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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 six-month period ended 31 December 2021 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 February 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 Second Quarter Ending of the Fiscal Year June 30, 2022 [Based on IFRS]

February 10, 2022

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

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Scheduled Date of Submission of Quarterly Report : February 14, 2022

Scheduled date to commence dividend payments : March 11, 2022

Preparation of supplementary material on quarterly financial results : Yes

Holding of quarterly financial results meeting : Yes (for analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the second quarter ending of the fiscal year June 30, 2022 (From July 1, 2021 to December 31, 2021)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes)

	Sales revenue		Operating income		Profit before tax		Net profit		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	%
2Q FY2021	46,424	6.1	1,344	Δ47.9	1,363	Δ47.4	817	Δ53.8	822	Δ53.7	883	Δ53.6
2Q FY2020	43,768	Δ5.4	2,582	22.9	2,594	22.7	1,768	30.7	1,774	31.8	1,904	31.5

	Basic quarterly earnings per share		Diluted quarterly earnings per share	
	Yen		Yen	
2Q FY2021	48.92		48.86	
2Q FY2020	106.00		105.79	

(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	%
2Q FY2021	50,812	29,019	28,523	56.1
FY2020	50,935	28,298	28,280	55.5

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen		Yen		Yen
FY2020	---	15.00	---	39.10	54.10
FY2021	---	15.00			
FY2021 (forecast)				32.80	47.80

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

3. Forecast of consolidated financial results for the year ending June 30, 2022 (From July 1, 2021 to June 30, 2022)

(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	95,000	3.1	4,750	Δ10.9	4,750	Δ11.6	3,200	Δ11.8	191.09

(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)

2Q FY2021	17,560,242 shares	FY2020	17,560,242 shares
2Q FY2021	995,443 shares	FY2020	1,018,911 shares
2Q FY2021	16,804,805 shares	2Q FY2020	16,744,861 shares

② Number of treasury shares at the end of the period

③ Average number of shares during the period (total up to this quarter)

※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 second quarter continued to recover in many areas, but there were some areas where the recovery trend was stagnant due to the impact of some production cutbacks caused by supply constraints in semiconductors and other products.

In the domestic automotive market, the total number of new vehicle sales significantly decreased to 83.0% (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). The shortage of semiconductors and the new pandemic wave of COVID-19 in Southeast Asia have had a significant impact on the reduction of automobile production due to shortages in the supply of automobile parts. The number of used vehicle registrations also decreased to 92.0% compared to the same period of the previous year, due to the decrease in trade-in cars caused by the slump in new vehicle sales, and a decline in the number of used vehicles purchased as a result of the rise in the market for used vehicles.

Revenue increased due to the consolidation of Zero Scm Logistics (Beijing) Co., Ltd. as a consolidated subsidiary on July 1, 2021, as well as the strong performance of the used vehicle export business to Malaysia, but operating income decreased due to a decline in the number of units for transportation contracts as a result of the slump in automobile distribution, the soaring unit price of fuel, and the fact that employment adjustment subsidies were recorded in the previous year.

As a result, the business results of our group are as follows: sales revenue of 46,424 million yen (106.1% compared to the same quarter from the previous year) and operating profit of 1,344 million yen (52.1% compared to the same quarter from the previous year). Also, the profit before taxes was 1,363 million yen (52.6% compared to the same quarter from the previous year), and the profit attributable to the equity shareholders of the company was 822 million yen (46.3% compared to the same quarter from the previous year).

Number of units related to domestic distribution of automobiles

Units: vehicles

Domestic		July of 2020 to December of 2020	July of 2021 to December of 2021	Compared to the previous year
Number of new vehicles sold				
Domestic manufacturer	*1	2,249,123	1,860,493	82.7%
(out of this, Nissan Motor)	*1	(231,579)	(199,698)	(86.2%)
Foreign manufacturer	*2	141,716	123,261	87.0%
Total of new vehicle sales		2,390,839	1,983,754	83.0%
Number of registered used vehicles				
Registered vehicles	*3	1,949,528	1,769,021	90.7%
Light vehicles	*4	1,450,892	1,358,364	93.6%
Total number of used vehicles registered		3,400,420	3,127,385	92.0%
Number of vehicles permanently deleted	*3	84,834	73,409	86.5%

Export		July of 2020 to December of 2020	July of 2021 to December of 2021	Compared to the previous year
New vehicles of domestic manufacturers	*1	2,118,864	1,797,260	84.8%
Used vehicles (registered vehicles)	*5	544,094	654,635	120.3%

*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 Calculated from the number of export deleted registered vehicles in the Japan Automobile Dealers Association statistics

Fuel retail price

Unit: Yen / L

National average	July of 2020 to December of 2020	July of 2021 to December of 2021	Compared to the Previous year
Light oil *6	114.7	142.1	123.9%
Regular petrol *6	134.0	162.2	121.0%

*6 Calculated from statistics of Agency of Natural Resources and Energy (fuel used by our company for transport is mainly light oil)

The segment business results are as follows.

