Consolidated Financial Statements

VT HOLDINGS CO., LTD.

Year Ended March 31, 2016

1. Analysis of Results of Operations and Financial Position
   (1) Analysis of Results of Operations
      ① Overview of Business Operations
      In the Japanese new vehicles market, the new vehicles' domestic sales volume in this fiscal year decreased by 6.8% from the previous year due mainly to a decline in sales volume of Registered light motor vehicles, influenced by more stringent policy requirements for Eco-car tax reduction from April 2015 and a tax increase for light vehicles, while Registered vehicles market has been on a moderate recovery track.
      In auto sales related business which is our main business, although sales through car dealers which converted into subsidiaries in the previous fiscal year contributed a sales increase in this fiscal year, due mainly to a stagnant economy in Japan and a decline in used vehicles exports the number of new and used vehicles sold in the current fiscal year was 73,817, which decreased by 776 (or 1.0%) from the previous fiscal year.
      Our Group has been advancing initiatives aiming to build a strong business model, which is less susceptible in sales trends of new vehicles by adding values of new vehicles, reinforcing our sales strategies for used vehicles, ensuring a profit increase in maintenance service and car rental business, cost reduction, and strengthening our financial structure. In addition, we made effort to expand our business by M&A domestically and internationally.
      Consequently, the consolidated net sales, operating income, ordinary income, and net income attributable to owners of the parent were ¥146,468 million ($1,299,742thousand)(7.4% increase from the previous fiscal year), ¥7,619 million ($67,610thousand) (3.7% increase from the previous fiscal year), ¥7,603 million ($67,468thousand) (2.3% increase from the previous fiscal year), and ¥4,090 million ($36,294thousand)(11.7% decrease from the previous fiscal year), respectively, and consolidated net sales, operating income, and ordinary income were higher than in the previous fiscal year.

      ② Business Overview by segment
      [Car Business]
      Despite suffered domestic sales of new vehicles, noting that respective numbers of Honda and Nissan vehicles sold were 5,934 (10.7% decrease from the previous fiscal year) and 14,417 (8.3% decrease from the previous fiscal year), the total number of new vehicles sold, including overseas sales, was 27,549 (0.2% increase from the previous fiscal year) with a sales increase and a slight decreased profit.
      Current fiscal year's used vehicles business also suffered, noting that the number of exported used vehicles was 7,089 (16.2% decrease from the previous fiscal year). However, by focusing on domestic sales and overseas sales through foreign dealers, the total number of used vehicles sold was 46,268, which was a slight decrease of 1.8% from the previous fiscal year. As a result, despite of the slight decrease of sales volume, sales and profit of used vehicles increased from the previous fiscal year due mainly to favorable market condition and sales increase of luxury vehicles.
      In maintenance service business, as special factors in the previous fiscal year which was a temporary decrease of vehicles accepted for car inspection were eliminated, sales and profit were increased from the previous fiscal year as a result of our effort to increase orders received of automobile safety inspection,repair and maintenance and commission income, etc.,.
      In car rental business, sales and profit increased from the previous fiscal year as operation of new stores started in the previous fiscal year and existing stores continued to grow steadily.
      From the above, net sales and operating income were ¥140,057 million ($1,242,852thousand) (6.7% increase from the previous fiscal year) and ¥7,716 million ($68,471thousand) (5.6% increase from the previous fiscal year), respectively.

[Housing Business]
Our Group has been expanding luxury housing business by collaborating with architects, and with an increased demand, the number of units of orders received and of completion continued to grow steadily. We also worked on improving profitability through more efficient operation and shortening a construction period.
In addition, effective August 1, 2014, through an acquisition of MG HOME Co., Ltd. (securities code: 8891), a condominium developer, which converted into a subsidiary, we expanded new business of condominiums for sales and the number of units sold continued to grow.
From the above, net sales and operating income were ¥6,268 million ($55,621thousand) (26.9% increase from the previous fiscal year) and ¥290 million($2,573thousand) (19.6% increase from the previous fiscal year), respectively.

③ Forecasts for the next fiscal year
Japanese economy shows a slowdown of steady economic growth and continues to experience uncertainty in the future economic outlook, along with concern of export companies' uncertainty for the future operation caused by recent appreciation of the yen and continued stagnant consumer spending caused by expected increase of a consumption tax rate.
Also, domestic market of vehicles sales is unpredictable mainly because of concern of a market shrinkage after an additional increase of consumption tax rate, although temporary last-minutes demand before the additional increase of consumption tax rate can be expected.
Under these circumstances, we have faced on a situation that two models of Nissan's light vehicles, which are our Group's main sales products and account for approximately half of our sales of new vehicles, cannot be sold to the customers for a while due to Mitsubishi Motors fuel efficiency manipulation issue. Mitsubishi Motors was a supplier of these two models of Nissan's vehicles, and no announcement has been made at this point as to when we can restart the sale of these vehicles. As it is possible that suspension of sale would be prolonged, we drew up a next fiscal year plan very conservatively, estimating no sale of these vehicles for the first half of the next fiscal year except for vehicles which have already delivered in April 2016 and a decrease by 30% of sales from the actual results of the current fiscal year for the second half of the next fiscal year.
In addition, M&A matters disclosed on May 9, 2016 are currently under due diligence with regard to an impact to be given to the next fiscal year operation, and they are not reflected in the forecast for the next fiscal year. As soon as related details are confirmed and an announcement are made as to when we can restart the sales of Nissan's vehicles, we will update the forcast for the next fiscal year, as necessary.
Based on the situations discussed above, we will commit ourselves to improve our earnings base from used vehicles sales business and maintenance service business at the respective dealer stores more than ever before. Also, effective April 1, 2016, we started operation of an official BMW dealer stores in Shizuoka prefecture, and we continuously make an effort to expand our sales areas through M&A.
As a result, the forecast of consolidated net sales , operating income, ordinary income, and net income attributable to owners of the parent for the next fiscal year ending March 31, 2017 are expected to be ¥149,000 million($1,322,211thousand) (1.7% increase from the current fiscal year), ¥6,500 million ($57,680thousand)(14.7% decrease from the current fiscal year), ¥6,500 million($57,680thousand) (14.5% decrease from the current fiscal year), and ¥3,650 ($32,389thousand)million (10.8% decrease from the current fiscal year), respectively.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries
Consolidated Balance Sheet
March 31, 2016

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2016	**2015**	**2016**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents *(Notes 4, 9, and 14)*	¥ 7,456	¥ 6,106	$ 66,163
Notes and accounts receivable:			
Trade *(Note 14)*	4,662	5,017	41,370
Other	1,163	1,152	10,320
Allowance for doubtful accounts	(32)	(24)	(283)
Lease receivables and investments in leases *(Notes 13, 14, and 19)*	7,488	6,282	66,447
Inventories *(Notes 5 and 9)*	15,330	15,670	136,036
Deferred tax assets *(Note 16)*	764	678	6,779
Other current assets	1,586	1,763	14,074
Total current assets	38,419	36,647	340,926
PROPERTY AND EQUIPMENT (Notes 7, 8, and 9):			
Land	19,407	19,000	172,215
Buildings and structures	20,731	20,254	183,964
Machinery and vehicles	3,978	3,603	35,300
Leased assets *(Note 13)*	8,820	8,437	78,267
Others	2,098	1,588	18,617
Total	55,035	52,884	488,375
Accumulated depreciation	(18,447)	(18,429)	(163,696)
Property and equipment – net	36,587	34,455	324,669
INTANGIBLE ASSETS *(Note 7)*	12,088	13,047	107,267
INVESTMENTS AND OTHER ASSETS:			
Investment securities *(Notes 6, 9, and 14)*	1,910	2,101	16,949
Investments in unconsolidated subsidiaries and associated companies	3,639	4,076	32,292
Long-term loans receivable *(Note 14)*	290	327	2,573
Guarantee and rental deposits	1,100	1,112	9,761
Deferred tax assets *(Note 16)*	188	314	1,668
Other assets *(Note 14)*	1,716	1,648	15,227
Allowance for doubtful accounts	(962)	(958)	(8,536)
Total investments and other assets	7,882	8,622	69,944
TOTAL ASSETS	¥ 94,979	¥ 92,772	$ 842,834

