

Financial Results for the Nine-Month Period Ended March 31, 2013

May 14, 2013

Company name: ZERO CO., LTD.
(URL <http://www.zero-group.co.jp/>)

Representative:
Contact for Inquiries:

Code No: 9028 Tokyo Stock Exchange (Second Section)

Yoshi Iwashita, CEO & President
Takeo Kitamura
Director, General Manager, Corporate Planning Department
Telephone: (044)520-0106
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Date of financial report submission
Dividend payment starting date
Additional materials for the financial results for 3Q FY2012
Briefing session for the financial results for 3Q FY2012

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None
None

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

1. Consolidated Financial Results for the Nine-Month Period of the Year Ending June 30, 2013 (from July 1, 2012 to March 31, 2013)

1) Consolidated Results of Operations

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	%
Nine months ended Mar. 31, 2013	44,564	4.7	1,099	-39.9	1,153	-37.3	556	-28.8
Nine months ended Mar. 31, 2012	42,554	6.8	1,829	84.4	1,839	73.2	781	125.9

(Note) Comprehensive income: FY2012 Third quarter 577 million yen (-38.4%)

FY2011 Third quarter 936 million yen (182.6%)

	Earnings per share-basic		Earnings per share-diluted	
	Yen		Yen	
Nine Month ended Mar.31, 2013	32.58		32.47	
Nine Month ended Mar.31, 2012	45.72		-	

2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of Mar. 31, 2013	31,227	13,150	42.1
As of June. 30, 2012	30,203	12,761	42.3

(Ref.) Shareholder's equity

As of March 31, 2013: 13,150 million yen

As of June 30, 2012: 12,761 million yen

2. Dividend

	Dividends 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

(Note) Revision from the latest dividend forecast: None

3. Consolidated Forecasts for Fiscal Year Ending June 30, 2013 (from July 1, 2012 to 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		Net earnings per share
	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 from 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: 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 March 31, 2013: 17,560,242 As of June 30, 2012: 17,560,242

② Number of treasury stock:

As of March 31, 2013: 467,711 As of June 30, 2012: 467,656

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

FY2012: 17,092,561 FY2011: 17,092,626

✕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 the information presently available. Actual results may differ from those forecasts depending on various factors.

【Qualitative Information】

1. Qualitative Information Regarding Consolidated Business Performance

The Japanese economy during the first nine months of fiscal 2012 (from July 1, 2012 to March 31, 2013, referred to as the “current term”) has gradually recovered showing the upward trend in business sentiment reflecting a weaker yen and rising stock prices, in the hope of the government’s policy change in economics and finances, in addition to the gradual recovery of demand for the restoration from the Great East Japan Earthquake. However, the production activities are still in the severe economical circumstances due to persistently severe employment and income situation, in addition to the negative impacts from overseas such as debt problems in Europe, slowdowns in economic growth in emerging countries.

In the automobile industry, the demand of domestic new car continued to grow steadily until September, 2012 backed by subsidies on purchasing environmentally friendly new cars. However as a result of counter action, declined from October, resulting in 99.3% compared to the corresponding term in the previous year, (data from the Japan Automobile Manufacturers Association), 93.1% from October through March reversing upward trend of 114.2% from July through September. In regard to exports, new car exports substantially decreased, 88.4% compared to the corresponding term in the previous year, owing to shifting of production bases overseas in response to ongoing 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 throughout the term, owing to the activated used car market by the trade-in cars increase reflecting to new car sales increase until September, resulted in 103.8% 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 the business expansion through strong sales activities and strengthening 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 unit	From July 2011 to March 2012	From July 2012 to March 2013	Year-on-year
New vehicles			
Domestic automakers *1	3,978,412	3,950,373	99.3%
(Nissan Motor)*1	(537,694)	(506,360)	(94.2%)
Foreign automakers*2	228,598	254,858	111.5%
Used vehicles			
Passenger vehicles *3	2,941,995	3,006,513	102.2%
Mini vehicles*4	2,099,495	2,224,310	105.9%
Total of used vehicles	5,041,490	5,230,823	103.8%
De-registered vehicles *3	270,164	252,897	93.6%
Export unit	From July 2011 to March 2012	From July 2012 to March 2013	Year-on-year
New vehicles of domestic automakers *1	3,891,039	3,439,386	88.4%
(Nissan Motor)*1	(606,334)	(444,272)	(73.3%)
Used passenger vehicles*5	720,943	869,919	120.7%

