Consolidated Financial Statements

VT HOLDINGS CO., LTD.

Years ended March 31, 2008 and 2007
with Report of Independent Auditors

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2008 and 2007

	Thousands of yen		*Thousands of U.S. dollars (Note 1)*
	2008	**2007**	**2008**
Assets			
Current assets:			
Cash and cash equivalents	¥ 2,297,738	¥ 2,215,068	$ 22,933
Notes and accounts receivable:			
Trade	5,478,768	5,868,848	54,683
Other	1,395,652	1,116,754	13,930
Allowance for doubtful accounts	(76,214)	(202,901)	(760)
Inventories *(Note 3)*	7,034,230	7,987,602	70,208
Short-term loans receivable	248,918	111,421	2,484
Deferred tax assets *(Note 12)*	628,401	591,307	6,272
Other current assets	1,365,768	977,423	13,631
Total current assets	18,373,264	18,665,524	183,384
Property and equipment:			
Land *(Note 7)*	16,881,203	16,517,808	168,491
Buildings and structures *(Note 7)*	17,591,554	16,642,107	175,581
Machinery, fixtures and vehicles	4,729,562	4,770,607	47,205
Construction in progress	-	17,980	-
	39,202,320	37,948,503	391,279
Accumulated depreciation	(12,681,230)	(12,865,319)	(126,571)
Property and equipment, net	26,521,089	25,083,184	264,707
Intangible assets *(Note 6)*	14,139,244	14,866,403	141,124
Investments and other assets:			
Investment securities *(Notes 4 and 7)*	2,238,790	2,604,645	22,345
Investments in unconsolidated subsidiaries and associated companies	3,335,543	2,928,449	33,292
Long-term loans receivable	712,760	1,883,101	7,114
Deferred tax assets *(Note 12)*	821,158	421,512	8,196
Rental deposits	1,244,918	1,112,847	12,425
Other assets	970,502	1,362,170	9,686
Allowance for doubtful accounts	(662,389)	(1,559,641)	(6,611)
Total investments and other assets	8,661,283	8,753,085	86,448
Deferred assets	4,402	8,805	43
Total assets	¥ 67,699,284	¥ 67,377,002	$ 675,708

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries

Consolidated Balance Sheets (continued)

March 31, 2008 and 2007

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Liabilities and equity			
Current liabilities:			
Short-term bank loans *(Note 7)*	¥ 14,921,000	¥ 12,440,528	$ 148,927
Current portion of long-term debt *(Note 7)*	4,702,085	4,510,760	46,931
Notes and accounts payable:			
Trade	16,182,312	16,761,438	161,516
Other	625,625	301,223	6,244
Income taxes payable *(Note 12)*	872,302	1,048,721	8,706
Accrued bonuses to employees	905,341	867,372	9,036
Other current liabilities	3,593,514	3,341,851	35,866
Total current liabilities	41,802,182	39,271,896	417,229
Long-term liabilities:			
Long-term debt *(Note 7)*	10,750,620	13,322,685	107,302
Deferred tax liabilities *(Note 12)*	1,130,712	1,191,331	11,285
Liability for retirement benefits for employees *(Note 8)*	1,805,445	1,992,164	18,020
Liability for retirement benefits for directors and corporate auditors	52,633	112,152	525
Accounts payable-other	422,211	619,665	4,214
Other long-term liabilities *(Note 7 and 11)*	973,318	179,218	9,714
Total long-term liabilities	15,134,941	17,417,217	151,062
Commitments and contingent liabilities *(Notes 11 and 13)*			
Equity *(Note 9)*:			
Common stock:			
Authorized – 56,600,000 shares in 2008 and 2007			
Issued –34,293,693 shares in 2008 and 2007	2,378,700	2,378,700	23,741
Capital surplus	976,278	2,179,898	9,744
Retained earnings	5,073,799	2,780,802	50,641
Net unrealized (loss) gain on available-for-sale securities	(201,197)	104,733	(2,008)
Foreign currency translation adjustments	-	74	-
Treasury stock, at cost – 375,465 shares in 2008 and 125,465 shares in 2007	(100,964)	(71,338)	(1,007)
Total	8,126,616	7,372,871	81,112
Minority interests	2,635,544	3,315,017	26,305
Total equity	10,762,160	10,687,888	107,417
Total liabilities and equity	¥ 67,699,284	¥ 67,377,002	$ 675,708

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Operations

Years ended March 31, 2008 and 2007

	Thousands of yen		*Thousands of U.S. dollars (Note 1)*
	2008	**2007**	**2008**
Net sales *(Note 17)*	¥ 107,976,399	¥ 97,735,138	$ 1,077,716
Cost of sales	88,152,927	79,855,571	879,857
Gross profit	19,823,472	17,879,567	197,858
Selling, general and administrative expenses	16,453,221	15,058,829	164,220
Operating income *(Note 17)*	3,370,250	2,820,737	33,638
Other income (expenses):			
Interest and dividend income	59,409	64,309	592
Interest expense	(476,638)	(293,663)	(4,757)
Equity in earnings of unconsolidated subsidiaries and associated companies	189,165	53,111	1,888
Foreign exchange (loss) gain, net	(113,630)	15,851	(1,134)
Gain on sales of investment securities	113,927	898,252	1,137
Gain on sales of investments in a consolidated subsidiary	-	45,000	-
Gain on sales of property and equipment	119,531	524,282	1,193
Incentive received	71,774	87,244	716
Lease revenue received	-	143,872	-
Reversal of liability for retirement benefits for directors and corporate auditors	74,898	-	747
Settlement package	110,000	-	1,097
Investment (loss) gain in collective investment vehicle	(12,308)	12,283	(122)
Loss on sales of investment securities	(74,062)	(322,309)	(739)
Write-down of investment securities	(203,555)	(261,657)	(2,031)
Loss on impairment of long-lived assets	(27,713)	(1,979,536)	(276)
Loss on sales and disposal of property and equipment	(618,109)	(169,689)	(6,169)
Provision for doubtful accounts	(13,604)	(590,240)	(135)
Cost of leasing business	(83,344)	(167,701)	(831)
Other, net	(245,352)	(107,462)	(2,448)
	(1,129,612)	(2,048,053)	(11,274)
Income before income taxes and minority interests	¥ 2,240,638	¥ 772,684	$ 22,363

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Operations (continued)

