

Business Results for the First Six Months of the Fiscal Year Ending December 31, 2024

(January 1, 2024 through June 30, 2024)

(IFRS)

August 6, 2024

This document has been translated from the Japanese original, *Kessan Tanshin* (Flash Report), for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Company name:

Yamaha Motor Co., Ltd.

Stock listing:

Tokyo Stock Exchange Prime Market

Code number:

7272

URL:

<https://global.yamaha-motor.com/ir/>

Representative:

Yoshihiro Hidaka, President, Chief Executive Officer, and Representative Director

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Filing of semi-annual securities report (scheduled):

August 7, 2024

Beginning of payment of dividends (scheduled):

September 6, 2024

Supplementary explanatory documents related to the consolidated financial results:

Yes

Briefing on the consolidated financial results:

Yes (for institutional investors, securities analysts and media outlets)

Amounts less than one million yen are rounded down.

1. Consolidated Financial Results for the Six Months Ended June 30, 2024

(January 1, 2024 through June 30, 2024)

(1) Consolidated operating results (cumulative)

*% represents year-on-year changes.

| | Revenue | | Operating profit | | Profit before tax | | Profit for the period | |
|---------------------------------------|------------------|-------------|------------------|------------|-------------------|------------|-----------------------|-------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Six months ended June 30, 2024 | 1,348,443 | 10.0 | 154,356 | 9.1 | 154,410 | 9.7 | 122,917 | 12.3 |
| Six months ended June 30, 2023 | 1,226,403 | — | 141,493 | — | 140,717 | — | 109,501 | — |

| | Profit attributable to owners of parent | | Total comprehensive income | | Basic earnings per share | Diluted earnings per share |
|---------------------------------------|---|------------|----------------------------|------------|--------------------------|----------------------------|
| | Millions of yen | % | Millions of yen | % | Yen | Yen |
| Six months ended June 30, 2024 | 113,076 | 9.5 | 202,587 | 7.4 | 114.85 | 114.82 |
| Six months ended June 30, 2023 | 103,291 | — | 188,665 | — | 102.01 | 101.98 |

Note: On January 1, 2024, each share of common stock was split into 3 shares. Basic earnings per share and diluted earnings per share were calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended December 31, 2023.

(2) Consolidated Financial Position

| | Total assets | Total equity | Equity attributable to owners of parent | Ratio of equity attributable to owners of parent to total assets |
|----------------------------|------------------|------------------|---|--|
| | Millions of yen | Millions of yen | Millions of yen | % |
| As of June 30, 2024 | 2,805,525 | 1,278,951 | 1,217,862 | 43.4 |
| As of December 31, 2023 | 2,563,561 | 1,134,359 | 1,075,774 | 42.0 |

2. Dividends

| | Annual dividends per share | | | | |
|---|----------------------------|-----------------------|----------------------|--------------------|--------|
| | End of first quarter | End of second quarter | End of third quarter | End of fiscal year | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended December 31, 2023 | — | 72.50 | — | 72.50 | 145.00 |
| Fiscal year ending December 31, 2024 | — | 25.00 | | | |
| Fiscal year ending December 31, 2024 (forecast) | | | — | 25.00 | 50.00 |

Note 1: No revision was made to the most recently announced dividend forecast for the fiscal year ending December 31, 2024.

Note 2: On January 1, 2024, each share of common stock was split into 3 shares. The dividend amount per share for the fiscal year ended December 31, 2023 is the actual figure before the stock split. Those for the fiscal year ending December 31, 2024 and the fiscal year ending December 31, 2024 (forecast) are figures after the stock split.

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2024

*% represents year-on-year changes.

| | Revenue | | Operating profit | | Profit attributable to owners of parent | | Basic earnings per share |
|--------------------------------------|-----------------|-----|------------------|-----|---|------|--------------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Fiscal year ending December 31, 2024 | 2,600,000 | 7.7 | 260,000 | 6.6 | 175,000 | 10.5 | 178.33 |

Note: No revision was made to the most recently announced consolidated financial results forecast for the fiscal year ending December 31, 2024.

*The company purchased the treasury shares in accordance with a resolution of the meeting of the Board of Directors held on February 14, 2024. "Basic earnings per share" in the Forecast of Consolidated Financial Results takes into account the effect of the purchase of treasury shares.

(*Notes)

(1) Significant changes in the scope of consolidation during the period: None

(2) Changes in accounting policies and changes in accounting estimates

- 1) Changes in accounting policies required by IFRS: None
- 2) Changes in accounting policies other than 1) above: None
- 3) Changes in accounting estimates: None

(3) Number of shares outstanding (common stock)

| | | | | |
|---|--------------------------------|----------------------|-------------------------------------|----------------------|
| 1) Number of shares outstanding at the end of the period, including treasury shares | Six months ended June 30, 2024 | 1,050,652,401 shares | Fiscal year ended December 31, 2023 | 1,050,652,401 shares |
| 2) Number of treasury shares at the end of the period | Six months ended June 30, 2024 | 73,087,972 shares | Fiscal year ended December 31, 2023 | 59,121,495 shares |
| 3) Average number of shares during the period (cumulative) | Six months ended June 30, 2024 | 984,584,032 shares | Six months ended June 30, 2023 | 1,012,581,214 shares |

Note: On January 1, 2024, each share of common stock was split into 3 shares. The number of shares outstanding at the end of the period, the number of treasury shares at the end of the period and the average number of shares during the period were calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended December 31, 2023.

(* The semi-annual consolidated financial results presented herein are not subject to the review of a certified public accountant or audit corporation.)

(* Notice regarding results forecast)

1. The results forecast presented in this document is based on the assumptions and beliefs of Yamaha Motor Co., Ltd. (hereinafter, the "Company") in light of the information currently available and is not a guarantee of future performance. Actual results may differ significantly from the Company's forecast, due to various risks, uncertainties and other factors, including changes in business conditions surrounding Yamaha Motor Group (the "Group"), changing consumer preferences, and currency exchange rate fluctuations.

For details on potential risks, uncertainties and other factors affecting the Group's operations, please see the latest Securities Report and Quarterly Securities Report which have been announced by the Company.

2. The Group has adopted the International Financial Reporting Standards ("IFRS") effective from the three months ended March 31, 2024. The figures in the consolidated financial statements for the six months ended June 30, 2023 and the fiscal year ended December 31, 2023 are also presented in accordance with IFRS.

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Condensed Interim Consolidated Financial Statements and Primary Notes

(1) Condensed Interim Consolidated Statements of Financial Position

As of January 1, 2023 (date of transition to IFRS), December 31, 2023 and June 30, 2024

| | Millions of yen | | |
|---|--------------------------|----------------------------|------------------------|
| | As of January 1, 2023 | As of December 31, 2023 | As of June 30, 2024 |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | 296,819 | 347,016 | 338,137 |
| Trade and other receivables | 180,987 | 179,707 | 223,833 |
| Sales finance receivables | 218,336 | 324,098 | 398,342 |
| Inventories | 492,364 | 568,596 | 571,412 |
| Other financial assets | 50,405 | 52,375 | 41,073 |
| Other current assets | 40,072 | 41,444 | 51,912 |
| Total current assets | 1,278,985 | 1,513,238 | 1,624,712 |
| Non-current assets: | | | |
| Property, plant and equipment | 398,028 | 441,214 | 471,558 |
| Goodwill and intangible assets | 49,378 | 57,416 | 71,624 |
| Investments accounted for using the equity method | 34,687 | 36,719 | 37,822 |
| Sales finance receivables | 250,149 | 316,676 | 386,151 |
| Retirement benefit asset | 17,587 | 23,772 | 27,251 |
| Other financial assets | 90,186 | 84,874 | 91,501 |
| Deferred tax assets | 49,424 | 79,694 | 83,841 |
| Other non-current assets | 13,070 | 9,954 | 11,061 |
| Total non-current assets | 902,513 | 1,050,322 | 1,180,813 |
| Total assets | 2,181,499 | 2,563,561 | 2,805,525 |

