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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,
General Manager of the Corporate Communication Department of the Head Office
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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	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
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
Six months ended	Yen	Yen
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. 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 8, 2023. Documents and materials distributed in this briefing are posted on the Company's website (https://www.daikin.com/investor/library/results_materials).

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, 2023 (from April 1, 2023, to September 30, 2023), service consumption recovered following the lifting of activity restrictions related to the COVID-19 pandemic, but the world economy overall slowed as the economic downturn, caused by monetary tightening in Europe and the United States, spread to other countries. The U.S. economy faced downward pressure as actual demand for durable consumer goods and other items decreased due to a rebound from the pent-up demand of people staying at home, and housing investment also declined due to rising interest rates. In the European economy, the slump continued, particularly in Germany, as consumption declined due to the ongoing high prices of goods. The Chinese economy saw a further worsening of the real estate recession that began last year, and stagnation has persisted. In Asia and emerging countries, exports to Europe and the United States were sluggish, but growth in domestic demand of the recovery from the COVID-19 pandemic supported the economy and kept it going strong. The Japanese economy faced headwinds from deteriorating overseas economies and showed only a gradual recovery due to lackluster strength in personal consumption.

Under this business environment, the Daikin Group formulated the latter-half three-year plan of the strategic management plan “Fusion 25” in the fiscal year ending March 31, 2024, and the strategies formulated in it are currently being implemented. We are working on creating economic, environmental, and social value by promoting measures under 11 key strategic 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,” and adding “Establishment of a major base in India” and “Entry into Chemicals: high-performance and environmental materials businesses” to the nine key strategic themes initially proposed at the time “Fusion 25” was formulated.

In the fiscal year ending March 31, 2024, we are working to minimize the impact of environmental changes on our business activities, expand our business and increase market share by viewing environmental changes as opportunities, and reconsolidate profitability by closely following the progress of each region and business and responding to issues flexibly. The specific themes for the fiscal year ending March 31, 2024, are as follows.

- Increase the Company’s market share in commercial and residential applications through products and services that are carbon neutral and energy-saving
- Expand profits in the solutions business by providing added value for each application and market
- Build a robust supply chain that can respond quickly and flexibly to changes in the market environment
- Promote sales price policies by introducing differentiated products that meet the needs of the market and customers
- Strengthen cost competitiveness across the globe by reducing variable and logistics costs, replacing materials, improving productivity, etc.
- Reduce fixed costs by strengthening the management base using digital technology in order to improve profitability while making aggressive investments
- Achieve results from acquisitions and investments in production capacity expansion that have been carried out

The Daikin Group’s net sales increased by 10.2% year over year to ¥2,225,154 million for the six months ended September 30, 2023. As for profits, operating profit increased by 6.4% to ¥235,746 million, ordinary profit decreased by 0.7% to ¥221,073 million, and profit attributable to owners of parent decreased by 2.2% to ¥153,004 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 10.9% year over year to ¥2,055,977 million. Operating profit increased by 6.3% to ¥205,100 million.

In the Japanese air-conditioning equipment market, commercial market demand decreased year over year due to a delayed recovery in demand for stores and offices, which are large markets, while demand recovered for buildings, facilities, factories, and other applications. Residential market demand also decreased year over year, due in part to consumers’ reluctance to buy, despite the record-breaking heat wave that boosted demand. Against this backdrop, the Group expanded sales to the commercial air-conditioning equipment market by strengthening user proposals focusing on high value-added products such as the “FIVE STAR ZEAS,” which combines high energy-saving performance and ease of installation, “machi Multi,” which meets individual operation needs, and “UV Streamer Disinfection Unit,” which adds air purification and disinfection functions by attaching to packaged air conditioners. Accordingly, net sales increased year over year. Meanwhile, for the residential air-conditioning equipment market, we worked to confront rising electricity prices and expanding needs for energy-saving performance in housing equipment by strengthening user appeal, mainly for “Urusara X,” which has high energy-saving performance, and increased our sales share. However, we were unable to fully absorb the impact of lower unit sales due to a drop in demand, resulting in lower net sales year over year.

