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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.)

References are made to the Company's announcements dated 10 August 2016 with respect to the financial results of Zero Co., Ltd. and its subsidiaries ("Zero Group") for the year ended 30 June 2016 which were prepared in accordance with accounting principle generally accepted in Japan.

This announcement of consolidated financial results of Zero Group for the year ended 30 June 2016 which have been prepared in accordance with the International Financial Reporting Standards, 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
Joseph Ong Yong Loke
Deputy Chairman

Hong Kong, 29 September 2016

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

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

Financial Results for the Fiscal Year Ended June 30, 2016 (IFRS)

September 29, 2016

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: Toshihiro Takahashi, Corporate Officer
General Manager, Group strategy division

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1. Consolidated Financial Results for the Fiscal Year Ended June 30, 2016 (From July 1, 2015 to June 30, 2016)

(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.

	Revenue		Operating income		Profit before tax		Net income		Net income attributable to owners of parent company		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2015	77,829	3.3	5,391	39.6	5,492	43.2	3,455	48.1	3,455	48.1	3,026	17.1
FY2014	75,344	—	3,862	—	3,836	—	2,333	—	2,333	—	2,583	—

	Earnings per share-basic	Earnings per share-diluted	Return on equity attributable to owners of the parent	Profit before tax to total assets	Operating income to Revenue
	Yen	Yen	%	%	%
FY2015	207.57	207.17	20.7	15.8	6.9
FY2014	136.52	-	16.1	12.0	5.1

(Ref.) Equity in net income of affiliates: FY2015: 118 million yen FY2014: 19 million yen

(2) Consolidated Financial condition

	Total assets	Total equity	Equity attributable to owners of the parent	Percentage of equity attributable to owners of the parent	Equity attributable to owners of the parent per share
	Million yen	Million yen	Million yen	%	Yen
FY2015	35,852	17,741	17,741	49.5	1,069.23
FY2014	33,690	15,603	15,603	46.3	912.90

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY2015	5,050	(512)	(2,469)	7,924
FY2014	2,241	(691)	(627)	5,856

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1 . Consolidated Financial Statements

(1) Consolidated statement of financial position

(Million yen)

	Date of transition (July 1,2014)	End of Fiscal 2014 (June 30,2015)	End of Fiscal 2015 (June 30,2016)
Assets			
Current assets			
Cash and cash equivalents	4,934	5,856	7,924
Trade and other receivables	7,999	9,184	9,036
Other financial assets	212	260	167
Inventories	476	894	779
Other current assets	491	454	438
Total current assets	14,114	16,650	18,346
Non-current assets			
Property, plant and equipment	7,646	8,171	8,447
Goodwill, Intangible assets	2,021	2,095	2,232
Investments properties	4,079	3,957	3,791
Investments accounted for using the equity method	593	1,074	973
Other financial assets	1,250	1,249	1,393
Other non-current assets	123	134	115
Deferred tax assets	441	357	552
Total non-current assets	16,155	17,040	17,506
Total assets	30,270	33,690	35,852

(Million yen)

	Date of transition (July 1,2014)	End of Fiscal 2014 (June 30,2015)	End of Fiscal 2015 (June 30,2016)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	5,807	5,862	5,647
Borrowings	2,021	2,236	2,235
Other financial liabilities	328	429	496
Income taxes payable	621	948	1,594
Other current liabilities	1,789	2,101	2,205
Total current liabilities	10,568	11,579	12,179
Non-current liabilities			
Borrowings	1,744	1,823	768
Other financial liabilities	1,494	1,830	1,943
Retirement benefits liabilities	2,440	2,155	2,476
Other non-current liabilities	622	684	741
Deferred tax liabilities	1	14	2
Total non-current liabilities	6,303	6,507	5,932
Total liabilities	16,872	18,087	18,111
Equity			
Share capital	3,390	3,390	3,390
Capital surplus	3,176	3,176	3,249
Treasury stock	(152)	(152)	(561)
Other components of equity	27	123	21
Retained earnings	6,955	9,066	11,640
Total equity attributable to owners of the parent	13,397	15,603	17,741
Total equity	13,397	15,603	17,741
Total liabilities and equity	30,270	33,690	35,852

(2) Consolidated statements of income

(Million yen)