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries
Consolidated Balance Sheet (continued)
March 31, 2016

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2016	**2015**	**2016**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans *(Notes 9 and 15)*	¥ 8,805	¥ 7,059	$ 78,134
Current portion of long-term debt *(Notes 9 and 14)*	5,110	3,842	45,345
Current portion of long-term lease obligations *(Notes 9, 13, and 14)*	9,855	8,500	87,452
Notes and accounts payable:			
Trade *(Notes 9 and 14)*	14,233	15,903	126,302
Other	452	477	4,011
Income taxes payable *(Note 14)*	1,388	753	12,316
Accrued bonuses to employees	883	862	7,835
Other current liabilities	4,205	4,417	37,314
Total current liabilities	44,935	41,817	398,748
LONG-TERM LIABILITIES:			
Long-term debt *(Notes 9 and 14)*	8,507	11,376	75,490
Long-term lease obligations *(Notes 9 and 14)*	3,476	3,187	30,845
Liability for employees' retirement benefits *(Note 10)*	720	730	6,389
Liability for retirement benefits for directors and Audit & Supervisory Board members	657	596	5,830
Accounts payable-other	107	180	949
Asset retirement obligations	336	320	2,981
Deferred tax liabilities *(Note 16)*	1,244	1,577	11,039
Other long-term liabilities *(Note 9)*	295	380	2,617
Total long-term liabilities	15,346	18,350	136,178
EQUITY *(Note 11)*:			
Common stock:			
authorized –169,800,000 shares in 2016 and 169,800,000 shares in 2015			
issued – 119,381,034 shares in 2016 and 119,381,034 shares in 2015	4,297	4,297	38,131
Capital surplus	2,832	2,832	25,130
Retained earnings	25,498	23,402	226,266
Treasury stock, at cost – 1,726,578 shares in 2016 and 1,726,578 shares in 2015	(98)	(98)	(869)
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale Securities	313	377	2,777
Land revaluation surplus	29	29	257
Foreign currency translation adjustments	(156)	73	(1,384)
Total	32,716	30,914	290,318
Subscription rights to shares*(Note12)*	60	-	532
Non-controlling interests	1,920	1,689	17,037
Total equity	34,697	32,604	307,897
TOTAL LIABILITIES AND EQUITY	¥ 94,979	¥ 92,772	$ 842,834

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries
Consolidated Statement of Income
Year Ended March 31, 2016

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2016	**2015**	**2016**
NET SALES	¥ 146,468	¥ 136,376	$ 1,299,742
COST OF SALES	118,157	109,621	1,048,513
Gross profit	28,310	26,755	251,220
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	20,690	19,408	183,601
Operating income	7,619	7,347	67,610
NON-OPERATING INCOME (EXPENSE):			
Interest and dividend income	77	76	683
Interest expense	(316)	(330)	(2,804)
Equity in earnings of associated companies	186	158	1,650
Lease revenue received	74	74	656
Cost of real estate leasing	(65)	(72)	(576)
Exchange losses	(145)	-	(1,286)
Other-net	173	180	1,535
Ordinary income	7,603	7,434	67,468
EXTRAORDINARY INCOME(EXPENSE):			
Gain on sales of investment securities *(Note 6)*	5	3	44
Loss on sales and disposals of property and equipment – net	(53)	(75)	(647)
Write-down of investment securities *(Note 6)*	(651)	(113)	(5,776)
Gain on step acquisition	-	87	-
Loss on impairment of long-lived assets *(Note 7)*	-	(71)	-
Gain on change in equity	-	524	-
Other – net	(73)	(27)	(647)
Extraordinary income (expense) – net	(772)	326	(6,850)
INCOME BEFORE INCOME TAXES	¥ 6,830	¥ 7,760	$ 60,608

See accompanying notes to the consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
INCOME TAXES *(Note 16)*			
Current	¥ 2,710	¥ 2,496	$ 24,048
Deferred	(245)	370	(2,174)
Total income taxes	2,465	2,867	21,874
NET INCOME	4,365	4,893	38,734
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	274	259	2,431
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 4,090	¥ 4,633	$ 36,294
	Yen		*U.S. Dollars (Note 1)*
PER SHARE OF COMMON STOCK *(Notes 2(w) and 18)*			
Basic net income	¥ 34.77	¥ 39.38	$ 0.30
Diluted net income	-	-	-
Cash dividends applicable to the year	18.00	14.00	0.15

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries
Consolidated Statement of Comprehensive Income
Year Ended March 31, 2016

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2016	**2015**	**2016**
NET INCOME	¥ 4,365	¥ 4,893	$ 38,734
OTHER COMPREHENSIVE INCOME *(Note 17)*:			
Net unrealized gain on available-for-sale securities	(71)	99	(630)
Foreign currency translation adjustments	(236)	(73)	(2,094)
Share of other comprehensive income in associates	(6)	3	(53)
Total other comprehensive income	(314)	28	(2,786)
COMPREHENSIVE INCOME	¥4,050	¥ 4,921	$ 35,939
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 3,795	¥ 4,654	$ 33,676
Non-controlling interests	255	267	2,262

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, 2016

Millions of Yen

						Accumulated Other Comprehensive Income						
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Net Unrealized Gain on Available-for-Sale Securities	Land Revaluation Surplus	Foreign Currency Translation Adjustment	Total	Subscription Rights to Shares	Non-controlling Interests	Total Equity
BALANCE AT APRIL 1, 2014	39,218,178	¥ 4,297	¥ 2,832	¥ 20,421	¥ (98)	¥ 281	¥ 29	¥ 148	¥ 27,912	¥ -	¥ 1,042	¥ 28,955
Cash dividends, ¥28.00 per share	-	-	-	(1,647)	-	-	-	-	(1,647)	-	-	(1,647)
Net income for the year	-	-	-	4,633	-	-	-	-	4,633	-	-	4,633
Change in scope of consolidation	-	-	-	(5)	-	-	-	-	(5)	-	-	(5)
Purchase of treasury stock	(78)	-	-	-	(0)	-	-	-	(0)	-	-	(0)
Stock split *(Note 11)*	78,436,356	-	-	-	-	-	-	-	-	-	-	-
Net change in the year	-	-	-	-	-	95	-	(74)	21	-	646	667
BALANCE AT MARCH 31, 2015	117,654,456	4,297	2,832	23,402	(98)	377	29	73	30,914	-	1,689	32,604
Cash dividends, ¥17.00 per share	-	-	-	(2,000)		-	-	-	(2,000)	-	-	(2,000)
Net income for the year	-	-	-	4,090		-	-	-	4,090	-	-	4,090
Change in treasury shares of parent arising from transactions with non-controlling shareholders	-	-	0	-	-	-	-	-	0	-	(21)	(20)
Change in scope of consolidation	-	-	-	6	-	-	-	-	6	-	-	6
Net change in the year	-	-	-	-	-	(64)	-	(230)	(294)	60	251	17
BALANCE AT MARCH 31, 2016	117,654,456	¥ 4,297	¥ 2,832	¥ 25,498	¥ (98)	¥ 313	¥ 29	¥ (156)	¥ 32,716	¥ 60	¥ 1,920	¥ 34,697

