

ESG REPORT

Environment Social Governance Report

2026



SEC CARBON, LIMITED

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Basic ESG Policy

We have set ESG management as a way to achieve sustainability management in our 9th Medium-Term Business Plan, further expanding our current CSR activities. As our material issues, we have identified 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 material issues 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 our customers, increasing the happiness of our employees and shareholders, and contributing to the development of welfare within communities.

Alongside pre-existing environmental and resource challenges, evolving regulations, markets, technologies, and geopolitics are further increasing the complexity of societal issues.

There is a growing need to balance supply-chain-wide responses with the stable securing of energy and resources.

We will move ahead with careful analysis and stakeholder dialogue, based on an accurate grasp of the uncertainties and changes in this business environment, to support sustainable growth. This allows us to contribute to society and strengthen our business sustainability, helping raise our corporate value over the medium to long term.



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	- SK-B, graphitized cathode blocks for aluminium smelting - Graphite electrodes - Carbon & graphite specialties - Fine powder
Domestic offices	Hyogo, Kyoto, Okayama, Tokyo, Aichi prefectures



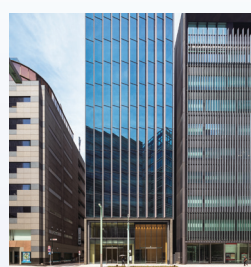
Head Office



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 confronts constant changes, explores infinite possibilities, and aspires to the top of the industry.

- We create products that meet our customers' needs.
- We promote happiness of our employees and shareholders.
- We contribute to the enhancement of social well-being.

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 in a timely and appropriate 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.

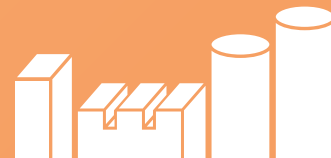
Along with all our stakeholders, we will work on solving social issues and achieving sustainable growth for our company through our daily corporate activities.



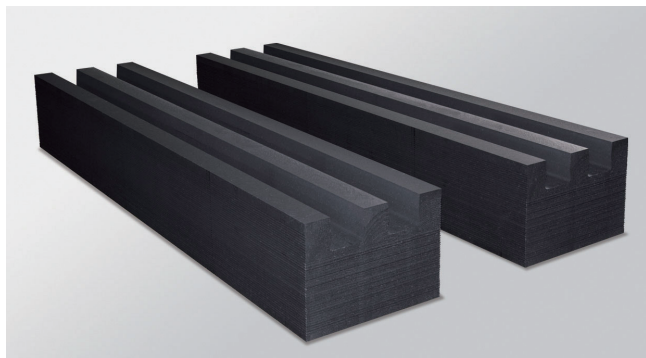
Towards eliminating anti-social forces

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.

3.4%

Electricity reduction

Effects of switching from non-graphitized to graphitized cathode blocks

222
GWh/year

Electricity reduction

Saves 222 GWh annually at an aluminium smelter that produces 500,000t/year

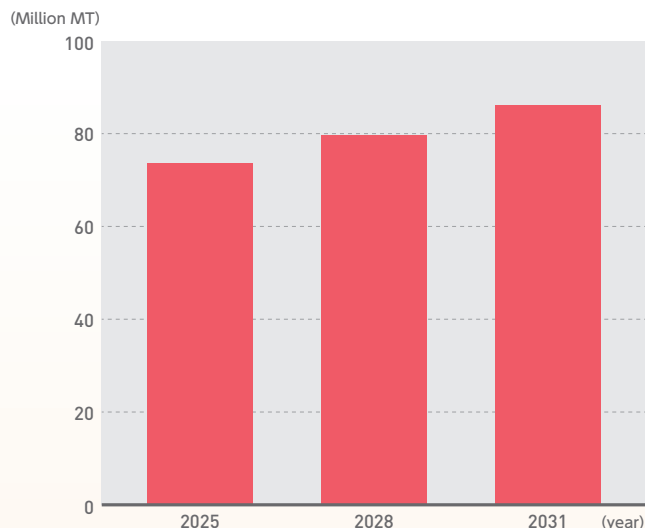
16
billion yen/year

Lowered electricity costs

Saves 1.6 billion yen annually at an aluminium smelter that produces 500,000t/year

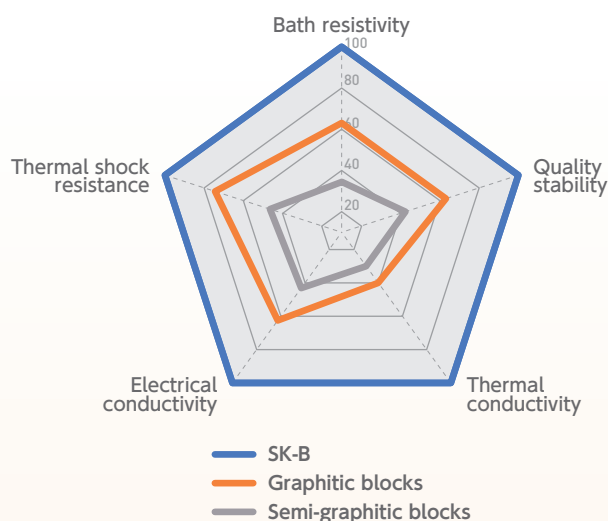
Source: SEC CARBON estimates

Global production of primary aluminium



Source: SEC CARBON estimates

Comparison of cathode block quality



Source: SEC CARBON estimates

Artificial Graphite Electrodes



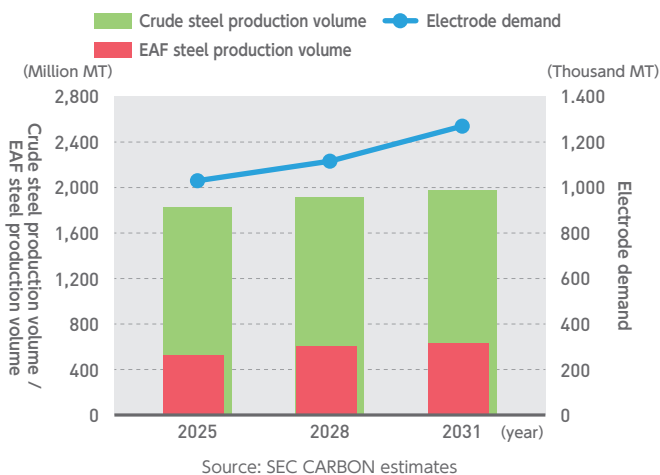
Artificial graphite electrodes are used as electrodes in EAFs to produce such items as wide flange beams and rebars used in construction sites.

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.

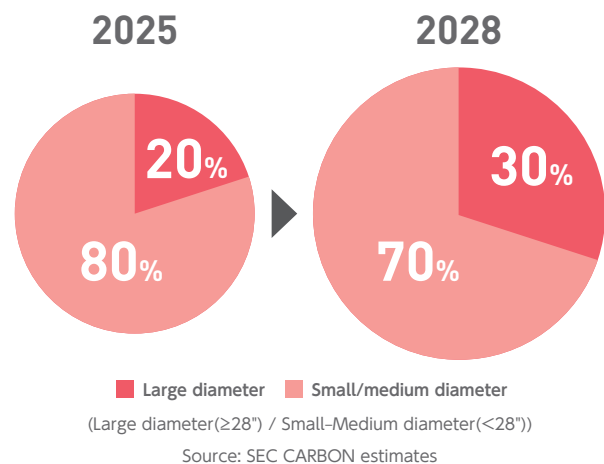
As an essential material for electric arc furnaces used in steel recycling, these electrodes are supplied to EAFs in Japan and around the world.

There is a move to shift from blast furnaces to EAFs to reduce CO₂ emissions in steel manufacturing, a trend expected to play a key role in achieving carbon neutrality.

