

## Financial Results for the Fiscal Year Ended June 30, 2011

August 10, 2011

Listed Company: ZERO CO., LTD.

Tokyo Stock Exchange (Second Section)

Code No: 9028

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

Representative: Yoshi Iwashita, President and CEO

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Date of Annual Shareholders' Meeting: September 29, 2011

Date to begin payment of dividend: September 30, 2011

Date of financial statement report submission: September 29, 2011

Additional materials for the Financial Results for FY2010: None

Briefing session of the Financial Results for FY2010: None

### 1. Consolidated Financial Results for the Fiscal Year Ended June 30, 2011 (From July 1, 2010 to June 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	%
FY2010	52,683	1.7	1,245	75.5	1,292	78.2	461	133.6
FY2009	51,794	0.4	709	-	724	-	197	-

	Net earnings per share-basic	Net earnings per share -diluted	Net income to shareholder's equity ratio	Ordinary income to total assets ratio	Operating income on sales
	Yen	Yen	%	%	%
FY2010	27.00	-	4.0	4.1	2.4
FY2009	11.56	-	1.7	2.3	1.4

(Ref.) Equity in net income of affiliates: FY2010 : 106 million yen      FY2009: N/A

#### (2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2010	31,037	11,799	38.0	690.31
FY2009	32,366	11,453	35.4	670.07

(Ref.) Equity capital: FY2010 : 11,799 million yen      FY2009 : 11,453 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
FY2010	1,254	-204	-1,578	4,729
FY2009	1,305	-1,135	93	5,258

## 2. Dividends

(Base date)	Dividend per share					Annual total amount of dividend	Dividend payout ratio (Consolidated)	Dividend ratio of net assets (Consolidated)
	At end of Q1	At end of Q2	At end of Q3	At end of Q4	Annual total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2009	-	4.00	-	4.00	8.00	136	69.2	1.2
FY2010	-	4.00	-	4.00	8.00	136	29.6	1.2
Forecast of FY2011	-	4.00	-	4.70	8.70		20.1	

## 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

The Consolidated Earnings Forecast has been prepared only for the whole financial year due to the unpredictable market environments.

## 4. Others

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

(2) Changes in accounting policy, procedure or notation method for documenting consolidated financial statements

① Changes in accordance with the revision of accounting standards and others: Applied

② Changes other than above: N/A

(3) Number of outstanding shares (common shares)

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

FY2010: 17,560,242                      FY2009: 17,560,242

② Number of repurchased shares at the end of each period:

FY2010: 467,570                      FY2009: 467,551

③ Average number of shares issued during the fiscal year

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

(Ref.) Unconsolidated Financial Results for the Fiscal Year Ended June 30, 2011

**1. Unconsolidated Financial Results for the Fiscal Year Ended June 30, 2011 (From July 1, 2010 to June 30, 2011)**

(1) Unconsolidated Results

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	%
FY2010	40,931	0.6	828	197.3	901	128.3	363	231.1
FY2009	40,688	-5.2	278	-	394	-	109	-

	Net earnings per share -basic	Net earnings per share -diluted
FY2010	21.28 yen	-
FY2009	6.43 yen	-

(2) Unconsolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	yen
FY2010	25,492	10,723	42.1	627.38
FY2009	26,700	10,500	39.3	614.34

(Ref.) Equity capital:

FY2010 : 10,723 million yen      FY2009 : 10,500 million yen

⊗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. Business Performance**

### **1) Analysis Regarding Business Performance**

#### 1. Outline of Operations in FY2010

During current consolidated accounting period of the Company (hereinafter referred to as “the current term”), the domestic economy has partially showed sign of recovery by the increase of the exportation toward foreign emerging markets and by the increase of consumer spendings thanks to the massive economy boosting policy by the Government. However the future of economy is unpredictable due to the severe damage on the social infrastructure and the supply chains caused by the Great East Japan Earthquake and concerns of the radiation contamination, electric power supply shortage and harmful rumors by Fukushima Nuclear Power Plant accident.

