

Integrated Report **2023**

Contents

Growth Strategy

President's Greetings	3
The History of Nippon Carbon	9
Value Creation Process	11
Materiality	13
2022 Financial and Non-Financial Highlights	15
Business Outline	19

ESG Initiatives

Initiatives for Society	25
Initiatives for the Environment	29
Corporate Governance	31
Compliance	37
Risk Management	39

Data Section

Financial Information	43
Corporate Information	49

Editorial Policy

The Nippon Carbon Group publishes this report to communicate to stakeholders our efforts to achieve our management philosophy of “A company with dreams and technologies to realize a world of love and science.”

Date of issue

December 2023

Reporting period

Fiscal 2022 (January–December 2022)

Guidelines used as reference

- Ministry of Economy, Trade and Industry
“Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation (Guidance for Collaborative Value Creation)”
- Global Reporting Initiative
“GRI Sustainability Reporting Standards”
- Ministry of the Environment
“Environmental Reporting Guidelines”

Scope

This report contains financial information and ESG-related information concerning Nippon Carbon Co., Ltd. and its affiliated companies. The scope of reporting for items of limited scope is as noted.

Inquiries regarding this report

Nippon Carbon Co., Ltd.
Biz Administration Dept.
TEL: 03-6891-3730 (main number)
Email address: info@carbon.co.jp

Website

For the most recent information on Nippon Carbon Co., Ltd., please visit the Company's website.
<https://www.carbon.co.jp/english/>

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.



President's Greetings



Nippon Carbon Co., Ltd.
Representative Director, CEO
Takafumi Miyashita

A company with dreams
and technologies to realize
a world of love and science.

Opening thoughts

In fiscal 2022, we transitioned to the Prime Market in conjunction with the market restructuring of the Tokyo Stock Exchange, taking a new step forward.

This market restructuring gave us an excellent opportunity to reflect on our circumstances. Transitioning to the Prime Market means subjecting ourselves to more scrutiny from domestic and foreign investors than ever before. Today, a continuous stream of natural disasters and international conflicts impact a company's ongoing business activities. Amidst these unpredictable times, we believe it is

our mission to engage in management in a way that satisfies our stakeholders and pursue improvement of corporate value.

The starting point of our business activities at Nippon Carbon is our management philosophy, which states that we strive to be "A company with dreams and technologies to realize a world of love and science." Irrespective of the business environment, we will make further advances while reflecting on ourselves and going back to the basics.

Reflecting on fiscal 2022

Both sales and profit increased as capital investment in the semiconductor industry and other sectors remained steady.

In fiscal 2022, economic activities were expected to return to normal with the relaxation of various regulations and the removal of immigration restrictions related to the COVID-19 pandemic. However, there were signs of stagnation in economic growth due to the surge in prices brought on by disruptions in global supply chains resulting from the conflict in Ukraine. In the United States and Europe, monetary tightening in response to inflation began to dampen the growth of consumer spending. Meanwhile, in Japan, it was rapid exchange rate fluctuations that hurt consumer spending, with the yen at 150 yen to the dollar for the first time in 32 years. For us, the sharp rise in energy

and raw material costs had a significant impact on our business activities.

Amid these harsh business conditions, we have been conducting business management based on business structural reform and improvement of corporate constitution under our Mid-term Management Policy "BREAKTHROUGH 2024." Driven by robust demand in semiconductor-related markets, our consolidated performance in fiscal 2022 significantly exceeded that of the previous fiscal year. Net sales increased 13.4% from the previous fiscal year to ¥35,799 million, and ordinary profit increased 13.7% to ¥5,042 million.

President’s Greetings

Progress on Mid-term Management Policy

We have made significant progress on business structural reform through business development focused on growth markets.

As for business structural reform, we have five strategies underway to target growth markets, such as carbon neutrality and DX, making the best use of our management resources.

Out of these, we have been actively developing our carbon fiber products business by utilizing our overseas subsidiaries and capital investments to become number one in the world. Our sales expansion activities in Japan and overseas, especially in growth industries such as semiconductors and power semiconductors, along with successful long-standing capital investments, pushed our sales of carbon fiber products to a record high in fiscal 2022. At the same time, the increased demand has brought various issues to the surface. Needless to say, overseas business development is essential to become number one in the world. While executing capital investments at the Shiga and Shirakawa plants, which are our domestic production bases, we will aggressively direct

investment of resources toward overseas markets to expand our business further.

To improve quality and thereby strengthen our competitiveness in the artificial graphite electrode market, we entered into a capital and business alliance with SEC Carbon, Ltd. in 2022. Currently, we are working to improve quality while mutually sharing our respective technologies and know-how. In addition to strengthening our competitiveness, we are cooperating to achieve carbon neutrality, including developing technologies for fixing carbon dioxide and reducing energy consumption.

As for silicon carbide fiber products, demand is returning along with the recovery of the aviation industry. However, profitability has deteriorated due to rising energy costs and other factors. We are making steady preparations for full-scale market expansion in the future while working to reduce costs so that we do not miss the timing.

With an eye to the future, we are working to improve our corporate constitution based on the concept of reaping abundant rewards from a single productive endeavor.

There is a four-character phrase in the Chinese classic philosophical text Guanzi that means “a hundred harvests from a single tree” or “reaping abundant rewards from a single productive endeavor.” This term is used as an analogy for the fact that developing human resources will eventually bring about significant benefits. The same can be said about companies. I believe the essence of a company is its human resources and that securing and developing them

is an extremely important theme when it comes to building a strong and enduring corporate constitution. As I mentioned last year, we have been working on promoting women for quite some time and have established an environment conducive to women playing an active role. We have several leave systems for caring for children in addition to the regular paid leave system, making it easy to work after taking maternity or childcare leave. In fiscal 2022, four

In terms of Mid-term Management Policy

Mid-term Management Policy (FY2022 – FY2024)

“BREAKTHROUGH 2024”

Era of carbon neutrality and digital transformation

Business structural reform
Improvement of corporate constitution

Enhancement of profitability
Enhancement of corporate value

Nippon Carbon Group Policy

1 Business structural reform

- 1. Maintaining top share and further expansion of carbon fiber products at the global market of high temperature furnace
- 2. Strengthening global competitiveness of artificial graphite electrode and anode materials for lithium-ion battery by reducing production costs
- 3. Creation of new business
- 4. Increase profitability of specialty carbon business
- 5. Business development of silicon carbide fiber to meet global demand

We will develop strategy focusing on growing market related to carbon neutral and digital transformation aiming to ensure stable earnings.

2 Improvement of corporate constitution

- 1. Securing and training of human resources
- 2. Work style reform for new normal era

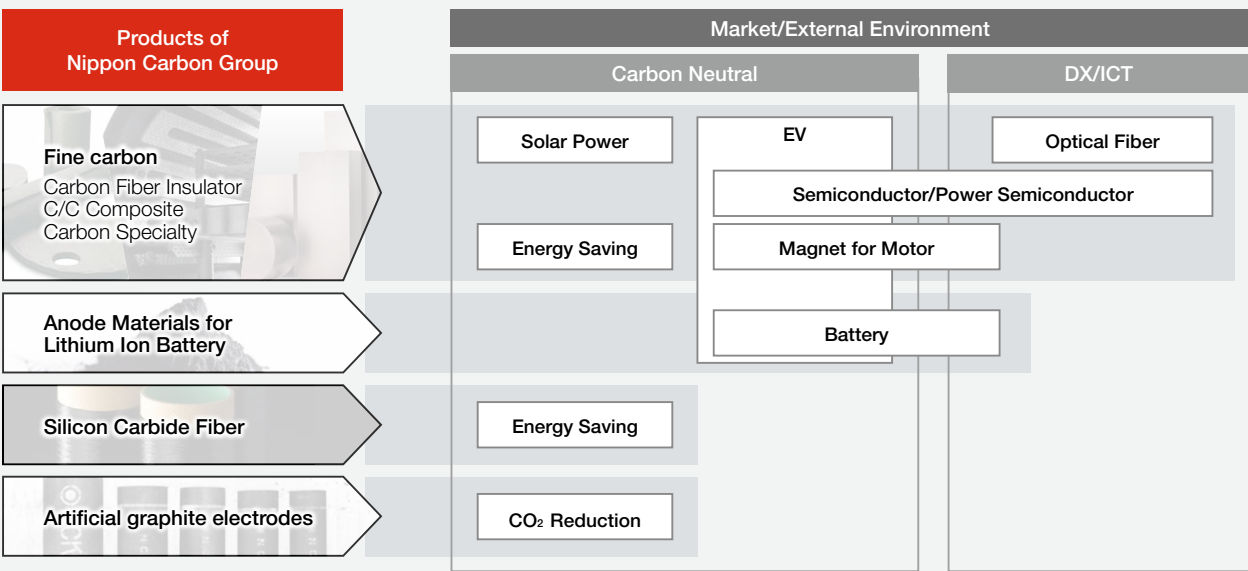
We will aim to enhance organizational strength through securing and training of human resources and execution of diversified promotion. We will advance work style reform as new normal tele-working and review function of our business locations to realize sustainable and strong corporate constitution.

3 ESG management

We will advance ESG management with a mind to “Environment,” “Social” and “Governance” to realize sustainable society and improve corporate value.

External Environment and Products of Nippon Carbon Group

Nippon Carbon Group will contribute to realize Carbon Neutral and DX Society through supplying carbon materials for manufacturing solar power device, semiconductor and energy saving at various industries as show below.



President's Greetings

female employees utilized the maternity and childcare leave systems, and we expect them to play an active role upon returning next year or later. We are also working on creating a system for long-term care to prepare an environment where all employees can continue working.

As for human resource development, we are promoting a fundamental review of our evaluation system in addition to enhancing various employee education and training programs. We intend to make it more conducive to employee growth and will revise it next year. In 2022, two office technical staff were

switched to managerial track positions at their own request. In this way, we want our employees to be proactive in taking advantage of opportunities to expand their horizons according to their own wishes and aptitudes. We also give younger employees responsibilities by actively assigning them tasks so that they can work with a sense of purpose and satisfaction.

By focusing on human resources, which are essential to corporate management, we will work to further enhance Nippon Carbon's organizational strength.

We will work to further enhance our corporate value by contributing to building a sustainable society.

You may not often come across products from the Nippon Carbon Group in your day-to-day life, but our products play a role in addressing environmental issues that are occurring on a global level. In particular, we are contributing to achieving carbon neutrality and realizing a DX society through the manufacturing processes of products such as solar power generation equipment, semiconductors, and electric vehicle components, as well as energy-saving measures in various industries. However, manufacturing products necessarily involves the generation of CO2. Our challenge going forward will be how to strike a proper balance. To address this, we are looking into measures to reduce greenhouse gas emissions (Scope 1 and Scope 2). We are also working on the joint development of environmental technology for carbon neutrality with SEC Carbon, Ltd., with whom we have formed a capital and business alliance. By further accelerating these activities, we will contribute to building a sustainable society.

To increase corporate value, it is important to engage in initiatives that focus on human resources

and governance, which are fundamental components of corporate management. As mentioned earlier, we believe that the essence of a company is its human resources, and we seek to secure and develop human resources accordingly. My current goal is to create a work environment where employees can fully demonstrate their potential and work with a sense of fulfillment.

Based on our Management Philosophy, we are working to build an effective system of governance to strengthen our competitiveness. This involves enhancing the transparency and fairness of management and organically linking everything from supervision to front-line business execution to gain the support of all stakeholders and realize sustainable improvement of corporate value. In addition, we appointed a female officer as an Outside Director in March 2022. She monitors corporate management from an objective and unprecedented perspective, giving us her frank opinions. This has led to the improvement of the supervisory function of the Board of Directors.

Conclusion

Disrupting the status quo with new ideas

Since our listing on the Tokyo Stock Exchange in 1949, we have pioneered the carbon industrial field, navigating the times together with our shareholders and investors. We selected the Prime Market and transitioned from the First Section of the Tokyo Stock Exchange following the market reclassifications in 2022. While we expect to gain greater social credibility as a company, we will have to work harder than ever to build trust with our shareholders and investors.

The business environment surrounding the Nippon Carbon Group continues to undergo significant transformation on a global level. We believe the key to evolving into a corporate group capable of sustainable growth in these times of unpredictable change is to be willing to break away from the status quo without getting hung up on the way things have always been done. Based on this, I feel that fiscal 2022, the first

year of our Mid-term Management Policy, was a year where every employee, including myself, boldly took on challenges with a sense of ownership. Over the past year, I have become keenly aware that the individual growth of each employee serves as a significant driving force for the Company's sustainable growth. Going forward, I remain committed to pursuing challenges as a company that contributes to society with technology without settling for the status quo. To this end, we will develop new products that meet the needs of the times and supply products with a focus on strict quality and consideration for the environment. At the same time, we will work on realizing international cost competitiveness and promote human resource development to make it all possible.

I ask all of our stakeholders for their continued support in these efforts.

Nippon Carbon Co., Ltd.
Representative Director, CEO
Takafumi Miyashita



The History of Nippon Carbon

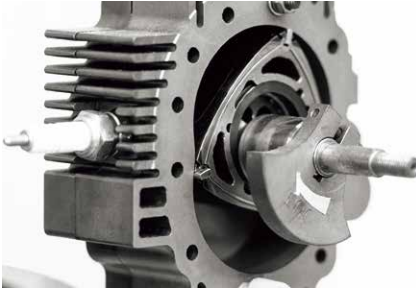
Founded in 1915, Nippon Carbon is the oldest carbon manufacturer in Japan. Our Company boasts a long history and tradition. Beginning with the successful commercialization of Japan's first artificial graphite electrodes, we have consistently developed new carbon products and new materials, contributing to society as a comprehensive manufacturer of carbon products.



