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Member, Financial Accounting Standards Foundation

Brief Report on the Settlement of Accounts (Consolidated) for the Business Year Ended March 31, 2023 (J-GAAP)

May 9, 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
(Tel.: +81-6-6147-9925)

Planned date of Ordinary General Meeting of Shareholders: June 29, 2023
Planned date of start of dividend payment: June 30, 2023
Planned date of the filing of securities report: June 29, 2023
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 Fiscal Year Ended March 31, 2023
(From April 1, 2022, to March 31, 2023)

(1) Consolidated Business Results

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	
Fiscal Year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	3,981,578	28.1	377,032	19.2	366,245	11.8	257,754	18.4
March 31, 2022	3,109,106	24.7	316,350	32.6	327,496	36.3	217,709	39.3

Note: Comprehensive income was ¥354,228 million (-3.3%) for the fiscal year ended March 31, 2023, and ¥366,141 million (28.5%) for the fiscal year ended March 31, 2022.

	Earnings per share	Diluted earnings per share	Ratio of earnings for the fiscal year to shareholders' equity	Ratio of ordinary profit to total assets	Operating margin
Fiscal Year ended	Yen	Yen	%	%	%
March 31, 2023	880.59	880.05	12.3	9.0	9.5
March 31, 2022	743.88	743.46	12.0	9.3	10.2

(Reference) Equity in earnings of affiliates was ¥1,697 million for the fiscal year ended March 31, 2023, and ¥1,401 million for the fiscal year ended March 31, 2022.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	4,303,682	2,279,095	51.9	7,635.27
As of March 31, 2022	3,823,038	2,007,149	51.5	6,726.45

(Reference) Equity capital was ¥2,235,030 million as of March 31, 2023, and ¥1,968,726 million as of March 31, 2022.

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal Year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2023	158,896	(229,793)	(113,088)	548,242
March 31, 2022	245,071	(180,789)	(48,698)	717,802

2. Dividends

	(Annual) Dividend per share					Total cash dividends for the fiscal year (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal Year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2022	—	90.00	—	110.00	200.00	58,536	26.9	3.2
March 31, 2023	—	100.00	—	140.00	240.00	70,254	27.3	3.3
Fiscal Year ending March 31, 2024 (forecast)	—	120.00	—	120.00	240.00		26.6	

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

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	2,090,000	3.5	227,000	2.4	218,000	-2.1	150,000	-4.1	512.43
Full year	4,100,000	3.0	400,000	6.1	380,000	3.8	264,000	2.4	901.87

*Notes

(1) Changes in Significant Subsidiaries during the Period: Yes
(Changes in specified subsidiaries resulting in change in scope of consolidation)
Newly included: 1 company (Daikin Air Conditioning (Huizhou) Co., Ltd.)

(2) 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: Yes
(iii) Changes in accounting estimates: None
(iv) Retrospective restatement: None

(3) Number of Shares Issued (common stock)
(i) Number of shares issued at end of period (including treasury shares)

As of March 31, 2023	293,113,973 shares
As of March 31, 2022	293,113,973 shares

(ii) Number of treasury shares at end of period

As of March 31, 2023	389,416 shares
As of March 31, 2022	429,774 shares

(iii) Average number of shares outstanding during the period

Fiscal Year Ended March 31, 2023	292,708,118 shares
Fiscal Year Ended March 31, 2022	292,666,743 shares

(Reference) Summary of Non-Consolidated Business Results for the Fiscal Year Ended March 31, 2023
(From April 1, 2022, to March 31, 2023)

(1) Non-Consolidated Business Results

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

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal Year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	763,994	12.0	47,382	-21.1	146,822	-14.0	142,775	-7.2
March 31, 2022	681,899	21.1	60,048	68.3	170,705	69.6	153,800	75.3

	Earnings per share	Diluted earnings per share
Fiscal Year ended	Yen	Yen
March 31, 2023	487.77	487.47
March 31, 2022	525.51	525.20

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	1,728,916	1,094,842	63.1	3,729.47
As of March 31, 2022	1,814,520	1,021,203	56.1	3,480.34

(Reference) Equity capital was ¥1,091,725 million as of March 31, 2023, and ¥1,018,656 million as of March 31, 2022.

The Brief Report on the Settlement of Accounts is outside the scope of audit 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 "(4) Business Forecast for the Future" of "1. Overview of Operating Results, etc."
- The Company plans to hold a briefing on business results for institutional investors and analysts on Wednesday, May 10, 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. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year Ended March 31, 2023

In the fiscal year ended March 31, 2023 (fiscal 2022), economic activities gradually normalized as the COVID-19 pandemic approached its end, but the prolonged Ukraine crisis, rising global inflation, and rapid interest rate hikes in Europe and the United States slowed the pace of the overall world economic recovery. In the U.S. economy, the favorable employment and income environment, brisk personal consumption of savings accrued during the COVID-19 pandemic, and increased energy-related exports supported the economy despite the drag placed on it by the ongoing high inflation rate and increases in policy interest rates. In the European economy, soaring energy prices produced by the prolonged Ukraine crisis continued to exert strong inflationary pressure, causing an economic slump. In Asia and emerging countries, there was a gradual economic recovery due to a resumption of personal consumption from the easing of activity restrictions and the recovery of services exports, but from fall onward rapidly rising inflation exerted downward pressure on the economy, slowing the pace of the recovery. In the Chinese economy, consumption and investment sentiment waned because of the prolonged zero-COVID policy, while exports fell due to a slowdown in the economies of Europe and the United States and lower factory operation rates. However, towards the end of the fiscal year, there were signs of recovery, led by domestic demand. In Japan, despite climbing energy prices and rising prices of goods due to the weak yen, the Japanese economy continued its gradual recovery, supported by a resumption of personal consumption due to the easing of activity restrictions, along with robust capital investment.

