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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 2018 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, 9 November 2018

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 and Mr. Teo Ek Kee.*

## Summary of Consolidated Financial Results for the 1<sup>st</sup> quarter ending of the fiscal year June 30, 2019 [Based on IFRS]

November 9, 2018

Company name: ZERO CO., LTD. Stock Exchange Listing: Tokyo  
 Stock code: 9028 URL: <http://www.zero-group.co.jp/>  
 Representative: President & CEO Takeo Kitamura  
 Inquiries: Director and Manager of Group Strategies Headquarters Toshihiro Takahashi TEL 044-520-0106  
 Scheduled Date of Submission of Quarterly Report: November 12, 2018  
 Scheduled date to commence dividend payments: -  
 Preparation of supplementary material on quarterly financial results: No  
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the 1<sup>st</sup> quarter ending of the fiscal year June 30, 2019 (From July 1, 2018 to September 30, 2018)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes)

	Sales revenue		Operating income		Profit before tax		Quarterly income		Profit attributable to owners of parent 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 FY2018	20,939	8.2	351	Δ69.0	344	Δ69.5	21	Δ96.8	23	Δ96.5	Δ37	-
1Q FY2017	19,348	4.4	1,133	Δ5.7	1,131	Δ8.7	658	Δ4.3	659	Δ4.2	710	17.0

	Basic quarterly earnings per share		Diluted quarterly earnings per share	
	Yen		Yen	
1Q FY2018	1.39		1.38	
1Q FY2017	39.72		39.69	

(2) Consolidated financial position

	Total assets	Total capital	Equity attributable to owners of parent company	Equity ratio attributable to owners of parent company
	Millions of yen	Millions of yen	Millions of yen	%
1Q FY2018	37,497	21,795	21,785	58.1
FY2017	38,290	22,119	22,108	57.7

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
FY2017	---	15.00	---	17.10	32.10
FY2018	---				
FY2018 (forecast)		15.00	---	18.10	33.10

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

3. Forecast of consolidated financial results for the year ending June 30, 2019 (From July 1, 2018 to June 30, 2019)

(Percentages indicate year-on-year changes)

	Sales revenue		Operating income		Profit before tax		Profit attributable to owners of parent company		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	84,000	3.2	4,300	4.5	4,280	4.5	2,200	3.3	132.56

(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 : Yes
- 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 FY2018	17,560,242 shares	FY2017	17,560,242 shares
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② Number of treasury shares at the end of the period

1Q FY2018	1,030,367 shares	FY2017	1,030,367 shares
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③ Average number of shares during the period (total up to this quarter)

1Q FY2018	16,626,875 shares	1Q FY2017	16,595,875 shares
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※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. Regular information regarding the settlement of the current quarter

(1) Explanation regarding the operating results

Japan's economy during the consolidated cumulative period of the first quarter continued to recover gradually; personal consumption is also being improved with steady employment and income environment, but things remains unclear due to the uncertainty of the foreign economic situation, beginning with the trade problem.

In the automobile industry, the number of new vehicles sold has increased favorably at 101.0% 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); because of the sales increase of the new light vehicle model; the number of registered used cars has remained the same compared to the same quarter from the previous year.

While promoting strategic and flexible sales activity and business operations in response to changes in the market environment in each of the business segments, our group is working to develop new businesses focusing on next generation mobility, increasing foreign visitors to Japan, and the growth of the foreign economy to prepare for the shrinkage of the domestic automobile market. Also, we are continuing our efforts to strengthen group synergy, transport reforms, efforts to strengthen compliance, and reform the work style; however, the business environment is severe due to the insufficient number of drivers caused by shortages of labor supply and demand in the logistics industry as well as the increase in wages and recruitment cost, high fuel prices, and the increased cost relative to compliance response such as compliance vehicle restrictions and street handling.

The business results of our group during the consolidated cumulative period of the first quarter are as follows: sales revenue of 20.939 billion yen (108.2% compared to the same quarter from the previous year) and operating profit of 351 million yen (31.0% compared to the same quarter from the previous year). Also, the profit before taxes were 344 million yen (30.5% compared to the same quarter from the previous year), and the profit of the quarter attributable to the owners of the parent company were 23 million yen (3.5% compared to the same quarter from the previous year).

