Consolidated Financial Statements

VT HOLDINGS CO., LTD.

Year Ended March 31, 2018

1. Analysis of Results of Operations and Financial Position
   (1) Analysis of Results of Operations
      ① Overview of Business Operations

The domestic new car sales market had been on an upward trend until the first half of the fiscal year, however the market showed a slight decline after October 2017 compared to the previous fiscal year. As a result, the number of new cars sold in Japan increased by 2.3% year-on-year for the current fiscal year, but the sales growth slightly slowed down.

With regard to our Group's core business, the car business, the number of sales of new and used cars reached 95,159 units, increased by 12,243 units or 14.8% as compared to the previous fiscal year, despite the impact from unlicensed inspections of Nissan Motor Co. This was mainly due to the release of the suspension of the sales of two types of Kei cars (small cars) in the previous fiscal year, and full-year sales of 12 affiliated companies of Wessex Garages Holdings Limited in the UK and Master Automocion, S.L. in Spain, which the Company acquired in May and October of the previous fiscal year, respectively.

On the other hand, the Company recorded an impairment loss of ¥ 454 million ($4,272 thousand) (an impairment loss of goodwill of ¥ 308 million ($2,898 thousand) and a write-down of land and buildings of ¥ 146 million ($1,373 thousand) of one of the subsidiaries as an extraordinary loss due to the deterioration of the subsidiary's financial position resulting from the lower operating results than the business plan.

      ② Business Overview by segment

[Car Business]

The new car business achieved revenue and profit growth accompanied by significantly increased car sales over the previous fiscal year. Our Group including overseas subsidiaries posted new car sales of 40,089 units (increased by 19.3% year-on-year), including 6,212 Honda cars and 14,018 Nissan cars sold in Japan (increased by 16.9% and 2.4% year-on-year, respectively).

The used car business recorded a slight decline in profit as it could not cover the impact of the sluggish export and domestic market situations, despite a considerable increase in the Group's total number of used cars sold to 55,070 (increased by 11.7% year-on-year) including 6,245 exports (decreased by 4.0% year-on-year).

The service business recorded revenue and profit growth, with a focus on increases in car inspections/JCI inspections, repair orders and commissions received by existing companies and newly consolidated subsidiaries.

Revenue in the car rental business increased owing to the steady operations of car rental shops launched in the previous fiscal year as well as existing shops. However, the business showed a slight decrease in income due to the higher number of rental vehicles used in new shops and higher depreciation costs resulting from a significant increase of rental vehicle replacement to improve customer satisfaction.

[Housing Business]

Our Group operates condominium business in Aichi and Gifu and detached house business in Tokyo, Osaka and Nagoya.

The condominium business achieved significantly robust performance in terms of orders and deliveries of completed projects by focusing on location selections and appropriate sales prices of properties with thorough marketing activities.

The detached house business was also on an upward trend as a whole, albeit regional variations, while contributing to an increase in orders of commercial facilities outside the Group by leveraging the know-how on receiving orders at shops, which has been obtained from Group companies.

③ Forecasts for the next fiscal year

Although the global economy has remained firm, attention should be drawn to increasing uncertainties such as concerns over protectionism and block economy and geopolitical risks.

The outlook of the Japanese economy is believed to remain uncertain partly because of concerns over exporters' future performance and increasingly constrained consumer spending ahead of a further consumption tax hike in 2019.

Whereas a temporary rush in demand before the consumption tax hike is expected in the domestic car sales market, it is anticipated that the situation will continue to bear close watching as the market may shrink even more after the tax increase.

Under these circumstances, we will strive to expand our business via M&A while taking measures to further increase new car sales of each Group company, improve customer satisfaction and bolster the revenue base of the used car sales business and the service business.

The exchange rate assumptions for our forecasts are ¥148.87 per GBP, ¥134.95 per EUR, ¥81.66 per AUD and ¥ 9.00 per ZAR.

Accordingly, the consolidated forecasts for the year ending March 2019 are as follows: net sales of ¥210 billion ($1,976,098 thousand) (increased by 3.9% year-on-year), operating profit of ¥ 8 billion ($75,279 thousand) (increased by 18.0% year-on-year), ordinary profit of ¥8.2 billion ($77,161 thousand) (increased by 14.3% year-on-year) and profit attributable to owners of parent of ¥4.8 billion ($45,167 thousand) (increased by 27.5% year-on-year).

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries
Consolidated Balance Sheet
March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	**2017**	**2018**
ASSETS			
CURRENT ASSETS:			
Cash and deposits *(Notes 3, 8, and 13)*	¥ 7,808	¥ 6,490	$ 73,473
Notes and accounts receivable:			
Trade *(Note 13)*	7,536	6,010	70,913
Other	2,356	1,608	22,169
Allowance for doubtful accounts	(67)	(74)	(630)
Lease receivables and investments in leases *(Notes 12, 13, and 18)*	10,974	9,981	103,265
Inventories *(Notes 4 and 8)*	34,527	26,694	324,898
Deferred tax assets *(Note 15)*	708	840	6,662
Other current assets	2,258	3,151	21,247
Total current assets	66,103	54,702	622,028
PROPERTY AND EQUIPMENT (Notes 6, 7, and 8):			
Land	21,216	20,868	199,642
Buildings and structures	27,078	24,861	254,803
Machinery and vehicles	7,962	6,307	74,922
Leased assets *(Note 12)*	11,953	10,705	112,477
Others	2,256	1,980	21,228
Total	70,466	64,724	663,084
Accumulated depreciation	(23,584)	(21,351)	(221,925)
Property and equipment – net	46,881	43,373	441,149
INTANGIBLE ASSETS *(Note 6)*	12,672	13,940	119,243
INVESTMENTS AND OTHER ASSETS:			
Investment securities *(Notes 5, 8, and 13)*	2,697	2,063	25,378
Investments in unconsolidated subsidiaries and associated companies	4,571	3,829	43,013
Long-term loans receivable *(Note 13)*	1,355	1,399	12,750
Guarantee and rental deposits	1,176	1,130	11,066
Deferred tax assets *(Note 15)*	389	178	3,660
Other assets *(Note 13)*	1,840	1,790	17,314
Allowance for doubtful accounts	(930)	(914)	(8,751)
Total investments and other assets	11,099	9,477	104,441
TOTAL ASSETS	¥ 136,757	¥ 121,493	$ 1,286,882

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries
Consolidated Balance Sheet (continued)
March 31, 2018

