

Summary of Financial Results for the Fiscal Year Ended August 31, 2020

(All financial information has been prepared in accordance with the Generally Accepted Accounting Principles in Japan)

Company name: NPC Incorporated Listing: Mothers of TSE
 Stock code: 6255 URL: <http://www.npcgroup.net/eng/>
 Representative: Masafumi Ito, President & CEO
 Contact: IR Group, General Affairs Department
 Tel: +81-(0)3-6240-1206

General meeting of shareholders: November 26, 2020

Filing date of securities report: November 30, 2020

Payment date of cash dividends: November 27, 2020

Supplementary materials prepared for financial results: Yes

Financial results meeting for institutional investors and securities analysts: Yes

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended August 31, 2020

(September 1, 2019 through August 31, 2020)

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended August 31, 2020	7,938	15.4	879	28.1	884	34.2	749	10.0
Year ended August 31, 2019	6,878	6.7	686	35.6	659	43.8	680	65.8

	Earnings per share	Diluted earnings per share	Return on shareholders' equity	Ordinary income-to-equity ratio	Operating income-to-net sales ratio
	Yen	Yen	%	%	%
Year ended August 31, 2020	34.10	-	11.1	9.8	11.1
Year ended August 31, 2019	30.87	-	11.2	8.2	10.0

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of August 31, 2020	10,104	7,044	69.7	320.81
As of August 31, 2019	7,922	6,420	81.0	291.17

[Reference] Shareholders' equity (million yen): August 31, 2020: 7,044 August 31, 2019: 6,420

(3) Consolidated cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the period end
	Million yen	Million yen	Million yen	Million yen
As of August 31, 2020	1,596	(55)	(206)	2,052
As of August 31, 2019	(16)	(55)	(107)	719

2. Dividends

	Dividend per share					Dividend in total (full year)	Dividend payout ratio (consolidated)	Dividends on net assets (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended August 31, 2019	-	0.00	-	3.50	3.50	77	11.3	1.3
Year ended August 31, 2020	-	0.00	-	3.50	3.50	76	10.3	1.1
Year ending August 31, 2021 (forecast)	-	0.00	-	2.00	2.00		15.8	

3. Consolidated Forecast for the Fiscal Year Ending August 31, 2021

(September 1, 2020 through August 31, 2021)

(Percentages represent year-on-year changes)

	Sales		Operating income		Ordinary income		Net income (loss) attributable to owners of the parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
1 st half ending February 28, 2021	3,441	56.8	260	57.8	241	54.6	215	54.0	9.82
Year ending August 31, 2021	5,849	(26.3)	327	(62.8)	303	(65.7)	277	(62.9)	12.66

4. Others

(1) Changes in significant subsidiaries during the period: None

(2) Changes in accounting principles, procedures and presentation methods

1) Changes in accounting policies arising from revision of accounting standards: None

2) Other changes: None

3) Changes in accounting estimates: None

4) Restatement: None

(3) Number of shares outstanding (common shares)

1) Number of shares outstanding (including treasury stock) at the end of the period

August 31, 2020: 22,052,426 shares

August 31, 2019: 22,052,426 shares

2) Number of treasury stock at the end of the period

August 31, 2020: 95,284 shares

August 31, 2019: 435 shares

3) Average number of shares during the period

Fiscal year ended August 31, 2020: 21,963,603 shares

Fiscal year ended August 31, 2019: 22,051,991 shares

[Reference]

1. Non-Consolidated Financial Results for the Year Ended August 31, 2020

(September 1, 2019 through August 31, 2020)

(1) Non-Consolidated results of operations

	Sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended August 31, 2020	7,887	15.9	815	30.4	804	35.0	684	8.9
Year ended August 31, 2019	6,803	5.8	625	30.7	596	37.0	628	60.0

	Earnings per share	Diluted earnings per share
	Yen	Yen
Year ended August 31, 2020	31.17	-
Year ended August 31, 2019	28.51	-

(2) Non-Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of August 31, 2020	9,874	6,813	69.0	310.33
As of August 31, 2019	7,743	6,246	80.7	283.27

[Reference] Shareholders' equity (million yen): August 31, 2020: 6,813 August 31, 2019: 6,246

2. Non-Consolidated Forecast for the Fiscal Year Ending August 31, 2021
(September 1, 2020 through August 31, 2021)

(Percentages represent year-on-year changes)

	Sales		Operating income		Ordinary income		Net income (loss) attributable to owners of the parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
1 st half ending February 28, 2021	3,411	58.1	250	78.7	232	71.6	213	60.9	9.71
Year ending August 31, 2021	5,788	(26.6)	339	(58.3)	316	(60.7)	294	(57.1)	13.39

*This financial report is not subject to audit procedures.

