THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank managers, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Tan Chong International Limited, you should at once hand this circular to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

TAN CHONG
INTERNATIONAL

TAN CHONG INTERNATIONAL LIMITED
陳唱國際有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 693)

MAJOR TRANSACTION

IN RELATION TO THE TENDER OFFER TO PURCHASE COMMON SHARES IN ZERO CO., LTD.

A letter from the Board is set out on pages 5 to 15 of this circular.

30 June 2014

CONTENT

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the acquisition of the Common Shares under the Tender Offer by the Offeror
"Announcement"	the announcement dated 15 May 2014 in relation to the Tender Offer
"ASEAN"	the Association of Southeast Asian Nations whose current member states are Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam
"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Days"	a day other than a Saturday, Sunday or other day on which commercial banks in Japan are authorized or required to close
"Cabinet Office Order"	Cabinet Office Order Regarding Disclosure of Tender Offers for Share Certificates, etc., by Non-Issuers (Ministry of Finance Order No. 38 of 1990, as amended) of Japan
"CBA Agreement "	the capital and business alliance agreement dated 15 May 2014 and entered into between the Company and Zero
"Common Share(s)"	the common share(s) in the share capital of Zero (not including treasury stock held by Zero)
"Company"	Tan Chong International Limited, a company incorporated in Bermuda with limited liability
"Connected Person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration of the Tender Offer
"Directors"	the directors of the Company
"EDINET"	Electronic Disclosure for Investors' NETwork system
"Enlarged Group"	the Group and Zero Group
"Financial Instruments and Exchange Act"	Financial Instruments and Exchange Act (Law No. 25 of 1948, as amended) of Japan
"FSA"	the Financial Services Agency of Japan
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"IFRS"	International Financial Reporting Standards
"IOSCO MMOU"	Multilateral Memorandum of Understanding of International Organisation of Securities Commission
"JGAAP"	generally accepted accounting principles in Japan
"JGAAS"	generally accepted auditing standards in Japan
"Latest Practicable Date"	23 June 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Mr. Tan"	Mr. Tan Eng Soon, the Chairman and an executive Director of the Company
"Offeror"	Zenith Logistics Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company
"Offer Price"	the offer price of 830 yen (equivalent to approximately HK$64) for each Common Share pursuant to the Tender Offer
"PRC"	the People's Republic of China
"Promenade"	Promenade Group Limited, a company incorporated in British West Indies with limited liability, being a Shareholder
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	shareholder(s) of the Company
"Shares"	the ordinary shares of HK$0.50 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TCC"	Tan Chong Consolidated Sdn. Bhd., a company incorporated in Malaysia with limited liability, being a Shareholder
"Tendering Shareholders"	shareholders of Zero who tender their Common Shares in response to the Tender Offer
"Tendering Shares"	the Common Shares offered to be sold in response to the Tender Offer by the Tendering Shareholders
"Tender Offer"	the tender offer for the Common Shares to be made by the Offeror to all the shareholders of Zero in accordance with Japanese law

"Tender Offer Notification"	the tender offer notification regarding the Tender Offer expected to be filed by the Offeror with the Director General of Kanto Local Finance Bureau of Japan on 16 May 2014
"Tender Offer Period "	the period during which the Tender Offer will remain open
"Time Strategy"	Time Strategy Group Limited, a company incorporated in the British Virgin Islands with limited liability, being a Shareholder
"TSE"	Tokyo Stock Exchange, Inc.
"yen"	the lawful currency of Japan
"Zenith Logistics"	Zenith Logistics Pte Ltd, a company incorporated in Singapore with limited liability, an indirect wholly-owned subsidiary of the Company
"Zero"	Zero Co., Ltd, a company incorporated in Japan, the Common Shares of which are listed on the Second Section of TSE under the securities code "9028"
"Zero Group"	Zero and its subsidiaries
"S$"	Singapore dollars, the lawful currency of Singapore

For the purpose of illustration only, the amount denominated in yen has been translated into HK$ at the exchange rate of 13 yen to HK$1.

TAN CHONG INTERNATIONAL LIMITED
陳唱國際有限公司
(incorporated in Bermuda with limited liability)
(Stock Code: 693)

Executive Directors:
Mr. Tan Eng Soon
Mr. Joseph Ong Yong Loke
Mr. Tan Kheng Leong
Mdm. Sng Chiew Huat
Mr. Glenn Tan Chun Hong

Independent Non-Executive Directors:
Mr. Lee Han Yang
Mr. Tan Ngiap Joo
Mr. Ng Kim Tuck

Registered Office:
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Hamilton HM 11
Bermuda

Principal Places of business:
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Wanchai, Hong Kong

Tan Chong Motor Centre
911 Bukit Timah Road,
Singapore 589622

30 June 2014

To the shareholders
Dear Sir or Madam

MAJOR TRANSACTION
IN RELATION TO THE TENDER OFFER TO PURCHASE COMMON SHARES IN ZERO CO., LTD.

INTRODUCTION

Reference is made to the Announcement, in relation to, among others, the Tender Offer.

Since no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Tender Offer and the Company has obtained a written approval of the Tender Offer from each of TCC, Promenade and Time Strategy, which together hold an aggregate of 1,105,215,720 Shares representing approximately 54.89% of the total issued share capital of the Company as at the date of the Announcement, the Shareholders' approval requirement under Rule 14.40 of the Listing Rules has therefore been satisfied by means of written Shareholders' approval pursuant to Rule 14.44 of the Listing Rules. Accordingly, a general meeting of the Company will not be held for approving the Tender Offer.

The purpose of this circular is to provide you with, among others, (i) particulars of the Tender Offer; (ii) the financial information of the Group; (iii) the financial information of Zero Group; (iv) the unaudited pro forma financial information of the Enlarged Group; and (v) other information as required under the Listing Rules.

THE TENDER OFFER

The Offeror, an indirect wholly-owned subsidiary of the Company, has filed the Tender Offer Notification with the Director General of Kanto Local Finance Bureau of Japan on 16 May 2014 and the Tender Offer commenced on 16 May 2014.

On 15 May 2014, the Company has also entered into the CBA Agreement with Zero whose Common Shares are listed on the Second Section of TSE.

Zenith Logistics, an indirect wholly-owned subsidiary of the Company, is interested in approximately 22.91% of the issued share capital of Zero as at the date of the Announcement. As at the date of the Announcement, each of Zenith Logistics and Advanced Pacific Holdings Limited, an indirect wholly-owned subsidiary of the Company, is interested in approximately 20% and 80% of the issued share capital of the Offeror respectively. Completion of the Tender Offer took place on 19 June 2014. The Company now holds in aggregate approximately 50.88% of the Common Shares through the Offeror (as to approximately 27.97%) and Zenith Logistics (as to approximately 22.91%).

Tender Offer conditions pursuant to the CBA Agreement

The following conditions have been satisfied in full as of 15 May 2014:

(a) Zero has adopted a resolution by its board of directors to approve, inter alia, the Tender Offer, and Zero has not adopted any resolution contrary to such resolution or withdrawn such resolution;

(b) all the representations and warranties of Zero given under the CBA Agreement are true and correct in all material respects, and any additional representations and warranties that the Company may reasonably request between the date of the CBA Agreement and the day immediately prior to the Tender Offer commencement date are true and correct in all respects as of the day immediately prior to the Tender Offer commencement date;

(c) Zero has performed in all material respects all obligations required to be performed by it under the CBA Agreement and Zero is not in material breach of any of these obligations under the CBA Agreement to be performed by it prior to the Tender Offer commencement date;

(d) there is no applicable law, judgment, order or determination of a court or governmental body prohibiting or otherwise restricting the commencement of the Tender Offer, in effect or pending, in and outside of Japan;

(e) there are no undisclosed material facts (as provided under the Financial Instruments and Exchange Act);

(f) Zero and the Offeror shall not have reached an agreement that the Tender Offer or the CBA Agreement be terminated, and the CBA Agreement shall not have been terminated in accordance with its terms;

(g) a material adverse effect has not occurred and is not continuing with respect to Zero's operations, assets, liabilities, consolidated financial position, consolidated financial results, consolidated cash flow or its profit projections since the date of the CBA Agreement other than the items listed in the Tender Offer Notification; and

(h) Zero shall have delivered to the Offeror a certificate, signed by an executive officer of Zero, confirming the satisfaction of the conditions set forth above.

Terms of the Tender Offer

The Tender Offer was made in accordance with the terms and conditions set forth in the Tender Offer Notification. The main terms and conditions of it were as follows:

The Offeror intended to purchase 4,802,000 Common Shares (representing approximately 28.09% of the total issued Common Shares) from the Tendering Shareholders. The minimum number of Common Shares that had to be purchased was 1,896,000 Common Shares (representing approximately 11.09% of the total issued Common Shares). The maximum number of Common Shares that the Offeror proposed to purchase was 4,802,000 Common Shares (representing approximately 28.09% of the total issued Common Shares). If the total number of Tendering Shares was less than the above minimum number of Common Shares (i.e. 1,896,000 Common Shares), none of such Tendering Shares would have been purchased. If the total number of Tendering Shares exceeds the above maximum number of Common Shares (i.e. 4,802,000 Common Shares), the number of Tendering Shares to be purchased from each Tendering Shareholder would be calculated on a pro-rata basis in the proportion equal to the above maximum number of Common Shares (i.e. 4,802,000 Common Shares) divided by such total number of Tendering Shares, as set forth in the Cabinet Office Order.

The Tender Offer has been closed and completed on 19 June 2014 and 4,781,302 Common Shares representing approximately 27.97% of the total issued Common Shares had been purchased from the Tendering Shareholders. The Company's shareholding interests in Zero have been increased to 50.88%.

The Offer Price was 830 yen (equivalent to approximately HK$64) in cash.

The Offer Price represented:

(a) a premium of approximately 36.07% over the closing price of 610 yen (equivalent to approximately HK$46.92) per Common Share as quoted on TSE on 13 May 2014, the transaction closing date immediately preceding the date of the Announcement;

(b) a premium of approximately 35.40% over the average of the closing price of 613 yen (equivalent to approximately HK$47.15) per Common Share as quoted on TSE during the five (5) Business Days immediately before 14 May 2014;

(c) a premium of approximately 33.44% over the average of the closing price of 622 yen (equivalent to approximately HK$47.85) per Common Share as quoted on TSE during the one (1) month's period immediately before 14 May 2014;

(d) a premium of approximately 28.88% over the average of the closing price of 644 yen (equivalent to approximately HK$49.54) per Common Share as quoted on TSE during the three (3) months' period immediately before 14 May 2014; and

(e) a premium of approximately 39.03% over the average of the closing price of 597 yen (equivalent to approximately HK$45.92) per Common Share as quoted on TSE during the six (6) months' period immediately before 14 May 2014.

Basis of the Consideration

The Offer Price was determined with reference to various factors, including, but not limited to,

(a) the results of due diligence conducted on Zero;

(b) the historical average 1 day, 1 month, 3 months, 6 months share price premiums paid in similar cash tender offers for TSE listed companies during the period from February 2011 to March 2014. The average 1 day, 1 month, 3 months, 6 months premium paid for the Common Shares in the Tender Offer, which ranged from 29% to 39% compared favorably and fell within the range of the historical average 1 day, 1 month, 3 months, 6 months share price premiums paid in similar cash tender offers for TSE listed companies during the period from February 2011 to March 2014;

(c) market trend of the price of the Common Shares as quoted on TSE during the 12 months before the date of the Announcement, which increased from 367 yen to 610 yen during the period from 14 May 2013 to 14 May 2014. During the same period, (i) the revenue of Zero Group increased from 60,073 million yen for the 12 months ending 30 June 2013 to 65,930 million yen for the 12 months ending 31 March 2014; and (ii) the net profit of Zero Group increased from 716 million yen to 1,511 million yen; and

(d) the estimated number of Common Shares to be tendered in the Tender Offer.

The Offer Price had been determined solely on the basis of the above evaluation made by the Offeror. In conjunction thereto, the Offeror had also made reference to the appraisal conducted by a third party appraiser independent from the Offeror and Zero, solely for checking purposes (and not constituting a primary factor in forming the basis for determining the Consideration).

Consideration of the Tender Offer

On the basis of the Offer Price, the aggregate amount payable by the Offeror pursuant to the Tender Offer was 3,968,480,660 yen (equivalent to approximately HK$305,267,743). Such amount had been paid in cash and was financed by the internal resources of the Group.

Tender Offer Period

The Tender Offer Period commenced on 16 May 2014 and remained open for 20 Business Days, ended on 12 June 2014, which was the final day of the Tender Offer Period. The Tender Offer closed on 19 June 2014, which was the Consideration settlement date. The Tender Offer Period has not been extended and completion of the Tender Offer took place on 19 June 2014.

Withdrawal

Pursuant to the Tender Offer Notification, the Offeror may withdraw the Tender Offer to the extent permissible under the Order for Enforcement of the Financial Instruments and Exchange Act of Japan (Cabinet Order No. 321 of 1965, as amended) during the Tender Offer Period. Under such order, events allowing the withdrawal of a tender offer are limited. This would include events such as:-

a) if Zero has decided to conduct corporate activities such as stock swap, stock transfer, company split, merger, etc. which has been publicly announced on or after 15 May 2014;

b) if certain events occur on Zero on or after 15 May 2014, such as the petition of a provisional disposition order seeking business prohibition or any other equivalent action; imposition of administrative punishment such as license revocation, business suspension, or any other equivalent action imposed by government ministries and agencies pursuant to applicable laws and regulations; the filing for commencement of bankruptcy proceedings, rehabilitation proceedings, reorganization proceedings, or notice of exercise of enterprise mortgage has been given by a person other than Zero; and

c) if certain events occur on the Offeror, such as dissolution, commencement of bankruptcy proceedings and rehabilitation proceedings or reorganization proceedings.

The Tender Offer had not been withdrawn.

Approval in relation to the acquisition of Common Shares

Save and except the permission required under the Foreign Exchange and Foreign Trade Act (Act No. 228 of December 1, 1949) of Japan which has been obtained by the Offeror, no approval from the Japanese government or any Japanese regulatory bodies is required for the acquisition by the Offeror of the Common Shares under the Tender Offer.

Completion of the Tender Offer

Completion of the Tender Offer took place on 19 June 2014.

CBA AGREEMENT

On 15 May 2014, the Company and Zero entered into the CBA Agreement to establish a closer capital and business alliance in order to expand the automobile-related business in the ASEAN region.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Zero is a third party independent of the connected persons of the Company. Zenith Logistics is interested in approximately 22.91% of the issued share capital of Zero as at the date of the Announcement. Completion of the Tender Offer took place on 19 June 2014, the Company holds in aggregate approximately 50.88% of the Common Shares through the Offeror (as to approximately 27.97%) and Zenith Logistics (as to approximately 22.91%).

Due to successful completion of the Tender Offer, the Group and Zero Group are now operating their businesses in accordance with the CBA Agreement. The details of the business alliance include the following:

(a) Proposed business alliance projects

The Group and Zero Group contemplate the following proposed projects as part of their capital and business alliance, details of which shall be discussed and determined between the parties from time to time:

i) development of an automobile value chain aimed to support the automobile industry from the manufacturing level and down to scrapping in the ASEAN market;

ii) promotion of the joint business regarding body repair, painting and transportation of automobiles, to contemplate an entry into the auction business, to plan the establishment of the functions concerning the total after- sales of automobiles;

iii) joint development of an education and fostering program in order to provide talented personnel to Japan by utilizing the Group's broad business network in ASEAN region; and

iv) the entering into of the truck body building business in Thailand.

(b) Alliance committee

The parties intend to establish a committee which would comprise of the members of the senior management of the Group and Zero Group.

(c) Board member

The Company and Zero shall discuss the appropriate number of individuals to serve as directors of Zero as nominated by the Company with the aim of enhancing the corporate value of Zero.

As at the Latest Practicable Date, the board of directors of Zero comprises of eight directors. Mr. Tan, the Chairman and an executive Director of the Company, is also an outside director of Zero.

Other provisions in the CBA Agreement

Competing Tender Offer

Without the prior written consent of the Company, Zero shall not approve a tender offer by any third party other than the Offeror ("**Competing Tender Offer**"). If during the period from the date of the CBA Agreement through to the completion date of the Tender Offer, Zero receives an offer from a third party regarding the purchase of Common Shares, including a Competing Tender Offer or an acquisition of Common Shares, Zero shall report such offer to the Company in detail. Zero and the Company shall then promptly and in good faith discuss necessary countermeasures and revisions to the conditions of the Tender Offer. Notwithstanding the foregoing, Zero shall be exempt from the foregoing obligations in the event that Zero reasonably determines that there will be a considerable risk of violating the duty of care and the fiduciary duty of Zero's directors if Zero is to maintain and continue its opinion of approving the Tender Offer and to oppose the Competing Tender Offer.

There was no Competing Tender Offer during the period of the date of the CBA Agreement through to the completion date of the Tender Offer.

Termination

The CBA Agreement shall be terminated in the event that the Tender Offer has not been commenced by 31 May 2014, provided however that the Company and Zero may agree to delay such deadline. The CBA Agreement shall also be immediately terminated if the Tender Offer is not completed by 31 July 2014 (provided however that the Company and Zero may agree to delay such deadline) or the total number of Tendering Shares falls below the minimum number of Common Shares to be purchased (i.e. 1,896,000 Common Shares).

As the Tender Offer commenced on 16 May 2014 and was completed on 19 June 2014, and the total number of Tendering Shares did not fall below the minimum number of Common Shares to be purchased (i.e. 1,896,000 Common Shares), the CBA Agreement had not been and will not be terminated.

INFORMATION ON THE COMPANY AND THE OFFEROR

The Company is an investment holding company. The principal business of the Group includes (a) distribution of motor vehicles in Singapore, Hong Kong, Thailand, Taiwan, the Philippines, Malaysia, Indonesia, Vietnam and Cambodia, and the sales and service of motor vehicles and spare parts in the Guangdong province of the PRC; (b) distribution of industrial equipment in Singapore, Vietnam and Thailand; (c) property development and rental in Singapore, Macao and Hong Kong; and (d) vehicle seat manufacturing in the PRC.

The Offeror is a limited liability company incorporated in Hong Kong on 8 April 2014 and is a wholly-owned subsidiary of the Company. The principal business activity of the Offeror is investment holding.

INFORMATION ON ZERO

Zero is a company incorporated in Japan in October 1961. Its Common Shares are listed on the Second Section of TSE under the securities code "9028". The principal business of Zero Group includes (a) automobile-related business providing vehicle transportation services to auto makers and dealers, auto leasing business operators, house-moving business operators and relevant business operators; (b) general cargo business such as transportation, cargo-handling, storage of products and raw material; and (c) human resource business providing private automobile dispatcher services to hospitals and kindergartens etc.

Vehicle Related Business

Zero Group provides vehicle transportation services to auto makers and dealers, auto leasing operators, house-moving operators, and other business operators.

General Cargo Transportation Business

Zero Group provides services of transportation, cargo-handling and storage of products and raw materials such as coal to business operators, sanitary equipment makers, chemical products makers and major electronics retail stores.

Human Resources Business

Zero Group provides private automobile dispatch services to hospitals and kindergartens etc., and provides staff to engage in light labour work if needed.

The following table sets out the audited net income (both before and after taxation) of Zero Group for the two financial years immediately preceding the Latest Practicable Date, prepared in accordance with JGAAP:

	For the financial year ended 30 June			
	2012		2013	
	Yen	*HK$ Equivalent to approximately*	*Yen*	*HK$ Equivalent to approximately*
Net income before taxation	2,127 million	164 million	1,507 million	116 million
Net income after taxation	940 million	72 million	716 million	55 million

As at 30 June 2013, Zero Group had an audited total asset value of approximately 31,096 million yen (equivalent to approximately HK$2,392 million).

REASONS AND BENEFITS OF THE TENDER OFFER

The Directors considered the Tender Offer to be in line with the Group's business strategy and expansion plans. Zenith Logistics first became a shareholder of Zero in 2004. It was interested in approximately 20.7% of the then issued share capital of Zero. After a series of subsequent acquisitions together with the completion of the Tender Offer, the Company (through the Offeror and Zenith Logistics) is now interested in 50.88% of the issued share capital of Zero as at the Latest Practicable Date.

In addition, the CBA Agreement has been entered into to establish a closer capital and business alliance in order to expand the automobile-related business in the ASEAN region, details of which are set out in the section headed "CBA Agreement". Due to successful completion of the Tender Offer, the Group and Zero Group are now operating their businesses in accordance with the CBA Agreement.

As the Tender Offer limited the maximum number of Common Shares to be purchased, the number of Common Shares to be held by the Group after the successful completion of the Tender Offer did not exceed 8,717,400 Common Shares, representing 51% of the issued share capital of Zero. Zero remains listed on the Second Section of TSE after the successful completion of the Tender Offer. Currently, the Offeror does not intend to acquire additional Common Shares and intends to maintain Zero's listing status at the Second Section of TSE. Since the shareholding interests of the Company (through the Offeror and Zenith Logistics) in Zero after the completion of the Tender Offer is 50.88%, it does not trigger a mandatory tender offer obligation on the part of the Company to all the shareholders of Zero to purchase their shares, as the voting right threshold triggering a mandatory tender offer to all shareholders of the target company to purchase their shares under the Financial Instruments and Exchange Act is 2/3 or more.

Having considered the above, the Directors (including the independent non-executive Directors) consider that the terms of the Tender Offer are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE ACQUISITION

After completion of the Acquisition, Zero became a subsidiary of the Company and its financial results would be consolidated into those of the Group. According to the unaudited pro forma financial information of the Enlarged Group, the pro forma consolidated total assets and total liabilities of the Enlarged Group will be approximately HK$16,739 million and HK$5,243 million respectively.

On this basis, and in light of the potential prospects of Zero, it is expected that the consolidation of the financial results of Zero into the Group would contribute positively to the earnings and results of the Group in the future.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Upon completion of the Acquisition, the Group continues to engage in activities including (a) distribution of motor vehicles in Singapore, Hong Kong, Thailand, Taiwan, the Philippines, Malaysia, Indonesia, Vietnam and Cambodia, and the sales and service of motor vehicles and spare parts in the Guangdong province of the PRC; (b) distribution of industrial equipment in Singapore, Vietnam and Thailand; (c) property development and rental in Singapore, Macao and Hong Kong; and (d) vehicle seat manufacturing in the PRC.

The Group's turnover for the year ended 31 December 2013 was approximately HK$9,146 million which has increased by 40.1% as compared with the same period in the previous year. The Group's net profit for the year ended 31 December 2013 was approximately HK$2,082 million which has increased by 92.1% as compared with the same period in the previous year.

Out of the different business segments of the Group, motor vehicle distribution contributed approximately 77% of the total revenue of the Group for the year ended 31 December 2013. The Group will continue to focus on the development of this segment as the Group is the distributor for Nissan vehicles in Singapore and for Subaru vehicles in Singapore, Hong Kong, Taiwan, Thailand, the Philippines, Malaysia, Indonesia and certain other Southeast Asia countries. The Group will continue to focus on distribution of various key models of Nissan and Subaru passenger cars and Nissan light commercial vehicles. Barring unforeseen circumstances, the Group expects the motor vehicle distribution business to perform inline with the automotive industry in the aforesaid regions in the near future.

The Group, through the Acquisition, is expected to further expand its business in the ASEAN region through the establishment of a closer capital and business alliance under the CBA Agreement. The Group believes that the cooperation between the Group and Zero Group under the CBA Agreement brings synergy to both the Group and Zero Group as both of them engage in different competencies within the automotive business. The Group believes that Zero's suite of competencies compliments the existing competencies of the Group, and together, the Enlarged Group would be able to find synergies to strengthen and enhance the automotive value chain in the countries where the Group operates in. This enhancement will further heighten the abilities of the Group to serve the growing needs of the ASEAN consumers.

The Directors consider that the Acquisition is an important milestone for the Group's future development and will benefit the operation of the Enlarged Group in the long run.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios calculated under Chapter 14 of the Listing Rules in respect of the Acquisition exceed 25% but are less than 100%, the Acquisition constitutes a major transaction of the Company for the purposes of, and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of the Announcement, each of TCC, Promenade and Time Strategy holds 705,819,720 Shares, 302,067,000 Shares and 97,329,000 Shares respectively, representing approximately 35.06%, 15.00% and 4.83% of the total issued share capital of the Company respectively. TCC is held by Mr. Tan as to approximately 22.85% and Mr. Tan Kheng Leong, an executive Director, as to approximately 15.38%. The remaining shareholding is held by certain members of the Tan family who are not directors of the Company. Promenade is held by Mr. Tan as to 60% and Mr. Glenn Tan Chun Hong, an executive Director, as to 20%. Time Strategy is held by Mr. Tan as to 51%.

TCC has been a Shareholder for over 15 years since the Company was listed on the Stock Exchange on 7 July 1998, Promenade has been a Shareholder since June 2012 and Time Strategy has been a Shareholder since May 2000. TCC, Promenade and Time Strategy have been closely allied and coordinated so far as the Tender Offer is concerned and they have shown support to the Tender Offer on the same basis (i.e. they agreed with the Company's strategic business co-operation with Zero by conducting the Tender Offer and the Company's entering into of the CBA Agreement) through the involvement of their senior management which are also members of the Board in considering and approving the Tender Offer. Therefore, TCC, Promenade and Time Strategy could be viewed as a closely allied group of Shareholders for the purpose of approving the Tender Offer.

Mr. Tan is the Chairman and an executive Director of the Company and an outside director of Zero. The Board considered that even if Mr. Tan is considered as having an interest in the Tender Offer, such interest would be immaterial due to the reasons that (a) although Mr. Tan is a common director of both the Company and Zero, under Japanese law, Mr. Tan is considered as an outside director of Zero who is not engaged in the executive affairs of Zero; (b) Mr. Tan receives no remuneration or directors' fee or any kind of payment for being an outside director of Zero; (c) save for his indirect interest in the shares of Zero for being a shareholder of the Company, Mr. Tan does not hold any shares in Zero; (d) Mr. Tan is not a director or a shareholder of any of the shareholders of Zero other than being a director of Zenith Logistics; (e) Mr. Tan is not a party to the Tender Offer or an associate of such a party; (f) the Tender Offer does not confer upon Mr. Tan or his associate(s) a benefit (whether economic and otherwise) not available to the other Shareholders; and (g) Mr. Tan has abstained from voting at the board meeting of Zero in approving the Tender Offer and the transactions contemplated thereunder.

Since no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Tender Offer and the Company has obtained a written approval of the Tender Offer from each of TCC, Promenade and Time Strategy, which together hold an aggregate of 1,105,215,720 Shares representing approximately 54.89% of the total issued share capital of the Company as at the date of the Announcement, the Shareholders' approval requirement under Rule 14.40 of the Listing Rules has therefore been satisfied by means of written Shareholders' approval pursuant to Rule 14.44 of the Listing Rules. Accordingly, a general meeting of the Company will not be held for approving the Tender Offer.

WAIVER FROM STRICT COMPLIANCE WITH RULE 14.67(6)(a)(i) OF THE LISTING RULES

Pursuant to Rule 14.67(6)(a)(i) of the Listing Rules, the Company is required to include in the circular an accountants' report of Zero prepared in accordance with Chapter 4 of the Listing Rules. The accountants' report of Zero needs to include the financial information of Zero Group for each of the three financial years ended 30 June 2013 and interim accounts for a period ended six months or less from the date of this circular, prepared using accounting policies which should be materially consistent with those of the Company.

Reasons for the application

(a) Zero is a company incorporated in Japan. Its Common Shares are listed on the Second Section of TSE. The consolidated financial statements of Zero for each of the three financial years ended 30 June 2013 were prepared in accordance with JGAAP and have been made publicly available. These financial statements have been audited by Zero's auditors, Ernst & Young ShinNihon LLC in accordance with JGAAS. In deed, Zero had been publishing financial information to the market on a regular basis to enable investors to assess its activities and financial position.

(b) Ernst & Young ShinNihon LLC has been the independent auditors of Zero for more than 6 years. Ernst & Young ShinNihon is a member of Ernst & Young Global Limited, an international accounting firm with a highly reputable name and extensive experience in auditing financial information of public companies, including those listed on the Stock Exchange. It is also a member of the Japanese Institute of Certified Public Accountants, which is a recognized body of accountants. Ernst & Young ShinNihon LLC is registered as an audit corporation with the FSA, a regulatory body in Japan and is subject to independent supervision by FSA. The FSA is a signatory to the IOSCO MMOU. The IOSCO MMOU provides co-operative arrangements for exchange of information with overseas regulators.

The Directors are of the view that Ernst & Young ShinNihon LLC has knowledge about the operations, accounting and reporting systems of Zero Group and is familiar with the financial information of Zero Group. Given their familiarity with, and geographical proximity to Zero Group, it will therefore be more cost and time effective for Ernst & Young ShinNihon LLC to act as reporting accountants for Zero Group.

Ernst & Young Hong Kong will offer assistance to Ernst & Young ShinNihon LLC in respect of the compliance with the disclosure requirements of the Listing Rules;

(c) As a TSE listed company, Zero is also required to file quarterly consolidated financial statements in accordance with generally accepted accounting principles for quarterly consolidated financial statements in Japan. These financial statements have been reviewed by Zero's auditors, Ernst & Young ShinNihon LLC in accordance with JGAAS;

(d) Based on the announcement by the European Commission announced in December 2008, JGAAP would be considered to be equivalent to EU-IFRS, provided that the Accounting Standards Board of Japan continued its coverage activities, work is indeed being undertaken by relevant professional accounting bodies to achieve greater convergence between JGAAP and IFRS.

Alternative Disclosures

In place of the accountants' report on Zero to be prepared in accordance with Chapter 4 of the Listing Rules, the following disclosure has been included in the circular:

(a) extract of the audited financial information for the three financial years ended 30 June 2013 prepared under JGAAP, as included in Zero's annual securities reports which are filed with the Local Finance Bureau in Japan and made public on EDINET, a public disclosure system for securities documents in Japan;

(b) the unaudited financial information for the nine months ended 31 March 2014 prepared in accordance with generally accepted accounting principles for quarterly consolidated financial statements in Japan, as included in Zero's quarterly securities reports which are filed with the Local Finance Bureau in Japan and made public on EDINET. Such financial information had been reviewed by Ernst & Young ShinNihon LLC in accordance with JGAAS;

(c) a line-by-line reconciliation of Zero's financial information for the differences between its accounting policies under JGAAP and the Company's accounting policies under IFRS will be included in the circular, as reviewed by Ernst & Young ShinNihon LLC in accordance with International Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information"; and

(d) supplemental financial information of Zero Group for the three years ended 30 June 2013 and nine months ended 31 March 2014 as required under Chapter 4 of the Listing Rules.

The Company has therefore applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 14.67(6)(a)(i) of the Listing Rules such that the Company is not required to include an accountants' report on Zero in this circular.

GENERAL

The Board confirms that to the best of their knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, there was no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon any Shareholder and there was no obligation or entitlement of any Shareholder whereby he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his Shares to a third party, either generally or on a case-by-case basis.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Tan Chong International Limited
Joseph Ong Yong Loke
Deputy Chairman and Managing Director

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the three financial years ended 31 December 2013 is disclosed in the annual reports of the Company published respectively on 18 April 2012, 22 April 2013 and 23 April 2014, all of which have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.tanchong.com).

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 April 2014, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding borrowings of approximately HK$2,715 million and lease obligations of approximately HK$131 million, details of which are set out as follows:

Borrowings

As at 30 April 2014, the Enlarged Group had outstanding borrowings of HK$2,715 million, which comprised unsecured bank loans and other borrowings of approximately HK$2,620 million and secured bank loans and other borrowings of approximately HK$95 million.

Lease Obligations

As at 30 April 2014, the Enlarged Group had lease obligations of approximately HK$131 million for the lease of vehicles and equipment.

Save as disclosed above and apart from intra-group liabilities, the Enlarged Group did not have any other outstanding loans, mortgages, charges, debentures, loan capital and bank overdrafts or other similar indebtedness, financial leases or hire purchase commitment, liabilities under acceptances (other than normal trade and other payables), or acceptance credits, or any guarantees or other material contingent liabilities at the close of business on 30 April 2014.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the completion of the transaction as mentioned in this circular and the financial resources available to the Enlarged Group (including but not limited to internally generated funds, cash and cash equivalents, and the external facilities from banks and financial institutions), the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

A. FINANCIAL INFORMATION OF ZERO GROUP FOR EACH OF THE THREE YEARS ENDED 30 JUNE 2011, 2012 AND 2013 AND THE NINE MONTHS ENDED 31 MARCH 2014

(Amounts in the financial information were presented in millions of Japanese Yen and are rounded down to the nearest million unless otherwise stated)

A.1 AUDITED FINANCIAL INFORMATION OF ZERO GROUP FOR THE THREE YEARS ENDED 30 JUNE 2011, 2012 AND 2013

The following is the English translation of Financial Information of ZERO Co., Ltd. (the "Company") and its consolidated subsidiaries (the "Group") for the year ended 30 June 2011, 2012 and 2013 as included in the Company's annual securities reports which were prepared in Japanese. The annual securities reports of the Company in Japanese were filed to Kanto Financial Bureau, pursuant to Article 24 Section 1 of Financial Instruments Exchange Act of Japan.

The Financial Information in the annual securities reports of the Company includes the consolidated financial statements of the Group and financial statements of the Company as at and for the year ended 30 June 2011, 2012 and 2013, prepared in accordance with accounting principle generally accepted in Japan ("JGAAP"). The consolidated financial statements of the Group and financial statements of the Company as at and for the year ended 30 June 2011, 2012 and 2013, in Japanese were audited by Ernst and Young ShinNihon LLC in accordance with auditing standards generally accepted in Japan.

The English translation of Financial Information has been certified by an independent translator. Ernst & Young ShinNihon LLC have not audited or reviewed the English translation of consolidated financial statements of the Group and financial statements of the Company, which are included in the Section A.1 of "APPENDIX II – FINANCIAL INFORMATION OF ZERO GROUP".

(1) The following is the audited financial statements of Zero Group for the year ended 30 June 2011 and 2012, which were prepared in accordance with JGAAP.

FINANCIAL INFORMATION

1. Basis of preparation of consolidated financial statements and financial statement

(1) The Company's consolidated financial statements have been prepared in accordance with the "Regulations Concerning Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Ordinance No. 28, 1976).

(2) The Company's financial statements have been prepared in accordance with the "Regulations Concerning Terminology, Forms, and Preparation Methods of Financial Statements" (Ministry of Finance Ordinance No. 59, 1963).

2. Audit certification

The Company's consolidated financial statements for the consolidated fiscal year ended 30 June 2012 and financial statements for the fiscal year for the year ended 30 June 2012 were audited by Ernst & Young ShinNihon LLC in accordance with the provisions of Article 193-2, Section 1 of the Financial Instruments and Exchange Act.

3. Particular steps for ensuring the appropriateness of consolidated financial statements

The Company has implemented special measures to ensure appropriateness of its consolidated financial statements. Specifically, the Company has joined the Financial Accounting Standards Foundation, and is deepening its understanding of accounting standards as well as is in compliance with new standards to appropriately identify the nature of accounting standards and establish structures that are able to comply with changes to accounting standards.

1. Consolidated financial statements

(1) Consolidated financial statements

① Consolidated balance sheets

(Millions of yen)

		2011 As at 30 June 2011		2012 As at 30 June 2012
ASSETS				
Current assets				
Cash and deposits	※2	4,957	※2	4,772
Notes and accounts receivable-trade		5,818	※5	6,575
Supplies		79		73
Deferred tax assets		705		341
Others		1,020		966
Allowance for doubtful accounts		(56)		(39)
Total current assets		12,525		12,689
Fixed assets				
Property, plant and equipment				
Buildings and structures		5,989		6,027
Accumulated depreciation		(2,287)		(2,512)
Buildings and structures, net	※2	3,702	※2	3,514
Machinery, equipment and vehicles		1,241		1,221
Accumulated depreciation		(1,063)		(1,037)
Machinery, equipment and vehicles, net		178		183
Tools, furniture and fixtures		425		401
Accumulated depreciation		(352)		(345)
Tools, furniture and fixtures, net		73		56
Land	※2, ※4	8,758	※2, ※4	8,389
Leased assets		801		1,221
Accumulated depreciation		(282)		(422)
Leased assets, net		518		798
Total property, plant and equipment		13,231		12,943
Intangible assets				
Goodwill		2,466		2,137
Leased assets		17		17
Others		161		268
Total intangible assets		2,645		2,423
Investments and other assets				
Investment securities	※1	548	※1	563
Long-term loans receivable		178		104
Deferred tax assets		1,121		742
Others		894		874
Allowance for doubtful accounts		(107)		(137)
Total investments and other assets		2,634		2,147
Total fixed assets		18,512		17,514
Total assets		31,037		30,203

(Millions of yen)

		2011 As at 30 June 2011		2012 As at 30 June 2012
LIABILITIES				
Current liabilities				
Notes and accounts payable - trade		2,899		3,221
Short-term loans payable	※2, ※6	700	※2, ※6	700
Current portion of long-term loans payable	※2, ※7	1,969	※2, ※7	1,357
Lease obligations		145		216
Accrued expenses		1,231		1,344
Income taxes payable		253		380
Accrued consumption taxes		225		281
Deposits received		200		248
Allowance for bonuses		391		409
Provision for loss on disaster		28		※
Others		368		495
Total current liabilities		8,415		8,654
Long-term liabilities				
Long-term loans payable	※2, ※7	5,420	※2, ※7	3,424
Lease obligations		509		683
Deferred tax liabilities		79		76
Deferred tax liabilities for land revaluation	※4	1,279	※4	1,088
Provision for retirement benefits		3,043		2,992
Provision for directors' retirement benefits		346		379
Asset retirement obligations		41		41
Others		101		100
Total long-term liabilities		10,822		8,787
Total liabilities		19,238		17,442
NET ASSETS				
Shareholders' equity				
Capital stock		3,390		3,390
Capital surplus		3,204		3,204
Retained earnings		6,280		7,043
Treasury stock,		(152)		(152)
Total shareholders' equity		12,722		13,485
Accumulated other comprehensive income				
Unrealised gains/(losses) on securities		(9)		(5)
Revaluation reserve for land	※4	(904)	※4	(705)
Foreign currency translation adjustments		(9)		(13)
Total accumulated other comprehensive income		(923)		(724)
Total net assets		11,799		12,761
Total liabilities and net assets		31,037		30,203

② Consolidated statements of income and statements of comprehensive income

Consolidated statements of income

(Millions of yen)

		2011 Year ended 30 June 2011		2012 Year ended 30 June 2012
Net sales		52,683		57,385
Cost of sales		46,436		49,833
Gross profit		6,246		7,551
Selling, general and administrative expenses	※1	5,000	※1	5,222
Operating income		1,245		2,329
Non-operating income				
Interest income		12		4
Dividend income		5		5
Rental income on fixed assets		20		18
Commission fee		55		58
Equity in earnings of affiliates		106		18
Others		47		35
Total non-operating income		247		139
Non-operating expenses				
Interest expenses		138		107
Loss on disposal of supplies		29		2
Others		33		13
Total non-operating expenses		201		122
Ordinary income		1,292		2,346
Extraordinary gains				
Gain on sales of fixed assets	※2	35	※2	5
Total extraordinary gains		35		5
Extraordinary losses				
Losses on sales of fixed assets	※3	0	※3	104
Losses on retirement of fixed assets	※4	6	※4	9
Impairment losses		–	※5	27
Losses on valuation of golf club memberships		51		–
Losses on disaster		82		–
Loss on adoption of accounting standard for asset retirement obligations		56		–
Loss on abolishment of retirement benefit plan		32		–
Retirement benefit expenses		–	※6	54
Others		6		29
Total extraordinary losses		235		224
Income before income taxes and minority interests		1,092		2,127
Income taxes-current		341		480
Income taxes-deferred		288		705
Total income taxes		630		1,186
Income before minority interests		462		940
Minority interests		0		–
Net income		461		940

Consolidated statements of comprehensive income

(Millions of yen)

	2011 Year ended 30 June 2011		2012 Year ended 30 June 2012
Income before minority interests	462		940
Other comprehensive income			
Unrealised gains/(losses) on securities	(5)		3
Revaluation reserve for land	–		158
Share of other comprehensive income of entities accounted for using the equity method	(9)		(3)
Total other comprehensive income	(14)	※1	157
Comprehensive income	447		1,098
Comprehensive income attributable to:			
Shareholders of ZERO CO., LTD.	446		1,098
Minority interests	0		–

③ Consolidated statements of changes in net assets

(Millions of yen)

	2011 Year ended 30 June 2011	2012 Year ended 30 June 2012
Shareholders' equity		
Capital stock		
Balance at the beginning of year	3,390	3,390
Changes during the year		
Net changes during the year	–	–
Balance at the end of year	3,390	3,390
Capital surplus		
Balance at the beginning of year	3,204	3,204
Changes during the year		
Net changes during the year	–	–
Balance at the end of year	3,204	3,204
Retained earnings		
Balance at the beginning of year	5,919	6,280
Changes during the year		
Dividends	(136)	(136)
Net income	461	940
Change of scope of equity method	35	–
Reversal of revaluation reserve for land	–	(40)
Net changes during the year	360	763
Balance at the end of year	6,280	7,043
Treasury stock		
Balance at the beginning of year	(152)	(152)
Changes during the year		
Purchase of treasury stock	(0)	(0)
Net changes during the year	(0)	(0)
Balance at the end of year	(152)	(152)
Total shareholders' equity		
Balance at the beginning of year	12,361	12,722
Changes during the year		
Dividends	(136)	(136)
Net income	461	940
Change of scope of equity method	35	–
Reversal of revaluation reserve for land	–	(40)
Purchase of treasury stock	(0)	(0)
Net changes during the year	360	763
Balance at the end of year	12,722	13,485

④ Consolidated statements of cash flows

(Millions of yen)

	2011 Year ended 30 June 2011	2012 Year ended 30 June 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income taxes and minority interests	1,092	2,127
Depreciation	712	607
Loss on adoption of accounting standard for asset retirement obligations	56	–
Amortisation of goodwill	352	328
Increase/(decrease) in allowance for doubtful accounts	8	13
Increase/(decrease) in allowance for bonuses	(8)	17
Increase/(decrease) in provision for retirement benefits	(202)	(51)
Increase/(decrease) in provision for directors' retirement benefits	44	32
Increase/(decrease) in provision for loss on disaster	28	(28)
Interest and dividend income	(17)	(10)
Interest expenses	138	107
Loss on valuation of golf club memberships	51	–
Losses/(gains) on sales and retirement of fixed assets	(28)	108
Impairment losses	–	27
Equity in earnings of affiliates	(106)	(18)
Decrease/(increase) in notes and accounts receivable-trade	(136)	(756)
Decrease/(increase) in inventories	26	6
Decrease/(increase) in other current assets	(36)	(73)
Increase/(decrease) in notes and accounts payable-trade	76	321
Increase/(decrease) in other current liabilities	(107)	288
Increase/(decrease) in accrued consumption taxes	(60)	55
Others	4	(1)
Subtotal	1,888	3,101
Interest and dividends income received	11	9
Interest expenses paid	(138)	(105)
Income taxes paid	(506)	(218)
Net cash used in operating activities	1,254	2,786

(Millions of yen)

		2011 Year ended 30 June 2011		2012 Year ended 30 June 2012
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments into time deposits		(13)		(10)
Proceeds from withdrawal of time deposits		26		149
Purchase of securities		(999)		–
Proceeds from redemption of securities		1,000		–
Purchases of property, plant and equipment		(324)		(234)
Proceeds from sales of property, plant and equipment		148		262
Purchases of intangible assets		(33)		(146)
Purchases of investment securities		(69)		–
Proceeds from sales and redemption of investment securities		65		13
Increase in loans receivable		(117)		(102)
Collection of loans receivable		181		162
Others		(68)		(32)
Net cash used in investing activities		(204)		61
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase/(decrease) in short-term loans payable		(150)		–
Additions to long-term loans payable		1,978		650
Repayment of long-term loans payable		(3,148)		(3,258)
Payment for treasury stock, net		(0)		(0)
Repayments of lease obligations		(121)		(149)
Cash dividends paid		(137)		(136)
Net cash used in financing activities		(1,578)		(2,893)
Net increase/(decrease) in cash and cash equivalents		(529)		(45)
Cash and cash equivalents at the beginning of year		5,258		4,729
CASH AND CASH EQUIVALENTS AT END OF YEAR	※	4,729	※	4,683

Significant fundamental matters for the preparation of consolidated financial matters

1. Information for the scope of consolidation

(1) Number of consolidated subsidiaries: 8

Names of consolidated subsidiaries:
ZERO-TRANS CO., LTD.
ZERO KYUSYU CO., LTD.
KANDAKO KAIRIKU UNSO Co., Ltd.
TBM Co., Ltd.
Kyuso Co., Ltd
DRIVER STAFF GROUP
JAPAN RELIEF Co., Ltd.
Nissan Shizuoka Worknet Co., Ltd.

