CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Nissan Motor Acceptance Corporation and Subsidiaries
(A Wholly Owned Subsidiary of Nissan North America, Inc.)
For the Six Months Ended September 30, 2015 and 2014

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Nissan Motor Acceptance Corporation and Subsidiaries
(A Wholly Owned Subsidiary of Nissan North America, Inc.)

Consolidated Interim Balance Sheets (Unaudited)

(Dollars in Thousands, Except Par Value)

	September 30, 2015	March 31, 2015
Assets		
Cash and cash equivalents	$ 76,114	$ 88,843
Restricted cash	1,626,601	1,689,948
Finance receivables – net (Note 3)	39,162,287	36,952,374
Investment in vehicle operating leases – net (Note 5)	18,010,309	17,137,647
Receivables from affiliates and other – net (Note 6)	976,705	769,110
Property – net	53,540	59,808
Investments in affiliates (Note 4)	706,022	721,835
Deferred charges and other assets – net	1,015,115	1,005,099
Deferred tax assets	858,448	904,061
Total assets	$ 62,485,141	$ 59,328,725

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Nissan Motor Acceptance Corporation and Subsidiaries
(A Wholly Owned Subsidiary of Nissan North America, Inc.)

Consolidated Interim Balance Sheets (Unaudited) (continued)
(Dollars in Thousands, except Par Value)

	September 30, 2015	March 31, 2015
Liabilities and equity		
Liabilities:		
Borrowings (Note 9)	$ 48,893,388	$ 46,043,303
Accounts payable and accrued liabilities	792,951	624,703
Deferred income and incentives	1,119,672	1,032,324
Other liabilities	898,393	890,625
Deferred tax liabilities	5,658,666	5,834,132
Total liabilities	57,363,070	54,425,087
Commitments and contingencies		
Equity:		
Nissan Motor Acceptance Corporation		
(NMAC) stockholder's equity:		
Common stock ($100 par value – authorized,		
8,000,000 shares; outstanding, 4,998,163 shares at September 30, 2015 and March 31, 2015, respectively.)	499,816	499,816
Additional paid-in capital	170,000	170,000
Retained earnings	4,281,190	3,915,883
Accumulated other comprehensive (loss) gain:		
Unrealized (loss) gain on derivative instruments - net of tax	(25,817)	25,228
Foreign currency translation adjustment	(113,754)	(77,060)
Net accumulated other comprehensive loss	(139,571)	(51,832)
Total NMAC stockholder’s equity	4,811,435	4,533,867
Noncontrolling interests	310,636	369,771
Total equity	5,122,071	4,903,638
Total liabilities and equity	$ 62,485,141	$ 59,328,725

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Nissan Motor Acceptance Corporation and Subsidiaries
(A Wholly Owned Subsidiary of Nissan North America, Inc.)

Consolidated Interim Balance Sheets (Unaudited) (continued)

(Dollars in Thousands, except Par Value)

The following table presents the assets and liabilities of our consolidated variable interest entities as well as assets and liabilities transferred to unconsolidated Variable Interest Entities (VIEs) in non-recourse securitization transactions accounted for as borrowings which have similar economic characteristics. All of these assets and liabilities are presented on the same basis as the assets and liabilities in the consolidated balance sheets above (carrying value). The carrying value of these assets presented below based on accounting principles generally accepted in the United States of America (U.S. GAAP) may be greater than the values ascribed to them in accordance with the securitization transactions.

		September 30, 2015		**March 31, 2015**
Restricted cash		1,626,601	$	1,689,948
Finance receivables – net *		19,752,486		17,090,553
Investment in vehicle operating leases – net		4,446,077		4,280,753
Deferred charges and other assets – net		97,866		171,244
Total assets of VIEs	$	25,923,030	$	23,232,498
Borrowings *	$	18,829,133	$	17,804,093
Deferred income and incentives		—		354,566
Total liabilities of VIEs	$	18,829,133	$	18,158,659

* The following are included in Finance receivables – net and Borrowings in the table above that relate to the non-recourse financing transactions with VIEs for which we are not the primary beneficiary:

	September 30, 2015	**March 31, 2015**
Finance receivables – net	1,687,970	1,220,714
Borrowings	1,749,116	1,258,658

See accompanying notes.

Nissan Motor Acceptance Corporation and Subsidiaries
(A Wholly Owned Subsidiary of Nissan North America, Inc.)

Consolidated Interim Statements of Income and Comprehensive Income
(Unaudited)
(Dollars in Thousands)

	Six Months Ended September 30	
	2015	**2014**
Revenues:		
Finance revenues:		
Leasing	$ 1,974,755	$ 1,822,474
Retail	607,491	555,616
Wholesale	104,366	102,312
Loans to dealers	37,855	37,245
Total finance revenues	2,724,467	2,517,647
Other income – net	64,226	92,167
Total revenues *(Note 6)*	2,788,693	2,609,814
Expenses:		
Depreciation on leased vehicles	1,481,468	1,352,796
Interest – net *(Note 6)*	424,034	410,533
Provision for losses – finance receivables - net	158,020	110,078
Provision for impairment – investment in vehicle operating leases - net	36,841	33,279
General and administrative *(Note 6)*	129,609	141,538
Total expenses	2,229,972	2,048,224
Income before income taxes	558,721	561,590
Income tax expense	165,812	136,138
Net income	392,909	425,452
Net income attributable to noncontrolling interests	27,602	29,696
Net income attributable to NMAC	365,307	395,756
Other comprehensive income(loss) – net of tax:		
Unrealized (loss)/gain on derivative instruments during the period – net of tax of $51,460 and $(10,419) in 2015 and 2014, respectively	(102,523)	16,229
Foreign currency translation adjustment	(71,953)	2,464
Total other comprehensive income(loss) – net of tax	(174,476)	18,693
Comprehensive income	218,433	444,145
Comprehensive income attributable to noncontrolling interests	(59,135)	29,731
Comprehensive income attributable to NMAC	$ 277,568	$ 414,414

See accompanying notes.

Nissan Motor Acceptance Corporation and Subsidiaries
(A Wholly Owned Subsidiary of Nissan North America, Inc.)

Consolidated Interim Statements of Equity (Unaudited)
(Dollars in Thousands)

Six Months Ended September 30, 2015 and 2014

	NMAC Stockholder's Equity											
	Number of Common Shares		Common Stock		Additional Paid-In Capital		Retained Earnings		Accumulated Other Comprehensive Income/(Loss)		Noncontrolling Interests		Total Equity
Balance – April 1, 2014	4,998,163	$	499,816	$	177,616	$	3,102,690	$	(71,376)	$	302,034	$	4,010,780
Additional paid-in capital	—		—		5		—		—		—		5
Net income	—		—		—		395,756		—		29,696		425,452
Other comprehensive income(loss)	—		—		—		—		—		—		—
Unrealized gain on derivative instruments during the period - net of tax and reclassification adjustments	—		—		—		—		17,402		(1,173)		16,229
Foreign currency translation adjustment	—		—		—		—		1,256		1,208		2,464
Balance – September 30, 2014	4,998,163	$	499,816	$	177,621	$	3,498,446	$	(52,718)	$	331,765	$	4,454,930
Balance – April 1, 2015	4,998,163	$	499,816	$	170,000	$	3,915,883	$	(51,832)	$	369,771	$	4,903,638
Additional paid-in capital	—		—		—		—		—		—		—
Net income	—		—		—		365,307		—		27,602		392,909
Other comprehensive loss	—		—		—		—		—		—		—
Unrealized loss on derivative instruments during the period - net of tax and reclassification adjustments	—		—		—		—		(51,044)		(51,479)		(102,523)
Foreign currency translation adjustment	—		—		—		—		(36,695)		(35,258)		(71,953)
Balance – September 30, 2015	4,998,163	$	499,816	$	170,000	$	4,281,190	$	(139,571)	$	310,636	$	5,122,071

See accompanying notes.

Consolidated Interim Statements of Cash Flows (Unaudited)

(Dollars in Thousands)

	Six Months Ended September 30	
	2015	**2014**
Operating activities		
Net income	$ 392,909	$ 425,452
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in unrealized (losses) gains on derivative instruments net of reclassification adjustment	11,113	(3,108)
Provision for losses – finance receivables – net	158,020	110,078
Provision for impairment – investment in vehicle operating leases – net	36,841	33,279
Depreciation on leased vehicles	1,481,468	1,352,796
Amortization of deferred income	(400,178)	(137,653)
Other depreciation and amortization	29,875	30,853
Deferred tax liabilities	(148,441)	54,872
Interest earned on restricted cash	(261)	(94)
Changes in operating assets and liabilities:		
Accounts receivable – net	107,279	(5,687)
Receivables from affiliates and other – net	(127,166)	(421,115)
Deferred charges and other assets – net	(4,976)	(55,663)
Accounts payable and accrued liabilities	147,244	(62,414)
Deferred retail and lease subvention	629,897	189,818
Net cash provided by operating activities	2,313,624	1,511,414
Investing activities		
Change in restricted cash	63,609	465,730
Purchases of investments	150	–
Vehicles acquired for lease	(5,029,366)	(4,444,911)
Proceeds from sales of leased vehicles	2,606,866	2,801,536
Originations of retail finance receivables	(9,915,734)	(7,787,067)
Principal collected from retail finance receivables	6,676,939	6,095,500
Net principal collected from wholesale finance receivables	240,261	204,043
Originations of loans to dealers	(891,509)	(1,028,140)
Principal collected from loans to dealers	764,346	924,820
Net disposal of property and software	4,951	1,524
Net cash used in investing activities	(5,479,487)	(2,766,965)

Continued on next page.

Nissan Motor Acceptance Corporation and Subsidiaries
(A Wholly Owned Subsidiary of Nissan North America, Inc.)