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



Ratio of large-diameter electrode sales



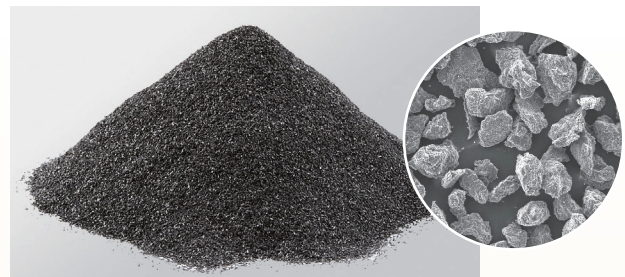
Carbon & Graphite Specialties



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



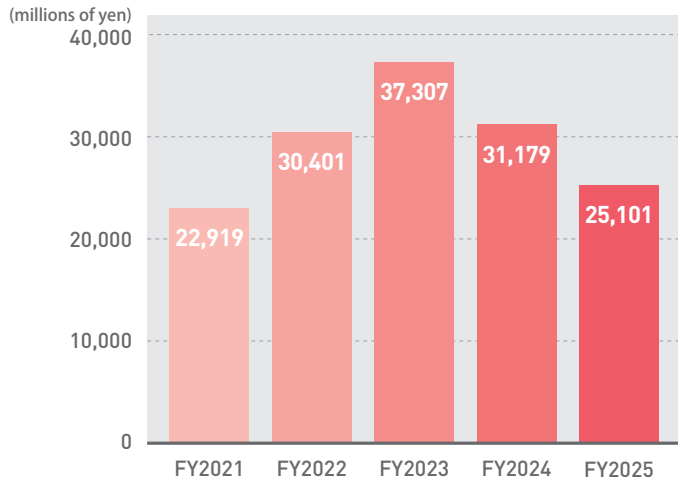
Fine powder is our unique graphite product, boasting extremely high purity and crystallization levels. There are a range of types, depending on the raw materials and processing methods, and these find use in a diverse range of fields that include coatings, sliding materials, electrical, and batteries.

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

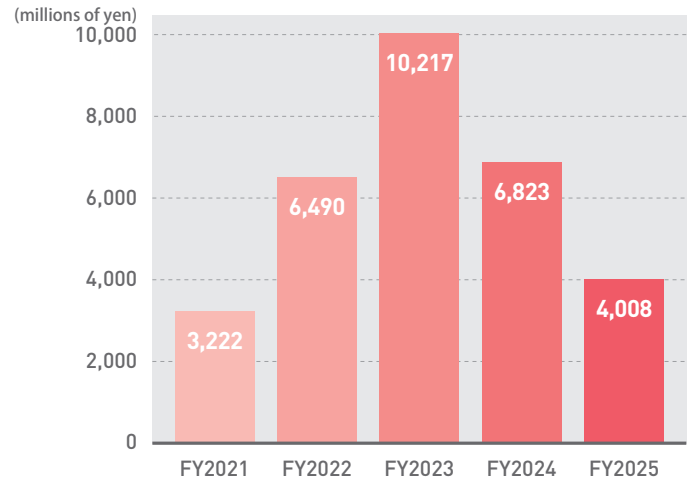
// Performance (Consolidated)



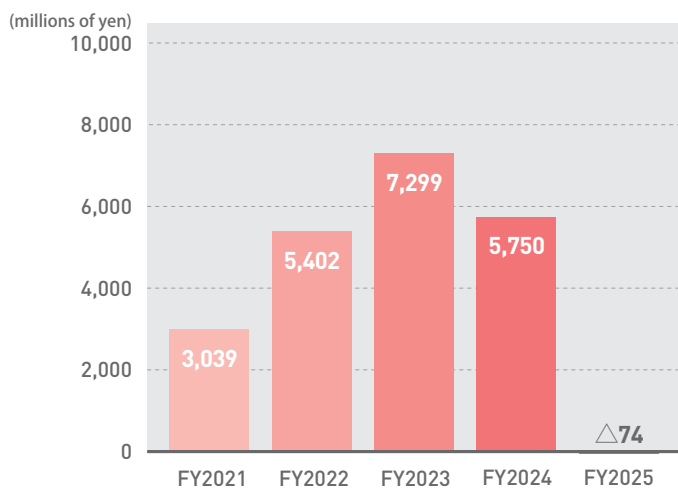
Sales



Operating income

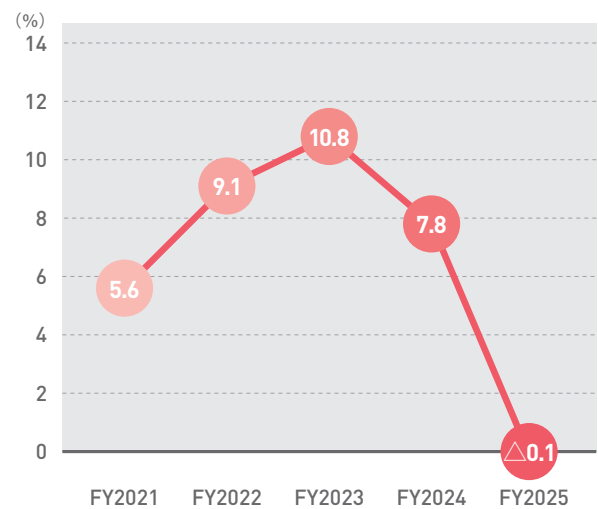


Net income



*Net income attributable to owners of the parent

ROE



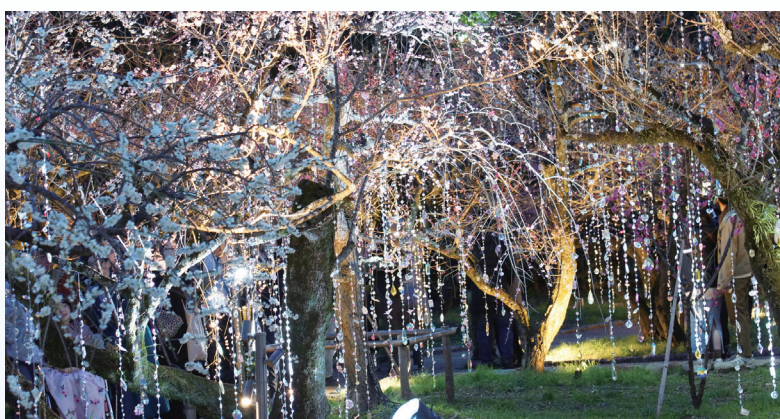


Basic Policy

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)	•CO₂ Emissions Reduction Over the Entire Supply Chain •Development/Launch of Products Contributing to Carbon Neutrality •Reduction of Environmental Impact
S (Society)	•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)	•Strengthening Governance •Promoting Dialogue with Stakeholders •Compliance •Risk Management

We are moving forward on initiatives based on the belief that promoting CO₂ emissions reduction over the entire supply chain, developing and launching products contributing to carbon neutrality, respecting diversity and fostering human resources, contributing to local communities, strengthening governance, and promoting dialogue with stakeholders as material issues for the sustainable growth of the SEC CARBON Group are vital to improving our corporate value.





// Environment

Basic Principle

To pass on our limited resources to the next generation in a better state, we work to harmonize our business activities with the preservation of 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.

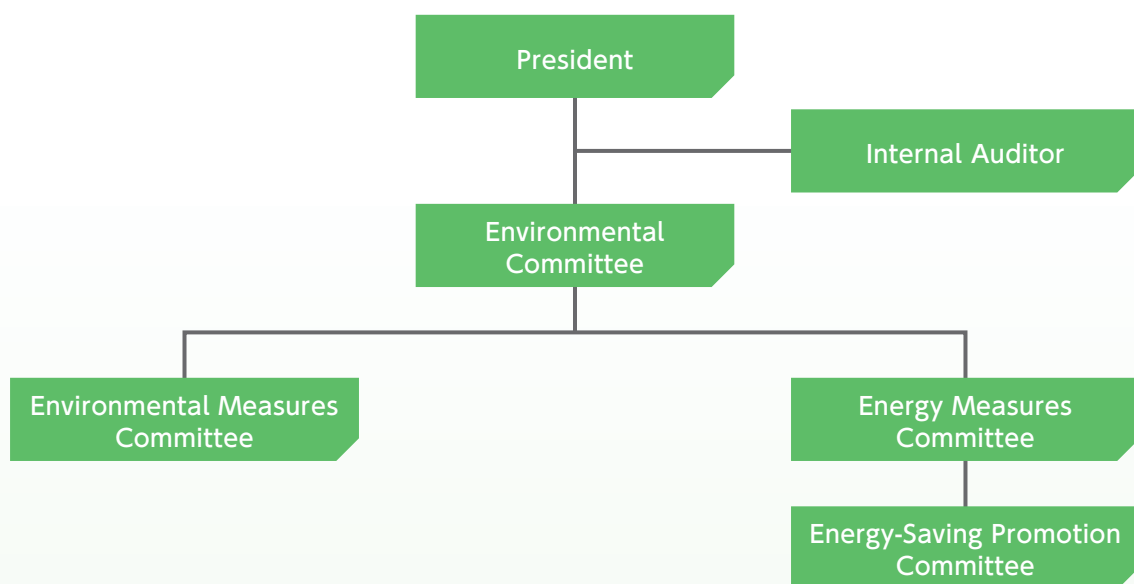
3 Promoting efficient use of resources and energy

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 of our Environmental Policy through education and training for all employees throughout our organizations, participate in local environmental protection activities, and strive to improve local environment protection and communication.

