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

(January 1, 2024 through September 30, 2024)

(IFRS)

November 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:
Katsuaki Watanabe, Chairman and Director, and President, Representative Director

Contact:
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Beginning of payment of dividends (scheduled):
–

Supplementary explanatory documents related to the consolidated financial results:
Yes

Briefing on the consolidated financial results:
Yes (for institutional investors and securities analysts)

Amounts less than one million yen are rounded down.

1. Consolidated Financial Results for the Nine Months Ended September 30, 2024

(January 1, 2024 through September 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	%
Nine months ended September 30, 2024	**1,976,868**	**7.7**	**200,984**	**0.8**	**194,771**	**(0.8)**	**149,643**	**(2.1)**
Nine months ended September 30, 2023	1,835,211	—	199,404	—	196,245	—	152,777	—

	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
Nine months ended September 30, 2024	**136,063**	**(4.8)**	**146,590**	**(36.7)**	**138.49**	**138.45**
Nine months ended September 30, 2023	142,863	—	231,654	—	141.88	141.84

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 September 30, 2024	**2,635,482**	**1,197,891**	**1,138,934**	**43.2**
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	235,000	(3.7)	160,000	1.0	163.04

Note: 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	Nine months ended September 30, 2024	1,026,354,101 shares	Fiscal year ended December 31, 2023	1,050,652,401 shares
2) Number of treasury shares at the end of the period	Nine months ended September 30, 2024	48,789,894 shares	Fiscal year ended December 31, 2023	59,121,495 shares
3) Average number of shares during the period (cumulative)	Nine months ended September 30, 2024	982,478,101 shares	Nine months ended September 30, 2023	1,006,908,395 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.

(* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit firm: None)

(* 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 nine months ended September 30, 2023 and the fiscal year ended December 31, 2023 are also presented in accordance with IFRS.

Contents of Attachment

1. Qualitative Information on Financial Results for the Period Under Review

Matters relating to the future in this document are based on the assumptions and beliefs of the Group in light of the information as of September 30, 2024.

The Group has adopted “IFRS” instead of generally accepted accounting principles in Japan (Japanese GAAP) effective from the three months ended March 31, 2024. The figures for the nine months ended September 30, 2023 and the fiscal year ended December 31, 2023 have been reclassified to IFRS basis for comparison and analysis.

(1) Explanation of Operating Results

Consolidated revenue for the nine months ended September 30, 2024 (the “period under review”) increased ¥141.7 billion, or 7.7%, year on year, to ¥1,976.9 billion, operating profit increased ¥1.6 billion, or 0.8%, to ¥201.0 billion, and profit attributable to owners of parent decreased ¥6.8 billion, or 4.8%, to ¥136.1 billion.

Exchange rates for the period under review were ¥151 to the U.S. dollar (a depreciation of ¥13, year on year) and ¥165 to the euro (a depreciation of ¥15, year on year).

Revenue increased in the motorcycles business as our core business due to higher unit sales in Brazil, India and Indonesia. Operating profit was flat year on year due to lower sales in the marine products, RV business and SPV business, despite the increased revenue in the motorcycles business and cost reductions, as well as the positive effect of the yen’s depreciation. Profit attributable to owners of parent decreased due to foreign exchange loss resulting from the appreciation of the yen at the end of the third quarter and an increase in interest expenses.

Operating results by segment

[Land mobility]

Revenue increased ¥122.1 billion, or 10.2%, year on year, to ¥1,324.6 billion, and operating profit increased ¥3.3 billion, or 3.2%, to ¥107.7 billion.

In the motorcycles business, unit sales in developed countries increased from the previous year as a result of higher sales in Europe and North America. In emerging markets, demand rose mainly in Brazil, India, and Indonesia, leading to an increase in our unit sales in emerging markets as a whole. As a result, the unit sales of the business as a whole increased. Revenue increased due to higher unit sales in Brazil, India and Indonesia. Operating profit increased due to the increased revenue, improvements in the supply of premium models in emerging markets, and cost reductions, as well as the positive effect of the yen’s depreciation.

