

Financial Statements
(Translation)

The Thirty-third Fiscal Year

From January 1, 2023 to December 31, 2023

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.

< Audit of the Financial Statements >

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, 2023 and for the year from January 1, 2023 to December 31, 2023 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

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.

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

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.

<Fee-related Information>

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company are described in "7. Audit remuneration" of the Business Report.

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.

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 7th, 2024

Mercedes-Benz Finance Co., Ltd.

Balance Sheet

As of December 31, 2023

(Unit: 1,000 yen)

ASSETS	Amount	LIABILITIES	Amount
Current assets:	(591,596,673)	Current liabilities:	(309,966,039)
Cash in banks	972,587	Trade accounts payable	10,959,058
Short-term loans receivable	97,830,523	Short-term loans payable	103,620,393
Investment in finance leases	176,986,816	Current portion of long-term loans payable	126,000,000
Installment sales receivables	296,275,178	Current portion of long-term payables under securitization of Installment sales receivables	16,274,144
Other trade receivables	380,482	Current portion of bonds	29,997,866
Prepaid expenses	9,204,476	Other payables	309,963
Other receivables	8,987	Accrued expenses	2,929,567
Other current assets	10,403,843	Income taxes payable	1,641,317
Allowance for doubtful accounts	△ 466,222	Advances received	2,731,301
		Allowance for bonuses	155,757
		Unrealized profit on installment sales	15,305,517
		Other current liabilities	41,151
		Non-current liabilities:	(224,814,426)
Non-current assets:	(10,800,632)	Bonds	21,484,807
Tangible fixed assets:	(8,854,261)	Long-term loans payable	185,999,764
Operating lease assets	8,391,644	Long-term payables under securitization of Installment sales receivables	17,069,662
Leasehold improvements	80,360	Other non-current liabilities	260,192
Furniture and fixtures	17,197		
Vehicles	365,059		
Intangible fixed assets:	(317,624)	TOTAL LIABILITIES	534,780,465
Software	314,642	NET ASSETS	
Telephone rights	2,981	Shareholders' equity:	(67,616,840)
Investments and other assets:	(1,628,746)	Paid-in capital	(4,400,000)
Guarantee deposits	25,174	Capital surplus:	(4,410,000)
Deferred tax assets	1,603,471	Capital reserve	400,000
Investment and others	100	Other capital surplus	4,010,000
		Earned surplus:	(58,806,840)
		Legal reserve	1,102,500
		Retained earnings	57,704,340
		TOTAL NET ASSETS	67,616,840
TOTAL ASSETS	602,397,306	TOTAL LIABILITIES AND NET ASSETS	602,397,306

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

Mercedes-Benz Finance Co., Ltd.

Income Statement

For the fiscal year ended December 31, 2023

(Unit: 1,000 yen)

	Amount	
Sales:		
Installment sales	10,804,405	
Operating lease income	2,405,721	
Interest income on finance leases	4,723,757	
Interest income on loans	391,831	
Other income	6,421,893	24,747,608
Cost of Sales:		
Cost of installment sales	3,253,843	
Cost of operating leases	2,280,755	
Financing costs	2,112,273	
Other costs	5,220,025	12,866,898
Gross profit		11,880,709
Selling, general and administrative expenses		4,015,724
Operating income		7,864,985
Non-operating income:		
Interest income		2,903
Recovery Prior Year Write-Offs		31,888
Miscellaneous income		2,341
Non-operating expense:		
Expenses related with office move		68,022
Ordinary income		7,834,097
Extraordinary loss		
Loss on retirement of fixed assets		3,106
Net income before taxes		7,830,991
Income taxes - current		2,550,332
Income taxes - deferred		△ 36,081
Net income		5,316,740

(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, 2023

(Unit: 1,000 yen)

