

Financial Results for the Nine Months Ended March 31, 2011

May 13, 2011

Company name: ZERO CO., LTD.

Code No: 9028

Tokyo Stock Exchange (Second Section)

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

Representative: CEO & President

Contact for Inquiries:

Yoshi Iwashita

Takeo Kitamura

Director, General Manager, Corporate Planning Department

Telephone: (044)520-0106

May 13, 2011

Filing date of quarterly report

Dividend payment starting date

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(Figures less than one million yen are rounded)

1. Consolidated Financial Results for the Nine Months of the Year Ending June 30, 2011 (from July 1, 2010 to March 31, 2011)

1) Consolidated Results of Operations

(Percentage shown below is year-on-year rate)

	Sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine months ended Mar. 31, 2011	39,851	2.6	991	110.2	1,062	114.9	345	243.9
Nine months ended Mar. 31, 2010	38,834	-1.4	471	-	494	-	100	-
	Net earnings per share-basic		Net earnings per share-diluted					
	yen		yen					
Nine months ended Mar. 31, 2011	20.24		-					
Nine months ended Mar. 31, 2010	5.89		-					

2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of Mar. 31, 2011	31,118	11,683	37.5	683.55
As of June. 30, 2010	32,366	11,453	35.4	670.07

(Ref.) Shareholder's equity

As of March 31, 2011: 11,683 million yen

As of June 30, 2010: 11,453 million yen

2. Dividend

(Base date)	Cash dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Annual
	yen	yen	yen	yen	yen
FY2009	-	4.00	-	4.00	8.00
FY2010	-	4.00	-		
Forecast for FY2010				4.00	8.00

(Note) Revision to the dividend forecasts during the current term: Not applicable

3. Consolidated Earnings Forecasts for Fiscal Year Ending June 30, 2011 (from July 1, 2010 to June 30, 2011)

(Percentage shown below is year-on-year rate)

	Sales		Operating income		Ordinary income		Net income		Net earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
FY2010	52,000	0.4	1,200	69.1	1,300	79.3	250	26.6	14.63

(Note) Revision to the consolidated earnings forecasts during the current term: Not applicable

4. Others

(1) Material changes in consolidated subsidiaries during the period (changes in specific subsidiaries accompanied by changes in scope of consolidation): Not applicable

(2) Adoption of simplified accounting methods and specified accounting methods for the preparation of quarterly consolidated financial statements: Not applicable

(3) Changes in accounting principles, procedures and presentation in preparation of quarterly consolidated financial statements (to be described in the changes of fundamental and important matters for the preparation of quarterly consolidated financial statements)

(i) Changes in accordance with changes in accounting principle: Applicable

(ii) Other changes: Not applicable

(4) Number of shares issued (Common shares)

(i) Number of shares issued (incl. treasury shares):

As of March 31, 2011: 17,560,242 shares, As of June 30, 2010: 17,560,242 shares

(ii) Number of treasury shares

As of March 31, 2011: 467,570 shares, As of June 30, 2010: 467,551 shares

(iii) Average number of shares issued during the nine months of fiscal year

FY2010: 17,092,674 shares, FY2009: 17,092,691 shares

※Indication of quarterly review procedure implementation status

This quarterly financial report is exempt from quarterly review procedure based upon the Financial Instruments and Exchange Act. It is under the review procedure process at the time of disclosure of this report.

※Explanation regarding appropriate use of earnings forecasts and other remarks

Statements in this report relating future matters such as earnings forecasts are based on the information presently available and certain preconditions judged as rational. Actual results may largely differ from those forecasts depending on various factors.

【Qualitative Information】

1. Qualitative Information Regarding Consolidated Business Performance

During the nine months of FY2010 (from July 1, 2010 to March 31, 2011, referred to as the “current term”), the partial recovery movement was shown thanks to the market recovery in Asian and other resourceful countries and several government's economy-boosting policies such as tax reduction on purchasing environmentally friendly new cars and eco incentive program on purchasing corresponding home electrics. However, the future of economy is still unpredictable due to the continuing severe employment situation and appreciation of the yen. Moreover, the effect of the Great East Japan Earthquake which occurred on March 11 and the consequent nuclear power plant accident is extremely severe.