Thousands of U.S. Dollars (Note 1)

					Accumulated other comprehensive income						
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Net Unrealized Gain on Available-for-Sale Securities	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Total	Subscription Rights to Shares	Non-controlling Interests	Total Equity
BALANCE AT MARCH 31, 2015	$ 38,131	$ 25,130	$ 207,667	$ (869)	$ 3,345	$ 257	$ 647	$ 274,327	$ -	$ 14,988	$ 289,324
Cash dividends, $0.15 per share	-	-	(17,747)	-	-	-	-	(17,747)	-	-	(17,747)
Net income for the year	-	-	36,294	-	-	-	-	36,294	-	-	36,294
Change in treasury shares of parent arising from transactions with non-controlling shareholders	-	9	-	-	-	-	-	9	-	(186)	(177)
Change in scope of consolidation	-	-	53	-	-	-	-	53	-	-	53
Net change in the year	-	-	-	-	(567)	-	(2,040)	(2,608)	532	2,227	150
BALANCE AT MARCH 31, 2016	$ 38,131	$ 25,130	$ 226,266	$ (869)	$ 2,777	$ 257	$ (1,384)	$ 290,318	$ 532	$ 17,037	$ 307,897

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries
Consolidated Statement of Cash Flows
Year Ended March 31, 2016

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2016	**2015**	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 6,830	¥ 7,760	$ 60,608
Adjustments for:			
Depreciation and amortization	3,701	3,463	32,842
Amortization of goodwill	1,001	967	8,882
Loss on impairment of long-lived assets	-	71	-
(Decrease) increase in allowance for doubtful accounts	15	(8)	133
(Decrease) increase in accrued bonuses to employees	18	(25)	159
(Decrease) increase in liability for employees' retirement benefits	(18)	(104)	(159)
Increase in liability for retirement benefits for directors and Audit & Supervisory Board members	26	49	230
Interest and dividend income	(77)	(76)	(683)
Interest expense	316	330	2,804
Foreign exchange loss (gain)	12	3	106
Equity in earnings of unconsolidated subsidiaries and associated companies	(186)	(158)	(1,650)
Loss on sales and disposals of property and equipment – net	53	75	470
Write-down of investment securities	651	113	5,776
Gain on sales of investment securities – net	(4)	(3)	(35)
Gain on step acquisitions	-	(87)	-
Gain on change in equity	-	(524)	-
Increase in notes and accounts receivable – trade	13	(263)	115
(Increase) decrease in inventories	615	(1,794)	5,457
(Decrease) increase in notes and accounts payable – trade	(1,332)	(609)	(11,820)
Increase in other current assets	93	(407)	825
(Decrease) increase in other current liabilities	(77)	(358)	(683)
Increase in consumption taxes payable	468	190	4,152
Other – net	(60)	(63)	(532)
Subtotal	12,061	8,541	107,028
Interest and dividends received	127	129	1,126
Interest paid	(315)	(329)	(2,795)
Income taxes paid	(2,233)	(4,083)	(19,815)
Net cash provided by operating activities	¥ 9,640	¥ 4,259	$ 85,544

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, 2016

	Millions of Yen		*Thousands of U.S. dollars (Note 1)*
	2016	**2015**	**2016**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	¥ (5,571)	¥ (5,461)	$ (49,436)
Proceeds from sales of property and equipment	2,311	2,130	20,507
Purchases of intangible assets	(92)	(54)	(816)
Purchases of investment securities	(123)	(10)	(1,091)
Proceeds from sales of investment securities	138	12	1,224
Payments for acquisition of newly consolidated subsidiaries	(65)	(1,772)	(576)
Proceeds from sales of shares of subsidiaries resulting in change of consolidation	114	-	1,011
Payment of loans receivable	(7)	(25)	(62)
Proceeds from loans receivable	47	78	417
Payment of security deposits	(102)	(104)	(905)
Proceeds from security deposits	59	78	523
Other–net	72	110	638
Net cash used in investing activities	(3,220)	(5,017)	(28,573)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase in short-term bank loans	1,813	2,061	16,088
Proceeds from long-term debt	2,860	6,502	25,379
Repayment of long-term debt	(3,962)	(4,665)	(35,158)
Redemption of bonds	(550)	(368)	(4,880)
Cash dividends paid	(2,000)	(1,647)	(17,747)
Cash dividends paid to minority shareholders	(23)	(14)	(204)
Repayment of lease obligations	(3,173)	(2,644)	(28,156)
Other–net	(5)	(1)	(44)
Net cash used in financing activities	(5,041)	(778)	(44,733)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	18	(9)	159
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	1,397	(1,546)	12,396
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,056	7,597	53,740
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARY	-	5	-
CASH AND CASH EQUIVALENTS, END OF YEAR *(Note 4)*	¥ 7,454	¥ 6,056	$ 66,146

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, 2016

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2016	**2015**	**2016**
NONCASH FINANCING ACTIVITIES:			
Finance lease transactions:			
Increase in leased assets	¥ 3,355	¥ 3,305	$ 29,771
Increase in lease obligations	3,614	3,561	32,070
ADDITIONAL INFORMATION:			
Reconciliation of the net cash paid for investment in MG General Service Co., Ltd. was as follows:			
Current assets	¥ 133	-	$ 1,180
Fixed assets	166	-	1,473
Goodwill	58	-	514
Current liabilities	(98)	-	(869)
Non-current liabilities	(101)	-	(896)
Minority interests	(19)	-	(168)
Cost of shares	137	-	1,215
Cash and cash equivalents held by MG General Service Co., Ltd.	(72)	-	(638)
Net cash paid for investment in MG General Service Co., Ltd.	¥ 65	-	$ 576
Reconciliation of the net cash received from sales of VT Internationnal Co., Ltd. was as follows:			
Current assets	¥ 98	-	$ 869
Fixed assets	56	-	496
Current liabilities	(74)	-	(656)
Noncurrent liabilities	(8)		(70)
Gain on sales of shares	48	-	425
Net settlement	8		70
Revenues for its sales	130	-	1,153
Cash and cash equivalents held by .	(15)	-	(133)
Net cash received sales of VT International Co., Ltd.	¥ 114	-	$ 1,011

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries
Notes to the Consolidated Financial Statements
Year ended March 31, 2016

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 which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2015 consolidated financial statements to conform to the classifications used in 2016.

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 ¥112 to $1, the approximate rate of exchange at March 31, 2016. 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, 2016 and 2015 (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, 2016, include the accounts of the Company and its significant 28 (27 in 2015) subsidiaries (together, the "Group").

