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TAN CHONG INTERNATIONAL LIMITED

陳唱國際有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 693)

OVERSEAS REGULATORY ANNOUNCEMENT

(This overseas regulatory announcement is issued pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.)

The announcement of unaudited financial results of Zero Co., Ltd. for the three-month period ended 30 September 2022 is originally prepared in Japanese (“Original Announcement”). The attached announcement on the next page is a translation of the Original Announcement solely for the purpose of providing information.

By the order of the Board
Tan Chong International Limited
Teo Siok Ghee
Liew Daphnie Pingyen
Joint Company Secretaries

Hong Kong, 10 November 2022

Website: <http://www.tanchong.com>

As at the date of this announcement, the executive Directors are Mr. Tan Eng Soon, Mr. Glenn Tan Chun Hong, Mr. Tan Kheng Leong and Mdm. Sng Chiew Huat and. The non-executive Director is Mr. Joseph Ong Yong Loke. The independent non-executive Directors are Mr. Ng Kim Tuck, Mr. Azman Bin Badrillah, Mr. Prechaya Ebrahim, Mr. Teo Ek Kee and Mr. Charles Tseng Chia Chun.

Summary of Consolidated Financial Results for the First Quarter Ending of the Fiscal Year June 30, 2023 [Based on IFRS]

November 10, 2022

Company name: ZERO CO., LTD.
 Stock code: 9028 URL: <http://www.zero-group.co.jp/>
 Representative: President & CEO
 Inquiries: Director and Manager of Group Strategies Headquarters
 Scheduled Date of Submission of Quarterly Report: November 11, 2022
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: No

Stock Exchange Listing: Tokyo
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(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the first quarter ending of the fiscal year June 30, 2023 (From July 1, 2022 to September 30, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes)

	Sales revenue		Operating income		Profit before tax		Quarterly income		Profit attributable to equity shareholders of the company		Total comprehensive income of the quarter	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1Q FY2022/2023	33,787	56.4	1,214	93.5	1,221	91.6	815	112.1	810	106.2	906	298.8
1Q FY2021/2022	21,596	0.8	627	Δ59.9	637	Δ59.4	384	Δ65.1	392	Δ64.3	227	Δ79.4

	Basic quarterly earnings per share		Diluted quarterly earnings per share	
	Yen		Yen	
1Q FY2022/2023	48.13		48.13	
1Q FY2021/2022	23.38		23.37	

(2) Consolidated financial position

	Total assets	Total capital	Equity attributable to equity shareholders of the company	Equity ratio attributable to equity shareholders of the company
	Millions of yen	Millions of yen	Millions of yen	%
1Q FY2022/2023	55,769	31,146	30,595	54.9
FY2021/2022	54,895	30,614	30,067	54.8

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
FY2021/2022	---	15.00	---	22.70	37.70
FY2022/2023 (forecast)	---	15.00	---	25.20	40.20

(Note) Amendment from the most recently announced dividend forecast: No

3. Forecast of consolidated financial results for the year ending June 30, 2023 (From July 1, 2022 to June 30, 2023)

(Percentages indicate year-on-year changes)

	Sales revenue		Operating income		Profit before tax		Profit attributable to equity shareholders of the company		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	109,000	1.8	4,200	7.3	4,200	6.4	2,700	6.5	160.67

(Note) Revisions from the most recently released business forecast: No

※(Note)

(1) Changes in significant subsidiary companies during the current quarter (Changes in the specific subsidiary companies following changes in the scope of consolidation): No

New — Co. (Company name),

Exclusions — Co. (Company name)

(2) Changes in accounting policies, changes in accounting estimates

① Changes in the accounting policies required by IFRS : No

② Changes in the accounting policies due to other reasons : No

③ Changes in the accounting estimates : No

(3) Number of issued shares (common shares)

① Total number of issued shares at the end of the period (including treasury shares)

1Q FY2022/2023	17,560,242 shares	FY2021/2022	17,560,242 shares	
② Number of treasury shares at the end of the period	1Q FY2022/2023	994,982 shares	FY2021/2022	994,982 shares
③ Average number of shares during the period (total up to this quarter)	1Q FY2022/2023	16,837,260 shares	1Q FY2021/2022	16,804,810 shares

※Earnings summary is not within the scope of the quarterly review by a certified public accountant or auditor

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

The earnings forecast, and other forward-looking statements herein are based on the information currently available to the Company and certain assumptions that the Company considers reasonable. The actual results may differ significantly from these forecasts due to a wide range of factors such as economic status of the major domestic and international markets or exchange rates fluctuation.

