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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 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, 9 February 2023

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, 2023 [Based on IFRS]

February 9, 2023

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: February 10, 2023
 Scheduled date to commence dividend payments: March 10, 2023
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (For analysts)

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

1. Consolidated financial results for the second quarter ending of the fiscal year June 30, 2023 (From July 1, 2022 to December 31, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes)

	Sales revenue		Operating income		Profit before tax		Quarterly income		Profit attributable to equity shareholders of the company		Total comprehensive income of the quarter	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2Q FY2022/2023	64,247	38.4	2,174	61.8	2,172	59.4	1,465	79.3	1,457	77.3	1,411	59.8
2Q FY2021/2022	46,424	6.1	1,344	Δ47.9	1,363	Δ47.4	817	Δ53.8	822	Δ53.7	883	Δ53.6

	Basic quarterly earnings per share		Diluted quarterly earnings per share	
	Yen		Yen	
2Q FY2022/2023	86.54		86.53	
2Q FY2021/2022	48.92		48.86	

(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 FY2022/2023	55,531	31,661	31,142	56.1
FY2021/2022	54,895	30,614	30,067	54.8

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
FY2021/2022	---	15.00	---	22.70	37.70
FY2022/2023	---	15.00			
FY2022/2023 (forecast)				25.80	40.80

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

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

(Percentages indicate year-on-year changes)

	Sales revenue		Operating income		Profit before tax		Profit attributable to equity shareholders of the company		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	119,000	11.2	4,300	9.9	4,300	8.9	2,750	8.4	163.31

(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)

2Q FY2022/2023	17,560,242 shares	FY2021/2022	17,560,242 shares	
② Number of treasury shares at the end of the period	2Q FY2022/2023	956,982 shares	FY2021/2022	994,982 shares
③ Average number of shares during the period (total up to this quarter)	2Q FY2022/2023	16,839,303 shares	2Q FY2021/2022	16,804,805 shares

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

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

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

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1. Qualitative information on the quarterly financial results

(1) Explanation regarding the operating results

Japan's economy during the consolidated cumulative period of the second quarter continued to recover moderately, while affected by high resource prices as the effects of supply constraints on semiconductors and other products eased and the balance between suppressing the COVID-19 Pandemic and economic activities progressed.

In the domestic automobile market, the total number of new vehicle sales increased to 106.6% (statistical data of the Japan Automobile Manufacturers Association) as compared to the consolidated cumulative period of the same quarter from the previous year (hereinafter referred to as the same quarter from the previous year), but it's still low at 88.5% compared to the year before last, due to low domestic production. The number of registered used vehicles decreased to 95.1% compared to the same quarter from the previous year, due to the reluctance to buy as the used vehicle market rises.

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

As a result, the business results of our group are as follows: sales revenue of 64,247 million yen (138.4% compared to the same quarter from the previous year) and operating profit of 2,174 million yen (161.8% compared to the same quarter from the previous year). Also, the profit before taxes was 2,172 million yen (159.4% compared to the same quarter from the previous year), and the profit of the quarter attributable to the equity shareholders of the company was 1,457 million yen (177.3% compared to the same quarter from the previous year).

Number of units related to domestic distribution of automobiles

Units: vehicles

Domestic	July of 2021 to December of 2021	July of 2022 to December of 2022	Compared to the previous year
Number of new vehicles sold			
Domestic manufacturer *1	1,860,493	1,989,325	106.9%
(out of this, Nissan Motor) *1	(199,698)	(220,844)	(110.6%)
Foreign manufacturer *2	123,261	125,818	102.1%
Total of new vehicle sales	1,983,754	2,115,143	106.6%
Number of registered used vehicles			
Registered vehicles *3	1,769,021	1,672,409	94.5%
Light vehicles *4	1,358,364	1,301,515	95.8%
Total number of used vehicles registered	3,127,385	2,973,924	95.1%
Export	July of 2021 to December of 2021	July of 2022 to December of 2022	Compared to the previous year
New vehicles of domestic manufacturers *1	1,797,260	2,080,620	115.8%
Used vehicles (registered vehicles) *5	654,635	631,523	96.5%

*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 2021 to December of 2021	July of 2022 to December of 2022	Compared to the previous year
Light oil *6	142.1	149.4	105.1%
Regular petrol *6	162.2	169.3	104.4%

*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.

(1) Domestic automotive related businesses

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

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

As a result, the overall sales in the domestic automotive related businesses was 27,767 million yen (112.7% compared to the same quarter from the previous year), and the segment profit was 2,217 million yen (130.8% compared to the same quarter from the previous year).

