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Brief Report on the Settlement of Accounts (Consolidated) for the Nine Months Ended December 31, 2021 (J-GAAP)

February 7, 2022

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.: +81-6-6373-4320)
Planned date of the filing of quarterly report: February 8, 2022
Planned date of start of dividend payment: —
Preparation of supplementary explanatory materials for the settlement of accounts for the third quarter: Yes
Holding briefings on the settlement of accounts for the third quarter: Yes (for institutional investors and analysts)

1. Consolidated Business Results for the Nine Months Ended December 31, 2021
(From April 1, 2021, to December 31, 2021)

(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	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2021	2,301,939	25.0	259,501	33.4	266,435	36.1	178,723	38.8
December 31, 2020	1,841,731	-5.6	194,506	-11.2	195,810	-12.6	128,740	-13.0

Note: Comprehensive income was ¥236,071 million (37.8%) for the nine months ended December 31, 2021, and ¥171,278 million (30.1%) for the nine months ended December 31, 2020.

	Earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2021	610.68	610.33
December 31, 2020	439.97	439.71

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2021	3,506,619	1,878,490	52.6
As of March 31, 2021	3,239,662	1,698,495	51.4

(Reference) Equity capital was ¥1,842,802 million as of December 31, 2021, and ¥1,665,688 million as of March 31, 2021.

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, 2021	—	80.00	—	80.00	160.00
Fiscal Year ending March 31, 2022	—	90.00	—		
Fiscal Year ending March 31, 2022 (forecast)				90.00	180.00

Note: Revisions to the dividend forecast announced most recently: None

3. Consolidated Business Forecast for the Fiscal Year Ending March 31, 2022
(From April 1, 2021, to March 31, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	3,050,000	22.3	310,000	29.9	315,000	31.1	210,000	34.4	717.59

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

*Notes

(1) Changes in Significant Subsidiaries during the Nine Months Ended December 31, 2021: None

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

(3) Changes in Accounting Policies, Changes in Accounting Estimates, and Retrospective Restatement
- (i) Changes in accounting policies relating to revisions to accounting standards, etc.: 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 December 31, 2021	293,113,973 shares
As of March 31, 2021	293,113,973 shares

(ii) Number of treasury shares at end of period

As of December 31, 2021	433,911 shares
As of March 31, 2021	469,595 shares

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

Nine Months Ended December 31, 2021	292,661,855 shares
Nine Months Ended December 31, 2020	292,613,851 shares

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

Explanation about the Appropriate Use of the Business Forecast and Other Noteworthy Points

- The business forecasts are based on information currently available to Daikin Industries, Ltd. (the "Company") and certain assumptions that are deemed reasonable. Actual results may differ significantly from these forecasts. For the basis of presumption of the business forecast and the notes on its use, please refer to "(3) Explanation of Future Forecast Information Such as Consolidated Business Forecast" of "1. Qualitative Information Regarding Settlement of Accounts for the Period under Review."
- The Company plans to hold a briefing on business results (conference call) for institutional investors and analysts on Monday, February 7, 2022. Documents and materials distributed in this briefing will be posted on the Company's website by the time that the briefing starts.

Content of Attachment

1. Qualitative Information Regarding Settlement of Accounts for the Period under Review

(1) Explanation of Operating Results

In the nine months ended December 31, 2021 (from April 1, 2021, to December 31, 2021), the overall world economy showed variations in trends in each region due to the status of the spread of the coronavirus (COVID-19). In the U.S. economy, despite advancement of recovery driven by personal consumption, supply constraints and rapid inflation put downward pressure on the economy from the summer. In the European economy, although household demand recovered due to the resumption of economic activities associated with vaccination progress, the economy showed increasing signs of a slowdown from autumn due to the resurgence of infections. The economies of Asia and emerging countries remained sluggish, as the resurgence of infections and the accompanying strict restrictions on activities put downward pressure on consumption and production activities. The pace of recovery of the Chinese economy slowed mainly due to the effects of the measures to curb real estate investment by the government wary of excessive investments. The growth of the Japanese economy stagnated due to sluggish service consumption caused by the spread of infections as well as the decrease in production due to supply constraints.

