January 10, 2020

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

(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: None

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

1. Consolidated Financial Results for the Three Months Ended November 30, 2019 (September 1, 2019 through November 30, 2019)

(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, 2019	706	(48.1)	(6)	-	(5)	-	(12)	-
3 months ended November 30, 2018	1,362	(13.1)	152	(19.7)	152	(18.3)	149	(21.9)

	Earnings per share	Diluted earnings per share
	Yen	Yen
3 months ended November 30, 2019	(0.57)	-
3 months ended November 30, 2018	6.78	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of November 30, 2019	10,528	6,278	59.6
As of August 31, 2019	7,922	6,420	81.0

[Reference] Shareholders' equity (million yen): November 30, 2019: 6,278 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	-				
Year ending August 31, 2020 (forecast)		0.00	-	3.50	3.50

[Notes] Revision of dividend forecast during the period: 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
First half of FY2020	2,147	5.3	70	(70.7)	59	(75.1)	50	(77.7)	2.31
Full year of FY2020	8,234	19.7	813	18.4	783	18.8	707	4.0	32.09

[Notes] 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, 2019: 22,052,426 shares
August 31, 2019: 22,052,426 shares

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

November 30, 2019: 122,683 shares
August 31, 2019: 435 shares

3) Average number of shares during the period

Three months ended November 30, 2019: 21,988,851 shares
Three months ended November 30, 2018: 22,051,991 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, 2019

(1) Description of operating results

During the first three months ended November 30, 2019, Japanese economy continued to recover gradually despite weakness in the future due to consumption tax rate increase, through the effects of various policies and continuous improvement in employment and earnings environment. As for the world economy, although it had to be taken notice of influence of trading issues, future of Chinese economy, Brexit, and other factors, it is expected to recover gradually.

In the Machinery Business of NPC Group ("the Group"), the Group provides factory automation tools in various industries. Although there are differences from industry to industry, there have been general needs for improvement in production efficiency, capacity, utility rate, etc. in customers other than a PV manufacturer in the USA, a major customer of the Group. Also there are continuous needs for factory automation and labor saving resulted from workforce shortage.

In the photovoltaic ("PV") industry, to which the Environmental Business of the Group belongs, review of the Japanese FIT system has been discussed. There are, however, a number of approved mega solar power plants yet to be developed, which have been constructed one after the other throughout Japan. In addition, amount of disposed PV panels is on the increase more than expected due to natural disasters. The necessity of a proper recycling method and disposal system of PV panels is increasing.

Under such circumstances, the consolidated net sales of the 1st quarter were 706 million yen, 655 million yen decrease year on year. Operating income was 6 million yen, 159 million yen decrease year on year, and ordinary income was 5 million yen, 158 million yen decrease year on year. Net loss attributable to owners of the parent was 12 million yen, compared with 149 million yen of net income attributable to owners of the parent in the same period of the previous year. The business results of the 1st quarter of this fiscal year is almost as the initial forecast, since the Group focused on manufacture of a large-scale line whose sales is to be booked in the second half. The Group expects the peak of sales booking to be in the second half of this fiscal year.

The financial results by business segment are as follows:

1) Machinery Business

In the Machinery Business, sales of a repeat order from our customer in the USA on PV module manufacturing lines were booked as planned due to strong PV market in the USA. The Group also saw healthy sales of equipment parts and contribution of sales of factory automation tools for automobile industry. As a result, the sales were 566 million yen, 723 million yen decrease year on year, and the operating income was 81 million yen, 185 million yen decrease year on year.

2) Environmental Business

In the Environmental Business, the Group performed inspection of the solar power plant whose construction had been delayed as well as regular inspections. As a result, the sales were 140 million yen, 67 million yen increase year on year, and operating income was 37 million yen, 32 million yen increase year on year.

(2) Description of outlook, including consolidated earnings forecast

As the business results of the first quarter of this fiscal year were almost as planned, 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, 2019" announced on October 9, 2019.