(2) Unconsolidated subsidiaries
Toyo Bussan Co., Ltd.
ASSIST WORK Co., Ltd.
NPF Service Co., Ltd.
Auto Carry Co., Ltd.
Eight Zero Limited
GUANGZHOU EIGHT ZERO AUTO SERVICE CO., LTD.

These subsidiaries are excluded from the scope of consolidation, since they are immaterial in size, individually and in aggregate, and insignificant in terms of the Group's total assets, net sales, net income and retained earnings.

2. Information for application of the equity method

(1) Number of affiliates accounted for using the equity method: 1

ZERO SCM LOGISTICS (BEIJING) CO., LTD.

(2) Unconsolidated subsidiaries and affiliates that are not accounted for using the equity method

The following companies are not accounted for using the equity method, since they are immaterial in size, individually and in aggregate, and insignificant in terms of the Group's total net income and retained earnings.

(Affiliate) Utsunomiya Terminal Unyu Co. Ltd.

(Unconsolidated subsidiary) Toyo Bussan Co., Ltd. and others

(3) Accounting periods of the affiliate accounted for using the equity method are different from that of the Company and those companies are consolidated by using their financial statements based on their respective accounting period.

3. Information for different balance sheet date of consolidated subsidiaries

The balance sheet date is 31 March for the following subsidiaries; KANDAKO KAIRIKU UNSO Co., Ltd., TBM Co., Ltd., Kyuso Co., Ltd and Nissan Shizuoka Worknet Co., Ltd. In the preparation of consolidated financial statements, financial statements as of and for the year ended 31 March were used and necessary adjustments were made to their financial statements to reflect any significant transactions that occurred during the period prior to the Company's balance sheet date.

The closing dates of the financial year for ZERO-TRANS CO., LTD., ZERO KYUSYU CO., LTD., DRIVER STAFF Group and JAPAN RELIEF Co., Ltd. are the same as the Company's balance sheet date.

4. Summary of significant accounting policies

(1) Valuation methods for significant assets

a. Securities

Held to maturity bonds:

Held to maturity securities are stated at amortised cost (straight-line method)

Other securities

Listed securities:

Listed securities are measured and stated at fair value, with fair value gains and losses, net of applicable taxes, reported as "unrealised gains/(losses) on securities," directly included in net assets. The cost of securities sold is determined based on the moving average method.

Unlisted securities:

Unlisted securities are stated at cost, which is determined by the moving average method

b. Derivative financial instruments

Derivative financial instruments are measured and stated at fair value.

c. Inventories

Supplies

Supplies are stated at cost, which is determined by the latest purchase price method. (The balance sheet amounts are determined at the lower of the cost or net realizable value.)

(2) Depreciation method for depreciable assets

a. Property, plant and equipment (except for leased assets)

Depreciation of property, plant and equipment is calculated on the declining balance method.

However, the straight-line method is used for buildings (excluding ancillary facilities) acquired on or after 1 April 1998.

b. Intangible assets (except for leased assets)

Depreciation of intangible assets is calculated on the straight-line method.

Software for internal use is calculated by straight line method based on its useful life (5 years).

c. Leased assets

Lease assets for executed finance leases that do not involve transfer of ownership:

Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated using the straight-line method over the lease terms at zero residual value or a residual value guarantee if any.

Finance leases executed on or before 30 June 2008 which do not involve transfer of ownership are accounted for in similar manner as operating leases.

(3) Provision basis of allowances

a. Allowance for doubtful accounts

Allowance for doubtful accounts are provided for bad debt losses of accounts receivable and loans receivable. Estimated uncollectable amounts on general accounts receivable are provided applying a bad debt ratio based on the Company's historical record and experience. Estimated uncollectable amounts on specific accounts, such as doubtful accounts receivable, are provided by separately assessing their collectability.

b. Allowance for bonuses

At the Company and certain consolidated subsidiaries, an allowance for bonus is provided for the estimated amounts to be paid in the subsequent period based on the service provided during the current year.

c. Provision for retirement benefits

To provide for employee retirement benefits, provisions for retirement benefits are mainly provided based on projected retirement benefit obligations and estimated pension assets at the end of the current fiscal year.

Prior service cost is amortised using the straight-line method based on average remaining service period (10-13 years) at the time the service cost is incurred.

Actuarial gains and losses are recognised in the consolidated statement of income for the following fiscal year.

d. Provision for directors' retirement benefits

Estimated amount to be required at the current fiscal year end is provided in accordance with the Company's internal policy.

(4) Hedge accounting

a. Hedge accounting

For interest rate swap, special hedge accounting treatment is applied as necessary requirements for the treatment are satisfied.

b. Hedging instruments and hedged items

Hedging instruments: interest rate swap transactions

Hedged items: loan payable interest

c. Hedging policy

The Company enters into interest rate swap transactions for the purpose of hedging interest rate risks associated with its loans payable with variable interest, and hedged items are identified for each individual transaction.

d. Assessment of hedge effectiveness

Assessments of hedge effectiveness are omitted as necessary requirements are satisfied for special hedge accounting treatment of interest swaps.

(5) Amortisation of goodwill and amortisation period

Goodwill is amortised using the straight-line method over an estimated period, for which its economic benefit is effective (10 years), based on the actual conditions upon acquisition. However, for goodwill of immaterial amounts or goodwill that is deemed insignificant, the entire amount is amortised upon acquisition.

(6) Cash and cash equivalents in the consolidated statements of cash flows

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand, demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value with a maturity within three months when acquired.

(7) Accounting for consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

Accounting standards that have not been adopted

Accounting Standards for Retirement Benefit (ASBJ Statement No. 26, 17 May 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, 17 May 2012)

(1) Overview

① Treatment in the consolidated balance sheet

Under the Accounting Standard, actuarial gains and losses and past service costs that are yet to be recognised in profit or loss would be recognised within net assets (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus would be recognised as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

② Treatment in the consolidated statement of income and the consolidated statement of comprehensive income

Actuarial gains and losses and past service costs that arise in the current period and yet to be recognised in profit or loss would be included in other comprehensive income, and actual gains and losses and past service costs that were recognised in OCI in prior periods and then recognised in profit and loss in the current period would be treated as reclassification adjustments.

(2) Date of adoption

To be adopted from the closing date of the fiscal year starting on 1 July 2013

(3) Effect of adoption of the accounting standards

The effect on consolidated financial statements that may occur is currently being assessed.

Change in presentation

CONSOLIDATED STATEMENTS OF CASH FLOWS

"Increase in short-term loans payable" and "Decrease in short-term loans payable" were presented on gross basis in the consolidated statement of cash flow in the prior fiscal year. As their borrowing periods and their turnover are short, the presentation is changed to net amount basis as "Net increase/ (decrease) in short-term loans payable" from the current fiscal year. In order to reflect this change in presentation, necessary reclassification is made to the consolidated financial statements for the prior consolidated financial year.

As a result, ¥4,980 million of "Increase in short-term loans payable" and (¥5,130 million) of "Decrease in short-term loans payable" were reclassified as (¥150 million) of "Net increase (decrease) in short-term loans payable."

Additional information

Adoption of accounting standard for accounting changes and error corrections:

The Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No. 24, 4 December 2009) and Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No. 24, 4 December 2009) have been adopted for accounting changes and error corrections that arise on or after July 1,2011.

Notes

(NOTES TO CONSOLIDATED BALANCE SHEETS)

※1 The components for unconsolidated subsidiaries and affiliates are as follows:

(Millions of yen)

	2011 As at 30 June 2011	2012 As at 30 June 2012
Investment securities (stocks)	328	342

※2 Pledged assets and secured debt

Pledged assets are as follows (numbers in parenthesis are provisionally registered amount):

(Millions of yen)

	2011 As at 30 June 2011		2012 As at 30 June 2012	
Time deposits	25	(–)	25	(–)
Buildings and structures	2,877	(2,790)	2,693	(2,614)
Land	3,346	(1,845)	3,333	(1,845)
Total	6,249	(4,635)	6,052	(4,459)

Liabilities secured by the above pledged assets:

(Millions of yen)

	2011 As at 30 June 2011	2012 As at 30 June 2012
Short-term loans payable	150	150
Current portion of long-term loans payable	473	463
Long-term loans payable	2,574	1,308
Total	3,197	1,921

※3 Guarantees

Financial guarantees for affiliate companies' loans payables from financial institutions and client acceptances and guarantees conducted by financial institutions are as follows:

(Millions of yen)

	2011 As at 30 June 2011	2012 As at 30 June 2012
ZERO SCM LOGISTICS (BEIJING) CO., LTD.	95	95
Contractors (4 companies)	80	96
Total	175	192

※4 Revaluation reserve for land

Based on the Act on Revaluation of Land (Act No. 34 of 31 March 1998) relating to land revaluations, tax amounts related to the valuation differences that arose from revaluations of land for use are recorded in liabilities as "Deferred tax liabilities for land revaluation," and net of the valuation differences and the deferred tax liabilities is recorded in net assets as "Revaluation reserve for land."

Revaluation method: The land value for the revaluation is determined based on official notice price assessed and published by National Tax Agency of Japan as basis for calculation of landholding tax stipulated under Article 2, item (iv), of the Enforcement Ordinance on the Act on Revaluation of Land (Act No. 119 of 31 March 1998), fixed asset tax assessments , with adjustments needed, stipulated under item (iii) of the article, and appraisals provided by real estate appraisers as stipulated under item (v) of the article.

- Date of revaluation: 31 March 2002

(Millions of yen)

	2011 As at 30 June 2011	2012 As at 30 June 2012
Difference between book value after the revaluation of lands and fair value of the lands at the end of fiscal year	(1,853)	(2,214)

※5 Notes receivables at maturity at the end of the consolidated fiscal year

Notes receivables at maturity as of the balance sheet date of the consolidated fiscal year are settled on the balance sheet date. As the closing date of the year ended 30 June 2012 was a holiday for the financial institution, amount of the receivables at maturity as of the balance sheet date is included in the balance of the notes at balance sheet date.

(Millions of yen)

	2011 As at 30 June 2011	2012 As at 30 June 2012
Notes receivable-trade	–	14

※6 In order to effectively procure working capital, the Company and five of its consolidated subsidiaries have entered into overdraft facility agreements with six banks. Based on these agreements, the balance for non-executed loans at the end of the fiscal year is as follows. The balance of non-executed loans related to loan commitment contracts is included in the balance at the end of the fiscal year ended 30 June 2011.

(Millions of yen)

	2011 As at 30 June 2011	2012 As at 30 June 2012
Total of overdraft limit and loan commitment	5,750	7,200
Outstanding balance of executed loan	800	550
Balance, net	4,950	6,650

※7 Covenant requirements

AS AT 30 JUNE 2011

In connection with loans of ¥2,545 million based on term-loan agreements for plant funds, the following covenant requirements must be fulfilled:

(a) For each fiscal year, ordinary income in the statement of income shall not be in loss position for two consecutive years.

(b) Total net assets in the balance sheet at the end of each fiscal year shall be equal to or greater than the higher of 80% of net assets as of 30 June 2008 or 80% of net assets on the balance sheet date of the immediately preceding fiscal year.

AS AT 30 JUNE 2012

In connection with loans of ¥1,348 million based on term-loan agreements for plant funds, the following covenant requirements must be fulfilled:

(a) For each fiscal year, ordinary income in the statement of income shall not be in loss position for two consecutive years.

(b) Total net assets in the balance sheet at the end of each fiscal year shall be equal to or greater than the higher of 80% of net assets as of 30 June 2008 or 80% of net assets on the balance sheet date of the immediately preceding fiscal year.

(NOTES TO CONSOLIDATED STATEMENTS OF INCOME)

※1 Major components and amounts of selling, general and administrative expenses are as follows:

(Millions of yen)

	2011 Year ended 30 June 2011	2012 Year ended 30 June 2012
Salaries and allowances	2,220	2,368
Bonuses	55	55
Provision for allowance for bonuses	49	53
Retirement benefit expenses	121	81
Provision for directors' retirement benefits	60	54
Welfare expenses	461	525
Information processing expenses	325	280
Provision of allowance for doubtful accounts	33	25
Depreciation	47	57

※2 The components of gains on sales of fixed assets are as follows:

(Millions of yen)

	2011 Year ended 30 June 2011	2012 Year ended 30 June 2012
Machinery, equipment and vehicles	35	5

※3 The components of losses on sales of fixed assets are as follows:

(Millions of yen)

	2011 Year ended 30 June 2011	2012 Year ended 30 June 2012
Machinery, equipment and vehicles	0	0
Land	–	103
Total	0	104

※4 The components of losses on retirement of fixed assets are as follows:

(Millions of yen)

	2011 Year ended 30 June 2011	2012 Year ended 30 June 2012
Buildings and structures	1	6
Machinery, equipment and vehicles	1	0
Tools, furniture and fixtures	2	1
Others (Intangible assets)	0	–
Others (Investments and other assets)	0	–
Total	6	9

※5 Impairment losses

For the year ended 30 June 2012

The Group recognised impairment losses on the following groups of assets:

Location	Usage	Type
Miyako-gun Fukuoka Prefecture (KANDAKO KAIRIKU UNSO Co., Ltd.)	Idle assets	Land

Asset grouping of idle assets has been made for each specific asset and impairment is recognised for each individual asset.

In the year ended 30 June 2012, the book value of the idle assets was reduced to the recoverable amount, and impairment losses of ¥27 million was recognised in extraordinary losses for idle land.

The recoverable amount was estimated based on the net sales value, and was estimated based on valuation by tax authority used for calculation of fixed assets taxes.

※6 Retirement benefit expenses

YEAR ENDED 30 JUNE 2012

One of the Company' s consolidated subsidiaries ZERO KYUSYU CO., LTD is a member of Fukuoka Prefecture and Saga Prefecture Truck Employees' Pension Fund (kouseinennkin). Management of plan assets had been entrusted to AIJ Investment Advisors CO., LTD. Since it was revealed that a majority of the plan assets has been lost, an estimated future loss of ¥54 million is recognised in extraordinary losses as "Retirement benefit expenses".

(NOTES TO CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME)

YEAR ENDED 30 JUNE 2012

※1 Reclassification adjustment and tax effects relating to other comprehensive income

	(Millions of yen)
Unrealised gains and losses on securities:	
Amount arising during the year	5
Reclassification adjustments	–
Adjustment before tax effect	5
Amount of tax effect	(2)
Unrealised gains and losses on securities ,net	3
Revaluation reserve for land:	
Adjustment before tax effect	158
Share of other comprehensive income of entities accounted for using the equity method:	
Amount arising during the year	(3)
Total other comprehensive income	157

(NOTES TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS)

YEAR ENDED 30 JUNE 2011

1. Type and number of shares issued and treasury stocks are as follows:

	As at 1 July 2010	Increase	Decrease	As at 30 June 2011
Shares issued				
Common stock	17,560,242	–	–	17,560,242
Total	17,560,242	–	–	17,560,242
Treasury stock				
Common stock (Note)	467,551	19	–	467,570
Total	467,551	19	–	467,570

Note: The increase in common stock of treasury stock was purchase of 19 shares which are less than the standard unit.

Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual general meeting of shareholders on 29 September 2010	Common stock	68	4.00	30 June 2010	30 September 2010
Meeting of the Board of Directors on 10 February 2011	Common stock	68	4.00	31 December 2010	11 March 2011

(2) Dividends whose record date in the year ended 30 June 2011 with effective date in the year ending 30 June 2012

Resolution	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Annual general meeting of shareholders on 29 September 2011	Common stock	68	Retained earnings	4.00	30 June 2011	30 September 2011

YEAR ENDED 30 JUNE 2012

1. Type and number of shares issued and treasury stocks are as follows:

	As at 1 July 2011	Increase	Decrease	As at 30 June 2012
Shares issued				
Common stock	17,560,242	–	–	17,560,242
Total	17,560,242	–	–	17,560,242
Treasury stock				
Common stock (Note)	467,570	86	–	467,656
Total	467,570	86	–	467,656

Note: The increase in common stock of treasury stock was purchase of 86 shares which are less than the standard unit.

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual general meeting of shareholders on 29 September 2011	Common stock	68	4.00	30 June 2011	30 September 2011
Meeting of the Board of Directors on 9 February 2012	Common stock	68	4.00	31 December 2011	12 March 2012

(2) Dividends whose record date in the year ended 30 June 2012 with effective date in the year ending 30 June 2013

Resolution	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Annual general meeting of shareholders on 27 September 2012	Common stock	119	Retained earnings	7.00	30 June 2012	28 September 2012

(NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS)

A reconciliation of cash and cash equivalents as stated in the consolidated balance sheets as at the balance sheet dates to the balances as stated in the consolidated statement of cash flows is as follows:

(Millions of yen)

	2011 Year ended 30 June 2011	2012 Year ended 30 June 2012
Cash and deposits	4,957	4,772
Time deposits with maturities over three months	(227)	(88)
Cash and cash equivalents	4,729	4,683

(LEASE TRANSACTIONS)

(Lessee)

1. Finance leases

Finance lease transactions that do not involve transfer of ownership

① Leased assets

(a) Property, plant and equipment

Leased assets primarily comprise commercial vehicles used in automobile transportation businesses

(b) Intangible assets

Leased assets comprise software

② Depreciation method for leased assets

Leased assets are depreciated using straight-line method over the lease terms at zero residual value or a residual value guarantee if any.

Finance lease transactions that do not involve transfer of ownership and commenced on or before 30 June 2008 are accounted for in a similar manner as operating leases and such "as if capitalised" information is as follows:

(1) Amounts equivalent to acquisition costs, amounts equivalent to accumulated depreciation, amounts equivalent to accumulated impairment losses and amounts equivalent to net carrying amounts as at balance sheet dates are as follows:

(Millions of yen)

	As at 30 June 2011			
	Acquisition costs	Accumulated depreciation	Accumulated impairment losses	Net carrying amount
Buildings	525	166	–	358
Machinery, equipment and vehicles	1,425	934	29	461
Tools, furniture and fixtures	195	154	1	40
Total	2,145	1,255	30	860

(Millions of yen)

	As at 30 June 2012			
	Acquisition costs	Accumulated depreciation	Accumulated impairment losses	Net carrying amount
Buildings	525	218	–	306
Machinery, equipment and vehicles	934	685	29	218
Tools, furniture and fixtures	88	78	–	9
Total	1,547	983	29	534

(2) Future minimum lease payments

(Millions of yen)

	2011 As at 30 June 2011	2012 As at 30 June 2012
Future minimum lease payments		
Due within one year	404	208
Thereafter	610	384
Total	1,014	592
Balance of impairment loss account of leased assets	17	11

(3) Lease payments, reversal of allowance for impairment losses on leased assets, amounts equivalent to depreciation, amounts equivalent to interest expenses and impairment losses

(Millions of yen)

	2011 Year ended 30 June 2011	2012 Year ended 30 June 2012
Lease payments	523	315
Reversal of allowances for impairment losses of leased assets	8	6
Amounts equivalent to depreciation	372	206
Amounts equivalent to interest expenses	33	19
Impairment losses	–	–

(4) Calculation method for amounts equivalent to depreciation

Depreciation of leased assets is calculated using the straight-line method over the lease terms at zero residual value

(5) Calculation method for amounts equivalent to interest expenses:

The difference between total lease payments and amounts equivalent to acquisition costs of leased assets is assumed to be interest expenses and allocated over the lease terms using the interest method.

2. Operating leases

Future minimum lease payments relating to non-cancellable operating leases

(Millions of yen)

	2011 As at 30 June 2011	2012 As at 30 June 2012
Due within one year	54	14
Thereafter	28	13
Total	82	28

(Lessor)

1. Finance leases

Future minimum lease receipts

(Millions of yen)

	2011 As at 30 June 2011	2012 As at 30 June 2012
Due within one year	69	42
Thereafter	123	79
Total	192	121

2. Operating leases

Future minimum lease revenue collections relating to non-cancellable operating leases

(Millions of yen)

	2011 As at 30 June 2011	2012 As at 30 June 2012
Due within one year	305	305
Thereafter	3,726	3,421
Total	4,032	3,726

Note: The above amounts are the future minimum lease revenue collections from regular leases and sublease transactions.

As assets under the sublease transactions are leased to third parties under almost equivalent conditions to the master lease transactions, approximately the same balances are included in the above amounts for future minimum lease payments of the lessee.

(FINANCIAL INSTRUMENTS)

1. Financial instruments

(1) The Group's policy on financial instruments

The Group raises funds through bank loans in accordance with capital expenditure plans. Any temporary surplus of funds is invested in highly safe financial instruments. The Group enters into derivative transactions to hedge risk arising from fluctuations in interest rates and does not conduct any speculative trading in derivatives.

(2) Description financial instruments and related risks

As notes and accounts receivable-trade, are exposed to the credit risk of each customer, the Group assesses the credit status of each customer monitoring payments by due date and accrued balances by age.

The Group holds investment securities primarily of business partners and listed securities are exposed to market price fluctuations.

Most notes and accounts payable-trade are due within three months.

Loans are mainly used in raising funds for capital investment and short-term working capital. Loans with variable interest rates are exposed to interest rate fluctuations. Derivative transactions (interest rate swaps) are conducted to hedge a part of this risk.

Interest rate swap derivative transactions are conducted for the purpose of hedging fluctuation risks of interest payments for loans. For hedging instruments, hedged items, hedging policy and assessment of hedge effectiveness related to hedge accounting, please refer to the aforementioned *(4) Hedge accounting of 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES in the SIGNIFICANT FUNDAMENTAL MATTERS FOR THE PREPARATION OF CONSOLIDATED FINANCIAL MATTERS.*

(3) Risk management of financial instruments

(i) Management of credit risk (contractual default, etc.)

The Group manages due dates and balances of each client's notes and accounts receivable-trade.

As the Group enters into derivative transactions only with financial institutions that have a sound rating profile, it is deemed that the credit risk is insignificant.

(ii) Management of market risk (fluctuations in foreign currency exchange rates and interest rates)

In order to reduce interest payment fluctuation risk, the Group conducts interest rate swaps.

Regarding investment securities, the Group regularly monitors the current share price and financial status of the issuers, and continually reviews the status of its portfolio taking into consideration relationship with issuers.

(iii) Management of liquidity risk related to funding (the failure to execute payment on due dates)

The Group manages the liquidity risk by maintaining liquidity at hand, while compiling and updating funding plans on a timely basis.

2. Fair value of financial instruments

Carrying amounts of financial instruments, their fair values and the differences are as follows: Financial instruments for which it is deemed extremely difficult to determine the fair value are not included in the table below. (Please refer to (Note 2 below))

AS AT 30 JUNE 2011 (Millions of yen)

	Carrying amounts	Fair values	Difference
Cash and deposits	4,957	4,957	–
Notes and accounts receivable-trade	5,818	5,818	–
Investment securities	–	–	–
Held-to-maturity bonds	24	17	(6)
Other securities	95	95	–
Total assets	10,896	10,889	(6)
Notes and accounts payable-trade	2,899	2,899	–
Long-term loan payable (including current portion)	7,390	7,400	10
Total liabilities	10,290	10,300	10
Derivative transactions	–	–	–

AS AT 30 JUNE 2011 (Millions of yen)

	Carrying amounts	Fair values	Difference
Cash and deposits	4,772	4,772	–
Notes and accounts receivable-trade	6,575	6,575	–
Investment securities	–	–	–
Held-to-maturity bonds	25	13	(11)
Other securities	96	96	–
Total assets	11,469	11,457	(11)
Notes and accounts payable-trade	3,221	3,221	–
Long-term loans payable (including current portion)	4,782	4,791	8
Total liabilities	8,003	8,012	8
Derivative transactions	–	–	–

Note 1: Method used to determine the fair value of financial instruments and other matters related to investment securities and derivative transactions.

Assets

(1) Cash and deposits and (2) Notes and accounts receivable-trade

Since these assets are settled in a short period of time, their carrying amounts approximate the fair values.

(3) Investment securities

The fair values of investment securities are based on quoted market prices, and the fair values of bonds are based on quoted market prices or prices given by financial institutions.

Liabilities

(1) Notes and accounts payable-trade

Since these liabilities are settled in a short period of time, their carrying amounts approximate the fair values.

(2) Long-term loans payable

For long-term loans payable, fair values are determined based on present value of total principal and interest discounted by interest rate which would be applied for similar new loans. Certain long-term loans payable with variable interest rate are subject to special accounting treatment for interest rate swaps, in which case the fair value is determined based on total amount of applicable principal and interest amount under the swap transaction, discounted by interest rate which would be applied to similar new loans.

Derivative transactions
Please refer to DERIVATIVE TRANSACTIONS below.

Note 2: Financial instruments for which it is deemed extremely difficult to determine the fair value.

Types of securities	2011 As at 30 June 2011	2012 As at 30 June 2012
Unlisted equity securities	427	441

The fair values of unlisted equity securities without quoted prices are deemed extremely difficult to reliably measure.

Note 3: Redemption schedule after the balance sheet date for monetary receivables and securities with maturity dates.

AS AT 30 JUNE 2011 (Millions of yen)

	Due within one year	Due after one year but within five years	Due after five years but within ten years	Thereafter
Cash and deposits	4,945	–	–	–
Notes and accounts receivable-trade	5,818	–	–	–
Securities and investment securities				
Held-to-maturity bonds				–
(1) Government bonds, local government bonds, etc.	–	–	–	–
(2) Corporate bonds	–	–	–	–
(3) Others	–	–	–	24
Total	10,764	–	–	24

AS AT 30 JUNE 2012 (Millions of yen)

	Due within one year	Due after one year but within five years	Due after five years but within ten years	Thereafter
Cash and deposits	4,764	–	–	–
Notes and accounts receivable-trade	6,575	–	–	–
Securities and investment securities				
Held-to-maturity bonds				
(1) Government bonds, local government bonds, etc.	–	–	–	–
(2) Corporate bonds	–	–	–	–
(3) Others	–	–	–	25
Total	11,339	–	–	25

Note 4: *Payment* schedule after the balance sheet date for long-term loans payable.

Please refer to the Schedule of Loans Payable of the CONSOLIDATED SUPPLEMENTARY SCHEDULES

(SECURITIES)

1. Held-to-maturity bonds

AS AT 30 JUNE 2011 (Millions of yen)

	Types of securities	Carrying amounts	Fair value	Differences
Securities whose fair value exceed their carrying amounts	(1) Government bonds, local government bonds, etc.	–	–	–
	(2) Corporate bonds	–	–	–
	(3) Others	–	–	–
	Subtotal	–	–	–
Securities whose fair value do not exceed their carrying amounts	(1) Government bonds, local government bonds, etc.	–	–	–
	(2) Corporate bonds	–	–	–
	(3) Others	24	17	(6)
	Subtotal	24	17	(6)
Total		24	17	(6)

AS AT 30 JUNE 2012 (Millions of yen)

	Types of securities	Carrying amounts	Fair value	Differences
Securities whose fair value exceed their carrying amounts	(1) Government bonds, local government bonds, etc.	–	–	–
	(2) Corporate bonds	–	–	–
	(3) Others	–	–	–
	Subtotal	–	–	–
Securities whose fair value do not exceed their carrying amounts	(1) Government bonds, local government bonds, etc.	–	–	–
	(2) Corporate bonds	–	–	–
	(3) Others	25	13	(11)
	Subtotal	25	13	(11)
Total		25	13	(11)

2. Other securities

AS AT 30 JUNE 2011 (Millions of yen)

	Types of securities	Carrying amounts	Acquisition costs	Differences
Securities whose carrying amounts exceed their acquisition costs	(1) Equity securities	8	7	1
	(2) Bonds			
	① Government bonds, local government bonds, etc.	–	–	–
	② Corporate bonds	–	–	–
	③ Others	–	–	–
	(3) Others	–	–	–
	Subtotal	8	7	1
Securities whose carrying amounts do not exceed their acquisition costs	(1) Equity securities	69	82	(12)
	(2) Bonds			
	① Government bonds, local government bonds, etc.	–	–	–
	② Corporate bonds	–	–	–
	③ Others	–	–	–
	(3) Others	17	30	(12)
	Subtotal	86	112	(25)
Total		95	119	(24)

Note: As at 30 June 2011, certain unlisted equity securities of carrying amount of ¥427 million without quoted prices are excluded from the table above, as it is deemed extremely difficult to measure their fair values.

AS AT 30 JUNE 2012 (Millions of yen)

	Types of securities	Carrying amounts	Acquisition costs	Differences
Securities whose carrying amounts exceed their acquisition costs	(1) Equity securities	14	9	4
	(2) Bonds			
	① Government bonds, local government bonds, etc.	–	–	–
	② Corporate bonds	–	–	–
	③ Others	–	–	–
	(3) Others	–	–	–
	Subtotal	14	9	4
Securities whose carrying amounts do not exceed their acquisition costs	(1) Equity securities	69	80	(10)
	(2) Bonds			
	① Government bonds, local government bonds, etc.	–	–	–
	② Corporate bonds	–	–	–
	③ Others	–	–	–
	(3) Others	12	12	–
	Subtotal	82	92	(10)
Total		96	102	(5)

Note: As at 30 June 2012 certain unlisted equity securities of carrying amount of ¥441 million without quoted prices are excluded from the table above, as it is deemed extremely difficult to measure their fair values.

(DERIVATIVE TRANSACTIONS)

1. Derivative transactions accounted for which hedge accounting is applied

Interest related derivative transactions

YEAR ENDED 30 JUNE 2011 (Millions of yen)

Hedge accounting method	Type	Major hedged items	Contract amount	Contract amount mature after one year	Fair value
Special accounting treatment for interest rate swaps	Interest rate swaps	Long-term loans payable			
	Floating rate received, fixed rate paid		481	262	(Note)

Note: As interest rate swaps for which special accounting treatment for interest rate swaps is applied are accounted for combined with hedged long-term loan payments, their fair values are included in the fair value of the applicable long-term loan payments.

YEAR ENDED 30 JUNE 2012 (Millions of yen)

Hedge accounting method	Type	Major hedged items	Contract amount	Contract amount mature after one year	Fair value
Special accounting treatment for interest rate swaps	Interest rate swaps	Long-term loans payable			
	Floating rate received, fixed rate paid		262	67	(Note)

Note: As interest rate swaps for which special accounting treatment for interest rate swaps is applied are accounted for combined with hedged long-term loan payments, their fair values are included in the fair value of the applicable long-term loan payments.

(RETIREMENT BENEFIT PLANS)

1. Description of retirement benefit plans

Excluding certain consolidated subsidiaries, the Group has defined benefit pension plans. The defined benefit pension plan comprises lump sum retirement benefit plans, defined benefit corporate pension plans and multiemployer welfare pension plans. Certain consolidated subsidiaries are members of the Smaller Enterprise Retirement Allowance Mutual Aid, a defined contribution plan.

The Company and certain consolidated affiliates shifted tax-qualified retirement pension plans to defined benefit corporate pension plans as of 1 July 2011.

Information of multiemployer welfare pension plans for which the contribution is recognised as retirement benefit expenses is as follows:

(1) Overall retirement benefit plan reserve status

(Millions of yen)

	As at 31 March 2010	As at 31 March 2011
Plan assets	15,437	16,171
Pension benefit obligation	17,471	17,340
Balance	(2,033)	(1,168)

(2) The Group's contribution ratio that accounts for the overall plan

Prior fiscal year 2.46% (As at 31 May 2011)

Current fiscal year 2.74% (As at 31 May 2012)

(3) Supplemental explanation

The primary factor for the differences in (1) above is the prior service cost balance ((¥590 million) for the year ended 30 June 2011, (¥608 million) for the year ended 30 June 2012), carryover shortages (¥100 million) for the year ended 30 June 2011 and (¥1,089 million) for the year ended 30 June 2012) and asset valuation adjustment amounts (¥1,342 million) for the year ended June 2011 and (¥529 million) for the year ended 30 June 2012. The amortisation method of prior services cost is equal amortisation of principal and interest over seven years.

Management of a portion of pension assets for the Fukuoka Prefecture and Saga Prefecture Truck Employees' Pension Fund (kouseinennkin) of the Company's consolidated subsidiary ZERO KYUSYU CO., LTD. has been entrusted to AIJ Investment Advisors CO., LTD., and it was determined that a majority of this portion of pension assets has been lost, but this loss has not been reflected in pension asset amounts as of 31 March 2011.

2. Retirement benefit obligations

(Millions of yen)

		As at 30 June 2011	As at 30 June 2012
(1)	Retirement benefit obligations	(4,687)	(4,499)
(2)	Plan assets at fair value	1,964	1,727
(3)	Unfunded retirement benefit obligations(1)+(2)	(2,722)	(2,771)
(4)	Unrecognised actuarial gain or loss	46	159
(5)	Unrecognised prior service cost	(367)	(327)
(6)	Estimated pension asset losses (Note)	–	(54)
(7)	Consolidated balance sheet net amount (3)+(4)+(5)+(6)	(3,043)	(2,992)
(8)	Prepaid pension costs	–	–
(9)	Provision for retirement benefits (7)-(8)	(3,043)	(2,992)

Note: One of the Company' s consolidated subsidiaries ZERO KYUSYU CO., LTD is a member of Fukuoka Prefecture and Saga Prefecture Truck Employees' Pension Fund (kouseinennkin). Management of a portion of the plan assets had been entrusted to AIJ Investment Advisors CO., LTD. Since it was revealed that a majority of the plan assets has been lost, the Company provided provision for an estimated loss and such expense was charged as retirement benefit expenses in extraordinary loss for the fiscal year ended 30 June 2012.

3. Retirement benefit expenses

(Millions of yen)

		2011 For the year ended 30 June 2011	2012 For the year ended 30 June 2012
(1)	Service cost	271	256
(2)	Interest cost	105	67
(3)	Expected return on plan assets	(32)	(35)
(4)	Amortisation of prior service cost	(53)	(55)
(5)	Amortisation of actuarial gain or loss	134	46
(6)	Estimated pension asset losses (Note)	–	54
(7)	Retirement benefit expenses	425	333

Note: 1. In addition to the above retirement benefit expenses, loss on abolishment of retirement benefit plan of ¥32 million is recognised under extraordinary loss for the year ended 30 June 2011.

2. One of the Company' s consolidated subsidiaries ZERO KYUSYU CO., LTD is a member of Fukuoka Prefecture and Saga Prefecture Truck Employees' Pension Fund (kouseinennkin). Management of a portion of the plan assets had been entrusted to AIJ Investment Advisors CO., LTD. Since it was revealed that a majority of the plan assets has been lost, the Company provided provision for an estimated loss and such expense was charged as retirement benefit expenses in extraordinary loss for the fiscal year ended 30 June 2012.

4. Assumptions used for calculation of retirement benefit obligations

(Millions of yen)

		As at 30 June 2011	As at 30 June 2012
(1)	Attribution of estimated retirement benefits	Straight-line attribution	Straight-line attribution
(2)	Discount rate	1.5%-1.6%	1.5%-1.6%
(3)	Expected rate of return on plan assets	2.0%	2.0%
(4)	Amortisation period of prior service cost	13 years (straight-line method based on average remaining service years of employee as incurred)	10-13 years (straight-line method based on average remaining service years of employee as incurred)
(5)	Amortisation period of actuarial gain or loss	Entire amount expensed in the following year	Entire amount expensed in the following year

(STOCK OPTIONS)

1. Description, size of stock options and movement of the options during the period.

(1) Description of stock options

	2003 stock options
Category and number of grantees	The Company's board of directors: 2 The Company's corporate auditor: 1 The Company's executive officers: 5 The Company's employees: 13
Number of stock options by type of shares (Note)	Common stock 1,080,000 shares
Grant date	7 July 2003
Vesting conditions	To serve continuously until the vesting date (24 June 2005) after the grant date (7 July 2003)
Vesting period	Not specified
Exercise period	From 24 June 2005 to 22 June 2013

Note: The Company carried out a 3 for 1 stock split on the record date of 31 May 2006. The number of stock options described above is equivalent to the number of converted shares following the stock split.

(2) Size of stock options and movement of the options during the period.

The following describes changes in the number of stock options that existed for the year ended 30 June 2012. The number of stock options is translated into the number of shares.

