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Brief Report on the Settlement of Accounts (Consolidated) for the Six Months Ended September 30, 2024 (J-GAAP)

November 6, 2024

Name of Listed Company: **Daikin Industries, Ltd.** Listed on TSE
Code No.: 6367
(URL: https://www.daikin.co.jp/)
Representative: Naofumi Takenaka, President and COO
Contact: Motoshi Hosomi,
General Manager, Corporate Communication Department
(Tel.: +81-6-6147-9925)
Planned date of the filing of semi-annual securities report: November 7, 2024
Planned date of start of dividend payment: December 3, 2024
Preparation of supplementary explanatory materials for the settlement of accounts: Yes
Holding briefings on the settlement of accounts: Yes (for institutional investors and analysts)

1. Consolidated Business Results for the Six Months Ended September 30, 2024

(From April 1, 2024, to September 30, 2024)

(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, 2024	2,493,064	12.0	246,594	4.6	224,168	1.4	151,657	-0.9
September 30, 2023	2,225,154	10.2	235,746	6.4	221,073	-0.7	153,004	-2.2

Note: Comprehensive income was ¥85,809 million (-75.2%) for the six months ended September 30, 2024, and ¥345,319 million (5.6%) for the six months ended September 30, 2023.

	Earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	518.00	517.65
September 30, 2023	522.68	522.34

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2024	4,930,365	2,732,607	54.4
As of March 31, 2024	4,880,230	2,687,302	54.0

(Reference) Equity capital was ¥2,680,379 million as of September 30, 2024, and ¥2,637,536 million as of March 31, 2024.

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, 2024	—	120.00	—	130.00	250.00
Fiscal Year ending March 31, 2025	—	185.00			
Fiscal Year ending March 31, 2025 (forecast)			—	135.00	320.00

Note: Revisions to the dividend forecast announced most recently: None
Dividend per share for the 2Q-end of the fiscal year ending March 31, 2025 consists of an ordinary dividend of ¥135 and a commemorative dividend of ¥50 for the Company’s 100th anniversary.

3. Consolidated Business Forecast for the Fiscal Year Ending March 31, 2025
(From April 1, 2024, to March 31, 2025)

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	4,770,000	8.5	428,000	9.1	392,000	10.6	267,000	2.6	912.01

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

*Notes

(1) Significant Changes in the Scope of Consolidation during the Six Months Ended September 30, 2024: Yes
Newly included: 5 companies (Arista Air Conditioning LLC and 4 others)
Excluded: 3 companies (ABCO Refrigeration Supply Corp. and 2 others)

(2) Adoption of Accounting Treatment Specific to Semi-annual 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.: Yes
(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, 2024 293,113,973 shares
As of March 31, 2024 293,113,973 shares
(ii) Number of treasury shares at end of period
As of September 30, 2024 320,238 shares
As of March 31, 2024 353,293 shares
(iii) Average number of shares outstanding during the six months
Six Months Ended September 30, 2024 292,772,992 shares
Six Months Ended September 30, 2023 292,733,338 shares

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

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 Thursday, November 7, 2024. 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, 2024 (from April 1, 2024, to September 30, 2024), the world economy stagnated due to the impact of monetary tightening mainly in the United States and Europe and the real estate recession in China. The U.S. economy was sluggish in housing investment, despite strong personal consumption. The European economy saw signs of recovery primarily in service demand as inflation continued to cool. The Chinese economy saw a sluggish domestic demand despite strong export-oriented industries. The Japanese economy saw capital investment expand on the back of strong corporate earnings, and personal consumption also showed signs of recovery thanks to improved employment and a rise in wages. In Asia, personal consumption and a recovery in exports supported the economy.

Under this business environment, toward accomplishing the latter-half three-year plan (fiscal 2023 to fiscal 2025) of the strategic management plan “Fusion 25” formulated in the fiscal year ended March 31, 2024, the Daikin Group is accelerating the promotion of 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,” while working on the creation of economic, environmental, and social value.

