

## 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, 2025 (from January 1, 2025, to December 31, 2025) were audited by Gyosei & Co., pursuant to the provisions of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

### 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, 2024	As of December 31, 2025
<b>Assets</b>		
Current assets		
Cash and deposits	12,299	15,180
Notes and accounts receivable - trade, and contract assets	*3, *4 11,277	*3, *4 11,371
Electronically recorded monetary claims - operating	*3, *4 1,927	*3, *4 2,254
Merchandise and finished goods	11,301	3,451
Work in process	4,543	12,233
Raw materials and supplies	3,991	3,959
Income taxes refund receivable	27	20
Other	964	619
Allowance for doubtful accounts	(12)	(8)
Total current assets	46,319	49,082
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,096	19,792
Accumulated depreciation and impairment	(11,586)	(12,148)
Buildings and structures, net	7,509	7,644
Machinery and equipment	51,150	55,208
Accumulated depreciation and impairment	(42,339)	(44,392)
Machinery and equipment, net	8,811	10,815
Vehicles, tools, furniture and fixtures	4,230	4,481
Accumulated depreciation and impairment	(3,446)	(3,705)
Vehicles, tools, furniture and fixtures, net	784	775
Land	3,575	3,582
Construction in progress	2,183	432
Total property, plant and equipment	*2 22,863	*2 23,250
Intangible assets	182	137
Investments and other assets		
Investment securities	*1 10,431	*1 10,197
Deferred tax assets	599	680
Other	*1 1,953	*1 2,262
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	12,982	13,137
Total non-current assets	36,029	36,525
Total assets	82,348	85,607

(Millions of yen)

	As of December 31, 2024	As of December 31, 2025
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	*3 3,435	*3 2,906
Electronically recorded obligations - operating	*3 653	*3 598
Short-term borrowings	*2 9,016	*2 10,151
Accrued expenses	504	718
Income taxes payable	1,165	1,887
Advances received	270	432
Provision for bonuses	237	222
Provision for bonuses for directors (and other officers)	64	49
Provision for retirement benefits for directors (and other officers)	–	10
Provision for loss on orders received	–	16
Other	*3 3,191	*3 1,645
Total current liabilities	18,538	18,639
Non-current liabilities		
Long-term borrowings	196	180
Deferred tax liabilities	1,570	1,124
Retirement benefit liability	698	758
Provision for retirement benefits for directors (and other officers)	36	36
Provision for share awards for directors (and other officers)	60	69
Provision for environmental measures	0	1
Provision for loss on fire	–	768
Asset retirement obligations	62	62
Other	365	358
Total non-current liabilities	2,990	3,360
Total liabilities	21,529	22,000
Net assets		
Shareholders' equity		
Share capital	7,402	7,402
Capital surplus	7,858	7,858
Retained earnings	34,454	37,074
Treasury shares	(1,969)	(1,967)
Total shareholders' equity	47,745	50,367
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,921	3,022
Foreign currency translation adjustment	336	1,028
Remeasurements of defined benefit plans	11	(25)
Total accumulated other comprehensive income	4,268	4,026
Non-controlling interests	8,804	9,213
Total net assets	60,819	63,607
Total liabilities and net assets	82,348	85,607

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

(Millions of yen)

	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025
Net sales	*1 37,956	*1 37,735
Cost of sales	*2, *4 26,471	*2, *4 27,477
Gross profit	11,485	10,257
Selling, general and administrative expenses	*3, *4 5,165	*3, *4 5,448
Operating profit	6,319	4,809
Non-operating income		
Interest income	11	9
Dividend income	256	361
Foreign exchange gains	149	207
Share of profit of entities accounted for using equity method	166	100
Insurance claim income	–	43
Other	182	120
Total non-operating income	766	843
Non-operating expenses		
Interest expenses	62	112
Loss on retirement of non-current assets	117	61
Depreciation of inactive non-current assets	146	–
Inactive facilities related expenses	–	270
Other	66	104
Total non-operating expenses	393	549
Ordinary profit	6,692	5,103
Extraordinary income		
Gain on sale of property, plant and equipment	*5 196	–
Gain on sale of investment securities	6	*6 3,530
Total extraordinary income	203	3,530
Extraordinary losses		
Loss on fire	–	*7 803
Total extraordinary losses	–	803
Profit before income taxes	6,895	7,829
Income taxes - current	2,104	2,586
Income taxes - deferred	(10)	(145)
Total income taxes	2,093	2,441
Profit	4,801	5,388
Profit attributable to non-controlling interests	723	557
Profit attributable to owners of parent	4,078	4,830

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025
Profit	4,801	5,388
Other comprehensive income		
Valuation difference on available-for-sale securities	493	(896)
Deferred gains or losses on hedges	1	-
Foreign currency translation adjustment	119	89
Remeasurements of defined benefit plans, net of tax	64	(36)
Share of other comprehensive income of entities accounted for using equity method	-	628
Total other comprehensive income	* 678	* 215
Comprehensive income	5,480	5,172
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,723	4,592
Comprehensive income attributable to non-controlling interests	756	580