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

- Promote sales price policies by introducing differentiated products that meet the needs of the market and customers
- Strengthen sales and marketing capabilities in each business segment, including commercial air-conditioning equipment
- Promote variable cost reduction by pursuing further reductions in costs
- Implement logistics efficiency improvement measures to cope with further sharp rises in logistics expenses
- Streamline fixed costs while remaining attentive to both aggressive investment and improved profitability
- Strengthen procurement and supply capabilities, with a view to the next fiscal year and beyond
- Accelerate generation of results and profitability from corporate acquisitions and large-scale capital investments
- Strengthen personnel acquisition and personnel development through R&D and digitalization, etc.

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

The Daikin Group's net sales increased by 28.1% year over year to ¥3,981,578 million for the fiscal year under review. As for profits, operating profit increased by 19.2% to ¥377,032 million, ordinary profit increased by 11.8% to ¥366,245 million, and profit attributable to owners of parent increased by 18.4% to ¥257,754 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 28.3% year over year to ¥3,629,766 million. Operating profit increased by 14.9% to ¥324,452 million.

In the Japanese air-conditioning equipment market, there were moves toward a rally in capital investment as economic activity recovered, and commercial market demand rose year over year. On the other hand, residential market demand fell year over year as a result of the supply constraints from lockdowns in China and a rebound from last year's high demand from people staying at home. Against this backdrop, the Group strengthened its proposals in order to meet rising demand for energy-saving equipment, strove to maintain supply stability by building a robust supply chain, and worked to expand sales. In the commercial air-conditioning equipment market, we have increased proposals that provide both energy cost reductions and air quality improvement by combining the Group's air-conditioning systems, such as the "FIVE STAR ZEAS" and "VRV X" series with their high energy-saving performance, and the Group's ventilation and disinfection products, such as the "Heat Reclaim Ventilator" total heat exchanger unit and "UV Streamer Disinfection Unit." As a result of these efforts, net sales of commercial air-conditioning systems rose year over year. In the residential air-conditioning equipment market, we have expanded our approaches to users by leveraging the unique product appeal and high energy efficiency of room air conditioners including "Urusara X," which creates comfortable room environments through waterless humidification, air supply ventilation, and exhaust air ventilation, along with "risora," an air conditioner in which close attention was paid to design. As a result of these efforts, net sales of residential air-conditioning systems increased year over year.

In the Americas, production and sales remained strong due to efforts to improve productivity despite problems such as tight supply for some models due to parts shortages. Market share for residential air-conditioning systems remained strong due to a strengthening of supply capabilities and sales efforts such as customer development. This was despite stagnating growth in industry demand from prolonged inflation and rising housing loan interest rates. Net sales were significantly higher year over year due to efforts to strengthen the sales network through acquisitions and the implementation of pricing policies. In the market for large buildings (Applied Systems), net sales significantly increased year over year amid strong market conditions due to the sales expansion of air-conditioning systems, where sales exceeded market growth rates, and the expansion of our service and solutions business, leveraging our newly acquired sales companies and system integrators.

In China, the Group’s production and logistics were suspended in April and May due to a lockdown in Shanghai, leading to a delay in product supply and lower sales. However, following the lifting of the lockdown in June, production and logistics quickly resumed operation in full capacity, and sales for the first half of the fiscal year rose year over year. In the second half of the fiscal year, strict activity restrictions aimed at combating the spread of COVID-19 remained in effect, and when China abandoned its zero-COVID policy in December, a surge in new cases followed, causing the market to stop in December and January. Sales activity resumed in February before the number of new cases settled down, and March sales exceeded those of the previous fiscal year. Overall net sales rose year over year, due in part to the favorable effects of the exchange rate. In terms of profits, slowing sales affected profits, but the Group maintained the high level of profit that it has achieved to date by focusing on high value-added products and working to reduce costs and curb fixed costs. In the residential air-conditioning equipment market, amid the limitations on customer visits, the Group strengthened its online sales through the implementation of web strategies and the use of live broadcasts utilizing showrooms, primarily the Group’s unique “PROSHOP” specialty shops. Furthermore, the Group worked to capture demand for replacements by leveraging customer centers and customer data. Customers are increasingly concerned about air and environmental issues, and we see energy-saving regulations and regulations regarding combustion heating, enacted due to carbon neutrality policies, as opportunities. We therefore strengthened our unique system sales and solution proposals by combining air-conditioning systems, indoor air quality (IAQ) improvement functions, total heat exchangers, and heat pump floor heating systems. In the commercial air-conditioning equipment market, the Group focused its efforts on infrastructure, government projects, and investment projects by major companies, for which demand is strong as the result of economic stimulus measures. In response to the promotion of carbon neutrality policies, the Group strengthened sales of energy solutions and air quality visualization products in the large-scale projects market, and, in the factory market, strengthened sales by focusing on approaches such as emphasizing power reduction using energy-saving air-conditioning systems. In the Applied Systems air-conditioning equipment market, the Group shifted management resources to growth fields such as infrastructure and semiconductor-related and also strengthened the repair and maintenance business.

In Asia and Oceania, sales remained strong in India, buoyed by economic growth, but in the other countries reduced consumer spending prompted by inflation, unseasonable weather, and other factors caused a slight slowdown in residential air-conditioning system sales from the second half of the fiscal year onward. However, as COVID-19 activity restrictions were eased, sales remained strong for commercial air-conditioning systems, where progress has been made in alleviating project delays. As a result of maintaining a stable supply of product despite tight supplies of electronic components and other parts, together with the implementation of pricing policies in each country, overall net sales were higher year over year for both residential use and commercial use.

