

Quarterly Securities Report

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

From July 1, 2022
To September 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.

Quarterly Securities Report

- 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]	November 11, 2022
[Accounting period]	Third quarter of FY2022 (from July 1 to September 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)
[Contact person]	Akira Yamada, General Manager, General Affairs Department
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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 nine months of FY2021	First nine months of FY2022	FY2021
Total period		(January 1 to September 30, 2021)	(January 1 to September 30, 2022)	(January 1 to December 31, 2021)
Net sales	(Million yen)	185,095	246,332	258,874
Ordinary income	(Million yen)	17,547	32,132	24,770
Profit attributable to owners of the parent company	(Million yen)	9,559	16,121	16,105
Quarterly comprehensive income or comprehensive income	(Million yen)	25,225	54,296	39,006
Net assets	(Million yen)	242,774	298,475	256,570
Total assets	(Million yen)	495,591	562,933	512,503
Quarterly net income per share or net income per share	(Yen)	44.84	75.62	75.55
Quarterly diluted net income per share or diluted net income per share	(Yen)	—	—	—
Equity ratio	(%)	43.8	47.7	44.7

Fiscal term		Third quarter of FY2021	Third quarter of FY2022
Accounting period		(July 1 to September 30, 2021)	(July 1 to September 30, 2022)
Quarterly net income per share	(Yen)	18.06	32.22

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 third 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, September 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 third 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 nine months of 2022 (from January 1, 2022 to September 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. While 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.

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, the 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 and we are accelerating our actions against carbon neutral issues.

As a result, net sales for the first nine months of 2022 increased 33.1% year on year to 246,332 million yen. Operating income increased 58.6% year on year to 28,015 million yen. Ordinary income increased 83.1% year on year to 32,132 million yen. Quarterly net income attributable to owners of the parent company increased 68.6% year on year to 16,121 million yen.

Results by business segment are as follows:

Graphite Electrodes

Demand for graphite electrodes remained firm, despite concerns about the impact of the global economic slowdown and rising raw material and energy costs. Production and sales volumes increased at all sites, and average selling prices also rose.

As a result, net sales for the Graphite Electrodes business increased 53.8% year on year to 43,667 million yen, while operating income increased significantly to 5,303 million yen (compared with 188 million yen in operating loss for the same period of the previous year).

Carbon Black

Automobile production recovery has been delayed due to a shortage of semiconductors and other factors, however, demand in replacement tires remained strong, 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 43.0% year on year to 103,350 million yen, while operating income increased 34.4% year on year to 8,986 million yen.

Fine Carbon

Production and shipments for semiconductors and general industries remained steady. Demand for solar power generation was

generally firm despite production adjustments in the face-to-face industry. In addition, 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 29.0% year on year to 36,823 million yen, while operating income increased 58.2% year on year to 11,099 million yen.

Smelting and Lining

Due to the rise of energy costs, the operation of aluminum electrolytic furnaces varied depending on the location of users, but the sales of cathodes for aluminum electrolysis remained generally firm. Carbon electrodes sales also remained strong backed by the steady demand for metallic silicon. 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, net sales for the Smelting and Lining business increased by 21.4% year on year to 42,755 million yen, and operating loss was 305 million yen (compared with 1,220 million yen in operating income in the same period of the previous year).

Industrial Furnaces and Related Products

Demand for industrial furnaces 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 4.3% year on year to 11,923 million yen, while operating income increased 1.5% year on year to 3,308 million yen.

Other Operations

Friction materials

Demand from major applications remained firm, although there were negative factors such as a slowdown in Chinese construction machinery and reduced production due to a shortage of parts on the customers' side.

As a result, net sales of friction materials increased 3.7% year on year to 6,834 million yen.

Anode materials

Competition intensified due to the rise of new competitors and sluggish sales of xEVs made with the Company's materials, resulting in decreased sales.

As a result, net sales of anode materials decreased 65.6% year on year to 875 million yen.

Other

Net sales from real estate leasing and other business increased 1.4% year on year to 102 million yen.

