Consolidated Financial Results for the Fiscal Year Ended June 30, 2019 [Japanese GAAP]

August 9, 2019

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Stock exchange listing: Tokyo Stock Exchange
Code number: 5698
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Scheduled date of Annual General Meeting of Shareholders: September 26, 2019
Scheduled date of filing annual securities report: September 26, 2019
Scheduled date of commencing dividend payments: September 27, 2019
Availability of supplementary briefing material on financial results: Available
Schedule of financial results briefing session: Scheduled (for securities analysts and institutional investors)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended June 30, 2019 (July 1, 2018 to June 30, 2019)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2019	36,336	(3.0)	839	(16.2)	1,141	(13.5)	787	(6.4)
June 30, 2018	37,456	28.6	1,002	25.8	1,319	31.9	840	9.3

(Note) Comprehensive income: Fiscal year ended June 30, 2019: ¥761 million [(7.9) %]
Fiscal year ended June 30, 2018: ¥826 million [1.3 %]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets	Operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
June 30, 2019	52.96	50.57	7.1	5.5	2.3
June 30, 2018	64.64	61.28	8.6	6.7	2.7

(Reference) Share of loss (profit) of entities accounted for using equity method:
Fiscal year ended June 30, 2019: ¥246 million
Fiscal year ended June 30, 2018: ¥287 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2019	19,759	11,562	56.7	764.82
As of June 30, 2018	21,661	11,268	50.3	728.71

(Reference) Equity: As of June 30, 2019: ¥11,195 million
As of June 30, 2018: ¥10,889 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
June 30, 2019	(87)	(601)	(1,440)	2,714
June 30, 2018	843	(618)	2,550	4,856

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
June 30, 2018	-	0.00	-	17.00	17.00	254	26.3	2.4
June 30, 2019	-	0.00	-	16.00	16.00	234	30.2	2.1
Fiscal year ending June 30, 2020 (Forecast)	-	0.00	-	17.00	17.00		27.9	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2020 (July 1, 2019 to June 30, 2020)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	36,571	0.6	981	16.9	1,251	9.6	892	13.4	60.98

*** Notes:**

(1) Changes in significant subsidiaries during the fiscal year ended June 30, 2019 (changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
1) Changes in accounting policies due to the revision of accounting standards: No
2) Changes in accounting policies other than 1) above: No
3) Changes in accounting estimates: No
4) Retrospective restatement: No

(3) Total number of issued shares (common shares)
1) Total number of issued shares at the end of the period (including treasury shares):
June 30, 2019: 15,051,227 shares
June 30, 2018: 14,943,080 shares

2) Total number of treasury shares at the end of the period:
June 30, 2019: 413,159 shares
June 30, 2018: 170 shares

3) Average number of shares during the period:
Fiscal year ended June 30, 2019: 14,863,826 shares
Fiscal year ended June 30, 2018: 13,002,737 shares

* These consolidated financial results are outside the scope of audit by certified public accountants or audit firms

* Explanation of the proper use of financial results forecast and other notes

The financial results forecast and other forward-looking statements in this material are based on information currently available to the Company and certain assumptions deemed to be reasonable, and actual results may differ significantly due to various factors. Please see the “Analysis of Business Results” on page 2 of the attached document of this material for the conditions for financial and other results, as well as important matters to be aware of when using the financial results forecast.

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1. Overview of Business Results, etc.

(1) Overview of Business Results for the Period under Review

During the fiscal year ended June 30, 2019, the global economy gradually recovered as a whole, mainly in the U.S., despite some weaknesses being seen against a backdrop of uncertain economic conditions, such as trade friction between the U.S. and China, as well as Brexit in Europe.

The Japanese economy has been on a moderate trend toward recovery, as corporate earnings have remained high, and the employment and income environments have continued to improve. However, a sense of uncertainty continues to remain amid signs of weakness in exports and production, as manifested by a deterioration of the export environment, triggered by the economic slowdown in China.

In the Group's business areas, the average steel scrap market price (Tokyo Steel Tokkyu Grade (Japanese H2 Grade) Seaborne Price) was ¥31,973, which was roughly the same as the average price of ¥32,011 in the same period of the previous fiscal year. Nevertheless, the steel scrap market price experienced sharp fluctuations between the lowest value of ¥26,000 and the highest value of ¥38,500 during the period due to a sharp drop in steel product prices in China, a rise in the price of iron ore due to a dam accident at a Brazilian iron ore mine operated by Vale S.A., and a downturn in the global steel market as a result of trade friction between the U.S. and China. The nonferrous market also remained bearish due to uncertainty in the global economy.

