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Member, Financial Accounting Standards Foundation

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

August 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 start of dividend payment: —
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 Three Months Ended June 30, 2024
(From April 1, 2024, to June 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	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2024	1,251,029	14.3	115,410	-2.1	105,193	-8.4	63,099	-21.4
June 30, 2023	1,094,715	13.1	117,884	9.3	114,809	4.8	80,258	13.8

Note: Comprehensive income was ¥198,557 million (-7.8%) for the three months ended June 30, 2024, and ¥215,375 million (3.6%) for the three months ended June 30, 2023.

	Earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	215.53	215.40
June 30, 2023	274.18	274.01

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	5,251,607	2,846,514	53.2
As of March 31, 2024	4,880,230	2,687,302	54.0

(Reference) Equity capital was ¥2,792,416 million as of June 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	—				
Fiscal Year ending March 31, 2025 (forecast)		185.00	—	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 (forecast) 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
First half	2,300,000	3.4	243,000	3.1	222,000	0.4	153,000	-0.0	522.61
Full year	4,540,000	3.3	425,000	8.4	390,000	10.0	267,000	2.6	912.01

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

*Notes

(1) Significant Changes in the Scope of Consolidation during the Three Months Ended June 30, 2024: Yes

Newly included: 2 companies (DAIKIN FINETECH KOREA CO., LTD. and 1 other)

Excluded: 1 company (BV Froid SAS)

(2) Adoption of Accounting Treatment Specific to Quarterly Consolidated Financial Statement Preparation: Yes

(3) Changes in Accounting Policies, Changes in Accounting Estimates, and Retrospective Restatement

(i) Changes in accounting policies relating to revisions to accounting standards, etc.: 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 June 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 June 30, 2024	347,735 shares
As of March 31, 2024	353,293 shares

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

Three Months Ended June 30, 2024	292,763,534 shares
Three Months Ended June 30, 2023	292,725,415 shares

Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit corporation: Yes (voluntary)

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 Tuesday, August 6, 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 three months ended June 30, 2024 (from April 1, 2024, to June 30, 2024), the world economy slowed 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 overall, despite strong personal consumption seen for high-income households owing to climbing dollar and share prices, as consumption fell appreciably for low-income households due to the worsening employment environment. 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, whereas personal consumption fell due to inflation. In Asia, the strong semiconductor industry lifted economies mainly in South Korea and Singapore.

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 and maximize the results. 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 14.3% year over year to ¥1,251,029 million for the three months ended June 30, 2024. As for profits, factors including increases in labor cost and research and development expenses led to an operating profit decrease by 2.1% to ¥115,410 million, an ordinary profit decrease by 8.4% to ¥105,193 million, and a profit attributable to owners of parent decrease by 21.4% to ¥63,099 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 15.5% year over year to ¥1,168,861 million. Operating profit increased by 0.6% to ¥104,355 million.

In the Japanese air-conditioning equipment market, commercial market demand improved in the non-manufacturing industries from a recovery in demand particularly in commercial and industrial facilities, while business sentiment worsened in the manufacturing industries due in part to the impact of slowed automobile production. In addition, demand for high energy-efficient air-conditioning systems increased due to a strong appetite for capital investment. Residential market demand significantly increased year over year due to the recovery in consumer confidence from wage rises, as well as the highest average temperature on record in April and the higher-than-average temperatures in May and June across Japan. Against this backdrop, the Group strengthened user proposals to the commercial air-conditioning equipment market, focusing on high value-added products such as the

"FIVE STAR ZEAS," which combines high energy-saving performance and ease of installation, "machi Multi," which meets individual operation needs, and the "VRV Q" series replacement type multi-split type air conditioner for buildings, which uses existing refrigerant piping to enable smooth replacement of air-conditioning systems. Accordingly, net sales increased year over year. In the residential air-conditioning equipment market, we worked to confront rising electricity prices and expanding needs for energy-saving performance in housing by strengthening user appeal for energy-saving models, resulting in higher net sales year over year.

