



April 10, 2018

Summary of Financial Results for the Second Quarter of Fiscal Year Ending August 31, 2018

(All financial information has been prepared in accordance with the Generally Accepted Accounting Principles in Japan)

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 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, 2018 (September 1, 2017 through February 28, 2018)

(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, 2018 | 3,409 | 49.7 | 411 | (1.9) | 380 | 6.8 | 346 | 128.4 |
| 6 months ended February 28, 2017 | 2,277 | 231.3 | 419 | - | 356 | - | 151 | - |

| | Earnings per share | | Diluted earnings per share | |
|----------------------------------|--------------------|--|----------------------------|--|
| | Yen | | Yen | |
| 6 months ended February 28, 2018 | 15.72 | | - | |
| 6 months ended February 28, 2017 | 6.88 | | - | |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|-------------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of February 28, 2018 | 8,991 | 5,720 | 63.6 |
| As of August 31, 2017 | 7,937 | 5,374 | 67.7 |

[Reference] Shareholders' equity (million yen): February 28, 2018: 5,720 August 31, 2017: 5,374

2. Dividends

| | Dividend per share | | | | |
|--|--------------------|--------|--------|----------|--------|
| | 1Q-end | 2Q-end | 3Q-end | Year-end | Annual |
| | Yen | Yen | Yen | Yen | Yen |
| Year ended August 31, 2017 | - | 0.00 | - | 0.00 | 0.00 |
| Year ending August 31, 2018 | - | 0.00 | | | |
| Year ending August 31, 2018 (forecast) | | | - | 0.00 | 0.00 |

[Notes] Revision of dividend forecast for FY2018 from the latest disclosure: None

**3. Consolidated Forecast for the Fiscal Year Ending August 31, 2018
(September 1, 2017 through August 31, 2018)**

(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 FY2018 | 5,961 | 25.1 | 344 | (41.6) | 291 | (41.4) | 272 | (3.7) | 12.36 |

[Note] Revision of consolidated forecast for FY2018 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, 2018: 22,052,426 shares

August 31, 2017: 22,052,426 shares

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

February 28, 2018: 435 shares

August 31, 2017: 435 shares

3) Average number of shares during the period

Six months ended February 28, 2018: 22,051,991 shares

Six months ended February 29, 2017: 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, 2018

(1) Qualitative information about consolidated results of operations

During the six months ended on February 28, 2018, the Japanese economy continued to recover gradually due to the improvement in employment and income situations. Global economy generally showed the trend of expansion.

In the photovoltaic (“PV”) industry, to which the NPC Group (“the Group”) belongs, PV system installation has been expanding centering on main markets such as China, India, and the USA. In Japan, PV power producers were required to submit the result of pre-operation voluntary inspection and self-check for their plants of the capacity from 500kW to 2,000kW. Partly because of this regulation change, recognition of power producers increased about inspection and maintenance necessity. Also, the move of the Japanese government toward mandating disposal cost accumulation of PV systems, in order to prevent PV panels left at the sites after the end of power producing business.

Under such circumstances, the sales were almost as planned due to the favorable sales of PV module manufacturing equipment and automated machines in the machinery business. In the environmental business, although the sales of inspection machines were weak, overall sales were almost in line with the forecast due to efficient inspection of large PV power plants and the contribution of sales from reuse panels. As a result, the consolidated net sales were 3,409 million yen, 1,132 million yen increase year on year. As for profits, the Company forecasted both of operating income and ordinary income lower than the second quarter of the previous year, however, they turned out to be better than the forecasts. As a result, operating income was 411 million yen, 8 million yen decrease year on year, and ordinary income was 380 million yen, 24 million yen increase year on year. As the Company received payment for agreed settlement from the other party with regards to the conflict related to the contract module assembly service, 28 million yen of compensation income was booked as an extraordinary income. Thus, net income attributable to owners of the parent was 346 million yen, 194 million yen increase year on year.

The financial results by business segment are as follows:

1) Machinery Business

The sales were 3,229 million yen, 1,050 million yen increase year on year, almost in line with the forecast. Due to cost reduction and sales efforts, operating income was 620 million yen, 38 million yen decrease year on year, better than the initial forecast.

2) Environmental Business

The sales were 180 million yen, 81 million yen increase year on year, due to the efficient performance in PV plant inspections and sales of reuse panels. Operating income was 42 million yen, compared with operating loss of 4 million yen in the second quarter of the previous year, due to improvement in PV plant inspection efficiency and operating rate. The group continued to make profits following the first quarter of this fiscal year.

