Consolidated Financial Statements

VT HOLDINGS CO., LTD.

Year Ended March 31, 2013
with Report of Independent Auditors

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries
Consolidated Balance Sheet
March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents *(Notes 4, 9, and 14)*	¥ 4,244	¥ 6,639	$ 45,148
Notes and accounts receivable:			
Trade *(Notes 9 and 14)*	4,164	4,067	44,297
Other	1,065	2,393	11,329
Allowance for doubtful accounts	(18)	(29)	(191)
Lease receivables and investments in leases *(Notes 13,14, and 19)*	3,946	3,476	41,978
Inventories *(Notes 5 and 9)*	10,746	7,533	114,319
Deferred tax assets *(Note 16)*	1,538	681	16,361
Other current assets	1,705	1,870	18,138
Total current assets	27,392	26,631	291,404
PROPERTY AND EQUIPMENT:			
Land *(Notes 7 and 9)*	18,111	16,380	192,670
Buildings and structures *(Notes 7, 8, and 9)*	17,581	16,331	187,031
Machinery and vehicles *(Note 9)*	3,143	2,791	33,436
Leased assets *(Note 13)*	7,012	5,326	74,595
Others	1,113	961	11,840
Total	46,963	41,791	499,606
Accumulated depreciation	(16,900)	(14,694)	(179,787)
Property and equipment – net	30,062	27,096	319,808
INTANGIBLE ASSETS *(Note 7)*	13,273	10,926	141,202
INVESTMENTS AND OTHER ASSETS:			
Investment securities *(Notes 6, 9, and 14)*	1,991	1,234	21,180
Investments in unconsolidated subsidiaries and associated companies	3,354	3,885	35,680
Long-term loans receivable *(Note 14)*	439	347	4,670
Guarantee and rental deposits	1,070	818	11,382
Deferred tax assets *(Note 16)*	322	206	3,425
Other assets *(Note 14)*	2,558	688	27,212
Allowance for doubtful accounts	(955)	(234)	(10,159)
Total investments and other assets	8,782	6,947	93,425
TOTAL ASSETS	¥ 79,510	¥ 71,601	$ 845,851

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries

Consolidated Balance Sheet (continued)

March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	**2012**	**2013**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans *(Notes 9 and 14)*	¥ 11,998	¥ 10,416	$ 127,638
Current portion of long-term debt *(Notes 9 and 14)*	4,897	4,727	52,095
Current portion of long-term lease obligations *(Notes 9, 13, and 14)*	5,759	4,977	61,265
Notes and accounts payable:			
Trade *(Note 14)*	12,994	14,620	138,234
Other	264	483	2,808
Income taxes payable *(Note 16)*	2,016	1,865	21,446
Accrued bonuses to employees	810	792	8,617
Other current liabilities	4,334	3,988	46,106
Total current liabilities	43,074	41,872	458,234
LONG-TERM LIABILITIES:			
Long-term debt *(Notes 9,14, and 15)*	9,418	7,877	100,191
Long-term lease obligations *(Notes 9, 13, and 14)*	2,339	2,030	24,882
Liability for employees' retirement benefits *(Note 10)*	740	486	7,872
Liability for retirement benefits for directors and Audit & Supervisory Board members	409	427	4,351
Accounts payable-other	262	365	2,787
Asset retirement obligations	286	255	3,042
Deferred tax liabilities *(Note 16)*	1,407	1,127	14,968
Other long-term liabilities *(Note 9)*	415	237	4,414
Total long-term liabilities	15,279	12,807	162,542
EQUITY *(Note 11)*:			
Common stock: authorized – 56,600,000 shares in 2013 and 2012 issued –36,793,678 shares in 2013 and 2012	2,493	2,493	26,521
Capital surplus	1,029	1,035	10,946
Stock acquisition rights *(Note 12)*	12	41	127
Retained earnings	16,488	12,588	175,404
Treasury stock, at cost – 786,867 shares in 2013 and 2,223,832 shares in 2012	(134)	(380)	(1,425)
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	261	219	2,776
Land revaluation surplus	37	38	393
Foreign currency translation adjustments	31	(1)	329
Total	20,220	16,034	215,106
Minority interests	937	887	9,968
Total equity	21,157	16,921	225,074
TOTAL LIABILITIES AND EQUITY	¥ 79,510	¥ 71,601	$ 845,851

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries
Consolidated Statement of Income
Year Ended March 31, 2013

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2013	**2012**	**2013**
NET SALES	¥ 118,317	¥95,974	$ 1,258,691
COST OF SALES	93,206	74,986	991,553
Gross profit	25,111	20,988	267,138
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	17,300	14,325	184,042
Operating income	7,810	6,662	83,085
OTHER (EXPENSE) INCOME:			
Interest and dividend income	58	55	617
Interest expense	(508)	(487)	(5,404)
Equity in earnings of associated companies	146	169	1,553
Subsidy income	66	-	702
Gain on sales of investment securities (Note 6)	9	12	95
Gain on negative goodwill	142	-	1,510
Lease revenue received	118	122	1,255
Compensation received	-	30	-
Loss on sales of investment securities (Note 6)	(6)	(10)	(63)
Write-down of investment securities (Note 6)	(0)	(25)	(0)
Loss on impairment of long-lived assets (Note 7)	(49)	(41)	(521)
Loss on disposals of property and equipment	(53)	(151)	(563)
Provision for doubtful accounts	(347)	(46)	(3,691)
Cost of real estate leasing	(108)	(106)	(1,148)
Gain on transfer of business	-	1,307	-
Compensation for transfer	175	-	1,861
Other – net	41	110	436
Other (expense) income - net	(315)	936	(3,351)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	¥ 7,494	¥ 7,599	$ 79,723

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries
Consolidated Statement of Income (continued)
Year Ended March 31, 2013

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2013	**2012**	**2013**
INCOME TAXES *(Note 16)*			
Current	¥ 3,328	¥ 3,129	$ 35,404
Deferred	(707)	62	(7,521)
Total income taxes	2,621	3,192	27,882
NET INCOME BEFORE MINORITY INTERESTS	4,873	4,406	51,840
MINORITY INTERESTS IN NET INCOME	97	44	1,031
NET INCOME	¥ 4,775	¥ 4,361	$50,797

	Yen		*U.S. Dollars (Note 1)*
PER SHARE OF COMMON STOCK *(Notes 2(w) and 18)*			
Basic net income	¥ 134.80	¥ 126.93	$ 1.43
Diluted net income	132.39	122.77	1.40
Cash dividends applicable to the year	30.00	20.00	0.31

