

Corporate Governance Report

Last Update: March 30, 2023

Tokai Carbon Co., Ltd.

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Securities Code: 5301

The corporate governance of Tokai Carbon Co., Ltd. (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

Tokai Carbon recognizes that enhancing the corporate value over the mid-to-long term is the most important management objective and believes that responding to the expectations of all stakeholders, including customers and shareholders, and building favorable relationships with them, is essential in achieving this objective. To this end, the Company sets forth its basic corporate philosophy, “Ties of Reliability.” Based on this philosophy and taking into account the views defined in its Guidelines and the Global Code of Conduct, the Company strives to develop an effective corporate governance structure.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company recognizes that it puts into practice all principles of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code]

Disclosure is provided in accordance with the Corporate Governance Code revised in June 2021 (including its Principles applicable for the Prime Market effective from April 2022).

[Principle 1-4]

(1) The Company’s policy is to acquire and own shares of business partners, etc. only when it judges that it can create further business opportunities and increase its corporate value in the mid-to-long term through building, maintaining and reinforcing business partnerships and collaborative relationships. In making decisions on holding of other stocks, the Company appoints the responsible department, which analyzes factors such as the significance and profitability of holding the stocks and whether risks associated with such holding are commensurate with the capital cost, and periodically verifies the appropriateness from the Company-wide and strategic standpoints at the meetings of the Management Committee and the Board of Directors. The Company will reduce the holding of the stocks if the verification finds holding them not sufficiently reasonable.

(2) In regard to the voting rights for investee companies, we make judgment on the exercise of voting rights from the perspective of increasing corporate value of the Company and the respective investee companies in the medium-to-long term.

[Principle 1-7]

With respect to the competitive transactions and conflict of interest transactions of Directors, the Company’s policy is to have the Board of Directors deliberate such transactions in advance in accordance with relevant laws and regulations and the Rules of the Board of Directors. As for the transactions approved, the results are reported to the Board of Directors.

[Supplementary Principle 2-4-1]

(1) Approach for ensuring diversity, and its goals and status

Aiming to contribute to the realization of a sustainable society, the Company will actively hire and promote diverse human resources, regardless of race, region, nationality, age, sex, sexual orientation or disability, in order to create innovation and new values. At the same time, we will make education available and create a work environment for employees with diverse characteristics. For managerial positions that play a central role in management, we believe it is particularly important to ensure diversity, and we will continue to appoint women, foreign nationals, and mid-career hires.

(i) Appointment of women to managerial positions

We set a goal for the ratio of female hires to 30% or more among total new graduates hires for career-track positions in our Action Plan for General Business Operators based on the Act on Promotion of Women's Career Advancement. While the percentage of female employees has been on the rise, that of female employees in managerial positions at present remains at 3.8% (five persons). We aim to double the number of female managers of three (3) persons (2.3%) in FY2021 to six (6) persons (4.6%) by 2024 by actively appointing diverse female human resources, based on the concept of the right skills in the right positions regardless of job function or number of years in service.

(ii) Appointment of foreign employees to managerial positions

In conjunction with the promotion of globalization, we are working to hire more foreign nationals. Currently we have six employees of foreign nationality, with two persons in managerial positions (accounting for 1.5% in such positions), on a Tokai Carbon non-consolidated basis. We plan to continue to hire and appoint foreign employees, and aim to increase the number of foreign managers by 2024.

(iii) Appointment of mid-career hires to managerial positions

We have been appointing mid-career hires to assign persons with the right skills in the right positions according to various business themes such as overseas expansion and technology development, with 38 mid-career hires in managerial positions (accounting for 29.0%). We plan to continue to hire and appoint more mid-career persons, and aim to increase their percentage of the managerial positions by 2024.

- (2) Human resource development policy and internal environment development policy for ensuring diversity
- The Company strives to develop human resources and improve the internal environment in order to support the employees' taking on challenges on their own and to make the Company attractive to a wide variety of global human resources. We have been working on human resource development aimed at ensuring diversity, through rank-based training and career design training. Going forward, we will expand training aimed at encouraging independent learning, and add global human resource exchange among young employees and re-education of the senior generation. In addition, as a system to support diversity, we have been promoting a career self-report system for career-track employees and reducing scheduled working hours. Going forward, we aim to become a more rewarding company by further improving engagement and promoting health management.

[Principle 2-6]

In regard to the investment management of reserve funds for the defined-benefit pension plan, the Company has formulated internal regulations and invests the reserve funds in accordance with the regulations. Specifically, the Company has established the investment management guidelines and the basic policy for investment management, and a person in charge of pension management assigned in the Human Resources Department confirms that the pension reserves are managed appropriately in accordance with the policy asset mix by referring to quarterly reports from asset managers. In addition, the Company appropriately carries out functions as an asset owner, such as having the person in charge of pension management report the results of investment management of pension assets for each fiscal year at meetings of the Management Committee.

[Principle 3-1]

- (1) Company objectives (e.g., business principles), business strategies, business plans (Basic Philosophy) "Ties of Reliability"

Stakeholders as represented by customers, business partners, employees, society and shareholders are essential partners for the Company to contribute to the realization of a sustainable society through its corporate activities. Achieving co-existence and co-prosperity with our stakeholders is an earnest desire of the Company, and we believe that mutual trust is the key to creating new value together with our

stakeholders. The Tokai Carbon Group will continue to work unremittingly to strengthen the “Ties of Reliability” with its stakeholders. To this end, the Group as a whole will continue to strive for integrity at all times, maintain appropriate communication with its stakeholders, boldly taking on challenges to bring innovation while conducting fair and transparent corporate activities, and work to achieve results that exceed stakeholders’ expectations in a timely, continuous and long-term manner.

(Mid-Term Management Plan)

The Company discloses “T-2025,” a rolling-format, three-year, mid-term management plan for the period from 2023 to 2025 on its website:

<https://www.tokaicarbon.co.jp/ir/plan.html>

(2) Basic views and policy on corporate governance

Our basic views on corporate governance are disclosed in “I. 1. Basic Views” and in “II. 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)” of this report.

(3) Board policies and procedures in determining remuneration

Policies and the method of determining remuneration of Directors of the Company are disclosed in the “Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods” in “II. 1. Organizational Composition and Operation” of this report.