| | Millions of yen | | |
|---|--------------------------|----------------------------|------------------------|
| | As of January 1, 2023 | As of December 31, 2023 | As of June 30, 2024 |
| LIABILITIES AND EQUITY | | | |
| Liabilities: | | | |
| Current liabilities: | | | |
| Trade and other payables | 177,716 | 154,118 | 161,047 |
| Bonds and borrowings | 331,111 | 438,873 | 569,922 |
| Income taxes payable | 25,761 | 30,639 | 26,520 |
| Accrued expenses | 68,416 | 80,543 | 95,844 |
| Provisions | 27,033 | 33,437 | 35,509 |
| Other financial liabilities | 64,779 | 60,856 | 49,359 |
| Other current liabilities | 82,939 | 93,722 | 101,149 |
| Total current liabilities | 777,759 | 892,192 | 1,039,352 |
| Non-current liabilities: | | | |
| Bonds and borrowings | 271,577 | 404,934 | 355,559 |
| Retirement benefit liability | 48,333 | 51,811 | 54,378 |
| Provisions | 1,276 | 1,587 | 2,488 |
| Other financial liabilities | 36,088 | 38,806 | 41,492 |
| Deferred tax liabilities | 11,001 | 15,319 | 5,993 |
| Other non-current liabilities | 20,903 | 24,549 | 27,307 |
| Total non-current liabilities | 389,181 | 537,009 | 487,221 |
| Total liabilities | 1,166,940 | 1,429,202 | 1,526,573 |
| Equity: | | | |
| Share capital | 86,100 | 86,100 | 86,100 |
| Capital surplus | 68,436 | 64,146 | 64,048 |
| Retained earnings | 832,198 | 946,106 | 1,034,121 |
| Treasury shares | (31,725) | (61,389) | (81,028) |
| Other components of equity | 9,142 | 40,810 | 114,620 |
| Total equity attributable to owners of parent | 964,153 | 1,075,774 | 1,217,862 |
| Non-controlling interests | 50,404 | 58,585 | 61,089 |
| Total equity | 1,014,558 | 1,134,359 | 1,278,951 |
| Total liabilities and equity | 2,181,499 | 2,563,561 | 2,805,525 |

**(2) Condensed Interim Consolidated Statements of Profit or Loss and
Condensed Interim Consolidated Statements of Comprehensive Income**

Six months ended June 30, 2023 and 2024

Condensed Interim Consolidated Statements of Profit or Loss

| | Millions of yen | |
|--|-----------------------------------|-----------------------------------|
| | Six months ended June 30, 2023 | Six months ended June 30, 2024 |
| Revenue | 1,226,403 | 1,348,443 |
| Cost of sales | (825,372) | (907,573) |
| Gross profit | 401,031 | 440,869 |
| Selling, general and administrative expenses | (262,191) | (296,294) |
| Other income | 4,177 | 8,432 |
| Other expenses | (4,760) | (2,367) |
| Share of profit (loss) of entities accounted for using the equity method | 3,237 | 3,716 |
| Operating profit | 141,493 | 154,356 |
| Finance income | 4,296 | 9,502 |
| Finance costs | (5,072) | (9,448) |
| Profit before tax | 140,717 | 154,410 |
| Income tax expense | (31,216) | (31,492) |
| Profit | 109,501 | 122,917 |
| Profit attributable to: | | |
| Owners of parent | 103,291 | 113,076 |
| Non-controlling interests | 6,210 | 9,840 |
| Profit | 109,501 | 122,917 |
| Earnings per share: | | |
| Basic earnings per share (yen) | 102.01 | 114.85 |
| Diluted earnings per share (yen) | 101.98 | 114.82 |

Condensed Interim Consolidated Statements of Comprehensive Income

| | Millions of yen | |
|---|-----------------------------------|-----------------------------------|
| | Six months ended June 30, 2023 | Six months ended June 30, 2024 |
| Profit | 109,501 | 122,917 |
| Other comprehensive income: | | |
| Items that will not be reclassified to profit or loss | | |
| Remeasurements of defined benefit plans | 1,931 | 993 |
| Equity instruments measured at fair value through other comprehensive income | 6,078 | 3,841 |
| Share of other comprehensive income of entities accounted for using the equity method | (24) | 53 |
| Total | 7,986 | 4,888 |
| Items that may be reclassified to profit or loss | | |
| Translation differences on foreign operations | 69,924 | 72,629 |
| Share of other comprehensive income of entities accounted for using the equity method | 1,253 | 2,152 |
| Total | 71,178 | 74,781 |
| Total other comprehensive income | 79,164 | 79,669 |
| Comprehensive income | 188,665 | 202,587 |
| Comprehensive income attributable to: | | |
| Owners of parent | 176,417 | 187,903 |
| Non-controlling interests | 12,248 | 14,684 |
| Comprehensive income | 188,665 | 202,587 |

(3) Condensed Interim Consolidated Statements of Changes in Equity

Six months ended June 30, 2023

| | Millions of yen | | | | | | | |
|--|---|-----------------|-------------------|-----------------|----------------------------|-----------|---------------------------|--------------|
| | Equity attributable to owners of parent | | | | | | Non-controlling interests | Total equity |
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Other components of equity | Total | | |
| Balance as of January 1, 2023 | 86,100 | 68,436 | 832,198 | (31,725) | 9,142 | 964,153 | 50,404 | 1,014,558 |
| Profit | – | – | 103,291 | – | – | 103,291 | 6,210 | 109,501 |
| Other comprehensive income | – | – | – | – | 73,125 | 73,125 | 6,038 | 79,164 |
| Comprehensive income | – | – | 103,291 | – | 73,125 | 176,417 | 12,248 | 188,665 |
| Dividends of surplus | – | – | (22,832) | – | – | (22,832) | (10,508) | (33,340) |
| Purchase and disposal of treasury shares | – | (184) | – | (13,259) | – | (13,443) | – | (13,443) |
| Transfer to retained earnings | – | – | 1,907 | – | (1,907) | – | – | – |
| Changes in the scope of consolidation | – | – | (49) | – | (48) | (97) | (5) | (103) |
| Total transaction amount with owners | – | (184) | (20,974) | (13,259) | (1,955) | (36,373) | (10,514) | (46,887) |
| Balance as of June 30, 2023 | 86,100 | 68,252 | 914,516 | (44,985) | 80,313 | 1,104,197 | 52,139 | 1,156,337 |

Six months ended June 30, 2024

| | Millions of yen | | | | | | | |
|--|---|-----------------|-------------------|-----------------|----------------------------|-----------|---------------------------|--------------|
| | Equity attributable to owners of parent | | | | | | Non-controlling interests | Total equity |
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Other components of equity | Total | | |
| Balance as of January 1, 2024 | 86,100 | 64,146 | 946,106 | (61,389) | 40,810 | 1,075,774 | 58,585 | 1,134,359 |
| Profit | – | – | 113,076 | – | – | 113,076 | 9,840 | 122,917 |
| Other comprehensive income | – | – | – | – | 74,826 | 74,826 | 4,843 | 79,669 |
| Comprehensive income | – | – | 113,076 | – | 74,826 | 187,903 | 14,684 | 202,587 |
| Dividends of surplus | – | – | (23,964) | – | – | (23,964) | (12,179) | (36,144) |
| Purchase and disposal of treasury shares | – | (98) | – | (19,640) | – | (19,738) | – | (19,738) |
| Transfer to retained earnings | – | – | 1,016 | – | (1,016) | – | – | – |
| Changes in the scope of consolidation | – | – | (2,112) | 0 | – | (2,112) | – | (2,112) |
| Total transaction amount with owners | – | (98) | (25,061) | (19,639) | (1,016) | (45,815) | (12,179) | (57,995) |
| Balance as of June 30, 2024 | 86,100 | 64,048 | 1,034,121 | (81,028) | 114,620 | 1,217,862 | 61,089 | 1,278,951 |

