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Member, Financial Accounting Standards Foundation

Brief Report on the Settlement of Accounts (Consolidated) for the Six Months Ended September 30, 2019 (J-GAAP)

November 6, 2019

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: November 7, 2019
Planned date of start of dividend payment: December 3, 2019
Preparation of supplementary explanatory materials for the settlement of accounts for the second quarter: Yes
Holding briefings on the settlement of accounts for the second quarter: Yes (for institutional investors and analysts)

1. Consolidated Business Results for the Six Months Ended September 30, 2019
(From April 1, 2019, to September 30, 2019)

(1) Consolidated Business Results (Accumulated)

Note: Amounts less than one million yen are truncated.
Percentages indicate year-over-year increases/decreases.

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2019	1,354,201	4.2	168,291	4.8	170,056	4.4	118,513	5.1
September 30, 2018	1,299,027	10.6	160,624	7.7	162,862	8.8	112,816	11.1

Note: Comprehensive income was ¥57,836 million (-56.9%) for the six months ended September 30, 2019, and ¥134,126 million (-18.3%) for the six months ended September 30, 2018.

	Earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2019	405.14	404.86
September 30, 2018	385.76	385.48

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2019	2,723,483	1,479,506	53.1
As of March 31, 2019	2,700,890	1,446,849	52.4

(Reference) Equity capital was ¥1,445,152 million as of September 30, 2019, and ¥1,416,074 million as of March 31, 2019.

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, 2019	—	70.00	—	90.00	160.00
Fiscal Year ending March 31, 2020	—	80.00			
Fiscal Year ending March 31, 2020 (forecast)			—	80.00	160.00

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

3. Consolidated Business Forecast for the Fiscal Year Ending March 31, 2020
(From April 1, 2019, to March 31, 2020)

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	2,610,000	5.2	285,000	3.2	285,000	2.9	195,000	3.1	666.65

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

*Notes

(1) Changes in Significant Subsidiaries during the Six Months Ended September 30, 2019: 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 September 30, 2019 — 293,113,973 shares
  - As of March 31, 2019 — 293,113,973 shares
- (ii) Number of treasury shares at end of period
  - As of September 30, 2019 — 560,921 shares
  - As of March 31, 2019 — 605,740 shares
- (iii) Average number of shares outstanding during the six months
  - Six months ended September 30, 2019 — 292,524,329 shares
  - Six months ended September 30, 2018 — 292,450,875 shares

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

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

- The business forecasts are based on information currently available to Daikin Industries, Ltd. (the "Company") and certain assumptions that are deemed reasonable. Actual results may differ significantly from these forecasts. For the basis of presumption of the business forecast and the notes on its use, please refer to "(3) Explanation of Future Forecast Information Such as Consolidated Business Forecast" of "1. Qualitative Information Regarding Settlement of Accounts for the Period under Review."
- The Company plans to hold a briefing on business results for institutional investors and analysts on Thursday, November 7, 2019. Documents and materials distributed in this briefing will be posted on the Company's website soon after the briefing.

Content of Attachment

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

(1) Explanation of Operating Results

Looking at the overall world economy in the six months ended September 30, 2019 (from April 1, 2019, to September 30, 2019), growth was moderately slowing. Backed by personal consumption, the U.S. economy remained strong despite a slowdown in corporate capital investment. The overall European economy was underpinned by favorable personal consumption, despite a decline in the manufacturing industry due to a slowdown in exports. Asian and emerging economies saw a decline in exports but remained firm overall because of government policies. The Chinese economy continued to decelerate due to the impact of the trade friction between the United States and China. Although exports to Asia were sluggish, the Japanese economy was buoyed by personal consumption and public investment.

In such a business environment, the Daikin Group worked to enhance its sales and marketing capabilities, improve its product development, production, procurement and quality capabilities, strengthen its human resources, and reduce fixed costs and variable costs in each region.

The Daikin Group's net sales increased by 4.2% year over year to ¥1,354,201 million for the six months ended September 30, 2019. As for profits, operating profit increased by 4.8% to ¥168,291 million, ordinary profit increased by 4.4% to ¥170,056 million, and profit attributable to owners of parent increased by 5.1% to ¥118,513 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 5.3% year over year to ¥1,234,394 million. Operating profit increased by 8.6% to ¥152,514 million.

