

BMW  
GROUP



ROLLS-ROYCE  
MOTOR CARS LTD

ELECTRIC

DIGITAL

CIRCULAR



ANNUAL REPORT 2022

BMW JAPAN FINANCE CORP.

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# ANNUAL REPORT 2022

The 34<sup>th</sup> Period

From 1<sup>st</sup> January 2022  
To 31<sup>st</sup> December 2022

This annual report is translated and prepared based on the statutory financial statements which were prepared in accordance with the Company Law and accounting standard generally accepted in Japan. However, there are certain changes to the original statutory reports made in this annual report in English in terms of format, description and presentation. The original official statutory financial statements were audited by PricewaterhouseCoopers Aarata LLC and the independent auditors' report was issued on the original official financial statements in Japanese, not on this annual report in English.

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**Business Overview**

In 2022, Japanese economy continued to recover gradually from the severe situation caused by the new coronavirus infection (COVID-19), despite the impact of higher resource and energy prices.

Domestic sales of imported cars remained difficult from January to September, partly due to a shortage of semiconductors and delays in the supply of parts, and although there were signs of recovery from October onwards, the number of cars sold fell year-on-year.

The number of domestic new car sales for the year was 51,796 vehicles. The number of our contracts remained weak, and as a result, the balance of loan receivables at the end of the fiscal year was 397.2 billion yen (decreased by 38.2 billion yen).

As for profits, operating income finished at 13.2 billion yen (increased by 0.08 billion yen), ordinary profit was 14.9 billion yen (increased by 1.8 billion yen), and net profit after tax was 10.3 billion yen (increased by 1.2 billion yen).

**BMW JF Segment Performance****Auto Loan**

The main product for this segment targets private customers. Penetration for new car BMW was 43.2 %, lower than that of previous year (49.9 %). The number of new business units decreased by 24.6 % to 10,936. Penetration for new car MINI was 53.5 %, lower than that of previous year (58.3 %), with decrease in new business units by 2.6 % to 9,113. Performance of ALPHERA, auto loans to other brands, increased in volume with 191 new business unit which is 16.5 % more than that of the last year. The total new loan amount was down by 11.5 % to 125.4 billion yen.

**Lease**

The number of new lease unit increased by 11.3 % to 4,045, and its finance amount increased by 10.4 % to 26.2 billion yen.

**Commercial Finance**

This is the amount financed to dealers for purchasing of new vehicles, used vehicles and demo-cars. Total finance amount as of 31<sup>st</sup> December 2022 was 40.3 billion yen, with decrease by 14.2 % from the previous year.

**Credit Card**

The number of new contracts decreased to 5,587 (6,811 in the previous year), consisting of 1,879 units of BMW cards, 2,499 units of MINI cards, and 1,209 units of Premium cards. The number of active contracts was 60,330 (61,391 in the previous year) as of the end of the fiscal year 2022.

**Auto Insurance**

New automobile insurance contract decreased by 3.9 % from previous year and the extended warranty for new and used car increased by 45.4 % in comparison to the previous year. The number of new insurance contracts were 274,428 units (196,530 in the previous year). As a result, the portfolio in contract was 679,728 (629,661 in the previous year) as of the end of the fiscal year 2022.

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**Operating Results by Business Segment**

Sales (Interest and Commission Received)

(Yen in Thousands)	34 <sup>th</sup> Period (Fiscal 2022)		33 <sup>rd</sup> Period (Fiscal 2021)	
	Amount	Share	Amount	Share
Loan	13,443,891	47.8 %	14,207,106	49.3 %
Lease	11,093,069	39.4 %	11,031,904	38.3 %
Commercial Finance	553,120	2.0 %	616,110	2.1 %
Card	198,388	0.7 %	204,325	0.7 %
Insurance	2,746,366	9.8 %	2,616,677	9.1 %
Others	7,320	0.0 %	7,900	0.0 %
ABL	109,474	0.4 %	121,266	0.4 %
<b>Total</b>	<b>28,151,631</b>	<b>100.0 %</b>	<b>28,805,292</b>	<b>100.0 %</b>

Cost of Sales

(Yen in Thousands)	34 <sup>th</sup> Period (Fiscal 2022)		33 <sup>rd</sup> Period (Fiscal 2021)	
	Amount	Share	Amount	Share
Loan	1,363,395	15.8 %	1,829,118	17.0 %
Lease	6,423,472	74.2 %	7,845,122	72.7 %
Commercial Finance	7,351	0.1 %	6,070	0.1 %
Card	58,661	0.7 %	54,978	0.5 %
Finance Cost	409,906	4.7 %	536,176	5.0 %
Others	69,241	0.8 %	77,949	0.7 %
ABL	319,734	3.7 %	440,726	4.1 %
<b>Total</b>	<b>8,651,763</b>	<b>100.0 %</b>	<b>10,790,142</b>	<b>100.0 %</b>

Loans (Receivables)

(Yen in Thousands)	34 <sup>th</sup> Period (Fiscal 2022)		33 <sup>rd</sup> Period (Fiscal 2021)	
	Amount	Share	Amount	Share
Loan	356,459,020	89.7 %	389,682,896	89.5 %
Commercial Finance	40,818,551	10.3 %	45,826,765	10.5 %
<b>Total</b>	<b>397,277,571</b>	<b>100.0 %</b>	<b>435,509,662</b>	<b>100.0 %</b>

**Funding**

Asset Securitization:

60 billion yen from Mitsubishi UFJ Trust and Banking Corporation

Long-term loan:

86 billion yen from BMW Finance N.V.

**Business Transfer, Assimilative-divisive Reorganization, or Formational-divisive Reorganization**

Not applicable.

**Transfer or Acquisition of Business**

Not applicable.

**Acquisition of Shares, Interests, Share Warrants, etc. of Other Companies**

Not applicable.

**Succession of Rights and Obligations Related to Other Companies' Businesses through Mergers or Reorganizations**

Not applicable.

**Outlook**

We aim to expand finance business by strengthening the relations with dealers, diversifying products, and enhancing service quality. We also make continuous effort to improve business efficiency.

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**Sales Performance and Asset Growth**

(Yen in Millions)	34 <sup>th</sup> Period (Fiscal 2022)	33 <sup>rd</sup> Period (Fiscal 2021)	32 <sup>nd</sup> Period (Fiscal 2020)	31 <sup>st</sup> Period (Fiscal 2019)
Sales	28,151	28,805	28,777	27,547
Net profit	10,381	9,111	8,515	7,505
Net profit per share	109,141.50JPY	95,736.38JPY	89,439.68JPY	78,783.29JPY
Net assets per share	739,365.47JPY	750,496.86JPY	719,667.51JPY	632,206.49JPY
Net assets	70,025	71,079	68,159	59,876
<b>Total assets</b>	<b>486,941</b>	<b>517,956</b>	<b>557,597</b>	<b>599,155</b>

Note 1: Sales amount is net of consumption tax.

Note 2: Net assets per share are calculated by dividing net assets by sum of the numbers of issued common stocks and preferred stocks issued at fiscal end. Net profit per share is calculated by dividing net profit deducting preferred stock dividends of 44,355 thousand yen by sum of the average numbers of common stocks and preferred stocks issued and outstanding in the period.

