

Summary of Financial Results for the Fiscal Year Ended August 31, 2019

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

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General meeting of shareholders: November 28, 2019

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Payment date of cash dividends: November 29, 2019

Supplementary materials prepared for 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 Fiscal Year Ended August 31, 2019 (September 1, 2018 through August 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	%
Year ended August 31, 2019	6,878	6.7	686	35.6	659	43.8	680	65.8
Year ended August 31, 2018	6,444	35.2	506	(14.2)	458	(8.0)	410	45.1

	Earnings per share	Diluted earnings per share	Return on shareholders' equity	Ordinary income-to-equity ratio	Operating income-to-net sales ratio
	Yen	Yen	%	%	%
Year ended August 31, 2019	30.87	-	11.2	8.2	10.0
Year ended August 31, 2018	18.62	-	7.4	5.7	7.9

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of August 31, 2019	7,922	6,420	81.0	291.17
As of August 31, 2018	8,059	5,785	71.8	262.38

[Reference] Shareholders' equity (million yen): August 31, 2019: 6,420 August 31, 2018: 5,785

(3) Consolidated cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the period end
	Million yen	Million yen	Million yen	Million yen
As of August 31, 2019	(16)	(55)	(107)	719
As of August 31, 2018	455	(22)	(565)	900

2. Dividends

	Dividend per share					Dividend in total (full year)	Dividend payout ratio (consolidated)	Dividends on net assets (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended August 31, 2018	-	0.00	-	2.00	2.00	44	10.7	0.8
Year ended August 31, 2019	-	0.00	-	3.50	3.50	77	11.3	1.3
Year ending August 31, 2020 (forecast)	-	0.00	-	3.50	3.50		10.9	

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 (loss) attributable to owners of the parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
1 st half ending February 28, 2020	2,147	5.3	70	(70.7)	59	(75.1)	50	(77.7)	2.31
Year ending August 31, 2020	8,234	19.7	813	18.4	783	18.8	707	4.0	32.09

4. Others

(1) Changes in significant subsidiaries during the period: None

(2) 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

(3) Number of shares outstanding (common shares)

1) Number of shares outstanding (including treasury stock) at the end of the period

August 31, 2019: 22,052,426 shares

August 31, 2018: 22,052,426 shares

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

August 31, 2019: 435 shares

August 31, 2018: 435 shares

3) Average number of shares during the period

Fiscal year ended August 31, 2019: 22,051,991 shares

Fiscal year ended August 31, 2018: 22,051,991 shares

[Reference]

1. Non-Consolidated Financial Results for the Year Ended August 31, 2019
(September 1, 2018 through August 31, 2019)

(1) Non-Consolidated results of operations

	Sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended August 31, 2019	6,803	5.8	625	30.7	596	37.0	628	60.0
Year ended August 31, 2018	6,433	35.3	478	(19.8)	435	(28.4)	392	(0.9)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Year ended August 31, 2019	28.51		-	
Year ended August 31, 2018	17.81		-	

(2) Non-Consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
As of August 31, 2019	7,743		6,246		80.7		283.27	
As of August 31, 2018	7,916		5,662		71.5		256.76	

[Reference] Shareholders' equity (million yen): August 31, 2019: 6,246

August 31, 2018: 5,662

**2. Non-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 (loss) attributable to owners of the parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
1 st half ending February 28, 2020	2,110	5.1	53	(76.7)	42	(81.2)	39	(81.6)	1.81
Year ending August 31, 2020	8,185	20.3	765	22.3	735	23.3	673	7.1	30.55

*This financial report is not subject to audit procedures.

*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) Future outlook on page 3 for conditions of assumptions for the forecast and notes concerning on appropriate use of the forecast.

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1. Overview of Financial Results of the Fiscal Year Ended August 31, 2019

(1) Overview of financial results of the fiscal year ended August 31, 2019

In the fiscal year ended August 31, 2019, in spite of softened exports and production, Japanese economy continued to recover gradually while employment and earnings environment continuously improved. However, the outlook for the global economy remained unclear due to concerns towards slowdown on Chinese economy, worsening US-China trade friction, and strained situation in the Middle East .

In the photovoltaic industry, to which the NPC Group (“the Group”) belongs, the global market is showing steady growth supported by the cost reduction in the photovoltaic (“PV”) system, various policies of setting the renewable energy shares mainly in the USA and India and efforts by RE100 companies, etc. backed by ESG investment mainly in Europe and in the USA. As for the USA market, on which the Group is most focusing, installation of PV systems is remaining strong due to effects from various policies and efforts of various states working to realize RE100. This led to a capacity expansion of the Group’s main customers as well as an increase in the Group’s order volume. In Japan, although there has been discussion for reviewing the FIT scheme, constructions of many mega solar power plants approved under the scheme will continue. Furthermore, the number of discarded PV panels has increased more than expected mainly due to the natural disasters last year, raising awareness of establishing the appropriate recycling method and the processing structure.

