

Summary of Consolidated Financial Results for the Second Quarter Ending of the Fiscal Year June 30, 2024 [Based on IFRS]

February 8, 2024

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 9, 2024
 Scheduled date to commence dividend payments: March 11, 2024
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: Yes (For analysts)

Stock Exchange Listing: Tokyo
 Takeo Kitamura
 Toshihiro Takahashi
 TEL 044-520-0106

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the second quarter ending of the fiscal year June 30, 2024 (From July 1, 2023 to December 31, 2023)

(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 FY2023/2024	64,399	0.2	2,328	8.7	2,338	9.2	1,503	4.1	1,469	2.3	1,510	8.6
2Q FY2022/2023	64,247	38.4	2,143	59.4	2,141	57.0	1,444	76.8	1,436	74.7	1,390	57.5

	Basic quarterly earnings per share		Diluted quarterly earnings per share	
	Yen		Yen	
2Q FY2023/2024	87.04		87.03	
2Q FY2022/2023	85.30		85.29	

(Note) The provisional accounting treatment for business combinations was finalized in the third quarter of the fiscal year ending June 2023. The figures for the second quarter of the fiscal year ending June 2023 reflect the finalization of provisional accounting treatment.

(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 FY2023/2024	61,978	34,770	34,186	55.2
FY2022/2023	56,558	33,836	33,285	58.9

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
FY2022/2023	---	15.00	---	36.00	51.00
FY2023/2024	---	15.00			
FY2023/2024 (forecast)				36.90	51.90

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

3. Forecast of consolidated financial results for the year ending June 30, 2024 (From July 1, 2023 to June 30, 2024)

(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	121,000	Δ8.9	5,200	2.5	5,200	2.4	3,500	1.8	207.64

(Note) Revisions from the most recently released business forecast: No

※(Note)

(1) Changes in significant subsidiary companies during the current quarter (Changes in the specific subsidiary companies following changes in the scope of consolidation): No

New — Co. (Company name),

Exclusions — Co. (Company name)

(2) Changes in accounting policies, changes in accounting estimates

① Changes in the accounting policies required by IFRS : No

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

③ Changes in the accounting estimates : No

(3) Number of issued shares (common shares)

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

2Q FY2023/2024	17,560,242 shares	FY2022/2023	17,560,242 shares	
② Number of treasury shares at the end of the period	2Q FY2023/2024	920,782 shares	FY2022/2023	956,982 shares
③ Average number of shares during the period (total up to this quarter)	2Q FY2023/2024	16,884,539 shares	2Q FY2022/2023	16,839,303 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	2
(1) Explanation regarding the operating results	2
(2) Explanation regarding financial position and cash flow	4
(3) Explanation on future forecast information, such as consolidated earnings.....	5
2. Summary of the consolidated financial statements and major notes	6
(1) Summary of quarterly consolidated statement of financial position.....	6
(2) Summary of quarterly consolidated profit and loss statement.....	8
(3) Summary of the quarterly consolidated comprehensive income statement	9
(4) Summary of the quarterly consolidated statement of changes in equity	10
(5) Summary of the quarterly consolidated statement of cash flows	11
(6) Notes regarding summary of the quarterly consolidated financial statements	13
(Notes on going concern assumption).....	13
(Segment information).....	14
(Business Combination)	15
(Important subsequent events).....	16

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 has been gradually picking up and even recovering, although affected by the slowdown in the pace of overseas economies and rising prices.

In the domestic automobile market, the total number of new vehicles sales increased to 110.1% (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). The recovery trend continued in the second quarter of the current consolidated cumulative period, as finished vehicle manufacturers made progress in clearing backlogs of orders. The number of used vehicle registrations and sale increased to 104.1% compared to the same period of the previous year due to the recovery in new vehicle sales.

Revenues increased mainly in the automobile-related businesses. Operating profits increased mainly in the overseas related businesses and the general cargo business.

As a result, the business results of our group are as follows: sales of 64,399 million yen (100.2% compared to the same quarter from the previous year) and operating profit of 2,328 million yen (108.7% compared to the same quarter from the previous year). Also, the profit before taxes was 2,338 million yen (109.2% compared to the same quarter from the previous year), and the profit of the quarter attributable to the equity shareholders of the company was 1,469 million yen (102.3% compared to the same quarter from the previous year).

