

## Summary of Consolidated Financial Results for the Third Quarter Ending of the Fiscal Year June 30, 2019 [Based on IFRS]

May 13, 2019

Company name: ZERO CO., LTD.

Stock Exchange Listing: Tokyo

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

Representative: President & CEO

Takeo Kitamura

Inquiries: Director and Manager of Group Strategies Headquarters  
0106

Toshihiro Takahashi

TEL 044-520-

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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, 2019 (From July 1, 2018 to March 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	%
3Q FY2018	66,944	12.3	2,175	Δ31.9	2,167	Δ31.9	890	Δ45.1	888	Δ45.6	724	Δ58.9
3Q FY2017	59,596	0.4	3,194	Δ29.6	3,182	Δ29.2	1,623	Δ42.1	1,633	Δ41.7	1,763	Δ41.5

	Basic quarterly earnings per share		Diluted quarterly earnings per share	
	Yen	Yen	Yen	Yen
3Q FY2018	53.43	53.31	98.44	98.35
3Q FY2017	98.44	98.35		

#### (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 FY2018	41,143	22,522	22,508	54.7
FY2017	38,290	22,119	22,108	57.7

### 2. Cash dividends

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

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

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

(Percentages indicate year-on-year changes)

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

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

(3) Number of issued shares (common shares)

① Total number of issued shares at the end of the period (including treasury shares)	3Q FY2018	17,560,242 shares	FY2017	17,560,242 shares
② Number of treasury shares at the end of the period	3Q FY2018	1,030,369 shares	FY2017	1,030,367 shares
③ Average number of shares during the period (total up to this quarter)	3Q FY2018	16,626,874 shares	3Q FY2017	16,595,875 shares

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

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

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

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

In the automobile industry, the number of new vehicles sales was increased at 101.9% (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) due to the sales of new light vehicles favorably increased and resolution of the finished vehicle inspection issue; but it decreased at 96.0% in March which is the high season for vehicles sales; as with new car sales, the number of registered used cars has increased compared to the same quarter from the previous year but it decreased in March as well.

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

The business results of our group during the consolidated cumulative period of the third quarter are as follows: sales revenue of 66,944 million yen (112.3% compared to the same quarter from the previous year) and operating profit of 2,175 million yen (68.1% compared to the same quarter from the previous year). Also, the profit before taxes was 2,167 million yen (68.1% compared to the same quarter from the previous year), and the profit of the quarter attributable to the equity shareholders of the company was 888 million yen (54.4% compared to the same quarter from the previous year).

Number of units related to domestic distribution of automobiles

Units: vehicles

Domestic Sale	July of 2017 to March of 2018	July of 2018 to March of 2019	Compared to the previous year
Number of new vehicles sold			
Domestic manufacturer *1	3,758,731	3,833,430	102.0%
(out of this, Nissan Motor) *1	(453,232)	(466,331)	(102.9%)
Foreign manufacturer *2	233,586	234,374	100.3%
New car total	3,992,317	4,067,804	101.9%
Used vehicles			
Registered vehicles *3	2,883,488	2,904,829	100.7%
Light vehicles *4	2,338,724	2,377,288	101.6%
Total used vehicles	5,222,212	5,282,117	101.1%
Number of vehicles permanently deleted *3	181,922	189,805	104.3%

Export	July of 2017 to March of 2018	July of 2018 to March of 2019	Compared to the previous year
New vehicles of domestic manufacturers *1	3,669,365	3,648,385	99.4%
Used passenger vehicles *5	1,033,248	1,089,592	105.5%

\*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

The segment business results are as follows.

1) Automobile related businesses

For vehicle transportation, which is the core business, in aiming to expand transactions related to the shipment of new and used vehicles in Japan, in addition to advancing sales activities in response to the oligopolisation of used car sales by new car dealers and major used car dealerships, the number of vehicle transport consignment services increased and for used vehicle export business, the sales dramatically increased as a result of its sales strategy and structure reconstruction, resulting in an increase for the business sector.

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

As a result, the sales revenue was 48,807 million yen (112.9% compared to the same quarter from the previous year), and the segment profit was 3,068 million yen (86.6% compared to the same quarter from the previous year).

2) Human resource business

With the labor demand being tightened accompanying the economic recovery, the difficulty in employment in large cities and the increase in personnel expenses have become serious matters; therefore, the Group has promoted a regional shift from the major cities and reinforcement of the sales system, and has reviewed its product portfolio strategically and continuously. In addition to the fact that pick up service and driver dispatch have transitioned steadily, participation in the newly entered airport business has increased revenues but decreased profit due to the temporary increase of recruiting advertisement cost. As a result, the sales revenue was 13,796 million yen (113.1% compared to the same quarter from the previous year), and the segment profit was 239 million yen (61.1% compared to the same quarter from the previous year).

