Consolidated Financial Statements

VT HOLDINGS CO., LTD.

Year Ended March 31, 2012
with Report of Independent Auditor's

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries
Consolidated Balance Sheet
March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	**2011**	**2012**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents *(Notes 4, 9 and 14)*	¥ 6,639	¥ 6,412	$ 80,963
Notes and accounts receivable:			
Trade *(Note 14)*	4,067	2,964	49,597
Other	2,393	1,082	29,182
Allowance for doubtful accounts	(29)	(27)	(353)
Lease receivables and investments in leases *(Notes 13,14 and 19)*	3,476	2,753	42,390
Inventories *(Notes 5 and 9)*	7,533	4,867	91,865
Deferred tax assets *(Note 16)*	681	819	8,304
Other current assets *(Note 14)*	1,870	1,760	22,804
Total current assets	26,631	20,634	324,768
PROPERTY AND EQUIPMENT:			
Land *(Notes 7 and 9)*	16,380	16,496	199,756
Buildings and structures *(Note7, 8 and 9)*	16,331	16,755	199,158
Machinery and vehicles	2,791	2,427	34,036
Leased assets *(Note 13)*	5,326	4,217	64,951
Others	961	1,302	11,719
Total	41,791	41,198	509,646
Accumulated depreciation	(14,694)	(14,531)	(179,195)
Property and equipment – net	27,096	26,667	330,439
INTANGIBLE ASSETS *(Note 7)*	10,926	11,688	133,243
INVESTMENTS AND OTHER ASSETS:			
Investment securities *(Notes 6, 9 and 14)*	1,234	1,110	15,048
Investments in unconsolidated subsidiaries and associated companies	3,885	3,753	47,378
Long-term loans receivable *(Note 14)*	347	396	4,231
Guarantee and rental deposits	818	761	9,975
Deferred tax assets *(Note 16)*	206	292	2,512
Other assets *(Note 14)*	688	638	8,390
Allowance for doubtful accounts	(234)	(213)	(2,853)
Total investments and other assets	6,947	6,739	84,719
TOTAL ASSETS	¥ 71,601	¥ 65,730	$ 873,182

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries
Consolidated Balance Sheet (continued)
March 31, 2012

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2012	**2011**	**2012**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans *(Notes 9 and 14)*	¥ 10,416	¥ 10,553	$ 127,024
Current portion of long-term debt *(Notes 9 and 14)*	4,727	5,724	57,646
Current portion of long-term lease obligations *(Notes 9, 13 and 14)*	4,977	3,910	60,695
Notes and accounts payable:			
Trade *(Note 14)*	14,620	10,246	178,292
Other	483	417	5,890
Income taxes payable *(Note 16)*	1,865	1,734	22,743
Accrued bonuses to employees	792	780	9,658
Other current liabilities	3,988	4,445	48,634
Total current liabilities	41,872	37,813	510,634
LONG-TERM LIABILITIES:			
Long-term debt *(Notes 9,14 and 15)*	7,877	9,965	96,060
Long-term lease obligations *(Notes 9, 13 and 14)*	2,030	1,745	24,756
Liability for employees' retirement benefits *(Note 10)*	486	519	5,926
Liability for retirement benefits for directors and corporate auditors	427	252	5,207
Accounts payable-other	365	495	4,451
Asset retirement obligations	255	241	3,109
Deferred tax liabilities *(Note 16)*	1,127	1,291	13,743
Other long-term liabilities *(Note 9)*	237	304	2,890
Total long-term liabilities	12,807	14,815	156,182
EQUITY *(Note 11)*:			
Common stock: authorized – 56,600,000 shares in 2012 and 2011 issued –36,793,678 shares in 2012 and 2011	2,493	2,493	30,402
Capital surplus	1,035	1,037	12,621
Stock acquisition rights *(Note 12)*	41	53	500
Retained earnings	12,588	8,841	153,512
Treasury stock, at cost – 2,223,832 shares in 2012 and 2,106,332 shares in 2011	(380)	(286)	(4,634)
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	219	166	2,670
Land revaluation surplus	38	-	463
Foreign currency translation adjustments	(1)	-	(12)
Total	16,034	12,305	195,536
Minority interests	887	796	10,817
Total equity	16,921	13,101	206,353
TOTAL LIABILITIES AND EQUITY	¥ 71,601	¥ 65,730	$ 873,182

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Income

Year Ended March 31, 2012

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2012	**2011**	**2012**
NET SALES	¥ 95,974	¥ 92,657	$ 1,170,414
COST OF SALES	74,986	72,421	914,463
Gross profit	20,988	20,235	255,951
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	14,325	14,315	174,695
Operating income	6,662	5,919	81,243
OTHER INCOME (EXPENSE):			
Interest and dividend income	55	57	670
Interest expense	(487)	(549)	(5,939)
Equity in earnings of associated companies	169	169	2,060
Gain on sales of investment securities	12	16	146
Lease revenue received	122	67	1,487
Compensation received	30	72	365
Loss on sales of investment securities	(10)	(43)	(121)
Write-down of investment securities	(25)	(87)	(304)
Loss on impairment of long-lived assets	(41)	(165)	(500)
Loss on disposals of property and equipment	(151)	(52)	(1,841)
Provision for doubtful accounts	(46)	(26)	(560)
Cost of real estate leasing	(106)	(82)	(1,292)
Cumulative effect of the adoption of the new accounting standard for asset retirement obligation	-	(131)	-
Gain on termination of retirement benefits plan	-	248	-
Gain on transfer of business	1,307	-	15,939
Other – net	110	(1)	1,341
Other income (expense) - net	936	(513)	11,414
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	¥ 7,599	¥ 5,406	$ 92,670

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries
Consolidated Statement of Income (continued)
Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	**2011**	**2012**
INCOME TAXES *(Note 16)*			
Current	¥ 3,129	¥ 2,533	$ 38,158
Deferred	62	52	756
Total income taxes	3,192	2,585	38,926
NET INCOME BEFORE MINORITY INTERESTS	4,406	2,820	53,731
MINORITY INTERESTS IN NET INCOME	44	56	536
NET INCOME	¥ 4,361	¥ 2,763	$ 53,182
	Yen		*U.S. Dollars (Note 1)*
PER SHARE OF COMMON STOCK *(Notes 2(w) and 18)*			
Basic net income	¥ 126.93	¥ 80.69	$ 1.54
Diluted net income	122.77	76.99	1.49
Cash dividends applicable to the year	20.00	15.00	0.24

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2012

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2012	**2011**	**2012**
NET INCOME BEFORE MINORITY INTERESTS	¥ 4,406	¥ 2,820	$ 53,731
OTHER COMPREHENSIVE INCOME (Note 17):			
Net unrealized gain on available-for-sale securities	52	57	634
Foreign currency translation adjustments	1	-	12
Share of other comprehensive income in associates	38	0	463
Total other comprehensive income	92	57	1,121
COMPREHENSIVE INCOME (Note 17)	¥ 4,499	¥ 2,878	$ 54,865
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 17):			
Owners of the parent	¥ 4,451	¥ 2,820	$ 54,280
Minority interests	48	57	585