In the automobile industry, the downturn of demand after the termination of tax reduction on environmentally friendly new cars and the Great East Japan Earthquake which occurred in the strongest demand period of the year seriously affected to domestic new car sales in March. As a result, total sales of new cars in March resulted in 404,039 units, 42.7% compared with the same term of previous year (data of Japan Automobile Manufacturers Association). The accumulated domestic new car sales of the current term resulted in 87.8% compared with the same term of previous year (data of Japan Automobile Manufacturers Association). Meanwhile, the demand toward used cars was increased due to the price advantage compared to new cars after the termination of subsidies on new environmentally friendly cars. However, the volume for retail sales was decreased due to the continuing shrinking used car market and it was also affected by The Great East Japan Earthquake. As a result, the domestic used car sales resulted in 100.8% compared with the same term of previous year (data of Japan Automobile Dealers Association and Japan Mini Vehicles Association).

【Trend of automobile domestic sales】

Domestic sales unit	From July 2009 to March 2010	From July 2010 to March 2011	year-on-year
New vehicle			
Domestic automakers *1	3,921,901	3,443,708	87.8%
(Nissan Motor)*1	(514,448)	(462,312)	(89.9%)
Foreign automakers*2	141,084	192,530	136.5%
Used vehicle			
Passenger vehicle *3	2,947,744	2,934,262	99.5%
Mini vehicle*4	1,956,599	2,007,111	102.6%
Total of used vehicle	4,904,343	4,941,373	100.8%
De-registered vehicle *3	553,036	330,857	59.8%
Exportation unit	From July 2009 to March 2010	From July 2010 to March 2011	year-on-year
New vehicle of Domestic automakers *1	3,327,377	3,625,426	109.0%
(Nissan Motor)*1	(424,692)	(520,826)	(122.6%)
Used passenger vehicle*5	605,856	703,851	120.6%

*1: Figures calculated from the statistical data of Japan Automobile Manufacturers Association

*2: Figures calculated from the statistical data of Japan Automobile Importers' Association

*3: Figures calculated from the statistical data of Japan Automobile Dealers Association

*4: Figures calculated from the statistical data of Japan Mini Vehicles Association

*5: Figures calculated from the statistical data of de-registered vehicle unit of Japan Automobile Dealers Association

Under those severe circumstances, as for our group sales of vehicle-transportation-related business, although there was some stimulation of sales by the subsidies on environmentally friendly new cars, the Great Earthquake in March and consequent deterioration of social infrastructure such as fuel supply control have negatively impacted to our transportation operations. As a result, our new vehicle-transportation-related business decreased year to year. On the other hand, the used-car business marked year to year increase by pursuing community-based operations. The general cargo transportation business also marked year to year increase thanks to the volume increase for electric retail stores due to eco incentive program and the demand on compatible televisions for terrestrial digital broadcasting.

As a result, accumulated sales of the third quarter of FY2010 marked 39,851 million yen (increased by 1,017 million yen vs. same term of previous year) and the operating income marked 991 million yen (increased by 520 million yen vs. same term of previous year). The non-operating profit marked 70 million yen, mainly consists of the equity in earnings of affiliates. As a result, ordinary income was 1,062 million yen (increased by 568 million yen vs. same term of previous year). The net income was 345 million yen after the adjustment of changes in the Accounting Standard for Asset Retirement Obligation and the extraordinary losses caused by the disaster, improved by 245 million yen vs. same term of previous year which was 100 million yen.

Business performances by each segment are as follows.

(1) Vehicle Related Segment

Domestic new car sales of Nissan Motor Co., Ltd., our major customer, decreased drastically as 47,590 units in March, 47.6 % compared with the same term of previous year (data of Japan Automobile Manufacturers Association) due to the effect of the Great East Japan Earthquake in March when the strongest demand of the year was to be expected and due to the termination of subsidies on purchasing eco-friendly cars. As a result, our vehicle transportation business decreased accordingly. In the private car transportation business, the Earthquake in March was also negatively impacted by the order cancellation from moving companies at the most busy season of the year under ordinary circumstances. On the other hand, the used car transportation business marked increase thanks to the transportation volume increase due to the strict management of each operation center and community-based sales activities, in spite of the effect of the Earthquake and the sluggish used car market. As a result, sales marked 29,232 million yen and segment operating income marked 1,540 million yen. Under these

circumstances where the demand of vehicle transportation is still unpredictable, we are pursuing “Reducing transportation relay points”, “Improving operating ratio of in-house trailers” and “Severe cost management” to establish more profitable structure which will be less influenced by the market demand.

