

# Financial Statements and Audit Report

Mercedes-Benz Finance Co., Ltd.

The twenty-seventh fiscal year

From January 1, 2017 to December 31, 2017

## **Independent Auditor's Report**

The Board of Directors  
Mercedes-Benz Finance Co., Ltd.

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules of Mercedes-Benz Finance Co., Ltd. as at December 31, 2017 and for the year from January 1, 2017 to December 31, 2017 in accordance with Article 436-2-1 of the Companies Act.

### **Management's Responsibility for the Financial Statements and Others**

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the supplementary schedules that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Mercedes-Benz Finance Co., Ltd. for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

### **Emphasis of Matter**

As disclosed in the notes to the financial statements, Mercedes-Benz Finance Co., Ltd. has merged with Daimler Financial Services Japan Co., Ltd. as at January 1, 2018. This event does not qualify our opinion.

**Other Matter**

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

*KPMG AZSA LLC*

March 9, 2018

Tokyo, Japan

**Notesto the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

# Financial Statements (Translation)

The Twenty-seventh Fiscal Year

From January 1, 2017 to December 31, 2017

Mercedes-Benz Finance Co., Ltd.

Mercedes Benz Finance Co., Ltd.

Balance Sheet

As of December 31, 2017

(Unit: 1,000 yen)

| ASSETS                        | Amount             | LIABILITIES  | Amount             |
|-------------------------------|--------------------|--|--------------------|
| Current assets:               | (487,367,681)      | Current liabilities:                                       | (226,427,092)      |
| Cash in banks                 | 11,032,497         | Trade accounts payable                                     | 6,833,816          |
| Short-term loans receivable   | 84,317,820         | Short-term loans payable                                   | 127,411,109        |
| Investment in finance leases  | 104,998,156        | Current portion of long-term                               | 71,500,000         |
| Installment sales receivables | 276,280,610        | Other payables   | 594,783            |
| Other trade receivables       | 263,413            | Accrued expenses   | 1,013,808          |
| Prepaid expenses              | 6,862,318          | Income taxes payable                                       | 1,521,198          |
| Deferred tax assets           | 1,300,995          | Advances received  | 4,825,347          |
| Other current assets          | 2,590,535          | Allowance for bonuses                                      | 152,800            |
| Allowance for doubtful        | △ 278,667          | Unrealized profit on installment sales                     | 12,531,441         |
|                               |                    | Other current liabilities                                  | 42,786             |
| Non-current assets:           | (11,559,537)       | Non-current liabilities:                                   | (238,545,000)      |
| Tangible fixed assets:        | (10,766,524)       | Long-term loans payable                                    | 238,500,000        |
| Operating lease assets        | 10,593,937         | Other non-current liabilities                              | 45,000             |
| Leasehold improvements        | 115,585            |  |                    |
| Furniture and fixtures        | 57,000             |  |                    |
| Intangible fixed assets:      | (454,892)          | <b>TOTAL LIABILITIES</b>                                   | <b>464,972,092</b> |
| Software                      | 451,910            | <b>NET ASSETS</b>  |                    |
| Telephone rights              | 2,981              | Shareholders' equity:                                      | (33,960,932)       |
|                               |                    | Paid-in capital  | (4,400,000)        |
| Investments and other assets: | (338,120)          | Capital surplus:   | (400,000)          |
|                               |                    | Capital reserve  | 400,000            |
| Long-term loans receivable    | 135,000            | Earned surplus:  | (29,160,932)       |
| Guarantee deposits            | 50,322             | Legal reserve  | 1,100,000          |
| Investment and others         | 100                | Retained earnings  | 28,060,932         |
| Deferred tax assets           | 152,698            | Valuation and translation adjustments:                     | (△ 5,806)          |
|                               |                    | Unrealized loss on derivatives<br>used in hedge accounting | △ 5,806            |
| <b>TOTAL ASSETS</b>           | <b>498,927,218</b> | <b>TOTAL NET ASSETS</b>                                    | <b>33,955,125</b>  |
|                               |                    | <b>TOTAL LIABILITIES AND NET ASSETS</b>                    | <b>498,927,218</b> |

(Note) Amounts are rounded down to the nearest thousand yen.

Mercedes-Benz Finance Co., Ltd.