In Europe, the business environment remained challenging due to various problems including soaring energy prices and high inflation resulting from the deteriorating Russia-Ukraine situation, and tight supply of components from China due to COVID-19. However, overall net sales were significantly higher year over year as a result of strengthened cooperation among production, sales, and supply divisions and efforts to enhance the sales capabilities of individual sales companies. In residential air-conditioning systems, the ongoing high energy prices produced new demand for room air conditioners with exceptional energy-saving performance for use in heating. Net sales rose year over year as a result of the reinforcement of sales by proposing such room air conditioners as heating products in countries such as Germany, the Netherlands, France, and Spain. In residential heat pump hot water heating systems, Italy announced in December that it would be downscaling its subsidy program, so demand fell during the second half of the fiscal year. However, in many other countries, sales maintained an expansionary trend, driven by demand for replacements of gas and oil boilers that was supported by subsidy programs backed by European Green Deal policies. To maximize the capture of demand, we strengthened our sales capabilities, including dealer development and support for subsidy applications, expanded our product lineup, and enhanced production and supply capabilities at our nearest factories. As a result of these efforts, net sales of residential heating systems were significantly higher year over year. In commercial air-conditioning systems, we were affected by supply delays due to tight supply of components, but with the easing and lifting of COVID-19 activity restrictions put in place by various countries, we steadily captured one-time pent-up demand for offices, stores, and the like. Investment slowed from the second quarter onward due to hikes in interest rates by the European Central Bank, but we maximized sales by reinforcing our activities to receive orders for medium- and small-scale projects. As a result, net sales of commercial air-conditioning systems were higher year over year. In the refrigeration business, the business environment significantly declined due to caution among food chain supermarkets to invest in new stores and renovations, and net sales were lower year over year.

In the Middle and Near East and Africa, net sales significantly increased year over year, led by strengthened sales in the UAE, Saudi Arabia, and Egypt. In Turkey, sales expanded, driven by the Group's strength of quick delivery, in commercial air-conditioning systems with the start of local production. Economic activities temporarily slowed following the massive earthquake in southeastern Turkey in February, but net sales were significantly higher year over year.

In the filter business, the gradual demand recovery trend continued. In the United States, the Group strove to implement pricing policies, and sales grew significantly through the active use of distributors acquired in August. Efforts were also made to acquire new customers with the aim of expanding business for high-end commercial applications. Sales to engineering companies with strengths in the area of air-conditioning systems increased due to a rise in demand for environmentally-conscious systems, not only among developers, but also among customers. In Europe, sales were strong in high-end markets due to ongoing steady demand for energy conservation and air quality improvement, despite a gradual economic slowdown. In Asia, sales of high-performance filters rose due to vigorous semiconductor investment. Within Japan, sales of high-performance filters for the semiconductor market remained strong, as did sales of infection control products. The gas turbine and dust collection systems business also benefited from strong sales of dust collection systems in Europe, and net sales of the filter business overall were significantly higher year over year.

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

(ii) Chemicals

Overall sales of the Chemicals segment increased by 24.0% year over year to ¥263,416 million. Operating profit increased by 66.3% to ¥45,411 million.

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

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

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

As for fluorocarbon gas, net sales were significantly higher year over year due to the 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 ¥88,395 million. Operating profit increased by 8.0% to ¥7,182 million.

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

In the defense systems business, sales of oxygen concentrators and pulse oximeters (medical devices that can easily measure blood oxygen saturation without blood collection) decreased due to a decline in demand associated with COVID-19, and net sales fell year over year.

In the electronics business, sales remained strong for "SpaceFinder," a database system for design and development sectors in line with customer needs such as solutions for quality issues, shortened design and development periods, and support for cost reductions, as well as for "Smart Innovator" and facility CAD systems. However, net sales decreased year over year due to decreased sales of CG creation software for the game market.

(2) Overview of Financial Position for the Fiscal Year Ended March 31, 2023

Total assets increased by ¥480,644 million from the end of the previous fiscal year to ¥4,303,682 million.

Current assets increased by ¥261,459 million from the end of the previous fiscal year to ¥2,427,082 million, mainly due to an increase in merchandise and finished goods.

Non-current assets increased by ¥219,185 million from the end of the previous fiscal year to ¥1,876,599 million, primarily due to an increase in machinery, equipment and vehicles and the effect of foreign exchange rates resulting from yen depreciation.

Liabilities increased by ¥208,698 million from the end of the previous fiscal year to ¥2,024,587 million, mainly due to an increase in short-term borrowings.

Net assets increased by ¥271,945 million from the end of the previous fiscal year to ¥2,279,095 million, primarily due to the recording of profit attributable to owners of parent.

(3) Overview of Cash Flows for the Fiscal Year Ended March 31, 2023

During the fiscal year under review, net cash provided by operating activities was ¥158,896 million, a decrease of ¥86,174 million from the previous fiscal year, principally due to an increase in inventories. Net cash used in investing activities was ¥229,793 million, an increase of ¥49,004 million from the previous fiscal year, primarily due to an increase in purchase of property, plant and equipment. Net cash used in financing activities was ¥113,088 million, an increase of ¥64,390 million from the previous fiscal year, mainly due to an increase in repayments of long-term borrowings. After including the effect of foreign exchange rate change to these results, net decrease in cash and cash equivalents for the fiscal year under review, amounted to ¥168,989 million, a decrease of ¥226,112 million from the previous fiscal year.

(Reference) Trends in Cash Flow Indicators

	Fiscal Year ended March 31, 2019	Fiscal Year ended March 31, 2020	Fiscal Year ended March 31, 2021	Fiscal Year ended March 31, 2022	Fiscal Year ended March 31, 2023
Equity ratio (%)	52.4	53.8	51.4	51.5	51.9
Market value equity ratio (%)	140.5	144.5	201.7	171.6	160.9
Cash flows/Interest-bearing debt ratio (years)	2.3	1.8	2.0	3.4	5.6
Interest coverage ratio (times)	21.2	25.6	39.3	27.7	7.8

Notes:

1. Equity ratio = Equity capital/Total assets
   Market value equity ratio = Aggregate market value of shares/Total assets
   Cash flows/Interest-bearing debt ratio = Interest-bearing debt/Operating cash flow
   Interest coverage ratio = Operating cash flow/Interest payment
2. Each indicator is calculated based on the consolidated financial values.
3. Aggregate market value of shares is calculated as follows: (term-end closing stock price) × (term-end number of shares issued [after deducting shares of treasury shares])
4. Operating cash flow represents the “Net cash provided by (used in) operating activities” in the consolidated statement of cash flows.
5. Interest-bearing debt indicates the liabilities for which interest is paid on all the liabilities posted in the consolidated balance sheet. Interest payment corresponds to the amount of “Interest paid” in the consolidated statement of cash flows.