Number of units related to domestic distribution of automobiles

Units: vehicles

Domestic	July of 2022 to December of 2022	July of 2023 to December of 2023	Compared to the previous year
Number of new vehicles sold			
Domestic manufacturer *1	1,989,325	2,202,824	110.7%
(out of this, Nissan Motor) *1	(220,844)	(229,968)	(104.1%)
Foreign manufacturer *2	125,818	125,662	99.9%
Total of new vehicle sales	2,115,143	2,328,486	110.1%
Number of registered used cars			
Registered vehicles *3	1,672,409	1,750,931	104.7%
Light vehicles *4	1,301,515	1,344,866	103.3%
Total number of used vehicles registered	2,973,924	3,095,797	104.1%

Export	July of 2022 to December of 2022	July of 2023 to December of 2023	Compared to the previous year
New vehicles of domestic manufacturers *1	2,080,620	2,399,257	115.3%
Used vehicles (registered vehicles) *5	631,523	776,353	122.9%

*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) Domestic automotive related businesses

For vehicle transportation, which is the core business, the number of units for transportation contracts for used vehicles increased in line with the recovery in used vehicle registrations and sales, despite the turmoil in the used vehicle industry, resulting in an overall increase in revenues in the domestic automobile-related business.

Segment profit decreased due to higher marine transportation costs, an increase in recruitment and labor costs as a result of an increase in the ratio of active job openings to active job applicants for drivers following the end of the COVID-19 pandemic and an increase in hourly wage rates in response to the rise in the consumer price index and minimum wage, and an increase in vehicle expenses due to investment in transportation equipment in anticipation of the transition to electric vehicles.

As a result, the overall sales in the domestic automotive related businesses was 29,131 million yen (104.9% compared to the same quarter from the previous year), and the segment profit was 2,089 million yen (95.6% compared to the same quarter from the previous year).

In the vehicle transportation business, the Group will continue to implement the "Digitalization", "Greening", and "New normal" policies outlined in our mid-term management plan through June 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 received from 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, we are promoting the establishment of building 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. However, in the midst of the chronic shortage of crew members, combined with rising consumer price indexes, minimum wages, and unit labor costs, it is necessary to maintain and improve compensation while reducing the total working hours of crew members, and to introduce new crew members and transportation equipment to compensate for the decrease in transportation capacity due to reduced total working hours.

(2) Human resource businesses

In the pickup service business, revenue increased due to the acquisition of new contracts and an increase in the number of vehicles in the MaaS (Mobility as a Service) business for J:COM (JCOM Co., Ltd.). In the temporary staffing business, revenue increased due to an increase in the number of dispatched drivers, and in the airport-related business, revenue increased due to an increase in the number of dispatched personnel in line with the recovery in the number of flights to and from Japan. Segment profit decreased due to the start-up costs of the driver recruitment portal site "wnten.com" and increases in recruitment and labour costs due to the rise in the consumer price index and minimum wage.

As a result, the sales revenue of the overall human resource business was 10,771 million yen (104.7% compared to the same quarter from the previous year), and the segment profit was 339 million yen (92.4% compared to the same quarter from the previous year).

(3) General cargo business

In the port cargo handling business, revenue from fuel cargo handling for biomass power plants increased due to acquisition of cargo handling for new power plants, but revenues in the transport / warehousing business decreased due to the withdrawal of unprofitable customers, and revenue in the overall general cargo business decreased as well. Segment profit increased with the increased revenue in the port cargo business, and there was also an increase in the overall general cargo business.

As a result, the sales revenue of the overall general cargo business was 3,281 million yen (99.5% compared to the

same quarter from the previous year), and the segment profit was 668 million yen (117.9% compared to the same quarter from the previous year).

(4) Overseas Related Businesses

In the used vehicle export business, revenue decreased due to restrictions on the number of used cars exported to Malaysia as the capacity of car carrier ship was limited as a result of brisk exports of new vehicles from Japan against the depreciation of the yen. In the CKD business, revenue increased due to an increase in the number of packaging units, and in the vehicle transportation business in China, revenue increased due to acquisition of new customers.

