

Financial Results for the Three-Month Period Ended September 30, 2013

November 14, 2013

Company name: ZERO CO., LTD.

Tokyo Stock Exchange (Second Section)

Code No.: 9028

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

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Date of financial report submission

November 14, 2013

Date to begin payment of dividend: —

Additional materials for the financial results for 1Q FY2013

None

Briefing session for the financial results for 1Q FY2013

None

1. Consolidated Financial Results for the Three-Month Period Ended September 30, 2013 (From July 1, 2013 to September 30, 2013)

(1) Consolidated Results

(Figures less than one million yen are rounded down.)

Percentages shown below are the rates of increase or decrease compared with the same period of the previous year.

	Sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three Months ended Sep.30, 2013	15,670	9.4	669	121.2	676	108.5	371	135.3
Three Months ended Sep.30, 2012	14,329	8.0	302	-33.2	324	-28.6	157	-23.9

(Note) Comprehensive income: FY2013 First quarter 408 million yen (138.8%)
FY2012 First quarter 170 million yen (-16.3%)

	Earnings per share-basic	Earnings per share-diluted
	Yen	Yen
Three Month Period Ended Sep.30, 2013	21.73	-
Three Month Period Ended Sep.30, 2012	9.24	9.21

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Sep.30, 2013	30,397	13,666	45.0
As of Jun. 30, 2013	31,096	13,333	42.9

(Ref.) Shareholders' equity : As of Sep. 30, 2013: 13,666 million yen As of Jun. 30, 2013: 13,333 million yen

2. Dividends

(Record date)	Dividend per share				
	At end of 1Q	At end of 2Q	At end of 3Q	At end of 4Q	Annual total
	Yen	Yen	Yen	Yen	Yen
FY2012	-	4.00	-	4.40	8.40
FY2013	-				
Forecast for FY2013		4.00	-	6.50	10.50

*Revision from the latest dividend forecast: None

3. Consolidated Forecasts for FY2013 (July 1, 2013 through June 30, 2014)

Percentages shown below for whole FY2013 are the rates of increase or decrease compared with the previous year.

	Sales		Operating income		Ordinary income		Net income		Earnings per share -basic
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Whole FY2013	62,000	3.2	2,200	37.5	2,250	35.5	900	25.6	52.65

(Note) Revision to the latest consolidated forecasts: None

4. Others

(1) Changes in important subsidiaries during period (Transfer of particular subsidiary which involves the change of scope of consolidation.): N/A

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

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

① Changes in accordance with the revision of accounting standards and others: N/A

② Changes other than above: N/A

③ Changes in accounting estimates: N/A

④ Restatement of corrections: N/A

(4) Number of issued shares (common shares)

① Number of issued shares (including treasury stock) at the end of each period:

As of September 30, 2013: 17,560,242 As of June 30, 2013: 17,560,242

② Number of treasury stock:

As of September 30, 2013: 467,711 As of June 30, 2013: 467,711

③ Average number of shares issued during the first quarter of the fiscal year

FY2013: 17,092,531 FY2012: 17,092,586

⊗Implementation status review procedure

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

※Explanation regarding appropriate use of forecasts

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

1. Qualitative Information

(1) Qualitative Information Regarding Consolidated Business Performance

The Japanese economy during the first quarter of fiscal 2013 (referred to as the “current term”) has entered to the phase of weaker yen and higher stock price, resulting in the upward trend in business conditions with the improvement of company revenue mainly in exporting related businesses. However, the prominent improvement in the employment and income situation in accordance with the economic recovery are not shown so far. Moreover, the production activities of companies are still under the unstable economical circumstances, owing to the negative impacts from overseas such as debt problems in Europe and slowdowns in economic growth in emerging countries.