In the Americas, sales of residential air-conditioning systems continued to face difficult conditions as demand stagnated due mainly to prolonged inflation and continuation of high interest rates for home loans. Under such a market environment, net sales increased year over year thanks to efforts for the implementation of sales expansion measures for new residential homes and housing complexes, sales expansion of the environment premium product "FIT" system, which has high energy-saving performance, and implementation of pricing policies, in addition to an increase in sales mainly in the southern states due to favorable weather. In the market for large buildings (Applied Systems), sales of air-conditioning systems grew due to the launch of a new factory in Mexico and production capacity expansion at existing factories, in addition to the uptake of market growth. Also, the acquired companies carried out sales expansion mainly for manufacturers through sales agents and 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, despite a slow recovery in the real estate market, overall net sales increased year over year due to strengthened direct sales to customers and the positive effect of exchange rates. 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's 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, greatly contributed to sales expansion. We also strengthened and expanded 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. Uptake of demand growth due to a heat wave in India and ASEAN, in addition to sales promotion measures implemented targeting dealers and consumers, helped significantly increase net sales of residential air-conditioning systems year over year. Meanwhile, despite project delays and investment reviews caused by monetary tightening, 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, although its economy is slowly recovering as inflationary pressure eased mainly in energy and consumer goods prices, demand for residential heat pump hot water heating systems fell sharply and overall net sales decreased year over year. Demand for residential air-conditioning systems were sluggish due to the lower-than-average temperatures in early spring, and sales expansion in France, Spain, and other countries could not be implemented, resulting in a decrease in net sales year over year. Reluctance to buy residential heat pump hot water heating systems became apparent since the reduction of government subsidy programs in major markets such as Italy, Germany, and France, prompted concerns of end users over the prospect of the subsidy programs. 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 significantly 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 commercial air-conditioning systems continued to expand driven by the strength of quick delivery that makes use of local production. In addition, sales of residential air-conditioning systems also increased significantly.

In the filter business, despite intensified competitions caused by the slowdown of the Chinese economy and a delay in recovery of the semiconductor market, overall net sales increased year over year, due to overall 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. In Europe, needs for energy-saving and air quality improvement remained firm, and sales remained stable, especially in the general building and OEM markets. In Asia and the Middle East, sales in the semiconductor market in Southeast Asia slowed and the market in China continued to slow, 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 resulted in a decline 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 of special filters for oil field applications.

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

(ii) Chemicals

Overall sales of the Chemicals segment increased by 2.4% year over year to ¥62,281 million. Operating profit decreased by 12.3% to ¥11,201 million mainly due to increases in labor costs and research and development expenses.

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 remained at the same level year over year due to the positive effects of exchange rates.

Fluoropolymers saw sluggish sales 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 the fields such as automobiles.

In specialty chemicals, net sales remained at the same level year over year due to a recovery trend in demand for anti-fouling surface coating agents and oil and water repellents along with decreases in distribution inventories and other factors. Meanwhile, net sales of semiconductor etching agents were higher year over year despite slower-than-expected recovery in demand.

As for fluorocarbon gas, net sales were lower year over year despite efforts to expand sales amid declining demand and the weakening market.

(iii) Other Divisions

Overall sales of the “Others” segment decreased by 9.7% year over year to ¥19,886 million. In terms of profit and loss, the Company recorded an operating loss of ¥135 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 remained at the same level year over year due to strong sales of oxygen concentrators and pulse oximeters (medical devices that can easily measure blood oxygen saturation without blood collection).

In the electronics business, sales decreased for “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 accompanied decreased sales of large projects for data science software, and net sales decreased year over year.