Amid this environment, during the fiscal year ended June 30, 2019, the Group formulated a five-year long-term strategy entitled the “Sustainability Strategy,” under which it promoted its businesses based on priority policies to “dramatically raise social credibility,” “dramatically raise management resource efficiency,” and “dramatically raise productivity.”

As a result, for the fiscal year ended June 30, 2019, net sales were ¥36,336 million (down 3.0% year on year), operating profit was ¥839 million (down 16.2% year on year), ordinary profit was ¥1,141 million (down 13.5% year on year), and profit attributable to owners of parent was ¥787 million (down 6.4% year on year).

Results by segment are as follows, with net sales shown as inter-segment sales or sales including transfers. In the past, the Group has reported a single segment, the Resource Recycling Business, with no explanation provided regarding business results by segment. However, from the fiscal year ended June 30, 2019, the Group provided explanations on business results for the following segments: Resource Circulation Business, Global Resource Circulation Business, Used-cars-related Business, and Others.

Summary of Business Results by Segment

<Net sales> (Million yen)

	The 9th term (Fiscal year ended June 30, 2018)	The 10th term (Fiscal year ended June 30, 2019)	Increase/decrease ratio
Consolidated	37,456	36,336	(3.0)%
Resource Circulation Business	12,898	12,712	(1.4)%
Global Resource Circulation Business	22,817	21,870	(4.2)%
Used-cars-related Business	6,552	6,195	(5.4)%
Others	502	382	(23.8)%
Eliminations	(5,313)	(4,824)	-

<Ordinary profit> (Million yen)

	The 9th term (Fiscal year ended June 30, 2018)	The 10th term (Fiscal year ended June 30, 2019)	Increase/decrease ratio
Consolidated	1,319	1,141	(13.5)%
Resource Circulation Business	997	833	(16.4)%
Global Resource Circulation Business	247	448	81.6 %
Used-cars-related Business	178	18	(89.4)%
Others	17	38	121.7%
Eliminations/adjustments	(120)	(197)	-

1) Resource Circulation Business

Although collection and production at resource recycling facilities fared well, influenced by the return of waste to Japan under the import regulations in China and other countries, an increase in the amount of plastic scrap resulted in hikes in processing fees at final landfill sites and incineration facilities. In response to this, despite progress made in correcting fees for acceptable waste disposal, pressure was placed on revenues. In addition, an increase in costs caused a decline in revenue due to the expected postponement of selection of recycling equipment for our new lithium-ion rechargeable batteries business to the next fiscal year, as well as active human resource investment for the future. At the same time, the Company also promoted the RE100 initiatives, including use of 100% renewable energy for the Toyo Rubber Chip headquarters factory.

As a result, net sales in the Resource Circulation Business segment were ¥12,712 million (down 1.4% year on year), while segment profit was ¥833 million (down 16.4% year on year).

2) Global Resource Circulation Business

During the first half of the fiscal year ended June 30, 2019, the Global Resource Circulation Business segment was sluggish due to the impact of a deteriorating market environment caused by the metal scrap market, due to a high price in the domestic market and a low price in the overseas market. However, the second half saw stable performance, due mainly to an improvement in the disparity between domestic and foreign prices. In addition, the segment contributed to revenue by increasing profits made from buying and selling the Boeing 747-400s, the retired dedicated aircrafts of Japanese government, as well as by becoming profitable for the full year with respect to the international distribution and sales of woody biomass fuel as our new business.

As a result, net sales in the Global Resource Circulation Business segment were ¥21,870 million (down 4.2% year on year), while segment profit was ¥448 million (up 81.6% year on year).

3) Used-cars-related Business

Local sales prices declined due to a lower demand for used cars and price competition in major export destination countries, and the margin and volume of used vehicle sales declined. Logistics agency services also remained sluggish due to declining margins caused by price competition. The Company will continue to expand suppliers and customers, and improve the added value of our services.

As a result, net sales in the Used-cars-related Business segment were ¥6,195 million (down 5.4% year on year), while segment profit was ¥18 million (down 89.4% year on year).

4) Others

The Environment Management Consulting Business contributed to revenue through a continuous increase in orders for CDP responses, evaluation improvement support and other services.

