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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 nine-month period ended 31 March 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, 12 May 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 Third Quarter Ending of the Fiscal Year June 30, 2022 [Based on IFRS]

May 12, 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

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Scheduled Date of Submission of Quarterly Report : May 13, 2022

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 third quarter ending of the fiscal year June 30, 2022 (From July 1, 2021 to March 31, 2022)

### (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	%
3Q FY2021	76,523	11.0	2,906	Δ30.9	2,943	Δ30.2	1,903	Δ34.3	1,906	Δ34.4	2,006	Δ40.8
3Q FY2020	68,947	Δ4.0	4,207	22.3	4,220	22.2	2,897	26.8	2,905	27.7	3,389	63.3

	Basic quarterly earnings per share		Diluted quarterly earnings per share	
	Yen		Yen	
3Q FY2021	113.42		113.24	
3Q FY2020	173.53		173.05	

### (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	%
3Q FY2021	54,746	29,906	29,376	53.7
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)				25.20	40.20

(Note) Amendment from the most recently announced dividend forecast: Yes

## 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	102,000	10.7	4,050	Δ24.0	4,050	Δ24.6	2,700	Δ25.5	160.67

(Note) Revisions from the most recently released business forecast: Yes

※(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)

3Q FY2021	17,560,242 shares	FY2020	17,560,242 shares
3Q FY2021	994,982 shares	FY2020	1,018,911 shares
3Q FY2021	16,804,802 shares	3Q FY2020	16,744,851 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 third quarter has shown signs of recovery in many areas, the recovery in the automobile sector and other sectors has slowed down due to the impact of the new waves of the COVID-19 pandemic and partial production cutbacks in semiconductors and other products due to supply constraints.

In the domestic automotive market, the total number of new vehicle sales significantly decreased to 83.3% (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 91.8% 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 of unit price of fuel, and a decrease in employment adjustment subsidies compared to the previous consolidated fiscal year.

As a result, the business results of our group are as follows: sales revenue of 76,523 million yen (111.0% compared to the same quarter from the previous year) and operating profit of 2,906 million yen (69.1% compared to the same quarter from the previous year). Also, the profit before taxes was 2,943 million yen (69.8% compared to the same quarter from the previous year), and the profit of the quarter attributable to the equity shareholders of the company was 1,906 million yen (65.6% 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 March of 2021	July of 2021 to March of 2022	Compared to the previous year
Number of new vehicles sold				
Domestic manufacturer	*1	3,610,002	2,998,267	83.1%
(out of this, Nissan Motor)	*1	(394,013)	(338,889)	(86.0%)
Foreign manufacturer	*2	210,580	182,716	86.8%
Total of new vehicle sales		3,820,582	3,180,983	83.3%
Number of registered used cars				
Registered vehicles	*3	2,991,563	2,728,305	91.2%
Light vehicles	*4	2,357,734	2,183,346	92.6%
Total number of used vehicles registered		5,349,297	4,911,651	91.8%
Number of vehicles permanently deleted	*3	175,906	153,326	87.2%

Export		July of 2020 to March of 2021	July of 2021 to March of 2022	Compared to the previous year
New vehicles of domestic manufacturers	*1	3,157,101	2,700,618	85.5%
Used vehicles (registered vehicles)	*5	867,804	981,045	113.0%

\*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

## Fuel retail price

Unit: Yen / L

National average		July of 2020 to March of 2021	July of 2021 to March of 2022	Compared to the previous year
Light oil	*6	117.4	145.1	123.6%
Regular petrol	*6	136.9	165.3	120.7%

\*6 Calculated from statistics of Agency for 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 as well as 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 domestic 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 38,503 million yen (92.1% compared to the same quarter from the previous year), and the segment profit was 3,241 million yen (73.5% 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 crew members, efficient operation of transportation equipment, and promotion of the division of labour in cargo handling.

## (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 driver dispatch business as well as 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 income decreased due to a lower employment adjustment subsidy compared to the previous consolidated fiscal year.

As a result, the sales revenue of the overall human resource business was 14,428 million yen (107.3% compared to the same quarter from the previous year), and the segment profit was 440 million yen (60.8% 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 4,750 million yen (109.8% compared to the same quarter from the previous year), and the segment profit was 767 million yen (129.8% compared to the same quarter from the previous year).

