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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

May 9, 2025



**日本カーボン**  
NIPPON CARBON

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# Introduction

Our Group aims to enhance its corporate value over the medium to long term through initiatives to be implemented pursuant to our new 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), see p. 15 of this material.

As part of our “Action to Implement Management that is Conscious of Cost of Capital and Stock Price,” we have summarized the relationship between our equity spread and the new Mid-term Management Policy. We would appreciate your understanding and continued support.

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. 5–10.
- ✓ For more about the “Initiatives to Implement,” see pp. 11–13.

# Our Recognition of the Current Situation

# Our Recognition of the Current Situation (Summary)

To examine measures to further enhance our corporate value, our Group recognizes the current situation to be as summarized below.

- **Management under our previous Mid-term Management Policy (BREAKTHROUGH 2024)**

- ✓ **Under the previous Mid-term Management Policy, we successfully transformed our business structure to secure **stable earnings**.**

- ⇒ Earnings per share remain strong, which has helped us to **secure a stable source of dividends**.
- ⇒ In the field of fine carbon-related products, we **actively invested in facilities with the aim of expanding our business**.
- ⇒ In the field of electrode-related products, we **contained a downturn in earnings** by taking measures to mitigate the impacts of business risks.

- ✓ **We maintained a **positive equity spread** as our return on equity (ROE) improved.**

- ✓ **We maintained **shareholder returns according to our stable dividend policy**.**

- ⇒ During our stock price's downward phase, our dividend yield rose relatively, **buffeting our stock price**.

- **Price-to-book ratio (PBR) and return on equity (ROE)**

- ✓ **Our ROE is on an upward trend as a result of increases in earnings per share and profit attributable to owners of parent.**

- ✓ **While our ROE rose, our price-to-earnings ratio (PER) declined, resulting in our PBR remaining flat.**

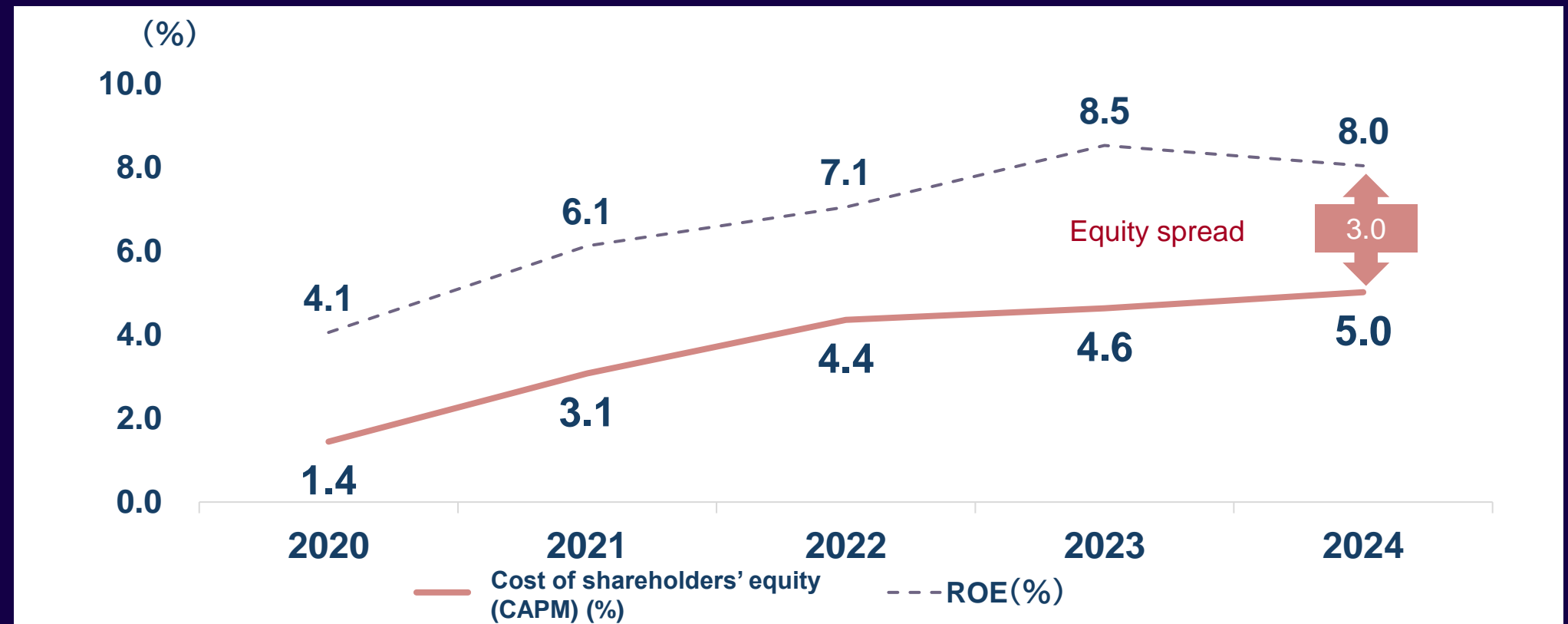
### [Equity Spread]

