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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 2019 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, 7 February 2020

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, 2020 [Based on IFRS]

February 7, 2020

Company name: ZERO CO., LTD.

Stock Exchange Listing: Tokyo

Stock code: 9028 URL: <http://www.zero-group.co.jp/>

Representative: President & CEO

Takeo Kitamura

Inquiries: Director and Manager of Group Strategies Headquarters

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Scheduled Date of Submission of Quarterly Report: February 10, 2020

Scheduled date to commence dividend payments: March 10, 2020

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, 2020 (From July 1, 2019 to December 31, 2019)

(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 FY2019	46,259	7.1	2,101	174.8	2,114	185.2	1,353	-	1,347	-	1,448	-
2Q FY2018	43,179	12.0	764	Δ60.4	741	Δ61.5	Δ44	-	Δ45	-	Δ323	-

	Basic quarterly earnings per share		Diluted quarterly earnings per share	
	Yen		Yen	
2Q FY2019	80.73		80.57	
2Q FY2018	Δ2.75		Δ2.75	

(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 FY2019	44,672	24,202	24,179	54.1
FY2018	39,554	23,072	23,056	58.3

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen		Yen		Yen
FY2018	---	4.00	---	20.90	24.90
FY2019	---	15.00	---	---	---
FY2019 (forecast)	---	---	---	19.60	34.60

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

3. Forecast of consolidated financial results for the year ending June 30, 2020 (From July 1, 2019 to June 30, 2020)

(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	5.3	4,000	21.0	3,980	20.8	2,300	38.7	138.33

(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 : Yes

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

③ Changes in the accounting estimates : Yes

(Note) For details, please refer to the attached page. See “2. Summary of the Quarterly Consolidated Financial Statements and Major Notes, (6) Notes regarding Summary Quarterly Consolidated Financial Statements (Changes in Accounting Policy), (Changes in Accounting Estimates)” on page 12-13.

(3) Number of issued shares (common shares)

① Total number of issued shares at the end of the period (including treasury shares)

2Q FY2019	17,560,242 shares	FY2018	17,560,242 shares
② Number of treasury shares at the end of the period	1,020,369 shares	FY2018	1,030,369 shares
③ Average number of shares during the period (total up to this quarter)	16,685,873 shares	2Q FY2018	16,626,875 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.

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

In the domestic automotive market, the total number of new vehicles sales decreased at 96.1% (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).

As compared to the first quarter of the fiscal year from the previous year the total number of new vehicles sales increased at 108.1% because of the last minute surge in demand of the consumption tax rate increase.

On the other hand as compared to the second quarter of the fiscal year from the previous year the total number of new vehicle sales decreased dramatically at 83.7% due to holding-off purchase in anticipation of upcoming new model vehicles and the Subsidies for Safety Support Cars in addition to the reaction from the last minute surge as well as the occurrence of natural disasters.

The number of registered used cars in which similar movement with new vehicle was observed has continued its slight increase compared to the same quarter from the previous year.

On the other hand, the business environment of the logistics industry is in serious circumstances with insufficient drivers due to the background of a strained supply and demand in the labor market as well as cost increase factors such as increased wages, increased hiring costs, continued high fuel expenses, and compliance response.

Under such circumstances, our group devised a 3-year mid-term plan from July of 2018 until June of 2021, and are proceeding with the following 5 topics: (1) development of new businesses in anticipation of a reduction of the domestic automobile market and next generation mobility society, (2) Expansion of human resources business corresponding to the strained supply and demand in the labor market and decreasing working age population, (3) Expansion of overseas business in anticipation of economic growth such as in ASEAN countries, (4) Maximization of effect to establish regional block companies through promotion of transportation reform in the vehicle transportation business, and (5) Creation of group synergy including subsidiaries and cooperating companies and promotion of optimization.

As a result, the business results of our group are as follows: sales revenue of 46,259 million yen (107.1% compared to the same quarter from the previous year) and operating profit of 2,101 million yen (274.8% compared to the same quarter from the previous year). Also, the profit before taxes was 2,114 million yen (285.2% compared to the same quarter from the previous year), and the profit of the quarter attributable to the equity shareholders of the company was 1,347 million yen (quarter loss of 45 million yen in the same quarter from the previous year).

