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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 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, 11 November 2021

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 First Quarter Ending of the Fiscal Year June 30, 2022 [Based on IFRS]

November 11, 2021

Company name: ZERO CO., LTD.
 Stock code: 9028 URL: <http://www.zero-group.co.jp/>
 Representative: President & CEO
 Inquiries: Director and Manager of Group Strategies Headquarters
 Scheduled Date of Submission of Quarterly Report: November 12, 2021
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: No

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

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

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes)

	Sales revenue		Operating income		Profit before tax		Quarterly income		Profit attributable to equity shareholders of the company		Total comprehensive income of the quarter	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1Q FY2021	21,596	0.8	627	Δ59.9	637	Δ59.4	384	Δ65.1	392	Δ64.3	227	Δ79.4
1Q FY2020	21,432	Δ6.5	1,565	28.6	1,568	28.1	1,100	36.8	1,101	37.1	1,105	40.7

	Basic quarterly earnings per share		Diluted quarterly earnings per share	
	Yen		Yen	
1Q FY2021	23.38		23.37	
1Q FY2020	65.79		65.71	

(2) Consolidated financial position

	Total assets		Total capital		Equity attributable to equity shareholders of the company		Equity ratio attributable to equity shareholders of the company	
	Millions of yen		Millions of yen		Millions of yen		%	
1Q FY2021	49,858		28,349		27,879		55.9	
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
FY2020	---	Yen 15.00	---	Yen 39.10	Yen 54.10
FY2021	---				
FY2021 (forecast)		15.00		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)

1Q FY2021	17,560,242 shares	FY2020	17,560,242 shares
1Q FY2021	1,018,943 shares	FY2020	1,018,911 shares
1Q FY2021	16,804,810 shares	1Q FY2020	16,744,873 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.

Attached Documents – Table of Contents

1. Qualitative information on the quarterly financial results.....	2
(1) Explanation regarding the operating results	2
(2) Explanation regarding financial position.....	3
(3) Explanation regarding the future forecast information such as consolidated business forecast	4
2. Summary of the consolidated financial statements and major notes.....	5
(1) Summary of quarterly consolidated statement of financial position.....	5
(2) Summary of quarterly consolidated profit and loss statement.....	7
(3) Summary of quarterly consolidated statement of comprehensive income.....	8
(4) Summary of quarterly consolidated statement of changes in equity.....	9
(5) Summary of quarterly consolidated cash flow statements.....	10
(6) Notes regarding summary of quarterly consolidated financial statements.....	12
(Notes on going concern assumption).....	13
(Segment information).....	13
(Business combination)	14

1. Qualitative information on the quarterly financial results

(1) Explanation regarding the operating results

Japan's economy during the consolidated cumulative period of the first quarter continued has been on a recovery trend in many areas, but there were some areas where the recovery trend was stagnant due to the impact of the fifth wave of the COVID-19 Pandemic and some production cutbacks due to supply constraints.

In the domestic automotive market, the total number of new vehicles sales decreased to 85.2% (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). Due to the shortage of semiconductors and the re-emergence of COVID-19 Pandemic in Southeast Asia resulting in a significant impact on the reduction of automobile production due to shortages in the supply of automobile parts. The number of registered used cars also decreased to 91.8% compared to the same quarter from the previous year, due to the decrease in trade-in vehicles caused by the slump in new vehicles sales, and a decline in demand as a result of the rising used vehicles market.

Although sales revenue increased due to the addition of Zero Scm Logistics (Beijing) Co., Ltd. as a consolidated subsidiary during on July 1, 2021, operating profit decreased due to a decline in the number of vehicles transported on consignment as a result of the slump in automobile distribution, soaring fuel unit prices, and the loss of employment adjustment subsidies from the same quarter from the previous year.

