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Member, Financial Accounting Standards Foundation

Brief Report on the Settlement of Accounts (Consolidated) for the Six Months Ended September 30, 2022 (J-GAAP)

November 8, 2022

Name of Listed Company: **Daikin Industries, Ltd.** Listed on TSE
Code No.: 6367
(URL: https://www.daikin.co.jp/)
Representative: Masanori Togawa, President and CEO
Contact: Motoshi Hosomi,
General Manager of the Corporate Communication Department of the Head Office
(Tel.: +81-6-6373-4320)
Planned date of the filing of quarterly report: November 9, 2022
Planned date of start of dividend payment: December 2, 2022
Preparation of supplementary explanatory materials for the settlement of accounts for the second quarter: Yes
Holding briefings on the settlement of accounts for the second quarter: Yes (for institutional investors and analysts)

1. Consolidated Business Results for the Six Months Ended September 30, 2022
(From April 1, 2022, to September 30, 2022)

(1) Consolidated Business Results (Accumulated)

Note: Amounts less than one million yen are truncated.
Percentages indicate year-over-year increases/decreases.

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2022	2,019,790	29.6	221,654	15.0	222,654	13.1	156,395	12.4
September 30, 2021	1,558,863	26.8	192,706	46.4	196,844	49.3	139,098	64.4

Note: Comprehensive income was ¥327,085 million (107.0%) for the six months ended September 30, 2022, and ¥158,035 million (54.6%) for the six months ended September 30, 2021.

	Earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2022	534.33	534.00
September 30, 2021	475.30	475.03

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2022	4,252,027	2,284,403	52.7
As of March 31, 2022	3,823,998	2,008,109	51.5

(Reference) Equity capital was ¥2,239,170 million as of September 30, 2022, and ¥1,969,686 million as of March 31, 2022.

2. Dividends

	(Annual) Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year ended March 31, 2022	—	90.00	—	110.00	200.00
Fiscal Year ending March 31, 2023	—	100.00			
Fiscal Year ending March 31, 2023 (forecast)			—	120.00	220.00

Note: Revisions to the dividend forecast announced most recently: Yes

3. Consolidated Business Forecast for the Fiscal Year Ending March 31, 2023

(From April 1, 2022, to March 31, 2023)

Note: Percentages indicate year-over-year increases/decreases.

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	3,760,000	20.9	363,000	14.7	358,000	9.3	235,000	7.9	802.91

Note: Revisions to the consolidated business forecast announced most recently: Yes

*Notes

(1) Changes in Significant Subsidiaries during the Six Months Ended September 30, 2022: None

(2) Adoption of Accounting Treatment Specific to Quarterly Consolidated Financial Statement Preparation: Yes

(3) Changes in Accounting Policies, Changes in Accounting Estimates, and Retrospective Restatement

- (i) Changes in accounting policies relating to revisions to accounting standards, etc.: None
- (ii) Changes in accounting policies other than (i) above: None
- (iii) Changes in accounting estimates: None
- (iv) Retrospective restatement: None

(4) Number of Shares Issued (common stock)

(i) Number of shares issued at end of period (including treasury shares)

As of September 30, 2022	293,113,973 shares
As of March 31, 2022	293,113,973 shares

(ii) Number of treasury shares at end of period

As of September 30, 2022	396,805 shares
As of March 31, 2022	429,774 shares

(iii) Average number of shares outstanding during the six months

Six Months Ended September 30, 2022	292,696,182 shares
Six Months Ended September 30, 2021	292,655,000 shares

The Brief Report on the Settlement of Accounts is outside the scope of quarterly review by a certified public accountant or an audit corporation.

Explanation about the Appropriate Use of the Business Forecast and Other Noteworthy Points

- The business forecasts are based on information currently available to Daikin Industries, Ltd. (the "Company") and certain assumptions that are deemed reasonable. Actual results may differ significantly from these forecasts. For the basis of presumption of the business forecast and the notes on its use, please refer to "(3) Explanation of Future Forecast Information Such as Consolidated Business Forecast" of "1. Qualitative Information Regarding Settlement of Accounts for the Period under Review."
- The Company plans to hold a briefing on business results for institutional investors and analysts on Wednesday, November 9, 2022. Documents and materials distributed in this briefing will be posted on the Company's website by the time that the briefing starts.