### (4) Overseas Related Businesses

In the used vehicle export business, sales increased significantly due to a surge in demand following the lifting of the lockdown in Malaysia, our main export destination, and increased customer satisfaction, which led to an increase in our market share. 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 consolidated fiscal year, became a subsidiary, resulting in a net increase in sales revenue from this company.

Regarding segment profits, the vehicle transportation business in China posted a loss due to the strong impact of the semiconductor shortage, but the used vehicle export business and CKD business posted higher profits due to increased sales, resulting in an increase in profits in the overall overseas business.

As a result of the above, the sales revenue of the overall overseas business was 18,841 million yen (201.1% compared to the same quarter from the previous year), and segment profit was 131 million yen (segment loss of 46 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 1,674 million yen.

## (2) Explanation regarding financial position

### (1) Status of assets, liabilities, and equity

#### (Assets)

Current assets increased by 5,766 million yen (28.7%) compared to the end of the previous consolidated fiscal year to 25,826 million yen.

This was mainly because cash and cash equivalents decreased by 678 million yen, but the operating receivables and other receivables increased by 4,440 million yen and inventories increased by 1,505 million yen.

Non-current assets decreased by 1,954 million yen (6.3%) compared to the end of the previous consolidated fiscal year to 28,920 million yen.

This was mainly due to a decrease of tangible fixed assets of 1,326 million yen resulting from amortization of assets of right to use, etc.

As a result, total assets increased by 3,811 million yen (7.5%) compared to the previous consolidated fiscal year to 54,746 million yen.

#### (Liabilities)

Current liabilities increased by 3,970 million yen (26.8%) compared to the end of the previous consolidated fiscal year to 18,789 million yen.

This was mainly due to short-term borrowings increasing by 3,097 million yen, and an increase of 2,353 million in trade and other payables, while income taxes payable decreased by 710 million yen.

Non-current liabilities decreased by 1,767 million yen (22.6%) compared to the end of the previous consolidated fiscal year to 6,050 million yen.

This was mainly due to a decrease of 1,867 million yen in lease liabilities.

As a result, total liabilities increased by 2,203 million yen (9.7%) compared to the end of the previous consolidated fiscal year to 24,840 million yen.

(Equity)

Total equity increased by 1,607 million yen (5.7%) compared to the end of the previous consolidated fiscal year to 29,906 million yen.

This is mainly because profit margin increased by 993 million yen due to the totalling of the quarter profits.

(2) Cash flow status

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the consolidated accounting period of the third quarter decreased by 678 million yen compared to the end of the previous consolidated accounting fiscal year to 5,226 million yen.

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

(Cash flow from operating activities)

Funds obtained as a result of operating activities were 814 million yen (there was an income of 5,414 million yen during the same period of the previous year).

The main cause of the increase in funds were 3,474 million yen for depreciation and amortization expenses which are non-fund expenses and a increase of 1,194 million yen in trade payables; the main cause of the decrease in funds was 3,122 million yen increase in trade receivables.

(Cash flow from investment activities)

Net cash used in investing activities was 1,527 million yen (expenditures of 2,338 million yen during the same period of the previous year).

The main itemization breakdown for expenditures was 1,688 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 shares of subsidiaries following a change in the scope of consolidation.

(Cash flow from financing activities)

Funds used as a result of financing activities was 96 million yen (expenditures of 3,647 million yen during the same period of the previous year). The main itemization breakdown for expenditures were 2,275 million yen lease liabilities payments and 895 million yen for dividends, while the main itemization breakdown for income was 3,100 million yen net increase for short-term borrowings.

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

Based on the business performance trends during the first three quarters of the current cumulative period, the consolidated business performance forecast for the period ending June 2022 has been revised.

For information on the revision of consolidated earnings forecast, please refer to the "Notice Concerning Revision of Earnings Forecast and Revision of Year-end Dividend Forecast" published on May 12, 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, 2021)	End of the consolidated accounting period of the third quarter (March 31, 2022)
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	5,904	5,226
Trade and other receivables	12,914	17,355
Inventories	927	2,433
Other financial assets	7	425
Other current assets	306	387
<b>Total current assets</b>	<b>20,060</b>	<b>25,826</b>
<b>Non-current assets</b>		
Tangible fixed assets	21,895	20,569
Goodwill and intangible assets	2,320	2,218
Investment properties	3,262	3,176
Investment accounting processed with equity method	788	462
Other financial assets	1,686	1,672
Other non-current assets	541	444
Deferred tax assets	379	377
<b>Total non-current assets</b>	<b>30,875</b>	<b>28,920</b>
<b>Total assets</b>	<b>50,935</b>	<b>54,746</b>