Income Statement

For the fiscal year ended December 31, 2017

(Unit: 1,000 yen)

|  |            |            |
|--|------------|------------|
| Sales:                                       |            |            |
| Installment sales                            | 10,197,432 |            |
| Operating lease income                       | 2,007,634  |            |
| Interest income on finance leases            | 4,108,899  |            |
| Interest income on loans                     | 344,973    |            |
| Other income                                 | 2,437,995  | 19,096,936 |
| Cost of Sales:                               |            |            |
| Cost of installment sales                    | 3,056,828  |            |
| Cost of operating leases                     | 1,833,399  |            |
| Other costs                                  | 2,120,815  |            |
| Financing costs                              | 1,226,544  | 8,237,587  |
| Gross profit                                 |            | 10,859,348 |
| Selling, general and administrative expenses |            | 3,203,800  |
| Operating income                             |            | 7,655,548  |
| Non-operating income:                        |            |            |
| Interest income                              |            | 4,338      |
| Recovery Prior Year Write-Offs               |            | 30,902     |
| Exchange gain                                |            | 296        |
| Ordinary income                              |            | 7,691,086  |
| Net income before taxes                      |            | 7,691,086  |
| Income taxes - current                       |            | 2,465,898  |
| - deferred                                   |            | △ 47,853   |
| Net income                                   |            | 5,273,041  |

Mercedes-Benz Finance Co., Ltd.

Statement of Changes in Shareholders' Equity

For the fiscal year ended December 31, 2017

(Unit: 1,000 yen)

|  | Shareholders' equity |                 |                       |                |                   |                      |                            | Valuation and translation adjustments                   |   | Total net assets |
|--|----------------------|-----------------|-----------------------|----------------|-------------------|----------------------|----------------------------|---|---|------------------|
|  | Paid-in capital      | Capital surplus |                       | Earned surplus |                   |                      |                            |   |   |                  |
|  |                      | Capital reserve | Total capital surplus | Legal reserve  | Retained earnings | Total earned surplus | Total shareholder's equity | Unrealized loss on derivatives used in hedge accounting | Total valuation and translation adjustments |                  |
| Balance as of January 1, 2017  | 4,400,000            | 400,000         | 400,000               | 1,100,000      | 23,587,954        | 24,687,954           | 29,487,954                 | Δ 20,879  | Δ 20,879                                    | 29,467,075       |
| Changes during the year  |                      |                 |                       |                |                   |                      |                            |   |   |                  |
| Dividend   |                      |                 |                       |                | Δ 800,064         | Δ 800,064            | Δ 800,064                  |   |   | Δ 800,064        |
| Net income for the year  |                      |                 |                       |                | 5,273,041         | 5,273,041            | 5,273,041                  |   |   | 5,273,041        |
| Changes in items other than shareholders' equity during the year (net) |                      |                 |                       |                |                   |                      |                            | 15,072  | 15,072                                      | 15,072           |
| Total changes during the year  |                      |                 |                       |                | 4,472,977         | 4,472,977            | 4,472,977                  | 15,072  | 15,072                                      | 4,488,049        |
| Balance as of December 31, 2017  | 4,400,000            | 400,000         | 400,000               | 1,100,000      | 28,060,932        | 29,160,932           | 33,960,932                 | Δ 5,806   | Δ 5,806                                     | 33,955,125       |

## Notes to Financial Statements

Amounts included in the following notes to the financial statements are rounded down to the nearest thousand yen.

### 1. Significant Accounting Policies

#### (1) Valuation standards and methods for significant assets

##### Derivative financial instruments

Derivative financial instruments are carried at fair value.

#### (2) Depreciation and amortization

##### 1) Tangible fixed assets

Operating lease assets are depreciated using the straight-line method over the lease contract period with an estimated disposal value at the expiry of the lease contract as a residual value. Tangible fixed assets other than operating lease assets are depreciated using the declining balance method. However Leasehold improvements acquired on or after April 1, 2016 are depreciated using straight-line method. Useful lives applied are as follows.

|                        |              |
|------------------------|--------------|
| Operating lease assets | 1 ~ 5 years  |
| Leasehold improvements | 8 ~ 50 years |
| Furniture and fixtures | 5 ~ 20 years |

##### 2) Intangible fixed assets

Software for internal use is amortized using the straight-line method over the estimated useful life of five years.

#### (3) Allowances

##### 1) Allowance for doubtful accounts

Allowance for doubtful accounts is recorded based on historical experience to provide for estimated losses on bad debts.

##### 2) Allowance for bonuses

Allowance for bonuses has been established based on amounts incurred in the current year.



