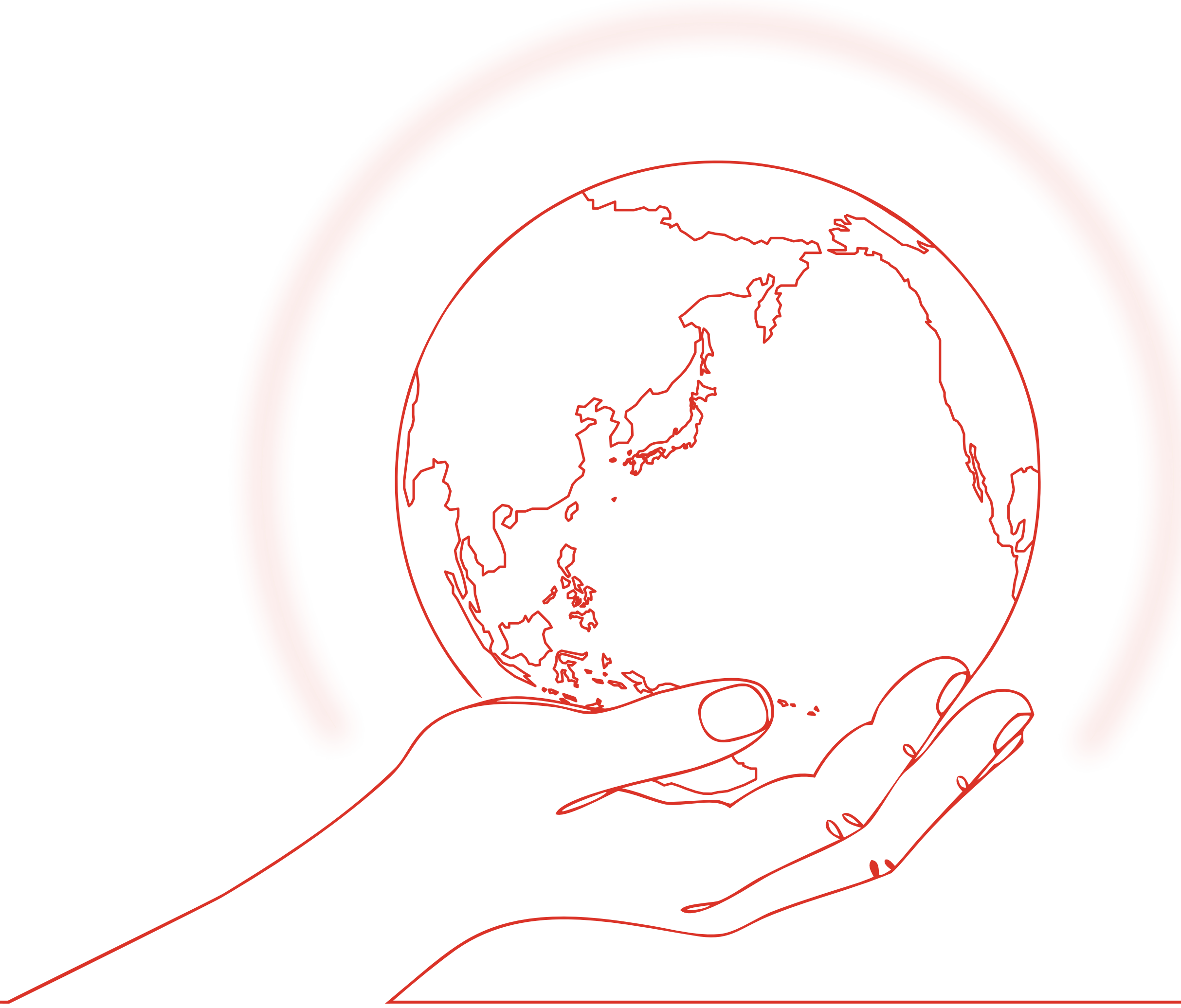
NIPPON CARBON



2026

INTEGRATED REPORT

NIPPON CARBON

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Contents

Editorial Policy

At the Nippon Carbon Group, we publish this report to communicate to stakeholders our efforts to achieve our management philosophy of "A company with dreams and technologies to realize a world of love and science."

Date of issue

July 2026

Reporting period

Fiscal 2025 (January 2025–December 2025)
Note that this includes certain disclosure items implemented from January 2026 onward.

Guidelines used as reference

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

Scope

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

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Website

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

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

President's Greetings

Review of 2025

In 2025, our group achieved a milestone: the 110th anniversary of our founding. Looking back, we have evolved from our beginnings as a graphite electrode manufacturer, honing the properties of carbon as a material, broadening the scope of its applications and business domains, and cultivating high-value-added fields such as fine carbon and silicon carbide fibers into new pillars of growth. Carbon is not merely a material for our group—it is the core of our value creation that has enabled us to carve out new business domains while addressing the social challenges of each era.

Uncertainty surrounding corporate management increased further during 2025, due to factors such as persistently high raw material prices and energy costs and changes in the trade environment, as well as a slowing global economy. Under such economic conditions, our group achieved ¥37.7 billion in consolidated net sales, roughly in line with the previous fiscal year, while operating profit declined to ¥4.8 billion. These results cannot simply be attributed to external factors; we view them as highlighting the issues that are being faced by each business. For sectors where tough conditions still persist, we need to review the earnings structure itself and restore business profitability; meanwhile, in sectors that will drive future growth, we need to develop a business foundation that leads reliably to earnings, rather than being affected by fluctuations in demand. Which businesses should we enhance, and to which sectors should we allocate our management resources? We believe that making and implementing such decisions will lead to the enhancement of corporate value going forward.

The 110th anniversary of our founding will not be taken as an occasion to simply look back on the past, but as a new starting point—connecting our group's history of expanding from graphite electrodes into fine carbon to the next stage of growth. Going forward, our group will continue pursuing the potential of carbon as a material, demonstrating its value in areas needed by society, and steadily moving ahead.

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

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

Review of the First Year of the Mid-term Management Policy "GO BEYOND 2030"

The Mid-term Management Policy "GO BEYOND 2030" that began in 2025 serves as a roadmap for our group as we move into a new stage. Positioning "Improvement of profitability" "Promotion of sustainability management" and "Enhancing shareholder returns" as the three pillars at the core of our strategy, it clarifies what we should strengthen and which issues we should be prioritizing as we move toward the next phase of growth.

With regard to improving Profitability, based on advances in AI, IoT and 5G, expansion of the aviation industry, and growth in GX-related fields, we have identified those domains where medium- to long-term demand expansion is expected as priority areas. On that basis, we intend to advance market development and optimization of our production system, including capital investment, in a steady manner, thereby leading to a stronger earnings foundation.

For fine carbon products, while the external environment was challenging, 2025 was also a year where we advanced efforts to build a foundation for future growth. In the semiconductor sector, one of the key markets of our group, demand slowed amid ongoing inventory adjustments at customers and a slowdown in the electric vehicle market, and overall growth for the business declined temporarily. The capital investments we have been making with an eye toward future growth are also currently weighing on profitability. However, we remain convinced that these products are indispensable, not only in the semiconductor sector but also in advanced, high-value-added areas such as electronic components and energy-related fields, and we expect the business to grow over the medium to long term. We have also already started rolling out initiatives aimed at new growth areas, without limiting ourselves to existing fields. I believe that the capital investments our group has made ahead of time will become a major force underpinning our competitive edge when demand grows. Going forward, we will capture the recovery in the semiconductor market, further

President's Greetings

accelerate business expansion in other markets, thereby driving sustainable growth in a steady manner.

Tough conditions also continued with electrode materials centered on graphite electrodes. While medium- to long-term growth in electric furnace steel demand is anticipated amid the trend toward decarbonization, over the near term, prolonged market weakness, rising raw material prices and energy costs, and the impact of U.S. trade policy combined to make securing profitability a major challenge. In response to these conditions, industry peers are also moving to review their electrode businesses, and we recognize that the industry as a whole is at a stage that calls for rebuilding of the business structure. We are working to develop an optimal production system capable of responding to demand fluctuations in a flexible manner and to strengthen our cost competitiveness. Through such efforts, our group is promoting the establishment of an earnings structure that is able to withstand changes in the business environment and the shift to a sustainable business model. Yet if the market environment deteriorates further, we will need to proceed with additional reviews, including the way the business should be structured.

The silicon carbide products business maintained high levels of production, backed by expansion in the aviation industry. On the other hand, challenges still remain in establishing a structure that is able to respond in a stable manner to expanding demand, due in part to the impact of having scaled down our production system during the period of lower demand during the COVID-19 pandemic. Going forward, our policy is to strengthen our production foundation in a steady manner through securing and developing personnel and ensuring safe operations, and to link this to sustainable growth.

In promoting sustainability management, we view contributing to carbon neutrality and securing and developing human resources as important topics. These are indispensable for addressing structural challenges such as the increase in climate-change risks and the declining labor force, and they are an important business foundation supporting the sustainable growth of our group.

Uncertainty surrounding carbon neutrality is increasing against the backdrop of policy trends and regulatory reviews in various countries and regions. While accurately capturing such changes, our group is advancing initiatives to curbing GHG emissions in two ways—reducing GHG emissions during manufacturing and contributing to society through the products we provide—toward achieving our management philosophy: "A company with dreams and technologies to realize a world of love and science."

When it comes to human resources, a company-wide shift is underway in which employees proactively address issues and take on new initiatives. This commitment to taking on new challenges is one of the values I have always cherished. Investment in human resources is the foundation that will underpin our future management, and an important initiative that supports long-term enhancement of corporate value. We believe that the accumulation of such daily challenges will generate organizational vitality and lead to the next stage of growth.

Toward 2026 — A year for building a foundation for the future

Looking ahead to 2026, with growing geopolitical risks and policy developments in countries around the world, including U.S. trade policy, the outlook for the global economy is expected to become even more uncertain. As uncertainty becomes the norm, the key factor is that we do not lose sight of the direction that our group should take as a company, without being influenced by short-term results. I believe that consistently maintaining the value we should be providing and the vision we are aspiring to is fundamental to management.

Some of the measures our group is currently implementing may not immediately be reflected in our results, but these accumulated efforts will become the source of our mid- to long-term competitiveness. It is exactly in difficult times that we need to identify our strengths and the areas we need to reinforce, and carry out the groundwork for the next stage of growth in a steady manner. Drawing on the materials technology and trust in quality that we have cultivated over many years, we will work together as a single entity to adapt to changes in the external environment and achieve ongoing enhancement of corporate value.

I would like to express my sincere gratitude to all stakeholders who are supporting our group, and respectfully ask for your continued support.

Mid-term Management Policy

New Mid-term Business Policy: "GO BEYOND 2030"

In the Mid-term Management Policy "GO BEYOND 2030," our group has designated fiscal 2030, when various social issues are expected to become increasingly apparent, as the final year of the plan, and under our management philosophy, "A company with dreams and technologies to realize a world of love and science," has identified as material issues the pursuit of sustainable growth for the Company and the realization of a sustainable society. With regard to our businesses, although concerns remain over foreign exchange risks and fluctuations in the global economy caused by policies in various countries, we will strive to expand sales and enhance profitability. We will also contribute to the realization of a carbon-neutral society through initiatives including the reduction of GHG emissions.

1 Improvement of profitability

To improve profitability, we will actively pursue market development targeting sectors where new technological innovations and market growth are anticipated. Through these efforts, we will pursue business expansion with the goal of achieving annual sales growth of around 10%.

Product Categories	Core Policies and Key Initiatives
Fine carbon products	• Expand market share both in Japan and internationally • Actively invest management resources and reduce production costs
Electrode materials	• Build optimized production systems aligned with demand • Implement thorough cost-cutting measures • Reevaluate sales channels for electrode products
Silicon carbide products	• Secure skilled personnel and ensure safe operations to support rising demand
New business ventures	• Commercialize power semiconductor-related products • Develop new businesses tied to carbon neutrality initiatives

Mid-term Management Policy

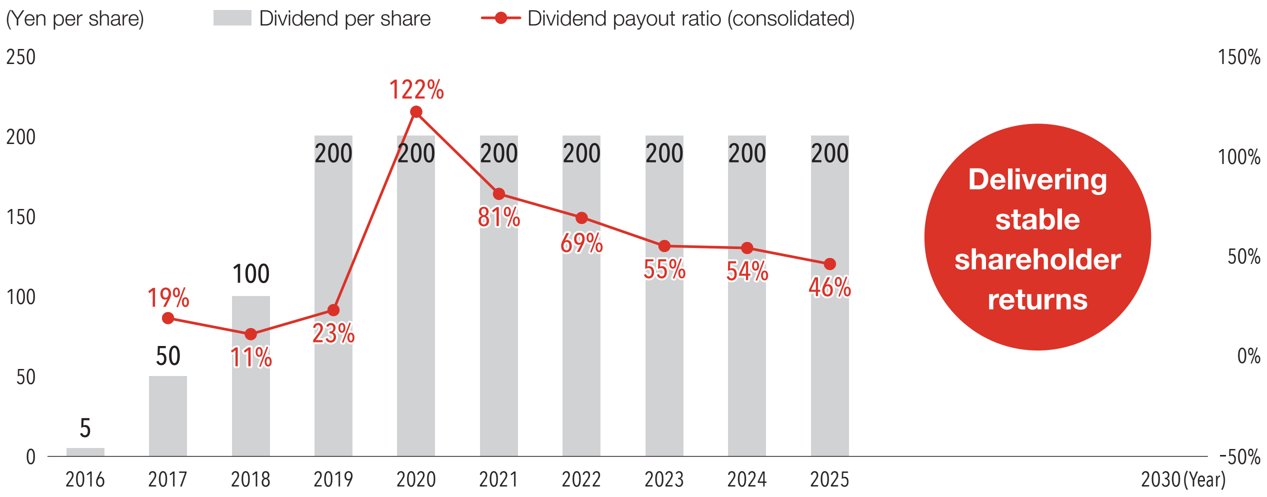
2 Promotion of sustainability management

In terms of sustainability, we recognize the urgent need for climate action and carbon neutrality. Our efforts will center on reducing greenhouse gas emissions and minimizing environmental impact, while also cultivating an inclusive workplace that empowers a diverse workforce to succeed.

Focus Areas	Core Policies and Key Initiatives
Contribution to carbon neutrality	• Reduce greenhouse gas (GHG) emissions • Contribute to a carbon-neutral society through our products
Talent acquisition and development	• Promote initiatives to enhance employee engagement • Cultivate an inclusive workplace where diverse talent can thrive

3 Enhancement of shareholder returns

We view returning profits to shareholders as one of our most important management priorities. Moving forward, we will continue using the profits generated through our business activities to provide stable dividend payments. In parallel, we will invest in strengthening our production capabilities to support business expansion and enhance our management foundation, as well as in research and development to drive new business creation, ultimately aiming to enhance profitability. In addition, we will take a flexible approach to shareholder returns, such as share buybacks, based on a comprehensive assessment of our financial performance, condition, and the broader business environment.



Status of acquisition of treasury shares

Acquisition period	Total number of shares acquired	Total acquisition amount
November 2, 2015 to November 25, 2015	2,500,000 shares	¥856,917,000
March 2, 2026 to August 31, 2026	625,000 shares*	¥2,500,000,000*

* The total number of shares acquired and the total acquisition amount are stated as upper limits.

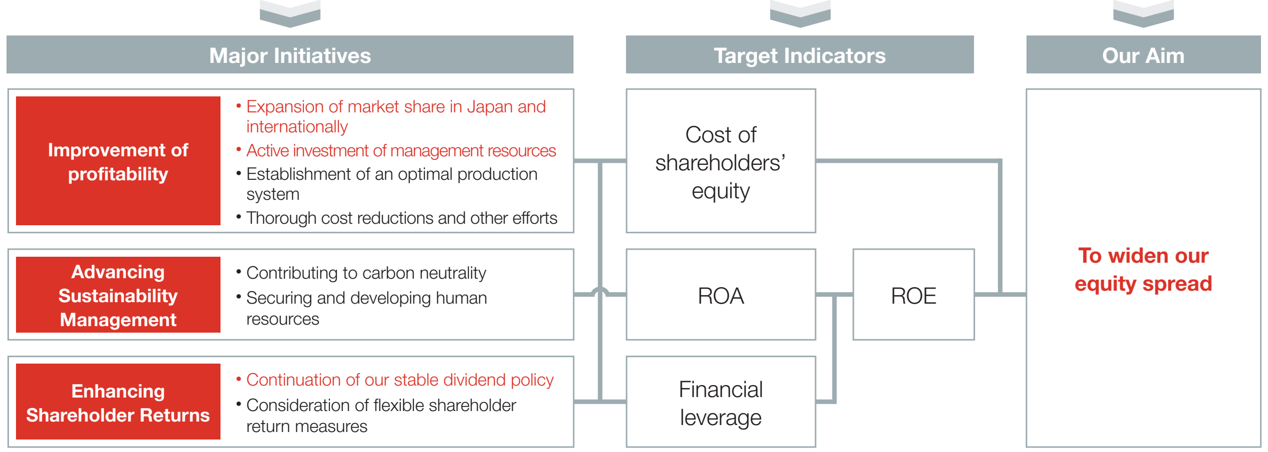
Action to Implement Management that is Conscious of Cost of Capital and Stock Price

Equity Spread

We will strive to enhance our corporate value by steadily implementing the Mid-term Management Policy “GO BEYOND 2030,” which began in 2025.