## (iii) Consolidated Statements of Changes in Equity

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

Fiscal year ended December 31, 2025

(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	34,454	(1,969)	47,745
Changes during period					
Dividends of surplus			(2,211)		(2,211)
Profit attributable to owners of parent			4,830		4,830
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares				4	4
Net changes in items other than shareholders' equity					-
Total changes during period	-	-	2,619	2	2,621
Balance at end of period	7,402	7,858	37,074	(1,967)	50,367

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	3,921	336	11	4,268	8,804	60,819
Changes during period						
Dividends of surplus				-		(2,211)
Profit attributable to owners of parent				-		4,830
Purchase of treasury shares				-		(2)
Disposal of treasury shares				-		4
Net changes in items other than shareholders' equity	(898)	692	(36)	(242)	409	166
Total changes during period	(898)	692	(36)	(242)	409	2,788
Balance at end of period	3,022	1,028	(25)	4,026	9,213	63,607

## (iv) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025
<b>Cash flows from operating activities</b>		
Profit before income taxes	6,895	7,829
Depreciation	2,986	3,534
Increase (decrease) in retirement benefit liability	24	24
Increase (decrease) in provision for retirement benefits for directors (and other officers)	4	10
Interest and dividend income	(267)	(371)
Insurance claim income	–	(43)
Interest expenses	62	112
Share of loss (profit) of entities accounted for using equity method	(166)	(100)
Loss (gain) on sale of non-current assets	(196)	(2)
Loss (gain) on sale of investment securities	(6)	(3,530)
Loss on fire	–	803
Loss on retirement of non-current assets	117	61
Decrease (increase) in accounts receivable - trade, and contract assets	428	(357)
Decrease (increase) in inventories	(891)	244
Increase (decrease) in trade payables	(843)	(587)
Increase (decrease) in accrued expenses	(130)	213
Increase (decrease) in advances received	(184)	161
Decrease (increase) in accounts receivable - other	(351)	309
Other, net	(765)	(385)
Subtotal	6,715	7,928
Interest and dividends received	343	371
Interest paid	(64)	(113)
Income taxes paid	(2,321)	(1,898)
Proceeds from insurance income	562	66
Loss on fire paid	–	(35)
Net cash provided by (used in) operating activities	5,234	6,319
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(4,667)	(5,501)
Proceeds from sale of property, plant and equipment	196	4
Purchase of intangible assets	(53)	(27)
Purchase of investment securities	(1,032)	(390)
Proceeds from sale of investment securities	9	3,716
Net cash provided by (used in) investing activities	(5,546)	(2,198)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	430	1,200
Proceeds from long-term borrowings	100	100
Repayments of long-term borrowings	(171)	(181)
Net decrease (increase) in treasury shares	42	2
Dividends paid	(2,206)	(2,206)
Dividends paid to non-controlling interests	(178)	(178)
Net cash provided by (used in) financing activities	(1,985)	(1,265)
Effect of exchange rate change on cash and cash equivalents	68	25
Net increase (decrease) in cash and cash equivalents	(2,228)	2,881
Cash and cash equivalents at beginning of period	14,382	12,154
Cash and cash equivalents at end of period	* 12,154	* 15,035

## 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

To allow for granting of the Company's shares to Directors based on regulations for granting of shares to directors, 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.

(viii) Provision for loss on fire

In consideration of the costs of removal and restoration of assets damaged by the fire that occurred at the Company's Toyama Plant on August 29, 2025, the Company has recorded a loss that is expected to occur in the future based on a reasonable estimate.

(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	3,451
Work in process	12,233
Cost of sales (loss (gain) on valuation of inventories)	(56)

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 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.

## Changes in Accounting Policies

### *Application of "Accounting Standard for Current Income Taxes" and other standards*

The Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; the "2022 Revised Accounting Standard") and other standards from the beginning of the fiscal year under review. With respect to the revisions to the classification of income taxes (taxation on other comprehensive income), the Company follows the transitional treatment stipulated in the proviso of paragraph 20-3 of the 2022 Revised Accounting Standard and the transitional treatment stipulated in the proviso of paragraph 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; the "2022 Revised Guidance"). These changes in accounting policies have no impact on the consolidated financial statements.

In addition, with respect to the revision related to the treatment in consolidated financial statements of the deferral for tax purposes of gains or losses arising from the sale of shares, etc. of subsidiaries between consolidated companies, the 2022 Revised Guidance has been applied from the beginning of the fiscal year under review. This change in accounting policy has been applied retrospectively, and the consolidated financial statements for the previous fiscal year have been prepared after retrospective application. There are no applicable items resulting from

this change in accounting policy, and there has been no impact on the consolidated financial statements for the previous fiscal year.

### **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.

### **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, 2025, the number of such treasury shares was 456 hundred shares, amounting to a book value of 159 million yen. The average number of such shares for the fiscal year ended December 31, 2025, was 459 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, 2024	As of December 31, 2025
Investment securities (shares)	1,152	1,997
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, 2024	As of December 31, 2025
Property, plant and equipment	8,407	10,221

[Obligations]

	(Millions of yen)	
	As of December 31, 2024	As of December 31, 2025
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, 2025, was a non-business day for financial institutions.