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, 2012

		Millions of Yen										
							Accumulated Other Comprehensive Income					
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Net Unrealized Gain on Available-for-Sale Securities	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE AT APRIL 1, 2010	34,399,774	¥ 2,453	¥ 991	¥ 57	¥ 6,315	¥ (193)	¥ 109	-	-	¥ 9,734	¥ 755	¥ 10,489
Exercising stock acquisition rights	869,560	40	40	-	-	-	-	-	-	80	-	80
Cash dividends, ¥7.00 per share	-	-	-	-	(237)	-	-	-	-	(237)		(237)
Net income for the year	-	-	-	-	2,763	-	-	-	-	2,763	-	2,763
Purchase of treasury stock	(750,988)	-	-	-	-	(115)	-	-	-	(115)	-	(115)
Sales of treasury stock	169,000	-	5	-	-	22	-	-	-	28	-	28
Net change in the year	-	-	-	(4)	-	-	56	-	-	52	40	93
BALANCE AT MARCH 31, 2011	34,687,346	2,493	1,037	53	8,841	(286)	166	-	-	12,305	796	13,101
Cash dividends, ¥18.00 per share	-	-	-	-	(620)	-	-	-	-	(620)	-	(620)
Net income for the year	-	-	-	-	4,361	-	-	-	-	4,361	-	4,361
Change in scope of consolidation	-	-	-	-	5	-	-	-	-	5	-	5
Purchase of treasury stock	(600,000)	-	-	-	-	(176)	-	-	-	(176)	-	(176)
Sales of treasury stock	482,500	-	(1)	-	-	82	-	-	-	80		80
Net change in the year	-	-	-	(12)	-	-	52	¥ 38	¥ (1)	77	91	168
BALANCE AT MARCH 31, 2012	34,569,846	¥ 2,493	¥ 1,035	¥ 41	¥ 12,588	¥ (380)	¥ 219	¥ 38	¥ (1)	¥ 16,034	¥ 887	¥ 16,921

	Thousands of U.S. Dollars (Note 1)										
						Accumulated other comprehensive income					
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Net Unrealized Gain on Available-for-Sale Securities	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE AT MARCH 31, 2011	$ 30,402	$ 12,646	$ 646	$ 107,817	$ (3,487)	$ 2,024	-	-	$ 150,060	$ 9,707	$ 159,768
Cash dividends, $0.21 per share	-	-	-	(7,560)	-	-	-	-	(7,560)	-	(7,560)
Net income for the year	-	-	-	53,182	-	-	-	-	53,182	-	53,182
Change in scope of consolidation	-	-	-	60	-	-	-		60	-	60
Purchase of treasury stock	-	-	-	-	(2,146)	-	-	-	(2,146)	-	(2,146)
Sales of treasury stock	-	(12)	-	-	1,000	-	-	-	975	-	975
Net change in the year	-	-	(146)	-	-	634	$ 463	$ (12)	939	1,109	2,048
BALANCE AT MARCH 31, 2012	$ 30,402	$ 12,621	$ 500	$ 153,512	$ (4,634)	$ 2,670	$ 463	$ (12)	$ 195,536	$ 10,817	$ 206,353

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries
Consolidated Statement of Cash Flows
Year Ended March 31, 2012

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2012	**2011**	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 7,599	¥ 5,406	$ 92,670
Adjustments for:			
Depreciation and amortization	2,399	1,871	29,256
Amortization of goodwill	750	756	9,146
Loss on impairment of long-lived assets	41	165	500
Increase in allowance for doubtful accounts	78	30	951
Increase (decrease) in accrued bonuses	12	(33)	146
Decrease in liability for employees' retirement benefits	(33)	(962)	(402)
Increase in liability for retirement benefits for directors and corporate auditors	175	44	2,134
Interest and dividend income	(55)	(57)	(670)
Interest expense	487	549	5,939
Foreign exchange loss	-	27	-
Equity in earnings of unconsolidated subsidiaries and associated companies	(169)	(169)	(2,060)
Loss on disposals of property and equipment – net	151	52	1,841
Write-down of investment securities	25	87	304
(Gain) loss on sales of investment securities – net	(1)	27	(12)
Gain on transfer of business	(1,307)	-	(15,939)
(Increase) decrease in notes and accounts receivable, trade	(1,607)	928	(19,597)
(Increase) decrease in inventories	(2,418)	2,129	(29,487)
Increase (decrease) in notes and accounts payable, trade	4,052	(2,834)	49,414
(Increase) decrease in other current assets	(94)	195	(1,146)
Increase (decrease) in other current liabilities	277	(637)	3,378
Other – net	(248)	834	(3,024)
Subtotal	10,115	8,412	123,353
Interest and dividends received	82	76	1,000
Interest paid	(481)	(554)	(5,865)
Income taxes paid	(3,917)	(2,084)	(47,768)
Income taxes refunded	687	768	8,378
Net cash provided by operating activities	¥ 6,487	¥ 6,619	$ 79,109

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, 2012

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2012	**2011**	**2012**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	¥ (1,673)	¥ (1,474)	$ (20,402)
Proceeds from sales of property and equipment	725	485	8,841
Purchases of intangible assets	(164)	(42)	(2,000)
Purchases of investment securities	(103)	(236)	(1,256)
Proceeds from sales of investment securities	148	239	1,804
Payments for acquisition of newly consolidated subsidiary	(22)	-	(268)
Payment of loans receivable	(66)	(183)	(804)
Proceeds from loans receivable	102	316	1,243
Payment of security deposits	(87)	(51)	(1,060)
Proceeds from security deposits	25	90	304
Proceeds from transfer of business	494	-	6,024
Other	(72)	(60)	(878)
Net cash used in investing activities	(694)	(916)	(8,463)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net decrease in short-term bank loans	(186)	(4,535)	(2,268)
Proceeds from long-term debt	2,824	5,910	34,439
Repayment of long-term debt	(6,872)	(6,713)	(83,804)
Proceeds from issuance of bonds	1,174	500	14,317
Redemption of bonds	(237)	(197)	(2,890)
Purchase of treasury stock	(176)	(115)	(2,146)
Sales of treasury stock	68	23	829
Cash dividends paid	(620)	(237)	(7,560)
Cash dividends paid to minority shareholders	(11)	(16)	(134)
Repayment of lease obligations	(1,521)	(920)	(18,548)
Other	9	(1)	109
Net cash used in financing activities	(5,549)	(6,304)	(67,670)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(0)	(27)	(0)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	242	(630)	2,951
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,352	6,982	77,463
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARY	7	-	85
CASH AND CASH EQUIVALENTS OF SUBSIDIARIES EXCLUDED FROM CONSOLIDATION	(24)	-	(292)
CASH AND CASH EQUIVALENTS, END OF YEAR *(Note 4)*	¥ 6,579	¥ 6,352	$ 80,231

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, 2012

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2012	**2011**	**2012**
NONCASH FINANCING ACTIVITIES:			
Finance lease transactions:			
Increase in leased assets	¥ 2,045	¥ 2,236	$ 24,939
Increase in lease obligations	2,124	2,348	25,902
Execution of stock acquisition rights:			
Increase in common stock	-	40	-
Increase in capital surplus	-	40	-
ADDITIONAL INFORMATION:			
Reconciliation of the net cash paid for investment in SKY ABSOLUT AUTO (PTY) LTD. was as follows:			
Current assets	¥ 297	-	$ 3,621
Non-current assets	24	-	292
Goodwill	15		182
Current liabilities	(251)	-	3,060
Minority interest	(35)	-	(426)
Cost of shares	51	-	621
Acquisition cost at consolidation	(14)	-	(170)
Cash and cash equivalents held by SKY ABSOLUT AUTO (PTY) LTD.	(14)	-	(170)
Net cash paid for investment in SKY ABSOLUT AUTO (PTY) LTD.	¥ 22	-	$ 268

See accompanying notes to the consolidated financial statements.

