

# **Quarterly Securities Report**

(For the Second Quarter of the Fiscal Year ending December 31, 2022)

From April 1, 2022

To June 30, 2022

**Tokai Carbon Co., Ltd.**

(Translation) This document has been translated from the Japanese original for the convenience of overseas stakeholders. In the event of any discrepancy between this document and the Japanese original, the original shall prevail.

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# Quarterly Securities Report

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- 1 This document consists of output and printed data of the quarterly securities report filed via the Electronic Disclosure for Investors' NETwork (EDINET) as set forth in Article 27-30-2 of the Financial Instruments and Exchange Act, with a table of contents and page numbers.
- 2 Appended to the back of this document are the quarterly review report that was attached to the quarterly securities report when it was filed by the aforementioned method, and the confirmation letter filed at the same time as the quarterly securities report.

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Quarterly Review Report

Confirmation Letter

[Cover]

[Document submitted]	Quarterly securities report
[Applicable law]	Article 24-4-7, Paragraph 1 of the Financial Instruments and Exchange Act
[Submitted to]	Director of the Kanto Local Finance Bureau
[Date submitted]	August 10, 2022
[Accounting period]	Second quarter of FY2022 (from April 1 to June 30, 2022)
[Company name]	Tokai Carbon Co., Ltd.
[Company name in English]	TOKAI CARBON CO.,LTD.
[Name and title of representative]	Hajime Nagasaka, President & Chief Executive Officer
[Address of head office]	1-2-3, Kita Aoyama, Minato-ku, Tokyo
[Telephone number]	03-3746-5100 (Switchboard)
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[Telephone number]	03-3746-5100 (Switchboard)
[Contact person]	Akira Yamada, General Manager, General Affairs Department
[Place available for public inspection]	Tokai Carbon Co., Ltd. Osaka Branch  (Osaka Fukoku Seimei Bldg., 2-4 Komatsubaracho, Kita-ku, Osaka-shi, Osaka)  Tokai Carbon Co., Ltd. Nagoya Branch  (Nagoya International Center Bldg., 1-47-1 Nagono, Nakamura-ku, Nagoya, Aichi)  Tokyo Stock Exchange, Inc.  (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

## Part I Company Information

### Section 1 Overview of the Company

#### 1 Key Financial Data

Turn		First six months of FY2021	First six months of FY2022	FY2021
Total period		(January 1 to June 30, 2021)	(January 1 to June 30, 2022)	(January 1 to December 31, 2021)
Net sales	(Million yen)	117,380	157,070	258,874
Ordinary income	(Million yen)	10,646	19,448	24,770
Profit attributable to owners of the parent company	(Million yen)	5,708	9,253	16,105
Quarterly comprehensive income or comprehensive income	(Million yen)	23,929	46,200	39,006
Net assets	(Million yen)	244,678	293,578	256,570
Total assets	(Million yen)	501,609	559,400	512,503
Quarterly net income per share or net income per share	(Yen)	26.78	43.41	75.55
Quarterly diluted net income per share or diluted net income per share	(Yen)	—	—	—
Equity ratio	(%)	43.7	47.2	44.7
Cash flows from operating activities	(Million yen)	14,504	9,888	38,072
Cash flows from investing activities	(Million yen)	(19,555)	(17,661)	(35,282)
Cash flows from financing activities	(Million yen)	11,626	(7,577)	1,211
Cash and cash equivalents at end of the period	(Million yen)	66,501	53,831	64,435

Fiscal term		Second quarter of FY2021	Second quarter of FY2022
Accounting period		(April 1 to June 30, 2021)	(April 1 to June 30, 2022)
Quarterly net income per share	(Yen)	17.55	24.44

Notes: 1. The Company prepares quarterly consolidated financial statements, and thus does not state changes in the key financial data of the company filing the report.

2. Diluted net income per share is not shown because there were no dilutive shares.

#### 2 Description of Business

There have been no significant changes in the business operations of the Group (the Company and its subsidiaries and associates) in the second quarter consolidated cumulative period.

The name of reportable segment was changed during the second quarter of the fiscal year under review. Details are as described in “Section 4 Status of Accounting 1 Quarterly Consolidated Financial Statements, etc. Notes to quarterly consolidated financial statements (Segment Information, etc.)”.

The major subsidiaries and associate changes are as follows.

(Carbon Black)

Tokai Carbon (Tianjin) Co., Ltd., which was the Company’s consolidated subsidiary, was excluded from the scope of consolidation during the first quarter of the fiscal year under review because the Company sold all of its equity interests.

As a result, as of now, June 30, 2022, the Group consists of the Company, 31 subsidiaries and one associate.

## Section 2 Status of Business

### 1 Risk of Business, etc.

Among the matters related to the business status, accounting status, etc. stated in this quarterly report for the second quarter consolidated cumulative period, there are no major risks that the management recognizes as having the potential to have a significant impact on the consolidated financial position, operating results, and cash flows. Also, there are no significant changes to the “Risk of Business, etc.” stated in the securities report of the previous fiscal year.

### 2 Management’s Analysis of Financial Position, Operating Results, and Cash Flows

The forward-looking statements contained herein are based on the judgments of the Group as of the end of the total period of the Quarterly Consolidated Financial Statements.

#### (1) Financial position and operating results

During the first six months of 2022 (from January 1, 2022 to June 30, 2022) the global economy simultaneously experienced a significant slowdown in the pace of economic recovery and an increase in inflation, contrary to expectations at the beginning of the year. Although lockdowns occurred in major Chinese cities, the balance between anti-infection measures and economic activities progressed in countries around the world. On the other hand, uncertainty of the global economy is increasing again due to the global inflation and the resulting monetary tightening have become major downward factors driven by the supply chain disruption triggered by Russia’s invasion of Ukraine.

