

(English Translation)

VOLKSWAGEN FINANCIAL SERVICES JAPAN LTD.
The 35th fiscal year from January 1, 2024 to December 31, 2024
Financial Statements

(English Translation)
Independent Auditor's Report

February 28, 2025

The Board of Directors
VOLKSWAGEN FINANCIAL SERVICE JAPAN LTD.

Ernst & Young ShinNihon LLC
Tokyo, Japan

Noboru Miura
Designated Engagement Partner
Certified Public Accountant

Tatsuya Nakamura
Designated Engagement Partner
Certified Public Accountant

The Audit of the Financial Statements

Opinion

Pursuant to Article 436, section 2, paragraph 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets, significant accounting policies, other notes and the related supplementary schedules (the "financial statements") of VOLKSWAGEN FINANCIAL SERVICE JAPAN LTD (the "Company") applicable to the fiscal year from January 1, 2024 to December 31, 2024.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position and results of operations of the Company applicable to the fiscal year ended December 31, 2024, 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 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 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 information included in the Company's business report and its supplementary schedules. Management is responsible for preparation and disclosure of the other information. The Corporate Auditor is 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, the Corporate Auditor for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements 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 that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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.

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, 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.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the financial statements is not expressing 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 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 the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the 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.

Fee-related Information

The fees for the audits of the financial statements of the Company and its subsidiary and other services provided by us and other EY member firms are disclosed in the section “2. Status of Financial auditors” of the Company’s business report.

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.

(English Translation)

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.

Financial Statements

(The 35th fiscal year from January 1, 2024 to December 31, 2024)

VOLKSWAGEN FINANCIAL SERVICES JAPAN LTD.

Balance Sheet

(As of December 31, 2024)

(JPY in thousands)

Account item	Amount	Account item	Amount
Assets		Liabilities	
Current assets	397,850,131	Current liabilities	154,051,967
Cash on hand and in banks	3,399,899	Accounts payable - trade	2,492,808
Accounts receivable - trade	34,991,050	Short-term borrowings	64,000,000
Installment accounts receivable	292,636,356	Commercial papers	10,993,186
Lease investment assets	43,561,955	Bonds payable within one year	9,000,000
Lease receivable	885,967	Payable under fluidity installment accounts receivable	48,228,764
Short-term loans receivable	13,345,144	Liabilities from leasing business	280,570
Advance payments	7,285,019	Accounts payable - other	1,095,345
Prepaid expenses	652,484	Accrued expenses	1,019,817
Accounts receivable - other	1,979,933	Income taxes payable	765,162
Others	756,632	Advances received	2,066,583
Allowance for bad debts	△707,001	Deposits payable	558,479
Allowance for residual value	△937,309	Deferred installment income	12,812,694
Fixed assets	8,875,330	Bonus allowance	141,857
Tangible fixed assets	4,322,719	Others	596,697
Buildings	102,148	Long-term liabilities	221,312,338
Building equipment	41,591	Bonds	3,000,000
Structures	3,716	Long-term borrowings	149,000,000
Machinery and equipment	2,400	Long-term payable under fluidity installment accounts receivable	66,461,879
Vehicles and cars	108,108	Deposits received for guarantees	2,351,930
Furniture, fixtures and tools	77,856	Retirement reserve allowance	305,337
Assets for rent	3,141,398	Retirement reserve allowance for directors	-
Land	845,498	Asset retirement obligations	133,946
Intangible fixed assets	543,458	Others	59,244
Software	543,458	Total liabilities	375,364,306
Telephone rights	0	Equity	
Investments and other assets	4,009,151	Shareholders' equity	31,361,154
Stocks of affiliated companies	20,000	Capital stock	1,010,000
Long-term prepaid expenses	1,372,208	Earned surplus	30,351,154
Long-term guarantee money deposited	1,224,294	Legal reserve	252,500
Deferred tax assets	1,392,649	Retained earnings and others	30,098,654
		Retained earnings carried forward	30,098,654
		Total equity	31,361,154
Total assets	406,725,461	Total liabilities & equity	406,725,461

Income Statement

(from January 1, 2024 to December 31, 2024)

(JPY in thousands)