(Units: Million yen)

	End of the previous consolidated accounting year (June 30, 2021)	End of the consolidated accounting period of the third quarter (March 31, 2022)
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payable	6,283	8,637
Loans	1,572	4,670
Lease liabilities	3,066	2,635
Income taxes payable, etc.	1,161	451
Other current liabilities	2,735	2,396
Total current liabilities	14,819	18,789
Non-current liabilities		
Loans	22	—
Lease liabilities	5,964	4,096
Other financial liabilities	80	81
Retirement benefits liabilities	962	951
Other non-current liabilities	308	319
Deferred tax liabilities	478	601
Total non-current liabilities	7,817	6,050
Total liabilities	22,636	24,840
Equity		
Capital	3,390	3,390
Capital surplus	3,437	3,462
Treasury stock	△681	△667
Other components of funds	324	387
Retained earnings	21,809	22,802
Total equity attributing to the equity shareholders of the company	28,280	29,376
Non-controlling interest	18	529
Total Equity	28,298	29,906
Total liabilities and equity	50,935	54,746

## (2) Summary of quarterly consolidated profit and loss statement

(Units: Million yen)

	Consolidated cumulative period for the previous third quarter (from July 1, 2020 to March 31, 2021)	Consolidated cumulative period of this third quarter (from July 1, 2021 to March 31, 2022)
Sales revenue	68,947	76,523
Cost of sales	△58,744	△66,715
Gross Profit	10,202	9,808
Selling, general and administrative expenses	△6,555	△6,963
Other income	796	147
Other expenses	△236	△85
Operating profit	4,207	2,906
Financial profit	10	65
Financial expenses	△30	△28
Investment gain / loss through equity method	32	0
Profit before tax	4,220	2,943
Corporate income tax expenses	△1,322	△1,040
Profits of the quarter	2,897	1,903
Attribution of the profits of the quarter:		
Equity shareholders of the company	2,905	1,906
Non-controlling interest	△7	△2
Profits of the quarter	2,897	1,903
Quarterly earnings per share		
Basic quarterly earnings per share (yen)	173.53	113.42
Diluted quarterly earnings per share (yen)	173.05	113.24

## (3) Summary of quarterly consolidated statement of comprehensive income

(Units: Million yen)

	Consolidated cumulative period for the previous third quarter (from July 1, 2020 to March 31, 2021)	Consolidated cumulative period of this third quarter (from July 1, 2021 to March 31, 2022)
Profits of the quarter	2,897	1,903
Other comprehensive income		
Items not transferring over to profit or loss:		
Remeasurement of defined benefit system	155	△17
Financial assets measured by fair value through other comprehensive profits	311	△37
Total of the items not transferring over to profit or loss	467	△55
Items which may be transferred over to profit or loss		
Conversion difference of business activities overseas	—	163
Other comprehensive income equity of affiliated company accounted for by the equity method	24	△5
Total of the items which may be transferred over to profit or loss	24	158
Other comprehensive income after tax deduction	491	103
Comprehensive income of the quarter	3,389	2,006
Attribution of the comprehensive income for the quarter:		
Equity shareholders of the company	3,397	1,951
Non-controlling interest	△7	54
Comprehensive income of the quarter	3,389	2,006

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

Consolidated accounting period of the third quarter (from July 1, 2020 to March 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, 2020	3,390	3,394	△681	△108	179	—	70	18,690	24,864	29	24,894
Profits of the quarter							--	2,905	2,905	△7	2,897
Other comprehensive income				24	311	155	491		491		491
Comprehensive income of the quarter	--	--	--	24	311	155	491	2,905	3,397	△7	3,389
Dividends of the surplus							--	△588	△588		△588
Acquisition of treasury stock			△0				--		△0		△0
Share-based payment transactions, etc.		43					--		43		43
Transfer from other capital component to Retained earnings						△155	△155	155	--		--
Total transactions, etc. with the owners	--	43	△0	--	--	△155	△155	△433	△545	--	△545
Balance on March 31, 2021	3,390	3,437	△681	△84	491	--	406	21,162	27,716	21	27,738