Under such circumstances, the consolidated net sales were 6,878 million yen, 434 million yen increase year on year. Operating income was 686 million yen, 180 million yen increase year on year, and ordinary income was 659 million yen, 200 million yen increase year on year. Net income attributable to owners of the parent was 680 million yen, 270 million yen increase, since deferred tax asset increased as a result of applying tax effect accounting.

Financial results by segment are as follows:

1) Machinery Business

The sales were 6,402 million yen, 236 yen increase year on year, as the sales of a large-scale PV equipment line for the Group’s major customer in the USA were booked as scheduled and the sales of automated/labor-saving machines also increased as well as sales of parts. While labor cost increased, the Group achieved profits by further cost reduction, resulting in the net income attributable to owners of the parent to be 1,150 million yen, 172 million yen increase year on year.

2) Environmental Business

Although there were orders which the Group could not implement the onsite inspection service on as planned due to the construction delay in customer’s PV power plant, the sales of PV panels for reuse far exceeded the initial plan and the sales of the first PV panel disassembly line for recycling was booked as scheduled. Thus, sales increased by 198 million yen year on year to 476 million yen. Operating income was 70 million yen, 47 million yen increase year on year due to high profitability through the Group’s unique service with high-added-value cost, although labor cost increased.

(2) Future outlook

In the upcoming fiscal year (FY2020), increase in both sales and profit is expected since new orders to be received will also be booked as sales within the fiscal year 2020 in addition to the rich order backlog at the end of this fiscal year. As for Machinery Business, same as this fiscal year, large manufacturing lines for our major customer in the USA is expected to be booked, however, due to the timing of booking, the peak of sales booking is expected to be in the latter half of the said fiscal year. As for automated/labor-saving machine, sales of said machines in various industries such as automobile industry and electronic equipment industry are expected. In the Environmental Business, orders already received regarding on-site inspection services for PV power plants are expected to be booked as sales and new orders for full automated/compact-type panel disassembly line are expected to increase.

In conclusion, the consolidated business forecast for the next fiscal year will be: sales at 8,234 million yen, 1355 million yen increase year on year; operating income at 813 million yen, 126 million yen increase year on year; ordinary income at 783 million yen, 124 million yen increase year on year; and net income attributable to owners of the parent at 707 million yen, 26 million yen increase year on year.

Forward-looking statements in this report such as financial results forecasts are based on the information available to the Company at the time when this report is prepared. The actual results may significantly differ from the forecast due to various factors.

2. Consolidated Financial Statements for the Fiscal Year Ended August 31, 2019**(September 1, 2018 through August 31, 2019)**

(1) Consolidated balance sheets

(Thousand yen)

	As of August 31, 2018	As of August 31, 2019
Assets		
Current assets		
Cash and deposits	900,042	719,251
Notes and accounts receivable-trade	1,820,665	2,221,078
Electronically recorded monetary claims-operating	-	13,048
Merchandise and finished goods	15,318	-
Work in progress	791,856	531,258
Raw materials and supplies	151,715	83,957
Other	205,445	258,445
Allowance for doubtful accounts	(33,292)	(11,891)
Total current assets	3,851,750	3,815,148
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	3,821,771	3,827,031
Accumulated depreciation	(1,397,325)	(1,558,663)
Accumulated impairment loss	(8,073)	(8,073)
Building and structures, net	2,416,373	2,260,294
Machinery and equipment	759,439	697,703
Accumulated depreciation	(137,700)	(140,524)
Accumulated impairment loss	(562,093)	(487,160)
Machinery and equipment, net	59,645	70,017
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	270,705
Accumulated depreciation	(234,300)	(236,157)
Accumulated impairment loss	(4,514)	(4,514)
Other, net	41,851	30,033
Total property, plant and equipment	4,065,919	3,908,394
Intangible assets		
Other	19,997	13,626
Total intangible assets	19,997	13,626
Investments and other assets		
Deferred tax assets	73,182	127,537
Other	48,222	57,594
Total investments and other assets	121,405	185,131
Total noncurrent assets	4,207,322	4,107,152
Total assets	8,059,073	7,922,300

(Thousand yen)

	As of August 31, 2018	As of August 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable-trade	874,748	264,655
Electronically recorded obligations-operating	-	614,353
Lease obligation	63,414	79,558
Income taxes payable	111,004	4,149
Advances received	921,447	199,203
Provision for bonuses	49,258	73,816
Provision for loss on order received	-	41,084
Other	163,439	203,964
Total current liabilities	2,183,313	1,480,785
Noncurrent liabilities		
Lease obligation	79,558	-
Net defined benefit liability	10,303	20,681
Total noncurrent liabilities	89,862	20,681
Total liabilities	2,273,175	1,501,466
Net assets		
Shareholders' equity		
Capital stock	2,812,461	2,812,461
Capital surplus	2,734,875	2,734,875
Retained earnings	209,402	846,128
Treasury stock	(431)	(431)
Total shareholders' equity	5,756,307	6,393,033
Accumulated other comprehensive income		
Foreign currency translation adjustment	29,589	27,800
Total accumulated other comprehensive income	29,589	27,800
Total net assets	5,785,897	6,420,834
Total liabilities and net assets	8,059,073	7,922,300

[Note] The numbers parenthesized represent minus figures.