1915 Establishment of Nippon Carbon
Establishment of headquarters and plant in Yokohama, and start of manufacturing of natural graphite electrodes



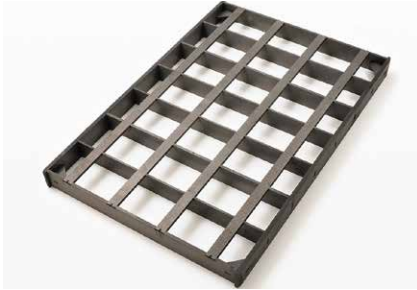
1934 Increased production of artificial graphite electrodes
Establishment of the Toyama Plant and start of manufacturing of artificial graphite electrodes to meet rapid increase in demand



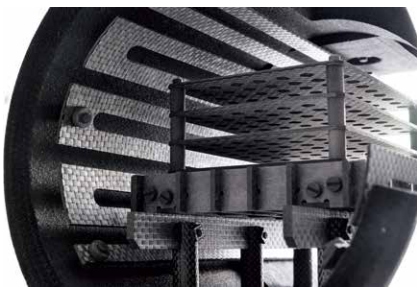
1966 Commercialization of apex seals
Development of aluminum-carbon composite material to overcome the wear known as "devil's nail marks" in rotary engine housings



1985 Receipt of Deming Application Prize
Receipt of Deming Application Prize, the world's highest award for quality control



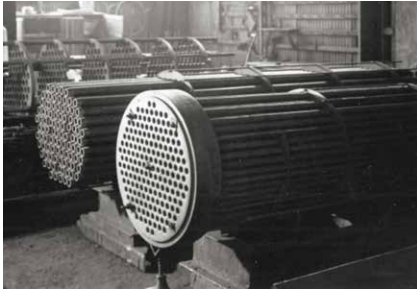
1988 Commercialization of C/C composite
Start of mass production of "CCM" C/C composite



2003-2011 Increase in production capacity for carbon fiber thermal insulating materials and C/C composites
Roughly five-fold increase in production capacity for carbon fiber thermal insulating materials and C/C composites (compared to 2003)



1927 Successful manufacturing of artificial graphite electrodes
Successful manufacturing of Japan's first 6-inch to 12-inch artificial graphite electrodes



1949 Commercialization of impervious graphite
Start of production of "RESBON" impervious graphite for chemical plants; start of operation of first domestically produced hydrochloric acid absorption tower



1974 Commercialization of flexible graphite sealing material
Commercialization of "NICAFILM" graphite sealing material that combines the properties of graphite with flexibility



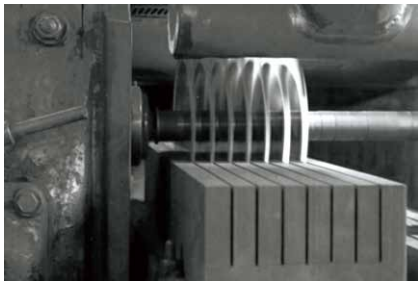
1985 Mass production of carbon fiber thermal insulating material
Start of mass production of carbon fiber thermal insulating material



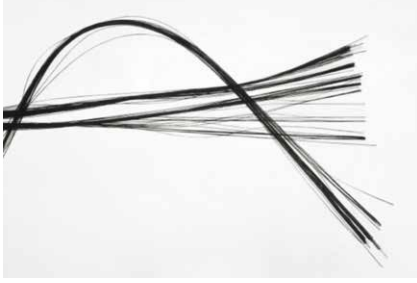
1996 Commercialization of lithium-ion battery anode materials
Start of mass production of lithium-ion battery anode materials at Toyama Plant



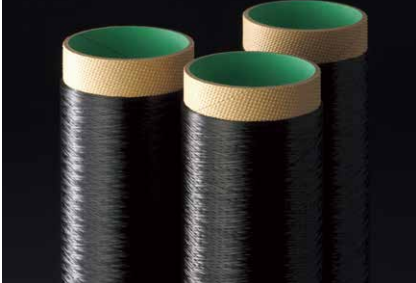
2006 Commercialization of carbon short fiber thermal insulating material
Commercialization of thermal insulating materials made from short carbon fibers, a first in Japan



1930 Successful manufacturing of artificial graphite electrolytic plates
Start of manufacturing of Japan's first artificial graphite electrolytic plates



1962 Commercialization of carbon fiber
Successful commercialization of low strength PAN-based carbon fiber, a first in Japan



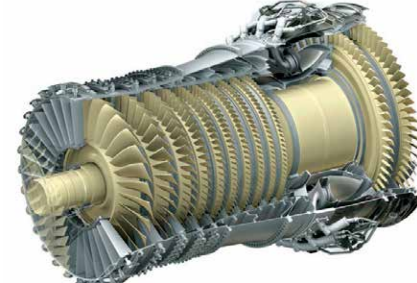
1981 Launch of plant for mass production of silicon carbide fiber
Completion and launch of world's first plant for mass production of "Nicalon" silicon carbide fiber



1986 Successful launch of the first H-I rocket
Successful launch of the H-I rocket, which used carbon fiber thermal insulating material in the rocket nozzle



2003 Start of integrated production of special carbon materials
Establishment of Nippon Techno-Carbon Co., Ltd. as a joint venture with the current NIPPON STEEL Chemical & Material Co., Ltd.; start of integrated production of special carbon materials

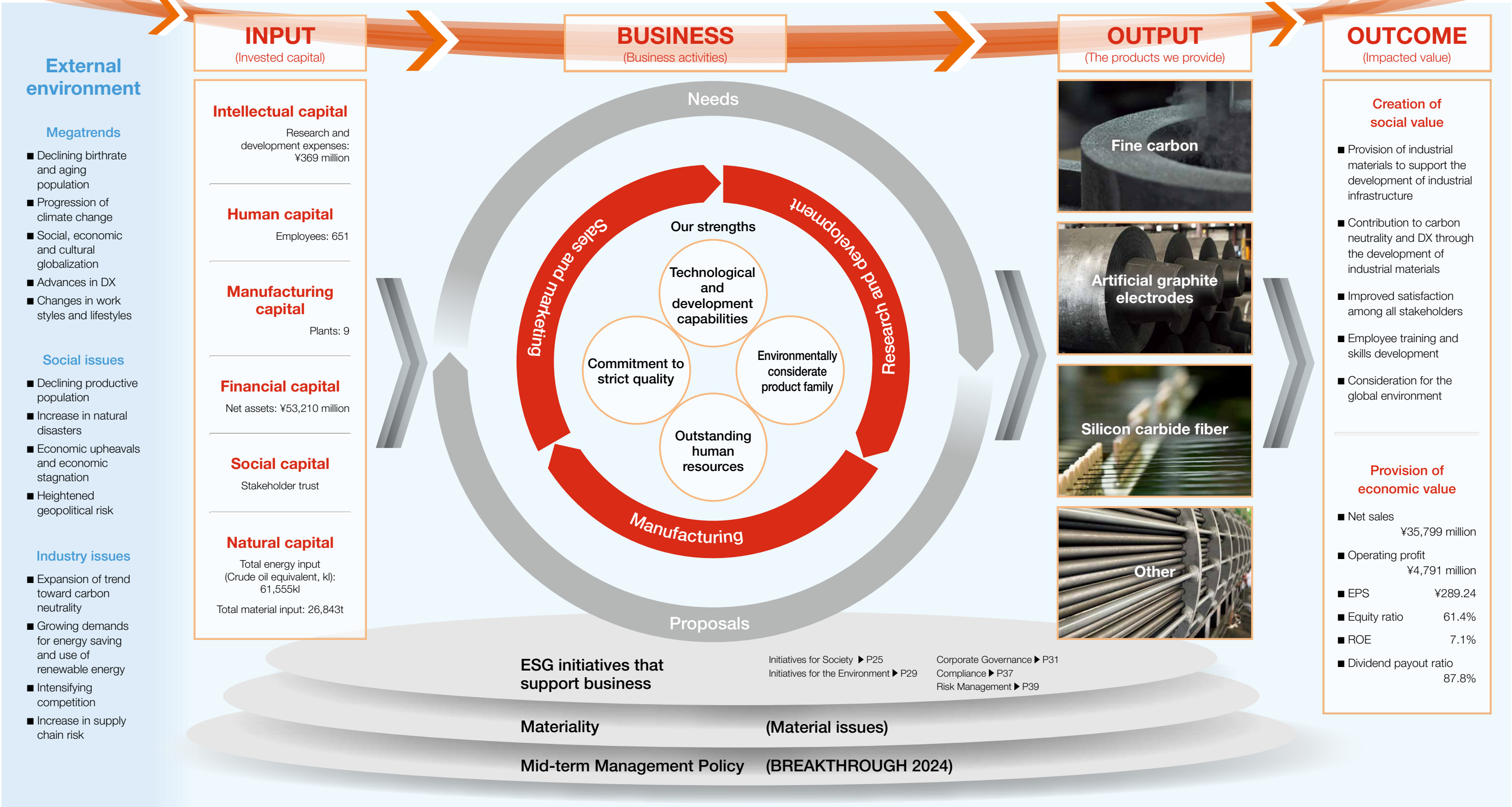


2012 Increased production of silicon carbide fiber
Establishment of NGS Advanced Fibers Co., Ltd., a joint venture with General Electric Company and Safran S.A., to increase production of "Nicalon" silicon carbide fiber

Value Creation Process

The Nippon Carbon Group is a pioneer in the carbon industrial field. With a spirit of challenge and a passion for carbon, we will provide products and related services that offer new value, evolve into a Group able to grow sustainably, and contribute to harmony between people and the environment, the building of a prosperous society, and the creation of the future.

Realizing a world of love and science

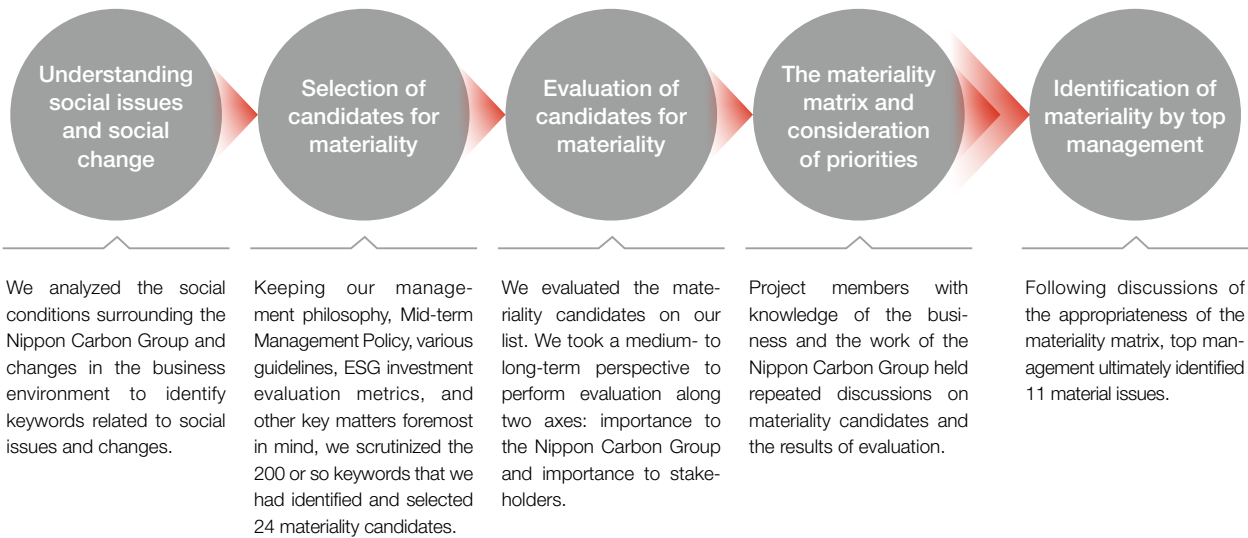


Materiality

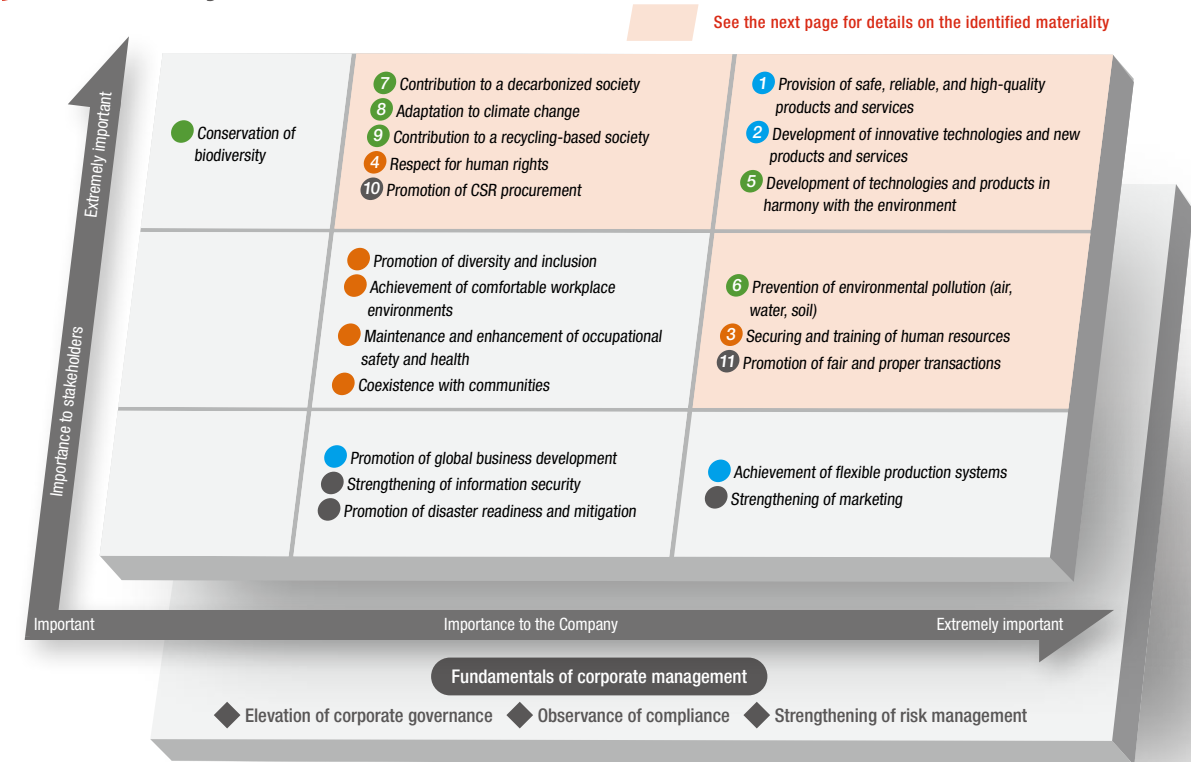
We find ourselves now in a period of change, as seen in the acceleration of initiatives aimed at carbon neutrality and DX. Working through the process outlined below, the Nippon Carbon Group has identified the materiality (i.e., the priority issues) that we need to tackle to

achieve our management philosophy of “A company with dreams and technologies to realize a world of love and science.” We will continue actively working to solve social issues and bring about a sustainable society.

The process of identifying materiality



Materiality matrix



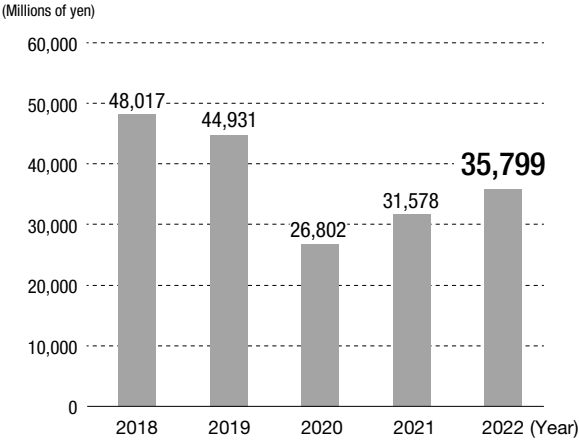
Details of the identified materiality

For the identified materiality, we summarized our efforts to address them and the expected effects of those efforts.

