

Translation

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**Summary of Consolidated Financial Results
for the Year Ended December 31, 2019
(Based on Japanese GAAP)**

February 10, 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 of ordinary general meeting of shareholders: March 27, 2020
 Scheduled date to file Securities Report: March 27, 2020
 Scheduled date to commence dividend payments: March 30, 2020
 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, 2019 (from January 1, 2019 to December 31, 2019)

(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, 2019	44,931	(6.4)	14,827	(9.6)	15,106	(8.5)	9,700	(5.8)
Year ended December 31, 2018	48,017	71.7	16,404	538.4	16,508	450.7	10,292	247.6

	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, 2019	876.81	–	23.8	19.9	33.0
Year ended December 31, 2018	931.89	–	31.8	25.1	34.2

(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, 2019	77,939	51,654	57.9	4,080.33
As of December 31, 2018	73,598	42,734	49.7	3,303.04

(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, 2019	4,742	(3,693)	(2,946)	17,707
Year ended December 31, 2018	12,633	(2,051)	(2,418)	19,602

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, 2018	–	50.00	–	50.00	100.00	1,105	10.7	3.4
Year ended December 31, 2019	–	100.00	–	100.00	200.00	2,212	22.8	5.4
Year ending December 31, 2020 (Forecast)	–	100.00	–	100.00	200.00		34.6	

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
Six months ending June 30, 2020	21,000	(12.2)	4,900	(44.9)	4,600	(46.7)	3,100	(44.8)	280.21
Full year	43,400	(3.4)	10,000	(32.6)	9,500	(37.1)	6,400	(34.0)	578.50

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2019

(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, 2019	11,832,504 shares	As of December 31, 2018	11,832,504 shares
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Number of treasury shares at the end of the period

As of December 31, 2019	769,438 shares	As of December 31, 2018	770,233 shares
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Average number of shares during the period

Year ended December 31, 2019	11,063,324 shares	Year ended December 31, 2018	11,045,222 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of December 31, 2018	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	19,747	17,852
Notes and accounts receivable - trade	15,270	14,010
Merchandise and finished goods	6,889	9,153
Work in process	4,351	4,829
Raw materials and supplies	3,255	4,220
Other	415	562
Allowance for doubtful accounts	(20)	(20)
Total current assets	49,908	50,607
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,502	16,680
Accumulated depreciation and impairment loss	(9,300)	(9,536)
Buildings and structures, net	6,202	7,144
Machinery and equipment	41,826	44,008
Accumulated depreciation and impairment loss	(36,859)	(37,232)
Machinery and equipment, net	4,966	6,775
Vehicles, tools, furniture and fixtures	3,084	3,264
Accumulated depreciation and impairment loss	(2,665)	(2,708)
Vehicles, tools, furniture and fixtures, net	418	555
Land	3,516	3,523
Construction in progress	1,087	821
Total property, plant and equipment	16,192	18,820
Intangible assets	202	160
Investments and other assets		
Investment securities	5,390	6,044
Deferred tax assets	402	371
Other	1,510	1,946
Allowance for doubtful accounts	(8)	(10)
Total investments and other assets	7,295	8,351
Total non-current assets	23,689	27,332
Total assets	73,598	77,939

(Millions of yen)

	As of December 31, 2018	As of December 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,392	5,821
Short-term loans payable	8,381	8,390
Accrued expenses	728	1,118
Income taxes payable	4,841	1,995
Provision for bonuses	193	214
Provision for bonuses for directors (and other officers)	125	96
Provision for plant relocation related expense	539	317
Other	2,144	2,770
Total current liabilities	24,346	20,725
Non-current liabilities		
Long-term loans payable	4,867	3,637
Deferred tax liabilities	229	569
Retirement benefit liability	847	757
Provision for retirement benefits for directors (and other officers)	39	43
Provision For Management Board Incentive Plan Trust	50	70
Provision for environmental measures	28	28
Asset retirement obligations	62	62
Other	391	390
Total non-current liabilities	6,517	5,559
Total liabilities	30,863	26,284
Net assets		
Shareholders' equity		
Capital stock	7,402	7,402
Capital surplus	7,857	7,857
Retained earnings	21,646	29,689
Treasury shares	(1,924)	(1,921)
Total shareholders' equity	34,982	43,028
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,584	2,129
Deferred gains or losses on hedges	6	—
Foreign currency translation adjustment	42	49
Remeasurements of defined benefit plans	(77)	(66)
Total accumulated other comprehensive income	1,556	2,112
Non-controlling interests	6,195	6,513
Total net assets	42,734	51,654
Total liabilities and net assets	73,598	77,939