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2011 consolidated financial statements to conform to the classifications used in 2012.

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 ¥82 to U.S.$1, the approximate rate of exchange at March 31, 2012. 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, 2012 and 2011 (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 accompanying consolidated financial statements include the accounts of the Company and the significant companies over which substantial control is exerted either through majority ownership of voting stock and/or by other means. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for in the consolidated financial statements by the equity method. The assets and liabilities of the newly consolidated subsidiaries are stated at fair value as of their respective dates of acquisition.

The consolidated financial statements as of March 31, 2012 and 2011 include the accounts of the Company and its 22 significant subsidiaries (together, the "Group").

TRUST ABSOLUT AUTO (PTY) LTD., which was a non-consolidated subsidiary, and SKY ABSOLUT AUTO(PTY)LTD., which was an associated company as of March 31, 2011 are newly consolidated for the year ended March 31, 2012 because their impact on the consolidated financial statements has increased.

E-FOUR ASIA CO., LTD. and E-ESCO CO., LTD. were excluded from consolidation as of March 31, 2012 because the effect of such investment vehicle and company on the accompanying consolidated financial statements would not be material.

Investments in 3 associated companies are accounted for by the equity method as of March 31, 2012 and 2011. Investments in the remaining unconsolidated subsidiaries and associated companies (nine in 2012 and 11 in 2011) 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 Company has an investment vehicle in which the Company holds from 20% to 50% of shares. The Company does not regard the investment vehicle as an associated company because the Company cannot exercise any influence on the investment vehicle’s operation and financial position.

Goodwill, including the excess of the cost of an acquisition over the fair value of the net assets of the 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 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 (1) 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, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of research and development (R&D);

(d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; and (e) exclusion of minority interests from net income, if contained in net income.

(c) Business Combinations

In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allows 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 (R&D) costs to be charged to income as incurred. Under the revised standard, in-process R&D costs acquired in the business combination is 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 allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

(d) Cash and 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 and cash equivalents consist of cash on hand and deposits in banks (including time deposits). The Company considers all time deposits with an original maturity of one year or less to be cash equivalents. Generally, such time deposits can be withdrawn at any time without penalty or diminution of the principal amount.

(e) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the current exchange rate as of the balance sheet date. Gain or loss on each transaction is credited or charged to income. Revenues and expenses are translated at the rates of exchange prevailing when such transactions were recorded.

(f) 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.

(g) 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.

The Company held a 20%-to-50% interest in one collective investment vehicle in 2012 and 2011. The investment vehicle is not treated as an associated company because the Company is not able to exercise significant influence over the investment vehicle.

Non-marketable 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.

(h) 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, by the last purchase method for merchandise such as parts, raw materials and supplies and by the average method for finished goods.

(i) 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 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 and after April 1, 1998 and cars for rental purposes to which the straight-line method is applied.

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).

Under certain conditions such as exchanges of fixed assets of similar kinds, receipts of grants, and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired or by providing a special reserve in the equity section.

(j) Long-Lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be 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.

(k) 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 is greater than above method).

(l) Deferred Assets

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

(m) Liability for Employees' Retirement Benefits

The Company and certain consolidated subsidiaries have a defined contribution pension plan in which employees can select either a defined contribution pension plan or a prepayment plan. In addition, there is a severance payment plan and a funded contributory pension plan, bothe of which are defined benefit plans.

Certain consolidated subsidiaries record the liability for retirement benefits based on the projected benefit obligations and pension assets. Actuarial differences are amortized over 11 years, within the employees' average service period. Prior service costs are amortized over 11 years, within the employees' average service period. The transitional obligation was expensed as incurred in the Group, except that Shizuoka Nissan Auto Sales Co., Ltd., which has been consolidated since the year ended March 31, 2007, amortizes it over 15 years.

(n) Liability for Retirement Benefits for Directors and Corporate Auditors

Directors and corporate auditors are customarily entitled to lump-sum payments under an unfunded retirement benefit plan. The provision for retirement allowances for them has been made at an estimated amount based on the Company's and consolidated subsidiaries' internal rules.

(o) 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.

(p) Asset Retirement Obligations

In March 2008, the ASBJ published 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 increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

(q) 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 and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the 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.

(r) 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 issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

(Lessee)
Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased assets to the lessee were to be 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 or lessor'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 accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased assets to the lessee to continue to be accounted for as operating lease transactions.

(Lessor)
Under the previous accounting standard, finance leases that were deemed to transfer ownership to the lessee were to be treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the notes to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased assets to the lessee be recognized as lease receivables, and that all finance leases that are not deemed to transfer ownership of the leased assets to the lessee should be recognized as investments in leases, where the Group recognizes the lease payment from the lessee as sales when received while recognizing the corresponding portion of the lease receivable or investment in lease as cost of sales. In addition, the accounting standard permits leases which existed at the transition date and did not transfer ownership of the leased assets to the lessee 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 which existed at the transition date and did not transfer ownership of the leased assets to the lessee in accordance with the new accounting method.

(s) 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, the 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 can 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.

(t) 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 tax laws to the temporary differences.

(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 Hedge Accounting

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 which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under 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 statements 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 with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions. (2) Changes in Presentations - 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. This accounting standard and the guidance are applicable to accounting changes and corrections of prior-period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

(y) New Accounting Pronouncements

Accounting Standard for Retirement Benefits—On May 17, 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 effective date of April 1, 2000 and the other related practical guidances, being followed by partial amendments from time to time through 2009.

Major changes are as follows:

(1) *Treatment in the balance sheet*

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, are recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(2) *Treatment in the statement of income and the statement of comprehensive income*

The revised accounting standard would not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and yet to be recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

This accounting standard and the guidance are effective for the end of annual periods beginning on or after April 1, 2013 with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

3. TRANSFER OF BUSINESS

On June 14, 2011, a consolidated subsidiary, E-FOUR CORPORATION, sold its business relating to design, development and sales of control devices of electric power, which is part of the Environment segment. The Group intended to collect investment capital and to reinforce its financial condition. The Group recognized a gain related to the sale in the amount of ¥1,307 million ($15,939 thousand) for the year ended March 31, 2012.

The assets and the liabilities sold at date of the sale were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 94	$ 1,146
Non-current assets	128	1,560
Current liabilities	2	24

The following is a summary of the operating results of the business sold, which are included in the consolidated statement of income for the year ended March 31, 2012:

	Millions of Yen	Thousands of U.S. Dollars
Sales	¥ 268	$ 3,268
Operating income	42	512

4. CASH AND CASH EQUIVALENTS

A reconciliation between the cash and cash equivalents on the consolidated balance sheets and consolidated statements of cash flows for the years ended March 31, 2012 and 2011 was as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2012	**2011**	**2012**
Cash and cash equivalents on the consolidated balance sheet	¥ 6,639	¥ 6,412	$ 80,963
Time deposits	(60)	(60)	(731)
Cash and cash equivalents on the consolidated statements of cash flows	¥ 6,579	¥ 6,352	$ 80,231

5. INVENTORIES

Inventories as of March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2012	**2011**	**2012**
New and used cars	¥ 6,363	¥ 3,917	$ 77,597
Parts	325	308	3,963
Other merchandise	459	293	5,597
Total merchandise	7,149	4,518	87,182
Raw materials	6	54	73
Work in process	330	241	4,024
Supplies	46	52	560
Total	¥ 7,533	¥ 4,867	$ 91,865

6. INVESTMENT SECURITIES

Investment securities as of March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2012	**2011**	**2012**
Non-current:			
Equity securities	¥ 960	¥ 824	$ 11,707
Trust fund investments and other	273	286	3,329
Total	¥ 1,234	¥ 1,110	$ 15,048

See accompanying notes to the consolidated financial statements.

