

## Financial Results for the Interim Period Ended December 31, 2007

February 14, 2008

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

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Scheduled report date of interim financial report:

March 27, 2008

Scheduled dividend payment date:

Starts from March 17, 2008

(Figures less than one million yen are rounded)

### 1. Consolidated Financial Results for the Interim Period Ended December 31, 2007

(From July 1, 2007 to December 31, 2007)

#### 1) Consolidated Operating Results

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

	Sales		Operating profit		Ordinary profit		Net profit	
	million yen	%	million yen	%	million yen	%	million yen	%
Interim FY2007	26,906	4.6	373	-	443	-	194	-
Interim FY2006	25,728	3.1	-250	-	-193	-	-155	-
(Ref.)FY2006(Full year)	54,177	-	952	-	1,107	-	660	-
	Net earnings per share -basic		Net earnings per share -diluted					
	yen		yen					
Interim FY2007	11.26		11.15					
Interim FY2006	-8.89		-					
(Ref.)FY2006(Full year)	37.94		37.61					

(Ref.) Investment profit on equity method: Interim FY07: - million yen/ Interim FY06: - million yen/ FY06 full year: - million yen

#### 2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
Interim FY2007	26,953	11,668	43.3	676.63
Interim FY2006	28,150	10,896	38.6	625.86
(Ref.)FY2006(Full year)	28,190	11,593	41.0	671.25

(Ref.) Equity capital: Interim FY07: 11,662 million yen/ Interim FY06: 10,864 million yen/ FY06 full year: 11,569 million yen

### 3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
	million yen	million yen	million yen	million yen
Interim FY2007	374	604	-806	5,144
Interim FY2006	-635	-784	489	3,811
(Ref.)FY2006(Full year)	939	180	-890	4,971

### 2. Status of Dividend

(Base date)	Dividend per share		
	At the end of the first half	At the end of the second half	Total
FY2006	4.00 yen	4.00 yen	8.00 yen
FY2007	4.00 yen	-	11.00 yen
FY2007(Forecast)	-	7.00 yen	

### 3. Forecast of Consolidated Financial Results for Fiscal Year Ending June 30, 2008( from July 1, 2007 to June 30, 2008)

	Sales		Operating profit		Ordinary profit		Net profit		Net earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
FY2007	56,500	4.3	1,650	73.3	1,720	55.3	960	45.4	55.70

### 4. Others

(1) Transfer of important subsidiary during period (Transfer of particular subsidiary which involves the change of consolidation scope.): None

(2) Changes in accounting policy, procedure or notation method for documenting consolidated interim financial statements (for the change of significant items which are base for documenting consolidated interim financial statements)

Changes in accordance with the revision of accounting standards and others: None

Changes other than above: None

(3) Number of outstanding shares (common shares)

Number of outstanding shares (including repurchased shares) at the end of each period:

Interim FY2007: 17,560,242 / Interim FY2006: 17,536,242 / FY2006 full-year: 17,560,242

Number of repurchased shares at the end of each period:

Interim FY2007: 324,131 / Interim FY2006: 176,731 / FY2006 full-year: 324,131

(Reference) Outline of Unconsolidated Financial Results

## 1. Unconsolidated Interim Financial Results for the Period Ended December 31, 2007

(From July 1, 2007 to December 31, 2007)

### 1) Unconsolidated Operating Results

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

	Sales		Operating profit		Ordinary profit		Net profit	
	million yen	%	million yen	%	million yen	%	million yen	%
Interim FY2007	24,139	4.4	251	-	423	-	244	-
Interim FY2006	23,113	-3.0	-393	-	-191	-	-85	-
(Ref.)FY2006(Full year)	48,792	-	513	-	919	-	750	-
	Net earnings per share							
	yen							
Interim FY2007	14.18							
Interim FY2006	-4.88							
(Ref.)FY2006(Full year)	43.14							

