

Sustainability

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A Talk with Our External Directors



Enhancing the Effectiveness of the Board of Directors

As the globalization of business progresses rapidly, our three external directors discussed the ideal form of governance appropriate for a global company and the ideal form of the Board of Directors.

Nobumitsu Kambayashi
External Director



Mayumi Asada
External Director



Toshiro Miyazaki
External Director

The mission and thoughts of an external director

Miyazaki One year has passed since I became an External Director of Tokai Carbon. I personally have experience working for many years in the area of corporate management planning at a planning department of a shipbuilding company after I worked at the company's departments that handled management accounting, plan execution follow-up tasks, etc. Later, I also worked as an officer and CFO for several subsidiaries. From there, I joined a company engaged in marine development and became its President. 100% of that company's business is conducted overseas. It is a global company with only about 5% of Japanese employees. Our activities were based in areas where oil could be excavated, such as the U.S., Brazil, Singapore, Australia, Thailand and Africa. Since Tokai

Carbon currently sees 80% of its sales come from overseas operations, I think that a common point is the fact that we are developing our business globally and that the majority of our employees are foreign nationals.

In order for a company with global businesses and employees to be effective in governance, it is necessary to devise a certain level of ingenuity. As a result of my previous experience, I need to pay close attention to the governance of subsidiaries, especially the governance of overseas subsidiaries. Currently, with the exception of one overseas subsidiary in Thailand and one in the United States, the management of Tokai Carbon's overseas subsidiaries is basically entrusted to local managers. However, Tokai Carbon, our parent company, needs to take the lead in ensuring compliance among employees, including adhering to internal rules and

regulations apart from delegating management authority. Sometimes I go beyond the scope of governance to provide future-oriented advice on the overall management of the company. I believe it is my role as an external director to provide appropriate opinions when necessary, including such advice.

Kambayashi I have a lot of experience in heavy industry companies and have been employed at a shipbuilding company for a long time, just like Mr. Miyazaki. I also have experience as the general sales manager of an entire company. As you know, there was a time when heavy industry was positioned as a key industry in Japan. At that time, I did my best for the development of society and I think I was able to take on various challenges. When I was approached about becoming an External Director at Tokai Carbon, I was retiring as the head of the shipbuilding company. Although I had some doubts before making this decision, I decided to assume the position in December 2015 partly due to a strong request from President Nagasaka to take the position. Seven years have passed since I took office and I have had many experiences during this time. Since the mission of an External Director is basically monitoring, it is of course important to point out and call attention to runaway management and execution by saying "it is risky, so it should be stopped," "it is dangerous," etc. I think it is also an important role as an External Director to support corporate officers, including President Nagasaka, who is also responsible for business execution. I have taken these points into consideration, sometimes admonishing management and sometimes giving them a push.

Asada I have been working as a lawyer for over 20 years. I think I have not always focused on corporate legal affairs but rather on medical-related legal affairs, such as those of hospitals and medical corporations. I have also been involved in criminal cases and juvenile cases, working on them without specializing in any particular field.

Tokai Carbon was the first company to appoint me as an External Director. I was invited to assume this position in March 2021 in response to the growing importance in society of external directors providing advice from a female perspective.

Since I have no prior experience as an external director, the existence of a system that allows external directors to attend weekly Management Committee meetings has greatly helped me. Normally Board of Directors meetings are held once a month. However, by attending weekly Management

Committee meetings, External Directors can grasp how each department is trying to address the issues that are occurring within the company. I think it is an extremely useful system that allows you to get in touch with real-life information within the company before attending the Board of Directors meetings.

The role of the Management Committee

Asada We also receive reports on accidents and troubles during Management Committee meetings. When this happens, I sometimes give advice during those meetings based on my own experience and knowledge, such as conveying the importance of related surveys and examinations in order to minimize troubles.

On the other hand, External Directors are required to check risks from the standpoint of shareholders rather than simply agreeing with the ideas of the management team. I always try not to forget that perspective.

Miyazaki Most of the proposals for the Board of Directors are deliberated by the Executive Management Committee. As Ms. Asada said, the Management Committee is certainly useful. Because of that, I will listen carefully to proposals made during Management

Sometimes it is important to make comments that encourage executive officers.



A Talk with Our External Directors



Succession planning is also very important from the perspective of management sustainability.

Committee meetings. This is because there is raw information and vivid thoughts from the executive side. However, since the proposals are often filled with the passion of those bringing them forward, there is an undeniable tendency to drift in one direction. I am afraid that even those of us in the position of External Director will make a wrong decision if we know the details and go too deeply into them since there is a risk that we will be pulled by the passion of the person making the proposal. I believe that execution should only be conducted by executives and that external directors should make statements that are focused on monitoring and supervising management. I try to calmly judge the content of deliberations of the Management Committee and express my opinions at the end of deliberations, paying attention to whether I am too biased on one side with passionate proposals.

Of course, since there are many projects that I am personally very supportive of, I sometimes give encouragement. However, I am always careful to find the right balance.

Kambayashi I totally agree. I think it all boils down to what Mr. Miyazaki said and would like to add to this. If you attend a monthly meeting of the Board of Directors without attending Management Committee meetings,

you will probably receive a lecture from the office in advance. This takes up our time as well as their time for the lecture. Considering this time burden, I came to the conclusion that it would be most rational for external directors to attend Management Committee meetings. There is a Management Meeting every Monday morning. To prepare for the meetings, I make it a rule to do a “preparatory study” on each Sunday the day before. I read Management Committee materials in advance. This way, I have the points of the agenda in mind so that I can ask questions if interested and give advice if necessary. By doing so, I can learn about the vivid feelings that Mr. Miyazaki mentioned. By making such efforts, I can also deepen discussions during Board of Directors meetings.

Tokai Carbon’s Board of Directors and the qualities of President Nagasaka as Chairman of the Board of Directors

Asada During Tokai Carbon’s Board of Directors meetings, directors speak frankly which allows us, as external directors, to speak whenever we want to. Of course, meetings are centered on those who propose the agenda, and President Nagasaka is the main person for answering questions from external directors and Audit & Supervisory Board members. However, I try to raise my hand without hesitation when I need to speak in order to confirm everything that needs to be confirmed. I think the reason why discussions at the Board of Directors are more likely to deepen is because, as I mentioned earlier, discussions at the Executive Management Committee serve as the foundation. I believe that President Nagasaka, who is the Chairman of the Board of Directors, is putting his utmost effort into creating a Board of Directors where directors speak frankly and operating the Management Committee to invigorate the Board of Directors.

Kambayashi President Nagasaka is willing to spend enough time fully grasping the thoughts of people making proposals in advance before discussing it at the Board of Directors meetings. It may be possible to have in-depth discussions at meetings of the Board of Directors because we have prepared a casual meeting environment and a solid place for communication. President Nagasaka sometimes asks me to listen to what directors are saying. Listening to them deepens my understanding and allows me to clearly see that Tokai Carbon is a company in which highly qualified personnel have gathered together. I feel that Tokai Carbon is an interesting company.

Thoughts about the Nomination Committee/Remuneration Committee

Kambayashi I serve as Chairperson of the Nomination Committee as well as the Chairperson of the Remuneration Committee.

The most important issue for the Nomination Committee is the issue concerning successors. It goes without saying that a succession plan must be developed internally. It is a difficult issue for any company to deal with. Even if a succession plan is decided on internally, it should not be widely authorized within the company let alone made public. At the moment, although the Nomination Committee is only listing successor candidates, it is a very sensitive issue.

The Remuneration Committee will consider matters at the industry level and the level of companies of the same size. There is no need to break out from that level nor does the level need to be set to a level that is very low. There is no correct answer worthy of 100 points, but we should try to get a sense of satisfaction as a whole. It is important to give consideration to the amount of remuneration so that each officer will be willing to work hard in the future.

