

Financial Results for the Third Quarter Ended March 31, 2008

May 15, 2008

Company name: ZERO CO., LTD.

Code No: 9028

Tokyo Stock Exchange (Second Section)

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

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(Figures less than one million yen are rounded)

1. Consolidated Financial Results up to the Third Quarter Ended March 31, 2008

(From July 1, 2007 to March 31, 2008)

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	%
Third quarter FY2007	41,651	2.8	902	85.7	990	67.4	534	99.6
Third quarter FY2006	40,504	5.3	486	-42.0	591	-35.9	267	-50.4
(Ref.)FY2006(Full year)	54,177	-	952	-	1,107	-	660	-
	Net earnings per share -basic		Net earnings per share -diluted					
	yen		yen					
Third quarter FY2007	31.01		30.71					
Third quarter FY2006	15.34		15.20					
(Ref.)FY2006(Full year)	37.94		37.61					

2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
Third quarter FY2007	29,256	12,005	40.8	692.11
Third quarter FY2006	30,766	11,204	36.3	647.11
(Ref.)FY2006(Full year)	28,190	11,593	41.0	671.25

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
Third quarter FY2007	179	783	-573	5,361
Third quarter FY2006	-282	-1,023	-55	3,379
(Ref.)FY2006(Full year)	939	180	-890	4,971

2. Earnings Forecasts of Consolidated Financial Results for Fiscal Year Ending June 30, 2008 (from July 1, 2007 to June 30, 2008)

Earnings forecasts which were announced on August 10, 2007 have been revised as follows.

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

	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	1,300	36.5	1,370	23.7	750	13.6	43.51

3. Others

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

(2) Adoption of the simplified method as part of accounting policies: Yes

(3) Changes in accounting policies from the most recent consolidated fiscal year: None

(Note) Please refer to the [Qualitative Information] and 4. Others for the details.

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.

[Qualitative Information]

1. Qualitative Information regarding Consolidated Business Performance

During the third quarter ended March 31, 2008 (from July 1, 2007 to March 31, 2008), the climate of national economy continued to undergo unclear due to the skyrocketing material and energy prices, financial uncertainty caused by the troubles in the US sub-prime lending market (housing loan to the low income earners in the United States) and stagnation of stock market and real-estate market and at the same time the personal consumption has been stagnated, whereas the solid corporate revenues has been carried on.

Especially the fact that the pump price has soared up to 134 yen per liter from 109 yen/liter of March 2007, up 25 yen/liter, according to The Oil Information Center, which has been significant pressure on the whole logistics industry including vehicle transportation industry.

In the automotive industry, there has been slump of the domestic new car sales of domestic auto manufacturers (95.6 % compared with previous year: statistical data of Japan Automobile Manufacturers Association) and the number of registered used cars (94.1 % compared with previous year: statistical data of Japan Automobile Dealers Association and Japan Mini Vehicles Association). In addition, transportation demand for new cars and used cars has been decreased. Although the range of decreases in domestic sales of Nissan Motor, ZERO's core customer, was small compared to other automotive manufacturers (98.5 % compared with previous year: statistical data of Japan Automobile Manufacturers Association), severe situation has still been carried on.

Under those circumstances, we are focusing on acquiring transportation volume of used cars and private cars upon moving, with aiming for expanding sales and enhancing transportation efficiency in the vehicle transportation business. We are giving our best effort in order to cover the negative impact by the skyrocketing fuel prices by continuing transportation profit enhancing activities. In addition, various revisions for acquiring

new customers and enhancing profit by each distribution center have been conducted in the general cargo transportation business.

Accordingly, ZERO Group's results up to the third quarter of FY2008 were as follows. Sales totaled 41,651 million yen (102.8 % compared with the same term of previous year), operating profit totaled 902 million yen (185.7 % compared with the same term of previous year), ordinary profit totaled 990 million yen (167.4 % compared with the same term of previous year) and net profit totaled 534 million yen (199.6 % compared with the same term of previous year).

2. Qualitative Information regarding Consolidated Financial Condition

(1) Fluctuation of Financial Condition

(Assets)

Current assets were 15,181 million yen, increased by 13.0% compared with the end of previous consolidated fiscal year. This was mainly due to increases of 417 million yen in cash and cash equivalents, 1,287 million yen in trade notes and accounts receivable and 728 million yen in others (accounts receivables, etc.) respectively, despite a decrease of 798 million yen in securities.

