

Financial Results for the Six Months Ended December 31, 2010

February 10, 2011

Company name: ZERO CO., LTD.	Code No: 9028
	Tokyo Stock Exchange (Second Section)
(URL http://www.zero-group.co.jp/)	
Representative: CEO & President	Yoshi Iwashita
Contact for Inquiries:	Takeo Kitamura
	Director, General Manager, Corporate Planning Department
	Telephone: (044)520-0106
Filing date of quarterly report	February 10, 2011
Dividend payment starting date	March 11, 2011

(Figures less than one million yen are rounded)

1. Consolidated Financial Results for the Six Months of the Year Ending June 30, 2011 (from July 1, 2010 to December 31, 2010)

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, 2010	26,711	5.7	664	305.2	731	245.2	225	-
Six months ended Dec. 31, 2009	25,277	-1.9	164	-	211	-	0	-
	Net earnings per share-basic		Net earnings per share-diluted					
	yen		yen					
Six months ended Dec. 31, 2010	13.20		-					
Six months ended Dec. 31, 2009	0.02		-					

2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of Dec. 31, 2010	31,484	11,642	37.0	681.16
As of Jun. 30, 2010	32,366	11,453	35.4	670.07

(Ref.) Shareholder's equity

As of December 31, 2010: 11,642 million yen As of June 30, 2010: 11,453 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
FY2009	-	4.00	-	4.00	8.00
FY2010		4.00			
Forecast for FY2010			-	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, 2011 (from July 1, 2010 to June 30, 2011)

(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
FY2010	52,000	0.4	1,200	69.1	1,300	79.3	250	26.6	14.63

(Note) Revision to the consolidated earnings forecasts during the first quarter: 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) Application 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: 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, 2010: 17,560,242 shares, As of June 30, 2010: 17,560,242 shares

(ii) Number of treasury shares

As of December 31, 2010: 467,570 shares, As of June 30, 2010: 467,551 shares

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

FY2010: 17,092,676 shares, FY2009: 17,092,691 shares

※Indication of quarterly review procedure implementation status

This quarterly financial report is exempt from quarterly review procedure based upon the Financial Instruments and Exchange Act. It is under the review procedure process at the time of disclosure of this report.

※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.

1. Qualitative Information

(1) Qualitative Information Regarding Consolidated Business Performance

During the six months of FY2010 (referred to as the “current term”), the domestic economy has partially shown a sign of upturn thanks to Asian market recovery and the domestic government's economy-boosting policy. However, the continuous individual consumption slumping due to severe employment and income situations results in ongoing economic uncertainty with the negative impact of high Yen.

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. However, after the termination in September, 2010, the new car sales has sharply decreased and resulted in 94.9 % sales compared with the same term of previous year (data of Japan Automobile Manufacturers Association). Meanwhile in the used car market where is exempt from subsidies, the sales has been continuously sluggish. However the sales appeared to have bottomed out since August, 2010 and it is much in demand after the termination of subsidies on new environmentally friendly cars sales due to their sales price variance. The sales of used cars resulted in 101.7% compared with the same term of previous year (data of Japan Automobile Dealers Association and Japan Mini Vehicles Association).

In this environment, our vehicle-related business marked year to year increase for both transportations of new cars and used cars. In the general cargo transportation business, the volume for electric retail stores was increased thanks to eco incentive program which were conducted to stimulate consumption and promote use of energy-efficient goods, designated by The Ministry of the Environment, The Ministry of Economy and The Ministry of Internal Affairs and Communications.