(2) Explanation of Financial Position

(i) Assets, Liabilities and Net Assets

Total assets increased by ¥371,377 million from the end of the previous fiscal year to ¥5,251,607 million. Current assets increased by ¥239,891 million from the end of the previous fiscal year to ¥2,966,490 million, mainly due to an increase in cash and deposits. Non-current assets increased by ¥131,486 million from the end of the previous fiscal year to ¥2,285,117 million, primarily due to an increase in buildings and structures.

Liabilities increased by ¥212,166 million from the end of the previous fiscal year to ¥2,405,093 million, mainly due to an increase in commercial papers. Interest bearing debt ratio rose to 20.5% from 19.8% at the end of the previous fiscal year.

Net assets increased by ¥159,211 million from the end of the previous fiscal year to ¥2,846,514 million, primarily due to the recording of profit attributable to owners of parent and an increase in accumulated other comprehensive income resulting from exchange rate fluctuations.

(ii) Cash Flows

During the three months ended June 30, 2024, net cash provided by operating activities was ¥149,640 million, an increase of ¥108,411 million from the same period of the previous fiscal year, principally due to a decrease in inventories. Net cash used in investing activities was ¥93,962 million, an increase of ¥6,299 million from the same period of the previous fiscal year, primarily due to an increase in purchase of shares of subsidiaries resulting in change in scope of consolidation. Net cash provided by financing activities was ¥3,966 million, a decrease of ¥82,204 million from the same period of the previous fiscal year, mainly due to a reduction in the rate of increase of short-term borrowings. After including the effect of foreign exchange rate change to these results, net increase in cash and cash equivalents for the three months ended June 30, 2024, amounted to ¥95,266 million, an increase of ¥31,675 million from the same period of the previous fiscal year.

(3) Explanation of Future Forecast Information Such as Consolidated Business Forecast

The business environment surrounding the Group is increasingly uncertain due to stagnant consumption and housing investment caused by the impact of inflation and high interest rates in various countries. The Group will maximize the results of initiatives for the improvement and enhancement of the Group's profit structure and profitability, which are priority issues for the current fiscal year, and generate results across global operations by leveraging the collective strengths of the Group. At the same time, by taking new measures to deal with changes, we will offset the impact of the worsening business environment after the formulation of our budget as well as maintain our position of increasing both sales and profits, in order to achieve the targets of our strategic management plan "Fusion 25 Latter-Half Three-Year Plan."

The consolidated business forecast for the fiscal year ending March 31, 2025, remains unchanged from the previous forecast announced on May 9, 2024.

<Reference> Consolidated Business Forecast for the Fiscal Year Ending March 31, 2025

(Millions of yen)

	First half	Full year
Net sales	2,300,000	4,540,000
Operating profit	243,000	425,000
Ordinary profit	222,000	390,000
Profit attributable to owners of parent	153,000	267,000

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)	First Quarter of FY2024 (As of June 30, 2024)
Assets		
Current assets		
Cash and deposits	737,961	843,613
Notes and accounts receivable – trade, and contract assets	815,305	897,510
Merchandise and finished goods	696,363	705,371
Work in process	75,932	84,477
Raw materials and supplies	275,446	289,684
Other	148,126	170,449
Allowance for doubtful accounts	(22,536)	(24,616)
Total current assets	2,726,598	2,966,490
Non-current assets		
Property, plant and equipment	1,134,982	1,244,899
Intangible assets		
Goodwill	306,627	311,419
Other	377,099	394,218
Total intangible assets	683,726	705,637
Investments and other assets		
Investment securities	171,857	159,884
Other	163,616	175,246
Allowance for doubtful accounts	(550)	(551)
Total investments and other assets	334,922	334,580
Total non-current assets	2,153,631	2,285,117
Total assets	4,880,230	5,251,607
Liabilities		
Current liabilities		
Notes and accounts payable – trade	326,033	381,155
Short-term borrowings	363,205	375,115
Commercial papers	50,419	121,169
Current portion of bonds payable	10,000	10,000
Current portion of long-term borrowings	63,446	92,866
Income taxes payable	41,261	51,705
Provision for product warranties	104,616	114,629
Other	608,007	617,926
Total current liabilities	1,566,990	1,764,568
Non-current liabilities		
Bonds payable	130,000	130,000
Long-term borrowings	194,918	175,508
Retirement benefit liability	19,910	21,073
Other	281,107	313,943
Total non-current liabilities	625,936	640,524
Total liabilities	2,192,927	2,405,093