① Number of stock options

	2003 stock options
Share subscription rights not yet vested:	
As at 30 June 2011	
Granted	–
Forfeited	–
Vested	–
Balance of non-vested options	–
Share subscription rights which have already been vested:	
As at 30 June 2011	610,200
Vested	–
Exercised	–
Forfeited	–
Balance of options not exercised	610,200

② Unit price information

(Yen)

	2003 stock options
Exercise price	317
Average price on the date of exercise	–
Fair value on the grant date	–

(DEFERRED TAXES)

1. Breakdown of deferred tax assets and liabilities are as follows:

(Millions of yen)

	2011 As at 30 June 2011	2012 As at 30 June 2012
Current		
Deferred tax assets		
Allowance for bonuses	178	173
Allowance for doubtful accounts	11	5
Accrued business tax	17	33
Tax losses carried forward	466	126
Others	53	24
Subtotal	727	363
Valuation allowance	(21)	(19)
Total deferred tax assets	706	343
Deferred tax liabilities		
Internal transaction eliminations	(0)	(1)
Net deferred tax assets (non-current)	705	341
Non-current		
Deferred tax assets		
Provision for retirement benefits	1,228	1,072
Provision for directors' retirement benefits	140	140
Tax losses carried forward	376	86
Others	266	238
Subtotal	2,010	1,538
Valuation allowance	(347)	(315)
Total deferred tax assets	1,663	1,222
Deferred tax liabilities		
Reserve for advanced depreciation of fixed assets	507	452
Others	113	103
Total deferred tax liabilities	621	556
Net deferred tax assets (non-current)	1,042	666

2. The reconciliation between the effective tax rate after applying tax effect and the statutory income tax rate is as follows:

	2011 As at 30 June 2011	2012 As at 30 June 2012
Statutory income tax rate	40.4%	40.4%
(Adjustments)		
Inhabitant tax on a per capita basis	7.0	3.6
Amortisation of goodwill	13.0	6.2
Equity in earnings of affiliates	(3.9)	(0.4)
Reduction of deferred tax assets at year end due to tax rate change	–	4.7
Others	1.2	1.3
Effective tax rates after applying tax effect accounting	57.7	55.8

3. Amendments to deferred tax asset and deferred tax liability amounts due to change in corporate tax rate, etc.

"The Act for Partial Amendment of the Income Tax Act for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and "the Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction" (Act No. 117 of 2011) following the Great East Japan Earthquake were promulgated on 2 December, 2011 and reduced corporate tax rates and a special corporate tax for reconstruction went into effect from fiscal year starting on or after 1 April 2012. In response, the statutory tax effective rate for calculating deferred tax assets and deferred tax liabilities is changed to 37.7% for the assets and liabilities to be collected or paid during the period between 1 July, 2012 and 30 June, 2015, and 35.3% for those to be collected or paid on and after 1 July, 2015, instead of 40.4%, a rate used for the prior fiscal year.

As a result of the tax-rate changes, deferred tax assets (after deducting deferred tax liabilities) and an unrealised gain and loss on securities is decreased by ¥99 million and ¥0 million respectively and income tax-deferred is increased by ¥99 million. Deferred tax liabilities for land revaluation are decreased by ¥158 million and revaluation reserve for land is increased by the same amount.

(BUSINESS COMBINATIONS)

Not applicable.

(ASSET RETIREMENT OBLIGATIONS)

Disclosure of asset retirement obligation amounts is omitted due to a lack of significance.

(RENTAL PROPERTIES)

The Company and certain consolidated subsidiaries have rental warehouses (including land) in Kanagawa Prefecture and other regions. Rental income for these warehouses in the fiscal year ended 30 June 2011 was ¥132 million (rental income was recorded under sales and non-operating income and primary rental expenses were recorded under cost of sales, and selling, general and administrative expenses). Rental income for these warehouses in the fiscal year ended 30 June 2012 was ¥158 million (rental income was recorded under sales and non-operating income and primary rental expenses were recorded under cost of sales, and selling, general and administrative expenses), and impairment losses were ¥4 million (recorded under extraordinary losses).

The carrying amounts, carrying amount increase/decrease during the fiscal year and fair values of the rental properties are as follows:

(Millions of yen)

	2011 Year ended 30 June 2011	2012 Year ended 30 June 2012
Carrying amounts		
Balance at the beginning of year	4,421	4,323
Increase/decrease	(98)	(84)
Balance at the end of year	4,323	4,239
Fair value at the end of year	3,958	3,928

Notes: 1. Carrying amounts are acquisition costs after deducting accumulated depreciation.

2. The primary increase carrying amounts during the year ended 30 June 2011 is the reclassification of (¥84 million) from fixed assets for internal use to rental property, and the primary decrease was depreciation (¥182 million). The primary increase accounting for the change of carrying amounts during the year ended 30 June 2012 was an increase in idle assets (¥83 million), and the primary decrease was depreciation (¥163 million) and impaired losses (¥4 million).

3. The fair value at the end of the year was primarily based on real estate appraisal reports (including those with adjustments carried out using indices) prepared by external real estate appraisers.

(SEGMENT INFORMATION)

Segment information

1. Overview of 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 organisation structure and service attributes, the Group's reportable segments are automobile transportation business, general cargo transportation business and human resources business.

Main services for each reportable segment

Segment	Main services
Automobile transportation business	Automobile shipping, maintenance, used car auctions
General cargo transportation business	General consumer goods shipping, home electronics shipping, cargo handling of coal, slag, etc., warehouse rental
Human resource business	Driver dispatch, personal vehicle operation management

2. Calculation method for net sales, 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 income for each business segment correspond to operating income (before goodwill amortisation).

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

3. Information about net sales, income or loss, assets, liabilities and other income items by reportable segment are as follows:

YEAR ENDED 30 JUNE 2011 (Millions of yen)

	Automobile transportation business	General cargo transportation business	Human resource business	Total	Adjustments (Note 1)	Consolidated statements of income (Note 2)
Net sales						
Net sales to external customers	38,569	6,638	7,474	52,683	–	52,683
Inter-segment net sales or transfers	36	27	29	93	(93)	–
Total	38,606	6,666	7,503	52,777	(93)	52,683
Segment income	1,978	557	314	2,850	(1,605)	1,245
Segment assets	13,920	7,270	2,125	23,316	7,720	31,037
Other items						
Depreciation	373	250	13	637	75	712
Increase in property, plant and equipment and intangible assets	348	56	20	425	17	443

Note 1: Adjustment amounts are as follows:

(1) The adjustment amount of (¥1,605 million) in segment income included group-wide expenses of (¥1,253 million), goodwill amortisation of (¥352 million) and inter-segment eliminations of (¥0 million). 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.

(3) Other item adjustments are related to group-wide assets that are not allocated to each reportable segment.

Note 2: Segment income is adjusted to reconcile with the operating income of the consolidated financial statements.

YEAR ENDED 30 JUNE 2012 (Millions of yen)

	Automobile transportation business	General cargo transportation business	Human resource business	Total	Adjustments (Note 1)	Consolidated statements of income (Note 2)
Net sales						
Net sales to external customers	42,736	6,748	7,900	57,385	–	57,385
Inter-segment net sales or transfers	46	23	121	191	(191)	–
Total	42,783	6,771	8,021	57,577	(191)	57,385
Segment income	2,929	606	358	3,895	(1,566)	2,329
Segment assets	14,359	6,642	2,203	23,205	6,997	30,203
Other items						
Depreciation	315	228	18	562	45	607
Increase in property, plant and equipment and intangible assets	716	44	15	775	59	835

Note 1: Adjustment amounts are as follows:

(1) The adjustment amount of (¥1,566 million) in segment income included group-wide expenses of (¥1,239 million), goodwill amortisation of (¥328 million) and inter-segment eliminations of (¥2 million). 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.

(3) Other item adjustments are related to group-wide assets that are not allocated to each reportable segment.

Note 2: Segment income is adjusted to reconcile with the operating income of the consolidated financial statements.

Related information

YEAR ENDED 30 JUNE 2011

1. Segment information by product and service

Information by product and service is not presented since the same information is presented in segment information.

2. Geographical segment information

(1) Net sales

Geographical segment information is omitted since net sales to external customers in Japan exceed 90% of total net sales in the consolidated statements of income.

(2) Property, plant and equipment

There are no applicable items since there is no property, plants or equipment outside of Japan.

3. Information by major customer

(Millions of yen)

Name of customer	Net sales	Related segment
Nissan Motor Co., Ltd.	14,529	Automobile transportation business

YEAR ENDED 30 JUNE 2012

1. Segment information by product and service

Information by product and service is not presented since the same information is presented in segment information.

2. Geographical segment information

(1) Net sales

Geographical segment information is omitted since net sales to external customers in Japan exceed 90% of total net sales in the consolidated statements of income.

(2) Property, plant and equipment

There are no applicable items since there is no property, plants or equipment outside of Japan.

3. Information by major customer

(Millions of yen)

Name of customer	Net sales	Related segment
Nissan Motor Co., Ltd.	16,654	Automobile transportation business

Information about impairment losses on fixed assets by reportable segments

YEAR ENDED 30 JUNE 2011

Not applicable.

YEAR ENDED 30 JUNE 2012 (Millions of yen)

	Automobile transportation business	General cargo business	Human resource business	Elimination	Total
Impairment losses	–	27	–	–	27

Information about amortisation and unamortised balance of goodwill by reportable segments

YEAR ENDED 30 JUNE 2011 (Millions of yen)

	Automobile transportation business	General cargo transportation business	Human resource business	Elimination	Total
Amortisation during the year	–	23	328	–	352
Balance at the end of year	–	–	2,466	–	2,466

YEAR ENDED 30 JUNE 2012 (Millions of yen)

	Automobile transportation business	General cargo transportation business	Human resource business	Elimination	Total
Amortisation during the year	–	–	328	–	328
Balance at the end of year	–	–	2,137	–	2,137

Information about gain on negative goodwill by reportable segments

YEAR ENDED 30 JUNE 2011

Goodwill is not presented here since the amount arising in the fiscal year was insignificant.

YEAR ENDED 30 JUNE 2012

Not applicable.

Related Party Information

AS AT 30 JUNE 2011

1. Related party transactions

   Not applicable.

2. Notes for major related companies

   ZERO SCM LOGISTICS (BEIJING) CO., LTD. is a significant affiliated company in the current fiscal year and its summary financial statement is as follows:

(Millions of yen)

	ZERO SCM LOGISTICS (BEIJING) CO., LTD.
Total current assets	1,512
Total fixed assets	167
Total current liabilities	871
Total long-term liabilities	–
Total net assets	809
Net sales	5,199
Income before income taxes	585
Net income	426

YEAR ENDED 30 JUNE 2012

1. Related party transactions

   Not applicable.

2. Notes for major related companies

   Not applicable.

(PER SHARE INFORMATION)

	2011 Year ended 30 June 2011	2012 Year ended 30 June 2012
Net assets per share	690.31 Yen	746.59 Yen
Basic net income per share	27.00 Yen	55.03 Yen

Note 1: Diluted net income per share amounts are not presented since there are no shares existing that have dilutive effects.

2. The basis for calculation of net assets per share is as follows:

	2011 Year ended 30 June 2011	2012 Year ended 30 June 2012
Total net assets (Millions of yen)	11,799	12,761
Deductions from total net assets	–	–
Net assets attributable to common stock (Millions of yen)	11,799	12,761
Number of common stock at the end of the year (Thousands of shares)	17,092	17,092

3. The basis for calculation of basic net income per share is as follows:

	2011 Year ended 30 June 2011	2012 Year ended 30 June 2012
Basic net income per share		
Net income (Millions of yen)	461	940
Net income not attributable to common shareholders (Millions of yen)	–	–
Net income attributable to common shareholders (Millions of yen)	461	940
Average number of common stock during the year (Thousands of shares)	17,092	17,092
Shares excluded from the computation of diluted net income per share, because they do not have dilutive effects	Stock options (610,200 shares) based on the resolution of the extraordinary meeting of shareholders on 23 June 2003	Stock options (610,200 shares) based on the resolution of the extraordinary meeting of shareholders on 23 June 2003

(SUBSEQUENT EVENTS)

Not applicable.

① Consolidated supplementary schedules

Schedule of bonds payable

Not applicable.

Schedule of loans payable

Categories	Beginning balance (Millions of yen)	Ending balance (Millions of yen)	Average interest rate (%)	Maturity
Short-term loans payable	700	700	1.1	–
Current portion of long-term loans payable	1,969	1,357	1.2	–
Current portion of lease obligations	145	216	2.5	–
Long-term loans payable (excluding current portion)	5,420	3,424	1.2	2013 to 2019
Lease obligations (excluding current portion)	509	683	2.5	2013 to 2017
Other interest-bearing liabilities	–	–	–	–
Total	8,745	6,382		

Notes: 1: The average interest rate represents the weighted average rate applicable to the year-end balance.

2: The following table shows the aggregate annual maturities of long-term loans payable (excluding the current portion) and lease obligations (excluding the current portion) for 5 years subsequent to 30 June 2013:

(Millions of yen)

	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
Long-term loans payable	1,633	935	370	243
Lease obligations	354	124	66	137

Schedule of asset retirement obligations

Since the amount of asset retirement obligations at the beginning of the consolidated financial year and the end of the consolidated financial year are 1% or less of total liabilities and net assets at the beginning and end of the year, they are not presented here as provided under Article 92 item (2) of the Regulations for Consolidated Financial Statements.

(2) Other

Quarterly information, etc., for the year ended 30 June 2012

(Cumulative period)	Quarter 1	Quarter 2	Quarter 3	For the year ended 30 June 2012
Net sales (Millions of yen)	13,272	27,496	42,554	57,385
Quarterly net income before taxes and other adjustments (Millions of yen)	453	1,090	1,691	2,127
Quarterly net income (Millions of yen)	207	433	781	940
Quarterly net income per share (Yen)	12.14	25.34	45.72	55.03

(Accounting period)	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Quarterly net income per share (Yen)	12.14	13.20	20.38	9.31

2. Financial information for the company

(1) Financial Statements

① Balance sheets

(Millions of yen)

		2011 As at 30 June 2011		2012 As at 30 June 2012
ASSETS				
Current assets				
Cash and deposits		2,577		2,883
Notes receivable-trade	※2	118	※2, ※5	168
Accounts receivable-trade	※2	4,394	※2	4,926
Supplies		68		63
Prepaid expenses		235		246
Deferred tax assets		621		255
Short-term loans receivable	※2	147	※2	115
Accounts receivable	※2	485	※2	546
Others		31		30
Allowance for doubtful accounts		(30)		(24)
Total current assets		8,649		9,210
Fixed assets				
Property, plant and equipment				
Buildings		3,914		3,930
Accumulated depreciation		(815)		(978)
Buildings, net	※1	3,098	※1	2,951
Structures		794		808
Accumulated depreciation		(616)		(644)
Structures, net	※1	177	※1	164
Machinery and equipment		252		256
Accumulated depreciation		(181)		(194)
Machinery and equipment, net		71		61
Vehicles		100		105
Accumulated depreciation		(79)		(82)
Vehicles, net		21		23
Tools, furniture and fixtures		331		306
Accumulated depreciation		(280)		(267)
Tools, furniture and fixtures, net		50		39
Land	※1, ※4	6,893	※1, ※4	6,716
Leased assets		677		966
Accumulated depreciation		(243)		(355)
Leased assets, net		434		610
Total property, plant and equipment		10,748		10,567
Intangible assets				
Software		132		233
Leased assets		13		15
Others		17		17
Total intangible assets		163		265

(Millions of yen)

		2011 As at 30 June 2011		2012 As at 30 June 2012
Investments and other assets				
Investment securities		146		149
Investments in subsidiaries and affiliates		4,106		4,106
Long-term loans receivable		158		82
Long-term loans receivable from employees, net		17		17
Long-term loans receivable from subsidiaries and affiliates		19		9
Long-term prepaid expenses		15		15
Deferred tax assets		961		592
Insurance funds		120		120
Leases and guarantee deposits		292		299
Others		204		187
Allowance for doubtful accounts		(112)		(133)
Total investments and other assets		5,931		5,447
Total fixed assets		16,843		16,280
Total assets		25,492		25,491
Liabilities				
Current liabilities				
Accounts payable-trade	※2	2,878	※2	3,261
Current portion of long-term loans payable	※1, ※7	1,176	※1, ※7	848
Lease obligations		124		168
Accounts payable-other		285		406
Accrued expenses	※2	481	※2	510
Income taxes payable		93		95
Accrued consumption taxes		122		107
Deposits received		121	※2	835
Deferred revenue		0		0
Advances received		50		53
Allowance for bonuses		261		261
Provision for loss on disaster		28		–
Total current liabilities		5,625		6,550
Long-term liabilities				
Long-term loans payable	※1, ※7	4,354	※1, ※7	2,700
Lease obligations		437		537
Deferred tax liabilities for land revaluation	※4	1,279	※4	1,088
Provision for retirement benefits		2,681		2,628
Provision for directors' retirement benefits		277		304
Asset retirement obligations		33		33
Others		79		79
Total Long-term liabilities		9,143		7,372
Total liabilities		14,768		13,923

(Millions of yen)

		2011 As at 30 June 2011		2012 As at 30 June 2012
NET ASSETS				
Shareholders' equity				
Capital stock		3,390		3,390
Capital surplus				
Capital reserve		3,204		3,204
Total capital surplus		3,204		3,204
Retained earnings				
Legal reserve		179		179
Other retained earnings				
Accident loss reserve		123		123
Reserve for advanced depreciation of fixed assets		750		817
Reserve for special account for advanced depreciation of fixed assets		–		9
Special reserve fund		3,267		3,267
Retained earnings carried forward		763		1,429
Total retained earnings		5,084		5,826
Treasury stock,		(152)		(152)
Total shareholders' equity		11,526		12,269
Total valuation and translation adjustments				
Unrealised gains/(losses) on securities		(3)		(2)
Revaluation reserve for land	※4	(799)	※4	(698)
Total valuation and translation adjustments		(803)		(700)
Total net assets		10,723		11,568
Total liabilities and net assets		25,492		25,491

② Statements of income

(Millions of yen)

		2011 Year ended 30 June 2011		2012 Year ended 30 June 2012
Net sales		40,931		45,121
Cost of sales				
Personal expenses				
Salaries and allowances		3,661		3,798
Bonuses		228		226
Provision for allowance for bonuses		222		219
Retirement benefit expenses		179		126
Welfare expenses		873		872
Other expenses				
Fuel expenses		890		988
Subcontract expenses		25,777		29,467
Rent expenses		1,859		1,832
Depreciation		417		372
Others		3,073		2,707
Total cost of sales		37,183		40,612
Gross profit		3,747		4,509
Selling, general and administrative expenses				
Salaries and allowances		1,255		1,319
Bonuses		37		45
Allowance for bonuses		39		41
Retirement benefit expenses		96		62
Provision for directors' retirement benefits		38		37
Welfare expenses		306		348
Information processing expenses		325		280
Provision of allowance for doubtful accounts		24		27
Depreciation		25		29
Others		767		802
Total selling, general and administrative expenses		2,918		2,994
Operating income		828		1,514
Non-operating income				
Interest income		5		4
Dividend income		124		124
Rent income on fixed assets		20		14
Commission fee		55		56
Others		26		16
Total non-operating income	※1	232	※1	216
Non-operating expenses				
Interest expenses		99		75
Loss on disposal of supplies		39		2
Others		21		1
Total non-operating expenses		159		79
Ordinary income		901		1,652

(Millions of yen)

		2011 Year ended 30 June 2011		2012 Year ended 30 June 2012
Extraordinary gains				
Gain on sales of fixed assets	※2	27	※2	0
Total extraordinary gains		27		0
Extraordinary losses				
Losses on sales of fixed assets	※3	0	※3	49
Losses on retirement of fixed assets	※4	5	※4	3
Losses on valuation of investment securities		0		–
Loss on valuation of golf club memberships		50		–
Loss on disaster		73		–
Impact of adoption of accounting standard for asset retirement obligations		46		–
Loss on cancellation of rental contracts		–		14
Total extraordinary losses		177		67
Income before income taxes		751		1,584
Income taxes-current		63		61
Income taxes-deferred		323		701
Total income taxes		387		763
Net income		363		821

③ Statements of changes in net assets

(Millions of yen)

	2011 Year ended 30 June 2011	2012 Year ended 30 June 2012
Shareholders' equity		
Capital stock		
Balance at the beginning of year	3,390	3,390
Changes during the year		
Net changes during the year	–	–
Balance at the end of year	3,390	3,390
Capital surplus		
Capital reserve		
Balance at the beginning of year	3,204	3,204
Changes during the year		
Net changes during the year	–	–
Balance at the end of year	3,204	3,204
Retained earnings		
Legal reserve		
Balance at the beginning of year	179	179
Changes during the year		
Net changes during the year	–	–
Balance at the end of year	179	179
Other retained earnings		
Accident loss reserve		
Balance at the beginning of year	123	123
Changes during the year		
Net changes during the year	–	–
Balance at the end of year	123	123
Reserve for advanced depreciation of fixed assets		
Balance at the beginning of year	780	750
Changes during the year		
Provision of reserve for advanced depreciation of fixed assets	–	42
Increase in reserve for advanced depreciation of fixed assets due to tax rate changes	–	56
Reversal of reserve for advanced depreciation of fixed assets	(29)	(33)
Net changes during the year	(29)	66
Balance at the end of year	750	817
Reserve for special account for advanced depreciation of fixed assets		
Balance at the beginning of year	–	–
Changes during the year		
Provision of reserve for special account for advanced depreciation of fixed assets	–	9
Net changes during the year	–	9
Balance at the end of year	–	9

(Millions of yen)

	2011 Year ended 30 June 2011	2012 Year ended 30 June 2012
Special reserve fund		
Balance at the beginning of year	3,267	3,267
Changes during the year		
Net changes during the year	–	–
Balance at the end of year	3,267	3,267
Retained earnings carried forward		
Balance at the beginning of year	506	763
Changes during the year		
Dividends	(136)	(136)
Provision of reserve for advanced depreciation of fixed assets	–	(42)
Increase in reserve for advanced depreciation of fixed assets due to tax rate changes	–	(56)
Reversal of reserve for advanced depreciation of fixed assets	29	33
Provision of reserve for special account for advanced depreciation of fixed assets	–	(9)
Reversal of revaluation reserve for land	–	57
Net income	363	821
Net changes during the year	256	666
Balance at the end of year	763	1,429
Treasury stock,		
Balance at the beginning of year	(152)	(152)
Changes during the year		
Purchase of treasury stock	(0)	(0)
Net changes during the year	(0)	(0)
Balance at the end of year	(152)	(152)
Total shareholders' equity		
Balance at the beginning of year	11,299	11,526
Changes during the year		
Dividends	(136)	(136)
Net income	363	821
Purchase of treasury stock	(0)	(0)
Reversal of revaluation reserve for land	–	57
Net changes during the year	226	742
Balance at the end of year	11,526	12,269

(Millions of yen)

	2011 Year ended 30 June 2011	2012 Year ended 30 June 2012
Valuation and translation adjustments		
Unrealised gains/(losses) on securities		
Balance at the beginning of year	0	(3)
Changes during the year		
Net changes of items other than those in shareholders' equity	(4)	1
Net changes during the year	(4)	1
Balance at the end of year	(3)	(2)
Revaluation reserve for land		
Balance at the beginning of year	(799)	(799)
Changes during the year		
Net changes of items other than those in shareholders' equity	–	100
Net changes during the year	–	100
Balance at the end of year	(799)	(698)
Total valuation and translation adjustments		
Balance at the beginning of year	(799)	(803)
Changes during the year		
Net changes of items other than those in shareholders' equity	(4)	102
Net changes during the year	(4)	102
Balance at the end of year	(803)	(700)
Total net assets		
Balance at the beginning of year	10,500	10,723
Changes during the year		
Dividends	(136)	(136)
Net income	363	821
Purchase of treasury stock	(0)	(0)
Reversal of revaluation reserve for land	–	57
Net changes of items other than those in shareholders' equity	(4)	102
Net changes during the year	222	844
Balance at the end of year	10,723	11,568

Summary of significant accounting policies

1. Valuation methods for securities

   (1) Held-to-maturity bonds

   Held to maturity bonds are measured and stated at amortised cost. (Straight-line method)

   (2) Investments in subsidiaries and affiliates

   Investments in subsidiaries and affiliates are measured and stated at cost which is determined by the moving average method.

   (3) Other securities

   Listed securities:

   Listed securities are measured and stated at fair value, with fair value gains and losses, net of applicable taxes, reported as "unrealised gains/(losses) on securities" directly included in net assets. The cost of securities sold is determined based on the moving average cost method.

   Unlisted securities:

   Unlisted securities are stated at cost which is determined by the moving average method.

2. Valuation methods for derivatives

   Derivative transactions

   Derivative financial instruments are measured and stated at fair value.

3. Valuation methods for inventory

   Supplies

   Supplies are stated at cost, which is determined by the specific identification method. (The balance sheet amounts are determined at the lower of the cost or net realisable value.)

4. Depreciation method for fixed assets

   (1) Property, plant and equipment (except for leased assets)

   Depreciation of property, plant and equipment is calculated on the declining balance method.

   However, the straight-line method is used for buildings (excluding ancillary facilities) acquired on or after 1 April 1998.

(2) Intangible assets (except for leased assets)

Depreciation of intangible assets is calculated on the straight-line method.

Software for internal use is calculated by straight line method based on its useful life (5 years)

(3) Leased assets

Finance leases that do not involve transfer of ownership

Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated using the straight-line method over the lease terms at zero residual value or a residual value guarantee if any.

Finance leases executed on or before 30 June 2008 which do not involve transfer of ownership are accounted for in similar manner as operating leases.

5. Provision basis for allowances

(1) Allowance for doubtful accounts

Allowance for doubtful accounts are provided for bad debt losses of accounts receivable and loans receivable. Estimated uncollectable amounts on general accounts receivable are provided applying a bad debt ratio based on the Company's historical record and experience. Estimated uncollectable amounts on specific accounts, such as doubtful accounts receivable, are provided by separately assessing their collectability.

(2) Allowance for bonuses

An allowance for bonus is provided for the estimated amounts to be paid in the subsequent period based on the service provided during the current year.

(3) Provision for retirement benefits

To provide for employee retirement benefits, provisions for retirement benefits are mainly provided based on projected retirement benefit obligations and estimated pension assets at the end of the fiscal year.

Prior service cost is amortised using the straight-line method based on average remaining service period (10-13 years) at the time the service cost is incurred.

Actuarial gains and loss are recognised in the statement of income for the following fiscal year.

(4) Provision for directors' retirement benefits

Estimated amount to be required at the current fiscal year end is provided in accordance with the Company's internal policy.

6. Hedge accounting method

(1) Hedge accounting method

For interest rate swap, special hedge accounting treatment is applied as necessary requirements for the treatment are satisfied.

(2) Hedging instruments and hedged items

Hedging instruments: interest rate swap transaction

Hedged items: loan payable interest

(3) Hedging policy

The Company enters into interest rate swap transactions for the purpose of hedging interest rate risks associated with its loans payable with variable interest, and hedging items are identified by each individual transaction.

(4) Assessment of hedge effectiveness

Assessments of hedge effectiveness are omitted as necessary requirements are satisfied for special hedge accounting treatment of interest rate swaps.

7. Other significant matters for the preparation of non-consolidated financial statements

Accounting for consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

Additional information

Adoption of accounting standard for accounting changes and error corrections:

The Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No. 24, 4 December 2009) and Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No. 24, 4 December 2009) have been adopted for accounting changes and error corrections that arise on or after July 1,2011.

(NOTES TO BALANCE SHEETS)

※1 Pledged assets and secured debt

Pledged assets are as follows (numbers in parenthesis are provisionally registered amount):

(Millions of yen)

	2011 As at 30 June 2011	2012 As at 30 June 2012
Buildings and structures	2,790 (2,790)	2,614 (2,614)
Land	1,845 (1,845)	1,845 (1,845)
Total	4,635 (4,635)	4,459(4,459)

Liabilities secured by the above pledged assets:

(Millions of yen)

	2011 As at 30 June 2011	2012 As at 30 June 2012
Current portion of long-term loans payable	228	228
Long-term loans payable	2,317	1,120
Total	2,545	1,348

※2 Receivables and payables form/to affiliated companies

Assets and liabilities related to its subsidiaries and affiliates which are not separately presented are as follows:

(Millions of yen)

	2011 As at 30 June 2011	2012 As at 30 June 2012
Current assets		
Notes receivable-trade	0	2
Accounts receivable-trade	17	21
Accounts receivable	67	82
Short-term loans receivable	60	10
Current liabilities		
Accounts payable-trade	520	668
Accrued expenses	6	7
Deposits received	–	700

※3 Guarantees

Financial guarantees for affiliate companies' loans payables from financial institutions and client acceptances and guarantees conducted by financial institutions are as follows:

(Millions of yen)

	2011 As at 30 June 2011	2012 As at 30 June 2012
ZERO TRANS CO., LTD.	21	13
ZERO SCM LOGISTICS (BEIJING) CO., LTD.	95	95
JAPAN RELIEF Co., Ltd.	904	614
KYUSO COMPANY	182	117
Nissan Shizuoka Worknet Co., Ltd.	26	15
Contractors (4 companies)	80	96
Total	1,310	954

※4 Based on the Act on Revaluation of Land (Act No. 34 of 31 March 1998) relating to land revaluations, tax amounts related to the valuation differences that arose from revaluations of land for use are recorded in liabilities as "Deferred tax liabilities for land revaluation," and net of the valuation differences and the deferred tax liabilities is recorded in net assets as "Revaluation reserve for land."

Revaluation method: The land value for the revaluation is determined based on official notice price assessed and published by National Tax Agency of Japan as basis for calculation of landholding tax stipulated under Article 2, item (iv), of the Enforcement Ordinance on the Act on Revaluation of Land (Act No. 119 of 31 March 1998), fixed asset tax assessments with adjustments needed stipulated under item (iii) of the article, and revisions to appraisals provided by real estate appraisers as stipulated under item (v) of the article.

- Date of revaluation: 31 March 2002

(Millions of yen)

	2011 As at 30 June 2011	2012 As at 30 June 2012
Difference between book value after the revaluation of lands and fair value of the lands at the end of fiscal year	(1,754)	(2,189)

※5 Note receivables at maturity at the end of fiscal year

Notes receivables at maturity as of the balance sheet date of the consolidated fiscal year are settled on the clearance date. As the balance sheet date of the year ended 30 June 2012 was a holiday for the financial institution, amount of the receivables at maturity as of the closing date is included in the balance of the notes at balance sheet date.

(Millions of yen)

	2011 As at 30 June 2011	2012 As at 30 June 2012
Notes receivable-trade	–	8

※6 In order to effectively procure working capital, the Company has entered into overdraft facility agreements with three banks. Based on these agreements, the balance of non-executed loans at the end of the fiscal year is as follows: The balance of non-executed loans related to loan commitment contracts is included in the balance at 30 June 2011.

(Millions of yen)

	2011 As at 30 June 2011	2012 As at 30 June 2012
Total of overdraft limit and loan commitment	4,500	5,600
Outstanding balance of executed loan	–	–
Balance, net	4,500	5,600

※7 Covenant requirements

YEAR ENDED 30 JUNE 2011

In connection with loans of ¥2,545 million based on term-loan agreements for plant funds, the following covenant requirements must be fulfilled:

(a) For each fiscal year, ordinary income in the statement of income shall not be in loss position for two consecutive years.

(b) Total net assets in the balance sheet at the end of each fiscal year shall be equal to or greater than the higher of 80% of net assets as of 30 June 2008 or 80% of net assets on the balance sheet date of the immediately preceding fiscal year.

YEAR ENDED 30 JUNE 2012

In connection with loans of ¥1,348 million based on term-loan agreements for plant funds, the following covenant requirements must be fulfilled:

(a) For each fiscal year, ordinary income in the statement of income shall not be in loss position for two consecutive years.

(b) Total net assets in the balance sheet at the end of each fiscal year shall be equal to or greater than the higher of 80% of net assets as of 30 June 2008 or 80% of net assets on the balance sheet date of the immediately preceding fiscal year.

(NOTES TO STATEMENTS OF INCOME)

※1 The following transactions with subsidiaries and affiliates are included in Statements of Income

(Millions of yen)

	2011 Year ended 30 June 2011	2012 Year ended 30 June 2012
Non-operating income		
Interest income	0	0
Dividend income	120	120
Rental income on fixed assets	8	8
Others	0	0

※2 The components of gains on sales of fixed assets are as follows:

(Millions of yen)

	2011 Year ended 30 June 2011	2012 Year ended 30 June 2012
Machinery and equipment	0	–
Vehicles	27	0
Total	27	0

※3 The components of losses on sales of fixed assets are as follows:

(Millions of yen)

	2011 Year ended 30 June 2011	2012 Year ended 30 June 2012
Vehicles	0	–
Land	–	49
Total	0	49

※4 The components of losses on retirement of fixed assets are as follows:

(Millions of yen)

	2011 Year ended 30 June 2011	2012 Year ended 30 June 2012
Buildings	1	2
Structures	–	0
Machinery and equipment	1	0
Vehicles	0	–
Tools, furniture and fixtures	2	1
Total	5	3

(NOTES TO STATEMENTS OF CHANGES IN NET ASSETS)

YEAR ENDED 30 JUNE 2011

Type and number of shares of treasury stocks:

Types of shares	As at 1 July 2010	Increase	Decrease	As at 30 June 2011
Common stock	467,551	19	–	467,570
Total	467,551	19	–	467,570

Note: The increase in common stock of treasury stock was purchase of 19 shares which are less than the standard unit.

YEAR ENDED 30 JUNE 2012

Type and number of shares of treasury stocks:

Types of shares	As at 1 July 2011	Increase	Decreases	As at 30 June 2012
Common stock	467,570	86	–	467,656
Total	467,570	86	–	467,656

Note: The increase in common stock of treasury stock was purchase of 86 shares which are less than the standard unit.

(LEASE TRANSACTION)

(Lessee)

1. Finance leases

Finance leases that do not involve transfer of ownership

① Leased assets

(a) Property, plant and equipment

Leased assets primarily comprise commercial vehicles used in automobile transportation businesses

(b) Intangible assets

Leased assets comprise software

② Depreciation method for leased assets

Leased assets are depreciated using straight-line method over the lease terms at zero residual value or a residual value guarantee if any.

Finance leases that do not involve transfer of ownership and commenced on or before the start of the applicable first financial year are accounted for in a similar manner as operating leases and such "as if capitalised" information is as follows:

(1) Amounts equivalent to acquisition costs, amounts equivalent to accumulated depreciation, and amounts equivalent to net carrying amounts as at balance sheet dates are as follows:

(Millions of yen)

	As at 30 June 2011		
	Acquisition costs	Accumulated depreciation	Net carrying amount
Buildings	525	166	358
Machinery, equipment and vehicles	1,133	726	406
Equipment	172	136	36
Total	1,831	1,029	801

(Millions of yen)

	As at 30 June 2012		
	Acquisition costs	Accumulated depreciation	Net carrying amount
Buildings	525	218	306
Machinery, equipment and vehicles	768	566	201
Equipment	78	71	7
Total	1,372	857	515

(2) Future minimum lease payments

(Millions of yen)

	2011 Year ended 30 June 2011	2012 Year ended 30 June 2012
Future minimum lease payments		
Due within one year	357	165
Thereafter	557	374
Total	915	539

(3) Lease payments, amounts equivalent to depreciation and amounts equivalent to interest expenses

(Millions of yen)

	2011 Year ended 30 June 2011	2012 Year ended 30 June 2012
Lease payments	407	274
Amounts equivalent to depreciation	309	171
Amounts equivalent to interest expenses	28	17

(4) Calculation method for amounts equivalent to depreciation

Depreciation of leased assets is calculated using the straight-line method over the lease terms at zero residual value.

(5) Calculation method for amounts equivalent to interest expenses:

The difference between total lease payments and amounts equivalent to acquisition costs of leased assets is assumed to be interest expenses and allocated over the lease terms by the interest method.

(Impairment losses)

There are no impairment losses attributable to leased assets.

2. Operating leases

Future minimum lease payments relating to non-cancellable operating leases

(Millions of yen)

	2011 As at 30 June 2011	2012 As at 30 June 2012
Due within one year	51	12
Thereafter	21	8
Total	72	21

(Lessor)

1. Finance leases

Future minimum lease receipts

(Millions of yen)

	2011 As at 30 June 2011	2012 As at 30 June 2012
Due within one year	77	50
Thereafter	143	84
Total	221	135

2. Operating leases

Future minimum lease receipts relating to non-cancellable operating leases

(Millions of yen)

	2011 As at 30 June 2011	2012 As at 30 June 2012
Due within one year	324	317
Thereafter	3,748	3,430
Total	4,072	3,748

Note: The above amounts are the future minimum lease revenue collection from regular lease and sublease transaction.

As applicable subleases are leased to third parties under almost equivalent conditions, approximately the same balances are included in the above amounts for future minimum lease payments of the lessee.

(SECURITIES)

Since fair value of investments in subsidiaries and affiliates (total carrying amounts of investments in subsidiaries and those in affiliates as at 30 June 2012 are ¥4,011 million and ¥94 million respectively, total carrying amounts of investments in subsidiaries and those in affiliates as at 30 June 2011 are ¥4,011 million for subsidiaries and ¥94 million respectively) are deemed extremely difficult to reliably measure, the disclosure is omitted.

(DEFERRED TAXES)

1. Breakdown of deferred tax assets and liabilities are as follows:

(Millions of yen)

	2011 As at 30 June 2011	2012 As at 30 June 2012
Current		
Deferred tax assets		
Allowance for bonuses	119	112
Accrued business tax	11	11
Tax losses carried forward	463	122
Others	26	8
Net deferred tax assets (current)	621	255
Non-current		
Deferred tax assets		
Provision for retirement benefits	1,081	943
Provision for directors' retirement benefits	111	112
Operating losses carried forward	283	–
Others	132	125
Subtotal	1,610	1,181
Valuation allowance	(140)	(129)
Total deferred tax assets	1,469	1,052
Deferred tax liabilities		
Reserve for advanced depreciation of fixed assets	507	452
Others	0	6
Total deferred tax liabilities	508	459
Net deferred tax assets (non-current)	961	592

2. The reconciliation between the effective tax rate after applying tax effect and the statutory income tax rate is as follows:

	2011 As at 30 June 2011	2012 As at 30 June 2012
Statutory income tax rate	40.4%	40.4%
(Adjustments)		
Permanent difference items (losses), allowances for entertainment	2.1	1.1
Permanent difference items (gains), dividends receivable	(6.6)	(3.1)
Inhabitant tax on a per capita basis	8.5	4.0
Valuation allowance	7.2	0.5
Reduction of deferred tax assets at year end due to tax rate changes	–	5.2
Others	(0.0)	0.1
Effective tax rates after applying tax effect accounting	51.6	48.2

3. Revisions to deferred tax asset and deferred tax liability amounts due to tax rate changes for corporate tax, etc.

"The Act for Partial Amendment of the Income Tax Act for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and "the Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction" (Act No. 117 of 2011) following the Great East Japan Earthquake were promulgated on December 2, 2011 and reduced corporate tax rates and a special corporate tax for reconstruction went into effect from fiscal year starting on or after 1 April 2012. In response, the statutory tax effective rate for calculating deferred tax assets and deferred tax liabilities is changed to 37.7% for the assets and liabilities to be collected or paid during the period between July 1, 2012 and June 30, 2015, and 35.3% for those to be collected or paid on and after July 1, 2015, instead of 40.4%, a rate used for the year ended 30 June 2011.

As a result of the tax-rate changes, deferred tax assets (after deducting deferred tax liabilities) and an unrealised holding gain and loss on securities is decreased by ¥83 million and ¥0 million respectively and income tax-deferred is increased by ¥83 million. Deferred tax liabilities for land revaluation are decreased by ¥158 million and revaluation reserve for land is increased by the same amount.

(ASSET RETIREMENT OBLIGATIONS)

Disclosure of asset retirement obligation amounts is omitted due to a lack of significance

(Dividends per share (Yen))

	2011 Year ended 30 June 2011	2012 Year ended 30 June 2012
Net assets per share	627.38	676.82
Basic net income per share	21.28	48.05

Note 1: Diluted net income per share amounts are not presented since there are no shares existing that have dilutive effects.

2. The basis for calculation of net assets per share is as follows:

	2011 Year ended 30 June 2011	2012 Year ended 30 June 2012
Total net assets (Millions of yen)	10,723	11,568
Deductions from total net assets (Millions of yen)	–	–
Net assets attributable to common stock (Millions of yen)	10,723	11,568
Number of common stock at the end of the year (Thousands of shares)	17,092	17,092

3. The basis for calculation of basic net income per share is as follows:

	2011 Year ended 30 June 2011	2012 Year ended 30 June 2012
Basic net income per share		
Net income (Millions of yen)	363	821
Net income not attributable to common shareholders (Millions of yen)	–	–
Net income attributable to common shareholders (Millions of yen)	363	821
Average number of common stock during the year (Thousands of shares)	17,092	17,092
Shares excluded from the computation of diluted net income per share, because they do not have dilutive effects	Stock options (610,200 shares) based on the resolution of the extraordinary meeting of shareholders on 23 June 2003	Stock options (610,200 shares) based on the resolution of the extraordinary meeting of shareholders on 23 June 2003

(SUBSEQUENT EVENTS)

Not applicable.

