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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 financial results of Zero Co., Ltd. for the year ended 30 June 2022 is originally prepared in Japanese ("Original Announcement"). The attached announcement on the next page is a translation of the Original Announcement solely for the purpose of providing information.

By the order of the Board
Tan Chong International Limited
Teo Siok Ghee
Liew Daphnie Pingyen
Joint Company Secretaries

Hong Kong, 10 August 2022

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

As at the date of this announcement, the executive Directors are Mr. Tan Eng Soon, Mr. Glenn Tan Chun Hong, Mr. Tan Kheng Leong and Mdm. Sng Chiew Huat and. The non-executive Director is Mr. Joseph Ong Yong Loke. The independent non-executive Directors are Mr. Ng Kim Tuck, Mr. Azman Bin Badrillah, Mr. Prechaya Ebrahim, Mr. Teo Ek Kee and Mr. Charles Tseng Chia Chun.

Summary of Consolidated Financial Results for the Fiscal Year Ended June 30, 2022 [Based on IFRS]

August 10, 2022

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 Toshihiro Takahashi TEL 044-520-0106
 Scheduled Date of Ordinary General meeting of Shareholders: September 28, 2022 Scheduled date to commence dividend payments: September 29, 2022
 Scheduled Date for the Submission of Annual Securities Report: September 29, 2022
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes)

	Sales revenue		Operating income		Profit before tax		Net Income		Profit attributable to equity shareholders of the company		Total comprehensive income of the fiscal year	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2021/2022	107,045	16.1	3,912	△26.6	3,947	△26.6	2,521	△30.2	2,535	△30.1	2,718	△31.2
FY2020/2021	92,171	3.0	5,332	45.1	5,373	46.0	3,614	51.4	3,626	52.7	3,949	66.2

	Basic earnings of this year per share	Diluted earnings of this year per share	Profit ratio attributable to equity shareholders of the company	Total capital profit ratio before tax	Sales revenue operating profit ratio
	Yen	Yen	%	%	%
FY2021/2022	150.91	150.72	8.7	7.5	3.7
FY2020/2021	216.55	215.85	13.6	11.3	5.8

(Reference) Investment gain / loss through equity method; FY2021/2022: 3 million yen, FY2020/2021: 42 million yen

(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	Equity per share attributable to equity shareholders of the company
	Millions of yen	Millions of yen	Millions of yen	%	Yen
FY2021/2022	54,895	30,614	30,067	54.8	1,785.79
FY2020/2021	50,935	28,298	28,280	55.5	1,688.83

(3) Consolidated cash flow position

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
FY2021/2022	3,954	△3,266	△1,608	5,180
FY2020/2021	8,594	△3,104	△4,364	5,904

2. Cash dividends

	Annual dividends per share					Total dividends (Total)	Dividend payout ratio (consolidated)	Equity dividend ratio attributable to equity shareholders of the company (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2020/2021	---	15.00	---	39.10	54.10	911	25.0	3.4
FY2021/2022	---	15.00	---	22.70	37.70	635	25.0	2.2
FY2022/2023 (forecast)	---	15.00	---	25.20	40.20		25.0	

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
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	109,000	1.8	4,200	7.3	4,200	6.4	2,700	6.5	160.67

※(Note)

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

New — Co. (Company name), Exclusions — Co. (Company name)

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

- ① Changes in the accounting policies required by IFRS : No
 ② Changes in the accounting policies due to reasons other than ① : 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)

FY2021/2022	17,560,242 shares	FY2020/2021	17,560,242 shares
FY2021/2022	994,982 shares	FY2020/2021	1,018,911 shares
FY2021/2022	16,804,791 shares	FY2020/2021	16,745,846 shares

② Number of treasury shares at the end of the period

③ Average number of shares during the period (total up to this year)

(Reference) Summary of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes)

	Sales revenue		Operating income		Profit before tax		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2021/2022	53,143	△5.5	2,169	△15.1	2,190	△42.1	1,385	△47.2
FY2020/2021	56,226	1.3	2,557	67.9	3,780	149.8	2,626	197.8

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2021/2022	83.71	-
FY2020/2021	158.81	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	yen
FY2021/2022	37,967	23,628	62.2	1,426.41
FY2020/2021	35,807	23,121	64.6	1,397.80

(Reference) Company's Equity

FY2021/2022: 23,628 million yen

FY2020/2021: 23,121 million yen

※Earnings summary is not within the scope of audit 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.
- At our company, business management is conducted on a consolidated basis; therefore, individual business results forecasts are not created.