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2018	**2017**	**2018**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans *(Notes 8 and 14)*	¥ 11,745	¥ 10,455	$ 110,520
Current portion of long-term debt *(Notes 8 and 13)*	6,788	5,949	63,875
Current portion of long-term lease obligations *(Notes 8, 12, and 13)*	14,064	12,670	132,342
Notes and accounts payable:			
Trade *(Notes 8 and 13)*	30,592	23,646	287,870
Other	1,133	922	10,661
Income taxes payable *(Note 13)*	1,533	746	14,425
Accrued bonuses to employees	1,001	967	9,419
Other current liabilities	8,508	6,733	80,060
Total current liabilities	75,369	62,091	709,221
LONG-TERM LIABILITIES:			
Long-term debt *(Notes 8 and 13)*	11,379	12,678	107,076
Long-term lease obligations *(Notes 8 and 13)*	5,056	4 ,819	47,576
Liability for employees' retirement benefits *(Note 9)*	765	777	7,198
Liability for retirement benefits for directors and audit & supervisory board members	826	748	7,772
Accounts payable-other	57	64	536
Asset retirement obligations	416	380	3,914
Deferred tax liabilities *(Note 15)*	1,688	1,767	15,884
Other long-term liabilities *(Note 8)*	446	522	4,196
Total long-term liabilities	20,637	21,759	194,194
EQUITY *(Note 10)*:			
Common stock:			
authorized –169,800,000 shares in 2018 and 2017			
issued – 119,381,034 shares in 2018 and 2017	4,297	4,297	40,434
Capital surplus	2,832	2,832	26,649
Retained earnings	29,685	28,038	279,335
Treasury stock, at cost – 2,026,578shares in 2018 and 1,726,578 shares in 2017	(272)	(98)	(2,559)
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale Securities	886	430	8,337
Foreign currency translation adjustments	(3)	(517)	(28)
Total	37,425	34,982	352,169
Subscription rights to shares *(Note11)*	142	137	1,336
Non-controlling interests	3,182	2,522	29,942
Total equity	40,750	37,642	383,457
TOTAL LIABILITIES AND EQUITY	¥ 136,757	¥ 121,493	$ 1,286,882

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries
Consolidated Statement of Income
Year Ended March 31, 2018

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2018	**2017**	**2018**
NET SALES	¥ 202,133	¥ 169,560	$ 1,902,070
COST OF SALES	168,360	138,456	1,584,266
Gross profit	33,773	31,104	317,803
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	26,992	23,511	253,994
Operating income	6,780	7,592	63,799
NON-OPERATING INCOME (EXPENSE):			
Interest and dividend income	102	78	959
Interest expense	(364)	(322)	(3,425)
Equity in earnings of associated companies	258	271	2,427
Lease revenue received	74	73	696
Subsidy income	212	288	1,994
Cost of real estate leasing	(62)	(63)	(583)
Exchange gain (loss)	62	(74)	583
Other-net	109	94	1,025
Ordinary income	7,173	7,937	67,497
EXTRAORDINARY INCOME(EXPENSE):			
Gain on sales of investment securities *(Note 5)*	3	2	28
Loss on sales and disposals of property and equipment – net	(84)	(86)	(790)
Write-down of investment securities *(Note 5)*	(10)	-	(94)
Loss on impairment of long-lived assets *(Note 6)*	(582)	(89)	(5,476)
Loss on store closing	(14)	(103)	(131)
Gain on bargain purchase	35	-	329
Gain on reversal of subscription rights to shares	9	-	84
Other – net	(69)	(71)	(649)
Extraordinary income (expense) – net	(711)	(348)	(6,690)
INCOME BEFORE INCOME TAXES	¥6,461	¥7,589	$ 60,797

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries
Consolidated Statement of Income (continued)
Year Ended March 31, 2018

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2018	**2017**	**2018**
INCOME TAXES *(Note 15)*			
Current	¥ 2,429	¥ 2,324	$ 22,856
Deferred	(191)	445	(1,797)
Total income taxes	2,238	2,770	21,059
NET INCOME	4,223	4,819	39,738
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	458	397	4,309
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 3,765	¥ 4,421	$ 35,428

	Yen		*U.S. Dollars (Note 1)*
PER SHARE OF COMMON STOCK *(Notes 2(w) and 17)*			
Basic net income	¥ 32.00	¥ 37.58	$ 0.30
Diluted net income	-	-	-
Cash dividends applicable to the year	18.00	17.00	0.16

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries
Consolidated Statement of Comprehensive Income
Year Ended March 31, 2018

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2018	**2017**	**2018**
NET INCOME	¥ 4,223	¥ 4,819	$ 39,738
OTHER COMPREHENSIVE INCOME *(Note 16)*:			
Net unrealized gain on available-for-sale securities	459	122	4,319
Foreign currency translation adjustments	542	(339)	5,100
Share of other comprehensive income in associates	17	(31)	159
Total other comprehensive income	1,019	(248)	9,588
COMPREHENSIVE INCOME	¥5,243	¥ 4,570	$ 49,336
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 4,734	¥ 4,148	$ 44,546
Non-controlling interests	508	421	4,780

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, 2018

Millions of Yen

	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income: Net Unrealized Gain on Available-for-Sale Securities	Accumulated Other Comprehensive Income: Land Revaluation Surplus	Accumulated Other Comprehensive Income: Foreign Currency Translation Adjustment	Total	Subscription Rights to Shares	Non-controlling Interests	Total Equity
BALANCE AT APRIL 1, 2016	117,654,456	¥ 4,297	¥ 2,832	¥ 25,498	¥ (98)	¥ 313	¥ 29	¥ (156)	¥ 32,716	¥ 60	¥ 1,920	¥ 34,697
Cash dividends, ¥16.00 per share	-	-	-	(1,882)	-	-	-	-	(1,882)	-	-	(1,882)
Net income for the year	-	-	-	4,421	-	-	-	-	4,421	-	-	4,421
Change in treasury stocks of parent arising from transactions with non-controlling shareholders	-	-	0	-	-	-	-	-	0	-	(1)	(1)
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	-	-	-
Net change in the year	-	-	-	-	-	117	(29)	(360)	(273)	76	603	407
BALANCE AT MARCH 31, 2017	117,654,456	4,297	2,832	28,038	(98)	430	-	(517)	34,982	137	2,522	37,642
Cash dividends, ¥18.00 per share	-	-	-	(2,117)		-	-	-	(2,117)	-	-	(2,117)
Net income for the year	-	-	-	3,765		-	-	-	3,765	-	-	3,765
Change in treasury stocks of parent arising from transactions with non-controlling shareholders	-	-	(0)	-	-	-	-	-	(0)	-	(0)	(0)
Purchase of treasury stock	(300,000)	-	-	-	(173)	-	-	-	(173)	-	-	(173)
Net change in the year	-	-	-	-	-	455	-	513	969	5	659	1,634
BALANCE AT MARCH 31, 2018	117,354,456	¥ 4,297	¥ 2,832	¥ 29,685	¥ (272)	¥ 886	¥ -	¥ (3)	¥ 37,425	¥ 142	¥ 3,182	¥ 40,750

