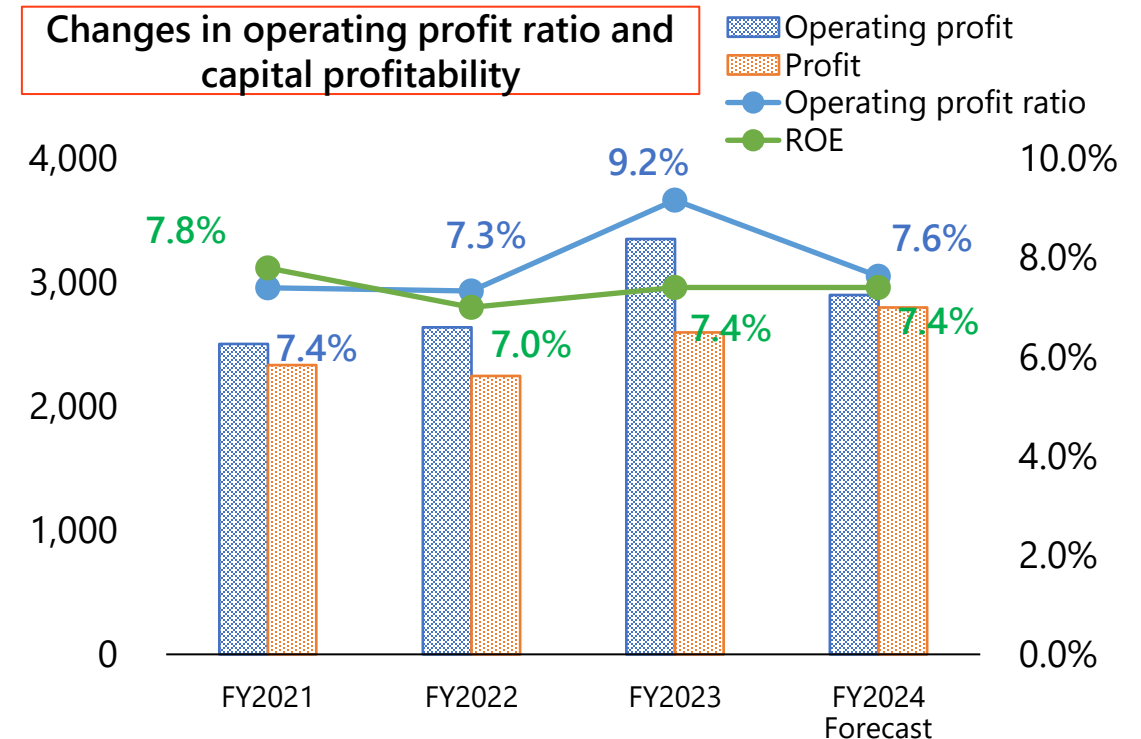
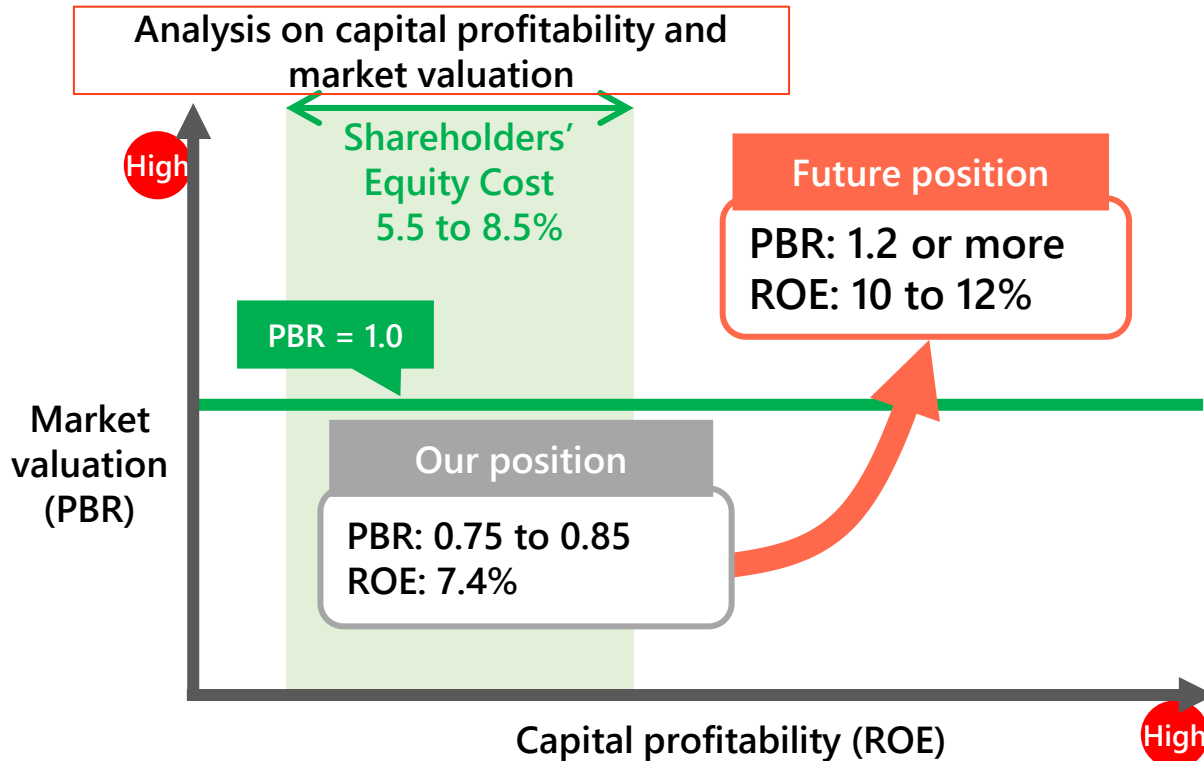
- ✓ Decided to increase investment in the ammonium perchlorate business and material assessment service (contract testing business), where future demand is expected.
The investment in construction to increase production capacity for ammonium perchlorate completed up to the first stage.
Contracted battery testing laboratory is scheduled to start operation in 2025.
- ✓ In addition to above investment, decided to implement the investment in aging facilities in each business area, including the Base Area. Regarding some energy-saving investments, the investment content verification took longer than expected, so it was postponed to the Challenge 2027 period.
- ✓ In DX promotion, implemented replacement of the core systems and enhancement of the IT department.
Scheduled to start operation in 2025.



Plans to increase production capacity and upgrade aging facilities are in the start to the execution stage
Further expansion of new businesses and Focus and Development Area businesses is a future management issue

Reviewing the Previous Mid-Term Management Plan Challenge 2024

- ◆ Formulated “Rolling Plan 2023” and “Grow Up Plan 2024” with the Mid-Term Management Plan “Challenge 2024” as the core
- ◆ Considered initiatives while analyzing capital profitability and market valuation



- ➡
- ✓ The management policy of “3% up in operating profit ratio” was not achieved.
Margin increased only by 1.8% in FY2023 (compared to FY2021).
 - ✓ Improvement of capital profitability and market valuation remained incomplete.
Continue to work on it as a medium- to long-term management issue.

Long-Term Vision

What is Carlit Co., Ltd.?



Carlit explosives are our founding business and the origin of the Company name

The raw material is **ammonium perchlorate**.

Currently used as a raw material for solid propellants for space development rockets

Electrolysis technology for production

Handling technology for explosives and hazardous materials

Carlit's **core technology**

Electrodes and electrolysis

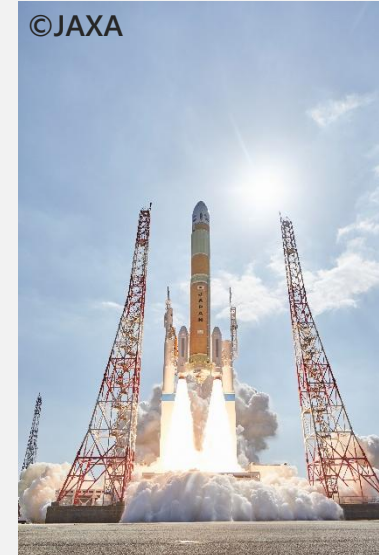
Propellants

Electronic and functional materials

Silicon wafers

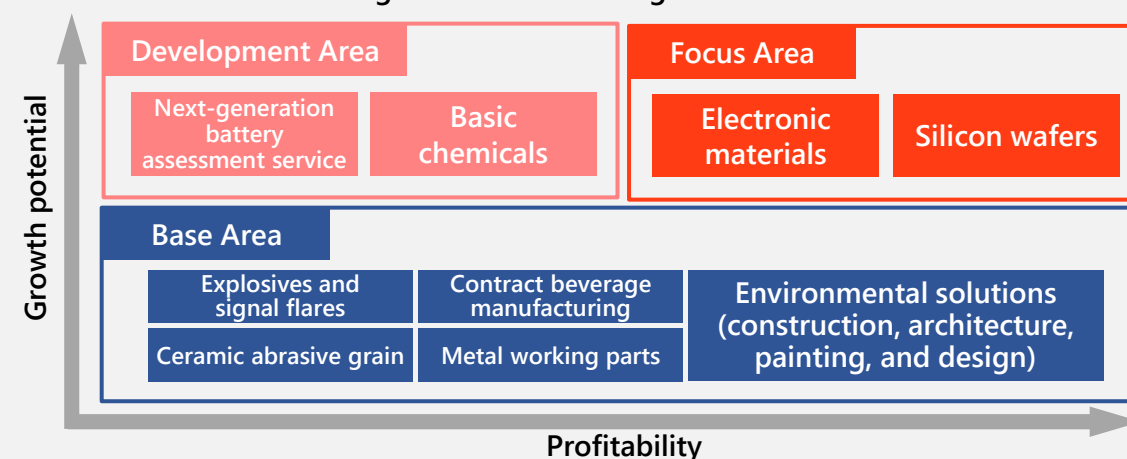
- ✓ Derive core technologies into various products and services to provide value to society and life
- ✓ Organized business groups and introduced business portfolio management in the Mid-Term Management Plan Challenge 2024

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(Up) Carlit explosives
(Left) H3 rocket

Previous Mid-Term Management Plan Challenge 2024's Business Portfolio



Management Philosophy Framework

Founding
Spirit



"Strenuous Efforts (Funto Doryoku)"
(calligraphy by founder Soichiro Asano)

The founder's philosophy of "Strenuous Efforts," which means rising to the occasion in the face of adversity, to never giving up, and creating businesses needed by society with an indomitable fighting spirit, is the foundation of our management philosophy framework.

Management
Philosophy

For Confidence and Infinite Challenges

Our management philosophy is to continue new challenges, with the "trust" that we have built since our founding, handling hazardous materials and explosives, as our banner.

In the Mid-Term Management Plans, we use the "Infinite Challenges" of our management philosophy as a keyword, and named the previous term "Challenge 2024" and this term "Challenge 2027."

Raison d'être
(Purpose)

Providing "Relief" and
"Prosperous" through reliable
manufacturing and services

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

Looking back on our business, which
has been around for over 100 years, we
recognized it as our "Raison d'être
(Purpose)."

At the same time, we have defined the
value that we provide to society and
people for the next 100 years as "Our
Vision."

Our Vision
(Ideal Carlit Group in 2030 to 2035)

Our Value
(Code of Conduct)

1. Customer First Policy
2. Safety First
3. Social Contribution

In addition to our three Values (Code of Conduct), the Basic Policy for Sustainability is positioned as a common concept in all philosophy frameworks.

[Basic Policy for Sustainability]
Through manufacturing and the provision of services under our management philosophy, the Carlit Group intends to contribute to the resolution of social issues to help build a sustainable society.

