

Financial Results for the Six-Month Period Ended December 31, 2013

February 13, 2014

Company name: ZERO CO., LTD. Tokyo Stock Exchange (Second Section)
 Code No.: 9028
 (URL: <http://www.zero-group.co.jp/>)
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 Additional materials for the financial results for 2Q FY2013 None
 Briefing session for the financial results for 2Q FY2013 Yes (to the analysts)

1. Consolidated Financial Results for the Six-Month Period Ended December 31, 2013 (From July 1, 2013 to December 31, 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	%
Six Months ended Dec.31, 2013	31,981	11.0	1,493	152.6	1,526	141.1	810	176.3
Six Months ended Dec.31, 2012	28,799	4.7	591	-45.7	632	-42.4	293	-32.3

(Note) Comprehensive income: FY2013 Second quarter 861 million yen (184.6%)
 FY2012 Second quarter 302 million yen (-48.4%)

	Earnings per share-basic	Earnings per share-diluted
	Yen	Yen
Six Month Period Ended Dec.31, 2013	47.40	-
Six Month Period Ended Dec.31, 2012	17.16	17.10

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	yen
As of Dec.31, 2013	30,742	14,119	45.9	826.05
As of Jun. 30, 2013	31,096	13,333	42.9	780.07

(Ref.) Shareholders' equity : As of Dec. 31, 2013: 14,119 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
FY2012	Yen -	Yen 4.00	Yen -	Yen 4.40	Yen 8.40
FY2013	-	8.00	-	-	-
Forecast for FY2013	-	-	-	7.80	15.80

*Revision from the latest dividend forecast: Yes

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	65,000	7.4	2,600	62.4	2,700	62.6	1,350	88.4	78.98

(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.): Yes

Newly obtained company: (Company's name) World Windows Co., Ltd.

(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 December 31, 2013: 17,560,242 As of June 30, 2013: 17,560,242

② Number of treasury stock:

As of December 31, 2013: 467,711 As of June 30, 2013: 467,711

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

FY2013: 17,092,531 FY2012: 17,092,576

※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 2013 (referred to as the “current term”) has been at the stage of gradual recovery from the downturn thanks to the continuous yen depreciation. Signs of positive growth cycle are shown owing to the rush demand before the consumption tax hike, in addition to the improvement of revenue mainly of the export-related companies and the stable consumer spending reflecting the recovery of employment and incoming situation. On the other hand, overseas businesses have been still negatively impacted by debt problems in Europe and slowdowns in economic growth in emerging countries, resulting in the unstable revenue of the export-related companies.

In the automobile industry, the domestic new car sales in the current term have been continuously strong, resulted in 110.0 % compared to the corresponding term in the previous year (data from the Japan Automobile Manufacturers Association). Especially the sales of second quarter, from October through December, marked 119.3 % compared to the corresponding term in the previous year, keeping upward trend of the first quarter, from July through September. Despite the overseas’ economic slowdown, the exporting new car sales also increased, 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. 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, consisting of the slight increase, 100.3%, of registered domestic used cars and the remarkable increase, 121.8%, of exporting used cars, 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 review of the

business structure in the previous term. In the human resources business, in the gradual economic recovery, 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 Dec. 2012	From July 2013 to Dec. 2013	Year-on-year
New vehicles			
Domestic automakers *1	2,422,364	2,663,868	110.0%
(Nissan Motor)*1	(293,237)	(331,242)	(113.0%)
Foreign automakers*2	123,202	147,293	119.6%
Used vehicles			
Passenger vehicles *3	1,918,961	1,856,798	96.8%
Mini vehicles*4	1,358,869	1,431,718	105.4%
Total of used vehicles	3,277,830	3,288,516	100.3%
De-registered vehicles*3	157,274	135,855	86.4%
Export volume (in units)	From July 2012 to Dec. 2012	From July 2013 to Dec. 2013	Year-on-year
New vehicles of domestic automakers *1	2,314,146	2,392,313	103.4%
(Nissan Motor)*1	(341,502)	(311,483)	(91.2%)
Used passenger vehicles*5	569,852	694,319	121.8%

*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 31,981 million yen (111.0% compared to the corresponding term in the previous year). Operating income was 1,493 million yen (252.6% compared to the corresponding term in the previous year). Ordinary income was 1,526 million yen (241.1% compared to the corresponding term in the previous year). Net income totaled 810 million yen (276.3% 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, resulted in total sales of 331,242 units, 113.0% compared to the corresponding term in the previous year, reflecting good sales of newly introduced mini-vehicles.