From the first quarter of the consolidated accounting period, the Company acquired an additional equity interest in Zero Scm Logistics (Beijing) Co., Ltd., which had been a jointly controlled company accounted for by the equity method, and made it a consolidated subsidiary, and as a result, the "Overseas Related Business" reporting segment was added. In addition, the automobile related businesses has been changed to the domestic automotive related businesses.

For the following comparisons with the same quarter from the previous year, figures for the same quarter from the previous year have been reclassified to reflect the new segment classifications.

(1) Domestic automotive related businesses

For vehicle transportation, which is the core business, the number of units for transportation contracts decreased due to the decline in new vehicles sales and used vehicle registrations caused by the shortage of semiconductors, which led to a decrease in revenue. Revenue in the maintenance business also decreased due to a decrease in the number of pre-delivery maintenance and inspection contracts accompanying the decline in new vehicle sales, and there was an overall decrease in revenue in the automobile related businesses.

Segment profit decreased due to lower revenue in the vehicle transportation and maintenance businesses, as well as higher unit fuel costs and fuel surcharges for marine transportation as a result of soaring crude oil prices.

As a result, the overall sales in the domestic automotive related businesses was 24,647 million yen (93.9% compared to the same quarter from the previous year), and the segment profit was 1,695 million yen (62.9% compared to the same quarter from the previous year).

In the vehicle transportation business, we will continue to respond to the "Digitalization", "Greening", and "New Normal". 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.

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. Also, with the rapid acceleration of the adoption of EVs, we will take the initiative in developing the infrastructure for logistics bases and building EV-related peripheral businesses.

In response to the New Normal, we are striving to reduce overtime work in order to respond to the so-called "2024 Supply Chain Crisis", in which the application of the Work Style Reform Law to automobile driving duties is expected to take effect in 2024, we are also implementing various measures to maintain our transportation capacity, such as hiring new driver, efficient operation of car carriers, and promotion of the division of labor in cargo handling of automobiles and truck driving operations.

(2) Human resource businesses

Regarding the pick-up service business, revenues continued to increase due to the recovery from the impact of COVID-19 pandemic, and revenues from the dispatch business and airport related personnel business increased as the businesses recovered from the previous year, when they were affected by the termination of employment contracts due to the COVID-19 pandemic. Segment profit decreased due to the provision of employment adjustment subsidies in the previous year.

As a result, the sales revenue of the overall human resource business was 9,617 million yen (106.9% compared to the same quarter from the previous year), and the segment profit was 234 million yen (38.6% compared to the same quarter from the previous year).

(3) General cargo business

In the port cargo handling business, the full-scale launch of biomass power generation fuel cargo handling has led to an increase in revenue in the transport / warehousing business due to the acquisition of new customers, increasing the revenue in the overall general cargo business as well. Segment profits in the port cargo handling business increased as a result of the full scale operation of biomass power generation fuel cargo handling, while in the transport / warehousing business, segment profits increased as a result of the successful acquisition of new customers in addition to the revision of rates and withdrawal from unprofitable businesses, and segment profit increased in the overall general cargo business as well.

As a result, the sales revenue of the overall general cargo business was 3,141 million yen (110.8% compared to the same quarter from the previous year), and the segment profit was 499 million yen (143.2% compared to the same quarter from the previous year).

(4) Overseas Related Businesses

Revenue in the used car export business increased due to a surge in demand following the lifting of the lockdown in Malaysia, a major export destination, and revenue in the CKD business increased as a result of the resumption of operations at the automobile manufacturing plant in Thailand, one of our customers. In the vehicle transportation business in China, Zero Scm Logistics (Beijing) Co., Ltd., which was an equity method affiliate in the previous year, became a consolidated subsidiary, resulting in a net increase in sales revenue from this company.

