

Summary of Financial Results for the Third 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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Filing date of securities report: July 14, 2023

Payment date of cash dividends: -

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 Nine Months Ended May 31, 2023 (September 1, 2022 through May 31, 2023)

(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	%
9 months ended May 31, 2023	5,384	33.1	446	(8.5)	466	(14.2)	390	19.0
9 months ended May 31, 2022	4,045	(43.7)	510	(60.9)	543	(57.7)	327	(64.1)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
9 months ended May 31, 2023	18.14		-	
9 months ended May 31, 2022	15.21		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of May 31, 2023	13,854	7,455	53.8
As of August 31, 2022	12,296	7,110	57.8

[Reference] Shareholders' equity (million yen): May 31, 2023: 7,455 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: 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: 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

May 31, 2023 22,052,426 shares

August 31, 2022 22,052,426 shares

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

May 31, 2023 519,813 shares

August 31, 2022: 558,885 shares

3) Average number of shares during the period

Nine months ended May 31, 2023: 21,511,860 shares

Nine months ended May 31, 2022: 21,560,187 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 Third Quarter Ended May 31, 2023

(1) Description of operating results

During the nine months ended May 31, 2023, the Japanese economy experienced a gradual recovery while energy and raw material remained high in price. As for the global economy, there are concerns about an economic recession due to the monetary policy tightening. 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 is expected backed by political supports that have activated capital expenditures at US PV manufacturers. Meanwhile, in the Japanese PV industry, R&D is in progress for commercialization of next-generation PV modules, such as perovskite PV, backed by the PV installation target set by the Japanese government. Such modules are expected to have a wider range of applications compared to conventional modules. 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, large-scale solar projects 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. Meanwhile, companies and local governments are actively installing solar systems for self-consumption, and self-inspection before operation has now become a new obligation to small-scale solar systems from 10 to 50 kW due to law revision. As a result, the number of solar systems covered by the Group’s inspection services is increasing. As for solar panel recycling, the Japanese government and local communities are discussing an establishment of solar panel recycling system in preparation for future decommissioning of solar panels. Also, an increasing number of companies are entering the solar panel recycling business, not only in Japan, but also in Europe, Australia, etc.

Under such circumstances, the consolidated net sales were 5,384 million yen, 1,339 million yen increase year on year. The operating income was 466 million yen, 43 million yen decrease year on year, the ordinary income was 466 million yen, 77 million yen decrease year on year. The net income attributable to the owners of the parent was 390 million yen, 62 million yen increase year on 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. In addition, automation machines to the Japanese electronic parts industry and parts sales performed well. As a result, the sales were 4,966 million yen, 1,162 million yen increase year on year. As for the profit, the Group secured an adequate profit rate by reduction of procurement costs, manufacturing costs, and costs for on-site work, as well as increase in parts sales. As a result, operating income was 852 million yen, 92 million yen decrease year on year.

2) Environmental Business

In the Environmental Business, solar panel disassembly line contributed to the sales while steady sales were booked for inspection service of solar power plants and plant factory business. As a result, the sales were 418 million yen, 176 million yen increase year on year, and operating income was 77 million yen, compared with the operating loss of 1 million yen in the same period of the previous fiscal 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. This is because the Group expects the sales for a new factory of its US main customer in the fourth quarter.

2. Consolidated Financial Statements for the Third Quarter Ended May 31, 2023

(September 1, 2022 through May 31, 2023)

(1) Consolidated balance sheets

(Thousand yen)