In the RV business (all-terrain vehicles and recreational off-highway vehicles), demand was lower than the previous year and, accordingly, our shipments declined year on year, resulting in lower revenue. Operating profit also decreased due to lower sales, the worsening model mix, and higher sales promotion expenses resulting from an increasingly competitive environment.

In the SPV business (electrically power assisted bicycles, e-Kit, and electrically powered wheelchairs), unit sales of electrically power assisted bicycles for the domestic market increased from the previous year. On the other hand, unit sales of e-Kit decreased due to the continuing inventory adjustment phase in Europe, which is the main market, resulting in lower revenue. Operating profit decreased due to lower sales, higher sales promotion expenses, and inventory write-downs of finished bicycles overseas in North America.

[Marine products]

Revenue decreased ¥15.8 billion, or 3.7%, year on year, to ¥415.5 billion, and operating profit decreased ¥5.0 billion, or 5.9%, to ¥79.3 billion.

Demand for outboard motors decreased in the U.S., which is the major market, due to the continuing high level of interest rates and rising prices, despite the interest rate cut in September, easing the monetary policy. Among our sales, sales of new models were strong, but overall sales of outboard motors decreased. Demand for personal watercraft declined because buyers held off on their purchases due to the persistently high level of interest rates. Our unit sales increased as supply constraints caused by last year’s parts shortages and supply chain disruptions improved, although the impact of lower demand began to be felt in the third quarter. As a result, both revenue and profit decreased in the marine products business as a whole.

The results for the period under review include the results of Torqeedo GmbH, a German manufacturer of marine electric propulsion units, for the period from April to September 2024.

[Robotics]
Revenue increased ¥6.6 billion, or 9.2%, year on year, to ¥77.5 billion, and operating loss was ¥2.2 billion, against operating loss of ¥2.3 billion for the same period of the previous fiscal year.

Our sales of surface mounters increased due to higher unit sales in China and other Asian countries, despite lower unit sales in developed countries. Unit sales of industrial robots increased, but the model mix worsened. In addition, sales of semiconductor back-end process manufacturing equipment increased due to higher demand for use in generative AI and advanced packaging. As a result, revenue increased in the robotics business as a whole. Operating loss was on a par with the previous year due to increases in development costs and selling, general and administrative expenses.

[Financial services]
Revenue increased ¥22.8 billion, or 37.2%, year on year, to ¥84.2 billion, and operating profit increased ¥2.1 billion, or 15.5%, to ¥15.7 billion.

Revenue increased due to our efforts to pass on funding rates to customers, while sales finance receivables increased. Operating profit increased because the loss on valuation of interest rate swaps incurred in the previous fiscal year turned into a gain on valuation in the period under review, in addition to an increase in income from interest payments.

[Others]
Revenue increased ¥6.0 billion, or 8.7%, year on year, to ¥75.0 billion, and operating profit was ¥0.4 billion, against operating loss of ¥0.7 billion for the same period of the previous fiscal year.

Both revenue and profit increased due to higher unit sales of golf cars on the back of their growing demand in North America.

Major products and services in each business segment are as follows.

Segment	Major products and services
Land mobility	Motorcycles, intermediate parts for products, knockdown parts for overseas production, all-terrain vehicles, recreational off-highway vehicles, electrically power assisted bicycles, electrically power assisted bicycle drive units (e-Kit), electrically powered wheelchairs, automobile engines, and automobile components
Marine products	Outboard motors, personal watercraft, boats, fishing boats, and utility boats
Robotics	Surface mounters, semiconductor back-end process manufacturing equipment, industrial robots, and industrial-use unmanned helicopters
Financial services	Sales finance and lease related to the Company’s products
Others	Golf cars, generators, multi-purpose engines, and small-sized snow throwers

(2) Explanation of Financial Position

Total assets as of September 30, 2024 increased ¥71.9 billion, from December 31, 2023, to ¥2,635.5 billion. Current assets increased ¥2.4 billion mainly due to an increase in cash and cash equivalents, an increase in sales finance receivables and an increase in trade and other receivables, despite a decrease in inventories. Non-current assets increased ¥69.5 billion mainly due to an increase in sales finance receivables and an increase in property, plant and equipment.