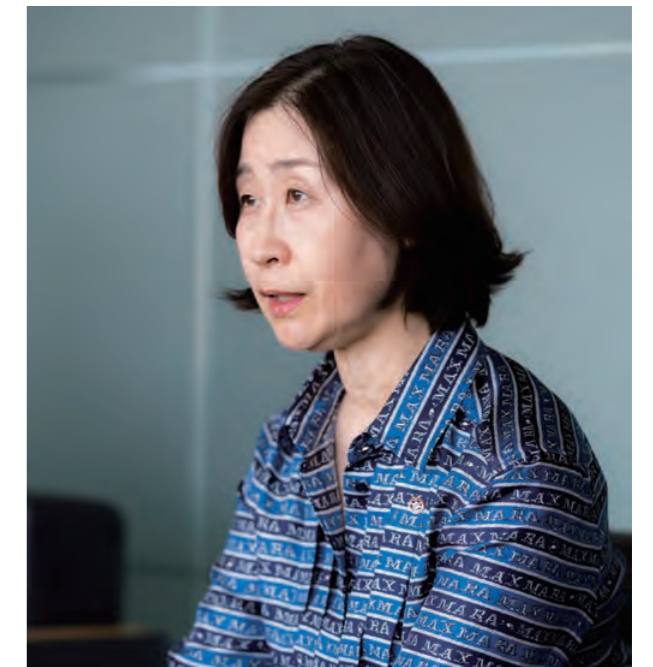
Miyazaki Succession planning is also very important from the perspective of management sustainability. Given the age difference between the President and executive officers of the Company, this is an extremely important issue, and I think it is necessary to take immediate action. I think it is necessary to clearly state to the current executive officers and their subordinates at the general manager level who you intend to succeed to your position. It is important to carry out and update these initiatives every year.

Towards sustainable growth in the future

Asada I do not see many women when I attend Management Committee meetings and global meetings. Of course, there are many female employees, but I have the impression that the number of female employees is still small at meetings of a certain level. There are many excellent female employees in the Company, and I hope that they will play more of an active role. Although it is not appropriate to be preoccupied with gender, at this point in time, I think it is also necessary to intentionally increase opportunities for women to play an active role.

In terms of governance, as was previously indicated, with overseas sales approaching 80%, I think it is necessary to keep an eye on business activities overseas

Women’s active participation is still at the halfway point. It is also important to keep an eye on overseas business.



and check problems. It is difficult to have control when facing language barriers and cultural differences, but I think that is extremely important for us.

Miyazaki We must seriously raise management awareness regarding ESG and the SDGs. Since Tokai Carbon has “Carbon” in its company name, we need to more clearly show how we will work toward carbon neutrality in the future. Rather than being afraid of various headwinds, it is important for us to be conscious of environmental harmony and coexistence with nature to acquire business opportunities and actively contribute to the future of the Earth and society.

Kambayashi Since I became External Director, I have witnessed five major M&As. As a result, 80% of our sales is overseas based. As I have already mentioned, I think there is still more work to be done with regard to the governance of overseas factories and companies.

Since M&As must be considered together with PMI, it is important to make a plan for how to execute PMI after M&As take place and carry it out. In this regard, we are always thinking about how we can improve our grip on things and what we should do in the future. As an External Director, I intend to actively work with the Board of Directors.

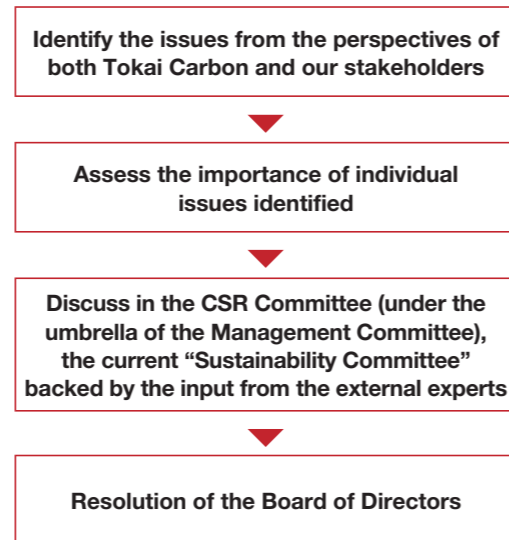
Basic Policy and Structure

Sustainability Policy

Tokai Carbon Group engages in corporate activities based on the corporate philosophy of “Ties of Reliability” with our stakeholders. Our management strategies are based on good consideration of ESG (Environmental, Social and Governance) to surely respond to the trust of our stakeholders and we work to solve social issues through our business that will contribute to the realization of a sustainable society and enlarge our corporate value.

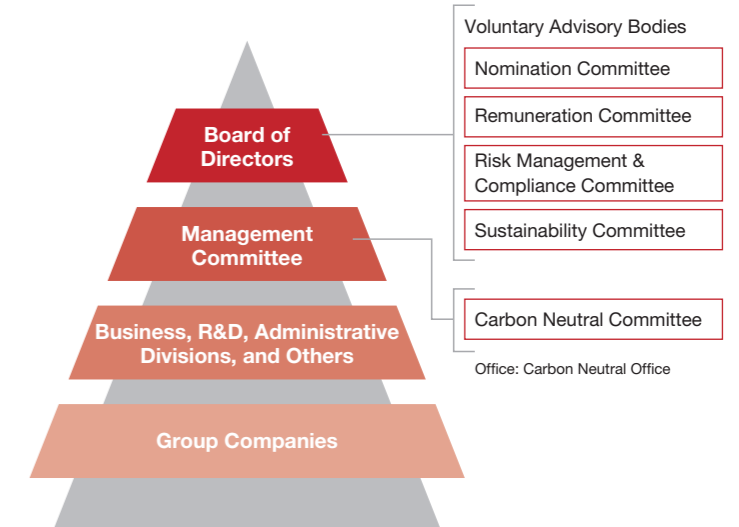
Materiality identification process

In November 2019, we specified our “Materiality” that we should focus on. We will sincerely face each materiality, contribute to the realization of a sustainable society, and appropriately disclose the status of its efforts.



Sustainability management structure

In January 2022, we set up the Sustainability Committee as a voluntary advisory body to the Board of Directors. Chaired by the President and CEO, it consists of the officer responsible for the General Affairs and Legal Affairs Department, the officer responsible for the Corporate Planning Department, the officer responsible for the Human Resources Department, the General Manager of the R&D Strategy Division, the General Manager of the Technology & Engineering Division, and General Managers of four principal business divisions. It meets on a quarterly basis, in principle, to discuss important matters related to sustainability, refer certain matters to the Board of Directors, submit reports to the Board of Directors, and supervise the disclosure of information on sustainability, including the creation of integrated reports.