The Welfare Service Business for Persons with Disabilities was sluggish due to stagnant growth in the number of users at Kanto area offices. However, this business restored profitability in the fourth quarter, and is making progress toward a full-year surplus from the next fiscal year onward.

In addition, on December 28, 2018, the Company transferred all shares of E3 Co., Ltd., which was a

consolidated subsidiary of the Company, to the Representative Director of E3 Co., Ltd., through the management buyout method. The Company will continue to work to improve its corporate value by effectively utilizing its management resources.

As a result, net sales in Others segment were ¥382 million (down 23.8% year on year), while segment profit was ¥38 million (up 121.7% year on year).

(2) Overview of Financial Position for the Period under Review

The Company applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and other standards from the beginning of the fiscal year under review. The figures after retroactive application of the accounting standards are compared and analyzed with those from the previous fiscal year.

Total assets at the end of the fiscal year under review amounted to ¥19,759 million (down ¥1,901 million, or 8.8% from the end of the previous fiscal year). Current assets amounted to ¥11,152 million (down ¥340 million, or 3.0% from the end of the previous fiscal year). This was primarily due to a decrease of ¥2,112 million in cash and deposits, despite increases of ¥962 million in merchandise and finished goods, ¥403 million in other current assets and ¥238 million in notes and accounts receivable – trade. Non-current assets amounted to ¥8,607 million (down ¥1,561 million, or 15.4% from the end of the previous fiscal year). This was mainly due to a decrease of ¥2,411 million in investments in capital, despite increases of ¥433 million in machinery, equipment and vehicles and ¥169 million in buildings and structures.

Total liabilities at the end of the fiscal year under review amounted to ¥8,197 million (down ¥2,195 million, or 21.1% from the end of the previous fiscal year). Current liabilities amounted to ¥5,172 million (down ¥1,962 million, or 27.5% from the end of the previous fiscal year). This was mainly due to a decrease of ¥2,421 million in short-term loans payable, despite an increase of ¥709 million in other current liabilities. Non-current liabilities amounted to ¥3,025 million (down ¥232 million, or 7.1% from the end of the previous fiscal year). This was mainly due to a decrease of ¥295 million in long-term loans payable.

Total net assets at the end of the fiscal year under review amounted to ¥11,562 million (up ¥293 million, or 2.6% from the end of the previous fiscal year). This was mainly due to an increase in retained earnings of ¥533 million, despite a decrease of ¥273 million as a result of the purchase of treasury shares.

(3) Overview of Cash Flows for the Period under Review

Cash and cash equivalents at the end of the fiscal year under review decreased by ¥2,142 million, or 44.1%, from the end of the previous fiscal year, to ¥2,714 million.

(Cash flows from operating activities)

Net cash used in operating activities amounted to ¥87 million, compared with ¥843 million provided by operating activities in the same period of the previous fiscal year. This net cash outflow mainly reflected cash inflows of ¥1,138 million in profit before income taxes and ¥638 million in depreciation, compared with cash outflows of ¥1,012 million in increase in inventories, ¥492 million in income taxes paid, ¥261 million in increase in notes and accounts receivable - trade, and ¥246 million in share of profit of entities accounted for using equity method.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥601 million, compared with ¥618 million used in investing activities in the same period of the previous fiscal year. This net cash outflow mainly reflected cash inflows of ¥1,520 million in collection of investments in capital, compared with cash outflows of ¥1,220 million in purchase of property, plant and equipment and ¥942 million in payments for investments in capital.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥1,440 million, compared with ¥2,550 million provided

by financing activities in the same period of the previous fiscal year. This net cash outflow mainly reflected ¥588 million in net decrease in short-term loans payable, ¥571 million in repayments of long-term loans payable, and ¥273 million from purchase of treasury shares.

(4) Future Outlook

The future outlook of the Japanese economy is expected to remain uncertain due to a planned increase in the consumption tax rate in Japan to 10% in October 2019, as well as trade issues between the U.S. and China.

Under these circumstances, the Group has formulated a five-year long-term strategy, entitled the "Sustainability Strategy," under which it will promote its businesses based on priority policies to "dramatically raise social credibility," "dramatically raise management resource efficiency," and "dramatically raise productivity."

