



April 10, 2017

Summary of Financial Results for the Second Quarter of Fiscal Year Ending August 31, 2017

(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, 2017

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, 2017 (September 1, 2016 through February 28, 2017)

(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 28, 2017	2,277	231.3	419	-	356	-	151	-
6 months ended February 29, 2016	687	(89.1)	(301)	-	(350)	-	(259)	-

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
6 months ended February 28, 2017	6.88		-	
6 months ended February 29, 2016	(11.78)		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of February 28, 2017	10,043	5,249	52.3
As of August 31, 2016	10,611	5,078	47.9

[Reference] Shareholders' equity (million yen): February 28, 2017: 5,249 August 31, 2016: 5,078

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended August 31, 2016	-	0.00	-	0.00	0.00
Year ending August 31, 2017	-	0.00			
Year ending August 31, 2017 (forecast)			-	0.00	0.00

[Notes] Revision of dividend forecast for FY2017 from the latest disclosure: None

3. Consolidated Forecast for the Fiscal Year Ending August 31, 2017 (September 1, 2016 through August 31, 2017)

(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 FY2017	5,261	31.6	477	309.1	343	322.8	128	-	5.85

[Note] Revision of consolidated forecast for FY2017 from the latest disclosure: None

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, 2017: 22,052,426 shares

August 31, 2016: 22,052,426 shares

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

February 28, 2017: 435 shares

August 31, 2016: 435 shares

3) Average number of shares during the period

Six months ended February 28, 2017: 22,051,991 shares

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

*This quarterly financial report is exempt from the quarterly review.

*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.

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1. Qualitative Information Concerning Financial Results for the Second Quarter Ended February 28, 2017

(1) Qualitative information about consolidated results of operations

During the six months ended on February 28, 2016, the Japanese economy continued to recover gradually due to the improvement in employment and income situations. On the other hand, uncertainties in overseas economy and changes in financial and capital markets 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 main markets such as USA and Japan, and emerging markets like India. Due to cost decline of PV products at the global level, however, PV manufacturers, who are the customers of the Group, reviewed capital expenditure plans in order to deal with the cost competition. In the Japanese market, revision in FIT scheme for Renewable Energy in April which mandates PV system check-up and maintenance, further increased the recognition of the importance of maintenance of PV systems.

Under such circumstances, the consolidated net sales were 2,277 million yen, 1,589 million yen increase year on year as the sales of part of the large-scale lines in the machinery business were booked in the second quarter, earlier than schedule. As for profits, due to cost reduction efforts and sales efforts, as well as increase in profits from the sales increase, operating income was 419 million yen, compared with operating loss of 301 million yen in the same period in the previous year, and ordinary income was 356 million yen, compared with ordinary loss of 350 million yen in the same period in the previous year. On the other hand, net income attributable to the owners of the parent was 151 million yen, compared with net loss of 259 million yen in the same period in the previous year due to the impairment loss as extraordinary loss resulted from decision on sales of Matsuyama Factory No.2.

The financial results by business segment are as follows:

1) Machinery Business

The sales were 2,178 million yen, as the sales of part of the large-scale lines were booked in the second quarter, earlier than schedule. Operating income was 659 million yen due to cost reduction efforts and sales efforts, as well as increase in profits from the sales increase.

2) Environmental Business

The sales of panel inspection equipment were weaker than the forecast, however, the sales were 98 million yen due to the steady sales of inspection service. Operating loss was 4 million yen.

Year-on-year changes by business segment are not shown as the Group has changed its business segment from “equipment related business” and “contract module assembly business” to “machinery business” and “environmental business” since September, 2016, and it is practically difficult to create them by tracing back necessary financial information.

(2) Qualitative information about consolidated earnings forecast

The business forecasts for the full year are the same as the forecasts in the “Revision of Business Forecasts” released on March 30, 2017.

