Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

November 20, 2026

To whom it may concern:

Company name: Carlit Co., Ltd.
(https://www.carlit.co.jp/en/)
Representative: Hirofumi Kaneko, Representative Director and President
(Securities code: 4275; Prime Market of the Tokyo Stock Exchange)
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Notice of Publication and Video Distribution of the First Half of FY2027 Results Briefing (Q&A Addendum Version)

We are pleased to announce that the Results Briefing for the First Half of FY2027 video is now available, as detailed below.

The Results Briefing for the First Half of FY2027 was held via live streaming for institutional investors and securities analysts on November 16. In consideration of fair disclosure, the recording of the briefing is now available as an on-demand video on streaming service.
The briefing topics and presenters are as follows.

1. Current Location of Carlit	pp.4–	Hirofumi Kaneko, Representative Director and President & CEO
2. Financial Highlight for the First Half of FY2027	pp.10–	Hideo Okamoto, CFO Director & Executive Officer in charge of the Finance Department
3. Business Development Initiatives for Solid Propellants for Space and Defense	pp.16–	Hirofumi Kaneko, Representative Director and President & CEO
4. Q&A Session	pp.25–	・Hirofumi Kaneko, Director and President & CEO ・Hideo Okamoto, Director and Managing Executive Officer, CFO ・Shigenobu Takahashi, Director and Executive Officer, CPO ・Ryuichi Nakatsu, Director and Executive Officer, In charge of Bottling Segment ・Yuichi Koishi, Executive Officer, In charge of Sales Division ・Akira Goto, Executive Officer, In charge of Corporate Planning ・Yasushi Aizawa, Head of Research & Development Division, Executive Fellow

Please view the video at the URL below.
[PRONEXUS STREAM]
https://p-stream.pronexus.co.jp/?viewer=db68b8eb-35f3-4ffe-a6ee-daa9989e9591
[YouTube] https://youtu.be/LopuQvzTH-Y

- END -



Result Briefing for the First Half of FY2027

Business Development Initiatives for Solid Propellants for Space and Defense

Carlit

CODE : 4275

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Outline

- Current Location of Carlit

  Representative Director and President & CEO　Hirofumi Kaneko

- Financial Highlight for the First Half of FY2027

  Director and Executive Officer in charge of the Finance Department　Hideo Okamoto

- Business Development Initiatives for Solid Propellants for Space and Defense

  Representative Director and President & CEO　Hirofumi Kaneko

- Q&A Session

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Current Location of Carlit

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The Past and the Present of Carlit

For Confidence and Infinite Challenges

Carlit

The End of WW I
WW II
Period of Rapid Economic Growth
The Bubble Economy and Its Collapse
IT Bubble Economy
The Lehman Shock

1918 1939 1945 1955 1973 1990 2000 2008 2030



obtained manufacturing and sales patents for Carlit Explosives



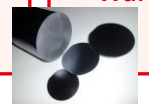
Begins Manufacturing and Sales of Ammonium Perchlorate as a Raw Material for Solid Rocket Propellant



Launch of Manufacturing and Sales of Emergency Safety Flares for Automobiles



Launch of the Electronic Materials Business



Launch of the Silicon Wafer and Bottling Businesses

Acquired four or more companies through M&A. Established a holding company structure and reorganized under the holding company "Carlit."

Early Days

Derivatives of sodium chlorate, as well as gunpowder and explosives, supported economic growth before and after World War II.

Growth Phase

Our business scope and sales markets are expanding to include products such as ammonium perchlorate, automotive signal flares, electrodes, and electrolysis equipment.

Expansion Phase①

We have launched new businesses ranging from inorganic chemistry and explosives-related products to electronic materials produced through organic synthesis, as well as silicon wafer and bottling operations. We will continue to expand the scale of our operations and increase sales.

Expansion Phase②

With the aim of further expanding its business scale and revenue, the company has been actively pursuing M&A. It has acquired companies in the Metal Working and Engineering Services segments and shifted to a four-segment management structure.

Value Creation Derived from Our Founding Business, "Carlit Explosives"

Going beyond our traditional business,creating value by leveraging various forms of capital

The current topic is solid propellants

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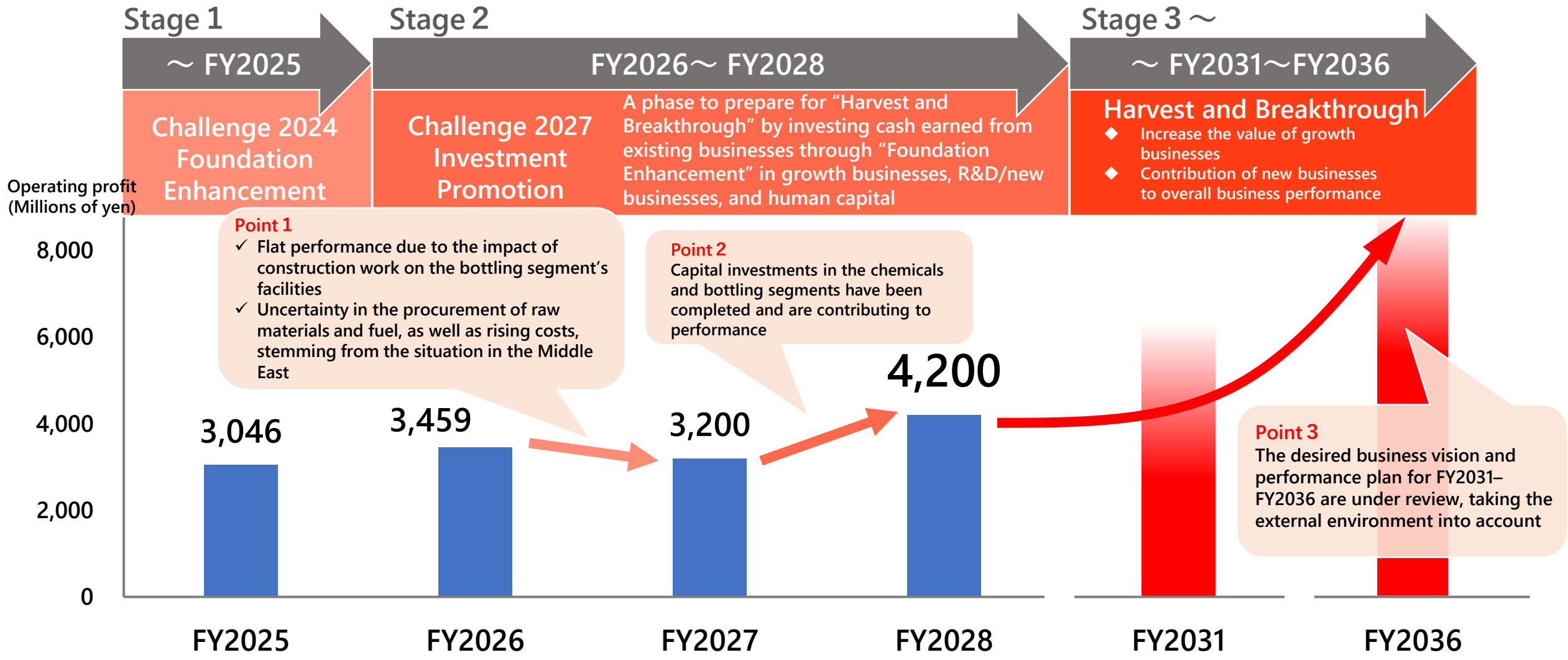
Growth Vision and Progress (Released in May)

◆ Growth Vision Toward 2035 and Progress of the Medium-Term Management Plan “Challenge 2027”



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Financial Highlight for the First Half of FY2027

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Consolidated Performance

(Million of yen)	2Q of FY2026 Results	2Q of FY2027 Results	Year of Year change	Rate of change
Net sales	**17,763**	**17,452**	**▲311**	**▲1.8%**
Direct cost of sales	13,304	13,222	▲81	▲0.6%
Gross Profit	**4,459**	**4,229**	**▲230**	**▲5.2%**
Distribution cost and administrative expense	2,954	3,205	+250	+8.5%
Operating profit	**1,504**	**1,023**	**▲480**	**▲32.0%**
Ordinary profit	**1,657**	**1,145**	**▲512**	**▲30.9%**
Net profit	**1,149**	**1,566**	**+417**	**+36.3%**
Dividend per share (Fiscal year end)	42	42	±0	–

Extraordinary income : gain on the sale of investment securities **1,140**
Profit from sale of affiliated company shares 88
Extraordinary losses : Loss on disposal of fixed assets 16