Information regarding investment securities classified as available-for-sale securities at March 31, 2012 and 2011 is summarized as follows:

	Millions of Yen			
	2012			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	¥ 244	¥ 347	¥ (7)	¥ 583
Other	250	7	(2)	256
Total	¥ 494	¥ 355	¥ (9)	¥ 839

	Millions of Yen			
	2011			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	¥ 256	¥ 300	¥ (16)	¥ 540
Other	251	12	(1)	262
Total	¥ 508	¥ 312	¥ (18)	¥ 803

	Thousands of U.S. Dollars			
	2012			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	$ 2,975	$ 4,231	$ (85)	$ 7,109
Other	3,048	85	(24)	3,121
Total	$ 6,024	$ 4,329	$ (109)	$ 10,231

The information of the available-for-sale securities which were sold during the year ended March 31, 2012 and 2011 was as follows:

	Millions of Yen		
	2012		
	Proceeds	Realized Gains	Realized Losses
Equity securities	¥ 113	¥ 12	¥ 10

	Millions of Yen		
	2011		
	Proceeds	Realized Gains	Realized Losses
Equity securities	¥ 206	¥ 12	¥ 42
Other	31	3	1
Total	¥ 238	¥ 16	¥ 43

	Thousands of U.S. Dollars		
	2012		
	Proceeds	Realized Gains	Realized Losses
Equity securities	$ 1,378	$ 146	$ 121

The impairment losses on available-for-sale equity securities for the years ended March 31, 2012 and 2011 were ¥25 million ($304 thousand) and ¥2 million, respectively.

The carrying amount of available-for-sale securities with contractual maturities at March 31, 2012 and 2011 is disclosed in Note 14.

7. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2012 and 2011, and as a result, recognized impairment losses of ¥41 million ($500 thousand) and ¥165 million, respectively. The carrying amount of goodwill arose from purchasing PCI Co., Ltd. was written down to zero because its operating performance was significantly below planning.

Impairment losses consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2012	**2011**	**2012**
Goodwill	¥ 15	¥ 94	$ 182
Buildings and structures	-	61	-
Land	25	-	304
Other	1	9	12
Total	¥ 41	¥ 165	$ 500

8. INVESTMENT PROPERTY

On November 28, 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, 2011	Increase (Decrease)	March 31, 2012	March 31, 2012
Investment properties	¥ 3,447	¥ 735	¥ 4,182	¥ 3,991
Properties which include parts used as investment properties	1,594	(26)	1,567	2,242

	Millions of Yen			
	Carrying Amount			Fair Value
	April 1, 2010	Increase	March 31, 2011	March 31, 2011
Investment properties	¥ 3,390	¥ 56	¥ 3,447	¥ 3,264
Properties which include parts used as investment properties	1,501	93	1,594	2,250

	Thousands of U.S. Dollars			
	Carrying Amount			Fair Value
	April 1, 2011	Increase (Decrease)	March 31, 2012	March 31, 2012
Investment properties	$ 42,036	$ 8,963	$ 51,000	$ 48,670
Properties which include parts used as investment properties	19,439	(317)	19,109	27,341

Notes:
1) The carrying amount recognized in the balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
2) The increase during the fiscal year ended March 31, 2012 primarily represents transfer of

assets from business purpose to investment of ¥742 million ($9,048 thousand).

3) The fair value of properties as of March 31, 2012 and 2011 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, 2012	Rental Income	Cost of Rent	Net Rental Income	Other Income (Expenses)
Investment properties	¥ 316	¥ 169	¥ 146	¥ -
Properties which include parts used as investment properties	100	60	39	-

	Millions of Yen			
March 31, 2011	Rental Income	Cost of Rent	Net Rental Income	Other Expenses
Investment properties	¥ 312	¥ 174	¥ 137	¥ (5)
Properties which include parts used as investment properties	115	53	62	(1)

	Thousands of U.S. Dollars			
March 31, 2012	Rental Income	Cost of Rent	Net Rental Income	Other Income (Expenses)
Investment properties	$ 3,853	$ 2,060	$ 1,780	$ -
Properties which include parts used as investment properties	1,219	731	475	-

Note:

Rental income arising from properties which include parts used as investment properties are not included above because such properties include parts used by the Group for their business and administration. 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 1.22% and 1.32% at March 31, 2012 and 2011, respectively.

Long-term debt at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2012	**2011**	**2012**
Loans from banks and other financial institutions due serially to 2020 with weighted-average interest rates of 1.41% in 2012 and 1.51% in 2011	¥ 11,085	¥ 15,132	$ 135,182
Unsecured six months TIBOR+0.15% domestic bonds due serially to 2013	249	416	3,036
Unsecured three months TIBOR+0.20% domestic bonds due serially to 2016	360	-	4,390
Unsecured 0.79% domestic bonds due serially to 2017	300	-	3,658
Unsecured 0.79% domestic bonds due serially to 2017	500	-	6,097
Unsecured 1.40% domestic bonds due serially to 2016	58	72	707
Unsecured 1.34% domestic bonds due serially to 2015	52	68	634
Long-term lease obligations	3,551	2,948	43,304
Unsecured 1.90% in 2012 and 2011 domestic other long-term debt due serially to 2029	17	18	207
Total	¥ 16,172	¥ 18,656	$ 197,219
Less current portion	(6,248)	(6,927)	(76,195)
Long-term debt, less current portion	¥ 9,924	¥ 11,728	$ 121,024

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, 2012 are summarized as follows:

Long-term debt (including current portion)	*Millions of Yen* 2012	*Thousands of U.S. Dollars* 2012
2013	¥ 4,727	$ 57,646
2014	3,788	46,195
2015	2,251	27,451
2016	1,014	12,365
2017	519	6,329
2018 and thereafter	305	3,719
Total	¥ 12,604	$ 153,707

Long-term lease obligations (including current portion)	*Millions of Yen* 2012	*Thousands of U.S. Dollars* 2012
2013	¥ 1,521	$ 18,548
2014	1,202	14,658
2015	657	8,012
2016	139	1,695
2017	10	121
2018 and thereafter	22	268
Total	¥ 3,551	$ 43,304

Long-term lease obligations on sub-leases were not included in the schedule above and, as result, current portion of long-term lease obligations presented in the consolidated balance sheet are larger by ¥3,456 million ($42,146 thousand) than that in the above schedule.