	Shareholders' equity								Valuation and translation adjustments		Total net assets
	Paid-in capital	Capital surplus			Earned surplus			Total shareholder's equity	Unrealized loss on derivatives used in hedge accounting	Total valuation and translation adjustments	
		Capital reserve	Other capital surplus	Total capital surplus	Legal reserve	Retained earnings	Total earned surplus				
Balance as of January 1, 2023	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
Changes during the year											
Dividend	-	-	-	-	-	△ 2,554,363	△ 2,554,363	△ 2,554,363	-	-	△ 2,554,363
Net income for the year	-	-	-	-	-	5,316,740	5,316,740	5,316,740	-	-	5,316,740
Changes in items other than shareholders' equity during the year (net)	-	-	-	-	-	-	-	-	-	-	-
Total changes during the year	-	-	-	-	-	2,762,377	2,762,377	2,762,377	-	-	2,762,377
Balance as of December 31, 2023	4,400,000	400,000	4,010,000	4,410,000	1,102,500	57,704,340	58,806,840	67,616,840	-	-	67,616,840

(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) 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
Vehicles	6	years

2) Intangible fixed assets

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

(2) 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.

(3) 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.

3. Notes to the Balance Sheet

(Unit: 1,000 yen)

1) Receivables from and payables to affiliated companies	
Short-term monetary payables	104,132
2) Accumulated depreciation of tangible fixed assets	
Operating lease assets	2,858,815
Other tangible assets	95,512
Total	<u>2,954,327</u>
3) Operating lease receivables due after the balance sheet date	3,516,669
4) Trade receivables due after more than one year from the balance sheet date	
Installment sales receivables	206,437,008
Investment in finance leases	96,926,505
Operating lease receivables due after the balance sheet date	1,793,394
Total	<u>305,156,907</u>
5) Breakdown of Investment in finance lease	
Investment in finance lease-Gross	99,836,409
Estimated residual value	89,707,390
Unearned interest	△ 12,556,983
Total	<u>176,986,816</u>
6) Securitized assets	
Installment sales receivables	36,701,780
Corresponding liabilities	
Long-term loan payables under securitization of Installment sales receivables (including current portion of long-term loans payable)	33,343,807

4. Notes to the Income Statement

(Unit: 1,000 yen)

1) Transactions with affiliated companies	
Cost of sales	237,208
Operating expenses	325,625
2) Details of financing cost	
Interest expense and others	2,112,273
3) Total finance lease revenue and cost	
Gross finance lease revenue	84,082,844
Gross finance lease cost	79,359,087
Net	<u>4,723,757</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 March 24, 2023.

Dividends on Common Shares

1) Total dividend	2,554 million yen
2) Dividend per share	18,856 yen
3) Date of record	December 31, 2022
4) Effective date	March 30, 2023

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, 2023 would have caused an increase of fair value of net financial assets and liabilities by 274 million yen and 10 basis point (0.1%) increase would have caused a decrease of fair value of net financial assets and liabilities by 273 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	972,587	972,587	-
(2) Short-term loans receivable (*1) Allowance for doubtful accounts	97,830,523 △ 226,818		
	97,603,704	97,603,704	-
(3) Investment in finance leases (*1)(*2) Allowance for doubtful accounts	176,986,816 △ 239,396		
	176,747,419	170,002,595	△ 6,744,823
(4) Installment sales receivables(*2) Unrealized profit on installment sales	296,275,178 △ 15,305,517		
	280,969,661	279,727,090	△ 1,242,570
Financial assets total	556,293,373	548,305,976	△ 7,987,393
(1) Current portion of bonds	29,997,866	29,993,126	△ 4,739
(2) Bonds	21,484,807	21,071,117	△ 413,690
(3) Short-term loans payable	103,620,393	103,424,408	△ 195,984
(4) Current portion of long-term loans payable	126,000,000	125,712,735	△ 287,264
(5) Current portion of long-term payables under securitization of lease receivables	16,274,144	15,706,395	△ 567,749
(6) Long-term loans payable	185,999,764	183,718,280	△ 2,281,484
(7) Long-term payables under securitization of lease receivables	17,069,662	15,945,631	△ 1,124,031
Financial liabilities total	500,446,639	495,571,695	△ 4,874,943

(*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 instruments.

