

Financial Statements  
(Translation)

The Thirty-second Fiscal Year

From January 1, 2022 to December 31, 2022

Mercedes-Benz Finance Co., Ltd.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report Issued for the company's financial statement prepared in Japanese.

We did not express our opinion on the company's financial statements prepared in English.

**Independent Auditor's Report**

To the Board of Directors of Mercedes-Benz Finance Co., Ltd.:

**Opinion**

We have audited the financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the accompanying supplementary schedules ("the financial statements and the accompanying supplementary schedules") of Mercedes-Benz Finance Co., Ltd. ("the Company") as at December 31, 2022 and for the year from January 1, 2022 to December 31, 2022 in accordance with Article 436-2-1 of the Companies Act.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the financial statements and the accompanying supplementary schedules were prepared, 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 Accompanying 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 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 its supplementary schedules. Management is responsible for the preparation and presentation of the other information. Corporate auditor is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the financial statements and the accompanying supplementary schedules 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 and the accompanying supplementary schedules, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the accompanying supplementary schedules 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 Accompanying Supplementary Schedules**

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

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report Issued for the company's financial statement prepared in Japanese.

We did not express our opinion on the company's financial statements prepared in English.

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

Corporate auditor is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the financial statements and the accompanying 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 accompanying supplementary schedules.

As part of our 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 accompanying 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 objective of the 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 accompanying supplementary schedules 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 in the financial statements and the accompanying supplementary schedules are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements and the accompanying supplementary schedules, including the disclosures, and whether the financial statements and the accompanying 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, 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**

We 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.

KPMG AZSA LLC  
Tokyo Office, Japan  
March 10, 2023

## Mercedes-Benz Finance Co., Ltd.

## Balance Sheet

As of December 31, 2022

(Unit: 1,000 yen)

ASSETS	Amount	LIABILITIES	Amount
Current assets:	(534,716,299)	Current liabilities:	(241,540,461)
Cash in banks	10,776,772	Trade accounts payable	9,007,701
Short-term loans receivable	65,507,437	Short-term loans payable	65,811,063
Investment in finance leases	153,424,737	Current portion of long-term loans payable	106,600,000
Installment sales receivables	290,494,630	Current portion of long-term payables under securitization of Installment sales receivables	33,973,581
Factoring receivables	2,252,777	Current portion of bonds	5,997,685
Other trade receivables	409,365	Other payables	494,435
Prepaid expenses	8,506,222	Accrued expenses	2,501,165
Other receivables	118,569	Income taxes payable	92,411
Other current assets	3,567,811	Advances received	2,997,852
Allowance for doubtful accounts	△ 342,023	Allowance for bonuses	156,972
		Unrealized profit on installment sales	13,870,807
		Other current liabilities	36,785
Non-current assets:	(10,368,121)	Non-current liabilities:	(238,689,496)
Tangible fixed assets:	(8,469,818)	Bonds	29,937,233
Operating lease assets	8,360,542	Long-term loans payable	159,000,000
Leasehold improvements	51,818	Long-term payables under securitization of Installment sales receivables	49,581,599
Furniture and fixtures	24,113	Other non-current liabilities	170,664
Vehicles	33,344		
Intangible fixed assets:	(320,320)	<b>TOTAL LIABILITIES</b>	<b>480,229,957</b>
Software	317,338	<b>NET ASSETS</b>	
Telephone rights	2,981	Shareholders' equity:	(64,854,463)
Investments and other assets:	(1,577,981)	Paid-in capital	(4,400,000)
Guarantee deposits	11,344	Capital surplus:	(4,410,000)
Deferred tax assets	1,566,537	Capital reserve	400,000
Investment and others	100	Other capital surplus	4,010,000
		Earned surplus:	(56,044,463)
		Legal reserve	1,102,500
		Retained earnings	54,941,963
		<b>TOTAL NET ASSETS</b>	<b>64,854,463</b>
<b>TOTAL ASSETS</b>	<b>545,084,421</b>	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>545,084,421</b>

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

Mercedes-Benz Finance Co., Ltd.

