

Summary of Financial Results for the Fiscal Year Ended August 31, 2022

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

Company name:	NPC Incorporated	Listing:	Growth of TSE
Stock code:	6255	URL:	https://www.npcgroup.net/eng/
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General meeting of shareholders:		November 29, 2022	
Filing date of securities report:		November 30, 2022	
Payment date of cash dividends:		November 30, 2022	
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, 2022 (September 1, 2021 through August 31, 2022)

(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, 2022	4,379	(44.0)	620	(47.1)	617	(46.4)	379	(51.3)
Year ended August 31, 2021	7,823	-	1,172	-	1,151	-	778	-

	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, 2022	17.60	-	5.4	5.5	14.2
Year ended August 31, 2021	35.54	-	11.7	10.3	15.0

- [Note] 1. The numbers parenthesized represent minus figures.
2. From the beginning of FY2022, the Accounting Standard for Revenue Recognition and other related guidelines are applied. The Accounting Standard is retroactively applied to the numbers related to FY2021. The change rate of FY2021 from the corresponding period of previous year is not listed due to the retroactive revision.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of August 31, 2022	12,296	7,110	57.8	330.82
As of August 31, 2021	10,004	6,986	69.8	318.78

[Reference] Shareholders' equity (million yen): August 31, 2022: 7,110 August 31, 2021: 6,986

[Note] From the beginning of FY2022, the Accounting Standard for Revenue Recognition and other related guidelines are applied. The Accounting Standard is retroactively applied to the numbers related to FY2021.

(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, 2022	83	(4)	(353)	3,084
As of August 31, 2021	1,629	(232)	(126)	3,326

2. Dividends

	Dividend per share					Dividend in total (full year) Million yen	Dividend payout ratio (consolidated) %	Dividends on net assets (consolidated) %
	1Q-end	2Q-end	3Q-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen			
Year ended August 31, 2021	-	0.00	-	2.00	2.00	43	5.6	0.7
Year ended August 31, 2022	-	0.00	-	2.00	2.00	42	11.4	0.6
Year ending August 31, 2023 (forecast)	-	0.00	-	2.00	2.00		15.2	

3. Consolidated Forecast for the Fiscal Year Ending August 31, 2023 (September 1, 2022 through August 31, 2023)

(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
1 st half ending February 28, 2023	4,549	185.8	87	-	87	302.0	70	-	3.28
Year ending August 31, 2023	9,034	106.3	342	(44.7)	342	(44.6)	283	(25.2)	13.17

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: Yes

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, 2022: 22,052,426 shares

August 31, 2021: 22,052,426 shares

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

August 31, 2022: 558,885 shares

August 31, 2021: 135,348 shares

3) Average number of shares during the period

Fiscal year ended August 31, 2022: 21,543,389 shares

Fiscal year ended August 31, 2021: 21,913,900 shares

[Reference]

1. Non-Consolidated Financial Results for the Year Ended August 31, 2022 (September 1, 2021 through August 31, 2022)

(1) Non-Consolidated results of operations (Percentages represent year-on-year changes)

	Sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended August 31, 2022	4,277	(44.7)	626	(45.1)	643	(42.8)	397	(47.9)
Year ended August 31, 2021	7,740	-	1,142	-	1,125	-	762	-

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Year ended August 31, 2022	18.45		-	
Year ended August 31, 2021	34.82		-	

[Note] 1. The numbers parenthesized represent minus figures.
2. From the beginning of FY2022, the Accounting Standard for Revenue Recognition and other related guidelines are applied. The Accounting Standard is retroactively applied to the numbers related to FY2021. The change rate of FY2021 from the corresponding period of previous year is not listed due to the retroactive revision.

(2) Non-Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of August 31, 2022	11,966	6,790	56.7	315.92
As of August 31, 2021	9,717	6,729	69.2	307.03

[Reference] Shareholders' equity (million yen): August 31, 2022: 6,790 August 31, 2021: 6,729

[Note] From the beginning of FY2022, the Accounting Standard for Revenue Recognition and other related guidelines are applied. The Accounting Standard is retroactively applied to the numbers related to FY2021.