(4) Condensed Interim Consolidated Statements of Cash Flows

Six months ended June 30, 2023 and 2024

| | Millions of yen | |
|--|-----------------------------------|-----------------------------------|
| | Six months ended June 30, 2023 | Six months ended June 30, 2024 |
| Cash flows from operating activities: | | |
| Profit before tax | 140,717 | 154,410 |
| Depreciation and amortization | 33,324 | 41,147 |
| Impairment losses | 661 | – |
| Increase (decrease) in valuation allowance for losses | 2,698 | 860 |
| Increase (decrease) in retirement benefit liability | 3,642 | 3,164 |
| Decrease (increase) in retirement benefit asset | (4,267) | (3,687) |
| Interest and dividend income | (4,420) | (6,358) |
| Interest expenses | 3,120 | 7,614 |
| Share of loss (profit) of entities accounted for using the equity method | (3,237) | (3,716) |
| Loss (gain) on sale of property, plant and equipment and intangible assets | (869) | (892) |
| Loss (gain) on disposal of property, plant and equipment and intangible assets | 561 | 441 |
| Decrease (increase) in sales finance receivables | (81,239) | (70,855) |
| Decrease (increase) in trade and other receivables | (13,599) | (24,928) |
| Decrease (increase) in inventories | 8,115 | 51,161 |
| Increase (decrease) in trade and other payables | 2,516 | (15,847) |
| Other | 5,798 | 18,607 |
| Subtotal | 93,523 | 151,120 |
| Interest and dividends received | 7,517 | 10,756 |
| Interest paid | (3,125) | (7,514) |
| Income taxes paid | (47,001) | (54,629) |
| Net cash provided by (used in) operating activities | 50,914 | 99,733 |

| | Millions of yen | |
|--|-----------------------------------|-----------------------------------|
| | Six months ended June 30, 2023 | Six months ended June 30, 2024 |
| Cash flows from investing activities: | | |
| Payments into time deposits | (3,025) | (5,776) |
| Proceeds from withdrawal of time deposits | 3,401 | 4,877 |
| Purchase of property, plant and equipment and intangible assets | (48,146) | (55,267) |
| Proceeds from sale of property, plant and equipment and intangible assets | 4,205 | 4,981 |
| Purchase of investments accounted for using the equity method | (831) | – |
| Proceeds from sale of investments accounted for using the equity method | – | 475 |
| Purchase of investment securities | (7,931) | (6,498) |
| Payments for loans receivable | (175) | (490) |
| Collection of loans receivable | 63 | 120 |
| Proceeds from (payments for) obtaining control of subsidiaries | – | (12,314) |
| Other | 93 | 241 |
| Net cash provided by (used in) investing activities | (52,346) | (69,651) |
| Cash flows from financing activities: | | |
| Net increase (decrease) in short-term borrowings | 75,629 | 35,918 |
| Proceeds from long-term borrowings | 51,210 | 37,599 |
| Repayments of long-term borrowings | (74,671) | (82,247) |
| Proceeds from issuance of bonds | 19,915 | 19,915 |
| Redemption of bonds | (5,990) | (15,691) |
| Repayments of lease liabilities | (6,186) | (5,118) |
| Dividends paid | (22,832) | (23,964) |
| Dividends paid to non-controlling interests | (10,386) | (11,583) |
| Net decrease (increase) in treasury shares | (13,668) | (19,927) |
| Net cash provided by (used in) financing activities | 13,021 | (65,100) |
| Effect of exchange rate changes on cash and cash equivalents | 11,150 | 20,611 |
| Net increase (decrease) in cash and cash equivalents | 22,739 | (14,407) |
| Cash and cash equivalents at the beginning of the period | 296,819 | 347,016 |
| Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation | 325 | 5,528 |
| Cash and cash equivalents at the end of the period | 319,884 | 338,137 |

(5) Notes to Condensed Interim Consolidated Financial Statements

Notes Regarding Going-concern Assumptions

None

Segment Information

Information on revenue and profit or loss by reportable segment

Six months ended June 30, 2023

| | Millions of yen | | | | | | | | |
|--|--------------------|--------------------|----------|-----------------------|-----------|--------------------|-----------|-------------------------|---|
| | Reportable segment | | | | | Others (Note 1) | Total | Adjustments (Note 2) | Amounts on condensed interim consolidated financial statements |
| | Land mobility | Marine products | Robotics | Financial services | Total | | | | |
| Revenue: | | | | | | | | | |
| Revenue from external customers | 797,546 | 299,011 | 46,208 | 38,485 | 1,181,251 | 45,151 | 1,226,403 | – | 1,226,403 |
| Intersegment revenue and transfers | – | – | – | – | – | 26,247 | 26,247 | (26,247) | – |
| Total | 797,546 | 299,011 | 46,208 | 38,485 | 1,181,251 | 71,399 | 1,252,651 | (26,247) | 1,226,403 |
| Segment profit (Note 3) | 67,916 | 65,874 | 468 | 6,608 | 140,867 | 626 | 141,493 | – | 141,493 |
| Finance income | | | | | | | | | 4,296 |
| Finance costs | | | | | | | | | (5,072) |
| Profit before tax | | | | | | | | | 140,717 |

Notes:

1. “Others” is a business segment not included in the reportable segments. It includes businesses involving golf cars, generators, multi-purpose engines, and small-sized snow throwers.
2. Adjustments represent intersegment transaction eliminations.
3. Total of segment profit corresponds to the operating profit in the condensed interim consolidated statements of profit or loss.

Six months ended June 30, 2024

| | Millions of yen | | | | | | | | |
|--|--------------------|--------------------|----------|-----------------------|-----------|--------------------|-----------|-------------------------|---|
| | Reportable segment | | | | | Others (Note 1) | Total | Adjustments (Note 2) | Amounts on condensed interim consolidated financial statements |
| | Land mobility | Marine products | Robotics | Financial services | Total | | | | |
| Revenue: | | | | | | | | | |
| Revenue from external customers | 896,138 | 297,681 | 45,852 | 55,906 | 1,295,577 | 52,866 | 1,348,443 | – | 1,348,443 |
| Intersegment revenue and transfers | – | – | – | – | – | 26,573 | 26,573 | (26,573) | – |
| Total | 896,138 | 297,681 | 45,852 | 55,906 | 1,295,577 | 79,439 | 1,375,017 | (26,573) | 1,348,443 |
| Segment profit (loss) (Note 3) | 90,728 | 53,237 | (3,989) | 10,785 | 150,761 | 3,594 | 154,356 | – | 154,356 |
| Finance income | | | | | | | | | 9,502 |
| Finance costs | | | | | | | | | (9,448) |
| Profit before tax | | | | | | | | | 154,410 |

Notes:

1. “Others” is a business segment not included in the reportable segments. It includes businesses involving golf cars, generators, multi-purpose engines, and small-sized snow throwers.
2. Adjustments represent intersegment transaction eliminations.
3. Total of segment profit (loss) corresponds to the operating profit in the condensed interim consolidated statements of profit or loss.

Business combination

Six months ended June 30, 2023

None

Six months ended June 30, 2024

The Company resolved at the meeting of the Board of Directors held on December 26, 2023, to acquire all shares of Torqeedo GmbH (hereinafter “Torqeedo”), a German company, and make it a subsidiary of the Company. A share purchase agreement was concluded on January 12, 2024 with DEUTZ AG, a German company, which held all shares of Torqeedo, and the company purchased all shares on April 3, 2024.

1. Overview of business combination

(1) Overview and business of the acquired company

Company name: Torqeedo GmbH

Business: Manufacture and sale of electric outboard motors, inboard motors, POD drives, hybrid systems, batteries, and accessories.