#### (4) Revenue recognition

- 1) Revenue from operating lease contracts is recognized as "operating lease income" on an accrual basis over the lease contract period.
- 2) Revenue from finance leases without ownership-transfer consists of interest income allocated to each period not including lease payments received from users.
- 3) Gross receivable from installment sales are recorded at execution of installment sales contracts. Interest on such receivables is recognized when each installment becomes due. Interest on installment receivables that have not fallen due is deferred as Unrealized profit on installment sales.

#### (5) Hedge accounting

- 1) Method of hedge accounting

The company adopts the deferral method of hedge accounting.

- 2) Hedging instruments and hedged items

| <u>Hedging instruments</u> | <u>Hedged item</u> |
|----------------------------|--------------------|
| Interest rates swap        | Loans payable      |

- 3) Hedging policy

The Company established internal rules regarding derivatives, which include policies and procedures for risk assessment, approval, reporting and monitoring. The Company uses derivatives mainly to hedge market risk exposures resulting from liabilities on the balance sheet and does not own derivatives for trading purposes.

- 4) Evaluation of the hedging effectiveness

In principle, the Company evaluates hedge effectiveness based on the coverage ratio calculated by comparison between accumulated changes in cash flow of hedged items and hedging instruments from commencement of the hedge through time of the evaluation. However the Company omits the evaluation under the circumstances where important conditions of contract for hedged items match those on hedging instrument and market risk or change in cash flow is supposed to be offset each other at the time of commencement and later period.

#### (6) Accounting for consumption taxes

Consumption tax is excluded from measurement of related transactions.

#### (7) Additional information

We have implemented the "Implementation Guidance on Recoverability of Deferred Tax Assets" (Accounting Standards Board of Japan (ASBJ) Guidance. No. 26, March 28, 2016) from this fiscal year.

## 2. Notes to the Balance Sheet

(Unit: 1,000 yen)

|   |                    |
|---|--------------------|
| 1) Receivables from and payables to affiliated companies        |                    |
| Short-term monetary receivables                                 | 1,234,976          |
| Long-term monetary receivables                                  | 43,632             |
| Short-term monetary payables                                    | 108,399,848        |
| Long-term monetary payables                                     | 90,500,000         |
| 2) Accumulated depreciation of tangible fixed assets            |                    |
| Operating lease assets  | 1,851,185          |
| Other tangible assets   | 58,836             |
| Total   | <u>1,910,021</u>   |
| 3) Operating lease receivables due after the balance sheet date | 3,930,047          |
| 4) Trade receivables due after more than one year from the      |                    |
| Installment sales receivables                                   | 193,676,235        |
| Investment in finance leases                                    | 53,960,075         |
| Operating lease receivables due after the balance sheet date    | 1,916,954          |
| Total   | <u>249,553,266</u> |
| 5) Breakdown of Investment in finance lease                     |                    |
| Investment in finance lease-Gross                               | 59,054,284         |
| Estimated residual value  | 52,158,436         |
| Unearned interest   | Δ 6,214,564        |
| Total   | <u>104,998,156</u> |

## 3. Notes to the Income Statement

(Unit: 1,000 yen)

|   |                   |
|---|-------------------|
| 1) Transactions with affiliated companies |                   |
| Cost of sales                             | 650,385           |
| Operating expenses                        | 53,400            |
| 2) Details of financing cost              |                   |
| Interest expense and others               | 1,226,544         |
| 3) Total finance lease revenue and cost   |                   |
| Gross finance lease revenue               | 93,668,027        |
| Gross finance lease cost                  | <u>89,559,127</u> |
| Net                                       | <u>4,108,899</u>  |

#### 4. Notes to the Statement of Changes in Shareholders' Equity

##### (1) Type and total number of outstanding shares

| Share Type   | Beginning Balance | Increase | Decrease | Ending Balance |
|--------------|-------------------|----------|----------|----------------|
| Common stock | 96,000            | 0        | 0        | 96,000         |

##### (2) Dividends

###### Dividend payments

The following resolution regarding dividends was made at the regular shareholders' meeting held on March 23, 2017.

###### Dividends on Common Shares

- 1) Total dividend 800 million yen
- 2) Dividend per share 8,334 yen
- 3) Date of record December 31, 2016
- 4) Effective date March 28, 2017

#### 5. Deferred Tax Accounting

##### Main sources of deferred tax assets

The deferred tax assets mainly arise from allowances for doubtful accounts, depreciation, deferred subsidies and prepaid incentives.

