

 NIPPON CARBON

2024

INTEGRATED REPORT

 NIPPON CARBON

Contents

Growth Strategy

- 3 President's Greetings
- 9 The History of Nippon Carbon
- 11 Value Creation Process
- 13 Materiality
- 15 2023 Financial and Non-Financial Highlights
- 19 Business Outline

ESG Initiatives

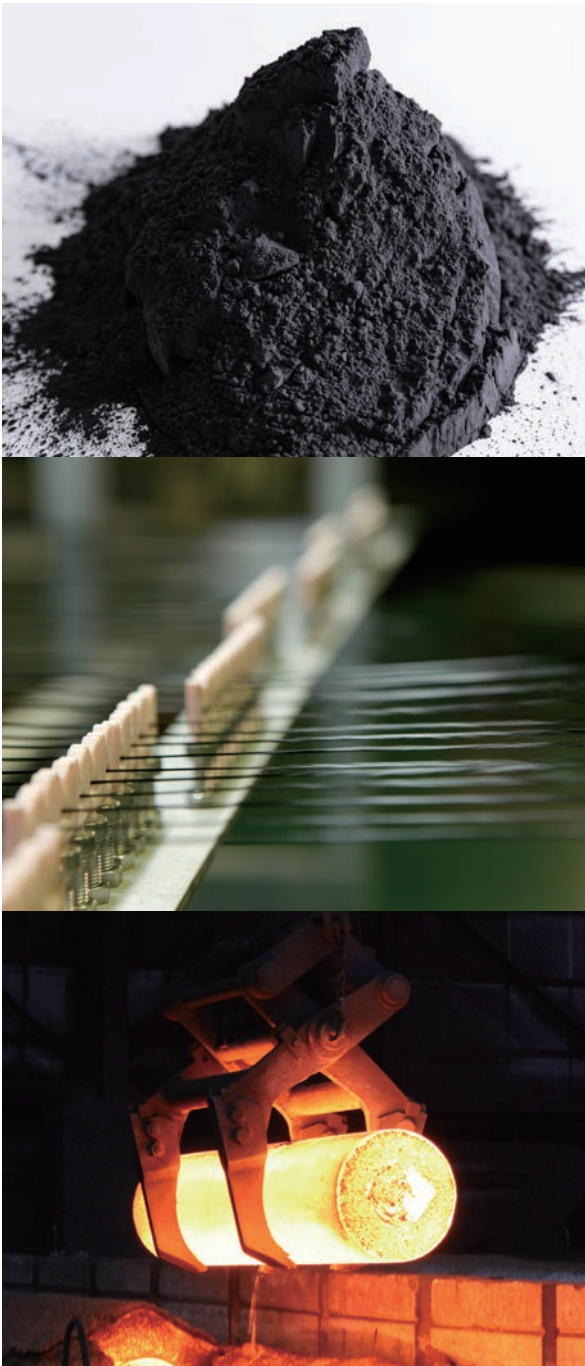
- 25 Initiatives for Society
- 29 Initiatives for the Environment
- 31 Corporate Governance
- 37 Compliance
- 39 Risk Management

Data Section

- 43 Financial Information
- 49 Corporate Information



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.



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

August 2024

Reporting period

Fiscal 2023 (January-December 2023)

Guidelines used as reference

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

Scope

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

Inquiries regarding this report

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

Website

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

President's Greetings

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

Nippon Carbon Co., Ltd.
Representative Director, CEO

Takafumi Miyashita



Opening thoughts

This is the third year we have published our Integrated Report. Looking back over the past three years, there has been a constant stream of natural disasters, international conflicts and other events affecting the continuity of our business activities. Accordingly, I feel that companies are required to have the strength to survive in times of change. To enhance profitability and corporate value even in such a harsh business environment, our group (our company and our company's affiliated companies) launched our Mid-term Management Policy "BREAKTHROUGH 2024" in fiscal 2022. Business structural reform and improvement of corporate constitution are at the core of this policy. All of our

employees have been coming together as one to achieve our Mid-term Management Policy. Thanks to everyone, as a result, our business performance has been steadily improving. There is a phrase in Japanese which goes "ungai soten." It means a bright future awaits if you work hard to overcome your difficulties now. As this saying goes, I believe the future is bright for our group that has steadily gained strength even in times of rapid change. Our Company will continue to earnestly strive together with employees in the future as a leading company in the carbon industrial field to build a corporate structure which will allow us to continue to grow.

Reflecting on fiscal 2023: Progress in our Mid-term Management Policy

In Japan, COVID-19 was downgraded to a category 5 infectious disease in fiscal 2023. That move led to an increase in social and economic activities. In particular, passenger traffic is gradually returning to pre-pandemic levels in the aircraft industry market. On the other hand, we have seen a significant rise in prices due to monetary tightening in various countries and the depreciation of the yen. The continuing high level of energy costs and raw material prices also became a major negative factor for our group. Nevertheless, we have had success

with the restructuring of our business portfolio that we have been working on with the aim of ensuring stable profits. As a result, in fiscal 2023, net sales were up 5.8% from the previous fiscal year to ¥37,867 million and ordinary profit grew 41.1% from the previous fiscal year to ¥7,115 million. Those results are a significant improvement on the previous fiscal year.

President’s Greetings

Business structural reform: Portfolio reform

Let’s now turn our attention to our business activities. The capital investment of each company was steady for carbon fiber products. In addition, the growth industries targeted by our group have taken off. Accordingly, our net sales in fiscal 2023 were strong just as they had been in the previous year. In particular, it is expected that the power semiconductor-related market will grow together with the expansion in the electric vehicle market. Accordingly, we are also introducing new equipment to meet that demand. We will continue to reliably capture increasing demand in the future with the aim of further expanding our carbon fiber products business based on our pride in having the top share of the global market.

We have been refining our manufacturing methods from scratch to strengthen our competitiveness in relation to artificial graphite electrodes. In this way, we have been working to improve quality and to reduce costs. Nevertheless, soaring energy costs and raw material prices caused an increase in manufacturing costs in fiscal 2023. On the other hand, demand slumped and market prices fell in Japan and Asia, our main markets, due to a decline in steel production. That made it a tough year. Against this backdrop, we decided to collaborate with TMS, which has extensive and strong connections with electric furnace manufacturers in the U.S., to capture new demand. The capacity to produce steel in electric furnaces is

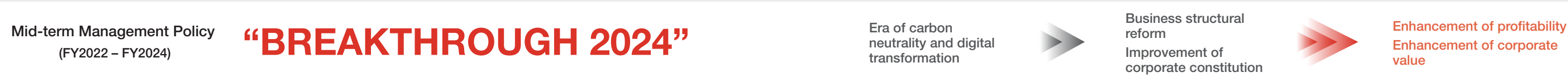
being proactively increased in the U.S. Accordingly, strong demand is expected to continue going forward. We hope that our collaboration with TMS will be a big step that will lead to rapid progress in the electrode business in the future.

We have newly established a Technical Center in regards to the creation of new business, one of our business structural reform strategies. This center integrates laboratories and departments relating to manufacturing technology in plants as a directly subordinate organization under our Company. The aim is to streamline and speed up new product development. We are working on developing new products with an awareness of market trends, customer needs and the

situation at the time of mass production in our group to promote development by strengthening coordination with manufacturing technologies. We are currently working on the development of new products by increasing our staffing levels targeting the semiconductor-related market. We are at the stage where multiple customers are evaluating our prototypes. We are pushing forward every day with the aim of resolving challenges to commercialize those prototypes and to establish business that will form a new pillar for our group.

We will continue to come together as one across our entire Company to work on enhancing profitability and corporate value so that all our stakeholders feel satisfied going forward.

In terms of Mid-term Management Policy



Nippon Carbon Group Policy

1
Business structural reform

1. Maintaining top share and further expanding carbon fiber products in the global market for high-temperature furnaces

2. Strengthening global competitiveness of artificial graphite electrode and anode materials for lithium-ion batteries by reducing production costs

3. Creating new business

4. Increasing profitability of the specialty carbon business

5. Ensuring business development of silicon carbide fiber to meet global demand

We will develop a strategy focusing on growing markets related to carbon neutrality and digital transformation aiming to ensure stable earnings.

2
Improvement of corporate constitution

1. Securing and training human resources

2. Carrying out work style reform and streamlining operating basis for a new normal era

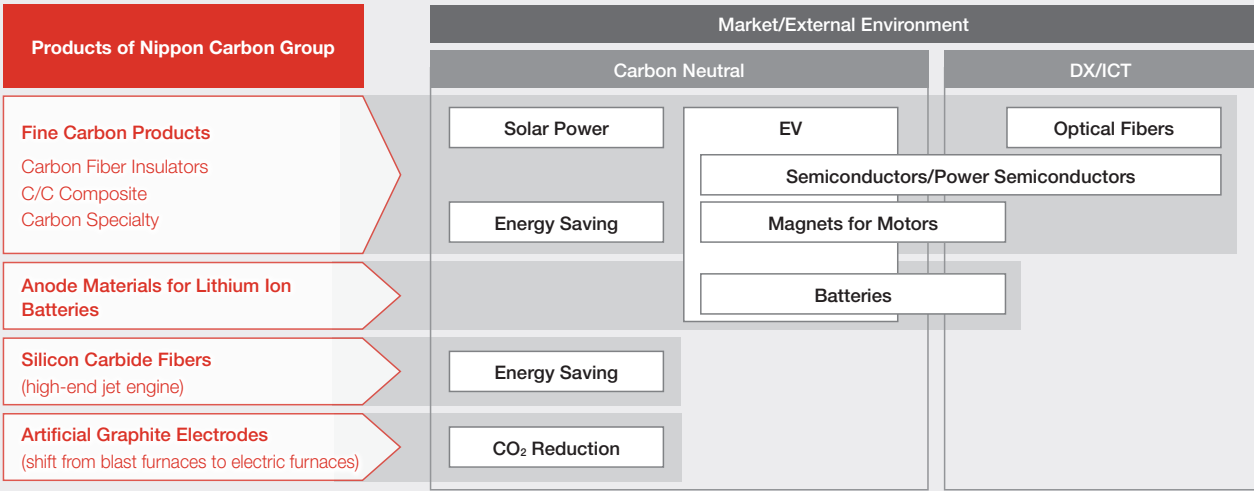
We will aim to enhance our organizational strength through securing and training human resources and execution of diversified promotion. We will advance work style reform as a new normal of teleworking and review the function of our business locations to realize a sustainable and strong corporate constitution.

3
ESG management

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

External Environment and Products of Nippon Carbon Group

Our group will help bring about a Carbon Neutral and DX Society by supplying carbon materials for manufacturing solar power devices and semiconductors and saving energy in various industries as shown below.