As a result, net sales for Other Operations decreased 15.4% to 7,812 million yen, while operating income increased 15.8% to 699 million yen.

Total assets as of the end of the third quarter under review (September 30, 2022) increased by 50,430 million yen from the end of the previous fiscal year to 562,933 million yen due to increases in inventories and tangible fixed assets. Liabilities increased by 8,525 million yen from the end of previous fiscal year to 264,457 million yen due to an increase in and deferred tax liabilities. Net assets increased by 41,904 million yen compared to the end of previous fiscal year to 298,475 million yen due to an increase in foreign currency translation adjustments.

As a result, the Group's equity ratio was 47.7%, an increase of 3.0 points from the end of previous fiscal year.

(2) 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.

(3) Business and financial issues to be addressed

During the first nine 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.

(4) Research and development

The group-wide research and development activities for the first nine months of the fiscal year under review costed 2,294 million yen.

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

(5) Management policy, management strategy, etc.

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

(6) Major facilities and equipment

Plan for construction of new major facilities and equipment

During the first nine months of the fiscal year under review, a plan for construction of new major facilities and equipment has been determined as follows.

Company	Location	Segment name	Details of facilities and equipment	Estimated investment amount		Funding method	Start and scheduled completion	
				Total amount (Million yen)	Amount paid (Million yen)		Start	Completion
THAI TOKAI CARBON PRODUCT CO., LTD.	Rayong Thailand	Carbon Black	Manufacturing facility, new construction	37,719	1,912	Own funds, loans, and bonds	July 2023	April 2025

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 third quarter (Shares) (As of September 30, 2022)	Number of shares issued as of date of submission (Shares) (As of November 11, 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)
July 1, 2022 - September 30, 2022	-	224,943,104	-	20,436	-	17,502

(5) Major shareholders

There are no matters to be stated as the period under review constitutes the third quarter of the fiscal year.

(6) Voting rights

“Information on voting rights” as of the end of the third quarter under review (September 30, 2022) is based on the list of shareholders as of the most recent base date (June 30, 2022), since the list as of September 30, 2022 is not available for confirmation.

1) Shares issued

(As of September 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 September 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

Note: Treasury stock decreased by 15,706 shares from the disposal of treasury stock as remuneration in the form of shares with a transfer restriction on April 22, 2022.

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 third quarter (July 1, 2022 to September 30, 2022) as well as cumulative third quarter (January 1, 2022 to September 30, 2022).

1 Quarterly Consolidated Financial Statements, etc.

(1) Quarterly consolidated balance sheets

(Millions of yen)

	Previous fiscal year (As of December 31, 2021)	Third quarter of the fiscal year under review (As of September 30, 2022)
Assets		
Current assets		
Cash and deposits	78,858	63,706
Notes and accounts receivable	56,668	68,558
Merchandise and finished goods	20,169	25,756
Work in progress	29,362	40,622
Raw materials and supplies	22,947	32,340
Other	7,377	9,488
Allowance for doubtful accounts	(234)	(285)
Total current assets	215,149	240,187
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	29,783	31,829
Machinery, equipment and vehicles, net	84,239	90,942
Land	7,724	8,090
Construction in progress	15,085	32,967
Other, net	7,332	8,380
Total tangible fixed assets	144,165	172,211
Intangible assets		
Goodwill	55,553	55,121
Customer-related assets	57,880	57,672
Other	9,914	10,308
Total intangible assets	123,349	123,103
Investments and other assets		
Investment securities	21,802	20,356
Net defined benefit asset	3,500	3,437
Deferred tax assets	3,620	2,496
Other	958	1,183
Allowance for doubtful accounts	(43)	(43)
Total investments and other assets	29,838	27,430
Total fixed assets	297,353	322,745
Total assets	512,503	562,933

(Millions of yen)