(4) Board policies and procedures for the appointment and dismissal of senior management and the nomination of candidates for Directors and Audit & Supervisory Board Members

At the Company, the Nomination Committee (composed of one (1) internal Director and three (3) External Directors), which is an advisory organ of the Board of Directors, deliberates and confirms the requirements for senior management and the basic policies on the appointment and dismissal of senior management members. In addition, the election and dismissal of Executive Officers as well as their roles, etc. are determined based on deliberation by the Board of Directors. The policies and procedures for nominating and dismissing candidates for Directors and Audit & Supervisory Board Members as well as each of the individual proposals for nomination and dismissal are deliberated on by the Nomination Committee and resolved by the Board of Directors before they are addressed at a general meeting of shareholders.

(5) The Company discloses the reasons for nominating candidates for all Directors and Audit & Supervisory Board Members, including External Directors and External Audit & Supervisory Board Members, in the Reference Document for an Annual Meeting of Shareholders.

[Supplementary Principle 3-1-3, and Supplementary Principle 4-2-2]

In November 2021, the Board of Directors of the Company resolved to revise the Basic Sustainability Policy (formerly the Basic CSR Policy), thereby clarifying its intent to incorporate sustainability and ESG into its business strategies, with the aim of resolving social issues through its business and realizing a sustainable society.

(Basic Sustainability Policy)

Tokai Carbon Group engages in corporate activities based on the corporate philosophy of “Ties of Reliability” with its stakeholders. In order to make sure that we are a reliable partner for our stakeholders, we develop business strategies with due consideration to ESG (Environmental, Social and Governance) and work to resolve social issues through our business activities, thereby contributing to the realization of a sustainable society while improving our corporate value on a sustainable basis.

(Structure)

In January 2022, we established the Sustainability Committee, as an advisory organ to the Board of Directors. It is chaired by the President & CEO and composed of the Executive Officer responsible for the General Affairs and Legal Affairs Department, the Executive Officer responsible for the Corporate Planning Department, the Executive Officer responsible for the Human Resources Department, the General Manager for the R&D Strategy Division, the General Manager for the Technology & Engineering Division, and General Managers of four major divisions, and in principle, it is to be held each quarter. The Committee is responsible for discussing important sustainability-related matters, bringing matters for deliberation and submitting

reports to the Board of Directors, and overseeing information disclosure concerning sustainability through the preparation of Integrated Reports and other means.

Important managerial issues (Materiality) and goals are disclosed on the Company's website:

https://www.tokaicarbon.co.jp/sustainability/csr_management.html

(Response to climate change)

Recognizing that responding to climate change is an important managerial issue, the Company resolved to support the Task Force on Climate-related Financial Disclosures (TCFD) at its Board of Directors' meeting in November 2021.

Aiming to realize a low-carbon society and a decarbonized society, we identify the impact of climate change on the Company's business, take appropriate measures, and disclose information in accordance with the TCFD recommendations on the Company's website:

<https://www.tokaicarbon.co.jp/sustainability/climate-change.html>

[Supplementary Principle 4-1-1]

The Company defines matters stipulated by laws and regulations and the Articles of Incorporation, the formulation, etc. of management policies and plans, and other important business management matters as items to be resolved by the Board of Directors and delegates all other business execution decision-making to the management team.

[Principle 4-9]

The Company appoints External Directors, who are independent officers, in accordance with the requirements for external directors set forth in the Companies Act and the independence standards defined by the financial instruments exchanges, and the Independence Standards for External Officers set forth by the Company.

[Supplementary Principle 4-10-1]

The Nomination Committee and Remuneration Committee are described in "Establishment of Voluntary Committee(s), Composition of Committee and Attributes of Chairman" and "Supplementary Explanation."

[Supplementary Principle 4-11-1]

The Board of Directors of the Company works to make accurate and timely business decisions in order to promote sustainable growth and increase corporate value in the medium- to long-term.

To achieve this objective, the Board of Directors of the Company takes into account the size, contents, etc. of the Company's business and elects candidates for business-executing Directors who are well versed in the operations of each business division and corporate division so as to optimize the composition of the Board of Directors in terms of diversity and have an appropriate balance between knowledge, experience and skills of the Board as a whole.

External Directors are elected by taking into account the requirements for external directors as set forth in the Companies Act and the independence standards defined by the Tokyo Stock Exchange, as well as the Independence Standards for External Officers set forth by the Company. Also, the Company receives advice from External Directors from viewpoints independent from business execution based on their wide-ranging experience and insights not only in their specialized fields but also in a broad range of areas, including management experience at other companies.

The skill matrix of each Director and Audit & Supervisory Board Member is disclosed in the Notice of FY2022 Annual Meeting of Shareholders of the Company:

<https://www.tokaicarbon.co.jp/ir/shareholders-meeting.html>

[Supplementary Principle 4-11-2]

Concurrent positions held by Directors and Audit & Supervisory Board Members are indicated on pp. 8-14 and pages 32 and 36 of the Notice of FY2022 Annual Meeting of Shareholders.

[Supplementary Principle 4-11-3]

In order to strengthen the effectiveness of the Board of Directors, the Company analyzes and evaluates the effectiveness of the Board of Directors on an annual basis. The implementation status of the evaluation for FY2022 is summarized as below.

(1) Method of evaluation

The Board of Directors analyzed and evaluated its effectiveness based on the results of (i) qualitative and quantitative analysis of the operational results, status, and other details of the corporate governance system, including the Board of Directors and the Management Committee, in 2022; (ii) a survey on the composition/operation of the Board of Directors, information provision to External Directors, and other relevant matters conducted with respect to all Directors and Audit & Supervisory Board Members; and (iii) individual interviews with External Directors.

(2) Overview of results of evaluation

The results of the evaluation of the effectiveness of the Board of Directors in FY2016 indicated that the Company has strengthened its corporate governance system, centered on the Board of Directors, by establishing the Nomination Committee, the Remuneration Committee, the Management Committee, and the Risk Management & Compliance Committee in 2016. This has contributed to making significant improvements from the previous year in various aspects, including the selection of agenda proposals, content of materials/explanations, content of deliberations, and meeting minutes. In the evaluation, it was pointed out that each of the External Directors has gained a better understanding of important cases by attending all Board of Directors meetings and proactively attending other important meetings. Neutral and objective opinions from External Directors have contributed greatly to enhancing the supervisory functions of the Board of Directors.