	As of August 31, 2022	As of May 31, 2023
Assets		
Current assets		
Cash and deposits	3,084,532	5,149,745
Notes and accounts receivable-trade and contract assets	508,074	422,841
Electronically recorded monetary claims-operating	30,313	38,544
Work in process	4,668,259	4,489,678
Raw materials and supplies	17,631	71,183
Other	393,727	227,386
Total current assets	8,702,540	10,399,380
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	3,872,687	3,872,687
Accumulated depreciation	(2,042,155)	(2,160,894)
Accumulated impairment loss	(41,215)	(41,215)
Building and structures, net	1,789,317	1,670,577
Machinery and equipment	258,871	261,967
Accumulated depreciation	(137,203)	(142,655)
Accumulated impairment loss	(73,136)	(73,136)
Machinery and equipment, net	48,531	46,175
Land	1,548,050	1,548,050
Other	326,141	321,558
Accumulated depreciation	(232,486)	(237,867)
Accumulated impairment loss	(53,768)	(53,768)
Other, net	39,886	29,921
Total property, plant and equipment	3,425,785	3,294,725
Intangible assets		
Other	90,868	73,598
Total intangible assets	90,868	73,598
Investments and other assets		
Claims provable in bankruptcy claims, rehabilitation, and other	-	31
Deferred tax assets	51,044	62,246
Other	26,516	24,969
Allowance for doubtful accounts	-	(31)
Total investments and other assets	77,560	87,216
Total noncurrent assets	3,594,214	3,455,540
Total assets	12,296,755	13,854,920

[Note] The numbers parenthesized represent minus figures.

(Thousand yen)

	As of August 31, 2022	As of May 31, 2023
Liabilities		
Current liabilities		
Accounts payable-trade	300,308	416,537
Electronically recorded obligations-operating	1,870,377	1,356,282
Income taxes payable	-	105,948
Advances received	2,731,976	4,155,510
Provision for bonuses	48,070	24,411
Provision for product warranties	-	10,607
Provision for loss on order received	5,869	-
Other	170,894	262,610
Total current liabilities	5,127,498	6,331,907
Noncurrent liabilities		
Net defined benefit liability	58,508	67,342
Other	226	266
Total noncurrent liabilities	58,734	67,608
Total liabilities	5,186,232	6,399,516
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	2,136,479
Treasury stock	(344,527)	(320,451)
Total shareholders' equity	6,998,531	7,363,401
Accumulated other comprehensive income		
Foreign currency translation adjustment	111,990	92,003
Total accumulated other comprehensive income	111,990	92,003
Total net assets	7,110,522	7,455,404
Total liabilities and net assets	12,296,755	13,854,920

[Note] The numbers parenthesized represent minus figures.

(2) Consolidated statement of income

(Thousand yen)

	Nine months ended May 31, 2022	Nine months ended May 31, 2023
Net sales	4,045,245	5,384,628
Cost of sales	2,852,513	4,223,380
Gross profit	1,192,731	1,161,247
Selling, general and administrative expenses	682,492	694,413
Operating income	510,238	466,834
Non-operating income		
Interest income	99	93
Foreign exchange gains	13,839	-
Subsidy income	-	3,593
Insurance premiums refunded cancellation	17,054	-
Interest on tax refund	106	584
Gain on sales of scraps	3,944	762
Subsidies for employment adjustment	324	486
Other	1,624	283
Total non-operating income	36,992	5,803
Non-operating expenses		
Commission fee	3,282	2,000
Foreign exchange losses	-	4,077
Loss on removal of non-current assets	49	-
Other	321	45
Total non-operating expenses	3,653	6,123
Ordinary income	543,577	466,514
Income before income taxes and minority interests	543,577	466,514
Income taxes-current	1,939	87,585
Income (loss) taxes-deferred	213,762	(11,228)
Total income taxes	215,701	76,357
Income before minority interests	327,876	390,156
Net income attributable to owners of the parent	327,876	390,156

[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	Nine Months Ended May 31, 2023	Year-on-year change (%)
Machinery business	4,754,410	86.6
Environmental business	406,331	120.4
Total	5,160,742	88.6

[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	8,956,803	164.5	11,934,113	160.6
Environmental business	328,041	53.4	395,219	83.4
Total	9,284,845	153.3	12,329,332	155.9

3) Sales

Sales by business segment in the period are as follows:

(Thousand yen)

Segment	Nine Months Ended May 31, 2023	Year-on-year change (%)
Machinery business	4,966,398	130.6
Environmental business	418,229	173.3
Total	5,384,628	133.1