(Millions of yen)

	FY2023 (As of March 31, 2024)	First Quarter of FY2024 (As of June 30, 2024)
Net assets		
Shareholders' equity		
Share capital	85,032	85,032
Capital surplus	78,014	77,370
Retained earnings	1,896,173	1,921,013
Treasury shares	(1,525)	(1,503)
Total shareholders' equity	2,057,695	2,081,912
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	65,729	57,377
Deferred gains or losses on hedges	358	1,254
Foreign currency translation adjustment	524,273	666,044
Remeasurements of defined benefit plans	(10,520)	(14,172)
Total accumulated other comprehensive income	579,840	710,503
Share acquisition rights	3,771	3,694
Non-controlling interests	45,994	50,402
Total net assets	2,687,302	2,846,514
Total liabilities and net assets	4,880,230	5,251,607

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

(Consolidated Statement of Income)

For the Three Months Ended June 30 (Millions of yen)

	First Three Months of FY2023 (April 1, 2023, to June 30, 2023)	First Three Months of FY2024 (April 1, 2024, to June 30, 2024)
Net sales	1,094,715	1,251,029
Cost of sales	707,223	823,635
Gross profit	387,491	427,394
Selling, general and administrative expenses	269,606	311,984
Operating profit	117,884	115,410
Non-operating income		
Interest income	3,181	4,829
Dividend income	2,475	1,949
Share of profit of entities accounted for using equity method	306	398
Foreign exchange gains	4,551	790
Other	2,494	1,071
Total non-operating income	13,009	9,040
Non-operating expenses		
Interest expenses	9,061	12,337
Settlement payments	2,403	—
Inflation accounting adjustment	1,050	2,252
Other	3,569	4,666
Total non-operating expenses	16,085	19,257
Ordinary profit	114,809	105,193
Extraordinary income		
Gain on sale of land	—	14
Gain on sale of investment securities	3,473	3,063
Total extraordinary income	3,473	3,078
Extraordinary losses		
Loss on disposal of non-current assets	477	697
Loss on valuation of investment securities	0	1
Distinguished service compensation	—	4,300
Total extraordinary losses	477	4,999
Profit before income taxes	117,804	103,272
Income taxes	35,278	37,545
Profit	82,526	65,726
Profit attributable to non-controlling interests	2,268	2,627
Profit attributable to owners of parent	80,258	63,099

(Consolidated Statement of Comprehensive Income)

For the Three Months Ended June 30 (Millions of yen)

	First Three Months of FY2023 (April 1, 2023, to June 30, 2023)	First Three Months of FY2024 (April 1, 2024, to June 30, 2024)
Profit	82,526	65,726
Other comprehensive income		
Valuation difference on available-for-sale securities	13,730	(8,352)
Deferred gains or losses on hedges	(920)	896
Foreign currency translation adjustment	120,379	142,815
Remeasurements of defined benefit plans	(928)	(3,651)
Share of other comprehensive income of entities accounted for using equity method	587	1,123
Total other comprehensive income	132,848	132,831
Comprehensive income	215,375	198,557
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	210,652	193,762
Comprehensive income attributable to non-controlling interests	4,722	4,795