Total liabilities increased ¥8.4 billion to ¥1,437.6 billion mainly due to an increase in bonds and borrowings and an increase in trade and other payables.

Total equity increased ¥63.5 billion to ¥1,197.9 billion as a result of having recorded ¥48.4 billion in dividends paid, ¥20.0 billion in purchase of treasury shares, and ¥149.6 billion in profit.

As a result, the ratio of equity attributable to owners of parent to total assets was 43.2%, compared with 42.0% at the end of the previous fiscal year. The net debt-equity ratio was 0.43 times, compared with 0.47 times at the end of the previous fiscal year.

(3) Explanation of Cash Flows

[Cash flows from operating activities]

Net cash provided by operating activities during the period under review was ¥191.8 billion overall (¥105.8 billion in net cash provided for the same period of the previous fiscal year). This mainly reflected cash provided from ¥194.8 billion in profit before tax (¥196.2 billion), ¥61.8 billion in depreciation and amortization (¥52.8 billion), a decrease in inventories of ¥44.2 billion (an increase of ¥3.3 billion) and other factors, against cash used including ¥78.0 billion in income taxes paid (¥70.0 billion), an increase in sales finance receivables of ¥52.1 billion (an increase of ¥91.0 billion) and other factors.

[Cash flows from investing activities]

Net cash used in investing activities during the period under review was ¥95.5 billion (¥84.1 billion in net cash used for the same period of the previous fiscal year), primarily reflecting ¥82.3 billion used for purchase of property, plant and equipment and intangible assets (¥77.2 billion in net cash used for the same period of the previous fiscal year), ¥12.3 billion used for a payment for obtaining control of Torqeedo GmbH and other factors.

[Cash flows from financing activities]

Net cash used in financing activities during the period under review was ¥87.5 billion (¥6.5 billion in net cash used for the same period of the previous fiscal year), primarily reflecting repayments of long-term borrowings, dividends paid, an increase in treasury shares and other factors, despite proceeds from long-term borrowings, an increase in short-term borrowings, proceeds from issuance of bonds and other factors.

As a result of the activities discussed above, free cash flow for the period under review was positive ¥96.4 billion (positive ¥21.7 billion for the same period of the previous fiscal year), and cash and cash equivalents at the end of the period totaled ¥359.8 billion (an increase of ¥12.8 billion from the end of the previous fiscal year). Interest-bearing liabilities (excluding lease liabilities) as of September 30, 2024 was ¥850.0 billion (an increase of ¥6.2 billion from the end of the previous fiscal year).

2. Condensed Quarterly Consolidated Financial Statements and Primary Notes

(1) Condensed Quarterly Consolidated Statements of Financial Position

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

	Millions of yen		
	As of January 1, 2023	As of December 31, 2023	**As of September 30, 2024**
ASSETS			
Current assets:			
Cash and cash equivalents	296,819	347,016	**359,832**
Trade and other receivables	180,987	179,707	**187,229**
Sales finance receivables	218,336	324,098	**332,246**
Inventories	492,364	568,596	**532,586**
Other financial assets	50,405	52,375	**51,056**
Other current assets	40,072	41,444	**52,693**
Total current assets	1,278,985	1,513,238	**1,515,643**
Non-current assets:			
Property, plant and equipment	398,028	441,214	**454,208**
Goodwill and intangible assets	49,378	57,416	**73,363**
Investments accounted for using the equity method	34,687	36,719	**39,163**
Sales finance receivables	250,149	316,676	**351,040**
Retirement benefit asset	17,587	23,772	**27,689**
Other financial assets	90,186	84,874	**82,592**
Deferred tax assets	49,424	79,694	**79,588**
Other non-current assets	13,070	9,954	**12,192**
Total non-current assets	902,513	1,050,322	**1,119,838**
Total assets	2,181,499	2,563,561	**2,635,482**

