

**VT HOLDINGS CO., LTD.**

7593 JASDAQ

20-Aug.-14

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at the end of this document.

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## ■ Concentrating on automotive businesses, the company is growing rapidly through acquisitions

VT Holdings has 23 operational subsidiaries and two affiliates accounted for by the equity in earnings method. In the fiscal year through March 2014, i.e., in FY3/14, the company derived 98.3% of its total consolidated sales from automobile businesses, including the sale of new and used autos, the provision of automotive services, and car rental. Through a strategy of acquisitions, the company grew rapidly. Its sales and recurring profit in FY3/14 were 18 times and 33 times, respectively, its sales and recurring profit in FY3/98.

In FY3/14, total consolidated sales grew 12.1% year-on-year (y-o-y) to ¥132,682mn, operating profit increased 29.1% to ¥110,082mn, recurring profit rose 30.3% to ¥9,976mn, and net profit advanced 7.4% to ¥5,126mn. All these figures were record highs.

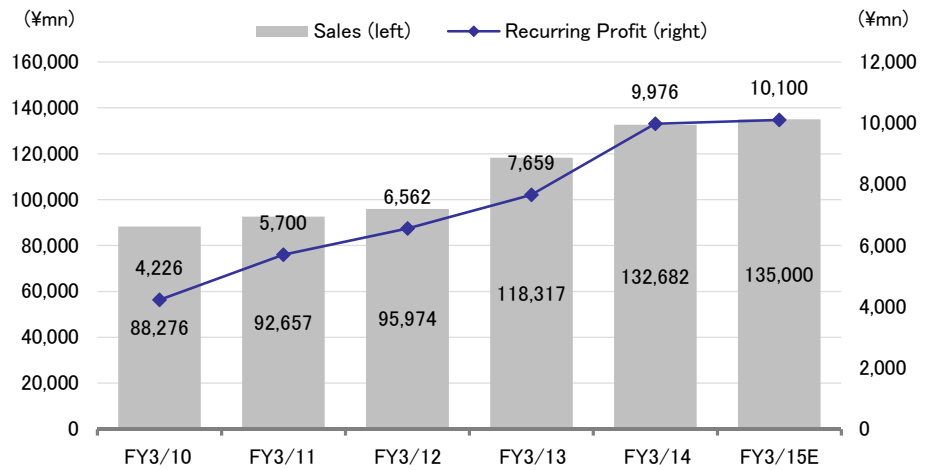
For FY3/15, the company projects a 1.7% y-o-y rise in consolidated sales to ¥135.0bn, a 2.2% increase in operating profit to ¥10.3bn, a 1.2% upturn in recurring profit to ¥10.1bn, and 5.3% growth in net profit to ¥5.4bn. These modest forecasts are based on conservative assumptions, so they are likely to be surpassed.

The company's medium-term goals are a consolidated recurring profit margin of 8% or more and an equity ratio of 40% or more, versus a recurring profit 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 a raise of its dividend payout ratio to 30%. As its profits increase, it is likely to raise its dividend per share.

## ■ Check Point

- Since listing in 1998, the company has increased its sales by 17 times and its recurring profit by 32 times through acquisitions
- In Japan's car dealership industry, the company stands out for its aggressive acquisitions, stable profit base and high profitability
- The company achieved record-high sales and profits in FY3/14

Consolidated Sales and Recurring Profit (¥mn), FY3/10–FY3/15E



## ■ Company Outline

Since listing, company has increased sales by 17 times and recurring profit by 32 times through acquisitions

### (1) History

VT Holdings has 23 operational subsidiaries and two affiliates accounted for by the equity in earnings method. 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 acquisitions. Thereafter, the company purchased other automobile dealerships almost annually, building a nationwide network of profitable dealerships. Between FY3/98 and FY3/14, it increased its sales by 17 times and its recurring profit by 32 times.

Today, VT Holdings deals in Nissan Motor Co., Ltd. (7201) autos and other brands, being independent of any automobile manufacturer. It provides a full line of automotive services, with a nationwide car rental business, a used automobile export business, and overseas car dealerships that are expanding through acquisitions.