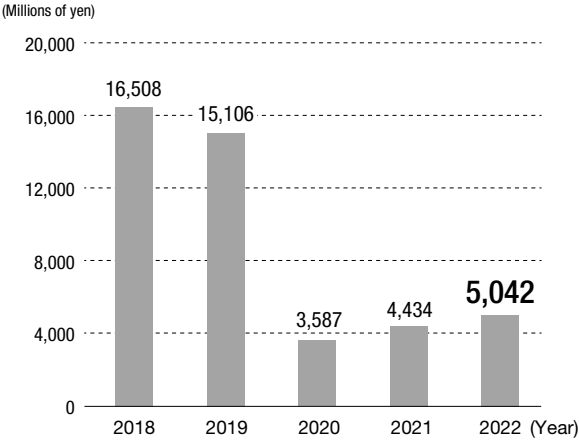
Category	Materiality	Content of initiatives	Effects expected from the initiative
Business-related	1 Provision of safe, reliable, and high-quality products and services	● Continuous improvement and maintenance of management systems, reconstruction of production systems, and implementation of quality improvements	● Expansion of share and increase in sales through the enhancement of customer satisfaction
	2 Development of innovative technologies and new products and services	● Development and promotion of new technologies, including the extension of existing technologies into other applications and the creation of new products in markets in which we have strengths	● Expansion of share, sales growth, and business diversification ● Expansion of employment in local communities and returns to shareholders
Society-related	3 Securing and training of human resources	● Implementation of personnel rotation for enhancement of employee skills, personnel evaluations, and revitalization of organizations ● Personnel transfers that take our self-reporting system into account and career advancement based on these	● Enhancement of productivity, quality of products and services, etc.
	4 Respect for human rights	● Achievement of healthy workplace environments that respect human rights and are free of discrimination, based on the "Nippon Carbon Human Rights Policy"	● Reduction of human rights risks in the value chain ● Securing of stable business activities and product supply, and maintenance of corporate value
Environment-related	5 Development of technologies and products in harmony with the environment	● Provision of products that contribute to reducing environmental impact, including artificial graphite electrodes, fine carbon, and silicon carbide fiber	● Expansion of share, sales growth, and business diversification through development of new products ● Contribution to customers' efforts to reduce environmental impacts
	6 Prevention of environmental pollution (air, water, soil)	● Maintenance and improvement of environmental management system (EMS) ● Development and renewal of environmental equipment (for treatment of waste gases and wastewater, etc.) and environmental education for employees	● Enhancement of competitiveness for environmentally considerate products and business ● Enhancement of efficiency through the renewal and introduction of environment-related equipment and systems
	7 Contribution to a decarbonized society	● Promotion of energy saving, reduction of waste, etc. in manufacturing processes at plants	● Enhancement of competitiveness for environmentally considerate products and business ● Conservation of the global environment and reduction of impacts
	8 Adaptation to climate change	● Implementation of measures (formulation and review of BCP, implementation of drills, etc.) to combat natural disasters (typhoons, torrential rains, floods, etc.) at headquarters, branches, plants, etc.	● Stabilization of production structure, maintenance and securing of supply chain ● Maintenance of stable supply of products and services
	9 Contribution to a recycling based society	● Development and provision of recycling-related products, including artificial graphite electrodes	● Achievement of energy saving and improvement of recycling efficiency in the steelmaking industry
Management foundation-related	10 Promotion of CSR procurement	● Promotion of procurement based on our "Basic Policy on Ethics and Compliance," "Nippon Carbon Code of Conduct," and "Environmental Policy," and communication of our procurement policy to suppliers	● Reduction of ESG-related risks in the supply chain ● Promotion of activities for the reduction of environmental impacts and enhancement of awareness, including by business partners
	11 Promotion of fair and proper transactions	● Observance of relevant laws and regulations, practice of compliant business transactions, and implementation of in-house education	● Building of long-term, stable business relationships ● Reduction of risks including fines, lawsuits, and compensation for damage

2022 Financial and Non-Financial Highlights

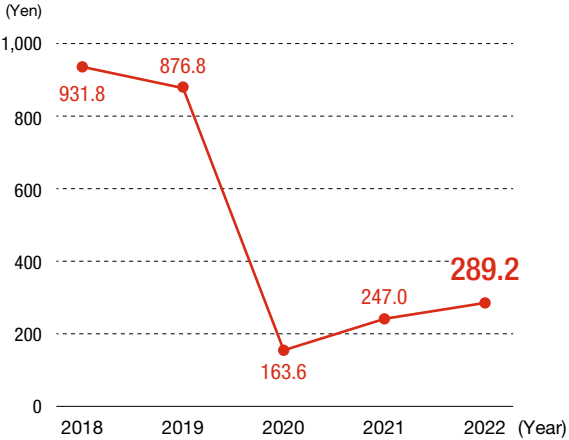
Net sales



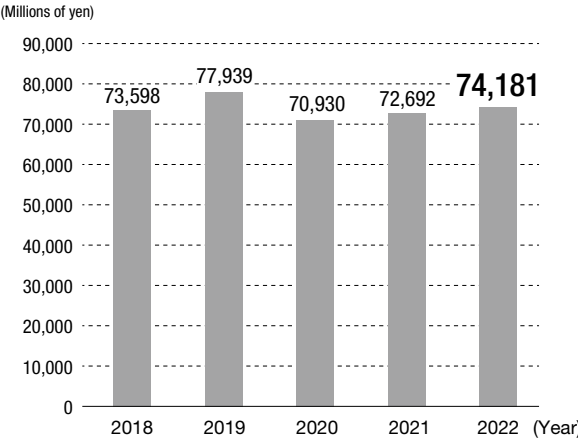
Ordinary profit



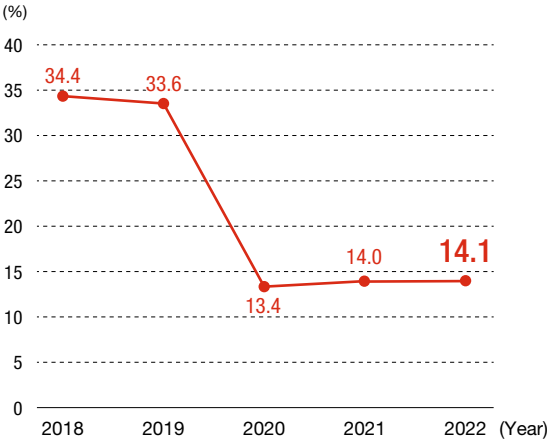
Earnings per share



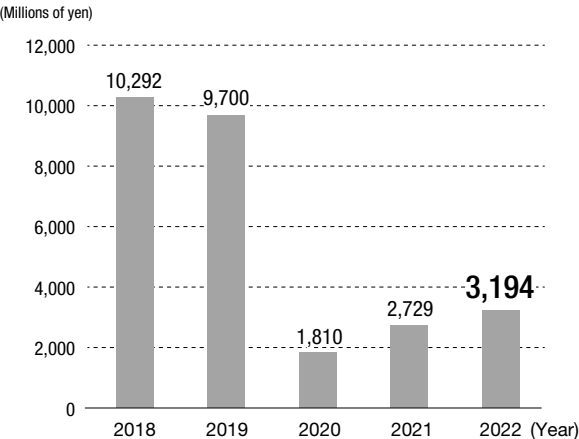
Total assets



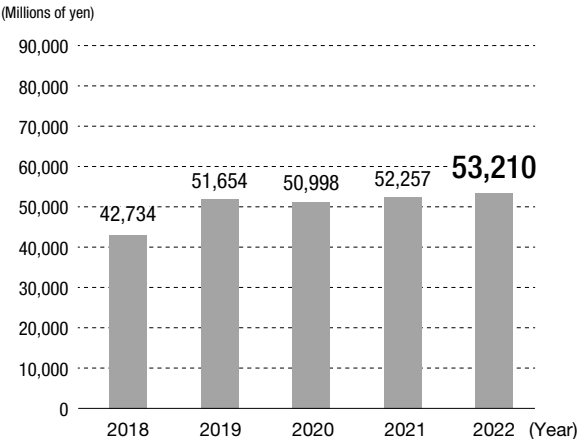
Return on sales



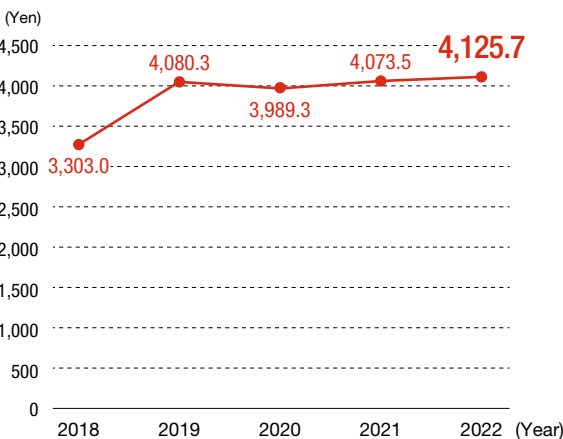
Profit attributable to owners of parent



Net assets

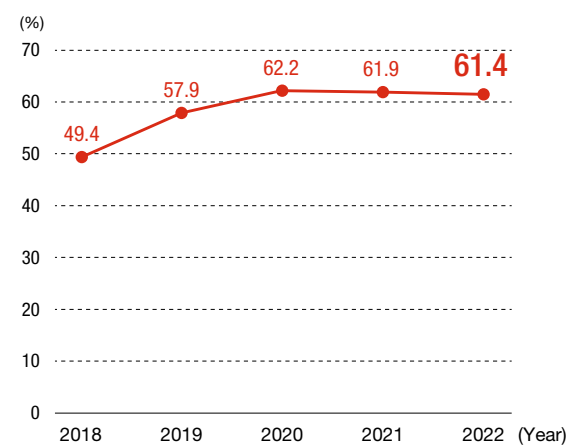


Net assets per share

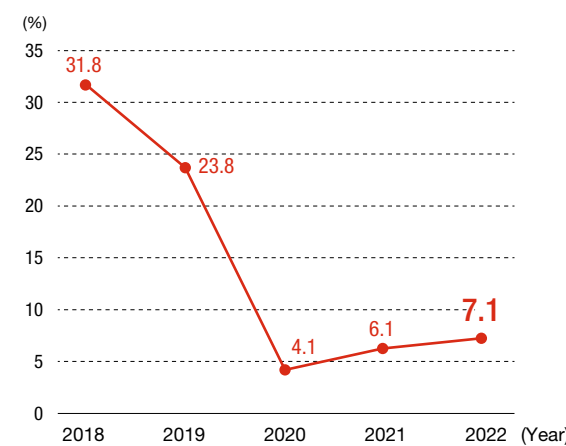


2022 Financial and Non-Financial Highlights

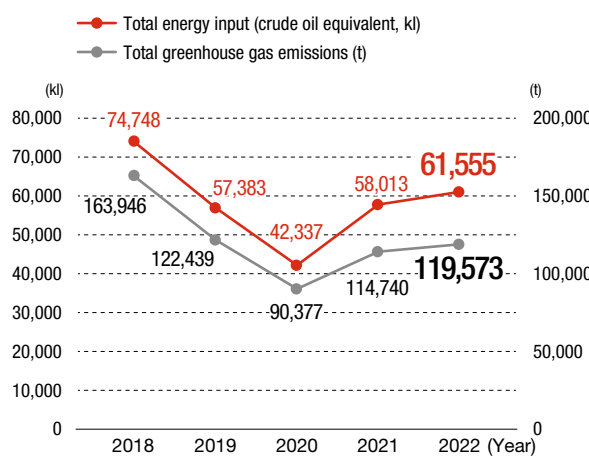
Equity ratio



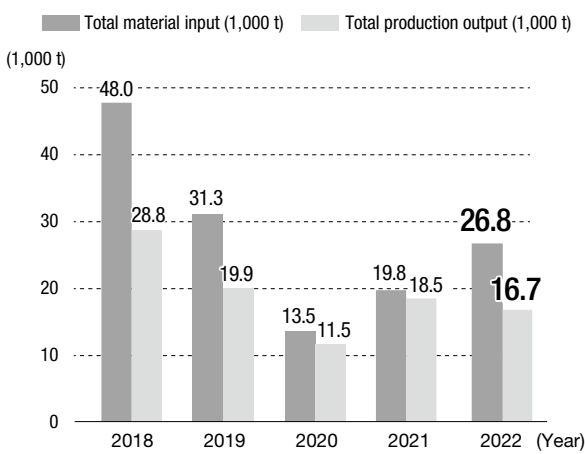
Return on equity



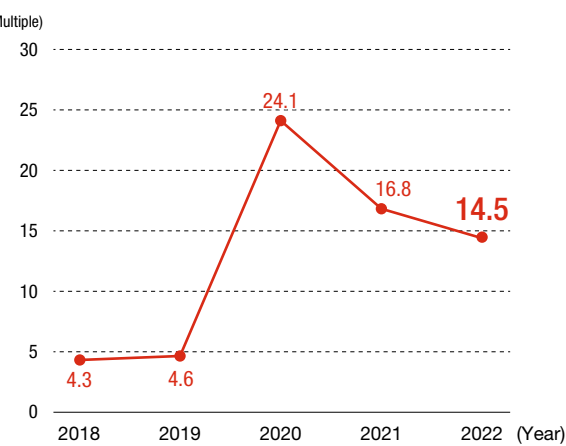
Total energy input (crude oil equivalent) / Total greenhouse gas emissions



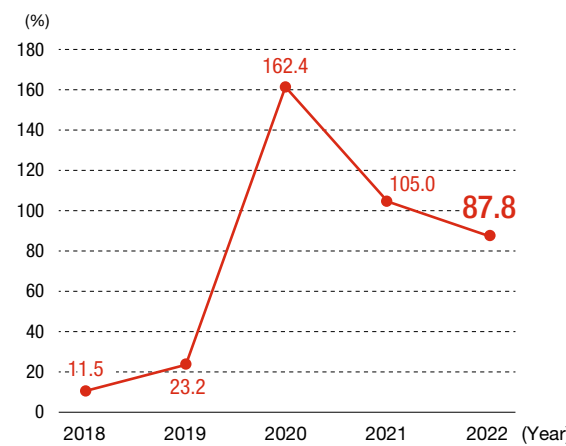
Total material input / Total production output



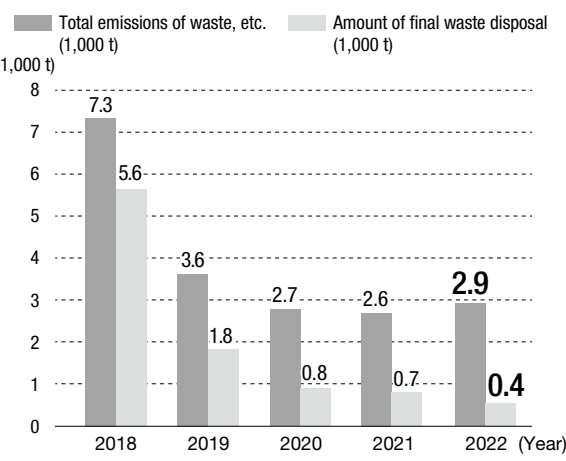
Price-earnings ratio (PER)



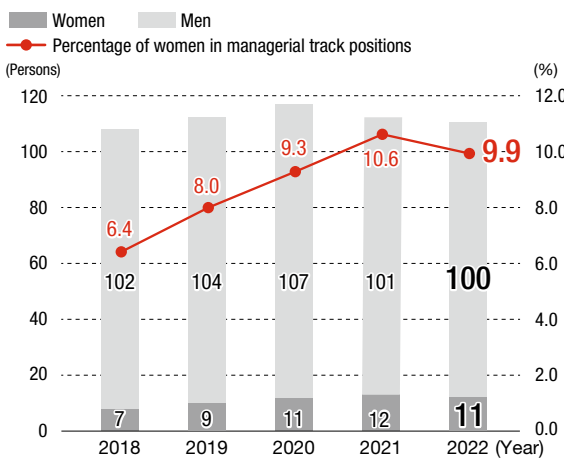
Dividend payout ratio



Total emissions of waste, etc. / Amount of final waste disposal



Change in the number of women in managerial track positions



* Nippon Carbon Co., Ltd. (non-consolidated).

* The targeted scope is all production sites and laboratories of the Nippon Carbon Group (excluding Nippon Kommeyer Carbon Group GmbH).

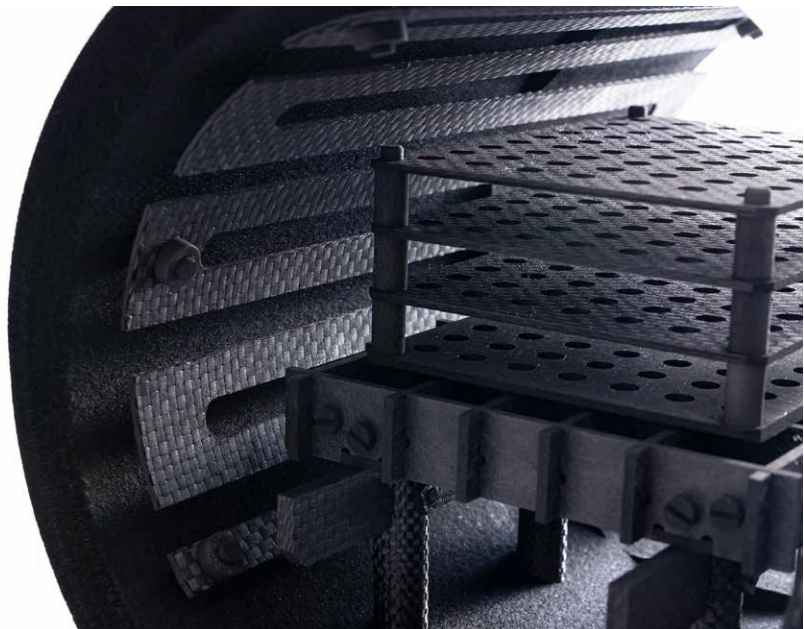
* Nippon Carbon Co., Ltd. (non-consolidated).

Business Outline

Carbon product business

Fine carbon products

Our main fine carbon products are carbon fiber thermal insulating materials, special carbon materials, and C/C composites. Carbon's extremely high heat resistance and excellent chemical stability make it an indispensable material in many industries, including the semiconductor, solar cell, optical fiber, LED, ceramic, and metal heat treatment industries. Demand for carbon is growing in advanced industrial fields such as SiC power semiconductors.