	(Millions of yen)	
	As of December 31, 2024	As of December 31, 2025
Notes receivable - trade	24	14
Electronically recorded monetary claims - operating	139	124
Notes payable - trade	42	82
Electronically recorded obligations - operating	62	60
Notes payable - facilities	21	-
Electronically recorded obligations - facilities	67	37

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, 2024	As of December 31, 2025
Notes receivable - trade	333	280
Accounts receivable - trade	10,850	10,813
Contract assets	94	277
Electronically recorded monetary claims - operating	1,927	2,254

## 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, 2024	Fiscal year ended December 31, 2025
146	(56)

(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, 2024	Fiscal year ended December 31, 2025
Salaries, bonuses and allowances	1,018	1,032
Sales commission	268	268
Freight-out and packing cost	1,299	1,285
Provision for retirement benefits for directors (and other officers)	14	21
Retirement benefit expenses	30	38
Provision for share awards for directors (and other officers)	18	14
Provision for bonuses	61	63
Provision for bonuses for directors (and other officers)	49	37
Research and development expenses	437	525

\*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, 2024	Fiscal year ended December 31, 2025
578	669

\*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 Gain on sale of investment securities

Fiscal year ended December 31, 2025

Gain on sale of investment securities of 3,530 million yen was recorded as extraordinary income due to the sale of some of the investment securities held (four listed stocks).

\*7 Loss on fire

Fiscal year ended December 31, 2025

A loss of 803 million yen resulting from a fire that occurred at the Company’s Toyama Plant on August 29, 2025 was recorded as extraordinary losses. This loss includes a provision for loss on fire of 768 million yen, which is reported as an amount that can be reasonably estimated at the present time.

## Notes to Consolidated Statements of Comprehensive Income

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

(Millions of yen)

	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025
Valuation difference on available-for-sale securities		
Gains or losses arising during the year	717	2,246
Reclassification adjustments to profit or loss	(6)	(3,530)
Amount before income tax effect	710	(1,283)
Income tax effect	(217)	386
Valuation difference on available-for-sale securities	493	(896)
Deferred gains or losses on hedges		
Gains or losses arising during the year	1	-
Amount before income tax effect	1	-
Income tax effect	-	-
Deferred gains or losses on hedges	1	-
Foreign currency translation adjustment		
Gains or losses arising during the year	119	89
Remeasurements of defined benefit plans, net of tax		
Gains or losses arising during the year	78	(44)
Reclassification adjustments to profit or loss	15	8
Amount before income tax effect	93	(36)
Income tax effect	(28)	-
Remeasurements of defined benefit plans, net of tax	64	(36)
Share of other comprehensive income of entities accounted for using equity method		
Gains or losses arising during the year	-	628
Reclassification adjustments to profit or loss	-	-
Share of other comprehensive income of entities accounted for using equity method	-	628
Total other comprehensive income	678	(215)

## Notes to Consolidated Statements of Changes in Equity

Fiscal year ended December 31, 2024

### 1. Issued shares

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

### 2. Treasury shares

Class of shares	Number of shares at beginning of the fiscal year	Increase	Decrease	Number of shares at end of the fiscal year
Common shares (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 (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
March 28, 2024 Annual General Meeting of Shareholders	Common shares	1,110	100.00	December 31, 2023	March 29, 2024
August 9, 2024 Board of Directors	Common shares	1,110	100.00	June 30, 2024	September 6, 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 (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
March 28, 2025 Annual General Meeting of Shareholders	Common shares	1,110	Retained earnings	100.00	December 31, 2024	March 31, 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).

Fiscal year ended December 31, 2025

1. Issued shares

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

2. Treasury shares

Class of shares	Number of shares at beginning of the fiscal year	Increase	Decrease	Number of shares at end of the fiscal year
Common shares (hundreds of shares)	7,763	4	12	7,756

(Note) The above figures include shares in the Company held by the board benefit trust (BBT), which amounted to 468 hundred shares at the beginning of the fiscal year and 456 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: 4 hundred shares

Decrease due to delivery of shares to the board benefit trust (BBT): (12) hundred shares

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
March 28, 2025 Annual General Meeting of Shareholders	Common shares	1,110	100.00	December 31, 2024	March 31, 2025
August 8, 2025 Board of Directors	Common shares	1,110	100.00	June 30, 2025	September 8, 2025

(Notes) 1. 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).