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

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

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

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

(2) Human resource businesses

In the pickup service business, revenue increased due to the acquisition of new contracts and an increase in MaaS (Mobility as a Service) services for J:COM (JCOM Co., Ltd.). In the human resources business, revenue increased due to an increase in the number of dispatched drivers and temp workers mainly in eastern Japan, and in the airport-related business, revenue increased due to an increase in the number of dispatched personnel along with the recovery in the number of flights to and from Japan. Segment profit increased due to increased revenue in each business segment and cost reduction.

As a result, the sales revenue of the overall human resource business was 10,291 million yen (107.0% compared to the same quarter from the previous year), and the segment profit was 366 million yen (156.2% compared to the same quarter from the previous year).

(3) General cargo business

Revenue in the port cargo handling business increased due to increased fuel cargo handling for biomass power plants, and the revenue in the transport / warehousing business decreased due to letting go of unprofitable customers despite starting up a third-party logistics business by leasing new warehouses. For segment profit, the transport / warehousing business reported a decrease due to start-up expenses for the newly leased warehouses, but the port cargo handling business reported an increase due to increased fuel cargo handling for biomass power generation, increasing the revenue in the overall general cargo business

as well.

As a result, the sales revenue of the overall general cargo business was 3,297 million yen (105.0% compared to the same quarter from the previous year), and the segment profit was 567 million yen (113.6% compared to the same quarter from the previous year).

(4) Overseas Related Businesses

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

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

As a result of the above, the sales revenue of the overall overseas business was 22,891 million yen (253.8% compared to the same quarter from the previous year), and segment profit was 213 million yen (525.0% compared to the same quarter from 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 the quarterly consolidated financial statements and major notes", and totalled 1,190million yen.

(2) Explanation regarding financial position and cash flow

(1) Status of assets, liabilities, and equity

(Assets)

Current assets increased by 1,147 million yen (4.7%) compared to the end of the previous consolidated fiscal year to 25,752 million yen.

This was mainly due to an increase of 1,146 million yen in inventories.

Non-current assets decreased by 511 million yen (1.7%) compared to the end of the previous consolidated fiscal year to 29,778 million yen.

This was mainly due to a decrease of tangible fixed assets of 535 million yen resulting from amortization of assets of right to use, etc.

As a result, total assets increased by 635 million yen (1.2%) compared to the previous consolidated fiscal year to 55,531 million yen.

(Liabilities)

Current liabilities decreased by 67 million yen (0.4%) compared to the end of the previous consolidated fiscal year to 18,564 million yen.

This was mainly due to a decrease of 851 million yen in trade and other payables, despite an increase of 351 million yen in borrowings and 418 million yen in other current liabilities.

Non-current liabilities decreased by 343 million yen (6.1%) compared to the end of the previous consolidated fiscal year to 5,306 million yen.

This was mainly due to a decrease of 453 million yen in lease liabilities.

As a result, total liabilities decreased by 410 million yen (1.7%) compared to the end of the previous consolidated fiscal year to 23,870 million yen.

(Equity)

Total equity increased by 1,046 million yen (3.4%) compared to the end of the previous consolidated fiscal year to 31,661 million yen.

This was mainly because retained earnings increased by 1,020 million yen.

(2) Cash flow status

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the consolidated accounting period of the second quarter increased by 43 million yen compared to the end of the previous consolidated fiscal year to 5,224 million yen.

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

(Cash flow from operating activities)

Funds obtained as a result of operating activities were 2,842 million yen (there was an income of 3,073 million yen during the same period of the previous year).

The main cause of the increase in funds were 2,418 million yen for depreciation and amortization expenses which are non-fund expenses and 1,465 million yen in quarterly income; the main cause of the decrease in funds was 1,146 million yen increase in inventories.

(Cash flow from investment activities)

Net cash used in investment activities was 1,051 million yen (expenditures of 588 million yen during the same period of the previous year).

The main itemization breakdown for expenditures was 990 million yen for acquisition of tangible fixed assets and investment property.

(Cash flow from financing activities)

Funds used as a result of financing activities was 1,673 million yen (expenditures of 1,493 million yen during the same period of the previous year).

The main itemization breakdown for expenditures were 1,503 million yen lease liabilities payments and 376 million yen for dividends, while the main itemization breakdown for income was 221 million yen net increase for short-term borrowings.

(3) Explanation on future forecast information, such as consolidated earnings

We have revised our consolidated earnings forecast for the fiscal year ending June 2023 based on the performance trends and other factors during the second quarter of the current fiscal year.

