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To whom it may concern

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Notice Concerning “Action to Implement Management that is Conscious of Cost of Capital and Stock Price”

Nippon Carbon Co., Ltd. hereby announces that it has prepared a document outlining the Group’s initiatives aimed at implementing management practices that are conscious of the cost of capital and the stock price.

For details, please refer to the attached material.

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

March 25, 2026



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

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Introduction

- Our Group aims to enhance its corporate value over the medium to long term through initiatives under our Mid-term Management Policy, GO BEYOND 2030: Achieving Both Profitability Improvement and Sustainability Management,* which began in FY2025.
*) For an outline of the new Mid-term Management Policy (published on February 10, 2025), please refer to our website.
(https://www.carbon.co.jp/english/topics/topic_250311_en.pdf)
- Under this policy, we are promoting management that emphasizes widening the equity spread and improving PBR through enhancing profitability and strengthening shareholder returns.
- This material outlines our future initiatives based on our performance in 2025 and our current assessment.

Detailed discussions of “Our Recognition of the Current Situation” and “Initiatives to Implement” are described on the following pages:

- ✓ For more about “Our Recognition of the Current Situation,” see pp. 5–11.
- ✓ For more about the “Initiatives to Implement,” see pp. 12–16.

Our Recognition of the Current Situation

Our Recognition of the Current Situation (Summary)

- As a result of initiatives aimed at enhancing corporate value based on the Mid-term Management Policy “GO BEYOND 2030,” our Group recognizes the current status of return on equity (ROE), the equity spread, shareholder returns, and the Price Book-value Ratio (PBR) as of the end of 2025 as follows:

- ✓ **Our equity spread expanded as our ROE improved as a result of increases in earnings per share and profit attributable to owners of parent. (*1)**

(*1) We recognize that our cost of shareholders' equity has been on an upward trend over the past 10 years, and that further improvement in ROE will be required going forward.

- ✓ **We will continue shareholder returns through stable dividends and maintain a relatively high dividend yield.**
- ✓ **To improve capital efficiency, we are selling cross-shareholdings for which no rational holding purpose can be identified. (*2)**

(*2) We have established a share repurchase program to return surplus funds. For details, please refer to our website.

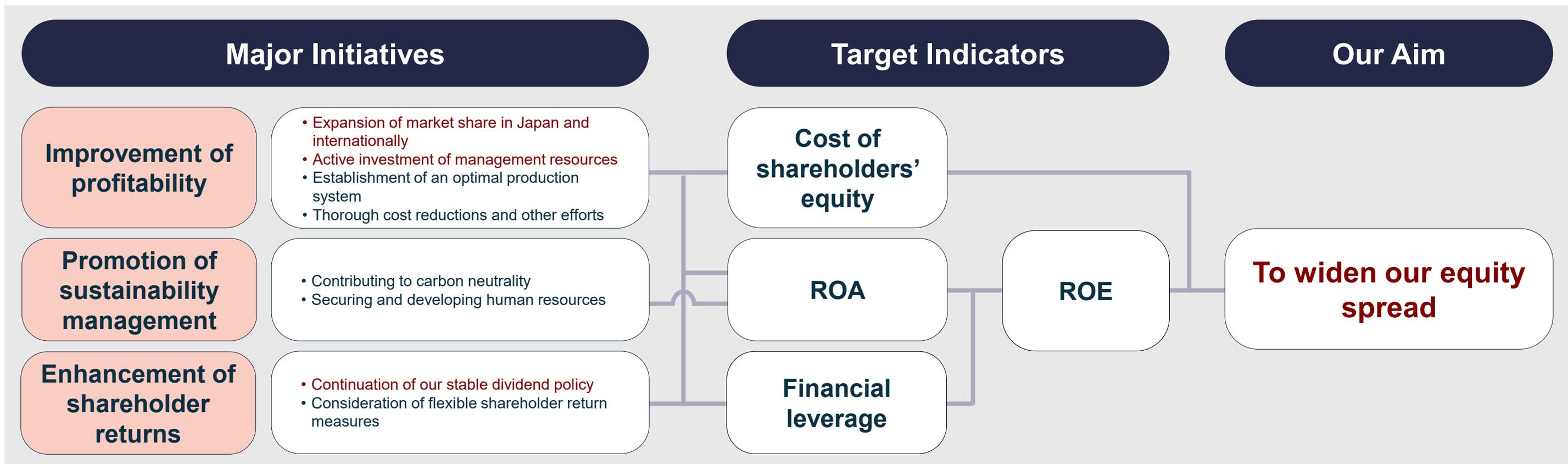
(https://www.carbon.co.jp/english/topics/topic_260210_01_en.pdf)

