

Financial Results for the Fiscal Year Ended June 30, 2007

August 10, 2007

Listed Company: Zero Co., Ltd.

Tokyo Stock Exchange (Second Section)

Code No: 9028

Location of the head office: Kanagawa

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

Representative: Yoshi Iwashita, President

Contact for inquiries: Takeo Kitamura, Corporate Officer, Tel: 044-520-0106
General Manager, Corporate Planning Department

Date of Board of Directors' Meeting for the settlement of accounts: August 10, 2007

Date of Annual Shareholders' Meeting: September 25, 2007

Date to begin payment of dividend: September 26, 2007

Date of financial statement report submission: September 26, 2007

1. Consolidated Financial Results for the Fiscal Year Ended June 30, 2007 (From July 1, 2006 to June 30, 2007)

(1) Consolidated Results of operations (Figures less than one million yen are rounded.)
Percentages for sales, operating income, ordinary income, and net income are the rates of increase or decrease compared with the same period of previous year.

	Sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
FY2006	54,177	5.8	952	7.8	1,107	7.1
FY2005	51,205	- 1.3	883	- 40.3	1,034	- 36.0

	Net income	Net income per share –basic	Net income per share –diluted	shareholder's equity net assets ratio	Total assets ordinary income ratio	Sales operating income ratio
	Million yen %	yen	yen	%	%	%
FY2006	660 54.7	37.94	37.61	5.8	3.9	1.8
FY2005	426 - 42.4	24.76	23.97	3.8	3.7	1.7

(Note) Investment loss on equity method
FY2006 : None FY2005 : None

(2) Consolidated financial position (Figures less than one million yen are rounded.)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2006	28,190	11,593	41.0	671.25
FY2005	28,807	11,212	38.8	637.56

(Note) Equity capital:
FY2006 : 11,569 million yen FY2005 : 11,168 million yen

(3) Consolidated cash flows (Figures less than one million yen are rounded.)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents end of period
	Million yen	Million yen	Million yen	Million yen
FY2006	939	180	-890	4,971
FY2005	856	- 701	39	4,741

2. Dividends

	Dividend per share (yen)			Total amount of dividend	Dividend ratio	Dividend ratio of net assets
	First half	End of period	Full year	Million yen	%	%
FY05	10.00	4.00	14.00	127	29.6	1.2
FY06	4.00	4.00	8.00	138	21.1	1.2
Forecast of FY07	more than 4.00	more than 7.00	more than 11.00	-	19.7	-

Note) Effective the base date of May 31, 2006, share split has been implemented at a rate of three to one.

3. Consolidated Forecast for FY07 (July 1, 2007 through June 30, 2008)

Percentages for sales, operating income, ordinary income, and net income are the rates of increase or decrease compared with the same period of previous year.

	Sales		Operating income		Ordinary income		Net income		Net income per share -basic
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen
For the first half of FY07	27,000	4.9	330	-	370	-	190	-	11.02
Full year of FY07	56,500	4.3	1,650	73.3	1,720	55.3	960	45.4	55.70

4. Others

(1) Changes in scope of consolidation and equity method: None

(2) Changes in accounting principles, procedures and indications etc. for consolidated financial statements report.

Changes based on the revision of accounting standards etc.: One (Depreciation method for fixed assets)

Changes other than : None

(3) Number of outstanding shares (ordinary shares)

Number of issued and outstanding shares at the end of period (treasury stocks included):

FY2006 : 17,560,242 shares

FY2005 : 17,518,242 shares

Number of treasury stock at the end of period:

FY2006 : 324,131 shares

FY2005: 531 shares

(Note) Unconsolidated Financial Results for the Fiscal Year Ended June 30, 2007

1. Financial Results for the Fiscal Year Ended June 30, 2007 (From July 1, 2006 to June 30, 2007)

(1) Unconsolidated results of operations (Figures less than one million yen are rounded.)

Percentages for sales, operating income, ordinary income, and net income are the rates of increase or decrease compared with the same period of previous year.

	Sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
FY2006	48,792	- 0.4	513	37.6	919	75.9
FY2005	48,993	- 4.0	373	- 61.0	522	- 52.9

	Net income		Net income per share -basic	Net income per share -diluted
	Million yen	%	yen	yen
FY2006	750	443.3	43.14	42.77
FY2005	138	- 69.1	8.02	7.76

(2) Financial position

(Figures less than one million yen are rounded.)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2006	24,447	10,513	43.0	609.95
FY2005	25,363	10,020	39.5	572.01

(Note) Equity capital:

FY2006 : 10,513 million yen FY2005 : 10,020 million yen

2. Unconsolidated Forecast for FY06 (July 1, 2007 through June 30, 2008)

Percentages for sales, operating income, ordinary income, and net income are the rates of increase or decrease compared with the same period of previous year.

	Sales		Operating income		Ordinary income		Net income		Net income per share -basic
	Million yen	%	Million yen	%	Million yen	%	Million en	%	yen
For the first half of FY07	24,200	4.7	200	-	360	-	210	-	12.18
Full year of FY07	50,500	3.5	1,200	133.7	1,500	63.2	900	19.9	52.22

*The above forecast is based on information available as of the date of release, and actual results may vary depending on various factors.

1. Results of operation

(1) Qualitative Information Regarding Results of Operations

Results of operations in Fiscal year 2006

Despite continuous fuel price appreciation and fear of rising interest rates, national economy in the fiscal year 2006 has headed for recovery as a whole, which was resulted from activation of Japanese share market with the background of buoyant development of corporate performance, increase of corporate investment, brisk transition of consumer spending and favorable turn of employment.

However, negative impact for cost burden in Logistics industry comparing to the other industry is not small, because of those factors such as the fuel price is continuing to be at its high price and increasing burden of costs for participation in environmental efforts.

As for vehicle transportation industry, its market environment is unfavorable and unstable, which is due to the aforementioned trend and stagnation of domestic demand on automobile, such as brand new car sales was 95% of the previous year, as well as used car sales had marginal change from the previous year.

Under those surrounding factors, our group has been making efforts for recovering profit as the company's top priority.

Although, continuing slump in sales of domestic new car of Nissan Motor Co., Ltd, our biggest client, (approximately 90% of previous fiscal year) has caused a negative impact on our sales of vehicle transportation, as well as on our vehicle transportation efficiency, the financial result of the fiscal year 2006 shows the outcome of operation for recovering profit gradually on vehicle transportation related business, by reexamining transportation routes radically, strictly cutting back on internal expenses and at the same time charging clients for part of the increasing costs caused by external environmental changes.

Accordingly, group sales for fiscal year 2006 came to 54,177 million yen (rise of 5.8 percent compared to the previous fiscal year), operating profit came to 952 million yen(rise of 7.8 percent compared to the previous fiscal year), ordinary profit came to 1,107 million yen(rise of 7.1 percent compared to the previous fiscal year). As for the current net profit, despite special loss from write-down of investment securities was allocated, profit from our core business and special gain from selling out of head office covered the special loss. As a result, current net profit came to 660 million yen (rise of 54.7 percent compared to the previous fiscal year).

Results of operations by business segment are as the followings;

a. Vehicle Transportation related Business

In Used car transportation business, sales volume and sales amounts are both increased by aggressive sales activities.

Beside that, in the imported car transportation business, our share in BMW new car transportation in Japan became 100%.

However, the negative impact by continuing slump in sales of domestic new car of Nissan Motor Co. Ltd., our biggest client was significant, so that total sales in vehicle transportation related business had marginal change from the previous

year. Accordingly, total sales in this segment came to 47,584 million yen (decreased by 0.8 percent compared to the previous fiscal year).

b. Car Selection Business

Our biggest clients for this business are the lease companies and Nissan dealers. Since the major lease companies became aggressive in holding their own auctions, and on the other hand, numbers of trade-in vehicles from Nissan dealers were decreased due to the slump in Nissan new car sales. Accordingly, car selection sales came to 975 million yen (decreased by 11.1 percent compared to the previous fiscal year).

c. General Cargo Transportation Business

Subsidiarization of KYUSO COMPANY, Ltd. in April, 2006 and aggressive sales activities attributed to growth of sales in general cargo transportation business. Total sales came to 5,616 million yen (rise of 161.2% percent compared to the previous fiscal year).