	Fiscal 2014 (From July 1, 2014 to June 30, 2015)	Fiscal 2015 (From July 1, 2015 to June 30, 2016)
Revenue	75,344	77,829
Cost of sales	(64,852)	(65,108)
Gross profit	10,491	12,720
Selling, general and administrative expenses	(6,818)	(7,546)
Other income	220	280
Other expenses	(30)	(62)
Operating profit	3,862	5,391
Finance income	32	85
Finance costs	(78)	(103)
Share of profit (loss) of investments accounted for using the equity method	19	118
Profit before tax	3,836	5,492
Income tax expense	(1,503)	(2,036)
Profit for the year	2,333	3,455
Profit for the year attributable to:		
Owners of the parent	2,333	3,455
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	136.52	207.57
Diluted earnings per share (yen)	—	207.17

(3) Consolidated statements of comprehensive income

(Million yen)

	Fiscal 2014 (From July 1, 2014 to June 30, 2015)	Fiscal 2015 (From July 1, 2015 to June 30, 2016)
Profit for the year	2,333	3,455
Other comprehensive income		
Items that will not be reclassified to profit and loss		
Remeasurement of defined benefit pension plans	155	(327)
Total items that will not be reclassified to profit and loss	155	(327)
Items that may be reclassified to profit and loss		
Financial assets measured at fair value through other comprehensive income	25	21
Share of other comprehensive income of investments accounted for using the equity method	69	(122)
Total items that may be reclassified to profit and loss	95	(101)
Other comprehensive income for the year, net of tax	250	(429)
Total comprehensive income for the year	2,583	3,026
Total comprehensive income for the year attributable to:		
Owners of the parent	2,583	3,026

(4) Consolidated statement of changes in equity

(Million yen)

	Total equity attributable to owners of the parent									Total Equity
	Share capital	Capital surplus	Treasury stock	Other components of equity				Retained earnings	Total equity attributable to owners of the parent	
				Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income	Remeasurement of defined benefit pension plans	Total other components of equity			
Balance at the beginning of FY2014	3,390	3,176	(152)	—	27	—	27	6,955	13,397	13,397
Profit for the year							—	2,333	2,333	2,333
Other comprehensive income				68	26	155	250		250	250
Comprehensive income for the year	—	—	—	68	26	155	250	2,333	2,583	2,583
Acquisition of treasury stock			(0)				—		(0)	(0)
Dividends							—	(377)	(377)	(377)
Reclassification from other components of equity to retained earnings						(155)	(155)	155	—	—
Total comprehensive income for the year attribute to owners of the parent	—	—	(0)	—	—	(155)	(155)	(222)	(377)	(377)
Balance at the beginning of FY2015	3,390	3,176	(152)	68	54	—	123	9,066	15,603	15,603
Profit for the year							—	3,455	3,455	3,455
Other comprehensive income				(122)	21	(327)	(429)		(429)	(429)
Comprehensive income for the year	—	—	—	(122)	21	(327)	(429)	3,455	3,026	3,026
Acquisition of treasury stock			(409)				—		(409)	(409)
Dividends							—	(553)	(553)	(553)
Stock benefit contribution		73					—		73	73
Reclassification from other components of equity to retained earnings						327	327	(327)	—	—
Total comprehensive income for the year attribute to owners of the parent	—	73	(409)	—	—	327	327	(881)	(888)	(888)
Balance at the end of FY2015	3,390	3,249	(561)	(53)	75	—	21	11,640	17,741	17,741

(5) Consolidated statements of cash flows

(Million yen)