**Parent Company and Subsidiaries**

Our parent company is BMW Japan Corp, which owns 100 % of the shares (94,710 shares) of our company. We provide finance to the dealers of the parent company for working capital, as well as to their customers for purchase of BMW vehicles, represented in auto loan and lease business. Our ultimate parent company is BMW AG.

**Main business**

- Providing loan and lease products to BMW and MINI customers
- Financing BMW, MINI dealers and multi-brand franchise dealers for new cars and used cars
- Credit card
- Insurance

**Place of business operation**

1-9-1 Higashi-Shimbashi, Minato-ku, Tokyo (registered address)

**Employee Status**

(As of December 31, 2022)	Headcount**	Change from previous fiscal year	Average age	Average service years*
Male	83	+1	43.02	7.89
Female	59	+5	41.86	4.76
<b>Total</b>	<b>142</b>	<b>+6</b>	<b>42.64</b>	<b>6.59</b>

Note 1: Average service years include those at BMW Japan Corp.

Note 2: The headcount does not include temporary staff.

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**Borrowings**

Major lenders are as follows:

(As of December 31, 2022)

Lenders	Borrowings (Yen in Millions)	Company's shares owned by the Lender company	
		Number of shares	Voting rights ratio
BMW Finance N.V	151,000	-	-
Mitsubishi UFJ Trust and Banking Corp.	112,278	-	-
Sumitomo Mitsui Banking Corporation	49,072	-	-
Aflac Life Insurance Japan Ltd.	25,000	-	-
Nippon Life Insurance Company	10,000	-	-
BMW Asia Pacific Capital Ltd.	14,581	-	-
Meiji Yasuda Life Insurance Company	5,000	-	-
The Dai-ichi Life Insurance Company, Limited	3,000	-	-
The Chiba Bank, Ltd	3,000	-	-

**Accounting Auditor**

(1) Accounting auditor: PricewaterhouseCoopers Aarata LLC

(2) Auditor's remuneration:

For the fiscal year: 18,535 thousand yen  
(inclusive of VAT 1,685 thousand yen).

(Fractional amounts and quantities are rounded down and percentages are rounded off in the report)

# STATUTORY REPORT

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# BALANCE SHEETS

## AS OF DECEMBER 31, 2022 AND 2021

(Yen in Thousands)  
Accounts

### (Assets)

#### I Current assets

- 1 Cash on hand and at banks
- 2 Loans
- 3 Lease receivables
- 4 Other current assets
- 5 Allowance for doubtful receivables

#### II Non-current assets

- 1 Tangible fixed assets
  - (1) Leased assets
  - (2) Building and accessories
  - (3) Office furniture and equipment
- 2 Intangible assets
  - (1) Software
  - (2) Software in progress
- 3 Investments and other assets
  - (1) Deposits
  - (2) Derivative assets
  - (3) Deferred tax assets
  - (4) Long-term receivables
  - (5) Prepaid pension expense
  - (6) Allowance for doubtful receivables

#### Total Assets

	2022	2021
<b>(Assets)</b>		
<b>I Current assets</b>	<b>464,799,197</b>	<b>491,546,804</b>
1 Cash on hand and at banks	46,818	167,601
2 Loans	397,277,571	435,509,662
3 Lease receivables	42,670,256	38,727,822
4 Other current assets	26,630,037	18,257,168
5 Allowance for doubtful receivables	(1,825,487)	(1,115,450)
<b>II Non-current assets</b>	<b>22,142,507</b>	<b>26,409,951</b>
1 Tangible fixed assets	15,972,643	19,796,476
(1) Leased assets	15,971,897	19,784,847
(2) Building and accessories	-	6,711
(3) Office furniture and equipment	745	4,917
2 Intangible assets	179,283	109,293
(1) Software	-	60
(2) Software in progress	179,283	109,233
3 Investments and other assets	5,990,581	6,504,180
(1) Deposits	26,219	14,496
(2) Derivative assets	511,792	96,763
(3) Deferred tax assets	5,280,763	6,187,391
(4) Long-term receivables	1,078,449	1,115,953
(5) Prepaid pension expense	37,944	29,012
(6) Allowance for doubtful receivables	(944,587)	(939,435)
<b>Total Assets</b>	<b>486,941,705</b>	<b>517,956,756</b>



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# BALANCE SHEETS

## AS OF DECEMBER 31, 2022 AND 2021

(Yen in Thousands)  
Accounts

	2022	2021
<b>(Liabilities)</b>		
<b>I Current liabilities</b>	<b>212,779,178</b>	<b>238,530,194</b>
1 Accounts payable	936,549	15,926,541
2 Short-term borrowings	47,581,882	45,202,867
3 Current portion of long-term borrowings	133,794,943	154,529,168
4 Current portion of bonds	10,000,000	-
5 Accrued expenses	1,045,727	967,854
6 Deferred income	10,887,024	11,692,220
7 Reserve for bonuses	251,818	202,013
8 Residual value risk provision	3,668,667	5,646,973
9 Corporate tax payable	1,888,821	1,524,997
10 Other current liabilities	2,723,743	2,837,558
<b>II Non-current liabilities</b>	<b>204,137,222</b>	<b>208,347,003</b>
1 Bonds	-	10,000,000
2 Long-term borrowings	191,555,893	185,786,916
3 Long-term deferred income	12,574,671	12,554,293
4 Other non-current liabilities	6,657	5,793
<b>Total Liabilities</b>	<b>416,916,401</b>	<b>446,877,198</b>



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# BALANCE SHEETS

## AS OF DECEMBER 31, 2022 AND 2021

(Yen in Thousands)  
Accounts

	2022	2021
<b>(Net assets)</b>		
<b>I Shareholders' equity</b>	<b>70,025,304</b>	<b>71,079,557</b>
1 Capital stock	4,800,040	4,800,040
2 Capital surplus	2,500,040	2,500,040
(1) Capital reserve	2,500,040	2,500,040
3 Retained earnings	62,725,222	63,779,476
(1) Other retained earnings	62,725,222	63,779,476
Retained earnings brought forward	62,725,222	63,779,476
<b>Total Net Assets</b>	<b>70,025,304</b>	<b>71,079,557</b>
<b>Total Net Assets and Liabilities</b>	<b>486,941,705</b>	<b>517,956,756</b>

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# STATEMENTS OF PROFIT AND LOSS

## FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021

(Yen in Thousands)

Accounts

	2022	2021
<b>I Sales</b>	28,151,631	28,805,292
<b>II Cost of sales</b>	8,651,763	10,790,142
<b>Gross profit</b>	19,499,867	18,015,150
<b>III Selling, general and administrative expenses</b>	6,262,067	4,861,309
<b>Operation income</b>	13,237,800	13,153,840
<b>IV Non-operating income</b>		
1. Gain on reversal of Residual Value Provision	1,742,519	
2. Exchange gain	5,222	1,747,742
		-
<b>V Non-operating expenses</b>		
1. Exchange loss	-	2,237
2. Other non-operating expense	6,927	6,927
		-
<b>Ordinary profit</b>	14,978,615	13,151,603
<b>VI Extraordinary gain</b>		
1. Gain on bad debt recovered	38,594	28,586
<b>Profit before taxes</b>	15,017,210	13,180,189
Corporate tax	3,729,435	3,911,872
Deferred tax	906,628	4,636,063
		156,769
<b>Net profit</b>	10,381,146	9,111,547