From the fiscal year ended March 31, 2023, the Company has changed the accounting policies, and to enable a year-over-year comparison of results, figures for the previous fiscal years have been recalculated retrospectively to reflect this change.

(4) Business Forecast for the Future

While the world economy in the fiscal year ending March 31, 2024, is expected to gradually normalize, there continues to be financial uncertainty, with ongoing geopolitical risks, inflation, and labor market constraints, as well as increasing global economic instability.

In this business environment, under the Group’s slogan for its Annual Group Policy for this year (2023), “Connecting growing opportunities to results, Let’s strongly spread our wings,” the Group will look at decarbonization efforts aimed at the achievement of carbon neutrality, the rising need for energy savings, and the expansion of demand in emerging countries such as India as opportunities, and will refine its accumulated strengths and enhance its earning power through both its growth potential and profitability. Specifically, leveraging our production and sales system of local production and local consumption, our solid sales networks, our environmental and energy-saving technologies, and the like, we will actively launch differentiated products and expand sales through thorough environmental and energy-saving proposals for specific markets and customers. We will also establish region, application, and market-specific models and use them to expand our service and solutions business, and build a resilient supply chain that can rapidly and flexibly respond to change, including making large-scale capital investments in areas around the world. Furthermore, we will implement strategic sales price policies and variable cost reduction in order to absorb cost increases prompted by inflation. While making investments that will lead to enhanced profitability in the future, we will maintain our position of increasing both sales and profit and make further leaps forward.

For the fiscal year ending March 31, 2024, we forecast a 3.0% increase in consolidated net sales to ¥4,100,000 million, with operating profit increasing 6.1% to ¥400,000 million, ordinary profit increasing 3.8% to ¥380,000 million, and profit attributable to owners of parent increasing 2.4% to ¥264,000 million.

The estimated exchange rate for the fiscal year ending March 31, 2024, is based on the assumption that US$1 equals ¥126 and 1 euro equals ¥133.

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

(5) Basic Policy on Profit Distribution and Dividends for the Fiscal Year Ended March 31, 2023, and the Fiscal Year Ending March 31, 2024

The Company will continue to focus on expanding its businesses while investing its assets strategically and improving its financial structure by such means as proceeding with the reduction of overall costs and enhancing its fiscal position. Through these initiatives, we are committed to being a truly global and excellent company while at the same time further improving our corporate value and enhancing profit returns to our shareholders.

Specifically, by striving to maintain a consolidated ratio of dividend to net assets (Dividend on Equity, DOE) of 3.0% while at the same time aiming for an even higher consolidated dividend payout ratio, we will introduce initiatives to further increase returns to our shareholders with the core goal of stable and continuous dividends.

Internal reserves will be applied to strategic investments in order to expand business and increase competitiveness such as reinforcing management practices, promoting global businesses, and accelerating eco-conscious product development.

For the fiscal year ended March 31, 2023, the Company has proposed an annual cash dividend of ¥240 (¥100 for the interim dividend and ¥140 for the year-end dividend).

For the fiscal year ending March 31, 2024, the Company proposes an annual cash dividend of ¥240 (¥120 for the interim dividend and ¥120 for the year-end dividend).

2. Basic Stance Regarding Choice of Accounting Standards

The Daikin Group applies Japanese general accepted accounting principle (J-GAAP).

In terms of the International Financial Reporting Standards (IFRS), the difference between IFRS and J-GAAP, its potential impact on the Daikin Group and other effects are currently being studied. We will address the application of the IFRS appropriately upon taking into account various circumstances both in Japan and abroad.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Assets		
Current assets		
Cash and deposits	817,619	617,663
Notes and accounts receivable – trade, and contract assets	595,076	706,315
Merchandise and finished goods	450,974	668,310
Work in process	44,931	65,518
Raw materials and supplies	175,556	259,555
Other	98,392	128,901
Allowance for doubtful accounts	(16,928)	(19,180)
Total current assets	2,165,623	2,427,082
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	302,601	350,102
Machinery, equipment and vehicles, net	225,064	277,460
Land	64,665	71,309
Leased assets, net	3,832	4,692
Construction in progress	94,706	139,715
Other, net	52,493	57,664
Total property, plant and equipment	743,364	900,944
Intangible assets		
Goodwill	270,467	304,331
Customer relationship	202,223	237,220
Other	104,316	116,901
Total intangible assets	577,007	658,454
Investments and other assets		
Investment securities	200,187	169,602
Long-term loans receivable	668	744
Deferred tax assets	41,665	41,011
Retirement benefit asset	26,332	23,189
Other	69,465	83,168
Allowance for doubtful accounts	(1,275)	(516)
Total investments and other assets	337,042	317,200
Total non-current assets	1,657,414	1,876,599
Total assets	3,823,038	4,303,682

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	302,621	352,647
Short-term borrowings	97,376	293,541
Commercial papers	—	79,000
Current portion of bonds payable	30,000	20,000
Current portion of long-term borrowings	334,528	53,900
Lease obligations	25,876	30,442
Income taxes payable	36,745	37,726
Provision for bonuses for directors (and other officers)	354	377
Provision for product warranties	72,443	85,528
Accrued expenses	206,002	247,491
Other	200,290	248,663
Total current liabilities	1,306,239	1,449,321
Non-current liabilities		
Bonds payable	120,000	140,000
Long-term borrowings	140,526	174,148
Lease obligations	76,508	96,597
Deferred tax liabilities	121,353	103,554
Retirement benefit liability	16,116	18,176
Other	35,144	42,789
Total non-current liabilities	509,649	575,266
Total liabilities	1,815,888	2,024,587
Net assets		
Shareholders' equity		
Share capital	85,032	85,032
Capital surplus	83,834	79,478
Retained earnings	1,529,147	1,712,165
Treasury shares	(1,846)	(1,676)
Total shareholders' equity	1,696,167	1,874,999
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	59,534	51,980
Deferred gains or losses on hedges	3,436	459
Foreign currency translation adjustment	212,278	315,392
Remeasurements of defined benefit plans	(2,691)	(7,801)
Total accumulated other comprehensive income	272,558	360,031
Share acquisition rights	2,546	3,116
Non-controlling interests	35,876	40,947
Total net assets	2,007,149	2,279,095
Total liabilities and net assets	3,823,038	4,303,682

