

# Quarterly Securities Report

(For the First Quarter of the Fiscal Year ending December 31, 2021)

From January 1, 2021

To March 31, 2021

Tokai Carbon Co., Ltd.

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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-General, Kanto Local Finance Bureau
[Date of submission]	May 14, 2021
[Accounting period]	First quarter of FY2021 (from January 1, 2021 to March 31, 2021)
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[Company name in English]	TOKAI CARBON CO., LTD.
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[Place where the filed document is available for public inspection]	Tokai Carbon Co., Ltd. Osaka Branch (Osaka Fukoku Seimei Bldg., 2-4 Komatsubaracho, Kita-ku, Osaka, Osaka) Tokai Carbon Co., Ltd. Nagoya Branch (Nagoya International Center Bldg., 47-1, Nagono 1-chome, Nakamura-ku, Nagoya, Aichi) Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

Part 1 Company Information  
I Overview of Company  
1 Key financial data

Fiscal term		First three months of FY2020	First three months of FY2021	FY2020
Accounting period		(January 1 to March 31, 2020)	(January 1 to March 31, 2021)	(January 1 to December 31, 2020)
Net sales	(Million yen)	52,790	53,968	201,542
Ordinary income	(Million yen)	6,573	3,999	6,262
Net income attributable to owners of the parent company	(Million yen)	4,583	1,968	1,019
Comprehensive income	(Million yen)	(8,565)	15,888	743
Net assets	(Million yen)	219,292	237,503	224,815
Total assets	(Million yen)	440,583	475,308	459,709
Net income per share	(Yen)	21.50	9.23	4.78
Net Income per share fully diluted	(Yen)	—	—	—
Capital-to-asset ratio	(%)	45.1	44.7	43.8

- (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. Net sales do not include consumption tax, etc.
  3. Net income per share fully diluted is not stated due to the absence of dilutive shares.

2 Description of business

The Tokai Carbon Group (the Company and its affiliates) engages in business operations categorized into the following six reportable segments: Graphite Electrodes business, Carbon Black business, Fine Carbon business, Smelting and Lining business, Industrial Furnaces and Related Products business, and Other Operations.

There was no change in the principal business of the reportable segments during the first three months of the year under review. Nor was there any change in major affiliates.

## II Business Overview

### 1 Risk of business, etc.

During the first three months of the fiscal year under review, regarding the matters relating to the Business Overview and the Financial Statements stated in this Quarterly Securities Report, there was no occurrence of major risks that may have material impact on the companies' consolidated financial positions, operating results, or cash flows from the management standpoint, nor was there any material change in the risk of business, etc., stated in the "Risk of business, etc." of the securities report for the previous year.

### 2 Management's analysis of financial position, operating results, and cash flows

Forward-looking statements in the document are based on the judgments of the Group as of the end of the consolidated quarter under review.

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

During the first three months of 2021 (January 1 to March 31, 2021), the global economy continued to recover from the first half of the previous year, when we saw a significant decline caused by the novel coronavirus (COVID-19) pandemic, thanks to massive financial support, primarily by major economic powers such as the United States, and the start of a phased vaccine rollout at the end of 2020. Going forward, the economic recovery is expected to continue, aided by economic stimulus measures by each country and the vaccine rollout, while uncertainties surrounding the global economy are increasing, such as the spread of highly contagious variants, side effects of massive financial support, and disparities among countries and regions in the coverage (rate) of financial support and vaccination, which have become increasingly visible.

Under these circumstances, the Tokai Carbon Group has engaged in its business activities in line with the med-term management plan "T-2022" announced in February 2020; however, we were forced to struggle as the growth in growth businesses such as Fine Carbon was dragged down by core Graphite Electrodes business, which was negatively affected by the delayed recovery of the market.

As a result, net sales for the first three months of 2021 grew 2.2% year on year to 53,968 million yen. Operating income declined 39.6% year on year to 4,077 million yen. Ordinary income declined 39.2% year on year to 3,999 million yen. Net income attributable to owners of the parent company declined 57.1% year on year to 1,968 million yen.

Considering the viewpoints such as decarbonization and living with COVID-19, the Group has also formulated and disclosed its mid-term management plan "T-2023," a three-year rolling plan extending from 2021 to 2023. The Group has set the three basic policies, "returning core business to a path of growth," "optimizing the business portfolio," and "strengthening the consolidated governance structure," aiming to achieve its quantitative targets for 2023 (i.e., net sales of 320,000 million yen, operating income of 57,000 million yen, and ROS of 18%).