In such a business environment, the Daikin Group continued to strive for a recovery in business performance with an “aggressive” and “challenging” mindset that is grounded in a lean, robust management structure that includes strengthening of our sales and marketing capabilities; rapid development and sales of differentiated products; establishment of a flexible production and supply system that can respond to changes in demand; and thorough cost reductions, which were promoted amid the COVID-19 pandemic. Specifically, we worked to absorb the cost-increasing factors caused by soaring raw material prices and logistics costs and to improve profitability through efforts including further expanding sales and increasing market shares through the introduction of new products that meet new needs; implementing total cost reductions such as material substitution from copper to aluminum in response to soaring prices of raw material; promoting sales price policies by introducing differentiated products that are recognized for their value by the market and customers; reducing fixed costs; and improving logistics efficiency.

In addition, we have formulated the strategic management plan “Fusion 25” with a target year of the fiscal year ending March 31, 2026, and are implementing initiatives based on nine key themes, including the three growth strategy themes of the “Challenge to achieve carbon neutrality,” “Promotion of solutions business connected with customers,” and “Creating value with air.”

The Daikin Group’s net sales increased by 25.0% year over year to ¥2,301,939 million for the nine months ended December 31, 2021. As for profits, operating profit increased by 33.4% to ¥259,501 million, ordinary profit increased by 36.1% to ¥266,435 million, and profit attributable to owners of parent increased by 38.8% to ¥178,723 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 24.4% year over year to ¥2,103,833 million. Operating profit increased by 27.8% to ¥234,862 million.

In the Japanese commercial air-conditioning equipment market, which has yet to recover to pre-COVID-19 levels due to the continuing slowdown in demand caused by the declaration of a state of emergency, industry demand has been gradually recovering from the large drop during the previous fiscal year, resulting in year-over-year growth. The Group strengthened its product lineup and expanded proposals for commercial air-conditioning systems. These included “VRV” and “SkyAir,” which respond to the issue of the shortage of installation engineers by simplifying construction work and ensuring consistent construction quality; “machi Multi,” which is suitable for air-conditioning small rooms and other spaces, for which there is increasing need due to changes in working styles; and “Heat Reclaim Ventilator” total heat exchanger unit and “Streamer Disinfection Unit,” which meet air quality needs. As a result, net sales of commercial air-conditioning systems increased year over year.

In the Japanese residential air-conditioning equipment market, industry demand declined year over year due to the effects of the long rains in August and the cool summer, together with the subsiding of pent-up demand from people staying at home. The Group enhanced product performance and strengthened user appeal of products such as “Urusara X,” a product equipped with a new exhaust ventilation function in addition to the conventional humidification, dehumidification, and air supply ventilation capabilities; the “CX Series,” a compact, wall-mounted air-conditioning unit for small spaces; and the “UV Streamer Air Purifier,” with enhanced performance in controlling viruses and bacteria. As a result, net sales of residential air-conditioning systems increased year over year.

In the Americas, there was a period in the previous fiscal year when supply capacity was affected due to the spread of COVID-19 and partial shutdown of factories. In the current fiscal year, however, despite the labor shortages and parts supply problems across North America, the Group steadily increased both production and sales as a result of efforts to improve its supply capacity. Our market share of residential air-conditioning systems improved due to increased sales, and as a result of efforts to strengthen our sales network through acquisitions and to steadily implement pricing policies, net sales increased significantly year over year. In the market for large buildings (Applied Systems), net sales increased year over year due to efforts to expand the after sales service business as well as a contribution to increased sales by the North American company acquired at the end of the previous fiscal year against the backdrop of a recovery in the market, which had been stagnant due to the impact of COVID-19.

