

## Financial Information

### 1. Basis of preparing consolidated financial statements and non-consolidated financial statements

- (1) Nippon Carbon Co., Ltd. (the “Company”) prepares its consolidated financial statements in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976).
- (2) The Company prepares its non-consolidated financial statements in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963; the “Regulation on Financial Statements”).  
Furthermore, the Company is a special company submitting financial statements, and prepares its non-consolidated financial statements pursuant to the provisions of Article 127 of the Regulation on Financial Statements.

### 2. Independent audit

The Company’s consolidated and non-consolidated financial statements for the fiscal year ended December 31, 2024 (from January 1, 2024, to December 31, 2024) were audited by Gyosei & Co., pursuant to the provisions of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

The Company has changed its independent auditor as follows:

165th fiscal year: Deloitte Touche Tohmatsu LLC

166th fiscal year: Gyosei & Co.

### 3. Extra measures to ensure fair presentation of consolidated financial statements and other information

The Company takes extra measures to ensure fair presentation of consolidated financial statements and other information. Specifically, the Company strives to understand and properly address changes in accounting systems and details of accounting standards by maintaining membership in the Financial Accounting Standards Foundation, attending seminars held by audit firms and other external organizations, subscribing to accounting magazines, and other means.

# 1. Consolidated Financial Statements and Other Information

## (1) Consolidated Financial Statements

### (i) Consolidated Balance Sheets

(Millions of yen)

|  | As of December 31, 2023 | As of December 31, 2024 |
|--|-------------------------|-------------------------|
| <b>Assets</b>  |                         |                         |
| Current assets   |                         |                         |
| Cash and deposits  | 14,527                  | 12,299                  |
| Notes and accounts receivable - trade, and contract assets | *3, *4 11,703           | *3, *4 11,277           |
| Electronically recorded monetary claims - operating        | *3, *4 1,878            | *3, *4 1,927            |
| Merchandise and finished goods                             | 10,760                  | 11,301                  |
| Work in process  | 4,555                   | 4,543                   |
| Raw materials and supplies                                 | 3,545                   | 3,991                   |
| Income taxes refund receivable                             | —                       | 27                      |
| Other  | 459                     | 964                     |
| Allowance for doubtful accounts                            | (12)                    | (12)                    |
| Total current assets                                       | 47,416                  | 46,319                  |
| Non-current assets   |                         |                         |
| Property, plant and equipment                              |                         |                         |
| Buildings and structures                                   | 17,608                  | 19,096                  |
| Accumulated depreciation and impairment                    | (11,146)                | (11,586)                |
| Buildings and structures, net                              | 6,462                   | 7,509                   |
| Machinery and equipment                                    | 49,318                  | 51,150                  |
| Accumulated depreciation and impairment                    | (41,059)                | (42,339)                |
| Machinery and equipment, net                               | 8,259                   | 8,811                   |
| Vehicles, tools, furniture and fixtures                    | 3,803                   | 4,230                   |
| Accumulated depreciation and impairment                    | (3,225)                 | (3,446)                 |
| Vehicles, tools, furniture and fixtures, net               | 578                     | 784                     |
| Land   | 3,565                   | 3,575                   |
| Construction in progress                                   | 732                     | 2,183                   |
| Total property, plant and equipment                        | *2 19,599               | *2 22,863               |
| Intangible assets  | 215                     | 182                     |
| Investments and other assets                               |                         |                         |
| Investment securities                                      | *1 8,667                | *1 10,431               |
| Deferred tax assets  | 514                     | 599                     |
| Other  | *1 2,057                | *1 1,953                |
| Allowance for doubtful accounts                            | (3)                     | (2)                     |
| Total investments and other assets                         | 11,235                  | 12,982                  |
| Total non-current assets                                   | 31,049                  | 36,029                  |
| Total assets   | 78,466                  | 82,348                  |

(Millions of yen)

|  | As of December 31, 2023 | As of December 31, 2024 |
|--|-------------------------|-------------------------|
| <b>Liabilities</b>   |                         |                         |
| Current liabilities  |                         |                         |
| Notes and accounts payable - trade                                   | <sup>*3</sup> 4,091     | <sup>*3</sup> 3,435     |
| Electronically recorded obligations - operating                      | <sup>*3</sup> 835       | <sup>*3</sup> 653       |
| Short-term borrowings  | <sup>*2</sup> 8,576     | <sup>*2</sup> 9,016     |
| Accrued expenses   | 635                     | 504                     |
| Income taxes payable   | 1,410                   | 1,165                   |
| Advances received  | 454                     | 270                     |
| Provision for bonuses  | 236                     | 237                     |
| Provision for bonuses for directors (and other officers)             | 72                      | 64                      |
| Other  | <sup>*3</sup> 1,609     | <sup>*3</sup> 3,191     |
| Total current liabilities  | 17,923                  | 18,538                  |
| Non-current liabilities  |                         |                         |
| Long-term borrowings   | 278                     | 196                     |
| Deferred tax liabilities   | 1,254                   | 1,570                   |
| Retirement benefit liability   | 766                     | 698                     |
| Provision for retirement benefits for directors (and other officers) | 32                      | 36                      |
| Provision for share awards for directors (and other officers)        | 104                     | 60                      |
| Provision for environmental measures                                 | 0                       | 0                       |
| Asset retirement obligations   | 62                      | 62                      |
| Other  | 361                     | 365                     |
| Total non-current liabilities  | 2,861                   | 2,990                   |
| Total liabilities  | 20,784                  | 21,529                  |
| <b>Net assets</b>  |                         |                         |
| Shareholders' equity   |                         |                         |
| Share capital  | 7,402                   | 7,402                   |
| Capital surplus  | 7,858                   | 7,858                   |
| Retained earnings  | 32,586                  | 34,454                  |
| Treasury shares  | (2,012)                 | (1,969)                 |
| Total shareholders' equity   | 45,835                  | 47,745                  |
| Accumulated other comprehensive income                               |                         |                         |
| Valuation difference on available-for-sale securities                | 3,421                   | 3,921                   |
| Deferred gains or losses on hedges                                   | (1)                     | —                       |
| Foreign currency translation adjustment                              | 258                     | 336                     |
| Remeasurements of defined benefit plans                              | (57)                    | 11                      |
| Total accumulated other comprehensive income                         | 3,620                   | 4,268                   |
| Non-controlling interests  | 8,226                   | 8,804                   |
| Total net assets   | 57,681                  | 60,819                  |
| Total liabilities and net assets                                     | 78,466                  | 82,348                  |

## (ii) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

## Consolidated Statements of Income

(Millions of yen)

|   | Fiscal year ended<br>December 31, 2023 | Fiscal year ended<br>December 31, 2024 |
|---|--|--|
| Net sales   | *1 37,867                              | *1 37,956                              |
| Cost of sales   | *2, *4 26,016                          | *2, *4 26,471                          |
| Gross profit  | 11,850                                 | 11,485                                 |
| Selling, general and administrative expenses                  | *3, *4 5,276                           | *3, *4 5,165                           |
| Operating profit  | 6,573                                  | 6,319                                  |
| Non-operating income  |  |  |
| Interest income   | 3                                      | 11                                     |
| Dividend income   | 176                                    | 256                                    |
| Foreign exchange gains  | 227                                    | 149                                    |
| Share of profit of entities accounted for using equity method | 146                                    | 166                                    |
| Insurance claim income  | *6 185                                 | —                                      |
| Other   | 140                                    | 182                                    |
| Total non-operating income                                    | 879                                    | 766                                    |
| Non-operating expenses  |  |  |
| Interest expenses   | 44                                     | 62                                     |
| Loss on retirement of non-current assets                      | 87                                     | 117                                    |
| Depreciation of inactive non-current assets                   | 146                                    | 146                                    |
| Other   | 59                                     | 66                                     |
| Total non-operating expenses                                  | 337                                    | 393                                    |
| Ordinary profit   | 7,115                                  | 6,692                                  |
| Extraordinary income  |  |  |
| Gain on sale of property, plant and equipment                 | —                                      | *5 196                                 |
| Gain on sale of investment securities                         | 22                                     | 6                                      |
| Total extraordinary income                                    | 22                                     | 203                                    |
| Extraordinary losses  |  |  |
| Loss of fire  | *6 158                                 | —                                      |
| Total extraordinary losses                                    | 158                                    | —                                      |
| Profit before income taxes                                    | 6,979                                  | 6,895                                  |
| Income taxes - current  | 2,197                                  | 2,104                                  |
| Income taxes - deferred                                       | 34                                     | (10)                                   |
| Total income taxes  | 2,232                                  | 2,093                                  |
| Profit  | 4,747                                  | 4,801                                  |
| Profit attributable to non-controlling interests              | 696                                    | 723                                    |
| Profit attributable to owners of parent                       | 4,050                                  | 4,078                                  |

# Consolidated Statements of Comprehensive Income

(Millions of yen)

|  | Fiscal year ended<br>December 31, 2023 | Fiscal year ended<br>December 31, 2024 |
|--|--|--|
| Profit   | 4,747                                  | 4,801                                  |
| Other comprehensive income                                     |  |  |
| Valuation difference on available-for-sale securities          | 1,930                                  | 493                                    |
| Deferred gains or losses on hedges                             | (1)                                    | 1                                      |
| Foreign currency translation adjustment                        | 141                                    | 119                                    |
| Remeasurements of defined benefit plans, net of tax            | 36                                     | 64                                     |
| Total other comprehensive income                               | * 2,107                                | * 678                                  |
| Comprehensive income   | 6,854                                  | 5,480                                  |
| Comprehensive income attributable to                           |  |  |
| Comprehensive income attributable to owners of parent          | 6,101                                  | 4,723                                  |
| Comprehensive income attributable to non-controlling interests | 753                                    | 756                                    |

## (iii) Consolidated Statements of Changes in Equity

Fiscal year ended December 31, 2023

(Millions of yen)

|  | Shareholders' equity |                 |                   |                 |                            |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
|  | Share capital        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period                       | 7,402                | 7,858           | 30,744            | (2,012)         | 43,992                     |
| Changes during period                                |                      |                 |                   |                 |                            |
| Dividends of surplus                                 |                      |                 | (2,208)           |                 | (2,208)                    |
| Profit attributable to owners of parent              |                      |                 | 4,050             |                 | 4,050                      |
| Purchase of treasury shares                          |                      |                 |                   | (3)             | (3)                        |
| Disposal of treasury shares                          |                      |                 |                   | 4               | 4                          |
| Net changes in items other than shareholders' equity |                      |                 |                   |                 | —                          |
| Total changes during period                          | —                    | —               | 1,841             | 0               | 1,842                      |
| Balance at end of period                             | 7,402                | 7,858           | 32,586            | (2,012)         | 45,835                     |

|  | Accumulated other comprehensive income                |                                    |   |   |  | Non-controlling interests | Total net assets |
|--|---|------------------------------------|---|---|--|---------------------------|------------------|
|  | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                           |                  |
| Balance at beginning of period                       | 1,493   | —                                  | 170                                     | (93)                                    | 1,570  | 7,647                     | 53,210           |
| Changes during period                                |   |                                    |   |   |  |                           |                  |
| Dividends of surplus                                 |   |                                    |   |   | —  |                           | (2,208)          |
| Profit attributable to owners of parent              |   |                                    |   |   | —  |                           | 4,050            |
| Purchase of treasury shares                          |   |                                    |   |   | —  |                           | (3)              |
| Disposal of treasury shares                          |   |                                    |   |   | —  |                           | 4                |
| Net changes in items other than shareholders' equity | 1,927   | (1)                                | 87                                      | 36                                      | 2,050  | 579                       | 2,629            |
| Total changes during period                          | 1,927   | (1)                                | 87                                      | 36                                      | 2,050  | 579                       | 4,471            |
| Balance at end of period                             | 3,421   | (1)                                | 258                                     | (57)                                    | 3,620  | 8,226                     | 57,681           |

Fiscal year ended December 31, 2024

(Millions of yen)

|  | Shareholders' equity |                 |                   |                 |                            |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
|  | Share capital        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period                       | 7,402                | 7,858           | 32,586            | (2,012)         | 45,835                     |
| Changes during period                                |                      |                 |                   |                 |                            |
| Dividends of surplus                                 |                      |                 | (2,210)           |                 | (2,210)                    |
| Profit attributable to owners of parent              |                      |                 | 4,078             |                 | 4,078                      |
| Purchase of treasury shares                          |                      |                 |                   | (2)             | (2)                        |
| Disposal of treasury shares                          |                      |                 |                   | 44              | 44                         |
| Net changes in items other than shareholders' equity |                      |                 |                   |                 | —                          |
| Total changes during period                          | —                    | —               | 1,868             | 42              | 1,910                      |
| Balance at end of period                             | 7,402                | 7,858           | 34,454            | (1,969)         | 47,745                     |

|  | Accumulated other comprehensive income                |                                    |   |   |  | Non-controlling interests | Total net assets |
|--|---|------------------------------------|---|---|--|---------------------------|------------------|
|  | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                           |                  |
| Balance at beginning of period                       | 3,421   | (1)                                | 258                                     | (57)                                    | 3,620  | 8,226                     | 57,681           |
| Changes during period                                |   |                                    |   |   |  |                           |                  |
| Dividends of surplus                                 |   |                                    |   |   | —  |                           | (2,210)          |
| Profit attributable to owners of parent              |   |                                    |   |   | —  |                           | 4,078            |
| Purchase of treasury shares                          |   |                                    |   |   | —  |                           | (2)              |
| Disposal of treasury shares                          |   |                                    |   |   | —  |                           | 44               |
| Net changes in items other than shareholders' equity | 500   | 1                                  | 78                                      | 68                                      | 648  | 577                       | 1,226            |
| Total changes during period                          | 500   | 1                                  | 78                                      | 68                                      | 648  | 577                       | 3,137            |
| Balance at end of period                             | 3,921   | —                                  | 336                                     | 11                                      | 4,268  | 8,804                     | 60,819           |