Consolidated cumulative period of this third quarter (from July 1, 2021 to March 31, 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, 2021	3,390	3,437	△681	△31	355	—	324	21,809	28,280	18	28,298
Profits of the quarter							--	1,906	1,906	△2	1,903
Other comprehensive income				101	△37	△17	45		45	57	103
Comprehensive income of the quarter	--	--	--	101	△37	△17	45	1,906	1,951	54	2,006
Dividends of the surplus							--	△895	△895		△895
Acquisition of treasury stock			△0				--		△0		△0
Share-based payment transactions, etc.		25	13				--		39		39
Transfer from other capital component to Retained earnings					△0	17	16	△16	--		--
Changes in scope of consolidation							--		--	457	457
Total transactions, etc. with the owners	--	25	13	--	△0	17	16	△912	△855	457	△398
Balance on March 31, 2022	3,390	3,462	△667	70	317	--	387	22,802	29,376	529	29,906

## (5) Summary of quarterly consolidated cash flow statements

(Units: Million yen)

	Consolidated cumulative period for the previous third quarter (from July 1, 2020 to March 31, 2021)	Consolidated cumulative period of this third quarter (from July 1, 2021 to March 31, 2022)
<b>Cash flow from operating activities</b>		
Profits of the quarter	2,897	1,903
Depreciation and amortization costs	3,418	3,474
Interest income and dividend	△9	△35
Interest expense	29	28
Investment gain / loss through equity method	△32	△0
Corporate income tax expenses	1,322	1,040
Increase / decrease of trade receivables (△ is an increase)	△1,490	△3,122
Increase / decrease of inventories (△ is an increase)	△424	△1,504
Increase / decrease of trade payables (△ is a decrease)	1,572	1,194
Increase / decrease in retirement benefits liabilities (△ is a decrease)	△126	△7
Other	△253	△565
Subtotal	6,904	2,405
Interest and dividend received	9	35
Interest paid	△29	△28
Corporate income tax paid	△1,469	△1,598
Cash flow from operating activities	5,414	814
<b>Cash flow from investment activities</b>		
Payment for acquisition of tangible fixed assets and investment properties	△2,143	△1,688
Proceed from sales of tangible fixed assets and investment properties	29	3
Payment for intangible assets	△78	△51
Proceeds from acquisition of investments in subsidiaries resulting in change in scope of consolidation	—	631
Other	△145	△422
Cash flow from investment activities	△2,338	△1,527

(Units: Million yen)

	Consolidated cumulative period for the previous third quarter (from July 1, 2020 to March 31, 2021)	Consolidated cumulative period of this third quarter (from July 1, 2021 to March 31, 2022)
Cash flow from financing activities		
Net increase or decrease of short-term loans ( $\Delta$ is a decrease)	$\Delta 535$	3,100
Repayment of long-term loans	$\Delta 44$	$\Delta 25$
Repayment of lease debts	$\Delta 2,478$	$\Delta 2,275$
Payment for acquisition of treasury stock	$\Delta 0$	$\Delta 0$
Dividend paid	$\Delta 588$	$\Delta 895$
Cash flow from financing activities	$\Delta 3,647$	$\Delta 96$
Effect of exchange rate changes on cash and cash equivalents	—	130
Increase / decrease in of cash and cash equivalents ( $\Delta$ is a decrease)	$\Delta 571$	$\Delta 678$
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	4,207	5,226

(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 accounting period of the third quarter (from July 1, 2020 to March 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	41,807	13,445	4,326	9,368	68,947	—	68,947
Sales revenue between segments	39	746	360	—	1,146	△1,146	—
Total	41,846	14,192	4,686	9,368	70,093	△1,146	68,947
Segment profit (operating profit)(△ is loss)	4,412	724	591	△46	5,682	△1,474	4,207

(Note). The △1,474 million yen adjustment amount in the segment profits includes the total company cost △1,475 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 third quarter (from July 1, 2021 to March 31, 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	38,503	14,428	4,750	18,841	76,523	—	76,523
Sales revenue between segments	66	833	88	—	988	△988	—
Total	38,569	15,261	4,839	18,841	77,512	△988	76,523
Segment profit (operating profit)	3,241	440	767	131	4,580	△1,673	2,906

(Note). The △1,673 million yen adjustment amount in the segment profits includes the total company cost △1,674 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 third quarter is provided based on the new reporting segment classifications.



(Business Combination)

Consolidated cumulative period of this third quarter (from July 1, 2021 to March 31, 2022)

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 statements for the reporting period amounted to 2,639 million yen and 4 million yen, respectively.