Account item	Amount	
Operating revenues		
Retail financing loan income	8,609,033	
Dealer financing income	332,405	
Finance leasing income	1,378,955	
Real estate rental income	381,243	
Insurance commission income	1,135,934	
Others	476,074	12,313,647
Operating expenses		
Interest expenses	1,623,687	
Interest expenses (bond)	38,170	
Selling, general and administrative expenses	5,967,735	7,629,593
Operating income		4,684,054
Non-operating income		
Interest income	1,251	1,251
Ordinary income		4,685,305
Extraordinary gains		
Gains from sales of fixed assets	182,788	182,788
Extraordinary loss		
Losses from disposing/sales of fixed assets	203,140	203,140
Net income before taxes		4,664,953
Income taxes-current	1,392,797	
Income taxes-deferred	118,045	1,510,843
Net income		3,154,110

Statement of Changes in Equity

(from January 1, 2024 to December 31, 2024)

(JPY in thousands)

	Shareholders' equity					Valuation and translation adjustments	Total equity
	Capital stock	Earned surplus			Total shareholders' equity	Deferred gains and losses on hedges	
		Legal reserve	Retained earnings and others (Note)	Total earned surplus			
Beginning balance	1,010,000	252,500	26,944,544	27,197,044	28,207,044	—	28,207,044
Changes of items during the period							
Net income			3,154,110	3,154,110	3,154,110		3,154,110
Net changes of items other than shareholders' equity						—	—
Total changes of items during the period			3,154,110	3,154,110	3,154,110	—	3,154,110
Ending balance	1,010,000	252,500	30,098,654	30,351,154	31,361,154	—	31,361,154

Note: "Retained earnings and others" are all from retained earnings carried forward.

Summary of significant accounting policies

1. Valuation standard and method for assets

- (1) Stock of affiliated companies: Cost method
- (2) Derivatives: Market value method

2. Method of depreciation of fixed assets

- (1) Tangible fixed assets: Declining-balance method

However, buildings are depreciated on a straight-line basis over their estimated useful lives to residual value which is either the estimated disposal value or zero.

- (2) Intangible fixed assets

Software: Software costs are amortized on a straight-line basis over the estimated useful lives (5 years) in accordance with the company policy.

3. Accounting for allowance

- (1) Allowance for bad debts: To provide against the loss of bad debts, allowance for normal debt is estimated on the basis of reasonable criterion, whereas the allowance for specified bad debts is calculated individually as the amount that is likely to be recovered.
- (2) Allowance for residual value: A projected loss is provided against the risk of decrease in residual value.
- (3) Bonus allowance: Allowance for bonuses is provided based upon the estimated amount of bonus to employees attributable to this fiscal year but payable in the following fiscal year.
- (4) Retirement reserve allowance: A retirement allowance is provided based upon the estimated present value of the retirement benefit obligation as at year-end. Actuarial gains and losses are amortized over the employees' average residual number of years of service on a straight-line basis, effective from the following fiscal year. As for the past service cost, expenses are recognized in the year in which they occur.
- (5) Retirement reserve allowance for directors: Retirement reserve allowance for directors is provided based upon the estimated present value of the retirement benefit obligation as at year-end.

4. Recognition of revenue and expense

- (1) Revenue recognition of loan interests: At the commencement of retail financing loan, installment accounts receivables are recognized at the total payments of the loan, and at each payment due date interest portion of the payment is recognized as loan interest income.
- (2) Revenue recognition regarding finance lease transactions: Accrued interest is allocated to each period, without sales amount.
- (3) Revenue recognition of insurance commission income: Insurance business mainly provides services to insurance companies such as establishing scheme of insurance products and promoting sales. Such performance obligations are satisfied when policyholders pay premiums to insurance companies. Insurance commission income is recognized at the amount calculated as the premiums paid times a certain rate.

5. Hedge accounting

Deferral hedge accounting is applied.

6. Accounting for consumption tax and local consumption tax

Consumption tax and local consumption tax are not included in the balances of the relevant

accounts in the accompanying income statement. In addition, non-deductible consumption taxes and others are recognized as current expenses.

Notes to the balance sheet

1. Assets offered as security and corresponding obligation	
(1) Assets offered as security	
Installment accounts receivable	126,544,009 thousand yen
Advance payments	7,285,019 thousand yen
Others (Current assets)	320,000 thousand yen
Long-term guarantee money deposited	989,000 thousand yen
(2) Obligation corresponding to assets offered as security	
Payable under fluidity installment accounts receivable	48,228,764 thousand yen
Long-term payable under fluidity installment accounts receivable	66,461,879 thousand yen
2. Accumulated depreciation on tangible fixed assets	1,640,583 thousand yen
3. Monetary claims and liabilities related to affiliated companies	
Short-term monetary claims	2,172 thousand yen
Short-term liabilities	58,686 thousand yen
4. Debt Guarantee	
The following guarantees are provided for Lamborghini purchased receivables.	
The maximum amounts of debt guarantees are as follows.	
KK RPM	541,015 thousand yen
Mitsuoka Motor Co., Ltd.	1,182,336 thousand yen
Cornes Motors KK	2,420,945 thousand yen
Bolognese KK	3,033,643 thousand yen
Koyo Auto Co., Ltd.	105,710 thousand yen
KK Corrida Motors	1,267,935 thousand yen
5. Fractional amounts of less than 1,000 yen have been discarded.	