The assets pledged as collateral for accounts payable of ¥345 million ($4,207 thousand), short-term bank loans of ¥4,519 million ($55,109 thousand) and long-term debt of ¥2,772 million ($33,804 thousand) including the current portion at March 31, 2012 were as follows:

	Millions of Yen	*Thousands of U.S. Dollars*
	2012	**2012**
Time deposit	¥ 170	$ 2,073
Merchandises	456	5,560
Land	8,774	107,000
Buildings	2,125	25,914
Investment securities	3	36
Total	¥ 11,531	$ 140,621

Financial covenants relating to syndicate loans of ¥1,336 million ($16,292 thousand) are as follows:

The syndicate loans executed on September 25, 2006 contain restrictions that the amount of equity in the consolidated balance sheet (excluding unrealized gain or loss on available-for-sale securities) at the annual year-end should not be less than 75% of the amount of equity (excluding unrealized gain or loss on available-for-sale securities) at March 31, 2006 (as for the consolidated balance sheets at March 31, 2006, equity (excluding unrealized gain or loss on available-for-sale securities) shall include “stock acquisition rights,” “minority interests” and “deferred gain or loss on derivatives under hedge accounting,” if any).

Consolidated subsidiary, Honda Cars Tokai Co., Ltd.’s, financial covenant:
The syndicate loans executed on March 29, 2010 contain restrictions that the amount of equity in the balance sheets at annual year-end should not be less than 80% of the amount of equity in the balance sheet at March 31, 2010 and the Honda Cars Tokai Co., Ltd. does not operate at ordinary losses for two consecutive fiscal years.

The Company and certain consolidated subsidiaries contracted bank overdraft agreements with 26 banks for efficient fund raising. The Company and certain consolidated subsidiaries are able to overdraw the maximum amount of ¥26,780 million ($326,585 thousand) at March 31, 2012. The outstanding balance of overdrafts was ¥9,634 million ($117,487 thousand) at March 31, 2012.

10. RETIREMENT AND PENSION PLAN

The following table sets forth the funded and accrued status of certain consolidated subsidiaries' defined benefit pension plans and the amounts recognized in the consolidated balance sheets at March 31, 2012 and 2011 for the plan:

	Millions of Yen		*Thousands of U.S. Dollars*
	2012	**2011**	**2012**
Projected benefit obligation	¥ (557)	¥ (610)	$ (6,792)
Plan assets at fair value	-	-	-
Unfunded retirement benefit obligation	(557)	(610)	(6,792)
Unrecognized transitional obligation	(35)	(47)	(426)
Unrecognized actuarial loss	32	51	390
Unrecognized prior service cost	74	87	902
Liability for retirement benefits	¥ (486)	¥ (519)	$ (5,926)

The components of net periodic benefit costs for the years ended March 31, 2012 and 2011 are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2012	**2011**	**2012**
Service cost	¥ 2	¥ 42	$ 24
Interest cost	12	29	146
Amortization of transitional obligation	(11)	(11)	(134)
Recognized actuarial loss	18	12	219
Amortization of prior service cost	12	12	146
Contribution to defined contribution pension plan	246	200	3,000
Prepaid retirement payments	16	16	195
Other periodic benefit costs	128	135	1,560
Net periodic benefit costs	¥ 424	¥ 436	$ 5,170

Assumptions used for the years ended March 31, 2012 and 2011 are set forth as follows:

	2012	2011
Periodic recognition of projected benefit obligation	Straight-line method	Straight-line method
Discount rate	2.0%	2.0%
Amortization period of prior service cost	11 years	11 years
Recognition period of actuarial loss	11 years	10 to 11 years
Amortization period of transitional obligation	As incurred	As incurred

Shizuoka Nissan Auto Sales Co., Ltd., which has been consolidated since the year ended March 31, 2007, amortizes its transitional obligation over 15 years.

The funded status of the multi-employer pension plans at March 31, 2012 and 2011, which contributions were recorded as net periodic retirement benefit costs, was as follows:

	Millions of Yen			
2012	Pension Fund of Honda Car Dealers		Shizuoka Automobile Pension Fund	
Fair value of plan assets	¥	27,647	¥	25,723
Pension obligation recorded by pension fund		28,252		34,463
Difference	¥	(605)	¥	(8,740)

	Millions of Yen			
2011	Pension Fund of Honda Car Dealers		Shizuoka Automobile Pension Fund	
Fair value of plan assets	¥	27,069	¥	27,045
Pension obligation recorded by pension fund		27,504		35,154
Difference	¥	(435)	¥	(8,109)

	Thousands of U.S. Dollars			
2012	Pension Fund of Honda Car Dealers		Shizuoka Automobile Pension Fund	
Fair value of plan assets	$	337,158	$	313,723
Pension obligation recorded by pension fund		344,536		420,280
Difference	$	(7,378)	$	(106,585)

The Group's contribution percentage for multi-employer pension plans for the years ended March 31, 2012 and 2011 is as follows:

	2012	2011
Pension Fund of Honda Car Dealers	4.2 %	4.0 %
Shizuoka Automobile Pension Fund	8.1	8.1

See accompanying notes to the consolidated financial statements.

Notes:
(Pension Fund of Honda Car Dealers)
Difference in 2012 and 2011 mainly resulted from deficiency of reserve.
(Shizuoka Automobile Pension Fund)
1. Difference resulted mainly from deficiency of reserve of ¥3,090 million ($37,682 thousand) and ¥3,942 million for 2012 and 2011, respectively, and prior service cost of ¥4,013 million ($48,939 thousand) and ¥4,166 thousand for 2012 and 2011, respectively.
2. Prior service cost is amortized over 20 years and special contribution of ¥29 million ($353 thousand) and ¥31 million was expensed for the years ended March 31, 2012 and 2011.

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

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 such as: (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria. The Companies Act permits companies to distribute dividends-in-kind (non-cash 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 total of the aggregate amount of the legal reserve and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

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

12. STOCK OPTIONS

The stock options outstanding at March 31, 2012 are as follows:

Stock Option (Granted by)	Persons Granted	Number of Options Granted (Shares)	Date of Grant	Exercise Price *Yen (U.S. Dollars)*	Exercise Period
2005 Stock option (the Company)	(the Company) 6 advisors 5 employees (Subsidiaries) 13 directors 10 employees	106,500	July 20, 2005	¥ 776 ($ 9.46)	From August 1, 2007 To June 30, 2011
2008 Stock option (the Company)	(the Company) 3 directors	2,500,000	June 30, 2008	¥ 142 ($ 1.73)	From July 1, 2009 To June 30, 2013

The stock option activity is as follows:

(Stock option granted by the Company)

	2005 Stock Option (Shares)	2008 Stock Option (Shares)
For the year ended March 31, 2011		
Non-vested		
March 31, 2010 - Outstanding	-	657,000
Granted	-	-
Canceled	-	-
Vested	-	657,000
March 31, 2011 - Outstanding	-	-
Vested		
March 31, 2010 - Outstanding	92,500	1,643,000
Vested	-	657,000
Exercised	-	169,000
Canceled	-	-
March 31, 2011 - Outstanding	92,500	2,131,000
For the year ended March 31, 2012		
Non-vested		
March 31, 2011 - Outstanding	-	-
Granted	-	-
Canceled	-	-
Vested	-	-
March 31, 2012 - Outstanding	-	-
Vested		
March 31, 2011 - Outstanding	92,500	2,131,000
Vested	-	-
Exercised	-	482,500
Canceled	(92,500)	-
March 31, 2012 - Outstanding	-	1,648,500
Exercise price	¥ 776	¥ 142
(yen and U.S. dollars)	($ 9.46)	($ 1.73)
Average stock price at exercise		¥ 446
(Yen and U.S. dollars)	-	($ 5.43)
Fair value price at grant date		¥ 25
(Yen and U.S. dollars)	-	($ 0.30)

See accompanying notes to the consolidated financial statements.