Corporate Slogan
Giving Shape to Infinite Possibilities

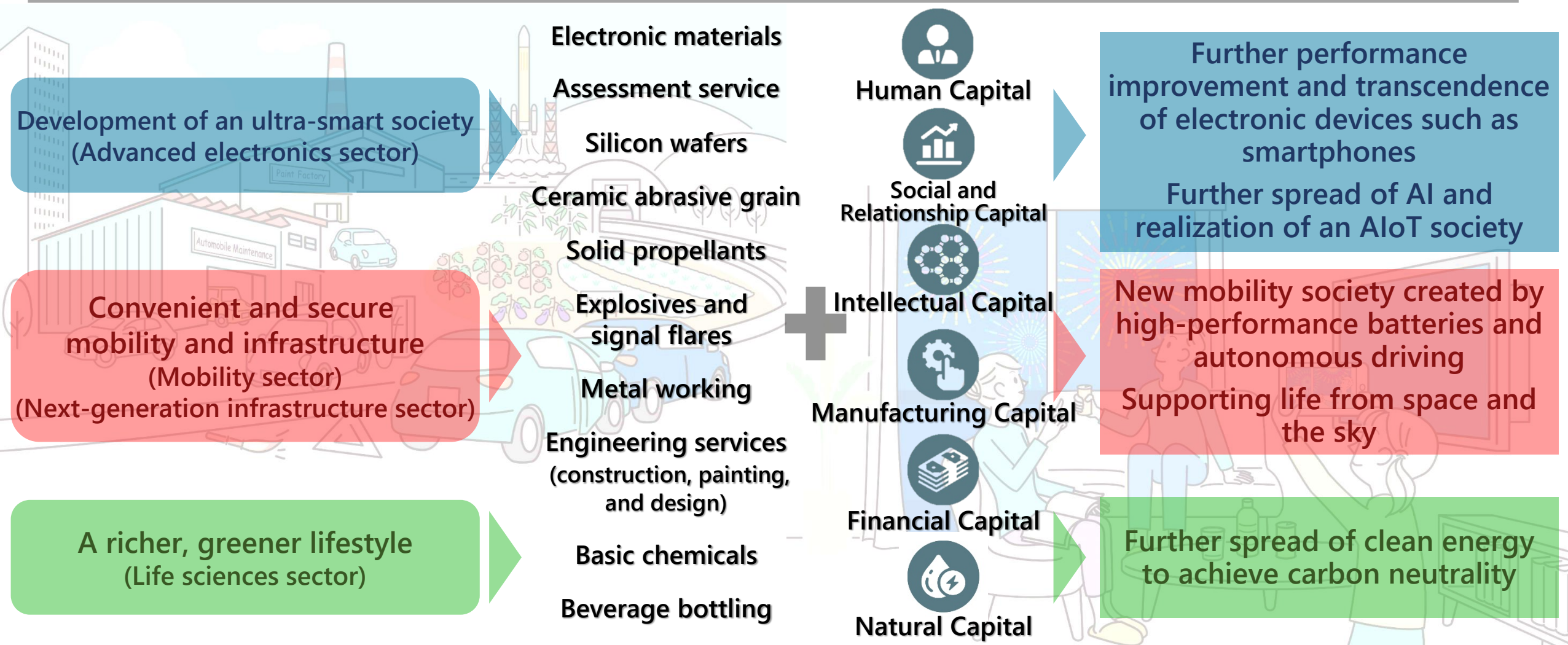
Social Issue and Value Creation Process

Social Issues

Business Activities

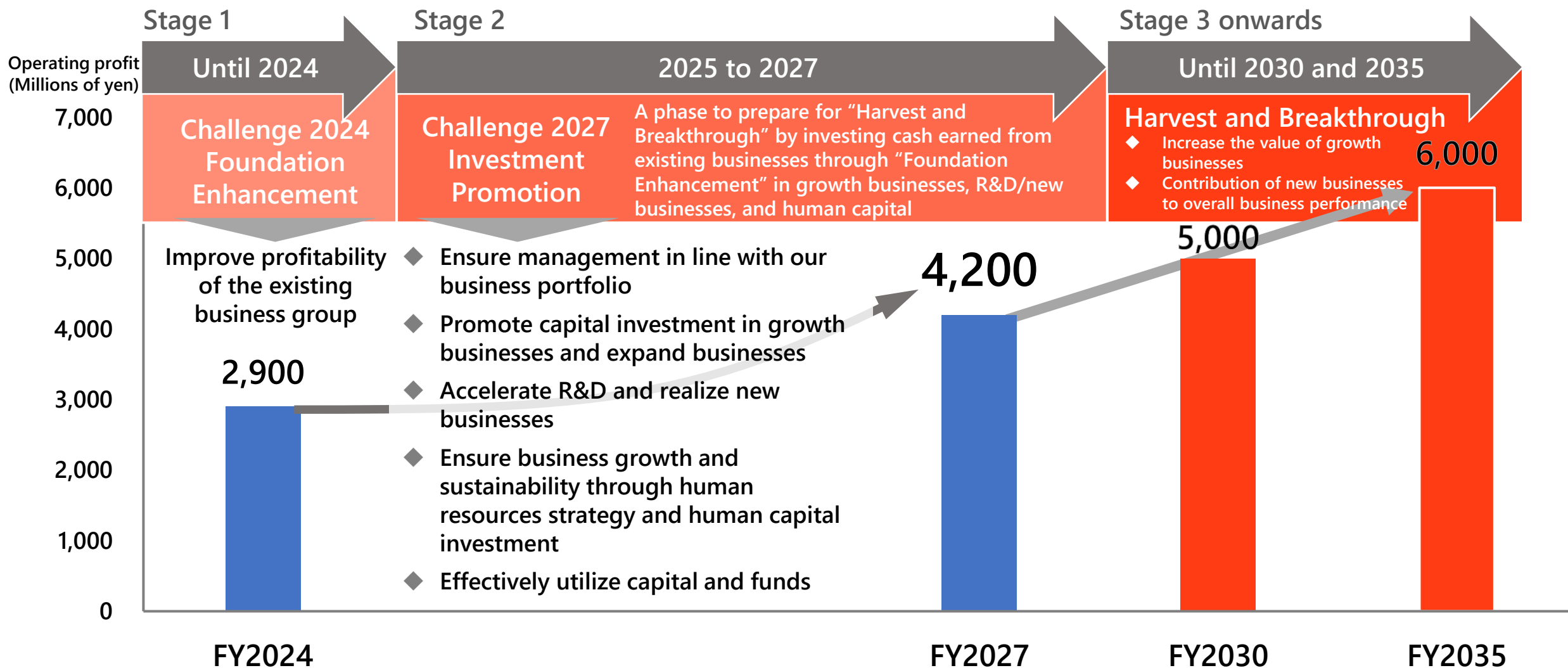
Management Capital

Value Generated and Future



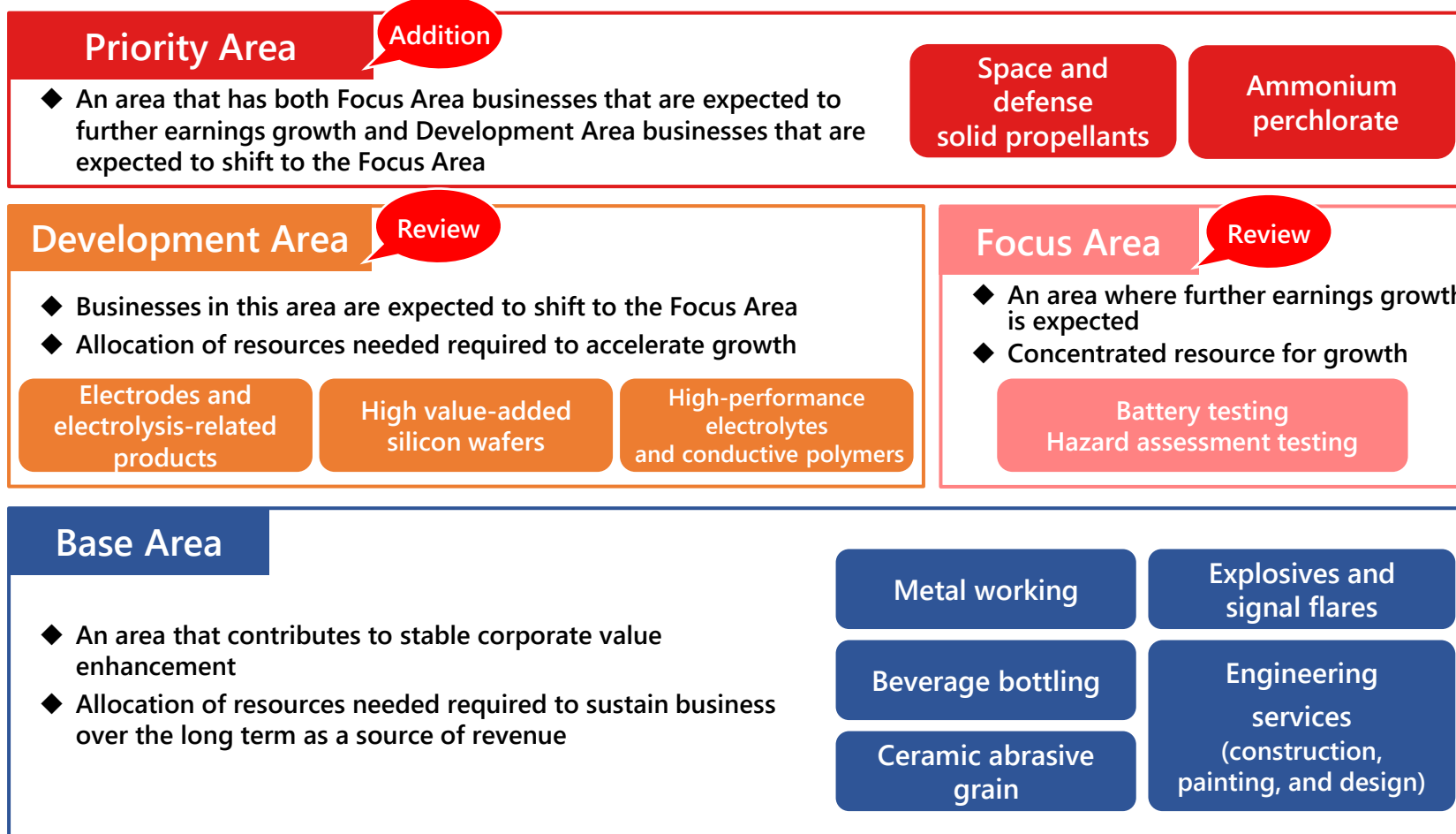
Growth Vision of Carlit

◆ Position of the Growth Vision towards 2035 and the Mid-Term Management Plan Challenge 2027



Business Portfolio Reviews

- ◆ Reviewed business portfolio in light of the initiatives under “Challenge 2024” period and changes in the internal and external environment



- ◆ Establishment of “Priority Area”
Newly established are businesses of solid propellants used for space development and defense applications and their raw material, ammonium perchlorate, as “Priority Area”
- ◆ Review of “Focus Area”
Expansion construction at each test laboratory is in progress. “Battery testing and hazard assessment testing,” expected to further earning growth, was shifted from the Development Area
- ◆ Review of “Development Area”
Continue development of high value-added small-diameter silicon wafers. “High value-added silicon wafers” that will be converted into high-profitability businesses in the future

Started full-scale R&D to realize next-generation energy and creating value using the core technology “electrodes and electrolysis”