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries
Consolidated Statement of Comprehensive Income
Year Ended March 31, 2013

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2013	**2012**	**2013**
NET INCOME BEFORE MINORITY INTERESTS	¥ 4,873	¥ 4,406	$ 51,840
OTHER COMPREHENSIVE INCOME (Note 17):			
Net unrealized gain on available-for-sale securities	45	52	478
Foreign currency translation adjustments	31	1	329
Share of other comprehensive income in associates	(0)	38	(0)
Total other comprehensive income	76	92	808
COMPREHENSIVE INCOME	¥ 4,949	¥ 4,499	$ 52,648
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 4,850	¥ 4,451	$ 51,595
Minority interests	99	48	1,053

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, 2013

Millions of Yen

	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	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	Minority Interests	Total Equity
BALANCE AT APRIL 1, 2011	34,687,346	¥ 2,493	¥ 1,037	¥ 53	¥ 8,841	¥ (286)	¥ 166	-	-	¥ 12,305	¥ 796	¥ 13,101
Cash dividends, ¥18.00 per share	-	-	-	-	(620)	-	-	-	-	(620)	-	(620)
Net income for the year	-	-	-	-	4,361	-	-	-	-	4,361	-	4,361
Change in scope of consolidation	-	-	-	-	5	-	-	-	-	5	-	5
Purchase of treasury stock	(600,000)	-	-	-	-	(176)	-	-	-	(176)	-	(176)
Sales of treasury stock	482,500	-	(1)	-	-	82	-	-	-	80	-	80
Net change in the year	-	-	-	(12)	-	-	52	¥ 38	¥ (1)	77	91	168
BALANCE AT MARCH 31, 2012	34,569,846	2,493	1,035	41	12,588	(380)	219	38	(1)	16,034	887	16,921
Cash dividends, ¥25.00 per share	-	-	-	-	(875)	-	-	-	-	(875)	-	(875)
Net income for the year	-	-	-	-	4,775	-	-	-	-	4,775	-	4,775
Purchase of treasury stock	(35)	-	-	-	-	0	-	-	-	0	-	0
Sales of treasury stock	1,437,000	-	(5)	-	-	245	-	-	-	239	-	239
Net change in the year	-	-	-	(28)	-	-	42	(1)	33	47	49	96
BALANCE AT MARCH 31, 2013	36,006,811	¥ 2,493	¥ 1,029	¥ 12	¥ 16,488	¥ (134)	¥ 261	¥ 37	¥ 31	¥ 20,220	¥ 937	¥ 21,157

Thousands of U.S. Dollars (Note 1)

	Common Stock	Capital Surplus	Stock Acquisition Rights	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	Minority Interests	Total Equity
BALANCE AT MARCH 31, 2012	$ 26,521	$ 11,010	$ 436	$ 133,914	$ (4,042)	$ 2,329	$ 404	$ (10)	$ 170,574	$ 9,436	$ 180,010
Cash dividends, $0.26 per share	-	-	-	(9,308)	-	-	-	-	(9,308)	-	(9,308)
Net income for the year	-	-	-	50,797	-	-	-	-	50,797	-	50,797
Purchase of treasury stock	-	-	-	-	0	-	-	-	0	-	0
Sales of treasury stock	-	(53)	-	-	2,606	-	-	-	2,542	-	2,542
Net change in the year	-	-	(297)	-	-	446	(10)	351	500	521	1,021
BALANCE AT MARCH 31, 2013	$ 26,521	$ 10,946	$ 127	$ 175,404	$ (1,425)	$ 2,776	$ 393	$ 329	$ 215,106	$ 9,968	$ 225,074

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries
Consolidated Statement of Cash Flows
Year Ended March 31, 2013

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2013	**2012**	**2013**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 7,494	¥ 7,599	$ 79,723
Adjustments for:			
Depreciation and amortization	2,906	2,399	30,914
Amortization of goodwill	918	750	9,765
Loss on impairment of long-lived assets	49	41	521
Gain on negative goodwill	(142)	-	(1,510)
Increase in allowance for doubtful accounts	325	78	3,457
(Decrease) increase in accrued bonuses	(31)	12	(329)
Decrease in liability for employees' retirement benefits	(111)	(33)	(1,180)
(Decrease) increase in liability for retirement benefits for directors and Audit & Supervisory Board members	(18)	175	(191)
Interest and dividend income	(58)	(55)	(617)
Interest expense	508	487	5,404
Foreign exchange gain	(32)	-	(340)
Equity in earnings of unconsolidated subsidiaries and associated companies	(146)	(169)	(1,553)
Loss on disposals of property and equipment – net	53	151	563
Write-down of investment securities	0	25	0
Gain on sales of investment securities – net	(3)	(2)	(32)
Gain on transfer of business	-	(1,307)	-
Decrease (increase) in notes and accounts receivable, trade	643	(1,607)	6,840
Increase in inventories	(1,937)	(2,418)	(20,606)
(Decrease) increase in notes and accounts payable, trade	(4,463)	4,052	(47,478)
Decrease (increase) in other current assets	13	(94)	138
(Decrease) increase in other current liabilities	(595)	277	(6,329)
Increase (decrease) in income taxes payable	507	(90)	5,393
Other – net	(164)	(158)	(1,744)
Subtotal	5,715	10,115	60,797
Interest and dividends received	76	82	808
Interest paid	(511)	(481)	(5,436)
Income taxes paid	(3,842)	(3,917)	(40,872)
Income taxes refunded	909	687	9,670
Net cash provided by operating activities	¥ 2,347	¥ 6,487	$ 24,968