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1. Summary of operating results

(1) Summary of operating results of the current fiscal period

Japan's economy during the consolidated fiscal year has shown signs of recovery in many areas, the recovery in the automobile sector and other sectors has slowed down due to the impact of the new waves of the COVID-19 pandemic and partial production cutbacks in semiconductors and other products due to supply constraints.

In the domestic automotive market, the total number of new vehicles sales decreased significantly to 83.8% (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 shortage of semiconductors and the new pandemic wave of COVID-19 in Southeast Asia and China have had a significant impact on the reduction of production due to shortages in the supply of automobile parts. The number of used vehicle registrations also decreased to 92.2% compared to the same period of the previous year, due to the decrease in trade-in cars caused by the slump in new vehicle sales, and a decline in the number of used vehicles purchased as a result of the rise in the market for used vehicles.

Revenue increased in the overseas related business due to the consolidation of Zero Scm Logistics (Beijing) Co., Ltd. as a consolidated subsidiary on July 1, 2021, as well as the strong performance of the used vehicle export business to Malaysia, but operating income decreased due to a decline in the number of units for transportation contracts as a result of the slump in automobile distribution, the soaring of unit price of fuel, and a decrease in employment adjustment subsidies compared to the previous consolidated fiscal year.

As a result, the business results of our group are as follows: sales revenue of 107,045 million yen (116.1% compared to the same quarter from the previous year) and operating profit of 3,912 million yen (73.4% compared to the same quarter from the previous year). In addition, the profit before taxes was 3,947 million yen (73.4% compared to the same quarter from the previous year), and the profit of the quarter attributable to the equity shareholders of the company was 2,535 million yen (69.9% compared to the same quarter from the previous year).

(Number of units related to domestic distribution of automobiles)

Units: vehicles

Domestic		July of 2020 to June of 2021	July 2021 to June 2022	Compared to the previous year
Number of new vehicles sold				
Domestic manufacturer	*1	4,577,218	3,830,263	83.7%
(out of this, Nissan Motor)	*1	(483,552)	(428,312)	(88.6%)
Foreign manufacturer	*2	278,207	239,669	86.1%
Total of new vehicle sales		4,855,425	4,069,932	83.8%
Number of registered used vehicles				
Registered vehicles	*3	3,909,258	3,591,917	91.9%
Light vehicles	*4	3,094,802	2,863,195	92.5%
Total number of used vehicles registered		7,004,060	6,455,112	92.2%
Number of vehicles permanently deleted	*3	207,818	180,972	87.1%

Export		July of 2020 to June of 2021	July 2021 to June 2022	Compared to the previous year
New vehicles of domestic manufacturers	*1	4,140,514	3,529,909	85.3%
Used vehicles(registered vehicles)	*5	1,177,126	1,276,107	108.4%

*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 2020 to June of 2021	July 2021 to June 2022	Compared to the previous year
Light oil *6	121.0	146.7	121.2%
Regular petrol *6	140.6	166.9	118.7%

*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.

From the first quarter of the consolidated accounting period, the Company acquired an additional equity interest in Zero Scm Logistics (Beijing) Co., Ltd., which had been a jointly controlled company accounted for by the equity method, and made it a consolidated subsidiary, and as a result, the "Overseas Related Business" reporting segment was added. In addition, the automobile related businesses has been changed to the domestic automotive related businesses.

For the following comparisons with the previous consolidated fiscal year, figures for the previous consolidated fiscal year have been reclassified to reflect the new segment classifications.

<Domestic automotive related businesses>

For vehicle transportation, which is the core business, the number of units for transportation contracts decreased due to the decline in new vehicles sales and used vehicle registrations caused by the shortage of semiconductors, which led to a decrease in revenue. Revenue in the maintenance business also decreased due to a decrease in the number of pre-delivery maintenance and inspection contracts accompanying the decline in new vehicle sales, and there was an overall decrease in revenue in the domestic automobile related businesses.

Segment profit decreased due to lower revenue in the vehicle transportation and maintenance businesses, as well as higher unit fuel costs and fuel surcharges for marine transportation as a result of soaring crude oil prices and the depreciation of the yen.

As a result, the overall sales revenue in the domestic automotive business was 51,482 million yen (93.6% compared to the same period from the previous year), and the segment profit was 4,202 million yen (72.5% compared to the same quarter from the previous year).