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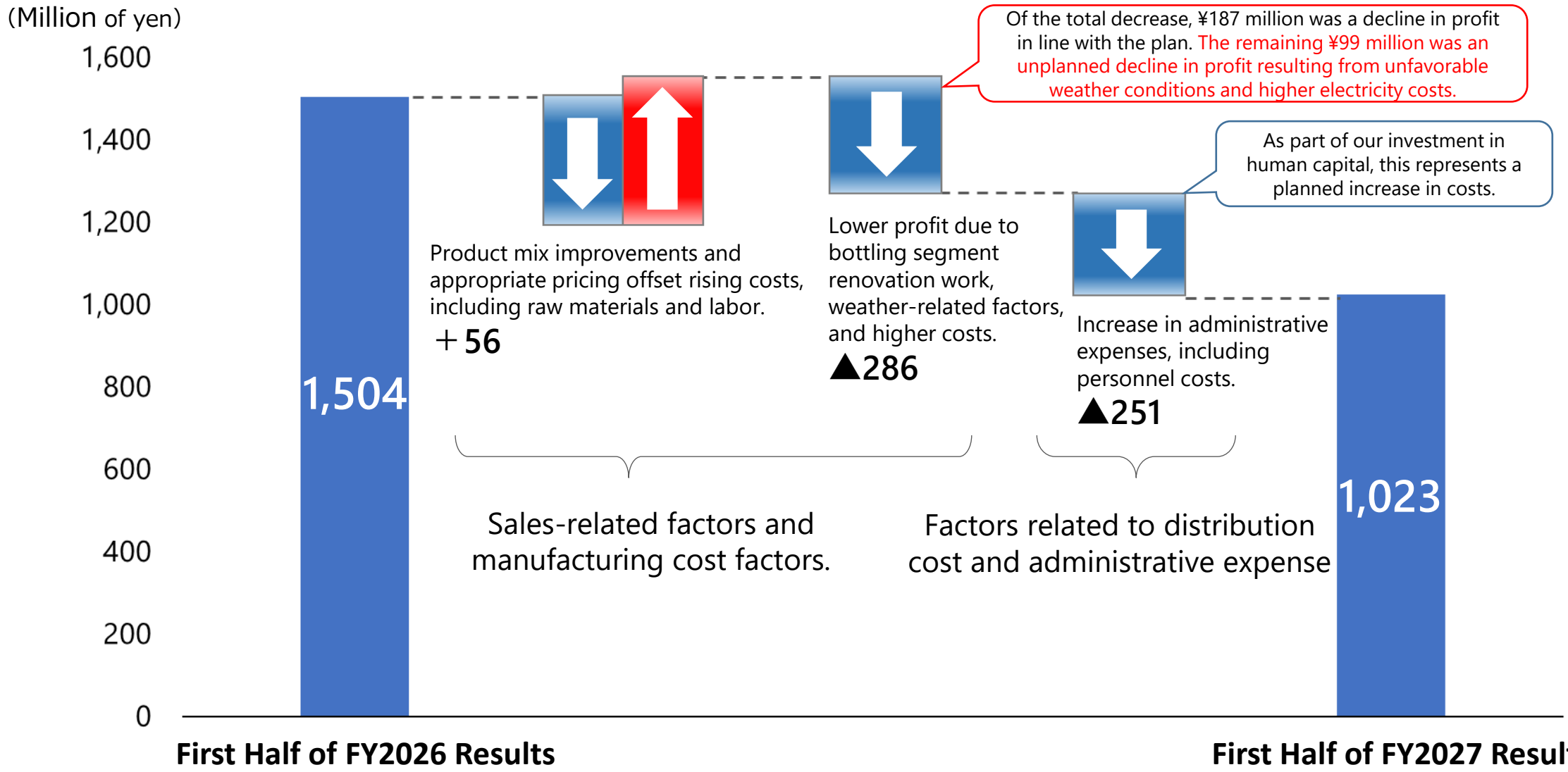
Consolidated Performance Changes Breakdown



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Consolidated Performance by Business Segments

(Million of yen)	Net Sales			Operating Profit		
	2Q of FY2027 Results	Rate of change vs FY2026	Progress toward full-year forecast	2Q of FY2027 Results	Rate of change vs FY2026	Progress toward full-year forecast
Chemical products	11,049	＋3.5%	46.0%	651	▲24.8%	31.0%
Bottling	1,465	▲31.0%	40.7%	▲359	(▲286) vs previous period	(▲99) vs Internal plan
Metal working	3,738	▲0.9%	50.5%	335	▲10.1%	54.0%
Engineering service	1,856	▲27.4%	32.0%	334	▲27.2%	51.4%
Subtotal	18,110	▲5.3%	44.4%	963	▲40.8%	28.6%
Total	17,452	▲1.8%	46.9%	1,023	▲32.0%	32.0%

The Chemicals Segment recorded higher sales in line with plan.
Although sales have offset higher production costs, they have not been sufficient to absorb the increase in distribution cost and administrative expense. We will continue to improve profitability through initiatives such as negotiations to secure appropriate pricing.

Renovation work is underway from April through December. In addition to the costs of the scheduled maintenance shutdown in April, the suspension of one production line has resulted in lower sales and profit. Unplanned factors—including a lack of sunshine and prolonged rainfall—also dampened beverage demand. Combined with higher energy costs, these factors left operating profit ¥99 million below plan.

The Metal Working Processing and Engineering Services segments are generally progressing in line with plan.
Although sales momentum has slowed compared with the first quarter, sales are expected to remain firm from the second half onward.

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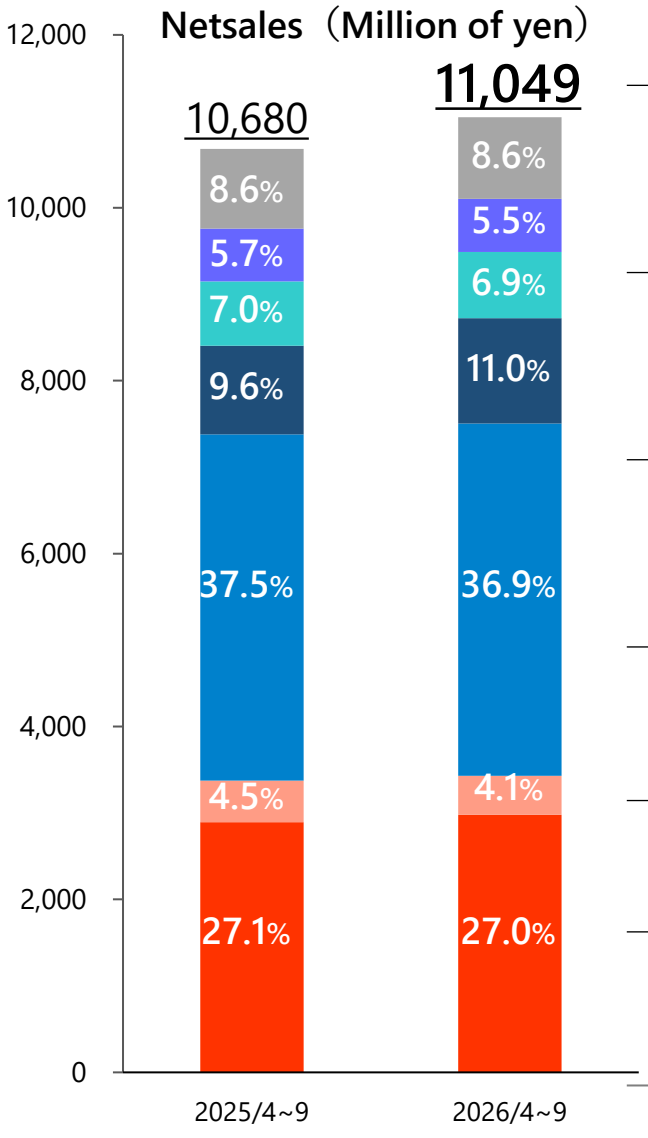
Details of Chemical Products Segment (By sub-segment)