2. The total amount of dividends pursuant to the resolution at the Board of Directors meeting held on August 8, 2025 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 (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
March 27, 2026 Annual General Meeting of Shareholders	Common shares	1,110	Retained earnings	100.00	December 31, 2025	March 30, 2026

(Note) The total amount of dividends pursuant to the resolution at the Annual General Meeting of Shareholders held on March 27, 2026 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 December 31, 2024	Fiscal year ended December 31, 2025
Cash and deposits	12,299	15,180
Time deposits with maturity of over three months	(145)	(145)
Cash and cash equivalents	12,154	15,035

## 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.

## 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, 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

As of December 31, 2025

(Millions of yen)

	Carrying amount (A)	Fair value (B)	Difference (B) - (A)
(1) Investment securities (*2)			
Available-for-sale securities	8,141	8,141	–
Total assets	8,141	8,141	–
(1) Long-term borrowings (current portion of long-term borrowings included)	291	287	(3)
Total liabilities	291	287	(3)

(\*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, 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, 2025
Unlisted shares	
Shares of subsidiaries and associates	1,997
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, 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	–	–	–

As of December 31, 2025

(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	15,180	–	–	–
Notes receivable - trade	280	–	–	–
Electronically recorded monetary claims - operating	2,254	–	–	–
Accounts receivable - trade	10,813	–	–	–
Total	28,528	–	–	–

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

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	–

As of December 31, 2025

(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	10,040	–	–	–	–	–
Long-term borrowings	111	75	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, 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

As of December 31, 2025

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	8,141	–	–	8,141
Total assets	8,141	–	–	8,141

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

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

As of December 31, 2025

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term borrowings	–	287	–	287
Total liabilities	–	287	–	287

(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, 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

As of December 31, 2025

(Millions of yen)

Category	Type	Carrying amount (A)	Acquisition cost (B)	Difference (A) - (B)
Items whose carrying amount exceeds acquisition cost	Shares	8,141	3,772	4,368
Subtotal		8,141	3,772	4,368
Items whose carrying amount does not exceed acquisition cost	Shares	–	–	–
Subtotal		–	–	–
Total		8,141	3,772	4,368

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

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	–

Fiscal year ended December 31, 2025

(Millions of yen)

Category	Sale proceeds	Total gain on sale	Total loss on sale
(1) Shares	3,716	3,530	–
(2) Other	–	–	–
Total	3,716	3,530	–

**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

Not applicable

(2) Interest rate-related contracts

Not applicable

## Retirement Benefits

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 defined 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)
<hr/> Balance of retirement benefit obligations at end of period	<hr/> 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)
<hr/> Balance of plan assets at end of period	<hr/> 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)
<hr/> Retirement benefit liability at end of period	<hr/> 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
Total	93

- (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
Total	11

(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%

Fiscal year ended December 31, 2025

1. Overview of retirement benefit plans adopted

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

Under defined 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	1,536
Service cost	94
Interest cost	18
Actuarial gains and losses accrued	22
Retirement benefits paid	(112)
<u>Balance of retirement benefit obligations at end of period</u>	<u>1,558</u>

- (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	1,249
Expected return on plan assets	24
Actuarial gains and losses accrued	(22)
Contribution from employer	56
Retirement benefits paid	(75)
Balance of plan assets at end of period	1,233

- (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	411
Retirement benefit expenses	52
Retirement benefits paid	(21)
Contribution to plans	(8)
Retirement benefit liability at end of period	433

- (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	1,664
Plan assets	(1,318)
	345
Retirement benefit obligations of unfunded plans	413
Net amount of liabilities and assets recorded in the consolidated balance sheets	758
Retirement benefit liability	758
Net amount of liabilities and assets recorded in the consolidated balance sheets	758

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

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

	(Millions of yen)
Service cost	94
Interest cost	18
Expected return on plan assets	(24)
Amortization of actuarial gains and losses	8
Amortization of past service cost	(0)
Retirement benefit expenses applying simplified method	52
Retirement benefit expenses under defined benefit plans	147

(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	(35)
<u>Total</u>	<u>(35)</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	5
Unrecognized actuarial gains and losses	(31)
<u>Total</u>	<u>(25)</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)	61
Other	39
<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, 2025

Discount rate:	1.2%
Long-term expected rate of return:	2.0%
Expected rate of salary raise:	6.2%

## Deferred Tax Accounting

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

	(Millions of yen)	
	As of December 31, 2024	As of December 31, 2025
Deferred tax assets		
Excess of allowance for doubtful accounts	0	1
Retirement benefit liability	226	239
Loss on valuation of inventories	410	345
Enterprise taxes payable	73	108
Excess of provision for bonuses	86	82
Impairment losses	341	327
Tax effects relating to unrealized profit	272	203
Accrued expenses	6	4
Provision for loss on fire	–	247
Depreciation of inactive non-current assets	–	333
Other	846	634
Subtotal	2,265	2,528
Valuation allowance	(1,256)	(1,372)
Total	1,008	1,155
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(1,730)	(1,344)
Tax effects relating to undistributed profit of overseas consolidated subsidiaries	(157)	(168)
Other	(90)	(86)
Total	(1,979)	(1,599)
Net deferred tax assets (liabilities)	(970)	(443)

(Note) Net deferred tax assets as of December 31, 2024 and December 31, 2025 are included in the following items on consolidated balance sheets.

	(Millions of yen)	
	As of December 31, 2024	As of December 31, 2025
Non-current assets - deferred tax assets	599	680
Non-current liabilities - deferred tax liabilities	(1,570)	(1,124)

### 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, 2024	As of December 31, 2025
	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 or equal to 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 or equal to 5% of the statutory effective tax rate.

- Revision of the amounts of deferred tax assets and liabilities due to changes in income tax rates, etc.

