

Corporate Governance Report

Last Updated: March 28, 2024

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 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 judgments 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 competing 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 of 30% or more for the percentage of female hires among total new graduate 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 4.0%. We aim to increase the percentage of female managers from 2.8% in FY2021 to 5.6% 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, the percentage of foreign employees in managerial positions is 1.0% on a Tokai Carbon non-consolidated basis. We plan to continue to hire and appoint foreign employees. We aim to increase the number of foreign managers in 2024.

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

We have been appointing experienced mid-career hires to assign persons with the right skills to the right positions according to various business themes such as overseas expansion and technology development, with experienced mid-career hires in 31.9% of managerial positions. We plan to continue to hire and appoint more experienced mid-career personnel. In 2024, we will aim to increase the percentage of experienced mid-career hires in managerial positions.

(2) Human resource development policy and internal environment development policy for ensuring diversity(Human resource development policy)

Tokai Carbon Group's Basic Philosophy is "Ties of Reliability," and its Guidelines are "Integrity," "Innovation," "Challenge," "Co-creation," and "Agility." The Group will hire people who resonate with our Basic Philosophy and Guidelines, and in an era of rapid change, we will actively work with our colleagues, both internally and externally, who have diverse values and backgrounds, to develop people who can contribute to the realization of a sustainable society by boldly taking on the challenge of change with a sense of agility.

(Internal environment development policy)

To achieve the Group's long-term vision of "contributing to a sustainable society through advanced materials and solutions", our group will foster an organization and culture that is free and open, in which employees with diverse values and backgrounds can work hard together.

In order to promote work style reform and realize an appropriate personnel system and competitive personnel treatment that attracts diverse human resources, we have, while supporting the growth of employees, prepared various training programs based on the stages, characteristics and desires of employees. We will respect the human rights of our employees to the fullest extent and will not tolerate harassment.

Based on the "Tokai Carbon Health Management Declaration", we will strive for management that emphasizes the health of employees and their families, while also supporting employees' asset building through pension plans and employee stock ownership plans.

[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 Finance and Accounting 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-2026,” a rolling-format, three-year, mid-term management plan for the period from 2024 to 2026 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

The policies and method for 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)

The 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.

(Investment in Human Capital and Intellectual Property)

The Group will hire people who resonate with our Basic Philosophy and Guidelines and we will work with our colleagues, who have diverse values and backgrounds, to develop people who can contribute to the realization of a sustainable society by boldly taking on the challenge of change with a sense of agility. Intellectual property is also disclosed in the annual securities report as "R&D activities."

(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 meet 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 FY2023 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. 47–48 and pages and p. 52 of the Notice of FY2023 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 FY2023 is summarized 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 2023; (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 eighth 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, some progress has been seen in the coordination of sustainability and management, such as linking sustainability performance to Directors' remuneration in 2023.

Going forward, we will continue to work on the issue of addressing higher-level themes, such as (i) coordination between sustainability (including actions for 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 2024, "T-2026," also presents our views on this business portfolio, along with our basic policies for profit planning and capital policy, after being deliberated on by the Board of Directors.

The disclosure requests from the Tokyo Stock Exchange dated March 31, 2023, "Implementing management that is conscious of cost of capital and stock price" and "Improvements in dialogue with shareholders and disclosure regarding this" were disclosed in the medium-term management plan, "T-2026."
<https://www.tokaicarbon.co.jp/ir/plan.html>

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 (shares)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	43,444,600	20.38
Japan Custody Bank, Ltd. (Trust Account)	18,005,326	8.44
MUFG Bank, Ltd.	5,827,779	2.73
Mitsubishi UFJ Trust and Banking Corporation	4,609,100	2.16
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	2,744,300	1.29
SSBTCCLIENTOMNIBUSACCOUNT	2,633,484	1.24
JPMorgan Securities Japan Co., Ltd.	2,566,368	1.20
STATESTREETBANKWESTCLIENT-TREATY505234	2,529,500	1.19
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,426,936	1.14
Meiji Yasuda Life Insurance Company	2,032,644	0.95

Controlling Shareholder (except for Parent Company)	
Parent Company	None

Supplementary Explanation

The above is based on the shareholder register as of December 31, 2023.

The Company holds 11,727 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 number of shares substantially held by them as of December 31, 2023, they are not included in the above Status of Major Shareholders.

- The Change Report was submitted by Sumitomo Mitsui Trust Asset Management Co., Ltd. as of November 7, 2023.
- The Change Report was submitted by Mitsubishi UFJ Financial Group, Inc. as of January 5, 2024.
- The Change Report was submitted by Nomura Securities Co., Ltd. as of January 9, 2024.