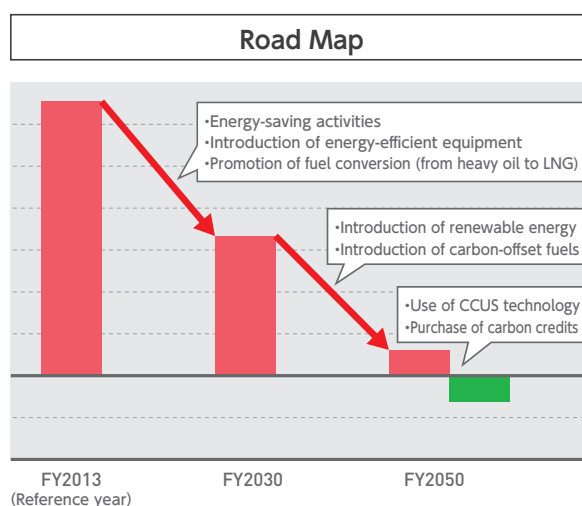
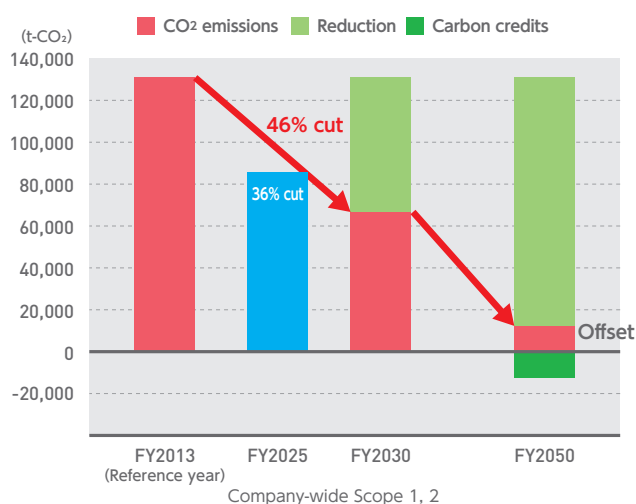
Environmental protection organization (Kyoto Plant)



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 addition to rolling out even more energy-savings activities, we will, together with our suppliers, evaluate the purchase of electricity from renewable sources, the transition from heavy oil to LNG, and the introduction of carbon-offset fuels, with the goal of achieving carbon neutrality by 2050. Furthermore, we have included reducing our CO₂ emissions by 46% (compared to fiscal 2013) by 2030 as a medium-term goal, and as of the end of March 2026, we have reduced them by 36% (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 a vital part of our lifestyles, but its manufacture produces huge amounts of carbon dioxide. The steel industry accounts for 40% of total industrial CO₂ emissions and 14% of Japan's overall CO₂ emissions, making it a major contributor. 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 steel scrap and extract the iron). Producing one tonne of steel in a blast furnace generates approximately two tonnes of CO₂, but an electric arc furnace only generates a quarter of the CO₂ emissions per tonne of steel, which is why this technology is gaining traction as we move towards carbon neutrality. Artificial graphite electrodes for steelmaking are a vital product in the operation of these electric arc furnaces, and play a key role in supporting the manufacture of GX steel, which has low CO₂ emissions.

● 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 send 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.

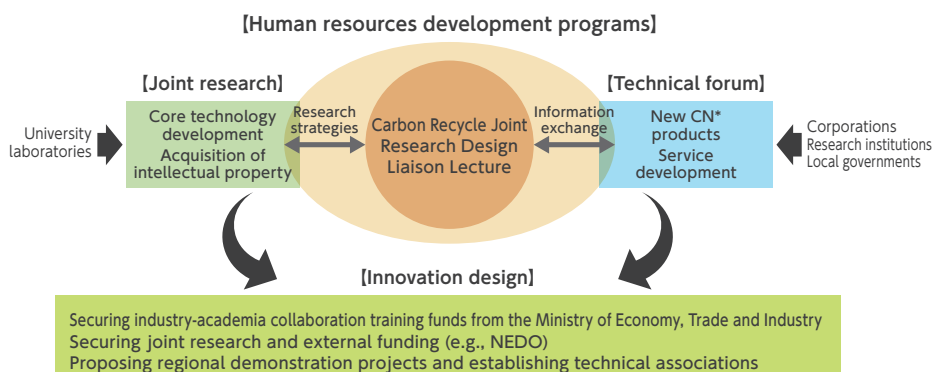
Joint Research and Technical Forum Partnerships

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.

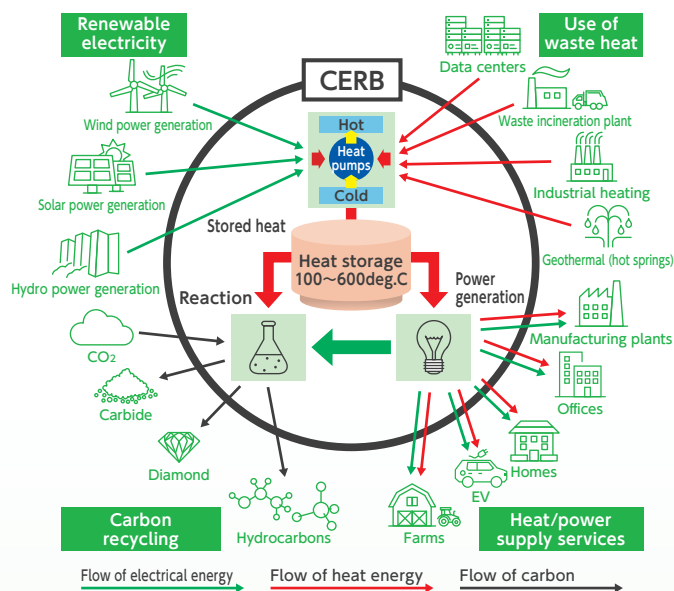
② By joining the Carbon Recycle Technical Forum (a consortium hosted by Doshisha University), we can build partnerships for commercialization through information exchange with partner firms and the planning of demonstration projects.

*CN: carbon neutral



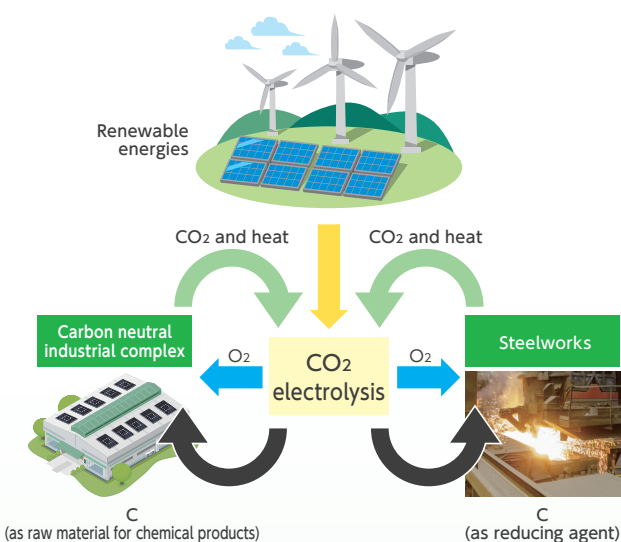
Activity scheme of the Carbon Recycle Education and Research Platform

Carbon Energy Recycle Bank (CERB)



