

Financial Results for the Fiscal Year Ended June 30, 2014

August 8, 2014

Company name: ZERO CO., LTD.

Code No: 9028

Tokyo Stock Exchange (Second Section)

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

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Date of Annual Shareholders' Meeting: September 26, 2014

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Additional materials for the financial results for FY2013: None

Briefing session for the financial results for FY2013: Yes (to analysts)

1. Consolidated Financial Results for the Fiscal Year Ended June 30, 2014 (From July 1, 2013 to June 30, 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	%
FY2013	67,630	12.6	2,853	78.3	2,937	76.9	1,510	110.8
FY2012	60,073	4.7	1,600	-31.3	1,660	-29.2	716	-23.8

(Note) Comprehensive income: FY2013 1,602 million yen (110.8%)
FY2012 760 million yen (-30.8%)

	Earnings per share-basic	Earnings per share -diluted	Net income to shareholder's equity ratio	Ordinary income to total assets ratio	Operating income on sales
	Yen	Yen	%	%	%
FY2013	88.38	-	10.7	9.3	4.2
FY2012	41.92	-	5.5	5.4	2.7

(Ref.) Equity in net income of affiliates: FY2013 : 36 million yen FY2012: 26 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2013	32,107	14,926	46.5	873.28
FY2012	31,096	13,333	42.9	780.07

(Ref.) Shareholders' equity : As of June 30, 2014 : 14,926 million yen As of June 30, 2013 : 13,333 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY2013	2,284	-480	-1,440	5,148
FY2012	2,236	-594	-1,540	4,785

2. Dividends

(Record date)	Dividend per share					Annual total amount of dividend	Dividend payout ratio (Consolidated)	Dividend ratio of net assets (Consolidated)
	At end of 1Q	At end of 2Q	At end of 3Q	At end of 4Q	Annual total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2012	-	4.00	-	4.40	8.40	143	20.0	1.1
FY2013	-	8.00	-	14.10	22.10	377	25.0	2.7
Forecast for FY2014	-	8.00	-	15.00	23.00		25.0	

3. Consolidated Forecasts for FY2014 (From July 1, 2014 to June 30, 2015)

Percentages shown below for whole FY2014 are the rates of increase or decrease compared with the previous year.

	Sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Whole FY2014	69,500	2.8	2,900	1.6	2,950	0.4	1,570	3.9	91.85

*Remarks

- (1) Changes in important subsidiaries during period (Transfer of particular subsidiary which involves the change of scope of consolidation): N/A
- (2) Changes in accounting policies, procedure or notation method for documenting consolidated financial statements
 - 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: N/A
 - ④ Restatement of corrections: N/A
- (3) Number of issued shares (common shares)
 - ① Number of issued shares (including treasury stock) at the end of each period:
 FY2013: 17,560,242 FY2012: 17,560,242
 - ② Number of repurchased shares at the end of each period:
 FY2013: 467,711 FY2012: 467,711
 - ③ Average number of shares issued during the fiscal year
 FY2013: 17,092,531 FY2012: 17,092,553

(Ref.) Unconsolidated Financial Results for the Fiscal Year Ended June 30, 2014

1. Unconsolidated Financial Results for the Fiscal Year Ended June 30, 2014 (From July 1, 2013 to June 30, 2014)

(1) Unconsolidated Results

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	%
FY2013	51,064	9.5	1,810	103.4	1,977	82.2	1,059	91.2
FY2012	46,655	3.4	889	-41.2	1,085	-34.3	554	-32.5

	Earnings per share -basic	Earnings per share -diluted
FY2013	62.01 yen	-
FY2012	32.44 yen	-

(2) Unconsolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	yen
FY2013	27,298	12,814	46.9	749.73
FY2012	26,434	11,952	45.2	669.27

(Ref.) Shareholders' equity:

As of June 30, 2014 : 12,814 million yen As of June 30, 2013 : 11,952 million yen

※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.

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1. Analysis of Business Performance and Financial Position

(1) Analysis of Business Performance

① Business Performance for the Current Term

The nation's economy in the current consolidated fiscal year showed improvements in corporate earnings and employment situation against the backdrop of the government's growth strategy such as regulatory and institutional reforms and the Bank of Japan's quantitative and qualitative easy monetary policy. Also, it followed a recovery trend as a last-minute rise in demand that occurred before the consumption tax rate hike lifted the economy as a whole, although there are some reactions to the rush demand.

In the automobile industry, Japanese automakers' new vehicle sales in the domestic market turned for the better and totaled 5,669,674 units (up 10.4% year-on-year) (the Japan Automobile Manufacturers Association's statistical data), recovering to the level before the economic downturn precipitated by the Lehman Brothers bankruptcy in 2008. As trade-in vehicles increased in conjunction with the growth in new vehicle sales volume, the used car market also became active. And reflecting consumer preference for low-priced vehicles in Japan, used mini-vehicle sales increased 7.5% year-on-year (calculated using the Japan Light Motor Vehicle and Motorcycle Association's statistics), meanwhile used passenger cars showed strong performance of a 20.4% increase year-on-year (the Japan Automobile Dealers Association's statistics) due to increases in exports.

[No. of Motor Vehicles Related to Domestic Distribution] (Unit: Units)

Domestic Sales	July 2012-June 2013	July 2013-June 2014	Year-on-year Change (%)
New vehicles			
Domestic automakers *1	5,134,012	5,669,674	110.4%
(Nissan Motor Co. only) *1	(640,883)	(718,407)	(112.1%)
Foreign automakers *2	245,450	291,258	118.7%
Used cares			
Passenger cars *3	3,954,993	3,868,631	97.8%
Mini-cars *4	2,929,342	3,149,363	107.5%
Total of used cares	6,884,335	7,017,994	101.9%
De-registered vehicle *3	313,473	300,431	95.8%

Export volume (in units)	July 2012-June 2013	July 2013-June 2014	Year-on-year Change (%)
New vehicles			
Domestic automakers *1	4,596,500	4,560,152	99.2%
(Nissan Motor) *1	(572,434)	(530,037)	(92.6%)
Used passenger vehicles *5	1,157,912	1,394,361	120.4%

*1: Calculated using the Japan Automobile Manufacturers Association's statistics

*2: Calculated using the Japan Automobile Importers Association's statistics

*3: Calculated using the Japan Automobile Dealers Association's statistics

*4: Calculated using the Japan Light Motor Vehicle and Motorcycle Association's statistics

*5: Calculated using the number of deregistered used cars for export listed in the Japan Automobile Dealers Association's statistics

[Retail Prices of Fuels] (Unit: yen per liter)

	July 2012-June 2013	July 2013-June 2014	Year-on-year Change (%)
Light oil *6	129	140	108.5%
Regular gasoline *6	149	161	108.1%

*6 Calculated using the Resources and Energy Agency's statistics (The fuel that our company uses for transportation services is mainly light oil.)

In this business environment, at our group's automobile-related business, as a result of implementing sales measures and activities in response to changes in the market, new vehicle and imported vehicle transportation volumes for existing client companies and used car transportation volume both increased, resulting in a year-

on-year increase in net revenue.

In addition, in our continued efforts to improve profitability, we tackled nationwide deployment of our vehicle allocation support system, while continuing to implement measures to improve transportation quality, shorten delivery time and cut transportation cost by reducing the number of relay points.

As a result of these measures, our group's financial results for the current fiscal year to June 30, 2014 showed sales of 67,630 million yen (up 12.6% year-on-year) and operating income of 2,853 million yen (up 78.3% year-on-year), thus posting year-on-year increases in both sales and operating income). Also, ordinary income rose to 2,973 million yen (up 76.9% year-on-year), and net income jumped to 1,510 million yen (up 110.8% year-on-year).

② Business Performance by Segment

<Automobile-related Business>

In this business segment, Nissan Motor Company, our major customer, sold 718,407 units (up 12.1% year-on-year) of new vehicles in Japan. New vehicles made by other Japanese automakers, imported cars and used cars also posted year-on-year increases in domestic sales. In order to capitalize on these market upturns, we carried out organizational changes and enhancements for the Sales Development Department which is the window office for automakers and importers, the Order-taking Center which is the contact point for general customers, and the Export Sales Department which plays a coordinating role for used-car exports. Moreover, the company implemented measures to further expand net revenue, along with efforts to provide higher valued-added services by pursuing new business initiatives, such as acquisition of the position of a prime contractor for transportation of domestic automakers' vehicles, acquisition of all WORLD WINDOWS CO., LTD.'s shares and making it into a subsidiary and winning of orders from foreign automakers for the business of new vehicle maintenance/pre-delivery inspection and vehicle storage.

