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TAN CHONG INTERNATIONAL LIMITED

陳唱國際有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 693)

OVERSEAS REGULATORY ANNOUNCEMENT

(This overseas regulatory announcement is issued pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.)

The announcement of unaudited financial results of Zero Co., Ltd. ("Zero") for the nine-month period ended 31 March 2015 is originally prepared in Japanese. The attached announcement on the next page is a translation of the official announcement solely for the purpose of providing information.

By the order of the Board
Tan Chong International Limited
Joseph Ong Yong Loke
Deputy Chairman and Managing Director

Hong Kong, 14 May 2015

Website: <http://www.tanchong.com>

As at the date of this announcement, the executive Directors are Mr. Tan Eng Soon, Mr. Joseph Ong Yong Loke, Mr. Tan Kheng Leong, Mdm. Sng Chiew Huat and Mr. Glenn Tan Chun Hong. The non-executive Director is Mr. Azman Bin Badrillah. The independent non-executive Directors are Mr. Lee Han Yang and Mr. Ng Kim Tuck.

Financial Results for the Nine-Month Period Ended March 31, 2015

May 14, 2015

Company name: ZERO CO., LTD.

Code No: 9028

Tokyo Stock Exchange (Second Section)

(URL <http://www.zero-group.co.jp/>)

Representative: Takeo Kitamura, President and COO

Contact for inquiries: Mamoru Yoshida, Director, Tel: 044-520-0106
 General Manager, Corporate Planning Department

Date of financial report submission May 15, 2015

Date to begin payment of dividend: --

Additional materials for the financial results for 3Q FY2014 None

Briefing session for the financial results for 3Q FY2014 None

1. Consolidated Financial Results for the Nine-Month Period Ended March 31, 2015 (From July 1, 2014 to March 31, 2015)

(1) Consolidated Results (Figures less than one million yen are rounded down.)
 Percentages shown below are the rates of increase or decrease compared with the same period of the previous year.

	Sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine Months ended March 31, 2015	55,589	10.2	2,302	-2.9	2,425	-0.1	1,400	3.6
Nine Months ended March 31, 2014	50,420	13.1	2,372	115.8	2,428	110.5	1,351	142.8

(Note) Comprehensive income: FY2014 Third quarter 1,530 million yen (8.3%)
 FY2013 Third quarter 1,413 million yen (144.7%)

	Earnings per share-basic	Earnings per share-diluted
	Yen	Yen
Nine Month Period Ended March 31, 2015	81.95	-
Nine Month Period Ended March 31, 2014	79.10	-

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2015	35,129	16,021	45.6	937.37
As of June 30, 2014	32,107	14,926	46.5	873.28

(Ref.) Shareholders' equity: As of March 31, 2015: 16,021 million yen As of June 30, 2014: 14,926 million yen

2. Dividends

(Record date)	Dividend per share				
	At end of 1Q	At end of 2Q	At end of 3Q	At end of 4Q	Annual total
	Yen	Yen	Yen	Yen	Yen
FY2013	-	8.00	-	14.10	22.10
FY2014	-	8.00	-	-	-
Forecast for FY2014	-	-	-	15.00	23.00

(Note) Revision from the latest dividend forecast: N/A

3. Consolidated Forecasts for FY2014 (From July 1, 2014 to June 30, 2015)

Percentages shown below for whole FY2014 are the rates of increase or decrease compared with the previous year.

	Sales		Operating income		Ordinary income		Net income		Earnings per share -basic
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Whole FY2014	69,500	2.8	2,900	1.6	2,950	0.4	1,570	3.9	91.85

(Note) Revision from the latest dividend forecast: N/A

*Remarks

- (1) Changes in important subsidiaries during period (Transfer of particular subsidiary which involves the change of scope of consolidation): N/A
- (2) Application of particular accounting methods for quarterly consolidated financial statements: N/A
- (3) Changes in accounting policies, procedure or notation method for documenting consolidated financial statements
 - ① Changes in accordance with the revision of accounting standards and others: Yes
 - ② Changes other than above: Yes
 - ③ Changes in accounting estimates: N/A
 - ④ Restatement of corrections: N/A
- (4) Number of issued shares (common shares)
 - ① Number of issued shares (including treasury stock) at the end of each period:
As of March 31, 2015: 17,560,242 As of June 30, 2014: 17,560,242
 - ② Number of treasury stock:
As of March 31, 2015: 467,732 As of June 30, 2014: 467,711
 - ③ Average number of issued shares during the fiscal year (excluding treasury shares)
FY2014: 17,092,518 FY2013: 17,092,531

□ Implementation status review procedure

This financial report is exempt from the review procedure based upon the Financial Instruments and Exchange Act. The financial statements are under the review procedure at the time of disclosure of this report.

