

## Financial Results for the Third Quarter Ended March 31, 2009

May 14, 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 Third Quarter of the Fiscal Year Ending June 30, 2009 (from July 1, 2008 to March 31, 2009)

1) Consolidated Results for the Nine Months

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

	Sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine months ended March 31, 2009	39,383	-	-280	-	-232	-	-307	-
Nine months ended March 31, 2008	41,651	2.8	902	85.7	990	67.4	534	99.6
	Net earnings per share -basic		Net earnings per share -diluted					
	yen		yen					
Nine months ended March 31, 2009	-17.84		-					
Nine months ended March 31, 2008	31.01		30.71					

2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of March 31, 2009	32,738	11,779	35.8	686.23
As of June 30, 2008	27,667	12,243	44.0	706.21

(Ref.) Shareholder's equity FY2008 Q3: 11,729 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: None

Year-end dividend forecast for FY08 is to be decided.

**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: None

**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 March 31, 2009: 17,560,242 shares                      As of June 30, 2008: 17,560,242 shares

Number of treasury shares

As of March 31, 2009: 467,551 shares                      As of June 30, 2008: 324,049 shares

Average number of shares issued during nine months ended March 31, 2009

As of March 31, 2009: 17,232,196 shares                      As of March 31, 2008: 17,236,119 shares

Explanation regarding appropriate use of earnings forecasts and other remarks

1. 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.

2. "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 nine months ended March 31, 2009, national economy was influenced to a large extent by continuing recession which led to a sharp drop in corporate revenue, deteriorated capital investment, and worsened employment situation, further economic slump has being concerned.

The logistics industry has been suffering from the stagnation of trade volume under the economic slump, despite the soaring trend of fuel price has been slowing its pace down. Especially, in the automobile market which has great influence on the vehicle transportation industry, domestic new car sales plummeted at an unprecedented range (85.5% compared with the same term of previous year: statistics by Japan Automobile Manufacturers Association), export was worse (74.4% compared with the same term of previous year: statistics by Japan Automobile Manufacturers Association), resulted in a sharp drop in transportation volume of new cars. Furthermore, the exporters who had been leading used car market have been restraining aggressive trades, used car sales which lead to transportation orders have been decreasing (95.7% compared with the same term of previous year: statistics by Japan Automobile Dealers Association and Japan Mini Vehicles Association).

Due to sharp drops both in domestic sales of Nissan Motor Co., Ltd., our major customer, (81.5% compared with the same term of previous year: statistics by Japan Automobile Manufacturers Association) and export (72.4% compared with the same term of previous year: statistics by Japan Automobile Manufacturers Association), in addition to a slump of used car transportation, the Group's total transportation volume resulted in 84.0% year over year.

As a result, consolidated results for nine months ended March 31, 2009, sales was 39,383 million yen, operating loss was 280 million yen, ordinary loss was 232 million yen and current net loss resulted in 307 million yen.

Business performance results by segment are as follows.

#### Vehicle transportation related segment

In the vehicle transportation business, Nissan's domestic sales from July 2008 to March 2009 resulted in 464 thousand units, dropped more than 100 thousand units (statistics by Japan Automobile Manufacturers Association) from the same term of previous year as 570 thousand units. Their export volume resulted in 438 thousand units, dropped by more than 160 units from the same term of previous year as 605 thousand units, led to a sharp drop in the Group's entrusted transportation volume as a whole. In the vehicle maintenance business, the volume of new cars entrusted by Nissan Motor and importers decreased as well. Due to these factors, sales resulted in 33,840 million yen.

In terms of profit, marginal profit was lowered because of the sales slump and rate of profitability of transportation was lowered because of worsened transportation efficiency due to the drop in volume. Due to these factors, operating income resulted in 704 million yen.

#### Car selection segment

In the car selection business, due to slump in domestic demand for automobiles and appreciation of the yen, the trade volume bid by the used car exporters decreased. Due to these factors, sales was 621 million yen and operating income was 155 million yen.

#### General cargo transportation segment

In the general cargo transportation business, since the Company has expanded 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, sales increased. However, the expenses for launching these distribution centers were inflated. Due to these factors, sales was 4,921 million yen and operating income was 24 million yen.

The Group has started to reduce its fixed costs such as headcounts, trailers and car pools as well as reform its operation structure to enhance efficiency in order to proceed with aggressive structural reform in response to the rapid change of the market and severe business situation. In addition, in the general cargo business, the Company's new major business, unprofitable businesses are to be reviewed. Furthermore, sales force has been strengthened to expand shares in the industry.