Results by business segment were as follows:

#### Graphite Electrodes

Sales volume of graphite electrodes recovered to the level a year ago, as inventory in the market has returned to a proper level. Despite a sign of bottoming out and picking up, the graphite electrode market remained low compared to the level a year ago.

As a result, net sales for the Graphite Electrodes business decreased 30.6% year on year to 7,957 million yen, while operating loss was 223 million yen (operating income of 2,131 million yen in the previous fiscal year).

#### Carbon Black

Sales volume saw a decrease due to the suspension of production and shipment at the production bases in the United States when they were affected by a severe cold wave in February in the southern United States. On a group-wide basis, however, sales volume increased year on year, with the overall recovery of demand from the tire and auto parts industries.

As a result, net sales for the Carbon Black business increased 2.7% year on year to 21,595 million yen and operating income rose 3.8% year on year to 1,807 million yen.

#### Fine Carbon

While production and shipments for semiconductor and solar power generation applications were steady, those for general industry applications remained weak due to the lack of full-scale recovery. Meanwhile, shipments of solid SiC (silicon carbide) products, which are high value-added products, have increased on the back of robust global demand.

As a result, net sales for the Fine Carbon business rose 12.8% year on year to 8,826 million yen and operating income increased 11.8% year on year to 2,146 million yen.

### Smelting and Lining

Rising aluminum production and market prices in the wake of the recovery of the Chinese economy and automobile production have contributed to a steady business environment. On the other hand, profit margins decreased from the previous fiscal year, mainly because of the weak cathode market after the COVID-19 pandemic and changes in the lineup of shipments. On July 17, 2020, the Company added Tokai Carbon Savoie International SAS (the former Carbone Savoie International SAS), a French carbon and graphite products manufacturer, and its group companies to this segment as consolidated subsidiaries.

As a result, net sales for the Smelting and Lining business increased 61.8% year on year to 10,766 million yen but operating income declined 75.7% year on year to 42 million yen.

### Industrial Furnaces and Related Products

Net sales of industrial furnaces decreased from the previous fiscal year as sales for energy-related industry applications, which are a major source of demand, concentrate in the second quarter or thereafter. Net sales of heating elements and other products increased from the previous fiscal year due to strong demand from the electronic components industry and the Chinese domestic market.

As a result, net sales for the Industrial Furnaces and Related Products business were down 38.9% year on year to 1,982 million yen, and operating income fell 40.0% year on year to 521 million yen.

### Other Operations

#### *Friction materials*

Net sales of friction materials increased 30.2% year on year to 2,134 million yen, because of increasing demand for construction and agricultural machinery, motorcycle, and electromagnetic applications in parallel with the recovery of the global economy.

#### *Anode materials*

Sales volume decreased from the previous fiscal year as competition was intensified with rising new players entering the anode materials market.

As a result, net sales of anode materials fell 25.8% year on year to 670 million yen.

#### *Others*

Net sales for real estate leasing and other businesses fell 5.0% year on year to 34 million yen.

As a result of the foregoing, net sales for Other Operations increased 10.1% year on year to 2,839 million yen but operating income fell 43.0% year on year to 138 million yen.

Total assets as of the end of the first quarter under review (March 31, 2021) increased by 15,598 million yen from the end of the previous fiscal year to 475,308 million yen, largely due to increases in tangible fixed assets and inventories, although cash and cash equivalents, etc. decreased. Liabilities increased by 2,911 million yen from the end of the previous fiscal year to 237,805 million yen, due mainly to an increase in deferred tax liabilities, although long-term loans payable, etc., decreased. Net assets increased by 12,687 million yen from the end of the previous fiscal year to 237,503 million yen, due mainly to increases in foreign currency translation adjustments and net unrealized gains/losses on other securities, although retained earnings, etc., decreased.

As a result, the Group's capital-to-asset ratio decreased 0.9 percentage points year on year to 44.7%.

- (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 three 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 three months of the fiscal year under review costed 604 million yen.  
During the first three 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 three months of the fiscal year under review, there was no material change in the Group management policy, management strategy, etc.
- 3 Material agreements, etc.  
Not applicable

### III Information on the Company

#### 1 Information on the Company's shares, etc.

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

Class	Total number of shares authorized to be issued (shares)
Common stock	598,764,000
Total	598,764,000

#### 2) Issued shares

Class	Number of shares issued as of the end of the first quarter (shares) (March 31, 2021)	Number of shares issued as of the date of submission (shares) (May 14, 2021)	Financial instruments exchange or registered authorized financial instruments exchange association on which the Company is listed	Description
Common stock	224,943,104	224,943,104	Tokyo Stock Exchange (First Section)	Number of shares per unit: 100 shares
Total	224,943,104	224,943,104	—	—

#### (2) Information on stock acquisition rights, etc.

- 1) Details of stock option plans  
Not applicable.
- 2) Information on other stock acquisition rights, etc.  
Not applicable.