3) General cargo business

In the port cargo handling business, revenue decreased due to a decrease in automobile cargo handling and coal cargo handling, however the revenue of the transportation / warehouse business has increased with the incorporation of cargo that was shifted to land transportation due to the disaster in the West Japan region in addition to the expansion of transactions with existing customers and acquisition of new customers, and the revenue for the general cargo business has increased overall. In addition to the decreased revenue in the cargo handling business, the initial cost incurred in the newly entered CKD business has caused decreased revenue. As a result, the sales revenue was 4,341 million yen (104.5% compared to the same quarter from the previous year), and the segment profit was 413 million yen (54.5% compared to the same quarter from the previous year).

Also, company expenses not included in the report segments above (expenses related to our company's management divisions) were calculated in the item "adjustment amount" as indicated in "Segment Information" in "The 4th Situation of Accounting" and were 1,545 million yen.

(2) Explanation regarding financial position

1) Status of assets, liabilities, and equity

(Assets)

Current assets increased 2,365 million yen (13.3%) compared to the end of the previous accounting period of consolidation and were 20,113 million yen.

This was mainly because, while cash and cash equivalents decreased by 1,443 million yen, the operating receivables and other receivables increased by 3,224 million yen, on the other hand.

Non-current assets increased by 487 million yen (2.4%) compared to the end of the previous consolidated fiscal year to 21,030 million yen.

This was mainly due to a decrease of 236 million yen in other financial assets because of mark-to-market valuation of investment securities and so forth, while tangible fixed assets increased 670 million yen mainly in motor vehicles transport equipment.

As a result, total assets increased by 2,852 million yen (7.5%) compared to the previous consolidated fiscal year to 41,143 million yen.

(Liabilities)

Current liabilities increased 3,185 million yen (27.3%) compared to the previous consolidated fiscal year to 14,873 million yen.

This was mainly due to borrowings increasing by 2,494 million yen, while income taxes payable decreased by 611 million yen.

Non-current liabilities decreased by 735 million yen (16.4%) compared to the previous consolidated fiscal year to 3,747 million yen.

This was mainly due to a decrease of 344 million yen in liabilities liability for retirement benefits and 335 million yen in other financial liabilities.

As a result, total liabilities increased by 2,450 million yen (15.2%) compared to the previous

consolidated fiscal year to 18,621 million yen.

(Equity)

Total equity increased by 402 million yen (1.8%) compared to the previous consolidated fiscal year to 22,522 million yen.

This is mainly because retained earnings increased by 502 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 third quarter decreased by 1,443 million yen compared to the previous consolidated accounting fiscal year to 3,829 million yen.

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

(Cash flow through operating activities)

Funds used as a result of operating activities were 1,410 million yen (there was an income of 1,301 million yen during the same period of the previous year).

The main itemization breakdowns for income were 1,262 million yen for depreciation and amortization expenses; the income from increased operating debt was 957 million yen, the main itemization breakdown for expenses was for expenditures due to increase in trade receivables of 2,875 million and 1,986 million yen for payment of corporate income.

(Cashflow through investment activities)

Net cash used in investment activities was 1,665 million yen (expenditures of 2,201 million yen during the same period of the previous year).

The main itemization breakdown for expenditures was 1,486 million yen for acquisition of tangible fixed assets and investment property and 223 million yen for purchases of intangible assets.

(Cashflow through financial activities)

Funds obtained as a result of financing activities were 1,632 million yen (2,056 million yen used in the previous year).

The main itemization breakdown for income was 2,600 million yen for Short-term borrowings, and the expenditures were payment of 429 million yen for finance lease and 348 million for dividends.

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

We have not made any amendments to the consolidated earnings forecast announced on February 8, 2019.

2. Summary of the consolidated financial statements and major notes

(1) Summary of quarterly consolidated statement of financial position

(Units: million yen)

	End of the previous consolidated accounting year (June 30, 2018)	End of the consolidated accounting period of the third quarter (March 31, 2019)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	5,273	3,829
Trade and other receivables	11,160	14,384
Inventories	512	1,158
Other financial assets	131	4
Other current assets	670	735
Total current assets	17,748	20,113
Non-current assets		
Tangible fixed assets	10,827	11,434
Goodwill and intangible assets	2,865	2,867
Investment properties	3,511	3,423
Investment accounting processed with equity method	964	959
Other financial assets	1,943	1,706
Other non-current assets	122	287
Deferred tax assets	307	350
Total non-current assets	20,542	21,030
Total assets	38,290	41,143

(Units: million yen)