Sustainability targets (KPIs) and results

Materiality		Goals	2022				2023		
Themes	Elements		Specific numerical targets	Scope	Actual	Rating	Specific numerical targets	Scope	
Harmony with the global environment	Reducing environmental impact	Reduce greenhouse gas emissions	Reduce CO ₂ emissions by 25% (VS 2018) by 2030 and achieve carbon-neutrality in 2050	Consolidated	Total CO ₂ emissions for the Group in 2022: 2,408 thousand tCO ₂ (21% reduction from 2018) This is result of primary efforts such as switching over to renewable energy and fuel switching	○	Reduce CO ₂ emissions by 25% (VS 2018) by 2030 and achieve carbon-neutrality in 2050	Consolidated	
		Reduce pollution	Dispose of all low-concentration PCB waste by March 31, 2025	Domestic group ¹	Almost on target with about 62% of low concentration PCB waste having been disposed of	○	Reduce VOCs to 90% or less compared to 2015 level	Non-consolidated	
			Maintain zero environmental complaints against the Company (contamination of air, water, etc.)	Consolidated	No environmental complaints filed	○	Maintain zero environmental complaints against the Company (contamination of air, water, etc.)	Consolidated	
	Reduce water consumption	Reduce water consumption (1% or more of reduction from FY2018)	Non-consolidated	4% reduction from FY2018	○	Reduce water consumption (less than the 2021 level)	Consolidated ³		
	Realizing a recycling-oriented society	Recycle waste	Recycle 80% or more of waste	Domestic group ¹	87% of waste recycled	○	Recycle 80% or more of waste	Domestic group ¹	
Final disposal rate of 25% or lower			18% final disposal rate		○	Final disposal rate of 25% or lower			
	Use sustainable resources	—	—	—	—	—	Acquire ISCCPLUS certification at three CB plants in Japan by 2024	Chita Plant/Ishinomaki Plant/ Kyushu-Wakamatsu Plant	
Contributing to society through our business	Technological Innovation	Emphasize research and development	Devote 80% or more of development expenditures to reducing environmental burden	Domestic group ²	91% of development expenditures devoted to reducing environmental burden	○	Devote 90% or more of development expenditures to reducing environmental burden	Domestic group ²	
			Devote 60% or more of development expenditures to reducing environmental burden	Tokai Konetsu Kogyo Co., Ltd.	85.1% of development expenditures devoted to reducing environmental burden	○	Devote 70% or more of development expenditures to reducing environmental burden	Tokai Konetsu Kogyo Co., Ltd.	
			Make 80% or more of patent applications in areas related to reducing environmental burden	Domestic group ²	100% of patent applications filed in areas related to reducing environmental burden	○	Make 90% or more of patent applications in areas related to reducing environmental burden	Domestic group ²	
			Make 70% or more of patent applications in areas related to reducing environmental burden	Tokai Konetsu Kogyo Co., Ltd.	100% of patent applications filed in areas related to reducing environmental burden	○	Make 70% or more of patent applications in areas related to reducing environmental burden	Tokai Konetsu Kogyo Co., Ltd.	
	Supplying safe and secure products	Further elevate quality	Reduce electrode consumption rate (3% reduction from FY2021)	Consolidated	Among target users, there was a reduction in the electrode consumption rate of 3% or more. The overall target has been met since there are also users that have witnessed electrode consumption rates that have surpassed planned targets	○	Establish electrode consumption rate reduction technology (Rate for 2023: 3% reduction from 2022)	Consolidated	
	Supply chain management	Raise supplier awareness of CSR	Disseminate procurement policy to new suppliers on a consolidated basis and conduct CSR survey	Consolidated	From April 2022, when we start regular transactions with new raw material suppliers, we will inform them about our procurement policy and conduct a CSR procurement survey	○	—	—	
		Reduce CSR risks at suppliers	Conduct CSR survey of key suppliers on a consolidated basis		Report on the analysis results of a survey conducted on five key overseas base suppliers in 2022	○	Conduct CSR survey of key suppliers on a consolidated basis	Consolidated	
	Respect for Human Rights	Raise employee awareness of human rights	Revise Harassment Manual and conduct harassment training at domestic subsidiaries	Domestic group ¹	Harassment Manual was revised. Harassment training was conducted at domestic subsidiaries (attendance rate: 100%, average score of comprehension test: approximately 90%)	○	Distribute Harassment Manual to domestic subsidiaries	Domestic group ¹	
			Conduct annual human rights due diligence		Conducted human rights due diligence in 2022	○	Expand human rights due diligence to overseas subsidiaries	Consolidated	
			Improve understanding of global human rights policy		Conducted training related to global human rights policy and due diligence	○	—	—	
Contribution to community	Actively engage in community contribution activities	Enhance disclosure of community contribution activities	Consolidated	Total amount of donations and activity spending: approx. 48.4 million yen (donations to support Ukraine, donations to support regional culture and sports, etc.) Community contribution activities: Cleanups, tree planting, food donations, etc.	—	Enhance disclosure of community contribution activities	Consolidated		
Strengthening Corporate Governance	Establish a consolidated governance system	—	Consolidated	Promotion of internal controls, North American operations holding company's functional upgrading, subsidiary management, etc., have been conducted as planned	—	—	Consolidated		
Strengthening our management base	Ensuring compliance	Maintain ethical standards, regulatory compliance	Commit no serious regulatory violations	Consolidated	Commit no serious regulatory violations	○	Commit no serious regulatory violations	Consolidated	
			Formulate a global code of conduct [tentative name] and inform subsidiaries around the world about it		Formulated new Guidelines and Global Code of Conduct and promoted their adoption within the Group	○	Create a business base aimed at building a global compliance system		
	Developing human resources	Develop diverse human resources	Double the number of female employees in managerial positions (by the end of 2024)	Non-consolidated	Increased 1.66 times over the 2021 level (as of December 31, 2022)	○	Double the number of female employees in managerial positions (by the end of 2024)	Non-consolidated	
			Percentage of new female graduates hired for career-track positions: 30% on a non-consolidated basis		Percentage of new female graduates hired (non-consolidated) who entered the company in April 2023: 40%	○	Percentage of new female graduates hired for career-track positions: 30% on a non-consolidated basis		
			Increase the number of non-Japanese employees in managerial positions (by the end of 2024)		Conducted employment activities, including for management candidates, as planned	○	Increase the number of non-Japanese employees in managerial positions (by the end of 2024)		
	Raise the ratio of mid-career hires in managerial positions (by the end of 2024)	Increased 3.2% over the 2021 level (as of December 31, 2022)	○	Raise the ratio of mid-career hires in managerial positions (by the end of 2024)					
Promoting occupational health and safety	Reduce occupational accidents	Reduce frequency rate (1.8 or lower)	Consolidated	Specialist training in 2022: 1,747 hours, New-hire training in 2022: 1,674 hours	○	Total training hours planned by head office (new-hire training/specialist training)	Domestic group ¹		
				Frequency rate: 1.20	○	Reduce frequency rate (1.20 or lower)	Consolidated		

¹ Tokai Carbon Co., Ltd. and its principal subsidiaries in Japan (i.e., Tokai Konetsu Kogyo Co., Ltd., Tokai Fine Carbon Co., Ltd., and Tokai Material Co., Ltd.)

² Tokai Carbon Co., Ltd. + Tokai Fine Carbon Co., Ltd., and Tokai Material Co., Ltd.

³ Tokai Carbon Co., Ltd. and its 9 principal subsidiaries (i.e., Tokai ERtCarbon GmbH, Tokai Carbon GE LLC, Tokai Carbon CB Ltd., Cancarb Limited, Thai Tokai Carbon Product Co., Ltd., Tokai Fine Carbon Co., Ltd., Tokai Carbon Korea Co., Ltd., Tokai COBEX Polska sp. z o.o., Tokai COBEX Savoie SAS)

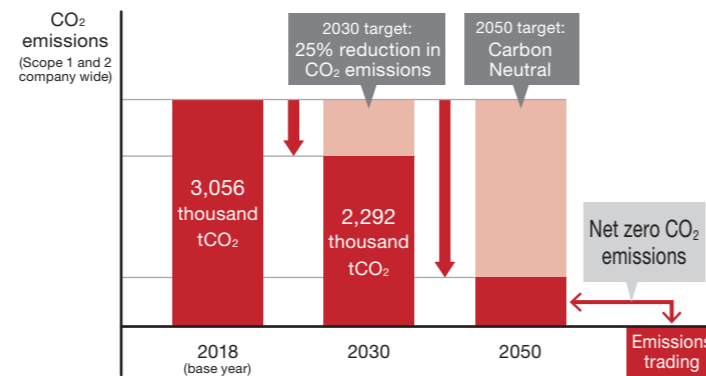
To a Carbon-Neutral Society

The Tokai Carbon Group is working to reduce total CO₂ emissions with a goal of carbon neutral by 2050. Recognizing that addressing climate change is an important management issue, and in November 2021, the Group expressed its support for the Task Force on Climate-related Financial Disclosure (TCFD). We will take appropriate measures toward achieving a carbon-neutral society by assessing the impact of climate change on our business.

Tokai Carbon Group's CO₂ Emissions Reduction Target

Tokai Carbon Group targets reducing CO₂ emissions by 25% (VS 2018) by 2030 and achieving carbon-neutral in 2050.

