

Summary of Financial Results for the Second Quarter of Fiscal Year Ending August 31, 2019

(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 12, 2019

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 28, 2019 (September 1, 2018 through February 28, 2019)

(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, 2019	2,039	(40.2)	240	(41.5)	240	(36.7)	228	(34.1)
6 months ended February 28, 2018	3,409	49.7	411	(1.9)	380	6.8	346	128.4

	Earnings per share	Diluted earnings per share
	Yen	Yen
6 months ended February 28, 2019	10.37	-
6 months ended February 28, 2018	15.72	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of February 28, 2019	9,134	5,966	65.3
As of August 31, 2018	8,059	5,785	71.8

[Reference] Shareholders' equity (million yen): February 28, 2019: 5,966 August 31, 2018: 5,785

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended August 31, 2018	-	0.00	-	2.00	2.00
Year ending August 31, 2019	-	0.00			
Year ending August 31, 2019 (forecast)			-	2.50	2.50

[Notes] Revision of dividend forecast for FY2019 from the latest disclosure: None

3. Consolidated Forecast for the Fiscal Year Ending August 31, 2019 (September 1, 2018 through August 31, 2019)

(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 FY2019	6,762	4.9	621	22.7	592	29.4	542	32.1	24.59

[Note] Revision of consolidated forecast for FY2019 from the latest disclosure: 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: 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, 2019: 22,052,426 shares

August 31, 2018: 22,052,426 shares

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

February 28, 2019: 435 shares

August 31, 2018: 435 shares

3) Average number of shares during the period

Six months ended February 28, 2019: 22,051,991 shares

Six months ended February 28, 2018: 22,051,991 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) 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, 2019

(1) Explanation of results of operations

During the six months ended February 28, 2019, the Japanese economy continued to recover gradually due to the improvement in employment and income situations, although weakness was partly seen in exports and production. Global economy is expected to continue to recover gradually even if attention should be paid continuously to the trend and influence of the trade issues between the USA and China, the influence of fluctuations in financial capital markets, etc.

In the photovoltaic (“PV”) industry, to which the NPC Group (“the Group”) belongs, there was a concern about the slowdown in the Chinese market. However, supported by the various policies of setting the renewable energy shares centered in China and the USA, as well as RE100 movement for attracting ESG investment mainly in Europe and the USA, installation of PV systems in the world is expected to grow compared to the previous year. Currently, the major markets are still the USA, China, India, etc. however, development of mega solar projects is expected in the emerging markets such as South America, Middle East, and South East Asia. The USA market, where the Group focuses, is forecast to grow compared to the previous year, with the effects of various policies and actions toward RE100. The installation of PV systems in Japan has been decreasing, however, mega solar power plants have been continuously constructed. Also, the demand of PV for self-consumption has been on the increase among private companies. On the other hand, the number of discarded PV panels has increased from the forecast due to the natural disasters last year. This increase has further raised awareness of establishing the appropriate recycling method and the processing structure.

Under such circumstances, the sales of the machinery business surpassed the forecast due to the steady sales of PV module manufacturing equipment, etc. In the environmental business, although some of the planned inspection services were not performed due to the delay in plants construction, the increase in inspection services of small-size power plants and the satisfactory sales of reuse panels offset the gap. As a result, the consolidated net sales were 2,039 million yen (1,369 million yen decrease year on year), exceeding the forecast. With regards to profits, the Group forecasted profitability would not be achieved in the first half, however, profits turned out to be significantly higher than the forecasts due to the good sales of PV module manufacturing equipment, etc. and cost reduction. As a result, operating income was 240 million yen, 170 million yen decrease year on year, and ordinary income was 240 million yen, 139 million yen decrease year on year. Net income attributable to owners of the parent was 228 million yen, 118 million yen decrease year on year.

The financial results by business segment are as follows:

1) Machinery Business

The sales were 1,798 million yen, 1,431 million yen decrease year on year, due to the sales of PV module manufacturing equipment, etc. and automated/labor-saving machines mainly for the automobile and the display industries. Operating income was 417 million yen, 203 million yen decrease year on year.

2) Environmental Business

The sales were 241 million yen, 61 million yen increase year on year, due to the sales of a PV panel disassembly line for recycling, as well as steady sales of PV plant inspection services. Operating income was 69 million yen, 27 million yen increase year on year.

(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 FY2019” released on April 10, 2019.

2. Consolidated Financial Statements for the Second Quarter Ended February 28, 2019**(September 1, 2018 through February 28, 2019)****(1) Consolidated balance sheets**

(Thousand yen)

	As of August 31, 2018	As of February 28, 2019
Assets		
Current assets		
Cash and deposits	900,042	610,072
Notes and accounts receivable-trade	1,820,665	1,689,999
Merchandise and finished goods	15,318	15,318
Work in progress	791,856	2,276,268
Raw materials and supplies	151,715	154,926
Other	205,445	263,011
Allowance for doubtful accounts	(33,292)	(17,013)
Total current assets	3,851,750	4,992,583
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	3,821,771	3,826,631
Accumulated depreciation	(1,397,325)	(1,477,940)
Accumulated impairment loss	(8,073)	(8,073)
Building and structures, net	2,416,373	2,340,618
Machinery and equipment	759,439	706,101
Accumulated depreciation	(137,700)	(139,915)
Accumulated impairment loss	(562,093)	(498,708)
Machinery and equipment, net	59,645	67,477
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	-	-
Construction in progress	-	6,518
Other	280,666	281,955
Accumulated depreciation	(234,300)	(243,283)
Accumulated impairment loss	(4,514)	(4,514)
Other, net	41,851	34,157
Total property, plant and equipment	4,065,919	3,996,821
Intangible assets		
Other	19,997	16,725
Total intangible assets	19,997	16,725
Investments and other assets		
Deferred tax assets	73,182	69,947
Other	48,222	57,923
Total investments and other assets	121,405	127,870
Total noncurrent assets	4,207,322	4,141,417
Total assets	8,059,073	9,134,000

[Note] The numbers parenthesized represent minus figures.