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, 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	¥ (2,275)	¥ (1,673)	$ (24,202)
Proceeds from sales of property and equipment	1,025	725	10,904
Purchases of intangible assets	(42)	(164)	(446)
Purchases of investment securities	(101)	(103)	(1,074)
Proceeds from sales of investment securities	110	148	1,170
Payments for acquisition of newly consolidated subsidiary	(527)	(22)	(5,606)
Proceeds for acquisition of newly consolidated subsidiary	259	-	2,755
Payment of loans receivable	(19)	(66)	(202)
Proceeds from loans receivable	85	102	904
Payment of security deposits	(71)	(87)	(755)
Proceeds from security deposits	72	25	765
Proceeds from transfer of business	-	494	-
Other	(159)	(72)	(1,691)
Net cash used in investing activities	(1,643)	(694)	(17,478)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net decrease in short-term bank loans	(2,123)	(186)	(22,585)
Proceeds from long-term debt	6,600	2,824	70,212
Repayment of long-term debt	(5,200)	(6,872)	(55,319)
Proceeds from issuance of bonds	600	1,174	6,382
Redemption of bonds	(437)	(237)	(4,648)
Purchase of treasury stock	(0)	(176)	(0)
Sales of treasury stock	204	68	2,170
Cash dividends paid	(875)	(620)	(9,308)
Cash dividends paid to minority shareholders	(11)	(11)	(117)
Repayment of lease obligations	(1,877)	(1,521)	(19,968)
Other	(0)	9	(0)
Net cash used in financing activities	(3,122)	(5,549)	(33,212)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	24	(0)	255
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,394)	242	(25,468)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,579	6,352	69,989
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARY	-	7	-
CASH AND CASH EQUIVALENTS OF SUBSIDIARIES EXCLUDED FROM CONSOLIDATION	-	(24)	-
CASH AND CASH EQUIVALENTS, END OF YEAR *(Note 4)*	¥ 4,184	¥ 6,579	$ 44,510

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, 2013

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2013	**2012**	**2013**
NONCASH FINANCING ACTIVITIES:			
Finance lease transactions:			
Increase in leased assets	¥ 2,374	¥ 2,045	$ 25,255
Increase in lease obligations	2,531	2,124	26,925
ADDITIONAL INFORMATION:			
Reconciliation of the net cash paid for investment in CCR MOTOR CO. LTD. was as follows:			
Current assets	¥ 1,408	-	$ 14,978
Non-current assets	420	-	4,468
Current liabilities	(804)	-	(8,553)
Non-current liabilities	(273)	-	(2,904)
Negative goodwill	(142)	-	(1,510)
Cost of shares	609	-	6,478
Cash and cash equivalents held by CCR MOTOR CO. LTD.	(82)	-	(872)
Net cash paid for investment in CCR MOTOR CO. LTD.	¥ 527	-	$ 5,606
Reconciliation of the net cash provided by investment in Nissan-Satio-Saitama Co., Ltd and its subsidiary was as follows:			
Current assets	¥ 1,220	-	$ 12,978
Non-current assets	5,878	-	62,531
Current liabilities	(6,670)	-	(70,957)
Non-current liabilities	(428)	-	(4,553)
Cost of shares	0	-	0
Cash and cash equivalents held by Nissan-Satio-Saitama Co., Ltd and its subsidiary	(259)	-	(2,755)
Net cash provided by investment in Nissan-Satio-Saitama Co., Ltd and its subsidiary	¥ 259	-	$ 2,755

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, 2013

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2013	**2012**	**2013**
Reconciliation of the net cash paid for investment in SKY ABSOLUT AUTO (PTY) LTD. was as follows:			
Current assets	-	¥ 297	-
Non-current assets	-	24	-
Goodwill	-	15	-
Current liabilities	-	(251)	-
Minority interest	-	(35)	-
Cost of shares	-	51	-
Acquisition cost at consolidation	-	(14)	-
Cash and cash equivalents held by SKY ABSOLUT AUTO (PTY) LTD.	-	(14)	-
Net cash paid for investment in SKY ABSOLUT AUTO (PTY) LTD.	-	¥ 22	-

See accompanying notes to the consolidated financial statements.

VT HOLDINGS CO., LTD. and Consolidated Subsidiaries
Notes to the Consolidated Financial Statements
Year ended March 31, 2013

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2012 consolidated financial statements to conform to the classifications used in 2013.

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 ¥94 to $1, the approximate rate of exchange at March 31, 2013. 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, 2013 and 2012 (both in yen and in U.S. dollars), do not necessarily agree with the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and the significant companies over which substantial control is exerted either through majority ownership of voting stock and/or by other means. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for in the consolidated financial statements by the equity method. The assets and liabilities of the newly consolidated subsidiaries are stated at fair value as of their respective dates of acquisition.

The consolidated financial statements as of March 31, 2013, include the accounts of the Company and its 23 (22 in 2012) significant subsidiaries (together, the "Group").

Nissan-Satio-Saitama Co., Ltd. ("Nissan-Satio-Saitama") and its subsidiary and CCR MOTOR CO. LTD. ("CCR MOTOR") were newly consolidated for the year ended March 31, 2013, as a result of share acquisitions on April 2, 2012.

VT Capital Inc. and E-FOUR CO., LTD. were removed from the scope of consolidation from this fiscal year as a result of mergers of the subsidiary on December 1, 2012, and completion of liquidation on March 14, 2013, respectively.

E-ESCO CO., LTD. was excluded from consolidation as of March 31, 2013, because the effect of such investment vehicle and company on the accompanying consolidated financial statements would not be material.

Investments in two (three in 2013) associated companies are accounted for by the equity method. Investments in the remaining unconsolidated subsidiaries and associated companies (eight in 2013 and nine in 2012) are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The Company held a 20%-50% interest in one collective investment vehicle in 2013 and 2012. The investment vehicle is not treated as an associated company because the Company is not able to exercise significant influence over the investment vehicle.

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

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

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

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

(c) Business Combinations

In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations 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 and Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash and cash equivalents consist of cash on hand and deposits in banks (including time deposits). The Company considers all time deposits with an original maturity of one year or less to be cash equivalents. Generally, such time deposits can be withdrawn at any time without penalty or diminution of the principal amount.

(e) Foreign Currency Transactions

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

(f) Allowance for Doubtful Accounts

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

(g) Investment Securities

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

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

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.

(h) Inventories

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

(i) Property and Equipment

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

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

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

(j) Long-Lived Assets

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

(k) Intangible Assets

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

(l) Deferred Assets

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

(m) Liability for Employees' Retirement Benefits

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

Nissan-Satio-Saitama and its subsidiary, and CCR MOTOR, all of which are newly consolidated subsidiaries, have a company pension plan and a funded contributory pension plan, and a defined contribution pension plan, respectively.

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

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

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

(o) Accrued Bonuses to Employees

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

(p) Asset Retirement Obligations

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

(q) Stock Options

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

(r) Leases

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

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

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

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

(s) Construction Contracts

In December 2007, the ASBJ issued ASBJ Statement No. 15, "Accounting Standard for Construction Contracts" and ASBJ Guidance No. 18, "Guidance on Accounting Standard for Construction Contracts." Under this accounting standard, 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.