- ✓ **While ROE increased, our price-to-earnings ratio (PER) declined, and as a result, our PBR fell below 1.0x.**
⇒ We are examining the relationship between earnings per share and the Mid-term Management Policy in order to improve PBR.

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

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

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



[Equity Spread]

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

[Cost of Shareholders' Equity]

- Our cost of shareholders' equity was determined to be 5.1% as of the end of 2025 using the CAPM and based on the market risk premium measured for the most recent 360 months.
- For reference, based on the most recent 120 months, our cost of shareholders' equity was 11.46%.

Equity Spread and Cost of Shareholders' Equity



Our cost of shareholders' equity (CAPM)

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

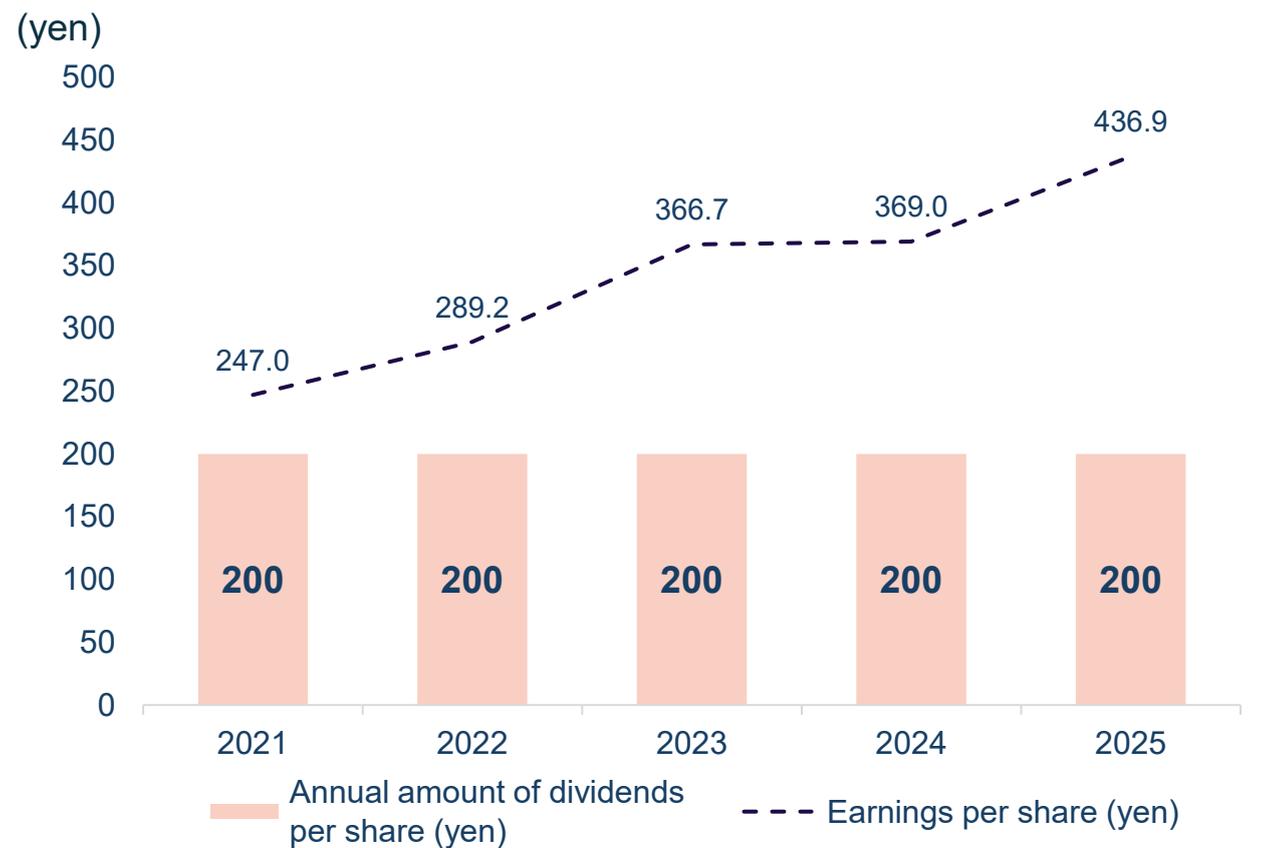
[Dividend Policy]

