

(English Translation)

Audit Report with Financial Report

(The 30th fiscal year from January 1, 2019 to December 31, 2019)

VOLKSWAGEN FINANCIAL SERVICES JAPAN LTD.

Independent Auditor's Report
(English Translation*)

February 26, 2020

To Mr. Zhong Zhong
Auditor
VOLKSWAGEN FINANCIAL SERVICES JAPAN LTD.

PricewaterhouseCoopers Aarata LLC
Hideaki Endo, CPA
Designated limited liability Partner
Engagement Partner

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 VOLKSWAGEN FINANCIAL SERVICES JAPAN LTD (hereinafter referred to as the "Company") for the 30th fiscal year from January 1, 2019 to December 31, 2019.

Management's Responsibility 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.

Auditor's Responsibility

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

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

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

Opinion

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

Conflict of Interest

We have no interest in or relationship with the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

* The original audit report is in Japanese. This English translation is for readers' convenience and reading this translation is not a substitute for reading the original audit report in Japanese.

Financial Statements

(The 30th fiscal year from January 1, 2019 to December 31, 2019)

VOLKSWAGEN FINANCIAL SERVICES JAPAN LTD.

Balance Sheet

(As of December 31, 2019)

(JPY in thousands)

| Account item | Amount | Account item | Amount |
|-------------------------------------|--------------------|---|--------------------|
| Assets | | Liabilities | |
| Current assets | 379,235,612 | Current liabilities | 160,172,219 |
| Cash on hand and in banks | 2,167,839 | Accounts payable - trade | 2,793,463 |
| Accounts receivable - trade | 27,455,846 | Short-term borrowings | 55,000,000 |
| Installment accounts receivable | 291,202,954 | Commercial papers | 29,998,187 |
| Lease investment assets | 32,089,887 | Bonds payable within one year | 11,000,000 |
| Short-term loans receivable | 17,734,088 | Payable under fluidity installment accounts receivable | 44,579,208 |
| Advance payments | 7,818,234 | Liabilities from leasing business | 300,942 |
| Prepaid expenses | 54,443 | Accounts payable - other | 346,537 |
| Accounts receivable - other | 1,554,347 | Accrued expenses | 912,417 |
| Others | 111,964 | Income taxes payable | 588,820 |
| Allowance for bad debts | 188,817 | Advances received | 1,184,988 |
| Allowance for residual value | 765,176 | Deposits payable | 424,016 |
| Fixed assets | 5,330,466 | Deferred installment income | 12,770,570 |
| Tangible fixed assets | 1,635,009 | Bonus allowance | 115,137 |
| Buildings | 167,655 | Others | 157,928 |
| Building equipment | 80,515 | Long-term liabilities | 202,076,129 |
| Structures | 6,391 | Bonds | 10,598,832 |
| Machinery and equipment | 3,861 | Long-term borrowings | 115,000,000 |
| Vehicles and cars | 82,247 | Long-term payable under fluidity installment accounts receivable | 73,071,299 |
| Furniture, fixtures and tools | 97,982 | Deposits received for guarantees | 2,742,844 |
| Land | 845,862 | Retirement reserve allowance | 311,446 |
| Construction in progress | 350,492 | Retirement reserve allowance for directors | 132,770 |
| Intangible fixed assets | 903,121 | Asset retirement obligations | 140,047 |
| Software | 903,121 | Others | 78,889 |
| Telephone rights | 0 | Total liabilities | 362,248,349 |
| Investments and other assets | 2,792,335 | Equity | |
| Stocks of affiliated companies | 20,000 | Shareholders' equity | 22,370,485 |
| Long-term loans receivable | 368,889 | Capital stock | 1,010,000 |
| Long-term guarantee money deposited | 1,230,094 | Earned surplus | 21,360,485 |
| Deferred tax assets | 1,175,060 | Legal reserve | 252,500 |
| Allowance for bad debts | 1,708 | Retained earnings and others | 21,107,985 |
| | | Retained earnings carried forward | 21,107,985 |
| | | Valuation and translation adjustments | 52,755 |
| | | Deferred gains and losses on hedges | 52,755 |
| | | Total equity | 22,317,729 |
| Total assets | 384,566,078 | Total liabilities & equity | 384,566,078 |

Income Statement

(from January 1, 2019 to December 31, 2019)