Widening Our Equity Spread by Implementing the Mid-term Management Policy

Mid-term Management Policy “GO BEYOND 2030”
: Achieving Both Profitability Improvement and Sustainability Management

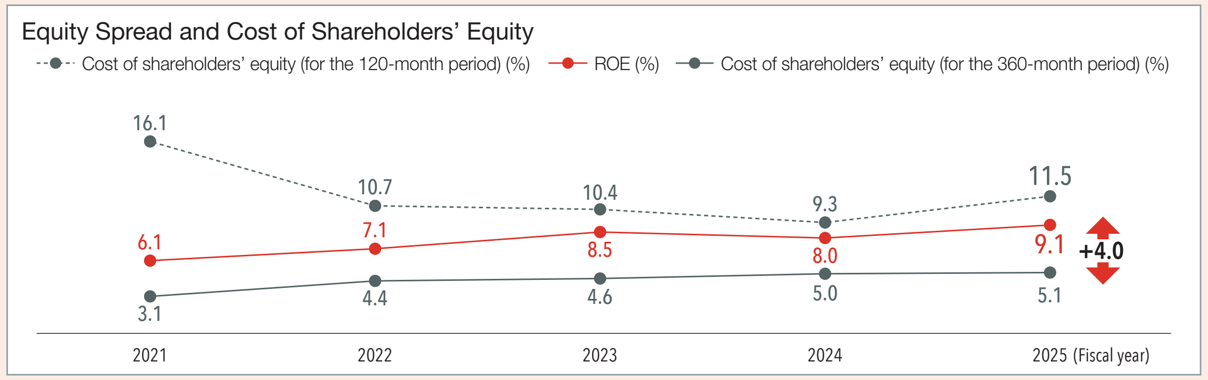


Equity Spread

- Our equity spread, which we calculated by deducting our cost of shareholders’ equity from our ROE, was +4.0 points as of the end of 2025.

Cost of Shareholders’ Equity

- Our cost of shareholders’ equity was determined to be 5.07% as of the end of 2025 using the CAPM and based on the market risk premium measured for the most recent 360 months.
- For reference, based on the most recent 120 months, our cost of shareholders’ equity was 11.46%.



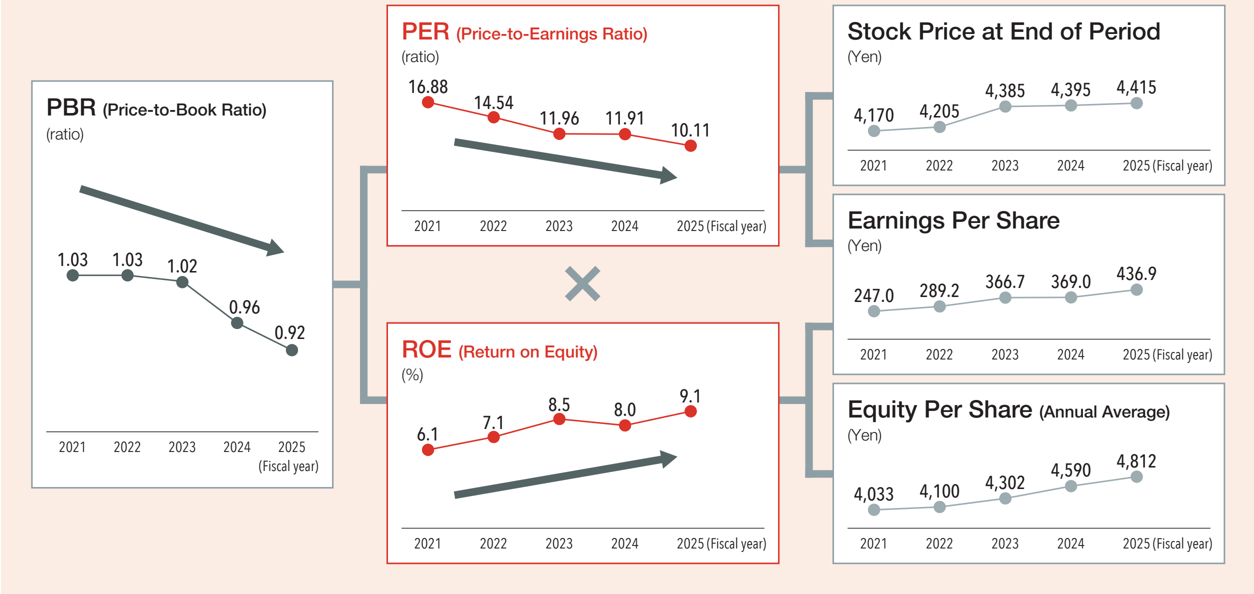
Our cost of shareholders’ equity (CAPM)

Market risk premium		Our adjusted beta		Risk-free rate		Our cost of shareholders’ equity (2025)
4.08%	×	**0.86**	+	**1.54%**	=	**5.07%**
The average (for the most recent 360 months) of the values calculated by deducting 10-year Japanese government bond yields calculated on a monthly basis from the rate of return of TOPIX including dividends (annual rate) calculated on a monthly basis		Calculated (for the most recent 60 months) based on the rate of return of TOPIX calculated on a monthly basis and that of our stock calculated on a monthly basis		The average (for the most recent year: 243 days) of 10-year Japanese government bond yields calculated on a daily basis		Our group’s cost of shareholders’ equity (CAPM)

Action to Implement Management that is Conscious of Cost of Capital and Stock Price

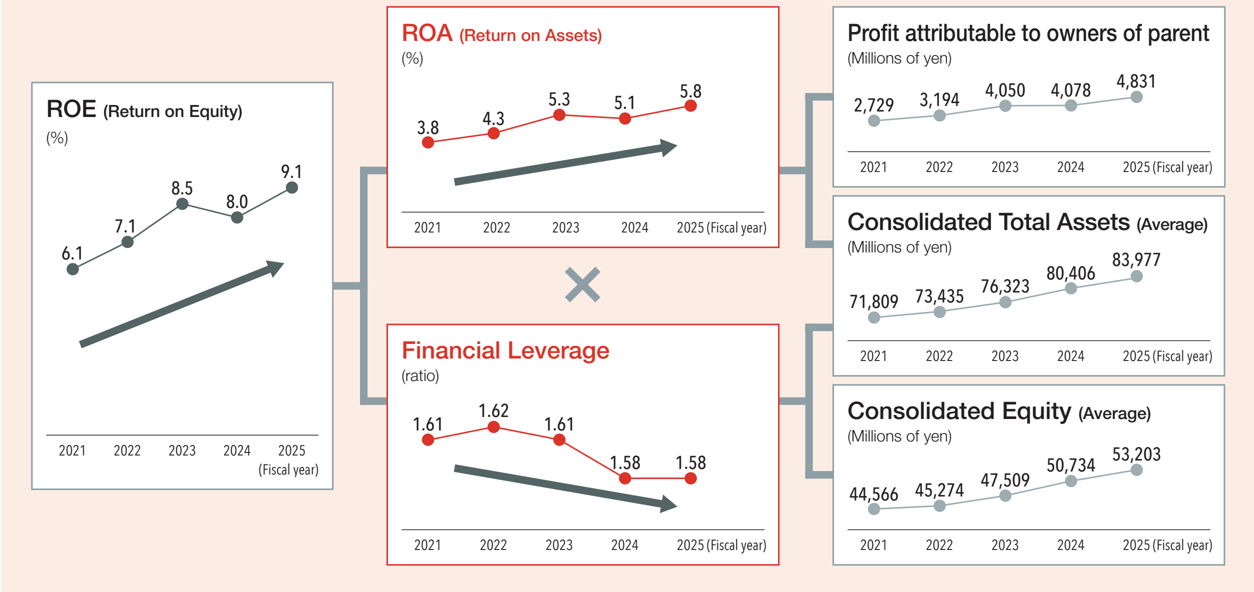
PBR Analysis

PBR	PER	ROE
• While our rising ROE served as an upward driver of our PBR, our declining PER put downward pressure on our PBR. As a result, our PBR continued to remain below 1.0x.	• Our PER declined because the increase in our stock price at period end was limited in relation to the increase in earnings per share.	• Our ROE rose as earnings per share increased.



ROE Analysis

ROE	ROA	Financial Leverage
• Our declining financial leverage put downward pressure on our ROE, which was more than offset by our improved ROA. As a result, our ROE showed an upward trend overall.	• Our ROA showed an upward trend as profit attributable to owners of parent increased.	• Our financial leverage decreased as consolidated equity accumulated due to increases in retained earnings and other comprehensive income.

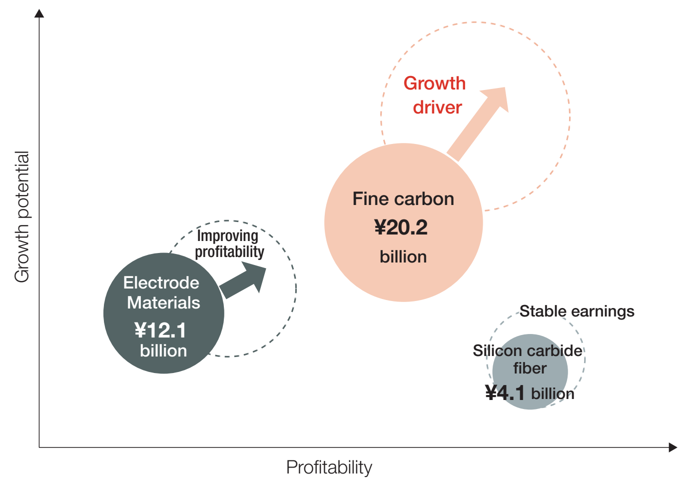


Business Portfolio Policy

- We will build a business portfolio designed to structurally ensure profitability regardless of the business environment.
- We will strengthen the high-growth and highly profitable fine carbon business while aiming to create new business that will become the next pillar of growth.

Business Portfolio

The sizes and numbers inside the solid circles indicate net sales for FY2025/12
The sizes of the dashed-outline circles indicate projected net sales for FY2030/12



Direction of Initiatives for Each Business

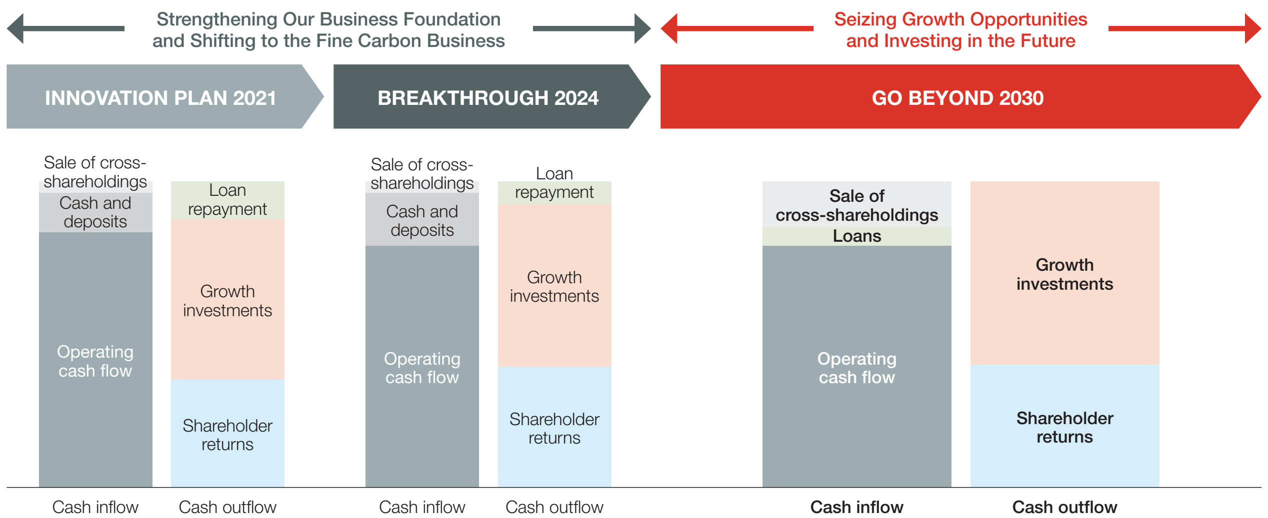
Fine carbon-related products	**Growth driver** · Expansion of market share in Japan and internationally · Active investment of management resources · Manufacturing cost reductions
Electrode-related products	**Improving profitability** · Establishment of an optimal production system in response to demand · Thorough cost reductions · Review of electrode sales channels
Silicon carbide-related products	**Expanding the business as a stable source of earnings** · Securing human resources to meet increased demand · Achieving safe operations
New business	**Creating business that will become the next pillar of growth**

Capital allocation

- In order to achieve growth that will improve capital efficiency, we will focus on and secure funds for growth investments and shareholder returns through the sale of cross-shareholdings, debt financing, and other measures.

We intend to utilize business earnings as a stable source of dividends and invest in strengthening our production capabilities to support business expansion and enhance our management foundation, as well as in research and development to drive new business creation, ultimately aiming to enhance our corporate value.

*The following charts showing the composition ratios of cash inflows and cash outflows are for illustrative purposes only.



The History of Nippon Carbon

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

Founding of Nippon Carbon and promotion of domestic production

Rapid growth and endeavors toward new technologies

Business expansion and improvement of corporate constitution

1915

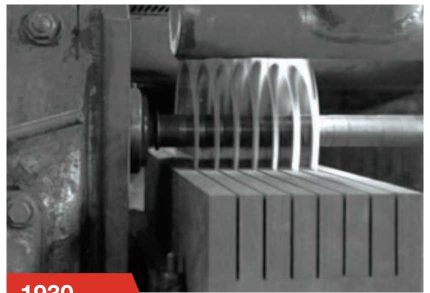
Establishment of Nippon Carbon

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

1927

Successful manufacturing of artificial graphite electrodes

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



1930

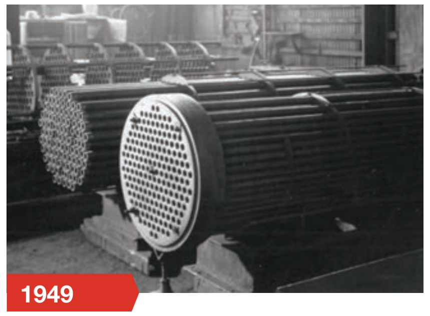
Successful manufacturing of artificial graphite electrolytic plates

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

1934

Increased production of artificial graphite electrodes

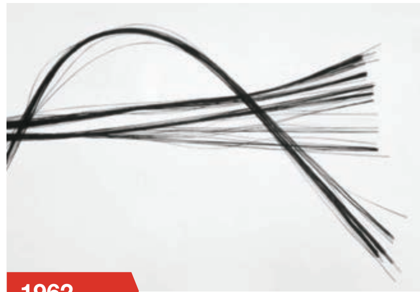
Establishment of the Toyama Plant and start of manufacturing of artificial graphite electrodes to meet rapid increase in demand



1949

Commercialization of impervious graphite

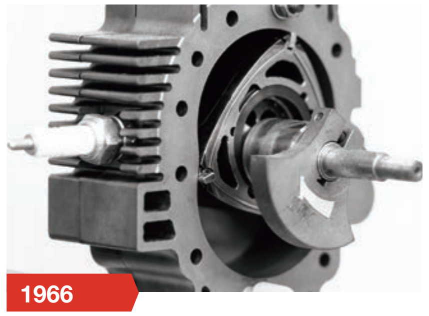
Start of production of "RESBON" impervious graphite for chemical plants; start of operation of first domestically produced hydrochloric acid absorption tower



1962

Commercialization of carbon fiber

Successful commercialization of lowstrength PAN-based carbon fiber, a first in Japan



1966

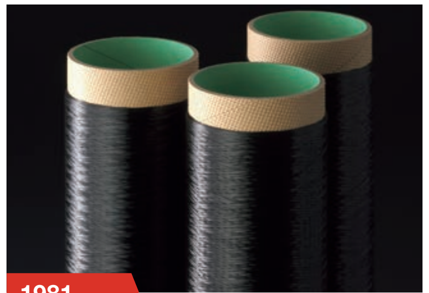
Commercialization of apex seals

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

1974

Commercialization of flexible graphite sealing material

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



1981

Launch of plant for mass production of silicon carbide fiber

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

1985

Receipt of Deming Application Prize

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

1985

Mass production of carbon fiber thermal insulating material

Start of mass production of carbon fiber thermal insulating material

1986

Successful launch of the first H-I rocket

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

1988

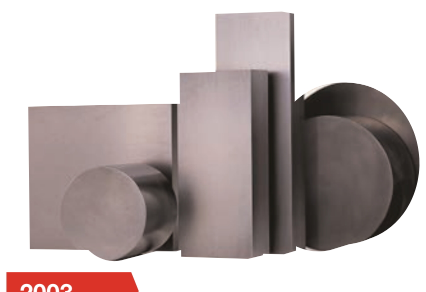
Commercialization of C/C composite

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

1996

Commercialization of lithium-ion battery anode materials

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



2003

Start of integrated production of special carbon materials

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

2003-2011

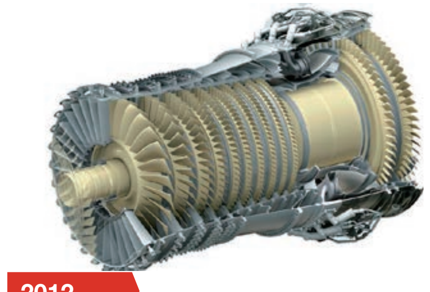
Increase in production capacity for carbon fiber thermal insulating materials and C/C composites