Number of units related to domestic distribution of automobiles

Units: vehicles

Domestic	July of 2018 to December of 2018	July of 2019 to December of 2019	Compared to the previous year
Number of new vehicles sold			
Domestic manufacturer *1	2,381,989	2,291,367	96.2%
(out of this, Nissan Motor) *1	(280,036)	(254,901)	(91.0%)
Foreign manufacturer *2	157,602	150,429	95.4%
Total of new vehicle sales	2,539,591	2,441,796	96.1%
Number of used vehicle registrations			
Registered vehicles *3	1,854,771	1,864,972	100.5%
Light vehicles *4	1,459,883	1,482,820	101.6%
Total number of used vehicles registered	3,314,654	3,347,792	101.0%
Number of vehicles permanently deleted *3	93,632	94,098	100.5%

Export	July of 2018 to December of 2018	July of 2019 to December of 2019	Compared to the previous year
New vehicles of domestic manufacturers *1	2,435,914	2,412,642	99.0%
Used vehicles (registered vehicles) *5	723,555	732,119	101.2%

*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, the number of units for transportation contracts for new/used vehicles increased the start of Mitsubishi Motors' vehicle transportation business in the middle of August of 2019. There was an overall increase in revenue for automotive-related businesses due to the favorable transition of the used vehicle export business for Malaysia as well as vehicle transportation business.

The restructuring of the transportation system including cooperating companies has been accelerated with the impetus of establishment of regional block companies in the vehicle transportation business, and thorough implementation of cost management is being conducted while aiming to achieve a systematic allocation and optimum distribution network throughout Japan. Profits increased in the automotive business due to the revision of transportation charges from January of 2019, review of the depreciation period of car carriers to match the actual life expectancy, and drop in unit price of fuel expenses compared to the same period of the previous year, in the midst of business challenges such as promoting initiatives for work style reforms to create a rewarding company and decrease the total work hours, increased labor costs and recruitment costs to deal with driver shortages, and increased vehicle costs due to the increased number of vehicles and the measures against aging of car carriers.

As a result, the overall sales revenue in the automobile related businesses was 33,086 million yen (106.3% compared to the same quarter from the previous year), and the segment profit was 2,840 million yen (216.1% compared to the same quarter from the previous year).

② Human resource business

With tightening of the labor demand accompanying the economic recovery and increasing personnel expenses, the difficulty in employment in major cities has become a serious matter; therefore, the Group has promoted a regional shift from the major cities to smaller cities and reinforcement of the sales system, and has reviewed its product portfolio strategically and continuously. In addition to the fact that the existing pick up service and driver dispatch business have transitioned steadily, participation in the newly entered airport related business, and the fact that temporary job listing advertising costs are no longer necessary has increased revenue; and profit has increased with the restructuring of non-profitable business and cost reduction.

As a result, the sales revenue of the overall human resource business was 9,808 million yen (105.8% compared to the same quarter from the previous year), and the segment profit was 504 million yen (444.3% compared to the same quarter from the previous year).

③ General cargo business

Revenue in the transport / warehousing business increased due to the increased cargo volume from the last minute surge in demand of the consumption tax rate increase in clients mainly handling household equipment, and the revenue in the port cargo handling business increased due to increased construction-related cargo. Furthermore, the CKD business was launched and contributed to the sales revenue increase, increasing the revenue in the overall general cargo business as well.

Profit increased with the increased revenue in the transport / warehousing business, but revenue decreased in the port cargo business due to the difference in the product mix. Furthermore, expenses related to the launch of the CKD business have continued, and there was a significant decrease overall in profit in the general cargo business.

As a result of the above, the sales revenue of the overall general cargo business was 3,364 million yen (121.1% compared to the same quarter of the previous year), and the segment loss was 259 million yen (segment profit of 374 million yen in the same quarter of the previous year).

Furthermore, the company expenses not included in the abovementioned report segment (expenses affiliated with our company's management division), etc. are allocated as an item in the "adjustment amount" as indicated in "2. (Segment information) in the summary of consolidated statements for the quarter," and totaled 982 million yen.

(2) Explanation regarding financial position

① Status of assets, liabilities, and equity

(Assets)

Current assets decreased 521 million yen (2.9%) compared to the end of the previous consolidated fiscal year and were 17,656 million yen.

This was mainly because, cash and cash equivalents increased 143 million yen, but the operating receivables and other receivables decreased by 560 million yen.

Non-current assets increased by 5,638 million yen (26.4%) compared to the end of the previous consolidated fiscal year to 27,015 million yen.