- Our equity spread, which we calculated by deducting our cost of shareholders' equity from our ROE (return on equity), was +3.0 points as of the end of 2024.
- Our equity spread has been positive throughout the most recent five years, and our profitability has remained above the cost of shareholders' equity.

### [Cost of Shareholders' Equity]

- We calculated our cost of shareholders' equity using the CAPM.
- Our cost of shareholders' equity has been increasing annually due to the rises in TOPIX and Japanese government bond yields.

## Equity Spread and Cost of Shareholders' Equity



### Our cost of shareholders' equity (CAPM)

Market risk premium  
4.62%

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



Our adjusted beta  
0.89%

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



Risk-free rate  
0.91%

The average (for the most recent year: 245 days) of 10-year Japanese government bond yields calculated on a daily basis



Our cost of shareholders' equity (2024)

5.02%

Our Group's  
cost of shareholders' equity  
(CAPM)

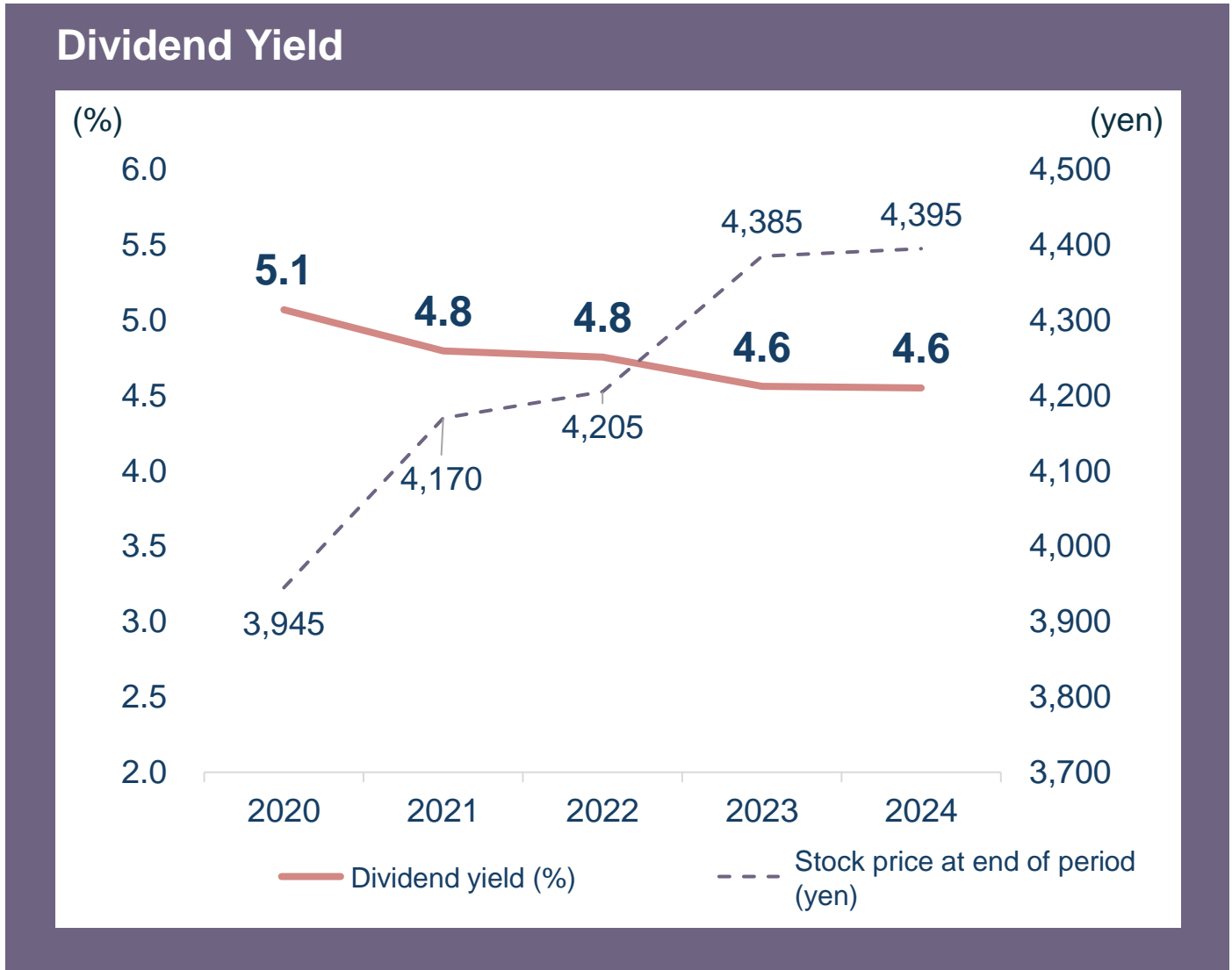
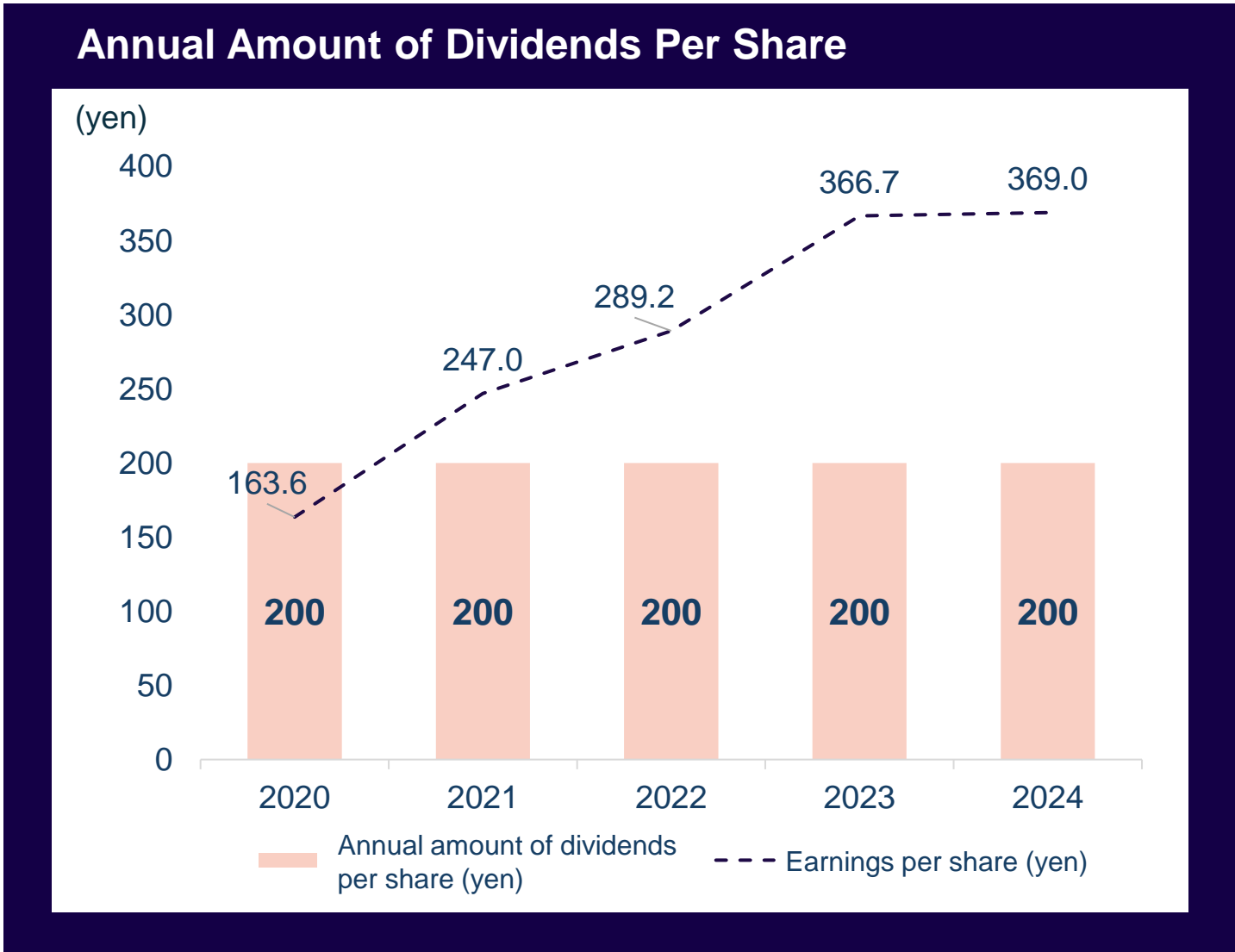