In the Japanese commercial air-conditioning equipment market, industry demand grew year over year due to firm private sector demand and installation of air conditioning at public elementary and middle schools. In the market for stores and offices, the Daikin Group expanded sales mainly for the "SkyAir Series," including "FIVE STAR ZEAS," and "machi Multi," multi-split type room air conditioners that feature individual operation and a slim design. In the market for buildings and facilities, backed by the increasing need for improvements in the work environment, the Group strengthened proposals that meet user applications, including the "VRV Series," which has high energy-saving performance and installation flexibility, and "MULTI CUBE," which enables individual control of temperature and air volume. As a result, net sales of commercial air-conditioning systems increased year over year.

In the Japanese residential air-conditioning equipment market, industry demand expanded despite a slowdown due to unseasonable weather in July. This was due in part to last-minute purchases ahead of the October consumption tax hike. The Group expanded sales mainly for high value-added models by capturing strong industry demand. The Group improved the value and promotion of products, including expanding the product lineup of "Urusara 7," which is equipped with a function that even controls humidity with the Group's proprietary AI, and "risora," an air conditioner combining design with functionality. As a result, net sales of residential air-conditioning systems exceeded that of the same period of the previous fiscal year.

In the Americas, net sales increased year over year as a whole due to the success of sales strategies in addition to strong demand. Net sales of residential air-conditioning systems rose year over year as a result of the sales of new products such as a low-cost, mini-split model and a unitary product with an inverter, and efforts to develop a new sales network and to increase selling prices. In the market for large buildings (Applied Systems), reinforcement of the sales network and enhancement of the product lineup amid a strong market led to sales expansion of systems mainly for rooftops. In addition, sales expansion in the after sales service business led to an increase in net sales year over year.

In China, amid the increasingly harsh market environment resulting from the impact of the economic slowdown due to the trade friction between the United States and China and government policies to restrict new housing construction, the Group enhanced its product lineup aimed at the high-volume market and expanded sales to the regional cities. As a result, net sales increased year over year in the local currency. At the same time, although yen-equivalent net sales declined year over year due to the weak yuan, operating profit increased year over year as a result of reducing fixed costs and promoting cost reductions through measures such as capturing the effects of the weakening market for raw materials. In order to respond to changes in the residential-use market, the Group strengthened its "PROSHOP" specialty shops by shifting sales resources mainly to the regional cities where growth is anticipated. In addition, the Group expanded sales by enhancing its product lineup of high-volume models in addition to existing products for the high-end residential market. In the commercial-use market, while the number of large-scale projects such as new buildings fell, the Group captured robust demand mainly for stores and renovation projects. In the big cities, which are a mature market, the Group expanded sales through the introduction of "Intelligent VRV systems," which uses the Internet to connect with customers and existing VRV models. In the Applied Systems air-conditioning equipment market, the Group increased sales of Applied Systems by promoting proposal-based sales in fields with growing demand, including the field for data centers, and also expanded sales in the after sales service business as well.

In Asia and Oceania, net sales rose year over year as a whole. Sales of residential air-conditioning systems in Southeast Asia were strong due to the development of dealer networks covering urban and regional areas, as well as favorable weather in Thailand and other areas. As a result, net sales increased year over year. Net sales of commercial air-conditioning systems increased year over year mainly due to the bolstering of ‘spec-in’ activities, expansion of dealer networks, and nurturing of dealers that can handle everything from design to installation and sales. In India, net sales of both residential air-conditioning systems and commercial air-conditioning systems grew year over year mainly due to the expansion of dealer networks.

In Europe, net sales increased year over year as a whole. Net sales of residential air-conditioning systems increased year over year despite unseasonable weather in the first half of the summer, mainly in the Group’s major markets of Italy and Spain. This increase was due in part to the capturing of demand for new and replacement purchases of cooling equipment as a result of a heat wave in northern France, Belgium, the Netherlands, and Germany that topped 40 degrees Celsius at times. Net sales of residential heating systems increased year over year amid promotion by various countries of heat pump hot water heating systems that are effective at reducing CO_2 emissions due to an incentive granted in France when replacing oil boilers with heat pump equipment as well as reinforcement of the Group’s sales system and the effects of introducing new products. Net sales of commercial air-conditioning systems also grew year over year due to strong demand, as well as expansion of sales to stores, offices, and hotels by strengthening project management of inquiries in each country, visiting contractors and architectural firms, and reinforcing ‘spec-in’ activities.