Motoren Shizuoka Ltd. were newly consolidated and VT International Co., Ltd. were excluded from consolidation from the fiscal year ended March 31, 2016, as a result of the business combinations described in Note 3.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully 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 2015) associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies (nine in 2016 and nine in 2015) 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 generally accepted accounting principles 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 recorded in equity through other comprehensive income; (c) expensing capitalized development costs of 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 (see Note 2.x).

(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 circumstance 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 the 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 property 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 the contract at the balance sheet date can be reliably measured, the outcome of a 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, 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 statement 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 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.

(y) New Accounting Pronouncements

Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016 (hereinafter, "Guidance No.26")

(1) Overview

Following the framework in Auditing Committee Report No. 66 "Audit Treatment regarding the Judgment of Recoverability of Deferred Tax Assets", which prescribes estimation of deferred tax assets according to the classification of the entity by one of five types, the following treatments were changed as necessary:

1. Treatment for an entity that does not meet any of the criteria in types 1 to 5;
2. Criteria for types 2 and 3;
3. Treatment for deductible temporary differences which an entity classified as type 2 is unable to schedule;
4. Treatment for the period which an entity classified as type 3 is able to reasonably estimate with respect to future taxable income before consideration of taxable or deductible temporary differences that exist at the end of the current fiscal year; and
5. Treatment when an entity classified as type 4 also meets the criteria for types 2 or 3.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2017

(3) Effects of application of the Guidance

As of the beginning of the fiscal year ending March 31, 2017, the Company is in the process of measuring the effects of applying the revised accounting and guidance in future applicable periods.

3. Changes in accounting policies

The Company and its domestic subsidiaries adopted “Revised Accounting Standard for Business Combinations” (ASBJ Statement No.21, September 13, 2013 (hereinafter, “Statement No.21”)), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22, September 13, 2013 (hereinafter, “Statement No.22”)) and “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No.7, September 13, 2013 (hereinafter, “Statement No.7”)) (together, the “Business Combination Accounting Standards”), from the current fiscal year. As a result, the Company changed its accounting policies to recognize in capital surplus the differences arising from the changes in the Company’s ownership interest of subsidiaries over which the Company continues to maintain control and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Company changed its accounting policy for the reallocation of acquisition costs due to the completion following provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place. The Company also changed the presentation of net income and the term “non-controlling interests” is used instead of “minority interests”. Certain amounts in the prior year comparative information were reclassified to conform to such changes in the current year presentation.
With regard to the application of the Business Combination Accounting Standards, the Company followed the provisional treatments in article 58-2 (4) of Statement No.21, article 44-5 (4) of Statement No.22 and article 57-4 (4) of Statement No.7 with application from the beginning of the current fiscal year prospectively.
As a result, operating income, ordinary income and income before tax for the current fiscal year decreased by ¥73 million($647thousand) and capital surplus as of the end of the current fiscal year increased by ¥0 million($9thousand).
In the consolidated statement of cash flows, cash flows from acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in “Cash flows from financing activities” and cash flows from acquisition related costs for shares of subsidiaries with changes in the scope of consolidation or costs related to acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in “Cash flows from operating activities”.
Capital surplus as of the end of the current fiscal year in the consolidated statement of changes in net assets increased by ¥0 million ($9thousand).
Net assets per share and net income per share decreased by ¥0.63 respectively.

4. 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, 2015 and 2014, was as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2016	**2015**	**2016**
Cash and cash equivalents in the consolidated balance sheets	¥ 7,456	¥ 6,106	$ 66,163
Time deposits	(2)	(50)	(17)
Cash and cash equivalents in the consolidated statements of cash flows	¥ 7,454	¥ 6,056	$ 66,146

5. INVENTORIES

Inventories as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2016	**2015**	**2016**
New and used cars	¥ 12,678	¥ 12,924	$ 112,503
Parts	456	462	4,046
Other merchandise	430	1,415	3,815
Total merchandise	13,564	14,803	120,365
Raw materials	6	5	53
Work in process	1,683	805	14,934
Supplies	76	56	674
Total	¥ 15,330	¥ 15,670	$ 136,036

6. INVESTMENT SECURITIES

Investment securities as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2016	**2015**	**2016**
Noncurrent:			
Equity securities	¥ 1,643	¥ 1,825	$ 14,579
Trust fund investments and other	267	275	2,369
Total	¥ 1,910	¥ 2,101	$ 16,949

Information regarding investment securities classified as available-for-sale securities at March 31, 2016 and 2015, is summarized as follows:

	Millions of Yen			
March 31, 2016	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	¥ 268	¥ 446	(6)	¥ 708
Other	248	29	¥ (11)	267
Total	¥ 517	¥ 475	¥ (17)	¥ 975

	Millions of Yen			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	¥ 279	¥ 532	-	¥ 812
Other	242	34	(1)	275
Total	¥ 521	¥ 567	¥ (1)	¥ 1,088

	Thousands of U.S. Dollars			
March 31, 2016	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	$ 2,378	$ 3,957	$ (53)	$ 6,282
Other	2,200	257	(97)	2,369
Total	$ 4,587	$ 4,215	$ (150)	$ 8,652

The information of the available-for-sale securities that were sold during the years ended March 31, 2016 and 2015, was as follows:

	Millions of Yen		
March 31, 2016	Proceeds	Realized Gains	Realized Losses
Equity securities	¥ 138	¥ 5	0

	Millions of Yen		
March 31, 2015	Proceeds	Realized Gains	Realized Losses
Equity securities	¥ 11	¥ 3	¥ -

	Thousands of U.S. Dollars		
March 31, 2016	Proceeds	Realized Gains	Realized Losses
Equity securities	$ 1,224	$ 44	0

The impairment losses on securities for the years ended March 31, 2016 and 2015, were ¥651 million ($5,776 thousand) and ¥113 million, respectively.

7. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2016 and 2015. As a result, the Group recognized impairment losses of ¥71 million ($591 thousand) in 2015. For the year ended March 31, 2015, a loss was recognized for long-lived assets used for the Car industry due to a decrease in profitability and management's decision to dispose of the assets. Carrying amounts of assets were written down to the recoverable amounts, which were measured at net selling price.

Impairment losses consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2016	**2015**	**2016**
Buildings and structures	¥ -	¥ 65	$ -
Intangible assets	-	3	-
Other	-	1	-
Total	¥ -	¥ 71	$ -

8. 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, 2015	Increase (Decrease)	March 31, 2016	March 31, 2016
Investment properties	¥ 4,749	¥ (103)	¥ 4,646	¥ 4,282
Properties that include portions used as investment properties	1,418	(21)	1,396	1,535

	Millions of Yen			
	Carrying Amount			Fair Value
	April 1, 2014	Increase (Decrease)	March 31, 2015	March 31, 2015
Investment properties	¥ 4,133	¥ 616	¥ 4,749	¥ 4,303
Properties that include portions used as investment properties	1,429	(10)	1,418	1,505

	Thousands of U.S. Dollars			
	Carrying Amount			Fair Value
	April 1, 2015	Increase (Decrease)	March 31, 2016	March 31, 2016
Investment properties	$ 42,142	$ (914)	$ 41,228	$ 37,998
Properties that include portions used as investment properties	12,583	(186)	12,387	13,621

Notes:
1) The carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
2) The major increase of 2015 in the carrying amount was due to assets acquired through the acquisition of MG Home Co., Ltd. amounting to ¥742 million ($6,584 thousand).
3) The fair value of properties as of March 31, 2016 and 2015, 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, 2016	Rental Income	Cost of Rent	Net Rental Income	Other Income
Investment properties	¥ 348	¥ 179	¥ 168	¥ 2
Properties that include portions used as investment properties	47	21	26	-

	Millions of Yen			
March 31, 2015	Rental Income	Cost of Rent	Net Rental Income	Other Expenses
Investment properties	¥ 351	¥ 176	¥ 174	0
Properties that include portions used as investment properties	53	26	26	-

	Thousands of U.S. Dollars			
March 31, 2016	Rental Income	Cost of Rent	Net Rental Income	Other Income
Investment properties	$ 3,088	$ 1,588	$ 1,490	$ 17
Properties that include portions used as investment properties	417	186	230	-

Notes:

1) Rental income arising from parts used by the Group for its business and administration relating to properties that include portions 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.