Under these circumstances, in February this year, Tokai Carbon Group announced the rolling medium-term management plan “T-2024”, for the three-year period from 2022 to 2024. Based on the three basic policies of “returning core businesses to a path of growth,” “optimizing the business portfolio (selection and concentration),” and “strengthening the consolidated governance structure,” we aim to achieve quantitative targets of 356 billion yen in net sales, 57 billion yen in operating income, 16% in ROS, and 91 billion yen in EBITDA by 2024. Focusing on our core businesses of graphite electrodes and carbon black, we are working to secure appropriate profits by passing through the rising costs to selling prices. At the same time, we are expanding our production capacity for the growing future demand. Also, along with our selection and concentration strategy, in February 2022 we completed the transfer of Tokai Carbon (Tianjin) Co., Ltd., our Chinese carbon black plant and in May 2022, we acquired an additional 350,000 shares in Tokai Carbon Korea Co., Ltd., a consolidated subsidiaries company (increasing percentage of voting rights from 44.4% to 47.4%).

In February this year, we disclosed our new long-term vision for 2030, “Contributing to the realization of a sustainable society with advanced materials and solutions.” Along with this vision, Sustainability Committee to discuss important issues related to sustainability and the Carbon Neutral Committee to serve as a control tower for addressing carbon neutral issues were established.

As a result, net sales for the first six months of 2022 increased 33.8% year on year to 157,070 million yen. Operating income increased 52.7% year on year to 16,717 million yen. Ordinary income increased 82.7% year on year to 19,448 million yen. Quarterly net income attributable to owners of the parent company increased 62.1% year on year to 9,253 million yen.

Results by business segment are as follows:

#### Graphite Electrodes

Global demand for graphite electrodes continued to be strong, and inquiries to the Company increased mainly in Europe and the United States. Although there are concerns about the impact of the crisis in Ukraine and global inflation, both factory operational rates and sales volumes are recovering, and sales prices rebounded from the previous year's bottom.

As a result, net sales for the Graphite Electrodes business increased 62.1% year on year to 29,164 million yen, while operating income increased significantly to 2,925 million yen (compared with 123 million yen in operating income for the same period of the previous year).

#### Carbon Black

Although automobile production declined significantly from the same period of the previous year due to a shortage of semiconductors and other factors, demand in replacement tires was robust, particularly for truck and bus applications in North America. Despite a decrease in overall sales volume year on year due to the sale of the China-based business, sales and profit increased due to measures such as passing on the increase in raw material oil prices to selling prices.

As a result, net sales for the Carbon Black business increased 37.7% year on year to 63,729 million yen, while operating income increased 9.9% year on year to 4,785 million yen.

### Fine Carbon

Production and shipments for semiconductors and solar power generation remained steady, and shipments for general industries recovered. Demand for solid SiC (silicon carbide) products, a high-value-added product, remained strong worldwide.

As a result, net sales for the Fine Carbon business increased 26.9% year on year to 23,695 million yen, while operating income increased 48.9% year on year to 6,787 million yen.

### Smelting and Lining

Although primary aluminum metal prices declined from a historical high, it remained at a high level, and sales of cathodes for aluminum electrolysis, particularly in emerging countries, remained firm. Carbon electrodes sales were also strong backed by the brisk demand for metallic silicon. At the same time, earnings are currently under pressure due to goodwill depreciation and higher raw material costs. However, we are working to recover earnings by passing on higher costs to selling prices.

As a result, the net sales for the Smelting and Lining business increased by 21.5% year on year to 26,606 million yen, and the operating loss was 3 million yen (compared with 302 million yen in operating income in the same period of the previous year).

### Industrial Furnaces and Related Products

In net sales of industrial furnaces, demand from energy-related and IT-related industries, which are our main customers, was strong. Demand for heating elements and other products was also strong in the electronic components industry.

As a result, net sales for the Industrial Furnaces and Related Products business increased 36.2% year on year to 8,904 million yen, while operating income increased 28.9% year on year to 2,518 million yen.

### Other Operations

#### *Friction materials*

Although there were negative factors such as a slowdown in demand related to construction machinery and the impact of the lockdown in China, demand for agricultural machinery, motorcycles and electromagnetic equipment for each use was strong. As a result, net sales of friction materials increased 2.0% year on year to 4,493 million yen.

#### *Anode materials*

Competition intensified due to the rise of emerging markets in anode materials, and sales volume decreased. As a result, net sales of anode materials decreased 73.5% year on year to 409 million yen.

#### *Other*

Net sales from real estate leasing and other business increased 0.5% year on year to 68 million yen.

As a result, net sales for Other Operations decreased 17.4% to 4,970 million yen, while operating income increased 11.4% to 387 million yen.

Total assets as of the end of the second quarter under review (June 30, 2022) increased by 46,897 million yen from the end of the previous fiscal year to 559,400 million yen due to increases in inventories and tangible fixed assets. Liabilities increased by 9,890 million yen from the end of previous fiscal year to 265,822 million yen due to increases in accounts payable and deferred tax liabilities. Net assets increased by 37,007 million yen compared to the end of previous fiscal year to 293,578 million yen due to an increase in foreign currency translation adjustments.

As a result, the Group's equity ratio was 47.2%, an increase of 2.5 points from the end of previous fiscal year.

## (2) Cash Flows

Cash and cash equivalents for the first six months of the fiscal year under review decreased by 10,603 million yen from the end of the previous fiscal year to 53,831 million yen.

Cash flows and the major sources and uses of cash in the first six months of the fiscal year under review are summarized as follows:

#### (Cash flows from operating activities)

Despite a higher income due to increases in quarterly net income before income taxes, net cash from operating activities decreased by 4,616 million yen from the same period of the previous fiscal year to 9,888 million yen, due to a decrease in revenue mainly from an increase in inventories.

