

Translation

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Summary of Consolidated Financial Results for the Six Months Ended June 30, 2020 (Based on Japanese GAAP)

August 7, 2020

Company name: Nippon Carbon Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 5302 URL <http://www.carbon.co.jp>
 Representative: President and Representative Director Takafumi Miyashita
 Corporate Officer and General Manager of
 Inquiries: Business Control Div. Koji Imai TEL 03-6891-3730
 Scheduled date to file Quarterly Securities Report: August 7, 2020
 Scheduled date to commence dividend payments: September 9, 2020
 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, 2020 (from January 1, 2020 to June 30, 2020)

(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, 2020	13,710	(42.7)	2,248	(74.7)	2,199	(74.5)	1,174	(79.1)
Six months ended June 30, 2019	23,917	20.8	8,885	58.9	8,637	52.0	5,612	50.4

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended June 30, 2020	106.18	—
Six months ended June 30, 2019	507.34	—

(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, 2020	72,881	50,919	60.9	4,012.80
As of December 31, 2019	77,939	51,654	57.9	4,080.33

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, 2019	—	100.00	—	100.00	200.00
Year ending December 31, 2020	—	100.00	—	—	—
Year ending December 31, 2020 (Forecast)	—	—	—	100.00	200.00

3. Forecast of consolidated financial results for the year ending December 31, 2020 (from January 1, 2020 to December 31, 2020)

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	31,700	(29.4)	4,600	(69.0)	4,100	(72.9)	2,800	(71.1)	253.10

4. Notes

- (1) Changes in significant subsidiaries during the six months ended June 30, 2020
 (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: No
 - 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, 2020	11,832,504 shares	As of December 31, 2019	11,832,504 shares
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Number of treasury shares at the end of the period

As of June 30, 2020	766,008 shares	As of December 31, 2019	769,438 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2020	11,064,445 shares	Six months ended June 30, 2019	11,062,988 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of December 31, 2019	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	17,852	16,961
Notes and accounts receivable - trade	14,010	9,342
Merchandise and finished goods	9,153	10,278
Work in process	4,829	4,510
Raw materials and supplies	4,220	4,104
Other	562	501
Allowance for doubtful accounts	(20)	(24)
Total current assets	50,607	45,674
Non-current assets		
Property, plant and equipment		
Buildings and structures	16,680	16,846
Accumulated depreciation and impairment loss	(9,536)	(9,661)
Buildings and structures, net	7,144	7,184
Machinery and equipment	44,008	45,139
Accumulated depreciation and impairment loss	(37,232)	(37,670)
Machinery and equipment, net	6,775	7,469
Vehicles, tools, furniture and fixtures	3,264	3,325
Accumulated depreciation and impairment loss	(2,708)	(2,792)
Vehicles, tools, furniture and fixtures, net	555	532
Land	3,523	3,523
Construction in progress	821	987
Total property, plant and equipment	18,820	19,697
Intangible assets	160	179
Investments and other assets		
Investment securities	6,044	4,809
Deferred tax assets	371	399
Other	1,946	2,127
Allowance for doubtful accounts	(10)	(5)
Total investments and other assets	8,351	7,330
Total non-current assets	27,332	27,207
Total assets	77,939	72,881

(Millions of yen)

	As of December 31, 2019	As of June 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,821	3,937
Short-term borrowings	8,390	9,090
Accrued expenses	1,118	1,302
Income taxes payable	1,995	741
Provision for bonuses	214	630
Provision for bonuses for directors (and other officers)	96	27
Provision for plant relocation related expense	317	148
Other	2,770	1,545
Total current liabilities	20,725	17,423
Non-current liabilities		
Long-term borrowings	3,637	3,022
Deferred tax liabilities	569	188
Retirement benefit liability	757	742
Provision for retirement benefits for directors (and other officers)	43	49
Provision for share-based remuneration for directors (and other officers)	70	59
Provision for environmental measures	28	28
Asset retirement obligations	62	62
Other	390	384
Total non-current liabilities	5,559	4,538
Total liabilities	26,284	21,962
Net assets		
Shareholders' equity		
Share capital	7,402	7,402
Capital surplus	7,857	7,857
Retained earnings	29,689	29,758
Treasury shares	(1,921)	(1,911)
Total shareholders' equity	43,028	43,106
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,129	1,315
Foreign currency translation adjustment	49	45
Remeasurements of defined benefit plans	(66)	(60)
Total accumulated other comprehensive income	2,112	1,300
Non-controlling interests	6,513	6,512
Total net assets	51,654	50,919
Total liabilities and net assets	77,939	72,881

