

Financial Results for the Nine-Month Period Ended March 31, 2014

May 15, 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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 Date to begin payment of dividend: -
 Additional materials for the financial results for 3Q FY2013 None
 Briefing session for the financial results for 3Q FY2013 None

1. Consolidated Financial Results for the Nine-Month Period Ended March 31, 2014 (From July 1, 2013 to March 31, 2014)

(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	%
Nine Months ended March 31, 2014	50,420	13.1	2,372	115.8	2,428	110.5	1,351	142.8
Nine Months ended March 31, 2013	44,564	4.7	1,099	-39.9	1,153	-37.3	556	-28.8

(Note) Comprehensive income: FY2013 Third quarter 1,413million yen (144.7%)
 FY2012 Third quarter 577million yen (-38.4%)

	Earnings per share-basic	Earnings per share-diluted
	Yen	Yen
Nine Month Period Ended March 31, 2014	79.10	-
Nine Month Period Ended March 31, 2013	32.58	32.47

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	yen
As of March 31, 2014	32,460	14,534	44.8	850.35
As of Jun. 30, 2013	31,096	13,333	42.9	780.07

(Ref.) Shareholders' equity : As of Mar. 31, 2014: 14,534 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	8.2	2,600	62.4	2,700	62.6	1,350	88.4	78.98

(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.): Yes

Newly obtained company: (Company's name) WORLD WINDOWS CORPORATION

(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 March 31, 2014: 17,560,242 As of June 30, 2013: 17,560,242

② Number of treasury stock:

As of March 31, 2014: 467,111 As of June 30, 2013: 467,111

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

FY2013: 17,092,531 FY2012: 17,092,561

※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 nine month of fiscal 2013 (referred to as the “current term”) was on the gradual recovery trend, partially stimulated by the last-minute demand before the consumption tax hike, when the employment and incoming situation were improved reflecting the corporate performance improvement. There are also some signs of economic recovery in other countries, mainly in developed countries. On the other hand, as there are still negative impacts from slowdowns of economic growth of emerging countries and associated resource-rich countries, and problems in Ukraine, the global economic situation remains uncertain.

In the automobile industry, the domestic new car sales in the current term have been continuously strong, resulted in 114.1% compared to the corresponding term in the previous year (data from the Japan Automobile Manufacturers Association). Especially the sales of third quarter, from January through March, marked large increase, 120.7 % compared to the corresponding term in the previous year, thanks to the last-minute demand before consumption tax hike. The exporting new car sales also increased, thanks to the yen depreciation trend, resulted in 101.0% 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 caused by new car sales increase, consisting of the steady increase by 104.2 % of registered domestic used cars, and the remarkable increase by 124.5% of exporting used cars, compared to the corresponding term in the previous year.

Under these circumstances, in respect to sales of vehicle-related business, our Group’s major segment, 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 packaged transportation-related services such as vehicle registration and owner change procedures 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】

:units

Domestic sales volume (in units)	From July 2012 to March 2013	From July 2013 to March 2014	Year-on-year
New vehicles			
Domestic automakers *1	3,950,373	4,508,530	114.1%
(Nissan Motor)*1	(506,360)	(584,583)	(115.4%)
Foreign automakers*2	190,491	236,060	123.9%
Used vehicles			
Passenger vehicles *3	3,006,513	2,996,403	99.7%
Mini vehicles*4	2,224,310	2,453,338	110.3%
Total of used vehicles	5,230,823	5,449,741	104.2%
De-registered vehicles*3	252,897	244,434	96.7%
Export volume (in units)	From July 2012 to March 2013	From July 2013 to March 2014	Year-on-year
New vehicles of domestic automakers *1	3,436,024	3,471,702	101.0%
(Nissan Motor)*1	(444,272)	(428,492)	(94.2%)
Used passenger vehicles*5	869,919	1,083,425	124.5%

*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 50,420 million yen (113.1% compared to the corresponding term in the previous year). Operating income was 2,372 million yen (215.8% compared to the corresponding term in the previous year). Ordinary income was 2,428 million yen (210.5 % compared to the corresponding term in the previous year). Net income totaled 1,351 million yen (242.8% compared to the corresponding term in the previous year).