	Fiscal 2014 (From July 1, 2014 to June 30, 2015)	Fiscal 2015 (From July 1, 2015 to June 30, 2016)
Cash flows from operating activities:		
Profit for the year	2,333	3,455
Depreciation and amortization	882	973
Interest income and dividends	(13)	(9)
Interest expenses	69	65
Share of (profit) loss of investments accounted for using the equity method	(19)	(118)
Income tax expense	1,503	2,036
(Increase) decrease in trade receivables	(901)	(130)
(Increase) decrease in inventories	(417)	114
Increase (decrease) in trader payables	(119)	(143)
Increase (decrease) in retirement benefit liabilities	(71)	(159)
Other	297	567
Sub total	3,543	6,652
Interest received	13	47
Interest paid	(70)	(65)
Income taxes paid	(1,244)	(1,584)
Net cash provided by (used in) operating activities	2,241	5,050
Cash flows from investing activities:		
Payments for property, plant and equipment	(305)	(422)
Proceeds from sales of property, plant and equipment	9	59
Payments for intangible assets	(104)	(262)
Payments for investments accounted for using the equity method	(392)	—
Increase in loans receivable	(323)	(29)
Proceeds from collection of loans receivable	316	60
Other	107	82
Net cash provided by (used in) investing activities	(691)	(512)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings, net	60	185
Proceeds from long-term borrowings	1,540	180
Repayment of long-term borrowings	(1,502)	(1,400)
Repayment of finance lease liabilities	(347)	(471)
Dividends paid	(377)	(553)
Payment for treasury stocks	(0)	(409)
Net cash provided by (used in) financing activities	(627)	(2,469)
Increase (decrease) in cash and cash equivalents, net	922	2,068
Cash and cash equivalents at the beginning of the year	4,934	5,856
Cash and cash equivalents at the end of the year	5,856	7,924

(6) Segment information

(1) Overview of the reportable segments

Reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the chief operating decision-making body to make decisions about resource allocation and to assess performance.

Based on an aggregation of business segments with respect to its management organization, structure and service attributes, the Group's reportable segments are automobile-related business, human resources business and general cargo transportation businesses.

Main services for each reportable segment

Segment	Main services
Automobile-related business	Vehicle transport, maintenance, used car auctions, export of used cars
Human resources business	Driver dispatch, personal vehicle operation management
General cargo transportation business	General consumer goods shipping and warehousing, cargo handling of coal, slag, etc., warehouse rental

(2) Calculation method for Revenue, income or loss, assets, liabilities and other items by reportable segments

Accounting policies adopted by the reportable segments are the same as those described in "Significant Fundamental Matters for the Preparation of Consolidated Financial Matters". Segment incomes for each business segment correspond to operating income (before goodwill amortization).

Inter-segment sales and transfer are based on prevailing market prices.

FY14 ended June 30, 2015

(Unit: million yen)

	Automobile-related business	Human resources business	General cargo transportation business	Total	Adjustments (Note)	Consolidated statements of income
Revenue to external customers	58,471	11,822	5,050	75,344	—	75,344
Inter-segment Revenue or transfers	57	504	97	660	(660)	—
Total	58,529	12,327	5,147	76,004	(660)	75,344
Segment income	4,057	531	826	5,415	(1,553)	3,862
Segment assets	17,322	4,346	6,445	28,114	5,576	33,690
Other items						
Increase in property, plant and equipment and intangible assets	1,063	59	50	1,173	49	1,223
Depreciation	571	23	200	795	86	882

Note. Adjustment amounts are as follows:

- (1) The adjustment amount of (1,553 million yen) in segment income included group-wide expenses of (1,550 million yen), and inter-segment eliminations of (2 million yen). Group-wide expenses are expenses related to the Company's management division that are not attributable to reportable segments.
- (2) Segment asset adjustments are group-wide assets that are not allocated to each reportable segment and inter-segment eliminations.
- (3) Other item adjustments are related to group-wide assets that are not allocated to each reportable segment.

FY15 ended June 30, 2016

(Unit: million yen)

	Automobile-related business	Human resources business	General cargo transportation business	Total	Adjustments (Note)	Consolidated statements of income
Revenue to external customers	59,714	13,215	4,899	77,829	—	77,829
Inter-segment Revenue or transfers	67	411	105	585	(585)	—
Total	59,782	13,627	5,005	78,414	(585)	77,829
Segment income	5,870	573	701	7,145	(1,753)	5,391
Segment assets	17,321	4,580	6,633	28,535	7,317	35,852
Other items						
Increase in property, plant and equipment and intangible assets	1,147	121	74	1,343	28	1,372
Depreciation	659	25	200	885	88	973
Impairment	—	—	19	19	—	19

Note. Adjustment amounts are as follows:

- (1) The adjustment amount of (1,753 million yen) in segment income included group-wide expenses of (1,753 million yen), and inter-segment eliminations of (0 million yen). Group-wide expenses are expenses related to the Company's management division that are not attributable to reportable segments.
- (2) Segment asset adjustments are group-wide assets that are not allocated to each reportable segment and inter-segment eliminations.
- (3) Other item adjustments are related to group-wide assets that are not allocated to each reportable segment.

