

## Financial Results for the First Quarter Ended September 30, 2008

November 13, 2008

Company name: ZERO CO., LTD.

Code No: 9028

Tokyo Stock Exchange (Second Section)

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

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Filing date of financial statements

November 14, 2008

Dividend payment starting date

To be determined

(Figures less than one million yen are rounded)

### 1. Consolidated Financial Results for the First Quarter of the year ending June 30, 2009 (from July 1, 2008 to September 30, 2008)

#### 1) Consolidated Operating Results

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

	Sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
First quarter FY2008	13,440	-	20	-	39	-	2	-
First quarter FY2007	13,494	5.4	157	-	189	-	90	-
	Net earnings per share -basic		Net earnings per share -diluted					
	yen		yen					
First quarter FY2008	0.14		-					
First quarter FY2007	5.27		5.23					

#### 2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
First quarter FY2008	27,540	12,152	43.8	700.18
FY2007	27,667	12,243	44.0	706.21

(Ref.) Shareholder's equity FY2008 Q1: 12,068 million yen FY2007: 12,172 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
FY2007	-	4.00	-	5.10	9.10
FY2008	-	-	-	-	-
Forecast for FY2008	-	4.00	-	4.00	8.00

(Note) Revision to the dividend forecasts during the first quarter: None

**3. Consolidated Earnings Forecasts for Fiscal Year Ending June 30, 2009 (from July 1, 2008 to June 30, 2009)**

(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
6 months ending Dec. 31, 2008	26,500	-1.5	-50	-	-40	-	-100	-	-5.80
FY2008	54,700	-2.2	550	-61.2	530	-65.3	180	-77.1	10.44

(Note) Revision to the consolidated earnings forecasts during the first quarter: Applied

**4. Others**

(1) Material changes in consolidated subsidiaries during the period (changes in specific subsidiaries accompanied by changes in scope of consolidation): None

(2) Adoption of simplified accounting methods and specified accounting methods for the preparation of quarterly consolidated financial statements: None

(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)

Changes in accordance with changes in accounting principle: Applied

Other changes: None

(4) Number of shares issued (Common shares)

Number of shares issued (incl. treasury shares):

September 30, 2008: 17,560,242 shares                      June 30, 2008: 17,560,242 shares

Number of treasury shares

September 30, 2008: 324,052 shares                      June 30, 2008: 324,049 shares

Average number of shares issued (for the first quarter of fiscal years)

September 30, 2008: 17,236,185 shares                      September 30, 2007: 17,236,111 shares

Explanation regarding appropriate use of earnings forecasts and other remarks

1. Consolidated earnings forecasts for both first half of the year and the full year announced on August 8, 2008 are revised in this report.

2. 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.

3. "Accounting Standard for Quarterly Financial Statements"(ASBJ Statement No. 12) and "Implementation Guidance on the Accounting Standards for Quarterly Financial Statements"(ASBJ Guideline No. 14) have been adopted from the first quarter of the year ending June 30, 2009. Quarterly consolidated financial statements are prepared in accordance with "Regulation for Quarterly Consolidated Financial Statements".

[Qualitative Information]

### **1. Qualitative Information Regarding Consolidated Business Performance**

During the first quarter ended September 30, 2008 (from July 1, 2008 to September 30, 2008), national economy has been influenced by the still high level of raw material prices and energy prices in addition to the decelerating U.S. economy, resulted in the stagnation of corporate revenues and the sense of economic uncertainty has been expanding.

The logistics industry, especially the vehicle transportation industry has been suffering from its surrounding severe factors influenced by the soaring purchasing price of light oil as the fuel for transportation (133.6% compared with the same term of previous year: general sales price by the statistics of The Oil Information Center) in addition to the stagnation of auto maker's domestic sales (96.5% compared with the same term of previous year: statistics by Japan Automobile Manufacturers Association, Inc.) and continuing drop in used car sales (98.3% compared with the same term of previous year: statistics by Japan Automobile Dealers Association and Japan Light Automobile Dealers Association).

Under these circumstances, the Group's transportation volume decreased because of the stagnation of domestic sales of Nissan Motor Co., Ltd., the Company's major customer (93.9% compared with the same term of previous year: statistics by Japan Automobile Manufacturers Association, Inc.). Besides the transportation costs increased due to the soaring fuel costs.

Accordingly, consolidated financial results for the first quarter ended September 30, 2008 were as follows. Sales totaled 13,440 million yen (99.6 % compared with the same term of previous year), operating income totaled 20 million yen (12.7 % compared with the same term of previous year), ordinary income totaled 39 million yen (20.6 % compared with the same term of previous year) and net income totaled 2 million yen (2.2 % compared with the same term of previous year).

Business performance results by segment are as follows.

#### Vehicle transportation related segment

In the vehicle transportation business, the new car transportation volume of Nissan Motor and imported brands decreased due to stagnation of domestic sales. The Company strengthened sales activities and the transportation volume of used cars and private cars increased as 102.5% compared with the same term of previous year.