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

2006

Commercialization of carbon shortfiber thermal insulating material

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



2012

Increased production of silicon carbide fiber

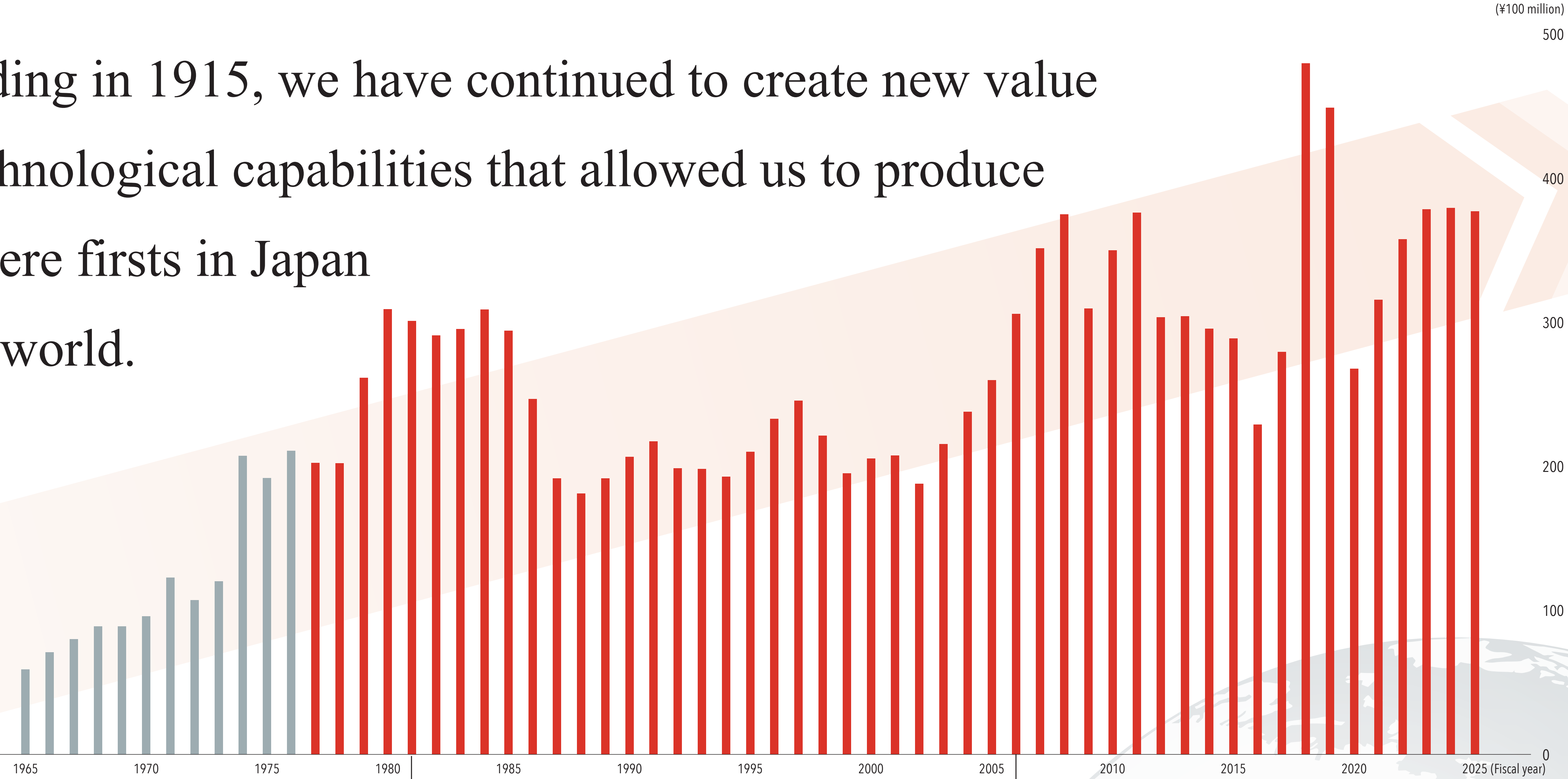
Establishment of NGS Advanced Fibers Co., Ltd., a joint venture with General Electric Company and Safran S.A., to increase production of "Nicalon" silicon carbide fiber

The History of Nippon Carbon's Growth

Since our founding in 1915, we have continued to create new value through our technological capabilities that allowed us to produce products that were firsts in Japan and around the world.

Net sales trend

Non-consolidated / Consolidated



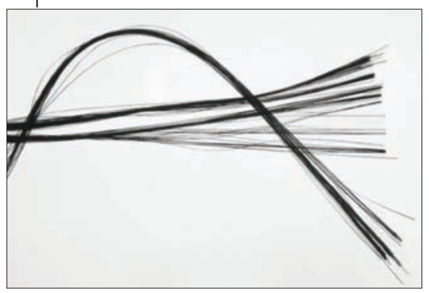
1915

Establishment of Nippon Carbon

1927

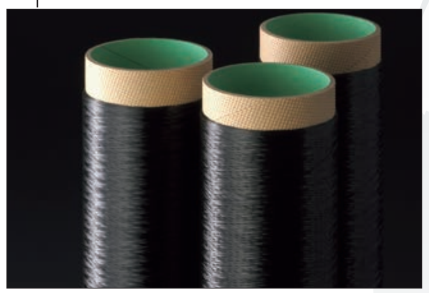
Japan's first production of artificial graphite electrodes

1962



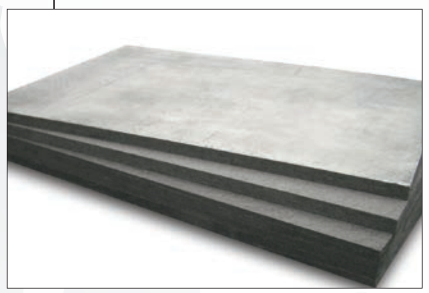
Japan's first commercialization of PAN-based carbon fiber

1981



Launch of the world's first plant for mass production of Nicalon silicon carbide fiber

2006



Japan's first commercialization of carbon short fiber thermal insulating materials

Value Creation Process

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

Realizing a world of love and science

External environment

Megatrends
- Declining birthrate and aging population
- Progression of climate change
- Social, economic and cultural globalization
- Advances in DX
- Changes in work styles and lifestyles

Social issues
- Declining productive population
- Increase in natural disasters
- Economic upheavals and economic activity stagnation
- Heightened geopolitical risk
- International political paradigm shift

Industry issues
- Initiatives to achieve carbon neutrality
- Energy saving and shift to non-fossil energy
- Intensifying competition
- Increase in supply chain risks

INPUT
(invested capital)

Intellectual capital
Research and development expenses: ¥ 669 million

Human capital
Employees: 667

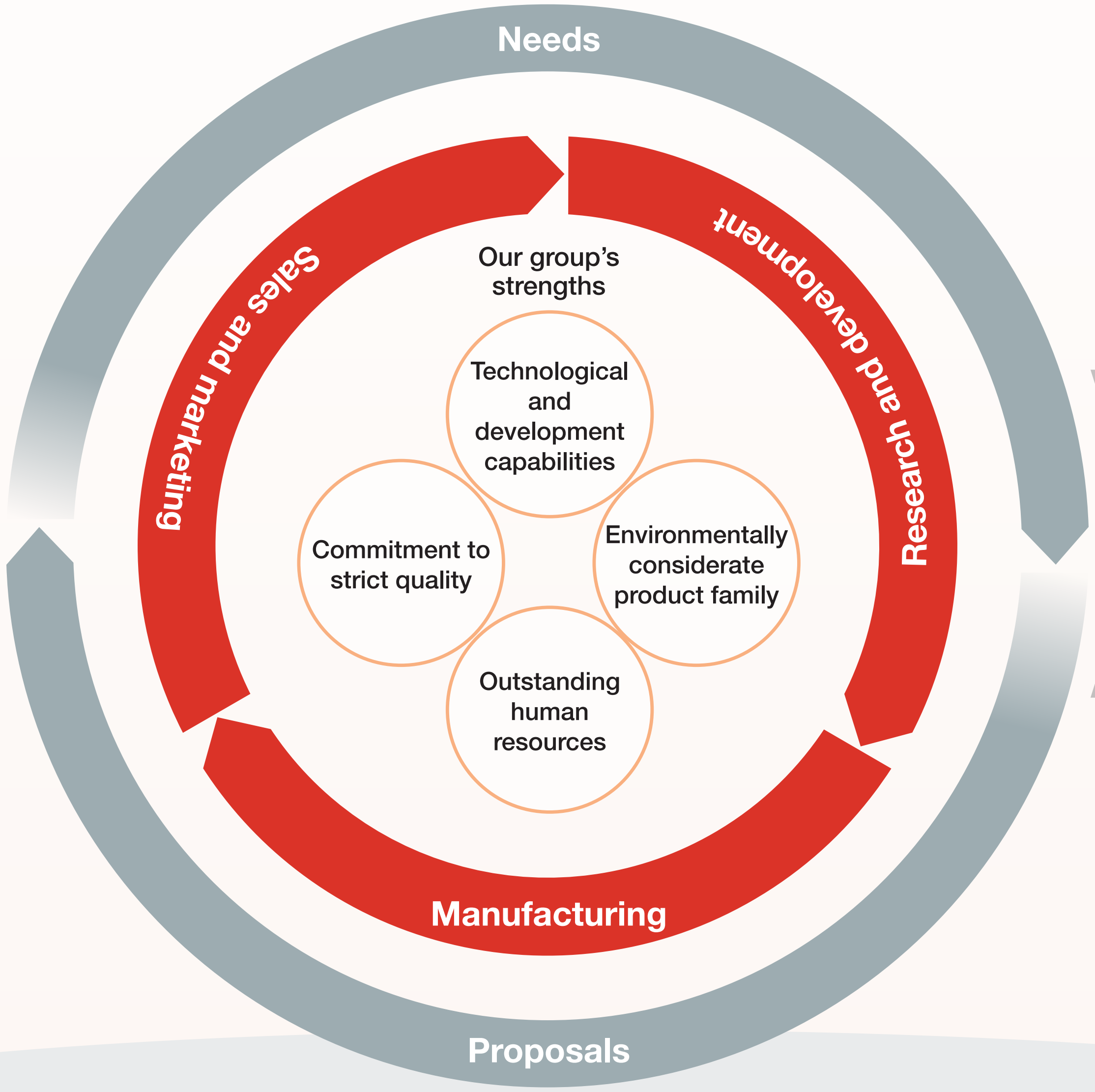
Manufacturing capital
Plants: 9

Financial capital
Net assets: ¥ 63,607 million
Interest-bearing debt: ¥10,331 million

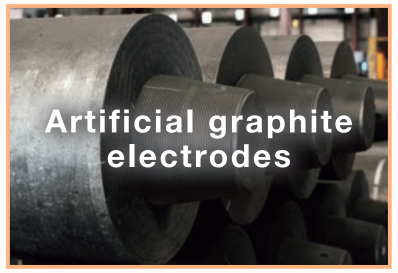
Social capital
Stakeholder trust

Natural capital
Total energy input (crude oil equivalent, kl): 49,618kl
Total material input: 22,947t

BUSINESS
(business activities)



OUTPUT
(the products we provide)



OUTCOME
(value of impact)

Creation of social value
- Provision of industrial materials to support the development of industrial infrastructure
- Contribution to carbon neutrality and DX through the development of industrial materials
- Improved satisfaction among all stakeholders
- Employee training and skill development
- Consideration for the global environment

Provision of economic value
- Net sales ¥37,735 million
- Operating profit ¥4,809 million
- EPS ¥436.91
- Equity ratio 63.5%
- ROE 9.1%
- Dividend payout ratio Our company 45.78%

ESG initiatives that support business

Initiatives for Society ▶ P31
Initiatives for the Environment ▶ P35
Corporate Governance ▶ P37
Compliance ▶ P43
Risk Management ▶ P45

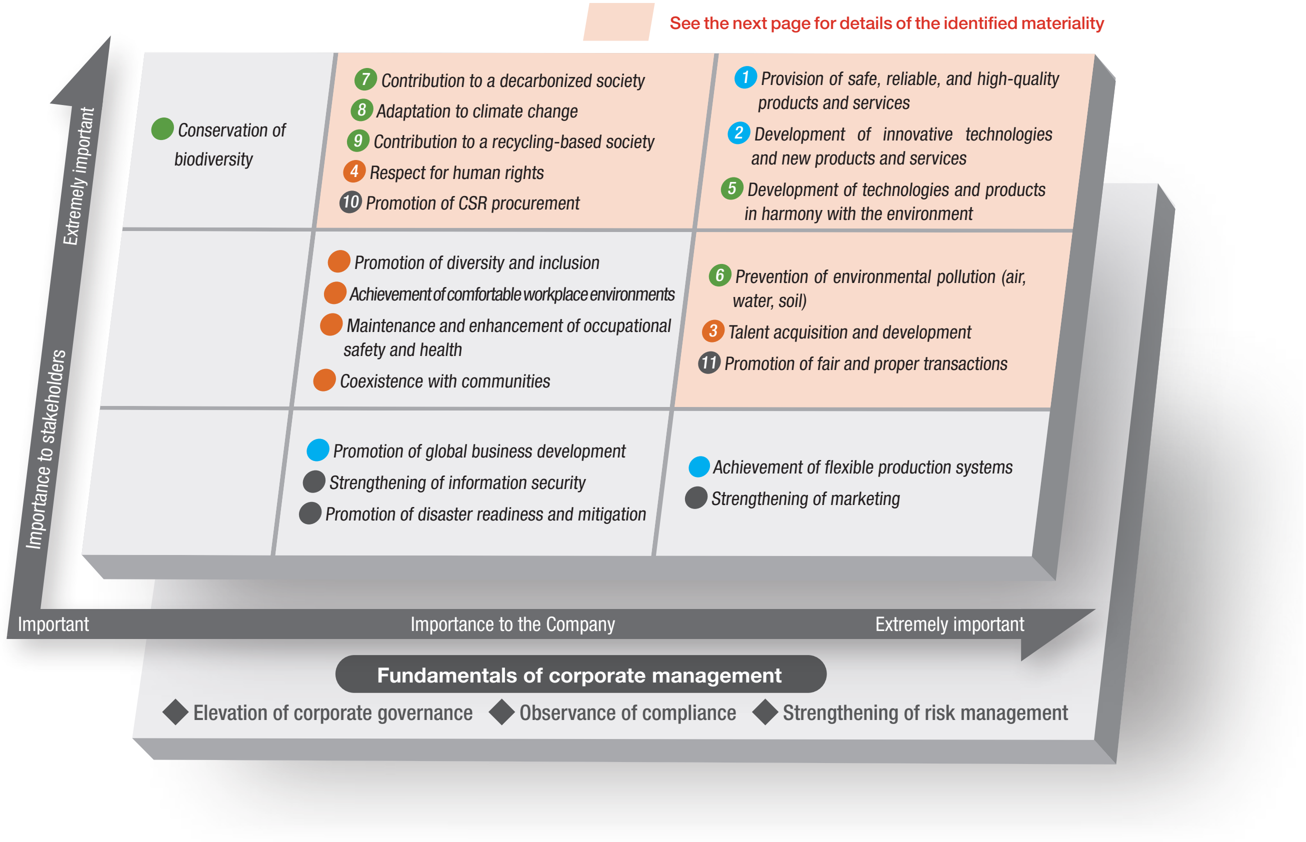
Materiality (material issues)

Mid-term Management Policy

Materiality

We find ourselves now in a period of change, as seen in the acceleration of initiatives aimed at carbon neutrality and DX. Working outlined below, our group has identified the materiality (i.e., the priority issues) that we need to tackle to achieve our management philosophy of “A company with dreams and technologies to realize a world of love and science.” We will actively work to solve social issues and bring about a sustainable society.