This was mainly due to an increase of tangible fixed assets of 5,653 million yen resulting from an increase of assets of right to use, etc.

As a result, total assets increased by 5,117 million yen (12.9%) compared to the previous consolidated fiscal year to 44,672 million yen.

(Liabilities)

Current liabilities increased 1,327 million yen (10.6%) compared to the end of the previous consolidated fiscal year to 13,889 million yen.

This was mainly due to trade liabilities and other liabilities decreasing by 725 million yen, while other financial liabilities increased by 2,213 million yen due to an increase of lease liabilities.

Non-current liabilities increased by 2,659 million yen (67.8%) compared to the end of the previous consolidated fiscal year to 6,580 million yen.

This was mainly due to an increase of 2,842 million yen in other financial liabilities due to lease liabilities, etc.

As a result, total liabilities increased by 3,987 million yen (24.2%) compared to the end of the previous consolidated fiscal year to 20,469 million yen.

(Equity)

Total equity increased by 1,129 million yen (4.9%) compared to the end of the previous consolidated fiscal year to 24,202 million yen.

This is mainly because retained earnings increased by 1,081 million yen due to the recording of quarterly profits attributable to equity shareholders of the company.

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 143 million yen compared to the end of the previous consolidated accounting fiscal year to 3,609 million 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 obtained as a result of operating activities were 3,073 million yen (there were expenditures of 546 million yen during the same period of the previous year).

The main cause of the increase in funds were 1,353 million for profit from quarterly profits and 2,067 million yen for depreciation and amortization expenses which are non-fund expenses; the main cause of the decrease in funds was 766 million yen for payment of corporate income. To compare this with consolidated cumulation period of the previous second quarter, depreciation and amortization have increased due to the adoption of IFRS16 "lease", etc.

(Cashflow through investment activities)

Net cash used in investment activities was 905 million yen (expenditures of 1,145 million yen during the same period of the previous year).

The main itemization breakdown for expenditures was 828 million yen for acquisition of tangible fixed assets and investment property.

(Cashflow through financial activities)

Funds used as a result of financing activities were 2,025 million yen (income of 276 million yen in the previous year).

The main itemization breakdown for income was 7 million yen for short-term borrowings, and the main itemization breakdown for expenditures were 1,601 million yen lease liabilities payments and 345 million for dividends. To compare this with consolidated cumulation period of the previous second quarter, expenditures due to lease liability payments (payment of finance / lease liabilities for the consolidate cumulative period of the previous second quarter) have increased due to the adoption of IFRS16 "lease", etc.

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

Mainly, In the domestic vehicle market, the influence of freight raising due to the Sox regulation and the down trend for 2nd quarter's vehicle market are still uncertain, we have not made any amendments to the consolidated earnings forecast announced on August 8, 2019.

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, 2019)	End of the consolidated accounting period of the second quarter (December 31, 2019)
Assets		
Current assets		
Cash and cash equivalents	3,465	3,609
Trade and other receivables	13,281	12,721
Inventories	922	1,005
Other financial assets	4	11
Other current assets	503	308
Total current assets	18,177	17,656
Non-current assets		
Tangible fixed assets	11,931	17,584
Goodwill and intangible assets	2,803	2,742
Investment properties	3,393	3,334
Investment accounting processed with equity method	986	981
Other financial assets	1,629	1,723
Other non-current assets	291	342
Deferred tax assets	341	307
Total non-current assets	21,377	27,015
Total assets	39,554	44,672

(Unit: million yen)

	End of the previous consolidated accounting year (June 30, 2019)	End of the consolidated accounting period of the second quarter (December 31, 2019)
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payable	6,976	6,250
Loans	1,283	1,261
Other financial liabilities	720	2,934
Income taxes payable, etc.	901	787
Other current liabilities	2,679	2,655
Total current liabilities	12,561	13,889
Non-current liabilities		
Loans	154	97
Other financial liabilities	1,519	4,362
Retirement benefits liabilities	1,725	1,488
Other non-current liabilities	306	288
Deferred tax liabilities	214	342
Total non-current liabilities	3,920	6,580
Total liabilities	16,481	20,469
Equity		
Capital	3,390	3,390
Capital surplus	3,362	3,382
Treasury stock	△687	△681
Other component of funds	236	252
Retained earnings	16,754	17,835
Total equity attributable to the equity shareholders of the company	23,056	24,179
Non-controlling interest	16	22
Total Equity	23,072	24,202
Total liabilities and equity	39,554	44,672