## Company History

|                |   |
|----------------|---|
| March 1983     | Established as Honda Verno Tokai Co., Ltd. in 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 Tokai City  |
| September 1998 | Listed shares on the Second Section of the Nagoya Stock Exchange  |
| March 1999     | Acquired Ford Life Chubu Co., Ltd. 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.)  |
| March 2000     | Established New Steel Homes Japan Corp. (now Archish Gallery Corp.)   |
| 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 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)   |
| 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)  |
| March 2003     | Acquired Trust Co., Ltd.  |
| April 2003     | Reorganized as a holding company and changed name to VT Holdings Co., Ltd. Organized all car dealership operations under newly established Honda Verno Tokai (now Honda Cars Tokai)   |
| September 2004 | Established Face On Co., Ltd. (now PCI Co., Ltd.)   |
| November 2004  | Trust Co. listed its shares on the Mothers market of the Tokyo Stock Exchange   |
| April 2005     | Acquired LCI Ltd.   |
| July 2005      | Established VT International Co., Ltd.  |
| December 2005  | Converted Nagano Nissan Auto Co., Ltd. into a consolidated subsidiary   |
| July 2006      | Converted Shizuoka Nissan Auto Sales Co., Ltd. and Mikawa Nissan Motor Co., Ltd. into consolidated subsidiaries   |
| August 2006    | Honda Verno Tokai absorbed Honda Primo Tokai and changed its name to Honda Cars Tokai Co.   |
| April 2012     | Nissan Satio Saitama Co. made a consolidated subsidiary. Purchased Colt Car Retail Ltd. (now CCR Motor Co., Ltd.)   |
| December 2012  | VT Capital Inc., a wholly-owned consolidated subsidiary, is merged and amalgamated.   |
| August 2013    | Established SCI Co.   |
| April 2014     | Nissan-Satio-Nara Co., Ltd. made a subsidiary   |

## 4 Nissan auto dealerships and 1 Honda auto dealership comprise 5 main subsidiaries

### (2) Description of Businesses

#### Overview of subsidiaries

The company's main division is the automotive division, which comprises auto dealerships, the rent-a-car business, automotive services, and automobile exporting. The company also has a small housing division. Five subsidiaries, Honda Cars Tokai, Nagano Nissan Auto, Shizuoka Nissan Auto Sales, Mikawa Nissan Motor, and Nissan Satio Saitama supplied 76.2% of total consolidated sales in FY3/14. The profits of these subsidiaries greatly influence the company's overall profits.

#### Main Consolidated Subsidiaries

| Subsidiary                 | Main business   | FY3/14 Sales Contribution |
|----------------------------|---|---------------------------|
| Honda Cars Tokai           | Honda dealer  | 17.4%                     |
| Nagano Nissan Auto         | Nissan dealer   | 20.4%                     |
| Shizuoka Nissan Auto Sales | Nissan dealer   | 18.1%                     |
| Mikawa Nissan Motor        | Nissan dealer   | 10.2%                     |
| Nissan Satio Saitama       | Nissan dealer   | 10.0%                     |
| 5 main subsidiaries        |   | 76.2%                     |
| Trust Co.                  | Exporting used autos                                  | 4.5%                      |
| J-net Rental & Lease       | rent-a-car business                                   | 5.0%                      |
| CCR Motor                  | dealing in Mitsubishi autos in UK                     | 5.2%                      |
| Ford Life Chubu            | Importing Ford autos, dealing in Japanese autos in UK | 3.1%                      |
| Archish Gallery Corp.      | Building custom-made homes                            | 1.7%                      |
| LCI                        | Importing and selling Lotus autos                     | 1.7%                      |
| VT International           | Importing and dealing in Peugeot and Citroen autos    | 0.5%                      |
| PCI                        | Importing autos and parts                             | 0.2%                      |
| Others                     |   | 2.0%                      |
| Total                      |   | 100.0%                    |