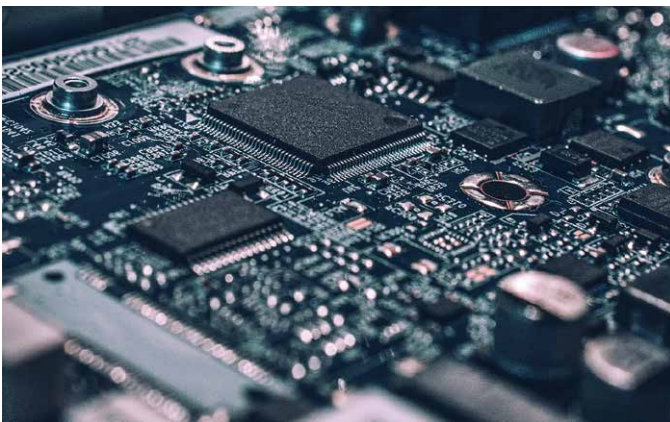


Business overview

In 2022, demand growth was seen in a wide range of sectors as a result of the global economic recovery. In semiconductor-related markets, although there was a reactionary decline in demand in some areas, demand for fine carbon products expanded with active capital investment for the future. As a result, sales and profit increased from the previous fiscal year.

Business outlook

Demand in semiconductor-related markets is expected to persist over the medium to long term as IoT, AI, and next-generation communication networks become more prevalent. In the near term, we expect the business to expand due to robust demand for next-generation SiC power semiconductors for use in rapidly growing transportation equipment applications, such as electric vehicles, and in infrastructure applications, such as power generation facilities. We are actively undertaking capital investment to meet this demand.



Example application

PC semiconductor manufacturing components

Equipment used to manufacture silicon ingots for semiconductors requires a material that is resistant to heat and contains few impurities. Carbon is the only material that satisfies these requirements. It is utilized in various components of equipment such as heaters, insulators, structural materials, and jig materials.

Carbon product business

Artificial graphite electrodes

Artificial graphite electrodes are used as steelmaking electrodes, generating arcs when recycling steel scrap in electric furnaces. They do not melt even at furnace temperatures of roughly 1,500°C and are strong enough to withstand collisions with steel scrap inside the furnace. Not only do they support the steel industry, which is a key industry, but they also play a role in creating a recycling-oriented society. In addition, because electric furnaces emit less CO₂ than blast furnaces, steel production using artificial graphite electrodes helps contribute to carbon neutrality.



Business overview

In 2022, electric furnace crude steel production in Japan declined slightly from the previous year. Sales and profit decreased from the previous fiscal year. This resulted from inexpensive artificial graphite electrode imports, which hampered domestic price increases, as well as higher raw material and energy prices.

Business outlook

It is said that electric furnace steelmaking emits only a quarter of the CO₂ emissions of blast furnace steelmaking. The global trend toward a carbon-neutral society has resulted in the replacement of blast furnaces with electric furnaces and the establishment of specific plans to expand large electric furnaces. Based on such trends, we expect demand to increase in the future.



Example application

Steel frame material for buildings and structures

Artificial graphite electrodes are the only products in practical use that are suitable for use under the conditions within electric furnaces that melt down steel scrap for recycling. They are used in the production of H-beams, steel sheet piles, steel bars, and other steel products, providing behind-the-scenes support for the development of social infrastructure such as buildings, houses, and other living facilities, roads, and ports.

Business Outline

Carbon product business

Lithium-ion battery anode material

Lithium-ion batteries charge and discharge through the occlusion and release of lithium ions by graphite powder. They are used in electric vehicles, mobile phones, and other applications for their energy density, which outstrips that of other types of battery.



Silicon carbide product business

Silicon carbide fiber

Nicalon silicon carbide fiber is a unique and excellent material that combines the high strength and elastic modulus of ceramics and stability in high-temperature atmospheres with the flexible form of fibers. The use of Nicalon as a composite material together with ceramic and metal yields properties not achievable with existing materials.



Business overview

As was the case in the previous year, automobile production was adjusted in 2022 due to the shortage of semiconductors. Sales and profit decreased from the previous fiscal year as a result of weak anode material sales due to lower production of batteries for automotive applications and higher energy costs.

Business outlook

Demand for anode materials is expected to rise steadily as the lithium-ion battery market expands. However, competition over market share is intensifying due to the aggressive push of inexpensive Chinese-made anode materials. We will continue to provide high-grade anode material while working to secure new customers.



Example application

Battery anode material for electric vehicles and more

Lithium-ion batteries are used in electric vehicles. Anode materials, in particular, are one of the most indispensable materials for improving battery quality, and our product is a key material for the industries that will lead the next generation.

Business overview

The recovery of global economic activity and the easing of behavioral restrictions have led to a rally in demand in the aircraft industry. Sales increased compared to the previous fiscal year in conjunction with progress made on inventory adjustments by major customers. On the other hand, profit decreased due to higher energy costs and lower production efficiency arising from production adjustments.

Business outlook

State-of-the-art composites that use silicon carbide fiber are said to substantially improve fuel economy compared to existing materials. The aircraft industry is expected to see continued growth. Amid these circumstances, applications for advanced composite materials using silicon carbide fiber are expanding for the creation of a carbon-neutral society. As such, we expect demand to increase in line with future market growth.



Example application

State-of-the-art aircraft engine parts

Nicalon silicon carbide fiber is stable even in high-temperature atmospheres of hundreds of degrees above 1,000°C. Composite materials made from this fiber and ceramics are used in aircraft engine parts, enabling not only weight reduction of the aircraft body but also significant improvements in part durability and fuel efficiency.

Business Outline

Other businesses

Industrial equipment

Our RESBON impermeable graphite is made through the impregnation of artificial graphite with a special synthetic resin. Artificial graphite combines outstanding resistance to corrosion by chemicals, good thermal conductivity, and heat resistance with high airtightness. Many chemical plants use heat exchangers and absorbers made with RESBON for its resistance to chemical corrosion.



Research and development

Nippon Carbon is always tackling the challenge of developing new carbon products and materials, engaging in the research and development of products that meet diversifying market needs. Applications for carbon are steadily expanding against a backdrop of environmental issues and energy saving. Given this environment, we are actively engaging in research and development with the aim of extending existing technologies into other applications and creating new products in markets in which we have strengths.



Business overview

Demand for heat exchangers remained firm from the previous year under planned capital investments in the chemical industry and other basic industries. Sales and profit also increased from the previous fiscal year due to robust manufacturing and sales of general industrial equipment.

Business outlook

Demand for industrial equipment is expected to remain firm without significant fluctuations. At the same time, we believe that trends in the prices of materials and energy used in manufacturing may increase depending on social conditions. We will continue to review our manufacturing costs to establish a strong production base that is not affected by social conditions.

Business overview

Our laboratories shoulder the innovation functions that support sustainable growth for our existing products and that continue to create new business domains. With our laboratories at the center, we share information with universities and other research institutes, national and regional government bodies, and private sector companies while coordinating among our workplaces' technical departments to advance proprietary technological development.

Business outlook

Our research and development expenses in fiscal 2022 were ¥369 million. Our research and development activities are focused on industries related to energy saving and the electrification of automobiles. We are developing new products aimed at achieving a carbon-neutral society. To meet the diverse needs of our customers, we are also developing new technologies that lead to higher performance and reduced costs in existing products.



Example application

Components of petrochemical manufacturing equipment

The petrochemical industry produces a wide range of chemical products, from synthetic resins to synthetic fiber raw materials and synthetic rubber. In addition to resistance to chemical corrosion, carbon has good thermal conductivity, heat resistance, and high airtightness. For this reason, it is used as a component in heat exchangers and other equipment at petrochemical plants, where it ensures safety and peace of mind in the handling of hazardous chemicals under harsh conditions.



Initiatives for Society

We will achieve a company in which all employees can fully demonstrate their abilities and can engage in work with pride and motivation.

Respect for human rights

Human Rights Policy

With the understanding that our business activities may have direct or indirect impacts on human rights, we established the “Nippon Carbon Human Rights Policy” to clearly communicate our stance of respecting the human rights of all people involved in our business. Under this policy, we engage in initiatives that work toward respect for human rights.

1. Fundamental concepts

We support and respect international norms concerning human rights, including the International Bill of Human Rights and the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work. We engage in business activities in accordance with the United Nations Guiding Principles on Business and Human Rights. Specifically, we strive for respect for basic human rights; the prohibition of discrimination, harassment, and violence on the basis of race, nationality, gender, religion, creed, etc.; the promotion of diversity; the prohibition of child labor and forced labor (including human trafficking); the prohibition of unreasonable restrictions on movement; respect for freedom of association and collective bargaining rights in accordance with local laws and regulations; payment of wages equal to or above statutory wages to employees; prevention of overwork and provision of appropriate days off; the securing of occupational safety and health; the prevention of occupational accidents; and the protection of privacy.

Securing and training of human resources

Approach to human resource development

We employ diverse human resources regardless of gender, nationality, and other characteristics. Our aim is to develop human resources who set high personal goals and work with enthusiasm, even when faced with difficulties, to persevere in achieving those goals.

We promote communication that transcends organizations and generations and work to foster a corporate culture in which people can freely express their thoughts. We connect these actions to the energizing of our corporate activities and the achievement of our corporate goals.

2. Scope of application

The policy applies to all officers and employees of the Company. We also encourage our business partners to strive toward respect for human rights.

3. Human rights due diligence

We work to construct and implement human rights due diligence mechanisms for the purpose of identifying adverse impacts on human rights. If it becomes clear that our activities have caused or contributed to an adverse impact on human rights, we will work to prevent or mitigate those impacts.

4. Awareness-building activities

We will conduct continuous awareness-building activities to deepen our officers’ and employees’ understanding of international norms regarding human rights, and to enable them to respond appropriately to related issues.

5. Dialogue with stakeholders

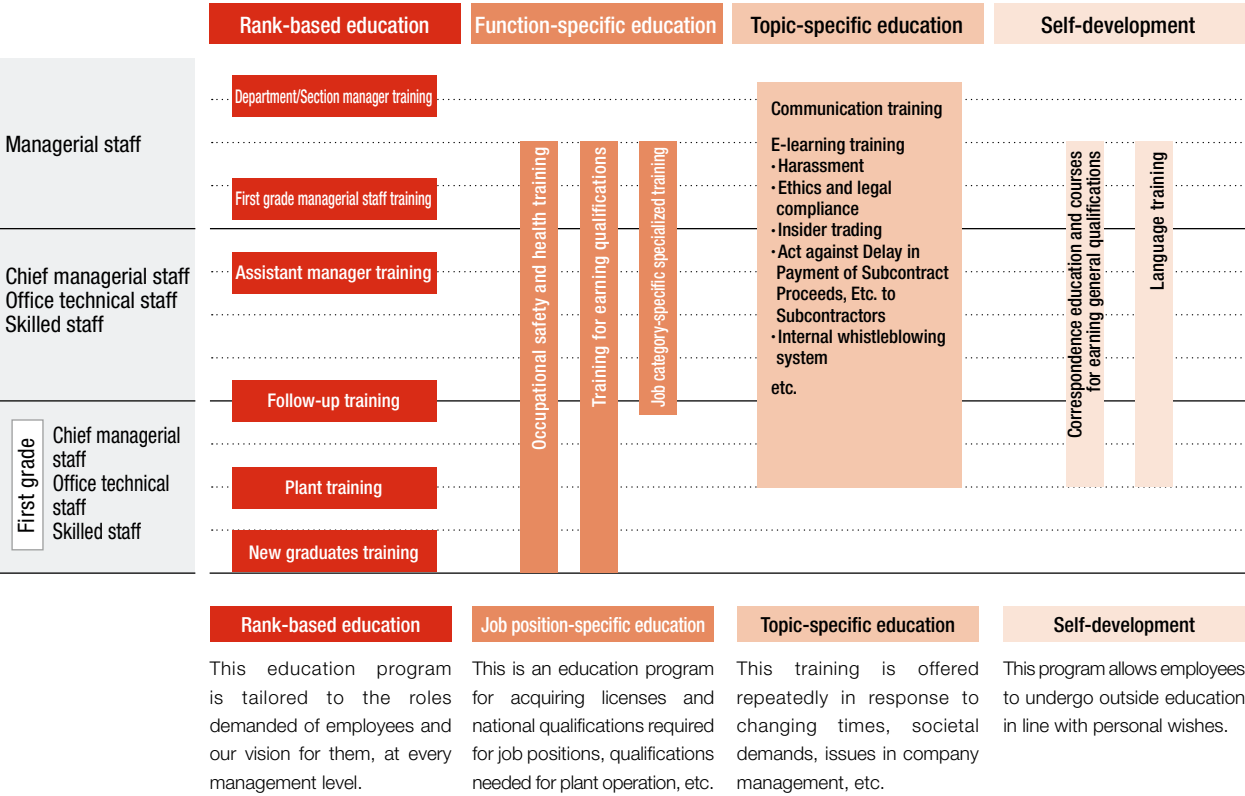
Through our website and other means, we will communicate information to stakeholders about the human rights initiatives. In our initiatives, we will make use of the human rights-related expertise of outside experts and will engage in dialogues with employees, suppliers, and other stakeholders whose human rights currently are or could be affected by our business activities.

6. Compliance with applicable laws and regulations, etc.
We will comply with national and regional laws and regulations that apply to our business activities. When contradictions exist between internationally recognized human rights and national laws and regulations, we will seek ways to respect international principles of human rights.

Education programs

Our Company offers wide-ranging rank-based training programs that span new graduates training to senior managerial staff training, matched to age and position. In addition to education programs for acquiring licenses and national qualifications required for job positions, in line with the current business environment we have introduced topic specific education programs to develop human resources capable of responding to anticipated future situations and a program that allows employees to undergo outside training in line with personal wishes.

Education programs



Promotion of diversity and inclusion

Approach to diversity and inclusion

To build a business structure capable of flexibly and speedily adapting to the rapidly changing market environment, we actively and continuously recruit and appoint diverse human resources that include women, foreign nationals, and others with varied work backgrounds. We are also developing workplace environments that allow all employees to fully utilize their capabilities and distinctive traits. Our selection criteria for managerial staff do not distinguish on the basis of gender or new graduates versus mid-career hires.

Active participation by women

In order to double the number of women in managerial staff positions as of fiscal 2021 by 2030, we are making every effort to recruit female managerial track employees who are candidates for managerial staff positions.

Support for work-life balance

We established our General Employer Action Plan to address matters related to employees’ work and childcare, as follows. Specifically, we have set and are working to meet targets for improving the percentage of men taking leave for childcare and for relaxing restrictions on the number of times that childcare leave is allowed.

Action Plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children

1. Period of plan

Two years from June 1, 2021 to May 31, 2023

2. Content

- Target 1** Improving the percentage of men taking leave for childcare
- ➡ 10% or more of male employees with children below elementary school age

Measures

- July 2021: Creation of a pamphlet with information on the program; distribution to employees

- Target 2** Relaxation of restrictions on number of times childcare leave can be taken

- ➡ Design of program that exceeds legal requirements

Measures

- From June 2021: Investigation of in-house needs; start of examination of program expansion
- From March 2022: Discussions with labor union
- December 2022: Implementation of program changes
- From March 2023: Implementation of program

Initiatives for Society

Achievement of comfortable workplace environments

Approach to work style reform (work style innovation, etc.)

Our Company will review the functions of its headquarters and other work sites to effect improvements aimed at a lasting and strong corporate constitution. We are also making efforts to enhance employee benefits, leaves, and training programs with the aim of raising work efficiency and creating a stress-free environment within the Company. We are actively promoting the use of maternity, childcare, and long-term care leaves, as well as return to work after gaps. We will strive to achieve workplace environments that consider work-life balance so that all employees can play active roles and grow, unbound by preconceptions and constraints.