Segment profit increased as a result of cost reductions and cost pass-through. In addition, the CKD business posted an increase in profit due to an increase in revenue, while the vehicle transportation business in China posted an increase in profit thanks to the successful acquisition of new customers.

As a result of the above, the sales revenue of the overall overseas business was 21,215 million yen (92.7% compared to the same quarter from the previous year), and segment profit was 371 million yen (173.9% 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 1,140 million yen.

(2) Explanation regarding financial position and cash flow

(1) Status of assets, liabilities, and equity

(Assets)

Current assets increased by 4,132 million yen (15.9%) compared to the end of the previous consolidated fiscal year to 30,164 million yen.

This was mainly due to an increase in cash and cash equivalents of 3,129 million yen.

Non-current assets increased by 1,287 million yen (4.2%) compared to the end of the previous consolidated fiscal year to 31,813 million yen.

This was mainly due to an increase of 1,289 million yen in goodwill.

As a result, total assets increased by 5,419 million yen (9.6%) compared to the previous consolidated fiscal year to 61,978 million yen.

(Liabilities)

Current liabilities increased by 4,039 million yen (22.2%) compared to the end of the previous consolidated fiscal year to 22,240 million yen.

This was mainly due to an increase of 6,743 million yen in borrowings, despite a decrease of 1,247 million yen in lease liabilities.

Non-current liabilities increased by 445 million yen (9.8%) compared to the end of the previous consolidated fiscal year to 4,967 million yen.

This was mainly due to an increase of 122 million yen in deferred tax liabilities and 226 million yen in bonds and borrowings.

As a result, total liabilities increased by 4,485 million yen (19.7%) compared to the end of the previous consolidated fiscal year to 27,207 million yen.

(Equity)

Total equity increased by 934 million yen (2.8%) compared to the end of the previous consolidated fiscal year to 34,770 million yen.

This was mainly because retained earnings increased by 872 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 3,129 million yen compared to the end of the previous consolidated fiscal year to 8,604 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 1,604 million yen (there was an income of 2,842 million yen during the same period of the previous year).

The main cause of the increase in funds were 2,533 million yen for depreciation and amortization expenses which are non-fund expenses and 1,503 million yen in quarterly income; the main cause of the decrease in funds was 1,201 million yen increase in income taxes.

(Cash flow from investment activities)

Net cash used in investment activities was 2,862 million yen (expenditures of 1,051 million yen during the same period of the previous year).

The main itemization breakdown for expenditures was 1,072 million yen for acquisition of tangible fixed assets and investment property and 1,655 million yen for the acquisition of shares of subsidiaries resulting in a change in the scope of consolidation.

(Cash flow from financing activities)

Net cash obtained from financing activities was 4,390 million yen (expenditures of 1,673 million yen during the same period of the previous year).

The main itemization breakdown for expenditures was 1,486 million yen in repayment of lease liabilities, while the main itemization breakdown for income was 6,600 million yen net increase in short-term borrowings.

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

We have not made any amendments to the consolidated earnings forecast announced on August 10, 2023.

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, 2023)	End of the consolidated accounting period of this second quarter (December 31, 2023)
Assets		
Current assets		
Cash and cash equivalents	5,475	8,604
Trade and other receivables	14,843	15,331
Inventories	4,730	5,294
Other financial assets	469	431
Other current assets	514	501
Total current assets	26,032	30,164
Non-current assets		
Tangible fixed assets	20,743	20,164
Goodwill and intangible assets	3,378	4,942
Investment properties	3,020	3,031
Investment accounting processed with equity method	533	521
Other financial assets	1,939	1,874
Other non-current assets	433	849
Deferred tax assets	478	428
Total non-current assets	30,526	31,813
Total assets	56,558	61,978

(Units: Million yen)