※ Explanation regarding appropriate use of forecasts

Statements in this report relating to future matters such as earnings forecasts are based on the information presently available. Actual results may differ from those forecasts depending on various factors.

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1. Qualitative Information

(1) Analysis of business performance

The nation's economy during the first nine months of fiscal 2014 (referred to as the "current term") maintained a weaker yen and higher stock prices against the backdrop of the government's economic policy and the Bank of Japan's quantitative and qualitative easy monetary policy, and also as a result of oil prices fluctuating at a lower range, continues to show improvements in corporate earnings and employment situation. On the other hand, while the effect of the backlash of the last-minute rise in demand that occurred before the consumption tax rate hike is decreasing, the progress of that recovery is slow for individual consumption, being affected by concerns over increase in commodity prices from the weaker yen. As such, the economic prospect remains unclear.

In the automobile industry, Japanese automakers' new vehicle sales in the domestic market turned out to be 91.5% of that in the corresponding quarter from the previous year (hereinafter referred as "year-on-year") (Japan Automobile Manufacturers Association's statistical data), as performance continued to be affected by the decline in consumer spending from the consumption tax rate hike. In terms of vehicle models, whereas compact cars maintained a high level unchanged from the previous year in the face of a hike in compact car taxes in April of this year, the number of registrations in the mainline vehicles stayed weak, and the drop in the current term became sharper as a result of sluggishness in new orders caused by backlash of the last-minute rise in demand that occurred before the consumption tax rate hike. Exports to overseas markets upturned as the stronger yen was depreciated further, but recorded 98.0% year-on-year, strongly affected by the decrease of exports to North America, the largest market. Used car market also displayed a downward trend due to the decline in consumer spending. The breakdown indicates a downward trend in the registration of used cars which recorded a 94.2% year-on-year. On the other hand, the export of used cars continued to grow, recording 104.7% year-on-year.

Under these circumstances, in the vehicle-related business, our Group's major segment, sales from transportation business related to Nissan Motor Co., Ltd., our major customer, fell due to a drop in sales of new cars by Nissan Motor. However, we were successful in capturing new transportation demand and the overall sales of the vehicle-related business increased year-on-year. In the human resources business, thanks to steady efforts to develop new sales regions and customers through strong sales activities and enhanced sales operations, sales increased year-on-year. Sales also increased year-on-year in the general cargo transportation business.

【No. of Motor Vehicles Related to Domestic Distribution】

Unit : Units

Domestic Sales		July 2013-March 2014	July 2014-March 2015	Year-on-year Change (%)
New Vehicles				
Domestic automakers	*1	4,272,465	3,909,392	91.5%
(Nissan Motor Co. only)	*1	(584,583)	(489,551)	(83.7%)
Foreign automakers	*2	236,060	226,568	96.0%
Used Cars				
Passenger cars	*3	2,996,403	2,799,978	93.4%
Mini-cars	*4	2,453,338	2,336,176	95.2%
Total used cars		5,449,741	5,136,154	94.2%
Deregistered vehicles	*3	244,434	199,546	81.6%

Exports		July 2013-March 2014	July 2014-March 2015	Year-on-year Change (%)
Domestic automakers' new vehicles	*1	3,471,702	3,402,287	98.0%
(Nissan Motor)	*1	(418,492)	(389,962)	(93.2%)
Used passenger cars	*5	1,083,425	1,134,230	104.7%

*1: Calculated using the Japan Automobile Manufacturers Association's statistics

*2: Calculated using the Japan Automobile Importers Association's statistics

*3: Calculated using the Japan Automobile Dealers Association's statistics

*4: Calculated using the Japan Light Motor Vehicle and Motorcycle Association's statistics

*5: Calculated using the number of deregistered used cars for export listed in the Japan Automobile Dealers Association's statistics

As a result of these measures, our group's financial results for the current fiscal year to March 31, 2015 recorded sales of 55,589 million yen (110.2% year-on-year) and operating income of 2,302 million yen (97.1% year-on-year), thus posting year-on-year increase in sales but year-on-year decrease in operating income. Upon taking non-operating gains and losses into account, ordinary income was 2,425 million yen (99.9% year-on-year), and net income was 1,400 million yen (103.6% year-on-year).