With these efforts, the Group is committed to do its every best to improve its profit as soon as possible, aiming to grow steadily in middle and long term.

## **2. Qualitative Information Regarding Consolidated Financial Position**

### Condition of assets, liabilities and net assets

#### (Assets)

Current assets were 12,533 million yen, decreased by 11.5% compared with the end of previous consolidated fiscal year. This was mainly due to decreases of 979 million yen in cash and deposits, 798 million yen in securities respectively, despite an increase of 288 million yen in notes and accounts receivable.

Fixed assets were 20,204 million yen, increased by 49.5% compared with the end of previous consolidated fiscal year. This was mainly due to increases of 2,222 million yen in construction in progress by the start of construction of Kawasaki Complex Logistics Center and 3,180 million yen in goodwill by acquiring shares of Driver Staff Co., Ltd., despite a decrease of 220 million yen in others in intangible fixed assets by depreciation of system development cost (software).

As a result, total assets were 32,738 million yen, increased by 18.3% compared with the end of previous consolidated fiscal year.

#### (Liabilities)

Current liabilities resulted in 9,762 million yen, increased by 16.7% compared with the end of previous consolidated fiscal year. This was mainly due to increases of 254 million yen in short-term loans, 143 million yen in long-term loans payable within one year and 1,683 million yen in others in current liabilities by accounts payable of mid-term payment for construction in progress of Kawasaki Complex Logistics Center respectively, despite decreases of 265 million yen in accrued income taxes and 186 million yen in notes and accounts payable.

Fixed liabilities resulted in 11,196 million yen, increased by 58.7% compared with the end of previous consolidated fiscal year. This was mainly due to increases of 3,824 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 579 million yen in others in fixed liabilities by lease obligation respectively, despite a decrease of 295 million yen in allowance for retirement benefits.

As a result, total liabilities resulted in 20,958 million yen, increased by 35.9% compared with the end of previous consolidated fiscal year.

(Net assets)

Net assets resulted in 11,779 million yen, decreased by 3.8% compared with the end of previous consolidated fiscal year. This was mainly due to a decrease of 395 million yen in retained earnings.

### **3. Qualitative Information regarding Consolidated Earnings Forecast**

The results up to the third quarter ended March 31, 2009 is along with the forecast for FY2008 announced on February 12, 2009, there shall be no change.

### **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 Mar. 31, 2009	As of Jun. 30, 2008
Assets		
Current assets		
Cash and deposits	4,226	5,205
Notes and accounts receivable	6,660	6,372
Securities	198	996
Inventories	136	180
Deferred tax assets	237	204
Others	1,123	1,236
Allowance for doubtful debts	-48	-41
Total current assets	12,533	14,154
Fixed assets		
Tangible fixed assets		
Buildings and structures	925	805
Machinery and equipment	306	193
Furniture and fixtures	82	78
Land	8,757	8,664
Lease assets	574	-
Construction in progress	2,222	-
Total tangible fixed assets	12,868	9,741
Intangible fixed assets		
Goodwill	3,266	85
Others	703	924
Total intangible fixed assets	3,969	1,009
Investments and other securities		
Investment securities	442	359
Long-term loans	269	86
Deferred tax assets	1,827	1,539
Others	956	858
Allowance for doubtful debts	-129	-83
Total investments and other securities	3,366	2,762
Total fixed assets	20,204	13,513
Total assets	32,738	27,667

(unit: million yen)

	As of Mar. 31, 2009	As of Jun. 30, 2008
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable	3,489	3,676
Short-term loans	688	433
Long-term loans payable within one year	1,475	1,331
Accrued corporate taxes	197	463
Accrued consumption taxes	113	190
Allowance for bonus	226	384
Others	3,571	1,887
<b>Total current liabilities</b>	<b>9,762</b>	<b>8,367</b>
<b>Fixed liabilities</b>		
Long-term loans	5,273	1,448
Allowance for retirement benefits	3,723	4,019
Allowance for retirement benefits for directors	253	221
Deferred tax liabilities	86	86
Deferred tax liabilities for revaluation	1,279	1,279
Others	579	0
<b>Total fixed liabilities</b>	<b>11,196</b>	<b>7,056</b>
<b>Total liabilities</b>	<b>20,958</b>	<b>15,424</b>
<b>Net assets</b>		
<b>Shareholder's equity</b>		
Capital	3,390	3,390
Capital surplus	3,204	3,204
Retained earnings	6,197	6,593
Treasury stock	-152	-132
<b>Total shareholder's equity</b>	<b>12,640</b>	<b>13,056</b>
<b>Valuation and translation adjustments</b>		
Net unrealized gains(loss) on securities	-5	20
Land revaluation surplus	-904	-904
<b>Total valuation and translation adjustments</b>	<b>-910</b>	<b>-884</b>
<b>Minority equity</b>	<b>49</b>	<b>71</b>
<b>Total net assets</b>	<b>11,779</b>	<b>12,243</b>
<b>Total liabilities and net assets</b>	<b>32,738</b>	<b>27,667</b>

