



April 6, 2016

Summary of Financial Results for the Second Quarter of Fiscal Year Ending August 31, 2016

(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: <https://www.npcgroup.net/eng/>

Representative: Masafumi Ito, President & CEO

Contact: Research and Planning Department

Tel: +81-(0)3-6240-1206

Filing date of securities report:

April 12, 2016

Payment date of cash dividends:

-

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 29, 2016 (September 1, 2015 through February 29, 2016)

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
6 months ended February 29, 2016	687	(89.1)	(301)	-	(350)	-	(259)	-
6 months ended February 28, 2015	6,302	(13.2)	451	230.6	379	98.0	523	-

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
6 months ended February 29, 2016	(11.78)		-	
6 months ended February 28, 2015	23.74		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of February 29, 2016	8,881	5,006	56.4
As of August 31, 2015	10,084	5,281	52.4

[Reference] Shareholders' equity (million yen): February 29, 2016: 5,006 August 31, 2015: 5,281

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended August 31, 2015	-	0.00	-	0.00	0.00
Year ending August 31, 2016	-	0.00			
Year ending August 31, 2016 (forecast)			-	0.00	0.00

[Notes] 1. Revision of dividend forecast during the period: Yes

2. Please refer to "Announcement on Revision of Dividend Forecast" released on April 6, 2016.

3. Consolidated Forecast for the Fiscal Year Ending August 31, 2016 (September 1, 2015 through August 31, 2016)

(Percentages represent year-on-year changes)

	Sales		Operating income		Ordinary income		Net income		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year of FY2016	5,225	(44.1)	158	(69.4)	92	(78.0)	175	(68.7)	7.98

[Note] Revision of consolidated forecast during the period: Yes

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: Yes
 - 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 29, 2016: 22,052,426 shares

August 31, 2015: 22,052,426 shares

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

February 29, 2016: 435 shares

August 31, 2015: 435 shares

3) Average number of shares during the period

Three months ended February 29, 2016: 22,051,991 shares

Three months ended February 28, 2015: 22,051,991 shares

*Implementation status of quarterly review procedures:

This quarterly financial report is outside the scope of quarterly review procedures pursuant to the Financial Instruments and Exchange Act and the procedures for the review are in progress at the disclosure of this report.

*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) Qualitative information about consolidated earnings forecast on page 2 for conditions of assumptions for the forecast and notes concerning on appropriate use of the forecast.

Table of Contents of Attached Materials

1. Qualitative Information Concerning Financial Results for the Second Quarter Ended February 29, 2016	2
(1) Qualitative information about consolidated results of operations	2
(2) Qualitative information about consolidated earnings forecast	2
2. Consolidated Financial Statements for the Second Quarter Ended February 29, 2016	3
(1) Consolidated balance sheets	3
(2) Consolidated statement of income	5
(3) Consolidated statement of cash flows	6
4. Other Information	7
(1) Production, Orders, and Sales	7
1) Production	7
2) Orders	7
3) Sales	7

1. Qualitative Information Concerning Financial Results for the Second Quarter Ended February 29, 2016

(1) Qualitative information about consolidated results of operations

During the quarter ended on February 29, 2016, a tendency of gradual recovery in the Japanese economy was seen due to the improvement in profitability and employment environment under the effects of various policies. However, uncertainties in overseas economy remained as the risk pushing down the Japanese economy.

In the photovoltaic (“PV”) industry, to which the NPC Group (“the Group”) belongs, demand for PV system installation has been expanding throughout the world centering on Japan, USA, and China. Therefore, PV manufacturers, who are the customers of the Group, maintained the operating ratio at a high level, showing the move towards upgrading of the existing equipment to raise production capacity and capital expenditure on new equipment. In the domestic market, while demand on high-quality and cost-competitive panels has been strong, defects in PV systems have been increasingly found after installation. Thus the recognition of maintenance of PV systems has been further growing.

Under such circumstances, the Group received additional orders related to improving specifications of the large-scale lines in the equipment related business and signed a large, long-term contract with a new customer in the contract module assembly business. These large-scale business transactions, however, will contribute to the financial results in the second half. The Group has forecast the sales to be booked mainly in the second half since the beginning of this fiscal year and has considered the first half as the preparation period. Although the sales booking of some business transactions of manufacturing equipment were behind the schedule, the business results of this quarter were generally within the scope of the forecast.

As a result of the above factors, consolidated net sales were 687 million yen, 10.9% of that of the same period of the previous year. Operating loss was 301 million yen, compared to operating income of 451 million yen of the same period of the previous year.

