Consolidated Financial Statements

VT HOLDINGS CO., LTD.

Year Ended March 31, 2014

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries
Consolidated Balance Sheet
March 31, 2014

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2014	**2013**	**2014**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents *(Notes 3, 8, and 13)*	¥ 7,657	¥ 4,244	$ 74,339
Notes and accounts receivable:			
Trade *(Note 13)*	4,593	4,164	44,592
Other	790	1,065	7,669
Allowance for doubtful accounts	(22)	(18)	(213)
Lease receivables and investments in leases *(Notes 12, 13, and 18)*	5,699	3,946	55,330
Inventories *(Notes 4 and 8)*	10,727	10,746	104,145
Deferred tax assets *(Note 15)*	880	1,538	8,543
Other current assets	1,316	1,705	12,776
Total current assets	31,642	27,392	307,203
PROPERTY AND EQUIPMENT (Notes 6, 7, and 8):			
Land	17,294	18,111	167,902
Buildings and structures	17,861	17,581	173,407
Machinery and vehicles	3,459	3,143	33,582
Leased assets *(Note 12)*	7,978	7,012	77,456
Others	1,301	1,113	12,631
Total	47,894	46,963	464,990
Accumulated depreciation	(17,914)	(16,900)	(173,922)
Property and equipment – net	29,979	30,062	291,058
INTANGIBLE ASSETS	12,240	13,273	118,834
INVESTMENTS AND OTHER ASSETS:			
Investment securities *(Notes 5, 8, and 13)*	1,974	1,991	19,165
Investments in unconsolidated subsidiaries and associated companies	3,443	3,354	33,427
Long-term loans receivable *(Note 13)*	696	439	6,757
Guarantee and rental deposits	1,088	1,070	10,563
Deferred tax assets *(Note 15)*	303	322	2,941
Other assets *(Note 13)*	2,240	2,558	21,747
Allowance for doubtful accounts	(1,271)	(955)	(12,339)
Total investments and other assets	8,474	8,782	82,271
TOTAL ASSETS	¥ 82,337	¥ 79,510	$ 799,388

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries
Consolidated Balance Sheet (continued)
March 31, 2014

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2014	**2013**	**2014**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans *(Notes 8 and 13)*	¥ 3,752	¥ 11,998	$ 36,427
Current portion of long-term debt *(Notes 8 and 13)*	2,904	4,897	28,194
Current portion of long-term lease obligations *(Notes 8, 12, and 13)*	7,630	5,759	74,077
Notes and accounts payable:			
Trade *(Notes 8 and 13)*	15,367	12,994	149,194
Other	419	264	4,067
Income taxes payable *(Note 13)*	1,968	2,016	19,106
Accrued bonuses to employees	859	810	8,339
Other current liabilities	4,834	4,334	46,932
Total current liabilities	37,736	43,074	366,368
LONG-TERM LIABILITIES:			
Long-term debt *(Notes 8 and 13)*	9,557	9,418	92,786
Long-term lease obligations *(Notes 8 and 13)*	2,468	2,339	23,961
Liability for employees' retirement benefits *(Note 9)*	761	740	7,388
Liability for retirement benefits for directors and Audit & Supervisory Board members	547		5,310
Accounts payable-other	183	262	1,776
Asset retirement obligations	301	286	2,922
Deferred tax liabilities *(Note 15)*	1,421	1,407	13,796
Other long-term liabilities *(Note 8)*	405	415	3,932
Total long-term liabilities	15,645	15,279	151,893
EQUITY *(Note 10)*:			
Common stock: authorized – 56,600,000 shares in 2014 and 2013 issued – 39,793,678 shares in 2014 and 36,793,678 shares in 2013	4,297	2,493	41,718
Capital surplus	2,832	1,029	27,495
Stock acquisition rights *(Note 11)*	-	12	-
Retained earnings	20,421	16,488	198,262
Treasury stock, at cost – 575,500 shares in 2014 and 786,867 shares in 2013	(98)	(134)	(951)
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	281	261	2,728
Land revaluation surplus	29	37	281
Foreign currency translation adjustments	148	31	1,436
Total	27,912	20,220	270,990
Minority interests	1,042	937	10,116
Total equity	28,955	21,157	281,116
TOTAL LIABILITIES AND EQUITY	¥ 82,337	¥ 79,510	$ 799,388

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries
Consolidated Statement of Income
Year Ended March 31, 2014

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2014	**2013**	**2014**
NET SALES	¥ 132,682	¥ 118,317	$ 1,288,174
COST OF SALES	104,403	93,206	1,013,621
Gross profit	28,278	25,111	274,543
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	18,196	17,300	176,660
Operating income	10,082	7,810	97,883
OTHER (EXPENSE) INCOME:			
Interest and dividend income	62	58	601
Interest expense	(389)	(508)	(3,776)
Equity in earnings of associated companies	136	146	1,320
Subsidy income	-	66	-
Gain on sales of investment securities *(Note 5)*	13	9	126
Gain on negative goodwill	-	142	-
Lease revenue received	121	118	1,174
Loss on sales of investment securities *(Note 5)*	(0)	(6)	(0)
Write-down of investment securities *(Note 5)*	(41)	(0)	(398)
Loss on impairment of long-lived assets *(Note 6)*	(6)	(49)	(58)
Loss on sales and disposals of property and equipment – net	(177)	(53)	(1,718)
Provision for doubtful accounts	(323)	(347)	(3,135)
Cost of real estate leasing	(103)	(108)	(1,000)
Compensation for transfer	-	175	-
Other – net	33	41	320
Other expense – net	(675)	(315)	(6,553)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	¥ 9,406	¥ 7,494	$ 91,320

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries
Consolidated Statement of Income (continued)
Year Ended March 31, 2014

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2014	**2013**	**2014**
INCOME TAXES *(Note 15)*			
Current	¥ 3,477	¥ 3,328	$ 33,757
Deferred	681	(707)	6,611
Total income taxes	4,158	2,621	40,368
NET INCOME BEFORE MINORITY INTERESTS	5,248	4,873	50,951
MINORITY INTERESTS IN NET INCOME	121	97	1,174
NET INCOME	¥ 5,126	¥ 4,775	$ 49,766

	Yen		*U.S. Dollars (Note 1)*
PER SHARE OF COMMON STOCK *(Notes 2(w) and 17)*			
Basic net income *	¥ 46.29	¥ 44.93	$ 0.44
Diluted net income *	45.61	44.13	0.44
Cash dividends applicable to the year	37.00	30.00	0.35

*Basic and diluted net income per share for 2014 were calculated and presented as if the three-for-one stock split made on April 1, 2014 (see Note 19) was made on April 1, 2012, and those for 2013 were restated accordingly.

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries
Consolidated Statement of Comprehensive Income
Year Ended March 31, 2014

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2014	**2013**	**2014**
NET INCOME BEFORE MINORITY INTERESTS	¥ 5,248	¥ 4,873	$ 50,951
OTHER COMPREHENSIVE INCOME (Note 16):			
Net unrealized gain on available-for-sale securities	19	45	184
Foreign currency translation adjustments	115	31	1,116
Share of other comprehensive income in associates	(6)	(0)	(58)
Total other comprehensive income	127	76	1,233
COMPREHENSIVE INCOME	¥ 5,375	¥ 4,949	$ 52,184
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 5,255	¥ 4,850	$ 51,019
Minority interests	119	99	1,155