(JPY in thousands)

| Account item | Amount | |
|--|-----------|------------------|
| Operating revenues | | |
| Retail financing loan income | 8,702,121 | |
| Dealer financing income | 322,806 | |
| Finance leasing income | 603,533 | |
| Real estate rental income | 208,861 | |
| Credit card commission income | 6,684 | |
| Insurance commission income | 813,501 | |
| Others | 281,767 | 10,939,276 |
| Operating expenses | | |
| Interest expenses | 818,138 | |
| Interest expenses (bond) | 77,914 | |
| Selling, general and administrative expenses | 5,476,418 | 6,372,470 |
| Operating income | | 4,566,805 |
| Non-operating income | | |
| Interest income | 126 | |
| Reversal of allowance for bad debts | 27,524 | 27,651 |
| Ordinary income | | 4,594,456 |
| Extraordinary gains | | |
| Gains from sales of fixed assets | 7,314 | 7,314 |
| Extraordinary loss | | |
| Losses from disposing of fixed assets | 81,188 | |
| Losses from sales of fixed assets | 3,237 | 84,425 |
| Net income before taxes | | 4,517,346 |
| Income taxes-current | 1,067,270 | |
| Income taxes-deferred | 389,362 | 1,456,633 |
| Net income | | 3,060,712 |

Statement of Changes in Equity

(from January 1, 2019 to December 31, 2019)

(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 | 18,047,272 | 18,299,772 | 19,309,772 | 17,481 | 19,292,291 |
| Changes of items during the period | | | | | | | |
| Net income | | | 3,060,712 | 3,060,712 | 3,060,712 | | 3,060,712 |
| Net changes of items other than shareholders' equity | | | | | | △ 35,274 | △ 35,274 |
| Total changes of items during the period | | | 3,060,712 | 3,060,712 | 3,060,712 | 35,274 | 3,025,437 |
| Ending balance | 1,010,000 | 252,500 | 21,107,985 | 21,360,485 | 22,370,485 | 52,755 | 22,317,729 |

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, with either the estimated disposal value or zero given as residual value.

- (2) Intangible fixed assets

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

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 estimated calculation of allowance for specified bad debts is treated individually as the amount that is likely to be recovered.

- (2) Allowance for residual value: A projected loss is used to provide against the risk of realizing loss on residual value.

- (3) Allowance for sales incentive: The expected payment based on the contract was recorded in preparation for expenditures for sales incentives in regards to the installment transaction and the payout has been completed for this term in accordance with the abolition of the sales incentive payment system for this allowance. Therefore, no allowance for sales incentives has been recorded from this term.

- (4) Bonus allowance: Allowance for bonuses is provided based upon the estimated amount of bonus payments to employees in the following fiscal year, which is attributable to this fiscal year.

- (5) 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 in the following fiscal year. As for the past service cost, collective expenses are processed in the year in which they occur.

- (6) 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: Revenues are recognized on an accrual basis.
- (2) Revenue recognition regarding finance lease transactions: Accrued interest is allocated to each period, without sales amount.

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 | 141,009,784 thousand yen |
| Advance payments | 7,818,234 thousand yen |
| Long-term guarantee money deposited | 1,002,000 thousand yen |

(2) Obligation corresponding to assets offered as security

| | |
|--|-------------------------|
| Payable under fluidity installment accounts receivable | 44,579,208 thousand yen |
| Long-term payable under fluidity installment accounts receivable | 73,071,299 thousand yen |

2. Accumulated depreciation on tangible fixed assets 845,308 thousand yen

3. Monetary claims and liabilities related to affiliated companies

| | |
|----------------------------|----------------------|
| Short-term monetary claims | 57,243 thousand yen |
| Long-term monetary claims | 295,744 thousand yen |
| Short-term liabilities | 126,734 thousand yen |

4. 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 | 20,848 thousand yen |
| Selling, general and administrative expenses | 58,056 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, prepaid expenses 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 liquidation of debts.

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 fluctuations. The contract amounts of derivatives trading stated in “2. Disclosure about fair value of financial instruments” do not reflect market risks of such trading.