President's Greetings

Initiatives for sustainable growth

We feel that demand for companies to engage in sustainable management is growing every year. We see this as an important subject matter which will lead to us achieving our management philosophy of “A company with dreams and technologies to realize a world of love and science.” In particular, the movement in society for a reduction in greenhouse gas emissions accelerated in fiscal 2023. For instance, the carbon credit market officially opened. Many of our group's products are used in applications that contribute to carbon neutrality. Nevertheless, carbon dioxide is generated when we manufacture them. We are currently striving to meet the strict price demands of our customers with a focus on energy-saving and fuel conversion efforts that have the mutual benefits of reducing greenhouse gas emissions and manufacturing costs. We are also researching ways to drastically reduce greenhouse gas emissions. We would like to further accelerate the pace of our initiatives for reducing greenhouse gas emissions to further enhance our corporate value in the future.

We are seeing changes in work styles as well.

We encouraged male employees especially to take childcare leave in fiscal 2023. We set up these programs a while back to allow not just women but all employees to take childcare leave. However, almost no male employees did so in practice. With social trends also serving as a tailwind, I feel there is a growing understanding among employees about male employees taking childcare leave. I would like us to once again review our organizational climate without simply just building mechanisms so that all employees can continue to work with peace of mind.

In addition, the Tokyo Stock Exchange announced “Action to Implement Management That Is Conscious of Cost of Capital and Stock Price” in fiscal 2023. The exchange has asked listed companies to implement management aiming for a price-to-book ratio (PBR) of 1x or more. Our group has enhanced our profitability and corporate value with the aim of achieving our current Mid-term Management Policy. As a result, our PBR at the end of December 2023 was 1.20x. We will continue striving to deepen our stakeholders' understanding of our group's business model and operating status.

Toward the final year of our Mid-term Management Policy

The year 2024 is the final one of our Mid-term Management Policy. It is a year that will be a culmination of our hard work. I feel even more determined to complete the cornerstones of our Mid-term Management Policy of business structural reform and improvement of corporate constitution.

However, the external environment surrounding our group in fiscal 2024 is even more severe than the one in fiscal 2023. There are major issues our group needs to address in particular: the decline in capital investment including silicon semiconductors that were previously strong in fiscal 2022 and fiscal 2023 and the ongoing slump in demand for

artificial graphite electrodes and the drop in market prices. To address these issues, we will strive to strengthen our production base with our sales departments engaging in further sales promotion activities in Japan and overseas markets and our manufacturing departments working to reduce costs and improve quality even more. We will build a corporate structure that continues to grow no matter what the external environment. We will tackle the final fiscal year of our Mid-term Management Policy with a spirit of all working together toward this goal.

Conclusion

I mentioned at the outset of these remarks that companies are required to have the strength to survive in times of change. I am aiming to make our company a company with the strength to grow as an entity that will continue to be needed by society for the next 10, 20 and then 100 years without being affected by changes in the external environment.

We will launch our new Mid-term Management Policy in fiscal 2025 as we celebrate the 110th anniversary of our founding. In addition, we recognize that fiscal 2024 will be an important year to sow the seeds of growth as we look to the future. We achieved growth in carbon fiber products as a major pillar of our group through portfolio reform based on BREAKTHROUGH 2024. We believe it is important to expand business with a focus on

digital transformation and green transformation, markets which will grow in the future, to achieve further growth.

As I have said since the publication of our first Integrated Report, my major goal as President is to firmly build the foundations of our Company and then nurture and develop it into one that can definitely contribute to society. We will instill this strength in the seeds of growth to achieve that goal with our technological capabilities cultivated from experience of being involved in the carbon industrial field for more than a century and our creativity that produces new value without being satisfied with the status quo.

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



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



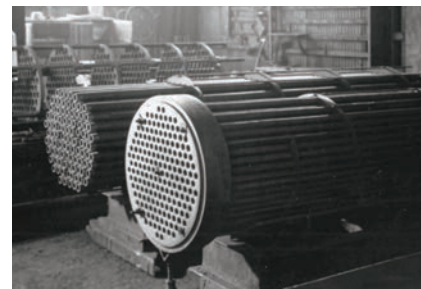
1915 Establishment of Nippon Carbon
Establishment of headquarters and plant in Yokohama, and start of manufacturing of natural graphite electrodes



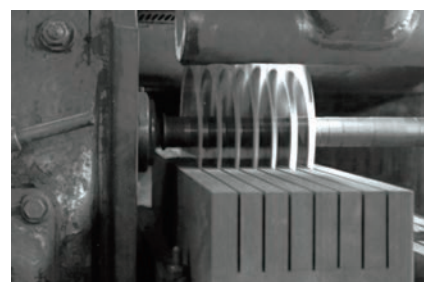
1934 Increased production of artificial graphite electrodes
Establishment of the Toyama Plant and start of manufacturing of artificial graphite electrodes to meet rapid increase in demand



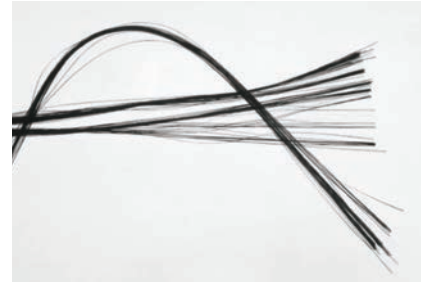
1927 Successful manufacturing of artificial graphite electrodes
Successful manufacturing of Japan's first 6-inch to 12-inch artificial graphite electrodes



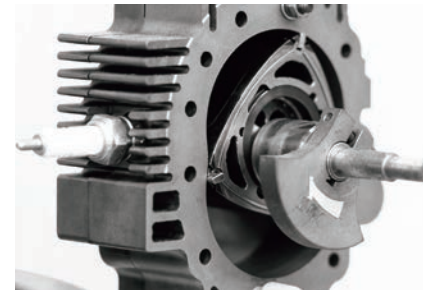
1949 Commercialization of impervious graphite
Start of production of "RESBON" impervious graphite for chemical plants; start of operation of first domestically produced hydrochloric acid absorption tower



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



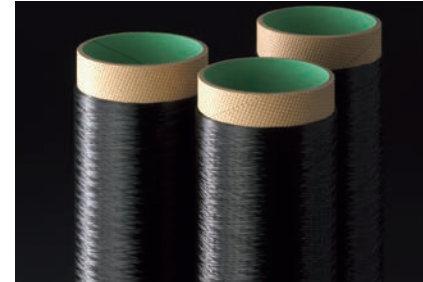
1962 Commercialization of carbon fiber
Successful commercialization of low-strength PAN-based carbon fiber, a first in Japan



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

Rapid growth and endeavors toward new technologies



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

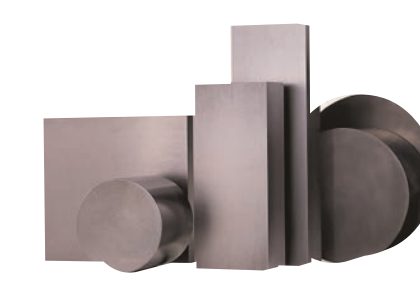
Business expansion and improvement of corporate constitution



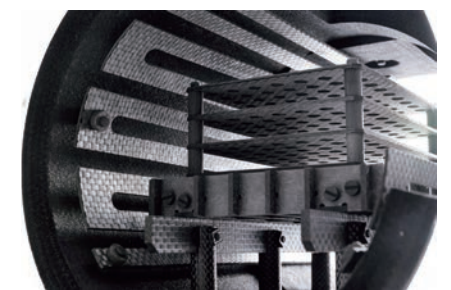
1988 Commercialization of C/C composite
Start of mass production of "CCM" C/C composite



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



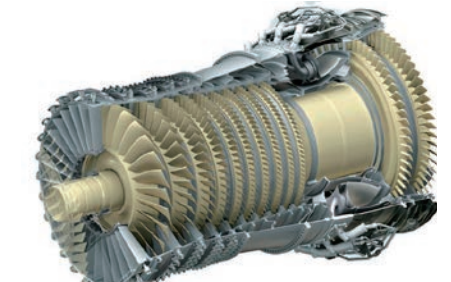
2003 Start of integrated production of special carbon materials
Establishment of Nippon Techno-Carbon Co., Ltd. as a joint venture with the current NIPPON STEEL Chemical & Material Co., Ltd.; start of integrated production of special carbon materials



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

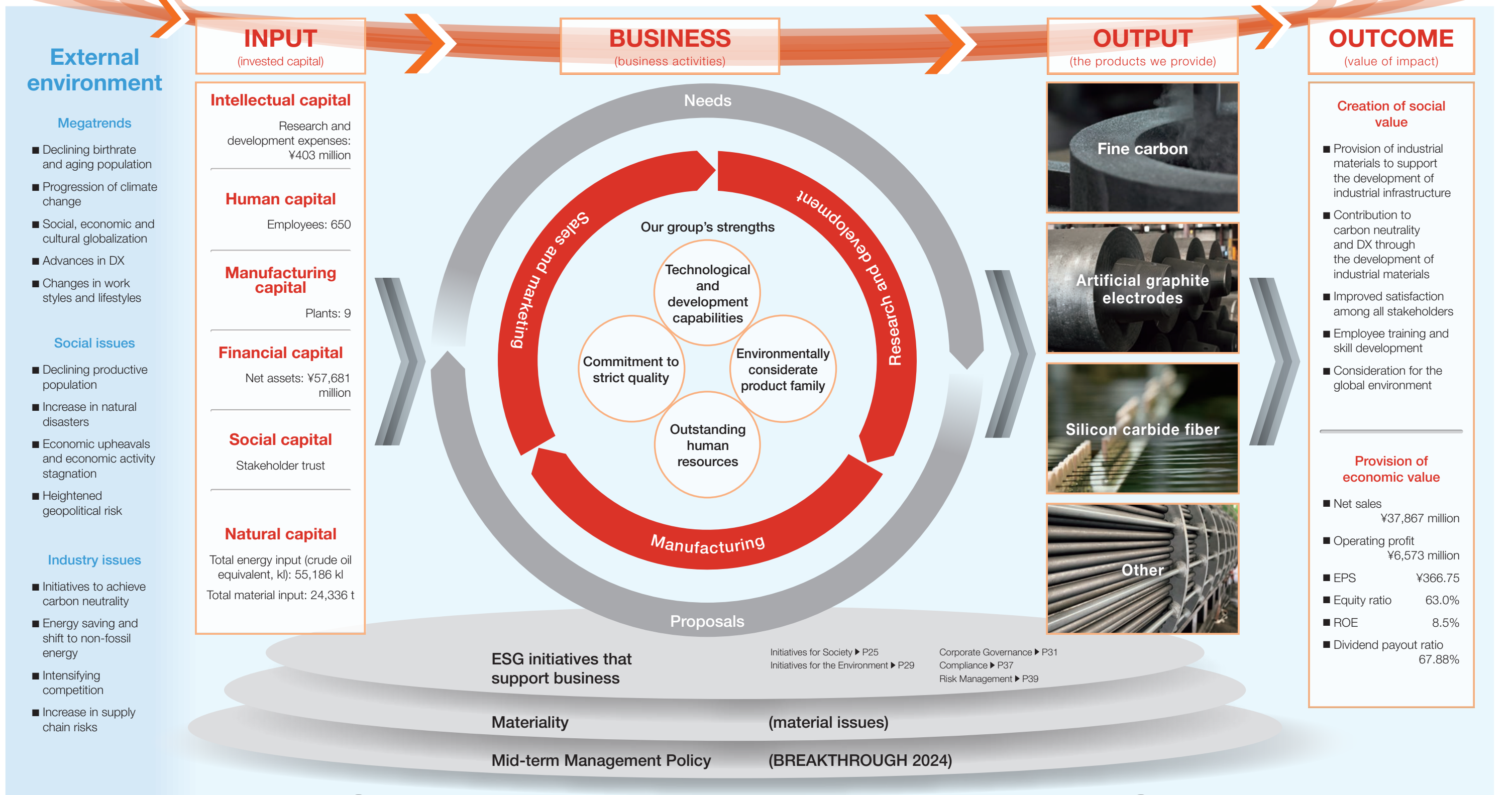


2012 Increased production of silicon carbide fiber
Establishment of NGS Advanced Fibers Co., Ltd., a joint venture with General Electric Company and Safran S.A., to increase production of "Nicalon" silicon carbide fiber

