

Consolidated Financial Results for the First Quarter Ended September 30, 2006

November 15, 2006

Company name: ZERO Co.,Ltd.

Code No: 9028

Tokyo Stock Exchange (Second Section)

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

Representative: CEO & President

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1. Significant Accounting Policies in the Preparation of First-Quarter Financial Results

(1) Adoption of the simplified method as part of accounting policies: Yes
The simplified method is applied to tax expenses and tax-effect accounting.

(2) Changes in accounting policies from the most recent consolidated fiscal year: Yes
Allocation policy of operating expense is applied to the segment information of business.

(3) Changes in the scope of consolidation or application of the equity method: None

(Note) Results for the third quarter of the previous fiscal year are not shown as the Company began to disclose quarter results since the current fiscal year.

2. Consolidated Financial Results for the First Quarter Ended September 30, 2006 (From July 1, 2006 to September 30, 2006)

1) Results of Operations (consolidated)

(Figures less than one million yen are disregarded.)

	Sales		Operating profit or operating loss(△)		Ordinary profit or ordinary loss(△)		Net profit or net loss(△)	
	million yen	%	million yen	%	million yen	%	million yen	%
First quarter FY2006	12,797	△1.5	△132	—	△106	—	△70	—
First quarter FY2005	12,989	—	403	—	418	—	241	—
(Ref.) FY2005	51,205	△1.3	883	△40.3	1,034	△36.0	426	△24.4
First quarter FY2006	Net profit or net loss(△)per share -basic		Net profit per share -diluted					
	yen		yen					
	△4.02		—					
First quarter FY2005	43.35		41.74					
(Ref.) FY2005	24.76		23.97					

(Note) 1. The percentages shown, such as those for sales and operating profit, are increase or decrease percentages on the corresponding quarter of the previous fiscal year, but they are not shown as the Company began to disclose quarter results since the current fiscal year.

2. The Company has split its shares at a rate of three to one with the base date of May 31, 2006.

3. Regarding net profit per share-diluted of the first quarter of fiscal year 2006 are not shown because net profit of the first quarter of fiscal year 2006 is negative despite the residual securities exist.

[Qualitative Information Regarding Results of Operations (consolidated)]

National economy, personal consumption and employment situation in the first quarter of fiscal year 2006 keep recovering steadily with the background of recovery of corporate revenues and an increase in capital investment. However, the logistics industry is in the situation, which the negative impact by soaring fuel price and unstable number of transportation orders are concerned.

With these surrounding factors, our group is in the transition of recovering earnings by making efforts to improve fuel consumption and to develop transportation efficiency.

In this situation, sales for the first quarter of fiscal year 2006 came to 12,797 million yen(vs. previous year: 98.5%). This was due to the fall of new car sales of Nissan Motor Co., Ltd. and it caused a negative impact on the vehicle transportation related business and car selection business. Operating profit for the first quarter of fiscal year 2006 resulted in 132-million-yen operating loss(operating profit of previous year: 43 million yen). This was due to a decrease in marginal profit by decrease of sales, and overall costs increased: an increase in operation cost by soaring fuel cost and an increase in amortization of system. Accordingly, net loss of first quarter of fiscal year 2006 came to 70 million yen(net profit of previous year: 241 million yen).

The business outline of each segment follows as below.

Vehicle transportation sales and operating profit amounted to 11,352 million yen and 185 million yen respectively. Despite the fact that used car transportation exceeded the results of previous year and the plan of the term, the number of transportation units of new car transportation and new car maintenance decreased, which was resulted from the sharp drop in the new car sales of Nissan Motor Co., Ltd.

Car selection sales and operating profit came to 225 million yen and 49 million yen respectively.

Along with the influence of slump in new car sales of Nissan Motor Co., Ltd., the volume of trade-in cars of Nissan dealers and the volume of cars for auction from dealers are decreasing.

General cargo sales totaled 1,219 million yen with the effect that a new subsidiary company is added. However, along with the launching of Tokyo distribution center(started operating from October 2006), the fixed cost incurred in advance, operation profit resulted in 16-million-yen loss.