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity

Year Ended March 31, 2014

		Millions of Yen										
							Accumulated Other Comprehensive Income					
	Number of Shares of Common Stock Outstanding (See Note 19)	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Net Unrealized Gain on Available-for-Sale Securities	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE AT APRIL 1, 2012	34,569,846	¥ 2,493	¥ 1,035	¥ 41	¥ 12,588	¥ (380)	¥ 219	¥ 38	¥ (1)	¥ 16,034	¥ 887	¥ 16,921
Cash dividends, ¥25.00 per share	-	-	-	-	(875)	-	-	-	-	(875)	-	(875)
Net income for the year	-	-	-	-	4,775	-	-	-	-	4,775	-	4,775
Purchase of treasury stock	(35)	-	-	-	-	0	-	-	-	0	-	0
Exercise of stock options	1,437,000	-	(5)	-	-	245	-	-	-	239	-	239
Net change in the year	-	-	-	(28)	-	-	42	(1)	33	47	49	96
BALANCE AT MARCH 31, 2013	36,006,811	2,493	1,029	12	16,488	(134)	261	37	31	20,220	937	21,157
Issuance of common stock	3,000,000	1,803	1,803	-	-	-	-	-	-	3,607	-	3,607
Cash dividends, ¥33.00 per share	-	-	-	-	(1,191)	-	-	-	-	(1,191)	-	(1,191)
Net income for the year	-	-	-	-	5,126	-	-	-	-	5,126	-	5,126
Change in scope of consolidation	-	-	-	-	(1)	-	-	-	-	(1)	-	(1)
Purchase of treasury stock	(133)	-	-	-	-	(0)	-	-	-	(0)	-	(0)
Exercise of stock options	211,500	-	(0)	-	-	36	-	-	-	35	-	35
Net change in the year	-	-	-	(12)	-	-	20	(7)	116	117	105	222
BALANCE AT MARCH 31, 2014	39,218,178	¥ 4,297	¥ 2,832	¥ -	¥ 20,421	¥ (98)	¥ 281	¥ 29	¥ 148	¥ 27,912	¥ 1,042	¥ 28,955

	Thousands of U.S. Dollars (Note 1)										
						Accumulated other comprehensive income					
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Net Unrealized Gain on Available-for-Sale Securities	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE AT MARCH 31, 2013	$ 24,203	$ 9,990	$ 116	$ 160,077	$ (1,300)	$ 2,533	$ 359	$ 300	$ 196,310	$ 9,097	$ 205,407
Issuance of common stock	17,504	17,504	-	-	-	-	-	-	35,019	-	35,019
Cash dividends, $0.32 per share	-	-	-	(11,563)	-	-	-	-	(11,563)	-	(11,563)
Net income for the year	-	-	-	49,766	-	-	-	-	49,766	-	49,766
Change in scope of consolidation	-	-	-	(9)	-	-	-	-	(9)	-	(9)
Purchase of treasury stock	-	-	-	-	(0)	-	-	-	(0)	-	(0)
Exercise of stock options	-	0	-	-	349	-	-	-	339	-	339
Net change in the year	-	-	(116)	-	-	194	(67)	1,126	1,135	1,019	2,155
BALANCE AT MARCH 31, 2014	$ 41,718	$ 27,495	$ -	$ 198,262	$ (951)	$ 2,728	$ 281	$ 1,436	$ 270,990	$ 10,116	$ 281,116

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries
Consolidated Statement of Cash Flows
Year Ended March 31, 2014

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2014	**2013**	**2014**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 9,406	¥ 7,494	$ 91,320
Adjustments for:			
Depreciation and amortization	3,150	2,906	30,582
Amortization of goodwill	911	918	8,844
Loss on impairment of long-lived assets	6	49	58
Gain on negative goodwill	-	(142)	-
Increase in allowance for doubtful accounts	319	325	3,097
Increase (decrease) in accrued bonuses	49	(31)	475
Increase (decrease) in liability for employees' retirement benefits	21	(111)	203
Increase (decrease) in liability for retirement benefits for directors and Audit & Supervisory Board members	137	(18)	1,330
Interest and dividend income	(62)	(58)	(601)
Interest expense	389	508	3,776
Foreign exchange gain	(0)	(32)	(0)
Equity in earnings of unconsolidated subsidiaries and associated companies	(136)	(146)	(1,320)
Loss on sales and disposals of property and equipment – net	177	53	1,718
Write-down of investment securities	41	0	398
Gain on sales of investment securities – net	(13)	(3)	(126)
(Increase) decrease in notes and accounts receivable - trade	(138)	643	(1,339)
Decrease (increase) in inventories	303	(1,937)	2,941
Increase (decrease) in notes and accounts payable - trade	2,305	(4,463)	22,378
(Increase) decrease in other current assets	(8)	13	(77)
Increase (decrease) in other current liabilities	126	(595)	1,223
Increase in income taxes payable	76	507	737
Other – net	51	(164)	495
Subtotal	17,114	5,715	166,155
Interest and dividends received	119	76	1,155
Interest paid	(382)	(511)	(3,708)
Income taxes paid	(3,549)	(3,842)	(34,456)
Income taxes refunded	627	909	6,087
Net cash provided by operating activities	¥ 13,929	¥ 2,347	$ 135,233

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries
Consolidated Statement of Cash Flows (continued)
Year Ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	**2013**	**2014**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	¥ (3,032)	¥ (2,275)	$ (29,436)
Proceeds from sales of property and equipment	2,506	1,025	24,330
Purchases of intangible assets	(41)	(42)	(398)
Purchases of investment securities	(41)	(101)	(398)
Proceeds from sales of investment securities	65	110	631
Payments for acquisition of newly consolidated subsidiary	-	(527)	-
Proceeds for acquisition of newly consolidated subsidiary	-	259	-
Payment of loans receivable	(49)	(19)	(475)
Proceeds from loans receivable	83	85	805
Payment of security deposits	(109)	(71)	(1,058)
Proceeds from security deposits	70	72	679
Other	(20)	(159)	(194)
Net cash used in investing activities	(570)	(1,643)	(5,533)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net decrease in short-term bank loans	(8,315)	(2,123)	(80,728)
Proceeds from long-term debt	5,530	6,600	53,689
Repayment of long-term debt	(7,201)	(5,200)	(69,912)
Proceeds from issuance of bonds	242	600	2,349
Redemption of bonds	(432)	(437)	(4,194)
Issuance of common stock	3,583	-	34,786
Purchase of treasury stock	(0)	(0)	(0)
Sales of treasury stock	30	204	291
Cash dividends paid	(1,191)	(875)	(11,563)
Cash dividends paid to minority shareholders	(14)	(11)	(135)
Repayment of lease obligations	(2,168)	(1,877)	(21,048)
Other	(1)	(0)	(9)
Net cash used in financing activities	(9,939)	(3,122)	(96,495)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	14	24	135
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,433	(2,394)	33,330
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,184	6,579	40,621
CASH AND CASH EQUIVALENTS OF SUBSIDIARIES EXCLUDED FROM CONSOLIDATION	(20)	-	(194)
CASH AND CASH EQUIVALENTS, END OF YEAR *(Note 3)*	¥ 7,597	¥ 4,184	$ 73,757

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries
Consolidated Statement of Cash Flows (continued)
Year Ended March 31, 2014

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2014	**2013**	**2014**
NONCASH FINANCING ACTIVITIES:			
Finance lease transactions:			
Increase in leased assets	¥ 2,459	¥ 2,374	$ 23,873
Increase in lease obligations	2,492	2,531	24,194
ADDITIONAL INFORMATION:			
Reconciliation of the net cash paid for investment in CCR MOTOR CO. LTD. was as follows:			
Current assets	-	¥ 1,408	-
Noncurrent assets	-	420	-
Current liabilities	-	(804)	-
Noncurrent liabilities	-	(273)	-
Negative goodwill	-	(142)	-
Cost of shares	-	609	-
Cash and cash equivalents held by CCR MOTOR CO. LTD.	-	(82)	-
Net cash paid for investment in CCR MOTOR CO. LTD.	-	¥ 527	-
Reconciliation of the net cash provided by investment in Nissan-Satio-Saitama Co., Ltd and its subsidiary was as follows:			
Current assets	-	¥ 1,220	-
Noncurrent assets	-	5,878	-
Current liabilities	-	(6,670)	-
Noncurrent liabilities	-	(428)	-
Cost of shares	-	0	-
Cash and cash equivalents held by Nissan-Satio-Saitama Co., Ltd. and its subsidiary	-	(259)	-
Net cash provided by investment in Nissan-Satio-Saitama Co., Ltd. and its subsidiary	-	¥ 259	-

See accompanying notes to the consolidated financial statements.