In addition, in the fiscal year ending March 31, 2025, we are addressing the improvement and enhancement of the Group’s profit structure and profitability even as we work to generate results across global operations by leveraging the collective strengths of the Group. The specific themes for the fiscal year ending March 31, 2025, are as follows.

(Themes for improving and enhancing the Group’s profit structure and profitability)
- Promote sales price policies and increase our market share by launching new and differentiated products, shifting from selling equipment separately to system sales, etc.
- Enhance cost competitiveness around the world to improve marginal profit margin
- Implement global production, procurement, and logistics reforms to create a resilient supply chain
- Reduce existing fixed costs and prioritize upfront investments and strategic investment
- Achieve results from acquisitions and investments in production capacity expansion that have been carried out

(Themes aimed at generating significant results across global operations by leveraging the collective strengths of the Group)
- Actively expand the Applied Systems air-conditioning business globally and increase revenue from the commercial air-conditioning solutions business by providing added value for individual applications and markets
- Horizontally deploy differentiated technologies, enhance service capabilities, and respond to work simplification and labor savings in installation

In pursuing these initiatives, we are closely following the progress of each region and business and responding to changes in our business environment proactively and flexibly to minimize the negative impact of such changes on our business, while further expanding our sales and improving profitability in strongly performing regions and businesses. We are also continuing to implement investments with an eye to medium- to long-term growth, including investments in production capacity expansion leading to strengthening profitability and investments aimed at sales network and service network enhancement.

The Daikin Group’s net sales increased by 12.0% year over year to ¥2,493,064 million for the six months ended September 30, 2024. As for profits, operating profit increased by 4.6% to ¥246,594 million, an ordinary profit increased by 1.4% to ¥224,168 million, and profit attributable to owners of parent decreased by 0.9% to ¥151,657 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 12.7% year over year to ¥2,316,542 million. Operating profit increased by 6.8% to ¥219,067 million.

In the Japanese air-conditioning equipment market, commercial market demand increased year over year due to a rise in capital investment including large-scale redevelopment and the new construction and renovation of office buildings and commercial facilities. Residential market demand increased year over year, driven in part by the higher-than-average temperatures since April and heightened demand from a record-breaking heat wave. Against this backdrop, the Group strengthened user proposals to the commercial air-conditioning equipment market, focusing on the “FIVE STAR ZEAS,” which combines high energy-saving performance and ease of installation, “machi Multi,” which meets individual operation needs, and other air-conditioning equipment for facilities. Accordingly, net sales increased year over year. In the residential air-conditioning equipment market, we worked to confront expanding needs for energy-saving performance due to rising electricity prices and a significant increase in air-conditioner usage during the summer season by strengthening user proposals, mainly for "Urusara X," which has high energy-saving performance, resulting in higher net sales year over year.

In the Americas, last-minute demand surged for residential air-conditioning systems using the current refrigerant (R410A), due to price increases and supply concerns related to product changeover required by refrigerant regulations. In addition to increasing the production of R410A models, as an alternative proposal, the Group accelerated the launch of new models using R32, a low-global-warming-potential refrigerant known for its environmental benefits and energy-saving performance, and expanded its production. The Group also expanded sales of the environment premium product "Fit" system, which has high energy-saving performance. However, sales decreased as the Group was unable to fully capture the demand for R410A models. Meanwhile, due to the positive effect of exchange rates, net sales after conversion to Japanese yen grew year over year. With regard to Applied Systems air-conditioning equipment, sales of air-conditioning systems grew due to sales expansion in data centers and the manufacturing industry, which are growing, as well as in schools, and also due to the launch of a new factory in Mexico, production capacity expansion at existing factories, and the expanded sales of products that support new refrigerants. Also, as for the acquired companies, we carried out sales expansion for data centers by utilizing custom air handling unit manufacturers. Furthermore, we promoted sales expansion through the solutions business by utilizing instrumentation and engineering companies, which contributed to a significant increase in net sales year over year.