Materials: Doshisha University

The carbon cycle



Materials: Doshisha University



Development/Launch of Products Contributing to Carbon Neutrality

Developing unique methods for making graphite particles from CO₂

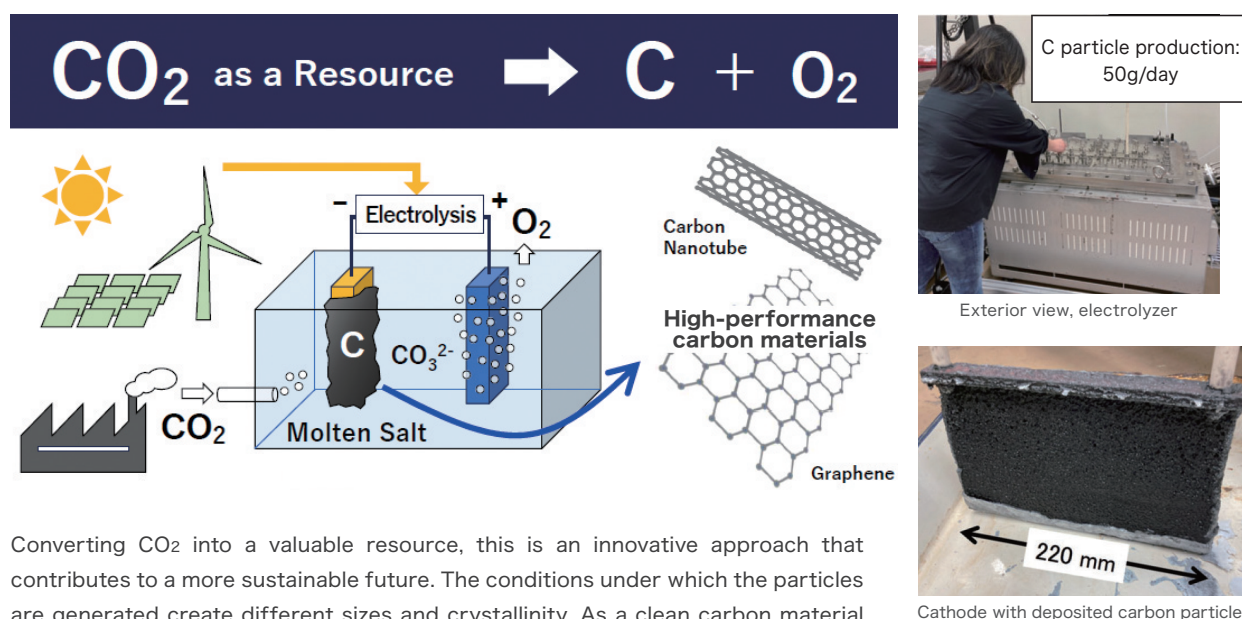
Moving ahead with initiatives for reducing CO₂ emissions

Research and development of carbon materials using CO₂

Since the declaration that the world would aim to achieve carbon neutrality by 2050 and bring about a decarbonized society, there has been an increasing focus on not just reducing CO₂ emissions, but also on CO₂ utilization as part of CCUS (Carbon dioxide Capture, Utilization and Storage).

We have worked with I'MSEP Co., LTD.* to develop a technology that uses molten salt electrolysis to obtain carbon particles from CO₂.

*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.



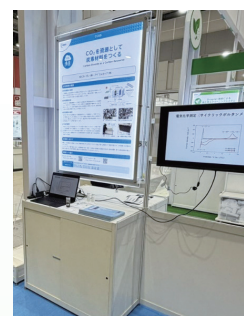
Converting CO₂ into a valuable resource, this is an innovative approach that contributes to a more sustainable future. The conditions under which the particles are generated create different sizes and crystallinity. As a clean carbon material derived from non-fossil resources, it has potential as a raw material for graphite materials and for non-aqueous secondary battery materials. We are working on R&D with the goal of manufacture, sale, and mass production.

nano tech 2026

We shared the NEDO booth at nano tech 2026, held at Tokyo Big Sight from January 28 to 30, 2026, with I'MSEP Co., LTD.

At this trade show, we presented our existing research results and showed off an electrolyzer with the capacity to produce 50 grams per day. People from more than 80 companies visited our booth, and we got many requests for sample evaluations.

*Part of this research is funded by a subsidy from the NEDO Feasibility Study Program/Feasibility Study Program on Energy and New Environmental Technology.
[Research and Development for Using Non-Fossil Resources for Graphite Materials]



Booth at nano tech 2026

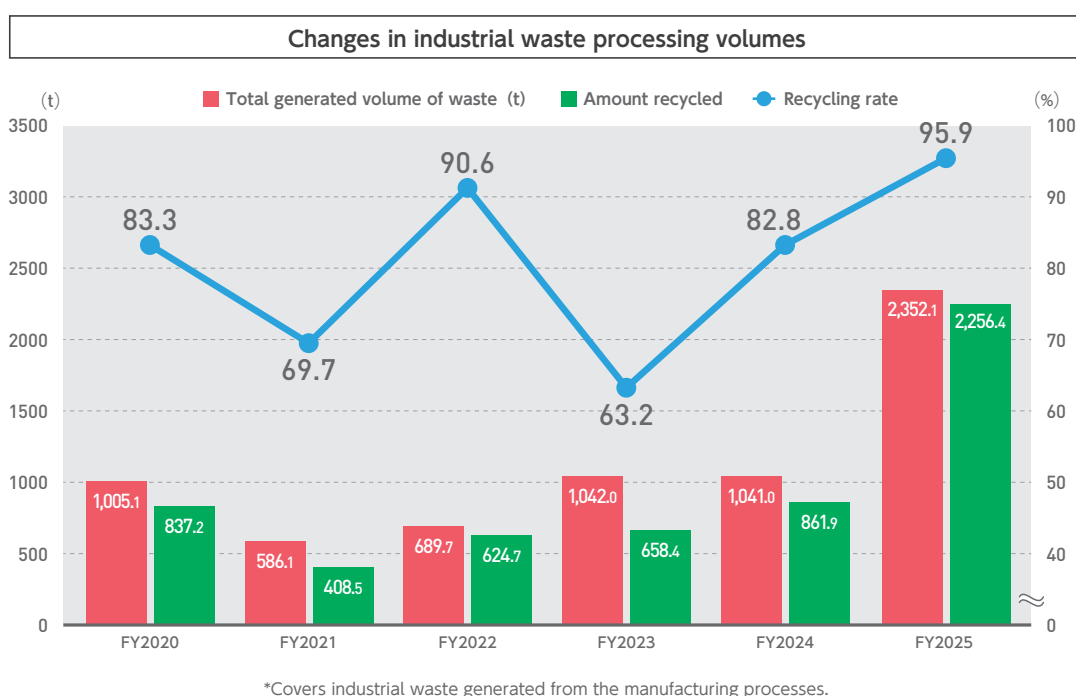
Development of new products to contribute to CO₂ emissions reductions

Drawing on the unique characteristics of carbon and graphite, and the manufacturing technologies such as heat treatment that we have developed already, we are working earnestly to research and develop new products and materials in fields that contribute to carbon neutrality and energy conservation.

Reduction of Environmental Impact

We are working on strengthening the sorting and recycling of industrial waste to help bring about a circular economy. In strengthening waste sorting, we have appointed waste management personnel from each department and implemented measures to establish sorting standards and storage facilities. In addition, we are working to improve our recycling rate such as by turning waste that would normally be incinerated or end up as landfill into resources again through surveys on recycling technology and collaborations with businesses certified as excellent industrial waste management businesses possessing the relevant technology. In particular, four times the yearly average brick and concrete waste was generated in fiscal 2025 due to construction of a new AG furnace that involved dismantling the old furnace. However, all this waste was able to be recycled as road base material, reducing the amount of waste we generated. The new AG furnace is much more thermally efficient and contributes to reducing the amount of energy we use, so the energy saved through this update also reduces our environmental impact.

In terms of regulated substances for air and water quality, we will obviously strictly comply with local environmental conservation agreements, while also working for further reductions.





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.