## (iv) Consolidated Statements of Cash Flows

(Millions of yen)

|   | Fiscal year ended<br>December 31, 2023 | Fiscal year ended<br>December 31, 2024 |
|---|--|--|
| Cash flows from operating activities  |  |  |
| Profit before income taxes  | 6,979                                  | 6,895                                  |
| Depreciation  | 2,666                                  | 2,986                                  |
| Increase (decrease) in retirement benefit liability   | 35                                     | 24                                     |
| Increase (decrease) in provision for retirement benefits for directors (and other officers) | 13                                     | 4                                      |
| Interest and dividend income  | (180)                                  | (267)                                  |
| Insurance claim income  | (185)                                  | —                                      |
| Interest expenses   | 44                                     | 62                                     |
| Share of loss (profit) of entities accounted for using equity method                        | (146)                                  | (166)                                  |
| Gain on sale of non-current assets  | —                                      | (196)                                  |
| Loss (gain) on sale of investment securities  | (22)                                   | (6)                                    |
| Loss on fire  | 158                                    | —                                      |
| Loss on retirement of non-current assets  | 87                                     | 117                                    |
| Decrease (increase) in accounts receivable - trade, and contract assets                     | (1,578)                                | 428                                    |
| Decrease (increase) in inventories  | (2,243)                                | (891)                                  |
| Increase (decrease) in trade payables   | (499)                                  | (843)                                  |
| Increase (decrease) in accrued expenses   | (103)                                  | (130)                                  |
| Increase (decrease) in advances received  | (346)                                  | (184)                                  |
| Decrease (increase) in accounts receivable - other  | 357                                    | (351)                                  |
| Other, net  | (125)                                  | (765)                                  |
| Subtotal  | 4,910                                  | 6,715                                  |
| Interest and dividends received   | 221                                    | 343                                    |
| Interest paid   | (45)                                   | (64)                                   |
| Income taxes refund   | 24                                     | —                                      |
| Income taxes paid   | (2,119)                                | (2,321)                                |
| Proceeds from insurance income  | 197                                    | 562                                    |
| Net cash provided by (used in) operating activities   | 3,189                                  | 5,234                                  |
| Cash flows from investing activities  |  |  |
| Purchase of property, plant and equipment   | (3,056)                                | (4,667)                                |
| Proceeds from sale of property, plant and equipment   | —                                      | 196                                    |
| Purchase of intangible assets   | (55)                                   | (53)                                   |
| Purchase of investment securities   | (1,343)                                | (1,032)                                |
| Proceeds from sale of investment securities   | 28                                     | 9                                      |
| Net cash provided by (used in) investing activities   | (4,426)                                | (5,546)                                |
| Cash flows from financing activities  |  |  |
| Net increase (decrease) in short-term borrowings  | 800                                    | 430                                    |
| Proceeds from long-term borrowings  | 300                                    | 100                                    |
| Repayments of long-term borrowings  | (1,337)                                | (171)                                  |
| Net decrease (increase) in treasury shares  | 0                                      | 42                                     |
| Dividends paid  | (2,203)                                | (2,206)                                |
| Dividends paid to non-controlling interests   | (174)                                  | (178)                                  |
| Net cash provided by (used in) financing activities   | (2,614)                                | (1,985)                                |
| Effect of exchange rate change on cash and cash equivalents                                 | 57                                     | 68                                     |
| Net increase (decrease) in cash and cash equivalents  | (3,794)                                | (2,228)                                |
| Cash and cash equivalents at beginning of period  | 18,177                                 | 14,382                                 |
| Cash and cash equivalents at end of period  | * 14,382                               | * 12,154                               |

## Notes to Consolidated Financial Statements

### Basis of Preparation of Consolidated Financial Statements

#### 1. Scope of consolidation

The Company has nine consolidated subsidiaries, namely Nippon Techno-Carbon Co., Ltd., Nippon Carbon Engineering Co., Ltd., NGS Advanced Fibers Co., Ltd., NTC Machining Co., Ltd., Central Carbon Co., Ltd., Nikka-en Co., Ltd., Nippon Carbon Europe GmbH, NIPPON CARBON OF AMERICA, LLC, and Nippon Carbon Shanghai Co., Ltd.

The Company's subsidiary STS Co., Ltd. is excluded from the scope of consolidation, because it is small in scale and the aggregate amounts of its total assets, net sales, profit or loss (the Company's share), and retained earnings (the Company's share) do not have a material impact on the Company's consolidated financial statements.

#### 2. Application of equity method

Number of associates accounted for using the equity method: one company

Nippon Kornmeyer Carbon Group GmbH is accounted for using the equity method.

The non-consolidated subsidiary as well as the Company's associate Toho Tanso Kogyo Co., Ltd. are not accounted for using the equity method, because their exclusion from the scope of equity method application has a minimal impact on the Company's consolidated financial statements and they are immaterial given their profit or loss (the Company's share) and retained earnings (the Company's share).

#### 3. Fiscal year of consolidated subsidiaries

All consolidated subsidiaries have the same fiscal year as the consolidated fiscal year.

#### 4. Accounting policies

##### (1) Valuation basis and methods for significant assets

###### (i) Securities

Available-for-sale securities

Securities other than equity securities, etc. without market value

Stated at fair value based on the market price on the consolidated balance sheet date.

(Valuation differences are booked directly in a separate component of net assets, and cost of securities sold is determined by the moving average method)

Equity securities, etc. without market value

Stated at cost determined by the moving average method.

###### (ii) Inventories

Generally stated at cost, determined by the periodic average method (carrying amounts calculated with consideration of write-downs due to decreased profitability).

###### (iii) Net receivables and payables arising from derivatives

Stated at fair value.

##### (2) Accounting methods for depreciation and amortization of significant depreciable assets

###### (i) Property, plant and equipment (excluding leased assets)

The Company and its domestic consolidated subsidiaries Nippon Carbon Engineering Co., Ltd., NGS Advanced Fibers Co., Ltd., and Nikka-en Co., Ltd. use the straight-line method. Domestic consolidated subsidiaries Nippon Techno-Carbon Co., Ltd. and NTC Machining Co., Ltd. use the straight-line method for buildings and structures and the declining balance method for other depreciable assets. Overseas consolidated subsidiaries Central Carbon Co., Ltd., Nippon Carbon Europe GmbH, NIPPON CARBON

OF AMERICA, LLC, and Nippon Carbon Shanghai Co., Ltd. use the straight-line method. Major useful lives are as follows:

Buildings and structures: 10 to 50 years

Machinery and equipment: 9 years

(ii) Intangible assets (excluding leased assets)

Software (for internal use)

For amortization of software, the straight-line method based on the estimated internal use period (five years) is applied.

(iii) Leased assets

Leased assets related to finance lease transactions that transfer ownership

The same depreciation method is used as that applied to non-current assets owned by the Company.

(3) Accounting policy for significant allowance and provisions

(i) Allowance for doubtful accounts

To allow for losses on bad debts arising from trade receivables, loans receivable, and other receivables, the Company provides an allowance for the estimated amount of doubtful receivables deemed uncollectible. This allowance is based on historical default rates for general receivables and on an individual analysis of collectability for doubtful receivables and other specific receivables.

(ii) Provision for bonuses

To allow for payment of bonuses to employees, the Company records a provision for the estimated payment amount to be borne in the fiscal year under review.

(iii) Provision for bonuses for directors (and other officers)

To allow for payment of bonuses to Directors and other officers, the Company records a provision for the estimated payment amount to be borne in the fiscal year under review.

(iv) Provision for loss on orders received

To allow for future losses on contractual orders received, Nippon Carbon Engineering Co., Ltd., a consolidated subsidiary of the Company, records a provision for estimated losses that would be incurred in future fiscal years.

(v) Provision for retirement benefits for directors (and other officers)

To allow for payment of retirement benefits to Directors and other officers, some of the consolidated subsidiaries record a provision for amounts required to be paid as of the end of each fiscal year based on regulations on officer retirement benefits.

(vi) Provision for share awards for directors (and other officers)

To allow for granting of the Company's shares to Directors based on regulations for granting of shares to officers, the Company records a provision for the estimated granting amount to be borne as of the end of the fiscal year under review.

(vii) Provision for environmental measures

To allow for future expenses on treatment of polychlorinated biphenyl (PCB) wastes expected to be incurred pursuant to the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes, the Company and its consolidated subsidiary Nippon Techno-Carbon Co., Ltd. record provisions for estimated amounts required.

(4) Accounting methods for retirement benefits

(i) Method of attributing expected retirement benefits to periods

In the calculation of retirement benefit obligations, expected retirement benefits are attributed to the period up to the end of the current fiscal year on a benefit formula basis.

(ii) Method of amortizing actuarial gains and losses and past service cost

Past service cost is primarily amortized using the straight-line method over a certain period (13 years) that is shorter than the average remaining years of service of employees at the time of incurring the cost. Actuarial gains and losses are primarily amortized using the straight-line method over a certain period (10 years) that is shorter than the average remaining years of service of employees at the time of accruing the gain or loss in each fiscal year, from the fiscal year following the accrual of each gain or loss. Unrecognized actuarial gains and losses and unrecognized past service cost are recorded as remeasurements of defined benefit plans in accumulated other comprehensive income under net assets, after adjusting for tax effects.

(iii) Application of simplified accounting method used by consolidated subsidiaries

The Company's consolidated subsidiaries use the simplified accounting method in calculating retirement benefit liability and retirement benefit expenses.

(5) Accounting policy for recognition of significant revenues and expenses

Revenues of the Group primarily come from the sale of its products. The performance obligations are fully satisfied when goods or services are delivered. For transactions in Japan, paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition" is applied to recognize revenue at the time of shipment of products. As for export transactions, revenue is recognized at the time of transfer of risks to customers based on the trade terms provided in the Incoterms and others. With respect to revenues of subsidiaries, performance obligations for construction work contracts are satisfied over a certain period of time. For such contracts, the degree of completion of performance obligations is reasonably estimated to recognize revenue over a certain period of time. Where the degree of completion of performance obligations under relevant contracts cannot be reasonably estimated, the cost recovery method based on incurred costs expected to be recovered is used to recognize revenue. Promised consideration is collected generally within six months from the time of satisfaction of relevant performance obligations. Further, no material financing factors are included in consideration for transactions.

(6) Accounting policy for translation of significant foreign currency assets and liabilities into Japanese yen

Monetary receivables and payables in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing as of the consolidated balance sheet date, and translation differences are accounted for as profit or loss. Assets, liabilities, income, and expenses of overseas subsidiaries are translated into Japanese yen at the spot exchange rate prevailing as of the consolidated balance sheet date, and translation differences are included in foreign currency translation adjustment and non-controlling interests under net assets.

(7) Significant hedge accounting methods

(i) Hedge accounting

In principle, the deferral hedge accounting is applied. The exceptional accounting treatment is applied to interest rate swap contracts that meet the requirements for exceptional accounting.

The assignment accounting treatment is applied to forward exchange contracts and currency swap contracts that meet the requirements for assignment accounting.

(ii) Hedged items and hedge instruments

a. Hedge instruments: forward exchange contracts and currency swap contracts

Hedged items: accounts receivable - trade and forecast transactions denominated in foreign currencies

b. Hedge instruments: interest rate swap contracts

Hedged items: interest on borrowings

(iii) Hedging policies

Pursuant to the Group's internal management regulations, interest rate swap contracts are used for the purpose of hedging the interest rate fluctuation risks on borrowings, and forward exchange contracts and currency swap contracts are used for the purpose of hedging the exchange rate fluctuation risks.

(iv) Assessing hedge effectiveness

If hedge instruments and hedged items have the same material conditions, they are deemed highly effective and thus assessment of hedge effectiveness is omitted. For other hedges, hedge effectiveness is assessed by comparing the accumulated fluctuations in market rates or cash flows of the hedged items and the hedge instruments based on the ratio of those fluctuations.

(8) Scope of cash and cash equivalents in consolidated statements of cash flows

Cash and cash equivalents in consolidated statements of cash flows consist of cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition that are readily convertible into cash and have an insignificant risk of changes in value.

## Significant Accounting Estimates

### *Loss on valuation of inventories*

(1) Carrying amount in the consolidated financial statements for the current fiscal year

|   | (Millions of yen) |
|---|-------------------|
| Merchandise and finished goods                          | 11,301            |
| Work in process   | 4,543             |
| Cost of sales (loss (gain) on valuation of inventories) | 146               |

Loss on valuation of inventories is stated at a net amount reflecting recorded amounts and reversals.

(2) Description of accounting estimates

If the net realizable value of inventories falls below the carrying amount, the carrying amount is reduced to the net realizable value, and the amount of reduction is recorded in cost of sales as a loss on valuation of inventories. In addition, inventories that are no longer in the ordinary process of sales cycle are deemed to be long-term dead stock when a certain period has passed since the end of the previous fiscal year. Valuation of such inventories is reduced to the disposal value, and a corresponding loss is recorded in cost of sales.

Because the Group's products have a relatively long lead time from manufacturing to shipping and some products cannot be readily repurposed after processing, results may be affected by future changes in the market environment and other uncertainties. Accordingly, these estimates may have an impact on consolidated financial statements for future fiscal years.

## Accounting Standards Issued But Not Yet Applied

### *Accounting Standard for Leases, etc.*

- “Accounting Standard for Leases” (ASBJ Statement No. 34, September 13, 2024, Accounting Standards Board of Japan)
- “Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33, September 13, 2024, Accounting Standards Board of Japan), etc.

(1) Overview

The Accounting Standards Board of Japan has been working to align Japanese standards with international standards. As part of this initiative, they have developed and issued accounting standards for leases that recognize assets and liabilities for all leases by lessees, based on international accounting standards. As a fundamental policy, these standards are based on the single accounting model of IFRS 16. However, instead of including all provisions of IFRS 16, they incorporate only the main provisions, aiming to establish lease accounting standards that are simple, user-friendly, and generally require no modifications when applied to non-consolidated financial statements using IFRS 16 provisions.

For the lessee's accounting treatment concerning the method of expense distribution for leases, similar to IFRS 16, a single accounting model applies to all leases, regardless of whether they are finance leases or operating leases. Under this model, depreciation for right-of-use assets and interest expense for lease liabilities are recognized.

(2) Scheduled date of application

This accounting standard and related implementation guidance will be applied effective from the beginning of the fiscal year ending December 31, 2028.

(3) Effects of application of the accounting standard, etc.

The effects of applying the "Accounting Standard for Leases" and related implementation guidance on the consolidated financial statements are currently under evaluation.

## Changes in Presentation

### *Consolidated balance sheets*

"Electronically recorded monetary claims - operating," which was included in "Notes and accounts receivable - trade, and contract assets" under "Current assets" in the previous fiscal year, and "Electronically recorded obligations - operating," which was included in "Notes and accounts payable - trade" under "Current liabilities" in the previous fiscal year, are now presented separately to enhance clarity. To reflect these changes in presentation, reclassification has been made for the fiscal year ended December 31, 2023.

As a result, 13,581 million yen presented as "Notes and accounts receivable - trade, and contract assets" under "Current assets" in the consolidated balance sheets for the previous fiscal year has been reclassified as "Notes and accounts receivable - trade, and contract assets" of 11,703 million yen and "Electronically recorded monetary claims - operating" of 1,878 million yen, and 4,926 million yen presented as "Notes and accounts payable - trade" under "Current liabilities" for the previous fiscal year has been reclassified as "Notes and accounts payable - trade" of 4,091 million yen and "Electronically recorded obligations - operating" of 835 million yen.