【Trend of automobile domestic sales】

Domestic sales unit	From July 2009 to December 2009	From July 2010 to December 2010	year-on-year
New vehicle			
Domestic automakers *1	2,422,516	2,299,323	94.9%
(Nissan Motor)*1	(307,445)	(300,424)	(97.7%)
Foreign automakers*2	91,450	127,801	139.8%
Used vehicle			
Passenger vehicle *3	1,864,283	1,890,435	101.4%
Mini vehicle*4	1,188,605	1,213,616	102.1%
Total of used vehicle	3,052,888	3,104,051	101.7%
De-registered vehicle *3	392,915	232,008	59.1%
Exportation unit	From July 2009 to December 2009	From July 2010 to December 2010	year-on-year

New vehicle of Domestic automakers *1 (Nissan Motor)*1	2,182,747 (290,959)	2,516,078 (376,911)	115.3% (129.5%)
Used passenger vehicle*5	360,289	468,954	130.2%

*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

As a result, the sales from July1, 2010 to December 31, 2010 marked 26,711 million yen, gain of 1,433 million yen vs. same term of previous year. The operating income marked 664 million yen, gain of 500million yen vs. same term of previous year. The non-operating income was 66 million yen mainly due to equity method investment gain.

As a result, the ordinary income marked 731 million yen, gain of 519 million yen vs. same term of previous year. The extraordinary loss was 98 million yen. This is mainly the amount in accordance with the application of accounting standard of asset retirement obligation.

The net income marked 225 million yen, improved as 225 million yen vs. 0 million yen of same term of previous year.

Business performances by each segment are as follows.

1. Vehicle Transportation Related Segment

The sales in this segment marked 19,638 million yen.

Domestic new car sales unit of Nissan Motor Co., Ltd., our major customer, was 300,424 units, 97.7% compared with the same term of previous year (data of Japan Automobile Manufacturers Association). As a result, the revenue of our new car transportation decreased. On the other hand, the revenue of used car transportation increased mainly because sales network has been expanded and strengthened. As a result, the sales of this segment marked 108 million yen. As the demand of vehicle transportation is still unpredictable, we are pursuing cost-oriented activities which are less influenced by the market demand, such as “Reducing transportation relay points”, “Improving operating ratio of in-house trailers” and “Severe cost management”.

2. General Cargo Transportation Segment

The sales in this segment marked 3,349 million yen.

In spite of severe environment of this segment such as flagging distribution volume, price reduction due to the deflation and the increased competition among logistics companies, the transportation volume for electronics retail stores which are our major customer was increased, mainly attributed to eco incentive program which were conducted to stimulate consumption and promote use of energy-efficient goods, designated by The Ministry of the Environment, The Ministry of Economy and The Ministry of Internal Affairs and

Communications. The profit structure has been improved by reviewing underperforming operations in each distribution center. As a result, the income of this segment marked 308 million yen.

3. Human Resources Segment

The sales in this segment marked 3,773 million yen.

The sales for both public and private sectors have increased by developing new customers and strengthening the sales operations. As for the segment income, it marked 146 million yen with some negative impacts such as price reduction request from established customers, increase in recruiting cost to secure the necessary manpower and increase in expenditure of fuel cost.

As for those unclassifiable operating expenses (such as company-wide common expenses of administrative departments) which are not included in the profit and loss by segment stated above and the goodwill amortization cost are recorded as “adjusted amount”, which is 799 million yen.

(2) Qualitative Information Regarding Consolidated Financial Condition

(Assets)

Current assets resulted in 11,934 million yen decreased by 3.3% compared to the end of previous consolidated fiscal year. This was mainly due to decreases of 738 million yen in cash and deposits and 105 million yen in trade notes and accounts receivable respectively despite an increase of 499 million yen in securities.

Fixed assets were 19,550 million yen decreased by 2.4% compared to the end of previous consolidated fiscal year. This was mainly due to decreases of 176 million yen in goodwill by amortization and 203 million yen in deferred income tax asset respectively despite increases of 113 million yen in machine equipment and transport equipment and 117 million yen in investment securities respectively.

As a result, total assets were 31,484 million yen decreased by 2.7% compared to the end of previous consolidated fiscal year.

