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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. for the three-month period ended 30 September 2020 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, 12 November 2020

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 and Mr. Teo Ek Kee.

Summary of Consolidated Financial Results for the First Quarter Ending of the Fiscal Year June 30, 2021 [Based on IFRS]

November 12, 2020

Company name: ZERO CO., LTD.
 Stock code: 9028 URL: <http://www.zero-group.co.jp/>
 Representative: President & CEO
 Inquiries: Director and Manager of Group Strategies Headquarters
 Scheduled Date of Submission of Quarterly Report: November 13, 2020
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: No

Stock Exchange Listing: Tokyo
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(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the first quarter ending of the fiscal year June 30, 2021 (From July 1, 2020 to September 30, 2020)

(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	%
1Q FY2020	21,432	Δ6.5	1,565	28.6	1,568	28.1	1,100	36.8	1,101	37.1	1,105	40.7
1Q FY2019	22,931	9.5	1,217	246.5	1,223	254.9	804	-	803	-	786	-

	Basic quarterly earnings per share		Diluted quarterly earnings per share	
	Yen		Yen	
1Q FY2020	65.79		65.71	
1Q FY2019	48.15		48.08	

(Note) “-” is shown because the change in Quarterly profit and in profit attributable to equity shareholders for Q1 FY2020 of the company exceed 1,000%.

(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		%	
1Q FY2020	43,995		25,673		25,645		58.3	
FY2019	44,514		24,894		24,864		55.9	

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
FY2019	---	15.00	---	20.60	35.60
FY2020	---	---	---	---	---
FY2020 (forecast)	---	15.00	---	19.50	34.50

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

3. Forecast of consolidated financial results for the year ending June 30, 2021 (From July 1, 2020 to June 30, 2021)

(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	81,000	Δ9.5	3,600	Δ2.1	3,580	Δ2.7	2,300	Δ3.1	137.84

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

※(Note)

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

New — Co. (Company name),

Exclusions — Co. (Company name)

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

① Changes in the accounting policies required by IFRS : No

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

③ Changes in the accounting estimates : No

(3) Number of issued shares (common shares)

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

1Q FY2020	17,560,242 shares	FY2019	17,560,242 shares
1Q FY2020	1,018,869 shares	FY2019	1,018,869 shares
1Q FY2020	16,744,873 shares	1Q FY2019	16,685,873 shares

② Number of treasury shares at the end of the period

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

※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

Although Japan's economy during the consolidated cumulative period of the first quarter was in a severe state due to the impact of the COVID-19 pandemic, economic activity has gradually resumed and there is a trend of recovery.

In the domestic automotive market, the total number of new vehicles sales decreased by 85.4% (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). In the same quarter from the previous year, there was a last-minute surge in demand before the consumption tax leading to a decline in demand this year, as well as a slowdown in demand due to the COVID-19 pandemic. The number of registered used cars is estimated to have increased as a result of a partial shift in transportation from public transport to private cars due to the COVID-19 pandemic, and the demand has been only slightly reduced by 99.2% compared to the same quarter from the previous year.

Sales decreased mainly due to a drop in the number of new car transportation and pre-delivery maintenance and inspection caused by the slump in new car sales in the automotive business, while operating profit increased in the human resources business and general cargo business.

As a result, the business results of our group are as follows: sales of 21,432 million yen (93.5% compared to the same quarter from the previous year) and operating profit of 1,565 million yen (128.6% compared to the same quarter from the previous year). Also, the profit before taxes was 1,568 million yen (128.1% compared to the same quarter from the previous year), and the profit of the quarter attributable to the equity shareholders of the company was 1,101 million yen (137.1% compared to the same quarter from the previous year).