2. Consolidated Financial Statements for the First Quarter Ended November 30, 2019 (September 1, 2019 through November 30, 2019)

(1) Consolidated balance sheets

(Thousand yen)

	As of August 31, 2019	As of November 30, 2019
Assets		
Current assets		
Cash and deposits	719,251	2,039,449
Notes and accounts receivable-trade	2,221,078	1,970,028
Merchandise and finished goods	13,048	52,159
Work in progress	531,258	1,886,328
Raw materials and supplies	83,957	84,539
Other	258,445	429,796
Allowance for doubtful accounts	(11,891)	(11,765)
Total current assets	3,815,148	6,450,536
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	3,827,031	3,835,381
Accumulated depreciation	(1,558,663)	(1,598,835)
Accumulated impairment loss	(8,073)	(8,073)
Building and structures, net	2,260,294	2,228,472
Machinery and equipment	697,703	697,703
Accumulated depreciation	(140,524)	(143,348)
Accumulated impairment loss	(487,160)	(487,160)
Machinery and equipment, net	70,017	67,193
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	274,317
Accumulated depreciation	(236,157)	(239,549)
Accumulated impairment loss	(4,514)	(4,514)
Other, net	30,033	30,254
Total property, plant and equipment	3,908,394	3,873,970
Intangible assets		
Other	13,626	18,182
Total intangible assets	13,626	18,182
Investments and other assets		
Deferred tax assets	127,537	128,365
Other	57,594	57,510
Total investments and other assets	185,131	185,875
Total noncurrent assets	4,107,152	4,078,029
Total assets	7,922,300	10,528,566

(Thousand yen)

	As of August 31, 2019	As of November 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable-trade	264,655	694,704
Electronically recorded obligations-operating	614,353	1,333,840
Lease obligation	79,558	61,653
Income taxes payable	4,149	9,842
Advances received	199,203	1,801,362
Provision for bonuses	73,816	23,931
Provision for loss on order received	41,084	31,339
Other	203,964	268,337
Total current liabilities	1,480,785	4,225,010
Noncurrent liabilities		
Retirement benefit liabilities	20,681	24,605
Total noncurrent liabilities	20,681	24,605
Total liabilities	1,501,466	4,249,615
Net assets		
Shareholders' equity		
Capital stock	2,812,461	2,812,461
Capital surplus	2,734,875	2,734,875
Retained earnings	846,128	756,411
Treasury stock	(431)	(50,417)
Total shareholders' equity	6,393,033	6,253,331
Accumulated other comprehensive income		
Foreign currency translation adjustment	27,800	25,619
Total accumulated other comprehensive income	27,800	25,619
Total net assets	6,420,834	6,278,950
Total liabilities and net assets	7,922,300	10,528,566

[Note] The numbers parenthesized represent minus figures.

(2) Consolidated statement of income

(Thousand yen)

	Three months ended November 30, 2018	Three months ended November 30, 2019
Net sales	1,362,565	706,881
Cost of sales	987,378	493,658
Gross profit	375,186	213,222
Selling, general and administrative expenses	222,415	219,527
Operating income (loss)	152,770	(6,304)
Non-operating income		
Interest income	6	7
Foreign exchange gains	890	1,054
Fiduciary obligation fee	390	-
Subsidy income	570	-
Gain on sale of scrap	245	1,256
Other	346	211
Total non-operating income	2,450	2,529
Non-operating expenses		
Interest expenses	1,957	963
Commission fee	820	859
Other	-	60
Total non-operating expenses	2,777	1,883
Ordinary income (loss)	152,443	(5,658)
Income (Loss) before income taxes and minority interests	152,443	(5,658)
Income taxes-current	(740)	7,698
Income taxes-deferred	3,655	(823)
Total income taxes	2,914	6,875
Income (Loss) before minority interests	149,528	(12,534)
Net income (loss) attributable to owners of the parent	149,528	(12,534)

[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, 2019	Year-on-year change (%)
Machinery business	2,270,740	142.5
Environmental business	215,907	196.1
Total	2,486,647	145.9

[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	444,912	49.0	7,370,773	159.8
Environmental business	124,962	230.6	273,387	74.9
Total	569,874	59.2	7,644,160	153.6

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

3) Sales

Sales by business segment in the period are as follows:

(Thousand yen)

Segment	Three Months Ended November 30, 2019	Year-on-year change (%)
Machinery business	566,295	43.9
Environmental business	140,585	191.9
Total	706,881	51.9

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