

Translation

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**Summary of Consolidated Financial Results
for the Year Ended December 31, 2017
(Based on Japanese GAAP)**

February 9, 2018

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 28, 2018
 Scheduled date to file Securities Report: March 28, 2018
 Scheduled date to commence dividend payments: March 29, 2018
 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, 2017 (from January 1, 2017 to December 31, 2017)

(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, 2017	27,964	22.1	2,569	–	2,997	–	2,961	–
Year ended December 31, 2016	22,903	(20.7)	(663)	–	(570)	–	(5,413)	–

	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, 2017	267.71	–	11.0	5.4	9.2
Year ended December 31, 2016	(488.10)	–	(19.0)	(1.0)	(2.9)

(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, 2017	57,656	33,906	48.9	2,553.20
As of December 31, 2016	53,895	30,810	47.2	2,293.67

(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, 2017	3,876	(1,498)	(1,349)	11,441
Year ended December 31, 2016	2,370	(6,136)	3,501	10,408

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, 2016	–	0.00	–	5.00	5.00	554	–	1.9
Year ended December 31, 2017	–	0.00	–	50.00	50.00	554	18.7	2.1
Year ending December 31, 2018 (Forecast)	–	50.00	–	50.00	100.00		24.0	

3. Forecast of consolidated financial results for the year ending December 31, 2018 (from January 1, 2018 to December 31, 2018)

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, 2018	17,100	42.8	3,000	541.4	3,000	427.7	1,800	417.1	162.99
Full year	37,500	34.1	7,000	172.4	7,000	133.5	4,600	55.3	416.53

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2017

(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: 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, 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 December 31, 2017	788,847 shares	As of December 31, 2016	741,944 shares
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Average number of shares during the period

Year ended December 31, 2017	11,061,962 shares	Year ended December 31, 2016	11,090,811 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of December 31, 2016	As of December 31, 2017
Assets		
Current assets		
Cash and deposits	10,553	11,586
Notes and accounts receivable - trade	6,991	10,262
Merchandise and finished goods	5,852	5,508
Work in process	3,761	3,804
Raw materials and supplies	1,757	1,569
Deferred tax assets	89	642
Other	1,397	492
Allowance for doubtful accounts	(4)	(25)
Total current assets	30,400	33,840
Non-current assets		
Property, plant and equipment		
Buildings and structures	14,249	15,572
Accumulated depreciation and impairment loss	(9,037)	(9,306)
Buildings and structures, net	5,212	6,265
Machinery and equipment	38,444	41,673
Accumulated depreciation and impairment loss	(35,835)	(36,576)
Machinery and equipment, net	2,609	5,097
Vehicles, tools, furniture and fixtures	2,803	2,917
Accumulated depreciation and impairment loss	(2,575)	(2,625)
Vehicles, tools, furniture and fixtures, net	228	291
Land	3,514	3,522
Construction in progress	3,925	113
Total property, plant and equipment	15,490	15,290
Intangible assets	152	198
Investments and other assets		
Investment securities	5,904	6,695
Long-term loans receivable	38	9
Deferred tax assets	297	146
Other	1,647	1,491
Allowance for doubtful accounts	(36)	(16)
Total investments and other assets	7,851	8,326
Total non-current assets	23,495	23,815
Total assets	53,895	57,656

(Millions of yen)

	As of December 31, 2016	As of December 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,124	4,349
Short-term loans payable	7,843	8,417
Notes payable - facilities	249	354
Income taxes payable	177	358
Provision for bonuses	111	135
Provision for directors' bonuses	13	69
Other	1,669	1,488
Total current liabilities	13,189	15,173
Non-current liabilities		
Long-term loans payable	7,095	5,977
Deferred tax liabilities	915	853
Net defined benefit liability	1,256	1,059
Provision for directors' retirement benefits	80	74
Provision For Management Board Incentive Plan Trust	–	23
Provision for environmental measures	22	65
Asset retirement obligations	73	73
Other	450	450
Total non-current liabilities	9,895	8,576
Total liabilities	23,085	23,750
Net assets		
Shareholders' equity		
Capital stock	7,402	7,402
Capital surplus	7,800	7,800
Retained earnings	10,226	12,638
Treasury shares	(1,825)	(1,967)
Total shareholders' equity	23,604	25,874
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,904	2,424
Foreign currency translation adjustment	16	4
Remeasurements of defined benefit plans	(87)	(106)
Total accumulated other comprehensive income	1,833	2,322
Non-controlling interests	5,372	5,709
Total net assets	30,810	33,906
Total liabilities and net assets	53,895	57,656