Materiality matrix



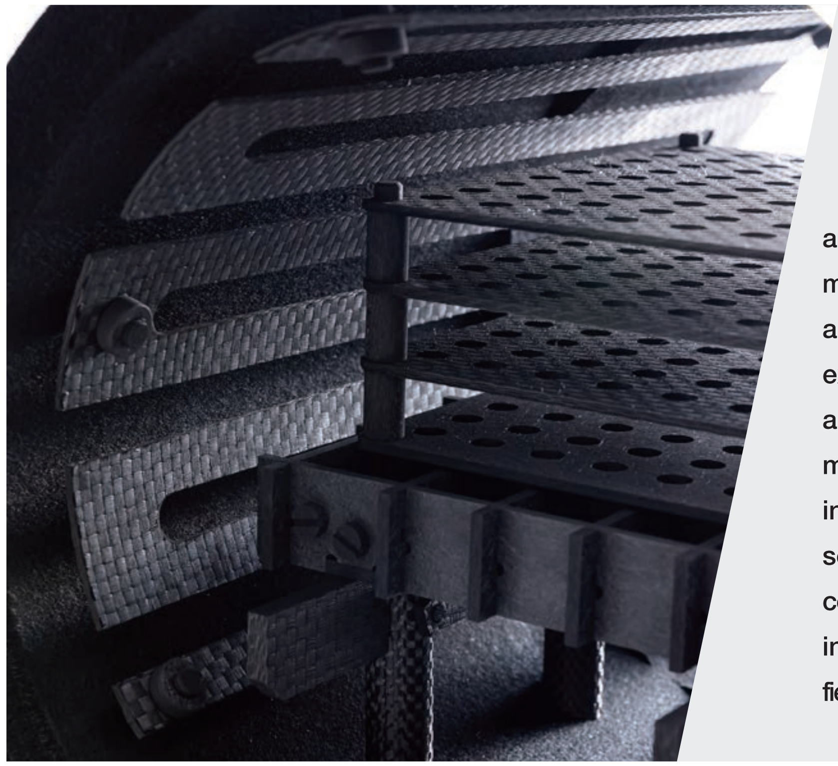
Details of the identified materiality

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

Category	Materiality	Content of initiatives	Results	Effects expected from the initiative
Business-related	1 Provision of safe, reliable, and high-quality products and services	• Continuous improvement and maintenance of management systems, reconstruction of production systems, and implementation of quality improvements	• Maintained ISO 9001 certification • Improvement of production systems for stable supply	• Expansion of share and increase in sales through the enhancement of customer satisfaction
	2 Development of innovative technologies and new products and services	• Development and promotion of new technologies, including the extension of existing technologies into other applications and the creation of new products in markets in which we have strengths	• Conducted R&D on semiconductor-related products	• Expansion of share, sales growth, and business diversification • Expansion of employment in local communities
Society-related	3 Talent acquisition and development	• Implementation of personnel rotation for enhancement of employee skills, personnel evaluations, and revitalization of organizations • Personnel transfers that take our self-reporting system into account and career advancement based on these	• Offered a variety of training programs • Strategically reassigned personnel based on individual skill sets • Held dialogue with employees based on an annual self-assessment program	• Enhancement of productivity, quality of products and services, etc.
	4 Respect for human rights	• Achievement of healthy workplace environments that respect human rights and are free of discrimination, based on the “Nippon Carbon Human Rights Policy”	• Hosted sessions on the Code of Ethics and internal whistleblowing system • Provided harassment prevention and human rights training	• Reduction of human rights risks in the value chain • Securing of stable business activities and product supply, and maintenance of corporate value
Environment-related	5 Development of technologies and products in harmony with the environment	• Provision of products that contribute to reducing environmental impact, including artificial graphite electrodes, fine carbon, and silicon carbide fiber	• Supplied fine carbon products that improve thermal efficiency • Offered artificial graphite electrodes that support environmentally friendly electric furnace operations • Provided functional materials that meet the performance needs of hybrid vehicles • Supplied advanced silicon carbide materials that help improve fuel efficiency	• Expansion of share, sales growth, and business diversification through development of new products • Contribution to customers’ efforts to reduce environmental impacts
	6 Prevention of environmental pollution (air, water, soil)	• Maintenance and improvement of environmental management system (EMS) • Development and renewal of environmental equipment (for treatment of waste gases and wastewater, etc.) and environmental education for employees	• Maintained ISO 14001 certification • Installed and operated eco-conscious odoriferous exhaust gas combustion treatment systems • Expanded noise reduction facilities	• Enhancement of competitiveness for environmentally considerate products and business • Enhancement of efficiency through the renewal and introduction of environment-related equipment and systems
	7 Contribution to a decarbonized society	• Promotion of energy saving, reduction of waste, etc. in manufacturing processes at plants	• Recycled carbon fiber scraps to reduce industrial waste • Shifted to cleaner fuel sources for calcination furnaces to cut CO_2 emissions • Upgraded dust collection systems to reduce power consumption • Reduction of electricity consumption intensity through efficient operation of graphitization furnaces	• Enhancement of competitiveness for environmentally considerate products and business • Conservation of the global environment and reduction of impacts
	8 Adaptation to climate change	• Implementation of measures (formulation and review of BCP, implementation of drills, etc.) to combat natural disasters (typhoons, torrential rains, floods, etc.) at headquarters, branches, plants, etc.	• Conducted disaster preparedness drills and training sessions	• Stabilization of production structure, maintenance and securing of supply chain • Maintenance of stable supply of products and services
	9 Contribution to a recycling-based society	• Development and provision of recycling-related products, including artificial graphite electrodes	• Reused scrap generated during the manufacturing process	• Achievement of energy saving and improvement of recycling efficiency in the steelmaking industry
Management foundation-related	10 Promotion of CSR procurement	• Promotion of procurement based on our “Basic Policy on Ethics and Compliance,” “Nippon Carbon Code of Conduct,” and “Environmental Policy,” and communication of our procurement policy to suppliers	• Complied with green procurement guidelines • Performed surveys aligned with the EU Battery Regulation • Replaced certain chemicals with ecofriendly alternatives	• Reduction of ESG-related risks in the supply chain • Promotion of activities for the reduction of environmental impacts and enhancement of awareness, including by business partners
	11 Promotion of fair and proper transactions	• Observance of relevant laws and regulations, practice of compliant business transactions, and implementation of inhouse education	• Provided compliance training • Dissemination of the SME Transactions Act	• Building of long-term, stable business relationships • Reduction of risks including fines, lawsuits, and compensation for damage

Business Outline

Fine carbon products



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

Business overview

In FY2025, demand for fine carbon products remained firm in high-temperature heat treatment fields such as automotive parts and aircraft parts, in addition to semiconductor-related fields. However, demand for products for next-generation power semiconductors, which had been expected to be a growth area, remained sluggish due to the impact of slowing growth in the global electric vehicle market, and net sales decreased.

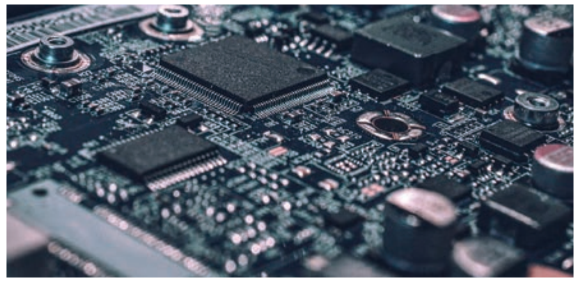
Business outlook

Steady growth is expected to continue in conventional applications, including the high-heat treatment field. In addition, the electric vehicle market, a major application area for power semiconductors, is expected to return to a moderate growth trajectory going forward. Furthermore, in addition to demand from data centers driven by the spread of generative AI, new demand for power infrastructure, industrial machinery, and next-generation communications networks is also expected to remain firm, and therefore we expect growth in demand in the power semiconductor field to continue over the medium to long term.

Example application

PC semiconductor manufacturing components

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



Features of the Company's Main Products

Products	Carbon Fiber Thermal Insulating Material 	Special Carbon Materials 	C/C Composites 
Features	• Material that the Company was the first in Japan to successfully industrialize • Supply of parts in a wide range of applications and shapes, leveraging the broad properties of carbon and the flexibility of fibers	• Supply of high-purity treated graphite for single-crystal silicon, as well as high-performance products leveraging various properties of carbon	• High-strength, high-elasticity materials that exceed the superior properties of standard carbon materials • Supply of parts that enable larger, lighter equipment
End-use Applications	• Semiconductor materials • Semiconductor chips • Fine ceramics	• Quartz glass • Sputtering targets • Neodymium magnets	• LED materials • Vacuum heat treatment furnaces (brazing, powder metallurgy, carburizing) • Rocket engines, etc.

Assessment of External Environment, the Company's Strengths, and Business Direction

Assessment of External Environment	• The semiconductor market is expected to have greater room for growth as demand increases for robots, IoT, data communications, and data centers driven by AI, quantum computing, and advances in DX. • Global trends toward a carbon-neutral society are expected to drive growth in the xEV market over the medium to long term.
The Company's Strengths	• Technological expertise that enables us to provide carbon fiber thermal insulating material and special carbon materials on a one-stop basis for a variety of applications • Proven track record of stable supply to a wide range of industries with high technical requirements • Continuing to secure a position that enables access to growth markets, backed by trust within the industry built through the above

Business Direction	**Driving growth** • Expansion of share through strategic sales expansion activities in Japan and overseas • Proactive investment of management resources (R&D, enhancement of production capacity) • Fundamental review of the management structure and manufacturing processes to reduce manufacturing costs

Business Outline

Electrode Materials

Artificial graphite electrodes support the key steel industry and the creation of a recycling-oriented society, as steelmaking electrodes are indispensable for recycling steel scrap in electric furnaces.

Anode materials for lithium-ion batteries support high-performance batteries used in electric vehicles, mobile phones and other applications, as the material responsible for charging and discharging in lithium-ion batteries.

Business overview

Net sales of artificial graphite electrodes increased in FY2025 due to increased exports, mainly for North America, despite the impact of U.S. tariff policy. Net sales of anode materials for lithium-ion batteries increased, driven by strong demand for hybrid vehicles.

Business outlook

Against the backdrop of the global trend toward realizing a carbon-neutral society, the steel industry is planning worldwide replacement of blast furnaces with electric furnaces and expansion of large electric furnaces. Based on these trends, we expect future demand for artificial graphite electrodes to expand. Demand for anode materials for lithium-ion batteries is also expected to continue increasing as the battery market, centered on automotive applications, expands.

Example application

Steel frame material for buildings and structures

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

Features of the Company's Main Products

Products	**Artificial Graphite Electrodes** 	**Anode Materials for Lithium-Ion Batteries** 
Features	• Used as steelmaking electrodes, generating arcs when recycling steel scrap in electric furnaces • The only product in practical use that meets the operating conditions of electric furnaces	• Raw material for lithium-ion battery anodes • Lithium-ion batteries charge and discharge as graphite powder absorbs and releases lithium ions, and we supply those anode materials
End-use Applications	• Electric furnaces	• Lithium-ion batteries (xEV batteries)

Assessment of External Environment, the Company's Strengths, and Business Direction

Assessment of External Environment

- Global trends toward a carbon-neutral society are expected to drive the following developments over the medium to long term:
  - Replacement of blast furnaces with electric furnaces, and progress in new electric furnace installations
  - Growth in the xEV market
- Further implementation of anti-dumping duties on Chinese companies is expected

The Company's Strengths

<Artificial Graphite Electrodes>

- Quality based on know-how cultivated over a long history, and a proven track record with customers
- Securing profitability through a low-cost structure that keeps fixed costs down

<Anode Materials for Lithium-Ion Batteries>

- High quality adopted by major automakers in Japan and overseas

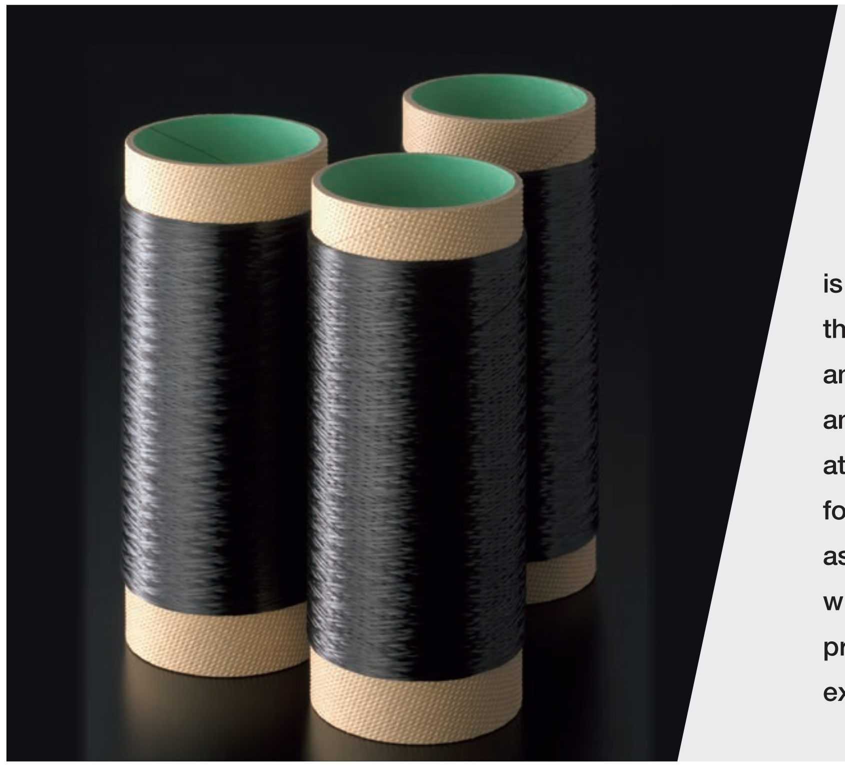
Business Direction

Improvement of profitability

- Establishment of an optimal production system aligned with demand to stabilize earnings
- Thorough cost reductions to secure earnings under all types of circumstances
- Review of sales channels for electrodes

Business Outline

Silicon Carbide Products



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

Business overview

Net sales of silicon carbide fibers increased in FY2025 as we operated at maximum production capacity to meet growing demand from the aircraft industry.

Business outlook

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

Example application

State-of-the-art aircraft engine parts

Nicalon silicon carbide fiber is a material that maintains stable properties even in atmospheres hundreds of degrees above 1,000°C. Composite materials made from this fiber and ceramics are used in aircraft engine parts, making it possible to not only reduce the weight of the aircraft body but also significantly improve part durability and fuel efficiency.

Features of the Company's Main Products

Products	Silicon Carbide Fibers 
Features	• Nicalon silicon carbide fiber is a material that combines high strength and tensile modulus, the stability of ceramics in high-temperature atmospheres, and the flexible form of fibers • By becoming a composite material with ceramics, Nicalon achieves high durability suitable for applications in aircraft engines • Supply of component materials that enable weight reduction of airframes and significant improvement in fuel efficiency
End-use Applications	• Aircraft Engine Parts

Assessment of External Environment, the Company's Strengths, and Business Direction

Assessment of External Environment	• The aircraft market is expected to expand steadily due to the global recovery in passenger and cargo transport demand and clearing of the backlog at Boeing. • Demand is also expected to rise for materials that contribute to carbon-neutral initiatives led by ICAO (International Civil Aviation Organization).
The Company's Strengths	• The only grade put into practical use for materials for commercial aircraft which have exceptionally high safety requirements • High business stability through a joint venture with major customers that have strong ties with end users

Business Direction	**Expand as a stable earnings business** • Secure personnel to respond to increased demand • Achieve safe operations

Business Outline

Industrial equipment

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

Business overview

Sales increased in fiscal 2025 through efforts to reduce manufacturing costs and revise selling prices for industrial machinery amid continued high material and energy prices.

Business outlook

Demand for industrial equipment is expected to remain steady without significant fluctuations. In contrast, materials and energy prices for manufacturing may fluctuate due to factors such as foreign exchange rates and the international situation, and their impact on manufacturing costs needs to be closely monitored. We will continue to work on reviewing manufacturing costs to establish a robust production base that is less susceptible to such changes in the external environment.

Example application

Components of petrochemical manufacturing equipment

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

Research and development

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

Research and development activities

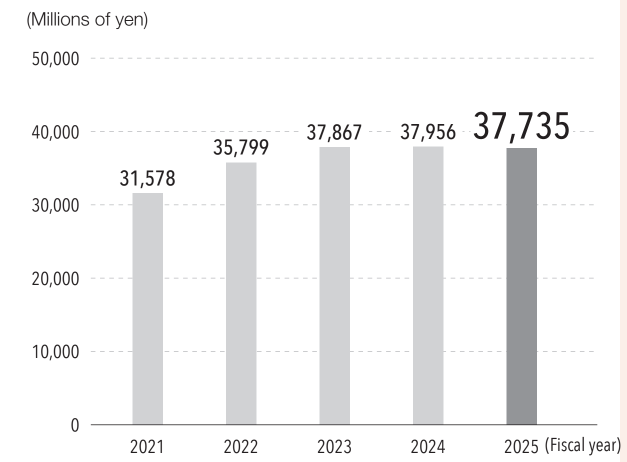
Research and development expenses in fiscal 2025 were ¥ 669 million. Our Technical Center is developing new products to realize a carbon-neutral society by focusing on related industrial fields such as energy saving, electrification of automobiles and semiconductors (AI and digital transformation). We are also continuing to develop new technologies that will lead to an improvement in the performance and a reduction in the cost of existing products to meet the wide-ranging needs of our customers.