(2) Summary of quarterly consolidated profit and loss statement

(Unit: million yen)

	Consolidated cumulative period for the previous second quarter (from July 1, 2018 to December 31, 2018)	Consolidated cumulative period of this second quarter (from July 1, 2019 to December 31, 2019)
Sales revenue	43,179	46,259
Cost of sales	△38,156	△39,906
Gross Profit	5,022	6,353
Selling, general and administrative expenses	△4,670	△4,454
Other income	457	228
Other expenses	△44	△25
Operating profit	764	2,101
Financial profit	6	6
Financial expenses	△23	△32
Investment gain / loss through equity method	△5	38
Profit before tax	741	2,114
Corporate income tax expenses	△786	△760
Profits of the quarter (△ loss)	△44	1,353
Attribution of the profits of the quarter (△ loss):		
Equity shareholders of the company	△45	1,347
Non-controlling interest	0	6
Profits of the quarter (△ loss)	△44	1,353
Quarterly earnings per share(△ loss)		
Basic quarterly earnings per share (△ loss) (yen)	△2.75	80.73
Diluted quarterly earnings per share (△ loss) (yen)	△2.75	80.57

(3) Summary of quarterly consolidated statement of comprehensive income

(Unit: million yen)

	Consolidated cumulative period for the previous second quarter (from July 1, 2018 to December 31, 2018)	Consolidated cumulative period of this second quarter (from July 1, 2019 to December 31, 2019)
Profits for the quarter (△ loss)	△44	1,353
Other comprehensive income		
Items not transferring over to profit or loss:		
Remeasurement of defined benefit system	△83	79
Financial assets measured by fair value through other comprehensive income	△196	59
Total of the items not transferring over to profit or loss	△279	138
Items which may be transferred over to profit or loss		
Other comprehensive income equity of affiliated company accounted for by the equity method	0	△43
Total of the items which may be transferred over to profit or loss	0	△43
Other comprehensive income after tax deduction	△279	94
Comprehensive income for the quarter	△323	1,448
Attribution of the comprehensive income for the quarter:		
Equity shareholders of the company	△324	1,441
Non-controlling interest	0	6
Comprehensive income for the quarter	△323	1,448

(4) Summary of quarterly consolidated statement of changes in equity
 Consolidated accounting period of the second quarter (from July 1, 2018 to December 31, 2018)
 (Unit: million yen)

	Equity attributable to equity shareholders of the company										Non-controlling interest	Total equity
	Capital	Capital surplus	Treasury stock	Other components of funds					Retained earnings	Total equity attributing to the equity shareholders of the company		
				Conversion difference of business activities overseas	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				
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
Profit /Loss 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
Other												
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	-	-	-	-	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

Consolidated accounting period of the previous second quarter (from July 1, 2019 to December 31, 2019)
 (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	Fluctuation of fair value of financial assets which can be sold	Remeasurement of defined benefit system	Total other components of funds					
Balance on July 1, 2019	3,390	3,362	△687	△50	286	-	236	16,754	23,056	16	23,072	
Profit /Loss of the quarter								-	1,347	1,347	6	1,353
Other comprehensive income				△43	59	79	94			94		94
Comprehensive income of the quarter	-	-	-	△43	59	79	94	1,347	1,441	6	1,448	
Dividends of the surplus								-	△345	△345		△345
Share-based payment transactions		20	5					-	△13	26		26
Other								-	0	0		0
Transfer from other capital component to retained earnings						△79	△79	79		-		-
Total of transactions, etc., with the owners	-	20	5	-	-	△79	△79	△265	△318	-	-	△318
Balance on December 31, 2019	3,390	3,382	△681	△93	346	-	252	17,835	24,179	22	24,202	

(5) Summary of quarterly consolidated cash flow statements

(Unit: million yen)