Non-current assets were 14,075 million yen, decreased by 4.6% compared with the end of previous consolidated fiscal year. This was mainly due to decreases of 264 million yen by disposal of former land of Okayama Logistics Center due to its relocation and 298 million yen in others (depreciation of system development cost, etc.) respectively.

As a result, total assets were 29,256 million yen, increased by 3.8% compared with the end of previous consolidated fiscal year.

(Liabilities)

Current liabilities resulted in 9,538 million yen, increased by 28.9% compared with the end of previous consolidated fiscal year. This was mainly due to increases of 881 million yen in notes payable and accounts payable, 338 million yen in short-term loans, 304 million yen in accrued income taxes and 486 million yen in others (accrued expenses, etc.) respectively.

Non-current liabilities resulted in 7,712 million yen, decreased by 16.1% compared with the end of previous consolidated fiscal year. This was mainly due to decreases of 805 million yen in long-term loan and 619 million yen in allowance for retirement benefits for employees respectively.

As a result, total liabilities resulted in 17,250 million yen, increased by 3.9% compared with the end of previous consolidated fiscal year.

(Net assets)

Total net assets resulted in 12,005 million yen, increased by 3.6% compared with the end of previous consolidated fiscal year. This was mainly due to an increase of 528 million yen in retained earnings, despite a decrease of 131 million yen in revaluation reserve for land by disposal of former land of Okayama Logistics Center.

(2) Condition of Cash Flows

Cash and cash equivalents (hereinafter referred to as "funds") were 5,361 million yen, increased by 389 million yen compared to the end of 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 179 million yen (282 million yen expense in the same term of previous year). Major breakdowns of revenues were net income before taxes and other adjustments: 1,063 million

yen, depreciation cost: 487 million yen and 881 million yen increase in accounts payable. Major breakdowns of expenses were 1,287 million yen increase in trade receivables, 619 million yen decrease in allowance for retirement benefits for employees and payments of 309 million yen for corporate taxes and others.

(Cash flows from investing activities)

Funds generated by investing activities were 783 million yen (1,023 million yen expenditure in the same term of previous year). Major breakdowns of revenues were 2,600 million yen proceeds from redemption of securities and 351 million yen proceeds from disposal of property, plant and equipment of Okayama Logistics Center. Major breakdowns of expenditure were 1,795 million yen payments for purchase of securities and 148 million yen payments for loans.

(Cash flows from financing activities)

Funds used for financing activities were 573 million yen (55 million yen expenditure in the same term of previous year). Major breakdowns of expenditures were 511 million yen payments for repayment of loan and 135 million yen payment for dividend.

3. Qualitative Information regarding Consolidated Earnings Forecast

Sales are expected to increase at the growth of previous forecast, however, profits are expected to fall below previous expectations due to the following factors and have been revised accordingly.

Vehicle Transportation-Related Business

Sales have been increasing steadily, whereas soaring fuel price has largely exceeded the estimates. Although the Company has devoted itself to reduce costs and improve transportation efficiency, the fuel cost has increased drastically since the early third quarter of FY07 and this trend is expected to remain the same in the fourth quarter of FY07. Forecasts for profits have been revised accordingly.

The Company is committed to make every effort for further improvement of transportation efficiency, as well as considering negotiations for the revision to the transportation charge with reflecting soaring fuel cost.

Car Selection Business

Volumes for used car auctions which are managed by the Company were to expand. However, competitions with other auto auctions became intensified and volumes for auto auction fell in the stagnation of used car market. Thus, the initial expected profits have been revised.

The Company will concentrate on acquiring auto auction volumes by expanding sales activities to new car dealers.

General Cargo Business

The number of contracts with cargo owners in 3PL business has been increasing steadily under the new sales structure. Tatebayashi Distribution Center was launched in Gunma prefecture in March, 2008 and has started its operation since. In addition, the Company has started to prepare for setting up Misato Distribution Center in Saitama prefecture which will start its operation from this June. Profits have been revised because costs for setting up those distribution centers were preceded since March 2008.

The Company takes setting up those distribution centers as a strategic move for expanding its business next fiscal year.

4. Others

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

(2) Adoption of the simplified method as part of accounting policies:

Partially simplified method is adopted for calculation of taxation costs.

(3) Changes in accounting policies from the most recent consolidated fiscal year: None

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