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

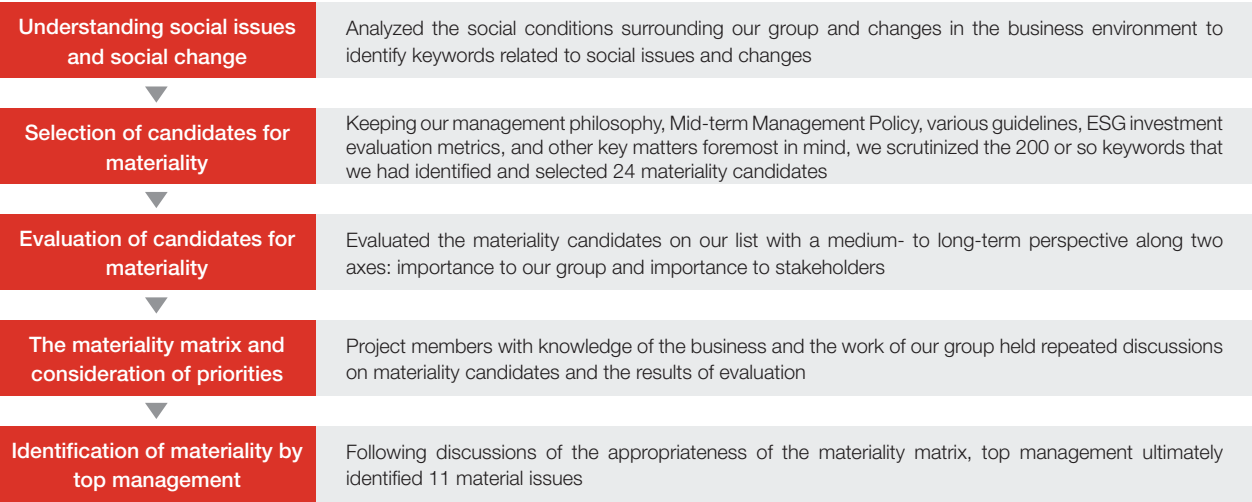


Materiality

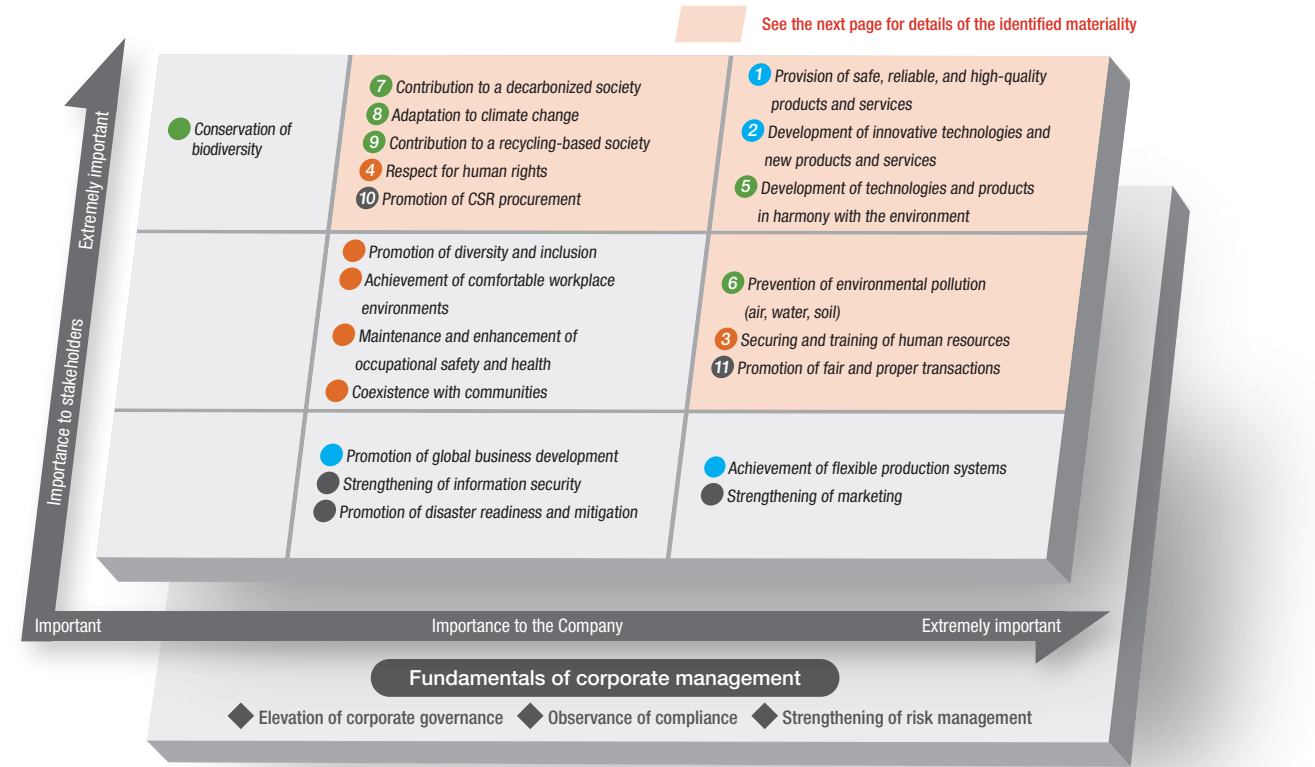
We find ourselves now in a period of change, as seen in the acceleration of initiatives aimed at carbon neutrality and DX. Working through the process outlined below, our group has identified the materiality (i.e., the priority issues) that we need to tackle to achieve our management

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.

The process of identifying materiality



Materiality matrix



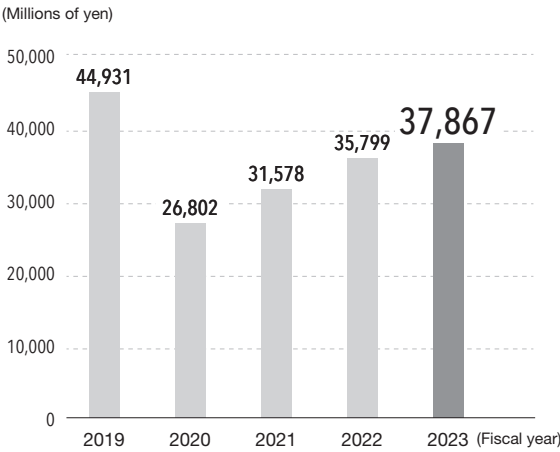
Details of the identified materiality

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

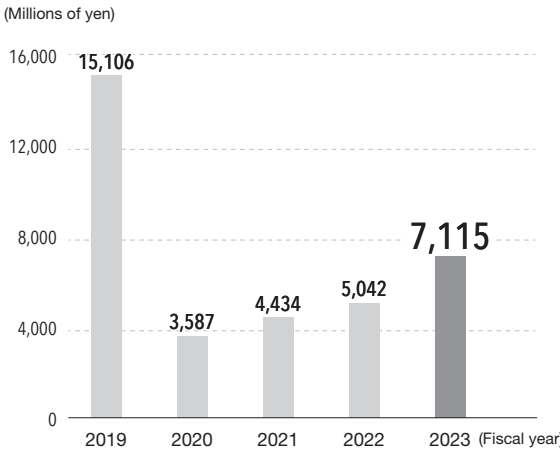
Category	Materiality	Content of initiatives	Effects expected from the initiative
Business-related	1 Provision of safe, reliable, and high-quality products and services	● Continuous improvement and maintenance of management systems, reconstruction of production systems, and implementation of quality improvements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

Fiscal 2023 Financial and Non-Financial Highlights

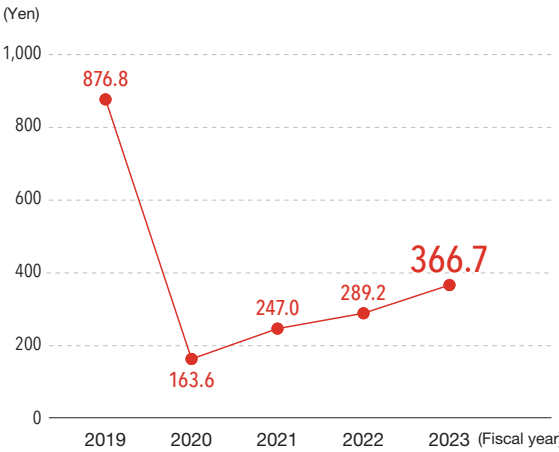
Net sales



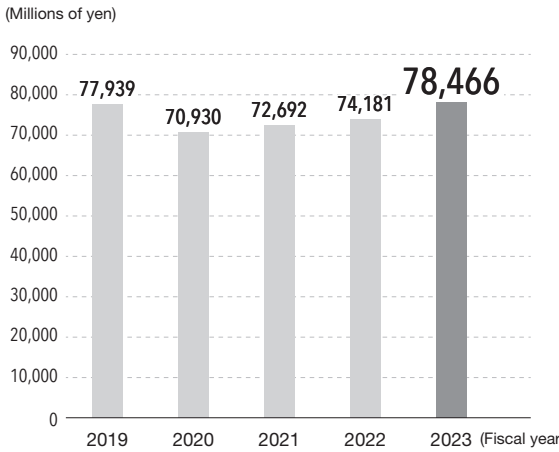
Ordinary profit



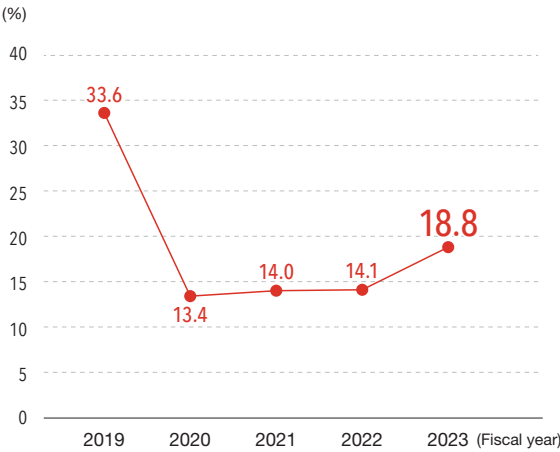
Earnings per share (EPS)