In China, demand has decelerated significantly due to the deteriorating real estate market, which led to a year over year decrease in overall net sales. 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, where there was a slowdown in the economy, the Group strengthened its unique sales activities combining online-based activities, such as live broadcasts utilizing showrooms, web strategies, and social media, together with user-direct offline retail sales. We also strengthened sales of system products that combine air-conditioning, dehumidification, ventilation, heat pump floor heating systems, sensors, and controllers, etc. 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 the promotion of carbon neutrality policies, and we strengthened proposals with energy savings as an inducement. In the Applied Systems air-conditioning equipment market, the Group invested resources to fields with firm demand, such as infrastructure, semiconductor, and medical-related, and also strengthened the repair and maintenance business.

In Asia and Oceania, sales in India significantly grew on the back of its strong economy, driving overall net sales higher year over year. Net sales of residential air-conditioning systems increased year over year due to sales promotion measures targeting dealers and consumers, despite the effects of typhoons and floods in ASEAN region since July and unseasonable weather conditions in India. Meanwhile, despite project delays and investment reviews caused by slowdown in economy, sales expanded for commercial air-conditioning systems due to the development and training of dealers, resulting in higher net sales year over year.

In Europe, the economy is slowly recovering as inflationary pressure eased mainly in energy and consumer goods prices. While demand for residential heat pump hot water heating systems fell sharply, thanks to the positive effects of exchange rates, overall net sales increased year over year. In residential air-conditioning systems, in addition to capturing demand in Italy arising from the heat wave in Southern Europe since July, we expanded sales in Central Europe and other areas, resulting in a year over year increase in net sales. Amid the reduction of government subsidy programs in major markets such as Italy, Germany, and France, end-users' reluctance to purchase residential heat pump hot water heating systems continued. Although we worked to strengthen our sales capabilities, including dealer development and support for subsidy applications, and expand product lineup, replacement from gas and oil boilers was stagnant, resulting in lower net sales year over year. Meanwhile, for commercial air-conditioning systems, net sales increased year over year as a result of attentive sales activities to steadily capture demand from hotels and restaurants that continue to recover from the COVID-19 pandemic and the energy-saving needs of offices, stores, and the like. For the Applied Systems air-conditioning equipment, net sales were higher year over year, mainly due to sales expansion to data centers.

In the Middle and Near East and Africa, net sales were significantly higher year over year. Increased orders for commercial projects in Saudi Arabia and other countries drove sales. In Turkey, sales of residential air-conditioning systems increased significantly.

In the filter business, despite intensified competitions caused by the continued stagnation of the Chinese economy and a delay in recovery of the semiconductor market, overall net sales increased year over year, due to demand remaining firm and the positive effects of exchanges rates. In the United States, net sales increased as sales to wholesalers for residential and commercial applications grew owing to an increased demand for filter replacement due to the impact of a heat wave, and sales of high-gross-margin products through our own dealerships expanded. In Europe, needs for energy-saving and air quality improvement remained strong, and sales remained stable, especially in the building and OEM markets in Northern Europe. In Asia and the Middle East, sales in the semiconductor market in Southeast Asia slowed and the prolonged downturn in Chinese real estate market caused the stagnation in demand, resulting in a decline in overall sales in the Asia region including the Middle East and India. In Japan, delays in work periods and inventory adjustments mainly due to labor shortages in the construction industry resulted in sluggish growth in sales mainly of high-performance filters for semiconductor manufacturers and semiconductor manufacturing equipment manufacturers. The gas turbine and dust collection systems business saw robust sales due to the expansion of the sales region for special filters used in oil field applications.

In the marine vessels business, net sales increased year over year as a result of growth of sales of marine container refrigeration units and marine vessel air conditioners and refrigeration units.

(ii) Chemicals

Overall sales of the Chemicals segment increased by 3.9% year over year to ¥129,671 million. Operating profit decreased by 5.9% to ¥26,184 million.

