

ESG REPORT

Environment Social Governance Report

2025



Contents

	Basic ESG Policy	01
	Message from President	02
	About the Company	02
	Basic Principle	03
	Code of Conduct	03
Product Lineup	04•05
Performance (Consolidated)	06
Sustainability	Basic Policy	07
Environment	Basic Principle	08
	Environmental Policy	08
	CO ₂ Emissions Reduction Over the Entire Supply Chain ...	09
	Impact of Our Products on CO ₂ Emission Reduction ...	09
	Liaisons with the Carbon Recycle Technical Forum ...	10
	Development/Launch of Products Contributing to Carbon Neutrality ...	11
	Reduction of Environmental Impact	11
Society	Respect for Diversity	12•13
	Fostering Human Resources	14
	Contributing to Local Communities	15•16
	Achieving Employee-Friendly Workplace Environments ...	17
	Achieving Safe, Healthy Workplace Environments ...	18•19
	Product Liabilities	20
Governance	Strengthening Governance	21•22
	Promoting Dialogue with Stakeholders	22
	Relationships with Business Partners	22
	Relationships with Employees	22
	Relationships with Shareholders and Investors	23
	Compliance	24
	Risk Management	24

Basic ESG Policy

We have set ESG management as a way to achieve sustainability management in our 9th Medium-Term Business Plan, further expanding the CSR activities we have been working on already. As key issues (materialities), we include reducing CO₂ emissions across the entire supply chain, developing and bringing to market products that contribute to carbon neutrality, respect for diversity and fostering human resources, contributing to local communities, strengthening governance, and promoting dialogue with our stakeholders. Based on the belief that promoting these materialities is a vital part of improving our corporate value, we are moving forward on initiatives to solve key issues within our Group.

Message from President

We have, since our inception, consistently pursued the field of carbon and been committed to supplying higher quality products, contributing to the development of the industry. Tackling the challenge of constant change, we seek the possibilities of the infinite, aspiring to reach the highest peak in the industry. This is our management principle. Through our corporate activities, we have been creating products in response to the needs of consumers, increasing the happiness of our employees and shareholders, and contributing to the development of welfare within communities.

The move towards globalization and carbon neutrality in contemporary society is accelerating even faster. As a result, the concomitant economic, environmental, and social issues, including global warming, energy, and water resources, are becoming increasingly complicated.

In this situation, we are required more and more to contribute to society and the environment, and not merely continue our business activities. We will continue our initiatives to solve the various problems faced by the economy, the environment, and society through our ESG activities.



President and Representative Director

Nakajima Koh

About the Company

Company name	SEC CARBON, LIMITED
Head Office address	6th Floor, JRE Amagasaki Front Bldg., 1-2-6 Shioe, Amagasaki, Hyogo, 661-0976, Japan
Ph.	06-6491-8600 (general inquiries)
Established	October 23, 1934
Businesses	<ul style="list-style-type: none"> - SK-B, graphitized cathode blocks for aluminium smelting - Graphite electrodes - Carbon & graphite specialties - Fine powder
Domestic offices	Hyogo, Kyoto, Okayama, Tokyo, Aichi prefectures



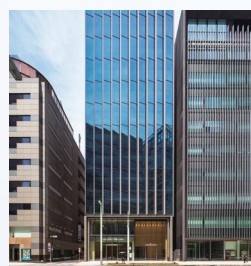
Head Office



Kyoto Plant



Okayama Plant



Tokyo Office



Nagoya Sales Office

Basic Principle

We have been a carbon manufacturer since our founding. Throughout that history, we have valued our relationships with our business partners, people in our local communities, shareholders, and employees as we move ahead with initiatives to save energy, save resources, and reduce industrial waste.

Looking back on our past, we formulated the following Management Principle in 1973.

Management Principle

Our company challenges to constant changes, searches for infinite possibilities, and aspire to the top of the industry.

- We create products that meet consumers' demands.
- We promote happiness of employees and shareholders.
- We contribute to the development of social welfare.

Our Management Principle is now half a century old. But our way of thinking based on this principle still remains unchanged today, as it foresaw the importance of CSR and ESG in modern corporate management. We consider it a vital part of our company in order for us to grow sustainably.

Additionally, in 2006 we formulated the following Code of Conduct to give more concrete form to this Principle. This Code is also a sign that we are strongly conscious of CSR and ESG in our management.

Code of Conduct

In putting our Management Principle into practice, we have established a Code of Conduct that must be followed by both officers and employees.

Our officers and employees should act in accordance with this Code of Conduct, aiming to make us a company that can respond to the expectations of all our stakeholders.

- Aim to maximize corporate value
- Comply with laws and regulations, and act in accordance with social norms
- Strive to protect the environment and resources
- Strive to disclose corporate information at the appropriate time and manner
- Strive to innovate technology and provide superior products and services
- Respect the personalities of our employees and create workplaces that are safe and employee-friendly

Interest in CSR and ESG among the stakeholders involved with our company is growing each year.

To ensure our sustainable growth, we carefully protect our Management Principle and Code of Conduct and strive to achieve them. At the same time, we consider deepening our CSR and ESG activities further to be vital.

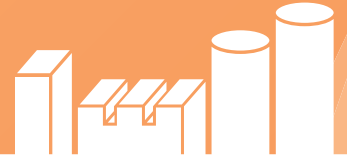
Along with all our stakeholders, we hope to work on solving social issues and sustainable growth for our company through our daily corporate activities.



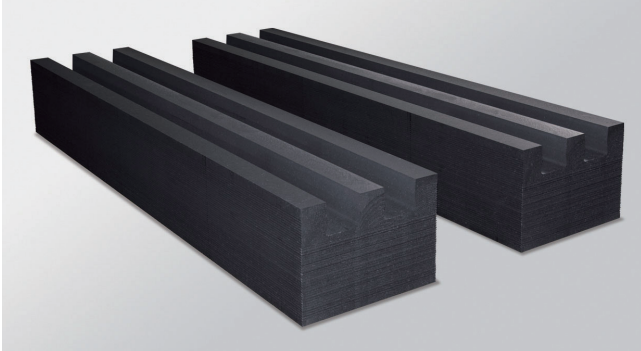
Towards eliminating anti-social forces

We have drawn up a purchasing policy that eliminates anti-social forces, and work with the police and local corporations, etc. to ensure we have no transactions whatsoever with anti-social forces.

// Product Lineup



SK-B, Graphitized Cathode Blocks for Aluminium Smelting

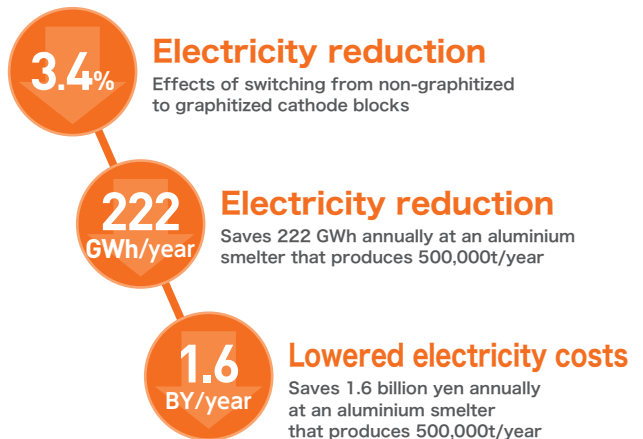


Production plant

Cathode blocks are electrodes used in aluminium smelting. They are laid out along the bottom of the electrolysis cells. SK-B is a trademark of SEC CARBON.

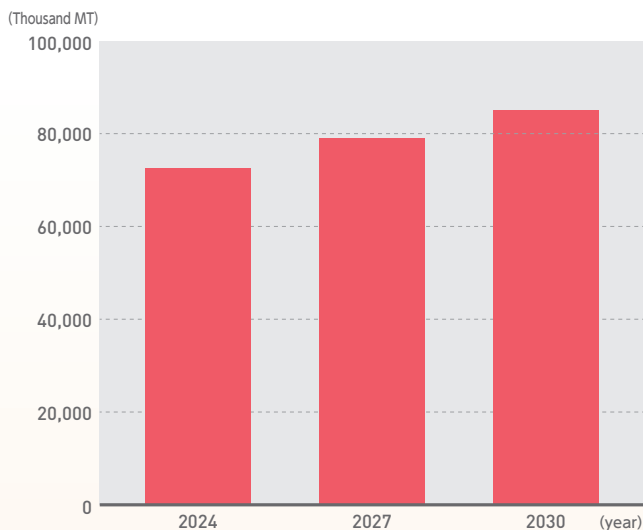
While non-graphitized cathodes, such as graphitic and semi-graphitic cathode blocks are made by baking graphite or a mixture of anthracite and graphite, they are not fully graphitized. In contrast, our cathode blocks are manufactured from petroleum coke and undergo a full graphitization process at extremely high temperatures. This results in a uniform graphite structure throughout the block, offering both improved thermal and electrical conductivity as well as thermal shock resistance and bath resistivity, so they are a vital part of aluminium smelters around the world.

Our graphitized cathode blocks allow for longer lifespans for aluminium electrolysis cells, and contribute to carbon neutrality.