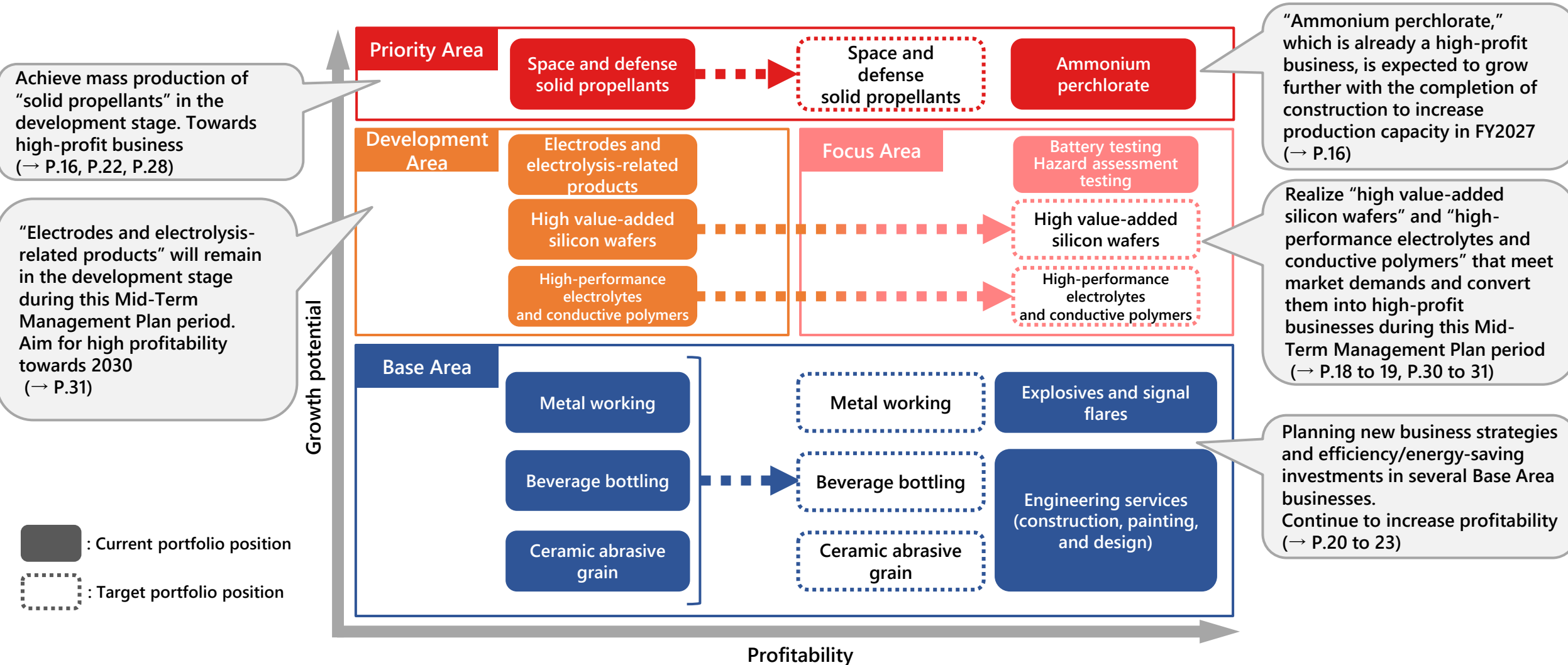
“High-performance electrolytes and conductive polymers” that can provide power-saving properties for smartphones and AI server components are expected to increase demand from 2025

Challenge 2027: Stage 2

Growth Strategy by Business Segment

Optimization of Business Portfolio

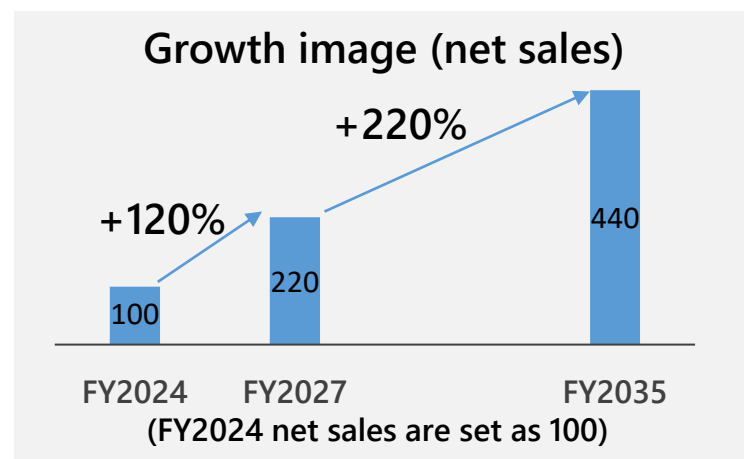
◆ Optimization concept for the three years of the Mid-Term Management Plan “Challenge 2027”



Space and Defense Solid Propellants (Ammonium Perchlorate)

Business Strengths	Key Markets and Positions
<ul style="list-style-type: none">• The only domestic industrial manufacturing facility, manufacturing know-how cultivated since its founding• Expertise handling know-how for explosives and hazardous materials• Use of electricity from hydroelectric power plant (Koto Hydroelectric Power Plant)• In-house development and manufacturing of electrodes exclusively for ammonium perchlorate production <p>Assumed operating profit ratio: 10 to 30%</p>	<ul style="list-style-type: none">• Space industry applications...Solid propellants for H3 rocket and Epsilon rocket (sold as ammonium perchlorate) Solid propellants for private rocket (KAIVOS)• Defense applications...Solid propellants for defense-related products• The only industrial producer of ammonium perchlorate in Japan• Cannot be sold overseas. Domestic consumption only (End products may be exported)

Key points for growth from 2027 to 2035

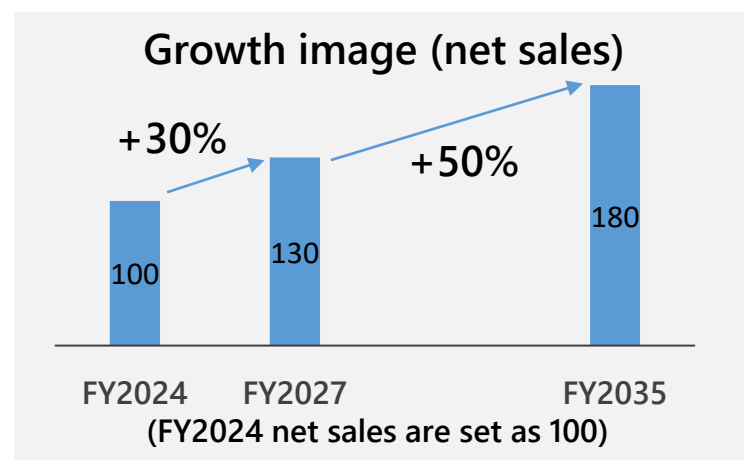


- Large-scale capital investment aimed at 2 to 3 times the current production capacity is underway (1st phase construction completed)
2nd phase construction: Scheduled for completion in the first half of FY2026
3rd phase construction: Scheduled for completion in the second half of FY2026
Full operation: Scheduled from FY2027 onwards
- Expect increased demand under the situation of the global expansion of the space business and the upward trend in Japan's defense budget
- Start full-scale development of "solid propellants" in addition to solid propellant raw materials (Refer to P.22, P.28)
Start considering the expansion of industrial land in line with the expansion of the business

Battery Testing and Hazard Assessment Testing

Business Strengths	Key Markets and Positions
<ul style="list-style-type: none"> Services utilizing the location of the Akagi Plant (explosives manufacturing plant) and handling/assessment know-how of hazardous materials Possible to consistently evaluate both “danger/safety” and “cycle performance” in batteries Hold events such as “hazard assessment seminars” based on extensive knowledge. Conduct enlightenment and PR activities <p>Assumed operating profit ratio: 30 to 50%</p>	<ul style="list-style-type: none"> Battery assessment testing...Cycle testing and storage testing of various batteries such as Li batteries Contracted by various manufacturers developing batteries Hazard assessment testing...Hazard assessment of new substances based on fire service law and UN recommendations Contracted by various manufacturers, including chemical manufacturers Large-scale hazard assessment testing...The only test capable of assessing large-scale high-risk products in Japan. Contracted by various manufacturers, including machinery and equipment, and batteries Top-ranked in Japan in terms of the level of service content, extensive knowledge, and diversity of facilities

Key points for growth from 2027 to 2035

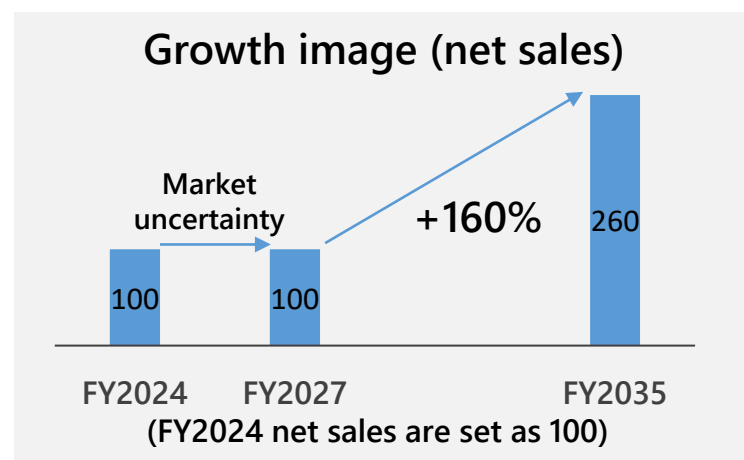


- Construction of the new battery testing laboratory building is scheduled for completion in FY2025 (investment scale: approx. 1.5 billion yen)
- Gradually conduct facilities enhancement, mainly at large-scale test sites, for hazard assessment testing
- As a “company handling explosives and hazardous materials,” promote human resources development with technology succession as a management issue
Aim to add high value through not only the “test result reporting business” but also through the “business of considering results”
- Although overseas in-vehicle battery development has run its course, domestic development demand has not yet waned.
Capture market needs by having a wide range of evaluation systems from large batteries to small batteries

High Value-Added Silicon Wafers

Business Strengths	Key Markets and Positions
<ul style="list-style-type: none"> Integrated manufacturing from single crystal growth (silicon ingot manufacturing) to cutting and mirror wafer processing Development of high value-added products based on the chemical manufacturer's unique R&D system Application of single crystal growth technology to impart properties to silicon wafers and generation of single crystals other than silicon <p>Assumed operating profit ratio: 10 to 15%</p>	<ul style="list-style-type: none"> 4 to 6 inch silicon wafers...Manufacturing and sales of various wafers to foundry manufacturers and device manufacturers on a custom-made basis for electronic device applications, automotive applications, and industrial machinery applications Various value-added wafers such as substrates for power semiconductors and ultra-high flatness substrates...Provide added value such as high flatness and property imparting during single crystal growth. Respond to development demand in MEMS, RF, and optoelectronics fields, which are important for AIoT Small-diameter silicon wafers have become a niche market due to a decrease in domestic players. Establish a position as a unique manufacturer utilizing integrated manufacturing technology

Key points for growth from 2027 to 2035



- Markets such as automotive applications, industrial machinery applications, and power semiconductors, which have many users, continue to have inventory adjustments, and the market is uncertain from 2025 until 2026. Aim to take the offensive as the market recovers
- Investment in single crystal growth facilities and cutting/polishing facilities has run its course. Continue automation investment
- Continue R&D investment and human resource investment. (Refer to P.29) Planning to invest in value-added processing facilities with strong market demand
- Promote the dispersion of human resources through the merger of three companies (October 2024) to secure profits even during the semiconductor market downturn

High-Performance Electrolytes and Conductive Polymers

Business Strengths

- Applying knowledge of electrochemical technology. Manufacturing and sales of “high-performance electrolytes,” “conductive polymers,” and “perchlorates”
- Development capabilities and product lineup that provide a wide range of properties in response to market needs for AI server components, such as power saving performance and temperature durability
- Development of low environmental impact products

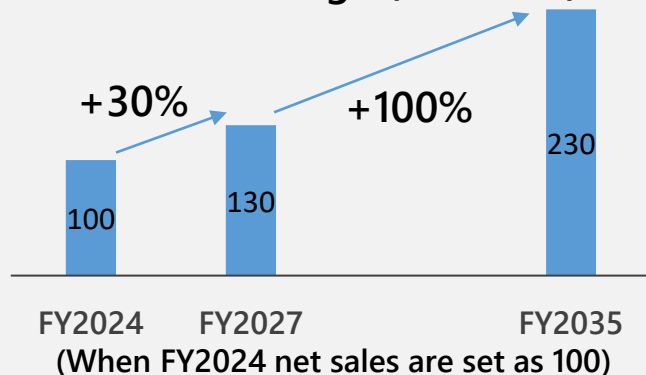
Assume operating profit ratio: 10 to 30%

Key Markets and Positions

- High-performance electrolytes...Electrolytes for electric double layer capacitors
- Conductive polymers...Large to small capacitor materials
→ Both used for components of smartphones, AI servers, etc.
- Top share in the domestic market for capacitor/condenser electrolytes such as electrolytes using high-performance electrolyte SBP-BF4. In a competitive environment with overseas products and alternatives
- Domestic sales and overseas sales (mainly to Asia). Higher ratio of domestic sales

Key points for growth from 2027 to 2035

Growth image (net sales)



- Manufacturing facilities have sufficient capacity. No large-scale investment is planned except for some upgrades
- Strengthening R&D and product development. In addition to developing characteristics that meet market needs, promote development that is conscious of low environmental impact (Refer to P.30)
- Respond to social issues and demand backgrounds such as the sophistication of communication devices and AI technology, the diversification of lifestyles associated with it, and the expansion of next-generation mobility such as HVs and EVs. Aim for business growth by targeting overseas markets as well