Forecast results in Fiscal year 2007

Despite national economy has headed for recovery as a whole, market situation is still remain in the balance because of fear of rising interest rates and uncertainty of USA or China's economy, fuel price increase etc. Especially, vehicle transportation industry is undergoing in the struggling management environment as mentioned above. In those circumstances, our group continues making efforts to eliminate the negative impact by promoting further efficiency in operations, and realize the strategy keeps moving forward.

By taking an opportunity which quantitative effect from those activities which we were working on these years such as transportation efficiency improvement, transportation profitability improvement began to exert, we will accelerate our activities to boost up our profitability. And at the same time, volume increase of used car transportation business and general cargo transportation business will be continuously enhanced.

With those dynamic enhancements of our activities, group sales for the fiscal year 2007, is estimated as 56,500 million yen (rise of 4.3 percent compared to the fiscal year 2006), operating profit is estimated as 1,650 million yen (rise of 73.3 percent compared to the fiscal year 2006), ordinary profit is estimated as 1,720 million yen (rise of 55.3 percent compared to the fiscal year 2006), and net profit as 960 million yen (rise of 45.4 percent compared to the fiscal year 2006).

(2) Qualitative Information Regarding Financial Position (consolidated)

Financial Position

Current assets are 13,433 million yen, increased by 10.4 percent compared to the end of the previous consolidated fiscal year. This was due to an increase of 2,297 million yen by purchasing the securities in purpose of fund management, even though there was a decrease of 1,226 million yen in cash and deposit.

Fixed assets are 14,756 million yen decreased by 11.3 percent compared to the end of the previous consolidated fiscal year.

This was mainly due to the decrease by selling out of head office, 109 million yen in buildings and structures, 211 million yen in land, and 1,100 million yen decrease in investment securities by selling out of securities and evaluation loss. Accordingly, total assets for the fiscal year 2006 are 28,190 million yen, decreased by 2.1 percent compared to the end of the previous consolidated fiscal year.

(Liabilities)

Current liabilities are 7,399 million yen, increased by 0.1 percent compared to the fiscal year 2006. This was mainly due to those increases such as 63 million yen in long term loans payable within one year, 99 million yen in accrued expenses, 58 million yen in accrued corporate tax, despite of 251 million yen decrease in short-term loan.

Fixed liabilities are 9,196 million yen, decreased by 9.8 percent compared to the fiscal year 2006. This was mainly due to 445 million yen decrease in long term loan, and 520 million yen decrease in reserve for retirement benefit.

Accordingly, total liabilities are 16,596 million yen, decreased by 5.7 percent compared to the end of the previous consolidated fiscal year.

(Shareholders' equity)

Net assets of shareholders' equity for the fiscal year 2006 was 11,593 million yen, increased by 3.4 percent compared to the end of the previous consolidated fiscal year, which was due to an increase of 627 million yen in accumulated earnings.

Cash Flow

Cash and cash equivalent at the end of fiscal year 2006 amounted to 4,971 million yen, increased by 230 million yen compared to the end of the previous consolidated fiscal year.

Increased net cash by operating activities amounted to 939 million yen (increased by 9.7 percent compared to the previous fiscal year). This was mainly due to 1,409 million yen increase in profit before tax, even though 520 million yen were decreased in reserve for retirement benefits.

Increased net cash provided by investing activities amounted to 180 million yen (701 million yen were spent in the fiscal year 2006). This was due to those incomes such as 1,824 million yen by selling out the tangible fixed assets related to the relocation of head office, and 1,000 million yen refund of investment securities, even though 1,796 million yen expenses as for acquisition of securities, 473 million yen for tangible fixed assets and 265 million yen for intangible fixed assets were paid out.

Decreased net cash provided by financing activities amounted to 890 million yen (increase by 39 million yen compared to the previous fiscal year). This was due to 633 million yen expense for repayment of debt, 131 million yen for acquisition of treasury stocks and 138 million yen payment as dividend.

Trend of group cash flow index are show below.

	Shareholders' equity ratio	Shareholders' equity ratio based on actual cash value	Cash flow vs debt with interest	Interest Coverage Ratio
	%	%	Year	Time
FY2006	41.0	24.8	4.7	12.3
FY2005	38.8	42.6	5.9	14.2
FY2004	40.5	-	16.2	4.4
FY2003	40.9	-	8.1	8.2

Shareholders' equity ratio: shareholders' equity/ Total assets

Shareholders' equity ratio based on actual cash value: Aggregate market value (except repurchased shares) / Total assets

Cash flow vs debt with interests: Debt with interest (all the debt which is allocated in consolidated Balance Sheet and those interest are paid) /

Cash flow by operating activities

Interest Coverage Ratio: Cash flow/ interest payment

(Note) All figures are calculated by consolidated basis.

