

Financial Results for the First Quarter Ended September 30, 2011

November 10, 2011

Listed Company: ZERO CO., LTD.

Tokyo Stock Exchange (Second Section)

Code No: 9028

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

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Date to begin payment of dividend: —

Additional materials for the Financial Results for the 1Q FY2011 None

Briefing session of the Financial Results for 1Q FY2011 None

1. Consolidated Financial Results for the Fiscal Year Ended June 30, 2012 (From July 1, 2011 to September 30, 2011)

(1) Consolidated Results

(Figures less than one million yen are rounded.)

Percentages shown below are the rates of increase or decrease compared with the same period of previous year.

	Sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First quarter FY2011	13,272	-3.5	452	5.2	454	-1.1	207	62.3
First quarter FY2010	13,760	10.8	430	-	459	-	127	-

(Note) Comprehensive income: FY2011 First quarter 204 million yen (59.2%)
 FY2010 First quarter 128 million yen (-%)

	Net earnings per share-basic	Net earnings per share-diluted
	Yen	Yen
First quarter FY2011	12.14	-
First quarter FY2010	7.48	-

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Sep.30, 2011	30,566	11,935	39.0
As of Jun. 30, 2011	31,037	11,799	38.0

(Ref.) Equity capital: As of Sep. 30, 2011 : 11,935 million yen As of Jun.30, 2011 : 11,799 million yen

2. Dividends

(Base date)	Dividend per share				
	At end of Q1	At end of Q2	At end of Q3	At end of Q4	Annual total
	Yen	Yen	Yen	Yen	Yen
FY2010	-	4.00	-	4.00	8.00
FY2011	-	-	-	-	-
Forecast of FY2011	-	4.00	-	4.70	8.70

3. Consolidated Earnings Forecast for FY2011 (July 1, 2011 through June 30, 2012)

Percentages shown below for the full year of FY2011 are the rates of increase or decrease compared with the same period of previous year.

	Sales		Operating income		Ordinary income		Net income		Net income per share -basic
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
For the first half of FY2011	-	-	-	-	-	-	-	-	-
Full year of FY2011	53,000	0.6	1,700	36.5	1,680	30.0	740	60.3	43.29

(Note) Revision to the consolidated earnings latest forecasts during the first quarter: Not applicable

(Note) The Company does not provide the consolidated earnings forecasts for the first half of FY2011.

4. Others

(1) Transfer of important subsidiary during period (Transfer of particular subsidiary which involves the change of consolidation scope.): N/A

(2) Application of accounting methods which are exceptional for quarterly consolidated financial statements: N/A

(3) Changes in accounting policies, accounting estimates and restatement of corrections

①Changes in accordance with the revision of accounting standards and others: N/A

②Changes other than above: N/A

③Changes in accounting estimates: N/A

④Restatement of corrections: N/A

(4) Number of outstanding shares (common shares)

①Number of outstanding shares (including repurchased shares) at the end of each period:

As of September 30, 2011: 17,560,242 As of June 30, 2011: 17,560,242

②Number of treasury stock:

As of September 30, 2011: 467,622 As of June 30, 2011: 467,570

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

FY2011: 17,092,638 FY2010: 17,092,679

※Indication of the review procedure implementation status

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

※Explanation regarding appropriate use of earnings forecasts

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

1. Qualitative Information

(1) Qualitative Information Regarding Consolidated Business Performance

National economy during the first quarter of FY2011 (hereinafter called as the “current term”) has rapidly recovered thanks to the increase of production and sales in mainly automobile industry, which had been experiencing the sharp downturn in their production and sales after the Great East Japan Earthquake and the consequent Fukushima Nuclear Power Plant accident. However, the level of macroeconomic activities is still substantially below the level of that before the Earthquake. Moreover, considering possible further appreciation of the Yen which would increase the risk to slow the economic growth after the Earthquake and the continuous sluggish employment situation, the future of economy is still unpredictable.

In the automobile industry, domestic new car production and sales have been rapidly recovered resuming the operations of devastated automobile plants. However the production volume is still relatively low compared to the same term of the previous year when the market was stronger thanks to the tax reduction on new environmentally friendly cars and subsidies on purchase of new environmentally friendly cars. As a result, total sales of domestic new cars of the current term have drastically decreased, resulted in 84.2% compared with the same term of the previous year (data of Japan Automobile Manufacturers Association). Although the demand toward used cars was increased in the affected areas after the Earthquake, the total sales of used cars have also been decreased due to the shortage of volume for retail sales by the continuing shrinking used car supplies, resulted in 95.8% compared to the same term of the previous year (data of Japan Automobile Dealers Association and Japan Mini Vehicles Association).

Under these circumstances, in regard to our group sales of vehicle-related business in the first quarter of FY2011, the 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 sales increase of the coal cargo. In this continuous severe market circumstances, the Company has been promoting the improvement of earnings by the continuous and thorough activities on reducing the fixed costs and reviewing the less profitable businesses.