In the automobile industry, thanks to the tax reduction on new environmentally friendly cars and subsidies on purchase of new environmentally friendly cars, domestic new car sales grew steadily in the first half of FY2010. However the demand toward new cars has decreased after the termination of subsidies for new environmentally friendly cars. Moreover, the production was forced to make deep cut by the stoppage and control of production and the severed supply chains affected by the Great East Japan Earthquake. As a result, total sales of domestic new cars of the current term have drastically decreased, resulted in 82.1% compared with the last term (data of Japan Automobile Manufacturers Association). Meanwhile, the volume for retail sales of used cars has been decreased due to the continuing shrinking used car supplies, although 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. After the Great East Japan Earthquake, the dealers have focused on purchasing and selling used cars (especially mini vehicles) considering the delay in new cars’ supplies. As a result, the domestic used car sales remained the same as the previous year, 100.1% 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 volume (in units)	From Jul. 2009 to Jun.2010	From Jul. 2010 to Jun. 2011	year-on-year
New vehicle			
Domestic automakers *1	5,079,345	4,218,570	83.1%
(Nissan Motor)*1	(652,391)	(580,043)	(88.9%)
Foreign automakers*2	188,732	259,081	137.3%
Used vehicle			
Passenger vehicle *3	3,907,024	3,846,799	98.5%
Mini vehicle*4	2,581,309	2,648,267	102.6%
Total of used vehicle	6,488,333	6,495,066	100.1%
De-registered vehicle*3	660,541	418,177	63.3%

Exportation volume (in units)	From Jul. 2009 to Jun.2010	From Jul. 2010 to Jun. 2011	year-on-year
New vehicle of Domestic automakers *1	4,505,025	4,357,526	96.7%
(Nissan Motor)*1	(585,005)	(655,880)	(112.1%)
Used passenger vehicle*5	814,735	934,391	114.7%

\*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

#### 【Fuel retail price】

	From Jul. 2009 to Jun.2010	From Jul. 2010 to Jun. 2011	year-on-year
Light oil ( yen per liter) *6	109	120	110.1%
Regular gasoline ( yen per liter) *6	130	139	106.9%

\*5: Figures calculated from the statistical data (simple average of monthly data) of The Oil Information Center (Mainly light oil is used for the Company's operations)

Under these circumstances, as for our group sales of vehicle-related business, although there was some stimulation of sales by the subsidies on environmentally friendly new cars at the 1<sup>st</sup> half of FY2010, 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.

In this continuous severe market circumstances, the Company put a high priority on reducing fixed costs in order to develop further profitable structure which can absorb the fluctuation in sales, resulted in the improvement of earnings.

As a result, accumulated sales of FY2010 marked 52,683 million yen (increased by 888 million yen vs. same term of previous year) and the operating income marked 1,245 million yen (increased by 535 million yen vs. same term of previous year). The non-operating profit marked 46 million yen, mainly consists of the equity in earnings of affiliates. As a result, ordinary income was 1,292 million yen (increased by 567 million yen vs. same term of previous year). The net income was 461 million yen after the adjustment of changes in the Accounting Standard for Asset Retirement Obligation and the extraordinary losses by the disaster, improved by 263 million yen vs. same term of previous year which was 197 million yen.

## 2. Business Performances by Each Segment

### (1) Vehicle Related Business

Domestic new car sales of Nissan Motor Co., Ltd., our major customer, marked 190,573 units, 112.5 % compared with the same term of previous year (data of Japan Automobile Manufacturers Association) thanks to the subsidies on purchasing environmentally friendly new cars and the tax reduction on new environmentally friendly cars in the 1<sup>st</sup> quarter of FY2010. However, in the following 9 months the sales was decreased drastically as 389,470 units, 80.6% 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 which was occurred in the strongest demand of the year was to be expected, in addition to the effect of the termination of subsidies on purchasing environmentally friendly cars. As a result, our vehicle transportation business decreased accordingly. 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 in this segment marked 3,866 million yen (decreased by 594 million yen compared with the same term of previous year) and the operating income marked 1,978 million yen (increased by 279 million yen compared with the same term of previous year). 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 Business

The sales of general cargo transportation business marked 6,666 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 557 million yen (increased by 176 million yen compared with the same term of previous year) as a result of improvement of profit structure by the streamlining review on underperforming businesses, management structure and workflows.