(t) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

Starting from next fiscal year, the Group will file 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.

(u) Foreign Currency Financial Statements

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

(v) Derivatives and Hedge Accounting

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

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

(w) Per Share Information

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

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

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

(x) Accounting Changes and Error Corrections

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

(y) New Accounting Pronouncements

Accounting Standard for Retirement Benefits—On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits," and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidances, and followed by partial amendments from time to time through 2009.

Major changes are as follows:

(1) *Treatment in the balance sheet*

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

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

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

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

(3) *Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases*

The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (1) and (2) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (3) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

3. BUSINESS COMBINATION

On April 2, 2012, Nagano Nissan Auto Sales Co., Ltd, Sizuoka Nissan Auto Sales Co., Ltd and Mikawa Nissan Auto Sales Co., Ltd, all of which are wholly owned subsidiaries of the Company, acquired 100% of the net assets of Nissan-Satio-Saitama which is a Nissan car dealer. Nissan-Satio-Saitama sells Nissan automobiles and various used cars and conducts general car repairing and other related business. This acquisition was made to expand the car-sales-related business of the Group. The results of operations for Nissan-Satio-Saitama are included in the Company's consolidated statement of income from the date of acquisition.

The Company accounted for this business combination by the purchase method of accounting.

The acquisition cost was ¥0 million ($0 thousand) in cash. The total cost of acquisition has been allocated to the assets acquired and the liabilities assumed based on their respective fair values. Goodwill recorded in connection with the acquisition, which represents future excess earning power and is amortized over 20 years, totaled ¥3,212 million ($34,170 thousand).

The estimated fair values of the assets acquired and the liabilities assumed at the acquisition date are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 1,133	$ 12,053
Non-current assets	5,844	62,170
Total assets acquired	6,978	74,234
Current liabilities	¥ 6,589	$ 70,095
Non-current liabilities	389	4,138
Total liabilities assumed	6,978	74,234

On April 2, 2012, the Company acquired 100% of the net assets of CCR MOTOR (formerly COLT CAR RENTAL LIMITED), which is a Mitsubishi car dealer in England. CCR MOTOR sells Mitsubishi automobiles and various used cars and conducts general car repairing and other related business. This acquisition was made to expand the car-sales-related business of the Group. The results of operations for CCR MOTOR are included in the Company's consolidated statement of income from the date of acquisition.

The Company accounted for this business combination by the purchase method of accounting.

The acquisition cost was ¥609 million ($6,478 thousand), including ¥24 million ($255 thousand) of acquisition-related costs, in cash. The total cost of acquisition has been allocated to the assets acquired and the liabilities assumed based on their respective fair values. Gain on negative goodwill recorded in connection with the acquisition totaled ¥142 million ($1,510 thousand).

The estimated fair values of the assets acquired and the liabilities assumed at the acquisition date are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 1,408	$ 14,978
Non-current assets	420	4,468
Total assets acquired	1,829	19,457
Current liabilities	¥ 804	$ 8,553
Non-current liabilities	273	2,904
Total liabilities assumed	1,078	11,468

4. CASH AND CASH EQUIVALENTS

A reconciliation between the cash and cash equivalents in the consolidated balance sheets and the consolidated statements of cash flows for the years ended March 31, 2013 and 2012, was as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2013	**2012**	**2013**
Cash and cash equivalents in the consolidated balance sheets	¥ 4,244	¥ 6,639	$ 45,148
Time deposits	(60)	(60)	(638)
Cash and cash equivalents in the consolidated statements of cash flows	¥ 4,184	¥ 6,579	$ 44,510

5. INVENTORIES

Inventories as of March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2013	**2012**	**2013**
New and used cars	¥ 9,880	¥ 6,363	$ 105,106
Parts	342	325	3,638
Other merchandise	157	459	1,670
Total merchandise	10,380	7,149	110,425
Raw materials	5	6	53
Work in process	311	330	3,308
Supplies	47	46	499
Total	¥ 10,746	¥ 7,533	$ 114,319

6. INVESTMENT SECURITIES

Investment securities as of March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2013	**2012**	**2013**
Non-current:			
Equity securities	¥ 1,698	¥ 960	$ 18,063
Trust fund investments and other	293	273	3,117
Total	¥ 1,991	¥ 1,234	$ 21,180

Information regarding investment securities classified as available-for-sale securities at March 31, 2013 and 2012, is summarized as follows:

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

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

	Thousands of U.S. Dollars							
	2013							
	Cost		Unrealized Gains		Unrealized Losses		Fair Value	
Equity securities	$	2,563	$	3,999	$	(10)	$	6,563
Other		2,574		351		(0)		2,925
Total	$	5,148	$	4,361	$	(10)	$	9,489

The information of the available-for-sale securities which were sold during the years ended March 31, 2013 and 2012, was as follows:

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

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

	Thousands of U.S. Dollars					
	2013					
	Proceeds		Realized Gains		Realized Losses	
Equity securities	$	1,117	$	95	$	53
Other		63		-		0
Total	$	1,180	$	95	$	63

The impairment losses on available-for-sale equity securities for the years ended March 31, 2013 and 2012, were ¥0 ($0) and ¥25 million, respectively.

7. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2013 and 2012. As a result, the Group recognized impairment losses of ¥49 million ($521 thousand) and ¥41 million, respectively. For the year ended March 31, 2013, a loss was recognized for long-lived assets used for the car and housing industries due to decrease of profitability, and for other industry as their fair market value of investment property fell significantly below the carrying amount. For the year ended March 31, 2012, a loss was recognized for the car industry due to the management decision to dispose of assets and decrease in performance of PCI Co., Ltd.. The carrying amount of goodwill that arose from purchasing PCI Co., Ltd. was written down to zero. In addition, a loss was recognized for goodwill for other industry due to decrease of investment profitability.

