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Brief Report on the Settlement of Accounts (Consolidated) for the Three Months Ended June 30, 2023 (J-GAAP)

August 8, 2023

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,

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Planned date of the filing of quarterly report: August 9, 2023

Planned date of start of dividend payment: —

Preparation of supplementary explanatory materials for the settlement of accounts for the first quarter: Yes

Holding briefings on the settlement of accounts for the first quarter: Yes (for institutional investors and analysts)

1. Consolidated Business Results for the Three Months Ended June 30, 2023

(From April 1, 2023, to June 30, 2023)

(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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2023	1,094,715	13.1	117,884	9.3	114,809	4.8	80,258	13.8
June 30, 2022	967,755	21.1	107,860	-1.3	109,515	-2.1	70,551	-10.3

Note: Comprehensive income was ¥215,375 million (3.6%) for the three months ended June 30, 2023, and ¥207,854 million (134.8%) for the three months ended June 30, 2022.

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
June 30, 2023	274.18	274.01
June 30, 2022	241.05	240.92

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2023	4,725,125	2,451,335	50.8
As of March 31, 2023	4,303,682	2,279,095	51.9

(Reference) Equity capital was ¥2,402,540 million as of June 30, 2023, and ¥2,235,030 million as of March 31, 2023.

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, 2023	—	100.00	—	140.00	240.00
Fiscal Year ending March 31, 2024	—				
Fiscal Year ending March 31, 2024 (forecast)		120.00	—	120.00	240.00

Note: Revisions to the dividend forecast announced most recently: None

3. Consolidated Business Forecast for the Fiscal Year Ending March 31, 2024

(From April 1, 2023, to March 31, 2024)

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
First half	2,090,000	3.5	227,000	2.4	218,000	-2.1	150,000	-4.1	512.43
Full year	4,100,000	3.0	400,000	6.1	380,000	3.8	264,000	2.4	901.87

Note: Revisions to the consolidated business forecast announced most recently: None

*Notes

(1) Changes in Significant Subsidiaries during the Three Months Ended June 30, 2023: 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 June 30, 2023 293,113,973 shares

As of March 31, 2023 293,113,973 shares

(ii) Number of treasury shares at end of period

As of June 30, 2023 387,451 shares

As of March 31, 2023 389,416 shares

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

Three Months Ended June 30, 2023 292,725,415 shares

Three Months Ended June 30, 2022 292,687,292 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 Company plans to hold a briefing on business results for institutional investors and analysts on Tuesday, August 8, 2023. Documents and materials distributed in this briefing are posted on the Company's website (https://www.daikin.com/investor/library/results_materials).

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	FY2022 (As of March 31, 2023)	First Quarter of FY2023 (As of June 30, 2023)
Assets		
Current assets		
Cash and deposits	617,663	692,164
Notes and accounts receivable – trade, and contract assets	706,315	790,229
Merchandise and finished goods	668,310	735,242
Work in process	65,518	75,118
Raw materials and supplies	259,555	276,274
Other	128,901	146,005
Allowance for doubtful accounts	(19,180)	(21,608)
Total current assets	2,427,082	2,693,426
Non-current assets		
Property, plant and equipment	900,944	992,580
Intangible assets		
Goodwill	304,331	318,769
Other	354,122	381,309
Total intangible assets	658,454	700,079
Investments and other assets		
Investment securities	169,602	188,229
Other	148,114	151,330
Allowance for doubtful accounts	(516)	(520)
Total investments and other assets	317,200	339,039
Total non-current assets	1,876,599	2,031,699
Total assets	4,303,682	4,725,125
Liabilities		
Current liabilities		
Notes and accounts payable – trade	352,647	359,544
Short-term borrowings	293,541	414,861
Commercial papers	79,000	136,000
Current portion of bonds payable	20,000	20,000
Current portion of long-term borrowings	53,900	36,529
Income taxes payable	37,726	50,575
Provision for product warranties	85,528	92,993
Other	526,975	545,942
Total current liabilities	1,449,321	1,656,446
Non-current liabilities		
Bonds payable	140,000	140,000
Long-term borrowings	174,148	188,861
Retirement benefit liability	18,176	16,535
Other	242,941	271,947
Total non-current liabilities	575,266	617,344
Total liabilities	2,024,587	2,273,790

	(Millions of yen)	
	FY2022 (As of March 31, 2023)	First Quarter of FY2023 (As of June 30, 2023)
Net assets		
Shareholders' equity		
Share capital	85,032	85,032
Capital surplus	79,478	77,528
Retained earnings	1,712,165	1,751,222
Treasury shares	(1,676)	(1,668)
Total shareholders' equity	1,874,999	1,912,114
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	51,980	65,711
Deferred gains or losses on hedges	459	(460)
Foreign currency translation adjustment	315,392	433,905
Remeasurements of defined benefit plans	(7,801)	(8,730)
Total accumulated other comprehensive income	360,031	490,425
Share acquisition rights	3,116	3,091
Non-controlling interests	40,947	45,703
Total net assets	2,279,095	2,451,335
Total liabilities and net assets	4,303,682	4,725,125

