The six months ended June 30, 2020

(1) Explanation of Results of Operations

Consolidated Income Statement for the six months ended June 30, 2020 (millions of yen)

	2Q of FY2019 (A)	2Q of FY2020 (B)	Increase/(decrease)	
			Amount (C) (B)-(A)	Percentage (C)/(A)
Sales	6,341	6,069	(272)	(4.3%)
Operating income	1,013	711	(302)	(29.8%)
Ordinary income	997	718	(279)	(28.0%)
Profit attributable to owners of the parent	699	512	(187)	(26.7%)
No. of Tank containers (as of June 30)	7,903	8,163	260	+3.3%
Utilization rate (over 6 months)	75.6%	71.0%	(4.6%)	

During the six months ended June 30, 2020, the Japanese economy saw weak performances in a wide range of industries, particularly the automobile industry which suffered a decline in sales due to the novel coronavirus (COVID-19) pandemic. Exports continued to fall due to a significant drop in exports to Europe and the U.S., mainly of transportation machinery, while exports to China have started picking up in line with the normalization of economic activities.

Looking at the overseas economy, in the U.S. there are signs of recovery in the production of the manufacturing industry due to the ongoing resumption of economic activities. In Europe, while lockdown restrictions have been eased in stages and economic activities have gradually resumed, the PMI is still below "50." Meanwhile, in China, which has resumed economic activities ahead of other countries, industrial production has recovered to a level exceeding that of the previous year and the growth rate is expected to turn positive year on year.

In terms of the Group's business, we were unable to predict the demand and supply balance of tank containers because of the lockdown restrictions imposed in many countries as measures against the spread of the novel coronavirus (COVID-19) infection and the corresponding restriction of cargo transport. Therefore, the Group has announced in the "Notice Regarding Cancellation of Results Projections for the Fiscal Year Ending December 31, 2020 and the Mid-Term Management Plan" dated June 19 that operating income may decrease by 30% or more from the results

projections announced on February 13.
Amid this severe business environment, while the number of transactions was below that of the six months ended June 30, 2019, the Group as a whole strengthened its sales activities both in Japan and overseas, focusing on winning new contracts.
As a result, net sales for the six months ended June 30, 2020 amounted to ¥6,069 million, a 4.3% decrease from the previous corresponding period, and operating income remained positive at ¥711 million, a 29.8% decrease from the previous corresponding period, managing to avoid a 30% or more decrease from the initial results projections. Ordinary income was also positive at ¥718 million, a 28.0% decrease from the previous corresponding period.

(2) Explanation of Financial Position

1) Status of Assets, Liabilities and Shareholders' Equity

Consolidated Balance Sheet as of June 30, 2020 (millions of yen)

ASSET	FY2019 (A)	2Q of FY2020 (B)	Increase/(decrease)	
			Amount (C) (B)-(A)	Percentage (C)/(A)
Total current assets	6,411	6,724	312	+4.9%
Total non-current assets	12,559	12,317	(242)	(1.9%)
Total	18,971	19,041	70	+0.4%

LIABILITIES AND SHAREHOLDERS' EQUITY	FY2019 (A)	2Q of FY2020 (B)	Increase/(decrease)	
			Amount (C) (B)-(A)	Percentage (C)/(A)
Total current liabilities	3,205	3,021	(183)	(5.7%)
Total non-current liabilities	4,909	4,909	(0)	(0.0%)
Total liabilities	8,115	7,930	(184)	(2.2%)
Shareholders' equity	10,875	11,180	304	+2.8%
Total accumulated other comprehensive income	(19)	(69)	(50)	261.5%
Total shareholders' equity	10,856	11,110	254	+2.3%
Total	18,971	19,041	70	+0.4%

Total assets at the end of the second quarter ended June 30, 2020, increased by ¥70 million (0.4% increase) when compared to the end of the previous fiscal year, to ¥19,041 million.
Total current assets increased by ¥312 million (4.9% increase) as compared to the end of the previous fiscal year, to ¥6,724 million. This was primarily due to an increase of ¥706 million in cash and deposits, despite decreases of ¥47 million in accounts receivable-trade and ¥346 million in other current assets.
Total non-current assets decreased by ¥242 million (1.9% decrease) as compared to the end of the previous fiscal year, to ¥12,317 million. This was primarily due to decreases of ¥75 million in buildings and structures (net), ¥159 million in tank containers (net), and ¥27 million in intangible assets, despite an increase of ¥18 million in other property, plant and equipment.
Total current liabilities decreased by ¥183 million (5.7% decrease), as compared to the end of the previous fiscal year, to ¥3,021 million. This was primarily due to decreases of ¥5 million in accounts payable-trade, ¥79 million in current portion of long-term loans payable, ¥128 million in income taxes payable, and ¥123 million in other current liabilities, despite increases of ¥37 million in short-term loans payable, and ¥119 million in lease obligations.
Total non-current liabilities were largely at the same level as the end of the previous fiscal year at ¥4,909 million (0.0% decrease). This was primarily due to increases of ¥46 million in long-term loans payable, ¥7 million in retirement benefit liability, and ¥10 million in other non-current liabilities, despite a decrease of ¥64 million in lease obligations.
Total shareholders' equity increased by ¥254 million (2.3% increase), as compared to the end of the previous fiscal year, to ¥11,110 million. This was primarily due to an increase of ¥304 million in retained earnings, despite a decrease of ¥50 million in foreign currency translation adjustment.

2) Status of Cash Flows
Cash and cash equivalents (hereinafter referred to as "funds") at the end of the second quarter ended June 30, 2020 decreased by ¥525 million, as compared to the end of the previous fiscal year, to ¥3,610 million. The status of cash flows for the six months ended June 30, 2020 and the related factors are as described below.

(a) Net cash provided by operating activities
Funds provided by operating activities resulted in a cash inflow of ¥1,371 million

(compared to a cash inflow of ¥1,500 million in the same period of the previous fiscal year). This was primarily due to cash inflow from profit before income taxes of ¥717 million, as well as depreciation and amortization of ¥605 million, in contrast to a cash outflow for income taxes paid of ¥333 million.

(b) Net cash used in investing activities

Funds used in investing activities resulted in a cash outflow of ¥1,400 million (compared to a cash outflow of ¥174 million in the same period of the previous fiscal year). This was primarily due to cash outflows of ¥1,238 million for a net increase in time deposits and ¥158 million in purchase of property, plant and equipment.

(c) Net cash used in financing activities

Funds used in financing activities resulted in a cash outflow of ¥472 million (compared to a cash outflow of ¥874 million in the same period of the previous fiscal year). This was mainly because of cash outflows for repayment of long-term loans of ¥441 million, repayment of lease obligations of ¥269 million and payment of dividends to shareholders of ¥207 million, despite a cash inflow from proceeds from long-term loans of ¥408 million.

(3) Explanation of Consolidated Results Projections and Other Future Forecast Information

As announced on June 19, 2020, the Group has cancelled the results projections for the fiscal year ending December 31, 2020 (January 1, 2020 to December 31, 2020) and the mid-term management plan, which were announced on February 13, 2020, and has decided to leave them "undetermined," due to the difficulty of making a reasonable calculation of the results projections owing to the impact of the global spread of the novel coronavirus (COVID-19) infection.

This decision was based on the ongoing uncertainty of the outlook of economic activities particularly in Europe and the U.S., amid a situation where we are unable to make a prediction as to when the spread of the infection will be contained. Therefore, the results projections and the mid-term management plan remain "undetermined" as of today. We will promptly announce them once we are able to make a reasonable calculation.