As a result, our group posted sales revenue of 21,596 million yen (100.8% compared to the same quarter from the previous year) and operating profit of 627 million yen (40.1% compared to the same quarter from the previous year). Also, the profit before taxes was 637 million yen (40.6% compared to the same quarter from the previous year), and the profit of the quarter attributable to the equity shareholders of the company was 392 million yen (35.7% 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 September of 2020	July of 2021 to September of 2021	Compared to the previous year
Number of new vehicles sold				
Domestic manufacturer	*1	1,124,367	949,155	84.4%
(out of this, Nissan Motor)	*1	(119,995)	(106,035)	(88.4%)
Foreign manufacturer	*2	68,123	66,361	97.4%
Total of new vehicle sales		1,192,490	1,015,516	85.2%
Number of used vehicle registrations				
Registered vehicles	*3	983,255	879,665	89.5%
Light vehicles	*4	722,738	686,875	95.0%
Total number of used vehicles registered		1,705,993	1,566,540	91.8%
Number of vehicles permanently deleted	*3	42,037	36,612	87.1%

Export		July of 2020 to September of 2020	July of 2021 to September of 2021	Compared to the previous year
New vehicles of domestic manufacturers	*1	939,077	826,996	88.1%
Used vehicles (registered vehicles)	*5	270,030	332,956	123.3%

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

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

The segment business results are as follows.

Effective from the consolidated accounting period of the first quarter, Zero Scm Logistics (Beijing) Co., Ltd. was included in the scope of consolidation, which was previously a jointly controlled company accounted for by the equity method, and the report segment "Overseas Related Businesses" was added. The automobile related businesses has been changed to the domestic automotive related businesses.

The classification of reporting segments has been changed since the consolidated accounting period of the first quarter, and the following comparisons with the same quarter of the previous year are based on comparative analysis using figures for the same quarter of the previous year that have been reclassified to reflect the new segment classification.

(1) Domestic automotive related businesses

For vehicle transportation business, which is the core business, revenue decreased due to the decline in the number of vehicles transported on consignment as a result of the slump in new vehicle sales and used vehicle registrations. In the maintenance business, revenue decreased due to a decline in the number of pre-delivery maintenance and inspection orders as a result of the slump in new vehicle sales, and overall sales in the automobile related business also decreased.

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, from the external customers sales in the automobile related businesses was 12,246 million yen (95.4% compared to the same quarter from the previous year), and the segment profit was 856 million yen (58.1% compared to the same quarter from the previous year).

In the vehicle transportation business, we will continue to respond to "Digitization," "Greening," and the "New Normal". In the area of Digitization, we have set up the Transportation Digitization Promotion Office to promote the the construction of a system that enables systematic distribution.

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 introduce the equipment sequentially starting this year.

Regarding New Normal, we are striving to reduce overtime work as the Labor Reform Law will be applied to the automobile operation business in 2024, and at the same time, we will implement various measures such as promoting the division of labor to maintain our transportation capacity.

(2) Human resource businesses

Revenue in the pickup service business increased as the business continued to recover from the impact of the COVID-19 Pandemic, and revenues from the dispatch business and airport related business increased as these businesses are recovering from the previous year, when they were affected by the hiring freeze from the dispatch clients due to the COVID-19 Pandemic. Segment profit decreased due to the fact that employment adjustment subsidies were recorded in the same quarter from the previous year.

As a result, from the external customers sales revenue of the overall human resource business was 4,680 million yen (105.8% compared to the same quarter from the previous year), and the segment profit was 135 million yen (29.7% compared to the same quarter from the previous year).

(3) General cargo business

Revenue in the port cargo handling business decreased due to the absence of cargo handling for biomass power generation plants, which had been contracted in the previous year, but in the transport / warehousing business, revenue increased due to the acquisition of new customers, resulting in an overall increase in revenue in the general cargo business. Regarding segment profit, the port cargo handling business saw an increase in profit due to the full-scale operation of biomass power generation fuel cargo handling, and the transport / warehousing business saw an increase in profit due to rate revisions and withdrawal from unprofitable businesses, as well as the successful acquisition of new customers, so the overall general cargo business posted an increase in segment profit as well.

As a result, from the external customers sales revenue of the overall general cargo business was 1,461 million yen (108.6% compared to the same quarter from the previous year), and the segment profit was 191 million yen (147.7% compared to the same quarter from the previous year).

(4) Overseas Related Businesses

There was a decrease in revenue in the used vehicle export business due to the impact of the lockdown in

Malaysia, a major export destination, but there was an increase in revenue in the CKD business from the 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 the consolidated accounting period of the first quarter, resulting in a net increase in its sales revenue.