(3) Geographical segment information

① Geographical segment information of Revenue to external customers

FY14 ended June 30, 2015

(Unit: million yen)

Japan	Asia	Others	Total
67,082	8,082	179	75,344

FY15 ended June 30, 2016

(Unit: million yen)

Japan	Asia	Others	Total
68,578	9,021	229	77,829

② Tangible fixed assets

There are no applicable items since there are no tangible fixed assets outside of Japan.

(4) Information by major customer

FY14 ended June 30, 2015

(Unit: million yen)

Name of Customer	Sales	Relevant segment
Nissan Motor Co., Ltd. Group	20,075	Automobile-related business

FY15 ended June 30, 2016

(Unit: million yen)

Name of Customer	Sales	Relevant segment
Nissan Motor Co., Ltd. Group	18,716	Automobile-related business

(7) Per Share Information

(1) Basic net income per share

	Fiscal 2014 (From July 1, 2014 to June 30, 2015)	Fiscal 2015 (From July 1, 2015 to June 30, 2016)
Profit for the year attributable to Owners of the parent (Millions of yen)	2,333	3,455
Weighted average number of common shares (thousand Shares)	17,092	16,647
Basic net income per share(yen)	136.52	207.57

(2) Diluted net income per share

	Fiscal 2014 (From July 1, 2014 to June 30, 2015)	Fiscal 2015 (From July 1, 2015 to June 30, 2016)
Profit for the year attributable to Owners of the parent used for diluted net income per share (Millions of yen)	—	3,455
Influence of weighted average number of common shares Stock benefit contribution (thousand Shares)	—	31
Weighted average number of common shares after diluted (thousand Shares)	—	16,679
Diluted net income per share(yen)	—	207.17

(Note) fiscal 2014, Diluted earnings per share is not written because there are no potential shares.

2 . Disclosure related to transition to the IFRS

First application

These consolidated financial statements are the first IFRS-based consolidated financial statements the Company has ever prepared.

(1) Exemption rule in IFRS 1

Under IFRS 1, companies that present IFRS-based financial statements for the first time (hereinafter called first application companies) shall, in principle, retrospectively apply respective standards required by IFRS. However, IFRS 1 stipulates that there are some of the required standards that must not be applied retrospectively and some others to which the exemption rule may be applied voluntarily. The major content of the exemption rule that our Group has applied is as follows.

- Business combinations

First application companies are allowed to choose not to apply the rule to the business combinations that took place before the shift to IFRS. In line with this exemption rule, our Group has not made any restatement of company combinations that occurred before the IFRS adoption date. As a result, the amount of goodwill that arose from business combinations before the IFRS adoption date represents the carrying value at the IFRS adoption date in accordance with the Japanese accounting standards. With regard to goodwill, please note that regardless of whether or not there are indicators of impairment, our Group implemented impairment tests at the date of its IFRS adoption.

- Deemed cost

First application companies are allowed to measure fixed assets, investment properties and the intangible assets that meet certain requirements, at fair value at the adoption date, and use that fair value as deemed cost at the adoption date. Accordingly, our Group applies this exemption rule to some of its fixed assets and investment properties and uses the fair value as deemed cost.

- Difference in translation of foreign operations

First application companies are allowed to take the option of treating the cumulative translation differences of all foreign operations as zero at the IFRS adoption date. Our Group applies this exemption rule and accounts for the cumulative translation differences of all its foreign operations as zero at the adoption date.

(2) Mandatory exception rule in IFRS 1

Under IFRS 1, IFRS must not be retrospectively applied to “Estimates,” “Derecognition of financial assets and financial liabilities” and “Classification and measurement of financial assets.” Our Company has accounted for these items in conformity with this IFRS 1 provision since the adoption date.

(3) Adjustment table

In preparing IFRS-based consolidated financial statements, our Group has adjusted the amounts previously reported in the consolidated financial statements based on the Japanese accounting standards. The effects of the shift from the Japanese accounting standards to IFRS on our Group’s consolidated financial position, operating results and cash flow condition are as follows.

