

Financial Results for the Six Months Ended December 31, 2009

February 12, 2010

Company name: ZERO CO., LTD.

Code No: 9028

Tokyo Stock Exchange (Second Section)

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

Representative: CEO & President

Contact for Inquiries:

Yoshi Iwashita

Takeo Kitamura

Director, General Manager, Corporate Planning Department

Telephone: (044)520-0106

Filing date of quarterly report

February 12, 2010

Dividend payment starting date

March 12, 2010

(Figures less than one million yen are rounded)

1. Consolidated Financial Results for the Six Months of the Year Ending June 30, 2010 (from July 1, 2009 to December 31, 2009)

1) Consolidated Results of Operations

(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, 2009	25,277	-1.9	164	-	211	-	0	-
Six months ended Dec. 31, 2008	25,767	-	-312	-	-295	-	-255	-
	Net earnings per share-basic		Net earnings per share-diluted					
	yen		yen					
Six months ended Dec. 31, 2009	0.02		-					
Six months ended Dec. 31, 2008	-14.80		-					

2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of Dec. 31, 2009	32,258	11,327	35.1	662.44
As of Jun. 30, 2008	31,936	11,342	35.4	662.34

(Ref.) Shareholder's equity

As of December 31, 2009: 11,322 million yen

As of June 30, 2009: 11,321 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
FY2008	-	0.00	-	0.00	0.00
FY2009		4.00			
Forecast for FY2009			-	4.00	8.00

(Note) Revision to the dividend forecasts during the current term: Not applicable

3. Consolidated Earnings Forecasts for Fiscal Year Ending June 30, 2010 (from July 1, 2009 to June 30, 2010)

(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
FY2009	53,800	4.3	1,000	-	950	-	350	-	20.48

(Note) Revision to the consolidated earnings forecasts during the first quarter: Not applicable

4. Others

(1) Material changes in consolidated subsidiaries during the period (changes in specific subsidiaries accompanied by changes in scope of consolidation): Not applicable

(2) Adoption of simplified accounting methods and specified accounting methods for the preparation of quarterly consolidated financial statements: Not applicable

(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)

(i) Changes in accordance with changes in accounting principle: Not applicable

(ii) Other changes: Not applicable

(4) Number of shares issued (Common shares)

(i) Number of shares issued (incl. treasury shares):

As of December 31, 2009: 17,560,242 shares, As of June 30, 2009: 17,560,242 shares

(ii) Number of treasury shares

As of December 31: 467,551 shares, As of June 30, 2009: 467,551 shares

(iii) Average number of shares issued during the six months of fiscal year

FY2009: 17,092,691 shares, FY2008: 17,236,185 shares

※Explanation regarding appropriate use of earnings forecasts and other remarks

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.

【Qualitative Information】

1. Qualitative Information Regarding Consolidated Business Performance

During the six months of FY2009 (referred to as the “current term”), the national economy has avoided an escalation of financial crisis and certain recovery of corporate revenue has been seen. However, it is largely due to backups by the government and cost reduction, actual economic condition has been lack of its strength.

With the continuing deflation trend, capital investment and personal consumption has remained at flat, it has yet been uncertain circumstances.

In the automobile industry, thanks to the introduction of tax reduction on new environmentally friendly cars and subsidies on purchase of new environmentally friendly cars, domestic new car sales grew steadily, resulted in 105.5 % compared with the same term of previous year (data of Japan Automobile Manufacturers Association), slightly exceeded the previous year. Meanwhile, new car export plummeted to 67.8 % compared with the same term of previous year (data of Japan Automobile Manufacturers Association) due to the appreciation of the yen and the influence by overseas market. Furthermore, the used car market has been growing at a sluggish pace since the subsidies are not applied to the purchase of used cars, there is no sign of recovery neither in the domestic used car sales nor the used car exportation.