Notes to the income statement

1. Transactions with affiliated companies	
Operating revenues and others	2,831 thousand yen
Selling, general and administrative expenses	91,917 thousand yen
2. Fractional amounts of less than 1,000 yen have been discarded.	

Notes to the statement of changes in equity

1. Number of issued shares as of the end of this fiscal year	
Common stock	20,200 shares
2. Fractional amounts of less than 1,000 yen have been discarded.	

Notes on deferred tax accounting

Deferred tax assets are attributed mainly to disallowed liabilities such as allowance for bad debts, allowance for residual value, and excess depreciation amount.

Notes on financial instruments

1. Financial instrument disclosure

(1) Financial instrument policies

Our financial assets include receivables in relation to installment, lease, and financial transactions. We raise funds through indirect financing such as bank borrowings, as well as direct financing including issuance of bonds and commercial papers, and securitization of receivables.

To reduce credit risks resulting from breach of contract by customers, in accordance with our credit management rules, we regularly oversee due dates and balances by individual customer, and keep abreast of their credit status.

The Company has also conducted ALM (asset-liability management) in order to appropriately control interest-rate risks caused by mismatch of interest rate types and contract period of asset management and financing. We carry out derivatives trading only for the purpose of hedging interest-rate risks, and do not conduct speculative dealing to seek short-term profits.

While striving to ensure liquidity by diversifying financing instruments, we also manage financing-related liquidity risks according to our liquidity risk management rules.

(2) Supplementary notes on fair value of financial instruments

The fair values of financial instruments are based on market prices or rational calculations in the absence of such prices. Since those prices are calculated on certain assumptions, the adoption of different assumptions may result in price differences.

2. Disclosure about fair value of financial instruments

The balance sheet and fair values, and the differences between them, as of December 31, 2024 were as follows. However, financial instruments of which fair value is extremely difficult to determine are not included (see Note 2).

(JPY in thousands)

	Balance sheet value	Fair value	Differences
(1) Cash on hand and in banks	3,399,899	3,399,899	-
(2) Accounts receivable – trade Allowance for bad debts (*1)	34,991,050 △ 64,640	-	-
(3) Installment of accounts receivable Deferred installment income Allowance for residual value (*1) Allowance for bad debts (*1)	34,926,410 292,636,356 △ 12,812,694 △ 937,309 △ 526,455	34,926,410	-
(4) Lease investment assets Allowance for bad debts (*1)	278,359,898 43,561,955 △ 102,090	267,137,027	△ 11,222,871
(5) Lease Receivable	43,459,865 885,967	42,400,517 1,181,911	△ 1,059,348 295,944
(6) Short-term loans receivable Allowance for bad debts (*1)	13,345,144 △ 13,815		
	13,331,329	13,331,329	-
Total assets	374,363,368	362,377,093	△ 11,986,275
(1) Accounts payable – trade	2,492,808	2,492,808	-
(2) Short-term borrowings	64,000,000	64,000,000	-
(3) Commercial paper (*2)	10,993,186	11,000,000	△ 6,814
(4) Liabilities from leasing business	280,570	272,776	7,794
(5) Bonds (*3)	12,000,000	11,993,591	6,409
(6) Long-term borrowings	149,000,000	147,713,802	1,286,198
(7) Long-term payable under fluidity installment accounts receivable (*4)	114,690,643	109,928,834	4,761,809
(8) Deposits received for guarantee	2,351,930	2,339,178	12,752
Total liabilities	355,809,137	349,740,989	6,068,148

(*1) Allowances for bad debts or residual value corresponding to accounts receivable-trade, installment accounts receivable, lease investment assets, and short-term loans receivable have been deducted respectively.

(*2) Discount fee has been deducted in lieu of the interest rate adjustment for the balance sheet amount on the commercial paper.

(*3) Bonds include bonds maturing within one year.

(*4) Long-term payable under fluidity installment accounts receivable include payable under fluidity installment accounts receivable.