[Dividend Policy]

- We continued to pay dividends of 200 yen per share annually pursuant to our stable dividend policy.

[Dividend Yield]

- As a result of the stable dividend policy, our dividend yield rose relatively during our stock price’s downward phase, buffeting our stock price.



[PER]

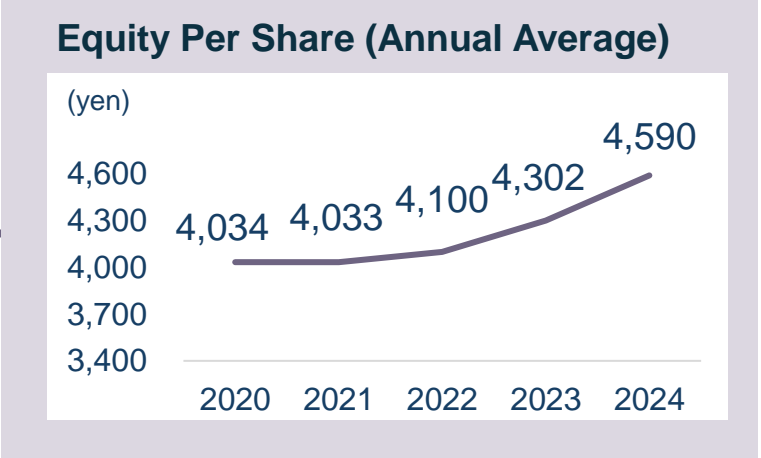
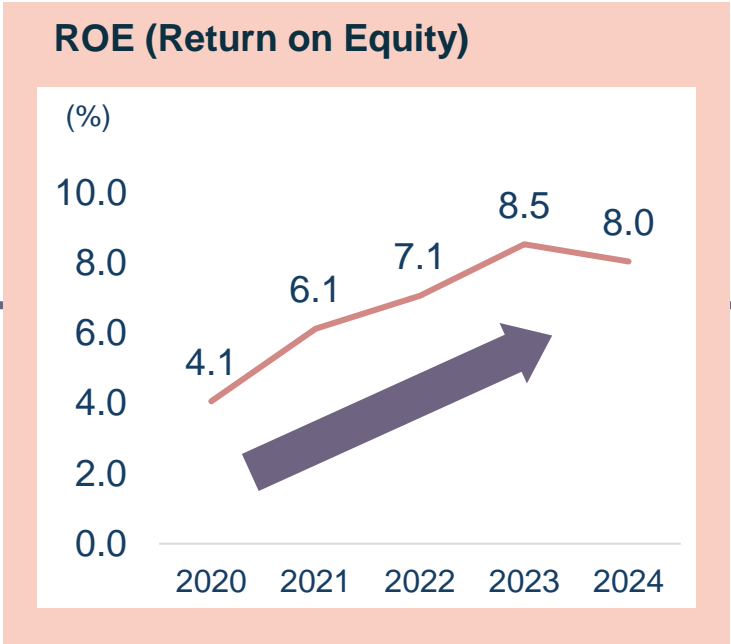
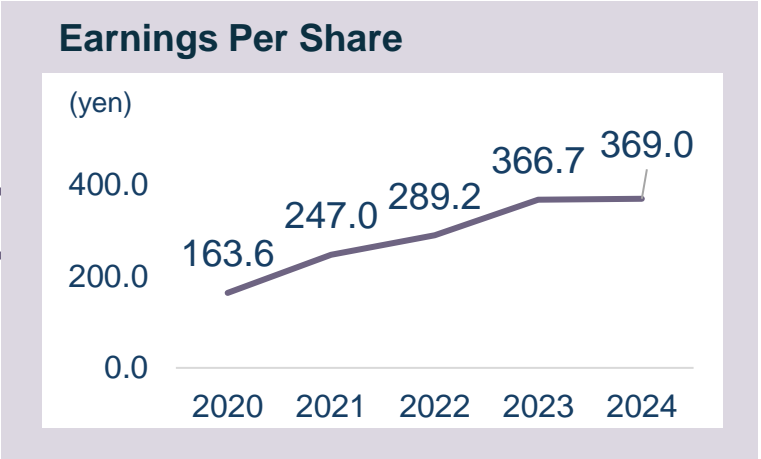
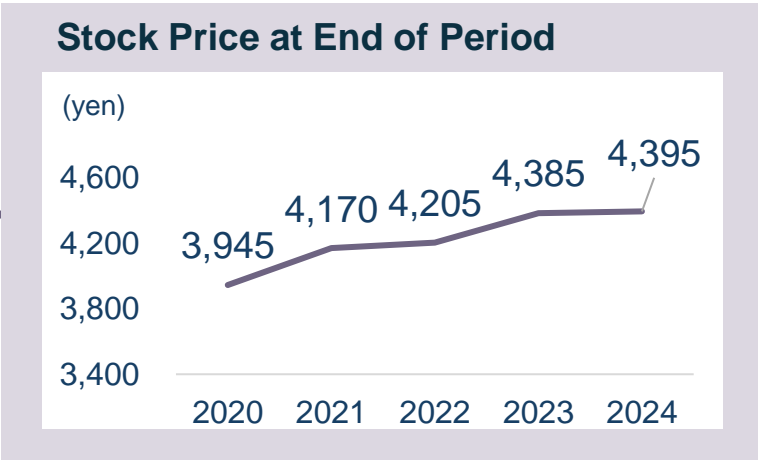