Also the vehicle transportation industry, our main business, is straightly affected by the new car and used car trend. Our group’s transportation volume of new cars for domestic has been growing steadily, however, the transportation volume of used cars and export cars plummeted, exceeding the growth range of new car transportation. In addition, for those unprofitable businesses were pulled out or shrunk in the general cargo transportation business and the entry volume of Car Selection (used auto auction) decreased, the total sales resulted in below the same term of previous year.

【Trend of automobile domestic sales】

Domestic sales unit	From July 2008 to December 2008	From July 2009 to December 2009	year-on-year
New vehicle			
Domestic automakers *1 (Nissan Motor)*1	2,296,067 (288,587)	2,422,516 (307,445)	105.5% (106.5%)
Foreign automakers*2	99,490	91,450	91.9%
Used vehicle			
Passenger vehicle *3	2,027,887	1,864,283	91.9%
Mini vehicle*4	1,308,954	1,188,605	90.8%
Total of used vehicle	3,336,841	3,052,888	91.5%
De-registered vehicle *3	314,680	392,915	124.9%

Exportation unit	From July 2008 to December 2008	From July 2009 to December 2009	year-on-year
New vehicle of Domestic automakers *1 (Nissan Motor)*1	3,221,286 (369,112)	2,182,747 (290,959)	67.8% (78.8%)
Used passenger vehicle*5	750,598	360,289	48.0%

*1: Figures calculated from the statistical data of Japan Automobile Manufacturers Association

*2: Figures calculated from the statistical data of Japan Automobile Importers' Association

*3: Figures calculated from the statistical data of Japan Automobile Dealers Association

*4: Figures calculated from the statistical data of Japan Mini Vehicles Association

*5: Figures calculated from the statistical data of de-registered vehicle unit of Japan Automobile Dealers Association

Although under these severe circumstances, our group believes that we are in a corporate transformation phase, the structure reform mainly by reducing fixed cost, which we have been aggressively promoted, has taking a certain effect on profitability since last fall. As a result, sales were 25,277 million yen (98.1% vs. same term of previous year), down 489 million yen compared to the same term of previous year, however, operating income improved as 164 million yen (operating loss of 312 million yen in the same term of previous year), ordinary income marked 211 million yen (ordinary loss of 295 million yen in the same term of previous year) and net income was 0 million yen (net loss of 255 million yen in the same term of previous year).

Business performances by each segment are as follows.

(1) Vehicle Transportation Related Segment

Domestic new car sales unit of Nissan Motor Co., Ltd., our major customer, grew steadily as 106.5 % compared with the same term of previous year (data of Japan Automobile Manufacturers Association), however, domestic used car sales unit plummeted, exceeding the growth range of new car sales unit, resulted in 91.5 % compared with the same term of previous year (data of Japan Automobile Dealers Association and Japan Mini Vehicles Association). Vehicle transportation volume decreased due to the overall market shrinkage. On the other hand, we have been promoting “Merging and relocation of branches”, “Rationalizing in-direct operations”, “Improving operating ratio of in-house trailers” and “Reducing transportation relay points”, making progress on cost reduction.

Thanks to the acquisition and subsidization of Driver Staff Group in October 2008 and Nissan Shizuoka Worknet Co., Ltd. in November 2008, their performance contributed to the consolidated results. As a result, sales resulted in 22,175 million yen (100.8% vs. same term of previous year) and operating income was 614 million yen (182.7% vs. same term of previous year).

(2) Car Selection Segment

Due to the introduction of subsidies on purchase of new environmentally friendly cars (Scrap incentive system), Car Selection (used auto auction) which features cars with old model year and high mileage is struggling to secure the entry volume in the severe circumstances. In accordance with the economic downturn, more and more users tend to extend the lease term of the car they are leasing, causing a drop in the entry volume by the leasing company and the entry volume for our Car Selection plummeted as a whole. In addition, the successful bid volume made by the used car exporters decreased due to the influence of the trend of strong yen. As a result, sales resulted in 274 million yen (60.8% vs. same term of previous year) and operating income was 44 million yen (39.3% vs. same term of previous year).

