

Financial Results for the Second Quarter Ended December 31, 2008

February 12, 2009

Company name: ZERO CO., LTD.

Code No: 9028

Tokyo Stock Exchange (Second Section)

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

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February 13, 2009

(Figures less than one million yen are rounded)

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending June 30, 2009 (from July 1, 2008 to December 31, 2008)

1) Consolidated Results for the Six Months

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

	Sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Six months ended Dec. 31, 2008	25,767	-	-312	-	-295	-	-255	-
Six months ended Dec. 31, 2007	26,906	4.6	373	-	443	-	194	-
	Net earnings per share -basic		Net earnings per share -diluted					
	yen		yen					
Six months ended Dec. 31, 2008	-14.80		-					
Six months ended Dec. 31, 2007	11.26		11.15					

2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of Dec. 31, 2008	30,692	11,872	38.5	685.01
As of Jun. 30, 2008	27,667	12,243	44.0	706.21

(Ref.) Shareholder's equity FY2008 Q2: 11,806 million yen FY2007: 12,172 million yen

2. Dividend

(Date of Record)	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	-	0.00	-	-	-
Forecast for FY2008	-	-	-	-	-

(Note) Revision to the dividend forecasts during the current term: Applied

3. Consolidated Earnings Forecasts for the 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
FY2008	53,900	-3.6	-480	-	-380	-	-410	-	-23.79

(Note) Revision to the consolidated earnings forecasts during the current term: 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: Applied

(4) Number of shares issued (Common shares)

Number of shares issued (incl. treasury shares):

As of December 31, 2008: 17,560,242 shares As of June 30, 2008: 17,560,242 shares

Number of treasury shares

As of December 31, 2008: 324,072 shares As of June 30, 2008: 324,049 shares

Average number of shares issued during the six months ended December 31, 2008

As of December 31, 2008: 17,236,185 shares As of December 31, 2007: 17,236,111 shares

Explanation regarding appropriate use of earnings forecasts and other remarks

1. Consolidated earnings forecasts for the whole year ending June 30, 2009 announced on November 13, 2008 are revised in this report. Please refer to the "Revision to Earnings Forecasts and the Year-end Dividend Forecast for the Fiscal Year Ending June 30, 2009" to be disclosed today (Feb. 12, 2009) for more details.

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 fiscal 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 second quarter ended December 31, 2008 (from July 1, 2008 to December 31, 2008), national economy was influenced to a large extent by globally-spreading turmoil of financial market and rapidly slumping economy in the United States. Furthermore, both appreciation of the yen and the falling share prices resulted in a sharp drop in the business revenues, capital investments were strictly tightened and employment situation deteriorated. Personal consumption dropped accordingly because they were keenly alert to global economic turmoil and instability. Further economic stagnation is concerned.

In the logistics industry, fuel price has been slowing its soaring trend down and now it is in the declining trend, however, the light oil price has increased by about 17 % compared with the same term of previous year (statistics by The Oil Information Center) and the trade volume is growing at a sluggish pace under the economic recession. Especially, in the automobile market which has great influence on the vehicle transportation industry, domestic new car sales plummeted at an unprecedented range (91.4% compared with the same term of previous year: statistics by Japan Automobile Manufacturers Association), automobile manufacturers have no choice but to reduce their production volume, the transportation volume plummeted accordingly. Moreover, the exporters who had led the used car market were influenced by the stronger yen, refraining from aggressive trades, sales volume of used cars, which are linked to transportation order, has been decreasing as well (95.3% compared with the same term of previous year: statistics by Japan Automobile Dealers Association and Japan Mini Vehicles Association).

Under these circumstances, domestic sales of Nissan Motor Co., Ltd., the Company's major customer, dropped sharply (87.9% compared with the same term of previous year: statistics by Japan Automobile Manufacturers Association). Although the Company saw a certain outcome by sales activities in the segment such as private car transportation for moving, which is not influenced by the domestic sales demand, the transportation volume dropped in total.