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1. Qualitative information on the quarterly financial results

(1) Explanation regarding the operating results

Japan's economy during the consolidated cumulative period of the first quarter has been recovering moderately as the impact of supply constraints on semiconductors has eased and efforts are being made to contain the spread of the COVID-19 Pandemic and balance economic activities.

In the domestic automotive market, the total number of new vehicle sales increased to 101.9% (statistical data of the Japan Automobile Manufacturers Association) as compared to the consolidated cumulative period of the same quarter from the previous year (hereinafter referred to as the same quarter from the previous year), but it's still low at 86.8% compared to the year before last, mainly due to the sluggish domestic production. The number of used vehicle registrations also decreased to 95.0% compared to the same period of the previous year, due to the decline in the number of used vehicles purchased as a result of the rise in the market for used vehicles.

Sales revenue increased in all segments, mainly due to the strong performance of the used vehicle export business to Malaysia and an increase in the number of units for transportation contracts. Operating profit increased due to higher utilization rates resulting from increased sales in all segments, despite the impact of higher unit prices for fuel.

As a result, the business results of our group are as follows: sales revenue of 33,787 million yen (156.4% compared to the same quarter from the previous year) and operating profit of 1,214 million yen (193.5% compared to the same quarter from the previous year). Also, the profit before taxes was 1,221 million yen (191.6% compared to the same quarter from the previous year), and the profit of the quarter attributable to the equity shareholders of the company was 810 million yen (206.2% compared to the same quarter from the previous year).

Number of units related to domestic distribution of automobiles

Units: vehicles

Domestic	July of 2021 to September of 2021	July of 2022 to September of 2022	Compared to the previous year
Number of new vehicles sold			
Domestic manufacturer *1	949,155	975,680	102.8%
(out of this, Nissan Motor) *1	(106,035)	(116,463)	(109.8%)
Foreign manufacturer *2	66,361	58,860	88.7%
Total of new vehicle sales	1,015,516	1,034,540	101.9%
Number of registered used vehicles			
Registered vehicles *3	879,665	841,488	95.7%
Light vehicles *4	686,875	647,247	94.2%
Total number of used vehicles registered	1,566,540	1,488,735	95.0%

Export	July of 2021 to September of 2021	July of 2022 to September of 2022	Compared to the previous year
New vehicles of domestic manufacturers *1	826,996	1,019,817	123.3%
Used vehicles (registered vehicles) *5	332,956	317,301	95.3%

*1 Calculated from Japan Automobile Industry Association Statistics *2 Calculated from Japan Automobile Importers' Association statistics *3 Calculated from Japan Automobile Dealers Association statistics

*4 Calculated from Japan Mini Vehicles Association statistics *5 Trial calculated from the number of export deleted registered vehicles in the Japan Automobile Dealers Association statistics

The segment business results are as follows.

(1) Domestic automotive related businesses

For vehicle transportation, which is the core business, the number of units for transportation contracts for new and used vehicles increased due to Nissan Motor and Mitsubishi Motors' vehicle transportation business, which led to an increase in revenue. In addition, there was an increase in revenue of Zero Plus IKEDA Co., Ltd., which became a consolidated subsidiary, and as a result, there was an overall increase in revenue in the domestic automotive related business.

Segment profit was affected by increases in unit fuel prices and fuel surcharges for marine transportation due to soaring crude oil prices and the rapid depreciation of the yen in terms of cost, but in terms of revenue, the introduction of the fuel surcharge system in September 2022 and the effect of higher utilization rates due to increased revenues outweighed the impact of higher fuel costs, resulting in an increase in segment profit.

As a result, the overall sales in the domestic automotive related businesses was 13,840 million yen (113.0% compared to the same quarter from the previous year), and the segment profit was 1,120 million yen (130.8% compared to the same quarter from the previous year).

In the vehicle transportation business, the Group will continue to implement the "Digitalization", "Greening", and "New normal" policies outlined in our mid-term management plan through June 30, 2024.