【Trend of automobile domestic sales】

Domestic sales volume (in units)	From Jul. 2010 to Sep.2010	From Jul. 2011 to Sep. 2011	year-on-year
New vehicle			
Domestic automakers *1	1,383,544	1,165,092	84.2%
(Nissan Motor)*1	(190,574)	(164,928)	(86.5%)
Foreign automakers*2	71,405	75,368	105.6%
Used vehicle			
Passenger vehicle *3	949,755	888,224	93.5%
Mini vehicle*4	606,457	602,172	99.3%
Total of used vehicle	1,556,212	1,490,396	95.8%

De-registered vehicle*3	143,254	87,315	61.0%
Exportation volume (in units)	From Jul. 2010 to Sep.2010	From Jul. 2011 to Sep. 2011	year-on-year
New vehicle of Domestic automakers *1	1,200,303	1,252,101	104.3%
(Nissan Motor)*1	(167,218)	(205,932)	(123.2%)
Used passenger vehicle*5	232,553	243,319	104.6%

*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-registration units for exportation of Japan Automobile Dealers Association

As a result, the sale of the current term was 13,272 million yen (decreased by 488 million yen vs. same term of the previous year). The operating income was 452 million yen (increased by 23 million yen vs. same term of the previous year). The non-operating profit was 1 million yen (decreased by 28 million yen vs. same term of the previous year), mainly consists of the decrease of the equity method income. As a result, the ordinary income was 454 million yen (decreased by 5 million yen vs. the same term of previous year which was 459 million yen). The extraordinary loss was 0 million yen (improved by 80 million yen vs. same term of previous year). As a result, the net income marked 207 million yen, improved by 80 million yen vs. same term of previous year which was 127 million yen.

(2) Business Performances by Each Segment

(1) Vehicle Related Business

Although there were signs of recovery thanks to the restoration from the Earthquake, domestic new car sales of Nissan Motor Co., Ltd., our major customer, resulted in 164,928 units (data of Japan Automobile Manufacturers Association), 86.5 % compared with the same term of previous year when the market had benefited from the subsidies on purchasing environmentally friendly new cars. On the other hand, the production of export cars of Nissan Motor Co., Ltd. has been increased, 123% compared with the same term of the previous year, mainly by the production increase for North America where the market has been in the stock shortage due to the production decrease after the Earthquake.

Consequently, the revenue of the Company for new car transportation business has declined due to the decrease of domestic news car sales of Nissan Motor Co., Ltd. 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, despite the sluggish used car market. As a result, sales in this segment were 9,734 million yen (93.0% compared with the same term of the previous year) and the operating income was 590 million yen (85.3% compared to the same term of the previous year). Under the circumstances where the burden of fuel cost was increased compared to the previous year in addition to the unpredictable demand of vehicle transportation, the Company is

pursuing “Reducing transportation relay points”, “Improving operating ratio of in-house trailers” and “Cost conscious operations” to establish more profitable structure which can be less influenced by the market demand.

(2) General Cargo Transportation Business

The sales of general cargo transportation business marked 1,673 million yen (114.7% compared with the same term of the previous year) thanks to the sales increase of coal cargo and the volume increase for electric retails due to the demand on compatible televisions for terrestrial digital broadcasting. The segment profit marked 146 million yen (209.9% compared to the same term of the previous year) as a result of improvement of profit structure by the streamlining review on underperforming businesses, management structure and workflows.

(3) Human Resources Business

Under severe business circumstances of this segment such as contract price discount request, working-hour reducing request and the cancellation of contract renewals reflecting the unpredictable economic situation, the sales maintained as same level as the previous year, 1,887 million yen (101.6% compared to the same term of the previous year) by the increase of sales for private sectors, through developing the new business areas and customers and strengthening the sales operations. As for the segment income, it marked 95 million yen (149.0% compared to the same term of the previous year) by the merger of two subsidiaries in this segment in April, 2011 with which the unification of the managements could be achieved and by the continuous streamlining review on underperforming businesses.

As for those unclassifiable operating expenses (company-wide common expenses of administrative departments) and the amortization of goodwill which are not included in the profit and loss by segment stated above were recorded as “elimination and cooperate”, which was 379 million yen.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(unit: million yen)

	As of June 30, 2011	As of September 30, 2011
Assets		
Current assets		
Cash and deposits	4,957	4,669
Notes and accounts receivable	5,818	5,937
Inventories	79	66
Deferred tax assets	705	707
Others	1,020	1,069
Allowance for doubtful accounts	-56	-51
Total current assets	12,525	12,399
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	3,702	3,637
Machinery, equipment and vehicles, net	178	172
Tools, furniture and fixtures, net	73	68
Land	8,758	8,758
Lease assets, net	518	489
Total tangible fixed assets	13,231	13,126
Intangible fixed assets		
Goodwill	2,466	2,383
Others	179	167
Total intangible fixed assets	2,645	2,551
Investments and other assets		
Investment securities	548	558
Long-term loans receivable	178	184
Deferred tax assets	1,121	987
Others	894	889
Allowance for doubtful accounts	-107	-131
Total investments and other assets	2,634	2,489
Total fixed assets	18,512	18,166
Total assets	31,037	30,566
	As of June 30, 2011	As of September 30, 2011
Liabilities		
Current liabilities		
Notes and accounts payable	2,899	2,999