Thousands of U.S. Dollars (Note 1)

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated other comprehensive income: Net Unrealized Gain on Available-for-Sale Securities	Accumulated other comprehensive income: Land Revaluation Surplus	Accumulated other comprehensive income: Foreign Currency Translation Adjustments	Total	Subscription Rights to Shares	Non-controlling Interests	Total Equity
BALANCE AT MARCH 31, 2017	$ 40,434	$ 26,649	$ 263,837	$ (922)	$ 4,046	$ -	$ (4,864)	$ 320,180	$ 1,289	$ 23,732	$ 354,210
Cash dividends, $0.16per share	-	-	(19,920)	-	-	-	-	(19,920)	-	-	(19,920)
Net income for the year	-	-	35,428	-	-	-	-	35,428	-	-	35,428
Change in treasury stocks of parent arising from transactions with non-controlling shareholders	-	(0)	-	-	-	-	-	(0)	-	(0)	(0)
Purchase of treasury stock	-	-	-	(1,627)	-	-	-	(1,627)	-	-	(1,627)
Net change in the year	-	-	-	-	4,281	-	4,827	9,118	47	6,201	15,375
BALANCE AT MARCH 31, 2018	$ 40,434	$ 26,649	$ 279,335	$ (2,559)	$ 8,337	$ -	$ (28)	$ 352,169	$ 1,336	$ 29,942	$ 383,457

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries
Consolidated Statement of Cash Flows
Year Ended March 31, 2018

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2018	**2017**	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes	¥ 6,461	¥ 7,589	$ 60,797
Adjustments for:			
Depreciation and amortization	5,477	4,574	51,538
Amortization of goodwill	1,149	1,088	10,812
Gain on bargain purchase	(35)	-	(329)
Loss on impairment of long-lived assets	582	89	5,476
(Decrease) increase in allowance for doubtful accounts	3	8	28
(Decrease) increase in accrued bonuses to employees	31	66	291
(Decrease) increase in liability for employees' retirement benefits	(11)	(26)	(103)
Increase in liability for retirement benefits for directors and audit & supervisory board members	78	90	733
Interest and dividend income	(102)	(78)	(959)
Interest expense	364	322	3,425
Foreign exchange loss (gain)	2	(4)	18
Equity in earnings of unconsolidated subsidiaries and associated companies	(258)	(271)	(2,427)
Loss on sales and disposals of property and equipment – net	84	86	790
Write-down of investment securities	10	-	94
Gain on sales of investment securities – net	(2)	(2)	(18)
(Increase)Decrease in notes and accounts receivable – trade	(635)	1,209	(5,975)
(Increase) decrease in inventories	(4,945)	(4,352)	(46,532)
(Decrease) increase in notes and accounts payable – trade	5,486	4,606	51,623
(Increase) decrease in other current assets	122	(496)	1,148
(Decrease) increase in other current liabilities	887	194	8,346
(Decrease) increase in consumption taxes payable	785	(743)	7,386
Other – net	(40)	135	(376)
Subtotal	15,496	14,086	145,817
Interest and dividends received	154	127	1,449
Interest paid	(363)	(321)	(3,415)
Income taxes paid	(2,097)	(2,873)	(19,732)
Net cash provided by operating activities	¥ 13,189	¥ 11,017	$ 124,108

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, 2018

	Millions of Yen		*Thousands of U.S. dollars (Note 1)*
	2018	**2017**	**2018**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	¥ (9,816)	¥ (8,083)	$ (92,368)
Proceeds from sales of property and equipment	3,563	2,341	33,527
Purchases of intangible assets	(67)	(93)	(630)
Purchases of investment securities	(515)	(16)	(4,846)
Proceeds from sales of investment securities	17	8	159
Payments for acquisition of newly consolidated subsidiaries	-	(5,083)	-
Proceeds from sales of shares of subsidiaries resulting in change of consolidation	199	-	1,872
Payment of loans receivable	(57)	(1,153)	(536)
Proceeds from loans receivable	106	96	997
Payment of security deposits	(117)	(138)	(1,100)
Proceeds from security deposits	29	121	272
Payments for business transfer	-	(1,075)	-
Other–net	(56)	(27)	(526)
Net cash used in investing activities	(6,713)	(13,103)	(63,169)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase in short-term bank loans	1,185	1,216	11,150
Proceeds from long-term debt	5,620	11,480	52,884
Repayment of long-term debt	(6,031)	(6,232)	(56,751)
Redemption of bonds	(94)	(294)	(884)
Purchase of treasury stock	(173)	-	(1,627)
Cash dividends paid	(2,117)	(1,882)	(19,920)
Cash dividends paid to non-controlling interests	(24)	(24)	(225)
Repayment of lease obligations	(3,569)	(3,158)	(33,584)
Other–net	(1)	(2)	(9)
Net cash used in financing activities	(5,206)	1,102	(48,988)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	51	29	479
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	1,320	(954)	12,421
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,499	7,454	61,155
CASH AND CASH EQUIVALENTS, END OF YEAR *(Note 3)*	¥ 7,820	¥ 6,499	$ 73,586

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, 2018

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2018	**2017**	**2018**
NONCASH FINANCING ACTIVITIES:			
Finance lease transactions:			
Increase in leased assets	¥ 3,851	¥ 4,528	$ 36,237
Increase in lease obligations	4,137	4,831	38,929
ADDITIONAL INFORMATION:			
Reconciliation of the net cash paid for investment in WESSEX GRAGES HOLDINGS LIMITED was as follows:			
Current assets	¥ -	¥ 4,938	$ -
Fixed assets	-	896	-
Goodwill	-	954	-
Current liabilities	-	(3,793)	-
Cost of shares	-	2,996	-
Cash and cash equivalents held by WESSEX	-	(11)	-
Net cash paid for investment in WESSEX	¥ -	¥ 2,985	$ -
Reconciliation of the net cash paid for investment in MASTER AUTOMOCION, S.L. and its 11 subsidiaries (hereafter "M AUTOMOCION Group") was as follows:			
Current assets	¥ -	¥ 4,044	$ -
Fixed assets	-	542	-
Goodwill	-	1,581	-
Current liabilities	-	(3,836)	-
Non-current liabilities	-	(75)	-
Non-controlling interests	-	(207)	-
Cost of shares	-	2,049	-
Dividends paid to M Automocion Group	-	310	-
Cash and cash equivalents held by M AUTOMOCION Group	-	(262)	-
Net cash paid for investment in M AUTOMOCION Group	¥ -	¥ 2,097	$ -

See accompanying notes to the consolidated financial statements.