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

(Consolidated Statement of Income)

(Millions of yen)

	FY2021 (April 1, 2021, to March 31, 2022)	FY2022 (April 1, 2022, to March 31, 2023)
Net sales	3,109,106	3,981,578
Cost of sales	2,051,767	2,650,102
Gross profit	1,057,338	1,331,476
Selling, general and administrative expenses	740,987	954,443
Operating profit	316,350	377,032
Non-operating income		
Interest income	8,186	11,563
Dividend income	4,702	5,417
Share of profit of entities accounted for using equity method	1,401	1,697
Foreign exchange gains	4,492	3,795
Subsidy income	2,192	3,212
Other	2,387	3,373
Total non-operating income	23,363	29,061
Non-operating expenses		
Interest expenses	8,824	20,293
Settlement payments	—	4,240
Inflation accounting adjustment	—	8,541
Other	3,392	6,773
Total non-operating expenses	12,216	39,849
Ordinary profit	327,496	366,245
Extraordinary income		
Gain on sale of land	311	—
Gain on sale of investment securities	5,749	16,085
Gain on sale of investments in capital of subsidiaries and associates	226	—
Gain on liquidation of subsidiaries and associates	18	475
Gain on reversal of share acquisition rights	—	5
Gain on insurance claims	—	933
Total extraordinary income	6,306	17,500
Extraordinary losses		
Loss on disposal of non-current assets	581	1,036
Loss on sale of land	65	10
Loss on valuation of investment securities	307	343
Loss on sale of shares of subsidiaries and associates	32	1
Loss on liquidation of subsidiaries and associates	—	93
Loss on restructuring of subsidiaries and associates	—	293
Impairment loss	3,667	8,582
Loss on disaster	1,091	—
Other	0	—
Total extraordinary losses	5,746	10,361
Profit before income taxes	328,056	373,384
Income taxes – current	110,657	128,378
Income taxes – deferred	(7,870)	(20,436)
Total income taxes	102,786	107,941
Profit	225,269	265,443
Profit attributable to non-controlling interests	7,560	7,688
Profit attributable to owners of parent	217,709	257,754

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	FY2021 (April 1, 2021, to March 31, 2022)	FY2022 (April 1, 2022, to March 31, 2023)
Profit	225,269	265,443
Other comprehensive income		
Valuation difference on available-for-sale securities	(9,165)	(7,555)
Deferred gains or losses on hedges	2,143	(2,976)
Foreign currency translation adjustment	143,222	103,267
Remeasurements of defined benefit plans	1,825	(5,123)
Share of other comprehensive income of entities accounted for using equity method	2,844	1,174
Total other comprehensive income	140,871	88,785
Comprehensive income	366,141	354,228
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	355,319	345,227
Comprehensive income attributable to non-controlling interests	10,821	9,001

(3) Consolidated Statement of Changes in Equity

FY2021 (April 1, 2021, to March 31, 2022) (Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	85,032	84,214	1,363,505	(2,012)	1,530,740
Cumulative effects of changes in accounting policies			(960)		(960)
Restated balance	85,032	84,214	1,362,545	(2,012)	1,529,779
Changes in items during period					
Dividends of surplus			(49,752)		(49,752)
Profit attributable to owners of parent			217,709		217,709
Effect of changes in accounting period of subsidiaries			(1,354)		(1,354)
Purchase of treasury shares				(7)	(7)
Disposal of treasury shares		265		172	438
Change in ownership interest of parent due to transactions with non-controlling interests		(646)			(646)
Net changes in items other than shareholders' equity					
Total changes in items during period	—	(380)	166,602	165	166,388
Balance at end of current period	85,032	83,834	1,529,147	(1,846)	1,696,167

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	68,699	1,292	69,470	(4,513)	134,948	2,019	30,787	1,698,495
Cumulative effects of changes in accounting policies								(960)
Restated balance	68,699	1,292	69,470	(4,513)	134,948	2,019	30,787	1,697,534
Changes in items during period								
Dividends of surplus								(49,752)
Profit attributable to owners of parent								217,709
Effect of changes in accounting period of subsidiaries								(1,354)
Purchase of treasury shares								(7)
Disposal of treasury shares								438
Change in ownership interest of parent due to transactions with non-controlling interests								(646)
Net changes in items other than shareholders' equity	(9,164)	2,143	142,808	1,822	137,610	527	5,089	143,226
Total changes in items during period	(9,164)	2,143	142,808	1,822	137,610	527	5,089	309,614
Balance at end of current period	59,534	3,436	212,278	(2,691)	272,558	2,546	35,876	2,007,149

FY2022 (April 1, 2022, to March 31, 2023) (Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	85,032	83,834	1,529,147	(1,846)	1,696,167
Hyperinflation adjustment			(13,070)		(13,070)
Restated balance	85,032	83,834	1,516,076	(1,846)	1,683,097
Changes in items during period					
Dividends of surplus			(61,468)		(61,468)
Profit attributable to owners of parent			257,754		257,754
Effect of changes in accounting period of subsidiaries			(197)		(197)
Purchase of treasury shares				(5)	(5)
Disposal of treasury shares		317		175	492
Change in ownership interest of parent due to transactions with non-controlling interests		(4,673)			(4,673)
Net changes in items other than shareholders' equity					
Total changes in items during period	—	(4,356)	196,089	170	191,902
Balance at end of current period	85,032	79,478	1,712,165	(1,676)	1,874,999