Following the enactment of the Act for Partial Revision of the Income Tax Act, etc. (Act No. 13 of 2025) by the National Diet of Japan on March 31, 2025, the Special Defense Corporate Tax will be levied from fiscal years beginning on or after April 1, 2026.

Accordingly, the statutory effective tax rate has been raised from 30.62% to 31.52% to account for deferred tax assets and liabilities related to temporary differences etc. that are expected to be eliminated in the fiscal years beginning on or after January 1, 2027.

As a result of this change, deferred tax liabilities (after deducting deferred tax assets) for the fiscal year under review increased by 20 million yen, income taxes - deferred decreased by 14 million yen, and valuation difference on available-for-sale securities decreased by 34 million yen.

## Revenue Recognition

- 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.”

- 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.”

- 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, 2025.

Fiscal year ended December 31, 2024

- Balance, etc. of contract assets and contract liabilities

(Millions of yen)

	As of the end of the previous fiscal year (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.

- 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, 2025

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

(Millions of yen)

	As of the end of the current fiscal year (December 31, 2025)
Claims arising from contracts with customers (Balance at beginning of period)	13,110
Claims arising from contracts with customers (Balance at end of period)	13,348
Contract assets (Balance at beginning of period)	94
Contract assets (Balance at end of period)	277

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 Group are components of the Group 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 Group 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, 2024

(Millions of yen)

	Reportable segment				Adjustment (Note 1)	Carrying amount (Note 2)
	Carbon product business	Silicon carbide product 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.

Fiscal year ended December 31, 2025

(Millions of yen)

	Reportable segment				Adjustment (Note 1)	Carrying amount (Note 2)
	Carbon product business	Silicon carbide product business	Other	Total		
Net sales						
Fine carbon-related products	20,225	–	–	20,225	–	20,225
Electrode-related products	12,171	–	–	12,171	–	12,171
Silicon carbide-related products	–	4,128	–	4,128	–	4,128
Other	–	–	1,048	1,048	–	1,048
Revenue from contracts with customers	32,397	4,128	1,048	37,574	–	37,574
Other revenue	–	–	161	161	–	161
Net sales to external customers	32,397	4,128	1,209	37,735	–	37,735
Inter-segment net sales or transfers	1	8	463	473	(473)	–
Total	32,398	4,137	1,672	38,208	(473)	37,735
Segment profit	2,990	1,479	330	4,800	8	4,809
Segment assets	56,077	4,267	1,881	62,226	23,381	85,607
Other items						
Depreciation	2,954	582	48	3,585	(50)	3,534
Increase in property, plant and equipment and intangible assets	3,846	72	12	3,932	(5)	3,926

(Notes) 1. Adjustments are as follows.

- (1) The adjustment to segment assets of 23,381 million yen primarily consists of assets related to surplus funds (cash) and long-term investment funds (investment securities).
- (2) The adjustment to depreciation of (50) million yen and the adjustment to increase in property, plant and equipment and intangible assets of (5) 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, 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.

(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 no customer contributed 10% or more to net sales amount in the consolidated statements of income.

Fiscal year ended December 31, 2025

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
21,461	8,219	1,523	6,531	37,735

(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 no customer contributed 10% or more to net sales amount in the consolidated statements of income.

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

Fiscal year ended December 31, 2024

Not applicable

Fiscal year ended December 31, 2025

Not applicable

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

Fiscal year ended December 31, 2024

Not applicable

Fiscal year ended December 31, 2025

Not applicable

[Information about gain on bargain purchase by reportable segment]

Fiscal year ended December 31, 2024

Not applicable

Fiscal year ended December 31, 2025

Not applicable

[Related party information]

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.

Fiscal year ended December 31, 2025

Not applicable

## Per Share Information

(Yen)

	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025
Net assets per share	4,704.60	4,919.46
Basic earnings per share	369.03	436.91

- (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 507 hundred shares for the fiscal year ended December 31, 2024 and 459 hundred shares for the fiscal year ended December 31, 2025, 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, 2024	As of December 31, 2025
Total net assets (Millions of yen)	60,819	63,607
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)	8,804	9,213
[Of which, non-controlling interests (Millions of yen)]	[8,804]	[9,213]
Net assets attributable to common shares (Millions of yen)	52,014	54,393
Number of common shares used in the calculation of net assets per share (hundreds of shares)	110,561	110,568

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

Item	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025
Profit attributable to owners of parent (Millions of yen)	4,078	4,830
Profit attributable to owners of parent attributable to common shares (Millions of yen)	4,078	4,830
Profit (loss) not attributable to common shareholders (Millions of yen)	–	–
Average number of outstanding common shares during the period (hundreds of shares)	110,524	110,568

## Subsequent Events

### *Purchase of treasury shares*

At the Board of Directors meeting held on February 10, 2026, the Company resolved matters relating to the purchase of treasury shares pursuant to the provisions of Article 156 of the Companies Act, as applied by replacing the terms pursuant to the provisions of Article 165, paragraph 3 of the same Act.