① Automobile-related Business

In this business segment, domestic sales of Nissan Motor Company, our major customer, continued to be affected by the backlash of the last-minute rise in demand that occurred before the consumption tax rate hike, and posted sales of 489,551 units (83.7% year-on-year) of new vehicles in Japan. Exports also fell, and recorded 389,962 units (93.2% year-on-year) (Japan Automobile Manufacturers Association's statistical data). The effect of the foregoing was lower sales from transportation of new Nissan Motor cars, but on the other hand, transportation of new and used cars other than new cars of Nissan Motor, and other transportation-related business increased year-on-year, and we increased the overall sale from our automobile-related businesses.

As a result, this segment's sales rose to 43,182 million yen (110.8% year-on-year) and profit was managed to record 2,707 million yen (110.5% year-on-year). The vehicle transportation business faces serious challenges, with future demand being uncertain with the domestic automobile market having reached maturity, and the number of young job applicants is shrinking, reflecting the falling birthrate and the rapid aging of the population. In pursuit of higher profitability, we continue our effort to become a corporate group capable of steadily generating revenue by winning the trust of our customers and to maintain and increase sales by improving the quality of transportation, and in addition by strengthening and carrying out measures to reduce transportation costs.

② Human Resources Business

In this segment, while companies seeking human resources are on the increase as the nation's economy is on a recovery trend, our corporate clients continue to be very strict in terms of dispatch and contract work fees. Under these circumstances, we were able to increase sales in this segment, thanks to steady efforts to develop new sales regions and customers through strong sales activities and enhanced sales operations in the employee dispatch business, and posted sales of 9,088 million yen (112.7% year on year) but due to increase in recruitment costs, etc., profits in this segment were 378 million yen (93.9% year-on-year).

③ General Cargo Transportation Business

Strong sales of 3,785 million yen (101.4% year-on-year) was recorded in this business segment. However, due to increase of outsourced work as a result of changes in the sales composition of port cargo handling, and increase in the cost of using owner-operator vehicles, this segment posted profit of 549 million yen (89.1% year-on-year).

Incidentally, concerning unclassifiable group-wide expenses (expenses concerning the company's administrative departments) and the amortization of goodwill, etc., which are not included in the above profit and loss by segment, they are recognized as "Adjustments" items as listed in "Segment Information" in "3. "Consolidated Financial Statements" and amounted to 1,333 million yen.

(2) Analysis of the financial condition

(Assets)

Compared to the end of the previous term, current assets increased by 2,136 million yen (14.9%) to 16,489 million yen. This is chiefly due, despite the decrease of cash and deposits by 741 million yen, to the increase of notes and accounts receivable - trade by 1,847 million yen.

Compared to the end of the previous term, fixed assets increased by 884 million yen (5.0%) to 18,639 million yen. This is chiefly due, despite the decrease of goodwill by 160 million yen, to the increase of investment securities by 513 million yen, and buildings and structures by 269 million yen.

As a result of the foregoing, compared to the end of the previous term, total assets increased by 3,021 million yen (9.4%) to 35,129 million yen.

(Liabilities)

Compared to the end of the previous term, current liabilities increased by 1,495 million yen (14.9%) to 11,562 million yen. This is chiefly due, despite the decrease of income taxes payable by 308 million yen, to the increase of notes and accounts payable by 819 million yen and short-term loans payable by 300 million yen.

Compared to the end of the previous term, long-term liabilities increased by 430 million yen (6.1%) to 7,544 million yen. This is chiefly due to the increase of long-term loans payable by 210 million yen and provision for retirement benefits by 166 million yen.

As a result of the foregoing, compared to the end of the previous term, total liabilities increased by 1,926 million yen (11.2%) to 19,107 million yen.

(Net Assets)

Compared to the end of the previous term, net assets increased by 1,095 million yen (7.3%) to 16,021 million yen. This is chiefly due the increase of retained earnings by 968 million yen.

(3) Forecast for the next consolidated fiscal year

The forecast has not changed from the consolidated forecast published on August 8, 2014.

2. Summary Information (Notes)

(1) Changes in important subsidiaries during period: N/A

(2) Application of particular accounting methods for quarterly consolidated financial statements: N/A

(3) Changes in accounting policies, accounting estimates and restatement of corrections

(Application of the ASBJ Statement)

Provisions set forth in Section 35 of the ASBJ Statement No. 26 of May 17, 2012 (hereinafter referred to as the "Accounting Standard") and provisions set forth in Article 67 of the Guidance were applied from the current term. The calculation method of the retirement benefit obligation cost was reviewed and the method of attributing expected benefit to periods was also changed from straight-line attribution to benefit formula basis. In addition, the method of determination of discount rate was changed from the method based on the period approximate to the expected average remaining working lives of employees, to the method using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

Based on the transitional treatment prescribed in Section 37 of the Accounting Standard, in applying the Standards, adjustments in retirement benefit obligation and service cost pursuant to changes in the calculation method have been posted as gains/losses in retained earnings.

