

Summary of Financial Results for the Second Quarter of Fiscal Year Ending August 31, 2021

(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

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Filing date of securities report:

April 14, 2021

Payment date of cash dividends:

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Supplementary materials prepared for quarterly 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 Six Months Ended February 28, 2021 (September 1, 2020 through February 28, 2021)

(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	%
6 months ended February 28, 2021	2,714	23.7	417	153.3	400	156.1	273	95.5
6 months ended February 29, 2020	2,194	7.6	164	(31.6)	156	(35.1)	140	(38.7)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
6 months ended February 28, 2021	12.50		-	
6 months ended February 29, 2020	6.38		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of February 28, 2021	9,295	7,233	77.8
As of August 31, 2020	10,104	7,044	69.7

[Reference] Shareholders' equity (million yen): February 28, 2021: 7,233 August 31, 2020: 7,044

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended August 31, 2020	-	0.00	-	3.50	3.50
Year ending August 31, 2021	-	0.00			
Year ending August 31, 2021 (forecast)			-	2.00	2.00

[Notes] Revision of dividend forecast for FY2021 from the latest disclosure: None

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 attributable to owners of the parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year of FY2021	5,539	(30.2)	515	(41.4)	492	(44.3)	328	(56.1)	15.01

[Note] Revision of consolidated forecast for FY2021 from the latest disclosure: Yes

The numbers parenthesized represent minus figures.

4. Others

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

(2) Adoption of simplified accounting methods and special accounting methods: None

(3) 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

(4) Number of shares outstanding (common shares)

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

February 28, 2021: 22,052,426 shares

August 31, 2020: 22,052,426 shares

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

February 28, 2021: 135,348 shares

August 31, 2020: 95,284 shares

3) Average number of shares during the period

Six months ended February 28, 2021: 21,970,670 shares

Six months ended February 29, 2020: 21,970,136 shares

*This quarterly financial report is exempt from the quarterly review by certified public accountants or auditing firms.

*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) Explanation of consolidated forecasts and other forward-looking statements on page 2 for conditions of assumptions for the forecast and notes concerning on appropriate use of the forecast.

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1. Qualitative Information Concerning Financial Results for the Second Quarter Ended February 28, 2021

(1) Explanation of results of operations

During the six months ended February 28, 2021, the Japanese economy continued to face a severe environment due to the re-expansion of COVID-19, which caused a decrease in capital investment and limitation of business activities under the state of emergency declared for the second time in January 2021. As for the global economy, the re-expansion of the disease also continued to impact the economy of each country, which makes it difficult to predict the future outlook.

Concerning the Machinery Business of NPC Group (“the Group”), the US photovoltaic (PV) industry, the main market of the Group, is growing steadily with support from government policies and engagement for renewable energy by states and companies, which resulted in a record-high installation of PV systems in 2020. As for automation machines for other industries, while capital investment remained weak in Japan due to the expansion of COVID-19, there are continuous needs for automation machines from strong industries such as the electronic parts industry.

In the PV industry in Japan, to which the Environmental Business of the Group belongs, while the installation of new PV power plants under the FIT scheme makes steady progress, the installation of PV systems for self-consumption is expected to increase through engagement for renewable energy by communities and companies. Also, there are growing needs for establishing the appropriate recycling method and the processing structure for PV panels since a considerable quantity of PV panels is expected to be discarded in the future.

Under such circumstances, the consolidated net sales of the 2nd quarter were 2,714 million yen, 519 million yen increase year on year, which turned out to be lower than the initial forecast due to some projects shifted to the 2nd half. The Group’s profits, on the other hand, surpassed the forecast due to the improvements in the profit margin and decrease of selling, general and administrative expenses. Operating income was 417 million yen, 252 million yen increase year on year, and ordinary income was 400 million yen, 243 million yen increase year on year. Net income attributable to owners of the parent was 273 million yen, 133 million yen increase year on year, with 80 million yen of federal tax and dues booked according to the increase in sales in the US.