In China, although demand was strong mainly in personal consumption, the economy slowed in the second half of the fiscal year. The Group strengthened its product lineup of residential system products along with indoor air quality (IAQ) and ventilation products, and environmentally appealing products, while reinforcing sales combining its strength in sales at its "PROSHOP" specialty shops with online sales activities. Consequently, net sales significantly increased year over year, particularly in the residential-use market. In terms of profits, the Group maintained high levels by expanding sales of highly profitable products and working to reduce costs and curb fixed costs, despite being affected by the sharp rise in raw material prices and semiconductor procurement issues. In the residential-use market, the Group expanded sales by promoting sales that combined offline and online and undertaking various initiatives ranging from searching for new customers to capturing demand for replacements. In addition, consistent with its promotion of carbon neutrality policies, the Group increased sales of environmentally appealing products, such as heat pump hot water heating systems. In the commercial retail market for stores and offices, the Group expanded customer contact points by leveraging ventilation and cleaning and captured replacement and additional demand. In the large-scale projects market, the Group strengthened its proposals for air, energy, and other solutions. In the factory market, sales increased due to efforts to replace with energy-saving air-conditioning systems in response to environmental measures. In the Applied Systems air-conditioning equipment market, the Group shifted management resources to growth fields such as infrastructure and semiconductors while also strengthening sales in the repair and maintenance business.

In Asia and Oceania, the market environment remained difficult due to lockdowns and tighter restrictions on business activities from May onward in India, Malaysia, Thailand, Vietnam, and other Asian countries and from July onward in Australia as a result of the renewed spread of COVID-19. Especially in commercial air-conditioning systems, a difficult situation continued as the spread of infections caused delays in construction starts and suspension and postponement of construction across the market due to a shortage of workers and mandatory COVID-19 testing at construction sites. In the third quarter (October to December), activity restrictions gradually eased, and the Group undertook initiatives that included capturing recovery demand in every country, especially India, achieving strong sales in Oceania, and steadily implementing pricing policies. As a result, overall net sales for both commercial use and residential use increased year over year.

In Europe, overall net sales were significantly higher year over year. COVID-19 resurged from November, and lockdowns and other restrictions have been imposed once again in many countries, reversing the easing of restrictions from July onward. This has slowed down the recovery in demand for store, hotel, and office applications. Under these conditions, sales were difficult for commercial air-conditioning systems, in particular light commercial air-conditioning equipment (for medium-sized buildings), and a sales expansion of residential air-conditioning and heating systems drove overall sales. In residential air-conditioning systems, sales expanded mainly in Italy aided by subsidies implemented by the governments of many countries with a view to driving economic recovery and reducing CO_2 emissions. Sales also increased in Greece and other southeastern parts of Europe due to a strong demand caused by the intense heat wave. In residential heat pump hot water heating systems, demand for replacements of gas and oil boilers expanded dramatically due to subsidy programs. Orders also expanded rapidly from the strengthening of sales capabilities through dealer development and support for subsidy applications, and sales significantly increased particularly in France and Italy. Amid challenges in the production and supply of products due to the global shortage of semiconductors, the Group strengthened its cooperation with production, sales, and supply departments in order to maximize sales supply volume to meet demand. As a result of these factors, net sales of residential air-conditioning systems were significantly higher year over year. In commercial air-conditioning systems, the Group increased sales by strengthening marketing capabilities in strong markets such as hospitals, IT infrastructure, and factories, despite the impact of lockdowns and other restrictions which were imposed once again from November onward. As a result, net sales of commercial air-conditioning systems were higher year over year. In the refrigeration business, the Group strengthened sales to the food supermarket industry, where investments for new store openings and renovations were strong, and net sales significantly increased year over year.

In the Middle and Near East and Africa, net sales increased year over year due to strengthened sales in mainly Qatar and Egypt. In Turkey, amid increased demand for residential air-conditioning systems and heating systems mainly due to the intense heat wave and the government's housing support measures, sales increased significantly by strengthening local production and marketing capabilities. Yen-equivalent net sales also significantly grew year over year due to pricing policies, despite the impact of the depreciation of the Turkish lira.

