VT HOLDINGS CO., LTD.
7593 JASDAQ

30-Jan.-15

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FISCO Ltd. Analyst
Noboru Terashima

Concentrating on Automotive Businesses, the Company is Growing Rapidly Through Acquisitions

VT Holdings <7593> is a pure holding company that has 27 operational subsidiaries and 9 affiliates. In the fiscal year through March 2014, i.e., in FY3/14, the company derived 96.7% of its total consolidated net sales from automobile businesses, including the sale of new and used autos, the provision of automotive services, and car rental services. Through a strategy of M&As, the company has grown rapidly. Between FY3/98, immediately before its listing, and FY3/14, it increased its net sales 18 times and its ordinary income 33 times.

In VT Holdings' financial results for 1H FY3/15 (April – September 2014) net sales were ¥62,670mn, up 3.7% year on year (YoY), operating income was ¥2,840mn, down 29.8% YoY, ordinary income was 2,888mn, down 26.8% YoY, and net income was 2,076mn, down 3.9% YoY. The main factors driving down profits were a decline in gross margins in the used car business due to a deterioration in the used car market in Japan and lackluster performance in the automotive services business due to the effects of the statutory vehicle inspection cycle.

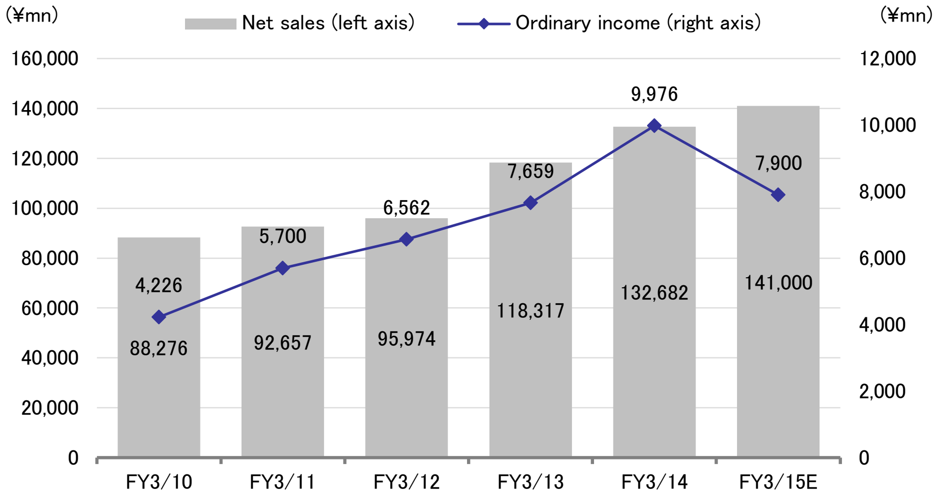
In the outlook for full-year results in FY3/15, the company is forecasting net sales of ¥141,000mn, up 6.3% YoY, operating income of 8,000mn, down 20.7% YoY, ordinary income of ¥7,900mn, down 20.8% YoY, and net income of ¥4,800mn, down 6.4% YoY. While net sales forecasts were revised upward due to the contribution from a newly acquired subsidiary, profits were revised downward to reflect actual performance during 1H. However, since the revision has been very conservative, projected results are not expected to be revised any further downward.

The company's medium-term goals are a consolidated ordinary income margin of 8% or more and an equity ratio of 40% or more, versus a ordinary income margin of 7.5% and an equity ratio of 33.9% in FY3/14. These goals appear achievable soon. The company is solicitous of its shareholders. In April 2014, it made a 3-for-1 share split to increase the market liquidity of its shares, and it has announced an increase of its dividend payout ratio to 30%. As its profits increase, it may increase its dividend per share.

Check Point

- Aggressive M&A strategy and strong expertise in profitability improvement
- Decline in profits due to faltering growth in highly profitable divisions despite earnings contribution of new subsidiary
- For FY3/15 higher sales projected but lower profits amid a challenging industry environment

Consolidated Net Sales and Ordinary Income



Corporate Overview

Since Listing, Company Has Increased Net Sales by 18 Times and Ordinary Income by 33 Times through M&As

(1) Corporate History

VT Holdings is a pure holding company with has 27 operational subsidiaries and 9 affiliates. As detailed in the table below, the company started out as Honda Verno Tokai Co., Ltd., which was the last Honda Motor Co., Ltd. <7267.> dealership handling the Verno brand. In September 1998, the company listed its shares on the Second Section of the Nagoya Stock Exchange for the purpose of growing through an M&A strategy. Thereafter, the company conducted M&As with other automobile dealerships almost annually, building a nationwide network of outstandingly profitable dealerships. Between FY3/98 and FY3/14, it increased its sales by 18 times and its recurring profit by 33 times.

Today, VT Holdings deals in Nissan Motor Co., Ltd., <7201> cars and other brands, and has expanded its operations independently of any single automobile manufacturer. It provides a full line of automotive services, with a nationwide car rental business, a used car export business, and overseas car dealerships that are expanding through M&As.