- We continued to pay dividends of 200 yen per share annually pursuant to our stable dividend policy.
- To improve capital efficiency, we are selling cross-shareholdings for which no rational holding purpose can be identified. (In addition, we established a share repurchase program on February 10, 2026.)

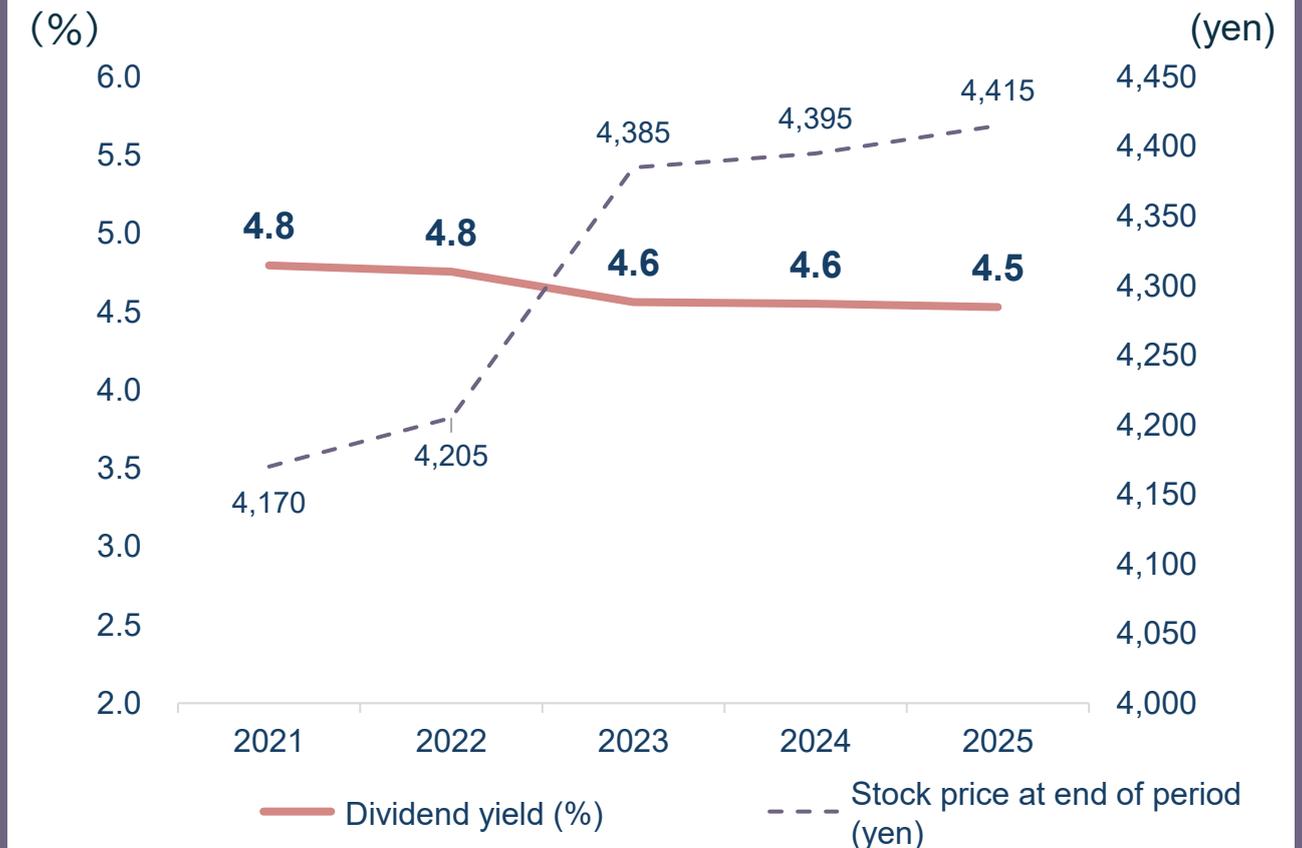
[Dividend Yield]

- Our stable dividend policy serves as a factor that underpins our stock price, as our dividend yield rises relatively during periods of stock price decline.