In the filter business, demand was on a recovery trend as economic activities resumed in conjunction with the progress of vaccination mainly in Europe and the United States. In the United States, there was a gradual recovery in demand especially in the commercial-use market, and in Europe, demand for infection control products was also strong. In Asia, where demand had fallen sharply due to the spread of COVID-19, sales increased as infections subsided from autumn onward. In the gas turbine and dust collection systems business, there was a strong recovery in demand, due to strong medium-to long-term electricity power demand and the oil and gas industry's continued strong appetite for investment, stemming from the uptrend in crude oil prices. As a result, net sales of the filter business overall increased year over year.

In the marine vessels business, net sales increased year over year due to an increase in unit sales of marine container refrigeration units.

(ii) Chemicals

Overall sales of the Chemicals segment increased by 32.7% year over year to ¥154,842 million. Operating profit increased by 124.2% to ¥20,258 million.

Compared to the previous fiscal year when sales fell sharply due to the global outbreak of COVID-19, overall sales of fluorochemical products were significantly higher year over year due to the development of aggressive sales expansion measures and a recovery in demand in a wide range of fields, particularly semiconductors and automobiles.

Net sales of fluoropolymers were significantly higher year over year due to the development of sales expansion measures capturing a recovery in global demand for semiconductor and automotive-related applications. Net sales of fluoroelastomers also significantly increased year over year with a marked recovery in demand, especially in the automotive field, due to the development of sales expansion measures and the implementation of pricing policies.

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

As for fluorocarbon gas, net sales significantly increased year over year due to efforts such as the steady implementation of pricing policies.

(iii) Other Divisions

Overall sales of the "Others" segment increased by 27.2% year over year to ¥43,263 million. Operating profit increased by 152.2% to ¥4,390 million.

Net sales of oil hydraulic equipment for industrial machinery increased year over year due to a recovery in demand in the Japanese market, especially for machine tools, as well as increased sales to Asia, Europe, and the United States. In addition, net sales of oil hydraulic equipment for construction machinery and vehicles significantly increased year over year due to increased sales to major customers in Japan and the United States.

In defense systems-related products, while sales of ammunition to the Ministry of Defense decreased, net sales increased year over year due to the capture of increased demand for oxygen concentrators and pulse oximeters (medical devices that can easily measure blood oxygen saturation without blood collection) in response to the spread of COVID-19.

In the electronics business, net sales increased year over year, as a result of the strong sales of "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 the strong sales of "Smart Innovator," a business application development system.

(2) Explanation of Financial Position

(i) Assets, Liabilities and Net Assets

Total assets increased by ¥266,956 million from the end of the previous fiscal year to ¥3,506,619 million. Current assets increased by ¥195,537 million from the end of the previous fiscal year to ¥1,928,898 million, mainly due to an increase in merchandise and finished goods. Non-current assets increased by ¥71,418 million from the end of the previous fiscal year to ¥1,577,720 million, primarily due to an increase in construction in progress.

Liabilities increased by ¥86,961 million from the end of the previous fiscal year to ¥1,628,129 million, mainly due to an increase in short-term borrowings. Interest bearing debt ratio fell to 21.1% from 23.2% at the end of the previous fiscal year.

Net assets increased by ¥179,994 million from the end of the previous fiscal year to ¥1,878,490 million, primarily due to an increase caused by posting of profit attributable to owners of parent.

(ii) Cash Flows

During the nine months ended December 31, 2021, net cash provided by operating activities was ¥218,814 million, a decrease of ¥85,182 million from the same period of the previous fiscal year, principally due to an increase in inventories. Net cash used in investing activities was ¥142,159 million, an increase of ¥24,008 million from the same period of the previous fiscal year, primarily due to an increase in payments for investments in capital of subsidiaries. Net cash used in financing activities was ¥90,555 million, a decrease in cash provided by financing activities of ¥241,760 million from the same period of the previous fiscal year, mainly due to a decrease in proceeds from long-term borrowings. After including the effect of foreign exchange rate change to these results, net increase in cash and cash equivalents for the nine months ended December 31, 2021, amounted to ¥4,185 million, a decrease of ¥343,368 million from the same period of the previous fiscal year.