(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, 2018.

2. Consolidated Financial Statements for the Second Quarter Ended February 28, 2018**(September 1, 2017 through February 28, 2018)**

(1) Consolidated balance sheets

(Thousand yen)

| | As of August 31, 2017 | As of February 28, 2018 |
|--|-----------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 1,031,333 | 789,906 |
| Notes and accounts receivable-trade | 1,034,749 | 2,234,941 |
| Merchandise and finished goods | 16,767 | 16,850 |
| Work in progress | 1,041,529 | 1,082,010 |
| Raw materials and supplies | 195,048 | 179,738 |
| Deferred tax assets | 35,372 | 35,296 |
| Other | 270,963 | 443,287 |
| Allowance for doubtful accounts | (22,268) | (34,374) |
| Total current assets | 3,603,494 | 4,747,656 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 3,817,291 | 3,821,771 |
| Accumulated depreciation | (1,235,198) | (1,316,224) |
| Accumulated impairment loss | (8,073) | (8,073) |
| Building and structures, net | 2,574,019 | 2,497,473 |
| Machinery and equipment | 759,205 | 759,205 |
| Accumulated depreciation | (127,104) | (132,394) |
| Accumulated impairment loss | (562,093) | (562,093) |
| Machinery and equipment, net | 70,007 | 64,717 |
| 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 | 279,527 | 281,951 |
| Accumulated depreciation | (227,267) | (236,767) |
| Accumulated impairment loss | (4,514) | (4,514) |
| Other, net | 47,744 | 40,669 |
| Total property, plant and equipment | 4,239,821 | 4,150,910 |
| Intangible assets | | |
| Other | 24,112 | 22,763 |
| Total intangible assets | 24,112 | 22,763 |
| Investments and other assets | | |
| Deferred tax assets | 21,881 | 21,886 |
| Other | 49,705 | 49,773 |
| Allowance for doubtful accounts | (1,082) | (1,082) |
| Total investments and other assets | 70,504 | 70,577 |
| Total noncurrent assets | 4,334,438 | 4,244,251 |
| Total assets | 7,937,933 | 8,991,907 |

[Note] The numbers parenthesized represent minus figures.

(Thousand yen)

| | As of August 31, 2017 | As of February 28, 2018 |
|--|-----------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 984,359 | 1,130,869 |
| Short-term loans payable | 500,000 | 1,000,000 |
| Lease obligation | 65,334 | 67,313 |
| Income taxes payable | 13,070 | 83,638 |
| Advances received | 664,034 | 641,882 |
| Provision for bonuses | 24,825 | 49,779 |
| Provision for loss on liquidation of subsidiaries and affiliates | 9,003 | 30,635 |
| Other | 159,795 | 153,205 |
| Total current liabilities | 2,420,422 | 3,157,324 |
| Noncurrent liabilities | | |
| Net defined benefit liability | - | 5,327 |
| Lease obligation | 142,973 | 108,814 |
| Total noncurrent liabilities | 142,973 | 114,141 |
| Total liabilities | 2,563,395 | 3,271,466 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 2,812,461 | 2,812,461 |
| Capital surplus | 2,734,875 | 2,734,875 |
| Retained earnings | (201,210) | 145,433 |
| Treasury stock | (431) | (431) |
| Total shareholders' equity | 5,345,695 | 5,692,339 |
| Accumulated other comprehensive income | | |
| Foreign currency translation adjustment | 28,842 | 28,101 |
| Total accumulated other comprehensive income | 28,842 | 28,101 |
| Total net assets | 5,374,538 | 5,720,441 |
| Total liabilities and net assets | 7,937,933 | 8,991,907 |

[Note] The numbers parenthesized represent minus figures.