Years ended March 31, 2008 and 2007

	Thousands of yen		*Thousands of U.S. dollars (Note 1)*
Income Taxes (Note 12)	**2008**	**2007**	**2008**
Current	¥ 1,468,047	¥ 1,495,828	$ 14,652
Deferred	(409,029)	(130,129)	(4,082)
Total income taxes	1,059,017	1,365,698	10,570
Minority interests in net income	20,127	126,025	200
Net income (loss)	¥ 1,161,492	¥ (719,039)	$ 11,592

	Yen		*U.S. Dollars (Note 1)*
Per share of common stock *(Notes 2(q) and 14)*			
Basic net income (loss)	¥ 34.02	¥ (22.45)	$ 0.33
Cash dividends applicable to the year	6.00	-	0.05

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity

Years ended March 31, 2008 and 2007

	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Net unrealized (loss) gains on available-for-sale securities	Foreign currency translation adjustments	Treasury stock	Total	Minority interests	Total equity
						Thousand of Yen				
Balance at April 1, 2006	31,965,728	¥ 2,242,200	¥ 2,410,006	¥ 3,222,084	¥ 1,198,845	¥ 8	¥ (312,599)	¥ 8,760,545	¥ -	¥ 8,760,545
Reclassified balances as of March 31, 2006 *(Note 2 (m))*	-	-	-	-	-	-	-	-	900,203	900,203
Net loss for the year	-	-	-	(719,039)	-	-	-	(719,039)	-	(719,039)
Cash dividends, ¥2.40 per share	-	-	(76,717)	-	-	-	-	(76,717)	-	(76,717)
Bonuses to directors and corporate auditors	-	-	-	(8,168)	-	-	-	(8,168)	-	(8,168)
Issuance of common stock	1,750,000	136,500	134,860	-	-	-	-	271,360	-	271,360
Disposal of treasury stock	452,500	-	(2,323)	-	-	-	241,261	238,937	-	238,937
Transfer from capital surplus to retained earnings	-	-	(285,926)	285,926	-	-	-	-	-	-
Net change in the year	-	-	-	-	(1,094,111)	65	-	(1,094,046)	2,414,813	1,320,767
Balance at March 31, 2007	34,168,228	2,378,700	2,179,898	2,780,802	104,733	74	(71,338)	7,372,871	3,315,017	10,687,888
Adjustment of retained earnings for exclusion from consolidation and non-application of the equity method	-	-	-	(3,790)	-	-	-	(3,790)	-	(3,790)
Net income for the year	-	-	-	1,161,492	-	-	-	1,161,492	-	1,161,492
Cash dividends, ¥2.00 per share	-	-	-	(68,325)	-	-	-	(68,325)	-	(68,325)
Purchase of treasury stock	(250,000)	-	-	-	-	-	(29,626)	(29,626)	-	(29,626)
Transfer from capital surplus to retained earnings	-	-	(1,203,619)	1,203,619	-	-	-	-	-	-
Net change in the year	-	-	-		(305,930)	(74)	-	(306,004)	(679,472)	(985,477)
Balance at March 31, 2008	33,918,228	¥ 2,378,700	¥ 976,278	¥ 5,073,799	¥ (201,197)	¥ -	¥ (100,964)	¥ 8,126,616	¥ 2,635,544	¥ 10,762,160
						Thousand of U.S. Dollars (Note 1)				
Balance at March 31, 2007		$ 23,741	$ 21,757	$ 27,755	$ 1,045	$ 0	$ (712)	$ 73,588	$ 33,087	$ 106,676
Adjustment of retained earnings for exclusion from consolidation and non-application of the equity method		-	-	(37)	-	-	-	(37)	-	(37)
Net income for the year		-	-	11,592	-	-	-	11,592	-	11,592
Cash dividends, ¥2.00 per share		-	-	(681)	-	-	-	(681)	-	(681)
Purchase of treasury stock		-	-	-	-	-	(295)	(295)	-	(295)
Transfer from capital surplus to retained earnings		-	(12,013)	12,013	-	-	-	-	-	-
Net change in the year		-	-	-	(3,053)	(0)	-	(3,054)	(6,781)	(9,836)
Balance at March 31, 2008		$ 23,741	$ 9,744	$ 50,641	$ (2,008)	$ -	$ (1,007)	$ 81,112	$ 26,305	$ 107,417

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Years ended March 31, 2008 and 2007

	Thousands of yen		*Thousands of U.S. dollars (Note 1)*
	2008	**2007**	**2008**
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 2,240,638	¥ 772,684	$ 22,363
Adjustments for:			
Depreciation and amortization	2,358,686	2,168,440	23,542
Loss on impairment of long-lived assets	27,713	1,979,536	276
(Decrease) increase in allowance for doubtful accounts	(17,974)	615,439	(179)
Increase (decrease) in accrued bonuses	37,968	(135,117)	378
Decrease in liability for retirement benefits for employees	(186,718)	(309,322)	(1,863)
(Decrease) increase in liability for retirement benefits for directors and corporate auditors	(59,519)	5,916	(594)
Interest and dividend income	(59,409)	(64,309)	(592)
Interest expense	476,638	293,663	4,757
Foreign exchange loss (gain)	99,025	(31,850)	988
Gain on sales of property and equipment	(119,531)	(524,282)	(1,193)
Loss on sales and disposal of property and equipment	618,109	169,689	6,169
Write-down of investments securities	203,555	261,657	2,031
Gain on sales of investment securities	(113,927)	(898,252)	(1,137)
Loss on sales of investment securities	74,062	322,309	739
Gain on sales of investments in a consolidated subsidiary	-	(45,000)	-
Bonuses to directors and corporate auditors	-	(9,900)	-
Equity in earnings of unconsolidated subsidiaries and associated companies	(189,165)	(53,111)	(1,888)
Decrease in notes and accounts receivable, trade	541,819	81,589	5,407
Decrease (increase) in inventories	1,098,578	(807,140)	10,964
(Increase) decrease in other current assets	(490,398)	360,210	(4,894)
(Decrease) increase in notes and accounts payable, trade	(272,899)	904,171	(2,723)
Increase (decrease) in other current liabilities	39,120	(568,778)	390
Other	30,125	(83,536)	300
Subtotal	6,336,499	4,404,709	63,244
Interest and dividends received	63,398	108,267	632
Interest paid	(483,961)	(298,070)	(4,830)
Income taxes paid	(1,456,211)	(1,673,012)	(14,534)
Net cash provided by operating activities	¥ 4,459,724	¥ 2,541,894	$ 44,512

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows (continued)