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	59,534	3,436	212,278	(2,691)	272,558	2,546	35,876	2,007,149
Hyperinflation adjustment								(13,070)
Restated balance	59,534	3,436	212,278	(2,691)	272,558	2,546	35,876	1,994,078
Changes in items during period								
Dividends of surplus								(61,468)
Profit attributable to owners of parent								257,754
Effect of changes in accounting period of subsidiaries								(197)
Purchase of treasury shares								(5)
Disposal of treasury shares								492
Change in ownership interest of parent due to transactions with non-controlling interests								(4,673)
Net changes in items other than shareholders' equity	(7,554)	(2,976)	103,114	(5,110)	87,472	569	5,071	93,113
Total changes in items during period	(7,554)	(2,976)	103,114	(5,110)	87,472	569	5,071	285,016
Balance at end of current period	51,980	459	315,392	(7,801)	360,031	3,116	40,947	2,279,095

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY2021 (April 1, 2021, to March 31, 2022)	FY2022 (April 1, 2022, to March 31, 2023)
I. Cash flows from operating activities		
Profit before income taxes	328,056	373,384
Depreciation	115,378	142,728
Impairment loss	3,667	8,582
Amortization of goodwill	32,684	39,496
Increase (decrease) in allowance for doubtful accounts	2,003	391
Interest and dividend income	(12,888)	(16,981)
Interest expenses	8,824	20,293
Share of loss (profit) of entities accounted for using equity method	(1,401)	(1,697)
Loss (gain) on disposal of non-current assets	581	1,036
Loss (gain) on sale of investment securities	(5,749)	(16,085)
Loss (gain) on valuation of investment securities	307	343
Decrease (increase) in trade receivables	(76,684)	(61,814)
Decrease (increase) in inventories	(151,026)	(267,554)
Increase (decrease) in trade payables	45,539	24,178
Increase (decrease) in accounts payable - other	10,097	1,434
Increase (decrease) in accrued expenses	34,086	25,279
Increase (decrease) in retirement benefit liability	822	858
Decrease (increase) in retirement benefit asset	(6,316)	3,265
Other, net	9,662	11,693
Subtotal	337,646	288,831
Interest and dividends received	12,998	18,257
Interest paid	(8,837)	(20,483)
Income taxes paid	(96,736)	(127,708)
Net cash provided by (used in) operating activities	245,071	158,896
II. Cash flows from investing activities		
Purchase of property, plant and equipment	(114,106)	(175,076)
Proceeds from sale of property, plant and equipment	5,345	6,857
Purchase of investment securities	(1,593)	(2,776)
Proceeds from sale of investment securities	8,883	40,592
Purchase of shares of subsidiaries and associates	—	(909)
Proceeds from sale of businesses	437	—
Payments for acquisition of businesses	(2,379)	(5,496)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(14,500)	(63,993)
Payments for investments in capital of subsidiaries resulting in change in scope of consolidation	(28,229)	(41,162)
Decrease (increase) in time deposits	(14,185)	31,967
Other, net	(20,461)	(19,797)
Net cash provided by (used in) investing activities	(180,789)	(229,793)

(Millions of yen)

	FY2021 (April 1, 2021, to March 31, 2022)	FY2022 (April 1, 2022, to March 31, 2023)
III. Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	57,048	270,217
Proceeds from long-term borrowings	48,460	76,116
Repayments of long-term borrowings	(79,575)	(357,476)
Proceeds from issuance of bonds	19,909	39,837
Redemption of bonds	(10,000)	(30,000)
Dividends paid	(49,746)	(61,468)
Proceeds from share issuance to non-controlling shareholders	1,585	5,602
Dividends paid to non-controlling interests	(7,806)	(8,145)
Repayments of lease liabilities	(27,507)	(40,953)
Other, net	(1,064)	(6,818)
Net cash provided by (used in) financing activities	(48,698)	(113,088)
IV. Effect of exchange rate change on cash and cash equivalents	41,538	14,996
V. Net increase (decrease) in cash and cash equivalents	57,122	(168,989)
VI. Cash and cash equivalents at beginning of period	662,267	717,802
VII. Increase (decrease) in cash and cash equivalents resulting from change in accounting period of subsidiaries	(1,586)	(570)
VIII. Cash and cash equivalents at end of period	717,802	548,242

(5) Notes to Consolidated Financial Statements

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

None applicable

Changes in Accounting Policies

[Introduction costs in a cloud computing arrangement]

From the fiscal year ended March 31, 2023, the Group has changed its accounting policy to recognize the cost of configuration or customization services as an expense when they are received, in accordance with the IFRS Interpretations Committee's agenda decision published in April 2021, in some overseas consolidated subsidiaries that have applied International Financial Reporting Standards (IFRS) and conventionally have applied IAS 38 "Intangible Assets" to recognize configuration or customization costs in the cloud computing arrangement.

This change in accounting policy has been applied retrospectively, and the retrospective application is reflected in the consolidated financial statements for the previous fiscal year.

As a result, compared with the consolidated balance sheet as of March 31, 2022 prior to the retrospective application, intangible assets decreased by ¥1,280 million and deferred tax assets increased by ¥320 million. In addition, the cumulative impact of the change in accounting policy has been reflected in the book value of net assets at the beginning of the previous fiscal year, and accordingly, retained earnings decreased by ¥960 million. The impact from this change on the Consolidated Statement of Income is minimal.

Additional Information

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

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

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

With regard to COVID-19, while it is difficult to predict when the situation will return to normal, the Group has made accounting estimates such as impairment of non-current assets, based on the assumption that socio-economic activities will recover gradually due to the broad-based vaccination and the economic measures adopted by governments.