	Consolidated cumulative period for the previous second quarter (from July 1, 2018 to December 31, 2018)	Consolidated cumulative period of this second quarter (from July 1, 2019 to December 31, 2019)
Cash flow from operating activities		
Profits of the quarter (Δ loss)	$\Delta 44$	1,353
Depreciation and amortization costs	835	2,067
Interest income and dividend	$\Delta 5$	$\Delta 6$
Interest expense	22	25
Investment gain / loss through equity method	5	$\Delta 38$
Corporate income tax expenses	786	760
Increase / decrease of trade receivables (Δ is an increase)	$\Delta 428$	493
Increase / decrease of inventories (Δ is an increase)	$\Delta 391$	$\Delta 83$
Increase / decrease of trade payables (Δ is a decrease)	$\Delta 154$	$\Delta 127$
Increase / decrease in retirement benefits liabilities (Δ is a decrease)	$\Delta 233$	$\Delta 135$
Other	251	$\Delta 449$
Subtotal	642	3,859
Interest and dividend received	5	6
Interest paid	$\Delta 22$	$\Delta 25$
Corporate income tax paid	$\Delta 1,171$	$\Delta 766$
Net cash provided by (used in) operating activities	$\Delta 546$	3,073
Cash flow from investment activities		
Payment for acquisition of tangible fixed assets and investment properties	$\Delta 1,120$	$\Delta 828$
Proceed from sales of tangible fixed assets and investment properties	2	7
Payment for intangible assets	$\Delta 119$	$\Delta 66$
Payment for loans receivable	$\Delta 0$	$\Delta 9$
Proceed from loans receivable	3	8
Other	89	$\Delta 15$
Net cash provided by (used in) investment activities	$\Delta 1,145$	$\Delta 905$

	Consolidated cumulative period for the previous second quarter (from July 1, 2018 to December 31, 2018)	Consolidated cumulative period of this second quarter (from July 1, 2019 to December 31, 2019)
Cash flow from financing activities		
Net increase or decrease of short-term loans (△ is a decrease)	1,000	7
Repayment of long-term loans	△151	△86
Repayment of finance lease debts	△289	-
Repayment of lease debts	-	△1,601
Dividend paid	△282	△345
Payment for acquisition of treasury stock	△0	-
Cash flow through financing activities	276	△2,025
Increase / decrease in of cash and cash equivalents (△ is a decrease)	△1,415	143
Cash and cash equivalents at the beginning of the quarter	5,273	3,465
Balance of cash and cash equivalents at the end of the quarter	3,857	3,609

- (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 that our group applies 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.

(1) Application of IFRS No. 16 (lease)

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

Standard	Name of the standard	Summary
IFRS No. 16	Lease	Definition of lease and revision of accounting process

In the application of IFRS No. 16 "Lease (announced in January of 2016, hereinafter referred to as IFRS No. 16), a method which is approved as a transitional measure that recognizes the cumulative amount of financial impact due to the application of this standard to be recognized on the day the application is started (retroactive revision approach), is being adopted. Therefore, revised comparison information is not shown again, and the cumulative effect of the application of IFRS No. 16 is recognized on the initial application date, which is July 1, 2019.

In the previous consolidated accounting year, our group has classified all substantial risks and lease contracts with economic benefit as finance lease. Lease assets are initially recognized at the fair value or the current value of the total amount of minimum payment lease fee. Lease contracts other than finance leases are classified as operating leases and are not appropriated in the consolidated statement of affairs of our group. The payment lease fee of operating leases is recognized as an expense throughout the lease period based on the straight-line method.

During this consolidated accounting year, our group did not categorize borrower leases as finance leases or operating leases in accordance with IFRS No. 16, has introduced a single accounting model, and has recognized lease debts which show the obligation to pay the right-of-use asset and lease fee which show the right to use the underlying assets as a general rule for all leases, excluding cases of short term leases with a lease period shorter than 12 months or small amount assets leases.

Accompanying the application of IFRS No. 16, for borrower lease transactions, our group has measured the right to use asset at acquisition cost and the lease debt at the current value of the total amount of unpaid lease fees at the lease commencement date. The acquisition cost of the right to use asset is initially measured by adjusting the prepaid lease payment, etc. to the initial measured amount of the lease debt. In the summary of consolidated financial status statement for the quarter, the right-of-use asset is shown as included in the "tangible fixed assets," and the lease debt is included in the "other financial debts." The depreciation of the right-of-use assets and interest costs related to the lease debt are appropriated after recognizing the right-of-use assets and the lease debts.

Our group estimates the lease period of the right-of-use asset by adding a reasonably certain time period in which executing an option to extend the lease or executing an option to cancel the lease will not be exercised during the irrevocability period of the lease. Also, the discount rate applied to the lease debts related to the applicable right-of-use assets utilize the borrowing interest rate of the borrower. The right-of-use assets are depreciated using the straight-line method over the useful life period of the underlying asset if the ownership of the underlying asset is to be transferred to the borrower, over the shorter of either the useful life period or the lease period for other cases.