* The targets pertain to Scope 1 and 2 emissions company wide

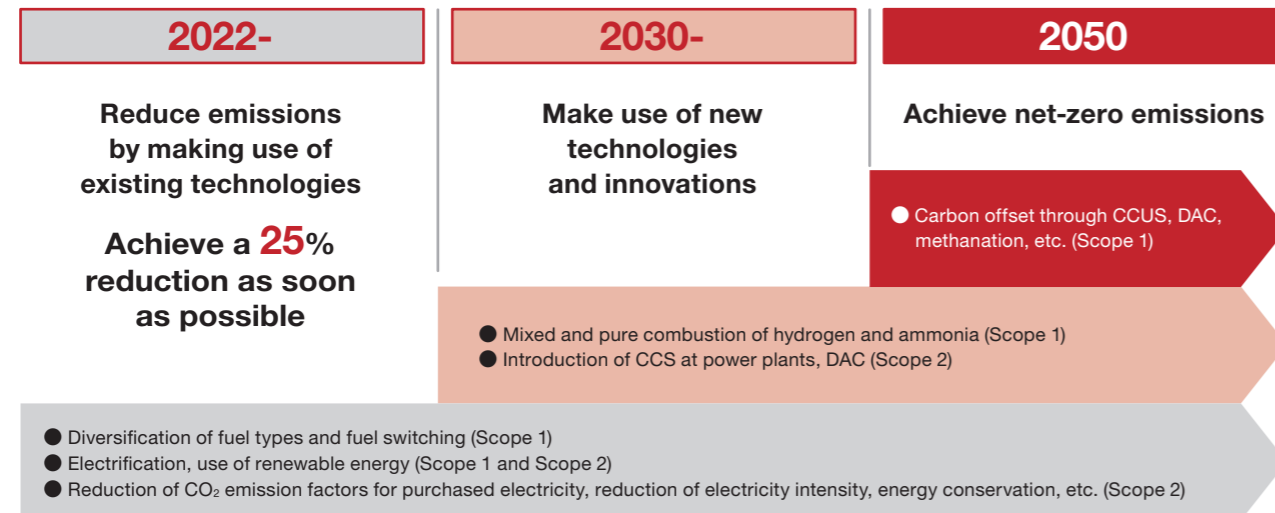


Roadmap to Carbon Neutral

We will take steps to reduce CO₂ emissions using existing technologies to achieve a 25% reduction in CO₂ emissions by 2030, aiming for the earliest possible time. With respect to raw materials, we are considering introducing nature-derived and renewable resources. We will promote fuel diversification and conversion, such as shifting from fossil fuels to electric energy and utilizing renewable energy for manufacturing. We

will also make capital investments in energy conservation.

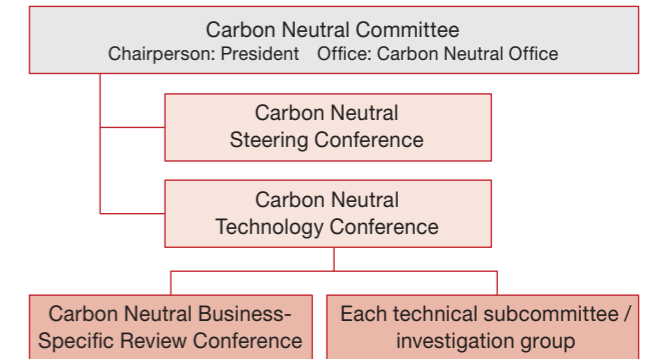
In addition, we will actively use new technologies and innovation towards net-zero carbon emissions in 2050. Amid revolutionary technological advances worldwide to reduce CO₂ emissions, we will actively introduce technologies that are likely to find full practical application.



*CCS: Carbon dioxide Capture and Storage (Capturing and storing CO₂) *DAC: Direct Air Capture (Technology for directly capturing and using CO₂ in the air)
 *CCUS: Carbon dioxide Capture, Utilization and Storage (Technology to utilize CO₂ that has been isolated and stored)

Structure for Aiming Carbon Neutral

We reorganized the Carbon Neutral Project launched in May 2021 into a Carbon Neutral Committee in February 2022 to reinforce the organization. Serving as a high-level command tower for our carbon neutral efforts, it plans company wide policies and strategies. It visualizes issues and actions and centrally controls them. Under the committee, we have set up different related meetings, technical subcommittees, and technical study groups to implement specific strategies and measures for increasing the Group's competitiveness cross-divisionally.



Response to Climate Change in Accordance with TCFD Recommendations

We analyze the impacts of climate change on our business in accordance with the TCFD recommendations and publish information specified as disclosure requirements in the TCFD recommendations and the results of scenario analysis on our website.

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

GHG emissions (Scope 1 and Scope 2) (consolidated)

★Third party assurance

	2018	2019	2020	2021	2022
GHG emissions (thousand tCO ₂ e)	3,056	2,687	2,232	2,409	2,408*
Scope1 (thousand tCO ₂ e)	2,430	2,164	1,825	2,070	2,018*
Scope2 (thousand tCO ₂ e)	626	523	406	339	391*

Calculation of Scope 1 and Scope 2 GHG emissions

Boundary

CO ₂	All the consolidated production sites, head office, branches, and laboratories (Tokai Carbon (Dalian) Co., Ltd., Tokai Carbon (Suzhou) Co., Ltd., Shanghai Tokai Konetsu Co., Ltd., Tokai Konetsu (Suzhou) Co., Ltd., and Tokai Carbon Europe Ltd. Italia Branch were added in 2022)
CH ₄ , N ₂ O	Starting in 2022, major production sites that account for approximately 98% of consolidated CO ₂ emissions have been added to the scope of the calculation

Period covered

	Japan	Overseas
CO ₂	Energy sources	Until 2020: April to March (Tokai Konetsu Kogyo: January to December) 2021 and after: January to December
	Non-energy sources	January to December
CH ₄ , N ₂ O	January to December (*calculation period from 2022)	

Calculation Method

CO₂ equivalent emissions are calculated using the global warming potentials of CO₂, CH₄, and N₂O gases. HFCs, PFCs, and SF₆ are excluded from calculations because these emissions are negligible.

Scope 1: Direct GHG emissions from corporate activities, including energy-derived GHG emissions and non-energy-derived GHG emissions (emissions from industrial processes) are calculated. In principle, GHG emissions from non-energy sources are calculated from the amount of raw and auxiliary materials used and the balance of products and waste.

Scope 2: ● Indirect GHG emissions associated with use of energy in corporate activities.

● The market-based method in the GHG Protocol is used. For emissions in Japan, the emission coefficient by electricity utility under the Act on Promotion of Global Warming Countermeasures applies. For overseas emissions, emission coefficients published by electricity utilities are used, although the latest emission coefficients published by IEA or national and regional authorities are used for emissions from some plants.

Respect for Human Rights

At Tokai Carbon, we believe that consideration for human rights is important in order to realize our corporate philosophy of “Ties of Reliability”. The Universal Declaration of Human Rights declares the “common standards that all peoples and all countries must achieve” in order to respect and ensure human rights and freedoms, and we support this declaration.


Global Policy on Human Rights

In order to fulfill our corporate responsibility to respect human rights, we conduct business activities with a high sense of ethics based on the Guiding Principles for Business and Human Rights. In July 2020, based on these international regulations on human rights, we established the Tokai Carbon Group Global Policy on Human Rights. Under this policy, we will further promote initiatives to respect human rights as Tokai Carbon Group. The Tokai Carbon Group Human Rights Promotion Committee plays a central role in promoting this global policy and the concept of respect for human rights.

We support the “Children’s Rights and Business Principles”, too, because we believe that special consideration is needed regarding children’s human rights since they are vulnerable to violations of their rights. We are also engaged in social contribution activities to avoid violations of children’s rights in our business and to realize children’s rights.

