

(English Translation)

VOLKSWAGEN FINANCIAL SERVICES JAPAN LTD.
The 36th fiscal year from January 1, 2025 to December 31, 2025
Financial Statements

(English Translation)
Independent Auditor's Report

February 27, 2026

The Board of Directors
VOLKSWAGEN FINANCIAL SERVICE JAPAN LTD.

Ernst & Young ShinNihon LLC
Tokyo, Japan

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, 2025 to December 31, 2025.

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, 2025, 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, including those applicable to audits of financial statements of public interest entities, 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the group 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.

We also provide the Corporate Auditor with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

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 36th fiscal year from January 1, 2025 to December 31, 2025)

VOLKSWAGEN FINANCIAL SERVICES JAPAN LTD.

Balance Sheet

(As of December 31, 2025)

(JPY in thousands)

Account item	Amount	Account item	Amount
Assets		Liabilities	
Current assets	446,423,478	Current liabilities	190,374,285
Cash on hand and in banks	15,117,369	Accounts payable - trade	2,143,035
Accounts receivable - trade	26,521,045	Short-term borrowings	80,595,200
Installment accounts receivable	302,336,310	Commercial papers	33,952,715
Lease investment assets	47,895,997	Bonds payable within one year	5,500,000
Lease receivable	845,964	Payable under fluidity installment accounts receivable	45,887,488
Short-term loans receivable	44,772,175	Liabilities from leasing business	237,294
Advance payments	6,923,530	Accounts payable - other	1,469,597
Prepaid expenses	586,453	Accrued expenses	1,160,075
Accounts receivable - other	1,542,481	Income taxes payable	756,791
Accrued income	668,883	Unearned revenue	303,513
Others	824,826	Advances received	2,484,481
Allowance for bad debts	△135,247	Deposits payable	526,009
Allowance for residual value	△1,476,313	Deferred installment income	14,510,934
Fixed assets	10,446,293	Bonus allowance	153,831
Tangible fixed assets	5,560,425	Others	693,316
Buildings	89,464	Long-term liabilities	232,047,734
Building equipment	34,631	Bonds	1,500,000
Structures	3,290	Long-term borrowings	163,000,000
Machinery and equipment	2,400	Long-term payable under fluidity installment accounts receivable	64,507,697
Vehicles and cars	118,632	Deposits received for guarantees	2,528,056
Furniture, fixtures and tools	58,876	Retirement reserve allowance	327,042
Assets for rent	4,407,630	Asset retirement obligations	136,438
Land	845,498	Others	48,499
Intangible fixed assets	583,240	Total liabilities	422,422,020
Software	583,240	Equity	
Telephone rights	0	Shareholders' equity	34,447,750
Investments and other assets	4,302,626	Capital stock	1,010,000
Stocks of affiliated companies	20,000	Earned surplus	33,437,750
Long-term prepaid expenses	1,413,533	Legal reserve	252,500
Long-term guarantee money deposited	1,355,094	Retained earnings and others	33,185,250
Deferred tax assets	1,513,998	Retained earnings carried forward	33,185,250
		Total equity	34,447,750
Total assets	456,869,771	Total liabilities & equity	456,869,771

Income Statement

(from January 1, 2025 to December 31, 2025)

(JPY in thousands)

Account item	Amount	
Operating revenues		
Retail financing loan income	8,982,174	
Dealer financing income	681,326	
Finance leasing income	1,878,238	
Real estate rental income	488,495	
Insurance commission income	1,127,098	
Others	570,699	13,728,031
Operating expenses		
Interest expenses	2,647,776	
Interest expenses (bond)	33,862	
Selling, general and administrative expenses	6,576,907	9,258,546
Operating income		4,469,485
Non-operating income		
Interest income	24,924	24,924
Ordinary income		4,494,409
Extraordinary gains		
Gains from sales of fixed assets	100,542	100,542
Extraordinary loss		
Losses from disposing/sales of fixed assets	61,148	61,148
Net income before taxes		4,533,803
Income taxes-current	1,568,557	
Income taxes-deferred	△ 121,349	1,447,207
Net income		3,086,596

Statement of Changes in Equity

(from January 1, 2025 to December 31, 2025)

JPY in thousands)

	Shareholders' equity					Total equity
	Capital stock	Earned surplus			Total shareholders' equity	
		Legal reserve	Retained earnings and others (Note)	Total earned surplus		
Beginning balance	1,010,000	252,500	30,098,654	30,351,154	31,361,154	31,361,154
Changes of items during the period						
Net income			3,086,596	3,086,596	3,086,596	3,086,596
Net changes of items other than shareholders' equity						—
Total changes of items during the period	—	—	3,086,596	3,086,596	3,086,596	3,086,596
Ending balance	1,010,000	252,500	33,185,250	33,437,750	34,447,750	34,447,750

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

Summary of significant accounting policies

1. Valuation standard and method for assets

Stock of affiliated companies: Cost 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.

