

Summary of Financial Results for the Second Quarter of Fiscal Year Ending August 31, 2023

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

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Payment date of cash dividends: -

Supplementary materials prepared for quarterly 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 Six Months Ended February 28, 2023 (September 1, 2022 through February 28, 2023)

(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	%
6 months ended February 28, 2023	4,241	166.4	224	-	230	959.9	182	-
6 months ended February 28, 2022	1,592	(72.5)	1	(99.9)	21	(97.9)	(75)	-

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
6 months ended February 28, 2023	8.48		-	
6 months ended February 28, 2022	(3.51)		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of February 28, 2023	11,909	7,233	60.7
As of August 31, 2022	12,296	7,110	57.8

[Reference] Shareholders' equity (million yen): February 28, 2023: 7,233 August 31, 2022: 7,110

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended August 31, 2022	-	0.00	-	2.00	2.00
Year ending August 31, 2023	-	0.00			
Year ending August 31, 2023 (forecast)			-	2.00	2.00

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

**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
Full year of FY2023	9,125	108.4	658	6.1	664	7.5	533	40.8	24.81

[Note] Revision of consolidated forecast for FY2023 from the latest disclosure: Yes

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: Yes
- 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, 2023 22,052,426 shares

August 31, 2022 22,052,426 shares

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

February 28, 2023 519,813 shares

August 31, 2022: 558,885 shares

3) Average number of shares during the period

Six months ended February 28, 2023: 21,501,312 shares

Six months ended February 28, 2022: 21,593,889 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 1 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 Second Quarter Ended February 28, 2023

(1) Description of operating results

During the six months ended February 28, 2023, while the Japanese economy continued to show signs of a gradual recovery, prices of energy, raw material, and parts remained high, and the delivery time of components continued to be longer. As for the global economy, there are concerns about an economic recession due to the recent tightening of monetary policy. 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”), long-term growth, which significantly exceeds the previous outlook, is expected due to the establishment of the Inflation Reduction Act. Capital expenditures at PV manufacturers of the US and other countries are activated backed by these situations. As for automation machines for other industries, continuous capital expenditures are expected in sectors such as the electronic parts industry and the automobile industry in Japan.

As for the solar industry in Japan, to which the Environmental Business of the Group belongs, solar projects approved under FIT have been sequentially installed and the target of the Group’s inspection services is expanding from pre-operation inspection to regular inspection of the projects in operation. Companies and local governments are also introducing solar for self-consumption, which indicates that the number of solar systems covered by the Group’s inspection services is increasing. Meanwhile, local governments such as Tokyo are introducing the obligation to install solar panels on newly built houses, which leads to an increase in the expected volume of end-of-life solar panels. Therefore, the establishment of solar panel recycling systems is under discussion in various regions. Also, there is an increasing number of companies entering the solar panel recycling business in Europe, the US, Australia, etc.

Under such circumstances, the consolidated net sales were 4,241 million yen, 2,649 million yen increase year on year. The operating income was 224 million yen, 223 million yen increase year on year, the ordinary income was 230 million yen, 208 million yen increase year on year. The net income attributable to the owners of the parent was 182 million yen, compared with the net loss of 75 million yen in the same period of the previous fiscal year.

Financial results by segment are as follows:

1) Machinery Business

In the Machinery Business, the Group mainly booked the sales of equipment for a US PV manufacturer.

While it also booked the sales of automation machines to a Japanese PV manufacturer and the Japanese electronic parts industry, sales booking of some projects shifted to the second half. As a result, the sales were 3,996 million yen, 2,574 million yen increase year on year. Operating income was 511 million yen, 221 million yen increase year on year, which exceeded the forecast due to reduction of procurement costs, manufacturing costs, and costs for on-site work and the increase in parts sales.

2) Environmental Business

In the Environmental Business, the Group booked the sales of inspection service of solar power plants and plant factory business as scheduled, as well as the sales of solar panel disassembly equipment to industrial waste treatment companies in the US and France. As a result, the sales were 245 million yen, 75 million yen increase year on year, and operating income was 23 million yen, 23 million yen increase year on year.

(2) Description of outlook, including consolidated earnings forecast

The business forecasts for the full year are the same as the forecasts in the “Announcement on the Differences between Business Forecasts and Results for the First Half and Revision of Business Forecasts Both for FY2023” released on April 12, 2023.