Consolidated Interim Statements of Cash Flows (Unaudited)

(Dollars in Thousands)

	Six Months Ended September 30	
	2015	**2014**
Financing activities		
Contributions to equity from noncontrolling interests	$ —	$ 5
Net proceeds from short-term obligations less than or equal to 90 days	2,151,689	960,571
Payments of short-term obligations greater than 90 days	(3,042,456)	(879,253)
Proceeds from short-term obligations greater than 90 days	1,983,744	653,703
Proceeds from issuance of collateralized debt	8,049,127	2,539,046
Payments on collateralized debt	(7,005,768)	(3,869,581)
Proceeds from issuance of term loans payable	2,038,690	1,985,932
Payments on term loans payable	(1,036,200)	(194,679)
Deferred bond issuance cost	(3,449)	(1,588)
Net cash provided by financing activities	3,135,377	1,194,156
Net decrease in cash and cash equivalents	(30,486)	(61,395)
Effect of exchange rate changes on cash	17,757	5,407
Cash and cash equivalents – beginning of year	88,843	145,980
Cash and cash equivalents – end of year	$ 76,114	$ 89,992
Supplemental disclosure of cash flow information		
Cash paid during the year for:		
Interest	$ 404,867	$ 353,873
Income taxes – net	$ (46,972)	$ 219,402
Supplemental schedules of noncash activities		
Unrealized loss from cash flow hedges as a component of deferred charges and other assets, deferred income and other liabilities and other comprehensive loss – net of taxes	$ (51,046)	$ 16,229
Long-term interest payment received in capital stock in lieu of cash	$ 10,718	$ —

See accompanying notes.

1. General

Nissan Motor Acceptance Corporation (NMAC) is a wholly owned subsidiary of Nissan North America, Inc. (NNA), which is a wholly owned subsidiary of Nissan Motor Co., Ltd. (NML), a Japanese corporation.

NMAC and its wholly-owned and majority-owned subsidiaries, (collectively, the Company, NMAC, we, us or our) purchases retail installment obligations and lease contracts from dealers in connection with new and used vehicle financing arrangements. NMAC also provides financing to dealers for the acquisition of vehicles for sale, working capital, and dealership mortgages. NMAC's wholly owned subsidiaries were established for the purpose of facilitating the securitization and financing of retail receivables, dealer floor plan receivables and automobile leases.

The Company operates in the United States (U.S.) and in Mexico, through a 51% controlling interest in NR Finance Mexico, S.A. de C.V., Sociedad Financiera de Objeto Multiple, Entidad Regulada (NRFM).

2. Summary of Significant Accounting Policies

Consolidation

The unaudited consolidated interim financial statements include the accounts of NMAC, its controlled subsidiaries and all variable interest entities (VIEs) for which we are the primary beneficiary. All significant intercompany balances and transactions have been eliminated in consolidation.

A VIE is an entity that either (i) has insufficient equity to permit the entity to finance its activities without additional subordinated financial support or (ii) has equity investors who lack the characteristics of a controlling financial interest. The primary beneficiary of a VIE is the party with both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and the obligation to absorb the losses or the right to receive benefits that could potentially be significant to the VIE.

To assess whether we are the primary beneficiary, we consider all the facts and circumstances including our role in establishing the VIE and our ongoing rights and responsibilities. This assessment includes identifying the activities that most significantly impact the VIE's economic performance and identifying which party, if any, has power over those activities. In general, the

2. Summary of Significant Accounting Policies (continued)

party that makes the most significant decisions affecting the VIE is determined to have the power to direct the activities of a VIE.

To assess whether we have the obligation to absorb the losses or the right to receive benefits that could potentially be significant to the VIE, we consider all of our economic interests, including debt and equity interests, servicing rights and fee arrangements, and any other variable interests in the VIE. If we determine that we are the party with the power to make the most significant decisions affecting the VIE, and we have a potentially significant interest in the VIE, then we consolidate the VIE.

We perform ongoing reassessments of whether we are the primary beneficiary of a VIE. The reassessment process considers whether we have acquired or divested the power to direct the activities of the VIE through changes in governing documents or other circumstances. We also reconsider whether entities previously determined not to be VIEs have become VIEs, based on certain events, and therefore are subject to the VIE consolidation framework.

The VIE assets presented in the unaudited consolidated interim balance sheet can only be used to settle the obligations of the VIE and serve as the primary repayment for the asset-backed securities issued by these entities.

Investors in the asset-backed securities issued by VIE’s do not have general recourse to NMAC’s general credit, with the exception of customary representation and warranty repurchase provisions and indemnities. The asset backed securitization transactions are typically over-collateralized and further supported by restricted cash balances. Losses on the receivables pledged in asset backed securitization transactions generally do not accrue to the investors until the amount of losses on pledged assets exceeds the overcollateralization amount plus any related restricted cash balances. As a result of this overcollateralization and the restricted cash balances, losses on these pledged assets and the related VIE’s have generally accrued to the Company.

The Company has certain securitization transactions with an affiliate. Due to rights we hold, the asset transfers involving the affiliate are accounted for as non-recourse financings on the unaudited consolidated interim balance sheets. The trusts to which the assets are transferred are considered to be VIEs, however we do not consider ourselves the primary beneficiary. After the transfers, we are not exposed to losses on the assets as all significant risks transfer to the affiliate and our affiliate also receives the benefits from the assets.

2. Summary of Significant Accounting Policies (continued)

The accounting and reporting policies of the Company conform with accounting principles generally accepted in the United States of America (GAAP).

Cash and Cash Equivalents

The Company considers investments purchased with an original maturity of three months or less to be cash equivalents. Such investments are accounted for at cost which approximates fair value.

Restricted Cash

Restricted cash consists of compensating balances maintained for securitization trusts and amounts relating to warehouse lending facilities in connection with loan, lease, and floorplan asset transfers accounted for as collateralized borrowings. Cash reserve accounts are maintained at predetermined amounts for certain securitization activities in the event that deficiencies occur in cash flows owed to the investors.

Retail Receivables

Retail receivables are generally due in monthly installments over a period of one to six years and are collateralized by liens on the related vehicles. Interest income on these receivables is calculated using the effective interest method and is recorded as earned. The interest accrual on retail receivables and pledged retail receivables is suspended when an account is past due and unpaid for more than 120 days for U.S. retail receivables and pledged retail receivables and 90 days for NRFM retail receivables or upon repossession of the underlying collateral, whichever comes first. NRFM suspends the accrual of interest income after a loan becomes 90 days delinquent. When a loan is placed on nonaccrual, unpaid interest is reversed against interest income. Interest income on nonaccrual loans, if recognized, is either recorded using the cash basis method of accounting or recognized at the end of the loan after the principal has been reduced to zero, depending on the type of loan. If and when borrowers demonstrate the ability to repay a loan in accordance with the contractual terms of a loan classified as nonaccrual, the loan may be returned to accrual status. Loans are generally charged off when they are delinquent for over 120 days.

2. Summary of Significant Accounting Policies (continued)

Wholesale Receivables

The Company provides financing to certain dealers for the purchase of vehicle inventory. The receivables are collateralized by the related vehicles. Interest income on these receivables is calculated using the effective interest method and is recorded as earned. Accrual of interest is discontinued when management believes, after considering economic and business conditions and collection efforts, the borrower's financial condition is such that collection of interest is doubtful.

Thereafter, the full amounts of all payments received, whether principal or interest, are applied to the principal balance of the loans.

Loans to Dealers

Loans to dealers primarily consist of mortgage, equipment, and capital loans and direct finance leases to dealers. The loans to dealers are collateralized by liens on the related real and personal property. Interest income on these receivables is calculated using the effective interest method and is recorded as earned. Accrual of interest is discontinued when management believes, after considering economic and business conditions and collection efforts, the borrower's financial condition is such that collection of interest is doubtful. Thereafter, the full amounts of all payments received, whether principal or interest, are applied to the principal balance of the loans.

Equipment leases, included in loans to dealers, consist of signs leased to dealers on capital leases. At lease commencement, the aggregate future minimum lease payments, deferred initial direct costs, and unearned income (collectively, Net Investment) are recorded. Income is recognized over the life of the lease to approximate a level rate of return on the Net Investment.

Other Receivables

Other receivables primarily consist of dealer parts receivables purchased from NNA, interest receivable on retail and wholesale loans and loans to dealers, payments receivable on leases, and charges receivable from customers for excess mileage and excess wear and tear upon lease termination.

2. Summary of Significant Accounting Policies (continued)

Origination Fees

Origination fees and certain initial direct costs associated with the originations of loans and lease receivables are included in retail receivables, pledged retail receivables, wholesale receivables, and other receivables, as applicable, in the accompanying unaudited consolidated interim balance sheets and are capitalized and amortized over the related loan term using the effective interest method or lease term using the straight line method.

Allowance for Credit Losses

The allowance for credit losses represents management's estimate of incurred losses in the lending portfolios. Portions of the allowance for credit losses are specified to cover the estimated losses on loans made to dealers specifically identified for impairment. The unspecified portion of the allowance for credit losses covers probable and estimable losses on the homogeneous portfolios of finance receivables and loans collectively evaluated for impairment. Additions to the allowance for credit losses are made by charges to the income statement as a provision for credit losses. Amounts determined to be uncollectible are charged against the allowance for credit losses. Recoveries of previously charged-off amounts are credited to the allowance for credit losses.

The Company performs periodic reviews of its lending portfolios to identify inherent risks and to assess the overall collectability of those portfolios. The allowance relates to portfolios collectively reviewed for impairment, generally consumer finance receivables and loans, and is based on aggregated portfolio evaluations by product type. Loss models are utilized for these portfolios which consider a variety of factors, including, but not limited to, historical loss experience, current economic conditions and loss trending, anticipated repossessions or foreclosures based on portfolio trends, delinquencies and credit scores, by receivable and loan type.

Loans made to dealers are generally reviewed on an individual loan basis and, if necessary, an allowance is established for individual loan impairment. Reserves on loans made to dealers are based on factors, including, but not limited to, historical loss experience, current economic conditions, collateral performance and performance trends within specific geographic and portfolio segments, and any other pertinent information, which result in the estimation of general allowances for credit losses. The allowance related to specifically-identified impaired loans made to dealers is established based on the estimated fair value of the collateral for loans that are solely dependent on the collateral for repayment, discounted expected cash flows, or observable market prices.