(2) General Cargo Transportation Segment

The sales of general cargo transportation business marked 5,016 million yen thanks to the volume increase for electric retail stores due to eco incentive program which was conducted by the government and thanks to the demand on compatible televisions for terrestrial digital broadcasting. The segment profit marked 416 million yen as a result of improvement of profit structure by the streamlining review on underperforming operations in each distribution center and trimming-down of management and operations.

(3) Human Resources Segment

Under severe business circumstances of this segment such as wage discount request, working-hour reducing request and the cancellation of contract renewals due to the unpredictable economic situation, the sales marked 5,674 million yen due to the increase of sales for both public and private sectors, through developing the new business area and customer and strengthening the sales operation. As for the segment income, although the streamlining review of underperforming operations was implemented, it was 220 million yen due to the price down request from established customers, increase in recruiting cost to secure the necessary manpower and increase in expenditure of fuel cost etc.

Japan Relief Co., Ltd. obtained the license of the temporary service and the replacement service in March and merged Zero Drive Staff Co., Ltd, driver dispatching service company, in April.

Zero will continue to pursue the efficiency and reinforcement of business infrastructure by the unification of the management and will offer high quality services through the stable source of drivers.

As for those unclassifiable operating expenses (company-wide common expenses of administrative departments) which are not included in the profit and loss by segment stated above were recorded in elimination and corporate, however, it amounted to 1,185 million yen.

Consolidated Financial Statements**(1) Consolidated Balance Sheet**

(Yen in millions)

	As of Mar. 31, 2011	Condensed Consolidated Balance Sheet as of June 30, 2010
Assets		
Current assets		
Cash and deposits	4,253	5,499
Notes and accounts receivable	5,856	5,681
Securities	499	—
Supplies	89	105
Deferred tax assets	234	227
Others	1,029	872
Allowance for doubtful accounts	-52	-47
Total current assets	11,911	12,339
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	3,708	3,912
Machinery, equipment and vehicles, net	230	164
Tools, furniture and fixtures, net	68	85
Land	8,758	8,758
Lease assets, net	537	597
Construction in progress	14	—
Total tangible fixed assets	13,318	13,518
Intangible fixed assets		
Goodwill	2,554	2,818
Others	201	300
Total intangible fixed assets	2,755	3,118
Investments and other assets		
Investment securities	541	412
Long-term loans receivable	190	253
Deferred tax assets	1,616	1,889
Others	892	941
Allowance for doubtful accounts	-107	-106
Total investments and other assets	3,133	3,390
Total fixed assets	19,207	20,027
Total assets	31,118	32,366
Liabilities		
Current liabilities		
Notes and accounts payable	3,007	2,822
Short-term loans payable	600	850
Long-term loans payable within one year	2,063	1,626
Income taxes payable	161	335

Accrued consumption taxes	223	286
Allowance for bonus	205	400
Allowance for disaster loss	33	—
Others	1,962	2,015
Total current liabilities	8,257	8,336
Fixed liabilities		
Long-term loans payable	5,766	6,934
Allowance for retirement benefits	3,036	3,246
Allowance for director's retirement benefits	335	301
Deferred tax liabilities	79	83
Deferred tax liabilities for revaluation	1,279	1,279
Asset retirement obligation	41	—
Others	640	730
Total fixed liabilities	11,178	12,577
Total liabilities	19,435	20,913
Net assets		
Shareholder's equity		
Capital stock	3,390	3,390
Capital surplus	3,204	3,204
Retained earnings	6,164	5,919
Treasury stock	-152	-152
Total shareholder's equity	12,607	12,361
Valuation and translation adjustments		
Net unrealized gains(loss) on securities	-7	-3
Revaluation reserve for land	-904	-904
Foreign currency translation adjustment	-10	—
Total valuation and translation adjustments	-923	-908
Total net assets	11,683	11,453
Total liabilities and net assets	31,118	32,366