Environment and Strategy of Base Area Business Group: Overview

Chemical Products Segment

- **Explosives and signal flares (explosives)**
In principle, the domestic market is the target, and demand fluctuation is small
Maintain business by ensuring BCP (including logistics) and fair prices
- **Sodium chlorate (pulp bleaching raw material, sodium chlorate herbicide: chemicals)**
Gradual market decline cannot be stopped, slightly decreasing trend
Maintain business by ensuring BCP (including logistics) and expanding applications
- **Ceramics**
Market decline cannot be stopped. Thorough investigation of competitive trends. Promote switching to value-added product

Bottling Segment

- **Contract manufacturing of PET and canned beverages**
Continue contract manufacturing from brand manufacturers mainly for PET bottle beverages.
Both personal consumption and inbound demand are steadily progressing, and there are no environmental changes such as a decrease in beverage demand
Large-scale remodeling work on the PET bottle line is planned as a save energy investment. Planning to reduce CO2 emissions as well as improve manufacturing efficiency
Partial manufacturing stoppage due to this remodeling work is scheduled for 1Q to 3Q of 2026. Although a decrease in performance is expected, aim for recovery and increased profits in FY2027

Metal Working Segment

- **Heat-resistant metal parts for furnaces (heat-resistant anchors for incinerators and chemical plants, etc.)**
The domestic blast furnace plant market is mature, and innovation is difficult to expect.
Explore electric furnace/environmental protection plants, overseas markets, etc., and find a way to break away from the limited market.
Solidify the position as the top manufacturer of environmental parts for furnaces in 2030–35
- **Various metal springs and pressed products (washers for automobiles and construction equipment, etc.)**
Automobiles and the like will have fewer parts in the future. The market environment is tough as resin parts increase.
Focus on construction machinery applications, where metal parts continue to be used, and aim for growth

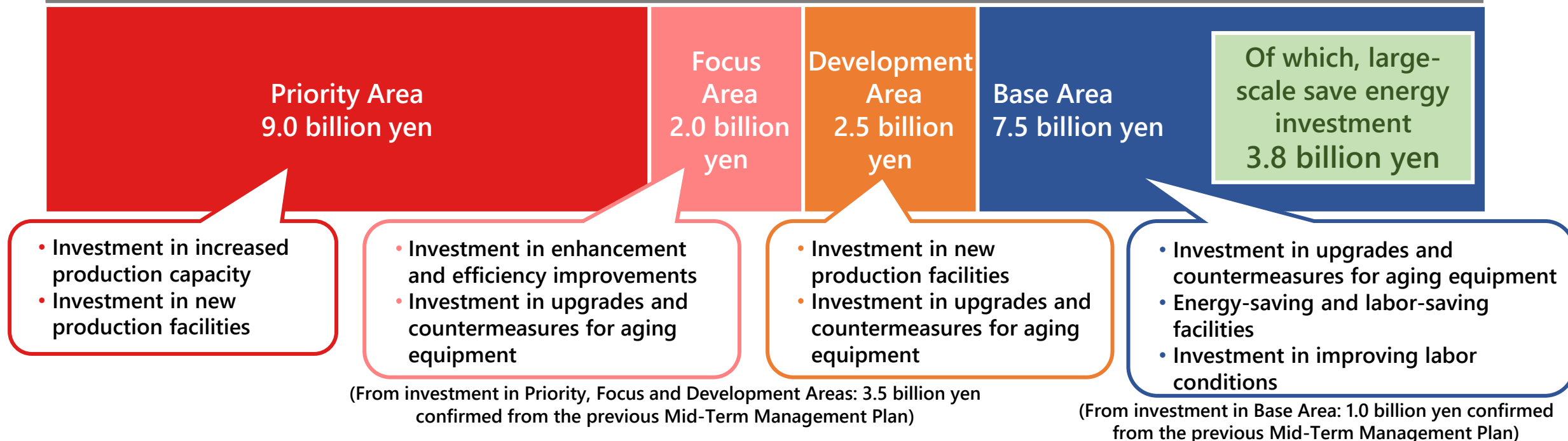
Engineering Services Segment

- **Industrial paints and painting work (contract painting, sales, etc. for construction machinery)**
Focus on highly profitable contract painting. Strengthen sales to develop new customers
- **Engineering and construction work (in-house contract construction, electrolysis plant facilities, etc.)**
Internal construction projects are increasing due to increased investment in the Chemical Products Segment
- **Structural design (design of water supply and sewerage facilities and private facilities, seismic diagnosis design, etc.)**
Design for public and private sectors is stable. Whether or not private sector design projects can be acquired is crucial
Promote business efficiency through the development of design engineers and the promotion of DX

Capital Investment Aligned with Business Portfolio

- ◆ Promote capital investment as part of the “Investment Promotion” stage toward the 2030–2035 vision

Total capital investment for FY2025–FY2027: 21.0 billion yen



Implement thorough business portfolio management and promote ROIC (IRR)-based capital investment

- Capital investment in the Priority, Focus and Development Areas is expected to generate high profitability and future growth
- The Base Area is expected to improve profitability with emphasis on stable earnings and ESG aspects such as energy efficiency

Growth-Oriented Capital Investment

Gunma Plant Expansion of ammonium perchlorate production and enhancement of the battery laboratory

Ammonium perchlorate plant: Steady execution of construction toward the final year of the Mid-Term Management Plan

First half of 2026.....Completion of work to expand and reinforce post-manufacturing process equipment

Second half of 2026.....Completion of work to expand the electrolysis production equipment for ammonium perchlorate

Battery laboratories: Second testing building scheduled for completion in FY2025.

Continue enhancement of in-house testing equipment based on demand

- ✓ Increase capacity through additional testing locations
- ✓ Expand sample size compatibility through facility expansion and improve customer satisfaction

Reinforce production facilities and testing labs to ensure stable supply and business expansion

Nagano Plant Value-added enhancement of silicon wafers and investment in automation

High-value-added facility: MEMS and RF, etc. (discrete field)
Targeting the optoelectronics field

- Installation of polishing and inspection devices for manufacturing high-flatness products
- Consideration of film deposition and lamination equipment for silicon wafers

Automation and facility enhancement: Automation of surface grinding and polishing processes, reinforcement of cutting processes

- ✓ Stabilization of quality
- ✓ Labor reduction and accelerated production speed
- ✓ Countermeasures for aging equipment

Strengthen market competitiveness and achieve one-of-a-kind product positioning through high-value-added products
Improve profitability through enhanced production efficiency and labor reduction

Akagi Plant Automation of the base flare plant and establishment of new manufacturing facility for solid propellants, a priority business

Flare plant: Automotive emergency flare (SUPER HIFLARE)

Promote automation of the process of powder loading, inspection, and transportation for highway signal flares (ROAD FLARE)

- ✓ Labor reduction and accelerated production speed
- ✓ Countermeasures for aging equipment
- ✓ Creating a safer and more worker-friendly explosives plant

Solid propellant manufacturing facility: Aim to shift from a pilot plant to a full-scale production facility

- Build new manufacturing facility capable of producing multiple product lineups
- Build new inspection and inventory facilities to support business establishment

Enhance the plant's capabilities to produce safety products from flares to solid propellants

Energy-Saving Capital Investment

Achieving Carbon Neutrality

◆ Implement large-scale save energy investment in the Bottling Segment

Switch from "Hot Pack" to "Aseptic" for beverage production lines

Hot Pack Line: Sterilizes PET bottles using high heat

- ✓ High energy consumption
- ✓ Only produces heat-resistant PET bottles (high resin usage)

Aseptic Line: Fills beverages in a sterile environment

- ✓ Low energy consumption
- ✓ Produces lightweight, thin PET bottles, reducing environmental impact
- ✓ Reduction of CO₂ emissions during transportation through integrated PET bottle molding



Achieve significant CO₂ reduction by switching lines (Scope 1, 2)

CO₂ reduction: 3,050 t-CO₂/year

Crude oil reduction: 1,650 kL/year

Continue to examine and promote initiatives towards carbon neutrality

Scope 1, 2
Promote energy savings and creation

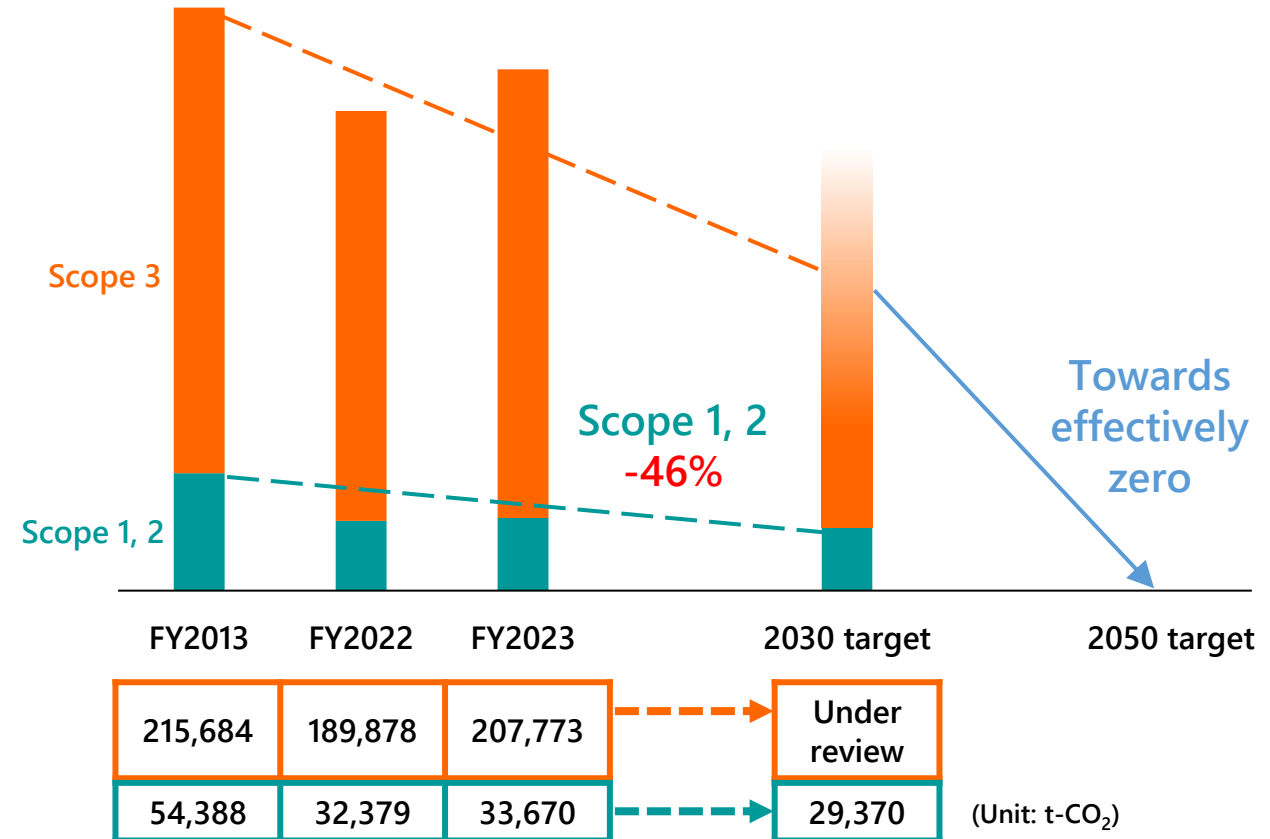
Scope 3
Enhance promotion across the supply chain

- Introduce high-efficiency, energy-saving equipment
- Improve production and business processes
- Efficient use of hydroelectric and solar power
- Promote sustainable procurement
- Contribute to energy saving through new product development

◆ GHG emission trends and reduction targets

FY2030 46% reduction (Scope 1, 2)

FY2050 Formulate a transition plan to achieve carbon neutrality



Note: The survey was conducted on 7 group companies.
Results from Carlit Holdings, Japan Carlit, Silicon Technology, JC Bottling, Namitakiko, Toyo Spring Industrial, and Fuji Shoji

Profit Plan for Overall Businesses

◆ Overall business growth plan during the Mid-Term Management Plan Challenge 2027

	Changes in actual result			Net sales	Challenge 2027
	FY2022	FY2023	FY2024		FY2027
Net sales	36.0 billion yen	36.5 billion yen	38.0 billion yen	Priority Area +2.0 billion yen	42.0 billion yen
Operating profit	2.64 billion yen	3.35 billion yen	2.90 billion yen	Focus Area +1.0 billion yen	4.2 billion yen
Operating profit ratio	7.3%	9.1%	7.6%	Development Area +500 million yen	10.0%
ROE	7.0%	7.4%	7.4%	Base Area +500 million yen	8.5%