Sub-segments	Rate of change	Explanations by Sub-segment
Explosives	＋3%	・**Automotive emergency flares:** Sales to both automobile factories and dealerships (vehicle inspections) remained steady, resulting in an increase in sales. However, profit decreased due to higher production costs, including raw material costs and personnel expenses. ・**Signal flares for highway:** Steady demand for accident prevention and traffic management, along with prior-year price optimization, drove sales and profit growth.
Material assessmentservice	▲7%	・**Safety evaluation testing:** Orders were secured for safety evaluation testing of chemicals and large-scale special tests, resulting in an increase in sales and profit. ・**Secondary batteries testing:** Testing orders declined due to the slowdown in EV demand and adjustments by some customers. In addition, increased depreciation costs from capital investments led to a decrease in sales and profit.
Chemicals	＋2%	・**Sodium chlorate:** Demand declined in some areas due to damage to a customer's paper pulp mill. Despite efforts to promote sales to other regions, the impact could not be fully offset, resulting in a decrease in sales and profit. ・**Ammonium perchlorate:** Demand for both space development and defense applications remained steady. Sales were in line with plan, resulting in an increase in sales and profit.
Electronic materials	＋19%	Sales losses occurred due to bottlenecks in petrochemical-derived raw materials amid heightened tensions in the Middle East. On the other hand, sales of high-value-added capacitor materials for high-end servers remained strong, while overseas demand for capacitor materials used in power converters also grew, resulting in an increase in sales and profit.
Ceramic materials	＋3%	Demand for grinding abrasives for metalworking applications remained steady, resulting in an increase in sales. While the reflection of raw material and production costs in prices progressed, profit decreased due to higher administrative costs.
Siliconwafers	±0%	Demand from some customers showed signs of recovery, and sales were strong in the second quarter. As a result, second-quarter sales offset the decline in the first quarter, leaving net sales flat year on year. In addition, profit increased as gross profit improved following a review of the production system and the optimization of selling prices.
（Real Estate& Others）		

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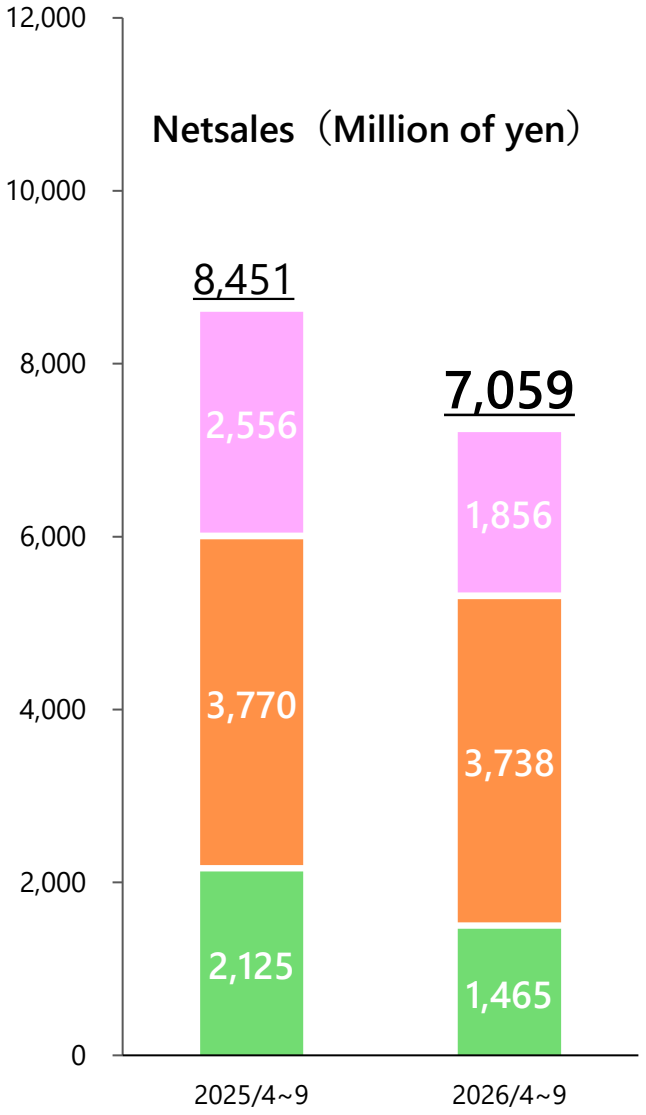
Details of Base Area Segment



Segments	Rate of change	Explanations by Sub-segment
Bottling	▲31%	Of the three beverage production lines owned by the Company, the Hot Pack Line is currently undergoing renovation. With one production line shut down, sales and profit decreased. The renovation work is scheduled to run from the first through the third quarter, and its impact on business performance is in line with plan. Meanwhile, beverage demand was sluggish in August and September due to prolonged low temperatures, insufficient sunshine, and rainfall associated with typhoons and other factors. Orders and production on the lines that remained operational also fell short of plan. In addition, energy costs exceeded plan, resulting in a significant decrease in profit.
MetalWorking	▲1%	・**Metal fittings for heat-resistant furnaces:** Both products exceeded plan, supported by steady replacement demand. However, the significant impact of a rebound from large-scale construction projects in the same period of the previous fiscal year resulted in a decrease in sales and profit. ・**Various metal springs and pressed products:** Demand for metal pressed products, such as washers for construction machinery, increased. However, sales of spring washers for automotive applications trended downward, resulting in a decrease in sales and profit.
Engineering Services	▲27%	・**Construction and Facility Work:** Both construction projects within the Group and external orders declined, resulting in a decrease in sales and profit. Although the segment was affected by the sale of a consolidated subsidiary at the end of June 2026, the impact on consolidated results was minor. ・**Industrial Paint Sales and Painting Work:** While paint prices rose due to heightened tensions in the Middle East, sales increased as the Company worked to ensure a stable supply of paint products. Painting work also recorded higher sales and profit through the acquisition of new projects, resulting in an overall increase in sales and profit. ・**Structural Design:** Demand remained steady, particularly for seismic diagnosis and reinforcement design of sewage facilities. Net sales were flat, while profit increased.

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Compared to the Plan

◆ The full-year earnings forecast remains unchanged from the initial forecast. Although second-quarter operating income fell short of expectations, we aim to improve performance in the second half of the fiscal year.

(Million of yen)		FY2027 Initial Forecast (May 15)	**FY2027 Revised Forecast (Nov 11)**	Change	Rate of change
Net sales	1st half	**17,300**	**17,452**	**+152**	**+0.9%**
	Full year	37,200	37,200	-	-
Operating profit	1st half	**1,100**	**1,023**	**▲77**	**▲7%**
	Full year	3,200	3,200	-	-
Ordinary profit	1st half	**1,200**	**1,145**	**▲55**	**▲4.6%**
	Full year	3,300	3,300	-	-
Net profit	1st half	**1,400**	**1,566**	**+166**	**+11.9%**
	Full year	3,000	3,000	-	-
Dividend per share	**Per share**	**42 yen**	**42 yen**	**±0**	**-**

The main factors contributing to the decline in profit compared to the plan were unfavorable weather and higher electricity costs in the Bottling Segment. This resulted in a negative impact of 99 million yen.

Note: Due to the following factors (1) and (2), we expect profits to decline year-over-year from the beginning of the fiscal year.

(1) The impact of the suspension of one production line in the Bottling Segment due to renovation work on the PET beverage production line

(2) Soaring raw material and fuel costs in the Chemical Products due to escalating international tensions