2. Consolidated Financial Statements for the Second Quarter Ended February 28, 2017**(September 1, 2016 through February 28, 2017)****(1) Consolidated balance sheets**

(Thousand yen)

	As of August 31, 2016	As of February 28, 2017
Assets		
Current assets		
Cash and deposits	1,293,505	1,681,050
Notes and accounts receivable-trade	1,967,755	1,880,645
Merchandise and finished goods	5,179	27,805
Work in progress	1,609,558	1,262,424
Raw materials and supplies	276,387	262,846
Deferred tax assets	44,192	44,522
Other	330,332	83,380
Allowance for doubtful accounts	(37,635)	(31,035)
Total current assets	5,489,275	5,211,641
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	4,193,633	4,193,633
Accumulated depreciation	(1,230,433)	(1,319,385)
Accumulated impairment loss	(8,073)	(19,838)
Building and structures, net	2,955,126	2,854,409
Machinery and equipment	761,009	761,009
Accumulated depreciation	(116,839)	(122,746)
Accumulated impairment loss	(562,093)	(562,097)
Machinery and equipment, net	82,076	76,165
Land	1,898,173	1,708,050
Lease assets	763,520	763,520
Accumulated depreciation	(527,377)	(527,377)
Accumulated impairment loss	(236,142)	(236,142)
Lease assets, net	-	-
Other	262,859	273,741
Accumulated depreciation	(217,510)	(221,989)
Accumulated impairment loss	(4,514)	(4,533)
Other, net	40,835	47,218
Total property, plant and equipment	4,976,211	4,685,842
Intangible assets		
Other	26,651	26,642
Total intangible assets	26,651	26,642
Investments and other assets		
Deferred tax assets	26,346	26,533
Other	93,889	94,336
Allowance for doubtful accounts	(1,082)	(1,082)
Total investments and other assets	119,154	119,787
Total noncurrent assets	5,122,017	4,832,272
Total assets	10,611,292	10,043,913

[Note] The numbers parenthesized represent minus figures.

(Thousand yen)

	As of August 31, 2016	As of February 28, 2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,464,071	596,522
Short-term loans payable	1,500,000	3,000,000
Lease obligations	61,547	63,412
Income taxes payable	1,897	12,794
Advances received	1,043,238	772,108
Provision for bonuses	25,210	25,168
Provision for loss on order received	7,715	-
Other	220,956	148,085
Total current liabilities	5,324,637	4,618,093
Noncurrent liabilities		
Lease obligations	208,307	176,128
Total noncurrent liabilities	208,307	176,128
Total liabilities	5,532,945	4,794,221
Net assets		
Shareholders' equity		
Capital stock	2,812,461	2,812,461
Capital surplus	2,734,875	2,734,875
Retained earnings	(484,118)	(332,350)
Treasury stock	(431)	(431)
Total shareholders' equity	5,062,786	5,214,554
Accumulated other comprehensive income		
Foreign currency translation adjustment	15,560	35,136
Total accumulated other comprehensive income	15,560	35,136
Total net assets	5,078,347	5,249,691
Total liabilities and net assets	10,611,292	10,043,913

[Note] The numbers parenthesized represent minus figures.

(2) Consolidated statement of income

(Thousand yen)

	Six months ended February 29, 2016	Six months ended February 28, 2017
Net sales	687,363	2,277,038
Cost of sales	472,482	1,411,815
Gross profit	214,880	865,223
Selling, general and administrative expenses	516,798	445,552
Operating income (loss)	(301,918)	419,670
Non-operating income		
Interest income	286	41
Foreign exchange gains	8,556	-
Fiduciary obligation fee	-	780
Reversal of provision for loss on liquidation of subsidiaries and affiliates	43,000	-
Interest on refund	301	537
Other	515	339
Total non-operating income	52,659	1,699
Non-operating expenses		
Interest expenses	26,362	16,353
Commission fee	25,954	26,107
Foreign exchange loss	-	7,977
Depreciation	48,888	6,720
Other	112	8,137
Total non-operating expenses	101,317	65,295
Ordinary income (loss)	(350,576)	356,073
Extraordinary income		
Gain on sales of noncurrent assets	96,673	-
Total extraordinary income	96,673	-
Extraordinary loss		
Impairment loss	-	201,911
Total extraordinary loss	-	201,911
Income (loss) before income taxes and minority interests	(253,902)	154,162
Income taxes-current	6,529	2,856
Income taxes-deferred	(709)	(462)
Total income taxes	5,819	2,394
Net income (loss)	(259,722)	151,768
Net income (loss) attributable to owners of the parent	(259,722)	151,768