Number of units related to domestic distribution of automobiles

Units: vehicles

Domestic	July of 2019 to September of 2019	July of 2020 to September of 2020	Compared to the previous year
Number of new vehicles sold			
Domestic manufacturer *1	1,316,263	1,124,367	85.4%
(out of this, Nissan Motor) *1	(154,521)	(119,995)	(77.7%)
Foreign manufacturer *2	80,002	68,123	85.2%
Total of new vehicle sales	1,396,265	1,192,490	85.4%
Number of used vehicle registrations			
Registered vehicles *3	964,714	983,255	101.9%
Light vehicles *4	755,558	722,738	95.7%
Total number of used vehicles registered	1,720,272	1,705,993	99.2%
Number of vehicles permanently deleted *3	44,637	42,037	94.2%

Export	July of 2019 to September of 2019	July of 2020 to September of 2020	Compared to the previous year
New vehicles of domestic manufacturers *1	1,195,515	939,077	78.5%
Used vehicles (registered vehicles) *5	372,681	270,030	72.5%

*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, sales decreased not only as a result of the decline in the volume of used-car transportation slightly due to a small decline in used-car registrations compared to the same quarter last year, but also as a result of the decline in the number of commissions for vehicle transportation and pre-delivery maintenance and inspection due to the decrease in new car sales. There was an increase in sales in the used vehicle export business due to the lifting of the lockdown in Malaysia, but there was an overall decrease in sales in the automotive related businesses.

The restructuring of the transportation system has been accelerated with the aim to achieve a systematic allocation and optimum distribution network throughout Japan, while also pursuing thorough cost management, in the midst of business challenges such as promoting initiatives for work style reforms to create a rewarding company and decrease the total work hours, increased labour costs and recruitment costs to deal with potential driver shortages, and increased vehicle costs due to the increased number of vehicles and the measures against aging of car carriers. The unit cost of fuel was lower than the same period of the previous year, but the impact of the decrease in sales in the vehicle transportation and pre-delivery maintenance was significant, resulting in a decrease in profit in the automotive related businesses.

As a result, the overall sales in the automobile related businesses was 15,652 million yen (96.0% compared to the same quarter from the previous year), and the segment profit was 1,478 million yen (91.3% compared to the same quarter from the previous year).

② Human resource businesses

Regarding the pick-up service business, sales increased due to a recovery from the impact of the COVID-19 pandemic, but the overall sales was reduced because the driver dispatch business and the airport-related personnel business were affected by the termination of employment contract due to the COVID-19 pandemic. Profit increased as a result of efforts to reduce SG&A expenses and employment adjustment subsidies appropriation.

As a result, the sales of the overall human resource business was 4,421 million yen (90.2% compared to the same quarter from the previous year), and the segment profit was 456 million yen (184.2% compared to the same quarter from the previous year).

③ General cargo business

Sales in the transport /warehousing business decreased due to withdrawal from unprofitable businesses, and the port cargo handling business decreased due to decreased coal cargo and automobile cargo handling. Furthermore, the CKD business was also reduced due to the temporary suspension of operations at plants in Thailand, and there was decrease overall in sales in the general cargo business.

In the transportation /warehousing business, profit increased due to the withdrawal from unprofitable businesses and the acquisition of new customers, but the port cargo handling business declined due to decreased sales. In the CKD business, in addition to reducing fixed costs, expenses were compensated for as the plant was temporarily shut down, the overall general cargo business posted an increase in profits.

As a result of the above, the sales of the overall general cargo business was 1,358 million yen (78.9% compared to the same quarter of the previous year), and segment profit was 130 million yen (segment loss of 137 million yen in the same quarter of the previous year).

Furthermore, the company expenses not included in the abovementioned report segment (expenses affiliated with our company's management division), etc. are allocated as an item in the "adjustment amount" as indicated in "2. (Segment information) in the summary of consolidated statements for the quarter," and totalled 499 million yen.

(2) Explanation regarding financial position

① Status of assets, liabilities, and equity

(Assets)

Current assets decreased 168 million yen (0.9%) compared to the end of the previous consolidated fiscal year and were 18,019 million yen.

This was mainly because cash and cash equivalents decreased by 1,017 million yen, the operating receivables and other receivables increased by 550 million yen, and the inventory assets also increased by

344 million yen.