1. Reason for purchase of treasury shares  
To improve capital efficiency by returning profits to shareholders.
2. Details of matters relating to the purchase
  - (1) Type of shares to be purchased: Common shares
  - (2) Total number of shares that may be purchased: 625,000 shares (maximum)  
(5.7% of the total number of issued shares (excluding treasury shares))
  - (3) Total value of shares to be purchased: 2,500,000,000 yen (maximum)
  - (4) Purchasing period: From March 2, 2026 to August 31, 2026
  - (5) Method of purchase: Market purchase on the Tokyo Stock Exchange

(Reference) Status of treasury shares held as of December 31, 2025

Total number of issued shares (excluding treasury shares)	11,056,888 shares
Number of treasury shares	775,616 shares

\* The number of treasury shares of 775,616 shares is the actual balance of shares held, including 45,600 shares of the Company held by the Board Benefit Trust (BBT).

(v) Annexed Consolidated Detailed Schedules

[Consolidated detailed schedule of corporate bonds]

Not applicable

[Consolidated detailed schedule of borrowings]

Category	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (%)	Payment due
Short-term borrowings	8,840	10,040	1.47	–
Current portion of long-term borrowings	176	111	0.90	–
Long-term borrowings (excluding current portion)	196	180	1.25	2027 to 2030
Other interest-bearing debt	–	–	–	–
Total	9,213	10,331	–	–

(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	75	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, 2025 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, 2025, respectively.

(2) Other Information

Semi-annual information, etc. for the fiscal year ended December 31, 2025

	Six months ended June 30, 2025	Fiscal year ended December 31, 2025
Net sales (Millions of yen)	18,305	37,735
Profit before income taxes (Millions of yen)	3,775	7,829
Profit attributable to owners of parent (Millions of yen)	2,296	4,830
Basic earnings per share (Yen)	207.74	436.91

## 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, 2024	As of December 31, 2025
<b>Assets</b>		
Current assets		
Cash and deposits	7,193	8,053
Notes receivable - trade	* <sup>3</sup> 92	* <sup>3</sup> 80
Electronically recorded monetary claims - operating	* <sup>1,3</sup> 802	* <sup>1,3</sup> 862
Accounts receivable - trade	* <sup>1</sup> 8,411	* <sup>1</sup> 8,332
Merchandise and finished goods	7,807	1,304
Work in process	683	6,576
Raw materials and supplies	1,394	1,471
Prepaid expenses	117	129
Short-term loans receivable	500	1,200
Other	* <sup>1</sup> 760	* <sup>1</sup> 345
<b>Total current assets</b>	<b>27,765</b>	<b>28,356</b>
Non-current assets		
Property, plant and equipment		
Buildings	* <sup>2</sup> 2,742	* <sup>2</sup> 2,704
Structures	* <sup>2</sup> 477	* <sup>2</sup> 465
Machinery and equipment	* <sup>2</sup> 6,082	* <sup>2</sup> 7,815
Vehicles	* <sup>2</sup> 19	* <sup>2</sup> 22
Tools, furniture and fixtures	* <sup>2</sup> 317	* <sup>2</sup> 365
Land	* <sup>2</sup> 3,166	* <sup>2</sup> 3,166
Construction in progress	1,375	90
<b>Total property, plant and equipment</b>	<b>14,180</b>	<b>14,630</b>
Intangible assets		
Software	79	57
Other	7	7
<b>Total intangible assets</b>	<b>86</b>	<b>64</b>
Investments and other assets		
Investment securities	9,254	8,167
Shares of subsidiaries and associates	3,116	3,116
Long-term loans receivable	* <sup>1</sup> 1,500	* <sup>1</sup> 500
Long-term prepaid expenses	5	6
Other	1,913	2,220
Allowance for doubtful accounts	(2)	(2)
<b>Total investments and other assets</b>	<b>15,786</b>	<b>14,008</b>
<b>Total non-current assets</b>	<b>30,054</b>	<b>28,703</b>
<b>Total assets</b>	<b>57,819</b>	<b>57,060</b>

(Millions of yen)

	As of December 31, 2024	As of December 31, 2025
<b>Liabilities</b>		
Current liabilities		
Electronically recorded obligations - operating	343	301
Accounts payable - trade	*1 3,503	*1 2,533
Short-term borrowings	*2 3,516	*2 3,451
Accounts payable - other	*1 1,656	*1 476
Accrued expenses	*1 172	*1 389
Income taxes payable	621	1,330
Advances received	219	114
Provision for bonuses	110	109
Provision for bonuses for directors (and other officers)	49	37
Electronically recorded obligations - facilities	565	229
Other	*1 89	*1 85
Total current liabilities	10,848	9,059
Non-current liabilities		
Long-term borrowings	196	180
Deferred tax liabilities	1,680	1,163
Provision for retirement benefits	297	299
Provision for share awards for directors (and other officers)	60	69
Provision for environmental measures	0	0
Provision for loss on fire	–	784
Long-term guarantee deposits	261	261
Asset retirement obligations	60	60
Other	65	65
Total non-current liabilities	2,621	2,884
Total liabilities	13,470	11,943
Net assets		
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	27,136	28,803
Total retained earnings	27,136	28,803
Treasury shares	(1,969)	(1,967)
Total shareholders' equity	40,427	42,096
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	3,921	3,020
Total valuation and translation adjustments	3,921	3,020
Total net assets	44,349	45,116
Total liabilities and net assets	57,819	57,060