The evaluation of these factors for both consumer and commercial finance receivables and loans involves complex objective and subjective judgments.

2. Summary of Significant Accounting Policies (continued)

Securitization of Finance Receivables and Related Securitized Debt

The Company raises a significant portion of its funds to meet borrowing needs through the use of asset-backed securitizations. Finance receivable securitizations are accounted for as collateralized borrowings. These securitizations are structured legally as sales, but for accounting purposes are treated as collateralized borrowings. These securitizations do not meet the criteria for derecognition as the trusts to which such assets have been transferred are VIEs that are controlled by the Company. In addition, certain securitized receivables transferred to an affiliate were not proven to be beyond the reach of creditors. Accordingly, the finance receivables remain on the unaudited consolidated interim balance sheets and can only be used to settle the VIE's obligations (included in pledged retail receivables and pledged wholesale receivables in Note 3). Retained interests are not created for accounting purposes. Corresponding public debt issuances and private warehouse transactions are included in securitized debt in the accompanying unaudited consolidated interim balance sheets, although such obligations are only secured by and payable from the respective trust's or other issuing entity's assets. There are no cross-collateralization agreements between the issuances of debt by the securitization trusts. The Company records interest income on securitized finance receivables over the life of the loans and interest expense on the debt issued in the securitizations over the life of the securitizations. Deferred debt issuance costs related to the debt are included in deferred charges and other assets in the accompanying unaudited consolidated interim balance sheets and are amortized on a level yield basis over the life of the debt.

Investment in Vehicle Operating Leases – Net

One of the Company's subsidiaries, Nissan-Infiniti LT, (NILT), purchases vehicles from dealers that have been leased to third parties through financing arrangements with NILT. Investment in vehicle operating leases – net represents the leased vehicles at cost less accumulated depreciation and an allowance for incentives and leased vehicle impairment. Income from operating leases, included in leasing revenues in the accompanying unaudited consolidated interim statements of income and comprehensive income, is recorded as scheduled payments become due. Impairment of leased vehicles occurs primarily due to the separate or combined effects of declines in the estimated residual values of vehicles at the end of the lease, excess mileage and wear and tear, and decreases in expected lease cash flows due to credit issues with the underlying lessees. Depreciation expense on vehicles subject to operating leases is provided on a straight-line basis in an amount necessary to reduce the leased vehicle value to its contractual residual value at the end of the lease term.

2. Summary of Significant Accounting Policies (continued)

The Company measures for impairment only upon determination that an impairment indicator exists and that recovery of the full residual value is not expected. If it is determined that the asset may not be recoverable, impairment is recorded against the basis of the vehicle for the amount in which the estimated discounted cash flows will not exceed the carrying value of the asset.

Contractual residual values on matured leased vehicles are guaranteed by NNA substantially all from residual value support from NNA as long as the lease has not experienced a credit event (i.e., default by the lessee).

Impairment reserves for leased vehicles resulting from credit issues are the Company's responsibility and are maintained in an amount considered by management to be appropriate in consideration of historical and other factors that affect the carrying value. Adjustments to such reserves are included in provision for impairment – investment in vehicle operating leases in the accompanying unaudited consolidated interim statements of income and comprehensive income. Reductions to the impairment reserve resulting from credit issues are principally the result of disposition of repossessed leased vehicles before completion of the original lease term.

Charges to the impairment reserve for residual value losses result primarily from gains/losses at the disposition of matured leased vehicles. Repossessed lease and off-lease vehicles that have not yet been sold at auction are recorded at the lower of cost or fair value and reported in deferred charges and other assets – net in the accompanying unaudited consolidated interim balance sheets.

In addition to NNA providing residual value support for leases that have not been subject to a credit event, the Company has agreements with NNA that provide for interest supplements and other support payments on certain leasing transactions. These subvention payments from NNA related to investment in vehicle operating leases are recorded by the Company as deferred income. The subvention is then amortized, on a straight-line basis, into leasing revenues over the contractual life of the lease. Upon prepayment of a lease, any remaining unamortized subvention is recognized as leasing revenue.

Leased vehicles titled in NILT's name are allocated from time to time to Special Units of Beneficial Interests (SUBIs), which are pledged as collateral for certain financing arrangements. Debt security offerings secured by such pledged SUBIs and private placement warehouse borrowings are included in borrowings in the accompanying unaudited consolidated interim balance sheets. Leased vehicles that collateralize the SUBIs are discussed in Note 5.

2. Summary of Significant Accounting Policies (continued)

Derivative Financial Instruments

The Company uses derivative financial instruments to manage certain exposures to interest rate and foreign currency exchange risks. The Company does not hold or issue derivative financial instruments for trading or speculation purposes. The use of derivative financial instruments requires the Company to make assumptions in determining fair market values, which may differ substantially at each reporting date. These derivative financial instruments include foreign currency exchange contracts and interest rate swaps and are recorded on the balance sheet as assets and liabilities, measured at fair value including an adjustment of nonperformance risk, which are included in deferred charges and other assets – net and other liabilities, respectively. Gains or losses resulting from changes in the values of those derivatives are accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. Gains or losses related to derivatives that qualify for cash flow hedge accounting are recorded in other comprehensive income (loss) to the extent effective; otherwise, such gains and losses are recorded in other income - net in the accompanying unaudited consolidated interim balance sheets.

For derivatives that qualify for hedge accounting, the Company documents the relationships between hedging instruments and hedged items, including the purpose, strategy and objective for undertaking various hedge transactions. The process includes linking derivatives to specific assets and liabilities on the balance sheet or specific future cash flows. The Company also assesses whether the derivatives used in hedge transactions are highly effective in offsetting changes in fair values or projected cash flows of hedged items at the inception and on an ongoing basis. When a derivative is determined not to be highly effective or the underlying hedged item is no longer probable, the Company discontinues hedge accounting. In addition, the Company utilizes certain derivative financial instruments that do not qualify or are not designated as hedges for accounting purposes to manage risks related to foreign currency. As these derivatives are economic hedges not designated as accounting hedges, changes in the fair value of the derivative instruments are recognized in earnings when they occur. The Company has entered into master agreements that permit the right to offset amounts owed to and from counterparties for all derivative financial instruments. The Company has however elected to present all derivative assets and liabilities gross in the accompanying unaudited consolidated interim balance sheets.

2. Summary of Significant Accounting Policies (continued)

Income Taxes

The Company, excluding the foreign entity NRFM which files an income tax return in Mexico, files a consolidated U.S. income tax return and, in certain instances, combined state income tax returns with NNA and other members of the affiliated group. Under the tax allocation agreement with NNA, each group member with taxable income is allocated 100% of its respective current federal tax liability calculated on a separate company basis. Any member without a current federal tax liability on a separate company basis is allocated 100% of the tax benefits of its tax losses and credits that are realized by the group. For those states in which the Company, excluding NRFM, is included in a combined tax return with NNA and other group members, current taxes are allocated in proportion to each member's contribution to the combined tax liability or receivable.

The Company provides for deferred income taxes arising from future tax consequences of events that have been recognized in the Company's unaudited consolidated interim financial statements or tax returns on a separate company basis. The effects of these future tax consequences are based on enacted laws and rates. Deferred tax assets in the accompanying unaudited consolidated interim balance sheets are recognized subject to management's judgment that realization is more likely than not. The Company adjusts these deferred tax assets to their realizable value through the recording of a valuation allowance. In making such determination, the Company considers all available positive and negative evidence, including potential carryback claims, scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and projected future taxable income.

Uncertain tax positions are evaluated under the standards of ASC Topic 740-10, *Income Taxes*, (ASC Topic 740-10) which provides a comprehensive model for the recognition, measurement, presentation and disclosure of uncertain tax positions that a company has taken or expects to take on a tax return. ASC Topic 740-10 provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Revenue from finance receivables is recognized using the effective interest method. Certain origination costs on receivables are deferred and amortized, using the effective interest method, over the term of the related receivable as a reduction in financing revenue. Rental revenue on operating leases is recognized on a straight-line basis over the term of the lease. Initial direct costs related to leases are deferred and amortized over the term of the lease.

Agreements with NNA provide for interest supplements and other support payments to the Company on certain financing and leasing transactions. These subvention payments are recognized as income over the period that the related finance receivables and leases are outstanding using the effective interest and straight-line methods, respectively.

Other Income – Net

Other income – net primarily consists of fees from interest earned on restricted cash balances, income earned on other investments, market value adjustments on derivative financial instruments not designated as hedges for accounting purposes or to the extent ineffective as a hedge, remeasurement of foreign currency denominated investments and debt, and gains or losses on equity method investments.

Foreign Currency Balances and Transactions

Revenues, costs, and expenses of foreign subsidiaries are translated to U.S. dollars at average period exchange rates. Assets and liabilities of foreign subsidiaries are translated to U.S. dollars at period-end exchange rates and the effects of these translation adjustments are reported as a component of accumulated other comprehensive income in equity. Foreign investments and debt are translated to U.S. dollars at period-end exchange rates and the effects of these translations are reported as a component of other income – net.

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used when accounting for items such as derivatives, allowance for credit losses, impairment allowances for leased vehicle residual value and credit related losses, deferred tax asset valuation allowances, uncertain tax provisions, recoverability of intangibles and other long-lived assets, and legal contingencies.

Reclassifications

Certain prior period balances have been reclassified to conform to the current presentation.

Customer Concentration

At September 30, 2015, the three largest aggregate outstanding dealer or dealer group wholesale receivables totaled approximately $683,902 (10.7%), of all wholesale receivables. All wholesale receivables for these three customers were current as of September 30, 2015. Adverse changes in the business or financial condition of a dealer or dealer group to whom the Company has extended a substantial amount of financing or commitments, in particular when the financing is unsecured or not secured by realizable assets, could result in a material adverse effect on the Company's unaudited consolidated interim balance sheets, statements of income and comprehensive income, and statements of cash flows.

(Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

Concentration of Credit Risk by Geography

The following table approximates the concentration by geography of the Company's finance receivables, net and investment in operating leases, net in the United States (U.S.) as of September 30, 2015:

Retail/Lease Receivable		Loans to dealers		Wholesale Receivable	
California	13%	California	19%	California	16%
Texas	11%	Texas	11%	Texas	13%
New York	11%	Florida	8%	New Jersey	8%

Any material adverse changes to the economy of these states could have a material adverse effect on the Company's unaudited consolidated interim balance sheets, statements of income and comprehensive income, and statements of cash flows.

In Mexico, NRFM's net assets totaled $593,675 as of September 30, 2015. See Note 3 regarding loans to customers and dealers in Mexico.

Adoption of New Accounting Standards

In June 2014, the FASB issued ASU 2014-11, *Transfers and Servicing, Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures* which was adopted by the Company as of April 1, 2015. This update changes the accounting for repurchase-to-maturity transactions to secured borrowing accounting. It also requires separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty, which will result in secured borrowing accounting for the repurchase agreement. In addition to these changes, expanded disclosure requirements are also required. The adoption of this update did not have a material impact on the Company's unaudited consolidated interim financial statements and disclosures.

Recent Accounting Pronouncements

The FASB issued the following standards and the Company is currently assessing the impact they will have on its unaudited consolidated interim financial statements and disclosures.

(Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

Standard		Effective Date for NMAC
2015-03	Imputation of Interest - Simplifying the Presentation of Debt Issuance Costs	April 1, 2016
2015-02	Consolidation - Amendments to the Consolidation Analysis	April 1, 2016
2015-01	Extraordinary and Unusual Items - Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items	April 1, 2016
2014-16	Derivatives and Hedging - Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity	April 1, 2016
2014-13	Consolidation - Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity	January 1, 2017
2014-09 / 2015-14	Revenue from Contracts with Customers	April 1, 2018

(Dollars in Thousands)

3. Finance Receivables – Net

Finance receivables – net consist of retail, wholesale and loans to dealers as well as other receivables (see Note 2). The Company's retail receivables and loans to dealers are recorded on the accompanying unaudited consolidated interim balance sheets, net of certain interest rate incentives or subvention received from NNA, representing discounts on the face amount of the related receivables (see Note 6). These discounts are amortized over the life of the related receivable as an adjustment to the yield of the related receivable using the effective interest method.

	September 30, 2015	March 31, 2015
Retail receivables	$ 30,291,741	$ 27,580,026
Wholesale receivables	7,106,196	7,409,939
Loans to dealers	2,359,899	2,231,932
Other receivables	180,964	299,168
Allowance for credit losses	(288,657)	(250,394)
Discount on finance receivables	(487,856)	(318,297)
Finance receivables - net	$ 39,162,287	$ 36,952,374

The following table represents the outstanding principal balance of finance receivables that have been pledged as collateral and the related securitized debt, net of discounts:

	September 30, 2015		March 31, 2015	
	Assets pledged as collateral	Borrowings secured by the collateral	Assets pledged as collateral	Borrowings secured by the collateral
Pledged retail receivables	$ 15,575,344	$ 13,877,235	$ 12,166,850	$ 11,008,989
Pledged wholesale receivables	4,573,165	1,899,925	5,193,315	3,649,908
	$ 20,148,509	$ 15,777,160	$ 17,360,165	$ 14,658,897

Management monitors the credit quality of all finance receivables on an ongoing basis. At the inception of each retail contract, the Company considers the credit risk based on a variety of criteria, including, but not limited to, prior payment experience, customer financial information, Fair Isaac Corporation (FICO) credit-ratings, loan-to-value ratios and other internal metrics. On an ongoing basis, the Company monitors the credit quality of retail receivables based on the aging of receivables.

(Dollars in Thousands)

3. Finance Receivables – Net (continued)

While the Company uses FICO scores at inception of the loan, aging is considered an appropriate measure of credit risk on an ongoing basis since the likelihood of loss increases as receivables age.

The following tables present an aging analysis of retail receivables, wholesale receivables and loans to dealers as of September 30, 2015 and and March 31, 2015:

September 30, 2015	Current	1-29 days	30-59 days	60-89 days	90+ days	Total	90 Days or Greater Past Due and Accruing
Retail	$ 26,860,872	$ 2,324,225	$ 445,202	$ 127,223	$ 46,363	$ 29,803,885	$ 23,967
Wholesale	7,094,562	—	1,907	549	9,178	7,106,196	6,999
Loans to dealers	2,274,617	—	23,625	9,025	52,632	2,359,899	52,515
Total	$ 36,230,051	$ 2,324,225	$ 470,734	$ 136,797	$ 108,173	$ 39,269,980	$ 83,481

March 31, 2015	Current	1-29 days	30-59 days	60-89 days	90+ days	Total	90 Days or Greater Past Due and Accruing
Retail	$ 24,835,245	$ 1,952,240	$ 355,655	$ 80,928	$ 37,661	$ 27,261,729	$ 12,249
Wholesale	7,400,452	—	4,592	—	4,895	7,409,939	260
Loans to dealers	2,185,078	12,204	17,064	135	17,451	2,231,932	30
Total	$ 34,420,775	$ 1,964,444	$ 377,311	$ 81,063	$ 60,007	$ 36,903,600	$ 12,539

For wholesale receivables and other dealer loans, dealer groups are evaluated to determine the credit quality of the related finance receivable. Dealership performance and financial position are routinely monitored to determine if there are any significant financial risks that may be specifically identified. Financial data is obtained monthly to determine the financial health of each dealership. The financial data of each dealership is monitored monthly and the dealership is internally assigned a credit risk grade based on several factors including profitability, capitalization and other criteria, with category A indicating the lowest risk. The Company works with dealers that are in the Workout risk class to improve their financial position and ultimate collectability of receivables. The rating systems vary between the U.S. and Mexico; however similar metrics are used.

(Dollars in Thousands)

3. Finance Receivables – Net (continued)

Dealers that are in the Status risk class have not met contractual obligations and the Company has specific reserves for these receivables. These credit risk categories were last updated in December 2011. The Other category primarily represents non-Nissan dealers whose financial information is not readily available in the same format as that of Nissan dealers but who are graded and monitored through similar metrics as Nissan dealers, in a separate category.

The following tables represent the wholesale receivables and loans to dealers by credit grade in the U.S. as of September 30, 2015 and March 31, 2015:

	September 30, 2015		March 31, 2015	
Credit Quality Indicator	**Wholesale Receivables**	**Loans to Dealers**	**Wholesale Receivables**	**Loans to Dealers**
A	$ 3,515,496	$ 1,003,753	$ 3,165,578	$ 865,000
B	942,197	327,239	1,025,682	311,404
C	517,738	171,394	892,784	251,568
D	816,049	287,574	1,197,035	352,222
Workout	499,629	162,773	430,425	112,821
Status	—	59,469	1,598	61,660
Other	252,013	320,607	124,596	251,478
Total	$ 6,543,122	$ 2,332,809	$ 6,837,698	$ 2,206,153

The following tables represent the wholesale receivables and loans to dealers by credit grade for NRFM as of September 30, 2015 and March 31, 2015:

	September 30, 2015		March 31, 2015	
Credit Quality Indicator	**Wholesale Receivables**	**Loans to Dealers**	**Wholesale Receivables**	**Loans to Dealers**
A	$ 137,441	$ 991	$ 146,785	$ 1,200
B	310,632	20,034	333,190	17,552
C	115,001	6,065	92,266	7,027
Total	$ 563,074	$ 27,090	$ 572,241	$ 25,779

(Dollars in Thousands)

3. Finance Receivables – Net (continued)

Wholesale receivables and other receivables are generally collected within three months. Included in other receivables are dealer parts receivables, totaling $0 and $131,254 as of September 30, 2015 and March 31, 2015, respectively. See Note 6 for additional details. Also included in other receivables are interest due on finance receivables of $77,173 and $72,459 at September 30, 2015 and March 31, 2015, respectively.

The following summarizes information about impaired loans to dealers as of September 30, 2015 and March 31, 2015:

	9/30/2015	3/31/2015
Impaired loans balance	$ 59,587	$ 61,791
Specific reserves on impaired loans to dealers	$ 16,781	$ 18,377
General reserves on loans to dealers	$ 4,316	$ 627

The following is the average recorded investment in impaired loans to dealers for the six months ending September 30:

	2015	2014
Average recorded investment in impaired loans	$ 59,563	$ 124,705

(Dollars in Thousands)

3. Finance Receivables – Net (continued)

An analysis of the allowance for credit losses for finance receivables is as follows:

	Retail	Wholesale	Loans to Dealers	Total
Balance - April 1, 2014	**$ 220,017**	**$ 6,870**	**$ 30,091**	**$ 256,978**
Charges offs	(190,053)	(16)	—	(190,069)
Recoveries	92,503	—	—	92,503
Provision for losses/(releases)	110,539	98	(559)	110,078
Other	(8,830)	(80)	(5)	(8,915)
Balance - September 30, 2014	**$ 224,176**	**$ 6,872**	**$ 29,527**	**$ 260,575**
Balance - April 1, 2015	**$ 225,961**	**$ 5,552**	**$ 18,881**	**$ 250,394**
Charges offs	(279,545)	(2,998)	(1,162)	(283,705)
Recoveries	168,885	116	—	169,001
Provision for losses/(releases)	149,208	5,551	3,261	158,020
Other	(4,852)	(338)	137	(5,053)
Balance - September 30, 2015	**$ 259,657**	**$ 7,883**	**$ 21,117**	**$ 288,657**

Vehicles that were repossessed in connection with defaulted retail auto loans with an estimated fair value less cost to sell of $41,979 and $38,627 as of September 30, 2015 and March 31, 2015, respectively, are held for resale by the Company and are included in deferred charges and other assets in the accompanying unaudited consolidated interim balance sheets.