2. Consolidated Financial Statements for the Second Quarter Ended February 28, 2023

(September 1, 2022 through February 28, 2023)

(1) Consolidated balance sheets

(Thousand yen)

	As of August 31, 2022	As of February 28, 2023
Assets		
Current assets		
Cash and deposits	3,084,532	3,106,765
Notes and accounts receivable-trade and contract assets	508,074	1,531,658
Electronically recorded monetary claims-operating	30,313	18,876
Work in process	4,668,259	3,583,181
Raw materials and supplies	17,631	15,468
Other	393,727	158,168
Total current assets	8,702,540	8,414,119
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	3,872,687	3,872,687
Accumulated depreciation	(2,042,155)	(2,121,314)
Accumulated impairment loss	(41,215)	(41,215)
Building and structures, net	1,789,317	1,710,157
Machinery and equipment	258,871	262,201
Accumulated depreciation	(137,203)	(140,886)
Accumulated impairment loss	(73,136)	(73,136)
Machinery and equipment, net	48,531	48,178
Land	1,548,050	1,548,050
Other	326,141	324,148
Accumulated depreciation	(232,486)	(236,972)
Accumulated impairment loss	(53,768)	(53,768)
Other, net	39,886	33,407
Total property, plant and equipment	3,425,785	3,339,793
Intangible assets		
Other	90,868	79,433
Total intangible assets	90,868	79,433
Investments and other assets		
Claims provable in bankruptcy claims, rehabilitation, and other	-	31
Deferred tax assets	51,044	50,749
Other	26,516	25,033
Allowance for doubtful accounts	-	(31)
Total investments and other assets	77,560	75,783
Total noncurrent assets	3,594,214	3,495,009
Total assets	12,296,755	11,909,129

[Note] The numbers parenthesized represent minus figures.

(Thousand yen)

	As of August 31, 2022	As of February 28, 2023
Liabilities		
Current liabilities		
Accounts payable-trade	300,308	252,403
Electronically recorded obligations-operating	1,870,377	1,247,396
Income taxes payable	-	49,011
Advances received	2,731,976	2,818,529
Provision for bonuses	48,070	47,376
Provision for product warranties	-	15,363
Provision for loss on order received	5,869	3,639
Other	170,894	177,371
Total current liabilities	5,127,498	4,611,092
Noncurrent liabilities		
Net defined benefit liability	58,508	64,000
Other	226	253
Total noncurrent liabilities	58,734	64,253
Total liabilities	5,186,232	4,675,345
Net assets		
Shareholders' equity		
Capital stock	2,812,461	2,812,461
Capital surplus	2,741,287	2,734,911
Retained earnings	1,789,309	1,928,609
Treasury stock	(344,527)	(320,451)
Total shareholders' equity	6,998,531	7,155,530
Accumulated other comprehensive income		
Foreign currency translation adjustment	111,990	78,252
Total accumulated other comprehensive income	111,990	78,252
Total net assets	7,110,522	7,233,783
Total liabilities and net assets	12,296,755	11,909,129

[Note] The numbers parenthesized represent minus figures.

(2) Consolidated statement of income

(Thousand yen)

	Six months ended February 28, 2022	Six months ended February 28, 2023
Net sales	1,592,134	4,241,637
Cost of sales	1,143,383	3,550,835
Gross profit	448,750	690,802
Selling, general and administrative expenses	447,726	466,303
Operating income	1,023	224,498
Non-operating income		
Interest income	66	69
Foreign exchange gains	882	6,207
Insurance premiums refunded cancellation	17,054	-
Interest on tax refund	36	566
Gain on sales of scraps	3,944	68
Subsidies for employment adjustment	324	486
Other	1,530	205
Total non-operating income	23,838	7,603
Non-operating expenses		
Commission fee	2,728	1,448
Loss on removal of non-current assets	49	-
Other	321	0
Total non-operating expenses	3,099	1,448
Ordinary income	21,762	230,653
Income before income taxes and minority interests	21,762	230,653
Income taxes-current	2,895	48,298
Income taxes-deferred	94,728	68
Total income taxes	97,623	48,366
Income (Loss) before minority interests	(75,860)	182,286
Net income (loss) attributable to owners of the parent	(75,860)	182,286

[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	Six Months Ended February 28, 2023	Year-on-year change (%)
Machinery business	2,702,770	81.3
Environmental business	261,798	127.6
Total	2,964,569	83.9

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

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	8,057,566	179.2	12,005,261	135.4
Environmental business	261,119	66.6	500,901	155.2
Total	8,318,685	170.2	12,506,163	136.1

3) Sales

Sales by business segment in the period are as follows:

(Thousand yen)

Segment	Six Months Ended February 28, 2023	Year-on-year change (%)
Machinery business	3,996,013	281.1
Environmental business	245,623	144.2
Total	4,241,637	266.4