#### (3) Exercise, etc. of bonds with moving strike stock acquisition rights Not applicable.

#### (4) Changes in the total number of issued shares, capital stock, etc.

Date	Change in the total number of issued shares (shares)	Balance of the total number of issued shares (shares)	Change in capital stock (Million yen)	Balance of capital stock (Million yen)	Change in capital reserve (Million yen)	Balance of capital reserve (Million yen)
January 1, 2021 - March 31, 2021	—	224,943,104	—	20,436	—	17,502

#### (5) Major shareholders

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

#### (6) Information on voting rights

"Information on voting rights" as of the end of the first quarter under review (March 31, 2021) is based on the list of shareholders as of the most recent base date (December 31, 2020), since the list as of March 31, 2021 is not available for confirmation.



## 1) Issued shares

As of March 31, 2021

Classification	Number of shares (shares)	Number of voting rights	Description
Shares without voting rights	—	—	—
Shares with restricted voting rights (treasury stock, etc.)	—	—	—
Shares with restricted voting rights (others)	—	—	—
Shares with full voting rights (treasury stock, etc.)	(Treasury stock) Common stock 11,771,200	—	—
Shares with full voting rights (others)	Common stock 212,980,900	2,129,809	—
Shares less than one unit	Common stock 191,004	—	Shares less than one unit (100 shares)
Total number of issued shares	224,943,104	—	—
Total number of shareholder voting rights	—	2,129,809	—

(Note) 1,000 shares (10 voting rights) held by Japan Securities Depository Center, Inc. are included in “Shares with full voting right (others).”

## 2) Treasury stock, etc.

As of March 31, 2021

Name of shareholder	Address	Number of shares held under own name (shares)	Number of shares held under the name of others (shares)	Total shares held (shares)	Percentage to the total issued shares (%)
(Treasury stock) TOKAI CARBON CO., LTD.	2-3, Kita Aoyama 1-chome, Minato-ku, Tokyo	11,771,200	—	11,771,200	5.23
Total	—	11,771,200	—	11,771,200	5.23

## 2 Members of the Board and Audit &amp; Supervisory Board Members

Not applicable

#### IV Financial Statements

1. Method of preparing 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 certification

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 first quarter as well as cumulative first quarter (January 1, 2021 to March 31, 2021).

The Company has changed the audit firm as follows.

Fiscal year ended December 31, 2020: Deloitte Touche Tohmatsu LLC

First quarter (first three months) of the fiscal year ending December 31, 2021: KPMG AZSA LLC

# 1 Quarterly consolidated financial statements

## (1) Quarterly consolidated balance sheets

(Millions of yen)

	Previous fiscal year (As of December 31, 2020)	First quarter of the fiscal year under review (As of March 31, 2021)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	67,174	60,034
Notes and accounts receivable	41,438	42,859
Merchandise and finished goods	14,890	18,082
Work in process	30,638	31,180
Raw materials and supplies	18,269	18,741
Other	5,490	7,822
Allowance for doubtful accounts	(224)	(221)
Total current assets	177,678	178,499
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	25,150	25,501
Machinery, equipment and vehicles, net	51,515	53,762
Furnaces, net	8,354	8,222
Land	7,604	7,726
Construction in progress	24,672	29,646
Other, net	7,709	7,911
Total tangible fixed assets	125,007	132,770
Intangible fixed assets		
Software	2,015	1,964
Goodwill	60,316	60,433
Customer-related assets	62,438	62,553
Other	8,579	8,605
Total intangible fixed assets	133,349	133,557
Investments and other assets		
Investment securities	17,492	21,097
Net defined benefit asset	2,729	2,708
Deferred tax assets	2,611	5,646
Other	890	1,078
Allowance for doubtful accounts	(50)	(50)
Total investments and other assets	23,674	30,481
Total fixed assets	282,031	296,809
Total assets	459,709	475,308

(Millions of yen)