(2) Financial position (consolidated)

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	million yen	million yen	%	Yen
First quarter FY2006	28,639	11,063	38.5	628.72
First quarter FY2005	27,832	10,994	39.5	1914.64
(Ref.) FY2005	28,807	11,212	38.8	637.56

【Cash flow (consolidated)】

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents end of period
	million yen	million yen	million yen	million yen
First quarter FY2006	△545	△231	0	3,964
First quarter FY2005	△214	△135	144	4,342
(Ref.) FY2005	856	△701	39	4,741

[Qualitative Information Regarding Financial Position (consolidated)]

<Financial Position>

Total assets for the first quarter of fiscal year 2006 are 28,639 million yen, decreased by 167 million yen compared to the end of the previous consolidated fiscal year. This was due to a decrease of 298 million yen in

current assets such as cash and deposit and accounts receivable etc, and an increase of 130 million yen in tangible assets, intangible assets such as software, and investments by long-term loans.

Shareholders' equity becomes 11,063 million yen, decreased by 148 million yen compared to the end of the previous consolidated fiscal year. This was due to 140 million yen decrease in our retained earnings, which is total of 70 million yen loss through the payment of dividend and 70 million yen loss in net profit of this first quarter.

<Cash Flow>

Consolidated Cash and Cash Equivalent became 3,964 million yen, decreased by 776 million yen compared to the end of the previous consolidated fiscal year.

Decreased net cash by operating activities amounted to 545 million yen. This was due to payment increase in current assets such as prepaid expenses and suspense payment etc.

Decreased net cash provided by investing activities amounted to 231 million yen. This was mainly due to by acquisition of intangible fixed assets and tangible assets through investment for system development.

Increased net cash provided by financing activities amounted to 0 million yen. This was due to the repayment amounts was almost the same as the proceeds for long and short term loan.

○Supplementary Materials

(Summary) Consolidated Balance Sheet for the First Quarter Ended September, 2006

(Summary) Consolidated Profit and Loss Statement for the First Quarter Ended September, 2006

[Reference]

Forecast of Consolidated Results for the Fiscal Year Ending June 30, 2007

	Sales	Ordinary profit	Net profit
	million yen	million yen	million yen
Interim ending December 31, 2006	25,600	△250	△210
Full year ending June 30,2007	55,600	500	220

(Ref.) Projected net profit per share (full year) : 12.55 yen

[Qualitative Information Relating to the Forecast Results]

Based upon the current business performance, the interim and full-year earnings forecasts of FY2006(July 1, 2006 to June 30, 2007) which were announced on August 21, 2006 have been revised. Accordingly, it was disclosed separately as in "Zero Announces Revision to Interim and Full Year Earnings Forecasts of Fiscal Year Ending June 30, 2007" on November 15, 2006.

*The above forecast for performance was determined based upon information available at that time.

Actual performance may vary depending on various factors.

1. (Summary) Consolidated Balance Sheet for the First Quarter Ended September 30, 2006

(unit: million yen, %)

	First quarter FY2006	First quarter FY2005	Increase/ Decrease		(Ref.) FY2005
	amount	amount	amount	%	amount
(Assets)					
I Current assets					
1.Cash and deposits	4,165	4,488	—	—	4,942
2.Notes and accounts receivable	5,945	6,075	—	—	6,043
3.Inventories	153	200	—	—	160
4.Deferred tax assets	140	119	—	—	92
5.Others	1,532	1,058	—	—	996
Allowance for doubtful debt	△62	△76	—	—	△63
Total current assets	11,873	11,866	7	0.1	12,172
II Fixed assets					
1.Tangible fixed assets					
(1)Buildings and Structures	1,078	1,152	—	—	1,080
(2)Machinery and Automotive equipment	260	211	—	—	247
(3)Furniture and fixtures	76	94	—	—	80
(4)Land	9,164	8,390	—	—	9,164
(5)Construction in progress	2	—	—	—	—
Total tangible fixed assets	10,582	9,847	734	7.5	10,572
2.Intangible fixed assets					
(1)Consolidation adjustment	—	47			—
(2)Goodwill	143	—			152
(3)Others	1,555	1,458			1,526
Total intangible fixed assets	1,699	1,506	193	12.8	1,678
3.Investment and other assets					
(1)Investment securities	1,524	1,668	—	—	1,538
(2)Deferred tax assets	2,490	2,630	—	—	2,484
(3)Others	485	320	—	—	377
Allowance for doubtful debt	△17	△6			△17
Total investment and other assets	4,483	4,612	△128	△2.8	4,383
Total fixed assets	16,765	15,966	799	5.0	16,634
Total assets	28,639	27,832	807	2.9	28,807