While non-operating expenses occurred such as depreciation of equipment for the contract module assembly business and interest expenses, reversal on provision for loss on liquidation of NPC-Meier GmbH were booked as non-operating income. As a result, ordinary loss was 350 million yen, compared to ordinary income of 379 million yen of the same period of the previous year. Also, 96 million yen of extraordinary income booked from sales of the property and the building of the former Tokyo Headquarters decreased net loss attributable to the parent to 259 million yen, compared with the net income attributable to the parent of 523 million yen in the same period of the previous year.

The financial results by business segment are as follows:

1) Equipment Related Business

The Group focused on manufacturing of large-scale lines whose sales are to be booked in the second half and the next fiscal year. As a result, sales of equipment related business were 671 million yen, 47.5% of that of same period of the previous year and operating loss was 49 million yen, compared to operating income of 410 million yen of that of the same period of the previous year.

2) Contract Module Assembly Business

In the contract module assembly business, the sales were booked only from the inventory products manufactured in the end of the previous fiscal year. As a result, sales of contract module assembly business were 15 million yen, 0.3% of that of the same period of the previous year and operating loss was 35 million yen, compared with operating income of 225 million yen of the same period of the previous year.

(2) Qualitative information about consolidated earnings forecast

The business forecast for the full year is the same as the forecast in the “Announcement on Differences between Business Forecasts and Results for the First Half Ended February 29, 2016 and Revision of Business Forecast” released on April 6, 2016.

2. Consolidated Financial Statements for the Second Quarter Ended February 29, 2016**(September 1, 2015 through February 29, 2016)****(1) Consolidated balance sheets**

(Thousand yen)

	As of August 31, 2015	As of February 29, 2016
Assets		
Current assets		
Cash and deposits	2,441,149	1,704,668
Notes and accounts receivable-trade	801,337	192,542
Merchandise and finished goods	15,184	461
Work in progress	617,997	1,048,245
Raw materials and supplies	385,840	391,644
Deferred tax assets	48,340	48,819
Other	100,439	85,599
Allowance for doubtful accounts	(34,828)	(17,597)
Total current assets	4,375,461	3,454,384
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	4,244,149	4,185,353
Accumulated depreciation	(1,094,481)	(1,140,394)
Building and structures, net	3,149,668	3,044,958
Machinery and equipment	658,112	658,112
Accumulated depreciation	(99,927)	(106,257)
Accumulated impairment loss	(466,759)	(466,759)
Machinery and equipment, net	91,425	85,095
Land	2,043,719	1,898,173
Lease assets	763,520	763,520
Accumulated depreciation	(468,341)	(497,859)
Lease assets, net	295,178	265,660
Construction in progress	-	5,053
Other	254,652	258,393
Accumulated depreciation	(198,918)	(207,518)
Other, net	55,734	50,875
Total property, plant and equipment	5,635,726	5,349,817
Intangible assets		
Other	21,580	26,580
Total intangible assets	21,580	26,580
Investments and other assets		
Deferred tax assets	5,965	6,168
Other	46,671	45,722
Allowance for doubtful accounts	(1,082)	(1,082)
Total investments and other assets	51,555	50,808
Total noncurrent assets	5,708,861	5,427,206
Total assets	10,084,323	8,881,590

[Note] The numbers parenthesized represent minus figures.

(Thousand yen)

	As of August 31, 2015	As of February 29, 2016
Liabilities		
Current liabilities		
Notes and accounts payable-trade	792,288	703,970
Short-term loans payable	3,000,000	2,500,000
Current portion of long-term loans payable	161,285	-
Lease obligations	57,980	59,737
Income taxes payable	20,979	10,099
Advances received	126,062	147,638
Provision for bonuses	12,583	25,913
Provision for loss on liquidation of subsidiaries and affiliates	43,000	-
Other	291,588	164,355
Total current liabilities	4,505,768	3,611,714
Noncurrent liabilities		
Lease obligations	269,855	239,540
Other	26,841	23,486
Total noncurrent liabilities	296,697	263,027
Total liabilities	4,802,465	3,874,741
Net assets		
Shareholders' equity		
Capital stock	2,812,461	2,812,461
Capital surplus	2,734,875	2,734,875
Retained earnings	(350,565)	(610,287)
Treasury stock	(431)	(431)
Total shareholders' equity	5,196,340	4,936,617
Accumulated other comprehensive income		
Foreign currency translation adjustment	85,516	70,230
Total accumulated other comprehensive income	85,516	70,230
Total net assets	5,281,857	5,006,848
Total liabilities and net assets	10,084,323	8,881,590

[Note] The numbers parenthesized represent minus figures.