9. 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 0.43% and 0.64% at March 31, 2016 and 2015 respectively.

Long-term debt at March 31, 2016and 2015, consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2016	**2015**	**2016**
Loans from banks and other financial institutions due serially to 2025 with weighted-average interest rates of 0.64% in 2016 and 0.74% in 2015	¥ 12,943	¥ 13,993	$ 114,854
Unsecured three months' TIBOR+0.20% domestic bonds due serially to 2016	40	120	354
Unsecured 0.61% domestic bonds due serially to 2016	-	200	-
Unsecured 0.72% domestic bonds due serially to 2019	250	250	2,218
Unsecured 0.79% domestic bonds due serially to 2017	60	120	532
Unsecured 0.79% domestic bonds due serially to 2017	100	200	887
Unsecured 0.59% domestic bonds due serially to 2018	160	240	1,419
Unsecured 1.40% domestic bonds due serially to 2016	-	16	-
Unsecured 0.84% domestic bonds due serially to 2020	65	79	576
Long-term lease obligations	5,904	5,462	52,391
Unsecured 1.90% in 2016 and 2015 domestic other long-term debt due serially to 2029*	13	14	115
Total	¥ 19,535	¥ 20,694	$ 173,351
Less current portion	(7,538)	(6,117)	(66,891)
Long-term debt, less current portion	¥ 11,996	¥ 14,577	$ 106,451

* 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, 2016, are summarized as follows:

Long-term debt (including current portion)	*Millions of Yen* 2016	*Thousands of U.S. Dollars* 2016
2017	¥ 5,110	$ 45,345
2018	3,321	29,470
2019	2,976	26,408
2020	787	6,983
2021	570	5,058
2022 and thereafter	851	7,551
Total	¥ 13,615	$ 120,818

Long-term lease obligations (including current portion)	*Millions of Yen* 2016	*Thousands of U.S. Dollars* 2016
2017*	¥ 2,427	$ 21,536
2018	1,836	16,292
2019	1,082	9,601
2020	259	2,298
2021	74	656
2022 and thereafter	223	1,978
Total	¥ 5,901	$ 52,364

*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 exceeds that in the above schedule by ¥7,427 million ($65,906 thousand).

The assets pledged as collateral for accounts payable of ¥895 million ($7,942 thousand), short-term bank loans of ¥800 million ($7,099 thousand), and long-term debt of ¥3,903 million ($34,634 thousand) including the current portion at March 31, 2016 were as follows:

	Millions of Yen 2016	*Thousands of U.S. Dollars* 2016
Time deposit	¥ 232	$ 2,058
Merchandise and vehicles	799	7,090
Work in progress	566	5,022
Land	6,627	58,807
Buildings	2,179	19,336
Investment securities	23	204
Total	¥ 10,429	$ 92,545

10. 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 defined benefit plan, all of which are defined benefit plans.

(1) Multiemployer pension plan

Total contributions made to the multiemployer pension plans were ¥95 million ($843 thousand) and ¥174 million, respectively, for the years ended March 31, 2016 and 2015.
The decrease in contributions made to the plans is due to approval received in the previous fiscal year from the Minister of Health, Labor and Welfare for exemption of the benefit obligation related to future employee services under the substitutional portion of the Pension Fund of Honda Car Dealers and dissolution of the Shizuoka Automobile Pension Fund on July 31, 2015.
The Company and certain consolidated subsidiaries participate in the Pension Fund of Honda Car Dealers. Additionally, certain consolidated subsidiaries also participate in the Shizuoka Automobile Pension Fund and the Saitama Machine Industry Pension Fund.
The Company and certain consolidated subsidiaries received approval from the Minister of Health, Labor and Welfare on January 1, 2015 with respect to their application for exemption from the benefit obligation related to future employee services under the substitutional portion of the Pension Fund of Honda Car Dealers. Also, the Company and certain consolidated subsidiaries plan to obtain approval from the Minister of Health, Labor and Welfare on September 30, 2016 with respect to the benefit obligation associated with past employee service.
The board of representatives of Shizuoka Automobile Pension Fund and Saitama Machine Industry Pension Fund decided to dissolve the funds based on the conclusion that meeting the criteria required by the governmental regulation to continue the funds was determined to be difficult in the future. The Shizuoka Automobile Pension Fund was dissolved on July 30, 2015. Saitama Machine Industry Pension Fund will be dissolved on March 31, 2017. However, the estimated impact on the Company to be caused by the dissolution of the fund cannot be reasonably calculated at this point of time.

The funded status of the multiemployer pension plans at March 31, 2015 and 2014, whose contributions were recorded as net periodic retirement benefit costs, was as follows:

	Millions of Yen		
March 31, 2016	Pension Fund of Honda Car Dealers	Shizuoka Automobile Pension Fund*	Saitama Machine Industry Pension Fund
Fair value of plan assets	¥ 40,290	¥ -	¥ 86,522
Pension obligation recorded by pension fund	42,470	-	91,969
Difference	¥ (2,179)	¥ -	¥ (5,447)

	Millions of Yen		
March 31, 2015	Pension Fund of Honda Car Dealers	Shizuoka Automobile Pension Fund*	Saitama Machine Industry Pension Fund
Fair value of plan assets	¥ 35,042	¥ 27,530	¥ 78,815
Pension obligation recorded by pension fund	37,831	36,448	87,533
Difference	¥ (2,789)	¥ (8,917)	¥ (8,718)

	Thousands of U.S. Dollars		
March 31, 2016	Pension Fund of Honda Car Dealers	Shizuoka Automobile Pension Fund*	Saitama Machine Industry Pension Fund
Fair value of plan assets	$ 357,529	$ -	$ 767,787
Pension obligation recorded by pension fund	376,874	-	816,123
Difference	$ (19,336)	$ -	$ (48,336)

*The Shizuoka Machine Industry Pension Fund has dissolved the fund in July 30, 2015.

