

Summary of Financial Results for the Third 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

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

Representative: Masafumi Ito, President & CEO

Contact: IR Group

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

Filing date of securities report:

July 12, 2019

Payment date of cash dividends:

-

Supplementary materials prepared for quarterly financial results: None

Financial results meeting for institutional investors and securities analysts: None

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

1. Consolidated Financial Results for the Nine Months Ended May 31, 2019 (September 1, 2018 through May 31, 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	%
9 months ended May 31, 2019	3,334	(28.4)	296	(32.8)	272	(32.0)	268	(27.4)
9 months ended May 31, 2018	4,658	19.6	411	(39.3)	400	(39.0)	369	(17.1)

	Earnings per share	Diluted earnings per share
	Yen	Yen
9 months ended May 31, 2019	12.19	-
9 months ended May 31, 2018	16.78	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of May 31, 2019	8,394	6,011	71.6
As of August 31, 2018	8,059	5,785	71.8

[Reference] Shareholders' equity (million yen): May 31, 2019: 6,011

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: 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

May 31, 2019: 22,052,426 shares

August 31, 2018: 22,052,426 shares

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

May 31, 2019: 435 shares

August 31, 2018: 435 shares

3) Average number of shares during the period

Nine months ended May 31, 2019: 22,051,991 shares

Nine months ended May 31, 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.

Table of Contents of Attached Materials

1. Qualitative Information Concerning Financial Results for the Thrid Quarter Ended May 31, 2019.....	2
(1) Explanation of results of operations.....	2
(2) Explanation of consolidated forecast and other forward-looking statements.....	2
2. Consolidated Financial Statements for the Thrid Quarter Ended May 31, 2019	3
(1) Consolidated balance sheets.....	3
(2) Consolidated statement of income	5
3. Other Information	6
(1) Production, Orders, and Sales	6
1) Production.....	6
2) Orders	6
3) Sales.....	6

1. Qualitative Information Concerning Financial Results for the Third Quarter Ended May 31, 2019

(1) Explanation of results of operations

During the nine months ended May 31, 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 India 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 steady installation of PV systems supported by the effects of various policies and actions toward RE100. Although there has been discussion for reviewing the FIT scheme in Japan, constructions of approved mega solar power plants will continue as the approved projects are subject to the FIT price at the time of approval. Also, the number of discarded PV panels has increased more than 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 went as planned due to the steady sales of PV module manufacturing equipment and parts sales. In terms of production, the Company has put effort into major projects of PV module manufacturing equipment sales of which is to be booked in the last three months of this fiscal year. The sales of environmental business went as forecasted due to the sales of PV plant inspection services and PV panel disassembly line for recycling as well as the good sales of reuse panels. As a result, the consolidated net sales were 3,334 million yen, 1,323 million yen decrease year on year. Operating income was 296 million yen, 144 million yen decrease year on year, and ordinary income was 272 million yen, 128 million yen decrease year on year. Net income attributable to owners of the parent was 268 million yen, 101 million yen decrease year on year.

The financial results by business segment are as follows:

1) Machinery Business

The sales were 3,005 million yen, 1,413 million yen decrease year on year, due to the sales of PV module manufacturing equipment, parts, etc. and automated/labor-saving machines mainly for the automobile, the display, and the electronics industries. Operating income was 601 million yen, 173 million yen decrease year on year.

2) Environmental Business

The sales were 329 million yen, 89 million yen increase year on year, due to the sales of a PV panel disassembly line for recycling, as well as the good sales of reuse panels. Operating income was 87 million yen, 50 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.

The result of operation for the nine months ended May 31, 2019 ended almost as planned. There is no change in business forecast for the full year due to expected sales booking for major projects of PV module manufacturing equipment sales of which is to be booked in the last three months of this fiscal year.