	Millions of yen		
	As of January 1, 2023	As of December 31, 2023	**As of September 30, 2024**
LIABILITIES AND EQUITY			
Liabilities:			
Current liabilities:			
Trade and other payables	177,716	154,118	**162,612**
Bonds and borrowings	331,111	438,873	**615,587**
Income taxes payable	25,761	30,639	**16,055**
Accrued expenses	68,416	80,543	**82,650**
Provisions	27,033	33,437	**41,201**
Other financial liabilities	64,779	60,856	**47,120**
Other current liabilities	82,939	93,722	**109,911**
Total current liabilities	777,759	892,192	**1,075,138**
Non-current liabilities:			
Bonds and borrowings	271,577	404,934	**234,409**
Retirement benefit liability	48,333	51,811	**54,207**
Provisions	1,276	1,587	**2,250**
Other financial liabilities	36,088	38,806	**40,071**
Deferred tax liabilities	11,001	15,319	**6,475**
Other non-current liabilities	20,903	24,549	**25,038**
Total non-current liabilities	389,181	537,009	**362,452**
Total liabilities	1,166,940	1,429,202	**1,437,590**
Equity:			
Share capital	86,100	86,100	**86,100**
Capital surplus	68,436	64,146	**63,315**
Retained earnings	832,198	946,106	**1,004,698**
Treasury shares	(31,725)	(61,389)	**(54,064)**
Other components of equity	9,142	40,810	**38,883**
Total equity attributable to owners of parent	964,153	1,075,774	**1,138,934**
Non-controlling interests	50,404	58,585	**58,957**
Total equity	1,014,558	1,134,359	**1,197,891**
Total liabilities and equity	2,181,499	2,563,561	**2,635,482**

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

Nine months ended September 30, 2023 and 2024

Condensed Quarterly Consolidated Statements of Profit or Loss

	Millions of yen	
	Nine months ended September 30, 2023	**Nine months ended September 30, 2024**
Revenue	1,835,211	**1,976,868**
Cost of sales	(1,226,604)	**(1,333,121)**
Gross profit	608,606	**643,747**
Selling, general and administrative expenses	(411,828)	**(455,632)**
Other income	5,730	**10,707**
Other expenses	(8,160)	**(3,683)**
Share of profit (loss) of entities accounted for using the equity method	5,056	**5,845**
Operating profit	199,404	**200,984**
Finance income	6,673	**10,010**
Finance costs	(9,832)	**(16,223)**
Profit before tax	196,245	**194,771**
Income tax expense	(43,468)	**(45,128)**
Profit	152,777	**149,643**
Profit attributable to:		
Owners of parent	142,863	**136,063**
Non-controlling interests	9,914	**13,579**
Profit	152,777	**149,643**
Earnings per share:		
Basic earnings per share (yen)	141.88	**138.49**
Diluted earnings per share (yen)	141.84	**138.45**

Condensed Quarterly Consolidated Statements of Comprehensive Income

	Millions of yen	
	Nine months ended September 30, 2023	**Nine months ended September 30, 2024**
Profit	152,777	**149,643**
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	1,173	**681**
Equity instruments measured at fair value through other comprehensive income	(4,391)	**(1,046)**
Share of other comprehensive income of entities accounted for using the equity method	(24)	**53**
Total	(3,242)	**(311)**
Items that may be reclassified to profit or loss		
Translation differences on foreign operations	80,395	**(3,929)**
Share of other comprehensive income of entities accounted for using the equity method	1,723	**1,187**
Total	82,118	**(2,741)**
Total other comprehensive income	78,876	**(3,052)**
Comprehensive income	231,654	**146,590**
Comprehensive income attributable to:		
Owners of parent	214,774	**133,351**
Non-controlling interests	16,879	**13,239**
Comprehensive income	231,654	**146,590**