*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-registered units for exportation of the Japan Automobile Dealers Association

As a result, sales in the current term were 44,564 million yen (104.7% compared to the corresponding term in the previous year). Operating income was 1,099 million yen (60.1% 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 54 million yen (505.7% compared to the corresponding term in the previous year) owing to reduction of interest expenses. As a result, ordinary income was 1,153 million yen (62.7% compared to the corresponding term in the previous year). Net income totaled 556 million yen (71.2% compared to the corresponding term in the previous year).

Business performances by each segment are as follows.

(1) Vehicle-Related Business

Domestic new car sales of Nissan Motor Co., Ltd., our major customer, was slow from October through December showing the recovery from January, resulting in total sales of 506,360 units, 94.2%

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 444,272 units, 73.3% 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 decreased. However, non-Nissan new car and used car transportation business increased thanks to the severe sales status management at sales branches and the enhanced sales and marketing promotion activities such as online ordering system and fulfilling of other transportation-related services pursuing customer satisfaction. The maintenance sales also increased owing to the capacity strengthening of heavy-trucks maintenance centers.

As a result, the sales totaled 33,087 million yen, 104.3% 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 1,726 million yen, 76.4% 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 will strengthen its business structure which can promote stable profit less influenced by the market demand by “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 4,777 million yen (94.2% compared with the corresponding term in the previous year) and segment profit totaled 252 million yen (55.9% compared to the corresponding term in the previous year). The Company is reviewing unprofitable businesses and strongly pursuing intensification of businesses in order to improve the revenue structure.

(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, 6,926 million yen (118.0% compared to the corresponding term in the previous year) thanks to the business expansion through strong sales activities and strengthening 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 306 million yen (117.9% 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 1,187 million yen.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: million yen)

	FY11 As of June 30, 2012	FY12 As of March 31, 2013
Assets		
Current assets		
Cash and deposits	4,772	3,909
Notes and accounts receivable	6,575	7,813
Inventories	73	176
Deferred tax assets	341	204
Others	966	1,107
Allowance for doubtful accounts	(39)	(41)
Total current assets	12,689	13,170
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	3,514	3,336
Machinery, equipment and vehicles, net	183	221
Tools, furniture and fixtures, net	56	57
Land	8,389	8,373
Lease assets, net	798	1,377
Total tangible fixed assets	12,943	13,365
Intangible fixed assets		
Goodwill	2,137	1,890
Others	286	411
Total intangible fixed assets	2,423	2,301
Investments and other assets		
Investment securities	563	723
Long-term loans receivable	104	114
Deferred tax assets	742	768
Others	874	919
Allowance for doubtful accounts	(137)	(137)
Total investments and other assets	2,147	2,388
Total fixed assets	17,514	18,056
Total assets	30,203	31,227
	FY11 As of June 30, 2012	FY12 As of March 31, 2013
Liabilities		
Current liabilities		
Notes and accounts payable	3,221	4,160
Short-term loans payable	700	750
Long-term loans payable within one year	1,357	1,659
Income taxes payable	380	329
Accrued consumption taxes	281	244