	Previous fiscal year (As of December 31, 2021)	Third quarter of the fiscal year under review (As of September 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable	22,294	22,661
Electronically recorded obligations	3,934	3,642
Short-term loans payable	2,000	6,000
Commercial papers	50,000	60,000
Current portion of loans payable	12,710	10,180
Income taxes payable	5,913	4,919
Provision for bonuses	2,777	3,561
Current portion of bonds payable	10,000	-
Provision for loss on sale of equity invested in associates	1,137	-
Other	19,650	23,654
Total current liabilities	130,418	134,620
Long-term liabilities		
Bonds payable	55,000	55,000
Long-term loans payable	38,539	36,076
Deferred tax liabilities	18,499	23,572
Retirement benefit liability	7,340	7,267
Provision for retirement benefits for directors	90	101
Provision for executive officers' retirement benefits	58	56
Provision for environment and safety measures	284	291
Other	5,701	7,471
Total long-term liabilities	125,514	129,837
Total liabilities	255,932	264,457
Net assets		
Shareholders' equity		
Capital stock	20,436	20,436
Capital surplus	17,350	13,811
Retained earnings	175,727	185,454
Treasury stock	(7,244)	(7,236)
Total shareholders' equity	206,269	212,465
Accumulated other comprehensive income		
Valuation difference on other securities	9,370	8,338
Deferred gains or losses on hedges	(41)	(52)
Foreign currency translation adjustments	11,805	45,385
Cumulative remeasurements of defined benefit plans	1,805	2,504
Total accumulated other comprehensive income	22,940	56,175
Non-controlling interests	27,360	29,835
Total net assets	256,570	298,475
Total liabilities and net assets	512,503	562,933

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statements of income

(First nine-month period)

(Millions of yen)

	First nine months of the previous fiscal year (January 1 to September 30, 2021)	First nine months of the fiscal year under review (January 1 to September 30, 2022)
Net sales	185,095	246,332
Cost of sales	133,675	179,293
Gross profit	51,420	67,038
Selling, general and administrative expenses	33,750	39,023
Operating income	17,669	28,015
Non-operating income		
Interest income	189	366
Dividend income	366	471
Share of profit of entities accounted for using equity method	40	210
Foreign exchange gains	492	4,452
Other	698	391
Total non-operating income	1,788	5,892
Non-operating expenses		
Interest expenses	780	763
Other	1,129	1,011
Total non-operating expenses	1,910	1,775
Ordinary income	17,547	32,132
Extraordinary income		
Gain on sale of investment securities	47	54
Gain on sales of fixed assets	211	27
Total extraordinary income	258	82
Extraordinary losses		
Loss on retirement of fixed assets	47	581
Loss on sale of equity invested in associates	-	160
Accident-related loss	-	141
Loss on sales of fixed assets	3	0
Loss on sale of investment securities	-	0
Demolition and removal costs	30	-
Loss on liquidation of subsidiaries and associates	24	-
Total extraordinary losses	105	883
Quarterly net income before income taxes	17,700	31,330
Income taxes - current	6,186	6,833
Income taxes - deferred	(1,002)	4,642
Total income taxes	5,184	11,476
Quarterly net income	12,515	19,854
Quarterly net income attributable to non-controlling interests	2,956	3,732
Quarterly net income attributable to owners of the parent company	9,559	16,121

Quarterly consolidated statements of comprehensive income

(First nine-month period)

(Millions of yen)

	First nine months of the previous fiscal year (January 1 to September 30, 2021)	First nine months of the fiscal year under review (January 1 to September 30, 2022)
Quarterly net income	12,515	19,854
Other comprehensive income		
Valuation difference on other securities	2,697	(1,030)
Deferred gains or losses on hedges	69	(11)
Foreign currency translation adjustments	9,879	34,937
Remeasurements of defined benefit plans	(42)	698
Share of other comprehensive income of associates accounted for using equity method	105	(152)
Total other comprehensive income	12,709	34,441
Quarterly comprehensive income	25,225	54,296
(Breakdown)		
Quarterly comprehensive income attributable to owners of the parent company	22,294	49,356
Quarterly comprehensive income attributable to non- controlling interests	2,931	4,939

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, etc.)