Reconciliation of the net cash paid for business transfer of Sansei Motor Sales Ltd. was as follows:			
Current assets	¥ -	¥ 243	$ -
Fixed assets	-	1,137	-
Goodwill	-	342	-
Total assets	-	1,723	-
Current liabilities	-	(481)	-
Non-current liabilities	-	(166)	-
Total liabilities	-	(647)	-
Net cash paid for business transfer of Sansei Motor Sales Ltd	¥ -	¥ 1,075	$ -

See accompanying notes to the consolidated financial statements.

1. BASIS OF PREPARATION 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 2017 consolidated financial statements to conform to the classifications used in 2018.

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 ¥106.27 to $1, the approximate rate of exchange at March 31, 2018. 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, 2018 and 2017 (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, 2018, include the accounts of the Company and its significant 43 (42 in 2018) subsidiaries (together, the "Group").

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 Four (Four in 2017) associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies (seven in 2018 and 2017) 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.

Among the consolidated subsidiaries, the fiscal year-end of MASTER AUTOMOCION, S.L. and 13 other companies is December 31 and different from the consolidated fiscal year-end (March 31). However, necessary adjustments were made regarding significant transactions occurring in the period from January 1 to the consolidated fiscal year-end of March 31.

(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.

(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 and cash equivalents consist of cash on hand, deposits in banks, and the above short-term investments.

(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 structures (including structures attached to the building) acquired on or after April 1,2016, 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.

(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.

Significant hedge accounting methods
(i) Hedge accounting methods
Deferred hedge accounting is applied. Integrated treatment (special treatment or allocation treatment) is applied to interest rate and currency swaps that meet specific matching criteria.
(ii) Hedging instruments and hedged items
Hedging instruments: interest rate and currency swaps
Hedged items: borrowings denominated in foreign currencies and interest
(iii) Hedge method
Interest rate and currency swaps are used to mitigate interest rate risk of borrowings and exchange fluctuation risk.
(iv) Evaluation of hedge effectiveness
For interest rate and currency swaps to which integrated treatment is applied, hedge effectiveness is not evaluated.

(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.

3. CASH AND CASH EQUIVALENTS

A reconciliation between the cash and deposits in the consolidated balance sheets and the cash and cash equivalents in the consolidated statements of cash flows for the years ended March 31, 2018 and 2017 was as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2018	**2017**	**2018**
Cash and deposits in the consolidated balance sheets	¥ 7,808	¥ 6,490	$ 73,473
Other (other deposits)	11	8	103
Cash and cash equivalents in the consolidated statements of cash flows	¥ 7,820	¥ 6,499	$ 73,586

4. INVENTORIES

Inventories as of March 31, 2018 and 2017 consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2018	**2017**	**2018**
New and used cars	¥ 27,725	¥ 21,725	$ 260,892
Parts	2,040	1,639	19,196
Other merchandise	1,494	568	14,058
Total merchandise	31,259	23,933	294,146
Raw materials	0	5	0
Work in process	3,188	2,687	29,999
Supplies	78	67	733
Total	¥ 34,527	¥ 26,694	$ 324,898

5. INVESTMENT SECURITIES

Investment securities as of March 31, 2018 and 2017 consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2018	**2017**	**2018**
Noncurrent:			
Equity securities	¥ 2,443	¥ 1,790	$ 22,988
Trust fund investments and other	253	272	2,380
Total	¥ 2,697	¥ 2,063	$ 25,378

Information regarding investment securities classified as available-for-sale securities at March 31, 2018 and 2017 is summarized as follows:

	Millions of Yen							
March 31, 2018	Cost		Unrealized Gains		Unrealized Losses		Fair Value	
Equity securities	¥	260	¥	1,250		(2)	¥	1,508
Other		234		21	¥	(1)		253
Total	¥	494	¥	1,271	¥	(3)	¥	1,762

	Millions of Yen							
March 31, 2017	Cost		Unrealized Gains		Unrealized Losses		Fair Value	
Equity securities	¥	270	¥	590		(5)	¥	885
Other		248		25		(2)		272
Total	¥	519	¥	615	¥	(7)	¥	1,128

	Thousands of U.S. Dollars							
March 31, 2018	Cost		Unrealized Gains		Unrealized Losses		Fair Value	
Equity securities	$	2,446	$	11,762	$	(18)	$	14,190
Other		2,201		197		(9)		2,380
Total	$	4,648	$	11,960	$	(28)	$	16,580

The information of the available-for-sale securities that were sold during the years ended March 31, 2018 and 2017 was as follows:

	Millions of Yen					
March 31, 2018	Proceeds		Realized Gains		Realized Losses	
Equity securities	¥	0	¥	-	¥	0
Other		16		3		-
Total	¥	16	¥	3	¥	0

	Millions of Yen					
March 31, 2017	Proceeds		Realized Gains		Realized Losses	
Equity securities	¥	8	¥	2	¥	-

	Thousands of U.S. Dollars					
March 31, 2018	Proceeds		Realized Gains		Realized Losses	
Equity securities	$	0	$	-	$	0
Other		150		28		-
Total	$	150	$	28	$	0

The impairment losses on securities for the year ended March 31, 2018 were ¥10 million. An impairment loss is accounted for when the market value of securities has dropped by 30% or more compared with the acquisition cost.

No impairment losses on securities were recognized for the year ended March 31, 2017.

6 . LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2018 and 2017. As a result, the Group recognized impairment losses of ¥582 million ($5,476 thousand) in 2018. For the year ended March 31, 2018, a loss was recognized for long-lived assets used for the car business due to a decrease in profitability and management's decision to dispose of the assets relating to store relocation and rebuilding. 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*	
	2018		**2017**		**2018**	
Buildings and structures	¥	102	¥	19	¥	959
Land		159		14		1,496
Leased assets		-		55		-
Goodwill		308		-		2,898
Other		12		0		112
Total	¥	582	¥	89	$	5,476

7. INVESTMENT PROPERTY

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

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

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

	Millions of Yen			
	Carrying Amount			Fair Value
	April 1, 2017	Increase (Decrease)	March 31, 2018	March 31, 2018
Investment properties	¥ 5,380	¥ 234	¥ 5,615	¥ 5,409
Properties that include portions used as investment properties	1,176	395	1,572	1,888

	Millions of Yen			
	Carrying Amount			Fair Value
	April 1, 2016	Increase (Decrease)	March 31, 2017	March 31, 2017
Investment properties	¥ 4,646	¥ 734	¥ 5,380	¥ 5,044
Properties that include portions used as investment properties	1,396	(220)	1,176	1,307

	Thousands of U.S. Dollars			
	Carrying Amount			Fair Value
	April 1, 2017	Increase (Decrease)	March 31, 2018	March 31, 2018
Investment properties	$ 50,625	$ 2,201	$ 52,837	$ 50,898
Properties that include portions used as investment properties	11,066	3,716	14,792	17,766

Notes:

1) The carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
2) Of the changes in real estate for rent during the current fiscal year, the increase mainly stemmed from the reclassification from real estate including the portion used as real estate for rent (¥ 400

million($3,763 thousand)) due to a change in the management scope, and the decrease was mainly attributable to sales of real estate (¥83 million ($781 thousand)).