(unit: million yen, %)

	First quarter FY2006	First quarter FY2005	Increase/ Decrease		(Ref.) FY2005
	amount	amount	amount	%	amount
(Liabilities)					
I Current liabilities					
1. Notes and accounts payable	3,629	3,248	—	—	3,699
2. Short-term loans	425	325	—	—	650
3. Long-term loans within one year	1,347	1,883	—	—	1,314
4. Accrued corporate taxes	43	206	—	—	140
5. Accrued consumption taxes	167	183	—	—	76
6. Accrued bonus	105	102			120
7. Others	1,617	1,383	—	—	1,393
Total current liabilities	7,336	7,332	3	0.0	7,395
II Fixed liabilities					
1. Long-term loans	3,303	2,060	—	—	3,116
2. Reserve for retirement benefits	5,290	5,816	—	—	5,418
3. Reserve for Directors' retirement benefits	122	109	—	—	140
4. Deferred tax liabilities	80	—	—	—	80
5. Deferred tax liabilities-Land revaluation	1,443	1,478	—	—	1,443
6. Others	0	39	—	—	0
Total fixed liabilities	10,240	9,505	734	7.7	10,199
Total liabilities	17,576	16,838	738	4.4	17,595
(Shareholders' equity)					
I Capital	—	3,338	—	—	—
II Capital surplus	—	3,151	—	—	—
III Retained earnings	—	5,001	—	—	—
IV Land revaluation surplus	—	△610	—	—	—
V Net unrealized gains or losses on securities	—	113	—	—	—
Total shareholders' equity	—	10,994	△10,994	—	—
Total liabilities and shareholders' equity	—	27,832	△27,832	—	—

(unit: million yen, %)

	First quarter FY2006	First quarter FY2005	Increase/ Decrease		(Ref.) FY2005
(Net assets)					
I Shareholders' equity					
1.Capital	3,386	—			3,384
2.Capital surplus	3,200	—			3,198
3.Retained earnings	5,040	—			5,180
4.Treasury stock	△0	—			△0
Total shareholders' equity	11,627	—	11,627	—	11,762
II Valuation and translation adjustments					
1.Net unrealized gains or losses on securities	59	—			68
2.Land revaluation surplus	△662	—			△662
Total valuation and translation adjustments	△602	—	△602	—	△593
III Minority interests	38	—	38	—	43
Total net assets	11,063	—	11,063	—	11,212
Total liabilities and net assets	28,639	—	28,639	—	28,807

2. (Summary) Consolidated Profit and Loss Statement
for the First Quarter Ended September 30, 2006

(unit: million yen, %)

	First quarter FY2006	First quarter FY2005	Increase/ Decrease		(Ref.) FY2005
	amount	amount	amount	%	amount
I Sales	12,797	12,989	△191	△1.5	51,205
II Cost of sales	11,781	11,451	329	2.9	45,789
Gross profit	1,016	1,537	△521	△33.9	5,416
III SG&A expenses	1,148	1,134	14	1.3	4,533
Operating profit	△132	403	△535	—	883
IV Non-operating revenue	51	54	△2	△4.1	252
V Non-operating expenses	25	39	△13	△35.0	101
Ordinary profit	△106	418	△524	—	1,034
VI Extraordinary income	—	—	—	—	95
VII Extraordinary expenses	0	0	0	0.0	243
Net profit (loss) before tax	△106	418	△524	—	886
Tax expenses	△30	176	△207	—	465
Minority loss	△5	—	△5	—	△5
Net profit (loss)	△70	241	△311	—	426

3. (Summary) Consolidated Cash Flows for the First Quarter Ended September 30, 2006

(unit: million yen)