This year marked the seventh year of the evaluation. The evaluation concluded that the current corporate governance system has largely been established, and in addition to maintaining the achievements delivered in the early stage of the system’s launch, further improvements have been made in effectiveness through the measures taken in 2022. These included steering toward reinforcing sustainability management and portfolio management in accordance with the Basic Sustainability Policy and the Basic Policy on Business Portfolio Management that were newly established in the previous year, enhancing matters reported to the Board of Directors, and deliberating on crisis events such as the impact of the Ukraine crisis and the response to the Taiwan emergency.

Going forward, we will continue to work on the issue of addressing higher-level themes, such as (i) coordination between sustainability (including actions for CN (carbon neutrality)) and management strategies and (ii) increased sophistication of the business portfolio management.

[Supplementary Principle 4-14-2]

In order to ensure that the management supervision and auditing functions of Directors and Audit & Supervisory Board Members are adequately demonstrated, a secretariat for the Board of Directors is put in place to provide information required for executing duties in an appropriate and timely manner. Further, from the perspective of promoting contribution to sustainable growth into the future, training opportunities are set.

[Principle 5-1]

It is provided in “III. 2. IR Activities” of this report.

[Supplementary Principle 5-2-1]

In November 2021, the Board of Directors of the Company resolved to adopt the “Basic Policy on Business Portfolio Management” and decided to deliberate on the direction of the business portfolio annually at the Board of Directors’ meetings, taking into account the consistency with the Company’s long-term vision and perspectives on medium- to long-term growth, in addition to setting and monitoring targets for profitability and capital efficiency based on the Company’s capital cost. The mid-term management plan announced in February 2023, “T-2025,” also presents our views on this business portfolio, along with our basic policies for profit planning and capital policy, after deliberations by the Board of Directors.

2. Capital Structure

Foreign Shareholding Ratio	10% or more but less than 20%
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[Status of Major Shareholders]

Name / Company Name	Number of shares owned	Percentage (%)
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The Master Trust Bank of Japan, Ltd. (Trust Account)	43,878,900	20.58
Japan Custody Bank, Ltd. (Trust Account)	22,397,300	10.51
MUFG Bank, Ltd.	5,827,779	2.73
Mitsubishi UFJ Trust and Banking Corporation	4,609,100	2.16
JPMorgan Securities Japan Co., Ltd.	3,614,921	1.70
STATE STREET BANK WEST CLIENT-TREATY 505234	2,541,300	1.19
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,426,936	1.14
JPMORGAN CHASE BANK 385781	2,267,314	1.06
SSBTC CLIENT OMNIBU SACCOUNT	2,205,861	1.03
Meiji Yasuda Life Insurance Company	2,032,644	0.95

Controlling Shareholder (except for Parent Company)	
Parent Company	None

Supplementary Explanation

The Company holds 11,748 thousand shares of treasury stock.

As below, the Reports of Possession of Large Volume (including the Change Reports) are available for public inspection. However, since the Company cannot confirm the numbers of shares substantially held by them as of December 31, 2022, they are not included in the above Status of Major Shareholders.

- The Change Report was submitted by Nomura Securities Co., Ltd. as of September 12, 2022.
- The Change Report was submitted by Mitsubishi UFJ Financial Group, Inc. as of October 25, 2022.
- The Change Report was submitted by Sumitomo Mitsui Trust Asset Management Co., Ltd. as of January 10, 2023.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Prime
Fiscal Year-End	December
Type of Business	Glass & Ceramics Products
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	13
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	8
Appointment of External Directors	Appointed
Number of External Directors	3
Number of Independent Directors	3

External Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	External Audit & Supervisory Board Members' Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Nobumitsu Kambayashi	From another company								□			
Mayumi Asada	Attorney at law											
Toshiro Miyazaki	From another company											

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category; "□" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category; "▲" when a close relative of the director fell under the category in the past

a Executive of the Company or its subsidiary

b Non-executive director or executive of a parent company of the Company

c Executive of a fellow subsidiary company of the Company

d A party whose major client or supplier is the Company or an executive thereof

e Major client or supplier of the listed company or an executive thereof

f Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board Member

g Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i Executive of a company, between which and the Company External Directors/Audit & Supervisory Board Members are mutually appointed (the director himself/herself only)

j Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)

k Other

External Audit & Supervisory Board Members' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Nobumitsu Kambayashi	○	<p>Mr. Kambayashi worked for Kawasaki Heavy Industries, Ltd., a business partner of the Company, as a person engaged in business execution up until the end of June 2016. Transactions with the firm account for a very small percentage of the overall transactions of the Company.</p>	<p>Mr. Nobumitsu Kambayashi has served in various posts, including President and Managing Director of Kabushiki Kaisha Kawasaki Zosen and Senior Executive Vice President and President of Kawasaki Heavy Industries, Ltd., and President of Ship & Offshore company and has been serving as an External Director of the Company since March 2016. Mr. Kambayashi offers advice to the management of the Company and provides appropriate advice on business execution from objective and professional viewpoints based on his abundant experience and extensive knowledge in the management of a manufacturing business involving global business activities, and the Company has judged that he is capable of carrying out the management supervision function from a standpoint that is independent from the management team. Mr. Kambayashi satisfies the independence standards defined by Tokyo Stock Exchange, Inc. and the Independence Standards for External Officers set forth by the Company. Considering the above, the Company has determined that he poses no risk of causing conflicts of interest with general shareholders and has designated him as an independent officer.</p>
Mayumi Asada	○	-	<p>The Company believes Ms. Mayumi Asada will be able to fulfill the supervisory function from an objective and professional viewpoint independent from the management based on her wealth of experience and broad insights as an attorney-at-law and Doctor of Medicine, which she gained from her long service as an attorney-at-law and her medical knowledge as a Doctor of Medicine. Ms. Asada satisfies the independence standards defined by Tokyo Stock Exchange, Inc. and the Independence Standards for External Officers set forth by the Company. Considering the above, the Company has determined that she poses no risk of causing conflicts of interest with general shareholders and has designated her as an independent officer.</p>
Toshiro Miyazaki	○	-	<p>Mr. Toshiro Miyazaki has served in various posts, including Representative Director, President & CEO of MODEC, Inc. and Director of Mitsui E&S Holdings Co., Ltd., and possesses abundant experience and</p>

			extensive knowledge in the management of a manufacturing business involving global business activities. Accordingly, the Company has judged that he is capable of providing advice to the management and carrying out the management supervision function from a standpoint that is independent from the management team in charge of business execution. Mr. Miyazaki satisfies the independence standards defined by Tokyo Stock Exchange, Inc. and the Independence Standards for External Officers set forth by the Company. Considering the above, the Company has determined that he poses no risk of causing conflicts of interest with general shareholders and has designated him as an independent officer.
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	
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Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination Committee	Remuneration Committee
All Committee Members	4	4
Full-time Members	0	0
Inside Directors	1	1
External Directors	3	3
External Experts	0	0
Other	0	0
Chairperson	External Director	External Director

Supplementary Explanation

The Company established the Nomination Committee and the Remuneration Committee in March 2016. The objectives and roles of these two committees are described below.