In the area of Digitalization, we have set up the Transportation "Digitalization" Promotion Office and are promoting the construction of a system to realize systematic allocation of vehicles. We have also launched and are promoting a new digitalization project in which crew members record the condition of vehicles entrusted to them by customers using tablets.

In the area of "Greening", we have completed the development of transportation equipment with an increased maximum loading capacity to cope with the increased weight of automobiles as they become more electrically powered, and we will sequentially introduce the equipment. In addition, with the rapid adoption of EVs, a new Sales Planning Department will be established to study the establishment of an infrastructure that includes the implementation of ancillary services in EV vehicle transportation.

In response to the "New Normal", as the direction of the Ministry of Health, Labour and Welfare's revision of the Improvement Standards Notice is being finalized, we will reduce indirect time other than operation hours by promoting a system of division of labor in cargo handling while maintaining the operation hours of crew members toward the so-called "Year 2024 Problems", and at the same time, we will promote new hiring of crew members and efficient operation of transportation equipment.

(2) Human resource businesses

In the pickup service business, revenue increased due to the acquisition of new contracts and an increase in MaaS (Mobility as a Service) services for J:COM (JCOM Co., Ltd.). In the human resources business, revenue increased due to an increase in the number of dispatched drivers and menial workers mainly in eastern Japan, and in the airport-related business, revenue increased due to an increase in the number of dispatched personnel along with the recovery in the number of flights to and from Japan. Segment profit increased due to increased revenue in each business segment and cost reduction. As a result, the sales revenue of the overall human resource business was 5,099 million yen (108.9% compared to the same quarter from the previous year), and the segment profit was 216 million yen (159.8% compared to the same quarter from the previous year).

(3) General cargo business

Revenue in the port cargo handling business increased due to increased fuel cargo handling for biomass power plants, and the revenue in the transport / warehousing business increased due to the leasing of new warehouses and the launch of the third party logistics. For segment profit, the transport / warehousing business reported a decrease due to start-up expenses for the newly leased warehouses, but the port cargo handling business reported an increase due to increased fuel cargo handling for biomass power generation, increasing the revenue in the overall general cargo business as well. As a result, the sales revenue of the overall general cargo business was 1,706 million yen (116.7% compared to the same quarter from the previous year), and the segment profit was 264 million yen (138.1% compared to the same quarter from the previous year).

(4) Overseas Related Businesses

In the used vehicle export business, sales increased significantly due to an increase in the number of vehicles exported to Malaysia, a major export destination, as a result of an increase in local demand, partly due to the depreciation of the yen, while previous activities to improve customer satisfaction led to an increase in market share. In the CKD business, revenue decreased due to a decrease in packaging volume during the model changeover. In the vehicle transportation business in China, sales increased due to the recovery of the Chinese automobile market.

Segment profit increased in the used vehicle export business and the vehicle transportation business in China due to increased sales, and decreased in the CKD business due to decreased sales.

As a result of the above, the sales revenue of the overall overseas business was 13,142 million yen (409.5% compared to the same quarter from the previous year), and segment profit was 131 million yen (segment loss of 29 million yen in the same quarter of the previous year).

Furthermore, the company expenses not included in the abovementioned report segment (expenses affiliated with our company's management division), etc. are allocated as an item in the "adjustment amount" as indicated in "2. (Segment information) in the summary of consolidated statements and major notes for the quarter", and totalled 517 million yen.

(2) Explanation regarding financial position and cash flow

(1) Status of assets, liabilities, and equity

(Assets)

Current assets increased by 1,028 million yen (4.2%) compared to the end of the previous consolidated fiscal year to 25,634 million yen.

This was mainly because cash and cash equivalents decreased by 831 million yen, but the operating receivables and other receivables increased by 1,583 million yen and inventories increased by 241 million yen.

Non-current assets decreased by 154 million yen (0.5%) compared to the end of the previous consolidated fiscal year to 30,135 million yen.

This was mainly due to a decrease of tangible fixed assets of 252 million yen resulting from a decrease of assets of right to use, etc.

As a result, total assets increased by 874 million yen (1.6%) compared to the previous consolidated fiscal year to 55,769 million yen.