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

Relationship	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	325,625	Other payables	99,290
Parent company	Mercedes-Benz AG	Production and sales of vehicles	95.11% (indirect)	-	Loan guarantee	Borrowing operating funds	237,208	Other payables	2,779

(2) Subsidiaries of Parent Companies

Relationship	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	Interest expense	63,634	Short-term loans payable	55,480,534
						Outsourcing fee	154,879	Guarantee deposits	18,742
								Accrued expenses	124,832
								Other payables	2,027
Subsidiary of parent company	Mercedes-Benz International Finance B.V.	Financing of activities of Daimler AG as well as Group companies and affiliated companies.	-	-	Borrowing Funds	Interest expense	573,966	Short-term loans payable	97,000,000
								Long-term loans payable	76,000,000
								Accrued expenses	163,123

(3) Major shareholder

Relationship	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	0	Trade accounts payable Short-term loans receivable	4,948,434 68,845,473

(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 499,153.57 yen
- (2) Net income per share 39,248.66 yen

Supplementary Schedules of Financial Statements
(Translation)

The Thirty-third Fiscal Year

From January 1, 2023 to December 31, 2023

1. Details of Tangible Fixed Assets and Intangible Fixed Assets

(Unit: 1,000 yen)

Category	Asset type	Net book value at beginning of year	Increase	Decrease	Depreciation and amortization	Net book value at end of year	Accumulated depreciation	Acquisition cost
Tangible fixed assets	Operating lease assets	8,360,542	4,705,117	2,809,638	1,864,376	8,391,644	2,858,815	11,250,460
	Leasehold improvements	51,818	35,771	1,152	6,076	80,360	18,003	98,364
	Vehicles	33,344	375,090	14,287	29,088	365,059	27,883	340,485
	Furniture and fixtures	24,113	220	2,431	4,705	17,197	49,625	66,823
	Total	8,469,818	5,116,200	2,827,508	1,904,247	8,854,261	2,954,328	11,756,133
Intangible fixed assets	Software	317,338	69,145	-	71,842	314,642	/	/
	Telephone rights	2,981	-	-	-	2,981		
	Total	320,320	69,145	-	71,842	317,624		

(Notes) 1. Major increases for the current year are as follows.

(Unit: 1,000 yen)

Operating lease assets	Purchase of operating lease assets	4,705,117
Software	Purchase of software for internal use	69,145

2. The major decrease for the current year is as follows.

(Unit: 1,000 yen)

Operating lease assets	Disposal and sale of lease assets	2,809,638
------------------------	-----------------------------------	-----------

2. Details of Allowances

(Unit: 1,000 yen)

Category	Beginning balance	Increase	Decrease		Ending balance
			Utilization	Others	
Allowance for doubtful accounts	342,023	326,050	201,851	-	466,222
Allowance for bonuses	156,972	155,757	156,972	-	155,757

3. Details of Selling, General and Administrative Expenses

(Unit: 1,000 yen)

Account	Amount
Salaries and bonuses	1,293,292
Social insurance	125,638
Temporary staff salaries	140,327
Other personnel expense	181,118
Retirement and severance benefits	51,237
Recruiting	30,248
Couriers	365
Advertising	72,099
Bank charges	24,408
Entertainment	2,126
Travel	40,590
Transportation	37,929
Taxes and public dues	184,111
Rent	49,565
Communication	8,694
Supplies	2,052
Professional fees	122,120
Utilities	12,756
IT costs	568,223
Depreciation and amortization	111,713
Outside services	594,953
Provision for doubtful accounts	326,050
Amortization of guarantee deposits	11,528
Others	24,569
Total	4,015,724