Income Statement

For the fiscal year ended December 31, 2022

(Unit: 1,000 yen)

Sales:		
Installment sales	10,851,040	
Operating lease income	3,033,230	
Interest income on finance leases	5,424,972	
Interest income on loans	248,983	
Other income	7,326,157	26,884,383
Cost of Sales:		
Cost of installment sales	3,120,012	
Cost of operating leases	2,819,841	
Financing costs	1,756,236	
Other costs	6,894,258	14,590,349
Gross profit		12,294,034
Selling, general and administrative expenses		3,969,818
Operating income		8,324,215
Non-operating income:		
Interest income		381
Recovery Prior Year Write-Offs		15,467
Miscellaneous income		9,603
Non-operating expense:		
Miscellaneous expenses		55,298
Ordinary income		8,294,370
Extraordinary loss		
Loss on retirement of fixed assets		38,406
Net income before taxes		8,255,963
Income taxes - current		1,905,799
Income taxes - deferred		739,898
Net income		5,610,266

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

Mercedes-Benz Finance Co., Ltd.

Statement of Changes in Shareholders' Equity

For the fiscal year ended December 31, 2022

(Unit: 1,000 yen)

	Shareholders' equity										
	Paid-in capital	Capital surplus			Earned surplus			Valuation and translation adjustments			Total net assets
		Capital reserve	Other capital surplus	Total capital surplus	Legal reserve	Retained earnings	Total earned surplus	Total shareholder's equity	Unrealized loss on derivatives used in hedge accounting	Total valuation and translation adjustments	
Balance as of January 1, 2022	4,400,000	400,000	4,010,000	4,410,000	1,102,500	74,486,997	75,589,497	84,399,497	138,318	138,318	84,537,816
Changes during the year	-	-	-	-	-	-	-	-	-	-	-
Dividend	-	-	-	-	-	△ 25,155,300	△ 25,155,300	△ 25,155,300	-	-	△ 25,155,300
Net income for the year	-	-	-	-	-	5,610,266	5,610,266	5,610,266	-	-	5,610,266
Changes in items other than shareholders' equity during the year (net)	-	-	-	-	-	-	-	-	△ 138,318	△ 138,318	△ 138,318
Total changes during the year	-	-	-	-	-	△ 19,545,034	△ 19,545,034	△ 19,545,034	△ 138,318	△ 138,318	△ 19,683,353
Balance as of December 31, 2022	4,400,000	400,000	4,010,000	4,410,000	1,102,500	54,941,963	56,044,463	64,854,463	-	-	64,854,463

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

## Notes to Financial Statements

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

### 1. Significant Accounting Policies

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

##### Derivative financial instruments

Derivative financial instruments are carried at fair value.

#### (2) Depreciation and amortization

##### 1) Tangible fixed assets

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

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

##### 2) Intangible fixed assets

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

#### (3) Allowances

##### 1) Allowance for doubtful accounts

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

##### 2) Allowance for bonuses

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

#### (4) Revenue recognition

1) Revenue from operating lease contracts is recognized as "operating lease income" on an accrual basis over the lease contract period.

2) Revenue from finance leases without ownership-transfer consists of interest income allocated to each period not including lease payments received from users.

3) Gross receivable from installment sales are recorded at execution of installment sales contracts. Interest on such receivables is recognized when each installment becomes due. Interest on installment receivables that have not fallen due is deferred as Unrealized profit on installment sales.

(5) Hedge accounting

1) Method of hedge accounting

The company adopts the deferral method of hedge accounting.

2) Hedging instruments and hedged items

<u>Hedging instruments</u>	<u>Hedged item</u>
Interest rates swap	Bond Interest rate of foreign currency bond
Currency swap	Foreign currency bond and interest

3) Hedging policy

The Company uses interest-rate swap contracts for the purpose of avoiding risk against change in bond interest on foreign currency bond. The amounts of derivatives are limited to the extent of interest.

The Company uses currency swap, limited to the range of the issuance amounts and interest amounts of foreign currency bond, for the purpose of mitigating future risks of fluctuation of foreign currency exchange rates.

4) Evaluation of the hedging effectiveness

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

2. Note to the change in Accounting Policies

(1) Application of Accounting Standard for Revenue Recognition

The Company adopts “Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 29, March 31, 2020; hereinafter referred to as “ASRR”) from the current year to align with ASBJ requirement. ASRR requires all the public companies and the companies with greater than or equal to 500 million equities or with greater than or equal to 20 billion liabilities (known as “Daigaisha” in Japan) to recognize revenue at the completion of ownership transfer of the goods or services in the amount which the entity expects to be entitled.

As for the application of this standard, the Company follows the transitional handling prescribed in ASRR, Paragraph 84. According to the paragraph, it is allowed to reflect the cumulative effect amount from the retrospective application of ASRR to past years into the beginning balance of retained earnings. As a result this transitional handling, there is no impact on the financial statements of the current year.