### (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 753 million yen (increased by 498 million yen compared with the same term of previous year) due to the increase of sales for both public and private sectors, through developing the new business areas and customers and strengthening the sales operations. As for the segment income, although the streamlining review of underperforming operations was implemented, it resulted in 314 million yen (increased by 1 million yen compared with the same term of previous year) 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. merged Zero Drive Staff Co., Ltd, driver dispatch service company, in April, 2011.

The Company will continue to pursue the efficiency and the reinforcement of business infrastructure by the unification of managements 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) 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 165 million yen.

### 3. Prospect for the Next Fiscal Year

The Company will pursue several activities to become tolerant to changes on the assumption of continual severe economic circumstances for the mid-term. Specifically, by increasing and enhancing sales activities (to ensure sales volume), reducing transportation relay points (to increase sales by the quality improvement and to reduce the transportation cost), streamlining of workflows (to improve marginal profit) and cost-oriented management (to improve gross margin of sales and to reduce the fixed cost), the Company will make stable profits which less influenced by the market demand. On the other hand, the Company succeeded the entire business of Osaka Anzen Rikuso Co., Ltd., which was a transportation subsidiary of Nissan Osaka Hanbai Co., Ltd. in September, 2010 and acquired Auto Carry Co., Ltd. which was a transportation subsidiary of Kanagawa Nissan Motor Co., Ltd. in June, 2011. The Company will enhance transportation structure and revenue base by the expansion of local transportation network in the each metropolitan area throughout the nation.

While these activities toward the profit increase is pursuing, the future of economy is not predictable due to several factors such as possible changing of economical policy by the Government, concerns of radiation contamination, electrical power shortage and harmful rumors caused by Fukushima Nuclear Power Plant accident. As a result, the earnings forecast have been posted only for the whole financial year and the sales forecast is settled along with the result of current term.

(Reference)

	Sales	Operating income	Ordinary income	Profit of the term
	Million yen	Million yen	Million yen	Million yen
FY2010 Actual	52,683	1,245	1,292	461
FY2011 Forecast	53,000	1,700	1,680	740
Variance	100.6%	136.5%	130.0%	160.3%

**(2) Basic Policy for Profit-sharing and Dividend for This Term and the Following Term.**

Considering earning retention, expanding the Company's business domain and strengthening its business structure, in order to return its profit to the shareholders and for the openness of profit appropriation, the following profit-sharing policy will be taken into account as a basic policy in the scope of divisible profit.

Consolidated Earnings per Share(EPS)-diluted	Up to 40 yen	More than 40 yen and up to 80 yen	More than 80 yen
Annual dividend	8 yen	EPS x 20 %	EPS x 25 %

(Note) Particular profit or loss which is provided by irregular operating activities is subject to be calculated with the exception of above policy.

Based on the above basic policy, the dividend will be as follows..

	Consolidated Earnings per share(EPS)-diluted	Dividend per share		
		Annual total	Second quarter end	Fiscal year end
FY2010	27.00 yen	8 yen	4 yen	4 yen
FY2011	43.29 yen	8.70yen	4 yen	4.70 yen

**(3)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 year 2010 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.