## Additional Information

### *Board benefit trust (BBT) for Directors*

The Company has put in place a board benefit trust (BBT), which is a performance-linked share-based remuneration plan, to incentivize Directors to improve performance and increase corporate value over the medium to long term.

Accounting treatment related to this trust agreement is based on the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF No. 30, March 26, 2015).

(1) Overview of the transaction

This plan is a performance-linked share-based remuneration plan, under which the Company's shares are acquired by a trust using funds contributed by the Company, and the Company's shares and cash equivalent to the market value of the Company's shares are provided to Directors from the trust in accordance with the regulations for granting of shares to officers established by the Company. In principle, the Company's shares and associated remuneration will be provided to Directors on their retirement.

(2) Treasury shares remaining in trust

The shares of the Company remaining in trust are recorded as treasury shares under net assets based on the book value in trust (excluding the amount of incidental costs). As of December 31, 2024, the number of such treasury shares was 468 hundred shares, amounting to a book value of 164 million yen. The average number of such shares for the fiscal year ended December 31, 2024, was 507 hundred shares. These shares are included in treasury shares to be deducted for the calculation of per share information.

## Notes to Consolidated Balance Sheets

- \*1 “Investment securities (shares)” and “Investments in capital of subsidiaries” under “Investments and other assets” invested in unconsolidated subsidiaries and associates are as follows:

|  | (Millions of yen)       |                         |
|--|-------------------------|-------------------------|
|  | As of December 31, 2023 | As of December 31, 2024 |
| Investment securities (shares)         | 1,128                   | 1,152                   |
| Investments in capital of subsidiaries | 1                       | 1                       |

Investments in capital of subsidiaries are included and presented in “Other” under investments and other assets.

- \*2 Assets pledged as collateral and obligations related to collateral

The following property is registered as a factory foundation, which comprises buildings, structures, machinery and equipment, vehicles, tools, furniture and fixtures, and land of Nippon Carbon Co., Ltd.’s factory. This factory foundation has been pledged as collateral for obligations as follows.

[Pledge]

|                               | (Millions of yen)       |                         |
|-------------------------------|-------------------------|-------------------------|
|                               | As of December 31, 2023 | As of December 31, 2024 |
| Property, plant and equipment | 7,785                   | 8,407                   |

[Obligations]

|                       | (Millions of yen)       |                         |
|-----------------------|-------------------------|-------------------------|
|                       | As of December 31, 2023 | As of December 31, 2024 |
| Short-term borrowings | 2,710                   | 2,710                   |

- \*3 Notes matured at the end of the fiscal year

Notes are settled as of the note exchange date. The following notes matured at the end of the fiscal year were included in the closing balance, because December 31, 2024, was a non-business day for financial institutions.

|   | (Millions of yen)       |                         |
|---|-------------------------|-------------------------|
|   | As of December 31, 2023 | As of December 31, 2024 |
| Notes receivable - trade                            | 22                      | 24                      |
| Electronically recorded monetary claims - operating | 138                     | 139                     |
| Notes payable - trade                               | 32                      | 42                      |
| Electronically recorded obligations - operating     | 68                      | 62                      |
| Notes payable - facilities                          | 75                      | 21                      |
| Electronically recorded obligations - facilities    | 7                       | 67                      |

Notes payable - facilities and electronically recorded obligations - facilities are included and presented in “Other” under current liabilities.

- \*4 Claims arising from contracts with customers

Claims and contract assets arising from contracts with customers are as follows:

|   | (Millions of yen)       |                         |
|---|-------------------------|-------------------------|
|   | As of December 31, 2023 | As of December 31, 2024 |
| Notes receivable - trade                            | 386                     | 333                     |
| Accounts receivable - trade                         | 11,195                  | 10,850                  |
| Contract assets                                     | 120                     | 94                      |
| Electronically recorded monetary claims - operating | 1,878                   | 1,927                   |

## Notes to Consolidated Statements of Income

**\*1 Revenue from contracts with customers**

For net sales, revenue from contracts with customers is not shown separately from other revenues. The amount of revenue from contracts with customers is provided in “Notes to Consolidated Financial Statements, Segment Information, Etc., 3. Disclosure of sales, profit (loss), assets, and other items for each reportable segment and information on disaggregation of revenue.”

**\*2 Ending balance of inventories is an amount with consideration of write-downs due to decreased profitability, and the following loss on valuation of inventories is included in cost of sales.**

(Millions of yen)

| Fiscal year ended December 31, 2023 | Fiscal year ended December 31, 2024 |
|-------------------------------------|-------------------------------------|
| (652)                               | 146                                 |

(Note) Loss on valuation of inventories is stated at a net amount reflecting recorded amounts and reversals, with a negative amount indicating a reversal.

**\*3 Of these, major expenses and amounts are as follows:**

(Millions of yen)

|   | Fiscal year ended December 31, 2023 | Fiscal year ended December 31, 2024 |
|---|-------------------------------------|-------------------------------------|
| Salaries, bonuses and allowances  | 976                                 | 1,018                               |
| Sales commission  | 311                                 | 268                                 |
| Freight-out and packing cost  | 1,341                               | 1,299                               |
| Provision for retirement benefits for directors<br>(and other officers) | 13                                  | 14                                  |
| Retirement benefit expenses   | 58                                  | 30                                  |
| Provision for share awards for directors (and<br>other officers)        | 25                                  | 18                                  |
| Provision for bonuses   | 66                                  | 61                                  |
| Provision for bonuses for directors (and other<br>officers)             | 61                                  | 49                                  |
| Research and development expenses                                       | 324                                 | 437                                 |

**\*4 Research and development expenses included in general and administrative expenses and manufacturing costs for period are as follows:**

(Millions of yen)

| Fiscal year ended December 31, 2023 | Fiscal year ended December 31, 2024 |
|-------------------------------------|-------------------------------------|
| 403                                 | 578                                 |

**\*5 Gain on sale of property, plant and equipment**

Fiscal year ended December 31, 2024

Gain on sale was recorded for the sale of the former Yamanashi Plant site to Yamanashi City.

**\*6 Loss of fire**

Fiscal year ended December 31, 2023

This is the cost of restoring production facilities lost in a fire at the Company’s Shiga Plant in June 2023. In addition, the Company has received the finalized amount of fire insurance proceeds and recorded it under insurance claim income under non-operating income.

## Notes to Consolidated Statements of Comprehensive Income

\* Reclassification adjustments and income tax effects relating to other comprehensive income

(Millions of yen)

|   | Fiscal year ended<br>December 31, 2023 | Fiscal year ended<br>December 31, 2024 |
|---|--|--|
| Valuation difference on available-for-sale securities |  |  |
| Gains or losses arising during the year               | 2,782                                  | 717                                    |
| Reclassification adjustments to profit or loss        | –                                      | (6)                                    |
| Amount before income tax effect                       | 2,782                                  | 710                                    |
| Income tax effect                                     | (851)                                  | (217)                                  |
| Valuation difference on available-for-sale securities | 1,930                                  | 493                                    |
| Deferred gains or losses on hedges                    |  |  |
| Gains or losses arising during the year               | (1)                                    | 1                                      |
| Amount before income tax effect                       | (1)                                    | 1                                      |
| Income tax effect                                     | 0                                      | –                                      |
| Deferred gains or losses on hedges                    | (1)                                    | 1                                      |
| Foreign currency translation adjustment               |  |  |
| Gains or losses arising during the year               | 141                                    | 119                                    |
| Remeasurements of defined benefit plans, net of tax   |  |  |
| Gains or losses arising during the year               | 32                                     | 78                                     |
| Reclassification adjustments to profit or loss        | 19                                     | 15                                     |
| Amount before income tax effect                       | 52                                     | 93                                     |
| Income tax effect                                     | (16)                                   | (28)                                   |
| Remeasurements of defined benefit plans, net of tax   | 36                                     | 64                                     |
| Total other comprehensive income                      | 2,107                                  | 678                                    |

## Notes to Consolidated Statements of Changes in Equity

Fiscal year ended December 31, 2023

### 1. Issued shares

| Class of shares                       | Number of shares at<br>beginning of the fiscal year | Increase | Decrease | Number of shares at<br>end of the fiscal year |
|---------------------------------------|---|----------|----------|---|
| Common shares<br>(hundreds of shares) | 118,325   | –        | –        | 118,325                                       |

### 2. Treasury shares

| Class of shares                       | Number of shares at<br>beginning of the fiscal year | Increase | Decrease | Number of shares at<br>end of the fiscal year |
|---------------------------------------|---|----------|----------|---|
| Common shares<br>(hundreds of shares) | 7,890   | 8        | 13       | 7,886   |

(Note) The above figures include shares in the Company held by the board benefit trust (BBT), which amounted to 609 hundred shares at the beginning of the fiscal year and 596 hundred shares at the end of the fiscal year.

### Overview of reasons for changes

The breakdown of increases and decreases is as follows:

Increase due to purchase of shares less than one unit: 8 hundred shares

Decrease due to delivery of shares to the board benefit trust (BBT): (13) hundred shares

### 3. Dividends

#### (1) Dividends paid

| Resolution  | Class of shares | Total dividends<br>(Millions of yen) | Dividends per share<br>(Yen) | Record date          | Effective date       |
|---|-----------------|--------------------------------------|------------------------------|----------------------|----------------------|
| March 29, 2023<br>Annual General Meeting<br>of Shareholders | Common shares   | 1,110                                | 100.00                       | December 31,<br>2022 | March 30, 2023       |
| August 10, 2023<br>Board of Directors                       | Common shares   | 1,110                                | 100.00                       | June 30, 2023        | September 6,<br>2023 |

- (Notes) 1. The total amount of dividends pursuant to the resolution at the Annual General Meeting of Shareholders held on March 29, 2023 includes dividends of 6 million yen for shares in the Company held by the board benefit trust (BBT).
2. The total amount of dividends pursuant to the resolution at the Board of Directors meeting held on August 10, 2023 includes dividends of 5 million yen for shares in the Company held by the board benefit trust (BBT).

#### (2) Dividends whose effective date falls in the fiscal year following the fiscal year of the record date

| Resolution  | Class of shares | Total dividends<br>(Millions of yen) | Source of dividends | Dividends per share<br>(Yen) | Record date          | Effective date    |
|---|-----------------|--------------------------------------|---------------------|------------------------------|----------------------|-------------------|
| March 28, 2024<br>Annual General Meeting<br>of Shareholders | Common shares   | 1,110                                | Retained earnings   | 100.00                       | December 31,<br>2023 | March 29,<br>2024 |

- (Note) The total amount of dividends pursuant to the resolution at the Annual General Meeting of Shareholders held on March 28, 2024 includes dividends of 5 million yen for shares in the Company held by the board benefit trust (BBT).

### Fiscal year ended December 31, 2024

#### 1. Issued shares

| Class of shares                       | Number of shares at<br>beginning of the fiscal year | Increase | Decrease | Number of shares at<br>end of the fiscal year |
|---------------------------------------|---|----------|----------|---|
| Common shares<br>(hundreds of shares) | 118,325   | –        | –        | 118,325                                       |

#### 2. Treasury shares

| Class of shares                       | Number of shares at<br>beginning of the fiscal year | Increase | Decrease | Number of shares at<br>end of the fiscal year |
|---------------------------------------|---|----------|----------|---|
| Common shares<br>(hundreds of shares) | 7,886   | 5        | 128      | 7,763   |

- (Note) The above figures include shares in the Company held by the board benefit trust (BBT), which amounted to 596 hundred shares at the beginning of the fiscal year and 468 hundred shares at the end of the fiscal year.

#### *Overview of reasons for changes*

The breakdown of increases and decreases is as follows:

Increase due to purchase of shares less than one unit: 5 hundred shares

Decrease due to delivery of shares to the board benefit trust (BBT): (128) hundred shares

### 3. Dividends

#### (1) Dividends paid

| Resolution  | Class of shares | Total dividends<br>(Millions of yen) | Dividends per share<br>(Yen) | Record date          | Effective date       |
|---|-----------------|--------------------------------------|------------------------------|----------------------|----------------------|
| March 28, 2024<br>Annual General Meeting<br>of Shareholders | Common shares   | 1,110                                | 100.00                       | December 31,<br>2023 | March 29, 2024       |
| August 9, 2024<br>Board of Directors                        | Common shares   | 1,110                                | 100.00                       | June 30, 2024        | September 6,<br>2024 |

- (Notes) 1. The total amount of dividends pursuant to the resolution at the Annual General Meeting of Shareholders held on March 28, 2024 includes dividends of 5 million yen for shares in the Company held by the board benefit trust (BBT).
2. The total amount of dividends pursuant to the resolution at the Board of Directors meeting held on August 9, 2024 includes dividends of 4 million yen for shares in the Company held by the board benefit trust (BBT).

#### (2) Dividends whose effective date falls in the fiscal year following the fiscal year of the record date

| Resolution  | Class of shares | Total dividends<br>(Millions of yen) | Source of dividends | Dividends per share<br>(Yen) | Record date          | Effective date    |
|---|-----------------|--------------------------------------|---------------------|------------------------------|----------------------|-------------------|
| March 28, 2025<br>Annual General Meeting<br>of Shareholders | Common shares   | 1,110                                | Retained earnings   | 100.00                       | December 31,<br>2024 | March 31,<br>2025 |

- (Note) The total amount of dividends pursuant to the resolution at the Annual General Meeting of Shareholders held on March 28, 2025 includes dividends of 4 million yen for shares in the Company held by the board benefit trust (BBT).

### Notes to Consolidated Statements of Cash Flows

- \* Reconciliation of closing balance of cash and cash equivalents and the related accounts on the consolidated balance sheets

(Millions of yen)

|  | Fiscal year ended<br>December 31, 2023 | Fiscal year ended<br>December 31, 2024 |
|--|--|--|
| Cash and deposits                                | 14,527                                 | 12,299                                 |
| Time deposits with maturity of over three months | (145)                                  | (145)                                  |
| Cash and cash equivalents                        | 14,382                                 | 12,154                                 |

### Financial Instruments

#### 1. Status of financial instruments

##### (1) Policy on financial instruments

The Group manages its funds only using deposits and other instruments with limited risk and procures its funds through borrowings from financial institutions such as banks. Derivatives are used to mitigate the risks described below, and the Group does not conduct speculative transactions.

##### (2) Details of financial instruments and associated risks

Notes and accounts receivable - trade and electronically recorded monetary claims - operating, which are trade receivables, are exposed to customer credit risks. Trade receivables denominated in foreign currencies, which arise mainly from the export business, are exposed to exchange rate fluctuation risks. Investment securities are mainly stocks and are exposed to market price fluctuation risks.