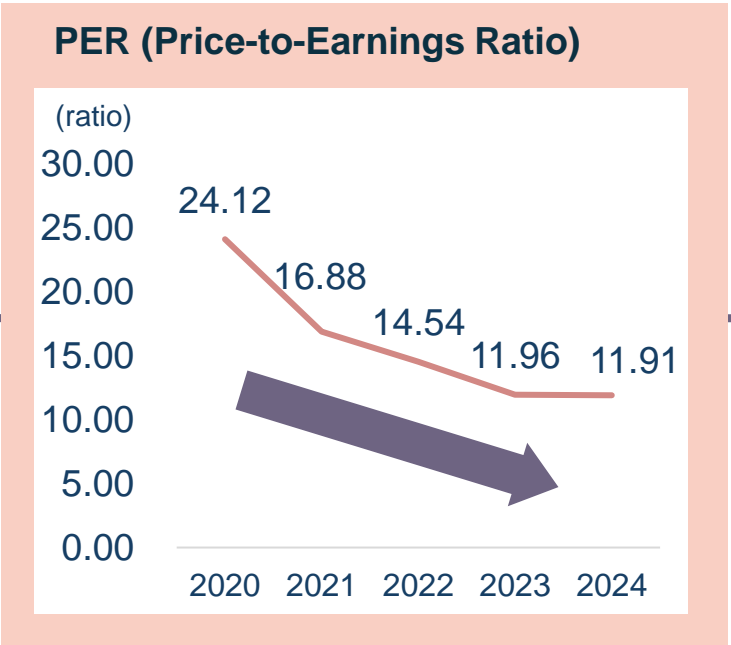
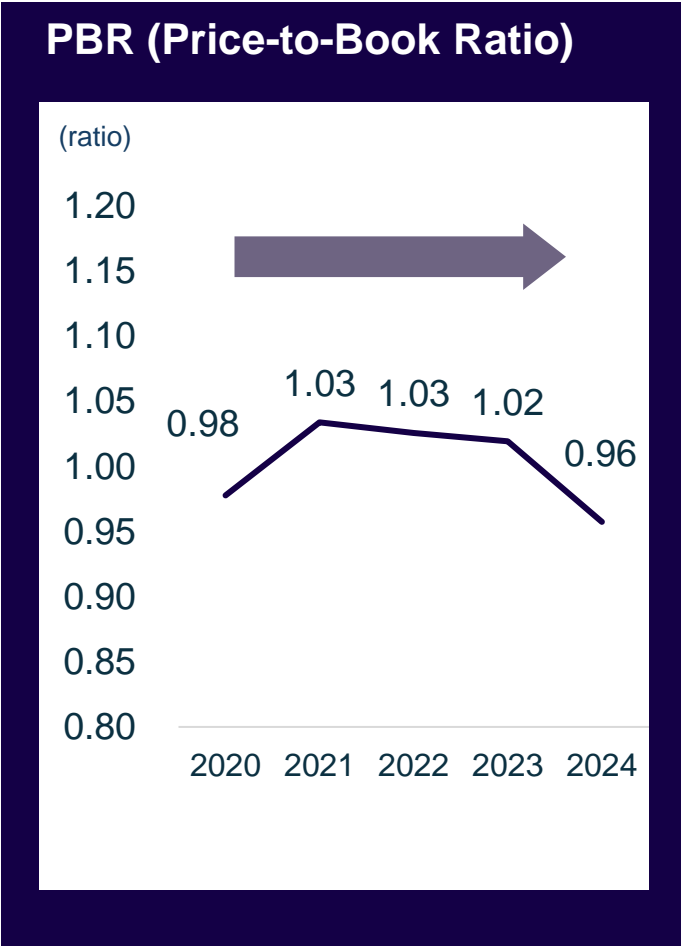
•Our PER declined because the increase in our stock price at period end was limited in relation to the increase in earnings per share.