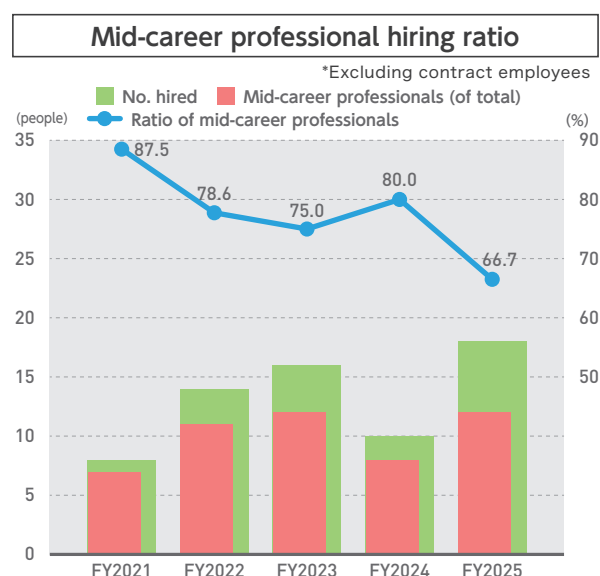
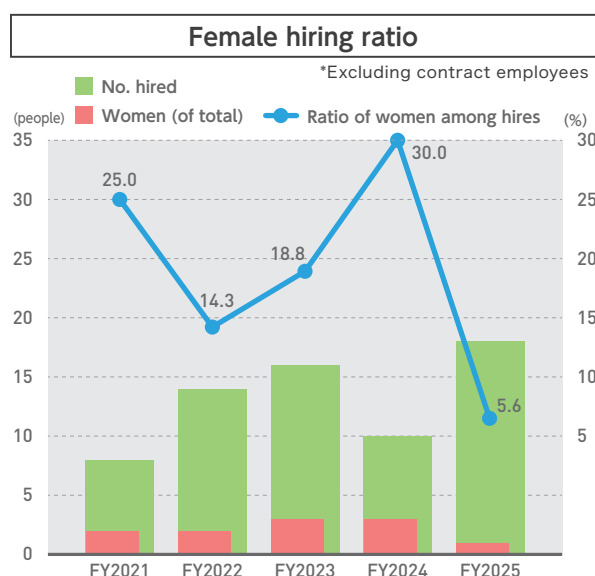


Securing diverse human resources

At SEC CARBON, 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, creating opportunities for them to shine, and strengthening our human resources foundation, a key part of our sustained growth.

In particular, we position the recruitment of women and mid-career professionals as key measures, and 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 2031, proceeding with planned, continuous efforts.

For mid-career hires, we are focusing on securing people who can hit the ground running, especially in key fields where specialization is needed. In these ways, we are promoting the creation of a system that contributes to improving the competitiveness of the entire organization.

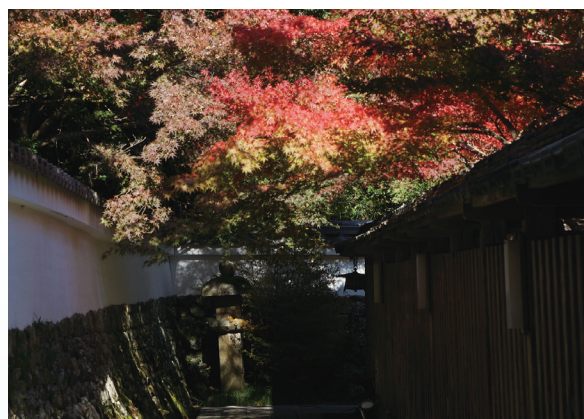


Re-employment system

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 senior employees until the age of 65.

These senior employees play key roles not only thanks to their extensive experience, knowledge, and technical skills, but also for their role in mentoring the next generation and passing on their expertise. To support this, we clearly define the roles expected of senior employees and provide evaluations and compensation aligned with those roles in order to maximize 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 is expected to be able to contribute to the stable operation of our organization and strengthen our human resources capabilities by utilizing the knowledge and skills of experienced employees.



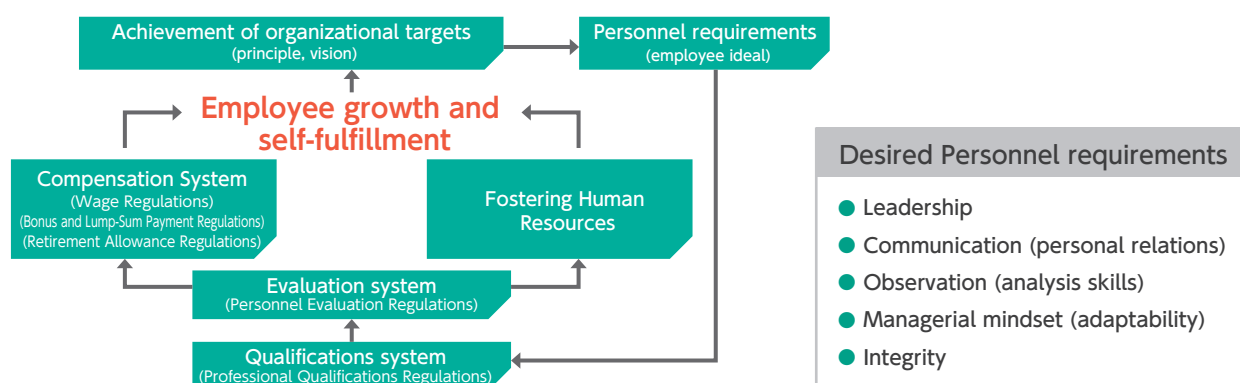
Fostering Human Resources

We believe that developing human resources capable of adapting flexibly and autonomously to a rapidly changing business environment forms a key foundation that supports continued growth. Through fostering human resources like this, we feel it will allow us to continue meeting the expectations and needs of our stakeholders, including customers, shareholders, and society at large.

Human Resources System

We are committed to developing a human resource system that encourages personal growth and self-fulfillment for each and every person by creating an environment where individuals with the right abilities and motivation are fairly evaluated and given opportunities to maximize their talents.

We have clearly defined the qualities we seek in our personnel and, based on these criteria, have systematically 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, ensuring a fair and transparent system that incorporates a performance-oriented perspective. We are also continuously working to improve the accuracy of this system implementation, and are promoting the development of an organization where employees can grow and thrive with a sense of satisfaction.



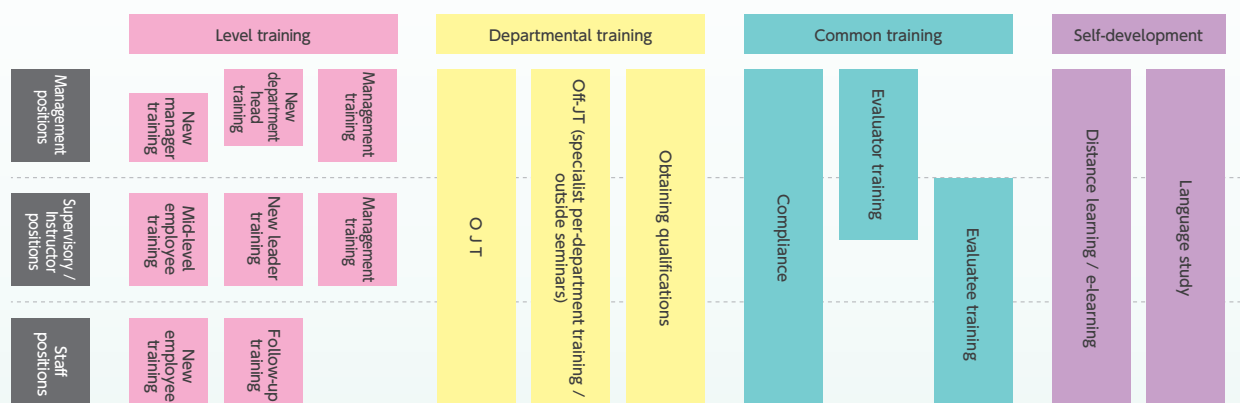
Human Resources Development and Strengthening

We provide an environment where employees can learn the skills and knowledge needed for their jobs through on-the-job training (OJT) at each workplace. In addition, we have also developed off-the-job training (Off-JT) as a system aligned with our qualification system under the human resources framework, and are committed to supporting the planned growth of our employees by ensuring opportunities for them to learn outside the workplace.

In particular, we always provide training at key career milestones—such as upon joining the company, promotion to mid-level positions, or advancement to management roles—where the responsibilities and expectations of employees change, supporting them in acquiring the skills they need as soon as practical.