Number of units related to domestic distribution of automobiles

Units: vehicles

Domestic		July of 2017 to September of 2017	July of 2018 to September of 2018	Compared to the previous year
Number of new vehicles sold				
Domestic manufacturer	*1	1,201,117	1,214,818	101.1%
(out of this, Nissan Motor)	*1	(152,344)	(154,836)	(101.6%)
Foreign manufacturer	*2	76,926	76,312	99.2%
Total number of new vehicles sold		1,278,043	1,291,130	101.0%
Number of used vehicles registered				
Registered vehicles	*3	917,190	898,707	98.0%
Light vehicles	*4	692,570	710,988	102.7%
Total number of used vehicles registered		1,609,760	1,609,695	100.0%
Number of vehicles permanently deleted	*3	45,722	44,189	96.6%

Export		July of 2017 to September of 2017	July of 2018 to September of 2018	Compared to the previous year
New vehicles of domestic manufacturers	*1	1,193,933	1,143,939	95.8%
Used vehicles (registered vehicles)	*5	345,781	358,472	103.7%

\*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) Automobile related businesses

Vehicle transportation of the core business, somewhat decreased due to natural disasters despite advancing sales activities in response to the oligopolisation of used car sales by new car dealers and major used car dealers toward expanding transactions of the new vehicle and used vehicle transportation in Japan; exports of second hand cars increased due to a review of marketing strategies and achievement of system reconstruction, and sales in the automobile-related business as a whole also increased.

With the completion of region blocking, restructuring of the transportation system has been accelerated including subsidiaries and cooperating companies; we are working to achieve optimal operation of the distribution network throughout Japan and are striving for thorough cost management. Meanwhile, profits for automobile-related businesses have decreased overall due to reinforcement of transportation strength in preparation for increased taxes under circumstances such as the decreased load ratio caused by the reinforced response to vehicle restriction laws, promoting efforts to reform the work style to reduce total working hours, increased cost accompanying the relocation of bases to construct an effective distribution system, increased labor costs / employment costs caused by insufficient number of drivers, increased fuel prices, increased number of material vehicles, and increased vehicle costs to handle deterioration.

As a result, the sales revenue for automobile related businesses overall was 14.986 billion yen (107.7% compared to the same quarter from the previous year), and the segment profit was 580 million yen (47.9% compared to the same quarter from the previous year).

2) Human resource business

With the labor demand being tightened accompanying the economic recovery, the difficulty in employment in large cities and the increase in personnel expenses have become serious matters; therefore, the regional shift from large cities and reinforcement of the sales system for each region has been promoted by our group, and the product portfolio has been reviewed strategically and continuously. In addition to the fact that shuttle contracts and driver dispatch have transitioned steadily, participation in the airport field has increased revenues and profits.

As a result, the sales revenue for the overall human resource business was 4.579 billion yen (113.2% compared to the same quarter from the previous year), and the segment profit was 155 million yen (112.5% compared to the same quarter from the previous year).

3) General cargo business

The revenue of transportation / warehouse business has increased with the implementation of cargo that was shifted to land transportation due to the disaster in the West Japan region in addition to the expansion of transactions with existing customers, but the revenue for the cargo handling business has decreased due to the reduction in automobile cargo and coal cargo, and the revenue for the general cargo business has decreased overall. In addition to the decreased revenue in the cargo handling business, the initial investment in the CKD business into which we entered has caused decreased revenue.

As a result, the sales revenue of the overall general cargo business was 1.373 billion yen (99.1% compared to the same quarter from the previous year), and the segment profit was 173 million yen (68.7% compared to the same quarter from the previous year).

Also, company expenses not included in the report segments above (expenses related to our company's management divisions) were calculated in the "adjustment amount" as indicated in "2. Summarized quarter consolidated statement (segment information)" and were 558 million yen.

(2) Explanation regarding financial status

1) Status of assets, liabilities, and equity

(Assets)

Current assets decreased 966 million yen (5.4%) compared to the end of the previous accounting period of consolidation and were 16.781 billion yen.

This is mainly because the cash and cash equivalents decreased 1.324 billion yen even with inventory asset increasing by 335 million yen.

Non-current assets increased 173 million yen (0.8%) compared to the end of the previous accounting period of consolidation and were 20.715 billion yen.

This is mainly because tangible property such as vehicles increased 240 million yen.