(Cash flows from investing activities)

Net cash used in investing activities decreased 1,893 million yen from the same period of the previous fiscal year under review to 17,661 million yen, due to an increase in proceeds from withdrawal of time deposits and a decrease in purchase of investment securities.

(Cash flows from financing activities)

Net cash used in financing activities was 7,577 million yen compared to 11,626 million yen from financing activities in the same period of the previous fiscal year under review, due to an increase in repayments in long-term loans payable and a decrease in proceeds from issuance of bonds.

(3) Accounting estimates and assumptions used in such estimates

There was no material change in the accounting estimates and assumptions used in such estimates stated in the “Management’s analysis of financial position, operating results, and cash flows” of the Securities Report for the previous fiscal year.

(4) Business and financial issues to be addressed

During the first six months of the fiscal year under review, there was no material change in the Group’s issues to be addressed stated in the Securities Report for the previous fiscal year.

(5) Research and development

The group-wide research and development activities for the first six months of the fiscal year under review costed 1,460 million yen.

During the first six months of the fiscal year under review, there was no material change in the Group research and development activities.

(6) Management policy, management strategy, etc.

During the first six months of the fiscal year under review, there was no material change in the Group management policy, management strategy, etc.

3 Important Agreements for Operation, etc.

Not applicable



## Section 3 Status of the Submitting Company

### 1 Status of Shares, etc.

#### (1) Total number of shares, etc.

##### 1) Total number of shares

Type	Total number of shares authorized to be issued (Shares)
Common shares	598,764,000
Total	598,764,000

Note: The Company's articles of incorporation stipulate that the total number of shares authorized to be issued is 598,764,000 shares.

##### 2) Shares issued

Type	Number of shares issued as of end of the second quarter (Shares) (As of June 30, 2022)	Number of shares issued as of date of submission (Shares) (As of August 10, 2022)	Name of listed financial instruments exchange or registered authorized financial instruments exchange association	Details
Common shares	224,943,104	224,943,104	Tokyo Stock Exchange Prime Market	Share unit: 100 shares
Total	224,943,104	224,943,104	-	-

#### (2) Status of stock warrants

##### 1) Stock option system

Not applicable

##### 2) Status of other stock warrants, etc.

Not applicable

#### (3) Status of exercise, etc. of moving strike warrants

Not applicable

#### (4) Change in total number of shares issued and capital, etc.

Period	Increase (decrease) in total number of shares issued (Shares)	Total number of shares issued (Shares)	Increase (decrease) in capital (Million yen)	Capital (Million yen)	Increase (decrease) in capital reserve (Million yen)	Capital reserve (Million yen)
April 1, 2022 - June 30, 2022	-	224,943,104	-	20,436	-	17,502

## (5) Major shareholders

(As of June 30, 2022)

Name	Location	Number of shares held (Thousand shares)	Percentage to the total issued shares (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (trust account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo	45,341	21.27
Custody Bank of Japan, Ltd. (trust account)	1-8-12, Harumi, Chuo-ku, Tokyo	28,365	13.30
MUFG Bank, Ltd.	2-7-1, Marunouchi, Chiyoda-ku, Tokyo	7,958	3.73
Mitsubishi UFJ Trust and Banking Corporation	1-4-5, Marunouchi, Chiyoda-ku, Tokyo	6,290	2.95
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (Shinagawa Intercity Building A, 2-15-1 Konan, Minato-ku, Tokyo)	2,492	1.17
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2-6-4, Otemachi, Chiyoda-ku, Tokyo	2,426	1.14
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Ltd., Tokyo branch)	ONE LINCOLN STREET, BOSTON MA USA 02111 (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	2,388	1.12
SMBC Nikko Securities Inc.	3-3-1, Marunouchi, Chiyoda-ku, Tokyo	2,094	0.98
Meiji Yasuda Life Insurance Company	2-1-1, Marunouchi, Nagoya, Chiyoda-ku, Tokyo	2,032	0.95
Nomura Trust and Banking Co., Ltd. (investment trust account)	2-2-2, Otemachi, Chiyoda-ku, Tokyo	2,026	0.95
Total	-	101,415	47.57

- Notes: 1. In addition to the above, the Company holds 11,747,000 shares of treasury stock (5.22%).  
2. Of the above number of shares held, the number of shares related to the trust services is as follows:

Name	Number of shares held (Thousand shares)
The Master Trust Bank of Japan, Ltd. (trust account)	45,341
Custody Bank of Japan, Ltd. (trust account)	28,365
Nomura Trust and Banking Co., Ltd. (investment trust account)	2,026

3. In the Change Report made available for public inspection on March 31, 2022, it is stated that Nomura Securities Co., Ltd., and its joint holders hold the shares indicated below as of March 24, 2022. However, as the Company cannot confirm the actual number of shares held as of June 30, 2022, they are not included in the above "Major Shareholders". The details of the Change Report are as follows:

Name	Location	Number of shares held (Thousand shares)	Shareholding ratio (%)
Nomura Securities Co., Ltd.	1-13-1, Nihonbashi, Chuo-ku, Tokyo	5	0.00
NOMURA INTERNATIONAL PLC	1 Angel Lane, London, EC4R 3AB, United Kingdom	2,278	1.01
Nomura Asset Management Co., Ltd.	2-2-1 Toyosu, Koto-ku, Tokyo	24,717	10.99

4. In the Change Report made available for public inspection on April 6, 2022, it is stated that Sumitomo Mitsui Trust Bank Co., Ltd. and its joint holders hold the shares indicated below as of March 31, 2022. However, as the Company cannot confirm the actual number of shares held as of June 30, 2022, they are not included in the above “Major Shareholders”. The details of the Change Report are as follows:

Name	Location	Number of shares held (Thousand shares)	Shareholding ratio (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1-1, Shibakoen, Minato-ku, Tokyo	10,545	4.69
Nikko Asset Management Co., Ltd.	9-7-1, Akasaka, Minato-ku, Tokyo	11,354	5.05