Exporting vehicle volume decreased, resulting in 331,483 units, 91.2 % 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 24,561 million yen (115.8% compared to the corresponding term in the previous year). In regard to segment profit, although there was negative impact from the transportation structural shift to down-sized vehicles and the short-distance transportation increase, 1,549 million yen, 151.4% compared to the corresponding term in the previous year, was achieved by the transportation cost reduction. Although the vehicle transportation business is likely to be under the severe circumstances owing to the vehicle sales decrease in the long run, the Company is challenging to make stable profits which is less influenced by the market demand change through “transportation quality improvement by minimizing transportation relay points, thus reduction of delivery period and transportation cost”.

(2) General Cargo Transportation Business

In this business segment, sales substantially decreased, 2,336million yen (73.8% 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, 413 million yen (251.5% 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, although there are signs of recovery in the demand of dispatching and temporary contracted businesses reflecting the economical upward trend, the severity of business environment surroundings remains unchanged with the request of contract price discount and reduction of working hours. Despite the difficulties, sales increased, resulted in 5,247 million yen (115.6 % 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 252 million yen (127.6 % 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 722 million yen.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: million yen)

	As of June 30, 2013	As of December 31, 2013
Assets		
Current assets		
Cash and deposits	4,872	4,466
Notes and accounts receivable	6,868	6,970
Goods	53	261
Inventories	86	84
Deferred tax assets	271	270
Others	985	880
Allowance for doubtful accounts	(41)	(90)
Total current assets	13,096	12,844
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	3,302	3,197
Machinery, equipment and vehicles, net	188	179
Tools, furniture and fixtures, net	66	60
Land	8,373	8,373
Lease assets, net	1,409	1,413
Construction in progress	-	24
Total tangible fixed assets	13,341	13,248
Intangible fixed assets		
Goodwill	1,808	1,644
Others	427	566
Total intangible fixed assets	2,236	2,210
Investments and other assets		
Investment securities	763	914
Long-term loans receivable	105	85
Deferred tax assets	777	688
Others	912	885
Allowance for doubtful accounts	(136)	(136)
Total investments and other assets	2,422	2,438
Total fixed assets	18,000	17,897
Total assets	31,096	30,742

	As of June 30, 2013	As of December 31, 2013
Liabilities		
Current liabilities		
Notes and accounts payable	3,430	3,422
Short-term loans payable	750	750
Long-term loans payable within one year	1,607	1,502
Income taxes payable	574	557
Accrued consumption taxes	272	265
Allowance for bonus	406	416
Allowance for re-lease loss	-	15
Others	2,703	2,305
Total current liabilities	9,745	9,236
Fixed liabilities		
Long-term loans payable	2,041	1,636
Allowance for retirement benefits	3,029	2,719
Allowance for retirement benefits for directors	427	454
Allowance for re-lease loss	-	52
Differed tax liabilities	76	76
Re-evaluation portion of differed tax liabilities	1,088	1,088
Asset retirement obligation	41	41
Others	1,311	1,315
Total fixed liabilities	8,016	7,386
Total liabilities	17,762	16,622
Net assets		
Shareholders' equity		
Capital stock	3,390	3,390
Capital surplus	3,204	3,204
Retained earnings	7,571	8,306
Treasury stock	(152)	(152)
Total shareholders' equity	14,014	14,749
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15	18
Revaluation reserve for land	(705)	(705)
Foreign currency translation adjustment	8	56
Total accumulated other comprehensive income	(681)	(630)
Total net assets	13,333	14,119
Total liabilities and net assets	31,096	30,742

(2) Consolidated Income Statement and Consolidated Comprehensive Income Statement

(Consolidated Income Statement)

(Unit: million yen)

	First six months of FY12 (from July 1, 2012 to Dec. 31, 2012)	First six months of FY13 (from July 1, 2013 to Dec. 31, 2013)
Sales	28,799	31,981
Cost of sales	25,480	27,400
Gross profit	3,319	4,580
Selling, general and administrative expenses	2,727	3,087
Operating income	591	1,493
Non-operating income		
Interest income	1	1
Dividend income	0	0
Receivable commission	35	38
Equity in earnings of affiliates	14	7
Others	43	39
Total non-operating income	95	87
Non-operating expenses		
Interest expenses	43	38
Others	9	16
Total non-operating expenses	53	55
Ordinary income	632	1,526
Extraordinary income		
Gain on sale of fixed assets	12	1
Total extraordinary income	12	1
Extraordinary loss		
Loss on sales of fixed assets	0	0
Loss on disposal of fixed assets	11	0
Loss on cancellation of leasing contract	-	69
Others	0	3
Total extraordinary losses	11	73
Net income before tax adjustments	634	1,454
Income taxes	341	644
Net income before adjustment minority interests	293	810
Net income	293	810