2. Non-Consolidated Forecast for the Fiscal Year Ending August 31, 2023 (September 1, 2022 through August 31, 2023)

(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, 2023	4,505	189.5	71	-	71	518.4	59	-	2.77
Year ending August 31, 2023	8,977	109.9	324	(48.2)	324	(49.6)	271	(31.8)	12.59

*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, 2022

(1) Overview of financial results of the fiscal year ended August 31, 2022

During the fiscal year ended August 31, 2022, signs of recovery were seen in the Japanese economy because of the gradual deregulation of business activities. However, the entire Japanese economy has been affected by the record-breaking depreciation of yen and price increase in commodities and energies. As for the global economy, a chronic shortage and longer delivery time of various products, which had started with semiconductor-related products, and price increase of raw materials have continued. Also, in Europe and the US, policy interest rate was increased to deal with inflation risk. These situations have made it difficult to predict the future outlook.

Concerning the US solar photovoltaic (PV) industry, which is the targeted market of the Machinery Business of NPC Group (“the Group”), a long-term growth is expected, which significantly exceeds the previous outlook. This is due to the Inflation Reduction Act, which includes incentives for domestic solar manufacturing aiming at independence of solar supply chain, in addition to active engagement in renewable energies by states and companies. As for automation machines for other industries, continuous capital expenditures are expected in strong sectors such as the electronic parts industry in Japan.

As for the solar industry in Japan, to which the Environmental Business of the Group belongs, solar projects approved under FIT, which are the targeted projects of the Group’s inspection services, have been continuously installed. Companies and local governments are also introducing solar systems for self-consumption through new schemes, such as power purchase agreements (PPA). Meanwhile, local governments such as Tokyo are considering imposition of obligation to install solar panels on newly built houses, which leads to increase in expected volume of end-of-life solar panels. Therefore, establishment of solar panel recycling systems is under discussion in various regions. Also, there is increasing number of companies that enter the solar panel recycling business in Europe, the US, Australia, etc.

Under such circumstances, the consolidated net sales were 4,379 million yen, 3,444 million yen decrease year on year, which turned out to be slightly lower than the forecast. As for the Group’s profits, on the other hand, profit margin turned out to be higher than the forecast due to the sales booking of the projects before shortage and price increase of parts, and reversal of provision for product warranties. Meanwhile, SG&A expenses decreased from the forecast. As a result, operating income was 620 million yen, 551 million yen decrease year on year, and ordinary income was 617 million yen, 533 million yen decrease year on year. The investment in the plant factory business was booked as an impairment loss under extraordinary loss of 82 million yen. As a result, net income attributable to owners of the parent was 379 million yen, 399 million yen decrease year on year.

Financial results by segment are as follows:

1) Machinery Business

In the Machinery Business, the Group implemented upgrading and expansion of the equipment of a US PV manufacturer, the Group’s main customer. It also booked the sales of PV module manufacturing equipment to a Japanese PV manufacturer. As for automation machines, the sales were booked for a Japanese customer in the electronic parts industry, with which the Company maintains stable business, and for the automobile industry, etc. As a result, the sales were 4,090 million yen, 3,421 million yen decrease year on year. Due to the reversal of provision for product warranties and decrease in SG&A expenses, operating income was 1,218 million yen, 512 million yen decrease year on year, which surpassed the forecast.

2) Environmental Business

In the Environmental Business, the Group implemented inspection of solar power plants as planned. It also booked the sales of used solar panels, recycling of end-of-life solar panels, solar panel disassembly equipment and plant factory business. However, the sales booking of a panel disassembly equipment for an overseas customer shifted to FY2023 because of a delay in shipping and acceptance schedule. As a result, the sales were 288 million yen, 23 million yen decrease year on year, and operating loss was 25 million yen, compared with an operating income of 29 million yen of the previous fiscal year, which was lower than the forecast.

(2) Future outlook

As for the Group's business environment, continuous capital expenditures are expected in the US PV industry and the Japanese electronic parts industry. Also, due to the growing awareness for solar panel recycling and active prior investment, increase in needs for solar panel disassembly equipment is expected. Under such circumstances, the Group disclosed a mid-term management plan for three years beginning from FY2023. Please refer to the "Announcement on Mid-term Management Plan" disclosed on October 12, 2022, for more details.