Thoroughly manage the business portfolio in accordance with risk and opportunities keeping close eye on the internal and external environment

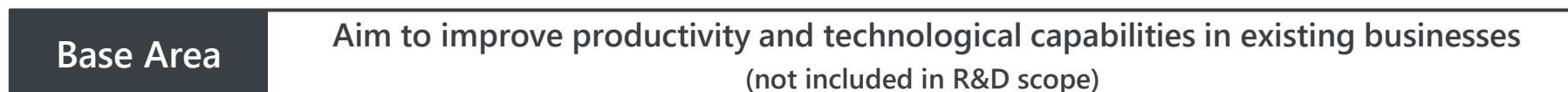
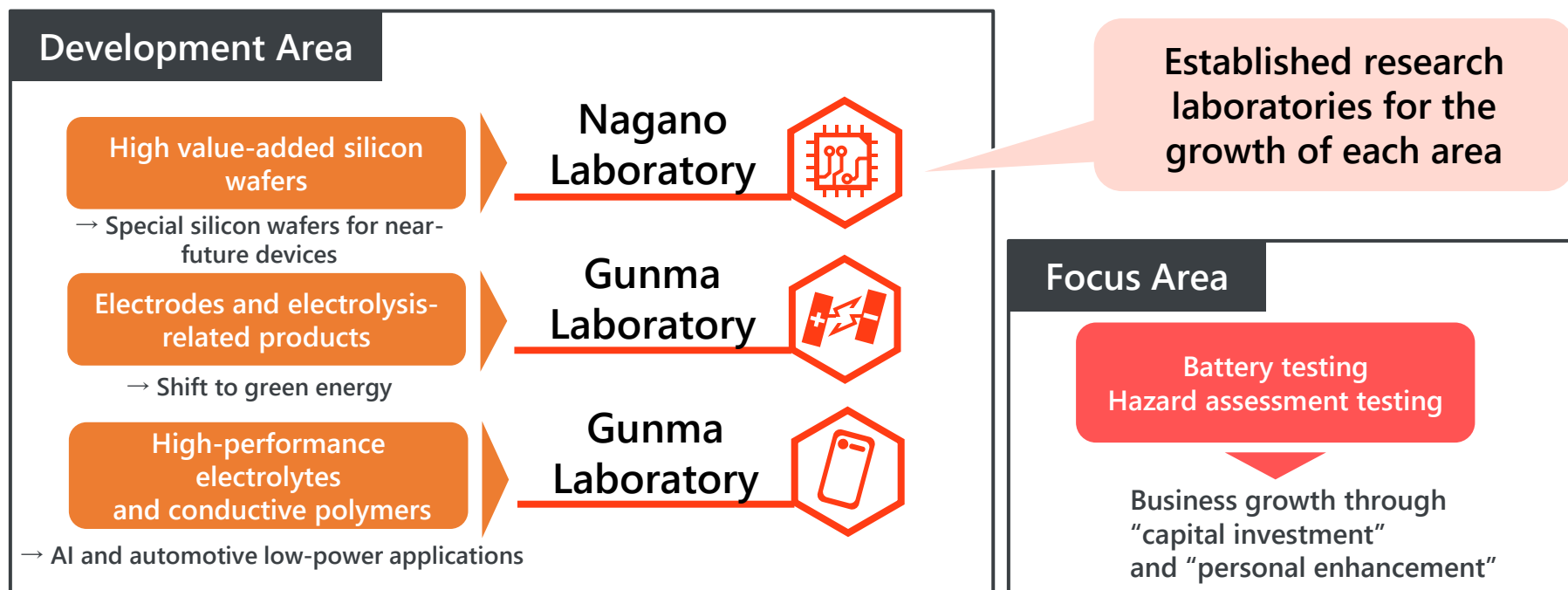
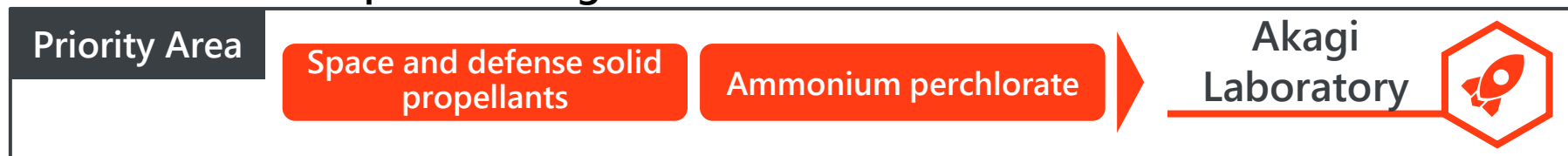
Continue to practice management with an awareness of the capital costs and aim for business growth towards the "Harvest and Breakthrough" stage in 2030

Challenge 2027: Stage 2

Business Growth by R&D Strategy

R&D in Business Portfolio

- ◆ Established dedicated research laboratories for each of the Priority, Focus and Development Areas.
Aim for the expansion of growth businesses and realization of new businesses



The Role of R&D

Expansion of Priority, Focus and Development Area businesses

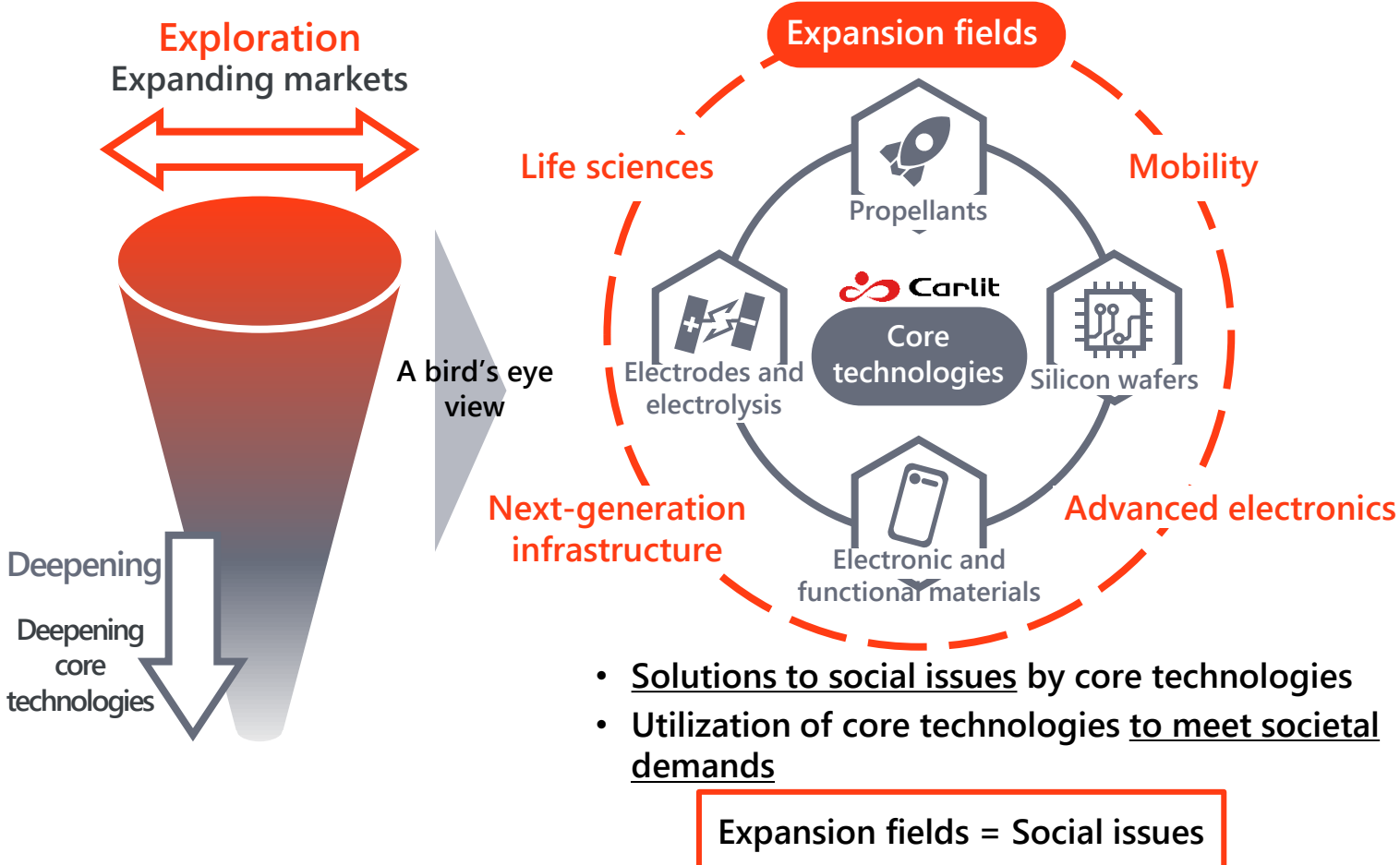
= Further deepening of in-house technology and product development

Realization of new businesses

= Technology and product development in new fields and markets

R&D Vision

- ◆ Transform core in-house technologies into a continuously growing entity
- ◆ Create core technologies that will continue to grow



Keywords for the Mid-Term Management Plan Green Innovation

Carlit's core technologies—essential for supporting carbon neutrality—include electrodes, hydropower, and energy-efficient optoelectronics

Core technologies	Towards Green Innovation	Keywords
Propellants	Produced with use of seawater and <u>green</u> energy (Hydropower and solar power)	Space and defense
High value-added silicon wafers	Towards <u>green</u> devices: innovations in FZ→CZ wafer manufacturing technology and energy saving technologies	Next-generation semiconductor devices
Electrodes and electrolysis	Conversion of solar power into <u>green</u> hydrogen	Next-generation energy and carbon neutrality
Electronic and functional materials	Expansion of energy-efficient devices for <u>green</u> vehicles	AI, mobility

Space and Defense Solid Propellants: Akagi Laboratory

- ◆ Transform solid propellant manufacturing technology, developed through years of R&D, into our new core business.

Our strengths

The only domestic manufacturer of solid propellant raw materials, possessing a specialized production facility for handling hazardous materials.
A dedicated R&D team enabling rapid technological development.



Akagi Plant

Development status

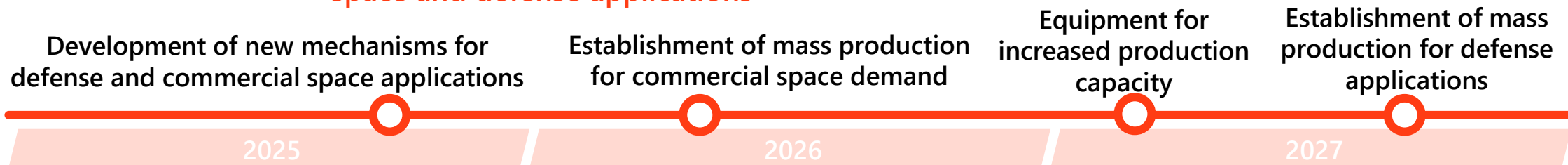
Capable for full-scale manufacturing using a dedicated pilot plant.
Verified combustibility through the ground combustion test.
Launched test sales for solid propellants.



Ground combustion test in progress

Development and investment plan

Main objective: Mass production of solid propellants (rocket motors) for commercial space and defense applications



Our vision for 3 years ahead

Address demand for small satellite launches and defense applications.
Launch solid propellant manufacturing and sales business.

- ◆ Mass production of motors for space and defense applications

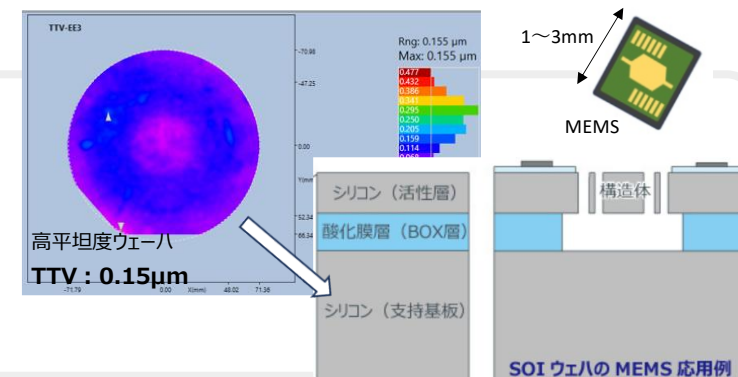
- ◆ Target for new product creation: 5 items (Cumulative over three years)

High Value-Added Silicon Wafers: Nagano Laboratory

◆ Conduct R&D to meet the “special wafer customization requirements” of near-future devices.