	FY2008		FY2009		FY2010	
	Million yen	Percentage in gross sales	Million yen	Percentage in gross sales	Million yen	Percentage in gross sales
Nissan Motor	15,176	29.4%	15,765	30.4%	14,529	27.6%
Nissan Motor Group *1	19,333	37.5%	19,602	37.8%	18,534	35.2%

(Note) The above sales results from Nissan Motor Group include results from Nissan Motor, Autech Japan Inc. and all of Nissan Auto Sales Co., Ltd. in the nation.

The Company has entered into an 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 car

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 item 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 2014. The Company had successfully reached the target set by Nissan Motor since the contract was concluded in 2003 till the end of March, 2011. 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 Profit in the Second Half of Fiscal Year

In the vehicle 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 and as for profitable private car transportation, the demand is inclined to increase in March, a moving season. Therefore, sales tend to increase in March every year and it leads to a great concentration of profit in this month. (The tendency was not true for this term, though. The sales and revenue structure of 1<sup>st</sup> half and 2<sup>nd</sup> half have reversed due to the effect of the subsidies on purchase of new environmentally friendly cars (ended in September, 2010) and the Great East Japan Earthquake which was occurred in March, 2011.) 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)			Gross profit (million yen)			Operating income (million yen)		
	First half	Second half	Total	First half	Second half	Total	First half	Second half	Total
FY2009	25,277	26,516	51,794	2,765	3,075	5,841	164	545	709
	48.8%	51.2%	100.0%	47.3%	52.7%	100.0%	23.1%	76.9%	100.0%
FY2010	26,711	25,971	52,683	3,155	3,090	6,246	664	580	1,245
	50.7%	49.3%	100.0%	50.5%	49.5%	100.0%	53.4%	46.6%	100.0%

## **2. Outline of Business Group**

The Group consists of the Company, 13 subsidiary companies and 2 affiliated companies, specializing in vehicle related business, general cargo business and human resource business.

Business segment for each company is as follows.

Segment	Name of company
Vehicle related	ZERO, ZERO-TRANS, ZERO KYUSYU, TBM, Auto Carry, Nissan Shizuoka Worknet, ZERO SCM LOGISTICS(BEIJING), Utsunomiya Terminal Unyu, NPF Service, Eight Zero
General cargo related	ZERO, KANDAKO KAIRIKU UNSO, KYUSO, Toyo Bussan
Human Resource	DRIVER STAFF, JAPAN RELIEF, ASSIST WORK

<<Outline of Consolidated Subsidiaries>>

ZERO-TRANS CO., LTD.

Address of head office: Saiwai-ku, Kawasaki City

Capital: 15 million yen

Main business: Vehicle related business

Percentage of voting right held: 100.0

Relations: Operations are entrusted by the Company.

Facilities such as buildings, etc. are leasing from the Company.

Some directors of the Company hold the position of the board.

ZERO KYUSYU CO., LTD.

Address of head office: Higashi-ku Fukuoka City

Capital: 10 million yen

Main business: Vehicle related business

Percentage of voting right held: 100.0

Relations: Operations are entrusted by the Company.

Facilities such as buildings, etc. is leasing from the Company.

Some directors of the Company hold the position of the board.

KANDAKO KAIRIKU UNSO CO., LTD.

Address of head office: Miyako, Fukuoka

Capital: 39 million yen

Main business: General cargo business

Percentage of voting right held: 100.0

Relations: Some directors of the Company hold the position of the board.

TBM CO., LTD.

Address of head office: Asaka City, Saitama

Capital: 10 million yen

Main business: Vehicle related business

Percentage of voting right held: 100.0

Relations: Operations are entrusted by the Company.

Operating funds are borrowed from the Company.

Car carriers are leasing from the Company.

Some directors of the Company hold the position of the board.

KYUSO CO., LTD.

Address of head office: Moji-ku, Kitakyushu City

Capital: 60 million yen

Main business: General cargo business

Percentage of voting right held: 100.0

Relations: Operations are entrusted by the Company.

Some directors of the Company hold the position of the board.

Driver Staff Co., Ltd.

