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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 2018 is originally prepared in Japanese (“Original Announcement”). The attached announcement on the next page is a translation of the Original Announcement solely for the purpose of providing information.

By the order of the Board
Tan Chong International Limited
Teo Siok Ghee
Liew Daphnie Pingyen
Joint Company Secretaries

Hong Kong, 8 February 2019

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 Second Quarter Ending of the Fiscal Year June 30, 2019 [Based on IFRS]

February 8, 2019

Company name: ZERO CO., LTD. Stock Exchange Listing: Tokyo
Stock code: 9028 URL: http://www.zero-group.co.jp/
Representative: President & CEO Takeo Kitamura
Inquiries: Director and Manager of Group Strategies Headquarters Toshihiro Takahashi TEL 044-520-0106
Scheduled Date of Submission of Quarterly Report: February 12, 2019
Scheduled date to commence dividend payments: March 11, 2019
Preparation of supplementary material on quarterly financial results: No
Holding of quarterly financial results meeting: Yes (for analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the second quarter ending of the fiscal year June 30, 2019 (From July 1, 2018 to December 31, 2018)

(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 FY2018	43,179	12.0	764	Δ60.4	741	Δ61.5	Δ44	-	Δ45	-	Δ323	-
2Q FY2017	38,559	1.2	1,929	Δ28.0	1,923	Δ27.8	969	Δ39.2	972	Δ39.0	1,201	Δ25.6

	Basic quarterly earnings per share	Diluted quarterly earnings per share
	Yen	Yen
2Q FY2018	Δ2.75	Δ2.75
2Q FY2017	58.59	58.51

(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 FY2018	37,677	21,524	21,512	57.1
FY2017	38,290	22,119	22,108	57.7

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2017	---	15.00	---	17.10	32.10
FY2018	---	4.00			
FY2018 (forecast)			---	29.10	33.10

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

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

(Percentages indicate year-on-year changes)

	Sales revenue		Operating income		Profit before tax		Profit attributable to equity shareholders of the company		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	89,000	9.4	4,300	4.5	4,280	4.5	2,200	3.3	132.56

(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 : Yes

② Changes in the accounting policies due to other reasons : No

③ Changes in the accounting estimates : No

(3) Number of issued shares (common shares)

① Total number of issued shares at the end of the period (including treasury shares)	2Q FY2018	17,560,242 shares	FY2017	17,560,242 shares
② Number of treasury shares at the end of the period	2Q FY2018	1,030,369 shares	FY2017	1,030,367 shares
③ Average number of shares during the period (total up to this quarter)	2Q FY2018	16,626,875 shares	2Q FY2017	16,595,875 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.

○ Attached Documents – Table of Contents

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 gradually; personal consumption is also being improved with steady employment and income environment, but things remains unclear due to the uncertainty of the foreign economic situation, beginning with the trade problem in the US and China.

In the automobile industry, the sales of new light vehicles favorably increased, in addition to an increase in the number of new vehicles sold at 103.6% (statistical data of the Japan Automobile Manufacturers Association) as compared to the consolidated cumulative period of the same quarterfrom the previous year (hereinafter referred to as the same quarter from the previous year) and resolution of the finished vehicle inspection issue; as with new car sales, the number of registered used cars has increased compared to the same quarter from the previous year.

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

The business results of our group during the consolidated cumulative period of the first quarter are as follows: sales revenue of 43,179 million yen (112.0% compared to the same quarter from the previous year) and operating profit of 764 million yen (39.6% compared to the same quarter from the previous year). Also, the profit before taxes was 741 million yen (38.5% compared to the same quarter from the previous year), and the loss of the quarter attributable to the owners of the parent company was 45 million yen (the profit of the same quarter from the previous year was 972 million yen).

Number of units related to domestic distribution of automobiles Units: vehicles

Domestic Sale		July of 2017 to December of 2017	July of 2018 to December of 2018	Compared to the previous year
Number of new vehicles sold				
Domestic manufacturer	*1	2,296,535	2,381,989	103.7%
(out of this, Nissan Motor)	*1	(247,049)	(280,036)	(113.4%)
Foreign manufacturer	*2	155,091	157,602	101.6%
New car total		2,451,626	2,539,591	103.6%
Used vehicles				
Registered vehicles	*3	1,838,895	1,854,771	100.9%
Light vehicles	*4	1,419,819	1,459,883	102.8%
Total used vehicles		3,258,714	3,314,654	101.7%
Number of vehicles permanently deleted	*3	96,412	93,632	97.1%

Export		July of 2017 to December of 2017	July of 2018 to December of 2018	Compared to the previous year
New vehicles of domestic manufacturers	*1	2,476,977	2,435,914	98.3%
Used passenger vehicles	*5	691,610	723,555	104.6%

*1 Calculated from Japan Automobile Industry Association statistics *2 Calculated from Japan Automobile Importers' Association statistics *3 Calculated from Japan Automobile Dealers Association statistics *4 Calculated from Japan Mini Vehicles Association statistics *5 Trial calculated from the number of export deleted registered vehicles in the Japan Automobile Dealers Association statistics

The segment business results are as follows.

