

**Summary of Consolidated Financial Results for the Third Quarter Ending of the Fiscal Year June 30, 2023 [Based on IFRS]**

May 11, 2023

Company name:	ZERO CO., LTD.	Stock Exchange Listing: Tokyo
Stock code:	9028 URL: <a href="http://www.zero-group.co.jp/">http://www.zero-group.co.jp/</a>	
Representative:	President & CEO	
Inquiries:	Director and Manager of Group Strategies Headquarters	
Scheduled Date of Submission of Quarterly Report:	May 12, 2023	
Scheduled date to commence dividend payments:	-	
Preparation of supplementary material on quarterly financial results:	No	
Holding of quarterly financial results meeting:	No	

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the third quarter ending of the fiscal year June 30, 2023 (From July 1, 2022 to March 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	%
3Q FY2022/2023	101,052	32.1	3,752	29.1	3,751	27.4	2,504	31.6	2,500	31.2	2,594	29.3
3Q FY2021/2022	76,523	11.0	2,906	△30.9	2,943	△30.2	1,903	△34.3	1,906	△34.4	2,006	△40.8

	Basic quarterly earnings per share	Diluted quarterly earnings per share
	Yen	Yen
3Q FY2022/2023	148.37	148.35
3Q FY2021/2022	113.42	113.24

(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	%
3Q FY2022/2023	56,715	32,605	32,080	56.6
FY2021/2022	55,189	30,614	30,067	54.5

(Note) In the third quarter of the fiscal year ending June 2023, the provisional accounting treatment for the business combination has been finalized.

2. Cash dividends

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

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

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

(Percentages indicate year-on-year changes)

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

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

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 forecast .....	5
2. Summary of the quarterly consolidated financial statements and major notes .....	6
(1) Summary of the quarterly consolidated financial position .....	6
(2) Summary of the 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).....	13
(Business Combination).....	14

#### 1. Qualitative information on the quarterly financial results

(1) Explanation regarding the operating results

Japan's economy during the consolidated cumulative period of the third quarter continued to recover moderately as supply constraints in semiconductors and other areas and the impact of the COVID-19 Pandemic have eased, despite the impact of high resource prices.

In the domestic automobile market, the total number of new vehicles sales increased to 109.9% (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 became clearer in the third quarter of the consolidated accounting period as some automobile manufacturers expanded shipments to the domestic market from the beginning of the year 2023. The number of registered and sales used vehicles decreased to 96.7% compared to the same quarter from the previous year, due to the reluctance to buy as the used vehicle market rises.

Revenues increased in all segments, mainly due to the strong performance of the used vehicle export business to Malaysia and an increase in the number of units for vehicle transportation contracts. Operating income increased in all segments due to higher utilization rates and other factors, despite the impact of higher unit fuel costs.

As a result, the business results of our group are as follows: sales of 101,052 million yen (132.1% compared to the same quarter from the previous year) and operating profit of 3,752 million yen (129.1% compared to the same quarter from the previous year). Also, the profit before taxes was 3,751 million yen (127.4% compared to the same quarter from the previous year), and the profit of the quarter attributable to the equity shareholders of the company was 2,500 million yen (131.2% compared to the same quarter from the previous year).

Number of units related to domestic distribution of automobiles				Units: vehicles
Domestic	July of 2021 to March of 2022	July of 2022 to March of 2023	Compared to the previous year	
Number of new vehicles sold				
Domestic manufacturer	*1	2,998,267	3,307,458	110.3%
(out of this, Nissan Motor)	*1	(338,889)	(365,051)	(107.7%)
Foreign manufacturer	*2	182,716	189,243	103.6%
Total of new vehicle sales		3,180,983	3,496,701	109.9%
Number of registered and sales used cars				
Registered vehicles	*3	2,728,305	2,611,620	95.7%
Light vehicles	*4	2,183,346	2,138,112	97.9%
Total number of used vehicles registered and sales		4,911,651	4,749,732	96.7%

Export	July of 2021 to March of 2022	July of 2022 to March of 2023	Compared to the previous year
New vehicles of domestic manufacturers *1	2,700,618	3,034,805	112.4%
Used vehicles (registered vehicles) *5	981,045	996,004	101.5%

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

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

Fuel retail price	Unit: Yen / L		
National average	July of 2021 to March of 2022	July of 2022 to March of 2023	Compared to the previous year
Light oil *6	145.1	148.9	102.6 %
Regular petrol *6	165.3	168.8	102.1 %

\*6 Calculated from statistics of Agency for Natural Resources and Energy (fuel used by our company for transport is mainly light oil)

The segment business results are as follows.

