

ESG REPORT

Environment Social Governance Report

2024



SEC CARBON, LIMITED

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Basic ESG Policy

SEC CARBON has 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

Since the company's foundation, SEC CARBON has consistently pursued the field of carbon and been committed to supplying higher quality products, contributing to the development of the industry. Driven by our management principle "Our company challenges to constant changes, searches for infinite possibilities, and aspires to the top of the industry". 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 through our corporate activities.

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

In this situation, in addition to continuing our business activities, we are increasingly required to contribute to society and the environment. We shall move the CSR activities we have carried out to date a further step forwards and elevate them to ESG activities, continue solving social issues in the economy, the



President and Representative Director

Nakajima Koh

environment, and society.

From this point on, we shall deepen our awareness of social issues in the economy, the environment, and society through dialogue with stakeholders, continue activities to confront these issues head on, and contribute to the development of a sustainable society.

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 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



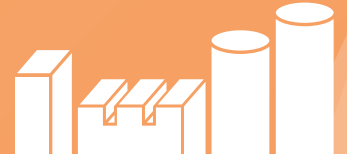
Interest in CSR and ESG among the stakeholders involved with our company is growing each year.

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.

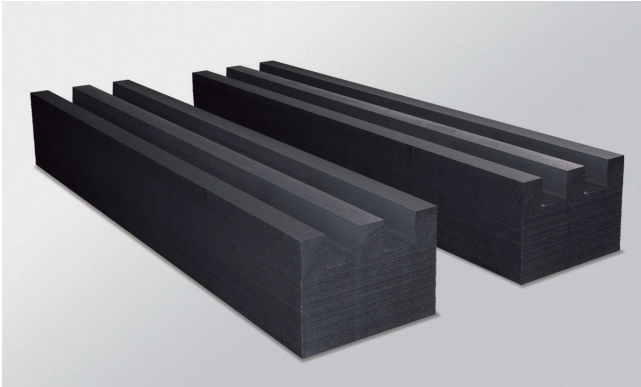
Towards eliminating anti-social forces

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

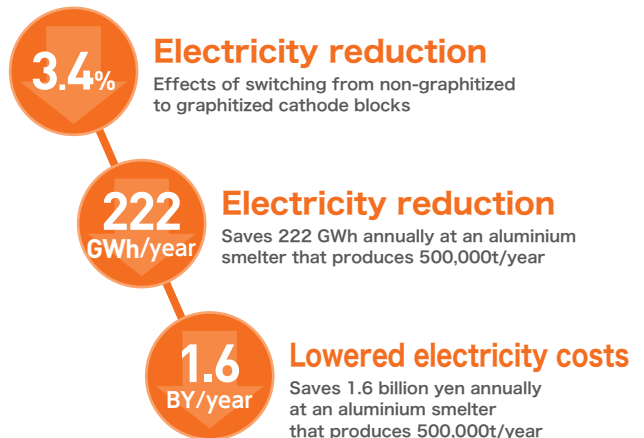


Production plant

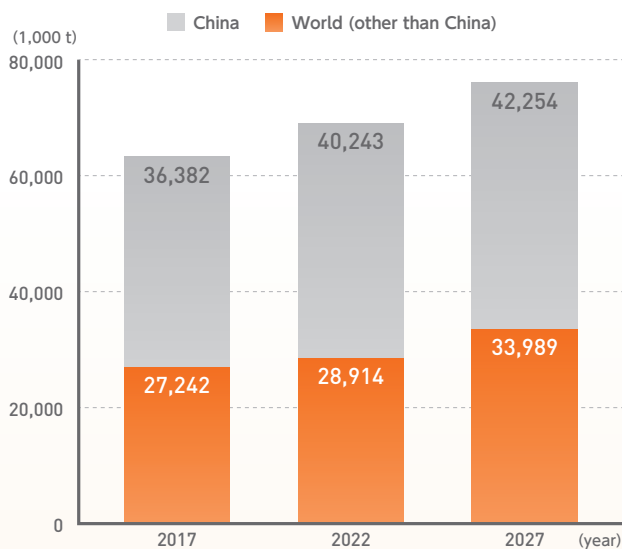
Our SK-B are cathode blocks used in aluminium smelting. They are laid out along the bottom of the aluminium electrolysis cells.

While some cathode blocks are merely made by forming and baking anthracite and graphite, our SK-B are noted for being graphitized. This gives them 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.

By using graphitized cathode blocks, we can cut down the amount of electricity consumed during smelting, thus contributing to carbon neutrality.