Building a foundation for comfortable workplaces

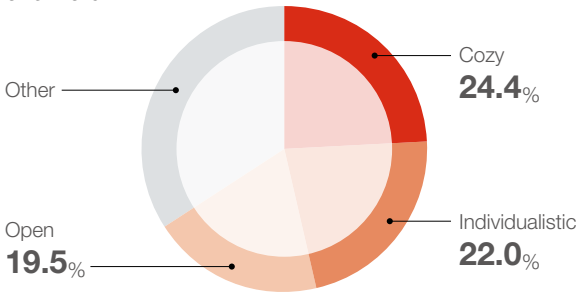
To create workplaces that facilitate work, we have established leave programs as follows.

Leave programs

- Annual paid leave: Acquisition rate 61.03%, Average number of days taken: 11.9 days (Fiscal 2022 results)
- Childcare leave: 6 persons (over the past 5 years)
- Long-term care leave: 0 persons (over the past 5 years)

In response to an in-house questionnaire concerning the workplace atmosphere, the top three descriptions were “cozy,” “individualistic,” and “open.”

How would you describe the workplace atmosphere in one word?



Programs to support balancing childcare/long-term care with work

Nippon Carbon makes efforts to support employees who balance work with childcare or long-term care so that they can keep working. Almost all female employees who experience childbirth take prenatal and postnatal maternity leave, and childcare leave afterward. We also support childcare by men, based on the action plan we put into motion in June 2021 to promote childcare leave for male employees. Moreover, we also introduced a flextime program and reduced working hours for employees who provide childcare or long-term care.

Maintenance and enhancement of occupational safety and health

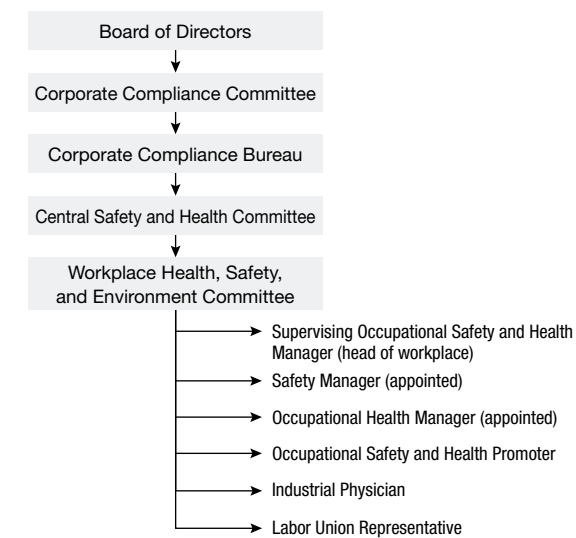
Occupational safety and health management policy

We aim to ensure the safety and health of employees at our workplaces through the promotion of comprehensive measures for the prevention of occupational accidents. We established a Central Safety and Health Committee that seeks to create comfortable workplace environments. Every year, this committee conducts surveys and deliberates on matters such as company-wide fiscal year policy regarding occupational safety and health, prevention of accidents and illness, and widening occupational safety and health awareness.

Occupational safety and health management structure

In order to systematize our organizations that carry out occupational safety and health activities and to implement efficient organizational management, we have established a Central Safety and Health Committee chaired by the President or by an Executive Officer.

Occupational safety and health management structure



Central Safety and Health Committee

The Central Safety and Health Committee enacts comprehensive measures for the prevention of occupational accidents and the creation of comfortable workplace environments.

Fiscal 2022 Central Safety and Health Committee Policy

1. Enhancement of safety awareness

- (1) Strengthening, tracking, and raising awareness of safety-first initiatives
(Improvement of sense of ownership and responsibility of managerial staff, staff, foremen, and subcontractor leaders)
- (2) Strengthening of safety education
 - Steady implementation of safety training at the time of hiring and reassignment and tracking of the status of practical application at work (Safety education for unskilled and foreign workers)
 - Education and securing of the safety of workplace equipment and tasks by employees (Promotion of education using risk assessment for managerial staff, staff, and relocated personnel, as well as training on equipment functions and safety devices in their workplaces)

2. Strengthening of proactive safety activities

- (1) Effective use of risk assessments and establishment at work sites
(Promotion of disaster and near-miss prevention through re-inspection of risk measures identified in risk assessments, etc.)
(Transition from administrative measures to proactive promotion of engineering-based solutions for improvements)
*Deletion of risk assessment patrol items
(Sharing and improvement of awareness of hazardous areas and unsafe behaviors through risk assessment patrols)
- (2) Strengthening of hazard prediction activities
 - Thorough implementation of pre-work hazard prediction and toolbox meetings (Always perform for non-routine work as well)
- (3) Establishment of 4S through normalization of 3S activities

3. Promotion of health and hygiene management

- (1) Tracking of health checkup results and enforcement of secondary checkups
- (2) Initiatives aimed at comfortable workplace environments
 - Thorough management of overtime and holiday work to prevent long working hours
 - Ongoing initiatives to combat infectious diseases
- (3) Promotion of health management for elderly workers
 - Promotion of measures to reduce physical exhaustion and loss of concentration (rest, replenishment, etc.)

Occupational safety and health activities

As one of the activities of the Central Safety and Health Committee, we conduct study sessions on laws, regulations, and everyday management related to occupational safety and health for managerial and other staff. For young and inexperienced employees in particular, we use the New Occupational Safety and Health Guidebook, created independently by the Central Safety and Health Committee, as a part of our efforts to prevent occupational accidents.

In addition, we continue to implement initiatives to improve hygiene awareness from the standpoint of preventing the spread of infectious diseases.

Occupational safety and health management measures

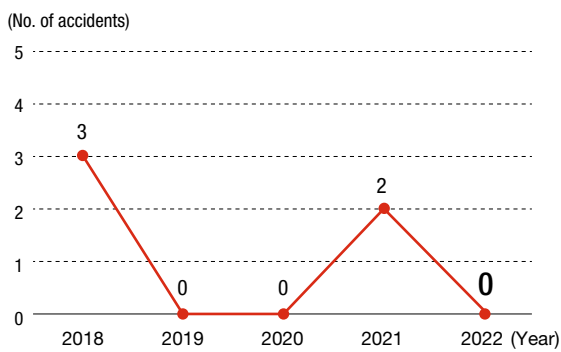
Our Company engages in activities based on the Central Safety and Health Committee Policy. Working primarily through individual plants' Central Safety and Health Committees, we create and implement action plans that cover how each policy measure will be put into operation.

Our Central Safety and Health Committee also conducts safety audits of the implementation status of safety management systems and safety activities at plants. When occupational safety and health activities are found to be inadequate, we enact management measures that require the ongoing submission of improvement plans and training records.

Occupational safety and health activities at plants

Based on our Central Safety and Health Policy, our plants establish Plant Occupational Health, Safety, and Environmental Management Regulations that specify the content and methods of operation of activities with consideration of the living environment of local communities, the assurance of employees' safety and health, and the prevention of industrial accidents. Plant Health, Safety, and Environment Committees, chaired by plant managers, meet monthly to report and deliberate on occupational safety and health matters. The results of these meetings are communicated throughout the plants.

Changes in number of occupational accidents



* Nippon Carbon Co., Ltd. (non-consolidated) (leave from work of 4 days or longer).

Initiatives for the Environment

We fully realize that the Company operates in an industry that consumes a lot of energy and resources and is not able to survive without co-existence and co-prosperity with the surrounding areas. In order to hand over the home of all humankind, in other words, the Earth, to the next generations, the Environmental Philosophy has been established and environmental management activities are encouraged.

Environmental Philosophy

Nippon Carbon pursues technologies in harmony with the environment and aims at realizing a society that allows affluent, fruitful lives.

Environmental Policy

Based on the Environmental Philosophy, we define the Environmental Policy that acts as the driving force to maintain and improve environmental performance by constructing and modifying the environmental administration system, and thus develops its activities.

Enhancement and strengthening of environmental management structure

The organization to conduct environmental conservation activities is systematized for maintenance and improvement of the Environmental Management System so that eco-friendly corporate activities are deployed.

Compliance with environment-related laws and regulations

Laws, regulations, ordinances, regional agreements, and other rules related to the environment are complied with to prevent pollution and destruction of the natural environment.

Environmental management structure

Based on our Environmental Philosophy, we make efforts to maintain and improve environmental performance by constructing and modifying the environmental administration system, and thus develop its activities. We have constructed organizations with clearly defined roles, responsibilities, and authorizations based on the ISO 14001 international standard for environmental management systems, and engage in efficient operation of the organizations. The Environment Committee is convened at least once a year. The plant general manager of each plant participates in the meeting to review the appropriateness and effectiveness of work sites' environmental management systems and to follow up activities to control global warming.

Promotion of environmental education and social contribution activities

In order to raise environmental awareness, all employees are educated about environmental management and they also participate in environmental conservation activities, aiming at coexistence with the local community for protection of the environment in the area and for improvement in communication.

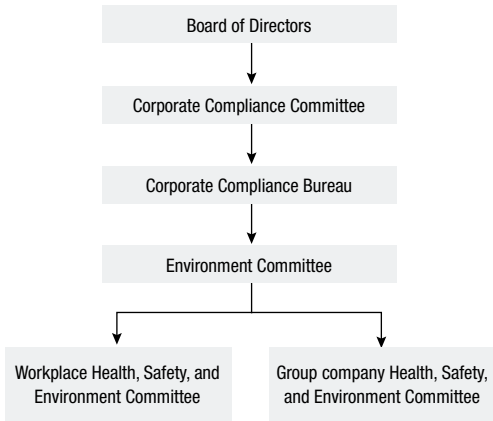
Encouragement of environmental conservation activities

We aim to prevent air, river, and soil contamination and pollution in the form of odor and noise, and to reduce volumes of industrial waste.

Promotion of efficient use of resources and energy

The amount of resources and energy to use is reduced.

Environmental management structure



Development of technologies and products in harmony with the environment

Fine carbon

The Nippon Carbon Group's fine carbon finds wide use in manufacturing processes for solar power generation, LEDs, semiconductors, electric vehicle parts, and other indispensable inputs for the achievement of a carbon neutral society. Fine carbon demand from cutting-edge fields is expected to further increase. We continuously engage in the development of new materials for energy saving, drawing on the many years of experience. Through the supply of fine carbon, the Nippon Carbon Group is contributing to the creation of a carbon neutral society.



Artificial graphite electrodes

Artificial graphite electrodes are used as electrodes in electric furnaces that melt and recycle steel scrap. Through this reuse, electric furnace-based steelmaking contributes to the creation of a recycling-oriented society. The furnaces also produce only a quarter of the CO₂ emissions of blast furnaces, contributing to the reduction of CO₂. In Japan and overseas, production is shifting from blast furnaces to electric furnaces. Through the supply of artificial graphite electrodes, the Nippon Carbon Group will contribute to the creation of a sustainable society.

Silicon carbide fiber

Nicalon silicon carbide fiber is a ceramic fiber that maintains outstanding strength and elasticity even in atmospheres hundreds of degrees above 1,000°C. Composite materials made from Nicalon and ceramics are used in aircraft engines, contributing to a 15% improvement in fuel efficiency.

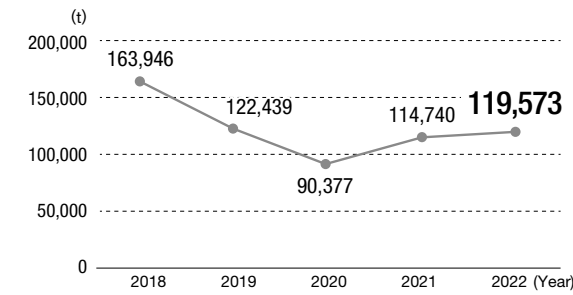
The International Civil Aviation Organization has adopted a 2% annual average fuel efficiency improvement between 2020 and 2050 as a global reduction target. Nicalon silicon carbide fiber is an indispensable material in achieving this target.

Contribution to a decarbonized society

Emissions of greenhouse gases are generally proportional to energy inputs. Our Company has set targets for energy intensity and works to improve our energy efficiency.

We will continue to improve production processes and introduce highly energy-efficient equipment, with a 1% annual reduction in energy intensity as our reduction target.

Greenhouse gas emissions



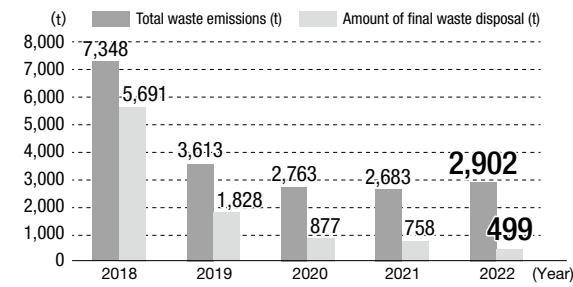
* The targeted scope is all production sites and laboratories of the Nippon Carbon Group (excluding Nippon Kormmeyer Carbon Group GmbH).

Contribution to a recycling based society

Every plant sets target values for waste intensity and works to reduce waste. 5R activities include recycling of carbon materials generated in production, reuse initiatives, conversion of waste tar into fuel, and other activities that lead to a recycling-oriented society.

We use water resources primarily for cooling heat treatment furnaces such as firing furnaces and graphite furnaces. We continue undertaking initiatives to effectively minimize water input, through means such as the use of circulation equipment. We also control emissions concentration and water pollution load, which are regulated items under the Water Pollution Prevention Act, to keep these well below the regulatory values.

Amount of final waste disposal



* The targeted scope is all production sites and laboratories of the Nippon Carbon Group (excluding Nippon Kormmeyer Carbon Group GmbH).

Corporate Governance

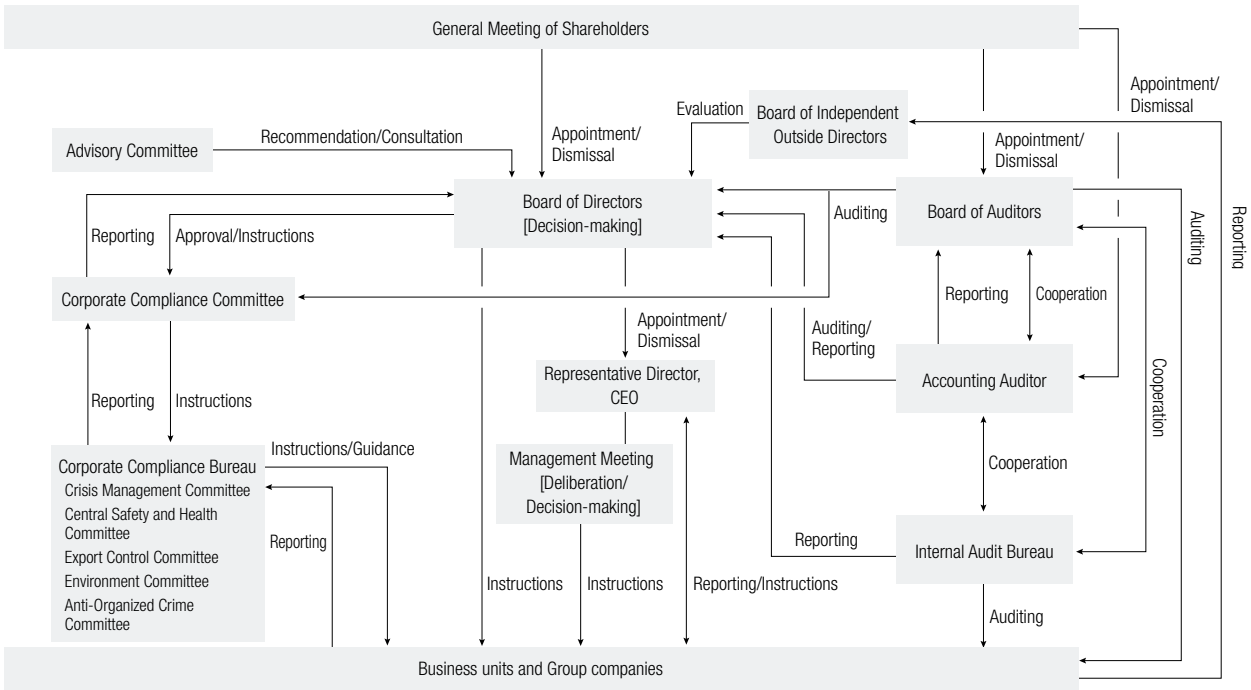
The Nippon Carbon Group aims to achieve its Management Philosophy and recognizes that sustainable growth and enhancement of its corporate value will lead to the maximization of stakeholder interests.