Although there was a slow recovery in demand for a wide range of fields, particularly semiconductors and automobiles, that accompanied movements in distribution inventory adjustments, overall sales of fluorochemical products increased year over year due to the positive effects of exchange rates.

Sales of fluoropolymers remained severe due to factors including a delay in the market recovery in the fields of LAN cables and materials for semiconductor equipment, but net sales increased year over year due to the positive effects of exchange rates. Meanwhile, net sales of fluoroelastomers were lower year over year due to distribution inventory adjustments in fields such as automobiles.

In specialty chemicals, net sales increased year over year due to a recovery in demand for anti-fouling surface coating agents and oil and water repellents along with decreases in distribution inventories and other factors. Net sales of etching agents for semiconductor processing were higher year over year due to the favorable turnaround from the previous fiscal year, even though demand has not yet fully recovered.

As for fluorocarbon gas, net sales were higher year over year due to efforts to expand sales and maintain pricing amid a challenging environment of declining demand and a weakening market.

(iii) Other Divisions

Overall sales of the “Others” segment increased by 5.5% year over year to ¥46,850 million. Operating profit decreased by 52.3% to ¥1,329 million.

In the oil hydraulic equipment business, sales of oil hydraulic equipment for industrial machinery decreased in the Japanese and European markets, resulting in a decrease in net sales year over year. 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, net sales were higher year over year due to an increase in orders from the Ministry of Defense and strong sales of oxygen concentrators and hypoxic system (equipment that simulates high-altitude conditions to enhance exercise effectiveness by controlling oxygen concentration).

In the electronics business, sales decreased for large projects involving “SpaceFinder” and “Smart Innovator,” database systems for design and development sectors that meet customer needs, such as solutions for quality issues, shortened design and development periods, and support for cost reductions, and net sales decreased year over year.

(2) Explanation of Financial Position

(i) Assets, Liabilities and Net Assets

Total assets increased by ¥50,135 million from the end of the previous fiscal year to ¥4,930,365 million. Current assets increased by ¥55,412 million from the end of the previous fiscal year to ¥2,782,010 million, mainly due to an increase in cash and deposits. Non-current assets decreased by ¥5,276 million from the end of the previous fiscal year to ¥2,148,354 million, primarily due to a decrease in goodwill.

Liabilities increased by ¥4,830 million from the end of the previous fiscal year to ¥2,197,757 million, mainly due to an increase in long-term borrowings. Interest bearing debt ratio declined to 19.5% from 19.8% at the end of the previous fiscal year.

Net assets increased by ¥45,304 million from the end of the previous fiscal year to ¥2,732,607 million, primarily due to the recording of profit attributable to owners of parent.

(ii) Cash Flows

During the six months ended September 30, 2024, net cash provided by operating activities was ¥318,536 million, an increase of ¥120,208 million from the same period of the previous fiscal year, principally due to an increase in trade payables. Net cash used in investing activities was ¥187,761 million, an increase of ¥33,023 million from the same period of the previous fiscal year, primarily due to an increase in time deposits. Net cash used in financing activities was ¥71,784 million, an increase of ¥62,061 million from the same period of the previous fiscal year, mainly due to a decrease in short-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, 2024, amounted to ¥55,855 million, a decrease of ¥12,942 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, 2024, and the changes in the business environment, the business forecast, which was previously announced on May 9, 2024, has been revised as follows.

The business environment surrounding the Group has become increasingly challenging due to the prolonged real estate recession in China, continuing uncertainties in the recovery of heat pump heating market in Europe, and increasing costs driven by high prices for procured parts and rising labor costs.