1. Objectives of the Nomination Committee and the Remuneration Committee
The Nomination Committee and the Remuneration Committee, where External Directors have a majority, ensure the objectivity and transparency of the decision-making process concerning personnel matters, remuneration, etc. of Directors, etc. and promote further enhancement of the corporate governance system.

2. Roles of the Nomination Committee
The Nomination Committee deliberates the following matters and refers them to the Board of Directors.

- Contents of proposals on election of candidates for Directors and dismissal of Directors to be submitted to a general meeting of shareholders
- Appointment/dismissal of Representative Director, President and CEO
- Appointment/dismissal of Executive Officer
- Appointment/dismissal of Executive Officer with a specific title
- Other matters concerning personnel matters of Directors, etc. as deemed necessary

3. Roles of the Remuneration Committee

- (1) The Remuneration Committee deliberates the following matters and refers them to the Board of Directors.
- Basic policy concerning remuneration, etc. of Directors, etc.; formulation, change, and abolition of rules and systems
 - Contents of proposals concerning the maximum amount of remuneration of Directors and Audit & Supervisory Board Members to be submitted to a general meeting of shareholders
 - Other matters concerning remuneration, etc. of Directors, etc. as deemed necessary
- (2) The Remuneration Committee deliberates and makes decisions on the following matters based on the designation from the Board of Directors.
- Contents of individual evaluation and amount of remuneration, etc. of Directors, etc.

The Nomination Committee was convened four times in FY2022, and all four committee members attended and discussed and resolved the appointment and promotion, etc. of Directors and Executive Officers. The Remuneration Committee was convened twice in FY2022, and all four committee members attended and discussed and resolved the remuneration amounts for Directors and Executive Officers.

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	4
Number of Audit & Supervisory Board Members	

Cooperation among Audit & Supervisory Board, Accounting Auditors and Internal Audit Departments

Audit & Supervisory Board Members and the Internal Auditing Office promote close information exchange through periodically holding meetings as well as through examining each other and exchanging opinions on the results of internal audits, recommendations and proposals.

Audit & Supervisory Board Members also hold meetings with Accounting Auditors as necessary to exchange information and promote collaboration. Audit & Supervisory Board Members cooperate with Accounting Auditors to establish auditing plans and attend the audits of the Accounting Auditors if necessary. They also receive reports and explanations regarding auditing processes and results, and audit consolidated and non-consolidated financial statements and other documents.

Appointment of External Audit & Supervisory Board	Appointed
Number of External Audit & Supervisory Board	2
Number of Independent Audit & Supervisory Board	2

External Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	External Audit & Supervisory Board Members' Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Kaoru Ogashiwa	Certified public tax accountant													
Yoshinori Matsushima	Certified public accountant										<input type="checkbox"/>			

* Categories for "Relationship with the Company"

- * “○” when the director presently falls or has recently fallen under the category; “□” when the director fell under the category in the past
 - * “●” when a close relative of the director presently falls or has recently fallen under the category; “▲” when a close relative of the director fell under the category in the past
- a Executive of the Company or its subsidiary
 - b Non-executive director or accounting advisor of the Company or its subsidiaries
 - c Non-executive director or executive of a parent company of the Company
 - d Audit & Supervisory Board Member of a parent company of the Company
 - e Executive of a fellow subsidiary company of the Company
 - f A party whose major client or supplier is the Company or an executive thereof
 - g Major client or supplier of the listed company or an executive thereof
 - h Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board Member
 - i Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
 - j Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)
 - k Executive of a company, between which and the Company External Directors/Audit & Supervisory Board Members are mutually appointed (the director himself/herself only)
 - l Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
 - m Other

External Audit & Supervisory Board Members' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Kaoru Ogashiwa	○	-	Mr. Kaoru Ogashiwa has worked as a certified public tax accountant for many years and has abundant experience serving positions such as an auditor and an external director and audit & supervisory committee member in the distribution industry. The Company has judged that he is capable of carrying out audits based on his specialized knowledge of taxation and accounting cultivated through his career as a certified public tax accountant and experience in serving as an auditor at other companies. Mr. Ogashiwa satisfies the independence standards defined by Tokyo Stock Exchange, Inc. and the Independence Standards for External Officers set forth by the Company. Considering the above, the Company has determined that he poses no risk of causing conflicts of interest with general shareholders and has designated him as an independent officer.
Yoshinori Matsushima	○	-	Mr. Yoshinori Matsushima has many years of abundant experience as a certified public accountant and tax accountant. The Company has judged that he is capable of carrying out audits based on his specialized knowledge of and experience in finance, accounting and taxation cultivated through his career as a certified public accountant

			and tax accountant. Mr. Matsushima satisfies the independence standards defined by Tokyo Stock Exchange, Inc. and the Independence Standards for External Officers set forth by the Company. Considering the above, the Company has determined that he poses no risk of causing conflicts of interest with general shareholders and has designated him as an independent officer.
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[Independent Directors/Audit & Supervisory Board Members]

Number of Independent Directors/Audit & Supervisory Board Members	5
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Matters relating to Independent Directors/Audit & Supervisory Board Members

In addition to the independence standards set by the Tokyo Stock Exchange, the Company has established its own standards for the independence of external officers as follows, and makes a judgment after confirming that none of the following standards apply.