(2) Date of acquisition

April 3, 2024

(3) Percentage of voting equity interests acquired

100%

(4) Main reason for the business combination

Torqeedo is a pioneer brand in the marine electric business and has an extensive product line of electric outboard motors, electric inboard motors, batteries, and various accessories. Sale of Torqeedo is growing in the small electric market, especially in Europe. In addition, Torqeedo holds many patents related to electric motors, propellers, and power supply systems, and has R&D capabilities, mass production facilities, and development resources for the next-generation environmental technologies.

The purpose of the acquisition of Torqeedo is to strengthen development capabilities in the “Electric” business, part of the “Marine CASE” strategy that the company is promoting as its Medium-Term Management Plan. It will also accelerate our efforts to carbon neutrality in the marine industry and contribute to the early establishment of a lineup of small electric propulsion units. Furthermore, by combining the know-how cultivated in hull design technology and marine engine technology, the company aims to create synergies in the medium-sized electric outboard motor market and become a leading company in the growing market of electric propulsion vessels.

(5) Method of obtaining control of the acquired company

Acquisition of shares with cash as consideration

2. Acquisition cost and breakdown by type of consideration

| | | |
|-----------------------------------|------|---|
| Acquisition cost as consideration | cash | 12,643 million yen (77.4 million Euros) |
|-----------------------------------|------|---|

| | | |
|------------------|--|--------------------|
| Acquisition cost | | 12,643 million yen |
|------------------|--|--------------------|

3. Details and amount of major acquisition-related expenses

Due diligence expenses, etc. 293 million yen (approximation) are included in “Selling, general and administrative expenses” in the condensed interim consolidated statements of profit or loss.

4. Fair value of the assets acquired and liabilities, non-controlling interests and goodwill (Note 1)

| Millions of yen | |
|--------------------------|--------------|
| Item | Amount |
| Current assets | 5,080 |
| Non-current assets | 2,555 |
| Total assets | 7,635 |
| Current liabilities | 1,644 |
| Non-current liabilities | 1,115 |
| Total liabilities | 2,759 |
| Total equity | 4,875 |
| Goodwill (Note 2) | 7,767 |

Notes:

1. There is no contingent consideration.

2. The amount of goodwill for the six months ended June 30, 2024, the assets acquired, and liabilities assumed at the date of acquisition are tentatively accounted for because the identifiable assets and identifiable liabilities at the date of acquisition are under scrutiny and the allocation of the acquisition cost has not yet been completed. In addition, goodwill primarily reflects excess earning power and is not deductible for tax purposes.

5. Impact on operating results

The profit and loss information since the date of acquisition, as recognized in the condensed interim consolidated statements of profit or loss for the six months ended June 30, 2024, and the estimated impact (unaudited information) on the condensed interim consolidated financial statements as if the business combination had occurred on January 1, 2024, the beginning of the six months ended June 30, 2024, are not presented because they are not material.

6. Payments for acquisition of subsidiaries

| Millions of yen | |
|---|---------------|
| Item | Amount |
| Acquisition cost as consideration in cash | 12,643 |
| Cash and cash equivalents held by the acquired company at the date of acquisition | (328) |
| Cash paid for acquisition of subsidiaries | 12,314 |

First-time Adoption of IFRS

The Group has disclosed condensed quarterly consolidated financial statements in accordance with IFRS effective from the three months ended March 31, 2024. The most recent consolidated financial statements prepared in accordance with generally accepted accounting principles in Japan (hereinafter, “Japanese GAAP”) are for the fiscal year ended December 31, 2023, and the date of transition to IFRS (hereinafter, the “date of transition”) is January 1, 2023.

(1) Exemptions under IFRS 1

IFRS 1 *First-time Adoption of International Financial Reporting Standards* (hereinafter, “IFRS 1”) requires that, in principle, an entity adopting IFRS for the first time applies the standards required under IFRS retrospectively. However, IFRS 1 provides certain optional exemptions from retrospective application and mandatory exceptions prohibiting retrospective application of some requirements of IFRS 1. The Group applies the following optional exemptions:

1) Business combinations

An entity applying IFRS for the first time may elect not to apply IFRS 3 *Business Combinations* (hereinafter, “IFRS 3”) retrospectively to past business combinations (business combinations that occurred before the date of transition). The Group has elected to apply the exemption and not apply IFRS 3 retrospectively to business combinations that took place before the date of transition.

As a result, the amount of goodwill arose from the business combinations and the amount equivalent to goodwill in associates and jointly controlled entities prior to the date of transition are based on the carrying amount as of the date of transition in accordance with Japanese GAAP. Goodwill is tested for impairment as of the date of transition, regardless of whether there is any indication of impairment.

2) Translation differences on foreign operations

IFRS 1 permits an entity to elect to deem the cumulative translation differences for all foreign operations to be zero at the date of transition.

The Group has elected to deem the cumulative translation differences for all foreign operations to be zero at the date of transition.

3) Leases

IFRS 1 permits a lessee to measure lease liabilities and right-of-use assets at the date of transition for all of its leases when recognizing these liabilities and assets. The Group measured the lease liabilities at the date of transition at the present value of the remaining lease payments discounted using the lessee’s incremental borrowing rate at the date of transition. The right-of-use asset are also measured at the date of transition at an amount equal to the lease liabilities.

For leases for which the lease term ends within 12 months of the date of transition, and for which the underlying asset is of low value, the Group recognizes the lease payments associated with those leases as expenses in profit or loss on a straight-line basis over the lease term.

4) Designation of classification of financial instruments

IFRS 1 permits an entity to designate equity instruments as financial assets at fair value through other comprehensive income on the basis of the facts and circumstances that exist at the date of transition. Accordingly, the Group designates equity instruments as financial assets at fair value through other comprehensive income based on the basis of the facts and circumstances that existed at the date of transition.

(2) Mandatory exceptions of IFRS 1

IFRS 1 prohibits retrospective application of IFRS for “estimates,” “derecognition of financial assets and financial liabilities,” “non-controlling interests,” “classification and measurement of financial assets,” and “impairment of financial assets” and others. The Group has prospectively applied IFRS from the date of transition for these items.

(3) Reconciliations

The impact of the transition from Japanese GAAP to IFRS on the Group's financial position, results of operations, and cash flows is summarized below.

Under Japanese GAAP, effective January 1, 2023, the Group Adopted FASB Accounting Standards Codification (ASC) 326, "Financial Instruments - Credit Loss" for its North American subsidiaries. The Japanese GAAP column at the date of transition in the tables below reflects the effect of this change in accounting policies.

In these reconciliations, the amounts under "Reclassification" include items that do not affect retained earnings or comprehensive income, while the amounts under "Difference in recognition and measurement" include items that affect retained earnings and comprehensive income.

1) Reconciliation of equity

As of January 1, 2023 (Date of transition)

| Line item under Japanese GAAP | Millions of yen | | | | Notes | Line item under IFRS |
|--|------------------|------------------|---|-----------|-------|--|
| | Japanese GAAP | Reclassification | Difference in recognition and measurement | IFRS | | |
| ASSETS | | | | | | ASSETS |
| Current assets: | | | | | | Current assets: |
| Cash and deposits | 288,780 | 8,038 | – | 296,819 | A | Cash and cash equivalents |
| Notes and accounts receivable - trade, and contract assets | 187,410 | (6,423) | – | 180,987 | B | Trade and other receivables |
| Short-term sales finance receivables | 230,131 | (12,871) | 1,076 | 218,336 | C | Sales finance receivables |
| Merchandise and finished goods | 285,432 | (285,432) | – | | | |
| Work in process | 115,755 | (115,755) | – | | | |
| Raw materials and supplies | 124,658 | (124,658) | – | | | |
| | | 525,847 | (33,482) | 492,364 | D, a | Inventories |
| Other | 90,921 | (48,649) | 8,133 | 50,405 | A, e | Other financial assets |
| | | 42,045 | (1,973) | 40,072 | | Other current assets |
| Allowance for doubtful accounts | (17,777) | 17,777 | – | | | |
| Total current assets | 1,305,314 | (82) | (26,246) | 1,278,985 | | Total current assets |
| Non-current assets: | | | | | | Non-current assets: |
| Property, plant and equipment | 390,978 | (1,106) | 8,156 | 398,028 | b | Property, plant and equipment |
| Intangible assets | 39,640 | – | 9,738 | 49,378 | c | Goodwill and intangible assets |
| Investments and other assets | | 34,295 | 391 | 34,687 | E | Investments accounted for using the equity method |
| Long-term sales finance receivables | 256,382 | (10,441) | 4,208 | 250,149 | C | Sales finance receivables |
| | | 15,762 | 1,824 | 17,587 | | Retirement benefit asset |
| | | 89,209 | 977 | 90,186 | | Other financial assets |
| | | 44,084 | 5,339 | 49,424 | d | Deferred tax assets |
| Other | 196,827 | (182,212) | (1,544) | 13,070 | E | Other non-current assets |
| Allowance for doubtful accounts | (10,487) | 10,487 | – | | | |
| Total non-current assets | 873,342 | 79 | 29,091 | 902,513 | | Total non-current assets |
| Total assets | 2,178,656 | (3) | 2,845 | 2,181,499 | | Total assets |