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# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2022

(Yen in Thousands)	Shareholders' equity					
	Capital surplus			Retained earnings		Total shareholders' equity
	Capital	Capital reserve	Total capital surplus	Other retained earnings	Total retained earnings	
				Retained earnings brought forward		
Balance at January 1, 2022	4,800,040	2,500,040	2,500,040	63,779,476	63,779,476	71,079,557
(Change of items during the period)						
Dividend paid				(11,435,400)	(11,435,400)	(11,435,400)
Net profit				10,381,147	10,381,147	10,381,147
Total changes of items during the period				(1,054,253)	(1,054,253)	(1,054,253)
Balance at December 31, 2022	4,800,040	2,500,040	2,500,040	62,725,222	62,725,222	70,025,304
	Total net assets					
Balance at January 1, 2022	71,079,557					
(Change of items during the period)	(11,435,400)					
Dividend paid	(11,435,400)					
Net profit	10,381,147					
Total changes of items during the period	(1,054,253)					
Balance at December 31, 2022	70,025,304					

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# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2021

(Yen in Thousands)	Shareholders' equity					
	Capital surplus			Retained earnings		Total shareholders' equity
	Capital	Capital reserve	Total capital surplus	Other retained earnings	Total retained earnings	
				Retained earnings brought forward		
Balance at January 1, 2021	4,800,040	2,500,040	2,500,040	60,859,628	60,859,628	68,159,710
(Change of items during the period)						
Dividend paid				(6,191,700)	(6,191,700)	(6,191,700)
Net profit				9,111,547	9,111,547	9,111,547
Total changes of items during the period				2,919,847	2,919,847	2,919,847
Balance at December 31, 2021	4,800,040	2,500,040	2,500,040	63,779,476	63,779,476	71,079,557
	Total net assets					
Balance at January 1, 2021						
(Change of items during the period)	68,159,710					
Dividend paid	(6,191,700)					
Net profit	9,111,547					
Total changes of items during the period	2,919,847					
Balance at December 31, 2021	71,079,557					

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# STATEMENTS OF CASH FLOWS

## FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Yen in Thousands)

**I Cash inflow from operating activities:**

	2022	2021
Reconciliation of operating profit to net cash inflow		
1 Profit before tax	15,017,210	13,180,189
2 Depreciation and amortization	6,585,194	7,910,780
3 Loss on disposal of property and equipment	6,927	-
4 Increase (decrease) in allowance for doubtful receivables	715,189	(120,904)
5 Increase (decrease) in bonus provision	49,805	8,889
6 Decrease (increase) in prepaid pension expense	(8,932)	(8,419)
7 Loss (Profit) from derivatives	(387,796)	(281,449)
8 Loss (Profit) on sales of assets leased to customers	(2,574,572)	(1,837,430)
9 Interest expense	1,108,123	1,252,023
10 Decrease (increase) in loans receivable	38,269,594	38,693,806
11 Decrease (increase) in lease receivables	(3,942,434)	(28,023)
12 Decrease (increase) in other current assets	(8,372,869)	(1,453,401)
13 Acquisition of lease asset	(6,544,689)	(8,587,145)
14 Disposal of lease asset	6,531,033	4,803,222
15 Increase (decrease) in accounts payable	(14,989,992)	(15,084,500)
16 Increase (decrease) in accrued expenses	27,699	(5,269)
17 Increase (decrease) in deferred income	(784,818)	(2,202,046)
18 Increase (decrease) in Residual Value Provision	(1,978,305)	586,227
19 Increase (decrease) in other current liabilities	(113,814)	(174,078)
20 Increase (decrease) in other non-current liabilities	864	1,689
21 Increase (decrease) in Asset Retirement Obligation	-	(26,000)
22 Increase (decrease) from other operating activities	(108,336)	(56,577)
<b>Subtotal</b>	<b>28,325,081</b>	<b>36,571,582</b>



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## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Yen in Thousands)

	2022	2021
23 Interest paid	(1,085,183)	(1,255,710)
24 Income taxes paid	(3,257,274)	(5,763,437)
<b>Net cash provided by operating activities</b>	<b>23,982,623</b>	<b>29,552,434</b>
<b>II Cash flows from investing activities:</b>		
1 Purchases of software	(70,049)	(47,081)
2 Net decrease (increase) of short-term loan receivable	-	311,933
3 Increase in deposits	(15,323)	(6,775)
4 Decrease in deposits	3,600	95
<b>Net cash provided by (used in) investing activities</b>	<b>(81,773)</b>	<b>258,172</b>
<b>III Cash flows from financing activities:</b>		
1 Net increase (decrease) in short-term borrowings	2,379,014	202,867
2 Proceeds from long-term borrowings	146,000,000	145,000,000
3 Repayment of long-term borrowings	(160,965,247)	(168,772,246)
4 Dividend Paid	(11,435,400)	(6,191,700)
<b>IV Net cash provided by financing activities</b>	<b>(24,021,633)</b>	<b>(29,761,078)</b>
<b>V Increase (decrease) in cash and cash equivalents</b>	<b>(120,782)</b>	<b>49,528</b>
<b>VI Cash and cash equivalents at beginning of the year</b>	<b>167,601</b>	<b>118,073</b>
<b>Cash and cash equivalents at end of the year</b>	<b>46,818</b>	<b>167,601</b>



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# NOTES TO FINANCIAL STATEMENTS

## [Outline of Compliance]

Financial statements are prepared in accordance with the Generally Accepted Accounting Principles and ordinance on company accounting (except supplementary statement) for the purpose of disclosure on Euro Medium Term Note Program (hereafter "EMTN Program"). EMTN Program's annual update does not request disclosure of supplementary statement. Cash flow statement and related footnote has been prepared based on the Generally Accepted Accounting Principles.

[Significant accounting policies]

### (1) Valuation standard or method for assets

Derivatives  
Fair value method

### (2) Depreciation of fixed assets

Property and equipment

- Property and equipment leased to customers  
Declining rate method over the estimated useful life (three to five years)
- Building and accessories  
Declining rate method over the estimated useful life (15 years), except for those acquired on or after 1<sup>st</sup> April 2016, which are depreciated using Straight-line method
- Office furniture and equipment  
Declining rate method over the estimated useful life (five to eight years)

Intangible fixed assets

Straight-line method over the useful life (five years) for software used internally

### (3) Accounting for reserves

Allowance for doubtful receivables

Allowance for doubtful receivables is provided for an amount sufficient to cover credit loss estimates based on the general credit loss historical ratio for general receivables, and collectability analysis for non-performing and doubtful receivables.

Retirement allowance for employees

Retirement allowance for employees is provided for an amount sufficient to cover the retirement benefits deemed to have occurred at the balance sheet date based on the estimated retirement benefit obligation as of the balance sheet date and pension assets. All the actuarial calculation differences are expensed in the accounting period in which they are incurred.

Allowance for bonuses

Allowance for bonuses is provided for based on the estimated bonus amount.

Residual Value Risk Provision

Allowance for residual value is provided for an amount based on the estimate of residual value loss.

### (4) Recognition of income and expenses

We have adopted ASBJ Statement No. 28 Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28 Implementation Guidance on Tax Effect Accounting) for recognition.