Regarding segment profit, the used vehicle export business recorded a decrease in profit due to a decrease in revenue, while the CKD business recorded an increase in profit due to the increased revenue. In addition, the vehicle transportation business in China was strongly affected by the semiconductor shortage, and as a result of the decrease in profit, the overall overseas related business also saw a decrease in profit.

As a result, from the external customers sales revenue of the overall overseas related business was 3,209 million yen (113.6% compared to the same quarter from the previous year), and the segment loss was 29 million yen (segment profit of 6 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 financial statements for the quarter," and totalled 526 million yen.

(2) Explanation regarding financial position

(1) Status of assets, liabilities, and equity

(Assets)

Current assets decreased 249 million yen (1.2%) compared to the end of the previous consolidated fiscal year and were 19,811 million yen.

This was mainly because cash and cash equivalents increased by 141 million yen, but the operating receivables and other receivables decreased by 310 million yen and inventories decreased by 248 million yen.

Non-current assets decreased by 828 million yen (2.7%) compared to the end of the previous consolidated fiscal year to 30,047 million yen.

This was mainly due to a decrease of tangible fixed assets of 440 million yen resulting from a decrease of assets of right to use, etc.

As a result, total assets decreased by 1,077 million yen (2.1%) compared to the previous consolidated fiscal year to 49,858 million yen.

(Liabilities)

Current Liabilities decreased 677 million yen (4.6%) compared to the end of the previous consolidated fiscal year to 14,141 million yen.

This was mainly due to an increase of 506 million yen in trade and other payables, but a decrease of 870 million yen in income taxes payable and 196 million yen in other current liabilities.

Non-current liabilities decreased 451 million yen (5.8%) compared to the end of the previous consolidated fiscal year to 7,366 million yen.

This was mainly due to a decrease of 671 million yen in lease liabilities.

As a result, total liabilities decreased by 1,128 million yen (5.0%) compared to the end of the previous consolidated fiscal year to 21,508 million yen.

(Equity)

Total equity increased by 51 million yen (0.2%) compared to the end of the previous consolidated fiscal year to 28,349 million yen.

This was mainly due to an increase in non-controlling interests of 452 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 first quarter increased by 141 million yen compared to the end of the previous consolidated accounting fiscal year to 6,045 million yen.

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

(Cash flow from operating activities)

Funds obtained as a result of operating activities were 1,411 million yen (there was an income of 949

million yen during the same period of the previous year).

The main cause of the increase in funds were 1,150 million yen for depreciation and amortization expenses which are non-fund expenses and a decrease of 590 million yen in trade receivables; the main cause of the decrease in funds was 1,081 million yen for payment of corporate income taxes.

(Cashflow through investment activities)

Net cash obtained from investment activities was 143 million yen (expenditures of 706 million yen during the same period of the previous year).

The main itemization breakdown for expenditures was 525 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.

(Cashflow through financing activities)

Funds used as a result of financing activities was 1,429 million yen (expenditures of 1,260 million yen during the same period of the previous year).

The main itemization breakdown for expenditures were 773 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 6, 2021.

2. Summary of the consolidated financial statements and major notes

(1) Summary of quarterly consolidated statement of financial position

(Unit: million yen)

	End of the previous consolidated accounting year (June 30, 2021)	End of the consolidated accounting period of the first quarter (September 30, 2021)
Assets		
Current assets		
Cash and cash equivalents	5,904	6,045
Trade and other receivables	12,914	12,603
Inventories	927	678
Other financial assets	7	6
Other current assets	306	476
Total current assets	20,060	19,811
Non-current assets		
Tangible fixed assets	21,895	21,455
Goodwill and intangible assets	2,320	2,285
Investment properties	3,262	3,239
Investment accounting processed with equity method	788	460
Other financial assets	1,686	1,746
Other non-current assets	541	473
Deferred tax assets	379	386
Total non-current assets	30,875	30,047
Total assets	50,935	49,858

(Unit: million yen)