Against this backdrop, the Group will accelerate efforts to generate results in priority issues it has been working on, such as strengthening sales and marketing capabilities to balance sales price policies for cost absorption and market share expansion, reducing variable costs through global horizontal efforts such as lowering costs for base models and standardizing key components, and streamlining fixed costs through the streamlining of operational processes and back-office operation, using digital technology. By doing so, we will aim to offset the negative effects and achieve record-breaking performance. At the same time, we will steadily implement themes that lead to medium- to long-term growth, including carbon neutrality, the promotion of energy and service solutions, and investments in factories for future growth, which are all growth strategies of our strategic management plan “Fusion 25 Latter-Half Three-Year Plan.” Through these efforts, we aim to achieve the targets of our “Fusion 25 Latter-Half Three-Year Plan,” and strengthen our corporate structure.

The estimated exchange rate from the third quarter onward assumes that US$1 equals ¥140 and 1 euro equals ¥155.

Revisions to Consolidated Business Forecast for the Fiscal Year Ending March 31, 2025
(From April 1, 2024, to March 31, 2025)

	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)	4,540,000	425,000	390,000	267,000	912.01
Revised forecasts (B)	4,770,000	428,000	392,000	267,000	912.01
Increase/decrease (B – A)	230,000	3,000	2,000	—	—
Increase/decrease (%)	5.1	0.7	0.5	—	—
(Reference) Results for the fiscal year ended March 31, 2024	4,395,317	392,137	354,492	260,311	889.22

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)

	FY2023 (As of March 31, 2024)	Second Quarter of FY2024 (As of September 30, 2024)
Assets		
Current assets		
Cash and deposits	737,961	827,228
Notes and accounts receivable – trade, and contract assets	815,305	830,444
Merchandise and finished goods	696,363	635,178
Work in process	75,932	76,708
Raw materials and supplies	275,446	267,646
Other	148,126	167,290
Allowance for doubtful accounts	(22,536)	(22,487)
Total current assets	2,726,598	2,782,010
Non-current assets		
Property, plant and equipment	1,134,982	1,185,463
Intangible assets		
Goodwill	306,627	272,888
Other	377,099	353,013
Total intangible assets	683,726	625,901
Investments and other assets		
Investment securities	171,857	163,445
Other	163,616	174,136
Allowance for doubtful accounts	(550)	(591)
Total investments and other assets	334,922	336,989
Total non-current assets	2,153,631	2,148,354
Total assets	4,880,230	4,930,365
Liabilities		
Current liabilities		
Notes and accounts payable – trade	326,033	349,895
Short-term borrowings	363,205	186,485
Commercial papers	50,419	97,819
Current portion of bonds payable	10,000	15,000
Current portion of long-term borrowings	63,446	82,971
Income taxes payable	41,261	45,427
Provision for product warranties	104,616	106,359
Other	608,007	582,681
Total current liabilities	1,566,990	1,466,639
Non-current liabilities		
Bonds payable	130,000	175,000
Long-term borrowings	194,918	245,094
Retirement benefit liability	19,910	20,556
Other	281,107	290,466
Total non-current liabilities	625,936	731,117
Total liabilities	2,192,927	2,197,757

(Millions of yen)

	FY2023 (As of March 31, 2024)	Second Quarter of FY2024 (As of September 30, 2024)
Net assets		
Shareholders' equity		
Share capital	85,032	85,032
Capital surplus	78,014	77,795
Retained earnings	1,896,173	2,009,373
Treasury shares	(1,525)	(1,385)
Total shareholders' equity	2,057,695	2,170,816
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	65,729	59,472
Deferred gains or losses on hedges	358	1,086
Foreign currency translation adjustment	524,273	462,239
Remeasurements of defined benefit plans	(10,520)	(13,235)
Total accumulated other comprehensive income	579,840	509,563
Share acquisition rights	3,771	4,372
Non-controlling interests	45,994	47,855
Total net assets	2,687,302	2,732,607
Total liabilities and net assets	4,880,230	4,930,365

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

(Consolidated Statement of Income)

(Millions of yen)