As a result, consolidated results for the six months ended December 31, 2008, sales was 25,767 million yen, operating loss was 312 million yen, ordinary loss was 295 million yen and current net loss resulted in 255 million yen.

Business performance results by segment are as follows.

Vehicle transportation related segment

In the vehicle transportation business, because of sluggish domestic automobile sales, the number of transportation units for new cars of Nissan and imported brands decreased. Especially, Nissan's slump in sales after last fall has been severe, their domestic sales from October to December, 2008 resulted in 118 thousand units, dropped by nearly 20% (statistics by Japan Automobile Manufacturers Association) from the same term of previous year as 147 thousand units. Despite efforts of expanding transportation of private cars and used cars, total number of transportation units plummeted, 91.1% compared with the same term of previous year. Similarly, in the vehicle maintenance business, the volume of new car maintenance entrusted by Nissan Motor and importers decreased. Due to these negative factors, sales resulted in 21,991 million yen.

In terms of profit, marginal profit was lowered because of this sales slump, the light oil price at the pump increased by 21 yen to 146 yen per liter compared with the same term of previous year as 125 yen per liter (statistics by The Oil Information Center), resulted in an increase in transportation cost. Due to these factors, operating income was 336 million yen.

Car selection segment

In the car selection business, the Company has newly launched car selection sites in Kagoshima in October, 2007 and in Kumamoto in November, 2008, securing the volume for the auctions. Although sales totaled 451 million yen, operating income was 112 million yen due to prior expenses for launching and the competitions with competitors.

General cargo transportation segment

In the general cargo transportation business, the Company has been concentrating on expanding its business range by newly establishing Misato Distribution Center in Saitama and Kita-Kanto Distribution Center in Gunma in June, 2008, and Kawasaki Distribution Center in Kanagawa in July, 2008. Having been able to acquire new contracts with cargo owners, however, streamlining the operation was a little behind, revenue grew at a sluggish pace due to prior expenses such as capital investment.

As a result, sales totaled 3,324 million yen, however, operating income resulted in 44 million yen due to prior expenses for the establishment of new distribution centers and competition with competitors.

2. Qualitative Information Regarding Consolidated Financial Position

Condition of assets, liabilities and net assets

(Assets)

Current assets were 11,474 million yen, decreased by 18.9% compared with the end of previous consolidated fiscal year. This was mainly due to decreases of 935 million yen in cash and deposits, 594 million yen in notes and accounts receivable and 996 million yen in securities respectively.

Fixed assets were 19,217 million yen, increased by 42.2% compared with the end of previous consolidated fiscal year. This was mainly due to increases of 1,156 million yen in construction in progress by the start of construction of Kawasaki Complex Logistics Center and 3,271 million yen in goodwill by acquiring shares of Driver Staff Co., Ltd., despite a decrease of 185 million yen in others in intangible fixed assets by depreciation of system development cost (software).

As a result, total assets were 30,692 million yen, increased by 10.9% compared with the end of previous consolidated fiscal year.

(Liabilities)

Current liabilities resulted in 8,033 million yen, decreased by 4.0% compared with the end of previous consolidated fiscal year. This was mainly due to a decrease of 962 million yen in notes and accounts payable, despite increases of 166 million yen in short-term loans and 245 million yen in long-term loans payable within one year respectively.

Fixed liabilities resulted in 10,785 million yen, increased by 52.9% compared with the end of previous consolidated fiscal year. This was mainly due to increases of 3,439 million yen in long-term loans for the acquisition of shares of Driver Staff Co., Ltd. and the construction of Kawasaki Complex Logistics Center and 460 million yen in others in fixed liabilities by lease obligation respectively, despite a decrease of 194 million yen in allowance for retirement benefits.

As a result, total liabilities resulted in 18,819 million yen, increased by 22.0% compared with the end of previous consolidated fiscal year.