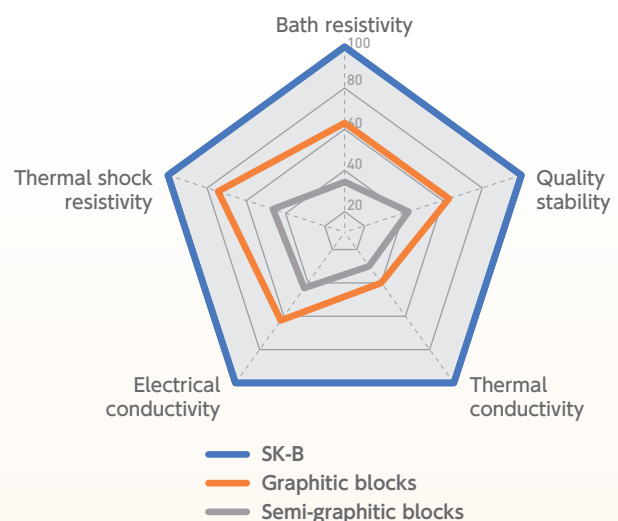
Source: SEC CARBON estimates

Global production of primary aluminium



Source: SEC CARBON estimates

Comparison of cathode block quality



Source: SEC CARBON estimates

Artificial Graphite Electrodes



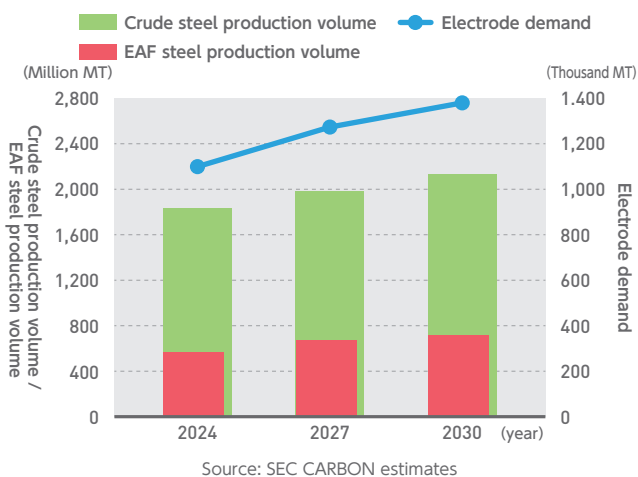
Artificial graphite electrodes are used as electrodes in EAFs to produce such items as wide flange beams and rebars used in construction sites.

Artificial graphite electrodes are used in electric arc furnaces (EAF). The only material able to pass large amounts of current and withstand temperatures high enough to melt steel scrap is graphite.

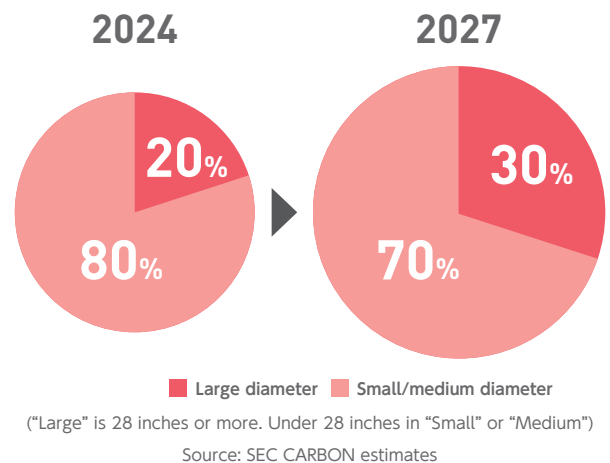
As a vital part of the steel cycle, these electrodes are supplied to EAFs in Japan and around the world.

There is a move to shift from blast furnaces to electric arc furnaces to reduce CO₂ emissions in steel manufacturing, which will play an important role in carbon neutrality.

Global crude steel production volume / EAF steel production volume and electrode demand



Ratio of large-diameter electrode sales



Carbon & Graphite Specialties



Graphite not only offers the functions of high thermal and electrical conductivity as well as resistance to corrosion and good lubricity, but is easy to machine precisely and is also light.

We maximize these characteristics as we process graphite into the forms our customers require, using either pure graphite or a blend with resins or metals.

Fine Powder



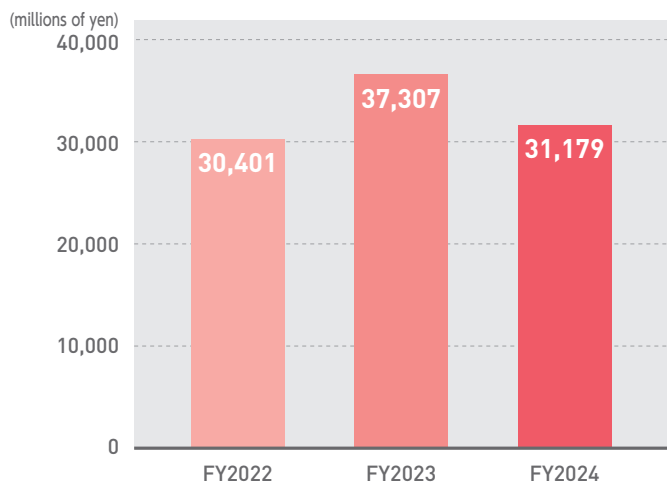
Fine powder is our unique graphite product, boasting extremely high purity and crystallization levels. There are a range of type, depending on the raw materials and processing methods, and these find use in a diverse range of fields that include coatings, sliding materials, electrical, and batteries.

We not only handle artificial graphite powder, but carbon powder and natural graphite powder.

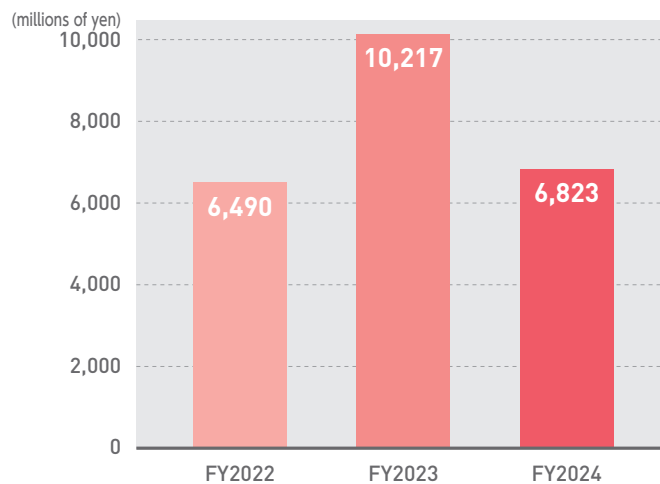
// Performance (Consolidated)



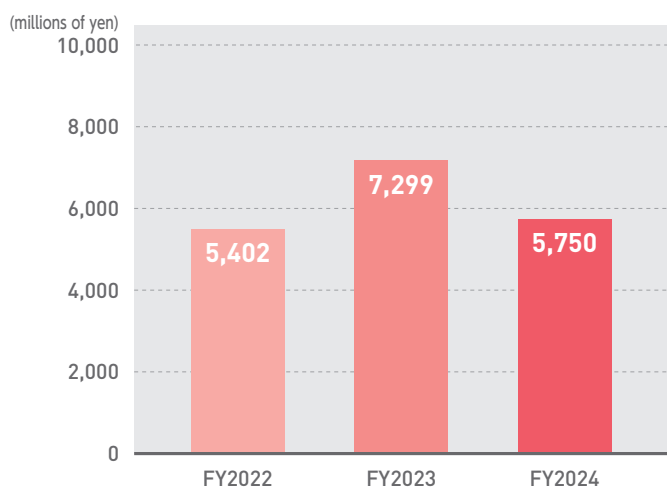
Sales



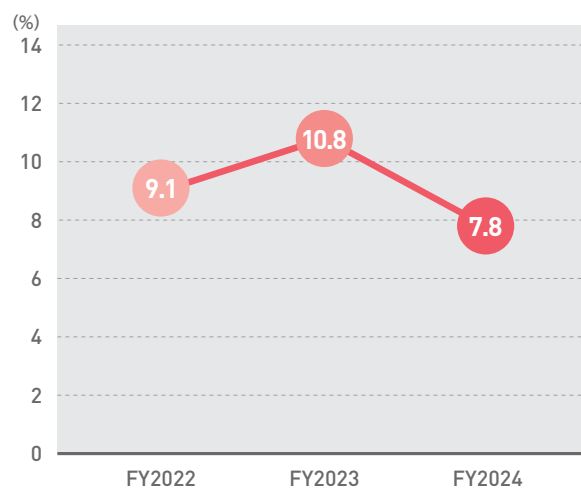
Operating income



Net income



ROE



*Net income attributable to owners of the parent





Basic Policy

We encourage sustainability management appropriate for our company, whose mission is to contribute to the development of society by valuing the global environment as a carbon manufacturer that will continue to grow, trusted by the world, and engage in sustainability activities that build on our CSR activities.