(2) Application of Accounting Standard for Fair Value Measurement

The Company adopts Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 30, July 4, 2019; hereinafter referred to as “ASFVM”) from the current year to align with ASBJ requirement.

As for the application of this standard, the Company follows the transitional handling prescribed in ASFVM, Article 19 as well as “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), Paragraph 44-2. As a result, there is no impact on the financial statements of the current year.



### 3. Notes to the Balance Sheet

(Unit: 1,000 yen)

1) Receivables from and payables to affiliated companies	
Short-term monetary payables	114,145
2) Accumulated depreciation of tangible fixed assets	
Operating lease assets	2,910,331
Other tangible assets	58,355
Total	<u>2,968,686</u>
3) Operating lease receivables due after the balance sheet date	3,374,240
4) Trade receivables due after more than one year from the balance sheet date	
Installment sales receivables	196,543,090
Investment in finance leases	93,216,276
Operating lease receivables due after the balance sheet date	1,444,024
Total	<u>291,203,390</u>
5) Breakdown of Investment in finance lease	
Investment in finance lease-Gross	88,101,809
Estimated residual value	75,928,403
Unearned interest	△ 10,605,474
Total	<u>153,424,737</u>
6) Securitized assets	
Installment sales receivables	92,466,354
Corresponding liabilities	
Long-term loan payables under securitization of Installment sales receivables	83,555,180
(including current portion of long-term loans payable)	

### 4. Notes to the Income Statement

(Unit: 1,000 yen)

1) Transactions with affiliated companies	
Cost of sales	219,713
Operating expenses	424,755
2) Details of financing cost	
Interest expense and others	1,756,236
3) Total finance lease revenue and cost	
Gross finance lease revenue	66,419,539
Gross finance lease cost	60,994,567
Net	<u>5,424,972</u>

5. Notes to the Statement of Changes in Shareholders' Equity

(1) Type and total number of outstanding shares

(Unit: Shares)				
Share Type	Beginning Balance	Increase	Decrease	Ending Balance
Common stock	135,463	-	-	135,463

(2) Dividends

Dividend payments

The following resolution regarding dividends was made at the regular shareholders' meeting held on

Dividends on Common Shares

1) Total dividend	3,268 million yen
2) Dividend per share	24,127 yen
3) Date of record	December 31, 2021
4) Effective date	March 30, 2022

The following resolution regarding dividends was made at the extraordinary general meeting held on June

Dividends on Common Shares

1) Total dividend	21,886 million yen
2) Dividend per share	161,570 yen
3) Date of record	June 24, 2022
4) Effective date	June 27, 2022

6. Deferred Tax Accounting

Main sources of deferred tax assets

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

7. Financial Instruments

(1) General information of financial instruments

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

(2) Risk control system for financial instruments

The Company does not conduct qualitative analysis of market risk. Financial instruments that are subject to risk of interest rate fluctuations are mainly Investment in finance leases, Installment sales receivables, bonds, Long-term payables under securitization of lease receivables, and Long-term loans payable. Assuming all other risk factors remain unchanged, 10 basis point (0.1%) decrease of the market interest rate at December 31, 2022 would have caused an increase of fair value of net financial assets and liabilities by 294 million yen and 10 basis point (0.1%) increase would have caused a decrease of fair value of net financial assets and liabilities by 293 million yen.

## (3) Fair values of financial instruments

The following table shows the carrying amounts and fair values of the financial instruments as of December 31, 2022.

(Unit: 1,000 yen)

	Carrying amount	Fair value	Difference
(1) Cash in banks	10,776,772	10,776,772	-
(2) Short-term loans receivable (* 1) Allowance for doubtful accounts	65,507,437 △ 172,214		
	65,335,222	65,335,222	-
(3) Investment in finance leases (* 1)(* 2) Allowance for doubtful accounts	153,424,737 △ 60,785		
	153,363,952	145,985,809	△ 7,378,142
(4) Installment sales receivables(* 2) Unrealized profit on installment sales	290,494,630 △ 13,870,807		
	276,623,823	273,149,363	△ 3,474,460
Financial assets total	506,099,770	495,247,166	△ 10,852,602
(1) Current portion of bonds	5,997,685	6,030,001	32,316
(2) Bonds	29,937,233	30,131,805	194,572
(3) Short-term loans payable	65,811,063	65,797,252	△ 13,810
(4) Current portion of long-term loans payable	106,600,000	106,986,233	386,233
(5) Current portion of long-term payables under securitization of lease receivables	33,973,581	34,117,261	143,679
(6) Long-term loans payable	159,000,000	160,380,505	1,380,505
(7) Long-term payables under securitization of lease receivables	49,581,599	49,722,525	140,925
Financial liabilities total	450,901,162	453,165,584	2,264,422

