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February 4, 2022

Non-consolidated Financial Results for the Nine Months Ended December 31, 2021 (Under Japanese GAAP)

Company name: Nippon Pallet Pool Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 4690
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 Scheduled date to file quarterly securities report: February 10, 2022
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Non-consolidated financial results for the nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

(1) Non-consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
December 31, 2021	5,212	△0.9	303	△43.8	428	△32.8	285	△31.6
December 31, 2020	5,260	—	539	36.2	637	22.5	417	23.4

	Basic earnings per share	Diluted earnings per share
	Yen; Thousands	Yen; Thousands
Nine months ended		
December 31, 2021	169.71	—
December 31, 2020	248.24	—

Note: The company's common shares underwent a 2-for-1 stock split on July 1st, 2021. Quarterly Net Profit per Share is calculated under the assumption that this stock split took place at the beginning of the previous fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
December 31, 2021	10,322	5,066	49.1
March 31, 2021	10,235	4,911	48.0

Reference: Equity
 As of December 31, 2021: ¥5,066 million
 As of March 31, 2021: ¥4,911 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen; Thousands	Yen; Thousands	Yen; Thousands	Yen; Thousands	Yen; Thousands
Fiscal year ended March 31, 2021	—	0.00	—	70.00	70.00
Fiscal year ending March 31, 2022	—	0.00	—		
Fiscal year ending March 31, 2022 (Forecast)				35.00	35.00

Note: 1. Revisions to the forecast of cash dividends most recently announced: None
 2. The company's common shares underwent a 2-for-1 stock split on July 1st, 2021. The dividend values for the FY Ending March 2022 (Forecast) represent the dividend after this stock split.

3. Expected Results for the Fiscal Year Ending March 2022 (April 01, 2021 to March 31, 2022)

(Percentages indicate changes from the previous year.)

	Net sales		Operating profit		Ordinary profit		FY Net Profit		FY Net Profit Per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen;Thousands
Whole FY	7,013	—	531	△9.5	600	△18.9	170	△62.5	101.01

Note: 1. Revisions from the Most Recently Published Expected Results: None
 2. The company's common shares underwent a 2-for-1 stock split on July 1st, 2021. The FY Net Profit per Share in the Expected Results for the Fiscal Year Ending March 2022 reflect the impact of this stock split.

* **Notes**

(1) Adoption of accounting treatment specific to the preparation of quarterly non-consolidated financial statements: None

(2) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(3) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2021	1,700,000 shares
As of March 31, 2021	1,700,000 shares

(ii) Number of treasury shares at the end of the period

As of December 31, 2021	17,040 shares
As of March 31, 2021	17,040 shares

(iii) Average number of shares outstanding during the period

Nine months ended December 31, 2021	1,682,960 shares
Nine months ended December 31, 2020	1,682,960 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The descriptions in this document related to the future, such as earnings estimates, are based on information that the company has obtained at present and certain assumptions that are deemed reasonable, and there is a possibility that the actual results differ significantly from the expected figures. For conditions that serve as the assumptions for the expected results and precautions related to the use of the expected results, please refer to “1. Qualitative Information related to This Quarterly Statement (3) Explanation Regarding Expected Results and Future Projections” on the second page of the attached document.

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1. Qualitative Information Related on This Quarterly Statement

(1) Explanation Regarding Operating Results

During this 3rd quarter period to date, the domestic economy in Japan has showed signs of recovery with the resumption of domestic economic activities due to factors such as an increase in the vaccination rate for the new coronavirus infection and the lifting of the declaration of a state of emergency in October. However, the outlook for the future remains uncertain, as there are no prospects for a resolution of the situation, such as a new outbreak of "Omicron variant".

In this business environment, the rental volume handled by petrochemical resin-related companies, which are the main customers of the "Intermodal Palletization", turned to an upward trend in sales in the second half of the fiscal year as the situation of production inventory reduction and production adjustment on the part of customers ran its course. In the same way, rental volume for other general customers exceeded that of the same period of the previous year from the second half of the fiscal year, but this was not enough to offset the decline in sales in the first half of the fiscal year, and total sales for this 3rd quarter period to date was 5,212 million yen (down 0.9% from the same quarter of the previous fiscal year) .

In terms of expenses, pallet storage fees trended downward as the rental utilization rate of pallets, etc. recovered from the second half of the fiscal year, but on the other hand, we were forced to increase expenses related to transportation and repair of pallets in order to cope with the rapid increase in rental volume. Despite efforts to reduce costs by restraining new pallet production and other measures, operating expenses was 4,909 million yen (up 4.0% from the same quarter of the previous fiscal year).