Toward this end, we are working to strengthen our corporate governance to ensure transparency and fairness in our management.

Corporate governance structure

The Nippon Carbon Group will continually work to enhance our corporate governance. From a perspective of stakeholder interests, sustainable growth of the Company, and enhancement of our corporate value, we view ensuring transparency and fairness in decision-making and increasing management vitality through quick and resolute decision-making as central to corporate governance. We are making efforts to strengthen our corporate governance in line with the following basic policies.

- (1) Respect the rights of shareholders and secure their equal treatment.
- (2) Consider the interests of stakeholders including shareholders and cooperate appropriately with the stakeholders.
- (3) Properly disclose the Company's information and ensure transparency.
- (4) Make the Board of Directors' supervision function for business execution effective.
- (5) Through the realization of the Management Philosophy, aim to increase sustainable corporate value and engage in constructive dialogue with shareholders and investors that have investment policies that align with the Management Philosophy.



Overview of organizations

Board of Directors

The Board of Directors consists of Directors who possess skills pertaining to management, global business, legal affairs, and other matters, with half of said Directors appointed as Independent Outside Directors.

The Board of Directors determines basic management policy, receives reports on important matters, and executes the duties of the Board of Directors.

We evaluate the effectiveness of the Board of Directors once a year, confirming and improving its effectiveness through the PDCA cycle.

Management Conference

Management conference is composed primarily of Directors, Auditors, and Executive Officers. It deliberates and issues resolutions on proposals for discussion, following policies decided by the Board of Directors. By delegating wide-ranging authority to the Management Committee, we have established a structure that enables prompt decision-making.

Board of Auditors

Our structure is that of a company with a Board of Auditors, which in principle meets once a month. The audit by the Auditors is conducted by three members with one full-time Auditor and two part-time Auditors (two outside) and is held based on the audit policy and audit plan formulated at the Board of Auditors. Therefore, Board of Auditors play roles in strengthening our auditing structure from an independent standpoint.

Auditors conduct an audit of the legality and validity of Directors' decision-making and execution of the duties mainly by attending meetings of the Board of Directors and other important meetings, hearing opinions from Directors and viewing important approved documents.

Advisory Committee

The Advisory Committee aims to ensure the objectiveness and transparency of the process of determining the amounts of remuneration to Directors as well as of appointing and dismissing Directors. The Advisory Committee consists of a majority of Independent Outside Directors to ensure its independence.

Accounting audits, Accounting Auditor

Deloitte Touche Tohmatsu LLC has been appointed as Accounting Auditor and conducts an accounting audit.

Corporate Compliance Committee





Viewing thorough compliance with ethics and laws as a basic principle of management, Nippon Carbon strictly complies with all laws, regulations, and rules. In order to engage in sincere and fair corporate activities without violation of social norms, we have established the "Basic Policy on Ethics and Compliance" and the "Nippon Carbon Code of Conduct." Primarily through the Corporate Compliance Committee, we work to establish ethical and legal compliance throughout the Group. In addition to legal compliance, we have established structures to enforce risk management and to enhance transparency for shareholders, business partners, communities, and other stakeholders.

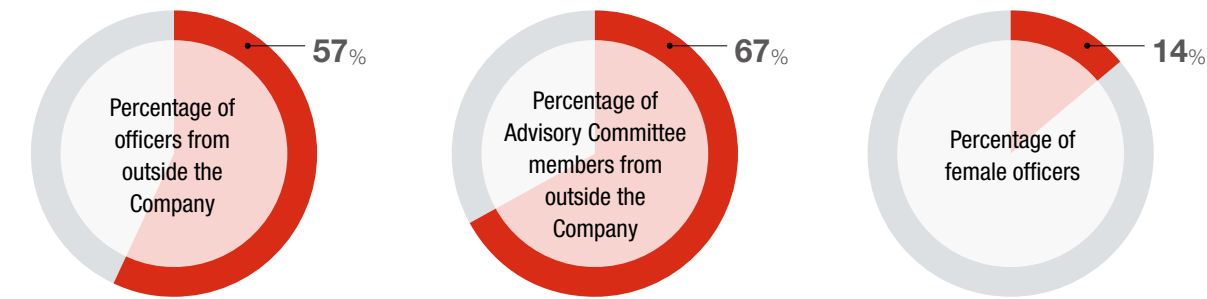
Internal Audit Bureau




The Internal Audit Bureau that directly reports to the top management has been established to enhance the internal audit system of the Nippon Carbon Group. The Internal Audit Bureau draws up an annual audit plan, and in accordance with the plan, conducts an internal audit of the appropriateness of the business process and the reliability of financial reporting at each organization within the Group. The Internal Audit Bureau conveys audit results to departments subject to auditing, checks improvement status, and reports the results of follow-up audits to the Board of Directors. The Internal Audit Bureau strives to achieve an effective audit by cooperating with Accounting Auditor as necessary as well as regularly providing an audit report to and exchanging information with the Board of Auditors.

Corporate Governance

List of Officers

	Representative Director and Chairman Yoshiji Motohashi	<div>Apr. 1972</div> <div>Oct. 2008</div> <div>Mar. 2009</div> <div>Jan. 2011</div> <div>Jan. 2013</div> <div>Feb. 2014</div> <div>Mar. 2015</div> <div>Jan. 2017</div> <div>Joined the Company</div> <div>Corporate Officer and Plant Manager, Shiga Plant, Production Engineering Department</div> <div>Director and Plant Manager, Shiga Plant, Production Engineering Department</div> <div>Managing Director and Plant Manager, Toyama Plant, Production Engineering Department</div> <div>Managing Director; Senior General Manager, Production Engineering Department; and General Manager, Production Engineering Division</div> <div>Senior Vice President and Representative Director; Senior General Manager, Production Engineering Department; and General Manager, Production Engineering Division</div> <div>Senior Vice President and Representative Director; Senior General Manager, Production Engineering Department; General Manager, Production Engineering Division; and Senior General Manager, Development Department</div> <div>Representative Director, Chairman (to present)</div>
	Representative Director and CEO Takafumi Miyashita	<div>Jun. 1992</div> <div>Jan. 2011</div> <div>Nov. 2011</div> <div>Jan. 2012</div> <div>Mar. 2012</div> <div>Jan. 2013</div> <div>Sep. 2013</div> <div>Jan. 2015</div> <div>Jan. 2016</div> <div>Jan. 2017</div> <div>Joined the Company</div> <div>Corporate Officer; General Manager, FC Sales Division I, Sales Department; and Branch Manager, Osaka Branch</div> <div>Corporate Officer; General Manager, FC Sales Division I and General Manager, FC Sales Division II, Sales Department; and Branch Manager, Osaka Branch</div> <div>Corporate Officer; Assistant Senior General Manager, Sales Department; General Manager, FC Sales Division I; and General Manager, FC Sales Division II</div> <div>Director; Assistant Senior General Manager, Sales Department; General Manager, FC Sales Division I; and General Manager, FC Sales Division II</div> <div>Director; Senior General Manager, Sales Department; General Manager, FC Sales Division I; and General Manager, FC Sales Division II</div> <div>Director; Senior General Manager, Sales Department; and General Manager, FC Sales Division I</div> <div>Managing Director; Senior General Manager, Sales Department; and General Manager, FC Sales Division</div> <div>Senior Managing Director and Senior General Manager, Sales and Corporate Planning Department</div> <div>Representative Director, CEO (to present)</div>
	Outside Director Takeo Kato	<div>Apr. 1975</div> <div>Sep. 2006</div> <div>Sep. 2013</div> <div>Sep. 2018</div> <div>Mar. 2020</div> <div>Joined ULVAC, Inc. (formerly Japan Vacuum Engineering Co., Ltd.)</div> <div>Director of ULVAC, Inc.</div> <div>President and Chief Executive Officer of ULVAC TOHOKU, Inc.</div> <div>Advisor of ULVAC, Inc.</div> <div>Outside Director (to present)</div>
	Outside Director Yuriko Katayama	<div>Oct. 2000</div> <div>Apr. 2005</div> <div>Sep. 2009</div> <div>Apr. 2010</div> <div>Sep. 2020</div> <div>Mar. 2022</div> <div>Admitted as attorney (Japan)</div> <div>Admitted as attorney (State of New York, USA)</div> <div>Established Takahashi & Katayama</div> <div>Officer Attorney, Office of International Affairs, Japan Federation of Bar Associations</div> <div>Director, Office of International Affairs, Japan Federation of Bar Associations (to Dec. 2022)</div> <div>Outside Director (to present)</div>



	Auditor Atsushi Miyazaki	<div>Apr. 1982</div> <div>Apr. 2015</div> <div>Jan. 2017</div> <div>Jan. 2020</div> <div>Mar. 2020</div> <div>Joined the Company</div> <div>General Manager of FC Sales Division</div> <div>Executive Officer, General Manager of FC Sales Division</div> <div>Counselor, General Manager of FC Sales Division</div> <div>Auditor (to present)</div>
	Outside Auditor Mitsuo Sasaki	<div>Sep. 1980</div> <div>Sep. 1984</div> <div>Oct. 1984</div> <div>Mar. 2015</div> <div>Admitted as Certified Public Accountant</div> <div>Admitted as Certified Tax Accountant</div> <div>Established Sasaki Mitsuo Certified Public Accountant Office</div> <div>Outside Auditor (to present)</div>
	Outside Auditor Yoshikazu Tanaka	<div>Apr. 1971</div> <div>Mar. 2006</div> <div>Mar. 2009</div> <div>Mar. 2022</div> <div>Joined the Company</div> <div>Director</div> <div>Retired as Director</div> <div>Outside Auditor (to present)</div>

Director Skill Matrix

Name	Director				Auditor		
	Representative Director, Chairman Yoshiji Motohashi	Representative Director, CEO Takafumi Miyashita	Director Takeo Kato	Director Yuriko Katayama	Auditor Atsushi Miyazaki	Auditor Mitsuo Sasaki	Auditor Yoshikazu Tanaka
Capabilities possessed by the Director	Corporate management	●	●	●			
	Business planning		●	●			
	Global business		●		●		
	Legal affairs and governance				●		
	Sales and marketing		●				
	Manufacturing and technology	●		●			
	Research and development	●					
Other information	Independent officer		●	●		●	●
	Advisory Committee	●	●	●			
	Rate of attendance at Board of Directors meetings (FY2022)	18/18	18/18	18/18	13/13	18/18	18/18
	Rate of attendance at Board of Auditors meetings (FY2022)				19/19	19/19	14/14
	Number of shares held (hundreds)	84	23	—	—	6	5
Term of office		2017/1—	2017/1—	2020/3—	2022/3—	2020/3—	2015/3—
							2022/3—

Corporate Governance

Evaluation of the effectiveness of the Board of Directors

Overview

The Company analyzes and evaluates the effectiveness of the Board of Directors, utilizing such analysis and evaluation to improve the future operation of the Board of Directors with the aim of increasing sustainable growth and long-term corporate value. As one of the measures, the Company provides an evaluation and feedback questionnaire to each Director and Auditor about the operation of the Board of Directors and other topics once or more a year in principle.

Evaluation process

In fiscal 2022, we adopted the same questionnaire method as in the previous year and conducted the questionnaire and self-evaluation in the manner described below.

- (1) Evaluation period: January 2022 to December 2022
- (2) Response period: January 13 to January 20, 2023
- (3) Respondents: Seven Directors and Auditors in total
- (4) Overview: Evaluation for each question (on a five point scale) and additional comments

Questionnaire items

- (1) Roles and functions of the Board of Directors
- (2) Composition and size of the Board of Directors
- (3) Operation of the Board of Directors
- (4) Cooperation with audit organizations
- (5) Relationship with Outside Directors
- (6) Relationship with shareholders and investors

Each question has an additional comment space, calling for a wide range of opinions.

Evaluation

Based on the questionnaire results, the Company has analyzed the effectiveness of the Board of Directors and judged that it is mostly ensured. In particular, the Company recognizes that the proceedings of the meetings of the Board of Directors and its cooperation with audit organizations are its strengths. On the other hand, issues identified to further enhance the effectiveness of the Board of Directors are described below.

- (1) Expansion of discussion to ensure the diversity of the Board of Directors
- (2) Expansion of discussion about the allocation of management resources
- (3) Ensuring and enhancing information that contributes to discussions by Outside Directors

Based on this evaluation, the Company will work to further enhance the provision of information that contributes to discussions by Outside Directors, expand opportunities for discussions on the composition and diversity of the Board of Directors, and expand opportunities for discussions on human resource strategy and business portfolio management, with the focus on the increasing importance of risk management.

performance and increased corporate value. The system seeks to do so by having Directors share the risk of stock price declines with shareholders, as well as benefit from rises in stock price.

The validity of the remuneration calculated for officers is examined by the Advisory Committee. Amounts are decided by the Board of Directors or the Board of Auditors following consultation with the Advisory Committee.

Remuneration for Auditors

In light of their duties, Auditors are paid only a fixed basic remuneration and fixed bonuses.

Messages from Outside Directors



Outside Director

Takeo Kato

Advice on enhancement of corporate value and monitoring of management

I recognize that providing counsel regarding the enhancement of corporate value from an objective standpoint and monitoring management from the perspective of governance are the roles of an Outside Director. I strive to strike a balance between the two.

Enhancing corporate value requires strengthening of profitability that is unaffected by market conditions, market growth potential, and other aspects of the environment. I believe that in the manufacturing industry in particular, improvement of yields and work efficiency is necessary for strengthening profitability. Toward that end, we have to abandon the idea that our current production methods and production structure are fine. When I make inspection visits to production plants, I always try to provide advice and suggestions based on the objective viewpoint and experiences that I have gained in the manufacturing industry, although in a different sector. I hope that this provides an opportunity for employees to have insights, to think, and to act.

I also recognize that the strengthening of governance is directly connected to the enhancement of corporate value. I will do my utmost to utilize my management experience and knowledge to satisfy the Company's stakeholders.



Outside Director

Yuriko Katayama

Paying attention to initiatives for the global environment and diversity

I was appointed as an Outside Director in March 2022. Outside Directors are expected to monitor management and voice the views from an outside perspective. The Company's Board of Directors is in an atmosphere that encourages exchanging candid questions and thought while maintaining a sense of tension.

The BREAKTHROUGH 2024 Mid-term Management Policy calls for three pillars: (1) business structural reforms with an awareness of carbon neutrality and DX, (2) improvement aimed at a lasting and strong corporate constitution, and (3) promotion of ESG management. All of these are supported by the strong demands of the time. Among them, carbon neutrality and the environment are globally expected to tackle with as important issues of corporate social responsibility. I will pay a special attention to how the Company addresses these matters in its management. I will also pay attention to business restructuring and diversity initiatives to address domestic and international events, including the situation in Ukraine.

I will monitor the Company's management and corporate governance, actively speak out on items of concern, and contribute to the enhancement of corporate value as an Outside Director.

Compliance

Our Company makes ethics and legal compliance a basic principle of management.

We have formulated and implement the “Basic Policy on Ethics and Compliance” and the “Nippon Carbon Code of Conduct” to ensure sincere and fair corporate activities and to create a company that is trusted by business partners, shareholders, communities, and other stakeholders.

Basic Policy on Ethics and Compliance

1. We will contribute to society through the provision of outstanding products and services.

- As a pioneer in Japan’s carbon industrial field and as a leading company, we recognize our social responsibilities and will engage in sound corporate activities.
- By making every effort to develop carbon and peripheral technologies that hold infinite possibilities, we will do our utmost to contribute to society by providing world-class products and services tailored to the needs of the market.