(2) Consolidated Income Statement

(Yen in millions)

	Nine months of FY09 (from Jul 1, 2009 to Mar 31, 2010)	Nine months of FY10 (from Jul 1, 2010 to Mar 31, 2011)
Sales	38,834	39,851
Cost of sales	34,490	35,141
Gross profit	4,344	4,710
Selling, general and administrative expenses	3,872	3,718
Operating income(loss)	471	991
Non-operating income		
Interest income	10	10
Dividend income	0	0
Received commission	47	42
Equity in earnings of affiliates	—	96
Others	104	50
Total non-operating income	163	200
Non-operating expenses		
Interest expenses	117	108
Others	23	21
Total non-operating expenses	140	130
Ordinary income(loss)	494	1,062
Extraordinary income		
Gain on sale of fixed assets	11	17
Total extraordinary income	11	17
Extraordinary loss		
Loss on retirement of fixed assets	10	0
Loss on disposal of fixed assets	7	5
Revaluation loss of Golf membership	—	47
Disaster loss	—	56
Loss on adjustment for changes in the Accounting Standard for Asset Retirement Obligation	—	56
others	—	3
Total extraordinary losses	18	169
Net income(loss) before tax adjustments	487	910
Income taxes	407	563
Net income before adjustment minority interests	—	346
Minority interests in loss	-21	0
Net income(loss)	100	345

(Yen in millions)

	Q3 of FY2009 (from Jan 1, 2010 to Mar 31, 2010)	Q3 of FY2010 (from Jan 1, 2011 to Mar 31, 2011)
Sales	13,556	13,140
Cost of sales	11,978	11,585
Gross profit	1,578	1,554
Selling, general and administrative expenses	1,270	1,227
Operating income(loss)	307	327
Non-operating income		
Interest income	4	1
Dividend income	0	0
Received commission	12	13
Equity in earnings of affiliates	—	26
Others	14	13
Total non-operating income	30	54
Non-operating expenses		
Interest expenses	38	35
Others	17	15
Total non-operating expenses	56	51
Ordinary income(loss)	282	330
Extraordinary income		
Gain on sale of fixed assets	0	8
Total extraordinary income	0	8
Extraordinary loss		
Loss on retirement of fixed assets	8	0
Loss on disposal of fixed assets	—	3
Disaster loss	—	56
Others	—	2
Total extraordinary losses	8	62
Net income(loss) before tax adjustments	274	277
Income taxes	178	157
Net income before adjustment minority interests	—	120
Minority interests in loss	-4	—
Net income(loss)	100	120

(3) Consolidated Cash Flow Statement

(Yen in millions)

	Nine months of FY09 (from Jul 1, 2009 to Mar 31, 2010)	Nine months of FY10 (from Jul 1, 2010 to Mar 31, 2011)
Net cash provided by (used in) operating activities		
Net income(loss) before tax adjustments	487	910
Depreciation	672	552
Increase(decrease) on adjustment for changes in the Accounting Standard for Asset Retirement Obligation	—	56
Depreciation of goodwill	269	263
Increase (decrease) in allowance for doubtful accounts	21	5
Increase (decrease) in allowance for bonus	-215	-194
Increase (decrease) in allowance for retirement benefits	-227	-210
Increase (decrease) in allowance for director's retirement benefits	17	33
Increase (decrease) in allowance for disaster loss	—	33
Interest and dividends income	-10	-11
Interest expenses	117	108
Revaluation loss of Golf membership	—	47
Increase(decrease)in sale of fixed assets	7	-11
Increase(decrease)in equity in earnings of affiliates	—	-96
Decrease (increase) in notes and accounts receivable	-1,018	-175
Decrease (increase) in inventories	8	15
Decrease (increase) in other current assets	-55	-119
Increase (decrease) in notes and accounts payable	864	184
Increase (decrease) in other current liabilities	-115	-81
Increase (decrease) in accrued consumption taxes	158	-62
Others, net	81	-3
Subtotal	1,061	1,244
Interest and dividends received	8	5
Interest expenses paid	-124	-109
Income taxes paid	-372	-492
Net cash provided by (used in) operating activities	573	647
Net cash provided by (used in) investing activities		
Payments into time deposits	-9	-9