As a result, total assets decreased 792 million yen (2.1%) compared to the previous accounting period of consolidation and were 37.497 billion yen.

(Liabilities)

Current liabilities have decreased 257 million yen (2.2%) compared to the previous accounting period of consolidation and were 11.430 billion yen.

This is mainly due to the income taxes payable decreasing by 891 million yen even with the loans increasing by 553 million yen.

Non-current liabilities have decreased 211 million yen (4.7%) compared to the previous accounting period of consolidation and were 4.271 billion yen.

As a result, total liabilities have decreased 468 million yen (2.9%) compared to the previous accounting period of consolidation and were 15.72 billion yen.

(Equity)

Total equity decreased 324 million yen (1.5%) compared to the previous accounting period of consolidation and was 21.795 billion yen.

This is mainly because of the decrease of 245 million yen in the retained earnings due to dividends of surplus, etc.

## 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 1.324 billion yen compared to the previous consolidated accounting fiscal year and were 3.949 billion yen.

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

(Cash flow through operating activities)

Funds used as a result of operating activities were 1.010 billion yen (there was an income of 335 million yen during the same period of the previous year).

The main itemization for income was 420 million yen for depreciation and amortization expenses, and the main itemization for expenses was 1.230 billion yen of the payment amount for the corporate income tax.

(Cashflow through investment activities)

Funds used as a result of investment activities were 405 million yen (there was an expense of 1.175 billion yen during the same period of the previous year).

The main itemization for expenses was 387 million due to the acquisition of tangible fixed assets and investment property and 77 million yen due to the acquisition of intangible assets.

(Cashflow through financial activities)

The funds obtained through financial activities was 92 million yen (there was an expense of 696 million yen during the same period of the previous year).

The main itemization for income was an increased amount of 600 million yen from short term loans, and the main itemization for expenses was the payment amount of 282 million for dividends.

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

No revision has been made from the consolidated business forecast published on August 10, 2018.

The result and business circumstances during the consolidated cumulative period of the first quarter, was roughly as expected. The second half of the fiscal year, it will be expected last minute demand for new car sales' transportation before consumption tax raise and accompanying used car transportation. To meet the demand, the preparation cost increased in the first half, it is expected that this fiscal year profit has tendency to move to the second half of the fiscal year.

2. Summarized quarter consolidated statements and the main notes  
 (1) Summarized quarterly consolidated statement of financial position

(Units: million yen)

	End of the previous consolidated accounting year (June 30, 2018)	End of the consolidated accounting period of the first quarter (September 30, 2018)
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	5,273	3,949
Trade and other receivables	11,160	11,224
Inventories	512	847
Other financial assets	131	58
Other current assets	670	702
Total current assets	17,748	16,781
<b>Non-current assets</b>		
Tangible fixed assets	10,827	11,067
Goodwill and intangible assets	2,865	2,883
Investment properties	3,511	3,477
Investment accounting processed with equity method	964	953
Other financial assets	1,943	1,856
Other non-current assets	122	124
Deferred tax assets	307	352
Total non-current assets	20,542	20,715
Total assets	38,290	37,497



(Units: million yen)

	End of the previous consolidated accounting year (June 30, 2018)	End of the consolidated accounting period of the first quarter (September 30, 2018)
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payable	6,436	6,674
Loans	702	1,255
Other financial liabilities	723	709
Income taxes payable, etc.	1,296	404
Other current liabilities	2,530	2,387
Total current liabilities	11,687	11,430
Non-current liabilities		
Loans	262	230
Other financial liabilities	1,849	1,815
Retirement benefits liabilities	1,838	1,689
Other non-current liabilities	313	338
Deferred tax liabilities	219	197
Total non-current liabilities	4,483	4,271
Total liabilities	16,170	15,702
Equity		
Capital	3,390	3,390
Capital surplus	3,305	3,320
Treasury stock	△687	△687
Other component of funds	416	325
Retained earnings	15,682	15,436
Total equity attributable to the owners of the parent company	22,108	21,785
Non-controlling interest	11	9
Total Equity	22,119	21,795
Total liabilities and equity	38,290	37,497

## (2) Summarized quarter consolidated profit and loss statement

(Units: million yen)