(Liabilities)

Current liabilities increased by 644 million yen (3.5%) compared to the end of the previous consolidated fiscal year to 19,275 million yen.

This was mainly due to loans increasing by 1,025 million yen, while income taxes payable decreased by 497 million yen.

Non-current liabilities decreased by 302 million yen (5.3%) compared to the end of the previous consolidated fiscal year to 5,347 million yen.

This was mainly due to a decrease of 355 million yen in lease liabilities.

As a result, total liabilities increased by 341 million yen (1.4%) compared to the end of the previous consolidated fiscal year to 24,623 million yen.

(Equity)

Total equity increased by 532 million yen (1.7%) compared to the end of the previous consolidated fiscal year to 31,146 million yen.

This is mainly because retained earnings increased by 409 million yen.

(2) Cash flow status

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the consolidated accounting period of the first quarter decreased by 831 million yen compared to the end of the previous consolidated accounting fiscal year to 4,349 million yen.

Each cash flow status category during the consolidated cumulative period of the first quarter and their causes are as follows.

(Cash flow from operating activities)

Funds obtained as a result of operating activities were 71 million yen (there was an income of 1,411 million yen during the same period of the previous year).

The main cause of the increase in funds were 815 million yen for profit from the quarter and 1,207 million yen for depreciation and amortization expenses which are non-fund expenses; the main cause of the decrease in funds were 1,154 million yen increase in trade receivables and 867 million yen for payment of corporate income.

(Cash flow from investment activities)

Net cash used in investment activities was 732 million yen (there was an income of 143 million yen during the same period of the previous year).

The main itemization breakdown for expenditures was 700 million yen for acquisition of tangible fixed assets and investment property.

(Cash flow from financing activities)

Funds used as a result of financing activities was 169 million yen (expenditures of 1,429 million yen during the same period of the previous year).

The main itemization breakdown for expenditures were 739 million yen lease liabilities payments and 375 million yen for dividends, and the main itemization breakdown for income was 951 million yen for short-term borrowings.

(3) Explanation regarding the future forecast information such as consolidated business forecast

We have not made any amendments to the consolidated earnings forecast announced on August 10, 2022.

2. Summary of the consolidated financial statements and major notes

(1) Summary of quarterly consolidated statement of financial position

(Units: Million yen)

	End of the previous consolidated accounting year (June 30, 2022)	End of the consolidated accounting period of the first quarter (September 30, 2022)
Assets		
Current assets		
Cash and cash equivalents	5,180	4,349
Trade and other receivables	15,877	17,460
Inventories	2,603	2,844
Other financial assets	471	478
Other current assets	471	500
Total current assets	24,605	25,634
Non-current assets		
Tangible fixed assets	21,199	20,946
Goodwill and intangible assets	2,981	2,966
Investment properties	3,145	3,114
Investment accounting processed with equity method	497	527
Other financial assets	1,646	1,784
Other non-current assets	427	406
Deferred tax assets	392	390
Total non-current assets	30,290	30,135
Total assets	54,895	55,769

(Units: Million yen)

	End of the previous consolidated accounting year (June 30, 2022)	End of the consolidated accounting period of the first quarter (September 30, 2022)
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payable	8,433	8,151
Loans	4,003	5,029
Lease liabilities	2,666	2,872
Income taxes payable, etc.	996	499
Other current liabilities	2,530	2,722
Total current liabilities	18,631	19,275
Non-current liabilities		
Lease liabilities	3,851	3,495
Other financial liabilities	82	88
Retirement benefits liabilities	899	913
Other non-current liabilities	306	310
Deferred tax liabilities	511	539
Total non-current liabilities	5,649	5,347
Total liabilities	24,281	24,623
Equity		
Capital	3,390	3,390
Capital surplus	3,458	3,460
Treasury stock	△667	△667
Other components of funds	444	561
Retained earnings	23,440	23,849
Total equity attributing to the equity shareholders of the company	30,067	30,595
Non-controlling interest	546	550
Total Equity	30,614	31,146
Total liabilities and equity	54,895	55,769

(2) Summary of quarterly consolidated profit and loss statement

(Units: Million yen)