ESG	Themes (details of initiatives)
E (Environment)	<ul style="list-style-type: none">•CO₂ Emissions Reduction Over the Entire Supply Chain•Development/Launch of Products Contributing to Carbon Neutrality•Reduction of Environmental Impact
S (Society)	<ul style="list-style-type: none">•Respect for diversity and fostering human resources•Contributing to Local Communities•Achieving Employee-Friendly Workplace Environments•Achieving Safe, Healthy Workplace Environments•Product Liabilities
G (Governance)	<ul style="list-style-type: none">•Strengthening Governance•Promoting Dialogue with Stakeholders•Compliance•Risk Management

We are moving forward on initiatives based on the belief that promoting reducing CO₂ emissions across the entire supply chain, developing and bringing to market products that contribute to carbon neutrality, respect for diversity and fostering human resources, contributing to local communities, strengthening governance, and promoting dialogue with our stakeholders as key issues (materialities) for the sustainable growth of the SEC CARBON Group is a vital part of improving our corporate value.



// Environment

Basic Principle

To pass on our limited resources to the next generation in a better shape, we work to harmonize our business activities and preserving the global environment, contributing to achieving a sustainable society.

Environmental Policy

1 Environmentally-conscious activities

We will accurately grasp the environmental impact of all our business activities, and strive to continuously improve our environmental protection activities and prevent pollution. When operating our management system, we set a framework to achieve our targets and will revise it in consideration of the situation.

2 Complying with laws and regulations related to the environment

We comply with the environmental regulations that apply to our plants and products, as well as other requirements our plants have agreed to, working to protect the environment.

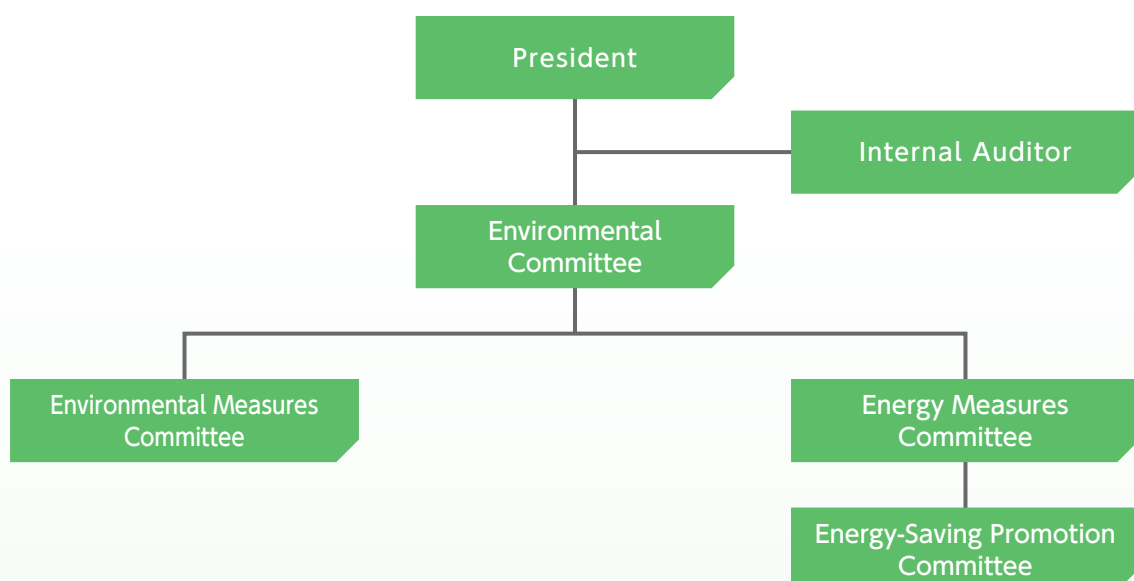
3 Promoting efficient use of resources and energy

We work to protect the global environment through carbon neutral initiatives, saving resources, saving energy, and reducing or recycling waste.

4 Improving environmental awareness and promoting social contributions

We work to ensure awareness our Environmental Policy through education and training for all employees via their organizations, participate in local environmental protection activities, and strive to improve local environment protection and communication.

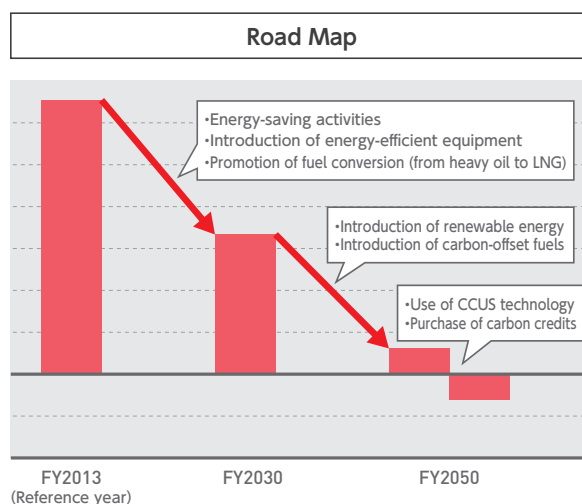
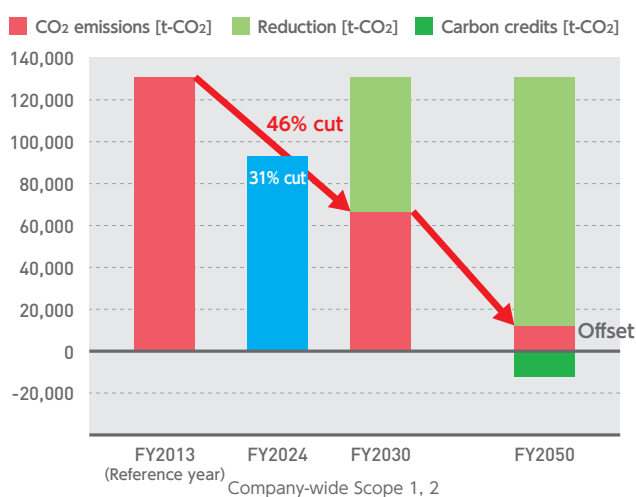
Environmental protection organization (Kyoto Plant)



CO₂ Emissions Reduction Over the Entire Supply Chain

In line with the shift towards carbon neutrality in Japan and overseas, attention is turning to electric arc furnaces (EAF), which can cut CO₂ emissions to a quarter compared to blast furnaces. Ever since SEC CARBON succeeded in commercializing 24-inch artificial graphite electrodes, then the world's biggest, in 1962, we have enjoyed unwavering trust and regard from Japan and overseas thanks to our development capacity and quality. In the same way, the SK-B graphitized cathode blocks we developed achieve a considerable reduction in the amount of electricity used in aluminium smelters. The stable supply of these product groups will continue to contribute greatly to reducing energy costs, improving productivity, and reducing CO₂ emissions.

We have long promoted energy-saving activities from an awareness that we are a corporation that consumes a lot of power. In particular, we have focused on reducing electricity consumption per unit of production. After our graphitization furnace is updated in autumn 2025, we expect to see an energy reduction of about 10% by increasing its thermal insulation and heat retention properties. In addition, we are studying the purchase of electricity from renewable energy sources and bringing in solar power generation facilities. We are also moving ahead with migrating from heavy oil to LNG for our baking furnaces (30% reduction in CO₂ emissions), and aim to reduce CO₂ emissions by 46% by 2030 (compared to fiscal 2013) on our way to achieving carbon neutrality by 2050. As of the end of March 2025, our CO₂ emissions are down 31% compared to fiscal 2013.



Impact of Our Products on CO₂ Emission Reduction

●Cathode Blocks for Aluminium Smelting

Our graphitized cathode blocks offer higher electrical efficiency compared to non-graphitized products, allowing about a 3.4% reduction in electricity consumption during aluminium smelting.

●Artificial Graphite Electrodes for Steelmaking

Steel is an essential material in our daily lives. The steel industry accounts for approximately 40% of total industrial CO₂ emissions and 14% of Japan's overall emissions, making it a major contributor to climate impact. Three-fourths of Japanese steel is produced using blast furnaces (which create steel by burning iron ore and coke at high temperatures) with the remaining one-fourth made using electric arc furnaces (which use electricity to melt iron slag and extract the iron). Producing one tonne of steel in a blast furnace generates approximately two tonnes of CO₂. On the other hand, an electric arc furnace only generates a quarter of the CO₂ emissions per tonne of steel, so this technology is gaining attention as we move towards carbon neutrality.

●Reduction Contribution

By supplying cathode blocks for aluminium smelting and artificial graphite electrodes, we help reduce CO₂ emissions by approximately 7.25 million tonnes annually.

This reduction is equivalent to the annual CO₂ emissions of about 2.65 million average households, or about the same number as in Hyogo Prefecture.

Liaisons with the Carbon Recycle Technical Forum

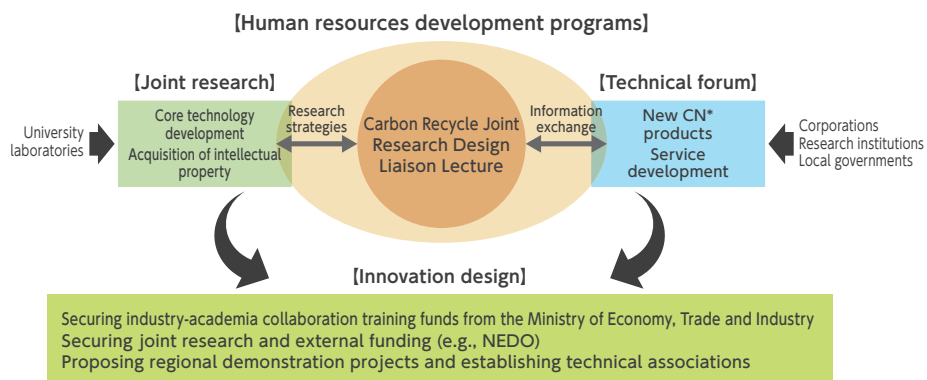
We take part in Doshisha University's Carbon Recycle Technical Forum, partnering with national research institutions, local governments, and member companies to exchange information about initiatives for the increasingly-complex issues related to the environment and energy. In addition, we dispatch young employees to the forum's "Carbon Recycle Joint Research Design Liaison Course," which aims to cultivate future "social innovators" who will take on environmental issues.