## (ii) Non-consolidated Statements of Income

(Millions of yen)

	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025
Net sales	*1 23,384	*1 21,087
Cost of sales	*1 16,684	*1 15,356
Gross profit	6,699	5,731
Selling, general and administrative expenses	*2 3,413	*2 3,742
Operating profit	3,285	1,988
Non-operating income		
Interest income	42	39
Dividend income	*1 624	*1 659
Foreign exchange gains	125	198
Miscellaneous income	132	66
Total non-operating income	925	964
Non-operating expenses		
Interest expenses	24	40
Loss on retirement of non-current assets	*3 13	*3 15
Foreign withholding tax	25	–
Commission expenses	24	19
Miscellaneous expenses	21	15
Total non-operating expenses	109	91
Ordinary profit	4,101	2,862
Extraordinary income		
Gain on sale of non-current assets	*4 196	–
Gain on sale of investment securities	6	*5 3,530
Total extraordinary income	203	3,530
Extraordinary losses		
Loss on fire	–	*6 820
Total extraordinary losses	–	820
Profit before income taxes	4,304	5,572
Income taxes - current	1,137	1,823
Income taxes - deferred	83	(128)
Total income taxes	1,221	1,694
Profit	3,083	3,877

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

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	Total retained earnings
				Retained earnings brought forward		
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

Fiscal year ended December 31, 2025

(Millions of yen)

	Shareholders' equity					
	Share capital	Capital surplus			Retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings
				Retained earnings brought forward		
Balance at beginning of period	7,402	1,851	6,007	7,858	27,136	27,136
Changes during period						
Dividends of surplus				–	(2,211)	(2,211)
Profit				–	3,877	3,877
Purchase of treasury shares				–		–
Disposal of treasury shares				–		–
Net changes in items other than shareholders' equity				–		–
Total changes during period	–	–	–	–	1,666	1,666
Balance at end of period	7,402	1,851	6,007	7,858	28,803	28,803

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(1,969)	40,427	3,921	3,921	44,349
Changes during period					
Dividends of surplus		(2,211)		–	(2,211)
Profit		3,877		–	3,877
Purchase of treasury shares	(2)	(2)		–	(2)
Disposal of treasury shares	4	4		–	4
Net changes in items other than shareholders' equity		–	(900)	(900)	(900)
Total changes during period	2	1,668	(900)	(900)	767
Balance at end of period	(1,967)	42,096	3,020	3,020	45,116

## 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.

(7) Provision for loss on fire

In consideration of the costs of removal and restoration of assets damaged by the fire that occurred at the Company's Toyama Plant on August 29, 2025, the Company has recorded a loss that is expected to occur in the future based on a reasonable estimate.

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) Hedge accounting

(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, 2025, the number of such treasury shares was 456 hundred shares, amounting to a book value of 159 million yen. The average number of such shares for the fiscal year ended December 31, 2025, was 459 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:	¥1,304 million
Work in process:	¥6,576 million
Cost of sales (loss (gain) on valuation of inventories):	¥(28) 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 Accounting Policies

### *Application of “Accounting Standard for Current Income Taxes” and other standards*

The Company has applied the “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022; the “2022 Revised Accounting Standard”) and other standards from the beginning of the fiscal year under review. With respect to the revisions to the classification of income taxes (taxation on other comprehensive income), the Company follows the transitional treatment stipulated in the proviso of paragraph 20-3 of the 2022 Revised Accounting Standard and the transitional treatment stipulated in the proviso of paragraph 65-2 (2) of the “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022; the “2022 Revised Guidance”). These changes in accounting policies have no impact on the non-consolidated financial statements.

## Changes in Presentation

“Foreign withholding tax,” which was presented as a separate line items under “Non-operating expenses” the previous fiscal year, is included in “Miscellaneous expenses” from the current fiscal year, due to immateriality.

## Notes to Non-consolidated Balance Sheets

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

	(Millions of yen)	
	As of December 31, 2024	As of December 31, 2025
Short-term monetary receivables	4,451	3,760
Long-term monetary receivables	1,500	500
Short-term monetary payables	989	313

### \*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, 2024	As of December 31, 2025
Toyama Plant	4,359	3,823
Shiga Plant	4,047	6,398
Total	8,407	10,221

#### [Obligations]

	(Millions of yen)	
	As of December 31, 2024	As of December 31, 2025
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, 2025 was a non-business day for financial institutions.

