

Financial Results for the Six-Month Period Ended December 31, 2012

February 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 to begin payment of dividend: March 15, 2013

Additional materials for the financial results for 2Q FY2012 None

Briefing session for the financial results for 2Q FY2012 None

1. Consolidated Financial Results for the Six-Month Period Ended December 31, 2012 (From July 1, 2012 to December 31, 2012)

(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	%
Six Months ended Dec.31, 2012	28,799	4.7	591	-45.7	632	-42.4	293	-32.3
Six Months ended Dec.31, 2011	27,496	2.9	1,088	63.8	1,099	50.3	433	92.0

(Note) Comprehensive income: FY2012 Second quarter 302 million yen (-48.4%)
 FY2011 Second quarter 586 million yen (163.5%)

	Earnings per share-basic	Earnings per share-diluted
	Yen	Yen
Six Month Period Ended Dec.31, 2012	17.16	-
Six Month Period Ended Dec.31, 2011	25.34	-

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Dec.31, 2012	29,711	12,944	43.6
As of Jun. 30, 2012	30,203	12,761	42.3

(Ref.) Shareholders' equity : As of Dec. 31, 2012: 12,944 million yen As of Jun. 30, 2012: 12,761 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
FY2011	-	4.00	-	7.00	11.00
FY2012	-	4.00	-	-	-
Forecast for FY2012			-	6.50	10.50

*Revision from the latest dividend forecast: Yes

3. Consolidated Forecasts for FY2012 (July 1, 2012 through June 30, 2013)

Percentages shown below for whole FY2012 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 FY2012	59,000	2.8	1,700	-27.0	1,800	-23.3	900	-4.3	52.65

(Note) Revision to the latest consolidated forecasts: Yes

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: Yes

② Changes other than above: N/A

③ Changes in accounting estimates: Yes

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 December 31, 2012: 17,560,242

As of June 30, 2012: 17,560,242

② Number of treasury stock:

As of December 31, 2012: 467,711

As of June 30, 2012: 467,656

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

FY2012: 17,092,576

FY2011: 17,092,629

※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 half of fiscal 2012 (referred to as the “current term”) has gradually recovered mainly by the demand increase for the restoration from the Great East Japan Earthquake. However, nationwide production activities are still in the severe economical circumstances owing to prolonged strong yen, sluggish personal consumption and worsening employment situation, in addition to negative impacts from overseas such as debt problems in Europe, economical growth slowdown in emerging countries and worsening ties between Japan and China due to the Senkaku islands issues.

In the automobile industry, the demand of domestic new car continued to grow steadily until September, 2012 thanks to subsidies on purchasing environmentally friendly new cars. However as a result of counter action, from October it has diminished, resulting in 105.7% compared to the corresponding term in the previous year, (data from the Japan Automobile Manufacturers Association), showing 97.0% from October through December reversing upward trend of 114.2% from July through September. In regard to exports, new car exports substantially decreased, 88.1% compared to the corresponding term in the previous year, owing to the production transfer to overseas facilities in accordance with prolonged strong yen, sluggish overseas economy and the impact of worsening ties with China. In the used car market, the total sales of used cars increased owing to the activated used car market by the trade-in cars increase corresponding to new car sales increase, resulted in 107.1% compared to the corresponding term in the previous year.

Under these circumstances, our group sales of vehicle-related business, the Company’s major business segment, new car transportation business decreased due to the decrease of domestic new car sales of Nissan Motor Co., Ltd., our major customer. However whole vehicle-related business increased year on year, owing to the used car transportation business increase pursuing the precisely customized transportation-related services in addition to the continuing regional sales promotion activities. In the general cargo transportation business where the circumstances surrounding home electronics stores, our major customer, became severer, the sales decreased year on year. In the human resources business where the market situation is uncertain, sales increased year on year thanks to steady efforts to develop new markets and customers.