As a result, operating profit was 303 million yen (down 43.8% from the same quarter of the previous fiscal year), ordinary profit was 428 million yen (down 32.8% from the same quarter of the previous fiscal year), and net profit was 285 million yen (down 31.6% from the same quarter of the previous fiscal year).

(2) Explanation Regarding the Financial Status

① State of Flux for the Financial Status

Total assets at the end of the 3rd quarter accounting period were 10.322 billion yen, up 87 million yen from the previous fiscal year.

Current assets were 1.817 billion yen, down 59 million yen and 3.2% from the end of the previous fiscal year. Fixed assets were 8.505 billion yen, up 146 million yen and 1.8% from the end of the previous fiscal year.

The main cause for the decrease in current assets was a decrease in cash and deposits, despite an increase in rental accounts receivable.

The increase in noncurrent assets was mainly due to an increase in Corporate Assets and Intangible Fixed Assets.

Current liabilities were 3.287 billion yen, down 3 million yen and 0.1% from the end of the previous fiscal year, and noncurrent liabilities were 1.968 billion yen, down 64 million yen and 3.2% from the end of the previous fiscal year.

The main cause for the decrease in current liabilities was a decrease in Unpaid Corporate Taxes, Etc. and Long-Term Debt to Be paid Within one year, despite an increase in accounts payable and accounts payable (categorized as "Other").

The decrease in long-term liabilities was mainly due to a decrease in long-term loans payable, despite an increase in long-term accounts payable (categorized as "Other").

Net assets at the end of this 3rd quarter accounting term were 5.066 billion yen, up 154 million yen and 3.2%, from the end of the previous fiscal year. This was due to the increase in Earned Surplus.

(3) Explanations Regarding Expected Results and Future Projections

There have been no revisions to the expected results that were published on May 7th, 2021.

2. Quarterly Financial Statements and Main Points of Note

(1) Quarterly Balance Sheet

(Unit: 1,000 yen)

	Previous FY (Mar 31 st , 2021)	Current Q3 Accounting Term (December 31 st , 2021)
Assets		
Current assets		
Cash and Deposits	1,010,768	818,642
Notes Receivable	13,076	23,723
Rental Accounts Receivable	697,593	804,337
Accounts Receivable	81,576	74,188
Income Tax Refund Receivable	—	24,997
Other	77,768	75,710
Bad Debt Allowance	△3,634	△4,095
Total Current Assets	1,877,149	1,817,505
Fixed Assets		
Tangible Fixed Assets		
Assets Lent		
Equipment Lent (Net)	7,166,601	7,184,643
Total Assets Lent	7,166,601	7,184,643
Corporate Assets		
Buildings (Net)	134,589	135,257
Land	476,671	563,662
Other (Net)	132,476	147,113
Total Corporate Assets	743,737	846,033
Total Tangible Fixed Assets	7,910,339	8,030,676
Intangible Fixed Assets	143,541	189,188
Investments and Other Assets		
Investment Securities	173,566	167,861
Other	142,963	123,846
Bad Debt Allowance	△11,971	△6,422
Total Investments and Other Assets	304,558	285,285
Total Fixed Assets	8,358,439	8,505,149
Total Assets	10,235,588	10,322,655
Liabilities		
Current Liabilities		
Accounts Payable	605,432	711,746
Short-Term Debt	1,030,000	1,030,000
Long-Term Debt to Be Paid Within 1 Year	949,810	891,732
Unpaid Corporate Taxes, etc.	155,722	14,510
Reserve	46,430	15,800
Other	503,672	624,151
Total Current Liabilities	3,291,067	3,287,941
Fixed Liabilities		
Long-term Debt	1,360,210	1,163,468
Reserve	14,987	16,617
Long-Term Accounts Payable	626,129	759,240
Asset Retirement Obligations	31,893	29,137
Total Fixed Liabilities	2,033,220	1,968,463
Total Liabilities	5,324,288	5,256,404

(Unit: 1,000yen)

	Previous FY (Mar 31 st , 2021)	Current Q3 Accounting Term (December 31 st , 2021)
Net Assets		
Shareholders' Equity		
Capital	767,955	767,955
Capital Surplus	486,455	486,455
Earned Surplus	3,624,701	3,784,443
Treasury Shares	△17,822	△17,822
Total Shareholders' Equity	4,861,289	5,021,030
Valuation or Translation Differences, Etc.		
Other Securities Valuation Differences	50,011	45,219
Total Valuation or Translation Differences, Etc.	50,011	45,219
Total Net Assets	4,911,300	5,066,250
Total Liabilities and Net Assets	10,235,588	10,322,655