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Company History

March 1983	Established as Honda Verno Tokai Co., Ltd. in Marune, Kagiyamachi, Tokai City, Aichi Prefecture, with capital of ¥40mn.
April 1983	Concluded a contract with Honda Motor as a dealer in the Honda Verno brand and opened a dealership in Kagiyamachi, Tokai City, Aichi Prefecture.
September 1998	Listed shares on the Second Section of the Nagoya Stock Exchange.
March 1999	Acquired shares of Ford Life Chubu Co., Ltd. (now a consolidated subsidiary) and Honda Motor Sales Meinan Co., Ltd. (now Honda Cars Tokai Co., Ltd.).
June 1999	Established ORIX Rent-A-Car Chubu Corp. (now J-net Rental & Lease Co., Ltd.).
November 1999	Established VT CAPITAL INC. (now absorbed by the company).
March 2000	Established New Steel Homes Japan Corp. (now Archish Gallery Corp., a consolidated subsidiary).
April 2000	Took over the sales area of Honda Verno Gifu Co., Ltd. to start selling cars in Gifu Prefecture; established ORIX Rent-A-Car Osaka Corp. (now J-net Rental & Lease); acquired shares of Chukyo Honda Co., Ltd. (now Honda Cars Tokai).
June 2000	Listed shares on the NASDAQ Japan market of the Osaka Securities Exchange (now the JASDAQ (standard) market of the Tokyo Stock Exchange).
October 2000	Chukyo Honda absorbed Honda Motor Sales Meinan Co. and changed its name to Honda Primo Tokai Co., Ltd. (now Honda Cars Tokai, a consolidated subsidiary).
March 2002	ORIX Rent-A-Car Chubu absorbed ORIX Rent-A-Car Osaka and changed its name to ORIX Rent-A-Car Meihan Corp. (now J-net Rental & Lease, a consolidated subsidiary).
March 2003	Acquired shares of Trust Co., Ltd. (now a consolidated subsidiary).
April 2003	Split car dealership operations through an incorporation-type split, handed over operations to the newly established Honda Verno Tokai (now Honda Cars Tokai Co., Ltd., a consolidated subsidiary), and shifted to a holding company framework. Changed trade name to VT HOLDINGS CO., LTD. and changed registered head office location to Dadaboshi, Kagiyamachi, Tokai City, Aichi Prefecture.
January 2004	Acquired shares of C.E.S Co., Ltd. (now a consolidated subsidiary).
September 2004	Established Face On Co., Ltd. (now PCI Co., Ltd., a consolidated subsidiary).
November 2004	Trust Co., (now a consolidated subsidiary) listed its shares on the Mothers market of the Tokyo Stock Exchange.
April 2005	Acquired shares of LCI Ltd. (now a consolidated subsidiary).
July 2005	Established VT International Co., Ltd. (now a consolidated subsidiary).
December 2005	Converted Nagano Nissan Auto Co., Ltd. and its three subsidiaries into consolidated subsidiaries on December 31, 2005.
May 2006	VT CAPITAL (now absorbed by the company) changes its Japanese company name.
July 2006	Converted Shizuoka Nissan Auto Sales Co., Ltd., Mikawa Nissan Motor Co., Ltd. and their three subsidiaries into consolidated subsidiaries on July 3, 2006.
August 2006	Honda Verno Tokai absorbs and amalgamates Honda Primo Tokai and changes its trade name to Honda Cars Tokai (now a consolidated subsidiary).
May 2007	Face On changed its trade name to PCI Co., Ltd. (now a consolidated subsidiary).
June 2008	PCI (now a consolidated subsidiary) changed its Japanese company name.
February 2011	Acquired shares of TRUST ABSOLUT AUTO (PTY) LTD. (now a consolidated subsidiary).
October 2011	Acquired shares of SOJITZ ABSOLUT AUTO (PTY) LTD. (currently SKY ABSOLUT AUTO (PTY) LTD., a consolidated subsidiary)
April 2012	Nissan Satio Saitama Co., Ltd. and its one subsidiary were made into consolidated subsidiaries.
April 2012	COLT CAR RETAIL LIMITED (now CCR MOTOR CO. LTD.) was made into a consolidated subsidiary.
December 2012	VT CAPITAL, a wholly-owned consolidated subsidiary is absorbed.
April 2014	Nissan Satio Nara Co., Ltd. was made into a subsidiary
August 2014	MG HOME CO., LTD. made into a subsidiary by a share exchange.
October 2014	Scotts Motors Artarmon Pty Ltd (Australia) is made into a wholly-owned subsidiary.
December 2014	Griffin Mill Garages Limited (UK) is made into a subsidiary.

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Main Subsidiaries are Six Nissan and Honda Dealerships

(2) Description of Business

○Overview of Subsidiaries

The company is a holding company, and actual operations are therefore conducted by its subsidiaries. The company's main division is the automotive division, which comprises auto dealerships, rent-a-car services, and automobile exporting. The company also has a housing division. The subsidiaries and their main business activities are described below, however six subsidiaries, Honda Cars Tokai, Nagano Nissan Auto, Shizuoka Nissan Auto Sales, Mikawa Nissan Motor, Nissan Satio Saitama, and Nissan Satio Nara supply 69.6% of total consolidated sales. The profits of these subsidiaries greatly influence the company's overall profits.