(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 third 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 third 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)	Third quarter of the fiscal year under review (As of September 30, 2022)
Transferred amount of notes receivable endorsed	69 million yen	-

(Notes to quarterly consolidated statements of cash flows)

Quarterly consolidated statements of cash flows for the first nine months of the fiscal year under review are not prepared. Depreciation and amortization (including amortization of intangible fixed assets except goodwill) and amortization of goodwill for the nine months under review are as listed below:

	Third quarter of the previous fiscal year (January 1 to September 30, 2021)	Third quarter of the fiscal year under review (January 1 to September 30, 2022)
Depreciation and amortization	¥16,727 million	¥19,385 million
Amortization of goodwill	¥5,216 million	¥5,561 million

(Notes to shareholders' equity, etc.)

I First nine months of the previous fiscal year (From January 1 to September 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
August 10, 2021 Board of Directors' meeting	Common shares	3,197	15.0	June 30, 2021	September 1, 2021	Retained earnings

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

Not applicable

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

(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, 2022 Annual general meeting of shareholders	Common shares	3,197	15.0	December 31, 2021	March 31, 2022	Retained earnings
August 8, 2022 Board of Directors' meeting	Common shares	3,197	15.0	June 30, 2022	September 1, 2022	Retained earnings

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

Not applicable

(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 nine 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 nine months of the fiscal year under review.

(Segment information, etc.)

Segment information

I First nine months of the previous fiscal year (From January 1 to September 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	28,398	72,262	28,551	35,219	11,427	175,858	9,236	185,095	-	185,095
Intersegment sales/transfer	97	56	96	34	628	912	-	912	(912)	-
Total	28,496	72,318	28,647	35,253	12,055	176,771	9,236	186,008	(912)	185,095
Segment income (loss)	(188)	6,684	7,016	1,220	3,360	18,092	603	18,696	(1,027)	17,669

- 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 1,027-million-yen negative adjustment in segment income (loss) includes company-wide expenses of 984 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.

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

1. 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	43,667	103,350	36,823	42,755	11,923	238,519	7,812	246,332	-	246,332
Intersegment sales/transfer	242	41	124	362	366	1,136	35	1,171	(1,171)	-
Total	43,909	103,391	36,948	43,117	12,289	239,656	7,847	247,504	(1,171)	246,332
Segment income (loss)	5,303	8,986	11,099	(305)	3,308	28,393	699	29,092	(1,077)	28,015

- 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 1,077-million-yen negative adjustment in segment income (loss) includes company-wide expenses of 976 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 third 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 nine months of the previous fiscal year is also presented under the new name.

(Revenue recognition)

Breakdown of revenue from customer contracts

First nine months of the fiscal year under review (From January 1 to September 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	6,311	25,701	3,903	9	7,789	43,715	6,819	50,534
Asia	1,459	23,465	16,896	11,734	3,859	57,414	611	58,026
North America	22,508	50,551	13,670	5,929	122	92,783	-	92,783
Europe	10,993	2,047	2,241	8,897	106	24,286	355	24,642
Other regions	2,394	1,583	112	16,184	45	20,319	25	20,345
External sales	43,667	103,350	36,823	42,755	11,923	238,519	7,812	246,332

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 nine months of the previous fiscal year (January 1 to September 30, 2021)	First nine months of the fiscal year under review (January 1 to September 30, 2022)
Quarterly net income per share	44.84 yen	75.62 yen
(Basis for Calculation)		
Quarterly net income attributable to owners of the parent company (million yen)	9,559	16,121
Amount not attributable to common shareholders (million yen)	-	-
Quarterly net income attributable to owners of the parent company related to common shares (million yen)	9,559	16,121
Average number of common shares during period (thousands of shares)	213,177	213,189

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

November 11, 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

Designated Limited
Liability Partner
Engagement Partner

Certified Public
Accountant Takeshi Nakatani

Auditor's Conclusion

We have conducted a quarterly review of the quarterly consolidated financial statements of Tokai Carbon Co., Ltd. for the third quarter (July 1 to September 30, 2022) as well as cumulative third quarter (January 1 to September 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 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 September 30, 2022, as well as their operating results for the consolidated cumulative third 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.