	End of the previous consolidated accounting year (June 30, 2023)	End of the consolidated accounting period of this second quarter (December 31, 2023)
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payable	9,077	8,207
Loans	1,600	8,343
Lease liabilities	3,132	1,884
Income taxes payable, etc.	1,283	780
Other financial liabilities	—	2
Other current liabilities	3,106	3,021
Total current liabilities	18,200	22,240
Non-current liabilities		
Bonds and borrowings	—	226
Lease liabilities	2,563	2,240
Other financial liabilities	89	99
Retirement benefits liabilities	655	1,024
Other non-current liabilities	313	353
Deferred tax liabilities	899	1,022
Total non-current liabilities	4,522	4,967
Total liabilities	22,722	27,207
Equity		
Capital	3,390	3,390
Capital surplus	3,461	3,459
Treasury stock	△638	△614
Other components of funds	644	650
Retained earnings	26,426	27,299
Total equity attributing to the equity shareholders of the company	33,285	34,186
Non-controlling interest	550	584
Total Equity	33,836	34,770
Total liabilities and equity	56,558	61,978

(2) Summary of quarterly consolidated profit and loss statement

(Units: Million yen)

	Consolidated cumulative period for the previous second quarter (From July 1, 2022 to December 31, 2022)	Consolidated cumulative period of this second quarter (From July 1, 2023 to 31 December 2023)
Sales	64,247	64,399
Cost of sales	△57,187	△56,869
Gross profit	7,059	7,530
Selling, general and administrative expenses	△5,034	△5,392
Other income	157	208
Other expenses	△39	△17
Operating profit	2,143	2,328
Financial profit	28	30
Financial expenses	△27	△21
Investment gain / loss through equity method	△3	0
Profit before tax	2,141	2,338
Corporate income tax expenses	△696	△834
Profits of the quarter	1,444	1,503
Attribution of the profits of the quarter:		
Equity shareholders of the company	1,436	1,469
Non-controlling interest	8	34
Profits of the quarter	1,444	1,503
Quarterly earnings per share		
Basic quarterly earnings per share (yen)	85.30	87.04
Diluted quarterly earnings per share (yen)	85.29	87.03

(3) Summary of the quarterly consolidated comprehensive income statement

(Units: Million yen)

	Consolidated cumulative period for the previous second quarter (From July 1, 2022 to 31 December 2022)	Consolidated cumulative period of this second quarter (From July 1, 2023 to 31 December 2023)
Profits of the quarter	1,444	1,503
Other comprehensive income		
Items not transferring over to profit or loss:		
Remeasurement of defined benefit system	Δ61	40
Financial assets measured by fair value through other comprehensive profits	72	Δ61
Total of the items not transferring over to profit or loss	11	Δ21
Items which may be transferred over to profit or loss		
Conversion difference of business activities overseas	Δ103	Δ1
Other comprehensive income equity of affiliated company accounted for by the equity method	37	29
Total of the items which may be transferred over to profit or loss	Δ65	27
Other comprehensive income after tax deduction	Δ54	6
Comprehensive income of the quarter	1,390	1,510
Attribution of the comprehensive income for the quarter:		
Equity shareholders of the company	1,418	1,476
Non-controlling interest	Δ27	33
Comprehensive income of the quarter	1,390	1,510

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

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

(Units: Million yen)

	Equity attributable to equity shareholders of the company									Non-controlling interest	Total Equity
	Capital	Capital surplus	Treasury stock	Other components of funds				Retained earnings	Total equity attributing to the equity shareholders of the company		
				Conversion difference of business activities overseas	Financial assets measured by fair value through other comprehensive profits	Remeasurement of defined benefit system	Total other components of funds				
Balance on July 1, 2022	3,390	3,458	△667	155	288	—	444	23,440	30,067	546	30,614
Profits of the quarter							—	1,436	1,436	8	1,444
Other comprehensive income				△29	72	△61	△17		△17	△36	△54
Comprehensive income of the quarter	—	—	—	△29	72	△61	△17	1,436	1,418	△27	1,390
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	24,440	31,121	518	31,640

Consolidated cumulative period of this second quarter (from July 1, 2023 to December 31, 2023)

(Units: Million yen)