Short-term loans payable	700	800
Long-term loans payable within one year	1,969	1,617
Income taxes payable	253	91
Accrued consumption taxes	225	255
Allowance for bonus	391	255
Disaster loss	28	2
Others	1,945	2,067
Total current liabilities	8,415	8,088
Fixed liabilities		
Long-term loans payable	5,420	5,172
Allowance for retirement benefits	3,043	3,036
Allowance for retirement benefits for directors	346	350
Differed tax liabilities	79	78
Re-evaluation portion of differed tax liabilities	1,279	1,279
Asset retirement obligation	41	41
Others	611	583
Total fixed liabilities	10,822	10,541
Total liabilities	19,238	18,630
Net assets		
Shareholder's equity		
Capital stock	3,390	3,390
Capital surplus	3,204	3,204
Retained earnings	6,280	6,419
Treasury stock	-152	-152
Total shareholder's equity	12,722	12,861
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-9	-11
Revaluation reserve for land	-904	-904
Foreign currency translation adjustment	-9	-10
Total accumulated other comprehensive income	-923	-926
Total net assets	11,799	11,935
Total liabilities and net assets	31,037	30,566

(2) Consolidated Income Statement and Consolidated Comprehensive Income Statement

(Consolidated Income Statement)

(unit: million yen)

	Three months of FY10 (from Jul 1, 2010 to Sep 30, 2010)	Three months of FY11 (from Jul 1, 2011 to Sep 30, 2011)
Sales	13,760	13,272
Cost of sales	12,075	11,531
Gross profit	1,684	1,740
Selling, general and administrative expenses	1,254	1,287
Operating income(loss)	430	452
Non-operating income		
Interest income	6	1
Dividend income	0	0
Receivable commission	14	13
Equity in earnings of affiliates	26	8
Others	23	18
Total non-operating income	72	42
Non-operating expenses		
Interest expenses	36	29
Others	6	11
Total non-operating expenses	42	40
Ordinary income	459	454
Extraordinary income		
Gain on sale of fixed assets	4	1
Total extraordinary income	4	1
Extraordinary loss		
Loss on disposal of fixed assets	1	0
Revaluation loss of golf membership	26	—
Loss on cancellation of leasing contract	—	1
Loss on adjustment for changes in the Accounting Standard for Asset Retirement Obligation	56	—
Others	0	—
Total extraordinary losses	84	1
Net income(loss) before tax adjustments	379	453
Income taxes	251	246
Net income before adjustment minority interests	128	207
Income attributable for minority interests	0	—
Net income(loss)	127	207

(Comprehensive Income Statement)

(unit: million yen)

	Three months of FY10 (from Jul 1, 2010 to Sep 30, 2010)	Three months of FY11 (from Jul 1, 2011 to Sep 30, 2011)
Net income before adjustment minority interests	128	207
Other comprehensive income		
Valuation difference on available-for-sale securities	0	-2
Equity of Equity method affiliate	-0	-1
Total other comprehensive income	-0	-3
Quarterly Comprehensive income	128	204
(breakdown)		
Parent company portion of comprehensive income	127	204
Minority interest portion of comprehensive income	0	—

(3) Going concern assumption

None

(4) Segment Information

1. Segment information by business for the three months of FY2010 (from July 1, 2010 to September 30, 2010)

(Yen in millions)

	Vehicle transportation related	General cargo transportation	Human Resources	Total	Elimination and Corporate (Note)1	Consolidated (Note)2
Sales						
(1) Sales for external customers	10,458	1,449	1,851	13,760	-	13,760
(2) Internal sales between business segments or transfer	11	8	6	26	-26	-
Total	10,470	1,458	1,858	13,787	-26	13,760
Operating income/loss	692	69	64	826	-395	430

(Note) 1. Elimination of -395 million yen includes corporate expense of -307 million yen, goodwill amortization of -88 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.

(Note)2. The segment profit is adjusted with the operation profit in the quarterly consolidated profit and loss statement.

2. Segment information by business for the three months of FY2011 (from July 1, 2011 to September 30, 2011)

(Yen in millions)

	Vehicle transportation related	General cargo transportation	Human resources	Total	Elimination and Corporate (Note)1	Consolidated (Note)2
Sales						
(1) Sales for external customers	9,723	1,669	1,879	13,272	-	13,272
(2) Internal sales between business segments or transfer	10	4	8	23	-23	-
Total	9,734	1,673	1,887	13,295	-23	13,272
Operating income/loss	590	146	95	832	-379	452

(Note)

1. Elimination of -379 million yen includes corporate expense of -297 million yen, goodwill amortization of -82million 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.

(5) Note for material changes in shareholder's equity

Not applicable

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