In the vehicle transportation business, we will continue to respond to the "Digitalization", "Greening", and "New Normal. 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.

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. Also, with the rapid acceleration of the adoption of EVs, we will take the initiative in developing the infrastructure for logistics bases and building EV-related peripheral businesses.

In response to the New Normal, we are striving to reduce overtime work in order to respond to the so-called "2024 Supply Chain Crisis", in which the application of the Work Style Reform Law to automobile driving duties is expected to take effect in 2024, we are also implementing various measures to maintain our transportation capacity, such as hiring new crew members, efficient operation of transportation equipment, and promotion of the division of labor in cargo handling.

<Human resource businesses>

Regarding the pick-up service business, revenues continued to increase due to the recovery from the impact of COVID-19 pandemic, and revenues from the human resources business as well as airport related personnel business increased as the businesses recovered from the previous year, when they were affected by the termination of employment contracts due to the COVID-19 pandemic. Segment income decreased due to a lower employment adjustment subsidy compared to the previous consolidated fiscal year.

As a result, the sales revenue of the overall human resource business was 19,330 million yen (107.7% compared to the same quarter from the previous year), and the segment profit was 666 million yen (80.0% compared to the same quarter from the previous year).

<General cargo businesses>

In the port cargo handling business, the full-scale launch of fuel cargo handling for biomass power plants has led to an increase in revenue in the transport / warehousing business due to the acquisition of new customers, increasing the revenue in the overall general cargo business as well.

Segment profits in the port cargo handling business increased as a result of the full scale operation of biomass power generation fuel cargo handling, while in the transport / warehousing business, segment profits increased as a result of the successful acquisition of new customers in addition to the revision of rates and withdrawal from unprofitable businesses, and segment profit increased in the overall general cargo business as well.

As a result, the sales revenue of the overall general cargo business was 6,423 million yen (111.3% compared to the same quarter from the previous year), and the segment profit was 1,060 million yen (139.9% compared to the same quarter from the previous year).

<Overseas Related Business>

In the used vehicle export business, sales increased significantly due to a surge in demand following the lifting of the lockdown in Malaysia, our main export destination, and the continuation of sales tax exemptions for automobiles, along with increased customer satisfaction, which led to an increase in our market share. Revenue in the CKD business increased as a result of the resumption of operations at the automobile manufacturing plant in Thailand, one of our customers. In the vehicle transportation business in China, Zero Scm Logistics (Beijing) Co., Ltd., which was an equity method affiliate in the previous consolidated fiscal year, became a subsidiary, resulting in a net increase in sales revenue from this company.

Regarding segment profits, the vehicle transportation business in China posted a loss due to the strong impact of the semiconductor shortage and the lockdown in Shanghai, but the used vehicle export business and CKD business posted higher profits due to increased sales, resulting in an increase in profits in the overall overseas related business.

As a result, the overall sales revenue in the overseas related businesses was 29,809 million yen (221.4% compared to the same period from the previous year), and the segment profit was 184 million yen (2644.4% 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 "3. consolidated financial statements and major notes (6) Notes regarding consolidated financial statements (Segment Information)", and totalled 2,200 million yen.

(2) Summary of financial position of the current fiscal period

Status of assets, liabilities, and equity

(Assets)

Current assets increased by 4,544 million yen (22.7%) compared to the end of the previous consolidated fiscal year to 24,605 million yen.

This was mainly due to an increase in operating receivables and other receivables of 2,962 million yen and an increase in inventories of 1,676 million yen

Non-current assets decreased by 584 million yen (1.9%) compared to the end of the previous consolidated fiscal year to 30,290 million yen.

This was mainly due to a decrease of 696 million yen in property, plant and equipment and a decrease of 291 million yen in investments accounted for by the equity method, despite an increase of 660 million yen in goodwill and intangible assets.

As a result, total assets increased by 3,960 million yen (7.8%) compared to the previous consolidated fiscal year to 54,895 million yen.

(Liabilities)

Current liabilities increased by 3,812 million yen (25.7%) compared to the end of the previous consolidated fiscal year to 18,631 million yen.

This was mainly due to an increase of 2,431 million yen in short-term borrowings and an increase of 2,150 million yen in trade and other payables.

Non-current liabilities decreased by 2,168 million yen (27.7%) compared to the end of the previous consolidated fiscal year to 5,649 million yen.