Segment profit in the vehicle transportation business in China recorded a loss due to the strong impact of the semiconductor shortage, and the used car export business saw a decrease in profit due to the increase in logistics costs. As a result of the increase in profit in the CKD business due to increased sales, overall profit in the overseas business increased.

As a result of the above, the sales revenue of the overall overseas business was 9,017 million yen (158.6% compared to the same quarter from the previous year), and segment profit was 40 million yen (segment loss of 90 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 1,125 million yen.

(2) Explanation regarding financial position

(1) Status of assets, liabilities, and equity

(Assets)

Current assets increased by 1,386 million yen (6.9%) compared to the end of the previous consolidated fiscal year to 21,447 million yen.

This was mainly due to cash and cash equivalents increasing by 1,055 million yen, and an increase of 687 million yen in inventories, while trade and other receivables decreased by 628 million yen.

Non-current assets decreased by 1,510 million yen (4.9%) compared to the end of the previous consolidated fiscal year to 29,364 million yen.

This was mainly due to a decrease of tangible fixed assets of 963 million yen resulting from amortization of assets of right to use, etc.

As a result, total assets decreased by 123 million yen (0.2%) compared to the end of the previous consolidated fiscal year to 50,812 million yen.

(Liabilities)

Current liabilities increased by 346 million yen (2.3%) compared to the end of the previous consolidated fiscal year to 15,165 million yen.

This was mainly due to short-term borrowings increasing by 697 million yen, and an increase of 653 million yen in trade and other payables, while income taxes payable decreased by 618 million yen.

Non-current liabilities decreased by 1,190 million yen (15.2%) compared to the end of the previous consolidated fiscal year to 6,627 million yen.

This was mainly due to a decrease of 1,221 million yen in lease liabilities.

As a result, total liabilities decreased by 843 million yen (3.7%) compared to the end of the previous consolidated fiscal year to 21,793 million yen.

(Equity)

Total equity increased by 720 million yen (2.5%) compared to the end of the previous consolidated fiscal year to 29,019 million yen.

This was mainly due to an increase in non-controlling interests of 477 million yen resulting from the conversion of Zero Scm Logistics (Beijing) Co., Ltd. into a consolidated subsidiary.

(2) Cash flow status

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the consolidated accounting period of the second quarter increased by 1,055 million yen compared to the end of the previous consolidated fiscal year to 6,960 million yen.

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

(Cash flow from operating activities)

Funds obtained as a result of operating activities were 3,073 million yen (there was an income of 4,894 million yen during the same period of the previous year).

The main cause of the increase in funds were 2,307 million yen for depreciation and amortization expenses which are non-fund expenses and a decrease of 966 million yen in trade receivables; the main cause of the decrease in funds was 1,005 million yen for payment of corporate income taxes.

(Cash flow from investment activities)

Net cash used in investing activities was 588 million yen (expenditures of 1,279 million yen during the same period of the previous year).

The main itemization breakdown for expenditures was 960 million yen for acquisition of tangible fixed assets and investment property, and the main itemization breakdown for income was 631 million yen from the acquisition of control of a subsidiary following a change in the scope of consolidation.

(Cash flow from financing activities)

Funds used as a result of financing activities was 1,493 million yen (expenditures of 2,853 million yen during the same period of the previous year).

The main itemization breakdown for expenditures were 1,529 million yen lease liabilities payments and 646 million yen for dividends.

(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 5, 2021.

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, 2021)	End of the consolidated accounting period of the second quarter (December 31, 2021)
Assets		
Current assets		
Cash and cash equivalents	5,904	6,960
Trade and other receivables	12,914	12,286
Inventories	927	1,614
Other financial assets	7	218
Other current assets	306	368
Total current assets	20,060	21,447
Non-current assets		
Tangible fixed assets	21,895	20,931
Goodwill and intangible assets	2,320	2,249
Investment properties	3,262	3,208
Investment accounting processed with equity method	788	445
Other financial assets	1,686	1,678
Other non-current assets	541	475
Deferred tax assets	379	376
Total non-current assets	30,875	29,364
Total assets	50,935	50,812

(Units: Million yen)