Our goal management and evaluation systems are positioned as key 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. Through this, we aim to establish a training cycle that is fair and offers a sense of satisfaction through our entire organization.

We also offer a wide range of training programs that include a mentoring system for new hires, language training to foster next-generation global talent, support for obtaining official certifications, and self-development programs. Through these training options, we are responding to employees' ambitions and laying out a system that will give them the push needed for self-study and career development, working to strengthen human resources capabilities across the entire company.



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 clinics for local elementary school teams, sharing the skills they have developed to contribute to the community.

Cleaning around the Kyoto Plant



Certificate of Appreciation presentation ceremony

Road beautification

We were given a certificate of appreciation 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

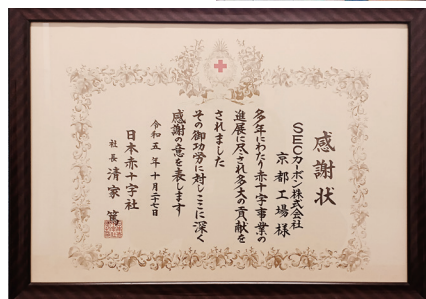
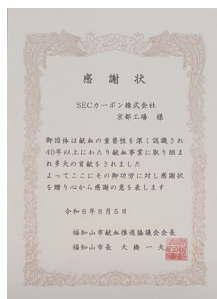
Business emissions reduction planning/reporting/publication system based on the Kyoto Prefecture Global Warming Countermeasures Ordinance



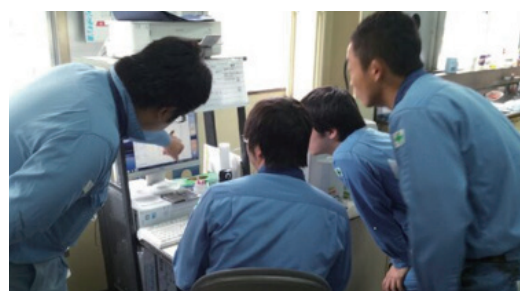
We received an award from the governor of Kyoto Prefecture for being a top-quality business operator.

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.

Anyone who needs an AED can contact us either by calling the reception phone at the office to the left after entering the main gate, or by visiting the guardhouse, 100 m south of the location shown in this photo.

Activities to promote an inclusive society (Fukuchiyama City)

We have donated production costs for a joint project to develop and produce boccia devices. These devices are being made by students from Kyoto Prefectural Kogyo Senior High School for students from Kyoto Prefectural Chutan Special Needs School, allowing even those with weak throwing abilities to enjoy the game.

This project is an initiative through students working together that aims to create an environment where anyone can enjoy sports. We shall continue to value our connections with our communities and support these sorts of activities.

Achieving Employee-Friendly Workplace Environments

Enhancing support systems for employees

We promote self-fulfillment by creating an environment where employees are encouraged to take on challenges and improve themselves, aiming to realize one of our core management principles: enhancing employee well-being. This is why we have developed a range of programs beyond legally mandated support systems 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 leave of absence program that provides ongoing support from the time of absence due to personal illness or injury through to recovery and return to work, allowing employees to devote themselves to their recovery without having to worry.

In addition, we provide economic support through company housing and various living allowances, helping employees maintain financial stability. Through these initiatives, we are developing an environment where employees can continue to work with peace of mind throughout their life stages; one that balances job satisfaction with job comfort.

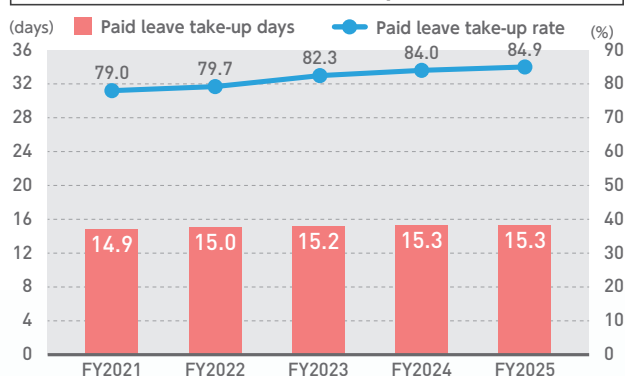
Fostering a culture that creates a work-life balance

We believe that enabling employees to balance work and personal life and lead fulfilling lives requires more than just systems—it requires a corporate culture where individuals are valued and people have a mutual understanding of each other. To that end, we strive to foster a culture that is easy to work in, and emphasizes cultivating workplaces where employees can work with enthusiasm.

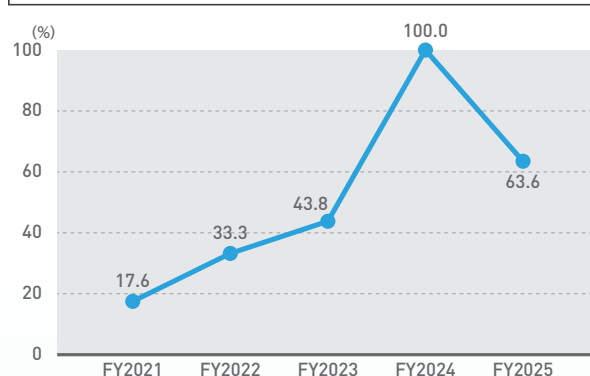
These initiatives have borne fruit, with the awarding of the Hyogo Work-Life Balance Company Award from Hyogo Prefecture in 2013 in recognition of our efforts such as promoting high paid leave utilization, minimizing overtime, and encouraging no-overtime days.

In fiscal 2025, we kept up our high performance in these areas, with our paid leave utilization rate reaching 84.9%, average monthly overtime per employee being 3.5 hours, and the childcare leave uptake rate among male employees at 63.6%. Our employee turnover rate was a low 1.0%, indicating that we have firmly established a comfortable working environment. We will continue promoting the creation of a culture that emphasizes a work-life balance, aiming for open, inclusive, and supportive workplaces where people can build long-term careers.

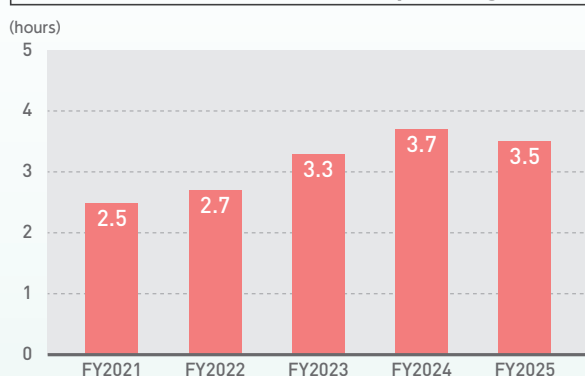
Paid leave take-up rate



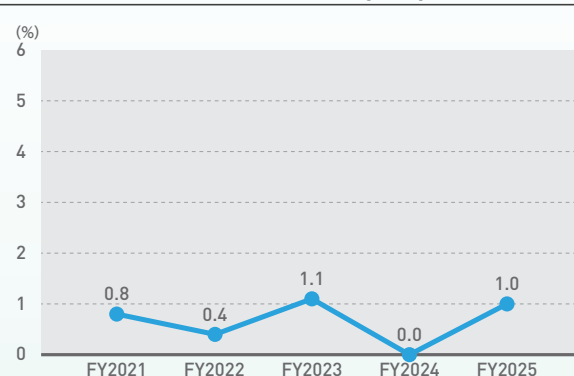
Childcare leave for men



Overtime work (monthly average)



Turnover rate (voluntary departure)



Achieving Safe, Healthy Workplace Environments

Health and Safety Activities Plan for Fiscal Year 2026

We believe that for a company, employees are valuable assets, and no company can achieve sustainable growth 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 a Safety Culture Together” with the aim of achieving a workplace where everyone can work safely and securely, 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