3. Corporate Attributes

Listed Exchange and Market Section	Tokyo Prime
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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	9
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 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 for Appointment
Nobumitsu Kambayashi	○	Mr. Kambayashi worked for Kawasaki Heavy Industries, Ltd., a business partner of the Company, as a person engaged in business executive up until the end of June 2016. Transactions with the firm account for a very small percentage of the overall transactions of the Company.	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 that engages in business activities globally, 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.
Mayumi Asada	○	-	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.
Toshiro Miyazaki	○	-	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

			extensive knowledge in the management of a manufacturing business that engages in business activities globally. 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	Yes
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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

(1) 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

(2) Activities in FY 2023

<p>Number of meetings: 5 times / all 4 members attended Main agenda items discussed</p> <ul style="list-style-type: none"> • Selection of candidates for directors and executive officers • Establishment of Nominating Committee Regulations and Amendments to Articles of Incorporation • Revision of Skill Matrix for Directors and Audit & Supervisory Board Members <p>3. Roles of the Remuneration Committee</p> <p>(1) The Nomination Committee deliberates the following matters and refers them to the Board of Directors.</p> <ul style="list-style-type: none"> • Basic policy concerning remuneration, etc. of Directors and Executive Officers; formulation, change, and abolition of rules and systems • Contents of proposals concerning the maximum amount of remuneration of Directors to be submitted to a general shareholder meeting • Other matters concerning remuneration, etc. of Directors and Executive Officers as deemed necessary • The Remuneration Committee deliberates and makes decisions on the following matters based on delegation by the Board of Directors. • Contents of individual evaluation and amount of remuneration, etc. of Directors and Executive Officers <p>(2) Activities in FY 2023</p> <p>Number of meetings: 5 times / all 4 members attended Main agenda items discussed</p> <ul style="list-style-type: none"> • Determination of bonuses for Directors and Executive Officers • Determination of basic remuneration for Directors and Executive Officers • Determination of amount of monetary remuneration claim pertaining to restricted stock • Review of the proposed new remuneration system for officers and revision of internal rules for remuneration for officers • Establishment of Remuneration Committee Regulations

[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	4

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 mutual review and opinion exchange 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 Members	Appointed
Number of External Audit & Supervisory Board Members	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*
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		a	b	c	d	e	f	g	h	i	j	k	l	m
Kaoru Ogashiwa	Certified public tax accountant													
Yoshinori Matsushima	Certified public accountant													

* 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 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 for Appointment
Kaoru Ogashiwa	○	-	Mr. Kaoru Ogashiwa has worked as a certified public tax accountant for many years and has abundant experience serving in positions such as auditor and 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. 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.

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 a 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 a 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 a 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 a 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 Persons 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 and others
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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.
- In March 2020, the Company decided to provide Directors, excluding Outside Directors, with an annual amount of up to 100 million yen in “Restricted Stock Compensation” as a monetary claim in order to provide an incentive to continuously improve the Company’s corporate value and to promote a sense of shared value with shareholders.

Recipients of Stock Options

Supplementary Explanation

[Director Remuneration]

Disclosure of Individual Directors’ Remuneration	Individual disclosure for selected cases
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Supplementary Explanation

The details of the disclosure of remuneration for Directors in fiscal 2023 are as follows.
(Total amount of remuneration, etc. for each category of officers, total amount by type of remuneration, etc., and number of officers eligible)

(1) 6 Directors (excluding Outside Directors)

- Total amount of remuneration, etc.: 208 million yen
- Amount by type of remuneration: 96 million yen in basic remuneration, 92 million yen in bonuses and 18 million yen in restricted stock compensation

(2) 3 Audit & Supervisory Board Members (excluding External Audit & Supervisory Board Members)

- Total amount of remuneration, etc.: 37 million yen
- Amount by type of remuneration: 37 million yen in basic remuneration

(3) 3 External Directors

- Total amount of remuneration, etc.: 39 million yen
- Amount by type of remuneration: 39 million yen in basic remuneration

(4) 3 External Audit & Supervisory Board Members

- Total amount of remuneration, etc.: 14 million yen
- Amount by type of remuneration: 14 million yen in basic remuneration

(5) Total 15

- Total amount of remuneration, etc.: 299 million yen
- Total amount by type of remuneration: 188 million yen in basic remuneration, 92 million yen in bonuses and 18 million yen in restricted stock compensation

Hajime Nagasaka, President and CEO

- Total amount of remuneration, etc.: 102 million yen

- Amount by type of remuneration: 54 million yen in basic remuneration, 39 million yen in bonus and 9 million yen in restricted stock compensation

Policy on Determining Remuneration Amounts and Calculation Methods	
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods
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It was resolved at the FY2005 Annual Meeting of Shareholders held on March 30, 2006 that the maximum limit of remuneration for Directors should be no more than 350 million yen per year (for no more than 13 Directors).