	End of the previous consolidated accounting year (June 30, 2021)	End of the consolidated accounting period of the second quarter (December 31, 2021)
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payable	6,283	6,936
Loans	1,572	2,270
Lease liabilities	3,066	2,790
Income taxes payable, etc.	1,161	542
Other current liabilities	2,735	2,625
Total current liabilities	14,819	15,165
Non-current liabilities		
Loans	22	7
Lease liabilities	5,964	4,743
Other financial liabilities	80	81
Retirement benefits liabilities	962	896
Other non-current liabilities	308	316
Deferred tax liabilities	478	581
Total non-current liabilities	7,817	6,627
Total liabilities	22,636	21,793
Equity		
Capital	3,390	3,390
Capital surplus	3,437	3,450
Treasury stock	△681	△667
Other components of funds	324	324
Retained earnings	21,809	22,024
Total equity attributing to the equity shareholders of the company	28,280	28,523
Non-controlling interest	18	495
Total Equity	28,298	29,019
Total liabilities and equity	50,935	50,812

(2) Summary of quarterly consolidated profit and loss statement

(Units: Million yen)

	Consolidated cumulative period for the previous second quarter (from July 1, 2020 to December 31, 2020)	Consolidated cumulative period of this second quarter (from July 1, 2021 to December 31, 2021)
Sales revenue	43,768	46,424
Cost of sales	△37,413	△40,484
Gross Profit	6,355	5,939
Selling, general and administrative expenses	△4,309	△4,628
Other income	710	115
Other expenses	△173	△82
Operating profit	2,582	1,344
Financial profit	6	38
Financial expenses	△21	△19
Investment gain / loss through equity method	26	0
Profit before tax	2,594	1,363
Corporate income tax expenses	△825	△546
Profits of the quarter	1,768	817
Attribution of the profits of the quarter:		
Equity shareholders of the company	1,774	822
Non-controlling interest	△5	△4
Profits of the quarter	1,768	817
Quarterly earnings per share		
Basic quarterly earnings per share (yen)	106.00	48.92
Diluted quarterly earnings per share (yen)	105.79	48.86

(3) Summary of quarterly consolidated statement of comprehensive income

(Units: Million yen)

	Consolidated cumulative period for the previous second quarter (from July 1, 2020 to December 31, 2020)	Consolidated cumulative period of this second quarter (from July 1, 2021 to December 31, 2021)
Profits of the quarter	1,768	817
Other comprehensive income		
Items not transferring over to profit or loss:		
Remeasurement of defined benefit system	107	40
Financial assets measured by fair value through other comprehensive profits	25	△25
Total of the items not transferring over to profit or loss	133	15
Items which may be transferred over to profit or loss		
Conversion difference of business activities overseas	—	72
Other comprehensive income equity of affiliated company accounted for by the equity method	2	△21
Total of the items which may be transferred over to profit or loss	2	50
Other comprehensive income after tax deduction	135	65
Comprehensive income of the quarter	1,904	883
Attribution of the comprehensive income for the quarter:		
Equity shareholders of the company	1,910	862
Non-controlling interest	△5	20
Comprehensive income of the quarter	1,904	883

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

Consolidated cumulative period for the previous second quarter (from July 1, 2020 to December 31, 2020)

(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, 2020	3,390	3,394	△681	△108	179	—	70	18,690	24,864	29	24,894
Profits of the quarter							—	1,774	1,774	△5	1,768
Other comprehensive income				2	25	107	135		135		135
Comprehensive income of the quarter	—	—	—	2	25	107	135	1,774	1,910	△5	1,904
Dividends of the surplus							—	△340	△340		△340
Acquisition of treasury stock			△0				—		△0		△0
Share-based payment transactions, etc.		29					—		29		29
Transfer from other capital component to Retained earnings						△107	△107	107	—		—
Total transactions, etc. with the owners	—	29	△0	—	—	△107	△107	△232	△311	—	△311
Balance on December 31, 2020	3,390	3,423	△681	△106	204	—	98	20,232	26,463	23	26,487

Consolidated cumulative period of this second quarter (from July 1, 2021 to December 31, 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							—	822	822	△4	817
Other comprehensive income				25	△25	40	40		40	25	65
Comprehensive income of the quarter	—	—	—	25	△25	40	40	822	862	20	883
Dividends of the surplus							—	△646	△646		△646
Acquisition of treasury stock			△0				—		△0		△0
Share-based payment transactions, etc.		13	13				—		26		26
Transfer from other capital component to Retained earnings						△40	△40	40	—		—
Changes in scope of consolidation							—		—	457	457
Total transactions, etc. with the owners	—	13	13	—	—	△40	△40	△606	△620	457	△162
Balance on December 31, 2021	3,390	3,450	△667	△5	330	—	324	22,024	28,523	495	29,019