This was mainly due to a decrease of 2,113 million yen in liabilities for right to use and a decrease of 63 million yen in liabilities for retirement benefits.

As a result, total liabilities increased by 1,644 million yen (7.3%) compared to the end of the previous consolidated fiscal year to 24,281 million yen.

(Equity)

Equity increased by 2,315 million yen (8.2%) compared to the end of the previous consolidated fiscal year to 30,614 million yen.

This is mainly because profit margin increased by 1,631 million yen due to the totalling of current period's profits.

(3) Summary of cash flows of the current fiscal period

Cash and cash equivalents (hereinafter referred to as "funds") at the end of current consolidated fiscal year decreased by 723 million yen compared to the end of the previous consolidated fiscal year to 5,180 million yen.

Each cash flow status category during current consolidated fiscal year and their causes are as follows.

(Cash flow from operating activities)

Funds obtained from operating activities were 3,954 million yen (there were income of 8,594 million yen during the previous consolidated fiscal year).

The main cause of the increase in funds were 2,521 million yen for profit from this period and 4,682 million yen for depreciation and amortization expenses which are non-fund expenses; the main cause of the decrease in funds was an increase of 1,881 million yen in trade receivables.

(Cash flow from investment activities)

Net cash used in investment activities was 3,266 million yen (expenditures of 3,104 million yen during the previous consolidated fiscal year).

The main itemization breakdown for expenditures was 2,595 million yen for acquisition of tangible fixed assets and investment property.

(Cash flow from financing activities)

Funds used due to financing activities were 1,608 million yen (expenditure of 4,364 million yen in the previous consolidated fiscal year).

The main itemization breakdown for expenditures were 3,031 million yen lease liabilities payments and 2,351 million yen increase in short-term borrowings.

(4) Future outlook

In the next consolidated financial year, the shortage of semiconductors is expected to be resolved and automobile production will gradually recover. However, uncertainties caused by the re-expansion of the number of people infected with the COVID-19 have been included in the forecast.

In addition, the implementation of a fuel surcharge system in the vehicle transport business is expected that fluctuations in fuel prices will have almost no impact on operating profit.

The performance forecast of June 2023 period is estimated to be 109,000 million yen of sale earnings, 4,200 million yen of operating profits, 4,200 million yen of profit before tax deduction and 2,700 million yen of current period profit owing to owners of new company.

※ The above forecast is judged by the company to be rational based on information procurable as of now and the actual results may differ from the forecast.

2. Basic view on selection of accounting standards

This company group aims at achieving improvement in efficiency and quality of management through integration of financial report basics considering the progress of overseas business expansion and the policy of Tan Chong International Limited Group, which is the parent company and at achieving improving international comparison of financial information in the capital market. International financial standards (IFRS) is applied from consolidated financial statement in securities report of June 2016 (period no. 70).

3. Consolidated financial statements and major notes

(1) Consolidated statement of financial position

(Units: Million yen)

	End of the previous consolidated accounting year (June 30, 2021)	End of the current consolidated accounting year (June 30, 2022)
Assets		
Current assets		
Cash and cash equivalents	5,904	5,180
Trade and other receivables	12,914	15,877
Inventories	927	2,603
Other financial assets	7	471
Other current assets	306	471
Total current assets	20,060	24,605
Non-current assets		
Tangible fixed assets	21,895	21,199
Goodwill and intangible assets	2,320	2,981
Investment properties	3,262	3,145
Investment accounting processed with equity method	788	497
Other financial assets	1,686	1,646
Other non-current assets	541	427
Deferred tax assets	379	392
Total non-current assets	30,875	30,290
Total assets	50,935	54,895

(Units: Million yen)

	End of the previous consolidated accounting year (June 30, 2021)	End of the current consolidated accounting year (June 30, 2022)
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payable	6,283	8,433
Loans	1,572	4,003
Lease liabilities	3,066	2,666
Income taxes payable, etc.	1,161	996
Other current liabilities	2,735	2,530
Total current liabilities	14,819	18,631
Non-current liabilities		
Loans	22	—
Lease liabilities	5,964	3,851
Other financial liabilities	80	82
Retirement benefits liabilities	962	899
Other non-current liabilities	308	306
Deferred tax liabilities	478	511
Total non-current liabilities	7,817	5,649
Total liabilities	22,636	24,281
Equity		
Capital	3,390	3,390
Capital surplus	3,437	3,458
Treasury stock	△681	△667
Other components of funds	324	444
Retained earnings	21,809	23,440
Total equity attributing to the equity shareholders of the company	28,280	30,067
Non-controlling interest	18	546
Total Equity	28,298	30,614
Total liabilities and equity	50,935	54,895