2. Disclosure about fair value of financial instruments

The balance sheet and fair values, and the differences between them, as of December 31, 2019 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 | 2,167,839 | 2,167,839 | — |
| (2) Accounts receivable – trade Allowance for bad debts (*1) | 27,455,846 △136,683 | | |
| | 27,319,163 | 27,319,163 | — |
| (3) Installment of accounts receivable Deferred installment income Allowance for residual value (*1) | 291,202,954 △12,770,570 △765,176 | | |
| | 277,667,208 | 268,819,827 | △8,847,381 |
| (4) Lease investment assets Allowance for bad debts (*1) | 32,089,887 △15,160 | | |
| | 32,074,727 | 30,377,419 | △1,697,308 |
| (5) Short-term loans receivable Allowance for bad debts (*1) | 17,734,088 △36,973 | | |
| | 17,697,115 | 17,697,115 | — |
| (6) Long-term loans receivable (*2) Allowance for bad debts (*1) | 368,889 △1,708 | | |
| | 367,181 | 417,234 | 50,053 |
| Total assets | 357,293,233 | 346,798,597 | △10,494,636 |
| (1) Accounts payable – trade | 2,793,463 | 2,793,463 | — |
| (2) Short-term borrowings | 31,000,000 | 31,000,000 | — |
| (3) Commercial paper (*3) | 29,998,187 | 30,000,000 | △1,813 |
| (4) Liabilities from leasing business | 300,942 | 294,039 | 6,903 |
| (5) Bonds (*4) | 21,598,832 | 21,629,521 | △30,689 |
| (6) Long-term borrowings (*5) | 139,000,000 | 139,273,555 | △273,555 |
| (7) Long-term payable under fluidity installment accounts receivable (*6) | 117,650,507 | 117,429,460 | 221,047 |
| Total liabilities | 342,341,931 | 342,420,038 | △78,107 |
| Derivatives trading (*7) | | | |
| Derivatives trading that hedge accounting is applied to | △76,039 | △76,039 | — |
| Total derivatives trading | △76,039 | △76,039 | — |

(*1) Allowances for bad debts or residual value respectively corresponding to accounts

receivable-trade, installment accounts receivable, lease investment assets, short-term loans receivable, and long-term loans receivable have been deducted.

(*2) Long-term loans receivable include long-term loans to be repaid within one year.

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

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

(*5) Long-term borrowings include borrowings for repayment within one year.

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

(*7) The net amounts of receivables and payables caused by derivatives trading have been indicated. Total debts are shown in negative.

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 (5) 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 (6) Long-term loans 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.

Derivatives trading

Derivatives trading that hedge accounting is applied to

When hedge accounting is applied to derivatives trading, the contract amount at the end of this fiscal year or the amount equivalent to principal stipulated in the contract by methodology for hedge accounting is as follows:

(a) Matters concerning interest rates

(JPY in thousands)

| Methodology for hedge accounting | Kind of derivatives trading | Major hedged items | Contract amount, etc. | | Fair value (*) |
|----------------------------------|--|-------------------------------|-----------------------|-------------|----------------|
| | | | | Over 1 year | |
| Principal accounting method | Interest-rate swap agreement Payment of fixed interest / Reception of variable interest | Short-term borrowings | 24,000,000 | 14,000,000 | △76,039 |
| | | Bonds Long-term borrowings | | | |
| Total | | | 24,000,000 | 14,000,000 | △76,039 |

(*) Fair values are calculated based primarily on discounted cash flow.

Note 2) Financial instruments for which fair value is extremely difficult to determine

1. As unlisted stocks of affiliated companies (20,000 thousand yen posted in the balance sheet) do not have market prices, and their future cash flow cannot be estimated, the fair value is extremely difficult to determine. Therefore, those stocks are not included in notes on fair value.
2. Deposits received for guarantees (2,742,844 thousand yen posted in the balance sheet) are not included in notes on fair value. This is because future cash flow cannot be estimated as it is difficult to identify the time to return the deposits including guarantee money deposited from business partners and deposits for real estate. Consequently, the fair value is extremely difficult to determine.

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

(JPY in thousands)

| Balance sheet value | | | Year-end fair value |
|---------------------|---------------------------|------------------|---------------------|
| Beginning balance | Changes during the period | Year-end balance | |
| 1,044,118 | △18,920 | 1,025,198 | 1,297,083 |