Notes and accounts payable - trade and electronically recorded obligations - operating, which are trade payables, have due dates within one year. Some of them, arising from the import of raw materials and other goods, are denominated in foreign currencies and are exposed to exchange rate fluctuation risks. However, they do not exceed the balance of accounts receivable - trade denominated in the same foreign currency at any time. Borrowings are used as operating funds (short-term) and as funds for capital investment (long-term). Borrowings with floating interest rates are exposed to interest rate fluctuation risks.

Derivatives used by the Group are forward exchange contracts and currency swap contracts, which are used for the purpose of hedging the exchange rate fluctuation risks on trade receivables denominated in foreign currencies, as well as interest rate swap contracts, which are used for the purpose of hedging the interest rate fluctuation risks on borrowings. Hedge accounting methods, including hedge instruments, hedged items, hedging policies, and means of assessing hedge effectiveness, are described in “4. Accounting policies, (7) Significant hedge accounting methods.”

(3) Risk management system for financial instruments

(i) Management of credit risks (default risks, etc.)

The Company’s sales departments and accounting and finance departments manage due dates and balances of trade receivables for each counterparty, and they strive to quickly identify and mitigate concerns over collections due to deteriorating financial conditions and other reasons, in accordance with the Company regulations on managing receivables. Consolidated subsidiaries of the Company also manage trade receivables in the same manner, applying the Company regulations on managing receivables.

When using derivatives, the Group conducts transactions only with financial institutions that have high ratings to mitigate credit risks. Credit risks on derivatives are therefore minimal.

(ii) Management of market risks (risks associated with foreign exchange rates, interest rates, etc.)

For trade receivables denominated in foreign currencies, the Company enters into forward exchange contracts and currency swap contracts as needed based on the real demand principle. Regarding investment securities, the Company periodically reviews market prices and financial conditions of the issuers (counterparty companies).

Furthermore, the Company and some of its consolidated subsidiaries use interest rate swap contracts to reduce the interest rate fluctuation risks on borrowings.

The Group has established regulations on managing derivatives, limiting the use of derivatives for risk hedging purposes.

(iii) Management of liquidity risks associated with funding

The Company manages liquidity risks such as by having accounting and finance departments prepare and update cash flow plans based on reports from each department and maintaining a certain level of on-hand liquidity.

(4) Supplementary explanation related to fair values, etc. of financial instruments

Because calculations of the fair values of financial instruments involve variable inputs, the results of calculations may vary depending on what premises and assumptions are used. Furthermore, the contract amount, etc. of derivatives stated in the notes on “Derivatives” do not represent the market risks related to derivatives.

2. Fair values of financial instruments

Carrying amounts in the consolidated balance sheets, fair values and the differences between them are as follows.

As of December 31, 2023

(Millions of yen)

|   | Carrying amount (A) | Fair value (B) | Difference (B) - (A) |
|---|---------------------|----------------|----------------------|
| (1) Investment securities (*2)  |                     |                |                      |
| Available-for-sale securities   | 7,519               | 7,519          | —                    |
| Total assets  | 7,519               | 7,519          | —                    |
| (1) Long-term borrowings (current portion of long-term borrowings included) | 444                 | 445            | 0                    |
| Total liabilities   | 444                 | 445            | 0                    |

(\*1) Notes on cash are omitted, and notes to deposits, notes and accounts receivable - trade, and contract assets, electronically recorded monetary claims - operating, income taxes refund receivable, notes and accounts payable - trade, electronically recorded obligations - operating, notes payable - facilities, electronically recorded obligations - facilities, advances received, short-term borrowings, and income taxes payable are omitted since they are scheduled to be settled in a short period of time, causing the fair value to approximate the book value.

(\*2) Equity securities, etc. without market value are not included in “(1) Investment securities.” Carrying amount of such financial instruments on the consolidated balance sheets is as follows:

(Millions of yen)

| Category                              | As of December 31, 2023 |
|---------------------------------------|-------------------------|
| Unlisted shares                       |                         |
| Shares of subsidiaries and associates | 1,128                   |
| Available-for-sale securities         | 19                      |

As of December 31, 2024

(Millions of yen)

|   | Carrying amount (A) | Fair value (B) | Difference (B) - (A) |
|---|---------------------|----------------|----------------------|
| (1) Investment securities (*2)  |                     |                |                      |
| Available-for-sale securities   | 9,221               | 9,221          | —                    |
| Total assets  | 9,221               | 9,221          | —                    |
| (1) Long-term borrowings (current portion of long-term borrowings included) | 373                 | 372            | (1)                  |
| Total liabilities   | 373                 | 372            | (1)                  |

(\*1) Notes on cash are omitted, and notes to deposits, notes and accounts receivable - trade, and contract assets, electronically recorded monetary claims - operating, income taxes refund receivable, notes and accounts payable - trade, electronically recorded obligations - operating, notes payable - facilities, electronically recorded obligations - facilities, advances received, short-term borrowings, and income taxes payable are omitted since they are scheduled to be settled in a short period of time, causing the fair value to approximate the book value.

(\*2) Equity securities, etc. without market value are not included in “(1) Investment securities.” Carrying amount of such financial instruments on the consolidated balance sheets is as follows:

(Millions of yen)

| Category                              | As of December 31, 2024 |
|---------------------------------------|-------------------------|
| Unlisted shares                       |                         |
| Shares of subsidiaries and associates | 1,152                   |
| Available-for-sale securities         | 57                      |

(Note 1) Expected redemption amounts of monetary claims and securities with maturity after the consolidated balance sheet date

As of December 31, 2023

(Millions of yen)

|   | Within one year | Over one year and within five years | Over five years and within ten years | Over ten years |
|---|-----------------|-------------------------------------|--------------------------------------|----------------|
| Cash and deposits                                   | 14,527          | —                                   | —                                    | —              |
| Notes receivable - trade                            | 386             | —                                   | —                                    | —              |
| Electronically recorded monetary claims - operating | 1,878           | —                                   | —                                    | —              |
| Accounts receivable - trade                         | 11,195          | —                                   | —                                    | —              |
| Total   | 27,988          | —                                   | —                                    | —              |

As of December 31, 2024

(Millions of yen)

|   | Within one year | Over one year and within five years | Over five years and within ten years | Over ten years |
|---|-----------------|-------------------------------------|--------------------------------------|----------------|
| Cash and deposits                                   | 12,299          | —                                   | —                                    | —              |
| Notes receivable - trade                            | 333             | —                                   | —                                    | —              |
| Electronically recorded monetary claims - operating | 1,927           | —                                   | —                                    | —              |
| Accounts receivable - trade                         | 10,850          | —                                   | —                                    | —              |
| Total   | 25,410          | —                                   | —                                    | —              |

(Note 2) Repayment schedule of short-term borrowings and long-term borrowings after the consolidated balance sheet date

As of December 31, 2023

(Millions of yen)

| Category              | Within one year | Over one year and within two years | Over two years and within three years | Over three years and within four years | Over four years and within five years | Over five years |
|-----------------------|-----------------|------------------------------------|---------------------------------------|--|---------------------------------------|-----------------|
| Short-term borrowings | 8,410           | —                                  | —                                     | —                                      | —                                     | —               |
| Long-term borrowings  | 166             | 156                                | 71                                    | 35                                     | 15                                    | —               |

As of December 31, 2024

(Millions of yen)

| Category              | Within one year | Over one year and within two years | Over two years and within three years | Over three years and within four years | Over four years and within five years | Over five years |
|-----------------------|-----------------|------------------------------------|---------------------------------------|--|---------------------------------------|-----------------|
| Short-term borrowings | 8,840           | —                                  | —                                     | —                                      | —                                     | —               |
| Long-term borrowings  | 176             | 91                                 | 55                                    | 35                                     | 15                                    | —               |

### 3. Breakdown, etc. by level of fair values of financial instruments

The fair values of financial instruments are classified into the following three levels depending on the observability and significance of the input used in the fair value measurement.

Level 1: Fair value measured by the market price of an asset or liability in active markets among the observable inputs

Level 2: Fair value measured by the observable inputs other than the Level 1 inputs

Level 3: Fair value measured by unobservable inputs

If multiple inputs are used with a significant impact on fair value measurement, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input.

#### (1) Financial instruments recorded at fair value on the consolidated balance sheets

As of December 31, 2023

(Millions of yen)

| Category                      | Fair value |         |         |       |
|-------------------------------|------------|---------|---------|-------|
|                               | Level 1    | Level 2 | Level 3 | Total |
| Investment securities         |            |         |         |       |
| Available-for-sale securities |            |         |         |       |
| Shares                        | 7,519      | –       | –       | 7,519 |
| Total assets                  | 7,519      | –       | –       | 7,519 |

As of December 31, 2024

(Millions of yen)

| Category                      | Fair value |         |         |       |
|-------------------------------|------------|---------|---------|-------|
|                               | Level 1    | Level 2 | Level 3 | Total |
| Investment securities         |            |         |         |       |
| Available-for-sale securities |            |         |         |       |
| Shares                        | 9,221      | –       | –       | 9,221 |
| Total assets                  | 9,221      | –       | –       | 9,221 |

#### (2) Financial instruments other than those that are recorded at fair value on the consolidated balance sheets

As of December 31, 2023

(Millions of yen)

| Category             | Fair value |         |         |       |
|----------------------|------------|---------|---------|-------|
|                      | Level 1    | Level 2 | Level 3 | Total |
| Long-term borrowings | –          | 445     | –       | 445   |
| Total liabilities    | –          | 445     | –       | 445   |

As of December 31, 2024

(Millions of yen)

| Category             | Fair value |         |         |       |
|----------------------|------------|---------|---------|-------|
|                      | Level 1    | Level 2 | Level 3 | Total |
| Long-term borrowings | –          | 372     | –       | 372   |
| Total liabilities    | –          | 372     | –       | 372   |

(3) Description of the valuation techniques and inputs used in the fair value measurement

Investment securities

The fair value of listed shares is measured using quoted prices. Listed shares are traded in active markets and their fair value is categorized within Level 1.

Long-term borrowings

The fair value of long-term borrowings is determined by using discounted cash flow based on the total amount of the principal and interest and an interest rate that takes into consideration the remaining tenor of the relevant debt and credit risk, and it is classified into Level 2 fair value.

**Securities**

1. Available-for-sale securities with market value

As of December 31, 2023

(Millions of yen)

| Category   | Type   | Carrying amount (A) | Acquisition cost (B) | Difference (A) - (B) |
|--|--------|---------------------|----------------------|----------------------|
| Items whose carrying amount exceeds acquisition cost         | Shares | 7,469               | 2,514                | 4,955                |
| Subtotal   |        | 7,469               | 2,514                | 4,955                |
| Items whose carrying amount does not exceed acquisition cost | Shares | 49                  | 63                   | (13)                 |
| Subtotal   |        | 49                  | 63                   | (13)                 |
| Total  |        | 7,519               | 2,578                | 4,941                |

As of December 31, 2024

(Millions of yen)

| Category   | Type   | Carrying amount (A) | Acquisition cost (B) | Difference (A) - (B) |
|--|--------|---------------------|----------------------|----------------------|
| Items whose carrying amount exceeds acquisition cost         | Shares | 8,286               | 2,534                | 5,751                |
| Subtotal   |        | 8,286               | 2,534                | 5,751                |
| Items whose carrying amount does not exceed acquisition cost | Shares | 934                 | 1,034                | (99)                 |
| Subtotal   |        | 934                 | 1,034                | (99)                 |
| Total  |        | 9,221               | 3,568                | 5,652                |

2. Available-for-sale securities sold during the fiscal year

Fiscal year ended December 31, 2023

(Millions of yen)

| Category   | Sale proceeds | Total gain on sale | Total loss on sale |
|------------|---------------|--------------------|--------------------|
| (1) Shares | 28            | 22                 | —                  |
| (2) Other  | —             | —                  | —                  |
| Total      | 28            | 22                 | —                  |

Fiscal year ended December 31, 2024

(Millions of yen)

| Category   | Sale proceeds | Total gain on sale | Total loss on sale |
|------------|---------------|--------------------|--------------------|
| (1) Shares | 9             | 6                  | —                  |
| (2) Other  | —             | —                  | —                  |
| Total      | 9             | 6                  | —                  |

**Derivatives**

1. Derivatives to which hedge accounting is not applied

Not applicable

2. Derivatives to which hedge accounting is applied

(1) Foreign currency-related contracts

As of December 31, 2023

(Millions of yen)

| Hedge accounting | Type of derivatives, etc.  | Hedged item   | Contract amount, etc. | Of contract amount, etc., those over one year | Fair value |
|------------------|----------------------------|---|-----------------------|---|------------|
| Principle method | Forward exchange contracts |   |                       |   |            |
|                  | Short                      |   |                       |   |            |
|                  | USD                        | Forecast transactions denominated in foreign currencies | 84                    | —   | 0          |
|                  | Euro                       | Forecast transactions denominated in foreign currencies | 600                   | —   | (4)        |
| Total            |                            |   | 684                   | —   | (4)        |

As of December 31, 2024

Not applicable

(2) Interest rate-related contracts

Not applicable

## Retirement Benefits

Fiscal year ended December 31, 2023

### 1. Overview of retirement benefit plans adopted

The Company and its consolidated subsidiaries have adopted funded defined benefit plans to provide retirement benefits to employees.

Under retirement benefit corporate pension plans, lump-sum payments or pension payments are made based on salaries and years of service.

Furthermore, the Company's consolidated subsidiaries calculate retirement benefit liability and retirement benefit expenses using a simplified method in which the amount that would be required to be paid if all their eligible employees voluntarily terminated their employment as of the end of the fiscal year is treated as retirement benefit obligation. Extra retirement payments may be provided upon retirement of certain employees, where those payments are not considered to be retirement benefit obligations as calculated under actuarial methods in accordance with accounting policies on retirement benefits.