Note 1) Methodology for calculating fair values of financial instruments, and matters concerning derivatives trading

Assets

(1) Cash on hand and in banks, (2) Accounts receivable-trade, and (6) Short-term loans receivable

Due to the short maturities of these instruments, the carrying amount approximates fair value.

(3) Installment accounts receivable, (4) Lease investment assets, and (5) Lease Receivable

As these assets are subject to fixed interest rates, fair value is calculated by discounting the total amount of principal and interest using an interest rate assumed if conducting a similar new transaction with respect to each segment based on the type of receivable, the internal rating, and the period.

Liabilities

(1) Accounts payable-trade, and (2) Short-term borrowings

Due to the short maturities of these instruments, the carrying amount approximates fair value.

(3) Commercial paper

Due to the short maturities of these instruments, the face value approximates fair value.

(4) Liabilities from leasing business

The fair value of liabilities from leasing business is calculated by discounting the total amount of principal and interest using the interest rate assumed if conducting a similar new transaction.

(5) Bonds

The fair value of bonds is calculated by discounting the total amount of principal and interest using the interest rate assumed if issuing similar bonds.

(6) Long-term borrowings

Long-term borrowings subject to variable interest rates are recorded using book values as their fair values are deemed to approximate their book values since the variable interest rates reflect market interest rates over a short period and our credit status has not changed significantly since implementing these borrowings. The fair value of long-term borrowings subject to fixed rates is calculated by discounting the total amount of principal and interest of the long-term borrowing classified by a certain period using the interest rate assumed in case of similar borrowings.

(7) Long-term payable under fluidity installment accounts receivable

The fair value of long-term payable under fluidity installment accounts receivable is calculated by discounting the total amount of principal and interest of the long-term payable under fluidity installment accounts receivable classified by a certain period using the interest rate assumed if conducting similar liquidation of claims.

(8) Deposit received for guarantee

The fair value of deposit received for guarantee is calculated by discounting the book value using the interest rate based on current credit risk of the company.

Note 2) The list above does not include shares without market price. The amounts of such financial instruments recognized in the balance sheets are as follows.

Category	Amount recognized in balance sheet (JPY in thousands)
Affiliate companies	
Unlisted shares	20,000

Notes on investment and rental properties

1. Description of investment and rental properties

The Company has multi-tenant buildings and office buildings for rent (including land) in Tokyo and other areas.

2. Fair value of investment and rental properties

Balance sheet value			Year-end fair value
Beginning balance	Changes during the period	Year-end balance	
1,047,998	△ 173,405	874,593	881,699

Note 1) Balance sheet values are obtained by deducting the accumulated amount of depreciation costs from acquisition costs.

Note 2) Fair value at the end of this fiscal year is calculated by the Company, based mainly on "Real Estate Appraisal Standards" (including adjusted amounts with indicators, etc.)

Notes on related-party transactions

(JPY in thousands)

Relation	Name	Share-holding (-held) ratio	Relationship	Transaction	Amount (*5)	Account	Year-end balance
Parent	Volkswagen Financial Services Overseas AG	Share held Indirect 100%	• Guarantee on issue of commercial paper and bonds	Liabilities guaranteed (*1)	22,993,186	—	—
				Guarantee fee expense (*1)	9,075	—	—
Subsidiary of parent	Volkswagen Group Japan KK	NA	• Subvention income related to loans • Receivable purchase • Purchase of cars • Leasing income	Subvention income (*2)	4,028,623	Accounts receivable-other	372,123
				Purchased receivable (*2)	228,632,840	Accounts payable-trade	—
				Handling Charge of purchased receivable (*2)	125,045	Accounts receivable-other	10,696
				Purchase of cars	2,692,127	—	—
				Leasing income	531,529	—	—
Subsidiary of parent	Volkswagen Japan Sales KK	NA	• Leasing income • Receivable purchase • Funding loan	Purchase of cars (*3)	697,903	Accounts payable-trade	—
				Purchased receivable (*6)	5,790,292	Accounts receivable	1,131,055
				Funding Loan receivable (*4)	—	Short-term loans receivable	180,000
				Loans collected	—		
				Loan interest income (*4)	1,009	Unearned income	357
Subsidiary of parent	Audi Japan Sales KK	NA	• Leasing income • Receivable purchase • Funding loan	Purchase of cars (*3)	2,534,792	Accounts payable-trade	—
				Purchased receivable (*6)	26,193,020	Accounts receivable	3,760,042
				Funding Loan receivable (*4)	13,760,040	Short-term loans receivable	2,262,403
				Loans collected	14,643,914		
				Loan interest income (*4)	17,134	Accrued revenue	117,083
Subsidiary of parent	Volkswagen Financial Services N.V	NA	• Repayment	Repayment	15,820,000	—	—