Annual Amount of Dividends Per Share and Earnings Per Share



Dividend Yield



[PER]

■ Our PER declined because the increase in our stock price at period end was limited in relation to the increase in earnings per share.

[ROE]

■ Our ROE rose as earnings per share increased.

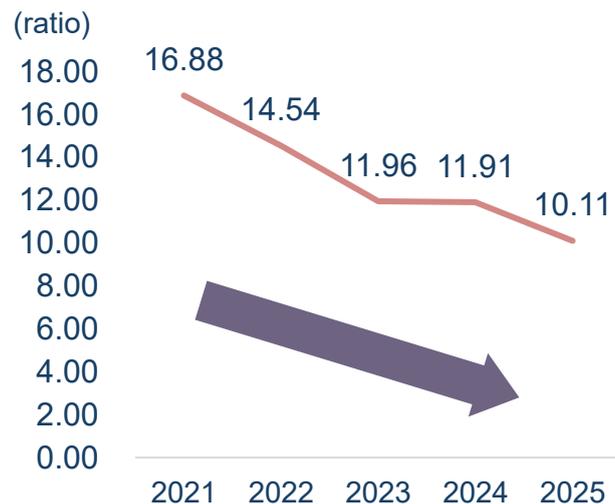
[PBR]

■ While our rising ROE served as an upward driver of our PBR, our declining PER put downward pressure on our PBR. As a result, our PBR continued to remain below 1.0x.

PBR (Price-to-Book Ratio)



PER (Price-to-Earnings Ratio)



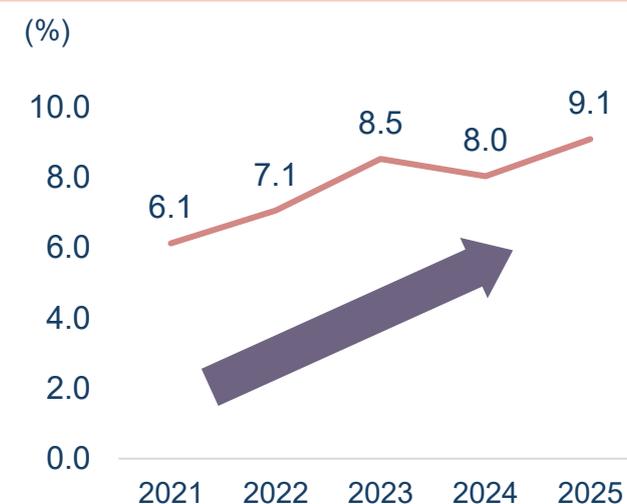
Stock Price at End of Period



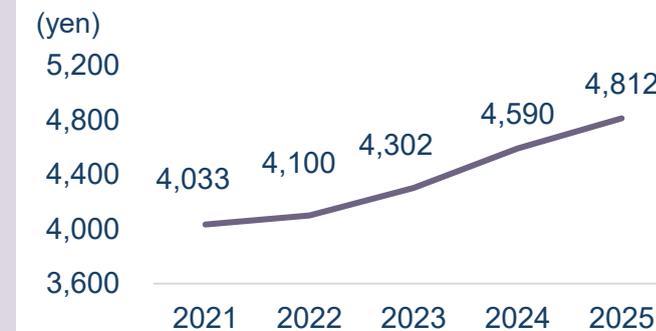
Earnings Per Share



ROE (Return on Equity)



Equity Per Share (Annual Average)



[ROA]

■ Our ROA showed an upward trend as profit attributable to owners of parent increased.