The Group’s contribution percentages for the multiemployer pension plans for the year ended March 31, 2016, are as follows:

	2016	**2015**
Pension Fund of Honda Car Dealers	4.1 %	4.2 %
Shizuoka Automobile Pension Fund	-	7.6
Saitama Machine Industry Pension Fund	1.9	1.9

The difference of funded status of the multiemployer pension plans at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		
March 31, 2016	Pension Fund of Honda Car Dealers	Shizuoka Automobile Pension Fund	Saitama Machine Industry Pension Fund
Deficiency of reserve	-	¥ -	-
Reserve	¥ 2,038	-	¥ 4,189
Prior service cost	(4,218)	-	(9,636)
Difference	¥ (2,179)	¥ -	¥ (5,447)

	Millions of Yen		
March 31, 2015	Pension Fund of Honda Car Dealers	Shizuoka Automobile Pension Fund	Saitama Machine Industry Pension Fund
Deficiency of reserve	-	¥ (3,907)	¥ -
Reserve	¥ 1,455	-	1,151
Prior service cost	(4,244)	(5,010)	(9,870)
Difference	¥ (2,789)	¥ (8,917)	¥ (8,718)

	Thousands of U.S. Dollars		
March 31, 2016	Pension Fund of Honda Car Dealers	Shizuoka Automobile Pension Fund	Saitama Machine Industry Pension Fund
Deficiency of reserve	-	$ -	-
Reserve	$ 18,085	-	$ 37,172
Prior service cost	(37,430)	-	(85,508)
Difference	$ (19,336)	$ -	$ (48,336)

Notes:

(Pension Fund of Honda Car Dealers)

Prior service cost is amortized over 20 years and special contributions of ¥16 million ($141 thousand) and ¥16 million were expensed for the years ended March 31, 2016 and 2015, respectively.

(Shizuoka Automobile Pension Fund)

Prior service cost is amortized over 20 years and special contributions of ¥32 million were expensed for the years ended March 31, 2015. And the Shizuoka Machine Industry Pension Fund has dissolved the fund in July 30, 2015.

(Saitama Machine Industry Pension Fund)

Prior service cost is amortized over 20 years and special contributions of ¥14 million ($124 thousand) and ¥17 million were expensed for the years ended March 31, 2016 and 2015, respectively.

(2) Defined benefit pension plan

The changes in defined benefit obligation, which applied the simplified method for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2016	2015	2016
Balance at beginning of year	¥ 730	¥ 761	$ 6,477
Increase from the changes in the scope of consolidation	8	72	70
Periodic benefit costs	53	38	470
Benefits paid	(66)	(79)	(585)
Contributions from the employer	(5)	(20)	(44)
Decrease due to transfer to a defined contribution plan	-	(42)	-
Balance at end of year	¥ 720	¥ 730	$ 6,389

Notes:
Certain consolidated subsidiaries transferred a portion of their defined benefit plan to their defined contribution plan, and no impact was recognized in profit or loss.

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*
	2016	2015	2016
Funded defined benefit obligation	¥ 84	¥ 74	$ 745
Plan assets	(69)	(64)	(612)
	15	10	133
Unfunded defined benefit obligation	705	720	6,256
Net liability arising from defined benefit obligation	¥ 720	¥ 730	$ 6,389

(3) Defined contribution pension plan

Total contribution for the defined contribution pension plan was ¥320 million ($2,839 thousand) and ¥277 million for the years ended March 31, 2016 and 2015, respectively.

11. 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 being prescribed as one year rather than the normal two-year 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 Subscription Rights to Shares
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, subscription rights to shares are presented as a separate component of equity. The Companies Act also provides that companies can purchase both subscription rights to sharesand treasury stock. Such are presented as a separate component of equity or deducted directly from subscription rights to shares.

12. STOCK OPTIONS

The stock options outstanding at March 31, 2016, are as follows:

	Millions of Yen	*Thousands of U.S. Dollars*
	2016	**2016**
Share -based compensation Expenses - SGA	¥ 60	$ 532

Stock Option (Granted by)	Persons Granted	Number of Options Granted (Shares)	Date of Grant	Exercise Price *Yen (U.S. Dollars)*	Exercise Period
2015 Stock option (the Company)	(the Company) 2 directors 7 employees (Subsidiaries) 27 directors 158 employees	588,000	June 16, 2015	¥ 718 ($ 6.37)	From June 17, 2017 to June 16, 2022

The stock option activity is as follows:

(Stock option granted by the Company)

	2015 Stock Option (Shares)
For the year ended March 31, 2016	
Nonvested	
March 31, 2015 - Outstanding	-
Granted	588,000
Canceled	3,000
Vested	-
March 31, 2016 - Outstanding	585,000
Vested	
March 31, 2015 - Outstanding	-
Vested	-
Exercised	-
Canceled	-
March 31, 2016 - Outstanding	-
Exercise price	¥ 718
(Yen and U.S. dollars)	($ 6.37)
Average stock price at exercise	-
(Yen and U.S. dollars)	-
Fair value price at grant date	¥ 263
(Yen and U.S. dollars)	($ 2.33)

13. 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, 2016 and 2015, were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2016	**2015**	**2016**
Lease receivables and investments in leases	¥ 7,118	¥ 5,959	$ 63,164
Current portion of long-term lease obligations	7,427	6,224	65,906

14. 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 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. In some cases, the Group apply derivatives 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, 2016	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 7,456	¥ 7,456	-
Notes and accounts receivable	4,662	4,662	-
Lease receivables and investments in leases	7,488	8,243	¥ 755
Securities and investment securities:			
Available-for-sale securities	975	975	-
Long-term loans receivable:	290	303	13
Claims in bankruptcy:	957		
Less: allowance for doubtful accounts (*)	(957)		
Claims in bankruptcy – net	-	-	-
Total	¥ 20,873	¥ 21,641	¥ 768
Notes and accounts payable	¥ 14,233	¥ 14,233	-
Short-term bank loans (excluding current portion of long-term debt)	8,805	8,805	-
Income taxes payable	1,388	1,388	-
Long-term lease obligations (including current portion)	13,331	13,146	¥ (185)
Long-term debt (including current portion)	13,618	13,629	11
Total	¥ 51,377	¥ 51,204	¥ (173)

	Millions of Yen		
March 31, 2015	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 6,106	¥ 6,106	-
Notes and accounts receivable	5,017	5,017	-
Lease receivables and investments in leases	6,282	6,930	¥ 648
Securities and investment securities:			
Available-for-sale securities	1,088	1,088	-
Long-term loans receivable:	327	341	14
Claims in bankruptcy:	952		
Less: allowance for doubtful accounts (*)	(952)		
Claims in bankruptcy – net	-	-	-
Total	¥ 18,822	¥ 19,485	¥ 663
Notes and accounts payable	¥ 15,903	¥ 15,903	-
Short-term bank loans (excluding current portion of long-term debt)	7,059	7,059	-
Income taxes payable	753	753	-
Long-term lease obligations (including current portion)	11,688	11,525	¥ (163)
Long-term debt (including current portion)	15,218	15,225	7
Total	¥ 50,624	¥ 50,469	¥ (154)

	Thousands of U.S. Dollars		
March 31, 2016	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	$ 66,163	$ 66,163	-
Notes and accounts receivable	41,370	41,370	-
Lease receivables and investments in leases	66,447	73,147	$ 6,699
Securities and investment securities			
Available-for-sale securities	8,652	8,652	-
Long-term loans receivable	2,573	2,688	115
Claims in bankruptcy	8,492		
Less: allowance for doubtful accounts (*)	(8,492)		
Claims in bankruptcy – net	-	-	-
Total	$ 185,224	$ 192,040	$ 6,815
Notes and accounts payable	$ 126,302	$ 126,302	-
Short-term bank loans (excluding current portion of long-term debt)	78,134	78,134	-
Income taxes payable	12,316	12,316	-
Long-term lease obligations (including current portion)	118,297	116,656	$ (1,641)
Long-term debt (including current portion)	120,844	120,942	97
Total	$ 455,914	$ 454,379	$ (1,535)

(*) 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 are 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 are estimated based on the recoverable amount which considers any guarantees 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.