### 2) Unconsolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
Interim FY2007	23,507	10,665	45.4	618.78
Interim FY2006	24,719	9,790	39.6	563.97
(Ref.)FY2006(Full year)	24,447	10,513	43.0	609.95

(Ref.) Equity capital: Interim FY07: 10,665 million yen/ Interim FY06: 9,790 million yen/ FY06 full year: 10,513 million yen

## 2. Forecast of Unconsolidated Financial Results for Fiscal Year Ending June 30, 2008( from July 1, 2007 to June 30, 2008)

	Sales		Operating profit		Ordinary profit		Net profit		Net earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
FY2007 full year	50,500	3.5	1,200	133.7	1,500	63.2	900	19.9	52.22

### Explanation regarding appropriate use of forecasts of financial results and other remarks

The figures stated above are expectations judged based upon information available at that time and largely include uncertain factors. Actual financial results may vary from the above figures by the changes of business condition. Please refer to the following “1. Business Performance (2) Analysis Regarding Business Performance” for remarks regarding the use of assumptions for the forecast figures and the forecast figures.

## 1. Business Performance

### (1) Analysis Regarding Business Performance

National economy during the interim consolidated accounting period (hereinafter referred to as “the interim period”) has still been growing gradually by solid corporate revenues and personal consumptions. However, in addition to the skyrocketing fuel cost, concerns of decelerating economy has spread due to financial crisis caused by the troubles in the US sub-prime lending market (housing loan to the low income earners in the United States). The vehicle transportation industry has been suffering from the severe management circumstances such as countermeasures for the environmental issues, a shortage of work force in addition to the stagnation of domestic automobile demand and acceleration of fuel cost.

<<Trend of automobile domestic sales volume and fuel retail price>>

Domestic sales volume (in units)	From Jul. 2006 to Dec. 2006	From Jul. 2007 to Dec. 2007	year-on-year
New vehicle			
Domestic automakers *1	2,668,508	2,511,127	94.1%
(Nissan Motor)*1	337,095	328,337	97.4%
Foreign automakers*2	117,931	115,681	98.1%
Used vehicle			
Passenger vehicle and others*3	2,631,823	2,139,914	81.3%
Mini vehicle*4	1,392,936	1,361,899	97.8%
Total of used vehicle	4,024,759	3,501,813	87.0%

\*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

Average street price*5	From Jul. 2006 to Dec. 2006	From Jul. 2007 to Dec. 2007	year-on-year
Light oil ( yen per liter)	117	125	106.8%
Regular gasoline ( yen per liter)	140	147	105.0%

\*5: Figures calculated from the statistical data (simple average of monthly data) of The Oil Information Center.

In spite of the circumstances shown above, our group has promoted the profit expansion activities in each business segment.

#### Vehicle Transportation Related Business

We undertook strengthening and enhancing the sales network of vehicle transportation business from July 2007. In order to implement the community-based sales activities, we divided the nation into six blocks, placed sales departments in the respective blocks and the status management has been tightened and strengthened at the same time. Aiming for share expansion of transportation order by providing fine and detailed support to the major trusted customers and approaching aggressively, we are establishing solid and sound sales structure which overcomes shrinking demand in the industry. In addition, the transportation profit enhancing activity has been continued devotedly, which has been promoted by adjusting reasonable transportation charge and transportation method fundamentally. Especially the revision of transportation route and method is one of the primary issues of our group since it is an essential measure to absorb the increase of transportation cost caused by skyrocketing fuel price and at the same time, it would lead to enhancement of customer service by shortening the delivery date. Meanwhile, the sales of vehicle maintenance business were expanded by an increase in order volume of pre-delivery inspection for new vehicles.

As a result, sales in vehicle transportation related business amounted to 23,372 million yen (3.2% increase compared to the same term of previous year) and operating profit amounted to 940 million yen (164.0% increase compared to the same term of previous year).