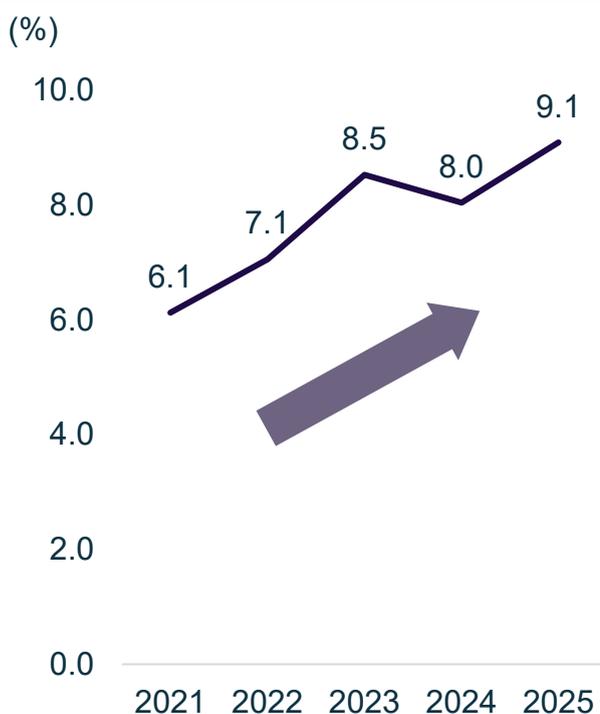
[Financial Leverage]

■ Our financial leverage decreased as consolidated equity accumulated due to increases in retained earnings and other comprehensive income.

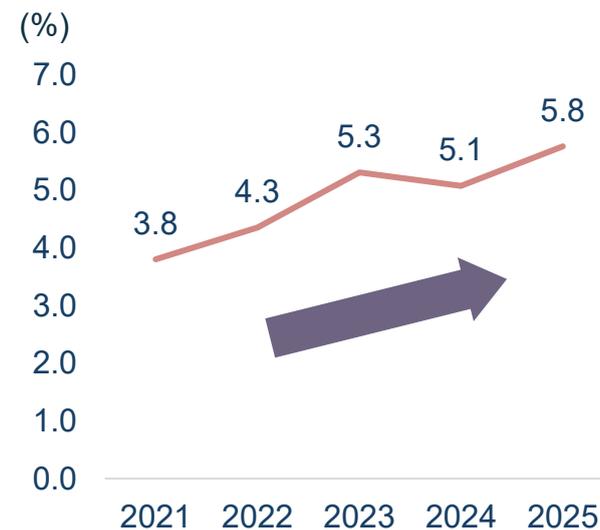
[ROE]

■ Our declining financial leverage put downward pressure on our ROE, which was more than offset by our improved ROA. As a result, our ROE showed an upward trend overall.

ROE (Return on Equity)



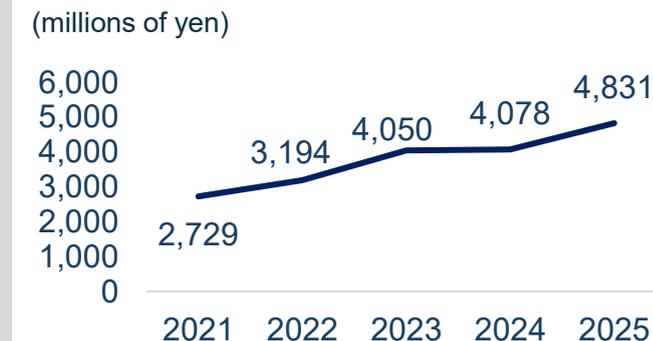
ROA (Return on Assets)



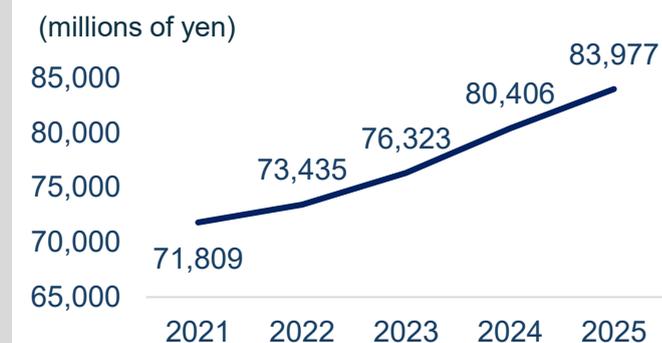
Financial Leverage



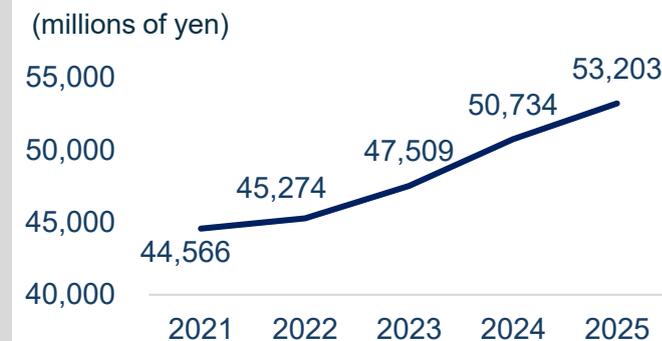
Profit Attributable to Owners of Parent



Consolidated Total Assets (Average)