Years ended March 31, 2008 and 2007

	Thousands of yen		*Thousands of U.S. dollars (Note 1)*
	2008	**2007**	**2008**
Cash flows from investing activities:			
Purchases of property and equipment	¥ (5,062,815)	¥ (4,512,226)	$ (50,532)
Proceeds from sales of property and equipment	1,683,403	2,723,319	16,802
Purchases of intangible assets	(46,985)	(107,873)	(468)
Purchases of investment securities	(1,337,106)	(3,886,964)	(13,345)
Proceeds from sales of investment securities	908,593	4,534,017	9,068
Purchase of subsidiaries resulting in inclusion in consolidation	-	(2,518,455)	-
Acquisition of consolidated subsidiaries	(22,400)	(34,000)	(223)
Payment on liquidation of consolidated subsidiaries	(708,355)	-	(7,070)
Increase in loans receivable	(504,393)	(1,365,474)	(5,034)
Decrease in loans receivable	189,949	2,778,055	1,895
Increase in security deposit paid	(380,947)	(114,382)	(3,802)
Decrease in security deposit paid	77,599	105,357	774
Other	281,035	222,977	2,805
Net cash used in investing activities	(4,922,424)	(2,175,650)	(49,130)
Cash flows from financing activities:			
Net increase (decrease) in short-term bank loans, net	2,480,471	(2,484,807)	24,757
Proceeds from long-term debt	2,300,000	5,500,000	22,956
Repayment of long-term debt	(4,680,740)	(4,548,360)	(46,718)
Guarantee deposits-received	597,160	-	5,960
Guarantee deposits-refunded	(8,873)	-	(88)
Issuance of common stock	-	402,508	-
Purchase of treasury stock	(29,626)	-	(295)
Proceeds from sales of treasury stock	-	104,297	-
Purchase of treasury stock by a subsidiary	(6,348)	(65,654)	(63)
Proceeds from sales of treasury stock by a subsidiary	-	2,500	-
Cash dividends paid	(68,325)	(76,717)	(681)
Cash dividends paid to minority shareholders	(17,765)	(32,628)	(177)
Net cash provided by (used in) financing activities	565,952	(1,198,861)	5,648
Foreign currency translation adjustments on cash and cash equivalents	(14,825)	18,273	(147)
Net increase (decrease) in cash and cash equivalents	88,426	(814,344)	882
Cash and cash equivalents, beginning of year	2,215,068	3,029,413	22,108
Cash and cash equivalents decreased due to an exclusion from consolidation	(5,756)	-	(57)
Cash and cash equivalents, end of year	¥ 2,297,738	¥ 2,215,068	$ 22,933

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries

Notes to the Consolidated Financial Statements

March 31, 2008 and 2007

1. Basis of Preparation

VT HOLDINGS CO., LTD. (the "Company") and consolidated subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Corporate Law and the Japanese Financial Instruments and Exchange Law (formerly, the Japanese Securities and Exchange Law) and its related accounting regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements are prepared based on the consolidated financial statements of the Company and consolidated subsidiaries as required by the Japanese Financial Instruments and Exchange Law.

In preparing the accompanying 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 2007 consolidated financial statements to conform to the classifications used in 2008.

The U.S. dollar amounts in the accompanying consolidated financial statements have been translated from yen amounts solely for the convenience of the reader and, as a matter of arithmetic computation only, at ¥100.19= U.S.$1.00, the rate of exchange prevailing on March 31, 2008. This translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at the that or any other rate.

As permitted by the Japanese Financial Instruments and Exchange Law, amounts of less than one thousand yen for the years ended March 31, 2008 and 2007 have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements for the years ended March 31, 2008 and 2007 (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) Principles of 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 and for the year ended March 31, 2008 include the accounts of the Company and its 23 significant (29 in 2007) subsidiaries (together, the "Group").

Amana Shipholding S.A. and Trust Americas Incorporated, which are under liquidation based on their dissolution during the year ended March 31, 2008 were excluded from consolidation as of March 31, 2008, because the effect of these companies on the accompanying consolidated financial statements would not be material.

During the year ended March 31, 2008, four collective investment vehicles were liquidated. PZ No.5 collective investment vehicle, which had been one of the consolidated subsidiaries, was liquidated on April 27, 2007. VT No.4 collective investment vehicle, which had been one of the consolidated subsidiaries, was liquidated on July 28, 2007. VA No.1 collective investment vehicle, which had been one of the consolidated subsidiaries, was liquidated on December 5, 2007. PZ No.16 collective investment vehicle, which had been one of the consolidated subsidiaries, was liquidated on March 31, 2008.

On September 8, 2006, the ASBJ issued ASBJ Practical Issues Task Force ("PITF") No.20, "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations," which is effective for fiscal years ending on or after September 8, 2006. PITF No.20 clarifies how the control and influence concept should be practically applied to the consolidation scope of collective investment vehicles, such as limited partnerships, anonymous association and other entities with similar characteristics, in order to avoid such vehicles being intentionally excluded from consolidation. The Company applied this Task Force for the year ended March 31, 2007, which resulted in two collective investment vehicles consolidated in 2007.

Investments in three (six in 2007) associated companies are accounted for by the equity method. Investments in the remaining unconsolidated subsidiaries (2 in 2008 and nil in 2007) and associated companies 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.

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.

Four consolidated subsidiaries have a fiscal year ending December 31. The consolidated financial statements include such subsidiaries' annual financial statements ended December 31. Material transactions occurring during the period from the subsidiaries' fiscal year end to March 31 have been adjusted within the consolidated financial statements.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand.

(c) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at 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.

Assets and liabilities of foreign subsidiaries and others are translated at the rate of exchange in effect at 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" in a separate component of equity. Revenues and expenses of foreign subsidiaries and others are translated at the average rate of the fiscal year.

(d) 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.

(e) Investment securities

Investment securities are classified and accounted for, depending on management's intent, as follows:
i) trading securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in earnings, ii) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and iii) available-for-sale securities, which are not classified as either of the aforementioned 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 2008 (two in 2007). The investments reflected the movement of the net assets of the vehicles although the Company does not exercise significant influence over these investment vehicles.

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.

(f) Inventories

The Group applies the following methods in the valuation of their inventories:

New cars, used cars, real estate for sale and work in process are stated by the individual cost method.

Mail-order merchandise is stated at cost determined by the moving average method.

Merchandise such as parts is stated by the last invoice price method.

Finished goods are stated at cost by the average method.

Supplies and raw materials are mainly stated at cost determined by the last invoice price method.