(1) Domestic automotive related businesses

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

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

As a result, the overall sales in the domestic automotive related businesses was 43,126 million yen (112.0% compared to the same quarter from the previous year), and the segment profit was 3,597 million yen (111.0% compared to the same quarter from the previous year).

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

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

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

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

(2) Human resource businesses

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

As a result, the sales revenue of the overall human resource business was 15,416 million yen (106.9% compared to the same quarter from the previous year), and the segment profit was 600 million yen (136.4% compared to the same quarter from the previous year).

(3) General cargo business

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

As a result, the sales revenue of the overall general cargo business was 4,847 million yen (102.0% compared to the same quarter from the previous year), and the segment profit was 887 million yen (115.6% compared to the same quarter from the previous year).

(4) Overseas Related Businesses

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

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

As a result of the above, the sales revenue of the overall overseas business was 37,661 million yen (199.9% compared to the same quarter from the previous year), and segment profit was 340 million yen (259.1% 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 1,674 million yen.

## (2) Explanation regarding financial position and cash flow

### (1) Status of assets, liabilities, and equity

#### (Assets)

Current assets increased by 2,631 million yen (10.7%) compared to the end of the previous consolidated fiscal year to 27,237 million yen.

This was mainly due to an increase in operating receivables and other receivables of 3,836 million yen.

Non-current assets decreased by 1,105 million yen (3.6%) compared to the end of the previous consolidated fiscal year to 29,478 million yen.

This was mainly due to a decrease of tangible fixed assets of 1,142 million yen resulting from amortization of assets of right to use, etc.

As a result, total assets increased by 1,525 million yen (2.8%) compared to the previous consolidated fiscal year to 56,715 million yen.

#### (Liabilities)

Current liabilities increased by 728 million yen (3.9%) compared to the end of the previous consolidated fiscal year to 19,359 million yen.

This was mainly because borrowings increased by 679 million yen.

Non-current liabilities decreased by 1,193 million yen (20.1%) compared to the end of the previous consolidated fiscal year to 4,749 million yen.

This was mainly due to a decrease of 1,200 million yen in lease liabilities.

As a result, total liabilities decreased by 465 million yen (1.9%) compared to the end of the previous consolidated fiscal year to 24,109 million yen.

#### (Equity)

Total equity increased by 1,991 million yen (6.5%) compared to the end of the previous consolidated fiscal year to 32,605 million yen.

This was mainly because retained earnings increased by 1,880 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 third quarter decreased by 438 million yen compared to the end of the previous consolidated accounting fiscal year to 4,742 million yen.

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

#### (Cash flow from operating activities)

Funds obtained as a result of operating activities were 3,262 million yen (there was an income of 814 million yen during the same period of the previous year).

The main cause of the increase in funds were 3,663 million yen for depreciation and amortization expenses which are non-fund expenses and 2,504 million yen in quarterly income; the main cause of the decrease in funds was 3,435 million yen increase in trade receivables.

#### (Cash flow from investment activities)

Net cash used in investment activities was 1,279 million yen (expenditures of 1,527 million yen during the same period of the previous year).

The main itemization breakdown for expenditures was 1,333 million yen for acquisition of tangible fixed assets and investment property.

(Cash flow from financing activities)

Funds used as a result of financing activities was 2,366 million yen (expenditures of 96 million yen during the same period of the previous year).

The main itemization breakdown for expenditures were 2,274 million yen lease liabilities payments and 625 million yen for dividends, while the main itemization breakdown for income was 556 million yen net increase for 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 February 9, 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, 2022)	Consolidated cumulative period of this third quarter (from March 31, 2023)
Assets		
Current assets		
Cash and cash equivalents	5,180	4,742
Trade and other receivables	15,877	19,713
Inventories	2,603	2,001
Other financial assets	471	258
Other current assets	471	521
Total current assets	24,605	27,237
Non-current assets		
Tangible fixed assets	21,199	20,056
Goodwill and intangible assets	3,275	3,274
Investment properties	3,145	3,051
Investment accounting processed with equity method	497	519
Other financial assets	1,646	1,839
Other non-current assets	427	389
Deferred tax assets	392	347
Total non-current assets	30,584	29,478
Total assets	55,189	56,715

(Units: Million yen)