(2) Quarterly Profit and Loss Statement
3rd Quarter Period to Date

(Unit: 1,000yen)

	Previous Q3 Period to Date (From April 1 st , 2020 to December 31 st , 2020)	Current Q2 Period to Date (From April 1 st , 2021 to December 31 st , 2021)
Sales	5,260,755	5,212,461
Cost of Sales	4,042,537	4,174,309
Gross Profit	1,218,218	1,038,151
Transferred Unrealized Profit from Installment Sales	699	—
Reversed Unrealized Profit from Installment sales	4,452	—
Gross Profit Differential	1,221,971	1,038,151
Selling and General Administrative Costs	682,222	734,847
Operating Profit	539,749	303,304
Non-Operating Income		
Interest Income	9	2
Dividend Income	4,764	5,184
Loss Compensation	92,160	107,820
Waste Disposal Income	22,986	30,687
Other	406	560
Total Non-Operating Income	120,328	144,255
Non-Operating Expenses		
Interest Expense	22,639	19,429
Total Non-Operating Expenses	22,639	19,429
Ordinary Profit	637,437	428,130
Extraordinary Profit		
Gain From Sales of Fixed Assets	—	350
Total Extraordinary Profit	—	350
Extraordinary Loss		
Valuation Loss of Investment Securities	11,281	—
Loss on Retirement of Fixed Assets	—	563
Total Extraordinary Loss	11,281	563
Pre-Tax Quarterly Net Profit	626,156	427,916
Corporate Tax, Resident Tax, and Business Tax	195,867	106,445
Corporate Tax, Etc. Adjustment	12,510	35,847
Total Corporate taxes	208,378	142,293
Quarterly Net Profit	417,778	285,623

(3) Points of Note Regarding the Quarterly Financial Statements

(Points of Note Regarding the Going Concern Assumption)

There are no corresponding items.

(Points of Note in Case of Significant Fluctuation in the Shareholders' Equity)

There are no corresponding items.

(Accounting Policy Changes)

1. The "Accounting Standard for Revenue Recognition (29th Corporate Accounting Standards Dated March 31st, 2020; hereinafter referred to as "Revenue Recognition Accounting Standards")" have been applied since the start of the 1st quarter accounting period, as the money expected to be received in exchange for promised goods or services is recognized as revenue when control of the corresponding goods or services is transferred to the client. The following changes have been applied accordingly.

- (1) Pooling Costs

The company's "pallet pooling system (a system that intends to optimize logistics by having many clients jointly and rotationally using the same pallets)" has value for its use. In the past, revenue had been recognized when the items left the clients' factories, etc., but this has been changed so that revenue is recognized when the rental of each pallet ends.

- (2) One-Time Charges

The Company provides rental services through a "one-time charge" system, in which the rental period is estimated reasonably, and fixed charges are billed. In the past, revenue had been recognized at the start of the rental, but this has been changed so that revenue is recognized across the expected rental period.

- (3) Long-Term Installment Sales

In the past, the total accounts receivable for installment sales are accounted at sales when the products are handed over, with unrealized profit from accounts receivable that are yet to be due deferred profit from installment sales. However, this has been changed so that all revenues and profits related to the corresponding installment sales are accounted when the products are handed over.

The application of the Revenue Recognition Accounting Standards, etc. has been handled progressively according to the provisions of Section 84 of the Revenue Recognition Accounting Standards. The cumulative impact of retroactively applying the new accounting standards before the start of the 1st quarter accounting period has been applied to adjust the earned surplus at the start of the 1st quarter accounting period, as the new accounting methods are applied from the starting balance for this period. As a result, the impact of the sales, operating profit, and ordinary profit from this 3rd quarter period to date on pre-tax quarterly net profit is minimal. In addition, the starting balance for earned surplus for this period has been reduced by 66 million yen.

2. The "Accounting Standards Related to Market Value Calculations (30th Corporate Accounting Standards Dated July 4th, 2019; hereinafter referred to as "Market Value Calculation Accounting Standards")" have been applied from the start of this 1st quarter accounting period. This application has been handled progressively according to Section 19 of the Market Value Calculation Accounting Standards and Section 44-2 of the "Accounting Standards Related to Financial Products (10th Corporate Accounting Standards Dated July 4th, 2019)", with new accounting methods according to the Market Value Calculation Accounting Standards, etc. to be applied moving forward. To add, this has no impact on the quarterly financial statements.