(3) General Cargo Transportation Segment

Stagnation of domestic consumption and the influence by deflation has affected the food and restaurant industries, of which our group undertakes distribution and warehousing management by Third Party Logistics. Thus, we have shrunk or pulled out from those distribution centers which were unable to improve their profitability in the short-term. As a result, sales decreased as 2,827 million yen (85.1% vs. same term of previous year), however, operating income improved as 172 million yen (383.5% vs. same term of previous year).

As for those unclassifiable operating expenses (company-wide common expenses of administrative departments) which are not included in the profit and loss by segment stated above were recorded in elimination and corporate, however, it amounted to 666 million yen (82.6% vs. same term of previous year).

2. Qualitative Information Regarding Consolidated Financial Condition

(1) Fluctuation of financial condition

(Assets)

Current assets resulted in 11,565 million yen decreased by 3.3% compared to the end of previous consolidated fiscal year. This was mainly due to a decrease of 966 million yen in cash and deposits despite increases of 501 million yen in securities and 120 million yen in trade notes and accounts receivable respectively.

Fixed assets were 20,693 million yen increased by 3.6% compared to the end of previous consolidated fiscal year. This was mainly due to an increase of 959 million yen in tangible fixed assets upon completion of the construction of Kawasaki Complex Logistics Center despite decreases of 181 million yen in goodwill by amortization and 163 million yen in others in intangible fixed assets by amortization of system development cost (software). As a result, total assets were 32,258 million yen increased by 1.0% compared to the end of previous consolidated fiscal year.

(Liabilities)

Current liabilities resulted in 7,299 million yen decreased by 5.7% compared to the end of previous consolidated fiscal year. This was mainly due to decreases of 75 million yen in

short-term loans payable, 113 million yen in long-term loans payable due within one year and 404 million yen in others in current liability such as accounts payable.

Fixed liabilities resulted in 13,632 million yen, increased by 6.0% compared with the end of previous consolidated fiscal year. This was mainly due to increases of 802 million yen in long-term loans payable and 133 million yen in others in fixed liabilities such as deposits received respectively, despite a decrease of 160 million yen in allowance for retirement benefits.

As a result, total liabilities resulted in 20,931 million yen, increased by 1.6% compared with the end of previous consolidated fiscal year.

(Net assets)

Net assets resulted in 11,327 million yen, decreased by 0.1% compared with the end of previous consolidated fiscal year.

3. Qualitative Information regarding Consolidated Earnings Forecast

There is no significant change for the consolidated earnings forecast for FY2009 announced on August 7, 2009.

4. Others

- (1) Material changes in consolidated subsidiaries during the period (changes in specific subsidiaries accompanied by changes in scope of consolidation): Not applicable
- (2) Adoption of simplified accounting methods and specified accounting methods for the preparation of quarterly consolidated financial statements: Not applicable
- (3) Changes in accounting principles, procedures and presentation in preparation of quarterly consolidated financial statements: Not applicable

Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Yen in millions)

	As of Dec. 31, 2009	Condensed Consolidated Balance Sheet as of June 30, 2009
Assets		
Current assets		
Cash and deposits	4,255	5,222
Notes and accounts receivable	5,424	5,304
Securities	701	199
Supplies	156	115
Deferred tax assets	204	209
Others	867	955
Allowance for doubtful accounts	-44	-45
Total current assets	11,565	11,962
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	4,005	891
Machinery, equipment and vehicles, net	222	231
Tools, furniture and fixtures, net	110	78
Land	8,758	8,757
Lease assets, net	631	626
Construction in progress	—	2,182
Total tangible fixed assets	13,728	12,768
Intangible fixed assets		
Goodwill	2,994	3,175
Others	443	606
Total intangible fixed assets	3,438	3,782
Investments and other assets		
Investment securities	464	443
Long-term loans receivable	301	254
Deferred tax assets	1,979	1,946
Others	969	947
Allowance for doubtful accounts	-188	-168
Total investments and other assets	3,526	3,423
Total fixed assets	20,693	19,974
Total assets	32,258	31,936
Liabilities		
Current liabilities		
Notes and accounts payable	2,664	2,569
Short-term loans payable	550	625
Long-term loans payable within one year	1,442	1,555
Income taxes payable	278	250