Main Consolidated Subsidiaries and their Business Activties

Subsidiary	Main business	1H FY3/15 Net Sales Contributions
Honda Cars Tokai	Honda dealer	17.6
Nagano Nissan Auto	Nissan dealer	17.3
Shizuoka Nissan Auto Sales	Nissan dealer	15.6
Mikawa Nissan Motor	Nissan dealer	8.9
Nissan Satio Saitama	Nissan dealer	7.7
Nissan Satio Nara	Nissan dealer	2.5
Six main subsidiaries		69.6
Trust Co.	Used car exports	5.5
J-net Rental & Lease	Rent-a-car services	5.4
CCR Motor	Mitsubishi car dealer (UK)	8.5
Ford Life Chubu	Imported (mainly Ford) and Japanese car dealer	2.7
MG HOME	Design and sale of condominium units	1.9
Archish Gallery Corp.	Housing business	2.2
LCI	Import and sale of Lotus cars	2.4
VT International	Imported car (mainly Peugeot) dealer	0.4
PCI	Import and sale of cars and parts	0.2
Others		1.3
Total		100.0

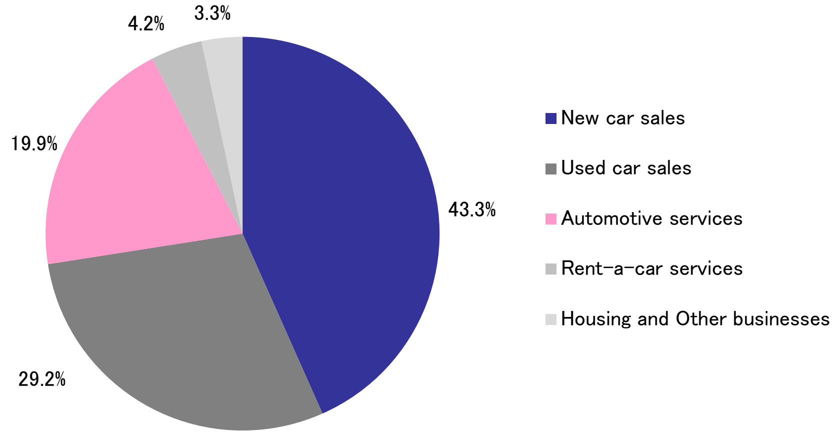
○Sales and gross profit by division

VT Holdings has the following main divisions

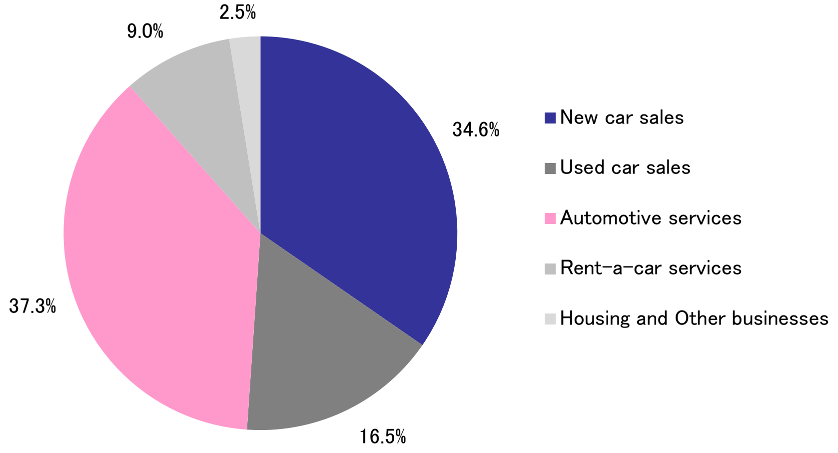
- New car sales: Sale of new cars primarily Honda and Nissan, as well as overseas brands, and sales of related products, etc.
- Used car sales: Purchase and sales of used cars. This division also sells trade-in vehicles generated from new car sales.
- Automotive services: Inspection, statutory inspection, body-work, painting, and other services. As described below, this segment has a high profit margin. Honda dealers do not have body shops, but most Nissan dealers have them.
- Rent-a-car: This service is operated by subsidiary J-net Rental & Lease.
- Housing: Sales of stand-alone homes, construction subcontracting, etc.
- Other: Sales by the administrative divisions and other divisions of all Group companies, and other operations.

As detailed in the pie charts below, in 1H FY3/15, sales of new cars provided 43.3% of total net sales, sales of used cars supplied 29.2%, automotive services accounted for 19.9%, rent-a-car services provided 4.2%, and the housing and other businesses supplied 3.3%. In terms of gross profit contributions, new car sales provided 34.6%, used car sales 16.5%, automotive service 37.3%, the rent-a-car business 9.0%, and the housing and other businesses 2.5%, clearly showing the high profit margin of services.