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

	Millions of Yen		*Thousands of U.S. Dollars*
	2016	**2015**	**2016**
Unlisted equity securities	¥ 934	¥ 1,013	$ 8,288

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

	Millions of Yen			
March 31, 2016	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 7,456	-	-	-
Notes and accounts receivable	4,662	-	-	-
Lease receivables and investments in leases	2,914	¥ 4,550	¥ 23	-
Securities and investment securities				
Available-for-sale securities with contractual maturities	-	2	-	¥ 185
Long-term loans receivable	32	89	46	121
Total	¥ 15,064	¥ 4,643	¥ 69	¥ 307

	Thousands of U.S. Dollars			
March 31, 2016	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	$ 66,163	-	-	-
Notes and accounts receivable	41,370	-	-	-
Lease receivables and investments in leases	25,858	$ 40,376	$ 204	-
Securities and investment securities				
Available-for-sale securities with contractual maturities	-	17	-	$ 1,641
Long-term loans receivable	283	789	408	1,073
Total	$ 133,676	$ 41,201	$ 612	$ 2,724

Please see Note 9 for annual maturities of long-term debt and obligations under finance leases.

15. DERIVATIVES

The Group enters into interest rate 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, 2016 and 2015, is as follows:

	Millions of Yen			
March 31, 2016	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate caps	Long-term debt	¥ -	-	(*)

March 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate caps	Long-term debt	20	¥ -	(*)

	Thousands of U.S. Dollars			
March 31, 2016	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate caps	Long-term debt	$ -	-	(*)

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 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 cap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate caps in Note 14 is included in the hedged items (i.e., long-term bank loans).

16. INCOME TAXES

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities at March 31, 2016 and 2015, are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2016	**2015**	**2016**
Deferred tax assets:			
Accrued enterprise tax	¥ 148	¥ 58	$ 1,313
Accrued bonuses to employees	300	278	2,662
Liability for employees' retirement benefits	242	251	2,147
Allowance for doubtful accounts	315	325	2,795
Loss on impairment of long-lived assets	201	242	1,783
Write-down of investment securities	512	335	4,543
Tax loss carryforwards	866	1,049	7,684
Accounts payable - other, noncurrent	28	51	248
Other	957	976	8,492
Subtotal	3,573	3,570	31,706
Less: Valuation allowance	(1,545)	(1,863)	(13,710)
Deferred tax assets	¥ 2,028	¥ 1,706	$ 17,996
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (142)	¥ (182)	$ (1,260)
Unrealized gain on subsidiaries' assets and liabilities arising from consolidation	(1,164)	(1,201)	(10,329)
Gain on valuation of investment securities	(205)	(210)	(1,819)
Adjustments for assets	(659)	(506)	(5,847)
Adjustments for liabilities	(32)	(67)	(283)
Other	(116)	(126)	(1,029)
Deferred tax liabilities	¥ (2,320)	¥ (2,294)	$ (20,587)
Net deferred tax liabilities	¥ (292)	¥ (587)	$ (2,591)

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, 2016 is as follows:

	2016
Normal effective statutory tax rate	32.8%
Amortization of goodwill	4.0
Changes in valuation allowance	(3.5)
Tax rate differences in subsidiaries	2.7
Tax loss carryforward	0.3
Equity in earnings of associated companies	(0.9)
Per capita tax	0.7
Other-net	0.0
Actual effective tax rate	36.1%

Since the difference between the normal effective statutory tax rate and the actual effective tax rate is not significant, reconciliation is not presented for the year ended March 31, 2015.

New tax reform laws formed by the Diet in 2016 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2016 and 2017, from 32.0% to 30.6% and for the fiscal year beginning on or after April 1, 2018, to 30.4%. The effect of these changes was immaterial.

17. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2016	2015	2016
Net unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ (105)	¥ 127	$ (931)
Reclassification adjustments to profit or loss	(4)	(3)	(35)
Amount before income tax effect	(110)	124	(976)
Income tax effect	39	(25)	346
Total	¥ (71)	¥ 99	$ (630)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (236)	¥ (73)	$ (2,094)
Total	¥ (236)	¥ (73)	$ (2,094)
Share of other comprehensive income in associates:			
Gains arising during the year	¥ (6)	¥ 3	$ (53)
Total	¥ (6)	¥ 3	$ (53)
Total other comprehensive income	¥ (314)	¥ 28	$ (2,786)

18. NET INCOME PER SHARE

A reconciliation of the difference between basic and diluted net income per share ("EPS") for the years ended March 31, 2015 and 2014, is presented as follows:

	Millions of Yen	*Shares*	*Yen*	*U.S. Dollars*
	Net Income	Weighted-Average Shares	EPS	
For the year ended March 31, 2016				
Basic EPS				
Net income available to common shareholders	¥ 4,090	117,654,458	¥ 34.77	$ 0.30
For the year ended March 31, 2015				
Basic EPS				
Net income available to common shareholders	¥ 4,633	117,654,458	¥ 39.38	

Diluted net income per share is not presented for the year ended March 31, 2015 as there were no diluted securities outstanding during the period.
Diluted net income per share is not presented for the year ended March 31, 2016 as there were no diluted securities outstanding during the period.

19. RELATED-PARTY TRANSACTIONS

Transactions with related parties for the years ended March 31, 2016 and 2015, were as follows:

		Millions of Yen		*Thousands of U.S. Dollars*
Related Party	Nature of Transaction	**2016**	**2015**	**2016**
An associated company	Automotive subleases	¥ 3,059	2,829	$ 27,145
	Investments in leases	4,754	3,945	42,186

20. SUBSEQUENT EVENTS

(Business Combination)

The Board of Directors resolved an acquisition of all outstanding shares of WESSEX GRAGES HOLDINGS LIMITED, which operates car dealership in the southwestern part of England, on April 29, 2016 and was converted into the Company's wholly owned subsidiary on May 6, 2016.

(1) Overview of Business Combination

① Name and business description of the acquiree
Name of the acquiree: WESSEX GRAGES HOLDINGS LIMITED
Business description: Sales of new and used vehicles of Nissan, Renault, Dacia, Fiat, Abarth, Kia, and Hyundai, repair and maintenance service for automobiles, and other related business

② Main reason for the business combination
Expansion of auto sales related business

③ Acquisition date: May 6, 2016

④ Legal form of the business combination: Acquisition of shares

⑤ Name of the company after business combination: No change

⑥ Acquired voting rights ratio: 100%

⑦ Main reason for determining acquiring company:
The Company acquired 100% of the voting rights in exchange for cash payment.

(2) Acquisition cost of the acquiree and detail of consideration:

Consideration	Cash	¥2,970 million (GBP: 19 million)($26,355thousand)
Acquisition cost		¥2,970 million (GBP: 19 million)($26,355thousand)

The amount above is a temporary amount as amendment provision pertained.