Also, our group utilizes the following practical expedients in applying the IFRS No. 16.

- Regarding leases in which the lease period is to be concluded within 12 months of the application start date, the same accounting process method of short-term leases
- Exclude the initial direct cost from the measurement of right-of use as of the date of initial application
- Carry over the past decision of whether the transaction is a lease or not for the contracts signed before the previous consolidated accounting year
- Utilize ex post facto decisions in the case of calculating the lease period for contracts which include extension or cancellation options

(2) Effect on the summary of the consolidated financial statements of the quarter

For the company group, 8,871million yen for right-of-use assets and 8,720 million yen for lease debts are appropriated in the summary of consolidated financial status statements for this quarter on July 1, 2019. This is mainly an influence of the lease fee classified as an operating lease in IAS No. 17 being appropriated as an asset and debt upon application of IFRS No. 16. Furthermore, there is no effect on the accumulated earnings at the beginning of the term because right-of-use assets that is the same amount as the lease debts (however, advance lease fee is revised) is recognized when the lease debt is recognized.

The average of the added borrowing interest applied to the lease debts at the time of the application start date was 0.2%.

Also, the cash flow due to sales activities increased, and the cash flow due to financial activities decreased in conjunction with the change, etc. of display in the operating lease cost.

The difference between the total of the minimum lease fee of the irrevocable operating leases at the last date of the fiscal year immediately before the application start date, and the lease debt recognized in the summary of the consolidated financial status statement for the quarter as of the application start date, is as follows.

(Million yen)	
	Amount
Total amount of future minimum lease fees for irrevocable operating lease (June 30, 2019)	1,965
Total amount of future minimum lease fees for irrevocable operating lease after discount (July 1, 2019)	1,946
Lease debts classified in the finance leases (June 30, 2019)	2,149
Effects, etc., from the review of lease period due to the application of IFRS No. 16	4,624
Lease debts recognized in the summary of the consolidated financial status statement as of the application start date (July 1, 2019)	8,720

(Change of accounting estimates)

In creating the summary of the consolidated financial statements for the quarter conforming to IFRS, managers are required to apply the accounting policy as well as to determine, estimate, and presume the effect thereof on the assets, debts, profits, and cost amount. The actual business results may differ compared to these estimates.

The estimate and the assumptions which become the base of the estimates will be continuously reviewed. The effect from the accounting estimate review is recognized in the accounting period in which the estimate is reviewed as well as in the future accounting period thereafter.

Excluding the accounting estimate changes indicated below, the estimate and decisions significantly affecting the amount in the summary of the consolidated financial statements in the quarter are the same as the consolidated financial statements in the previous consolidated accounting year.

(Change in life expectancy)

Regarding the group's sales vehicles in the automobile related business by our company (some excluded), it became clear that long-term usage can be expected through regular maintenance, etc. Due to this, the life expectancy has been revised from the conventional 7 years to 10 years starting the first quarter of the consolidated accounting period going forward.

Due to this, 154 million yen has been added to the sales profit and pre-tax profits for this second quarter of the consolidated cumulative period compared to the case of using the conventional useful life period. Also, the effect on the segment information is indicated in the applicable portions.

(Segment information)

The segment information of our group is as follows.

Consolidated cumulative period of the previous second quarter (from July 1, 2018 to December, 2018)

(Unit: 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.

Consolidated cumulative period of this second quarter (from July 1, 2019 to December 31, 2019)

(Unit: 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	33,086	9,808	3,364	46,259	-	46,259
Sales revenue between segments	20	526	229	777	△777	-
Total	33,107	10,334	3,594	47,036	△777	46,259
Segment profit (operating profit)(△ is loss)	2,840	504	△259	3,084	△982	2,101

(Note) 1. The △982 million yen adjustment amount in the segment profits includes the total company cost △982 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.

2. As indicated in "4. Accounting Status; 1. Summary of Consolidated Financial Statements for the Quarter, Notes of the Summary of the Consolidated Financial Statements for the Quarter; 2. Creation Basics (4) Important Accounting Estimates and the Decision for the Statements," the life expectancy has been changed starting from the consolidated cumulative period of this second quarter for the vehicles for sales in our company's automobile related businesses (excludes some). Due to this change, the segment profit during the consolidated cumulative period of this first quarter has increased 154 million yen in the automotive related businesses compared to that of the conventional method.