④ Supplementary schedules

Schedule of securities

Equity securities

		Issue	Number of shares (Shares)	Carrying amount (Millions of yen)
Investment securities	Other securities	Mitsuike Corporation	334,100	58
		KURIBAYASHI STEAMSHIP Co., Ltd.	250,000	46
		Prince Kaiun Co., Ltd.	34,000	29
		HANATEN Co., LTD.	32,468	5
		THE DAI-ICHI LIFE INSURANCE COMPANY LIMITED	44	4
		The Bank of Yokohama, Ltd.	10,700	4
		HIZ Logistics Co., Ltd.	100	1
		ZIP INC.	20	1
		Others (2 companies)	17,050	0
		Total	678,482	149

Property, plant and equipment schedule

(Millions of yen)

Types of assets	Balance at the beginning of year	Increase	Decrease	Balance at the end of year	Total accumulated depreciation or amortisation at the end of the year	Depreciation or amortisation during the year	Net balance at the end of year
Property, plant and equipment							
Buildings	3,914	75	58	3,930	978	205	2,951
Structures	794	24	9	808	644	36	164
Machinery and equipment	252	5	1	256	194	15	61
Vehicles	100	17	12	105	82	13	23
Tools, furniture and fixtures	331	8	32	306	267	18	39
Land	6,893	–	176	6,716	–	–	6,716
Leased assets	677	300	11	966	355	113	610
Total property, plant and equipment	12,965	430	304	13,091	2,523	402	10,567
Intangible assets							
Software	1,555	161	1,059	656	423	61	233
Leased assets	25	8	–	34	19	6	15
Others	19	–	–	19	2	0	17
Total Intangible assets	1,600	170	1,059	710	445	68	265
Long-term prepaid expenses	103	12	3	112	96	10	15
Deferred assets	–	–	–	–	–	–	–

Note 1: The principal components of increase are as follows:

Leased assets	Commercial vehicles	257 Million yen
Software	Development of vehicle dispatch control support system	135 Million yen

2. The principal components of decrease are as follows:

Land	Sale of Zama property (Komatsubara, Zama City)	176 Million yen
Software	Fully-depreciated software	1,059 Million yen

Schedule of all allowances

(Millions of yen)

Categories	Balance at the beginning of year	Increase	Decrease (used for intended purposes)	Decrease Others	Balance at the end of year
Allowance for doubtful accounts	142	59	11	32	157
Allowance for bonuses	261	261	261	–	261
Provision for loss on disaster	28	–	28	–	–
Provision for directors' retirement benefits	277	37	10	–	304

Note: "Decrease (Others)" of allowance for doubtful accounts is reversal due to the change in bad debt ratio of general accounts receivable.

Independent Auditors' Report on Financial Statement Audit
and
Internal Control Over Financial Audit
(Translation)

29 September 2011

The Board of Directors
ZERO CO., LTD.

Ernst & Young ShinNihon LLC

Tomohiro Narita Seal
Designated Partner
Engagement Partner
Certified Public Accountant

Masato Saito Seal
Designated Partner
Engagement Partner
Certified Public Accountant

Masayoshi Zenpo Seal
Designated Partner
Engagement Partner
Certified Public Accountant

<Financial statement audit>

Pursuant to Article 193-2, Section 1, of the Financial Instruments and Exchange Act of Japan, we have audited the accompanying consolidated financial statements of ZERO CO., LTD. (the "**Company**") and its consolidated subsidiaries (the "**Group**"), provided in the "Financial Information" section in the Company's Annual Securities Report, which comprise the consolidated balance sheet as of 30 June 2011 and, consolidated statements of income, comprehensive income, changes in net assets and cash flows for the year then ended, and supplementary schedules. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2011, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

<Internal control audit>

Pursuant to Article 193-2, Section 2 of the Financial Instruments and Exchange Act of Japan, we have also audited the accompanying Management's Report on Internal Control Over Financial Reporting for the consolidated financial statements as of 30 June 2011 of the Group (the "**Management's Report**"). The Company's management is responsible for designing and operating internal control over financial reporting and preparing the Management's Report. Our responsibility is to express an opinion on the Management's Report based on our internal control audit. Internal control over financial reporting may not completely prevent or detect misstatements.

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Management's Report is free from material misstatement. An internal control audit includes examining, on a test basis, the overall presentation of the Management's Report, including disclosures on scope, procedures and conclusions of management`s assessment of internal control over financial reporting. We believe that our internal control audit provides a reasonable basis for our opinion.

In our opinion, Management's Report referred to above, which represents that the internal control over financial reporting of the Group as of 30 June 2011 is effective, presents fairly, in all material respects, management's assessment of internal control over financial reporting for the consolidated financial statements in conformity with standards for assessment of internal control over financial reporting generally accepted in Japan.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

(Note)

This is the English translation of the Japanese language Report of independent Auditors issued by Ernst & Young ShinNihon LLC in connection with the audit of the consolidated financial statements of the Group prepared in Japanese, for the period ended 30 June 2011. Ernst & Young ShinNihon LLC have not audited or reviewed the English language version of the financial statements for the above-mentioned period, which are included in this circular. If there is any inconsistency between the original Japanese language report and its English translation, the original Japanese report would prevail.

Independent Auditors' Report on Financial Statement Audit
and
Internal Control Over Financial Audit
(Translation)

27 September 2012

The Board of Directors
ZERO CO., LTD.

Ernst & Young ShinNihon LLC

Tomohiro Narita Seal
Designated Partner
Engagement Partner
Certified Public Accountant

Masato Saito Seal
Designated Partner
Engagement Partner
Certified Public Accountant

Masayoshi Zenpo Seal
Designated Partner
Engagement Partner
Certified Public Accountant

<Financial statement audit>

Pursuant to Article 193-2, Section 1, of the Financial Instruments and Exchange Act of Japan, we have audited the accompanying consolidated financial statements of ZERO CO., LTD. (the "**Company**") and its consolidated subsidiaries (the "**Group**"), provided in the "Financial Information" section in the Company's Annual Securities Report, which comprise the consolidated balance sheet as of 30 June 2012 and, consolidated statements of income, comprehensive income, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies, other notes, and supplementary schedules.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditors consider internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

<Internal control audit>

Pursuant to Article 193-2, Section 2 of the Financial Instruments and Exchange Act of Japan, we have also audited the accompanying Management's Report on Internal Control Over Financial Reporting for the consolidated financial statements as of 30 June 2012 of the Group (the "**Management's Report**").

Management's Responsibility for the Management's Report

The Company's management is responsible for designing and operating internal control over financial reporting and for the preparation and fair presentation of the Management's Report in conformity with standards for assessment of internal control over financial reporting generally accepted in Japan. Internal control over financial reporting may not completely prevent or detect misstatements.

Auditors' Responsibility

Our responsibility is to express an opinion on the Management's Report based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Management's Report is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment on internal control over financial reporting in the Management's Report. The procedures selected depend on the auditor's judgment, including the materiality of effects on reliability of financial reporting. An internal control audit also includes examining the overall presentation of the Management's Report, including disclosures on scope, procedures and conclusions of management's assessment of internal control over financial reporting.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, Management's Report referred to above, which represents that the internal control over financial reporting of the Group as of 30 June 2012 is effective, presents fairly, in all material respects, management's assessment of internal control over financial reporting for the consolidated financial statements in conformity with standards for assessment of internal control over financial reporting generally accepted in Japan.

Interest

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

(Note)

This is the English translation of the Japanese language Report of independent Auditors issued by Ernst & Young ShinNihon LLC in connection with the audit of the consolidated financial statements of the Group prepared in Japanese, for the period ended 30 June 2012. Ernst & Young ShinNihon LLC have not audited or reviewed the English language version of the financial statements for the above-mentioned period, which are included in this circular. If there is any inconsistency between the original Japanese language report and its English translation, the original Japanese report would prevail.

(2) The following is the audited financial statements of Zero Group for the year ended 30 June 2013, which were prepared in accordance with JGAAP.

FINANCIAL INFORMATION

1. Basis of preparation of consolidated financial statements and financial statement

(1) The Company's consolidated financial statements have been prepared in accordance with the "Regulations Concerning Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Ordinance No. 28, 1976).

(2) The Company's financial statements have been prepared in accordance with the "Regulations Concerning Terminology, Forms, and Preparation Methods of Financial Statements" (Ministry of Finance Ordinance No. 59, 1963).

2. Audit certification

The Company's consolidated financial statements for the consolidated fiscal year ended 30 June 2013 and financial statements for the fiscal year for the year ended 30 June 2013 were audited by Ernst & Young ShinNihon LLC in accordance with the provisions of Article 193-2, Section 1 of the Financial Instruments and Exchange Act.

3. Particular steps for ensuring the appropriateness of consolidated financial statements

The Company has implemented special measures to ensure appropriateness of its consolidated financial statements. Specifically, the Company has joined the Financial Accounting Standards Foundation, and is deepening its understanding of accounting standards as well as is in compliance with new standards to appropriately identify the nature of accounting standards and establish structures that are able to comply with changes to accounting standards.

1. Consolidated financial statements

(1) Consolidated financial statements

① Consolidated balance sheets

(Millions of yen)

		2012 As at 30 June 2012		2013 As at 30 June 2013
ASSETS				
Current assets				
Cash and deposits	※2	4,772	※2	4,872
Notes and accounts receivable - trade	※6	6,575	※6	6,868
Merchandise		–		53
Supplies		73		86
Deferred tax assets		341		271
Others		966		985
Allowance for doubtful accounts		(39)		(41)
Total current assets		12,689		13,096
Fixed assets				
Property, plant and equipment				
Buildings and structures		6,027		6,049
Accumulated depreciation		(2,512)		(2,746)
Buildings and structures, net	※2	3,514	※2	3,302
Machinery, equipment and vehicles		1,221		1,173
Accumulated depreciation		(1,037)		(984)
Machinery, equipment and vehicles, net		183		188
Tools, furniture and fixtures		401		417
Accumulated depreciation		(345)		(350)
Tools, furniture and fixtures, net		56		66
Land	※2, ※5	8,389	※2, ※5	8,373
Leased assets		1,221		2,073
Accumulated depreciation		(422)		(663)
Leased assets, net		798		1,409
Total property, plant and equipment		12,943		13,341
Intangible assets				
Goodwill		2,137		1,808
Leased assets		17		20
Others		268		407
Total Intangible assets		2,423		2,236
Investments and other assets				
Investment securities	※1	563	※1	763
Long-term loans receivable		104		105
Deferred tax assets		742		777
Others		874		912
Allowance for doubtful accounts		(137)		(136)
Total investments and other assets		2,147		2,422
Total fixed assets		17,514		18,000
Total assets		30,203		31,096

(Millions of yen)

		2012 As at 30 June 2012		2013 As at 30 June 2013
LIABILITIES				
Current liabilities				
Notes and accounts payable - trade		3,221		3,430
Short-term loans payable	※2, ※7	700	※2, ※7	750
Current portion of long-term loans payable	※2, ※8	1,357	※2, ※8	1,607
Lease obligations		216		294
Accrued expenses		1,344		1,604
Income taxes payable		380		574
Accrued consumption taxes		281		272
Deposits received		248		256
Allowance for bonuses		409		406
Others		495		548
Total current liabilities		8,654		9,745
Long-term liabilities				
Long-term loans payable	※2, ※8	3,424	※2, ※8	2,041
Lease obligations		683		1,205
Deferred tax liabilities		76		76
Deferred tax liabilities for land revaluation	※5	1,088	※5	1,088
Provision for retirement benefits		2,992		3,029
Provision for directors' retirement benefits		379		427
Asset retirement obligations		41		41
Others		100		106
Total Long-term liabilities		8,787		8,016
Total liabilities		17,442		17,762
NET ASSETS				
Shareholders' equity				
Capital stock		3,390		3,390
Capital surplus		3,204		3,204
Retained earnings		7,043		7,571
Treasury stock,		(152)		(152)
Total shareholders' equity		13,485		14,014
Accumulated other comprehensive income				
Unrealised gains/(losses) on securities		(5)		15
Revaluation reserve for land	※5	(705)	※5	(705)
Foreign currency translation adjustments		(13)		8
Total accumulated other comprehensive income		(724)		(681)
Total net assets		12,761		13,333
Total liabilities and net assets		30,203		31,096

② Consolidated statements of income and statements of comprehensive income

Consolidated statements of income

(Millions of yen)

		2012 Year ended 30 June 2012		2013 Year ended 30 June 2013
Net sales		57,385		60,073
Cost of sales		49,833		52,675
Gross profit		7,551		7,397
Selling, general and administrative expenses	※1	5,222	※1	5,797
Operating income		2,329		1,600
Non-operating income				
Interest income		4		3
Dividend income		5		5
Rent income on fixed assets		18		19
Commission fee		58		71
Equity in earnings of affiliates		18		26
Others		35		44
Total non-operating income		139		169
Non-operating expenses				
Interest expenses		107		86
Loss on disposal of supplies		2		–
Others		13		23
Total non-operating expenses		122		109
Ordinary income		2,346		1,660
Extraordinary gains				
Gain on sales of fixed assets	※2	5	※2	21
Total extraordinary gains		5		21
Extraordinary losses				
Losses on sales of fixed assets	※3	104	※3	0
Losses on retirement of fixed assets	※4	9	※4	18
Impairment losses	※5	27	※5	16
Losses on valuation of investment securities		–		46
Retirement benefit expenses	※6	54		–
Restructuring losses		–	※7	85
Others		29		8
Total extraordinary losses		224		175
Income before income taxes and minority interests		2,127		1,507
Income taxes-current		480		767
Income taxes-deferred		705		23
Total income taxes		1,186		790
Income before minority interests		940		716
Net income		940		716

Consolidated statements of comprehensive income

(Millions of yen)

		2012 Year ended 30 June 2012		2013 Year ended 30 June 2013
Income before minority interests		940		716
Other comprehensive income				
Unrealised gains/(losses) on securities		3		21
Revaluation reserve for land		158		–
Share of other comprehensive income of entities accounted for using the equity method		(3)		22
Total other comprehensive income	※1	157	※1	43
Comprehensive income		1,098		760
Comprehensive income attributable to:				
Shareholders of ZERO CO., LTD.		1,098		760

③ Consolidated statements of changes in net assets

(Millions of yen)

	2012 Year ended 30 June 2012	2013 Year ended 30 June 2013
Shareholders' equity		
Capital stock		
Balance at the beginning of year	3,390	3,390
Changes during the year		
Net changes during the year	–	–
Balance at the end of year	3,390	3,390
Capital surplus		
Balance at the beginning of year	3,204	3,204
Changes during the year		
Net changes during the year	–	–
Balance at the end of year	3,204	3,204
Retained earnings		
Balance at the beginning of year	6,280	7,043
Changes during the year		
Dividends	(136)	(188)
Net income	940	716
Reversal of revaluation reserve for land	(40)	–
Net changes during the year	763	528
Balance at the end of year	7,043	7,571
Treasury stock		
Balance at the beginning of year	(152)	(152)
Changes during the year		
Purchase of treasury stock	(0)	(0)
Net changes during the year	(0)	(0)
Balance at the end of year	(152)	(152)
Total shareholders' equity		
Balance at the beginning of year	12,722	13,485
Changes during the year		
Dividends	(136)	(188)
Net income	940	716
Reversal of revaluation reserve for land	(40)	–
Purchase of treasury stock	(0)	(0)
Net changes during the year	763	528
Balance at the end of year	13,485	14,014

(Millions of yen)

	2012 Year ended 30 June 2012	2013 Year ended 30 June 2013
Accumulated other comprehensive income		
Unrealised gains/(losses) on securities		
Balance at the beginning of year	(9)	(5)
Changes during the year		
Net changes of items other than those in shareholders' equity	3	21
Net changes during the year	3	21
Balance at the end of year	(5)	15
Revaluation reserve for land		
Balance at the beginning of year	(904)	(705)
Changes during the year		
Net changes of items other than those in shareholders' equity	199	–
Net changes during the year	199	–
Balance at the end of year	(705)	(705)
Foreign currency translation adjustments		
Balance at the beginning of year	(9)	(13)
Changes during the year		
Net changes of items other than those in shareholders' equity	(3)	22
Net changes during the year	(3)	22
Balance at the end of year	(13)	8
Total accumulated other comprehensive income		
Balance at the beginning of year	(923)	(724)
Changes during the year		
Net changes of items other than those in shareholders' equity	198	43
Net changes during the year	198	43
Balance at the end of year	(724)	(681)
Total net assets		
Balance at the beginning of year	11,799	12,761
Changes during the year		
Dividends	(136)	(188)
Net income	940	716
Reversal of revaluation reserve for land	(40)	–
Purchase of treasury stock	(0)	(0)
Net changes of items other than those in shareholders' equity	198	43
Net changes during the year	961	572
Balance at the end of year	12,761	13,333

④ Consolidated statements of cash flows

(Millions of yen)

	2012 Year ended 30 June 2012	2013 Year ended 30 June 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income taxes and minority interests	2,127	1,507
Depreciation	607	742
Amortisation of goodwill	328	328
Increase/(decrease) in allowance for doubtful accounts	13	0
Increase/(decrease) in allowance for bonuses	17	(2)
Increase/(decrease) in provision for retirement benefits	(51)	37
Increase/(decrease) in provision for directors' retirement benefits	32	47
Increase/(decrease) in provision for loss on disaster	(28)	–
Interest and dividend income	(10)	(8)
Interest expenses	107	86
Losses/(gains) on valuation of investment securities	–	46
Losses/(gains) on sales and retirement of fixed assets	108	(3)
Impairment losses	27	16
Equity in earnings of affiliates	(18)	(26)
Decrease/(increase) in notes and accounts receivable-trade	(756)	(293)
Decrease/(increase) in inventories	6	(65)
Decrease/(increase) in other current assets	(73)	(54)
Increase/(decrease) in notes and accounts payable - trade	321	209
Decrease/(increase) in other current liabilities	288	310
Increase/(decrease) in accrued consumption taxes	55	(8)
Others	(1)	22
Subtotal	3,101	2,891
Interest and dividends income received	9	8
Interest expenses paid	(105)	(86)
Income taxes paid	(218)	(576)
Net cash used in operating activities	2,786	2,236
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments into time deposits	(10)	(1)
Proceeds from withdrawal of time deposits	149	2
Purchases of property, plant and equipment	(234)	(219)
Proceeds from sales of property, plant and equipment	262	40
Purchases of intangible assets	(146)	(228)
Purchases of investment securities	–	(165)
Proceeds from sales and redemption of investment securities	13	–
Increase in loans receivable	(102)	(52)
Collection of loans receivable	162	101
Others	(32)	(72)
Net cash used in investing activities	61	(594)

(Millions of yen)

		2012 Year ended 30 June 2012		2013 Year ended 30 June 2013
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase/(decrease) in short-term loans payable		–		50
Additions to long-term loans payable		650		450
Repayment of long-term loans payable		(3,258)		(1,582)
Payment for treasury stock, net		(0)		(0)
Repayments of lease obligations		(149)		(269)
Cash dividends paid		(136)		(187)
Net cash used in financing activities		(2,893)		(1,540)
Net increase/(decrease) in cash and cash equivalents		(45)		101
Cash and cash equivalents at the beginning of year		4,729		4,683
CASH AND CASH EQUIVALENTS AT END OF YEAR	※	4,683	※	4,785

Significant fundamental matters for the preparation of consolidated financial matters

1. Information for the scope of consolidation

(1) Number of consolidated subsidiaries: 8

Names of consolidated subsidiaries:
ZERO-TRANS CO., LTD.
ZERO KYUSYU CO., LTD
KANDAKO KAIRIKU UNSO Co., Ltd.
TBM Co., Ltd.
Kyuso Co., Ltd
DRIVER STAFF Group
JAPAN RELIEF Co., Ltd.
Nissan Shizuoka Worknet Co., Ltd.

(2) Unconsolidated subsidiaries
Toyo Bussan Co., Ltd.
ASSIST WORK Co., Ltd.
NPF Service Co., Ltd.
Auto Carry Co., Ltd.
Eight Zero Limited
GUANGZHOU EIGHT ZERO AUTO SERVICE CO., LTD.

These subsidiaries are excluded from the scope of consolidation, since they are immaterial in size, individually and in aggregate, and insignificant in terms of the Group's total assets, net sales, net income and retained earnings.

2. Information for application of the equity method

(1) Number of affiliates accounted for using the equity method: 1
ZERO SCM LOGISTICS (BEIJING) CO., LTD.

(2) Unconsolidated subsidiaries and affiliates that are not accounted for using the equity method
The following companies are not accounted for using the equity method, since they are immaterial in size, individually and in aggregate, and insignificant in terms of the Group's total net income and retained earnings.

(Affiliate) Utsunomiya Terminal Unyu Co. Ltd.

(Unconsolidated subsidiary) Toyo Bussan Co., Ltd. and others

(3) Accounting periods of the affiliates accounted for using the equity method are different from that of the Company and those companies are consolidated by using their financial statements based on their respective accounting period.

3. Information for different balance sheet date of consolidated subsidiaries

The balance sheet date is 31 March for the following subsidiaries; KANDAKO KAIRIKU UNSO Co., Ltd., TBM Co., Ltd., Kyuso Co., Ltd and Nissan Shizuoka Worknet Co., Ltd. In the preparation of consolidated financial statements, financial statements as of and for the year ended 31 March were used and necessary adjustments were made to their financial statements to reflect any significant transactions that occurred during the period prior to the Company's balance sheet date.

The balance sheet dates of the financial year for ZERO-TRANS CO., LTD., ZERO KYUSYU CO., LTD., DRIVER STAFF Group and JAPAN RELIEF Co., Ltd. are the same as the Company's balance sheet date.

4. Summary of significant accounting policies

(1) Valuation methods for significant assets

a. Securities

Held to maturity bonds:

Held to maturity securities are stated at amortised cost (straight-line method)

Other securities

Listed securities:
Listed securities are measured and stated at fair value, with fair value gains and losses, net of applicable taxes, reported as "unrealised gains/(losses) on securities," directly included in net assets.(The cost of securities sold is determined based on the moving average method.)

Unlisted securities

Unlisted securities are stated at cost, which is determined by the moving average method

b. Derivative financial instruments

Derivative financial instruments are measured and stated at fair value.

c. Inventories

Merchandise

Merchandises are stated at cost, which is determined by the specific identification method. (The balance sheet amounts are determined at the lower of the cost or net realizable value.)

Supplies

Supplies are stated at cost, which is determined by the latest purchase price method. (The balance sheet amounts are determined at the lower of the cost or net realizable value.)

(2) Depreciation method for depreciable assets

a. Property, plant and equipment (except for leased assets)

Depreciation of property, plant and equipment is calculated on the declining balance method.

However, the straight-line method is used for buildings (excluding ancillary facilities) acquired on or after 1 April 1998.

b. Intangible assets(except for leased assets)

Depreciation of intangible assets is calculated on the straight-line method.

Software for internal use is calculated by straight line method based on its useful life (5 years).

c. Leased assets

Finance leases that do not involve transfer of ownership:

Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated using the straight-line method over the lease terms at zero residual value or a residual value guarantee if any.

Finance leases executed on or before 30 June 2008, which do not involve transfer of ownership, are accounted for in similar manner as operating leases.

(3) Provision basis of allowances

a. Allowance for doubtful accounts

Allowance for doubtful accounts are provided for bad debt losses of accounts receivable and loans receivable. Estimated uncollectable amounts on general accounts receivable are provided applying a bad debt ratio based on the Company's historical record and experience. Estimated uncollectable amounts on specific accounts, such as doubtful accounts receivable, are provided by separately assessing their collectability.

b. Allowance for bonuses

At the Company and certain consolidated subsidiaries, an allowance for bonus is provided for the estimated amounts to be paid in the subsequent period based on the service provided during the current year.

c. Provision for retirement benefits

To provide for employee retirement benefits, provisions for retirement benefits are mainly provided based on projected retirement benefit obligations and estimated pension assets at the end of the current fiscal year.

Prior service cost is amortised using the straight-line method based on average remaining service period (10-13 years) at the time the service cost is incurred.

Actuarial gains and losses are recognised in the consolidated statement of income for the following fiscal year.

d. Provision for directors' retirement benefits

Estimated amount to be required at the current fiscal year end is provided in accordance with the Company's internal policy.

(4) Hedge accounting

a. Hedge accounting

For interest rate swap, special hedge accounting treatment is applied as necessary requirements for the treatment are satisfied.

b. Hedging instruments and hedged items

Hedging instruments: interest rate swap transactions

Hedged items: loan payable interest

c. Hedging policy

The Company enters into interest rate swap transactions for the purpose of hedging interest rate risks associated with its loans payable with variable interest, and hedged items are identified for each individual transaction.

d. Assessment of hedge effectiveness

Assessments of hedge effectiveness are omitted as necessary requirements are satisfied for special hedge accounting treatment of interest swaps.

(5) Amortisation of goodwill and amortisation period

Goodwill is amortised on a straight-line method over an estimated period, for which its economic benefit is effective (10 years), based on the actual conditions upon acquisition. However, for goodwill of immaterial amounts or goodwill that is deemed insignificant, the entire amount is amortised upon acquisition.

(6) Cash and cash equivalents in the consolidated statements of cash flows

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand, demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value with a maturity within three months when acquired.

(7) Accounting for consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(Accounting standards that have not been adopted)

Accounting Standards for Retirement Benefit (ASBJ Statement No. 26, 17 May 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, 17 May 2012)

1. Overview

① Treatment in the consolidated balance sheet

Under the Accounting Standard, actuarial gains and losses and past service costs that are yet to be recognised in profit or loss would be recognised within net assets (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus would be recognised as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

② Treatment in the consolidated statement of income and the consolidated statement of comprehensive income

Actuarial gains and losses and past service costs that arise in the current period and yet to be recognised in profit or loss would be included in other comprehensive income, and actuarial gains and losses and past service costs that were recognised in AOCI in prior periods and then recognised in profit and loss in the current period would be treated as reclassification adjustments.

2. Date of adoption

To be adopted from the closing date of the fiscal year starting on 1 July 2013

3. Effect of adoption of the accounting standards

The effect on consolidated financial statements that may occur is currently being assessed.

(Changes in accounting policy)

(Change in accounting policy which is hardly distinguished from the change in accounting estimates)

Due to revisions to the Corporation Tax Act, the Company and its subsidiaries changed their depreciation methods based on the revised Act for property, plant and equipment acquired on or after 1 July 2012. As a result of the change, the effects on operating income, ordinary income and net income before taxes and other adjustments for the current consolidated financial year were minimal.

(NOTES TO CONSOLIDATED BALANCE SHEETS)

※1 The components for unconsolidated subsidiaries and affiliates are as follows:

(Millions of yen)

	2012 As at 30 June 2012	2013 As at 30 June 2013
Investment securities (stocks)	342	410

※2 Pledged assets and secured debt

Pledged assets are as follows (numbers in parenthesis are provisionally registered amount):

(Millions of yen)

	2012 As at 30 June 2012		2013 As at 30 June 2013	
Time deposits	25	(–)	25	(–)
Buildings and structures	2,693	(2,614)	2,530	(2,454)
Land	3,333	(1,845)	3,317	(1,845)
Total	6,052	(4,459)	5,873	(4,299)

Liabilities secured by the above pledged assets:

(Millions of yen)

	2012 As at 30 June 2012	2013 As at 30 June 2013
Short-term loans payable	150	150
Current portion of long-term loans payable	463	449
Long-term loans payable	1,308	911
Total	1,921	1,511

※3 Guarantees

Financial guarantees for affiliate companies' loans payables from financial institutions and client acceptances and guarantees conducted by financial institutions are as follows:

(Millions of yen)

	2012 As at 30 June 2012	2013 As at 30 June 2013
ZERO SCM LOGISTICS (BEIJING) CO., LTD.	95	123
Contractors (4 companies)	96	91
Total	192	215

※4 Export bills discount

(Millions of yen)

	2012 As at 30 June 2012	2013 As at 30 June 2013
Export bills discount	–	38

※5 Revaluation reserve for land

Based on the Act on Revaluation of Land (Act No. 34 of 31 March 1998) relating to land revaluations, tax amounts related to the valuation differences that arose from revaluations of land for use are recorded in liabilities as "Deferred tax liabilities for land revaluation," and net of the valuation differences and the deferred tax liabilities is recorded in net assets as "Revaluation reserve for land."

Revaluation method: The land value for the revaluation is determined based on official notice price assessed and published by National Tax Agency of Japan as basis for calculation of landholding tax stipulated under Article 2, item (iv), of the Enforcement Ordinance on the Act on Revaluation of Land (Act No. 119 of 31 March 1998), fixed asset tax assessments , with adjustments needed, stipulated under item (iii) of the article, and appraisals provided by real estate appraisers as stipulated under item (v) of the article.

- Date of revaluation: 31 March 2002

(Millions of yen)

	2012 As at 30 June 2012	2013 As at 30 June 2013
Difference between book value after the revaluation of lands and fair value of the lands at the end of fiscal year	(2,214)	(2,033)

※6 Notes receivables at maturity at the end of the consolidated fiscal year

Notes receivables at maturity as of the balance sheet date of the consolidated fiscal year are settled on the clearance date. As the balance sheet date of the year ended 30 June 2013 was a holiday for the financial institution, amount of the receivables at maturity as of the balance sheet date is included in the balance of the notes at balance sheet date.

(Millions of yen)

	2012 As at 30 June 2012	2013 As at 30 June 2013
Notes receivable-trade	14	17

※7 In order to effectively procure working capital, the Company and 5 of its consolidated subsidiaries have entered into overdraft facility agreements with 6 banks. Based on these agreements, the balance for non-executed loans at the end of the consolidated fiscal year is as follows:

(Millions of yen)

	2012 As at 30 June 2012	2013 As at 30 June 2013
Total of overdraft limit	7,200	7,800
Outstanding balance of executed loan	550	600
Balance, net	6,650	7,200

※8 Covenant requirements

AS AT 30 JUNE 2012

In connection with loans of ¥1,348 million based on term-loan agreements for plant funds, the following covenant requirements must be fulfilled:

(a) For each fiscal year, ordinary income in the statement of income shall not be in loss position for two consecutive years.

(b) Total net assets in the balance sheet at the end of each fiscal year shall be equal to or greater than the higher of 80% of net assets as of 30 June 2008 or 80% of net assets on the balance sheet date of the immediately preceding fiscal year.

AS AT 30 JUNE 2013

In connection with loans of ¥1,006 million based on term-loan agreements for plant funds, the following covenant requirements must be fulfilled:

(a) For each fiscal year, ordinary income in the statement of income shall not be in loss position for two consecutive years.

(b) Total net assets in the balance sheet at the end of each fiscal year shall be equal to or greater than the higher of 80% of net assets as of 30 June 2008 or 80% of net assets on the balance sheet date of the immediately preceding fiscal year.

(NOTES TO CONSOLIDATED STATEMENTS OF INCOME)

※1 Major components and amounts of selling, general and administrative expenses are as follows:

(Millions of yen)

	2012 Year ended 30 June 2012	2013 Year ended 30 June 2013
Salaries and allowances	2,368	2,775
Bonuses	55	70
Provision for allowance for bonuses	53	70
Retirement benefit expenses	81	111
Provision for directors' retirement benefits	54	53
Welfare expenses	525	624
Information processing expenses	280	211
Provision of allowance for doubtful accounts	25	19
Depreciation	57	58

※2 The components of gains on sales of fixed assets are as follows:

(Millions of yen)

	2012 Year ended 30 June 2012	2013 Year ended 30 June 2013
Machinery, equipment and vehicles	5	21

※3 The components of losses on sales of fixed assets are as follows:

(Millions of yen)

	2012 Year ended 30 June 2012	2013 Year ended 30 June 2013
Machinery, equipment and vehicles	0	0
Land	103	–
Total	104	0

※4 The components of losses on retirement of fixed assets are as follows:

(Millions of yen)

	2012 Year ended 30 June 2012	2013 Year ended 30 June 2013
Buildings and structures	6	15
Tools, furniture and fixtures	1	2
Others	0	0
Total	9	18

※5 Impairment losses

YEAR ENDED 30 JUNE 2012

The Group recognised impairment losses on the following groups of assets:

Location	Usage	Type
Miyako-gun Fukuoka Prefecture (KANDAKO KAIRIKU UNSO Co., Ltd.)	Idle assets	Land

Asset grouping of idle assets has been made for each specific asset and impairment is recognised for each individual asset.

In the year ended 30 June 2012, the book value of the idle assets was reduced to the recoverable amount, and impairment losses of ¥27 million was recognised in extraordinary losses for idle land.

The recoverable amount was estimated based on the net sales value, and was estimated based on valuation by tax authority used for calculation of fixed assets taxes.

YEAR ENDED 30 JUNE 2013

The Group recognised impairment losses on the following groups of assets:

Location	Usage	Type
Miyako-gun Fukuoka Prefecture (KANDAKO KAIRIKU UNSO Co., Ltd.)	Idle assets	Land

Asset grouping of idle assets has been made for each specific asset and a group is recognised for each individual asset.

In the year ended 30 June 2013, the book value of the idle assets was reduced to the recoverable amount, and impairment losses of ¥16 million was recognised in extraordinary losses for idle land.

The recoverable amount was estimated based on the net sales value, and was estimated based on valuation by tax authority used for calculation of fixed assets taxes.

※6 Retirement benefit expenses

YEAR ENDED 30 JUNE 2012

One of the Company' s consolidated subsidiaries ZERO KYUSYU CO., LTD is a member of Fukuoka Prefecture and Saga Prefecture Truck Employees' Pension Fund (kouseinennkin). Management of plan assets had been entrusted to AIJ Investment Advisors CO., LTD. Since it was revealed that a majority of the plan assets has been lost, an estimated future loss of ¥54 million is recognised in extraordinary losses as "Retirement benefit expenses".

※7 Restructuring losses

YEAR ENDED 30 JUNE 2013

Restructuring losses consist of losses incurred from closing down unprofitable business in general cargo transportation business segment and breakup fees for leased property due to the elimination or consolidation of offices.

(NOTES TO CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME)

※1 Reclassification adjustment and tax effects relating to other comprehensive income

(Millions of yen)

	2012 Year ended 30 June 2012	2013 Year ended 30 June 2013
Unrealised gains and losses on securities:		
Amount arising during the year	5	33
Adjustment before tax effects	5	33
Amount of tax effects	(2)	(11)
Unrealised gains and losses on securities, net	3	21
Revaluation reserve for land:		
Adjustment before tax effects	158	–
Share of other comprehensive income of entities accounted for using the equity method:		
Amount arising during the year	(3)	22
Total other comprehensive income	157	43

(NOTES TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS)

YEAR ENDED 30 JUNE 2012

1. Type and number of shares issued and treasury stocks are as follows:

	As at 1 July 2011	Increase	Decrease	As at 30 June 2012
Shares issued				
Common stock	17,560,242	–	–	17,560,242
Total	17,560,242	–	–	17,560,242
Treasury stock				
Common stock (Note)	467,570	86	–	467,656
Total	467,570	86	–	467,656

Note: The increase in common stock of treasury stock was purchase of 86 shares which are less than the standard unit.

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual general meeting of shareholders on 29 September 2011	Common stock	68	4.00	30 June 2011	30 September 2011
Meeting of the Board of Directors on 9 February 2012	Common stock	68	4.00	31 December 2011	12 March 2012

(2) Dividends whose record date in the year ended 30 June 2012 with effective date in the year ending 30 June 2013

Resolution	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Annual general meeting of shareholders on 27 September 2012	Common stock	119	Retained earnings	7.00	30 June 2012	28 September 2012

YEAR ENDED 30 JUNE 2013

1. Type and number of shares issued and treasury stocks are as follows:

	As at 1 July 2012	Increase	Decrease	As at 30 June 2013 Increase
Shares issued				
Common stock	17,560,242	–	–	17,560,242
Total	17,560,242	–	–	17,560,242
Treasury stock				
Common stock (Note)	467,656	55	–	467,711
Total	467,656	55	–	467,711

Note: The increase in common stock of treasury stock was purchase of 55 shares which are less than the standard unit.

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual general meeting of shareholders on 27 September 2012	Common stock	119	7.00	30 June 2012	28 September 2012
Meeting of the Board of Directors on 14 February 2013	Common stock	68	4.00	31 December 2012	15 March 2013

(2) Dividends whose record date in the year ended 30 June 2013 with effective date in the year ending 30 June 2014

Resolution	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Annual general meeting of shareholders on 26 September 2013	Common stock	75	Retained earnings	4.40	30 June 2013	27 September 2013

(NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS)

※ A reconciliation of cash and cash equivalents as stated in the consolidated balance sheets as at the balance sheet dates to the balances as stated in the consolidated statement of cash flows is as follows:

(Millions of yen)

	2012 Year ended 30 June 2012	2013 Year ended 30 June 2013
Cash and deposits	4,772	4,872
Time deposits with maturities over three months	(88)	(87)
Cash and cash equivalents	4,683	4,785

(LEASE TRANSACTIONS)

(Lessee)

1. Finance leases

Finance lease transactions that do not involve transfer of ownership

① Leased assets

(a) Property, plant and equipment

Leased assets primarily comprise commercial vehicles used in automobile transportation businesses

(b) Intangible assets

Leased assets comprise software

② Depreciation method for leased assets

Leased assets are depreciated using straight-line method over the lease terms at zero residual value or a residual value guarantee if any.

Finance lease transactions that do not involve transfer of ownership and commenced on or before 30 June 2008 are accounted for in a similar manner as operating leases and such "as if capitalised" information is as follows:

(1) Amounts equivalent to acquisition costs, amounts equivalent to accumulated depreciation, amounts equivalent to accumulated impairment losses and amounts equivalent to net carrying amounts as at balance sheet dates are as follows:

(Millions of yen)

	As at 30 June 2012			
	Acquisition costs	Accumulated depreciation	Accumulated impairment losses	Net carrying amount
Buildings	525	218	–	306
Machinery, equipment and vehicles	934	685	29	218
Tools, furniture and fixtures	88	78	–	9
Total	1,547	983	29	534

(Millions of yen)

	As at 30 June 2013			
	Acquisition costs	Accumulated depreciation	Accumulated impairment losses	Net carrying amount
Buildings	525	271	–	253
Machinery, equipment and vehicles	283	148	29	105
Tools, furniture and fixtures	4	3	–	–
Total	812	423	29	359

(2) Future minimum lease payments

(Millions of yen)

	2012 As at 30 June 2012	2013 As at 30 June 2013
Future minimum lease payments		
Due within one year	208	85
Thereafter	384	301
Total	592	386
Balance of impairment loss account of leased assets	11	5

(3) Lease payments, reversal of allowance for impairment losses on leased assets, amounts equivalent to depreciation, amounts equivalent to interest expenses and impairment losses

(Millions of yen)

	2012 As at 30 June 2012	2013 As at 30 June 2013
Lease payments	315	184
Reversal of allowances for impairment losses of leased assets	6	5
Amounts equivalent to depreciation	206	122
Amounts equivalent to interest expenses	19	13
Impairment losses	–	–

(4) Calculation method for amounts equivalent to depreciation:

Depreciation of leased assets is calculated using the straight-line method over the lease terms at zero residual value.

(5) Calculation method for amounts equivalent to interest expenses:

The difference between total lease payments and amounts equivalent to acquisition costs of leased assets is assumed to be interest expenses and allocated over the lease terms using the interest method.

2. Operating leases

Future minimum lease payments relating to non-cancellable operating leases

(Millions of yen)

	2012 As at 30 June 2012	2013 As at 30 June 2013
Due within one year	14	10
Thereafter	13	2
Total	28	13

(Lessor)

1. Finance leases

Future minimum lease receipts

(Millions of yen)

	2012 As at 30 June 2012	2013 As at 30 June 2013
Due within one year	42	38
Thereafter	79	40
Total	121	79

2. Operating leases

Future minimum lease revenue collections relating to non-cancellable operating leases

(Millions of yen)

	2012 As at 30 June 2012	2013 As at 30 June 2013
Due within one year	305	305
Thereafter	3,421	3,116
Total	3,726	3,421

Note: The above amounts are the future minimum lease revenue collections from regular leases and sublease transactions.

As assets under the sublease transactions are leased to third parties under almost equivalent conditions to the master lease transactions, approximately the same balances are included in the above amounts for future minimum lease payments of the lessee.

(FINANCIAL INSTRUMENTS)

1. Financial instruments

(1) The Group's policy on financial instruments

The Group raises funds through bank loans in accordance with capital expenditure plans. Any temporary surplus of funds is invested in highly safe financial instruments. The Group enters into derivative transactions to hedge risk arising from fluctuations in interest rates and does not conduct any speculative trading in derivatives.

(2) Description financial instruments and related risks

As notes and accounts receivable-trade, are exposed to the credit risk of each customer, the Group assesses the credit status of each customer monitoring payments by due date and accrued balances by age.

The Group holds investment securities primarily of business partners and listed securities are exposed to market price fluctuations.

Most notes and accounts payable-trade are due within three months.

Loans are mainly used in raising funds for capital investment and short-term working capital. Loans with variable interest rates are exposed to interest rate fluctuations. Derivative transactions (interest rate swaps) are conducted to hedge a part of this risk.

Interest rate swap derivative transactions are conducted for the purpose of hedging fluctuation risks of interest payments for loans. For hedging instruments, hedged items, hedging policy and assessment of hedge effectiveness related to hedge accounting, please refer to the aforementioned *(4) Hedge accounting of 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES in the SIGNIFICANT FUNDAMENTAL MATTERS FOR THE PREPARATION OF CONSOLIDATED FINANCIAL MATTERS.*

(3) Risk management of financial instruments

(i) Management of credit risk (contractual default, etc.)

The Group manages due dates and balances of each client's notes and accounts receivable-trade.