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	First Three Months of FY2023 (April 1, 2023, to June 30, 2023)	First Three Months of FY2024 (April 1, 2024, to June 30, 2024)
I. Cash flows from operating activities		
Profit before income taxes	117,804	103,272
Depreciation	39,209	48,326
Amortization of goodwill	10,865	12,171
Increase (decrease) in allowance for doubtful accounts	1,372	734
Interest and dividend income	(5,657)	(6,779)
Interest expenses	9,061	12,337
Share of loss (profit) of entities accounted for using equity method	(306)	(398)
Loss (gain) on disposal of non-current assets	477	697
Loss (gain) on sale of investment securities	(3,473)	(3,063)
Loss (gain) on valuation of investment securities	0	1
Decrease (increase) in trade receivables	(38,453)	(39,947)
Decrease (increase) in inventories	(31,433)	19,968
Increase (decrease) in trade payables	(11,435)	38,839
Increase (decrease) in accounts payable - other	(12,515)	(18,204)
Increase (decrease) in accrued expenses	558	12,342
Increase (decrease) in retirement benefit liability	(2,390)	255
Decrease (increase) in retirement benefit asset	(1,636)	3,798
Other, net	(1,139)	(2,900)
Subtotal	70,907	181,450
Interest and dividends received	7,663	7,039
Interest paid	(8,495)	(12,189)
Income taxes paid	(28,846)	(26,660)
Net cash provided by (used in) operating activities	41,228	149,640
II. Cash flows from investing activities		
Purchase of property, plant and equipment	(77,826)	(79,895)
Proceeds from sale of property, plant and equipment	524	491
Purchase of investment securities	(468)	(388)
Proceeds from sale of investment securities	4,769	4,108
Purchase of shares of subsidiaries and associates	—	(380)
Payments for acquisition of businesses	(6,612)	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(2,707)
Decrease (increase) in time deposits	(8,611)	(5,637)
Other, net	563	(9,553)
Net cash provided by (used in) investing activities	(87,662)	(93,962)

(Millions of yen)

	First Three Months of FY2023 (April 1, 2023, to June 30, 2023)	First Three Months of FY2024 (April 1, 2024, to June 30, 2024)
III. Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	159,516	68,232
Proceeds from long-term borrowings	13,743	8,183
Repayments of long-term borrowings	(33,303)	(14,348)
Dividends paid	(40,997)	(38,069)
Proceeds from share issuance to non-controlling shareholders	227	—
Dividends paid to non-controlling interests	(508)	(4,564)
Repayments of lease liabilities	(10,879)	(15,143)
Other, net	(1,627)	(324)
Net cash provided by (used in) financing activities	86,170	3,966
IV. Effect of exchange rate change on cash and cash equivalents	23,854	35,622
V. Net increase (decrease) in cash and cash equivalents	63,591	95,266
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	612,090	727,763

(4) Notes to Consolidated Financial Statements

Significant Matters Serving as the Basis for Quarterly Consolidated Financial Statement Preparation

The quarterly consolidated financial statements were prepared in accordance with Article 4, Paragraph 1 of the Standards for the Preparation of Quarterly Financial Statements, etc., of Tokyo Stock Exchange, Inc. and accounting standards for quarterly financial statements generally accepted as fair and reasonable in Japan (however, the omission of descriptions prescribed in Article 4, Paragraph 2 of the Standards for the Preparation of Quarterly Financial Statements, etc., applies).

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

None applicable

Notes on Significant Changes in Shareholders' Equity

None applicable

Adoption of Accounting Treatment Specific to Quarterly Consolidated Financial Statement Preparation

[Calculation of tax expenses]
The Company and some of its consolidated subsidiaries, reasonably estimate the effective income tax rate after the adoption of tax-effect accounting for profit before income taxes for the consolidated fiscal year ending March 31, 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 first quarter of the fiscal year ending March 31, 2025.

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 quarterly 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 first quarter of the fiscal year ending March 31, 2025. This change in accounting policies was applied retrospectively, and the quarterly 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 quarterly 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.