In the Middle East and Africa, net sales increased year over year amid an economic slowdown due in part to growth of the Group’s business in Egypt, where Daikin worked to reinforce its sales system, and large-scale projects for which orders had been received in Saudi Arabia. In Turkey, net sales were flat year over year in the local currency due to robust sales of heating systems, despite a year-over-year decline in sales of both residential and commercial air-conditioning systems due to the economic recession following a currency crisis in Turkey in August 2018. On the other hand, yen-equivalent net sales decreased year over year due to the impact of the depreciation of the Turkish lira.

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

(ii) Chemicals

Overall sales of the Chemicals segment decreased by 11.1% year over year to ¥89,982 million and operating profit decreased by 26.5% year over year to ¥12,949 million.

Net sales of fluoropolymers decreased year over year, despite strong demand for LAN cables in the United States, Asia, and Europe, due to declining demand for semiconductor-related applications worldwide. Net sales of fluoroelastomers also decreased year over year due to the impact of falling demand in the automotive field mainly in the U.S., European, and Chinese markets.

Among specialty chemicals, net sales of anti-fouling surface coating agents fell year over year due to declining demand in China and Asia. With regard to oil and water repellents, the Group made progress in expanding sales in Asia, but demand was stagnant in other regions. As a result, net sales decreased year over year. As a result of these factors, overall sales of specialty chemicals were down compared to the same period of the previous fiscal year.

As for fluorocarbon gas, the impact of the drop in sales mainly due to the accumulation of distribution inventory was significant in the European market, which was affected by the rebound against robust demand in the previous fiscal year. As a result, overall sales of gas decreased substantially year over year.

(iii) Other Divisions

Overall sales of the “Others” segment increased by 17.6% year over year to ¥29,824 million. Operating profit increased by 10.9% year over year to ¥2,822 million.

Sales of oil hydraulic equipment for industrial machinery fell year over year due to stagnant demand in the Japanese and Asian markets. Sales of oil hydraulic equipment for construction machinery and vehicles were up year over year due to robust sales to key customers in Japan and the United States.

In defense systems-related products, sales of ammunition to the Ministry of Defense rose. As a result, net sales increased year over year. Net sales of home oxygen equipment were also up year over year due to robust sales.

In the electronics business, net sales grew year over year, as a result of 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, and sales of “Smart Innovator,” a business application development system.

(2) Explanation of Financial Position

(i) Assets, Liabilities and Net Assets

Total assets increased by ¥22,593 million from the end of the previous fiscal year to ¥2,723,483 million. Current assets decreased by ¥2,965 million from the end of the previous fiscal year to ¥1,314,639 million, mainly due to a decrease in merchandise and finished goods. Non-current assets increased by ¥25,558 million from the end of the previous fiscal year to ¥1,408,844 million, primarily due to an increase in buildings and structures.

Liabilities decreased by ¥10,063 million from the end of the previous fiscal year to ¥1,243,977 million, mainly due to a decrease in short-term borrowings. Interest bearing debt ratio was unchanged from the end of the previous fiscal year, at 21.7%.

Net assets increased by ¥32,656 million from the end of the previous fiscal year to ¥1,479,506 million, primarily due to an increase caused by posting of profit attributable to owners of parent.

(ii) Cash Flows

During the six months ended September 30, 2019, net cash provided by operating activities was ¥177,368 million, a decrease of ¥4,168 million from the same period of the previous fiscal year, principally due to a decrease in trade payables. Net cash used in investing activities was ¥58,484 million, an increase of ¥775 million from the same period of the previous fiscal year, primarily due to an increase in payment for acquisition of consolidated subsidiaries. Net cash used in financing activities was ¥80,858 million, an increase of ¥9,328 million from the same period of the previous fiscal year, mainly due to a decrease in short-term borrowings. After including the effect of foreign exchange rate change to these results, net increase in cash and cash equivalents for the six months ended September 30, 2019, amounted to ¥15,490 million, a decrease of ¥34,945 million from the same period of the previous fiscal year.

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

The business forecast announced on May 9, 2019, has been revised as follows based on factors such as consolidated results for the six months ended September 30, 2019, and exchange rate changes.