Content of Attachment

1. Qualitative Information Regarding Settlement of Accounts for the Period under Review

(1) Explanation of Operating Results

In the six months ended September 30, 2022 (from April 1, 2022, to September 30, 2022), the overall world economy showed signs of recovery in various countries as restrictions on social and economic activities eased. However, the prolonged Russia-Ukraine situation and global inflation increased uncertainty about the future. In the U.S. economy, the favorable employment and income environment and brisk personal consumption due to savings accrued during the COVID-19 pandemic supported the economy despite downward pressure on the economy caused by the high inflation rate. In the European economy, despite active personal consumption, the economy was sluggish due to soaring energy prices following the prolonged Russia-Ukraine situation. In Asia and emerging countries, rapidly rising inflation exerted downward pressure on the economy, but the economy was supported by strong personal consumption resulting from the easing of activity restrictions and by strong services exports. In the Chinese economy, the prolonged zero-COVID policy has cooled consumption and investment appetite, placing greater downward pressure on the economy. The Japanese economy was driven by active personal consumption due to the easing of activity restrictions and by increased exports and production due to the easing of supply constraints.

To complete the strategic management plan “Fusion 25” formulated in the fiscal year ended March 31, 2022, the Daikin Group is working on measures under nine key themes, including the three growth strategy themes of “Challenge to achieve carbon neutrality,” “Promotion of solutions business connected with customers,” and “Creating value with air.”

Under this business environment, we strived to minimize the impact of environmental changes on our business activities and further expand our sales and profitability in regions and businesses with strong performance by closely following the progress of each region and business and responding to issues flexibly. Specifically, we continued and strengthened our efforts for the following themes.

- Promote sales price policies by introducing differentiated products that are recognized for their value by the market and customers
- Strengthen sales and marketing capabilities in each business segment, including commercial air-conditioning equipment
- Promote variable cost reduction to cope with deteriorating raw material market conditions and soaring resource prices
- Implement logistics efficiency improvement measures to cope with further sharp rises in logistics expenses
- Streamline fixed costs while remaining attentive to both aggressive investment and improved profitability
- Strengthen procurement and supply capabilities over the medium term, with a view to the next fiscal year and beyond
- Accelerate generation of results and profitability from large-scale capital investments

In addition, we have taken changes in the world as opportunities to build a strong corporate structure and generate results by setting challenging themes that will lead to the next leap forward by leveraging the Group’s strengths, such as accelerating the achievement of carbon neutrality and utilizing digital technology.

The Daikin Group’s net sales increased by 29.6% year over year to ¥2,019,790 million for the six months ended September 30, 2022. As for profits, operating profit increased by 15.0% to ¥221,654 million, ordinary profit increased by 13.1% to ¥222,654 million, and profit attributable to owners of parent increased by 12.4% to ¥156,395 million.

Operating results by business segment are as follows:

(i) Air-Conditioning and Refrigeration Equipment

Overall sales of the Air-Conditioning and Refrigeration Equipment segment increased by 29.9% year over year to ¥1,854,244 million. Operating profit increased by 10.8% to ¥192,872 million.

In the Japanese air-conditioning equipment market, industry demand fell during the first quarter (April to June) due to factors such as the uncertain business environment and economic climate, and the prolonged lockdowns in China. During the second quarter (July to September), industry demand recovered due in part to improvements in supply, but industry demand for the first half of the fiscal year overall were down year on year for both the commercial and residential markets. Against this backdrop, the Group worked to minimize the impact by maintaining stable production and supply through the realization of a robust supply chain.

In the Japanese commercial air-conditioning equipment market, we have increased proposals that provide both energy savings and air quality improvement by combining the Group’s air-conditioning systems, such as the “SkyAir” and “VRV” series with their high energy-saving performance, and the Group’s ventilation and disinfection products, such as the “Heat Reclaim Ventilator” total heat exchanger unit and “UV Streamer Air Purifier.” In this manner, we have strengthened our product lineup and broadened the scope of our proposals. As a result, net sales of commercial air-conditioning systems rose year over year.

In the Japanese residential air-conditioning equipment market, we have strengthened our approach to users by leveraging our unique product appeal of room air conditioners including “Urusara X,” which is equipped with proprietary functions such as waterless humidification, air supply ventilation, and exhaust air ventilation, along with “risora,” an air conditioner in which close attention was paid to design. As a result of these efforts, sales of residential air-conditioning systems exceeded those of the same period of the previous year.