On the back of these factors, this segment's sales rose to 52,359 million yen (up 16.9% year-on-year). In pursuit of higher profitability, we continued to promote positive activities to improve the means of transportation, the number of relay points and transport routes, while further enhancing labor management. As a result, the segment income significantly improved to 3,235 million yen (up 33.9% year-on-year).

<General Cargo Transportation Business>

In the previous term, we made a thorough review of this business segment and promoted withdrawals from unprofitable operations and the consolidation and abolition of business facilities. Owing to these actions, this segment's sales substantially dropped to 4,945 million yen (down 20.7% year-on-year). However, KANDAKO KAIRIKU UNSO CO., LTD., a ZERO subsidiary, continued firm performance on its mainstay business of loading and unloading of coals, posting significant year-on-year increases in both net revenue and profit. Also, KYUSO COMPANY LTD., another ZERO subsidiary, showed both segment's sales and segment income increases year-on-year due mainly to its cost/expense structural reform and the winning of new businesses.

As a result of the above, this segment has transformed itself into a highly profitable structure as exemplified by the increased segment income of 810 million yen (up 140.6 % year-on-year).

<Human Resources Business>

In this segment, companies seeking human resources are on the increase as the nation's economy is on a recovery trend. However, companies' HR utilization needs and job seekers' employment needs are becoming more varied and sophisticated than ever before. Also, we are facing a wide variety of HR issues because there is a need to secure job opportunities for older persons, while the number of young job applicants is shrinking, reflecting the falling birthrate and the rapid aging of the population.

Under these circumstances, concerning our group's transportation service to and from a certain place, we focused our sales efforts on the Kyushu and Hokkaido regions by making a strategic shift from major metropolitan areas toward regional areas. In the dispatch business, we put an emphasis on the securing of human resources and the nurturing of drivers. As a result, this segment's sales rose to 10,868 million yen (up 15.8% year-on-year), thus achieving a record history sales exceeding the 10 million yen mark for the first time. Also, the segment income increased from the prior fiscal year to 561 million yen (up 29.3% year on year).

Incidentally, concerning unclassifiable group-wide expenses (expenses concerning the company's administrative departments) and the amortization of goodwill, etc., which are not included in the above profit and loss by segment, they are recognized as "Adjustments" items as listed in "Segment Information" in "4. "Consolidated Financial Statements" and amounted to 1,754 million yen.

③ Forecast for the Next Fiscal Year

In the next consolidated fiscal year, the nation's economy is expected to continue on a recovery trend, mainly supported by the Government's economic policy package. However, in the automobile industry, uncertainty over the prospects of the domestic market is likely to remain due to reductions in demand as a reaction after the last-minute rise in demand that occurred before the consumption tax increase. Also, in the transportation industry, we will continue to face a severe business environment due mainly to growing labor shortages, rising fuel prices and the need to secure a higher level of safety.

Our group will press forward with initiatives to reinforce the base for our domestic vehicle transportation business by continuing efforts to promote sales activities and improve transportation efficiency and cost, while keeping in mind higher profitability. Also, we will undertake the challenges of expanding businesses incidental to transportation and expanding automotive business in ASEAN countries. Based on this outlook, we have issued forecasts listed below.

(For Reference)

	Sales	Operating income	Ordinary income	Net income
Results for the fiscal year ended June 30, 2014	67,630 million yen	2,853 million yen	2,937 million yen	1,510 million yen
Forecasts for the fiscal year ending June 30, 2015	69,500 million yen	2,900 million yen	2,950 million yen	1,570 million yen
Year on year %	102.8%	101.6%	100.4%	103.9%

(2) Analysis of the Financial Condition

① Assets, Liabilities and Net Assets

(Assets)

Compared to the end of the previous term, current assets increased by 1,257 million yen (9.6%) to 14,353 million yen. This is chiefly due to increase of cash and deposits by 363 million yen, and notes and accounts receivable-trade by 624 million yen.

Compared to the end of the previous term, fixed assets decreased by 245 million yen (1.4%) to 17,754 million yen. This is chiefly due to the fact that although lease assets increased by 182 million yen and investment securities by 225 million yen, buildings and structures decreased by 218 million yen, and goodwill by 328 million yen.

As a result of the foregoing, compared to the end of the previous term, total assets increased by 1,011 million yen (3.3%) to 32,107 million yen.

(Liabilities)

Compared to the end of the previous term, current liabilities increased by 321 million yen (3.3%) to 10,067 million yen. This is chiefly due to increase of income taxes payable by 217 million yen, and accrued consumption taxes by 168 million yen.

Compared to the end of the previous term, long-term liabilities decreased by 903 million yen (11.3%) to 7,113 million yen. This is chiefly due to the fact that liability for retirement benefit decreased by 847 million yen provided to the previous term's provision for retirement benefits decreased by 847 million yen.

As a result of the foregoing, compared to the end of the previous term, liabilities decreased by 581 million yen (3.3%) to 17,181 million yen.

(Net Assets)

Compared to the end of the previous term, net assets increased by 1,593 million yen (12.9%) to 14,926 million yen. This is chiefly due to increase of retained earnings due to posting of net income by 1,298 million yen.

② Cash Flow Situation

At the end of the current term, cash and cash equivalents (hereinafter referred to as “Funds”) increased by 363 million yen compared to the end of the previous term, to 5,148 million yen.

The respective cash flow situation in the current term and their causes are as follows:

(Cash flows from operating activities)

Funds provided by operating activities were 2,284 million yen (2.1% increase from the previous term).

Income was provided mainly by 2,926 million yen in income before income taxes, 736 million yen in depreciation, 329 million yen in amortization of goodwill, and 291 million yen in increase in other current liabilities. Payments were made mainly as 942 million yen in income taxes paid, increase of 518 million yen in notes and accounts receivable-trade, and increase of 108 million yen in inventories.

(Cash flows from investment activities)

Funds used in investment activities were 480 million yen (19.2% decrease from the previous term).

Income was provided mainly by 196 million yen as proceeds from collection of loans receivable, and 310 million yen as proceeds from sales of property, plant and equipment. Payments were made mainly as 259 million yen in payments for purchase of intangible assets, 206 million yen in payments for purchases of property, plant and equipment, 175 million yen in payments arising from acquisition of subsidiary accompanied by change in scope of consolidation, and 145 million yen in payments for loans implementation.

(Cash flows from financing activities)

Funds used in financing activities were 1,440 million yen (6.5% decrease from the previous term).

Payments were made mainly as 932 million yen in payments of loans payable, 295 million yen in payment of lease obligation repayments, and 212 million yen in cash dividends paid.

Change in the Group’s Cash-flow Related Indicators

	FY2010	FY2011	FY2012	FY2013
Equity ratio (%)	38.0	42.3	42.9	46.5
Equity ratio at market value basis (%)	11.1	18.1	18.7	37.1
Cash flow to interest bearing debt ratio (per annum)	6.5	2.0	2.0	1.5
Interest coverage ratio (multiples)	9.0	26.3	25.7	29.1

Equity ratio: Shareholder’s equity / total assets

Equity ratio at market value basis: Market capitalization / total assets

Cash flow to interest bearing debt ratio: interest bearing debt / cash flow

Interest coverage ratio: cash flow / interest payment

(Note 1) All of the foregoing are calculated on the consolidated basis financial figures.

(Note 2) Market capitalization is calculated based on the number of shares outstanding not including treasury stocks

(Note 3) Cash flow uses operational cash flow.

(Note 4) Interest bearing debt covers all debts posted in the consolidated balance sheets for which interest is paid.

(3) Basic Policy on Appropriation of Profits; Dividends in Current Fiscal Year and Next Fiscal Year

Our Dividend policy is to return profits to shareholders while expanding the scope of businesses and strengthening our corporate position at the same time taking into consideration retained earnings. In view of the foregoing, the

following is planned to be the basis of profits that can be appropriated.

Earnings per share on consolidated net income	40 yen or less	More than 40 yen but 80 yen or less	More than 80 yen
Annual dividend	8 yen	Earnings per share on consolidated net income x 20%	Earnings per share on consolidated net income x 25%

(Note) Provided, however, that special gains and losses not attributable to normal operating activities may be excluded from the foregoing.

The following dividend payments are expected to be made pursuant to the appropriate policy set forth above.