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

Nine months ended September 30, 2023

	Millions of yen							
	Equity attributable to owners of parent							
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total	Non-controlling interests	Total equity
Balance as of January 1, 2023	86,100	68,436	832,198	(31,725)	9,142	964,153	50,404	1,014,558
Profit	–	–	142,863	–	–	142,863	9,914	152,777
Other comprehensive income	–	–	–	–	71,911	71,911	6,965	78,876
Comprehensive income	–	–	142,863	–	71,911	214,774	16,879	231,654
Dividends of surplus	–	–	(47,093)	–	–	(47,093)	(10,506)	(57,599)
Purchase and disposal of treasury shares	–	(34)	–	(29,662)	–	(29,697)	–	(29,697)
Transfer to retained earnings	–	–	1,149	–	(1,149)	–	–	–
Changes in the scope of consolidation	–	–	(49)	–	(48)	(97)	(5)	(103)
Total transaction amount with owners	–	(34)	(45,993)	(29,662)	(1,197)	(76,888)	(10,511)	(87,400)
Balance as of September 30, 2023	86,100	68,402	929,068	(61,388)	79,856	1,102,039	56,773	1,158,812

Nine months ended September 30, 2024

	Millions of yen							
	Equity attributable to owners of parent							
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total	Non-controlling interests	Total equity
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	–	–	136,063	–	–	136,063	13,579	149,643
Other comprehensive income	–	–	–	–	(2,712)	(2,712)	(340)	(3,052)
Comprehensive income	–	–	136,063	–	(2,712)	133,351	13,239	146,590
Dividends of surplus	–	–	(48,406)	–	–	(48,406)	(12,867)	(61,274)
Purchase and disposal of treasury shares	–	(31)	–	(19,640)	–	(19,672)	–	(19,672)
Cancellation of treasury shares	–	(798)	(26,166)	26,965	–	–	–	–
Transfer to retained earnings	–	–	(786)	–	786	–	–	–
Changes in the scope of consolidation	–	–	(2,112)	0	–	(2,112)	–	(2,112)
Changes in ownership interest in subsidiaries	–	(0)	–	–	(0)	(0)	0	–
Total transaction amount with owners	–	(830)	(77,472)	7,325	785	(70,191)	(12,867)	(83,058)
Balance as of September 30, 2024	86,100	63,315	1,004,698	(54,064)	38,883	1,138,934	58,957	1,197,891

(4) Condensed Quarterly Consolidated Statements of Cash Flows

Nine months ended September 30, 2023 and 2024

	Millions of yen	
	Nine months ended September 30, 2023	**Nine months ended September 30, 2024**
Cash flows from operating activities:		
Profit before tax	196,245	**194,771**
Depreciation and amortization	52,793	**61,831**
Impairment losses	675	**–**
Increase (decrease) in valuation allowance for losses	4,954	**1,806**
Increase (decrease) in retirement benefit liability	3,200	**3,976**
Decrease (increase) in retirement benefit asset	(3,584)	**(4,260)**
Interest and dividend income	(6,761)	**(9,985)**
Interest expenses	6,496	**10,679**
Share of loss (profit) of entities accounted for using the equity method	(5,056)	**(5,845)**
Loss (gain) on sale of property, plant and equipment and intangible assets	(965)	**(960)**
Loss (gain) on disposal of property, plant and equipment and intangible assets	916	**687**
Decrease (increase) in sales finance receivables	(90,965)	**(52,056)**
Decrease (increase) in trade and other receivables	10,102	**(2,693)**
Decrease (increase) in inventories	(3,320)	**44,171**
Increase (decrease) in trade and other payables	(19,850)	**4,777**
Other	27,584	**19,518**
Subtotal	172,466	**266,419**
Interest and dividends received	9,884	**14,032**
Interest paid	(6,533)	**(10,645)**
Income taxes paid	(70,003)	**(77,958)**
Net cash provided by (used in) operating activities	105,813	**191,847**