Provisions of Tokai Carbon Group Global Policy on Human Rights

1	Compliance with laws and regulations
2	Prohibition of discrimination
3	Prevention of child labor and slave labor
4	Support of basic labor rights
5	Reduction of excessive working hours and securing rights to wages
6	Health and safety standards
7	Prohibition of harassment
8	Respect for privacy
9	Prevention and mitigation of negative impacts on human rights
10	Response to human rights violations

 **Tokai Carbon Group Global Policy on Human Rights**
https://www.tokaicarbon.co.jp/en/sustainability/pdf/human_rights.pdf

Human rights due diligence

The Tokai Carbon Group conducts human rights due diligence to ensure corporate respect for human rights in order to identify and assess, as well as prevent and address, potential human rights risk arising from the entire value chain and corporate-related human rights-issues. Such issues shall be identified based on the engagement with our stakeholders including employees, suppliers and business partners.

Process of our human rights due diligence



Initiatives for human rights awareness

Tokai Carbon conducts group-wide and division-specific training to instill an awareness of human rights in its employees.

Based on the Global Human Rights Policy of the Tokai Carbon Group, training focuses on reinforcing an understanding of the basic way of thinking about respecting human rights. In doing so, it uses present-day examples, including ones addressing discrimination, harassment, violations of the rights of people with disabilities, and violations of the rights of people from other countries. Human rights training is conducted for employees who have been newly hired or promoted to management. Particularly when promoted to management, they are educated on human rights issues such as bullying and harassment, by clarifying harassment-based issues, and using actual examples of measures taken in each case.

In 2022, human rights training was conducted with the participation of 1,060 employees at Tokai Carbon and partner companies, and 625 employees at Group companies in Japan. Harassment training was conducted with the participation of 209 employees at Tokai Carbon and 527 employees at Group companies in Japan.

Based on our awareness that human rights are the foundation of sustainability, we have joined human rights organizations for businesses in Tokyo, Osaka, and Nagoya. We use our memberships in these organizations to share information on and expand our understanding of human rights to ensure that respect for human rights remains a key aspect of our corporate culture.

Supply Chain Management

We recognize that maintaining a stable supply of high-quality products is our most fundamental responsibility, and we are continuously striving to comply with various laws, regulations and social norms, and to reduce the environmental impact of our manufacturing processes.

CSR procurement policy/Implementation of CSR procurement survey

In order to face global environmental and social issues as a concerned party, the Company has established the Tokai Carbon Group Procurement Policy. For our new and priority business partners, we request they agree with our Group Procurement Policy and respond to the CSR Procurement Survey to confirm their compliance status. Its major survey items are determined in accordance with the Procurement Policy.

The process is characterized by assessing business partners based on the survey result and requesting them to take necessary improvement actions.

In 2022, we conducted a survey on our priority five raw material suppliers located in overseas to assess the status of existing business partners. The survey found that there were no incidents that needed to be reviewed among the business partners.

 **Tokai Carbon Group Procurement Policy**
https://www.tokaicarbon.co.jp/en/sustainability/pdf/pdf_procurement.pdf

 **Tokai Carbon Group Implementation of CSR procurement survey for our business partners**
<https://www.tokaicarbon.co.jp/en/sustainability/procurement.html>

Occupational Safety and Health

As its global safety policy, the Group has adopted “Safety is a critical core value shared by the entire Tokai Carbon Group. We aim to provide a safe working environment for all people working in our plants by eliminating hazards and reducing risks.”

Health and safety management structure

The Group’s safety policy and initiatives are subject to approval by the Executives Meeting and the Board of Directors. At the Company, the Board of Directors supervises occupational health and safety risks, and the director in charge of risk reports to the Board of Directors on important matters such as occupational accidents as necessary.

In addition, we hold Central Work Committee meetings attended by the director in charge of health and safety, department managers in charge, and the labor union to

discuss health and safety issues and to work on continuous improvement of health and safety. Further, we hold Health and Safety Committee meetings at each site with the participation of managers and supervisors at each site and the labor union to report and discuss matters related to occupational health and safety. Cooperating companies to which the Company outsources its work also participate in the Health and Safety Committee meetings as observers.

Improving occupational safety and health

In order to eliminate hazards and reduce risks, the Group promotes the implementation of risk assessments and countermeasures. In the risk assessment, we evaluate the risks that lead to injury and the risks that affect health, clarify the priorities for the identified risks, and improve the work environment. When installing new production equipment or refurbishing existing equipment, we conduct risk assessments from the equipment design stage, and work to reduce risks in advance if the risks are high. For work-related injuries (occupational accidents), poor physical condition, and serious incidents, we first grasp the situation through on-site verification, thoroughly investigate the root cause through the five whys analysis, and formulate measures to prevent recurrence to confirm its effectiveness. Moreover,

in order to prevent similar accidents, we share information on the details and countermeasures with all business sites.

In addition to these initiatives, we conduct safety education to enhance our safety awareness. In 2022, 118 employees, including newly hired employees, participated in training provided by an external organization in order to improve their sensitivity to danger. We also held a training session using virtual reality (VR) for people to experience danger, with 67 participants in 2022. Furthermore, we are conducting safety training with the aim of thoroughly enforcing safety rules within our workplaces and measures to prevent the recurrence of past occupational accidents, and in 2022, the training program was provided to 106 employees who have been with the Company for less than five years at all of our business sites.

Corporate Governance

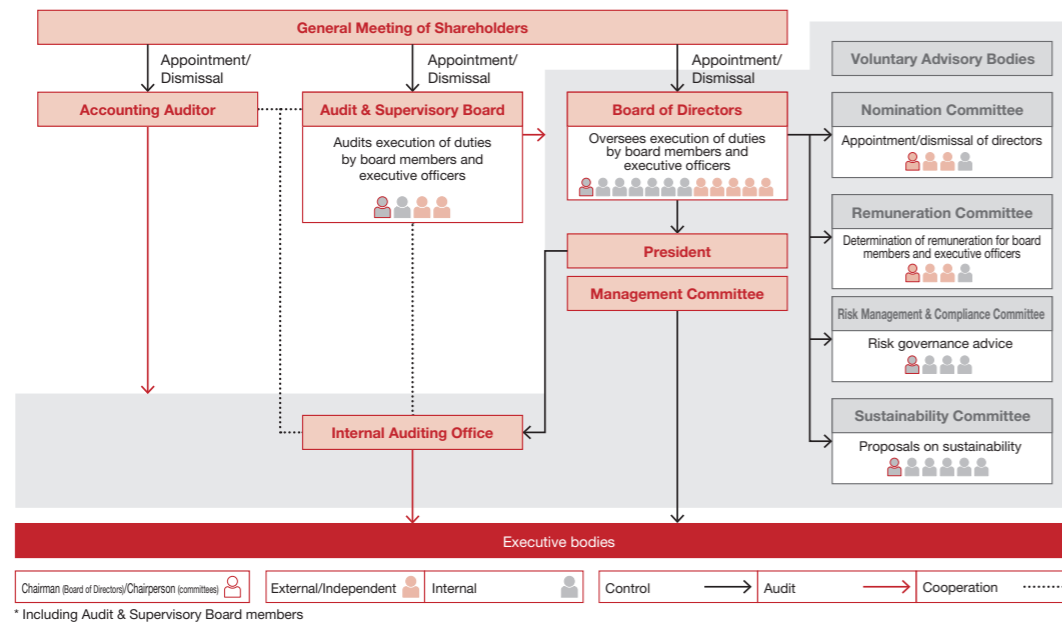
Tokai Carbon recognizes that enhancing medium- to long-term corporate value is the most important management objective. We believe that responding to the expectations of all stakeholders, including customers and shareholders, and building favorable relationships, are essential in achieving this objective. To this end, we embrace the basic philosophy of “Ties of Reliability”. Through this philosophy and the policies and values outlined in our Guidelines and Global Code of Conduct, we are working to develop an effective corporate governance structure.