I. For the three months ended June 30, 2023 (From April 1, 2023, to June 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	139,847	15,930	155,778	11,409	167,188	—	167,188
U.S.	342,302	10,520	352,823	3,247	356,070	—	356,070
Europe	174,948	13,373	188,321	5,188	193,509	—	193,509
Asia and Oceania	146,455	7,725	154,181	920	155,101	—	155,101
China	145,954	12,961	158,915	781	159,697	—	159,697
Other	62,332	338	62,670	476	63,147	—	63,147
Revenue from contracts with customers	1,011,840	60,850	1,072,691	22,024	1,094,715	—	1,094,715
Other revenue	—	—	—	—	—	—	—
Sales to outside customers	1,011,840	60,850	1,072,691	22,024	1,094,715	—	1,094,715
Intersegment sales	381	8,074	8,456	178	8,635	(8,635)	—
Total	1,012,222	68,925	1,081,147	22,202	1,103,350	(8,635)	1,094,715
Segment profit	103,689	12,773	116,463	1,412	117,875	9	117,884

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 ¥9 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 three months ended June 30, 2024 (From April 1, 2024, to June 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	149,858	15,141	165,000	10,354	175,355	—	175,355
U.S.	438,990	10,088	449,079	3,525	452,604	—	452,604
Europe	174,338	12,877	187,215	4,155	191,371	—	191,371
Asia and Oceania	182,403	6,481	188,884	1,168	190,052	—	190,052
China	146,647	16,977	163,625	473	164,099	—	164,099
Other	76,623	714	77,337	209	77,546	—	77,546
Revenue from contracts with customers	1,168,861	62,281	1,231,143	19,886	1,251,029	—	1,251,029
Other revenue	—	—	—	—	—	—	—
Sales to outside customers	1,168,861	62,281	1,231,143	19,886	1,251,029	—	1,251,029
Intersegment sales	436	8,442	8,879	475	9,354	(9,354)	—
Total	1,169,298	70,723	1,240,022	20,361	1,260,383	(9,354)	1,251,029
Segment profit (loss)	104,355	11,201	115,556	(135)	115,421	(11)	115,410

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 ¥(11) million to segment profit (loss) comprises the elimination of intersegment transactions.

3. Segment profit (loss) 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

Significant Subsequent Events

On July 26, 2024, the Company issued domestic straight bonds with the following terms and conditions. The overview is as follows:

Name of the bonds	Daikin Industries, Ltd. 32nd Unsecured Bonds (with limited inter-bond pari passu clause)
Issue date	July 26, 2024
Aggregate face value of bonds or aggregate value of book-entry transfer bonds (yen)	¥30,000 million
Issue price (yen)	The bonds shall be issued at ¥100 per face value of ¥100
Interest rate (%)	1.005% per annum
Maturity	7 years
Redemption method	1. Redemption price The bonds shall be redeemed at ¥100 per face value of ¥100 2. Redemption method and redemption date (1) The aggregate amount of the principal shall be redeemed on July 25, 2031. (2) If the redemption date falls on a bank holiday, the redemption date shall be brought forward to the preceding bank business day. (3) The Company may purchase and cancel these bonds at any time from the day following the payment date; unless otherwise provided for in laws and regulations or in the business regulations of the book-entry transfer institution stated in the “Book-entry transfer institution” column, to be provided separately, or in any other regulation. 3. Place for payment of principal The principal of these bonds shall be paid in accordance with the Act on Book-Entry Transfer of Corporate Bonds and Shares and the business regulations of the book-entry transfer institution stated in the “Book-entry transfer institution” column below or any other regulation.
Use of funds	The funds are scheduled to be applied to the repayment of short-term borrowings.
Collateral	The bonds are unsecured by assets and guarantees and without reservation of specific assets.
Book-entry transfer institution	Japan Securities Depository Center, Incorporated 7-1 Nihombashi Kabuto-cho, Chuo-ku, Tokyo
Financial covenants (restrictions on collateral provision)	1. While the unredeemed balance of these bonds remains, in the event that the Company, after the issue of these bonds, creates security interest on other unsecured bonds, which have already been issued in Japan or which will be issued in Japan in the future (however, including the 33rd Unsecured Bonds (with limited inter-bond pari passu clause) issued simultaneously with these bonds and excluding the unsecured bonds to which covenants on the conversion to secured bonds, as defined in “Financial covenants (other covenants),” have been attached), it shall create a security interest of the same priority level for these bonds, in accordance with the Secured Bond Trust Act. 2. In the event that the Company, pursuant to the preceding paragraph, creates a security interest on these bonds, it shall promptly complete registration and other required procedures and give public notice to such effect, in accordance with the provisions of Article 41, Paragraph 4 of the Secured Bond Trust Act.
Financial covenants (other covenants)	Covenants on the conversion to secured bonds and other financial covenants have not been attached to these bonds. Covenants on the conversion to secured bonds refer to covenants by which security interest is created in order to cancel the acceleration clause when certain events associated with the Company’s financial indicators, including covenants for the maintenance of net assets, occur, or by which the Company may create security interest at any time.