[Note] The numbers parenthesized represent minus figures.

(3) Consolidated statement of cash flows

(Thousand yen)

	Six months ended February 29, 2016	Six months ended February 28, 2017
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	(253,902)	154,162
Depreciation and amortization	137,553	104,103
Impairment loss	-	201,911
Increase (decrease) in allowance for doubtful accounts	(29,659)	(6,648)
Increase (decrease) in provision for bonuses	13,329	(42)
Increase (decrease) in provision for loss on order received	-	(7,715)
Increase (decrease) in provision for loss on liquidation of subsidiaries and associates	(43,000)	-
Interest and dividends income	(286)	(41)
Interest expenses	26,362	16,353
Loss (gain) on sales of non-current assets	(96,673)	-
Decrease (increase) in notes and accounts receivable-trade	617,174	91,269
Decrease (increase) in inventories	(422,548)	339,008
Increase (decrease) in notes and accounts payable-trade	(85,566)	(1,869,526)
Increase (decrease) in advances received	22,913	(271,511)
Other, net	(61,994)	175,876
Subtotal	(176,297)	(1,072,799)
Interest and dividends income received	291	41
Interest expenses paid	(26,362)	(16,353)
Income taxes gain (paid)	(16,791)	(23)
Net cash provided by (used in) operating activities	(219,159)	(1,089,134)
Net cash provided by (used in) investing activities		
Payments into time deposits	(16,397)	-
Proceeds from withdrawal of time deposits	68,623	683
Purchase of property, plant and equipment	(45,409)	(4,497)
Proceeds from sales of property, plant and equipment	229,850	5
Purchase of intangible assets	(864)	(4,182)
Other, net	710	(34)
Net cash provided by (used in) investing activities	236,513	(8,026)
Net cash provided by (used in) financing activities		
Increase (decrease) in short-term loans payable	(500,000)	1,500,000
Repayment of long-term loans payable	(161,285)	-
Repayments of finance lease obligations	(28,557)	(30,314)
Net cash provided by (used in) financing activities	(689,842)	1,469,685
Effect of exchange rate change on cash and cash equivalents	(11,765)	15,703
Net increase (decrease) in cash and cash equivalents	(684,254)	388,228
Cash and cash equivalents at beginning of period	2,334,924	1,292,822
Cash and cash equivalents at end of period	1,650,669	1,681,050

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 28, 2017	Year-on-year ratio (%)
Machinery business	1,653,217	-
Environmental business	114,417	-
Total	1,767,635	134.5

[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 (%)
Machinery business	2,587,733	-	4,000,223	-
Environmental business	83,427	-	191,663	-
Total	2,671,161	66.6	4,191,886	63.9

[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, 2017	Year-on-year ratio (%)
Machinery business	2,178,318	-
Environmental business	98,719	-
Total	2,277,038	331.3

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

* Year-on-year changes by business segments are not shown as the “contract module assembly business” was changed to the “environmental business” in the fiscal year 2017 and it is practically difficult to create them by tracing back necessary financial information.

The details of each segment are as follows:

Machinery business: R&D, manufacturing, and sales of PV module manufacturing equipment, VIP sealing machines, PV panel disassembly equipment, etc.

Environmental business: Sales of products and services related to PV panel inspection, PV panel reuse/recycling.