Breakdown of 1H FY3/15 Net Sales by Business



Breakdown of 1H FY3/15 Gross Profit by Business



Aggressive M&A Strategy and Strong Expertise in Profitability Improvement

(3) Distinctive Traits and Strengths

As stated above, the company's main business is automotive business, centered on the sale of new cars. However, in the new car segment the timing of the market launch of new cars and their cost to the company are determined by car manufacturers. Thus, it is difficult for new car dealers to differentiate themselves from competitors. Nonetheless, VT Holdings has distinguished itself with the following traits and strengths.

○High profitability derived from high-quality services and rigorous efficiency

The cost of purchasing a new car from a manufacturer is essentially fixed for all dealers. Thus, the gross profit dealers earn is limited. VT Holdings increases its profitability by proposing sales of accessories and services that satisfy individual customers' needs and lifestyles.

Another distinctive trait of VT Holdings is the rigorous improvement of efficiency in its automobile service business. This business strives to find ways to eliminate unnecessary waste as much as possible in assigning workers to automobile body repair shops and in fixing work shifts at these shops. Used cars purchased as trade-ins from buyers of new cars are auctioned immediately, thereby reducing the labor cost required to store them. This detailed attention to efficiency improves profitability.

VT Holdings is more profitable than most of its rivals. For example, of the 123 Nissan dealerships in Japan, the top four in terms of operating profit margin belong to VT Holdings (Nagano Nissan Auto, Shizuoka Nissan Auto Sales, Mikawa Nissan Motor, and Nissan Satio Saitama).

According to VT Holdings, based on performance figures for FY3/14, it ranks thirteenth among car dealerships in Japan in terms of net sales but second in terms of ordinary income. The top two in sales are Tokyo Toyopet Motor Sales Co., Ltd. and Aichi Toyota Motor Co., Ltd. According to a market research company,* VT Holdings ranks 49th among world car dealers in terms of net sales but 22nd in terms of pretax profit.

*UK Plimsoll Publishing Limited

○Stable profit base

Another distinctive feature of VT Holdings is that its businesses are dispersed. For example, a large portion of sales in the new car business comes from the sale of Nissan automobiles, but the business also sells Honda automobiles and non-Japanese automobiles. Thus, its sales and profits are not strongly dependent on a single automobile manufacturer. Furthermore, the automotive business is dispersed, comprising sales of new cars, sales of used cars (for which the market differs totally from the market for new cars), automotive services, and rent-a-car services. Thus, the sales and profits of the automotive business do not vary greatly with the popularity of new car brands.

Exterior of J-net Rent-A-Car Office

This means that the results of VT Holdings do not change as much as those of other automobile dealers, which are highly dependent on new cars. In other words, VT Holdings has a more stable profit base. The company uses a "base revenue cover ratio" to show the independence of its profits from the new car sales business. The base revenue cover ratio is the gross profits earned from businesses other than selling new cars divided by sales and administrative expenses. In other words, VT Holdings is focusing on the index to achieve a corporate framework that will not make a loss even if it does not sell any new cars, since the costs are covered by businesses other than new car sales, which are heavily influenced by external factors such as the new model sales cycle determined by car manufacturers.

The average base revenue cover ratio for VT Holdings' six main subsidiaries for 1H FY3/15 is 98.5%, indicating that the company has established a strong profit base as always. This stable profit base underlies another company strength: growth through a strategy of aggressive M&As and other such means.

○High growth and aggressive management strategy

VT Holdings was able to increase its net sales by 18 times and its ordinary income by 33 times since listing because of its aggressive management strategy, especially in conducting M&As and implementing rigorous measures to improve efficiency. The company has not purchased just any other company in distress. Instead, it has bought other companies in the same industry or a related industry which have suffered a large drop in enterprise value due to an erroneous business plan or financial strategy. It has then restructured the acquired companies to raise their added value.

VT Holdings stands out among Japanese automotive companies in its aggressive use of M&As. It also decides its acquisition targets with notable speed. However, VT Holdings' greatest strength is its ability to restructure acquired companies to make them profitable. For example, Nissan Satio Saitama had been a poor performer before it became a subsidiary of VT Holdings in April 2012, but in less than six months after being acquired, it was the top dealership of Nissan vehicles in Japan.

Business Trends

Decline in Profits Due to Stagnation in High Profitability Businesses, Despite Contribution of New Subsidiaries to Higher Sales

(1) 1H FY3/15 Results

○Earnings Status

In VT Holdings' consolidated results for 1H FY3/15, net sales grew 3.7% YoY to ¥62,670mn, operating income decreased 29.8% YoY to ¥2,840mn, ordinary income declined 26.8% YoY to ¥2,888mn, and net income was down 3.9% YoY to ¥2,076mn.