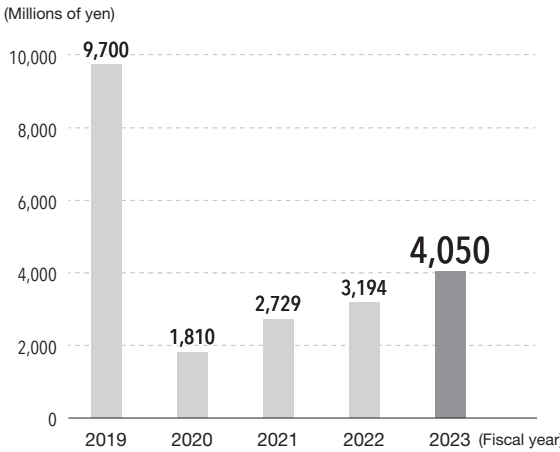
Total assets



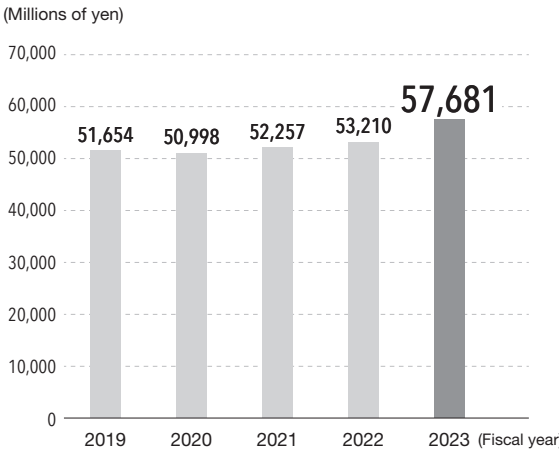
Return on sales



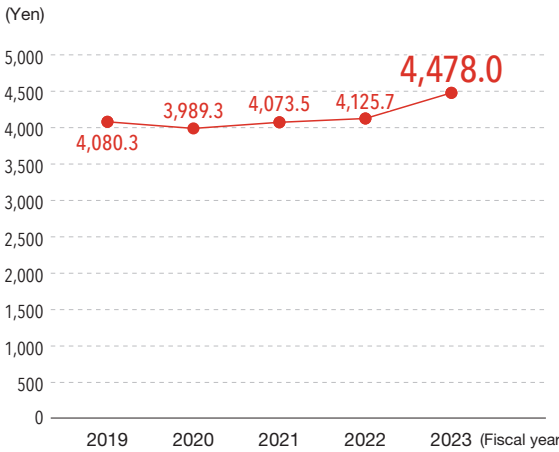
Profit attributable to owners of parent



Net assets

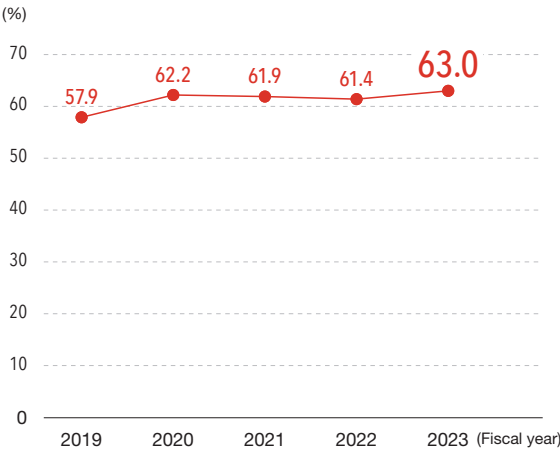


Net assets per share

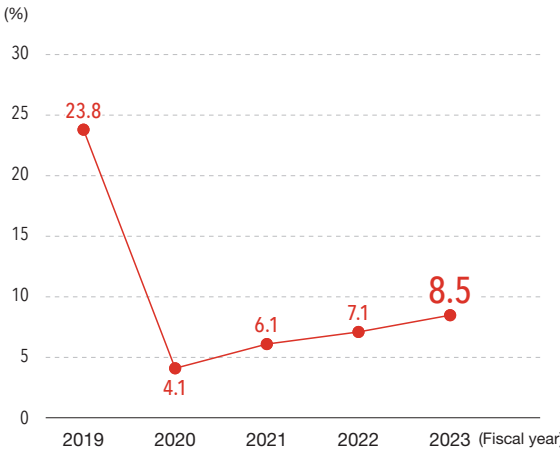


Fiscal 2023 Financial and Non-Financial Highlights

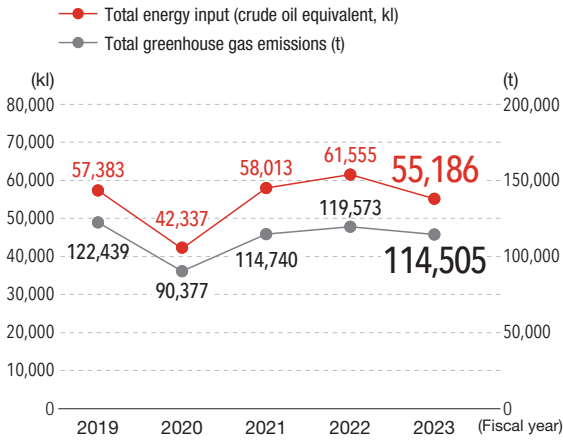
Equity ratio



Return on equity (ROE)

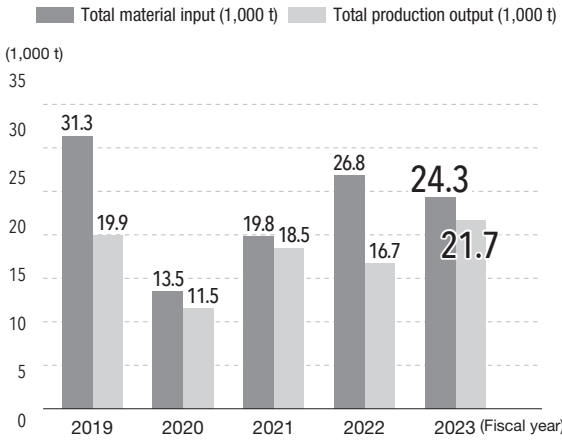


Total energy input (crude oil equivalent) / Total greenhouse gas emissions



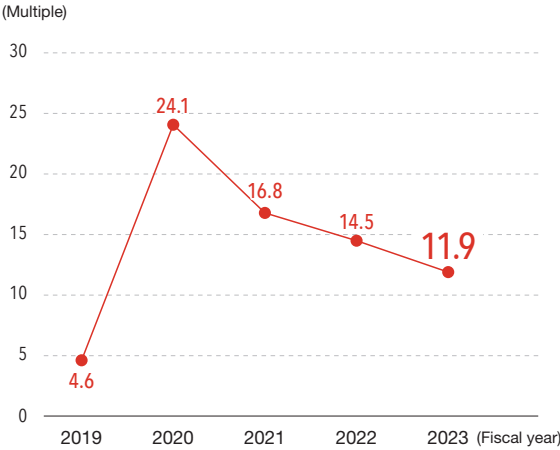
*The targeted scope is all production sites, headquarters, branches, and the Technical Center of our group (excluding Nippon Kormmeyer Carbon Group GmbH).

Total material input / Total production output

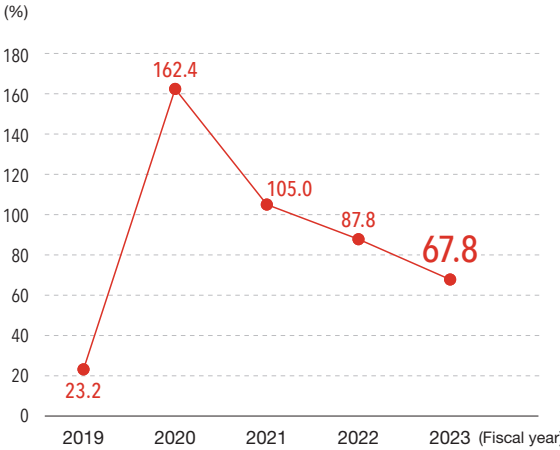


*The targeted scope is all production sites and the Technical Center of our group (excluding Nippon Kormmeyer Carbon Group GmbH and Central Carbon Co., Ltd.).

Price-earnings ratio (PER)

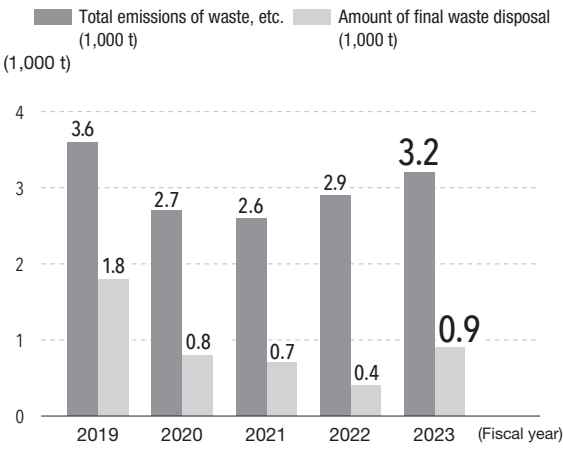


Dividend payout ratio



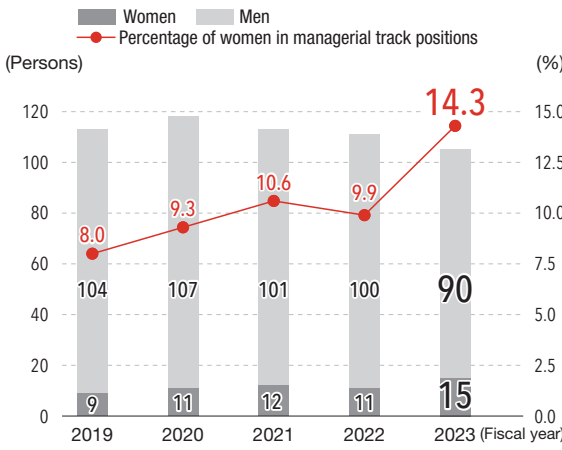
*Our company (non-consolidated)

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 Kormmeyer Carbon Group GmbH and Central Carbon Co., Ltd.).

Change in the number of women in managerial track positions



*Our company (non-consolidated).

Business Outline

Carbon product business

Fine carbon products



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

Business overview

The global inflation problem continued in fiscal 2023. Demand for PCs and mobile devices was sluggish in the semiconductor-related market. Nevertheless, the market was supported by investment demand for growth markets such as power and AI semiconductors.

Moreover, sales of fine carbon products increased from the previous fiscal year due to capital investment demand in response to factors including the recovery of automobile production in Japan.