As a result, liabilities concerning retirement benefits at the start of the current term increased by 240 million yen, and retained earnings decreased by 155 million yen. This has no material effect on operating profits, ordinary profits and income taxes – deferred of the current term.

(Changes in depreciation method of fixed assets)

The depreciation method that has been used in the past by our company and our domestic consolidated subsidiaries was straight-line method, except for buildings acquired on and after April 1, 1998 (excluding building-related equipment) and lease assets. This has been changed to declining-balance method from the previous term.

On May 15, 2014, our company concluded a capital and business alliance agreement with Tan Chong International Limited to enter into full-scale business in the market of ASEAN countries, and in the future we expect to engage in full-scale overseas investment, including establishment of new logistics centers.

Taking the opportunity of such changes in the business environment, the depreciation method of tangible fixed assets was reviewed to unify accounting principles within our group, both domestic and overseas, and maintain comparability of periodic earnings. As the tangible fixed assets of our company and our domestic subsidiaries are within their useful lives and running stably, we have determined to change the depreciation to declining-balance method to expense at a constant rate over the useful life in order to more appropriately reflect the actual business operation.

This change has no material effect on operating profits, ordinary profits and income taxes – deferred of the current term.

(Effect of changes in corporation tax rates, etc.)

The Act on Partial Revision of the Income Tax Act, etc. (Act No. 9 of 2015) and the Act on Partial Revision of the Local Tax Act, etc.” (Act No. 2 of 2015) were promulgated on March 31, 2015, and corporation tax rates, etc. are to be lowered from the consolidated fiscal periods commencing on and after April 1, 2015. Pursuant to the foregoing, the normal effective statutory tax rate used in the calculation of deferred tax assets and deferred tax liabilities would be changed from the previous rate of 35.3% to 32.8% with respect to the temporary difference expected to be eliminated in the consolidated fiscal year commencing on July 1, 2015, and to 32.0% with respect to the temporary difference expected to be eliminated in the consolidated fiscal year commencing on and after July 1, 2016. Incidentally, this change has no material effect on quarterly consolidated financial statements.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: million yen)

	As of June 30, 2014	As of March 31, 2015
Assets		
Current assets		
Cash and deposits	5,236	4,494
Notes and accounts receivable - trade	7,492	9,340
Merchandise	324	1,043
Supplies	100	87
Deferred tax assets	269	258
Others	1,012	1,363
Allowance for doubtful accounts	(83)	(97)
Total current assets	14,353	16,489
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	3,083	3,353
Machinery, equipment and vehicles, net	172	258
Tools, furniture and fixtures, net	71	67
Land	8,279	8,288
Lease assets, net	1,592	1,841
Construction in progress	25	12
Total property, plant and equipment	13,224	13,822
Intangible assets		
Goodwill	1,479	1,319
Others	566	532
Total intangible assets	2,045	1,851
Investments and other assets		
Investment securities	989	1,503
Long-term loans receivable	75	90
Deferred tax assets	523	442
Others	1,031	1,048
Allowance for doubtful accounts	(136)	(119)
Total investments and other assets	2,483	2,965
Total fixed assets	17,754	18,639
Total assets	32,107	35,129

	As of June 30, 2014	As of March 31, 2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,478	4,298
Short-term loans payable	610	910
Current portion of long-term loans payable	1,193	1,365
Income taxes payable	792	484
Accrued consumption taxes	441	562
Allowance for bonuses	410	233
Allowance for sub-lease loss	15	15
Others	3,125	3,692
Total current liabilities	10,067	11,562
Long-term liabilities		
Long-term loans payable	1,663	1,874
Provision for retirement benefits for directors	422	479
Allowance for sub-lease loss	44	32
Provision for retirement benefits	2,182	2,349
Deferred tax liabilities	193	93
Deferred tax liabilities for land revaluation	1,088	987
Asset retirement obligation	38	83
Others	1,480	1,644
Total long-term liabilities	7,113	7,544
Total liabilities	17,181	19,107
Net assets		
Shareholders' equity		
Capital stock	3,390	3,390
Capital surplus	3,204	3,204
Retained earnings	8,870	9,839
Treasury stock	(152)	(152)
Total shareholders' equity	15,313	16,282
Accumulated other comprehensive income		
Unrealized gains (losses) on securities	27	50
Revaluation reserve for land	(705)	(603)
Foreign currency translation adjustment	88	150
Accumulated retirement benefits adjustment	202	143
Total accumulated other comprehensive income	(386)	(260)
Total net assets	14,926	16,021
Total liabilities and net assets	32,107	35,129