[Independence Standards for External Officers]

1. Person who executes the business (executive directors, executive officers, managers, and other employees) of the Tokai Carbon Group (the Company and its consolidated subsidiaries) (including a person who executed the business of the Tokai Carbon Group in the past)
 2. Current major shareholder of the Company (a shareholder who holds voting rights equivalent to 10% or more of the total voting rights) or person who executes the business thereof
 3. (1) Major business partner of the Group (a business partner whose transaction amount with the Company exceeded 2% of the annual consolidated net sales of the Company in the most recent fiscal year) or person who executes the business thereof;
(2) Business partner of the Company whose transaction amount with the Company exceeded 2% of its annual consolidated net sales in the most recent fiscal year or person who executes the business thereof
 4. Major lender of the Group (a lender to whom the Company has outstanding borrowings in an amount that exceeded 2% of its consolidated total assets at the end of the most recent fiscal year) or person who executes the business thereof
 5. Provider of professional services, such as a consultant, lawyer, or certified public accountant, who has received monetary consideration or other property, in addition to remuneration for Directors and Audit & Supervisory Board Members of the Company, in an average annual amount exceeding 10 million yen over the past three years, and the Group is a major business partner (the threshold is 2% or more of the annual net sales of such organization) of the accounting firm, law firm or other organization to which such person belongs.
 6. Representative partner or partner of the Company's accounting auditor
 7. Person who executes the business of a juridical person of which the Group holds 10% or more of the total voting rights
 8. Party who receives a large amount of donations or grants (the threshold is 10 million yen or more annually) from the Group or a person who executes the business thereof
 9. Person who executes the business of a juridical person that has appointed the Group's officers, etc. (directors, accounting advisors, audit & supervisory board members, executive officers, or accounting auditors) or employees as its officers, etc.
 10. Close relative of the persons provided for in categories 1. to 9. above (a spouse or relative within the second degree of kinship)
 11. Person who fell under categories 2. to 9. above in the past three years, or close relative thereof
- Even in the case of falling under any of the above categories, if the relevant individual is judged to substantially have independence, the reason will be explained/announced at the time of appointment as External Officers.

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration
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Supplementary Explanation

Effective March 2016, the Company decided to incorporate “performance-linked remuneration” that fluctuates based on the magnitude of achievement of performance targets as part of the remuneration for Directors and Executive Officers who engage in business execution.

Recipients of Stock Options	
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Supplementary Explanation

[Director Remuneration]

Disclosure of Individual Directors’ Remuneration	No Individual Disclosure
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Supplementary Explanation

Not applicable.

Policy on Determining Remuneration Amounts and Calculation Methods	Yes
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

It was resolved at the FY2005 Annual Meeting of Shareholders held on March 30, 2006 that the amount of monetary remuneration for Directors should be no more than 350 million yen per year.

Remuneration for Directors is a matter to be resolved by the Board of Directors, and is set within the maximum limits approved at the General Meeting of Shareholders and with the aim of having Directors in charge of business execution be strongly committed to achieving high management targets and maximizing medium- to- long-term corporate value by fulfilling the following requirements. The Company aims to pay remuneration commensurate with the operating performance of the Company and the performance and achievement of each individual.

- Remuneration for encouraging commitment of Directors and Audit & Supervisory Board Members toward short- and mid- to- long-term management targets
- Remuneration not lower than the level of remuneration that can motivate incumbent and future candidates for Directors and Audit & Supervisory Board Members and is competitive with that offered by competitors
- Remuneration guaranteeing transparency and reasonableness in carrying out the responsibility of providing explanations to Directors, Audit & Supervisory Board Members, shareholders and investors

The remuneration for Directors and Audit & Supervisory Board Members of the Company consists of “basic remuneration,” which is the fixed portion, and “performance-linked remuneration,” which varies depending on the level of achievement of performance targets. For Directors who are responsible for business execution, the standard amount of “basic remuneration,” which is the fixed portion, and the percentage of “performance-linked remuneration” to “basic remuneration” are set higher as the level of officer rises. This is done by taking into account the responsibility of each Director and Audit & Supervisory Board Member and impact on the Company’s performance.

The performance-linked remuneration consists of a bonus, which is paid based on the level of achievement of financial performance each year, and a mid- to- long-term incentive (performance cash) which is paid based on the magnitude of achievement of the three-year financial performance targets and on the evaluation of

important initiatives taken that are unlikely to be clearly reflected in short-term financial results. Our target financial indicators are net sales, ROS, and ROIC, all of which are positioned as key indicators in our mid-term management plan as well. Because performance-linked remuneration is not suitable for non-executive Directors and Audit & Supervisory Board Members who are independent from business execution, only fixed remuneration is paid to such Directors and Audit & Supervisory Board Members.

Regarding performance evaluations and remuneration for Directors, the Company has adopted a mechanism for its highly transparent remuneration system that incorporates objective views, whereby remuneration is set within the maximum limit approved at the General Meeting of Shareholders, with the degree of achievement of financial targets and various initiatives deliberated by the Remuneration Committee. The Board of Directors also considers that it is in line with the policy on determining remuneration amounts, as the details of remuneration, etc. for individual Directors are deliberated comprehensively by the Remuneration Committee, including the consistency with the policy, and deliberated and determined by the Board of Directors. The Company, at its Board of Directors meeting held on March 30, 2023, resolved to leave the decision on the amounts of remuneration to the Remuneration Committee. The Remuneration Committee is composed of the four members of External Director Nobumitsu Kambayashi (chairperson), External Director Mayumi Asada, External Director Toshiro Miyazaki, and President & CEO, Executive Officer Hajime Nagasaka. The Remuneration Committee considers that individual remuneration amounts will be determined appropriately by having the Remuneration Committee, the majority of the members of which consists of External Directors, deliberate on the amounts of remuneration for Directors.

[Supporting System for External Directors and/or Audit & Supervisory Board Members]

In order to promote enhancement of deliberation by the Board of Directors, the Company distributes supporting materials and provides explanations, etc. to External Directors and/or External Audit & Supervisory Board Members as necessary in advance when holding meetings of the Board of Directors.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

The Company's corporate governance system is structured as described below.

(a) Board of Directors

The Board of Directors is responsible for determining important management matters and supervising business execution and meets monthly as a general rule. The Board of Directors was convened 21 times in FY2022. As of the date of submission of this report, there are eight (8) Directors, three (3) of whom are External Directors. The Company has established the Nomination Committee and the Remuneration Committee, the majority of whose members are External Directors, as voluntary advisory organs of the Board of Directors. It has also established the Risk Management & Compliance Committee and the Sustainability Committee as voluntary committees under the Board of Directors.