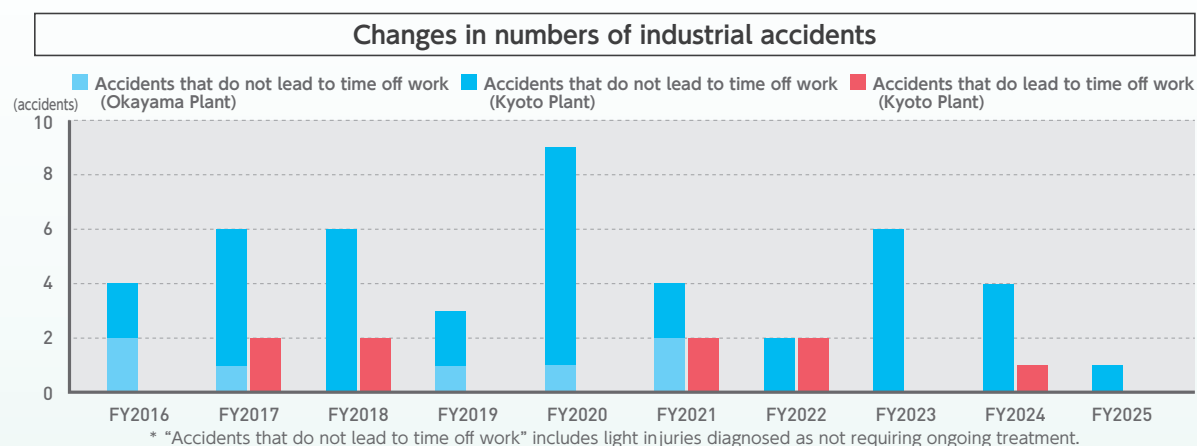
Strengthen risk assessment

- When identifying hazards as part of risk assessments, we use systematic reviews rather than subjective observations. For work processes that may lead to occupational accidents, we look at the interaction between workers and hazards in each task, while also taking into account unsafe behaviors, including tendencies to knowingly take risks.

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.



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.



4 Heatstroke prevention

- Last year (2025), Fukuchiyama, where our Kyoto Plant is, suffered from severe heat, and even recorded the hottest temperature in Japan for three days running. Some of the measures we have taken include installing cool roof fans in the heat treatment process section at the plant, bringing in cooling clothing and polo shirt uniforms, and supplying oral rehydration solutions. In addition to these, we have also brought in a system (cameras) to analyze and show heatstroke risks using AI. Through regular checking when starting and finishing work, and before and after breaks, each person's condition is monitored objectively, and job assignments changed based on the results. In addition, colleagues working together on the floor now actively speak up when something is wrong. As a result of these measures, there were no cases of industrial accidents due to heatstroke in 2025.



Changes in check results

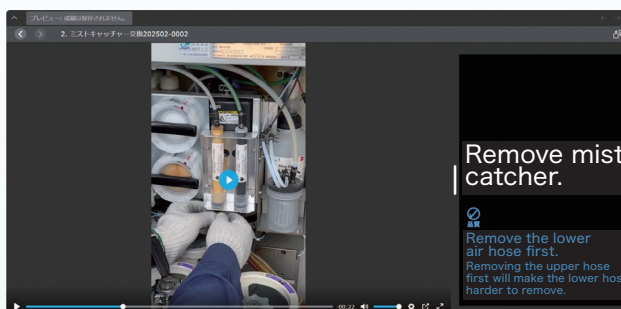
The bar graph shows the total number of people who have been checked, while the red line is the daily maximum WBGT.



Time captured	WBGT	Check results	Facial photo	Other information
2025-09-19 15:59:31	32	Fairly safe		
2025-09-19 15:27:56	32	Fairly safe		
2025-09-19 15:22:59	32	Caution		
2025-09-19 15:21:49	32	Some caution needed		

5 Manuals utilizing video

- We introduced a cloud-based video platform to create work manuals incorporating video content. These video manuals can be viewed on all types of devices, allowing not just checking of work methods on the floor but use as training materials for new employees and to pass on skills and expertise.



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 over 50, 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

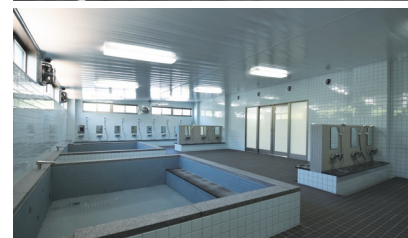
- For the influenza vaccine, we subsidize the entire cost and carry out mass vaccinations to help prevent the spread of infections.

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
- Promoting participation in cancer screenings
- Implementing organizational and continuous health promotion activities
- Supporting health initiatives that include community-based programs



Product Responsibilities

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, which enables high production efficiency through 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.

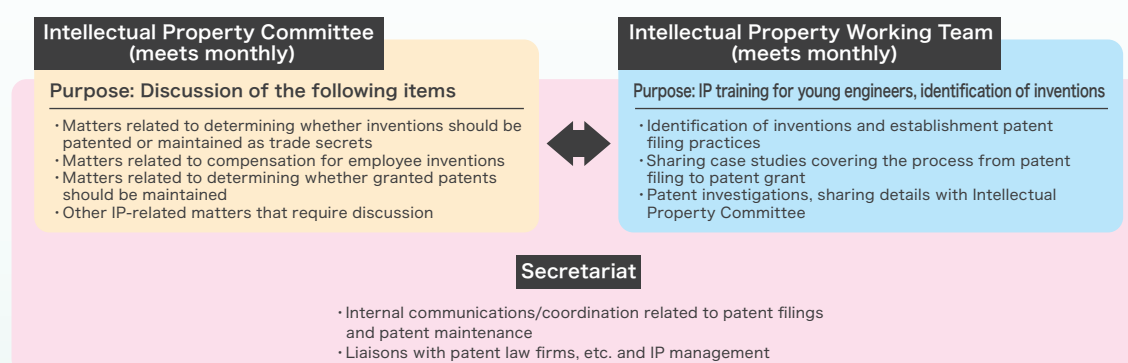
5 Initiatives for intellectual property

We position intellectual property as a key business asset, and aim to secure freedom to operate while maximizing our competitive advantage. The following are the sorts of activities we carry out to that end.

- The Intellectual Property Committee strategically screens inventions created by various departments to see whether they should be patented or maintained as trade secrets. This protects our unique technological assets in multiple ways and ensures a sustained competitive advantage. We are also working on effective management of intellectual property costs, such as discussions to see whether granted patents should be maintained.

- The Intellectual Property Working Team aims to improve the intellectual property mindset through training aimed at younger engineers. Through these activities, we both promote the discovery of inventions as well as conduct investigations to respect the IP of other companies and prevent infringement.

Also, to encourage employees to generate inventions, we are setting up an in-house infrastructure that makes it easy to apply for patents and enhancing our employee invention reward system. Using our accumulated intellectual property as the core, we are accelerating the development of new products and the creation of new businesses, achieving sustained improvements to our corporate value.



Initiatives Over the Entire Supply Chain

The Group is working to respond responsibly to environmental and social issues through our business activities in order to achieve a sustainable society. In addition, to make these initiatives effective, we realize that the understanding and cooperation of not just the Group but our entire supply chain as well are required.

Based on this way of thinking, we have set a Purchasing Policy together with our suppliers to serve as the basic policy for promoting responsible purchasing activities. The Group will contribute to bringing about a sustainable society through our entire supply chain thanks to this policy.

Purchasing Policy

1 Basic Ideas

We will contribute to bringing about a sustainable society through all our corporate activities in accordance with our Basic Principle and Code of Conduct.

We will value corporate social responsibility (CSR/ESG) in our purchasing activities as well, and promote responsible purchasing from the perspectives of the environment, human rights, quality, and more.

In addition, we intend to construct a sound and sustainable supply chain in concert with our suppliers.

2 Partnerships

● We will consider our suppliers important partners in our corporate activities and engage with them on a fair and equitable basis, constructing cooperative relationships based on mutual understanding and trust.

● We will publish our Purchasing Policy on our website and promote related initiatives throughout our supply chain.

● Based on the Declaration of Partnership Building system that the national government is encouraging, we intend to publish our declaration as well as build sustainable partnerships with our supply chain based on this declaration.



3 Legal Compliance and Ethical Conduct

● Our purchasing activities will not just comply with relevant laws and regulations in Japan and overseas but will follow social norms and common sense.

● Our transactions will be fair and transparent, and we will eliminate bribery, excessive entertainment, and all other forms of misconduct.

● We will assess fairly from the perspective of QCD (Quality, Cost, Delivery) and ensure optimal purchasing activities.