[ROE]

•Our ROE rose in line with the increase in earnings per share.

[PBR]

•While our rising ROE was a positive factor for our PBR, our declining PER was a negative factor. As a result, our PBR generally remained around 1.

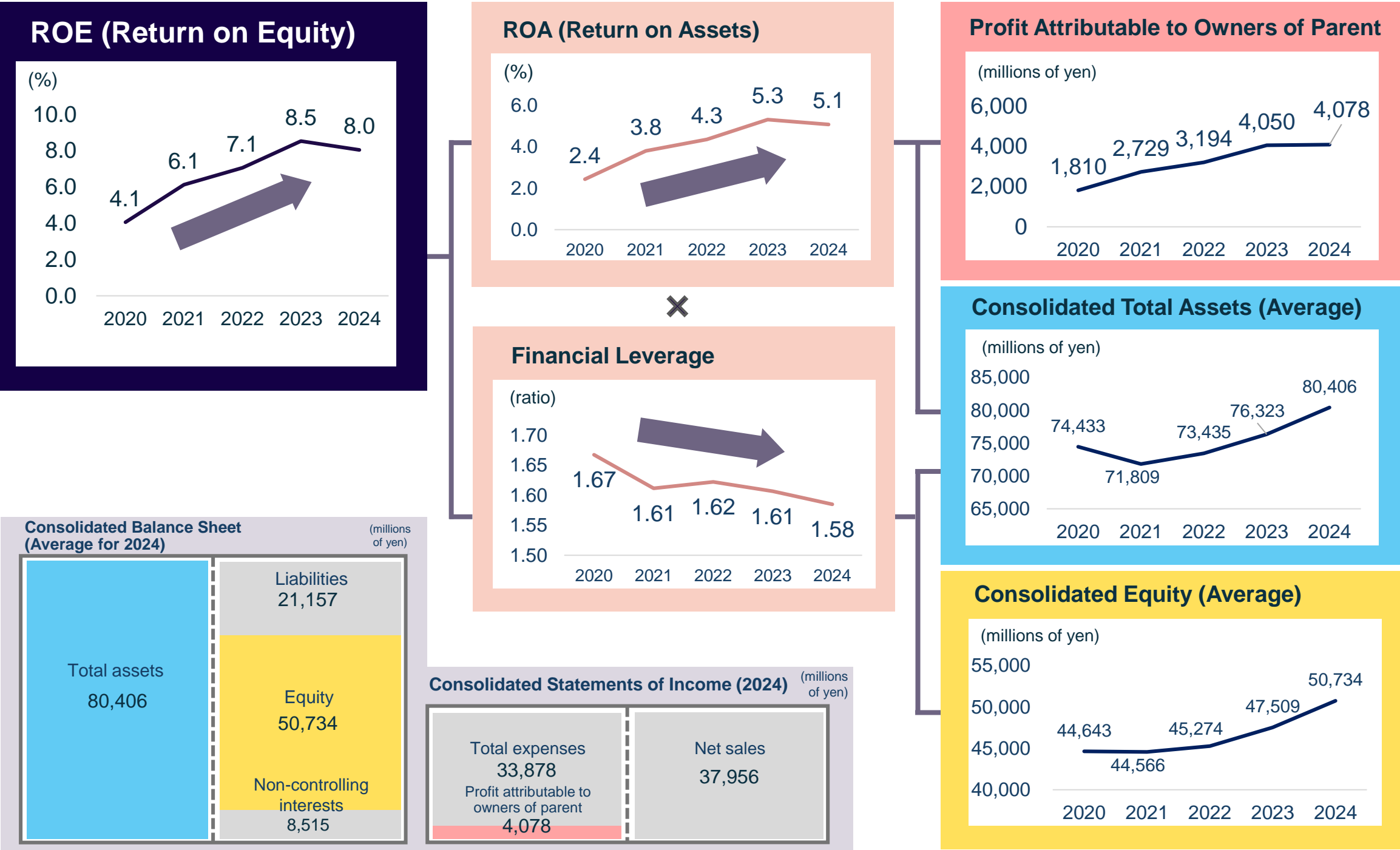


- [ROA]

  - Our ROA showed an upward trend in line with the increase in profit attributable to owners of parent.
- [Financial Leverage]

  - Our financial leverage showed a downward trend in line with the increase in consolidated equity.
- [ROE]

  - While our declining financial leverage was a negative factor for our ROE, our improved ROA was a positive factor that more than offset the negative factor. As a result, our ROE showed an upward trend overall.



# Initiatives to Implement

Our Group will implement the following initiatives pursuant to our new Mid-term Management Policy. We will aim to enhance our corporate value over the medium to long term by widening our equity spread.

### ● Our Aim

To widen our equity spread.

### ● Target Indicators

To widen our equity spread, we will take measures focusing on the following three indicators:

- (i) **Cost of shareholders' equity** We aim to contain downturns in our stock price through a capital policy that is conscious of our stock price.
- (ii) **ROA** We aim to improve the ratio of profit to total assets through investment decision-making that is conscious of capital profitability.
- (iii) **Financial leverage** We aim to maintain an optimal equity ratio through a capital policy that is conscious of the trends in our consolidated equity.