Address of head office: Nishi-ku, Osaka City

Capital: 303 million yen

Main business: Human Resource

Percentage of voting right held: 100.0

Relations: Some directors of the Company hold the position of the board.

Japan Relief Co., Ltd.

Address of head office: Chiyoda-ku, Tokyo

Capital: 83 million yen

Main business: Human Resource

Percentage of voting right held: 100.0

Relations: Operations are entrusted by the Company.

Operating funds are borrowed from the Company.

Some directors of the Company hold the position of the board.

Nissan Shizuoka Worknet Co., Ltd.

Address of head office: Suruga-ku, Shizuoka City

Capital: 10 million yen

Main business: Vehicle related business

Percentage of voting right held: 100.0

Relations: Operations are entrusted by the Company.

Some directors of the Company hold the position of the board.

### **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 service to the customers and to contribute to the development for an affluent society by creating services more than expected by the customers. The base of its activities is to improve the quality of various services corresponding to the customer's needs. In addition, in order to secure the position as a total service provider in the logistics industry, it is committed to become a business group with continuous trust of the public, customers and shareholders by expanding existing businesses, promoting entering into a new business domain by aggressive M&A, adding corporate value through continuous growth and development.

#### 2) Targeted Management Benchmark

The vehicle transportation industry, the Group's main business, is being saturated as a whole, experiencing changes of severe circumstances. However, the Group is committed to enhance its presence in the industry by strengthening its sales power to provide high quality service to the 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. Its immediate goal is to be ranked no. 1 in the industry.

#### 3) Mid-and-long term Management Strategy

The Group has its future management vision as to establish profit structure and business lines which can be ranked in the top group in the Japanese logistics industry. It 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 tackling the following managerial tasks proactively.

#### 1. Profit Expansion of Vehicle Related Business

##### a. Expansion of the Group's domain in the new car transportation

The Group is committed to expand its shares not only in the transportation service for new cars from the maker's plant to the dealers but also in the dealer's operation support service after delivery. It is also committed to improve its profitability by expanding its sales with providing "transportation related integrated services" such as transfer of new cars between dealers and transportation of trade-in cars and offering change of names, which customers expect, and by enhancing transportation efficiency, which is feasible by conducting operations with clearing the wall of makers and the web of corporate alliances.

##### b. Expansion of the Group's share in the used car transportation

Complicated vehicle allocation operation know-how and abundant experience are the key for used car transportation, which requires from the range of securing the load by making the most use of the scheduled backward transportation of new cars, transportation in-and-out of used auto auction sites and the spot transportation which is increasing backed by the trend of auto auction through the internet. The Company entered into the used car transportation business at the early stage, having led the industry. The Company is committed to expand its shares in the industry by providing finely-tuned services which meet the customer's needs by strengthening its structure with establishing new branches in the untargeted areas, increasing sales representatives and introducing the assessment system.

##### c. Enhancement of transportation profitability

The Company is thoroughly reviewing its existing transportation structure from the view point of its method, charge, outsourcing price rate, nationwide layout of transportation base and appropriate allocation of trailers. It is committed to thoroughly improve its transportation profitability by strengthening the daily operation management for pursuing efficiency.

##### d. Activities toward the business restructuring

The vehicle transportation industry is in stagnation due to sluggish domestic sales of new cars. It is predicted that it will be unavoidable for the industry to be streamlined and restructured in the mid-and-long term. The Company is committed to establish a solid corporate structure which can play a central role in the movement of industry restructuring and is willing to consider forming an alliance within the industry so as to improve its profitability and enhance the degree of contribution to the society and environment by reducing carbon dioxide.

#### 2. Challenges to new business

In addition, the Company is committed to develop not only existing vehicle business but also general cargo business and human resources business as segments which comprise a "new ZERO group". In order to make it real, it is willing to take

advantage of M&A in a proactive manner.