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

In light of the business results of the nine months ended December 31, 2021, and the changes in the business environment, the business forecast, which was previously announced on November 4, 2021, has been revised as follows.

In addition to the tight supply of electronics, soaring raw material prices and logistics costs, and chronic labor shortages in the United States that are increasingly having an impact, changes that are even greater than before in terms of both speed and volatility are being seen in the business environment surrounding the Group due to the resurgence of COVID-19. Thus, the economic outlook is expected remain uncertain.

Under these circumstances, the Group will continue to maintain an “aggressive” and “challenging” mindset and swiftly execute additional measures to respond to changes, based on the initiatives that have been implemented so far, including responding to supply and strengthening sales capabilities through close cooperation globally among the relevant departments. By doing so, we will achieve a V-shaped recovery and a new record high in business performance, as well as making further progress in the next fiscal year and beyond.

The estimated exchange rate from the fourth quarter onward is based on the assumption that US$1 equals ¥110 and 1 euro equals ¥128.

Revisions to Consolidated Business Forecast for the Fiscal Year Ending March 31, 2022
(From April 1, 2021, to March 31, 2022)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Earnings per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecasts (A)	2,930,000	300,000	302,000	203,000	693.67
Revised forecasts (B)	3,050,000	310,000	315,000	210,000	717.59
Increase/decrease (B – A)	120,000	10,000	13,000	7,000	—
Increase/decrease (%)	4.1	3.3	4.3	3.4	—
(Reference) Results for the fiscal year ended March 31, 2021	2,493,386	238,623	240,248	156,249	533.97

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)

	FY2020 (As of March 31, 2021)	Third Quarter of FY2021 (As of December 31, 2021)
Assets		
Current assets		
Cash and deposits	736,098	755,950
Notes and accounts receivable – trade	468,330	—
Notes and accounts receivable – trade, and contract assets	—	507,099
Merchandise and finished goods	326,591	391,322
Work in process	34,766	53,044
Raw materials and supplies	108,039	149,542
Other	72,608	88,092
Allowance for doubtful accounts	(13,074)	(16,153)
Total current assets	1,733,361	1,928,898
Non-current assets		
Property, plant and equipment	647,410	689,162
Intangible assets		
Goodwill	268,684	264,749
Other	274,077	283,975
Total intangible assets	542,761	548,725
Investments and other assets		
Investment securities	213,909	213,628
Other	103,436	127,433
Allowance for doubtful accounts	(1,216)	(1,228)
Total investments and other assets	316,129	339,833
Total non-current assets	1,506,301	1,577,720
Total assets	3,239,662	3,506,619
Liabilities		
Current liabilities		
Notes and accounts payable – trade	229,746	263,026
Short-term borrowings	40,754	86,285
Current portion of bonds payable	10,000	30,000
Current portion of long-term borrowings	66,278	334,121
Income taxes payable	20,756	25,155
Provision for product warranties	62,255	66,871
Other	336,193	378,067
Total current liabilities	765,984	1,183,528
Non-current liabilities		
Bonds payable	130,000	100,000
Long-term borrowings	418,803	101,994
Retirement benefit liability	14,539	14,754
Other	211,839	227,851
Total non-current liabilities	775,182	444,600
Total liabilities	1,541,167	1,628,129

(Millions of yen)