13. LEASES

(As lessee)

The Group leases certain machinery, vehicles and other assets as lessee.

As discussed in Note 2 (r), the Group accounted for leases which existed at March 31, 2008 and did not transfer ownership of the leased assets to the lessee as operating lease transactions.

Lease payments relating to finance leases accounted for as operating leases in the consolidated financial statements amounted to ¥71 million ($865 thousand) and ¥285 million for the years ended March 31, 2012 and 2011, respectively.

Pro forma information for the years ended March 31, 2012 and 2011 of leased assets such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, interest expense and other information of finance leases that did not transfer ownership of the leased assets to the lessee on an "as if capitalized" basis was as follows:

	Millions of Yen		
	2012		
	Acquisition Cost	Accumulated Depreciation	Carrying Amount
Machinery and vehicles	¥ 84	¥ 68	¥ 16
Other:			
Furniture, fixtures and equipment	30	25	5
Total	¥ 115	¥ 93	¥ 21

	Millions of Yen		
	2011		
	Acquisition Cost	Accumulated Depreciation	Carrying Amount
Machinery and vehicles	¥ 300	¥ 230	¥ 70
Other:			
Furniture, fixtures and equipment	77	53	24
Software	23	22	1
Total	¥ 402	¥ 306	¥ 95

	Thousands of U.S. Dollars		
	2012		
	Acquisition Cost	Accumulated Depreciation	Carrying Amount
Machinery and vehicles	$ 1,024	$ 829	$ 195
Other:			
Furniture, fixtures and equipment	365	304	60
Total	$ 1,402	$ 1,134	$ 256

Obligations under finance leases at March 31, 2012:

	Millions of Yen	*Thousands of U.S. Dollars*
Due within one year	¥ 14	$ 170
Due after one year	9	109
Total	¥ 24	$ 292

Depreciation expense, interest expense and other information under finance leases:

	Millions of Yen		*Thousands of U.S. Dollars*
	2012	**2011**	**2012**
Depreciation expense	¥50	¥206	$609
Interest expense	2	7	24

Depreciation expense and interest expense, which are not reflected in the accompanying statements of income, are computed by the straight-line method and the interest method, respectively.

(As lessor)

The Group leases certain machinery and vehicles as lessor.

As discussed in Note 2 (r), the Group accounted for leases which existed at March 31, 2008 and did not transfer ownership of the leased assets to the lessee as operating lease transactions.

Lease revenues received relating to finance leases accounted for as operating leases in the consolidated financial statements amounted to ¥1 million ($1 thousand) and ¥2 million for the years ended March 31, 2012 and 2011, respectively.

The following amounts represent the acquisition cost, accumulated depreciation and carrying amount of those leased assets at March 31, 2012 and 2011.

	Millions of Yen		
	2012		
	Acquisition Cost	Accumulated Depreciation	Carrying Amount
Machinery and vehicles	¥ 1	¥ 1	¥ 0

	Millions of Yen		
	2011		
	Acquisition Cost	Accumulated Depreciation	Carrying Amount
Machinery and vehicles	¥ 7	¥ 6	¥ 0

	Thousands of U.S. Dollars		
	2012		
	Acquisition Cost	Accumulated Depreciation	Carrying Amount
Machinery and vehicles	$ 12	$ 12	$ 0

Depreciation expense and interest income under finance leases were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2012	**2011**	**2012**
Depreciation expense	¥ 0	¥ 1	$ 0
Interest income	0	0	0

Interest income is computed by the interest method.

Amounts of sublease items, which include interest portion, included in the consolidated balance sheet as of March 31, 2012 and 2011 were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2012	**2011**	**2012**
Lease receivables:			
Current assets	¥ 3,318	¥ 2,597	$ 40,463
Lease obligations:			
Current liabilities	3,456	2,707	42,146

See accompanying notes to the consolidated financial statements.

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 used, not 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 and trade accounts, are less than one year. Bank loans and bonds are used to fund M&A for business expansion and facilities in its subsidiaries and their maturities are less than approximately five years. Lease obligations mainly arise from finance lease transactions of cars for rent and their maturities are less than five years. Additionally, bank loans 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 includes monitoring of customers' credit records which are reviewed on a regular basis to identify the default risk of customers at an early stage. The Group investigates the credit information of new customers before doing business and to determine whether to enter into the contract or not as well as to define the contract terms with them.

Market risk management

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

Liquidity risk management

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

(4) Fair Values of Financial Instruments

The fair value of financial instruments is based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead. Please see Note 15 for the detail of the fair value of derivatives.

(a) Fair value of financial instruments

	Millions of Yen					
	2012					
	Carrying Amount		Fair Value		Unrealized Gain (Loss)	
Cash and cash equivalents	¥	6,639	¥	6,639		-
Notes and accounts receivable		4,067		4,067		-
Lease receivables and investments in leases		3,476		3,821	¥	345
Securities and investment securities:						
Available-for-sale securities		839		839		-
Short-term loans receivable		72		75		2
Long-term loans receivable		347		364		17
Claims in bankruptcy:		238				
Less: allowance for doubtful accounts (*)		(228)				
Claims in bankruptcy - net		9		9		-
Total	¥	15,452	¥	15,817	¥	365
Notes and accounts payable	¥	14,620	¥	14,620		-
Short-term bank loan (excluding current portion of long-term debt)		10,416		10,416		-
Long-term lease obligations (including current portion)		7,008		6,911	¥	(96)
Long-term debt (including current portion)		12,604		12,620		16
Total	¥	44,650	¥	44,570	¥	(80)

See accompanying notes to the consolidated financial statements.

	Millions of Yen		
	2011		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 6,412	¥ 6,412	-
Notes and accounts receivable	2,964	2,964	-
Lease receivables and investments in leases	2,753	2,949	¥ 196
Securities and investment securities:			
Available-for-sale securities	803	803	-
Short-term loans receivable	135	137	2
Long-term loans receivable	396	414	18
Claims in bankruptcy:	209		
Less: allowance for doubtful accounts (*)	(208)		
Claims in bankruptcy - net	1	1	-
Total	¥ 13,466	¥ 13,683	¥ 216
Notes and accounts payable	¥ 10,246	¥ 10,246	-
Short-term bank loan (excluding current portion of long-term debt)	10,553	10,553	-
Long-term lease obligations (including current portion)	5,655	5,551	¥ (104)
Long-term debt (including current portion)	15,689	15,710	20
Total	¥ 42,146	¥ 42,062	¥ (83)

	Thousands of U.S. Dollars		
	2012		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	$ 80,963	$ 80,963	-
Notes and accounts receivable	49,597	49,597	-
Lease receivables and investments in leases	42,390	46,597	$ 4,207
Securities and investment securities			
Available-for-sale securities	10,231	10,231	-
Short-term loans receivable	878	914	24
Long-term loans receivable	4,231	4,439	207
Claims in bankruptcy	2,902		
Less: allowance for doubtful accounts (*)	(2,780)		
Claims in bankruptcy - net	109	109	-
Total	$ 188,439	$ 192,890	$ 4,451
Notes and accounts payable	$ 178,292	$ 178,292	-
Short-term bank loan (excluding current portion of long-term debt)	127,024	127,024	-
Long-term lease obligations (including current portion)	85,463	84,280	$ (1,170)
Long-term debt (including current portion)	153,707	153,902	195
Total	$ 544,512	$ 543,536	$ (975)

(*) Claims in bankruptcy are recognized after deduction of the allowance for doubtful accounts.

