

Summary of Financial Results for the Second Quarter of Fiscal Year Ending August 31, 2020

(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:

April 14, 2020

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, 2020 (September 1, 2019 through February 29, 2020)

(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 29, 2020	2,194	7.6	164	(31.6)	156	(35.1)	140	(38.7)
6 months ended February 28, 2019	2,039	(40.2)	240	(41.5)	240	(36.7)	228	(34.1)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
6 months ended February 29, 2020	6.38		-	
6 months ended February 28, 2019	10.37		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of February 29, 2020	10,892	6,442	59.1
As of August 31, 2019	7,922	6,420	81.0

[Reference] Shareholders' equity (million yen): February 29, 2020: 6,442 August 31, 2019: 6,420

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended August 31, 2019	-	0.00	-	3.50	3.50
Year ending August 31, 2020	-	0.00			
Year ending August 31, 2020 (forecast)			-	3.50	3.50

[Notes] Revision of dividend forecast for FY2020 from the latest disclosure: None

3. Consolidated Forecast for the Fiscal Year Ending August 31, 2020 (September 1, 2019 through August 31, 2020)

(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 FY2020	8,234	19.7	813	18.4	783	18.8	707	4.0	32.09

[Note] Revision of consolidated forecast for FY2020 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 29, 2020: 22,052,426 shares

August 31, 2019: 22,052,426 shares

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

February 29, 2020: 95,284 shares

August 31, 2019: 435 shares

3) Average number of shares during the period

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

Six months ended February 28, 2019: 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) 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.

Table of Contents of Attached Materials

1. Qualitative Information Concerning Financial Results for the Second Quarter Ended February 29, 2020	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 Second Quarter Ended February 29, 2020.....	3
(1) Consolidated balance sheets.....	3
(2) Consolidated statement of income	5
(3) Consolidated statement of cash flows	6
3. 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, 2020

(1) Explanation of results of operations

During the six months ended February 29, 2020, a stronger perception of economic slowdown was seen in Japan due to the decline in customer spending attributed to the consumption tax increase, weak exports and capital expenditure in the manufacturing industry, and from the spread of the novel coronavirus infection toward the end of February. As for the global economy, in addition to the continuing unstable situation such as the US-China trade friction, the impact of the coronavirus is expanding, making it difficult to predict the future outlook.

In the Group's machinery business, although the situation differs among the industries of which we provide the machines, not only for our main US customers in the photovoltaic ("PV") industry but also in overall there are continuous demands towards improvement in production efficiency, capacity and utilization. Furthermore, there are stable demands towards automation and labor saving machines in factories. In the PV industry, the main area for the Group's environmental business, large PV power plant projects approved under the feed-in-tariff ("FIT") scheme have been continuously installed despite the ongoing discussions towards the revision of FIT. Also there are growing needs for establishing the appropriate recycling method and the processing structure for PV panels.

Under such circumstances, the Group posted net sales of 2,194 million yen, 155 million yen increase year on year, which was almost on schedule. On the other hand, the Group's profits turned out to be higher than the initial forecast due to the decrease in selling, general and administrative expenses such as R&D expenses, personnel expenses, and allowance for doubtful accounts. Operating income was 164 million yen, 76 million yen decrease year on year, ordinary income was 156 million yen, 84 million yen decrease year on year, and net income attributable to owners of the parent was 140 million yen, 88 million yen decrease year on year.

The financial results by business segment are as follows:

1) Machinery Business

The sales were 1,864 million yen, 65 million yen increase year on year. This is due to the sales of PV manufacturing equipment (expansion of existing manufacturing lines) for the US PV panel manufacturers, parts sales, and the sales of automation machines for automobile industry. Operating income was 302 million yen, 114 million yen decrease year on year.

2) Environmental Business

The sales were 330 million yen, 89 million yen increase year on year. This is mainly due to the steady sales of inspection services for PV power plants such as periodic inspections and sales of PV panel disassembly line for recycling to the domestic waste service company. Operating income was 129 million yen, 59 million yen increase year on year.

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

The Company currently does not expect any significant changes in its full-year business forecast for fiscal year 2020 (from Sept.1, 2019 to August 31, 2020) from the previous forecast announced on October 9, 2019. Profits for the first half was higher than expected at the beginning of the fiscal year, however its impact on the full year results is to be minimal, therefore figures for the full-year results have been unchanged. The Company's business is mainly export-oriented and we are closely watching the spread of the novel coronavirus and the enhancement of regulations in each country. We will promptly disclose if it becomes necessary to revise our business forecast.

2. Consolidated Financial Statements for the Second Quarter Ended February 29, 2020**(September 1, 2019 through February 28, 2020)****(1) Consolidated balance sheets**

(Thousand yen)

	As of August 31, 2019	As of February 29, 2020
Assets		
Current assets		
Cash and deposits	719,251	2,237,172
Notes and accounts receivable-trade	2,221,078	1,164,872
Electronically recorded monetary claims-operating	13,048	4,866
Work in progress	531,258	2,940,208
Raw materials and supplies	83,957	83,209
Other	258,445	430,595
Allowance for doubtful accounts	(11,891)	(1,883)
Total current assets	3,815,148	6,859,040
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	3,827,031	3,835,381
Accumulated depreciation	(1,558,663)	(1,639,099)
Accumulated impairment loss	(8,073)	(8,073)
Building and structures, net	2,260,294	2,188,208
Machinery and equipment	697,703	666,165
Accumulated depreciation	(140,524)	(144,854)
Accumulated impairment loss	(487,160)	(456,940)
Machinery and equipment, net	70,017	64,371
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	270,705	296,499
Accumulated depreciation	(236,157)	(244,037)
Accumulated impairment loss	(4,514)	(4,514)
Other, net	30,033	47,947
Total property, plant and equipment	3,908,394	3,848,577
Intangible assets		
Other	13,626	16,230
Total intangible assets	13,626	16,230
Investments and other assets		
Deferred tax assets	127,537	120,504
Other	57,594	48,220
Total investments and other assets	185,131	168,725
Total noncurrent assets	4,107,152	4,033,533
Total assets	7,922,300	10,892,574

[Note] The numbers parenthesized represent minus figures.