(b) Audit & Supervisory Board Members and the Audit & Supervisory Board

The Audit & Supervisory Board of the Company meets monthly as a general rule. The Audit & Supervisory Board was convened 13 times in FY2022. As of the date of submission of this report, there are four (4) Audit & Supervisory Board Members, two (2) of whom are External Audit & Supervisory Board Members. Based on the auditing policy and the audit plan resolved by the Audit & Supervisory Board, Audit & Supervisory Board Members perform audits of the status of execution of duties by Directors through attending Board of Directors' meetings and other important meetings and investigating the status of business operations and assets.

(c) Business execution

The Management Committee was established under the Board of Directors to discuss and determine important matters concerning management based on the basic policies determined by the Board of Directors. Under the Management committee are various committees that complement the discussions at the Executives Meetings by reporting the results of deliberation at the Executives Meeting. Furthermore, from the perspective of clarifying the functions and responsibilities of corporate officers engaged in business execution, the Company adopts the Executive Officer System, under which the Board of Directors selects seventeen (17) Executive Officers who are accountable for business execution.

(d) Internal audits and accounting audits

The Company has established the Internal Auditing Office to serve as an internal auditing department. Nine (9) staff members have been appointed to the Internal Auditing Office, which is in charge of improving and

enhancing the internal control systems by performing internal audits on business operations of the Company and its group companies. The Internal Auditing Office ensures it follows up on audits performed to see that recommendations for improvement have been implemented. Important audit results are reported to the Board of Directors.

On March 30, 2021, the Company entered into a contract with an accounting audit firm, KPMG AZUSA LLC, regarding accounting audits pursuant to Japan's Companies Act and Financial Instruments and Exchange Act. The names of the two (2) certified public accountants who carry out the relevant operations are Ryoichi Isashi and Takeshi Nakatani. There are no special conflicts of interest between the Company and the aforesaid accounting audit firm and executive members of the said accounting audit firm who perform audits of the Company.

(e) Nomination Committee, Remuneration Committee

The Company has established the Nomination Committee and the Remuneration Committee as voluntary advisory organs of the Board of Directors that take on the decision-making function for nomination and remuneration, respectively. For an overview of these committees, refer to "Establishment of Voluntary Committee(s), Composition of Committee and Attributes of Chairman."

(f) Risk Management & Compliance Committee

The Company has established the Risk Management & Compliance Committee as a voluntary advisory organ to the Board of Directors. The committee conducts risk assessment from the perspective of the possibility of risks materializing and the financial impact of such risks if materialized, deliberates and identifies material risks, and reports and makes recommendations to the Board of Directors.

(g) Sustainability Committee

Our company has established the Sustainability Committee chaired by the president as a voluntary advisory organ to the Board of Directors. The committee deliberates on policies, strategies and plans related to sustainability, and reports and makes recommendations to the Board of Directors.

<Outline of limited liability agreement>

The Company and its non-executive Directors (External Directors) and Audit & Supervisory Board Members enter into an agreement to limit the liability of damages stipulated in Article 423, Paragraph 1 of the Companies Act pursuant to Article 427, Paragraph 1 of the said Act. The amount of liability for damages under this agreement is the amount stipulated in laws and regulations for both non-executive Directors and Audit & Supervisory Board Members. This limit is applicable only when the performance of duties of an External Director or an External Audit & Supervisory Board Member is recognized to have been carried out in good faith and with no gross negligence.

<Outline of Indemnity Contract and Director and Officer Liability Insurance>

The Company maintains a director and officer liability insurance policy for Directors, including External Directors; Audit & Supervisory Board Members, including External Audit & Supervisory Board Members; Executive Officers; and retired officers. The policy provides coverage up to the maximum total amount insured during the insurance period for losses arising from claims made against them during the insurance period as a result of their execution of duties. The insurance premiums are borne in full by the Company and the maximum total insurance amount under the contract is 1 billion yen.

3. Reasons for Adoption of Current Corporate Governance System

Tokai Carbon, as a company with an Audit & Supervisory Board, operates under the basic stance of reinforcing audits by Audit & Supervisory Board Members and the internal audit function, and makes efforts to strengthen management supervision functions of the Board of Directors by appointing multiple External Directors and establishing voluntary committees in order to realize an appropriate corporate governance structure. In addition, from the perspective of clarifying the functions and responsibilities of corporate officers engaged in business execution, the Company has adopted the Executive Officer System and established a Management Committee in an effort to enhance and strengthen business execution functions of the organization.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanation
Early Notification of General Shareholder Meeting	For the FY2022 Annual Meeting of Shareholders held on March 30, 2023, the Company mailed out the Notice of the FY2022 Annual Meeting of Shareholders on March 8, and also posted the Notice on its website and the website of the Tokyo Stock Exchange, Inc. from March 1, prior to the date of mailing out the Notice.
Scheduling AGMs Avoiding the Peak Day	The Company avoids peak days (days when many companies hold their annual general meetings of shareholders) when scheduling its annual general meetings of shareholders.
Allowing Electronic Exercise of Voting Rights	The Company adopts an Internet-based system for exercising voting rights, allowing the exercise of such rights via PC and smartphone.
Participation in Electronic Voting Platform	The Company participates in an electronic voting platform for institutional investors operated by ICJ, Inc.
Improving the Provision of Convocation Notice in English	The Company prepares the convocation notice (summary) in English and posts the notice on its company website and on the voting platform for institutional investors.

2. IR Activities

	Supplementary Explanation	Explanation by the Representative
Preparation and Publication of Disclosure Policy	The Company defines its basic policy on information disclosure and posts it in Japanese and in English on its company website.	
Regular Investor Briefings for Analysts and Institutional Investors	A financial results briefing is held quarterly in Japan. The Company also periodically holds individual meetings with analysts and institutional investors.	Yes
Regular Investor Briefings for Overseas Investors	The Company periodically participates in IR conferences hosted by securities companies and holds individual meetings with overseas institutional investors to explain and exchange opinions on management policies, the business environment, operating performance, sustainability, etc.	Yes
Posting of IR Materials on Website	The Company discloses materials on financial results, securities reports, timely disclosure documents, etc. in Japanese and in English on a quarterly basis.	
Establishment of Department and/or Manager in Charge of IR	Responsible department: General Affairs Department Responsible officer: Officer in charge of General Affairs Department	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Company sets forth in its corporate philosophy (“Ties of Reliability”) that a company stands on relationships of trust with all stakeholders and hence can continue to pursue its activities.
Implementation of Environmental Activities, CSR Activities etc.	The Tokai Carbon Group treats protection of the global environmental as one of its highest management priorities, and has been working to harmonize its corporate activities with the environment through the operation of its environmental management system based on ISO 14001.