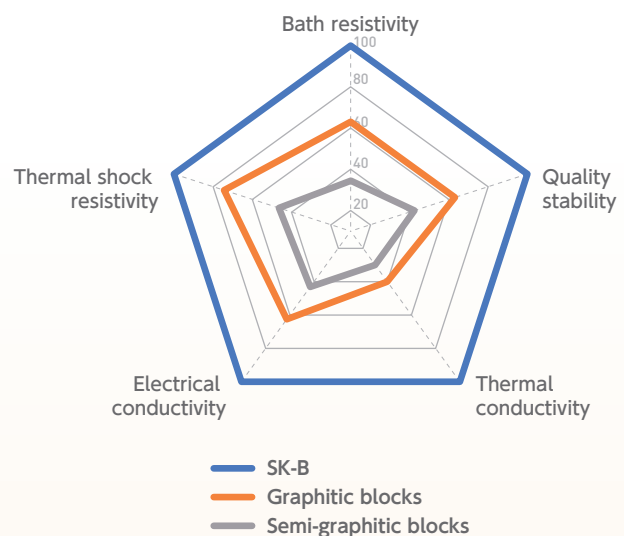


Global production of primary aluminium



Source: CRU

Comparison of cathode block quality



Artificial Graphite Electrodes



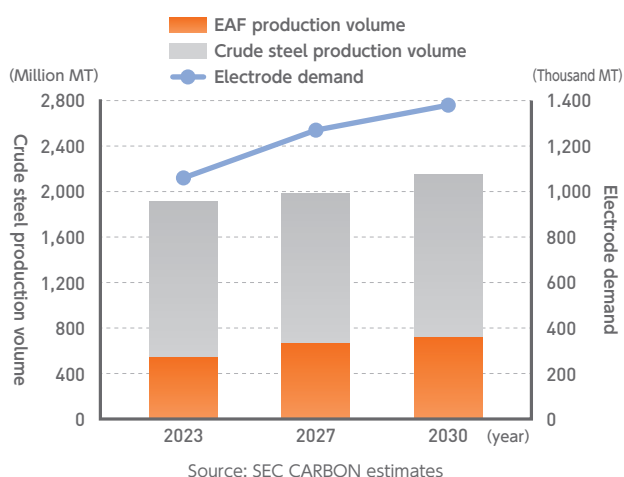
Artificial graphite electrodes are used as electrodes in EAFs to produce such items as wide flange beams and rebars used in construction sites.

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

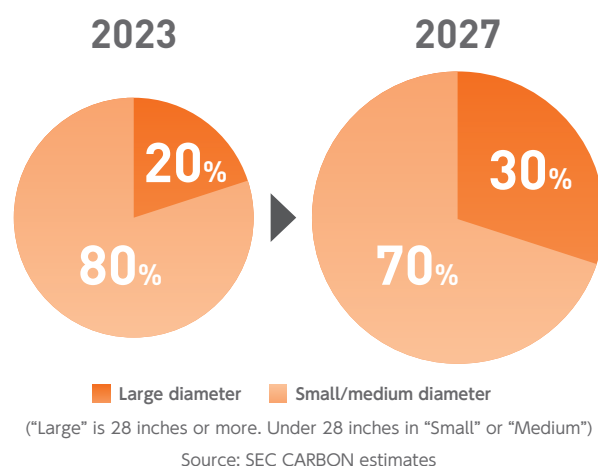
As a vital part of the steel cycle, these electrodes are supplied to EAFs in Japan and around the world.

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.

World crude steel production 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 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.

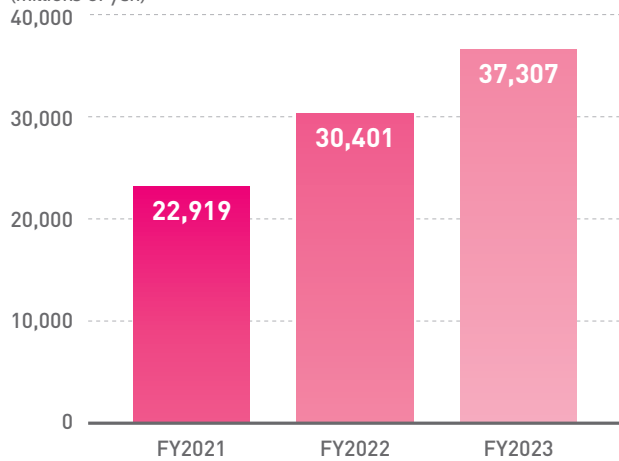
We not only handle artificial graphite powder, but carbon powder and natural graphite powder.

// Performance (Consolidated)



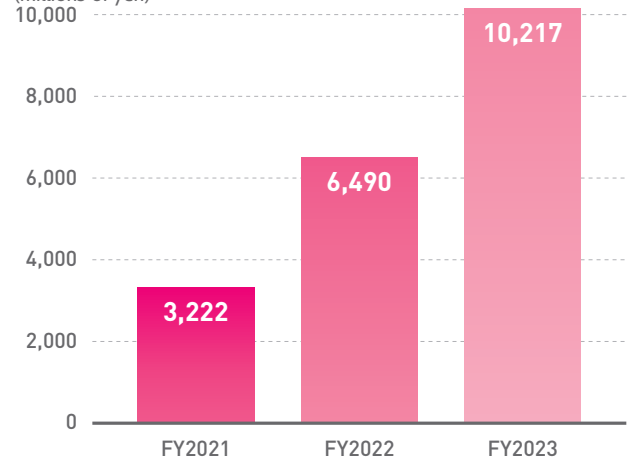
Sales

(millions of yen)



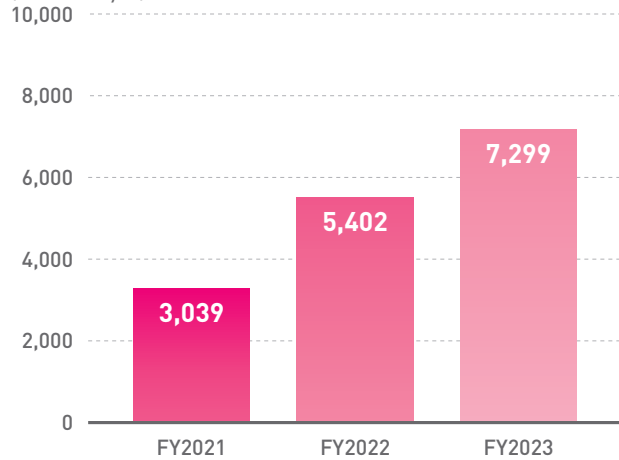
Operating income

(millions of yen)



