

Summary of Financial Results for the First Quarter of Fiscal Year Ending August 31, 2021

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

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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 Three Months Ended November 30, 2020 (September 1, 2020 through November 30, 2020)

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Sales		Operating income (loss)		Ordinary income (loss)		Net income (loss) attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
3 months ended November 30, 2020	1,198	69.6	174	-	166	-	143	-
3 months ended November 30, 2019	706	(48.1)	(6)	-	(5)	-	(12)	-

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
3 months ended November 30, 2020	6.53		-	
3 months ended November 30, 2019	(0.57)		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of November 30, 2020	9,521	7,086	74.4
As of August 31, 2020	10,104	7,044	69.7

[Reference] Shareholders' equity (million yen): November 30, 2020: 7,086 August 31, 2020: 7,044

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended August 31, 2020	-	0.00	-	3.50	3.50
Year ending August 31, 2021	-				
Year ending August 31, 2021 (forecast)		0.00	-	2.00	2.00

[Note] Revision of dividend forecast during the period: None

**3. Consolidated Forecast for the Fiscal Year ending August 31, 2021
(September 1, 2020 through August 31, 2021)**

(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
First half of FY2021	3,441	56.8	260	57.8	241	54.6	215	54.0	9.82
Full year of FY2021	5,849	(26.3)	327	(62.8)	303	(65.7)	277	(62.9)	12.66

[Note] Revision of consolidated forecast during the period: None

4. Others

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

(2) Adoption of accounting methods specific to preparation of quarterly consolidated financial statements: 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

November 30, 2020: 22,052,426 shares

August 31, 2020: 22,052,426 shares

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

November 30, 2020: 160,311 shares

August 31, 2020: 95,284 shares

3) Average number of shares during the period

Three months ended November 30, 2020: 21,918,597 shares

Three months ended November 30, 2019: 21,988,851 shares

*This quarterly financial report is exempt from the quarterly review.

*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) Description of outlook, including consolidated earnings forecast on page 2 for conditions of assumptions for the forecast and notes concerning appropriate use of the forecast.

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1. Qualitative Information Concerning Financial Results for the First Quarter Ended November 30, 2020

(1) Description of operating results

During the first three months ended November 30, 2020, the Japanese economy continued to face a severe environment due to the COVID-19 outbreak, which caused deteriorating employment conditions and restraint on capital investment. Factors such as the re-expansion of the disease make it difficult to predict the future outlook. The global economy also continued to face a severe environment due to the re-expansion of the disease, which actually limited business activities in some areas.

Concerning the Machinery Business of NPC Group (“the Group”), the photovoltaic (PV) industry is growing steadily due to the decrease of PV power generation cost and increased attention on renewable energies after the COVID-19 outbreak. While capital investment remained weak due to the expansion of the disease, there are continuous needs for automation machines from strong industries such as the electronic parts industry.

In the PV industry in Japan, to which the Environmental Business of the Group belongs, the installation of new PV power plants makes steady progress all over the country. Meanwhile, the Japanese government announced its target to achieve carbon neutrality by 2050, which raised general attention on renewable energies. Also, there are growing needs for establishing the appropriate recycling method and the processing structure for PV panels since a considerable quantity of PV panels is expected to be discarded in the future.

Under such circumstances, the consolidated net sales of the 1st quarter were 1,198 million yen, 491 million yen increase year on year, which turned out to be lower than the initial forecast. The Group’s profits, on the other hand, surpassed the forecast due to the improvements in the profit margin. Operating income was 174 million yen, 180 million yen increase year on year, and ordinary income was 166 million yen, 172 million yen increase year on year. Net income attributable to owners of the parent was 143 million yen, 155 million yen increase year on year.

The financial results by business segment are as follows:

1) Machinery Business

In the Machinery Business, the Group implemented the expansion and upgrading of the existing lines of US PV manufacturers. The sales of parts, which have a high-profit margin, far surpassed the initial plan. However, the sales were lower than the initial forecast due to the delay in sales booking timing of some projects on PV manufacturing equipment and automation machines. As a result, the sales were 1,149 million yen, 583 million yen increase year on year, and the operating income was 314 million yen, 233 million yen increase year on year.

2) Environmental Business

In the Environmental Business, the Group performed inspection of PV power plants, sale of used PV panels, and recycling of end-of-life PV panels. As a result, the sales were 49 million yen, 91 million yen decrease year on year, and operating loss was 7 million yen, 44 million yen decrease year on year. The sales booking of a large inspection project is scheduled during the rest of the fiscal year.

(2) Description of outlook, including consolidated earnings forecast

The business forecasts for the second half and the full year are the same as the forecasts in the “Summary of Financial Results for the Fiscal Year Ended August 31, 2020” announced on October 12, 2020.