(Liabilities)

Current liabilities resulted in 8,181 million yen decreased by 1.9% compared to the end of previous consolidated fiscal year. This was mainly due to decreases of 237 million yen in notes and accounts payable, 105 million yen in income taxes payable and 70 million yen in accrued consumption taxes respectively despite increases of 64 million yen in short-term loans payable, 422 million yen in Long-term loans payable within one year respectively.

Fix liabilities resulted in 11,659 million yen decreased by 7.3% compared to the end of previous consolidated fiscal year. This was mainly due to decreases of 730 million yen in long-term loans payable and 195 million yen in accrued retirement benefits for employees despite an increase of 42 million yen in asset retirement obligation.

As a result, total liabilities were 19,841 million yen decreased by 5.1% compared to the end of previous consolidated fiscal year.

(Net Assets)

Net assets resulted in 11,642 million yen, increased by 1.7% compared with the end of previous consolidated fiscal year. This was mainly due to an increase of 193 million yen in retained earnings.

(3) Qualitative Information regarding Consolidated Earnings Forecast

In regard to the forecasts of the financial results for fiscal year ending June 30, 2011, the Company has revised its forecast which was originally announced on August 6, 2010, in accordance with the financial results of the six months ended December 31, 2010.

Please refer to the announcement “the variance from the same term of the previous year and revision to earnings forecasts for the fiscal year ending June 30, 2011” which was separately disclosed today.

2. Others

(1) Material changes in consolidated subsidiaries during the period: Not applicable

(2) Application 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:

1. From the first quarter consolidated accounting period, “Accounting Standard for Asset Retirement Obligation” (ASBJ Statement No.18 issued on March 31, 2008) and “Guideline on Accounting Standards for Asset Retirement Obligations” (ASBJ Statement No.21 issued on March 31, 2008) have been applied.

As a result, the operating income and ordinary income decreased by 2 million yen, net income before tax adjustments decreased by 58 million yen respectively. The variable amount of asset retirement obligation due to the application of the Accounting Standard is 42 million yen.

2. Changes of Indication Method

(Quarterly consolidated financial statement)

“Net income before Adjustment of Minority interests” is indicated from this term, as Cabinet Office Ordinance on Partial Revision of Regulation for Terminology, Forms and Preparation of Financial Statements (Cabinet Office regulations No.5 issued on March 24, 2009) based on the Accounting Standard for Consolidated Financial Statement (ASBJ Statement No.22 issued on December 26, 2008) was applied.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Yen in millions)

	As of Dec. 31, 2010	Condensed Consolidated Balance Sheet as of June 30, 2010
Assets		
Current assets		
Cash and deposits	4,761	5,499
Notes and accounts receivable	5,575	5,681
Securities	499	-
Supplies	97	105
Deferred tax assets	230	227
Others	829	872
Allowance for doubtful accounts	-59	-47
Total current assets	11,934	12,339
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	3,782	3,912
Machinery, equipment and vehicles, net	277	164
Tools, furniture and fixtures, net	73	85
Land	8,758	8,758
Lease assets, net	563	597
Total tangible fixed assets	13,457	13,518
Intangible fixed assets		
Goodwill	2,642	2,818
Others	221	300
Total intangible fixed assets	2,864	3,118
Investments and other assets		
Investment securities	529	412
Long-term loans receivable	212	253
Deferred tax assets	1,685	1,889
Others	908	941
Allowance for doubtful accounts	-107	-106
Total investments and other assets	3,228	3,390
Total fixed assets	19,550	20,027
Total assets	31,484	32,366
Liabilities		
Current liabilities		
Notes and accounts payable	2,584	2,822
Short-term loans payable	914	850
Long-term loans payable within one year	2,048	1,626
Income taxes payable	230	335
Accrued consumption taxes	215	286