① Adjustment to assets

[Date of transition (JULY 1, 2014)]

(Million yen)

(Japanese standards)	Japanese standards	Reclassification	Effect of transition to IFRS	IFRS	Note	(IFRS)
Current assets						Current assets
Cash and bank deposits	5,236	(118)	(183)	4,934	A	Cash and cash equivalents
Notes and accounts receivable	7,492	558	(51)	7,999		Trade and other receivables
	—	165	47	212		Other financial assets
Merchandises	324	100	52	476		Inventories
Inventories	100	(100)	—	—		
Deferred tax assets	269	(269)	—	—		
Other	1,012	(688)	166	491		Other current assets
Allowance for doubtful accounts	(83)	83	—	—		
Total current assets	14,353	(269)	31	14,114		Total current assets
Long-term assets						Non-current assets
Tangible fixed assets	13,224	(4,344)	(1,233)	7,646	A,B	Property, plant and equipment
Intangible fixed assets						
Goodwill	1,479	566	(24)	2,021	C	Goodwill and Intangible assets
Leasing assets	31	(31)	—	—		
Other	534	(534)	—	—		
	—	4,344	(265)	4,079	B	Investment properties
Investments and other assets						
Investments in securities	989	(387)	(8)	593		Investments accounted for using the equity method
Long-term loans receivable	75	1,210	(35)	1,250		Other financial assets
Other	1,031	(959)	51	123		Other non-current assets
Deferred tax assets	523	269	(351)	441	G	Deferred tax assets
Allowance for doubtful accounts	(136)	136	—	—		
Total long-term assets	17,754	269	(1,868)	16,155		Total non-current assets
Total assets	32,107	—	(1,836)	30,270		Total assets

(Million yen)

(Japanese standards)	Japanese standards	Reclassification	Effect of transition to IFRS	IFRS	Note	(IFRS)
Current liabilities						Current liabilities
Notes and accounts payable	3,478	2,361	(33)	5,807		Trade and other payables
Short-term borrowings	610	1,193	218	2,021	A	Borrowings
Current portion of Long-term borrowings	1,193	(1,193)	—	—		
Lease obligations	313	2	12	328		Other financial liabilities
Accrued expenses	1,619	(1,619)	—	—		
Accrued income taxes	792	—	(170)	621	A	Income taxes payable
Accrued consumption taxes	441	(441)	—	—		
Deposit	280	(280)	—	—		
Provision for bonus	410	(410)	—	—		
Provision for the loss of subleasing	15	(15)	—	—		
Other	911	403	474	1,789	E	Other current liabilities
Total current liabilities	10,067	—	501	10,568		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term borrowings	1,663	—	80	1,744	A	Borrowings
Lease obligations	1,396	83	14	1,494		Other financial liabilities
Net defined benefit liability	2,182	—	258	2,440	D	Retirement benefits liabilities
Provision for retirement benefits for directors	422	(422)	—	—		
Provision for the loss of subleasing	44	(44)	—	—		
Asset retirement obligations	38	(38)	—	—		
Other	83	421	116	622		Other non-current liabilities
Deferred tax liabilities	193	1,088	(1,280)	1	G	Deferred tax liabilities
Deferred tax liabilities related to revaluation	1,088	(1,088)	—	—	G	
Total non-current liabilities	7,113	—	(809)	6,303		Total non-current liabilities
Total liabilities	17,181	—	(308)	16,872		Total liabilities
Net assets						Equity
Capital stock	3,390	—	—	3,390		Share capital
Capital surplus	3,204	—	(28)	3,176		Capital surplus
Treasury stock	(152)	—	—	(152)		Treasury stock
Retained earnings	8,870	—	(1,914)	6,955		Retained earnings
Accumulated other comprehensive income	(386)	—	414	27	D,F	Other components of equity
Total net assets	14,926	—	(1,528)	13,397		Total Equity
Total liabilities and net assets	32,107	—	(1,836)	30,270		Total liabilities and equity

[End of Fiscal 2014 (June 30,2015)]

(Million yen)