Auto-loan commission

Commission received on auto-loan contracts is recorded as deferred income and recognized as interest and commission received over the term of the contracts using the rule-of-78 method\*.

\*The rule-of-78 method is the method whereby income or expenses are recognized using the sum-of-the-years'-digits method so as to approximate a level yield relative to the principal outstanding.

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#### Interest subsidy

Interest subsidy received is recorded as deferred income and recognized as interest and commission received over the term of the contracts on the rule-of-78 method\* except subsidy on lease contracts.

Subsidy on lease contracts is recognized in proportion to the lease revenue.

#### Finance lease

Interest is recognized as the difference between the purchase price of assets (vehicle) and the total lease fee amount. Revenue is allocated to each period over the lease term.

#### Operating lease

Total lease fees are recognized as revenue each month equally over the lease term.

### (5) Cash and cash equivalents in statements of cash flows

In preparing the statements of cash flows, cash on hand, readily available deposit and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

### (6) Other standards for creating financial statements

- 1 Accounting for hedge transactions  
Specific Hedge Accounting is applied to interest rate swap where requirements are met and is applicable.
  - (i) Hedging instruments and hedged items  
Hedging instruments—interest rate swaps, cross-currency interest rate swaps  
Hedged items—borrowings
  - (ii) Hedging policy  
The Company performs derivatives transactions under the strict control of the management standard set out by the BMW Group to hedge against interest rate and currency risks and secure stable income.
  - (iii) Method of assessing the effectiveness of hedging  
The assessment of interest swaps is omitted as Specific Hedging Accounting is applied.
- 2 Accounting for consumption taxes  
Consumption taxes are excluded from income and expenses.
- 3 Currency Translation  
Monetary claims and debts measured in foreign currency is translated to Japanese yen at the rate as of the end of the fiscal year. The exchange difference is booked as profit or loss accordingly.

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### [Notes to revenue recognition]

In accordance with the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) and the Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30), revenue is recognized when control of the promised goods or services is transferred to the customer in the amount expected to be received in exchange for those goods or services.

Accordingly, insurance agency commission income is recognized as revenue at the point in time when our obligation under the contract with the customer is satisfied as a result of the customer's acceptance of the insurance policy applicant that we have arranged, in the amount of the agency commission related to the contract.

If a policyholder who has been taken on by the insurance company cancels the policy early, we are obliged to refund a portion of the commission to the insurance company. The expected amount of refund to the insurance company is deducted from income and a refund liability is recognized. Estimates of refunds are made on the basis of historical experience.

### [Notes to Accounting Estimates]

#### (1) Allowance for doubtful receivables

##### 1 Amount recorded in the financial statements

(Yen in Thousands)	2022	2021 (For Reference)
Current	1,825,487	1,115,450
Non-current	944,587	939,435

#### 2 Significant accounting estimates related to identified items

##### (i) Calculation method

Loss on doubtful receivables is estimated based on the general credit loss historical ratio for general receivables, and collectability analysis for non-performing and doubtful receivables.

##### (ii) Key assumptions

The primary assumption for estimating bad debt losses is actual loss ratio. The loss ratio is the percentage of bad debt losses incurred from outstanding receivables over a given period of time in the past.

##### (iii) Impact on financial statements for the next year

Estimates of allowance for doubtful receivables are based on information available as of the end of the current fiscal year. However, changes in the credit status of customers, including delinquencies, may differ from the actual amount of bad debts.

#### (2) Residual value risk provision

##### 1 Amount recorded in the financial statements

(Yen in Thousands)	2022	2021 (For Reference)
Residual value risk provision	3,668,667	5,646,973

#### 2 Significant accounting estimates related to identified items

##### (i) Calculation method

The residual value loss is estimated by comparing the guaranteed residual value with the estimated market value of the vehicle. For each vehicle, the decline in the value of the vehicle is estimated by taking into account a certain estimated return ratio.

##### (ii) Key assumptions

The main assumptions used in estimating residual value loss are estimated market price and estimated return ratio. These assumptions are calculated based on past actual results in normal case, or based on the performance of similar vehicles in cases where there is no past record.

##### (iii) Impact on financial statements for the next year

Although the assumptions for the estimated market price and estimated return ratio are calculated based on information available at the end of the current fiscal year, changes in used car market prices and other factors may cause a deviation from the actual residual value loss amount.

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### [Notes to changes in accounting policies]

Application of the Accounting Standard on the Calculation of Market Value The Accounting Standard for Fair Value Calculation (ASBJ Statement No. 30, 4 July 2019. Hereafter referred to as the 'Accounting Standard for Calculation of Market Value') and others are applied from the beginning of the current financial year, and the new accounting policies stipulated by the Accounting Standard for Fair Value Calculation and others are applied prospectively in accordance with the transitional treatment stipulated in paragraph 44-2 of the Accounting Standard for Fair Value Calculation No. 19 and the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, 4 July 2019). The change in the accounting policy has no impact on the financial statements.

### [Notes to balance sheets]

#### (1) Pledged assets and corresponding obligations

##### 1. Pledged assets

(Yen in Thousands)	2022	2021 (For Reference)
Loans	211,634,102	268,930,997

##### 2. Corresponding obligations

(Yen in Thousands)	2022	2021 (For Reference)
Long-term Borrowings (including current portion)	161,350,836	190,316,084

#### (2) Accumulated depreciation of tangible fixed assets

(Yen in Thousands)	2022	2021 (For Reference)
1. Accumulated depreciation of tangible fixed assets	16,920,798	22,397,836

#### (3) Receivables from or payables to related parties

##### 1. BMW Japan Corporation

(Yen in Thousands)	2022	2021 (For Reference)
1. Accounts receivable	565,166	470,901
2. Accounts payable	272,063	14,785,133

##### 2. BMW Holding AG

(Yen in Thousands)	2022	2021 (For Reference)
1. Accounts receivable	9,430	22,278
2. Accounts payable	43,866	84,881

### [Notes to statements of profit and loss]

#### (1) Transactions with related parties

##### 1. BMW Japan Corporation

(Yen in Thousands)	2022	2021 (For Reference)
1. Sales	4,789,028	6,442,337
2. Cost of Sales	2,781	2,964
3. Selling, general and administrative expenses	285,568	257,601

##### 2. BMW AG

(Yen in Thousands)	2022	2021 (For Reference)
1. Cost of Sales	69,221	77,931

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### [Notes to statement of changes in shareholders' equity]

- (1) Number of outstanding stocks  
The previous and current fiscal year  
94,710 (Common Stocks 6,000, Preferred Stocks 88,710)

### (2) Dividends

Resolution	Classes of stocks	Total Amount (thousand yen)	Per share (yen)	Base date	Effective date
22 <sup>nd</sup> March 2021 General shareholders meeting	Preferred	3,366,971	37,954.81		
	Common	224,728	37,454.81	31 <sup>st</sup> December 2020	11 <sup>th</sup> May 2021
22 <sup>nd</sup> November 2021 Board of Directors meeting	Preferred	2,438,096	27,483.90		
	Common	161,903	26,983.90	31 <sup>st</sup> December 2020	26 <sup>th</sup> Nov 2021
28 <sup>th</sup> March 2022 General shareholders meeting	Preferred	8,840,465	99,655.79		
	Common	594,934	99,155.79	31 <sup>st</sup> December 2021	10 <sup>th</sup> May 2022
21 <sup>st</sup> November 2022 Board of Directors meeting	Preferred	1,876,107	21,148.77		
	Common	123,892	20,648.77	31 <sup>st</sup> December 2021	30 <sup>th</sup> Nov 2022

### [Notes to deferred tax accounting]

Main sources of current year's deferred tax asset are due to the excess deferred revenues, the excess of allowance for doubtful accounts and the excess of residual value risk provision. This also applies to the deferred tax asset for the previous fiscal year.