	End of the previous consolidated accounting year (June 30, 2021)	End of the consolidated accounting period of the first quarter (September 30, 2021)
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payable	6,283	6,790
Loans	1,572	1,571
Lease liabilities	3,066	2,950
Income taxes payable, etc.	1,161	290
Other current liabilities	2,735	2,538
Total current liabilities	14,819	14,141
Non-current liabilities		
Loans	22	15
Lease liabilities	5,964	5,292
Other financial liabilities	80	81
Retirement benefits liabilities	962	1,246
Other non-current liabilities	308	314
Deferred tax liabilities	478	416
Total non-current liabilities	7,817	7,366
Total liabilities	22,636	21,508
Equity		
Capital	3,390	3,390
Capital surplus	3,437	3,450
Treasury stock	△681	△681
Other components of funds	324	369
Retained earnings	21,809	21,348
Total equity attributable to the equity shareholders of the company	28,280	27,879
Non-controlling interests	18	470
Total equity	28,298	28,349
Total liabilities and equity	50,935	49,858

(2) Summary of quarterly consolidated profit and loss statement

(Unit: million yen)

	Consolidated cumulative period for the previous first quarter (from July 1, 2020 to September 30, 2020)	Consolidated cumulative period of this first quarter (from July 1, 2021 to September 30, 2021)
Sales revenue	21,432	21,596
Cost of sales	△18,248	△18,734
Gross Profit	3,184	2,862
Selling, general and administrative expenses	△2,142	△2,290
Other income	532	70
Other expenses	△8	△14
Operating profit	1,565	627
Financial profit	6	18
Financial expenses	△10	△9
Investment gain / loss through equity method	7	1
Profit before tax	1,568	637
Corporate income tax expenses	△467	△253
Profits of the quarter	1,100	384
Attribution of the profits of the quarter:		
Equity shareholders of the company	1,101	392
Non-controlling interests	△1	△8
Profits of the quarter	1,100	384
Quarterly earnings per share		
Basic quarterly earnings per share (yen)	65.79	23.38
Diluted quarterly earnings per share (yen)	65.71	23.37

(3) Summary of quarterly consolidated statement of comprehensive income

(Unit: million yen)

	Consolidated cumulative period for the previous first quarter (from July 1, 2020 to September 30, 2020)	Consolidated cumulative period of this first quarter (from July 1, 2021 to September 30, 2021)
Profits of the quarter	1,100	384
Other comprehensive income		
Items not transferring over to profit or loss:		
Remeasurement of defined benefit system	34	Δ206
Financial assets measured by fair value through other comprehensive income	Δ42	45
Total of the items not transferring over to profit or loss	Δ8	Δ161
Items which may be transferred over to profit or loss		
Conversion difference of business activities overseas	—	12
Other comprehensive income equity of affiliated company accounted for by the equity method	13	Δ8
Total of the items which may be transferred over to profit or loss	13	4
Other comprehensive income after tax deduction	5	Δ156
Comprehensive income of the quarter	1,105	227
Attribution of the comprehensive income for the quarter:		
Equity shareholders of the company	1,106	231
Non-controlling interests	Δ1	Δ4
Comprehensive income of the quarter	1,105	227

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

Consolidated cumulative period of the previous first quarter (from July 1, 2020 to September 30, 2020)

(Unit: million yen)

	Equity attributable to equity shareholders of the company								Non-controlling interests	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							—	1,101	1,101	△1	1,100
Other comprehensive income				13	△42	34	5		5		5
Comprehensive income of the quarter	—	—	—	13	△42	34	5	1,101	1,106	△1	1,105
Dividends of surplus							—	△340	△340		△340
Share-based payment transactions, etc.		14					—		14		14
Transfer from other capital component to Retained earnings						△34	△34	34	—		—
Total transactions, etc. with the owners	—	14	—	—	—	△34	△34	△306	△326	—	△326
Balance on September 30, 2020	3,390	3,408	△681	△95	136	—	41	19,485	25,645	28	25,673

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

(Unit: million yen)

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

(5) Summary of quarterly consolidated cash flow statements

(Unit: million yen)

