

Translation

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**Summary of Consolidated Financial Results
for the Six Months Ended June 30, 2017
(Based on Japanese GAAP)**

August 4, 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 to file Quarterly Securities Report: August 10, 2017
 Scheduled date to commence dividend payments: –
 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, 2017 (from January 1, 2017 to June 30, 2017)

(1) Consolidated operating results (cumulative)

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	%
Six months ended June 30, 2017	11,972	7.0	467	155.2	568	323.6	348	–
Six months ended June 30, 2016	11,193	(23.3)	183	(84.3)	134	(88.8)	(56)	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2017	31.43		–	
Six months ended June 30, 2016	(5.13)		–	

(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, 2017	52,890	30,379	47.2	2,261.91
As of December 31, 2016	53,895	30,810	47.2	2,293.67

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, 2016	–	0.00	–	5.00	5.00
Year ending December 31, 2017	–	0.00			
Year ending December 31, 2017 (Forecast)			–	50.00	–

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
Full year	26,700	2.7	1,300	30.0	1,400	27.3	1,200	20.0	108.64

4. Notes

- (1) Changes in significant subsidiaries during the six months ended June 30, 2017
 (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, 2017	11,832,504 shares	As of December 31, 2016	11,832,504 shares
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Number of treasury shares at the end of the period

As of June 30, 2017	787,565 shares	As of December 31, 2016	741,944 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, 2017	11,077,422 shares	Six months ended June 30, 2016	11,090,872 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of December 31, 2016	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	10,553	11,543
Notes and accounts receivable - trade	6,991	7,114
Merchandise and finished goods	5,852	5,351
Work in process	3,761	3,757
Raw materials and supplies	1,757	1,739
Other	1,487	471
Allowance for doubtful accounts	(4)	(1)
Total current assets	30,400	29,977
Non-current assets		
Property, plant and equipment		
Buildings and structures	14,249	14,288
Accumulated depreciation and impairment loss	(9,037)	(9,143)
Buildings and structures, net	5,212	5,145
Machinery and equipment	38,444	39,035
Accumulated depreciation and impairment loss	(35,835)	(36,279)
Machinery and equipment, net	2,609	2,756
Vehicles, tools, furniture and fixtures	2,803	2,841
Accumulated depreciation and impairment loss	(2,575)	(2,617)
Vehicles, tools, furniture and fixtures, net	228	223
Land	3,514	3,518
Construction in progress	3,925	3,626
Total property, plant and equipment	15,490	15,269
Intangible assets	152	163
Investments and other assets		
Investment securities	5,904	5,691
Other	1,982	1,823
Allowance for doubtful accounts	(36)	(35)
Total investments and other assets	7,851	7,479
Total non-current assets	23,495	22,913
Total assets	53,895	52,890

(Millions of yen)

	As of December 31, 2016	As of June 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,124	3,182
Short-term loans payable	7,843	7,834
Income taxes payable	177	164
Provision for bonuses	111	250
Provision for directors' bonuses	13	9
Other	1,919	1,340
Total current liabilities	13,189	12,781
Non-current liabilities		
Long-term loans payable	7,095	7,065
Net defined benefit liability	1,256	1,121
Provision for directors' retirement benefits	80	82
Provision For Management Board Incentive Plan Trust	–	7
Provision for environmental measures	22	20
Asset retirement obligations	73	73
Other	1,366	1,357
Total non-current liabilities	9,895	9,729
Total liabilities	23,085	22,511
Net assets		
Shareholders' equity		
Capital stock	7,402	7,402
Capital surplus	7,800	7,800
Retained earnings	10,226	10,030
Treasury shares	(1,825)	(1,962)
Total shareholders' equity	23,604	23,271
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,904	1,821
Foreign currency translation adjustment	16	(15)
Remeasurements of defined benefit plans	(87)	(94)
Total accumulated other comprehensive income	1,833	1,711
Non-controlling interests	5,372	5,396
Total net assets	30,810	30,379
Total liabilities and net assets	53,895	52,890

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, 2016	Six months ended June 30, 2017
Net sales	11,193	11,972
Cost of sales	9,338	9,677
Gross profit	1,855	2,295
Selling, general and administrative expenses	1,672	1,827
Operating income	183	467
Non-operating income		
Dividend income	54	72
Gain on insurance adjustment	36	11
Foreign exchange gains	–	56
Other	42	90
Total non-operating income	133	230
Non-operating expenses		
Interest expenses	42	42
Foreign exchange losses	83	–
Share of loss of entities accounted for using equity method	22	67
Other	34	19
Total non-operating expenses	183	129
Ordinary income	134	568
Extraordinary income		
Compensation income	173	–
Total extraordinary income	173	–
Profit before income taxes	307	568
Income taxes - current	160	83
Income taxes - deferred	121	53
Total income taxes	282	136
Profit	25	431
Profit attributable to non-controlling interests	81	83
Profit (loss) attributable to owners of parent	(56)	348

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended June 30, 2016	Six months ended June 30, 2017
Profit	25	431
Other comprehensive income		
Valuation difference on available-for-sale securities	(944)	(79)
Foreign currency translation adjustment	(140)	54
Remeasurements of defined benefit plans, net of tax	8	(6)
Total other comprehensive income	(1,076)	(32)
Comprehensive income	(1,051)	399
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,067)	291
Comprehensive income attributable to non-controlling interests	15	107

Consolidated statements of cash flows

(Millions of yen)

	Six months ended June 30, 2016	Six months ended June 30, 2017
Cash flows from operating activities		
Profit before income taxes	307	568
Depreciation	1,159	728
Increase (decrease) in net defined benefit liability	(168)	(163)
Increase (decrease) in provision for directors' retirement benefits	5	1
Interest and dividend income	(55)	(72)
Interest expenses	41	42
Share of (profit) loss of entities accounted for using equity method	22	67
Compensation income	(173)	–
Decrease (increase) in notes and accounts receivable - trade	1,511	(114)
Decrease (increase) in inventories	517	533
Decrease (increase) in accounts receivable - other	(139)	544
Decrease (increase) in prepaid expenses	(58)	(93)
Increase (decrease) in notes and accounts payable - trade	(1,076)	55
Increase (decrease) in accrued expenses	30	85
Increase (decrease) in accounts payable - other	(494)	170
Increase (decrease) in deposits received	(87)	(186)
Other, net	86	261
Subtotal	1,429	2,429
Interest and dividend income received	56	73
Interest expenses paid	(41)	(43)
Income taxes refund	11	316
Income taxes paid	(586)	(161)
Proceeds from insurance income	20	90
Proceeds from compensation	463	198
Net cash provided by (used in) operating activities	1,352	2,904
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,514)	(1,081)
Purchase of intangible assets	(18)	(28)
Purchase of investment securities	(3)	(3)
Purchase of shares of subsidiaries and associates	(1,475)	–
Net decrease (increase) in time deposits	300	–
Other, net	39	9
Net cash provided by (used in) investing activities	(4,672)	(1,103)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(581)	(31)
Proceeds from long-term loans payable	3,291	–
Repayments of long-term loans payable	(284)	(30)
Net decrease (increase) in treasury shares	(0)	(137)
Cash dividends paid	(549)	(548)
Dividends paid to non-controlling interests	(18)	(66)
Net cash provided by (used in) financing activities	1,856	(813)
Effect of exchange rate change on cash and cash equivalents	(7)	1
Net increase (decrease) in cash and cash equivalents	(1,470)	989
Cash and cash equivalents at beginning of period	10,685	10,408
Cash and cash equivalents at end of period	9,214	11,398