In the Americas, amidst strong market conditions, production and sales steadily expanded due to efforts to improve productivity despite problems such as tight supply on some models due to parts shortages. Market share for residential air-conditioning systems rose steadily due to a recovery in inventory levels and sales efforts such as customer development, despite distribution inventory remaining high in the industry and growth in demand stagnating. Net sales were significantly higher year over year due to efforts to strengthen the sales network through acquisitions and the steady implementation of pricing policies. In the market for large buildings (Applied Systems), amidst strong market conditions, net sales increased year over year due to efforts to expand sales of air-conditioning systems and to expand the after sales service business, together with the effect of sales channel expansion utilizing the sales companies acquired in the previous fiscal year.

In China, the Group’s production base is centered in Shanghai. Due to the lockdown, production and logistics were suspended in April and May, leading to a delay in product supply and lower sales. However, following the lifting of the lockdown, production and logistics quickly resumed operation in full capacity, and sales from June onward were significantly higher year over year. As a result, overall net sales rose year over year. In terms of profits, although profits were affected by soaring raw material prices and the shortage of semiconductors, the Group maintained the high level it has achieved to date by expanding sales of high value-added products and working to reduce costs and curb fixed costs. In the residential-use market, the Group promoted sales activities combining its “PROSHOP” specialty shops and online sales and focused on searching for new customers and capturing demand for replacements. The Group leveraged online sales and services, utilizing such means as communicating with customers via live commerce and customer centers, and remotely checking the operation status of air-conditioning systems. Customers are increasingly concerned about air and environmental issues, and we strengthened our lineup of indoor air quality (IAQ) and ventilation-related products, energy consumption visualization products, and system products including heat pump hot water heating systems. In the commercial-use market, the Group expanded customer contact points by leveraging ventilation and cleaning and captured demand for replacement and additional purchase of equipment. By taking the promotion of carbon neutrality policies as an opportunity, in the large-scale projects market, the Group provided proposals such as energy solutions and air quality improvements, and in the factory market, the Group strengthened its proposals for power reduction using energy-saving air-conditioning systems. In the Applied Systems air-conditioning equipment market, the Group shifted management resources to growth fields such as semiconductor-related and also strengthened the repair and maintenance business.

In Asia and Oceania, sales of both residential and commercial air-conditioning systems remained strong, reflecting a recovery in demand due to the relaxation of activity restrictions in the pandemic. This was despite some construction work delays and postponements due to shortages of materials and workers at construction sites. In India and Malaysia, in particular, sales grew substantially, capturing increased demand due to the intense heat wave and the relaxation of activity restrictions. As a result of continued product supply despite tight supplies of electronic components and other parts and the steady implementation of pricing policies in each country, overall net sales were significantly higher year over year for both residential use and commercial use.

In Europe, the business environment remained challenging due to various problems including soaring energy prices and accelerating inflation resulting from the deteriorating Russia-Ukraine situation, and tight supply due to the lockdowns in China. However, overall net sales were significantly higher year over year as a result of sales expansion through strengthened cooperation among production, sales, and supply divisions and efforts to maximize shipments in each country. In residential air-conditioning systems, sales declined at the beginning of the fiscal year due to sluggish demand in countries including Germany and France, but sales expanded by capturing increased demand in Spain, Italy, and other countries due to the arrival of a heat wave from June to July. As a result, sales of residential air-conditioning systems increased year over year. In residential heat pump hot water heating systems, sales maintained an expansionary trend, driven by demand for replacements of gas and oil boilers, thanks to subsidy programs backed by the Green Deal policies of various national governments. Although there were supply constraints, to maximize the capture of demand, we strengthened our sales capabilities, including dealer development and support for subsidy applications, expanded our product lineup, and enhanced production and supply capabilities at our nearest factories. As a result of these efforts, net sales of residential heating systems were significantly higher year over year. In commercial air-conditioning systems, demand was strong in conjunction with the easing and lifting of activity restrictions put in place by various countries during the pandemic. In addition, cross-country movement became fully active and inquiries increased for hotels and other tourism applications and offices, which had been postponed due to COVID-19. Despite the impact of supply delays, sales increased due to thoroughly following up on projects and delivery dates. As a result, net sales of commercial air-conditioning systems were significantly higher year over year. In the refrigeration business, net sales were lower year over year, partly due to a decrease in production caused by a shortage of parts supply and a decrease in demand.

In the Middle and Near East and Africa, net sales increased significantly year over year, led by strengthened sales in Saudi Arabia, Egypt, and Qatar. In Turkey, net sales were significantly higher year over year due to expanded sales on the strength of quick delivery in commercial air-conditioning systems with the start of local production.