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, 2019	Six months ended June 30, 2020
Net sales	23,917	13,710
Cost of sales	12,215	9,303
Gross profit	11,702	4,406
Selling, general and administrative expenses	2,816	2,157
Operating profit	8,885	2,248
Non-operating income		
Dividend income	67	69
Insurance claim income	–	68
Gain on sales of investment securities	–	20
Other	134	43
Total non-operating income	202	202
Non-operating expenses		
Interest expenses	43	35
Share of loss of entities accounted for using equity method	28	81
Foreign exchange losses	19	8
Loss on retirement of non-current assets	159	45
Depreciation of inactive non-current assets	59	72
Other	140	9
Total non-operating expenses	450	252
Ordinary profit	8,637	2,199
Extraordinary losses		
Loss on fire	–	247
Total extraordinary losses	–	247
Profit before income taxes	8,637	1,952
Income taxes - current	2,819	666
Income taxes - deferred	(46)	(26)
Total income taxes	2,773	640
Profit	5,863	1,311
Profit attributable to non-controlling interests	251	137
Profit attributable to owners of parent	5,612	1,174

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Profit	5,863	1,311
Other comprehensive income		
Valuation difference on available-for-sale securities	287	(819)
Deferred gains or losses on hedges	(1)	–
Foreign currency translation adjustment	(51)	(4)
Remeasurements of defined benefit plans, net of tax	23	6
Total other comprehensive income	257	(817)
Comprehensive income	6,121	494
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,889	365
Comprehensive income attributable to non-controlling interests	232	129

Consolidated statements of cash flows

(Millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Cash flows from operating activities		
Profit before income taxes	8,637	1,952
Depreciation	895	1,050
Increase (decrease) in retirement benefit liability	(50)	21
Increase (decrease) in provision for retirement benefits for directors (and other officers)	3	5
Interest and dividend income	(68)	(69)
Insurance claim income	–	(68)
Increase(decrease) in provision for plant relocation related expense	(73)	(169)
Loss (gain) on sales of investment securities	–	(20)
Loss on retirement of non-current assets	159	45
Loss on fire	–	247
Interest expenses	43	35
Share of loss (profit) of entities accounted for using equity method	28	81
Decrease (increase) in trade receivables	941	4,664
Decrease (increase) in inventories	(3,089)	(691)
Decrease (increase) in accounts receivable - other	(15)	128
Increase (decrease) in trade payables	(861)	(1,880)
Increase (decrease) in accounts payable - other	(283)	(179)
Increase (decrease) in accrued expenses	557	77
Other, net	(390)	(288)
Subtotal	6,432	4,939
Interest and dividends received	68	69
Interest paid	(43)	(35)
Income taxes paid	(4,503)	(1,751)
Proceeds from insurance income	46	78
Net cash provided by (used in) operating activities	2,001	3,301
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,850)	(2,992)
Purchase of intangible assets	(5)	(55)
Purchase of investment securities	(2)	(2)
Proceeds from sales of investment securities	–	31
Net cash provided by (used in) investing activities	(1,859)	(3,020)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	60	700
Repayments of long-term borrowings	(597)	(615)
Net decrease (increase) in treasury shares	(1)	(1)
Dividends paid	(554)	(1,106)
Dividends paid to non-controlling interests	(140)	(147)
Net cash provided by (used in) financing activities	(1,232)	(1,170)
Effect of exchange rate change on cash and cash equivalents	(10)	(1)
Net increase (decrease) in cash and cash equivalents	(1,100)	(890)
Cash and cash equivalents at beginning of period	19,602	17,707
Cash and cash equivalents at end of period	18,501	16,816