Impairment losses consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2013	**2012**	**2013**
Goodwill	-	¥ 15	-
Buildings and structures	¥ 32	-	$ 340
Investment property	13	-	138
Land	-	25	-
Other	3	1	31
Total	¥ 49	¥ 41	$ 521

8. INVESTMENT PROPERTY

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

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

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

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

	Millions of Yen			
	Carrying Amount			Fair Value
	April 1, 2011	Increase (Decrease)	March 31, 2012	March 31, 2012
Investment properties	¥ 3,447	¥ 735	¥ 4,182	¥ 3,991
Properties which include parts used as investment properties	1,594	(26)	1,567	2,242

	Thousands of U.S. Dollars			
	Carrying Amount			Fair Value
	April 1, 2012	Increase (Decrease)	March 31, 2013	March 31, 2013
Investment properties	$ 44,489	$ (138)	$ 44,340	$ 40,021
Properties which include parts used as investment properties	16,670	(244)	16,425	20,499

Notes:
1) The carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
2) The increase during the fiscal year ended March 31, 2012, primarily represents transfer of assets from business purpose to investment of ¥742 million.
3) The fair value of properties as of March 31, 2013 and 2012, 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, 2013	Rental Income	Cost of Rent	Net Rental Income	Other Income (Expenses)
Investment properties	¥ 340	¥ 168	¥ 171	¥ (13)
Properties which include parts used as investment properties	98	60	37	-

	Millions of Yen			
March 31, 2012	Rental Income	Cost of Rent	Net Rental Income	Other Income (Expenses)
Investment properties	¥ 316	¥ 169	¥ 146	¥ -
Properties which include parts used as investment properties	100	60	39	-

	Thousands of U.S. Dollars			
March 31, 2013	Rental Income	Cost of Rent	Net Rental Income	Other Income (Expenses)
Investment properties	$ 3,617	$ 1,787	$ 1,819	$ (138)
Properties which include parts used as investment properties	1,042	638	393	-

Notes:

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

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

Short-term bank loans principally represent short-term notes and overdrafts.
The average annual interest rates applicable to the short-term bank loans were 1.14% and 1.22% at March 31, 2013 and 2012, respectively.

Long-term debt at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2013	**2012**	**2013**
Loans from banks and other financial institutions due serially to 2021 with weighted-average interest rates of 1.14% in 2013 and 1.41% in 2012	¥ 12,632	¥ 11,085	$ 134,382
Unsecured six months TIBOR+0.15% domestic bonds due serially to 2013	82	249	872
Unsecured three months TIBOR+0.20% domestic bonds due serially to 2016	280	360	2,978
Unsecured 0.61% domestic bonds due serially to 2016	200	-	2,127
Unsecured 0.79% domestic bonds due serially to 2017	240	300	2,553
Unsecured 0.79% domestic bonds due serially to 2017	400	500	4,255
Unsecured 0.59% domestic bonds due serially to 2018	400	-	4,255
Unsecured 1.40% domestic bonds due serially to 2016	44	58	468
Unsecured 1.34% domestic bonds due serially to 2015	36	52	382
Long-term lease obligations	4,212	3,551	44,808
Unsecured 1.90% in 2013 and 2012 domestic other long-term debt due serially to 2029	16	17	170
Total	¥ 18,542	¥ 16,172	$ 197,255
Less current portion	(6,770)	(6,248)	(72,020)
Long-term debt, less current portion	¥ 11,773	¥ 9,924	$ 125,243

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, 2013, are summarized as follows:

Long-term debt (including current portion)	*Millions of Yen* 2013		*Thousands of U.S. Dollars* 2013	
2014	¥	4,897	$	52,095
2015		3,514		37,382
2016		2,436		25,914
2017		1,775		18,882
2018		1,073		11,414
2019 and thereafter		637		6,776
Total	¥	14,331	$	152,456

Long-term lease obligations (including current portion)	*Millions of Yen* 2013		*Thousands of U.S. Dollars* 2013	
2014	¥	1,873	$	19,925
2015		1,356		14,425
2016		756		8,042
2017		158		1,680
2018		22		234
2019 and thereafter		47		499
Total	¥	4,212	$	44,807

Long-term lease obligations on subleases were not included in the schedule above and, as result, the current portion of long-term lease obligations presented in the consolidated balance sheet is larger by ¥3,886 million ($41,340 thousand) in the above schedule.

The assets pledged as collateral for accounts payable of ¥321 million ($3,414 thousand), short-term bank loans of ¥5,558 million ($59,127 thousand), and long-term debt of ¥3,896 million ($41,446 thousand) including the current portion at March 31, 2013, were as follows:

	Millions of Yen	*Thousands of U.S. Dollars*
	2013	**2013**
Time deposit	¥ 150	$ 1,595
Notes and accounts receivable	303	3,223
Merchandises and vehicles	329	3,499
Land	10,179	108,287
Buildings	2,364	25,148
Investment securities	4	42
Total	¥ 13,332	$ 141,829

Financial covenants related to syndicate loans of ¥458 million ($4,872 thousand) are as follows:

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

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

The Company and certain consolidated subsidiaries contracted bank overdraft agreements with 29 banks for efficient fund-raising. The Company and certain consolidated subsidiaries are able to overdraw the maximum amount of ¥29,730 million ($316,276 thousand) at March 31, 2013. The outstanding balance of overdrafts was ¥9,197 million ($97,840 thousand) at March 31, 2013.

10. RETIREMENT AND PENSION PLAN

The following table sets forth the funded and accrued status of certain consolidated subsidiaries' defined benefit pension plans and the amounts recognized in the consolidated balance sheets at March 31, 2013 and 2012, for the plan:

	Millions of Yen		*Thousands of U.S. Dollars*
	2013	**2012**	**2013**
Projected benefit obligation	¥ (927)	¥ (557)	$ (9,861)
Plan assets at fair value	78	-	829
Unfunded retirement benefit obligation	(848)	(557)	(9,021)
Unrecognized transitional obligation	(23)	(35)	(244)
Unrecognized actuarial loss	69	32	734
Unrecognized prior service cost	61	74	648
Liability for retirement benefits	¥ (740)	¥ (486)	$ (7,872)

The components of net periodic benefit costs for the years ended March 31, 2013 and 2012, are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2013	**2012**	**2013**
Service cost	¥ 25	¥ 2	$ 265
Interest cost	10	12	106
Amortization of transitional obligation	(11)	(11)	(117)
Recognized actuarial loss	15	18	159
Amortization of prior service cost	12	12	127
Contribution to defined contribution pension plan	265	246	2,819
Prepaid retirement payments	15	16	159
Other periodic benefit costs	184	128	1,957
Net periodic benefit costs	¥ 518	¥ 424	$ 5,510

Assumptions used for the years ended March 31, 2013 and 2012, are set forth as follows:

	2013	**2012**
Periodic recognition of projected benefit obligation	Straight-line method	Straight-line method
Discount rate	0.7%	2.0%
Amortization period of prior service cost	11 years	11 years
Recognition period of actuarial loss	11 years	11 years
Amortization period of transitional obligation	As incurred	As incurred

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

The funded status of the multiemployer pension plans at March 31, 2013 and 2012, whose contributions were recorded as net periodic retirement benefit costs, was as follows:

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

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

	Thousands of U.S. Dollars		
2013	Pension Fund of Honda Car Dealers	Shizuoka Automobile Pension Fund	Saitama Machine Industry Pension Fund
Fair value of plan assets	$ 293,095	$ 261,670	$ 693,361
Pension obligation recorded by pension fund	317,574	362,968	849,861
Difference	$ (24,478)	$ (101,287)	$ (156,499)

The difference of funded status of the multiemployer pension plans at March 31, 2013 and 2012, consisted of the following:

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

	Millions of Yen	
2012	Pension Fund of Honda Car Dealers	Shizuoka Automobile Pension Fund
Deficiency of reserve	¥ (605)	¥ (3,090)
Reconciliations of assets	-	(1,636)
Prior service cost	-	(4,013)
Difference	¥ (605)	¥ (8,740)

	Thousands of U.S. Dollars		
2013	Pension Fund of Honda Car Dealers	Shizuoka Automobile Pension Fund	Saitama Machine Industry Pension Fund
Deficiency of reserve	$ (24,478)	$ (59,829)	$ (44,744)
Prior service cost	-	(41,457)	(111,755)
Difference	$ (24,478)	$ (101,287)	$ (156,499)

Notes:

(Shizuoka Automobile Pension Fund)

Prior service cost is amortized over 20 years and special contribution of ¥29 million ($308 thousand) and ¥29 million was expensed for the years ended March 31, 2013 and 2012.

(Saitama Machine Industry Pension Fund)

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

The Group's contribution percentage for multiemployer pension plans for the years ended March 31, 2013 and 2012, is as follows:

	2013	**2012**
Pension Fund of Honda Car Dealers	4.1 %	4.2 %
Shizuoka Automobile Pension Fund	8.2	8.1
Saitama Machine Industry Pension Fund	2.2	-

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

11. EQUITY

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

(a) Dividends

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

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

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

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

(c) Treasury Stock and Treasury Stock Acquisition Rights

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

12. STOCK OPTIONS

The stock options outstanding at March 31, 2013, are as follows:

Stock Option (Granted by)	Persons Granted	Number of Options Granted (Shares)	Date of Grant	Exercise Price *Yen (U.S. Dollars)*	Exercise Period
2008 Stock option (the Company)	(the Company) three directors	2,500,000	June 30, 2008	¥ 142 ($ 1.51)	From July 1, 2009 To June 30, 2013

The stock option activity is as follows:

(Stock option granted by the Company)

	2008 Stock Option (Shares)
For the year ended March 31, 2013	
Non-vested	
March 31, 2012 - Outstanding	-
Granted	-
Canceled	-
Vested	-
March 31, 2013 - Outstanding	-
Vested	
March 31, 2012 - Outstanding	1,648,500
Vested	-
Exercised	1,437,000
Canceled	-
March 31, 2013 - Outstanding	211,500
Exercise price	¥ 142
(yen and U.S. dollars)	($ 1.51)
Average stock price at exercise	¥ 743
(Yen and U.S. dollars)	($ 7.90)
Fair value price at grant date	¥ 25
(Yen and U.S. dollars)	($ 0.26)

13. LEASES

(As lessee)

The Group primarily leases maintenance machinery and cars for rent in the Car industry.

As discussed in Note 2 (r), the Group accounted for leases which existed at March 31, 2008, and did not transfer ownership of the leased assets to the lessee as operating lease transactions.
For the year ended March 31, 2013, pro firma information of these leases is not presented, as it would not be material.

Lease payments relating to finance leases accounted for as operating leases in the consolidated financial statements amounted to ¥71 million for the year ended March 31, 2012.

Pro forma information of leased property whose inception was before March 31, 2008, on an "as-if-capitalized" basis was as follows:

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

Obligations under finance leases at March 31, 2012:

	Millions of Yen
Due within one year	¥ 14
Due after one year	9
Total	¥ 24

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

	Millions of Yen
	2012
Depreciation expense	¥50
Interest expense	2

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

(As lessor)

The Group leases certain machinery and vehicles as lessor.

As discussed in Note 2 (r), the Group accounted for leases which existed at March 31, 2008, and did not transfer ownership of the leased assets to the lessee as operating lease transactions.
For the year ended March 31, 2013, pro firma information of these leases is not presented, as it would not be material.

Lease revenues received related to finance leases accounted for as operating leases in the consolidated financial statements amounted to ¥1 million for the year ended March 31, 2012.

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

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

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

	Millions of Yen
	2012
Depreciation expense	¥ 0
Interest income	0

Interest income is computed by the interest method.

Amounts of sublease items, which include interest portion, included in the consolidated balance sheets as of March 31, 2013 and 2012, were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2013	**2012**	**2013**
Lease receivables:			
Current assets	¥ 3,739	¥ 3,318	$ 39,776
Lease obligations:			
Current liabilities	3,885	3,456	41,329

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

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

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

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

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

(3) Risk Management for Financial Instruments

Credit Risk Management

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

Market risk management

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

Liquidity risk management

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

(4) Fair Values of Financial Instruments

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

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2013	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 4,244	¥ 4,244	-
Notes and accounts receivable	4,164	4,164	-
Lease receivables and investments in leases	3,946	4,356	¥ 409
Securities and investment securities:			
Available-for-sale securities	892	892	-
Long-term loans receivable	439	429	(10)
Claims in bankruptcy:	611		
Less: allowance for doubtful accounts (*)	(603)		
Claims in bankruptcy - net	8	8	-
Total	¥ 13,695	¥ 14,095	¥ 399
Notes and accounts payable	¥ 12,994	¥ 12,994	-
Short-term bank loan (excluding current portion of long-term debt)	11,998	11,998	-
Long-term lease obligations (including current portion)	8,098	8,000	¥ (98)
Long-term debt (including current portion)	14,315	14,336	21
Total	¥ 47,408	¥ 47,330	¥ (77)
March 31, 2012			
Cash and cash equivalents	¥ 6,639	¥ 6,639	-
Notes and accounts receivable	4,067	4,067	-
Lease receivables and investments in leases	3,476	3,821	¥ 345
Securities and investment securities:			
Available-for-sale securities	839	839	-
Short-term loans receivable	72	75	2
Long-term loans receivable	347	364	17
Claims in bankruptcy:	238		
Less: allowance for doubtful accounts (*)	(228)		
Claims in bankruptcy - net	9	9	-
Total	¥ 15,452	¥ 15,817	¥ 365
Notes and accounts payable	¥ 14,620	¥ 14,620	-
Short-term bank loan (excluding current portion of long-term debt)	10,416	10,416	-
Long-term lease obligations (including current portion)	7,008	6,911	¥ (96)
Long-term debt (including current portion)	12,604	12,620	16
Total	¥ 44,650	¥ 44,570	¥ (80)