【Trends in automobile domestic sales】

Domestic sales volume (in units)	From July 2011 to Dec. 2011	From July 2012 to Dec. 2012	Year-on-year
New vehicles			
Domestic automakers *1	2,290,974	2,422,365	105.7%
(Nissan Motor)*1	(311,751)	(293,237)	(94.1%)
Foreign automakers*2	144,364	165,325	114.5%
Used vehicles			
Passenger vehicles *3	1,817,651	1,918,961	105.6%
Mini vehicles*4	1,241,485	1,358,869	109.5%
Total of used vehicles	3,059,156	3,277,830	107.1%
De-registered vehicles*3	164,792	157,274	95.4%
Export volume (in units)	From July 2011 to Dec. 2011	From July 2012 to Dec. 2012	Year-on-year
New vehicles of domestic automakers *1	2,624,249	2,313,216	88.1%
(Nissan Motor)*1	(437,421)	(341,502)	(78.1%)
Used passenger vehicles*5	459,627	569,852	124.0%

*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 28,799 million yen (104.7% compared to the corresponding term in the previous year). Operating income was 591 million yen (54.3% compared to the corresponding term in the previous year), owing to the structural change of transportation model-mix, increases of short-distance transportation and the cost increase for the enhancement of car-carriers and drivers. Non-operating profit was 41 million yen (384.8% compared to the corresponding term in the previous year) owing to reduction of interest expense. As a result, ordinary income was 632 million yen (57.6% compared to the corresponding term in the previous year). Net income totaled 293 million yen (67.7% compared to 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, was slow especially in the second quarter of FY2012, resulting in total sales of 293,237 units, 94.1% compared to the corresponding term in the previous year. Export new car sales of Nissan Motor Co., Ltd. decreased substantially owing to negative impacts from overseas' economic

deceleration, resulting in total sales of 341,502 units, 78.1% compared to the corresponding term in the previous year.

(Data from the Japan Automobile Manufacturers Association)

As a result, revenue of the Company from Nissan new car transportation business decreased. However, thanks to the severe sales status management at sales branches and the enhanced sales and marketing promotion activities such as online ordering system and fulfillment of other transportation-related services aiming for the better customer satisfaction, in addition to an increase of non-Nissan new car transportation business, the total transportation business for new cars and used cars increased, resulted in 21,212 million yen, 104.4% compared to the corresponding term in the previous year. However, due to the structural change of transportation model-mix, the short-distance transportation increase and the cost increase for the enhancement of car-carriers and drivers, segment profit resulted in 1,023 million yen, 76.2% compared to the corresponding term in the previous year. The vehicle transportation business is under the severe circumstances due to a downward trend of vehicle sales. However, the Company is challenging to make stable profit which is less influenced by the market demand by pursuing “transportation quality improvement, shorter delivery period and transportation cost decrease by reducing transportation relay points” and “outsourcing-cost decrease by improving operating ratio of in-house trailers”.

(2) General Cargo Transportation Business

In this business segment, severity of circumstances surrounding home electronics stores, our major customer, remains unchanged. The coal-cargo handling business was also affected by the decrease of demand owing to the customer’s facility trouble. As a result, sales in this segment totaled 3,167 million yen (93.7 % compared with the corresponding term in the previous year) and segment profit totaled 164 million yen (51.3% compared to the corresponding term in the previous year). The Company is reviewing unprofitable businesses, followed by the improvement of revenue structure through new customer development in the new business model pursuing management structural downsizing and reviewing workflows.