Non-current assets decreased 350 million yen (1.3%) compared to the end of the previous consolidated fiscal year and were 25,976 million yen.

This was mainly due to a decrease of tangible fixed assets of 354 million yen resulting from a decrease of assets of right to use, etc.

As a result, total assets decreased by 519 million yen (1.2%) compared to the previous consolidated fiscal year to 43,995 million yen.

(Liabilities)

Current Liabilities decreased 821 million yen (5.6%) compared to the end of the previous consolidated fiscal year and were 13,751 million yen.

This was mainly due to income tax payables decreasing by 433 million yen, and a decrease of 290 million yen in other current liabilities due to a decrease in consumption tax payables.

Non-current liabilities decreased by 477 million yen (9.5%) compared to the end of the previous consolidated fiscal year to 4,570 million yen.

This was mainly due to a decrease of 327 million yen in other financial liabilities due to a decrease in lease debts, etc.

As a result, total liabilities decreased by 1,298 million yen (6.6%) compared to the end of the previous consolidated fiscal year to 18,321 million yen.

(Equity)

Total equity increased by 779 million yen (3.1%) compared to the end of the previous consolidated fiscal year to 25,673 million yen.

This is mainly because retained earnings increased by 794 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 first quarter decreased by 1,017 million yen compared to the end of the previous consolidated accounting fiscal year to 3,761 million yen.

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

(Cash flow from operating activities)

Funds obtained as a result of operating activities were 949 million yen (there was an income of 1,092 million yen during the same period of the previous year).

The main cause of the increase in funds were 1,100 million for profit from this period and 1,099 million yen for depreciation and amortization expenses which are non-fund expenses; the main cause of the decrease in funds was 855 million yen for payment of corporate income.

(Cashflow through investment activities)

Net cash used in investment activities was 706 million yen (expenditures of 501 million yen during the same period of the previous year).

The main itemization breakdown for expenditures was 558 million yen for acquisition of tangible fixed assets and investment property.

(Cashflow through financing activities)

Funds used as a result of financial activities were 1,260 million yen (expenditures of 1,064 million yen during the same period of the previous year).

The main itemization breakdown for expenditures were 804 million yen lease liabilities payments and 340 million yen 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 August 6, 2020.

2. Summary of the consolidated financial statements and major notes

(1) Summary of quarterly consolidated statement of financial position

(Unit: million yen)

	End of the previous consolidated accounting year (June 30, 2020)	End of the consolidated accounting period of the first quarter (September 30, 2020)
Assets		
Current assets		
Cash and cash equivalents	4,779	3,761
Trade and other receivables	12,607	13,158
Inventories	511	856
Other financial assets	10	9
Other current assets	279	234
Total current assets	18,187	18,019
Non-current assets		
Tangible fixed assets	17,146	16,791
Goodwill and intangible assets	2,626	2,599
Investment properties	3,275	3,246
Investment accounting processed with equity method	984	1,004
Other financial assets	1,487	1,415
Other non-current assets	350	499
Deferred tax assets	456	417
Total non-current assets	26,327	25,976
Total assets	44,514	43,995

(Unit: million yen)

	End of the previous consolidated accounting year (June 30, 2020)	End of the consolidated accounting period of the first quarter (September 30, 2020)
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payable	5,875	6,042
Loans	2,028	1,921
Other financial liabilities	2,847	2,691
Income taxes payable, etc.	931	497
Other current liabilities	2,889	2,598
Total current liabilities	14,572	13,751
Non-current liabilities		
Loans	55	46
Other financial liabilities	3,148	2,821
Retirement benefits liabilities	1,216	1,099
Other non-current liabilities	276	279
Deferred tax liabilities	351	324
Total non-current liabilities	5,048	4,570
Total liabilities	19,620	18,321
Equity		
Capital	3,390	3,390
Capital surplus	3,394	3,408
Treasury stock	△681	△681
Other components of funds	70	41
Retained earnings	18,690	19,485
Total equity attributable to the equity shareholders of the company	24,864	25,645
Non-controlling interests	29	28
Total equity	24,894	25,673
Total liabilities and equity	44,514	43,995