Consolidated Equity (Average)



Initiatives to Implement

Initiatives to Implement (Summary)

- We will continue our efforts to enhance our corporate value by widening our equity spread.
- We will focus on growth investments and shareholder returns to build a business portfolio designed to enhance profitability.

● Our Aim

To widen our equity spread and improve our PBR

● Target Indicators

To widen our equity spread, we will implement measures with a focus on the following three indicators:

- (i) Cost of shareholders' equity We aim to contain downturns in our stock price through our stable dividend policy as part of a capital policy that is conscious of stock price.
- (ii) ROA We aim to improve the ratio of total assets to net income by making investment decisions that are conscious of capital profitability.
- (iii) Financial leverage We aim to maintain an optimal equity ratio through a capital policy that reflects trends in our consolidated equity.

● Strengthening Initiatives

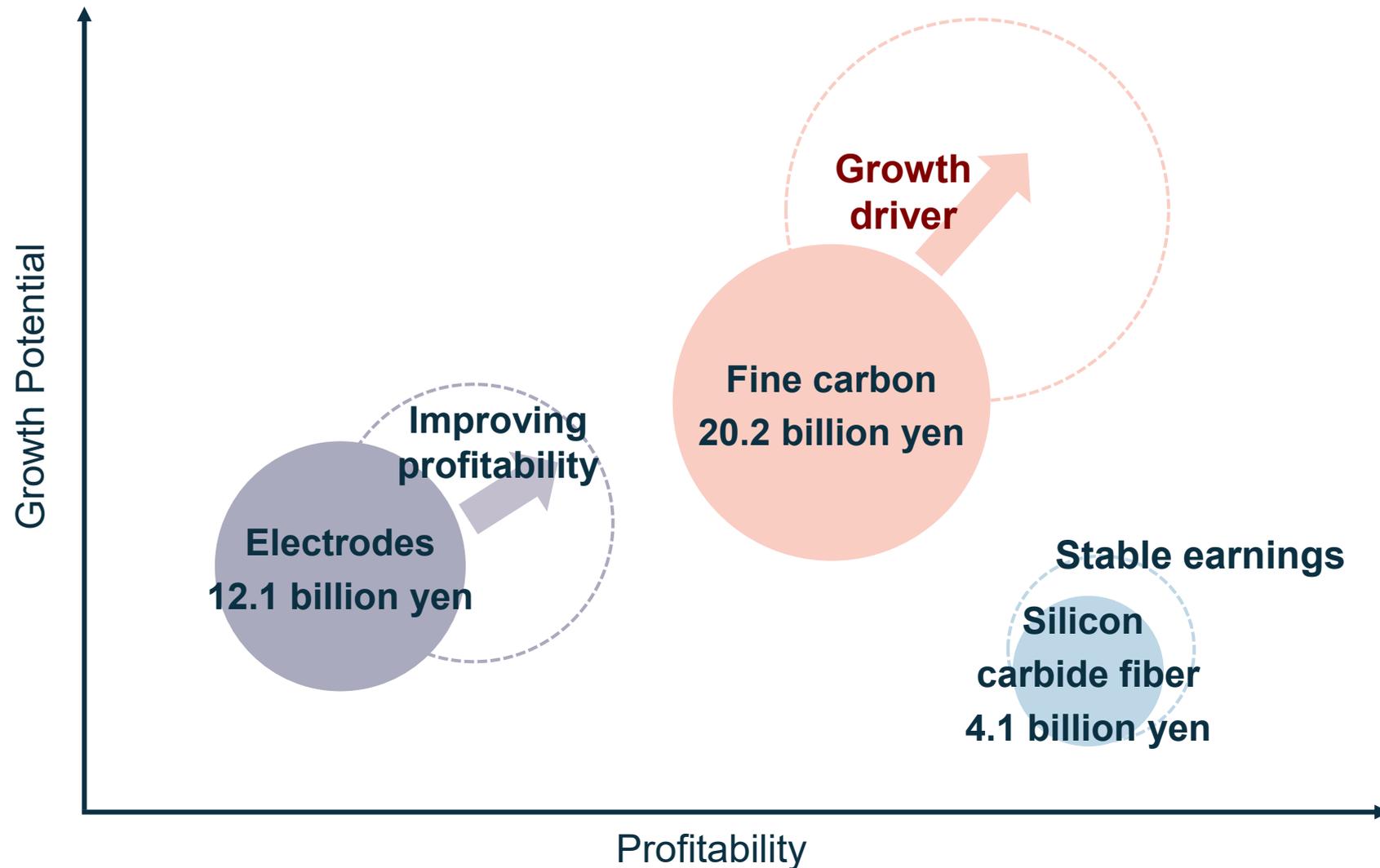
According to the Mid-term Management Policy “GO BEYOND 2030,” we will strengthen the following three initiatives in order to improve the above-mentioned indicators:

- (i) **Strengthening the high-growth and highly profitable fine carbon business** We aim to raise our ROA by improving profitability.
- (ii) **Focusing on growth investments and shareholder returns** We aim to enhance our financial leverage.
- (iii) Reinforcing our IR activities We aim to achieve a stock price that properly reflects our corporate value through IR activities.

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

Our Business Portfolio

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



Direction of Initiatives for Each Business

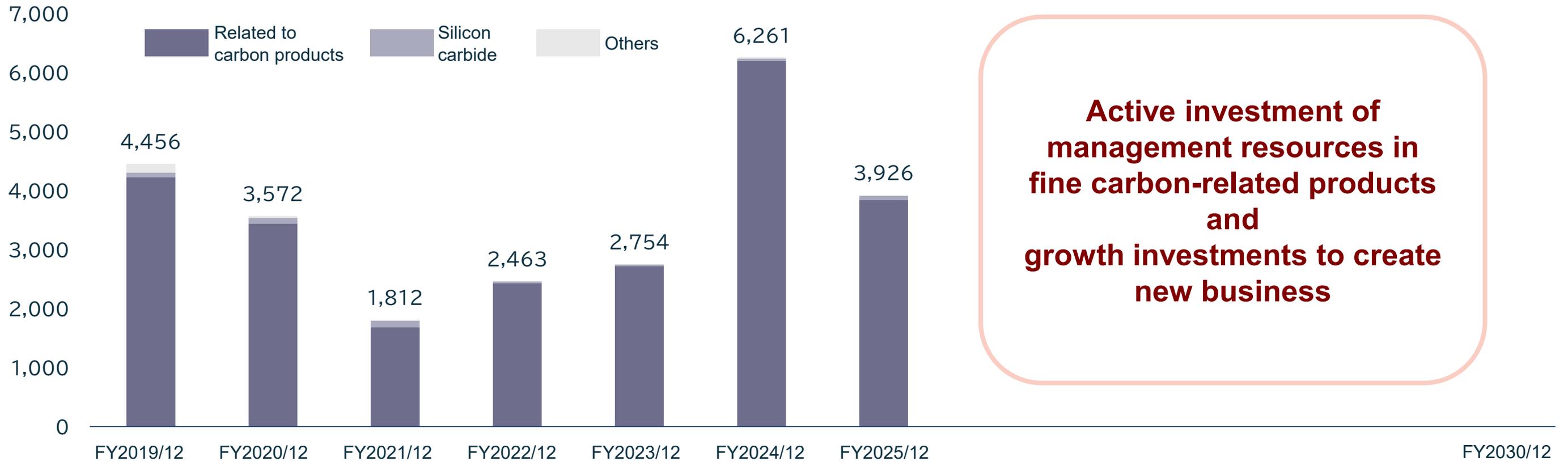
Fine carbon -related products	<p>Growth driver</p> <ul style="list-style-type: none"> Expansion of market share in Japan and internationally Active investment of management resources Manufacturing cost reductions
Electrode -related products	<p>Improving profitability</p> <ul style="list-style-type: none"> Establishment of an optimal production system in response to demand Thorough cost reductions Review of electrode sales channels
Silicon carbide -related products	<p>Expanding the business as a stable source of earnings</p> <ul style="list-style-type: none"> Securing human resources to meet increased demand Achieving safe operations
New business	<p>Creating business that will become the next pillar of growth</p>

- We strengthened our business foundation and advanced our shift to the fine carbon business during previous Mid-term Management Policy periods.
- We plan to make investments to further grow the fine carbon business and create new business as we move toward 2030.