(3) Human Resources Business

Despite the severe business environment surrounding of this segment that resulted in contract price discount requests, reduction of working hours request and the cancellation of contract renewals reflecting the unpredictable economic situation, sales increased compared to the corresponding term of the previous year, 4,540 million yen (118.1% compared to the corresponding term in the previous year) thanks to the new business implementation such as the dispatching business to light-duty works and other business expansion activities such as launching new branches and strengthening sales operations. The segment profit totaled 198 million yen (115.2% compared to the corresponding term in the previous year), achieved by pursuing 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 794 million yen.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: million yen)

	As of June 30, 2012	As of December 31, 2012
Assets		
Current assets		
Cash and deposits	4,772	4,723
Notes and accounts receivable	6,575	6,050
Inventories	73	87
Deferred tax assets	341	205
Others	966	865
Allowance for doubtful accounts	(39)	(39)
Total current assets	12,689	11,892
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	3,514	3,395
Machinery, equipment and vehicles, net	183	261
Tools, furniture and fixtures, net	56	60
Land	8,389	8,389
Lease assets, net	798	1,130
Construction in progress	-	0
Total tangible fixed assets	12,943	13,239
Intangible fixed assets		
Goodwill	2,137	1,972
Others	286	330
Total intangible fixed assets	2,423	2,303
Investments and other assets		
Investment securities	563	690
Long-term loans receivable	104	95
Deferred tax assets	742	775
Others	874	852
Allowance for doubtful accounts	(137)	(137)
Total investments and other assets	2,147	2,277
Total fixed assets	17,514	17,819
Total assets	30,203	29,711

	As of June 30, 2012	As of December 31, 2012
Liabilities		
Current liabilities		
Notes and accounts payable	3,221	3,038
Short-term loans payable	700	750
Long-term loans payable within one year	1,357	1,365
Income taxes payable	380	259
Accrued consumption taxes	281	187
Allowance for bonus	409	382
Others	2,303	2,090
Total current liabilities	8,654	8,073
Fixed liabilities		
Long-term loans payable	3,424	2,993
Allowance for retirement benefits	2,992	3,038
Allowance for retirement benefits for directors	379	400
Differed tax liabilities	76	76
Re-evaluation portion of differed tax liabilities	1,086	1,088
Asset retirement obligation	41	41
Others	784	1,054
Total fixed liabilities	8,787	8,694
Total liabilities	17,442	16,767
Net assets		
Shareholders' equity		
Capital stock	3,390	3,390
Capital surplus	3,204	3,204
Retained earnings	7,043	7,217
Treasury stock	(152)	(152)
Total shareholders' equity	13,485	13,659
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(5)	0
Revaluation reserve for land	(705)	(705)
Foreign currency translation adjustment	(13)	(10)
Total accumulated other comprehensive income	(724)	(715)
Total net assets	12,761	12,944
Total liabilities and net assets	30,203	29,711

(2) Consolidated Income Statement and Consolidated Comprehensive Income Statement

(Consolidated Income Statement)

(Unit: million yen)

	First six months of FY11 (from July 1, 2011 to Dec. 31, 2011)	First six months of FY12 (from July 1, 2012 to Dec. 31, 2012)
Sales	27,496	28,799
Cost of sales	23,846	25,480
Gross profit	3,649	3,319
Selling, general and administrative expenses	2,561	2,727
Operating income	1,088	591
Non-operating income		
Interest income	2	1
Dividend income	0	0
Receivable commission	26	35
Equity in earnings of affiliates	9	14
Others	34	43
Total non-operating income	73	95
Non-operating expenses		
Interest expenses	57	43
Others	5	9
Total non-operating expenses	63	53
Ordinary income	1,099	632
Extraordinary income		
Gain on sale of fixed assets	1	12
Total extraordinary income	1	12
Extraordinary loss		
Loss on sales of fixed assets	0	0
Loss on disposal of fixed assets	6	11
Loss on cancellation of leasing contract	3	-
Others	1	0
Total extraordinary losses	11	11
Net income before tax adjustments	1,090	634
Income taxes	656	341
Net income before adjustment minority interests	433	293
Net income	433	293

(Consolidated Comprehensive Income Statement)

(Unit: million yen)

	First Six months of FY11 (from July 1, 2011 to Dec. 31, 2011)	First Six months of FY12 (from July 1, 2012 to Dec. 31, 2012)
Net income before adjustment minority interests	433	293
Other comprehensive income		
Valuation difference on available-for-sale securities	(3)	6
Land revaluation difference	158	-
Equity of equity-method affiliate	(1)	2
Total other comprehensive income (loss)	153	9
Quarterly comprehensive income	586	302
(Breakdown)		
Parent company portion of comprehensive income	586	302