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Summary of Results for1H FY3/15

(¥mn)

	1H FY3/14		1H FY3/15		Change YoY	
	Amount	vs. net sales	Amount	vs. net sales	Amount	%
Net sales	60,460	100.0%	62,670	100.0%	2,210	3.7%
Gross profit	12,869	21.3%	12,192	19.5%	-677	-5.3%
SG&A expenses	8,820	14.6%	9,351	14.9%	531	6.0%
Operating income	4,049	6.7%	2,840	4.5%	-1,209	-29.8%
Ordinary income	3,945	6.5%	2,888	4.6%	-1,057	-26.8%
Net income	2,160	3.6%	2,076	3.3%	-84	-3.9%

Although net sales increased YoY, the increased included the contribution of about ¥2,800mn from new subsidiaries due to M&As. On a same-store basis, net sales were slightly lower YoY. The gross profit margin deteriorated to 19.5% from 21.3% in 1H FY3/14, mainly because of a decrease in the gross margin in the used car sales business due to the impact of deterioration in the domestic used car market and lackluster performance in the highly profitable automotive services business. On the other hand, SG&A expenses were up 6.0% YoY to ¥9,351mn, partly because of the increase in new subsidiaries, while the SG&A ratio to net sales increased to 14.9% from 14.6% in 1H FY3/14, and operating income dropped sharply YoY.

Earnings at the company's main businesses were as follows.

Net Sales by Business

(¥mn, %)

	1H FY3/14		1H FY3/15		Change YoY	
	Amount	vs. net sales	Amount	vs. net sales	Amount	%
New car sales	26,835	44.4	27,165	43.3	330	1.2
Used car sales	17,159	28.4	18,283	29.2	1,124	6.6
Automotive services	12,645	20.9	12,479	19.9	-166	-1.3
Rent-a-car business	2,643	4.4	2,645	4.2	2	0.1
Housing and Other business	1,175	1.9	2,097	3.3	922	78.5

On August 1, 2014, the company made MG HOME <8891> a consolidated subsidiary. MG HOME is a consolidated subsidiary listed on the Second Section of the Tokyo Stock Exchange and is engaged in the planning and marketing of condominiums for sale. MG HOME contributed about ¥1,200mn to net sales in 1H FY3/15, but seems not to have contributed much to profits.

On April 1, 2014, the company made Nissan Satio Nara, a Nissan dealership, into a consolidated subsidiary. This subsidiary is also expected to record annual net sales of around ¥3,000mn, however it is not expected to contribute much to profits.

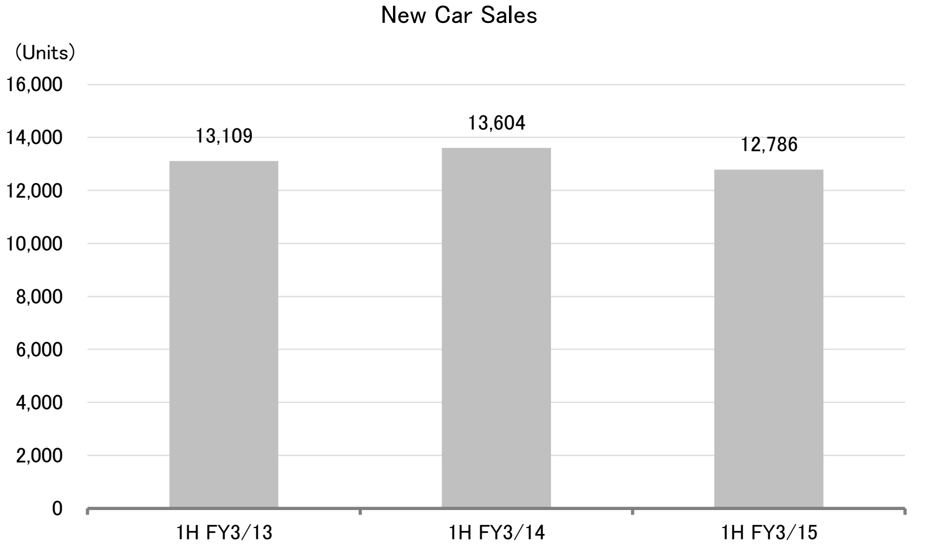
Gross Profit by Business

(¥mn, %)

	1H FY3/14		1H FY3/15		Change YoY	
	Amount	vs. net sales	Amount	vs. net sales	Amount	%
New car sales	4,202	32.7	4,224	34.7	22	0.5
Used car sales	2,520	19.6	2,007	16.5	-513	-20.4
Automotive services	4,789	37.2	4,550	37.3	-239	-5.0
Rent-a-car business	1,155	9.0	1,098	9.0	-57	-4.9
Housing and Other business	201	1.6	310	2.5	109	54.2