### [Notes to lease transaction]

Lessor

- (1) Finance lease  
1. Details of lease receivables

(Yen in Thousands)	2022	2021 (For Reference)
Lease principal portion	23,469,975	21,061,606
Residual value	20,830,884	18,928,558
Interest	(1,630,603)	(1,262,342)
<b>Total</b>	<b>42,670,256</b>	<b>38,727,822</b>

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## 2. Estimated amount to be recovered in part after the end of fiscal year relating to lease receivables

(Yen in Thousands)	2022	2021 (For Reference)
Term		
1 year	8,893,849	8,057,626
1 year to 2 years	6,620,733	6,092,113
2 years to 3 years	4,392,558	3,975,966
3 years to 4 years	2,590,794	2,249,673
4 years to 5 years	972,040	686,225
Over 5 years	-	-
<b>Total</b>	<b>23,469,975</b>	<b>21,061,606</b>

## (2) Operating lease

(Yen in Thousands)	2022	2021 (For Reference)
Unrealized lease fee		
1 year	4,166,807	5,099,193
Over 1 year	6,310,909	7,017,651
<b>Total</b>	<b>10,477,717</b>	<b>12,116,844</b>

**[Notes to financial instruments]**

**The previous fiscal year (From January 1<sup>st</sup>, 2021, to December 31<sup>st</sup>, 2021)**

**1. Matters concerning the status of financial instruments**

## (1) Policy of financial instruments

Our company business is finance services loans, lease for car vehicles and credit card. To procure these funds, we have taken into account market conditions and the balance between the short and long procurement, and have used indirect financing through bank loans as well as direct financing through bonds and debt liquidation. As we have fi-

nanacial assets, liabilities and cash flows that are affected by the changes in fair value of interest rate at that time, we have ALM and derivatives as a mean to prevent adverse effects of change in interest rates and currency exchange. Derivative transactions are used to avoid interest rate risk and currency risk, and speculative trading is not performed.

## (2) The details and risks of financial instruments

Financial assets held by the company are loans and leases receivables of denominated fixed interest primarily to individuals and domestic partners and are exposed to liquidity risk relating to funding. However, bad-debt risk on some loans to individual customers are mitigated by using hedge instruments. Although we do some fundraising for foreign currency, exchange rate risk caused is fully hedged through currency swaps.

Currency risks occur when the counterparty is unable to meet the obligations of trading counterparties.

## (3) Risk management of financial instruments

## 1. Credit Risk Management

We manage our credit risk through a system specializing for risk and debt management. As a way to manage counterparty risk, treasury department checks credit information and fair value on regular bases.

## 2. Market Risk Management

## (i) Interest Rate Risk Management

We manage our interest rate risk through ALM, and we conduct derivative transactions such as interest swaps. The procedures for risk management are stated in Risk Management Guidelines of ALM and we hold treasury meetings regularly and report to the management on regular basis.

## (ii) Derivatives

We have segregated the authority of execution, assessment of the effectiveness of hedge instruments and bookings in regard to derivative transactions as a way to establish internal control in accordance with internal rules.

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(iii) Quantitative Information Relating to Market Risk

Main financial instruments subject to the interest rate risk in the Company are operating loans, lease receivables, long-term borrowings and derivatives. In theory, when the rest of variable risks stay constant and if the interest rate as of December 31<sup>st</sup>, 2021 rose 50 basis-points (0.5 %), the impact on financial instrument's current value will be a decrease of 5,396 million yen, and a decrease of 50 basis-points (0.5 %) will increase the value 5,512 million yen.

3. Management of liquidity risk in regards to funding

We manage liquidity risk by timely management of cash thorough ALM, diversification of funding methods, and by balancing long and short procurement in accordance with the market situation at that time.

(4) Additional notes regarding the management of the fair value of financial instruments

Fair value of financial instruments is measured based on the market prices, if available, or reasonably assessed value if a quoted market price is not available. Fair value of financial instruments for which a quoted market price is not available is calculated based on certain assumptions, and the fair value might differ if different assumptions are used.

2. Fair values of financial instruments

As of 31 Dec 2021, the carrying amounts and fair values and their differences are as follows,

(Yen in Thousands)	Carrying amount	Fair value	Difference
(1) Cash on hand and banks	167,601	167,601	-
(2) Loans	435,509,662		
Deferred interest	(12,432,674)		
Allowance for doubtful receivables (*1)	(1,053,836)		
	422,023,151	435,188,491	13,165,339
(3) Lease receivables	38,727,822		
Allowance for doubtful receivables (*1)	(61,613)		
	38,666,208	39,958,294	1,292,085
(4) Fixed receivables	1,115,953		
Allowance for doubtful receivables (*1)	(939,435)		
	176,517	176,517	-
<b>Total Assets</b>	<b>461,033,480</b>	<b>475,490,905</b>	<b>14,457,425</b>
(1) Accounts payables	15,926,541	15,926,541	-
(2) Short-term borrowings	45,202,867	45,202,867	-
(3) Current portion of long-term borrowings	154,529,168	154,488,451	(40,716)
(4) Long-term borrowings	185,786,916	185,472,499	(314,416)
(5) Bond	10,000,000	10,018,055	18,055
<b>Total Liabilities</b>	<b>411,445,494</b>	<b>411,108,415</b>	<b>(337,078)</b>

(Note 1) Matters concerning the method of calculating the fair value of securities and financial instruments.

(\*1) Net of general and specific provisions for corresponding account codes.

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## (Assets)

### (1) Cash on hand and banks

### (4) Short-term loans

Their fair value is the relevant book value because the fair value approximates the book value.

### (2) Loans

Fair value of the installment receivables is calculated using the discount rate based on internal rules. Fair value of loans for commercial finance is the relevant book value because the market value approximates the book value. For doubtful receivables, they are calculated based on the estimated amount receivable, in which their balance sheet amount at the closing date less the currently estimated bad debt are proximate to their fair value, and thus stated as such.

### (3) Lease receivables

Fair value of the lease receivables is calculated using the discount rate based on internal rules.

### (4) Fixed receivables

They are calculated based on the estimated amount recoverable, in which their balance sheet amount at the closing date less the currently estimated bad debt are proximate to their fair value, and thus stated as such.

## Liabilities

### (1) Account payable

### (2) Short-term borrowings

Above liabilities are stated at the book value as the book value is nearly equal to fair value.

### (3) Current portion of long-term borrowings

### (4) Long-term borrowings

The carrying value of long-term borrowings with floating interest rates approximate fair value because the floating rates will be determined by the market interest rate in the short term and there are no significant fluctuations in the credit standing of the Company after borrowing. The fair values of long-term borrowings with fixed interest rates are measured by discounting the total amount to be paid, including principal and interest based on specific period, at interest rates assumed when a similar and new borrowing is made. Specific Hedge accounting treatment is used for valuation of borrowings with interest rate swaps that have notional principal, terms of interest payment and receipt, and the contract term nearly equal to those of the said debts.