5. In the Change Report made available for public inspection on July 5, 2022, it is stated that Mitsubishi UFJ Financial Group, Inc. holds the shares indicated below as of June 28, 2022. However, as the Company cannot confirm the actual number of shares held as of June 30, 2022, it is not included in the the above “Major Shareholders”. The details of the Change Report are as follows:

Name	Location	Number of shares held (Thousand shares)	Shareholding ratio (%)
MUFG Bank, Ltd.	2-7-1, Marunouchi, Chiyoda-ku, Tokyo	7,958	3.54
Mitsubishi UFJ Trust and Banking Corporation	1-4-5, Marunouchi, Chiyoda-ku, Tokyo	9,526	4.23
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	1-12-1, Yurakucho, Chiyoda-ku, Tokyo	5,133	2.28
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1-9-2, Otemachi, Chiyoda-ku, Tokyo	2,384	1.06

(6) Voting rights

1) Shares issued

(As of June 30, 2022)

Category	Number of shares (Shares)	Number of voting rights	Details
Non-voting shares	-	-	-
Shares with limited voting rights (Treasury stock, etc.)	-	-	-
Shares with limited voting rights (Other)	-	-	-
Shares with full voting rights (Treasury stock, etc.)	(Treasury stock) Common shares 11,747,800	-	-
Shares with full voting rights (Other)	Common shares 212,996,900	2,129,969	-
Odd-lot shares	Common shares 198,404	-	Shares below unit number (100 shares)
Total number of shares issued	224,943,104	-	-
Total shareholder voting rights	-	2,129,969	-

Note: The 1,000 shares (10 voting rights) held by the Japan Securities Depository Center are included under “Shares with full voting rights (Other).”

2) Treasury stock, etc.

(As of June 30, 2022)

Name of holder	Address of holder	Number of shares held in own name (Shares)	Number of shares held under different names (Shares)	Total number of shares held (Shares)	Ownership ratio based on total number of shares issued (%)
(Treasury stock) Tokai Carbon Co., Ltd.	1-2-3, Kita Aoyama, Minato-ku, Tokyo	11,747,800	-	11,747,800	5.22
Total	-	11,747,800	-	11,747,800	5.22

2 Members of the Board and Audit & Supervisory Board Members

Not applicable

## Section 4 Status of Accounting

### 1. Method of preparation for quarterly consolidated financial statements

The Company's quarterly consolidated financial statements are prepared in accordance with the Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No. 64 of 2007).

### 2. Audit certificate

Pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Company has received a quarterly review from KPMG AZSA LLC in regard to the quarterly consolidated financial statements for the second quarter (April 1, 2022 to June 30, 2022) as well as cumulative second quarter (January 1, 2022 to June 30, 2022).

# 1 Quarterly Consolidated Financial Statements, etc.

## (1) Quarterly consolidated balance sheets

(Millions of yen)

	Previous fiscal year (As of December 31, 2021)	Second quarter of the fiscal year under review (As of June 30, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	78,858	70,567
Notes and accounts receivable	56,668	65,504
Merchandise and finished goods	20,169	23,996
Work in progress	29,362	36,223
Raw materials and supplies	22,947	32,386
Other	7,377	9,981
Allowance for doubtful accounts	(234)	(268)
Total current assets	215,149	238,391
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	29,783	30,786
Machinery, equipment and vehicles, net	84,239	90,014
Land	7,724	8,100
Construction in progress	15,085	26,497
Other, net	7,332	8,567
Total tangible fixed assets	144,165	163,966
Intangible assets		
Goodwill	55,553	57,384
Customer-related assets	57,880	59,943
Other	9,914	10,432
Total intangible assets	123,349	127,760
Investments and other assets		
Investment securities	21,802	21,831
Net defined benefit asset	3,500	3,456
Deferred tax assets	3,620	2,757
Other	958	1,280
Allowance for doubtful accounts	(43)	(42)
Total investments and other assets	29,838	29,283
Total fixed assets	297,353	321,009
Total assets	512,503	559,400

(Millions of yen)

	Previous fiscal year (As of December 31, 2021)	Second quarter of the fiscal year under review (As of June 30, 2022)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	22,294	25,659
Electronically recorded obligations	3,934	3,574
Short-term loans payable	2,000	4,000
Commercial papers	50,000	60,000
Current portion of loans payable	12,710	11,155
Income taxes payable	5,913	5,696
Provision for bonuses	2,777	1,869
Current portion of bonds payable	10,000	10,000
Provision for loss on sale of equity invested in associates	1,137	-
Other	19,650	21,534
<b>Total current liabilities</b>	<b>130,418</b>	<b>143,491</b>
Long-term liabilities		
Bonds payable	55,000	55,000
Long-term loans payable	38,539	30,499
Deferred tax liabilities	18,499	22,555
Retirement benefit liability	7,340	7,367
Provision for retirement benefits for directors	90	98
Provision for executive officers' retirement benefits	58	54
Provision for environment and safety measures	284	297
Other	5,701	6,459
<b>Total long-term liabilities</b>	<b>125,514</b>	<b>122,331</b>
<b>Total liabilities</b>	<b>255,932</b>	<b>265,822</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	20,436	20,436
Capital surplus	17,350	13,811
Retained earnings	175,727	181,783
Treasury stock	(7,244)	(7,236)
<b>Total shareholders' equity</b>	<b>206,269</b>	<b>208,795</b>
Accumulated other comprehensive income		
Valuation difference on other securities	9,370	9,248
Deferred gains or losses on hedges	(41)	(5)
Foreign currency translation adjustments	11,805	43,593
Cumulative remeasurements of defined benefit plans	1,805	2,331
<b>Total accumulated other comprehensive income</b>	<b>22,940</b>	<b>55,168</b>
Non-controlling interests	27,360	29,614
<b>Total net assets</b>	<b>256,570</b>	<b>293,578</b>
<b>Total liabilities and net assets</b>	<b>512,503</b>	<b>559,400</b>