	Millions of yen	
	Nine months ended September 30, 2023	**Nine months ended September 30, 2024**
Cash flows from investing activities:		
Payments into time deposits	(4,367)	**(8,673)**
Proceeds from withdrawal of time deposits	4,369	**6,204**
Purchase of property, plant and equipment and intangible assets	(77,238)	**(82,259)**
Proceeds from sale of property, plant and equipment and intangible assets	5,755	**7,010**
Purchase of investments accounted for using the equity method	(1,478)	**–**
Proceeds from sale of investments accounted for using the equity method	3	**706**
Purchase of investment securities	(11,981)	**(8,051)**
Payments for loans receivable	(292)	**(534)**
Collection of loans receivable	88	**287**
Proceeds from (payments for) obtaining control of subsidiaries	–	**(12,314)**
Other	1,065	**2,155**
Net cash provided by (used in) investing activities	(84,075)	**(95,469)**
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	25,788	**23,449**
Proceeds from long-term borrowings	197,213	**60,315**
Repayments of long-term borrowings	(160,940)	**(86,364)**
Proceeds from issuance of bonds	34,715	**19,915**
Redemption of bonds	(5,990)	**(15,691)**
Repayments of lease liabilities	(9,554)	**(8,997)**
Dividends paid	(47,093)	**(48,406)**
Dividends paid to non-controlling interests	(10,507)	**(11,806)**
Net decrease (increase) in treasury shares	(30,092)	**(19,927)**
Net cash provided by (used in) financing activities	(6,461)	**(87,514)**
Effect of exchange rate changes on cash and cash equivalents	(66)	**(1,575)**
Net increase (decrease) in cash and cash equivalents	15,210	**7,287**
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	312,354	**359,832**

(5) Notes to Condensed Quarterly Consolidated Financial Statements

Notes Regarding Going-concern Assumptions

None

Segment Information

Information on revenue and profit or loss by reportable segment

Nine months ended September 30, 2023

	Millions of yen								
	Reportable segment					Others (Note 1)	Total	Adjustments (Note 2)	Amounts on condensed quarterly consolidated financial statements
	Land mobility	Marine products	Robotics	Financial services	Total				
Revenue:									
Revenue from external customers	1,202,556	431,360	70,912	61,352	1,766,180	69,030	1,835,211	–	1,835,211
Intersegment revenue and transfers	–	–	–	–	–	40,140	40,140	(40,140)	–
Total	1,202,556	431,360	70,912	61,352	1,766,180	109,171	1,875,351	(40,140)	1,835,211
Segment profit (loss) (Note 3)	104,425	84,275	(2,276)	13,636	200,061	(657)	199,404	–	199,404
Finance income									6,673
Finance costs									(9,832)
Profit before tax									196,245

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 quarterly consolidated statements of profit or loss.

Nine months ended September 30, 2024

	Millions of yen								
	Reportable segment					Others (Note 1)	Total	Adjustments (Note 2)	Amounts on condensed quarterly consolidated financial statements
	Land mobility	Marine products	Robotics	Financial services	Total				
Revenue:									
Revenue from external customers	1,324,645	415,545	77,463	84,165	1,901,820	75,048	1,976,868	–	1,976,868
Intersegment revenue and transfers	–	–	–	–	–	40,280	40,280	(40,280)	–
Total	1,324,645	415,545	77,463	84,165	1,901,820	115,329	2,017,149	(40,280)	1,976,868
Segment profit (loss) (Note 3)	107,739	79,292	(2,231)	15,745	200,544	439	200,984	–	200,984
Finance income									10,010
Finance costs									(16,223)
Profit before tax									194,771

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 quarterly consolidated statements of profit or loss.

Business Combination

Nine months ended September 30, 2023

None

Nine months ended September 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. 309 million yen are included in "Selling, general and administrative expenses" in the condensed quarterly consolidated statements of profit or loss.

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

Item	Amount (Note 2) Millions of yen
Current assets	5,276
Non-current assets	5,641
Total assets	10,918
Current liabilities	1,644
Non-current liabilities	2,013
Total liabilities	3,658
Total equity	7,259
Goodwill	5,383

Notes:
1. There is no contingent consideration.
2. The amounts were tentatively accounted for in the six months ended June 30, 2024, but were finalized in the third quarter. The revised allocation of the acquisition cost is reflected in the condensed quarterly consolidated financial statements for the nine months ended September 30, 2024, resulting in an increase of 195 million yen in current assets, 3,086 million yen in non-current assets and 898 million yen in non-current liabilities, and a decrease of 2,384 million yen in goodwill.