	End of the previous consolidated accounting year (June 30, 2022)	Consolidated cumulative period of this third quarter (from March 31, 2023)
<b>Liabilities and Equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payable	8,433	8,316
Loans	4,003	4,683
Lease liabilities	2,666	2,863
Income taxes payable, etc.	996	715
Other current liabilities	2,530	2,781
Total current liabilities	18,631	19,359
Non-current liabilities		
Lease liabilities	3,851	2,650
Other financial liabilities	82	88
Retirement benefits liabilities	899	853
Other non-current liabilities	306	316
Deferred tax liabilities	804	840
Total non-current liabilities	5,943	4,749
Total liabilities	24,574	24,109
<b>Equity</b>		
Capital	3,390	3,390
Capital surplus	3,458	3,451
Treasury stock	△667	△638
Other components of funds	444	554
Retained earnings	23,440	25,321
Total equity attributable to the equity shareholders of the company	30,067	32,080
Non-controlling interest	546	525
Total Equity	30,614	32,605
Total liabilities and equity	55,189	56,715

(2) Summary of quarterly consolidated profit and loss statement

(Units: Million yen)

	Consolidated cumulative period for the previous third quarter (July 1, 2021 to March 31, 2022)	Consolidated cumulative period of this third quarter (July 1, 2022 to March 31, 2023)
Sales revenue	76,523	101,052
Cost of sales	Δ66,715	Δ89,761
Gross Profit	9,808	11,291
Selling, general and administrative expenses	Δ6,963	Δ7,700
Other income	147	204
Other expenses	Δ85	Δ42
Operating profit	2,906	3,752
Financial profit	65	42
Financial expenses	Δ28	Δ37
Investment gain / loss through equity method	0	Δ5
Profit before tax	2,943	3,751
Corporate income tax expenses	Δ1,040	Δ1,247
Profits of the quarter	1,903	2,504
Attribution of the profits of the quarter:		
Equity shareholders of the company	1,906	2,500
Non-controlling interest	Δ2	4
Profits of the quarter	1,903	2,504
Quarterly earnings per share		
Basic quarterly earnings per share (yen)	113.42	148.37
Diluted quarterly earnings per share (yen)	113.24	148.35

(3) Summary of the quarterly consolidated comprehensive income statement

(Units: Million yen)

	Consolidated cumulative period for the previous third quarter (July 1, 2021 to March 31, 2022)	Consolidated cumulative period of this third quarter (July 1, 2022 to March 31, 2023)
Profits of the quarter	1,903	2,504
Other comprehensive income		
Items not transferring over to profit or loss:		
Remeasurement of defined benefit system	Δ17	4
Financial assets measured by fair value through other comprehensive profits	Δ37	131
Total of the items not transferring over to profit or loss	Δ55	136
Items which may be transferred over to profit or loss		
Conversion difference of business activities overseas	163	Δ72
Other comprehensive income equity of affiliated company accounted for by the equity method	Δ5	27
Total of the items which may be transferred over to profit or loss	158	Δ45
Other comprehensive income after tax deduction	103	90
Comprehensive income of the quarter	2,006	2,594
Attribution of the comprehensive income for the quarter:		
Equity shareholders of the company	1,951	2,616
Non-controlling interest	54	Δ21
Comprehensive income of the quarter	2,006	2,594

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

Consolidated accounting period of the third quarter (from July 1, 2021 to March 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 attributable to the equity shareholders of the company				
				Conversion difference of business activities overseas	Financial assets measured by fair value through other comprehensive profits	Remeasurement of defined benefit system	Total other components of funds						
Balance on July 1, 2021	3,390	3,437	Δ681	Δ31	355	-	324	21,809	28,280	18	28,298		
Profits of the quarter							-	1,906	1,906	Δ2	1,903		
Other comprehensive income				101	Δ37	Δ17	45		45	57	103		
Comprehensive income of the quarter	-	-	-	101	Δ37	Δ17	45	1,906	1,951	54	2,006		
Dividends of the surplus							-	Δ895	Δ895		Δ895		
Acquisition of treasury stock			Δ0				-		Δ0		Δ0		
Share-based payment transactions, etc.		25	13				-		39		39		
Transfer from other capital component to Retained earnings					Δ0	17	16	Δ16	-		-		
Changes in scope of consolidation							-		-	457	457		
Total transactions, etc. with the owners	-	25	13	-	Δ0	17	16	Δ912	Δ855	457	Δ398		
Balance on March 31, 2022	3,390	3,462	Δ667	70	317	-	387	22,802	29,376	529	29,906		