## (2) Quarterly consolidated statements of income and comprehensive income

## Quarterly consolidated statements of income

(First six-month period)

(Millions of yen)

	First six months of the previous fiscal year (January 1 to June 30, 2021)	First six months of the fiscal year under review (January 1 to June 30, 2022)
Net sales	117,380	157,070
Cost of sales	84,004	115,080
Gross profit	33,376	41,990
Selling, general and administrative expenses	* 22,430	* 25,272
Operating income	10,945	16,717
Non-operating income		
Interest income	119	211
Dividend income	275	381
Share of profit of entities accounted for using equity method	24	158
Foreign exchange gains	336	2,973
Other	441	269
Total non-operating income	1,197	3,995
Non-operating expenses		
Interest expenses	553	519
Other	942	745
Total non-operating expenses	1,496	1,264
Ordinary income	10,646	19,448
Extraordinary income		
Gain on sale of investment securities	47	29
Gain on sales of fixed assets	151	26
Total extraordinary income	198	56
Extraordinary losses		
Loss on retirement of fixed assets	37	162
Loss on sale of equity invested in associates	-	160
Loss on sale of investment securities	-	0
Loss on sales of fixed assets	0	0
Loss on liquidation of subsidiaries and associates	24	-
Total extraordinary losses	62	323
Quarterly net income before income taxes	10,782	19,181
Income taxes - current	3,593	4,372
Income taxes - deferred	(497)	3,107
Total income taxes	3,096	7,479
Quarterly net income	7,685	11,701
Quarterly net income attributable to non-controlling interests	1,977	2,447
Quarterly net income attributable to owners of the parent company	5,708	9,253

Quarterly consolidated statements of comprehensive income

(First six-month period)

(Millions of yen)

	First six months of the previous fiscal year (January 1 to June 30, 2021)	First six months of the fiscal year under review (January 1 to June 30, 2022)
Quarterly net income	7,685	11,701
Other comprehensive income		
Valuation difference on other securities	1,986	(119)
Deferred gains or losses on hedges	166	36
Foreign currency translation adjustments	14,011	33,989
Remeasurements of defined benefit plans	(15)	525
Share of other comprehensive income of associates accounted for using equity method	94	67
Total other comprehensive income	16,243	34,498
Quarterly comprehensive income	23,929	46,200
(Breakdown)		
Quarterly comprehensive income attributable to owners of the parent company	21,240	41,481
Quarterly comprehensive income attributable to non- controlling interests	2,688	4,718



## (3) Quarterly consolidated statements of cash flows

(Millions of yen)

	First six months of the previous fiscal year (January 1 to June 30, 2021)	First six months of the fiscal year under review (January 1 to June 30, 2022)
<b>Cash flows from operating activities</b>		
Quarterly net income before income taxes	10,782	19,181
Depreciation	10,990	12,623
Loss (gain) on retirement / sales of tangible fixed assets	(113)	136
Amortization of goodwill	3,478	3,646
Increase (decrease) in allowance for doubtful accounts	(14)	11
Increase (decrease) in provision for bonuses	(345)	(1,077)
Increase (decrease) in provision for loss on sale of equity invested in associates	-	(1,137)
Increase (decrease) in retirement benefit liability	(160)	(257)
Decrease (increase) in retirement benefit asset	42	44
Interest and dividend income	(394)	(593)
Interest expenses	553	519
Foreign exchange losses (gains)	1	(2,314)
Share of (profit) loss of entities accounted for using equity method	(24)	(158)
Decrease (increase) in notes and accounts receivable - trade	(4,772)	(5,119)
Decrease (increase) in inventories	(5,914)	(14,313)
Increase (decrease) in notes and accounts payable - trade	4,023	971
Other	127	2,082
Subtotal	18,260	14,243
Interest and dividends received	486	594
Interest paid	(576)	(555)
Income taxes paid	(3,733)	(4,939)
Other	68	545
Cash flows from operating activities	14,504	9,888
<b>Cash flows from investing activities</b>		
Payments into time deposits	(6,079)	(7,378)
Proceeds from withdrawal of time deposits	4,053	6,294
Purchase of tangible fixed assets	(16,337)	(16,902)
Proceeds from sales of tangible fixed assets	153	60
Purchase of intangible assets	(127)	(367)
Purchase of investment securities	(1,341)	(7)
Proceeds from sale of investments in subsidiaries resulting in change in scope of consolidation	-	740
Other	124	(101)
Cash flows from investing activities	(19,555)	(17,661)

(Millions of yen)

	First six months of the previous fiscal year (January 1 to June 30, 2021)	First six months of the fiscal year under review (January 1 to June 30, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,117)	2,000
Net increase (decrease) in commercial papers	10,000	10,000
Repayments of long-term loans payable	(2,868)	(9,790)
Proceeds from issuance of bonds	10,000	-
Dividends paid	(3,197)	(3,197)
Dividends paid to non-controlling interests	(887)	(988)
Payments for acquisition of shares of subsidiaries without change in scope of consolidation	-	(5,024)
Other	(302)	(576)
Cash flows from financing activities	11,626	(7,577)
Effect of exchange rate change on cash and cash equivalents	2,197	4,746
Net increase (decrease) in cash and cash equivalents	8,773	(10,603)
Cash and cash equivalents at beginning of the period	57,727	64,435
Cash and cash equivalents at end of the period	* 66,501	* 53,831

Notes to Quarterly Consolidated Financial Statements

(Changes in the scope of consolidation or application of the equity method)

(Significant change in the scope of consolidation)

From the first three months of the consolidated period, Tokai Carbon (Tianjin) Co., Ltd. has been excluded from the scope of consolidation due to the transfer of all equity interests by the Company.