Remuneration for Directors and Executive Officers is a matter to be resolved by the Board of Directors, and is set within the maximum limit of remuneration approved at a general shareholder meeting 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” and “stock compensation,” which vary depending on the level of achievement of performance targets. For Directors and Executive Officers who are responsible for business execution, the percentage of “performance-linked remuneration” to “basic remuneration” is set higher as the rank of the officer rises. This is done by taking into account the responsibility of each officer and the impact on the Company’s performance.

In addition, the Board of Directors delegates the decisions on the details of individual remuneration, etc. within the Company to the Remuneration Committee, where External Directors have a majority, in order to ensure the independence of such decisions. The Remuneration Committee is composed of four members: External Director Nobumitsu Kambayashi (chairperson), External Director Mayumi Asada, External Director Toshiro Miyazaki, and President & CEO, Executive Officer Hajime Nagasaka. In fiscal 2023, five meetings were held to review the remuneration system for Directors and Executive Officers, and to determine the amount of individual remuneration based on business results, responsibilities of Directors and Executive Officers, and achievements. In making the decisions, the Remuneration Committee conducted a multi-faceted review, including in terms of consistency with the decision policy. Therefore, the Board of Directors concludes that the content was appropriately determined. The remuneration of the Audit & Supervisory Board Members is determined through discussion among the Audit & Supervisory Board Members within the maximum limit of remuneration approved at a general shareholder meeting.

Details of the remuneration system for officers are disclosed in the Annual Securities Report.

<https://www.tokaicarbon.co.jp/ir/library/>

[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 FY2023. As of the date of submission of this report, there are nine (9) Directors, three (3) of whom are External Directors. The Company has established the Nomination Committee and the Remuneration Committee, where External Directors have a majority, as voluntary advisory organs of the Board of Directors. It has also established the Risk Management & Compliance Committee and the Sustainability Committee as voluntary advisory organs of 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. 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. The Audit & Supervisory Board was convened 18 times in FY2023. The attendance of each Audit & Supervisory Board Member at meetings of the Audit & Supervisory Board is as follows. The status of activities of the Audit & Supervisory Board is described in (3) Audit Status.

(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 has adopted 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. The Internal Audit Office reports directly to the President & CEO, and, under a system independent of other business divisions, conducts business audits and evaluations of the effectiveness of internal controls in financial reporting under the Financial Instruments and Exchange Act, based on an annual plan approved by the Board of Directors with the objective of "preservation of company property, compliance with laws and regulations and other norms, rationalization and efficiency of business, and proper execution of business."

The results of audits and evaluations by the Internal Audit Office are reported to the Board of Directors and Audit & Supervisory Board Members, in addition to the President and related departments, in order to ensure the effectiveness of internal audits.

In order to improve the effectiveness and quality of internal audits, the Company is working to strengthen its internal audit system, including improving its internal audit procedures and securing audit personnel.

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 discusses important matters related to risk and compliance, and based on the results, provides advice to relevant departments, etc., and reports and makes recommendations to the Board of Directors.

(g) Sustainability Committee

The Company has established the Sustainability Committee chaired by the President as a voluntary advisory organ to the Board of Directors. The committee discusses important matters related to sustainability, and based on the results, provides advice to relevant departments, etc., 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 their liability for 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 the 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 the 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 FY2023 Annual Meeting of Shareholders held on March 28, 2024, the Company mailed out the Notice of the FY2023 Annual Meeting of Shareholders on March 6, 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 to Avoid Peak Days	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 has adopted 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 upon 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 environment 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 developed based on ISO 14001.

	<p>In order to harmonize our business activities with environmental needs, and to create a sustainable society, we 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 percentage 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 to the right place <p><Objective 2></p> <ul style="list-style-type: none"> • Aim for an annual paid leave utilization rate of at least 70% <p><Initiatives></p> <p>Setting an annual paid-leave-taking promotion month, etc. to encourage employees to take annual leave and improving the annual paid leave utilization rate (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 percentage of newly hired female graduates, who were secured through the recruiting activities, among 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 percentage of female employees on a continuing basis. Further, since increasing the percentage of female employees in managerial positions (five persons as of March 30) is also a challenge for the Company, we will actively promote the assignment of the right female