(2) Consolidated statement of income

(Thousand yen)

	Six months ended February 28, 2015	Six months ended February 29, 2016
Net sales	6,302,542	687,363
Cost of sales	5,541,788	472,482
Gross profit	760,754	214,880
Selling, general and administrative expenses	309,451	516,798
Operating income	451,303	(301,918)
Non-operating income		
Interest income	275	286
Foreign exchange gains	-	8,556
Reversal of provision for loss on liquidation of subsidiaries and affiliates	-	43,000
Other	1,182	816
Total non-operating income	1,458	52,659
Non-operating expenses		
Interest expenses	40,005	26,362
Commission fee	25,493	25,954
Foreign exchange loss	4,374	-
Depreciation	-	48,888
Other	3,868	112
Total non-operating expenses	73,741	101,317
Ordinary income	379,019	(350,576)
Extraordinary income		
Gain on sales of non-current assets	-	96,673
Compensation income	160,141	-
Total extraordinary income	160,141	96,673
Income (Loss) before income taxes and minority interests	539,160	(253,902)
Income taxes-current	16,950	6,529
Income taxes-deferred	(1,298)	(709)
Total income taxes	15,652	5,819
Income (Loss) before minority interests	523,508	(259,722)
Net income (loss) attributable to the parent	523,508	(259,722)

[Note] The numbers parenthesized represent minus figures.

(3) Consolidated statement of cash flows

(Thousand yen)

	Six months ended February 28, 2015	Six months ended February 29, 2016
Net cash provided by (used in) operating activities		
Loss (Income) before income taxes and minority interests	539,160	(253,902)
Depreciation and amortization	199,125	137,553
Increase (decrease) in allowance for doubtful accounts	(212,054)	(29,659)
Increase (decrease) in provision for bonuses	-	13,329
Increase (decrease) in provision for loss on order received	12,565	-
Increase (decrease) in provision for loss on liquidation of subsidiaries and associates	-	(43,000)
Interest and dividends income	(275)	(286)
Interest expenses	40,005	26,362
Loss (gain) on sales of non-current assets	-	(96,673)
Decrease (increase) in notes and accounts receivable-trade	1,244,877	617,174
Decrease (increase) in inventories	444,947	(422,548)
Increase (decrease) in notes and accounts payable-trade	(2,004,967)	(85,566)
Increase (decrease) in advances received	(127,337)	22,913
Other, net	175,930	(61,994)
Subtotal	311,977	(176,297)
Interest and dividends income received	278	291
Interest expenses paid	(41,293)	(26,362)
Income taxes gain (paid)	(39,405)	(16,791)
Net cash provided by (used in) operating activities	231,557	(219,159)
Net cash provided by (used in) investing activities		
Payments into time deposits	(49,365)	(16,397)
Proceeds from withdrawal of time deposits	117,469	68,623
Purchase of property, plant and equipment	(12,713)	(45,409)
Proceeds from sales of property, plant and equipment	876	229,850
Purchase of intangible assets	(12,550)	(864)
Other, net	(16,539)	710
Net cash provided by (used in) investing activities	27,178	236,513
Net cash provided by (used in) financing activities		
Decrease in short-term loans payable	-	(500,000)
Repayment of long-term loans payable	(326,000)	(161,285)
Repayments of finance lease obligations	(154,181)	(28,557)
Cash dividends paid	(12)	-
Net cash provided by (used in) financing activities	(480,193)	(689,842)
Effect of exchange rate change on cash and cash equivalents	26,927	(11,765)
Net increase (decrease) in cash and cash equivalents	(194,529)	(684,254)
Cash and cash equivalents at beginning of period	2,228,291	2,334,924
Cash and cash equivalents at end of period	2,033,761	1,650,669

4. 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 29, 2016	Year-on-year ratio (%)
Equipment related business	1,314,549	108.8
Contract module assembly business	-	-
Total	1,314,549	22.2

[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 ratio (%)	Order backlog	Year-on-year ratio (%)
Equipment related business	3,104,302	166.3	5,668,723	404.2
Contract module assembly business	904,623	-	888,960	86.6
Total	4,008,925	-	6,557,683	270.0

[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 29, 2016	Year-on-year ratio (%)
Equipment related business	671,699	47.5
Contract module assembly business	15,663	0.3
Total	687,363	10.9

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