

Summary of Financial Results for the Fiscal Year Ended August 31, 2023

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

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General meeting of shareholders: November 29, 2023

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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, 2023

(September 1, 2022 through August 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	%
Year ended August 31, 2023	9,320	112.8	976	57.5	963	56.0	993	161.9
Year ended August 31, 2022	4,379	(44.0)	620	(47.1)	617	(46.4)	379	(51.3)

	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, 2023	46.16	-	13.1	7.4	10.5
Year ended August 31, 2022	17.60	-	5.4	5.5	14.2

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of August 31, 2023	13,611	8,074	59.3	374.98
As of August 31, 2022	12,296	7,110	57.8	330.82

[Reference] Shareholders' equity (million yen): August 31, 2023: 8,074 August 31, 2022: 7,110

(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, 2023	1,841	(14)	(48)	4,880
As of August 31, 2022	83	(4)	(353)	3,084

[Note] The numbers parenthesized represent minus figures.

2. Dividends

	Dividend per share					Dividend in total (full year)	Dividend payout ratio (consolidated)	Dividends on net assets (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended August 31, 2022	-	0.00	-	2.00	2.00	42	11.4	0.6
Year ended August 31, 2023	-	0.00	-	6.00	6.00	129	13.0	1.7
Year ending August 31, 2024 (forecast)	-	0.00	-	7.00	7.00		13.9	

**3. Consolidated Forecast for the Fiscal Year Ending August 31, 2024
(September 1, 2023 through August 31, 2024)**

(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 29, 2024	3,329	(21.5)	363	62.0	363	57.5	250	37.7	11.66
Year ending August 31, 2024	10,384	11.4	1,584	62.2	1,584	64.5	1,081	8.9	50.27

[Note] The numbers parenthesized represent minus figures.

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, 2023: 22,052,426 shares

August 31, 2022: 22,052,426 shares

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

August 31, 2023: 519,813 shares

August 31, 2022: 558,885 shares

3) Average number of shares during the period

Fiscal year ended August 31, 2023: 21,517,091 shares

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

[Reference]

1. Non-Consolidated Financial Results for the Year Ended August 31, 2023 (September 1, 2022 through August 31, 2023)

(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, 2023	9,213	115.4	896	43.0	890	38.4	936	135.5
Year ended August 31, 2022	4,277	(44.7)	626	(45.1)	643	(42.8)	397	(47.9)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Year ended August 31, 2023	43.50		-	
Year ended August 31, 2022	18.45		-	

[Note] The numbers parenthesized represent minus figures.

(2) Non-Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of August 31, 2023	13,221	7,701	58.2	357.64
As of August 31, 2022	11,966	6,790	56.7	315.92

[Reference] Shareholders' equity (million yen): August 31, 2023: 7,701 August 31, 2022: 6,790

2. Non-Consolidated Forecast for the Fiscal Year Ending August 31, 2024 (September 1, 2023 through August 31, 2024)

(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 29, 2024	3,299	(21.8)	382	(93.5)	381	94.3	270	74.4	12.56
Year ending August 31, 2024	10,327	12.1	1,612	79.9	1,611	80.9	1,112	18.8	51.68

*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 2 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, 2023

(1) Overview of financial results of the fiscal year ended August 31, 2023

During the fiscal year ended August 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 main 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 for capacity expansion and R&D 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 establishment of solar panel recycling system in preparation for future decommissioning of solar panels. Recycling technology is being introduced in Japan and overseas, with continued support provided through subsidies. 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 9,320 million yen, 4,941 million yen increase year on year. The operating income was 976 million yen, 356 million yen increase year on year, the ordinary income was 963 million yen, 345 million yen increase year on year. With increase in deferred tax assets based on the profit plan for FY2024, the net income attributable to the owners of the parent was 993 million yen, 613 million yen increase year on year.

Financial results by segment are as follows:

1) Machinery Business

In the Machinery Business, the Group booked the sales of equipment for two new factories of a US PV manufacturer, the Group’s major customer, as scheduled. Also, it has booked the sales of automation machines to a Japanese major customer in the electronic parts industry, with which it maintains stable business, and customers in automobile industry, etc. Meanwhile, parts sales remained strong throughout the year. As a result, the sales were 8,689 million yen, 4,599 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 1,489 million yen, 271 million yen increase year on year.