Joint Research and Technical Forum Partnerships

Promoting practical human resource development in conjunction with research and development and business development activities

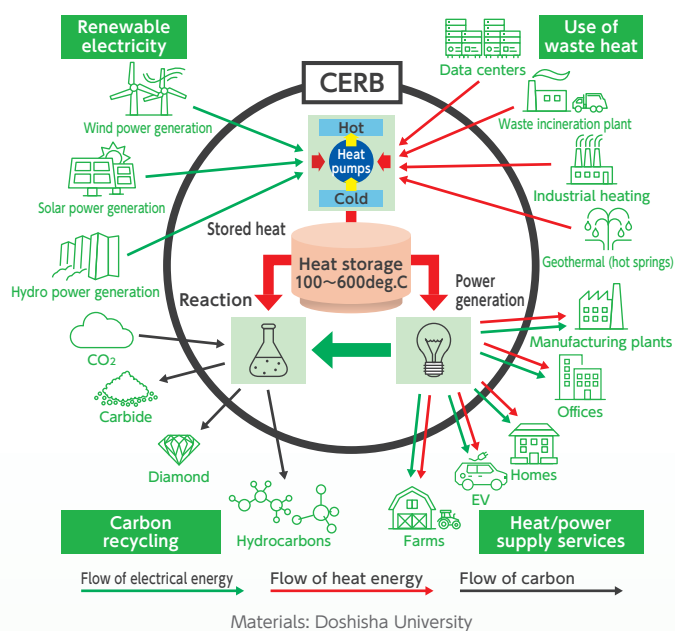
- 1 Companies participating in the joint course can acquire both technical expertise and intellectual property by conducting joint research with universities on new CN* product development.
- 2 By joining the Carbon Recycle Technical Forum (a consortium hosted by Doshisha University), we can build partnerships for commercialization through information exchange with partner firms and the planning of demonstration projects.

*CN: carbon neutral

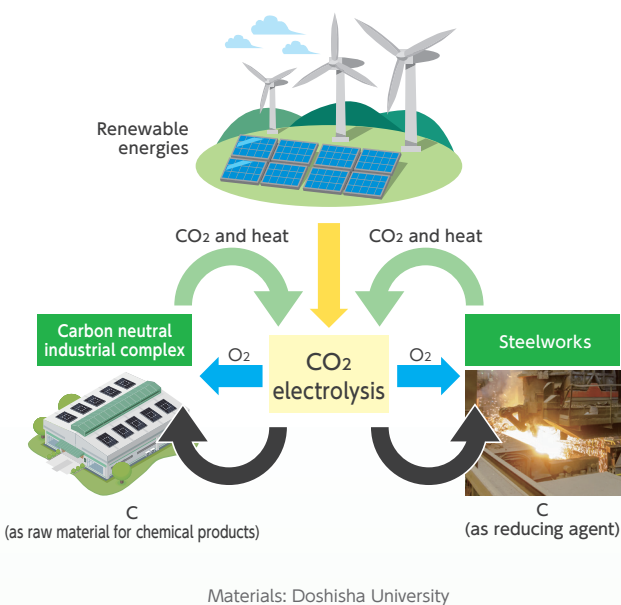


Activity scheme of the Carbon Recycle Education and Research Platform

Carbon Energy Recycle Bank (CERB)



The carbon cycle



Development/Launch of Products Contributing to Carbon Neutrality

Developing unique methods for making graphite particles from CO₂
Moving ahead with initiatives for reducing CO₂ emissions

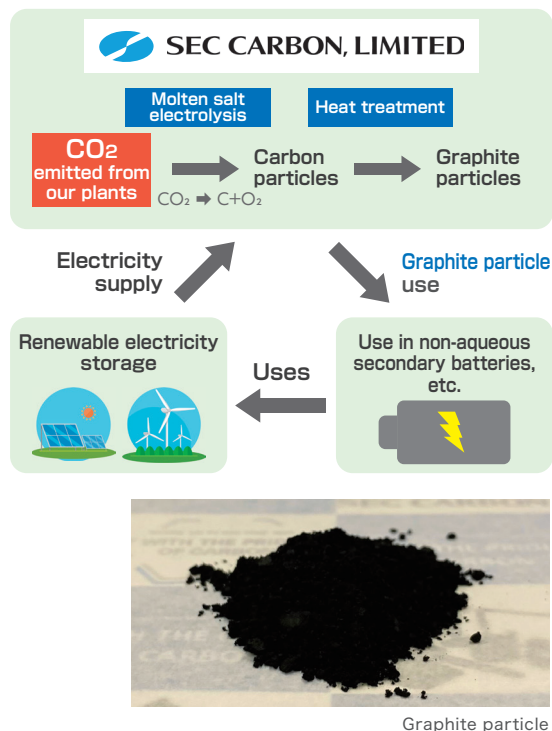
R&D to apply carbon materials made from CO₂ to non-aqueous secondary batteries

Since the declaration that the world would aim to achieve carbon neutrality by 2050, bring about a decarbonized society, there has been an increasing focus on not just reducing CO₂ emissions, but turning CO₂ into resources.

We have worked with I'MSEP Co., LTD.* to manufacture carbon particles using CO₂ as a raw material using molten salt electrolysis technology, and have developed technology to obtain graphite particles through heat treatment.

Converting CO₂ into a valuable resource, this is an innovative approach that contributes to a more sustainable future. We are moving ahead with research and development for the manufacture, sale, and mass production of graphite particles, which are expected to see use in things like non-aqueous secondary battery materials. We will continue working towards the manufacture of graphite particles using CO₂ emitted from our Kyoto Plant and Okayama Plant. In future, we shall research ways to apply technology to CO₂ emissions at plants around Japan.

*I'MSEP is a startup that began at a university with molten salt electrolysis as its core technology, and has been an SEC CARBON subsidiary since 2020.



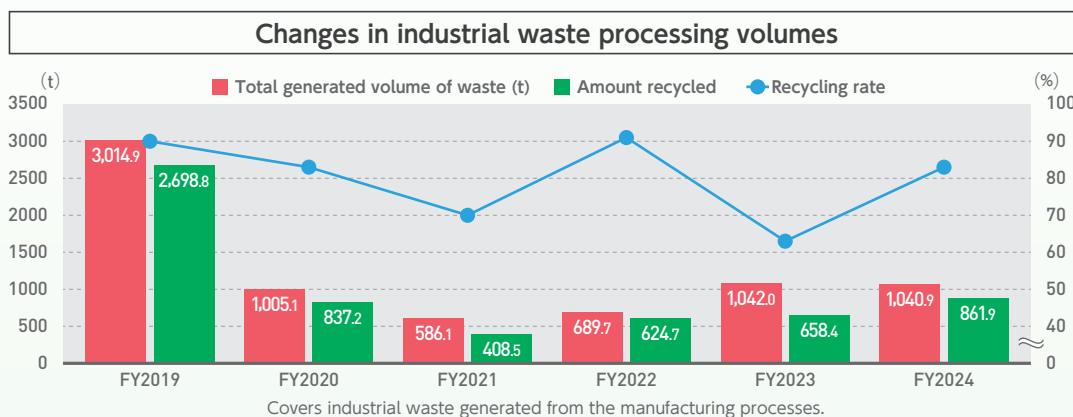
Development of new products to contribute to CO₂ emissions reductions

Drawing on the unique characteristics of carbon and graphite, we shall work earnestly to research and develop new products and materials in fields that contribute to carbon neutrality and energy conservation.

Reduction of Environmental Impact

To help our initiatives towards achieving a sustainable recycling society, we are working on ways to majorly reduce industrial waste through controlling its generation and converting it into valuable resources. We are promoting the reduction of waste and working to ensure it does not grow.

In addition, we manage the emission of air pollutants and water contaminants under the appropriate conditions and in compliance with regional environmental conservation agreements.





Respect for Diversity

The SEC CARBON Group understands that its business activities have the potential for affecting human rights, either directly or indirectly, and respects the human rights of every person connected with our Group. To make this stance clear, we have created the SEC CARBON Group Human Rights Policy.

Basic Policy

Our Group carries out business activities in accordance with international norms regarding human rights. Specifically, we work to respect basic human rights, prevent discrimination based on race, nationality, sex, religion, beliefs, etc., prevent harassment, respect diversity, prevent child labor and forced labor, respect the freedom of association and collective bargaining rights, manage working hours, days off, leave, and wages in accordance with the laws of each country, ensure health and safety, and protect privacy.