As the Group enters into derivative transactions only with financial institutions that have a sound rating profile, it is deemed that the credit risk is insignificant.

(ii) Management of market risk (fluctuations in foreign currency exchange rates and interest rates)

In order to reduce interest payment fluctuation risk, the Group conducts interest rate swaps.

Regarding investment securities, the Group regularly monitors the current share price and financial status of the issuers, and continually reviews the status of its portfolio taking into consideration relationship with issuers.

(iii) Management of liquidity risk related to funding (the failure to execute payment on due dates)

The Group manages the liquidity risk by maintaining liquidity at hand, while compiling and updating funding plans on a timely basis.

2. Fair value of financial instruments

Carrying amounts of financial instruments, their fair values and the differences are as follows: Financial instruments for which it is deemed extremely difficult to determine the fair value are not included in the table below. (Please refer to (Note 2 below))

AS AT 30 JUNE 2012 (Millions of yen)

	Carrying amounts	Fair values	Difference
Cash and deposits	4,772	4,772	–
Notes and accounts receivable-trade	6,575	6,575	–
Investment securities			
Held-to-maturity bonds	25	13	(11)
Other securities	96	96	–
Total assets	11,469	11,457	(11)
Notes and accounts payable-trade	3,221	3,221	–
Long-term loans payable (including current portion)	4,782	4,791	8
Total liabilities	8,003	8,012	8
Derivative transactions	–	–	–

AS AT 30 JUNE 2012 (Millions of yen)

	Carrying amounts	Fair values	Difference
Cash and deposits	4,872	4,872	–
Notes and accounts receivable-trade	6,868	6,868	–
Investment securities			
Held-to-maturity bonds	25	21	(3)
Other securities	138	138	–
Total assets	11,905	11,902	(3)
Notes and accounts payable-trade	3,430	3,430	–
Long-term loans payable (Including current portion)	3,649	3,651	2
Total liabilities	7,080	7,082	2
Derivative transactions	–	–	–

Note 1: Method used to determine the fair value of financial instruments and other matters related to investment securities and derivative transactions.

Assets

(1) Cash and deposits

(2) Notes and accounts receivable-trade

Since these assets are settled in a short period of time, their carrying amounts approximate the fair values.

(3) Investment securities

The fair values of investment securities are based on quoted market prices, and the fair values of bonds are based on quoted market prices or prices given by financial institutions.

Liabilities

(1) Notes and accounts payable-trade

Since these liabilities are settled in a short period of time, their carrying amounts approximate the fair values.

(2) Long-term loans payable

For long-term loans payable, fair values are determined based on present value of total principal and interest discounted by interest rate which would be applied for similar new loans. Certain long-term loans payable with variable interest rate are subject to special accounting treatment for interest rate swaps, in which case the fair value is determined based on total amount of applicable principal and interest amount under the swap transaction, discounted by interest rate which would be applied to similar new loans.

Derivative transactions

Please refer to *DERIVATIVE TRANSACTIONS* below.

Note 2: Financial instruments for which it is deemed extremely difficult to determine the fair value.

(Millions of yen)

Types of securities	2012 As at 30 June 2012	2013 As at 30 June 2013
Unlisted equity securities	441	599

The fair values of unlisted equity securities without quoted prices are deemed extremely difficult to reliably measure.

Note 3: Redemption schedule after the balance sheet date for monetary receivables and securities with maturity dates.

AS AT 30 JUNE 2012 (Millions of yen)

	Due within one year	Due after one year but within five years	Due after five years but within ten years	Thereafter
Cash and deposits	4,764	–	–	–
Notes and accounts receivable-trade	6,575	–	–	–
Securities and investment securities				
Held-to-maturity bonds				
(1) Government bonds, local government bonds, etc.	–	–	–	–
(2) Corporate bonds	–	–	–	–
(3) Others	–	–	–	25
Total	11,339	–	–	25

AS AT 30 JUNE 2013 (Millions of yen)

	Due within one year	Due after one year but within five years	Due after five years but within ten years	Thereafter
Cash and deposits	4,864	–	–	–
Notes and accounts receivable-trade	6,868	–	–	–
Securities and investment securities				
Held-to-maturity bonds				
(1) Government bonds, local government bonds, etc.	–	–	–	–
(2) Corporate bonds	–	–	–	–
(3) Others	–	–	–	25
Total	11,733	–	–	25

Note 4: Payment schedule after the balance sheet date for long-term loans payable.

AS AT 30 JUNE 2012 (Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Thereafter
Long-term loans payable	1,357	1,633	935	370	243	241

AS AT 30 JUNE 2013 (Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Thereafter
Long-term loans payable	1,607	909	509	387	217	18

(SECURITIES)

1. Held-to-maturity bonds

AS AT 30 JUNE 2012 (Millions of yen)

	Types of securities	Carrying amounts	Fair value	Differences
Securities whose fair value exceed their carrying amounts	(1) Government bonds, local government bonds, etc.	–	–	–
	(2) Corporate bonds	–	–	–
	(3) Others	–	–	–
	Subtotal	–	–	–
Securities whose fair value do not exceed their carrying amounts	(1) Government bonds, local government bonds, etc.	–	–	–
	(2) Corporate bonds	–	–	–
	(3) Others	25	13	(11)
	Subtotal	25	13	(11)
Total		25	13	(11)

AS AT 30 JUNE 2013 (Millions of yen)

	Types of securities	Carrying amounts	Fair value	Differences
Securities whose fair value exceed their carrying amounts	(1) Government bonds, local government bonds, etc.	—	—	—
	(2) Corporate bonds	—	—	—
	(3) Others	—	—	—
	Subtotal	—	—	—
Securities whose fair value do not exceed their carrying amounts	(1) Government bonds, local government bonds, etc.	—	—	—
	(2) Corporate bonds	—	—	—
	(3) Others	25	21	(3)
	Subtotal	25	21	(3)
Total		25	21	(3)

2. Other securities

AS AT 30 JUNE 2012 (Millions of yen)

	Types of securities	Carrying amounts	Acquisition costs	Differences
Securities whose carrying amounts exceed their acquisition costs	(1) Equity securities	14	9	4
	(2) Bonds			
	① Government bonds, local government bonds, etc.	–	–	–
	② Corporate bonds	–	–	–
	③ Others	–	–	–
	(3) Others	–	–	–
	Subtotal	14	9	4
Securities whose carrying amounts do not exceed their acquisition costs	(1) Equity securities	69	80	(10)
	(2) Bonds			
	① Government bonds, local government bonds, etc.	–	–	–
	② Corporate bonds	–	–	–
	③ Others	–	–	–
	(3) Others	12	12	–
	Subtotal	82	92	(10)
Total		96	102	(5)

Note: As at 30 June 2012 certain unlisted equity securities of carrying amount of ¥441 million without quoted prices are excluded from the table above, as it is deemed extremely difficult to measure their fair values.

AS AT 30 JUNE 2013 (Millions of yen)

	Types of securities				Carrying amounts	Acquisition costs	Differences
Securities whose carrying amounts exceed their acquisition costs	(1)	Equity securities			118	89	29
	(2)	Bonds					
		①	Government bonds, local government bonds, etc.		–	–	–
		②	Corporate bonds		–	–	–
		③	Others		–	–	–
	(3)	Others			–	–	–
	Subtotal				118	89	29
Securities whose carrying amounts do not exceed their acquisition costs	(1)	Equity securities			8	10	(1)
	(2)	Bonds					
		①	Government bonds, local government bonds, etc.		–	–	–
		②	Corporate Bonds		–	–	–
		③	Others		–	–	–
	(3)	Others			11	11	–
	Subtotal				20	21	(1)
Total					138	111	27

Note: As at 30 June 2013 certain unlisted equity securities of carrying amount of ¥599 million without quoted prices are excluded from the table above, as it is deemed extremely difficult to measure their fair values.

3. Securities for which impairment losses were recognised

For the year ended 30 June 2013, impairment losses amounting to ¥46 million was recognised for unlisted equity securities included in other securities.

(DERIVATIVE TRANSACTIONS)

1. Derivative transactions accounted for which hedge accounting is applied

Interest related derivative transactions

YEAR ENDED 30 JUNE 2012 (Millions of yen)

Hedge accounting method	Type	Major hedged items	Contract amount	Contract amount mature after one year	Fair value
Special accounting treatment for interest rate swaps	Interest rate swaps	Long-term loans payable			
	Floating rate received, fixed rate paid		262	67	(Note)

Note: As interest rate swaps for which special accounting treatment for interest rate swaps is applied are accounted for combined with hedged long-term loan payments, their fair values are included in the fair value of the applicable long-term loan payments.

YEAR ENDED 30 JUNE 2013 (Millions of yen)

Hedge accounting method	Type	Major hedged items	Contract amount	Contract amount mature after one year	Fair value
Special accounting treatment for interest rate swaps	Interest rate swaps	Long-term loans payable			
	Floating rate received, fixed rate paid		751	540	(Note)

Note: As interest rate swaps for which special accounting treatment for interest rate swaps is applied are accounted for combined with hedged long-term loan payments, their fair values are included in the fair value of the applicable long-term loan payments.

(RETIREMENT BENEFIT PLANS)

1. Description of retirement benefit plans

Excluding certain consolidated subsidiaries, the Group has defined benefit pension plans. The defined benefit pension plan comprises lump sum retirement benefit plans, defined benefit corporate pension plans and multiemployer welfare pension plans. Certain consolidated subsidiaries are members of the Smaller Enterprise Retirement Allowance Mutual Aid, a defined contribution plan.

Information of multiemployer welfare pension plans for which the contribution is recognised as retirement benefit expenses is as follows:

(1) Overall retirement benefit plan reserve status

(Millions of yen)

	2012 As at 31 March 2012	2013 As at 31 March 2013
Plan assets	16,171	11,032
Pension benefit obligation	17,340	17,362
Balance	(1,168)	(6,329)

(2) The Group's contribution ratio that accounts for the overall plan

Prior fiscal year 2.74% as at 31 May 2012

Current fiscal year 3.27% as at 31 May 2013

(3) Supplemental explanation

The primary factor for the differences in (1) above is the prior service cost balance ((¥608 million) for the year ended 30 June 2012, (¥514 million) for the year ended 30 June 2013), carryover shortages ((¥1,089 million) for the year ended 30 June 2012 and (¥4,113 million) for the year ended 30 June 2013) and asset valuation adjustment amounts (¥529 million) for the year ended June 2012 and (¥1,702 million) for the year ended 30 June 2013. The amortisation method of prior services cost is equal amortisation of principal and interest over six years.

2. Retirement benefit obligations

		2012 As at 30 June 2012	2013 As at 30 June 2013
(1)	Retirement benefit obligations (Millions of yen)	(4,499)	(4,412)
(2)	Plan assets at fair value	1,727	2,079
(3)	Unfunded retirement benefit obligations(1)+(2)	(2,771)	(2,333)
(4)	Unrecognised actuarial gain or loss	159	(368)
(5)	Unrecognised prior service cost	(327)	(273)
(6)	Estimated pension asset losses (Note)	(54)	(54)
(7)	Consolidated balance sheet net amount (3)+(4)+(5)+(6)	(2,992)	(3,029)
(8)	Prepaid pension costs	–	–
(9)	Provision for retirement benefits (7)-(8)	(2,992)	(3,029)

Note: One of the Company's consolidated subsidiaries ZERO KYUSYU CO., LTD is a member of Fukuoka Prefecture and Saga Prefecture Truck Employees' Pension Fund (kouseinennkin). Management of a portion of the plan assets had been entrusted to AIJ Investment Advisors CO., LTD. Since it was revealed that a majority of the plan assets has been lost, the Company provided provision for an estimated loss and such expense was charged as retirement benefit expenses in extraordinary loss for the fiscal year ended 30 June 2012.

3. Retirement benefit expenses

(Millions of yen)

		2012 Year ended 30 June 2012	2013 Year ended 30 June 2013
(1)	Service cost (Millions of yen)	256	280
(2)	Interest cost	67	65
(3)	Expected return on plan assets	(35)	(31)
(4)	Amortisation of prior service cost	(55)	(53)
(5)	Amortisation of actuarial gain or loss	46	159
(6)	Estimated pension asset losses	54	–
(7)	Retirement benefit expenses	333	421

Note: One of the Company' s consolidated subsidiaries ZERO KYUSYU CO., LTD is a member of Fukuoka Prefecture and Saga Prefecture Truck Employees' Pension Fund (kouseinennkin). Management of a portion of the plan assets had been entrusted to AIJ Investment Advisors CO., LTD. Since it was revealed that a majority of the plan assets has been lost, the Company provided provision for an estimated loss and such expense was charged as retirement benefit expenses in extraordinary loss for the fiscal year ended 30 June 2012.

4. Assumptions used for calculation of retirement benefit obligations

		2012 As at 30 June 2012	2013 As at 30 June 2013
(1)	Attribution of estimated retirement benefits	Straight-line attribution	Straight-line attribution
(2)	Discount rate	1.5%-1.6%	1.5%-1.6%
(3)	Expected rate of return on plan assets	2.0%	2.0%
(4)	Amortisation period of prior service cost	10-13 years (straight-line method based on average remaining service years of employee as incurred)	10-13 years (straight-line method based on average remaining service years of employee as incurred)
(5)	Amortisation period of actuarial gain or loss	Entire amount expensed in the following year	Entire amount expensed in the following year

(STOCK OPTIONS)

1. Description, size of stock options and movement of the options during the period

(1) Description of stock options

	2003 stock options
Category and number of grantees	The Company's board of directors: 2 The Company's corporate auditor: 1 The Company's executive officers: 5 The Company's employees: 13
Number of stock options by type of shares (Note)	Common stock 1,080,000 shares
Grant date	7 July 2003
Vesting conditions	To serve continuously until the vesting date (24 June 2005) after the grant date (7 July 2003)
Vesting period	Not specified
Exercise period	From 24 June 2005 to 22 June 2013

Note: The Company carried out a 3 for 1 stock split on the record date of 31 May 2006. The number of stock options described above is equivalent to the number of converted shares following the stock split.

(2) Size of stock options and movement of the options during the period

The following describes changes in the number of stock options that existed for the year ended 30 June 2013. The number of stock options is translated into the number of shares.

① Number of stock options

	2003 stock options
Share subscription rights not yet vested:	
As at 30 June 2012	
Granted	–
Forfeited	–
Vested	–
Balance of non-vested options	–
Share subscription rights which have already been vested:	
As at 30 June 2012	610,200
Vested	–
Exercised	–
Forfeited	610,200
Balance of options not exercised	–

② Unit price information

(Yen)

	2003 stock options
Exercise price	317
Average price on the date of exercise	–
Fair value on the grant date	–

(DEFERRED TAXES)

1. Breakdown of deferred tax assets and liabilities are as follows:

(Millions of yen)

	2012 As at 30 June 2012	2013 As at 30 June 2013
Current		
Deferred tax assets		
Allowance for bonuses	173	174
Allowance for doubtful accounts	5	6
Accrued business tax	33	45
Tax losses carried forward	126	–
Others	24	54
Subtotal	363	280
Valuation allowance	(19)	(6)
Total deferred tax assets	343	273
Deferred tax liabilities		
Internal transaction eliminations	(1)	(2)
Net deferred tax assets (non-current)	341	271
Non-current		
Deferred tax assets		
Provision for retirement benefits	1,072	1,084
Provision for directors' retirement benefits	140	157
Tax losses carried forward	86	68
Others	238	244
Subtotal	1,538	1,555
Valuation allowance	(315)	(316)
Total deferred tax assets	1,222	1,239
Deferred tax liabilities		
Reserve for advanced depreciation of fixed assets	452	431
Others	103	107
Total deferred tax liabilities	556	538
Net deferred tax assets (non-current)	666	700

2. The reconciliation between the effective tax rate after applying tax effect and the statutory income tax rate is as follows:

(Millions of yen)

	2012 As at 30 June 2012	2013 As at 30 June 2013
Statutory income tax rate	40.4%	37.7%
(Adjustments)		
Inhabitant tax on a per capita basis	3.6	5.2
Amortisation of goodwill	6.2	8.2
Equity in earnings of affiliates	(0.4)	(0.6)
Reduction of deferred tax assets at year end due to tax rate change	4.7	–
Others	1.3	2.0
Effective tax rates after applying tax effect accounting	55.8	52.5

(BUSINESS COMBINATIONS)

Not applicable.

ASSET RETIREMENT OBLIGATIONS

Disclosure of asset retirement obligation amounts is omitted due to a lack of significance

RENTAL PROPERTIES

The Company and certain consolidated subsidiaries have rental warehouses (including land) in Kanagawa Prefecture and other regions. Rental income for these warehouses in the fiscal year ended 30 June 2012 was ¥158 million (rental income was recorded under sales and non-operating income and primary rental expenses were recorded under cost of sales, and selling, general and administrative expenses) and impairment losses were ¥4 million (recorded under extraordinary losses). Rental income for these warehouses in the financial year ended 30 June 2013 was ¥176 million (rental income was recorded under sales and non-operating income and primary rental expenses were recorded under cost of sales, and selling, general and administrative expenses).

The carrying amounts, carrying amount increase/decrease during the fiscal year and fair values of the rental properties are as follows:

(Millions of yen)

	2012 Year ended 30 June 2012	2013 Year ended 30 June 2013
Carrying amounts		
Balance at the beginning of year	4,323	4,239
Increase/decrease	(84)	7
Balance at the end of year	4,239	4,246
Fair value at the end of year	3,928	4,412

Notes: 1. Carrying amounts are acquisition costs after deducting accumulated depreciation.

2. The primary increase carrying amounts during the year ended 30 June 2012 is an increase in idle assets (¥83 million), and the primary decrease was depreciation (¥163 million) and impaired losses (¥4 million). The primary increase accounting for the change of carrying amounts during the year ended 30 June 2013 was an increase in idle assets (¥155 million), and the primary decrease was depreciation (¥148 million).

3. The fair value at the end of the year was primarily based on real estate appraisal reports (including those with adjustments carried out using indices) prepared by external real estate appraisers.

(SEGMENT INFORMATION)

Segment information

1. Overview of 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 organisation structure and service attributes, the Group's reportable segments are automobile transportation business, general cargo transportation business and human resources business.

Main services for each reportable segment

Segment	Main services
Automobile transportation business	Automobile shipping, maintenance, used car auctions
General cargo transportation business	General consumer goods shipping, home electronics shipping, cargo handling of coal, slag, etc., warehouse rental
Human resources business	Driver dispatch, personal vehicle operation management

2. Calculation method for net sales, 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 income for each business segment corresponds to operating income (before goodwill amortisation).

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

3. Information about net sales, income or loss, assets, liabilities and other income items by reportable segment are as follows:

YEAR ENDED 30 JUNE 2012 (Millions of yen)

	Automobile transportation business	General cargo transportation business	Human resources business	Total	Adjustments (Note 1)	Consolidated statements of income (Note 2)
Net sales						
Net sales to external customers	42,736	6,748	7,900	57,385	–	57,385
Inter-segment net sales or transfers	46	23	121	191	(191)	–
Total	42,783	6,771	8,021	57,577	(191)	57,385
Segment income	2,929	606	358	3,895	(1,566)	2,329
Segment assets	14,359	6,642	2,203	23,205	6,997	30,203
Other items						
Depreciation	315	228	18	562	45	607
Increase in property, plant and equipment and intangible assets	716	44	15	775	59	835

Note 1: Adjustment amounts are as follows:

(1) The adjustment amount of (¥1,566 million) in segment income included group-wide expenses of (¥1,239 million), goodwill amortisation of (¥328 million) and inter-segment eliminations of (¥2 million). 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.

(3) Other item adjustments are related to group-wide assets that are not allocated to each reportable segment.

Note 2: Segment income is adjusted to reconcile with the operating income of the consolidated financial statements.

YEAR ENDED 30 JUNE 2013 (Millions of yen)

	Automobile transportation business	General cargo transportation business	Human resources business	Total	Adjustments (Note 1)	Consolidated statements of income (Note 2)
Net sales						
Net sales to external customers	44,759	6,196	9,117	60,073	–	60,073
Inter-segment net sales or transfers	27	40	269	338	(338)	–
Total	44,787	6,236	9,387	60,411	(338)	60,073
Segment income	2,417	337	434	3,188	(1,588)	1,600
Segment assets	15,245	6,452	2,339	24,038	7,057	31,096
Other items						
Depreciation	478	217	17	712	29	742
Increase in property, plant and equipment and intangible assets	1,058	190	53	1,303	86	1,390

Note 1: Adjustment amounts are as follows:

(1) The adjustment amount of (¥1,588 million) in segment income included group-wide expenses of (¥1,260 million), goodwill amortisation of (¥328 million) and inter-segment eliminations of (¥1 million). 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.

(3) Other item adjustments are related to group-wide assets that are not allocated to each reportable segment.

Note 2: Segment income is adjusted to reconcile with the operating income of the consolidated financial statements.

Related information

YEAR ENDED 30 JUNE 2012

1. Segment information by product and service

Information by product and service is not presented since the same information is presented in segment information.

2. Geographical segment information

(1) Net sales

Geographical segment information is omitted since net sales to external customers in Japan exceed 90% of total net sales in the consolidated statements of income.

(2) Property, plant and equipment

There are no applicable items since there is no property, plants or equipment outside of Japan.

3. Information by major customer

(Millions of yen)

Name of customer	Net sales	Related segment
Nissan Motor Co., Ltd.	16,654	Automobile transportation business

YEAR ENDED 30 JUNE 2013

1. Segment information by product and service

Information by product and service is not presented since the same information is presented in segment information.

2. Geographical segment information

(1) Net sales

Geographical segment information is omitted since net sales to external customers in Japan exceed 90% of total net sales in the consolidated statements of income.

(2) Property, plant and equipment

There are no applicable items since there is no property, plants or equipment outside of Japan.

3. Information by major customer

(Millions of yen)

Name of customer	Net sales	Related segment
Nissan Motor Co., Ltd.	14,751	Automobile transportation business

Information about impairment losses on fixed assets by reportable segments

YEAR ENDED 30 JUNE 2012 (Millions of yen)

	Automobile transportation business	General cargo transportation business	Human resources business	Elimination	Total
Impairment losses	–	27	–	–	27

YEAR ENDED 30 JUNE 2013 (Millions of yen)

	Automobile transportation business	General cargo transportation business	Human resources business	Elimination	Total
Impairment losses	–	16	–	–	16

Information about amortisation and unamortised balance of goodwill by reportable segments

YEAR ENDED 30 JUNE 2012 (Millions of yen)

	Automobile transportation business	General cargo transportation business	Human resources business	Elimination	Total
Amortisation during the year	–	–	328	–	328
Balance at the end of year	–	–	2,137	–	2,137

YEAR ENDED 30 JUNE 2012 (Millions of yen)

	Automobile transportation business	General cargo transportation business	Human resources business	Elimination	Total
Amortisation during the year	–	–	328	–	328
Balance at the end of year	–	–	1,808	–	1,808

Information about gain on negative goodwill by reportable segments

YEAR ENDED 30 JUNE 2012

Not applicable.

YEAR ENDED 30 JUNE 2013

Not applicable.

Related Party Information

YEAR ENDED 30 JUNE 2012

1. Related party transactions

   Not applicable.

2. Notes for major related companies

   Not applicable.

YEAR ENDED 30 JUNE 2013

1. Related party transactions

   Not applicable.

2. Notes for major related companies

   Not applicable.

(PER SHARE INFORMATION)

	2012 Year ended 30 June 2012	2013 Year ended 30 June 2013
Net assets per share	746.59Yen	780.07Yen
Basic net income per share	55.03Yen	41.92Yen

Note 1: Diluted net income per share amounts are not presented since there are no shares existing that have dilutive effects.

2. The basis for calculation of net assets per share is as follows:

	2012 Year ended 30 June 2012	2013 Year ended 30 June 2013
Total net assets (Millions of yen)	12,761	13,333
Deductions from total net assets	–	–
Net assets attributable to common stock (Millions of yen)	12,761	13,333
Number of common stock at the end of the year (Thousands of shares)	17,092	17,092

3. The basis for calculation of basic net income per share is as follows:

	2012 Year ended 30 June 2012	2013 Year ended 30 June 2013
Basic net income per share		
Net income (Millions of yen)	940	716
Net income not attributable to common shareholders (Millions of yen)	–	–
Net income attributable to common shareholders (Millions of yen)	940	716
Average number of common stock during the year (Thousands of shares)	17,092	17,092
Shares excluded from the computation of diluted net income per share, because they do not have dilutive effects	Stock options (610,200 shares) based on the resolution of the extraordinary meeting of shareholders on 23 June 2003	Stock options (610,200 shares) based on the resolution of the extraordinary meeting of shareholders on 23 June 2003 are forfeited as of the expiration of the exercise period on 22 June 2013.

(SUBSEQUENT EVENTS)

Not applicable.

⑤ Consolidated supplementary schedules

Schedule of bonds payable

Not applicable.

Schedule of loans payable

Categories	Beginning balance (Millions of yen)	Ending balance (Millions of yen)	Average interest rate (%)	Maturity
Short-term loans payable	700	750	1.0	–
Current portion of long-term loans payable	1,357	1,607	1.2	–
Current portion of lease obligations	216	294	1.9	–
Long-term loans payable (excluding current portion)	3,424	2,041	1.0	2014 to 2019
Lease obligations (excluding current portion)	683	1,205	1.9	2014 to 2020
Other interest-bearing liabilities	–	–	–	–
Total	6,382	5,899		

Note 1: The average interest rate represents the weighted average rate applicable to the year-end balance.

Note 2: The following table shows the aggregate annual maturities of long-term loans payable (excluding the current portion) and lease obligations (excluding the current portion) for 5 years subsequent to 30 June 2013:

(Millions of yen)

	Due after *one* year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
Long-term loans payable	909	509	387	217
Lease obligations	427	193	296	255

Schedule of asset retirement obligations

Since the amount of asset retirement obligations at the beginning of the consolidated financial year and the end of the consolidated financial year are 1% or less of total liabilities and net assets at the beginning and end of the year, they are not presented here as provided under Article 92 item (2) of the Regulations for Consolidated Financial Statements.

(2) Other

Quarterly information, etc., for the consolidated financial year

(Cumulative period)	Quarter 1	Quarter 2	Quarter 3	For the year ended 30 June 2013
Net sales (Millions of yen)	14,329	28,799	44,564	60,073
Quarterly net income before taxes and other adjustments (Millions of yen)	324	634	1,138	1,507
Quarterly net income (Millions of yen)	157	293	556	716
Quarterly net income per share (Yen)	9.24	17.16	32.58	41.92

(Accounting period)	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Quarterly net income per share (Yen)	9.24	7.92	15.42	9.34

2. FINANCIAL INFORMATION FOR THE COMPANY

(1) FINANCIAL STATEMENTS

① BALANCE SHEETS

(Millions of yen)

		2012 As at 30 June 2012		2013 As at 30 June 2013
ASSETS				
Current assets				
Cash and deposits		2,883		3,072
Notes receivable-trade	※2, ※6	168	※6	174
Accounts receivable-trade	※2	4,926	※2	5,113
Merchandise		–		53
Supplies		63		76
Prepaid expenses		246		248
Deferred tax assets		255		190
Short-term loans receivable	※2	115	※2	63
Accounts receivable	※2	546	※2	607
Others		30		35
Allowance for doubtful accounts		(24)		(26)
Total current assets		9,210		9,609
Fixed assets				
Property, plant and equipment				
Buildings		3,930		3,939
Accumulated depreciation		(978)		(1,165)
Buildings, net	※1	2,951	※1	2,773
Structures		808		811
Accumulated depreciation		(644)		(672)
Structures, net	※1	164	※1	139
Machinery and equipment		256		258
Accumulated depreciation		(194)		(206)
Machinery and equipment, net		61		52
Vehicles		105		122
Accumulated depreciation		(82)		(105)
Vehicles, net		23		16
Tools, furniture and fixtures		306		319
Accumulated depreciation		(267)		(272)
Tools, furniture and fixtures, net		39		46
Land	※1, ※5	6,716	※1, ※5	6,716
Leased assets		966		1,645
Accumulated depreciation		(355)		(543)
Leased assets, net		610		1,102
Total property, plant and equipment		10,567		10,846
Intangible assets				
Software		233		356
Leased assets		15		19
Others		17		16
Total intangible assets		265		393

(Millions of yen)

		2012 As at 30 June 2012		2013 As at 30 June 2013
Investments and other assets				
Investment securities		149		275
Investments in subsidiaries and affiliates		4,106		4,125
Long-term loans receivable		82		81
Long-term loans receivable from employees, net		17		18
Long-term loans receivable from subsidiaries and affiliates		9		–
Long-term prepaid expenses		15		9
Deferred tax assets		592		617
Insurance funds		120		120
Leases and guarantee deposits		299		284
Others		187		170
Allowance for doubtful accounts		(133)		(119)
Total investments and other assets		5,447		5,585
Total fixed assets		16,280		16,825
Total assets		25,491		26,434
Liabilities				
Current liabilities				
Accounts payable-trade	※2	3,261	※2	3,488
Current portion of long-term loans payable	※1, ※8	848	※1, ※8	1,115
Lease obligations		168		203
Accounts payable-other		406		413
Accrued expenses	※2	510	※2	658
Income taxes payable		95		365
Accrued consumption taxes		107		72
Deposits received	※2	835	※2	1,147
Allowance for bonuses		261		269
Others		54		56
Total current liabilities		6,550		7,791
Long-term liabilities				
Long-term loans payable	※1, ※8	2,700	※1, ※8	1,518
Lease obligations		537		986
Deferred tax liabilities for land revaluation	※5	1,088	※5	1,088
Provision for retirement benefits		2,628		2,642
Provision for directors' retirement benefits		304		342
Asset retirement obligations		33		33
Others		79		79
Total Long-term liabilities		7,372		6,691
Total liabilities		13,923		14,482

(Millions of yen)

		2012 As at 30 June 2012		2013 As at 30 June 2013
NET ASSETS				
Shareholders' equity				
Capital stock		3,390		3,390
Capital surplus				
Capital reserve		3,204		3,204
Total capital surplus		3,204		3,204
Retained earnings				
Legal reserve		179		179
Other retained earnings				
Accident loss reserve		123		123
Reserve for advanced depreciation of fixed assets		817		781
Reserve for special account for advanced depreciation of fixed assets		9		–
Special reserve fund		3,267		3,267
Retained earnings carried forward		1,429		1,842
Total retained earnings		5,826		6,193
Treasury stock,		(152)		(152)
Total shareholders' equity		12,269		12,635
Total valuation and translation adjustments				
Unrealised gains/(losses) on securities		(2)		14
Revaluation reserve for land	※5	(698)	※5	(698)
Total valuation and translation adjustments		(700)		(683)
Total net assets		11,568		11,952
Total liabilities and net assets		25,491		26,434

② STATEMENTS OF INCOME

(Millions of yen)

		2012 Year ended 30 June 2012		2013 Year ended 30 June 2013
Net sales		45,121		46,655
Cost of sales				
Personal expenses				
Salaries and allowances		3,798		3,705
Bonuses		226		217
Provision for allowance for bonuses		219		198
Retirement benefit expenses		126		188
Welfare expenses		872		883
Other expenses				
Fuel expenses		988		963
Subcontract expenses		29,467		30,503
Rent expenses		1,832		1,750
Depreciation		372		451
Others		2,707		3,472
Total cost of sales		40,612		42,335
Gross profit		4,509		4,319
Selling, general and administrative expenses				
Salaries and allowances		1,319		1,619
Bonuses		45		52
Provision for allowance of bonuses		41		70
Retirement benefit expenses		62		98
Provision for directors' retirement benefits		37		38
Welfare expenses		348		431
Information processing expenses		280		211
Provision of allowance for doubtful accounts		27		15
Depreciation		29		32
Others		802		860
Total selling, general and administrative expenses		2,994		3,429
Operating income		1,514		889
Non-operating income				
Interest income		4		2
Dividend income		124		124
Rent income on fixed assets		14		15
Commission fee		56		69
Others		16		43
Total non-operating income	※1	216	※1	256

(Millions of yen)

		2012 Year ended 30 June 2012		2013 Year ended 30 June 2013
Non-operating expenses				
Interest expenses		75		58
Loss on disposal of supplies		2		–
Others		1		3
Total non-operating expenses		79		61
Ordinary income		1,652		1,085
Extraordinary gains				
Gain on sales of fixed assets	※2	0	※2	5
Total extraordinary gains		0		5
Extraordinary losses				
Loss on sales of fixed assets	※3	49		–
Losses on retirement of fixed assets	※4	3	※4	3
Losses on valuation of investment securities		–		0
Loss on valuation of stocks of subsidiaries and affiliates		–		45
Restructuring losses		–	※5	85
Loss on cancellation of rental contracts		14		–
Others		–		6
Total extraordinary losses		67		141
Income before income taxes		1,584		949
Income taxes-current		61		364
Income taxes-deferred		701		30
Total income taxes		763		394
Net income		821		554

③ STATEMENTS OF CHANGES IN NET ASSETS

(Millions of yen)

	2012 Year ended 30 June 2012	2013 Year ended 30 June 2013
Shareholders' equity		
Capital stock		
Balance at the beginning of year	3,390	3,390
Changes during the year		
Net changes during the year		
Balance at the end of year	3,390	3,390
Capital surplus		
Capital reserve		
Balance at the beginning of year	3,204	3,204
Changes during the year		
Net changes during the year	–	–
Balance at the end of year	3,204	3,204
Retained earnings		
Legal reserve		
Balance at the beginning of year	179	179
Changes during the year		
Net changes during the year	–	–
Balance at the end of year	179	179
Other retained earnings		
Accident loss reserve		
Balance at the beginning of year	123	123
Changes during the year		
Net changes during the year	–	–
Balance at the end of year	123	123
Reserve for advanced depreciation of fixed assets		
Balance at the beginning of year	750	817
Changes during the year		
Provision of reserve for advanced depreciation of fixed assets	42	–
Increase in reserve for advanced depreciation of fixed assets due to tax rate changes	56	–
Reversal of reserve for advanced depreciation of fixed assets	(33)	(35)
Net changes during the year	66	(35)
Balance at the end of year	817	781
Reserve for special account for advanced depreciation of fixed assets		
Balance at the beginning of year	–	9
Changes during the year		
Provision of reserve for special account for advanced depreciation of fixed assets	9	–
Reversal of reserve for special account for advanced depreciation of fixed assets	–	(9)
Net changes during the year	9	(9)
Balance at the end of year	9	–
Special reserve fund		
Balance at the beginning of year	3,267	3,267
Changes during the year		
Net changes during the year	–	–
Balance at the end of year	3,267	3,267

	2012 Year ended 30 June 2012	2013 Year ended 30 June 2013
		(Millions of yen)
Retained earnings carried forward		
Balance at the beginning of year	763	1,429
Changes during the year		
Dividends	(136)	(188)
Provision of reserve for advanced depreciation of fixed assets	(42)	–
Increase in reserve for advanced depreciation of fixed assets due to tax rate changes	(56)	–
Reversal of reserve for advanced depreciation of fixed assets	33	35
Provision of reserve for special account for advanced depreciation of fixed assets	(9)	–
Reversal of reserve for special account for advanced depreciation of fixed assets	–	9
Reversal of revaluation reserve for land	57	–
Net income	821	554
Net changes during the year	666	412
Balance at the end of year	1,429	1,842
Treasury stock,		
Balance at the beginning of year	(152)	(152)
Changes during the year		
Purchase of treasury stock	(0)	(0)
Net changes during the year	(0)	(0)
Balance at the end of year	(152)	(152)
Total shareholders' equity		
Balance at the beginning of year	11,526	12,269
Changes during the year		
Dividends	(136)	(188)
Net income	821	554
Purchase of treasury stock	(0)	(0)
Reversal of revaluation reserve for land	57	–
Net changes during the year	742	366
Balance at the end of year	12,269	12,635
Valuation and translation adjustments		
Unrealised gains/(losses) on securities		
Balance at the beginning of year	(3)	(2)
Changes during the year		
Net changes of items other than those in shareholders' equity	1	17
Net changes during the year	1	17
Balance at the end of year	(2)	14
Revaluation reserve for land		
Balance at the beginning of year	(799)	(698)
Changes during the year		
Net changes of items other than those in shareholders' equity	100	–
Net changes during the year	100	–
Balance at the end of year	(698)	(698)
Total valuation and translation adjustments		
Balance at the beginning of year	(803)	(700)
Changes during the year		
Net changes of items other than those in shareholders' equity	102	17
Net changes during the year	102	17
Balance at the end of year	(700)	(683)

(Millions of yen)

	2012 Year ended 30 June 2012	2013 Year ended 30 June 2013
Total net assets	10,723	11,568
Balance at the beginning of year		
Changes during the year		
Dividends	(136)	(188)
Net income	821	554
Purchase of treasury stock	(0)	(0)
Reversal of revaluation reserve for land	57	–
Net changes of items other than those in shareholders' equity	102	17
Net changes during the year	844	383
Balance at the end of year	11,568	11,952

Summary of significant accounting policies

1. Valuation methods for securities

(1) Held-to-maturity bonds

Held to maturity bonds are measured and stated at amortised cost. (Straight-line method)

(2) Investments in subsidiaries and affiliates

Investments in subsidiaries and affiliates are measured and stated at cost which is determined by the moving average method.

(3) Other securities

Listed securities:

Listed securities are measured and stated at fair value, with fair value gains and losses, net of applicable taxes, reported as "unrealised gains/(losses) on securities," directly included in net assets. The cost of securities sold is determined based on the moving average cost method.

Unlisted securities:

Unlisted securities are stated at cost which is determined by the moving average method.

2. Valuation methods for derivatives

Derivative transactions

Derivative financial instruments are measured and stated at fair value.

3. Valuation methods for inventory

Merchandise

Merchandises are stated at cost, which is determined by the specific identification method. (The balance sheet amounts are determined at the lower of the cost or net realizable value.)

Supplies

Supplies are stated at cost, which is determined by the latest purchase price method. (The balance sheet amounts are determined at the lower of the cost or net realizable value.)

4. Depreciation method for fixed assets

(1) Property, plant and equipment (except for leased assets)

Depreciation of property, plant and equipment is calculated on the declining balance method.

However, the straight-line method is used for buildings (excluding ancillary facilities) acquired on or after 1 April 1998.

(2) Intangible assets (except for leased assets)

Depreciation of intangible assets is calculated on the straight-line method.

Software for internal use is calculated by straight line method based on its useful life (5 years)

(3) Leased assets

Finance leases that do not involve transfer of ownership

Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated using the straight-line method over the lease terms at zero residual value.

Finance leases executed on or before 30 June 2008 which do not involve transfer of ownership, are accounted for in similar manner as operating leases.

5. Provision basis for allowances

(1) Allowance for doubtful accounts

Allowance for doubtful accounts are provided for bad debt losses of accounts receivable and loans receivable. Estimated uncollectable amounts on general accounts receivable are provided applying a bad debt ratio based on the Company’s historical record and experience. Estimated uncollectable amounts on specific accounts, such as doubtful accounts receivable, are provided by separately assessing their collectability.

(2) Allowance for bonuses

An allowance for bonus is provided for the estimated amounts to be paid in the subsequent period based on the service provided during the current year.

(3) Provision for retirement benefits

To provide for employee retirement benefits, provisions for retirement benefits are mainly provided based on projected retirement benefit obligations and estimated pension assets at the end of the fiscal year.

Prior service cost is amortised using the straight-line method based on average remaining service period (10-13 years) at the time the service cost is incurred.

Actuarial gains and losses are recognised in the statement of income for the following fiscal year.

(4) Provision for directors' retirement benefits

Estimated amount to be required at the current fiscal year end is provided in accordance with the Company’s internal policy.

6. Hedge accounting method

(1) Hedge accounting method

For interest rate swap, special hedge accounting treatment is applied as necessary requirements for the treatment are satisfied.

(2) Hedging instruments and hedged items

Hedging instruments: interest rate swap transaction

Hedged items: loan payable interest

(3) Hedging policy

The Company enters into interest rate swap transactions for the purpose of hedging interest rate risks associated with its loans payable with variable interest, and hedging items are identified by each individual transaction.

(4) Assessment of hedge effectiveness

Assessments of hedge effectiveness are omitted as necessary requirements are satisfied for special hedge accounting treatment of interest rate swaps.

7. Other significant matters for the preparation of non-consolidated financial statements

Accounting for consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(CHANGES IN ACCOUNTING POLICY)

Changes in accounting policy which is hardly distinguished from the change in accounting estimates:

Due to revisions to the Corporation Tax Act, the Company changed its depreciation methods based on the revised Act for property, plant and equipment acquired on or after 1 July 2012. As a result of the change, the effect on operating income, ordinary income and net income before taxes and other adjustments for the current fiscal year were minimal.