2. Consolidated Financial Statements for the Third Quarter Ended May 31, 2019**(September 1, 2018 through May 31, 2019)****(1) Consolidated balance sheets**

(Thousand yen)

	As of August 31, 2018	As of May 31, 2019
Assets		
Current assets		
Cash and deposits	900,042	508,672
Notes and accounts receivable-trade	1,820,665	1,296,682
Merchandise and finished goods	15,318	15,318
Work in progress	791,856	2,198,744
Raw materials and supplies	151,715	140,143
Other	205,445	159,503
Allowance for doubtful accounts	(33,292)	(18,363)
Total current assets	3,851,750	4,300,702
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	3,821,771	3,827,031
Accumulated depreciation	(1,397,325)	(1,518,302)
Accumulated impairment loss	(8,073)	(8,073)
Building and structures, net	2,416,373	2,300,656
Machinery and equipment	759,439	689,459
Accumulated depreciation	(137,700)	(137,623)
Accumulated impairment loss	(562,093)	(487,160)
Machinery and equipment, net	59,645	64,674
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	280,666	281,984
Accumulated depreciation	(234,300)	(247,891)
Accumulated impairment loss	(4,514)	(4,514)
Other, net	41,851	29,579
Construction in progress	-	6,518
Total property, plant and equipment	4,065,919	3,949,478
Intangible assets		
Other	19,997	15,616
Total intangible assets	19,997	15,616
Investments and other assets		
Deferred tax assets	73,182	70,588
Other	48,222	57,892
Total investments and other assets	121,405	128,481
Total noncurrent assets	4,207,322	4,093,575
Total assets	8,059,073	8,394,277

[Note] The numbers parenthesized represent minus figures.

(Thousand yen)

	As of August 31, 2018	As of May 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable-trade	874,748	1,099,850
Electronically recorded obligations	-	192,892
Lease obligation	63,414	66,318
Income taxes payable	111,004	-
Advances received	921,447	747,143
Provision for bonuses	49,258	12,473
Provision for loss on order received	-	24,924
Other	163,439	195,882
Total current liabilities	2,183,313	2,339,485
Noncurrent liabilities		
Retirement benefit liability	10,303	18,126
Lease obligation	79,558	25,029
Total noncurrent liabilities	89,862	43,155
Total liabilities	2,273,175	2,382,641
Net assets		
Shareholders' equity		
Capital stock	2,812,461	2,812,461
Capital surplus	2,734,875	2,734,875
Retained earnings	209,402	434,079
Treasury stock	(431)	(431)
Total shareholders' equity	5,756,307	5,980,985
Accumulated other comprehensive income		
Foreign currency translation adjustment	29,589	30,651
Total accumulated other comprehensive income	29,589	30,651
Total net assets	5,785,897	6,011,636
Total liabilities and net assets	8,059,073	8,394,277

[Note] The numbers parenthesized represent minus figures.

(2) Consolidated statement of income

(Thousand yen)

	Nine months ended May 31, 2018	Nine months ended May 31, 2019
Net sales	4,658,489	3,334,509
Cost of sales	3,444,434	2,326,812
Gross profit	1,214,054	1,007,697
Selling, general and administrative expenses	772,874	711,371
Operating income	441,179	296,325
Non-operating income		
Interest income	16	21
Outsourcing service income	1,170	1,170
Penalty income	1,401	-
Interest on tax refund	170	357
Gain on sales of scraps	702	971
Other	1,345	885
Total non-operating income	4,806	3,407
Non-operating expenses		
Interest expenses	11,308	5,441
Commission fee	29,206	18,608
Foreign exchange loss	3,343	2,876
Other	1,199	-
Total non-operating expenses	45,057	26,926
Ordinary income	400,928	272,806
Extraordinary income		
Compensation income	28,420	-
Total extraordinary income	28,420	-
Income before income taxes and minority interests	429,348	272,806
Income taxes-current	62,757	1,417
Income taxes-deferred	(3,402)	2,607
Total income taxes	59,355	4,025
Income before minority interests	369,992	268,781
Net income attributable to owners of the parent	369,992	268,781

[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	Nine Months Ended May 31, 2019	Year-on-year change (%)
Machinery business	4,990,447	101.3
Environmental business	322,024	134.9
Total	5,312,471	102.8

[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	3,129,629	97.6	5,118,034	155.8
Environmental business	309,692	213.5	364,525	828.1
Total	3,439,322	102.6	5,482,560	164.7

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

3) Sales

Sales by business segment in the period are as follows:

(Thousand yen)

Segment	Nine Months Ended May 31, 2019	Year-on-year change (%)
Machinery business	3,005,487	68.0
Environmental business	329,022	137.4
Total	3,334,509	71.6

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