	Earnings per share on consolidated net income	Dividend per share		
		Annual total	Second quarter end	Fiscal year end
FY2013	88.38 yen	22.10 yen	8.00 yen	14.10 yen
FY2014	91.85 yen	23.00 yen	8.00 yen	15.00 yen

(4) Risks for Businesses

Significant items which may cause risks relating to the Group's businesses are as follows. Items which contain future matters are judged by the Company based as of submission date of the financial results of fiscal 2013 and it is not assured that the following statements cover all risks to the Company's businesses and investment to its shares.

① Degree of dependence of sales on major customer

Sales results from Nissan Motor Co., Ltd. (hereinafter called as Nissan Motor), the Company's major customer, are as follows. As the degree of dependence of sales on them is quite high, in case there are any changes to trade conditions between the Company and them, its business climate can be negatively affected at a certain level.

Party	FY2011		FY2012		FY2013	
	Million yen	Percentage in gross sales	Million yen	Percentage in gross sales	Million yen	Percentage in gross sales
Nissan Motor	16,654	29.0%	14,751	24.6%	16,654	24.6%
Nissan Motor Group (*Note)	21,267	37.1%	20,105	33.5%	22,587	33.4%

(*Note) Nissan Motor Group includes Nissan Motor, Autech Japan Inc. and sales dealers of nation-wide Nissan Motor sales-network in Japan.

The Company has entered into a contract of "Memorandum of Understanding Regarding Strategic Partnership Contract" with Nissan Motor in addition to those contracts such as "Vehicle Transportation Trust Agreement" and "Basic Service Agreement", which were concluded by respective operations such as vehicle transportation operation and new vehicle inspection operation. Those contracts stipulate that Nissan Motor entrust vehicle logistics related operations to the Company continuously during the contract period on condition that the Company reaches the target by each evaluation items set by them.

The current Memorandum of Understanding has been agreed in principle that it is to be validated continually until the end of March in 2017. The Company had successfully reached the target set by Nissan Motor since the contract was concluded in 2003 till the end of March, 2014. It is prospected to continue to renew the contract after April, 2014 by making effort to improve the quality of operation.

However, in case that the Company is not able to continue to deal with Nissan Motor due to circumstances beyond its control, the Group's business climate can be negatively affected at a certain level.

② Concentration of sales in the second half of fiscal year

In the automobile-related business, new car transportation is affected by the tendency of which auto makers' shipment volume are to increase in March compared with the rest of the months. As for profitable private car transportation, the demand is inclined to increase in March, a moving season. Since it is predictable to have same concentration of business performance for the future, it is required to pay attention upon judging the Group's business performance.

	Sales (million yen)		
	First half	Second half	Total
FY2012	28,799 (47.9%)	31,273 (52.1%)	60,073 (100.0%)
FY2013	31,981 (47.3%)	35,648 (52.7%)	67,630 (100.0%)

③ Matters regarding specific laws and regulations

a. Motor Truck Vehicle Transportation Business Act and other regulations

The Group's main business activities, namely its transportation services are based on the following assumptions: as a general motor truck transportation business operator, based on the general motor truck transportation business permit (Director of the Kanto Regional Transportation Bureau (*Kan Ji Ka 2*) No. 1992, etc.) pursuant to Article 3 of the Motor Truck Vehicle Transportation Business Act, and as a second class consigned freight transportation business operator, based on the second class consigned freight transportation business permit (Director of the Forwards Division, Policy Bureau Freight (*Koku So Ka Fuku* No. 6-4-25). The licenses and permits held by the Group are of indefinite duration.

These laws set forth in detail the regulations regarding transportation safety focusing on: permits issued to business executives, standards of business permits, creation and approval of standard transportation contracts, prevention of driving under excessive working conditions; appointment of operation managers and qualification examinations to operate service vehicles and ensure the security of transportation; orders for improvement of business issued by the supervisory agency; and furthermore of prohibition of using another's name, and various permits and approvals when transferring or acquiring business operations or suspending or discontinuing the same. In particular, Article 33 of the Motor Truck Vehicle Transportation Business Act and Article 33 of the Consigned Motor Truck Transportation Business Act set forth grounds for rescission of the permits and approvals. The Group at this point in time has no matters falling under these grounds for rescission.

As explained above, general motor truck transportation business permits and second class consigned freight transportation business permits are needed to continue the Group's major business activities; should such permits and approvals be rescinded in the future by reason of violations of the laws or regulations, it will no longer be possible to engage in all or part of the main business activities and the Group's business climate can be negatively affected at a certain level.

There is also a possibility of new costs arising in the future in the event of changes in the nature of the Motor Truck Vehicle Transportation Business Act and/or the Consigned Motor Truck Transportation Business Act and the Group's business climate can be negatively affected at a certain level.

b. Various regulations on controlling gas emissions

Regarding the Group's businesses, the vehicle related business and general cargo transportation business, with the enactment of the "Special Measure Act on Reduction in Designated Locations of Total Amount of Nitrogen Oxides and Particulate Matters Emitted by Motor Vehicles" (Motor Vehicle Nox/PM Act) on October 1, 2002 and with the enactment of Tokyo Metropolis' ordinance, "Ordinance on Securing the Health and Safety of Metropolis Inhabitants" on October 1, 2003 in the metropolitan area, regulations on operation of diesel vehicles have spread throughout the country.

The Group has responded to the various regulations by switching to new vehicles or installing gas emission control devices; however, further costs may arise if the nature of the regulations become more stringent in the

future, and the Group's business climate can be negatively affected at a certain level.

c. Regulations of the Road Traffic Act

The Group complies with the Road Transport Act when engaging in its transportation business, and does its best to ensure traffic safety placing utmost importance on human life. However, should a serious traffic accident occur, the Group's business climate can be negatively affected at a certain level.

d. Regulations regarding the Cabinet Order on Restrictions on Motor Vehicles under the Road Transport Act

Semi-trailers used by the Group for vehicle transportation have limitations on their length, height, excessive loading, etc. imposed by the Cabinet Order on Restrictions on Motor Vehicles under the Road Transport Act. Semi-trailers for vehicle transportation have been manufactured on the basis of being able to load 6 or 7 merchandise vehicles (vehicles requested to be transported); however, with merchandise vehicles becoming larger in size in recent times, there may be situations where they do not fit the size of the semi-trailer when loading.

The Group is making adjustments at the time of loading so as not to exceed the limit by mixing compact vehicles. However, for transport of new vehicles where it would be difficult to mix in compact vehicles, there would be situations where the number of vehicles loaded may need to be reduced. While the Group will continue to negotiate revision of the transportation fees to an appropriate level, if the regulations are revised and the cost increase due to lower transportation efficiency cannot be reflected in the transportation fees, the Group's business climate can be negatively affected at a certain level.

e. Regulations of the Labor Standards Act

Overtime work and continuous vehicle operation by the crew require workforce management based on the "Labor Standards Act", "Standards on Improvement of Labor Hours, etc. of Motor Vehicle Drivers", etc. The recent trend in labor administration is to require companies to provide more detailed workforce management and safety precautions to employees, through strengthening guidance and supervision of long work hours by the supervisory agency and the proposed amendment of the Industrial Safety and Health Act to make mental health check-up mandatory. Taking the foregoing into consideration, depending on which direction the examination of strengthening regulations and application of the law takes, and the Group's business climate can be negatively affected at a certain level.

f. Amendment of the Worker Dispatching Act

The Worker Dispatching Act as amended came into effect from October 2012. The recent amendments include prohibition of dispatch of day laborers as a general rule, provision of equal treatment, disclosure of margin rates, clear indication of dispatching fees, and introduction of "constructive offer of labor contract" in the case of illegal dispatching. There are movements among client companies to switch to outsourcing or direct employment, and it is expected that the dispatching business will become even more competitive. Depending on how the amended Worker Dispatching Act impacts the business and how the client companies respond to the amended Act coming into force, the Group's business climate can be negatively affected at a certain level.

④ Increase of fuel prices

Light oil, gasoline and other fuel prices have increased sharply and if the increased transportation costs cannot be absorbed by corporate endeavor or reflected on the transportation fees (including fuel surcharges), the Group's business climate can be negatively affected at a certain level.

⑤ Human resource recruitment

While recruiting and training human resources has been a major business agenda, in case it is not possible to secure the required personnel due to labor shortage caused by the falling birth rate and aging population, coupled with the steep rise in labor costs as the economy recovers, the Group's business climate can be negatively affected at a certain level.