(Changes in accounting policy)

(Application of accounting Standards for revenue recognition)

Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as, "Revenue Recognition Accounting Standard") etc. has been applied from the beginning of the first three months of the consolidated period. With the application of the Revenue Recognition Accounting Standard, revenue is recognized at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer.

Moreover, revenue is recognized at the time of shipment if the period from the time of shipment to the time when control over the goods or products is transferred to the customer is a normal period in total sales of the goods or products by applying the alternative treatment set forth in Paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition. The application of the Revenue Recognition Accounting Standard, etc. is in accordance with the transitional treatment provided in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. However, the application of the Revenue Recognition Accounting Standard, etc. does not have any impact on the profit or loss and the beginning retained earnings of the second quarter consolidated cumulative period.

In accordance with the transitional treatment set forth in Paragraph 28-15 of the Accounting Standards for Quarterly Financial Statements (ASBJ Statement No. 12, March 31, 2020), information on revenue arising from contracts with customers pertaining to the former second quarter consolidated cumulative period is not included.

(Application of accounting standard for fair value measurement)

Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as, "Fair Value Measurement Accounting Standard") etc. has been applied from the beginning of the first three months of the consolidated period. In accordance with the transitional treatment set forth in Paragraph 19 of Fair Value Measurement Accounting Standard and Section 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policy set forth in the Fair Value Measurement Accounting Standard, etc. will be applied in the future. Moreover, there is no impact on the quarterly consolidated financial statements.

(Additional information)

There is no significant change in the assumed information reported in "(Additional information)" in the Securities Report for the previous fiscal year, regarding the effects of COVID-19 infections, including the estimation of the spread and timing of containment.

(Notes to quarterly consolidated balance sheets)

The transferred amount of notes receivable endorsed is as follows:

	Previous fiscal year (As of December 31, 2021)	Second quarter of the fiscal year under review (As of June 30, 2022)
Transferred amount of notes receivable endorsed	69 million yen	-

(Notes to quarterly consolidated statements of income)

\* Major items included in selling, general and administrative expenses and their amounts are as follows:

	First six months of the previous fiscal year (January 1 to June 30, 2021)	First six months of the fiscal year under review (January 1 to June 30, 2022)
Warehousing and shipping expenses	5,128 million yen	6,017 million yen
Salaries and allowances	3,828	4,450
Additions to provision for bonuses	315	412
Retirement benefit expenses	93	50
Depreciation	3,841	4,018
Amortization of goodwill	3,478	3,646

(Notes to quarterly consolidated statements of cash flows)

\* Relationship between the balance of cash and cash equivalents at end of the period and the amounts listed on consolidated balance sheets

	First six months of the previous fiscal year (January 1 to June 30, 2021)	First six months of the fiscal year under review (January 1 to June 30, 2022)
Cash and cash equivalents	78,259 million yen	70,567 million yen
Time deposits with original maturities of more than three months	(11,758)	(16,736)
Cash and cash equivalents	66,501	53,831

(Notes to shareholders' equity, etc.)

I First six months of the previous fiscal year (From January 1 to June 30, 2021)

(1) Amount of dividends paid

Resolution	Type of shares	Total dividend (Million yen)	Dividend per share (Yen)	Record date	Effective date	Source of dividends
March 30, 2021 Annual general meeting of shareholders	Common shares	3,197	15.0	December 31, 2020	March 31, 2021	Retained earnings

(2) Dividends for which the record date falls within the first six months of the fiscal year under review but for which the effective date is after the end of said period.

Resolution	Type of shares	Total dividend (Million yen)	Dividend per share (Yen)	Record date	Effective date	Source of dividends
August 10, 2021 Board of Directors' meeting	Common shares	3,197	15.0	June 30, 2021	September 1, 2021	Retained earnings

II First six months of the fiscal year under review (From January 1 to June 30, 2022)

(1) Amount of dividends paid

Resolution	Class of shares	Total dividend (Million yen)	Dividend per share (Yen)	Record date	Effective date	Source of dividends
March 30, 2022 Annual general meeting of shareholders	Common shares	3,197	15.0	December 31, 2021	March 31, 2022	Retained earnings

(2) Dividends for which the record date falls within the first six months of the fiscal year under review but for which the effective date is after the end of said period.

Resolution	Type of shares	Total dividend (Million yen)	Dividend per share (Yen)	Record date	Effective date	Source of dividends
August 8, 2022 Board of Directors' meeting	Common shares	3,197	15.0	June 30, 2022	September 1, 2022	Retained earnings

(3) Significant changes in shareholders' equity

The Company acquired additional shares in the consolidated subsidiary, Tokai Carbon Korea Co., Ltd. as of May 11, 2022. As a result, in the first six months of the fiscal year under review, capital surplus decreased by 3,547 million yen to 13,811 million yen at the end of the first six months of the fiscal year under review.

(Segment information, etc.)

Segment information

I First six months of the previous fiscal year (From January 1 to June 30, 2021)

Information on net sales and amount of income or loss by reportable segment

(Millions of yen)

	Reportable segment						Other Operations (Note 1)	Total	Adjustments (Note 2)	Amount recorded in the quarterly consolidated statements of income (Note 3)
	Graphite Electrodes	Carbon Black	Fine Carbon	Smelting and Lining	Industrial Furnaces and Related Products	Subtotal				
Net sales										
External sales	17,986	46,264	18,677	21,893	6,539	111,361	6,019	117,380	-	117,380
Intersegment sales/transfer	55	42	38	12	245	394	-	394	(394)	-
Total	18,042	46,306	18,716	21,905	6,784	111,756	6,019	117,775	(394)	117,380
Segment income	123	4,353	4,557	302	1,953	11,290	348	11,638	(692)	10,945

- Notes: 1. The Other Operations segment is a business segment that is not included among the reportable segments. It consists of the friction materials business, anode materials business, real estate leasing business, and other businesses.
2. The 692-million-yen negative adjustment in segment income includes company-wide expenses of 656 million yen that were not allocated to each reportable segment. Company-wide expenses consist of research and development expenses and other expenses not attributable to the reportable segments.
3. Segment income is reconciled to the operating income reported in the Quarterly Consolidated Statements of Income.