(Japanese standards)	Japanese standards	Reclassification	Effect of transition to IFRS	IFRS	Note	(IFRS)
Current assets						Current assets
Cash and bank deposits	6,051	(195)	—	5,856		Cash and cash equivalents
Notes and accounts receivable	8,448	714	21	9,184		Trade and other receivables
	—	238	21	260		Other financial assets
Merchandises	812	82	—	894		Inventories
Inventories	82	(82)	—	—		
Deferred tax assets	262	(262)	—	—		
Other	1,320	(865)	—	454		Other current assets
Allowance for doubtful accounts	(87)	87	—	—		
Total current assets	16,890	(282)	42	16,650		Total current assets
Long-term assets						Non-current assets
Tangible fixed assets	13,647	(4,086)	(1,389)	8,171	B	Property, plant and equipment
Intangible fixed assets						
Goodwill	1,227	535	331	2,095	C	Goodwill and Intangible assets
Leasing assets	42	(42)	—	—		
Other	493	(493)	—	—		
	—	4,086	(128)	3,957	B	Investment properties
Investments and other assets						
Investments in securities	1,468	(393)	—	1,074		Investments accounted for using the equity method
Long-term loans receivable	85	1,211	(46)	1,249		Other financial assets
Other	1,004	(917)	46	134		Other non-current assets
Deferred tax assets	406	262	(311)	357	G	Deferred tax assets
Allowance for doubtful accounts	(120)	120	—	—		
Total long-term assets	18,255	282	(1,497)	17,040		Total non-current assets
Total assets	35,145	—	(1,454)	33,690		Total assets

(Million yen)

(Japanese standards)	Japanese standards	Reclassification	Effect of transition to IFRS	IFRS	Note	(IFRS)
Current liabilities						Current liabilities
Notes and accounts payable	3,212	2,650	—	5,862		Trade and other payables
Short-term borrowings	880	1,335	21	2,236		Borrowings
Current portion of Long-term borrowings	1,335	(1,335)	—	—		
Lease obligations	427	—	2	429		Other financial liabilities
Accrued expenses	1,871	(1,871)	—	—		
Accrued income taxes	948	—	—	948		Income taxes payable
Accrued consumption taxes	649	(649)	—	—		
Deposit	294	(294)	—	—		
Provision for bonus	435	(435)	—	—		
Provision for the loss of subleasing	15	(15)	—	—		
Other	1,036	615	449	2,101	E	Other current liabilities
Total current liabilities	11,106	—	473	11,579		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term borrowings	1,823	—	(0)	1,823		Borrowings
Lease obligations	1,753	89	(12)	1,830		Other financial liabilities
Net defined benefit liability	2,155	—	—	2,155	D	Retirement benefits liabilities
Provision for retirement benefits for directors	496	(496)	—	—		
Provision for the loss of subleasing	28	(28)	—	—		
Asset retirement obligations	84	(84)	—	—		
Other	89	520	74	684		Other non-current liabilities
Deferred tax liabilities	14	987	(987)	14	G	Deferred tax liabilities
Deferred tax liabilities related to revaluation	987	(987)	—	—	G	
Total non-current liabilities	7,433	—	(926)	6,507		Total non-current liabilities
Total liabilities	18,540	—	(452)	18,087		Total liabilities
Net assets						Equity
Capital stock	3,390	—	—	3,390		Share capital
Capital surplus	3,204	—	(28)	3,176		Capital surplus
Treasury stock	(152)	—	—	(152)		Treasury stock
Retained earnings	10,317	—	(1,250)	9,066		Retained earnings
Accumulated other comprehensive income	(154)	—	277	123	D,F	Other components of equity
Total net assets	16,605	—	(1,001)	15,603		Total Equity
Total liabilities and net assets	35,145	—	(1,454)	33,690		Total liabilities and equity

② Adjustment to profit (loss) and other comprehensive income
 [Fiscal 2014 (From July 1, 2014 to June 30, 2015)]

(Million yen)