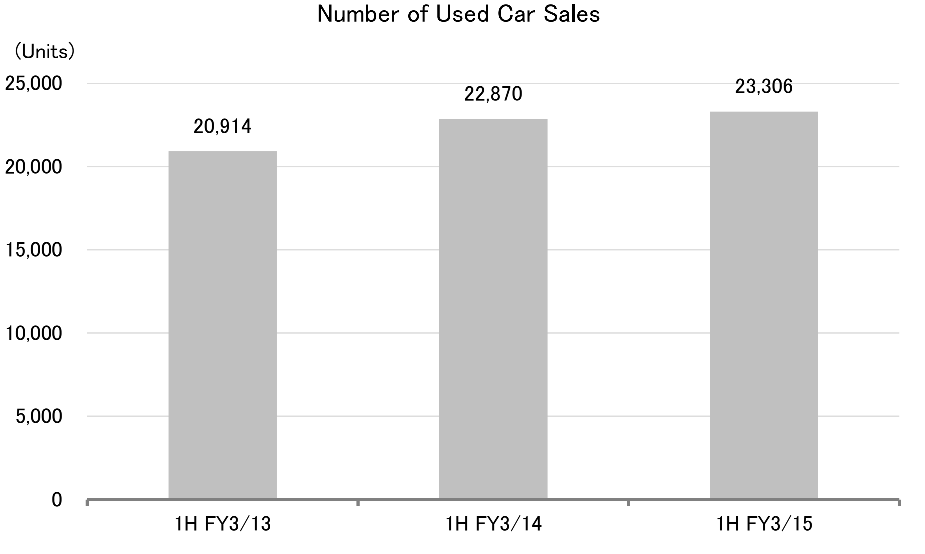
(New Car Sales)

In 1H FY3/15, Japan's new car market declined to 97.2% YoY under the impact of the consumption tax rate increase. In this environment, the number of new car sales for the Group declined by 6.0% YoY to 12,786 units. Honda new car sales were up 3.6% to 3,398 units, but Nissan new car sales fell further than expected, declining by 14.9% YoY to 7,531 units. However, from April 2014, the Group added Nissan Satio Nara as a new consolidated subsidiary, lifting sales in the new car sales business by 1.2% YoY or ¥27,165mn and gross profit by 0.5% to ¥4,224mn. The gross profit margin was 15.6%, down from 15.7% for 1H FY3/14.



(Used Car Sales)

Overall, the used car market in Japan for 1H FY3/15 saw domestic sales decline 6.4% YoY, despite an increase in the number of units exported. In this environment, the company's used car sales increased 1.9% YoY to 23,306 units, while sales in the used car sales business were up 6.5% YoY to ¥18,283mn. However, due to an overall decline in profitability due to tougher competition and other factors, gross profit deteriorated by 20.4% YoY to ¥2,007mn and the gross profit margin declined to 11.0%, down from 14.7% for 1H 3/14.



(Automotive Services)

Sales for 1H 3/15 in the automotive services business were down 0.8% YoY to ¥12,479mn and gross profit was down 5.0% YoY to ¥4,550mn, with the gross profit margin at 36.5%, down from 37.9% in 1H FY3/14. The number of passenger cars in Japan has remained stable, but the decline in sales was driven by a sharp fall in the overall number of vehicles due for statutory inspection, since this year coincided with the second statutory inspection for vehicles purchased immediately after the collapse of Lehman Brothers, and the first statutory inspection period for vehicles purchased immediately after the Great East Japan Earthquake, both times when sales had declined.

(Rent-A-Car Business)

Supported by the opening of new offices, the rent-a-car business increased its sales by 0.1% YoY to ¥2,645mn in 1H FY3/15, while gross profit fell 4.9% YoY to ¥1,098mn, and the gross profit margin edged down to 41.5% from 43.7% in 1H FY3/14.

(Housing and Other Business)

The housing and other business increased its sales in 1H FY3/15 by 84.0% YoY to ¥2,097mn, partly because MG HOME changed from an equity-method affiliate to a consolidated subsidiary from June 2014. However, since the profit contribution of MG HOME is still small, gross profit increased only 54.2% YoY to ¥310mn, while the gross profit margin sank to 14.8% from 17.1% in 1H FY3/14.

○Financial condition

The company's financial condition at the end of 1H FY3/15 was as summarized on the table below. Current assets were up ¥425mn from the end of FY3/14 to 32,067mn. The main factors in the change included the addition of MG HOME to the scope of consolidation, a decline of ¥3,605mn in cash and deposits, and an increase of ¥3,278mn in inventories. Non-current assets were up ¥4,128mn at ¥54,822mn, mainly reflecting an increase of ¥3,473mn in property, plant and equipment due to increases in buildings and structures for new store openings.

Meanwhile, current liabilities climbed ¥237mn from the end of FY3/14 to ¥37,973mn, mainly due to an increase of ¥8,343mn in short-term loans payable and a decline of ¥6,257mn in notes and accounts payable-trade. Non-current liabilities rose ¥2,516mn to ¥18,161mn, primarily reflecting an increase of ¥1,847mn in long-term loans payable and an increase of ¥695mn in other non-current liabilities. Meanwhile, net assets increased by ¥1,799mn from the end of FY 3/14 to ¥30,754mn. This mainly reflected an increase of ¥1,248mn in retained earnings due to the posting of net income. As a result, the equity ratio stood at 33.6% as of the end of 1H FY3/15, down 0.3 of a percentage point from the end of FY3/14.