With regard to the business environment surrounding the Group from the third quarter onward, the outlook continues to remain uncertain due to factors such as concerns over an economic slowdown in the United States, economic trends in China, and the U.K.'s exit from the EU. In such an environment, the Group will further strengthen its earnings capabilities in existing businesses by expanding sales of high valued-added products through efforts to strengthen its sales networks in individual regions and introduce new products. It will also promote reductions in overall costs through measures such as reducing variable costs using new approaches and improving the efficiency of logistics expenses, which are trending upwards throughout the world, in accordance with the Fusion 20 Latter-Half Three-Year Plan, the Group's strategic management plan. At the same time, we will accelerate the expansion of the Energy Solutions business, Commercial Refrigeration business, and Heating business in an effort to transform our business structure, as well as maintain our trend of increased sales and profits, while implementing our strategic investment in human resources enhancement and development, research and development capabilities reinforcement, and other investments in the AI and IoT fields.

The estimated exchange rate from the third quarter onward is based on the assumption that US$1 equals ¥108 and 1 euro equals ¥120.

Revisions to Consolidated Business Forecast for the Fiscal Year Ending March 31, 2020
(From April 1, 2019, to March 31, 2020)

	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)	2,670,000	285,000	285,000	193,000	659.81
Revised forecasts (B)	2,610,000	285,000	285,000	195,000	666.65
Increase/decrease (B – A)	(60,000)	—	—	2,000	—
Increase/decrease (%)	-2.2	—	—	1.0	—
(Reference) Results for the fiscal year ended March 31, 2019	2,481,109	276,254	277,074	189,048	646.39

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.

- Drastic changes in demand and supply for products or in the political and economic situations in the major markets of Japan, Europe, the United States, China, and other Asian countries
- Fluctuations in demand for air-conditioning equipment due to unseasonable weather
- Drastic changes in the exchange rates (especially the U.S. dollar and euro rates)
- Serious problems related to quality and manufacturing
- Substantial fluctuations in the market value of securities held by the Company
- Impairment of non-current assets
- Natural disasters

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	FY2018 (As of March 31, 2019)	Second Quarter of FY2019 (As of September 30, 2019)
Assets		
Current assets		
Cash and deposits	367,781	382,672
Notes and accounts receivable – trade	447,831	451,315
Merchandise and finished goods	293,445	285,747
Work in process	50,746	54,820
Raw materials and supplies	92,165	86,780
Other	74,782	63,310
Allowance for doubtful accounts	(9,147)	(10,007)
Total current assets	1,317,605	1,314,639
Non-current assets		
Property, plant and equipment	482,962	553,551
Intangible assets		
Goodwill	322,318	306,759
Other	295,821	272,874
Total intangible assets	618,140	579,633
Investments and other assets		
Investment securities	204,950	199,438
Other	78,567	77,497
Allowance for doubtful accounts	(1,335)	(1,277)
Total investments and other assets	282,182	275,659
Total non-current assets	1,383,285	1,408,844
Total assets	2,700,890	2,723,483
Liabilities		
Current liabilities		
Notes and accounts payable – trade	204,535	188,088
Short-term borrowings	136,066	41,881
Commercial papers	10,000	48,000
Current portion of bonds	50,000	10,000
Current portion of long-term borrowings	42,385	93,102
Income taxes payable	25,575	22,522
Provision for product warranties	52,602	55,094
Other	247,650	264,440
Total current liabilities	768,815	723,129
Non-current liabilities		
Bonds payable	60,000	60,000
Long-term borrowings	275,988	268,419
Retirement benefit liability	11,097	11,198
Other	138,138	181,229
Total non-current liabilities	485,225	520,847
Total liabilities	1,254,040	1,243,977

(Millions of yen)

	FY2018 (As of March 31, 2019)	Second Quarter of FY2019 (As of September 30, 2019)
Net assets		
Shareholders' equity		
Share capital	85,032	85,032
Capital surplus	83,649	83,778
Retained earnings	1,133,100	1,225,259
Treasury shares	(2,589)	(2,397)
Total shareholders' equity	1,299,193	1,391,672
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	57,685	53,225
Deferred gains or losses on hedges	619	(759)
Foreign currency translation adjustment	63,808	5,948
Remeasurements of defined benefit plans	(5,231)	(4,934)
Total accumulated other comprehensive income	116,881	53,479
Share acquisition rights	1,720	2,050
Non-controlling interests	29,054	32,303
Total net assets	1,446,849	1,479,506
Total liabilities and net assets	2,700,890	2,723,483

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

(Consolidated Statement of Income)

For the Six Months Ended September 30 (Millions of yen)