(2) Consolidated statement of profit or loss

(Units: Million yen)

	Previous consolidated fiscal year (from July 1, 2020 to June 30, 2021)	Current Consolidated fiscal year (from July 1, 2021 to June 30, 2022)
Sales revenue	92,171	107,045
Cost of sales	Δ78,768	Δ93,918
Gross Profit	13,402	13,127
Selling, general and administrative expenses	Δ8,749	Δ9,354
Other income	985	258
Other expenses	Δ306	Δ119
Operating profit	5,332	3,912
Financial profit	38	70
Financial expenses	Δ38	Δ39
Investment gain / loss through equity method	42	3
Profit before tax	5,373	3,947
Corporate income tax expenses	Δ1,759	Δ1,425
Profit of the year	3,614	2,521
Attribution of the profits of the year:		
Equity shareholders of the company	3,626	2,535
Non-controlling interest	Δ11	Δ14
Profit of the year	3,614	2,521
Earnings per share		
Basic earnings per share (yen)	216.55	150.91
Basic earnings per share after dilution (yen)	215.85	150.72

(3) Consolidated statement of profit or loss and other comprehensive income

(Units: Million yen)

	Previous consolidated fiscal year (from July 1, 2020 to June 30, 2021)	Current Consolidated fiscal year (from July 1, 2021 to June 30, 2022)
Profit of the year	3,614	2,521
Other comprehensive income		
Items not transferring over to profit or loss:		
Remeasurement of defined benefit system	80	△9
Net change amount of fair value of equity instruments specified by measured by fair value through other comprehensive income	176	△66
Total of the items not transferring over to profit or loss	257	△75
Items which may be transferred over to profit or loss		
Conversion difference of business activities overseas	—	245
Other comprehensive income equity of affiliated company accounted for by the equity method	77	27
Total of the items which may be transferred over to profit or loss	77	272
Other comprehensive income after tax deduction	335	197
Comprehensive income for the year	3,949	2,718
Attribution of the comprehensive income for the year:		
Equity shareholders of the company	3,961	2,646
Non-controlling interest	△11	71
Comprehensive income for the year	3,949	2,718

(4) Consolidated statement of changes in equity

Previous consolidated accounting period (July 1, 2020 to June 30, 2021)

(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		
				Translation adjustments on foreign operations	Financial assets measured by fair value through other comprehensive profits	Remeasurement of defined benefit system	Total other components of equity Total				
Balance on July 1, 2020	3,390	3,394	△681	△108	179	—	70	18,690	24,864	29	24,894
Profit of the year							—	3,626	3,626	△11	3,614
Other comprehensive income				77	176	80	335		335		335
Comprehensive income for the year	—	—	—	77	176	80	335	3,626	3,961	△11	3,949
Dividends of the surplus							—	△588	△588		△588
Acquisition of treasury stock			△0				—		△0		△0
Share-based payment transactions, etc.		43					—		43		43
Transfer from other capital component to Retained earnings						△80	△80	80	—		—
Total transactions, etc. with the owners	—	43	△0	—	—	△80	△80	△508	△545	—	△545
Balance on June 30, 2021	3,390	3,437	△681	△31	355	—	324	21,809	28,280	18	28,298

Current consolidated accounting period (July 1, 2021 to June 30, 2022)

(Units: Million yen)

	Equity attributable to equity shareholders of the company									Non-controlling interest	Total Equity
	Capital	Capital surplus	Treasury stock	Other components of funds				Retained Earnings	Total equity attributing to the equity shareholders of the company		
				Translation adjustments on foreign operations	Financial assets measured by fair value through other comprehensive profits	Remeasurement of defined benefit system	Total other components of equity Total				
Balance on July 1, 2021	3,390	3,437	△681	△31	355	—	324	21,809	28,280	18	28,298
Profit of the year							—	2,535	2,535	△14	2,521
Other comprehensive income				186	△66	△9	111		111	86	197
Comprehensive income for the year	—	—	—	186	△66	△9	111	2,535	2,646	71	2,718
Dividends of the surplus							—	△895	△895		△895
Acquisition of treasury stock			△0				—		△0		△0
Share-based payment transactions, etc.		21	13				—		35		35
Transfer from other capital component to Retained earnings					△0	9	8	△8	—		—
Changes in scope of consolidation							—		—	457	457
Total transactions, etc. with the owners	—	21	13	—	△0	9	8	△904	△859	457	△402
Balance on June 30, 2022	3,390	3,458	△667	155	288	—	444	23,440	30,067	546	30,614