	(Millions of yen)	
	As of December 31, 2024	As of December 31, 2025
Notes receivable - trade	19	12
Electronically recorded monetary claims - operating	78	41

## Notes to Non-consolidated Statements of Income

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

(Millions of yen)

	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025
Amount of transactions from business transactions		
Net sales	7,990	5,066
Purchase of goods	2,216	777
Amount of transactions through transactions other than business transactions	694	395

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

(Millions of yen)

	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025
Depreciation	28	27
Packing cost	358	365
Freight costs	517	561
Sales commission	193	206
Salaries	387	387
Retirement benefit expenses	30	27
Provision for share awards for directors (and other officers)	18	14
Provision for bonuses	43	43
Provision for bonuses for directors (and other officers)	49	37
Research and development expenses	437	525

#### Approximate ratio

Selling expenses:	36%	40%
General and administrative expenses:	64%	60%

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

(Millions of yen)

	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025
Facilities related to electrodes and fine carbon	13	15
Total	13	15

### \*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 Gain on sale of investment securities

Fiscal year ended December 31, 2025

Gain on sale of investment securities of 3,530 million yen was recorded as extraordinary income due to the sale of some of the investment securities held (four listed stocks).

### \*6 Loss on fire

Fiscal year ended December 31, 2025

A loss of 820 million yen resulting from a fire that occurred at the Company's Toyama Plant on August 29, 2025 was recorded as extraordinary losses.

This loss includes a provision for loss on fire of 784 million yen, which is reported as an amount that can be reasonably estimated at the present time.

## Securities

Shares of subsidiaries and associates

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) Shares of associates	1,477
Total	3,116

As of December 31, 2025

Carrying amounts of shares, etc. without market value

(Millions of yen)

Category	As of December 31, 2025
(1) Shares of subsidiaries	1,639
(2) Shares 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, 2024	As of December 31, 2025
Deferred tax assets		
Excess of allowance for doubtful accounts	0	0
Provision for retirement benefits	91	94
Loss on valuation of inventories	41	18
Enterprise taxes payable	40	73
Provision for bonuses	33	33
Provision for loss on fire	–	247
Gain on sale of businesses	306	315
Impairment losses	341	327
Other	208	219
Subtotal	1,064	1,330
Valuation allowance	(924)	(1,066)
Total	139	264
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(1,730)	(1,342)
Other	(89)	(85)
Total	(1,819)	(1,427)
Net deferred tax liabilities	(1,680)	(1,163)

(Note) Net deferred tax assets as of December 31, 2024 and December 31, 2025 are included in the following items on non-consolidated balance sheets.

	(Millions of yen)	
	As of December 31, 2024	As of December 31, 2025
Non-current liabilities - deferred tax liabilities	(1,680)	(1,163)

### 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, 2024 (%)	As of December 31, 2025 (%)
Statutory effective tax rate	30.6	–
(Adjustments)		
Income not taxable permanently, such as dividend income	(2.9)	–
Expenses not deductible permanently, such as entertainment expenses	1.1	–
Expenses not deductible permanently, such as bonuses for directors (and other officers)	0.4	–
Increase (decrease) of valuation allowance	(0.1)	–
Tax credits	(2.0)	–
Other	1.3	–
Effective rate of income taxes after application of deferred tax accounting	28.4	–

(Note) The note is omitted in the current fiscal year 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 or equal to 5% of the statutory effective tax rate.

3. Revision of the amounts of deferred tax assets and liabilities due to changes in income tax rates, etc.

Following the enactment of the Act for Partial Revision of the Income Tax Act, etc. (Act No. 13 of 2025) by the Japanese Diet on March 31, 2025, the Special Defense Corporate Tax will be levied from fiscal years beginning on or after April 1, 2026.

Accordingly, the statutory effective tax rate has been raised from 30.62% to 31.52% to account for deferred tax assets and liabilities related to temporary differences etc. that are expected to be eliminated in the fiscal years beginning on or after January 1, 2027.

As a result of this change, deferred tax liabilities (after deducting deferred tax assets) for the fiscal year under review increased by 31 million yen, income taxes - deferred decreased by 2 million yen, and valuation difference on available-for-sale securities decreased by 34 million yen.

## 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

### *Purchase of treasury shares*

The note is omitted, as the same information is provided in “Notes to Consolidated Financial Statements, Subsequent Events.”

### (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	9,444	144	25	9,563	6,858	181	2,704
Structures	1,580	46	2	1,624	1,158	58	465
Machinery and equipment	31,872	3,116	238	34,749	26,934	1,370	7,815
Vehicles	135	11	3	143	120	8	22
Tools, furniture and fixtures	1,420	138	43	1,515	1,149	90	365
Land	3,166	–	–	3,166	–	–	3,166
Construction in progress	1,375	2,131	3,416	90	–	–	90
Total	48,993	5,588	3,729	50,852	36,222	1,709	14,630
Intangible assets							
Software	–	–	–	97	–	39	57
Other	–	–	–	7	–	–	7
Total	–	–	–	104	–	39	64
Long-term prepaid expenses	12	6	2	16	10	5	6

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

(Millions of yen)

Toyama Plant	Upgrades to electrode production facilities	175
Shiga Plant	Enhancement of and upgrades to carbon fiber production facilities	2,427
Technical Center	Acquisition and renewal of research and development facilities	669

- 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	2	2	2	2
Provision for bonuses	110	109	110	109
Provision for bonuses for directors (and other officers)	49	37	49	37
Provision for share awards for directors (and other officers)	60	14	5	69
Provision for environmental measures	0	–	–	0
Provision for loss on fire	–	784	–	784

- (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