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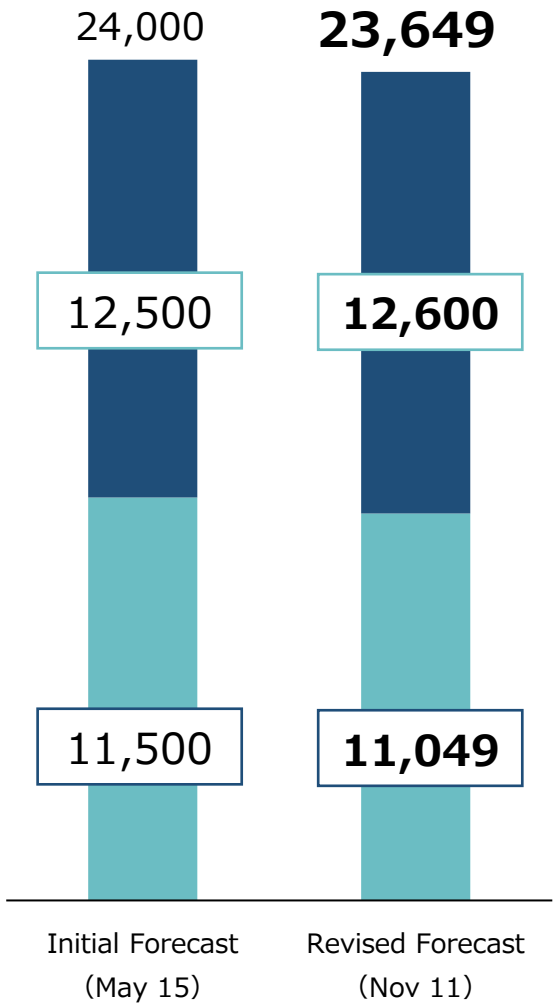
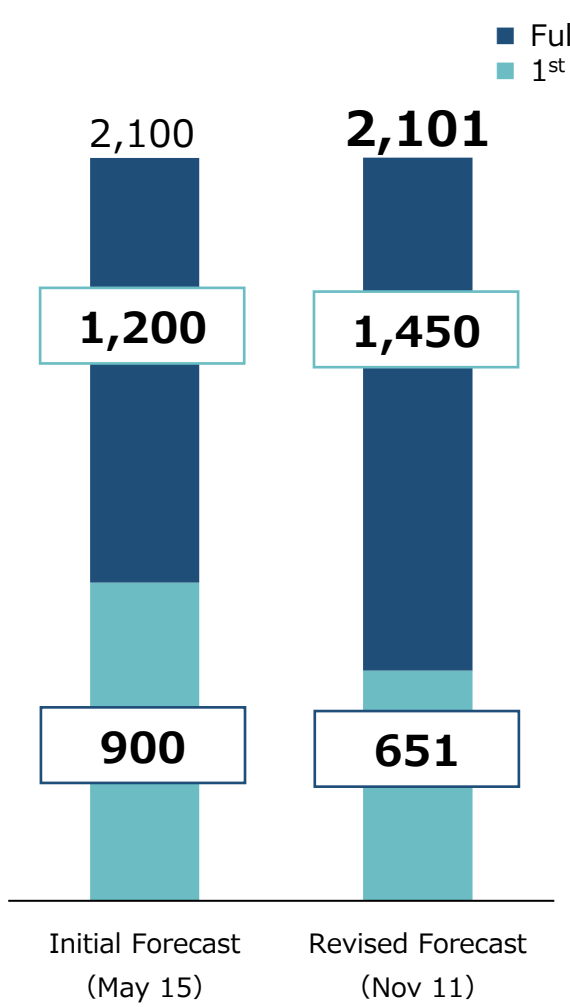
Outlook for the Second Half <Chemical Products segment>

【Net Sales】



【Operating profit】



[Key Point]
Sales are progressing as planned. To achieve profit targets, the focus is expected to be on three key areas: ① Absorbing administrative costs (labor costs), ② A recovery in battery testing, and ③ Continued strong performance in electronic materials.

[Comments by Category]

Explosives（Signal flares, Explosives, Explosive raw materials）
The adjustment to reflect fair market prices has run its course. The sales environment remains strong. The only variable is cost.

Material assessment service（ Safety evaluation testing, Batteries testing）
The burden of depreciation costs will continue into the second half of the year. The key will be whether the company can increase the utilization rate of its testing facilities by securing new projects unrelated to EVs.

Chemicals（Sodium chlorate, Ammonium perchlorate etc.）
Demand for ammonium perchlorate is expected to grow in line with the initial demand forecast. The key factor will be the extent to which demand for sodium chlorate and other chemical products fluctuates.

Electronic materials（Conductive polymers, Ionic liquids etc.）
The key question is whether demand will continue in both the high-end server and automotive markets.

Ceramic materials（Abrasive and polishing materials）
Demand remains firm, and there are few factors causing fluctuations.

Silicon wafers（4-6 inch Silicon Wafers）
The company's profit structure, including its manufacturing operations, has already been improved. The outlook depends on how well the small-diameter market performs in response to rising demand for wafers.

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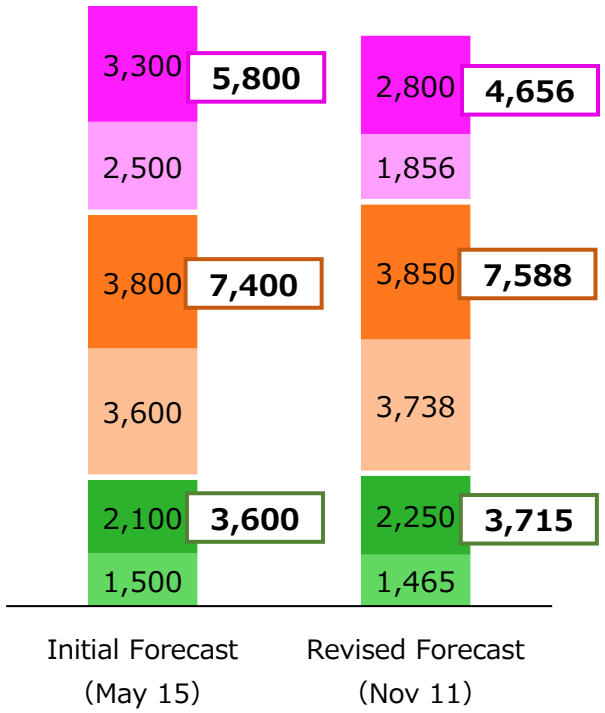
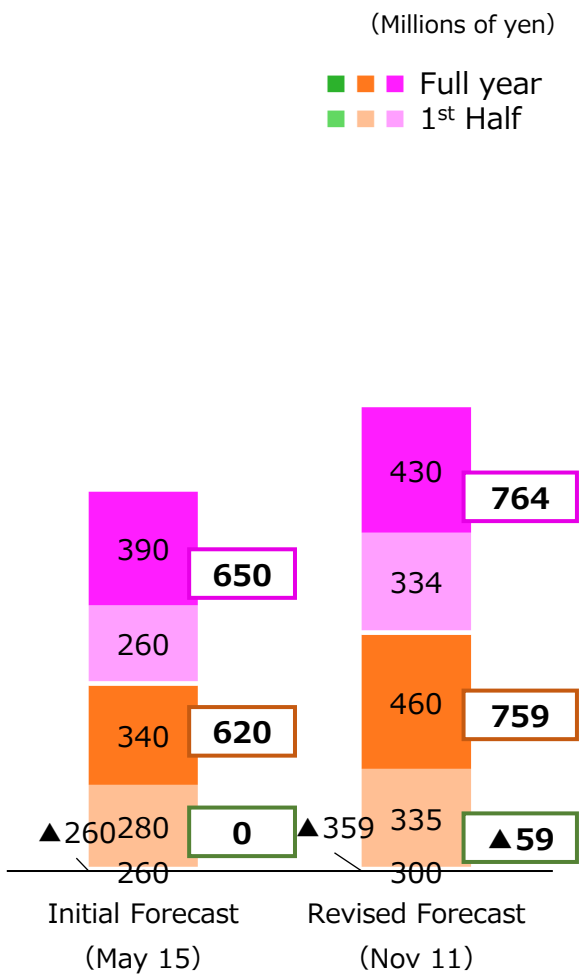
Outlook for the Second Half <Base Area segment>

【Net Sales】



【Operating profit】



[Key Point]
Revenue declined due to the impact of construction-related engineering service. Regarding profit targets, the projected loss in the bottling segment is expected to be offset by the other two segments. The sales markets for all segments are expected to remain resilient, with minimal fluctuations above or below projections.

[Comments by Category]

Bottling
The renovation of the PET beverage production line will continue as scheduled through December, with operations set to resume in January. In addition to this, the second quarter was impacted by sluggish beverage demand and rising energy costs. While we aim to recover in the second half of the fiscal year, given the limitations on production capacity, we have revised our forecast to a net loss of 59 million yen. As planned, we expect business performance to recover starting in FY2028 and beyond.

Metal Working
Both the heat-resistant furnace hardware sector and the metal springs and pressed parts sector continued to perform well. With no significant fluctuations in customer demand, we expect an increase in profits compared to the beginning of the fiscal year, in line with our plan.

Engineer Service
The sales environment in the construction and facilities sector is expected to remain challenging, which is anticipated to contribute to a decline in sales. The paint and painting work sector and the structural design sector are expected to remain robust, and we plan to achieve an increase in profit compared to the beginning of the fiscal year.

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Business Development Initiatives for Solid Propellants for Space and Defense

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Future Vision for the Space Defense Program (Released in May)

◆ Leveraging a Stable Ammonium Perchlorate (AP) Supply Base to Promote Mass Production of Solid Propellants and Expansion into Adjacent Areas, and to Develop This into a Core Growth Business in the 2030s

2025-2027

Changes in the External Environment

- Defense buildup program
- Revision of the guidelines for the operation of the Three Principles on Transfer of Defense Equipment and Technology
- Expansion of the space business

Establishing the Foundation

- Completed the first phase of AP production capacity expansion investment; full-scale operation to begin in 2027
  → Building a supply capacity that is two to three times larger than in FY2024
- **Initiated strategic business development for space development and defense applications**
  → Further equipment and new plant investments, Acquisition of land for business development, etc.