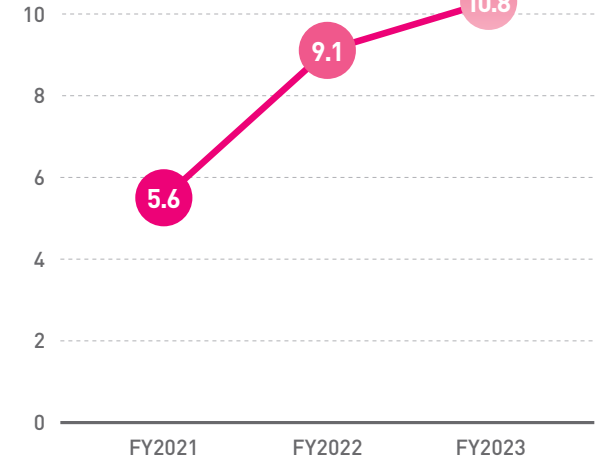
Net income

(millions of yen)



ROE

(%)





Basic Policy

SEC CARBON encourages 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 Liability
G (Governance)	•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.



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.

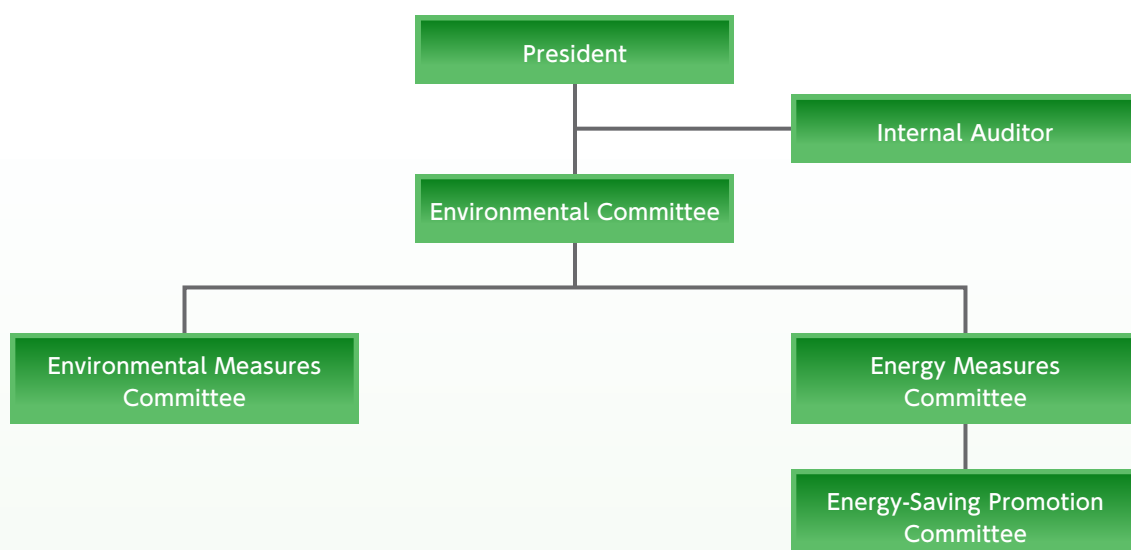
3 Promoting efficient use of resources and energy

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.

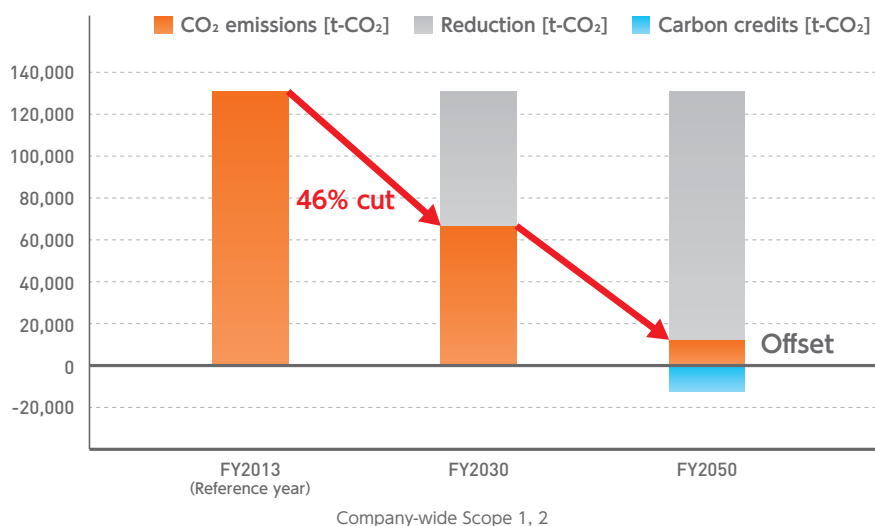
Environmental protection organization (Kyoto Plant)



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 by a quarter compared to blast furnaces. Ever since SEC CARBON succeeded in commercializing large-diameter 24-inch 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 city gas 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.



