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Summary of Consolidated Financial Results for the Six Months Ended June 30, 2023 (Based on Japanese GAAP)

August 10, 2023

Company name: Nippon Carbon Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 5302
 URL: <https://www.carbon.co.jp>
 Representative: Representative Director, CEO Takafumi Miyashita
 Inquiries: General Manager of Business Control Div. Hiroshi Fujikawa
 TEL: +81-3-6891-3730
 Scheduled date to file Quarterly Securities Report: August 10, 2023
 Scheduled date to commence dividend payments: September 6, 2023
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended June 30, 2023 (from January 1, 2023 to June 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended June 30, 2023	18,096	(1.5)	3,171	10.7	3,413	10.5	1,957	3.8
Six months ended June 30, 2022	18,376	26.4	2,864	101.1	3,088	105.6	1,885	112.0

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended June 30, 2023	177.28	—
Six months ended June 30, 2022	170.77	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2023	75,609	55,675	63.2	4,329.74
As of December 31, 2022	74,181	53,210	61.4	4,125.77

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2022	—	100.00	—	100.00	200.00
Year ending December 31, 2023	—	100.00	—	100.00	200.00
Year ending December 31, 2023 (Forecast)	—	—	—	100.00	200.00

3. Forecast of consolidated financial results for the year ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	37,000	3.4	4,500	(6.1)	4,500	(10.8)	2,500	(21.7)	226.36

4. Notes

(1) Changes in significant subsidiaries during the six months ended June 30, 2023

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Application of special accounting methods for preparing quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2023: 11,832,504 shares As of December 31, 2022: 11,832,504 shares

Number of treasury shares at the end of the period

As of June 30, 2023: 788,278 shares As of December 31, 2022: 789,018 shares

Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2023: 11,044,410 shares Six months ended June 30, 2022: 11,043,756 shares

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of December 31, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	18,322	15,651
Notes and accounts receivable - trade, and contract assets	11,922	11,841
Merchandise and finished goods	8,661	10,299
Work in process	4,408	4,424
Raw materials and supplies	3,447	3,663
Income taxes refund receivable	16	0
Other	781	458
Allowance for doubtful accounts	(14)	(18)
Total current assets	47,546	46,319
Non-current assets		
Property, plant and equipment		
Buildings and structures	17,494	17,589
Accumulated depreciation and impairment	(10,677)	(10,933)
Buildings and structures, net	6,817	6,655
Machinery and equipment	48,024	48,376
Accumulated depreciation and impairment	(39,629)	(40,400)
Machinery and equipment, net	8,394	7,975
Vehicles, tools, furniture and fixtures	3,558	3,717
Accumulated depreciation and impairment	(3,018)	(3,110)
Vehicles, tools, furniture and fixtures, net	540	606
Land	3,553	3,567
Construction in progress	197	462
Total property, plant and equipment	19,502	19,268
Intangible assets	240	222
Investments and other assets		
Investment securities	4,566	7,336
Deferred tax assets	434	492
Other	1,893	1,971
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	6,892	9,799
Total non-current assets	26,635	29,289
Total assets	74,181	75,609

(Millions of yen)

	As of December 31, 2022	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,416	4,491
Short-term borrowings	8,892	8,391
Accrued expenses	579	767
Income taxes payable	1,271	1,125
Advances received	801	922
Provision for bonuses	223	609
Provision for bonuses for directors (and other officers)	74	31
Provision for loss on orders received	0	8
Other	1,915	1,089
Total current liabilities	19,175	17,437
Non-current liabilities		
Long-term borrowings	200	276
Deferred tax liabilities	274	862
Retirement benefit liability	784	809
Provision for retirement benefits for directors (and other officers)	19	26
Provision for share awards for directors (and other officers)	85	94
Provision for environmental measures	0	0
Asset retirement obligations	62	62
Other	369	365
Total non-current liabilities	1,795	2,496
Total liabilities	20,971	19,934
Net assets		
Shareholders' equity		
Share capital	7,402	7,402
Capital surplus	7,858	7,858
Retained earnings	30,744	31,598
Treasury shares	(2,012)	(2,010)
Total shareholders' equity	43,992	44,848
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,493	2,789
Foreign currency translation adjustment	170	267
Remeasurements of defined benefit plans	(93)	(86)
Total accumulated other comprehensive income	1,570	2,970
Non-controlling interests	7,647	7,856
Total net assets	53,210	55,675
Total liabilities and net assets	74,181	75,609