Assets

Cash and Cash Equivalents and Notes and Accounts Receivable

The carrying amount 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.

Short-term Loans Receivable and 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. In addition, the carrying amount of short-term loans receivable approximates the fair value because of their short maturities.

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, which is calculated based on the estimated recoverable amount with guarantee and collateral.

Liabilities
Notes and Accounts Payable and Short-Term Loans Payable
The carrying amount of these accounts approximate 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 with 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 which meet certain criteria and the fair value of the swaps was included in that of long-term debt.

Derivatives
The information on the fair value of derivatives is included in Note 15.

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

	Millions of Yen		*Thousands of U.S. Dollars*
	2012	**2011**	**2012**
Unlisted equity securities	¥ 394	¥ 307	$ 4,804

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

	Millions of Yen			
	2012			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	¥ 6,639	-	-	-
Notes and accounts receivable	4,067	-	-	-
Lease receivables and investments in leases	1,239	¥ 2,229	¥ 7	-
Securities and investment securities				
Available-for-sale securities with contractual maturities	-	-	3	¥ 202
Short-term loans receivable and long-term loans receivable	94	112	59	153
Total	¥ 12,040	¥ 2,342	¥ 70	¥ 355

See accompanying notes to the consolidated financial statements.

	Thousands of U.S. Dollars			
	2012			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	$ 80,963	-	-	-
Notes and accounts receivable	49,597	-	-	-
Lease receivables and investments in leases	15,109	$ 27,182	$ 85	-
Securities and investment securities				
Available-for-sale securities with contractual maturities	-	-	36	$ 2,463
Short-term loans receivable and long-term loans receivable	1,146	1,365	719	1,865
Total	$ 146,829	$ 28,560	$ 853	$ 4,329

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

15. DERIVATIVES

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

All derivative transactions are entered into to hedge interest exposures incorporated within its 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.

The information of derivative transactions to which hedge accounting is applied at March 31, 2012 and 2011 is as follows:

	Millions of Yen			
	2012			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps: (fixed rate payment, variable rate receipt)	Long-term debt	¥ 956	¥ 518	(*)
Interest rate caps	Long-term debt	300	220	(*)

See accompanying notes to the consolidated financial statements.

	Millions of Yen			
	2011			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps: (fixed rate payment, variable rate receipt)	Long-term debt	¥ 1,393	¥ 956	(*)
Interest rate caps	Long-term debt	360	280	(*)

	Thousands of U.S. Dollars			
	2012			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps: (fixed rate payment, variable rate receipt)	Long-term debt	$ 11,658	$ 6,317	(*)
Interest rate caps	Long-term debt	3,658	2,682	(*)

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

(*)The above interest rate swaps and interest rate caps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 14 is included in that of hedged items (i.e. long-term bank loans).

16. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rate of approximately 40% for the years ended March 31, 2012 and 2011.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2012 and 2011 are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2012	**2011**	**2012**
Deferred tax assets:			
Accrued enterprise tax	¥ 157	¥ 159	$ 1,914
Accrued bonuses to employees	288	302	3,512
Liability for employees' retirement benefits	175	212	2,134
Allowance for doubtful accounts	82	90	1,000
Loss on impairment of long-lived assets	115	360	1,402
Write-down of investment securities	294	295	3,585
Gain on acquisition of warrants	170	195	2,073
Tax loss carryforwards	1,498	1,782	18,268
Accounts payable - other, non-current	133	207	1,621
Other	663	810	8,085
Subtotal	3,578	4,415	43,634
Less: Valuation allowance	(2,312)	(2,847)	(28,195)
Deferred tax assets	¥ 1,266	¥ 1,568	$ 15,439
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (125)	¥ (125)	$ (1,524)
Unrealized gain on subsidiaries' assets and liabilities arising from consolidation	(1,338)	(1,574)	(16,317)
Other	(41)	(47)	(500)
Deferred tax liabilities	¥ (1,505)	¥ (1,747)	$ (18,353)
Net deferred tax liabilities	¥ (239)	¥ (178)	$ (2,914)

See accompanying notes to the consolidated financial statements.

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 year ended March 31, 2011 was as follows:

	2011
Statutory tax rate	40.1%
Amortization of goodwill	5.6
Valuation allowance	(1.7)
Tax rate differences in the parent company	1.7
Changes in tax loss carryforward	1.3
Equity in earnings of unconsolidated subsidiaries and associated companies	(1.3)
Impairment on goodwill	0.7
Per capita tax	0.7
Income tax for prior years	0.6
Other	0.1
Effective tax rate	47.8%

Since the difference between the normal effective statutory tax rate and the actual effective tax rate was not significant, reconciliations were not presented for the year ended March 31, 2012.

On December 2, 2011, new tax reform laws were enacted in Japan which changed the normal effective statutory tax rate from approximately 40.5% to 37.7% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35.3% afterwards. The effect of this change was to decrease deferred tax liabilities in the consolidated balance sheet as of March 31, 2012 by ¥43 million ($524 thousand) and to decrease income taxes—deferred in the consolidated statement of income for the year then ended by ¥25 million ($304 thousand).

17. COMPREHENSIVE INCOME

The components of other comprehensive income for the year ended March 31, 2012 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2012	2012
Unrealized gain on available-for-sale securities:		
Gains arising during the year	¥ 43	$ 524
Reclassification adjustments to profit	7	85
Amount before income tax effect	50	609
Income tax effect	2	24
Total	¥ 52	$ 634
Foreign currency translation adjustments:		
Adjustments arising during the year	¥ 1	$ 12
Total	¥ 1	$ 12
Share of other comprehensive income in associates:		
Gains arising during the year	¥ 38	$ 463
Total	¥ 38	$ 463
Total other comprehensive loss	¥ 92	$ 1,121

The corresponding information for the year ended March 31, 2011 was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

18. NET INCOME PER SHARE

Reconciliation of the difference between basic and diluted net income per share ("EPS") for the year ended March 31, 2012 and 2011 is presented as follows:

	Millions of Yen	*Shares*	*Yen*	*U.S. Dollars*
	Net Income	Weighted Average Shares	EPS	
For the year ended March 31, 2012				
Basic EPS				
Net income available to common shareholders	¥ 4,361	34,364,456	¥ 126.93	$ 1.54
Effect of Dilutive Securities				
Stock acquisition rights	-	1,163,181		
Diluted EPS				
Net income for computation	¥ 4,361	35,527,637	¥ 122.77	$ 1.49
For the year ended March 31, 2011				
Basic EPS				
Net income available to common shareholders	¥ 2.763	34,254,045	¥ 80.69	
Effect of Dilutive Securities				
Stock acquisition rights	3	1,688,463		
Diluted EPS				
Net income for computation	¥ 2,767	35,942,508	¥ 76.99	

19. RELATED PARTY TRANSACTIONS

Transactions with related parties for the years ended March 31, 2012 and 2011 were as follows:

Related Party	Nature of Transaction	*Millions of Yen* 2012	*Millions of Yen* 2011	*Thousands of U.S. Dollars* 2012
Representative director of the Company	Exercising of stock options	¥ 23	¥ 11	$ 280
	Guarantee for bank loans *(Note 1)*	1,455	1,934	17,744
	Repairing Houses *(Note 2)*	-	17	-
Executive director of the Company	Exercising of stock options	31	11	378
Managing director of the Company	Exercising of stock options	13	-	159
An associated company	Automotive subleases	1,011	1,336	12,329
	Investments in leases	2,259	2,191	27,549

Notes:
1. Subsidiaries of the Company accept guarantees from a representative director of the Company for bank loans.
2. A subsidiary contracts for repairing a house. The price was determined by the internal rules of the subsidiary.