(million yen)

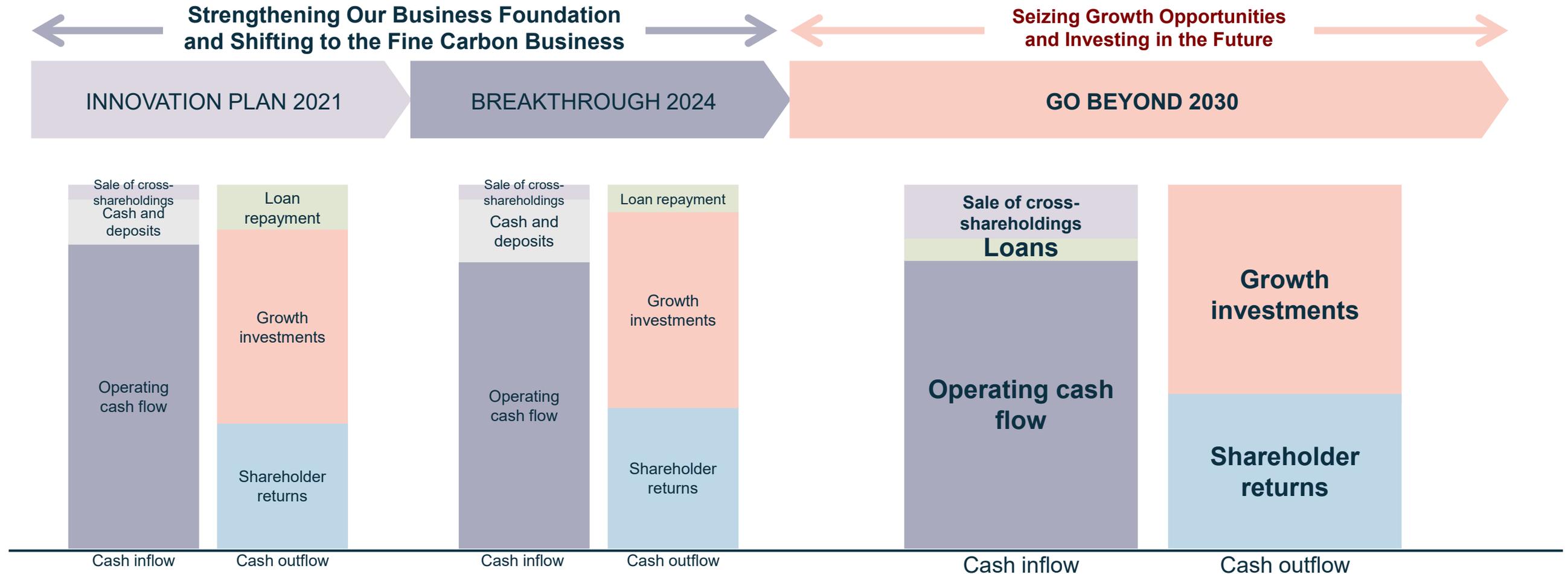
<Actual Capital Expenditures>



Active investment of management resources in fine carbon-related products and growth investments to create new business

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

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



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

- The management policy, outlook for the business environment, initiatives and measures to be implemented, and other descriptions included in this material are based on assumptions and decisions made by our Group that are grounded on the information available to us at the time of preparing this material. We provide no guarantee or assurance as to the accuracy or integrity of such descriptions.
- The management policy, outlook for the business environment, initiatives and measures to be implemented, and other matters are subject to change.
- This material is not intended to solicit investment, acquisition of any financial instruments, or anything similar.
- We provide no guarantee of, nor shall we nor any other related parties be responsible for, the accuracy, certainty, reliability, integrity, and so forth of the information included in this material. Please note that any matter included in such information may be changed or abolished without any prior notice.

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