In the filter business, demand recovered moderately in conjunction with the resumption of global economic activity. In the United States, despite continued record inflation, sales grew significantly, supported not only by personal consumption on residential products but also by expanded sales of commercial products using the Group’s own sales sites. In Europe, although there were risks of economic downswings due to the prolonged Russia-Ukraine situation and record inflation, sales in high-end markets were strong, backed by growing needs for energy conservation and air quality improvement. In Asia, lockdowns in China resulted in parts shortages and soaring raw material prices, which affected production, but sales of high-performance filters were strong, due to the booming semiconductor and electronic component markets. In Japan, although medical demand was affected by a lull in sales of infection control products, sales of high-performance filters expanded in the robust semiconductor market. The gas turbine and dust collection systems business also benefited from ongoing strong sales for dust collection systems in Europe, and net sales of the filter business overall were significantly higher year over year.

In the marine vessels business, marine container refrigeration units were affected by the impact of lockdowns in China and sales declined in April and May due to a decrease in production caused by parts shortages and logistics disruptions. Although production returned to normal in June and sales increased, the impact of the sales decline in April and May was significant, and unit sales declined year over year. However, due to factors such as an increase in sales of marine vessel air conditioners and refrigeration units, net sales of the marine vessels business overall increased year over year.

(ii) Chemicals

Overall sales of the Chemicals segment increased by 28.9% year over year to ¥131,293 million. Operating profit increased by 66.8% to ¥25,826 million.

Overall sales of fluorochemical products were significantly higher year over year due to robust demand in a wide range of fields, particularly semiconductors and automobiles, and the implementation of pricing policies against the backdrop of soaring raw material prices.

Net sales of fluoropolymers increased year over year due to strong global demand for semiconductor and automotive-related applications. Net sales of fluoroelastomers were also significantly higher year over year due to strong demand, especially in the automotive field, and the implementation of pricing policies against the backdrop of soaring raw material prices.

Among specialty chemicals, demand for semiconductor etching agents remained strong, despite stagnant demand for anti-fouling surface coating agents and oil and water repellents. As a result, overall net sales of specialty chemicals increased year over year.

As for fluorocarbon gas, net sales were significantly higher year over year due to the steady implementation of pricing policies in response to soaring raw material prices.

(iii) Other Divisions

Overall sales of the “Others” segment increased by 17.7% year over year to ¥34,251 million. Operating profit decreased by 5.1% to ¥2,964 million.

In the oil hydraulic equipment business, net sales of oil hydraulic equipment for industrial machinery increased year over year due to increased sales in the Japanese market, especially for machine tools, as well as increased sales to Europe and the United States. In addition, net sales of oil hydraulic equipment for construction machinery and vehicles increased year on year due to increased sales to the Japanese and U.S. markets.

In the defense systems-related product business, while sales for ammunition to the Ministry of Defense increased, sales of oxygen concentrators and pulse oximeters (medical devices that can easily measure blood oxygen saturation without blood collection) decreased due to exhausted demand associated with COVID-19, and net sales were on par with the same period of the previous year.

In the electronics business, sales of “SpaceFinder,” a database system for design and development sectors in line with customer needs such as solutions for quality issues, shortened design and development periods, and support for cost reductions, as well as sales of “Smart Innovator,” remained strong due to increased IT investments by large companies in promoting digital transformation (DX). However, net sales were on par with the same period of the previous year due to decreased sales of CG creation software for the game market.

(2) Explanation of Financial Position

(i) Assets, Liabilities and Net Assets

Total assets increased by ¥428,029 million from the end of the previous fiscal year to ¥4,252,027 million. Current assets increased by ¥238,775 million from the end of the previous fiscal year to ¥2,404,399 million, mainly due to an increase in merchandise and finished goods. Non-current assets increased by ¥189,253 million from the end of the previous fiscal year to ¥1,847,628 million, primarily due to an increase in goodwill and the effect of foreign exchange rates resulting from yen depreciation.

Liabilities increased by ¥151,735 million from the end of the previous fiscal year to ¥1,967,624 million, mainly due to an increase in accrued expenses. Interest bearing debt ratio fell to 18.8% from 21.6% at the end of the previous fiscal year.

Net assets increased by ¥276,294 million from the end of the previous fiscal year to ¥2,284,403 million, primarily due to the recording of profit attributable to owners of parent and an increase in accumulated other comprehensive income resulting from exchange rate fluctuations.