⑥ Equity price risk

The Group holds stocks mainly of its business partners chiefly to maintain and strengthen business ties with the partners. For this reason, depending on movements in the stock market or the performance of the company whose stock it owns, the Group's business climate can be negatively affected at a certain level.

⑦ Damage from natural disaster and other large-scale disasters

In the event the Group sustains damages to the extent it is required to suspend its business operations due to earthquake, tsunami, typhoon and other natural disaster, fires and other accidents, or disruption in the information system including communication networks, the Group's business climate can be negatively affected at a certain level.

2. Status of the Business Group

As of June 30, 2014, the Group comprises the Company, 14 subsidiaries and 3 affiliates and engages chiefly in automobile-related, general cargo transportation and human resource businesses. As a result of the tender offer on the Company's ordinary shares, as of June 19, 2014, the Group became a member of a group headed by the parent company Tan Chong International Limited Group. Tan Chong International Limited Group is engaged in chiefly in the manufacture, distribution and sales of motor vehicles, along with businesses in industry machinery, real estate, finance and other fields in Singapore, Hong Kong, China, Malaysia and other Asian countries. Tan Chong International Limited Group is listed on the Hong Kong Stock Exchange.

The status of the Group's businesses are as follows.

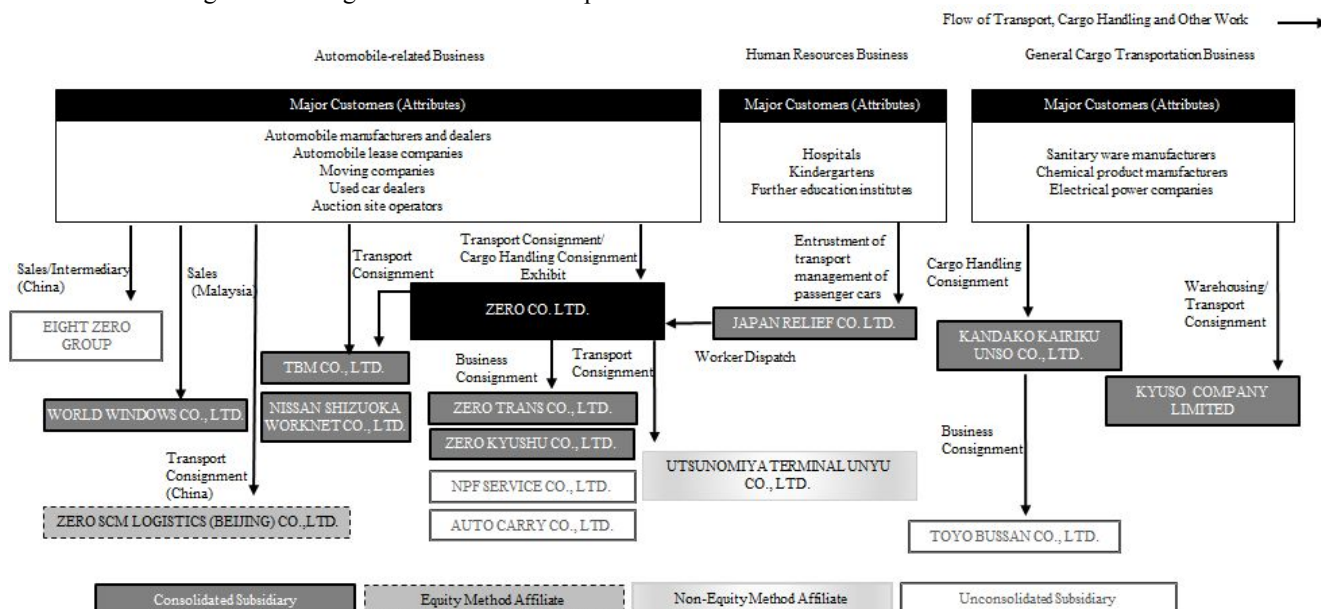
By Business Segment	Company
Automobile-related	ZERO CO., LTD, ZERO-TRANS CO., LTD., ZERO KYUSHU CO., LTD., TBM CO. LTD., AUTO CARRY CO., LTD., NISSAN SHIZUOKA WORKNET CO., LTD., WORLD WINDOWS CO., LTD., ZERO SCM LOGISTICS (BEIJING) CO., LTD., UTSUNOMIYA TERMINAL UNYU CO., LTD., NPF SERVICE CO., LTD., EIGHT ZERO CO., LTD., GUANGZHOU EIGHT ZERO AUTO SERVICE CO., LTD., TC ZERO COMPANY PRIVATE LIMITED
General Cargo Transportation	ZERO CO., LTD, KANDAKO KAIRIKU UNSO CO., LTD., KYUSO COMPANY LIMITED, TOYO BUSSAN CO., LTD.
Human Resources	JAPAN RELIEF CO., LTD., ASSIST WORK CO., LTD.

(Note) WORLD WINDOWS CO., LTD. was acquired in the current term.

DRIVER STAFF CO., LTD. was merged by absorption with JAPAN RELIEF CO., LTD. as the surviving company.

<Business Organization Chart>

The following business organization chart is a representation of the matters set forth above.



3. Management Policy

(1) Basic Policy of the Company's Management

The Group's business philosophy is "Quality", which is to provide safe and high quality transportation services to customers and to contribute to the development for an affluent society by creating services which exceed the expectation of the customers. The base of its activities is to improve the quality of various services corresponding to customer needs.

In addition, in order to secure the position in the logistics industry, the Company commits to become a corporate group continuously trusted by the public, customers and shareholders, which it intends to do by expanding existing businesses, promoting entering into a new business domain by M&A, and adding corporate value through continuous growth and development.

(2) Business Perspective

As vehicle transportation, the Group's main business, fluctuates according to movements in the vehicle sales market, it is under severe circumstances under the present trend of declining sales. However, the Group commits to enhance its presence in the industry and expand the market share by strengthening its sales power to provide higher quality service to customers. Moreover, it is committed to transform to the solid corporate structure with stable profitability and continuous growth by reducing transportation costs for enhancing transportation efficiency and minimizing indirect cost and fixed cost by rationalization. The Group's immediate objective is to establish profit structure and business lines making it the foremost company in the Japanese logistics industry, and its long-term objective is to build a business and profit-generating operation among the top in Japan, and to be a vigorous corporate group full of creativity where each employee addresses their job with hope.

(3) Management Benchmark

The Group is committed to make its every best to achieve the target of consolidated sales of 100 billion yen and operating income ratio of 5 % as the mid-and-long term benchmark by taking various measures.

(4) Activities

The following management issues will be tackled aggressively to attain the management objectives.

① Value-added transportation service

In order to strengthen its operation base, the Group is committed to provide, in addition to the existing transportation service from makers' plants to dealers, transportation of new cars among dealers, transportation of trade-in cars, ownership change, registration, maintenance, auto body repair, painting, auction and export, packaging those services in response to customer needs. Through these "high-value-added services" which can exceed customer expectations, the Company will strengthen the capability of special transportations other than existing transportations to increase sales accordingly.

② Innovations in vehicle transportation operations

One of the Company's top priorities of tasks is to improve transportation operations from order entry through carrier dispatch. The carrier dispatch which was individually operated by each logistics center is going to be concentrated in the "Area Dispatch Center" for each of the 5 areas in Japan. Transportation efficiency will be improved by introducing "Logistics Management Operation System". The concentration of logistics center and the new system have been installed in designated areas other than Eastern Japan and Northern Japan districts and will be installed completely to the remaining areas as soon as possible. By streamlining transportation works by pursuing efficient and systematic carrier dispatch and by improving transportation quality, the Company will achieve higher customer satisfaction and cost deduction and profit increases

③ Expansion into new business

The human resources business (providing for sure human resources to the society focusing on drivers and their education) has steadily expanded through strengthening new customer development and new business implementation. The company will enhance their education and will expand business to which required special licenses.

In the general cargo transportation business, the Company modified its business structure to achieve higher revenue by the closure of unprofitable business as well as eliminations and consolidations of business facilities. The business in this segment will be expanded maintaining the higher profit ratio.

④ Enhancement of export business and entering into ASEAN market and other Asian market

The Company has established Export Sales Department and will expand reuse business such as used car export and parts export in cooperation with the Company's Car Selection business.