### 2. Defined benefit plans

- (1) Reconciliation between retirement benefit obligations at beginning of period and end of period (excluding plans to which simplified method is applied stated in (3))

|  | (Millions of yen) |
|--|-------------------|
| Balance of retirement benefit obligations at beginning of period | 1,676             |
| Service cost   | 107               |
| Interest cost  | 6                 |
| Actuarial gains and losses accrued                               | (3)               |
| Retirement benefits paid   | (176)             |
| Balance of retirement benefit obligations at end of period       | 1,611             |

- (2) Reconciliation between plan assets at beginning of period and end of period (excluding plans to which simplified method is applied stated in (3))

|   | (Millions of yen) |
|---|-------------------|
| Balance of plan assets at beginning of period | 1,243             |
| Expected return on plan assets                | 24                |
| Actuarial gains and losses accrued            | 29                |
| Contribution from employer                    | 57                |
| Retirement benefits paid                      | (115)             |
| Balance of plan assets at end of period       | 1,239             |

- (3) Reconciliation between retirement benefit liabilities for plans to which simplified method is applied at beginning of period and end of period

|   | (Millions of yen) |
|---|-------------------|
| Retirement benefit liability at beginning of period | 350               |
| Retirement benefit expenses                         | 84                |
| Retirement benefits paid                            | (34)              |
| Contribution to plans                               | (4)               |
| Retirement benefit liability at end of period       | 395               |

- (4) Reconciliation between ending balance of retirement benefit obligations and plan assets, and retirement benefit liability/asset recorded in the consolidated balance sheets

|  | (Millions of yen) |
|--|-------------------|
| Retirement benefit obligations of funded plans                                   | 1,610             |
| Plan assets  | (1,239)           |
|  | 371               |
| Retirement benefit obligations of unfunded plans                                 | 395               |
| Net amount of liabilities and assets recorded in the consolidated balance sheets | 766               |
| Retirement benefit liability   | 766               |
| Net amount of liabilities and assets recorded in the consolidated balance sheets | 766               |

(Note) Include plans to which the simplified method was applied.

- (5) Amounts of retirement benefit expenses and their components

|   | (Millions of yen) |
|---|-------------------|
| Service cost  | 107               |
| Interest cost   | 6                 |
| Expected return on plan assets                          | (24)              |
| Amortization of actuarial gains and losses              | 20                |
| Amortization of past service cost                       | (0)               |
| Retirement benefit expenses applying simplified method  | 79                |
| Retirement benefit expenses under defined benefit plans | 187               |

- (6) Remeasurements of defined benefit plans included in other comprehensive income

The components of remeasurements of defined benefit plans (before deduction of tax effects) are as follows:

|                            | (Millions of yen) |
|----------------------------|-------------------|
| Past service cost          | (0)               |
| Actuarial gains and losses | 52                |
| Total                      | 52                |

- (7) Remeasurements of defined benefit plans included in accumulated other comprehensive income

The components of remeasurements of defined benefit plans (before deduction of tax effects) are as follows:

|   | (Millions of yen) |
|---|-------------------|
| Unrecognized past service cost          | 7                 |
| Unrecognized actuarial gains and losses | (89)              |
| Total                                   | (82)              |

(8) Plan assets

(i) Major components of plan assets

The ratio of each major category to total plan assets is as follows:

|   | (%) |
|---|-----|
| General accounts (life insurance companies) | 60  |
| Other                                       | 40  |
| Total                                       | 100 |

(ii) Method for setting the long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, the Company takes into account current and expected allocation of plan assets, and current and expected long-term return rate on various types of assets constituting plan assets.

(9) Actuarial assumptions

Major actuarial assumptions at the end of the fiscal year ended December 31, 2023

Discount rate: 0.4%

Long-term expected rate of return: 2.0%

Fiscal year ended December 31, 2024

1. Overview of retirement benefit plans adopted

The Company and its consolidated subsidiaries have adopted funded defined benefit plans to provide retirement benefits to employees.

Under retirement benefit corporate pension plans, lump-sum payments or pension payments are made based on salaries and years of service.

Furthermore, the Company's consolidated subsidiaries calculate retirement benefit liability and retirement benefit expenses using a simplified method in which the amount that would be required to be paid if all their eligible employees voluntarily terminated their employment as of the end of the fiscal year is treated as retirement benefit obligation. Extra retirement payments may be provided upon retirement of certain employees, where those payments are not considered to be retirement benefit obligations as calculated under actuarial methods in accordance with accounting policies on retirement benefits.

2. Defined benefit plans

(1) Reconciliation between retirement benefit obligations at beginning of period and end of period (excluding plans to which simplified method is applied stated in (3))

|  | (Millions of yen) |
|--|-------------------|
| Balance of retirement benefit obligations at beginning of period | 1,611             |
| Service cost   | 103               |
| Interest cost  | 6                 |
| Actuarial gains and losses accrued                               | (77)              |
| Retirement benefits paid   | (105)             |
| Balance of retirement benefit obligations at end of period       | 1,536             |

- (2) Reconciliation between plan assets at beginning of period and end of period (excluding plans to which simplified method is applied stated in (3))

|   | (Millions of yen) |
|---|-------------------|
| Balance of plan assets at beginning of period | 1,239             |
| Expected return on plan assets                | 24                |
| Actuarial gains and losses accrued            | 0                 |
| Contribution from employer                    | 56                |
| Retirement benefits paid                      | (71)              |
| Balance of plan assets at end of period       | 1,249             |

- (3) Reconciliation between retirement benefit liabilities for plans to which simplified method is applied at beginning of period and end of period

|   | (Millions of yen) |
|---|-------------------|
| Retirement benefit liability at beginning of period | 395               |
| Retirement benefit expenses                         | 34                |
| Retirement benefits paid                            | (8)               |
| Contribution to plans                               | (9)               |
| Retirement benefit liability at end of period       | 411               |

- (4) Reconciliation between ending balance of retirement benefit obligations and plan assets, and retirement benefit liability/asset recorded in the consolidated balance sheets

|  | (Millions of yen) |
|--|-------------------|
| Retirement benefit obligations of funded plans                                   | 1,536             |
| Plan assets  | (1,249)           |
|  | 286               |
| Retirement benefit obligations of unfunded plans                                 | 411               |
| Net amount of liabilities and assets recorded in the consolidated balance sheets | 698               |
| Retirement benefit liability   | 698               |
| Net amount of liabilities and assets recorded in the consolidated balance sheets | 698               |

(Note) Include plans to which the simplified method was applied.

- (5) Amounts of retirement benefit expenses and their components

|   | (Millions of yen) |
|---|-------------------|
| Service cost  | 103               |
| Interest cost   | 6                 |
| Expected return on plan assets                          | (24)              |
| Amortization of actuarial gains and losses              | 15                |
| Amortization of past service cost                       | (0)               |
| Retirement benefit expenses applying simplified method  | 34                |
| Retirement benefit expenses under defined benefit plans | 133               |

(6) Remeasurements of defined benefit plans included in other comprehensive income

The components of remeasurements of defined benefit plans (before deduction of tax effects) are as follows:

|                            | (Millions of yen) |
|----------------------------|-------------------|
| Past service cost          | (0)               |
| Actuarial gains and losses | 94                |
| <u>Total</u>               | <u>93</u>         |

(7) Remeasurements of defined benefit plans included in accumulated other comprehensive income

The components of remeasurements of defined benefit plans (before deduction of tax effects) are as follows:

|   | (Millions of yen) |
|---|-------------------|
| Unrecognized past service cost          | 6                 |
| Unrecognized actuarial gains and losses | 4                 |
| <u>Total</u>                            | <u>11</u>         |

(8) Plan assets

(i) Major components of plan assets

The ratio of each major category to total plan assets is as follows:

|   | (%)        |
|---|------------|
| General accounts (life insurance companies) | 62         |
| Other                                       | 38         |
| <u>Total</u>                                | <u>100</u> |

(ii) Method for setting the long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, the Company takes into account current and expected allocation of plan assets, and current and expected long-term return rate on various types of assets constituting plan assets.

(9) Actuarial assumptions

Major actuarial assumptions at the end of the fiscal year ended December 31, 2024

|                                    |      |
|------------------------------------|------|
| Discount rate:                     | 1.2% |
| Long-term expected rate of return: | 2.0% |
| Expected rate of salary raise:     | 6.3% |

## Deferred Tax Accounting

### 1. Major components of deferred tax assets and liabilities

|  | (Millions of yen)       |                         |
|--|-------------------------|-------------------------|
|  | As of December 31, 2023 | As of December 31, 2024 |
| Deferred tax assets  |                         |                         |
| Excess of allowance for doubtful accounts  | 1                       | 0                       |
| Retirement benefit liability   | 236                     | 226                     |
| Loss on valuation of inventories   | 375                     | 410                     |
| Enterprise taxes payable   | 87                      | 73                      |
| Excess of provision for bonuses  | 86                      | 86                      |
| Impairment losses  | 378                     | 341                     |
| Tax effects relating to unrealized profit  | 236                     | 272                     |
| Accrued expenses   | 42                      | 6                       |
| Other  | 824                     | 846                     |
| Subtotal   | 2,265                   | 2,265                   |
| Valuation allowance  | (1,254)                 | (1,256)                 |
| Total  | 1,011                   | 1,008                   |
| Deferred tax liabilities   |                         |                         |
| Valuation difference on available-for-sale securities                              | (1,513)                 | (1,730)                 |
| Tax effects relating to undistributed profit of overseas consolidated subsidiaries | (142)                   | (157)                   |
| Other  | (96)                    | (90)                    |
| Total  | (1,751)                 | (1,979)                 |
| Net deferred tax assets (liabilities)  | (740)                   | (970)                   |

(Note) Net deferred tax assets as of December 31, 2023 and December 31, 2024 are included in the following items on consolidated balance sheets.

|  | (Millions of yen)       |                         |
|--|-------------------------|-------------------------|
|  | As of December 31, 2023 | As of December 31, 2024 |
| Non-current assets - deferred tax assets           | 514                     | 599                     |
| Non-current liabilities - deferred tax liabilities | (1,254)                 | (1,570)                 |

### 2. Reconciliation of significant differences between the statutory effective tax rate and the actual effective rate of income taxes after application of deferred tax accounting

|  | As of December 31, 2023  | As of December 31, 2024  |
|--|--|--|
|  | The note is omitted, because the difference between the statutory effective tax rate and the actual effective rate of income taxes after application of deferred tax accounting is less than 5% of the statutory effective tax rate. | The note is omitted, because the difference between the statutory effective tax rate and the actual effective rate of income taxes after application of deferred tax accounting is less than 5% of the statutory effective tax rate. |

## Revenue Recognition

### 1. Information on the breakdown of revenue from contracts with customers

It is as per the description in “Notes to Consolidated Financial Statements, Segment Information, Etc., 3. Disclosure of sales, profit (loss), assets, and other items for each reportable segment and information on disaggregation of revenue.”

### 2. Underlying information to understand revenue from contracts with customers

It is as per the description in “Notes to Consolidated Financial Statements, Basis of Preparation of Consolidated Financial Statements, 4. Accounting policies, (5) Accounting policy for recognition of significant revenues and expenses.”

### 3. Information on the relationship between the satisfaction of performance obligations pursuant to contracts with customers and the cash flows arising from relevant contracts, as well as the amount and timing of revenues expected to be recognized in the following fiscal years from contracts with customers that exist at the end of the fiscal year ended December 31, 2024.

Fiscal year ended December 31, 2023

#### (1) Balance, etc. of contract assets and contract liabilities

|   | (Millions of yen)  |
|---|--|
|   | As of the end of the previous fiscal year<br>(December 31, 2023) |
| Claims arising from contracts with customers (Balance at beginning of period) | 11,814   |
| Claims arising from contracts with customers (Balance at end of period)       | 13,460   |
| Contract assets (Balance at beginning of period)                              | 108  |
| Contract assets (Balance at end of period)                                    | 120  |

Contract assets are claims that are recognized as performance obligations under construction work contracts are satisfied with progresses in construction work.

#### (2) Transaction price allocated to remaining performance obligations

Since the initially planned term of contracts with customers at the Group is one year or less, information on transaction price allocated to remaining performance obligations is omitted.

Fiscal year ended December 31, 2024

(1) Balance, etc. of contract assets and contract liabilities

(Millions of yen)

|   | As of the end of the current fiscal year<br>(December 31, 2024) |
|---|---|
| Claims arising from contracts with customers (Balance at beginning of period) | 13,460  |
| Claims arising from contracts with customers (Balance at end of period)       | 13,110  |
| Contract assets (Balance at beginning of period)                              | 120   |
| Contract assets (Balance at end of period)                                    | 94  |

Contract assets are claims that are recognized as performance obligations under construction work contracts are satisfied with progresses in construction work.

(2) Transaction price allocated to remaining performance obligations

Since the initially planned term of contracts with customers at the Group is one year or less, information on transaction price allocated to remaining performance obligations is omitted.

**Segment Information, Etc.**

[Segment information]

1. Overview of reportable segments

The reportable segments of the Company are components of the Company for which discrete financial information is available and regularly reviewed by the Board of Directors to make decisions about the allocation of managerial resources and to assess their performance.

The Company has reportable segments based on product and service categories, namely carbon product business, silicon carbide product business, and other businesses. In some cases, different carbon products are manufactured using the same production facilities, and multiple carbon products may be sold together.

Accordingly, carbon products are treated as a single segment based on their close relation in making investment decisions. The main details of each reportable segment are as follows:

| Reportable segment               | Major details  |
|----------------------------------|--|
| Carbon product business          | Artificial graphite electrodes, impervious graphite products, high-purity isotropic graphite products, graphite products for mechanical components, general-purpose carbon fibers and graphite fibers, PTFE-mixed graphite fiber packing materials, flexible graphite sealing materials, and anode materials for lithium-ion batteries |
| Silicon carbide product business | Silicon carbide continuous fibers  |
| Other businesses                 | Manufacturing of industrial machinery, repairs of machinery, and parking space rentals   |

2. Explanation of measurements of sales, profit (loss), assets, and other items for each reportable segment

The accounting method for the operating segments that are reportable is the same as described in “Basis of Preparation of Consolidated Financial Statements.” The profit of reportable segments is based on operating profit. Intersegment revenue or transfers are based on actual market price.

3. Disclosure of sales, profit (loss), assets, and other items for each reportable segment and information on disaggregation of revenue

Fiscal year ended December 31, 2023

(Millions of yen)

|  | Reportable segment         |   |       |        | Adjustment<br>(Note 1) | Carrying<br>amount<br>(Note 2) |
|--|----------------------------|---|-------|--------|------------------------|--------------------------------|
|  | Carbon product<br>business | Silicon<br>carbide<br>product<br>business | Other | Total  |                        |                                |
| Net sales  |                            |   |       |        |                        |                                |
| Fine carbon-related products                                       | 24,007                     | —   | —     | 24,007 | —                      | 24,007                         |
| Electrode-related products   | 10,610                     | —   | —     | 10,610 | —                      | 10,610                         |
| Silicon carbide-related products                                   | —                          | 2,329                                     | —     | 2,329  | —                      | 2,329                          |
| Other  | —                          | —   | 920   | 920    | —                      | 920                            |
| Revenue from contracts with<br>customers                           | 34,617                     | 2,329                                     | 920   | 37,867 | —                      | 37,867                         |
| Other revenue  | —                          | —   | —     | —      | —                      | —                              |
| Net sales to external customers                                    | 34,617                     | 2,329                                     | 920   | 37,867 | —                      | 37,867                         |
| Inter-segment net sales or<br>transfers                            | 1                          | 16  | 557   | 575    | (575)                  | —                              |
| Total  | 34,619                     | 2,345                                     | 1,478 | 38,442 | (575)                  | 37,867                         |
| Segment profit   | 5,799                      | 508                                       | 248   | 6,556  | 17                     | 6,573                          |
| Segment assets   | 50,225                     | 5,021                                     | 1,151 | 56,397 | 22,068                 | 78,466                         |
| Other items  |                            |   |       |        |                        |                                |
| Depreciation   | 2,043                      | 622                                       | 43    | 2,710  | (43)                   | 2,666                          |
| Increase in property, plant and<br>equipment and intangible assets | 2,777                      | 25  | 4     | 2,807  | (53)                   | 2,754                          |

(Notes) 1. Adjustments are as follows.