	Equity attributable to equity shareholders of the company									Non-controlling interest	Total Equity
	Capital	Capital surplus	Treasury stock	Other components of funds				Retained earnings	Total equity attributing to the equity shareholders of the company		
				Conversion difference of business activities overseas	Financial assets measured by fair value through other comprehensive profits	Remeasurement of defined benefit system	Total other components of funds				
Balance on July 1, 2023	3,390	3,461	△638	172	472	—	644	26,426	33,285	550	33,836
Profits of the quarter							—	1,469	1,469	34	1,503
Other comprehensive income				28	△61	40	7		7	△0	6
Comprehensive income of the quarter	—	—	—	28	△61	40	7	1,469	1,476	33	1,510
Dividends of the surplus							—	△597	△597		△597
Share-based payment transactions, etc.		△2	24				—		21		21
Transfer from other capital component to Retained earnings					39	△40	△0	0	—		—
Total transactions, etc. with the owners	—	△2	24	—	39	△40	△0	△596	△575	—	△575
Balance on December 31, 2023	3,390	3,459	△614	201	449	—	650	27,299	34,186	584	34,770

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

(Units: Million yen)

	Consolidated cumulative period for the previous second quarter (From July 1, 2022 to December 31, 2022)	Consolidated cumulative period of this second quarter (From July 1, 2023 to December 31, 2022)
Cash flow from operating activities		
Profits of the quarter	1,444	1,503
Depreciation and amortization costs	2,449	2,533
Interest income and dividend	△28	△29
Interest expense	21	19
Investment gain / loss through equity method	3	△0
Corporate income tax expenses	696	834
Increase / decrease of trade receivables (△ is an increase)	△187	△123
Increase / decrease of inventories (△ is an increase)	△1,146	△561
Increase / decrease of trade payables (△ is a decrease)	△457	△330
Increase / decrease in net defined benefit asset and liability	△10	△2
Other	867	△1,047
Subtotal	3,651	2,796
Interest and dividend received	28	29
Interest paid	△21	△19
Corporate income tax paid	△816	△1,201
Cash flow from operating activities	2,842	1,604
Cashflow from investment activities		
Payment for acquisition of tangible fixed assets and investment properties	△990	△1,072
Proceed from sales of tangible fixed assets and investment properties	4	36
Payment for intangible assets	△64	△276
Expenditures from acquisition of investments in subsidiaries resulting in change in scope of consolidation	—	△1,655
Other	△0	104
Cashflow from investment activities	△1,051	△2,862

(Units: Million yen)

	Consolidated cumulative period for the previous second quarter (From July 1, 2022 to December 31, 2022)	Consolidated cumulative period of this second quarter (From July 1, 2023 to December 31, 2023)
Cash flow from financing activities		
Net increase or decrease of short-term loans (Δ is a decrease)	221	6,600
Repayment of long-term loans	Δ 15	Δ 25
Redemption of Bonds	—	Δ 100
Repayment of lease debts	Δ 1,503	Δ 1,486
Dividend paid	Δ 376	Δ 597
Cash flow from financing activities	Δ 1,673	4,390
Effect of exchange rate changes on cash and cash equivalents	Δ 74	Δ 2
Increase / decrease in of cash and cash equivalents (Δ is a decrease)	43	3,129
Cash and cash equivalents at the beginning of the year	5,180	5,475
Balance of cash and cash equivalents at the end of the quarter	5,224	8,604

(6) Notes regarding summary of the quarterly consolidated financial statements

(Notes on going concern assumption)

There are no applicable matters.

(Changes in Presentation)

(Summary of quarterly consolidated cash flow statements)

From the first quarter of the current consolidated cumulative period, “Increase / decrease in retirement benefits liabilities”, which was included in “Other” under “Cash flow from operating activities” in the second quarter of the previous consolidated cumulative period, has been combined with the previous “Increase / decrease in retirement benefits liabilities” and presented as “Increase / decrease net defined benefit asset and liability” to improve the clarity of the presentation. To reflect this change in presentation, the condensed quarterly consolidated financial statements for the second quarter of the previous fiscal year have been reclassified.

As a result, 10 million yen presented in “Other” under “Cash flow from operating activities” in the condensed quarterly consolidated statements of cash flows for the second quarter of the previous fiscal year has been reclassified as “Increase / decrease in net defined benefit asset and liability” under “Cash flows from operating activities”.

(Segment information)

The segment information of our group is as follows.

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

(Units: Million yen)

	Domestic automotive related businesses	Human resource businesses	General cargo businesses	Overseas Related Business	Total	Adjustment amount (Note) 1	Total amount on the quarterly consolidated financial statements
Sales							
Sales from external customers	27,767	10,291	3,297	22,891	64,247	—	64,247
Sales 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)	2,186	366	567	213	3,334	△1,190	2,143

(Note) 1. 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.