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2013 consolidated financial statements to conform to the classifications used in 2014.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which VT HOLDINGS CO., LTD. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥103 to $1, the approximate rate of exchange at March 31, 2014. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Japanese yen figures less than a million yen are rounded down to the nearest thousand yen. Consequently, the totals shown in the accompanying consolidated financial statements for the years ended March 31, 2014 and 2013 (both in yen and in U.S. dollars), do not necessarily agree with the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The consolidated financial statements as of March 31, 2014, include the accounts of the Company and its 23 (23 in 2013) significant subsidiaries (together, the "Group").

Under the control and influence concepts, those companies over which the Company, directly or indirectly, is able to exercise control over operations are consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method, except for mentioned below.

Investments in two (two in 2013) associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies (nine in 2014 and eight in 2013) are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of an acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is being amortized over a period of 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

(b) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or accounting principles generally accepted in the United States of America tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of research and development (R&D); (d) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; and (e) exclusion of minority interests from net income, if contained in net income.

(c) Business Combinations

In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allowed companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

(d) Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents consist of cash on hand and deposits in banks (including time deposits).

(e) Allowance for Doubtful Accounts

The allowance for doubtful accounts is computed based on the historical ratio of bad debts and an estimate of certain uncollectible amounts determined after an analysis of specific individual receivables.

(f) Inventories

Inventories are stated at the lower of cost, determined by the individual cost method for merchandise such as new cars, used cars, and real estate for sale and work in process and by the last purchase method for merchandise such as parts, raw materials, and supplies.

(g) Property and Equipment

Property and equipment are stated at cost, less gains deferred on the sale and replacement of certain assets. Depreciation of property and equipment of the Company and its consolidated domestic subsidiaries is computed by the declining-balance method based on the estimated useful lives of the assets in accordance with the corporate tax law, except for buildings (other than structures attached to the buildings) acquired on or after April 1, 1998, and cars for rental purposes to which the straight-line method is applied, while the straight-line method is applied to all property and equipment of consolidated foreign subsidiaries.

Leased assets that are deemed not to transfer ownership to the lessee are depreciated over the lease period by the straight-line method with no residual value (or with guaranteed residual value, if any).

(h) Intangible Assets

Expenditures relating to software developed for internal use are charged to income when incurred, except when the software is expected to contribute to the generation of income or to cost savings. Such expenditures are capitalized as assets and are amortized by the straight-line method over their estimated useful life, generally a five-year period. In addition, the amortization of software for sales is calculated based on the expected sales quantities (or amortized over three years if the calculated amounts are greater than the above method).

(i) Long-Lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(j) Investment Securities

Investment securities are classified and accounted for, depending on management's intent, as follows:

Available-for-sale securities, which are classified as neither trading securities nor held-to-maturity securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

(k) Deferred Assets

Stock and bond issuance costs are charged to income as incurred.

(l) Accrued Bonuses to Employees

Accrued bonuses to employees are provided for at the estimated amount of bonuses to be paid to the employees in the following year, which has been allocated to them in the current fiscal year.

(m) Liability for Retirement Benefits for Directors and Audit & Supervisory Board Members

Retirement allowances for directors and Audit & Supervisory Board members are recorded as a liability at the amount that would be required if all directors and Audit & Supervisory Board members retired at each balance sheet date.

(n) Liability for Employees' Retirement Benefits

The Company and certain consolidated subsidiaries have a defined contribution pension plan. In addition, there is a company pension plan, a severance payment plan, and a funded contributory pension plan, all of which are defined benefit pension plans.
The funded contributory pension plan is a multiemployer plan and the Group recognizes the required contribution for the period as net pension cost.
Certain consolidated subsidiaries adopt simplified method for computing retirement benefit liabilities and retirement benefit expenses.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

The Company applied the revised accounting standard and guidance for retirement benefit effective March 31, 2014. There was no effect of these changes on the consolidated statement of income for the year ended March 31, 2014.

(o) Asset Retirement Obligations

In March 2008, the ASBJ issued ASBJ Statement No. 18, “Accounting Standard for Asset Retirement Obligations,” and ASBJ Guidance No. 21, “Guidance on Accounting Standard for Asset Retirement Obligations.” Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

(p) Stock Options

In December 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options," and related guidance. The new standard and guidance are applicable to stock options newly granted on or after May 1, 2006. This standard requires companies to measure the cost of employee stock options based on the fair value at the date of grant and recognize compensation expense over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to nonemployees based on the fair value of either the stock option or the goods or services received. In the consolidated balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

(q) Leases

In March 2007, the ASBJ issued ASBJ Statement No. 13, “Accounting Standard for Lease Transactions,” which revised the previous accounting standard for lease transactions.

(Lessee)
Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased assets to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain “as if capitalized” information was disclosed in the notes to the lessee’s financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

(Sublease)
Prior to April 1, 2008, lease revenue received was recorded as sales and lease expense paid was recorded as cost of sales. However, effective April 1, 2008, net gains on sublease transactions were recorded as sales. Also, the Group accounted for leases that existed at the transition date and do not transfer ownership of the leased assets to the lessee in accordance with the new accounting method.

(r) Construction Contracts

In December 2007, the ASBJ issued ASBJ Statement No. 15, “Accounting Standard for Construction Contracts” and ASBJ Guidance No. 18, “Guidance on Accounting Standard for Construction Contracts.” Under this accounting standard, construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs, and the stage of completion of a contract at the balance sheet date can be reliably measured, the outcome of the construction contract is deemed to be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts.

(s) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.
The Group files a tax return under the consolidated corporate tax system from the current consolidated reporting year, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

(t) Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

(u) Foreign Currency Financial Statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date, except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

(v) Derivatives and Hedging Activities

The Group uses derivative financial instruments to manage its exposures to fluctuations in interest rates. Interest rate swaps and interest rate caps are utilized by the Group to reduce interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Interest rate swaps and interest rate caps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expenses or income.

(w) Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

(x) Accounting Changes and Error Corrections

In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies - When a new accounting policy is applied following the revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation - When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates - A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors - When an error in prior-period financial statements is discovered, those statements are restated.

3. CASH AND CASH EQUIVALENTS

A reconciliation between the cash and cash equivalents in the consolidated balance sheets and the consolidated statements of cash flows for the years ended March 31, 2014 and 2013, was as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2014	**2013**	**2014**
Cash and cash equivalents in the consolidated balance sheets	¥ 7,657	¥ 4,244	$ 74,339
Time deposits	(60)	(60)	(582)
Cash and cash equivalents in the consolidated statements of cash flows	¥ 7,597	¥ 4,184	$ 73,757

4. INVENTORIES

Inventories as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2014	**2013**	**2014**
New and used cars	¥ 9,661	¥ 9,880	$ 93,796
Parts	382	342	3,708
Other merchandise	286	157	2,776
Total merchandise	10,330	10,380	100,291
Raw materials	5	5	48
Work in process	328	311	3,184
Supplies	63	47	611
Total	¥ 10,727	¥ 10,746	$ 104,145

5. INVESTMENT SECURITIES

Investment securities as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2014	**2013**	**2014**
Noncurrent:			
Equity securities	¥ 1,702	¥ 1,698	$ 16,524
Trust fund investments and other	271	293	2,631
Total	¥ 1,974	¥ 1,991	$ 19,165

Information regarding investment securities classified as available-for-sale securities at March 31, 2014 and 2013, is summarized as follows:

	Millions of Yen							
March 31, 2014	Cost		Unrealized Gains		Unrealized Losses		Fair Value	
Equity securities	¥	250	¥	409	¥	(0)	¥	659
Other		242		29		(0)		271
Total	¥	493	¥	438	¥	(1)	¥	930