(2) Consolidated Income Statement and Consolidated Comprehensive Income Statement

(Consolidated Income Statement)
(First nine months)

(Unit: million yen)

	First nine months of FY13 (from July 1, 2013 to March 31, 2014)	First nine months of FY14 (from July 1, 2014 to March 31, 2015)
Sales	50,420	55,589
Cost of sales	43,371	48,078
Gross profit	7,049	7,510
Selling, general and administrative expenses	4,677	5,208
Operating income	2,372	2,302
Non-operating income		
Interest income	2	2
Dividend income	0	1
Commission fee	52	45
Equity in earnings of affiliates	12	35
Others	74	95
Total non-operating income	143	180
Non-operating expenses		
Interest expenses	56	53
Others	30	3
Total non-operating expenses	87	57
Ordinary income	2,428	2,425
Extraordinary income		
Gain on sale of fixed assets	66	1
Compensation receivable	—	62
Total extraordinary income	66	64
Extraordinary loss		
Loss on sales of fixed assets	0	0
Loss on disposal of fixed assets	2	4
Loss on cancellation of leasing contract	69	—
Others	3	—
Total extraordinary losses	75	5
Net income before tax adjustments	2,419	2,485
Income taxes	1,067	1,084
Income before minority interests	1,351	1,400
Net income	1,351	1,400

(Consolidated Comprehensive Income Statement)
(First nine months)

(Unit: million yen)

	First nine months of FY13 (from July 1, 2013 to March 31, 2014)	First nine months of FY14 (from July 1, 2014 to March 31, 2015)
Income before minority interests	1,351	1,400
Other comprehensive income		
Unrealized gains (losses) on securities	11	22
Accumulated retirement benefits adjustment	—	(59)
Equity of equity-method affiliate	49	64
Land revaluation difference	—	101
Total other comprehensive income (loss)	61	129
Comprehensive income	1,413	1,530
(Breakdown)		
Parent company portion of comprehensive income	1,413	1,530

(3) Notes to Consolidated Financial Statements

(Note for the assumption of going concern)
None.

(Note concerning major changes in shareholders' equity)
None.

Segment Information

1. Sales and profit for each reportable segment for the first nine months of FY2013 (from July 1, 2013 to March 31, 2014)

(Unit: million yen)

	Automobile transportation-related	Human resources	General cargo transportation	Total	Elimination and corporate (Note 1)	Consolidated (Note 2)
Sales						
(1) Sales of external customers	38,958	7,760	3,701	50,420	—	50,420
(2) Internal sales between business segments or transfer	31	302	31	365	(365)	—
Total	38,989	8,063	3,733	50,786	(365)	50,420
Operating income	2,449	403	616	3,469	(1,097)	2,372

(Notes)

1. Elimination of -1,097 million yen includes corporate expense of -852 million yen, goodwill amortization of -247 million yen and elimination among the segments of 1 million yen. The corporate expense is the expense of the administrative departments which do not belong to any reported segment.
2. The segment profit is adjusted according to the operating profit in the quarterly consolidated profit and loss statement.

2. Sales and profit for each reportable segment for the first nine months of FY2014 (from July 1, 2014 to March 31, 2015)

(Unit: million yen)

	Automobile transportation-related	Human resources	General cargo transportation	Total	Elimination and corporate (Note 1)	Consolidated (Note 2)
Sales						
(1) Sales for external customers	43,136	8,737	3,714	55,589	—	55,589
(2) Internal sales between business segments or transfer	45	350	70	466	(466)	—
Total	43,182	9,088	3,785	56,055	(466)	55,589
Operating income	2,707	378	549	3,635	(1,333)	2,302

(Notes)

1. Elimination of -1,333 million yen includes corporate expense of -1,079 million yen, goodwill amortization of -256 million yen and elimination among the segments of 2 million yen. The corporate expense is the expense of the administrative departments which do not belong to any reported segment.
2. The segment profit is adjusted according to the operating profit in the quarterly consolidated profit and loss statement.