(2) Summary of quarterly consolidated profit and loss statement

(Unit: million yen)

	Consolidated cumulative period for the previous first quarter (from July 1, 2019 to September 30, 2019)	Consolidated cumulative period of this first quarter (from July 1, 2020 to September 30, 2020)
Sales	22,931	21,432
Cost of sales	Δ19,521	Δ18,248
Gross Profit	3,409	3,184
Selling, general and administrative expenses	Δ2,233	Δ2,142
Other income	54	532
Other expenses	Δ13	Δ8
Operating profit	1,217	1,565
Financial profit	6	6
Financial expenses	Δ13	Δ10
Investment gain / loss through equity method	13	7
Profit before tax	1,223	1,568
Corporate income tax expenses	Δ419	Δ467
Profits of the quarter	804	1,100
Attribution of the profits of the quarter:		
Equity shareholders of the company	803	1,101
Non-controlling interests	0	Δ1
Profits of the quarter	804	1,100
Quarterly earnings per share		
Basic quarterly earnings per share (yen)	48.15	65.79
Diluted quarterly earnings per share (yen)	48.08	65.71

(3) Summary of quarterly consolidated statement of comprehensive income

(Unit: million yen)

	Consolidated cumulative period for the previous first quarter (from July 1, 2019 to September 30, 2019)	Consolidated cumulative period of this first quarter (from July 1, 2020 to September 30, 2020)
Profits of the quarter	804	1,100
Other comprehensive income		
Items not transferring over to profit or loss:		
Remeasurement of defined benefit system	19	34
Financial assets measured by fair value through other comprehensive income	Δ11	Δ42
Total of the items not transferring over to profit or loss	8	Δ8
Items which may be transferred over to profit or loss		
Other comprehensive income equity of affiliated company accounted for by the equity method	Δ26	13
Total of the items which may be transferred over to profit or loss	Δ26	13
Other comprehensive income after tax deduction	Δ18	5
Comprehensive income of the quarter	786	1,105
Attribution of the comprehensive income for the quarter:		
Equity shareholders of the company	785	1,106
Non-controlling interests	0	Δ1
Comprehensive income of the quarter	786	1,105

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

Consolidated accounting period of the first quarter (from July 1, 2019 to September 30, 2019)

(Unit: 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	Financial assets measured by fair value through other comprehensive income	Remeasurement of defined benefit system	Total other components of funds				
Balance on July 1, 2019	3,390	3,362	△687	△50	286	—	236	16,754	23,056	16	23,072
Profits of the quarter							—	803	803	0	804
Other comprehensive income				△26	△11	19	△18		△18		△18
Comprehensive income of the quarter	—	—	—	△26	△11	19	△18	803	785	0	786
Dividends of surplus							—	△345	△345		△345
Share-based payment transactions, etc.		14					—		14		14
Transfer from other capital component to Retained earnings						△19	△19	19	—		—
Total transactions, etc. with the owners	—	14	—	—	—	△19	△19	△326	△331	—	△331
Balance on September 30, 2019	3,390	3,376	△687	△76	275	—	199	17,231	23,510	17	23,527

Consolidated cumulative period of this first quarter (from July 1, 2020 to September 30, 2020)

(Unit: 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	Financial assets measured by fair value through other comprehensive income	Remeasurement of defined benefit system	Total other components of funds				
Balance on July 1, 2020	3,390	3,394	△681	△108	179	—	70	18,690	24,864	29	24,894
Profits of the quarter							—	1,101	1,101	△1	1,100
Other comprehensive income				13	△42	34	5		5		5
Comprehensive income of the quarter	—	—	—	13	△42	34	5	1,101	1,106	△1	1,105
Dividends of surplus							—	△340	△340		△340
Share-based payment transactions, etc.		14					—		14		14
Transfer from other capital component to Retained earnings						△34	△34	34	—		—
Total transactions, etc. with the owners	—	14	—	—	—	△34	△34	△306	△326	—	△326
Balance on September 30, 2020	3,390	3,408	△681	△95	136	—	41	19,485	25,645	28	25,673