(g) Property and equipment

Property and equipment are stated at cost. Depreciation of property and equipment of the Company and its subsidiaries is computed by the declining-balance method at rates 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. Property and equipment acquired on and after April 1, 2007 are depreciated by the declining-balance method in accordance with the revised corporate tax law which is effective April 1, 2007. The effect of this treatment was to decrease income before income taxes and minority interests for the year ended March 31, 2008 by ¥97,767 thousand ($975 thousand).

(h) 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.

(i) Deferred assets

Stock issuance expenses are charged to income as incurred. Certain consolidated subsidiaries amortized them over three years. Business commencement expenses are amortized by the straight-line method over five years.

(j) Liability for retirement benefits for employees

The Company and certain consolidated subsidiaries have a defined contribution pension plan, in which employees can select either the defined contribution pension plan or prepayment plan. In addition, as defined benefit plan, there are a severance payment plan, a mutual assistance of retirement plan for small business and a funded contributory pension plan.

Certain consolidated subsidiaries record the liability for retirement benefits based on the projected benefit obligations and pension assets. Actuarial differences are amortized over 10 to 11 years, within employees' average service period. Prior service costs are amortized over 11 years, within 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.

(k) 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. Certain directors waived their right to receive the retirement benefits and the liability for retirement benefits for them at March 31, 2007, amounting to ¥74,898 thousand ($747 thousand), was reversed. No liability for retirement benefits for them was provided for the year ended March 31, 2008.

(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 the current fiscal year.

(m) Presentation of equity

On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities or assets, as the case may be, are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard was effective for fiscal years ending on or after May 1, 2006. The balances of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statement of changes in equity.

(n) Leases

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the notes to the lessee’s financial statements.

(o) Intangible assets

Expenditures relating to software developed for internal use are charged to income when incurred, except if 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 5-year period.

(p) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. 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.

(q) 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. Diluted net income per share is not disclosed because it is anti-dilutive for 2008 and because of the Group’s loss position for 2007.

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

(r) New accounting pronouncements

Measurement of Inventories—Under generally accepted accounting principles in Japan ("Japanese GAAP"), inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories", which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting—On March 30, 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the existing accounting standard for lease transactions issued on June 17, 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Lessee

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions shall be capitalized recognizing lease assets and lease obligations in the balance sheet.

Lessor

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that deem to transfer ownership of the leased property to the lessee shall be recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee shall be recognized as investments in lease.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—Under Japanese GAAP, a company currently can use the financial statements of its foreign subsidiaries which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued PITF No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". The new standard 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 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;

(1) Amortization of goodwill
(2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(3) Capitalization of intangible assets arising from development phases
(4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
(5) Retrospective application when accounting policies are changed
(6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

3. Inventories

Inventories at March 31, 2008 and 2007 consisted of the following:

	Thousands of yen		*Thousands of U.S. dollars*
	2008	**2007**	**2008**
New and used cars	¥ 5,789,955	¥ 6,684,130	$ 57,789
Parts	215,877	240,618	2,154
Other merchandise	673,679	578,134	6,724
Total merchandise	6,679,512	7,502,882	66,668
Raw materials	42,098	46,867	420
Work in process	268,348	378,794	2,678
Supplies	44,270	59,057	441
Total	¥ 7,034,230	¥ 7,987,602	$ 70,208

4. Investment Securities

(a) Information regarding investment securities classified as available-for-sale securities at March 31, 2008 and 2007 is summarized as follows:

	Thousands of yen			
	2008			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Equities	¥ 905,299	¥ 37,758	¥ (130,021)	¥ 813,036
Other	599,477	7,915	(78,772)	528,620
Total	¥ 1,504,777	¥ 45,673	¥ (208,794)	¥ 1,341,657

	Thousands of yen			
	2007			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Equities	¥ 682,416	¥ 163,795	¥ (9,156)	¥ 837,056
Other	678,117	28,498	(4,801)	701,814
Total	¥ 1,360,534	¥ 192,294	¥ (13,957)	¥ 1,538,872

	Thousands of U.S. dollars			
	2008			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Equities	$ 9,035	$ 376	$ (1,297)	$ 8,114
Other	5,983	78	(786)	5,276
Total	$ 15,019	$ 455	$ (2,083)	$ 13,391

(b) Investment securities whose market value is not determinable and classified as available-for-sale securities at March 31, 2008 and 2007 are summarized as follows:

	Thousands of yen		*Thousands of U.S. dollars*
	2008	**2007**	**2008**
Market value not determinable:			
Equities	¥ 694,006	¥ 762,922	$ 6,926
Investment interest in collective investment vehicles	203,125	302,851	2,027
Total	¥ 897,132	¥ 1,065,773	$ 8,954

(c) Sales of investment securities classified as available-for-sale securities for the years ended March 31, 2008 and 2007 are summarized as follows:

	Thousands of yen		*Thousands of U.S. dollars*
	2008	**2007**	**2008**
Proceeds from sales	¥ 928,725	¥ 2,632,746	$ 9,269
Gross realized gain	113,927	947,490	1,137
Gross realized loss	(74,062)	(326,547)	(739)

(d) The redemption schedule for securities with maturity dates classified as available-for-sale securities at March 31, 2008 is summarized as follows:

	Thousands of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Other	-	¥ 18,262	¥ 14,299	¥ 48,084
Total	-	¥ 18,262	¥ 14,299	¥ 48,084

	Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Debt securities	-	$ 182	$ 142	$ 479
Total	-	$ 182	$ 142	$ 479

5. Long-lived Assets

The Group reviewed its ling-lived assets for impairment as of March 31, 2008 and 2007, and as a result, recognized impairment losses of ¥27,713 thousand ($276 thousand) and ¥1,979,536 thousand, respectively. At March 31, 2007, impairments were recorded for certain business assets in the car segment located in Seki and Nagano (land and buildings etc.), assets in the environment segment located in Tokyo (patent and trademark etc.) and goodwill arising from Aiko Epoch Corporation and HD Asset Management Co., Ltd. (formerly Home Direct Co., Ltd.). Book value of the business assets in the car segment was written down to the net selling value based on the appraisal value estimated by a real estate appraiser. Book value of the assets in the environment segment was written down to zero due to low business performance of Aiko Epoch Corporation and HD Asset Management Co., Ltd., which engage in the environment business.