Looking to promoting the future use of green hydrogen, we are taking part in a project to introduce and verify this by, for example, making fuel cell forklifts (FCFL) more common in Kyoto Prefecture. Our Kyoto Plant has taken part in this since fiscal 2022 as a “daughter site” (a corporation bringing in FCFLs for trial) and since fiscal 2023 as both a “mother site” (a site that houses a mobile hydrogen station) and a “daughter site.”



Initiatives to reduce CO₂ emissions are not limited to just us: we are studying this across the entire supply chain. We are both working to reduce our energy needs still further and moving ahead with initiatives to reduce CO₂ as a way to contribute to the development of society while valuing the global environment as a carbon manufacturer that continues to grow and be trusted by the world.

Development/Launch of Products Contributing to Carbon Neutrality

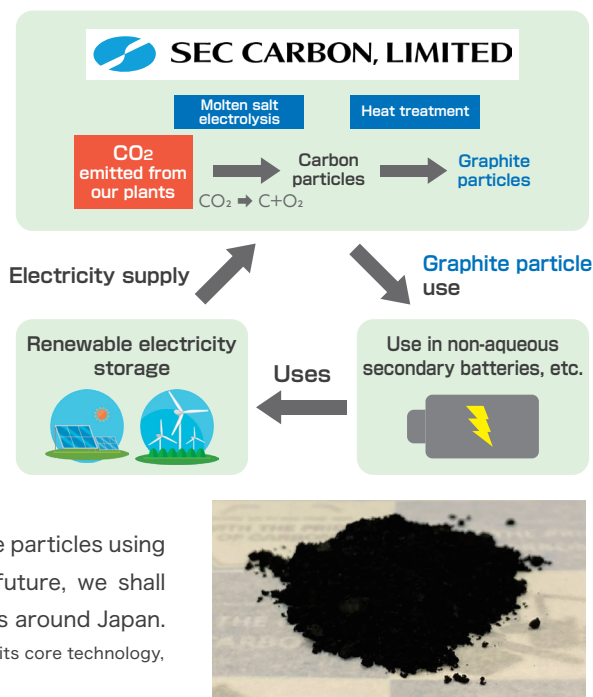
Developing unique methods for making graphite particles from CO₂
Moving ahead with initiatives for reducing CO₂ emissions

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.



Graphite particles

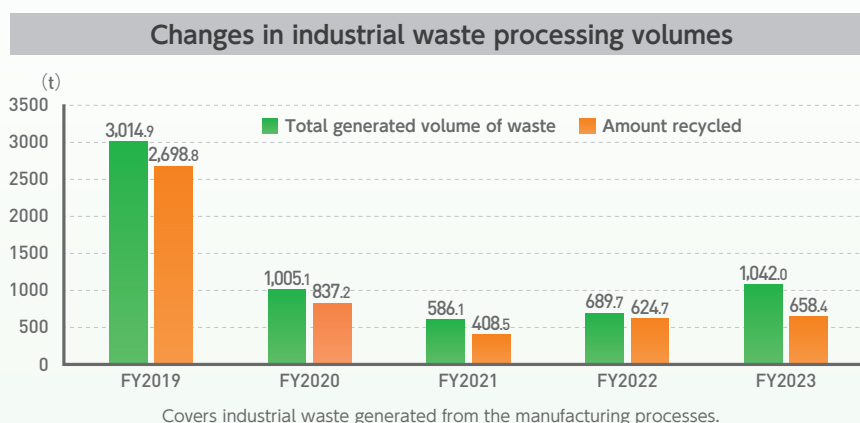
Development of new products to contribute to CO₂ emissions reductions

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

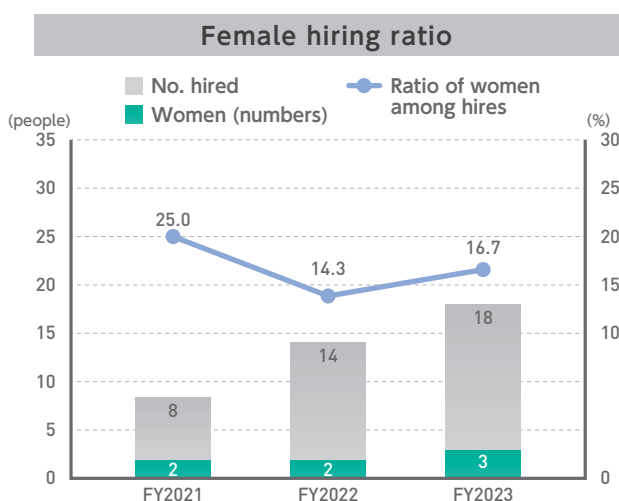
Officers and employees of our Group undertake continuous education and awareness-raising activities on human rights so they can deepen their understanding of international norms regarding human rights and this Policy, and appropriately handle human rights issues.



Securing diverse human resources

We aim to secure diverse human resources, regardless of sex or nationality, in order to foster an organizational culture that can connect new awareness and discoveries to value creation while respecting each other's differing perspectives and values.

In addition, to encourage the empowerment of women, we have set a goal to achieve a female representation of 20% or more by March 2026, and are actively working on hiring women.