- (1) The adjustment to segment assets of 22,068 million yen primarily consists of assets related to surplus funds (cash) and long-term investment funds (investment securities).
  - (2) The adjustment to depreciation of (43) million yen and the adjustment to increase in property, plant and equipment and intangible assets of (53) million yen under other items are for eliminating unrealized profit.
2. Segment profit equals operating profit in the consolidated statements of income.

Fiscal year ended December 31, 2024

(Millions of yen)

|   | Reportable segment         |   |       |        | Adjustment<br>(Note 1) | Carrying<br>amount<br>(Note 2) |
|---|----------------------------|---|-------|--------|------------------------|--------------------------------|
|   | Carbon product<br>business | Silicon<br>carbide<br>product<br>business | Other | Total  |                        |                                |
| Net sales   |                            |   |       |        |                        |                                |
| Fine carbon-related products                                    | 23,744                     | —   | —     | 23,744 | —                      | 23,744                         |
| Electrode-related products                                      | 10,626                     | —   | —     | 10,626 | —                      | 10,626                         |
| Silicon carbide-related products                                | —                          | 2,700                                     | —     | 2,700  | —                      | 2,700                          |
| Other   | —                          | —   | 722   | 722    | —                      | 722                            |
| Revenue from contracts with customers                           | 34,371                     | 2,700                                     | 722   | 37,794 | —                      | 37,794                         |
| Other revenue   | —                          | —   | 162   | 162    | —                      | 162                            |
| Net sales to external customers                                 | 34,371                     | 2,700                                     | 885   | 37,956 | —                      | 37,956                         |
| Inter-segment net sales or transfers                            | 0                          | 17  | 636   | 654    | (654)                  | —                              |
| Total   | 34,371                     | 2,717                                     | 1,521 | 38,610 | (654)                  | 37,956                         |
| Segment profit  | 5,203                      | 855                                       | 243   | 6,302  | 16                     | 6,319                          |
| Segment assets  | 55,335                     | 4,397                                     | 1,036 | 60,768 | 21,579                 | 82,348                         |
| Other items   |                            |   |       |        |                        |                                |
| Depreciation  | 2,393                      | 594                                       | 46    | 3,033  | (47)                   | 2,986                          |
| Increase in property, plant and equipment and intangible assets | 6,243                      | 36  | 21    | 6,301  | (39)                   | 6,261                          |

(Notes) 1. Adjustments are as follows.

- (1) The adjustment to segment assets of 21,579 million yen primarily consists of assets related to surplus funds (cash) and long-term investment funds (investment securities).
  - (2) The adjustment to depreciation of (47) million yen and the adjustment to increase in property, plant and equipment and intangible assets of (39) million yen under other items are for eliminating unrealized profit.
2. Segment profit equals operating profit in the consolidated statements of income.

[Related information]

Fiscal year ended December 31, 2023

1. Information about products and services

The information is omitted, because the same information is disclosed in “[Segment information].”

2. Information about geographical areas

(1) Net sales

(Millions of yen)

| Japan  | USA   | Germany | Other | Total  |
|--------|-------|---------|-------|--------|
| 19,502 | 5,038 | 3,620   | 9,705 | 37,867 |

(Note) Net sales are classified by country or region based on customers' location.

(2) Property, plant and equipment

The information is omitted, because the amount of property, plant and equipment located in Japan accounted for more than 90% of total property, plant and equipment in the consolidated balance sheets.

3. Information about main customers

This information is omitted, because there were no customers from which more than 10% of the amount of gross sales in the consolidated statements of income was received.

Fiscal year ended December 31, 2024

1. Information about products and services

The information is omitted, because the same information is disclosed in “[Segment information].”

2. Information about geographical areas

(1) Net sales

(Millions of yen)

| Japan  | USA   | Germany | Other | Total  |
|--------|-------|---------|-------|--------|
| 19,791 | 6,234 | 3,994   | 7,936 | 37,956 |

(Note) Net sales are classified by country or region based on customers' location.

*Changes in presentation*

“Germany,” which was included in “Other” in the previous fiscal year, is now presented separately as it exceeded 10% of net sales in the consolidated statements of income for the current fiscal year. To reflect this change in presentation, reclassification has been made for the fiscal year ended December 31, 2023. As a result, 13,325 million yen presented as “Other” in the segment information, etc. for the previous fiscal year has been reclassified as “Germany” of 3,620 million yen and “Other” of 9,705 million yen.

(2) Property, plant and equipment

The information is omitted, because the amount of property, plant and equipment located in Japan accounted for more than 90% of total property, plant and equipment in the consolidated balance sheets.

### 3. Information about main customers

This information is omitted, because there were no customers from which more than 10% of the amount of gross sales in the consolidated statements of income was received.

[Information about impairment loss of non-current assets by reportable segment]

Fiscal year ended December 31, 2023

Not applicable

Fiscal year ended December 31, 2024

Not applicable

[Information about amortization and unamortized balance of goodwill by reportable segment]

Fiscal year ended December 31, 2023

Not applicable

Fiscal year ended December 31, 2024

Not applicable

[Information about gain on bargain purchase by reportable segment]

Fiscal year ended December 31, 2023

Not applicable

Fiscal year ended December 31, 2024

Not applicable

[Related party information]

Fiscal year ended December 31, 2023

Not applicable

Fiscal year ended December 31, 2024

| Type      | Name of company or individual      | Location           | Share capital or investments in capital (millions of yen) | Description of business or occupation   | Ratio of voting rights ownership (held) (%) | Relationship with related party                       | Description of transactions | Transaction amount (millions of yen) | Account                     | Balance at end of period (millions of yen) |
|-----------|------------------------------------|--------------------|---|---|---|---|-----------------------------|--------------------------------------|-----------------------------|--|
| Associate | Nippon Kormmeyer Carbon Group GmbH | Windhagen, Germany | €50,000   | Sale and manufacture of carbon products | (Ownership) directly: 49                    | Sale of products and outsourcing of processing (Note) | Sale of products            | 1,700                                | Accounts receivable - trade | 1,346                                      |

Terms and conditions of transactions, policy for determining transaction terms and conditions, etc.

(Note) Regarding the sale of products, terms and conditions are determined in the same way as general terms and conditions, based on market prices. For the sale of semi-finished goods, terms and conditions are determined based on the Company's estimated costs and through negotiation in each fiscal year.

## Per Share Information

(Yen)

|                          | Fiscal year ended<br>December 31, 2023 | Fiscal year ended<br>December 31, 2024 |
|--------------------------|--|--|
| Net assets per share     | 4,478.09                               | 4,704.60                               |
| Basic earnings per share | 366.75                                 | 369.03                                 |

- (Notes)
1. The amount of diluted earnings per share is not provided because there are no potential shares.
  2. Shares in the Company held by the board benefit trust (BBT) are deducted from the total number of outstanding shares at the end of the period when calculating net assets per share. Shares in the Company held by the board benefit trust (BBT), averaging 597 hundred shares for the fiscal year ended December 31, 2023 and 507 hundred shares for the fiscal year ended December 31, 2024, are deducted when calculating the average number of outstanding common shares during the period used as the basis for calculating basic earnings per share.
  3. Calculation basis of net assets per share is as follows.

| Item   | As of December 31, 2023 | As of December 31, 2024 |
|--|-------------------------|-------------------------|
| Total net assets (Millions of yen)   | 57,681                  | 60,819                  |
| Difference between total net assets and net assets at end of period related to common shares used for calculating net assets per share (Millions of yen) | 8,226                   | 8,804                   |
| [Of which, non-controlling interests (Millions of yen)]  | [8,226]                 | [8,804]                 |
| Net assets attributable to common shares (Millions of yen)   | 49,455                  | 52,014                  |
| Number of common shares used in the calculation of net assets per share (hundreds of shares)   | 110,438                 | 110,561                 |

4. Calculation basis of basic earnings per share is as follows.

| Item  | Fiscal year ended<br>December 31, 2023 | Fiscal year ended<br>December 31, 2024 |
|---|--|--|
| Profit attributable to owners of parent (Millions of yen)                               | 4,050                                  | 4,078                                  |
| Profit attributable to owners of parent attributable to common shares (Millions of yen) | 4,050                                  | 4,078                                  |
| Profit (loss) not attributable to common shareholders (Millions of yen)                 | —                                      | —                                      |
| Average number of outstanding common shares during the period (hundreds of shares)      | 110,442                                | 110,524                                |

## Subsequent Events

Not applicable

(v) Annexed Consolidated Detailed Schedules

[Consolidated detailed schedule of corporate bonds]

Not applicable

[Consolidated detailed schedule of borrowings]

| Category   | Balance at beginning of period<br>(Millions of yen) | Balance at end of period<br>(Millions of yen) | Average interest rate<br>(%) | Payment due  |
|--|---|---|------------------------------|--------------|
| Short-term borrowings                            | 8,410   | 8,840   | 1.02                         | —            |
| Current portion of long-term borrowings          | 166   | 176   | 0.61                         | —            |
| Long-term borrowings (excluding current portion) | 278   | 196   | 0.83                         | 2026 to 2029 |
| Other interest-bearing debt                      | —   | —   | —                            | —            |
| Total  | 8,854   | 9,213   | —                            | —            |

(Notes) 1. Average interest rate is the weighted average interest rate on the balance of borrowings at the end of the period.

2. Total amounts of scheduled repayments of long-term borrowings (excluding current portion) by year for five years after the consolidated balance sheet date

(Millions of yen)

| Category             | Over one year and within two years | Over two years and within three years | Over three years and within four years | Over four years and within five years |
|----------------------|------------------------------------|---------------------------------------|--|---------------------------------------|
| Long-term borrowings | 91                                 | 55                                    | 35                                     | 15                                    |

[Detailed schedule of asset retirement obligations]

The information is omitted, because the amounts of asset retirement obligations at the beginning and the end of the fiscal year ended December 31, 2024 were not more than 1% of the total of liabilities and net assets at the beginning and the end of the fiscal year ended December 31, 2024, respectively.

(2) Other Information

Semi-annual information, etc. for the fiscal year ended December 31, 2024

|   | Three months ended March 31, 2024 | Six months ended June 30, 2024 | Nine months ended September 30, 2024 | Fiscal year ended December 31, 2024 |
|---|-----------------------------------|--------------------------------|--------------------------------------|-------------------------------------|
| Net sales (Millions of yen)                               | 8,438                             | 18,800                         | 27,423                               | 37,956                              |
| Profit before income taxes (Millions of yen)              | 1,760                             | 3,972                          | 5,062                                | 6,895                               |
| Profit attributable to owners of parent (Millions of yen) | 969                               | 2,292                          | 2,887                                | 4,078                               |
| Basic earnings per share (Yen)                            | 87.77                             | 207.48                         | 261.29                               | 369.03                              |

|                                | First quarter<br>Three months ended<br>March 31, 2024 | Second quarter<br>Three months ended<br>June 30, 2024 | Third quarter<br>Three months ended<br>September 30, 2024 | Fourth quarter<br>Three months ended<br>December 31, 2024 |
|--------------------------------|---|---|---|---|
| Basic earnings per share (Yen) | 87.77   | 119.72  | 53.83   | 107.72  |

(Note) Review of financial information for the nine months ended September 30, 2024: None

## 2. Non-consolidated Financial Statements and Other Information

### (1) Non-consolidated Financial Statements

#### (i) Non-consolidated Balance Sheets

(Millions of yen)

|   | As of December 31, 2023 | As of December 31, 2024 |
|---|-------------------------|-------------------------|
| <b>Assets</b>                                       |                         |                         |
| Current assets                                      |                         |                         |
| Cash and deposits                                   | 9,724                   | 7,193                   |
| Notes receivable - trade                            | *1, *3 197              | *1, *3 92               |
| Electronically recorded monetary claims - operating | *1, *3 623              | *1, *3 802              |
| Accounts receivable - trade                         | *1 8,479                | *1 8,411                |
| Merchandise and finished goods                      | 7,697                   | 7,807                   |
| Work in process                                     | 749                     | 683                     |
| Raw materials and supplies                          | 1,336                   | 1,394                   |
| Prepaid expenses                                    | 121                     | 117                     |
| Short-term loans receivable                         | 292                     | 500                     |
| Other   | *1 242                  | *1 760                  |
| Total current assets                                | 29,462                  | 27,765                  |
| Non-current assets                                  |                         |                         |
| Property, plant and equipment                       |                         |                         |
| Buildings   | *2 2,084                | *2 2,742                |
| Structures  | *2 465                  | *2 477                  |
| Machinery and equipment                             | *2 5,472                | *2 6,082                |
| Vehicles  | *2 7                    | *2 19                   |
| Tools, furniture and fixtures                       | *2 245                  | *2 317                  |
| Land  | *2 3,166                | *2 3,166                |
| Construction in progress                            | 173                     | 1,375                   |
| Total property, plant and equipment                 | 11,616                  | 14,180                  |
| Intangible assets                                   |                         |                         |
| Software  | 105                     | 79                      |
| Other   | 7                       | 7                       |
| Total intangible assets                             | 112                     | 86                      |
| Investments and other assets                        |                         |                         |
| Investment securities                               | 7,497                   | 9,254                   |
| Shares of subsidiaries and associates               | 3,116                   | 3,116                   |
| Long-term loans receivable                          | *1 2,000                | *1 1,500                |
| Long-term prepaid expenses                          | 3                       | 5                       |
| Other   | 2,023                   | 1,913                   |
| Allowance for doubtful accounts                     | (3)                     | (2)                     |
| Total investments and other assets                  | 14,637                  | 15,786                  |
| Total non-current assets                            | 26,366                  | 30,054                  |
| Total assets  | 55,829                  | 57,819                  |