Periodically, the Company may modify the terms of existing loans with dealers. Most of these modifications result only in an insignificant delay of payments and are not considered to be troubled debt restructurings as discussed in ASU 2011-02, *A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring,* because the borrower is not considered to be troubled or the modification is not considered to be a concession to the dealer.

There were no new loan modifications, classified as Troubled Debt Restructurings in accordance with ASC Topic 310-40, during the six months ended September 30, 2015.

4. Investments in Affiliates

The Company invests in subordinated debt issued by the Company's Canadian affiliate, Nissan Canada Inc. (NCI), in connection with retail lease securitizations (NIF-T Class B subordinated investments). This investment is classified as held-to-maturity and is scheduled to mature in fiscal year ending March 31, 2019. The Company entered into foreign currency swap agreements for this investment to reduce the foreign currency exchange risk arising from currency fluctuations.

The Company, through one of its wholly owned subsidiaries, entered into a forward subscription agreement to purchase common stock of NCI. This investment is accounted for under the cost method since the Company does not have the ability to exercise significant influence over NCI's operating and financial policies. Since the inception of the agreement, the Company received the required annual interest payments related to the secured note receivable from NCI in the form of NCI common stock, thus increasing the Company's investment in NCI. As of September 30, 2015, the Company owned 5.7% of NCI. This increase in investment did not provide the Company with the ability to exercise significant influence over NCI's operating and financial policies.

The Company provides intercompany loans to NNA on an as-needed basis. The outstanding principal on these notes was $115,000 at September 30, 2015 and March 31, 2015, respectively, with an interest rate of 0.92%. The loan is scheduled to mature in the year ending March 31, 2016, and the investment is classified as held-to-maturity.

All of these investments are recorded at amortized cost in investments in affiliates in the accompanying unaudited consolidated interim balance sheets (see Notes 2 and 6).

In March 2015, the Company entered into a transaction with a third-party to sell a portion of its existing shares in its former subsidiary, Alliance Inspection Management Holding, Inc. (AIMH). As a result of the transaction, the Company owns 50% of the equity of AIMH. As the Company determined it does not have the ability to control the operations of AIMH, the Company's investment is accounted for under the equity method. The Company's share of this investment was recorded in investments in affiliates at an amount that approximates fair value at the time of sale. This investment will be reviewed for potential impairment upon the determination that an impairment indicator exists.

(Dollars in Thousands)

4. Investments in Affiliates (continued)

The following summarizes investments at September 30, 2015 and March 31, 2015:

	September 30, 2015	March 31, 2015
Term notes	$ 401,287	$ 401,287
Forward subscription agreement	337,762	340,225
Foreign currency remeasurement of forward subscription agreement	(62,877)	(49,677)
Equity method investments	29,850	30,000
Carrying value	$ 706,022	$ 721,835

(Dollars in Thousands)

5. Investment in Vehicle Operating Leases – Net

Investment in vehicle operating leases – net as of September 30, 2015 and March 31, 2015, is summarized as follows:

	September 30, 2015	March 31, 2015
Cost – net	$ 23,316,570	$ 22,295,480
Accumulated depreciation	(4,062,182)	(3,902,511)
Allowance for incentives and leased vehicle impairment	(1,244,079)	(1,255,322)
Investment in vehicle operating leases, net	$ 18,010,309	$ 17,137,647

Certain operating leases, consisting of leased vehicles, were allocated to various SUBIs. The Company pledges the SUBIs as collateral for securitized debt, net of discounts. The Company services, administers, and collects payments with respect to these leases. In addition, with respect to the SUBIs, the Company is required to assess the value of the underlying collateral and, when necessary, allocate additional leased vehicles to collateralize the related securitized debt, net of discounts.

The following table represents the operating leases stated at depreciated value, before allowance for incentives and leased vehicle impairment, that have been pledged as collateral and the related securitized debt, net of discounts.

September 30, 2015		March 31, 2015	
Assets pledged as collateral	Borrowings secured by the collateral	Assets pledged as collateral	Borrowings secured by the collateral
$ 4,760,361	$ 3,051,973	$ 4,600,028	$ 3,145,241

NNA is responsible for substantially all of the residual value losses on non-credit related lease terminations and maturities other than vehicles leased to employees (see Note 6). The allowance for incentives and leased vehicle impairment is revalued at three-month intervals and the resulting adjustments to the required reserve are recorded by NNA. Under these agreements, residual value losses are incurred and paid by NNA and are included in the allowance for residual value losses as residual value support from NNA in the analysis below. Actual losses, if any, between the three-month revaluation intervals are recorded by the Company.

(Dollars in Thousands)

5. Investment in Vehicle Operating Leases – Net (continued)

An analysis of the allowance for incentives and leased vehicle impairment as of September 30, 2015 and 2014, is as follows:

	2015	2014
Allowance – at April 1	$ 1,255,322	$ 911,563
Net residual value support received from NNA and other	218,755	457,672
Charge-offs net of recoveries and other	(266,839)	(224,981)
Net provision for impairment	36,841	33,279
Allowance - at September 30	$ 1,244,079	$ 1,177,533

As of September 30, 2015 and March 31, 2015, repossessed lease and off-lease vehicles of approximately $318,435 and $345,658, respectively, net of accumulated depreciation adjustments and allowances of $261,581 and $255,964, respectively were recorded at the lower of cost or estimated fair value less cost to sell. These vehicles which are held for resale by the Company are included in deferred charges and other assets in the accompanying unaudited consolidated interim balance sheets.

At September 30, 2015, minimum future rental payments receivable on noncancelable operating leases related primarily to leased vehicles are summarized as follows:

Twelve months ending September 30	Minimum Lease Payments Receivable
2016	$ 2,923,561
2017	1,949,162
2018	777,362
2019	44,272
2020 and after	4,573
Total	$ 5,698,930

(Dollars in Thousands)

6. Related-Party Transactions

The table below summarizes amounts included in the Company's unaudited consolidated interim balance sheets and statements of income and comprehensive income for the respective periods under various related party agreements or relationships:

	September 30, 2015					
	NNA	NCI	NMEX	NML	Other	Total
Unaudited consolidated interim balance sheet						
Unamortized incentives included in finance receivables, net [5] *(Note 3)*	$ (487,856)	$ —	$ —	$ —	$ —	$ (487,856)
Other receivables included in finance receivables, net	—	413	2,696	—	825	3,934
Receivables from affiliates and other [1]	678,522	220,103	4,966	—	661	904,252
Investments in affiliates *(Note 4)*	115,000	561,172	—	—	29,850	706,022
Borrowings *(Note 9)*	4,403,507	—	1,652,872	3,710,831	1,874,155	11,641,365
Accounts payable and accrued liabilities	291,369	—	4,493	36,311	1,135	333,308
Deferred income and incentives [2]	901,888	—	—	—	—	901,888
Other liabilities [3]	—	223,430	420	—	52	223,902
Unaudited consolidated interim statement of income and comprehensive income	**For the six months ended September 30, 2015**					
Total revenues [6]	$ 466,328	$ 6,298	$ 10,225	$ —	$ 12,580	$ 495,431
Interest – net	10,524	—	29,674	65,885	71,688	177,771
General and administrative [4]	32,348	—	133	—	8,662	41,143

1 Includes receivables of $424,406 related to vehicle incentive programs for both retail and lease contracts that are billed to NNA, *see Vehicle Incentive Programs*.

2 Includes unamortized incentives related to lease vehicles under the vehicle incentive programs, *see Vehicle Incentive Programs*

3 Includes the liability related to the forward subscription agreement to purchase common stock of NCI.

4 Includes management fees charged by NNA, NR Financial Services, S.A. de C.V. (NRFM) and Nissan Mexicana, S.A. de C.V. (NMEX) to the Company

5 Unamortized incentives are related to retail contracts and loans to dealers in the vehicle incentive programs, *see Vehicle Incentive Programs*

6 Includes $386,771 of retail and leasing revenues related to the vehicle incentive programs, *see Vehicle Incentive Programs.*

(Dollars in Thousands)

6. Related-Party Transactions (continued)

	March 31, 2015					
	NNA	NCI	NMEX	NML	Other	Total
Unaudited consolidated interim balance sheet						
Unamortized incentives included in finance receivables, net [6]	$ (314,240)	$ —	$ —	$ —	$ —	$ (314,240)
Other receivables included in finance receivables, net [2]	131,254	—	8,498	—	790	140,542
Receivables from affiliates and other [1]	516,678	125,769	—	—	709	643,156
Investments in affiliates *(Note 4)*	115,000	576,835	—	—	30,000	721,835
Borrowings *(Note 9)*	3,134,290	—	1,688,190	4,840,670	1,368,658	11,031,808
Accounts payable and accrued liabilities	31,650	—	2,484	36,376	192	70,702
Deferred income and incentives [3]	816,368	—	—	—	—	816,368
Other liabilities [4]	—	236,612	629	—	69	237,310
Unaudited consolidated interim statement of income and comprehensive income	**For the six months ended September 30, 2014**					
Total revenues [7]	$ 397,335	$ 6,765	$ 12,893	$ —	$ 11,936	$ 428,929
Interest – net	11,495	—	22,623	51,295	73,632	159,045
General and administrative [5]	30,789	—	165	—	8,984	39,938

1 Includes receivables of $321,016 related to vehicle incentive programs for both retail and lease contracts that are billed to NNA, *see Vehicle Incentive Programs*.

2 Includes dealer parts receivables purchased from NNA on a monthly basis at the par value of the receivables on the date of the purchase. NNA is retained as the servicer to administer and collect the receivables on behalf of the Company for a monthly service fee of one dollar.

3 Includes unamortized incentives related to lease vehicles under the vehicle incentive programs, *see Vehicle Incentive Programs*

4 Includes the liability related to the forward subscription agreement to purchase common stock of NCI.

5 Includes management fees charged by NNA, NR Financial Services, S.A. de C.V. (NRFM) and Nissan Mexicana, S.A. de C.V. (NMEX) to the Company.

