The six months ended June 30, 2019

(1) Explanation of Results of Operations

Consolidated Income Statement for the six months ended June 30, 2019 (millions of yen)

	2Q of FY2018 (A)	2Q of FY2019 (B)	Increase/(decrease)	
			Amount(C) (B)-(A)	Percentage (C)/(A)
Sales	5,931	6,341	410	+6.9%
Operating income	887	1,013	126	+14.3%
Ordinary income	878	997	118	+13.5%
Profit attributable to owners of the parent	615	699	84	+13.7%
No. of Tank containers (as of June 30)	7,523	7,903	380	+5.1%
Utilization rate (over 6 months)	78.7%	75.6%	(3.1%)	

During the six months ended June 30, 2019, while major exports, such as machineries including machine tools and semiconductor production equipment, transport equipment including cars, and electronic parts, continued to slump, the Japanese economy maintained a modest expansion trend on the back of consumption expansion due to moderate wage increases resulting from labor demand and supply tightening and strong domestic demand backed up by corporate labor-saving investments. Looking at the global economy, it is generally viewed that the U.S. economy will continue to grow steadily, but there is also another view that the manufacturing sector is weakening due to slowdown in corporate investment. Furthermore, while the European economy remains solid, supported by strong employment, there are concerns that external factors, such as U.S.-China trade friction and rising tensions in the Middle East, may put downward pressure on the economy. In China, the growth rate of gross domestic product (GDP) in June was lower than the previous corresponding period, recording the lowest since 1992. Slow down in both industrial production and real estate investment, coupled with decrease of exports and imports, indicates strong signs of stagnation.

Amid this business environment, the Group is producing steady results by focusing on winning imports for manufacturers that have shifted to manufacturing high-value-added chemicals in Japan by procuring chemicals from overseas that have been produced in Japan until now. Furthermore, in the high-pressure gas business, which started the year before last, the fluorocarbon recycling, recovery, and destruction business lines are steadily expanding, and business areas accompanying the business and new customers are firmly increasing. As a result, net sales for the six months ended June 30, 2019 reached a record high of 6,341 million, a 410 million (6.9%) increase from the previous corresponding period.

In addition, in terms of profits, although depreciation expenses and personnel expenses associated with capital investments, such as enhancing branch facilities and increasing the number of tank containers, are rising as the Group

made capital investments in anticipation of further business expansion and secured human resources, operating income recorded 1,013 million, a 126 million (14.3%) increase from the previous corresponding period. Ordinary income also recorded 997 million, a 118 million (13.5%) increase from the previous corresponding period. As a result, gross profit margin rose by 0.8% to 27.4%, operating profit to net sales rose by 1.0% to 16.0%, and ordinary profit to net sales rose by 0.9% to 15.7% for the six months ended June 30, 2019, compared to the previous corresponding period.

(2) Explanation of Financial Position

1) Status of Assets, Liabilities and Shareholders' Equity

Consolidated Balance Sheet as of June 30, 2019 (millions of yen)

ASSET	FY2018 (A)	2Q of FY2019 (B)	Increase/(decrease)	
			Amount (C) (B)-(A)	Percentage (C)/(A)
Total current assets	5,711	6,129	418	+7.3%
Total non-current assets	12,023	11,971	(51)	(0.4%)
Total	17,734	18,101	366	+2.1%

LIABILITIES AND SHAREHOLDERS' EQUITY	FY2018 (A)	2Q of FY2019 (B)	Increase/(decrease)	
			Amount (C) (B)-(A)	Percentage (C)/(A)
Total current liabilities	2,986	3,095	109	+3.7%
Total non-current liabilities	4,857	4,676	(181)	(3.7%)
Total liabilities	7,843	7,771	(72)	(0.9%)
Shareholders' equity	9,886	10,377	491	+5.0%
Total accumulated other comprehensive income	5	(47)	(52)	(1,029.9%)
Total shareholders' equity	9,891	10,330	438	+4.4%
Total	17,734	18,101	366	+2.1%

(a) Assets

Total assets at the end of the second quarter ended June 30, 2019 increased by 366 million (2.1% increase) when compared to the end of the previous fiscal year, to 18,101 million.

Total current assets increased by 418 million (7.3% increase) as compared to the end of the previous fiscal year, to 6,129 million. This was primarily due to increases of 548 million in cash and deposits and 18 million in accounts receivable-trade, despite a decrease of 148 million in other current assets.

Total non-current assets decreased by 51 million (0.4% decrease) as compared to the end of the previous fiscal year, to 11,971 million. This was primarily due to decreases of 72 million in buildings and structures (net) and 7 million in other property, plant and equipment (net), despite an increase of 32 million in tank container (net).

(b) Liabilities

Total current liabilities increased by 109 million (3.7% increase), as compared to the end of the previous fiscal year, to 3,095 million. This was primarily due to increases of 19 million in accounts payable-trade, 98 million in short-term loans payable, 23 million in lease obligations, and 121 million in other current liabilities, despite decreases of 113 million in current portion of long-term loans payable and 27 million in income taxes payable.

Total non-current liabilities decreased by 181 million (3.7% decrease), as compared to the end of the previous fiscal year, to 4,676 million. This was primarily due to a decrease of 441 million in long-term loans payable, despite increases of 232 million in lease obligations and 17 million in other non-current liabilities.

(c) Shareholder's equity

Total shareholders' equity increased by 438 million (4.4% increase), as compared to the end of the previous fiscal year, to 10,330 million. This was primarily due to an increase of 491 million in retained earnings, despite a decrease of 52 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, 2019 increased by 421 million, as compared to the end of previous fiscal year, to 3,887 million. The status of cash flows for the six months ended June 30, 2019 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 1,500 million (compared to a cash inflow of 1,011 million in the same period of the previous fiscal year). This was primarily due to cash inflow from profit before income taxes of 995 million, as well as depreciation and amortization of 540 million, in contrast to cash outflow for income taxes paid of 312 million.

(b) Net cash used in investing activities

Funds used in investing activities resulted in a cash outflow of 174 million (compared to a cash outflow of 449 million in the same period of the previous fiscal year). This was primarily due to cash outflows of 138 million in net increase in time deposits and 36 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 874 million (compared to a cash inflow of 842 million in the same period of the previous fiscal year). This was mainly because of cash outflows for repayment of long-term loans of 554 million, repayment of lease obligations of 211 million and payment of dividends to shareholders of 206 million, despite a cash inflow for a net increase of short-term loans of 98 million.

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

The consolidated results projections remain unchanged from the figures announced on February 13, 2019.

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