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

November 7, 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: November 8, 2023

Planned date of start of dividend payment: December 4, 2023

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, 2023

(From April 1, 2023, to September 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	%
Six months ended								
September 30, 2023	2,225,154	10.2	235,746	6.4	221,073	-0.7	153,004	-2.2
September 30, 2022	2,019,790	29.6	221,654	15.0	222,654	13.1	156,395	12.4

Note: Comprehensive income was ¥345,319 million (5.6%) for the six months ended September 30, 2023, and ¥327,085 million (107.0%) for the six months ended September 30, 2022.

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
September 30, 2023	522.68	522.34
September 30, 2022	534.33	534.00

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	4,769,673	2,580,524	53.0
As of March 31, 2023	4,303,682	2,279,095	51.9

(Reference) Equity capital was ¥2,529,398 million as of September 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	—	120.00			
Fiscal Year ending March 31, 2024 (forecast)			—	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
Full year	4,240,000	6.5	400,000	6.1	380,000	3.8	264,000	2.4	901.87

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

*Notes

(1) Changes in Significant Subsidiaries during the Six Months Ended September 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 September 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 September 30, 2023 363,882 shares

As of March 31, 2023 389,416 shares

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

Six Months Ended September 30, 2023 292,733,338 shares

Six Months Ended September 30, 2022 292,696,182 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.
- The Company plans to hold a briefing on business results for institutional investors and analysts on Wednesday, November 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)	Second Quarter of FY2023 (As of September 30, 2023)
Assets		
Current assets		
Cash and deposits	617,663	708,772
Notes and accounts receivable – trade, and contract assets	706,315	756,169
Merchandise and finished goods	668,310	719,328
Work in process	65,518	81,367
Raw materials and supplies	259,555	280,255
Other	128,901	147,161
Allowance for doubtful accounts	(19,180)	(23,540)
Total current assets	2,427,082	2,669,513
Non-current assets		
Property, plant and equipment	900,944	1,044,287
Intangible assets		
Goodwill	304,331	316,691
Other	354,122	386,451
Total intangible assets	658,454	703,143
Investments and other assets		
Investment securities	169,602	193,794
Other	148,114	159,485
Allowance for doubtful accounts	(516)	(551)
Total investments and other assets	317,200	352,729
Total non-current assets	1,876,599	2,100,160
Total assets	4,303,682	4,769,673
Liabilities		
Current liabilities		
Notes and accounts payable – trade	352,647	329,457
Short-term borrowings	293,541	379,340
Commercial papers	79,000	116,649
Current portion of bonds payable	20,000	10,000
Current portion of long-term borrowings	53,900	37,394
Income taxes payable	37,726	42,778
Provision for product warranties	85,528	96,058
Other	526,975	559,671
Total current liabilities	1,449,321	1,571,350
Non-current liabilities		
Bonds payable	140,000	130,000
Long-term borrowings	174,148	187,522
Retirement benefit liability	18,176	16,964
Other	242,941	283,311
Total non-current liabilities	575,266	617,798
Total liabilities	2,024,587	2,189,149

	(Millions of yen)	
	FY2022 (As of March 31, 2023)	Second Quarter of FY2023 (As of September 30, 2023)
Net assets		
Shareholders' equity		
Share capital	85,032	85,032
Capital surplus	79,478	77,869
Retained earnings	1,712,165	1,824,000
Treasury shares	(1,676)	(1,569)
Total shareholders' equity	1,874,999	1,985,333
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	51,980	68,962
Deferred gains or losses on hedges	459	(331)
Foreign currency translation adjustment	315,392	484,533
Remeasurements of defined benefit plans	(7,801)	(9,100)
Total accumulated other comprehensive income	360,031	544,064
Share acquisition rights	3,116	3,919
Non-controlling interests	40,947	47,206
Total net assets	2,279,095	2,580,524
Total liabilities and net assets	4,303,682	4,769,673