### 3. Enter into Asian market

The Company is going to apply know-how which has been accumulated in the domestic market to overseas market. ZERO SCM LOGISTICS(BEIJING) CO., LTD. has been expanding sales of new car transportation and promoting entering into pre-delivery inspection in China. EIGHT ZERO LTD., established in August, 2010, has started sales and delivery of used cars, vehicle inspection and maintenance services. The Company is going to expand the business combined several services such as auction, maintenance, inspection, auto body repair and painting, registration agency and automobile shredder considering to enter into a market in Asia such as ASEAN and East Europe.

### 4) Issues to be dealt with

This section is omitted due to there is no material changes from the items in the interim financial results for the fiscal year ended June 30, 2007 disclosed on February 14, 2007.

## **4. Consolidated Financial Statements**

### (1) Consolidated Balance Sheet

(unit: million yen)

	As of June 30, 2010	As of June 30, 2011
Assets		
Current assets		
Cash and deposits	5,499	4,957
Notes and accounts receivable	5,681	5,818
Inventories	105	79
Deferred tax assets	227	705
Others	872	1,020
Allowance for doubtful accounts	-47	-56
Total current assets	12,339	12,525
Fixed assets		
Tangible fixed assets		
Buildings and structures	5,985	5,989
Accumulated depreciation	-2,073	-2,287
Buildings and structures, net	3,912	3,702
Machinery, equipment and vehicles	1,279	1,241
Accumulated depreciation	-1,115	-1,063
Machinery, equipment and vehicles, net	164	178
Tools, furniture and fixtures	429	425

Accumulated depreciation	-344	-352
Tools, furniture and fixtures, net	85	73
Land	8,758	8,758
Lease assets	772	801
Accumulated depreciation	-174	-282
Lease assets, net	597	518
Total tangible fixed assets	13,518	13,231
Intangible fixed assets		
Goodwill	2,818	2,466
Lease assets	25	17
Others	275	161
Total intangible fixed assets	3,118	2,645
Investments and other assets		
Investment securities	412	548
Long-term loans receivable	253	178
Deferred tax assets	1,889	1,121
Others	941	894
Allowance for doubtful accounts	-106	-107
Total investments and other assets	3,390	2,634
Total fixed assets	20,027	18,512
Total assets	32,366	31,037
	As of June 30, 2010	As of June 30, 2011
Liabilities		
Current liabilities		
Notes and accounts payable	2,822	2,899
Short-term loans payable	850	700
Long-term loans payable within one year	1,626	1,969
Lease obligations	136	145
Accrued expenses	1,260	1,231
Income taxes payable	335	253
Accrued consumption taxes	286	225
Deposits received	182	200
Allowance for bonus	400	391
Disaster loss	—	28
Others	436	368
Total current liabilities	8,336	8,415
Fixed liabilities		
Long-term loans payable	6,934	5,420
Lease obligations	622	509

Deferred tax liabilities	83	79
Deferred tax liabilities for revaluation	1,279	1,279
Allowance for retirement benefits	3,246	3,043
Allowance for retirement benefits for directors	301	346
Asset retirement obligation	—	41
Others	108	101
<b>Total fixed liabilities</b>	<b>12,577</b>	<b>10,822</b>
<b>Total liabilities</b>	<b>20,913</b>	<b>19,238</b>
Net assets		
Shareholder's equity		
Capital stock	3,390	3,390
Capital surplus	3,204	3,204
Retained earnings	5,919	6,280
Treasury stock	-152	-152
<b>Total shareholder's equity</b>	<b>12,361</b>	<b>12,722</b>
Accumulated other comprehensive income		
Net unrealized gains(loss) on securities	-3	-9
Revaluation reserve for land	-904	-904
Foreign currency translation adjustment	—	-9
<b>Total accumulated other comprehensive income</b>	<b>-908</b>	<b>-923</b>
<b>Total net assets</b>	<b>11,453</b>	<b>11,799</b>
<b>Total liabilities and net assets</b>	<b>32,366</b>	<b>31,037</b>