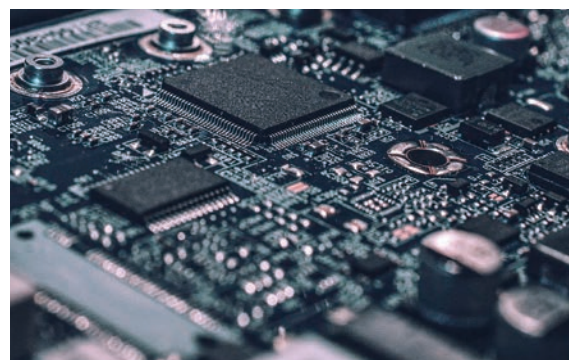
Business outlook

We anticipate steady expansion in demand for the next-generation semiconductors used in electric vehicle and other transportation equipment applications expected to grow in the future and in power generation equipment, data centers and other areas of infrastructure. In addition, we expect the expansion in demand in the semiconductor-related market to continue in the mid-to long-term toward the spread of the IoT, AI and next-generation communications networks.

Example application


PC semiconductor manufacturing components

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



Carbon product business

Artificial graphite electrodes



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

Business overview

In terms of artificial graphite electrodes in fiscal 2023, in addition to the slight decline in electric furnace crude steel production in Japan from the previous year, sales prices in Japan fell due to low-cost artificial graphite electrodes imported from overseas. Therefore, net sales decreased from the previous fiscal year.

Business outlook

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

Example application

Steel frame material for buildings and structures

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



Business Outline

Carbon product business

Lithium-ion battery anode material



Lithium-ion batteries charge and discharge through intercalating (or absorbing) and releasing lithium ions in graphite powder. They are used in electric vehicles, mobile phones, and other applications for their energy density, which outstrips that of other types of battery.

Business overview

In fiscal 2023, the softening of the impact from the global shortage in semiconductors drove automobile production in Japan up from the previous year. Automotive battery production adjustments eased with the recovery of automobile production. Accordingly, net sales of lithium-ion battery anode materials increased from the previous fiscal year.

Business outlook

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

Example application

Battery anode material for electric vehicles and more

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



Silicon carbide product business

Silicon carbide fiber



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

Business overview

Demand for passenger aircraft virtually recovered to pre-COVID-19 pandemic levels against a background of easing restrictions on behavior globally in fiscal 2023. Therefore, demand for silicon carbide fibers remained strong.

Production costs rose due to an increase in raw material prices and electricity charges. Nevertheless, profitability improved because of revisions to product sales prices and other factors. Net sales and profits increased from the previous fiscal year.

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 stable even in high-temperature atmospheres of around 1,200°C to 1,300°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.



Business Outline

Other
businesses

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.

R&D

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.

Business overview

In fiscal 2023, demand for heat exchangers remained firm from the previous year amid planned capital investments in the chemical industry and other basic industries. Sales and profit also increased from the previous fiscal year due to robust manufacturing and sales of general industrial equipment.

Business outlook

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

Research and development activities

Research and development expenses in fiscal 2023 were ¥403 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 share information with universities and other research institutes, national and regional government bodies, and private sector companies while coordinating among our workplaces' technical departments to advance proprietary technological development of products.

Example application

Components of petrochemical manufacturing equipment

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



Initiatives for Society

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

Respect for human rights

Human Rights Policy

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

1. Fundamental concepts

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

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.

Securing and training of human resources

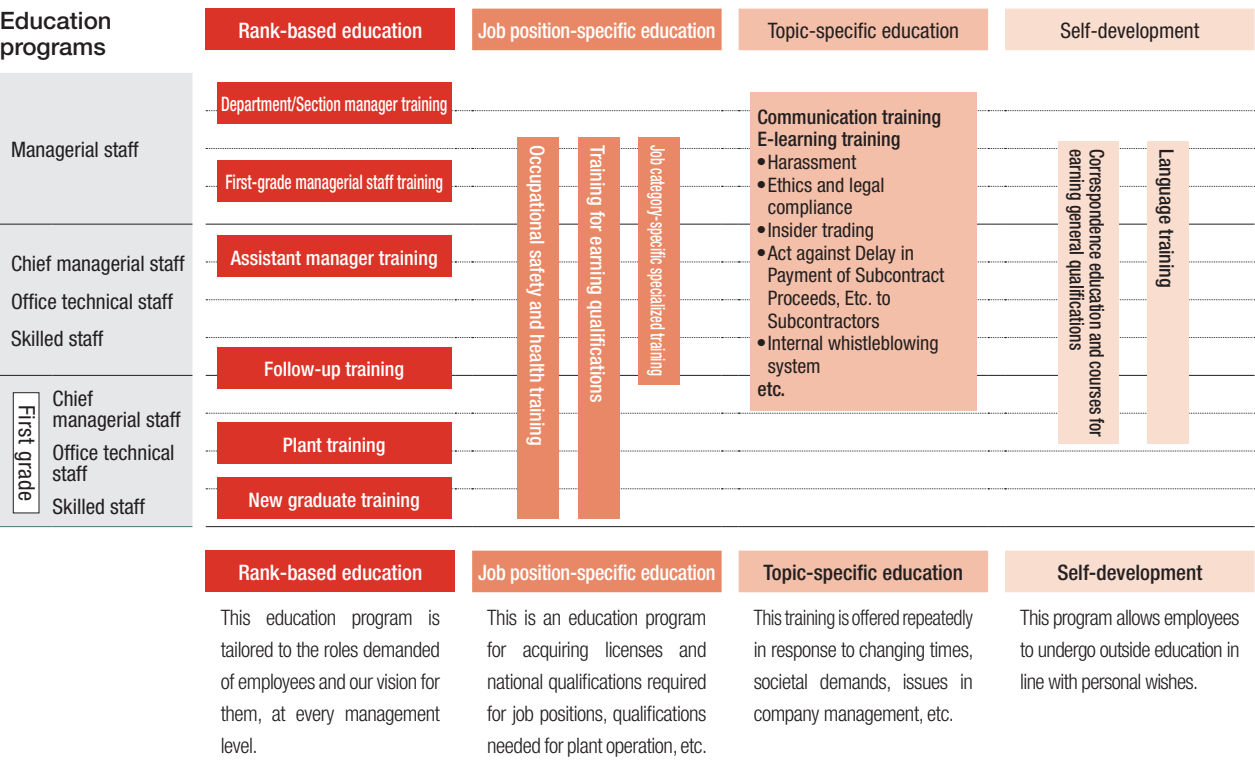
Approach to human resource development

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

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

Education programs

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



Promotion of diversity and inclusion

Approach to diversity and inclusion

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

Active participation by women

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

Support for work-life balance

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

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

1. Period of plan

Three years from January 1, 2024 to December 31, 2026

2. Content

Target 1. Improving the percentage of men taking leave for childcare

➡ Rate of taking paternal childcare leave of 20% or more

Measures

- Creation of a pamphlet with information on the program; distribution to employees
- Confirmation of the intention to take paternal childcare leave by the Human Resources Division among those eligible for the program
- Provision of training for childcare leave and postnatal paternity childcare leave (for managers)

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

➡ Introduction of a telecommuting program to support employees in balancing caring for sick children with work

Measures

- Consideration of the telecommuting program
- Introduction of the telecommuting program
- Provision of information on the program to those eligible

Initiatives for Society

Achievement of comfortable workplace environments

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

Our Company will review the functions of its headquarters and other work sites to effect improvements aimed at a lasting and strong corporate constitution. We are also making efforts to enhance employee benefits, 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: 70.43%, Average number of days taken: 14.02 days (Fiscal 2023 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: 9 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.

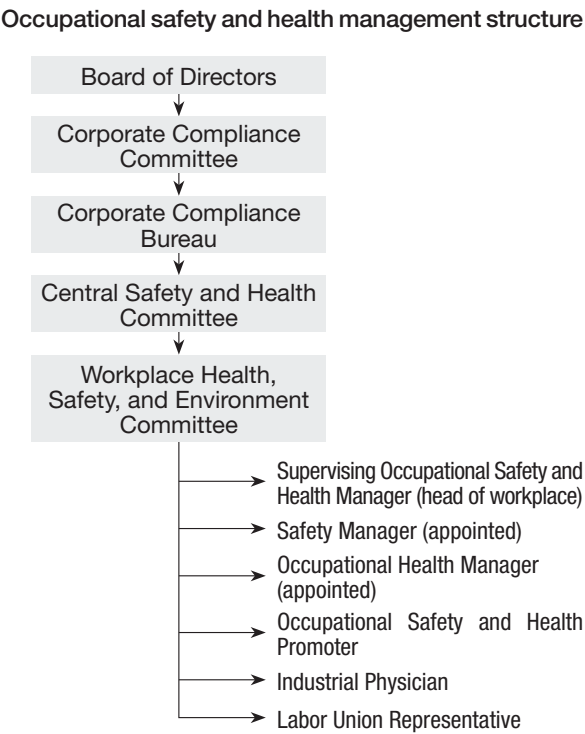
Maintenance and enhancement of occupational safety and health

Occupational safety and health management policy

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

Occupational safety and health management structure

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



Central Safety and Health Committee

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

Fiscal 2023 Central Safety and Health Committee Policy

1. Promotion of safety awareness

- (1) Strengthening, tracking, and raising awareness of safety-first initiatives
(Improvement of sense of ownership and responsibility of managerial staff and staff)
- (2) Strengthening of safety education
 - Securing of the safety of workplace equipment and tasks by employees and education on that
(Promotion of education using risk assessments, as well as training on equipment functions and safety devices in assigned workplaces)

2. Strengthening of proactive safety activities

- (1) Effective use of risk assessments
(Thorough pre-work confirmation of risk assessment management measures)
(Improvement of risk assessment patrol functions)
- (2) Strengthening of hazard prediction activities
(Thorough implementation of routine and non-routine hazard prediction and guidance for subcontractors)
- (3) Strengthening of 3S activities and establishment of 4S
(Promotion of 3S patrols)

3. Promotion of health and hygiene management

- (1) Tracking of health checkup results and enforcement of secondary checkups
- (2) Initiatives aimed at comfortable workplace environments
 - Thorough management of overtime and holiday work to prevent long working hours
 - Ongoing initiatives to combat infectious diseases
- (3) Promotion of health management for older workers
 - Recognition and understanding of the basic physical strengths and abilities of older workers
(Reference to the Toyama Plant case study)

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 found to be inadequate, we enact management measures that require the ongoing submission of improvement plans and training records.

Occupational safety and health activities at plants

Based on our Central Safety and Health 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.



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 eco-friendly 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.

Environmental management structure

Based on our Environmental Philosophy, our group makes efforts to maintain and improve environmental performance by constructing and modifying the environmental management structure, and thus develop our activities. We have constructed organizations with clearly defined roles, responsibilities, and authorizations based on the ISO 14001 international standard for environmental management systems, and engage in efficient operation of the organizations. The Environment Committee is convened at least once a year 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 CO₂ emissions of blast furnaces, contributing to the reduction of CO₂. 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.

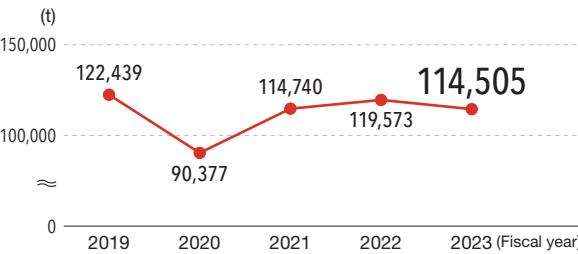
The International Civil Aviation Organization has adopted the global reduction target of a 2% annual average fuel efficiency improvement between 2020 and 2050. Nicalon silicon carbide fiber is an indispensable material in achieving this target.