	Consolidated cumulative period for the previous first quarter (from July 1, 2017 to September 30, 2017)	Consolidated cumulative period of this first quarter (from July 1, 2018 to September 30, 2018)
Sales revenue	19,348	20,939
Cost of sales	△16,172	△18,537
Gross Profit	3,175	2,401
Selling, general and administrative expenses	△2,091	△2,277
Other income	61	239
Other expenses	△11	△12
Operating profit	1,133	351
Financial profit	16	2
Financial expenses	△19	△13
Investment gain / loss through equity method	1	4
Profit before tax	1,131	344
Corporate income tax expenses	△472	△323
Profits of the quarter	658	21
Attribution of the profits of the quarter:		
Owners of the parent company	659	23
Non-controlling interest	△0	△1
Profits of the quarter	658	21
Quarterly earnings per share		
Basic quarterly earnings per share (yen)	39.72	1.39
Diluted quarterly earnings per share (yen)	39.69	1.38

## (3) Summarized quarter consolidated statement of comprehensive income

(Units: million yen)

	Consolidated cumulative period for the previous first quarter (from July 1, 2017 to September 30, 2017)	Consolidated cumulative period of this first quarter (from July 1, 2018 to September 30, 2018)
Profits of the quarter	658	21
Other comprehensive income		
Items not transferring over to net income and loss		
Remeasurement of defined benefit system	0	32
Financial assets measured by fair value through other comprehensive income	—	△76
Total of the items not transferring over to net income and loss	0	△44
Items which may be transferred over to net income and loss		
Fluctuation of fair value of the assets which can be sold	40	—
Other comprehensive income equity of affiliated company accounted for by the equity method	10	△14
Total of the items which may be transferred over to net income and loss	50	△14
Other comprehensive income after tax deduction	51	△59
Comprehensive income of the quarter	710	△37
Attribution of the comprehensive income of the quarter:		
Owners of the parent company	711	△36
Non-controlling interest	△0	△1
Comprehensive income of the quarter	710	△37

(4) Summarized quarter consolidated statement of changes in equity  
 Consolidated accounting period of the previous first quarter (from July 1, 2017 to September 30, 2017)  
 (Units: million yen)

	Equity attributing to the owners of the parent company									Non-controlling interest	Total equity
	Capital	Capital surplus	Treasury stock	Other components of funds				Retained earnings	Total equity attributing to the owners of the parent company		
				Conversion difference of business activities overseas	Fluctuation of fair value of financial assets which can be sold	Remeasurement of defined benefit system	Total other components of funds				
Balance on July 1, 2017	3,390	3,271	△687	△81	364	-	283	14,403	20,661	11	20,672
Profits of the quarter							-	659	659	△0	658
Other comprehensive income				10	40	0	51		51		51
Comprehensive income of the quarter	-	-	-	10	40	0	51	659	711	△0	710
Dividends of the surplus							-	△609	△609		△609
Share-based payment transactions, etc.		14					-		14		14
Transactions with Non-controlling interest, etc.		△1					-		△1	1	-
Transfer from other capital component to retained earnings						△0	△0	0	-		-
Total of transactions, etc., with the owners	-	12	-	-	-	△0	△0	△609	△597	1	△595
Balance on September 30, 2017	3,390	3,284	△687	△70	404	-	334	14,453	20,774	13	20,787

Consolidated accounting period of the this first quarter (from July 1, 2018 to September 30, 2018)  
 (Units: million yen)

	Equity attributing to the owners of the parent company									Non-controlling interest	Total equity	
	Capital	Capital surplus	Treasury stock	Other components of funds				Retained earnings	Total equity attributing to the owners of the parent company			
				Conversion difference of business activities overseas	Fluctuation of fair value of financial assets which can be sold	Financial assets measured by fair value through other comprehensive profits	Remeasurement of defined benefit system					Total other components of funds
Balance on July 1, 2018	3,390	3,305	△687	△47	464	-	-	416	15,682	22,108	11	22,119
Cumulative effect amount due to change of accounting method					△464	464		-	△18	△18		△18
Carrying amount with the change in accounting method reflected	3,390	3,305	△687	△47	-	464	-	416	15,664	22,089	11	22,101
Profits of the quarter								-	23	23	△1	21
Other comprehensive income				△14		△76	32	△59		△59		△59
Comprehensive income of the quarter	-	-	-	△14	-	△76	32	△59	23	△36	△1	△37
Dividends of surplus								-	△282	△282		△282
Share-based payment transactions, etc.		14						-		14		14
Transfer from other capital component to Retained earnings							△32	△32	32	-		-
Total transactions, etc., with the owners	-	14	-	-	-	-	△32	△32	△250	△268	-	△268
Balance on September 30, 2018	3,390	3,320	△687	△62	-	387	-	325	15,436	21,785	9	21,795