(3) Consolidated Cash Flow Statement

(Yen in millions)

	First Six months of FY11 (from July 1, 2011 to Dec.31, 2011)	First Six months of FY12 from July 1, 2012 to Dec. 31, 2012)
Net cash provided by operating activities		
Net income before tax adjustments	1,090	634
Depreciation	292	349
Depreciation of goodwill	164	164
Increase (decrease) in allowance for doubtful accounts	23	(0)
Decrease in allowance for bonuses	(5)	(26)
Decrease (increase) in allowance for retirement benefits	(45)	45
Increase in allowance for directors' retirement benefits	17	20
Decrease in allowance for disaster loss	(28)	-
Interest and dividends income	(2)	(2)
Interest expenses	57	43
Increase (decrease) in sale of fixed assets	4	(1)
Decrease in equity in earnings of affiliates	(9)	(14)
Decrease (increase) in notes and accounts receivable	(158)	524
Decrease in inventories	(0)	(14)
Increase in other current assets	5	73
Increase (decrease) in notes and accounts payable	42	(183)
Increase (decrease) in other current liabilities	48	(244)
Decrease in accrued consumption taxes	(22)	(93)
Others, net	(3)	2

Subtotal	1,467	1,278
Interest and dividends received	2	1
Interest expenses paid	(56)	(44)
Income taxes paid	(72)	(366)
Net cash provided by operating activities	1,340	870
Net cash used in investing activities		
Payments into time deposits	(7)	(0)
Proceeds from withdrawal of time deposits	1	1
Purchase of tangible fixed assets	(116)	(228)
Proceeds from sale of tangible fixed assets	3	82
Purchase of intangible fixed assets	(12)	(111)
Purchase of investment securities	-	(100)
Proceeds from sale and redemption of investment in securities	2	-
Payments of loans receivable	(89)	(17)
Proceeds from collection of loans receivable	101	62
Others, net	6	4
Net cash used in investing activities	(109)	(308)
Net cash used in financing activities		
Increase in short-term loans payable	200	50
Proceeds from long-term loans payable	100	300
Repayment of long-term loans payable	(1,119)	(723)
Repayments of lease obligations	(64)	(117)
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(68)	(119)
Net cash used in by financing activities	(952)	(610)
Net increase (decrease) in cash and cash equivalents	278	(48)
Cash and cash equivalents at beginning of term	4,729	4,683
Cash and cash equivalents at end of term	5,007	4,635

(4) Going concern assumption

None

(5) Segment Information

1. Sales and profit for each reportable segment for the first six months of FY2011 (from July 1, 2011 to December 31, 2011)

(Yen in millions)

	Vehicle transportation-related	General cargo transportation	Human resources	Total	Elimination and corporate	Consolidated
Sales						
(1) Sales of external customers	20,301	3,371	3,823	27,496	-	27,496
(2) Internal sales between business segments or transfer	21	8	21	51	(51)	-
Total	20,322	3,380	3,845	27,548	(51)	27,496
Operating income	1,342	320	171	1,834	(746)	1,088

(Notes)

1. Elimination of -746 million yen includes corporate expense of -581million yen, goodwill amortization of -164 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.
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 six months of FY2012 (from July 1, 2012 to December 31, 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	21,197	3,151	4,450	28,799	-	28,799
(2) Internal sales between business segments or transfer	14	16	89	120	(120)	-
Total	21,212	3,167	4,540	28,920	(120)	28,799
Operating income	1,023	164	198	1,386	(794)	591

(Notes)

2. Elimination of -794 million yen includes corporate expense of -630 million yen, goodwill amortization of -164 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.
3. The segment profit is adjusted according to the operating profit in the quarterly consolidated profit and loss statement.

(6) Note for material changes in shareholders' equity

Not applicable

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