The business forecasts for the next fiscal year are based on the assumption of steel scrap price of ¥25,000 and an average yen exchange rate of ¥105 to the U.S. dollar, with net sales of ¥36,571 million (up 0.6% year on year), operating profit of ¥981 million (up 16.9% year on year), ordinary profit of ¥1,251 million (up 9.6% year on year), and profit attributable to owners of parent of ¥892 million (up 13.4% year on year).

(5) Significant Events regarding Going Concern Assumption

There is no relevant information.

2. Basic Stance Concerning Choice of Accounting Standards

The Group has adopted Japanese GAAP in consideration of the comparability of its consolidated financial statements with domestic industry peers.

Please note that application of IFRS (International Financial Reporting Standards) will be considered, based on various circumstances in Japan and overseas.

3. Consolidated Financial Statements and Primary Notes
(1) Consolidated Balance Sheets

(Thousand yen)

	As of June 30, 2018	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	4,968,011	2,855,593
Notes and accounts receivable - trade	2,555,292	2,793,397
Merchandise and finished goods	2,993,240	3,955,709
Work in process	34,236	14,598
Raw materials and supplies	349,859	383,977
Other	786,044	1,190,013
Allowance for doubtful accounts	(194,000)	(40,843)
Total current assets	11,492,684	11,152,446
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,925,562	4,202,152
Accumulated depreciation	(2,404,787)	(2,512,248)
Buildings and structures, net	1,520,774	1,689,904
Machinery, equipment and vehicles	8,737,138	9,383,078
Accumulated depreciation	(7,770,353)	(7,982,329)
Machinery, equipment and vehicles, net	966,785	1,400,749
Land	2,421,309	2,507,555
Construction in progress	436,295	467,400
Other	476,417	432,968
Accumulated depreciation	(378,732)	(367,603)
Other, net	97,685	65,365
Total property, plant and equipment	5,442,850	6,130,974
Intangible assets		
Goodwill	35,516	22,601
Other	60,288	67,282
Total intangible assets	95,805	89,884
Investments and other assets		
Investment securities	1,962,763	2,122,992
Investments in capital	2,420,340	9,280
Deferred tax assets	128,608	159,164
Other	136,943	335,820
Allowance for doubtful accounts	(18,322)	(240,661)
Total investments and other assets	4,630,332	2,386,595
Total non-current assets	10,168,988	8,607,454
Total assets	21,661,673	19,759,900

(Thousand yen)

	As of June 30, 2018	As of June 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,154,922	950,053
Short-term loans payable	4,301,000	1,880,000
Current portion of long-term loans payable	412,511	439,561
Lease obligations	56,743	51,346
Income taxes payable	298,850	225,458
Provision for bonuses	54,962	60,356
Other	856,040	1,565,323
Total current liabilities	7,135,031	5,172,098
Non-current liabilities		
Long-term loans payable	2,418,122	2,122,796
Lease obligations	95,985	137,711
Deferred tax liabilities	45,943	24,443
Deferred tax liabilities for land revaluation	64,282	64,282
Retirement benefit liability	268,862	309,763
Asset retirement obligations	166,074	167,073
Other	199,117	199,664
Total non-current liabilities	3,258,387	3,025,733
Total liabilities	10,393,419	8,197,832
Net assets		
Shareholders' equity		
Capital stock	1,493,246	1,524,830
Capital surplus	1,941,788	1,973,372
Retained earnings	7,408,158	7,941,272
Treasury shares	(59)	(273,350)
Total shareholders' equity	10,843,133	11,166,124
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	47,612	37,235
Revaluation reserve for land	8,633	8,633
Foreign currency translation adjustment	(10,347)	(16,547)
Total accumulated other comprehensive income	45,898	29,322
Share acquisition rights	331,425	328,125
Non-controlling interests	47,796	38,496
Total net assets	11,268,254	11,562,068
Total liabilities and net assets	21,661,673	19,759,900