6 Unamortized incentives are related to retail contracts and loans to dealers in the vehicle incentive programs, *see Vehicle Incentive Programs*

7 Includes $333,128 of retail and leasing revenues related to the vehicle incentive programs, *see Vehicle Incentive Programs.*

(Dollars in Thousands)

6. Related-Party Transactions (continued)

Vehicle Incentive Programs

NNA sponsors various vehicle incentive financing programs for both retail and lease contracts. Under these programs, the Company purchases the retail and lease contracts and charges NNA an amount to obtain the estimated current market lending or leasing rates on the contracts, based on the applicable incentive programs.

Lease Residual Value and Employee Lease Programs

NNA is responsible for the majority of residual value recoveries and losses on noncredit related lease terminations and maturities. The total amount the Company expects to pay to NNA if recoveries exceed residual values or be reimbursed if recoveries are less than residual values is estimated and recorded in the allowance for incentives and leased vehicle impairment which is included in investment in vehicle operating leases – net in the accompanying unaudited consolidated interim balance sheets. Provisions to or releases from the Allowance for Leased Vehicle Impairment (non credit related) have no impact to the Company's unaudited consolidated interim statements of income and comprehensive income. The Company records a receivable or a payable related to such recoveries or losses. The receivables relating to these programs are recorded in receivables from affiliates and other – net, respectively in the accompanying unaudited consolidated interim balance sheets (see Note 5). In addition, NNA serves as a collection agent for the Company for the sale of off-lease vehicles. Once the funds are received, NNA transfers the proceeds to the Company. The Company records a receivable from NNA at the time the vehicle is sold in receivables from affiliates and other - net in the accompanying unaudited consolidated interim balance sheets.

The following table represents the receivable recorded in receivables from affiliates and other – net in the accompanying unaudited consolidated interim balance sheets as of September 30, 2015 and March 31, 2015.

	September 30, 2015	March 31, 2015
Allowance adjustment - paid by NNA receivable/(payable)	$ 28,193	$ (81,146)

(Dollars in Thousands)

6. Related-Party Transactions (continued)

The following table represents the receivable from NNA for proceeds from the sale of off-lease vehicles, which are recorded in receivables from affiliates and other – net in the accompanying unaudited consolidated interim balance sheets of September 30, 2015 and March 31, 2015, respectively.

	September 30, 2015	March 31, 2015
Proceeds from the sale of off-lease vehicles	$ 45,017	$ 67,588

The Company acquires vehicles from NNA that are primarily related to employee vehicle lease programs provided by NNA. The costs of the vehicles, net of accumulated depreciation, are included in investment in vehicle operating leases – net in the accompanying unaudited consolidated interim balance sheets. The Company leases the vehicles back to NNA via an operating lease and recorded revenue related to lease payments from NNA is included in leasing revenues in the accompanying unaudited consolidated interim statements of income and comprehensive income.

The following table represents the revenue recorded in leasing revenues in the accompanying unaudited consolidated interim statements of income and comprehensive income for the six months ending September 30, 2015 and 2014, respectively.

	September 30, 2015	September 30, 2014
Operating lease revenue from NNA	$ 75,256	$ 63,404

The following table represents the recorded lease payment receivable from NNA, which are recorded in receivables from affiliates and other - net in the accompanying unaudited consolidated interim balance sheets as of September 30, 2015 and March 31, 2015, respectively.

	September 30, 2015	March 31, 2015
Receivable related to lease payments from NNA	$ 142,844	$ 67,588

(Dollars in Thousands)

6. Related-Party Transactions (continued)

Borrowings

NML and its affiliates utilize excess cash by providing loans between NML affiliates to support liquidity and working capital of the group. Excess cash from operations of NNA and other affiliates is lent to NMAC in the form of a loan at a rate based on current market rates. Total affiliate borrowings outstanding as of September 30, 2015 and March 31, 2015, respectively, were comprised of the following:

	September 30, 2015			March 31, 2015		
	Balance	Weighted-average rate	Maturing through	Balance	Weighted-average rate	Maturing through
Term notes:						
Nissan Mexicana *	1,653,727	2.44 %	03/17	1,688,190	2.39%	03/17
NNA **	4,288,507	0.56 %	04/17	3,019,290	0.67%	04/17
NML ***	3,710,831	0.86 %	10/16	4,840,670	0.70%	10/16
Nissan Extended Services North America	31,000	0.86 %	07/16	110,000	0.47%	10/15
ANZEN, Insurance Broker, S.A. de C.V._03	10,172	3.10 %	10/15	—	—%	
Nissan Overseas Investments, B.V_03	100,000	0.48 %	12/15	—	—%	
	$ 9,794,237			$ 9,658,150		
Securitized debt:						
Nissan Global Reinsurance Limited (NGRE) [1]	1,732,988	7.66 %	09/20	1,258,658	7.39%	12/19
NNA	115,000	0.92 %	02/16	115,000	0.92%	02/16
	$ 1,847,988			$ 1,373,658		

1. NGRE Securitized debt balance is net discounts of $48,089 and $38,498 as of September 30, 2015 and March 31, 2015, respectively.

6. Related-Party Transactions (continued)

Income Taxes

The Company, excluding NRFM which files tax returns in Mexico, files a consolidated U.S. income tax return and, in certain instances, combined state income tax returns with NNA and other members of the affiliated group. Under the tax allocation agreement with NNA, each group member with taxable income is allocated 100% of its respective current tax liability calculated on a separate company basis. Any member without a current tax liability is allocated 100% of the tax benefits of its losses and credits realized by the group. The Company's net receivable (payable) to NNA related to federal and state income taxes was ($251,220) and $85,275 at September 30, 2015 and March 31, 2015, respectively. The gross payable and receivable balances are recorded in accounts payable and accrued liabilities and receivables from affiliates and other, net in the accompanying unaudited consolidated interim balance sheets.

Keepwell Agreement

NML entered into an agreement with the Company whereby NML provides assurances with respect to the stock ownership and financial condition of the Company to the creditors of the Company under debt and derivative obligations. As part of the agreement, NML has agreed to: (1) maintain a direct or indirect ownership of the entire legal title to and beneficial interest in all of the Company's outstanding shares of stock having the right to vote for the election of members of the Board of Directors, and not to pledge, directly or indirectly, or in any way encumber or otherwise dispose of any such shares of stock or permit its subsidiaries to do so; (2) cause the Company to have a consolidated tangible net worth, as determined in accordance with U.S. GAAP, of at least one U.S. dollar; (3) cause the Company to maintain sufficient liquidity to punctually meet the payment obligations under any indebtedness for borrowed money represented by debt obligations, borrowings, foreign exchange, swap and derivative obligations (Debt) in accordance with its terms, or, where necessary, make available to or arrange for sufficient funds to enable the Company to meet such obligations in full as and when they fall due; and (4) so long as any Debt is outstanding, not to modify, amend, or terminate the Keepwell Agreement in any manner adverse to the interests of the creditors of such debt. The Keepwell Agreement does not have a stated maturity date. The Company received no monetary support from NML under the Keepwell Agreement as of September 30, 2015 and March 31, 2015. The Company pays a fee to NML in relation to the Keepwell Agreement that is calculated as a percentage of outstanding loan balances and the notional amounts of derivatives outstanding. These fees totaled $51,807 and $98,814 as of September 30, 2015 and

6. Related-Party Transactions (continued)

March 31, 2015, respectively, and are recorded in interest – net in the accompanying unaudited consolidated interim statements of income and comprehensive income.

The financial position, results of operations and cash flows of the Company might have been different if the relationships with NML, NNA and other commonly controlled affiliates did not exist.

See Notes 3, 4, 5, 7, 8, and 9 for additional details on related-party transactions.

7. Income Taxes

For the six months ended September 30, 2015, the Company recorded income tax expense of $165,812 on pre-tax income of $558,721 generating an effective tax rate of 29.7%. This compares to the effective tax rate of 24.2% generated from income tax expense of $136,138 on pre-tax income of $561,587 for the six months ended September 30, 2014. Income tax expense for the six months ended September 30, 2015 differs from the tax calculated at the statutory rate primarily due to state income taxes, uncertain tax positions, the electric vehicle credit and foreign taxes paid at lower rates. The increase in the effective tax rate from the prior year is primarily due to a decrease in federal electric vehicle credit generation from the reduced number of the Nissan LEAF leases.

Uncertain tax benefits are recognized in accordance with ASC 740-10. As a result, the Company applies a more-likely-than-not recognition threshold for all tax uncertainties. ASC 740-10 only allows the recognition of those tax benefits that have a greater than 50% likelihood of being sustained upon examination by taxing authorities.

For the six months ended September 30, 2015, the Company's gross unrecognized tax benefits increased by a net $3,932, primarily as a result of current period impact. The Company's gross unrecognized tax benefits at September 30, 2015 were $34,699, and the amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate was $10,688.

7. Income Taxes (continued)

The Company records interest and penalties related to uncertain tax positions as a component of income tax expense. Estimated interest and penalties related to the potential underpayment of income taxes decreased by $514 for the six months ended September 30, 2015. As of September 30, 2015, the Company had $3,833 of accrued interest and penalties related to uncertain tax positions.

The Company's U.S. entities are included in the US consolidated tax return filing with its parent company. The Company also files U.S. state and local returns (both separate and combined with its parent company) as well as foreign returns. The Company, its subsidiaries and its parent are routinely examined by U.S. federal and state and local authorities as well as foreign taxing authorities.

The Company, along with its parent company, effectively settled an Internal Revenue Service examination for the tax years ended March 31, 2009, 2010 and 2011. The Company paid $42,300 in settlement of the issues associated with the tax examination. The income statement impact of the difference between the final settlement and the unrecognized tax benefits recognized in prior periods are expected to be immaterial.

The Internal Revenue Service has scheduled an opening conference with the Company as part of the consolidated federal return with its parent regarding the returns for years ended March 31, 2012, 2013 and 2014. State tax returns for various years remain open as well.