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

(Millions of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Net sales	22,903	27,964
Cost of sales	20,130	21,512
Gross profit	2,772	6,451
Selling, general and administrative expenses	3,435	3,882
Operating profit (loss)	(663)	2,569
Non-operating income		
Interest income	2	1
Dividend income	96	119
Gain on sales of securities	114	–
Share of profit of entities accounted for using equity method	–	103
Rent income	22	38
Foreign exchange gains	–	111
Subsidy income	–	166
Gain on insurance adjustment	90	–
Other	70	105
Total non-operating income	397	647
Non-operating expenses		
Interest expenses	84	91
Foreign exchange losses	42	–
Loss on retirement of non-current assets	60	25
Provision for environmental measures	–	44
Share of loss of entities accounted for using equity method	91	–
Other	26	58
Total non-operating expenses	304	219
Ordinary profit (loss)	(570)	2,997
Extraordinary income		
Compensation income	173	–
Total extraordinary income	173	–
Extraordinary losses		
Impairment loss	4,261	–
Total extraordinary losses	4,261	–
Profit (loss) before income taxes	(4,658)	2,997
Income taxes - current	233	335
Income taxes - deferred	224	(680)
Total income taxes	458	(344)
Profit (loss)	(5,116)	3,342
Profit attributable to non-controlling interests	296	380
Profit (loss) attributable to owners of parent	(5,413)	2,961

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Profit (loss)	(5,116)	3,342
Other comprehensive income		
Valuation difference on available-for-sale securities	(1)	527
Foreign currency translation adjustment	(106)	(19)
Remeasurements of defined benefit plans, net of tax	(1)	(18)
Total other comprehensive income	(109)	488
Comprehensive income	(5,226)	3,830
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(5,462)	3,450
Comprehensive income attributable to non-controlling interests	236	380

Consolidated statements of changes in equity

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 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 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

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

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Cash flows from operating activities		
Profit (loss) before income taxes	(4,658)	2,997
Depreciation	2,342	1,570
Impairment loss	4,261	–
Increase (decrease) in net defined benefit liability	(342)	(233)
Increase (decrease) in provision for directors' retirement benefits	11	(6)
Interest and dividend income	(99)	(120)
Interest expenses	84	91
Share of (profit) loss of entities accounted for using equity method	91	(103)
Loss (gain) on sales of investment securities	(114)	–
Loss on retirement of non-current assets	60	25
Decrease (increase) in notes and accounts receivable - trade	830	(3,251)
Compensation income	(173)	–
Decrease (increase) in inventories	2,170	513
Increase (decrease) in notes and accounts payable - trade	(819)	1,219
Increase (decrease) in accrued expenses	(57)	56
Increase (decrease) in accounts payable - other	(515)	162
Decrease (increase) in accounts receivable - other	(713)	360
Other, net	307	99
Subtotal	2,665	3,381
Interest and dividend income received	99	120
Interest expenses paid	(84)	(91)
Income taxes refund	11	309
Income taxes paid	(930)	(225)
Proceeds from insurance income	146	182
Proceeds from compensation	463	198
Net cash provided by (used in) operating activities	2,370	3,876
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,038)	(1,432)
Purchase of intangible assets	(76)	(90)
Purchase of investment securities	(7)	(8)
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	300	–
Other, net	39	32
Net cash provided by (used in) investing activities	(6,136)	(1,498)

(Millions of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(639)	(488)
Proceeds from long-term loans payable	5,100	–
Repayments of long-term loans payable	(387)	(97)
Net decrease (increase) in treasury shares	(1)	(142)
Cash dividends paid	(551)	(551)
Dividends paid to non-controlling interests	(18)	(69)
Net cash provided by (used in) financing activities	3,501	(1,349)
Effect of exchange rate change on cash and cash equivalents	(11)	4
Net increase (decrease) in cash and cash equivalents	(276)	1,033
Cash and cash equivalents at beginning of period	10,685	10,408
Cash and cash equivalents at end of period	10,408	11,441