The six months ended June 30, 2024

(1)Explanation of Results of Operations

Consolidated Income Statement for the six months ended June 30, 2024 (millions of yen)

	2Q of FY2023 (A)	2Q of FY2024 (B)	Increase/(decrease)	
			Amount(C) (B)-(A)	Percentage (C)/(A)
Sales	9,020	8,689	(330)	(3.7%)
Operating income	1,960	1,470	(489)	(25.0%)
Ordinary income	2,097	1,507	(590)	(28.2%)
Profit attributable to owners of the parent	1,459	1,034	(424)	(29.1%)
No. of Tank containers (as of June 30)	8,229	8,330	101	+1.2%
Utilization rate (over 6 months)	64.1%	65.4%	+1.3%	

Note: Previously, rented tanks were also counted in the number of tank containers. Starting from the interim consolidated accounting period under review, however, the number of tank containers now only includes those owned by the Company, excluding rented tanks.

During the interim consolidated accounting period under review, sales were ¥8,689 million, operating income was ¥1,470 million, ordinary income was ¥1,507 million, and profit attributable to owners of the parent was ¥1,034 million. As a percentage of the half-year consolidated results projections for FY2024, while sales were 93.3% and operating income was 98.2%, ordinary income was 102.1% and profit attributable to owners of the parent was 102.6%.

In the first half of this interim consolidated accounting period, the Company's performance undershot the start-of-year budget by a large margin, as chemical manufacturers in South Korea, Taiwan, and other countries/regions in East Asia lost price competitiveness due to excessive exports of low-cost chemicals from China, where mass production continued despite weak domestic demand. Exports from Japan, on the other hand, dropped as leading Japanese manufacturers reduced production of their mainstay products.

Furthermore, the number of days of voyage increased as vessel transit was restricted in the Suez Canal and the Panama Canal due to the indiscriminate attacks against civilian ships in the Red Sea by the Houthis of the Islamic sect and the drop in water levels caused by abnormal weather patterns.

Nonetheless, demand for container transportation from Asia to North American destinations began surging in the latter half of March, resulting in shortages of loading space for containers shipped from Japan.

The shortages in space have had repercussions in containers shipped to Europe, India, and ultimately, Southeast Asia, which triggered a sharp rise in ocean freight rates.

Despite the challenges in securing container loading space, the Company remained focused on meeting customer needs by persistently negotiating with shipping companies worldwide to acquire the necessary space.

As a result, the Company was able to mostly make up for the delayed progress of the budget plan for the first half of this interim period.

Meanwhile, the Company is currently engaged in wide-ranging efforts to promote domestic transportation sales throughout the country by organizing activities that stress the advantages of using tank containers in facilitating a modal shift to railroads, domestic vessels, and freight ferries, which do not necessitate long-distance drivers, as we are faced with the “2024 problem” in logistics in Japan.

In our new business of high-pressure gases, on the other hand, NICHICON OVERSEAS GASTANK CHEMICAL Co., Ltd., our subsidiary established in June 2023 to specialize in CFC gas and other high-pressure gases, posted sales of ¥481 million for the interim consolidated accounting period under review, which surpassed sales of our high-pressure gas business for the same period of the previous fiscal year (¥462 million).

(2)Explanation of Financial position

1) Status of Assets, Liabilities, and Net Assets

Consolidated Balance Sheet as of June 30, 2024 (millions of yen)

ASSET	FY2023 (A)	2Q of FY2024 (B)	Increase/(decrease)	
			Amount (C) (B)-(A)	Percentage (C)/(A)
Total current assets	13,668	14,635	966	+7.1%
Total non-current assets	13,273	13,288	15	+0.1%
Total	**26,942**	**27,924**	**982**	**+3.6%**

LIABILITIES AND NET ASSETS	FY2023 (A)	2Q of FY2024 (B)	Increase/(decrease)	
			Amount (C) (B)-(A)	Percentage (C)/(A)
Total current liabilities	3,682	4,064	381	+10.4%
Total non-current liabilities	4,978	4,476	(502)	(10.1%)
Total liabilities	**8,660**	**8,540**	**(120)**	**(1.4%)**
Total shareholders' equity	17,647	18,335	687	+3.9%
Total accumulated other comprehensive income	633	1,048	414	+65.5%
Total net assets	**18,281**	**19,383**	**1,102**	**+6.0%**
Total	**26,942**	**27,924**	**982**	**+3.6%**

Total assets at the end of the interim consolidated accounting period under review increased by ¥982 million (3.6% increase), as compared to the end of the previous fiscal year, to ¥27,924 million.

Total current assets increased by ¥966 million (7.1% increase), as compared to the end of the previous fiscal year, to ¥14,635 million. This was primarily due to increases of ¥619 million in cash and deposits, ¥350 million in notes and accounts receivable-trade, and contract assets, and ¥11 million in other current assets.

Total non-current assets increased by ¥15 million (0.1% increase), as compared to the end of the previous fiscal year, to ¥13,288 million. This was primarily due to increases of ¥343 million in other property, plant and equipment and ¥23 million in investments and other assets, despite decreases of ¥81 million in buildings and structures (net) and ¥260 million in tank containers (net).

Total current liabilities increased by ¥381 million (10.4% increase), as compared to the end of the previous fiscal year, to ¥4,064 million. This was primarily due to increases of ¥65 million in accounts payable-trade, ¥91 million in lease obligations, ¥201 million in income taxes payable, and ¥38 million in other current liabilities, despite a decrease of ¥21 million in current portion of long-term loans payable.

Total non-current liabilities decreased by ¥502 million (10.1% decrease), as compared to the end of the previous fiscal year, to ¥4,476 million. This was primarily due to decreases of ¥195 million in long-term loans payable and ¥317 million in lease obligations, despite an increase of ¥15 million in retirement benefit liability.

Total net assets increased by ¥1,102 million (6.0% increase), as compared to the end of the previous fiscal year, to ¥19,383 million. This was primarily due to increases of ¥687 million in retained earnings and ¥414 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 interim consolidated accounting period under review decreased by ¥407 million, as compared to the end of the previous fiscal year, to ¥7,199 million. The status of cash flows for the interim consolidated accounting period under review 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 ¥1,759 million (compared to a cash inflow of ¥2,481 million for the same period of the previous fiscal year). This was primarily due to cash inflows from profit before income taxes of ¥1,506 million and depreciation and amortization of ¥731 million, in contrast to cash outflows for an increase of ¥203 million in trade receivables and ¥307 million in income taxes paid.

(b) Net cash used in investing activities

Funds used in investing activities resulted in a cash outflow of ¥1,453 million (compared to a cash outflow of ¥1,751 million for the same period of the previous fiscal year). This was primarily due to cash outflows of ¥887 million from a net increase in time deposits and ¥565 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 ¥920 million (compared to a cash outflow of ¥614 million for the same period of the previous fiscal year). This was mainly because of cash outflows for repayment of long-term loans of ¥216 million, repayment of lease obligations of ¥361 million, and payment of dividends to shareholders of ¥346 million.

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

There is no change from the consolidated results projections announced on February 13, 2024.

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