[Application of hyperinflationary accounting to Turkish subsidiaries]

As Turkey's cumulative inflation rate over the previous three years has exceeded 100%, from the beginning of the 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 fiscal year ended March 31, 2023. Additionally, the effect of inflation on the net monetary position of the Group for the fiscal year ended March 31, 2023, is presented as "inflation accounting adjustment" under "non-operating expenses."

Segment Information, etc.

[Segment Information]

1. Summary of reported segments

Reported segments of the Company are constituent units of the Company, for which separate financial statements are available and are subject to periodic review by the Board of Directors when deciding the allocation of management resources and evaluating business results.

The Company designates "Air-Conditioning and Refrigeration Equipment" and "Chemicals," which are segmented based on similarities among products and services, as reported segments.

"Air-Conditioning and Refrigeration Equipment" is engaged in the manufacture (including installation work) and sale of air-conditioning and refrigeration equipment. "Chemicals" is engaged in the manufacture and sale of chemicals.

2. Method of calculating net sales, profit or loss, assets, liabilities and other items by reported segment

Methods of accounting procedures for reported business segments are in accordance with the accounting policies used to prepare consolidated financial statements.

Profit of reported segments is the figure based on operating profit. Intersegment profit is based on market prices.

(Introduction costs in a cloud computing arrangement)

As stated in "Changes in Accounting Policies," from the fiscal year ended March 31, 2023, the Group has changed its accounting policy to recognize the cost of configuration or customization services in the cloud computing arrangement as an expense when they are received. This change in accounting policy has been applied retrospectively, and the retrospective application is reflected in the segment information for the previous fiscal year.

Accordingly, segment assets in "Air Conditioning and Refrigeration Equipment" decreased by ¥960 million for the previous fiscal year.

3. Information on net sales, profit or loss, assets, liabilities and other items by reported segment and information on disaggregate revenue
Previous fiscal year (From April 1, 2021, to March 31, 2022)

(Millions of yen)

	Reported segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded on the Consolidated Financial Statements (Note 3)
	Air-Conditioning and Refrigeration Equipment	Chemicals	Subtotal				
Net sales							
Japan	523,927	58,439	582,367	56,080	638,447	—	638,447
U.S.	792,956	39,912	832,869	7,586	840,455	—	840,455
Europe	518,740	33,530	552,270	943	553,214	—	553,214
Asia and Oceania	397,956	27,067	425,024	1,083	426,107	—	426,107
China	424,744	51,187	475,932	2,189	478,121	—	478,121
Other	170,172	2,286	172,459	299	172,758	—	172,758
Revenue from contracts with customers	2,828,499	212,424	3,040,923	68,182	3,109,106	—	3,109,106
Other revenue	—	—	—	—	—	—	—
Sales to outside customers	2,828,499	212,424	3,040,923	68,182	3,109,106	—	3,109,106
Intersegment sales	2,167	12,222	14,389	1,177	15,567	(15,567)	—
Total	2,830,666	224,647	3,055,313	69,360	3,124,673	(15,567)	3,109,106
Segment profit	282,404	27,301	309,706	6,647	316,354	(3)	316,350
Segment asset	2,999,036	343,554	3,342,590	44,268	3,386,858	436,179	3,823,038
Other items							
Depreciation	96,734	16,475	113,209	2,162	115,371	—	115,371
Amortization of goodwill	32,484	199	32,684	—	32,684	—	32,684
Investments in entities accounted for using equity method	17,179	7,091	24,271	—	24,271	—	24,271
Increase in property, plant and equipment, and intangible assets	119,824	34,516	154,341	2,030	156,371	—	156,371

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 breakdown of adjustment is as follows:
(1) The adjustment of ¥(3) million to segment profit comprises the elimination of intersegment transactions.
(2) The adjustment of ¥436,179 million to segment assets includes corporate assets not allocated to each reported segment of ¥482,469 million and ¥(46,289) million of intersegment transaction elimination. Corporate assets mainly consist of surplus funds for management (cash and deposits) and long-term investment funds (investment securities) of the Company.
3. Segment profit is adjusted with operating profit in the Consolidated Statement of Income.

Current fiscal year (From April 1, 2022, to March 31, 2023)

(Millions of yen)

	Reported segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded on the Consolidated Financial Statements (Note 3)
	Air-Conditioning and Refrigeration Equipment	Chemicals	Subtotal				
Net sales							
Japan	553,043	70,086	623,130	60,999	684,129	—	684,129
U.S.	1,204,711	58,218	1,262,930	12,087	1,275,018	—	1,275,018
Europe	657,425	42,363	699,788	8,962	708,751	—	708,751
Asia and Oceania	543,353	34,569	577,923	2,475	580,398	—	580,398
China	430,063	55,817	485,881	2,655	488,536	—	488,536
Other	241,167	2,362	243,529	1,214	244,744	—	244,744
Revenue from contracts with customers	3,629,766	263,416	3,893,183	88,395	3,981,578	—	3,981,578
Other revenue	—	—	—	—	—	—	—
Sales to outside customers	3,629,766	263,416	3,893,183	88,395	3,981,578	—	3,981,578
Intersegment sales	2,156	21,529	23,686	1,604	25,290	(25,290)	—
Total	3,631,923	284,946	3,916,869	89,999	4,006,869	(25,290)	3,981,578
Segment profit	324,452	45,411	369,863	7,182	377,045	(12)	377,032
Segment asset	3,669,676	402,215	4,071,892	90,168	4,162,061	141,621	4,303,682
Other items							
Depreciation	118,915	21,050	139,965	2,756	142,722	—	142,722
Amortization of goodwill	38,328	216	38,544	951	39,496	—	39,496
Investments in entities accounted for using equity method	19,109	7,648	26,757	42	26,800	—	26,800
Increase in property, plant and equipment, and intangible assets	205,593	41,486	247,080	3,206	250,286	—	250,286

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 breakdown of adjustment is as follows:
(1) The adjustment of ¥(12) million to segment profit comprises the elimination of intersegment transactions.
(2) The adjustment of ¥141,621 million to segment assets includes corporate assets not allocated to each reported segment of ¥196,263 million and ¥(54,641) million of intersegment transaction elimination. Corporate assets mainly consist of long-term investment funds (investment securities) and surplus funds for management (cash and deposits) of the Company.
3. Segment profit is adjusted with operating profit in the Consolidated Statement of Income.