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended June 30, 2018	For the fiscal year ended June 30, 2019
Net sales	37,456,350	36,336,453
Cost of sales	30,914,760	29,881,663
Gross profit	6,541,590	6,454,789
Selling, general and administrative expenses	5,539,384	5,615,041
Operating profit	1,002,205	839,748
Non-operating income		
Interest income	21,667	4,386
Dividend income	5,534	9,261
Foreign exchange gains	–	16,803
Share of profit of entities accounted for using equity method	287,357	246,951
Rent income	36,520	31,966
Fiduciary obligation fee	20,964	9,538
Other	27,417	34,691
Total non-operating income	399,460	353,598
Non-operating expenses		
Interest expenses	34,734	29,783
Share issuance cost	14,727	–
Theft loss	–	8,446
Foreign exchange losses	20,061	–
Commission expenses	6,888	5,345
Depreciation	4,015	4,933
Other	1,301	2,929
Total non-operating expenses	81,729	51,438
Ordinary profit	1,319,936	1,141,907
Extraordinary income		
Gain on sales of non-current assets	13,044	22,306
Insurance income	21,465	35,702
Compensation income	14,830	24,376
Other	–	5,034
Total extraordinary income	49,339	87,419
Extraordinary losses		
Loss on retirement of non-current assets	5,243	11,207
Provision of allowance for doubtful accounts	133,388	58,703
Loss on disaster	2,629	20,887
Other	6,256	–
Total extraordinary losses	147,517	90,798
Profit before income taxes	1,221,759	1,138,528
Income taxes - current	423,136	412,459
Income taxes - deferred	(42,623)	(51,774)
Total income taxes	380,513	360,684
Profit	841,245	777,844
Profit attributable to non-controlling interests	690	(9,299)
Profit attributable to owners of parent	840,555	787,143

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended June 30, 2018	For the fiscal year ended June 30, 2019
Profit	841,245	777,844
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,279)	(10,376)
Foreign currency translation adjustment	(8,993)	(6,199)
Total other comprehensive income	(14,272)	(16,576)
Comprehensive income	826,973	761,267
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	826,283	770,566
Comprehensive income attributable to non-controlling interests	690	(9,299)

(3) Consolidated Statements of Changes in Net Assets
For the fiscal year ended June 30, 2018

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	704,994	1,153,536	6,761,656	(59)	8,620,129
Changes of items during period					
Issuance of new shares	786,700	786,700			1,573,400
Issuance of new shares - exercise of share acquisition rights	1,551	1,551			3,102
Dividends of surplus			(194,053)		(194,053)
Profit attributable to owners of parent			840,555		840,555
Net changes of items other than shareholders' equity					
Total changes of items during period	788,251	788,251	646,501	–	2,223,004
Balance at end of current period	1,493,246	1,941,788	7,408,158	(59)	10,843,133

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	52,891	8,633	(1,354)	60,170	296,907	7,905	8,985,113
Changes of items during period							
Issuance of new shares							1,573,400
Issuance of new shares - exercise of share acquisition rights							3,102
Dividends of surplus							(194,053)
Profit attributable to owners of parent							840,555
Net changes of items other than shareholders' equity	(5,279)	–	(8,993)	(14,272)	34,518	39,890	60,136
Total changes of items during period	(5,279)	–	(8,993)	(14,272)	34,518	39,890	2,283,141
Balance at end of current period	47,612	8,633	(10,347)	45,898	331,425	47,796	11,268,254

For the fiscal year ended June 30, 2019

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,493,246	1,941,788	7,408,158	(59)	10,843,133
Changes of items during period					
Issuance of new shares	10,564	10,564			21,128
Issuance of new shares - exercise of share acquisition rights	21,019	21,019			42,039
Dividends of surplus			(254,029)		(254,029)
Profit attributable to owners of parent			787,143		787,143
Purchase of treasury shares				(273,291)	(273,291)
Net changes of items other than shareholders' equity					
Total changes of items during period	31,584	31,584	533,113	(273,291)	322,990
Balance at end of current period	1,524,830	1,973,372	7,941,272	(273,350)	11,166,124

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	47,612	8,633	(10,347)	45,898	331,425	47,796	11,268,254
Changes of items during period							
Issuance of new shares							21,128
Issuance of new shares - exercise of share acquisition rights							42,039
Dividends of surplus							(254,029)
Profit attributable to owners of parent							787,143
Purchase of treasury shares							(273,291)
Net changes of items other than shareholders' equity	(10,376)	–	(6,199)	(16,576)	(3,300)	(9,299)	(29,176)
Total changes of items during period	(10,376)	–	(6,199)	(16,576)	(3,300)	(9,299)	293,814
Balance at end of current period	37,235	8,633	(16,547)	29,322	328,125	38,496	11,562,068