Ongoing employment

At SEC CARBON, we have set up a re-employment system to allow people reaching the mandatory retirement age to continue working until age 65 as “elder employees.”

To further increase the motivation of elder employees and continuously utilize their skills and techniques, we are clarifying the roles expected of them after their mandatory retirement age, and providing evaluations and treatments appropriate for their positions.

In addition, as of April 2018 we have brought in a secondary re-employment system to hire people as needed once their first re-employment period has concluded.

This allows us to secure a workforce of experienced employees.



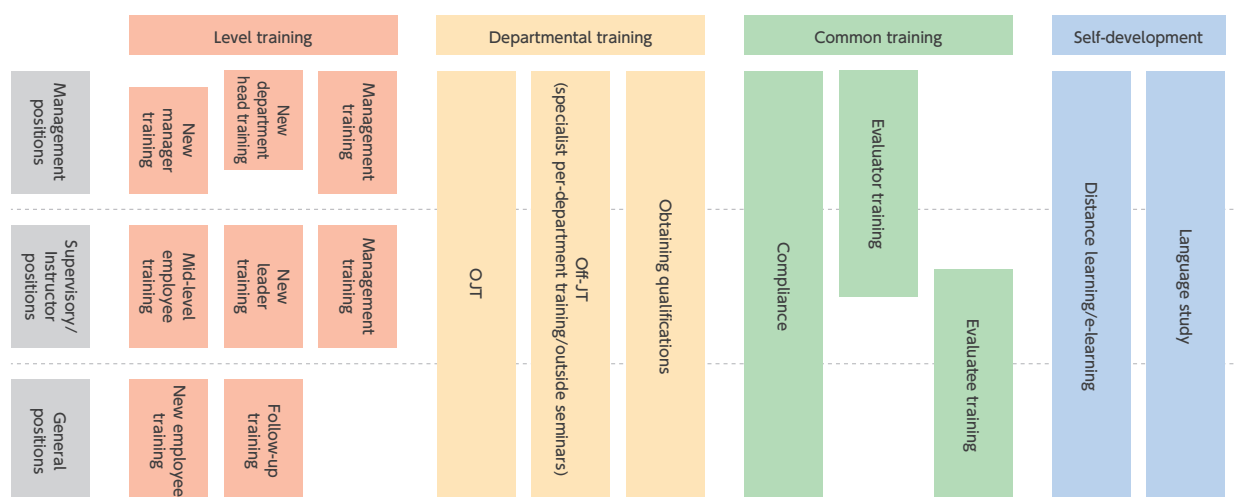
Fostering Human Resources

We at SEC CARBON believe that fostering human resources who can respond to the dramatically-changing business environment will lead to growth of the company as an organization, and by extension to responding to the expectations and requirements of our stakeholders, including consumers, shareholders, and society. In addition to learning the skills and knowledge required in actual work through OJT (On the Job Training) at each workplace, we also focus on employee growth through implementing Off-JT (Off the Job Training) as a system as appropriate for the qualifications system set by the human resources system.

In particular, we always provide training at milestones where there are changes in the roles expected of employees, such as for new hires, promotions for mid-level employees, and promotions to management positions.

In addition, the human resources systems of the goal management system and the evaluation system are positioned as ways to encourage employee growth. We also focus on training evaluators (superiors) in order to improve their evaluation and training skills, which is a prerequisite for this system.

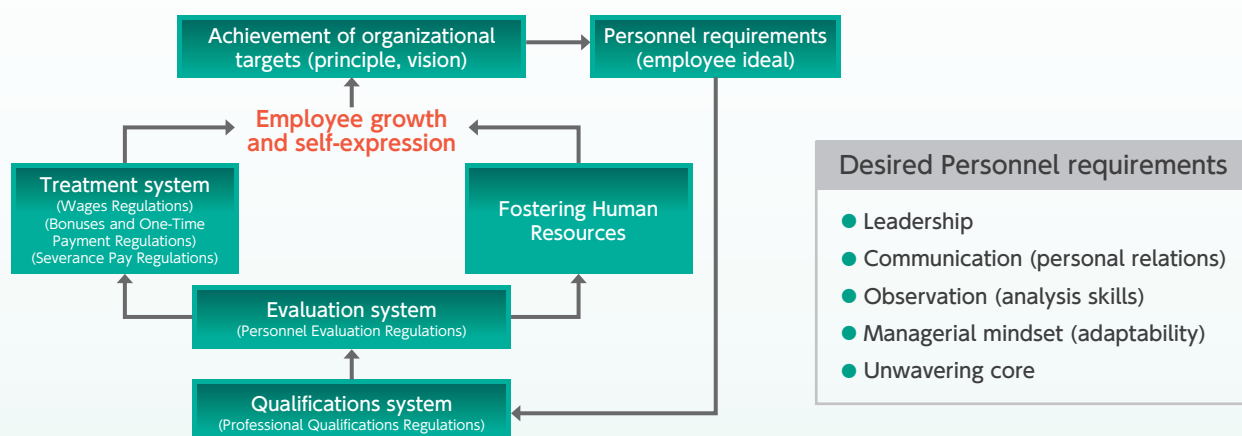
Other than these, we have a system for increasing the ambition for growth to suite each employee's desire to improve by providing employees with a wide-ranging training menu which includes language training for dispatching overseas in order to foster global next-generation personnel, a system to support obtaining official qualifications, and a system for self-development.