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. 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	122,865,129 thousand yen
Advance payments	6,923,530 thousand yen
Others (Current assets)	295,000 thousand yen
Long-term guarantee money deposited	1,120,000 thousand yen

(2) Obligation corresponding to assets offered as security

Payable under fluidity installment accounts receivable	45,887,488 thousand yen
Long-term payable under fluidity installment accounts receivable	64,507,697 thousand yen

2. Accumulated depreciation on tangible fixed assets 2,204,945 thousand yen

3. Monetary claims and liabilities related to affiliated companies

Short-term monetary claims	2,157 thousand yen
Short-term liabilities	100,697 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	971,402 thousand yen
Mitsuoka Motor Co., Ltd.	1,727,197 thousand yen
Cornes Motors KK	2,474,233 thousand yen
Bolognese KK	3,086,084 thousand yen
Koyo Auto Co., Ltd.	257,719 thousand yen
KK Corrida Motors	1,507,847 thousand yen
TAJIMA MOTOR CORPORATION Co., Ltd.	823,996 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	177,613 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
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2. Fractional amounts of less than 1,000 yen have been discarded.

Notes on deferred tax accounting

The principal factors contributing to the recognition of deferred tax assets are disallowances such as provisions for residual value and excess depreciation limits.

The “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 13 of 2025) was enacted by the Diet on March 31, 2025, introducing the Defense Special Corporation Tax effective from the consolidated fiscal year beginning on or after April 1, 2026.

Accordingly, deferred tax assets and deferred tax liabilities arising from temporary differences expected to reverse in and after the consolidated fiscal year beginning on January 1, 2027 have been calculated using a revised statutory effective tax rate of 31.52%, increased from 30.62%. The impact of this tax rate change is immaterial.

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.

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, 2025 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	15,117,369	15,117,369	-
(2) Accounts receivable – trade Allowance for bad debts (*1)	26,521,045 △ 59,751	-	-
(3) Installment of accounts receivable Deferred installment income Allowance for residual value (*1)	26,461,294 302,336,310 △ 14,510,934 △ 1,476,313	26,461,294	-
(4) Lease investment assets Allowance for bad debts (*1)	286,349,063 47,895,997 △ 60,667	272,881,112	△ 13,467,951
(5) Lease Receivable	47,835,330 845,964	44,595,758 1,102,206	△ 3,239,572 256,242
(6) Short-term loans receivable Allowance for bad debts (*1)	44,772,175 △ 14,829		
	44,757,346	44,757,346	-
Total assets	421,366,366	404,915,085	△ 16,451,281
(1) Accounts payable – trade	2,143,035	2,143,035	-
(2) Short-term borrowings	80,595,200	80,595,200	-
(3) Commercial paper (*2)	33,952,715	34,000,000	47,285
(4) Liabilities from leasing business	237,294	231,535	△ 5,759
(5) Bonds (*3)	7,000,000	6,988,460	△ 11,540
(6) Long-term borrowings	163,000,000	160,542,416	△ 2,457,584
(7) Long-term payable under fluidity installment accounts receivable (*4)	110,395,185	104,606,232	△ 5,788,953
(8) Deposits received for guarantee	2,528,056	2,512,494	△ 15,562
Total liabilities	399,851,485	391,619,372	△ 8,232,113

(*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	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	
874,593	69,222	943,815	1,145,703

(JPY in thousands)

