The nine months ended September 30, 2019

(1)Explanation of Results of Operations

Consolidated Income Statement for the nine months ended September 30, 2019 (millions of yen)

	3Q of FY2018 (A)	3Q of FY2019 (B)	Increase/(decrease)	
			Amount(C) (B)-(A)	Percentage (C)/(A)
Revenue	9,014	9,515	500	+5.6%
Operating income	1,411	1,522	111	+7.9%
Ordinary income	1,406	1,510	104	+7.4%
Profit attributable to owners of the parent	977	1,059	81	+8.3%
No. of Tank containers (as of September 30)	7,537	8,042	505	+6.7%
Utilization rate (over 9 months)	78.4%	75.1%	(3.3%)	

During the nine months ended September 30, 2019, the Japanese economy continued to struggle as a decline in exports owing to the weaker overseas economy, coupled with the global drop in IT demand, dragged down industrial production. Consumer spending remained flat since the improvement in the employment and income situations has not led to an increase in real income.

Looking at the global economy, uncertainty has increased owing to issues including the prolonged U.S.–China trade friction and the withdrawal of the UK from the EU (Brexit), suppressing global economic growth.

Against the backdrop of this global environment, the Group has been concentrating on developing an operational structure that will allow us to flexibly respond to fluctuations in export and import trade so as to minimize their impacts on our business. We thereby successfully focused on winning export contracts to match the increase in the number of tank containers arriving in Japan as import trade increased from the latter half of 2018, rendering strong operational results. Furthermore, in the fluorocarbon business, which started the year before last, the fluorocarbon recycling, recovery, and destruction business lines are steadily expanding, with sales in the nine months of ¥301 million (previous corresponding period: ¥159 million,) and business areas accompanying the business and new customers are firmly increasing. As a result, net sales for the nine months ended September 30, 2019 reached a record high of ¥9,515 million, a ¥500 million (5.6%) increase from the previous corresponding period.

On the expenses side, depreciation expenses and personnel expenses associated with capital investments, such as enhancing branch facilities and increasing the number of tank containers, continued to rise, as the Group made capital investments in anticipation of further business expansion and secured human resources. Particularly, despite a one-time expense incurred in the third quarter for the change of the mainframe system, strong new business helped lift operating

income up to ¥1,522 million, a ¥111 million (7.9%) increase from the previous corresponding period. Ordinary income also recorded ¥1,510 million, a ¥104 million (7.4%) increase from the previous corresponding period. As a result, gross profit margin rose from 27.5% to 27.7%, operating profit to net sales rose from 15.7% to 16.0%, and ordinary profit to net sales rose from 15.6% to 15.9% for the nine months ended September 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 September 30, 2019 (millions of yen)

ASSET	FY2018 (A)	3Q of FY2019 (B)	Increase/(decrease)	
			Amount (C) (B)-(A)	Percentage (C)/(A)
Total current assets	5,711	5,970	259	+4.5%
Total non-current assets	12,023	12,148	124	+1.0%
Total	17,734	18,119	384	+2.2%

LIABILITIES AND SHAREHOLDERS' EQUITY	FY2018 (A)	3Q of FY2019 (B)	Increase/(decrease)	
			Amount (C) (B)-(A)	Percentage (C)/(A)
Total current liabilities	2,986	2,951	(34)	(1.2%)
Total non-current liabilities	4,857	4,703	(153)	(3.2%)
Total liabilities	7,843	7,655	(188)	(2.4%)
Shareholders' equity	9,886	10,529	643	+6.5%
Total accumulated other comprehensive income	5	(65)	(70)	(1,378.4%)
Total shareholders' equity	9,891	10,463	572	+5.8%
Total	17,734	18,119	384	+2.2%

(a) Assets

Total assets at the end of the third quarter ended September 30, 2019 increased by ¥384 million (2.2% increase) when compared to the end of the previous fiscal year, to ¥18,119 million.

Total current assets increased by ¥259 million (4.5% increase) as compared to the end of the previous fiscal year, to

¥5,970 million. This was primarily due to an increase of ¥551 million in cash and deposits, despite decreases of ¥43 million in accounts receivable-trade and ¥248 million in other current assets.
Total non-current assets increased by ¥124 million (1.0% increase) as compared to the end of the previous fiscal year, to ¥12,148 million. This was primarily due to increases of ¥172 million in tank containers (net) and ¥54 million in other property, plant and equipment (net), despite a decrease of ¥106 million in buildings and structures (net).

(b) Liabilities
Total current liabilities decreased by ¥34 million (1.2% decrease), as compared to the end of the previous fiscal year, to ¥2,951 million. This was primarily due to decreases of ¥133 million in current portion of long-term loans payable and ¥165 million in income taxes payable, despite increases of ¥60 million in accounts payable-trade, ¥105 million in short-term loans payable, ¥33 million in lease obligations, ¥45 million in provision for bonuses and ¥27 million in other current liabilities.
Total non-current liabilities decreased by ¥153 million (3.2% decrease), as compared to the end of the previous fiscal year, to ¥4,703 million. This was primarily due to a decrease of ¥662 million in long-term loans payable, despite increases of ¥471 million in lease obligations and ¥25 million in other non-current liabilities.

(c) Shareholder's equity
Total shareholders' equity increased by ¥572 million (5.8% increase), as compared to the end of the previous fiscal year, to ¥10,463 million. This was primarily due to an increase of ¥643 million in retained earnings, despite a decrease of ¥70 million in foreign currency translation adjustment.

(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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