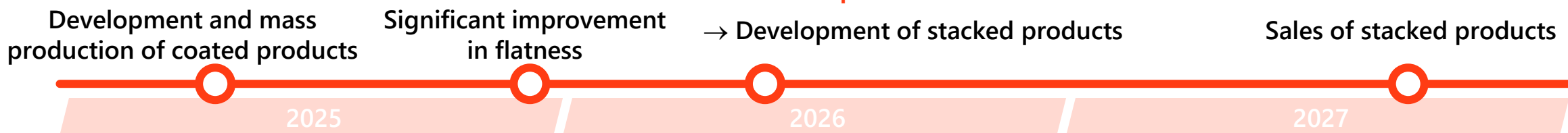
Development products

- Ultra-high flatness products for stacking
 - High-frequency application products
 - Coated and stacked products
- ▶ High-flatness wafers [$\leq 0.2 \mu\text{m TTV}$]
 - ▶ High-resistance CZ wafers [$\geq 5,000 \Omega\text{cm}$]
 - ▶ Various special coated wafers



Development and investment plan

Main objectives: Conduct R&D on multiple new products for MEMS, filters, and optoelectronics.
Achieve mass production.
Meet demand for specialized customized wafers for new devices.



Our vision for 3 years ahead

Develop and expand applications for specialized wafers for MEMS, filters, optoelectronics, and power devices.
Increase silicon wafer sales volume by 50%.

- ◆ Patent application target: 15
- ◆ Target for new product creation: 5 items

(Cumulative over three years)

High-Performance Electrolytes: Gunma Laboratory

- ◆ Conduct R&D aimed at integrating and innovating materials for capacitors and capacitive components.

Our status

- Our products are used in various devices, including PCs.
- The market presents an opportunity with the emergence of many new devices. Material upgrades are also necessary.
- In particular, AI and HEV/EV-related markets are expected to see significant growth.
- Business expansion requires the acquisition of new markets through the renewal of in-house products.

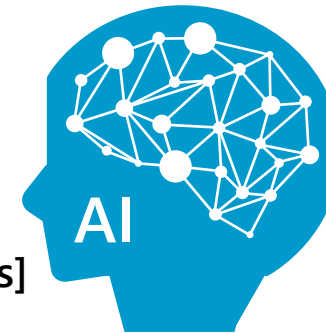
Development plan

Target market: AI, HEV/EV materials

- ▶ There is a demand for electronic materials that enable low loss and high voltage (low power consumption)
[Conductive polymers, PFAS-free high-performance electrolytes, additives]
- ▶ Select and develop materials that enhance functionality and surpass existing materials based on market needs



Low-loss, high-voltage
electronic materials



Our vision for 3 years ahead

Launch AI and HEV/EV-oriented materials to support next-generation device market expansion.
Develop materials that achieve low loss and high voltage, driving technological advancement.

- ◆ Patent application target: 20
- ◆ Target for new product creation: 8 items

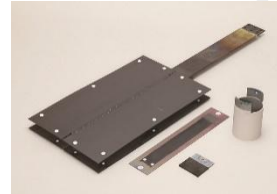
(Cumulative over three years)

Electrodes and Electrolysis-Related Products: Gunma Laboratory

- ◆ Develop innovative electrodes for storing, converting, and utilizing solar power.

Our strengths

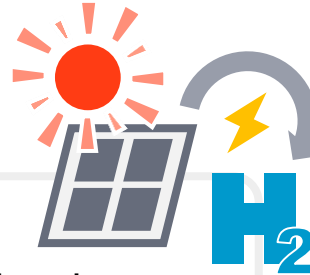
As a company founded on salt electrolysis, we have accumulated extensive knowledge and technological expertise in electrolysis and electrodes through years of technological development.



Exeroad®

External factors

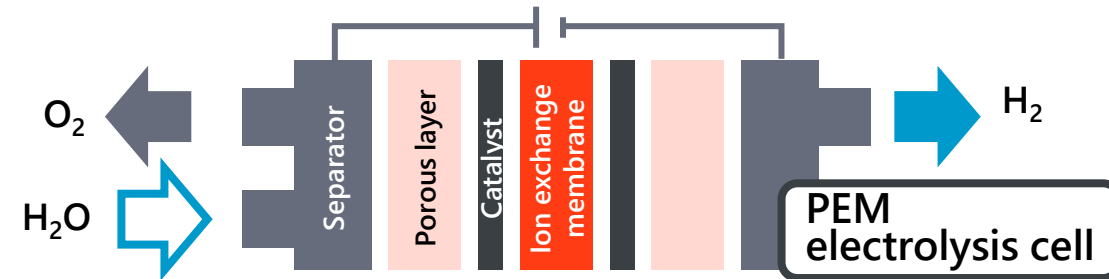
"Green hydrogen," produced via water electrolysis powered by solar energy, is gaining attention as a key factor in achieving carbon neutrality. The market demands innovative electrodes for more efficient electrolysis.



Development plan

Target market: Next-generation energy field (power conversion to hydrogen, electrodes for energy storage devices)

- ▶ Developed an in-house PEM* electrolysis cell for hydrogen production.
- ▶ Aiming for social implementation of electrodes for hydrogen production, conduct scale-up and development.
- ▶ Continue to enhance the performance of electrodes for energy storage devices.



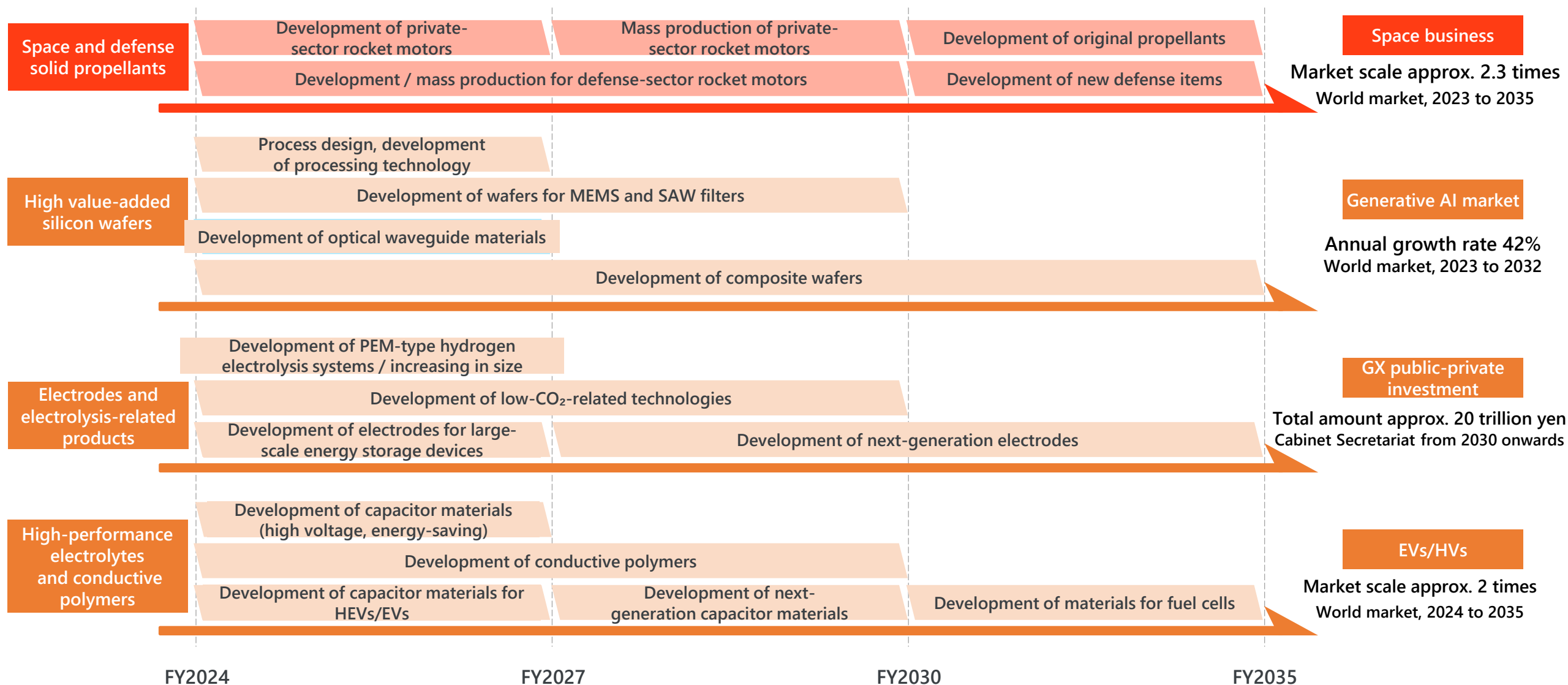
Our vision for 3 years ahead

Strengthen our recognition and showcase our technologies in the next-generation energy field by deepening our electrode technology.
Advance R&D of hydrogen generation cells to reach the stage where mass production planning is expected.

◆ Patent application target: 15

(Cumulative over three years)

R&D Roadmap Toward 2035



Challenge 2027: Stage 2

Growth by Human Resources Strategy

Ideal Human Capital in Growth Strategy

◆ Ideal human resources strategy to achieve Carlit Group's vision



Recognize human resources strategy and human capital investment as key management issues to achieve our vision

Basic concept to human
resources strategy and human
capital investment

"Acquire" human capital to sustain businesses and support the expanding future

- ✓ Securing stable human capital in line with growth strategy, automation/efficiency plans, and succession plans
- ✓ Implementing agile hiring strategies that match the business and human resource portfolios

"Foster" human resources to drive company growth and create new businesses

- ✓ Revitalizing and early development of next-generation executives and management personnel
- ✓ Developing and securing "specialized" human resources in each department
- ✓ Fostering human resources for digitalization who can address the increasing sophistication of cybersecurity and IT transformation

Strive for infinite challenges and ensure diverse human resources can "thrive"

- ✓ Establishing systems, workplace environments, and corporate culture that are conducive to diverse talent
- ✓ Fostering an attitude of proactive "challenge" and a mindset of contributing to the team among employees

Human Resources Strategy: Acquisition, Development, and Success

信頼と限りなき挑戦



	What we should do	Key initiatives (KGI)	Targets (KPI)	Investment scale
Acquisition	<ul style="list-style-type: none"> ◆ Enhancing human resources in line with business expansion in Priority, Focus, and Development Areas (new graduate and career talent hiring) ◆ Fulfilling specialized, digital, and business development talent needs (career talent hiring) 	<p>[New graduate hiring] Strengthening company branding to enhance attractiveness and brand awareness</p> <p>[Career talent hiring] Focus on hiring of talent in technical and corporate fields (IT, finance, legal, etc.) Includes foreign talent recruitment</p>	<p>[New graduate hiring]</p> <ul style="list-style-type: none"> • 80 hires/3 years • Brand recognition +10% (through various surveys) <p>[Career talent hiring] 20 hires/3 years (limited to priority areas)</p>	From 400 million yen
Development	<ul style="list-style-type: none"> ◆ Early selection and strategic development of core human resources (Understanding individual employee personalities and ensuring optimal placement) ◆ Development of specialized human resources (Promoting knowledge transfer from veteran employees, enhancing compensation for specialized human resources) ◆ Development and strengthening of human resources for digitalization 	<ul style="list-style-type: none"> ✓ Talent management and optimal placement using 1-on-1 meetings, personnel records, and 360-degree evaluations ✓ Continuous optimization of the personnel evaluation system. Further enhancement of systems for specialized human resources ✓ Enhancement of reskilling programs 	<ul style="list-style-type: none"> • Establishing a structured talent management approach for core workforce (ages 30–40) • Developing and implementing evaluation and compensation systems for specialized human resources • Review and optimization of training programs Training hours: 400–500 hours • Reskilling programs expansion +25 programs/3 years 	From 300 million yen
Success	<ul style="list-style-type: none"> ◆ Creating an environment in which all employees can work comfortably, grow and thrive ◆ Selection and promotion based on ability and motivation, embodying “For Confidence and Infinite Challenges” ◆ Developing systems to maximize the team and organizational potential 	<ul style="list-style-type: none"> ✓ Fostering a corporate culture and awareness that support diverse human resources ✓ Utilizing new evaluation systems to clarify goals and ensure fair compensation for leaders, managers, and key players → Promoting a strong team mindset and maintaining high motivation levels 	<ul style="list-style-type: none"> • Maintaining the Outstanding Health Management Organization certificate • Percentage of female managers 5% Percentage of female managerial candidates 20% • Employee engagement 70% 	From 300 million yen