	End of the previous consolidated accounting year (June 30, 2018)	End of the consolidated accounting period of the third quarter (March 31, 2019)
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payable	6,436	7,685
Loans	702	3,196
Other financial liabilities	723	720
Income taxes payable, etc.	1,296	684
Other current liabilities	2,530	2,587
Total current liabilities	11,687	14,873
Non-current liabilities		
Loans	262	178
Other financial liabilities	1,849	1,513
Retirement benefits liabilities	1,838	1,493
Other non-current liabilities	313	353
Deferred tax liabilities	219	207
Total non-current liabilities	4,483	3,747
Total liabilities	16,170	18,621
Equity		
Capital	3,390	3,390
Capital surplus	3,305	3,350
Treasury stock	△687	△687
Other component of funds	416	269
Retained earnings	15,682	16,185
Total equity attributable to the equity shareholders of the company	22,108	22,508
Non-controlling interest	11	13
Total Equity	22,119	22,522
Total liabilities and equity	38,290	41,143

## (2) Summary of quarterly consolidated profit and loss statement

(Units: million yen)

		Consolidated cumulative period for the previous third quarter (from July 1, 2017 to March 31, 2018)	Consolidated cumulative period of this third quarter (from July 1, 2018 to March 31, 2019)
Sales revenue		59,596	66,944
Cost of sales		△ 50,316	△ 58,307
Gross Profit		9,279	8,636
Selling, general and administrative expenses		△ 6,409	△ 6,968
Other income		364	555
Other expenses		△ 40	△ 47
Operating profit		3,194	2,175
Financial profit		43	9
Financial expenses		△ 58	△ 36
Investment gain / loss through equity method		2	17
Profit before tax		3,182	2,167
Corporate income tax expenses		△ 1,559	△ 1,276
Profits of the quarter		1,623	890
Attribution of the profits of the quarter:			
Equity shareholders of the company		1,633	888
Non-controlling interest		△ 10	2
Profits of the quarter		1,623	890
Quarterly earnings per share			
Basic quarterly earnings per share (yen)		98.44	53.43
Diluted quarterly earnings per share (yen)		98.35	53.31

## (3) Summary of quarterly consolidated statement of comprehensive income

(Units: million yen)

	Consolidated cumulative period for the previous third quarter (from July 1, 2017 to March 31, 2018)	Consolidated cumulative period of this third quarter (from July 1, 2018 to March 31, 2019)
Profits for the quarter	1,623	890
Other comprehensive income		
Items not transferring over to profit or loss:		
Remeasurement of defined benefit system	6	△18
Financial assets measured by fair value through other comprehensive income	—	△125
Total of the items not transferring over to profit or loss	6	△143
Items which may be transferred over to profit or loss		
Fluctuation of fair value of the assets which can be sold	78	—
Other comprehensive income equity of affiliated company accounted for by the equity method	55	△22
Total of the items which may be transferred over to profit or loss	133	△22
Other comprehensive income after tax deduction	140	△166
Comprehensive income for the quarter	1,763	724
Attribution of the comprehensive income for the quarter:		
Equity shareholders of the company	1,773	722
Non-controlling interest	△10	2
Comprehensive income for the quarter	1,763	724

(4) Summary of quarterly consolidated statement of changes in equity  
 Consolidated accounting period of the previous third quarter (from July 1, 2017 to March 31, 2018)

(Units: million yen)

	Equity attributable to equity shareholders of the company									Non-controlling interests	Total equity
	Capital	Capital surplus	Treasury stock	Other components of funds				Retained earnings	Total equity 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, 2017	3,390	3,271	△687	△81	364	-	283	14,403	20,661	11	20,672
Profits of the quarter							-	1,633	1,633	△10	1,623
Other comprehensive income				55	78	6	140		140		140
Comprehensive income of the quarter	-	-	-	55	78	6	140	1,633	1,773	△10	1,763
Dividends of the surplus							-	△857	△857		△857
Share-based payment transactions		26					-		26		26
Transactions with Non-controlling interest, etc.		△1					-		△1	16	14
Transfer from other capital component to retained earnings						△6	△6	6	-		-
Total of transactions, etc., with the owners	-	24	-	-	-	△6	△6	△851	△833	16	△816
Balance on March 31, 2018	3,390	3,296	△687	△26	442	-	416	15,185	21,601	17	21,619

Consolidated accounting period of the this third quarter (from July 1, 2018 to March 31, 2019)

(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	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
Profits of the quarter								-	888	888	2	890
Other comprehensive income				△22		△125	△18	△166		△166		△166
Comprehensive income of the quarter	-	-	-	△22	-	△125	△18	△166	888	722	2	724
Dividends of surplus								-	△348	△348		△348
Share-based payment transactions, etc.		44						-		44		44
Acquisition of treasury stock			△0					-		△0		△0
Transfer from other capital component to Retained earnings							18	18	△18	-		-
Total transactions, etc. with the owners	-	44	△0	-	-	-	18	18	△367	△303	-	△303
Balance on March 31, 2019	3,390	3,350	△687	△70	-	339	-	269	16,185	22,508	13	22,522