Accrued consumption taxes	189	135
Allowance for bonus	395	418
Others	1,779	2,184
Total current liabilities	7,299	7,738
Fixed liabilities		
Long-term loans payable	7,759	6,957
Allowance for retirement benefits	3,460	3,620
Allowance for director's retirement benefits	269	267
Deferred tax liabilities	85	86
Deferred tax liabilities for revaluation	1,279	1,279
Others	777	643
Total fixed liabilities	13,632	12,855
Total liabilities	20,931	20,593
Net assets		
Shareholder's equity		
Capital stock	3,390	3,390
Capital surplus	3,204	3,204
Retained earnings	5,790	5,790
Treasury stock	-152	-152
Total shareholder's equity	12,233	12,232
Valuation and translation adjustments		
Net unrealized gains(loss) on securities	-5	-6
Revaluation reserve for land	-904	-904
Total valuation and translation adjustments	-910	-911
Minority interest	4	21
Total net assets	11,327	11,342
Total liabilities and net assets	32,258	31,936

(2) Consolidated Income Statement

(Yen in millions)

	Six months of FY08 (from Jul 1, 2008 to Dec 31, 2008)	Six months of FY0 (from Jul 1, 2009 to Dec 31, 2009)
Sales	25,767	25,277
Cost of sales	23,529	22,511
Gross profit	2,237	2,765
Selling, general and administrative expenses	2,550	2,601
Operating income(loss)	-312	164
Nonoperating income		
Interest income	11	6
Dividend income	0	0

Received commission	44	35
Others	56	93
Total nonoperating income	112	135
Nonoperating expenses		
Interest expenses	33	78
Loss on disposal of inventories	26	-
Commission fee	23	-
Others	12	8
Total nonoperating expenses	95	87
Ordinary income(loss)	-295	211
Extraordinary income		
Gain on sale of fixed assets	2	10
Total extraordinary income	2	10
Extraordinary loss		
Loss on disposal of fixed assets	-	2
Loss on retirement of fixed assets	35	7
Loss on valuation of investment securities	8	-
Total extraordinary losses	43	10
Net income(loss) before tax adjustments	-337	212
Income taxes	-76	229
Minority interests in loss	-5	-16
Net income(loss)	-255	0

(Yen in millions)

	Q2 of FY2008 (from Oct 1, 2008 to Dec 31, 2008)	Q2 of FY2009 (from Oct 1, 2009 to Dec 31, 2009)
Sales	12,326	12,863
Cost of sales	11,382	11,340
Gross profit	943	1,522
Selling, general and administrative expenses	1,276	1,278
Operating income(loss)	-332	243
Nonoperating income		
Interest income	2	3
Dividend income	0	0
Received commission	20	17
Gain on investments in silent partnership	-	23
Others	20	44
Total nonoperating income	44	89
Nonoperating expenses		
Interest expenses	19	40
Commission fee	23	-
Others	5	7

Total nonoperating expenses	47	48
Ordinary income(loss)	-335	284
Extraordinary income		
Gain on sale of fixed assets	0	10
Total extraordinary income	0	10
Extraordinary loss		
Loss on disposal of fixed assets	-	1
Loss on retirement of fixed assets	33	1
Loss on valuation of investment securities	8	-
Total extraordinary losses	41	3
Net income(loss) before tax adjustments	-377	291
Income taxes	-102	189
Minority interests in loss	-17	-9
Net income(loss)	-257	111

(3) Consolidated Cash Flow Statement

(Yen in millions)