Professional qualifications system

Along with preparing an environment where appropriate people with ability and ambition can be evaluated and play a part, we are developing various human resources systems to encourage growth and self-expression.

We define the personnel requirements we need and, based on that, revise the series of qualifications system, evaluation system, and treatment system to create a system that is more fair and emphasizes results. We are also focusing on its operation.



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.

Cleaning around the Kyoto Plant



Presentation of a letter of thanks



Road beautification

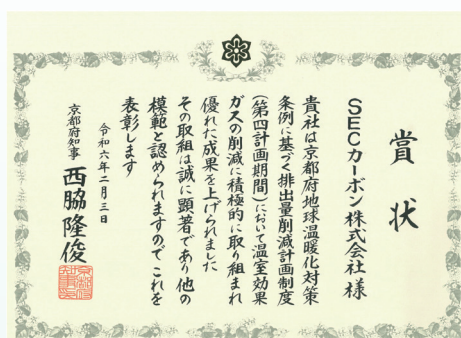
We were given a letter of thanks from the Minister of Land, Infrastructure, Transport and Tourism for contributions to road conservation and related efforts. We signed the Volunteer Support Program Agreement with the Fukuchiyama Office of River and National Highway, and since 2003, we have been regularly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

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.

Local social events (Fukuchiyama City)



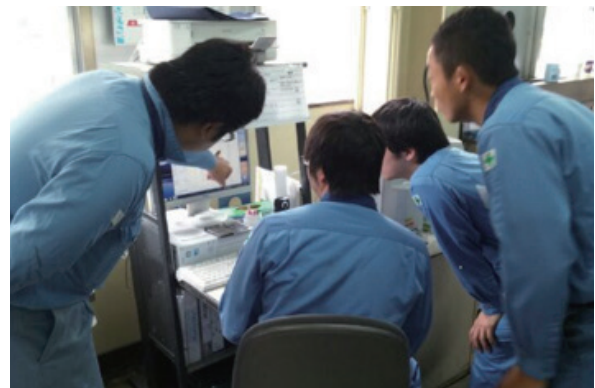
We hold local social events for local residents in the grounds of our Kyoto Plant. We organize events like the Ground Golf Championship, deepening communication. Events were postponed during the COVID-19 pandemic in order to prevent the spread of infections, but following the event in May 2023, which was the first in four years, we also held an event in May 2024. Around 60 people from the local government association were invited and enjoyed the event.

Social welfare



We have been running a blood drive internally twice a year for more than 30 years. We also try to contribute to social welfare by, for example, moving ahead with the installation of AED equipment that anyone can use. If an AED is needed, please use the reception phone in the office to the left after you enter the main gate, or call in at the guardhouse 100 m south from this photo.

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.

Baseball class



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

Achieving Employee-Friendly Workplace Environments

Enhancing support systems for employees

With the aim of promoting happiness for our employees, one of our management philosophies, SEC CARBON encourages self-actualization by providing an environment where employees can grow with the ambition to take on new challenges and better themselves.

We do not limit ourselves to legal support, but are enhancing support systems to ensure employees can work with peace of mind and balance both work and private lives.

In addition to a flex-time system, a half-day paid leave system, and an accumulation system for expired paid leave, we have a leave of absence system that provides generous support to employees from when they are absent or take leave due to personal injury or illness until they return to work.

In addition, we have also enhanced economic support for our employees' lives, such as providing company housing and various living allowances.

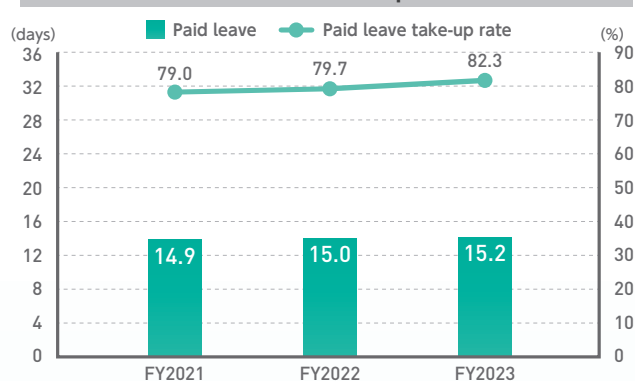
Fostering a culture that creates a work-life balance

For employees to balance work and home life, and lead lives enriched in both public and private aspects, it is not enough to just provide systems: we believe it is necessary to have a firmly-rooted culture that values the individual and understands the other person's situation.

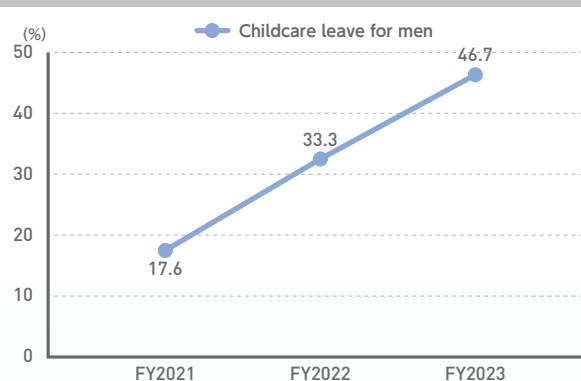
In 2013, we were honored with the "Hyogo Work-Life Balance Company Award" by Hyogo Prefecture for our efforts to promote a workplace culture where employees can work energetically. This recognition was based on our activities such as encouraging a higher utilization rate of paid leave and reduced overtime work, as well as promotion of no overtime days. This is one of the ways we are creating a corporate culture that values workplaces where employees can work with enthusiasm.