[Relevant Information]
Previous fiscal year (From April 1, 2021, to March 31, 2022)

1. Information by product and by service
This information is omitted, as similar information is disclosed in segment information.

2. Information by geographical segment
(1) Net sales
This information is omitted, as similar information is disclosed in segment information.

(2) Property, plant and equipment

(Millions of yen)

Japan	U.S.	China	Asia and Oceania	Europe	Other	Total
177,139	225,149	132,496	105,005	80,999	22,573	743,364

3. Information by principal customers
None applicable

Current fiscal year (From April 1, 2022, to March 31, 2023)

1. Information by product and by service
This information is omitted, as similar information is disclosed in segment information.

2. Information by geographical segment
(1) Net sales
This information is omitted, as similar information is disclosed in segment information.

(2) Property, plant and equipment

(Millions of yen)

Japan	U.S.	China	Asia and Oceania	Europe	Other	Total
193,851	272,525	150,294	138,607	107,934	37,730	900,944

3. Information by principal customers
None applicable.

[Information Related to Impairment Loss of Non-current Assets by Reported Segment]
Previous fiscal year (From April 1, 2021, to March 31, 2022)

(Millions of yen)

	Air-Conditioning and Refrigeration Equipment	Chemicals	Others	Corporate or eliminations	Total
Impairment loss	3,667	—	—	—	3,667

Current fiscal year (From April 1, 2022, to March 31, 2023)

(Millions of yen)

	Air-Conditioning and Refrigeration Equipment	Chemicals	Others	Corporate or eliminations	Total
Impairment loss	8,582	—	—	—	8,582

[Information Related to Amount of Amortization of Goodwill and Unamortized Balance by Reported Segment]
Previous fiscal year (From April 1, 2021, to March 31, 2022)

(Millions of yen)

	Air-Conditioning and Refrigeration Equipment	Chemicals	Others	Corporate or eliminations	Total
Balance at end of current period	269,873	594	—	—	270,467

Note: Amount of amortization of goodwill is omitted, as similar information is disclosed in segment information.

Current fiscal year (From April 1, 2022, to March 31, 2023)

(Millions of yen)

	Air-Conditioning and Refrigeration Equipment	Chemicals	Others	Corporate or eliminations	Total
Balance at end of current period	287,404	353	16,573	—	304,331

Note: Amount of amortization of goodwill is omitted, as similar information is disclosed in segment information.

[Information Related to Gain on Bargain Purchase by Reported Segment]
Previous fiscal year (From April 1, 2021, to March 31, 2022)
No important items applicable.

Current fiscal year (From April 1, 2022, to March 31, 2023)
No important items applicable.

[Impairment Loss]
In the fiscal year ended March 31, 2022, the Company recorded an impairment loss of ¥3,667 million on goodwill of the group of Zanotti S.p.A., its consolidated subsidiaries.

The group, which manufactures and sells commercial freezing and refrigeration equipment, etc., has been underperforming the business plan initially formulated at the time of acquisition. As a result of strengthening its production and sales systems and conservatively reviewing its medium-term business plan, the book value has been reduced to the recoverable value.

In the fiscal year ended March 31, 2023, the Company recorded an impairment loss of ¥8,582 million on goodwill and customer relationship of the group of AHT Cooling Systems GmbH, its consolidated subsidiaries.

The group, which manufactures and sells commercial freezing and refrigeration showcases, etc., has been underperforming the business plan initially formulated at the time of acquisition. As a result of strengthening its production and sales systems and conservatively reviewing its medium-term business plan, the book value has been reduced to the recoverable value.

Per Share Information

(Yen)

Item	Previous fiscal year (April 1, 2021, to March 31, 2022)	Current fiscal year (April 1, 2022, to March 31, 2023)
Net assets per share	6,726.45	7,635.27
Earnings per share	743.88	880.59
Diluted earnings per share	743.46	880.05

Notes:

1. As stated in "Changes in Accounting Policies," the change in accounting policies from the current fiscal year has been applied retrospectively, and the retrospective application is reflected in the consolidated financial statements for the previous fiscal year. As a result, net assets per share for the previous fiscal year decreased by ¥3.28, compared with those prior to the retrospective application.
   The impacts from this change on earnings per share and diluted earnings per share are minimal.
2. The basis for calculations of earnings per share and diluted earnings per share is provided below.

Item	Previous fiscal year (April 1, 2021, to March 31, 2022)	Current fiscal year (April 1, 2022, to March 31, 2023)
Earnings per share		
Profit attributable to owners of parent (Millions of yen)	217,709	257,754
Amount not belonging to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent related to common stock (Millions of yen)	217,709	257,754
Average number of shares of common stock during the year (Thousands of shares)	292,666	292,708
Diluted earnings per share		
Increase in the number of shares of common stock (Thousands of shares)	167	177
[Of the above, stock options by exercising share acquisition rights] (Thousands of shares)	[167]	[177]
Overview of residual securities excluded from the calculation of diluted earnings per share, as they have no dilutive effect	—	

3. The basis for calculations of net assets per share is provided below.

Item	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Total net assets (Millions of yen)	2,007,149	2,279,095
Deduction from total net assets (Millions of yen)	38,423	44,064
[Of the above, share acquisition rights] (Millions of yen)	[2,546]	[3,116]
[Of the above, non-controlling interests] (Millions of yen)	[35,876]	[40,947]
Shareholders' equity pertaining to common stock at the end of the fiscal year (Millions of yen)	1,968,726	2,235,030
Number of shares of common stock used to calculate net assets per share (Thousands of shares)	292,684	292,724

Significant Subsequent Events

None applicable