However, the drop range of new car segment was large, the aggregate total of transportation volume decreased. As for the vehicle maintenance business, the new car maintenance of Nissan Motor and imported brands decreased as well as the vehicle transportation. Accordingly, sales resulted in 11,537 million yen (98.3% compared with the same term of previous year).

In terms of profit, general sales price of light oil at the first quarter of previous fiscal year as 122 yen per liter were up to 163 yen per liter, soared by 41 yen (by The Oil Information Center), which gave significantly negative impact on the profit. Besides, the transportation volume mainly for profitable new cars decreased and a decrease in sales of maintenance business, which resulted in a decrease in marginal profit.

With these factors, operating income resulted in 299 million yen (65.8% compared with the same term of previous year).

#### Car selection segment

In the car selection business (used car bidding), the entry volume for Kagoshima Car Selection Site which was set up at the end of October, 2007 has been secured steadily and the sales activities for entry of trade-in vehicles to the new car dealers have been strengthened. Sales increased as up to 242 million yen (112.1% compared with

the same term of previous year), followed by an increase of operating income as 69 million yen (108.4% compared with the same term of previous year).

#### General cargo transportation segment

The Group has been promoting for an expansion of general cargo transportation business in order to establish another core business other than vehicle transportation business. Three new distribution centers (Misato, Kitakanto, Kawasaki) which were set up in Kanto area in the spring of 2008 have started their operations, expanding their business ranges by dealing with the cargos such as food items and general consumables goods, which are said to be strong even during economic stagnation. The profit of KANDAKO KAIRIKU UNSO CO., LTD., one of the ZERO GROUP companies, has been increasing due to an increase of dealing volume of coal for power generation followed by an increase in power demand. By these plus factors, sales totaled 1,661 million yen (108.1% compared with the same term of previous year) and operating income totaled 39 million yen (158.4% compared with the same term of previous year)

## 2. Qualitative Information Regarding Consolidated Financial Condition

### (1) Fluctuation of financial condition

#### (Assets)

Current assets were 13,721 million yen, decreased by 3.1% compared with the end of previous consolidated fiscal year. This was mainly due to decreases of 996 million yen in securities and 259 million yen in trade notes and accounts receivable respectively, despite an increase of 859 million yen in cash and deposits.

Non-current assets were 13,818 million yen, increased by 2.3% compared with the end of previous consolidated fiscal year. This was mainly due to increases of 274 million yen in lease assets and 147 million yen in long-term loans respectively, despite a decrease of 107 million yen in intangible fixed assets, etc. by depreciation of system development cost (software), etc..

As a result, total assets were 27,540 million yen, decreased by 0.5% compared with the end of previous consolidated fiscal year.

#### (Liabilities)

Current liabilities resulted in 8,428 million yen, increased by 0.7% compared with the end of previous consolidated fiscal year. This was mainly due to an increase of 826 million yen in short-term loans, despite decreases of 362 million yen in accrued income tax and 190 million yen in notes payable and accounts payable respectively.

Non-current liabilities resulted in 6,960 million yen, decreased by 1.4% compared with the end of previous consolidated fiscal year. This was mainly due to decreases of 259 million yen in long-term loans and 93 million yen in allowance for retirement benefits for employees respectively, despite an increase of 241 million yen in fixed liabilities, etc. by lease obligation.

As a result, total liabilities resulted in 15,388 million yen, decreased by 0.2% compared with the end of previous consolidated fiscal year.

#### (Net assets)

Total net assets resulted in 12,152 million yen, decreased by 0.8% compared with the end of previous consolidated fiscal year. This was mainly due to a decrease of 85 million yen in retained earnings.

### (2) Condition of cash flows

Cash and cash equivalents (hereinafter referred to as "funds") were 5,829 million yen, decreased by 94 million yen compared to the end of previous consolidated fiscal year.

Conditions of respective cash flows and their factors in this term are as follows.

(Cash flows from operating activities)

Funds used for operating activities resulted in 404 million yen. Major breakdowns of revenues were 40 million yen in net income before taxes, 165 million yen in depreciation cost and a 259 million yen decrease of trade receivables. Major breakdowns of expenses were decreases of 114 million yen in allowance for bonus, 93 million yen in allowance for retirement benefits for employees and 190 million yen in accounts payables.

(Cash flows from investing activities)

Funds used for investing activities were 165 million yen. Major breakdowns of revenues were 49 million yen proceeds from refund of fixed deposits and 145 million yen proceeds from collection of loan receivables. Major breakdowns of expenditure were 76 million yen for acquisition of tangible fixed assets and 248 million yen payments for loans.

(Cash flows from financing activities)

Funds generated by financing activities were 475 million yen. Major breakdown for revenues was 559 million yen in loans and major breakdown of expenditures was 81 million yen payments for dividend.