2. Consolidated Financial Statements for the First Quarter Ended November 30, 2020 (September 1, 2020 through November 30, 2020)

(1) Consolidated balance sheets

	(Thousand yen)	
	As of August 31, 2020	As of November 30, 2020
Assets		
Current assets		
Cash and deposits	2,052,788	1,937,511
Notes and accounts receivable-trade	2,245,993	1,937,747
Electronically recorded monetary claims-operating	116,937	57,910
Work in progress	1,501,274	1,501,187
Raw materials and supplies	16,111	13,117
Other	247,996	177,924
Total current assets	6,181,102	5,625,398
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	3,835,381	3,835,381
Accumulated depreciation	(1,719,629)	(1,759,493)
Accumulated impairment loss	(8,073)	(8,073)
Building and structures, net	2,107,679	2,067,814
Machinery and equipment	666,165	582,006
Accumulated depreciation	(150,499)	(148,869)
Accumulated impairment loss	(456,940)	(376,294)
Machinery and equipment, net	58,726	56,842
Land	1,548,050	1,548,050
Lease assets	763,520	-
Accumulated depreciation	(527,377)	-
Accumulated impairment loss	(236,142)	-
Lease assets, net	-	-
Other	299,520	301,322
Accumulated depreciation	(254,868)	(257,130)
Accumulated impairment loss	(4,514)	(4,514)
Other, net	40,137	39,678
Total property, plant and equipment	3,754,592	3,712,385
Intangible assets		
Other	37,116	35,981
Total intangible assets	37,116	35,981
Investments and other assets		
Deferred tax assets	83,865	83,896
Other	47,929	64,290
Total investments and other assets	131,795	148,187
Total noncurrent assets	3,923,504	3,896,554
Total assets	10,104,606	9,521,953

(Thousand yen)

	As of August 31, 2020	As of November 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable-trade	388,325	244,841
Electronically recorded obligations-operating	1,204,748	789,078
Income taxes payable	91,485	27,013
Advances received	864,481	852,765
Provision for bonuses	70,653	11,629
Provision for product warranties	186,650	199,262
Provision for loss on order received	38,423	45,074
Other	183,264	230,228
Total current liabilities	3,028,033	2,399,893
Noncurrent liabilities		
Net defined benefit liability	32,528	35,494
Total noncurrent liabilities	32,528	35,494
Total liabilities	3,060,561	2,435,387
Net assets		
Shareholders' equity		
Capital stock	2,812,461	2,812,461
Capital surplus	2,734,875	2,735,304
Retained earnings	1,516,464	1,582,829
Treasury stock	(39,214)	(63,641)
Total shareholders' equity	7,024,587	7,066,954
Accumulated other comprehensive income		
Foreign currency translation adjustment	19,457	19,611
Total accumulated other comprehensive income	19,457	19,611
Total net assets	7,044,045	7,086,565
Total liabilities and net assets	10,104,606	9,521,953

[Note] The numbers parenthesized represent minus figures.

(2) Consolidated statement of income

(Thousand yen)

	Three months ended November 30, 2019	Three months ended November 30, 2020
Net sales	706,881	1,198,519
Cost of sales	493,658	812,974
Gross profit	213,222	385,545
Selling, general and administrative expenses	219,527	210,869
Operating income (loss)	(6,304)	174,676
Non-operating income		
Interest income	7	2
Foreign exchange gains	1,054	-
Administrative service fee income	-	440
Gain on sales of scraps	1,256	70
Interest on tax refund	-	193
Other	211	72
Total non-operating income	2,529	779
Non-operating expenses		
Interest expenses	963	-
Commission fee	859	766
Foreign exchange losses	-	2,113
Loss on removal of non-current assets	-	5,600
Other	60	406
Total non-operating expenses	1,883	8,886
Ordinary income (loss)	(5,658)	166,569
Income (Loss) before income taxes and minority interests	(5,658)	166,569
Income taxes-current	7,698	23,385
Income taxes-deferred	(823)	(31)
Total income taxes	6,875	23,354
Income (Loss) before minority interests	(12,534)	143,214
Net income (loss) attributable to owners of the parent	(12,534)	143,214

[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	Three Months Ended November 30, 2020	Year-on-year change (%)
Machinery business	1,133,522	49.9
Environmental business	62,054	28.7
Total	1,195,577	48.1

[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	1,042,543	234.3	3,362,161	45.6
Environmental business	36,958	29.6	185,132	67.7
Total	1,079,502	189.4	3,547,293	46.4

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

3) Sales

Sales by business segment in the period are as follows:

(Thousand yen)		
Segment	Three Months Ended November 30, 2020	Year-on-year change (%)
Machinery business	1,149,463	203.0
Environmental business	49,055	34.9
Total	1,198,519	169.6

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