(ii) Cash Flows

During the six months ended September 30, 2022, net cash provided by operating activities was ¥114,047 million, a decrease of ¥72,979 million from the same period of the previous fiscal year, principally due to an increase in inventories. Net cash used in investing activities was ¥97,981 million, an increase of ¥27,855 million from the same period of the previous fiscal year, primarily due to an increase in purchase of shares of subsidiaries. Net cash used in financing activities was ¥154,643 million, an increase of ¥96,782 million from the same period of the previous fiscal year, mainly due to an increase in repayments of long-term borrowings. After including the effect of foreign exchange rate change to these results, net decrease in cash and cash equivalents for the six months ended September 30, 2022, amounted to ¥103,550 million, a decrease of ¥164,753 million from the same period of the previous fiscal year.

(3) Explanation of Future Forecast Information Such as Consolidated Business Forecast

In light of the business results of the six months ended September 30, 2022, and the changes in the business environment, the business forecast, which was previously announced on August 2, 2022, has been revised as follows.

The business environment surrounding the Group has become increasingly uncertain, partly due to the slowdown in the global economy, caused by ongoing geopolitical risks in Europe, rising energy costs, and accelerating inflation, and rising interest rates in countries around the world.

Against this backdrop, the Group will refine its accumulated strengths and respond flexibly and proactively to changes that occur one after another. We will continue our efforts to achieve carbon neutrality in society as a whole, expand sales by taking advantage of growing energy-saving needs, aggressively introduce differentiated products, and maximize variable cost reductions by replacing materials and standardizing key components, aiming to offset significant cost increases, further increase sales and profits, and strengthen our corporate structure.

The estimated exchange rate from the third quarter onward is based on the assumption that US$1 equals ¥125 and 1 euro equals ¥125.

Revisions to Consolidated Business Forecast for the Fiscal Year Ending March 31, 2023
(From April 1, 2022, to March 31, 2023)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Earnings per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecasts (A)	3,480,000	350,000	355,000	230,000	785.83
Revised forecasts (B)	3,760,000	363,000	358,000	235,000	802.91
Increase/decrease (B – A)	280,000	13,000	3,000	5,000	—
Increase/decrease (%)	8.0	3.7	0.8	2.2	—
(Reference) Results for the fiscal year ended March 31, 2022	3,109,106	316,350	327,496	217,709	743.88

The business forecasts are based on information currently available to the Company and certain assumptions that are deemed reasonable. A number of factors, some major ones of which are explained below, could cause actual results to differ significantly from these forecasts.

- Changes in the market environment including political conditions, the economy, unseasonable weather, and product demand
- Fluctuations in the exchange rates, fund-raising environment, and market value of securities
- Emergence of new products, services, and competitors
- Progress after acquisitions and alliances with other companies
- Quality issues of products and services, changes in the procurement environment for parts, and laws and regulations
- Information leaks due to unauthorized access or cyber attacks
- Strengthening of environment-related regulations and the occurrence of environmental problems
- Impairment of non-current assets, natural disasters, and epidemics of new infectious diseases

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	FY2021 (As of March 31, 2022)	Second Quarter of FY2022 (As of September 30, 2022)
Assets		
Current assets		
Cash and deposits	817,619	707,242
Notes and accounts receivable – trade, and contract assets	595,076	712,285
Merchandise and finished goods	450,974	580,711
Work in process	44,931	62,882
Raw materials and supplies	175,556	231,856
Other	98,392	128,516
Allowance for doubtful accounts	(16,928)	(19,096)
Total current assets	2,165,623	2,404,399
Non-current assets		
Property, plant and equipment	743,364	842,330
Intangible assets		
Goodwill	270,467	313,049
Other	307,820	361,374
Total intangible assets	578,288	674,423
Investments and other assets		
Investment securities	200,187	183,197
Other	137,811	149,097
Allowance for doubtful accounts	(1,275)	(1,419)
Total investments and other assets	336,722	330,875
Total non-current assets	1,658,374	1,847,628
Total assets	3,823,998	4,252,027
Liabilities		
Current liabilities		
Notes and accounts payable – trade	302,621	367,279
Short-term borrowings	97,376	148,008
Commercial papers	—	30,000
Current portion of bonds payable	30,000	50,000
Current portion of long-term borrowings	334,528	152,615
Income taxes payable	36,745	36,092
Provision for product warranties	72,443	83,701
Other	432,523	516,964
Total current liabilities	1,306,239	1,384,661
Non-current liabilities		
Bonds payable	120,000	140,000
Long-term borrowings	140,526	158,372
Retirement benefit liability	16,116	17,992
Other	233,006	266,597
Total non-current liabilities	509,649	582,962
Total liabilities	1,815,888	1,967,624