(Millions of yen)

|   | As of December 31, 2023 | As of December 31, 2024 |
|---|-------------------------|-------------------------|
| <b>Liabilities</b>  |                         |                         |
| Current liabilities   |                         |                         |
| Electronically recorded obligations - operating               | 395                     | 343                     |
| Accounts payable - trade                                      | * <sup>1</sup> 4,148    | * <sup>1</sup> 3,503    |
| Short-term borrowings   | * <sup>2</sup> 3,576    | * <sup>2</sup> 3,516    |
| Accounts payable - other                                      | * <sup>1</sup> 429      | * <sup>1</sup> 1,656    |
| Accrued expenses  | * <sup>1</sup> 336      | * <sup>1</sup> 172      |
| Income taxes payable  | 565                     | 621                     |
| Advances received   | 344                     | 219                     |
| Provision for bonuses   | 121                     | 110                     |
| Provision for bonuses for directors (and other officers)      | 61                      | 49                      |
| Electronically recorded obligations - facilities              | 404                     | 565                     |
| Other   | * <sup>1</sup> 89       | * <sup>1</sup> 89       |
| Total current liabilities                                     | 10,473                  | 10,848                  |
| Non-current liabilities                                       |                         |                         |
| Long-term borrowings  | 278                     | 196                     |
| Deferred tax liabilities                                      | 1,372                   | 1,680                   |
| Provision for retirement benefits                             | 289                     | 297                     |
| Provision for share awards for directors (and other officers) | 104                     | 60                      |
| Provision for environmental measures                          | 0                       | 0                       |
| Long-term guarantee deposits                                  | 261                     | 261                     |
| Asset retirement obligations                                  | 60                      | 60                      |
| Other   | 65                      | 65                      |
| Total non-current liabilities                                 | 2,430                   | 2,621                   |
| Total liabilities   | 12,904                  | 13,470                  |
| <b>Net assets</b>   |                         |                         |
| Shareholders' equity  |                         |                         |
| Share capital   | 7,402                   | 7,402                   |
| Capital surplus   |                         |                         |
| Legal capital surplus   | 1,851                   | 1,851                   |
| Other capital surplus   | 6,007                   | 6,007                   |
| Total capital surplus   | 7,858                   | 7,858                   |
| Retained earnings   |                         |                         |
| Other retained earnings                                       |                         |                         |
| Retained earnings brought forward                             | 26,263                  | 27,136                  |
| Total retained earnings                                       | 26,263                  | 27,136                  |
| Treasury shares   | (2,012)                 | (1,969)                 |
| Total shareholders' equity                                    | 39,512                  | 40,427                  |
| Valuation and translation adjustments                         |                         |                         |
| Valuation difference on available-for-sale securities         | 3,413                   | 3,921                   |
| Deferred gains or losses on hedges                            | (1)                     | —                       |
| Total valuation and translation adjustments                   | 3,411                   | 3,921                   |
| Total net assets  | 42,924                  | 44,349                  |
| Total liabilities and net assets                              | 55,829                  | 57,819                  |

## (ii) Non-consolidated Statements of Income

(Millions of yen)

|  | Fiscal year ended<br>December 31, 2023 | Fiscal year ended<br>December 31, 2024 |
|--|--|--|
| Net sales                                    | *1 23,592                              | *1 23,384                              |
| Cost of sales                                | *1 16,247                              | *1 16,684                              |
| Gross profit                                 | 7,345                                  | 6,699                                  |
| Selling, general and administrative expenses | *2 3,514                               | *2 3,413                               |
| Operating profit                             | 3,831                                  | 3,285                                  |
| Non-operating income                         |  |  |
| Interest income                              | 39                                     | 42                                     |
| Dividend income                              | *1 500                                 | *1 624                                 |
| Insurance claim income                       | *5 185                                 | —                                      |
| Foreign exchange gains                       | 225                                    | 125                                    |
| Miscellaneous income                         | 82                                     | 132                                    |
| Total non-operating income                   | 1,032                                  | 925                                    |
| Non-operating expenses                       |  |  |
| Interest expenses                            | 17                                     | 24                                     |
| Loss on retirement of non-current assets     | *3 88                                  | *3 13                                  |
| Foreign withholding tax                      | 21                                     | 25                                     |
| Commission expenses                          | —                                      | 24                                     |
| Miscellaneous expenses                       | 27                                     | 21                                     |
| Total non-operating expenses                 | 155                                    | 109                                    |
| Ordinary profit                              | 4,708                                  | 4,101                                  |
| Extraordinary income                         |  |  |
| Gain on sale of non-current assets           | —                                      | *4 196                                 |
| Gain on sale of investment securities        | 22                                     | 6                                      |
| Total extraordinary income                   | 22                                     | 203                                    |
| Extraordinary losses                         |  |  |
| Loss of fire                                 | *5 158                                 | —                                      |
| Total extraordinary losses                   | 158                                    | —                                      |
| Profit before income taxes                   | 4,572                                  | 4,304                                  |
| Income taxes - current                       | 1,141                                  | 1,137                                  |
| Income taxes - deferred                      | 177                                    | 83                                     |
| Total income taxes                           | 1,318                                  | 1,221                                  |
| Profit                                       | 3,253                                  | 3,083                                  |

## (iii) Non-consolidated Statements of Changes in Equity

Fiscal year ended December 31, 2023

(Millions of yen)

|  | Shareholders' equity |                       |                       |                       |  |                         |
|--|----------------------|-----------------------|-----------------------|-----------------------|--|-------------------------|
|  | Share capital        | Capital surplus       |                       |                       | Retained earnings  |                         |
|  |                      | Legal capital surplus | Other capital surplus | Total capital surplus | Other retained earnings<br>Retained earnings brought forward | Total retained earnings |
| Balance at beginning of period                       | 7,402                | 1,851                 | 6,007                 | 7,858                 | 25,218   | 25,218                  |
| Changes during period                                |                      |                       |                       |                       |  |                         |
| Dividends of surplus                                 |                      |                       |                       | —                     | (2,208)  | (2,208)                 |
| Profit   |                      |                       |                       | —                     | 3,253  | 3,253                   |
| Purchase of treasury shares                          |                      |                       |                       | —                     |  | —                       |
| Disposal of treasury shares                          |                      |                       |                       | —                     |  | —                       |
| Net changes in items other than shareholders' equity |                      |                       |                       | —                     |  | —                       |
| Total changes during period                          | —                    | —                     | —                     | —                     | 1,045  | 1,045                   |
| Balance at end of period                             | 7,402                | 1,851                 | 6,007                 | 7,858                 | 26,263   | 26,263                  |

|  | Shareholders' equity |                            | Valuation and translation adjustments                 |                                    |   | Total net assets |
|--|----------------------|----------------------------|---|------------------------------------|---|------------------|
|  | Treasury shares      | Total shareholders' equity | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Total valuation and translation adjustments |                  |
| Balance at beginning of period                       | (2,012)              | 38,466                     | 1,488   | —                                  | 1,488                                       | 39,955           |
| Changes during period                                |                      |                            |   |                                    |   |                  |
| Dividends of surplus                                 |                      | (2,208)                    |   |                                    | —   | (2,208)          |
| Profit   |                      | 3,253                      |   |                                    | —   | 3,253            |
| Purchase of treasury shares                          | (3)                  | (3)                        |   |                                    | —   | (3)              |
| Disposal of treasury shares                          | 4                    | 4                          |   |                                    | —   | 4                |
| Net changes in items other than shareholders' equity |                      | —                          | 1,924   | (1)                                | 1,923                                       | 1,923            |
| Total changes during period                          | 0                    | 1,045                      | 1,924   | (1)                                | 1,923                                       | 2,968            |
| Balance at end of period                             | (2,012)              | 39,512                     | 3,413   | (1)                                | 3,411                                       | 42,924           |

## Fiscal year ended December 31, 2024

(Millions of yen)

|  | Shareholders' equity |                       |                       |                       |  |                         |
|--|----------------------|-----------------------|-----------------------|-----------------------|--|-------------------------|
|  | Share capital        | Capital surplus       |                       |                       | Retained earnings  |                         |
|  |                      | Legal capital surplus | Other capital surplus | Total capital surplus | Other retained earnings<br>Retained earnings brought forward | Total retained earnings |
| Balance at beginning of period                       | 7,402                | 1,851                 | 6,007                 | 7,858                 | 26,263   | 26,263                  |
| Changes during period                                |                      |                       |                       |                       |  |                         |
| Dividends of surplus                                 |                      |                       |                       | —                     | (2,210)  | (2,210)                 |
| Profit   |                      |                       |                       | —                     | 3,083  | 3,083                   |
| Purchase of treasury shares                          |                      |                       |                       | —                     |  | —                       |
| Disposal of treasury shares                          |                      |                       |                       | —                     |  | —                       |
| Net changes in items other than shareholders' equity |                      |                       |                       | —                     |  | —                       |
| Total changes during period                          | —                    | —                     | —                     | —                     | 873  | 873                     |
| Balance at end of period                             | 7,402                | 1,851                 | 6,007                 | 7,858                 | 27,136   | 27,136                  |

|  | Shareholders' equity |                            | Valuation and translation adjustments                 |                                    |   | Total net assets |
|--|----------------------|----------------------------|---|------------------------------------|---|------------------|
|  | Treasury shares      | Total shareholders' equity | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Total valuation and translation adjustments |                  |
| Balance at beginning of period                       | (2,012)              | 39,512                     | 3,413   | (1)                                | 3,411                                       | 42,924           |
| Changes during period                                |                      |                            |   |                                    |   |                  |
| Dividends of surplus                                 |                      | (2,210)                    |   |                                    | —   | (2,210)          |
| Profit   |                      | 3,083                      |   |                                    | —   | 3,083            |
| Purchase of treasury shares                          | (2)                  | (2)                        |   |                                    | —   | (2)              |
| Disposal of treasury shares                          | 44                   | 44                         |   |                                    | —   | 44               |
| Net changes in items other than shareholders' equity |                      | —                          | 507   | 1                                  | 509   | 509              |
| Total changes during period                          | 42                   | 915                        | 507   | 1                                  | 509   | 1,425            |
| Balance at end of period                             | (1,969)              | 40,427                     | 3,921   | —                                  | 3,921                                       | 44,349           |

## Notes to Non-consolidated Financial Statements

### Significant Accounting Policies

1. Valuation basis and methods for assets
  - (1) Valuation basis and methods for securities
    - (i) Shares of subsidiaries and affiliates  
Stated at cost determined by the moving average method.
    - (ii) Available-for-sale securities  
Securities other than equity securities, etc. without market value  
Stated at fair value.  
(Valuation differences are booked directly in a separate component of net assets, and cost of securities sold is determined by the moving average method.)  
  
Equity securities, etc. without market value  
Stated at cost determined by the moving average method.
  - (2) Valuation basis and methods for net receivables and payables arising from derivatives  
Stated at fair value.
  - (3) Valuation basis and methods for inventories  
Merchandise and finished goods, work in process, and raw materials and supplies are stated at cost, determined by the periodic average method (carrying amounts calculated with consideration of write-downs due to decreased profitability).
2. Accounting method for depreciation and amortization of non-current assets
  - (1) Property, plant and equipment  
The straight-line method is applied.  
Major useful lives are as follows:  
  
Buildings and structures: 10 to 50 years  
  
Machinery and equipment: 9 years
  - (2) Intangible assets  
Software (for internal use)  
For amortization of software, the straight-line method based on the estimated internal use period (five years) is applied.
3. Accounting policy for allowance and provisions
  - (1) Allowance for doubtful accounts  
To allow for losses on bad debts arising from trade receivables, loans receivable, and other receivables, the Company provides an allowance for the estimated amount of doubtful receivables deemed uncollectible. This allowance is based on historical default rates for general receivables and on an individual analysis of collectability for doubtful receivables and other specific receivables.
  - (2) Provision for bonuses  
To allow for payment of bonuses to employees, the Company records a provision for the estimated payment amount to be borne in the fiscal year under review.
  - (3) Provision for bonuses for directors (and other officers)  
To allow for payment of bonuses to Directors and other officers, the Company records a provision for the estimated payment amount to be borne in the fiscal year under review.

(4) Provision for retirement benefits

To allow for employee retirement benefits, the Company records a provision based on expected amounts of retirement benefit obligations and plan assets as of the end of the fiscal year under review.

(i) Method of attributing expected retirement benefits to periods

In the calculation of retirement benefit obligations, expected retirement benefits are attributed to the period up to the end of the current fiscal year on a benefit formula basis.

(ii) Method of amortizing actuarial gains and losses and past service cost

Past service cost is amortized using the straight-line method over a certain period (13 years) that is shorter than the average remaining years of service of employees at the time of incurring the cost. Actuarial gains and losses are amortized using the straight-line method over a certain period (10 years) that is shorter than the average remaining years of service of employees at the time of accruing the gain or loss in each fiscal year, from the fiscal year following the accrual of each gain or loss.

(5) Provision for share awards for directors (and other officers)

To allow for granting of the Company's shares to Directors based on regulations for granting of shares to officers, the Company records a provision for the estimated granting amount to be borne as of the end of the fiscal year under review.

(6) Provision for environmental measures

To allow for future expenses on treatment of polychlorinated biphenyl (PCB) wastes expected to be incurred pursuant to the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes, the Company records a provision for estimated amounts required.

4. Accounting policy for recognition of revenues and expenses

Revenues of the Company primarily come from the sale of its products. The performance obligations are fully satisfied when goods or services are delivered. For transactions in Japan, paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition" is applied to recognize revenue at the time of shipment of products. As for export transactions, revenue is recognized at the time of transfer of risks to customers based on the trade terms provided in the Incoterms and others.

5. Other important matters forming the basis for preparation of non-consolidated financial statements

(1) Accounting policy for translation of foreign currency assets and liabilities into Japanese yen

Monetary receivables and payables in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing as of the end of the fiscal year under review, and translation differences are accounted for as profit or loss.

(2) Accounting methods for hedging

(i) Hedge accounting

In principle, the deferral hedge accounting is applied. The exceptional accounting treatment is applied to interest rate swap contracts that meet the requirements for exceptional accounting.

The assignment accounting treatment is applied to forward exchange contracts and currency swap contracts that meet the requirements for assignment accounting.

(ii) Hedged items and hedge instruments

a. Hedge instruments: forward exchange contracts and currency swap contracts

Hedged items: accounts receivable - trade and forecast transactions denominated in foreign currencies

b. Hedge instruments: interest rate swap contracts

Hedged items: interest on borrowings

(iii) Hedging policies

Pursuant to the Company's internal management regulations, interest rate swap contracts are used for the purpose of hedging the interest rate fluctuation risks on borrowings, and forward exchange contracts and currency swap contracts are used for the purpose of hedging the exchange rate fluctuation risks.