Scope of application

This Policy applies to all officers and employees of the SEC CARBON Group. In addition, we strive to have all stakeholders connected with our Group understand this Policy, and respect human rights together.

Dialogues and discussions with stakeholders

Our Group works to have dialogues and discussions with stakeholders so that we can understand from the perspective of the people affected the effects of our business activities on human rights, and thus deal with or improve them.

Corrective measures

We handle any negative effects on human rights in our business activities appropriately in order to eventually correct them.

Education

Officers and employees of our Group undertake continuous education and awareness-raising activities on human rights so they can deepen their understanding of international norms regarding human rights and this Policy, and appropriately handle human rights issues.

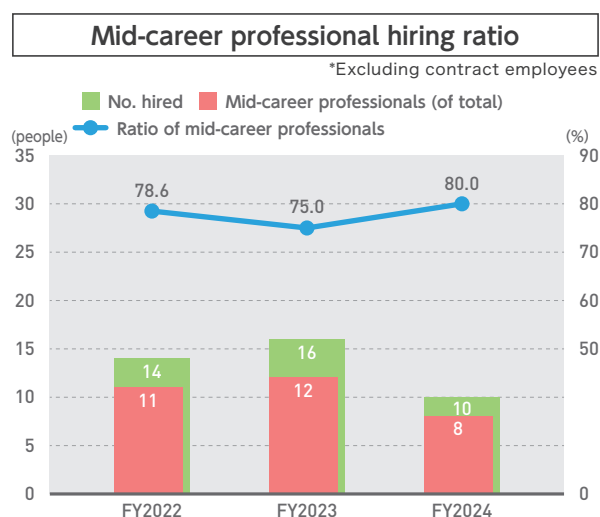
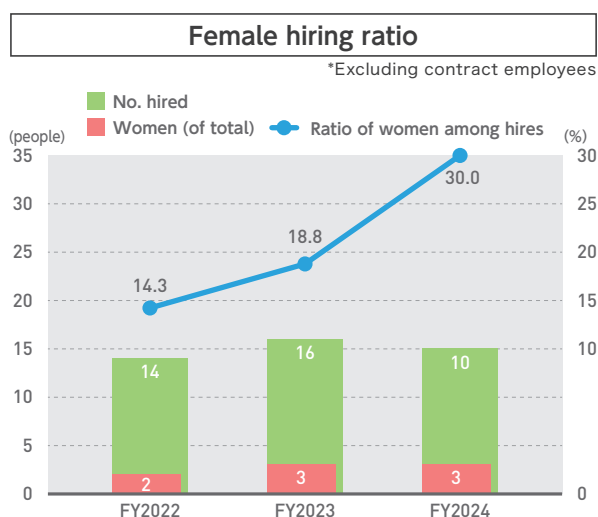


Securing diverse human resources

We aim to foster an organizational culture that connects new insights and discoveries to value creation, while respecting diverse perspectives and values. To achieve this, we are committed to securing a diverse workforce regardless of gender or nationality.

In particular, we actively promote the recruitment of women, including mid-career professionals. As part of our efforts to empower women, we have set a goal to ensure that women account for at least 20% of new hires by March 2026.

We especially focus on hiring women with professional experience in key strategic areas.

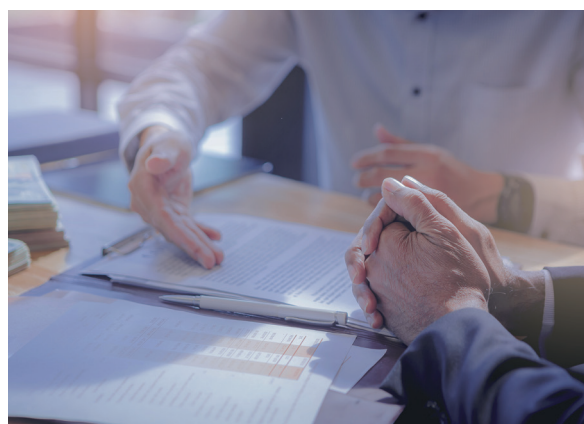


Re-employment system

We have established a re-employment system that allows employees who reach the mandatory retirement age of 60 and wish to continue working to be re-hired as elder employees until the age of 65.

These elder employees are highly valued not only for their extensive experience, knowledge, and technical skills, but also for their role in mentoring the next generation and passing on essential expertise. To support this, we clearly define the roles expected of elder employees and provide evaluations and compensation aligned with those roles, helping to further enhance their motivation.

Furthermore, since May 2018, we have introduced a secondary re-employment system, which enables us to re-hire individuals even after their initial re-employment period ends, based on business needs. This system helps us retain the valuable skills and labor of experienced employees.



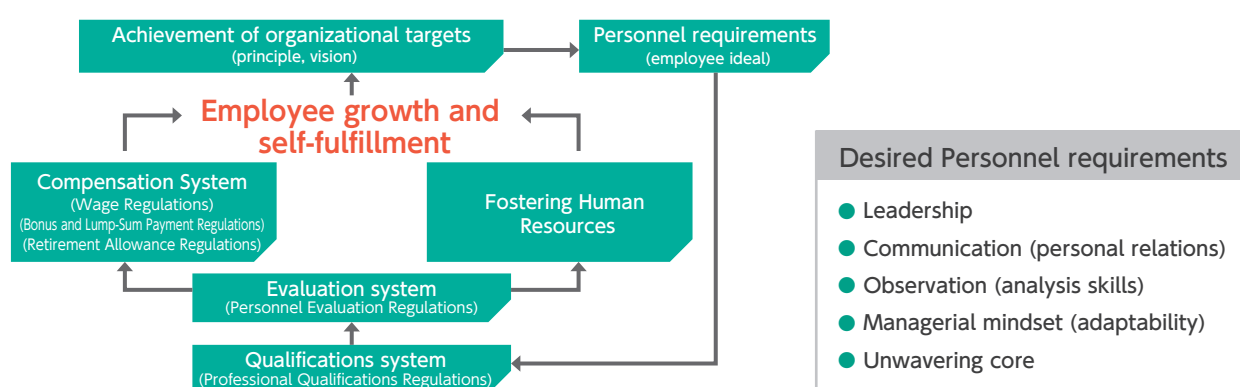
Fostering Human Resources

We believe that developing human resources capable of adapting to a rapidly changing business environment is essential for the growth of our company. Ultimately, this contributes to meeting the expectations and needs of our stakeholders, including customers, shareholders, and society at large.

Human Resources System

We are committed to developing human resource systems that encourage personal growth and self-fulfillment by creating an environment where individuals with the right abilities and motivation are fairly evaluated and given opportunities to thrive.

We have defined the qualities we seek in our personnel and, based on these criteria, have revised our qualification, evaluation, and compensation systems. This has enabled us to clearly outline the required competencies, expected roles, and responsibilities for each grade level, resulting in a fairer, performance-oriented framework. We also place strong emphasis on the effective operation of these systems.



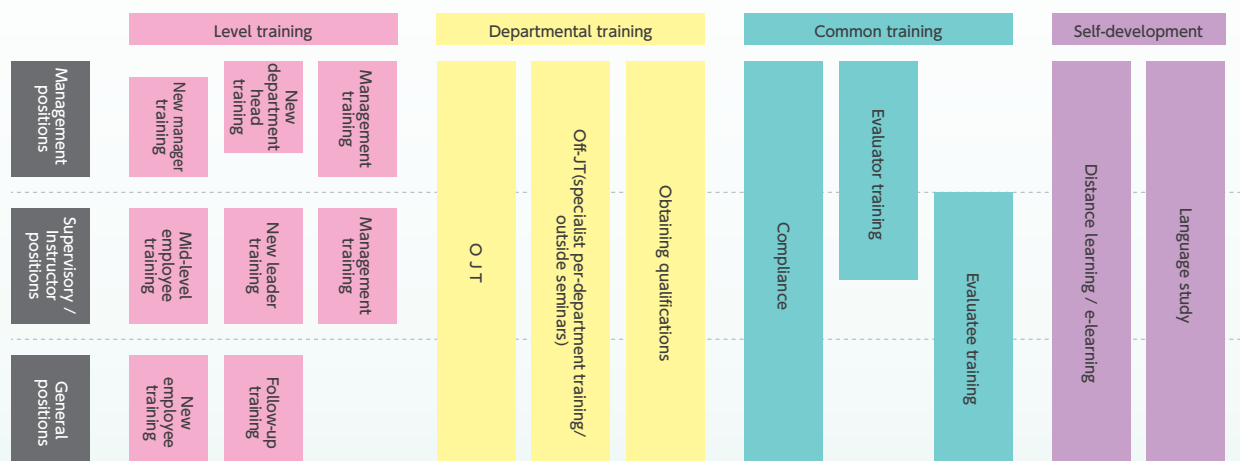
Human Resources Development and Strengthening

We support employee growth not only through OJT (On-the-Job Training) at each workplace, where practical skills and knowledge are acquired, but also through structured Off-JT (Off-the-Job Training) programs aligned with our qualification system under the human resources framework.

We provide training at key career milestones—such as upon joining the company, promotion to mid-level positions, and advancement to management roles—where the responsibilities and expectations of employees change.