In the Americas, sales of residential air-conditioning systems continued to face difficult conditions as industry demand growth stagnated due mainly to prolonged inflation and rising housing loan interest rates. Although sales for residential applications declined because of ongoing inventory adjustments by independent distributors, they gradually improved, due in part to a tailwind from heat wave effects in some regions. Under such circumstances, net sales increased year over year as a result of improved sales from steady demand for light commercial air-conditioning systems for medium-sized office buildings, strengthened sales networks utilizing companies acquired in the previous fiscal year, and efforts to implement pricing policies. In the market for large buildings (Applied Systems), sales of air-conditioning systems exceeded market growth rates amid strong market conditions due to sales expansion through sales agents acquired in the previous fiscal year who are proficient in key application markets such as the manufacturing industry and data centers. Likewise, the expansion of the solutions business, which utilizes instrumentation and engineering companies, and the effects of pricing policies, also contributed to a significant increase in net sales year over year.

In China, the zero-COVID policy was lifted, and we were able to fully implement production and sales activities for the first time in three years. As a result, despite a slow recovery in the real estate market, sales grew mainly in the housing market, and overall net sales were up year over year. Profits maintained a high level comparable with past results due to measures that included increasing sales of high value-added products and reducing costs. In the residential air-conditioning equipment market, online-based searches for new customers through the implementation of web strategies and the use of live broadcasts utilizing showrooms contributed significantly to sales expansion together with the Group’s unique user-direct retail sales. In response to customers’ increasing concern in air and environmental issues, we have also introduced a new residential multi-split type air conditioner series named “Daikin CARE Central Air System,” which combines air-conditioning, ventilation, and heat pump floor heating systems with solutions services such as energy-saving and indoor air quality (IAQ) proposals. In the commercial air-conditioning equipment market, the markets for government projects, factories, and green buildings (buildings designed with consideration for enhanced environmental performance) have been growing due to carbon neutral policies, and new products were launched with energy savings as an inducement. In the Applied Systems air-conditioning equipment market, the Group invested management resources to growth fields such as infrastructure and semiconductor-related and also strengthened the repair and maintenance business.

In Asia and Oceania, strong sales in India drove overall net sales higher year over year. In ASEAN and Oceania, sales of residential air-conditioning systems were at the same level year over year, affected by sluggish consumption and slowing demand due to the high inflation rate. Meanwhile, despite project delays as a result of a deterioration in cash flow for clients and contractors due to the impact of monetary tightening, sales of commercial air-conditioning systems increased year over year due to the promotion of development and training of dealers. In India, net sales of both residential and commercial air-conditioning systems overcame the impact of unseasonable weather in the northwest and were significantly higher year over year on the back of continued economic growth.

In Europe, although the business environment was severe with the economic recovery delayed due to the continuation of monetary tightening policies in response to the high inflation rate, the tight supply of components in effect since last year had eased, and efforts were made to maximize shipments in each country, resulting in overall net sales that were on a par year over year. Sales of residential air-conditioning systems increased in France, Spain, and other countries, buoyed by demand caused by a heat wave that arrived in southern Europe, but the economic slowdown in other countries had a significant impact on consumer confidence, and net sales declined year over year. With regard to residential heat pump hot water heating systems, we worked to strengthen our sales capabilities, including dealer development and support for subsidy applications, and expand our product lineup. However, changes in the subsidy program of the Italian government and the decline in European gas prices distinctly brought about a stagnant trend in replacement demand from gas and oil boilers in many countries, resulting in lower net sales year over year. Net sales of commercial air-conditioning systems increased year over year as a result of steadily capturing energy-saving needs of offices, stores, and the like, although pent-up demand due to the easing of COVID-19 activity restrictions has run its course.