1) Automobile related businesses

For vehicle transportation, which is the core business, in aiming to expand transactions related to the shipment of new and used vehicles in Japan, in addition to advancing sales activities in response to the oligopolisation of used car sales by new car dealers and major used car dealerships, in the second quarter, the automobile market moved more actively than the previous year due to resolution of the finished vehicle inspection issue, and the number of vehicle transport consignment services increased, resulting in an increase for the business sector.

With the completion of establishing regional block companies in the vehicle transportation, restructuring of the transportation system has been accelerated including cooperating companies, aiming to achieve optimal operation of the distribution network throughout Japan and are striving for thorough cost management. Meanwhile, under circumstances involving increased labor costs / employment costs caused by an insufficient number of drivers, increased fuel prices, expanded vehicle costs to handle deterioration and increase the number of trucks, in addition to the decreased load ratio due to compliance with vehicle restriction laws, the promotion of work style reforms to reduce total working hours and increased cost accompanying the relocation of bases to construct an effective distribution system, transportation enhancement measures are being taken in preparation for an increase in the consumption tax, and automobile-related businesses as a whole saw a decline in profit.

As a result, the sales revenue for the Automobile related businesses was 31,133 million yen (113.4% compared to the same quarter from the previous year), and the segment profit was 1,314 million yen (62.1% compared to the same quarter from the previous year).

2) Human resource business

With the labor demand being tightened accompanying the economic recovery, the difficulty in employment in large cities and the increase in personnel expenses have become serious matters; therefore, the Group has promoted a regional shift from the major cities and reinforcement of the sales system, and has reviewed its product portfolio strategically and continuously. In addition to the fact that pick up service and driver dispatch have transitioned steadily, participation in the newly entered airport business has increased revenues but decreased profit due to the temporary increase of recruiting advertisement cost. As a result, the sales revenue for the overall human resource business was 9,268 million yen (112.1% compared to the same quarter from the previous year), and the segment profit was 113 million yen (41.2% compared to the same quarter from the previous year).

3) General cargo business

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

As a result, the sales revenue of the overall general cargo business was 2,777 million yen (98.3% compared to the same quarter from the previous year), and the segment profit was 374 million yen (69.9% compared to the same quarter from the previous year).

Also, company expenses not included in the report segments above (expenses related to our company's management divisions) were calculated in the item "adjustment amount" as indicated in "2. Summarized Quarter Consolidated Statement (segment information)" and were 1,037 million yen.

(2) Explanation regarding financial position

1) Status of assets, liabilities, and equity

(Assets)

Current assets decreased 849 million yen (4.8%) compared to the end of the previous accounting period of consolidation and were 16,898 million yen.

This was mainly because, while the operating receivables and other receivables increased by 395 million yen and inventory assets increased by 391 million yen, on the other hand cash and cash equivalents decreased by1,415 million yen.

Non-current assets increased by 236 million yen (1.2%) compared to the end of the previous consolidated fiscal year to20,778 million yen.

This was mainly due to a decrease of 343 million yen in other financial assets, while tangible fixed assets increased by 518 million yen.

As a result, total assets decreased by 613 million yen (1.6%) compared to the previous consolidated fiscal year to 37,677 million yen.

(Liabilities)

Current liabilities increased 411 million yen (3.5%) compared to the previous consolidated fiscal year to 12,099 million yen.

This was mainly due to borrowings increasing by 908 million yen, while income taxes payable decreased by 359 million yen and operating obligations and other liabilities decreased by 112 million yen.

Non-current liabilities decreased by 429 million yen (9.6%) compared to the previous consolidated fiscal year to 4,053 million yen.

This was mainly due to a decrease of 206 million yen in other financial liabilities.

As a result, total liabilities decreased by 18 million yen (0.1%) compared to the previous consolidated fiscal year to 16,152 million yen.

(Equity)

Total equity decreased by 595 million yen (2.7%) compared to the previous consolidated fiscal year to 21,524 million yen.

This was mainly due to a decrease of 429 million yen in retained earnings due to the distribution of earned surplus, etc.

2) Cash flow status

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the consolidated accounting period of the first quarter decreased by 1,415 million yen compared to the previous consolidated accounting fiscal year to 3,857million yen.