For the upcoming fiscal year, the Company has already received strong orders and order backlog has been accumulated to 8,429 million yen. Increase in sales is expected based on the order backlog which will be steadily booked throughout FY2023. In the Machinery Business, the sales of equipment for new factories in the US and India of the US PV manufacturer are expected to be booked. The sales of automation machines for the Japanese main customer in the electronic parts industry and other customers in the automobile industry, etc. are also expected. In the Environmental Business, the sales of inspection service and solar panel disassembly equipment for domestic and overseas market are expected to be booked. As for the Group's profit, the projects of which orders are already received are impacted by the longer delivery time and price increase of parts and the profit margin for these projects will be lower.

As a result of such businesses, the consolidated business forecast for the next fiscal year will be: sales at 9,034 million yen, 4,655 million yen increase year on year; operating income at 342 million yen, 278 million yen decrease year on year; ordinary income at 342 million yen, 275 million yen decrease year on year; and net income attributable to owners of the parent at 283 million yen, 96 million yen decrease year on year.

Forward-looking statements in this report such as financial results forecasts are based on the information available to NPC Incorporated 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.

2. Consolidated Financial Statements for the Fiscal Year Ended August 31, 2022**(September 1, 2021 through August 31, 2022)**

(1) Consolidated balance sheets

(Thousand yen)

	As of August 31, 2021	As of August 31, 2022
Assets		
Current assets		
Cash and deposits	3,326,108	3,084,532
Notes and accounts receivable-trade	570,247	-
Notes receivable-trade	-	56,467
Accounts receivable-trade	-	451,607
Electronically recorded monetary claims-operating	130,464	30,313
Work in process	1,805,773	4,668,259
Raw materials and supplies	5,150	17,631
Other	117,058	393,727
Total current assets	5,954,803	8,702,540
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	3,858,861	3,872,687
Accumulated depreciation	(1,880,190)	(2,042,155)
Accumulated impairment loss	(8,073)	(41,215)
Building and structures, net	1,970,597	1,789,317
Machinery and equipment	609,447	258,871
Accumulated depreciation	(154,790)	(137,203)
Accumulated impairment loss	(376,294)	(73,136)
Machinery and equipment, net	78,362	48,531
Land	1,548,050	1,548,050
Other	303,112	326,141
Accumulated depreciation	(226,400)	(232,486)
Accumulated impairment loss	(4,514)	(53,768)
Other, net	72,197	39,886
Construction in progress	2,400	-
Total property, plant and equipment	3,671,608	3,425,785
Intangible assets		
Other	117,488	90,868
Total intangible assets	117,488	90,868
Investments and other assets		
Deferred tax assets	203,134	51,044
Other	57,700	26,516
Total investments and other assets	260,834	77,560
Total noncurrent assets	4,049,931	3,594,214
Total assets	10,004,735	12,296,755

(Thousand yen)

	As of August 31, 2021	As of August 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable-trade	87,420	300,308
Electronically recorded obligations-operating	397,141	1,870,377
Income taxes payable	51,280	-
Advances received	1,970,479	2,731,976
Provision for bonuses	95,660	48,070
Provision for product warranties	207,085	-
Provision for loss on order received	24,882	5,869
Other	139,702	170,894
Total current liabilities	2,973,651	5,127,498
Noncurrent liabilities		
Retirement benefit liability	44,306	58,508
Others	-	226
Total noncurrent liabilities	44,306	58,734
Total liabilities	3,017,957	5,186,232
Net assets		
Shareholders' equity		
Capital stock	2,812,461	2,812,461
Capital surplus	2,743,133	2,741,287
Retained earnings	1,453,880	1,789,309
Treasury stock	(53,772)	(344,527)
Total shareholders' equity	6,955,703	6,998,531
Accumulated other comprehensive income		
Foreign currency translation adjustment	31,074	111,990
Total accumulated other comprehensive income	31,074	111,990
Total net assets	6,986,778	7,110,522
Total liabilities and net assets	10,004,735	12,296,755

[Note] The numbers parenthesized represent minus figures.