Corporate governance system

As a company with an Audit & Supervisory Board, Tokai Carbon focuses on enhancing the effectiveness of audits by Audit & Supervisory Board members and our internal audit functions. At the same time, we work to strengthen the management supervision functions of the Board of Directors by appointing multiple external directors and establishing voluntary committees to realize an appropriate

corporate management structure. Furthermore, to clarify the functions and responsibilities of corporate officers engaged in business execution, we have adopted an executive officer system and established a Managing Executives Meeting to enhance and strengthen the business execution functions of the organization.

Corporate governance system (as of April 1, 2023)



Board of Directors

The Board of Directors is responsible for making decisions on important management matters and overseeing business execution. In principle, the Board meets monthly. As of April 1, 2023, there are eight directors, including three external directors. The Nomination Committee and Remuneration Committee, for which the majority of members are external

directors, have been created as voluntary advisory bodies for the Board of Directors. The Risk Management & Compliance Committee and Sustainability Committee, also voluntary advisory bodies, have been established immediately under the Board of Directors.

Audit & Supervisory Board members and the Audit & Supervisory Board

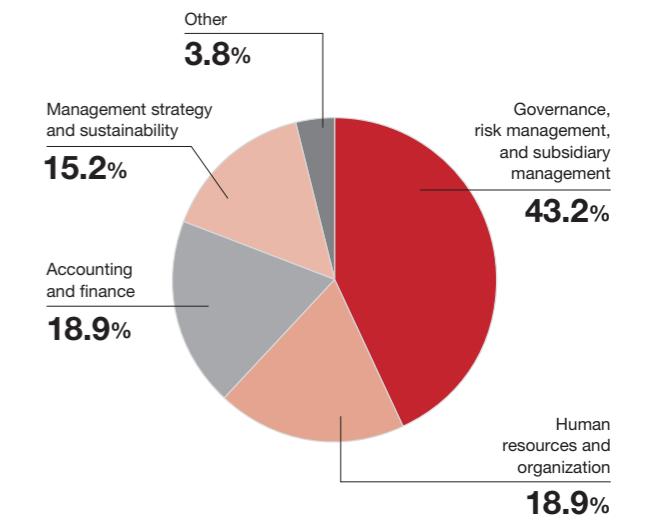
As a general rule, the Audit & Supervisory Board of the Company meets monthly. As of April 1, 2023, there are four Audit & Supervisory Board members, of whom two are External Audit & Supervisory Board members. Audit & Supervisory Board members perform audits based on the auditing

policies and audit plan adopted by the Audit & Supervisory Board. Audit & Supervisory Board members attend Board of Directors' meetings and other important meetings and investigate the status of business operations and assets to confirm the status of business execution by directors.

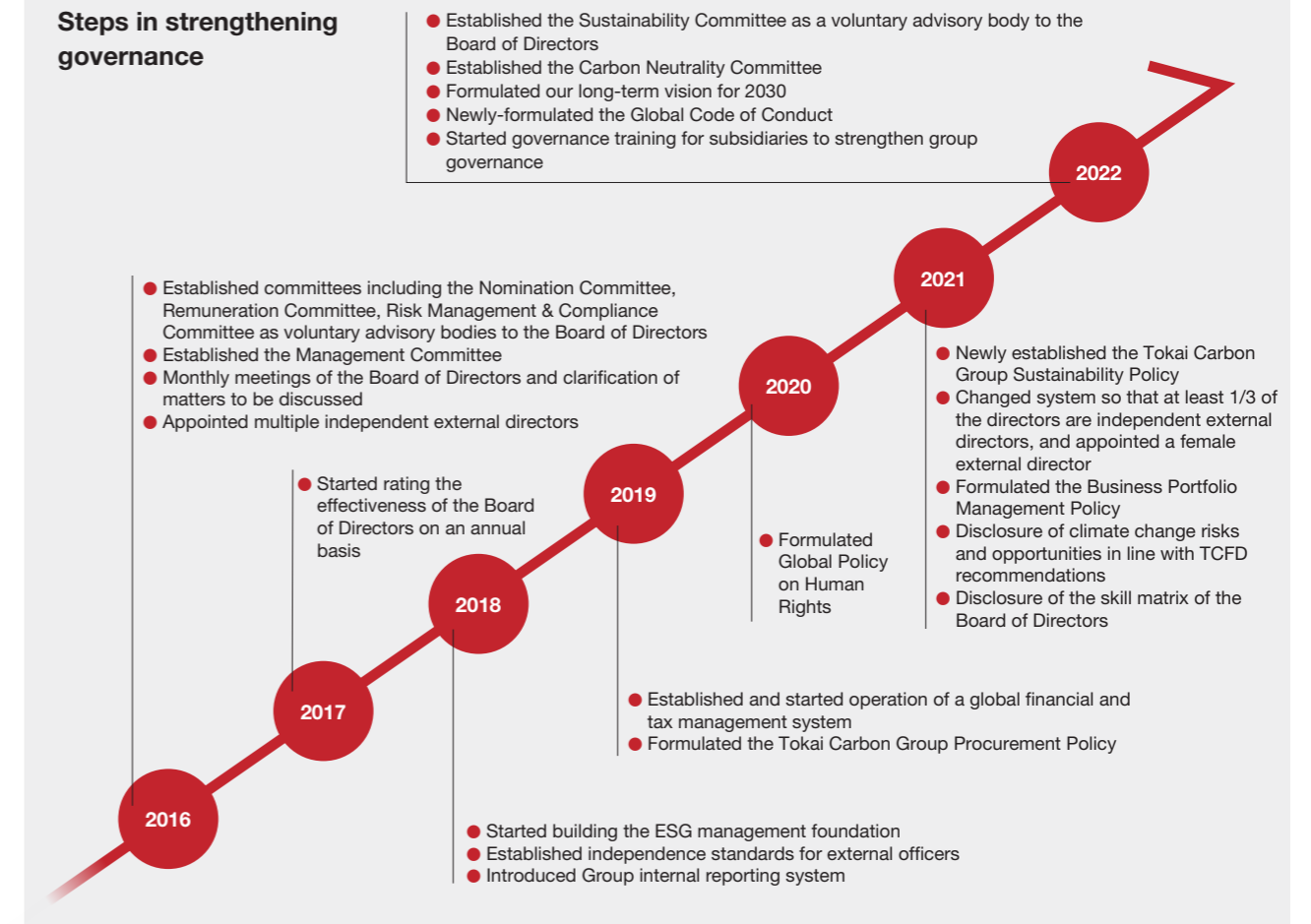
Subjects discussed at the Board of Directors in fiscal 2022

Subject category	Topic
Governance, risk management, and subsidiary management	Analysis and evaluation of the effectiveness of the Board of Directors
	Reports on financing, investments, and market risk management
	Reports on the state of internal control and internal audits
Human resources and organization	Risk Management & Compliance Committee reports
	Establishment of new subsidiary plant/Expansion of existing plants
Accounting and finance	Board member and executive officer candidates
	Organizational/regulation revisions
Management strategy and sustainability	Financial statements
	Annual budget plans
Management strategy and sustainability	Formulation of long-term vision and medium-term management plans
	Sustainability Committee and Carbon Neutral Committee reports

Subject category



Steps in strengthening governance

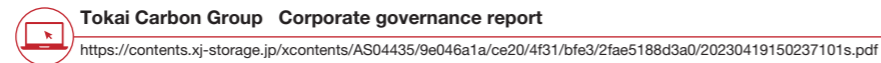


Corporate Governance

Management Committee

The Company has established the Management Committee under the Board of Directors. This committee deliberates and makes decisions on important management matters per basic policies adopted by the Board of Directors. The Management Committee meets once a week, in principle,

with participation from executive officers and Audit & Supervisory Board members, etc. To assist the Management Committee with its work, we have also established committees to deliberate certain matters and report their findings to the Management Committee for higher-level consideration.



Strengthening the effectiveness of the Board of Directors

In 2016, Tokai Carbon established the Nomination Committee, Remuneration Committee, Management Committee, and Risk Management & Compliance Committee to radically strengthen governance system led by the Board of Directors. What is special about this is that our three outside directors actively attend important meetings other than meetings of the Board of Directors to deepen their understanding of significant subjects. The effectiveness evaluation reported that the outside director's impartial and objective comments were of great assistance in improving the supervisory functions of the Board of Directors.