	Consolidated cumulative period for the previous first quarter (from July 1, 2020 to September 30, 2020)	Consolidated cumulative period of this first quarter (from July 1, 2021 to September 30, 2021)
Cash flow from operating activities		
Profits of the quarter	1,100	384
Depreciation and amortization costs	1,099	1,150
Interest income and dividend	△5	△17
Interest expense	10	9
Investment gain / loss through equity method	△7	△1
Corporate income tax expenses	467	253
Increase / decrease of trade receivables (△ is an increase)	△357	590
Increase / decrease of inventories (△ is an increase)	△344	249
Increase / decrease of trade payables (△ is a decrease)	530	56
Increase / decrease in retirement benefits liabilities (△ is a decrease)	△63	6
Other	△619	△196
Subtotal	1,810	2,485
Interest and dividend received	5	17
Interest paid	△10	△9
Corporate income tax paid	△855	△1,081
Cash flow from operating activities	949	1,411
Cashflow through investment activities		
Payment for acquisition of tangible fixed assets and investment properties	△558	△525
Proceed from sales of tangible fixed assets and investment properties	22	0
Payment for intangible assets	△31	△15
Proceeds from acquisition of investments in subsidiaries resulting in change in scope of consolidation	—	631
Other	△139	51
Cashflow through investment activities	△706	143

(Unit: million yen)

	Consolidated cumulative period for the previous first quarter (from July 1, 2020 to September 30, 2020)	Consolidated cumulative period of this first quarter (from July 1, 2021 to September 30, 2021)
Cash flow through financing activities		
Net increase or decrease of short-term loans (Δ is a decrease)	$\Delta 100$	—
Repayment of long-term loans	$\Delta 15$	$\Delta 8$
Repayment of lease debts	$\Delta 804$	$\Delta 773$
Expenditures from acquisition of treasury stock	—	$\Delta 0$
Dividend paid	$\Delta 340$	$\Delta 646$
Cash flow through financing activities	$\Delta 1,260$	$\Delta 1,429$
Effect of exchange rate changes on cash and cash equivalents	—	15
Increase / decrease in of cash and cash equivalents (Δ is a decrease)	$\Delta 1,017$	141
Cash and cash equivalents at the beginning of the quarter	4,779	5,904
Balance of cash and cash equivalents at the end of the quarter	3,761	6,045

(6) Notes regarding summary of quarterly consolidated financial statements

(Notes on going concern assumption)

There are no applicable matters.

(Segment information)

The segment information of our group is as follows.

Consolidated cumulative period of the previous first quarter (from July 1, 2020 to September 30, 2020)

(Unit: million yen)

	Domestic automotive related businesses	Human resource business	General cargo business	Overseas Related Business	Total	Adjustment amount (note)	Total amount on the quarterly consolidated financial statements
Sales revenue							
Sales from external customers	12,839	4,421	1,345	2,825	21,432	—	21,432
Sales between segments	12	160	117	—	290	△290	—
Total	12,851	4,581	1,463	2,825	21,722	△290	21,432
Segment profit (operating profit)	1,473	456	129	6	2,065	△499	1,565

(Note) The △499 million yen adjustment amount in the segment profits includes the total company cost △499 million yen and 0 million yen of transaction elimination between segments. The total company cost is an expense related to the management divisions of our company not belonging to the reporting segment.

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

(Unit: million yen)

	Domestic automotive related businesses	Human resource business	General cargo business	Overseas Related Business	Total	Adjustment amount (note)	Total amount on the quarterly consolidated financial statements
Sales revenue							
Sales from external customers	12,246	4,680	1,461	3,209	21,596	—	21,596
Sales between segments	14	239	33	—	288	△288	—
Total	12,260	4,919	1,495	3,209	21,885	△288	21,596
Segment profit (operating profit) (△is loss)	856	135	191	△29	1,153	△526	627

(Note) The △526 million yen adjustment amount in the segment profits includes the total company cost △526 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)

Effective from the consolidated accounting period of the first quarter, our company acquired a portion of the equity interest in Zero Scm Logistics (Beijing) Co., Ltd., an equity-method jointly controlled company, and made it a consolidated subsidiary. As a result, the "Overseas Related Business" segment was added to the reporting segment. In addition, the Automobile Related Business segment was changed to the Domestic Automotive Related Business segment.

With the addition of this reporting segment, the overseas vehicle export business which was previously included in

the "Automobile Related Business" and the CKD business previously included in the "General Cargo Business" segment, have been changed to the "Overseas Related Business" segment, as they are more strongly affected by overseas market. Also, effective from the consolidated accounting period of the first quarter, the allocation method of selling, general and administrative expenses has been changed in order to more appropriately evaluate the performance of each segment.

