

ZERO Announces Revision to Earnings Forecasts for the Six Months of the Fiscal Year Ending June 30, 2010

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Company name: ZERO CO., LTD.

Code No: 9028

Tokyo Stock Exchange (Second Section)

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

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Based on its recent performance trend, ZERO CO., LTD. (the “Company”) hereby announces that it has revised its earnings forecasts for the six months ending June 30, 2010 as below, which was announced on August 7, 2009.

1. Revision to Earnings Forecasts for the Six Months of the Fiscal Year Ending June 30, 2010

	Sales	Operating income	Ordinary income	Net income	Net earnings per share
	million yen	million yen	million yen	million yen	yen
Previous forecast (A)	25,800	250	220	0	0.00
Revised forecast (B)	25,277	164	211	0	0.02
Increase/decrease (B – A)	-523	-86	-9	0	0.02
Increase/decrease rate (%)	-2.0	-34.4	-4.1	-	-
(Ref.) FY2008 actual	25,767	-312	-295	-255	-14.80

(Note) The above figures are prepared based on the information available as of the date of announcement of this material. The actual results may differ due to various factors.

2. Reasons for the Revision

Although the profit structure reforms such as fixed cost reduction which we have been concentrating on since last spring have been making progresses steadily and operating income is projected to return to the black, regrettably, earnings forecast is predicted to fall below the previous announcement.

(1) Decrease in transportation order unit

During the six months of fiscal year ending June 30, 2010, despite having predicted a concentration on domestic new car demand due to the government policies such as tax reduction on purchase of new environmentally friendly cars which has been introduced since last spring, used car demand plummeted worse than the same term of the previous year when Lehman Brothers collapsed, its drop was worse than previously expected. In addition, our main customer, Nissan Motor’s exportation declined, domestic transportation for export decreased accordingly.

(2) Decrease in auto auction unit in Car Selection business

Introduction of the government subsidies on purchase of new environmentally friendly cars (scrap incentive system) gave a greater impact than expected on our used car auction business, which mainly deals with used cars with old model year and high mileage. Accordingly, most of those cars which were supposed to be entered in the auto auction are to be scrapped, auction unit fell below the plan.

3. Earnings forecast for the full year

Although there are risks due to surrounding factors described above, our group's profit structure is improving and we have confirmed a steady outcome based on the performance trend between the first quarter of FY2009 (from July 1, 2009 to September 31, 2009) and the second quarter of FY2009 (from October 1, 2009 to December 31, 2009). We believe that we are in a critical phase for stabilizing our foundation and establishing a strong corporate structure for the next step. Streamlining and rationalizing in-direct operations by "Simplifying operation", and gaining trust from customers and expanding our customer range by "Shortening transportation date". These are our critical tasks and we will accelerate our speed on structure reform. Thus, the earnings forecast for the full year is not subject to be revised since we have judged that it is within the range which we will be able to achieve.

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