Our goal management and evaluation systems are positioned as mechanisms to promote employee development. To ensure their effectiveness, we also focus on training evaluators (supervisors) to enhance their skills in assessment and talent development.

In addition, we offer a wide range of training programs to support employee motivation and growth, including a mentoring system for new hires, language training for overseas assignments to foster next-generation global talent, support for obtaining official certifications, and self-development programs.



Contributing to Local Communities

In accordance with one of our management principles, "We will contribute to the development of welfare in society," SEC CARBON understands the importance of social contribution activities, including volunteering, and participates in and supports these activities.

Fukuchiyama SEC CARBON Stadium



With the intention of contributing to the development of local sports and culture as a member of our community, we obtained the naming rights of the Fukuchiyama Municipal Baseball Stadium, and named it Fukuchiyama SEC CARBON Stadium in 2019. We clean it on a regular basis.

Baseball class



Our baseball team holds baseball classes for local youth baseball groups, using the skills they have cultivated.

Cleaning around the Kyoto Plant



Presentation of a certificate of thanks

Road beautification

We were given a certificate of thanks from the Minister of Land, Infrastructure, Transport and Tourism for contributions to road conservation and related efforts. We signed the Volunteer Support Program Agreement with the Fukuchiyama Office of River and National Highway, and since 2003, we have been regularly conducting road beautification activities along National Route 9.

Cleaning around the Okayama Plant



SEC CARBON employees cleaning around the plant

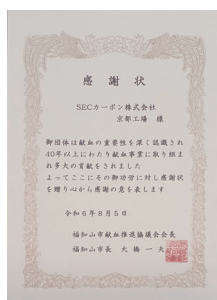
Business emissions reduction planning / reporting / publication system based on the Kyoto Prefecture Global Warming Countermeasures Ordinance



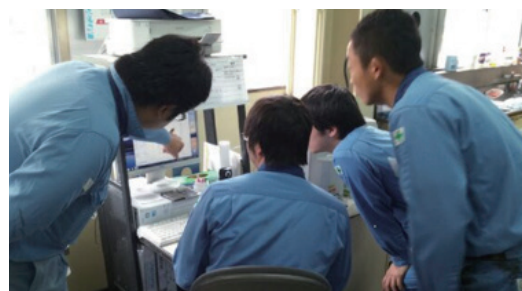
Accepted award from the governor of Kyoto Prefecture for being a top-quality business operator.

Japanese Red Cross blood donation drives

We have been continuously supporting blood donation drives organized by the Japanese Red Cross for over 40 years. In recognition of our long-standing contribution, we have received letters of appreciation from both the Japanese Red Cross and the City of Fukuchiyama.



Education and social education



Hosting local high school students as interns and organizing plant tours for local residents to see and feel directly what we manufacture are some of the ways we contribute to social education.

Regional disaster/crime prevention



We also take part in activities such as regional disaster or crime prevention and activities to raise awareness of obeying traffic rules, working to create a livable community. We were recognized as a "Fukuchiyama Fire Brigade Cooperation Business" in May 2016, which was renewed in 2022, and we continue to work with them.

Social welfare



We strive to contribute to social welfare by promoting the installation of AEDs that are accessible to the general public.

Local social events (Fukuchiyama City)



We host community events with local residents on the grounds of our Kyoto Plant. Activities such as ground golf tournaments are organized to foster stronger communication and relationships.

We will continue to value our connections with the local community and regularly create opportunities for meaningful interaction.

Achieving Employee-Friendly Workplace Environments

Enhancing support systems for employees

We promote self-fulfillment and personal growth by creating an environment where employees are encouraged to take on challenges and improve themselves. This supports one of our core management principles: enhancing employee well-being. Beyond legally mandated support systems, we have developed a range of programs to help employees work with peace of mind and maintain a healthy work-life balance.

These include a flextime system, half-day paid leave, a system for accumulating unused paid leave, and special leave for personal events. We also offer a comprehensive leave of absence program that provides support from the time of absence due to personal illness or injury through to recovery and return to work.

In addition, we provide economic support through company housing and various living allowances, helping employees maintain financial stability.

Fostering a culture that creates a work-life balance

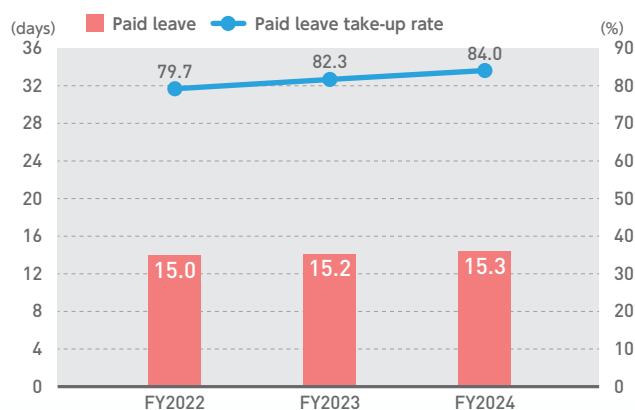
We believe that enabling employees to balance work and personal life and lead fulfilling lives requires more than just systems—it requires a culture that values individuals and fosters mutual understanding.

To that end, we are committed to cultivating a workplace culture where employees can work with enthusiasm and peace of mind. In recognition of our efforts—such as promoting high paid leave utilization, minimizing overtime, and encouraging no-overtime days—we received the Hyogo Work-Life Balance Company Award from Hyogo Prefecture in 2013.

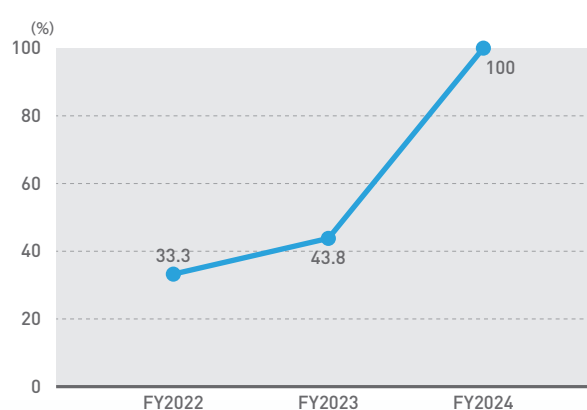
In fiscal 2024, our paid leave utilization rate reached 84.0%, average monthly overtime per employee was 3.7 hours, and the childcare leave uptake rate among male employees was 100%.

Our employee turnover rate remains at 0%, and we will continue striving to create an open, inclusive, and supportive workplace where everyone can thrive.

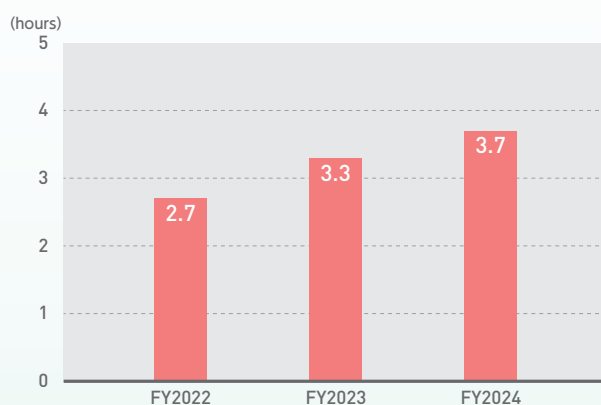
Paid leave take-up rate



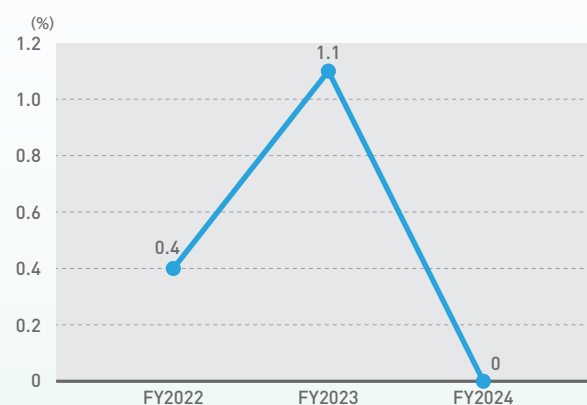
Childcare leave for men



Over-hours work (monthly average)



Turnover rate (voluntary departure)



Achieving Safe, Healthy Workplace Environments

Health and Safety Activities Plan for Fiscal Year 2025

We believe that for a company, employees are its assets, and no company can expand without ensuring the safety, security, and health of employees. So we carry out a range of health and safety activities under the slogan "Let's Build Safety Culture Together" with the aim of achieving a workplace where everyone can work safely and secured, vibrantly and energetically.

Safety Policy

We will carry out a mindset reform through acting autonomously, and raise awareness through mutual warnings.

- Do properly what should be done.
- Call out when you see something dangerous.

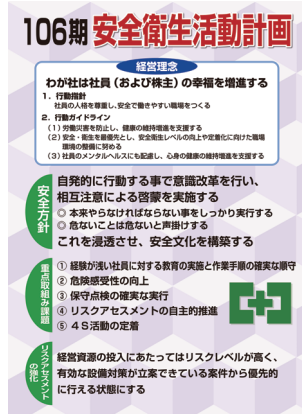
We shall make this the standard and build up a safety culture.