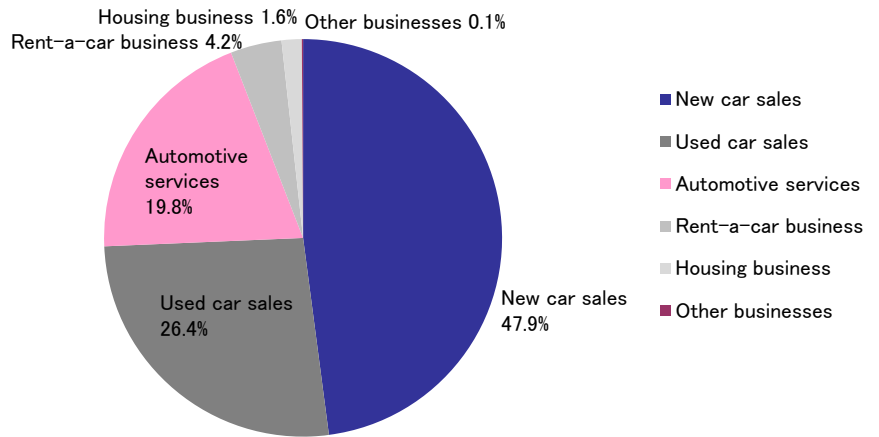
20-Aug.-14

**○Sales and gross profit by division**

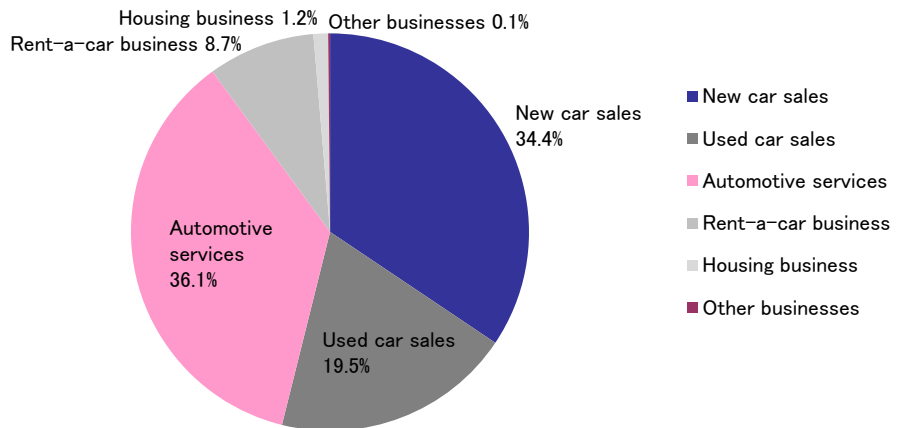
VT Holdings has six main businesses. The new automobile sales business sells mainly new Honda and Nissan autos, but it also sells new imported autos. The used auto dealing business buys and sells used cars, including cars originally sold by the new auto sales business. The automotive services business repairs car bodies, paints cars, inspects them, and offers other services. As detailed later, this business is very profitable. The Honda dealerships cannot do body work, but most of the Nissan dealerships can. The rent-a-car business is conducted by J-net Rental & Lease. The housing business constructs and sells detached houses. The other businesses category includes sales by the management group and other units.

As detailed in the pie charts below, in FY3/14, sales of new cars provided 47.9% of total sales, sales of used cars supplied 26.4%, automotive services accounted for 19.8%, the rent-a-car business provided 4.2%, housing supplied 1.6%, and other businesses contributed 0.1%. In terms of gross profit contributions, automotive services provided 36.1%, new auto sales 34.4%, used auto sales 19.5%, rent-a-car business 8.7%, housing 1.2%, and other businesses 0.1%.

**Breakdown of FY3/14 Sales by Business**



**Breakdown of FY3/14 Gross Profit by Business**



## In Japan's car dealership industry, the company stands out for its aggressive acquisitions, stable sales and profit base and high profitability

### (3) Distinctive traits and strengths

As stated above, the company's main business is automotive business, centered on the sale of new cars. However, the timing of initial sales 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.

#### **O**High profitability derived from high-quality services and complete 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 profits from sales of new cars by attaching accessories and services that satisfy a customer's needs or desires and life style.

#### Interior of a Car Dealership



Another distinctive trait of VT Holdings is the efficiency of its automobile service business. This business eliminates 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 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, it ranks thirteenth among car dealerships in Japan in terms of sales but second in terms of recurring profit. 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 sales but 22nd in terms of pretax profit.



### ○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 very 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 car rentals. 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



The profits of VT Holdings do not change as much as the profits 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. Profit independence of the new car sales business is desirable because profits from the sale of new cars depends on many factors outside the control of a dealer, such as new model sales cycles, which are determined by auto manufacturers.

The average base revenue cover ratio for VT Holdings’ five main subsidiaries is 114.8%, showing that they could remain profitable without selling a single new car. This stable profit base underlies another company strength, growth through aggressive acquisitions.