## (5) Summarized quarter consolidated cash flow statements

(Units: million yen)

	Consolidated cumulative period for the previous first quarter (from July 1, 2017 to September 30, 2017)	Consolidated cumulative period of this first quarter (from July 1, 2018 to September 30, 2018)
Cash flow from operating activities		
Profits of the quarter	658	21
Depreciation and amortization costs	300	420
Interest income and dividend	△6	△5
Interest expense	15	13
Investment gain / loss through equity method	△1	△4
Corporate income tax expenses	472	323
Increase / decrease of trade receivables (△ is an increase)	121	△25
Increase / decrease of inventories (△ is an increase)	△197	△335
Increase / decrease of trade payables (△ is a decrease)	80	168
Increase / decrease in retirement benefits liabilities (△ is a decrease)	△57	△96
Other	△222	△252
Subtotal	1,163	227
Interest and dividend received	6	5
Interest paid	△15	△13
Corporate income tax paid	△820	△1,230
Net cash provided by (used in) operating activities	335	△1,010
Cash flow from investment activities		
Payment for acquisition of tangible fixed assets and investment properties	△401	△387
Proceed from sales of tangible fixed assets and investment properties	5	0
Payment for intangible assets	△79	△77
Payment for loans receivable	△2	△1
Proceed from loans receivable	13	4
Expense through transfer of business	△697	—
Other	△13	55
Net cash provided by (used in) investment activities	△1,175	△405

(Units: million yen)

	Consolidated cumulative period for the previous first quarter (from July 1, 2017 to September 30, 2017)	Consolidated cumulative period of this first quarter (from July 1, 2018 to September 30, 2018)
Cash flow from financing activities		
Net increase or decrease of short-term loans (Δ is a decrease)	300	600
Repayment of long-term loans	Δ236	Δ78
Repayment of finance lease debts	Δ150	Δ146
Dividend paid	Δ609	Δ282
Net cash provided by (used in) financing activities	Δ696	92
Increase / decrease in of cash and cash equivalents (Δ is a decrease)	Δ1,537	Δ1,324
Cash and cash equivalents at the beginning of the quarter	8,101	5,273
Balance of cash and cash equivalents at the end of the quarter	6,564	3,949

- (6) Notes related to summarized quarter consolidated financial statements  
(Notes regarding the premise of a going concern)  
There are no applicable matters.

(Changes in accounting policies)

The important company policies applicable to this consolidated quarterly financial statement summary will be the same company policies applicable to the consolidated financial statements of the previous consolidated accounting year excluding the below.

Our group has applied the following standards starting this first quarter of the consolidated accounting period.

Standard and interpretation guide		Summary
IFRS No. 9	Financial products	Revisions regarding recognition and measurement of financial assets / financial debts, depletion of financial assets, accounting standards for generic hedge
IFRS No. 15	Profits generated from contracts with clients	Revisions of accounting process regarding profit recognition

(Application of IFRS No. 9 "financial products")

Our group has applied IFRS No. 9 "financial products" (hereinafter referred to as "IFRS No. 9") starting the first quarter of this consolidated accounting period. At our group, retrospective restatement for the previous consolidated accounting year as a transitional measure is not conducted using IAS No.39 financial products; we have implemented a method which recognizes the cumulative effects due to the application of this standard on the first application date.

At our group, the classification of financial assets has been changed based on the facts and status existing on the first application date due to the application of IFRS No. 9.

Our group has classified non-derivative financial assets as financial assets measured at fair value through financial assets, profit or loss or other comprehensive income measured with amortized cost. Also, non-derivative financial debts are classified as financial debts measured by amortized cost.

All financial assets are classified as financial assets measured by amortized cost if they satisfy the below requirements.

- Are held in a business model for the purpose of holding financial assets to recover contractual cash flows.
- Cash flows which are only payment of interest on principal and principal balances, generated on the designated day based on the contract requirements of the financial asset.