In fiscal 2023, the paid leave utilization rate showed a high result of 82.3%, and the monthly over-hours work showed a low result of 3.3 hours per person. In addition, men taking childcare leave are increasing every year, reaching a 46.7% acquisition ratio.

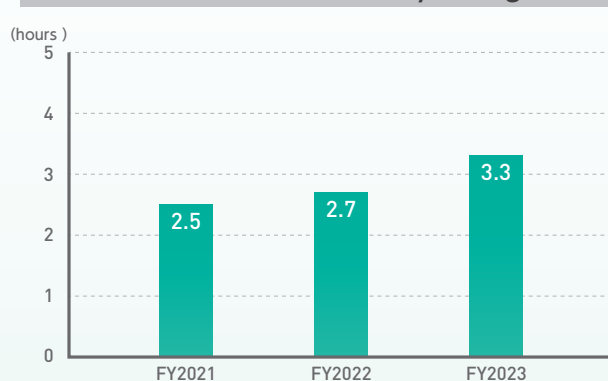
Paid leave take-up rate



Childcare leave for men



Over-hours work (monthly average)



Achieving Safe, Healthy Workplace Environments

Health and Safety Activities Plan for the 105th Fiscal Term (FY2024)

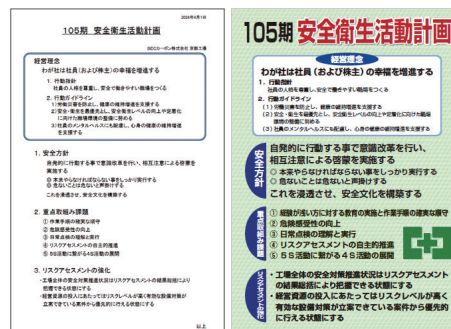
SEC CARBON believes that for a company, employees are assets, and no company can expand without ensuring the safety, security, and health of employees. So we carry out a range of health and safety activities under the slogan "Let's Build Safety Culture Together" with the aim of achieving a workplace 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) Understand and carry out daily inspections
- (4) Autonomous promotion of risk assessment
- (5) Roll out 4S activities that lead to 5S activities

Strengthen risk assessment

- Progress of safety measures throughout our plants will be made able to grasp through risk assessment results.
- In the investment of management resources, projects with high risk levels and for which effective equipment measures have been devised will be prioritized.

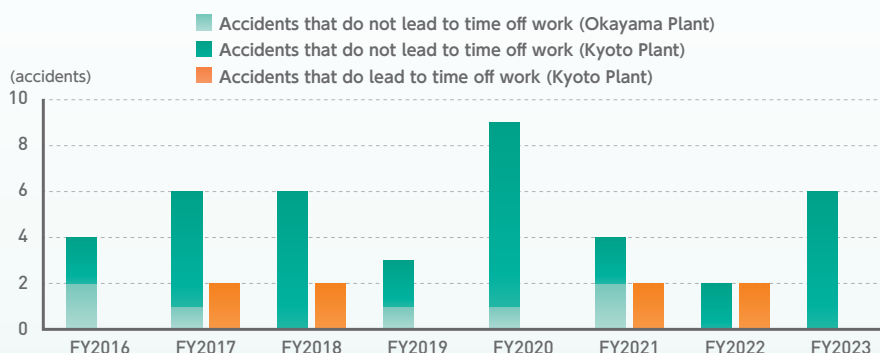
Health and safety management system

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.



Changes in numbers of industrial accidents



* "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 the legally-stipulated health checks, we recommend optional tests, encourage people eligible for secondary testing to actively take them, provide specific health guidance, and offer other ways to promote health.

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.



Okayama Labor Bureau Director's Award for Health and Safety



We have received an Encouragement Award as a workplace recognized as a model for others for its safety measures and good standards regarding health and safety.

Product Liabilities

1 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.



2 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.

3 Providing products that are gentle to the environment

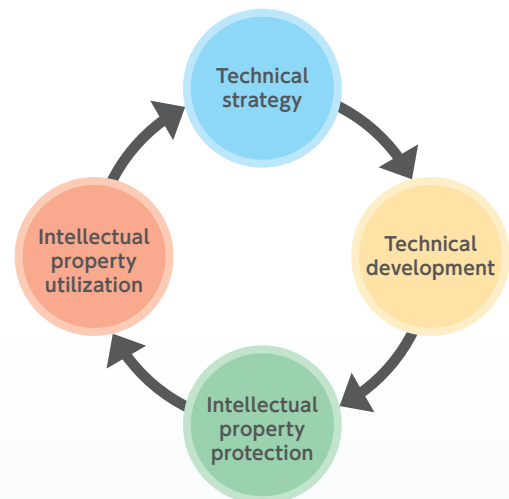
We improve and develop products so as to lead to resource conservation and energy saving for our customers through the products we manufacture, helping to contribute to society.

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

4 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.