(Japanese standards)	Japanese standards	Reclassification	Effect of transition to IFRS	IFRS	Note	(IFRS)
Revenue	77,247	—	(1,903)	75,344	A	Revenue
Cost of sales	(66,441)	—	1,589	(64,852)	A,D,E	Cost of sales
Gross trading profit	10,805	—	(313)	10,491		Gross profit
Selling, general and administrative expenses	(7,143)	(71)	396	(6,818)	A,C,D,E	Selling, general and administrative expense
	—	230	(10)	220		Other income
	—	(412)	381	(30)	B	Other expenses
Operating income	3,662	(253)	453	3,862		Operating profit
Non-operating income	225	(193)	0	32		Finance income
Non-operating expenses	(115)	33	4	(78)		Finance costs
Extraordinary gains	64	(37)	(8)	19		Share of profit (loss) of investments accounted for using the equity method
Extraordinary losses	(378)	378	—	—		
Income before income taxes	3,458	(71)	450	3,836		Profit before tax
Income taxes	(1,579)	71	4	(1,503)	G	Income taxes
Net income for the year before income (loss) attributable to non-controlling interests	1,878	—	454	2,333		Profit for the year
Income for the year attributable to non-controlling interests	1,878	—	454	2,333		Profit for the year attributable to: Owners of the parent

(Million yen)

(Japanese standards)	Japanese standards	Reclassification	Effect of transition to IFRS	IFRS	Note	(IFRS)
Net income for the year before income (loss) attributable to non-controlling interests	1,878	—	454	2,333		Profit for the year
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit and loss
Land revaluation	101	—	(101)	—		
Remeasurements of defined benefit plans	45	—	110	155	D	Remeasurement of defined benefit pension plans
						Items that may be reclassified to profit and loss
Net unrealized gains on securities, net of tax	26	—	(1)	25		Financial assets measured at fair value through other comprehensive income
Share of other comprehensive income of associates accounted for using equity method	59	—	10	69		Share of other comprehensive income of investments accounted for using the equity method
Comprehensive income	233	—	17	250		Other comprehensive income for the year, net of tax
Comprehensive income attributable to the owners of the parent	2,111	—	471	2,583		Total comprehensive income for the year attributable to: Owners of the parent

③ Adjustment to Consolidated statements of cash flows

There are no significant differences between consolidated cash flow statement based on the Japanese accounting standards and that based on IFRS.

(4) Notes on adjustments

① Notes concerning differences in recognition and measurement

A Unification of the accounting periods of subsidiaries and change of the scope of consolidation of subsidiaries

The accounting periods of consolidated subsidiaries that were different from the consolidated accounting period have been unified under IFRS. Also, while some insignificant subsidiaries and associates were excluded from the scope of consolidation under the Japanese accounting standards, all of the Company's subsidiaries and associates have been included in the scope of consolidation under IFRS. The major effects of these changes are as follows.

(Million yen)

Consolidated statement of financial position	Date of transition (July 1,2014)	End of Fiscal 2014 (June 30,2015)
Cash and cash equivalents	(183)	—
Property, plant and equipment	295	—
Borrowings (current)	180	—
Borrowings (non-current)	72	—
Income taxes payable	(170)	—
Retained earnings	142	—

Consolidated statements of income	Fiscal 2014 (From July 1, 2014 to June 30, 2015)
Revenue	(1,903)
Cost of sales	1,745
Selling, general and administrative expenses	113

B Deemed cost

With regard to some of our Company's fixed assets and investment properties, our Group took the option of applying the exemption rule that allows it to use the fair value at the IFRS adoption date as deemed cost. The effect of this selective rule application is as follows. Specifically, the total of applying deemed cost, combined amounts of the carrying value and the fair value of the Group's fixed assets and investment properties are 5,711 million yen and 3,844 million yen, respectively.

(Million yen)

Consolidated statement of financial position	Date of transition (July 1,2014)	End of Fiscal 2014 (June 30,2015)
Property, plant and equipment	(1,601)	(1,389)
Investment properties	(265)	(128)
Deferred tax assets(liabilities)	561	440
Retained earnings	(1,305)	(1,077)

Consolidated statements of income	Fiscal 2014 (From July 1, 2014 to June 30, 2015)
Other expenses	348
Profit before tax	348

C Non-amortization of goodwill

Goodwill is amortized for a certain period of time under the Japanese accounting standards. However, goodwill amortization is not done under IFRS. An outline of the effect arising from this change is as follows.