Financial assets aside from the financial assets measured by amortized cost are classified as financial assets measured by fair value. Equity instruments measured by fair value are under the irrevocable option in which the fluctuation after the fair value is displayed in other comprehensive income and are classified as equity instruments measured by fair value through other comprehensive income, excluding equity instruments held through the purpose of selling which must be measured by fair value through net profit / loss.

Also, in IFRS No. 9, the depletion of financial assets will change from "generation of loss model" to "forecasted credit loss model" of IAS No. 39 "Financial products: recognition and measurement". Our group conducts an evaluation at the end of the consolidated accounting period on whether the credit risk regarding the financial assets has increased significantly from the time of initial recognition; if the credit risk has not increased significantly from the time of initial recognition, the amount equivalent to 12 months of forecast credit loss is recognized as the allowance for bad debts. On the other hand, if the credit risk has increased significantly from the time of initial recognition, the amount equivalent to the forecasted credit loss for the whole period is recognized as the allowance for bad debts. However, the allowance for bad debts for trade receivables not containing major financial factors is always recognized as the amount equivalent to the forecasted credit loss for the entire period regardless of the presence of significant increase in credit risk from the time of initial recognition. The forecasted credit loss is estimated through a method which reflects the changes in credit information, past due information of credit, etc.

Due to the application of this standard, compared to the case in which the prior accounting standard is applied, the trade and other receivables have decreased 21 million yen, deferred tax asset has increased 3 million yen, and the retained earnings has decreased 18 million yen at the beginning of the first quarter of this consolidated accounting period on the summary of the consolidated quarterly statement of financial position.

(Application of IFRS No. 15 "Profit generated from contracts with clients")

Our group has applied IFRS No. 15 "Profits generated from contracts with clients" (published in May of 2014) and "Clarification of IFRS No. 15" (published in April of 2016) (hereinafter collectively referred to as "IFRS No. 15") starting the first quarter of this consolidated accounting period. Accompanying the application of IFRS No. 15, profits are recognized based on the 5-step approach indicated below.

Step 1: Identify contracts with clients

Step 2: Identify the performance obligation of the contract

Step 3: Calculate the transaction amount

Step 4: Distribute the transaction price to the performance obligation in the contract

Step 5: Recognize the profits when a business satisfies the performance obligation

The profits provided from the main duties of our group are calculated from the transportation of automobiles in automobile related businesses, temporary employee placement in human resource business, cargo handling in general cargo business, and transportation of general consumer goods. In the case it is defined in the contract that the performance obligation is to be satisfied at one point through delivery of products, goods in custody, etc., the profits are recognized when the task is complete and the products and goods in custody, etc. are delivered. In the case in which provision of services is required throughout a certain period of time, profits are recognized in consideration of the duration.

Also, there are no major effects on our group's business results or financial status through the application of these standards.

(Segment information)

The segment information of our group is as follows.

Consolidated cumulative period of the previous first quarter (from July 1, 2017 to September 30, 2017)

(Units: million yen)

	Automobile related businesses	Human resource businesses	General cargo businesses	Total	Adjustment amount (note)	Total amount on the summarized quarter consolidate financial statements
Sales revenue						
Sales revenue from external customers	13,916	4,045	1,386	19,348	—	19,348
Sales revenue between segments	17	216	100	334	△334	—
Total	13,933	4,261	1,487	19,682	△334	19,348
Segment profit (operating profit)	1,213	138	253	1,604	△471	1,133

(Note) The △471 million yen adjustment amount in the segment profits includes the company cost △471 million yen and 0 million yen of transaction elimination between segments. The company cost is an expense related to management division of our company not belonging to the reporting segment.

Consolidated cumulative period of this first quarter (from July 1, 2018 to September 30, 2018)

(Units: million yen)

	Automobile related businesses	Human resource businesses	General cargo businesses	Total	Adjustment amount (note)	Total amount on the summarized quarter consolidate financial statements
Sales revenue						
Sales revenue from external customers	14,986	4,579	1,373	20,939	—	20,939
Sales revenue between segments	8	225	98	331	△331	—
Total	14,994	4,804	1,472	21,270	△331	20,939
Segment profit (operating profit)	580	155	173	910	△558	351

(Note) The △558 million yen adjustment amount in the segment profits includes the company cost △558 million yen and 0 million yen of transaction elimination between segments. The company cost is an expense related to management division of our company not belonging to the reporting segment.