* Total investment scale aligned with the three-year Mid-Term Management Plan

Maximizing a Thriving Work Environment and Respect for Human Rights

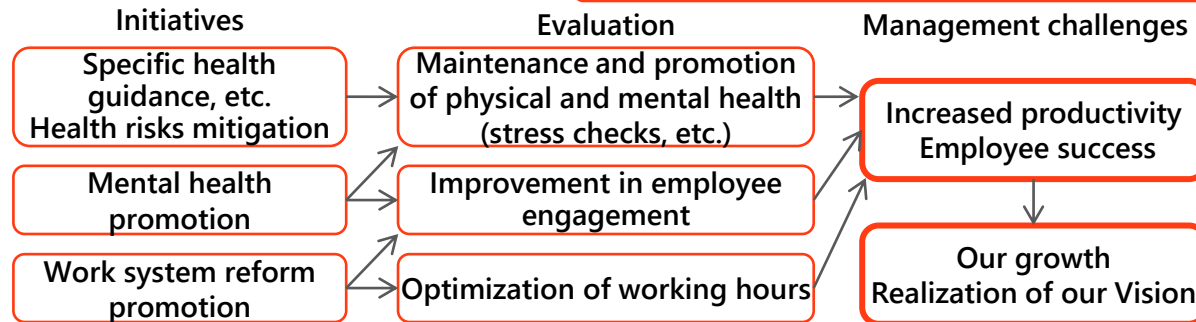
信頼と限りなき挑戦



- ◆ Create an environment where employees can perform at their best through workplace improvement and health initiatives

Health management

KPI: Maintaining the Outstanding Health Management Organization certificate



Acquisition of childcare leave

- ✓ Promotion of parental leave acquisition regardless of gender
- Respect diverse work styles, including parental leave, and promote overall work-life integration

KPI: Acquisition of childcare leave

Maintaining 100%
(including male and female employees)

Maintaining a safe and hygienic work environment

- ✓ Promoting occupational health and safety in accordance with the Industrial Safety and Health Act, conducting disaster prevention training
- ✓ Group companies visiting each other's production sites to exchange information
- Not only preventing major accidents but also contributing to workplace environment improvements

KPI: Number of lost time accidents (cases)

Eliminating occurrences: 0 cases

- ◆ We respect the human rights of each and every employee as well as all stakeholders involved in our business activities to perform duties

Formulation of company-wide guidelines on human rights and instillation

[Group Compliance Charter (Extract)]

We prohibit unfair discrimination or harassment on the grounds of race, creed, gender, age, religion, nationality, ethnicity, language, place of origin, physical characteristics, disability, or illness in all aspects of our corporate activities, and shall strive to ensure a healthy work environment.

We respect each individual's personal character and individuality. We will evaluate the results of employee work fairly, use the results in fair treatment, and strive to manage personnel fairly in terms of transfers and promotions, etc.

KPI: Implementation rate of human rights training (Domestic G)

FY2027 100%

Initiatives on human rights issues across the supply chain

We have established the Basic Policy for Sustainable Procurement and the Sustainable Procurement Guidelines

Under the section "5. Respecting Human Rights," the following are stated:

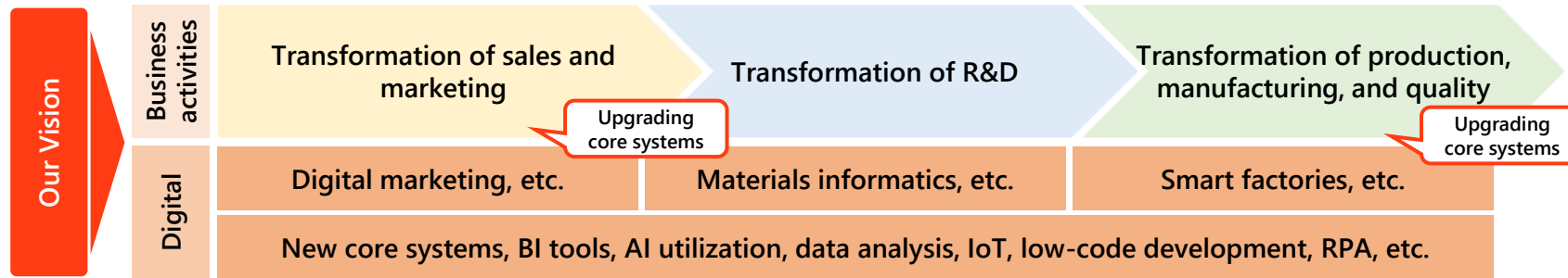
- Prohibition of child labor, forced labor, and discrimination
- Appropriate payment of wages
- Respect for employees' rights

KPI: Confirmation of zero human rights violations in the supply chain

FY2030 100%

Promotion of Human Resource Development for Digitalization IT & DX Promotion Cycle

To achieve our vision for 2035, digital transformation across each value chain is necessary



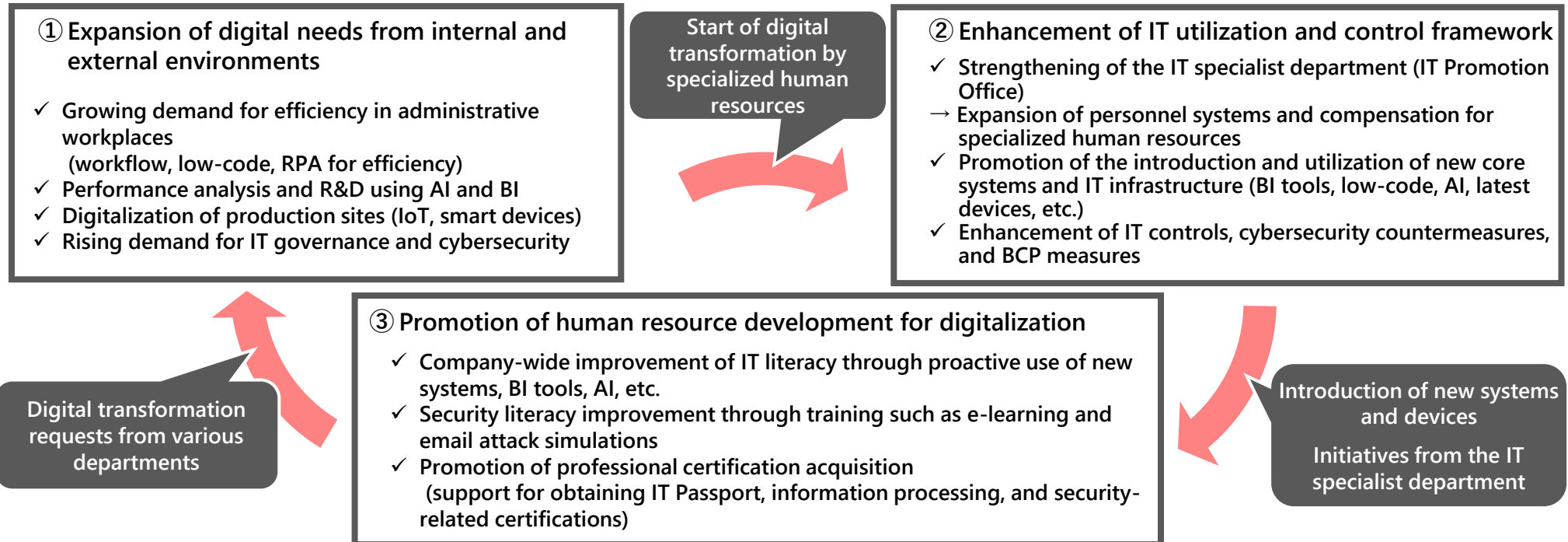
Background

- ◆ Operation of new core systems, expansion of cloud usage
- ◆ Pursuit of competitive advantage through digitalization
- ◆ IT governance/security as a prime company

Specific initiatives

Realization of a high-quality

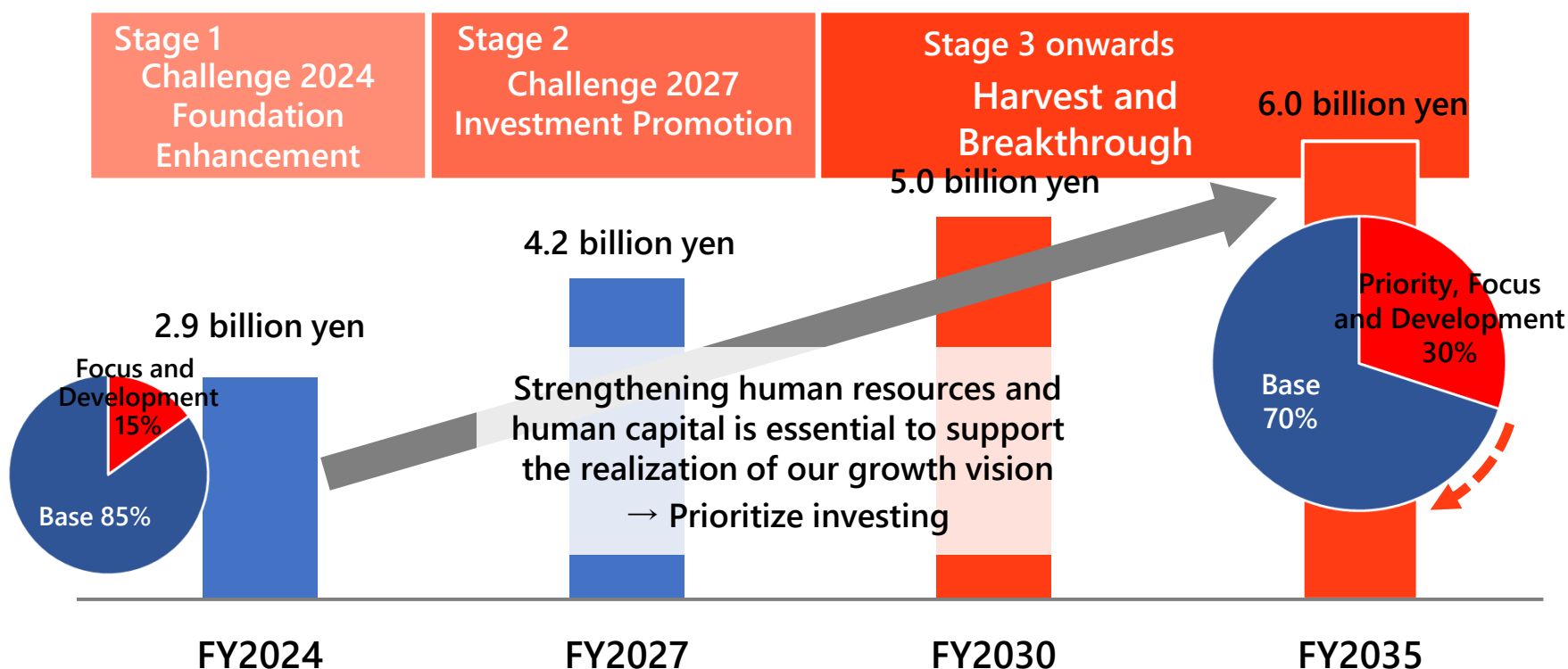
"IT & DX promotion cycle"



Carlit's Growth Vision and Human Resources Vision

- ◆ Based on our management philosophy of "For Confidence and Infinite Challenges," we will continue to ensure compliance with our Code of Conduct and respect the goals of employees who continue to challenge themselves.

- ① We are convinced that the growth of each and every employee and the expression of their strengths as human assets of the Carlit Group will lead to ongoing and stable Group development.
- ② We respect diversity in terms of nationality, race, gender, age, creed, etc., and emphasize mutual acceptance and growth.
- ③ We will provide opportunities for the Carlit Group's human assets to feel fulfillment and pride through their work and to actively participate with vigor and enthusiasm.