(NOTES TO BALANCE SHEETS)

※1 Pledged assets and secured debt

Pledged assets are as follows (numbers in parenthesis are provisionally registered amount):

(Millions of yen)

	2012 As at 30 June 2012	2013 As at 30 June 2013
Buildings and structures	2,614 (2,614)	2,454 (2,454)
Land	1,845 (1,845)	1,845 (1,845)
Total	4,459 (4,459)	4,299 (4,299)

Liabilities secured by the above pledged assets:

(Millions of yen)

	2012 As at 30 June 2012	2013 As at 30 June 2013
Current portion of long-term loans payable	228	228
Long-term loans payable	1,120	778
Total	1,348	1,006

※2 Receivables and payables from/to affiliated companies

Assets and liabilities related to its subsidiaries and affiliates which are not separately presented are as follows:

(Millions of yen)

	2012 As at 30 June 2012	2013 As at 30 June 2013
Current assets		
Notes receivable-trade	2	–
Accounts receivable-trade	21	21
Accounts receivable	82	91
Short-term loans receivable	10	9
Current liabilities		
Accounts payable-trade	668	718
Accrued expenses	7	22
Deposits received	700	1,027

※3 Guarantees

Financial guarantees for affiliate companies' loans payables from financial institutions and client acceptances and guarantees conducted by financial institutions are as follows:

(Millions of yen)

	2012 As at 30 June 2012	2013 As at 30 June 2013
ZERO TRANS CO., LTD.	13	–
ZERO SCM LOGISTICS (BEIJING) CO., LTD.	95	123
JAPAN RELIEF Co., Ltd.	614	425
KYUSO COMPANY	117	90
Nissan Shizuoka Worknet Co., Ltd.	15	5
Contractors (4 companies)	96	91
Total	954	736

※4 Export bills discount

(Millions of yen)

	2012 As at 30 June 2012	2013 As at 30 June 2013
Export bills discount	–	38

※5 Based on the Act on Revaluation of Land (Act No. 34 of 31 March 1998) relating to land revaluations, tax amounts related to the valuation differences that arose from revaluations of land for use are recorded in liabilities as "Deferred tax liabilities for land revaluation," and net of the valuation differences and the deferred tax liabilities is recorded in net assets as "Revaluation reserve for land.

- Revaluation method: The land value for the revaluation is determined based on official notice price assessed and published by National Tax Agency of Japan as basis for calculation of landholding tax stipulated under Article 2, item (iv), of the Enforcement Ordinance on the Act on Revaluation of Land (Act No. 119 of 31 March 1998), fixed asset tax assessments with adjustments needed stipulated under item (iii) of the article, and revisions to appraisals provided by real estate appraisers as stipulated under item (v) of the article.

- Date of revaluation: 31 March 2002

(Millions of yen)

	2012 As at 30 June 2012	2013 As at 30 June 2013
Difference between book value after the revaluation of lands and fair value of the lands at the end of fiscal year	(2,189)	(2,007)

※6 Note receivables at maturity at the end of fiscal year

Notes receivables at maturity as of the balance sheet date of the fiscal year are settled on the clearance date. As the balance sheet date of the year ended 30 June 2013 was a holiday for the financial institution, amount of the receivables at maturity as of the balance sheet date of tis included in the balance of the notes at balance sheet date.

(Millions of yen)

	2012 As at 30 June 2012	2013 As at 30 June 2013
Notes receivable-trade	8	11

※7 In order to effectively procure working capital, the Company has entered into overdraft facility agreements with three banks. Based on these agreements, the balance of non-executed loans at the end of the fiscal year is as follows:

(Millions of yen)

	2012 As at 30 June 2012	2013 As at 30 June 2013
Total of overdraft limit	5,600	6,200
Outstanding balance of executed loan	–	–
Balance, net	5,600	6,200

※8 Covenant requirements

YEAR ENDED 30 JUNE 2012

In connection with loans of ¥1,348 million based on term-loan agreements for plant funds, the following covenant requirements must be fulfilled:

(a) For each fiscal year, ordinary income in the statement of income shall not be in loss position for two consecutive years.

(b) Total net assets in the balance sheet at the end of each fiscal year shall be equal to or greater than the higher of 80% of net assets as of 30 June 2008 or 80% of net assets on the balance sheet date of the immediately preceding fiscal year.

YEAR ENDED 30 JUNE 2013

In connection with loans of ¥1,006 million based on term-loan agreements for plant funds, the following covenant requirements must be fulfilled:

(a) For each fiscal year, ordinary income in the statement of income shall not be in loss position for two consecutive years.

(b) Total net assets in the balance sheet at the end of each fiscal year shall be equal to or greater than the higher of 80% of net assets as of 30 June 2008 or 80% of net assets on the balance sheet date of the immediately preceding fiscal year.

(NOTES TO STATEMENTS OF INCOME)

※1 The following transactions with subsidiaries and affiliates are included in Statements of Income

(Millions of yen)

	2012 Year ended 30 June 2012	2013 Year ended 30 June 2013
Non-operating income		
Interest income	0	0
Dividend income	120	120
Rental income on fixed assets	8	8
Others	0	0

※2 The components of gains on sales of fixed assets are as follows:

(Millions of yen)

	2012 Year ended 30 June 2012	2013 Year ended 30 June 2013
Vehicles	0	5

※3 The components of losses on sales of fixed assets are as follows:

(Millions of yen)

	2012 Year ended 30 June 2012	2013 Year ended 30 June 2013
Land	49	–

※4 The components of losses on retirement of fixed assets are as follows:

(Millions of yen)

	2012 Year ended 30 June 2012	2013 Year ended 30 June 2013
Buildings	2	3
Structures	0	0
Machinery and equipment	0	0
Vehicles	–	0
Tools, furniture and fixtures	1	0
Total	3	3

※5 Restructuring losses

YEAR ENDED 30 JUNE 2013

Restructuring losses consist of losses incurred from shut down unprofitable business in general cargo transportation business segment and cancelation fees for leased property due to reorganisation of offices.

(NOTES TO STATEMENTS OF CHANGES IN NET ASSETS)

YEAR ENDED 30 JUNE 2012

Type and number of shares of treasury stock:

Types of shares	As at 1 July 2011	Increase	Decrease	As at 30 June 2012
Common stock	467,570	86	–	467,656
Total	467,570	86	–	467,656

Note: The increase in common stock of treasury stock was the purchase of 86 shares which are less than the standard unit.

YEAR ENDED 30 JUNE 2013

Type and number of shares of treasury stock:

Types of shares	As at 1 July 2012	Increase	Decrease	As at 30 June 2013
Common stock	467,656	55	–	467,711
Total	467,656	55	–	467,711

Note: The increase in common stock of treasury stock was purchase of 55 shares which are less than the standard unit.

(LEASE TRANSACTIONS)

(Lessee)

1. Finance leases

Finance leases that do not involve transfer of ownership

① Leased assets

(a) Property, plant and equipment

Leased assets principally comprise commercial vehicles used in automobile transportation businesses

(b) Intangible assets

Leased assets comprise software

② Depreciation method for leased assets

Leased assets are depreciated using straight-line method over the lease terms at zero residual value or a residual value guarantee if any.

Finance leases that do not involve transfer of and commenced on or before 30 June 2008 are accounted for in a similar manner as operating leases and such "as if capitalised" information is as follows:

(1) Amounts equivalent to acquisition costs, amounts equivalent to accumulated depreciation, amounts equivalent to accumulated impairment losses and amounts equivalent to net carrying amounts as at balance sheet dates are as follows:

(Millions of yen)

	As at 30 June 2012		
	Acquisition costs	Accumulated depreciation	Net carrying amount
Buildings	525	218	306
Machinery, equipment and vehicles	768	566	201
Equipment	78	71	7
Total	1,372	857	515

(Millions of yen)

	As at 30 June 2013		
	Acquisition costs	Accumulated depreciation	Net carrying amount
Buildings	525	271	253
Machinery, equipment and vehicles	221	125	95
Equipment	–	–	–
Total	746	397	349

(2) Future minimum lease payments

(Millions of yen)

	2012 As at 30 June 2012	2013 As at 30 June 2013
Future minimum lease payments		
Due within one year	165	77
Thereafter	374	296
Total	539	374

(3) Lease payments, amounts equivalent to depreciation and amounts equivalent to interest expenses

(Millions of yen)

	2012 As at 30 June 2012	2013 As at 30 June 2013
Lease payments	274	154
Amounts equivalent to depreciation	171	103
Amounts equivalent to interest expenses	17	12

(4) Calculation method for amounts equivalent to depreciation

Depreciation of leased assets is calculated using the straight-line method over the lease terms at zero residual value.

(5) Calculation method for amounts equivalent to interest expenses:

The difference between total lease payments and amounts equivalent to acquisition costs of leased assets is assumed to be interest expenses and allocated over the lease terms by the interest method.

Impairment losses:

There are no impairment losses attributable to leased assets.

2. Operating leases

Future minimum lease payments relating to non-cancellable operating leases

(Millions of yen)

	2012 As at 30 June 2012	2013 As at 30 June 2013
Due within one year	12	8
Thereafter	8	0
Total	21	8

(Lessor)

1. Finance leases

Future minimum lease receipts

(Millions of yen)

	2012 As at 30 June 2012	2013 As at 30 June 2013
Due within one year	50	42
Thereafter	84	41
Total	135	84

2. Operating leases

Future minimum lease receipts relating to non-cancellable operating leases

(Millions of yen)

	2012 As at 30 June 2012	2013 As at 30 June 2013
Due within one year	317	313
Thereafter	3,430	3,116
Total	3,748	3,430

Note: The above amounts are the future minimum lease revenue collection from regular lease and sublease transaction.

As applicable subleases are leased to third parties under almost equivalent conditions, approximately the same balances are included in the above amounts for future minimum lease payments of the lessee.

(SECURITIES)

Since fair value of investments in subsidiaries and affiliates (total carrying amounts of investments in subsidiaries and those in affiliates as at 30 June 2013 are ¥4,030 million and ¥94 million respectively, total carrying amounts of investments in subsidiaries and those in affiliates as at 30 June 2012 are ¥4,011 million and ¥94 million respectively) are deemed extremely difficult to reliably measure, the disclosure is omitted.

(DEFERRED TAXES)

1. Breakdown of deferred tax assets and liabilities are as follows:

(Millions of yen)

	2012 As at 30 June 2012	2013 As at 30 June 2013
Current		
Deferred tax assets		
Allowance for bonuses	112	116
Accrued business tax	11	28
Tax losses carried forward	122	–
Others	8	44
Net deferred tax assets (current)	255	190
Non-current		
Deferred tax assets		
Provision for retirement benefits	943	947
Provision for directors' retirement benefits	112	125
Others	125	118
Subtotal	1,181	1,191
Valuation allowance	(129)	(134)
Total deferred tax assets	1,052	1,057
Deferred tax liabilities		
Reserve for advanced depreciation of fixed assets	452	431
Others	6	8
Total deferred tax liabilities	459	439
Net deferred tax assets (non-current)	592	617

2. The reconciliation between the effective tax rate after applying tax effect and the statutory income tax rate is as follows:

(Millions of yen)

	2012 As at 30 June 2012	2013 As at 30 June 2013
Statutory income tax rate	40.4%	37.7%
(Adjustments)		
Permanent difference items (losses), allowances for entertainment	1.1	1.6
Permanent difference items (gains), dividends receivable	(3.1)	(4.9)
Inhabitant tax on a per capita basis	4.0	6.8
Valuation allowance	0.5	0.6
Reduction of deferred tax assets at year end due to tax rate changes	5.2	–
Others	0.1	(0.2)
Effective tax rates after applying tax effect accounting	48.2	41.6

(ASSET RETIREMENT OBLIGATIONS)

Disclosure of asset retirement obligation amounts is omitted due to a lack of significance

(Dividends per share (Yen))

	2012 Year ended 30 June 2012	2013 Year ended 30 June 2013
Net assets per share	676.82Yen	699.27Yen
Basic net income per share	48.05Yen	32.44Yen

Note 1: Diluted net income per share amounts are not presented since there are no shares existing that have dilutive effects.

2. The basis for calculation of net assets per share is as follows:

	2012 Year ended 30 June 2012	2013 Year ended 30 June 2013
Total net assets (Millions of yen)	11,568	11,952
Deductions from total net assets (Millions of yen)	–	–
Net assets attributable to common stock (Millions of yen)	11,568	11,952
Number of common stock at the end of the year (Thousands of shares)	17,092	17,092

3. The basis for calculation of basis net income per share is as follows:

	2012 Year ended 30 June 2012	2013 Year ended 30 June 2013
Basic net income per share		
Net income (Millions of yen)	821	554
Net income not attributable to common shareholders (Millions of yen)	–	–
Net income attributable to common shareholders (Millions of yen)	821	554
Average number of common stock during the year (Thousands of shares)	17,092	17,092
Shares excluded from the computation of diluted net income per share, because they do not have dilutive effects	Stock options (610,200 shares) based on the resolution of the extraordinary meeting of shareholders on 23 June 2003	Stock options (610,200 shares) based on the resolution of the extraordinary meeting of shareholders on 23 June 2003 are forfeited as of the expiration of the exercise period on 22 June 2013.

(SUBSEQUENT EVENTS)

Not applicable.

④ Supplementary schedules

Schedule of securities

Equity securities

		Issue	Number of shares (Shares)	Carrying amount (Millions of yen)
Investment securities	Other securities	WILLPLUS HOLDINGS, CO., LTD.	7,170	100
		KURIBAYASHI STEAMSHIP Co., Ltd.	250,000	59
		Mitsuike Corporation	334,100	58
		Prince Kaiun Co., Ltd.	34,000	29
		HANATEN Co., LTD.	33,145	14
		The Bank of Yokohama, Ltd.	10,700	5
		THE DAI-ICHI LIFE INSURANCE COMPANY LIMITED	44	6
		ZIP INC.	20	1
		Others (3 companies)	17,150	0
		Total	686,329	275

Property, plant and equipment schedule

(Millions of yen)

Type of assets	Balance at the beginning of year	Increase	Decrease	Balance at the end of year	Total accumulated depreciation or amortisation at the end of the year	Depreciation or amortisation during the year	Net balance at the end of year
Property, plant and equipment							
Buildings	3,930	13	4	3,939	1,165	188	2,773
Structures	808	3	0	811	672	28	139
Machinery and equipment	256	2	0	258	206	11	52
Vehicles	105	56	40	122	105	46	16
Tools, furniture and fixtures	306	23	11	319	272	16	46
Land	6,716	–	–	6,716	–	–	6,716
Leased assets	966	689	10	1,645	543	193	1,102
Total property, plant and equipment	13,091	789	68	13,812	2,965	484	10,846
Intangible assets							
Software	656	203	290	569	212	79	356
Leased assets	34	12	–	46	26	7	19
Others	19	–	–	19	2	0	16
Total Intangible assets	710	215	290	635	241	87	393
Long-term prepaid expenses	112	4	4	112	103	7	9
Deferred assets	–	–	–	–	–	–	–

Note 1: The principal components of increase are as follows:

Leased assets	Commercial vehicles	689millions yen
Software	New accounting system	77millions yen
Software	Development of vehicle dispatch control support system	59millions yen

2. The principal components of decrease are as follows:

Vehicles	Sale of commercial vehicles sales	38millions yen
Software	Fully-depreciated software	290millions yen

Schedule of allowances

(Millions of yen)

Categories	Balance at the beginning of year	Increase	Decrease (used for intended purposes of use)	Decrease Others	Balance at the end of year
Allowance for doubtful accounts	157	36	12	35	146
Allowance for bonuses	261	269	261	–	269
Provision for directors' retirement benefits	304	38	–	–	342

Note: "Decrease (Others)" of allowance for doubtful accounts is reversal due to the change in bad debt ratio of general accounts receivable.

Independent Auditors' Report on Financial Statement Audit
and
Internal Control Over Financial Audit
(Translation)

26 September 2013

The Board of Directors
ZERO CO., LTD.

Ernst & Young ShinNihon LLC

Tomohiro Narita Seal
Designated Partner
Engagement Partner
Certified Public Accountant

Masato Saito Seal
Designated Partner
Engagement Partner
Certified Public Accountant

Masayoshi Zenpo Seal
Designated Partner
Engagement Partner
Certified Public Accountant

<Financial statement audit>

Pursuant to Article 193-2, Section 1, of the Financial Instruments and Exchange Act of Japan, we have audited the accompanying consolidated financial statements of ZERO CO., LTD. (the "Company") and its consolidated subsidiaries (the "Group"), provided in the "Financial Information" section in the Company's Annual Securities Report, which comprise the consolidated balance sheet as of 30 June 2013 and, consolidated statements of income, comprehensive income, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies, other notes, and supplementary schedules.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditors consider internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

<Internal control audit>

Pursuant to Article 193-2, Section 2 of the Financial Instruments and Exchange Act of Japan, we have also audited the accompanying Management's Report on Internal Control Over Financial Reporting for the consolidated financial statements as of 30 June 2013 of the Group (the "Management's Report").

Management's Responsibility for the Management's Report

The Company's management is responsible for designing and operating internal control over financial reporting and for the preparation and fair presentation of the Management's Report in conformity with standards for assessment of internal control over financial reporting generally accepted in Japan. Internal control over financial reporting may not completely prevent or detect misstatements.

Auditors' Responsibility

Our responsibility is to express an opinion on the Management's Report based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Management's Report is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment on internal control over financial reporting in the Management's Report. The procedures selected depend on the auditor's judgment, including the materiality of effects on reliability of financial reporting. An internal control audit also includes examining the overall presentation of the Management's Report, including disclosures on scope, procedures and conclusions of management's assessment of internal control over financial reporting.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, Management's Report referred to above, which represents that the internal control over financial reporting of the Group as of 30 June 2013 is effective, presents fairly, in all material respects, management's assessment of internal control over financial reporting for the consolidated financial statements in conformity with standards for assessment of internal control over financial reporting generally accepted in Japan.

Interest

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

(Note)

This is the English translation of the Japanese language Report of independent Auditors issued by Ernst & Young ShinNihon LLC in connection with the audit of the consolidated financial statements of the Group prepared in Japanese, for the period ended 30 June 2013. Ernst & Young ShinNihon LLC have not audited or reviewed the English language version of the financial statements for the above-mentioned period, which are included in this circular. If there is any inconsistency between the original Japanese language report and its English translation, the original Japanese report would prevail.

A.2 UNAUDITED FINANCIAL STATEMENTS OF ZERO GROUP FOR THE NINE MONTHS ENDED 31 MARCH 2014

The following is the English translation of Financial Information of ZERO Co., LTD. (the "Company") and its consolidated subsidiaries (the "Group") for nine months period ended, as included in the Company's quarterly securities reports which were prepared in Japanese. The quarterly securities reports in Japanese were filed to Kanto Financial Bureau, pursuant to Article 24-4-7 Section 1 of Financial Instruments Exchange Act of Japan.

The Financial Information in the quarterly securities reports of the Company includes the quarterly consolidated financial statements of the Group as at and for the nine months ended 31 March 2014, prepared in accordance with accounting principle for quarterly consolidated financial statements generally accepted in Japan. The quarterly consolidated financial statements of the Group as at and for the nine months ended 31 March 2014 in Japanese, included in the quarterly securities reports filed to Kanto Financial Bureau, were reviewed by Ernst and Young ShinNihon LLC in accordance with review standards for quarterly financial statements generally accepted in Japan.

The English translation of Financial Information has been certified by an independent translator. Ernst & Young ShinNihon LLC have not audited or reviewed the English translation of the quarterly consolidated financial statements of the Group, which are included in the Section A.2 of "APPENDIX II – FINANCIAL INFORMATION OF ZERO GROUP".

(1) The following is the unaudited financial statements of Zero Group for the nine months ended 31 March 2014, which were prepared in accordance with JGAAP.

Financial information

1. Basis of preparation of quarterly consolidated financial statements preparation methods

(1) The Company's quarterly consolidated financial statements have been prepared in accordance with the “Regulations Concerning Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements" (Cabinet Office Ordinance No. 64, 2007).

2. Quarterly review report

The Company's quarterly consolidated financial statements for the third quarter consolidated fiscal period (1 January 2014 to 31 March 2014) and financial statements for the consolidated cumulative third quarter fiscal year (1 July 2013 to 31 March 2014) were reviewed by Ernst & Young ShinNihon LLC, pursuant to Article 193-2, Section 1 of the Financial Instruments and Exchange Act.

1. QUARTERLY CONSOLIDATED FINANCIAL STATEMENT

(1) QUARTERLY CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	As at 30 June 2013	As at 31 March 2014
ASSETS		
Current assets		
Cash and deposits	4,872	4,346
Notes and accounts receivable-trade	6,868	8,826
Merchandise	53	292
Supplies	86	115
Deferred tax assets	271	269
Others	985	1,086
Allowance for doubtful accounts	(41)	(87)
Total current assets	13,096	14,849
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	3,302	3,043
Machinery, equipment and vehicles, net	188	172
Tools, furniture and fixtures, net	66	74
Land	8,373	8,279
Leased assets, net	1,409	1,413
Construction in progress	–	36
Total property, plant and equipment	13,341	13,020
Intangible assets		
Goodwill	1,808	1,561
Others	427	549
Total Intangible assets	2,236	2,111
Investments and other assets		
Investment securities	763	939
Long-term loans receivable	105	80
Deferred tax assets	777	635
Others	912	959
Allowance for doubtful accounts	(136)	(135)
Total investments and other assets	2,422	2,479
Total fixed assets	18,000	17,611
Total assets	31,096	32,460
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	3,430	4,427
Short-term loans payable	750	600
Current portion of long-term loans payable	1,607	1,206
Income taxes payable	574	560
Accrued consumption taxes	272	277
Allowance for bonuses	406	217
Allowance for losses on sublease	–	15
Others	2,703	3,141
Total current liabilities	9,745	10,447
Long-term liabilities		
Long-term loans payable	2,041	1,917

(Millions of yen)

	As at 30 June 2013	As at 31 March 2014
Provision for retirement benefits	3,029	2,574
Provision for directors' retirement benefits	427	416
Allowance for losses on sublease	–	48
Deferred tax liabilities	76	78
Deferred tax liabilities for land revaluation	1,088	1,088
Asset retirement obligations	41	38
Others	1,311	1,316
Total Long-term liabilities	8,016	7,479
Total liabilities	17,762	17,926
NET ASSETS		
Shareholders' equity		
Capital stock	3,390	3,390
Capital surplus	3,204	3,204
Retained earnings	7,571	8,711
Treasury stock,	(152)	(152)
Total shareholders' equity	14,014	15,154
Accumulated other comprehensive income		
Unrealised gains/(losses) on securities	15	27
Revaluation reserve for land	(705)	(705)
Foreign currency translation adjustments	8	58
Total accumulated other comprehensive income	(681)	(619)
Total net assets	13,333	14,534
Total liabilities and net assets	31,096	32,460

(2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME AND QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

CONSOLIDATED CUMULATIVE THIRD QUARTER

(Millions of yen)

	Nine months period ended 31 March 2013 (1 July 2012 to 31 March 2013)	Nine months period ended 31 March 2014 (1 July 2013 to 31 March 2014)
Net sales	44,564	50,420
Cost of sales	39,240	43,371
Gross profit	5,323	7,049
Selling, general and administrative expenses	4,224	4,677
Operating income	1,099	2,372
Non-operating income		
Interest income	2	2
Dividend income	0	0
Commission fee	52	52
Equity in earnings of affiliates	28	12
Others	45	74
Total non-operating income	130	143
Non-operating expenses		
Interest expenses	66	56
Others	10	30
Total non-operating expenses	76	87
Ordinary income	1,153	2,428
Extraordinary gains		
Gain on sales of fixed assets	18	66
Total extraordinary gains	18	66
Extraordinary losses		
Losses on sales of fixed assets	0	0
Losses on retirement of fixed assets	11	2
Impairment losses	16	–
Provision of allowance for sublease loss	–	69
Others	5	3
Total extraordinary losses	33	75
Income before income taxes and minority interests	1,138	2,419
Income taxes	581	1,067
Income before minority interests	556	1,351
Quarterly net income	556	1,351

QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

CONSOLIDATED CUMULATIVE THIRD QUARTER

(Millions of yen)

	Nine months period ended 31 March 2013 (1 July 2012 to 31 March 2013)	Nine months period ended 31 March 2014 (1 July 2013 to 31 March 2014)
Quarterly income before minority interests	556	1,351
Other comprehensive income		
Unrealised gains/(losses) on securities	19	11
Share of other comprehensive income of entities accounted for using equity method	0	49
Total other comprehensive income	20	61
Quarterly comprehensive income	577	1,413
Quarterly comprehensive income attributable to:		
shareholders of ZERO CO, LTD	577	1,413

NOTES

(CHANGES IN THE SCOPE OF CONSOLIDATION OR SCOPE OF APPLICATION OF EQUITY METHOD)

(Significant changes in the scope of consolidation)

During the second quarter consolidated fiscal period, the Company acquired World Windows Co., Ltd. and is included in the scope of consolidation from the second quarterly consolidated fiscal period.

(NOTES TO QUARTERLY CONSOLIDATED BALANCE SHEET)

Guarantees

Financial guarantees for affiliate companies' loans payables from financial institutions and client acceptances and guarantees conducted by financial institutions are as follows:

(Millions of yen)

	As at 30 June 2013	As at 31 March 2014
ZERO SCM LOGISTICS (BEIJING) CO., LTD.	123	127
Contractors (4 companies)	91	93
Total	215	220

Export bills discount

(Millions of yen)

	As at 30 June 2013	As at 31 March 2014
Export bills discount	38	51

(NOTES TO THIRD QUARTER CONSOLIDATED STATEMENT OF CASH FLOWS)

Quarterly statements of cash flows have not been prepared for the consolidated cumulative third quarter. Amortisation amounts for the consolidated cumulative third quarter (includes amortisation for intangible assets except for goodwill) and goodwill is as follows:

(Millions of yen)

	Nine months period ended 31 March 2013 (1 July 2012 to 31 March 2013)	Nine months period ended 31 March 2014 (1 July 2013 to 31 March 2014)
Depreciation	545	537
Amortisation of goodwill	246	247

(SHAREHOLDERS' EQUITY)

I. Nine months period ended 31 March 2013 (1 July 2012 to 31 March 2013)

Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
Annual general meeting of shareholders on 27 September 2012	Common stock	119	7.00	30 June 2012	28 September 2012	Retained earnings
Meeting of the Board of Directors on 14 February 2013	Common stock	68	4.00	31 December 2012	15 March 2013	Retained earnings

II. Nine months period ended 31 March 2014 (1 July 2013 to 31 March 2014)

Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
Annual general meeting of shareholders on 26 September 2013	Common stock	75	4.40	30 June 2013	27 September 2013	Retained earnings
Meeting of the Board of Directors on 13 February 2014	Common stock	136	8.00	31 December 2013	14 March 2014	Retained earnings

(SEGMENT INFORMATION)

Segment information

I. Nine months period ended 31 March 2013 (1 July 2012 to 31 March 2013)

Information about net sales, income or losses by reportable segment

(Millions of yen)

	Automobile transportation business	General cargo transportation business	Human resources business	Total	Adjustments (Note 1)	Quarterly consolidated statements of income (Note 2)
Net sales						
Net sales to external customers	33,066	4,749	6,749	44,564	–	44,564
Inter-segment net sales or transfer	21	28	177	227	(227)	–
Total	33,087	4,777	6,926	44,792	(227)	44,564
Segment income	1,726	252	306	2,286	(1,187)	1,099

Notes: 1. The adjustment amount of (¥1,187 million) in segment income includes group-wide expenses of (¥942 million), goodwill amortisation of (¥246 million) and inter-segment eliminations of (¥1 million). Group-wide expenses are expenses related to the Company's administrative departments that are not attributable to reportable segments.

2. Segment income is adjusted to reconcile with the operating income of the quarterly consolidated financial statements.

II. Nine months period ended 31 March 2014 (1 July 2013 to 31 March 2014)

Information about net sales, income or losses by reportable segment

(Millions of yen)

	Automobile transportation business	General cargo transportation business	Human resources business	Total	Adjustments (Note 1)	Quarterly consolidated statements of income (Note 2)
Net sales						
Net sales to external customers	38,958	3,701	7,760	50,420	–	50,420
Inter-segment net sales or transfer	31	31	302	365	(365)	–
Total	38,989	3,733	8,063	50,786	(365)	50,420
Segment income	2,449	616	403	3,469	(1,097)	2,372

Notes: 1. The adjustment amount of (¥1,097 million) in segment income includes group-wide expenses of (¥852 million), goodwill amortisation of (¥247 million) and inter-segment eliminations of (¥1 million). Group-wide expenses are expenses related to the Company's administrative departments that are not attributable to reportable segments.

2. Segment income is adjusted to reconcile with the operating income of the quarterly consolidated financial statements.

(PER SHARE INFORMATION)

The basis for calculation of the basic quarterly net income per share and the quarterly diluted net income per share is as follows:

		Nine months period ended 31 March 2013 1 July 2012 to 31 March 2013	Nine months period ended 31 March 2014 1 July 2013 to 31 March 2014
(1)	Quarterly net income per share	32.58 yen	79.10 yen
	(Calculation basis)		
	Quarterly net income (Millions of yen)	556	1,351
	Net income not attributable to common shareholders (Millions of yen)	–	–
	Quarterly net income attributable to common shareholders (Millions of yen)	556	1,351
	Average number of common stock during the year (Thousands of shares)	17,092	17,092
(2)	Quarterly diluted net income per share	32.47 yen	–
	(Calculation basis)		
	Quarterly adjusted net income (Millions of yen)	–	–
	Increase in common stock shares (Thousand shares)	55	–
	Shares were excluded from the computation of diluted quarterly net income per share because they do not have dilutive effects, and there was a significant fluctuation from the prior consolidated financial year	–	–

Note: Diluted quarterly net income per share amounts are not presented since there are no shares existing that have dilutive effects in the nine months period ended 31 March 2014.

(SUBSEQUENT EVENTS)

(Tender offer of the Company's common stock and conclusion of capital and business alliance agreement

At the board meeting held on 15 May 2014, the Company resolved to announce its agreement for the tender offer of its common stock (the "Company Stock"), where ZENITH LOGISTICS LIMITED (the "Offeror") is to purchase the Company Stock, (the "Tender Offer"), has and take a neutral position on whether to the shareholders should bid the Tender Offer leaving the decision to its shareholders, as well as resolved to conclude a capital and business alliance agreement (hereinafter referred to as "Capital and Business Alliance Agreement") with Tan Chong International Limited ("TCIL").

In addition, the Company and the Offeror share a common understanding on a policy to maintain the listing of Company Stock after the Tender Offer.

1. Overview of Tender Offeror

(1)	Company name	ZENITH LOGISTICS LIMITED
(2)	Location	Unit 1211-14 Shui On Centre, 6-8 Harbour Road Wanchai, Hong Kong
(3)	Position and name of company representative	Director Ong Yong Loke, Joseph
(4)	Description of business	Acquire and hold Company Stock
(5)	Share Capital	HKD100
(6)	Date of incorporation	8 March 2014
(7)	Major shareholder and share ownership ratio	Advance Pacific Holdings Limited: 80% Zenith Logistics Pte. Limited: 20%
(8)	Relationship between listed company and Tender Offeror	
	Capital ties	The Tender Offeror's affiliate, Zenith Logistics Pte. Limited (hereinafter referred to as "ZLPL"), holds 3,915,400 shares of Company Stock ((Note) 22.91% ownership ratio).
	Personal relationship	One board member of TCIL, the parent company of the Tender Offeror, concurrently serves as a board member of the Company.
	Transaction relationship	For the purpose of expanding transportation and automobile related businesses in the ASEAN region, TCIL Group and the Company Group have established a joint venture company in Singapore, and have formed business partnerships, including shareholders agreements, to launch vehicle related businesses in ASEAN countries.
	Status of related parties	Since ZLPL, an affiliate of TCIL, holds 3,915,400 shares of Company Stock (22.91% ownership ratio), it qualifies as a related party.

Note: Shareholder ownership ratio is based on (17,092,531 shares), in which the number of treasury shares (467,711 shares) is deducted from the total number of outstanding shares (17,560,242 shares), and is rounded off to the nearest hundredth.

2. Overview of Tender Offer

(1)	Tender Offer period:	16 May (Friday) 2014 to 12 June (Wednesday) 2014 (20 business days)
(2)	Offer price:	830 yen per share
(3)	Number of shares to be purchased:	Proposed number of shares: 4,802,000 shares Minimum number of shares: 1,896,000 shares Maximum number of shares: 4,802,000 shares
(4)	Commencement date of Tender Offer:	16 May (Friday) 2014
(5)	Tender offer agent:	Tokai Tokyo Securities Co., Ltd.

3. Conclusion of Capital and Business Alliance Agreement

The Company concluded a Capital and Business Alliance Agreement with TCIL on 15 May 2014, and a summary of the main points of the agreement is as follows:

(1) Capital alliance

In order to expand business in the ASEAN region, TCIL and the Company group aim to establish a closer capital and business alliance. Based on this objective, TCIL appointed the Tender Offeror in accordance with procedures based on Japanese law, and pursuant to conditions of the provisions under the Capital and Business Alliance Agreement, to acquire majority of the Company's outstanding common stock through the Tender Offer, together with ZLPL. Pursuant to the conditions of the provisions under the Capital and Business Alliance Agreement, the Company will provide necessary cooperation for the Tender Offer conducted by the Tender Offeror in order to achieve the objective stated above.

TCIL confirms that, through the Tender Offer, Tender Offeror will not acquire Company Stock exceeding the maximum number of shares to be purchased and will maintain the Company's stock listing on the Tokyo Stock Exchange Second Section, as well as upon completion of the Tender Offer, will manage the Company's business operations to maximize the Company's corporate value for the benefit of all Company shareholders.

(2) Business alliance

① Proposed business alliance projects

The TCIL and the Company group contemplate the following proposed projects as part of their capital and business alliance:

(a) Development of an automobile value chain aimed to support the automobile industry from the manufacturing level and down to scrapping in the ASEAN market;

(b) Promotion of the joint business regarding body repair, painting and transportation of automobiles, to contemplate an entry into the auction business, to plan the establishment of the functions concerning the total after- sales of automobiles

(c) Joint development of an education and fostering program in order to provide talented personnel to Japan by utilizing the TCIL's broad business network in ASEAN region

(d) The entering into of the truck body building business in Thailand

② Alliance committee

The parties intend to establish a committee which would comprise of the members of the senior management of the TCIL and the Company group.

③ Board members

TCIL and the Company shall discuss the appropriate number of individuals to serve as directors of the Company as nominated by TCIL and its group companies with the aim of enhancing the corporate value of the Company.

(3) Other

The following resolution was adopted for interim dividends for the current fiscal period at the board of directors' meeting held on 13 February 2014.

(a) Total dividends: ¥136 million

(b) Dividends per share: ¥8.00

(c) Effective date and payment date: 14 March 2014

Note: Dividends was paid to shareholders of record as of 31 December 2013.

Independent Auditor's Quarterly Review Report
(Translation)

May 15, 2014

The Board of Directors
ZERO CO., LTD .

Ernst & Young ShinNihon LLC

Tomohiro Narita Seal
Designated Partner
Engagement Partner
Certified Public Accountant

Masato Saito Seal
Designated Partner
Engagement Partner
Certified Public Accountant

Pursuant to Article 193-2, Section 1, of the Financial Instruments and Exchange Act of Japan, we have reviewed the accompanying quarterly consolidated financial statements of ZERO CO., LTD. (the "Company") and its consolidated subsidiaries (the "Group"), provided in the "Financial Information" in the Company's Quarterly securities Report, which comprise the quarterly consolidated balance sheet as of March 31, 2014 and the quarterly consolidated statements of income, and comprehensive income for the nine-month period then ended, and the related notes included in "Financial Information".

Management's Responsibility for the Quarterly Consolidated Financial Statements

The Company's management is responsible for the preparation and fair presentation of these quarterly consolidated financial statements in conformity with the accounting principles for quarterly consolidated financial statements generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of quarterly consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion independently on these quarterly consolidated financial statements based on our review. We conducted our review in accordance with the review standards for quarterly financial statements generally accepted in Japan.

A review of quarterly consolidated financial statements consists of making inquiries, primarily of management and persons responsible for financial and accounting matters, and applying analytical and other quarterly review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Auditor's Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying quarterly consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group at March 31, 2014, and the consolidated results of their operations and their cash flows for the nine-month period then ended in conformity with the accounting principles for quarterly consolidated financial statements generally accepted in Japan.

Emphasis of Matter

We draw attention to "SUBSEQUENT EVENT" to the accompanying quarterly consolidated financial statements, the Company resolved at the board meeting on May 15, 2014, to accept the tender offer announced by ZENITH LOGISTICS LIMITED, where it is to purchase common shares of the Company, and enter into the capital and business alliance agreement with Tan Chong International Limited. The Company concluded the capital and business alliance agreement on the day.

Our opinion is not qualified in respect of this matter.

Interest

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

(Note)

This is the English translation of the Japanese language Report of independent Auditors issued by Ernst & Young ShinNihon LLC in connection with the quarterly review of the quarterly consolidated financial statements of the Group prepared in Japanese, for the period ended 31 March 2014. Ernst & Young ShinNihon LLC have not audited or reviewed the English language version of the financial statements for the above-mentioned period, which are included in this circular. If there is any inconsistency between the original Japanese language report and its English translation, the original Japanese report would prevail.

B. SUPPLEMENTAL FINANCIAL INFORMATION OF ZERO GROUP

Zero Group sets out the following supplemental financial information, which was not included in Zero's Audited Consolidated Financial Statements showing the financial information for each of the three years ended 30 June 2013, nor was it included in Zero's Unaudited Quarterly Consolidated Financial Statements for the nine months ended 31 March 2014.

(Amounts in millions of Japanese Yen, and are rounded down to the nearest million, unless otherwise stated.)