(5) Summary of quarterly consolidated cash flow statements

(Unit: million yen)

	Consolidated cumulative period for the previous first quarter (from July 1, 2019 to September 30, 2019)	Consolidated cumulative period of this first quarter (from July 1, 2020 to September 30, 2020)
Cash flow from operating activities		
Profits of the quarter	804	1,100
Depreciation and amortization costs	1,082	1,099
Interest income and dividend	△6	△5
Interest expense	13	10
Investment gain / loss through equity method	△13	△7
Corporate income tax expenses	419	467
Increase / decrease of trade receivables (△ is an increase)	204	△357
Increase / decrease of inventories (△ is an increase)	△82	△344
Increase / decrease of trade payables (△ is a decrease)	334	530
Increase / decrease in retirement benefits liabilities (△ is a decrease)	△65	△63
Other	△758	△619
Subtotal	1,932	1,810
Interest and dividend received	6	5
Interest paid	△13	△10
Corporate income tax paid	△832	△855
Cash flow from operating activities	1,092	949
Cashflow through investment activities		
Payment for acquisition of tangible fixed assets and investment properties	△461	△558
Proceed from sales of tangible fixed assets and investment properties	2	22
Payment for intangible assets	△38	△31
Payment for loans receivable	△3	△2
Proceed from loans receivable	3	5
Other	△4	△142
Cashflow through investment activities	△501	△706

(Unit: million yen)

	Consolidated cumulative period for the previous first quarter (from July 1, 2019 to September 30, 2019)	Consolidated cumulative period of this first quarter (from July 1, 2020 to September 30, 2020)
Cash flow through financing activities		
Net increase or decrease of short-term loans (Δ is a decrease)	115	Δ 100
Repayment of long-term loans	Δ 32	Δ 15
Repayment of lease debts	Δ 802	Δ 804
Dividend paid	Δ 345	Δ 340
Cash flow through financing activities	Δ 1,064	Δ 1,260
Increase / decrease in of cash and cash equivalents (Δ is a decrease)	Δ 474	Δ 1,017
Cash and cash equivalents at the beginning of the quarter	3,465	4,779
Balance of cash and cash equivalents at the end of the quarter	2,991	3,761

(6) Notes regarding summary of quarterly consolidated financial statements

- (Notes on going concern assumption)

There are no applicable matters.

- (Segment information)

The segment information of our group is as follows.

Consolidated accounting period of the first quarter (from July 1, 2019 to September 30, 2019)

(Unit: million yen)

	Automobile related businesses	Human resource business	General cargo business	Total	Adjustment amount (note)	Total amount on the quarterly consolidated financial statements
Sales						
Sales from external customers	16,307	4,902	1,721	22,931	—	22,931
Sales between segments	9	280	116	406	△406	—
Total	16,316	5,182	1,838	23,337	△406	22,931
Segment profit (operating profit)(△is loss)	1,618	247	△137	1,728	△510	1,217

(Note) 1. The △510 million yen adjustment amount in the segment profits includes the total company cost △510 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. The life expectancy of the operating vehicles (excluding some) of the group's automobile related businesses has been changed since the first quarter consolidated accounting period. Due to this change, the segment profit during the consolidated cumulative period of this first quarter has increased by 75 million yen in the automotive related businesses compared to that of the conventional method.

Consolidated cumulative period of this first quarter (from July 1, 2020 to September 30, 2020)

(Unit: million yen)

	Automobile related businesses	Human resource business	General cargo business	Total	Adjustment amount (note)	Total amount on the quarterly consolidated financial statements
Sales						
Sales from external customers	15,652	4,421	1,358	21,432	—	21,432
Sales between segments	12	160	117	290	△290	—
Total	15,664	4,581	1,476	21,722	△290	21,432
Segment profit (operating profit)	1,478	456	130	2,065	△499	1,565

(Note) The △499 million yen adjustment amount in the segment profits includes the total company cost △499 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.