| Line item under Japanese GAAP | Millions of yen | | | | Notes | Line item under IFRS |
|---|------------------|------------------|---|------------------|---------------------------|--------------------------------------|
| | Japanese GAAP | Reclassification | Difference in recognition and measurement | IFRS | | |
| LIABILITIES | | | | | | LIABILITIES AND EQUITY |
| | | | | | | Liabilities |
| Current liabilities: | | | | | | Current liabilities: |
| Notes and accounts payable – trade | 148,133 | (148,133) | – | | | |
| Electronically recorded obligations – operating | 29,597 | (29,597) | – | | | |
| | | 177,716 | – | 177,716 | F | Trade and other payables |
| Short-term loans payable | 172,985 | (172,985) | – | | | |
| Current portion of bonds payable | 5,156 | (5,156) | – | | | |
| Current portion of long-term loans payable | 152,969 | (152,969) | – | | | |
| | | 331,111 | – | 331,111 | G | Bonds and borrowings |
| Income taxes payable | 25,761 | – | – | 25,761 | | Income taxes payable |
| | | 68,416 | – | 68,416 | H | Accrued expenses |
| Provision for bonuses | 18,796 | (18,796) | – | | | |
| Provision for product warranties | 18,176 | (18,176) | – | | | |
| Other provision | 3,159 | (3,159) | – | | | |
| | | 18,900 | 8,133 | 27,033 | I, e | Provisions |
| Other | 178,135 | (178,135) | – | | | |
| | | 61,317 | 3,461 | 64,779 | b | Other financial liabilities |
| | | 69,645 | 13,294 | 82,939 | f | Other current liabilities |
| Total current liabilities | 752,873 | (3) | 24,889 | 777,759 | | Total current liabilities |
| Non-current liabilities: | | | | | | Non-current liabilities: |
| Bonds payable | 21,575 | (21,575) | – | | | |
| Long-term loans payable | 250,002 | (250,002) | – | | | |
| | | 271,577 | – | 271,577 | G | Bonds and borrowings |
| Net defined benefit liability | 49,297 | – | (964) | 48,333 | | Retirement benefit liability |
| Other provision | 638 | (638) | – | | | |
| | | 1,276 | – | 1,276 | I | Provisions |
| | | 20,016 | 16,071 | 36,088 | b | Other financial liabilities |
| | | 14,749 | (3,747) | 11,001 | d | Deferred tax liabilities |
| Other | 54,604 | (54,604) | – | | | |
| | | 19,200 | 1,702 | 20,903 | | Other non-current liabilities |
| Total non-current liabilities | 376,119 | – | 13,061 | 389,181 | | Total non-current liabilities |
| Total liabilities | 1,128,992 | (3) | 37,951 | 1,166,940 | | Total liabilities |
| NET ASSETS | | | | | | Equity |
| Capital stock | 86,100 | – | – | 86,100 | | Share capital |
| Capital surplus | 68,050 | – | 386 | 68,436 | | Capital surplus |
| Retained earnings | 889,415 | – | (57,216) | 832,198 | a, b, c, d, f, g, h, i | Retained earnings |
| Treasury shares | (31,725) | – | – | (31,725) | | Treasury shares |
| Accumulated other comprehensive income | (13,401) | – | 22,544 | 9,142 | g, h, i | Other components of equity |
| Non-controlling interests | 51,225 | – | (820) | 50,404 | | Non-controlling interests |
| Total net assets | 1,049,664 | – | (35,105) | 1,014,558 | | Total equity |
| Total liabilities and net assets | 2,178,656 | (3) | 2,845 | 2,181,499 | | Total liabilities and equity |

As of June 30, 2023

| Line item under Japanese GAAP | Millions of yen | | | | Notes | Line item under IFRS |
|--|-----------------|------------------|---|-----------|-------|---|
| | Japanese GAAP | Reclassification | Difference in recognition and measurement | IFRS | | |
| ASSETS | | | | | | ASSETS |
| Current assets: | | | | | | Current assets: |
| Cash and deposits | 316,091 | 3,793 | – | 319,884 | A | Cash and cash equivalents |
| Notes and accounts receivable - trade, and contract assets | 220,044 | (7,591) | – | 212,453 | B | Trade and other receivables |
| Short-term sales finance receivables | 309,339 | (14,853) | 1,459 | 295,945 | C | Sales finance receivables |
| Merchandise and finished goods | 324,033 | (324,033) | – | | | |
| Work in process | 111,413 | (111,413) | – | | | |
| Raw materials and supplies | 132,001 | (132,001) | – | | | |
| | | 567,448 | (36,835) | 530,612 | D, a | Inventories |
| Other | 107,159 | (65,022) | 8,010 | 50,148 | A, e | Other financial assets |
| | | 62,856 | (1,867) | 60,988 | | Other current assets |
| Allowance for doubtful accounts | (20,773) | 20,773 | – | | | |
| Total current assets | 1,499,310 | (43) | (29,233) | 1,470,033 | | Total current assets |
| Non-current assets: | | | | | | Non-current assets: |
| Property, plant and equipment | 412,906 | (1,229) | 6,420 | 418,097 | b | Property, plant and equipment |
| Intangible assets | 44,817 | 37 | 9,020 | 53,875 | c | Goodwill and intangible assets |
| Investments and other assets | | 36,310 | 1,159 | 37,470 | E | Investments accounted for using the equity method |
| Long-term sales finance receivables | 316,304 | (14,430) | 4,827 | 306,700 | C | Sales finance receivables |
| | | 16,833 | 4,913 | 21,747 | | Retirement benefit asset |
| | | 103,825 | 2,664 | 106,490 | | Other financial assets |
| | | 51,599 | 4,215 | 55,815 | d | Deferred tax assets |
| Other | 217,452 | (207,365) | (56) | 10,030 | E | Other non-current assets |
| Allowance for doubtful accounts | (14,477) | 14,477 | – | | | |
| Total non-current assets | 977,003 | 59 | 33,165 | 1,010,229 | | Total non-current assets |
| Total assets | 2,476,313 | 16 | 3,932 | 2,480,262 | | Total assets |