3) Of the changes in real estate including the portion used as real estate for rent during the current fiscal year, the increase mainly stemmed from acquisition of real estate (¥823 million ($7,744thousand)), and the decrease was mainly attributable to the reclassification to real estate due to a change in the management scope (¥400 million ($3,763 thousand)).
4) The fair value of properties as of March 31, 2018 and 2017 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, 2018	Rental Income	Cost of Rent	Net Rental Income	Other Income
Investment properties	¥ 408	¥ 197	¥ 210	¥ 0
Properties that include portions used as investment properties	42	26	16	-

	Millions of Yen			
March 31, 2017	Rental Income	Cost of Rent	Net Rental Income	Other Expenses
Investment properties	¥ 346	¥ 181	¥ 164	3
Properties that include portions used as investment properties	45	21	24	-

	Thousands of U.S. Dollars			
March 31, 2018	Rental Income	Cost of Rent	Net Rental Income	Other Income
Investment properties	$ 3,839	$ 1,853	$ 1,976	$ 0
Properties that include portions used as investment properties	395	244	150	-

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.

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

Short-term bank loans principally represent short-term notes and overdrafts.
The average annual interest rates applicable to the short-term bank loans were 0.70% and 0.41% at March 31, 2018 and 2017 respectively.

Long-term debt at March 31, 2018and 2017 consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2018	**2017**	**2018**
Loans from banks and other financial institutions due serially to 2027 with weighted-average interest rates of 0.35% in 2018 and 0.38% in 2017	¥ 17,881	¥ 18,247	$ 168,260
Unsecured 0.72% domestic bonds due serially to 2019	250	250	2,352
Unsecured 0.59% domestic bonds due serially to 2018	-	80	-
Unsecured 0.84% domestic bonds due serially to 2020	37	51	348
Long-term lease obligations	8,137	7,573	76,569
Unsecured 1.90% in 2018 and 2017 domestic other long-term debt due serially to 2029*	11	12	103
Total	¥ 26,318	¥ 26,214	$ 247,652
Less current portion	(9,871)	(8,702)	(92,886)
Long-term debt, less current portion	¥ 16,446	¥ 17,511	$ 154,756

* 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, 2018 are summarized as follows:

Long-term debt (including current portion)	*Millions of Yen* 2018	*Thousands of U.S. Dollars* 2018
2019	¥ 6,788	$ 63,875
2020	4,512	42,457
2021	3,058	28,775
2022	1,920	18,067
2023	1,411	13,277
2024 and thereafter	477	4,488
Total	¥ 18,168	$ 170,960

Long-term lease obligations (including current portion)	*Millions of Yen* 2018	*Thousands of U.S. Dollars* 2018
2019*	¥ 3,081	$ 28,992
2020	2,621	24,663
2021	1,200	11,291
2022	295	2,775
2023	90	846
2024 and thereafter	847	7,970
Total	¥ 8,137	$ 76,569

*Lease obligations on subleases were not included in the schedule above and, as a result, the current portion of long-term lease obligations presented in the consolidated balance sheet exceeds that in the above schedule by ¥10,982 million ($103,340 thousand).

The assets pledged as collateral for accounts payable of ¥6,054 million ($56,968 thousand), short-term bank loans of ¥1,017 million ($9,569 thousand), and long-term debt of ¥4,984 million ($46,899 thousand) including the current portion at March 31, 2018 were as follows:

	Millions of Yen 2018	*Thousands of U.S. Dollars* 2018
Time deposit	¥ 232	$ 2,183
Merchandise and vehicles	6,761	63,620
Work in progress	2,273	21,388
Land	5,742	54,032
Buildings	2,201	20,711
Investment securities	5	47
Total	¥ 17,216	$ 162,002

9. RETIREMENT AND PENSION PLAN

The Company and some of its consolidated subsidiaries have a defined contribution pension plan, funded and non-funded defined benefit corporate pension plans and a lump-sum retirement payment plan to provide for retirement benefits to employees.
The Company and some of its consolidated subsidiaries had joined a defined benefit corporate pension plan under the multiemployer plan (the National Honda Sales Company Pension Fund), but withdrew from it in the current fiscal year.
For the funded and non-funded defined benefit corporate pension plans and a lump-sum retirement payment plan adopted by some of the consolidated subsidiaries, liabilities for retirement benefits and retirement benefit costs are calculated by using a simplified method.

(1) Defined benefit pension plan

The changes in defined benefit obligation, which applied the simplified method for the years ended March 31, 2018 and 2017 were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2018	2017	2018
Balance at the beginning of year	¥ 777	¥ 720	$ 7,311
Increase from the changes in the scope of consolidation	-	-	-
Periodic benefit costs	87	72	818
Benefits paid	(99)	(93)	(931)
Contributions from the employer	(4)	(5)	(37)
Increase due to business transfer	-	82	-
Balance at the end of year	¥ 760	¥ 777	$ 7,151

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*
	2018	2017	2018
Funded defined benefit obligation	¥ 78	¥ 84	$ 733
Plan assets	(82)	(76)	(771)
	(4)	7	(37)
Unfunded defined benefit obligation	765	769	7,198
Liabilities for retirement benefits	¥ 765	¥ 777	$ 7,198
Assets for retirement benefits	(4)	-	(37)
Total net liability (asset) for retirement benefits at end of the year	¥ 760	¥ 777	$ 7,151

(2) Defined contribution pension plan

Total contribution for the defined contribution pension plan was ¥378 million ($3,556 thousand) and ¥330 million for the years ended March 31, 2018 and 2017, respectively.

10. EQUITY

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

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria including such as (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors 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 shares and treasury stock. Such are presented as a separate component of equity or deducted directly from subscription rights to shares.