	FY2020 (As of March 31, 2021)	Third Quarter of FY2021 (As of December 31, 2021)
Net assets		
Shareholders' equity		
Share capital	85,032	85,032
Capital surplus	84,214	83,729
Retained earnings	1,363,505	1,491,121
Treasury shares	(2,012)	(1,863)
Total shareholders' equity	1,530,740	1,658,019
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	68,699	67,341
Deferred gains or losses on hedges	1,292	2,478
Foreign currency translation adjustment	69,470	117,706
Remeasurements of defined benefit plans	(4,513)	(2,744)
Total accumulated other comprehensive income	134,948	184,782
Share acquisition rights	2,019	2,595
Non-controlling interests	30,787	33,092
Total net assets	1,698,495	1,878,490
Total liabilities and net assets	3,239,662	3,506,619

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

(Consolidated Statement of Income)

For the Nine Months Ended December 31 (Millions of yen)

	First Nine Months of FY2020 (April 1, 2020, to December 31, 2020)	First Nine Months of FY2021 (April 1, 2021, to December 31, 2021)
Net sales	1,841,731	2,301,939
Cost of sales	1,193,732	1,503,355
Gross profit	647,999	798,583
Selling, general and administrative expenses	453,492	539,082
Operating profit	194,506	259,501
Non-operating income		
Interest income	4,659	5,951
Dividend income	4,038	4,435
Share of profit of entities accounted for using equity method	581	1,280
Other	2,759	5,131
Total non-operating income	12,038	16,798
Non-operating expenses		
Interest expenses	6,808	6,574
Foreign exchange losses	1,624	1,198
Other	2,302	2,092
Total non-operating expenses	10,734	9,864
Ordinary profit	195,810	266,435
Extraordinary income		
Gain on sale of land	—	302
Gain on sale of investment securities	—	180
Gain on sale of investments in capital of subsidiaries and associates	—	201
Gain on liquidation of subsidiaries and associates	0	18
Total extraordinary income	0	703
Extraordinary losses		
Loss on disposal of non-current assets	408	365
Loss on sale of land	115	65
Loss on valuation of investment securities	171	334
Loss on liquidation of subsidiaries and associates	5	—
Loss on disaster	—	912
Other	1	—
Total extraordinary losses	701	1,677
Profit before income taxes	195,109	265,460
Income taxes	61,050	80,560
Profit	134,058	184,899
Profit attributable to non-controlling interests	5,317	6,176
Profit attributable to owners of parent	128,740	178,723

(Consolidated Statement of Comprehensive Income)

For the Nine Months Ended December 31 (Millions of yen)

	First Nine Months of FY2020 (April 1, 2020, to December 31, 2020)	First Nine Months of FY2021 (April 1, 2021, to December 31, 2021)
Profit	134,058	184,899
Other comprehensive income		
Valuation difference on available-for-sale securities	24,405	(1,357)
Deferred gains or losses on hedges	2,996	1,186
Foreign currency translation adjustment	11,385	47,722
Remeasurements of defined benefit plans	(1,378)	1,770
Share of other comprehensive income of entities accounted for using equity method	(187)	1,851
Total other comprehensive income	37,220	51,172
Comprehensive income	171,278	236,071
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	165,769	228,557
Comprehensive income attributable to non-controlling interests	5,509	7,514