(5) Consolidated statement of cash flow

(Units: Million yen)

	Previous consolidated fiscal year (from July 1, 2020 to June 30, 2021)	Current Consolidated fiscal year (from July 1, 2021 to June 30, 2022)
Cash flow from operating activities		
Profit of the year	3,614	2,521
Depreciation and amortization costs	4,581	4,682
Interest income and dividend	△13	△37
Interest expense	38	38
Investment gain / loss through equity method	△42	△3
Corporate income tax expenses	1,759	1,425
Increase / decrease of trade receivables (△ is an increase)	△62	△1,881
Increase / decrease of inventories (△ is an increase)	△415	△1,674
Increase / decrease of trade payables (△ is a decrease)	374	442
Increase / decrease in retirement benefits liabilities (△ is a decrease)	△127	△32
Other	354	107
Subtotal	10,061	5,587
Interest and dividend received	13	37
Interest paid	△38	△38
Corporate income tax paid	△1,441	△1,632
Cash flow from operating activities	8,594	3,954
Cash flow from investment activities		
Payment for acquisition of tangible fixed assets and investment properties	△2,968	△2,595
Proceed from sales of tangible fixed assets and investment properties	103	5
Payment for intangible assets	△89	△95
Expenditures from acquisition of investments in subsidiaries resulting in change in scope of consolidation	—	△162
Other	△149	△418
Cash flow from investment activities	△3,104	△3,266
Cash flow from financing activities		
Net increase or decrease of short-term loans (△ is a decrease)	△435	2,351
Repayment of long-term loans	△53	△32
Repayment of lease debts	△3,287	△3,031
Dividend paid	△588	△895
Payment for acquisition of treasury stock	△0	△0
Cash flow through financing activities	△4,364	△1,608
Effect of exchange rate changes on cash and cash equivalents	—	196
Increase / decrease in of cash and cash equivalents (△ is a decrease)	1,125	△723
Cash and cash equivalents at the beginning of the year	4,779	5,904
Balance of cash and cash equivalents at the end of the year	5,904	5,180

(6) Notes on consolidated financial statements

(Notes on going concern assumption)

There are no applicable matters.

(Segment information)

(1) Summary of report segment

In the report segment of our group based on business segments, financial information isolated from the structural unit of our group can be procured and the highest decision-making body conducts regular study for deciding division of management resources and evaluating performance.

This group collects the business segments based on the state of management organization and characteristics of the service and creates report segment as “domestic automotive-related business”, “human resources business” and “general cargo business”.

Since the current consolidated fiscal year, our group acquired an additional equity interest in Zero Scm Logistics (Beijing) Co., Ltd., which had been an equity-method affiliate and made it a consolidated subsidiary, and has strengthened its management system to further promote overseas business development. As a result, the "overseas-related business" segment has been added to the reporting segments, and the used vehicle export business, which was previously included in the "automobile-related businesses" segment, and the CKD business, which was previously included in the "general cargo business" segment, have been reclassified into the "overseas-related business" segment. In addition, the automobile related businesses has been changed to the domestic automotive related businesses.

Furthermore, the segment information for the previous consolidated fiscal year is provided based on the new reporting segment classifications.

Main services belonging to each report segment

Segment	Main service
Automobile-related businesses	Domestic transportation of automobiles and motorcycles, maintenance, in-plant logistics and incidental work, etc.
Human resource businesses	Temporary staffing of drivers, personal car driving management
General cargo businesses	Transportation and storage of general consumer goods, cargo handling of fuel and slag for biomass power generation, warehouse rental cargo handling, etc.
Overseas Related Business	Overseas transportation of automobiles, export of used vehicles, CKD business, etc.

(2) Sale earnings, profit and loss, assets and other amounts for each report segment

Sale earnings, profit and loss, assets and other amounts for each report segment of our group are as follows.

The sale earnings between the segments are based on market pricing.