11. STOCK OPTIONS

The stock options outstanding at March 31, 2018 are as follows:

	Millions of Yen	*Thousands of U.S. Dollars*
	2018	**2018**
Share -based compensation Expenses - SGA	¥ 15	$ 141

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 ($ 6.75)	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, 2018	
Non-vested	
March 31, 2017 - Outstanding	-
Granted	583,000
Canceled	2,000
Vested	-
March 31, 2018 - Outstanding	581,000
Vested	
March 31, 2017 - Outstanding	-
Vested	-
Exercised	-
Canceled	-
March 31, 2018 - Outstanding	-
Exercise price	¥ 718
(Yen and U.S. dollars)	($ 6.75)
Average stock price at exercise	-
(Yen and U.S. dollars)	-
Fair value price at grant date	¥ 263
(Yen and U.S. dollars)	($ 2.47)

12. LEASES

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

Amounts of sublease items, which include the interest portion, included in the consolidated balance sheets as of March 31, 2018 and 2017 were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2018	**2017**	**2018**
Lease receivables and investments in leases	¥ 10,535	¥ 9,530	$ 99,134
Current portion of long-term lease obligations	10,982	9,916	103,340

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

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

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

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

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

(3) Risk Management for Financial Instruments

Management of credit risks (risks of clients' failure to perform contracted obligations)

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.
As counterparties of derivative transactions are limited to financial institutions, the Company believes credit risk is extremely low.

Management of market risks (fluctuation risks in exchange rates and interest rates, etc.)

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.
In addition, the Company's management division executes and manages derivative transactions, and all the transactions are carried out after the deliberation by the board of directors.

Management of liquidity risks (risks of inability to make payments on the due date)

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. The contractual amounts of derivative transactions in Note 14 "Derivative Transactions" do not represent market risks relating to derivative transactions.

For hedging instruments, hedged items, hedge policies and evaluation of hedge effectiveness, please refer to significant basic items for consolidated financial statements in "(v) Derivatives and Hedging Activities" of "2. Summary of Significant Accounting Policies" above.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2018	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and deposits	¥ 7,808	¥ 7,808	-
Notes and accounts receivable	7,536	7,536	-
Lease receivables and investments in leases	10,974	11,633	¥ 659
Securities and investment securities:			
Available-for-sale securities	1,762	1,762	-
Long-term loans receivable:	1,355	1,362	7
Claims in bankruptcy:	926		
Less: allowance for doubtful accounts (*)	(926)		
Claims in bankruptcy – net	-	-	-
Total	¥ 29,438	¥ 30,104	¥ 666
Notes and accounts payable	¥ 30,592	¥ 30,592	-
Short-term bank loans (excluding current portion of long-term debt)	11,745	11,745	-
Income taxes payable	1,533	1,533	-
Long-term lease obligations (including current portion)	19,120	18,864	¥ (255)
Long-term debt (including current portion)	18,168	18,193	24
Total	¥ 81,161	¥ 80,929	¥ (231)

	Millions of Yen		
March 31, 2017	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and deposits	¥ 6,490	¥ 6,490	-
Notes and accounts receivable	6,010	6,010	-
Lease receivables and investments in leases	9,981	10,942	¥ 961
Securities and investment securities:			
Available-for-sale securities	1,128	1,128	-
Long-term loans receivable:	1,399	1,408	9
Claims in bankruptcy:	913		
Less: allowance for doubtful accounts (*)	(913)		
Claims in bankruptcy – net	-	-	-
Total	¥ 25,009	¥ 25,980	¥ 970
Notes and accounts payable	¥ 23,646	¥ 23,646	-
Short-term bank loans (excluding current portion of long-term debt)	10,455	10,455	-
Income taxes payable	746	746	-
Long-term lease obligations (including current portion)	17,489	17,180	¥ (309)
Long-term debt (including current portion)	18,628	18,739	111
Total	¥ 70,966	¥ 70,768	¥ (197)

	Thousands of U.S. Dollars		
March 31, 2018	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and deposits	$ 73,473	$ 73,473	-
Notes and accounts receivable	70,913	70,913	-
Lease receivables and investments in leases	103,265	109,466	$ 6,201
Securities and investment securities			
Available-for-sale securities	16,580	16,580	-
Long-term loans receivable	12,750	12,816	65
Claims in bankruptcy	8,713		
Less: allowance for doubtful accounts (*)	(8,713)		
Claims in bankruptcy – net	-	-	-
Total	$ 277,011	$ 283,278	$ 6,267
Notes and accounts payable	$ 287,870	$ 287,870	-
Short-term bank loans (excluding current portion of long-term debt)	110,520	110,520	-
Income taxes payable	14,425	14,425	-
Long-term lease obligations (including current portion)	179,919	177,510	$ (2,399)
Long-term debt (including current portion)	170,960	171,196	225
Total	$ 763,724	$ 761,541	$ (2,173)

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

Assets

Cash and deposits, 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(excluding current portion of long-term loans)

The carrying amount of these accounts approximates fair value because of their short maturities.

Long-term Lease Obligations

Bonds(including current portion of Bonds)

The fair value of bonds with market prices is estimated based on market prices. The fair value of those with no market prices is measured on the basis of the present value calculated by discounting the sum of principal and interest at an interest rate assumed when new similar bonds are issued.

Long-term Debt (including current portion of long-term Dept)

The fair value of long-term loans with variable interest rates approximates the book value as they reflect market interest rates within a short period ofa time, and thus is stated at the book value. The fair value of those with fixed interest rates is based on the present value computed by discounting the sum of principal and interest (*) at an interest rate applied when new similar loans are obtained.

(*) For long-term loans subject to integrated treatment (special treatment or allocation treatment) of interest rate and currency swaps (refer to Note 15), the sum of principal and interest at a rate of interest rate and currency swaps.

Derivatives

Please see Note 14 for the details of derivatives.

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

	Millions of Yen		*Thousands of U.S. Dollars*
	2018	**2017**	**2018**
Unlisted equity securities	¥ 935	¥ 934	$ 8,798

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

March 31, 2018	Millions of Yen 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 deposits	¥ 7,808	-	-	-
Notes and accounts receivable	7,536	-	-	-
Lease receivables and investments in leases	5,075	¥ 5,874	¥ 24	-
Securities and investment securities				
Available-for-sale securities with contractual maturities	-	-	-	¥ 195
Long-term loans receivable	83	288	325	657
Total	¥ 20,504	¥ 6,162	¥ 350	¥ 853

March 31, 2018	Thousands of U.S. Dollars 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 deposits	$ 73,473	-	-	-
Notes and accounts receivable	70,913	-	-	-
Lease receivables and investments in leases	47,755	$ 55,274	$ 225	-
Securities and investment securities				
Available-for-sale securities with contractual maturities	-	-	-	$ 1,834
Long-term loans receivable	781	2,710	3,058	6,182
Total	$ 192,942	$ 57,984	$ 3,293	$ 8,026

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

14. 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, 2018 and 2017 is as follows:

	Millions of Yen			
March 31, 2018	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate caps	Long-term debt	¥ 1,184	968	(*)
March 31, 2017	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate caps	Long-term debt	¥ 1,399	1,184	(*)

	Thousands of U.S. Dollars			
March 31, 2018	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate caps	Long-term debt	$ 11,141	9,108	(*)

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 13 is included in the hedged items (i.e., long-term bank loans).