## (2) Consolidated Profit and Loss Statement

(unit: million yen)

	Nine months ended March 31, 2009
Sales	39,383
Cost of sales	35,658
Gross profit	3,724
Selling, general and administrative cost	4,005
Operating loss	-280
Nonoperating income	
Interest income	16
Dividends earned	0
Received commission	62
Others	90
Total nonoperating income	170
Nonoperating expenses	
Interest expense	82
Others	39
Total nonoperating expenses	121
Ordinary loss	-232
Special income	
Gain on sale of fixed assets	19
Total special income	19
Special loss	
Loss on disposal of fixed assets	15
Loss on retirement of fixed assets	35
Loss on revaluation of investments in securities	8
Repayment to subcontractors	29
Total special loss	89
Net loss before tax adjustments	-302
Corporate taxes	26
Minority shareholder loss	-21
Net Loss	-307

(unit: million yen)

	During third quarter (from Jan. 1, 2009 to Mar. 31, 2009)
Sales	13,616
Cost of sales	12,129
Gross profit	1,487
Selling, general and administrative cost	1,455
Operating income	32
Nonoperating income	
Interest income	5
Dividends earned	0
Received commission	18
Gain on disposal of inventory assets	44
Others	16
Total nonoperating income	84
Nonoperating expenses	
Interest expense	49
Others	4
Total nonoperating expenses	53
Ordinary income	63
Special income	
Gain on sale of fixed assets	16
Total special income	16
Special loss	
Loss on disposal of fixed assets	15
Loss on retirement of fixed assets	0
Loss on revaluation of investments in securities	0
Repayment to subcontractors	29
Total special loss	45
Net income before tax adjustments	34
Corporate taxes	103
Minority shareholder loss	-16
Net Loss	-52

## (3) Consolidated Cash Flow Statement

(unit: million yen)

	Nine months ended Mar. 31, 2009
Cash flows from operating activities	
Net loss before tax adjustments	-302
Depreciation	548
Depreciation of goodwill	109
Increase in allowance for doubtful debt	47
Decrease in allowance for bonus	-184
Decrease in allowance for retirement benefits for employees	-299
Increase in allowance for retirement benefits for directors	29
Interest and dividends income	-16
Interest expense	82
Loss on revaluation of investments in securities	8
Loss on sale or disposal of fixed assets	31
Decrease in notes and accounts receivable	264
Decrease in inventories	47
Decrease in other current assets	143
Decrease in notes and accounts payable	-219
Increase in other current liabilities	14
Decrease in accrued consumption taxes	-180
Others	26
Subtotal	152
Interest and dividends received	16
Interest paid	-79
Income taxes paid	-709
Cash flows form operating activities	-620
Cash flows from investing activities	
Payments into fixed deposits	-18
Proceeds from repayment of fixed deposits	49
Payments for purchase of securities	-198
Payments for purchase of tangible fixed assets	-1,486
Proceeds from sale of tangible fixed assets	54
Payments for intangible fixed assets	-51
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	-310
Proceeds from collection of loans	172
Others	-57
Cash flows from investing activities	-3,944

(unit: million yen)

	Nine months ended Mar. 31, 2009
Cash flows from financing activities	
Proceeds from short-term loans	2,861
Payments for repayment of short-term loans	-2,606
Proceeds from long-term loans	3,500
Payments for repayment of long-term loans	-988
Payments for repayment of lease obligation	-37
Payments for purchase of treasury stock	-20
Proceeds from sale of treasury stock	0
Dividends paid	-87
Cash flows from financing activities	2,619
Net decrease in cash and cash equivalents	-1,945
Cash and cash equivalents at beginning of year	5,923
Cash and cash equivalents at end of period	3,978

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(4) Note for the assumption of going concern

Not applicable

(5) Segment information

Business segment information

For nine months ended March 31, 2009 (from July 1, 2008 to March 31, 2009) (Million yen)

	Vehicle transportation related business	Car selection business	General cargo business	Total	Eliminations	Consolidated
Sales	33,840	621	4,921	39,383	-	39,383
Operating expenses	33,135	466	4,897	38,499	1,164	39,664
Operating income	704	155	24	884	-1,164	-280

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

Not applicable

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