### ○High growth and aggressive management strategy

VT Holdings was able to increase its sales by 17 times and its recurring profit by 32 times since listing because of its aggressive management strategy, especially in making acquisitions and implementing 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 acquisition strategy. It also decides its acquisition targets quickly. 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

### Sales and profits hit record highs

#### (1) FY3/14 Results

##### ○ Profits and losses by business

In FY3/14, VT Holdings' sales grew 12.1% y-o-y to ¥132,682mn, its operating profit increased 29.1% to ¥10,082mn, its recurring profit advanced 30.3% to ¥9,976mn, and its net profit rose 7.4% to ¥5,126mn. All these figures were record highs.

The gross profit margin in FY3/14 improved to 21.3% in FY3/14 from 21.2% in FY3/13, mainly because the new car business strengthened its sales, thereby raising the number of automobiles sold, their sales value and profits by double digits. The growth of SGA costs was limited to 5.2% y-o-y, so the ratio of SGA costs to sales declined to 13.7% in FY3/14 from 14.6% in FY3/13.

#### Summary of Results (¥mn) in FY3/13-FY3/14

|              | FY3/13  |           | FY3/14  |           | Change y-o-y |      |
|--------------|---------|-----------|---------|-----------|--------------|------|
|              | Amount  | vs. sales | Amount  | vs. sales | Absolute     | %    |
| Sales        | 118,317 | 100.0     | 132,682 | 100.0     | 14,365       | 12.1 |
| Gross profit | 25,111  | 21.2      | 28,278  | 21.3      | 3,167        | 12.6 |
| SGA expenses | 17,300  | 14.6      | 18,196  | 13.7      | 896          | 5.2  |
| Op. profit   | 7,810   | 6.6       | 10,082  | 7.6       | 2,272        | 29.1 |
| Rec. profit  | 7,659   | 6.5       | 9,976   | 7.5       | 2,317        | 30.3 |
| Net profit   | 4,775   | 4.0       | 5,126   | 3.9       | 351          | 7.4  |

#### Sales (¥mn) by Business, FY3/13-FY3/14

|                     | FY3/13 |           | FY3/14 |           | Change y-o-y |       |
|---------------------|--------|-----------|--------|-----------|--------------|-------|
|                     | Amount | vs. sales | Amount | vs. sales | Absolute     | %     |
| New car sales       | 54,521 | 46.1      | 63,577 | 47.9      | 9,056        | 16.6  |
| Used car sales      | 30,410 | 25.7      | 35,042 | 26.4      | 4,632        | 15.2  |
| Automotive services | 26,204 | 22.1      | 26,239 | 19.8      | 35           | 0.1   |
| Rent-a-car business | 4,966  | 4.2       | 5,545  | 4.2       | 579          | 11.7  |
| Housing             | 2,065  | 1.7       | 2,147  | 1.6       | 82           | 4.0   |
| Other businesses    | 149    | 0.1       | 147    | 0.1       | ▲ 2          | ▲ 1.3 |

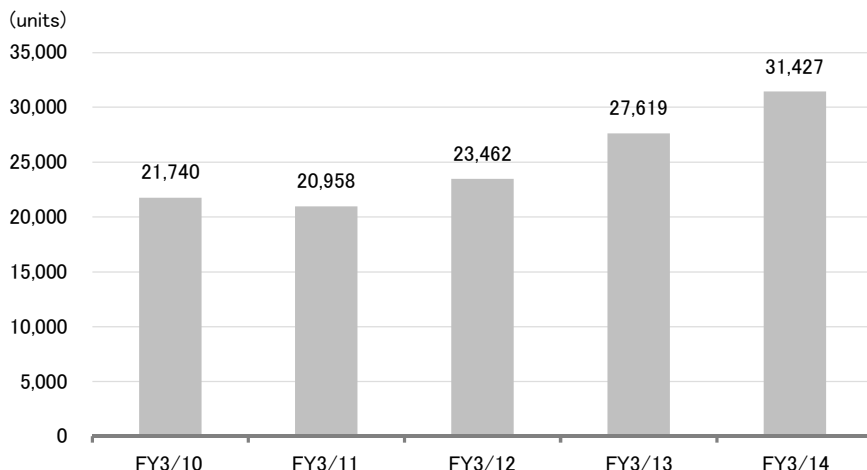
#### Gross Profit (¥mn) by Business, FY3/13-FY3/14