(Millions of yen)

	FY2021 (As of March 31, 2022)	Second Quarter of FY2022 (As of September 30, 2022)
Net assets		
Shareholders' equity		
Share capital	85,032	85,032
Capital surplus	83,834	79,233
Retained earnings	1,530,107	1,641,040
Treasury shares	(1,846)	(1,704)
Total shareholders' equity	1,697,128	1,803,601
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	59,534	51,898
Deferred gains or losses on hedges	3,436	(1,513)
Foreign currency translation adjustment	212,278	388,941
Remeasurements of defined benefit plans	(2,691)	(3,757)
Total accumulated other comprehensive income	272,558	435,569
Share acquisition rights	2,546	3,212
Non-controlling interests	35,876	42,020
Total net assets	2,008,109	2,284,403
Total liabilities and net assets	3,823,998	4,252,027

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

(Consolidated Statement of Income)

For the Six Months Ended September 30 (Millions of yen)

	First Six Months of FY2021 (April 1, 2021, to September 30, 2021)	First Six Months of FY2022 (April 1, 2022, to September 30, 2022)
Net sales	1,558,863	2,019,790
Cost of sales	1,010,445	1,341,241
Gross profit	548,418	678,548
Selling, general and administrative expenses	355,711	456,894
Operating profit	192,706	221,654
Non-operating income		
Interest income	3,720	5,283
Dividend income	2,557	3,245
Share of profit of entities accounted for using equity method	863	926
Foreign exchange gains	504	10,854
Other	2,845	2,940
Total non-operating income	10,492	23,251
Non-operating expenses		
Interest expenses	4,480	8,332
Settlement payments	—	4,102
Inflation accounting adjustment	—	4,716
Other	1,873	5,099
Total non-operating expenses	6,354	22,250
Ordinary profit	196,844	222,654
Extraordinary income		
Gain on disposal of non-current assets	50	—
Gain on sale of land	207	—
Gain on sale of investment securities	180	7,108
Gain on sale of investments in capital of subsidiaries and associates	199	—
Gain on liquidation of subsidiaries and associates	—	101
Gain on reversal of share acquisition rights	—	5
Total extraordinary income	638	7,215
Extraordinary losses		
Loss on disposal of non-current assets	—	411
Loss on sale of land	38	—
Loss on valuation of investment securities	330	232
Other	—	0
Total extraordinary losses	369	644
Profit before income taxes	197,112	229,225
Income taxes	53,677	68,304
Profit	143,435	160,920
Profit attributable to non-controlling interests	4,336	4,525
Profit attributable to owners of parent	139,098	156,395

(Consolidated Statement of Comprehensive Income)

For the Six Months Ended September 30 (Millions of yen)

	First Six Months of FY2021 (April 1, 2021, to September 30, 2021)	First Six Months of FY2022 (April 1, 2022, to September 30, 2022)
Profit	143,435	160,920
Other comprehensive income		
Valuation difference on available-for-sale securities	3,475	(7,637)
Deferred gains or losses on hedges	(514)	(4,950)
Foreign currency translation adjustment	7,941	177,080
Remeasurements of defined benefit plans	2,155	(1,069)
Share of other comprehensive income of entities accounted for using equity method	1,542	2,741
Total other comprehensive income	14,600	166,164
Comprehensive income	158,035	327,085
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	153,331	319,405
Comprehensive income attributable to non-controlling interests	4,704	7,679