Please refer to the "Notice of Revision of Earnings Forecast and Year-End Dividend Forecast" announced on February 9, 2023

for details regarding the revision of the consolidated earnings forecast.

2. Summary of the consolidated financial statements and major notes

(1) Summary of quarterly consolidated statement of financial position

(Units: Million yen)

	End of the previous consolidated accounting year (June 30, 2022)	End of the consolidated accounting period of this second quarter (December 31, 2022)
Assets		
Current assets		
Cash and cash equivalents	5,180	5,224
Trade and other receivables	15,877	15,848
Inventories	2,603	3,750
Other financial assets	471	429
Other current assets	471	500
Total current assets	24,605	25,752
Non-current assets		
Tangible fixed assets	21,199	20,663
Goodwill and intangible assets	2,981	2,997
Investment properties	3,145	3,083
Investment accounting processed with equity method	497	532
Other financial assets	1,646	1,755
Other non-current assets	427	395
Deferred tax assets	392	351
Total non-current assets	30,290	29,778
Total assets	54,895	55,531

(Units: Million yen)

	End of the previous consolidated accounting year (June 30, 2022)	End of the consolidated accounting period of this second quarter (December 31, 2022)
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payable	8,433	7,582
Loans	4,003	4,355
Lease liabilities	2,666	2,877
Income taxes payable, etc.	996	799
Other current liabilities	2,530	2,949
Total current liabilities	18,631	18,564
Non-current liabilities		
Lease liabilities	3,851	3,398
Other financial liabilities	82	88
Retirement benefits liabilities	899	958
Other non-current liabilities	306	312
Deferred tax liabilities	511	548
Total non-current liabilities	5,649	5,306
Total liabilities	24,281	23,870
Equity		
Capital	3,390	3,390
Capital surplus	3,458	3,404
Treasury stock	△667	△601
Other components of funds	444	486
Retained earnings	23,440	24,461
Total equity attributable to the equity shareholders of the company	30,067	31,142
Non-controlling interest	546	518
Total Equity	30,614	31,661
Total liabilities and equity	54,895	55,531

(2) Summary of quarterly consolidated profit and loss statement

(Units: Million yen)

	Consolidated cumulative period for the previous second quarter (from July 1, 2021 to December 31, 2021)	Consolidated cumulative period of this second quarter (From July 1, 2022 to December 31, 2022)
Sales revenue	46,424	64,247
Cost of sales	Δ40,484	Δ57,187
Gross Profit	5,939	7,059
Selling, general and administrative expenses	Δ4,628	Δ5,002
Other income	115	157
Other expenses	Δ82	Δ39
Operating profit	1,344	2,174
Financial profit	38	28
Financial expenses	Δ19	Δ27
Investment gain / loss through equity method	0	Δ3
Profit before tax	1,363	2,172
Corporate income tax expenses	Δ546	Δ707
Profits of the quarter	817	1,465
Attribution of the profits of the quarter:		
Equity shareholders of the company	822	1,457
Non-controlling interest	Δ4	8
Profits of the quarter	817	1,465
Quarterly earnings per share		
Basic quarterly earnings per share (yen)	48.92	86.54
Diluted quarterly earnings per share (yen)	48.86	86.53

(3) Summary of the quarterly consolidated comprehensive income statement

(Units: Million yen)

	Consolidated cumulative period for the previous second quarter (from July 1, 2021 to December 31, 2021)	Consolidated cumulative period of this second quarter (From July 1, 2022 to December 31, 2022)
Profits of the quarter	817	1,465
Other comprehensive income		
Items not transferring over to profit or loss:		
Remeasurement of defined benefit system	40	△61
Financial assets measured by fair value through other comprehensive income	△25	72
Total of the items not transferring over to profit or loss	15	11
Items which may be transferred over to profit or loss		
Conversion difference of business activities overseas	72	△103
Other comprehensive income equity of affiliated company accounted for by the equity method	△21	37
Total of the items which may be transferred over to profit or loss	50	△65
Other comprehensive income after tax deduction	65	△54
Comprehensive income of the quarter	883	1,411
Attribution of the comprehensive income for the quarter:		
Equity shareholders of the company	862	1,439
Non-controlling interest	20	△27
Comprehensive income of the quarter	883	1,411

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

Consolidated cumulative period for the previous second quarter (from July 1, 2021 to December 31, 2021)

(Units: 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 attributable to the equity shareholders of the company		
				Conversion difference of business activities overseas	Financial assets measured by fair value through other comprehensive income	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

Consolidated cumulative period of this second quarter (from July 1, 2022 to December 31, 2022)