	First quarter FY2006	First quarter FY2005	(Ref.) FY2005
	amount	amount	amount
I Cash flows from operating activities			
Net profit (loss) before tax	△106	418	886
Depreciation	158	112	558
Depreciation on share issuance expenses	—	1	13
Depreciation on consolidation adjustment	—	4	—
Depreciation on goodwill	8	—	17
Decrease in allowance for doubtful debt	△1	△0	△13
Decrease in accrued bonus	△15	△18	△9
Decrease in reserve for retirement benefits	△128	△70	△468
Increase/Decrease in reserve for Directors' retirement benefits	△18	2	33
Interest and dividends receivable	△0	△1	△12
Interest payable	19	18	61
Gain on sales of securities	—	—	△94
Gain and loss on disposal of fixed assets	0	0	242
Increase/Decrease in accounts receivable	97	117	452
Increase/Decrease in inventories	7	△4	34
Increase/Decrease in other current assets	△525	△458	△265
Increase/Decrease in accounts payable	△69	△19	48
Increase/Decrease in other current liabilities	70	△98	29
Increase/Decrease in accrued consumption taxes	90	21	△94
Others	1	0	△41
Sub-total	△411	22	1,376
Interest and dividends receivable	0	1	12
Interest paid	△12	△16	△60
Corporation taxes paid	△122	△221	△472
Cash flows from operating activities	△545	△214	856

(unit: million yen)

	First quarter FY2006	First quarter FY2005	(Ref.) FY2005
	amount	amount	amount
II Cash flows from investing activities			
Payments for depositing of time deposits	△8	△9	△30
Proceeds from repayment of time deposits	9	—	—
Payments for purchase of tangible fixed assets	△62	△21	△80
Proceeds from sale of tangible fixed assets	—	—	89
Payments for purchase of intangible fixed assets	△41	△100	△646
Payments for purchase of securities	△0	△0	△1
Proceeds from sales of securities	—	—	152
Payments for acquisition of subsidiary shares	—	—	△171
Payments due to lending	△70	△0	△3
Proceeds from recovery of loans	1	0	2
Others	△58	△4	△13
Cash flows from investing activities	△231	△135	△701
III Cash flows from financing activities			
Proceeds from short-term loans	1,760	225	5,450
Repayment of short-term loans	△1,985	△263	△5,400
Proceeds from long-term loans	470	—	1,500
Repayment of long-term loans	△249	△458	△2,223
Proceeds from share issuance	5	641	721
Proceeds from share issuance to minority shareholders	—	—	49
Payments for purchase of treasury stock	—	—	△0
Dividends paid	△0	—	△57
Cash flows from financing activities	0	144	39

(unit: million yen)

	First quarter FY2006	First quarter FY2005	(Ref.) FY2005
	amount	amount	amount
IV Increase/Decrease in cash and cash equivalents	△776	△204	193
V Cash and cash equivalents at beginning of year	4,741	4,547	4,547
VI Cash and cash equivalents at end of year	3,964	4,342	4,741

4. Segment information

First quarter FY2006

(unit: million yen)

	Vehicle transportation	Car selection	General freight transportation	Total	Corporate and Eliminations	Consolidated
Sales	11,352	225	1,219	12,797	—	12,797
Operating expenses	11,167	175	1,235	12,578	351	12,929
Operating profit	185	49	△16	218	△351	△132

First quarter FY2005

(unit: million yen)

	Vehicle transportation	Car selection	General freight transportation	Total	Corporate and Eliminations	Consolidated
Sales	12,144	291	553	12,989	—	12,989
Operating expenses	11,616	203	500	12,320	264	12,585
Operating profit	527	87	53	668	△264	403

(Change in cost allocation rules of operating expenses)

Until previous fiscal year, all the expenses chargeable to administrative segment of head quarters had been allocated to operating expenses of each business segment based upon each sales amount.

From this fiscal year, with the introduction of a new accounting system, those operating expenses which are supposed to be borne by each segments can be specified, the cost allocation rules of operating expenses have been changed as above.

In addition, figures in case that the previous allocation rules are applied are as follows.

First quarter FY2006

(unit: million yen)

	Vehicle transportation	Car selection	General freight transportation	Total	Corporate and Eliminations	Consolidated
Sales	11,352	225	1,219	12,797	—	12,797
Operating expenses	11,287	176	1,241	12,705	223	12,929
Operating profit	64	48	△21	91	△223	△132