II First six months of the fiscal year under review (From January 1 to June 30, 2022)

Information on net sales and amount of profit by reportable segment

(Millions of yen)

	Reportable segment						Other Operations (Note 1)	Total	Adjustments (Note 2)	Amount recorded in the quarterly consolidated statements of income (Note 3)
	Graphite Electrodes	Carbon Black	Fine Carbon	Smelting and Lining	Industrial Furnaces and Related Products	Subtotal				
Net sales										
External sales	29,164	63,729	23,695	26,606	8,904	152,100	4,970	157,070	-	157,070
Intersegment sales/transfer	160	32	66	164	216	640	-	640	(640)	-
Total	29,324	63,761	23,762	26,771	9,121	152,740	4,970	157,711	(640)	157,070
Segment income (loss)	2,925	4,785	6,787	(3)	2,518	17,012	387	17,399	(681)	16,717

- Notes: 1. The Other Operations segment is a business segment that is not included among the reportable segments. It consists of the friction materials business, anode materials business, real estate leasing business, and other businesses.
2. The 681-million-yen negative adjustment in segment income (loss) includes company-wide expenses of 641 million yen that were not allocated to each reportable segment. Company-wide expenses consist of research and development expenses and other expenses not attributable to the reportable segments.
3. Segment income (loss) is reconciled to the operating income reported in the Quarterly Consolidated Statements of Income.

2. Information on assets by reportable segment

During the first three months of the fiscal year under review, as a result of the transfer of all equity interests of the Tokai Carbon (Tianjin) Co., Ltd. and the exclusion from the scope of consolidation, the amount of assets of reportable segments at the end of the second quarter of the of the fiscal year under review decreased by 5,977 million yen in the Carbon Black segment compared with the end of the previous fiscal year.

3. Changes in reportable segment, etc.

During the first six months of the fiscal year under review, the name of the reportable segment was changed from “Smelting and Lining” to “Smelting and Lining.” (“Seiren Lining Jigyo” to “Smelting & Lining Jigyo” in Japanese, no change in

English translation.) This change is a change in segment name and has no impact on segment information. Moreover, as a result of this change, segment information for the first six months of the previous fiscal year is also presented under the new name.

(Business Combination, etc.)

Common control transactions, etc.

Additional acquisition of shares of consolidated subsidiary

(1) Outline of transaction

(i) Name and business of the company involved in the combination

Company involved in the combination

Tokai Carbon Korea Co., Ltd. (consolidated subsidiary of the Company)

Description of business

Manufacturing and sale of carbon graphite products and CVD-SiC coated products

(ii) Date of business combination

May 11, 2022

(iii) Legal form of business combination

Acquisition of shares from non-controlling interests

(iv) Name of the Company after business combination

There is no change.

(v) Other information related to the outline of transaction

In order to stabilize the management of Tokai Carbon Korea Co., Ltd. and enhance the corporate value of the Tokai Carbon Group, the Company acquired additional 350,000 shares of Tokai Carbon Korea Co., Ltd. from KC Co., Ltd., the second largest shareholder after the Company.

(2) Implemented accounting method

Based on the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and the “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019), the Company accounts for this transaction as a transaction with non-controlling interests under common control.

(3) Matters set forth in the case of additional acquisition of shares of subsidiaries

Breakdown by acquisition cost of the acquired company and type of consideration

Consideration for acquisition	Cash	5,024 million yen
Acquisition cost		5,024 million yen

(4) Matters related to change in ownership interest of the Company due to the transaction with non-controlling interests

(i) Major fluctuation factors in capital surplus

Additional acquisition of shares of a subsidiary

(ii) Decrease in capital surplus due to the transaction with non-controlling interests

3,547 million yen

(Revenue recognition)

Breakdown of revenue from customer contracts

First six months of the fiscal year under review (From January 1 to June 30, 2022)

Information on net sales by reportable segment

(Millions of yen)

	Reportable segment						Other Operations (Note 1)	Total
	Graphite Electrodes	Carbon Black	Fine Carbon	Smelting and Lining	Industrial Furnaces and Related Products	Subtotal		
Japan	4,278	15,859	2,516	8	6,312	28,976	4,289	33,265
Asia	1,147	15,079	11,111	6,283	2,428	36,050	405	36,455
North America	13,640	30,708	8,532	3,618	97	56,597	-	56,597
Europe	8,256	1,173	1,475	6,206	49	17,162	258	17,421
Other regions	1,839	907	59	10,490	16	13,314	16	13,331
External sales	29,164	63,729	23,695	26,606	8,904	152,100	4,970	157,070

Note: The Other Operations segment is a business segment that is not included among the reportable segments. It consists of the friction materials business, anode materials business, real estate leasing business, and other businesses.

(Per share information)

The quarterly net income per share and basis for calculation are as follows.

	First six months of the previous fiscal year (January 1 to June 30, 2021)	First six months of the fiscal year under review (January 1 to June 30, 2022)
Quarterly net income per share	26.78 yen	43.41 yen
(Basis for Calculation)		
Quarterly net income attributable to owners of the parent company (million yen)	5,708	9,253
Amount not attributable to common shareholders (million yen)	-	-
Quarterly net income attributable to owners of the parent company related to common shares (million yen)	5,708	9,253
Average number of common shares during period (thousands of shares)	213,175	213,186

Note: Quarterly diluted net income per share is not shown because there were no dilutive shares.