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

(Cash flow through operating activities)

Funds used as a result of operating activities were 546 million yen (there was an income of 1,905million yen during the same period of the previous year).

The main itemization breakdowns for income were 835 million yen for depreciation and amortization expenses; the main itemization breakdown for expenses was 1,171million yen for payment of corporate income tax and Increase of trade receivables 428 million yen.

(Cashflow through investment activities)

Net cash used in investment activities was 1,145 million yen (expenditures of 1,647 million yen during the same period of the previous year).

The main itemization breakdown for expenditures was 1,120 million yen for acquisition of tangible fixed assets and investment property.

(Cashflow through financial activities)

Net cash income in financial activities was 276million yen (expenditures of 1,182million yen during the same period of the previous year).

The main itemization breakdown for income was 1,000 million yen for Short-term borrowings, and the expenditures were payment of 289 million yen for finance lease and 282 million for dividends.

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

The revision has been made from the consolidated business forecast and interim dividends published on August 10, 2018.the details are in the notification of business forecast and dividends change published today.

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, 2018)	End of the consolidated accounting period of the second quarter (December 31, 2018)
Assets		
Current assets		
Cash and cash equivalents	5,273	3,857
Trade and other receivables	11,160	11,556
Inventories	512	904
Other financial assets	131	4
Other current assets	670	575
Total current assets	17,748	16,898
Non-current assets		
Tangible fixed assets	10,827	11,345
Goodwill and intangible assets	2,865	2,815
Investment properties	3,511	3,453
Investment accounting processed with equity method	964	958
Other financial assets	1,943	1,599
Other non-current assets	122	225
Deferred tax assets	307	380
Total non-current assets	20,542	20,778
Total assets	38,290	37,677

(Units: million yen)

	End of the previous consolidated accounting year (June 30, 2018)	End of the consolidated accounting period of the second quarter (December 31, 2018)
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payable	6,436	6,323
Loans	702	1,610
Other financial liabilities	723	680
Income taxes payable, etc.	1,296	936
Other current liabilities	2,530	2,547
Total current liabilities	11,687	12,099
Non-current liabilities		
Loans	262	201
Other financial liabilities	1,849	1,643
Retirement benefits liabilities	1,838	1,716
Other non-current liabilities	313	353
Deferred tax liabilities	219	137
Total non-current liabilities	4,483	4,053
Total liabilities	16,170	16,152
Equity		
Capital	3,390	3,390
Capital surplus	3,305	3,335
Treasury stock	△687	△687
Other component of funds	416	220
Retained earnings	15,682	15,252
Total equity attributable to the owners of the parent company	22,108	21,512
Non-controlling interest	11	12
Total Equity	22,119	21,524
Total liabilities and equity	38,290	37,677

(2) Summary of quarterly consolidated profit and loss statement

(Units: million yen)

	Consolidated cumulative period for the previous second quarter (from July 1, 2017 to December 31, 2017)	Consolidated cumulative period of this second quarter (from July 1, 2018 to December 31, 2018)
Sales revenue	38,559	43,179
Cost of sales	△32,444	△38,156
Gross Profit	6,115	5,022
Selling, general and administrative expenses	△4,263	△4,670
Other income	104	457
Other expenses	△26	△44
Operating profit	1,929	764
Financial profit	37	6
Financial expenses	△42	△23
Investment gain / loss through equity method	△0	△5
Profit before tax	1,923	741
Corporate income tax expenses	△954	△786
Profits of the quarter	969	△44
Attribution of the profits of the quarter:		
Equity shareholders of the company	972	△45
Non-controlling interest	△3	0
Profits of the quarter	969	△44
Quarterly earnings per share		
Basic quarterly earnings per share (yen)	58.59	△2.75
Diluted quarterly earnings per share (yen)	58.51	△2.75

(3) Summary of quarterly consolidated statement of comprehensive income

(Units: million yen)

	Consolidated cumulative period for the previous second quarter (from July 1, 2017 to December 31, 2017)	Consolidated cumulative period of this second quarter (from July 1, 2018 to December 31, 2018)
Profits for the quarter	969	△44
Other comprehensive income		
Items not transferring over to profit or loss:		
Remeasurement of defined benefit system	49	△83
Financial assets measured by fair value through other comprehensive income	—	△196
Total of the items not transferring over to profit or loss	49	△279
Items which may be transferred over to profit or loss		
Fluctuation of fair value of the assets which can be sold	148	—
Other comprehensive income equity of affiliated company accounted for by the equity method	34	0
Total of the items which may be transferred over to profit or loss	182	0
Other comprehensive income after tax deduction	232	△279
Comprehensive income for the quarter	1,201	△323
Attribution of the comprehensive income for the quarter:		
Equity shareholders of the company	1,204	△324
Non-controlling interest	△3	0
Comprehensive income for the quarter	1,201	△323