(Consolidated Comprehensive Income Statement)

(Unit: million yen)

	First Six months of FY12 (from July 1, 2012 to Dec. 31, 2012)	First Six months of FY13 (from July 1, 2013 to Dec. 31, 2013)
Net income before adjustment minority interests	293	810
Other comprehensive income		
Valuation difference on available-for-sale securities	6	6
Equity of equity-method affiliate	2	48
Total other comprehensive income	9	50
Quarterly comprehensive income	302	861
(Breakdown)		
Parent company portion of comprehensive income	302	861

(3) Consolidated Cash Flow Statement

(Yen in millions)

	First Six months of FY12 (from July 1, 2012 to Dec.31, 2012)	First Six months of FY13 (from July 1, 2013 to Dec. 31, 2013)
Net cash provided by operating activities		
Net income before tax adjustments	634	1,454
Depreciation	349	357
Depreciation of goodwill	164	164
Increase (decrease) in allowance for doubtful accounts	(0)	48
Decrease in allowance for bonuses	(26)	(4)
Decrease (increase) in allowance for retirement benefits	45	(310)
Decrease (increase) in allowance for directors' retirement benefits	20	(22)
Increase in allowance for re-lease loss	-	68
Interest and dividends	(2)	(2)
Interest expenses	43	38
Decrease in sale of fixed assets	(1)	(1)
Decrease in equity in earnings of affiliates	(14)	(7)
Increase in notes and accounts receivable	524	3
Decrease in inventories	(14)	(29)
Increase in other current assets	73	90
Decrease in notes and accounts payable	(183)	(24)
Decrease in other current liabilities	(244)	(451)
Decrease in accrued consumption taxes	(93)	(7)
Others, net	2	(22)
Subtotal	1,278	1,344

Interest and dividends received	1	1
Interest expenses paid	(44)	(38)
Income taxes paid	(366)	(520)
Net cash provided by operating activities	870	787
Net cash used in investing activities		
Payments into time deposits	(0)	(0)
Proceeds from withdrawal of time deposits	1	-
Purchase of tangible fixed assets	(228)	(50)
Proceeds from sale of tangible fixed assets	82	7
Purchase of intangible fixed assets	(111)	(187)
Purchase of investment securities	(100)	(101)
Proceeds from sale and redemption of investment in securities	-	11
Payment for acquisition of subsidiary associated with change of scope of consolidation	-	(175)
Payments of loans receivable	(17)	(60)
Proceeds from collection of loans receivable	62	85
Others, net	4	21
Net cash used in investing activities	(308)	(448)
Net cash used in financing activities		
Increase in short-term loans payable	50	-
Proceeds from long-term loans payable	300	100
Repayment of long-term loans payable	(723)	(610)
Repayments of lease obligations	(117)	(158)
Purchase of treasury stock	(0)	-
Cash dividends paid	(119)	(75)
Net cash used in by financing activities	(610)	(744)
Net Decrease in cash and cash equivalents	(48)	(405)
Cash and cash equivalents at beginning of term	4,683	4,785
Cash and cash equivalents at end of term	4,635	4,379

(4) Notes to Quarterly Consolidated Financial Statements

(Events and conditions which indicate there could be substantial doubt about going concern assumption)

None

(Note to significant changes in shareholders' equity)

None

(Segment Information)

1. 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	Consolidated
Sales						
(1) Sales of 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)

1. 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.
2. The segment profit is adjusted with the operating profit in the quarterly consolidated profit and loss.

2. Sales and profit for each reportable segment for the first six months of FY2013 (from July 1, 2013 to December 31, 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	24,546	2,315	5,119	31,981	-	31,981
(2) Internal sales between business segments or transfer	14	20	127	162	(162)	-
Total	24,561	2,336	5,247	32,144	(162)	31,981
Operating income	1,549	413	252	2,216	(722)	1,493

(Notes)

1. Elimination of -722 million yen includes corporate expense of -558 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.
2. The segment profit is adjusted according to the operating profit in the quarterly consolidated profit and loss statement.

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