Approach to Base Area

- ✓ Ensuring business continuity through human resource acquisition
- ✓ Achieving a thriving work environment while fulfilling CSR through respect for human rights
- ✓ Increasing efficiency through IT and DX

Approach to Priority, Focus and Development Areas

- ✓ Securing core human resources who embody "For Confidence and Infinite Challenges"
- ✓ Creating new innovations by leveraging diversity
- ✓ Ensuring human resources for digitalization to support the expansion of new businesses and strengthening cybersecurity

Challenge 2027: Stage 2

Financial Strategy and Capital Profitability

Financial Policy and Strategy

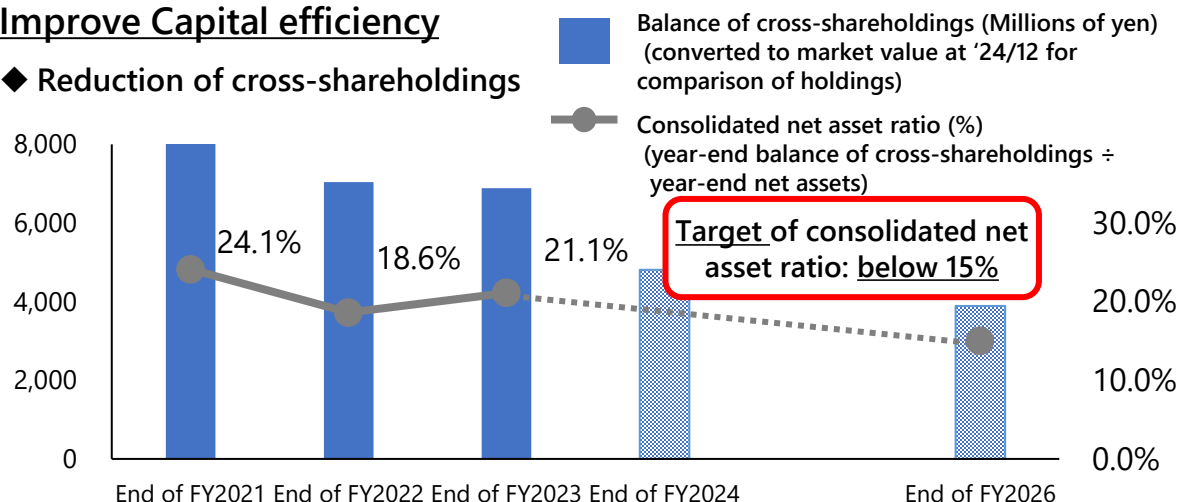
Carlit Group's Financial Policy

Improve capital profitability and capital efficiency to promote the Group's continued growth and corporate value improvement

- ① Improve capital profitability through appropriate capital allocation
- ② Improve Capital efficiency through reduction of cross-shareholdings
- ③ Realize appropriate shareholder returns keeping the optimal capital structure

Improve Capital efficiency

◆ Reduction of cross-shareholdings

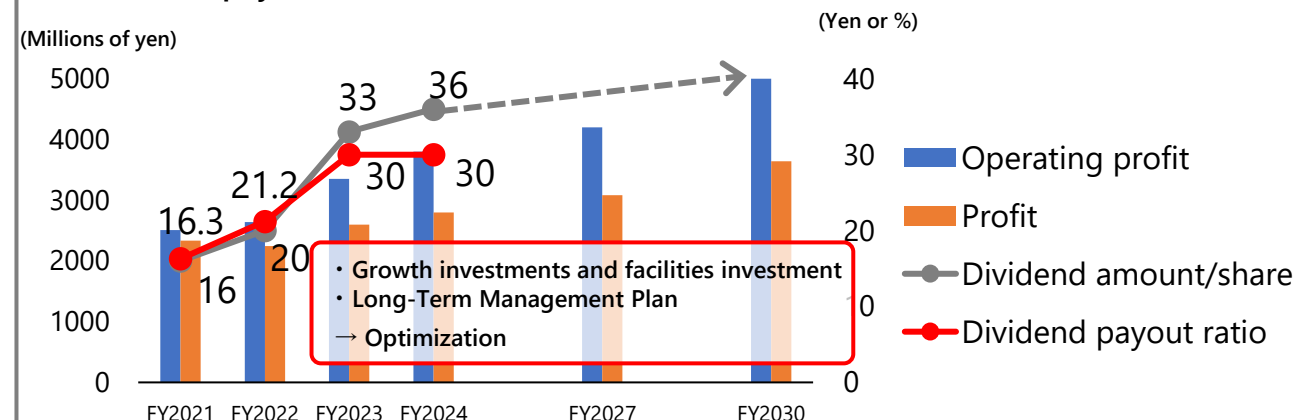


◆ Implementation of various initiatives with an awareness of ROIC-based management

- ✓ Increase in price sales and cost reductions
- ✓ Utilization of surplus fund in our group

Realize appropriate shareholder returns

◆ Dividend payout ratio: 30%



◆ Promotion of IR and SR activities

Develop a system that promptly conveys expectations, requests, and recognized problems from capital markets to management

Continue to promote dialogues with investors and analysts to drive corporate value growth

Capital Allocation Concept

- ◆ Realization of revenue expansion by proactive growth investments using borrowing
- ◆ Implementing appropriate shareholder returns based on investment plans

- ◆ Profit sharing with employees and investment in human capital

Challenge 2027 cumulative cash flow

Operating cash flow from business activities

Operating profit
+ Depreciation expenses and etc 15.5 billion yen

Cash-in through governance improvements

Reduction of cross-held shares 2.0 billion yen

Cash-in through borrowing

based on the optimal capital structure 9.0 billion yen

Growth investment

✓ Capital investment 21.0 billion yen

→ Refer to P.21~23

✓ R&D 1.5 billion yen

→ Refer to P.26~32

✓ Human resource enhancement 1.0 billion yen

→ Refer to P.34~38

Shareholder return

✓ Dividends 3.0 billion yen

Shareholder return concept

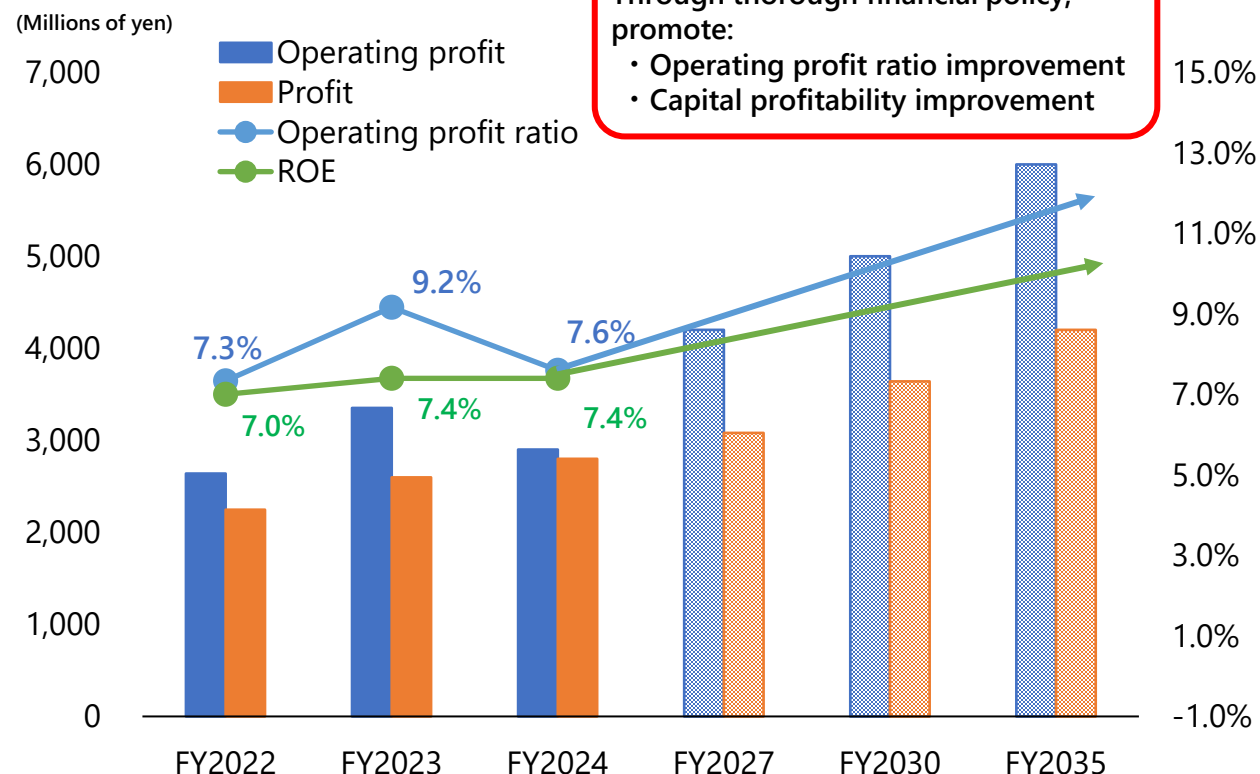
Dividend payout ratio: 30%

- Dividends: Performance-linked stable dividend
- Purchase of treasury shares: Consider based on the impact on growth investments and financial aspects

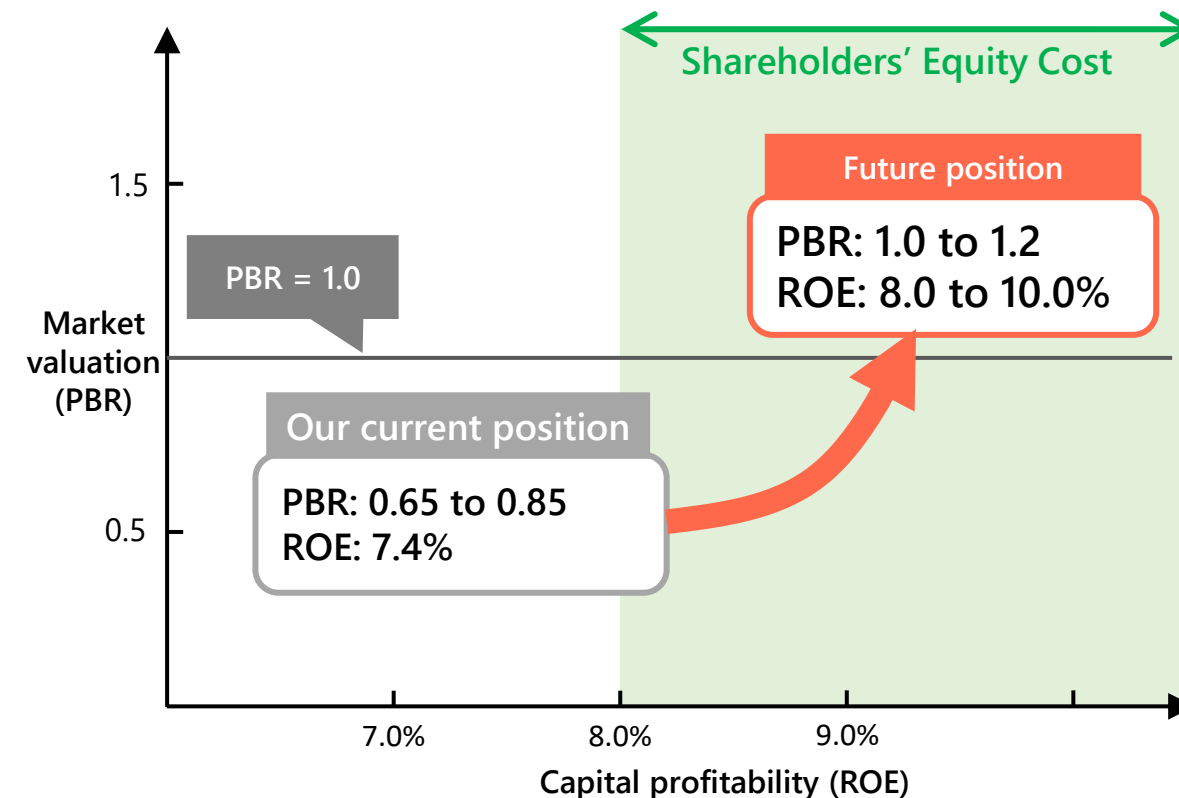
Capital Profitability and Market Valuation

◆ Consider various measures, analyzing capital profitability and market valuation

Trends in capital profitability



Analysis on capital profitability and market valuation



✓ Plan to improve market valuation, a key management issue, by enhancing capital profitability based on the financial strategy

For Confidence and Infinite Challenges



Giving Shape to Infinite Possibilities