Consolidated cumulative period of this third quarter (from July 1, 2022 to March 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 attributable 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	Δ667	155	288	-	444	23,440	30,067	546	30,614		
Profits of the quarter							-	2,500	2,500	4	2,504		
Other comprehensive income				Δ20	131	4	115		115	Δ25	90		
Comprehensive income of the quarter	-	-	-	Δ20	131	4	115	2,500	2,616	Δ21	2,594		
Dividends of the surplus							-	Δ625	Δ625		Δ625		
Share-based payment transactions, etc.		Δ6	28				-		21		21		
Transfer from other capital component to Retained earnings					Δ0	Δ4	Δ5	5	-		-		
Total transactions, etc. with the owners	-	Δ6	28	-	Δ0	Δ4	Δ5	Δ619	Δ603	-	Δ603		
Balance on March 31, 2023	3,390	3,451	Δ638	135	419	-	554	25,321	32,080	525	32,605		

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

(Units: Million yen)

	Consolidated cumulative period for the previous third quarter (From July 1, 2021 to March 31, 2022)	Consolidated cumulative period of this third quarter (From July 1, 2022 to March 31, 2023)
Cash flow from operating activities		
Profits of the quarter	1,903	2,504
Depreciation and amortization costs	3,474	3,663
Interest income and dividend	△35	△42
Interest expense	28	31
Investment gain / loss through equity method	△0	5
Corporate income tax expenses	1,040	1,247
Increase / decrease of trade receivables (△ is an increase)	△3,122	△3,435
Increase / decrease of inventories (△ is an increase)	△1,504	601
Increase/ decrease of trade payables (△ is a decrease)	1,194	439
Increase / decrease in retirement benefits liabilities (△ is a decrease)	△7	△19
Other	△565	△278
Subtotal	2,405	4,717
Interest and dividend received	35	42
Interest paid	△28	△31
Corporate income tax paid	△1,598	△1,465
Cash flow from operating activities	814	3,262
Cashflow from investment activities		
Payment for acquisition of tangible fixed assets and investment properties	△1,688	△1,333
Proceed from sales of tangible fixed assets and investment properties	3	11
Payment for intangible assets	△51	△130
Proceeds from acquisition of investments in subsidiaries resulting in change in scope of consolidation	631	-
Other	△422	173
Cashflow from investment activities	△1,527	△1,279

(Units: Million yen)

	Consolidated cumulative period for the previous third quarter (From July 1, 2021 to March 31, 2022)	Consolidated cumulative period of this third quarter (From July 1, 2022 to March 31, 2023)
Cash flow from financing activities		
Net increase or decrease of short-term loans ( $\Delta$ is a decrease)	3,100	556
Repayment of long-term loans	$\Delta$ 25	$\Delta$ 22
Repayment of lease debts	$\Delta$ 2,275	$\Delta$ 2,274
Payment for acquisitioning of treasury stock	$\Delta$ 0	-
Dividend paid	$\Delta$ 895	$\Delta$ 625
Cash flow from financing activities	$\Delta$ 96	$\Delta$ 2,366
Effect of exchange rate changes on cash and cash equivalents	130	$\Delta$ 55
Increase / decrease in of cash and cash equivalents ( $\Delta$ is a decrease)	$\Delta$ 678	$\Delta$ 438
Cash and cash equivalents at the beginning of the year	5,904	5,180
Balance of cash and cash equivalents at the end of the quarter	5,226	4,742

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

(Notes on going concern assumption)

There are no applicable matters.

(Segment information)

The segment information of our group is as follows.

Consolidated accounting period of the third quarter (from July 1, 2021 to March 31, 2022)

(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 revenue							
Sales revenue from external customers	38,503	14,428	4,750	18,841	76,523	—	76,523
Sales revenue between segments	66	833	88	—	988	△988	—
Total	38,569	15,261	4,839	18,841	77,512	△988	76,523
Segment profit (operating profit)	3,241	440	767	131	4,580	△1,673	2,906

(Note). The △1,673 million yen adjustment amount in the segment profits includes the total company cost △1,674 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 third quarter (from July 1, 2022 to March 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 revenue							
Sales revenue from external customers	43,126	15,416	4,847	37,661	101,052	—	101,052
Sales revenue between segments	99	1,043	80	—	1,223	△1,223	—
Total	43,225	16,460	4,928	37,661	102,276	△1,223	101,052
Segment profit (operating profit)	3,597	600	887	340	5,426	△1,674	3,752

(Note). The △1,674 million yen adjustment amount in the segment profits includes the total company cost △1,674 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 accounting period of the third quarter (from July 1, 2021 to March 31, 2022)

On July 1, 2021, our group acquired a partial equity interest (40%) in Zero Scm Logistics (Beijing) Co., Ltd., a jointly controlled company accounted for by the equity method, and made it a subsidiary.