Key initiative issues

- (1) Carry out training for inexperienced personnel and ensure careful compliance with work procedures
- (2) Increase risk awareness
- (3) Ensuring Thorough Maintenance and Inspection
- (4) Autonomous promotion of risk assessment
- (5) Establishing a Culture of 4S Activities

Strengthen risk assessment

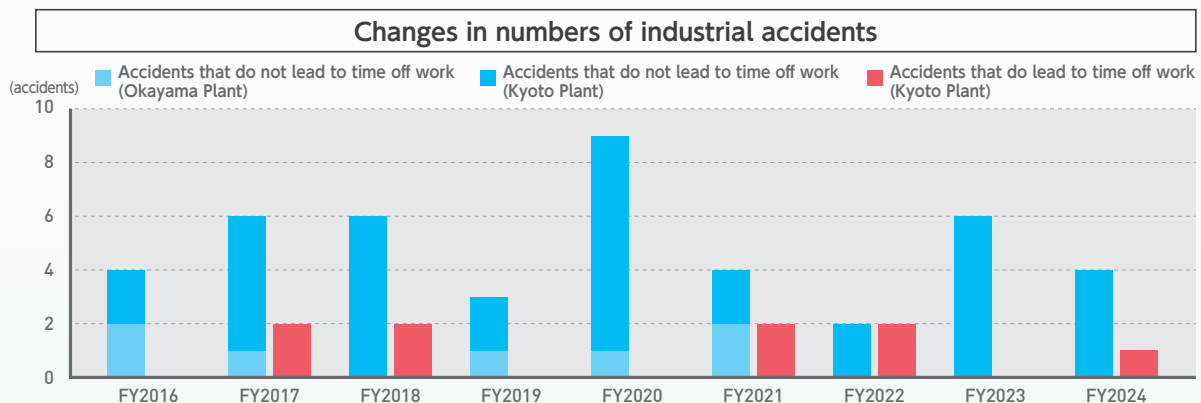
- When allocating management resources, priority will be given to projects with higher risk levels for which effective equipment-based countermeasures have been developed.



Health and safety management system

The Health and Safety Committee is positioned as the highest decision-making organ related to health and safety. It deliberates on and makes decisions regarding matters related to the organizational promotion of health and safety activities such as the occurrence of industrial accidents and the progress of health and safety activities. In addition, the Disaster Prevention Council deliberates on health and safety matters related to partner companies or subcontractors, working to promote the health of and prevent industrial accidents happening to employees of our partner companies.

The activities of the Health and Safety Sub-committee expand initiatives to ensure industrial accidents never happen again, such as proposing measures to prevent recurrence from a third-party perspective or site checks by the Recurrence Prevention Sub-committee when an industrial accident happens.



* "Accidents that do not lead to time off work" includes light injuries diagnosed as not requiring ongoing treatment.

Strengthening health and safety activities

1 Effective use of risk assessment

- We are moving forwards with the construction and implementation of a system to prioritize and implement equipment measures once the results of risk assessments carried out at each workplace are collated for each plant overall to understand the risks in that plant.

2 Implementation of skills maintenance training

- We carry out planned skills maintenance training at each workplace to ensure that the skills for specialist work or risky work do not deteriorate.

3 Education and training

- New hires and young employees are given safety education by formulating OJT training plans for each workplace as a way to improve their awareness of risk.
- The qualifications required for carrying out jobs are listed for them, to allow employees to systematically acquire them.



Promoting health management

In our health activities, in addition to the legally-stipulated health checks, we also have optional tests, provide subsidies for vaccinations, and have programs to promote health given by outside instructors as a way to boost awareness. When it comes to creating healthy minds and bodies, we are handling mental healthcare in the workplace, working to prevent mental health issues before they occur by providing opportunities for all employees to take tests using our stress check system.

1 Health checks

- In addition to legally mandated health checkups, we offer enhanced medical screenings for employees aged 51 and over, recommend optional tests, actively encourage those eligible for secondary examinations to undergo follow-up testing, and provide targeted health guidance. Through these initiatives, we are committed to promoting employee health and well-being.

2 Encouragement to get vaccinations

- For the influenza vaccine, we subsidize the entire cost and carry out mass vaccinations to help prevent the spread of infections.

3 Mental health care

- We actively work on creating mental health by, for example, providing mental health classes taught by outside instructors and encouraging self care through our stress check system.

4 Welfare

- At both our Kyoto and Okayama plants, we have established welfare facilities where employees can refresh both body and mind by washing off workplace grime and relaxing after work.

In June 2024, we completed the reconstruction of the welfare building at our Okayama Plant to further enhance employee comfort and well-being.



Okayama Plant Welfare Building

Kyoto Health Promotion Practice Company

We have been certified as a Kyoto Health Promotion Practice Company in recognition of our initiatives to protect and promote employee health.

Details of Our Initiatives:

- Promoting participation in specific health checkups
- Encouraging cancer screening uptake
- Implementing organizational and continuous health promotion activities
- Supporting health initiatives that include community-based programs



Product Liabilities

1 Quality Management

We have established a Quality Policy and are committed to delivering products that customers can trust.

●Quality Policy

1. Enhancing Customer Satisfaction

We strive to provide products that meet customer expectations by complying with customer requirements as well as legal and regulatory standards.

2. Improving Product Quality

We aim to stabilize product quality and enhance reliability through continuous improvement of our management system. We also work to reduce costs by streamlining processes and eliminating defects.

3. Raising Quality Awareness

Our Quality Policy is thoroughly communicated to all employees through training and education across the organization. We also promote continuous improvement through creativity and innovation to achieve our quality objectives.

2 Diversification of production in a single plant (Kyoto Plant)

We have obtained the ISO 9001 international standard for quality management systems, and have been working on improving our systems through both internal and external audits over many years. We manufacture multiple products using shared equipment within a single plant, resulting in improved efficiency thanks to our accumulated skills and technologies.

Recently, we are advancing the implementation of new equipment, and striving to improve quality.

When introducing new equipment we take energy efficiency into consideration.



3 Initiatives to improve product yield

Our final products are made by machining materials, but we are moving ahead with initiatives to reduce the amount of waste created in this process as much as possible. Specifically, by getting close to the finished shape during the forming process, we can reduce the waste generated in the machining process. This initiative not only reduces waste but contributes greatly to reducing energy during the whole manufacturing process.

4 Providing products that are gentle to the environment

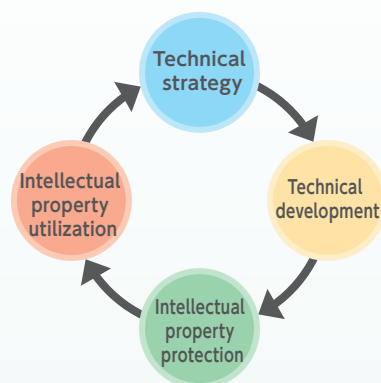
We improve and develop products so as to lead to resource conservation and energy saving for our customers through the products we manufacture, helping to contribute to society.

At the same time, we are promoting our own research on the theme of CO₂ resource recovery as way to bring about carbon neutrality.

5 Initiatives for intellectual property

We see intellectual property as a key business asset. To ensure the freedom and superiority of our business, we are pushing ahead with the creation and finding of discoveries, and applying for and being granted patents.

In addition, we respect the intellectual property of others, and carry out ample investigations to ensure that we do not infringe on the IP of others when developing products or technologies. We are also constructing a system that makes it easy for employees to get patents, and provide them with incentives. Submitting numerous patent applications leads to initiatives for new products and new businesses.





Strengthening Governance

Basic Policy

With the reforms to the Companies Act in May 2015 and the establishment of a Corporate Governance Code by the Tokyo Stock Exchange in June that same year, the move to require strengthened governance in corporate management is getting stronger.

As part of this, we work each day to strengthen governance. In December 2015, we formulated our Basic Policy for Corporate Governance in order to work to practice management that gets close to high transparency and ethics in order to earn trust from our stakeholders.