The Company has established ZERO SCM LOGISTICS (BEIJING) CO., LTD. in August 2004 as the joint venture with CITIC Logistics Co., Ltd., a group of top company in China, Sumitomo Corporation and Mitsui O.S.K. Lines, Ltd. to apply the know-how of vehicle transportation and maintenance which has been accumulated in the domestic market. ZERO SCM LOGISTICS (BEIJING) CO., LTD., with new car transportation business and pre-delivery inspection business, marked sales of 5,597 million yen and the current net profit of 107 million yen at the end of December, 2012. The Company has also established GUANGZHOU EIGHT ZERO AUTO SERVICE CO. LTD., in January 2010, as a joint venture with Tan Chong International Group, listed company in Hong Kong, to start several automobile-related businesses such as used car sales, maintenance, inspection and auction.

However, as the used car sales volume has decreased owing to the implementation of car total volume control initiatives in Guangzhou since July, 2012, they are focusing on the vehicle beauty business to strengthen the automobile-related business.

Moreover, the Company has planned to enter into Asian countries especially into remarkably growing ASEAN countries with vehicle transportation and automobile-related business.

(5) Challenges faced by the Company

It is expected that oil prices will rise sharply, and that environmental measures starting with emission regulations would become even more stringent. The domestic automobile market is becoming mature, and the environment under which the automobile market is being placed is experiencing rapid change, with the government introducing and abolishing economic policies. In addition, the shortage of workforce, particularly that of drivers, is becoming increasingly acute, and as such the vehicle transportation business continues to be placed in a difficult situation. The Group will deal with such issues as those set forth below and engage in activities to realize a dynamic growth strategy.

Challenges and Measures

① Promotion of ASEAN business

The Company has been promoting business development in ASEAN countries upon mutual cooperation with Tan Chong International Limited, and to make this relationship even closer, the Company concluded a business alliance agreement with Tan Chong International Limited on May 15, 2014.

In the future, the Company will work with Tan Chong International Limited Group to promote exploration of 3 projects – “establishment of automobile value chains”, “alliance in the human resources business” and “alliance in the truck body-building business” – and accelerate our undertaking to make ASEAN business a strong pillar of the Company.

② Dealing with changes in transportation modes

The entry of net auctions, large scale home electronics stores and leading logistics companies into vehicle transportation business is creating a trend towards changing the vehicle transportation into a complex mode of distribution, including such changes as sales with lower distribution margin or sale of used cars between and among individuals (C2C business). In addition to conventional trunk line transportation and localized transport, the Company will work towards establishing a transportation system that would respond quickly to “point-to-point transportation”.

③ Further cost-cutting

Cost-cutting efforts will be taken in all areas in order to respond to more stringent emission regulations, upward trend in crude oil prices and other changes in the business environment. Operations that used to be done manually will be systematized, operations overlapping among affiliated companies will be reviewed to streamline business operations.

④ Development of the human resource business

In addition to providing human resources to society through securing and training drivers as has been done from the past, in light of the aging population and low birth rate, the prospect of training and providing human resources in the field of medicine, nursing care and childcare will be studied.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: million yen)

	As of June 30, 2013	As of June 30, 2014
Assets		
Current assets		
Cash and deposits	4,872	5,236
Notes and accounts receivable-trade	6,868	7,492
Merchandise	53	324
Supplies	86	100
Deferred tax assets	271	269
Others	985	1,012
Allowance for doubtful accounts	(41)	(83)
Total current assets	13,096	14,353
Fixed assets		
Property, plant and equipment		
Buildings and structures	6,049	5,974
Accumulated depreciation	(2,746)	(2,890)
Buildings and structures, net	3,302	3,083
Machinery, equipment and vehicles	1,173	1,069
Accumulated depreciation	(984)	(896)
Machinery, equipment and vehicles, net	188	172
Tools, furniture and fixtures, net	417	423
Accumulated depreciation	(350)	(352)
Tools, furniture and fixtures, net	66	71
Land	8,373	8,279
Lease assets	2,073	2,052
Accumulated depreciation	(663)	(459)
Lease assets, net	1,409	1,592
Construction in progress	—	25
Total property, plant and equipment	13,341	13,224
Intangible assets		
Goodwill	1,808	1,479
Lease assets	20	31
Others	407	534
Total intangible assets	2,236	2,045
Investments and other assets		
Investment securities	763	989
Long-term loans receivable	105	75
Deferred tax assets	777	523
Others	912	1,031
Allowance for doubtful accounts	(136)	(136)
Total investments and other assets	2,422	2,483
Total fixed assets	18,000	17,754
Total assets	31,096	32,107

(Unit: million yen)

	As of June 30, 2013	As of June 30, 2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,430	3,478
Short-term loans payable	750	610
Current portion of long-term loans payable	1,607	1,193
Lease obligations	294	313
Accrued expenses	1,604	1,619
Income taxes payable	574	792
Accrued consumption taxes	272	441
Deposits received	256	280
Allowance for bonus	406	410
Allowance for sub-lease loss	—	15
Others	548	911
Total current liabilities	9,745	10,067
Long-term liabilities		
Long-term loans payable	2,041	1,663
Lease obligations	1,205	1,396
Deferred tax liabilities	76	193
Deferred tax liabilities for land revaluation	1,088	1,088
Provision for retirement benefits	3,029	—
Provision for retirement benefits for directors	427	422
Allowance for sub-lease loss	—	44
Liability for retirement benefit	—	2,182
Asset retirement obligation	41	38
Others	106	83
Total long-term liabilities	8,016	7,113
Total liabilities	17,762	17,181
Net assets		
Shareholders' equity		
Capital stock	3,390	3,390
Capital surplus	3,204	3,204
Retained earnings	7,571	8,870
Treasury stock	(152)	(152)
Total shareholders' equity	14,014	15,313
Accumulated other comprehensive income		
Unrealized gains(losses) on securities	15	27
Revaluation reserve for land	(705)	(705)
Foreign currency translation adjustment	8	88
Accumulated retirement allowance adjustment	—	202
Total accumulated other comprehensive income	(681)	(386)
Total net assets	13,333	14,926
Total liabilities and net assets	31,096	32,107

(2) Consolidated Income Statement and Consolidated Comprehensive Income Statement
(Consolidated Income Statement)

(Unit: million yen)

	FY12 ended June 30, 2013	FY13 ended June 30, 2014
Sales	60,073	67,630
Cost of sales	52,675	58,333
Gross profit	7,397	9,297
Selling, general and administrative expenses	5,797	6,443
Operating income	1,600	2,853
Non-operating income		
Interest income	3	2
Dividend income	5	5
Rent income on fixed assets	19	17
Commission fee	71	69
Equity in earnings of affiliates	26	36
Others	44	61
Total non-operating income	169	193
Non-operating expenses		
Interest expenses	86	73
Loss on disposal of supplies	—	32
Others	23	3
Total non-operating expenses	109	109
Ordinary income	1,660	2,937
Extraordinary income		
Gain on sales of fixed assets	21	78
Total extraordinary income	21	78
Extraordinary loss		
Losses on sales of fixed assets	0	7
Losses on retirement of fixed assets	18	3
Impairment losses	16	—
Losses on valuation of investment securities	46	—
Restructuring losses	85	—
Provision of allowance for sub-lease loss	—	69
Others	8	9
Total extraordinary loss	175	90
Income before income taxes	1,507	2,926
Income taxes-current	767	1,160
Income taxes-deferred	23	255
Total income taxes	790	1,415
Income before minority interests	716	1,510
Net income	716	1,510

(Consolidated Comprehensive Income Statement)

(Unit: million yen)

	FY12 ended June 30, 2013	FY13 ended June 30, 2014
Income before minority interests	716	1,510
Other comprehensive income		
Unrealized gains(losses) on securities	21	12
Equity of equity-method affiliate	22	80
Total other comprehensive income	43	92
Comprehensive income	760	1,602
(Breakdown)		
Parent company portion of comprehensive income	760	1,602

(3) Consolidated Statement of Changes in Net Assets
FY12 ended June 30, 2013

(Unit: million yen)

	Shareholder's equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder's equity
Balance at the end of previous period	3,390	3,204	7,043	(152)	13,485
Changes of items during the period					
Dividends from surplus			(188)		(188)
Net income			716		716
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholder's equity					
Total changes of items during the period	—	—	528	(0)	528
Balance at the end of current period	3,390	3,204	7,571	(152)	14,014

	Accumulated other comprehensive income					Total net assets
	Unrealized gains(losses) on securities	Revaluation reserve for land	Foreign currency translation adjustment	Accumulated retirement allowance adjustment	Total accumulated other comprehensive income	
Balance at the end of previous period	(5)	(705)	(13)	—	(724)	12,761
Changes of items during the period						
Dividends from surplus						(188)
Net income						716
Purchase of treasury stock						(0)
Net changes of items other than shareholder's equity	21	—	22	—	43	43
Total changes of items during the period	21	—	22	—	43	572
Balance at the end of current period	15	(705)	8	—	(681)	13,333