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

(Information on Segment Assets)

As a result of making Zero Scm Logistics (Beijing) Co., Ltd. a consolidated subsidiary during the first quarter of the consolidated accounting period, which was previously accounted for by the equity method, the segment assets of overseas related businesses will increase by 2,037 million yen as of the beginning of this consolidated accounting year.

In addition, the assets of World Windows Corp., of 5,038 million yen, which were in the domestic automobile related business until the previous consolidated accounting year, will be reclassified into segment assets of the overseas related businesses.

(Business combination)

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

On July 1, 2021, the Company acquired a partial equity stake (40%) of Zero Scm Logistics (Beijing) Co., Ltd., an equity-method affiliate, and made it a subsidiary.

(1) Overview of business combination

① Name of the acquired company and the content of its business

Name of the acquired company	Zero Scm Logistics (Beijing) Co., Ltd
The content of its business	Vehicle transportation business in China

② Date of acquisition

On July 1, 2021

③ Percentage of Capital Equity with Voting Rights Acquired

Voting rights ratio owned immediately before the acquisition date	25%
Voting rights ratio acquired additionally on the acquisition date	40%
Voting rights ratio after acquisition	65%

④ Reason for business combination

Since its establishment on April 29, 2004, Zero Scm Logistics has been targeting Japanese and Western automobile manufacturers, focusing on land transportation of finished vehicles in China, as well as transportation within China, including marine transportation and rail transportation. It is our main business. In addition, as related operations, we are also engaged in operations such as customs clearance, storage, and PDI (Pre Delivery Inspection).

Since China, which is the world's largest automobile market, the evolution of CASE and MaaS (Mobility as a Service) and the start of carbon neutralization will guide decision-making and expand the green business. Specifically, it is expected that the used car market will be developed in China as well, so we will consider full-scale entry into used car transportation, and it will be produced in China in the future. Assuming that electric vehicles will be imported to Japan, the Zero Group has an integrated domestic and overseas transportation system (transportation of finished vehicles in China → export customs clearance → sea transportation → import customs clearance → transportation of finished vehicles in Japan, PDI, installation · Registration, delivery, etc.) will be considered.

⑤ How to gain control of the acquired company

Acquisition of equity for cash consideration

(2) Fair value of acquisition consideration, acquired assets and underwritten liabilities as of the acquisition date
(Unit: million yen)

Fair value of acquisition consideration	
Fair value on the acquisition date of the shares of the acquired company held immediately before the acquisition date	326
Fair value of the acquired company shares additionally acquired on the acquisition date	521
Fair value of acquired assets and underwritten liabilities	
Cash and cash equivalents	1,153
Trade receivables 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 of acquired assets and underwritten liabilities (net)	1,306
Non-controlling interest (Note) 1	457
Bargain purchase gain (Note) 2	1

(Note) 1 Non-controlling interests are measured as the ratio of non-controlling interests to the fair value of the acquired company's identifiable net assets.

(Note) 2 Bargain purchase gains are generated because net assets measured at fair value exceed consideration paid, and are included in "Other income" in the summary quarterly consolidated income statement.

(3) Loss on stage acquisition

As a result of re-measuring the equity interest of Zero Scm Logistics, which the Group held immediately before the acquisition date of control, at the fair value at the time of acquisition of control, 0 million yen was recognized as a loss related to the acquisition of control, and a summary quarterly consolidated profit / loss It is included in "Other Expenses" on the statement.

(4) Acquisition-related costs

Acquisition-related expenses related to the business combination are 8 million yen, which are recorded in "Selling, general and administrative expenses" in the summary quarterly consolidated income statement.

(5) Cash flow associated with acquisition

(Unit: million yen)	
Cash and cash equivalents spent on acquisition	△521
Cash and cash equivalents held by the acquired company at the time of acquisition	1,153
Income from acquisition of subsidiary shares due to change in scope of consolidation	631

(6) Impact of business combination on group performance

Summary of reporting period Revenues of 783 million yen and quarterly loss of 20 million yen for the acquired company after the acquisition date recognized in the quarterly consolidated income statement and other comprehensive income statements.