In the Middle and Near East and Africa, net sales were significantly higher year over year. Increased orders for commercial projects in the UAE, Nigeria, and other countries drove sales. In Turkey, sales expanded driven by the strength of quick delivery in commercial air-conditioning systems, for which local production started in the previous fiscal year. In addition, sales of residential air-conditioning systems also increased significantly due to capturing demand caused by the arrival of a heat wave.

In the filter business, overall demand remained firm despite some impact from the slowdown in investment in high-end markets in China, Europe, Southeast Asia, and India. In the United States, we expanded sales in high-end markets such as hospitals, pharmaceuticals, and data centers by sales through distributors, including a company acquired in the previous fiscal year. However, net sales declined partly due to our withdrawal from low-profit businesses. In Europe, awareness and needs for energy-saving and air quality improvement remained firm, and sales were strong, especially in the high-end and OEM markets. In Asia, sales declined, partly due to a slowdown in investment for semiconductors. In Japan, sales of high-performance filters mainly for the electronics, semiconductor, and pharmaceutical markets remained strong. Furthermore, the gas turbine and dust collection systems business continued to see robust sales of special filters for oil field applications. Despite these strong sales in some regions and businesses, net sales of the filter business overall declined year over year due to lower sales in the United States.

In the marine vessels business, although sales of marine vessel air conditioners and refrigeration units grew, net sales of the marine vessels business overall declined year over year as a result of a decline in the number of marine container refrigeration units sold due to a slowdown in demand.

(ii) Chemicals

Overall sales of the Chemicals segment decreased by 5.0% year over year to ¥124,771 million. Operating profit increased by 7.8% to ¥27,840 million, due to pricing policies in the strong demand market and cost reduction.

Overall sales of fluorochemical products were down year over year due to a slowdown in demand in a wide range of fields, particularly semiconductor and automobiles, as well as the accompanying movement to adjust distribution inventories.

Net sales of fluoropolymers were at the same level year over year, despite a slowdown in demand in fields including automobiles and LAN cables, due in part to improved supply capacity from increased production of materials for semiconductor equipment. Meanwhile, net sales of fluoroelastomers were lower year over year due to a slowdown in demand in the automotive field and the resulting distribution inventory adjustments.

In specialty chemicals, net sales significantly declined year over year due to a decline in demand for anti-fouling surface coating agents, oil and water repellents, and semiconductor etching agents and other products.

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

(iii) Other Divisions

Overall sales of the “Others” segment increased by 29.6% year over year to ¥44,405 million. Operating profit decreased by 6.1% to ¥2,784 million.

In the oil hydraulic equipment business, demand for oil hydraulic equipment for industrial machinery decreased in the Japanese market, especially for machine tools, but a company acquired in the previous fiscal year contributed to increased sales in Europe and the United States, resulting in an increase in net sales year over year. On the other hand, sales of oil hydraulic equipment for construction machinery and vehicles decreased in both the Japanese and the U.S. markets, resulting in a decrease in net sales year over year.

In the defense systems business, demand associated with COVID-19 for oxygen concentrators and pulse oximeters (medical devices that can easily measure blood oxygen saturation without blood collection) has settled down, and net sales fell year over year.

In the electronics business, sales increased for “Smart Innovator,” 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, in addition to sales of a large project for data science software, and net sales increased year over year.

(2) Explanation of Financial Position

(i) Assets, Liabilities and Net Assets

Total assets increased by ¥465,990 million from the end of the previous fiscal year to ¥4,769,673 million. Current assets increased by ¥242,430 million from the end of the previous fiscal year to ¥2,669,513 million, mainly due to an increase in cash and deposits. Non-current assets increased by ¥223,560 million from the end of the previous fiscal year to ¥2,100,160 million, primarily due to an increase in construction in progress.

Liabilities increased by ¥164,561 million from the end of the previous fiscal year to ¥2,189,149 million, mainly due to an increase in short-term borrowings. Interest bearing debt ratio rose to 21.1% from 20.6% at the end of the previous fiscal year.