Terms and conditions, and policies on settling conditions

- (*1) Guarantee rates are settled after negotiating on the rates presented by Volkswagen Financial Services Overseas AG.
- (*2) Conditions of subvention and receivables related to loans are determined after consideration of general market rates and individual negotiation.
- (*3) Conditions of lease transactions are determined by comparison with general transaction conditions, taking general market rates into consideration.
- (*4) Market interest rates are taken into consideration when deciding loan and borrowing rates.
- (*5) The transaction amount in the above disclosure does not include consumption tax. The final balance includes consumption tax.
- (*6) These are the amounts of vehicle receivables purchased from Volkswagen Group Japan KK where the original debtors are Volkswagen Japan Sales KK and Audi Japan Sales KK.

Per share data

Equity per share	1,552,532.41 yen
Net income per share	156,144.07 yen

Notes to revenue recognition

Basis of understanding revenue is described in “Summary of significant accounting policies – 4. Recognition of revenue and expense”.

Supplementary Schedules in relation to Financial Statements

(The 35th fiscal year from January 1, 2024 to December 31, 2024)

VOLKSWAGEN FINANCIAL SERVICES JAPAN LTD.

1. Details of tangible fixed assets and intangible fixed assets

(JPY in thousands)

Account item	Asset	Beginning book value	Increase during the period	Decrease during the period	Amount written off during the period	Year-end book value	Accumulated depreciation	Year-end acquisition cost
Tangible fixed assets	Buildings	116,673	—	1,521	13,003	102,148	354,125	456,274
	Building equipment	51,019	—	1,347	8,080	41,591	231,368	272,960
	Structures	5,885	—	1,620	547	3,716	33,462	37,178
	Machinery and equipment	2,400	—	—	—	2,400	45,600	48,000
	Vehicles and cars	84,856	81,489	15,238	42,999	108,108	63,393	171,502
	Furniture, fixtures and tools	107,433	12,653	1,399	40,830	77,856	260,385	338,242
	Assets for rent	1,988,433	2,692,127	851,700	687,461	3,141,398	652,247	3,793,645
	Land	845,862	—	364	—	845,498	—	845,498
	Construction in progress	—	—	—	—	—	—	—
	Total	3,202,564	2,786,270	873,192	792,923	4,322,719	1,640,583	5,963,302
Intangible fixed assets	Software	795,400	186,283	193,584	244,639	543,458	/	
	Telephone rights	0	—	—	—	0		
	Total	795,400	186,283	193,584	244,639	543,458		

(Note 1) The increase in furniture and fixtures for the current fiscal year was mainly due to the renewal of internal network equipment.

(Note 2) The increase in software for the current fiscal year was mainly due to additional development of the dealer support system (EVAS).

(Note 3) The increase in assets for rent for the current period was mainly due to purchasing of company Car lease.

2. Details of allowances

(JPY in thousands)

Account item	Beginning balance	Increase during the period	Decrease during the period		Year-end balance
			For intended use	Others	
Allowance for bad debts	998,766	707,001	—	998,766	707,001
Allowance for residual value	1,097,538	937,309	—	1,097,538	937,309
Bonus allowance	141,905	141,857	141,905	—	141,857
Retirement reserve allowance	276,569	209,701	180,933	—	305,337
Retirement reserve allowance for directors	161,738	9,052	170,790	—	—

Note: The decrease (others) in allowance for bad debts and allowance for residual value during the period is caused by reversing the closing entry for the allowance.

3. Details of selling, general and administrative expenses

(JPY in thousands)

Item	Amount	Note
Sales promotion expense	331,606	
Payroll expense	1,274,909	
Traveling expense	79,323	
Guarantee cost	1,953,359	
Outsourcing expense	252,342	
Commission expense	23,944	
Rent expense	343,375	
Depreciation cost	1,037,184	
Costs regarding EDP	741,584	
Communication cost	69,953	
Convention expense	17,632	
Printing expense	1,316	
Books training expense	9,553	
Taxes other than income taxes	118,345	
Provision of allowance for bad debts	-10,191	
Provision of allowance for residual value	-441,801	
Other SG&A expenses	165,297	
Total	5,967,735	