In 2022, the Board of Directors conducted an effectiveness analysis and evaluation based on (1) quantitative and qualitative analysis of the operational performance and status of the governance system, including the Board of Directors and the Management Committee, (2) the results of a questionnaire survey of all directors and corporate auditors regarding the composition and operation of the Board of Directors and provision of

information to outside officers, and (3) the results of individual interviews with external officers.

The new governance structure has largely been established. In addition to the initial results being adequately maintained, in 2022, in accordance with the Sustainability Policy and the Business Portfolio Management Policy newly established in 2021, we steered toward strengthening sustainability management and business portfolio management, expanded matters reported by the Board of Directors, and discussed crisis events such as the impact of the Ukrainian crisis and the emergency response to Taiwan. We believe that we have been able to further improve the effectiveness of these measures.

As future issues, we will continue to work on higher level themes such as (1) linking our sustainability (including carbon neutrality) and management strategies, and (2) sophistication of business portfolio management.

Establishing an internal control system

To ensure that Tokai Carbon Group properly executes business operations per relevant laws, regulations, and the Articles of Incorporation, the Company continuously improves its internal control system. Improvements

are undertaken following the "Basic Policy for Establishing an Internal Control System," which was adopted at the May 2006 meeting of the Board of Directors and revised as necessary.

Management Appointment Process

The appointment of Directors, Audit & Supervisory Board Members and Executive Officers begins with the formulation of recommendations by the Nomination Committee, which is an advisory body to the Board of Directors and consists of one internal board member and three external board members. The Nomination Committee prepares its recommendations by comprehensively considering the experience, knowledge, expertise, and other qualities of internal and external candidates. After approval by

the Board of Directors, candidates for Director and Audit & Supervisory Board positions are submitted to the General Meeting of Shareholders for approval.

The Company discloses the reasons for nominating internal and external candidates for Director and Audit & Supervisory Board positions in reference materials provided for the General Meeting of Shareholders.

Executive remuneration

At Tokai Carbon, executive remuneration is composed of basic remuneration, which is a fixed amount, and performance-based remuneration, which varies depending on performance. For directors with executive responsibilities, the proportion of variable remuneration is designed to rise with executive rank, considering the significance of a manager's responsibilities. Revisions and decisions regarding the executive remuneration system and the performance evaluations and remuneration for individual executives, are based on deliberations by the Remuneration

Committee, which is chaired by an external director and includes external officers as members.

In addition, at the FY2019 Annual Meeting of Shareholders held on March 27, 2020, a proposal was approved that directors (excluding external directors) are provided with remuneration to add shares with restriction on transfer, separate from maximum remuneration approved at the General Meeting of Shareholders.

Compliance

In line with our Basic Policy of "Ties of Reliability" and our Action Guidelines of "Integrity," "Innovation," "Challenge," "Co-creation," and "Agility," we have drawn up the Global Code of Conduct and other regulations for implementing fair business activities. We are working to conduct corporate activities with a high sense of ethics while also complying with the relevant laws, rules, and regulations.

Management Structure

The Risk Management and Compliance Committee, an advisory body to the Board of Directors, discuss important matters concerning risk and compliance, such as risk countermeasures for the entire company. At the same time, it provides advice to relevant departments and sections based on the outcome of the discussion, reports the progress, and proposes, for example, countermeasures to the Board of Directors.

In addition, we have created a Compliance Manual based on our Action Guidelines and Global Code of Conduct. This guidebook provides behavioral standards required by all our officers and employees in conducting their day-to-day duties. It is of some help to entrench the strict practice of compliance in the company.

Internal reporting system

We have introduced an internal reporting system for receiving reports from employees who have found out about legal violations or fraud (or signs thereof), including any acts linked to corruption such as bribery etc. by executive officers or employees. We have established in-house contact points (Legal Affairs Department, Audit & Supervisory Board Member) and external contact points (legal advisors) to receive reports or requests for advice by phone, fax, email, letter, etc. Reports can also be made anonymously. In addition, we also have a system allowing us to respond to reports from external third parties, reports received in a foreign language and reports received by persons other than the prescribed points of contact.

The Company's Guidelines on Handling Internal Reports clearly state that, apart from cases when the system is deliberately misused, informants will not be dismissed or subjected to unfair treatment under this system, thereby

ensuring the appropriate implementation of the system. Specifically, our company's Legal Affairs Department Manager is responsible for conducting an investigation into facts reported by an informant, while strictly maintaining the confidentiality of the informant. If it becomes clear after an investigation that an illegal act was committed, we will take corrective actions and recurrence-prevention actions, and impose a punishment under the employment regulations. At the same time, we have a system whereby all our employees and stakeholders can report to an external point of contact without worries. We are making efforts to increase everyone's awareness of this system, by including it in the Compliance Manual and internal rules, and announcing it using various tools, including in-house seminars, an in-house message board and in-house newsletters.

Prevention of corruption

Prevention of bribery and other corrupt behavior

Our Global Code of Conduct stipulates that we conduct our business through fair competition and maintain sound and normal relationships with political parties, government, and business partners. In addition, we clearly state that we will comply with laws and regulations and conduct business activities based on social norms and common sense. Therefore, we prohibit and strive to prevent bribery, such as proposing or providing profits as consideration for convenience, requesting or accepting profits from cash, excessive entertainment, services, etc., or acts suspected of bribery. We also prohibit employees from engaging in corruption, such as stealing

company funds or undertaking money laundering.

In FY2022, there was no exposure of corrupt behavior and no fines or monetary penalties paid. There was no disciplinary action taken against any employee due to corrupt behavior. We did not offer any political donations.

Supervision of the Board of Directors against corruption

The Board of Directors oversees initiatives on compliance, including the prevention of bribery and other corruption, and receives reports from the Risk Management & Compliance Committee.













Education and training

To raise awareness of our comprehensive ban on corruption, including bribery, we make our anti-corruption policy known to employees in training. We continually provide compliance training for officers, personnel in managerial positions, and new employees, with both internal and external

instructors.

We also distribute compliance message videos internally and publish related articles in our in-house magazine to improve compliance awareness among our officers and employees.

Management (As of April 1, 2023)