The financial results by business segment are as follows:

1) Machinery Business

In the Machinery Business, while the Group implemented installation work of a line delivered last fiscal year as well as expansion and upgrading of the existing lines of a US PV manufacturer, some projects shifted to the 2nd half. As a result, the sales were 2,541 million yen, 677 million yen increase year on year, which turned out to be lower than the initial forecast. On the other hand, profit margin improved due to cost reduction and the operating income was 665 million yen, 362 million yen increase year on year, which surpassed the initial forecast.

2) Environmental Business

In the Environmental Business, the Group booked the sales of inspection service of a large-scale PV power plant as scheduled, implemented sale of used PV panels, recycling of end-of-life PV panels, and sale of PV panel disassembly equipment. As a result, the sales were 173 million yen, 157 million yen decrease year on year, and operating income was 39 million yen, 89 million yen decrease year on year, which is generally in line with the initial forecast.

(2) Explanation of consolidated forecast and other forward-looking statements

The business forecasts for the full year are the same as the forecasts in the “Announcement on the Differences between Business Forecasts and Results for the First Half and Revision of Business Forecasts Both for FY2021” released on April 12, 2021.

2. Consolidated Financial Statements for the Second Quarter Ended February 28, 2021**(September 1, 2020 through February 28, 2021)****(1) Consolidated balance sheets**

(Thousand yen)

	As of August 31, 2020	As of February 28, 2021
Assets		
Current assets		
Cash and deposits	2,052,788	1,618,907
Notes and accounts receivable-trade	2,245,993	2,594,086
Electronically recorded monetary claims-operating	116,937	5,628
Work in progress	1,501,274	1,077,361
Raw materials and supplies	16,111	11,373
Other	247,996	68,092
Total current assets	6,181,102	5,375,448
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	3,835,381	3,835,381
Accumulated depreciation	(1,719,629)	(1,799,357)
Accumulated impairment loss	(8,073)	(8,073)
Building and structures, net	2,107,679	2,027,950
Machinery and equipment	666,165	582,006
Accumulated depreciation	(150,499)	(150,753)
Accumulated impairment loss	(456,940)	(376,294)
Machinery and equipment, net	58,726	54,959
Land	1,548,050	1,548,050
Lease assets	763,520	-
Accumulated depreciation	(527,377)	-
Accumulated impairment loss	(236,142)	-
Lease assets, net	-	-
Other	299,520	314,521
Accumulated depreciation	(254,868)	(262,690)
Accumulated impairment loss	(4,514)	(4,514)
Other, net	40,137	47,317
Construction in progress	-	56,831
Total property, plant and equipment	3,754,592	3,735,107
Intangible assets		
Other	37,116	39,380
Total intangible assets	37,116	39,380
Investments and other assets		
Deferred tax assets	83,865	83,424
Other	47,929	62,031
Total investments and other assets	131,795	145,456
Total noncurrent assets	3,923,504	3,919,944
Total assets	10,104,606	9,295,393

[Note] The numbers parenthesized represent minus figures.

(Thousand yen)

	As of August 31, 2020	As of February 28, 2021
Liabilities		
Current liabilities		
Notes and accounts payable-trade	388,325	205,295
Electronically recorded obligations-operating	1,204,748	595,235
Income taxes payable	91,485	58,544
Advances received	864,481	722,185
Provision for bonuses	70,653	23,516
Provision for product warranties	186,650	207,085
Provision for loss on order received	38,423	35,667
Other	183,264	175,530
Total current liabilities	3,028,033	2,023,060
Noncurrent liabilities		
Retirement benefit liability	32,528	38,356
Total noncurrent liabilities	32,528	38,356
Total liabilities	3,060,561	2,061,416
Net assets		
Shareholders' equity		
Capital stock	2,812,461	2,812,461
Capital surplus	2,734,875	2,743,133
Retained earnings	1,516,464	1,713,405
Treasury stock	(39,214)	(53,772)
Total shareholders' equity	7,024,587	7,215,228
Accumulated other comprehensive income		
Foreign currency translation adjustment	19,457	18,748
Total accumulated other comprehensive income	19,457	18,748
Total net assets	7,044,045	7,233,976
Total liabilities and net assets	10,104,606	9,295,393

[Note] The numbers parenthesized represent minus figures.