Research and development structure

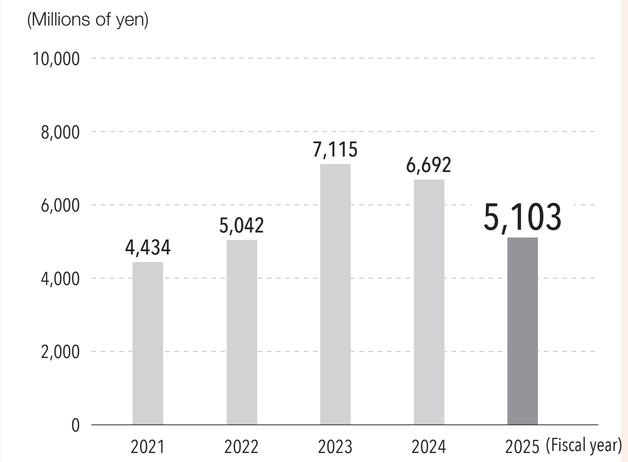
Our Technical Center shoulders the innovation functions that support sustainable growth for our existing products and that continue to create new business domains. With our Technical Center at the center, we will continue to carry out various activities together with universities and other research institutes, national and local public technology support organizations, and other private sector companies. The knowledge gained through these collaborations will be shared among our workplaces' technical departments to advance technological development of proprietary products.

Fiscal 2025 Financial and Non-Financial Highlights

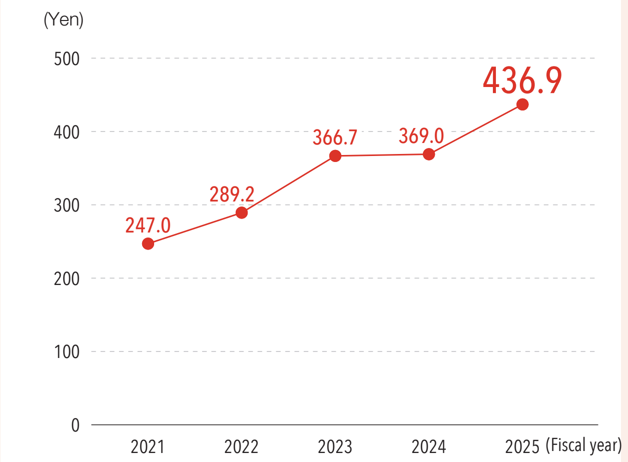
Net sales



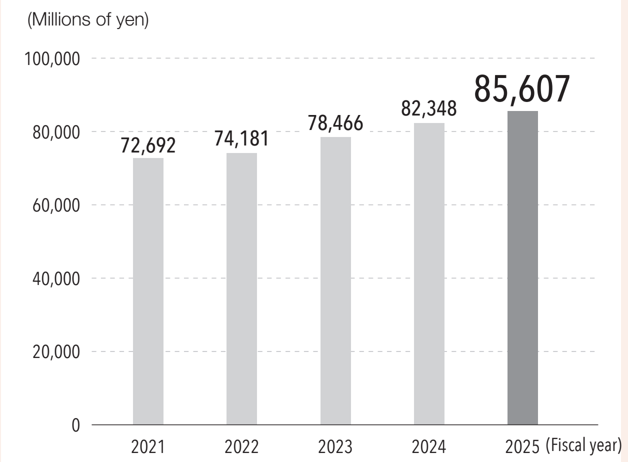
Ordinary profit



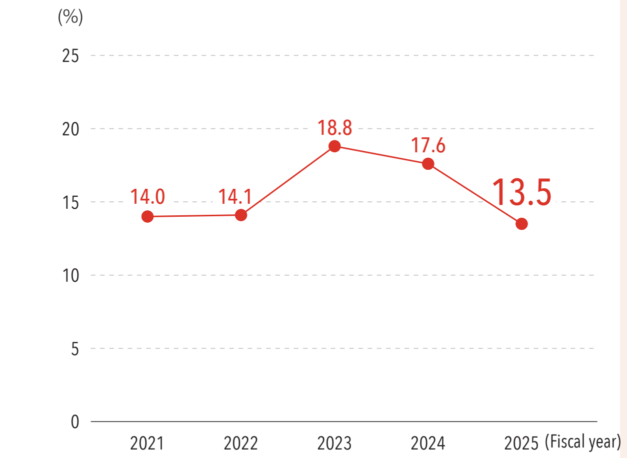
Earnings per share (EPS)



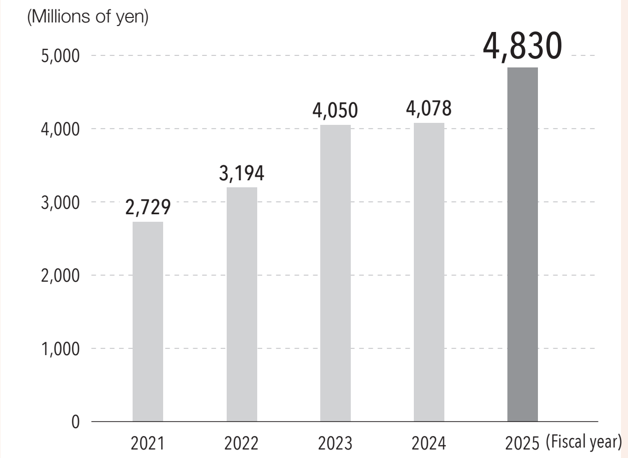
Total assets



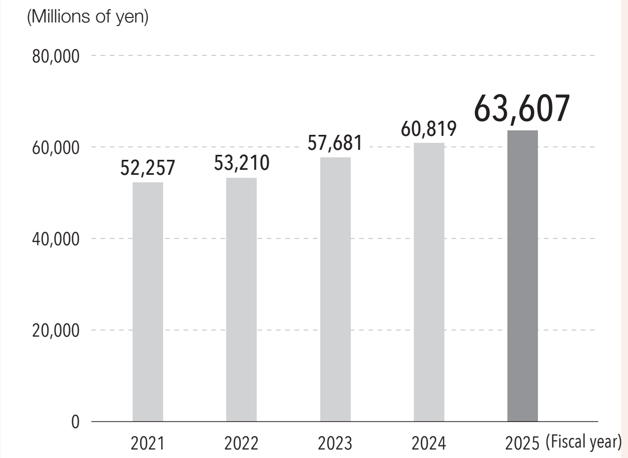
Return on sales



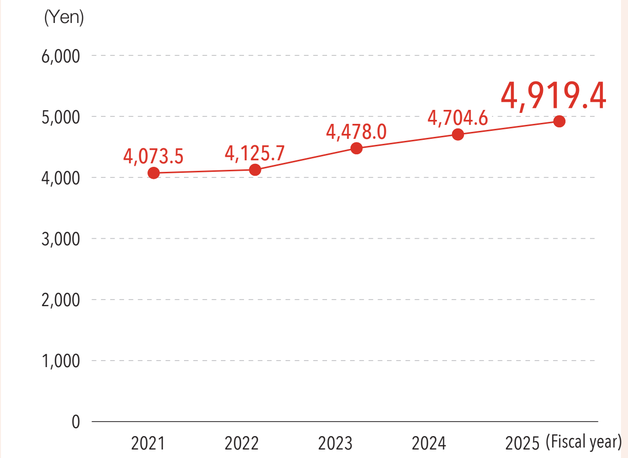
Profit attributable to owners of parent



Net assets

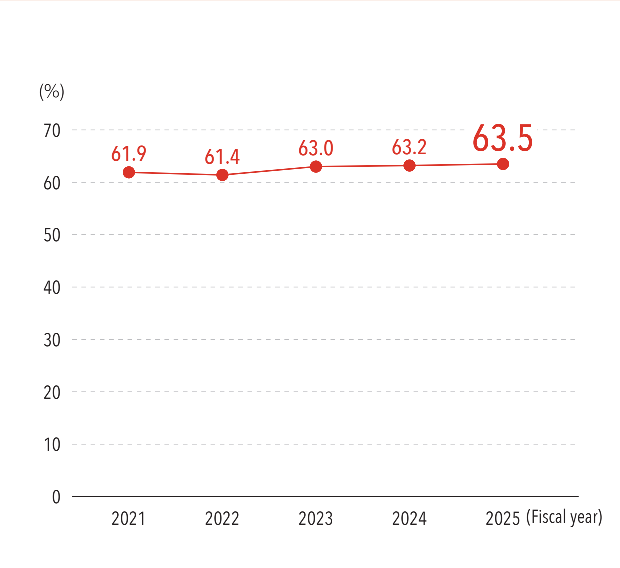


Net assets per share

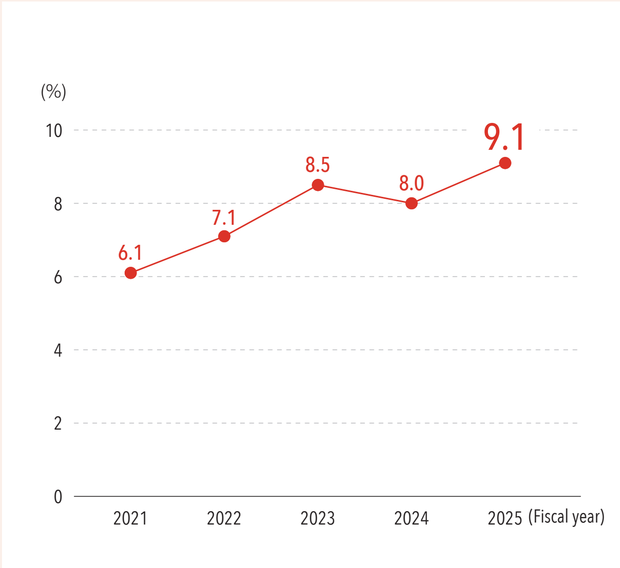


Fiscal 2025 Financial and Non-Financial Highlights

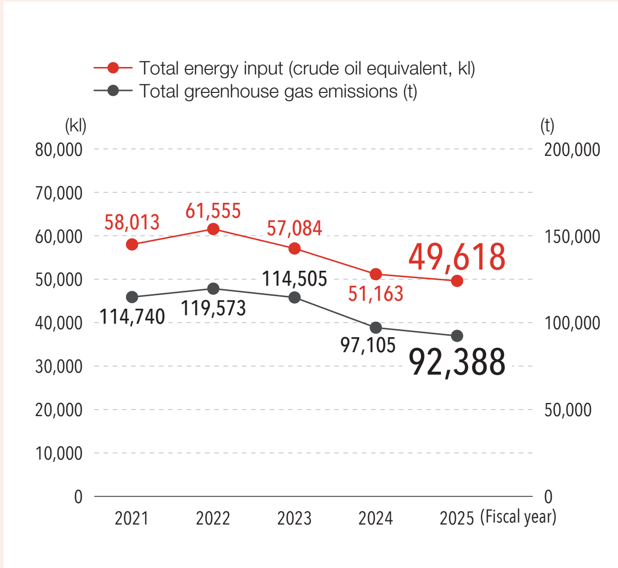
Equity ratio



Return on equity (ROE)

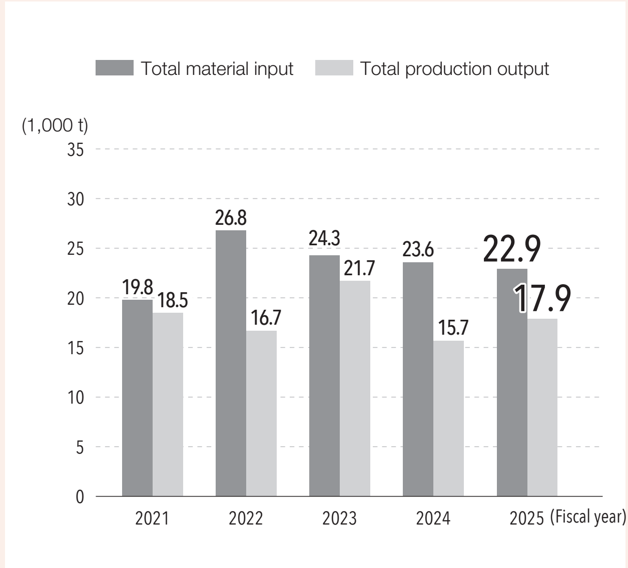


Total energy input (crude oil equivalent) / Total greenhouse gas emissions



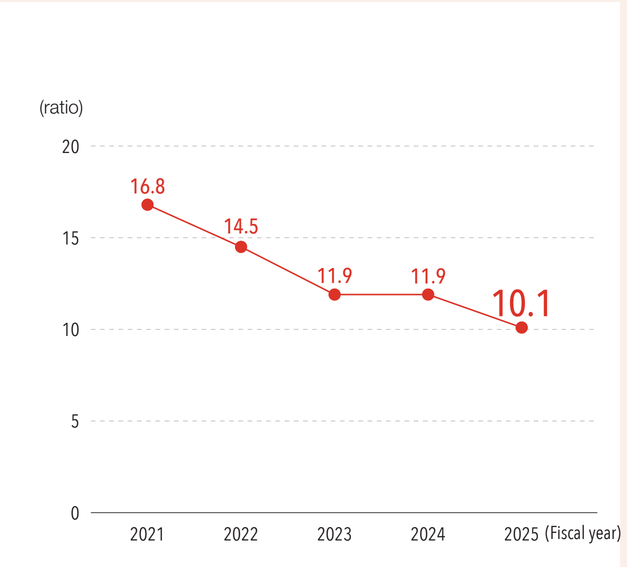
* The targeted scope is all production sites, headquarters, branches, and the Technical Center of our group (excluding Nippon Kornmeyer Carbon Group GmbH)

Total material input / Total production output

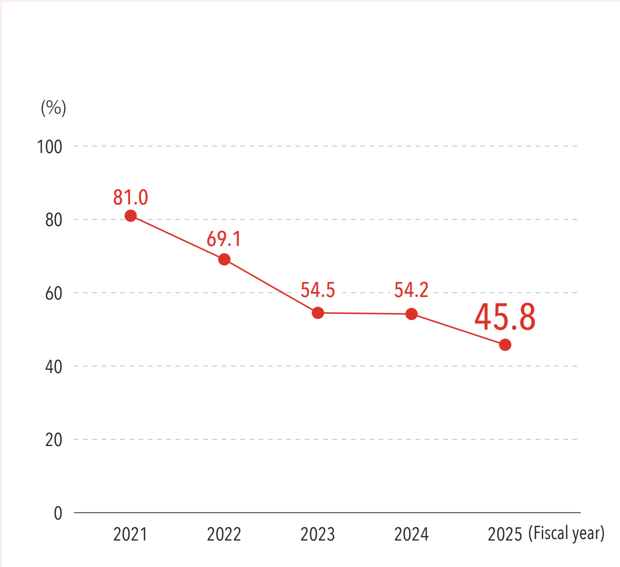


* The targeted scope is all production sites and the Technical Center of our group (excluding Nippon Kornmeyer Carbon Group GmbH and Central Carbon Co., Ltd.)

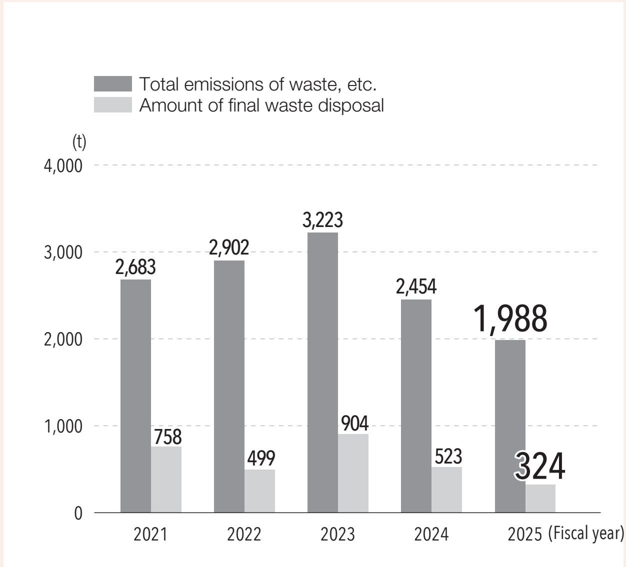
Price-earnings ratio (PER)



Dividend payout ratio

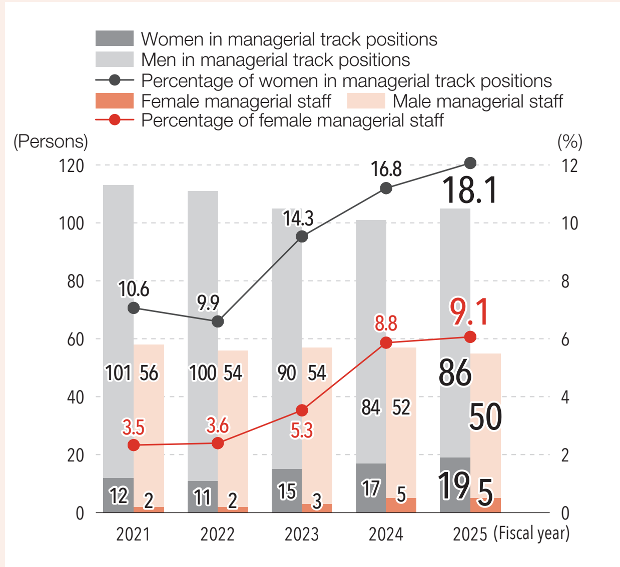


Total emissions of waste, etc. / Amount of final waste disposal



* The targeted scope is all production sites and the Technical Center of our group (excluding Nippon Kornmeyer Carbon Group GmbH and Central Carbon Co., Ltd.)