(2) Consolidated Income Statement and Consolidated Comprehensive Income Statement

(Consolidated Income Statement)

(unit: million yen)

	FY09 ended June 30, 2010	FY10 ended June 30, 2011
Sales	51,794	52,683
Cost of sales	45,952	46,436
Gross profit	5,841	6,246
Selling, general and administrative expenses	5,131	5,000
Operating income(loss)	709	1,245
Non-operating income		
Interest income	13	12
Dividend income	5	5
Fix asset rental income	25	20
Receivable commission	62	55
Anonymous association investment return	23	—
Equity in earnings of affiliates	—	106

Others	79	47
Total non-operating income	209	247
Non-operating expenses		
Interest expenses	156	138
Disposal loss of inventory goods	—	29
Others	38	33
Total non-operating expenses	194	201
Ordinary income	724	1,292
Extraordinary income		
Gain on sale of fixed assets	20	35
Reversal of allowance for doubtful accounts	65	—
Total extraordinary income	86	35
Extraordinary loss		
Loss on disposal of fixed assets	23	0
Loss on retirement of fixed assets	16	6
Impairment loss	2	—
Loss on revaluation of investments in securities	36	—
Revaluation loss of golf membership	23	51
Disaster loss	—	82
Loss on adjustment for changes in the Accounting Standard for Asset Retirement Obligation	—	56
Compensation payment	33	—
Loss on termination of retirement benefit scheme	—	32
Others	4	6
Total extraordinary losses	139	235
Net income(loss) before tax adjustments	671	1,092
Income taxes	461	341
Income taxes adjustment	33	288
Total income taxes	495	630
Net income before adjustment minority interests	—	462
Loss of minority shareholders	-21	0
Net income(loss)	197	461

## (Comprehensive Income Statement)

(unit: million yen)

	FY09 ended June 30, 2010	FY10 ended June 30, 2011
Net income before adjustment minority interests	—	462
Other comprehensive income		
Net unrealized gains(loss) on securities	—	-5
Equity of Equity method affiliate	—	-9
Total other comprehensive income	—	-14
Comprehensive income	—	447
(breakdown)		
Parent company portion of comprehensive income	—	446
Minority interest portion of comprehensive income	—	0

## (3) Consolidated Statements of Changes in Net Assets

(unit: million yen)

	FY09 ended June 30, 2010	FY10 ended June 30, 2011
Shareholder's equity		
Capital stock		
Balance at the end of previous period	3,390	3,390
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	3,390	3,390
Capital surplus		
Balance at the end of previous period	3,204	3,204
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	3,204	3,204
Retained earnings		
Balance at the end of previous period	5,790	5,919
Changes of items during the period		
Dividends from surplus	-68	-136
Net income(loss)	197	461
Change of scope of equity method	—	35
Total changes of items during the period	129	360
Balance at the end of current period	5,919	6,280
Treasury stock		

Balance at the end of previous period	-152	-152
Changes of items during the period		
Purchase of treasury stock	—	-0
Total changes of items during the period	—	-0
Balance at the end of current period	-152	-152
<b>Total shareholder's equity</b>		
Balance at the end of previous period	12,232	12,361
Changes of items during the period		
Dividends from surplus	-68	-136
Net income(loss)	197	461
Change of scope of equity method	—	35
Purchase of treasury stock	—	-0
Total changes of items during the period	129	360
Balance at the end of current period	12,361	12,722
<b>Accumulated other comprehensive income</b>		
<b>Net unrealized gains(loss) on securities</b>		
Balance at the end of previous period	-6	-3
Changes of items during the period		
Net changes of items other than shareholder's equity	2	-5
Total changes of items during the period	2	5
Balance at the end of current period	-3	-9
<b>Revaluation reserve for land</b>		
Balance at the end of previous period	-904	-904
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	-904	-904
<b>Total valuation and translation adjustments</b>		
<b>Foreign currency translation adjustment</b>		
Balance at the end of previous period	—	—
Changes of items during the period		
Net changes of items other than shareholder's equity	—	-9
Total changes of items during the period	—	-9
Balance at the end of current period	—	-9
<b>Total accumulated other comprehensive income</b>		
Balance at the end of previous period	-911	-908
Changes of items during the period		
Net changes of items other than shareholder's equity	2	-14
Total changes of items during the period	2	-14