2. In the previous fiscal year, the provisional accounting treatment for the business combination was finalized, and the amounts for the previous second quarter consolidated cumulative period has been reflected.

Consolidated cumulative period of this second quarter (from July 1, 2023 to December 31, 2023)

(Units: Million yen)

	Domestic automotive related businesses	Human resource businesses	General cargo businesses	Overseas Related Business	Total	Adjustment amount (note)	Total amount on the quarterly consolidated financial statements
Sales							
Sales from external customers	29,131	10,771	3,281	21,215	64,399	—	64,399
Sales between segments	62	634	50	—	746	△746	—
Total	29,193	11,405	3,332	21,215	65,146	△746	64,399
Segment profit (operating profit)	2,089	339	668	371	3,469	△1,140	2,328

(Note). The △1,140 million yen adjustment amount in the segment profits includes the total company cost △1,140 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, 2022 to December 31, 2022)

There are no applicable matters.

Consolidated cumulative period of this second quarter (from July 1, 2023 to December 31, 2023)

On November 1, 2023, our Group acquired 100% of the shares of So-ing Co., Ltd. and made it a subsidiary.

(1) Outline of the Business Combination

(1) Name and business of the acquired company

Name of acquired company: So-ing Co., Ltd.

Business Operations: Vehicle transportation, Auto Auction Site Operations, etc.

(2) Acquisition date:

November 1, 2023

(3) Percentage of voting equity interest acquired:

100%

(4) Reasons for the business combination

With the aim of becoming a comprehensive logistics company and service provider in the automobile distribution industry, our Group has been expanding its automobile-related businesses and human resource business in addition to our original vehicle transportation business, and now we welcome So-ing Co., Ltd., which operates vehicle transportation business and auto auction site operation business, to our group. In the vehicle transportation business, with the 2024 problem just around the corner, it is imperative to maintain and secure transportation capacity by reducing the total working hours of crew members and improving transportation efficiency. Taking this acquisition of shares as an opportunity, we will realize improvement in transportation efficiency through the flexible use of cargoes. In the auto auction business, by combining the operational know-how of So-ing Co., Ltd. with the infrastructure and resources of our Group, we will expand the market share of this business and uncover new needs in anticipation of the EV market, thereby maximizing the corporate value of our Group.

(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	2,856
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	1,200
Trade and other receivables	259
Other current assets	79
Tangible fixed assets	1,211
Intangible fixed assets	0
Other non-current assets	50
Current liabilities	867
Non-current liabilities	367
Fair value (net amount) of assets acquired and liabilities assumed	1,566
Goodwill	1,289

As of the end of the current consolidated fiscal year, the amount of goodwill generated, the amount of assets acquired and liabilities assumed on the date of the business combination are under examination to identify the identifiable assets and liabilities on the date of the business combination. As the allocation has not been completed, provisional accounting has been applied.

The main components of goodwill are synergies with existing businesses and excess earning power expected to arise from the acquisition, which do not individually meet the recognition criteria. None of the recognized goodwill is expected to be deductible for tax purposes.

(3) Acquisition-related expenses

Acquisition-related expenses for this business combination was 89 million yen and is included in "Selling, general and administrative expenses" in the summary of quarterly consolidated profit and loss statement.

(4) Cash flow from acquisition

(Units: Million yen)

Cash and cash equivalents used in the acquisition	Δ2,856
Cash and cash equivalents held by the acquired company at the time of acquisition	1,200
Expenditures from acquisition of investments in subsidiaries resulting in change in scope of consolidation	Δ1,655

(5) Impact of the business combination on the Group's performance

Assuming that the business combination was implemented at the beginning of the current consolidated accounting year, the impact on the Group's business performance for the current consolidated fiscal year is immaterial and is not disclosed.

(Important subsequent events)

On January 11, 2024, a fire broke out at our Kawasaki logistics center, causing damage to the warehouse area leased to external customer.

Part of the first floor of the building was damaged by this fire. Regarding the damage, the outlook for recovery, and the impact on future business activities, etc, are currently under investigation, and it is currently difficult to reasonably estimate the amount of losses related to this fire.