Change in the number of women in managerial track positions and female managerial staff



* Our company (non-consolidated)
* The number of managerial staff is included in the total number of employees in managerial track positions.

Initiatives for Society

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

Respect for human rights

Human Rights Policy

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

1. Fundamental concepts

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

2. Scope of application

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

3. Human rights due diligence

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

4. Awareness-building activities

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

5. Dialogue with stakeholders

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

6. Compliance with applicable laws and regulations, etc.

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

Talent acquisition and development

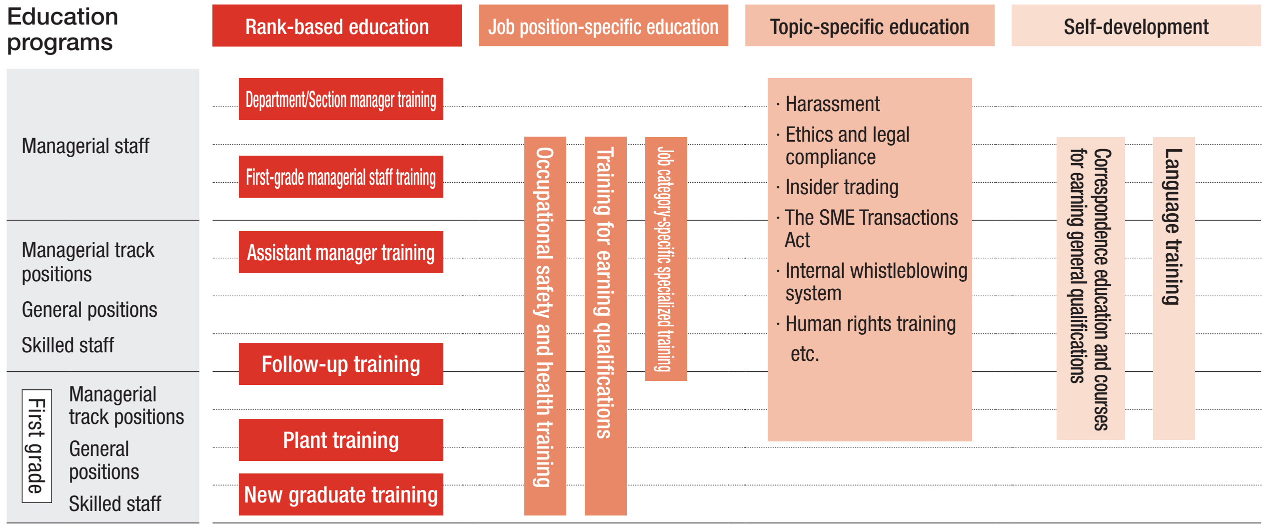
Approach to human resource development

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

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

Education programs

Our company offers a wide range of training programs tailored to each career level, from new employee training to division and department manager training, tailored to the age and position of employees. In addition to education programs for acquiring licenses and national qualifications required for job positions, in line with the current business environment we have introduced topic-specific education programs to develop human resources capable of responding to anticipated future situations and a program that allows employees to undergo outside training in line with personal wishes.



Rank-based education	Job position-specific education	Topic-specific education	Self-development
This education program is tailored to the roles demanded of employees and our vision for them, at every management level.	This is an education program for acquiring licenses and national qualifications required for job positions, qualifications needed for plant operation, etc.	This training is offered repeatedly in response to changing times, societal demands, issues in company management, etc.	This program allows employees to undergo outside education in line with personal wishes.

Promotion of diversity and inclusion

Approach to diversity and inclusion

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

Active participation by women

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

Support for work-life balance

We established our General Employer Action Plan to address matters related to employees' work and childcare. Specifically, we have set goals such as "increasing the rate of leave taken by men for childcare purposes" and "easing the limit on the number of times childcare leave may be taken," and have introduced systems such as pre- and postnatal leave, childcare leave, leave to care for sick children, flextime work for childcare, and reduced working hours for childcare, while promoting initiatives to raise awareness of these systems among eligible employees.

General Employer Action Plan based on the Act on the Promotion of Women's Active Engagement in Professional Life

1. Period of plan

April 1, 2025–March 31, 2030

2. Targets

Increase the percentage of female managerial staff to 15% during the plan period (10% as of the end of March 2025).

3. Details of initiatives and implementation schedule

From April 2025 onward, implement the following in recruitment activities.

- Actively promote to job seekers that the company is a workplace where women are able to thrive, at recruitment events such as company information sessions.
- Expand the placement of female managerial staff and take measures to ensure they are provided with diverse job experience.
- Promote a career advancement system that enables women in general positions who wish to change their job category to managerial track positions to do so.

Initiatives for Society

Achievement of comfortable workplace environments

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

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

Building a foundation for comfortable workplaces

We have established paid leave programs as follows.

- Annual paid leave: Acquisition rate: 71.1%, Average number of days taken: 14 days (Fiscal 2025 results)

We make efforts to support employees who balance work with childcare or long-term care so that they can keep working. Almost all female employees who experience childbirth take prenatal and postnatal maternity leave, and childcare leave afterward. We also encourage male employees to take childcare leave as support for men raising children.

- Childcare leave:19 persons (over the past 5 years)
- Long-term care leave: 0 persons (over the past 5 years)

Moreover, we also introduced a flextime program and reduced working hours for employees who provide childcare or long-term care.

Maintenance and enhancement of occupational safety and health

Occupational safety and health management policy

Our group aims to ensure the safety and health of employees at our workplaces through the promotion of comprehensive measures to prevent occupational accidents. Our Company has established a Central Safety and Health Committee that works to create a comfortable working environment. Every year, the Central Safety and Health Committee formulates a company-wide annual policy on safety and health and conducts surveys and deliberates on matters such as accident prevention, disease prevention, and the promotion of safety and health awareness.

Occupational safety and health activities at plants

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

Occupational safety and health management structure

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

Occupational safety and health management structure

Central Safety and Health Committee

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

2026 Central Safety and Health Committee Policy

1. Improving safety awareness

(1) Initiatives that prioritize safety first
(Thorough compliance with proper work based on work standards and the safety rulebook)
(Initiatives to achieve zero falling accidents and cut and scrape injuries)

(2) Ensure safety education is firmly established and improve the sense of ownership
(Implement safety guidance directly at worksites by managerial staff, staff, and forepersons, and thoroughly enforce guidance to ensure rules are followed)
(Strengthen safety patrols for outsourcing and contractors, etc.)
(Improve safety guidance for newly hired employees)

2. Make proactive safety activities routine

(1) Implement hazard prediction activities
(For non-routine work, conduct workplace inspection before starting work by the foreperson and all workers, and thoroughly implement hazard prediction (KY))
(Identify and improve tasks and work locations that could lead to unnatural or strained work postures)

(2) Effective use of risk assessment (RA)
(Review of RA for routine work)
(Identify risks through RA patrols and share them with other workplaces)

(3) Promoting 5S activities
(Maintain the first three S's of Sort (Seiri), Set in Order (Seiton), and Shine/Clean (Seiso) so as to achieve Seiketsu (cleanliness) and foster the habit of following rules)

3. Promotion of health and hygiene management

(1) Tracking of health checkup results and enforcement of secondary checkups
(2) Initiatives aimed at comfortable workplace environments (Thorough management of working hours, continuation of heatstroke countermeasures, etc.)
(3) Promotion of health management for older workers

Occupational safety and health activities

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

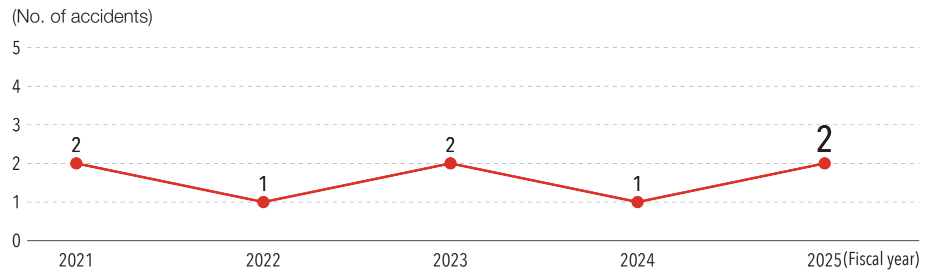
In addition, we continue to implement initiatives to improve hygiene awareness from the standpoint of preventing the spread of infectious diseases.

Occupational safety and health management measures

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

Our Central Safety and Health Committee also conducts safety audits on the implementation status of safety management systems and safety activities at plants. When occupational safety and health activities are inadequate, management measures, such as improvement plans and safety education, are implemented.

Changes in number of occupational accidents



* Our company (non-consolidated) (leave from work of 4 days or longer).

Initiatives for the Environment

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

Environmental Philosophy

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

Environmental Policy

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

Enhancement and strengthening of environmental management structure

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

Compliance with environment-related laws and regulations

We comply with environmental laws, regulations, ordinances, regional agreements, and other relevant rules to prevent pollution and the destruction of the natural environment.

Promotion of environmental education and social contribution activities

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

Encouragement of environmental conservation activities

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

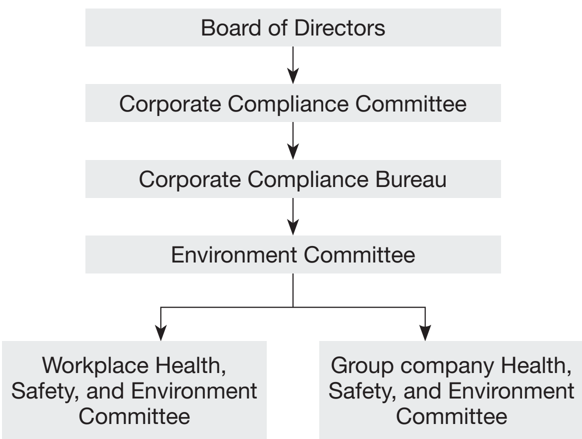
Promotion of efficient use of resources and energy

The amount of resources and energy to use is reduced.

Environmental management structure

We have constructed organizations with clearly defined roles, responsibilities, and authorizations based on the ISO 14001 international standard for environmental management systems, and engage in efficient operation of the organizations. The Environment Committee is convened at least once a year with the general manager of each plant participating in the meeting. The committee reviews the appropriateness and effectiveness of work sites' environmental management systems and follows up on activities to control global warming.

Environmental management structure



Development of technologies and products in harmony with the environment

Fine carbon

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

Artificial graphite electrodes

Artificial graphite electrodes are used as electrodes in electric furnaces that melt and recycle steel scrap. Through this reuse, electric furnace-based steelmaking contributes to the creation of a recycling-oriented society owing to recycling steel scrap. The furnaces also produce only a quarter of the CO_2 emissions of blast furnaces, contributing to the reduction of CO_2. In Japan and overseas, the production method is shifting from blast furnaces to electric furnaces. Through the supply of artificial graphite electrodes, our group will contribute to the creation of a sustainable society.

Silicon carbide fiber

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

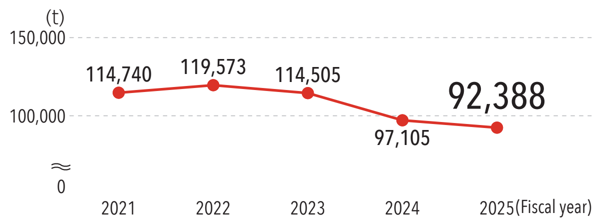
The International Civil Aviation Organization has adopted the global reduction target of a 2% annual average fuel efficiency improvement between 2020 and 2050. Nicalon silicon carbide fiber is an indispensable material in achieving this target.

Contribution to a decarbonized society

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

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

Greenhouse gas emissions



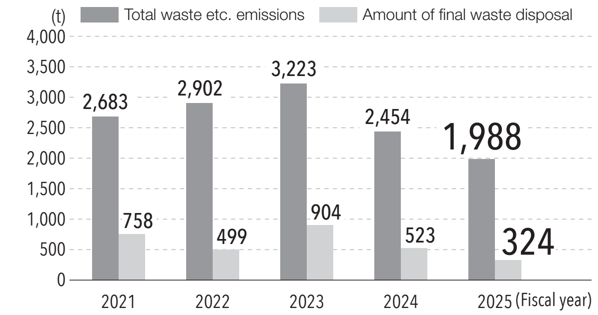
* The targeted scope is all production sites and the Technical Center of our group (excluding Nippon Kornmeyer Carbon Group GmbH).

Contribution to a recycling based society

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

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

Amount of final waste disposal



* The targeted scope is all production sites and the Technical Center of our group (excluding Nippon Kornmeyer Carbon Group GmbH and Central Carbon Co., Ltd.).

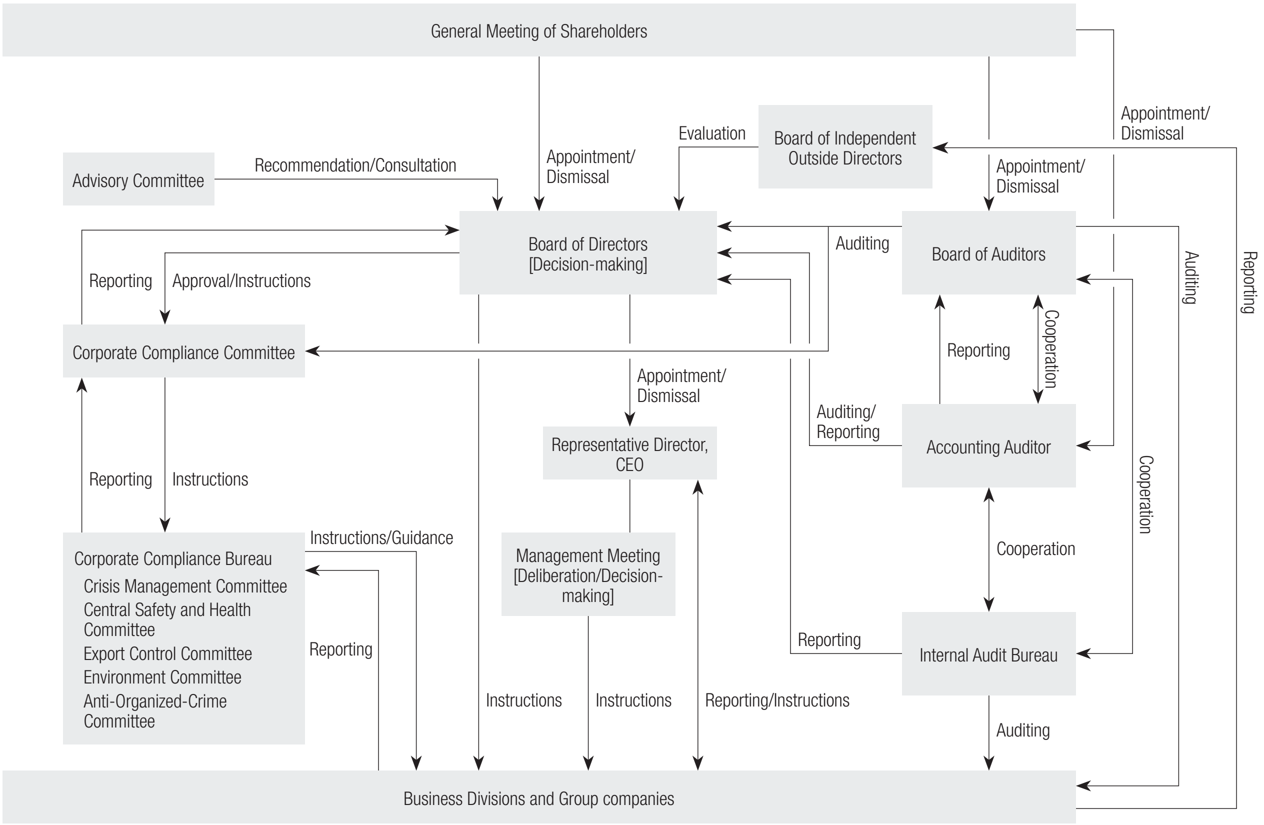
Corporate Governance

Our group aims to achieve our Management Philosophy and recognizes that sustainable growth and enhancement of our corporate value will lead to the maximization of stakeholder interests.
Toward this end, we are working to strengthen our corporate governance to ensure transparency and fairness in our management.

Corporate governance structure

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

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



Overview of organizations

Board of Directors

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

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

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

Management meeting

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

Board of Auditors

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

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

Advisory Committee

The Advisory Committee aims to ensure the objectiveness and transparency of the process of determining the amounts of remuneration to Directors as well as of appointing and dismissing Directors. The Advisory Committee ensures its independence by having an Independent Outside Director serve as chairperson and a majority of its members be Independent Outside Directors.