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



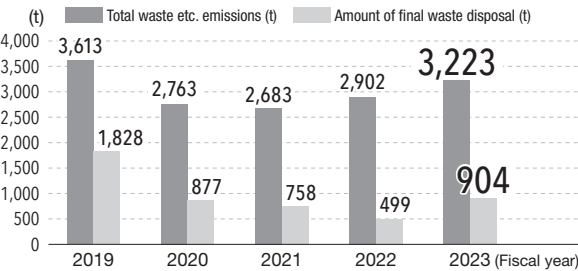
*The targeted scope is all production sites and the Technical Center of our group (excluding Nippon Kormmeyer Carbon Group GmbH).

Contribution to a recycling based society

Every plant sets target values for waste intensity and works to reduce waste. 5R activities include recycling of carbon materials generated in production, reuse initiatives, 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 Kormmeyer Carbon Group GmbH and Central Carbon Co., Ltd.).

Corporate Governance

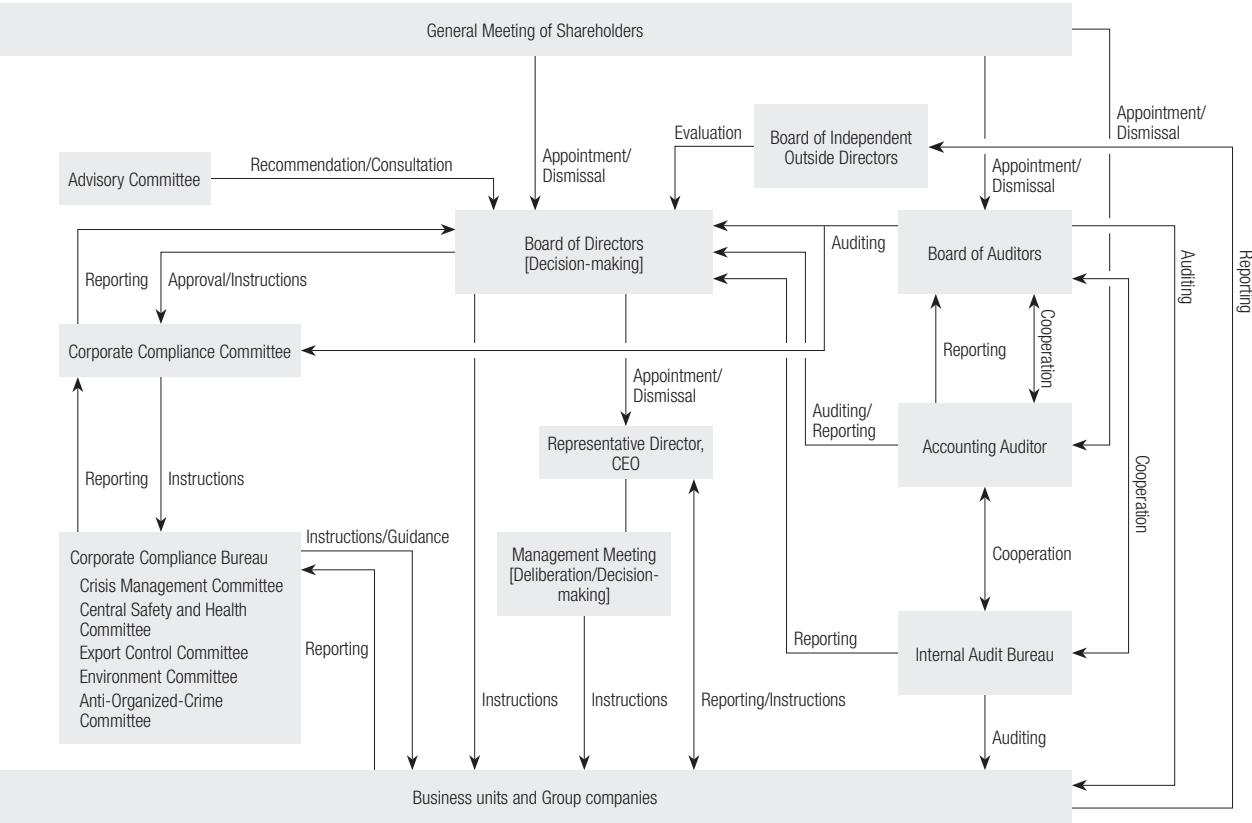
Our group aims to achieve our Management Philosophy and recognizes that sustainable growth and enhancement of our corporate value will lead to the maximization of stakeholder interests.

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. A majority of the members of the Advisory Committee are Independent Outside Directors to ensure its independence.

Accounting audits, Accounting Auditor

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

* We have appointed GYOSEI & CO. as Accounting Auditor from fiscal 2024.

Corporate Compliance Committee


Viewing thorough compliance with ethics and laws as a basic principle of management, Nippon Carbon strictly complies with all laws, regulations, and rules. In order to engage in sincere and fair corporate activities without violation of social norms, we have established the "Basic Policy on Ethics and Compliance" and the "Nippon Carbon Code of Conduct." Primarily through the Corporate Compliance Committee, we work to establish ethical and legal compliance throughout the Group. In addition to legal compliance, we have established 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 the Group. The Internal Audit Bureau conveys audit results to departments subject to auditing, checks improvement status, and reports the results of follow-up audits to the Board of Directors. The Internal Audit Bureau strives to achieve an effective audit by cooperating with 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 (to present)



Outside Director

Takeo Kato


Apr. 1975 Joined ULVAC, Inc. (formerly Japan Vacuum Engineering Co., Ltd.)

Sep. 2006 Director of ULVAC, Inc.

Jul. 2013 President and Chief Executive Officer of ULVAC TOHOKU, Inc.

Sep. 2018 Advisor of ULVAC, Inc.

Mar. 2020 Outside Director (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)



Full-time Auditor

Mitsuhiro 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

Mar. 2015 Outside Auditor (to present)



Outside Auditor

Yoshikazu Tanaka

Apr. 1971 Joined the Company

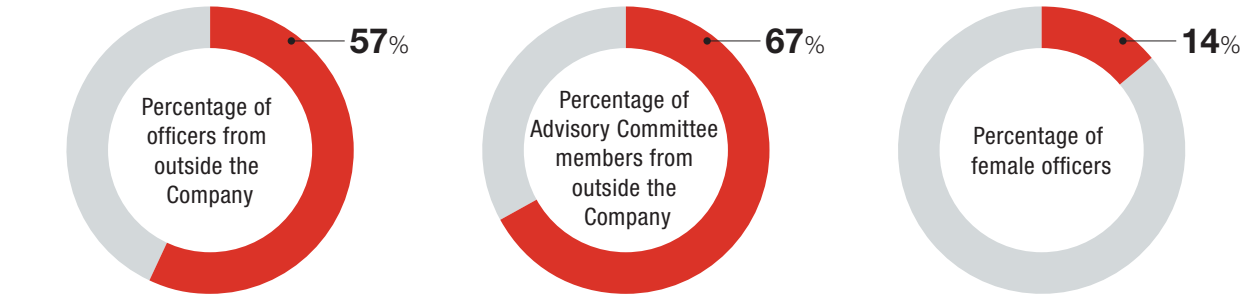
Mar. 2006 Director

Mar. 2009 Retired as Director

Mar. 2022 Outside Auditor (to present)

Director Skill Matrix Etc.

Name		Directors				Auditors		
		Representative Director, CEO	Director	Director	Director	Full-time Auditor	Auditor	Auditor
		Takafumi Miyashita	Akira Urano	Takeo Kato	Yuriko Katayama	Mitsuhiro Kinoshita	Mitsuo Sasaki	Yoshikazu Tanaka
Capabilities of the Director	Corporate management	●	●	●				
	Business planning	●	●	●				
	Global business	●	●		●			
	Legal affairs and governance				●			
	Sales and marketing	●	●					
	Manufacturing and technology		●	●				
	Research and development		●					
Other information	Independent officer			●	●		●	●
	Advisory Committee	●		●	●			
	Rate of attendance at Board of Directors meetings (FY2023)	14/14	—	14/14	14/14	—	14/14	14/14
	Rate of attendance at Board of Auditors meetings (FY2023)		—			—	20/20	20/20
	Number of shares held (hundreds)	26	1	—	—	1	7	—
	Term of office	2017/1—	2024/3—	2020/3—	2022/3—	2024/3—	2015/3—	2022/3—



Corporate Governance

Evaluation of the effectiveness of the Board of Directors

Overview

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

Evaluation process

In fiscal 2023, 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 2023 to December 2023
(2) Response period: January 17 to January 24, 2024
(3) Respondents: Seven Directors and Auditors in total
(4) Overview: Evaluation for each question (on a five-point scale) and additional comments

Questionnaire items

- (1) Roles and functions of the Board of Directors
- (2) Composition and size of the Board of Directors
- (3) Operation of the Board of Directors

- (4) Cooperation with audit organizations
 - (5) Relationship with Outside Directors
 - (6) Relationship with shareholders and investors
- Each question has an additional comment space, calling for a wide range of opinions.

Evaluation

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

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

(1) Expansion of discussion about risk management in business in general
(2) Ensuring and enhancing in advance information that contributes to discussions by Outside Directors

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

Basic policy

The Company has established a Policy for Determining Remuneration for Directors.

Composition of remuneration

Remuneration for officers consists of basic remuneration based on position, bonuses linked to performance, and stock remuneration linked to stock price.

We introduced a performance-linked stock remuneration system in fiscal 2017 to further clarify the connection between Directors' remuneration and our group's performance and stock price, as well as to encourage a mindset of contribution to the enhancement of medium- to long-term business performance and the

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

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

Remuneration for Auditors

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

Messages from Outside Directors



Improving corporate value by strengthening governance

Outside Director **Takeo Kato**

The conflicts occurring in various places around the world did not come to an end in fiscal 2023. Our group was affected in various ways by that, such as a sharp rise in energy costs. Under these circumstances, there were thorough exchanges of opinions about key management issues by the Board of Directors of the Company.

Enhancing corporate value requires strengthening of profitability that is unaffected by the environment of market conditions or the market growth characteristics. I believe that in the manufacturing industry in particular, it is necessary to improve yields and work efficiency to strengthen profitability. Toward that end, we have to abandon the idea that our current production methods and production structure are fine.

The Company has now entered the final fiscal year of Mid-term Management Policy BREAKTHROUGH 2024. With business structural reform and improvement of corporate constitution at the core of our management strategy, I am paying particular attention as to how to tackle those issues to produce results.

Moreover, I recognize that strengthening governance is directly linked to improving corporate value. I will do my best to use my experience and knowledge as an executive manager to satisfy all the Company's stakeholders.



Paying the most attention to review of the Mid-term Management Policy and formulation of new policies

Outside Director **Yuriko Katayama**

The Board of Directors of the Company held frank and productive discussions on issues such as business structural reform and improvement of corporate constitution in addition to the usual management agenda in this fiscal year.