6. Intangible Assets

Intangible assets at March 31, 2008 and 2007 consisted of the following:

	Thousands of yen		*Thousands of U.S. dollars*
	2008	**2007**	**2008**
Goodwill, net	¥13,457,188	¥14,132,677	$ 134,316
Trademark	352	421	3
Other	681,703	733,305	6,804
Total	¥14,139,244	¥14,866,403	$ 141,124

7. Short-Term Bank Loans, Long-Term Debt and Interest bearing liabilities

Short-term bank loans principally represent short-term notes and overdrafts with annual average interest rates of 1.133% and 1.042% at March 31, 2008 and 2007, respectively.

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Thousands of yen		*Thousands of U.S. dollars*
	2008	**2007**	**2008**
Loans from banks and other financial institutions, payable in yen, at rates from 0.589% to 1.915%, due through 2013	¥ 15,152,705	¥ 17,533,445	$ 151,239
Unsecured bonds, payable in yen, at variable interest rates of 0.19%, due 2009	300,000	300,000	2,994
	15,452,705	17,833,445	154,234
Less current portion	(4,702,085)	(4,510,760)	(46,931)
Long-term debt, less current portion	¥ 10,750,620	¥ 13,322,685	$ 107,302

Interest bearing, guarantee deposits-received amounting to ¥590,044 thousand ($5,889 thousand) were included in other long-term liabilities at March 31, 2008. Their average interest rate was 2.10% and they are due through 2027.

The aggregate annual maturities of long-term debt excluding guarantee deposits-received subsequent to March 31, 2008 are summarized as follows:

Long-term debt:

Year ending March 31,	*Thousands of yen*	*Thousands of U.S. dollars*
2009	¥ 4,702,085	$ 46,931
2010	4,365,400	43,571
2011	3,424,090	34,175
2012	1,850,960	18,474
2013 and thereafter	1,110,170	11,080
Total	¥ 15,452,705	$ 154,234

The assets pledged as collateral for short-term bank loans of ¥6,021,000 thousand ($60,095 thousand) and long-term debt of ¥2,356,000 thousand ($23,515 thousand) including the current portion at March 31, 2008 were as follows:

	Thousands of yen	*Thousands of U.S. dollars*
Land	¥ 8,727,876	$ 87,113
Buildings	1,939,945	19,362
Investment securities	16,600	165
Total	¥ 10,684,421	$ 106,641

Financial covenants relating to syndicate loans of ¥10,490,000 thousand ($104,701 thousand) are as follows:

The Company's financial covenants;
Syndicate loan executed on July 9, 2003 contains restrictions that the amount of equity in the consolidated balance sheets at semiannual year end or annual year end should not be less than 75% of the amount of equity in the consolidated balance sheets at March 31, 2003.

Syndicate loan executed on March 25, 2004 contains restrictions that the amount of equity in the consolidated balance sheets at annual year end should not be less than 75% of the amount of equity in the consolidated balance sheets at March 31, 2003.

Syndicate loan executed on March 25, 2005 contains restrictions that the amount of equity in the consolidated balance sheets at annual year end should not be less than 75% of the larger of the amount of equity in the latest annual consolidated balance sheets or the amount of equity in the consolidated balance sheets at March 31, 2004.

Syndicate loan executed on September 28, 2005 contains restrictions that the amount of equity in the consolidated balance sheets at annual year end should not be less than 75% of the amount of equity in the consolidated balance sheets at March 31, 2005.

Syndicate loan executed on September 25, 2006 contains restrictions that the amount of equity in the consolidated balance sheets (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) in the consolidated balance sheets 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, Trust Company Limited (the "Trust")'s financial covenant;
Syndicate loan executed on March 28, 2007 contains restrictions that the amount of equity (excluding "deferred gain or loss on derivatives under hedge accounting," and "stock acquisition rights," if any) in both the unconsolidated and consolidated balance sheets at annual year end (excluding semiannual year end) should not be less than 75% of the amount of equity (excluding "deferred gain or loss on derivatives under hedge accounting," and "stock acquisition rights," if any) in both the unconsolidated and consolidated balance sheets at March 31, 2006 (excluding semiannual year end).

The Company and certain subsidiaries contracted bank overdraft agreements with 18 banks for efficient fund raising. The Company and certain subsidiaries are able to overdraw the maximum amount of ¥30,700,000 thousand ($306,417 thousand) at March 31, 2008. Outstanding balance of overdrafts was ¥14,921,000 thousand ($148,927 thousand) at March 31, 2008.

8. Retirement and Pension Plans

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets at March 31, 2008 and 2007 for certain consolidated subsidiaries' defined benefit pension plans:

	Thousands of yen		*Thousands of U.S. dollars*
	2008	**2007**	**2008**
Projected benefit obligation	¥ (2,675,330)	¥ (2,897,028)	$ (26,702)
Plan assets at fair value	821,591	854,080	8,200
Unfunded retirement benefit obligation	(1,853,739)	(2,042,948)	(18,502)
Unrecognized transitional obligation	(82,927)	(94,774)	(827)
Unrecognized actuarial loss	6,359	8,105	63
Unrecognized prior service cost	124,861	137,453	1,246
Liability for retirement benefits	¥ (1,805,445)	¥ (1,992,164)	$ (18,020)

The components of net periodic benefit costs for the years ended March 31, 2008 and 2007 are as follows:

	Thousands of yen		*Thousands of U.S. dollars*
	2008	**2007**	**2008**
Service cost	¥ 98,833	¥ 143,063	$ 986
Interest cost	60,474	64,431	603
Expected return on plan assets	-	(5,645)	-
Amortization of transitional obligation	(11,846)	(12,388)	(118)
Recognized actuarial loss	6,398	14,410	63
Amortization of prior service cost	12,591	1,049	125
Contribution to defined contribution pension plan	166,130	71,641	1,658
Prepaid retirement payments	12,815	7,869	127
Other periodic benefit costs	151,142	67,403	1,508
Net periodic benefit costs	¥ 496,538	¥ 351,835	$ 4,955

Assumptions used for the years ended March 31, 2008 and 2007 are set forth as follows:

	2008	2007
Periodic recognition of projected benefit obligation	Straight-line method	Straight-line method
Discount rate	2.0 %	2.0 to 2.3%
Expected rate of return on plan assets	-	3.0%
Amortization period of prior service cost	11 years	11 years
Recognition period of actuarial gain / loss	10 to 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.