Net assets increased by ¥301,429 million from the end of the previous fiscal year to ¥2,580,524 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, 2023, net cash provided by operating activities was ¥198,328 million, an increase of ¥84,280 million from the same period of the previous fiscal year, principally due to a reduction in the rate of increase of inventories. Net cash used in investing activities was ¥154,737 million, an increase of ¥56,756 million from the same period of the previous fiscal year, primarily due to an increase in purchase of property, plant and equipment. Net cash used in financing activities was ¥9,722 million, a decrease of ¥144,920 million from the same period of the previous fiscal year, mainly due to a decrease in repayments of long-term borrowings. After including the effect of foreign exchange rate change to these results, net increase in cash and cash equivalents for the six months ended September 30, 2023, amounted to ¥68,797 million, an increase of ¥172,347 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, 2023, and the changes in the business environment, the business forecast, which was previously announced on May 9, 2023, has been revised as follows.

The business environment surrounding the Group has become increasingly challenging against a backdrop of a global economic slowdown, including factors such as a decline in housing investment due to interest rate hikes in the United States, a decrease in consumption due to inflation in Europe, and a further deepening of the real estate recession in China.

Against this backdrop, the Group will take advantage of its accumulated unique strengths and respond flexibly and proactively to successive changes. Through efforts such as further strengthening our sales and service networks, actively launching differentiated products, enhancing high value-added product sales through strengthening environmental and energy-saving proposals for specific markets and customers, implementing strategic sales price policies in order to absorb cost increases prompted by inflation, and maximizing variable cost reduction, we aim to offset the effects of the economic slowdown, maintain our position of increasing both sales and profits, and further strengthen our corporate structure to achieve the targets of our strategic management plan “Fusion 25 Latter-Half Three-Year Plan,” which was announced in May of this year.

The estimated exchange rate from the third quarter onward assumes that US$1 equals ¥135 and 1 euro equals ¥145.

Revisions to Consolidated Business Forecast for the Fiscal Year Ending March 31, 2024
(From April 1, 2023, to March 31, 2024)

	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)	4,100,000	400,000	380,000	264,000	901.87
Revised forecasts (B)	4,240,000	400,000	380,000	264,000	901.87
Increase/decrease (B – A)	140,000	—	—	—	—
Increase/decrease (%)	3.4	—	—	—	—
(Reference) Results for the fiscal year ended March 31, 2023	3,981,578	377,032	366,245	257,754	880.59

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)

	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

(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, 2024, 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 hyperinflationary accounting to Turkish subsidiaries]

As Turkey's cumulative inflation rate over the previous three years had exceeded 100% in the fiscal year ended March 31, 2023, from the beginning of the first quarter of the fiscal year ended 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 ended March 31, 2023. Additionally, the effect of inflation on the net monetary position of the Group for the six months ended September 30, 2022, and the six months ended September 30, 2023, 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, 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 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

II. For the six months ended September 30, 2023 (From April 1, 2023, to September 30, 2023)

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	294,511	33,517	328,029	23,193	351,222	—	351,222
U.S.	745,645	21,906	767,552	6,569	774,121	—	774,121
Europe	328,313	25,171	353,485	10,224	363,709	—	363,709
China	270,313	27,360	297,673	1,468	299,142	—	299,142
Asia and Oceania	279,167	15,849	295,017	2,031	297,048	—	297,048
Other	138,025	966	138,991	917	139,909	—	139,909
Revenue from contracts with customers	2,055,977	124,771	2,180,749	44,405	2,225,154	—	2,225,154
Other revenue	—	—	—	—	—	—	—
Sales to outside customers	2,055,977	124,771	2,180,749	44,405	2,225,154	—	2,225,154
Intersegment sales	865	14,680	15,545	388	15,934	(15,934)	—
Total	2,056,842	139,452	2,196,294	44,794	2,241,088	(15,934)	2,225,154
Segment profit	205,100	27,840	232,941	2,784	235,726	20	235,746

Notes: 1. The “Others” segment is a business segment not included in reported segments. It includes the oil hydraulic equipment business, the defense systems business, and the electronics business.
2. The adjustment of ¥20 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