20. SUBSEQUENT EVENTS

(1) Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2012 was approved at the Company's shareholders meeting held on May 11, 2012:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥12.00 ($0.14) per share	¥ 414	$ 5,048

(2) Acquisitions of subsidiaries

1) On April 2, 2012, three subsidiaries of the Group acquired 100% of the issued shares of Nissan-Satio-Saitama Co., Ltd.
2) On April 2, 2012, the Company acquired 100% of the issued shares of CCR MOTOR CO., LTD. (formerly, COLT CAR RETAIL LIMITED).

These acquisitions were made to increase the Group's car business.

21. 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 separately financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group.
The Group employs the holding company system. The Company devises group-wide business strategies and administrates the Group as a holding company, and its subsidiaries operate some businesses. The Group consists of the industry Car, Environment and Housing.
Industry Car consists of primarily dealer businesses such as sales of new or used cars and repair to cars. And it also consists of related businesses such as import of cars, export of used cars and rental of cars.
Industry Environment consists of design, development and sales of control devices of electric power.
Industry Housing consists of home sales, construction of houses and related business.

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

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

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

	Millions of Yen						
	2012						
	Reportable Segment						
	Car	Environment	Housing	Other	Total	Reconciliations	Consolidated
Sales							
Sales to external customers	¥ 93,510	¥ 324	¥ 1,979	¥ 159	¥ 95,974	-	¥ 95,974
Intersegment sales or transfers	65	-	168	645	878	¥ (878)	-
Total	¥ 93,575	¥ 324	¥ 2,147	¥ 804	¥ 96,853	¥ (878)	¥ 95,974
Segment income (loss)	¥ 6,820	¥ 37	¥ (66)	¥ (132)	¥ 6,658	¥ 4	¥ 6,662
Segment assets	69,682	1,209	1,278	6,154	78,325	(6,723)	71,601
Other:							
Depreciation and amortization	¥ 2,382	¥ 2	¥ 10	¥ 23	¥ 2,419	¥ (19)	¥ 2,399
Amortization of goodwill	745	-	5	-	750	-	750
Impairment losses of assets	28	13	-	-	41	-	41
Investments in associated companies	1,133	-	-	2,536	3,669	-	3,669
Increase in property, equipment and intangible assets	3,858	85	0	27	3,972	(20)	3,951

	Millions of Yen						
	2011						
	Reportable Segment						
	Car	Environment	Housing	Other	Total	Reconciliations	Consolidated
Sales							
Sales to external customers	¥ 88,914	¥ 1,440	¥ 2,140	¥ 162	¥ 92,657	-	¥ 92,657
Intersegment sales or transfers	63	3	205	631	903	¥ (903)	-
Total	¥ 88,977	¥ 1,443	¥ 2,345	¥ 794	¥ 93,561	¥ (903)	¥ 92,657
Segment income (loss)	¥ 5,760	¥ 303	¥ (120)	¥ (9)	¥ 5,934	¥ (14)	¥ 5,919
Segment assets	65,487	479	1,198	5,960	73,126	(7,396)	65,730
Other:							
Depreciation and amortization	¥ 1,840	¥ 7	¥ 13	¥ 23	¥ 1,884	¥ (13)	¥ 1,871
Amortization of goodwill	751	-	5	-	756	-	756
Impairment losses of assets	165	-	-	-	165	-	165
Investments in associated companies	1,062	-	-	2,427	3,489	-	3,489
Increase in property and equipment and intangible assets	3,733	20	11	9	3,775	(29)	3,745

See accompanying notes to the consolidated financial statements.

	Thousands of U.S. Dollars						
	2012						
	Reportable Segment						
	Car	Environment	Housing	Other	Total	Reconciliations	Consolidated
Sales							
Sales to external customers	$ 1,140,366	$ 3,951	$ 24,134	$ 1,939	$ 1,170,414	-	$ 1,170,414
Intersegment sales or transfers	793	-	2,048	7,865	10,707	$ (10,707)	-
Total	$1,141,159	$ 3,951	$ 26,182	$ 9,804	$ 1,181,134	$ (10,707)	$ 1,170,414
Segment income (loss)	$ 83,171	$ 451	$ (804)	$ (1,609)	$ 81,195	$ 48	$ 81,243
Segment assets	849,780	14,743	15,585	75,048	955,183	(81,987)	873,182
Other:							
Depreciation and amortization	$ 29,049	$ 24	$ 121	$ 280	$ 29,500	$ (231)	$ 29,256
Amortization of goodwill	9,085	-	60	-	9,146	-	9,146
Impairment losses of assets	341	159	-	-	500	-	500
Investments in associated companies	13,817	-	-	30,926	44,743	-	44,743
Increase in property and equipment and intangible assets	47,048	1,036	0	329	48,439	(243)	48,182

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

Associated Information

1. Information by Products and Services

	Millions of Yen					
	2012					
	Selling New Automotives	Selling Used Automotives	Automotive Repair Service	Rental Car Service	Other	Total
Sales to External Customers	¥ 47,252	¥ 20,284	¥ 21,547	¥ 4,426	¥ 2,463	¥ 95,974

	Millions of Yen					
	2011					
	Selling New Automotives	Selling Used Automotives	Automotive Repair Service	Rental Car Service	Other	Total
Sales to External Customers	¥ 42,937	¥ 21,095	¥ 21,375	¥ 3,505	¥ 3,743	¥ 92,657

See accompanying notes to the consolidated financial statements.

	Thousands of U.S Dollars					
	2012					
	Selling New Automotives	Selling Used Automotives	Automotive Repair Service	Rental Car Service	Other	Total
Sales to External Customers	$ 576,243	$ 247,365	$ 262,768	$ 53,975	$ 30,036	$ 1,170,414

2. Geographical information

(1) Net Sales

Disclosures are omitted because net sales to customers in Japan are over 90% of net sales in the consolidated statement of income.

(2) Property and Equipment

Disclosures are omitted because property and equipment located in Japan are over 90% of property and equipment in the consolidated balance sheet.

3. Information by Major Customers

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.

Information about Goodwill by Reportable Segments

	Millions of Yen				
	2012				
	Reportable Segments				
	Car	Environment	Housing	Other	Total
Amount of Goodwill	¥ 10,251	-	¥ 56	-	¥ 10,307

	Millions of Yen				
	2011				
	Reportable Segments				
	Car	Environment	Housing	Other	Total
Amount of Goodwill	¥ 10,970	-	¥ 61	-	¥ 11,031

	Thousands of U.S Dollars				
	2012				
	Reportable Segments				
	Car	Environment	Housing	Other	Total
Amount of Goodwill	$ 125,012	-	$ 682	-	$ 125,695

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

See accompanying notes to the consolidated financial statements.