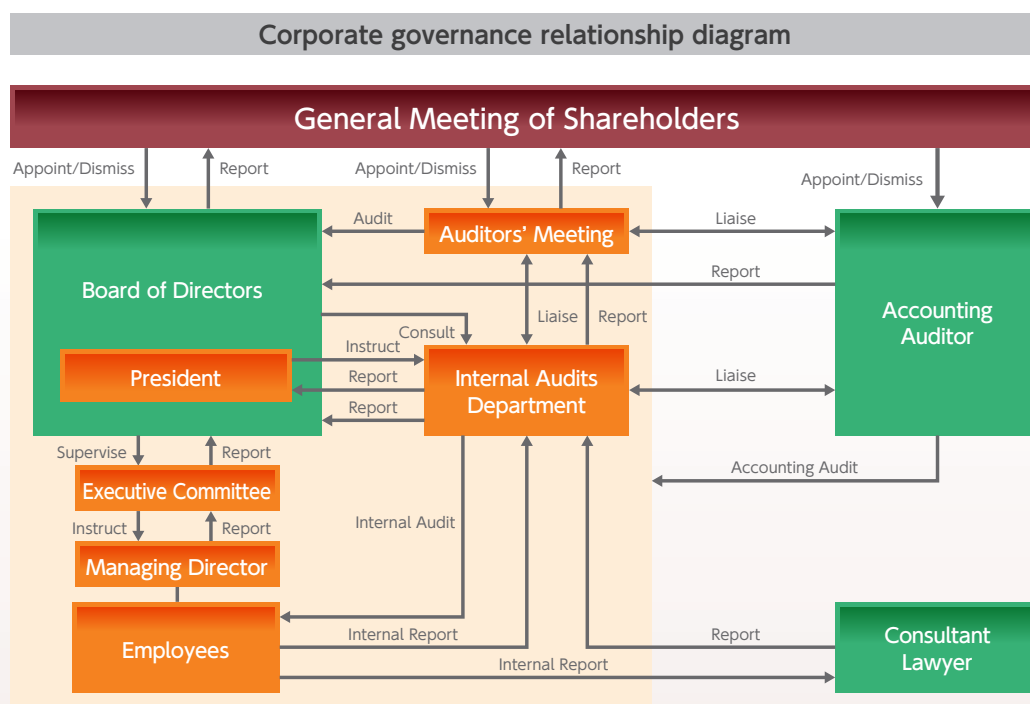
The Basic Policy is the following:

1. Ensure shareholders' rights and substantive fairness.
2. Consider the interests of our diverse stakeholders and strive for appropriate cooperation.
3. Disclose appropriate 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)	151 (15)	108 (13)	43 (2)	— (—)	6 (2)
Auditors (of which, Outside Auditors)	39 (9)	39 (9)	— (—)	— (—)	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

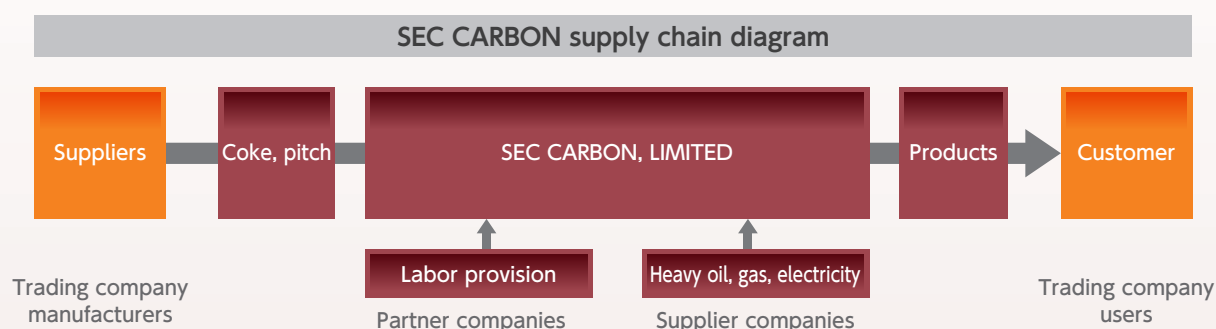
Consumers	Sales representatives, technical representatives, SEC CARBON information, product catalogues
Employees	Labor-management councils, hotlines, company newsletters, training
Local communities	Community contribution activities (cleaning, etc.), community exchange events, baseball classes, plant 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 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 not only strive to disclose information in a timely and appropriate manner, but carry out constructive dialogue with our main stakeholders, our shareholders and investors, with the aim of improving our corporate value in the medium to long term and sustainable growing.

To further encourage these IR activities, we carried out the following organizational change on April 16, 2024.



To ensure that our corporate value can be appropriately reflected in the market, in addition to statutory and timely disclosure items we also disclose voluntary disclosure items, information necessary for shareholders and investors, in a timely and appropriate manner. Furthermore, we regularly feed back opinions and requests from our shareholders and investors internally, and use them in management.

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 2023 was as follows.

Activity	Times	Content
IR interviews	35	Company overviews, business overviews, product overviews, financial results
IR study sessions	10	IR information gathering, shares, ESG-related

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

Information security

We position information such as confidential information, personal information, and company technical information as key assets of the company, and as such, take measures to prevent external leaks or systems failures due to virus infections or cyber attacks. In addition, based on the relevant laws and regulations, we have drawn up internal standards such as our Information Security Policy and Management Regulations. Along with preparing an information security system based on standards and rules, we are also working on revising our systems and strengthening measures in response to evolving IT and changes in information security risks.