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	First Six Months of FY2021 (April 1, 2021, to September 30, 2021)	First Six Months of FY2022 (April 1, 2022, to September 30, 2022)
I. Cash flows from operating activities		
Profit before income taxes	197,112	229,225
Depreciation	55,658	67,865
Amortization of goodwill	15,960	18,716
Increase (decrease) in allowance for doubtful accounts	1,353	587
Interest and dividend income	(6,277)	(8,528)
Interest expenses	4,480	8,332
Share of loss (profit) of entities accounted for using equity method	(863)	(926)
Loss (gain) on disposal of non-current assets	(50)	411
Loss (gain) on sale of investment securities	(180)	(7,108)
Loss (gain) on valuation of investment securities	330	232
Decrease (increase) in trade receivables	(38,628)	(51,743)
Decrease (increase) in inventories	(45,870)	(130,217)
Increase (decrease) in trade payables	21,238	35,380
Increase (decrease) in accounts payable - other	(9,899)	(14,245)
Increase (decrease) in accrued expenses	39,866	42,018
Increase (decrease) in retirement benefit liability	41	803
Decrease (increase) in retirement benefit asset	(4,116)	(151)
Other, net	349	(8,260)
Subtotal	230,504	182,392
Interest and dividends received	6,327	9,537
Interest paid	(4,527)	(7,622)
Income taxes paid	(45,276)	(70,259)
Net cash provided by (used in) operating activities	187,027	114,047
II. Cash flows from investing activities		
Purchase of property, plant and equipment	(52,632)	(70,986)
Proceeds from sale of property, plant and equipment	3,153	4,931
Purchase of investment securities	(716)	(1,363)
Proceeds from sale of investment securities	212	15,982
Proceeds from sale of investments in capital of subsidiaries and associates	2,021	—
Purchase of shares of subsidiaries and associates	—	(909)
Proceeds from sale of businesses	437	—
Payments for acquisition of businesses	(1,863)	(5,496)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(723)	(37,261)
Payments for investments in capital of subsidiaries resulting in change in scope of consolidation	(862)	—
Decrease (increase) in time deposits	(9,456)	11,834
Other, net	(9,695)	(14,712)
Net cash provided by (used in) investing activities	(70,125)	(97,981)

(Millions of yen)

	First Six Months of FY2021 (April 1, 2021, to September 30, 2021)	First Six Months of FY2022 (April 1, 2022, to September 30, 2022)
III. Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	9,022	75,627
Proceeds from long-term borrowings	8,045	61,588
Repayments of long-term borrowings	(26,383)	(271,362)
Proceeds from issuance of bonds	—	39,837
Redemption of bonds	(10,000)	—
Dividends paid	(23,409)	(32,188)
Proceeds from share issuance to non-controlling shareholders	1,585	—
Dividends paid to non-controlling interests	(2,286)	(1,327)
Repayments of lease liabilities	(14,040)	(21,058)
Other, net	(393)	(5,759)
Net cash provided by (used in) financing activities	(57,860)	(154,643)
IV. Effect of exchange rate change on cash and cash equivalents	2,162	35,027
V. Net increase (decrease) in cash and cash equivalents	61,203	(103,550)
VI. Cash and cash equivalents at beginning of period	662,267	717,802
VII. Increase (decrease) in cash and cash equivalents resulting from change in accounting period of subsidiaries	(1,586)	(570)
VIII. Cash and cash equivalents at end of period	721,884	613,681

(4) Notes to Consolidated Financial Statements

Notes on the Premises of the Company as a "Going Concern"

None applicable

Notes on Significant Changes in Shareholders' Equity

None applicable

Adoption of Accounting Treatment Specific to Quarterly Consolidated Financial Statement Preparation

[Calculation of tax expenses]

The Company and some of its consolidated subsidiaries, reasonably estimate the effective income tax rate after the adoption of tax-effect accounting for profit before income taxes for the consolidated fiscal year ending March 31, 2023, and multiply profit before income taxes for the reporting period by the estimated effective tax rate. However, if as a result of the computation using the estimated effective income tax rate lacks rationality to a remarkable extent, the Company adopts the method of using the legal effective tax rate.

Additional Information

[Application of practical solution on the accounting and disclosure under the group tax sharing system]

The Company and some domestic consolidated subsidiaries transitioned from the consolidated taxation system to the group tax sharing system from the first quarter of the fiscal year ending March 31, 2023. Accordingly, the Company and some domestic consolidated subsidiaries comply with the treatment prescribed in "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021, hereinafter the "Practical Solution No. 42") regarding the accounting treatment and disclosure of corporate and local income taxes and tax effect accounting. Additionally, the changes in accounting policies in conjunction with the application of the Practical Solution No. 42, in accordance with paragraph 32 (1) of the Practical Solution No. 42, are deemed to have no effect.

[Accounting estimates related to the impact of COVID-19]

There are no significant changes to the presumption related to the impact of COVID-19 stated in Additional Information of the securities report for the fiscal year ended March 31, 2022.