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

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

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

#### Financial assets

##### (1) Cash in banks

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

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

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

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

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

#### Financial liabilities

(1) Current portion of bonds, (2) Bonds, (3) Short-term loans payable, (4) Current portion of long-term loans payable and (5) Current portion of long-term payables under securitization of lease receivables, (6) Long-term loans payable, (7) Long-term payables under securitization of lease receivables

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

## 8. Related Party Transactions

## (1) Parent Companies

Relation-ship	Company name	Business	Ownership percentage of voting right	Details of relationship		Transaction details	Transaction amount (1,000 yen)	Account	Ending balance (1,000 yen)
				Concurrent directorship	Business relationship				
Parent company	Mercedes-Benz Mobility AG	Finance and mobility service provider	95.11% (direct)	-	IT service	IT service cost	424,755	Other payables	133,227
								Other receivables	-
Parent company	Mercedes-Benz AG	Production and sales of vehicles	95.11% (indirect)	-	Loan guarantee, interest rate and Cross currency swap	Borrowing operating funds	219,713	Short-term loans payable	-
								Other Payable	11,349
								Interest Payable	85,502

## (2) Subsidiaries of Parent Companies

Relation-ship	Company name	Business	Ownership percentage of voting right	Details of relationship		Transaction details	Transaction amount (1,000 yen)	Account	Ending balance (1,000 yen)
				Concurrent directorship	Business relationship				
Subsidiary of parent company	Mercedes-Benz Japan Co., Ltd.	Import, sales of automobiles and related services	-	1	Borrowing Funds, Commission of administrative operation	Borrowing operating funds(※1) Interest expense Outsourcing fee	82,493 165,195	Short-term loans payable Guarantee deposits Interest Payable Trade Payable	- 43,632 1,322 180,374

(※1) The transaction amount is not available as the relevant transactions are carried out iteratively in accordance with Mercedes-

## Internal

## (3) Major shareholder

Relation-ship	Company name	Business	Ownership percentage of voting right	Details of relationship		Transaction details	Transaction amount (1,000 yen)	Account	Ending balance (1,000 yen)
				Concurrent directorship	Business relationship				
Major shareholder	YANASE & Co., Ltd.	Sales of automobiles	4.89% (direct)	-	Purchase of automobiles	Purchase of automobiles	49,454,376	Trade accounts payable Short-term loans receivable	4,096,538 45,073,409

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

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

## 9. Per Share Information

- |     |                      |                |
|-----|----------------------|----------------|
| (1) | Net assets per share | 478,761.46 yen |
| (2) | Net income per share | 41,415.49 yen  |

Supplementary Schedules of Financial Statements  
(Translation)

The Thirty-second Fiscal Year

From January 1, 2022 to December 31, 2022

Mercedes-Benz Finance Co., Ltd.





## 2. Details of Allowances

(Unit: 1,000 yen)

Category	Beginning balance	Increase	Decrease		Ending balance
			Utilization	Others	
Allowance for doubtful accounts	159,192	300,610	117,780	-	342,023
Allowance for bonuses	186,052	156,972	186,052	-	156,972

(Notes) The amount of decrease (Others) in allowance for doubtful accounts is due to absorption-type split

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

(Unit: 1,000 yen)

Account	Amount
Salaries and bonuses	1,074,129
Social insurance	115,875
Temporary staff salaries	139,832
Other personnel expense	198,819
Retirement and severance benefits	43,502
Recruiting	10,760
Couriers	173
Advertising	110,322
Bank charges	23,128
Entertainment	1,443
Travel	25,116
Transportation	44,059
Taxes and public dues	163,650
Rent	43,842
Communication	8,292
Supplies	7,952
Professional fees	134,370
Utilities	262
IT costs	553,193
Depreciation and amortization	91,780
Outside services	853,187
Provision for doubtful accounts	300,610
Amortization of guarantee deposits	△ 20,583
Others	46,095
Total	3,969,818