

Translation

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**Summary of Consolidated Financial Results
for the Year Ended December 31, 2018
(Based on Japanese GAAP)**

February 8, 2019

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 of ordinary general meeting of shareholders: March 27, 2019
 Scheduled date to file Securities Report: March 27, 2019
 Scheduled date to commence dividend payments: March 28, 2019
 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, 2018 (from January 1, 2018 to December 31, 2018)

(1) Consolidated operating results

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	%
Year ended December 31, 2018	48,017	71.7	16,404	538.4	16,508	450.7	10,292	247.6
Year ended December 31, 2017	27,964	22.1	2,569	-	2,997	-	2,961	-

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended December 31, 2018	931.89	-	31.8	25.1	34.2
Year ended December 31, 2017	267.71	-	11.0	5.4	9.2

(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, 2018	73,960	42,734	49.4	3,303.04
As of December 31, 2017	57,656	33,906	48.9	2,553.20

(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, 2018	12,633	(2,051)	(2,418)	19,602
Year ended December 31, 2017	3,876	(1,498)	(1,349)	11,441

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, 2017	-	0.00	-	50.00	50.00	554	18.7	2.1
Year ended December 31, 2018	-	50.00	-	50.00	100.00	1,106	10.7	3.4
Year ending December 31, 2019 (Forecast)	-	100.00	-	100.00	200.00		16.9	

3. Forecast of consolidated financial results for the year ending December 31, 2019 (from January 1, 2019 to December 31, 2019)

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
Six months ending June 30, 2019	28,100	41.9	10,500	87.8	10,400	83.1	7,000	87.7	632.78
Full year	56,500	17.7	19,700	20.1	19,600	18.7	13,100	27.3	1,184.21

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2018

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

(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: No

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, 2018	11,832,504 shares	As of December 31, 2017	11,832,504 shares
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Number of treasury shares at the end of the period

As of December 31, 2018	770,233 shares	As of December 31, 2017	788,847 shares
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Average number of shares during the period

Year ended December 31, 2018	11,045,222 shares	Year ended December 31, 2017	11,061,962 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of December 31, 2017	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	11,586	19,747
Notes and accounts receivable - trade	10,262	15,270
Merchandise and finished goods	5,508	6,889
Work in process	3,804	4,351
Raw materials and supplies	1,569	3,255
Deferred tax assets	642	692
Other	492	415
Allowance for doubtful accounts	(25)	(20)
Total current assets	33,840	50,601
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,572	15,502
Accumulated depreciation and impairment loss	(9,306)	(9,300)
Buildings and structures, net	6,265	6,202
Machinery and equipment	41,673	41,826
Accumulated depreciation and impairment loss	(36,576)	(36,859)
Machinery and equipment, net	5,097	4,966
Vehicles, tools, furniture and fixtures	2,917	3,084
Accumulated depreciation and impairment loss	(2,625)	(2,665)
Vehicles, tools, furniture and fixtures, net	291	418
Land	3,522	3,516
Construction in progress	113	1,087
Total property, plant and equipment	15,290	16,192
Intangible assets	198	202
Investments and other assets		
Investment securities	6,695	5,390
Long-term loans receivable	9	–
Deferred tax assets	146	71
Other	1,491	1,510
Allowance for doubtful accounts	(16)	(8)
Total investments and other assets	8,326	6,964
Total non-current assets	23,815	23,358
Total assets	57,656	73,960

(Millions of yen)

	As of December 31, 2017	As of December 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,349	7,392
Short-term loans payable	8,417	8,381
Notes payable - facilities	354	407
Income taxes payable	358	4,841
Provision for bonuses	135	193
Provision for directors' bonuses	69	125
Provision for plant relocation related expense	–	539
Other	1,488	2,465
Total current liabilities	15,173	24,346
Non-current liabilities		
Long-term loans payable	5,977	4,867
Deferred tax liabilities	853	591
Net defined benefit liability	1,059	847
Provision for directors' retirement benefits	74	39
Provision For Management Board Incentive Plan Trust	23	50
Provision for environmental measures	65	28
Asset retirement obligations	73	62
Other	450	391
Total non-current liabilities	8,576	6,878
Total liabilities	23,750	31,225
Net assets		
Shareholders' equity		
Capital stock	7,402	7,402
Capital surplus	7,800	7,857
Retained earnings	12,638	21,646
Treasury shares	(1,967)	(1,924)
Total shareholders' equity	25,874	34,982
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,424	1,584
Deferred gains or losses on hedges	–	6
Foreign currency translation adjustment	4	42
Remeasurements of defined benefit plans	(106)	(77)
Total accumulated other comprehensive income	2,322	1,556
Non-controlling interests	5,709	6,195
Total net assets	33,906	42,734
Total liabilities and net assets	57,656	73,960