FY13 ended June 30, 2014

(Unit: million yen)

	Shareholder's equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder's equity
Balance at the end of previous period	3,390	3,204	7,571	(152)	14,014
Changes of items during the period					
Dividends from surplus			(211)		(211)
Net income			1,510		1,510
Purchase of treasury stock					
Net changes of items other than shareholder's equity					
Total changes of items during the period	—	—	1,298	—	1,298
Balance at the end of current period	3,390	3,204	8,870	(152)	15,313

	Accumulated other comprehensive income					Total net assets
	Unrealized gains(losses) on securities	Revaluation reserve for land	Foreign currency translation adjustment	Accumulated retirement allowance adjustment	Total accumulated other comprehensive income	
Balance at the end of previous period	15	(705)	8	—	(681)	13,333
Changes of items during the period						
Dividends from surplus						(211)
Net income						1,510
Purchase of treasury stock						
Net changes of items other than shareholder's equity	12	—	80	202	294	294
Total changes of items during the period	12	—	80	202	294	1,593
Balance at the end of current period	27	(705)	88	202	(386)	14,926

(4) Consolidated Cash Flow Statement

(Unit: million yen)

	FY12 ended June 30, 2013	FY13 ended June 30, 2014
Cash flows from operating activities		
Income before income taxes	1,507	2,926
Depreciation	742	736
Amortization of goodwill	328	329
Increase (decrease) in allowance for doubtful accounts	0	41
Increase (decrease) in allowance for bonus	(2)	(11)
Increase (decrease) in provision for retirement benefits	37	—
Increase (decrease) in liability for retirement benefit	—	(534)
Increase (decrease) in provision for director's retirement benefits	47	(54)
Increase (decrease) in allowance for sub-lease loss	—	60
Interest and dividends income	(8)	(8)
Interest expenses	86	73
Losses (gains) on valuation of investment securities	46	—
Losses (gains) on sales and retirement of fixed assets	(3)	(67)
Impairment loss	16	—
Equity in earnings of affiliates	(26)	(36)
Decrease (increase) in notes and accounts receivable-trade	(293)	(518)
Decrease (increase) in inventories	(65)	(108)
Decrease (increase) in other current assets	(54)	(57)
Increase (decrease) in notes and accounts payable-trade	209	31
Increase (decrease) in other current liabilities	310	291
Increase (decrease) in accrued consumption taxes	(8)	168
Others	22	(17)
Subtotal	2,891	3,243
Interest and dividends received	8	8
Interest paid	(86)	(78)
Income taxes paid	(576)	(942)
Income taxes refunded	—	53
Net cash used in operating activities	2,236	2,284
Cash flows from investment activities		
Payments into time deposits	(1)	—
Proceeds from withdrawal of time deposits	2	—
Payments for purchases of property, plant and equipment	(219)	(206)
Proceeds from sales of property, plant and equipment	40	310
Payments for purchases of intangible assets	(228)	(259)
Payments for purchases of investment securities	(165)	(101)
Payments arising from acquisition of subsidiary accompanied by change in scope of consolidation	—	(175)
Payments for loans implementation	(52)	(145)
Proceeds from collection of loans receivable	101	196
Others	(72)	(98)
Net cash used in investing activities	(594)	(480)

(Unit: million yen)

	FY12 ended June 30, 2013	FY13 ended June 30, 2014
Cash flows from financing activities		
Payments of short-term loans payable	50	(140)
Proceeds from long-term loans payable	450	950
Payments of long-term loans repayments	(1,582)	(1,742)
Payments for purchase of treasury stock	(0)	—
Payment of lease obligation repayments	(269)	(295)
Cash dividends paid	(187)	(212)
Net cash used in financing activities	(1,540)	(1,440)
Net increase (decrease) in cash and cash equivalents	101	363
Cash and cash equivalents at beginning of period	4,683	4,785
Cash and cash equivalents at end of period	4,785	5,148

(5) Notes to Consolidated Financial Statements

(Note on Going Concern Assumption)

Not applicable.

(Significant Fundamental Matters for the Preparation of Consolidated Financial Matters)

1. Information for the scope of consolidation

(1) Number of consolidated subsidiaries: 8

Consolidated subsidiaries:

ZERO-TRANS CO., LTD.

ZERO KYUSHU CO., LTD

KANDA KO KAIRIKU UNSO CO., LTD

TBM CO., LTD.

KYUSO COMPANY LIMITED

JAPAN RELIEF CO., LTD.

NISSAN SHIZUOKA WORKNET CO., LTD.

WORLD WINDOWS CO., LTD.

(Changes in the Scope of Consolidation)

Pursuant to acquisition of its shares, WORLD WINDOWS CO., LTD. is included in the scope of consolidation from the current term. DRIVER STAFF CO., LTD. DRIVER STAFF CO., LTD. is excluded from the scope of consolidation as it was merged by absorption with JAPAN RELIEF CO., LTD. as the surviving company.

(2) Unconsolidated subsidiaries

TOYO BUSSAN CO., LTD.

ASSIST WORK CO., LTD

NPF SERVICE CO., LTD

AUTO CARRY CO., LTD.

EIGHT ZERO CO., LTD.

GUANGZHOU EIGHT ZERO AUTO SERVICE CO., LTD.

These subsidiaries are excluded from the scope of consolidation, since they are immaterial in size, individually and in aggregate, and insignificant in terms of the Group's total assets, net sales, net income and retained earnings

2. Information for application of the equity method

(1) Number of affiliates accounted for using the equity method: 1

ZERO SCM LOGISTICS (BEIJING) CO., LTD.

(2) Unconsolidated subsidiaries and affiliates that are not accounted for using the equity method

The following companies are not accounted for using the equity method, since they are immaterial in size, individually and in aggregate, and insignificant in terms of the Group's total net income and retained earnings:

(Affiliate) UTSUNOMIYA TERMINAL UNYU CO. LTD.

(Unconsolidated subsidiaries) TOYO BUSSAN CO., LTD. and others

(3) Accounting periods of the affiliates accounted for using the equity method are different from that of the Company and those companies are consolidated by using their financial statements based on their respective accounting period.

3. Information for different balance sheet date of consolidated subsidiaries

The balance sheet date is March 31 for the following subsidiaries; KANDAKO KAIRIKU UNSO CO., LTD., TBM CO., LTD., KYUSO CO., LTD AND NISSAN SHIZUOKA WORKNET CO., LTD. The balance sheet date is April 30 for WORLD WINDOWS CO., LTD. In the preparation of consolidated financial statements, financial statements as of and for the year ended on said dates were used and necessary adjustments were made to their financial statements to reflect any significant transactions that occurred during the period prior to the Company's balance sheet date.

The balance sheet dates of the financial year for ZERO-TRANS CO., LTD., ZERO KYUSHU CO., LTD. and JAPAN RELIEF CO., LTD. are the same as the Company's balance sheet date.

(Changes in the Accounting Policy)

(Application of the Accounting Standard for Retirement Benefits, etc.)

The Accounting Standard for Retirement Benefits (ASBJ Statement No.26 of May 17, 2012; hereinafter referred to as the "Accounting Standard") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25 of May 17, 2012; hereinafter referred to as the "Guidance") is applied from the end of the current term (provided, however, that the provisions set forth in Section 35 of the Accounting Standard and Article 67 of the Guidance shall be excluded), and the method used is changed to post the amount of retirement asset from which the retirement benefit obligation is excluded as liability for retirement benefit. Unrealized actuarial differences and unrealized past service costs is posted as liability for retirement benefit. The Accounting Standard is applied based on the transitional treatment prescribed in Section 37 of the Accounting Standard, and at the end of the current term, the amount affected by this change is reflected in "Accumulated retirement allowance adjustment" under accumulated other comprehensive income. As a result, liability for retirement benefit in the amount of 2,182 million yen is posted at the end of the current term. Accumulated other comprehensive income has increased by 202 million yen.

The effect on per share information is set forth in the relevant section.

(Accounting Standards Not Applied)

- ◆ Accounting Standard for Retirement Benefits (ASBJ Statement No.26 of May 17, 2012)
- ◆ Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25 of May 17, 2012)

1. Overview

There was amendments regarding the treatment of actuarial gains and losses and past service costs that are yet to be recognized, method of determination of retirement benefit obligation and service costs, and enhancement of disclosures.