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	First Nine Months of FY2020 (April 1, 2020, to December 31, 2020)	First Nine Months of FY2021 (April 1, 2021, to December 31, 2021)
I. Cash flows from operating activities		
Profit before income taxes	195,109	265,460
Depreciation	75,641	85,206
Amortization of goodwill	22,332	24,163
Increase (decrease) in allowance for doubtful accounts	1,063	2,273
Interest and dividend income	(8,697)	(10,387)
Interest expenses	6,808	6,574
Share of loss (profit) of entities accounted for using equity method	(581)	(1,280)
Loss (gain) on disposal of non-current assets	408	365
Loss (gain) on sale of investment securities	—	(180)
Loss (gain) on valuation of investment securities	171	334
Decrease (increase) in trade receivables	25,914	(20,652)
Decrease (increase) in inventories	15,640	(106,912)
Increase (decrease) in trade payables	282	21,393
Increase (decrease) in accounts payable - other	816	(6,694)
Increase (decrease) in accrued expenses	2,221	36,020
Increase (decrease) in retirement benefit liability	1,170	138
Decrease (increase) in retirement benefit asset	46	(4,574)
Other, net	15,763	(881)
Subtotal	354,111	290,366
Interest and dividends received	8,756	10,491
Interest paid	(7,688)	(6,733)
Income taxes paid	(51,181)	(75,310)
Net cash provided by (used in) operating activities	303,997	218,814
II. Cash flows from investing activities		
Purchase of property, plant and equipment	(76,328)	(83,479)
Proceeds from sale of property, plant and equipment	3,149	4,182
Purchase of investment securities	(1,435)	(1,056)
Proceeds from sale of investment securities	—	218
Proceeds from sale of investments in capital of subsidiaries and associates	—	2,021
Proceeds from sale of businesses	—	437
Payments for acquisition of businesses	(345)	(2,029)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(14,164)	(14,552)
Payments for investments in capital of subsidiaries resulting in change in scope of consolidation	(5,305)	(15,164)
Decrease (increase) in time deposits	(13,854)	(11,456)
Other, net	(9,865)	(21,280)
Net cash provided by (used in) investing activities	(118,150)	(142,159)

(Millions of yen)

	First Nine Months of FY2020 (April 1, 2020, to December 31, 2020)	First Nine Months of FY2021 (April 1, 2021, to December 31, 2021)
III. Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	24,948	47,693
Proceeds from long-term borrowings	242,999	15,216
Repayments of long-term borrowings	(100,471)	(70,881)
Proceeds from issuance of bonds	49,824	—
Redemption of bonds	—	(10,000)
Dividends paid	(46,738)	(49,767)
Proceeds from share issuance to non-controlling shareholders	—	1,585
Dividends paid to non-controlling interests	(703)	(2,546)
Repayments of lease obligations	(18,698)	(20,793)
Other, net	44	(1,063)
Net cash provided by (used in) financing activities	151,205	(90,555)
IV. Effect of exchange rate change on cash and cash equivalents	10,502	18,086
V. Net increase (decrease) in cash and cash equivalents	347,554	4,185
VI. Cash and cash equivalents at beginning of period	321,151	662,267
VII. Increase (decrease) in cash and cash equivalents resulting from change in accounting period of subsidiaries	(58)	(1,586)
VIII. Cash and cash equivalents at end of period	668,647	664,866

(4) Notes to Consolidated Financial Statements

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

None applicable

Notes on Significant Changes in Shareholders' Equity

None applicable

Adoption of Accounting Treatment Specific to Quarterly Consolidated Financial Statement Preparation

[Calculation of tax expenses]
The Company and some of its consolidated subsidiaries, reasonably estimate the effective income tax rate after the adoption of tax-effect accounting for profit before income taxes for the consolidated fiscal year ending March 31, 2022, 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 Revenue Recognition, etc.]
The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter "Revenue Recognition Standard"), etc., from the beginning of the first quarter of the fiscal year ending March 31, 2022, and has recognized revenue in the amount expected to be received in exchange for promised goods or services at the time when the control of these goods or services is transferred to the customer.

The impact of the application of the Revenue Recognition Standard, etc., on the quarterly consolidated financial statements is minimal.

The application of the Revenue Recognition Standard, etc., is subject to the transitional treatment provided for in the proviso of Paragraph 84 of the Standard. However, it has no impact on the balance of retained earnings at the beginning of the fiscal year ending March 31, 2022, and per share information.

As a result of this application of the Revenue Recognition Standard, etc., "notes and accounts receivable – trade," which had been presented under "current assets" in the consolidated balance sheet of the fiscal year ended March 31, 2021, are included in "notes and accounts receivable – trade, and contract assets" from the first quarter of the fiscal year ending March 31, 2022. In accordance with the transitional treatment provided for in Paragraph 89-2 of the Revenue Recognition Standard, the Company has not reclassified financial statements for the previous fiscal year by using the new presentation method. Furthermore, in accordance with the transitional treatment provided for in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), information on disaggregate revenue from contracts with customers for the nine months ended December 31, 2020, is not presented.