	Millions of Yen							
March 31, 2013	Cost		Unrealized Gains		Unrealized Losses		Fair Value	
Equity securities	¥	241	¥	376	¥	(1)	¥	617
Other		242		33		(0)		275
Total	¥	484	¥	410	¥	(1)	¥	892

	Thousands of U.S. Dollars							
March 31, 2014	Cost		Unrealized Gains		Unrealized Losses		Fair Value	
Equity securities	$	2,427	$	3,970	$	(0)	$	6,398
Other		2,349		281		(0)		2,631
Total	$	4,786	$	4,252	$	(9)	$	9,029

The information of the available-for-sale securities that were sold during the years ended March 31, 2014 and 2013, was as follows:

	Millions of Yen					
March 31, 2014	Proceeds		Realized Gains		Realized Losses	
Equity securities	¥	44	¥	13	¥	0

	Millions of Yen					
March 31, 2013	Proceeds		Realized Gains		Realized Losses	
Equity securities	¥	105	¥	9	¥	5
Other		6		-		0
Total	¥	111	¥	9	¥	6

	Thousands of U.S. Dollars		
March 31, 2014	Proceeds	Realized Gains	Realized Losses
Equity securities	$ 427	$ 126	$ 0

The impairment losses on securities for the years ended March 31, 2014 and 2013, were ¥41 million ($398 thousand) and ¥0, respectively.

6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2014 and 2013. As a result, the Group recognized impairment losses of ¥6 million ($58 thousand) and ¥49 million, respectively. For the year ended March 31, 2014, a loss was recognized for long-lived assets used for the Car industry due to a decrease in profitability. For the year ended March 31, 2013, a loss was recognized for long-lived assets used for the Car and Housing industries due to a decrease in profitability, and for Other industry as their fair market value of investment properties fell significantly below the carrying amount.

Impairment losses consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2014	**2013**	**2014**
Buildings and structures	¥ 6	¥ 32	$ 58
Investment property	-	13	-
Other	-	3	-
Total	¥ 6	¥ 49	$ 58

7. INVESTMENT PROPERTY

In November 2008, the ASBJ issued ASBJ Statement No. 20, “Accounting Standard for Investment Property and Related Disclosures,” and issued ASBJ Guidance No. 23, “Guidance on Accounting Standard for Investment Property and Related Disclosures.”

The Company and its consolidated subsidiaries hold some rental properties, such as office buildings and shops in Aichi and other areas. In addition, some rental properties, such as office buildings, part of which the Company and its consolidated subsidiaries use, are classified as rental properties in part.

The carrying amounts, changes in such balances, and market prices of such properties are as follows:

	Millions of Yen			
	Carrying Amount			Fair Value
	April 1, 2013	Decrease	March 31, 2014	March 31, 2014
Investment properties	¥ 4,168	¥ (35)	¥ 4,133	¥ 3,699
Properties that include parts used as investment properties	1,544	(114)	1,429	1,508

	Millions of Yen			
	Carrying Amount			Fair Value
	April 1, 2012	Decrease	March 31, 2013	March 31, 2013
Investment properties	¥ 4,182	¥ (13)	¥ 4,168	¥ 3,762
Properties that include parts used as investment properties	1,567	(23)	1,544	1,927

	Thousands of U.S. Dollars			
	Carrying Amount			Fair Value
	April 1, 2013	Decrease	March 31, 2014	March 31, 2014
Investment properties	$ 40,466	$ (339)	$ 40,126	$ 35,912
Properties that include parts used as investment properties	14,990	(1,106)	13,873	14,640

Notes:
1) The carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
2) The fair value of properties as of March 31, 2014 and 2013, is measured by the Group in accordance with its Real-Estate Appraisal Standard.

In addition, rental income and operating expenses for those rental properties are as follows:

	Millions of Yen			
March 31, 2014	Rental Income	Cost of Rent	Net Rental Income	Other (Expenses)
Investment properties	¥ 310	¥ 163	¥ 147	¥ -
Properties that include parts used as investment properties	92	60	31	(103)

	Millions of Yen			
March 31, 2013	Rental Income	Cost of Rent	Net Rental Income	Other (Expenses)
Investment properties	¥ 340	¥ 168	¥ 171	¥ (13)
Properties that include parts used as investment properties	98	60	37	-

	Thousands of U.S. Dollars			
March 31, 2014	Rental Income	Cost of Rent	Net Rental Income	Other (Expenses)
Investment properties	$ 3,009	$ 1,582	$ 1,427	$ -
Properties that include parts used as investment properties	893	582	300	(1,000)

Notes:

1) Rental income arising from parts used by the Group for its business and administration relating to properties that include parts used as investment properties are not included above. In addition, costs arising from such properties for business use (e.g., depreciation expense, repair cost, insurance cost, tax, and public charges) are deducted from cost of rent.
2) Other expenses incurred for the fiscal years ended March 31, 2014 and 2013, were a loss on sales of property and loss on impairment of long-lived assets, respectively, which were included in the consolidated statement of income.

8. SHORT-TERM BANK LOANS, LONG-TERM DEBT, AND INTEREST-BEARING LIABILITIES

Short-term bank loans principally represent short-term notes and overdrafts.
The average annual interest rates applicable to the short-term bank loans were 0.85% and 1.14% at March 31, 2014 and 2013, respectively.

Long-term debt at March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2014	**2013**	**2014**
Loans from banks and other financial institutions due serially to 2021 with weighted-average interest rates of 0.89% in 2014 and 1.14% in 2013	¥ 10,961	¥ 12,632	$ 106,417
Unsecured six months' TIBOR+0.15% domestic bonds due serially to 2013	-	82	-
Unsecured three months' TIBOR+0.20% domestic bonds due serially to 2016	200	280	1,941
Unsecured 0.61% domestic bonds due serially to 2016	200	200	1,941
Unsecured 0.72% domestic bonds due serially to 2019	250	-	2,427
Unsecured 0.79% domestic bonds due serially to 2017	180	240	1,747
Unsecured 0.79% domestic bonds due serially to 2017	300	400	2,912
Unsecured 0.59% domestic bonds due serially to 2018	320	400	3,106
Unsecured 1.40% domestic bonds due serially to 2016	30	44	291
Unsecured 1.34% domestic bonds due serially to 2015	20	36	194
Long-term lease obligations	4,536	4,212	44,038
Unsecured 1.90% in 2014 and 2013 domestic other long-term debt due serially to 2029*	15	16	145
Total	¥ 17,012	¥ 18,542	$ 165,165
Less current portion	(4,972)	(6,770)	(48,271)
Long-term debt, less current portion	¥ 12,040	¥ 11,773	$ 116,893

* Unsecured 1.90% domestic other long-term debt due serially to 2029 is included in other long-term liabilities in the consolidated balance sheets.

The aggregate annual maturities of long-term debt and lease obligations subsequent to March 31, 2014, are summarized as follows:

Long-term debt (including current portion)	*Millions of Yen*		*Thousands of U.S. Dollars*	
	2014		**2014**	
2015	¥	2,904	$	28,194
2016		2,558		24,834
2017		3,403		33,038
2018		1,456		14,135
2019		1,809		17,563
2020 and thereafter		346		3,359
Total	¥	12,476	$	121,126

Long-term lease obligations (including current portion)	*Millions of Yen*		*Thousands of U.S. Dollars*	
	2014		**2014**	
2015*	¥	2,068	$	20,077
2016		1,466		14,233
2017		773		7,504
2018		155		1,504
2019		35		339
2020 and thereafter		39		378
Total	¥	4,536	$	44,038

*Lease obligations on subleases were not included in the schedule above and, as result, the current portion of long-term lease obligations presented in the consolidated balance sheet is exceeds that in the above schedule by ¥5,561 million ($53,990 thousand).