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

Consolidated accounting period of the previous second quarter (from July 1, 2017 to December 31, 2017)

(Units: million yen)

	Equity attributable to equity shareholders of the company									Non-controlling interests	Total equity
				Other components of funds							
	Capital	Capital surplus	Treasury stock	Conversion difference of business activities overseas	Fluctuation of fair value of financial assets which can be sold	Remeasurement of defined benefit system	Total other components of funds	Retained earnings	Total equity attributing to the equity shareholders of company		
Balance on July 1, 2017	3,390	3,271	△687	△81	364	-	283	14,403	20,661	11	20,672
Profits of the quarter								972	972	△3	969
Other comprehensive income				34	148	49	232		232		232
Comprehensive income of the quarter	-	-	-	34	148	49	232	972	1,204	△3	1,201
Dividends of the surplus								△609	△609		△609
Share-based payment transactions, etc.		31							31		31
Transactions with Non-controlling interest, etc.		△1							△1	1	-
Transfer from other capital component to retained earnings						△49	△49	49	-		-
Total of transactions, etc., with the owners	-	29	-	-	-	△49	△49	△560	△580	1	△578
Balance on December 31, 2017	3,390	3,300	△687	△46	512	-	466	14,815	21,285	10	21,295

Consolidated accounting period of the this second quarter (from July 1, 2018 to December 31, 2018)

(Units: million yen)

	Equity attributable to equity shareholders of the company										Non-controlling interest	Total equity
				Other components of funds								
	Capital	Capital surplus	Treasury stock	Conversion difference of business activities overseas	Fluctuation of fair value of financial assets which can be sold	Financial assets measured by fair value through other comprehensive profits	Remeasurement of defined benefit system	Total other components of funds	Retained earnings	Total equity attributing to the owners of the parent company		
Balance on July 1, 2018	3,390	3,305	△687	△47	464	-	-	416	15,682	22,108	11	22,119
Cumulative effect amount due to change of accounting method					△464	464		-	△18	△18		△18
Carrying amount with the change in accounting method reflected	3,390	3,305	△687	△47	-	464	-	416	15,664	22,089	11	22,101
Profits of the quarter								-	△45	△45	0	△44
Other comprehensive income				0		△196	△83	△279		△279		△279
Comprehensive income of the quarter	-	-	-	0	-	△196	△83	△279	△45	△324	0	△323
Dividends of surplus								-	△282	△282		△282
Share-based payment transactions, etc.		29						-		29		29
Acquisition of treasury stock			△0					-		△0		△0
Transfer from other capital component to Retained earnings							83	83	△83	-		-
Total transactions, etc. with the owners	-	29	△0	-	-	-	83	83	△365	△252	-	△252
Balance on December 31, 2018	3,390	3,335	△687	△47	-	268	-	220	15,252	21,512	12	21,524

(5) Summary of quarterly consolidated cash flow statements

(Units: million yen)

	Consolidated cumulative period for the previous second quarter (from July 1, 2017 to December 31, 2017)	Consolidated cumulative period of this second quarter (from July 1, 2018 to December 31, 2018)
Cash flow from operating activities		
Profits of the quarter	969	△44
Depreciation and amortization costs	667	835
Interest income and dividend	△6	△5
Interest expense	36	22
Investment gain / loss through equity method	0	5
Corporate income tax expenses	954	786
Increase / decrease of trade receivables (△ is an increase)	696	△428
Increase / decrease of inventories (△ is an increase)	△91	△391
Increase / decrease of trade payables (△ is a decrease)	△561	△154
Increase / decrease in retirement benefits liabilities (△ is a decrease)	△104	△233
Other	96	251
Subtotal	2,655	642
Interest and dividend received	6	5
Interest paid	△36	△22
Corporate income tax paid	△720	△1,171
Net cash provided by (used in) operating activities	1,905	△546
Cash flow from investment activities		
Payment for acquisition of tangible fixed assets and investment properties	△950	△1,120
Proceed from sales of tangible fixed assets and investment properties	20	2
Payment for intangible assets	△128	△119
Payment for loans receivable	△7	△0
Proceed from loans receivable	37	3
Expense through transfer of business	△697	-
Other	76	89
Net cash provided by (used in) investment activities	△1,647	△1,145