(Significant Subsequent Events)

Not applicable

## 2 Other Information

At the Board of Directors' meeting held on August 8, 2022, the Company made a resolution to pay interim dividends for fiscal 2022 to shareholders listed or recorded in the final register of shareholders as of June 30, 2022, as follows:

- |  |                   |
|--|-------------------|
| (i) Total amount of interim dividends:   | 3,197 million yen |
| (ii) Dividend per share:   | 15.00 yen         |
| (iii) Effective date of the right to claim payment and commencement date of payment: | September 1, 2022 |



Part 2 Information on Submitting Company's Surety Company, etc.

Not applicable.

## Independent Auditor's Quarterly Review Report

August 10, 2022

Tokai Carbon Co., Ltd.

To: The Board of Directors

KPMG AZSA LLC  
Tokyo Office

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Ryoichi Isashi
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Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Takeshi Nakatani
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### Auditor's Conclusion

We have conducted a quarterly review of the quarterly consolidated financial statements of Tokai Carbon Co., Ltd. for the second quarter (April 1 to June 30, 2022) as well as cumulative second quarter (January 1 to June 30, 2022) of the fiscal year from January 1, 2022 through December 31, 2022, provided in "Section 4. Status of Accounting" in the Company's Quarterly Securities Report; that is, the quarterly consolidated balance sheets, quarterly consolidated statements of income, quarterly consolidated statements of comprehensive income, quarterly consolidated statements of cash flows and related notes thereof, in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

In our quarterly review, in all material respects, we did not find any matters that lead us to believe that these quarterly consolidated financial statements do not properly present the financial position of Tokai Carbon Co., Ltd. and its consolidated subsidiaries as of June 30, 2022, as well as their operating results and cash flows for the consolidated cumulative second quarter ended on that day, in accordance with the standard for preparation of quarterly consolidated financial statements generally accepted in Japan.

### Basis for Auditor's Conclusion

We conducted our quarterly review in accordance with the quarterly review standards that are generally accepted in Japan. Our responsibility under quarterly review standards is described in "Auditor's Responsibility for Conducting the Quarterly Review of Quarterly Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries and fulfill our other ethical responsibilities as an auditor in accordance with provisions of the Code of Professional Ethics in Japan. We believe that we have obtained evidence to provide a basis for our conclusion.

### Responsibilities of Management, Audit & Supervisory Board Members, and Audit & Supervisory Board for Quarterly Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these quarterly consolidated financial statements in accordance with the standard for preparation of quarterly consolidated financial statements generally accepted in Japan. Responsibilities include those for designing and operating an internal control system as management deems necessary in order to prepare and properly present quarterly consolidated financial statements that are free from material misstatement due to fraud or error.

In preparing quarterly consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the same based on the going concern assumption, as well as for disclosing matters concerning a going concern if it is necessary to do so based on the standard for preparation of quarterly consolidated financial statements generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of their duties in the development and operation of the financial reporting process.

#### Auditor's Responsibility for Conducting the Quarterly Review of Quarterly Consolidated Financial Statements

Our responsibility is to express a conclusion on the quarterly consolidated financial statements in the quarterly review report from an independent standpoint and based on our quarterly review.

We shall, in accordance with quarterly review standards generally accepted in Japan, make professional judgments throughout the quarterly review process and, with professional skepticism, shall:

- Ask questions mostly to management, persons responsible for financial and accounting matters, and others, and perform analytical and other quarterly review procedures. The quarterly review procedures are more limited than those of the annual audit of financial statements that is performed in accordance with the audit standards generally accepted in Japan
- Determine, based on the evidence obtained, whether there are matters that lead us to believe that the quarterly consolidated financial statements are not appropriately presented in accordance with the standard for preparation of quarterly consolidated financial statements generally accepted in Japan, if significant uncertainties are recognized concerning the events or circumstances that may raise significant doubt about the going concern assumptions. A quarterly review report shall be required to draw attention to the notes to the quarterly consolidated financial statements if significant uncertainties are recognized concerning the going concern assumptions, or the expression of a qualified or adverse conclusion on the quarterly consolidated financial statements shall be required if the notes to significant uncertainties in the quarterly consolidated financial statements are not appropriate. Our conclusions are based on the evidence obtained up to the date of the quarterly review report, but future events and circumstances may prevent the company from continuing as a going concern.
- Evaluate the presentation, composition, and content of the quarterly consolidated financial statements, including the related notes, and whether there are matters that lead us to believe that the quarterly consolidated financial statements do not appropriately present the transactions and accounting events on which they are based, as well as whether there are matters that lead us to believe that the presentation and notes to the quarterly consolidated financial statements do not conform to the standard for preparation of quarterly consolidated financial statements generally accepted in Japan.
- Obtain evidence on the financial information of the Company and its consolidated subsidiaries for the purpose of expressing a conclusion on the quarterly consolidated financial statements. We are responsible for directing, supervising and implementing the quarterly review of the quarterly consolidated financial statements. An Auditor is solely responsible for the conclusion.

We shall report to the Audit & Supervisory Board Members and the Audit & Supervisory Board on the scope and timing of the planned quarterly review and material findings from the review.

We shall report to the Audit & Supervisory Board Members and the Audit & Supervisory Board on compliance with the provisions of the Code of Professional Ethics in Japan on independence, matters reasonably considered to affect the independence of the auditors, and the content of safeguards to remove or mitigate any impediments.

#### Interests in the Company

Our firm and engagement partners have no interest in the Company that should be disclosed under the provisions of the Certified Public Accountants Act of Japan.

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- (Notes) 1. The above is a digitized version of the original copy of the quarterly review report, which is held in the custody of the Company (the company filing this quarterly securities report).
2. XBRL data is excluded from the scope of audit.