	Consolidated cumulative period for the previous first quarter (July 1, 2021 to September 30, 2021)	Consolidated cumulative period of this first quarter (July 1, 2022 to September 30, 2022)
Sales revenue	21,596	33,787
Cost of sales	Δ18,734	Δ30,179
Gross Profit	2,862	3,608
Selling, general and administrative expenses	Δ2,290	Δ2,452
Other income	70	81
Other expenses	Δ14	Δ21
Operating profit	627	1,214
Financial profit	18	23
Financial expenses	Δ9	Δ14
Investment gain / loss through equity method	1	Δ2
Profit before tax	637	1,221
Corporate income tax expenses	Δ253	Δ406
Profits of the quarter	384	815
Attribution of the profits of the quarter:		
Equity shareholders of the company	392	810
Non-controlling interest	Δ8	4
Profits of the quarter	384	815
Quarterly earnings per share		
Basic quarterly earnings per share (yen)	23.38	48.13
Diluted quarterly earnings per share (yen)	23.37	48.13

(3) Summary of quarterly consolidated statement of comprehensive income

(Units: Million yen)

	Consolidated cumulative period for the previous first quarter (July 1, 2021 to September 30, 2021)	Consolidated cumulative period of this first quarter (July 1, 2022 to September 30, 2022)
Profits of the quarter	384	815
Other comprehensive income		
Items not transferring over to profit or loss:		
Remeasurement of defined benefit system	Δ206	Δ26
Financial assets measured by fair value through other comprehensive profits	45	87
Total of the items not transferring over to profit or loss	Δ161	61
Items which may be transferred over to profit or loss		
Conversion difference of business activities overseas	12	Δ1
Other comprehensive income equity of affiliated company accounted for by the equity method	Δ8	31
Total of the items which may be transferred over to profit or loss	4	30
Other comprehensive income after tax deduction	Δ156	91
Comprehensive income of the quarter	227	906
Attribution of the comprehensive income for the quarter:		
Equity shareholders of the company	231	902
Non-controlling interest	Δ4	4
Comprehensive income of the quarter	227	906

(4) Summary of quarterly consolidated statement of changes in equity

Consolidated cumulative period of the previous first quarter (from July 1, 2021 to September 30, 2021)

(Units: Million yen)

	Equity attributable to equity shareholders of the company								Non-controlling interest	Total Equity	
	Capital	Capital surplus	Treasury stock	Other components of funds				Retained earnings			Total equity attributing to the equity shareholders of the company
				Conversion difference of business activities overseas	Financial assets measured by fair value through other comprehensive profits	Remeasurement of defined benefit system	Total other components of funds				
Balance on July 1, 2021	3,390	3,437	△681	△31	355	—	324	21,809	28,280	18	28,298
Profits of the quarter							—	392	392	△8	384
Other comprehensive income				△0	45	△206	△161		△161	4	△156
Comprehensive income of the quarter	—	—	—	△0	45	△206	△161	392	231	△4	227
Dividends of the surplus							—	△646	△646		△646
Acquisition of treasury stock			△0				—		△0		△0
Share-based payment transactions, etc.		13					—		13		13
Transfer from other capital component to Retained earnings						206	206	△206	—		—
Changes in scope of consolidation							—		—	457	457
Total transactions, etc. with the owners	—	13	△0	—	—	206	206	△853	△633	457	△176
Balance on September 30, 2021	3,390	3,450	△681	△31	400	—	369	21,348	27,879	470	28,349

Consolidated cumulative period of the first quarter (from July 1, 2022 to September 30, 2022)

(Units: Million yen)

	Equity attributable to equity shareholders of the company								Non-controlling interest	Total Equity	
	Capital	Capital surplus	Treasury stock	Other components of funds				Retained Earnings			Total equity attributing to the equity shareholders of the company
				Conversion difference of business activities overseas	Financial assets measured by fair value through other comprehensive profits	Remeasurement of defined benefit system	Total other components of funds				
Balance on July 1, 2022	3,390	3,458	△667	155	288	—	444	23,440	30,067	546	30,614
Profits of the quarter							—	810	810	4	815
Other comprehensive income				30	87	△26	92		92	△0	91
Comprehensive income of the quarter	—	—	—	30	87	△26	92	810	902	4	906
Dividends of the surplus							—	△376	△376		△376
Share-based payment transactions, etc.		1					—		1		1
Transfer from other capital component to Retained earnings					△0	26	25	△25	—		—
Total transactions, etc. with the owners	—	1	—	—	△0	26	25	△401	△374	—	△374
Balance on September 30, 2022	3,390	3,460	△667	186	375	—	561	23,849	30,595	550	31,146