NRFM tax returns for tax years after 2010 remain subject to examination by Mexican authorities, and the Company believes it has adequately provided for any potential adjustments. There are other on-going audits in various jurisdictions that are not material to the Company’s consolidated financial statements.

8. Commitments and Contingencies

There are various claims and pending actions against the Company with respect to commercial and consumer financing matters, taxes, and other matters arising out of the normal course of business. In the opinion of management, the ultimate outcome of these matters is not expected to have a material adverse effect on the Company's unaudited consolidated interim balance sheets, statements of income and comprehensive income and statements of cash flows.

The Consumer Financial Protection Bureau (CFPB), which is responsible for implementing and enforcing various federal consumer finance protection laws, recently informed NMAC that it had concluded, based on its analysis of data NMAC previously provided, that it believes that certain of NMAC's purchase policies for consumer retail contracts from auto dealers may violate the anti-discrimination provisions of the Equal Credit Opportunity Act. NMAC does not agree with the CFPB's position. NMAC does not view a material adverse financial impact in this matter as probable.

(Dollars in Thousands)

9. Borrowings

The following tables present borrowings and the scheduled maturity assuming that no early redemptions will occur. The actual payment of securitized debt may vary based on the payment activity of the related pledged assets (see Note 3 and 5). Total borrowings outstanding as of September 30, 2015 and March 31, 2015, respectively, were comprised of the following:

	September 30, 2015			March 31, 2015		
	Balance	Weighted-average rate	Maturing through	Balance	Weighted-average rate	Maturing through
Commercial paper	2,254,599	0.43%	12/15	1,323,172	0.47%	04/15
Term notes	22,830,881	1.19%	09/20	21,918,786	1.15%	12/19
Securitized debt	18,829,133	1.35%	09/20	17,804,093	1.11%	12/19
Corporate bonds - net	4,978,775	1.67%	03/20	4,997,252	1.65%	03/20
Total borrowings outstanding	$ 48,893,388	1.27%		$ 46,043,303	1.17%	

The total borrowings outstanding at September 30, 2015, matures as follows:

Twelve months ending September 30:	
2016	$ 26,952,902
2017	11,015,042
2018	5,563,814
2019	2,518,260
2020 and after	2,843,370
Total borrowings outstanding	$ 48,893,388

9. Borrowings (continued)

Credit Facilities

In the U.S., the Company has three credit facilities with a syndicate of banks totaling of $3,350,000 available in the aggregate for general liquidity purposes.

- The 2011 five-year facility, as amended in May 2011, of $1,750,000 expires in May 2016.
- The 2012 five-year facility of $1,300,000 expires in July 2018.
- The 2014 three-year facility of $300,000 expires in July 2018.

In the U.S. and Mexico, the Company's commercial paper program is supported by bank facilities and is being sold through several financial institutions. In Mexico, this program is supported by a credit facility with a maximum credit limit of $294,000. As of September 30, 2015 there are no outstanding balances in the U.S. and Mexico.

The Company participates in a global multicurrency revolving credit facility that matures in July 2017. The maximum credit line, which was shared by the Company and NML, was $2,500,000 and $2,200,000 at September 30, 2015 and March 31, 2015, respectively. At September 30, 2015 and March 31, 2015, there were no outstanding borrowings under this credit facility.

The Company commits a Euro medium-term note program under which the Company's Board of Directors has authorized borrowings of up to $8,000,000. Under this program, the Company, Nissan Financial Services Co. Ltd., a wholly owned subsidiary of NML, and Nissan International Finance (Netherlands) B.V., a wholly owned subsidiary of Nissan Europe N.V., which in turn is a wholly owned subsidiary of NML, may individually issue notes in U.S. dollars and other currencies with maturities up to 30 years. At September 30, 2015 and March 31, 2015, there were no outstanding borrowings under the program.

The carrying values of all unsecured medium-term notes, net of amortized discount or premium, are included as part of the corporate bonds - net caption of the outstanding borrowings schedule.

10. Derivative Financial Instruments and Risk Management

The Company's debt portfolios consist primarily of fixed and floating rate debt. The Company has entered into interest rate swaps and foreign currency swaps to mitigate the interest rate and foreign currency risks. The use of derivatives is intended to reduce fluctuations on cash flows and fair value adjustments of assets and liabilities caused by market movements.

All of our derivatives are recorded on the Unaudited Consolidated Interim Balance Sheets at fair value which is presented on a gross basis and includes an adjustment of nonperformance risk. Below derivatives are the Company currently entered:

- Fair value hedge - at the inception, the derivative is designated as a hedge of the fair value of a specific asset or liability. The changes in the fair value of the derivative that are not attributable to the hedged risk are referred to as hedge ineffectiveness and recorded in net income. The changes in the fair value of the hedged item attributable to the hedged risk are recognized in net income. The Company has designated certain derivatives used to hedge its corporate bonds and foreign currency term debt with the affiliate as fair value hedges.

- Cash flow hedge – at the inception, the derivative is designated as a hedge of the forecasted cash flow associated with floating rate debt. The effective portions of the changes in the fair value of the derivative are recorded in accumulated other comprehensive income (AOCI) and are recognized in net income when the hedged item affects earnings. Ineffective portions of changes in the fair value are recognized in other income – net and expensed in the period in which the changes occur. The Company has designated certain derivatives as cash flow hedges to match interest payments related to its term debt.

- Non-hedge – at the inception, the derivative is undesignated. The changes in the fair value of the derivative are recorded in other income – net.

Foreign Exchange Contracts

The Company enters into foreign currency swaps to reduce the foreign exchange risk arising from foreign currency transactional exposures associated with transactions between affiliates and non-affiliates. The Company has elected not to treat certain currency swaps that are used to convert non-functional foreign denominated debt to functional currency as hedges for accounting purposes. As these derivatives are not designated as hedges for accounting purposes, the gains or losses are recorded in earnings each period. For currency contracts designated as hedges for

10. Derivative Financial Instruments and Risk Management (continued)

accounting purposes, the accounting treatment is dependent on whether the hedge is a cash flow hedge or a fair value hedge and the extent to which it is effective. Currency swaps generally involve the exchange of payments, which are based on the reference interest rates available at the inception of the contract, on two different currency principal balances that are exchanged.

Interest Rate Contracts

Interest rate contracts are generally used to manage a portion of the Company's interest rate risk. The Company's net interest income is affected by changes in the level of market interest rates and mismatches between the re-measurement dates of its assets and liabilities. Interest rate contracts are used to alter the re-measurement characteristics of assets and liabilities (from floating rate to fixed rate or from fixed rate to floating rate) to achieve a specified level of interest rate exposure over time from assets and liabilities.

The Company has entered into various offsetting derivatives between NMAC and its VIEs to reduce the interest rate risk between VIEs and their external counterparties. All offsetting derivative transactions are not designated.

The Company, during the year ending March 31, 2014, terminated floating-to-fixed interest rate swaps that resulted in deferred gains at the time of termination. The deferred gains associated with these interest rate swaps are included in AOCI on the unaudited consolidated interim balance sheets and are being amortized to interest expenses over the remaining term. For the six months ended September 30, 2015 and 2014, gains reclassified from AOCI into earnings were $1,275 and $1,275, respectively. The Company expects an estimated net gain of $2,549 to be reclassified into earnings by September 30, 2016.

(Dollars in Thousands)

10. Derivative Financial Instruments and Risk Management (continued)

Fair Values of Derivative Instruments

		Asset (Liability) Fair Value	
		September 30, 2015	March 31, 2015
Designated derivatives under ASC Topic 815			
Interest rate contracts	Deferred charges and other assets - net	$ 12,094	$ 378
Foreign exchange contracts	Deferred charges and other assets - net	249,368	140,635
Interest rate contracts	Deferred income and other liabilities	(40,710)	(46,728)
Foreign exchange contracts	Deferred income and other liabilities	(585)	—
Total designated contracts		$ 220,167	$ 94,285
Undesignated derivatives under ASC Topic 815			
Interest rate contracts	Deferred charges and other assets - net	$ 3,129	$ 5,090
Foreign exchange contracts	Deferred charges and other assets - net	102,405	70,463
Interest rate contracts	Deferred income and other liabilities	(3,129)	(5,090)
Total undesignated contracts		$ 102,405	$ 70,463

The Effect of Derivative Instruments on the Unaudited Consolidated Interim Statements of Income and Comprehensive Income

Six Months Ended September 30, 2015 and 2014

		Gain (Loss) Recognized in Earnings on Derivatives		Gain (Loss) Recognized in Earnings on Borrowings	
Derivatives in Topic 815 Fair Value Hedging Relationships	**Location of Gain (Loss) Recognized in Income on Derivative**	**September 30, 2015**	**September 30, 2014**	**September 30, 2015**	**September 30, 2014**
Interest rate contracts	Interest - net	$ 3,510	$ (3,085)	$ (1,475)	$ 6,288

(Dollars in Thousands)

10. Derivative Financial Instruments and Risk Management (continued)

The Effect of Derivative Instruments on the Unaudited Consolidated Interim Statements of Income and Comprehensive Income (continued)

Derivatives in ASC Topic 815 Cash Flow Hedging Relationships	Gain (Loss) Recognized in AOCI Derivative (Effective Portion) September 30, 2015	Gain (Loss) Recognized in AOCI Derivative (Effective Portion) September 30, 2014
Interest rate contracts	$ 2,534	$ 23,940
Foreign exchange contracts	(105,060)	(39,704)
	$ (102,526)	$ (15,764)

Location of Gain (Loss) Reclassified from Accumulated OCI into Income	Gain (Loss) Recognized on AOCI Derivative (Effective Portion)[1]		Gain (Loss) Recognized in Earnings on Derivatives (Ineffective Portion)	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Interest rate contracts	$ 1,275	$ 1,275	$ 281	$ (139)
Foreign exchange rates	—	—	—	(335)
	$ 1,275	$ 1,275	$ 281	$ (474)

[1] During the year ending March 31, 2014, the Company reclassified the gain in pre-tax loss from Accumulated OCI into interest – net. This gain is related to hedging relationship under FASB ASC Topic 815 that we terminated during the year.