(Thousand yen)

	As of August 31, 2019	As of February 29, 2020
Liabilities		
Current liabilities		
Notes and accounts payable-trade	264,655	691,971
Electronically recorded obligations-operating	614,353	1,683,021
Lease obligation	79,558	43,478
Income taxes payable	4,149	18,088
Advances received	199,203	1,696,226
Provision for bonuses	73,816	46,819
Provision for loss on order received	41,084	35,522
Other	203,964	208,361
Total current liabilities	1,480,785	4,423,490
Noncurrent liabilities		
Retirement benefit liability	20,681	26,460
Total noncurrent liabilities	20,681	26,460
Total liabilities	1,501,466	4,449,950
Net assets		
Shareholders' equity		
Capital stock	2,812,461	2,812,461
Capital surplus	2,734,875	2,734,875
Retained earnings	846,128	907,514
Treasury stock	(431)	(39,214)
Total shareholders' equity	6,393,033	6,415,637
Accumulated other comprehensive income		
Foreign currency translation adjustment	27,800	26,986
Total accumulated other comprehensive income	27,800	26,986
Total net assets	6,420,834	6,442,624
Total liabilities and net assets	7,922,300	10,892,574

[Note] The numbers parenthesized represent minus figures.

(2) Consolidated statement of income

(Thousand yen)

	Six months ended February 28, 2019	Six months ended February 29, 2020
Net sales	2,039,405	2,194,903
Cost of sales	1,329,030	1,576,963
Gross profit	710,375	617,939
Selling, general and administrative expenses	469,457	453,087
Operating income	240,918	164,851
Non-operating income		
Interest income	15	28
Foreign exchange gains	3,476	-
Outsourcing service income	780	-
Gain on liquidation of subsidiaries and associates	-	3,121
Gain on sales of scraps	607	1,934
Other	1,994	531
Total non-operating income	6,873	5,615
Non-operating expenses		
Interest expenses	3,671	1,670
Commission fee	3,397	11,609
Foreign exchange loss	-	885
Other	-	60
Total non-operating expenses	7,068	14,225
Ordinary income	240,723	156,242
Income before income taxes and minority interests	240,723	156,242
Income taxes-current	8,911	9,128
Income taxes-deferred	3,203	7,040
Total income taxes	12,115	16,169
Income before minority interests	228,608	140,072
Net income attributable to owners of the parent	228,608	140,072

[Note] The numbers parenthesized represent minus figures.

(3) Consolidated statement of cash flows

(Thousand yen)

	Six months ended February 28, 2019	Six months ended February 29, 2020
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	240,723	156,242
Depreciation and amortization	97,391	96,454
Increase (decrease) in allowance for doubtful accounts	(16,216)	(10,037)
Increase (decrease) in provision for bonuses	(25,310)	(26,996)
Increase (decrease) in provision for loss on order received	9,925	(5,561)
Increase (decrease) in retirement benefit liability	5,482	5,779
Interest and dividends income	(15)	(28)
Interest expenses	3,671	1,670
Decrease (increase) in notes and accounts receivable-trade	129,605	1,065,334
Decrease (increase) in inventories	(1,488,142)	(2,408,166)
Increase (decrease) in notes and accounts payable-trade	1,103,057	1,495,717
Increase (decrease) in advances received	(84,138)	1,497,021
Other, net	(55,115)	(188,811)
Subtotal	(79,082)	1,678,616
Interest and dividends income received	15	28
Interest expenses paid	(3,671)	(1,850)
Income taxes gain (paid)	(81,057)	8,332
Net cash provided by (used in) operating activities	(163,795)	1,685,126
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(36,034)	(10,501)
Purchase of intangible assets	(1,192)	(6,515)
Proceeds from liquidation of subsidiaries and associates	-	7,621
Other, net	(9,751)	4,891
Net cash provided by (used in) investing activities	(46,978)	(4,502)
Net cash provided by (used in) financing activities		
Repayments of finance lease obligations	(34,159)	(36,080)
Purchase of treasury shares	-	(49,986)
Dividends paid	(43,688)	(76,682)
Net cash provided by (used in) financing activities	(77,847)	(162,749)
Effect of exchange rate change on cash and cash equivalents	(1,348)	45
Net increase (decrease) in cash and cash equivalents	(289,969)	1,517,920
Cash and cash equivalents at beginning of period	900,042	719,251
Cash and cash equivalents at end of period	610,072	2,237,172

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 29, 2020	Year-on-year change (%)
Machinery business	4,974,693	123.2
Environmental business	347,240	154.7
Total	5,321,933	124.9

[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	2,454,989	185.0	8,083,121	178.7
Environmental business	174,001	71.0	132,132	34.1
Total	2,628,990	167.2	8,215,254	167.3

[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, 2020	Year-on-year change (%)
Machinery business	1,864,024	103.7
Environmental business	330,878	137.1
Total	2,194,903	107.6

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