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)	40,952,715	—	—
				Guarantee fee expense (*1)	16,117	—	—
Subsidiary of parent	Volkswagen Group Japan KK	NA	• Subvention income related to loans • Tactical Expense • Receivable purchase • Purchase of cars • Leasing income • Receipt of Store rent	Subvention income (*2)	4,101,065	Accrued income	386,234
				Tactical Expense (*2)	661,582	Accounts payable other	298,795
				Purchased receivable (*2)	348,767,570	Accounts payable-trade	—
				Handling Charge of purchased receivable (*2)	252,920	Accounts receivable-other	8,741
				Purchase of cars(*3)	3,249,466	—	—
				Leasing income(*4)	935,701	—	—
				Receipt of Store rent(*4)	195,425	Unearned income	17,819
Subsidiary of parent	Audi Volkswagen Retail Japan KK	NA	• Leasing income • Receivable purchase • Funding loan • Receipt of Store rent	Purchase of cars (*3)	4,172,162	Accounts payable-trade	57,297
				Purchased receivable (*6)	46,520,592	Accounts receivable	2,818,313
				Funding Loan receivable (*5)	21,591,405	Short-term loans receivable	8,113,605
				Loans collected(*5)	15,945,511		
				Loan interest income (*5)	44,862	Unearned income	—
						Accrued income	15,773
		Receipt of Store rent(*4)	221,241	Unearned income	19,987		
Subsidiary of parent	Volkswagen Financial Services N.V	NA	• Borrowing of funds	Borrowing of funds(*5)	14,595,200	Borrowings	14,595,200

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, Tactical Expense and receivables related to loans are determined after consideration of general market rates and individual negotiation.
- (*3) Vehicle Purchase are determined by taking prevailing market prices into consideration.
- (*4) Conditions of lease transactions and store lease transactions are determined by comparison with general transaction conditions, taking general market rates into consideration
- (*5) Market interest rates are taken into consideration when deciding loan and borrowing rates.
- (*6) These are the amounts of vehicle receivables purchased form Volkswagen Group Japan KK where the original debtors are Audi Volkswagen Retail Japan KK.
- (*7) The transaction amount in the above disclosure does not include consumption tax. The final balance includes consumption tax.

Per share data

Equity per share	1,705,334.20 yen
Net income per share	152,801.78 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 36th fiscal year from January 1, 2025 to December 31, 2025)

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	102,148	—	—	12,684	89,464	366,809	456,274
	Building equipment	41,591	348	—	7,307	34,631	238,676	273,308
	Structures	3,716	—	—	426	3,290	33,888	37,178
	Machinery and equipment	2,400	—	—	—	2,400	45,600	48,000
	Vehicles and cars	108,108	92,024	38,589	42,911	118,632	60,532	179,165
	Furniture, fixtures and tools	77,856	13,698	3,548	29,129	58,876	277,652	336,529
	Assets for rent	3,141,398	3,249,466	975,625	1,007,607	4,407,630	1,181,784	5,589,415
	Land	845,498	—	—	—	845,498	—	845,498
	Total	4,322,719	3,355,537	1,017,763	1,100,067	5,560,425	2,204,945	7,765,370
Intangible fixed assets	Software	543,458	260,349	—	220,567	583,240		
	Telephone rights	0	—	—	—	0		
	Total	543,458	260,349	—	220,567	583,240		

(Note 1) The increase in the amount of building accessories during the current period was due to the acquisition of fixtures, etc. in connection with changes in layout.

(Note 2) The increase in furniture and fixtures during the fiscal year is due to the replacement of in-house PCs and the acquisition of communication equipment.

(Note 3) The decrease in furniture and fixtures during the fiscal year is due to the disposal of communication equipment.

(Note 4) The increase in leased assets during the fiscal year is mainly due to the acquisition of vehicles related to Company Car Lease.

(Note 5) The decrease in leased assets during the fiscal year is mainly due to the sale of vehicles related to

Company Car Lease.

(Note 6) The increase in software during the fiscal year is due to the additional development of the Dealer Support System (EVAS).

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	707,001	135,247	–	707,001	135,247
Allowance for residual value	937,309	1,476,313	–	937,309	1,476,313
Bonus allowance	141,857	153,831	141,857	–	153,831
Retirement reserve allowance	305,337	48,262	26,558	–	327,042

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	208,600	
Payroll expense	1,255,095	
Traveling expense	77,588	
Guarantee cost	1,896,820	
Outsourcing expense	291,489	
Commission expense	41,527	
Rent expense	338,732	
Depreciation cost	1,320,634	
Costs regarding EDP	792,308	
Communication cost	76,526	
Convention expense	13,042	
Printing expense	808	
Books training expense	9,773	
Taxes other than income taxes	131,112	
Provision of allowance for bad debts	△ 571,753	
Provision of allowance for residual value	539,003	
Other SG&A expenses	155,597	
Total	6,576,907	