*Appropriate use of the forecast of financial results and other matters:

Forward-looking statements in this report such as financial results forecasts are based on the information available to NPC Incorporated (“the Company”) at the time when this report is prepared and the assumption that the forecasts are reasonable. The actual results may significantly differ from the forecast due to various factors. Please refer to the 1. (2) Future outlook on page 3 for conditions of assumptions for the forecast and notes concerning on appropriate use of the forecast.

1. Overview of Financial Results of the Fiscal Year Ended August 31, 2020	2
(1) Overview of financial results of the fiscal year ended August 31, 2020	2
(2) Future outlook	2
2. Consolidated Financial Statements for the Fiscal Year Ended August 31, 2020.....	3
(1) Consolidated balance sheets.....	3
(2) Consolidated statement of income	5
(3) Consolidated statement of cash flows	6
3. Other Information	7
(1) Production, orders, and sales.....	7
1) Production.....	7
2) Orders	7
3) Sales.....	7

1. Overview of Financial Results of the Fiscal Year Ended August 31, 2020

(1) Overview of financial results of the fiscal year ended August 31, 2020

In the fiscal year ended August 31, 2020, Japanese economy had continued to recover gradually before facing an extremely severe environment due to COVID-19 outbreak, which caused limitation on business activities, deteriorating employment conditions, and restraint on capital investment. As for the global economy, the prolonged impact of COVID-19 on business activities, such as re-imposing lockdown considered in some European countries to prevent re-expansion of the disease, makes it difficult to predict the future outlook.

In the Group's machinery business, especially in the photovoltaic industry, the continuous high market growth saw a temporary slowdown due to restrictions on work in solar power plant constructions caused by COVID-19. However, the concept of green recovery, which is to balance the economic recovery from the impact of COVID-19 pandemic with ecological measures such as a shifting to a decarbonized society, increases the global needs for PV modules. As for other industries of which we provide the machines, the needs for automation of manufacturing process is recognized after the pandemic while there being continuous demands towards improvement in production efficiency, capacity and utilization. COVID-19 is having a major impact on some industries such as automobile, where capital investment decreases.

In the PV industry, the main area for the Group's environmental business, the installation of new PV systems makes steady progress due to the imposition of deadline for grid-connection on unbuilt PV projects approved under FIT and the growing awareness of renewable energy. Also there are growing needs for establishing the appropriate recycling method and the processing structure for PV panels.

Under such circumstances, the consolidated net sales were 7,938 million yen, 1,059 million yen increase year on year, which turned out to be slightly lower than the initial forecast. The Group's profits, on the other hand, surpassed the forecast due to the improvements in the profit margin and the decrease in general and administrative expenses. Operating income was 879 million yen, 192 million yen increase year on year, and ordinary income was 884 million yen, 225 million yen increase year on year. Net income attributable to owners of the parent was 749 million yen, 68 million yen increase.

Financial results by segment are as follows:

1) Machinery Business

The sales were 7,485 million yen, 1,082 yen increase year on year, as the sales of a large-scale PV equipment line for the Group's major customer in the USA were booked as scheduled and the sales of parts remained strong. The sales of automation machines for growing industry in Japan such as electronic component increased. On the other hand, the sales for automobile industry decreased due to the impact of COVID-19. Operating income was 1,286 million yen, 136 million yen increase year on year.

2) Environmental Business

The sales were 453 million yen, 23 million yen decrease year on year. This is because the scheduled sales of PV panel disassembly line for recycling was postponed until next fiscal year while the sales of inspection services for PV power plants far exceeded the initial plan. Operating income was 143 million yen, 72 million yen increase year on year.