	<p>In order to harmonize our business activities with environmental needs, and to create a sustainable society, we and qualitatively and quantitatively identify and evaluate the environmental impacts of our business activities, focusing on production and distribution, and take various measures to reduce these impacts.</p> <p>To facilitate the environmental protection activities of the Tokai Carbon Group, we have established Environmental Philosophy and Environmental Policy.</p> <p>Meanwhile, the Tokai Carbon Group carries out CSR activities by promoting efforts centered on the environment, society, and governance, and summarizes the activities together with financial information in the Annual Report that is produced once a year in an effort to convey the information to stakeholders in a user-friendly manner, in addition to timely disclosure on its websites.</p>
Other	<p>[Action plan concerning promotion of women's participation]</p> <p>1. Period of plan Three years from April 1, 2022 to March 31, 2025</p> <p>2. Objectives and initiatives</p> <p><Objective 1></p> <ul style="list-style-type: none"> • Increase the ratio of females among new graduates hired for management trainee positions (joining the Company in 2023, 2024, 2025) to 30% or more during the period of the plan • Have six (6) female managers by the end of 2024 <p><Initiatives></p> <p>The following initiatives were taken in hiring activities from April 2022.</p> <ul style="list-style-type: none"> • PR activities emphasizing that it is a workplace that encourages women to play active roles (providing opportunities at recruitment events for students and female employees to interact and drawing attention to the fact that the Company encourages women to play active roles) • Launch of active hiring activities targeting female students majoring in science and engineering • Proactive appointment of female managers under the approach of assigning the right person in the right place <p><Objective 2></p> <ul style="list-style-type: none"> • Aim for at least a 70% rate of employees taking annual paid leave <p><Initiatives></p> <p>Setting an annual paid-leave-taking promotion month, etc. to encourage employees to take annual leave and improving the rate of taking annual paid leave (set the annual paid-leave-taking promotion month at the beginning of FY2022, FY2023 and FY2024 respectively, disseminate the information and implement)</p> <p>3. Issues going forward</p> <ul style="list-style-type: none"> • As for Objective (1), the ratio of newly hired female graduates, who were secured through the recruiting activities, to all newly hired graduates for management trainee positions in 2023 exceeded 30% (40% against total joined in 2023), thus achieving the goal. We will work to secure female graduate hires for management trainee positions and increase the ratio of female employees on a continuing basis. Further, since increasing the ratio of female employees among the managers (five persons as of March 30) is also a challenge for the Company, we will actively promote the assignment of the right female managers to the right positions to increase the ratio of female managers, in addition to securing female employees.

	<ul style="list-style-type: none">• Regarding Objective (2), the figures for FY2022 (April 21, 2022 to April 20, 2023) are yet to be compiled, since the period is still ongoing. We will continue to implement initiatives to improve the rate of taking annual paid leave, such as setting an annual paid-leave-taking promotion month, and aim to achieve a 70% rate of taking annual paid leave.
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IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

<Basic Policy for Establishing an Internal Control System>

1. System to ensure that the execution of duties by Directors complies with laws, regulations and the Articles of Incorporation
 - 1) The Board of Directors sets forth basic policies, including the Basic Philosophy, the Guidelines, and the Global Code of Conduct, and ensures the execution of duties in compliance with laws and regulations.
 - 2) The Board of Directors determines the execution of important business operations in accordance with laws, regulations and the articles of incorporation, and supervises the execution of duties by Directors.
 - 3) Internal audits are performed to address compliance matters and provide advice.
 - 4) Education, audits and guidance are provided to ensure compliance.
 - 5) An internal reporting system is properly operated to promptly detect and correct any organizational or personal violation of law, etc. and to contribute to reinforcing compliance management.
 - 6) Based on its Global Code of Conduct, the Company severs any relations with antisocial forces, organizations, or individuals that threaten the order and safety of civil society, and organizationally takes a resolute stance against and rejects any unjust or illegal demands from such parties.
2. System concerning storage and management of information associated with the execution of duties by Directors
 - 1) Information associated with the execution of duties by Directors is recorded on paper or by electromagnetic means (hereinafter referred to as “Documents, etc.”), stored and managed in accordance with the Document Handling Rules and the Electronic Information Management Rules.
 - 2) A system is put in place where Directors and Audit & Supervisory Board Members are able to inspect and search Documents, etc. containing information associated with the execution of duties by Directors in an efficient manner.
 - 3) When important decisions are made, such facts are promptly and appropriately disclosed in accordance with the Basic Policy for Information Disclosure.
3. Rules concerning management of risk of loss and other systems
 - 1) In the event of a serious disaster, accident or any other unforeseeable situation, the Company and its group companies respond promptly and appropriately to the crisis in accordance with the Emergency Countermeasures Guidelines.
 - 2) In order to avoid the risk of loss from business operations, rules and regulations concerning accounting and financial management, business partner management, export management, environmental and disaster prevention management, quality management, information management, investment management, etc. are formulated, enforced and properly operated.
 - 3) To mitigate and avoid other latent business risks, each responsible department performs risk management on a day-to-day basis. In addition, the Risk Management & Compliance Committee, which meets quarterly in principle, discusses important matters concerning risk management and compliance; provides advice to relevant offices and departments, etc. based on the results of such discussions; reports and makes proposals to the Board of Directors and the management; and makes efforts to identify risks and improve the operating environment.
 - 4) The Tokai Carbon Group companies promptly report matters that might cause significant damage to the Company and its group companies to the Company and the Audit & Supervisory Board Members of the Company in accordance with the Rules Concerning Management of Subsidiaries set forth by the Company.
4. System to ensure effective execution of duties by Directors
 - 1) The Company adopts the Executive Officers System to clarify the roles, etc. of Directors and Executive Officers and promote execution of business operations with agility and speed.
 - 2) A three-year medium-term management plan is formulated as a company-wide target to be shared by Directors and employees, and budgets are set for each business year for implementing specific steps. A General Planning Meeting is held to confirm targets and policies set.
 - 3) Financial reports are prepared monthly, quarterly, and annually, and the results, analyses, etc. are reported quarterly to the Board of Directors.
 - 4) Important matters are deliberated at Management Committee meetings, General Planning Meetings, and other important meetings attended by Directors, Executive Officers responsible for business operations, and other members.