2. We will observe laws and other social norms and will engage in fair and sound corporate activities.

- We will engage in corporate activities on the basis of laws, social norms, and social sensibilities.
- We will practice fair and sincere corporate activities based on principles of self-responsibility.
- We will engage in corporate activities that conform to the rules of international society and will aim for further development as a global company.
- We will take a resolute stance against any individuals or groups that adversely affect the social order and sound corporate activities.
- When a conflict exists between interests and ethics, we will always favor ethics.
- We will not engage in fraudulent accounting practices or false reporting.

3. We will respect the character and individuality of our employees and will achieve comfortable and rewarding workplace environments.

- We will value the autonomy and creativity of every employee and will foster a corporate culture that makes use of these qualities in our corporate activities.
- We will protect the safety of workplaces and the health of employees, will respect human rights, and will ensure sound workplace environments free of discrimination.

4. We will respect the standpoints of stakeholders.

- We will strive to maintain sound and positive relationships with a wide-ranging areas of society, including customers, business partners, employees, and shareholders.

5. We will strive to be a good corporate citizen that contributes to society.

- We will closely coordinate and cooperate with local communities so that we can play a role in community development.
- In today’s age of globalization, we will respect the world’s differing cultural traditions and customs.

6. We will contribute to the conservation of the global environment and the creation of a prosperous and livable society.

- We recognize that we receive the resources required in our business activities and many other benefits from the Earth, and that we bear a duty to leave the global environment in a better state.
- We will tackle the challenge of creating a more prosperous society for future generations.

Nippon Carbon Code of Conduct (Overview)

Compliance with laws, regulations, and rules	Matters concerning the maintenance and promotion of fair and free competition	
	Matters concerning the exclusion of anti-social forces	
	Sound relationships with politics and government (particularly civil servants)	
	Matters concerning disclosure of information	
Promotion of business activities	Matters concerning safety and the provision of outstanding products and services	Matters concerning production Matters concerning sales Matters concerning research and development Matters concerning product safety
	Matters concerning sound and positive relationships with business partners and other parties	Relationships with sales partners Relationships with suppliers Relationships with affiliated companies and partner companies Relationships with government agencies, local government bodies, and other public organizations
	Matters concerning the protection of intellectual property rights	Handling of trade secrets belonging to the Company Handling of the intellectual property rights of other companies
Relationships between the Company and its employees	Matters concerning the character and individuality of employees	
	Matters concerning respect for privacy	
	Matters concerning respect for human rights and the prohibition of discriminatory treatment	
	Achievement of safe and healthy workplace environments	Eradication of occupational accidents
	Matters concerning awareness of everyday information management	
	Matters concerning respect for company property	
Relationships between the Company and society	Matters concerning the prohibition of acts in conflict of interest	
	Our responsibility to local communities	
	Matters concerning conservation of the global environment	
Matters concerning violations of the Standards of Conduct		

Ethics and legal compliance structure

Which is composed of Directors and Auditors and is chaired by the President. The committee works to solve and make improvements to varied issues related to compliance, and is building a structure to reflect this in our everyday corporate activities.

We have further placed a Corporate Compliance Bureau directly under the committee. In addition to conducting supervision and management that cuts across all departments, this office has set up direct points of contact for consultations, investigates irregular matters, implements corrective measures, and checks the status of compliance.

Ethics and legal compliance structure



Whistleblowing system

In order to take appropriate actions in response to reports and requests for consultation regarding internal and external whistleblowing involving the public interest, and to promptly correct improper acts and promote compliance, we set up a consultation and reporting helpline within the Company. The privacy of persons making reports or requesting consultation is respected, and no personnel-related or other unfavorable treatment is meted out to these persons.

System mechanisms spanning consultations to remedies



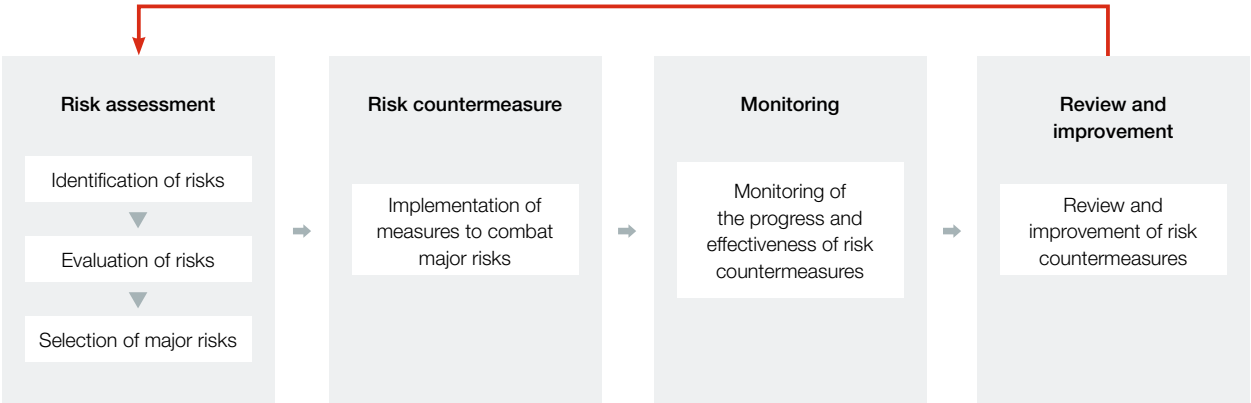
Risk Management

As the risks surrounding our business become ever more diverse and complex, the Nippon Carbon Group is working to build a management structure capable of responding to risks.

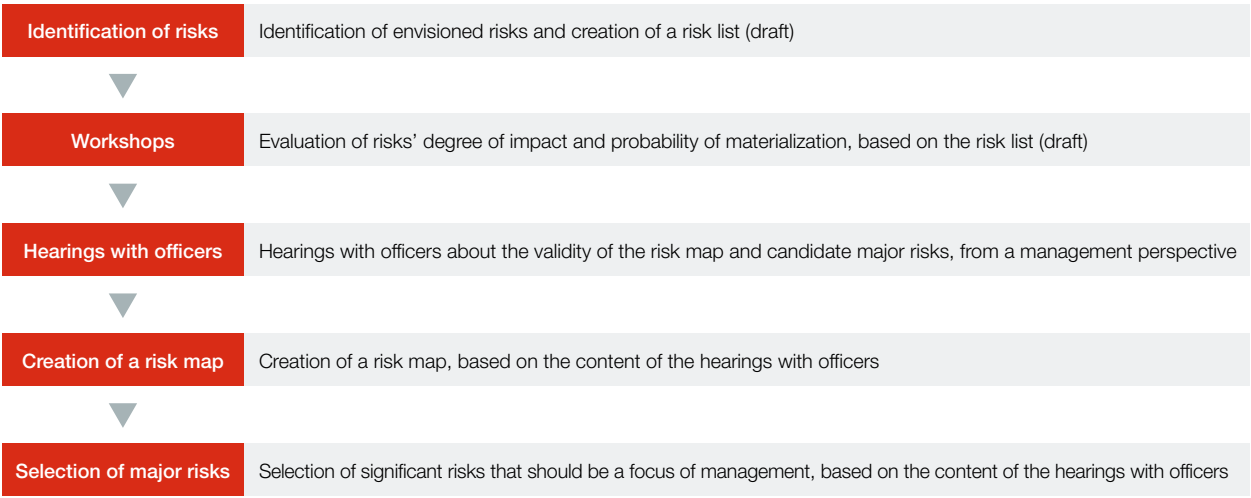
The Nippon Carbon Group comprehensively identifies risks envisioned in the course of carrying out our business, evaluates each risk's degree of impact on the Nippon Carbon Group and the possibility of its materialization, and identifies major risks. We further enact measures to control the possibility of identified major risks materializing and to minimize impact when risks do materialize. We also monitor the progress and

effectiveness of risk countermeasures, and undertake reviews and improvements related to countermeasures. In 2022, when forming a capital and business alliance with SEC Carbon, we worked to establish a business continuity system for artificial graphite electrodes as part of our business continuity planning (BCP) in preparation for crises such as natural disasters and infectious diseases.

Risk management cycle



Risk assessment flow



Overview of major risks and status of countermeasures

Major risks	Overview of risks	Risk countermeasures
Difficulties in the sourcing of specific raw materials	Risk of inability by the Company to provide materials to customers due to the discontinuation of manufacturing of specific raw materials	<ul style="list-style-type: none">• Diversification of raw material suppliers• Collection of information on countries and companies where sourcing is performed• Selection of alternative raw materials• Securing of inventory in line with degree of importance
Fire and explosion	Risk of a major fire or explosion at a plant resulting in suspension of production due to damage to buildings, destruction of production equipment, injury or death to employees, etc.	<ul style="list-style-type: none">• Formulation of facility maintenance plans and promotion of self-maintenance• Formulation of emergency response manuals and implementation of drills
Quality falsification/Quality defects	Risk of the occurrence of falsification of quality inspection results or delivery of products that do not meet quality standards, etc., resulting in a loss of corporate credibility and termination of transactions	<ul style="list-style-type: none">• Formulation of quality control manuals• Implementation of internal audits• Thorough management of data related to quality control
Revision and strengthening of laws, regulations, etc.	Risk of restrictions on manufacture and sales of products due to revisions to and strengthening of laws and regulations	<ul style="list-style-type: none">• Proper collection of information on laws and regulations
Outbreaks of contagion/disease	Risk of employees being unable to go to work due to outbreaks, and suspension of production	<ul style="list-style-type: none">• Operation of the Crisis Management Committee• Implementation of telework and staggered working hours• Online meetings• Formulation of a response manual for outbreaks of contagion
Recruitment difficulties, delays in human resource development, and outflow of human resources	Risk of inability to proceed with recruitment of talented human resources according to expectations due to recruitment difficulties, risk of medium- to long-term human resource development not progressing according to plans, and risk of hindrances to work due to increased turnover rate, etc.	<ul style="list-style-type: none">• Rank-based and topic-specific training• Regular interviews with employees
Earthquakes, tsunamis	Risk of a massive earthquake occurring in a region where our workplaces or production sites are located, resulting in suspension of production due to damage to buildings, damage to production equipment, injury or death to employees, etc.	<ul style="list-style-type: none">• Operation of the Crisis Management Committee• Securing of emergency power supplies• Operation of safety confirmation rules and safety confirmation system• Decentralization of production sites
Cyberattacks	Risk of losing the trust of customers and the public due to cyberattack-based leaks of confidential information on customers and the Company	<ul style="list-style-type: none">• Construction of defenses against unauthorized access, backup of data, and other safety measures implemented at appropriate and rational levels• Cautions to employees regarding handling of targeted email attacks, etc.• Formulation of security policy

Risk Management

Response to climate change

Based on our recognition that the Nippon Carbon Group is part of an industry that consumes large quantities of energy and resources, we have identified “Contribution to a decarbonized society,” “Contribution to a resource recycling-based society,” and “Adaptation to climate change” as a materiality (i.e., priority issues), and are advancing initiatives to minimize climate change risks. We have also set “Development of technologies and products in harmony with the environment” as a materiality, in the aim of the achievement of a sustainable society.

As an initiative to achieve this, the Nippon Carbon Group conducts scenario analyses based on the framework of recommendations from the Task Force on Climate-related Financial Disclosure. We evaluate the impacts of the risks and opportunities that climate change will have on our business activities, and consider countermeasures.

Governance and risk management

The Nippon Carbon Group conducts scenario analyses of the risks and opportunities that climate change will bring, and evaluates their degree of impact on the Group.

When scenario analysis evaluates risks and opportunities as presenting a high degree of impact, we incorporate these into our risk management cycle and, acting under top management, examine and implement countermeasures and monitor their effectiveness.

Overview of scenarios

Overview		Reference
Under-2°C scenario	Scenario in which atmospheric temperature rise is constrained to less than 2°C from the pre-industrial level.	International Energy Agency (IEA) Sustainable Development Scenario (SDS), etc.
	To achieve sustainable development goals, including those of the Paris Agreement, strict laws and regulations are introduced and large-scale investments in environment related technologies are made.	
4°C scenario	Scenario in which atmospheric temperature rises 4°C or more from the pre-industrial level.	United Nations Intergovernmental Panel on Climate Change (IPCC) RCP8.5, etc.)
	The introduction of environment-related laws and regulations is delayed and floods, storm surges, and other weather anomalies increase as greenhouse gas emissions go uncontrolled.	

Strategy

To analyze the impact of climate change on our business activities, we conducted climate change scenario analyses. The scenario analyses identified the risks and opportunities expected in 2030 under two scenarios: one in which decarbonization is achieved (under 2°C scenario) and one in which climate change progresses (4°C scenario). We then evaluated the degree of impact on the Nippon Carbon Group.

In the under-2°C scenario, transition risks that are expected to have major impacts include carbon pricing, equipment upgrade expenses to comply with environmental regulations, and increased costs of oil and coal-derived raw materials and fuels.

Physical risks expected to have major impacts in the 4°C scenario include increased damage to plants due to typhoons, heavy rains, flooding, and storm surges.

The main expected opportunities include increased demand for Nippon Carbon Group products that contribute to decarbonization (solar cell and EV-related fine carbon products, artificial graphite electrodes, lithium-ion battery anode materials, silicon carbide fiber, etc.).

Major climate change-related risks and opportunities

Classification	Risk/Opportunity		Impact on business	Degree of impact (2030)
Under-2°C scenario	Risks	Incomplete/delayed response to climate change	• Risk of withdrawal of investment and decline in stock price due to criticism by investors, etc. over the use of fossil fuels and insufficient information disclosure	Medium
		Increase in costs due to carbon pricing	• Risk of increased financial burden due to carbon pricing and other tightening of GHG emission regulations	Large
		Increase in costs due to changes in manufacturing processes to comply with environmental regulations	• Risk of increased costs or work burdens associated with equipment upgrades and manufacturing process improvements	Medium
		Increased energy costs	• Risk of increased energy costs due to factors including soaring fuel prices, increased rate of renewable energy usage, and increased renewable energy surcharges	Large
		Increased logistics costs	• Risk of increased logistics costs due to soaring prices of gasoline, etc.	Medium
		Soaring raw material prices	• Risk of soaring prices of crude oil, coal, and other raw materials, increasing financial burden	Large
		Emergence of innovative technologies (related to decarbonization)	• Possibility of slowdown in sales relative to market growth due to competition • Risk of reduced demand for silicon melting furnace-related products due to the mainstreaming of next-generation solar cells	Large
	Opportunities	Increased demand for energy-saving- and renewable energy related products	• Possibility of growing demand for silicon melting furnace-related products associated with growing demand for solar cells • Possibility of growing demand for silicon carbide fiber, which contributes to enhanced fuel efficiency in aircraft engines	Large
		Increased demand for artificial graphite electrodes	• Possibility of growing demand for artificial graphite electrodes associated with increasing demand for electric furnaces	Large
		Increased demand for EV-related products	• Possibility of growing demand for fine carbon products for semiconductors, magnets, etc. and for lithium-ion battery anode materials associated with increased demand for EVs	Large
4°C scenario	Risks	Positive evaluation by investors, etc. of leading response	• Possibility of rise in stock price due to positive evaluation by investors, etc. of the Company's leading responses to climate change	Medium
		Heavy rains, flooding, and other weather anomalies	• Risk of damage from flooding, storms, etc. in plants, etc., affecting operations	Medium

Metrics and targets

The Nippon Carbon Group is advancing initiatives to reduce GHG emissions, under the goal set out by the Japanese government of achieving carbon neutrality by 2050. As GHG emissions are roughly proportional to energy input amounts, we are examining and monitoring measures to reduce GHG emissions with

energy intensity as a metric. As a component of our risk management initiatives, we also set and manage metrics and targets related to measures for individual risks and opportunities, and aim to disclose information in the future.

* See p. 30 for detailed data on our GHG emissions.