(Net assets)

Net assets resulted in 11,872 million yen, decreased by 3.0% compared with the end of previous consolidated fiscal year. This was mainly due to a decrease of 343 million yen in retained earnings.

3. Qualitative Information Regarding Consolidated Earnings Forecast

Against the background of the rapid economic downturn after October, 2008 which was triggered by the collapse of financial institutions in the United States, in the domestic and international automobile market, the demand for both new car and used car dropped sharply. As its core business is domestic vehicle transportation, the Company is in the unprecedented severe business environment.

The Group regards this crisis as its chance to reform the company structure, aggressively switching to the powerful sales structure and the cost structure which matches the business climate, making efforts to improve profit as soon as possible by thorough leveraging.

However, both sales and profit are projected to decrease since there is no sign of upturn in the domestic automobile market at this moment and it is even projected to go downwards further. As a result, the earnings forecasts for the fiscal year ending June 30, 2009 have been revised regrettably.

In order to prioritize returning the profit to shareholders, the Company's dividend policy is to consider both consolidated net profit per share and dividend payout ratio.

However, due to unpredictable uncertainty of the industry, the year-end dividend forecast is yet to be determined at this moment, it will be proposed when the consolidated financial results are certainly fixed.

Note: Earnings and dividend forecasts stated above were prepared based upon data available at this time and therefore actual results may be different from the forecasts due to various factors.

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.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(unit: million yen)

	As of Dec. 31, 2008	As of Jun. 30, 2008
Assets		
Current assets		
Cash and deposits	4,270	5,205
Notes and accounts receivable	5,778	6,372
Securities	-	996
Inventories	147	180
Deferred tax assets	225	204
Others	1,107	1,236
Allowance for doubtful debts	-53	-41
Total current assets	11,474	14,154
Fixed assets		
Tangible fixed assets		
Buildings and structures	937	805
Machinery and equipment	319	193
Furniture and fixtures	84	78
Land	8,757	8,664
Lease assets	499	-
Construction in progress	1,156	-
Total tangible fixed assets	11,754	9,741
Intangible fixed assets		
Goodwill	3,356	85
Others	738	924
Total intangible fixed assets	4,095	1,009
Investments and other securities		
Investment securities	450	359
Long-term loans	275	86
Deferred tax assets	1,824	1,539
Others	901	858
Allowance for doubtful debts	-84	-83
Total investments and other securities	3,367	2,762
Total fixed assets	19,217	13,513
Total assets	30,692	27,667

(unit: million yen)

	As of Dec. 31, 2008	As of Jun. 30, 2008
Liabilities		
Current liabilities		
Notes and accounts payable	2,714	3,676
Short-term loans	600	433
Long-term loans payable within one year	1,577	1,331
Accrued corporate taxes	405	463
Accrued consumption taxes	188	190
Allowance for bonus	426	384
Others	2,122	1,887
Total current liabilities	8,033	8,367
Fixed liabilities		
Long-term loans	4,888	1,448
Allowance for retirement benefits	3,825	4,019
Allowance for retirement benefits for directors	245	221
Deferred tax liabilities	86	86
Deferred tax liabilities for revaluation	1,279	1,279
Others	460	0
Total fixed liabilities	10,785	7,056
Total liabilities	18,819	15,424
Net assets		
Shareholder's equity		
Capital	3,390	3,390
Capital surplus	3,204	3,204
Retained earnings	6,250	6,593
Treasury stock	-132	-132
Total shareholder's equity	12,713	13,056
Valuation and translation adjustments		
Net unrealized gains(loss) on securities	-1	20
Land revaluation surplus	-904	-904
Total valuation and translation adjustments	-906	-884
Minority equity	65	71
Total net assets	11,872	12,243
Total liabilities and net assets	30,692	27,667

(2) Consolidated Profit and Loss Statement

(unit: million yen)