The assets pledged as collateral for accounts payable of ¥369 million ($3,582 thousand), short-term bank loans of ¥1,250 million ($12,135 thousand), and long-term debt of ¥2,765 million ($26,844 thousand) including the current portion at March 31, 2014, were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*	
	2014		**2014**	
Time deposit	¥	90	$	873
Merchandises and vehicles		352		3,417
Land		7,788		75,611
Buildings		2,020		19,611
Investment securities		4		38
Total	¥	10,256	$	99,572

9. RETIREMENT AND PENSION PLAN

The Company and certain consolidated subsidiaries have a defined contribution pension plan. In addition, there is a company pension plan, a severance payment plan, and a funded contributory pension plan, all of which are defined benefit plans.

Year Ended March 31, 2014

(1) Multiemployer pension plan

Total contribution for the multiemployer pension plans was ¥188 million ($1,825 thousand) for the year ended March 31, 2014.

The funded status of the multiemployer pension plans at March 31, 2014, whose contributions were recorded as net periodic retirement benefit costs, was as follows:

	Millions of Yen					
March 31, 2014	Pension Fund of Honda Car Dealers		Shizuoka Automobile Pension Fund		Saitama Machine Industry Pension Fund	
Fair value of plan assets	¥	31,165	¥	26,281	¥	72,033
Pension obligation recorded by pension fund		34,453		35,328		83,606
Difference	¥	(3,287)	¥	(9,046)	¥	(11,573)

	Thousands of U.S. Dollars					
March 31, 2014	Pension Fund of Honda Car Dealers		Shizuoka Automobile Pension Fund		Saitama Machine Industry Pension Fund	
Fair value of plan assets	$	302,572	$	255,155	$	699,349
Pension obligation recorded by pension fund		334,495		342,990		811,708
Difference	$	(31,912)	$	(87,835)	$	(112,359)

The Group's contribution percentage for multiemployer pension plans for the year ended March 31, 2014, is as follows:

	2014
Pension Fund of Honda Car Dealers	4.5 %
Shizuoka Automobile Pension Fund	7.9
Saitama Machine Industry Pension Fund	1.9

The difference of funded status of the multiemployer pension plans at March 31, 2014, consisted of the following:

	Millions of Yen		
March 31, 2014	Pension Fund of Honda Car Dealers	Shizuoka Automobile Pension Fund	Saitama Machine Industry Pension Fund
Deficiency of reserve	-	¥ (4,079)	¥ (1,202)
Reserve	¥ 1,004	-	-
Prior service cost	(4,292)	(4,966)	(10,371)
Difference	¥ (3,287)	¥ (9,046)	¥ (11,573)

	Thousands of U.S. Dollars		
March 31, 2014	Pension Fund of Honda Car Dealers	Shizuoka Automobile Pension Fund	Saitama Machine Industry Pension Fund
Deficiency of reserve	-	$ (39,601)	$ (11,669)
Reserve	$ 9,747	-	-
Prior service cost	(41,669)	(48,213)	(100,689)
Difference	$ (31,912)	$ (87,825)	$ (112,359)

Notes:

(Pension Fund of Honda Car Dealers)

Prior service cost is amortized over 20 years and special contribution of ¥16 million ($155 thousand) was expensed for the year ended March 31, 2014.

(Shizuoka Automobile Pension Fund)

Prior service cost is amortized over 20 years and special contribution of ¥33 million ($320 thousand) was expensed for the year ended March 31, 2014.

(Saitama Machine Industry Pension Fund)

Prior service cost is amortized over 20 years and special contribution of ¥21 million ($203 thousand) was expensed for the year ended March 31, 2014.

(2) Defined benefit pension plan

The changes in defined benefit obligation, which applied the simplified method for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 740	$ 7,184
Periodic benefit costs	105	1,019
Benefits paid	(66)	(640)
Contributions from the employer	(18)	(174)
Balance at end of year	¥ 761	$ 7,388

A reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets is as follows:

	Millions of Yen	Thousands of U.S. Dollars
Funded defined benefit obligation	¥ 336	$ 3,262
Plan assets	(84)	(815)
	252	2,446
Unfunded defined benefit obligation	509	4,941
Net liability arising from defined benefit obligation	¥ 761	$ 7,388

Certain consolidated subsidiaries changed their method for computing retirement benefit liabilities from the actuarial method to the simplified method due to the decreasing number of employees. The effect of this change on the consolidated statement of income for the year ended March 31, 2014, was immaterial.

(3) Defined contribution pension plan

Total contribution for the defined contribution pension plan was ¥264 million ($2,563 thousand) for the year ended March 31, 2014.

Year Ended March 31, 2013

The funded and accrued status of certain consolidated subsidiaries' defined benefit pension plans and the amounts recognized in the consolidated balance sheet at March 31, 2013, for the plans are as follows:

	Millions of Yen
Projected benefit obligation	¥ 927
Fair value of plan assets	(78)
Unrecognized prior service cost	(61)
Unrecognized actuarial loss	(69)
Unrecognized transitional obligation	23
Net liability	¥ 740

The components of net periodic benefit costs for the year ended March 31, 2013, are as follows:

	Millions of Yen
Service cost	¥ 25
Interest cost	10
Amortization of prior service cost	12
Recognized actuarial loss	15
Amortization of transitional obligation	(11)
Contribution to defined contribution pension plan	265
Prepaid retirement payments	15
Other periodic benefit costs	184
Net periodic benefit costs	¥ 518

Assumptions used for the year ended March 31, 2013, are set forth as follows:

Discount rate	0.7%
Amortization period of prior service cost	11 years
Recognition period of actuarial gain (loss)	11 years
Amortization period of transitional obligation	As incurred

Certain consolidated subsidiaries, which have been newly consolidated, amortize their transitional obligation over 15 years.

The funded status of the multiemployer pension plans at March 31, 2013, whose contributions were recorded as net periodic retirement benefit costs, was as follows:

	Millions of Yen		
March 31, 2013	Pension Fund of Honda Car Dealers	Shizuoka Automobile Pension Fund	Saitama Machine Industry Pension Fund
Fair value of plan assets	¥ 27,551	¥ 24,597	¥ 65,176
Pension obligation recorded by pension fund	29,852	34,119	79,887
Difference	¥ (2,301)	¥ (9,521)	¥ (14,711)

The difference of funded status of the multiemployer pension plans at March 31, 2013, consisted of the following:

	Millions of Yen		
March 31, 2013	Pension Fund of Honda Car Dealers	Shizuoka Automobile Pension Fund	Saitama Machine Industry Pension Fund
Deficiency of reserve	¥ (2,301)	¥ (5,624)	¥ (4,206)
Prior service cost	-	(3,897)	(10,505)
Difference	¥ (2,301)	¥ (9,521)	¥ (14,711)

Notes:

(Shizuoka Automobile Pension Fund)

Prior service cost is amortized over 20 years and a special contribution of ¥29 million ($308 thousand) was expensed for the year ended March 31, 2013.

(Saitama Machine Industry Pension Fund)

Prior service cost is amortized over 20 years and a special contribution of ¥21 million ($223 thousand) was expensed for the year ended March 31, 2013.

The Group’s contribution percentage for multiemployer pension plans for the year ended March 31, 2013, is as follows:

	2013
Pension Fund of Honda Car Dealers	4.1 %
Shizuoka Automobile Pension Fund	8.2
Saitama Machine Industry Pension Fund	2.2

The Group’s contribution percentage for multiemployer pension plans should not be construed as the Group’s actual obligation percentage.