	Consolidated cumulative period for the previous second quarter (from July 1, 2017 to December 31, 2017)	Consolidated cumulative period of this first quarter (from July 1, 2018 to December 31, 2018)
Cash flow from financing activities		
Net increase or decrease of short-term loans (△ is a decrease)	230	1,000
Repayment of long-term loans	△483	△151
Repayment of finance lease debts	△319	△289
Dividend paid	△609	△282
Acquisition of treasury stock	—	△0
Net cash provided by (used in) financing activities	△1,182	276
Increase / decrease in of cash and cash equivalents (△ is a decrease)	△925	△1,415
Cash and cash equivalents at the beginning of the quarter	8,101	5,273
Balance of cash and cash equivalents at the end of the quarter	7,175	3,857

(6) Notes regarding summary of quarterly consolidated financial statements

(Notes on going concern assumption)

There are no applicable matters.

(Changes in accounting policies)

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

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

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

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

Our group has applied IFRS No. 9 "financial products" (hereinafter referred to as "IFRS No. 9") starting from the first quarter of this consolidated accounting period. At our group, in accordance with transitional measures, retrospective restatement for the previous consolidated accounting year is not conducted, but is based on IAS No.39 "Financial Products: Recognition and Measurement" (hereinafter referred to as "IAS 39"). Further, the group haa adopted a method which recognizes the cumulative effects due to the application of this standard on the first application date.

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

As financial assets measured at amortized cost, as well as financial income measured at fair value through profit / loss or other comprehensive income, our group has classified non-derivative financial assets as either equity financial instruments or debt-type financial instruments.

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

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

Financial assets aside from the financial assets measured by amortized cost (excluding operating receivables that do not have significant financial factors measured at the transaction price at initial recognition) are classified as financial assets measured by fair value. Equity instruments measured by fair value are under the irrevocable option in which the fluctuation after the fair value is displayed in other comprehensive income and are classified as equity instruments measured by fair value through other comprehensive income, excluding equity instruments held for the purpose of selling which must be measured by fair value through net profit / loss. Further, no liability financial instruments are held.

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

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

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

Our group has adopted a method of recognizing the cumulative effective of adopting the same standard on effective date pf adoption, to which is applied IFRS No. 15 "Profits generated from contracts with clients" (published in May of 2014) and "Clarification of IFRS No. 15" (published in April of 2016) (hereinafter collectively referred to as "IFRS No. 15") starting from the first quarter of this consolidated accounting period. Accompanying the application of IFRS No. 15, profits are recognized based on the 5-step approach indicated below.

Step 1: Identify contracts with clients
Step 2: Identify the performance obligation of the contract
Step 3: Calculate the transaction amount
Step 4: Distribute the transaction price to the performance obligation in the contract
Step 5: Recognize the profits when a business satisfies the performance obligation

The profits provided from the main duties of our group are calculated from the transport of automobiles, temporary staffing, port cargo handling, and transport of general consumer goods.

Among such transactions, in principle items with which the customer acquires control at the time of delivery of the goods / stored items, etc. and satisfy the performance obligation are recognized as revenue when the goods / stored items, etc. are handed over. For the provision of services over a certain period of time or transactions by contract agreement, as the performance obligation is satisfied over a certain period of time, revenue is recognized according to the degree of progress.

The major revenue from the sales of goods constitutes used car export sales. Revenue is recognized when the contractual delivery conditions are fulfilled.

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

(Segment information)
The segment information of our group is as follows.
Consolidated cumulative period of the previous second quarter (from July 1, 2017 to December 31, 2017)
(Units: million yen)

	Automobile related businesses	Human resource businesses	General cargo businesses	Total	Adjustment amount (note)	Total amount on the quarterly consolidated financial statements
Sales revenue						
Sales revenue from external customers	27,464	8,267	2,827	38,559	-	38,559
Sales revenue between segments	37	398	202	639	△639	-
Total	27,502	8,666	3,030	39,198	△639	38,559
Segment profit (operating profit)	2,117	275	536	2,929	△1,000	1,929

(Note) The △1,000 million yen adjustment amount in the segment profits includes the total company cost △1,000 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, 2018 to December 31, 2018)
(Units: million yen)

	Automobile related businesses	Human resource businesses	General cargo businesses	Total	Adjustment amount (note)	Total amount on the quarterly consolidated financial statements
Sales revenue						
Sales revenue from external customers	31,133	9,268	2,777	43,179	-	43,179
Sales revenue between segments	19	475	197	692	△692	-
Total	31,152	9,743	2,975	43,871	△692	43,179
Segment profit (operating profit)	1,314	113	374	1,802	△1,037	764

(Note) The △1,037 million yen adjustment amount in the segment profits includes the total company cost △1.037 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.