Previous consolidated accounting period (July 1, 2020 to June 30, 2021)

(Units: Million yen)

	Domestic automotive related businesses	Human resources businesses	General cargo businesses	Overseas-related businesses	Total	Adjustment amount (Note) 1.	Consolidated financial Total amount on the consolidated financial statements
Sales revenue from external customers	54,993	17,946	5,769	13,461	92,171	—	92,171
Sales revenue between segments	50	1,063	458	—	1,572	△1,572	—
Total	55,044	19,010	6,227	13,461	93,744	△1,572	92,171
Segment profit (operating profit)	5,799	833	757	6	7,397	△2,065	5,332
Segment assets	25,467	7,733	8,191	5,754	47,146	3,789	50,935
Other items							
Increased amount in non-current assets (note) 2	7,042	858	1,328	257	9,486	251	9,738
Depreciation and amortization costs (note) 2	2,918	414	758	194	4,286	294	4,581

(Note) 1. The adjusted amount is as follows.

- ① The △ 2,065 million yen adjusted amount of segment profit includes total company cost of △ 2,065 million yen and 0 million yen of transaction elimination between segments. The total company cost is an expense related to the management divisions of our company not belonging to the reporting segment.
 - ② 3,789 million yen adjusted amount of segment assets includes total company assets of 11,619 million yen not allotted into any of report segment and △7,830 million of translation elimination between segments.
 - ③ The adjusted amount of other items is related to the total company assets not allotted to any report segment.
2. Depreciation and amortization include amounts related to right-of-use assets. Non-current assets do not include financial assets, deferred tax assets etc. The amounts related to right-of-use assets are also included.

Current consolidated accounting period (July 1, 2021 to June 30, 2022)

(Units: Million yen)

	Domestic automotive-related business	Human resources businesses	General cargo businesses	Overseas-related businesses	Total	Adjustment amount (Note) 1.	Consolidated financial Total amount on the consolidated financial statements
Sales revenue from external customers	51,482	19,330	6,423	29,809	107,045	—	107,045
Sales revenue between segments	98	1,127	119	—	1,346	△1,346	—
Total	51,580	20,458	6,543	29,809	108,391	△1,346	107,045
Segment profit (operating profit)	4,202	666	1,060	184	6,113	△2,200	3,912
Segment assets	25,850	8,063	8,795	12,348	55,057	△161	54,895
Other items							
Increased amount in non-current assets (note) 2	2,902	64	662	44	3,674	44	3,718

Depreciation and amortization costs (note) 2	3,025	343	829	285	4,484	198	4,682
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(Note) 1. The adjusted amount is as follows.

- ① The $\Delta 2,200$ million yen adjustment amount in the segment profits includes the total company cost $\Delta 2,200$ million yen. The total company cost is an expense related to the management divisions of our company not belonging to the reporting segment.
 - ② $\Delta 161$ million yen adjusted amount of segment assets includes total company assets of 11,623 million yen not allotted into any of report segment and $\Delta 11,784$ million of translation elimination between segments.
 - ③ The adjusted amount of other items is related to the total company assets not allotted to any report segment.
2. Depreciation and amortization include amounts related to right-of-use assets. Non-current assets do not include financial assets, deferred tax assets etc. The amounts related to right-of-use assets are also included.

(3) Regional information

- ① The breakdown of sales revenue from external customers by region are as follows.

Previous consolidated accounting period (July 1, 2020 to June 30, 2021)

(Units: Million yen)

Japan	Malaysia (note)	Other	Total
79,134	13,022	15	92,171

Current consolidated accounting period (July 1, 2021 to June 30, 2022)

(Units: Million yen)

Japan	Malaysia (note)	Other	Total
78,115	25,545	3,384	107,045

- ② Non-current assets

Information is omitted because the amount of non-current assets located in Japan accounts for the majority of the amount of non-current assets in the consolidated statement of financial position.

(4) Information on major customers

Previous consolidated accounting period (July 1, 2020 to June 30, 2021)

(Units: Million yen)

Name or title of customer	Sales revenue	Related segment
Nissan Motors Group (Note)	18,076	Automobile-related businesses

(Note) Sale results of Nissan Motors Group are total sale results of Nissan Motors Co. Ltd., Autech Japan Co. Ltd. and Nissan Motors distributors all over the country.