2. Scheduled date of application

Amendments in the method of determination of retirement benefit obligation and service costs will be applied from the start of FY2014.

As the relevant accounting standard includes transitional treatments, it will not be applied retroactively to past consolidated financial statements.

3. Effect of the application of the relevant accounting standard

The effect of the amendment in the method of determination of retirement benefit obligation and service costs on the consolidated financial statement is now being evaluated.

(Segment Information)

a. Segment information

1. Overview of the reportable segments

Reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the chief operating decision-making body to make decisions about resource allocation and to assess performance.

Based on an aggregation of business segments with respect to its management organization, structure and service attributes, the Group's reportable segments are automobile-related business, general cargo transportation business and human resources business.

Main services for each reportable segment

Segment	Main services
Automobile-related business	Vehicle transport, maintenance, used car auctions
General cargo transportation business	General consumer goods shipping, home electronics shipping, cargo handling of coal, slag, etc., warehouse rental
Human resources business	Driver dispatch, personal vehicle operation management

2. Calculation method for net sales, income or loss, assets, liabilities and other items by reportable segments

Accounting policies adopted by the reportable segments are the same as those described in “Significant Fundamental Matters for the Preparation of Consolidated Financial Matters”. Segment income for each business segment correspond to operating income (before goodwill amortization).

Inter-segment sales and transfer are based on prevailing market prices.

3. Information on Sales, Income or Loss, Assets, Liabilities and Other Items by Reportable Segment

FY12 ended June 30, 2013

(Unit: million yen)

	Automobile -related business	General cargo transportation business	Human resources business	Total	Adjustments (Note 1)	Consolidated statements of income (Note 2)
Sales						
Net sales to external customers	44,759	6,196	9,117	60,073	—	60,073
Inter-segment net sales or transfers	27	40	269	338	(338)	—
Total	44,787	6,236	9,387	60,411	(338)	60,073
Segment income	2,417	337	434	3,188	(1,588)	1,600
Segment assets	15,245	6,452	2,339	24,038	7,057	31,096
Other items						
Depreciation	478	217	17	712	29	742
Increase in property, plant and equipment and intangible assets	1,058	190	53	1,303	86	1,390

Note 1. Adjustment amounts are as follows:

- (1) The adjustment amount of (1,588 million yen) in segment income included group-wide expenses of (1,260 million yen), goodwill amortization of (328 million yen) and inter-segment eliminations of (1 million yen). Group-wide expenses are expenses related to the Company's management division that are not attributable to reportable segments.
- (2) Segment asset adjustments are group-wide assets that are not allocated to each reportable segment.
- (3) Other item adjustments are related to group-wide assets that are not allocated to each reportable segment.

Note 2. Segment income is adjusted to reconcile with the operating income of the consolidated financial statements.

FY13 ended June 30, 2014

(Unit: million yen)

	Automobile -related business	General cargo transportation business	Human resources business	Total	Adjustments (Note 1)	Consolidated statements of income (Note 2)
Sales						
Net sales to external customers	52,315	4,856	10,459	67,630	—	67,630
Inter-segment net sales or transfers	44	89	409	543	(543)	—
Total	52,359	4,945	10,868	68,173	(543)	67,630
Segment income	3,235	810	561	4,608	(1,754)	2,853
Segment assets	15,957	6,695	2,391	25,044	7,063	32,107
Other items						
Depreciation	450	203	22	676	59	736
Increase in property, plant and equipment and intangible assets	846	112	74	1,033	238	1,271

Note 1. Adjustment amounts are as follows:

- (1) The adjustment amount of (1,754 million yen) in segment income included group-wide expenses of (1,424 million yen), goodwill amortization of (329 million yen) and inter-segment eliminations of (0 million yen). Group-wide expenses are expenses related to the Company's management division that are not attributable to reportable segments.
- (2) Segment asset adjustments are group-wide assets that are not allocated to each reportable segment.
- (3) Other item adjustments are related to group-wide assets that are not allocated to each reportable segment.

Note 2. Segment income is adjusted to reconcile with the operating income of the consolidated financial statements.

b. Related information

FY12 ended June 30, 2013

1. Segment information by product and service

Information by product and service is not presented since the same information is presented in segment information.

2. Geographical segment information

(1) Sales

Geographical segment information is omitted since net sales to external customers in Japan exceed 90% of total net sales in the consolidated statements of income

(2) Tangible fixed assets

There are no applicable items since there are no tangible fixed assets outside of Japan.

3. Information by major customer

(Unit: million yen)

Name of Customer	Sales	Relevant segment
Nissan Motor Co., Ltd.	14,751	Automobile-related business

FY13 ended June 30, 2014

1. Segment information by product and service

Information by product and service is not presented since the same information is presented in segment information.

2. Geographical segment information

(1) Sales

Geographical segment information is omitted since net sales to external customers in Japan exceed 90% of total net sales in the consolidated statements of income

(2) Tangible fixed assets

There are no applicable items since there are no tangible fixed assets outside of Japan.

3. Information by major customer

(Unit: million yen)

Name of Customer	Sales	Relevant segment
Nissan Motor Co., Ltd.	16,654	Automobile-related business

c. Information on impairment losses on fixed assets by reportable segments

FY12 ended June 30, 2013

(Unit: million yen)

	Automobile-related business	General cargo transportation business	Human resources business	Group-wide/ Elimination	Total
Impairment losses	—	16	—	—	16

FY13 ended June 30, 2014

Not applicable.

d. Information on amortization and unamortized balance of goodwill by reportable segments

FY12 ended June 30, 2013

(Unit: million yen)

	Automobile-related business	General cargo transportation business	Human resources business	Group-wide/ Elimination	Total
Amortization during the year	—	—	328	—	328
Balance at the end of year	—	—	1,808	—	1,808

FY13 ended June 30, 2014

(Unit: million yen)

	Automobile-related business	General cargo transportation business	Human resources business	Group-wide/ Elimination	Total
Amortization during the year	0	—	328	—	329
Balance at the end of year	—	—	1,479	—	1,479

e. Information on gain on negative goodwill by reportable segments

FY12 ended June 30, 2013

Not applicable.

FY13 ended June 30, 2014

Not applicable.

(Per Share Information)

	2013 Year ended June 30, 2013	2014 Year ended June 30, 2014
Net assets per share	780.07 yen	873.28 yen
Basic net income per share	41.92 yen	88.38 yen

Note 1. Diluted net income per share amounts are not presented since there are no shares existing that have dilutive effects.

Note 2. As set forth in “Changes in Accounting Policy”, the Accounting Standard for Retirement Benefits is applied the treatment transitional treatment prescribed under Section 37 of the Accounting Standard for Retirement Benefits is followed. As a result, net assets attributable to common stock increased by 11.85 yen.

Note 3. The basis for calculation of net assets per share is as follows:

	2013 Year ended June 30, 2013	2014 Year ended June 30, 2014
Total net assets (millions of yen)	13,333	14,926
Deductions from total net assets	—	—
Net assets attributable to common stock (millions of yen)	13,333	14,926
Number of common stock at the end of the year (thousands of shares)	17,092	17,092

Note 4. The basis for calculation of basic net income per share is as follows:

	2013 Year ended June 30, 2013	2014 Year ended June 30, 2014
Basic net income per share		
Net income (Millions of yen)	716	1,510
Net income not attributable to common shareholders (Millions of yen)	—	—
Net income attributable to common shareholders (Millions of yen)	716	1,510
Average number of common stock during the year (Thousands of shares)	17,092	17,092
Shares excluded from the computation of diluted net income per share, because they do not have dilutive effects	Stock options (610,200 shares) based on the resolution of the extraordinary meeting of shareholders on June 23, 2003 are forfeited as of the expiration of the exercise period on June 22, 2003.	—

(Subsequent Events)

Not applicable.