[Application of hyperinflationary accounting to Turkish subsidiaries]

As Turkey's cumulative inflation rate over the previous three years has exceeded 100%, from the beginning of the first quarter of the fiscal year ending March 31, 2023, the Group has consolidated the financial statements of Turkish subsidiaries upon adjustment in accordance with International Accounting Standard 29 (IAS 29) "Financial Reporting in Hyperinflationary Economies." As a result, the cumulative impact of the application of this accounting standard has been reflected as a decrease of ¥13,070 million in the balance of retained earnings at the beginning of the first quarter of the fiscal year ending March 31, 2023. Additionally, the effect of inflation on the net monetary position of the Group for the six months ended September 30, 2022, is presented as "inflation accounting adjustment" under "non-operating expenses."

Revenue Recognition

Information on disaggregate revenue from contracts with customers is as stated in "(4) Notes to Consolidated Financial Statements (Segment Information, etc.)" of "2. Consolidated Financial Statements and Primary Notes."

Segment Information, etc.

[Segment Information]

I. For the six months ended September 30, 2021 (From April 1, 2021, to September 30, 2021)

1. Information on net sales and profit or loss amounts by reported segment and information on disaggregate revenue

(Millions of yen)

	Reported segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded on Consolidated Statement of Income (Note 3)
	Air-Conditioning and Refrigeration Equipment	Chemicals	Subtotal				
Net sales							
Japan	272,829	27,166	299,995	23,389	323,384	—	323,384
U.S.	396,707	19,317	416,024	3,665	419,690	—	419,690
Europe	258,434	16,583	275,018	399	275,418	—	275,418
China	243,167	24,961	268,128	992	269,121	—	269,121
Asia and Oceania	178,008	12,644	190,653	501	191,154	—	191,154
Other	78,744	1,209	79,954	140	80,094	—	80,094
Revenue from contracts with customers	1,427,892	101,882	1,529,774	29,089	1,558,863	—	1,558,863
Other revenue	—	—	—	—	—	—	—
Sales to outside customers	1,427,892	101,882	1,529,774	29,089	1,558,863	—	1,558,863
Intersegment sales	825	6,110	6,936	504	7,441	(7,441)	—
Total	1,428,718	107,993	1,536,711	29,593	1,566,305	(7,441)	1,558,863
Segment profit	174,092	15,486	189,578	3,123	192,701	4	192,706

Notes: 1. The "Others" segment is a business segment not included in reported segments. It includes the oil hydraulic equipment business, the defense systems-related product business, and the electronics business.
2. The adjustment of ¥4 million to segment profit comprises the elimination of intersegment transactions.
3. Segment profit is adjusted with operating profit in the Consolidated Statement of Income.

2. Information related to impairment loss of non-current assets and goodwill by reported segment

(Significant impairment loss of non-current assets)

None applicable

(Significant change in goodwill amount)

None applicable

(Significant gain on bargain purchase)

None applicable

II. For the six months ended September 30, 2022 (From April 1, 2022, to September 30, 2022)
1. Information on net sales and profit or loss amounts by reported segment and information on disaggregate revenue

(Millions of yen)

	Reported segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded on Consolidated Statement of Income (Note 3)
	Air-Conditioning and Refrigeration Equipment	Chemicals	Subtotal				
Net sales							
Japan	279,203	34,614	313,818	26,407	340,225	—	340,225
U.S.	628,889	27,924	656,813	5,311	662,124	—	662,124
Europe	304,986	20,649	325,636	639	326,276	—	326,276
China	266,373	29,701	296,075	1,075	297,150	—	297,150
Asia and Oceania	265,739	17,223	282,963	612	283,575	—	283,575
Other	109,051	1,180	110,232	205	110,437	—	110,437
Revenue from contracts with customers	1,854,244	131,293	1,985,538	34,251	2,019,790	—	2,019,790
Other revenue	—	—	—	—	—	—	—
Sales to outside customers	1,854,244	131,293	1,985,538	34,251	2,019,790	—	2,019,790
Intersegment sales	1,031	11,037	12,069	814	12,884	(12,884)	—
Total	1,855,276	142,331	1,997,608	35,066	2,032,674	(12,884)	2,019,790
Segment profit	192,872	25,826	218,699	2,964	221,664	(10)	221,654

Notes: 1. The “Others” segment is a business segment not included in reported segments. It includes the oil hydraulic equipment business, the defense systems-related product business, and the electronics business.
2. The adjustment of ¥(10) million to segment profit comprises the elimination of intersegment transactions.
3. Segment profit is adjusted with operating profit in the Consolidated Statement of Income.

2. Information related to impairment loss of non-current assets and goodwill by reported segment

(Significant impairment loss of non-current assets)
None applicable

(Significant change in goodwill amount)
None applicable

(Significant gain on bargain purchase)
None applicable