Funded status of the multi-employer pension plans at March 31, 2007 (available information as of March 31, 2008), to which contributions were recorded as net periodic retirement benefit costs was as follows:

	Thousands of yen	
	Pension Fund of Honda Car Dealers	Shizuoka Automobile Pension Fund
Fair value of plan assets	¥ 32,029,504	¥ 37,798,121
Pension obligation recorded by pension fund	24,596,395	36,233,664
Net assets	¥ 7,433,109	¥ 1,564,457
The Group's contribution percentage for multi-employer pension plan for the year ended March 31, 2008	3.5%	8.9%

Notes:
(Pension Fund of Honda Car Dealers)
Net assets resulted from reserve recorded by the pension fund.
(Shizuoka Automobile Pension Fund)
1. Net assets resulted mainly from prior service cost of ¥4,569,224 thousand.
2. Prior service cost is amortized over 20 years and special contribution of ¥35,461 thousand ($353 thousand) was expensed for the year ended March 31, 2008.

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

9. Equity

Since May 1, 2006, Japanese companies have been subject to the Corporate Law, which reformed and replaced the Commercial Code of Japan. The significant provisions in the Corporate Law that affect financial and accounting matters are summarized below:

(a) Dividends
Under the Corporate Law, 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 the Board of Directors, (2) having independent auditors, (3) having the 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 Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation 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 Corporate Law 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 equity after dividends must be maintained at no less than ¥ 3 million.

(b) Increases / decreases and transfer of common stock, reserve and surplus
The Corporate Law 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 aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law 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 Corporate Law 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 Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Corporate Law 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.

10. Stock Options

The outstanding stock options granted by the Group as of March 31, 2008 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
2004 Stock option (the Company)	3 directors of the Company	2,500,000	June 30, 2004	¥ 680 ($ 6.78)	From April 1, 2005 To June 30, 2009
2005 Stock option (the Company)	6 advisors and 5 employees of the Company 13 directors and 10 employees of subsidiaries	106,500	July 20, 2005	¥ 776 ($ 7.74)	From August 1, 2007 To June 30, 2011
2005 Stock option (the Trust)	A director and 2 officers of the Trust	3,000	July 15, 2005	¥ 69,229 ($ 690.97)	From August 1, 2007 To July 30, 2010

Number of options granted and exercise prices for the Company are adjusted for stock splits at November 17, 2004.The stock option activity is as follows:

(Stock option granted by the Company)

	2004 Stock option (Shares)	2005 Stock option (Shares)
For the year ended March 31, 2008		
Non-vested		
March 31, 2007 – Outstanding	-	103,500
Granted	-	-
Canceled	-	1,000
Vested	-	102,500
March 31, 2008 - Outstanding	-	-
Vested		
March 31, 2007 - Outstanding	2,500,000	-
Vested	-	102,500
Exercised	-	-
Canceled	-	10,000
March 31, 2008 - Outstanding	2,500,000	92,500
Exercise price (yen and U.S. dollars)	¥ 680 ($ 6.78)	¥ 776 ($ 7.74)
Average stock price at exercise	-	-

(Stock option granted by the Trust)

	2005 Stock option
	(Shares)
For the year ended March 31, 2008	
Non-vested	
March 31, 2007 – Outstanding	500
Granted	-
Canceled	-
Vested	500
March 31, 2008 - Outstanding	-
Vested	
March 31, 2007 - Outstanding	-
Vested	500
Exercised	-
Canceled	500
March 31, 2008 - Outstanding	-
Exercise price (yen and U.S. dollars)	¥ 69,229
	($ 690.97)
Average stock price at exercise	-

11. Leases

As lessee

The following pro forma amounts represent the acquisition cost, accumulated depreciation and net book value of the leased assets at March 31, 2008 and 2007, which would have been reflected in the consolidated balance sheets if finance leases other than those which transfer the ownership of the leased property to the Group (which are currently accounted for as operating leases) were capitalized:

	Thousands of yen			
	2008			
	Acquisition cost	Accumulated depreciation	Impairment loss	Net book value
Machinery and vehicles	¥ 4,004,777	¥1,640,163	¥ 3,095	¥ 2,361,517
Other	211,928	97,745	11,340	102,842
Total	¥ 4,216,705	¥1,737,909	¥ 14,435	¥ 2,464,360

	Thousands of yen			
	2007			
	Acquisition cost	Accumulated depreciation	Impairment loss	Net book value
Machinery and vehicles	¥ 3,170,922	¥1,262,974	¥ 3,095	¥1,904,851
Other	199,224	88,504	11,340	99,378
Total	¥ 3,370,146	¥1,351,479	¥ 14,435	¥2,004,231

	Thousands of U.S. dollars			
	2008			
	Acquisition cost	Accumulated depreciation	Impairment loss	Net book value
Machinery and vehicles	$ 39,971	$ 16,370	$ 30	$ 23,570
Other	2,115	975	113	1,026
Total	$ 42,087	$ 17,346	$ 144	$ 24,596

Lease payments relating to finance leases accounted for as operating leases in the consolidated financial statements amounted to ¥1,159,965 thousand ($11,577 thousand) and ¥902,845 thousand for the years ended March 31, 2008 and 2007, respectively.

Depreciation of the leased property computed by the straight-line method over the respective lease terms amounted to ¥980,716 thousand ($9,788 thousand) and ¥783,608 thousand for the years ended March 31, 2008 and 2007, respectively.

Reversal of allowance for impairment loss on leased property, interest expense computed by the interest method and impairment loss amounted to ¥4,155 thousand ($41 thousand), and ¥15,389 thousand, ¥55,982 thousand ($558 thousand) and ¥39,707 thousand, and none and ¥14,435 thousand for the years ended March 31, 2008 and 2007, respectively.

Future minimum lease payments subsequent to March 31, 2008 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	*Thousands of yen*	*Thousands of U.S. dollars*
2009	¥ 989,061 (301,485)	$ 9,871 (3,009)
2010 and thereafter	1,513,978 (497,729)	15,111 (4,967)
Total	¥ 2,503,040 (799,215)	$ 24,982 (7,976)
Allowance for impairment loss on leased property at March 31, 2008	¥ 8,202	$ 81

Parenthetic items described above are future minimum lease payments on sublease items.

The acquisition costs and future minimum lease payments under finance leases presented in the above table does not include allowance for impairment loss on leased property at March 31, 2008 and 2007.

Future minimum lease payments subsequent to March 31, 2008 for operating leases are summarized as follows:

Year ending March 31,	*Thousands of yen*	*Thousands of U.S. dollars*
2009	¥ 52,126 (6,063)	$ 520 (60)
2010 and thereafter	19,961 (8,557)	199 (85)
Total	¥ 72,088 (14,621)	$ 719 (145)

Parenthetic items described above are future minimum lease payments on sublease items.

As lessor

The following amounts represent the acquisition cost, accumulated depreciation, impairment loss and net book value of leased property at March 31, 2008 and 2007.