Current consolidated accounting period (July 1, 2021 to June 30, 2022)

(Units: Million yen)

Name or title of customer	Sales revenue	Related segment
Nissan Motors Group (Note)	17,768	Domestic automobile-related businesses Overseas business

(Note) Sale results of Nissan Motors Group are total sale results of Nissan Motors Co. Ltd., Autech Japan Co. Ltd. and to Nissan Motors distributors in Japan, as well as those to Dongfeng Motor Co., Ltd. in China and other Nissan Motor affiliates, following the consolidation of Zero Scm Logistics (Beijing) Co., Ltd as a subsidiary from the current consolidated fiscal year.

(Information per share)

The calculation of basic earnings per share for current period and basic earnings per share after dilution in the previous consolidated accounting year and current consolidated accounting year are as follows.

(1) Basic earnings per share

	Previous consolidated fiscal year (From July 1, 2020 to June 30, 2021)	Current Consolidated fiscal year (From July 1, 2021 to June 30, 2022)
Profit for the year attributable to equity shareholders of the company (million Yen)	3,626	2,535
Weighted average number of shares (thousand shares)	16,745	16,804
Basic earnings per share (yen)	216.55	150.91

(2) Basic earnings per share after dilution

	Previous consolidated fiscal year (From July 1, 2020 to June 30, 2021)	Current Consolidated fiscal year (From July 1, 2021 to June 30, 2022)
Profit for the year used for calculation of earnings per share after dilution (million Yen)	3,626	2,535
Impact of dilutive potential common stock Stock benefit trust BBT (thousand shares)	54	20
Weighted average number of shares after dilution (thousand shares)	16,800	16,825
Basic earnings per share after dilution (yen)	215.85	150.72

(Business Combination)

Business combination and other relationships are as follows:

<<Zero Scm Logistics (Beijing) Co., Ltd.>>

Current consolidated accounting period (July 1, 2021 to June 30, 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 current 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 current consolidated profit and loss and other comprehensive income statements for the current reporting period amounted to 3,384 million yen and 30 million yen, respectively.

<<Zero Plus IKEDA Co., Ltd.>>

Current consolidated accounting period (July 1, 2021 to June 30, 2022)

On May 31, 2022, the Company acquired 100% of the shares of IKEDA Co., Ltd. and made it a subsidiary. On the same day, the business name was changed to "Zero Plus IKEDA Co., Ltd."

(1) Outline of the Business Combination

(1) Name and business of the acquired company

Name of acquired company Zero Plus IKEDA Co., Ltd.
Description of business Driven vehicle delivery (land transport)

(2) Acquisition date

May 31, 2022

(3) Percentage of voting equity interest acquired

100%

(4) Reasons for the business combination

IKEDA Co., Ltd is an operating company that operates a driven vehicle delivery business mainly for construction equipment rental companies, with more than 300 contracted drivers and services throughout Japan through 11 locations from Tohoku to Kyushu.

In addition to the vehicle transportation business, which is our core business, we also operate a human resource business that mainly provides driver dispatch and pick-up services, and a general cargo business. One of our key challenges is to address the shortage of driver personnel in response to the so-called "2024 supply chain issues".

In this era of great change known as the "New Normal", it is expected that the way people work, including drivers, will continue to diversify, and we are committed to improving the value and quality we provide to customers in line with the needs of the times and creating an environment where drivers can continue to work with peace of mind, while looking at the possibility that it will play a part that supports drivers' "desire to work".

- (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	1,000
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	206
Trade and other receivables	150
Other current assets	60
Tangible fixed assets	1
Other non-current assets	14
Current liabilities	206
Fair value (net amount) of assets acquired and liabilities assumed	225
Goodwill	774

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

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

- (3) Acquisition-related expenses

Acquisition-related expenses for this business combination was 12 million yen and is included in "Selling, general and administrative expenses" in the summary of quarterly consolidated profit and loss statement.

- (4) Cash flow from acquisition

(Units: Million yen)

Cash and cash equivalents used in the acquisition	Δ1,000
Cash and cash equivalents held by the acquired company at the time of acquisition	206
Proceeds from acquisition of shares of subsidiaries resulting in change in scope of consolidation	Δ793

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

The amounts of revenue and profit or loss of the acquiree since the acquisition date recognized in the consolidated statement of profit or loss and other comprehensive income for the reporting period are not material. The impact of the business combinations on the ZERO Group's financial results for the current fiscal year, assuming that the business combination had been implemented at the beginning of the fiscal year, is not disclosed because it is not material.

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

(Significant subsequent events)
There are no applicable matters.