(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 FY2022 (April 1, 2022, to September 30, 2022)	First Six Months of FY2023 (April 1, 2023, to September 30, 2023)
Net sales	2,019,790	2,225,154
Cost of sales	1,341,241	1,442,402
Gross profit	678,548	782,752
Selling, general and administrative expenses	456,894	547,005
Operating profit	221,654	235,746
Non-operating income		
Interest income	5,283	6,913
Dividend income	3,245	3,017
Share of profit of entities accounted for using equity method	926	1,057
Foreign exchange gains	10,854	2,651
Other	2,940	4,003
Total non-operating income	23,251	17,643
Non-operating expenses		
Interest expenses	8,332	20,425
Settlement payments	4,102	2,481
Inflation accounting adjustment	4,716	5,554
Other	5,099	3,854
Total non-operating expenses	22,250	32,317
Ordinary profit	222,654	221,073
Extraordinary income		
Gain on sale of land	—	36
Gain on sale of investment securities	7,108	5,290
Gain on liquidation of subsidiaries and associates	101	—
Gain on reversal of share acquisition rights	5	—
Total extraordinary income	7,215	5,326
Extraordinary losses		
Loss on disposal of non-current assets	411	457
Loss on valuation of investment securities	232	0
Loss on sale of shares of subsidiaries and associates	—	0
Other	0	0
Total extraordinary losses	644	457
Profit before income taxes	229,225	225,942
Income taxes	68,304	67,685
Profit	160,920	158,256
Profit attributable to non-controlling interests	4,525	5,252
Profit attributable to owners of parent	156,395	153,004

(Consolidated Statement of Comprehensive Income)

For the Six Months Ended September 30

(Millions of yen)

	First Six Months of FY2022 (April 1, 2022, to September 30, 2022)	First Six Months of FY2023 (April 1, 2023, to September 30, 2023)
Profit	160,920	158,256
Other comprehensive income		
Valuation difference on available-for-sale securities	(7,637)	16,981
Deferred gains or losses on hedges	(4,950)	(790)
Foreign currency translation adjustment	177,080	170,691
Remeasurements of defined benefit plans	(1,069)	(1,298)
Share of other comprehensive income of entities accounted for using equity method	2,741	1,478
Total other comprehensive income	166,164	187,062
Comprehensive income	327,085	345,319
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	319,405	337,037
Comprehensive income attributable to non-controlling interests	7,679	8,281

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	First Six Months of FY2022 (April 1, 2022, to September 30, 2022)	First Six Months of FY2023 (April 1, 2023, to September 30, 2023)
I. Cash flows from operating activities		
Profit before income taxes	229,225	225,942
Depreciation	67,865	80,933
Amortization of goodwill	18,716	22,181
Increase (decrease) in allowance for doubtful accounts	587	2,807
Interest and dividend income	(8,528)	(9,930)
Interest expenses	8,332	20,425
Share of loss (profit) of entities accounted for using equity method	(926)	(1,057)
Loss (gain) on disposal of non-current assets	411	457
Loss (gain) on sale of investment securities	(7,108)	(5,290)
Loss (gain) on valuation of investment securities	232	0
Decrease (increase) in trade receivables	(51,743)	8,039
Decrease (increase) in inventories	(130,217)	(10,332)
Increase (decrease) in trade payables	35,380	(46,273)
Increase (decrease) in accounts payable - other	(14,245)	(16,151)
Increase (decrease) in accrued expenses	42,018	22,734
Increase (decrease) in retirement benefit liability	803	(2,230)
Decrease (increase) in retirement benefit asset	(151)	(2,236)
Other, net	(8,260)	(9,107)
Subtotal	182,392	280,911
Interest and dividends received	9,537	12,153
Interest paid	(7,622)	(21,444)
Income taxes paid	(70,259)	(73,292)
Net cash provided by (used in) operating activities	114,047	198,328
II. Cash flows from investing activities		
Purchase of property, plant and equipment	(70,986)	(136,860)
Proceeds from sale of property, plant and equipment	4,931	1,559
Purchase of investment securities	(1,363)	(571)
Proceeds from sale of investment securities	15,982	7,121
Purchase of shares of subsidiaries and associates	(909)	(880)
Payments for acquisition of businesses	(5,496)	(8,015)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(37,261)	—
Decrease (increase) in time deposits	11,834	(17,697)
Other, net	(14,712)	606
Net cash provided by (used in) investing activities	(97,981)	(154,737)

	(Millions of yen)	
	First Six Months of FY2022 (April 1, 2022, to September 30, 2022)	First Six Months of FY2023 (April 1, 2023, to September 30, 2023)
III. Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	75,627	104,642
Proceeds from long-term borrowings	61,588	14,309
Repayments of long-term borrowings	(271,362)	(40,746)
Proceeds from issuance of bonds	39,837	—
Redemption of bonds	—	(20,000)
Dividends paid	(32,188)	(40,961)
Proceeds from share issuance to non-controlling shareholders	—	227
Dividends paid to non-controlling interests	(1,327)	(2,598)
Repayments of lease liabilities	(21,058)	(23,006)
Other, net	(5,759)	(1,588)
Net cash provided by (used in) financing activities	(154,643)	(9,722)
IV. Effect of exchange rate change on cash and cash equivalents	35,027	34,929
V. Net increase (decrease) in cash and cash equivalents	(103,550)	68,797
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	613,681	617,297