2) Environmental Business

In the Environmental Business, the Group booked the sales of inspection service of solar power plants, reuse and recycling of solar panels, solar panel disassembly equipment and plant factory business as scheduled. As a result, the sales were 631 million yen, 342 million yen increase year on year. As for the profit, due to cost reduction such as procurement cost in solar panel disassembly equipment, etc., and the inspection service with high-added-value, operating income was 132 million yen, compared with an operating loss of 25 million yen of the previous fiscal year.

(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. Especially in the US PV industry, projects for capacity expansion are in steady progress at the Group’s major customer due to the increasing demand for PV modules. Also, due to the growing awareness for solar panel recycling and active prior investment, increase in needs for solar panel disassembly equipment is expected. Although parts prices are expected to remain high and lead time remains long for some parts, the Group has been successfully achieving cost reduction. Under such circumstances, the Group revised the medium-term management plan disclosed on October 12, 2022, and disclosed a new medium-

term management plan for three years beginning from FY2024. Please refer to the “Announcement on Medium-term Management Plan” disclosed on October 11, 2023, for more details.

For the upcoming fiscal year, the Company has already received strong orders and order backlog has been accumulated to 10,274 million yen. Increase in sales is expected based on the order backlog which will be steadily booked throughout FY2024. In the Machinery Business, the Group expects the sales of equipment for new factory in the US, for expansion of the existing US factory, and for the R&D of new products. 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 profit, the Group will maintain a steady profit rate as it has received orders at prices that ensure an adequate level of profit.

As a result of such businesses, the consolidated business forecast for the next fiscal year will be: sales at 10,384 million yen, 1,063 million yen increase year on year; operating income at 1,584 million yen, 607 million yen increase year on year; ordinary income at 1,584 million yen, 621 million yen increase year on year; and net income attributable to owners of the parent at 1,081 million yen, 88 million yen increase year on year as US income tax is expected to increase due to increase in sales in the US.

Forward-looking statements in this report such as financial results and forecasts are based on the information available to the Group 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, 2023**(September 1, 2022 through August 31, 2023)**

(1) Consolidated balance sheets

(Thousand yen)

	As of August 31, 2022	As of August 31, 2023
Assets		
Current assets		
Cash and deposits	3,084,532	4,880,191
Notes receivable-trade	56,467	61,200
Accounts receivable-trade	451,607	1,187,745
Electronically recorded monetary claims-operating	30,313	13,251
Work in process	4,668,259	3,578,120
Raw materials and supplies	17,631	11,194
Other	393,727	232,123
Total current assets	8,702,540	9,963,828
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	3,872,687	3,872,687
Accumulated depreciation	(2,042,155)	(2,200,474)
Accumulated impairment loss	(41,215)	(41,215)
Building and structures, net	1,789,317	1,630,997
Machinery and equipment	258,871	252,592
Accumulated depreciation	(137,203)	(138,696)
Accumulated impairment loss	(73,136)	(69,799)
Machinery and equipment, net	48,531	44,096
Land	1,548,050	1,548,050
Other	326,141	346,603
Accumulated depreciation	(232,486)	(234,387)
Accumulated impairment loss	(53,768)	(53,768)
Other, net	39,886	58,447
Total property, plant and equipment	3,425,785	3,281,591
Intangible assets		
Other	90,868	68,360
Total intangible assets	90,868	68,360
Investments and other assets		
Distressed receivables	-	31
Deferred tax assets	51,044	272,935
Other	26,516	24,923
Allowance for doubtful accounts	-	(31)
Total investments and other assets	77,560	297,859
Total noncurrent assets	3,594,214	3,647,811
Total assets	12,296,755	13,611,640

(Thousand yen)

	As of August 31, 2022	As of August 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable-trade	300,308	469,326
Electronically recorded obligations-operating	1,870,377	1,976,626
Income taxes payable	-	203,581
Advances received	2,731,976	2,474,854
Provision for bonuses	48,070	143,542
Provision for product warranties	-	10,887
Provision for loss on order received	5,869	712
Other	170,894	184,348
Total current liabilities	5,127,498	5,463,881
Noncurrent liabilities		
Retirement benefit liability	58,508	68,967
Others	226	4,395
Total noncurrent liabilities	58,734	73,362
Total liabilities	5,186,232	5,537,244
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	2,739,499
Treasury stock	(344,527)	(320,451)
Total shareholders' equity	6,998,531	7,966,421
Accumulated other comprehensive income		
Foreign currency translation adjustment	111,990	107,974
Total accumulated other comprehensive income	111,990	107,974
Total net assets	7,110,522	8,074,396
Total liabilities and net assets	12,296,755	13,611,640

[Note] The numbers parenthesized represent minus figures.