#### Car Selection Business

Volume entered to car selection had been in the decreasing trend. In order to recover from the trend in this term, cost reduction has been promoted while a new car selection site was established in Kagoshima. However, it did not achieve the goal to increase in sales because of the negative impact by shrinking domestic used car demand.

As a result, sales in car selection business amounted to 434 million yen (0.7% decrease compared to the same term of previous year) and operating profit amounted to 115 million yen (38.6% increase compared to the same term of previous year).

#### General Cargo Transportation Business

Several measures such as acquiring new 3PL businesses and eliminating and consolidating unprofitable distribution centers have been implemented in the general cargo transportation business. Profit in KANDAKO KAIRIKU UNSO Co., Ltd. and KYUSO COMPANY, LTD., our subsidiaries, has been improved.

As a result, sales in general cargo transportation business amounted to 3,099 million yen (17.7% increase compared to the same term of previous year) and operating profit amounted to 70 million yen (4 million yen in previous year).

Accordingly, our group sales of this term amounted to 2,696 million yen (4.6% increase compared to the same term of previous year), operating profit amounted to 373 million yen (250 million yen operating loss in the same term of previous year) in spite of an increase in cost for the relocation of head office in the spring of 2007, ordinary profit amounted to 443 million yen (193 million yen ordinary loss in the same term of previous year) and net profit for the term amounted to 194 million yen (155 million yen net loss in the same term of previous year).

#### (2)Prospect for the Full Year of FY2007

Future economic climate is still in unpredictable condition since skyrocketing fuel price and stock exchange movement began to influence the company's business performance and remaining unpredictable uncertainty by financial crisis.

It is predicted that the transportation cost will increase by skyrocketing fuel price in the logistics industry and the downward trend in absolute volume of load will continue due to shrinking automobile domestic demand in the vehicle transportation industry.

Under those circumstances, our group will secure and expand vehicle transportation volume by aggressive approach to the customers under the new sales network and structure. At the same time, we will continually accelerate and devote ourselves to the transportation profit improvement activities as well.

With activities in the major business, we are committed to achieve the forecast for the year by expanding volume in profitable car selection business, concentrating on profitability by the bases in the general cargo transportation business.

Based on the abovementioned factors, despite the possibility that it might vary due to the movements of fuel price and domestic automobile demands, forecasts for the consolidated financial results for the fiscal year 2007( from July 1, 2007 to June 30, 2008) are sales: 56,500 million yen (4.3% increase compared to the previous year), operating profit: 1,650 million yen (73.3% increase compared to the previous year), ordinary profit: 1,720 million yen (55.3% increase compared to the previous year) and net profit: 960 million yen (45.4% increase compared to the previous year). There is no change from the forecast announced on August 10, 2007 in the financial results for

the fiscal year 2006.

### (3) Analysis Regarding Financial Condition

#### Condition of Assets, Liabilities and Net Assets

##### (Assets)

Current assets resulted in 12,591 million yen decreased by 6.3% compared to the end of previous consolidated fiscal year. This was mainly due to decreases of 454 million yen in notes and accounts receivable and 1,499 million yen in securities respectively, whereas cash and cash equivalents were up 891 million yen.

Non-current assets were 14,361 million yen decreased by 2.7% compared to the end of previous consolidated fiscal year. This was mainly resulted from decreases of 24 million yen in software by depreciation of system development cost and of 145 million yen in deferred tax asset respectively.

As a result, total assets were 26,953 million yen decreased by 4.4% compared to the previous consolidated fiscal year.

##### (Liabilities)

Current liabilities resulted in 7,133 million yen decreased by 3.6% compared to the previous consolidated fiscal year. This was mainly due to decreases of 258 million yen in notes and accounts payable and of 243 million yen in others (accrued liability, etc.) respectively, whereas allowance for bonus were up 267 million yen.

Non-current liabilities resulted in 8,151 million yen decreased by 11.4% decrease compared to the previous consolidated fiscal year. This was mainly due to decreases of 651 million yen in long-term loan and 412 million yen in allowance for retirement benefits respectively.