(Units: 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 attributable to the equity shareholders of the company		
				Conversion difference of business activities overseas	Financial assets measured by fair value through other comprehensive income	Remeasurement of defined benefit system	Total other components of funds				
Balance on July 1, 2022	3,390	3,458	△667	155	288	-	444	23,440	30,067	546	30,614
Profits of the quarter							-	1,457	1,457	8	1,465
Other comprehensive income				△29	72	△61	△17		△17	△36	△54
Comprehensive income of the quarter	-	-	-	△29	72	△61	△17	1,457	1,439	△27	1,411
Dividends of the surplus							-	△376	△376		△376
Share-based payment transactions, etc.		△54	65				-		11		11
Transfer from other capital component to Retained earnings					△0	61	60	△60	-		-
Total transactions, etc. with the owners	-	△54	65	-	△0	61	60	△436	△364	-	△364
Balance on December 31, 2022	3,390	3,404	△601	126	360	-	486	24,461	31,142	518	31,661

(5) Summary of the quarterly consolidated statement of cash flows

(Units: Million yen)

	Consolidated cumulative period for the previous second quarter (from July 1, 2021 to December 31, 2021)	Consolidated cumulative period of this second quarter (From July 1, 2022 to December 31, 2022)
Cash flow from operating activities		
Profits of the quarter	817	1,465
Depreciation and amortization costs	2,307	2,418
Interest income and dividend	△22	△28
Interest expense	19	21
Investment gain / loss through equity method	△0	3
Corporate income tax expenses	546	707
Increase / decrease of trade receivables (△ is an increase)	966	△187
Increase / decrease of inventories (△ is an increase)	△686	△1,146
Increase / decrease of trade payables (△ is a decrease)	△86	△457
Increase / decrease in retirement benefits liabilities (△ is a decrease)	△2	△10
Other	215	867
Subtotal	4,075	3,651
Interest and dividend received	22	28
Interest paid	△19	△21
Corporate income tax paid	△1,005	△816
Cash flow from operating activities	3,073	2,842
Cashflow from investment activities		
Payment for acquisition of tangible fixed assets and investment properties	△960	△990
Proceed from sales of tangible fixed assets and investment properties	2	4
Payment for intangible assets	△38	△64
Proceeds from acquisition of investments in subsidiaries resulting in change in scope of consolidation	631	-
Other	△224	△0
Cashflow from investment activities	△588	△1,051

(Units: Million yen)

	Consolidated cumulative period for the previous second quarter (from July 1, 2021 to December 31, 2021)	Consolidated cumulative period of this second quarter (From July 1, 2022 to December 31, 2022)
Cash flow from financing activities		
Net increase or decrease of short-term loans (Δ is a decrease)	700	221
Repayment of long-term loans	$\Delta 17$	$\Delta 15$
Repayment of lease debts	$\Delta 1,529$	$\Delta 1,503$
Payment for acquisition of treasury stock	$\Delta 0$	-
Dividend paid	$\Delta 646$	$\Delta 376$
Cash flow from financing activities	$\Delta 1,493$	$\Delta 1,673$
Effect of exchange rate changes on cash and cash equivalents	64	$\Delta 74$
Increase / decrease in of cash and cash equivalents (Δ is a decrease)	1,055	43
Cash and cash equivalents at the beginning of the year	5,904	5,180
Balance of cash and cash equivalents at the end of the quarter	6,960	5,224

(6) Notes regarding summary of the 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, 2021 to December 31, 2021)

(Units: Million yen)

	Domestic automotive related business	Human resource business	General cargo business	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.

Consolidated cumulative period of this second quarter (from July 1, 2022 to December 31, 2022)

(Units: Million yen)

	Domestic automotive related business	Human resource business	General cargo business	Overseas Related Business	Total	Adjustment amount (note)	Total amount on the quarterly consolidated financial statements
Sales revenue							
Sales revenue from external customers	27,767	10,291	3,297	22,891	64,247	—	64,247
Sales revenue between segments	65	532	49	—	647	△647	—
Total	27,833	10,824	3,346	22,891	64,895	△647	64,247
Segment profit (operating profit)	2,217	366	567	213	3,365	△1,190	2,174

(Note). The △1,190 million yen adjustment amount in the segment profits includes the total company cost △1,190 million yen. The total company cost is an expense related to the management divisions of our company not belonging to the reporting segment.

(Business Combination)

Consolidated cumulative period for the previous 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 the 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.

Consolidated cumulative period of the second quarter (from July 1, 2022 to December 31, 2022)

There are no applicable matters.