	<p>managers to the right positions to increase the percentage of female managers, in addition to securing female employees.</p> <ul style="list-style-type: none">• Regarding Objective 2, the figures for FY2023 (April 21, 2023 to April 20, 2024) are yet to be compiled, since the period is still ongoing. We will continue to implement initiatives to improve the annual paid leave utilization rate, such as setting an annual paid-leave-taking promotion month, and aim to achieve a utilization rate of 70%.
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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, Executive Officers and employees complies with laws, regulations and the Articles of Incorporation
 - 1) Through the establishment of the Basic Principles, the Conduct Guidelines, and the Global Code of Conduct, the proper operation of the whistleblowing system, and the implementation of education to ensure compliance, the Group will ensure thorough execution of its duties based on compliance with laws and regulations, the Articles of Incorporation, and internal rules.
 - 2) The Board of Directors shall determine important matters concerning the execution of business and supervise the execution of duties by Directors in accordance with laws and regulations, the Articles of Incorporation, the "Rules of the Board of Directors" and other internal rules.
 - 3) Audit & Supervisory Board Members audit the execution of duties by Directors in accordance with laws and regulations, the Articles of Incorporation, the "Rules of the Audit & Supervisory Board" and other internal rules.
 - 4) The internal auditing department conducts internal audits and the like of the Group's operations and strives to improve and strengthen internal control in accordance with the “Rules of Internal Audit”.
 - 5) The Company establishes a system to ensure the appropriateness of the Group's financial reporting by formulating the Basic Policy for the Establishment of Internal Control System Concerning Financial Reporting and the Internal Control Regulations for Financial Reporting.
2. System concerning storage and management of information associated with the execution of duties by Directors
 - 1) In accordance with internal rules on information management, the Company shall appropriately store and manage information associated with the execution of duties by Directors, and establish a system whereby Directors and Audit & Supervisory Board Members are able to inspect and search for such information in an efficient manner.
 - 2) In accordance with the Basic Policy on Information Disclosure, the facts regarding information to be disclosed shall be disclosed promptly and in a timely and appropriate manner.
3. Rules concerning management of risk of loss and other systems
 - 1) In order to avoid and reduce the risk of various losses and potential business risks in the course of business operations and to deal with unforeseen situations such as serious disasters and accidents, the Company shall establish methods and systems in its internal rules and respond appropriately.
 - 2) The Company has established the Risk and Compliance Committee, which discusses important matters related to risk and compliance, provides advice to relevant departments based on the results, and makes reports and recommendations to the Board of Directors.
 - 3) In accordance with the Rules Concerning Management of Subsidiaries, the Company receives reports from its subsidiaries on matters that might cause significant losses to the Tokai Carbon Group and strives to identify and manage risks within the Group.
4. System to ensure effective execution of duties by Directors
 - 1) The Company has adopted the Executive Officers System to promote the strengthening of the decision-making and supervisory functions of the Board of Directors and the efficiency of business execution. Executive Officers are in charge of the execution of specified business, as determined by the Board of Directors, based on delegation by the Representative Director.
 - 2) The Company formulates a medium-term management plan and a budget for each fiscal year, which constitute the Group's enterprise-wide goals, and plans and implements concrete measures to achieve the goals.
 - 3) The Company prepares financial reports on a consolidated basis and reports the results, analysis, etc. to the Board of Directors.
 - 4) The Company deliberates on important matters at important meetings such as meetings of the Management Committee, which is composed of the Company Directors and Executive Officers, etc.
 - 5) The Company has established the Nomination Committee and Remuneration Committee on a voluntary basis to ensure objectivity in the evaluation and selection of Directors and Executive Officers and their remuneration.
5. System to ensure the appropriateness of operations within the Group
 - 1) The Company ensures the appropriateness of its operations by periodically setting plans for its subsidiaries, 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 has established 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 subsidiaries to serve as directors and auditors.
6. Matters concerning employees to assist Audit & Supervisory Board Members with their duties and matters regarding the independence of such employees from Directors
 - 1) In the event Audit & Supervisory Board Members request the assignment of employees to assist with their duties, the Company appoints, as necessary, Audit & Supervisory Board staff member(s) to assist with the duties of Audit & Supervisory Board Members. Such staff members are granted the authority over examinations performed based on instructions from Audit & Supervisory Board Members.
 - 2) 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).
 7. System for reporting to Audit & Supervisory Board Members and other systems to ensure that audits by Audit & Supervisory Board Members are performed effectively
 - 1) Officers and employees shall promptly report to the Company and Audit & Supervisory Board Members facts in violation of laws and regulations and the Articles of Incorporation and matters likely to cause substantial damage to the Company (including matters to be reported by subsidiaries in accordance with the Rules Concerning Management of Subsidiaries), in accordance with internal rules. Officers and employees shall not be treated unfairly on account of having made such a report.
 - 2) Audit & Supervisory Board Members attend meetings of the Board of Directors and the Management Committee and other important meetings and hear from Directors, Executive Officers and employees on the status of execution of their duties as needed.
 - 3) Audit & Supervisory Board Members, Accounting Audit firm, and Internal Audit Department promote mutual understanding and information exchange among one another.
 - 4) 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.

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 designates 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]</p> <p>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 obligations, 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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Diagram of Corporate Governance System