15. INCOME TAXES

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities at March 31, 2018 and 2017 are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2018	**2017**	**2018**
Deferred tax assets:			
Accrued enterprise tax	¥ 78	¥ 121	$ 733
Accrued bonuses to employees	330	322	3,105
Liability for employees' retirement benefits	257	261	2,418
Allowance for doubtful accounts	306	301	2,879
Loss on impairment of long-lived assets	295	224	2,775
Write-down of investment securities	94	92	884
Tax loss carryforwards	1,166	1,227	10,972
Accounts payable - other, noncurrent	23	31	216
Other	1,097	992	10,322
Subtotal	3,649	3,576	34,337
Less: Valuation allowance	(1,632)	(1,762)	(15,357)
Deferred tax assets	¥ 2,016	¥ 1,814	$ 18,970
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (386)	¥ (187)	$ (3,632)
Unrealized gain on subsidiaries' assets and liabilities arising from consolidation	(1,144)	(1,156)	(10,765)
Gain on valuation of investment securities	(205)	(205)	(1,929)
Adjustments for assets	(700)	(841)	(6,586)
Adjustments for liabilities	(28)	(33)	(263)
Other	(169)	(148)	(1,590)
Deferred tax liabilities	¥ (2,635)	¥ (2,572)	$ (24,795)
Net deferred tax liabilities	¥ (618)	¥ (752)	$ (5,815)

A reconciliation between the effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2018 and 2017 is as follows:

	2018	**2017**
Effective statutory tax rate	30.6%	30.6%
Amortization of goodwill	4.7	3.7
Changes in valuation allowance	1.4	(0.5)
Tax rate differences in subsidiaries	2.2	3.9
Tax loss carryforward	(5.3)	(0.6)
Expiration of tax loss carried forward	0.7	-
Equity in earnings of associated companies	(1.2)	(1.1)
Per capita tax	0.7	0.6
Gain on bargain purchase	(0.2)	-
Other-net	1.1	0.2
Actual effective tax rate	34.6%	36.5%

16. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2018 and 2017 were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2018	2017	2018
Net unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 652	¥ 153	$ 6,135
Reclassification adjustments to profit or loss	7	(2)	65
Amount before income tax effect	660	150	6,210
Income tax effect	(200)	(28)	(1,881)
Total	¥ 459	¥ 122	$ 4,319
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 542	¥ (339)	$ 5,100
Total	¥ 542	¥ (339)	$ 5,100
Share of other comprehensive income in associates:			
Gains arising during the year	¥ 17	¥ (31)	$ 159
Total	¥ 17	¥ (31)	$ 159
Total other comprehensive income	¥ 1,019	¥ (248)	$ 9,588

17. NET INCOME PER SHARE

A reconciliation of the difference between basic and diluted net income per share ("EPS") for the years ended March 31, 2018 and 2017 is presented as follows:

	Millions of Yen	*Shares*	*Yen*	*U.S. Dollars*
	Net Income	Weighted-Average Shares	EPS	
For the year ended March 31, 2018				
Basic EPS				
Net income available to common shareholders	¥ 3,765	117,645,086	¥ 32.00	$ 0.30
For the year ended March 31, 2017				
Basic EPS				
Net income available to common shareholders	¥ 4,421	117,654,456	¥ 37.58	

Diluted net income per share is not presented for the years ended March 31, 2017 and 2018 as there were no diluted securities outstanding during these periods.

18. RELATED-PARTY TRANSACTIONS

Transactions with related parties for the years ended March 31, 2018 and 2017 were as follows:

		Millions of Yen		*Thousands of U.S. Dollars*
Related Party	Nature of Transaction	**2018**	**2017**	**2018**
Director	Contract for Construction	¥ -	¥ 45	$ -
Immediate family of director(Note 2)	New house construction	114	-	1,072
A company, of which a majority of voting rights is owned by the director and his close family members (Note 3)	Automotive subleases	-	26	-
	Investments in leases	-	35	-
	Contract for Construction	-	16	-
An associated company	Automotive subleases	3,819	5,145	35,936
	Investments in leases	6,929	6,570	65,201

Director of significant subsidiary	Construction of housing exteriors	10	-	94
A company, of which a majority of voting rights is owned by the subsidiary's director and his close family members (Note 4)	Procurement of parts	49	23	461
	Accounts payable	3	5	28
	Sale of parts	11	-	103
	Accounts receivable	1	-	9
	Procurement of vehicles	95	-	893
	Sales of vehicles	39	-	366
	Accounts Recebable	0	-	0
A company, of which a majority of voting rights is owned by the subsidiary's director and his close family members (Note 5)	Commission income for automotive sales	-	23	-
	Accounts receivable	-	0	-
	Procurement of parts	28	18	263
	Accounts payable	0	2	0
	Sales of parts	17	-	159
	Accounts receivable	1	-	9
A company, of which a majority of voting rights is owned by the subsidiary's director and his close family members (Note 6)	Land lease	12	-	112
A company, of which a majority of voting rights is owned by the subsidiary's director and his close family members (Note 5)	Store rent	349	129	3,284
	Guarantee deposits	20	16	188
	Accrued rent	0	0	0
	Shop design fees	11	-	103
	Accounts payable	1	-	9

Transaction conditions and determination policy

1. Transaction prices are determined in the same manner as ordinary transaction conditions taking market prices into consideration.
2. He is an immediate family member of Mr. Kazuho Takahashi (Director) within the first degree.
3. A close relative of Director Kazuho Takahashi directly holds 100% of voting rights.
4. Director Miguel Angel Garcia Moreta of the Company's subsidiary MASTER AUTOMOCION, S.L. and its affiliate and his close relative directly hold 82% of voting rights.
5. Director Miguel Angel Garcia Moreta of the Company's subsidiary MASTER AUTOMOCION, S.L. and its affiliate and his close relative directly hold 79% of voting rights

6. Director Miguel Angel Garcia Moreta of the Company's subsidiary MASTER AUTOMOCION, S.L. and its affiliate and his close relative directly hold 100% of voting rights
7. Land lease and Office rent are determined in reference to transactions in neighboring areas.
8. Conditions for purchasing goods are determined in the same manner as ordinary transaction conditions.
9. Commission received is determined based on the same conditions as ordinary transaction conditions.
10. Prices of contracted constructions are estimated on an arm's length basis, considering the market price.
11. Procurement/sales of vehicles are determined on an arm's length basis.
12. Design fees are determined on an arm's length basis.
13. Consumption tax, etc. is included in transaction price but not in ending balance.