Derivatives Not Designated as Hedging Instruments under ASC Topic 815	Location of Gain (Loss) Recognized Income on Derivative	Gain (Loss) Recognized in Earnings on Derivatives	
		September 30, 2015	September 30, 2014
Foreign exchange contracts	Other income - net	$ (9,019)	$ 1,954

(Dollars in Thousands)

10. Derivative Financial Instruments and Risk Management (continued)

	Maturing Through	September 30, 2015	March 31, 2015
Interest rate agreements			
Purchased agreements (non-qualifying hedges):	2021		
Notional		$ 9,139,225	$ 7,587,081
Fair value		3,129	5,090
Average interest rate		3.99%	3.98%
Written agreements (non-qualifying hedges):	2021		
Notional		$ 9,139,225	$ 7,587,081
Fair value		(3,129)	(5,090)
Average interest rate		3.99%	3.98%
Interest rate swap agreements (cash flow hedges)			
Notional	2018	$ 10,082,000	$ 9,792,000
Fair value		(40,710)	(46,350)
Average pay rate (fixed)		0.98%	1.00%
Average receive rate (variable)		0.29%	0.62%
Interest rate swap agreements (fair value hedges)			
Notional	2017	$ 300,000	$ 300,000
Fair value		2,228	1,527
Receive rate (fixed)		1.95%	1.95%
Pay rate (variable)		1.23%	1.10%
Notional	2019	$ 500,000	$ 500,000
Fair value		9,866	7,057
Average receive rate (fixed)		2.35%	2.35%
Average pay rate (variable)		1.10%	0.95%

(Dollars in Thousands)

10. Derivative Financial Instruments and Risk Management (continued)

Interest Rate and foreign currency swaps:	Maturing Through	September 30, 2015		March 31, 2015	
Canadian $ notional amount (non-qualifying hedges):	2018	CAD	300,000	CAD	300,000
U.S. $ notional amount			286,287		286,287
Fair value			62,161		46,123
Average pay rate (fixed) on Canadian $			4.74%		4.74%
Average receive rate (fixed) on USD			3.97%		3.97%
Mexican peso notional amount:	2019	MXN	22,960,114	MXN	19,288,414
U.S. $ notional amount			1,350,055		1,265,320
Fair value			248,783		156,391
Average pay rate (fixed) on USD			4.40%		4.07%
Average receive rate (variable) on peso			0.76%		0.73%
Mexican peso notional amount (non-qualifying hedges):	2019	MXN	2,366,280	MXN	—
U.S. $ notional amount		$	139,137	$	0
Fair value			40,244		0
Average pay rate (fixed) on USD			3.65%		0.00%
Average receive rate (variable) on peso			1.36%		0.00%

Notional Amounts of Derivatives

The notional amounts of derivatives do not represent amounts exchanged by the parties and, thus, are not a measure of the exposure of the Company through its use of derivatives. The amounts exchanged are calculated on the basis of notional amounts, and the other terms of the derivatives, related to interest rates and exchange rates. The notional amounts associated with these financial instruments do not represent assets or liabilities on the unaudited consolidated interim balance sheets.

10. Derivative Financial Instruments and Risk Management (continued)

Concentration of Credit Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted and any collateral or security proved to be of no value. To reduce such credit risk, the Company evaluates the counterparties' credit ratings. The Company does not currently anticipate nonperformance by such counterparties. Concentrations of credit risk, which arise from financial derivative instruments, exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. In management's opinion, the Company does not have significant exposure to any individual financial derivative counterparty.

11. Fair Value Disclosures

A. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value should be based on assumptions that market participants would use, including a consideration of nonperformance risk. Accordingly, the Company applied the following fair value:

Level 1 – Quoted (unadjusted) prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The use of observable and unobservable inputs is reflected in the fair value hierarchy assessment disclosed in the tables within this section.

The fair values of the Company's derivative financial instrument assets and liabilities were determined using Level 2 inputs. The fair value of interest rate and foreign currency swap agreements were determined by discounting the expected cash flows using observable market inputs for forward exchange rates, forward swap curves, and relative zero-coupon market interest rates over the remaining terms of the agreements. The fair value of purchased and written interest rate caps was determined from market quotes obtained from dealers. The fair value of derivative financial assets and liabilities incorporate the Company's non-performance credit risk and counterparty non-performance credit risk. Valuation adjustments for non-performance credit risk are derived from observable data related to credit default derivatives.

(Dollars in Thousands)

11. Fair Value Disclosures (continued)

The following tables summarize the fair values of financial instruments measured at fair value on a recurring basis at September 30, 2015 and March 31, 2015:

	Items Measured at Fair Value on a Recurring Basis			
	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of September 30, 2015
Assets:				
Derivative financial instrument assets *(Note 10):*				
Interest rate contracts	$ —	$ 15,223	$ —	$ 15,223
Foreign exchange contracts	—	351,773	—	351,773
Total derivative financial instrument assets	—	366,996	—	366,996
Total assets at fair value	$ —	$ 366,996	$ —	$ 366,996
Liabilities:				
Derivative financial instrument liabilities *(Note 10) :*				
Interest rate contracts	$ —	$ 43,839	$ —	$ 43,839
Foreign exchange contracts	—	585	—	585
Total derivative financial instrument liabilities	—	44,424	—	44,424
Corporate Bonds	—	828,230	—	828,230
Total liabilities at fair value	$ —	$ 872,654	$ —	$ 872,654

(Dollars in Thousands)

11. Fair Value Disclosures (continued)

	Items Measured at Fair Value on a Recurring Basis			
	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of March 31, 2015
Assets:				
Derivative financial instrument assets *(Note 10):*				
Interest rate contracts	$ —	$ 5,468	$ —	$ 5,468
Foreign exchange contracts	—	211,098	—	211,098
Total derivative financial instrument assets	—	216,566	—	216,566
Total assets at fair value	$ —	$ 216,566	$ —	$ 216,566
Liabilities:				
Derivative financial instrument liabilities *(Note 10) :*				
Interest rate contracts	$ —	$ 51,818	$ —	$ 51,818
Foreign exchange contracts	—	—	—	—
Total derivative financial instrument liabilities	—	51,818	—	51,818
Corporate Bonds	—	797,485	—	797,485
Total liabilities at fair value	$ —	$ 849,303	$ —	$ 849,303

Foreclosed assets are adjusted to fair value less estimated selling costs upon transfer of the loans to foreclosed assets. Subsequently, foreclosed assets are carried at the lower of carrying value or fair value less estimated selling costs. Fair value is based upon independent market prices or appraised values of the collateral, which are Level 2 inputs. The Company routinely assesses and measures at fair value vehicles repossessed in connection with defaulted retail auto loans and lease and off-lease vehicles as discussed in Notes 3 and 5.

(Dollars in Thousands)

11. Fair Value Disclosures (continued)

B. Fair Value of Financial Instruments

The following discloses the estimated fair values of financial instruments not carried at fair value on a recurring basis in our unaudited consolidated interim balance sheets. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies as described below. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. The Company did not elect to record any financial instruments at fair value.

	September 30, 2015		March 31, 2015	
	Carrying Amount	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
Assets:				
Investments in affiliates	706,022	729,652	721,835	750,526
Finance receivables – net	39,162,287	39,450,484	36,952,374	37,240,248
Liabilities:				
Total borrowings*	48,893,388	49,180,443	$ 46,043,303	$ 46,248,193

*Includes the derivative re-measurement on corporate bonds as discussed in Note 9 and presented in the table above.

The carrying value of cash and cash equivalents, restricted cash, and receivables from affiliates and other – net approximates fair value due to the short maturity of these instruments.

The methods and assumptions used to estimate the fair value of other financial instruments are summarized as follows:

Investments in Affiliates – The fair value was determined by discounting cash flows of investments in affiliates using current market discount rates and prepayment and default history or observable market inputs.

11. Fair Value Disclosures (continued)

Finance Receivables – Net – The carrying value of variable rate, wholesale receivables, and loans to dealers were assumed to approximate fair value, as they reprice monthly at current market rates. The fair value of fixed rate finance receivables, which is comprised primarily of fixed rate retail receivables, was estimated by discounting cash flows based on quoted current market interest rates. The fair value of finance receivables is categorized within Level 2 of the hierarchy.

Total Borrowings – The fair value of public securitized debt was determined from market value quotes. The fair value for fixed rate borrowings was estimated by discounting cash flows based on quoted current market interest rates. The carrying value of variable rate debt is assumed to approximate fair value, as the borrowings generally reprice monthly at current market rates. The fair value of foreign currency notes was estimated by discounting the expected cash flows using current market exchange rates and relative market interest rates over the remaining term of the agreements. The fair value of borrowings is categorized within Level 2 of the hierarchy.

Derivative Financial Instrument Assets and Liabilities – The fair values of the Company's derivative financial instrument assets and liabilities including interest rate and foreign currency swap agreements, were determined by discounting the expected cash flows using observable market inputs for forward exchange rates, forward swap curves, and relative zero-coupon market interest rates over the remaining terms of the agreements. The fair value of purchased and written interest rate caps was determined from market quotes obtained from dealers. The fair value of derivative financial assets and liabilities incorporate the Company's non-performance credit risk and counterparty non-performance credit risk.

Valuation adjustments for non-performance credit risk are derived from observable data related to credit default derivatives. The fair value estimates presented herein are based on pertinent information available to management as of September 30, 2015 and March 31, 2015. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively re-evaluated for purposes of these financial statements since that date, and therefore, current estimates of fair value may differ significantly from the amounts presented herein.

12. Subsequent Events

The Company evaluated subsequent events through November 20, 2015 (the date the consolidated financial statements were available to be issued).

On October 30, 2015, the Company executed a term loan agreement with Nissan China, NCIC, in the amount of $1,000,508.