### (5) Bond

The fair value of the bond is calculated by discounting the total amount to be paid, including principal and the interest, at interest rates assumed when a similar bond is issued.



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## Derivatives

### (1) For which hedge accounting is not applied

Values are stated by discounted present value using the BMW group common system.

(Yen in Thousands) Classification	Type of Derivative	Contract Amount	Thereof over 1 Year	Fair Value	Valuation Loss
	Interest Swap of fixed payment for floating receipt				
Transactions off the market		216,500,000	124,000,000	96,763	281,449
<b>Total</b>		<b>216,500,000</b>	<b>124,500,000</b>	<b>96,763</b>	<b>281,449</b>

### (2) For which hedge accounting is applied

Specific hedge accounting treatment is applied for all of our interest rate swaps. They are accounted for as a part of hedged items of long-term borrowings, and thus their fair values are included in the fair values of the relevant long-term borrowings.

(Note 2) Schedule of financial receivable

(Yen in Thousands)	- 1 year	1 - 5 years	Over 5 years
(1) Cash on hand and banks	167,601	-	-
(2) Loan	157,143,284	276,925,597	1,440,780
(3) Lease receivables	10,798,023	27,929,798	-

Fixed receivables are not included in the above amount because redemption schedule cannot be expected.

(Note 3) Schedule of financial liabilities

(Yen in Thousands)	- 1 year	1 - 5 years	Over 5 years
(1) Accounts payables	15,926,541	-	-
(2) Short-term borrowings	45,202,867	-	-
(3) Long-term borrowings	154,529,168	150,786,916	35,000,000
(4) Bond	-	10,000,000	-

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## The current fiscal year (From January 1<sup>st</sup>, 2022 to December 31<sup>st</sup>, 2022)

### 1. Matters concerning the status of financial instruments

#### (1) Policy of financial instruments

Our company business is finance services loans, lease for car vehicles and credit card. To procure these funds, we have taken into account market conditions and the balance between the short and long procurement, and have used indirect financing through bank loans as well as direct financing through bonds and debt liquidation. As we have financial assets, liabilities and cash flows that are affected by the changes in fair value of interest rate at that time, we have ALM and derivatives as a mean to prevent adverse effects of change in interest rates and currency exchange. Derivative transactions are used to avoid interest rate risk and currency risk, and speculative trading policy is not performed.

#### (2) The details and risks of financial instruments

Financial assets held by the company are loans and leases receivables of denominated fixed interest primarily to individuals and domestic partners, and are exposed to liquidity risk relating to funding. However, bad-debt risk on some loans to individual customers are mitigated by using hedge instruments. Although we do some fundraising for foreign currency, exchange rate risk caused is fully hedged through currency swaps.

Currency risks occur when the counterparty is unable to meet the obligations of trading counterparties.

#### (3) Risk management of financial instruments

##### 1. Credit Risk Management

We manage our credit risk through a system specializing for risk and debt management. As a way to manage counterparty risk, treasury department checks credit information and fair value on regular bases.

##### 2. Market Risk Management

###### (i) Interest Rate Risk Management

We manage our interest rate risk through ALM, and we conduct derivative transactions such as interest swaps. The procedures for risk management are stated in Risk Management Guidelines of ALM and we hold treasury meetings regularly and report to the management on regular basis.

###### (ii) Derivatives

We have segregated the authority of execution, assessment of the effectiveness of hedge instruments and bookings in regard to derivative transactions as a way to establish internal control in accordance with internal rules.

###### (iii) Quantitative Information Relating to Market Risk

Main financial instruments subject to the interest rate risk in the Company are operating loans, lease receivables, long-term borrowings and derivatives. In theory, when the rest of variable risks stay constant and if the interest rate as of December 31<sup>st</sup>, 2022 rose 50 basis-points (0.5 %), the impact on financial instrument's current value will be a decrease of 4,875 million yen, and a decrease of 50 basis-points (0.5 %) will increase the value 4,979 million yen.

##### 3. Management of liquidity risk in regard to funding

We manage liquidity risk by timely management of cash thorough ALM, diversification of funding methods, and by balancing long and short procurement in accordance with the market situation at that time.

#### (4) Additional notes regarding the management of the fair value of financial instruments

Fair value of financial instruments is measured based on the market prices, if available, or reasonably assessed value if a quoted market price is not available. Fair value of financial instruments for which a quoted market price is not available is calculated based on certain assumptions, and the fair value might differ if different assumptions are used.

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## 2. Fair values of financial instruments

As of 31 Dec 2022, the carrying amounts and fair values and their differences are as follows,

(Yen in Thousands)	Carrying amount	Fair value	Difference
(1) Cash on hand and banks	46,818	46,818	-
(2) Loans	397,277,571		
Deferred interest	(13,744,220)		
Allowance for doubtful receivables (*1)	(1,740,223)		
	381,793,127	393,029,444	11,236,316
(3) Lease receivables	42,670,256		
Allowance for doubtful receivables (*1)	(85,263)		
	42,584,993	43,782,810	1,197,817
(4) Fixed receivables	1,078,449		
Allowance for doubtful receivables (*1)	(944,587)		
	133,862	133,862	-
<b>Total Assets</b>	<b>424,558,802</b>	<b>436,992,935</b>	<b>12,434,133</b>
(1) Accounts payables	936,549	936,549	-
(2) Short-term borrowings	47,581,882	47,581,882	-
(3) Current portion of long-term borrowings	133,794,943	133,639,262	(155,681)
(4) Long-term borrowings	10,000,000	9,994,046	(5,953)
(5) Bond	191,555,893	189,955,559	(1,600,334)
<b>Total Liabilities</b>	<b>383,869,268</b>	<b>382,107,299</b>	<b>(1,761,968)</b>

(Note 1) Matters concerning the method of calculating the fair value of securities and financial instruments.

## Assets

### (1) Cash on hand and banks

Their fair value is the relevant book value because the fair value approximates the book value.

### (2) Loans

Fair value of the installment receivables is calculated using the discount rate based on internal rules. Fair value of loans for commercial finance is the relevant book value because the market value approximates the book value. For doubtful receivables, they are calculated based on the estimated amount receivable, in which their balance sheet amount at the closing date less the currently estimated bad debt are proximate to their fair value, and thus stated as such.

### (3) Lease receivables

Fair value of the lease receivables is calculated using the discount rate based on internal rules.

### (4) Fixed receivables

They are calculated based on the estimated amount recoverable, in which their balance sheet amount at the closing date less the currently estimated bad debt are proximate to their fair value, and thus stated as such.

## Liabilities

### (1) Account payable

### (2) Short-term borrowings

Above liabilities are stated at the book value as the book value is nearly equal to fair value.

### (3) Current portion of long-term borrowings

### (4) Long-term borrowings

The carrying value of long-term borrowings with floating interest rates approximate fair value because the floating rates will be determined by the market interest rate in the short term and there are no significant fluctuations in the credit standing of the Company after borrowing. The fair values of long-term borrowings with fixed interest rates are measured

(\*1) Net of general and specific provisions for corresponding account codes.