	Previous fiscal year (As of December 31, 2020)	First quarter of the fiscal year under review (As of March 31, 2021)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	15,500	15,535
Electronically recorded obligations	3,147	3,988
Short-term loans payable	3,065	4,000
Commercial paper	40,000	40,000
Current portion of long-term loans payable	8,813	10,341
Income tax payable	3,094	2,693
Accrued expenses	2,880	2,660
Reserve for bonuses	1,754	1,227
Other	14,398	14,888
Total current liabilities	92,656	95,336
Long-term liabilities		
Bonds payable	55,000	55,000
Long-term loans payable	51,764	47,845
Deferred tax liabilities	21,409	25,323
Net defined benefit liability	7,544	7,716
Reserve for directors' retirement benefits	82	80
Reserve for executive officers' retirement benefits	73	57
Provision for environment and safety measures	431	359
Other	5,932	6,086
Total long-term liabilities	142,237	142,469
Total liabilities	234,894	237,805
<b>Net assets</b>		
Shareholder's capital		
Capital stock	20,436	20,436
Capital surplus	17,338	17,338
Retained earnings	166,017	164,788
Treasury stock	(7,248)	(7,249)
Total shareholder's capital	196,543	195,313
Other accumulated comprehensive income		
Net unrealized gains/losses on other securities	7,436	9,321
Deferred gains or losses on hedges	(70)	(134)
Foreign currency translation adjustments	(3,529)	6,998
Remeasurements of defined benefit plans	887	926
Total accumulated other comprehensive income	4,723	17,110
Non-controlling interests	23,548	25,078
Total net assets	224,815	237,503
Total liabilities and net assets	459,709	475,308

(2) Quarterly consolidated statements of income and comprehensive income  
(Quarterly consolidated statements of income)  
(First three-month period)

(Millions of yen)

	First three months of the previous fiscal year (January 1 to March 31, 2020)	First three months of the fiscal year under review (January 1 to March 31, 2021)
Net sales	52,790	53,968
Cost of sales	35,592	39,053
Gross profit	17,197	14,914
Selling, general and administrative expenses	10,447	10,837
Operating income	6,750	4,077
Non-operating income		
Interest income	62	60
Dividend income	85	72
Equity in income of non-consolidated subsidiaries and affiliates	42	11
Foreign exchange gains	20	356
Other	146	260
Total non-operating income	357	762
Non-operating expenses		
Interest expenses	197	281
Other	337	558
Total non-operating expenses	534	840
Ordinary income	6,573	3,999
Extraordinary income		
Gain on sales of investment securities	—	35
Gain on sales of fixed assets	29	0
Total extraordinary income	29	36
Extraordinary loss		
Loss on retirement of fixed assets	—	21
Loss on valuation of investment securities	117	—
Total extraordinary loss	117	21
Quarterly net income before income taxes	6,484	4,013
Income taxes - current	2,061	1,686
Income taxes - deferred	(774)	(490)
Total income taxes	1,287	1,195
Quarterly net income	5,197	2,817
Quarterly net income attributable to non-controlling interests	613	849
Quarterly net income attributable to owners of the parent company	4,583	1,968

(Quarterly consolidated statements of comprehensive income)  
(First three-month period)

(Millions of yen)

	First three months of the previous fiscal year (January 1 to March 31, 2020)	First three months of the fiscal year under review (January 1 to March 31, 2021)
Quarterly net income	5,197	2,817
Other comprehensive income		
Net unrealized gains/losses on other securities	(3,017)	1,886
Deferred gains or losses on hedges	(275)	(64)
Foreign currency translation adjustments	(10,311)	11,221
Remeasurements of defined benefit plans	(122)	38
Share of other comprehensive income of entities accounted for using equity method	(35)	(12)
Total other comprehensive income	(13,762)	13,070
Quarterly comprehensive income	(8,565)	15,888
(Of which)		
Quarterly comprehensive income attributable to owners of the parent company	(8,018)	14,355
Quarterly comprehensive income attributable to non-controlling interests	(546)	1,532

Notes:

(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)

Notes receivable endorsed

	Previous fiscal year (As of December 31, 2020)	First quarter of the fiscal year under review (As of March 31, 2021)
Notes receivable endorsed	54 million yen	130 million yen

(Notes to quarterly consolidated statements of cash flows)

Quarterly consolidated statements of cash flows for the first three 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 three months under review are as listed below:

	First three months of the previous fiscal year (January 1 to March 31, 2020)	First three months of the fiscal year under review (January 1 to March 31, 2021)
Depreciation and amortization	4,951 million yen	5,318 million yen
Amortization of goodwill	1,613 million yen	1,710 million yen

(Notes to shareholders' capital)

I First three months of the previous fiscal year (January 1 to March 31, 2020)

Amount of dividends paid

Resolution date	Class of shares	Total amount of dividends (Million yen)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
The Annual General Meeting of Shareholders held on March 27, 2021	Common stock	5,115	24.0	December 31, 2019	March 30, 2020	Retained earnings