As a result, total liabilities resulted in 15,285 million yen decreased by 7.9% compared to the previous consolidated fiscal year.

##### (Net assets)

Total net assets resulted in 11,668 million yen increased by 0.6% compared to the previous consolidated fiscal year. This was due to an increase of 125 million yen in retained earnings.

#### Condition of Cash Flows

Cash and cash equivalents (hereinafter referred to as "funds") increased by 173 million yen to 5,144 million yen compared to the previous consolidated fiscal year.

Conditions of respective cash flows and their factors in this term are as follows.

##### (Cash flows from operating activities)

Funds generated by operating activities resulted in 374 million yen (635 million yen expense in the same term of previous year). Major breakdowns of revenues are net income before taxes and other adjustments: 443 million yen, depreciation cost: 323 million yen and a decrease of 454 million yen in trade receivables. Major breakdowns of expenses are 412 million yen down in allowance for retirement benefits, 258 million yen down in accounts payable and payments of 178 million yen for corporate taxes and others.

##### (Cash flows from investing activities)

Funds generated by investing activities resulted in 64 million yen (784 million yen expense in the same term of previous year). Major breakdown of revenues is 2,600 million yen revenue by redemption of securities. Major breakdown of expense are 1,795 million yen expense by acquisition of securities and 145 million yen expense by loan of loan receivable.

##### (Cash flows from financing activities)

Funds used for financing activities resulted in 86 million yen (489 million yen gained in the same term of previous

year). Major breakdowns are 737 million yen expense by repayment of loan and 68 million yen expense of dividend.

Transition of our group's cash flows related indices are as follows.

	FY2004	FY2005	FY2006	FY2007	Interim period of FY2007
Equity capital ratio (%)	40.9	40.5	38.8	41.0	43.3
Equity capital ratio by market value (%)	-	-	42.6	24.8	36.6
Ratio of cash flows and liabilities with interest (%)	8.1	16.2	5.9	4.7	4.9
Interest coverage ratio (times)	8.2	4.4	14.2	12.3	10.3

Equity capital ratio: Equity capital/total assets

Equity capital ratio by market value: Total market value of shares/total assets

Ratio of cash flow and liabilities with interest: Liabilities with interest/cash flow

(The Figures of operating cash flow for this term are doubled for adjustment to its full year term)

Interest coverage ratio: Cash flow/interest payment

(Note 1) Respective indices are calculated based upon consolidated financial data.

(Note 2) Total market value of shares is calculated based upon number of outstanding shares excluding treasury shares.

(Note 3) Cash flow is based upon operating cash flow.

(Note 4) Liabilities with interest are all the liabilities which interests are being paid out of liabilities reported on consolidated interim balance sheet.

(4) Basic Policy for Profit-sharing and Dividend for This Term

Considering earning retention, expanding business domain and strengthening business structure, in order to return the Company's profit to our shareholders and for the openness of profit appropriation, the following profit-sharing policy will be taken into account as a basic policy in the scope of divisible profit.

Consolidated Earnings per share(EPS)-diluted	Up to 40 yen	More than 40 yen and up to 80 yen	More than 80 yen
Annual dividend	8 yen	EPS x 20 %	EPS x 25 %

Dividend for this interim period has been resolved at the board of directors' meeting held today to be 4 yen per share as forecasted in the Financial Result of FY2006 announced on August 10, 2007. The amount of annual dividend is scheduled to be 11 yen per share reflecting forecast for the full year. As a result, dividend for the end of this fiscal year is scheduled to be 7 yen.

(5) Risks of Business and Others

Disclosure for the risks of business and others has been omitted because there was no significant change in this category from the Financial Report of FY2006 submitted on September 26, 2007. This Financial Report may be available on our web site (<http://www.zero-group.co.jp/ir/>). Please note that this report is Japanese only.