(2) Consolidated statement of income

(Thousand yen)

| | Six months ended February 28, 2017 | Six months ended February 28, 2018 |
|---|---------------------------------------|---------------------------------------|
| Net sales | 2,277,038 | 3,409,393 |
| Cost of sales | 1,411,815 | 2,475,867 |
| Gross profit | 865,223 | 933,526 |
| Selling, general and administrative expenses | 445,552 | 521,926 |
| Operating income | 419,670 | 411,599 |
| Non-operating income | | |
| Interest income | 41 | 12 |
| Fiduciary obligation fee | 780 | 780 |
| Penalty income | - | 1,401 |
| Gain on bad debts recovered | - | 549 |
| Interest on refund | 537 | 66 |
| Other | 339 | 423 |
| Total non-operating income | 1,699 | 3,232 |
| Non-operating expenses | | |
| Interest expenses | 16,353 | 7,478 |
| Commission fee | 26,107 | 25,361 |
| Foreign exchange loss | 7,977 | 1,152 |
| Depreciation | 6,720 | - |
| Other | 8,137 | 499 |
| Total non-operating expenses | 65,295 | 34,491 |
| Ordinary income | 356,073 | 380,341 |
| Extraordinary income | | |
| Compensation income | - | 28,420 |
| Total extraordinary income | - | 28,420 |
| Extraordinary loss | | |
| Impairment loss | 201,911 | - |
| Total extraordinary loss | 201,911 | - |
| Income before income taxes and minority interests | 154,162 | 408,761 |
| Income taxes-current | 2,856 | 62,052 |
| Income taxes-deferred | (462) | 64 |
| Total income taxes | 2,394 | 62,117 |
| Income before minority interests | 151,768 | 346,643 |
| Net income attributable to owners of the parent | 151,768 | 346,643 |

[Note] The numbers parenthesized represent minus figures.

(3) Consolidated statement of cash flows

(Thousand yen)

| | Six months ended February 28, 2017 | Six months ended February 28, 2018 |
|---|---------------------------------------|---------------------------------------|
| Net cash provided by (used in) operating activities | | |
| Income (loss) before income taxes and minority interests | 154,162 | 408,761 |
| Depreciation and amortization | 104,103 | 98,708 |
| Impairment loss | 201,911 | - |
| Increase (decrease) in allowance for doubtful accounts | (6,648) | 12,107 |
| Increase (decrease) in provision for bonuses | (42) | 24,953 |
| Increase (decrease) in provision for loss on order received | (7,715) | 21,632 |
| Increase (decrease) in net defined benefit liability | - | 5,327 |
| Interest and dividends income | (41) | (12) |
| Interest expenses | 16,353 | 7,478 |
| Compensation income | - | (28,420) |
| Decrease (increase) in notes and accounts receivable-trade | 91,269 | (1,200,755) |
| Decrease (increase) in inventories | 339,008 | (25,390) |
| Increase (decrease) in notes and accounts payable-trade | (1,869,526) | 146,957 |
| Increase (decrease) in advances received | (271,511) | (22,141) |
| Other, net | 175,876 | (158,809) |
| Subtotal | (1,072,799) | (709,603) |
| Interest and dividends income received | 41 | 12 |
| Interest expenses paid | (16,353) | (7,478) |
| Proceeds from compensation | - | 28,420 |
| Income taxes gain (paid) | (23) | (944) |
| Net cash provided by (used in) operating activities | (1,089,134) | (689,593) |
| Net cash provided by (used in) investing activities | | |
| Proceeds from withdrawal of time deposits | 683 | - |
| Purchase of property, plant and equipment | (4,497) | (14,636) |
| Proceeds from sales of property, plant and equipment | 5 | - |
| Purchase of intangible assets | (4,182) | (3,616) |
| Other, net | (34) | (136) |
| Net cash provided by (used in) investing activities | (8,026) | (18,390) |
| Net cash provided by (used in) financing activities | | |
| Increase (decrease) in short-term loans payable | 1,500,000 | 500,000 |
| Repayments of finance lease obligations | (30,314) | (32,179) |
| Net cash provided by (used in) financing activities | 1,469,685 | 467,820 |
| Effect of exchange rate change on cash and cash equivalents | 15,703 | (1,264) |
| Net increase (decrease) in cash and cash equivalents | 388,228 | (241,427) |
| Cash and cash equivalents at beginning of period | 1,292,822 | 1,031,333 |
| Cash and cash equivalents at end of period | 1,681,050 | 789,906 |

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, 2018 | Year-on-year change (%) |
| Machinery business | 3,287,166 | 198.8 |
| Environmental business | 177,023 | 154.7 |
| Total | 3,464,190 | 196.0 |

[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 | 2,650,788 | 102.4 | 3,917,998 | 97.9 |
| Environmental business | 91,003 | 109.1 | 49,264 | 25.7 |
| Total | 2,741,791 | 102.6 | 3,967,263 | 94.6 |

[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 | 3,229,197 | 148.2 |
| Environmental business | 180,195 | 182.5 |
| Total | 3,409,393 | 149.7 |

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