### 3. Qualitative Information Regarding Consolidated Earnings Forecast

Influenced by a sharp decline in the worldwide economy, significant impact was given on Japanese automobile market. Not only Nissan Motor Co., Ltd., the Company's major customer, but also domestic automobile makers have reduced their production volume and historically significant stagnation of sales including imported cars is continuing.

Resulted from these severe conditions, the volume in the domestic new car transportation, the Company's major business, and the used car transportation and the pre-delivery inspection business dropped sharply. Drop in transportation volume means not only drop in sales but also it gives harmful effect on transportation efficiency. In order to recover this negative trend, the Company is making its best efforts by acquiring new contracts such as used car transportation. However, it is not yet good enough to cover the sharp decline in the new car transportation volume.

Furthermore, domestic automobile makers have announced negative revisions to their production plans and it has been judged that this downturn trend is predicted to continue.

Despite of the severe business conditions, the Company is making efforts for recovering its profitability at an early stage with considering expanding its business range by accelerating sales activities as well as promoting cost reduction and transportation efficiency activities.

The variance from the consolidated earnings forecasts announced on August 8, 2008 is as follows.

<<Consolidated cumulative total of the first half of FY2008>>

	Sales	Operating income	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous Forecast(A)	27,800	530	410	200	11.60
Revised Forecast(B)	26,500	-50	-40	-100	-5.80
Difference(B-A)	-1,300	-580	-450	-300	-
Difference(%)	-4.7	-	-	-	-
Interim results for FY2007	26,906	373	443	194	11.26

<<Consolidated cumulative total of FY2008>>

	Net sales	Operating income	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous Forecast(A)	56,500	1,130	980	480	27.85
Revised Forecast(B)	54,700	550	530	180	10.44
Difference(B-A)	-1,800	-580	-450	-300	-
Difference(%)	-3.2	-51.3	-45.9	-62.5	-
Results for FY2007 (Full year)	55,910	1,416	1,527	787	45.67

The revision to the consolidated earnings forecasts for the year ending June 30, 2009 does not include the financial results of the following companies which the Company has acquired and made into subsidiaries. The influence on the consolidated financial results by these companies will be announced to the public when it is confirmed.

Company name	Signing of share sales agreement	Acquisition of shares	Disclosure
Driver Staff Co., Ltd.	Sep. 30, 2008	Oct. 15, 2008	Sep. 30, 2008
Nissan Shizuoka Worknet Co., Ltd.	Nov. 3, 2008	Nov. 6, 2008	Nov. 13, 2008

#### 4. Others

(1) Material changes in consolidated subsidiaries during the period (changes in specific subsidiaries accompanied by changes in scope of consolidation): None

(2) Adoption of simplified accounting methods and specified accounting methods for the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting principles, procedures and presentation in preparation of quarterly consolidated financial statements.

· Adoption of “Accounting Standard for Consolidated Quarterly Financial Statements”

“Accounting Standard for Quarterly Financial Statements” (ASBJ Statement No. 12) and “Implementation Guidance on the Accounting Standards for Quarterly Financial Statements” (ASBJ Guideline No. 14) have been adopted from the year ending June 30, 2009. Quarterly consolidated financial statements are prepared in accordance with “Regulation for Quarterly Consolidated Financial Statements”.

· Adoption of “Accounting Standard for Inventories”

Although the last invoice method had been applied for the cost method on inventories, in accordance with the adoption of “Accounting Standard for Valuation of Inventories” (ASBJ Statement No. 9, issued on July 5, 2006) from the first quarter of the year ending June 30, 2009, last invoice method for the cost method has been adopted except that the carrying amounts in the accompanying consolidated balance sheets are stated after devaluating the book values based on the lowered profitability.

The adoption of the new standard did not have a material impact.

· Adoption of “Accounting Standard for Lease Transactions”

Finance leases that do not involve transfer of ownership to the lessee had been accounted for using the same method as for operating leases. However, “Accounting Standard for Lease Transactions” (ASBJ Statement No.13, revised on March 30, 2007) and “Implementation Guidance for Accounting Standard for Lease Transactions” (ASBJ Guidance No.16, revised on March 30, 2007) became effective from the fiscal year

beginning on or after April 1, 2008. Accordingly, the Company has applied them from this fiscal term. Depreciation for lease assets is computed under the straight-line method with zero residual value over the lease term. Finance lease transactions that do not involve transfer of ownership to the lessee, which commenced before April 1, 2008, are accounted for in the same method as for operating leases. The adoption of the new standard did not have a material impact.

(4) Note for the assumption of going concern

Not applicable.

(5) Segment information

Business segment information

For the first quarter of the year ending June 30, 2009 (from July 1, 2008 to June 30, 2009) (Million yen)

	Vehicle transportation related business	Car selection business	General cargo business	Total	Eliminations	Consolidated
Sales	11,537	242	1,661	13,440	-	13,440
Operating expenses	11,238	172	1,621	13,032	388	13,420
Operating income	299	69	39	408	-388	20

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

Not applicable

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