In the automobile industry, the domestic new car sales in this term increased year-on-year, after 3 consecutive terms of decrease, resulted in 102.3 % compared to the corresponding term in the previous year (data from the Japan Automobile Manufacturers Association). The exporting new car sales also increased, despite the overseas’ economic slowdown, thanks to the yen depreciation trend and the lessened negative impact from the relationship with China, resulted in 103.6% compared to the corresponding term in the previous year. Although registered units of domestic used cars was 98.3% compared to the corresponding term in the previous year, the exporting used cars remarkably increased, resulted in 125.0% compared to the corresponding term in the previous year.

Under these circumstances, in respect to our group sales of vehicle-related business in the current term, the new vehicle transportation business increased year-on-year, thanks to the higher new car sales increase of Nissan Motor Co., Ltd., our major customer, than the average sales increase of whole automobile companies. The used car transportation business also increased owing to the precisely customized transportation services in addition to regional sales promotion activities. As a result, the sales of vehicle-related business increased year on year. On the other hand, the sales of the general cargo transportation business decreased compared to the corresponding term in the previous year, owing to the closure of unprofitable business and eliminations and consolidations of business facilities as a result of thorough reviewing of the business structure in the previous term. In the human resources business, despite the uncertainty of future of the economy, sales increased compared to the corresponding term in the previous year, thanks to steady efforts to develop new sales regions and customers through strong sales activities and enhanced sales operations, in addition to new business implementation, such as the dispatching business to light-duty works, to newly developed areas.

【Trends in automobile domestic sales】

Domestic sales volume (in units)	From July 2012 to Sep. 2012	From July 2013 to Sep. 2013	Year-on-year
New vehicles			
Domestic automakers *1	1,330,587	1,361,622	102.3%
(Nissan Motor)*1	(163,186)	(180,389)	(110.5%)
Foreign automakers*2	60,367	71,237	118.0%
Used vehicles			
Passenger vehicles *3	955,950	899,991	94.1%
Mini vehicles*4	661,835	690,405	104.3%
Total of used vehicles	1,617,785	1,590,396	98.3%
De-registered vehicles*3	78,901	64,099	81.2%
Export volume (in units)	From July 2012 to Sep.2012	From July 2013 to Sep. 2013	Year-on-year
New vehicles of domestic automakers *1	1,148,355	1,189,331	103.6%
(Nissan Motor)*1	(166,812)	(164,361)	(98.5%)
Used passenger vehicles*5	280,780	350,910	125.0%

*1: Figures calculated from the statistical data of the Japan Automobile Manufacturers Association

*2: Figures calculated from the statistical data of the Japan Automobile Importers' Association

*3: Figures calculated from the statistical data of the Japan Automobile Dealers Association

*4: Figures calculated from the statistical data of the Japan Mini Vehicles Association

*5: Figures calculated from the statistical data of de-registration units for exportation of the Japan Automobile Dealers Association

As a result, sales in the current term were 15,670 million yen (109.4% versus the corresponding term in the previous year). Operating income was 669 million yen (221.2% versus the corresponding term in the previous year). Non-operating profit was 7 million yen owing to the decrease of interest cost (35.1% versus the corresponding term in the previous year). Ordinary income was 676 million yen (208.5% versus the corresponding term in the previous year) and Net income totaled 371 million yen (235.3% versus the corresponding term in the previous year).

(2) Business Performances by Each Segment

(1) Vehicle-Related Business

Domestic new car sales of Nissan Motor Co., Ltd., our major customer, resulted in total sales of 180,389 units, 110.5% compared to the corresponding term in the previous year, reflecting good sales of newly introduced mini-vehicles. Exporting vehicle volume slightly decreased, resulting in 164,361 units, 98.5 % compared to the corresponding term in the previous year. (Data from the Japan Automobile Manufacturers Association)