## (5) Summary of quarterly consolidated cash flow statements

(Units: million yen)

	Consolidated cumulative period for the previous third quarter (from July 1, 2017 to March 31, 2018)	Consolidated cumulative period of this third quarter (from July 1, 2018 to March 31, 2019)
<b>Cash flow from operating activities</b>		
Profits of the quarter	1,623	890
Depreciation and amortization costs	1,061	1,262
Interest income and dividend	△10	△8
Interest expense	51	34
Investment gain / loss through equity method	△2	△17
Corporate income tax expenses	1,559	1,276
Increase / decrease of trade receivables (△ is an increase)	△1,176	△2,875
Increase / decrease of inventories (△ is an increase)	△310	△645
Increase / decrease of trade payables (△ is a decrease)	526	957
Increase / decrease in retirement benefits liabilities (△ is a decrease)	△166	△371
Other	△128	100
Subtotal	3,027	601
Interest and dividend received	10	8
Interest paid	△51	△34
Corporate income tax paid	△1,684	△1,986
Net cash provided by (used in) operating activities	1,301	△1,410
<b>Cash flow from investment activities</b>		
Payment for acquisition of tangible fixed assets and investment properties	△1,308	△1,486
Proceed from sales of tangible fixed assets and investment properties	25	6
Payment for intangible assets	△192	△223
Payment for loans receivable	△15	△14
Proceed from loans receivable	40	11
Expense through transfer of business	△697	—
Other	△53	41
Net cash provided by (used in) investment activities	△2,201	△1,665

	Consolidated cumulative period for the previous third quarter (from July 1, 2017 to March 31, 2018)	Consolidated cumulative period of this third quarter (from July 1, 2018 to March 31, 2019)
Cash flow from financing activities		
Net increase or decrease of short-term loans ( $\Delta$ is a decrease)	$\Delta 140$	2,600
Proceeds from long-term loans	225	—
Repayment of long-term loans	$\Delta 822$	$\Delta 189$
Repayment of finance lease debts	$\Delta 475$	$\Delta 429$
Dividend paid	$\Delta 857$	$\Delta 348$
Income from non-controlling interests	14	—
Acquisition of treasury stock	—	$\Delta 0$
Net cash provided by (used in) financing activities	$\Delta 2,056$	1,632
Increase / decrease in of cash and cash equivalents ( $\Delta$ is a decrease)	$\Delta 2,957$	$\Delta 1,443$
Cash and cash equivalents at the beginning of the quarter	8,101	5,273
Balance of cash and cash equivalents at the end of the quarter	5,144	3,829

(6) Notes regarding summary of quarterly consolidated financial statements

(Notes on going concern assumption)

There are no applicable matters.

(Changes in accounting policies)

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

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

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

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

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

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

Our group has classified non-derivative financial assets as financial assets measured at amortized cost and financial income measured at fair value through profit / loss or other comprehensive income.

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

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

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

In accordance with this reclassification, equity instruments that were previously classified as available-for-sale financial assets are classified as financial assets to be measured at fair value through other comprehensive income.

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

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

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

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

below.

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

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

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

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

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

(Segment information)

The segment information of our group is as follows.

Consolidated cumulative period of the previous third quarter (from July 1, 2017 to March 31, 2018)

(Units: million yen)

	Automobile related businesses	Human resource businesses	General cargo businesses	Total	Adjustment amount (note)	Total amount on the quarterly consolidated financial statements
Sales revenue						
Sales revenue from external customers	43,245	12,197	4,153	59,596	—	59,596
Sales revenue between segments	54	894	310	1,259	△ 1,259	—
Total	43,300	13,091	4,463	60,855	△ 1,259	59,596
Segment profit (operating profit)	3,543	391	757	4,693	△ 1,498	3,194

(Note) The △ 1,498 million yen adjustment amount in the segment profits includes the total company cost △ 1,498 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, 2018 to March 31, 2019)

(Units: million yen)

	Automobile related businesses	Human resource businesses	General cargo businesses	Total	Adjustment amount (note)	Total amount on the quarterly consolidated financial statements
Sales revenue						
Sales revenue from external customers	48,807	13,796	4,341	66,944	-	66,944
Sales revenue between segments	27	885	306	1,219	△ 1,219	-
Total	48,834	14,681	4,647	68,163	△ 1,219	66,944
Segment profit (operating profit)	3,068	239	413	3,721	△ 1,545	2,175

(Note) The △ 1,545 million yen adjustment amount in the segment profits includes the total company cost △ 1,545 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.