(5) Summary of quarterly consolidated cash flow statements

(Units: Million yen)

	Consolidated cumulative period for the previous second quarter (from July 1, 2020 to December 31, 2020)	Consolidated cumulative period of this second quarter (from July 1, 2021 to December 31, 2021)
Cash flow from operating activities		
Profits of the quarter	1,768	817
Depreciation and amortization costs	2,251	2,307
Interest income and dividend	△6	△22
Interest expense	20	19
Investment gain / loss through equity method	△26	△0
Corporate income tax expenses	825	546
Increase / decrease of trade receivables (△ is an increase)	563	966
Increase / decrease of inventories (△ is an increase)	71	△686
Increase / decrease of trade payables (△ is a decrease)	353	△86
Increase / decrease in retirement benefits liabilities (△ is a decrease)	△110	△2
Other	29	215
Subtotal	5,741	4,075
Interest and dividend received	6	22
Interest paid	△20	△19
Corporate income tax paid	△832	△1,005
Cash flow from operating activities	4,894	3,073
Cash flow from investment activities		
Payment for acquisition of tangible fixed assets and investment properties	△1,084	△960
Proceed from sales of tangible fixed assets and investment properties	24	2
Payment for intangible assets	△51	△38
Proceeds from acquisition of investments in subsidiaries resulting in change in scope of consolidation	—	631
Other	△166	△224
Cash flow from investment activities	△1,279	△588

(Units: Million yen)

	Consolidated cumulative period for the previous second quarter (from July 1, 2020 to December 31, 2020)	Consolidated cumulative period of this second quarter (from July 1, 2021 to December 31, 2021)
Cash flow from financing activities		
Net increase or decrease of short-term loans (Δ is a decrease)	$\Delta 835$	700
Repayment of long-term loans	$\Delta 31$	$\Delta 17$
Repayment of lease debts	$\Delta 1,646$	$\Delta 1,529$
Payment for acquisition of treasury stock	$\Delta 0$	$\Delta 0$
Dividend paid	$\Delta 340$	$\Delta 646$
Cash flow from financing activities	$\Delta 2,853$	$\Delta 1,493$
Effect of exchange rate changes on cash and cash equivalents	—	64
Increase / decrease in of cash and cash equivalents (Δ is a decrease)	761	1,055
Cash and cash equivalents at the beginning of the year	4,779	5,904
Balance of cash and cash equivalents at the end of the quarter	5,541	6,960

(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 for the previous second quarter (from July 1, 2020 to December 31, 2020)

(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	26,249	8,996	2,835	5,687	43,768	—	43,768
Sales revenue between segments	24	351	237	—	612	$\Delta 612$	—
Total	26,273	9,347	3,072	5,687	44,381	$\Delta 612$	43,768
Segment profit (operating profit)(Δ is loss)	2,693	608	348	$\Delta 90$	3,560	$\Delta 977$	2,582

(Note). The $\Delta 977$ million yen adjustment amount in the segment profits includes the total company cost $\Delta 977$ 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 this second quarter (from July 1, 2021 to December 31, 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	24,647	9,617	3,141	9,017	46,424	—	46,424
Sales revenue between segments	36	462	59	—	559	△559	—
Total	24,683	10,080	3,201	9,017	46,983	△559	46,424
Segment profit (operating profit)	1,695	234	499	40	2,470	△1,125	1,344

(Note). The △1,125 million yen adjustment amount in the segment profits includes the total company cost △1,125 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.

(Matters concerning changes in reporting segment)

From the first quarter consolidated accounting period, our group acquired an additional equity interest in Zero Scm Logistics (Beijing) Co., Ltd., which had been an equity-method affiliate and made it a consolidated subsidiary, and has strengthened its management system to further promote overseas business development. As a result, the "overseas-related business" segment has been added to the reporting segments, and the used vehicle export business, which was previously included in the "automobile-related businesses" segment, and the CKD business, which was previously included in the "general cargo business" segment, have been reclassified into the "overseas-related business" segment. In addition, the automobile related businesses has been changed to the domestic automotive related businesses.

Furthermore, the segment information for the consolidated cumulative period for the previous second quarter is provided based on the new reporting segment classifications.

(Business Combination)

Consolidated cumulative period of this second quarter (from July 1, 2021 to December 31, 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	△521
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 and other comprehensive income statements for the reporting period amounted to 1,738 million yen and 3 million yen, respectively.