

Translation

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Summary of Consolidated Financial Results for the Year Ended December 31, 2016 (Based on Japanese GAAP)

February 10, 2017

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 03-6862-6110
 Scheduled date of ordinary general meeting of shareholders: March 29, 2017
 Scheduled date to file Securities Report: March 29, 2017
 Scheduled date to commence dividend payments: March 30, 2017
 Preparation of supplementary material on financial results: No
 Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended December 31, 2016 (from January 1, 2016 to December 31, 2016)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31, 2016	22,903	(20.7)	(663)	–	(570)	–	(5,413)	–
Year ended December 31, 2015	28,891	(2.3)	2,063	46.4	1,884	24.1	1,076	34.2

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
Year ended December 31, 2016	(48.81)	–	(19.0)	(1.0)	(2.9)
Year ended December 31, 2015	9.51	–	3.4	3.2	7.1

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2016	53,895	30,810	47.2	229.37
As of December 31, 2015	59,043	36,617	53.3	283.82

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended December 31, 2016	2,370	(6,136)	3,501	10,408
Year ended December 31, 2015	3,827	(526)	(740)	10,685

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended December 31, 2015	–	0.00	–	5.00	5.00	554	52.7	1.8
Year ended December 31, 2016	–	0.00	–	5.00	5.00	554	–	1.9
Year ending December 31, 2017 (Forecast)	–	0.00	–	5.00	5.00		–	

3. Forecast of consolidated financial results for the year ending December 31, 2017 (from January 1, 2017 to December 31, 2017)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending June 30, 2017	11,200	0.1	200	9.1	100	(25.5)	0	–	0.00
Full year	26,000	13.5	1,000	–	1,100	–	1,000	–	9.02

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2016

(changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

(2) 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

(3) Number of issued shares (common shares)

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

As of December 31, 2016	118,325,045 shares	As of December 31, 2015	118,325,045 shares
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Number of treasury shares at the end of the period

As of December 31, 2016	7,419,440 shares	As of December 31, 2015	7,415,843 shares
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Average number of shares during the period

Year ended December 31, 2016	110,908,119 shares	Year ended December 31, 2015	113,127,173 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of December 31, 2015	As of December 31, 2016
Assets		
Current assets		
Cash and deposits	10,830	10,553
Notes and accounts receivable - trade	7,894	6,991
Merchandise and finished goods	8,109	5,852
Work in process	3,651	3,761
Raw materials and supplies	1,906	1,757
Deferred tax assets	226	89
Other	801	1,397
Allowance for doubtful accounts	(0)	(4)
Total current assets	33,419	30,400
Non-current assets		
Property, plant and equipment		
Buildings and structures	12,235	14,249
Accumulated depreciation and impairment loss	(7,494)	(9,037)
Buildings and structures, net	4,741	5,212
Machinery and equipment	37,841	38,444
Accumulated depreciation and impairment loss	(32,273)	(35,835)
Machinery and equipment, net	5,568	2,609
Vehicles, tools, furniture and fixtures	2,758	2,803
Accumulated depreciation and impairment loss	(2,417)	(2,575)
Vehicles, tools, furniture and fixtures, net	341	228
Land	3,938	3,514
Construction in progress	3,918	3,925
Total property, plant and equipment	18,508	15,490
Intangible assets	115	152
Investments and other assets		
Investment securities	4,654	5,904
Long-term loans receivable	47	38
Deferred tax assets	396	297
Other	1,938	1,647
Allowance for doubtful accounts	(36)	(36)
Total investments and other assets	7,000	7,851
Total non-current assets	25,624	23,495
Total assets	59,043	53,895

(Millions of yen)

	As of December 31, 2015	As of December 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,985	3,124
Short-term loans payable	8,784	7,843
Notes payable - facilities	268	249
Income taxes payable	531	177
Provision for bonuses	129	111
Provision for directors' bonuses	39	13
Other	3,359	1,669
Total current liabilities	17,098	13,189
Non-current liabilities		
Long-term loans payable	2,160	7,095
Deferred tax liabilities	979	915
Net defined benefit liability	1,599	1,256
Provision for directors' retirement benefits	69	80
Provision for environmental measures	22	22
Asset retirement obligations	73	73
Other	422	450
Total non-current liabilities	5,327	9,895
Total liabilities	22,425	23,085
Net assets		
Shareholders' equity		
Capital stock	7,402	7,402
Capital surplus	7,800	7,800
Retained earnings	16,237	10,226
Treasury shares	(1,824)	(1,825)
Total shareholders' equity	29,615	23,604
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,905	1,904
Foreign currency translation adjustment	62	16
Remeasurements of defined benefit plans	(106)	(87)
Total accumulated other comprehensive income	1,861	1,833
Non-controlling interests	5,139	5,372
Total net assets	36,617	30,810
Total liabilities and net assets	59,043	53,895

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016
Net sales	28,891	22,903
Cost of sales	22,718	20,130
Gross profit	6,173	2,772
Selling, general and administrative expenses	4,109	3,435
Operating income (loss)	2,063	(663)
Non-operating income		
Interest income	2	2
Dividend income	88	96
Gain on sales of securities	–	114
Share of profit of entities accounted for using equity method	6	–
Rent income	21	22
Gain on insurance adjustment	20	90
Other	53	70
Total non-operating income	194	397
Non-operating expenses		
Interest expenses	84	84
Commission fee	62	–
Foreign exchange losses	109	42
Loss on retirement of non-current assets	73	60
Share of loss of entities accounted for using equity method	–	91
Other	43	26
Total non-operating expenses	373	304
Ordinary income (loss)	1,884	(570)
Extraordinary income		
Gain on sales of non-current assets	382	–
Compensation income	–	173
Total extraordinary income	382	173
Extraordinary losses		
Impairment loss	330	4,261
Total extraordinary losses	330	4,261
Profit (loss) before income taxes	1,936	(4,658)
Income taxes - current	710	233
Income taxes - deferred	285	224
Total income taxes	995	458
Profit (loss)	940	(5,116)
Profit (loss) attributable to non-controlling interests	(136)	296
Profit (loss) attributable to owners of parent	1,076	(5,413)