(2) Dividend policy and dividends of Fiscal year 2006 and 2007

Zero dividend policy provides stable dividends by respecting earning retention, enhancing business scope expansion, and strengthening business structure. Followings are the policy to keep openness and fairness in profit return to the shareholders and in appropriation of profit, and dividends amounts will be set within divisible profit by taking this basic policy into account.

Net income per share –diluted	Less than 40 yen	More than 40 yen Less than 80 yen	More than 80 yen
Annual dividend	8 yen	Consolidated net income / share × 20%	Consolidated net income/ share × 25%

*The above forecast is based on information available as of the date of release, and actual results may vary depending on various factors. Special profit or loss generated from non-regular business activities may be excluded from profit/ loss which is used for dividends calculation.

Based on the above policy, dividends of FY06 and FY07 are estimated as the following.

	Net income per share –diluted	Dividend per share (yen)		
		First half	End of period	Full year
FY06	37.61	4.00	4.00	8.0
Forecast of FY07	54.68	more than 4.00	more than 7.00	more than 11.00

2. Others

(1) Personnel changes of directors

Candidate of newly appointed director

Director Yasuo Ikawa

(Note) Candidate of newly appointed director, Mr. Yasuo Ikawa is the outside director in accordance with the company law Article 2, paragraph 15.

1. (Summary) Consolidated Balance Sheet for the Fiscal year Ended June 30, 2007

(million yen, %)

	FY2006	FY2005	Increase/ Decrease
	amount	amount	amount
(Assets)			
Current assets			
1.Cash and deposits	3,715	4,942	
2.Notes and accounts receivable	6,255	6,043	
3.Securities	2,297	-	
4.Inventories	199	160	
5. Deferred tax assets	84	92	
6.Others	912	996	
Allowance for doubtful debt	-31	-63	
Total current assets	13,433	12,172	1,261
Fixed assets			
1.Tangible fixed assets			
(1)Buildings and Structures	970	1,080	
(2)Machinery and Automotive equipment	212	247	
(3)Furniture and fixtures	100	80	
(4)Land	8,952	9,164	
Total tangible fixed assets	10,236	10,572	-336
2.Intangible fixed assets			
(1)Consolidation adjustment	118	152	
(2)Others	1,318	1,526	
Total intangible fixed assets	1,437	1,678	-240
3.Investment and other assets			
(1)Investment securities	437	1,538	
(2) Long term loan	54	5	
(2)Deferred tax assets	1,961	2,484	
(3)Others	674	372	
Allowance for doubtful debt	-45	-17	
Total investment and other assets	3,082	4,383	-1,300
Total fixed assets	14,756	16,634	-1,878
Total assets	28,190	28,807	-617

(million yen, %)

	FY2006	FY2005	Increase/ Decrease
	amount	amount	amount
(Liabilities)			
Current liabilities			
1. Notes and accounts payable	3,671	3,699	
2. Short-term loans	398	650	
3. Long-term loans payable within one year	1,377	1,314	
4. Accrued expenses	763	664	
5. Accrued corporate taxes	199	140	
6. Accrued consumption taxes	107	76	
7. Reserve for accrued bonus	122	120	
8. Deposits	231	252	
6. Others	527	476	
Total current liabilities	7,399	7,395	4
Fixed liabilities			
1. Long-term loans	2,670	3,116	
2. Reserve for retirement benefits	4,898	5,418	
3. Reserve for Directors' retirement benefits	171	140	
4. Deferred tax liabilities	84	80	
5. Deferred tax liabilities-Land revaluation	1,371	1,443	
6. Others	0	0	
Total fixed liabilities	9,196	10,199	-1,003
Total liabilities	16,596	17,595	-998
(Shareholders' Equity)			
1. Capital	3,390	3,384	6
2. Capital surplus	3,204	3,198	6
3. Retained earnings	5,808	5,180	627
4. Treasury stock	-132	-0	-131
Total shareholders' equity	12,271	11,762	509
Total liabilities and shareholders' equity	28,190	28,807	-617