	First Six Months of FY2023 (April 1, 2023, to September 30, 2023)	First Six Months of FY2024 (April 1, 2024, to September 30, 2024)
Net sales	2,225,154	2,493,064
Cost of sales	1,442,402	1,632,290
Gross profit	782,752	860,773
Selling, general and administrative expenses	547,005	614,179
Operating profit	235,746	246,594
Non-operating income		
Interest income	6,913	9,862
Dividend income	3,017	2,305
Share of profit of entities accounted for using equity method	1,057	1,024
Foreign exchange gains	2,651	—
Other	4,003	6,866
Total non-operating income	17,643	20,059
Non-operating expenses		
Interest expenses	20,425	23,200
Foreign exchange losses	—	12,108
Settlement payments	2,481	—
Inflation accounting adjustment	5,554	4,067
Other	3,854	3,109
Total non-operating expenses	32,317	42,484
Ordinary profit	221,073	224,168
Extraordinary income		
Gain on sale of land	36	14
Gain on sale of investment securities	5,290	3,712
Total extraordinary income	5,326	3,726
Extraordinary losses		
Loss on disposal of non-current assets	457	498
Loss on sale of land	—	170
Loss on valuation of investment securities	0	464
Loss on sale of shares of subsidiaries and associates	0	—
Distinguished service compensation	—	4,300
Other	0	—
Total extraordinary losses	457	5,433
Profit before income taxes	225,942	222,462
Income taxes	67,685	65,265
Profit	158,256	157,196
Profit attributable to non-controlling interests	5,252	5,539
Profit attributable to owners of parent	153,004	151,657

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	First Six Months of FY2023 (April 1, 2023, to September 30, 2023)	First Six Months of FY2024 (April 1, 2024, to September 30, 2024)
Profit	158,256	157,196
Other comprehensive income		
Valuation difference on available-for-sale securities	16,981	(6,255)
Deferred gains or losses on hedges	(790)	727
Foreign currency translation adjustment	170,691	(65,184)
Remeasurements of defined benefit plans	(1,298)	(2,714)
Share of other comprehensive income of entities accounted for using equity method	1,478	2,039
Total other comprehensive income	187,062	(71,386)
Comprehensive income	345,319	85,809
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	337,037	81,379
Comprehensive income attributable to non-controlling interests	8,281	4,430

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	First Six Months of FY2023 (April 1, 2023, to September 30, 2023)	First Six Months of FY2024 (April 1, 2024, to September 30, 2024)
I. Cash flows from operating activities		
Profit before income taxes	225,942	222,462
Depreciation	80,933	94,479
Amortization of goodwill	22,181	24,033
Increase (decrease) in allowance for doubtful accounts	2,807	593
Interest and dividend income	(9,930)	(12,168)
Interest expenses	20,425	23,200
Share of loss (profit) of entities accounted for using equity method	(1,057)	(1,024)
Loss (gain) on disposal of non-current assets	457	498
Loss (gain) on sale of investment securities	(5,290)	(3,712)
Loss (gain) on valuation of investment securities	0	464
Decrease (increase) in trade receivables	8,039	(39,742)
Decrease (increase) in inventories	(10,332)	43,379
Increase (decrease) in trade payables	(46,273)	31,716
Increase (decrease) in accounts payable - other	(16,151)	(17,402)
Increase (decrease) in accrued expenses	22,734	32,386
Increase (decrease) in retirement benefit liability	(2,230)	356
Decrease (increase) in retirement benefit asset	(2,236)	3,110
Other, net	(9,107)	(9,315)
Subtotal	280,911	393,316
Interest and dividends received	12,153	12,521
Interest paid	(21,444)	(23,372)
Income taxes paid	(73,292)	(63,929)
Net cash provided by (used in) operating activities	198,328	318,536
II. Cash flows from investing activities		
Purchase of property, plant and equipment	(136,860)	(132,346)
Proceeds from sale of property, plant and equipment	1,559	1,872
Purchase of investment securities	(571)	(1,048)
Proceeds from sale of investment securities	7,121	4,933
Purchase of shares of subsidiaries and associates	(880)	(753)
Payments for acquisition of businesses	(8,015)	(324)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(2,707)
Payments for investments in capital of subsidiaries resulting in change in scope of consolidation	—	(3,298)
Decrease (increase) in time deposits	(17,697)	(37,049)
Other, net	606	(17,039)
Net cash provided by (used in) investing activities	(154,737)	(187,761)