	Six months ended Dec. 31, 2008
Sales	25,767
Cost of sales	23,529
Gross profit	2,237
Selling, general and administrative cost	2,550
Operating loss	-312
Nonoperating income	
Interest income	11
Dividends earned	0
Received commission	44
Others	56
Total nonoperating income	112
Nonoperating expenses	
Interest expense	33
Loss on disposal of inventories	26
Commission paid	23
Others	12
Total nonoperating expenses	95
Ordinary loss	-295
Special income	
Gain on sale of fixed assets	2
Total special income	2
Special loss	
Loss on disposal of fixed assets	35
Loss on revaluation of investments in securities	8
Total special loss	43
Net loss before tax adjustments	-337
Corporate taxes	-76
Minority shareholder loss	-5
Net Loss	-255

(unit: million yen)

	During second quarter (from Oct. 1, 2008 to Dec. 31, 2008)
Sales	12,326
Cost of sales	11,382
Gross profit	943
Selling, general and administrative cost	1,276
Operating loss	-332
Nonoperating income	
Interest income	2
Dividends earned	0
Received commission	20
Others	20
Total nonoperating income	44
Nonoperating expenses	
Interest expense	19
Commission paid	23
Others	5
Total nonoperating expenses	47
Ordinary loss	-335
Special income	
Gain on sale of fixed assets	0
Total special income	0
Special loss	
Loss on disposal of fixed assets	33
Loss on revaluation of investments in securities	8
Total special loss	41
Net loss before tax adjustments	-377
Corporate taxes	-102
Minority shareholder loss	-17
Net Loss	-257

(3) Consolidated Cash Flow Statement

(unit: million yen)

	Six months ended Dec. 31, 2008
Cash flows from operating activities	
Net loss before tax adjustments	-337
Depreciation	362
Depreciation of goodwill	18
Increase in allowance for doubtful debt	8
Increase in allowance for bonus	14
Decrease in allowance for retirement benefits for employees	-197
Increase in allowance for retirement benefits for directors	21
Interest and dividends income	-11
Interest expense	33
Loss on revaluation of investments in securities	8
Loss on sale or disposal of fixed assets	32
Decrease in notes and accounts receivable	1,147
Decrease in inventories	36
Decrease in other current assets	157
Decrease in notes and accounts payable	-994
Decrease in other current liabilities	-330
Decrease in accrued consumption taxes	-105
Others	11
Subtotal	-122
Interest and dividends received	11
Interest paid	-32
Income taxes paid	-394
Cash flows form operating activities	-538
Cash flows from investing activities	
Payments into fixed deposits	-11
Proceeds from repayment of fixed deposits	49
Payments for purchase of tangible fixed assets	-1,384
Proceeds from sale of tangible fixed assets	3
Payments for intangible fixed assets	-26
Payments for purchase of investment securities	-0
Payments for purchase of shares of subsidiaries accompanied by change in scope of consolidation	-2,097
Payments for loans	-308
Proceeds from collection of loans	159
Others	-29
Cash flows from investing activities	-3,646

(unit: million yen)

	Six months ended Dec. 31, 2008
Cash flows from financing activities	
Proceeds from short-term loans	1,740
Payments for repayment of short-term loans	-1,573
Proceeds from long-term loans	2,900
Payments for repayment of long-term loans	-671
Payments for repayment of lease obligation	-16
Payments for purchase of treasury stock	-0
Proceeds from sale of treasury stock	0
Dividends paid	-87
Cash flows from financing activities	2,291
Net decrease in cash and cash equivalents	-1,893
Cash and cash equivalents at beginning of year	5,923
Cash and cash equivalents at end of period	4,029

(4) Note for the assumption of going concern

Not applicable

(5) Segment information

Business segment information

For six months ended December 31, 2008 (from July 1, 2008 to December 31, 2008)

(Million yen)

	Vehicle transportation related business	Car selection business	General cargo business	Total	Eliminations	Consolidated
Sales	21,991	451	3,324	25,767	-	25,767
Operating expenses	21,655	338	3,279	25,273	806	26,079
Operating income	336	112	44	493	-806	-312

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

Not applicable

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