	Six months of FY08 (from Jul 1, 2008 to Dec 31, 2008)	Six months of FY09 (from Jul 1, 2009 to Dec 31, 2009)
Net cash provided by (used in) operating activities		
Net income(loss) before tax adjustments	-337	212
Depreciation	362	411
Depreciation of goodwill	18	181
Increase (decrease) in allowance for doubtful accounts	8	19
Increase (decrease) in allowance for bonus	14	-23
Increase (decrease) in allowance for retirement benefits	-197	-160
Increase (decrease) in allowance for director's retirement benefits	21	2
Interest and dividends income	-11	-6
Interest expenses	33	78
Loss (gain) on valuation of investment securities	8	-
Loss (gain) on sales and retirement of fixed assets	32	-0
Decrease (increase) in notes and accounts receivable	1,147	-120
Decrease (increase) in inventories	36	-40
Decrease (increase) in other current assets	157	38
Increase (decrease) in notes and accounts payable	-994	95
Increase (decrease) in other current liabilities	-330	-411
Increase (decrease) in accrued	-105	122

consumption taxes		
Others, net	11	73
Subtotal	-122	471
Interest and dividends received	11	5
Interest expenses paid	-32	-83
Income taxes paid	-394	-209
Net cash provided by (used in) operating activities	-538	184
Net cash provided by (used in) investing activities		
Payments into time deposits	-11	-6
Proceeds from withdrawal of time deposits	49	-
Purchase of short-term investment securities	-	-701
Proceeds from redemption of securities	-	200
Purchase of tangible fixed assets	-1,384	-1,214
Proceeds from sale of tangible fixed assets	3	80
Purchase of intangible fixed assets	-26	-16
Purchase of investment securities	-0	-18
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-2,097	-
Payments of loans receivable	-308	-210
Proceeds from collection of loans receivable	159	136
Others, net	-29	35
Net cash provided by (used in) investing activities	-3,646	-1,717
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	1,740	180
Decrease in short-term loans payable	-1,573	-255
Proceeds from long-term loans payable	2,900	1,622
Repayment of long-term loans payable	-671	-933
Repayments of lease obligations	-16	-53
Purchase of treasury stock	-0	-
Proceeds from sale of treasury stock	0	-
Cash dividends paid	-87	-0
Net cash provided by (used in) financing activities	2,291	560
Net increase (decrease) in cash and cash equivalents	-1,893	-972
Cash and cash equivalents at beginning of period	5,923	4,994
Cash and cash equivalents at end of period	4,029	4,021

(4) Note for the assumption of going concern

Not applicable

(Segment Information)

Segment Information by Business

For the six months of FY2008 (from July 1, 2008 to December 31, 2008)

(Yen in millions)

	Vehicle transportation related	Car selection	General cargo transportation	Total	Elimination and corporate	Consolidated
Sales						
(1) Sales of external customers	21,991	451	3,324	25,767	-	25,767
(2) Internal sales between business segments or transfer	-	-	-	-	-	-
Total	21,991	451	3,324	25,767	-	25,767
Operating income/loss	336	112	44	493	-806	-312

For the six months of FY2009 (from July 1, 2009 to December 31, 2009)

(Yen in millions)

	Vehicle transportation related	Car selection	General cargo transportation	Total	Elimination and corporate	Consolidated
Sales						
(1) Sales of external customers	22,175	274	2,827	25,277	-	25,277
(2) Internal sales between business segments or transfer	-	-	-	-	-	-
Total	22,175	274	2,827	25,277	-	25,277
Operating income/loss	614	44	172	830	-666	164

(Note)

1. Manner of business segment

Business segments are divided in consideration of similarities of each category, nature and market.

2. Major services of each category

Business line	Contents of business
Vehicle transportation related business	Automobile transportation, vehicle maintenance, driver dispatching, operations management of private automobiles
Car selection business	Used car auction
General cargo transportation business	Transportation of consumption goods, home electronic appliances, cargo handling of coal and minerals, warehouse leasing

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

Not applicable

End of document