Proceeds from withdrawal of time deposits	—	26
Purchase of securities	-701	-999
Proceeds from redemption of securities	200	500
Purchase of tangible fixed assets	-1,512	-234
Proceeds from sale of tangible fixed assets	125	75
Purchase of intangible fixed assets	-27	-28
Purchase of investment securities	-28	-58
Proceeds from sale of investment securities	—	53
Payments of loans receivable	-263	-93
Proceeds from collection of loans receivable	202	149
Others, net	30	-49
Net cash provided by (used in) investing activities	-1,984	-669
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	1,180	4,830
Decrease in short-term loans payable	-1,055	-5,080
Proceeds from long-term loans payable	1,622	1,878
Repayment of long-term loans payable	-1,238	-2,609
Repayments of lease obligations	-81	-90
Purchase of treasury stock	—	-0
Cash dividends paid	-66	-135
Net cash provided by (used in) financing activities	359	-1,206
Net increase (decrease) in cash and cash equivalents	-1,051	-1,229
Cash and cash equivalents at beginning of term	4,994	5,258
Cash and cash equivalents at end of term	3,943	4,029

(4) Note for the assumption of going concern

Not applicable

(5) Segment Information

Segment Information by Business

For the nine months of FY2009 (from July 1, 2009 to March 31, 2010)

(Yen in millions)

	Vehicle transportation related	Car selection	General cargo transportation	Total	Elimination and corporate	Consolidated
Sales						
(1) Sales of external customers	34,338	405	4,091	38,834	-	38,834
(2) Internal sales between business segments or transfer	-	-	-	-	-	-
Total	34,338	405	4,091	38,834	-	38,834
Operating income/loss	1,173	64	226	1,464	-992	471

(Note)

1. Classified by business segment in consideration with similarities of category, nature and market of each business.
2. Major services of each category

Business line	Contents of business
Vehicle transportation related business	Automobile transportation, vehicle maintenance, driver dispatching, operations management of private automobiles
Car selection business	Used car auction
General cargo transportation business	Transportation of consumption goods, home electronic appliances, cargo handling of coal and minerals, warehouse leasing

(Segment information by region)

For the 9 months of FY2009 (from July 1, 2009 to March 31, 2010)

Not applicable as there are no subsidiaries and important branches outside of the country.

(Overseas sales)

For the 9 months of FY2009 (from July 1, 2009 to March 31, 2010)

Not reported as the overseas sales volume is very small.

(Segment Information)

1. Outline of reported segments

The reported segments consist of those constituent units of the group for which separate financial information is available and which are the subject of the periodical review of the evaluation for the distribution of management resources and business performance by the highest decision-making body.

The group is composed of segments by vehicle transportation related business, general cargo transportation business and human resources business by consolidating the business segments based on the managerial structure and contents of services.

Business line	Contents of business
Vehicle transportation related business	Automobile transportation, vehicle maintenance, used car auction
General cargo transportation business	Transportation of consumption goods, home electronic appliances, cargo handling of coal and minerals, warehouse leasing
Human resources business	Driver dispatching, management of private automobiles operations

2. Sales and profit(loss) by each reported segment

For the 9 months of FY2010 (from July 1, 2010 to March 31, 2011)

(Yen in millions)

	Vehicle transportation related	General cargo transportation	Human resources	Total	Elimination and corporate	Consolidated
Sales						
(1) Sales of external customers	29,204	4,994	5,653	39,851	-	39,851
(2) Internal sales between business segments or transfer	28	22	21	71	-71	-
Total	29,232	5,016	5,674	39,923	-71	39,851
Operating income/loss	1,540	416	220	2,177	-1,185	991

(Note)

1. Elimination of -1,185 million yen includes corporate expense of -921 million yen, goodwill amortization of -264 million yen and elimination among the segments of 0 million yen. The corporate expense is the expense of the administrative departments which does not belong to any reported segment.
2. The segment profit is adjusted with the operation profit in the quarterly consolidated profit and loss statement.

(Additional information)

From the first quarter consolidated accounting period, “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No.17 issued on March 27, 2009) and “Guidance on Accounting Standard of Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No.20 issued on March 21, 2008) have been applied.

(6) Note for material changes in shareholder’s equity

Not applicable

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