2. (Summary) Consolidated Profit and Loss Statement for the Fiscal year Ended June 30, 2007

(million yen, %)

	FY2006	FY2005	Increase/ Decrease
	amount	amount	amount
Sales	54,177	51,205	2,971
Cost of sales	48,554	45,789	2,765
Gross profit	5,622	5,416	206
SG&A expenses	4,670	4,533	137
Operating profit	952	883	68
Other operating income	264	252	11
Other operating expenses	109	101	7
Ordinary profit	1,107	1,034	73
Extraordinary income	1,247	95	1,151
Extraordinary expenses	946	243	702
Net profit before tax	1,409	886	522
Tax expenses	768	465	303
Net profit	660	426	233

3. (Summary) Consolidated Cash Flow for the Fiscal year Ended June 30, 2007

(million yen)

	FY2006	FY2005	Increase/ Decrease
	amount	amount	amount
Cash flow from operating activities			
Net profit before tax	1,409	886	
Depreciation	657	558	
Depreciation on share issuance expenses		13	
Depreciation on consolidation adjustment	33	17	
Increase in allowance for doubtful debt	-4	-13	
Decrease in accrued bonus	2	-9	
Decrease in reserve for retirement benefits	-520	-468	
Increase in reserve for Directors' retirement benefits	30	33	
Interest income and dividend earned	-19	-12	
Interest payable	76	61	
Gain on sales of securities	-27	-94	
Loss on valuation of securities	799		
Gain and loss on retirement of fixed assets	-1,192	242	
Increase in accounts receivable	-212	452	
Decrease in inventories	-38	34	
Increase in other current assets	0	-265	
Increase in accounts payable	-28	48	
Increase in other current liabilities	144	29	
Decrease in accrued consumption taxes	31	-94	
Others	-3	-41	
Sub-total	1,139	1,376	-237
Interest and dividends received	17	12	
Interest paid	-76	-60	
Corporation taxes paid	-1392	-472	
Cash flow from operating activities	939	856	83

(million yen)

	FY2006	FY2005	Increase/ Decrease
	amount	amount	amount
Cash flow from investing activities			
Payments for depositing of time deposits	-76	-30	
Proceeds from repayment of time deposits	34		
Payment for purchase of securities	-1,796		
Proceeds from sales of securities	1,000		
Payment for purchase of tangible fixed assets	-473	-80	
Proceeds from sale of tangible fixed assets	1,824	89	
Payment for purchase of intangible fixed assets	-265	-646	
Payment for purchase of investment securities	-1	-1	
Proceeds from sales of investment securities	327	152	
Proceeds from acquisition of subsidiary shares		-171	
Payment due to lending	-96	-3	
Proceeds from recovery of loans	17	2	
Others	-312	-13	
Cash flow from investing activities	180	-701	882
Cash flow from financing activities			
Proceeds from short-term loans	8,600	5,450	
Payment for short-term loans	-8,851	-5,400	
Proceeds from long-term loans	970	1,500	
Payment for long-term loans	-1,351	-2,223	
Proceeds from share issuance	13	721	
Proceeds from share issuance to the minority share holders		49	
Payment for purchase of treasury stock	-131	-0	
Dividends paid	-138	-57	
Cash flow from financing activities	-890	39	-929
Increase/Decrease in cash and cash equivalents	230	193	36
Cash and cash equivalents at beginning of year	4,741	4,547	193
Cash and cash equivalents at end of year	4,971	4,741	230

(Segment information)

FY2006

(million yen)

	Vehicle transportation	Car selection	General cargo transportation	Total	Corporate and Eliminations	Consolidated
Sales	47,584	975	5,616	54,177	-	54,177
Operating expenses	45,534	745	5,518	51,797	1,427	53,225
Operating profit	2,050	230	98	2,379	-1,427	952

FY2005

(million yen)

	Vehicle transportation	Car selection	General cargo transportation	Total	Corporate and Eliminations	Consolidated
Sales	47,957	1,097	2,150	51,205	-	51,205
Operating expenses	46,602	787	2,052	49,442	880	50,322
Operating profit	1,355	310	98	1,763	-880	883

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