B1. Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group				
	Year ended 30 June			Nine months ended 31 March	
	2011	2012	2013	2013	2014
Fees	154	156	160	120	124
Other emoluments:					
Salaries, allowances and benefits in kind	–	–	–	–	–
Performance related bonuses	–	–	–	–	–
Equity-settled share option expense	–	–	–	–	–
Pension scheme contributions	33	33	35	26	25
	187	189	196	147	150

	Fees	Allowances and benefits in kind	Performance Related bonuses	Equity-settled share option expense	Pension scheme contributions	Total
30 June 2011						
Executive directors:						
Mr. Yoshi Iwashita	54	–	–	–	15	69
Mr. Junji Sakuma	19	–	–	–	3	22
Mr. Naoyuki Fujii	19	–	–	–	3	22
Mr. Takeo Kitamura	19	–	–	–	3	22
Mr. Kiyoshi Yamada	19	–	–	–	3	22
Mr. Takashi Kageyama	19	–	–	–	3	22
	150	–	–	–	33	183
Non-executive director:						
Mr. Masahiko Kamata	4	–	–	–	–	4
	154	–	–	–	33	187

B1. Directors' remuneration (continued)

	Fees	Allowances and benefits in kind	Performance Related bonuses	Equity-settled share option expense	Pension scheme contributions	Total
30 June 2012						
Executive directors:						
Mr. Yoshi Iwashita	54	–	–	–	15	69
Mr. Junji Sakuma	19	–	–	–	3	23
Mr. Naoyuki Fujii	19	–	–	–	3	22
Mr. Takeo Kitamura	19	–	–	–	3	22
Mr. Kiyoshi Yamada	19	–	–	–	3	22
Mr. Takashi Kageyama	19	–	–	–	3	22
	150	–	–	–	33	183
Non-executive director:						
Mr. Masahiko Kamata	6	–	–	–	–	6
	156	–	–	–	33	189

	Fees	Allowances and benefits in kind	Performance Related bonuses	Equity-settled share option expense	Pension scheme contributions	Total
30 June 2013						
Executive directors:						
Mr. Yoshi Iwashita	54	–	–	–	15	69
Mr. Junji Sakuma	24	–	–	–	5	29
Mr. Naoyuki Fujii	19	–	–	–	3	22
Mr. Takeo Kitamura	19	–	–	–	3	22
Mr. Kiyoshi Yamada	19	–	–	–	3	22
Mr. Takashi Kageyama	19	–	–	–	3	22
	154	–	–	–	35	190
Non-executive director:						
Mr. Masahiko Kamata	6	–	–	–	–	6
	160	–	–	–	35	196

	Fees	Allowances and benefits in kind	Performance Related bonuses	Equity-settled share option expense	Pension scheme contributions	Total
31 March 2013						
Executive directors:						
Mr. Yoshi Iwashita	40	–	–	–	11	52
Mr. Junji Sakuma	18	–	–	–	4	22
Mr. Naoyuki Fujii	14	–	–	–	2	17
Mr. Takeo Kitamura	14	–	–	–	2	17
Mr. Kiyoshi Yamada	14	–	–	–	2	17
Mr. Takashi Kageyama	14	–	–	–	2	17
	116	–	–	–	26	142
Non–executive director:						
Mr. Masahiko Kamata	4	–	–	–	–	4
	120	–	–	–	26	147

B1. Directors' remuneration (continued)

	Fees	Allowances and benefits in kind	Performance Related bonuses	Equity-settled share option expense	Pension scheme contributions	Total
31 March 2014						
Executive directors:						
Mr. Yoshi Iwashita	40	–	–	–	11	52
Mr. Junji Sakuma	18	–	–	–	4	22
Mr. Takeo Kitamura	14	–	–	–	2	17
Mr. Naoyuki Fujii	14	–	–	–	2	17
Mr. Hideki Nakae	13	–	–	–	0	14
Mr. Mamoru Yoshida	9	–	–	–	2	11
Mr. Takashi Kageyama	4	–	–	–	0	5
Mr. Kiyoshi Yamada	4	–	–	–	0	5
	120	–	–	–	25	145
Non–executive director:						
Mr. Masahiko Kamata	4	–	–	–	–	4
	124	–	–	–	25	150

B2. Five Highest Paid Employees

The five highest paid employees during the year are as follows:

	Group				
	Year ended 30 June			Nine months ended 31 March	
	2011	2012	2013	2013	2014
Salaries, allowances and benefits in kind	89	87	86	64	56
Performance related bonuses	–	–	–	–	–
Equity–settled share option expense	–	–	–	–	–
Pension scheme contributions	3	3	5	4	3
	93	91	91	68	59

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees				
	Year ended 30 June			Nine months ended 31 March	
	2011	2012	2013	2013	2014
Nil to 10,000,000yen	–	–	–	–	1
10,000,001yen to 15,000,000 yen	1	2	2	4	3
15,000,001yen to 20,000,000 yen	3	2	2	1	1
20,000,001yen to 25,000,000 yen	–	–	–	–	–
25,000,001yen to 30,000,000 yen	1	1	1	–	–
	5	5	5	5	5

B3. Notes and accounts receivables – trade

	Group				
	As at 30 June			As at 31 March	
	2011	2012	2013	2013	2014
Account receivables	5,669	6,378	6,671	7,661	8,674
Notes receivables	149	196	197	151	152
	5,818	6,575	6,868	7,813	8,826
Impairment	(56)	(39)	(41)	(41)	(87)
	5,762	6,535	6,827	7,772	8,739

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control committee to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	Group				
	As at 30 June			As at 31 March	
	2011	2012	2013	2013	2014
1 to 3 months	5,717	6,475	6,762	7,697	8,660
3 to 4 months	29	46	35	44	47
4 to 5 months	14	13	29	31	31
Over 5 months	0	0	–		–
	5,762	6,535	6,827	7,772	8,739

B4. Trade and notes payables

An aged analysis of the trade and notes payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group				
	As at 30 June			As at 31 March	
	2011	2012	2013	2013	2014
1 to 3 months	2,861	3,207	3,419	4,149	4,412
3 to 4 months	38	13	11	11	14
4 to 5 months	–	–	–	–	–
Over 5 months	–	–	–	–	–
	2,899	3,221	3,430	4,160	4,427

B5. Net current assets and total assets less current liabilities

	Group				
	As at 30 June			As at 31 March	
	2011	2012	2013	2013	2014
Net current assets	4,109	4,034	3,350	3,290	4,402
Total assets less current liabilities	22,621	21,548	21,350	21,347	22,013

	As at 30 June		
	2011	2012	2013
Net current assets	3,023	2,660	1,818
Total assets less current liabilities	19,867	18,941	18,643

B6. Finance costs

An analysis of finance costs is follows:

	Group				
	Year ended 30 June			Nine months ended 31 March	
	2011	2012	2013	2013	2014
Interest on bank loans, overdrafts and other loans wholly repayable within five years	96	85	58	47	32
Interest on bank loans repayable after five years	21	3	0	0	0
Interest on finance leases	20	16	26	18	23
Others	0	0	0	0	0
Total interest expense on financial liabilities not at fair value through profit or loss	138	107	86	66	56
Less: Interest capitalised	–	–	–	–	–
	138	107	86	66	56

	Company		
	Year ended 30 June		
	2011	2012	2013
Interest on bank loans, overdrafts and other loans wholly repayable within five years	62	58	38
Interest on bank loans repayable after five years	21	3	–
Interest on finance leases	15	13	20
Others	0	0	0
Total interest expense on financial liabilities not at fair value through profit or loss	99	75	58
Less: Interest capitalised	–	–	–
	99	75	58

B7. Income tax

Taxation arising in Japan is calculated at the rates prevailing in the relevant jurisdictions. The Group is not subject to Hong Kong profits tax during the Relevant Periods.

B8. Investments in subsidiaries

	Company Year ended 30 June 2011	 2012	 2013
Unlisted shares, at cost	4,041	4,041	4,107
Loans to subsidiaries	80	19	9
	4,122	4,061	4,116
Impairment (Note)	(29)	(29)	(76)
Allowance for doubtful accounts	(80)	(19)	(9)
	(110)	(49)	(85)

Note: An impairment was recognized for certain unlisted investments because the fair value was much less than the carrying amount.

B9. Investment securities

	Group				
	As at 30 June			As at 31 March	
	2011	2012	2013	2013	2014
Listed equity investments outside Hong Kong, at fair value	95	125	159	155	144
Unlisted equity investments, at cost	112	83	180	183	205
	208	208	340	339	350

	Company At at 30 June 2011	 2012	 2013
Listed equity investments outside Hong Kong, at fair value	57	89	116
Unlisted equity investments, at cost	89	60	159
	146	149	275

B10. Expense items

	Group				
	Year ended 30 June			Nine months ended 31 March	
	2011	2012	2013	2013	2014
Auditors' remuneration	42	40	40	30	31
Product warranty provision					
Additional provision	–	27	16	16	–
Reversal of unutilised provision	(–)	(–)	(–)	(–)	(–)
Depreciation and amortisation					
Depreciation of property, plant and equipment and amortisation of intangible assets other than goodwill	712	607	742	545	537
Amortization of goodwill	352	328	328	246	247
Total depreciation and amortisation	1,064	936	1,071	791	784
Employee benefits (pension schemes)	17,354	18,310	20,147	14,976	15,730

B11. Bank loan and overdrafts

	As at 30 June								
	2011			2012			2013		
Group	Effective interest rates %	Maturity	Millions of yen	Effective interest rates %	Maturity	Millions of yen	Effective interest rates %	Maturity	Millions of yen
Current									
Finance lease payable	2.90	2012	145	2.50	2013	216	1.90	2014	294
Bank loans - unsecured	0.86-1.48	2011	550	0.93-1.24	2012	550	0.87-1.15	2013	600
Bank loans - secured	1.40	2011	150	1.30	2012	150	1.30	2013	150
Current portion of long-term bank loans - unsecured	0.97-2.08	2012	1,495	0.48-2.08	2013	893	0.45-1.85	2014	1,158
Current portion of long-term bank loans - secured	1.13-2.38	2012	473	1.07-2.31	2013	463	0.71-2.31	2014	449
			2,815			2,274			2,652
Non-current									
Finance lease payable	2.90	2013-2016	509	2.50	2013-2017	683	1.90	2014-2020	1,205
Bank loans - unsecured	0.97-2.08	2013-2019	2,846	0.48-2.08	2012-2019	2,115	0.45-1.85	2013-2019	1,130
Bank loans - secured	1.13-2.38	2011-2024	2,574	1.07-2.31	2012-2019	1,308	0.71-2.31	2014-2017	911
			5,930			4,108			3,246
			8,745			6,382			5,899

	As at 31 March					
	2013			2014		
Group	Effective Interest rates %	Maturity	Millions of yen	Effective Interest rates %	Maturity	Millions of yen
Current						
Finance lease payable	2.10	2014	307	2.10	2015	282
Bank loans - unsecured	0.93-1.24	2013	600	0.90-1.13	2014	450
Bank loans - secured	1.30	2013	150	1.30	2014	150
Current portion of long-term bank loans - unsecured	0.48-1.87	2014	1,195	0.44-1.85	2015	814
Current portion of long-term bank loans - secured	0.76-2.31	2014	463	0.70-2.31	2015	391
			2,715			2,089
Non-current						
Finance lease payable	2.10	2015-2020	1,162	2.10	2015-2021	1,232
Bank loans – unsecured	0.48-1.87	2015-2019	1,303	0.44-1.85	2014-2019	1,198
Bank loans – secured	0.76-2.31	2015-2019	951	0.70-2.31	2014-2017	719
			3,417			3,150
			6,132			5,239

B11. Bank loan and overdrafts (continued)

	As at 30 June								
	2011			2012			2013		
Company	Effective interest rates %	Maturity	Millions of yen	Effective interest rates %	Maturity	Millions of yen	Effective interest rates %	Maturity	Millions of yen
Current									
Finance lease payable	2.90	2012	124	2.50	2013	168	1.90	2014	203
Current portion of long term bank loans - unsecured	0.97-1.90	2012	948	0.48-1.75	2013	620	0.45-1.75	2014	887
Current portion of long term bank loans - secured	1.14	2012	228	1.14	2013	228	1.05	2014	228
			1,300			1,017			1,319
Non-current									
Finance lease payable	2.90	2013-2016	437	2.50	2014-2017	537	1.90	2015-2018	986
Bank loans – unsecured	0.97-1.90	2011-2015	2,037	0.48-1.75	2012-2015	1,580	0.45-1.75	2012-2018	740
Bank loans – secured	1.14	2011-2024	2,317	1.07-1.14	2012-2018	1,120	1.05	2013-2017	778
			4,792			3,237			2,504
			6,093			4,254			3,823

B11. Bank loan and overdrafts (continued)

	Group				
	As at 30 June			As at 31 March	
	2011	2012	2013	2013	2014
Bank loans and overdrafts repayable:					
Within one year or on demand	2,669	2,057	2,357	2,408	1,806
In the second year	1,234	1,633	909	868	894
In the third to fifth years, inclusive	2,732	1,548	1,113	1,363	1,015
Beyond five years	1,453	241	18	22	7
	8,090	5,482	4,399	4,664	3,724
Finance lease repayable:					
Within one year or on demand	145	216	294	307	282
In the second year	153	354	427	385	313
In the third to fifth years, inclusive	353	327	745	625	892
Beyond five years	2	1	32	150	26
	655	899	1,500	1,470	1,515
	8,745	6,382	5,899	6,134	5,239

	Company		
	At at 30 June		
	2011	2012	2013
Bank loans and overdrafts repayable:			
Within one year or on demand	1,176	848	1,115
In the second year	792	1,257	555
In the third to fifth years, inclusive	2,157	1,234	962
Beyond five years	1,405	208	–
	5,531	3,549	2,633
Finance lease repayable:			
Within one year or on demand	124	168	203
In the second year	128	282	371
In the third to fifth years, inclusive	309	254	615
Beyond five years	–	–	–
	562	705	1,190
	6,093	4,254	3,823

B12. Income from listed and unlisted investments

	Group				
	As at 30 June			As at 31 March	
	2011	2012	2013	2013	2014
Dividend income from investment securities:					
Listed	1	1	2	0	0
Unlisted	3	3	3	0	0
	5	5	5	0	0

	Company		
	At at 30 June		
	2011	2012	2013
Dividend income from investment securities:			
Listed	1	1	1
Unlisted	123	123	123
	124	124	124

B13. Land

	Group				
	As at 30 June			As at 31 March	
	2011	2012	2013	2013	2014
The carrying value of properties located on land outside Hong Kong					
Land-freehold	8,758	8,389	8,373	8,373	8,279

	Company		
	At at 30 June		
	2011	2012	2013
The carrying value of properties located on land outside Hong Kong			
Land-freehold	6,893	6,716	6,716

B14. Commitments

The Group and the Company had the following commitments at the end of the Relevant Periods:

	Group				
	As at 30 June			As at 31 March	
	2011	2012	2013	2013	2014
Contracted, but not provided for:					
Commitments for the acquisition of property, plant and equipment	–	–	–	–	329
Commitments for the acquisition of intangible assets	–	–	–	–	–
	–	–	–	–	329

B15. Intangible assets

	Goodwill	Group Software	Others
Cost			
At 30 June 2011	3,405	1,835	64
At 30 June 2012	3,288	678	72
At 30 June 2013	3,288	898	84
At 31 March 2013	3,288	859	84
At 31 March 2014	3,288	1,082	80
Accumulated amortisation and impairment			
At 30 June 2011	939	1,698	21
At 30 June 2012	1,151	435	29
At 30 June 2013	1,480	516	39
At 31 March 2013	1,397	496	36
At 31 March 2014	1,726	592	21
Carrying amount			
At 30 June 2011	2,466	136	43
At 30 June 2012	2,137	243	42
At 30 June 2013	1,808	382	45
At 31 March 2013	1,890	362	48
At 31 March 2014	1,561	490	59

	Software	Company Leased Asset	Others
Cost			
At 30 June 2011	1,555	25	19
At 30 June 2012	656	34	19
At 30 June 2013	569	46	19
Accumulated amortisation and impairment			
At 30 June 2011	1,422	12	2
At 30 June 2012	423	19	2
At 30 June 2013	212	26	2
Carrying amount			
At 30 June 2011	132	13	17
At 30 June 2012	233	15	17
At 30 June 2013	356	19	16

B16. Rental income relevant disclosures

	Group				
	Year ended 30 June			Nine months ended 31 March	
	2011	2012	2013	2013	2014
Rental income	373	375	376	282	282

	Company		
	Year ended 30 June		
	2011	2012	2013
Rental income	305	305	305

B17. Investment properties

	Group				
	As at 30 June			As at 31 March	
	2011	2012	2013	2013	2014
Land	2,081	2,160	2,316	2,316	2,288
Buildings	2,242	2,078	1,930	1,967	1,780
Investment Properties	4,323	4,239	4,246	4,283	4,069

All of the Group's investment properties are situated in Japan and are held under the following lease terms:

	Group				
	As at 30 June			As at 31 March	
	2011	2012	2013	2013	2014
Land					
Medium term leases	1,261	1,261	1,261	1,261	1,261
Short term lease	819	898	1,054	1,054	1,026
	2,081	2,160	2,316	2,316	2,288
Buildings					
Medium term leases	2,127	1,972	1,832	1,867	1,727
Short term lease	115	106	98	100	53
	2,242	2,078	1,930	1,967	1,780

B17. Investment properties (continued)

All of the Comapny's investment properties are situated in Japan and are held under the following lease terms:

	Company At at 30 June		
	2011	2012	2013
Land	1,547	1,547	1,547
Buildings	2,127	1,972	1,832
Investment Properties	3,674	3,519	3,379

	Company At at 30 June		
	2011	2012	2013
Land			
Medium term leases	1,261	1,261	1,261
Short team lease	285	285	285
	1,547	1,547	1,547
Buildings			
Medium term leases	2,127	1,972	1,832
Short team lease	–	–	–
	2,127	1,972	1,832

B18. Profit/(loss) on sale of investments or properties

	Group				
	Year ended 30 June			Nine months ended 31 March	
	2011	2012	2013	2013	2014
Profit on sale of properties					
Buildings	–	–	–	–	66
Machinery, equipment and vehicles	35	5	21	18	–
	35	5	21	18	66

	Group				
	Year ended 30 June			Nine months ended 31 March	
	2011	2012	2013	2013	2014
Loss on sale of properties					
Machinery, equipment and vehicles	0	0	0	0	0
Land	–	103	–	–	–
	0	104	0	0	0

	Company		
	Year ended 30 June		
	2011	2012	2013
Profit on sale of properties			
Machinery, equipment and vehicles	27	0	5
	27	0	5

	Company		
	Year ended 30 June		
	2011	2012	2013
Loss on sale of properties			
Machinery, equipment and vehicles	0	–	–
Land	–	49	–
	0	49	–

C. SUMMARY OF MATERIAL DIFFERENCES BETWEEN ACCOUNTING POLICIES ADOPTED BY THE COMPANY (IFRS) AND ZERO GROUP (JGAAP)

As described in the section entitled "Letter from the Board – Waivers from Strict Compliance with the Listing Rules – Waiver from the Requirement to Prepare an Accountants' Report on Zero", the Company has applied to the Hong Kong Stock Exchange for, and been granted, a waiver from the requirement to produce an accountants' report on Zero Group in accordance with Rule 14.67(6)(a)(i) of the Listing Rules.

Instead, this circular in Section A.1 and A.2 contains a copy of the:

(a) English translation of consolidated financial statements of Zero Group as at and for the three years ended 30 June 2013, which are prepared in accordance with accordance with accounting principles generally accepted in Japan ("JGAAP"), and

(b) English translation of quarterly consolidated financial statements of Zero Group as at and nine months ended 31 March 2014, which are prepared in accordance with JGAAP for quarterly consolidated financial statements.

The financial position as of 31 March 2013 is not presented in Section A.2. The quarterly consolidated financial statements of Zero Group as at and for the nine months ended 31 March 2013, are included in Zero's quarterly securities report in Japanese for the financial position as of 31 March 2013. The Financial Information included in Section A.1 and A.2 and financial position as of 31 March 2013 is collectively referred herein after as "Zero Historical Track Record Accounts"

The Zero Historical Track Record Accounts contains the consolidated balance sheet of Zero Group as at 30 June 2011, 2012 and 2013, 31 March 2013 and 2014, the consolidated statement of income and other comprehensive income of the Zero Group for each of the three years ended 30 June 2013 and the nine months ended 31 March 2013 and 2014 (the "Relevant Periods").

The accounting policies adopted for the preparation of the Zero Historical Track Record Accounts differ in certain material respects from the accounting policies adopted by the Company which comply with IFRS. Differences, other than presentation differences, which would have a significant effect on the Zero Historical Track Record Accounts had they been prepared in accordance with the accounting policies adopted by the Company, are set out below in the section entitled "Unaudited Adjusted Financial Information under the Company's Policies" with the following disclosures.

(a) a comparison between Zero's consolidated statements of income as extracted from the Zero Historical Track Record Accounts, prepared in accordance with JGAAP, and adjusted consolidated statements of income had they instead been prepared in accordance with the accounting policies adopted by the Company which are in compliance with IFRS. The process applied in the preparation of such comparison is set out in the "Basis of Preparation" section below;

(b) a comparison between Zero's consolidated balance sheets as extracted from the Zero Historical Track Record Accounts, prepared in accordance with JGAAP, and adjusted balance sheets had they instead been prepared in accordance with the accounting policies adopted by the Company which are in compliance with IFRS. The process applied in the preparation of such comparison is also set out in the "Reconciliation Process" section below; and

(c) a discussion of the material differences in line item for consolidated balance sheets and consolidated statements of income for the Relevant Periods arising in (a) and (b) above.

(These are collectively referred as the "Reconciliation Information").

Basis of Preparation

The Reconciliation Information for the Relevant Periods, representing the "Unadjusted Financial Information under JGAAP" of Zero which are extracted from the Zero Historical Track Record Accounts and quantified adjustments to financial information as if it had been prepared in accordance with the accounting policies adopted by the Company which are in compliance with IFRS ("Adjusted Financial Information under the Company's policies").

Reconciliation Information for the Relevant Periods do not include any adjustments that would result from the application of exemption for the first time adoption and election of IFRS 1 "First-time Adoption of International Financial Reporting Standards".

Reconciliation Process

The Reconciliation Information has been prepared by the directors of Zero by comparing and analysing the differences between the accounting policies adopted by Zero for the preparation of the Zero Historical Track Record Accounts in accordance with JGAAP and the accounting policies adopted by the Company which are in compliance with IFRS, and quantifying the relevant material financial effects of such differences, if any. Your attention is drawn to the fact that the Reconciliation Information has not been subject to an independent audit. Accordingly, no opinion is expressed by independent auditor of Zero on whether it presents a true and fair view of Zero's financial positions as at 30 June 2011, 2012 and 2013 and 31 March 2013 and 2014, nor its results for the years or periods then ended under the accounting policies adopted by the Company or IFRS.

Ernst & Young ShinNihon LLC was engaged by the Company and Zero to conduct work in accordance with International Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" ("ISAE 3000") issued by the International Auditing and Assurance Standards Board. The work consisted primarily of:

(i) comparing the "Unadjusted Financial Information under JGAAP" as set out below in the section entitled "Zero's Unaudited Adjusted Financial Information under the Company's Policies" with the Zero Historical Track Record Accounts prepared under JGAAP, as appropriate;

(ii) considering the adjustments made and evidence supporting the adjustments made in arriving at the "Adjusted Financial Information under the Company's Policies" also set out below in the section entitled "Zero's Unaudited Adjusted Financial Information under the Company's Policies", which included examining the differences between Zero's accounting policies and the Company's accounting policies; and

(iii) checking the arithmetic accuracy of the computation of the "Adjusted Financial Information under the Company's Policies".

Ernst & Young ShinNihon LLC's engagement did not involve independent examination of any of the underlying financial information. The work carried out in accordance with ISAE 3000 is different in scope from an audit or a review conducted in accordance with International Standards on Auditing or International Standards on Review Engagements issued by the International Auditing and Assurance Standards Board and consequently, Ernst & Young ShinNihon LLC did not express an audit opinion nor a review conclusion on the Reconciliation Information. Ernst & Young ShinNihon LLC's engagement was intended solely for the use of the Directors in connection with this circular and may not be suitable for another purpose. Based on the work performed, Ernst & Young ShinNihon LLC has concluded that:

(i) the "Unadjusted Financial Information under JGAAP" as set out in the section entitled "Zero's Unaudited Adjusted Financial Information under the Company's Policies" is in agreement with the Zero Historical Track Record Accounts;

(ii) the adjustments reflect, in all material respects, the differences between Zero's accounting policies and the Company's accounting policies, except for potential impact of those adjustments relating to the application of first time adoption exemptions and elections under IFRS 1 as described in the Basis of Preparation which are not included in the Reconciliation Information; and

(iii) the computation of the "Adjusted Financial Information under the Company's Policies" is arithmetically accurate.

Zero's Unaudited Adjusted Financial Information under the Company's Policies

The Zero Historical Track Record Accounts for the Relevant Periods have been prepared and presented in accordance with JGAAP. Except for presentation difference and the potential impact of those adjustments relating to the application of first time adoption exemptions and elections under IFRS 1 as described in the Basis of Preparation which are not included in the Reconciliation Information, there are no material differences between the Zero Historical Track Record Accounts, compared to that applying the accounting policies adopted by the Company which are in compliance with IFRS other than as set out below:

1) Consolidation — small size entities
2) Consolidation — non-coterminous reporting periods
3) Amortisation of goodwill
4) Method of depreciation of property, plant and equipment
5) Investment property
6) Employee benefits
7) Accrued vacation payable
8) Revenue recognition
9) Capitalisation of finance lease assets
10) Asset retirement obligations
11) Financial instruments
12) Revaluation of land

The consolidated statements of cash flows are not presented as there are no significant differences except for presentation differences.

(Amounts in millions of Japanese Yen, and are rounded down to the nearest million, unless otherwise stated.)

Unaudited Adjusted Financial Information under the Company's Policies

JPY millions	Notes	For the year ended 30 June 2011 Unadjusted Financial Information Under JGAAP	2011 Adjustments	2011 Adjusted Financial Information under the Company's Policies	2012 Unadjusted Financial Information Under JGAAP	2012 Adjustments	2012 Adjusted Financial Information under the Company's Policies	2013 Unadjusted Financial Information Under JGAAP	2013 Adjustments	2013 Adjusted Financial Information under the Company's Policies	For the nine months ended 31 March 2013 Unadjusted Financial Information Under JGAAP	2013 Adjustments	2013 Adjusted Financial Information under the Company's Policies	2014 Unadjusted Financial Information Under JGAAP	2014 Adjustments	2014 Adjusted Financial Information under the Company's Policies
Revenue	*1,2,8*	52,683	33	52,716	57,385	439	57,824	60,073	413	60,487	44,564	502	45,066	50,420	1,028	51,449
Cost of sales	*1,2,4,6,7, 8,9,10*	46,436	(308)	46,129	49,833	357	50,190	52,675	137	52,813	39,240	228	39,469	43,371	1,077	44,448
Gross profit		6,246	341	6,587	7,551	82	7,634	7,397	276	7,674	5,323	274	5,597	7,049	(48)	7,001
Other income	*1,2*	177	31	208	126	3	129	165	346	511	121	(29)	92	216	50	266
Selling and general administrative expenses	*1,2,3,4,5, 6,7,11*	5,000	(546)	4,454	5,222	(396)	4,826	5,797	(447)	5,350	4,224	(337)	3,887	4,677	(184)	4,493
Other expenses	*1,2,4,5,10,11*	295	295	591	236	129	365	196	29	225	42	22	64	123	32	155
Share of profits less losses of associates		106	–	106	18	–	18	26	–	26	28	–	28	12	–	12
Finance costs	*1,2,9,10,11*	141	58	199	110	39	149	89	24	113	68	20	88	58	15	73
Profit before taxation		1,092	566	1,658	2,127	313	2,441	1,507	1,016	2,524	1,138	540	1,679	2,419	139	2,558
Income tax expense	*1,2,4,5,6,7, 9,10,11*	630	98	728	1,186	(26)	1,160	790	220	1,011	581	144	726	1,067	(5)	1,062
Profit for the year		462	468	930	940	340	1,281	716	796	1,513	556	396	953	1,351	144	1,496
Attributable to:																
Equity shareholders of the Company		461	472	933	940	356	1,297	716	814	1,531	556	408	965	1,351	161	1,513
Non-controlling interests	*1*	1	(4)	(3)	–	(16)	(16)	–	(18)	(18)	–	(12)	(12)	–	(17)	(17)
Profit for the year		462	468	930	940	340	1,281	716	796	1,513	556	396	953	1,351	144	1,496

		As at 30 June 2011		
	Notes	Unadjusted financial information of JGAAP	Adjustments	Adjusted financial information under the Company's policies
				(Millions of yen)
Assets				
Non-current assets	*1,2*			
Investment properties	*5*	–	3,918	3,918
Other property, plant and equipment	*4,5,9,10,12*	13,314	(4,744)	8,569
Intangible assets		179	–	179
Goodwill	*3*	2,466	328	2,794
Investment accounted for using equity method ("Interest in associates" under the Company's policies)		202	–	202
Long-term financial assets ("Other financial assets" under the Company's policies)	*9,10,11*	1,199	(32)	1,166
Other non-current assets ("Non-current repayments" under the Company's policies")	*11*	28	50	79
Deferred tax assets	*4,6,7,9,10,11*	1,121	943	2,065
		18,512	464	18,976
Current assets	*1,2*			
Inventories		79	9	88
Trade and other receivables ("Trade debtors" under the Company's policies)	*8*	5,762	142	5,904
Short –term financial assets ("Hire purchase debtors and instalments receivable" under the Company's policies)		19	–	19
Other current assets ("Other debtors, deposits and prepayments" under the Company's policies)	*8,11*	1,706	(754)	952
Cash and cash equivalents		4,957	(12)	4,945
		12,525	(614)	11,910
Current liabilities	*1,2*			
Bank loans		2,669	(87)	2,582
Finance lease liabilities	*9*	145	652	798
Trade and other payables ("Trade creditors" under the Company's policies)		2,899	(8)	2,891
Other creditors and accruals	*7,11*	1,755	567	2,323
Other current liabilities		72	4	77
Current taxation		479	(98)	381
Provisions		391	27	418
		8,415	1,058	9,474
Net current assets		4,109	(1,673)	2,436
Total assets less current liabilities		22,621	(1,209)	21,412
Non-current liabilities	*1,2*			
Bank loans	*11*	5,420	(55)	5,364
Finance lease liabilities	*9*	509	642	1,152
Pension and other employee obligations ("Employee benefits" under the Company's policies")	*6*	3,390	(257)	3,133
Deferred tax liabilities	*5,6,12*	1,358	(1,150)	208
Provisions	*10*	41	38	79
Other non-current liabilities		101	2	104
		10,822	(779)	10,042
NET ASSETS	*5,12*	11,799	(429)	11,370

		As at 30 June 2012		
	Notes	Unadjusted financial information of JGAAP	Adjustments	Adjusted financial information under the Company's policies
				(Millions of yen)
Assets				
Non-current assets	*1,2*			
Investment properties	*5*	–	3,883	3,883
Other property, plant and equipment	*4,5,9,10,12*	12,994	(5,100)	7,893
Intangible assets		286	–	286
Goodwill	*3*	2,137	657	2,794
Investment accounted for using equity method ("Interest in associates" under the Company's policies)		216	–	216
Long-term financial assets ("Other financial assets" under the Company's policies)	*9,10,11*	1,111	(50)	1,060
Other non-current assets ("Non-current repayments" under the Company's policies")	*11*	24	47	72
Deferred tax assets	*4,6,7,9,10,11*	742	567	1,310
		17,514	4	17,518
Current assets	*1,2*			
Inventories		73	13	87
Trade and other receivables ("Trade debtors" under the Company's policies)	*8*	6,535	8	6,543
Short –term financial assets ("Hire purchase debtors and instalments receivable" under the Company's policies)		15	–	15
Other current assets ("Other debtors, deposits and prepayments" under the Company's policies)	*8,11*	1,292	(254)	1,037
Amounts due from related companies		–	–	–
Cash and cash equivalents		4,772	52	4,825
		12,689	(179)	12,509
Current liabilities	*1,2*			
Bank loans		2,057	40	2,098
Finance lease liabilities	*9*	216	304	521
Trade and other payables ("Trade creditors" under the Company's policies)		3,221	(55)	3,166
Other creditors and accruals	*7,11*	2,014	595	2,609
Other current liabilities		73	3	76
Current taxation		662	(102)	560
Provisions		409	57	466
		8,654	843	9,498
Net current assets		4,034	(1,022)	3,011
Total assets less current liabilities		21,548	(1,018)	20,530
Non-current liabilities	*1,2*			
Bank loans	*11*	3,424	30	3,455
Finance lease liabilities	*9*	683	443	1,126
Pension and other employee obligations ("Employee benefits" under the Company's policies")	*6*	3,372	59	3,431
Deferred tax liabilities	*5,6,12*	1,165	(1,079)	85
Provisions	*10*	41	39	80
Other non-current liabilities		100	(1)	99
		8,787	(507)	8,279
NET ASSETS	*5,12*	12,761	(510)	12,250

		As at 30 June 2013		
	Notes	Unadjusted financial information of JGAAP	Adjustments	Adjusted financial information under the Company's policies
				(Millions of yen)
Assets				
Non-current assets	*1,2*			
Investment properties	*5*	–	4,370	4,370
Other property, plant and equipment	*4,5,9,10,12*	13,382	(5,366)	8,016
Intangible assets		427	(0)	427
Goodwill	*3*	1,808	986	2,794
Investment accounted for using equity method ("Interest in associates" under the Company's policies)		265	–	265
Long-term financial assets ("Other financial assets" under the Company's policies)	*9,10,11*	1,320	(141)	1,178
Other non-current assets ("Non-current repayments" under the Company's policies")	*11*	17	66	84
Deferred tax assets	*4,6,7,9,10,11*	777	455	1,233
		18,000	372	18,372
Current assets	*1,2*			
Inventories		139	7	146
Trade and other receivables ("Trade debtors" under the Company's policies)	*8*	6,827	106	6,933
Short –term financial assets ("Hire purchase debtors and instalments receivable" under the Company's policies)		17	–	17
Other current assets ("Other debtors, deposits and prepayments" under the Company's policies)	*8,11*	1,239	(190)	1,048
Cash and cash equivalents		4,872	61	4,933
		13,096	(15)	13,080
Current liabilities	*1,2*			
Bank loans		2,357	(27)	2,330
Finance lease liabilities	*9*	294	120	415
Trade and other payables ("Trade creditors" under the Company's policies)		3,430	(31)	3,399
Other creditors and accruals	*7,11*	2,331	498	2,829
Other current liabilities		77	4	81
Current taxation		847	(29)	817
Provisions		406	58	464
		9,745	594	10,340
Net current assets		3,350	(609)	2,740
Total assets less current liabilities		21,350	(237)	21,112
Non-current liabilities	*1,2*			
Bank loans	*11*	2,041	49	2,091
Finance lease liabilities	*9*	1,205	320	1,525
Pension and other employee obligations ("Employee benefits" under the Company's policies")	*6*	3,456	(470)	2,985
Deferred tax liabilities	*5,6,12*	1,165	(788)	377
Provisions	*10*	41	40	81
Other non-current liabilities		106	(0)	105
		8,016	(849)	7,167
NET ASSETS	*5,12*	13,333	612	13,945

	Notes	As at 31 March 2013 Unadjusted financial information of JGAAP	Adjustments	Adjusted financial information under the Company's policies
				(Millions of yen)
Assets				
Non-current assets	*1,2*			
Investment properties	*5*	–	4,051	4,051
Other property, plant and equipment	*4,5,9,10,12*	13,405	(5,309)	8,095
Intangible assets		411	0	411
Goodwill	*3*	1,890	904	2,794
Investment accounted for using equity method ("Interest in associates" under the Company's policies)		246	–	246
Long-term financial assets ("Other financial assets" under the Company's policies)	*9,10,11*	1,314	(59)	1,255
Other non-current assets ("Non-current repayments" under the Company's policies")	*11*	19	45	64
Deferred tax assets	*4,6,7,9,10,11*	768	361	1,130
		18,056	(6)	18,049
Current assets	*1,2*			
Inventories		176	8	185
Trade and other receivables ("Trade debtors" under the Company's policies)	*8*	7,772	196	7,969
Short –term financial assets ("Hire purchase debtors and instalments receivable" under the Company's policies)		16	–	16
Other current assets ("Other debtors, deposits and prepayments" under the Company's policies)	*8,11*	1,296	(411)	884
Amounts due from related companies		–	–	–
Cash and cash equivalents		3,909	212	4,122
		13,170	6	13,177
Current liabilities	*1,2*			
Bank loans		2,409	(3)	2,406
Finance lease liabilities	*9*	307	364	672
Trade and other payables ("Trade creditors" under the Company's policies)		4,160	(20)	4,139
Other creditors and accruals	*7,11*	2,152	487	2,640
Other current liabilities		65	4	70
Current taxation		573	63	636
Provisions		210	44	255
		9,880	941	10,821
Net current assets		3,290	(934)	2,356
Total assets less current liabilities		21,347	(940)	20,406
Non-current liabilities	*1,2*			
Bank loans	*11*	2,254	24	2,279
Finance lease liabilities	*9*	1,162	168	1,331
Pension and other employee obligations ("Employee benefits" under the Company's policies")	*6*	3,475	(26)	3,448
Deferred tax liabilities	*5,6,12*	1,165	(1,044)	121
Provisions	*10*	41	40	81
Other non-current liabilities		96	9	106
		8,196	(827)	7,368
NET ASSETS	*5,12*	13,150	(112)	13,037

	Notes	As at 31 March 2014 Unadjusted financial information of JGAAP	Adjustments	Adjusted financial information under the Company's policies
				(Millions of yen)
Assets				
Non-current assets	*1,2*			
Investment properties	*5*	–	4,128	4,128
Other property, plant and equipment	*4,5,9,10,12*	13,065	(5,031)	8,034
Intangible assets		549	–	549
Goodwill	*3*	1,561	1,233	2,794
Investment accounted for using equity method ("Interest in associates" under the Company's policies)		327	(0)	327
Long-term financial assets ("Other financial assets" under the Company's policies)	*9,10,11*	1,413	(177)	1,236
Hire purchase debtors and instalments receivable		–	45	45
Other non-current assets ("Non-current repayments" under the Company's policies")	*11*	58	61	119
Deferred tax assets	*4,6,7,9,10,11*	635	534	1,169
		17,611	792	18,404
Current assets	*1,2*			
Inventories		408	69	478
Trade and other receivables ("Trade debtors" under the Company's policies)	*8*	8,739	423	9,162
Short –term financial assets ("Hire purchase debtors and instalments receivable" under the Company's policies)		12	–	12
Other current assets ("Other debtors, deposits and prepayments" under the Company's policies)	*8,11*	1,343	(404)	939
Amounts due from related companies		–	–	–
Cash and cash equivalents		4,346	249	4,595
		14,849	338	15,188
Current liabilities	*1,2*			
Bank loans		1,806	210	2,017
Finance lease liabilities	*9*	282	(72)	209
Trade and other payables ("Trade creditors" under the Company's policies)		4,427	(13)	4,413
Other creditors and accruals	*7,11*	2,782	430	3,213
Other current liabilities		91	6	98
Current taxation		838	95	933
Provisions		217	45	263
		10,447	701	11,148
Net current assets		4,402	(362)	4,039
Total assets less current liabilities		22,013	430	22,443
Non-current liabilities	*1,2*			
Bank loans	*11*	1,917	43	1,961
Finance lease liabilities	*9*	1,232	508	1,741
Pension and other employee obligations ("Employee benefits" under the Company's policies")	*6*	2,990	(169)	2,821
Deferred tax liabilities	*5,6,12*	1,167	(758)	408
Provisions	*10*	38	41	79
Other non-current liabilities		132	(0)	132
		7,479	(334)	7,144
NET ASSETS	*5,12*	14,534	764	15,299

Notes:

Note 1: Consolidation — small size entities

Under JGAAP, an entity that is controlled by its parent is, in principle, consolidated in the parent's consolidated financial statements. There is a specific exemption which allows small size entities to be excluded from consolidation. When meeting the specific exemption, Zero Group recognises and measures the small size entities using equity method or at cost less impairment, if any or at Zero Group's proportionate share in the equity of those entities.

Under IFRS, a subsidiary or fund that is controlled by its parent should be consolidated in the parent's consolidated financial statements in principle.

As at 30 June 2011, 2012 and 2013 and 31 March 2013 and 2014, there were 3 small size entities controlled by Zero Group - Auto Carry Co., Ltd., Eight Zero Limited and GUANGZHOU EIGHT ZERO AUTO SERVICE CO., LTD., and these entities were consolidated in the parent's financial statements respectively. Zero Group has quantified the effect of consolidating these small size entities under IFRS. The remaining unconsolidated subsidiaries are very immaterial in size and nature, accordingly do not affect the economic decisions of users based on the materiality concept outlined in the conceptual framework for IFRS reporting.

Note 2: Consolidation — non-coterminous reporting periods

Under JGAAP, when the difference between the end of the reporting period of a subsidiary and that of its parent is less than three months, the financial statements of the subsidiary for its own reporting period may be consolidated without adjustments.

Under IFRS, the financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements shall be prepared as of the same date, unless it is impracticable to do so. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial statements as of the same date as the financial statements of the parent.

Accordingly, some subsidiaries prepared additional financial statements as of the same date as the financial statement of the parent for consolidation purpose.

Note 3: Amortisation of goodwill

Under JGAAP, goodwill is amortised using the straight-line method over an appropriate period (within 20 years).

Under IFRS, goodwill is not amortised but is subject to impairment review annually, or more frequently if events or changes in circumstances indicate that it may be impaired, in accordance with IAS 36 "Impairment of Assets". Detailed information about impairment is described in the following note (4).

Accordingly, Zero Group reversed the accumulated amortisation of goodwill recognised under JGAAP.

Note 4: Changes method of depreciation of property, plant and equipment

Under JGAAP, property, plant and equipment are depreciated using the declining balance method.

In order to align with the Company's accounting policy of property, plant and equipment under IFRS, Zero Group uses the straight-line method for depreciation of property, plant and equipment accordingly.

Note 5: Investment property

Under JGAAP, investment properties are classified under "Other property, plant and equipment" and Zero Group applies the cost model for the investment properties. The cost model is the only method allowed. There are no specific rules for fair value accounting for the investment properties.

In order to align with the Company's accounting policy of investment properties under IFRS, Zero Group selects the fair value model.

Note 6: Employee benefits

Under JGAAP, the present value of the defined benefit obligation is discounted by the rates based on the market yields of long-term national government bonds. Additionally, the discount rates for the previous period can be used for the current reporting period, if the change in the present value of the defined benefit obligation caused by a change in the discount rates from the previous period to the current period is less than 10%.

Under IFRS, the discount rates are determined by market yields on high quality corporate bonds at the end of each reporting period.

Under JGAAP, the actuarial gains and losses and past service costs are amortised using the straight-line method.

Under IFRS, the actuarial gains and losses and past service costs are recognised immediately in the consolidated income statement.

In addition, under the exemption in IFRS 1, Zero Group recognised all cumulative unrecognised actuarial gains and losses and all cumulative unrecognised past service costs at the date of transition to IFRS.

Note 7: Accrued vacation payable

Under JGAAP, accruals for employees' unused accumulating paid holiday are not required.

Under IFRS, the accounting treatment for employees' unused accumulating paid holiday is stipulated in IAS 19 "Employee Benefits" and an entity shall accrue for the expected cost of employees' unused accumulating paid holiday.

Zero Group accrued for employees' unused accumulating paid holiday in accordance with IFRS.

Note 8: Revenue Recognition

Under JGAAP, Zero Group recognises vehicle transportation service fees upon the conclusion of the related services provided.

Under IFRS, the revenue of rendering vehicle transportation service is recognised by reference to the stage of completion of the transaction.

Accordingly, under IFRS, Zero Group recognises vehicle transportation service fees by reference to the stage of completion of the transaction.

Note 9: Capitalisation of finance lease assets

Under JGAAP, finance lease agreements entered into prior to 1 September 2008 which do not involve transfer of ownership, and finance lease agreements which are under 3 million JPY, are accounted for in a manner similar to that of operating leases.

Under IFRS, an entity is required to capitalise all finance leases.