(Thousand yen)

	As of August 31, 2018	As of February 28, 2019
Liabilities		
Current liabilities		
Notes and accounts payable-trade	874,748	1,977,758
Lease obligation	63,414	65,336
Income taxes payable	111,004	28,205
Advances received	921,447	836,895
Provision for bonuses	49,258	23,948
Provision for loss on order received	-	9,925
Other	163,439	166,336
Total current liabilities	2,183,313	3,108,406
Noncurrent liabilities		
Retirement benefit liability	10,303	15,785
Lease obligation	79,558	43,478
Total noncurrent liabilities	89,862	59,263
Total liabilities	2,273,175	3,167,670
Net assets		
Shareholders' equity		
Capital stock	2,812,461	2,812,461
Capital surplus	2,734,875	2,734,875
Retained earnings	209,402	393,906
Treasury stock	(431)	(431)
Total shareholders' equity	5,756,307	5,940,812
Accumulated other comprehensive income		
Foreign currency translation adjustment	29,589	25,517
Total accumulated other comprehensive income	29,589	25,517
Total net assets	5,785,897	5,966,330
Total liabilities and net assets	8,059,073	9,134,000

[Note] The numbers parenthesized represent minus figures.

(2) Consolidated statement of income

(Thousand yen)

	Six months ended February 28, 2018	Six months ended February 28, 2019
Net sales	3,409,393	2,039,405
Cost of sales	2,475,867	1,329,030
Gross profit	933,526	710,375
Selling, general and administrative expenses	521,926	469,457
Operating income	411,599	240,918
Non-operating income		
Interest income	12	15
Foreign exchange gains	-	3,476
Fiduciary obligation fee	780	780
Penalty income	1,401	-
Gain on bad debts recovered	549	-
Other	489	2,601
Total non-operating income	3,232	6,873
Non-operating expenses		
Interest expenses	7,478	3,671
Commission fee	25,361	3,397
Foreign exchange loss	1,152	-
Other	499	-
Total non-operating expenses	34,491	7,068
Ordinary income	380,341	240,723
Extraordinary income		
Compensation income	28,420	-
Total extraordinary income	28,420	-
Income before income taxes and minority interests	408,761	240,723
Income taxes-current	62,052	8,911
Income taxes-deferred	64	3,203
Total income taxes	62,117	12,115
Income before minority interests	346,643	228,608
Net income attributable to owners of the parent	346,643	228,608

[Note] The numbers parenthesized represent minus figures.

(3) Consolidated statement of cash flows

(Thousand yen)

	Six months ended February 28, 2018	Six months ended February 28, 2019
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	408,761	240,723
Depreciation and amortization	98,708	97,391
Increase (decrease) in allowance for doubtful accounts	12,107	(16,216)
Increase (decrease) in provision for bonuses	24,953	(25,310)
Increase (decrease) in provision for loss on order received	21,632	9,925
Increase (decrease) in net defined benefit liability	5,327	5,482
Interest and dividends income	(12)	(15)
Interest expenses	7,478	3,671
Compensation income	(28,420)	-
Decrease (increase) in notes and accounts receivable-trade	(1,200,755)	129,605
Decrease (increase) in inventories	(25,390)	(1,488,142)
Increase (decrease) in notes and accounts payable-trade	146,957	1,103,057
Increase (decrease) in advances received	(22,141)	(84,138)
Other, net	(158,809)	(55,115)
Subtotal	(709,603)	(79,082)
Interest and dividends income received	12	15
Interest expenses paid	(7,478)	(3,671)
Proceeds from compensation	28,420	-
Income taxes gain (paid)	(944)	(81,057)
Net cash provided by (used in) operating activities	(689,593)	(163,795)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(14,636)	(36,034)
Purchase of intangible assets	(3,616)	(1,192)
Other, net	(136)	(9,751)
Net cash provided by (used in) investing activities	(18,390)	(46,978)
Net cash provided by (used in) financing activities		
Increase (decrease) in short-term loans payable	500,000	-
Repayments of finance lease obligations	(32,179)	(34,159)
Dividends paid	-	(43,688)
Net cash provided by (used in) financing activities	467,820	(77,847)
Effect of exchange rate change on cash and cash equivalents	(1,264)	(1,348)
Net increase (decrease) in cash and cash equivalents	(241,427)	(289,969)
Cash and cash equivalents at beginning of period	1,031,333	900,042
Cash and cash equivalents at end of period	789,906	610,072

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, 2019	Year-on-year change (%)
Machinery business	4,036,654	122.8
Environmental business	224,395	126.8
Total	4,261,049	123.0

[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 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	1,326,800	50.1	4,522,624	115.4
Environmental business	245,133	269.4	387,651	786.9
Total	1,571,934	57.3	4,910,276	123.8

[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, 2018	Year-on-year change (%)
Machinery business	1,798,067	55.7
Environmental business	241,338	133.9
Total	2,039,405	59.8

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