	Thousands of U.S. Dollars		
March 31, 2013	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	$ 45,148	$ 45,148	-
Notes and accounts receivable	44,297	44,297	-
Lease receivables and investments in leases	41,978	46,340	$ 4,351
Securities and investment securities			
Available-for-sale securities	9,489	9,489	-
Long-term loans receivable	4,670	4,563	(106)
Claims in bankruptcy	6,499		
Less: allowance for doubtful accounts (*)	(6,414)		
Claims in bankruptcy - net	85	85	-
Total	$ 145,691	$ 149,946	$ 4,244
Notes and accounts payable	$ 138,234	$ 138,234	-
Short-term bank loans (excluding current portion of long-term debt)	127,638	127,638	-
Long-term lease obligations (including current portion)	86,147	85,106	$ (1,042)
Long-term debt (including current portion)	152,286	152,510	223
Total	$ 504,340	$ 503,510	$ (819)

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

Assets

Cash and Cash Equivalents and Notes and Accounts Receivable
The carrying 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.

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

Liabilities

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

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

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

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

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

	Millions of Yen		*Thousands of U.S. Dollars*
	2013	**2012**	**2013**
Unlisted equity securities	¥ 1,099	¥ 394	$ 11,691

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

	Millions of Yen			
March 31, 2013	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	¥ 4,244	-	-	-
Notes and accounts receivable	4,164	-	-	-
Lease receivables and investments in leases	1,416	¥ 2,530	¥ -	-
Securities and investment securities				
Available-for-sale securities with contractual maturities	-	4	-	¥ 199
Long-term loans receivable	36	178	79	144
Total	¥ 9,861	¥ 2,713	¥ 79	¥ 344

	Thousands of U.S. Dollars			
March 31, 2013	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	$ 45,148	-	-	-
Notes and accounts receivable	44,297	-	-	-
Lease receivables and investments in leases	15,063	$ 26,914	-	-
Securities and investment securities				
Available-for-sale securities with contractual maturities	-	42		$ 2,117
Long-term loans receivable	382	1,893	$ 840	1,531
Total	$ 104,904	$ 28,861	$ 840	$ 3,659

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

15. DERIVATIVES

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

All derivative transactions are entered into to hedge interest exposures incorporated within 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, 2013 and 2012, is as follows:

	Millions of Yen			
March 31, 2013	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps: (fixed rate payment, variable rate receipt)	Long-term debt	¥ 518	¥ 200	(*)
Interest rate caps	Long-term debt	220	140	(*)
March 31, 2012				
Interest rate swaps: (fixed rate payment, variable rate receipt)	Long-term debt	¥ 956	¥ 518	(*)
Interest rate caps	Long-term debt	300	220	(*)

	Thousands of U.S. Dollars			
March 31, 2013	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps: (fixed rate payment, variable rate receipt)	Long-term debt	$ 5,510	$ 2,127	(*)
Interest rate caps	Long-term debt	2,340	1,489	(*)

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

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

16. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 37.7% and 40.5% for the years ended March 31, 2013 and 2012, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2013 and 2012, are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2013	**2012**	**2013**
Deferred tax assets:			
Accrued enterprise tax	¥ 179	¥ 157	$ 1,904
Accrued bonuses to employees	292	288	3,106
Liability for employees' retirement benefits	269	175	2,861
Allowance for doubtful accounts	345	82	3,670
Loss on impairment of long-lived assets	127	115	1,351
Write-down of investment securities	260	294	2,765
Gain on acquisition of warrants	170	170	1,808
Tax loss carryforwards	1,609	1,498	17,117
Accounts payable - other, non-current	96	133	1,021
Other	864	663	9,191
Subtotal	4,215	3,578	44,840
Less: Valuation allowance	(1,603)	(2,312)	(17,053)
Deferred tax assets	¥ 2,612	¥ 1,266	$ 27,787
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (144)	¥ (125)	$ (1,531)
Unrealized gain on subsidiaries' assets and liabilities arising from consolidation	(1,332)	(1,338)	(14,170)
Gain on valuation of investment securities	(220)	-	(2,340)
Adjustments for assets	(176)	-	(1,872)
Adjustments for liabilities	(145)	-	(1,542)
Other	(138)	(41)	(1,468)
Deferred tax liabilities	¥ (2,159)	¥ (1,505)	$ (22,968)
Net deferred tax assets (liabilities)	¥ 453	¥ (239)	$ 4,818

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2013, was as follows:

	2013
Statutory tax rate	37.7%
Amortization of goodwill	3.8
Changes in valuation allowance	1.6
Tax rate differences in subsidiaries	1.9
Changes in tax loss carryforward	0.6
Equity in earnings of associated companies	(0.7)
Per capita tax	0.6
Effect of consolidated corporate tax system	(10.5)
Effect of removal from the scope of equity method	3.0
Gain on negative goodwill	(0.7)
Other	(2.2)
Effective tax rate	35.0%

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

On December 2, 2011, new tax reform laws were enacted in Japan which changed the normal effective statutory tax rate from approximately 40.5% to 37.7% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35.3% afterwards.

17. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Net unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 136	¥ 43	$ 1,446
Reclassification adjustments to profit or loss	(2)	7	(21)
Amount before income tax effect	134	50	1,425
Income tax effect	(88)	2	(936)
Total	¥ 45	¥ 52	$ 478
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 31	¥ 1	$ 329
Total	¥ 31	¥ 1	$ 329
Share of other comprehensive income in associates:			
Gains arising during the year	¥ (0)	¥ 38	$ (0)
Total	¥ (0)	¥ 38	$ (0)
Total other comprehensive income	¥ 76	¥ 92	$ 808

18. NET INCOME PER SHARE

Reconciliation of the difference between basic and diluted net income per share (“EPS”) for the years ended March 31, 2013 and 2012, is presented as follows:

	Millions of Yen	*Shares*	*Yen*	*U.S. Dollars*
	Net Income	Weighted-Average Shares	EPS	
For the year ended March 31, 2013				
Basic EPS				
Net income available to common shareholders	¥ 4,775	35,424,409	¥ 134.80	$ 1.43
Effect of Dilutive Securities				
Stock acquisition rights	-	646,184		
Diluted EPS				
Net income for computation	¥ 4,775	36,070,593	¥ 132.39	$ 1.40
For the year ended March 31, 2012				
Basic EPS				
Net income available to common shareholders	¥ 4,361	34,364,456	¥ 126.93	
Effect of Dilutive Securities				
Stock acquisition rights	-	1,163,181		
Diluted EPS				
Net income for computation	¥ 4,361	35,527,637	¥ 122.77	

19. RELATED-PARTY TRANSACTIONS

Transactions with related parties for the years ended March 31, 2013 and 2012, were as follows:

Related Party	Nature of Transaction	*Millions of Yen* 2013	*Millions of Yen* 2012	*Thousands of U.S. Dollars* 2013
Representative director of the Company	Exercising of stock options	¥ 115	¥ 23	$ 1,223
	Guarantee for bank loans *(Note)*	933	1,455	9,925
Executive director of the Company	Exercising of stock options	80	31	851
Managing director of the Company	Exercising of stock options	-	13	-
An associated company	Automotive subleases	1,023	1,011	10,882
	Investments in leases	2,354	2,259	25,042

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

20. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2013, was approved at the Company's shareholders' meeting held on May 10, 2013:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥17.00 ($0.18) per share	¥ 612	$ 6,510

21. SEGMENT INFORMATION

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

1. Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group.
The Group employs the holding company system. The Company devises group-wide business strategies and administrates the Group as a holding company, and its subsidiaries operate some businesses. The Group consists of the Car and Housing industries.
The Car industry consists of primarily dealer businesses such as sales of new or used cars and repair to cars. It also consists of related businesses such as import of cars, export of used cars, and rental of cars.
The Housing industry consists of home sales, construction of houses, and related business.

Effective April 1, 2012, the Group changed its operating segments from Car, Environment, and Housing to the Car and Housing industries because of business restructuring. The segment information for the year ended March 31, 2012, is also disclosed using the new operating segments.

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

2013

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

Millions of Yen

2012

	Reportable Segment					
	Car	Housing	Other	Total	Reconciliations	Consolidated
Sales						
Sales to external customers	¥ 93,510	¥ 1,979	¥ 484	¥ 95,974	-	¥ 95,974
Intersegment sales or transfers	65	168	637	871	¥ (871)	-
Total	¥ 93,575	¥ 2,147	¥ 1,122	¥ 96,845	¥ (871)	¥ 95,974
Segment profit (loss)	¥ 6,820	¥ (66)	¥ (94)	¥ 6,658	¥ 4	¥ 6,662
Segment assets	69,682	1,278	7,363	78,325	(6,723)	71,601
Other:						
Depreciation and amortization	¥ 2,382	¥ 10	¥ 25	¥ 2,419	¥ (19)	¥ 2,399
Amortization of goodwill	745	5	-	750	-	750
Impairment losses on assets	28	-	13	41	-	41
Investments in associated companies	1,133	-	2,536	3,669	-	3,669
Increase in property, equipment and intangible assets	3,858	0	113	3,972	(20)	3,951

	Thousands of U.S. Dollars					
	2013					
	Reportable Segment					
	Car	Housing	Other	Total	Reconciliations	Consolidated
Sales						
Sales to external customers	$ 1,235,138	$ 21,968	$ 1,585	$ 1,258,691	-	$ 1,258,691
Intersegment sales or transfers	585	2,499	7,776	10,872	$ (10,872)	-
Total	$ 1,235,734	$ 24,468	$ 9,361	$ 1,269,574	$ (10,872)	$ 1,258,691
Segment profit (loss)	$ 83,436	$ (0)	$ (255)	$ 83,170	$ (85)	$ 83,085
Segment assets	812,978	14,478	83,648	911,117	(65,255)	845,851
Other:						
Depreciation and amortization	$ 30,787	$ 85	$ 234	$ 31,117	$ (191)	$ 30,914
Amortization of goodwill	9,712	53	-	9,765	-	9,765
Impairment losses on assets	127	244	138	521	-	521
Investments in associated companies	5,851	-	27,521	33,382	-	33,382
Increase in property, equipment and intangible assets	47,478	10	127	47,627	(234)	47,393

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 Products and Services

	Millions of Yen					
Year ended March 31, 2013	Selling New Automobiles	Selling Used Automobiles	Automotive Repair Service	Rental Car Service	Other	Total
Sales to External Customers	¥ 54,521	¥ 30,410	¥ 26,204	¥ 4,966	¥ 2,214	¥ 118,317
Year ended March 31, 2012						
Sales to External Customers	¥ 47,252	¥ 20,284	¥ 21,547	¥ 4,426	¥ 2,463	¥ 95,974

	Thousands of U.S. Dollars					
Year ended March 31, 2013	Selling New Automobiles	Selling Used Automobiles	Automotive Repair Service	Rental Car Service	Other	Total
Sales to External Customers	$ 580,010	$ 323,510	$ 278,765	$ 52,829	$ 23,553	$ 1,258,691

2. Geographical information

(1) Net Sales

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

Thousands of U.S. Dollars						
2013						
Japan	Africa	North & South America	Oceania	Europe	Asia	Total
$ 1,120,808	$ 54,585	$ 4,202	$ 8,968	$ 61,563	$ 8,531	$ 1,258,691

Disclosures for the year ended March 31, 2012, are omitted because net sales to customers in Japan account for over 90% of the net sales in the consolidated statement of income.

(2) Property and Equipment

Disclosures are omitted because property and equipment located in Japan account for over 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.

Information about Goodwill by Reportable Segment

	Millions of Yen			
March 31, 2013	Car	Housing	Other	Total
Amount of Goodwill	¥ 12,556	¥ 51	-	¥ 12,607
March 31, 2012				
Amount of Goodwill	¥ 10,251	¥ 56	-	¥ 10,307

	Thousands of U.S. Dollars			
March 31, 2013	Car	Housing	Other	Total
Amount of Goodwill	$ 133,574	$ 542	-	$ 134,117

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