The next year is the last fiscal year of the Mid-term Management Policy BREAKTHROUGH 2024. It is necessary to once again thoroughly and comprehensively evaluate the accumulation of individual discussions held so far based on this management policy and the extent to which the policy has actually been realized. It will then be necessary to use the results of that evaluation in formulating the next management policy. In fiscal year 2024, I would like to pay even more attention to those issues, in addition to the sales strategies in Japan and overseas, which generally tend to be procrastinated, such as the internal compliance and checking system (including legal checking systems) the working environment at plants. Continuous consideration for diversity and carbon neutral initiatives are also needed.

I will strive to improve our group's corporate value by monitoring its management and corporate governance structure as an outside pair of eyes.

Compliance

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

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

Basic Policy on Ethics and Compliance

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

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

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

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

 - We will strive to maintain sound and positive relationships with wide-ranging areas of society, including customers, business partners, employees, and shareholders.
- 5. We will strive to be a good corporate citizen that contributes to society.**

 - We will closely coordinate and cooperate with local communities so that we can play a role in community development.
 - In today’s age of globalization, we will respect the world’s differing cultural traditions and customs.
- 6. We will contribute to the conservation of the global environment and the creation of a prosperous and livable society.**

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

Nippon Carbon Code of Conduct (Overview)

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

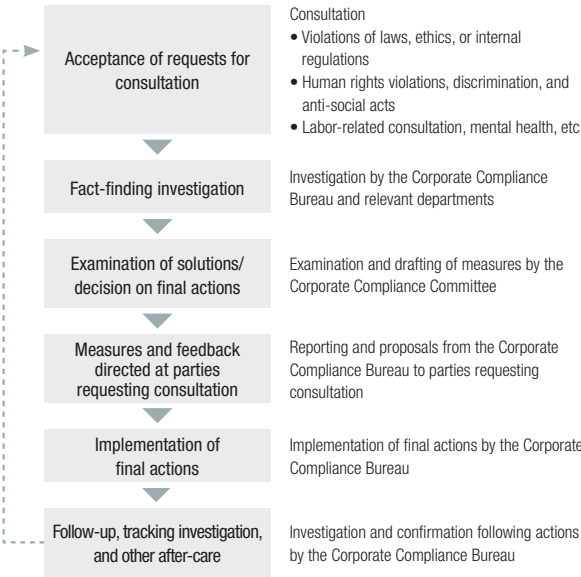
Ethics and legal compliance structure



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 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



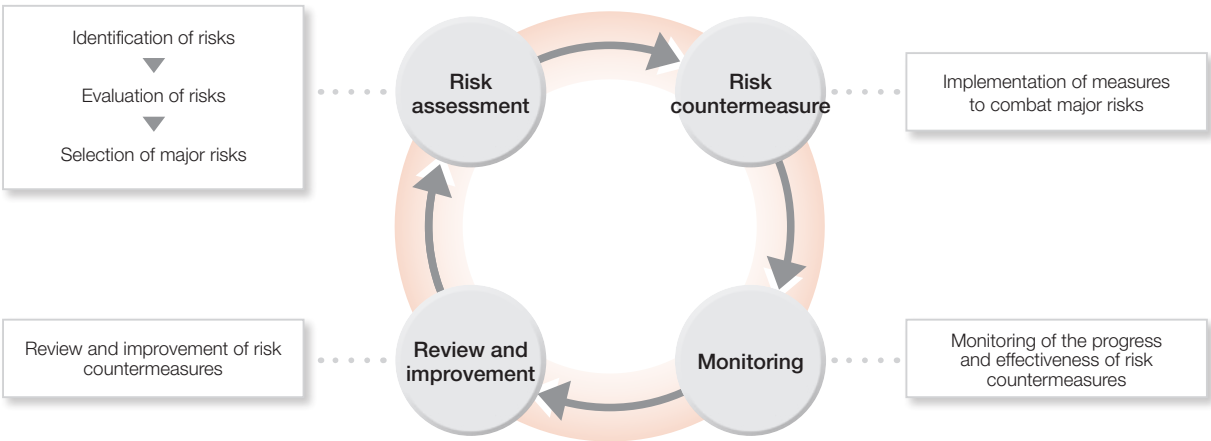
Risk Management

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.

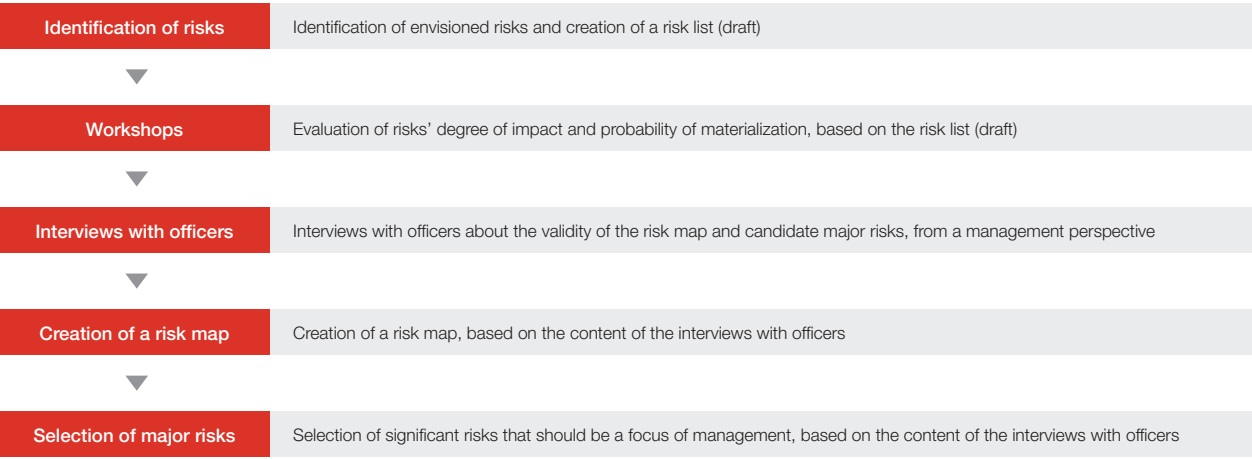
Our group comprehensively identify risks envisioned in the course of carrying out our business, evaluate each risk's degree of impact on our group and the possibility of its materialization, and identify major risks. We further enact measures to control the possibility of identified major risks materializing 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 natural disasters and infectious diseases with SEC Carbon.

Risk management cycle



Risk assessment flow



Overview of major risks and status of countermeasures

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

Risk Management

Response to climate change

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

Governance and risk management

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.	International Energy Agency (IEA) Sustainable Development Scenario (SDS), etc.
	To achieve sustainable development goals, including those of the Paris Agreement, strict laws and regulations are introduced and large-scale investments in environment-related technologies are made.	
4°C scenario	Scenario in which atmospheric temperature rises 4°C or more from 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 EV-related products	•Possibility of growing demand for fine carbon products for semiconductors, magnets, etc. and for lithium-ion battery anode materials associated with increased demand for EVs	Large
4°C scenario	Risks	Positive evaluation by investors, etc. of leading response	•Possibility of rise in stock price due to positive evaluation by investors, etc. of the Company's leading responses to climate change	Medium
		Heavy rains, flooding, and other weather anomalies	•Risk of damage from flooding, storms, etc. in plants, etc., affecting operations	Medium

Metrics and targets

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. 30 for detailed data on our GHG emissions.

Financial Information

Long-term financial results (consolidated results)

For the year		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating results											
Net sales	(Millions of yen)	29,580	28,891	22,903	27,964	48,017	44,931	26,802	31,578	35,799	37,867
Operating profit	(Millions of yen)	1,409	2,063	(663)	2,569	16,404	14,827	3,015	3,706	4,791	6,573
Ordinary profit	(Millions of yen)	1,518	1,884	(570)	2,997	16,508	15,106	3,587	4,434	5,042	7,115
Profit attributable to owners of parent	(Millions of yen)	802	1,076	(5,413)	2,961	10,292	9,700	1,810	2,729	3,194	4,050
Cash flows from operating activities	(Millions of yen)	4,319	3,827	2,370	3,876	12,633	4,792	3,853	7,551	5,798	3,189
Cash flows from investing activities	(Millions of yen)	(825)	(526)	(6,136)	(1,498)	(2,051)	(3,693)	(4,716)	(608)	(1,601)	(4,426)
Cash flows from financing activities	(Millions of yen)	(1,362)	(740)	3,501	(1,349)	(2,418)	(2,996)	(2,389)	(3,762)	(3,777)	(2,614)
Cash and cash equivalents at end of period	(Millions of yen)	8,048	10,685	10,408	11,441	19,602	17,707	14,455	17,720	18,177	14,382
Research and development expenses	(Millions of yen)	283	240	295	341	368	418	406	368	369	403
Depreciation	(Millions of yen)	2,667	1,980	2,342	1,570	1,529	1,847	2,193	2,385	2,484	2,666
Capital expenditure	(Millions of yen)	940	5,018	3,678	1,468	2,713	4,456	3,572	1,812	2,463	2,754
Financial status											
Total assets	(Millions of yen)	57,114	59,043	53,895	57,656	73,598	77,939	70,930	72,692	74,181	78,466
Equity capital	(Millions of yen)	31,509	31,477	25,438	28,196	36,539	45,140	44,146	44,987	45,562	49,455
Net assets	(Millions of yen)	36,690	36,617	30,810	33,906	42,734	51,654	50,998	52,257	53,210	57,681
Interest-bearing debt*1	(Millions of yen)	10,049	10,945	14,938	14,394	13,248	12,027	11,987	10,567	9,092	8,854
Per-share											
Profit*2	(yen/share)	7.06	9.51	(48.81)	267.71	931.89	876.81	163.64	247.00	289.24	366.75
Net assets*2	(yen/share)	277.29	283.82	229.37	2,553.20	3,303.04	4,080.33	3,989.30	4,073.56	4,125.77	4,478.09
Dividends*2	(yen/share)	5.00	5.00	5.00	50.00	100.00	200.00	200.00	200.00	200.00	200.00
Financial indicators											
Return on assets (ROA)	(%)	2.7	3.2	(1.0)	5.4	25.1	19.9	4.8	6.2	6.9	9.3
Return on equity (ROE)	(%)	2.6	3.4	(19.0)	11.0	31.8	23.8	4.1	6.1	7.1	8.5
Return on sales (ROS)	(%)	5.1	6.5	(2.5)	10.7	34.4	33.6	13.4	14.0	14.1	18.8
Equity ratio	(%)	55.2	53.3	47.2	48.9	49.4	57.9	62.2	61.9	61.4	63.0
Share price at end of term	(yen/share)	229	306	227	5,070	4,025	4,105	3,945	4,170	4,205	4,385
Dividend payout ratio*3	(%)	91.07	53.19	(9.60)	22.05	11.58	23.20	162.44	105.08	87.83	67.88
Price-earnings ratio (PER)	(multiple)	32.44	32.18	(4.65)	18.94	4.32	4.68	24.11	16.88	14.54	11.96