(2) Consolidated statement of income

(Thousand yen)

	Year ended August 31, 2022	Year ended August 31, 2023
Net sales	4,379,235	9,320,608
Cost of sales	2,852,236	7,376,447
Gross profit	1,526,998	1,944,160
Selling, general and administrative expenses	906,607	967,185
Operating income	620,390	976,974
Non-operating income		
Interest income	148	135
Interest on tax refund	289	632
Subsidy income	-	3,593
Surrender value of insurance policies	17,054	-
Gain on sales of scraps	4,177	1,104
Other	2,753	877
Total non-operating income	24,422	6,343
Non-operating expenses		
Foreign exchange losses	21,857	16,900
Commission expenses	4,255	2,940
Loss on removal of non-current assets	49	-
Other	1,005	171
Total non-operating expenses	27,167	20,012
Ordinary income	617,646	963,305
Extraordinary loss		
Impairment loss	82,397	-
Total impairment loss	82,397	-
Income before income taxes and minority interests	535,249	963,305
Income taxes-current	3,752	191,671
Income taxes-deferred	152,233	(221,543)
Total income taxes	155,986	(29,871)
Income before minority interests	379,263	993,176
Net income attributable to owners of the parent	379,263	993,176

(3) Consolidated statement of cash flows

(Thousand yen)

	Year ended August 31, 2022	Year ended August 31, 2023
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	535,249	963,305
Depreciation and amortization	225,984	209,357
Increase (decrease) in allowance for doubtful accounts	-	31
Increase (decrease) in provision for bonuses	(47,589)	95,471
Increase (decrease) in provision for product warranties	(207,085)	10,887
Increase (decrease) in provision for loss on order received	(19,012)	(5,157)
Increase (decrease) in retirement liability	14,202	10,459
Interest and dividends income	(148)	(135)
Loss (gain) on cancellation of insurance policies	(17,054)	-
Impairment loss	82,397	-
Decrease (increase) in trade receivables	205,537	(722,174)
Decrease (increase) in inventories	(2,874,541)	1,096,805
Decrease (increase) in distressed receivables	-	(31)
Increase (decrease) in trade payables	1,682,504	268,512
Increase (decrease) in advances received	749,480	(257,153)
Other, net	(206,123)	134,274
Subtotal	123,800	1,804,452
Interest and dividends income received	148	135
Income taxes (paid) refund	(40,188)	37,265
Net cash provided by (used in) operating activities	83,760	1,841,853
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment and intangible assets	(67,779)	(15,882)
Proceeds from sales of property, plant and equipment	31,537	-
Other, net	31,322	1,627
Net cash provided by (used in) investing activities	(4,919)	(14,255)
Net cash provided by (used in) financing activities		
Purchase of treasury shares	(310,300)	-
Dividends paid	(43,614)	(42,792)
Other, net	-	(5,677)
Net cash provided by (used in) financing activities	(353,915)	(48,469)
Effect of exchange rate change on cash and cash equivalents	33,497	16,530
Net increase (decrease) in cash and cash equivalents	(241,576)	1,795,659
Cash and cash equivalents at beginning of period	3,326,108	3,084,532
Cash and cash equivalents at end of period	3,084,532	4,880,191

[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, 2023 are as follows:

(Thousand yen)

Segment	Production	Year-on-year ratio (%)
Machinery business	7,424,340	89.0
Environmental business	534,145	133.4
Total	7,958,485	91.1

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

2) Orders

Orders received by segment in the fiscal year ended August 31, 2023 are as follows:

(Thousand yen)

Segment	Orders received	Year-on-year ratio (%)	Order backlog	Year-on-year ratio (%)
Machinery business	10,698,641	171.4	9,952,866	125.3
Environmental business	467,843	69.5	322,125	66.4
Total	11,166,485	161.5	10,274,992	121.9

3) Sales

Sales by segment in the fiscal year ended August 31, 2023 are as follows:

(Thousand yen)

Segment	Sales	Year-on-year ratio (%)
Machinery business	8,689,483	212.4
Environmental business	631,124	218.5
Total	9,320,608	212.8