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

For the Three Months Ended June 30	(Millions of yen)	
	First Three Months of FY2022 (April 1, 2022, to June 30, 2022)	First Three Months of FY2023 (April 1, 2023, to June 30, 2023)
Net sales	967,755	1,094,715
Cost of sales	639,356	707,223
Gross profit	328,399	387,491
Selling, general and administrative expenses	220,539	269,606
Operating profit	107,860	117,884
Non-operating income		
Interest income	2,140	3,181
Dividend income	2,748	2,475
Share of profit of entities accounted for using equity method	133	306
Foreign exchange gains	6,703	4,551
Other	1,824	2,494
Total non-operating income	13,549	13,009
Non-operating expenses		
Interest expenses	3,266	9,061
Settlement payments	3,799	2,403
Inflation accounting adjustment	1,990	1,050
Other	2,837	3,569
Total non-operating expenses	11,894	16,085
Ordinary profit	109,515	114,809
Extraordinary income		
Gain on sale of investment securities	729	3,473
Total extraordinary income	729	3,473
Extraordinary losses		
Loss on disposal of non-current assets	121	477
Loss on valuation of investment securities	3	0
Total extraordinary losses	124	477
Profit before income taxes	110,120	117,804
Income taxes	37,425	35,278
Profit	72,694	82,526
Profit attributable to non-controlling interests	2,143	2,268
Profit attributable to owners of parent	70,551	80,258

(Consolidated Statement of Comprehensive Income)

For the Three Months Ended June 30	(Millions of yen)	
	First Three Months of FY2022 (April 1, 2022, to June 30, 2022)	First Three Months of FY2023 (April 1, 2023, to June 30, 2023)
Profit	72,694	82,526
Other comprehensive income		
Valuation difference on available-for-sale securities	253	13,730
Deferred gains or losses on hedges	(3,652)	(920)
Foreign currency translation adjustment	138,307	120,379
Remeasurements of defined benefit plans	(1,110)	(928)
Share of other comprehensive income of entities accounted for using equity method	1,362	587
Total other comprehensive income	135,159	132,848
Comprehensive income	207,854	215,375
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	203,368	210,652
Comprehensive income attributable to non-controlling interests	4,486	4,722

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	First Three Months of FY2022 (April 1, 2022, to June 30, 2022)	First Three Months of FY2023 (April 1, 2023, to June 30, 2023)
I. Cash flows from operating activities		
Profit before income taxes	110,120	117,804
Depreciation	33,085	39,209
Amortization of goodwill	9,128	10,865
Increase (decrease) in allowance for doubtful accounts	682	1,372
Interest and dividend income	(4,888)	(5,657)
Interest expenses	3,266	9,061
Share of loss (profit) of entities accounted for using equity method	(133)	(306)
Loss (gain) on disposal of non-current assets	121	477
Loss (gain) on sale of investment securities	(729)	(3,473)
Loss (gain) on valuation of investment securities	3	0
Decrease (increase) in trade receivables	(61,148)	(38,453)
Decrease (increase) in inventories	(57,241)	(31,433)
Increase (decrease) in trade payables	31,922	(11,435)
Increase (decrease) in accounts payable - other	(4,244)	(12,515)
Increase (decrease) in accrued expenses	17,080	558
Increase (decrease) in retirement benefit liability	349	(2,390)
Decrease (increase) in retirement benefit asset	344	(1,636)
Other, net	(1,992)	(1,139)
Subtotal	75,725	70,907
Interest and dividends received	5,925	7,663
Interest paid	(3,270)	(8,495)
Income taxes paid	(34,184)	(28,846)
Net cash provided by (used in) operating activities	44,196	41,228
II. Cash flows from investing activities		
Purchase of property, plant and equipment	(29,011)	(77,826)
Proceeds from sale of property, plant and equipment	1,087	524
Purchase of investment securities	(1,026)	(468)
Proceeds from sale of investment securities	1,245	4,769
Payments for acquisition of businesses	—	(6,612)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(28,911)	—
Decrease (increase) in time deposits	21,808	(8,611)
Other, net	(4,731)	563
Net cash provided by (used in) investing activities	(39,538)	(87,662)

	(Millions of yen)	
	First Three Months of FY2022 (April 1, 2022, to June 30, 2022)	First Three Months of FY2023 (April 1, 2023, to June 30, 2023)
III. Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	118,468	159,516
Proceeds from long-term borrowings	46,871	13,743
Repayments of long-term borrowings	(254,408)	(33,303)
Dividends paid	(32,216)	(40,997)
Proceeds from share issuance to non-controlling shareholders	—	227
Dividends paid to non-controlling interests	(41)	(508)
Repayments of lease liabilities	(8,936)	(10,879)
Other, net	(0)	(1,627)
Net cash provided by (used in) financing activities	(130,263)	86,170
IV. Effect of exchange rate change on cash and cash equivalents	31,727	23,854
V. Net increase (decrease) in cash and cash equivalents	(93,878)	63,591
VI. Cash and cash equivalents at beginning of period	717,802	548,242
VII. Increase (decrease) in cash and cash equivalents resulting from change in accounting period of subsidiaries	(570)	257
VIII. Cash and cash equivalents at end of period	623,353	612,090