| Line item under Japanese GAAP | Millions of yen | | | | Notes | Line item under IFRS |
|---|------------------|------------------|---|------------------|---------------------------|--------------------------------------|
| | Japanese GAAP | Reclassification | Difference in recognition and measurement | IFRS | | |
| LIABILITIES | | | | | | LIABILITIES AND EQUITY |
| | | | | | | Liabilities |
| Current liabilities: | | | | | | Current liabilities: |
| Notes and accounts payable – trade | 171,052 | (171,052) | – | | | |
| Electronically recorded obligations – operating | 19,940 | (19,940) | – | 190,940 | F | Trade and other payables |
| Short-term loans payable | 274,426 | (274,426) | – | | | |
| Current portion of bonds payable | 14,386 | (14,386) | – | | | |
| Current portion of long-term loans payable | 163,833 | (163,833) | – | 452,646 | G | Bonds and borrowings |
| Income taxes payable | 23,705 | – | (1,005) | 22,699 | | Income taxes payable |
| | | 83,900 | – | 83,900 | H | Accrued expenses |
| Provision for bonuses | 18,658 | (18,658) | – | | | |
| Provision for product warranties | 18,863 | (18,863) | – | | | |
| Other provision | 3,687 | (3,687) | – | | | |
| | | 20,272 | 9,509 | 29,782 | I, e | Provisions |
| Other | 191,619 | (191,619) | – | 48,867 | b | Other financial liabilities |
| | | 45,948 | 2,918 | 48,867 | | |
| | | 82,688 | 13,386 | 96,074 | f | Other current liabilities |
| Total current liabilities | 900,174 | (71) | 24,808 | 924,911 | | Total current liabilities |
| Non-current liabilities: | | | | | | Non-current liabilities: |
| Bonds payable | 33,714 | (33,714) | – | | | |
| Long-term loans payable | 242,296 | (242,296) | – | 275,931 | G | Bonds and borrowings |
| | | 276,011 | (79) | 275,931 | | |
| Net defined benefit liability | 52,670 | – | (588) | 52,082 | | Retirement benefit liability |
| Other provision | 761 | (761) | – | 1,461 | I | Provisions |
| | | 1,461 | – | 1,461 | | |
| | | 24,219 | 15,820 | 40,039 | b | Other financial liabilities |
| | | 10,612 | (3,397) | 7,214 | d | Deferred tax liabilities |
| Other | 56,115 | (56,115) | – | 22,285 | | Other non-current liabilities |
| | | 20,672 | 1,612 | 22,285 | | |
| Total non-current liabilities | 385,558 | 88 | 13,367 | 399,014 | | Total non-current liabilities |
| Total liabilities | 1,285,733 | 16 | 38,175 | 1,323,925 | | Total liabilities |
| NET ASSETS | | | | | | Equity |
| Capital stock | 86,100 | – | – | 86,100 | | Share capital |
| Capital surplus | 68,050 | – | 202 | 68,252 | | Capital surplus |
| Retained earnings | 972,332 | – | (57,816) | 914,516 | a, b, c, d, f, g, h, i | Retained earnings |
| Treasury shares | (44,985) | – | – | (44,985) | | Treasury shares |
| Accumulated other comprehensive income | 56,112 | – | 24,200 | 80,313 | g, h, i | Other components of equity |
| Non-controlling interests | 52,969 | – | (830) | 52,139 | | Non-controlling interests |
| Total net assets | 1,190,580 | – | (34,243) | 1,156,337 | | Total equity |
| Total liabilities and net assets | 2,476,313 | 16 | 3,932 | 2,480,262 | | Total liabilities and equity |

As of December 31, 2023

| Line item under Japanese GAAP | Millions of yen | | | | Notes | Line item under IFRS |
|--|-----------------|------------------|---|-----------|-------|---|
| | Japanese GAAP | Reclassification | Difference in recognition and measurement | IFRS | | |
| ASSETS | | | | | | ASSETS |
| Current assets: | | | | | | Current assets: |
| Cash and deposits | 338,839 | 8,176 | – | 347,016 | A | Cash and cash equivalents |
| Notes and accounts receivable – trade, and contract assets | 186,911 | (7,203) | – | 179,707 | B | Trade and other receivables |
| Short-term sales finance receivables | 338,520 | (13,935) | (487) | 324,098 | C | Sales finance receivables |
| Merchandise and finished goods | 363,066 | (363,066) | – | | | |
| Work in process | 115,653 | (115,653) | – | | | |
| Raw materials and supplies | 130,776 | (130,776) | – | | | |
| | | 609,497 | (40,900) | 568,596 | D, a | Inventories |
| Other | 94,700 | (52,320) | 9,995 | 52,375 | A, e | Other financial assets |
| | | 45,333 | (3,889) | 41,444 | | Other current assets |
| Allowance for doubtful accounts | (19,915) | 19,915 | – | | | |
| Total current assets: | 1,548,554 | (33) | (35,281) | 1,513,238 | | Total current assets |
| Non-current assets | | | | | | Non-current assets: |
| Property, plant and equipment | 433,886 | 1,868 | 5,459 | 441,214 | b | Property, plant and equipment |
| Intangible assets | 51,132 | (3,074) | 9,358 | 57,416 | c | Goodwill and intangible assets |
| Investments and other assets | | 37,571 | (852) | 36,719 | E | Investments accounted for using the equity method |
| Long-term sales finance receivables | 326,784 | (15,453) | 5,345 | 316,676 | C | Sales finance receivables |
| | | 21,382 | 2,390 | 23,772 | | Retirement benefit asset |
| | | 86,006 | (1,131) | 84,874 | | Other financial assets |
| | | 73,368 | 6,325 | 79,694 | d | Deferred tax assets |
| Other | 227,104 | (217,108) | (41) | 9,954 | E | Other non-current assets |
| Allowance for doubtful accounts | (15,500) | 15,500 | – | | | |
| Total non-current assets | 1,023,407 | 60 | 26,854 | 1,050,322 | | Total non-current assets |
| Total assets | 2,571,961 | 27 | (8,427) | 2,563,561 | | Total assets |

| Line item under Japanese GAAP | Millions of yen | | | | Notes | Line item under IFRS |
|---|------------------|------------------|---|------------------|------------------------|--------------------------------------|
| | Japanese GAAP | Reclassification | Difference in recognition and measurement | IFRS | | |
| LIABILITIES | | | | | | LIABILITIES AND EQUITY |
| | | | | | | Liabilities |
| Current liabilities: | | | | | | Current liabilities: |
| Notes and accounts payable – trade | 151,084 | (151,084) | – | | | |
| Electronically recorded obligations – operating | 3,079 | (3,079) | – | | | |
| | | 154,118 | – | 154,118 | F | Trade and other payables |
| Short-term loans payable | 305,563 | (305,563) | – | | | |
| Current portion of bonds payable | 23,974 | (23,974) | – | | | |
| Current portion of long-term loans payable | 109,334 | (109,334) | – | | | |
| | | 438,873 | – | 438,873 | G | Bonds and borrowings |
| Income taxes payable | 30,639 | – | – | 30,639 | | Income taxes payable |
| | | 80,498 | 45 | 80,543 | H | Accrued expenses |
| Provision for bonuses | 20,302 | (20,302) | – | | | |
| Provision for product warranties | 20,582 | (20,582) | – | | | |
| Other provision | 4,715 | (4,715) | – | | | |
| | | 22,941 | 10,496 | 33,437 | I, e | Provisions |
| Other | 195,889 | (195,889) | – | | | |
| | | 58,472 | 2,383 | 60,856 | b | Other financial liabilities |
| | | 79,577 | 14,145 | 93,722 | f | Other current liabilities |
| Total current liabilities | 865,165 | (45) | 27,071 | 892,192 | | Total current liabilities |
| Non-current liabilities: | | | | | | Non-current liabilities: |
| Bonds payable | 39,971 | (39,971) | – | | | |
| Long-term loans payable | 365,031 | (365,031) | – | | | |
| | | 405,003 | (68) | 404,934 | G | Bonds and borrowings |
| Net defined benefit liability | 52,446 | – | (635) | 51,811 | | Retirement benefit liability |
| Other provisions | 745 | (745) | – | | | |
| | | 1,587 | – | 1,587 | I | Provisions |
| | | 23,401 | 15,405 | 38,806 | b | Other financial liabilities |
| | | 18,798 | (3,478) | 15,319 | d | Deferred tax liabilities |
| Other | 65,930 | (65,930) | – | | | |
| | | 22,960 | 1,589 | 24,549 | | Other non-current liabilities |
| Total non-current liabilities | 524,125 | 72 | 12,811 | 537,009 | | Total non-current liabilities |
| Total liabilities | 1,389,291 | 27 | 39,883 | 1,429,202 | | Total liabilities |
| NET ASSETS | | | | | | Equity |
| Capital stock | 86,100 | – | – | 86,100 | | Share capital |
| Capital surplus | 63,771 | – | 374 | 64,146 | | Capital surplus |
| Retained earnings | 1,006,925 | – | (60,818) | 946,106 | a, b, c, d, f, g, h, i | Retained earnings |
| Treasury shares | (61,389) | – | – | (61,389) | | Treasury shares |
| Accumulated other comprehensive income | 28,052 | – | 12,758 | 40,810 | g, h, i | Other components of equity |
| Non-controlling interests | 59,210 | – | (624) | 58,585 | | Non-controlling interests |
| Total net assets | 1,182,670 | – | (48,310) | 1,134,359 | | Total equity |
| Total liabilities and net assets | 2,571,961 | 27 | (8,427) | 2,563,561 | | Total liabilities and equity |