[Application of the Accounting Standard for Fair Value Measurement, etc.]
The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019, hereinafter "Fair Value Measurement Accounting Standard"), etc., from the beginning of the first quarter of the fiscal year ending March 31, 2022, and in accordance with the transitional treatment provided for in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Company will continue to apply the new accounting policy prescribed by the Fair Value Measurement Accounting Standard, etc., into the future. This has no impact on the quarterly consolidated financial statements.

Additional Information

[Application of tax effect accounting for transition from consolidated taxation system to group tax sharing system]

With regard to the items for which a review of the non-consolidated taxation system was made in accordance with the transition to the group tax sharing system established under the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 8 of 2020) and the transition to the group tax sharing system, pursuant to the treatment of Paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39, March 31, 2020), the provisions of Paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) do not apply to the Company and some domestic consolidated subsidiaries, and the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law before amendment.

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

There are no significant changes to the presumption related to the impact of COVID-19 stated in Additional Information of the securities report for the fiscal year ended March 31, 2021.

Revenue Recognition

Information on disaggregate revenue from contracts with customers is as stated in "(4) Notes to Consolidated Financial Statements (Segment Information, etc.)" of "2. Consolidated Financial Statements and Primary Notes."

Segment Information, etc.

[Segment Information]

I. For the nine months ended December 31, 2020 (From April 1, 2020, to December 31, 2020)

1. Information on net sales and profit or loss amounts by reported segment

(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							
Sales to outside customers	1,691,068	116,648	1,807,716	34,015	1,841,731	—	1,841,731
Intersegment sales	1,325	7,354	8,680	507	9,187	(9,187)	—
Total	1,692,393	124,003	1,816,396	34,522	1,850,919	(9,187)	1,841,731
Segment profit	183,725	9,034	192,759	1,740	194,500	6	194,506

Notes: 1. The “Others” segment is a business segment not included in reported segments. It includes the oil hydraulic equipment business, the defense systems-related product business, and the electronics business.
2. The adjustment of ¥6 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 nine months ended December 31, 2021 (From April 1, 2021, to December 31, 2021)

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	390,793	41,839	432,632	34,399	467,032	—	467,032
U.S.	578,891	29,034	607,925	5,579	613,505	—	613,505
China	359,670	39,231	398,902	1,621	400,523	—	400,523
Europe	372,520	23,934	396,455	666	397,122	—	397,122
Asia and Oceania	280,091	19,093	299,185	788	299,974	—	299,974
Other	121,865	1,708	123,574	206	123,781	—	123,781
Revenue from contracts with customers	2,103,833	154,842	2,258,675	43,263	2,301,939	—	2,301,939
Other revenue	—	—	—	—	—	—	—
Sales to outside customers	2,103,833	154,842	2,258,675	43,263	2,301,939	—	2,301,939
Intersegment sales	1,232	9,095	10,328	804	11,132	(11,132)	—
Total	2,105,065	163,938	2,269,004	44,067	2,313,071	(11,132)	2,301,939
Segment profit	234,862	20,258	255,121	4,390	259,511	(10)	259,501

Notes: 1. The “Others” segment is a business segment not included in reported segments. It includes the oil hydraulic equipment business, the defense systems-related product business, and the electronics business.
2. The adjustment of ¥(10) million to segment profit comprises the elimination of intersegment transactions.
3. Segment profit is adjusted with operating profit in the Consolidated Statement of Income.

2. Information related to impairment loss of non-current assets and goodwill by reported segment

(Significant impairment loss of non-current assets)
None applicable

(Significant change in goodwill amount)
None applicable

(Significant gain on bargain purchase)
None applicable