(5) Summary of quarterly consolidated cash flow statements

(Units: Million yen)

	Consolidated cumulative period for the previous first quarter (July 1, 2021 to September 30, 2021)	Consolidated cumulative period of this first quarter (July 1, 2022 to September 30, 2022)
Cash flow from operating activities		
Profits of the quarter	384	815
Depreciation and amortization costs	1,150	1,207
Interest income and dividend	△17	△23
Interest expense	9	9
Investment gain / loss through equity method	△1	2
Corporate income tax expenses	253	406
Increase / decrease of trade receivables (△ is an increase)	590	△1,154
Increase / decrease of inventories (△ is an increase)	249	△241
Increase / decrease of trade payables (△ is a decrease)	56	234
Increase / decrease in retirement benefits liabilities (△ is a decrease)	6	△12
Other	△196	△318
Subtotal	2,485	926
Interest and dividend received	17	23
Interest paid	△9	△9
Corporate income tax paid	△1,081	△867
Cash flow from operating activities	1,411	71
Cash flow from investment activities		
Payment for acquisition of tangible fixed assets and investment properties	△525	△700
Proceed from sales of tangible fixed assets and investment properties	0	2
Payment for intangible assets	△15	△17
Proceeds from acquisition of investments in subsidiaries resulting in change in scope of consolidation	631	—
Other	51	△16
Cash flow from investment activities	143	△732

(Units: Million yen)

	Consolidated cumulative period for the previous first quarter (July 1, 2021 to September 30, 2021)	Consolidated cumulative period of this first quarter (July 1, 2022 to September 30, 2022)
Cash flow from financing activities		
Net increase or decrease of short-term loans (Δ is a decrease)	—	951
Repayment of long-term loans	$\Delta 8$	$\Delta 7$
Repayment of lease debts	$\Delta 773$	$\Delta 739$
Payment for acquisition of treasury stock	$\Delta 0$	—
Dividend paid	$\Delta 646$	$\Delta 375$
Cash flow from financing activities	$\Delta 1,429$	$\Delta 169$
Effect of exchange rate changes on cash and cash equivalents	15	$\Delta 1$
Increase / decrease in of cash and cash equivalents (Δ is a decrease)	141	$\Delta 831$
Cash and cash equivalents at the beginning of the year	5,904	5,180
Balance of cash and cash equivalents at the end of the quarter	6,045	4,349

(6) Notes regarding summary of quarterly consolidated financial statements

(Notes on going concern assumption)

There are no applicable matters.

(Segment information)

The segment information of our group is as follows.

Consolidated cumulative period of the previous first quarter (from July 1, 2021 to September 30, 2021)

(Units: Million yen)

	Domestic automotive related businesses	Human resource businesses	General cargo businesses	Overseas Related Business	Total	Adjustment amount (note)	Total amount on the quarterly consolidated financial statements
Sales revenue							
Sales revenue from external customers	12,246	4,680	1,461	3,209	21,596	—	21,596
Sales revenue between segments	14	239	33	—	288	Δ288	—
Total	12,260	4,919	1,495	3,209	21,885	Δ288	21,596
Segment profit (operating profit) (Δis loss)	856	135	191	Δ29	1,153	Δ526	627

(Note). The Δ526 million yen adjustment amount in the segment profits includes the total company cost Δ526 million yen and 0 million yen of transaction elimination between segments. The total company cost is an expense related to the management divisions of our company not belonging to the reporting segment.

Consolidated cumulative period of the first quarter (from July 1, 2022 to September 30, 2022)

(Units: Million yen)

	Domestic automotive related businesses	Human resource businesses	General cargo businesses	Overseas Related Business	Total	Adjustment amount (note)	Total amount on the quarterly consolidated financial statements
Sales revenue							
Sales revenue from external customers	13,840	5,099	1,706	13,142	33,787	—	33,787
Sales revenue between segments	32	253	25	—	311	Δ311	—
Total	13,872	5,352	1,731	13,142	34,098	Δ311	33,787
Segment profit (operating profit)	1,120	216	264	131	1,732	Δ517	1,214

(Note) The Δ517 million yen adjustment amount in the segment profits includes the total company cost Δ517 million yen. The total company cost is an expense related to the management divisions of our company not belonging to the reporting segment.