|                     | FY3/13 |           | FY3/14 |           | Change y-o-y |       |
|---------------------|--------|-----------|--------|-----------|--------------|-------|
|                     | Amount | vs. sales | Amount | vs. sales | Absolute     | %     |
| New car sales       | 8,432  | 33.6      | 9,726  | 34.4      | 1,294        | 15.3  |
| Used car sales      | 4,122  | 16.4      | 5,506  | 19.5      | 1,384        | 33.6  |
| Automotive services | 10,020 | 39.9      | 10,205 | 36.1      | 185          | 1.8   |
| Rent-a-car business | 2,215  | 8.8       | 2,465  | 8.7       | 250          | 11.3  |
| Housing             | 275    | 1.1       | 333    | 1.2       | 58           | 21.1  |
| Other businesses    | 44     | 0.2       | 42     | 0.1       | ▲ 2          | ▲ 4.5 |

**(New Car Sales)**

In FY3/14, Japan’s new car market grew by 9.2% y-o-y in volume. In H1 FY3/14, the market was static y-o-y, but in H2, it grew 20% y-o-y, largely because of rush demand before Japan raised its consumption tax from 5% to 8% as of April 1, 2014. VT Holdings’ new car business increased its sales by 3,808 vehicles, or by 13.8% y-o-y, to 31,427 vehicles in FY3/14. As a result, it raised its sales value by 16.6% y-o-y to ¥63,577mn and its gross profit by 15.3% to ¥9,726mn, for a gross profit margin of 15.3% in FY3/14, down from 15.5% in FY3/13.

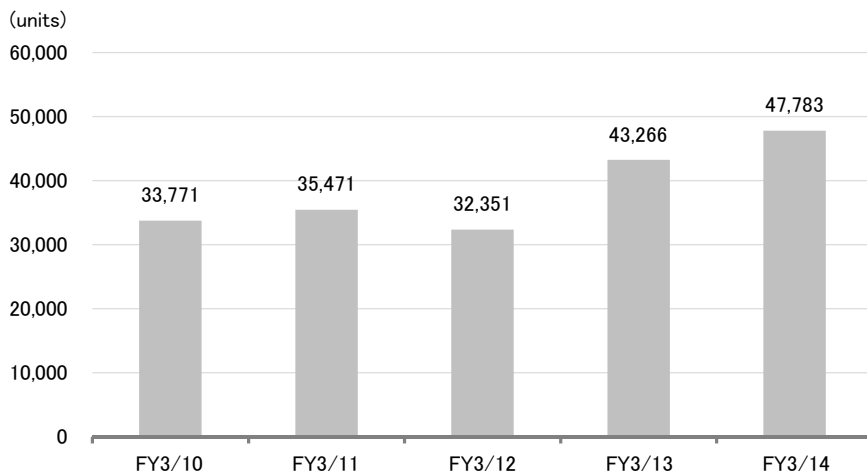
**New Car Sales (units) by VT Holdings, FY3/10–FY3/14**



**(Used Car Sales)**

In FY3/14, Japan’s used car market grew by 3.9% y-o-y in volume, due in part to an increase in the number of used cars exported. VT Holdings’ used car business increased its sales by 4,517 vehicles, or by 10.4% y-o-y, to 47,783 vehicles in FY3/14. As a result, it raised its sales value by 15.2% y-o-y to ¥35,042mn and its gross profit by 33.6% to ¥5,506mn, for a gross profit margin of 15.7% in FY3/14, up from 13.6% in FY3/13.

**Used Car Sales (units) by VT Holdings, FY3/10–FY3/14**





**(Automotive Services)**

The automotive services business of VT Holdings increased its sales by 0.1% y-o-y to ¥26,239mn in FY3/14 and its gross profit by 1.8% to ¥10,205mn, for a gross profit margin of 38.9%, up from 38.2% in FY3/13. The number of passenger cars in Japan remained stable y-o-y during the year, and competition with other automotive service companies intensified, but VT Holdings' service business managed to extend its sales and gross profit because of its operational skills.