Balance at the end of current period	-908	-923
Minority interest		
Balance at the end of previous period	21	
Changes of items during the period		
Net changes of items other than shareholder's equity	-21	—
Total changes of items during the period	-21	—
Total net assets		
Balance at the end of previous period	11,342	11,453
Changes of items during the period		
Dividends from surplus	-68	-136
Net income(loss)	197	461
Change of scope of equity method	—	35
Purchase of treasury stock	—	-0
Net changes of items other than shareholder's equity	-18	-14
Total changes of items during the period	110	345
Balance at the end of current period	11,453	11,799

(4) Consolidated Cash Flow Statement

(unit: million yen)

	FY09 ended June 30, 2010	FY10 ended June 30, 2011
Net cash provided by (used in) operating activities		
Net income(loss) before tax adjustments	671	1,092
Depreciation	922	712
Increase (decrease) for adjustment for changes in the Accounting Standard for Asset Retirement Obligation	—	56
Depreciation of goodwill	357	352
Increase (decrease) in allowance for doubtful accounts	-59	8
Increase (decrease) in allowance for bonus	-18	-8
Increase (decrease) in allowance for retirement benefits	-373	-202
Increase (decrease) in allowance for director's retirement benefits	34	44
Increase (decrease) in disaster loss	—	28
Interest and dividends income	-18	-17
Interest expenses	156	138
Loss (gain) on valuation of investment securities	36	—
Loss on revaluation of golf membership	23	51
Loss (gain) on sale and retirement of fixed assets	19	-28
Impairment loss	2	—
Loss (gain) on investment of equity method	—	-106

Decrease (increase) in notes and accounts receivable	-377	-136
Decrease (increase) in inventories	9	26
Decrease (increase) in other current assets	129	-36
Increase (decrease) in notes and accounts payable	253	76
Increase (decrease) in other current liabilities	-173	-107
Increase (decrease) in accrued consumption taxes	219	-60
Others	76	4
Subtotal	1,892	1,888
Interest and dividends received	19	11
Interest paid	-162	-138
Income taxes paid	-443	-506
Net cash provided by (used in) operating activities	1,305	1,254
Net cash provided by (used in) investing activities		
Payments into time deposits	-13	-13
Proceeds from withdrawal of time deposits	—	26
Payments for purchase of securities	-701	-999
Proceeds from redemption of securities	900	1,000
Payments for purchase of tangible fixed assets	-1,523	-324
Proceeds from sale of tangible fixed assets	278	148
Payments for purchase of intangible fixed assets	-48	-33
Payments for purchase of investment securities	-28	-69
Proceeds from sales and redemption of investment securities	24	65
Payments for loans implementation	-293	-117
Proceeds from collection of loans receivable	250	181
Others	19	-68
Net cash provided by (used in) investing activities	-1,135	-204
Net cash provided by (used in) financing activities		
Proceeds from short-term loans payable	2,380	4,980
Payments of short-term loans repayments	-2,155	-5,130
Proceeds from long-term loans payable	1,722	1,978
Payments of long-term loans repayments	-1,674	-3,148
Payments for purchase of treasury stock	—	-0
Payment of lease obligation repayments	-110	-121
Cash dividends paid	-67	-137
Net cash provided by (used in) financing activities	93	-1,578
Net increase (decrease) in cash and cash equivalents	263	-529
Cash and cash equivalents at beginning of period	4,994	5,258
Cash and cash equivalents at end of period	5,258	4,729

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