10. EQUITY

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. For companies that meet certain criteria including such as (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria. The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to certain limitations and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury Stock and Treasury Stock Acquisition Rights
The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

11. STOCK OPTIONS

The stock options outstanding at March 31, 2014, are as follows:

Stock Option (Granted by)	Persons Granted	Number of Options Granted (Shares)	Date of Grant	Exercise Price *Yen (U.S. Dollars)*	Exercise Period
2008 Stock option (the Company)	(the Company) three directors	2,500,000	June 30, 2008	¥ 142 ($ 1.37)	From July 1, 2009 to June 30, 2013

The stock option activity is as follows:

(Stock option granted by the Company)

	2008 Stock Option (Shares)
For the year ended March 31, 2014	
Nonvested	
March 31, 2013 - Outstanding	-
Granted	-
Canceled	-
Vested	-
March 31, 2014 - Outstanding	-
Vested	
March 31, 2013 - Outstanding	211,500
Vested	-
Exercised	211,500
Canceled	-
March 31, 2014 - Outstanding	-
Exercise price	¥ 142
(Yen and U.S. dollars)	($ 1.37)
Average stock price at exercise	¥ 1,308
(Yen and U.S. dollars)	($ 12.6)
Fair value price at grant date	¥ 25
(Yen and U.S. dollars)	($ 0.24)

The number of shares and prices are those without the effect of the stock split (see Note 19).

12. LEASES

The Group's leased assets primarily consist of maintenance machinery and cars for rent in the Car industry.

Amounts of sublease items, which include the interest portion, included in the consolidated balance sheets as of March 31, 2014 and 2013, were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2014	**2013**	**2014**
Lease receivables and investments in leases	¥ 5,392	¥ 3,739	$ 52,349
Current portion of long-term lease obligations	5,561	3,885	53,990

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group sells cars and conducts related businesses. The Group finances itself mainly through bank loans based on its capital financing plan. Cash surpluses, if any, are invested in low-risk financial assets. Short-term bank loans are used to fund its daily operations. Derivatives are not used for speculative purposes, but to manage exposure to financial risks as described below.

(2) Nature and Extent of Risks Arising from Financial Instruments

Receivables such as trade notes, trade accounts, lease receivables, and investments in leases are exposed to customer credit risk. Securities and investment securities, which are mainly in equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuation. In addition, advances to the Group's customers and suppliers and receivables from them are exposed to credit risk.

Payment terms of payables, such as trade notes, trade accounts, and income taxes payable, are less than one year. Bank loans and bonds are used to fund mergers and acquisitions for business expansion and facilities in its subsidiaries with maturities less than approximately five years. Lease obligations mainly arise from finance lease transactions of cars for rent with maturities less than five years. Additionally, bank loans and bonds with variable interest rates and lease obligations are exposed to risks from changes in variable interest rates.

(3) Risk Management for Financial Instruments

Credit Risk Management

The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of customers' credit records which are reviewed on a regular basis to identify the default risk of customers at an early stage. The Group investigates the credit information of new customers before doing business and to determine whether to enter into the contract or not as well as to define the contract terms with them.

Market risk management

Securities and investment securities are managed by monitoring the market values and the financial position of issuers on a regular basis. The Company and some of its subsidiaries apply derivatives such as interest rate swaps and interest rate caps to certain bank loans to manage the market risk from changes in variable interest rates.

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk by planning or revising its cash flow projection on a monthly basis.

(4) Fair Values of Financial Instruments

The fair value of financial instruments is based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead.
Please see Note 14 for the details of the fair value of derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2014	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 7,657	¥ 7,657	-
Notes and accounts receivable	4,593	4,593	-
Lease receivables and investments in leases	5,699	6,223	¥ 523
Securities and investment securities:			
Available-for-sale securities	930	930	-
Long-term loans receivable:	696		
Less: allowance for doubtful accounts (*)	(343)		
Long-term loans receivable - net	353	369	16
Claims in bankruptcy:	608		
Less: allowance for doubtful accounts (*)	(600)		
Claims in bankruptcy – net	8	8	-
Total	¥ 19,242	¥ 19,782	¥ 540
Notes and accounts payable	¥ 15,367	¥ 15,367	-
Short-term bank loan (excluding current portion of long-term debt)	3,752	3,752	-
Income taxes payable	1,968	1,968	-
Long-term lease obligations (including current portion)	10,098	9,965	¥ 132
Long-term debt (including current portion)	12,461	12,472	(10)
Total	¥ 43,648	¥ 43,526	¥ 121

	Millions of Yen		
March 31, 2013	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 4,244	¥ 4,244	-
Notes and accounts receivable	4,164	4,164	-
Lease receivables and investments in leases	3,946	4,356	¥ 409
Securities and investment securities:			
Available-for-sale securities	892	892	-
Long-term loans receivable	439		
Less: allowance for doubtful accounts (*)	(27)		
Long-term loans receivable - net	411	429	17
Claims in bankruptcy:	611		
Less: allowance for doubtful accounts (*)	(603)		
Claims in bankruptcy – net	8	8	-
Total	¥ 13,668	¥ 14,095	¥ 427

Notes and accounts payable	¥	12,994	¥	12,994		-
Short-term bank loan (excluding current portion of long-term debt)		11,998		11,998		-
Income taxes payable		2,016		2,016		-
Long-term lease obligations (including current portion)		8,098		8,000	¥	98
Long-term debt (including current portion)		14,315		14,336		(21)
Total	¥	49,424	¥	49,347	¥	77

	Thousands of U.S. Dollars					
March 31, 2014	Carrying Amount		Fair Value		Unrealized Gain (Loss)	
Cash and cash equivalents	$	74,339	$	74,339		-
Notes and accounts receivable		44,592		44,592		-
Lease receivables and investments in leases		55,330		60,417	$	5,077
Securities and investment securities						
Available-for-sale securities		9,029		9,029		-
Long-term loans receivable		6,757				
Less: allowance for doubtful accounts (*)		(3,330)				
Long-term loans receivable - net		3,427		3,582		155
Claims in bankruptcy		5,902				
Less: allowance for doubtful accounts (*)		(5,825)				
Claims in bankruptcy – net		77		77		-
Total	$	186,815	$	192,058	$	5,242
Notes and accounts payable	$	149,194	$	149,194		-
Short-term bank loans (excluding current portion of long-term debt)		36,427		36,427		-
Income taxes payable		19,106		19,106		-
Long-term lease obligations (including current portion)		98,038		96,747	$	1,281
Long-term debt (including current portion)		120,980		121,087		(97)
Total	$	423,766	$	422,582	$	1,174

(*) Allowance for long-term loans receivable and claims in bankruptcy is deducted from the carrying amount.

Assets

Cash and Cash Equivalents and Notes and Accounts Receivable
The carrying amounts of these accounts approximate fair value because of their short maturities.

Lease Receivables and Investments in leases
The fair values of these accounts are determined by discounting the total nominal amount with the rate reflecting the credit risk. Accordingly, the carrying amount of these accounts is different from the fair value because they are carried at the nominal amount.

Securities and Investment Securities
The fair values of these accounts are measured at the quoted market prices of the stock exchange for equity instruments.

Long-Term Loans Receivable
The fair values of these accounts are determined by discounting the cash flow with the rate reflecting the payment term and the credit risk by each item. The fair value of certain doubtful long-term loans receivable represents the carrying amount as of the balance sheet date less bad debt allowance because the allowances were estimated based on the recoverable amount of those receivables, which approximate fair value.

Claims in Bankruptcy
The fair value of claims in bankruptcy represents the carrying amount as of the balance sheet date less the bad debt allowance because the allowances were estimated based on the recoverable amount with guarantee and collateral, which approximate fair value.

Liabilities

Notes and Accounts Payable, Income taxes payable, and Short-Term Bank Loans
The carrying amount of these accounts approximates fair value because of their short maturities.

Long-term Lease Obligations
The fair values of long-term lease obligations are determined by discounting the nominal amount at the rate reflecting the credit risk. In addition, the carrying amount of lease obligations related to sublease transactions is different from their fair value because the carrying amount includes interest expense.

Long-term Debt
The fair value of long-term debt is determined by discounting the cash flow related to debt at the Group's assumed corporate borrowing rate. Some of the long-term bank loans with variable interest rates are accounted for together with the interest rate swaps and interest rate caps that meet certain criteria, and the fair value of the swaps and the caps was included in long-term debt.

