



Evaluations of the Effectiveness of the Board of Directors

Evaluation method

Method	Following signed questionnaires targeting all directors and Audit & Supervisory Board members, individual hearings are conducted with external directors to supplement the questionnaire.
	Following Board of Directors discussions of questionnaire results, evaluations of effectiveness and future issues are determined.
Evaluation items	Structure of the Board of Directors, operation of the Board of Directors, provision of information to external officers, improvements from the previous fiscal year, overall evaluation, open-ended comments
Evaluation period	January 2024 to December 2024

Overview of findings in 2024

In 2016, Tokai Carbon fundamentally strengthened its board-centric governance system by establishing new committees, including the Nomination Committee, Remuneration Committee, Management Meeting, and Risk Management & Compliance Committee. This has resulted in significant improvements in a number of aspects, a finding confirmed through annual evaluations of the effectiveness of the Board of Directors. A notable feature is the active attendance of all independent external directors at key meetings other than meetings of the Board of Directors, deepening their understanding of significant subjects. Effectiveness evaluations have reported that external directors' neutral and objective comments contribute significantly to enhancing the supervision function of the Board of Directors. Our current governance structure is now largely well-established and we are properly maintaining our structure's initial achievements. We are also working continuously to strengthen the system. For instance, in 2024, we focused on enhancing the integration of sustainability with our management strategy.

Matters discussed by the Board of Directors in 2024

Subject category	Topics
Governance, risk management, management of subsidiaries 37.7%	Analysis and evaluation of the effectiveness of the Board of Directors
	Reports on financing, investments, and market risk management
	Internal control system basic policy, status of initiatives, internal audit planning, reporting
	Risk Management & Compliance Committee reports
Human resources and organization 17.4%	Personnel matters of directors and officers
	Reorganization, regulatory revisions

Accounting and finance 17.4%	Monthly financial results, earnings bulletins, securities reports
Management strategy, sustainability 24.6%	Annual budgets, Medium-term Management Plan formulation, progress reports
	Business portfolio evaluation and analysis, verification of validity of cross shareholdings
	Sustainability Committee, Carbon Neutral Committee reports
	Restructuring of the graphite electrode production system
	Establishment of biodiversity policy, TNFD-related disclosure

Response to issues verified in the previous year

Among the issues identified in the previous year, the linkage of sustainability (including action for carbon neutrality) to management strategy was deliberated more deeply by the Board of Directors, based on reports and recommendations by the Sustainability Committee concerning progress management of materialities and KPIs, enhanced disclosure of sustainability information, response to the findings of the employee engagement survey, and actions for biodiversity (TNFD). These deliberations were reflected in disclosures.

Regarding more high-level themes such as the enhancement of business portfolio management, we have developed a structure where the economic spread and economic profit for each business division are reported to the Board of Directors every quarter. Based on this information, we clarify businesses requiring improvement and those targeted for further growth. Businesses needing improvement are subjected to structural reform, and for growth-oriented businesses, we prioritize investments. We perform analysis and evaluation of our business portfolio with full attention to achieving management mindful of capital costs and share prices.

Issues in 2025

For 2025, we will continue to focus on high level initiatives such as the integration of sustainability (including actions aimed at achieving carbon neutrality) to management strategy and the enhancement of business portfolio management. For the former issue, key priorities for the Board of Directors in 2025 are the clarification of the roadmap for achieving our carbon neutrality interim target of a 25% reduction by 2030 and to advance initiatives aimed at improving employee engagement, and for the latter issue, solidification of directions for structural reform in Graphite Electrodes and Smelting and Lining businesses.