Allowance for bonus	377	400
Others	1,810	2,015
Total current liabilities	8,181	8,336
Fixed liabilities		
Long-term loans payable	6,204	6,934
Allowance for retirement benefits	3,051	3,246
Allowance for director's retirement benefits	326	301
Deferred tax liabilities	79	83
Deferred tax liabilities for revaluation	1,279	1,279
Asset retirement obligation	42	-
Others	676	730
Total fixed liabilities	11,659	12,577
Total liabilities	19,841	20,913
Net assets		
Shareholder's equity		
Capital stock	3,390	3,390
Capital surplus	3,204	3,204
Retained earnings	6,112	5,919
Treasury stock	-152	-152
Total shareholder's equity	12,555	12,361
Valuation and translation adjustments		
Net unrealized gains(loss) on securities	-7	-3
Revaluation reserve for land	-904	-904
Foreign currency translation adjustment	0	-
Total valuation and translation adjustments	-912	-908
Total net assets	11,642	11,453
Total liabilities and net assets	31,484	32,366

(2) Consolidated Income Statement

(Yen in millions)

	Six months of FY09 (from Jul 1, 2009 to Dec 31, 2009)	Six months of FY10 (from Jul 1, 2010 to Dec 31, 2010)
Sales	25,277	26,711
Cost of sales	22,511	23,555
Gross profit	2,765	3,155
Selling, general and administrative expenses	2,601	2,490
Operating income(loss)	164	664
Nonoperating income		
Interest income	6	8
Dividend income	0	0
Received commission	35	29
Equity in earnings of affiliates	-	70

Others	93	36
Total nonoperating income	135	145
Nonoperating expenses		
Interest expenses	78	72
Others	8	6
Total nonoperating expenses	87	79
Ordinary income(loss)	211	731
Extraordinary income		
Gain on sale of fixed assets	10	8
Total extraordinary income	10	8
Extraordinary loss		
Loss on disposal of fixed assets	2	0
Loss on retirement of fixed assets	7	2
Revaluation loss of Golf membership	-	48
Loss on adjustment for changes in the Accounting Standard for Asset Retirement Obligation	-	56
Others	-	0
Total extraordinary losses	10	107
Net income(loss) before tax adjustments	212	632
Income taxes	229	406
Net income before adjustment minority interests	-	226
Minority interests in income(loss)	-16	0
Net income(loss)	0	225

(Yen in millions)

	Q2 of FY2009 (from Oct 1, 2009 to Dec 31, 2009)	Q2 of FY2010 (from Oct 1, 2009 to Dec 31, 20)
Sales	12,863	12,951
Cost of sales	11,340	11,480
Gross profit	1,522	1,470
Selling, general and administrative expenses	1,278	1,236
Operating income(loss)	243	234
Nonoperating income		
Interest income	3	1
Dividend income	0	0
Received commission	17	14
Gain on investments in silent partnership	23	-
Equity in earnings of affiliates	-	44
Others	44	13
Total nonoperating income	89	73
Nonoperating expenses		
Interest expenses	40	36
Others	7	0

Total nonoperating expenses	48	36
Ordinary income(loss)	284	271
Extraordinary income		
Gain on sale of fixed assets	10	3
Total extraordinary income	10	3
Extraordinary loss		
Loss on disposal of fixed assets	1	0
Loss on retirement of fixed assets	1	0
Loss on valuation of investment securities	-	21
Total extraordinary losses	3	22
Net income(loss) before tax adjustments	291	252
Income taxes	189	155
Net income before adjustments of minority interests	-	97
Minority interests in income(loss)	-9	-
Net income(loss)	111	97

(3) Consolidated Cash Flow Statement

(Yen in millions)