Accounting audits, Accounting Auditor

GYOSEI & CO. has been appointed as Accounting Auditor and conducts accounting audits.

Corporate Compliance Committee

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

Internal Audit Bureau

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

Corporate Governance

List of Officers

Representative Director and CEO
Takafumi Miyashita

Jun. 1992 Joined the Company
Jan. 2011 Corporate Officer; General Manager, FC Sales Division I, Sales Department; and Branch Manager, Osaka Branch
Nov. 2011 Corporate Officer; General Manager, FC Sales Division I and General Manager, FC Sales Division II, Sales Department; and Branch Manager, Osaka Branch
Jan. 2012 Corporate Officer; Assistant Senior General Manager, Sales Department; General Manager, FC Sales Division I; and General Manager, FC Sales Division II
Mar. 2012 Director; Assistant Senior General Manager, Sales Department; General Manager, FC Sales Division I; and General Manager, FC Sales Division II
Jan. 2013 Director; Senior General Manager, Sales Department; General Manager, FC Sales Division I; and General Manager, FC Sales Division II
Sep. 2013 Director; Senior General Manager, Sales Department; and General Manager, FC Sales Division I
Jan. 2015 Managing Director; Senior General Manager, Sales Department; and General Manager, FC Sales Division
Jan. 2016 Senior Managing Director and Senior General Manager, Sales and Corporate Planning Department
Jan. 2017 Representative Director, CEO (to present)

Director
Akira Urano

Apr. 1990 Joined the Company
Jan. 2013 Corporate Officer; Deputy Plant Manager, Shiga Plant, Production Engineering Department; and General Manager, Production Department
Mar. 2014 Corporate Officer and Laboratory Manager, Production Engineering Department
Jan. 2015 Corporate Officer; Laboratory Manager, Production Engineering Department; and General Manager, Development Department
Mar. 2020 Corporate Officer; General Manager, Business Reform Promotion Unit; and Laboratory Manager
Mar. 2022 Managing Executive Officer and General Manager, Business Reform Promotion Unit
Mar. 2023 Managing Executive Officer and General Manager, Electrode Business Unit
May 2023 Senior Managing Executive Officer and General Manager, Electrode Business Unit
Mar. 2024 Director; Senior Managing Executive Officer; and General Manager, Electrode Business Unit
Mar. 2026 Director; Senior Managing Executive Officer; and General Manager, Production Engineering Department (to present)

Outside Director
Yuriko Katayama

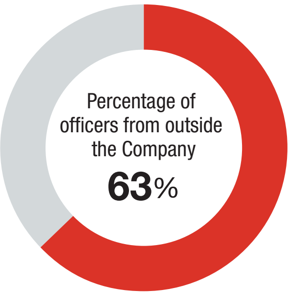
Oct. 2000 Admitted as attorney (Japan)
Apr. 2005 Admitted as attorney (State of New York, USA)
Sep. 2009 Established Takahashi & Katayama
Apr. 2010 Officer Attorney, Office of International Affairs, Japan Federation of Bar Associations
Sep. 2020 Director, Office of International Affairs, Japan Federation of Bar Associations
Mar. 2022 Outside Director (to present)

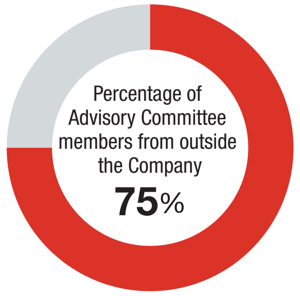
Outside Director
Yoshikazu Tanaka

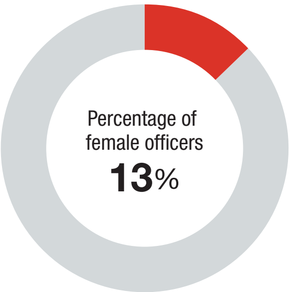
Apr. 1971 Joined the Company
Mar. 2006 Director
Mar. 2009 Retired as Director
Mar. 2022 Outside Auditor
Mar. 2025 Outside Director (to present)

Outside Director
Takeo Kato

Apr. 1975 Joined ULVAC, Inc. (formerly Japan Vacuum Engineering Co., Ltd.)
Sep. 2006 Director
Sep. 2013 President and Chief Executive Officer of ULVAC TOHOKU, Inc.
Sep. 2018 Advisor of ULVAC, Inc.
Mar. 2020 Outside Director of the Company
Mar. 2025 Retired as Outside Director
Mar. 2026 Outside Director of the Company (to present)







Full-time Auditor
Mitsuhira Kinoshita

Apr. 1981 Joined the Company
Jan. 2013 Corporate Officer and General Manager, Electrode Sales Division, Sales Department
Jan. 2017 Corporate Officer; General Manager, Electrode & RESBON Sales Department; and Branch Manager, Osaka Branch
Jan. 2018 Corporate Officer and General Manager, RESBON Sales Department
Mar. 2019 Director, Nippon Carbon Engineering Co., Ltd.
Jan. 2021 Director and Vice President
Mar. 2022 Representative Director and President
Mar. 2024 Full-time Auditor (to present)

Outside Auditor
Mitsuo Sasaki

Sep. 1980 Admitted as Certified Public Accountant
Sep. 1984 Admitted as Certified Tax Accountant
Oct. 1984 Established Sasaki Mitsuo Certified Public Accountant Office
Apr. 1991 Representative Partner, Toko Audit Corporation
Mar. 2015 Outside Auditor (to present)

Outside Auditor
Akira Suzuki

Apr. 1974 Joined Nihon Nohyaku Co., Ltd.
Aug. 1998 Manager, Osaka Office, Chemical Products Department
May 2014 Executive Director and Head of the Secretariat, Japan Wood Preservation Association
Mar. 2025 Outside Auditor (to present)

Director Skill Matrix Etc.

Name		Directors					Auditors		
		Representative Director, CEO Takafumi Miyashita	Director Akira Urano	Outside Director Yuriko Katayama	Outside Director Yoshikazu Tanaka	Outside Director Takeo Kato	Full-time Auditor Mitsuhira Kinoshita	Outside Auditor Mitsuo Sasaki	Outside Auditor Akira Suzuki
Capabilities of the Director	Corporate management	●	●		●	●			
	Business planning	●	●		●	●			
	Global business	●	●	●					
	Legal affairs			●					
	Sales and marketing	●	●			●			
	Manufacturing and technology		●		●	●			
	Research and development		●		●				
	ESG	●	●	●					
Other information	Independent officer			●	●	●		●	●
	Advisory Committee	●		●	●	●			
	Rate of attendance at Board of Directors meetings (FY2025)	18/18	18/18	18/18	13/13*1	5/5*3	18/18	18/18	13/13*4
	Rate of attendance at Board of Auditors meetings (FY2025)				6/6*2		24/24	24/24	18/18*5
	Number of shares held (hundreds)	32	7	–	–	12	10	9	2
	Term of office	2017/1–	2024/3–	2022/3–	2025/3–	2026/3–	2024/3–	2015/3–	2025/3–

1. For Yoshikazu Tanaka, "Attendance at Board of Directors meetings" includes only the meetings held following his assuming office on March 28, 2025.
2. For Yoshikazu Tanaka, "Attendance at Audit & Supervisory Board meetings" includes only the meetings he attended as an Outside Audit & Supervisory Board Member prior to his assuming office as a Director on March 28, 2025.
3. For Takeo Kato, "Attendance at Board of Directors meetings" includes only the meetings held prior to his retirement as an Outside Director on March 28, 2025.
4. For Akira Suzuki, "Attendance at Board of Directors meetings" includes only the meetings held following his assuming office as an Audit & Supervisory Board Member on March 28, 2025.
5. For Akira Suzuki, "Attendance at Audit & Supervisory Board meetings" includes only the meetings held following his assuming office as an Audit & Supervisory Board Member on March 28, 2025.

Corporate Governance

Evaluation of the effectiveness of the Board of Directors

Overview

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

Evaluation process

In fiscal 2025, we adopted the same questionnaire method as in the previous year and conducted the questionnaire and self-evaluation in the manner described below.

(1) Evaluation period: January 2025 to December 2025
(2) Response period: January 14 to January 23, 2026
(3) Respondents: Seven Directors and Auditors in total
(4) Overview: Evaluation for each question (on a five-point scale) and additional comments

Questionnaire items

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

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

Evaluation

Based on the questionnaire results, the Company has analyzed the effectiveness of the Board of Directors and judged that it is mostly ensured. In particular, the Company recognizes that the proceedings of the meetings of the Board of Directors and its cooperation with audit organizations are its strengths.

On the other hand, issues identified to further enhance the effectiveness of the Board of Directors are described below.

(1) Ensuring and enhancing in advance information that contributes to discussions by Outside Directors
(2) Succession planning for the sustainable development of the management structure

Based on this evaluation, we will take into consideration the growing importance of risk management, expand opportunities for discussions on the composition and diversity of the Board of Directors, and further enhance information that contributes to discussions by Outside Directors.

Remuneration for officers

Policy for Determining Details of Remuneration, etc. for Officers

The Company has established a policy for determining the amount of remuneration, etc. for officers and the method of calculating such remuneration. Remuneration consists of "basic remuneration," "performance-linked remuneration, etc.," and "non-monetary remuneration, etc." according to position. The appropriateness of the calculated remuneration, etc. for officers is reviewed by the Advisory Committee, after which the remuneration is determined by the Board of Directors or the Audit & Supervisory Board based on the Advisory Committee's recommendations.

Basic remuneration

The amount of basic remuneration is determined according to position, with the ratios set at 90 for the Chairman, 100 for the CEO, 75 for the Executive Vice President, 38 for Directors, 8 for Outside Directors, and 25 for Audit & Supervisory Board Members.

Performance-linked remuneration, etc.

From the perspectives of sharing value with shareholders, enhancing corporate value, and providing incentives for increases in the share price, the Company has selected the following performance indicators for performance-linked remuneration: (1) consolidated ordinary profit for the fiscal year, (2) the average of the year-on-year growth rates in consolidated net sales and consolidated operating profit, and (3) the year-on-year growth rate in shareholder value (share price). Audit & Supervisory Board Members receive a fixed bonus equivalent to approximately 50% of their monthly basic remuneration.

Non-monetary remuneration, etc.

Non-monetary remuneration, etc. consists of shares of the Company delivered under the performance-linked stock remuneration plan and cash equivalent to the market value of such shares. The amount is calculated based on the number of shares to be delivered according to position and a payment coefficient based on the rate of change in the share price over the medium to long term (three years). Non-monetary remuneration, etc. is provided only to Directors and not to Audit & Supervisory Board Members.

Messages from Outside Directors

Addressing Changes in the Business Environment

Outside Director Yuriko Katayama

In fiscal 2025, international conflicts, U.S. economic policies, and other factors continued to affect the Group's businesses. The Mid-term Management Policy "GO BEYOND 2030" was also launched in that year. This fiscal year, the Company reorganized its internal structure from a unit-based system to a business division system. Handling regular management agenda items, the Board of Directors engaged in active discussions to respond to short-term issues and medium- to long-term challenges and consider future outlook.

To achieve the growth strategy set forth in the Mid-term Management Policy, I will continue to contribute candid and flexible perspectives to discussions at the Board of Directors in the current fiscal year. I believe that the external business environment surrounding the Company may remain uncertain and one of the key in such discussions would be identifying and dealing with possible deviations of actual conditions from the assumed scenarios underlying the Policy. With regard to the internal business environment, I expect the internal organizational changes to enable more efficient management and to further strengthen the substance of the its internal systems, including the corporate governance and compliance frameworks that support the growth strategy under the Mid-term Management Policy and initiatives to continuously enhance those frameworks.

As an Outside Director, I will strive to contribute to enhancing the Group's corporate value by properly understanding management issues in efforts of the Company to respond to coming changes in internal and external business environment and monitoring each response to such change.

Responding to Environmental Changes and Taking on Bold Challenges

Outside Director Yoshikazu Tanaka

Unfortunately, in the first year of the Mid-term Management Policy "GO BEYOND 2030," the Company fell short of its targets due in part to shrinking demand amid changes in the social environment. Although some of this was unavoidable given the Company's position as an upstream materials manufacturer, I believe that the organizational restructuring undertaken to respond to today's challenging changes in the business environment through the optimal allocation and efficient use of limited human resources will ultimately lead to improved performance. At the same time, such changes inevitably have both advantages and disadvantages, making it essential for management to appropriately manage the associated risks.

The carbon materials industry has long been regarded as a mature industry. Nevertheless, changes in the social environment will inevitably create new demand and give rise to diverse quality requirements for carbon materials. It is therefore essential that the Company respond quickly to these changes. The Company has formed a cross-functional task force to address themes related to new demand, and I expect it to promptly develop the necessary technologies and establish production and quality assurance systems, thereby contributing to the achievement of the Mid-term Management Policy.

People are at the heart of every company. As expressed in the Management Philosophy, which aspires to create "a company with dreams and technologies," I hope the Company will become an organization in which each and every employee has aspirations and is empowered to take on new challenges. As an Outside Director, I will continue to watch over and support the Company as it works toward this goal.

Enhancing Corporate Value by Addressing Social Issues

Outside Director Takeo Kato

Carbon materials, which are at the core of the Company's business, are indispensable to the development of modern society because of their outstanding properties. The Company's technological capabilities provide a significant competitive advantage, particularly in high-value-added products such as materials for semiconductor manufacturing, for which demand is rapidly increasing.

Meanwhile, achieving carbon neutrality is an urgent priority in realizing a sustainable society. The Company views green transformation (GX) as a growth opportunity and will accelerate its decarbonization initiatives. Specifically, in the electricity-intensive manufacturing processes for carbon products, the Company is promoting thorough energy conservation and improvements in production efficiency while focusing on reducing greenhouse gas (GHG) emissions.

Going forward, the Company will continue to refine its proprietary carbon technologies and seek to further enhance long-term corporate value by simultaneously addressing social issues and reducing environmental impact. We ask our stakeholders for their continued support and look forward to their expectations for the Company's ongoing challenges.

As an Outside Director, I will provide advice and oversight to management from an independent perspective and strive to help realize sustainable management that appropriately balances risks and opportunities.

Compliance

Our group makes ethics and legal compliance a basic principle of management.
We have formulated and implement the "Basic Policy on Ethics and Compliance" and the "Nippon Carbon Code of Conduct" to ensure sincere and fair corporate activities and to create a company that is trusted by business partners, shareholders, communities, and other stakeholders.

Basic Policy on Ethics and Compliance

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

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

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

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

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

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

4. We will respect the standpoints of stakeholders.

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

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

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

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

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

Nippon Carbon Code of Conduct (Overview)

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

Ethics and legal compliance structure

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

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

Ethics and legal compliance structure

Whistleblowing system

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

System mechanisms spanning consultations to remedies

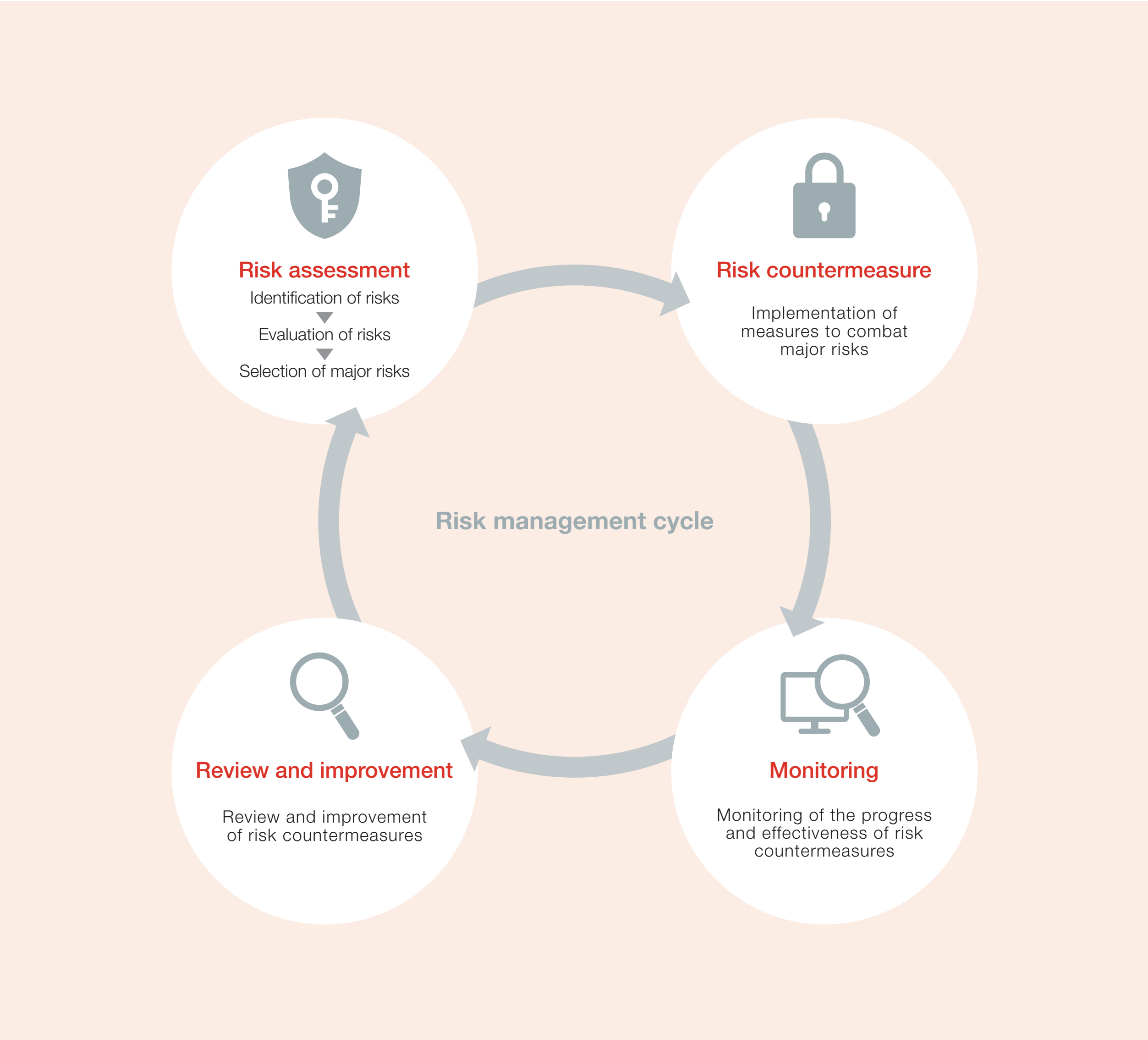
Risk Management

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

Our group comprehensively identify risks envisioned in the course of carrying out our business, evaluate each risk's degree of impact on our group and the possibility of its materialization, and identify major risks. We further enact measures to control the possibility of identified major risks materializing and to minimize impact when risks do materialize. We also monitor the progress and effectiveness of risk countermeasures, and undertake reviews and improvements related to countermeasures.