2) Notes on reconciliation of equity

(i) Reclassification

“Reclassification” mainly consists of the following:

A. Cash and cash equivalents

Time deposits with maturities of more than three months, which were included in “Cash and deposits” under Japanese GAAP, are included in “Other financial assets” of current assets under IFRS. In addition, short-term operating assets (due within 3 months), which were included in “Other” under Japanese GAAP, are reclassified to “Cash and cash equivalents” under IFRS.

B. Trade and other receivables

“Notes and accounts receivable – trade, and contract assets” which were separately presented under Japanese GAAP, are included in “Trade and other receivables” of current assets under IFRS. In addition, the loss valuation allowance (trade and other receivables), which was included in “Allowance for doubtful accounts” under Japanese GAAP, is directly deducted (reduced) from “Trade and other receivables” of current assets under IFRS.

C. Sales finance receivables

The loss valuation allowance (sales finance receivables), which was included in “Allowance for doubtful accounts” under Japanese GAAP, is directly deducted (reduced) from “Sales finance receivables” under IFRS.

D. Inventories

“Merchandise and finished goods,” “Work in process,” and “Raw materials and supplies,” which were separately presented under Japanese GAAP, are included in “Inventories” under IFRS.

E. Investments accounted for using the equity method

Investments accounted for using the equity method, which was included in “Other” under Japanese GAAP, is separately presented as “Investments accounted for using the equity method” under IFRS.

F. Trade and other payables

“Notes and accounts payable – trade” and “Electronically recorded obligations – operating,” which were separately presented under Japanese GAAP, are included in “Trade and other payables” under IFRS.

G. Bonds and borrowings

“Short-term loans payable,” “Current portion of bonds payable” and “Current portion of long-term loans payable,” which were separately presented under Japanese GAAP, are included in “Bonds and borrowings” of current liabilities under IFRS.

“Bonds payable” and “Long-term loans payable,” which were separately presented under Japanese GAAP are included in “Bonds and borrowings” of non-current liabilities under IFRS.

H. Accrued expenses

Accrued expenses, which were included in “Other” under Current liabilities under Japanese GAAP, are separately presented as “Accrued expenses” under IFRS.

I. Provisions

“Provision for product warranties” and “Other provision,” which were separately presented under Japanese GAAP, are included in “Provisions” under IFRS.

(ii) Difference in recognition and measurement

“Difference in recognition and measurement” mainly consists of the following:

a. Reconciliation of inventories

Under Japanese GAAP, supplies and other items related to the sales, administration, and development departments were recorded as supplies, whereas under IFRS supplies that do not meet the definition of inventories are adjusted to retained earnings. In addition, development costs included in inventories as manufacturing costs under Japanese GAAP are expensed under IFRS. As a result, the amount of “Inventories” decreased.

b. Reconciliation of leases

Under Japanese GAAP, lessee leases were classified into finance leases or operating leases, and operating leases were accounted for as ordinary rental transactions, whereas under IFRS there is no distinction between finance leases and operating leases for lessee leases. Therefore, basically for all lease transactions, right-of-use assets included in “Property, plant and equipment” are depreciated on a straight-line basis over the period in which they are expected to be leased, and lease liabilities included in “Other financial liabilities” are recorded as liabilities after adjusting for interest. As a result, the amounts of “Property, plant and equipment” and “Other financial liabilities” under non-current liabilities increased.

c. Reconciliation of goodwill and intangible assets

Certain development costs that were expensed under Japanese GAAP are recorded as intangible assets under IFRS when they meet the requirements for capitalization of development costs in IAS 38 *Intangible Assets*. Capitalized development costs are amortized on a straight-line basis over their estimated useful lives. The estimated useful life of capitalized development costs is primarily 5 to 10 years. As a result, the amount of “Goodwill and intangible assets” increased.

d. Reconciliation of deferred tax assets and deferred tax liabilities

The amounts of “Deferred tax assets” and “Deferred tax liabilities” have been adjusted due to temporary differences arising from the transition from Japanese GAAP to IFRS.

e. Reconciliation of provision for product warranties

Under Japanese GAAP, when some or all of the expenditure required to settle a provision are expected to be reimbursed by another party, a provision is recognized net of a reimbursement. Under IFRS, a reimbursement is recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. At that time, the reimbursement is recognized as a separate asset within the amount of the provision. As a result, “Other financial assets” under current assets and “Provisions” under current liabilities increased.

f. Reconciliation of employee benefits (excluding retirement benefits)

Under Japanese GAAP, as an accounting treatment for unused paid absences was not required, and no corresponding liability was recognized. However, under IFRS, unused paid absences are recognized as liabilities when an employee renders service that causes its entitlement to future paid absences. As a result, the amount of “Other current liabilities” increased.

g. Reconciliation of equity instruments

Under Japanese GAAP, securities with no market value, such as unlisted equity securities were carried at cost, with impairment losses recognized as necessary to reflect deterioration in financial position; whereas under IFRS, such securities are measured at fair value, with the difference recognized in “Other components of equity.”

h. Reconciliation of defined benefit plans

Under Japanese GAAP, actuarial gains and losses were recognized in “Accumulated other comprehensive income” when incurred and amortized over a certain number of years within the average remaining service period of employees on a straight-line basis from the following year. Under IFRS, actuarial gains and losses are recognized in “Other components of equity” when incurred and immediately transferred to “Retained earnings.”

i. Translation differences on foreign operations

In adopting IFRS, the Company has applied the exemption for the cumulative translation differences for foreign operations of IFRS 1 and has elected to deem the cumulative translation differences for foreign operations to be zero at the date of transition. The amounts are recognized in “Retained earnings.”

3) Adjustment to retained earnings

| | Millions of yen | | |
|---|-----------------------|---------------------|-------------------------|
| | As of January 1, 2023 | As of June 30, 2023 | As of December 31, 2023 |
| a. Adjustments to inventories | (33,375) | (36,607) | (40,688) |
| b. Adjustments to leases | (531) | (529) | (542) |
| c. Adjustments to goodwill and intangible assets | 10,062 | 9,210 | 9,768 |
| d. Adjustments to deferred tax assets and deferred tax liabilities | 8,695 | 7,837 | 9,792 |
| f. Adjustments to employee benefits (excluding retirement benefits) | (13,254) | (13,254) | (13,941) |
| g. Adjustments to equity instruments | 20,669 | 20,722 | 27,790 |
| h. Remeasurements of defined benefit plans | 5,040 | 6,446 | 6,538 |
| i. Translation differences on foreign operations | (57,657) | (57,657) | (57,657) |
| Other | 3,132 | 6,016 | (1,878) |
| Total adjustments to retained earnings | (57,216) | (57,816) | (60,818) |