#### 6. Financial Instruments

##### (1) General information of financial instruments

The Company manages and controls credit risk and residual value risk inherent in its main business, lease and installment sales of cars, based on the transaction information accumulated in the database. The Company's main sources of funding are loans from related companies and banks.

##### (2) Risk control system for financial instruments

The Company does not conduct qualitative analysis of market risk. Financial instruments that are subject to risk of interest rate fluctuations are mainly Investment in finance leases, Installment sales receivables, and Long-term loans payable. Assuming all other risk factors remain unchanged, 10 basis point (0.1%) decrease of the market interest rate at December 31, 2017 would have caused an increase of fair value of net financial assets and liabilities by 109 million yen and 10 basis point (0.1%) increase would have caused a decrease of fair value of net financial assets and liabilities by 109 million yen.

(3) Fair values of financial instruments

The following table shows the carrying amounts and fair values of the financial instruments as of December 31, 2016.

(Unit: 1,000 yen)

|   | Carrying amount             | Fair value  | Difference  |
|---|-----------------------------|-------------|-------------|
| (1) Cash in banks   | 11,032,497                  | 11,032,497  | -           |
| (2) Short-term loans receivable (*1)<br>Allowance for doubtful accounts         | 84,317,820<br>Δ 123,928     |             |             |
|   | 84,193,892                  | 84,195,879  | 1,986       |
| (3) Investment in finance leases (*1)(*2)<br>Allowance for doubtful accounts    | 104,998,156<br>Δ 154,738    |             |             |
|   | 104,843,417                 | 102,770,598 | Δ 2,072,819 |
| (4) Installment sales receivables(*2)<br>Unrealized profit on installment sales | 276,280,610<br>Δ 12,531,441 |             |             |
|   | 263,749,169                 | 261,781,593 | Δ 1,967,576 |
| Financial assets total  | 463,818,977                 | 459,780,567 | Δ 4,038,409 |
| (1) Short-term loans payable  | 127,411,109                 | 127,391,951 | Δ 19,158    |
| (2) Current portion of long-term loans payable                                  | 71,500,000                  | 71,520,727  | 20,727      |
| (3) Long-term loans payable   | 238,500,000                 | 237,922,279 | Δ 577,720   |
| Financial liabilities total   | 437,411,109                 | 436,834,957 | Δ 576,151   |

(\*1) Allowance for doubtful accounts are deducted.

(\*2) Deferred subsidies are not deducted from carrying amounts.

(Note) The following methods and premises were used for calculation of the fair values of financial instruments.

### Financial assets

#### (1) Cash in banks

Because of the predominant short maturities of these instruments in general, it is assumed that the fair values approximate the carrying amounts.

#### (2) Short-term loans receivable

The fair values of loans with variable interest rates are estimated to be equal to the respective carrying amounts since the actual interest rates and those available on the market do not significantly differ unless credit conditions of debtors materially deteriorate. The fair values of loans with fixed interest rates are determined on the basis of discounted expected future cash flows. The discounting is based on the current interest rates at which similar loans could have been borrowed.

#### (3) Investment in finance leases and (4) Installment sales receivables

The fair values are determined on the basis of discounted expected future cash flows. The discounting is based on the current interest rates at which financial programs could have been utilized.

### Financial liabilities

#### (1) Short-term loans payable, (2) Current portion of long-term loans payable and (3) Long-term loans payable

The fair values of loans with variable interest rates are estimated to be equal to the respective carrying amounts since the actual interest rates and those available on the market do not significantly differ. The fair values of loans with fixed interest rates are calculated as the present values of the estimated future cash flows using current market interest rates.

## 7. Related Party Transactions

### (1) Parent Companies

| Relation-ship  | Company name                  | Business  | Ownership percentage of voting right | Details of relationship |  | Transaction details       | Transaction amount (1,000 yen) | Account                  | Ending balance (1,000 yen) |
|----------------|-------------------------------|---|--------------------------------------|-------------------------|--|---------------------------|--------------------------------|--------------------------|----------------------------|
|                |                               |   |                                      | Concurrent directorship | Business relationship  |                           |                                |                          |                            |
| Parent company | Mercedes-Benz Japan Co., Ltd. | Import, sales of automobiles and related services | 90% (direct)                         | 1                       | Financing services to customers of parent company, Borrowing Funds, Commission of administrative operation | Borrowing operating funds | -                              | Short-term loans payable | 107,911,109                |
|                |                               |   |                                      |                         |  | Interest expense          | 394,860                        | Long-term loans payable  | 90,500,000                 |
|                |                               |   |                                      |                         |  | Outsourcing fee           | 53,400                         | Interest Payable         | 91,768                     |
|                |                               |   |                                      |                         |  |                           |                                | Payable                  | 113,501                    |
| Parent company | Daimler AG                    | Production and sales of vehicles                  | 90% (indirect)                       | -                       | Loan guarantee   | Borrowing operating funds | 255,525                        | Payable                  | 261,738                    |