(2) Future outlook

In the upcoming fiscal year (FY2021), decrease in both sales and profit is expected since the sales of large-scale PV equipment line for the Group's major customer in the USA, which has continued for several years, is not expected to be booked as no new capital investments has been announced. The sales of modification and expansion of existing PV manufacturing lines are expected to be booked. However, the Group is expected to be able to maintain surplus since the sales of PV equipment is expanding to other customers and the Environmental Business remains strong. In conclusion, the consolidated business forecast for the next fiscal year will be: sales at 5,849 million yen, 2,088 million yen decrease year on year; operating income at 327 million yen, 552 million yen decrease year on year; ordinary income at 303 million yen, 580 million yen decrease year on year; and net income attributable to owners of the parent at 277 million yen, 471 million yen decrease year on year.

Forward-looking statements in this report such as financial results forecasts are based on the information available to the Company at the time when this report is prepared. The actual results may significantly differ from the forecast due to various factors.

2. Consolidated Financial Statements for the Fiscal Year Ended August 31, 2020**(September 1, 2019 through August 31, 2020)****(1) Consolidated balance sheets**

(Thousand yen)

	As of August 31, 2019	As of August 31, 2020
Assets		
Current assets		
Cash and deposits	719,251	2,052,788
Notes and accounts receivable-trade	2,221,078	2,245,993
Electronically recorded monetary claims-operating	13,048	116,937
Work in progress	531,258	1,501,274
Raw materials and supplies	83,957	16,111
Other	258,445	247,996
Allowance for doubtful accounts	(11,891)	-
Total current assets	3,815,148	6,181,102
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	3,827,031	3,835,381
Accumulated depreciation	(1,558,663)	(1,719,629)
Accumulated impairment loss	(8,073)	(8,073)
Building and structures, net	2,260,294	2,107,679
Machinery and equipment	697,703	666,165
Accumulated depreciation	(140,524)	(150,499)
Accumulated impairment loss	(487,160)	(456,940)
Machinery and equipment, net	70,017	58,726
Land	1,548,050	1,548,050
Lease assets	763,520	763,520
Accumulated depreciation	(527,377)	(527,377)
Accumulated impairment loss	(236,142)	(236,142)
Lease assets, net	-	-
Other	270,705	299,520
Accumulated depreciation	(236,157)	(254,868)
Accumulated impairment loss	(4,514)	(4,514)
Other, net	30,033	40,137
Total property, plant and equipment	3,908,394	3,754,592
Intangible assets		
Other	13,626	37,116
Total intangible assets	13,626	37,116
Investments and other assets		
Deferred tax assets	127,537	83,865
Other	57,594	47,929
Total investments and other assets	185,131	131,795
Total noncurrent assets	4,107,152	3,923,504
Total assets	7,922,300	10,104,606

(Thousand yen)

	As of August 31, 2019	As of August 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable-trade	264,655	388,325
Electronically recorded obligations-operating	614,353	1,204,748
Lease obligation	79,558	-
Income taxes payable	4,149	91,485
Advances received	199,203	864,481
Provision for bonuses	73,816	70,653
Provision for product warranties	-	186,650
Provision for loss on order received	41,084	38,423
Other	203,964	183,264
Total current liabilities	1,480,785	3,028,033
Noncurrent liabilities		
Net defined benefit liability	20,681	32,528
Total noncurrent liabilities	20,681	32,528
Total liabilities	1,501,466	3,060,561
Net assets		
Shareholders' equity		
Capital stock	2,812,461	2,812,461
Capital surplus	2,734,875	2,734,875
Retained earnings	846,128	1,516,464
Treasury stock	(431)	(39,214)
Total shareholders' equity	6,393,033	7,024,587
Accumulated other comprehensive income		
Foreign currency translation adjustment	27,800	19,457
Total accumulated other comprehensive income	27,800	19,457
Total net assets	6,420,834	7,044,045
Total liabilities and net assets	7,922,300	10,104,606

[Note] The numbers parenthesized represent minus figures.