Derivatives

Fair value information for derivatives is included in Note 14.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined:

	Millions of Yen		*Thousands of U.S. Dollars*
	2014	**2013**	**2014**
Unlisted equity securities	¥ 1,043	¥ 1,099	$ 10,126

(5) Maturity analysis for financial assets and securities with contractual maturities:

March 31, 2014	Millions of Yen Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	¥ 7,657	-	-	-
Notes and accounts receivable	4,593	-	-	-
Lease receivables and investments in leases	2,514	¥ 3,183	¥ 2	-
Securities and investment securities				
Available-for-sale securities with contractual maturities	-	3	-	¥ 198
Long-term loans receivable	39	457	61	137
Total	¥ 14,804	¥ 3,644	¥ 63	¥ 336

March 31, 2014	Thousands of U.S. Dollars Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	$ 74,339	-	-	-
Notes and accounts receivable	44,592	-	-	-
Lease receivables and investments in leases	24,407	$ 30,902	$ 19	-
Securities and investment securities				
Available-for-sale securities with contractual maturities	-	29	-	$ 1,922
Long-term loans receivable	378	4,436	592	1,330
Total	$ 143,728	$ 35,378	$ 611	$ 3,262

Please see Note 8 for annual maturities of long-term debt and obligations under finance leases.

14. DERIVATIVES

The Group enters into interest rate swap and cap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedge assets or liabilities.

Derivative transactions entered into by the Group have been made in accordance with internal policies, which regulate the authorization and credit limit amount.

Information concerning derivative transactions to which hedge accounting was applied at March 31, 2014 and 2013, is as follows:

	Millions of Yen			
March 31, 2014	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps: (fixed rate payment, variable rate receipt)	Long-term debt	¥ 200	-	(*)
Interest rate caps	Long-term debt	120	¥ 40	(*)
March 31, 2013	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps: (fixed rate payment, variable rate receipt)	Long-term debt	¥ 518	¥ 200	(*)
Interest rate caps	Long-term debt	220	140	(*)

	Thousands of U.S. Dollars			
March 31, 2014	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps: (fixed rate payment, variable rate receipt)	Long-term debt	$ 1,941	-	(*)
Interest rate caps	Long-term debt	1,165	$ 388	(*)

The contract amounts of derivatives, which are shown above, do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

(*) The above interest rate swaps and interest rate caps, which qualify for hedge accounting and meet specific matching criteria, are not remeasured at market value, but the differential paid or received under the swap and the cap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps and caps in Note 13 is included in hedged items (i.e., long-term bank loans).

15. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 37.7% for the years ended March 31, 2014 and 2013.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities at March 31, 2014 and 2013, are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2014	**2013**	**2014**
Deferred tax assets:			
Accrued enterprise tax	¥ 225	¥ 179	$ 2,184
Accrued bonuses to employees	287	292	2,786
Liability for employees' retirement benefits	277	269	2,689
Allowance for doubtful accounts	460	345	4,466
Loss on impairment of long-lived assets	136	127	1,320
Write-down of investment securities	297	301	2,883
Tax loss carryforwards	690	1,609	6,699
Accounts payable - other, non-current	66	96	640
Other	939	882	9,116
Subtotal	3,380	4,105	32,815
Less: Valuation allowance	(1,436)	(1,492)	(13,941)
Deferred tax assets	¥ 1,944	¥ 2,612	$ 18,873
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (154)	¥ (144)	$ (1,495)
Unrealized gain on subsidiaries' assets and liabilities arising from consolidation	(1,225)	(1,332)	(11,893)
Gain on valuation of investment securities	(220)	(220)	(2,135)
Adjustments for assets	(353)	(176)	(3,427)
Adjustments for liabilities	(105)	(145)	(1,019)
Other	(121)	(138)	(1,174)
Deferred tax liabilities	¥ (2,181)	¥ (2,159)	$ (21,174)
Net deferred tax (liabilities) assets	¥ (237)	¥ 453	$ (2,300)

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2014, with the corresponding figures in 2013, is as follows:

	2014	2013
Normal effective statutory tax rate	37.7%	37.7%
Amortization of goodwill	3.0	3.8
Changes in valuation allowance	1.7	1.6
Tax rate differences in subsidiaries	1.8	1.9
Tax loss carryforward	(1.2)	0.6
Equity in earnings of associated companies	(0.6)	(0.7)
Per capita tax	0.4	0.6
Effect of consolidated corporate tax system	-	(10.5)
Effect of removal from the scope of equity method	-	3.0
Gain on negative goodwill	-	(0.7)
Other-net	1.3	(2.2)
Actual effective tax rate	44.2%	35.0%

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 37.7% to 35.3%. The effect of this change on the consolidated financial statements for the year ended March 31, 2014, was immaterial.

16. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Net unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 6	¥ 136	$ 58
Reclassification adjustments to profit or loss	26	(2)	252
Amount before income tax effect	33	134	320
Income tax effect	(14)	(88)	(135)
Total	¥ 19	¥ 45	$ 184
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 115	¥ 31	$ 1,116
Total	¥ 115	¥ 31	$ 1,116
Share of other comprehensive income in associates:			
Gains arising during the year	¥ (6)	¥ (0)	$ (58)
Total	¥ (6)	¥ (0)	$ (58)
Total other comprehensive income	¥ 127	¥ 76	$ 1,233

17. NET INCOME PER SHARE

A reconciliation of the difference between basic and diluted net income per share ("EPS") for the years ended March 31, 2014 and 2013, is presented as follows:

	Millions of Yen	*Shares*	*Yen*	*U.S. Dollars*
	Net Income	Weighted-Average Shares	EPS	
For the year ended March 31, 2014				
Basic EPS				
Net income available to common shareholders	¥ 5,126	110,756,908	¥ 46.29	$ 0.44
Effect of Dilutive Securities				
Stock acquisition rights	-	1,646,660		
Diluted EPS				
Net income for computation	¥ 5,126	112,403,568	¥ 45.61	$ 0.44
For the year ended March 31, 2013				
Basic EPS				
Net income available to common shareholders	¥ 4,775	106,273,227	¥ 44.93	$ 0.43
Effect of Dilutive Securities				
Stock acquisition rights	-	1,938,552		
Diluted EPS				
Net income for computation	¥ 4,775	108,211,779	¥ 44.13	$ 0.42

Basic and diluted net income per share for 2014 were calculated and presented as if the three-for-one stock split made on April 1, 2014 (see Note 19) was made on April 1, 2012, and those for 2013 were restated accordingly.

18. RELATED-PARTY TRANSACTIONS

Transactions with related parties for the years ended March 31, 2014 and 2013, were as follows:

Related Party	Nature of Transaction	*Millions of Yen* 2014	*Millions of Yen* 2013	*Thousands of U.S. Dollars* 2014
Representative director of the Company	Exercising of stock options	¥ 11	¥ 115	$ 106
	Guarantee for bank loans *(Note)*	-	933	-
Executive director of the Company	Exercising of stock options	18	80	174
An associated company	Automotive subleases	1,907	1,023	18,514
	Investments in leases	3,231	2,354	31,368

Note:
Subsidiaries of the Company accept guarantees from a representative director of the Company for bank loans.

19. SUBSEQUENT EVENTS

a. *Stock split*

On April 1, 2014, the Company made a three-for-one stock split by way of a free share distribution based on the resolution of the Board of Directors' meeting held on February 12, 2014. The stock split was made in order to increase shareholders by decreasing the unit amount of investment to the Company, which enhances the liquidity of the stock. The amount of capital stock was not changed on the stock split.
A summary of share activity related to the stock split is as follows:

Issued number of shares before stock split	39,793,678 shares
Number of shares increased by stock split	79,587,356 shares
Issued number of shares after stock split	119,381,034 shares
Authorized number of shares after stock split	169,800,000 shares

b. *Acquisition of Nissan-Satio-Nara Co., Ltd.*

On April 1, 2014, the Company acquired 100% of the shares issued of Nissan-Satio-Nara Co., Ltd. After acquisition, Nissan-Satio-Nara Co., Ltd. became a subsidiary of the Company.

The acquisition was made in order to expand the Car business.