(Millions of yen)

	First Six Months of FY2023 (April 1, 2023, to September 30, 2023)	First Six Months of FY2024 (April 1, 2024, to September 30, 2024)
III. Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	104,642	(128,171)
Proceeds from long-term borrowings	14,309	103,168
Repayments of long-term borrowings	(40,746)	(22,293)
Proceeds from issuance of bonds	—	59,802
Redemption of bonds	(20,000)	(10,000)
Dividends paid	(40,961)	(38,044)
Proceeds from share issuance to non-controlling shareholders	227	404
Dividends paid to non-controlling interests	(2,598)	(7,163)
Repayments of lease liabilities	(23,006)	(29,163)
Other, net	(1,588)	(323)
Net cash provided by (used in) financing activities	(9,722)	(71,784)
IV. Effect of exchange rate change on cash and cash equivalents	34,929	(3,134)
V. Net increase (decrease) in cash and cash equivalents	68,797	55,855
VI. Cash and cash equivalents at beginning of period	548,242	634,008
VII. Increase (decrease) in cash and cash equivalents resulting from change in accounting period of subsidiaries	257	(1,511)
VIII. Cash and cash equivalents at end of period	617,297	688,352

(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 Semi-annual 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, 2025, 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.

Changes in Accounting Policies

[Application of the "Accounting Standard for Current Income Taxes," etc.]

The Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as the "Revised Accounting Standard 2022"), etc. from the beginning of the six months ended September 30, 2024.

With regard to the amendment to categories in which income taxes, etc., should be recorded (taxes on other comprehensive income), the Company follows the transitional treatment prescribed in the proviso of Paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of Paragraph 65-2 of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the "Revised Implementation Guidance 2022"). This change in accounting policies has no impact on the semi-annual consolidated financial statements.

For the amendment related to the revised accounting treatment for consolidated financial statements when gain or loss on sale of shares of subsidiaries, etc., resulting from transactions between consolidated companies were deferred for tax purposes, the Company has applied the Revised Implementation Guidance 2022 from the beginning of the six months ended September 30, 2024. This change in accounting policies was applied retrospectively, and the consolidated financial statements for the same period of the previous fiscal year and the consolidated financial statements for the previous fiscal year have accordingly been restated. This change in accounting policies has no impact on the consolidated financial statements for the same period of the previous fiscal year and the consolidated financial statements for the previous fiscal year.

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, 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
Asia and Oceania	279,167	15,849	295,017	2,031	297,048	—	297,048
China	270,313	27,360	297,673	1,468	299,142	—	299,142
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

II. For the six months ended September 30, 2024 (From April 1, 2024, to September 30, 2024)

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	323,810	33,354	357,164	27,446	384,611	—	384,611
U.S.	866,535	18,527	885,063	6,889	891,953	—	891,953
Europe	350,643	25,461	376,105	8,528	384,634	—	384,634
Asia and Oceania	343,841	17,215	361,056	2,206	363,262	—	363,262
China	260,440	33,716	294,156	1,063	295,219	—	295,219
Other	171,271	1,395	172,667	716	173,383	—	173,383
Revenue from contracts with customers	2,316,542	129,671	2,446,213	46,850	2,493,064	—	2,493,064
Other revenue	—	—	—	—	—	—	—
Sales to outside customers	2,316,542	129,671	2,446,213	46,850	2,493,064	—	2,493,064
Intersegment sales	1,017	14,577	15,594	836	16,431	(16,431)	—
Total	2,317,560	144,248	2,461,808	47,687	2,509,496	(16,431)	2,493,064
Segment profit	219,067	26,184	245,252	1,329	246,581	13	246,594

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 ¥13 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