(2) Consolidated statement of income

(Thousand yen)

	Year ended August 31, 2018	Year ended August 31, 2019
Net sales	6,444,100	6,878,773
Cost of sales	4,894,302	5,216,566
Gross profit	1,549,797	1,662,207
Selling, general and administrative expenses	1,043,336	975,245
Operating income	506,460	686,961
Non-operating income		
Interest income	26	30
Fiduciary obligation fee	1,560	1,360
Subsidy income	-	570
Penalty income	1,401	-
Interest on refund	170	381
Gain on sales of scraps	768	1,784
Other	1,622	431
Total non-operating income	5,549	4,558
Non-operating expenses		
Interest expenses	14,900	6,993
Foreign exchange losses	6,180	3,833
Commission fee	31,276	20,694
Other	1,389	853
Total non-operating expenses	53,745	32,374
Ordinary income	458,264	659,146
Extraordinary income		
Compensation income	28,420	-
Total extraordinary income	28,420	-
Income (Loss) before income taxes and minority interests	486,684	659,146
Income taxes-current	91,998	32,707
Income taxes-deferred	(15,926)	(54,391)
Total income taxes	76,071	(21,683)
Income (Loss) before minority interests	410,612	680,830
Net income (loss) attributable to owners of the parent	410,612	680,830

[Note] The numbers parenthesized represent minus figures.

(3) Consolidated statement of cash flows

(Thousand yen)

	Year ended August 31, 2018	Year ended August 31, 2019
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	486,684	659,146
Depreciation and amortization	198,447	196,201
Increase (decrease) in allowance for doubtful accounts	9,940	(21,328)
Increase (decrease) in provision for bonuses	24,433	24,557
Increase (decrease) in provision for loss on order received	(9,003)	41,084
Increase (decrease) in net defined benefit liability	10,303	10,377
Interest and dividends income	(26)	(30)
Interest expenses	14,900	6,993
Compensation income	(28,420)	-
Decrease (increase) in trade receivables	(785,677)	(414,687)
Decrease (increase) in inventories	294,512	343,073
Decrease (increase) in notes and accounts receivable-trade	(109,799)	4,314
Increase (decrease) in advances received	257,409	(721,766)
Other, net	89,860	(26,428)
Subtotal	453,564	101,507
Interest and dividends income received	26	30
Interest expenses paid	(14,900)	(6,597)
Proceeds from compensation	28,420	-
Income taxes (paid) refund	(11,280)	(111,778)
Net cash provided by (used in) operating activities	455,830	(16,837)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment and intangible assets	(23,029)	(45,817)
Proceeds from sales of property, plant and equipment	277	38
Other, net	429	(9,476)
Net cash provided by (used in) investing activities	(22,322)	(55,255)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(500,000)	-
Dividends paid	-	(43,724)
Repayments for lease obligations	(65,334)	(63,414)
Net cash provided by (used in) financing activities	(565,334)	(107,138)
Effect of exchange rate change on cash and cash equivalents	534	(1,559)
Net increase (decrease) in cash and cash equivalents	(131,290)	(180,790)
Cash and cash equivalents at beginning of period	1,031,333	900,042
Cash and cash equivalents at end of period	900,042	719,251

[Note] The numbers parenthesized represent minus figures.

3. Other Information

(1) Change to the members of the Board

- Newly elected candidate for board member: Satoshi Hiramachi
- Effective Date: November 28, 2019

(2) Production, orders, and sales

1) Production

Production amounts by segment in the fiscal year ended August 31, 2019 are as follows:

(Thousand yen)		
Segment	Production	Year-on-year ratio (%)
Machinery business	6,073,832	104.4
Environmental business	435,562	139.1
Total	6,509,394	106.2

- [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 segment in the fiscal year ended August 31, 2019 are as follows:

(Thousand yen)				
Segment	Orders received	Year-on-year ratio (%)	Order backlog	Year-on-year ratio (%)
Machinery business	8,900,535	133.6	7,492,156	150.0
Environmental business	381,657	72.9	289,010	75.3
Total	9,282,193	129.2	7,781,167	144.7

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

3) Sales

Sales by segment in the fiscal year ended August 31, 2019 are as follows:

(Thousand yen)		
Segment	Sales	Year-on-year ratio (%)
Machinery business	6,402,270	103.8
Environmental business	476,503	171.3
Total	6,878,773	106.7

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