													
Title	President & Chief Executive Officer	Member of the Board/Executive Officer	Member of the Board/Executive Officer	Member of the Board/Executive Officer	Member of the Board/Executive Officer	External Director (independent officer)	External Director (independent officer)	External Director (independent officer)	Audit & Supervisory Board Member (full-time)	Audit & Supervisory Board Member (full-time)	External Auditor (independent officer)	External Auditor (independent officer)	
Name	Hajime Nagasaka	Masafumi Tsuji	Katsuyuki Yamaguchi	Shunji Yamamoto	Tatsuhiro Yamazaki	Nobumitsu Kambayashi	Mayumi Asada	Toshiro Miyazaki	Yuji Serizawa	Kazuyuki Kakehashi	Kaoru Ogashiwa	Yoshinori Matsushima	
Date of birth	January 9, 1950	January 10, 1963	March 29, 1964	March 08, 1962	November 22, 1964	May 28, 1948	February 5, 1968	August 21, 1949	December 27, 1959	December 7, 1951	January 7, 1967	February 7, 1968	
Term of office	17 years	6 years	4 years	4 years	—	7 years	2 years	1 year	—	7 years	3 years	—	
Career Summary	<p>April 1972 Joined Tokai Electrode Mfg. Co., Ltd. (currently the Company)</p> <p>March 2006 Member of the Board/Executive Officer Deputy General Manager, Carbon Black Division</p> <p>March 2008 Member of the Board/Managing Executive Officer Deputy General Manager, Carbon Black Division</p> <p>March 2011 Member of the Board/Senior Managing Executive Officer General Manager, Carbon Black Division</p> <p>March 2013 Representative Member of the Board/Senior Managing Executive Officer in charge of Carbon Black Division and Graphite Electrode Division</p> <p>March 2014 Representative Member of the Board/Executive Vice President in charge of Carbon Black Division, Graphite Electrode Division, and Raw Material Procurement Department</p> <p>February 2015 Representative Member of the Board/President & Chief Executive Officer (incumbent)</p>	<p>April 1986 Joined the Company</p> <p>March 2015 Executive Officer General Manager, Carbon Black Division</p> <p>January 2016 Executive Officer General Manager, Graphite Electrode Division</p> <p>March 2017 Member of the Board/Executive Officer General Manager, Fine Carbon Division</p> <p>January 2020 Member of the Board/Executive Officer Deputy Chairman, Corporate Planning Department, Strategic Investment Department, and Sales Research & Planning Department</p> <p>September 2022 Member of the Board/Executive Officer responsible for Corporate Planning Department, Affiliated Company Business Management Department, Strategic Investment Department, Sales Research & Planning Department, and New Business Promotion Department</p> <p>March 2023 Member of the Board/Executive Officer Executive Officer responsible for Human Resources Department, General Affairs Department, and Legal Affairs Department (incumbent)</p>	<p>April 1988 Joined the Company</p> <p>March 2018 Executive Officer General Manager, Technology & Engineering Division</p> <p>March 2019 Member of the Board/Executive Officer General Manager, Technology & Engineering Division</p> <p>March 2021 Member of the Board/Executive Officer General Manager, R&D Strategy Division General Manager, Intellectual Property Department (incumbent)</p>	<p>April 1985 Joined the Company</p> <p>June 2015 General Manager, Production & Technology Department, Carbon Black Division</p> <p>March 2016 THAI TOKAI CARBON PRODUCT CO., LTD. Director, Managing Director</p> <p>March 2018 Executive Officer THAI TOKAI CARBON PRODUCT CO., LTD. Director, Managing Director</p> <p>March 2019 Member of the Board/Executive Officer Director, Tokai Carbon CB Genpar LLC</p> <p>March 2023 Member of the Board/Executive Officer General Manager, Technology & Engineering Division (incumbent)</p>	<p>April 1985 Joined the Company</p> <p>March 2016 General Manager, Production & Technology Department, Carbon Black Division</p> <p>March 2017 Business Director General Manager, Sales Department, Carbon Black Division</p> <p>January 2020 Business Director THAI TOKAI CARBON PRODUCT CO., LTD. Director, Managing Director</p> <p>March 2023 Member of the Board/Executive Officer THAI TOKAI CARBON PRODUCT CO., LTD. Director, Managing Director (incumbent)</p>	<p>April 1971 Joined Kawasaki Heavy Industries, Ltd.</p> <p>June 2002 Director, Kawasaki Shipbuilding Corporation</p> <p>April 2008 Managing Executive Officer, Kawasaki Heavy Industries, Ltd. Director/Senior Vice President, Kawasaki Shipbuilding Corporation</p> <p>April 2010 President & Representative Director, Kawasaki Shipbuilding Corporation Senior Vice President (part-time), Kawasaki Heavy Industries, Ltd.</p> <p>October 2010 Senior Vice President (Representative Director), Kawasaki Heavy Industries, Ltd. President, Ship & Offshore Structure Company</p> <p>June 2013 Senior Advisor, Kawasaki Heavy Industries, Ltd.</p> <p>June 2015 Chairman, Japan Ship Technology Research Association (incumbent)</p> <p>March 2016 External Director of the Company (incumbent)</p> <p>June 2017 External Director, Inui Global Logistics Co., Ltd. (incumbent)</p>	<p>October 2002 Registered as an attorney-at-law Joined Hiranuma Takaaki Law Office</p> <p>January 2014 Representative, Marunouchi Building Aoi Law Office (incumbent)</p> <p>March 2014 Acquired Doctor's degree in Medicine at the Juntendo University Graduate School of Medicine</p> <p>April 2020 Business Director, Incorporated Educational Institution Nikaido Gakuen (incumbent)</p> <p>March 2021 External Director of the Company (incumbent)</p>	<p>April 1972 Joined Mitsui Shipbuilding & Engineering Co., Ltd. (currently Mitsui E&S Holdings Co., Ltd.)</p> <p>June 2007 Director, Finance, Accounting, and Investor Relations and Communications, Mitsui Shipbuilding & Engineering Co., Ltd.</p> <p>March 2008 Director, MODEC, Inc.</p> <p>March 2011 Representative Director, President, MODEC, Inc.</p> <p>March 2019 Director, Chairman of the Board, MODEC, Inc.</p> <p>March 2020 Executive Advisor, MODEC, Inc.</p> <p>March 2022 External Director of the Company (incumbent)</p>	<p>April 1984 Joined the Company</p> <p>March 2012 Member of the Board/Executive Officer in charge of Fine Carbon Division General Manager, Fine Carbon Division</p> <p>March 2014 Executive Officer General Manager, Graphite Electrode Division</p> <p>March 2015 Member of the Board/Executive Officer General Manager, Graphite Electrode Division</p> <p>January 2016 Member of the Board/Executive Officer General Manager, Corporate Planning Division</p> <p>March 2017 Member of the Board/Executive Officer responsible for Human Resources Department, General Affairs Department, and Legal Affairs Department</p> <p>March 2023 Audit & Supervisory Board Member (full-time) (incumbent)</p>	<p>April 1975 Joined Toyo Carbon Co., Ltd. (currently the Company)</p> <p>March 2001 General Manager, Production & Technology Department, Fine Carbon Division</p> <p>March 2004 General Manager, Tanoura Plant</p> <p>March 2009 General Manager, Shonan Office General Manager, Chigasaki Plant Industrialization Group Manager, R&D Strategy Division</p> <p>March 2010 General Manager, R&D Planning Department, R&D Strategy Division</p> <p>August 2010 Member of the Board, Tokai Konetsu Kogyo Co., Ltd.</p> <p>March 2015 Managing Executive Officer, Tokai Konetsu Kogyo Co., Ltd.</p> <p>March 2016 Audit & Supervisory Board Member of the Company</p> <p>May 2019 Audit & Supervisory Board Member (full-time) (incumbent)</p>	<p>October 1990 Joined Research Center Management Consulting Institute, New Japan Securities Co., Ltd (currently Japan Investor Relations and Investor Support, Inc.)</p> <p>December 1992 Registered as a Certified Tax Accountant Representative, Ogashiwa Kaoru Certified Tax Accountant Office (incumbent)</p> <p>June 2005 Corporate Auditor, Senkon Logistics Co., Ltd.</p> <p>June 2017 External Director and Audit and Supervisory Committee Member, Senkon Logistics Co., Ltd. (incumbent)</p> <p>May 2019 External Auditor of the Company (incumbent)</p>	<p>November 1997 Joined Deloitte Touche Tohmatsu</p> <p>May 2001 Registered as a Certified Public Accountant Representative, Matsushima Certified Public Accountant Office (incumbent)</p> <p>May 2006 Registered as a Certified Tax Accountant</p> <p>March 2023 External Auditor of the Company (incumbent)</p>	
Number of shares held	156,847 shares	59,662 shares	32,205 shares	9,500 shares	22,338 shares	23,200 shares	6,500 shares	—	65,662 shares	19,900 shares	400 shares	—	
Attendance at meetings of the Board of Directors in FY2022	21/21	21/21	21/21	21/21	—	21/21	21/21	17/17	21/21	21/21	21/21	—	
Committees	Nomination Committee	●						●					
	Remuneration Committee	●						●					
	Risk Management & Compliance Committee		Chairperson		●			●		●			
	Sustainability Committee	Chairperson	●	●	●			●	●				
Skills matrix	Corporate management	●	●		●			●					
	Finance and accounting							●			●	●	
	Legal affairs and risk management		●					●	●	●		●	
	Global business	●	●		●	●		●					
	Manufacturing, technology, and ICT			●	●					●			
	Sales and marketing	●		●									
	Personnel and HR development	●	●					●					
ESG and sustainability	●	●	●				●			●			