2028-2030

Scaling Up Mass Production

- Operate the new solid propellant plant for defense applications and transition to full-scale mass production
- Begin mass production for defense applications and expand into the space applications market
- Expand the lineup of compatible launch vehicles and increase the number of adopted platforms

2030-2035

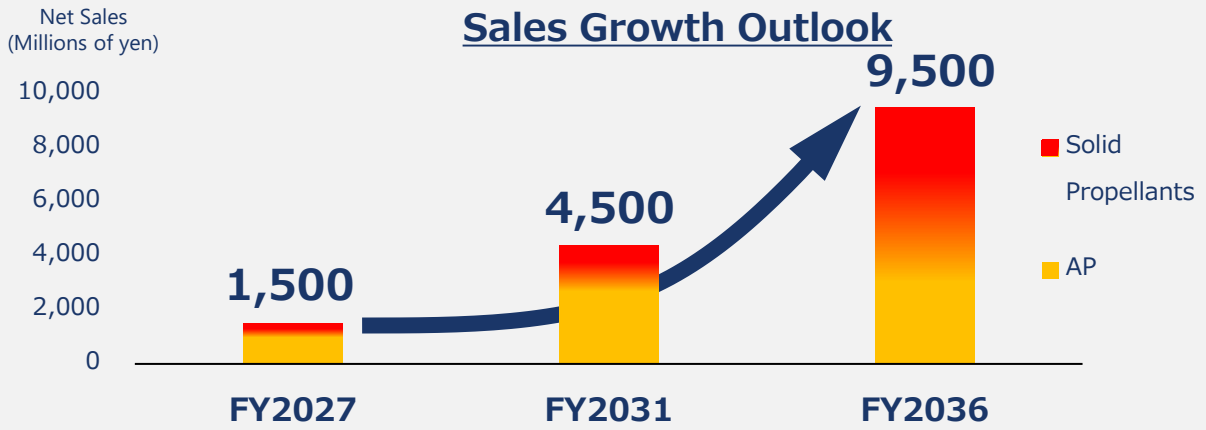
Expansion into Adjacent Areas and Higher Profitability

- Develop proprietary propellants
- Expand into new defense items, related components, and contract-based services
- Evolve into an integrated value-added business from raw material supply

Memo : Carlit's Competitive Advantages

- Stable AP supply base supported by an integrated production system
- Extensive know-how in handling explosives and hazardous materials accumulated over many years
- High business scalability through integrated operations spanning raw materials, propellants, and adjacent areas

Sales Growth Outlook



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Business Development Initiatives for Solid Propellants for Space and Defense

Current Status and Future Prospects of Ammonium Perchlorate Production

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The Manufacturing Process for AP& Views of the Completed Facility

【Manufacturing process】

1） Electrolysis process

Chlorate production by electrolysis/electrolytic oxidation of sodium chloride
Key strengths:
1. Ownership of an in-house hydroelectric power plant. (Koto Hydropower Plant)
2. In-house manufacture of electrodes for electrolysis.

Sodium chlorate
→ Sodium perchlorate

2） Crystallization Reaction process

Convert sodium perchlorate to ammonium perchlorate and crystallize
Key strengths:
Precise control of particle shape and particle size (granularity)

Sodium perchlorate
→ Ammonium perchlorate

3） Drying process

Dry the crystallized ammonium perchlorate
Key strength:
A drying process that does not crush the crystals (preserves crystal integrity)

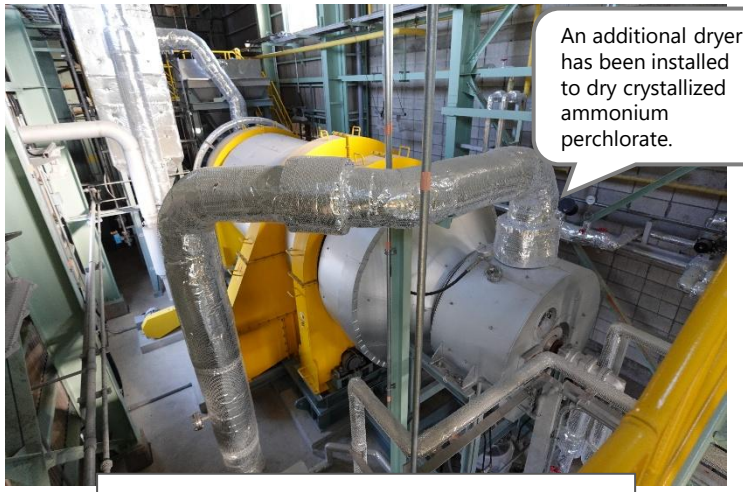
4） Sieving process etc.

Sieve the dried ammonium perchlorate and adjust particle-size and other quality attributes
Key strength:
precise control of particle shape and particle size (granulometry)

<u>Ammonium perchlorate is completed.</u>



Electrolysis process
expansion status (step3)



expansion status
expansion status (step2)

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Progress and Future Plans for the AP Investment Plan

Processies	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
Electrolysis	Investment in Production Expansion (Phase 3) Amount: Approximately 1.5 billion yen →						
Crystallization Reaction					New Investment in the No. 2 Compound Decomposition Plant Amount: 3 billion yen – under consideration		
				Design Period →	Construction Period →		
Drying	Investment in Production Expansion (Phase 2 Construction) Amount: Approximately 500 million yen →						
Sieving etc.	Investment in Production Expansion (Phase 2 Construction) Amount: Approximately 500 million yen →			**Investment in Measures to Address Aging Infrastructure Amount: Approximately 2 to 2.5 billion yen** →			

The three-phase investment to expand production has been completed. Maximum production capacity is 2 to 3 times that of 2023.

NEW!!

We are currently reviewing the investment details. Design is scheduled to be completed by fiscal year 2028. Construction is scheduled to begin in fiscal year 2029. We aim to begin operations during fiscal year 2031.

Measures to Address the Aging of the Mixing and Grinding Plant: Operations Scheduled to Begin in the Second Half of Fiscal Year 2029



Manufacturing process of AP

Memo

- The three-step investment to increase AP production will begin operations in fiscal year 2027.
- With the aim of establishing a more stable supply system, we have begun renovation work on the aging blending and grinding plant.
- Furthermore, we are considering the construction of a second plant for the “double decomposition” process, which converts sodium perchlorate into AP. We plan to begin design work as soon as the equipment and construction details are finalized.

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Business Development Initiatives for Solid Propellants for Space and Defense

Current Status and Future Prospects of Solid Propellants for Space and Defense

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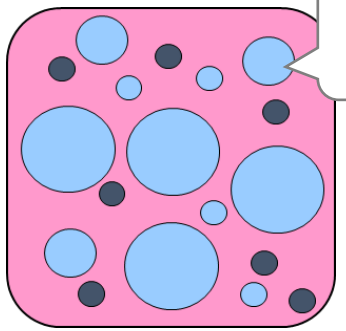
About Composite Solid Propellant

◆ **Composite Solid Propellant**： Consisting primarily of ammonium perchlorate (AP) manufactured by Carlit

- **Binder** ：a resin that generates gas during combustion and acts as fuel (approximately 10%). （BD）
- **Oxidizer**： Ammonium perchlorate (AP), which supplies the oxygen required for combustion (approximately 70%).（AP）
- **Metal fuel**： Aluminum particles that increase the combustion temperature (approximately 20). （Al）



In reality, they are packed tightly, almost to the point of close-packed arrangement.
= Particle size and particle size distribution are important

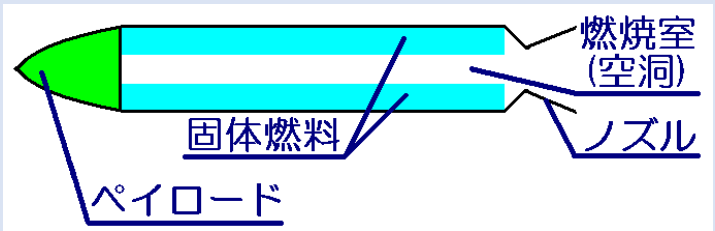
Schematic Diagram of a Composite Splid Propellant



Appearance of the Test Sample of a Composite Splid Propellant

Classified as explosives under the Explosives Control Act
→ High manufacturing barriers in terms of technology, regulations, equipment, etc.