### (2) Subsidiaries of Parent Companies

| Relation-ship                | Company name                               | Business                         | Ownership percentage of voting right | Details of relationship |   | Transaction details | Transaction amount (1,000 yen) | Account                     | Ending balance (1,000 yen) |
|------------------------------|--|----------------------------------|--------------------------------------|-------------------------|---|---------------------|--------------------------------|-----------------------------|----------------------------|
|                              |  |                                  |                                      | Concurrent directorship | Business relationship                         |                     |                                |                             |                            |
| Subsidiary of parent company | Daimler Financial Services Japan Co., Ltd. | Finance, lease, loan             | —                                    | 4                       | Lending operating funds, Outsourcing services | Interest income     | 4,338                          | Short-term loans receivable | 6,000,000                  |
|                              |  |                                  |                                      |                         |   | Outsourcing fee     | 282,962                        |                             |                            |
| Subsidiary of parent company | Daimler Insurance Services Japan Co., Ltd. | Insurance services               | —                                    | 3                       | Automobile insurance Outsourcing services     | Outsourcing fee     | 11,254                         | Other receivables           | 3,466                      |
|                              |  |                                  |                                      |                         |   | Commission income   | 34,974                         | Other payables              | 9,443                      |
| Subsidiary of parent company | Mitsubishi Fuso Truck and Bus Co. Ltd      | Production and sales of vehicles | —                                    | -                       | Borrowing operating funds                     | -                   | -                              | Short-term loans payable    | 27,000,000                 |

(3) Major shareholder

| Relation-ship      | Company name       | Business             | Ownership percentage of voting right | Details of relationship |                         | Transaction details     | Transaction amount (1,000 yen) | Account   | Ending balance (1,000 yen) |
|--------------------|--------------------|----------------------|--------------------------------------|-------------------------|-------------------------|-------------------------|--------------------------------|---|----------------------------|
|                    |                    |                      |                                      | Concurrent directorship | Business relationship   |                         |                                |   |                            |
| Major share-holder | YANASE & Co., Ltd. | Sales of automobiles | 10% (direct)                         | -                       | Purchase of automobiles | Purchase of automobiles | 52,263,249                     | Trade accounts payable<br>Short-term loans receivable | 3,181,437<br>49,993,587    |

(4) Transaction Terms and Policies to determine Transaction Terms, Etc.

1. Interest associated with the lending or borrowing of funds to or from the companies noted above is determined consistent with market conditions.
2. Outsourcing expenses are determined based on operating expenses incurred by Mercedes-Benz Japan Co., Ltd.
3. Outsourcing revenue is determined based on operating expenses paid on the behalf of Daimler Financial Services Japan Co., Ltd. And Daimler Insurance Services Japan Co., Ltd.
4. Transaction amounts do not include consumption taxes. Ending balances include consumption taxes.

8. Per Share Information

- |                          |                |
|--------------------------|----------------|
| (1) Net assets per share | 353,699.22 yen |
| (2) Net income per share | 54,927.51 yen  |

9. Important Subsequent Events

We concluded a merger agreement with Daimler Financial Services Japan Co., Ltd. on November 10, 2017 under which our company is the surviving company and Daimler Financial Services Japan Co., Ltd. is the company absorbed in the merger. In accordance with this agreement, we absorbed Daimler Financial Services Japan Co., Ltd. on January 1, 2018.

(1) Summary of Business Combination

① Name of absorbed company and content of its business

Name of absorbed company : Daimler Financial Services Japan Co., Ltd.

Content of the business : Financing • Loan • Lease

② Reason for the business combination

We conducted an absorption-type merger to further expand our company's business by integrating hitherto dispersed management resources and streamlining our management.