(2) Consolidated statement of income

(Thousand yen)

	Six months ended February 29, 2020	Six months ended February 28, 2021
Net sales	2,194,903	2,714,826
Cost of sales	1,576,963	1,842,688
Gross profit	617,939	872,138
Selling, general and administrative expenses	453,087	454,522
Operating income	164,851	417,615
Non-operating income		
Interest income	28	16
Gain on liquidation of subsidiaries and associates	3,121	-
Interest on tax refund	240	321
Gain on sales of scraps	1,934	421
Subsidies for employment adjustment	108	324
Administrative service fee income	-	440
Other	183	222
Total non-operating income	5,615	1,746
Non-operating expenses		
Interest expenses	1,670	-
Commission fee	11,609	11,336
Foreign exchange loss	885	1,846
Loss on removal of non-current assets	-	5,600
Other	60	406
Total non-operating expenses	14,225	19,189
Ordinary income	156,242	400,172
Income before income taxes and minority interests	156,242	400,172
Income taxes-current	9,128	87,298
Income taxes for prior periods	-	38,644
Income taxes-deferred	7,040	440
Total income taxes	16,169	126,382
Income before minority interests	140,072	273,790
Net income attributable to owners of the parent	140,072	273,790

(3) Consolidated statement of cash flows

	(Thousand yen)	
	Six months ended February 29, 2020	Six months ended February 28, 2021
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	156,242	400,172
Depreciation and amortization	96,454	95,751
Increase (decrease) in allowance for doubtful accounts	(10,037)	-
Increase (decrease) in provision for bonuses	(26,996)	(47,137)
Increase (decrease) in provision for product warranties	-	20,435
Increase (decrease) in provision for loss on order received	(5,561)	(2,756)
Increase (decrease) in retirement benefit liability	5,779	5,828
Interest and dividends income	(28)	(16)
Interest expenses	1,670	-
Decrease (increase) in notes and accounts receivable-trade	1,065,334	(237,032)
Decrease (increase) in inventories	(2,408,166)	428,641
Increase (decrease) in notes and accounts payable-trade	1,495,717	(792,519)
Increase (decrease) in advances received	1,497,021	(142,276)
Other, net	(188,811)	166,058
Subtotal	1,678,616	(104,852)
Interest and dividends income received	28	16
Interest expenses paid	(1,850)	-
Income taxes gain (paid)	8,332	(155,347)
Net cash provided by (used in) operating activities	1,685,126	(260,182)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(10,501)	(42,448)
Proceeds from sales of property, plant and equipment	-	263
Purchase of intangible assets	(6,515)	(5,800)
Proceeds from liquidation of subsidiaries and associates	7,621	-
Other, net	4,891	348
Net cash provided by (used in) investing activities	(4,502)	(47,636)
Net cash provided by (used in) financing activities		
Repayments of finance lease obligations	(36,080)	-
Purchase of treasury shares	(49,986)	(49,997)
Dividends paid	(76,682)	(76,004)
Net cash provided by (used in) financing activities	(162,749)	(126,001)
Effect of exchange rate change on cash and cash equivalents	45	(60)
Net increase (decrease) in cash and cash equivalents	1,517,920	(433,881)
Cash and cash equivalents at beginning of period	719,251	2,052,788
Cash and cash equivalents at end of period	2,237,172	1,618,907

[Note] The numbers parenthesized represent minus figures.

3. Other Information

(1) Production, Orders, and Sales

1) Production

Production amounts by business segment in the period are as follows:

(Thousand yen)

Segment	Six Months Ended February 28, 2021	Year-on-year change (%)
Machinery business	1,952,137	39.2
Environmental business	145,177	41.8
Total	2,097,314	39.4

[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 business segment in the period are as follows:

(Thousand yen)

Segment	Orders received	Year-on-year change (%)	Order backlog	Year-on-year change (%)
Machinery business	1,710,234	69.7	2,637,701	32.6
Environmental business	65,444	37.6	89,461	67.7
Total	1,775,679	67.5	2,727,162	33.2

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

3) Sales

Sales by business segment in the period are as follows:

(Thousand yen)

Segment	Six Months Ended February 28, 2021	Year-on-year change (%)
Machinery business	2,541,614	136.4
Environmental business	173,212	52.3
Total	2,714,826	123.7

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