(iv) Assessing hedge effectiveness

If hedge instruments and hedged items have the same material conditions, they are deemed highly effective and thus assessment of hedge effectiveness is omitted. For other hedges, hedge effectiveness is assessed by comparing the accumulated fluctuations in market rates or cash flows of the hedged items and the hedge instruments based on the ratio of those fluctuations.

(3) Accounting for retirement benefits

The method of accounting for unrecognized actuarial gains or losses and unrecognized past service cost pertaining to retirement benefits is different from the method of accounting for these items in consolidated financial statements.

(4) Additional information

Board benefit trust (BBT) for Directors

The Company has put in place a board benefit trust (BBT), which is a performance-linked share-based remuneration plan, to incentivize Directors to improve performance and increase corporate value over the medium to long term.

Accounting treatment related to this trust agreement is based on the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (PITF No. 30, March 26, 2015).

1) Overview of the transaction

This plan is a performance-linked share-based remuneration plan, under which the Company’s shares are acquired by a trust using funds contributed by the Company, and the Company’s shares and cash equivalent to the market value of the Company’s shares are provided to Directors from the trust in accordance with the regulations for granting of shares to officers established by the Company. In principle, the Company’s shares and associated remuneration will be provided to Directors on their retirement.

2) Treasury shares remaining in trust

The shares of the Company remaining in trust are recorded as treasury shares under net assets based on the book value in trust (excluding the amount of incidental costs). As of December 31, 2024, the number of such treasury shares was 468 hundred shares, amounting to a book value of 164 million yen. The average number of such shares for the fiscal year ended December 31, 2024, was 507 hundred shares. These shares are included in treasury shares to be deducted for the calculation of per share information.

## Significant Accounting Estimates

### *Loss on valuation of inventories*

(1) Carrying amount in the non-consolidated financial statements for the current fiscal year

Merchandise and finished goods: ¥7,807 million

Cost of sales (loss (gain) on valuation of inventories): ¥(1) million

Loss on valuation of inventories is stated at a net amount reflecting recorded amounts and reversals.

(2) Information regarding significant accounting estimates for identified items

This information is omitted, because it is the same as the information stated in “Notes to Consolidated Financial Statements, Significant Accounting Estimates, Loss on valuation of inventories, (2) Description of accounting estimates” in the consolidated financial statements.

## Changes in Presentation

### Non-consolidated Balance Sheets

“Electronically recorded monetary claims - operating,” which was included in “Notes receivable - trade” under “Current assets” in the previous fiscal year, as well as “Electronically recorded obligations - operating” and “Electronically recorded obligations - facilities,” which were included in “Notes payable - trade” and “Notes payable – facilities,” respectively, under “Current liabilities” in the previous fiscal year, are now presented separately to enhance clarity. To reflect these changes in presentation, reclassification has been made for the fiscal year ended December 31, 2023.

As a result, 820 million yen presented as “Notes receivable - trade” under “Current assets” in the non-consolidated balance sheets for the previous fiscal year has been reclassified as “Notes receivable - trade” of 197 million yen and “Electronically recorded monetary claims - operating” of 623 million yen. In addition, 395 million yen presented as “Notes payable - trade” and 404 million yen presented as “Notes payable - facilities” under “Current liabilities” for the previous fiscal year have been reclassified as “Electronically recorded obligations - operating” of 395 million yen and “Electronically recorded obligations - facilities” of 404 million yen, respectively.

### Notes to Non-consolidated Balance Sheets

#### \*1 Monetary receivables from and monetary payables to subsidiaries and associates

|                                 | (Millions of yen)       |                         |
|---------------------------------|-------------------------|-------------------------|
|                                 | As of December 31, 2023 | As of December 31, 2024 |
| Short-term monetary receivables | 4,342                   | 4,451                   |
| Long-term monetary receivables  | 2,000                   | 1,500                   |
| Short-term monetary payables    | 1,263                   | 989                     |

#### \*2 Assets pledged as collateral

The following properties are registered as factory foundations, which comprise the factory’s buildings, structures, machinery and equipment, vehicles, tools, furniture and fixtures, and land. These factory foundations have been pledged as collateral for obligations as follows.

##### [Pledge]

|              | (Millions of yen)       |                         |
|--------------|-------------------------|-------------------------|
|              | As of December 31, 2023 | As of December 31, 2024 |
| Toyama Plant | 4,613                   | 4,359                   |
| Shiga Plant  | 3,171                   | 4,047                   |
| Total        | 7,785                   | 8,407                   |

##### [Obligations]

|                       | (Millions of yen)       |                         |
|-----------------------|-------------------------|-------------------------|
|                       | As of December 31, 2023 | As of December 31, 2024 |
| Short-term borrowings | 2,710                   | 2,710                   |
| Total                 | 2,710                   | 2,710                   |

#### \*3 Notes matured at the end of the fiscal year

Notes are settled as of the note exchange date.

The following notes matured at the end of the fiscal year were included in the closing balance, because December 31, 2024 was a non-business day for financial institutions.

|   | (Millions of yen)       |                         |
|---|-------------------------|-------------------------|
|   | As of December 31, 2023 | As of December 31, 2024 |
| Notes receivable - trade                            | 14                      | 19                      |
| Electronically recorded monetary claims - operating | 62                      | 78                      |

## Notes to Non-consolidated Statements of Income

### \*1 Items related to subsidiaries and associates

|  | (Millions of yen)                   |                                     |
|--|-------------------------------------|-------------------------------------|
|  | Fiscal year ended December 31, 2023 | Fiscal year ended December 31, 2024 |
| Amount of transactions from business transactions                            |                                     |                                     |
| Net sales  | 7,948                               | 7,990                               |
| Purchase of goods  | 2,071                               | 2,216                               |
| Amount of transactions through transactions other than business transactions | 705                                 | 694                                 |

### \*2 Major components of selling, general and administrative expenses and their approximate ratio are as follows:

|   | (Millions of yen)                   |                                     |
|---|-------------------------------------|-------------------------------------|
|   | Fiscal year ended December 31, 2023 | Fiscal year ended December 31, 2024 |
| Depreciation  | 31                                  | 28                                  |
| Packing cost  | 355                                 | 358                                 |
| Freight costs   | 526                                 | 517                                 |
| Sales commission  | 267                                 | 193                                 |
| Salaries  | 385                                 | 387                                 |
| Retirement benefit expenses                                   | 34                                  | 30                                  |
| Provision for share awards for directors (and other officers) | 25                                  | 18                                  |
| Provision for bonuses   | 63                                  | 43                                  |
| Provision for bonuses for directors (and other officers)      | 61                                  | 49                                  |
| Research and development expenses                             | 324                                 | 437                                 |

#### Approximate ratio

|                                      |     |     |
|--------------------------------------|-----|-----|
| Selling expenses:                    | 38% | 36% |
| General and administrative expenses: | 62% | 64% |

### \*3 The breakdown of loss on retirement of non-current assets is as follows:

|  | (Millions of yen)                   |                                     |
|--|-------------------------------------|-------------------------------------|
|  | Fiscal year ended December 31, 2023 | Fiscal year ended December 31, 2024 |
| Facilities related to electrodes and fine carbon | 88                                  | 13                                  |
| Total  | 88                                  | 13                                  |

### \*4 Gain on sale of non-current assets

Fiscal year ended December 31, 2024

Gain on sale was recorded for the sale of the former Yamanashi Plant site to Yamanashi City.

### \*5 Loss of fire

Fiscal year ended December 31, 2023

This is the cost of restoring production facilities lost in a fire at the Shiga Plant in June 2023. In addition, the Company has received the finalized amount of fire insurance proceeds and recorded it under insurance claim income under non-operating income.

## Securities

Shares of subsidiaries and associates

As of December 31, 2023

Carrying amounts of shares, etc. without market value

(Millions of yen)

| Category                   | As of December 31, 2023 |
|----------------------------|-------------------------|
| (1) Shares of subsidiaries | 1,639                   |
| (2) Share of associates    | 1,477                   |
| Total                      | 3,116                   |

As of December 31, 2024

Carrying amounts of shares, etc. without market value

(Millions of yen)

| Category                   | As of December 31, 2024 |
|----------------------------|-------------------------|
| (1) Shares of subsidiaries | 1,639                   |
| (2) Share of associates    | 1,477                   |
| Total                      | 3,116                   |

## Deferred Tax Accounting

### 1. Major components of deferred tax assets and liabilities

|   | (Millions of yen)       |                         |
|---|-------------------------|-------------------------|
|   | As of December 31, 2023 | As of December 31, 2024 |
| Deferred tax assets                                   |                         |                         |
| Excess of allowance for doubtful accounts             | 1                       | 0                       |
| Provision for retirement benefits                     | 88                      | 91                      |
| Loss on valuation of inventories                      | 47                      | 41                      |
| Enterprise taxes payable                              | 38                      | 40                      |
| Provision for bonuses                                 | 37                      | 33                      |
| Gain on sale of businesses                            | 306                     | 306                     |
| Impairment losses                                     | 378                     | 341                     |
| Other   | 260                     | 208                     |
| Subtotal  | 1,158                   | 1,064                   |
| Valuation allowance                                   | (929)                   | (924)                   |
| Total   | 229                     | 139                     |
| Deferred tax liabilities                              |                         |                         |
| Valuation difference on available-for-sale securities | (1,506)                 | (1,730)                 |
| Other   | (95)                    | (89)                    |
| Total   | (1,601)                 | (1,819)                 |
| Net deferred tax liabilities                          | (1,372)                 | (1,680)                 |

(Note) Net deferred tax assets as of December 31, 2023 and December 31, 2024 are included in the following items on non-consolidated balance sheets.

|  | (Millions of yen)       |                         |
|--|-------------------------|-------------------------|
|  | As of December 31, 2023 | As of December 31, 2024 |
| Non-current liabilities - deferred tax liabilities | (1,372)                 | (1,680)                 |

### 2. Reconciliation of significant differences between the statutory effective tax rate and the actual effective rate of income taxes after application of deferred tax accounting

|   | As of December 31, 2023<br>(%) | As of December 31, 2024<br>(%) |
|---|--------------------------------|--------------------------------|
| Statutory effective tax rate  | 30.6                           | 30.6                           |
| (Adjustments)   |                                |                                |
| Income not taxable permanently, such as dividend income                                 | (2.4)                          | (2.9)                          |
| Expenses not deductible permanently, such as entertainment expenses                     | 1.0                            | 1.1                            |
| Expenses not deductible permanently, such as bonuses for directors (and other officers) | 0.4                            | 0.4                            |
| Increase (decrease) of valuation allowance  | (0.6)                          | (0.1)                          |
| Tax credits   | (1.9)                          | (2.0)                          |
| Other   | 1.7                            | 1.3                            |
| Effective rate of income taxes after application of deferred tax accounting             | 28.8                           | 28.4                           |

## Revenue Recognition

The note for underlying information to understand revenue from contracts with customers is omitted, because the same information is provided in “Notes to Consolidated Financial Statements, Revenue Recognition.”

## Subsequent Events

Not applicable

### (iv) Annexed Non-consolidated Detailed Schedules

[Annexed detailed schedule of property, plant and equipment, etc.]

(Millions of yen)

| Type of assets                | Balance at beginning of period | Increase | Decrease | Balance at end of period | Accumulated depreciation and amortization at end of period | Depreciation and amortization | Net balance at end of period |
|-------------------------------|--------------------------------|----------|----------|--------------------------|--|-------------------------------|------------------------------|
| Property, plant and equipment |                                |          |          |                          |  |                               |                              |
| Buildings                     | 8,667                          | 819      | 42       | 9,444                    | 6,702  | 160                           | 2,742                        |
| Structures                    | 1,527                          | 67       | 14       | 1,580                    | 1,102  | 55                            | 477                          |
| Machinery and equipment       | 30,581                         | 1,642    | 352      | 31,872                   | 25,789   | 1,025                         | 6,082                        |
| Vehicles                      | 120                            | 16       | 1        | 135                      | 115  | 4                             | 19                           |
| Tools, furniture and fixtures | 1,304                          | 152      | 36       | 1,420                    | 1,102  | 75                            | 317                          |
| Land                          | 3,166                          | —        | —        | 3,166                    | —  | —                             | 3,166                        |
| Construction in progress      | 173                            | 3,848    | 2,646    | 1,375                    | —  | —                             | 1,375                        |
| Total                         | 45,541                         | 6,545    | 3,093    | 48,993                   | 34,812   | 1,320                         | 14,180                       |
| Intangible assets             |                                |          |          |                          |  |                               |                              |
| Software                      | —                              | —        | —        | 125                      | —  | 46                            | 79                           |
| Other                         | —                              | —        | —        | 7                        | —  | —                             | 7                            |
| Total                         | —                              | —        | —        | 132                      | —  | 46                            | 86                           |
| Long-term prepaid expenses    | 233                            | 5        | 226      | 12                       | 7  | 4                             | 5                            |

(Notes) 1. Major increases of property, plant and equipment included the following.

(Millions of yen)

|              |   |       |
|--------------|---|-------|
| Toyama Plant | Upgrades to electrode production facilities                       | 410   |
| Shiga Plant  | Enhancement of and upgrades to carbon fiber production facilities | 1,073 |

- Balance at beginning of period, increase, and decrease of intangible assets are omitted, because intangible assets accounted for no more than 1% of total assets.
- Accumulated depreciation and amortization at end of period includes accumulated impairment losses.
- Balance at beginning of period and balance at end of period are stated at acquisition cost.

[Annexed detailed schedule of allowance and provisions]

(Millions of yen)

| Account title   | Balance at beginning of period | Increase | Decrease | Balance at end of period |
|---|--------------------------------|----------|----------|--------------------------|
| Allowance for doubtful accounts                               | 3                              | 2        | 3        | 2                        |
| Provision for bonuses   | 121                            | 110      | 121      | 110                      |
| Provision for bonuses for directors (and other officers)      | 61                             | 49       | 61       | 49                       |
| Provision for share awards for directors (and other officers) | 104                            | 18       | 62       | 60                       |
| Provision for environmental measures                          | 0                              | —        | —        | 0                        |

(Notes) 1. Reasons for recording allowance and provisions and methods of calculating their amounts are stated in “Significant Accounting Policies.”

2. The decrease in allowance for doubtful accounts was due to an annual reversal.

3. The decrease in provision for share awards for directors (and other officers) was due to the reversal of points scheduled to be granted that were accumulated in prior years.

(2) Components of Major Assets and Liabilities

This information is omitted because the Company prepares consolidated financial statements.

(3) Other

Not applicable