	Thousands of yen		
	2008		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery and vehicles	¥ 1,178,763	¥ 449,302	¥ 729,460

	Thousands of yen		
	2007		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery and vehicles	¥ 763,641	¥ 218,335	¥ 545,305
Other	1,117,350	211,822	905,528
Total	¥ 1,880,991	¥ 430,157	¥1,450,833

	Thousands of U.S. dollars		
	2008		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery and vehicles	$ 11,765	$ 4,484	$ 7,280

Lease revenue received relating to finance leases accounted for as operating leases in the consolidated financial statements amounted to ¥318,919 thousand ($3,183 thousand) and ¥360,858 thousand for the years ended March 31, 2008 and 2007, respectively.

Depreciation of the leasing property, and interest income on an as if basis, amounted to ¥ 235,153 thousand ($2,347 thousand) and ¥326,012 thousand and ¥83,765 thousand ($836 thousand) and ¥110,703 thousand for the years ended March 31, 2008 and 2007, respectively. Interest income is computed by interest method.

Future minimum lease receivables subsequent to March 31, 2008 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	*Thousands of yen*	*Thousands of U.S. dollars*
2009	¥ 372,083 (369,611)	$ 3,713 (3,689)
2010 and thereafter	604,092 (598,257)	6,029 (5,971)
Total	¥ 976,175 (967,869)	$ 9,743 (9,660)

Parenthetic items described above are future minimum lease receivables on sublease items.

Future minimum lease receivables subsequent to March 31, 2008 for operating leases are summarized as follows:

Year ending March 31,	*Thousands of yen*	*Thousands of U.S. dollars*
2009	¥ 74,955 (29,491)	$ 748 (294)
2010 and thereafter	78,890 (65,821)	787 (656)
Total	¥ 153,845 (95,313)	$ 1,535 (951)

Parenthetic items described above are future minimum lease receivables on sublease items.

12. Income Taxes

The Group are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40.5% for the years ended March 31, 2008 and 2007.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of operations for the years ended March 31, 2008 and 2007 is as follows:

	2008	2007
Statutory tax rate	40.5%	40.5%
Valuation allowance	(19.7)	20.9
Changes in tax loss carryforward of consolidated subsidiaries	16.2	64.3
Amortization of goodwill	13.7	40.2
Unrealized gain	11.2	13.0
Realization of unrealized gain on subsidiaries' assets and liabilities arising from consolidation	(10.1)	(9.5)
Expenses not deductible for income tax purposes	0.9	2.9
Per capita tax	1.6	4.2
Equity in earnings of unconsolidated subsidiaries and associated companies	(3.4)	-
Other	(3.6)	0.2
Effective tax rate	47.3%	176.7%

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2008 and 2007 are as follows:

	Thousands of yen		*Thousands of U.S. dollars*
	2008	**2007**	**2008**
Deferred tax assets:			
Accrued enterprise tax	¥ 76,585	¥ 94,188	$ 764
Tax loss carryforwards	1,648,140	1,280,583	16,450
Liability for retirement benefits for employees	725,319	804,501	7,239
Accrued bonuses to employees	373,452	353,621	3,727
Allowance for doubtful accounts	281,228	403,825	2,806
Loss on impairment of long-lived assets	965,476	1,080,590	9,636
Write-down of investment securities	215,991	124,129	2,155
Gain on acquisition of warrant	289,251	289,362	2,887
Accounts payable - other, non-current	172,366	313,357	1,720
Other	690,601	285,356	6,892
Total gross deferred tax assets	5,438,413	5,029,518	54,280
Valuation allowance	(3,483,397)	(3,491,735)	(34,767)
Deferred tax assets	1,955,016	1,537,782	19,513
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(18,557)	(81,511)	(185)
Unrealized gain on subsidiaries' assets and liabilities arising from consolidation	(1,614,723)	(1,633,721)	(16,116)
Other	(2,888)	(1,060)	(28)
Deferred tax liabilities	(1,636,168)	(1,716,293)	(16,330)
Net deferred tax assets (liabilities)	¥ 318,847	¥ (178,511)	$ 3,182

13. Contingent Liabilities

At March 31, 2008, the Group had the following contingent liabilities:

	Thousands of yen	*Thousands of U.S. dollars*
Guarantees of credit liabilities	¥ 7,812	$ 77

14. Net Income Per Share

Net income (loss) per share ("EPS") for the years ended March 31, 2008 and 2007 is calculated as follows:

	Thousands of yen	*Shares*	*Yen*	*U.S. dollars*
	Net income	Weighted average shares	EPS	
For the year ended March 31, 2008				
Basic EPS				
Net income available to common shareholders	¥ 1,161,492	34,143,799	¥ 34.02	$ 0.33
For the year ended March 31, 2007				
Basic EPS				
Net loss available to common shareholders	¥ (719,039)	32,027,105	¥ (22.45)	-

15. Supplemental Information on the Consolidated Statements of Cash Flows

The Company purchased equity interests and newly consolidated the accounts of eight entities for the year ended March 31, 2007. The following summarizes the assets and liabilities included in consolidation and presents information on acquisition costs and cash disbursements:

PZ No.16 collective investment vehicle, PZ Motors Co., Ltd., Shizuoka Nissan Auto Sales Co., Ltd. and its subsidiary

	Thousands of yen
	July 2, 2006
Current assets	¥ 4,907,231
Non-current assets	11,149,922
Deferred assets	13,211
Goodwill	6,970,075
Current liabilities	(11,710,960)
Non-current liabilities	(4,136,457)
Minority interests	(2,277,424)
Acquisition costs	4,915,599
Transfer from investment securities	(2,305,599)
Cash and cash equivalents transferred	269,636
Expenditure for purchase of equity interest	¥ 2,340,363

PZ No.5 collective investment vehicle, Mikawa Nissan Motor Co., Ltd. and its two subsidiaries

	Thousands of yen
	July 2, 2006
Current assets	¥ 2,053,823
Non-current assets	4,725,339
Goodwill	1,633,430
Current liabilities	(5,766,121)
Non-current liabilities	(1,454,415)
Minority interests	(104,828)
Acquisition costs	1,087,227
Transfer from investment securities	(385,227)
Cash and cash equivalents transferred	523,907
Expenditure for purchase of equity interest	¥ 178,092

16. Related Party Transactions

Transactions with related party for the years ended March 31, 2008 and 2007 were as follows:

	Thousands of yen		*Thousands of U.S. dollars*
	2008	2007	2008
Directors, close relatives or companies controlled by them:			
Purchase of investment securities	-	¥ 1,095,000	-
Purchase of treasury stocks	¥ 16,575	-	$ 165

The transaction prices were determined based on market prices.