③ Date of Business Combination

January 1, 2018

④ Legal form of the business combination

Absorption type merger in which our company is the surviving company and Daimler Financial Services Japan Co., Ltd. is the absorbed company

⑤ Our company's capital, contents of business, and the like, after the business combination

There is no change regarding our company's name, location, title and name of the representative, contents of business, capital or accounting period after the business combination.

⑥ Voting rights ratio acquired

100%

(2) Summary of accounting treatment to be applied

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, September 13, 2013), we plan to treat the merger as a common control transaction.

Supplementary Schedules of Financial Statements  
(Translation)

The Twenty-seventh Fiscal Year

From January 1, 2017 to December 31, 2017

Mercedes-Benz Finance Co., Ltd.



1. Details of Tangible Fixed Assets and Intangible Fixed Assets

(Unit: 1,000 yen)

| Category                   | Asset type                | Net book value<br>at beginning of<br>year | Increase   | Decrease  | Depreciation<br>and<br>amortization | Net book value<br>at end of year | Accumulated<br>depreciation | Acquisition<br>cost |
|----------------------------|---------------------------|---|------------|-----------|-------------------------------------|----------------------------------|-----------------------------|---------------------|
| Tangible fixed<br>assets   | Operating lease<br>assets | 5,625,277                                 | 10,952,356 | 4,590,828 | 1,392,868                           | 10,593,937                       | 1,851,185                   | 12,445,123          |
|                            | Leasehold<br>improvements | 142,425                                   | 5,802      | 32,604    | 37                                  | 115,585                          | 25,533                      | 141,119             |
|                            | Furniture and<br>fixtures | 71,565                                    | 16,075     | 13,285    | 17,355                              | 57,000                           | 33,301                      | 90,302              |
|                            | Total                     | 5,839,268                                 | 10,974,234 | 4,636,717 | 1,410,260                           | 10,766,524                       | 1,910,021                   | 12,676,545          |
| Intangible<br>fixed assets | Software                  | 325,581                                   | 263,918    | -         | 137,589                             | 451,910                          |                             |                     |
|                            | Telephone rights          | 2,981                                     | -          | -         | -                                   | 2,981                            |                             |                     |
|                            | Total                     | 328,562                                   | 263,918    | -         | 137,589                             | 454,892                          |                             |                     |

(Notes)(1) Major increases for the current year are as follows.

(Unit: 1,000 yen)

|                        |                                       |            |
|------------------------|---------------------------------------|------------|
| Operating lease assets | Purchase of operating lease assets    | 10,952,356 |
| Software               | Purchase of software for internal use | 263,918    |

(2) The major decrease for the current year is as follows.

(Unit: 1,000 yen)

|                        |                                   |           |
|------------------------|-----------------------------------|-----------|
| Operating lease assets | Disposal and sale of lease assets | 4,590,828 |
|------------------------|-----------------------------------|-----------|

## 2. Details of Allowances

(Unit: 1,000 yen)

| Category                        | Beginning balance | Increase | Decrease    |        | Ending balance |
|---------------------------------|-------------------|----------|-------------|--------|----------------|
|                                 |                   |          | Utilization | Others |                |
| Allowance for doubtful accounts | 347,369           | 7,468    | 76,171      | -      | 278,667        |
| Allowance for bonuses           | 135,109           | 152,800  | 135,109     | -      | 152,800        |

### 3. Details of Selling, General and Administrative Expenses

(Unit: 1,000 yen)

| Account                            | Amount    |
|------------------------------------|-----------|
| Salaries and bonuses               | 1,058,730 |
| Social insurance                   | 134,511   |
| Temporary staff salaries           | 134,864   |
| Other personnel expense            | 330,192   |
| Retirement and severance benefits  | 84,620    |
| Recruiting                         | 9,911     |
| Couriers                           | 905       |
| Advertising                        | 81,442    |
| Bank charges                       | 20,920    |
| Entertainment                      | 4,193     |
| Travel                             | 66,676    |
| Transportation                     | 36,183    |
| Taxes and public dues              | 144,914   |
| Rent                               | 74,569    |
| Communication                      | 9,226     |
| Supplies                           | 8,253     |
| Professional fees                  | 238,244   |
| Utilities                          | 12,383    |
| IT costs                           | 79,058    |
| Depreciation and amortization      | 105,572   |
| Outside services                   | 555,698   |
| Provision for doubtful accounts    | 7,468     |
| Amortization of guarantee deposits | 4,363     |
| Others                             | 896       |
| Total                              | 3,203,800 |