	First Six Months of FY2018 (April 1, 2018, to September 30, 2018)	First Six Months of FY2019 (April 1, 2019, to September 30, 2019)
Net sales	1,299,027	1,354,201
Cost of sales	838,953	874,442
Gross profit	460,074	479,758
Selling, general and administrative expenses	299,449	311,466
Operating profit	160,624	168,291
Non-operating income		
Interest income	3,301	3,758
Dividend income	3,030	3,026
Share of profit of entities accounted for using equity method	1,464	143
Foreign exchange gains	—	259
Other	4,336	2,356
Total non-operating income	12,132	9,544
Non-operating expenses		
Interest expenses	6,581	6,190
Foreign exchange losses	1,313	—
Other	1,999	1,589
Total non-operating expenses	9,894	7,779
Ordinary profit	162,862	170,056
Extraordinary income		
Gain on disposal of non-current assets	—	435
Gain on sales of land	—	122
Gain on sales of investment securities	40	—
Gain on insurance claims	—	198
Total extraordinary income	40	757
Extraordinary losses		
Loss on disposal of non-current assets	415	—
Loss on valuation of investment securities	270	511
Loss on disaster	579	—
Other	—	5
Total extraordinary losses	1,266	516
Profit before income taxes	161,636	170,297
Income taxes	45,111	47,959
Profit	116,525	122,337
Profit attributable to non-controlling interests	3,709	3,823
Profit attributable to owners of parent	112,816	118,513

(Consolidated Statement of Comprehensive Income)

For the Six Months Ended September 30 (Millions of yen)

	First Six Months of FY2018 (April 1, 2018, to September 30, 2018)	First Six Months of FY2019 (April 1, 2019, to September 30, 2019)
Profit	116,525	122,337
Other comprehensive income		
Valuation difference on available-for-sale securities	(801)	(4,460)
Deferred gains or losses on hedges	706	(1,378)
Foreign currency translation adjustment	18,045	(58,303)
Remeasurements of defined benefit plans	269	297
Share of other comprehensive income of entities accounted for using equity method	(619)	(656)
Total other comprehensive income	17,600	(64,500)
Comprehensive income	134,126	57,836
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	130,580	55,112
Comprehensive income attributable to non-controlling interests	3,545	2,724

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	First Six Months of FY2018 (April 1, 2018, to September 30, 2018)	First Six Months of FY2019 (April 1, 2019, to September 30, 2019)
I. Cash flows from operating activities		
Profit before income taxes	161,636	170,297
Depreciation	35,691	46,071
Amortization of goodwill	14,707	14,708
Increase (decrease) in allowance for doubtful accounts	921	1,187
Interest and dividend income	(6,331)	(6,785)
Interest expenses	6,581	6,190
Share of loss (profit) of entities accounted for using equity method	(1,464)	(143)
Loss (gain) on disposal of non-current assets	415	(435)
Loss (gain) on sales of investment securities	(40)	—
Loss (gain) on valuation of investment securities	270	511
Decrease (increase) in trade receivables	(11,337)	(13,461)
Decrease (increase) in inventories	(4,876)	(4,937)
Increase (decrease) in trade payables	3,547	(8,098)
Increase (decrease) in retirement benefit liability	(121)	371
Decrease (increase) in retirement benefit asset	(223)	(702)
Other, net	16,934	17,650
Subtotal	216,311	222,423
Interest and dividends received	6,767	7,231
Interest paid	(6,210)	(6,480)
Income taxes paid	(35,330)	(45,806)
Net cash provided by (used in) operating activities	181,537	177,368
II. Cash flows from investing activities		
Purchase of property, plant and equipment	(44,216)	(42,438)
Proceeds from sales of property, plant and equipment	263	2,511
Purchase of investment securities	(354)	(108)
Proceeds from sales of investment securities	46	—
Purchase of shares of subsidiaries and associates	—	(141)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(10,535)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	21	—
Payments for investments in capital of subsidiaries resulting in change in scope of consolidation	(730)	—
Proceeds from merger	48	—
Decrease (increase) in time deposits	(10,898)	568
Other, net	(1,888)	(8,341)
Net cash provided by (used in) investing activities	(57,709)	(58,484)

(Millions of yen)