5. System to ensure that the execution of duties by employees complies with laws, regulations and the Articles of Incorporation.
 - 1) The Basic Philosophy, the Guidelines and the Global Code of Conduct are thoroughly disseminated.
 - 2) Training and education concerning legal compliance are promoted.
 - 3) Internal audits are properly conducted to address compliance matters and provide advice.
 - 4) An internal reporting system is properly operated to promptly detect and correct any organizational or personal violation of law, etc. and to contribute to reinforcing compliance management.
 - 5) Based on its Global Code of Conduct, the Company severs any relations with antisocial forces, organizations, or individuals that threaten the order and safety of civil society, and organizationally takes a resolute stance against and rejects any unjust or illegal demands from such parties.
6. System to ensure appropriateness of operations of the corporate entity consisting of the stock company and its parent and subsidiaries
 - 1) The Company and its group companies are managed based on the group-wide philosophy and action guidelines, and the appropriateness of their operations is ensured through periodically setting plans of the Group companies, reporting the financial status, making preliminary reports and having discussions on important matters in accordance with the Rules Concerning Management of Subsidiaries so that they contribute to the implementation of business objectives and the improvement of management efficiency as a corporate entity.
 - 2) The Company establishes a system for promoting awareness of risk management and compliance while promoting reinforcement of group governance by dispatching officers and employees of the Company to its group companies as directors and auditors.
 - 3) The Tokai Carbon Group companies set out management objectives common within the group based on the medium-term management plan formulated by the Company and set budgets each business year for realizing specific objectives.
7. Matters concerning employees to assist Audit & Supervisory Board Members with their duties and matters regarding independence of such employees from Directors, in the event that Audit & Supervisory Board Members request the assignment of such employees
 - 1) In the event Audit & Supervisory Board Members request the assignment of employees to assist with their duties, the Company considers, as necessary, appointing Audit & Supervisory Board staff member(s) to assist the duties of Audit & Supervisory Board Members and reinforcing the existing internal auditing functions.
 - 2) When appointing Audit & Supervisory Board staff member(s), such staff members are granted the authority over examinations performed based on instructions from Audit & Supervisory Board Members.
 - 3) Concurrence of full-time Audit & Supervisory Board Members is obtained in regard to the appointment, dismissal and evaluation of Audit & Supervisory Board staff member(s).
8. System for reporting by Directors and employees to Audit & Supervisory Board Members, other systems concerned with reporting to Audit & Supervisory Board Members and system to ensure that audits by Audit & Supervisory Board Members are performed effectively
 - 1) If detecting a fact that might cause material damage to the Company, Directors immediately report the matter to Audit & Supervisory Board Members.
 - 2) Directors and employees of the Tokai Carbon Group companies promptly report matters that must be reported as stipulated in the Rules on Management of Subsidiaries, etc. to the Company and the Audit & Supervisory Board Members of the Company based on the aforesaid Rules, etc.
 - 3) Directors and employees of the Tokai Carbon Group companies shall not receive unjust treatment for the reason of having made reports to the Audit & Supervisory Board Members of the Company.
 - 4) Audit & Supervisory Board Members attend meetings of the Board of Directors in accordance with relevant laws and regulations as well as attend meetings of the Management Committee and other important meetings and hear from Directors and employees on the status of execution of their duties as needed.
 - 5) Audit & Supervisory Board Members inspect approval documents and other important reports, etc.
 - 6) Audit & Supervisory Board Members, Accounting Audit firm, and the Internal Auditing Office promote mutual understanding and information exchange among one another.
 - 7) Expenses arising in connection with the execution of duties by Audit & Supervisory Board Members are paid in response to claims made by Audit & Supervisory Board Members except when the expenses are considered unnecessary for executing the duties of the said Audit & Supervisory Board Members.

9. System to ensure the reliability of financial reporting

The Company establishes and operates a system in accordance with the Basic Policy for Internal Control System Concerning Financial Reporting and the Internal Control Regulations for Financial Reporting, continues to evaluate whether the mechanism functions appropriately, makes necessary corrections, and ensures the reliability of financial reporting of the Company and its group companies.

2. Basic Views on Eliminating Anti-Social Forces

<Basic views on eliminating antisocial forces>

The basic policy of the Company is to cut off any relationships whatsoever with antisocial forces and organizations that threaten the order and safety of civil society and to take a resolute attitude in rejecting any unjust or illegal demands by such parties.

<Initiatives taken toward eliminating antisocial forces>

(1) Establishment of corporate code of conduct, etc.

The Company sets forth its policy to cut off any relationships with antisocial forces in the Global Code of Conduct, which shall be complied with by officers and employees in order to promote fair business activities based on the Company's corporate philosophy and action guidelines.

(2) Establishment of internal systems

The Company assigns the General Affairs Department as a department responsible for responding to antisocial forces and takes steps to enforce management concerning prevention of transactions with antisocial forces and other steps.

The General Affairs Department cooperates with external specialized agencies, including making periodic visits, notices, etc. to the police office, reporting to the police in emergency situations and consulting the legal adviser as necessary, in making efforts to gather and control information concerning antisocial forces as well as in responding to antisocial forces.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	None
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Supplementary Explanation

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2. Other Matters Concerning the Corporate Governance System

<p>[Outline of timely disclosure system] The status of the Company's internal system concerning the timely disclosure of company information is as follows.</p> <ol style="list-style-type: none">1. Collection of information With respect to information on the Company and its subsidiaries which may be subject to disclosure obligation, the head of the responsible department relating to the information checks the information and promptly reports the information to the person responsible for information handling (the Officer in charge of General Affairs Department).2. Evaluation of important information to be disclosed The person responsible for information handling makes judgments on disclosure with respect to the information collected in accordance with the relevant laws and regulations and securities exchange regulations, etc.3. Disclosure based on evaluation Based on the judgment above, the General Manager of the General Affairs Department, who is the person in charge of information disclosure, arranges for appropriate disclosure after completing the procedure for authorization of disclosure documents by the Management Committee and the Board of Directors.
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