**(Rent-A-Car Business)**

Supported by the opening of new offices, the rent-a-car business increased its sales by 11.7% y-o-y to ¥5,545mn in FY3/14 and its gross profit by 11.3% to ¥2,465mn, for a gross profit margin of 44.5%, slightly lower than the FY3/13 margin of 44.6%.

**(Housing and Other Businesses)**

The housing business raised its sales by 4.0% y-o-y in FY3/14 to ¥2,147mn and its gross profit by 21.1% to ¥333mn, for a gross profit margin of 15.5%, up from 13.3% in FY3/13. The business saw strong demand before the increase in the consumption tax, but some of the houses ordered in FY3/14 will not be completed until FY3/15.

Sales by other businesses decreased by 1.3% y-o-y to ¥147mn, while their gross profit shrank by 4.5% to ¥42mn.

The new and used car businesses increased their gross profit contributions in FY3/14 reflecting the increases in their unit sales.

## Equity ratio increased sharply, due to retained earnings and capital stock

**○Financial Condition**

The company's financial condition at the end of FY3/14 and y-o-y changes in this condition are summarized in the balance sheet below. Current assets grew by ¥4,250mn to ¥31,642mn at the end of FY3/14, primarily because cash and deposits increased by ¥3,412mn and lease receivables and investments in leases rose by ¥1,753mn. Long-term assets declined by ¥1,423mn to ¥50,694mn, mainly because the value of landholdings dropped by ¥817mn, reflecting sales of land, and because goodwill decreased by ¥911mn.

Current liabilities dropped by ¥5,338mn to ¥37,736mn at the end of FY3/14, due mainly to a ¥10,161mn fall in short-term borrowings. Long-term liabilities expanded by ¥366mn to ¥15,645mn, due mainly to a ¥243mn increase in long-term borrowings. Total equity increased by ¥7,798mn to ¥28,955mn, reflecting a ¥1,804mn rise in equity capital stemming from the exercise of stock options, a ¥1,803mn increase in additional paid-in capital, and a ¥3,933mn expansion of retained earnings. The equity ratio rose by 8.5ppts y-o-y to 33.9% at the end of FY3/14.



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7593 JASDAQ

20-Aug.-14

### Summary Balance Sheet (¥mn), 3/13 & 3/14

|   | 3/13          | 3/14          | Change        |
|---|---------------|---------------|---------------|
| Cash and deposits                           | 4,244         | 7,657         | 3,413         |
| Notes and sales receivable                  | 4,164         | 4,593         | 429           |
| Lease receivables and investments in leases | 3,946         | 5,699         | 1,753         |
| Inventories                                 | 10,744        | 10,727        | -17           |
| Other current assets                        | 4,294         | 2,966         | -1,328        |
| <b>Current assets</b>                       | <b>27,392</b> | <b>31,642</b> | <b>4,250</b>  |
| Tangible fixed assets                       | 30,062        | 29,979        | -83           |
| Intangible fixed assets                     | 13,273        | 12,240        | -1,033        |
| Long-term investments, etc.                 | 8,782         | 8,474         | -308          |
| <b>Long-term assets</b>                     | <b>52,118</b> | <b>50,694</b> | <b>-1,424</b> |
| <b>Total assets</b>                         | <b>79,510</b> | <b>82,337</b> | <b>2,827</b>  |
| Notes and accounts payable                  | 12,994        | 15,367        | 2,373         |
| Short-term borrowings                       | 16,463        | 6,302         | -10,161       |
| Short-term lease obligations                | 5,759         | 7,630         | 1,871         |
| Other current liabilities                   | 7,858         | 8,437         | 579           |
| <b>Current liabilities</b>                  | <b>43,074</b> | <b>37,736</b> | <b>-5,338</b> |
| Bonds                                       | 1,250         | 1,146         | -104          |
| Long-term borrowings                        | 8,168         | 8,411         | 243           |
| Long-term lease obligations                 | 2,339         | 2,468         | 129           |
| Other long-term liabilities                 | 3,522         | 3,620         | 98            |
| <b>Long-term liabilities</b>                | <b>15,279</b> | <b>15,645</b> | <b>366</b>    |
| <b>Total liabilities</b>                    | <b>58,353</b> | <b>53,382</b> | <b>-4,971</b> |
| <b>Total equity</b>                         | <b>21,157</b> | <b>28,955</b> | <b>7,798</b>  |
| <b>Total liabilities &amp; equity</b>       | <b>79,510</b> | <b>82,337</b> | <b>2,827</b>  |