◆ **Solid-fuel rocket**： A rocket that flies using thrust generated by the combustion of composite solid propellant packed into the motor case

Structure	Good point	Bad point
	• Simple structure, high reliability, and low cost • Good structural efficiency for small-scale systems • **High operational readiness due to being storable and launch-ready (can be launched immediately when needed — suitable for guided missiles)**	• Thrust adjustment is difficult • Cannot be reignited (no restart capability) • Poor structural efficiency for large-scale systems
Practical example：H3 Launch Vehicle Solid Rocket Booster, Epsilon Launch Vehicle, Sounding rocket, Guided missile		



A scene from a solid propellant combustion test

Source： NASA HP、JAXA・宇宙情報センター HP、「トコトンやさしい宇宙ロケットの本」日刊工業新聞社　etc.

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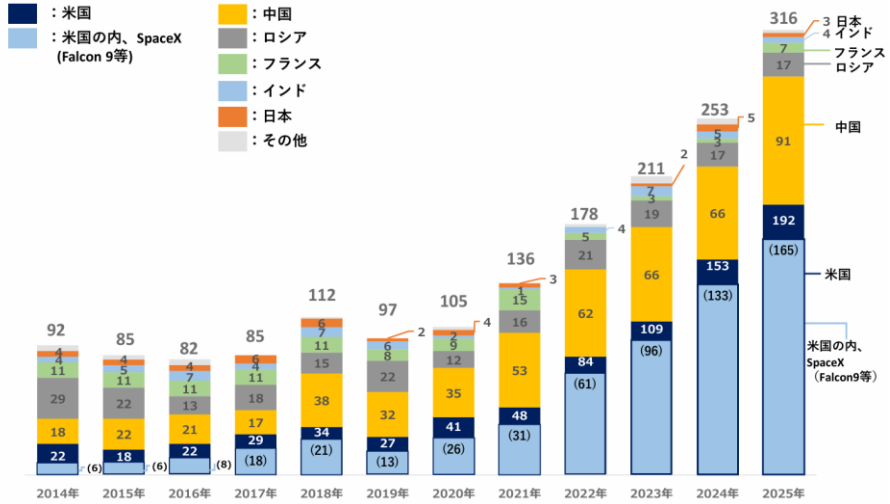
Market Environment for Solid Propellants for Space Rockets

The Current State of Space Rockets and Satellite Launch Services

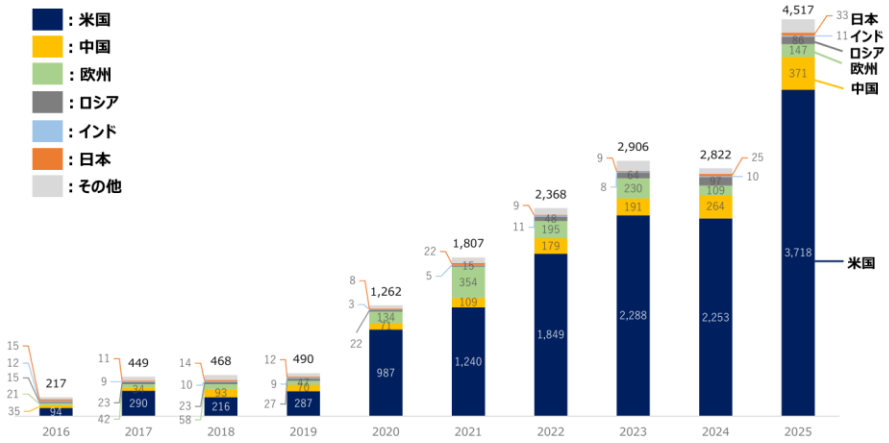
1. The number of rocket launches in 2025 set a new record:
   2024: 253 → 2025: 316
2. The number of artificial satellites and other spacecraft launched into orbit in 2025 was 4,517—an increase of approximately 20-fold over the past 10 years. The United States accounts for the bulk of this growth; of these, Starlink launched 10,677 satellites over the seven-year period from 2019 to 2025.
3. Plans to build satellite constellations are progressing both domestically and internationally, and the demand for satellite launches is expected to continue to grow.
4. It is important not only to ensure the international competitiveness of domestic rockets and meet domestic demand but also to secure overseas demand.

Trends in the Number of Rocket Launches



内閣府宇宙開発戦略推進事務局の調べ（軌道投入用ロケットの打上げ成功のみカウント）

Trends in the Number of Satellite Launches



JAXA情報及び報道発表資料に基づき内閣府が作成。打上げ数の中に打上げ失敗と軌道投入失敗は含んでいない。

Around 2030

Number of rocket launches required for domestic satellites: At least 30 per year + **Domestic Launch Demand for Overseas Satellites X+α launches per year**

All of the above are cited from “Basic Materials on Space Policy: Cabinet Office Space Development Strategy Promotion Secretariat, September 2026.”

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Status of Development of Solid Propellants for Space Rockets

Number of rocket launches required for domestic satellites:

At least 30 per year

＋

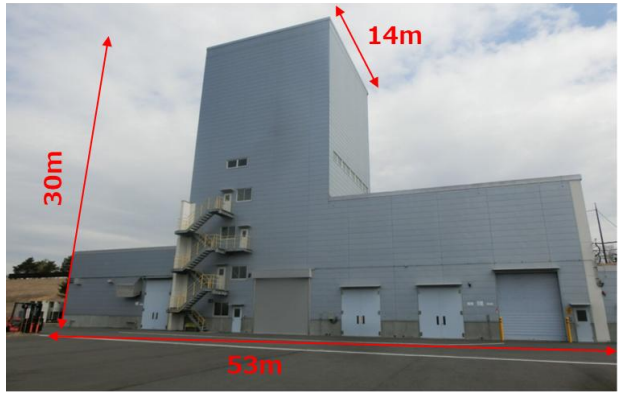
Domestic Launch Demand for Overseas Satellites

X+α launches per year

- Our company manufactures solid-fuel motors for Space One Co., Ltd.'s "Kairos Rocket." NEW!!
- With the Kairos Rocket expected to undergo more than 10 launches per year by 2030, we are currently exploring ways to establish an annual production capacity of more than 10 units of solid propellant to meet this demand. NEW!!
- In addition to the pilot plant currently conducting test production, we are proceeding with cost estimates and feasibility studies regarding the expansion of new factory facilities and the establishment of a mass production system (including the acquisition of factory land, manufacturing equipment, inspection equipment, and warehouse facilities).
- In addition to commercial rockets, we will also proceed with development studies for government-contracted rockets.



Akagi Plant: General View



Pilot Plant for the Production of Composite Solid Propellants

Maximum batch size: 15,000 kg

Installed equipment: Large mixer, large vacuum chamber (φ 3.5 m × L 10 m), 30 t overhead crane

Track record: Full-scale production of solid propellants for space and defense rockets.

Although it is still possible to manufacture full-size products, mass production of more than 10 units per year is not feasible.

→ A new manufacturing plant will be needed by 2030.

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Market Environment for Solid Propellants Used in Defense Rockets

The Current State of Defense Rockets

1. The Ministry of Defense has announced its preliminary budget request for fiscal year Reiwa 9. The total amounts to over 8.8 trillion yen, exceeding the initial budget for fiscal year Reiwa 8.

2. Three key priorities have been identified: (1) responding to “new ways of warfare,” (2) strengthening sustainable response capabilities, and (3) reinforcing the foundation of defense capabilities.

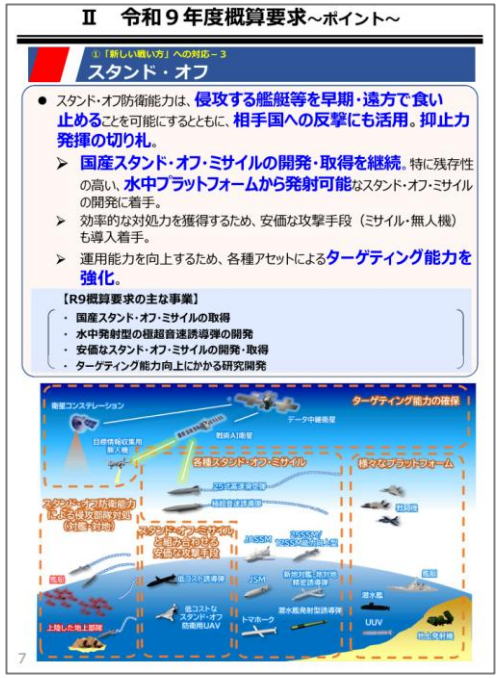
3. Regarding “stand-off” operations and “integrated air and missile defense” involving defense rockets, these are addressed under “① Responding to ‘New Ways of Warfare’” and are scheduled for reinforcement. Additionally, there are references related to defense rockets under “② Sustained Response Capabilities.”