We have established a business continuity system for artificial graphite electrodes as part of our business continuity planning (BCP) in preparation for crises such as disasters and infectious diseases with SEC Carbon.

Risk management cycle



Overview of major risks and status of countermeasures

Major risks	Overview of risks	Risk countermeasures
Difficulties in the sourcing of specific raw materials	Risk of inability by our group to provide materials to customers due to the discontinuation of manufacturing of specific raw materials	• Diversification of raw material suppliers • Collection of information on countries and companies where sourcing is performed • Selection of alternative raw materials • Securing of inventory in line with degree of importance
Fire and explosion	Risk of a major fire or explosion at a plant resulting in suspension of production due to damage to buildings, destruction of production equipment, injury to or death of employees, etc.	• Formulation of facility maintenance plans and promotion of self-maintenance • Formulation of emergency response manuals and implementation of drills
Quality falsification/Quality defects	Risk of the occurrence of falsification of quality inspection results or delivery of products that do not meet quality standards, etc., resulting in a loss of corporate credibility and termination of transactions	• Formulation of quality control manuals • Implementation of internal audits • Thorough management of data related to quality control
Revision and strengthening of laws, regulations, etc.	Risk of restrictions on manufacture and sales of products due to revisions to and strengthening of laws and regulations	• Proper collection of information on laws and regulations
Outbreaks of contagion/disease	Risk of employees being unable to go to work due to outbreaks, and suspension of production	• Operation of the Crisis Management Committee • Implementation of telework and staggered working hours • Online meetings • Formulation of a response manual for outbreaks of contagion
Recruitment difficulties, delays in human resource development, and outflow of human resources	Risk of inability to proceed with recruitment of talented human resources according to expectations due to recruitment difficulties, risk of medium- to long-term human resource development not progressing according to plans, and risk of hindrances to work due to increased turnover rate, etc.	• Rank-based and topic-specific training • Regular interviews with employees
Earthquakes, tsunamis	Risk of a massive earthquake occurring in a region where our workplaces or production sites are located, resulting in suspension of production due to damage to buildings, damage to production equipment, injury to or death of employees, etc.	• Operation of the Crisis Management Committee • Securing of emergency power supplies • Operation of safety confirmation rules and safety confirmation system • Decentralization of production sites
Cyberattacks	Risk of losing the trust of customers and the public due to cyberattack-based leaks of confidential information on customers and the Company	• Construction of defenses against unauthorized access, backup of data, and other safety measures implemented at appropriate and rational levels • Cautions to employees regarding handling of targeted email attacks, etc. • Formulation of security policy

Risk Management

Response to climate change

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

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

Governance and risk management

Our group conducts scenario analyses of the risks and opportunities that climate change will bring, and evaluates their degree of impact on our group.

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

Strategy

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

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

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

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

Overview of scenarios

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

Major climate change-related risks and opportunities

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

Metrics and targets

Our group is advancing initiatives to reduce GHG emissions, under the goal set out by the Japanese government of achieving carbon neutrality by 2050. As GHG emissions are roughly proportional to energy input amounts, we are examining and monitoring measures to reduce GHG emissions with energy intensity as a metric.

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

* See p. 36 for detailed data on our GHG emissions.

Financial Information

Long-term financial results (consolidated results)

For the year		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Operating results											
Net sales	(Millions of yen)	22,903	27,964	48,017	44,931	26,802	31,578	35,799	37,867	37,956	**37,735**
Operating profit	(Millions of yen)	(663)	2,569	16,404	14,827	3,015	3,706	4,791	6,573	6,319	**4,809**
Ordinary profit	(Millions of yen)	(570)	2,997	16,508	15,106	3,587	4,434	5,042	7,115	6,692	**5,103**
Profit attributable to owners of parent	(Millions of yen)	(5,413)	2,961	10,292	9,700	1,810	2,729	3,194	4,050	4,078	**4,830**
Cash flows from operating activities	(Millions of yen)	2,370	3,876	12,633	4,792	3,853	7,551	5,798	3,189	5,234	**6,319**
Cash flows from investing activities	(Millions of yen)	(6,136)	(1,498)	(2,051)	(3,693)	(4,716)	(608)	(1,601)	(4,426)	(5,546)	**(2,198)**
Cash flows from financing activities	(Millions of yen)	3,501	(1,349)	(2,418)	(2,996)	(2,389)	(3,762)	(3,777)	(2,614)	(1,985)	**(1,265)**
Cash and cash equivalents at end of period	(Millions of yen)	10,408	11,441	19,602	17,707	14,455	17,720	18,177	14,382	12,154	**15,035**
Research and development expenses	(Millions of yen)	295	341	368	418	406	368	369	403	578	**669**
Depreciation	(Millions of yen)	2,342	1,570	1,529	1,847	2,193	2,385	2,484	2,666	2,986	**3,534**
Capital expenditure	(Millions of yen)	3,678	1,468	2,713	4,456	3,572	1,812	2,463	2,754	6,261	**3,926**
Financial status											
Total assets	(Millions of yen)	53,895	57,656	73,598	77,939	70,930	72,692	74,181	78,466	82,348	**85,607**
Equity capital	(Millions of yen)	25,438	28,196	36,539	45,140	44,146	44,987	45,562	49,455	52,014	**54,393**
Net assets	(Millions of yen)	30,810	33,906	42,734	51,654	50,998	52,257	53,210	57,681	60,819	**63,607**
Interest-bearing debt*1	(Millions of yen)	14,938	14,394	13,248	12,027	11,987	10,567	9,092	8,854	9,212	**10,331**
Per-share											
Profit*2	(yen/share)	(48.81)	267.71	931.89	876.81	163.64	247.00	289.24	366.75	369.03	**436.91**
Net assets*2	(yen/share)	229.37	2,553.20	3,303.04	4,080.33	3,989.30	4,073.56	4,125.77	4,478.09	4,704.60	**4,919.46**
Dividends*2	(yen/share)	5.00	50.00	100.00	200.00	200.00	200.00	200.00	200.00	200.00	**200.00**
Financial indicators											
Return on assets (ROA)	(%)	(1.0)	5.4	25.1	19.9	4.8	6.2	6.9	9.3	8.3	**6.1**
Return on equity (ROE)	(%)	(19.0)	11.0	31.8	23.8	4.1	6.1	7.1	8.5	8.0	**9.1**
Return on sales (ROS)	(%)	(2.5)	10.7	34.4	33.6	13.4	14.0	14.1	18.8	17.6	**13.5**
Price-to-Book Ratio (PBR)	(ratio)	0.88	2.09	1.37	1.11	0.98	1.03	1.03	1.02	0.96	**0.92**
Equity ratio	(%)	47.2	48.9	49.4	57.9	62.2	61.9	61.4	63.0	63.2	**63.5**
Share price at end of term*2	(yen/share)	227	5,070	4,025	4,105	3,945	4,170	4,205	4,385	4,395	**4,415**
Dividend payout ratio	(%)	–	18.7	10.7	22.8	122.2	81.0	69.1	54.5	54.2	**45.7**
Price-earnings ratio (PER)	(ratio)	(4.65)	18.94	4.32	4.68	24.11	16.88	14.54	11.96	11.91	**10.11**

1. Figure indicates balance of borrowings.
2. A 10-for-1 share consolidation was implemented effective July 1, 2017.

Number of employees

For the year		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Consolidated	(persons)	591	614	679	664	663	648	651	650	661	**667**
Non-consolidated	(persons)	148	169	154	180	182	175	178	181	185	**187**

Financial Information

Consolidated balance sheets

(Millions of yen)

	As of December 31, 2024	As of December 31, 2025
Assets		
Current assets		
Cash and deposits	12,299	**15,180**
Notes receivable, accounts receivable and contract assets	11,277	**11,371**
Electronically recorded monetary claims	1,927	**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 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, net	7,509	**7,644**
Machinery and equipment, net	8,811	**10,815**
Vehicles, tools, furniture and fixtures, net	784	**775**
Land	3,575	**3,582**
Construction in progress	2,183	**432**
Total property, plant and equipment	22,863	**23,250**
Intangible assets	182	**137**
Investments and other assets		
Investment securities	10,431	**10,197**
Deferred tax assets	599	**680**
Other	1,953	**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
Liabilities		
Current liabilities		
Notes and accounts payable – trade	3,435	**2,906**
Electronically recorded obligations	653	**598**
Short-term borrowings	9,016	**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	–	**16**
Other	3,191	**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 fire loss	–	**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 benefits 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**

Financial Information

Consolidated statements of income

(Millions of yen)

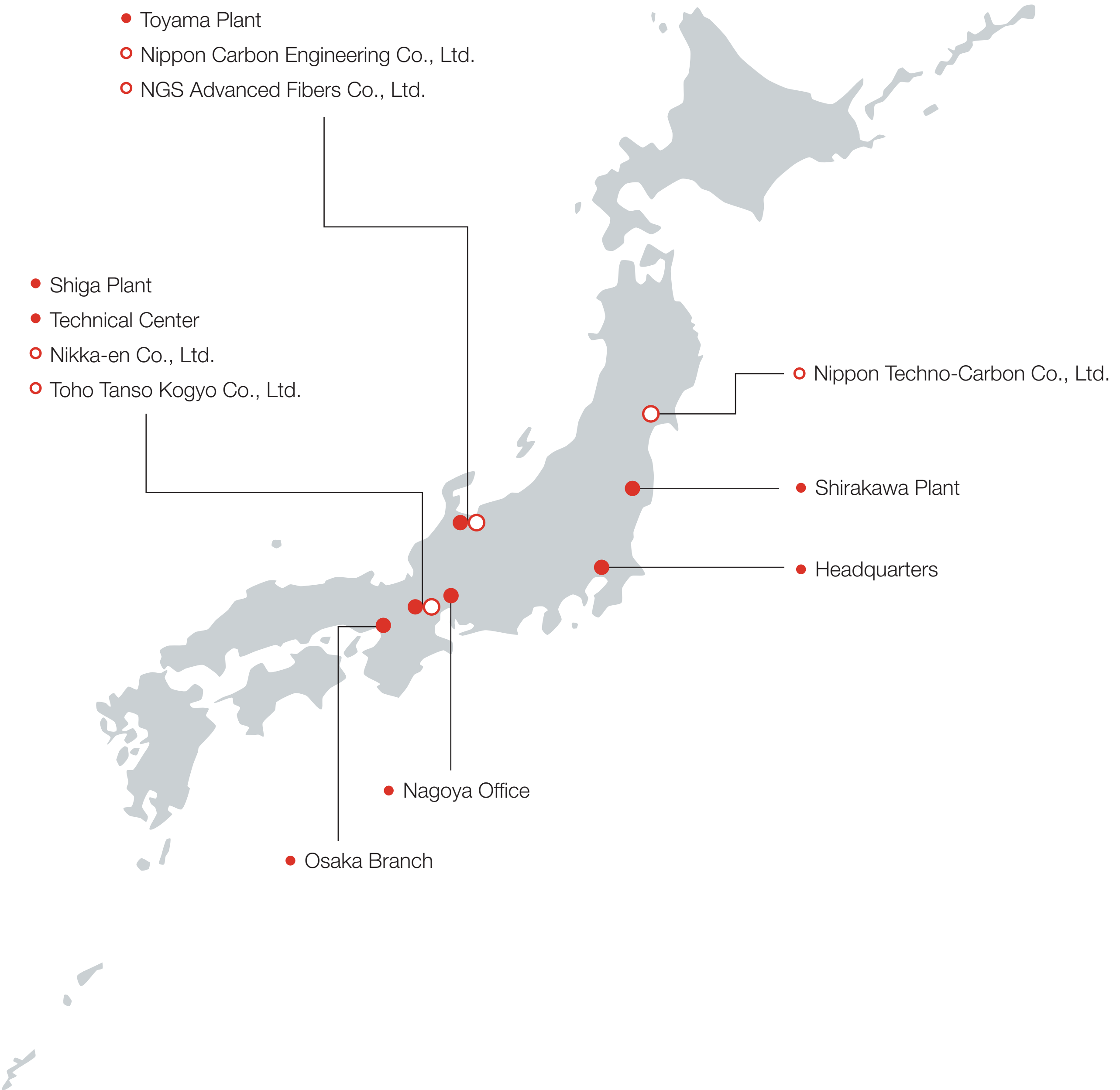
	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025
Net sales	37,956	**37,735**
Cost of sales	26,471	**27,477**
Gross profit	11,485	**10,257**
Selling, general and administrative expenses	5,165	**5,448**
Operating profit	6,319	**4,809**
Non-operating income		
Interest income	11	**9**
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	**–**
Expenses related to idle facilities	–	**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	196	**–**
Gain on sales of investment securities	6	**3,530**
Total extraordinary income	203	**3,530**
Extraordinary losses		
Loss on fire	–	**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 cash flows

(Millions of yen)

	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025
Cash flows from operating activities		
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)**
Gain/loss on sale of non-current assets (△ indicates gain)	(196)	**(2)**
Loss (gain) on sales of investment securities	(6)	**(3,530)**
Loss on fire	–	**803**
Loss on retirement of non-current assets	117	**61**
Decrease (increase) in trade receivables 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**
Payment for fire loss	–	**(35)**
Net cash provided by (used in) operating activities	5,234	**6,319**
Cash flows from investing activities		
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 sales of investment securities	9	**3,716**
Net cash provided by (used in) investing activities	(5,546)	**(2,198)**
Cash flows from financing activities		
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**

Corporate Information (as of April 2026)



Nippon Carbon

- Headquarters
- Osaka Branch
- Nagoya Office
- Toyama Plant
- Shiga Plant
- Shirakawa Plant
- Technical Center

Affiliated companies (domestic)

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

Affiliated companies (overseas)

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

Corporate Information

Corporate profile

(As of December 31, 2025)

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

Stock information

(As of December 31, 2025)

Securities code	5302
Total number of authorized shares	40,000,000
Total number of issued shares (common shares)	11,102,488 shares (excluding 730,016 treasury shares)
Number of shareholders	21,353
Stock exchange	Tokyo Stock Exchange Prime Market
Share unit number	100 shares
Shareholders register	Mizuho Trust & Banking Co., Ltd.
Inquiries	Mizuho Trust & Banking Co., Ltd., Transfer Agent Department 2-8-4 Izumi, Suginami-ku, Tokyo 168-8507 Tel. 0120-288-324 (toll-free)

Major shareholders

(As of December 31, 2025)

Name	Number of shares held (hundred shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	14,185	12.78
Mizuho Bank, Ltd.	5,504	4.96
SEC CARBON, LIMITED	4,442	4.00
Nippon Life Insurance Company	4,260	3.84
Custody Bank of Japan, Ltd. (trust account)	3,151	2.84
KOREA SECURITIES DEPOSITORY-MERITZ	2,967	2.67
Nippon Carbon Kyoei Shareholding Association	1,554	1.40
JP MORGAN CHASE BANK 385781	1,434	1.29
STATE STREET BANK AND TRUST COMPANY 505001	1,187	1.07
Sumitomo Mitsui Banking Corporation	995	0.90

Notes: 1. Shareholding ratio is calculated after deducting the number of treasury shares (730,000 shares) from the number of issued shares.
2. In addition to the above, 45,600 shares of the Company are held by the Board Benefit Trust (BBT).

Distribution of shareholders