(3) Main acquisition-related costs
Fees and other charges for advisory service: Approximately ¥44 million ($390thousand)

(4) Goodwill arisen, reason, amortization method and amortization period
Undetermined at this point

(5) Description and amount of assets acquired and liabilities assumed on the date of business combination
Undetermined at this point

21. ADDITIONAL INFORMATION

(Transfer of Business by Subsidiary)

The Board of Directors resolved an entire business transfer from Sansei Motor Sales Ltd. and its wholly owned subsidiary to Motoren Shizuoka Ltd., which is a wholly owned subsidiary of the Company, on February 22, 2016, and signed an agreement on the same day.

1. The main reason of business transfer
   Sansei Motor Sales Ltd. is an official BMW dealership and has three stores each for new vehicles and for used vehicles, respectively, in the Middle Eastern part of Shizuoka Prefecture. Through this business transfer, by expanding our sales areas and a market share of BMW in the Middle Eastern part of Shizuoka Prefecture as well as applying our accumulated managing and operating strategy and skills for car dealership, we will make an effort to increase its sales and aim to contribute to our consolidated performance.
2. Name and business description of transferred business
   (1) Name: Sansei Motor Sales Ltd. and its wholly owned subsidiary
   (2) Business description: Sales of new and used BMW vehicles, repair and maintenance service for automobiles, agency business for life and non-life insurance, and other related business
3. Description of assets to be transferred and liabilities to be assumed
   Assets considered to be necessary for smooth succession of business and related liabilities to be assumed will be separately discussed and agreed upon between the parties.
4. Amount of assets to be transferred and liabilities to be assumed
   Undetermined at this point
5. Transfer date: April 1, 2016
6. Amount of transfer: Approximately ¥1,118 million($9,921thousand)

22. 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 administers the Group as a holding company, while its subsidiaries operate the businesses. The Group's reportable segments consist 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 sale and leasing of homes, 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					
	2016					
	Reportable Segment					
	Car	Housing	Other	Total	Reconciliations	Consolidated
Sales						
Sales to external customers	¥ 140,057	¥ 6,268	¥ 142	¥ 146,468	-	¥ 146,468
Intersegment sales or transfers	56	644	780	1,480	¥ (1,480)	-
Total	¥ 140,113	¥ 6,912	¥ 922	¥ 147,949	¥ (1,480)	¥ 146,468
Segment profit (loss)	¥ 7,716	¥ 290	¥ (315)	¥ 7,691	¥ (71)	¥ 7,619
Segment assets	87,236	5,374	6,568	99,179	(4,200)	94,979
Other:						
Depreciation and amortization	¥ 3,681	¥ 22	¥ 18	¥ 3,722	¥ (21)	¥ 3,701
Amortization of goodwill	963	38	-	1,001	-	1,001
Impairment losses of assets	-	-	-	-	-	-
Investments in associated companies	637	-	2,828	3,465	-	3,465
Increase in property, equipment and intangible assets	8,994	12	14	9,021	(95)	8,925

	Millions of Yen					
	2015					
	Reportable Segment					
	Car	Housing	Other	Total	Reconciliations	Consolidated
Sales						
Sales to external customers	¥ 131,292	¥ 4,940	¥ 142	¥ 136,376	-	¥ 136,376
Intersegment sales or transfers	52	756	804	1,612	¥ (1,612)	-
Total	¥ 131,345	¥ 5,697	¥ 946	¥ 137,989	¥ (1,612)	¥ 136,376
Segment profit (loss)	¥ 7,307	¥ 243	¥ (110)	¥ 7,440	¥ (93)	¥ 7,347
Segment assets	85,088	4,890	5,822	95,801	(3,028)	92,772
Other:						
Depreciation and amortization	¥ 3,444	¥ 15	¥ 22	¥ 3,482	¥ (19)	¥ 3,463
Amortization of goodwill	941	25	-	967	-	967
Impairment losses of assets	71	-	-	71	-	71
Investments in associated companies	610	-	2,719	3,330	-	3,330
Increase in property, equipment and intangible assets	8,845	6	11	8,863	(104)	8,759

	Thousands of U.S. Dollars					
	2016					
	Reportable Segment					
	Car	Housing	Other	Total	Reconciliations	Consolidated
Sales						
Sales to external customers	$ 1,242,852	$ 55,621	$ 1,260	$ 1,299,742	-	$ 1,299,742
Intersegment sales or transfers	496	5,714	6,921	13,133	$ (13,133)	-
Total	$ 1,243,349	$ 61,336	$ 8,181	$ 1,312,884	$ (13,133)	$ 1,299742
Segment profit (loss)	$ 68,471	$ 2,573	$ (2,795)	$ 68,249	$ (630)	$ 67,610
Segment assets	774,123	47,688	58,283	880,104	(37,270)	842,834
Other:						
Depreciation and amortization	$ 32,664	$ 195	$ 159	$ 33,028	$ (186)	$ 32,842
Amortization of goodwill	8,545	337	-	8,882	-	8,882
Impairment losses of assets	-	-	-	-	-	
Investments in associated companies	5,652	-	25,095	30,748	-	30,748
Increase in property, equipment and intangible assets	79,811	106	124	80,051	(843)	79,199

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, 2016	Selling New Automobiles	Selling Used Automobiles	Automotive Repair Service	Rental Car Service	Other	Total
Sales to external customers	¥ 61,676	¥ 44,472	¥ 27,735	¥ 6,173	¥ 6,410	¥ 146,468

	Millions of Yen					
Year ended March 31, 2015	Selling New Automobiles	Selling Used Automobiles	Automotive Repair Service	Rental Car Service	Other	Total
Sales to external customers	¥ 59,542	¥ 39,395	¥ 26,632	¥ 5,722	¥ 5,083	¥ 136,376

	Thousands of U.S. Dollars					
Year ended March 31, 2016	Selling New Automobiles	Selling Used Automobiles	Automotive Repair Service	Rental Car Service	Other	Total
Sales to external customers	$ 547,306	$ 394,640	$ 246,117	$ 54,778	$ 56,881	$ 1,299,742

2. Geographical Information

(1) Net Sales

Millions of Yen						
2016						
Japan	Africa	North & South America	Oceania	Europe	Asia	Total
¥ 109,663	¥ 5,333	¥ 2,395	¥ 5,850	¥ 22,582	¥ 642	¥ 146,468

Millions of Yen						
2015						
Japan	Africa	North & South America	Oceania	Europe	Asia	Total
¥ 109,247	¥ 6,009	¥ 1,004	¥ 3,535	¥ 15,815	¥ 946	¥ 136,376

Thousands of U.S. Dollars						
2016						
Japan	Africa	North & South America	Oceania	Europe	Asia	Total
$ 973,138	$ 47,324	$ 21,252	$ 51,912	$ 200,390	$ 5,697	$ 1,299,742

(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, 2016	Car	Housing	Other	Total
Amount of goodwill	¥ 10,821	¥ 707	-	¥ 11,528

	Millions of Yen			
March 31, 2015	Car	Housing	Other	Total
Amount of goodwill	¥ 11,832	¥ 687	-	¥ 12,520

	Thousands of U.S. Dollars			
March 31, 2016	Car	Housing	Other	Total
Amount of goodwill	$ 96,024	$ 6,273	-	$ 102,298

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