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

(Millions of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
Net sales	27,964	48,017
Cost of sales	21,512	26,344
Gross profit	6,451	21,673
Selling, general and administrative expenses	3,882	5,269
Operating profit	2,569	16,404
Non-operating income		
Interest income	1	1
Dividend income	119	115
Gain on sales of securities	–	33
Foreign exchange gains	111	25
Share of profit of entities accounted for using equity method	103	8
Subsidy income	166	172
Other	144	119
Total non-operating income	647	476
Non-operating expenses		
Interest expenses	91	91
Loss on retirement of non-current assets	25	174
Provision for environmental measures	44	–
Depreciation of inactive non-current assets	–	59
Other	58	47
Total non-operating expenses	219	372
Ordinary profit	2,997	16,508
Extraordinary losses		
Loss on fire	–	273
Provision for plant relocation related expense	–	561
Total extraordinary losses	–	834
Profit before income taxes	2,997	15,673
Income taxes - current	335	4,715
Income taxes - deferred	(680)	128
Total income taxes	(344)	4,843
Profit	3,342	10,829
Profit attributable to non-controlling interests	380	536
Profit attributable to owners of parent	2,961	10,292

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
Profit	3,342	10,829
Other comprehensive income		
Valuation difference on available-for-sale securities	527	(851)
Deferred gains or losses on hedges	–	6
Foreign currency translation adjustment	(19)	63
Remeasurements of defined benefit plans, net of tax	(18)	38
Total other comprehensive income	488	(742)
Comprehensive income	3,830	10,086
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,450	9,534
Comprehensive income attributable to non-controlling interests	380	552

Consolidated statements of changes in equity

Fiscal year ended December 31, 2017

(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	10,226	(1,825)	23,604
Changes of items during period					
Dividends of surplus			(554)		(554)
Profit attributable to owners of parent			2,961		2,961
Purchase of treasury shares				(142)	(142)
Net changes of items other than shareholders' equity			4		4
Total changes of items during period	-	-	2,411	(142)	2,269
Balance at end of current period	7,402	7,800	12,638	(1,967)	25,874

(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	1,904	16	(87)	1,833	5,372	30,810
Changes of items during period						
Dividends of surplus				-		(554)
Profit attributable to owners of parent				-		2,961
Purchase of treasury shares				-		(142)
Net changes of items other than shareholders' equity	519	(12)	(18)	489	337	831
Total changes of items during period	519	(12)	(18)	489	337	3,095
Balance at end of current period	2,424	4	(106)	2,322	5,709	33,906

Fiscal year ended December 31, 2018

(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	12,638	(1,967)	25,874
Changes of items during period					
Dividends of surplus			(1,106)		(1,106)
Profit attributable to owners of parent			10,292		10,292
Purchase of treasury shares				(5)	(5)
Disposal of treasury shares		57		48	105
Net changes of items other than shareholders' equity			(178)		(178)
Total changes of items during period	–	57	9,007	43	9,108
Balance at end of current period	7,402	7,857	21,646	(1,924)	34,982

(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	2,424	–	4	(106)	2,322	5,709	33,906
Changes of items during period							
Dividends of surplus					–		(1,106)
Profit attributable to owners of parent					–		10,292
Purchase of treasury shares					–		(5)
Disposal of treasury shares					–		105
Net changes of items other than shareholders' equity	(839)	6	38	28	(765)	485	(458)
Total changes of items during period	(839)	6	38	28	(765)	485	8,828
Balance at end of current period	1,584	6	42	(77)	1,556	6,195	42,734

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
Cash flows from operating activities		
Profit before income taxes	2,997	15,673
Depreciation	1,570	1,553
Increase (decrease) in net defined benefit liability	(233)	(249)
Increase (decrease) in provision for directors' retirement benefits	(6)	(34)
Increase(decrease) in provision for plant relocation related expense	–	539
Interest and dividend income	(120)	(172)
Interest expenses	91	91
Share of loss (profit) of entities accounted for using equity method	(103)	(8)
Loss (gain) on sales of investment securities	–	(33)
Loss on retirement of non-current assets	25	174
Decrease (increase) in notes and accounts receivable - trade	(3,251)	(5,041)
Decrease (increase) in inventories	513	(3,647)
Increase (decrease) in notes and accounts payable - trade	1,219	3,052
Increase (decrease) in accrued expenses	56	370
Increase (decrease) in accounts payable - other	162	197
Decrease (increase) in accounts receivable - other	360	172
Other, net	100	278
Subtotal	3,381	12,916
Interest and dividend income received	120	173
Interest expenses paid	(91)	(91)
Income taxes refund	309	5
Income taxes paid	(225)	(459)
Proceeds from insurance income	182	90
Proceeds from compensation	198	–
Net cash provided by (used in) operating activities	3,876	12,633
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,432)	(2,081)
Purchase of intangible assets	(90)	(63)
Purchase of investment securities	(8)	(7)
Proceeds from sales of investment securities	–	75
Other, net	32	25
Net cash provided by (used in) investing activities	(1,498)	(2,051)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(488)	(185)
Proceeds from long-term loans payable	–	100
Repayments of long-term loans payable	(97)	(1,105)
Net decrease (increase) in treasury shares	(142)	(5)
Cash dividends paid	(551)	(1,102)
Dividends paid to non-controlling interests	(69)	(120)
Net cash provided by (used in) financing activities	(1,349)	(2,418)
Effect of exchange rate change on cash and cash equivalents	4	(3)
Net increase (decrease) in cash and cash equivalents	1,033	8,160
Cash and cash equivalents at beginning of period	10,408	11,441
Cash and cash equivalents at end of period	11,441	19,602