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by discounting the total amount to be paid, including principal and interest based on specific period, at interest rates assumed when a similar and new borrowing is made. Specific Hedge accounting treatment is used for valuation of borrowings with interest rate swaps that have notional principal, terms of interest payment and receipt, and the contract term nearly equal to those of the said debts.

#### (5) Bond

The fair value of the bond is calculated by discounting the total amount to be paid, including principal and the interest, at interest rates assumed when a similar bond is issued.

### Derivatives

#### (1) For which hedge accounting is not applied

Values are stated by discounted present value using the BMW group common system.

(Yen in Thousands) Classification	Type of derivate transactions	Contract amount	Thereof over 1 Year	Fair value	Valuation gains
	Interest Swap of fixed payment for floating receipt				
Transactions off the market		144,000,000	80,000,000	511,792	387,797
<b>Total</b>		<b>144,000,000</b>	<b>80,000,000</b>	<b>511,792</b>	<b>387,797</b>

#### (2) For which hedge accounting is applied

Specific hedge accounting treatment is applied for all of our interest rate swaps. They are accounted for as a part of hedged items of long-term borrowings, and thus their fair values are included in the fair values of the relevant long-term borrowings.

(Note 2) Schedule of financial receivable

(Yen in Thousands)	- 1 year	1 - 5 years	Over 5 years
(1) Cash on hand and banks	46,818	-	-
(2) Loan	143,209,077	250,019,313	4,049,180
(3) Lease receivables	11,829,047	30,841,209	-

Fixed receivables are not included in the above amount because redemption schedule cannot be expected.

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(Note 3) Schedule of financial liabilities

(Yen in Thousands)	- 1 year	1 - 5 years	Over 5 years
(1) Accounts payables	936,549	-	-
(2) Short-term borrowings	47,581,882	-	-
(3) Long-term borrowings	133,794,943	166,555,893	25,000,000
(4) Bond	10,000,000	-	-

**[Notes to transactions with related parties]**Previous Fiscal Year (January 1<sup>st</sup>, 2021 – December 31<sup>st</sup>, 2021)

(1) Parent company and major shareholder

(Yen in Thousands)	Status	Company name	Address	Capital	Detail of business	Ratio of ownership (%)	Relationship	Details	Transaction amount	Code	Ending balance
					Import and sale of vehicle, motorcycle and car accessory	(owned) direct 100 %	Suppliers	Factoring paid	295,413,444	Factoring payable	14,619,265
	Parent company	BMW Japan Co.	Minatoku, Tokyo	4,230 MJPY			1 person director	Subvention received	5,720,927	Subvention. Receivable	381,824
	Parent company	BMW AG	Germany	658 MEUR	Manufacture and sale of vehicle and motorcycle	(owned) In-direct 100 %	Guarantor	Guarantee fee paid	77,931	-	-

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## (2) Subsidiary of parent company

(Yen in Thousands)										
Status	Company name	Address	Capital	Detail of business	Ratio of ownership (%)	Relationship	Details	Transaction amount	Code	Ending balance
Subsidiary of parent company	BMW Asia Pacific Capital Ltd.	Singapore	26 TEUR	Treasury service center	-	Loan lender and borrower	Net repayment	10,202,867	Short-term borrowing	10,202,867
							Net interest paid	7,514	Interest payable	328
							Derivative	- (Note 1)	Derivative Liabilities	96,763
									Short-term borrowing	35,000,000
									Current portion of long-term borrowing	62,000,000
Subsidiary of parent company	BMW Finance N.V.	Netherlands	1,750 TEUR	Cash management of group company	-	Loan lender	Net borrowing	38,000,000	Long-term borrowing	32,000,000
							Net interest paid	562,702	Interest payable	70,908
Subsidiary of parent company	BMW Tokyo Co	Shinagawa, Tokyo	495 MJPY	Sale of vehicle, motorcycle and car accessory	-	Loan borrower	Net lending	2,944,983 (Note 2)	Short-term lending	1,362,665
							Net interest received	32,574	Interest receivable	1,004

(Note 1) Only the ending balance is shown because it is a repetitive and continuous transaction.

(Note 2) The terms and conditions of the above transactions are determined in consideration with market interest rate.

(3) Information to parent company  
 BMW Japan Corp. (Unlisted Company)  
 BMW Holding B.V. (Unlisted Company)  
 BMW AG (Listed on Frankfurt Stock Exchange)

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Current Fiscal Year (January 1<sup>st</sup>, 2022 – December 31<sup>st</sup>, 2022)

(1) Parent company and major shareholder

(Yen in Thousands)										
Status	Company name	Address	Capital	Detail of business	Ratio of ownership (%)	Relationship	Details	Transaction amount	Code	Ending balance
Parent company	BMW Japan Co.	Minatoku, Tokyo	4,230 MJPY	Import and sale of vehicle, motorcycle and car accessory	(owned) direct 100 %	Suppliers	Factoring paid	308,046,485	Factoring payable	152,394
							Subvention received	4,146,275	Subvention. Receivable	504,899
Parent company	BMW AG	Germany	658 MEUR	Manufacture and sale of vehicle and motorcycle	(owned) In-direct 100 %	Guarantor	Guarantee fee paid	69,221	-	-

(2) Subsidiary of parent company

(Yen in Thousands)										
Status	Company name	Address	Capital	Detail of business	Ratio of ownership (%)	Relationship	Details	Transaction amount	Code	Ending balance
Subsidiary of parent company	BMW Asia Pacific Capital Ltd.	Singapore	26 TEUR	Treasury service center	-	Loan lender and borrower	Net borrowing	4,379,015	Short-term borrowing	14,581,882
							Net interest paid	11,636	Interest payable	1,204
							-	-	Derivative Liabilities	511,792
							(Note 1)	-	Short-term borrowing	33,000,000
Subsidiary of parent company	BMW Finance N.V.	Netherlands	1,750 TEUR	Cash management of group company	-	Loan lender	Net repayment	22,000,000	Long-term borrowing	43,000,000
							Net interest paid	707,027	Interest payable	112,679
							Net lending	836,633 (Note 2)	Short-term lending	526,031
Subsidiary of parent company	BMW Tokyo Co	Shinagawa, Tokyo	495 MJPY	Sale of vehicle, motorcycle and car accessory	-	Loan borrower	Net interest received	9,602	Interest receivable	1,424

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(Note 1) Only the ending balance is shown because it is a repetitive and continuous transaction.

(Note 2) The terms and conditions of the above transactions are determined in consideration with market interest rate.

- (3) Information to parent company  
 BMW Japan Corp. (Unlisted Company)  
 BMW Holding B.V. (Unlisted Company)  
 BMW AG (Listed on Frankfurt Stock Exchange)

#### [Notes to per share information]

Previous Fiscal Year (January 1<sup>st</sup>, 2021 – December 31<sup>st</sup>, 2021)

	2021
1. Net assets per share	¥ 750,496.86
2. Net profit per share	¥ 95,736.38

(Note) Net assets per share are calculated by dividing net assets by the total of the numbers of common stocks and preferred stocks issued at the end of the fiscal year. Net profit per share is calculated by dividing net profit deducting preferred stock dividends of 44,355 thousand yen by sum of the average numbers of common stocks and preferred stocks issued and outstanding in the period.