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Net sales	18,376	18,096
Cost of sales	12,946	12,410
Gross profit	5,429	5,685
Selling, general and administrative expenses	2,565	2,513
Operating profit	2,864	3,171
Non-operating income		
Dividend income	65	93
Foreign exchange gains	272	214
Share of profit of entities accounted for using equity method	41	59
Other	59	72
Total non-operating income	439	438
Non-operating expenses		
Interest expenses	26	22
Loss on retirement of non-current assets	10	66
Depreciation of inactive non-current assets	74	73
Loss on disaster	79	—
Other	24	34
Total non-operating expenses	215	196
Ordinary profit	3,088	3,413
Extraordinary losses		
Loss on fire	—	101
Total extraordinary losses	—	101
Profit before income taxes	3,088	3,312
Income taxes - current	966	1,078
Income taxes - deferred	(67)	(44)
Total income taxes	898	1,034
Profit	2,189	2,278
Profit attributable to non-controlling interests	303	320
Profit attributable to owners of parent	1,885	1,957

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Profit	2,189	2,278
Other comprehensive income		
Valuation difference on available-for-sale securities	(231)	1,297
Foreign currency translation adjustment	193	158
Remeasurements of defined benefit plans, net of tax	5	6
Total other comprehensive income	(32)	1,462
Comprehensive income	2,156	3,741
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,781	3,357
Comprehensive income attributable to non-controlling interests	374	383

Consolidated statements of cash flows

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Cash flows from operating activities		
Profit before income taxes	3,088	3,312
Depreciation	1,212	1,288
Increase (decrease) in retirement benefit liability	(22)	34
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(38)	6
Interest and dividend income	(66)	(94)
Loss on retirement of non-current assets	10	66
Loss on disaster	79	—
Loss on fire	—	101
Interest expenses	27	22
Share of loss (profit) of entities accounted for using equity method	(41)	(59)
Decrease (increase) in trade receivables, and contract assets	(1,089)	169
Decrease (increase) in inventories	(310)	(1,756)
Decrease (increase) in accounts receivable - other	(116)	488
Increase (decrease) in trade payables	977	(936)
Increase (decrease) in accounts payable - other	(145)	100
Increase (decrease) in accrued expenses	103	86
Other, net	(118)	6
Subtotal	3,548	2,839
Interest and dividends received	66	94
Interest paid	(27)	(22)
Income taxes refund	29	24
Income taxes paid	(939)	(1,204)
Proceeds from insurance income	—	4
Net cash provided by (used in) operating activities	2,677	1,734
Cash flows from investing activities		
Purchase of property, plant and equipment	(980)	(1,815)
Purchase of intangible assets	(33)	(24)
Purchase of investment securities	(2)	(934)
Net cash provided by (used in) investing activities	(1,016)	(2,773)
Cash flows from financing activities		
Proceeds from long-term borrowings	—	200
Repayments of long-term borrowings	(635)	(624)
Net decrease (increase) in treasury shares	0	2
Dividends paid	(1,102)	(1,100)
Dividends paid to non-controlling interests	(94)	(174)
Net cash provided by (used in) financing activities	(1,831)	(1,696)
Effect of exchange rate change on cash and cash equivalents	71	64
Net increase (decrease) in cash and cash equivalents	(99)	(2,671)
Cash and cash equivalents at beginning of period	17,720	18,177
Cash and cash equivalents at end of period	17,620	15,506