### ● Major Initiatives

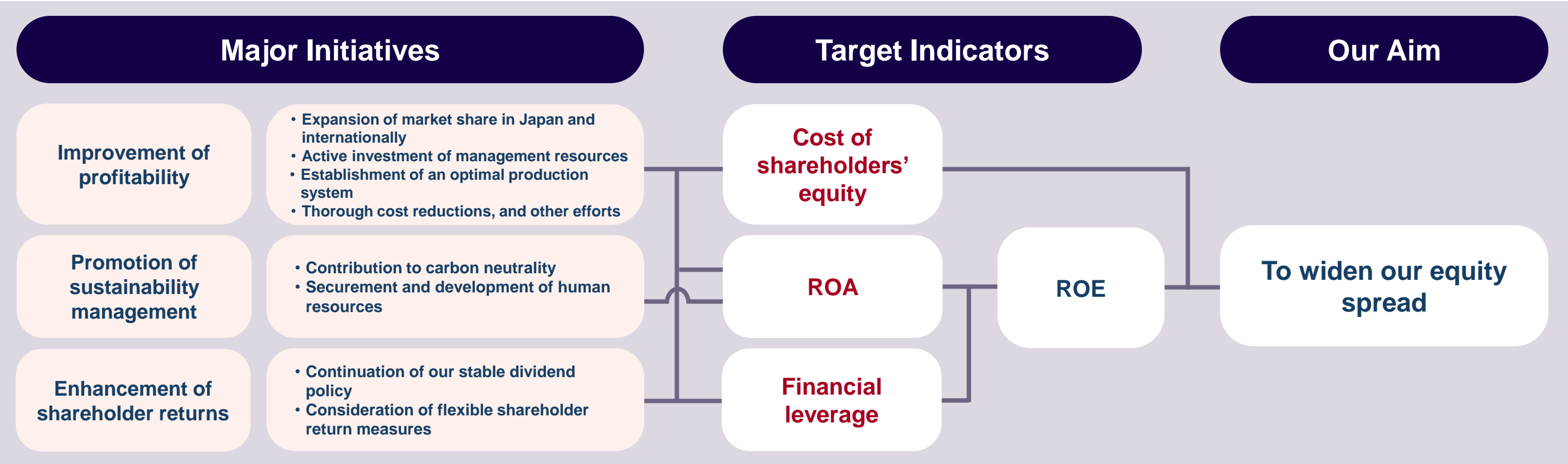
We will implement **mainly the following three initiatives** pursuant to our new Mid-term Management Policy focusing on the above-mentioned three indicators:

- (i) Improvement of profitability;
- (ii) Promotion of sustainability management; and
- (iii) Enhancement of shareholder returns.

Our Group will aim to widen our equity spread by focusing on our cost of shareholders' equity, ROA, and financial leverage and implementing our new Mid-term Management Policy.

The following chart describes our recognition of the relationship between our new Mid-term Management Policy and equity spread.

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



# Reference Material

The following is an outline of our new Mid-term Management Policy.  
For details, please visit our website. ([https://www.carbon.co.jp/english/topics/topic\\_250311\\_en.pdf](https://www.carbon.co.jp/english/topics/topic_250311_en.pdf))

Management Policy	Mid-term Management Policy “GO BEYOND 2030: Achieving Both Profitability Improvement and Sustainability Management”		
	Improvement of profitability	Promotion of sustainability management	Enhancement of shareholder returns
Basic Policy and Specific Measures	Improvement of profitability	<ul style="list-style-type: none"><li>Fine carbon-related products: Expansion of market share in Japan and internationally; active investment of management resources and manufacturing cost reductions</li><li>Electrode-related products: Establishment of an optimal production system in response to demand; thorough cost reductions; review of electrode sales channels</li><li>Silicon carbide-related products: Securing of human resources to meet increased demand and achievement of stable operations</li><li>New products: Commercialization of power semiconductor-related products; creation of businesses related to issues such as carbon neutrality</li></ul>	
	Promotion of sustainability management	<ul style="list-style-type: none"><li>Contribution to the achievement of carbon neutrality: Reduction of GHG emissions; contribution to the achievement of a carbon-neutral society through our products</li><li>Securing of and development of human resources: Improvement of employee engagement; fostering of a corporate culture in which a diverse range of people can play active roles</li></ul>	
	Enhancement of shareholder returns	<ul style="list-style-type: none"><li>Stable dividend policy: Utilization of business earnings as a stable source of dividends and for profitability improvement</li><li>Flexible shareholder return measures: Flexible consideration of shareholder return measures in consideration of our business performance, fiscal conditions, and overall management environment</li></ul>	



- 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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