(2) Consolidated statement of income

(Thousand yen)

	Year ended August 31, 2021	Year ended August 31, 2022
Net sales	7,823,353	4,379,235
Cost of sales	5,684,910	2,852,236
Gross profit	2,138,443	1,526,998
Selling, general and administrative expenses	966,369	906,607
Operating income	1,172,073	620,390
Non-operating income		
Interest income	69	148
Interest on tax refund	323	289
Surrender value of insurance policies	-	17,054
Gain on sales of scraps	1,808	4,177
Administrative service fee income	440	-
Other	721	2,753
Total non-operating income	3,363	24,422
Non-operating expenses		
Foreign exchange losses	3,741	21,857
Commission expenses	14,190	4,255
Loss on removal of non-current assets	5,600	49
Other	536	1,005
Total non-operating expenses	24,068	27,167
Ordinary income	1,151,368	617,646
Extraordinary loss		
Impairment loss	-	82,397
Total impairment loss	-	82,397
Income before income taxes and minority interests	1,151,368	535,249
Income taxes-current	133,098	3,752
Income taxes for prior periods	70,216	-
Income taxes-deferred	169,338	152,233
Total income taxes	372,653	155,986
Income before minority interests	778,715	379,263
Net income attributable to owners of the parent	778,715	379,263

(3) Consolidated statement of cash flows

(Thousand yen)

	Year ended August 31, 2021	Year ended August 31, 2022
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	1,151,368	535,249
Depreciation and amortization	204,005	225,984
Increase (decrease) in provision for bonuses	25,006	(47,589)
Increase (decrease) in provision for product warranties	91,865	(207,085)
Increase (decrease) in provision for loss on order received	(13,541)	(19,012)
Increase (decrease) in retirement liability	11,778	14,202
Interest and dividends income	(69)	(148)
Loss (gain) on cancellation of insurance policies	-	(17,054)
Impairment loss	-	82,397
Decrease (increase) in trade receivables	184,667	205,537
Decrease (increase) in inventories	3,019,265	(2,874,541)
Increase (decrease) in trade payables	(1,109,438)	1,682,504
Increase (decrease) in advances received	(1,879,047)	749,480
Other, net	182,572	(206,123)
Subtotal	1,868,431	123,800
Interest and dividends income received	69	148
Income taxes paid	(238,837)	(40,188)
Net cash provided by (used in) operating activities	1,629,663	83,760
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment and intangible assets	(233,147)	(67,779)
Proceeds from sales of property, plant and equipment	300	31,537
Other, net	309	31,322
Net cash provided by (used in) investing activities	(232,538)	(4,919)
Net cash provided by (used in) financing activities		
Purchase of treasury shares	(49,997)	(310,300)
Dividends paid	(76,283)	(43,614)
Net cash provided by (used in) financing activities	(126,281)	(353,915)
Effect of exchange rate change on cash and cash equivalents	2,475	33,497
Net increase (decrease) in cash and cash equivalents	1,273,320	(241,576)
Cash and cash equivalents at beginning of period	2,052,788	3,326,108
Cash and cash equivalents at end of period	3,326,108	3,084,532

[Note] The numbers parenthesized represent minus figures.

3. Other Information

(1) Production, orders, and sales

1) Production

Production amounts by segment in the fiscal year ended August 31, 2022 are as follows:

(Thousand yen)

Segment	Production	Year-on-year ratio (%)
Machinery business	8,339,745	246.7
Environmental business	400,303	135.7
Total	8,740,049	237.8

[Notes] 1. The above amounts are calculated based on selling prices.

2) Orders

Orders received by segment in the fiscal year ended August 31, 2022 are as follows:

(Thousand yen)

Segment	Orders received	Year-on-year ratio (%)	Order backlog	Year-on-year ratio (%)
Machinery business	6,241,300	116.4	7,943,708	137.1
Environmental business	673,135	312.1	485,406	480.3
Total	6,914,435	123.9	8,429,115	143.0

[Note] 1. The above amounts of order backlog include orders of equipment for new factories from US main customer of the Group, received in the fourth quarter of FY2021 and the first quarter of FY2022, which approximately correspond to 5.7 billion yen.

3) Sales

Sales by segment in the fiscal year ended August 31, 2022 are as follows:

(Thousand yen)

Segment	Sales	Year-on-year ratio (%)
Machinery business	4,090,439	54.5
Environmental business	288,795	92.6
Total	4,379,235	56.0