Accordingly, under IFRS, finance leases which were treated as operating leases under JGAAP are capitalised and depreciated. The corresponding minimum lease payments are recognised as interest-bearing borrowings.

Note 10: Asset retirement obligations

Under JGAAP, where rental deposits are recorded as an asset, the amount equal to the asset retirement obligations are allowed to be reduced from the amount of the rental deposits as an exceptional treatment. Zero Group uses the exceptional treatment of rental deposits.

Under IFRS, the exceptional treatment of rental deposits in JGAAP is not permitted.

Accordingly, under IFRS, all asset retirement obligations are added to the carrying amount of related non-current assets and recorded as a liability.

Note 11: Financial instruments — amortisation and the effective interest rate method

Under JGAAP, the effective interest rate method takes into account the interest amount only.

Under IFRS, the effective interest rate includes all fees and points paid or received between parties to the contract that are on integral part of the effective interest rate, transaction costs, as well as all other premiums or discounts and incurred losses.

Accordingly, under IFRS, the effective interest rate takes into account the interest amount, all fees and points or received.

Note 12: Property, plant and equipment — revaluation of land

Under JGAAP, Zero Group does revaluation of land for business purposes based on the Act on Revaluation of Land (Act No. 34 of 1998) of Japan. Additionally, under JGAAP, a property tax incurred initially to acquire an item of property, plant and equipment is recognised in the period in which it incurs.

Under IFRS, there is no treatment of the Act. Additionally, under IFRS, the cost of an item of property, plant and equipment includes a non-refundable property tax imposed to acquire it.

Accordingly, under IFRS, Zero Group reversed the revaluation of land recognised under the Act of Japan. Additionally, the property tax incurred initially to acquire land is capitalised.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

INTRODUCTION

The following is the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2013 of Tan Chong International Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") (the "**Unaudited Pro Forma Financial Information**") in connection with the acquisition of Zero Co., Ltd. (the "**Target company**") and its subsidiaries (together the "**Target group**") ("the **Acquisition**") which has been prepared on the basis of the notes set out below and assumes the Acquisition had been completed on 31 December 2013. The Group and the Target group are collectively referred to as the "**Enlarged Group**". Details of the Acquisition are set out in the section headed "Letter from the Board" contained in this circular.

The Unaudited Pro Forma Financial Information is based on the consolidated statement of assets and liabilities of the Group as at 31 December 2013, which has been extracted from the Company's published annual report for the year then ended as referred to in Appendix I to this circular, and the consolidated statement of assets and liabilities of the Target group as at 31 March 2014 which are extracted from the unaudited consolidated balance sheet of the Target group as set out in Appendix II to this circular, and adjusted on a pro forma basis to reflect the effect of the Acquisition. These pro forma adjustments are (i) directly attributable to the Acquisition and not relating to other future events and decisions and (ii) factually supportable based on the terms of the Tender Offer.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**"), for the purpose of illustrating the effect of the Acquisition. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group had the acquisition been completed as of the specified date or any future dates.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group set out in the annual report of the Company for the year ended 31 December 2013 and with other financial information included elsewhere in this circular.

	The Group as at 31 December 2013	The Target group as at 31 March 2014	Unaudited pro forma adjustments		Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
	Note 1	Note 2	Note 3	Note 4	
Non-current assets					
Investment properties	2,655	310			2,965
Other property, plant and equipment	2,452	604		62	3,118
Interest in leasehold land	262	–			262
Interest in subsidiaries	–	–	305	(305)	–
Intangible assets	–	41		87	128
Goodwill	–	210		(205)	5
Interest in associates	914	25		(232)	707
Other financial assets	97	93		3	193
Hire purchase debtors and instalments receivable	199	3			202
Non-current prepayments	23	9			32
Deferred tax assets	37	88		1	126
	6,639	1,383			7,738
Current assets					
Investments designated as at fair value through profit or loss	2,577	–			2,577
Inventories	1,959	36			1,995
Properties held for sale	61	–			61
Trade debtors	905	689			1,594
Hire purchase debtors and instalments receivable	92	1			93
Other debtors, deposits and prepayments	337	71			408
Amounts due from related companies	4	–			4
Cash and cash equivalents	2,229	345	(305)		2,269
	8,164	1,142			9,001
Current liabilities					
Unsecured bank overdrafts	1	–			1
Bank loans	2,098	152		1	2,251
Finance lease liabilities	–	16			16
Trade creditors	767	332			1,099
Other creditors and accruals	582	241			823
Amounts due to related companies	14	–			14
Current taxation	115	70			185
Provisions	28	20			48
Other current liabilities	–	7			7
	3,605	838			4,444
Net current assets	4,559	304			4,557
Total assets less current liabilities	11,198	1,687			12,295

	The Group as at 31 December 2013	The Target group as at 31 March 2014	Unaudited pro forma adjustments		Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
	Note 1	Note 2	Note 3	Note 4	
Non-current liabilities					
Bank loans	104	147		1	252
Finance lease liabilities	–	131			131
Employee benefits	–	212			212
Deferred tax liabilities	24	31		86	141
Provisions	47	6			53
Other non-current liabilities	–	10			10
	175	537			799
NET ASSETS	11,023	1,150			11,496

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1 The consolidated statement of assets and liabilities of the Group was extracted from the consolidated balance sheet of the Group as at 31 December 2013, which formed part of the audited consolidated financial statements of the Group for the year ended 31 December 2013, as set out in the Company's published annual report for the year ended 31 December 2013, on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.tanchong.com). The relevant balances have been rounded to the nearest Hong Kong Dollars ("HK$") million.

2 The consolidated statement of assets and liabilities of the Target group as at 31 March 2014 was extracted from the unaudited consolidated balance sheet of the Target group, as set out in Appendix II to this circular. The consolidated statement of assets and liabilities of the Target group is presented in Japanese Yen ("JPY") which is different from the presentation currency of the Group, i.e. HK$. The assets and liabilities of the Target group have been translated to HK$ at the closing rate of JPY13.305 to HK$1 as at 31 March 2014 and rounded to the nearest HK$ million. In addition, the relevant balances have been reclassified to conform with the presentation format adopted by the Group.

3 Pursuant to the Tender Offer and the result of the Tender Offer announced by the Group on the Stock Exchange on 15 May 2014 and 13 June 2014 respectively, the Group is offered to purchase 27.97% of the total issued common shares of the Target company as at 13 June 2014 for a total cash consideration of JPY3,969 million (equivalent to approximately HK$305 million at a translation rate of JPY13 to HK$1).

The adjustment represents the consideration for the acquisition of the additional 27.97% of the total issued common shares of the Target company. The consideration has been satisfied by cash and financed by the Group's internal resources.

4 Prior to the Acquisition, the Group already owned approximately 22.91% of the equity interests of the Target company. Hence, the acquisition of additional 27.97% equity interests would give the Group control over the Target company. After the completion of the Acquisition, the Target company became a 50.88% owned subsidiary of the Group and the financial statements of the Target group will be consolidated into the Enlarged Group's consolidated financial statements upon the effective date of the Acquisition.

In this connection, the acquisition of the additional 27.97% equity interests in the Target company is treated as a "step acquisition" under *International Financial Reporting Standard 3 (Revised) - Business Combinations* ("IFRS 3").

According to IFRS 3, step acquisition is accounted for using the acquisition method of accounting, and the existing 22.91% equity interests in the Target company is re-measured to its fair value at the Acquisition date and any resultant gain or loss is recognised in the profit or loss. Upon the completion of the Acquisition, the fair value of the 22.91% equity interests of the Target company forms a component in the goodwill calculation, along with the consideration transferred less the fair value of identifiable net assets of the Target group.

Upon completion of the Acquisition, the identifiable assets and liabilities of the Target group will be accounted for in the consolidated financial statements of the Enlarged Group at their fair values under the acquisition method of accounting in accordance with IFRS 3.

Pro forma adjustments made represent:

(i) the deemed disposal of the existing 22.91% of equity interests held in the Target company as recorded as an interest in associates;

(ii) the consolidation entry to eliminate the parent company's net investment in the Target company;

(iii) the de-recognition of pre-existing goodwill of the Target group of JPY2,794 million (equivalent to HK$210 million at translation rate of JPY13.305 to HK$1) which is not regarded as net identifiable assets acquired and not recorded as a separate asset in accordance with IFRS 3;

(iv) the recognition of

- fair value adjustments of HK$62 million on other property, plant and equipment, HK$87 million on intangible assets, other financial assets of HK$3 million and bank loans of HK$2 million;

- goodwill of approximately HK$5 million, being the excess of consideration over the fair values of the identifiable net assets the Target group based on the 50.88% equity interests in the Target company held by the Group;

- net deferred tax liabilities of HK$85 million, being the net deferred tax liabilities arising from the fair value adjustments on other property, plant and equipment, intangible assets, other financial assets and bank loans.

For the purpose of the Unaudited Pro Forma Financial Information, the fair values of the identifiable assets and liabilities of the Target group as at 31 March 2014 were determined after making reference to the valuation reports on intangible assets and land and buildings prepared by independent professional valuers.

The fair values and the carrying amounts of the assets and liabilities of the Target group as at 31 March 2014 and the financial effect of the transactions described above are analysed as follows:

	Fair value of identifiable net assets	**Carrying amount**
	HK$ million	HK$ million
Investment properties	310	310
Other property, plant and equipment	666	604
Intangible assets	128	41
Interest in associates	25	25
Other financial assets	96	93
Hire purchase debtors and instalments receivable - Non-current	3	3
Non-current prepayments	9	9
Deferred tax assets	89	88
Goodwill	–	210
Inventories	36	36
Trade debtors	689	689
Hire purchase debtors and instalments receivable - Current	1	1
Other debtors, deposits and prepayments	71	71
Cash and cash equivalents	345	345
Bank loans - Current	(153)	(152)
Finance lease liabilities - Current	(16)	(16)
Trade creditors	(332)	(332)
Other creditors and accruals	(241)	(241)
Current taxation	(70)	(70)
Provisions - Current	(20)	(20)
Other current liabilities	(7)	(7)
Bank loans - Non-current	(148)	(147)
Finance lease liabilities - Non-current	(131)	(131)
Employee benefits	(212)	(212)
Deferred tax liabilities	(117)	(31)
Provisions - Non-current	(6)	(6)
Other non-current liabilities	(10)	(10)
Net assets	1,005	1,150

	HK$ million	HK$ million
Fair value of identifiable net assets acquired by the Group (50.88%)		511
Consideration for 50.88% equity interests in the Target company:		
- Estimated cash consideration	305	
- Fair value of interest in associates*	211	
Total consideration for 50.88% equity interests in the Target company		516
Goodwill based on 50.88% equity interests in the Target company		5

*amount represents the fair value of the then existing 22.91% equity investments at the date of the Acquisition which was estimated with reference to the quoted share price of the Target company as at that date.

For the purpose of the Unaudited Pro Forma Financial Information, the directors of the Company ("the Directors") have assessed whether there is any indication of impairment in respect of goodwill arising from the Acquisition with reference to the principles in International Accounting Standard 36 "Impairment of Assets" ("IAS 36") which is consistent with the accounting policies of the Group. Based on the Directors' assessment, they consider that there is no indication of impairment on the goodwill of HK$5 million arising from the Acquisition. The Directors confirm that they will apply consistent accounting policies for impairment assessment of goodwill arising from the Acquisition in subsequent reporting periods in accordance with the requirements of IAS 36.

Since the fair values and the carrying amounts of the identifiable net assets of the Target group as at the Acquisition date may be materially different from their respective values used in the preparation of the Unaudited Pro Forma Financial Information, the actual amounts of the assets, liabilities, and goodwill to be recorded in the consolidated financial statements of the Group upon completion of the Acquisition may be materially different from the estimated amounts shown above.

5 No adjustment has been made to the Unaudited Pro Forma Financial Information for acquisition-related costs (including fees to legal advisors, reporting accountants, valuers, printer, taxes and levies and other expenses) as the Directors determined that such costs are insignificant. The total acquisition-related costs are estimated to be approximately HK$7 million.

6 Apart from the Acquisition, no adjustment has been made to reflect any trading results or other transactions of the Group and the Target group entered into subsequent to 31 December 2013 and 31 March 2014, respectively.

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose of this circular.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

30 June 2014

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF TAN CHONG INTERNATIONAL LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Tan Chong International Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2013 and related notes as set out on pages III – 1 to III – 7 to the circular dated 30 June 2014 (the "Circular") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages III – 1 to III – 7 to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the acquisition of Zero Co., Ltd. and its subsidiaries (collectively the "Target Group") (the "Acquisition") on the Group's assets and liabilities as at 31 December 2013 as if the Acquisition had taken place at 31 December 2013. As part of this process, information about the Group's assets and liabilities as at 31 December 2013 has been extracted by the Directors from the consolidated financial statements of the Company for the year then ended, on which an audit report has been published. The information about the Target Group's assets and liabilities as at 31 March 2014 has been extracted by the Directors from the financial information of Target Group as set out in Appendix II to the Circular.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in the Circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 31 December 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;
b) such basis is consistent with the accounting policies of the Group; and
c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong

Set out below is the management discussion and analysis on Zero Group for the three financial years ended 30 June 2011, 2012 and 2013 and for the nine months ended 31 March 2014. The discussion and analysis relate to the consolidated results and financial position of Zero Group.

REVENUE

For the three years ended 30 June 2011, 2012 and 2013, the revenue of Zero Group was approximately 52,683 million yen (equivalent to approximately HK$4,053 million), 57,385 million yen (equivalent to approximately HK$4,414 million) and 60,073 million yen (equivalent to approximately HK$4,621 million) respectively. For the nine months ended 31 March 2013, the revenue of Zero Group was approximately 44,564 million yen (equivalent to approximately HK$3,428 million). For the nine months ended 31 March 2014, the revenue of Zero Group was approximately 50,420 million yen (equivalent to approximately HK$3,879 million).

The revenue of Zero Group is derived from vehicle related businesses including vehicle transportation, vehicle maintenance and inspections of used cars at auction sites; general cargo transportation businesses including transportation of consumer discretionaries, coal cargo and warehouse leasing; and human resource businesses including driver dispatching and control and management of private vehicles.

In the first half of 2011, domestic new car sales grew steadily as a result of a tax reduction and provision of subsidies for purchases of new eco cars. However, demand for new cars decreased following the termination of the relevant subsidies. In addition, the Great East Japan Earthquake caused significant destruction to the supply chains, resulting in stoppage and restrictions of production.

In 2012, production and sales of domestic new cars recovered rapidly. In the second half of 2012, the sales of new cars grew steadily due to tax reduction and resumption of eco-car subsidies. As a result, revenue of Zero Group in 2012 increased by approximately 4,701 million yen (equivalent to approximately HK$362 million), representing an increase of approximately 8.9% compared with the previous year.

In 2013, revenue from the vehicle related business recovered with a rise in revenue from the used car transportation business, which reflected the growth in customised transportation services in addition to regional sales promotion activities. Revenue in the human resource business also increased because of steady efforts in developing new sales regions and customer base through strong sales activities and enhanced sales operations. The venture of new businesses, including dispatching workers for light-duty jobs in newly developed areas, also contributed to the rise in revenue. In contrast, revenue from the general cargo transportation business decreased. Zero Group closed down unprofitable businesses, and eliminated and consolidated certain business facilities after a thorough review of the business structure in order to deal with the prolonged economic downturn in the home electronics businesses. As a result, revenue of Zero Group increased by approximately 2,688 million yen (equivalent to approximately HK$207 million), representing an increase of approximately 4.7% compared to the previous year.

For the nine months ended 31 March 2014, the revenue of Zero Group increased by approximately 5,856 million yen (equivalent to approximately HK$451 million), increasing by approximately 13.1% compared to the nine months ended 31 March 2013. The increase in revenue was attributable to an increase in sales of domestic new car sales as a result of last-minute demand before the consumption tax hike and an associated increase in vehicle transportation business, which offset the negative impact of the closure of unprofitable general cargo transportation businesses.

PROFIT BEFORE TAXATION

For the three years ended 30 June 2011, 2012 and 2013, profit before taxation of Zero Group was approximately 1,092 million yen (equivalent to approximately HK$84 million), 2,127 million yen (equivalent to approximately HK$164 million) and 1,507 million yen (equivalent to approximately HK$116 million) respectively. For the nine months ended 31 March 2013, profit before taxation of Zero Group was approximately 1,138 million yen (equivalent to approximately HK$88 million). For the nine months ended 31 March 2014, profit before taxation of Zero Group was approximately 2,419 million yen (approximately HK$186 million).

Profit before taxation for the year ended 30 June 2012 increased by approximately 1,035 million yen (equivalent to approximately HK$80 million), compared to the figure for the year ended 30 June 2011. The increase was primarily due to a rise in revenue. The profit before taxation of the year ended 30 June 2013 decreased by approximately 620 million yen (equivalent to approximately HK$48 million), compared to the figure for the year ended 30 June 2012. In spite of the higher sales for the year ended 30 June 2013 by approximately 2,688 million yen (equivalent to approximately HK$207 million) compared to the year ended 30 June 2012, the lower profit was attributable to a structural change in the transportation model-mix, an increase in short-distance transportation, and an increase in costs for enhancing car-carriers and drivers for the stabilization of transportation. As a result, the cost of sales for the year ended 30 June 2013 rose by approximately 2,842 million yen (equivalent to approximately HK$219 million), from approximately 49,833 million yen (approximately HK$3,833 million) for the year ended 30 June 2012 to approximately 52,675 million yen (equivalent to approximately HK$4,052 million). Selling and general administrative expenses for the year ended 30 June 2013 increased by approximately 575 million yen (equivalent to approximately HK$44 million), from approximately 5,222 million yen (equivalent to approximately HK$402 million) to approximately 5,797 million yen (approximately HK$446 million), for the year ended 30 June 2012.

For the nine months ended 31 March 2014, profit before taxation of Zero Group increased by approximately 1,280 million yen (equivalent to approximately HK$99 million) compared to the nine months ended 31 March 2013, as a result of an increase in vehicle transportation because of last-minute demand before the consumption tax hike and an improved balance attributable to the closure of unprofitable general cargo transportation businesses.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of turnover attributable to Zero Group's major customers for the three years ended 30 June 2011, 2012 and 2013, and the nine months ended 31 March 2013 and 2014 are as follows:

	Year ended 30 June			Nine months ended 31 March
	2011	2012	2013	2014
Nissan Motor Co., Ltd.	27.6%	29.0%	24.6%	25.5%
Nissan Motor Group	35.2%	37.1%	33.5%	34.7%

Note: Nissan Motor Group includes Nissan Motor Co., Ltd. (hereinafter called as Nissan Motor), Autech Japan Inc. and sales dealers of nation-wide Nissan Motor sales-network in Japan.

For the three years ended 30 June 2011, 2012 and 2013 and the nine months ended 31 March 2014, none of the directors, their associates or any shareholders of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers.

Zero Group's five largest suppliers represent less than 30% of total purchases combined.

CAPITAL RESOURCES AND LIQUIDITY

Zero Group allocates its existing funds and debt from financial institutions and leasing to fund-raising for capital expenditure and demand for short-term operating funds. Employing a cash management system, Zero Group effectively manages surplus funds and controls liquidity risk by maintaining liquidity in the appropriate amount through the timely formulation and updating of the cash management plan.

Cash and cash equivalents

As at 30 June 2011, 2012 and 2013 and 31 March 2014, Zero Group had cash and cash equivalents of approximately 4,729 million yen (equivalent to approximately HK$364 million), 4,683 million yen (equivalent to approximately HK$360 million), 4,785 million yen (equivalent to approximately HK$368 million) and 4,258 million yen (equivalent to approximately HK$328 million) respectively. The cash and cash equivalents do not include time deposits for more than 3 months. Zero Group allocates surplus funds to financial instruments denominated in Japanese yen.

Loans

As at 30 June 2011, 2012 and 2013 and 31 March 2014, Zero Group had short-term loans amounting to approximately 700 million yen (equivalent to approximately HK$54 million), 700 million yen (equivalent to approximately HK$54 million), 750 million yen (equivalent to approximately HK$58 million) and 600 million yen (equivalent to approximately HK$46 million) respectively.

Zero Group establishes overdraft facility agreements, loan commitment and line agreements with financial institutions in order to effectively procure operating capital.

As at 30 June 2011, 2012 and 2013 and 31 March 2014, Zero Group had a maximum amount of overdraft facility and committed loan of approximately 5,750 million yen (equivalent to approximately HK$442 million), 7,200 million yen (equivalent to approximately HK$554 million), 7,800 million yen (equivalent to approximately HK$600 million) and 7,800 million yen (equivalent to approximately HK$600 million) respectively. As at 30 June 2011, 2012 and 2013 and 31 March 2014, Zero Group had outstanding unexecuted loans amounting to approximately 4,950 million yen (equivalent to approximately HK$381 million), 6,650 million yen (equivalent to approximately HK$512 million), 7,200 million yen (equivalent to approximately HK$554 million) and 7,350 million yen (equivalent to approximately HK$565 million) respectively.

As at 30 June 2011, 2012 and 2013 and 31 March 2014, Zero Group had instalments of long-term loans amounting to approximately 7,390 million yen (equivalent to approximately HK$569 million), 4,782 million yen (equivalent to approximately HK$368 million), 3,649 million yen (equivalent to approximately HK$281 million) and 3,124 million yen (equivalent to approximately HK$240 million) respectively. The decrease of installments of long-term loans of Zero Group as of 30 June 2012 was attributable to the early repayment of long-term loans to reduce interest cost.

The maturity of the bank loans is as follows:

	Year ended 30 June						Nine months ended 31 March	
	2011		2012		2013		2014	
	Million yen	Million HK$ equivalent to approximately	Million yen	Million HK$ equivalent to approximately	Million yen	Million HK$ equivalent to approximately	Million yen	Million HK$ equivalent to approximately
Within one year	2,669	205	2,057	158	2,357	181	1,806	139
After one year but within two years	1,234	95	1,633	126	909	70	894	69
After two years but within five years	2,732	210	1,548	119	1,113	86	1,015	78
After five years	1,453	112	241	19	18	1	7	1
	8,090	622	5,482	422	4,399	338	3,724	287

Loans based on term loan contracts for capital expenditure are under the following financial covenants. As at 30 June 2011, 2012 and 2013 and 31 March 2014, Zero Group had loans payable of approximately 2,545 million yen (equivalent to approximately HK$196 million), 1,348 million yen (equivalent to approximately HK$104 million), 1,006 million yen (equivalent to approximately HK$77 million) and 835 million yen (equivalent to approximately HK$64 million) respectively. Covenant requirements as at 30 June 2011, 2012 and 2013 and 31 March 2014 are as follows:

In connection with loans of each amount of each period based on term-loan agreements for plant funds, the following covenant requirements must be fulfilled:

1) For each fiscal year, ordinary income in the statement of income shall not be in loss position for two consecutive years; and

2) Total net assets in the balance sheet at the end of each fiscal year shall be equal to or greater than the higher of 80% of net assets as at 30 June 2008 (net assets as of 30 June 2008 being 11,185 million yen (equivalent to approximately HK$860 million) or 80% of net assets on the balance sheet date of the immediately preceding fiscal year.

All loans were substantively denominated in Japanese yen and with variable or fixed interest.

As at 30 June 2011, 2012 and 2013 and 31 March 2014, Zero Group had loans with fixed-interest and swap contract loans with fixed-interest amounting to approximately 3,776 million yen (equivalent to approximately HK$291 million), 2,745 million yen (equivalent to approximately HK$211 million), 2,955 million yen (equivalent to approximately HK$227 million) and 2,243 million yen (equivalent to approximately HK$173 million) respectively.

As at 30 June 2011, 2012 and 2013 and 31 March 2014, short-term loans carried weighted average effective interest rates of 1.2%, 1.1%, 1.0% and 1.1% respectively. As at June 30, 2011, 2012 and 2013, and 31 March 2014, long-term loans carried weighted average effective interest rates of 1.3%, 1.2%, 1.1% and 0.9% respectively.

Zero Group executes interest rate swap transactions with the purpose of hedging against fluctuations in interest rates in loans. Derivative transaction is conducted only to hedge against the risk of fluctuations in loan interest rates, and not for speculative purposes. As at 30 June 2011, 2012 and 2013 and 31 March 2014, Zero Group had contracts for interest rate swap transactions amounting to approximately 481 million yen (equivalent to approximately HK$37 million), 262 million yen (equivalent to approximately HK$20 million), 751 million yen (equivalent to approximately HK$58 million) and 859 million yen (equivalent to approximately HK$66 million) respectively.

Lease obligations

As at 30 June 2011, 2012 and 2013 and 31 March 2014, Zero Group had lease obligations of approximately 655 million yen (equivalent to approximately HK$50 million), 899 million yen (equivalent to approximately HK$69 million), 1,500 million yen (equivalent to approximately HK$115 million) and 1,515 million yen (equivalent to approximately HK$117 million) respectively. The amount of lease obligations as at 30 June 2013 increased compared to the amount as of 30 June 2012. This was attributable to the procurement of commercial vehicles. Fixed interest rates are applied to finance lease transactions. For the years ended 30 June 2011, 2012 and 2013, weighted average effective interest rates were 2.9%, 2.5% and 1.9% respectively. For the nine months ended 31 March 2014, the weighted average effective interest rate was 2.1%.

The maturity of lease obligations is as follows:

	Year ended 30 June						Nine months ended 31 March	
	2011		2012		2013		2014	
	Million yen	Million HK$ equivalent to approximately	Million yen	Million HK$ equivalent to approximately	Million yen	Million HK$ equivalent to approximately	Million yen	Million HK$ equivalent to approximately
Within one year	145	11	216	17	294	23	282	22
After one year but within two years	153	12	354	27	427	33	313	24
After two years but within five years	353	27	327	25	745	57	892	69
After five years	2	0	1	0	32	3	26	2
	655	50	899	69	1,500	115	1,515	117

Indebtedness

As at the close of business on 30 April 2014, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, Zero Group had outstanding borrowings of 3,944 million yen, lease obligations of 1,705 million yen, details of which are set out as follows:

Borrowings

As at 30 April 2014, Zero Group had outstanding borrowings of 3,944 million yen, which comprised Short term loans payable and Long-term loans payable of 860 million yen and 3,084 million yen respectively.

Lease obligations

As at 30 April 2014, the Zero Group had lease obligations of 1,705 million yen for the lease of vehicles and equipment.

Save as disclosed above and apart from intra-group liabilities, the Zero Group did not have any other outstanding loans, mortgages, charges, debentures, loan capital and bank overdrafts or other similar indebtedness, financial leases or hire purchase commitment, liabilities under acceptances (other than normal trade and other payables), or acceptance credits, or any guarantees or other material contingent liabilities at the close of business on 30 April 2014.

Gearing ratio

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated by the total of short-term loans, long-term loans including current portion) and lease obligations less cash and cash equivalents. Total capital is the sum of total net assets and net debt. Cash and cash equivalents do not include time deposits for more than three months. As at 30 June 2011, 2012 and 2013 and 31 March 2014, the gearing ratios of Zero Group were 25.4%, 11.7%, 7.7% and 6.3% respectively.

FINANCIAL POSITION

Total assets of Zero Group were approximately 31,037 million yen (equivalent to approximately HK$2,388 million) as at 30 June 2011, 30,203 million yen (equivalent to approximately HK$2,323 million) as at 30 June 2012, 31,096 million yen (equivalent to approximately HK$2,392 million) as at 30 June 2013, and 32,460 million yen (equivalent to approximately HK$2,497 million) as at 31 March 2014. The decrease for the year ended 30 June 2012 was attributable to asset compression with the sale of land and the early repayment of long-term debt from surplus funds. The increase for the year ended 30 June 2013 was attributable to the acquisition of commercial vehicles. The increase for the nine months ended 31 March 2014 reflected an increase in accounts receivable. In the vehicle related business of Zero Group, for new car transportation, shipments from car manufacturers tends to be higher in March than in other months, and demand for private car transport tends to increase during the moving season of March.

Total liabilities of Zero Group were approximately 19,238 million yen (equivalent to approximately HK$1,480 million) as at 30 June 2011, 17,442 million yen (equivalent to approximately HK$1,342 million) as at 30 June 2012, 17,762 million yen (equivalent to approximately HK$1,366 million) as at 30 June 2013, and 17,926 million yen (equivalent to approximately HK$1,379 million) as at 31 March 2014. The decrease across the year ended 30 June 2012 was attributable to the early repayment of long-term debt. The increase for the year ended 30 June 2013 was attributable to an increase in lease obligations from the acquisition of commercial vehicles. The increase for the nine months ended 31 March 2014 reflected an increase in accounts payable due to increase in sales, offsetting the repayment of loans by the funds created by the after-tax profit.

CAPITAL EXPENDITURE

Zero Group's capital expenditure for the three years ended 30 June 2011, 2012, and 2013 and the nine months ended 31 March 2014 were approximately 438 million yen (equivalent to approximately HK$34 million), 822 million yen (equivalent to approximately HK$63 million), 1,339 million yen (equivalent to approximately HK$103 million), and 764 million yen (equivalent to approximately HK$59 million) respectively.

Capital expenditure of Zero Group is mainly for the vehicle related business. In 2011, the cost of the development of new vehicle-maintenance plant and software amounted to approximately 365 million yen (equivalent to approximately HK$28 million). In 2012 and 2013, the cost of the acquisition of commercial vehicles and the development of software amounted to approximately 763 million yen (equivalent to approximately HK$59 million) and 1,098 million yen (equivalent to approximately HK$85 million) respectively. For the nine months ended 31 March 2014, capital investment for the acquisition of commercial vehicles and the development of software amounted to approximately 703 million yen (equivalent to approximately HK$54 million).

MATERIAL FINANCIAL INVESTMENTS

There was no material financial investments held by Zero Group for the three years ended 30 June 2011, 2012 and 2013 and the nine months ended 31 March 2014.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 3 December 2013, Zero Group acquired 100% stake in World Windows Corporation which engaged in the business of used car sales to Malaysia. There were no other material acquisitions or disposals by Zero Group for the three years ended 30 June 2011, 2012 and 2013 and the nine months ended 31 March 2014.

CAPITAL COMMITMENTS, CHARGES ON ASSETS AND CONTINGENT LIABILITIES

The amount of capital commitments as at 31 March 2014 was approximately 329 million yen (equivalent to approximately HK$25 million). The commitments were for the construction of warehouse facilities for general cargo transportation businesses on the land owned by a subsidiary of Zero Group. As at 30 June 2011 2012 and 2013, Zero Group did not have any material outstanding capital commitments.

Part of the assets of Zero Group have been provided as collateral, including time deposits, buildings and structures, and lands. As at 30 June 2011, 2012, and 2013 and 31 March 2014, Zero Group had assets provided as collateral on the consolidated balance sheet amounting to approximately 6,249 million yen (equivalent to approximately HK$481 million), 6,052 million yen (equivalent to approximately HK$466 million), 5,873 million yen (equivalent to approximately HK$452 million) and 5,757 million yen (equivalent to approximately HK$443 million) respectively.

As at 30 June 2011, 2012, and 2013 and 31 March 2014, Zero Group did not have any material contingent liabilities.

FOREIGN EXCHANGE RISK MANAGEMENT

Zero Group conducts its business in Japanese yen and almost all transactions are denominated in yen. Therefore, there is no foreign exchange risk exposure.

SEGMENT INFORMATION

The reportable segments of Zero Group are the units for which separate financial statements can be obtained among the constituent units of Zero Group and which are regularly examined by the executive management and directors of Zero Group to assess performance and allocate management resources. Consolidating its business segments based on the organization structure and characteristics of services, Zero Group defines its reportable segments as the vehicle related business, general cargo transportation business and human resource business as set out below.

Vehicle Related Business

Zero Group provides vehicle transportation services to auto makers and dealers, auto leasing operators, house-moving operators, and other business operators.

General Cargo Transportation Business

Zero Group provides services of transportation, cargo-handling and storage of products and raw materials such as coal to business operators, sanitary equipment makers, chemical products makers and major electronics retail stores.

Human Resources Business

Zero Group provides private automobile dispatch services to hospitals and kindergartens etc., and provides staff to engage in light labour work if needed.

EMPLOYEES AND REMUNERATION POLICY

Zero Group had 1,649, 1,698, 1,770 and 1,800 employees as at 30 June 2011, 2012, and 2013 and 31 March, 2014 respectively. This does not include temporary staff. Average numbers of temporary staff were 3,543, 3,815, 4,382 and 4,552 for the three years ended 30 June 2011, 2012, and 2013 and the nine months ended 31 March 2014 respectively.

The remuneration policy of Zero Group is reviewed every year and appropriate adjustments are made with reference to employees' performance, conditions in the human resources market and general economic conditions.

Zero Group adopts a defined benefit retirement plan except for certain subsidiaries. The defined benefit retirement plan has a lump-sum retirement payment plan, defined benefit cooperate pension plan and integrated employee's pension fund plan. Certain subsidiaries have joined the small business retirement allowance mutual aid system.

Zero Group's total staff cost for the three years ended 30 June 2011, 2012 and 2013 and for the nine months ended 31 March 2013 and 2014 were approximately 17,354 million yen (equivalent to approximately HK$1,335 million), 18,310 million yen (equivalent to approximately HK$1,409 million), 20,147 million yen (equivalent to approximately HK$1,550 million), 14,976 million yen (equivalent to approximately HK$1,152 million) and 15,730 million yen (equivalent to approximately HK$1,210 million) respectively. The increase in 2013 was attributable to ongoing efforts in developing new sales regions and broadening customer base through strong sales activities and enhanced sales operations. The venture of new businesses, including dispatching workers for light-duty job in new areas in the human resource business, also contributed to the increase in staff cost.

Zero Group granted 1,080,000 share options to a total of 21 members of the board of directors, corporate auditors, executive officers and employees on 7 July 2003. Exercise periods of these share options were from 24 June 2005 to 22 June 2013. The number of unexercised shares with execution right at 30 June 2011 and 2012 was 610,200 shares, which expired on 22 June 2013. No additional share option has been granted as at the Latest Practicable Date.

FUTURE PLANS FOR MATERIAL INVESTMENT

Zero Group has been exploring potential opportunities for business expansion in both Japan and ASEAN countries. Currently, Zero Group does not have any commitments for material investment.

PROSPECTS

Zero Group has been engaging in vehicle related businesses, general cargo transportation businesses and human resources businesses in Japan and will continue to focus on these segments, while strengthening its capital and business alliance with the Group to expand the automobile-related business in the ASEAN Region. Zero Group is committed to expand into the ASEAN region due to the rapid growth in automobile-related business in emerging markets. It is of the view that the provision of after-sales services including automobile maintenance in Asia is relatively immature, representing huge potential for growth.

Zero Group will establish the automobile value-chain system with fine-tuning of the total logistic process in order to adapt to the diversified customers requirement and market needs. Zero Group also intends to recruit more staff in its human resources business to secure a steady supply of crew.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

a) Directors' Interests

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors or the chief executive of the Company is taken or deemed to have under such provisions of the SFO); or which (b) were required to be entered into the register maintained by the Company, pursuant to Section 352 of the SFO; or which (c) were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies:

	Personal interests	Family interests (Note 1)	Corporate interests (Note 2)	Other interests (Notes 3 and 4)	Total number of shares held	% of total issued shares
Executive Directors:						
Mr. Tan	111,999,972	–	431,376,000	1,027,584,147	1,570,960,119	78.02%
Joseph Ong Yong Loke	684,000	795,000	940,536	–	2,419,536	0.12%
Tan Kheng Leong	2,205,000	210,000	–	1,568,545,119	1,570,960,119	78.02%
Sng Chiew Huat	900,000	–	–	–	900,000	0.04%
Glenn Tan Chung Hong	99,000	–	–	–	99,000	0.0049%

Notes:

(1) These Shares are beneficially owned by the spouses of Joseph Ong Yong Loke and Tan Kheng Leong, respectively, and hence they are deemed interested in these Shares.

(2) These Shares are beneficially owned by corporations controlled by Mr. Tan and Joseph Ong Yong Loke, respectively.

(3) In addition to Mr. Tan's personal interest and corporate interests of 111,999,972 Shares and 431,376,000 Shares respectively, he is deemed interested in 1,027,584,147 Shares pursuant to sections 317 and 318 of the SFO, making a total interests of 1,570,960,119 Shares.

(4) In additional to Tan Kheng Leong's personal and family interests of 2,205,000 Shares and 210,000 Shares respectively, he is deemed interested in 1,568,545,119 Shares pursuant to sections 317 and 318 of the SFO, making a total interests of 1,570,960,119 Shares.

b) Substantial Shareholders' Interests

Save as disclosed below, as at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, there are no persons or entities (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Long/short positions	Note	Ordinary shares held	% of total issued shares
TCC	Long	(1)	1,570,960,119	78.02%
Dato' Tan Heng Chew	Long	(2)	1,570,960,119	78.02%
Promenade	Long	(3)	302,067,000	15.00%

Notes:

(1) The share capital of TCC is held by Mr. Tan as to approximately 22.85% and Tan Kheng Leong as to approximately 15.38%. The remaining shareholding is held by certain members of the Tan family who are not directors of the Company. The 1,570,960,119 Shares referred to above include 705,819,720 shares beneficially held by TCC and 865,140,399 shares in which TCC is interested pursuant to sections 317 and 318 of the SFO.

(2) Based on the disclosure of interests filed, Dato' Tan Heng Chew has personal, family and corporate interests of 28,990,986 Shares, 328,170 Shares and 37,848,000 Shares respectively. He is also deemed interested in 1,503,792,963 Shares pursuant to sections 317 and 318 of the SFO, making a total of 1,570,960,119 Shares.

(3) Mr. Tan is the controlling shareholder of Promenade.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group that will expire or is terminable by such member of the Group within one year with payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates had any interest in businesses apart from the Group's businesses that competed or was likely to compete, whether directly or indirectly with the businesses of the Group.

5. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

Mr. Tan, the Chairman and an executive Director of the Company, is an outside director of Zero.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2013 (being the date to which the latest published audited consolidated accounts of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; (iv) proposed to be leased to, any member of the Enlarged Group.

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Enlarged Group.

6. LITIGATION

As at the Latest Practicable Date, the Directors were not aware of any litigation or claims of material importance which were pending or threatened against any members of the Enlarged Group.

7. MATERIAL CONTRACTS

The following contracts (not being in the ordinary course of business) have been entered into by the members of the Enlarged Group within the two years immediately preceding the date of this circular and are or may be material:

a) a programme agreement dated 6 May 2014 entered into between the Company and HL Bank in relation to the establishment of the S$500,000,000 medium term note programme under which the Company may issue medium term notes in series of aggregate principal amount of up to S$500,000,000 (or its equivalent in other currencies); and

b) an agreement dated 22 November 2013 entered into between Zero and Mr. and Mrs. Mori in relation to the acquisition of 100% stake in World Windows Corporation at a consideration of 464,000,000 yen.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, the date to which the latest published audited consolidated financial statements of the Group were made up.

9. EXPERTS AND CONSENTS

The following is the qualification of the experts whose report is contained or referred to in this circular:

Name	Qualification
KPMG	Certified Public Accountants
Ernst & Young ShinNihon LLC	A member of the Japanese Institute of Certified Public Accountants

Each of the above named experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and report and the reference to its name in the form and context in which they appear.

As at the Latest Practicable Date, each of the above named experts did not have any shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the above named experts did not have any direct or indirect interest in any assets which has been, since 31 December 2013 (the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

10. GENERAL

a) The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11 Bermuda.

b) The principal places of business of the Company are at Unit 3001, 30th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong and at Tan Chong Motor Centre, 911 Bukit Timah Road, Singapore 589622.

c) The branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

d) The joint company secretaries are Ms. Teo Siok Ghee and Ms. Liew Daphnie Pingyen. Ms. Teo Siok Ghee holds a Bachelor of Commerce (Accountancy) from Nanyang University and is a non-practicing member of Institute of Singapore Chartered Accountants (previously known as Institute of Certified Public Accountants of Singapore). Ms. Liew Daphnie Pingyen holds a Bachelor Degree in Business (Accounting) and a Master Degree in Business (Accounting) from Monash University, Australia, and is a member of CPA Australia.

e) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Unit 3001, 30th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai. Hong Kong during normal business hours on any weekday (except Saturdays and public holidays) from the date of this circular up to 14 days thereafter:

a) the memorandum and articles of association of the Company;

b) the memorandum and articles of association of Zero;

c) letters of consent from each of KPMG and Ernst & Young ShinNihon LLC;

d) the audited financial information of Zero for each of the three years ended 30 June 2013 and the reviewed financial information for the nine months ended 31 March 2014 prepared under JGAAP as set out in Appendix II of this circular;

e) the report on unaudited pro forma financial information of the Enlarged Group prepared by KPMG, the text of which is set out in Appendix III of this circular;

f) the material contracts referred to in the section headed "Material Contracts" in this Appendix of this circular;

g) the respective annual reports of the Company for the years ended 31 December 2011, 2012 and 31 December 2013; and

h) this circular and any circular issued pursuant to the requirements set out in Chapters 14 and/or 14A since the date of the latest published audited accounts (if any).