4) Reconciliation of comprehensive income

Six months ended June 30, 2023

| Line item under Japanese GAAP | Millions of yen | | | | Notes | Line item under IFRS |
|--|------------------|------------------|--|-----------|-------|--|
| | Japanese GAAP | Reclassification | Difference in recognition and measurement | IFRS | | |
| Net sales | 1,226,403 | – | – | 1,226,403 | | Revenue |
| Cost of sales | 872,015 | – | (46,642) | 825,372 | a, b | Cost of sales |
| Gross profit | 354,388 | – | 46,642 | 401,031 | | Gross profit |
| Selling, general and administrative expenses | 211,634 | 33 | 50,523 | 262,191 | a, b | Selling, general and administrative expenses |
| | | 4,211 | (34) | 4,177 | | Other income |
| | | 5,520 | (760) | 4,760 | | Other expenses |
| | | 2,781 | 455 | 3,237 | | Share of profit (loss) of entities accounted for using the equity method |
| Operating income | 142,753 | 1,439 | (2,700) | 141,493 | | Operating profit |
| Non-operating income | 10,378 | (10,378) | – | | | |
| Non-operating expenses | 8,335 | (8,335) | – | | | |
| Extraordinary income | 919 | (919) | – | | | |
| Extraordinary losses | 2,033 | (2,033) | – | | | |
| | | 4,303 | (6) | 4,296 | c | Finance income |
| | | 4,848 | 224 | 5,072 | c | Finance costs |
| Income before income taxes | 143,682 | (33) | (2,931) | 140,717 | | Profit before tax |
| Total income taxes | 32,159 | (33) | (909) | 31,216 | d | Income tax expense |
| Net income | 111,523 | – | (2,021) | 109,501 | | Profit |
| Other comprehensive income | | | | | | Other comprehensive income |
| | | | | | | Items that will not be reclassified to profit or loss |
| Valuation difference on available-for-sale securities | 6,128 | – | (49) | 6,078 | c | Equity instruments measured at fair value through other comprehensive income |
| Remeasurements of defined benefit plans, net of tax | (216) | – | 2,148 | 1,931 | b | Remeasurements of defined benefit plans |
| Share of other comprehensive income of entities accounted for using the equity method | 941 | – | (965) | (24) | | Share of other comprehensive income of entities accounted for using the equity method |
| | | | | | | Items that may be reclassified to profit or loss |
| Foreign currency translation adjustment | 69,331 | – | 593 | 69,924 | | Translation differences on foreign operations |
| | | – | 1,253 | 1,253 | | Share of other comprehensive income of entities accounted for using the equity method |
| Total other comprehensive income | 76,184 | – | 2,979 | 79,164 | | Total other comprehensive income |
| Comprehensive income | 187,707 | – | 958 | 188,665 | | Comprehensive income |

Fiscal year ended December 31, 2023

| Line item under Japanese GAAP | Millions of yen | | | | Notes | Line item under IFRS |
|---|-----------------|------------------|---|-----------|-------|---|
| | Japanese GAAP | Reclassification | Difference in recognition and measurement | IFRS | | |
| Net sales | 2,414,759 | – | – | 2,414,759 | | Revenue |
| Cost of sales | 1,699,409 | – | (96,893) | 1,602,515 | a, b | Cost of sales |
| Gross profit | 715,350 | – | 96,893 | 812,244 | | Gross profit |
| Selling, general and administrative expenses | 464,694 | 65 | 108,546 | 573,307 | a, b | Selling, general and administrative expenses |
| | | 11,541 | 26 | 11,568 | | Other income |
| | | 10,382 | 1,351 | 11,734 | | Other expenses |
| | | 4,249 | 900 | 5,149 | | Share of profit (loss) of entities accounted for using the equity method |
| Operating income | 250,655 | 5,342 | (12,077) | 243,920 | | Operating profit |
| Non-operating income | 21,418 | (21,418) | – | | | |
| Non-operating expenses | 30,092 | (30,092) | – | | | |
| Extraordinary income | 4,212 | (4,212) | – | | | |
| Extraordinary losses | 4,512 | (4,512) | – | | | |
| | | 10,008 | (76) | 9,932 | c | Finance income |
| | | 24,390 | (6,610) | 17,779 | c | Finance costs |
| Income before income taxes | 241,681 | (65) | (5,542) | 236,073 | | Profit before tax |
| Total income taxes | 63,211 | (65) | 48 | 63,194 | d | Income tax expense |
| Net income | 178,470 | – | (5,591) | 172,878 | | Profit |
| Other comprehensive income | | | | | | Other comprehensive income |
| | | | | | | Items that will not be reclassified to profit or loss |
| Valuation difference on available-for-sale securities | (7,167) | – | (9,267) | (16,435) | c | Equity instruments measured at fair value through other comprehensive income |
| Remeasurements of defined benefit plans, net of tax | 1,754 | – | 851 | 2,606 | b | Remeasurements of defined benefit plans |
| Share of other comprehensive income of entities accounted for using the equity method | 909 | – | (927) | (17) | | Share of other comprehensive income of entities accounted for using the equity method |
| | | | | | | Items that may be reclassified to profit or loss |
| Foreign currency translation adjustment | 51,814 | – | 538 | 52,352 | | Translation differences on foreign operations |
| | | | 1,108 | 1,108 | | Share of other comprehensive income of entities accounted for using the equity method |
| Total other comprehensive income | 47,311 | – | (7,697) | 39,614 | | Total other comprehensive income |
| Comprehensive income | 225,781 | – | (13,288) | 212,493 | | Comprehensive income |

5) Notes on reconciliation of comprehensive income

(i) Reclassification

Among the items that were included in “Selling, general and administrative expenses,” “Non-operating income,” “Non-operating expenses,” “Extraordinary income,” and “Extraordinary losses” under Japanese GAAP, finance-related items are included in “Finance income” or “Finance costs,” while the other items are included in “Selling, general and administrative expenses,” “Other income,” “Other expenses,” or “Share of profit (loss) of entities accounted for using the equity method,” under IFRS. In addition, “Income taxes - current,” and “Income taxes - deferred,” which were separately presented under Japanese GAAP, are included in “Income tax expense” under IFRS.

(ii) Difference in recognition and measurement

a. Reconciliation of development costs

Development costs included in manufacturing costs under Japanese GAAP are included in “Selling, general and administrative expenses” under IFRS, and development costs included in inventories as manufacturing costs are expensed. As a result, the amount of “Cost of sales” decreased and “Selling, general and administrative expenses” increased.

b. Reconciliation of defined benefit plans

Under Japanese GAAP, actuarial gains and losses were recognized in “Accumulated other comprehensive income” when incurred and amortized over a certain number of years within the average remaining service period of employees on a straight-line basis from the following year. Under IFRS, remeasurements of defined benefit plans such as actuarial gains and losses are recognized in “Accumulated other comprehensive income” when incurred and immediately transferred to “Retained earnings” without recognition to net income or loss by reclassification adjustment. As a result, “Cost of sales” and ‘Selling, general and administrative expenses’ increased, and “Remeasurements of defined benefit plans” was adjusted.

c. Reconciliation of equity instruments

Under Japanese GAAP, an impairment loss was recorded as necessary for securities with no market value, such as unlisted equity securities, to reflect deterioration in financial position, whereas under IFRS, they are measured at fair value. In addition, for equity financial assets, gains or losses on sales and impairment losses were recognized in net income or loss under Japanese GAAP; however, under IFRS, changes in fair value are recognized in other comprehensive income if the Company makes an election to present subsequent changes in fair value in other comprehensive income.

d. Reconciliation of tax effect

Under Japanese GAAP, the tax effect of eliminating unrealized gains or losses was calculated using the tax rate of the seller. Under IFRS, however, the tax effect was calculated using the tax rate of the buyer and the recoverability is reconsidered.

6) Reconciliation of cash flows

Under Japanese GAAP, operating leases were accounted for as rental transactions and the lease payments were classified as cash flows from operating activities. However, under IFRS, the lease payments are classified as cash flows from financing activities because they represent repayment of the lease liabilities recognized with the right-of-use assets.