II First three months of the fiscal year under review (January 1 to March 31, 2021)

Amount of dividends paid

Resolution date	Class of shares	Total amount of dividends (Million yen)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
The Annual General Meeting of Shareholders held on March 30, 2021	Common stock	3,197	15.0	December 31, 2020	March 31, 2021	Retained earnings

## (Segment information)

## Segment information

## I First three months of the previous fiscal year (January 1 to March 31, 2020)

Information on the amounts of net sales and income for each 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	11,460	21,030	7,825	6,652	3,242	50,211	2,579	52,790	—	52,790
Inter-segment sales or transfers	44	20	29	0	121	215	0	215	(215)	—
Total	11,504	21,050	7,855	6,652	3,363	50,426	2,579	53,006	(215)	52,790
Segment income	2,131	1,741	1,919	175	868	6,837	242	7,080	(330)	6,750

- Notes: 1. The Other Operations segment is a business segment that is not included among reportable segments. It consists of the friction materials business, anode materials business, real estate leasing business, and other businesses.
2. The 330-million-yen negative adjustment in segment income includes company-wide expenses of 322 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 reportable segments.
3. Segment income is adjusted with the operating income reported in the Quarterly Consolidated Statements of Income.

## II First three months of the fiscal year under review (January 1 to March 31, 2021)

Information on the amounts of net sales and income (loss) for each 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	7,957	21,595	8,826	10,766	1,982	51,128	2,839	53,968	—	53,968
Inter-segment sales or transfers	25	21	25	6	134	213	—	213	(213)	—
Total	7,982	21,617	8,852	10,772	2,117	51,342	2,839	54,181	(213)	53,968
Segment income (loss)	(223)	1,807	2,146	42	521	4,294	138	4,432	(355)	4,077

- Notes: 1. The Other Operations segment is a business segment that is not included among reportable segments. It consists of the friction materials business, anode materials business, real estate leasing business, and other businesses.
2. The 355-million-yen negative adjustment in segment income (loss) includes company-wide expenses of 327 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 reportable segments.
3. Segment income (loss) is adjusted with the operating income reported in the Quarterly Consolidated Financial Statements of Income.



(Per-share information)

Quarterly net income per share and the basis for calculation are as follows:

	First three months of the previous fiscal year (January 1 to March 31, 2020)	First three months of the fiscal year under review (January 1 to March 31, 2021)
Quarterly net income per share	21.50 yen	9.23 yen
(Basis of calculation)		
Quarterly net income attributable to owners of the parent company (million yen)	4,583	1,968
Amount not attributable to common shareholders (million yen)	—	—
Quarterly net income attributable to owners of the parent company related to common stock (million yen)	4,583	1,968
Average number of common stock during period (thousand shares)	213,151	213,171

(Note) Quarterly net income per share fully diluted is not stated due to the absence of dilutive shares.

(Subsequent material events)

Not applicable.

- 2 Other Information  
Not applicable.

## Part 2 Information on Guarantors, etc. of the Company

Not applicable.

## Independent Auditor's Quarterly Review Report

May 14, 2021

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

(Seal)

Designated Limited  
Liability Partner  
Engagement Partner

Certified Public  
Accountant

Takeshi Nakatani

(Seal)

### Opinion

We have conducted a quarterly review of the quarterly consolidated financial statements of Tokai Carbon Co., Ltd. for the first quarter as well as cumulative first quarter (January 1, 2021 to March 31, 2021) of the fiscal year from January 1, 2021 through December 31, 2021, provided in "IV. Financial Statements" 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 March 31, 2021, and their operating results for the consolidated cumulative first quarter ended on that day, in accordance with the standard for preparation of quarterly consolidated financial statements generally accepted as fair and valid in Japan.

### Basis for the Audit Opinion

We conducted our quarterly review in accordance with the quarterly review standards that are generally accepted as fair and valid 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 opinion.

### Other matters

The quarterly review of quarterly consolidated financial statements for the first quarter, as well as cumulative the first quarter of the fiscal year ended December 31, 2020, and the audit of consolidated financial statements for the previous fiscal year were conducted by the former auditors. The former auditors expressed an unqualified opinion on the said quarterly consolidated financial statements on May 14, 2020, and on the said consolidated financial statements on March 30, 2021.

### 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 as fair and valid 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 as fair and valid 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 an opinion 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 as fair and valid 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 as fair and valid 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 as fair and valid 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 opinion 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 as fair and valid in Japan.
- Obtain evidence on the financial information of the Company and its consolidated subsidiaries for the purpose of expressing an opinion 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 opinion.

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.