(1) Outline of the Business Combination

(1) Name and business of the acquired company

Name of the acquired company: Zero Scm Logistics (Beijing) Co., Ltd.

Business description: Vehicle transportation business in China

(2) Acquisition date:

July 1, 2021

(3) Percentage of voting equity interest acquired:

Percentage of voting rights held immediately prior to the acquisition date: 25%

Percentage of voting rights additionally acquired on the acquisition date: 40%

Percentage of voting rights after acquisition: 65%

(4) Reasons for the business combination

Since its establishment on April 29, 2004, Zero Scm Logistics has been mainly engaged in the land transportation of finished vehicles in China for Japanese, European and American automobile manufacturers, including marine and rail transportation. In addition, related operations include customs clearance, storage, and PDI (Pre-Delivery Inspection).

In China, which has become the world's largest automobile market, changes such as the evolution of CASE, MaaS, and carbon neutrality are on the horizon, and in order to follow these changes in a timely manner, our group aims to speed up the decision-making process by making the company a consolidated subsidiary, and further expand its business. Specifically, as the used vehicle market is expected to be developed in China, we will consider full-scale entry into the used vehicle transportation market. Also, assuming that electric vehicles produced in China will be imported to Japan in the future, the Zero Group will consider establishing an integrated domestic and overseas transportation system (complete vehicle transportation in China → export customs clearance → marine transportation → import customs clearance → complete vehicle transportation, PDI, installation, registration, delivery, etc. in Japan).

(5) Method of acquiring control of the acquired company:

Acquisition of equity interest in exchange for cash

(2) Fair value of acquisition consideration, assets acquired and liabilities assumed as of the acquisition date

(Units: Million yen)

Fair value of acquisition consideration	
Fair value on the acquisition date of the shares of the acquired company held immediately prior to the acquisition date	326
Fair value of the acquired company shares additionally acquired on the acquisition date	521
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	1,153
Trade and other receivables	409
Other current assets	161
Tangible fixed assets	306
Other non-current assets	7
Current liabilities	689
Non-current liabilities	41
Fair value (net amount) of assets acquired and liabilities assumed	1,306
Non-controlling interest (Note) 1	457
Gain on bargain purchase (Note) 2	1

(Note) 1. Non-controlling interest is measured as the share of non-controlling shareholders with respect to the fair value of the distinguishable net assets of the acquired company.

(Note) 2. Gain on bargain purchase is included in "Other income" in the summary of the quarterly consolidated profit and loss statement because net assets measured at fair value exceeded consideration paid.

(3) Loss on step acquisition

As a result of remeasuring the equity interest in Zero Scm Logistics Co., Ltd., which was held by the Group immediately prior to the date of acquisition of control, at fair value at the time of acquisition of control, a loss on step acquisition of 0 million yen was recognized and recorded in "Other expenses" in the summary of quarterly consolidated profit and loss statement.

(4) Acquisition-related expenses

Acquisition-related expenses for this business combination was 8 million yen and is included in "Selling, general and administrative expenses" in the summary of quarterly consolidated profit and loss statement.

(5) Cash flow from acquisition

(Units: Million yen)

Cash and cash equivalents used in the acquisition	Δ521
Cash and cash equivalents held by the acquired company at the time of acquisition	1,153
Proceeds from acquisition of shares of subsidiaries resulting in change in scope of consolidation	631

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

Sales revenue and loss of the acquired company after the acquisition date recognized in the summary of quarterly consolidated profit and loss income statements for the reporting period amounted to 2,639 million yen and 4 million yen, respectively.

Consolidated cumulative period of this third quarter (from July 1, 2022 to March 31, 2023)

The business combination with IKEDA Co., Ltd. (now Zero Plus IKEDA Co., Ltd.), which took place on May 31, 2022, was accounted for on a provisional basis in the previous consolidated fiscal year because the allocation of the acquisition consideration was not yet complete. However, the allocation of the acquisition consideration was completed in the consolidated accounting period of this third quarter. The amount in the summary of the quarterly consolidated financial statements related to the previous consolidated fiscal year have been adjusted to reflect the details of the finalization of the provisional accounting process.