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

(Millions of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Net sales	48,017	44,931
Cost of sales	26,344	24,703
Gross profit	21,673	20,228
Selling, general and administrative expenses	5,269	5,401
Operating profit	16,404	14,827
Non-operating income		
Interest income	1	2
Dividend income	115	121
Gain on sales of securities	33	–
Foreign exchange gains	25	–
Share of profit of entities accounted for using equity method	8	–
Subsidy income	172	169
Insurance income	–	475
Other	119	185
Total non-operating income	476	953
Non-operating expenses		
Interest expenses	91	80
Foreign exchange losses	–	18
Loss on retirement of non-current assets	174	265
Share of loss of entities accounted for using equity method	–	15
Depreciation of inactive non-current assets	59	120
Other	47	174
Total non-operating expenses	372	674
Ordinary profit	16,508	15,106
Extraordinary losses		
Loss on fire	273	655
Provision for plant relocation related expense	561	–
Total extraordinary losses	834	655
Profit before income taxes	15,673	14,450
Income taxes - current	4,715	4,177
Income taxes - deferred	128	123
Total income taxes	4,843	4,300
Profit	10,829	10,150
Profit attributable to non-controlling interests	536	449
Profit attributable to owners of parent	10,292	9,700

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Profit	10,829	10,150
Other comprehensive income		
Valuation difference on available-for-sale securities	(851)	549
Deferred gains or losses on hedges	6	(6)
Foreign currency translation adjustment	63	10
Remeasurements of defined benefit plans, net of tax	28	11
Total other comprehensive income	(752)	564
Comprehensive income	10,076	10,714
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,524	10,261
Comprehensive income attributable to non-controlling interests	552	452

Consolidated statements of changes in equity

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

	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

Fiscal year ended December 31, 2019

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	7,402	7,857	21,646	(1,924)	34,982
Changes of items during period					
Dividends of surplus			(1,657)		(1,657)
Profit attributable to owners of parent			9,700		9,700
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares				4	4
Net changes of items other than shareholders' equity					–
Total changes of items during period	–	–	8,043	2	8,046
Balance at end of current period	7,402	7,857	29,689	(1,921)	43,028

	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	1,584	6	42	(77)	1,556	6,195	42,734
Changes of items during period							
Dividends of surplus					–		(1,657)
Profit attributable to owners of parent					–		9,700
Purchase of treasury shares					–		(1)
Disposal of treasury shares					–		4
Net changes of items other than shareholders' equity	544	(6)	6	11	555	317	873
Total changes of items during period	544	(6)	6	11	555	317	8,919
Balance at end of current period	2,129	–	49	(66)	2,112	6,513	51,654

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Cash flows from operating activities		
Profit before income taxes	15,673	14,450
Depreciation	1,553	1,883
Increase (decrease) in retirement benefit liability	(249)	(127)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(34)	3
Increase(decrease) in provision for plant relocation related expense	539	(222)
Interest and dividend income	(116)	(123)
Insurance income	(90)	(475)
Interest expenses	91	80
Share of loss (profit) of entities accounted for using equity method	(8)	15
Loss (gain) on sales of investment securities	(33)	-
Loss on fire	273	665
Loss on retirement of non-current assets	174	32
Decrease (increase) in notes and accounts receivable - trade	(5,041)	1,264
Decrease (increase) in inventories	(3,647)	(3,699)
Increase (decrease) in notes and accounts payable - trade	3,052	(1,571)
Increase (decrease) in accrued expenses	209	(135)
Increase (decrease) in accounts payable - other	197	262
Decrease (increase) in accounts receivable - other	172	(277)
Other, net	268	(995)
Subtotal	12,983	11,022
Interest and dividend income received	117	123
Interest expenses paid	(91)	(80)
Income taxes refund	5	-
Income taxes paid	(471)	(6,797)
Proceeds from insurance income	90	475
Net cash provided by (used in) operating activities	12,633	4,742
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,081)	(3,664)
Purchase of intangible assets	(63)	(21)
Purchase of investment securities	(7)	(6)
Proceeds from sales of investment securities	75	-
Other, net	25	(0)
Net cash provided by (used in) investing activities	(2,051)	(3,693)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(185)	50
Proceeds from long-term loans payable	100	-
Repayments of long-term loans payable	(1,105)	(1,192)
Net decrease (increase) in treasury shares	(5)	(1)
Cash dividends paid	(1,102)	(1,661)
Dividends paid to non-controlling interests	(120)	(140)
Net cash provided by (used in) financing activities	(2,418)	(2,946)
Effect of exchange rate change on cash and cash equivalents	(3)	1
Net increase (decrease) in cash and cash equivalents	8,160	(1,895)
Cash and cash equivalents at beginning of period	11,441	19,602
Cash and cash equivalents at end of period	19,602	17,707