(Million yen)

Consolidated statement of financial position	Date of transition (July 1,2014)	End of Fiscal 2014 (June 30,2015)
Goodwill	—	347
Retained earnings	—	347

Consolidated statements of income	Fiscal 2014 (From July 1, 2014 to June 30, 2015)
Selling, general and administrative expenses	347
Profit before tax	347

D Defined benefit pension plan liabilities

Regarding actuarial difference, our Company recognized it as net income or loss over certain years within employees' remaining years of service under the Japanese accounting standards. However, as per IFRS, our Company instantly came to recognize it as other comprehensive income. And it immediately transferred the actuarial difference recognized as other comprehensive income to retained earnings. In addition, unrecognized net actuarial difference and unrecognized past service costs at the time of the IFRS adoption have been transferred to retained earnings.

An outline of the effect arising from these changes is as follows.

(Million yen)

Consolidated statement of financial position	Date of transition (July 1,2014)	End of Fiscal 2014 (June 30,2015)
Retirement benefits liabilities	240	—
Deferred tax assets(liabilities)	85	—
Other components of equity	(202)	(247)
Retained earnings	46	247

Consolidated statements of income	Fiscal 2014 (From July 1, 2014 to June 30, 2015)
Cost of sales	(106)
Selling, general and administrative expenses	(55)
Profit before tax	(161)

Consolidated statements of income and comprehensive income	Fiscal 2014 (From July 1, 2014 to June 30, 2015)
Other comprehensive income	110

E Liabilities of unused portion of employees' paid annual vacation entitlement

Our Group has accounted for the unused portion of employees' paid vacation entitlement as liabilities, which was not required by the Japanese accounting standards, and adjusted them in retained earnings. As a result, 393 million yen and 449 million yen were booked in other current liabilities at the adoption date and at the end of the previous consolidated fiscal year, respectively.

F Translation difference of foreign operations

In accordance with IFRS 1, our Group took the option of regarding a cumulative total of translation difference of all its foreign operations that existed at the time of the IFRS adoption as zero at the adoption date. An outline of the effect arising from this change is as follows.

(Million yen)

Consolidated statement of financial position	Date of transition (July 1,2014)	End of Fiscal 2014 (June 30,2015)
Other components of equity	(78)	(78)
Retained earnings	78	78

G Tax effect, etc. in respective adjustment classifications

Our Company reviewed its judgments/expectations regarding the occurrence of temporary differences and the recoverability of deferred tax assets following IFRS adjustment classifications in other items of the consolidated statement of financial position. Also, in conjunction with the application of deemed cost to fixed assets and investment properties, our Company drew down all deferred tax liabilities related to land revaluation differences at the adoption date. As a result, deferred tax assets decreased by 351 million yen at the adoption date, while deferred tax liabilities decreased by 1, 280million yen. (In the preceding consolidated fiscal year, deferred tax assets decreased by 311 million yen, while deferred tax liabilities decreased by 987 million yen.)

② Notes on reclassification of presentation

Concerning reclassification of presentations, the presentations have been changed to Consolidated statement of financial position, Consolidated net income statement, Consolidated net income and other comprehensive income statement, and they have no effect on retained earnings. The major content of the reclassification of presentations is as follows.

- All of the deferred tax assets and deferred tax liabilities have been reclassified to non-current assets and non-current liabilities.
- All of the fixed assets applicable to the definition of investment properties under IFRS have been reclassified to investment properties.
- What were recognized as investment marketable securities in the consolidated statement of financial position under the Japanese accounting standards are now presented as investment and other financial assets as accounted for using the equity method.
- What were presented as non-operating income, non-operating expenses, extraordinary gains and extraordinary losses in the consolidated net income statement under the Japanese accounting standards are now classified as other income, other cost, finance income and finance cost under IFRS.

③ Adjustments of retained earnings

Increases (decreases) of retained earnings resulting from the above adjustments are as follows.

(Million yen)

Adjustment items	Note	Date of transition (July 1,2014)	End of Fiscal 2014 (June 30,2015)
Unification of financial period of subsidiaries and scope of consolidated	A	142	—
Revaluation of cost	B	(1,305)	(1,077)
Non -amortization of goodwill	C	—	347
Defined benefit plan	D	46	247
Unused paid holiday liabilities	E	(260)	(308)
Exchange differences on translation of foreign operations	F	78	78
Other		(615)	(537)
Total		(1,914)	(1,250)