As a result, sales of the Company from Nissan new car transportation business increased. The total transportation of non-Nissan new cars and used cars also increased compared to the corresponding term in the previous year. The maintenance business sales increased as well owing to the capacity strengthening of heavy- truck maintenance centers. Total sales of vehicle-related business marked 12,152 million yen (113.6% compared to the corresponding term in the previous year). In regard to segment profit, although there was negative impact from the structural change of transportation model-mix and the short-distance transportation increase, 755 million yen, 136.4% compared to the corresponding term in the previous year, was achieved by pursuing “transportation quality improvement by reducing transportation relay points, shorter transportation period and transportation cost reduction” . The vehicle transportation business is under the severe circumstances with decreasing sales volume of vehicles. The Company is challenging to make stable profits which is less influenced by the market demand through “transportation quality improvement by reducing transportation relay points, shorter transportation period and transportation cost reduction”

(2) General Cargo Transportation Business

In this business segment, sales substantially decreased, 1,022 million yen (70.3% compared with the corresponding term in the previous year) owing to the closure of unprofitable business and eliminations and consolidations of business facilities as a result of a thorough review of the business structure in fiscal 2012, to deal with the prolonged economic downturn in home electronics businesses, our major customer. On the other hand, segment profit was remarkably improved, 142 million yen (457.6% compared to the corresponding term in the previous year). The Company achieved the improvement of revenue structure by streamlining unprofitable businesses.

(3) Human Resources Business

In this business segment, the severity of business environment surroundings remains unchanged reflecting sluggish customers' business activities resulting in contract price discount requests, reduction of working hours requests and the cancellation of contract renewals. Despite all these difficulties, sales increased, resulted in 2,568 million yen (114.9% compared to the corresponding term in the previous year) thanks to steady efforts to develop new sales regions and customers through strong sales activities and enhanced sales operations, in addition to new business implementation, such as the dispatching business to light-duty works, to newly developed areas. The segment profit totaled 134 million yen (129.3% compared to the corresponding term in the previous year), which was achieved by shifting the sales activities to higher-profitable businesses.

As for unclassifiable operating expenses (company-wide expenses of administrative departments) and the amortization of goodwill, which are not included in the profit and loss by segment stated above, these were recorded as “elimination”, which totaled 362 million yen.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: million yen)

	As of June 30, 2013	As of September 30, 2013
Assets		
Current assets		
Cash and deposits	4,872	4,459
Notes and accounts receivable	6,868	6,864
Inventories	139	147
Deferred tax assets	271	271
Others	985	935
Allowance for doubtful accounts	(41)	(89)
Total current assets	13,096	12,589
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	3,302	3,249
Machinery, equipment and vehicles, net	188	178
Tools, furniture and fixtures, net	66	63
Land	8,373	8,373
Lease assets, net	1,409	1,359
Total tangible fixed assets	13,341	13,224
Intangible fixed assets		
Goodwill	1,808	1,726
Others	427	469
Total intangible fixed assets	2,236	2,196
Investments and other assets		
Investment securities	763	800
Long-term loans receivable	105	94
Deferred tax assets	777	744
Others	912	884
Allowance for doubtful accounts	(136)	(136)
Total investments and other assets	2,422	2,387
Total fixed assets	18,000	17,808
Total assets	31,096	30,397

	As of June 30, 2013	As of September 30, 2013
Liabilities		
Current liabilities		
Notes and accounts payable	3,430	3,477
Short-term loans payable	750	750
Long-term loans payable within one year	1,607	1,548
Income taxes payable	574	274
Accrued consumption taxes	272	281
Allowance for bonus	406	270
Others	2,703	2,523
Total current liabilities	9,745	9,126
Fixed liabilities		
Long-term loans payable	2,041	1,834
Allowance for retirement benefits	3,029	2,892
Allowance for retirement benefits for directors	427	393
Differed tax liabilities	76	76
Re-evaluation portion of differed tax liabilities	1,088	1,088
Asset retirement obligation	41	41
Others	1,311	1,277
Total fixed liabilities	8,016	7,604
Total liabilities	17,762	16,731
Net assets		
Shareholders' equity		
Capital stock	3,390	3,390
Capital surplus	3,204	3,204
Retained earnings	7,571	7,868
Treasury stock	(152)	(152)
Total shareholders' equity	14,014	14,310
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15	16
Revaluation reserve for land	(705)	(705)
Foreign currency translation adjustment	8	44
Total accumulated other comprehensive income	(681)	(644)
Total net assets	13,333	13,666
Total liabilities and net assets	31,096	30,397