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 AG | Share held Indirect 100% | • Guarantee on issue of commercial paper and bonds | Liabilities guaranteed (*1) | 51,597,020 | — | — |
| | | | | Guarantee fee expense (*1) | 22,855 | — | — |
| Subsidiary of parent | Volkswagen Group Japan KK | NA | • Subvention income related to loans • Purchase receivable | Subvention income (*2) | 1,298,775 | Accounts receivable-other | 119,673 |
| | | | | Purchased receivable (*2) | 135,657,869 | Accounts payable-trade | 649,446 |
| | | | | Handling Charge of purchased receivable (*2) | 75,039 | Accounts receivable-other | 3,814 |
| Subsidiary of parent | Audi Japan KK | NA | • Subvention income related to loans • Purchase receivable | Subvention income (*2) | 2,077,905 | Accounts receivable-other | 191,436 |
| | | | | Purchased receivable (*2) | 115,099,816 | Accounts payable-Trade | 292,993 |
| | | | | Handling charge of purchased receivable (*2) | 115,475 | Accounts receivable-other | 5,135 |
| Subsidiary of parent | Volkswagen Japan Sales KK | NA | • Leasing income | Purchase of cars (*3) | 221,245 | Accounts payable-trade | 15,103 |
| Subsidiary of parent | Audi Japan Sales KK | NA | • Leasing income • Funding loan | Purchase of cars (*3) | 2,123,977 | Accounts payable-trade | 36,072 |
| | | | | Funding Loan receivable (*4) | 5,081,583 | Short-term loans receivable | 4,923,738 |
| | | | | Loans collected | 5,725,414 | | |
| | | | | Loan interest income (*4) | 2,764 | Accrued income | 283 |

Terms and conditions, and policies on settling conditions

(*1) Guarantee rates are settled after negotiating on the rates presented by Volkswagen Financial Services 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.

Notes on Debt Guarantee

The following guarantees are provided for Lamborghini purchased receivables.

The maximum amounts of debt guarantees are as follows.

| | |
|--------------------------|------------------------|
| KK RPM | 581,308 thousand yen |
| KK Queen Auto | 952,389 thousand yen |
| Mitsuoka Motor Co., Ltd. | 1,355,751 thousand yen |
| Cornes Motors KK | 1,769,166 thousand yen |
| Bolognese KK | 1,930,000 thousand yen |

Per share data

| | |
|----------------------|------------------|
| Equity per share | 1,104,838.09 yen |
| Net income per share | 151,520.42 yen |

Supplementary Schedules in relation to Financial Statements

(The 30th fiscal year from January 1, 2019 to December 31, 2019)

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 | 179,703 | — | — | 12,047 | 167,655 | 311,866 | 479,522 |
| | Building equipment | 87,835 | 3,738 | — | 11,058 | 80,515 | 191,992 | 272,508 |
| | Structures | 7,170 | — | — | 778 | 6,391 | 37,905 | 44,297 |
| | Machinery and equipment | 7,369 | — | — | 3,507 | 3,861 | 44,138 | 48,000 |
| | Vehicles and cars | 73,319 | 71,018 | 29,735 | 32,355 | 82,247 | 39,133 | 121,381 |
| | Furniture, fixtures and tools | 136,993 | 23,619 | 24,342 | 38,288 | 97,982 | 220,271 | 318,253 |
| | Land | 845,862 | — | — | — | 845,862 | — | 845,862 |
| | Construction in progress | — | 350,492 | — | — | 350,492 | — | 350,492 |
| | Total | 1,338,254 | 448,867 | 54,077 | 98,036 | 1,635,009 | 845,308 | 2,480,318 |
| Intangible fixed assets | Software | 802,637 | 352,504 | — | 252,021 | 903,121 | / | |
| | Telephone rights | 0 | — | — | — | 0 | | |
| | Total | 802,637 | 352,504 | — | 252,021 | 903,121 | | |

(Note 1) Increase in the amount within the fiscal year on software was mainly due to the development of the dealer support system and BI tool for our own use.

(Note 2) Increase in the amount within the fiscal year on construction in progress was due to the construction cost for a new outlet to be rented.

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 | 218,050 | 190,525 | — | 218,050 | 190,525 |
| Allowance for residual value | 646,371 | 765,176 | — | 646,371 | 765,176 |
| Allowance for sales incentive | 972,138 | — | 972,138 | — | — |
| Bonus allowance | 128,734 | 115,137 | 119,819 | 8,914 | 115,137 |
| Retirement reserve allowance | 293,111 | 54,246 | 35,912 | — | 311,446 |
| Retirement reserve allowance for directors | 125,508 | 7,261 | — | — | 132,770 |

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 | 245,107 | |
| Payroll expense | 1,046,737 | |
| Traveling expense | 94,631 | |
| Guarantee cost | 2,011,597 | |
| Outsourcing expense | 578,107 | |
| Commission expense | 15,859 | |
| Rent expense | 288,812 | |
| Depreciation cost | 360,465 | |
| Costs regarding EDP | 218,882 | |
| Communication cost | 180,921 | |
| Convention expense | 22,054 | |
| Printing expense | 4,212 | |
| Books training expense | 37,354 | |
| Taxes other than income taxes | 118,421 | |
| Provision of allowance for residual value | 118,804 | |
| Other SG&A expenses | 134,447 | |
| Total | 5,476,418 | |