5. Impact on operating results

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

6. Payments for acquisition of subsidiaries

Item	Amount Millions of yen
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)

	Millions of yen					
Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under 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 Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under 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 September 30, 2023

Line item under Japanese GAAP	Japanese GAAP (Millions of yen)	Reclassification (Millions of yen)	Difference in recognition and measurement (Millions of yen)	IFRS (Millions of yen)	Notes	Line item under IFRS
ASSETS						ASSETS
Current assets:						Current assets:
Cash and deposits	305,146	7,208	–	312,354	A	Cash and cash equivalents
Notes and accounts receivable - trade, and contract assets	197,342	(7,597)	–	189,744	B	Trade and other receivables
Short-term sales finance receivables	324,973	(14,832)	(2,432)	307,708	C	Sales finance receivables
Merchandise and finished goods	342,368	(342,368)	–			
Work in process	116,040	(116,040)	–			
Raw materials and supplies	133,804	(133,804)	–			
		592,213	(42,465)	549,748	D, a	Inventories
Other	114,915	(69,712)	7,276	52,479	A, e	Other financial assets
		64,280	(2,297)	61,983		Other current assets
Allowance for doubtful accounts	(21,084)	21,084	–			
Total current assets	1,513,507	431	(39,918)	1,474,020		Total current assets
Non-current assets:						Non-current assets:
Property, plant and equipment	422,059	1,461	4,900	428,421	b	Property, plant and equipment
Intangible assets	48,683	(2,793)	9,206	55,095	c	Goodwill and intangible assets
Investments and other assets						
		37,885	236	38,122	E	Investments accounted for using the equity method
Long-term sales finance receivables	336,034	(15,756)	7,711	327,989	C	Sales finance receivables
		17,421	3,636	21,057		Retirement benefit asset
		96,040	1,787	97,828		Other financial assets
		61,639	3,650	65,289	d	Deferred tax assets
Other	222,303	(211,901)	(77)	10,324	E	Other non-current assets
Allowance for doubtful accounts	(15,803)	15,803	–			
Total non-current assets	1,013,276	(199)	31,051	1,044,129		Total non-current assets
Total assets	2,526,784	231	(8,866)	2,518,149		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	164,515	(164,515)	–			
Electronically recorded obligations – operating	3,384	(3,384)	–			
		168,157	–	168,157	F	Trade and other payables
Short-term loans payable	228,113	(228,113)	–			
Current portion of bonds payable	14,670	(14,670)	–			
Current portion of long-term loans payable	91,376	(91,376)	–			
		334,160	–	334,160	G	Bonds and borrowings
Income taxes payable	25,148	(196)	(3,140)	21,811		Income taxes payable
		86,508	–	86,508	H	Accrued expenses
Provision for bonuses	30,172	(30,172)	–			
Provision for product warranties	21,235	(21,235)	–			
Other provision	3,964	(3,964)	–			
		22,726	8,150	30,876	I, e	Provisions
Other	199,948	(199,948)	–			
		41,733	2,026	43,760	b	Other financial liabilities
		104,429	13,799	118,228	f	Other current liabilities
Total current liabilities	782,531	136	20,835	803,503		Total current liabilities
Non-current liabilities:						Non-current liabilities:
Bonds payable	48,855	(48,855)	–			
Long-term loans payable	383,454	(383,454)	–			
		432,310	(74)	432,235	G	Bonds and borrowings
Net defined benefit liability	53,403	–	(563)	52,840		Retirement benefit liability
Other provision	769	(769)	–			
		1,480	–	1,480	I	Provisions
		24,175	15,451	39,626	b	Other financial liabilities
		9,709	(2,665)	7,043	d	Deferred tax liabilities
Other	55,536	(55,536)	–			
		21,035	1,572	22,607		Other non-current liabilities
Total non-current liabilities	542,018	94	13,720	555,833		Total non-current liabilities
Total liabilities	1,324,549	231	34,555	1,359,337		Total liabilities
NET ASSETS						Equity
Capital stock	86,100	–	–	86,100		Share capital
Capital surplus	68,113	–	289	68,402		Capital surplus
Retained earnings	992,110	–	(63,041)	929,068	a, b, c, d, f, g, h, i	Retained earnings
Treasury shares	(61,388)	–	–	(61,388)		Treasury shares
Accumulated other comprehensive income	59,498	–	20,357	79,856	g, h, i	Other components of equity
Non-controlling interests	57,800	–	(1,027)	56,773		Non-controlling interests
Total net assets	1,202,234	–	(43,422)	1,158,812		Total equity
Total liabilities and net assets	2,526,784	231	(8,866)	2,518,149		Total liabilities and equity