(Business Combination)

Consolidated accounting period of the first quarter (from July 1, 2021 to September 30, 2021)

On July 1, 2021, our group acquired a partial equity interest (40%) in Zero Scm Logistics (Beijing) Co., Ltd., a jointly controlled company accounted for by the equity method, and made it a subsidiary.

(1) Outline of the Business Combination

(1) Name and business of the acquired company

Name of the acquired company: Zero Scm Logistics (Beijing) Co., Ltd.
Business description: Vehicle transportation business in China

(2) Acquisition date

July 1, 2021

(3) Percentage of voting equity interest acquired

Percentage of voting rights held immediately prior to the acquisition date: 25%
Percentage of voting rights additionally acquired on the acquisition date: 40%.
Percentage of voting rights after acquisition: 65%

(4) Reasons for the business combination

Since its establishment on April 29, 2004, Zero Scm Logistics has been mainly engaged in the land transportation of finished vehicles in China for Japanese, European and American automobile manufacturers, including marine and rail transportation. In addition, related operations include customs clearance, storage, and PDI (Pre-Delivery Inspection).

In China, which has become the world's largest automobile market, changes such as the evolution of CASE, MaaS, and carbon neutrality are on the horizon, and in order to follow these changes in a timely manner, our group aims to speed up the decision-making process by making the company a consolidated subsidiary, and further expand its business. Specifically, as the used vehicle market is expected to be developed in China, we will consider full-scale entry into the used vehicle transportation market. Also, assuming that electric vehicles produced in China will be imported to Japan in the future, the Zero Group will consider establishing an integrated domestic and overseas transportation system (complete vehicle transportation in China → export customs clearance → marine transportation → import customs clearance → complete vehicle transportation, PDI, installation, registration, delivery, etc. in Japan).

(5) Method of acquiring control of the acquired company

Acquisition of equity interest in exchange for cash

(2) Fair value of acquisition consideration, assets acquired and liabilities assumed as of the acquisition date

(Units: Million yen)

Fair value of acquisition consideration	
Fair value on the acquisition date of the shares of the acquired company held immediately prior to the acquisition date	326
Fair value of the acquired company shares additionally acquired on the acquisition date	521
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	1,153
Trade and other receivables	409
Other current assets	161
Tangible fixed assets	306
Other non-current assets	7
Current liabilities	689
Non-current liabilities	41
Fair value (net amount) of assets acquired and liabilities assumed	1,306
Non-controlling interest (Note) 1	457
Gain on bargain purchase (Note) 2	1

(Note) 1. Non-controlling interest is measured as the share of non-controlling shareholders with respect to the fair value of the distinguishable net assets of the acquired company.

(Note) 2. Gain on bargain purchase is included in "Other income" in the summary of quarterly consolidated profit and loss statement because net assets measured at fair value exceeded consideration paid.

(3) Loss on step acquisition

As a result of remeasuring the equity interest in Zero Scm Logistics Co., Ltd., which was held by the Group immediately prior to the date of acquisition of control, at fair value at the time of acquisition of control, a loss on step acquisition of 0 million yen was recognized and recorded in "Other expenses" in the summary of quarterly consolidated profit and loss statement.

(4) Acquisition-related expenses

Acquisition-related expenses for this business combination was 8 million yen and is included in "Selling, general and administrative expenses" in the summary of quarterly consolidated profit and loss statement.

(5) Cash flow from acquisition

(Units: Million yen)

Cash and cash equivalents used in the acquisition	Δ521
Cash and cash equivalents held by the acquired company at the time of acquisition	1,153
Proceeds from acquisition of shares of subsidiaries resulting in change in scope of consolidation	631

(6) Impact of the business combination on the Group's performance

Sales revenue and loss of the acquired company after the acquisition date recognized in the summary of quarterly consolidated profit and loss statements for the reporting period amounted to 783 million yen and 20 million yen, respectively.

Consolidated cumulative period of the first quarter (from July 1, 2022 to September 30, 2022)

There are no applicable matters.