	Six months of FY09 (from Jul 1, 2009 to Dec 31, 2009)	Six months of FY10 (from Jul 1, 2010 to Dec 31, 2010)
Net cash provided by (used in) operating activities		
Net income(loss) before tax adjustments	212	632
Depreciation	411	376
Increase(decrease) on adjustment for changes in the Accounting Standard for Asset Retirement Obligation	-	56
Depreciation of goodwill	181	175
Increase (decrease) in allowance for doubtful accounts	19	12
Increase (decrease) in allowance for bonus	-23	-23
Increase (decrease) in allowance for retirement benefits	-160	-195
Increase (decrease) in allowance for director's retirement benefits	2	24
Interest and dividends income	-6	-8
Interest expenses	78	72
Revaluation loss of Golf membership	-	48
Increase(decrease)in sale of fixed assets	-0	-5
Increase(decrease)in equity in earnings of affiliates	-	-70
Decrease (increase) in notes and accounts receivable	-120	105
Decrease (increase) in inventories	-40	8
Decrease (increase) in other current assets	38	59

Increase (decrease) in notes and accounts payable	95	-237
Increase (decrease) in other current liabilities	-411	-211
Increase (decrease) in accrued consumption taxes	122	-70
Others, net	73	-2
Subtotal	471	743
Interest and dividends received	5	3
Interest expenses paid	-83	-70
Income taxes paid	-209	-322
Net cash provided by (used in) operating activities	184	353
Net cash provided by (used in) investing activities		
Payments into time deposits	-6	-6
Proceeds from withdrawal of time deposits	-	26
Purchase of short-term investment securities	-701	-499
Proceeds from redemption of securities	200	-
Purchase of tangible fixed assets	-1,214	-214
Proceeds from sale of tangible fixed assets	80	40
Purchase of intangible fixed assets	-16	-22
Purchase of investment securities	-18	-58
	-	50
Payments of loans receivable	-210	-26
Proceeds from collection of loans receivable	136	63
Others, net	35	-54
Net cash provided by (used in) investing activities	-1,717	-702
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	180	1580
Decrease in short-term loans payable	-255	-1,515
Proceeds from long-term loans payable	1,622	1,796
Repayment of long-term loans payable	-933	-2,103
Repayments of lease obligations	-53	-59
Purchase of treasury stock	-	-0
Cash dividends paid	-0	-68
Net cash provided by (used in) financing activities	560	-370
Net increase (decrease) in cash and cash equivalents	-972	-718
Cash and cash equivalents at beginning of term	4,994	5,258
Cash and cash equivalents at end of term	4,021	4,540

(4) Note for the assumption of going concern

Not applicable

(5) Segment Information

Segment Information by Business

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. Classified by business segment in consideration with similarities of category, nature and market of each business.
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

(Segment information by region)

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

Not applicable as there are no subsidiaries and important branches outside of the country.

(Overseas sales)

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

Not reported as the overseas sales volume is very small.

(Segment Information)

1. Outline of reported segments

The reported segments consist of those constituent units of the group for which separate financial information is available and which are the subject of the periodical review of the evaluation for the distribution of management resources and business performance by the highest decision-making body.

The group is composed of segments by vehicle transportation related business, general cargo transportation business and human resources business by consolidating the business segments based on the managerial structure and contents of services.

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

2. Sales and profit(loss) by each reported segment

For the six months of FY2010 (from July 1, 2010 to December 31, 2010)

(Yen in millions)

	Vehicle transportation related	General cargo transportation	Human resources	Total	Elimination and corporate	Consolidated
Sales						
(1) Sales of external customers	19,619	3,331	3,760	26,711	-	26,711
(2) Internal sales between business segments or transfer	18	18	13	49	-49	-
Total	19,638	3,349	3,773	26,761	-49	26,711
Operating income/loss	1,008	308	146	1,463	-799	664

(Note)

1. Elimination of -799 million yen includes corporate expense of -623 million yen, goodwill amortization of -176 million yen and elimination among the segments of 0 million yen. The corporate expense is the expense of the administrative departments which does not belong to any reported segment.
2. The segment profit is adjusted with the operation profit in the quarterly consolidated profit and loss statement.

(Additional information)

From the first quarter consolidated accounting period, “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No.17 issued on March 27, 2009) and “Guidance on Accounting Standard of Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No.20 issued on March 21, 2008) have been applied.

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

Not applicable

End of document