(2) Consolidated statement of income

(Thousand yen)

	Year ended August 31, 2019	Year ended August 31, 2020
Net sales	6,878,773	7,938,097
Cost of sales	5,216,566	6,126,184
Gross profit	1,662,207	1,811,912
Selling, general and administrative expenses	975,245	932,195
Operating income	686,961	879,716
Non-operating income		
Interest income	30	53
Foreign exchange gains	-	15,419
Gain on liquidation of subsidiaries and associates	-	3,121
Fiduciary obligation fee	1,360	-
Subsidy income	570	-
Interest on refund	381	793
Gain on sales of scraps	1,784	2,078
Other	431	590
Total non-operating income	4,558	22,057
Non-operating expenses		
Interest expenses	6,993	2,293
Foreign exchange losses	3,833	-
Commission fee	20,694	14,493
Other	853	126
Total non-operating expenses	32,374	16,913
Ordinary income	659,146	884,860
Income (Loss) before income taxes and minority interests	659,146	884,860
Income taxes-current	32,707	92,243
Income taxes-deferred	(54,391)	43,593
Total income taxes	(21,683)	135,837
Income (Loss) before minority interests	680,830	749,022
Net income (loss) attributable to owners of the parent	680,830	749,022

[Note] The numbers parenthesized represent minus figures.

(3) Consolidated statement of cash flows

(Thousand yen)

	Year ended August 31, 2019	Year ended August 31, 2020
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	659,146	884,860
Depreciation and amortization	196,201	198,534
Increase (decrease) in allowance for doubtful accounts	(21,328)	(11,604)
Increase (decrease) in provision for bonuses	24,557	(3,162)
Increase (decrease) in provision for product warranties	-	186,650
Increase (decrease) in provision for loss on order received	41,084	(2,660)
Increase (decrease) in net defined benefit liability	10,377	11,847
Interest and dividends income	(30)	(53)
Interest expenses	6,993	2,293
Decrease (increase) in trade receivables	(414,687)	(137,911)
Decrease (increase) in inventories	343,073	(902,510)
Decrease (increase) in notes and accounts receivable-trade	4,314	716,645
Increase (decrease) in advances received	(721,766)	665,298
Other, net	(26,428)	2,006
Subtotal	101,507	1,610,232
Interest and dividends income received	30	53
Interest expenses paid	(6,597)	(2,690)
Income taxes (paid) refund	(111,778)	(11,474)
Net cash provided by (used in) operating activities	(16,837)	1,596,121
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment and intangible assets	(45,817)	(68,394)
Proceeds from sales of property, plant and equipment	38	-
Proceeds from liquidation of subsidiaries and associates	-	7,621
Other, net	(9,476)	4,986
Net cash provided by (used in) investing activities	(55,255)	(55,786)
Net cash provided by (used in) financing activities		
Purchase of treasury stock	-	(49,986)
Dividends paid	(43,724)	(76,813)
Repayments for lease obligations	(63,414)	(79,558)
Net cash provided by (used in) financing activities	(107,138)	(206,358)
Effect of exchange rate change on cash and cash equivalents	(1,559)	(439)
Net increase (decrease) in cash and cash equivalents	(180,790)	1,333,536
Cash and cash equivalents at beginning of period	900,042	719,251
Cash and cash equivalents at end of period	719,251	2,052,788

[Note] The numbers parenthesized represent minus figures.

3. Other Information

(1) Production, orders, and sales

1) Production

Production amounts by segment in the fiscal year ended August 31, 2020 are as follows:

(Thousand yen)

Segment	Production	Year-on-year ratio (%)
Machinery business	8,678,785	142.9
Environmental business	499,820	114.8
Total	9,178,606	141.0

[Notes] 1. The above amounts are calculated based on selling prices.
2. The above amounts are exclusive of consumption taxes.

2) Orders

Orders received by segment in the fiscal year ended August 31, 2020 are as follows:

(Thousand yen)

Segment	Orders received	Year-on-year ratio (%)	Order backlog	Year-on-year ratio (%)
Machinery business	3,461,947	38.9	3,469,080	46.3
Environmental business	361,292	94.7	197,229	68.2
Total	3,823,239	41.2	3,666,310	47.1

[Note] The above amounts are exclusive of consumption taxes.

3) Sales

Sales by segment in the fiscal year ended August 31, 2020 are as follows:

(Thousand yen)

Segment	Sales	Year-on-year ratio (%)
Machinery business	7,485,023	116.9
Environmental business	453,073	95.1
Total	7,938,097	115.4

[Note] The above amounts are exclusive of consumption taxes.