19. SUBSEQUENT EVENTS

As a result of having evaluated subsequent events through June 27, 2018, there is no applicable matter.

20. SEGMENT INFORMATION

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

1. Description of Reportable Segments

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

The Group employs the holding company system. The Company devises group-wide business strategies and administers the Group as a holding company, while its subsidiaries operate the businesses. The Group's reportable segments consist of the Car and Housing business.

The car business 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 business 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					
	2018					
	Reportable Segment					
	Car	Housing	Other	Total	Reconciliations	Consolidated
Sales						
Sales to external customers	¥ 193,005	¥ 8,935	¥ 192	¥ 202,133	-	¥ 202,133
Intersegment sales or transfers	69	1,158	1,941	3,169	¥ (3,169)	-
Total	¥ 193,074	¥ 10,094	¥ 2,133	¥ 205,302	¥ (3,169)	¥ 202,133
Segment profit (loss)	¥ 6,391	¥ 735	¥ 1,104	¥ 8,231	¥ (1,450)	¥ 6,780
Segment assets	127,366	8,523	8,378	144,269	(7,511)	136,757
Other:						
Depreciation and amortization	¥ 5,443	¥ 22	¥ 40	¥ 5,506	¥ (28)	¥ 5,477
Amortization of goodwill	1,109	39	-	1,149	-	1,149
Impairment losses of assets	582	-	-	582	-	582
Investments in associated companies	900	-	3,494	4,395	-	4,395
Increase in property, equipment and intangible assets	14,207	7	61	14,276	(162)	14,114

	Millions of Yen					
	2017					
	Reportable Segment					
	Car	Housing	Other	Total	Reconciliations	Consolidated
Sales						
Sales to external customers	¥ 162,687	¥ 6,731	¥ 142	¥ 169,560	-	¥ 169,560
Intersegment sales or transfers	69	1,074	777	1,920	¥ (1,920)	-
Total	¥ 162,756	¥ 7,805	¥ 919	¥ 171,481	¥ (1,920)	¥ 169,560
Segment profit (loss)	¥ 7,529	¥ 541	¥ (395)	¥ 7,675	¥ (83)	¥ 7,592
Segment assets	110,873	6,943	7,360	125,177	(3,683)	121,493
Other:						
Depreciation and amortization	¥ 4,547	¥ 25	¥ 27	¥ 4,600	¥ (26)	¥ 4,574
Amortization of goodwill	1,048	39	-	1,088	-	1,088
Impairment losses of assets	61	-	28	89	-	89
Investments in associated companies	664	-	2,991	3,656	-	3,656
Increase in property, equipment and intangible assets	13,101	4	816	13,923	(124)	13,798

	Thousands of U.S. Dollars					
	2018					
	Reportable Segment					
	Car	Housing	Other	Total	Reconciliations	Consolidated
Sales						
Sales to external customers	$ 1,816,175	$ 84,078	$ 1,806	$ 1,902,070	-	$ 1,902,070
Intersegment sales or transfers	649	10,896	18,264	29,820	$ (29,820)	-
Total	$ 1,816,825	$ 94,984	$ 20,071	$ 1,931,890	$ (29,820)	$1,902,070
Segment profit (loss)	$ 60,139	$ 6,916	$ 10,388	$ 77,453	$ (13,644)	$ 63,799
Segment assets	1,198,513	80,201	78,836	1,357,570	(70,678)	1,286,882
Other:						
Depreciation and amortization	$ 51,218	$ 207	$ 376	$ 51,811	$ (263)	$ 51,538
Amortization of goodwill	10,435	366	-	10,812	-	10,812
Impairment losses of assets	5,476	-	-	5,476	-	5,476
Investments in associated companies	8,468	-	32,878	41,356	-	41,356
Increase in property, equipment and intangible assets	133,687	65	574	134,337	(1,524)	132,812

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, 2018	Selling New Automobiles	Selling Used Automobiles	Automotive Repair Service	Rental Car Service	Other	Total
Sales to external customers	¥ 92,186	¥ 54,592	¥ 38,469	¥ 7,756	¥ 9,127	¥ 202,133

	Millions of Yen					
Year ended March 31, 2017	Selling New Automobiles	Selling Used Automobiles	Automotive Repair Service	Rental Car Service	Other	Total
Sales to external customers	¥ 74,799	¥ 47,164	¥ 33,919	¥ 6,804	¥ 6,873	¥ 169,560

	Thousands of U.S. Dollars					
Year ended March 31, 2018	Selling New Automobiles	Selling Used Automobiles	Automotive Repair Service	Rental Car Service	Other	Total
Sales to external customers	$ 867,469	$ 513,710	$ 361,993	$ 72,983	$ 85,885	$ 1,902,070

2. Geographical Information

(1) Net Sales

Millions of Yen						
2018						
Japan	Africa	North & South America	Oceania	Europe	Asia	Total
¥ 122,431	¥ 8,376	¥ 1,551	¥ 5,863	¥ 63,386	¥ 523	¥ 202,133

Millions of Yen						
2017						
Japan	Africa	North & South America	Oceania	Europe	Asia	Total
¥ 113,679	¥ 4,222	¥ 1,831	¥ 4,917	¥ 44,504	¥ 404	¥ 169,560

Thousands of U.S. Dollars						
2018						
Japan	Africa	North & South America	Oceania	Europe	Asia	Total
$ 1,152,074	$ 78,818	$ 14,594	$ 55,170	$ 596,461	$ 4,921	$ 1,902,070

(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, 2018	Car	Housing	Other	Total
Amount of goodwill	¥ 11,460	¥ 627	-	¥ 12,088

	Millions of Yen			
March 31, 2017	Car	Housing	Other	Total
Amount of goodwill	¥ 12,656	¥ 667	-	¥ 13,324

	Thousands of U.S. Dollars			
March 31, 2018	Car	Housing	Other	Total
Amount of goodwill	$ 107,838	$ 5,900	-	$ 113,748

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

5. Information regarding gain on bargain purchase for each reporting segment

The Company recognized a gain on bargain purchase of ¥ 35 million in the automobile-related business for the current fiscal year. This is because Peugeot Citroen South Africa (Pty) Ltd. and MOGACAR DE AUTOMOCION SL were made into the Company’s consolidated subsidiaries.