Name of the bonds	Daikin Industries, Ltd. 33rd Unsecured Bonds (with limited inter-bond pari passu clause)
Issue date	July 26, 2024
Aggregate face value of bonds or aggregate value of book-entry transfer bonds (yen)	¥30,000 million
Issue price (yen)	The bonds shall be issued at ¥100 per face value of ¥100
Interest rate (%)	1.343% per annum
Maturity	10 years
Redemption method	1. Redemption price The bonds shall be redeemed at ¥100 per face value of ¥100 2. Redemption method and redemption date (1) The aggregate amount of the principal shall be redeemed on July 26, 2034. (2) If the redemption date falls on a bank holiday, the redemption date shall be brought forward to the preceding bank business day. (3) The Company may purchase and cancel these bonds at any time from the day following the payment date; unless otherwise provided for in laws and regulations or in the business regulations of the book-entry transfer institution stated in the “Book-entry transfer institution” column, to be provided separately, or in any other regulation. 3. Place for payment of principal The principal of these bonds shall be paid in accordance with the Act on Book-Entry Transfer of Corporate Bonds and Shares and the business regulations of the book-entry transfer institution stated in the “Book-entry transfer institution” column below or any other regulation.
Use of funds	The funds are scheduled to be applied to the repayment of short-term borrowings.
Collateral	The bonds are unsecured by assets and guarantees and without reservation of specific assets.
Book-entry transfer institution	Japan Securities Depository Center, Incorporated 7-1 Nihombashi Kabuto-cho, Chuo-ku, Tokyo
Financial covenants (restrictions on collateral provision)	1. While the unredeemed balance of these bonds remains, in the event that the Company, after the issue of these bonds, creates security interest on other unsecured bonds, which have already been issued in Japan or which will be issued in Japan in the future (however, including the 32nd Unsecured Bonds (with limited inter-bond pari passu clause) issued simultaneously with these bonds and excluding the unsecured bonds to which covenants on the conversion to secured bonds, as defined in “Financial covenants (other covenants),” have been attached), it shall create a security interest of the same priority level for these bonds, in accordance with the Secured Bond Trust Act. 2. In the event that the Company, pursuant to the preceding paragraph, creates a security interest on these bonds, it shall promptly complete registration and other required procedures and give public notice to such effect, in accordance with the provisions of Article 41, Paragraph 4 of the Secured Bond Trust Act.
Financial covenants (other covenants)	Covenants on the conversion to secured bonds and other financial covenants have not been attached to these bonds. Covenants on the conversion to secured bonds refer to covenants by which security interest is created in order to cancel the acceleration clause when certain events associated with the Company’s financial indicators, including covenants for the maintenance of net assets, occur, or by which the Company may create security interest at any time.