With the increase in the defense budget and defense spending, the market for solid propellants for defense applications is also expected to expand.

- Construction is currently underway at the Akagi Plant on facilities for the manufacture of defense propellants and a warehouse. (Previously disclosed information)

- Although no additional capital investments have been decided upon, we are currently working on the development of several projects. We are moving forward with discussions aimed at building a business capable of providing diverse value, including expanding our lineup of mounted models, developing new defense products, and producing related components.

Excerpts from the Key Points of the Reiwa 9 Fiscal Year Preliminary Budget Request





Excerpt from “Budget for Defense Capability Transformation: Overview of the Reiwa 9 Fiscal Year Preliminary Budget Request, Ministry of Defense”

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Construction Progress on Solid Propellant for Defense Rockets

Progress on Investment in Defense Propellant Manufacturing Facilities

1. We have begun capital investment in preparation for completion and the start of production in fiscal year 2028. We are constructing a new plant on the Akagi Plant site to manufacture solid propellants for defense applications. NEW!!
   → Completion is now scheduled to be moved up to within fiscal year 2027.

2. As of December 2025, work has begun on site preparation and facility design.
   → As of November 2026, site preparation is nearly complete. Construction of the factory building is underway.

3. Upon completion of the capital investment, the Company plans to recognize revenue related to the investment costs.
   → As planned, the Company expects to recognize revenue equivalent to the full amount of the investment costs. As completion has been brought forward to fiscal 2027, the revenue is also expected to be recognized earlier in the profit and loss statement. The timing of acceptance and other details are currently being coordinated. NEW!!

[Factory Overview]
Production site: Akagi Plant
Applications: Defense-related products
Planned start of production: From 2028 onward
New facilities: Manufacturing equipment and buildings, as well as warehouse facilities
Planned investment amount: Approximately 8 billion yen (to be funded from initial procurement costs)



Akagi Plant

Solid propellants are classified as "explosives" under Japan's Explosives Control Act. Development and capital investment are underway at the Akagi Plant, which manufactures emergency flares and other explosive products.

(Photographs of the facility construction cannot be provided for confidentiality reasons.)





Explosives Storage Facility for Solid Propellants

An explosives storage facility for solid propellants used in space and defense rockets. Completed in 2019, the facility is already in operation.

It is considerably larger than the Company's other explosives storage facilities and has a spacious loading area that can accommodate large trucks.

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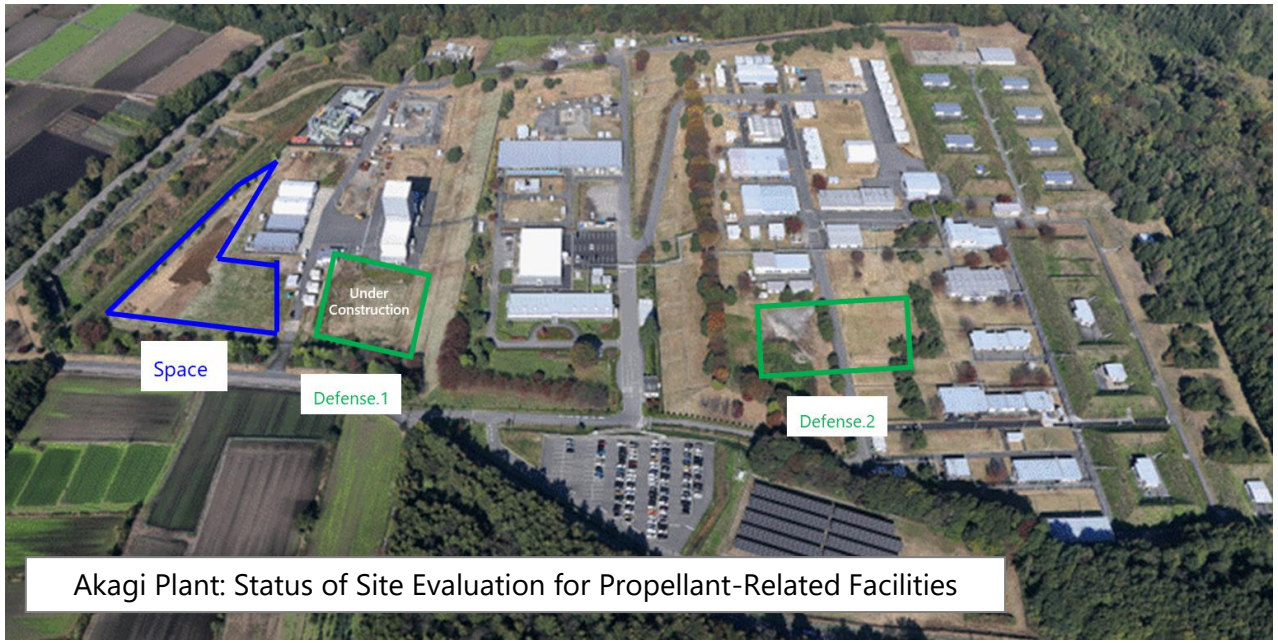
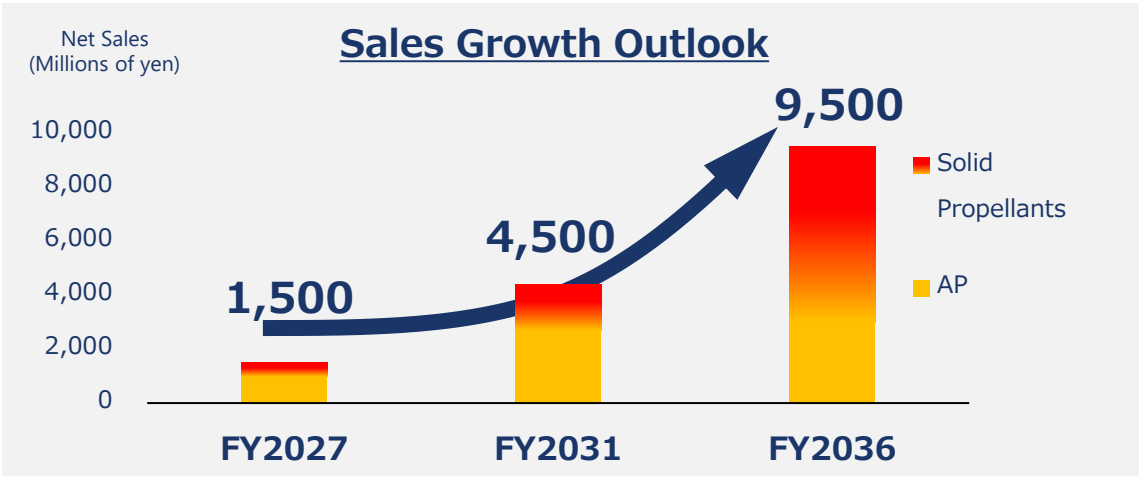
Business Development Initiatives for Solid Propellants for Space and Defense

	Ammonium perchlorate (Manufactured at Gunma Plant)	Solid Propellants (Manufactured at Akagi Plant)
For Space	• We will continue to invest in facilities to ensure a stable supply even after capacity expansion. • As the only manufacturer in Japan, we will ensure a stable supply and meet domestic demand. • We will also produce this material as a raw material for our own solid propellants.	• We are currently evaluating new equipment for the mass production of propellant for the Kairos rocket (to support a launch schedule of 10 rockets).
For Defense		• A new propellant plant is under construction. (Photo on the right: "Defense.1") • Land has also been secured for "Defense.2" to accommodate other projects. (Photo on the right: "Defense.2")



Akagi Plant: Status of Site Evaluation for Propellant-Related Facilities



We plan to continue revising our revenue growth projections while improving the accuracy of our simulations based on the specific status of negotiations and actual production results for each project.

→ At this time, our projections for 2030 and 2035 remain unchanged. We will continue to actively disclose updates on the situation going forward.

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Q&A Session

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Q&A Session

Q.

- You mentioned that you are currently reviewing the growth vision for 2030 and beyond. Is there any information available before the announcement of the next medium-term management plan, which is set to begin in April 2028? Is there a possibility that the new plan might be disclosed sooner than expected?

A.