### ○Cash Flow

A summary cash flow statement for VT Holdings in FY3/13–FY3/14 is shown below. Cash flow from operations came to ¥13,929mn in FY3/14, mainly because profit before taxes and other adjustments grew by ¥9,406mn, accounts payable increased by ¥2,305mn accompanying sales growth, and inventories decreased by ¥303mn. Cash flow from investing was negative by ¥570mn because the company paid ¥3,032mn for tangible fixed assets while receiving ¥2,506mn for the sale of other fixed assets. Cash flow from financing was negative by ¥9,939mn, mainly because the company paid ¥8,315mn accompanying a decline in its short-term borrowings, which more than offset the ¥3,583mn it reaped from the issuance of additional shares.

Cash and cash equivalents increased by ¥3,433mn in FY3/14 to ¥7,597mn at the end of the fiscal year.

### Summary Statement of Cash Flow (¥mn), FY3/13–FY3/14

|   | FY3/13        | FY3/14       |
|---|---------------|--------------|
| Cash flow from operations                               | 2,347         | 13,929       |
| Cash flow from investing                                | -1,643        | -570         |
| Cash flow from financing                                | -3,122        | -9,939       |
| <b>Change in cash and cash equivalents</b>              | <b>-2,394</b> | <b>3,433</b> |
| <b>Balance of cash and cash equivalents at term-end</b> | <b>4,184</b>  | <b>7,597</b> |

## Sales and profits seen rising, but forecasts appear conservative

### (2) Company Forecasts for FY3/15

For FY3/15, the company projects a 1.7% y-o-y rise in sales to ¥135.0bn, a 2.2% increase in operating profit to ¥10.3bn, a 1.2% upturn in recurring profit to ¥10.1bn, and a 5.3% climb in net profit to ¥5.4bn. These forecasts seem conservative to us, as we believe the forecasts for each business could be surpassed.

Company Forecasts (¥mn) for FY3/15 vs. FY3/14 Results

|                     | FY3/14  |           | FY3/15  |           | Change   |       |
|---------------------|---------|-----------|---------|-----------|----------|-------|
|                     | Amount  | vs. sales | Amount  | vs. sales | Absolute | %     |
| Sales               | 132,682 | 100.0     | 135,000 | 100.0     | 2,318    | 1.7   |
| New cars            | 63,577  | 47.9      | 65,229  | 48.3      | 1,652    | 2.6   |
| Used cars           | 35,042  | 26.4      | 33,098  | 24.5      | -1,944   | ▲ 5.5 |
| Automotive services | 26,239  | 19.8      | 27,544  | 20.4      | 1,305    | 5.0   |
| Rent-a-car          | 5,545   | 4.2       | 5,852   | 4.3       | 307      | 5.5   |
| Housing             | 2,147   | 1.6       | 3,134   | 2.3       | 987      | 46.0  |
| Other businesses    | 147     | 0.1       | 143     | 0.1       | -4       | ▲ 2.7 |
| Gross profit        | 28,278  | 21.3      | 29,311  | 21.7      | 1,033    | 3.7   |
| SGA costs           | 18,196  | 13.7      | 19,010  | 14.1      | 814      | 4.5   |
| Op. profit          | 10,082  | 7.6       | 10,300  | 7.6       | 218      | 2.2   |
| Rec. profit         | 9,976   | 7.5       | 10,100  | 7.5       | 124      | 1.2   |
| Net profit          | 5,126   | 3.9       | 5,400   | 4.0       | 274      | 5.3   |

The company projects a weakening of Japanese demand for new cars in FY3/15 in response to the strong demand in FY3/14 before the hike in Japan’s consumption tax. However, on April 1, 2014, it made Nissan-Satio-Nara a subsidiary, and this subsidiary generates annual sales of about ¥3.5bn and will contribute to the new car business in FY3/15. Therefore, the company forecasts a 6.0% y-o-y rise in unit sales to 33,301 vehicles and a 2.6% increase in sales value to ¥65,299mn for the new car business. For the used car business, the company foresees a 2.6% increase in unit sales to 49,020 vehicles, but a 5.5% drop in sales value to ¥33,098mn because of a decline in average price.