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Summary Balance Sheet

(¥mn)

	FY3/14 End	1H FY3/15 End	Change
Cash and deposits	7,657	4,052	-3,605
Notes and accounts receivable-trade	4,593	4,313	-280
Inventories	10,727	14,005	3,278
Total current assets	31,642	32,067	425
Property, plant and equipment	29,979	33,452	3,473
Intangible assets	12,240	12,914	674
Total non-current assets	50,694	54,822	4,128
Total assets	82,337	86,889	4,552
Notes and accounts payable-trade	15,367	9,110	-6,257
Short-term loans payable	6,302	14,645	8,343
Total current liabilities	37,736	37,973	237
Bonds payable	1,146	1,051	-95
Long-term loans payable	8,411	10,258	1,847
Other non-current liabilities	4,478	5,173	695
Total non-current liabilities	15,645	18,161	2,516
Total liabilities	53,382	56,134	2,752
Total net assets	28,955	30,754	1,799
Total liabilities and net assets	82,337	86,889	4,552

○Cash flow

A summary cash flow statement for 1H FY3/15 is shown below. Operating activities used net cash of ¥6,273mn, with the main sources of cash being income before income taxes and minority interests of ¥3,343mn and depreciation of ¥1,655mn, while the main uses of cash were an increase in inventories of ¥1,153mn and a decrease in notes and accounts payable-trade of ¥6,558mn. Investing activities used net cash of ¥2,904mn, mainly due to payments of ¥3,386mn for the purchase of property, plant and equipment. Financing activities provided net cash of ¥5,569mn, which was primarily due to a net increase of short-term loans payable amounting to ¥6,302mn and proceeds from long-term loans payable of ¥3,467mn.

As a result of the above, cash and cash equivalents declined ¥3,610mn to finish at ¥3,992mn at the end of 1H FY3/15.

Summary Statement of Cash Flows

(¥mn)

	1H FY3/14	1H FY3/15
Cash flows from operating activities	4,146	-6,273
Cash flows from investing activities	540	-2,904
Cash flows from financing activities	-2,598	5,569
Change in cash and cash equivalents	2,103	-3,610
Balance of cash and cash equivalents at the end of 1H FY3/15	6,267	3,992

For FY3/15 Higher Sales Projected but Lower Profits amid A Challenging Industry Environment

(2) Company Forecasts for FY3/15

The company's full-year forecast for FY3/15 is shown below. The company projects a 6.3% increase in net sales to ¥141,000mn, a 20.7% slide in operating income to ¥8,000mn, a 20.8% decline in ordinary income to ¥7,900mn, and a 6.4% drop in net income to ¥4,800mn. The initial forecast for profits has been dramatically revised downward in light of the operating environment and 1H results. However, the company is taking a very conservative stance on 2H, so the likelihood of a further downward revision is small.

Full-Year Company Forecasts for FY3/15

(¥mn, %)

	FY3/14		FY3/15E		Change	
	Amount	vs. net sales	Amount	vs. net sales	Amount	%
Net sales	132,682	100.0	141,000	100.0	8,318	6.3
New car sales	63,577	47.9	64,551	45.8	974	1.5
Used car sales	35,042	26.4	36,675	26.0	1,633	4.7
Automotive services	26,239	19.8	27,767	19.7	1,528	5.8
Rent-a-car business	5,545	4.2	5,779	4.1	234	4.2
Housing and Other businesses	2,294	0.1	6,229	4.4	3,935	171.5
Gross profit	28,278	21.3	27,729	19.7	-549	-1.9
SG&A expenses	18,196	13.7	19,729	14.0	1,533	8.4
Operating income	10,082	7.6	8,000	5.7	-2,082	-20.7
Ordinary income	9,976	7.5	7,900	5.6	-2,076	-20.8
Net income	5,126	3.9	4,800	3.4	-326	-6.4

In the new car sales business, the company is expecting the challenging business environment to continue, despite the effect of consolidating Nissan Satio Nara, and is projecting a 2.9% YoY fall in unit sales to 30,506 units, and a 1.5% YoY drop in sales to ¥64,551mn. Meanwhile, in the used car sales business, the company is projecting a 2.2% YoY increase in unit sales to 48,833 units, but a 4.7% increase in sales to ¥36,675mn atop an expected recovery in unit prices.

For the automotive services business, the company forecasts strong growth of 5.8% YoY in sales to ¥27,767mn. The addition of Nissan Satio Nara is expected to contribute as in the new car sales business. In the rent-a-car business, new offices are expected to contribute to a 4.2% YoY increase in sales to ¥5,779mn. In the housing and other businesses, the company is projecting a 183.4% YoY increase in sales to ¥6,229mn, partly due to the contribution from the consolidated MG HOME.

Nissan Satio Nara Dealership

The company is projecting a lower profit margin of 19.7%, down from 21.3% in FY3/14, with SG&A expenses to increase by 8.4% YoY to ¥19,729mn, partly due to the addition of new subsidiaries, and a ratio of SG&A expenses to net sales of 14.0%, up from 13.7% in FY3/14. As a result, the operating income ratio is forecast to decline to 5.7%, down from 7.6% in the previous fiscal year.