4 Human Rights and Labor Environment Considerations

● We will not purchase any products manufactured in inhumane labor environments such as forced labor or child labor, or that do not comply with labor laws and regulations, nor that are manufactured in discriminatory labor environments that have various forms of harassment.

● We will not purchase minerals, etc. (gold, tin, tantalum, tungsten, cobalt, etc.) mined, refined, or manufactured in conflict zones.

● We will require the same from our suppliers.

5 Environmental Considerations

● We will promote Green Purchasing of products that are environmentally conscious, in accordance with our Environmental Policy.

● We will collect information on the risks and hazards of purchased items and strive to ensure there are no negative effects on any stakeholders.

6 Information Management and Confidentiality Maintenance

● We will manage confidential information and personal information obtained as a part of transactions appropriately and prevent leaks and misuse.

7 Coexistence with Local Communities

● We will actively promote transactions with local corporations as a way to contribute to the development of local economies.

8 Operation and Revision

● We will share this Policy with departments responsible for purchasing (Raw Material Procurement Dept., Buying Group, Business Management Group) as well as the rest of the entire company, and ensure it is put into practice.

● This Policy will be revised regularly as needed in response to changes in laws and regulations, social conditions, or requests from our stakeholders.



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.

In December 2015 we formulated our Basic Policy for Corporate Governance to ensure high transparency and ethical management to earn trust from our stakeholders.

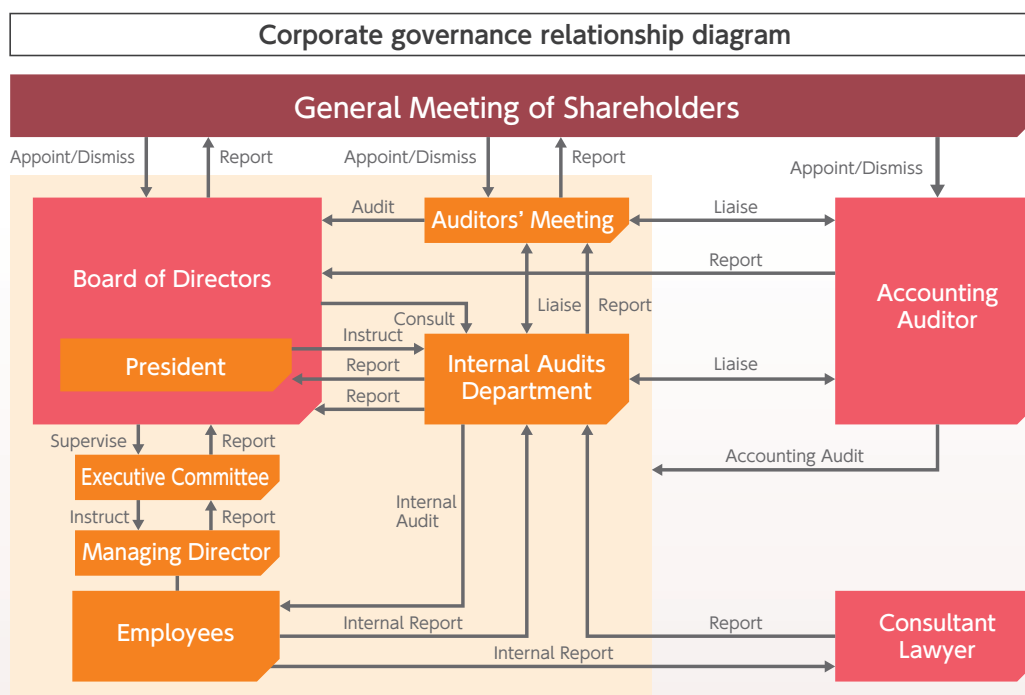
The Basic Policy is the following:

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. In addition, we have increased the number of outside directors in light of revisions to our organizational structure, raising the ratio of outside directors to over one-third of the board, in order to further strengthen their oversight functions. Given our business scale and organizational structure, the current system is believed to adequately ensure auditor independence and the effectiveness of corporate governance.



Executive Compensation

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)	188 (18)	135 (15)	52 (3)	— (—)	7 (2)
Auditors (of which, Outside Auditors)	44 (14)	44 (14)	— (—)	— (—)	4 (2)

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

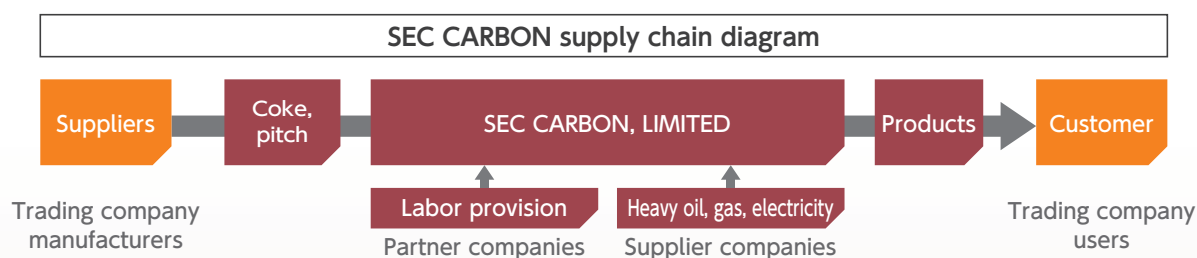
Customers	Sales representatives, technical representatives, SEC CARBON information, product catalogues
Employees	Labor-management councils, hotlines, company newsletters, training
Local communities	Community contribution activities (cleaning, etc.), community exchange events, baseball classes, plant 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 gained strong recognition.

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 customers 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, as of October 2024 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 standard for dividend amounts is either 100 yen per share for a full year or a consolidated dividend payout ratio of 30%, whichever is higher.

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 over the last three years (FY2023 to FY2025) 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
	FY2023	FY2024	FY2025	
IR Meetings (including in-person and online meetings)	35	44	44	• 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

We regularly conduct employee surveys. 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.

SEC CARBON Hotline usage	
FY	Cases
2021	0
2022	0
2023	0
2024	0
2025	0

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 position protecting key information assets related to product development, manufacture, and sale as the foundation underpinning our corporate activities. With the increasing sophistication of cyberattacks and growing risks in supply chains, we believe that maintaining a reliable information management system is vital in order to respond to expectations from our customers, business partners, and communities.

1 Information Security Policy

We have established an Information Security Policy which lays out the initiatives we will take to ensure the confidentiality, integrity, and availability of all our information assets. Employees are being made aware of this Policy, and working to ensure they implement it in their daily work.

2 Governance System

We assign a person with overall responsibility for information security, as well as persons responsible for information security in related departments, including management departments and manufacturing/technical departments, while the Information System Department plays the key role in managing information security. We have established a system by which the Information System Department assesses risks, considers measures, confirms incident response status and so on, and regularly reports the details to the Management Council.

3 Risk Management and Technical Measures

We carry out regular information security risk assessments to reduce the risks of information leaks through external threats or internal fraud. We have also set up technical measures such as access control, system monitoring, encryption, and malware protection, and are constructing an information protection system with multiple layers of protection.

In addition, we have prepared a business continuity plan (BCP) and disaster recovery plan (DRP) in case of natural disasters or unforeseen events, ensuring that key systems can be continued.

4 Incident Response Systems

We have developed incident response procedures aimed at the early detection and prompt resolution of incidents. When an incident does arise, we liaise with related departments to find the cause and carry out countermeasures, and work to ensure it cannot happen again.

5 Employee Training

Based on our belief that information security is supported by the awareness and conduct of each and every employee, we hold information security training aimed at employees. In addition, we also have initiatives to encourage a practical understanding, such as targeted attack email countermeasure drills.

6 Personal Information Protection

Based on our Personal Information Protection Policy, we ensure compliance with related laws and regulations such as the Act on the Protection of Personal Information. We practice appropriate management of each process of obtaining, using, storing, and disposing of information regarding our customers, business partners, and employees to ensure the proper handling of information.

7 Certification and External Assessment

We undergo assessments and audits by third-party specialists as needed in order to continually improve our information security management system. We shall continue to utilize a third-party perspective with the aim of creating an even stronger information security system.

Number of serious incidents	
FY	Cases
2021	0
2022	0
2023	0
2024	0
2025	0