5. Financial Statements

(1) Balance Sheets

(Millions of yen)

	2013 As of June 30, 2013	2014 As of June 30, 2014
ASSETS		
Current assets		
Cash and deposits	3,072	3,294
Notes receivable-trade	174	170
Accounts receivable-trade	5,113	5,163
Merchandise	53	104
Supplies	76	92
Prepaid expenses	248	232
Deferred tax assets	190	171
Short-term loans receivable	63	33
Accounts receivable	607	654
Others	35	31
Allowance for doubtful accounts	(26)	(62)
Total current assets	9,609	9,885
Fixed assets		
Property, plant and equipment		
Buildings	3,939	3,968
Accumulated depreciation	(1,165)	(1,334)
Buildings, net	2,773	2,633
Structures	811	861
Accumulated depreciation	(672)	(679)
Structures, net	139	181
Machinery and equipment	258	252
Accumulated depreciation	(206)	(209)
Machinery and equipment, net	52	43
Vehicles	122	123
Accumulated depreciation	(105)	(102)
Vehicles, net	16	21
Tools, furniture and fixtures	319	319
Accumulated depreciation	(272)	(284)
Tools, furniture and fixtures, net	46	34
Land	6,716	6,716
Leased assets	1,645	1,594
Accumulated depreciation	(543)	(347)
Leased assets, net	1,102	1,246
Construction in progress	—	23
Total property, plant and equipment	10,846	10,901
Intangible assets		
Software	356	471
Leased assets	19	31
Others	16	16
Total intangible assets	393	519

(Millions of yen)

	2013 As of June 30, 2013	2014 As of June 30, 2014
Investments and other assets		
Investment securities	275	298
Investments in subsidiaries and affiliates	4,125	4,691
Long-term loans receivable	81	48
Long-term loans receivable from employees, net	18	25
Long-term prepaid expenses	9	63
Deferred tax assets	617	362
Insurance funds	120	120
Leases and guarantee deposits	284	286
Others	170	205
Allowance for doubtful accounts	(119)	(110)
Total investments and other assets	5,585	5,991
Total fixed assets	16,825	17,412
Total assets	26,434	27,298
Liabilities		
Current liabilities		
Accounts payable-trade	3,488	3,400
Current portion of long-term loans payable	1,115	755
Lease obligations	203	242
Accounts payable-other	413	636
Accrued expenses	658	563
Income taxes payable	365	408
Accrued consumption taxes	72	125
Deposits received	1,147	1,763
Allowance for bonuses	269	267
Others	—	15
Total current liabilities	56	137
Current portion of long-term loans payable	7,791	8,316
Long-term liabilities		
Long-term loans payable	1,518	1,362
Lease obligations	986	1,120
Deferred tax liabilities for land revaluation	1,088	1,088
Provision for retirement benefits	2,642	2,109
Provision for directors' retirement benefits	342	331
Asset retirement obligations	—	44
Others	33	30
Total Long-term liabilities	79	79
Long-term loans payable	6,691	6,168
Total liabilities	14,482	14,484

(Unit: million yen)

	2013 As of June 30, 2013	2014 As of June 30, 2014
Net Assets		
Shareholders' equity		
Capital stock	3,390	3,390
Capital surplus		
Capital reserve	3,204	3,204
Total capital surplus	3,204	3,204
Retained earnings		
Legal reserve	179	179
Other retained earnings		
Accident loss reserve	123	123
Reserve for advanced depreciation of fixed assets	781	747
Special reserve fund	3,267	3,267
Retained earnings carried forward	1,842	2,723
Total retained earnings	6,193	7,040
Treasury stock	(152)	(152)
Total shareholders' equity	12,635	13,483
Total valuation and translation adjustments		
Unrealized gains(losses) on securities	14	29
Revaluation reserve for land	(698)	(698)
Total valuation and translation adjustments	(683)	(668)
Total net assets	11,952	12,814
Total liabilities and net assets	26,434	27,298

(2) Statements of Income

(Unit: million yen)

	2013 Year ended June 30, 2013	2014 Year ended June 30, 2014
Sales	46,655	51,064
Cost of sales		
Personal expenses		
Salaries and allowances	3,705	3,728
Bonuses	217	201
Provision for allowance for bonuses	198	201
Retirement benefit expenses	188	(140)
Welfare expenses	883	868
Other expenses		
Fuel expenses	963	1,075
Subcontract expenses	30,503	33,034
Rent expenses	1,750	1,626
Depreciation	451	422
Others	3,472	4,495
Total cost of sales	42,335	45,513
Gross profit	4,319	5,551
Selling, general and administrative expenses		
Salaries and allowances	1,619	1,784
Bonuses	52	71
Provision for allowance of bonuses	70	65
Retirement benefit expenses	98	(64)
Provision for directors' retirement benefits	38	36
Welfare expenses	431	477
Information processing expenses	211	251
Provision of allowance for doubtful accounts	15	37
Depreciation	32	34
Others	860	1,046
Total selling, general and administrative expenses	3,429	3,740
Operating income	889	1,810
Non-operating income		
Interest income	2	1
Dividend income	124	125
Rent income on fixed assets	15	17
Commission fee	69	67
Others	43	36
Total non-operating income	256	249
Non-operating expenses		
Interest expenses	58	48
Loss on disposal of supplies	—	32
Others	3	1
Total non-operating expenses	61	82
Ordinary income	1,085	1,977

(Unit: million yen)

	2013 Year ended June 30, 2013	2014 Year ended June 30, 2014
Extraordinary gains		
Gain on sales of fixed assets	5	1
Total extraordinary gains	5	1
Extraordinary losses		
Losses on sales of fixed assets	—	7
Losses on retirement of fixed assets	3	2
Losses on valuation of investment securities	0	—
Losses on valuation of stocks of subsidiaries and affiliates	45	—
Restructuring losses	85	—
Provision of allowance for sub-lease loss	—	69
Others	6	—
Total extraordinary losses	141	79
Income before income taxes	949	1,899
Income taxes-current	364	574
Income taxes-deferred	30	265
Total income taxes	394	839
Net income	554	1,059

(3) Statements of Changes in Net Assets
FY12 ended June 30, 2013

(Unit: million yen)

	Shareholders' equity							
	Capital stock	Capital surplus	Retained earnings					
		Capital surplus	Legal reserve	Other retained earnings				
				Accident loss reserve	Reserve for advanced depreciation of fixed assets	Reserve for special account for advanced depreciation of fixed assets	Special reserve fund	Retained earnings carried forward
Balance at the beginning of year	3,390	3,204	179	123	817	9	3,267	1,429
Changes during the year								
Dividends								(188)
Reversal of reserve for advanced depreciation of fixed assets					(35)			35
Reversal of reserve for special account for advanced depreciation of fixed assets						(9)		9
Net income								554
Purchase of treasury stock								
Net changes of items other than shareholders' equity								
Net changes during the year	—	—	—	—	(35)	(9)	—	412
Balance at the end of year	3,390	3,204	179	123	781	—	3,267	1,842

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gains(losses) on securities	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at the beginning of year	(152)	12,269	(2)	(698)	(700)	11,568
Changes during the year						
Dividends		(188)				(188)
Reversal of reserve for advanced depreciation of fixed assets						
Reversal of reserve for special account for advanced depreciation of fixed assets						
Net income		554				554
Purchase of treasury stock	(0)	(0)				(0)
Net changes of items other than those in shareholders' equity			17	—	17	17
Net changes during the year	(0)	366	17	—	17	383
Balance at the end of year	(152)	12,635	14	(698)	(683)	11,952

FY13 ended June 30, 2014

(Unit: million yen)

	Shareholders' equity							
	Capital stock	Capital surplus	Retained earnings					
		Capital surplus	Legal reserve	Other retained earnings				
				Accident loss reserve	Reserve for advanced depreciation of fixed assets	Reserve for special account for advanced depreciation of fixed assets	Special reserve fund	Retained earnings carried forward
Balance at the beginning of year	3,390	3,204	179	123	781	—	3,267	1,842
Changes during the year								
Dividends								(211)
Provision of reserve for advanced depreciation of fixed assets					1			(1)
Reversal of reserve for advanced depreciation of fixed assets					(35)			35
Reversal of reserve for special account for advanced depreciation of fixed assets								
Net income								1,059
Net changes of items other than those in shareholders' equity								
Net changes during the year					(33)			881
Balance at the end of year	3,390	3,204	179	123	747	—	3,267	2,723

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gains(losses) on securities	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at the beginning of year	(152)	12,635	14	(698)	(683)	11,952
Changes during the year						
Dividends		(211)				(211)
Provision of reserve for advanced depreciation of fixed assets						
Reversal of reserve for advanced depreciation of fixed assets						
Reversal of reserve for special account for advanced depreciation of fixed assets						
Net income		1,059				1,059
Net changes of items other than those in shareholders' equity			14		14	14
Net changes during the year		847	14		14	862
Balance at the end of year	(152)	13,483	29	(698)	(668)	12,814

(4) Notes to Consolidated Financial Statements

(Note on Going Concern Assumption)

Not applicable.