As of December 31, 2023

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
	Millions of yen					
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	2,571,962	27	(8,427)	2,563,561		Total assets

Line item under Japanese GAAP	Millions of yen: Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under 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	2,571,962	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 September 30, 2023	As of December 31, 2023
a. Adjustments to inventories	(33,375)	(42,240)	(40,688)
b. Adjustments to leases	(531)	(535)	(542)
c. Adjustments to goodwill and intangible assets	10,062	9,500	9,768
d. Adjustments to deferred tax assets and deferred tax liabilities	8,695	6,057	9,792
f. Adjustments to employee benefits (excluding retirement benefits)	(13,254)	(13,254)	(13,941)
g. Adjustments to equity instruments	20,669	24,045	27,790
h. Remeasurements of defined benefit plans	5,040	5,411	6,538
i. Translation differences on foreign operations	(57,657)	(57,657)	(57,657)
Other	3,132	5,630	(1,878)
Total adjustments to retained earnings	(57,216)	(63,041)	(60,818)

4) Reconciliation of comprehensive income

Nine months ended September 30, 2023

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
	Millions of yen					
Net sales	1,835,211	–	–	1,835,211		Revenue
Cost of sales	1,292,304	–	(65,700)	1,226,604	a, b	Cost of sales
Gross profit	542,906	–	65,700	608,606		Gross profit
Selling, general and administrative expenses	334,670	41	77,116	411,828	a, b	Selling, general and administrative expenses
		5,749	(19)	5,730		Other income
		7,344	815	8,160		Other expenses
		4,065	990	5,056		Share of profit (loss) of entities accounted for using the equity method
Operating income	208,236	2,428	(11,260)	199,404		Operating profit
Non-operating income	15,450	(15,450)	–			
Non-operating expenses	17,791	(17,791)	–			
Extraordinary income	1,038	(1,038)	–			
Extraordinary losses	2,786	(2,786)	–			
		6,673	0	6,673	c	Finance income
		13,232	(3,400)	9,832	c	Finance costs
Income before income taxes	204,147	(41)	(7,860)	196,245		Profit before tax
Total income taxes	44,548	(41)	(1,039)	43,468	d	Income tax expense
Net income	159,598	–	(6,820)	152,777		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Valuation difference on available-for-sale securities	(922)	–	(3,468)	(4,391)	c	Equity instruments measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of tax	(239)	–	1,413	1,173	b	Remeasurements of defined benefit plans
Share of other comprehensive income of entities accounted for using the equity method	1,739	–	(1,763)	(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	79,788	–	606	80,395		Translation differences on foreign operations
		–	1,723	1,723		Share of other comprehensive income of entities accounted for using the equity method
Total other comprehensive income	80,365	–	(1,488)	78,876		Total other comprehensive income
Comprehensive income	239,963	–	(8,309)	231,654		Comprehensive income

Fiscal year ended December 31, 2023

Line item under Japanese GAAP	Japanese GAAP (Millions of yen)	Reclassification (Millions of yen)	Difference in recognition and measurement (Millions of yen)	IFRS (Millions of yen)	Notes	Line item under 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)	172,879		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.