Current Fiscal Year (January 1<sup>st</sup>, 2022 – December 31<sup>st</sup>, 2022)

	2022
1. Net assets per share	¥ 739,365.47
2. Net profit per share	¥ 109,141.50

(Note) Net assets per share are calculated by dividing net assets by the total of the numbers of common stocks and preferred stocks issued at the end of the fiscal year. Net profit per share is calculated by dividing net profit deducting preferred stock dividends of 44,355 thousand yen by sum of the average numbers of common stocks and preferred stocks issued and outstanding in the period.

#### [Notes to subsequent events]

Previous Fiscal Year (January 1<sup>st</sup>, 2021– December 31<sup>st</sup>, 2021)

Not applicable

Current Fiscal Year (January 1<sup>st</sup>, 2022 – December 31<sup>st</sup>, 2022)

Not applicable

#### [Notes to statements of cash flows]

(Yen in Thousands)	2022	2021
Reconciliation between the balance of cash and cash equivalents the account on the balance sheets were as follows;		
Cash on hand and at banks	46,818	167,601
Cash and cash equivalents	46,818	167,601

#### [Other notes]

- (1) Amounts of less than one thousand yen have been rounded off in the accompanying financial statements.



# APPENDIX TO FINANCIAL STATEMENTS

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34 Details of Tangible and Intangible Assets

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34 Details of Reserve

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35 Details of Sales, General and Administrative Expenses

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## 1. Details of Tangible and Intangible Assets

(Yen in Thousands) Contents	Beginning Balance	Current increase	Current decrease	Current depreciation amount	Ending Balance	Accum. depreciation amount	Acquisition cost at year-end
<b>Assets Tangible</b>							
Lease equipment	19,784,847	6,544,689	3,776,460	6,581,178	15,971,897	16,837,958	32,809,855
Building and accompanying facilities	6,711	-	5,511	1,200	-	23,789	23,789
Equipment	4,917	-	1,415	2,756	745	59,051	59,796
<b>Total</b>	<b>19,796,476</b>	<b>6,544,689</b>	<b>3,783,388</b>	<b>6,585,134</b>	<b>15,972,643</b>	<b>16,920,798</b>	<b>32,893,441</b>
<b>Assets Intangible</b>							
Software	60	-	-	60	-	679,193	679,193
Software in progress	109,233	70,049	-	-	179,283	-	179,283
<b>Total</b>	<b>109,293</b>	<b>70,049</b>	<b>-</b>	<b>60</b>	<b>179,283</b>	<b>679,193</b>	<b>858,476</b>

## 2. Details of Reserve

(Yen in Thousands) Contents	Beginning Balance	Current increase	Current Decrease		Ending Balance
			Consumption	Release	
Allowance for doubtful receivables	2,054,885	2,770,074	395,997	1,658,888	2,770,074
Reserve for bonuses allowance	202,013	251,818	202,013	-	251,818
Residual value risk provision	5,646,973	3,668,667	235,786	5,411,187	3,668,667
Provision for retirement benefits	5,793	3,180	1,185	1,130	6,657

Note: "Release" in "Allowance for doubtful receivables" and "Residual value risk provision" is unused provision that are charged in the prior year, and it should be counter-balanced by increase in the current year provision charged.

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

(Yen in Thousands)

Account	Amount	Remark
Salary	1,378,046	
Employee Welfare	340,456	
Provision for Employee Bonus	251,818	
Pension	40,965	
Traveling and Transportation	62,334	
Advertising	32,992	
Dealer Incentive	874,166	
Entertainment	1,626	
Meeting	1,007	
Membership Fee	4,443	
Car Lease Fee, Gas, Oil	80,728	
Office Supply	1,175	
Telephone and Fax	1,172	
Lawyers, Auditors, Consultants Fee	44,674	
Outsourcing Service Fee	570,530	
Bank Charge	94,098	
Software Amortization	60	
IT Cost	747,670	
Maintenance	19,225	
Office Maintenance and Utilities	10,234	
Office Rent	180,442	
Depreciation	3,956	
Insurance	5,340	
Taxes and Dues	401,177	
Provision of Allowance for Doubtful Accounts	1,111,186	
Bad Debt Expense	2,533	
<b>Total</b>	<b>6,262,067</b>	

# APPENDIX TO ANNUAL REPORTS

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## 1. Details of directors who serve as executive director of other companies

(As of December 31, 2022)

Title	Name	Responsibility / position
Director	Mike Wetherell	Director and Chairman of the Board of Directors, BMW Australia Finance Ltd. / Director, BMW Credit (Malaysia) Sdn Bhd / Director, BMW Lease (Malaysia) Sdn Bhd / Director, BMW India Financial Services Private Limited. / Director, BMW Financial Services Singapore Pte Ltd. / Director, BMW Japan Financial Services Corp. / Director, BMW Leasing (Thailand) Company Limited / Director, Thepsatri Company Limited / Director and Chairman of the Board of Directors, BMW Financial Services (South Africa) (Pty) Ltd/ Supervisor, Herald International Financial Leasing Co., Ltd
Corporate Auditor	Hirohisa Sugino	Finance, Accounting, Tax and Custom Manager, Finance & Administration Division, BMW Japan Corp.

## 2. Details of transactions having conflict of interest with the controlling shareholder

(Yen in Thousands)

Category	Name	Transaction detail	Amount
		Sales	4,789,028
		Cost of Sales	2,781
Controlling shareholder	BMW Japan Corp.	Operating activity	Selling, general and administrative expenses
			285,568

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# INDEPENDENT AUDITOR'S REPORT

## (ENGLISH TRANSLATION\*)

March 10, 2023

To the Board of Directors of BMW Japan Finance Corporation

PricewaterhouseCoopers Aarata LLC  
Tokyo office

Naoaki Kobayashi, CPA  
Designated limited liability Partner  
Engagement Partner

Tomoyuki Ashizawa, CPA  
Designated limited liability Partner  
Engagement Partner

### Opinion

We have audited, pursuant to Article 436 (2) (i) of the Companies Act of Japan, the accompanying financial statements, which comprise the balance sheet, profit and loss statement, statement of changes in net assets and notes to the financial statements, and the supplementary schedules of BMW Japan Finance Corporation (hereinafter referred to as the "Company") for the 34<sup>th</sup> fiscal year from January 1, 2022 to December 31, 2022.

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and its financial performance for the period covered by the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements and the Supplementary Schedules section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements and the supplementary schedules in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

The other information comprises the business report and the supplementary schedules. Management is responsible for the preparation and disclosure of the other information. In addition, those charged with governance

\* Notes to the Readers of Independent Auditor's Report  
This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

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are responsible for overseeing the Company's reporting process of the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of Management and Corporate Auditor for the Financial Statements and the Supplementary Schedules**

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 the financial statements and the supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the supplementary schedules, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Corporate Auditor is responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements and the Supplementary Schedules**

Our objectives are to obtain reasonable assurance about whether the financial statements and the supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and the supplementary schedules.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statement audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the supplementary schedules

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or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures of the financial statements and the supplementary schedules are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the financial statements and the supplementary schedules, including the disclosures, and whether the financial statements and the supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Corporate Auditor regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### **Interest required to be disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.