MG HOME and Satio Nara will contribute to consolidated net sales after being included in the scope of consolidation since FY3/15, however they are not expected to make much contribution in terms of operating income. Furthermore, the company converted Scotts Motors Artarmon Pty Ltd (SMA) into a subsidiary on October 24, 2014. SMA operates two Honda dealerships in New South Wales, Australia, and has had only a minor impact on consolidated results for FY3/15 at this point. In the future, however, the company aims to introduce VT Holdings' accumulated expertise in automobile dealership operation to return to profitability and contribute to consolidated income.

SMA dealerships

Furthermore, on November 25, 2014, the company announced that it would acquire the shares of Griffin Mill Garages Limited (GMG) and convert it into a subsidiary. GMG operates two automobile dealerships in the South Wales district of the UK, and deals in five brands: Nissan, Skoda, Kia, Fiat, and Peugeot. After its conversion to a subsidiary, as with the abovementioned SMA, GMG will introduce the accumulated automobile dealership operation expertise of VT Holdings and pursue synergies with CCR MOTOR CO. LTD., which was also made into a subsidiary in the UK in April 2012. In the future, GMG aims to contribute to the consolidated earnings of the Group, but its impact on consolidated earnings for FY3/15 appears to be only minor. The acquisition price has not been disclosed.

GMG dealerships

Medium-term Business Plan

Over the medium term, VT Holdings aims to achieve an ordinary income margin of 8% or more and an equity ratio of 40% or more

The group has set forth the following two medium-term management goals.

(1) Ordinary income margin of 8% or more

The company has already achieved an ordinary income margin of 7.5% in FY3/14, and aims to raise it to 8% or more. It continues to hold this target despite the regrettable forecast of declining decline to 5.7% in 1H FY3/15. Specifically, the company plans to improve the profitability of all its businesses, setting as a benchmark the 11.5% ordinary income ratio of its most profitable subsidiary, Nagano Nissan Auto.

It will continue to improve the profitability of newly acquired subsidiaries, develop synergy between its used car export business and its other businesses, and establish rent-a-car offices throughout Japan to reach this objective.

(2) Equity ratio of 40% or more

At the end of 1H FY3/15, the company achieved an equity ratio of 33.6%, surpassing its initial goal of 30%. Now, it aims for a ratio of 40% or more. The first measure to achieve this is to raise profitability, as discussed above, thereby increasing the company's retained earnings and its equity. In addition, the company will undertake highly efficient M&As, limiting investments to within its cash flow from operations. Thus, it will simultaneously increase the scale of its operations and reduce its liabilities.

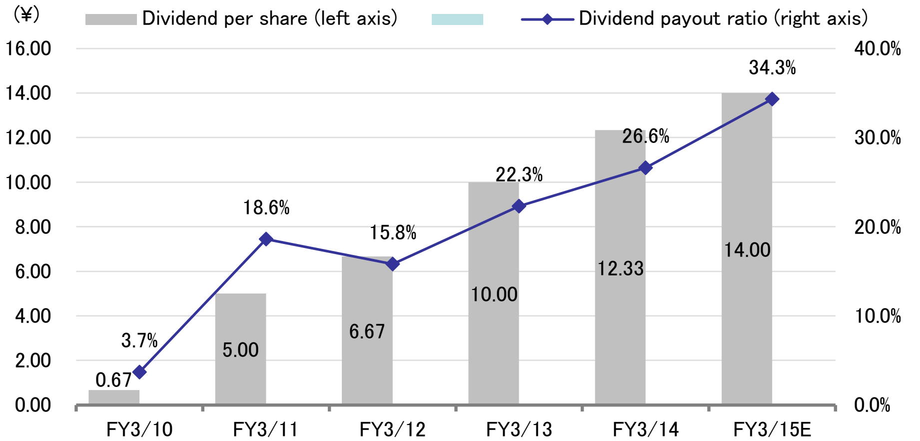
Shareholder Return Policy

Targeting a dividend payout ratio of 30% or more, the company is likely to increase its dividend as its profits grow

VT Holdings actively strives to make strong returns to shareholders and to respond to their demands. On April 1, 2014, it made a 3-for-1 share split to lower its share price, making its shares affordable for more investors (and expanding the investor base), and increasing the market liquidity of its shares.

At the same time, the company raised its dividend payout ratio target to 30% from 20%, considering factors such as the scale of its profit growth and the dividend payout ratios of other listed companies. For FY3/15, the company plans to pay an interim dividend of ¥7 per share and a year-end dividend of ¥7 per share, for a total dividend of ¥14 per share. Based on the company's EPS forecast for FY3/15, a dividend of ¥14 per share will yield a dividend payout ratio of 34.3%. As the company intends to maintain a dividend payout ratio of 30%, it is likely to raise its dividend accordingly when its profits begin to grow again.

Dividend per Share and Dividend Payout Ratio



Note: On April 1, 2014, the company made a 3-for-1 share split. Figures for FY3/14 and earlier have been adjusted to reflect the impact of this split.

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