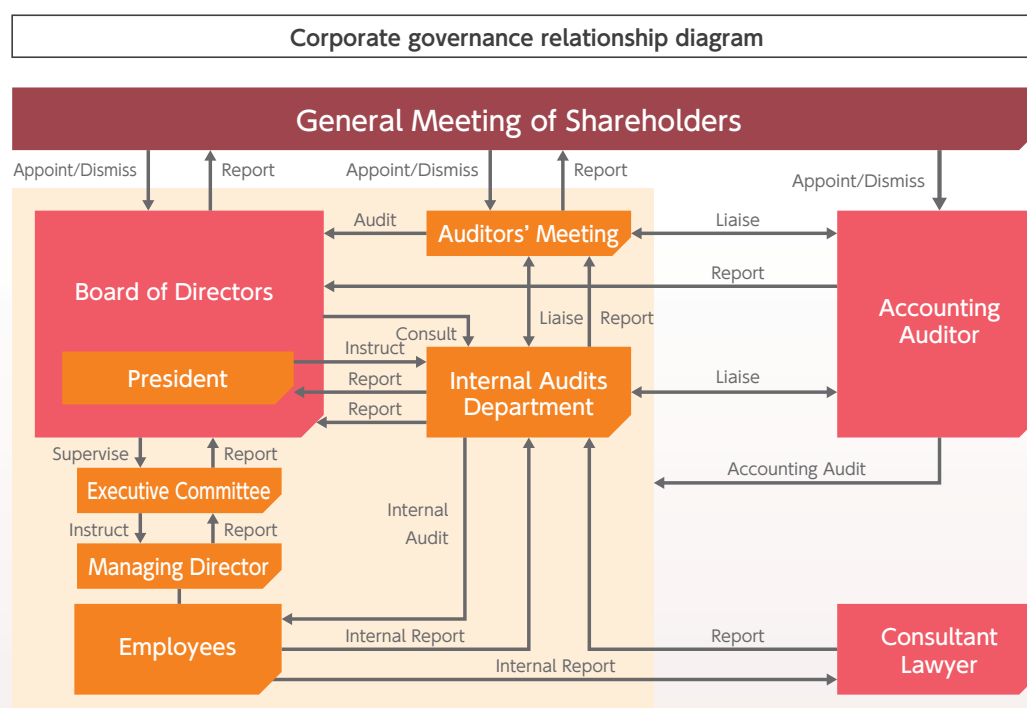
The Basic Policy is the following:

1. Ensure shareholders' rights and substantive fairness.
2. Consider the interests of our diverse stakeholders and strive for appropriate cooperation.
3. Disclose appropriately information related to the company and ensure transparency.
4. Directors and Auditors will recognize their fiduciary responsibilities to shareholders, and fulfill their roles and responsibilities.
5. Hold constructive dialogues with shareholders.

We will push ahead with strengthening governance based on this Basic Policy, aiming to improve our corporate value.

Corporate governance system

Our corporate governance is enhancing the effectiveness of supervision through the current auditor system whereby auditors, including external auditors of a certain distance from management, attend the Board of Directors meetings, management meetings, and other key meetings, providing comments based on objective assessments to management. Given our business scale and organizational structure, the current system is believed to adequately ensure auditor independence and the effectiveness of corporate governance.



Officer remuneration, etc.

Officer category	Total remuneration, etc. (millions of yen)	Total remuneration, etc. by type (millions of yen)			No. of officers eligible (people)
		Basic remuneration	Performance-linked remuneration	Non-monetary remuneration	
Directors (of which, Outside Directors)	180(18)	130(15)	50(3)	—(—)	7(2)
Auditors (of which, Outside Auditors)	43(13)	43(13)	—(—)	—(—)	5(3)

Promoting Dialogue with Stakeholders

Basic Policy

We believe it is important to have constructive dialogues towards improving corporate value in order to deepen our relationships of mutual trust with all our stakeholders.

Main dialogue opportunities with stakeholders

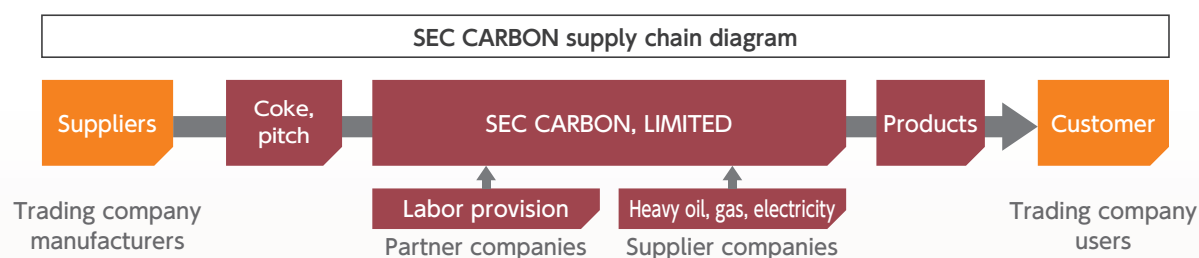
Consumers	Sales representatives, technical representatives, SEC CARBON information, product catalogues
Employees	Labor-management councils, hotlines, company newsletters, training
Local communities	Community contribution activities (cleaning, etc.), community exchange events, baseball classes, plant tours
Administration	Submission of forms, exchanges of opinions
Shareholders, investors	Reports (Securities reports, ESG reports), IR interviews, website

Relationships with Business Partners

Pursuit of customer satisfaction

We supply products that take advantage of the various strengths of carbon such as oxidation resistance and electrical conductivity, responding to our customers' needs and gaining high regard from them.

To that end, we have obtained the international quality standard ISO 9001 and established our own strict standards, carrying out advanced quality management for all products so that we can deliver to our consumers only highly reliable products that pass our careful three-stage inspections of 1. acceptance inspection for raw materials, 2. in-line inspection at each process, and 3. product inspection of finished products.



Relationships with Employees

Employee Stock Ownership Association

As part of our human capital management strategy, we have increased the incentive grant rate for our Employee Stock Ownership Association to support employees in building personal assets and growing together with the company. By introducing tiered incentive rates based on years of service, we aim to retain talented personnel over the long term. This initiative also helps boost employee interest in company performance, enhancing motivation and ultimately improving individual performance.

Relationships with Shareholders and Investors

Basic Policy

We recognize the importance of shareholder rights, and strive to ensure all shareholders can exercise their rights equally in proportion to their holdings. In addition, we strive to ensure minority shareholders are able to smoothly exercise their rights recognized under the Companies Act by setting a method for the exercise of such rights in our Stock Handling Regulations.

Dialogues with shareholders and investors

We are committed to timely and appropriate information disclosure, and we actively engage in constructive dialogue with our key stakeholders—shareholders and investors—with the aim of achieving sustainable growth and enhancing our corporate value over the medium to long term.

Led by our General Affairs and Public Relations Department, which oversees IR activities, we strive to ensure that our corporate value is accurately reflected in the market. In addition to statutory and timely disclosures, we also proactively disclose voluntary information that is relevant and useful to shareholders and investors.

Furthermore, we regularly collect and internally share feedback, opinions, and requests from shareholders and investors, and incorporate them into our management practices to continuously improve our corporate governance and transparency.

Dividends policy

We believe the most important issue for management is a continuous and stable profit return to our shareholders. Dividends from surplus are provided in a continuous and stable manner while we also pay attention to increasing our profitability and our financial soundness. Our guideline is a consolidated dividend payout ratio of 30%.

General Meeting of Shareholders

To allow the agenda items to be carefully considered, materials for the General Meeting of Shareholders, including the convening notice, are posted on our website and on the Tokyo Stock Exchange's Timely Disclosure Network (TDnet), and convening notices are then sent out at least three weeks prior to the General Meeting of Shareholders.

IR activities status

The status of our IR activities in fiscal 2024 was as follows.

The content of meetings with shareholders and investors is regularly shared with our executive team, and study sessions are held as needed to deepen understanding.

Insights gained through these interactions are actively utilized in the consideration and development of management strategies.

Activity	Times	Content
IR Interviews (including in-person and online meetings)	44	<ul style="list-style-type: none">• Business and Financial Performance• Growth Strategies• Capital Policies

Compliance

Based on our belief that compliance (compliance with laws, company rules, and corporate ethics) is the basis of management, we work to ensure this principle is thoroughly implemented and further disseminated internally.

Code of Conduct

To not only comply with laws and company regulations but also to fully recognize corporate ethics and adhere to societal norms.

Compliance questionnaire

A questionnaire is held regularly for employees. Its purpose is to allow employees to both discover organizational issues and reconfirm the work and activities they themselves do on a daily basis. The results are analyzed and utilized in activities for the following fiscal year.

Internal reporting system (whistleblower system)

Along with preparing internal reporting regulations and creating a system to protect whistleblowers, we have set up both an internal hotline and an external one via our consultant lawyers to accept reports and consultations.

Awareness-raising and education

We provide ongoing compliance training to all employees by both internal and external instructors.

Risk Management

We have drawn up Risk Management Regulations and Crisis Management Regulations, and are moving ahead with a risk management system from the twin aspects of preventing latent risks from happening (risk management) and dealing with risks that have manifested (crisis management).

For risk management, the Officer in Charge of Risk Management is in overall charge of risk management, and also regularly monitors the risk management status of key risks identified by the Board of Directors.

In addition, we have formulated a Business Continuity Plan (BCP) to ensure that when a major disaster does occur or there is a systems failure, we can resume business activities in as short a time as possible. We also conduct drills of this BCP.

Examples of risks for the company

- Natural disasters
- Epidemics
- Changes in the materials procurement environment
- Changes in the competitive environment for our products
- Changes to laws and regulations in the countries and regions where we do business
- Accidents

Information security

We have established a comprehensive information security management framework to ensure organizational and continuous implementation of appropriate security measures. This includes defining internal standards such as our information security policy and management rules, and operating in accordance with these standards to maintain safety and security.

We regard various types of information—such as confidential and personal data entrusted to us by customers, as well as internal technical information—as critical corporate assets. To protect these assets, we implement measures to prevent system failures and data breaches caused by viruses or cyberattacks.

We also provide ongoing information security education and training tailored to employees' roles, aiming to instill our security policies and raise awareness throughout the organization.

In the event of an information security incident, we have established a dedicated department responsible for rapid response, damage mitigation, root cause analysis, and implementation of recurrence prevention measures. This team also handles detection, response, and recovery from cyberattacks.

We continuously review and strengthen our systems and countermeasures in response to evolving IT technologies and emerging information security risks.

SEC CARBON Information Security Organizational Chart