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended June 30, 2018	For the fiscal year ended June 30, 2019
Cash flows from operating activities		
Profit before income taxes	1,221,759	1,138,528
Depreciation	604,939	638,474
Amortization of goodwill	51,249	12,915
Increase (decrease) in allowance for doubtful accounts	128,692	68,630
Increase (decrease) in retirement benefit liability	28,413	41,672
Interest and dividend income	(27,201)	(13,647)
Share issuance cost	14,727	–
Interest expenses	34,734	29,783
Foreign exchange losses (gains)	(14,267)	12,635
Share of loss (profit) of entities accounted for using equity method	(287,357)	(246,951)
Loss on retirement of non-current assets	5,243	11,207
Gain on sales of noncurrent assets	(13,044)	(22,306)
Decrease (increase) in notes and accounts receivable - trade	(559,727)	(261,196)
Decrease (increase) in inventories	(83,681)	(1,012,763)
Increase (decrease) in notes and accounts payable - trade	199,359	(207,407)
Increase (decrease) in provision for bonuses	2,588	6,015
Compensation income	(14,830)	(24,376)
Insurance income	(21,465)	(35,702)
Loss of disaster	2,629	20,887
Other, net	(165,944)	177,688
Subtotal	1,106,817	334,087
Interest and dividend income received	84,297	73,551
Interest expenses paid	(35,557)	(32,331)
Income taxes paid	(349,960)	(492,905)
Proceeds from compensation	26,359	10,366
Proceeds from insurance income	14,146	35,702
Payments for loss on disaster	(2,629)	(16,171)
Net cash provided by (used in) operating activities	843,472	(87,701)
Cash flows from investing activities		
Payments into time deposits	(1,000)	(31,200)
Proceeds from withdrawal of time deposits	–	1,200
Purchase of property, plant and equipment	(1,078,460)	(1,220,524)
Proceeds from sales of property, plant and equipment	17,607	30,312
Purchase of intangible assets	(14,601)	(18,959)
Purchase of investment securities	(211,024)	(2,219)
Proceeds from sales of investment securities	–	39
Payments of loans receivable	(75,702)	–
Collection of loans receivable	237,384	–
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	–	66,265
Payments for investments in capital	(3,727,000)	(942,000)
Collection of investments in capital	4,234,000	1,520,000
Other, net	261	(4,482)
Net cash provided by (used in) investing activities	(618,536)	(601,567)

	For the fiscal year ended June 30, 2018	For the fiscal year ended June 30, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	552,000	(588,000)
Proceeds from long-term loans payable	1,100,000	332,780
Repayments of long-term loans payable	(394,579)	(571,056)
Repayments of finance lease obligations	(111,069)	(88,478)
Proceeds from issuance of common shares	1,558,675	1,741
Proceeds from share issuance to non-controlling shareholders	39,200	–
Purchase of treasury shares	–	(273,291)
Cash dividends paid	(194,053)	(254,029)
Net cash provided by (used in) financing activities	2,550,172	(1,440,334)
Effect of exchange rate change on cash and cash equivalents	15,274	(12,815)
Net increase (decrease) in cash and cash equivalents	2,790,383	(2,142,418)
Cash and cash equivalents at beginning of period	2,066,172	4,856,555
Cash and cash equivalents at end of period	4,856,555	2,714,137

(5) Notes to the Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.

(Changes in the Method of Presentation)

(Changes due to the application of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

The Company applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the beginning of the fiscal year under review. Accordingly, deferred tax assets are presented under investments and other assets, and deferred tax liabilities are presented under non-current liabilities.

As a result, "deferred tax assets" of ¥48,359 thousand presented under "current assets" in the consolidated balance sheets for the previous fiscal year, has been included in "deferred tax assets" of ¥128,608 thousand under "investments and other assets," while "deferred tax liabilities" of ¥15,107 thousand presented under "current liabilities" has been included in "deferred tax liabilities" of ¥45,943 thousand under "non-current liabilities."

(Segment information)

(Segment information)

1. Description of reportable segments

(1) Method of determining segments

Reportable segments of the Group are determined as segments whose separate financial information is accessible from among the constituent units of the Group and are regularly considered by the Board of Directors to determine the allocation of management resources and to evaluate achievements.

In the past, the Group has reported a single segment, the Resource Recycling Business. However, based on a review of segment classification, in line with the development of business and strategies for products and services handled by each business company within the Group, three reportable segments have been defined from the fiscal year under review: Resource Circulation Business, Global Resource Circulation Business and Used-cars-related Business. The segment information for the previous fiscal year is based on the reportable segment classification for the fiscal year under review.