- We apologize for keeping you waiting while you have been anticipating an update on our growth vision.
- Due to the recent drastic changes in the external environment, as well as the ongoing progress of various development projects—including the solid propellant we discussed today—we are currently refraining from disclosing specific numerical targets for our growth vision.
- We are eager to share this information with you as soon as possible to meet your expectations, and we are currently working on refining our vision and preparing performance simulations.
- We apologize for not being able to provide a specific timeline at this time, but we kindly ask for your continued patience.

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Q&A Session

Q.

- The projected operating income for the Chemicals Segment this fiscal year is expected to be 500 million yen higher than the previous year, including the shortfall from the second quarter. Since there are reportedly no major changes to the demand forecast for ammonium perchlorate, what is the main growth driver that will enable the company to meet this forecast?

A.

- With regard to ammonium perchlorate, since we had anticipated rising demand and unit prices at the initial planning stage, it has become one of the growth drivers compared to the previous year.
- In the electronic materials sector as well, we had anticipated continued demand for polymer-based materials for high-end servers, a trend that began in the fourth quarter of last year; in fact, sales performance through the interim period has been strong. This sector is also contributing to year-over-year increases in both revenue and profit.
- While the first half of the fiscal year—particularly the first quarter—was impacted by soaring raw material and fuel costs as well as rising administrative expenses, we expect the effects of the improvement initiatives we have been implementing to become apparent in the second half.
- In the second half, we will continue our efforts to further review pricing and reduce costs, and we will strive to achieve our full-year targets.

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Q&A Session

Q.

- Your company has been designated as a TOPIX transition measure stock in October. What are your thoughts on this situation, President Kaneko? Also, what measures are you considering in preparation for the completion of the second phase of the review in July 2028?

A.

- We view the TOPIX as a key indicator, and we deeply regret that our market value has not been sufficient.
- Regarding measures to complete the transition period, rather than implementing so-called “share price measures,” we believe it is crucial to better communicate our growth potential—as discussed today—to investors and to deliver on that growth step by step.
- First, by achieving our operating profit target of 4.2 billion yen for the next fiscal year—the final year of our medium-term plan—we hope to enhance the credibility of our growth story and, by demonstrating our potential for further future growth, raise your expectations.
- Of course, we also intend to steadily advance initiatives such as improving return on capital and reducing the cost of capital through our financial strategy and strengthened investor relations, with the aim of increasing our market value.

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Q&A Session

Q.

- Regarding the aging facility renewal work disclosed previously and the investment in the double-decomposition process equipment mentioned on page 20, could these capital expenditures lead to increased production? If they contribute to increased production, what kind of impact on financial performance can we expect?
- If a second double-decomposition plant for AP were to be built, by how many times do you estimate AP production capacity would increase compared to current levels? Even a rough estimate would be appreciated.
- If there are approximately 30 launches per year around 2030, will the current capacity for ammonium perchlorate be sufficient? Is the investment in the decomposition process facilities targeted for 2030?

A.

- Renovation work to address the aging of the mixing and grinding plant, as well as the construction of the second compound decomposition plant, will not lead to increased production on their own. Increased production will only be possible when combined with investments in other processes.
- Going forward, we will need to make decisions regarding new investments to increase production; however, we are currently determining priorities and moving forward based on construction schedules and the specifics of each process.
- Furthermore, while the investments outlined here are aimed at achieving a target of 30 launches per year around 2030, their primary focus is on “stable supply.” Moving forward, we will also consider further capital investments toward the goal of 30 annual launches, taking into comprehensive account information on the external environment and our business partners.

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Q&A Session

Q.

- I understand that a new manufacturing plant will be needed to produce more than 10 solid-fuel rockets per year by 2030. Can we expect defense-related funding to cover the capital investment for this facility?
- Please also let me know if there is a possibility that the AP's second decomposition plant could receive support similar to defense-related funding.
- Are you considering a site for the new solid propellant manufacturing plant near your factory in Gunma Prefecture?
- Does the investment for the 10 Kairos rockets per year, based on the space rocket program, correspond to the area outlined in blue on the aerial view of the Akagi Plant? Is my understanding correct that the new manufacturing plant for mass production of more than 10 rockets per year will be separate from the Akagi Plant?

A.

- Since the solid propellant manufacturing facilities required to establish an annual production capacity of 10 space rockets are not defense-related facilities, they are not expected to be funded through the defense budget. Therefore, we are currently evaluating investment options while closely monitoring external conditions and demand trends.

- While we initially plan to locate the solid propellant manufacturing plant on land within the Akagi Plant, we believe it is highly likely that we will need to acquire additional land for the plant in the future.

- While we believe a location near the Akagi Plant would be ideal to ensure smooth coordination between development and manufacturing personnel, meeting the strict requirements for explosives manufacturing takes higher priority; therefore, we are proceeding with a broad range of options using a flexible approach.

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Q&A Session

Q.
- Is the development of solid propellant linked to the success of the Kairos rocket? If the Kairos rocket doesn't succeed anytime soon, how will construction of the factory proceed?
- On page 27, what development project does the "Defense 2" label in the green box next to the Akagi Factory correspond to?

A.
- While the success of the Cairo Rocket is not entirely unrelated to this matter, our progress will be adjusted based on the development status with our business partners; therefore, the two are not necessarily linked.
- Regarding the "Defense 2" project mentioned on page 27, we are unable to provide specific details due to confidentiality agreements with our business partners. We will disclose further information once the details have been finalized and we are able to share them with you.

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Q&A Session

Q.
- I understand that the completion of the new plant on the Akagi Factory grounds, which manufactures solid propellants for defense purposes, is scheduled to be moved up to within fiscal year 2027. Does this mean the sales growth forecast is likely to be revised upward even further?

A.
- Since the new factory for manufacturing solid propellants for defense purposes was originally scheduled to be completed in fiscal year 2028, if the schedule is brought forward, it is likely that revenue will be recognized earlier than planned. However, as many details remain undetermined at this time, we will disclose this information to you as soon as it is finalized.

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Q&A Session

Q.

- Regarding solid propellants, is it correct to understand that you are considering new investments beyond the projects previously announced in the space and defense sectors?
- Based on the information on page 24, I understand that the space application is scheduled for completion around 2030, but when is the completion scheduled for “Defense 2”?

A.

- Regarding solid propellants, as you mentioned, we are currently exploring new options, including projects separate from those currently under development.
- Regarding the “Defense 2” matter on page 27, I apologize for repeating myself, but as we are currently in discussions with the other party, I must refrain from providing an answer at this time.

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Q&A Session

Q.

- Although the Chemicals Segment fell short of its first-half profit target, is it correct to understand that the only area that missed the target was battery testing?
- The profit target for the Chemicals Segment in the second half appears challenging—are you considering further price adjustments to offset administrative costs? Also, are there any signs of a recovery in battery testing at this point?

A.

- As shown on page 11, the only division that fell short of last year's results was the contract evaluation sector, which includes battery testing. Since this situation appears to be driven by the slowdown in EV development, we intend to secure new demand—such as for AI servers—and aim for a recovery.
- Regarding price revisions, while we will adjust prices for projects already under contract, we will strive to sell new projects at prices that reflect these revisions.

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Q&A Session

Q.
- Regarding the energy costs that weighed on the Bottling Segment's first-half profits, could you specify what types of energy costs increased beyond initial projections? Also, please explain the status of passing on these increased costs to prices.

A.
- With regard to energy costs, electricity and gas are the main factors driving up costs. As for price adjustments, we will continue to make every effort in our sales negotiations with brand manufacturers.

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Q&A Session

Q.
- What is the current production capacity for solid propellants used in space rockets and defense rockets?

A.
- Currently, both products are being manufactured exclusively at pilot plants. Regarding specific production capacity, we are unable to provide details due to confidentiality agreements with our business partners.

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For Confidence and Infinite Challenges

Carlit

Giving Shape to Infinite Possibilities

(This document is prepared in reference to the Japanese disclosure. In the event of any discrepancies or inconsistencies between this English version and the original Japanese document, the Japanese version shall prevail.)

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The forward-lookings statements about the Carlit Group's earnings forecasts contained in this document are based on the certain assumptions that we believe to be reasonable at the present time. Therefore, actual results may differ materially from the forecasts.

The following is a list of the main factors that may affect the Company's earnings , but new factors may arise.

① Global economic and social situation and trends in regulations such as taxation, and other laws ,etc.
② Exchange rate
③ Stock market quotation
④ Product supply-demand situation and 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
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 pandemics, etc.
⑮ Important matters concerning directors, major shareholders, affiliates, etc. of the company

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