17. Segment Information

(a) Industry segments

The Group is primarily engaged in the car business, housing business, real estate business, investment business and environment business.

The car business consists of sales of cars, repairs to cars, car rentals and sales of car parts. The housing business consists of home sales, construction of houses and related business. The real estate business consists of leasing of real estate. The investment business consists of investment in securities and consulting services. The environment business consists of design, development and sales of control devices of electric power.

The business segment information of the Group for the years ended March 31, 2008 and 2007 is outlined as follows:

	Thousands of yen							
	2008							
	Car	Housing	Real estate	Investment	Environment	Total	Eliminations or corporate	Consolidated
I. Sales and operating income:								
Sales to third parties	¥104,910,783	¥ 2,042,040	¥ 321,742	¥ 18,015	¥ 683,817	¥107,976,399	¥ -	¥107,976,399
Intersegment sales	82,641	960,153	39,833	47,000	570	1,130,198	(1,130,198)	-
Total sales	104,993,424	3,002,194	361,575	65,015	684,387	109,106,598	(1,130,198)	107,976,399
Operating expenses	101,575,755	2,919,859	200,279	106,901	640,299	105,443,094	(836,945)	104,606,149
Operating income (loss)	¥ 3,417,669	¥ 82,335	¥ 161,296	¥ (41,885)	¥ 44,088	¥ 3,663,503	¥ (293,252)	¥ 3,370,250
II. Assets, depreciation, impairment loss and capital expenditures:								
Assets	¥ 58,424,439	¥ 1,136,474	¥ 3,571,593	¥ 14,112,824	¥ 464,131	¥ 77,709,462	¥(10,010,178)	¥ 67,699,284
Depreciation	1,524,314	4,995	50,340	-	2,187	1,581,836	13,968	1,595,805
Impairment loss	27,713	-	-	-	-	27,713	-	27,713
Capital expenditures	3,615,127	471	1,506,242	-	24,556	5,146,398	(32,196)	5,114,202

As discussed in Note 2 (g), effective April 1, 2007, the Group changed its depreciation method for property and equipment acquired on and after April 1, 2007 in accordance with the revised corporate tax law. The effect of this change was to decrease operating income of Car by ¥93,710 thousand ($935 thousand). The effects of this change in other segments were immaterial.

	Thousands of yen							
	2007							
	Car	Housing	Real estate	Investment	Environment	Total	Elimina-tions or corporate	Consolida-ted
I. Sales and operating income:								
Sales to third parties	¥ 94,626,837	¥ 2,023,851	¥ 296,844	¥ 32,650	¥ 754,955	¥ 97,735,138	¥ -	¥ 97,735,138
Intersegment sales	9,129	164,184	40,184	60,000	37,957	311,455	(311,455)	-
Total sales	94,635,966	2,188,036	337,028	92,650	792,912	98,046,593	(311,455)	97,735,138
Operating expenses	91,657,406	2,211,708	178,990	192,365	759,577	95,000,048	(85,647)	94,914,400
Operating income (loss)	¥ 2,978,559	¥ (23,671)	¥ 158,037	¥ (99,715)	¥ 33,335	¥ 3,046,545	¥ (225,807)	¥ 2,820,737
II. Assets, depreciation, impairment loss and capital expenditures:								
Assets	¥ 59,270,143	¥ 998,128	¥ 2,317,435	¥ 3,295,543	¥ 263,749	¥ 66,144,999	¥ 1,232,003	¥ 67,377,002
Depreciation	1,318,882	6,447	38,174	-	150,502	1,514,006	1,426	1,515,432
Impairment loss	12,780	48,750	-	-	1,918,005	1,979,536	-	1,979,536
Capital expenditures	4,243,051	20,916	263,790	72	58,544	4,586,375	6,407	4,592,783

	Thousands of U.S. dollars							
	2008							
	Car	Housing	Real estate	Investment	Environment	Total	Eliminations or corporate	Consolidated
I. Sales and operating income:								
Sales to third parties	$ 1,047,118	$ 20,381	$ 3,211	$ 179	$ 6,825	$ 1,077,716	$ -	$ 1,077,716
Intersegment sales	824	9,583	397	469	5	11,280	(11,280)	-
Total sales	1,047,943	29,965	3,608	648	6,830	1,088,996	(11,280)	1,077,716
Operating expenses	1,013,831	29,143	1,998	1,066	6,390	1,052,431	(8,353)	1,044,077
Operating income (loss)	$ 34,111	$ 821	$ 1,609	$ (418)	$ 440	$ 36,565	$ (2,926)	$ 33,638
II. Assets, depreciation, impairment loss and capital expenditures:								
Assets	$ 583,136	$ 11,343	$ 35,648	$ 140,860	$ 4,632	$ 775,620	$ (99,911)	$ 675,708
Depreciation	15,214	49	502	-	21	15,788	139	15,927
Impairment loss	276	-	-	-	-	276	-	276
Capital expenditures	36,082	4	15,033	-	245	51,366	(321)	51,045

(b) Geographical segments

As the Company does not have significant consolidated subsidiaries or branches in foreign countries, the disclosure of geographical segment information has been omitted.

(c) Sales to foreign customers

Sales to foreign customers information is not disclosed for the years ended March 31, 2008 and 2007 because sales to foreign customers was less than 10% of consolidated sales.

18. SUBSEQUENT EVENTS

Appropriations of retained earnings

The following appropriation of retained earnings at March 31, 2008 was approved at the Board of Directors' meeting held on May 30, 2008:

	Thousands of yen	*Thousands of U.S. dollars*
Year-end cash dividends, ¥4 ($0.03) per share	¥ 135,672	$ 1,354

Stock option plan

At the general shareholders meeting held on June 27, 2008, the Company's shareholders approved the following stock option plan for the Company's directors:

The following plan provides for granting stock options to directors of the Company.

Stock option (granted by)	Persons granted	Number of options granted (shares)	Date of grant	Exercise price Yen *(U.S. dollars)*	Exercise period
2008 Stock option (the Company)	3 directors of the Company	2,500,000	June 27, 2008	(*)	From July 1, 2009 To June 30, 2013

(*)The options will be generally granted at an exercise price of 105% of the average closing price of the per share value of the Company's common stock according to the Tokyo Stock Exchange, for the month prior to June 30, 2008.