(2) Type of products and services belonging to each reportable segment

The Resource Circulation Business mainly handles metal scrap and industrial waste (including some domestic waste; hereinafter referred to as "waste") that are discharged from factories and demolished properties, etc. The Company collects and transports these waste materials to intermediate processing factories, where it cuts/fuses, manually dismantles, shreds/sorts, compresses/molds the waste, and produces ferrous scrap, non-ferrous metals (copper, aluminum, stainless steel, etc.), plastic, and rubber, which are then sold both domestically and overseas, including at bases for the Global Resource Circulation Business. It also produces and sells recycled plastics, and recycles lithium ion rechargeable batteries, etc.

The Global Resource Circulation Business collects recycled resources produced by the Group, as well as recycled resources purchased from domestic industry peers at our collection bases throughout Japan, which are then sold both domestically and overseas. It also imports products from overseas and engages in trilateral trade of recycled resources, and sells woody biomass fuel.

The Used-cars-related Business has bases in Japan and overseas (UAE, Chile, and Uganda). It purchases used Japanese cars and heavy machinery, as well as used automobile parts, such as engines, that are generated domestically and internationally, and conducts exports abroad as well as trilateral trade. In addition, it also provides logistics services for importers and exporters.

2. Method of measurement for the amounts of net sales, profit (loss), assets and other items for each reportable segment

The accounting method used for reporting business segments is generally the same as stated in "Important Matters That Form the Basis for Preparing Consolidated Financial Statements." Reporting segment profit figures are based on ordinary profit. Inter-segment sales and transfers are mainly based on market prices.

3. Information on net sales, profit (loss), assets and other items by reportable segment

For the fiscal year ended June 30, 2018

(Thousand yen)

	Reportable segment				Others (Note 1)	Adjustment (Note 2)	Amount recorded in consolidated financial statements (Note 3)
	Resource Circulation	Global Resource Circulation	Used-cars-related	Total			
Net sales							
Net sales to outside customers	7,941,925	22,532,609	6,516,211	36,990,747	465,603	–	37,456,350
Inter-segment sales or transfers	4,956,317	284,757	36,041	5,277,116	36,827	(5,313,944)	–
Total	12,898,243	22,817,367	6,552,253	42,267,863	502,431	(5,313,944)	37,456,350
Segment profit	997,438	247,075	178,496	1,423,009	17,349	(120,422)	1,319,936
Segment assets	9,592,262	2,985,557	1,518,223	14,096,043	3,062,592	4,503,036	21,661,673
Other items							
Depreciation	480,284	35,193	38,454	553,932	28,025	22,981	604,939
Amortization of goodwill	51,249	–	–	51,249	–	–	51,249
Interest income	525	–	20,221	20,746	2	917	21,667
Interest expenses	5,649	–	1,472	7,121	20,892	6,720	34,734
Share of profit of entities accounted for using equity method	287,357	–	–	287,357	–	–	287,357
Investment in entities accounted for using equity method	1,595,206	–	–	1,595,206	–	–	1,595,206
Increase in property, plant and equipment and intangible assets	617,331	3,992	34,490	655,815	40,917	12,492	709,224

(Notes) 1. The “Others” business segment, which is not included in the reportable segments, includes the Environment Management Consulting Business, the Welfare Service Business for Persons with Disabilities, and E3 Co., Ltd., which was excluded from consolidation during the fiscal year ended June 30, 2019.

2. Figures are adjusted as follows:

(1) The adjustment for segment profit of negative ¥120,422 thousand is corporate expenses not allocated to each reportable segment. Corporate expenses primarily consist of general and administrative expenses that are not attributed to each reportable segment.

(2) The adjustment for segment assets of ¥4,503,036 thousand mainly includes corporate assets not allocated to each reportable segment.

(3) The adjustment for depreciation of ¥22,981 thousand, interest income of ¥917 thousand, interest expenses of ¥6,720 thousand, as well as the adjustment for increase in property, plant and equipment and intangible assets of ¥12,492 thousand are associated with company assets not allocated to each reportable segment.