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016
Profit (loss)	940	(5,116)
Other comprehensive income		
Valuation difference on available-for-sale securities	142	(1)
Deferred gains or losses on hedges	55	–
Foreign currency translation adjustment	67	(106)
Remeasurements of defined benefit plans, net of tax	10	(1)
Total other comprehensive income	275	(109)
Comprehensive income	1,216	(5,226)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,320	(5,462)
Comprehensive income attributable to non-controlling interests	(104)	236

Consolidated statements of changes in equity

Fiscal year ended December 31, 2015

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	7,402	7,800	15,556	(882)	29,878
Cumulative effects of changes in accounting policies			200		200
Restated balance	7,402	7,800	15,757	(882)	30,078
Changes of items during period					
Dividends of surplus			(568)		(568)
Change of scope of consolidation			(28)		(28)
Profit (loss) attributable to owners of parent			1,076		1,076
Purchase of treasury shares				(942)	(942)
Disposal of treasury shares		0			0
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	0	479	(942)	(462)
Balance at end of current period	7,402	7,800	16,237	(1,824)	29,615

(Millions of yen)

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,761	(55)	42	(117)	1,631	5,180	36,690
Cumulative effects of changes in accounting policies					-		200
Restated balance	1,761	(55)	42	(117)	1,631	5,180	36,891
Changes of items during period							
Dividends of surplus					-		(568)
Change of scope of consolidation					-		(28)
Profit (loss) attributable to owners of parent					-		1,076
Purchase of treasury shares					-		(942)
Disposal of treasury shares					-		0
Net changes of items other than shareholders' equity	144	55	19	10	230	(40)	189
Total changes of items during period	144	55	19	10	230	(40)	(273)
Balance at end of current period	1,905	-	62	(106)	1,861	5,139	36,617

Fiscal year ended December 31, 2016

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	7,402	7,800	16,237	(1,824)	29,615
Changes of items during period					
Dividends of surplus			(554)		(554)
Change of scope of consolidation			(42)		(42)
Profit (loss) attributable to owners of parent			(5,413)		(5,413)
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		(0)		0	0
Net changes of items other than shareholders' equity					–
Total changes of items during period	–	(0)	(6,010)	(0)	(6,011)
Balance at end of current period	7,402	7,800	10,226	(1,825)	23,604

(Millions of yen)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,905	62	(106)	1,861	5,139	36,617
Changes of items during period						
Dividends of surplus				–		(554)
Change of scope of consolidation				–		(42)
Profit (loss) attributable to owners of parent				–		(5,413)
Purchase of treasury shares				–		(1)
Disposal of treasury shares				–		0
Net changes of items other than shareholders' equity	(1)	(45)	18	(28)	232	203
Total changes of items during period	(1)	(45)	18	(28)	232	(5,807)
Balance at end of current period	1,904	16	(87)	1,833	5,372	30,810

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016
Cash flows from operating activities		
Profit (loss) before income taxes	1,936	(4,658)
Depreciation	2,474	2,342
Impairment loss	330	4,261
Increase (decrease) in net defined benefit liability	(360)	(342)
Increase (decrease) in provision for directors' retirement benefits	(8)	11
Interest and dividend income	(91)	(99)
Interest expenses	84	84
Share of (profit) loss of entities accounted for using equity method	(6)	91
Loss (gain) on sales of non-current assets	(382)	–
Loss (gain) on sales of investment securities	–	(114)
Loss on retirement of non-current assets	73	60
Decrease (increase) in notes and accounts receivable - trade	971	830
Compensation income	–	(173)
Decrease (increase) in inventories	433	2,170
Increase (decrease) in notes and accounts payable - trade	(457)	(819)
Increase (decrease) in accrued expenses	(52)	(57)
Increase (decrease) in accounts payable - other	255	(515)
Decrease (increase) in accounts receivable - other	(293)	(713)
Other, net	(674)	307
Subtotal	4,232	2,665
Interest and dividend income received	92	99
Interest expenses paid	(84)	(84)
Income taxes refund	11	11
Income taxes paid	(475)	(930)
Proceeds from insurance income	50	146
Proceeds from compensation	–	463
Net cash provided by (used in) operating activities	3,827	2,370
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,023)	(5,038)
Proceeds from sales of property, plant and equipment	3,395	–
Purchase of intangible assets	(70)	(76)
Purchase of investment securities	(7)	(7)
Purchase of shares of subsidiaries and associates	–	(1,475)
Proceeds from liquidation of subsidiaries and associates	–	25
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	–	96
Decrease (increase) in time deposits	(800)	300
Other, net	(20)	39
Net cash provided by (used in) investing activities	(526)	(6,136)

(Millions of yen)

	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(115)	(639)
Proceeds from long-term loans payable	1,550	5,100
Repayments of long-term loans payable	(598)	(387)
Net decrease (increase) in treasury shares	(942)	(1)
Cash dividends paid	(566)	(551)
Dividends paid to non-controlling interests	(67)	(18)
Net cash provided by (used in) financing activities	(740)	3,501
Effect of exchange rate change on cash and cash equivalents	(5)	(11)
Net increase (decrease) in cash and cash equivalents	2,554	(276)
Cash and cash equivalents at beginning of period	8,048	10,685
Increase in cash and cash equivalents from newly consolidated subsidiary	82	–
Cash and cash equivalents at end of period	10,685	10,408