Financial Information

Long-term financial results (consolidated results)

For the year		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Operating results											
Net sales	(Millions of yen)	30,439	29,580	28,891	22,903	27,964	48,017	44,931	26,802	31,578	35,799
Operating profit	(Millions of yen)	705	1,409	2,063	(663)	2,569	16,404	14,827	3,015	3,706	4,791
Ordinary profit	(Millions of yen)	921	1,518	1,884	(570)	2,997	16,508	15,106	3,587	4,434	5,042
Profit attributable to owners of parent	(Millions of yen)	694	802	1,076	(5,413)	2,961	10,292	9,700	1,810	2,729	3,194
Cash flows from operating activities	(Millions of yen)	2,624	4,319	3,827	2,370	3,876	12,633	4,792	3,853	7,551	5,798
Cash flows from investing activities	(Millions of yen)	(899)	(825)	(526)	(6,136)	(1,498)	(2,051)	(3,693)	(4,716)	(608)	(1,601)
Cash flows from financing activities	(Millions of yen)	(2,236)	(1,362)	(740)	3,501	(1,349)	(2,418)	(2,996)	(2,389)	(3,762)	(3,777)
Cash and cash equivalents at end of period	(Millions of yen)	5,914	8,048	10,685	10,408	11,441	19,602	17,707	14,455	17,720	18,177
Research and development expenses	(Millions of yen)	276	283	240	295	341	368	418	406	368	369
Depreciation	(Millions of yen)	2,860	2,667	1,980	2,342	1,570	1,529	1,847	2,193	2,385	2,484
Capital expenditure	(Millions of yen)	1,091	940	5,018	3,678	1,468	2,713	4,456	3,572	1,812	2,463
Financial status											
Total assets	(Millions of yen)	56,391	57,114	59,043	53,895	57,656	73,598	77,939	70,930	72,692	74,181
Equity capital	(Millions of yen)	31,017	31,509	31,477	25,438	28,196	36,539	45,140	44,146	44,987	45,562
Net assets	(Millions of yen)	36,103	36,690	36,617	30,810	33,906	42,734	51,654	50,998	52,257	53,210
Interest-bearing debt*1	(Millions of yen)	10,742	10,049	10,945	14,938	14,394	13,248	12,027	11,987	10,567	9,092
Per-share											
Profit*2	(yen/share)	6.11	7.06	9.51	(48.81)	267.71	931.89	876.81	163.64	247.00	289.24
Net assets*2	(yen/share)	272.81	277.29	283.82	229.37	2,553.20	3,303.04	4,080.33	3,989.30	4,073.56	4,125.77
Dividends*2	(yen/share)	5.00	5.00	5.00	5.00	50.00	100.00	200.00	200.00	200.00	200.00
Financial indicators											
Return on assets (ROA)	(%)	1.6	2.7	3.2	(1.0)	5.4	25.1	19.9	4.8	6.2	6.9
Return on equity (ROE)	(%)	2.3	2.6	3.4	(19.0)	11.0	31.8	23.8	4.1	6.1	7.1
Return on sales (ROS)	(%)	3.0	5.1	6.5	(2.5)	10.7	34.4	33.6	13.4	14.0	14.1
Equity ratio	(%)	55.0	55.2	53.3	47.2	48.9	49.4	57.9	62.2	61.9	61.4
Share price at end of term	(yen/share)	198	229	306	227	5,070	4,025	4,105	3,945	4,170	4,205
Dividend payout ratio*3	(%)	118.48	91.07	53.19	(9.60)	22.05	11.58	23.20	162.44	105.08	87.83
Price-earnings ratio (PER)	(multiple)	32.41	32.44	32.18	(4.65)	18.94	4.32	4.68	24.11	16.88	14.54

*1 Figure indicates balance of borrowings.
*2 A 10-for-1 share consolidation was implemented effective July 1, 2017.
*3 Nippon Carbon Co., Ltd. (non-consolidated).

Number of employees

For the year		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Consolidated	(persons)	530	537	574	591	614	679	664	663	648	651
Non-consolidated	(persons)	145	143	147	148	169	154	180	182	175	178

Financial Information

Consolidated balance sheets

	(Millions of yen)	
	As of December 31, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	17,865	18,322
Notes and accounts receivable - trade	11,592	—
Notes receivable, accounts receivable and contract assets	—	11,922
Merchandise and finished goods	7,896	8,661
Work in process	4,595	4,408
Raw materials and supplies	2,886	3,447
Income taxes receivable	—	16
Other	585	781
Allowance for doubtful accounts	(22)	(14)
Total current assets	45,399	47,546
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,177	6,817
Machinery and equipment, net	8,195	8,394
Vehicles, tools, furniture and fixtures, net	464	540
Land	3,544	3,553
Construction in progress	132	197
Total property, plant and equipment	19,515	19,502
Intangible assets	264	240
Investments and other assets		
Investment securities	5,172	4,566
Deferred tax assets	378	434
Other	1,964	1,893
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	7,513	6,892
Total non-current assets	27,292	26,635
Total assets	72,692	74,181

	(Millions of yen)	
	As of December 31, 2021	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,900	5,416
Short-term borrowings	9,180	8,892
Accrued expenses	516	579
Income taxes payable	1,038	1,271
Advances received	552	801
Provision for bonuses	208	223
Provision for bonuses for directors (and other officers)	59	74
Provision for loss on orders received	—	0
Other	1,571	1,915
Total current liabilities	17,027	19,175
Non-current liabilities		
Long-term borrowings	1,387	200
Deferred tax liabilities	633	274
Retirement benefit liability	776	784
Provision for retirement benefits for directors (and other officers)	55	19
Provision for share awards for directors (and other officers)	89	85
Provision for environmental measures	28	0
Asset retirement obligations	62	62
Other	373	369
Total non-current liabilities	3,407	1,795
Total liabilities	20,434	20,971
Net assets		
Shareholders' equity		
Share capital	7,402	7,402
Capital surplus	7,857	7,858
Retained earnings	29,805	30,744
Treasury shares	(2,011)	(2,012)
Total shareholders' equity	43,054	43,992
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,868	1,493
Foreign currency translation adjustment	124	170
Remeasurements of defined benefits plans	(59)	(93)
Total accumulated other comprehensive income	1,932	1,570
Non-controlling interests	7,270	7,647
Total net assets	52,257	53,210
Total liabilities and net assets	72,692	74,181

Financial Information

Consolidated statements of income

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Net sales	31,578	35,799
Cost of sales	23,539	25,950
Gross profit	8,038	9,849
Selling, general and administrative expenses	4,332	5,058
Operating profit	3,706	4,791
Non-operating income		
Interest income	4	1
Dividend income	99	130
Foreign exchange gains	146	250
Share of profit of entities accounted for using equity method	42	79
Subsidy income	2	—
Compensation income	366	—
Insurance claim income	208	223
Other	221	155
Total non-operating income	1,092	840
Non-operating expenses		
Interest expenses	61	52
Loss on retirement of non-current assets	20	156
Depreciation of inactive non-current assets	149	146
Loss on disaster	59	78
Other	72	155
Total non-operating expenses	363	589
Ordinary profit	4,434	5,042
Extraordinary income		
Gain on sales of investment securities	179	183
Total extraordinary income	179	183
Extraordinary losses		
Loss on fire	97	—
Plant relocation related expense	84	—
Total extraordinary losses	182	—
Profit before income taxes	4,431	5,225
Income taxes - current	1,362	1,812
Income taxes - deferred	7	(232)
Total income taxes	1,370	1,579
Profit	3,060	3,646
Profit attributable to non-controlling interests	331	451
Profit attributable to owners of parent	2,729	3,194

Consolidated statements of cash flows

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from operating activities		
Profit before income taxes	4,431	5,225
Depreciation	2,385	2,484
Increase (decrease) in retirement benefit liability	29	(40)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	2	(36)
Increase (decrease) in provision for plant relocation related expense	(159)	—
Interest and dividend income	(103)	(131)
Insurance claim income	(208)	(223)
Compensation income	(366)	—
Interest expenses	61	52
Share of loss (profit) of entities accounted for using equity method	(42)	(79)
Loss (gain) on sales of investment securities	(179)	(183)
Loss on casualty	59	78
Loss on fire	97	—
Loss on retirement of non-current assets	20	156
Decrease (increase) in trade receivables	(2,302)	—
Decrease (increase) in trade receivables and contract assets	—	(273)
Decrease (increase) in inventories	2,050	(1,083)
Increase (decrease) in trade payables	535	1,509
Increase (decrease) in accrued expenses	(71)	63
Increase (decrease) in accounts payable - other	(19)	(209)
Increase (decrease) in advances received	418	248
Decrease (increase) in accounts receivable - other	(90)	(205)
Other, net	(115)	(396)
Subtotal	6,434	6,955
Interest and dividends received	103	166
Interest paid	(59)	(52)
Income taxes refund	1,340	29
Income taxes paid	(842)	(1,604)
Proceeds from insurance income	208	304
Proceeds from compensation	366	—
Net cash provided by (used in) operating activities	7,551	5,798
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,528)	(1,775)
Purchase of intangible assets	(117)	(67)
Purchase of investment securities	(6)	(6)
Proceeds from sales of investment securities	544	247
Decrease (increase) in time deposits	500	—
Net cash provided by (used in) investing activities	(608)	(1,601)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(250)	(300)
Proceeds from long-term borrowings	100	100
Repayments of long-term borrowings	(1,270)	(1,275)
Net decrease (increase) in treasury shares	(98)	(0)
Dividends paid	(2,206)	(2,206)
Dividends paid to non-controlling interests	(37)	(94)
Net cash provided by (used in) financing activities	(3,762)	(3,777)
Effect of exchange rate change on cash and cash equivalents	84	37
Net increase (decrease) in cash and cash equivalents	3,264	456
Cash and cash equivalents at beginning of period	14,455	17,720
Cash and cash equivalents at end of period	17,720	18,177

Corporate Information (As of December 2023)

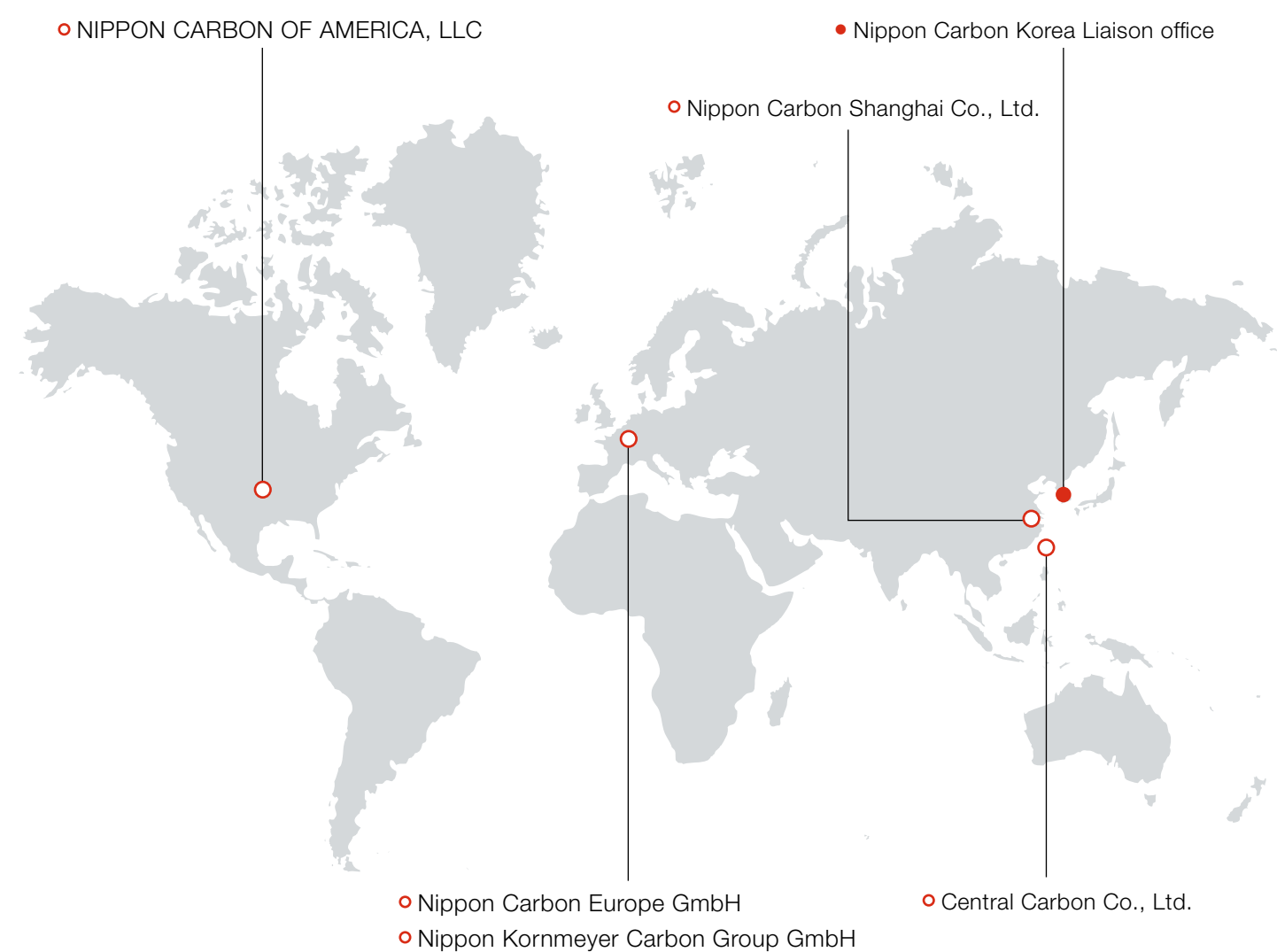


Nippon Carbon

- Headquarters
- Osaka Branch
- Nagoya Office
- Nippon Carbon Korea Liaison office
- Toyama Plant
- Shiga Plant
- Shirakawa Plant
- Technical Center

Affiliated companies (domestic)

- Nippon Techno-Carbon Co., Ltd.*
- NTC Machining Co., Ltd.
- Nippon Carbon Engineering Co., Ltd.
- NGS Advanced Fibers Co., Ltd.
- Nikka-en Co., Ltd.
- Toho Tanso Kogyo Co., Ltd.



Affiliated companies (overseas)

- Central Carbon Co., Ltd.
- Nippon Carbon Shanghai Co., Ltd.
- Nippon Carbon Europe GmbH
- NIPPON CARBON OF AMERICA, LLC
- Nippon Kornmeyer Carbon Group GmbH

Corporate Information

Corporate profile

(As of June 30, 2023)

Company name	Nippon Carbon Co., Ltd.
Founded	December 20, 1915
Capital	7,402 million yen
Fiscal year end	December 31
Address of headquarters	1-10-7 Hatchobori, Chuo-ku, Tokyo 104-0032 TEL. 03-6891-3730
Website	https://www.carbon.co.jp

Stock information

(As of June 30, 2023)

Securities code	5302
Total number of authorized shares	40,000,000
Total number of issued shares (common shares)	11,832,504
Number of shareholders	17,164
Stock exchange	Tokyo Stock Exchange Prime Market
Share unit number	100 shares
Shareholders register	Mizuho Trust & Banking Co., Ltd.
Inquiries	Mizuho Trust & Banking Co., Ltd., Transfer Agent Department 2-8-4 Izumi, Suginami-ku, Tokyo 168-8507 TEL. 0120-288-324 (toll-free)

Major shareholders

(As of June 30, 2023)

Name	Number of shares held (hundred shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	15,358	13.83
Custody Bank of Japan, Ltd. (trust account)	7,074	6.37
Mizuho Bank, Ltd.	5,517	4.97
SEC Carbon, Ltd.	4,442	4.00
Nippon Life Insurance Company	3,790	3.41
Nippon Carbon Kyoai Shareholding Association	1,455	1.31
JP MORGAN CHASE BANK 385781	1,423	1.28
STATE STREET BANK WEST CLIENT - TREATY 505234	1,098	0.99
Sumitomo Mitsui Banking Corporation	995	0.90
STATE STREET BANK AND TRUST COMPANY 505223	937	0.84

Notes: 1. Shareholding ratio is calculated after deducting the number of treasury shares (7,286 hundred shares) from the number of issued shares.
2. In addition to the above, 596 hundred shares of the Company are held by the Board Benefit Trust (BBT).

Distribution of shareholders