Allowance for bonus	409	210
Others	2,303	2,526
Total current liabilities	8,654	9,880
Fixed liabilities		
Long-term loans payable	3,424	2,254
Allowance for retirement benefits	2,992	3,061
Allowance for retirement benefits for directors	379	413
Differed tax liabilities	76	76
Re-evaluation portion of differed tax liabilities	1,088	1,088
Asset retirement obligation	41	41
Others	784	1,259
Total fixed liabilities	8,787	8,196
Total liabilities	17,442	18,076
Net assets		
Shareholders' equity		
Capital stock	3,390	3,390
Capital surplus	3,204	3,204
Retained earnings	7,043	7,412
Treasury stock	(152)	(152)
Total shareholders' equity	13,485	13,854
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(5)	14
Revaluation reserve for land	(705)	(705)
Foreign currency translation adjustment	(13)	(12)
Total accumulated other comprehensive income	(724)	(704)
Total net assets	12,761	13,150
Total liabilities and net assets	30,203	31,227

(2) Consolidated Income Statement and Consolidated Comprehensive Income Statement

(Consolidated Income Statement)

(Unit: million yen)

	First nine months of FY11 (from July 1, 2011 to March 31, 2012)	First nine months of FY12 (from July 1, 2012 to March 31, 2013)
Sales	42,554	44,564
Cost of sales	36,878	39,240
Gross profit	5,676	5,323
Selling, general and administrative expenses	3,847	4,224
Operating income	1,829	1,099
Non-operating income		
Interest income	3	2
Dividend income	0	0
Receivable commission	41	52
Equity in earnings of affiliates	13	28
Others	43	45
Total non-operating income	102	130
Non-operating expenses		
Interest expenses	84	66
Others	7	10
Total non-operating expenses	91	76
Ordinary income	1,839	1,153
Extraordinary income		
Gain on sale of fixed assets	4	18
Total extraordinary income	4	18
Extraordinary loss		
Loss on sales of fixed assets	99	0
Loss on disposal of fixed assets	6	11
Impairment loss	27	16
Others	19	5
Total extraordinary losses	152	33
Net income before tax adjustments	1,691	1,138
Income taxes	910	581
Net income before adjustment minority interests	781	556
Net income	781	556

(Consolidated Comprehensive Income Statement)

(Unit: million yen)

	First nine months of FY11 (from July 1, 2011 to March 31, 2012)	First nine months of FY12 (from July 1, 2012 to March 31, 2013)
Net income before adjustment minority interests	781	556
Other comprehensive income		
Valuation difference on available-for-sale securities	5	19
Land revaluation difference	158	-
Equity of equity-method affiliate	(8)	0
Total other comprehensive income (loss)	155	20
Quarterly comprehensive income	936	577
(Breakdown)		
Parent company portion of comprehensive income	936	577

(3) Note for the assumption of going concern

Not applicable

(4) Segment Information

1. Sales and profit for each reportable segment for the first nine months of FY2011 (from July 1, 2011 to March 31, 2012)

(Unit: million yen)

	Vehicle transportation- related	General cargo transportation	Human resources	Total	Elimination and corporate	Consolidated
Sales						
(1) Sales of external customers	31,696	5,055	5,801	42,554	-	42,554
(2) Internal sales between business segments or transfer	33	16	67	117	(117)	-
Total	31,729	5,072	5,869	42,671	(117)	42,554
Operating income	2,261	451	260	2,973	(1,144)	1,829

(Notes)

1. Elimination of -1,144 million yen includes corporate expense of -898 million yen, goodwill amortization of -246 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 nine months of FY2012 (from July 1, 2012 to March 31, 2013)

(Unit: million yen)

	Vehicle transportation-related	General cargo transportation	Human resources	Total	Elimination and Corporate (Note 1)	Consolidated (Note 2)
Sales						
(1) Sales for external customers	33,066	4,749	6,749	44,564	-	44,564
(2) Internal sales between business segments or transfer	21	28	177	227	(227)	-
Total	33,087	4,777	6,926	44,792	(227)	44,564
Operating income	1,726	252	306	2,286	(1,187)	1,099

(Notes)

1. Elimination of -1,187 million yen includes corporate expense of -942million yen, goodwill amortization of -246million yen and elimination among the segments of 1 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.

(5) Note for material changes in shareholders' equity

Not applicable

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