The Company's acquisition cost amounted to ¥528 million ($5,126 thousand) for 1,800 shares.

c. *Appropriations of Retained Earnings*

The following appropriation of retained earnings at March 31, 2014, was approved at the Company's board of directors' meeting held on May 9, 2014:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥21.00 ($0.20) per share	¥ 823	$ 7,990

d. *Acquisition of MG HOME Co., Ltd.*

On May 27, 2014, the Board of Directors approved a plan for acquisition of shares of MG Home Co. Ltd. ("MG Home").
In connection with the plan:

1) On June 30, 2014, the Company will accept issued new common stocks of MG Home through an allocation to the Company;
2) On August 1, 2014, 100% of shares of Archish Gallery Co., Ltd., a subsidiary of the Company, will be transferred to MG Home in exchange for shares of MG Home; and
3) Majority members of the board of directors of MG Home will be dispatched from the Company.

The share exchange is planned based on the assumption that the share exchange and the dispatch of the members of board of directors to MG Home are approved by the shareholders' meeting of MG Home on June 26, 2014. This acquisition is made in order to strengthen the foundation of the House business in a central area in Japan (Chukyo area).

As a result of these transactions, the Company will own 40.9% of outstanding shares of MG Home. The Company believes that the Company will be able to exercise control over operations of MG Home and that MG Home will become a subsidiary of the Company.

e. *Issuance of stock option*

At the general shareholders' meeting held on June 24, 2014, the Company's shareholders approved the issuance of stock option without contribution for employees and directors of the Company and its subsidiaries.
Under the term of the stock option, 800,000 shares of options will be exercisable during the five-year period after two years from the date of grant.

20. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group.

The Group employs the holding company system. The Company devises group-wide business strategies and administrates the Group as a holding company, and its subsidiaries operate some businesses. The Group consists of the Car and Housing industries.

The Car industry consists primarily of dealer businesses such as sales of new or used cars and repairs to cars. It also consists of related businesses such as import of cars, export of used cars, and rental of cars.

The Housing industry consists of home sales, construction of houses, and related business.

2. Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

3. Information about Sales, Profit (Loss), Assets, and Other Items

Millions of Yen

2014

	Reportable Segment					
	Car	Housing	Other	Total	Reconciliations	Consolidated
Sales						
Sales to external customers	¥ 130,387	¥ 2,147	¥ 147	¥ 132,682	-	¥ 132,682
Intersegment sales or transfers	47	129	757	934	¥ (934)	-
Total	¥ 130,435	¥ 2,277	¥ 905	¥ 133,617	¥ (934)	¥ 132,682
Segment profit (loss)	¥ 10,139	¥ 66	¥ (125)	¥ 10,080	¥ 1	¥ 10,082
Segment assets	79,888	1,339	6,096	87,324	(4,987)	82,337
Other:						
Depreciation and amortization	¥ 3,140	¥ 7	¥ 20	¥ 3,168	¥ (17)	¥ 3,150
Amortization of goodwill	906	5	-	911	-	911
Impairment losses of assets	6	-	-	6	-	6
Investments in associated companies	580	-	2,639	3,219	-	3,219
Increase in property, equipment and intangible assets	5,678	14	27	5,720	(16)	5,703

Millions of Yen

2013

	Reportable Segment					
	Car	Housing	Other	Total	Reconciliations	Consolidated
Sales						
Sales to external customers	¥ 116,103	¥ 2,065	¥ 149	¥ 118,317	-	¥ 118,317
Intersegment sales or transfers	55	235	731	1,022	¥ (1,022)	-
Total	¥ 116,159	¥ 2,300	¥ 880	¥ 119,340	¥ (1,022)	¥ 118,317
Segment profit (loss)	¥ 7,843	¥ (0)	¥ (24)	¥ 7,818	¥ (8)	¥ 7,810
Segment assets	76,420	1,361	7,863	85,645	(6,134)	79,510
Other:						
Depreciation and amortization	¥ 2,894	¥ 8	¥ 22	¥ 2,925	¥ (18)	¥ 2,906
Amortization of goodwill	913	5	-	918	-	918
Impairment losses of assets	12	23	13	49	-	49
Investments in associated companies	550	-	2,587	3,138	-	3,138
Increase in property, equipment and intangible assets	4,463	1	12	4,477	(22)	4,455

	Thousands of U.S. Dollars					
	2014					
	Reportable Segment					
	Car	Housing	Other	Total	Reconciliations	Consolidated
Sales						
Sales to external customers	$ 1,265,893	$ 20,844	$ 1,427	$ 1,288,174	-	$ 1,288,174
Intersegment sales or transfers	456	1,252	7,349	9,067	$ (9,067)	-
Total	$ 1,266,359	$ 22,106	$ 8,786	$ 1,297,252	$ (9,067)	$ 1,288,174
Segment profit (loss)	$ 98,436	$ 640	$ (1,213)	$ 97,864	$ 9	$ 97,883
Segment assets	775,611	13,000	59,184	847,805	(48,417)	799,388
Other:						
Depreciation and amortization	$ 30,485	$ 67	$ 194	$ 30,757	$ (165)	$ 30,582
Amortization of goodwill	8,796	48	-	8,844	-	8,844
Impairment losses of assets	58	-	-	58	-	58
Investments in associated companies	5,631	-	25,621	31,252	-	31,252
Increase in property, equipment and intangible assets	55,126	135	262	55,533	(155)	55,368

Notes:
1. "Other" consists of group-wide departments of management.
2. "Reconciliations" consists of intersegment transactions.
3. Segment profit is reconciled to operating income in the consolidated statement of income.

Associated Information

1. Information by Product and Service

	Millions of Yen					
Year ended March 31, 2014	Selling New Automobiles	Selling Used Automobiles	Automotive Repair Service	Rental Car Service	Other	Total
Sales to external customers	¥ 63,577	¥ 35,024	¥ 26,239	¥ 5,545	¥ 2,294	¥ 132,682
Year ended March 31, 2013						
Sales to external customers	¥ 54,521	¥ 30,410	¥ 26,204	¥ 4,966	¥ 2,214	¥ 118,317

	Thousands of U.S. Dollars					
Year ended March 31, 2014	Selling New Automobiles	Selling Used Automobiles	Automotive Repair Service	Rental Car Service	Other	Total
Sales to external customers	$ 617,252	$ 340,038	$ 254,747	$ 53,834	$ 22,271	$ 1,288,174

2. Geographical Information

(1) Net Sales

Millions of Yen						
2014						
Japan	Africa	North & South America	Oceania	Europe	Asia	Total
¥ 116,712	¥ 6,109	¥ 756	¥ 921	¥ 7,425	¥ 757	¥ 132,682

Millions of Yen						
2013						
Japan	Africa	North & South America	Oceania	Europe	Asia	Total
¥ 105,356	¥ 5,131	¥ 395	¥ 843	¥ 5,787	¥ 802	¥ 118,317

Thousands of U.S. Dollars						
2014						
Japan	Africa	North & South America	Oceania	Europe	Asia	Total
$ 1,133,126	$ 59,310	$ 7,339	$ 8,941	$ 72,087	$ 7,349	$ 1,288,174

(2) Property and Equipment

Disclosures are omitted because property and equipment located in Japan account for more than 90% of the property and equipment in the consolidated balance sheet.

3. Information by Major Customer

Disclosures are omitted because there are no customers for which sales account for more than 10% of net sales in the consolidated statement of income.

4. Information about Goodwill by Reportable Segment

	Millions of Yen			
March 31, 2014	Car	Housing	Other	Total
Amount of goodwill	¥ 11,649	¥ 46	-	¥ 11,696
March 31, 2013				
Amount of goodwill	¥ 12,556	¥ 51	-	¥ 12,607

	Thousands of U.S. Dollars			
March 31, 2014	Car	Housing	Other	Total
Amount of goodwill	$ 113,097	$ 446	-	$ 113,553

Information about amortization of goodwill was omitted because equivalent information was disclosed above.