(2) Consolidated Income Statement and Consolidated Comprehensive Income Statement

(Consolidated Income Statement)

(Unit: million yen)

	First three months of FY12 (from July 1, 2012 to Sep. 30, 2012)	First three months of FY13 (from July 1, 2013 to Sep. 30, 2013)
Sales	14,329	15,670
Cost of sales	12,688	13,440
Gross profit	1,640	2,230
Selling, general and administrative expenses	1,338	1,561
Operating income	302	669
Non-operating income		
Interest income	0	0
Dividend income	0	0
Receivable commission	17	19
Equity in earnings of affiliates	4	0
Others	23	17
Total non-operating income	47	38
Non-operating expenses		
Interest expenses	21	20
Others	3	10
Total non-operating expenses	25	30
Ordinary income	324	676
Extraordinary income		
Gain on sale of fixed assets	0	0
Total extraordinary income	0	0
Extraordinary loss		
Loss on sales of fixed assets	0	0
Total extraordinary losses	0	0
Net income before tax adjustments	324	677
Income taxes	166	305
Net income before adjustment minority interests	157	371
Net income	157	371

(Consolidated Comprehensive Income Statement)

(Unit: million yen)

	First three months of FY12 (from July 1, 2012 to Sep. 30, 2012)	First three months of FY13 (from July 1, 2013 to Sep. 30, 2013)
Net income before adjustment minority interests	157	371
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Equity of equity-method affiliate	13	35
Total other comprehensive income (loss)	12	36
Quarterly comprehensive income	170	408
(Breakdown)		
Parent company portion of comprehensive income	170	408

(3) Going concern assumption

None

(4) Segment Information

1. Sales and profit for each reportable segment for the first three months of FY2012 (from July 1, 2012 to September 30, 2012)

(Yen in millions)

	Vehicle transportation- related	General cargo transportation	Human resources	Total	Elimination and Corporate (Note 1)	Consolidated (Note 2)
Sales						
(1) Sales for external customers	10,686	1,446	2,196	14,329	-	14,329
(2) Internal sales between business segments or transfer	8	7	40	56	(56)	-
Total	10,695	1,454	2,236	14,385	(56)	14,329
Operating income	553	31	103	688	(386)	302

(Notes)

1. Elimination of -386 million yen includes corporate expense of -304 million yen, goodwill amortization of -82 million yen and elimination among the segments of 0 million yen. The corporate expense is the expense of the administrative departments which do not belong to any reported segment.
2. The segment profit is adjusted according to the operating profit in the quarterly consolidated profit and loss statement.

2. Sales and profit for each reportable segment for the first three months of FY2013 (from July 1, 2013 to September 30, 2013)

(Yen in millions)

	Vehicle transportation-related	General cargo transportation	Human resources	Total	Elimination and Corporate (Note 1)	Consolidated (Note 2)
Sales						
(1) Sales for external customers	12,145	1,012	2,513	15,670	-	15,670
(2) Internal sales between business segments or transfer	7	10	55	73	(73)	-
Total	12,152	1,022	2,568	15,744	(73)	15,670
Operating income	755	142	134	1,031	(362)	669

(Notes)

1. Elimination of -362 million yen includes corporate expense of -280 million yen, goodwill amortization of -82 million yen and elimination among the segments of 0 million yen. The corporate expense is the expense of the administrative departments which do not belong to any reported segment.
2. The segment profit is adjusted according to the operating profit in the quarterly consolidated profit and loss statement.

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