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

Number of employees

For the year		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Consolidated	(persons)	537	574	591	614	679	664	663	648	651	650
Non-consolidated	(persons)	143	147	148	169	154	180	182	175	178	181

Financial Information

Consolidated balance sheets

	As of December 31, 2022	As of December 31, 2023
(Millions of yen)		
Assets		
Current assets		
Cash and deposits	18,322	14,527
Notes receivable, accounts receivable and contract assets	11,922	13,581
Merchandise and finished goods	8,661	10,760
Work in process	4,408	4,555
Raw materials and supplies	3,447	3,545
Income taxes receivable	16	-
Other	781	459
Allowance for doubtful accounts	(14)	(12)
Total current assets	47,546	47,416
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,817	6,462
Machinery and equipment, net	8,394	8,259
Vehicles, tools, furniture and fixtures, net	540	578
Land	3,553	3,565
Construction in progress	197	732
Total property, plant and equipment	19,502	19,599
Intangible assets	240	215
Investments and other assets		
Investment securities	4,566	8,667
Deferred tax assets	434	514
Other	1,893	2,057
Allowance for doubtful accounts	(2)	(3)
Total investments and other assets	6,892	11,235
Total non-current assets	26,635	31,049
Total assets	74,181	78,466

	As of December 31, 2022	As of December 31, 2023
(Millions of yen)		
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,416	4,926
Short-term borrowings	8,892	8,576
Accrued expenses	579	635
Income taxes payable	1,271	1,410
Advances received	801	454
Provision for bonuses	223	236
Provision for bonuses for directors (and other officers)	74	72
Provision for loss on orders received	0	-
Other	1,915	1,609
Total current liabilities	19,175	17,923
Non-current liabilities		
Long-term borrowings	200	278
Deferred tax liabilities	274	1,254
Retirement benefit liability	784	766
Provision for retirement benefits for directors (and other officers)	19	32
Provision for share awards for directors (and other officers)	85	104
Provision for environmental measures	0	0
Asset retirement obligations	62	62
Other	369	361
Total non-current liabilities	1,795	2,861
Total liabilities	20,971	20,784
Net assets		
Shareholders' equity		
Share capital	7,402	7,402
Capital surplus	7,858	7,858
Retained earnings	30,744	32,586
Treasury shares	(2,012)	(2,012)
Total shareholders' equity	43,992	45,835
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,493	3,421
Deferred gains or losses on hedges	-	(1)
Foreign currency translation adjustment	170	258
Remeasurements of defined benefits plans	(93)	(57)
Total accumulated other comprehensive income	1,570	3,620
Non-controlling interests	7,647	8,226
Total net assets	53,210	57,681
Total liabilities and net assets	74,181	78,466

Financial Information

Consolidated statements of income

	(Millions of yen)	
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Net sales	35,799	37,867
Cost of sales	25,950	26,016
Gross profit	9,849	11,850
Selling, general and administrative expenses	5,058	5,276
Operating profit	4,791	6,573
Non-operating income		
Interest income	1	3
Dividend income	130	176
Foreign exchange gains	250	227
Share of profit of entities accounted for using equity method	79	146
Insurance claim income	223	185
Other	155	140
Total non-operating income	840	879
Non-operating expenses		
Interest expenses	52	44
Loss on retirement of non-current assets	156	87
Depreciation of inactive non-current assets	146	146
Loss on disaster	78	-
Other	155	59
Total non-operating expenses	589	337
Ordinary profit	5,042	7,115
Extraordinary income		
Gain on sales of investment securities	183	22
Total extraordinary income	183	22
Extraordinary losses		
Loss on fire	-	158
Total extraordinary losses	-	158
Profit before income taxes	5,225	6,979
Income taxes - current	1,812	2,197
Income taxes - deferred	(232)	34
Total income taxes	1,579	2,232
Profit	3,646	4,747
Profit attributable to non-controlling interests	451	696
Profit attributable to owners of parent	3,194	4,050

Consolidated statements of cash flows

	(Millions of yen)	
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	5,225	6,979
Depreciation	2,484	2,666
Increase (decrease) in retirement benefit liability	(40)	35
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(36)	13
Interest and dividend income	(131)	(180)
Insurance claim income	(223)	(185)
Interest expenses	52	44
Share of loss (profit) of entities accounted for using equity method	(79)	(146)
Loss (gain) on sales of investment securities	(183)	(22)
Loss on casualty	78	-
Loss on fire	-	158
Loss on retirement of non-current assets	156	87
Decrease (increase) in trade receivables and contract assets	(273)	(1,578)
Decrease (increase) in inventories	(1,083)	(2,243)
Increase (decrease) in trade payables	1,509	(499)
Increase (decrease) in accrued expenses	63	(103)
Increase (decrease) in accounts payable - other	(209)	92
Increase (decrease) in advances received	248	(346)
Decrease (increase) in accounts receivable - other	(205)	357
Other, net	(396)	(217)
Subtotal	6,955	4,910
Interest and dividends received	166	221
Interest paid	(52)	(45)
Income taxes refund	29	24
Income taxes paid	(1,604)	(2,119)
Proceeds from insurance income	304	197
Net cash provided by (used in) operating activities	5,798	3,189
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,775)	(3,056)
Purchase of intangible assets	(67)	(55)
Purchase of investment securities	(6)	(1,343)
Proceeds from sales of investment securities	247	28
Net cash provided by (used in) investing activities	(1,601)	(4,426)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(300)	800
Proceeds from long-term borrowings	100	300
Repayments of long-term borrowings	(1,275)	(1,337)
Net decrease (increase) in treasury shares	(0)	0
Dividends paid	(2,206)	(2,203)
Dividends paid to non-controlling interests	(94)	(174)
Net cash provided by (used in) financing activities	(3,777)	(2,614)
Effect of exchange rate change on cash and cash equivalents	37	57
Net increase (decrease) in cash and cash equivalents	456	(3,794)
Cash and cash equivalents at beginning of period	17,720	18,177
Cash and cash equivalents at end of period	18,177	14,382

Corporate Information (As of December 2023)

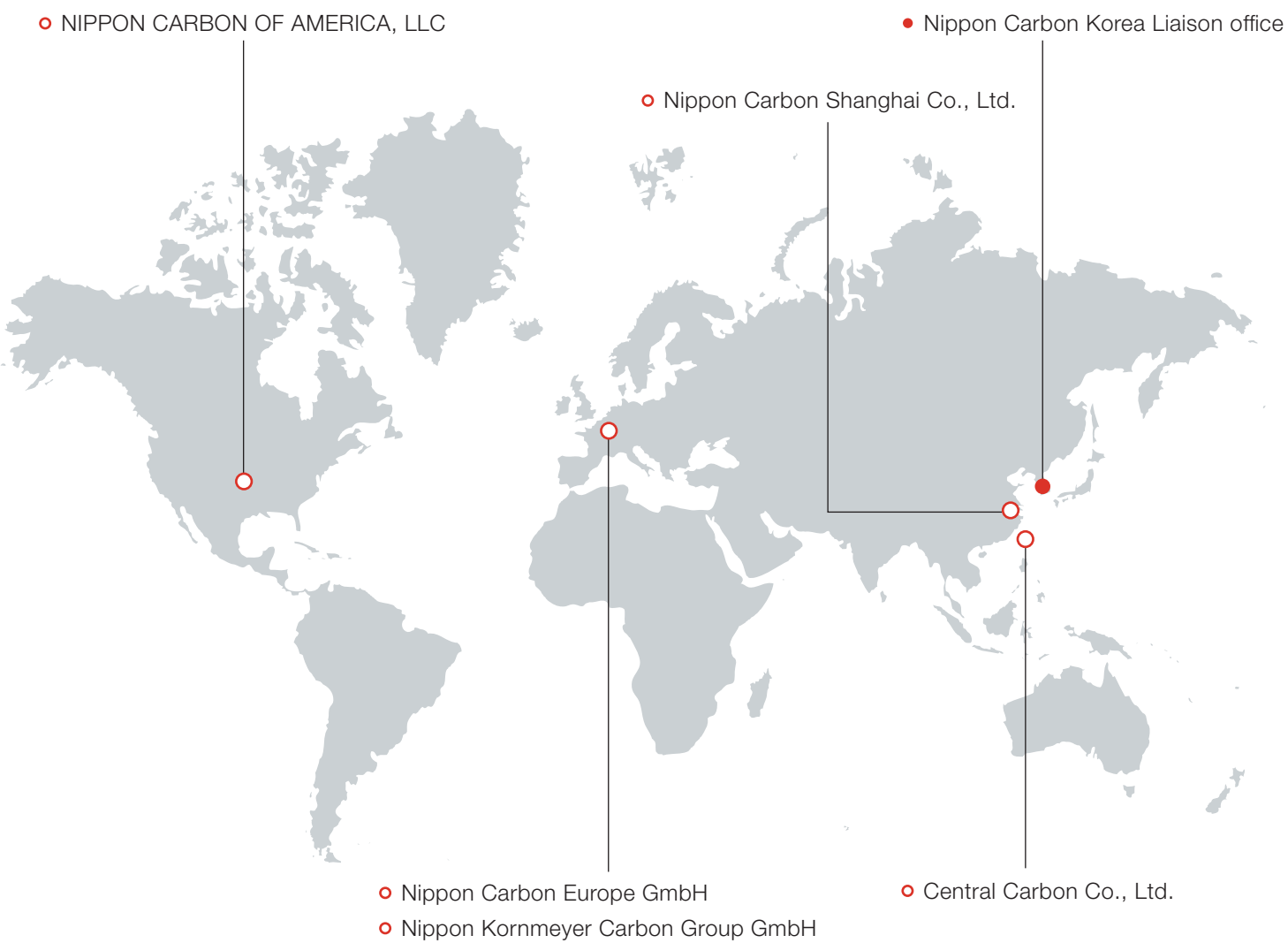


Nippon Carbon

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

Affiliated companies (domestic)

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



Affiliated companies (overseas)

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

Corporate Information

Corporate profile

(As of December 31, 2023)

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

Stock information

(As of December 31, 2023)

Securities code	5302
Total number of authorized shares	40,000,000
Total number of issued shares (common shares)	11,832,504
Number of shareholders	18,752
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, 2023)

Name	Number of shares held (hundred shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	13,247	11.93
Custody Bank of Japan, Ltd. (trust account)	6,034	5.43
Mizuho Bank, Ltd.	5,517	4.97
SEC Carbon, Ltd.	4,442	4.00
Nippon Life Insurance Company	4,260	3.84
Nippon Carbon Kyoei Shareholding Association	1,499	1.35
JP MORGAN CHASE BANK 385781	1,343	1.21
STATE STREET BANK WEST CLIENT - TREATY 505234	1,227	1.11
Sumitomo Mitsui Banking Corporation	995	0.90
JP MORGAN CHASE BANK 385794	865	0.78

Notes: 1. Shareholding ratio is calculated after deducting the number of treasury shares (729,000 shares) from the number of issued shares.

2. In addition to the above, 59,600 shares of the Company are held by the Board Benefit Trust (BBT).

Distribution of shareholders