3. Segment profit is adjusted with ordinary profit in the consolidated statements of income.

For the fiscal year ended June 30, 2019

(Thousand yen)

	Reportable segment				Others (Note 1)	Adjustment (Note 2)	Amount recorded in consolidated financial statements (Note 3)
	Resource Circulation	Global Resource Circulation	Used-cars-related	Total			
Net sales							
Net sales to outside customers	8,196,965	21,609,069	6,191,881	35,997,917	338,536	–	36,336,453
Inter-segment sales or transfers	4,515,566	261,142	3,366	4,780,076	44,276	(4,824,352)	–
Total	12,712,532	21,870,212	6,195,248	40,777,993	382,813	(4,824,352)	36,336,453
Segment profit	833,589	448,643	18,889	1,301,122	38,462	(197,677)	1,141,907
Segment assets	10,219,373	4,275,856	1,544,689	16,039,919	191,219	3,528,762	19,759,900
Other items							
Depreciation	538,745	29,885	26,609	595,239	16,066	27,168	638,474
Amortization of goodwill	12,915	–	–	12,915	–	–	12,915
Interest income	12	–	3,346	3,358	3	1,023	4,386
Interest expenses	6,306	–	495	6,802	14,192	8,789	29,783
Share of profit of entities accounted for using equity method	246,951	–	–	246,951	–	–	246,951
Investment in entities accounted for using equity method	1,782,228	–	–	1,782,228	–	–	1,782,228
Increase in property, plant and equipment and intangible assets	1,208,561	106,668	16,609	1,331,839	14,448	24,893	1,371,181

(Notes) 1. The "Others" business segment, which is not included in the reportable segments, includes the Environment Management Consulting Business and the Welfare Service Business for Persons with Disabilities.

2. Figures are adjusted as follows:
   (1) The adjustment for segment profit of negative ¥197,677 thousand is corporate expenses not allocated to each reportable segment. Corporate expenses primarily consist of general and administrative expenses that are not attributed to each reportable segment.
   (2) The adjustment for segment assets of ¥3,528,762 thousand mainly includes corporate assets not allocated to each reportable segment.
   (3) The adjustment for depreciation of ¥27,168 thousand, interest income of ¥1,023 thousand, interest expenses of ¥8,789 thousand, as well as the adjustment for increase in property, plant and equipment and intangible assets of ¥24,893 thousand are associated with company assets not allocated to each reportable segment.

3. Segment profit is adjusted with ordinary profit in the consolidated statements of income.

(Per share information)

	For the fiscal year ended June 30, 2018	For the fiscal year ended June 30, 2019
Net assets per share	¥728.71	¥764.82
Basic earnings per share	¥64.64	¥52.96
Diluted earnings per share	¥61.28	¥50.57

(Notes) 1. On January 1, 2018, the Company conducted a two-for-one stock split of its common shares based on a resolution of the Board of Directors' meeting held on November 13, 2017. Net assets per share, basic earnings per share, and diluted earnings per share are calculated assuming that the stock split was conducted at the beginning of the previous fiscal year.

2. The basis for calculating basic earnings per share and diluted earnings per share is as follows.

Item	For the fiscal year ended June 30, 2018	For the fiscal year ended June 30, 2019
Basic earnings per share		
Profit attributable to owners of parent (Thousand yen)	840,555	787,143
Amount not attributable to common shareholders (Thousand yen)	–	–
Profit attributable to owners of parent relating to common shares (Thousand yen)	840,555	787,143
Average number of shares of common shares outstanding during each fiscal year (Shares)	13,002,737	14,863,826
Diluted earnings per share		
Adjustment for profit attributable to owners of parent (Thousand yen)	–	–
Increase in number of shares of common shares (Shares)	714,198	702,883
(Share acquisition rights included in the above (Shares))	(714,198)	(702,883)
Overview of dilutive shares not included in calculation of diluted earnings per share due to lack of dilutive effect	–	–

3. The basis for calculating net assets per share is as follows.

Item	For the fiscal year ended June 30, 2018	For the fiscal year ended June 30, 2019
Total amount of net assets (Thousand yen)	11,268,254	11,562,068
Amount deducted from total amount of net assets (Thousand yen)	379,221	366,622
(Share acquisition rights included in the above (Shares))	(331,425)	(328,125)
(Non-controlling interests included in the above (Shares))	(47,796)	(38,496)
Net assets at end of the period relating to common shares (Thousand yen)	10,889,032	11,195,446
Number of common shares at end of the period used to calculate net assets per share (Shares)	14,942,910	14,638,068

(Significant subsequent events)

There is no relevant information.