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 584,583 units, 115.4% compared to the corresponding term in the previous year, reflecting good sales of newly introduced mini-vehicles at the

beginning of the term and last-minute demand before consumption tax hike at the end of the term. Exporting vehicle volume decreased, resulting in 418,492 units, 94.2 % 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. Non-Nissan new cars sales increase, especially imported cars such as BMW and Mercedes-Benz, and used cars sales increase also contributed to the Company's transportation sales increase. The maintenance business sales increased as well owing to the capacity strengthening of heavy- truck maintenance centers. As a result, total sales of vehicle-related business marked 38,989 million yen (117.8% 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 lower unit price due to short-distance transportation increase, 2,449 million yen, 141.8% 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 possible stagnation period after the higher vehicle sales by the last-minute demand before consumption tax hike and the shortage of drivers due to the population decrease, the Company is challenging to make stable profits through solid activities for "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, 3,733 million yen (78.1% 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, 616 million yen (244.1% 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 severe business environment surroundings remain unchanged with the request of contract price discount and reduction of working hours. Despite the difficulties, sales increased, resulted in 8,063 million yen (116.4 % 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 403 million yen (131.5 % 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 1,097 million yen.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: million yen)

	FY12 As of June 30, 2013	FY13 As of March 31, 2014
Assets		
Current assets		
Cash and deposits	4,872	4,346
Notes and accounts receivable	6,868	8,826
Goods	53	292
Inventories	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		
Tangible fixed assets		
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
Lease assets, net	1,409	1,413
Construction in progress	-	36
Total tangible fixed assets	13,341	13,020
Intangible fixed assets		
Goodwill	1,808	1,561
Others	427	549
Total intangible fixed 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

	FY12 As of June 30, 2013	FY13 As of March 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable	3,430	4,427
Short-term loans payable	750	600
Long-term loans payable within one year	1,607	1,206
Income taxes payable	574	560
Accrued consumption taxes	272	277
Allowance for bonus	406	217
Allowance for re-lease loss	-	15
Others	2,703	3,141
Total current liabilities	9,745	10,447
Fixed liabilities		
Long-term loans payable	2,041	1,917
Allowance for retirement benefits	3,029	2,574
Allowance for retirement benefits for directors	427	416
Allowance for re-lease loss	-	48
Differed tax liabilities	76	78
Re-evaluation portion of differed tax liabilities	1,088	1,088
Asset retirement obligation	41	38
Others	1,311	1,316
Total fixed 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		
Valuation difference on available-for-sale securities	15	27
Revaluation reserve for land	(705)	(705)
Foreign currency translation adjustment	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) Consolidated Income Statement and Consolidated Comprehensive Income Statement

(Consolidated Income Statement)

(Unit: million yen)

	First nine months of FY12 (from July 1, 2012 to March 31, 2013)	First nine months of FY13 (from July 1, 2013 to March 31, 2014)
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
Receivable commission	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 income		
Gain on sale of fixed assets	18	66
Total extraordinary income	18	66
Extraordinary loss		
Loss on sales of fixed assets	0	0
Loss on disposal of fixed assets	11	2
Impairment loss	16	-
Loss on cancellation of leasing contract	-	69
Others	5	3
Total extraordinary losses	33	75
Net income before tax adjustments	1,138	2,419
Income taxes	581	1,067
Net income before adjustment minority interests	556	1,351
Net income	556	1,351

(Consolidated Comprehensive Income Statement)

(Unit: million yen)

	First nine months of FY12 (from July 1, 2012 to March 31, 2013)	First nine months of FY13 (from July 1, 2013 to March 31, 2014)
Net income before adjustment minority interests	556	1,351
Other comprehensive income		
Valuation difference on available-for-sale securities	19	11
Equity of equity-method affiliate	0	49
Total other comprehensive income (loss)	20	61
Quarterly comprehensive income	577	1,413
(Breakdown)		
Parent company portion of comprehensive income	577	1,413

(3) Note for the assumption of going concern
Not applicable

Segment Information

1. 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	Consolidated
Sales						
(1) Sales of 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 -942 million yen, goodwill amortization of -246 million 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.

2. Sales and profit for each reportable segment for the first nine months of FY2013 (from July 1, 2013 to March 31, 2014)

(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	38,958	3,701	7,760	50,420	-	50,420
(2) Internal sales between business segments or transfer	31	31	302	365	(365)	-
Total	38,989	3,733	8,063	50,786	(365)	50,420
Operating income	2,449	616	403	3,469	(1,097)	2,372

(Notes)

1. Elimination of -1,097 million yen includes corporate expense of -852 million yen, goodwill amortization of -247 million 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.

Note for material changes in shareholders' equity

(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 April 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.

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