Nissan-Satio-Nara Dealership



For the automotive services business, the company forecasts a 5.0% y-o-y rise in sales to ¥27,544mn in FY3/15, supported by the contribution of Nissan-Satio-Nara. New offices are expected to allow a 5.5% upturn in sales to ¥5,852mn in the rent-a-car business. In the housing business, the completion of houses ordered or started in FY3/14 is seen pushing up FY3/15 sales by 46.0% y-o-y to ¥3,134mn.

The company forecasts an improvement in the gross profit margin to 21.7% in FY3/15 from 21.3% in FY3/14. However, it sees SGA costs growing by 4.5% y-o-y to ¥19,010mn in FY3/15, due in part to the costs for Nissan-Satio-Nara. This would lift the ratio of SGA costs to sales to 14.1% in FY3/15 from 13.7% in FY3/14 and keep the operating profit margin in FY3/15 unchanged y-o-y at 7.6%.

On May 27, 2014, VT Holdings announced that it planned to make MG Home Co., Ltd. a consolidated subsidiary as of August 1, 2014. MG Home plans and sells condominium units built for sale and is listed on the Second Section of the Tokyo Stock Exchange. In FY3/14, MG Home reported sales of ¥3,076mn and operating profit of ¥180mn. VT Holdings' forecasts for FY3/15 did not envision this acquisition, which should contribute to higher sales and profits than projected.

## ■ Medium-term Business Plan

### Targeting recurring profit margin of 8% or more, equity ratio of 40% or more

Over the medium term, VT Holdings aims to achieve a recurring profit margin of 8% or more and an equity ratio of 40% or more.

#### (1) Recurring profit margin of 8% or more

The company achieved a recurring profit margin of 7.5% in FY3/14. To raise this margin to 8%, the company plans to improve the profitability of all its businesses, setting as a benchmark the 11.5% recurring profit 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

In FY3/14, the company achieved an equity ratio of 33.9%, surpassing its initial goal of 30%. Now, it aims for a ratio of 40% or more. By raising profitability, as discussed above, the company's retained earnings should grow, expanding its equity. The company will restrict its investments to the amount of its cash flow from operations and will acquire other companies with the aim of quickly reaping returns on its investment. 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 values the opinions of its shareholders and therefore follows a generous shareholder return policy. 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 to increase the market liquidity of its shares.

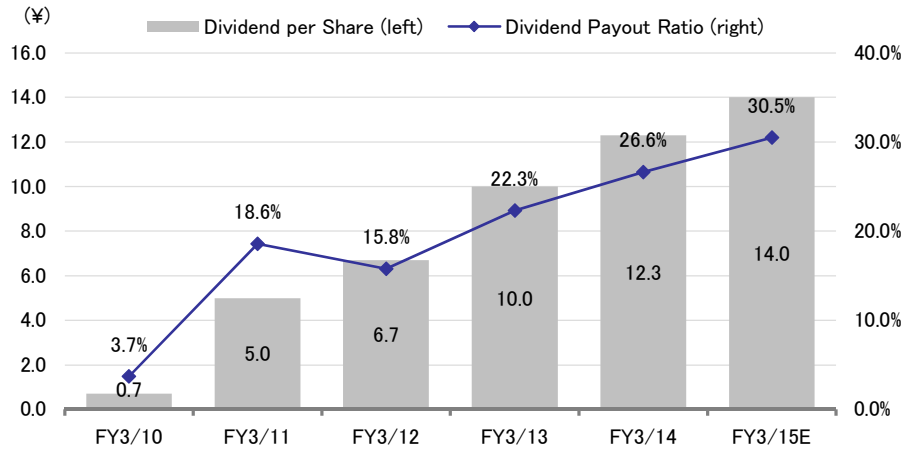
At the same time, the company raised its dividend payout ratio target to 30% from 20%, considering factors such as the scale of its profit growth and the dividend payout ratios of other listed companies. For FY3/15, the company plans to pay an interim dividend of ¥7 per share and a year-end dividend 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 30.5%. As the company intends to maintain a dividend payout ratio of 30%, it is likely to raise its dividend as its profits grow.



VT HOLDINGS CO., LTD.  
7593 JASDAQ

20-Aug.-14

**Dividend per Share (¥) and Dividend Payout Ratio (%), FY3/10–FY3/15E**



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

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