	First Six Months of FY2018 (April 1, 2018, to September 30, 2018)	First Six Months of FY2019 (April 1, 2019, to September 30, 2019)
III. Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,950	(53,233)
Proceeds from long-term borrowings	—	73,054
Repayments of long-term borrowings	(48,445)	(23,305)
Redemption of bonds	—	(40,000)
Dividends paid	(21,933)	(26,326)
Dividends paid to non-controlling interests	(237)	(1,286)
Other, net	(3,864)	(9,761)
Net cash provided by (used in) financing activities	(71,530)	(80,858)
IV. Effect of exchange rate change on cash and cash equivalents	(1,861)	(22,534)
V. Net increase (decrease) in cash and cash equivalents	50,435	15,490
VI. Cash and cash equivalents at beginning of period	357,027	367,189
VII. Increase (decrease) in cash and cash equivalents resulting from change in accounting period of subsidiaries	(66)	(7)
VIII. Cash and cash equivalents at end of period	407,396	382,672

(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, 2020, 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 Policy

From the beginning of the first quarter of fiscal year ending March 31, 2020, the overseas consolidated subsidiaries have applied “Leases” (IFRS 16, January 13, 2016; ASU 2016-02, February 25, 2016). Following the application of this accounting standard, as of September 30, 2019, “property, plant and equipment,” “other” in “current liabilities” and “other” in “non-current liabilities” increased by ¥58,606 million, ¥14,954 million, and ¥43,982 million, respectively. Furthermore, ¥12,528 million of leasehold interests in land hitherto included in “other” in “intangible assets” has been included in “property, plant and equipment” from the first quarter of fiscal year ending March 31, 2020. This change does not have a significant impact on profit or loss for the six months ended September 30, 2019.

Segment Information, etc.

I. For the six months ended September 30, 2018 (From April 1, 2018, to September 30, 2018)

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	1,172,420	101,240	1,273,661	25,366	1,299,027	—	1,299,027
Intersegment sales	332	9,225	9,557	343	9,901	(9,901)	—
Total	1,172,752	110,466	1,283,218	25,710	1,308,929	(9,901)	1,299,027
Segment profit	140,453	17,621	158,074	2,545	160,620	4	160,624

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 ¥4 million to segment profit comprises the elimination of intersegment transactions.
3. Segment profit is adjusted with operating profit in the Consolidated Statement of Income.

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

(Significant impairment loss of non-current assets)

None applicable

(Significant change in goodwill amount)

None applicable

(Significant gain on bargain purchase)

None applicable

II. For the six months ended September 30, 2019 (From April 1, 2019, to September 30, 2019)

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	1,234,394	89,982	1,324,376	29,824	1,354,201	—	1,354,201
Intersegment sales	1,092	7,219	8,311	466	8,778	(8,778)	—
Total	1,235,486	97,201	1,332,688	30,291	1,362,979	(8,778)	1,354,201
Segment profit	152,514	12,949	165,464	2,822	168,287	4	168,291

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 ¥4 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

Significant Subsequent Events

On October 11, 2019, the Company issued domestic straight bonds with the following terms and conditions. The overview is as follows:

Name of the bonds	Daikin Industries, Ltd. 23rd Unsecured Bonds (with limited inter-bond pari passu clause)
Issue date	October 11, 2019
Aggregate face value of bonds or aggregate value of book-entry transfer bonds (yen)	¥15,000,000,000
Issue price (yen)	The bonds shall be issued at ¥100 per face value of ¥100
Interest rate (%)	0.130% 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 October 9, 2026. (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 commercial papers.
Collateral	The bonds are unsecured by assets and guarantees and without reservation of specific assets.
Book-entry transfer institution	Japan Securities Depository Center, Incorporated 1-1 Nihombashi Kayaba-cho, 2-chome, Chuo-ku, Tokyo
Financial covenants (restrictions on collateral provision)	1. While the unredeemed balance of these bonds remain, 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 24th 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. 24th Unsecured Bonds (with limited inter-bond pari passu clause)
Issue date	October 11, 2019
Aggregate face value of bonds or aggregate value of book-entry transfer bonds (yen)	¥15,000,000,000
Issue price (yen)	The bonds shall be issued at ¥100 per face value of ¥100
Interest rate (%)	0.180% 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 October 11, 2029. (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 commercial papers.
Collateral	The bonds are unsecured by assets and guarantees and without reservation of specific assets.
Book-entry transfer institution	Japan Securities Depository Center, Incorporated 1-1 Nihombashi Kayaba-cho, 2-chome, Chuo-ku, Tokyo
Financial covenants (restrictions on collateral provision)	1. While the unredeemed balance of these bonds remain, 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 23rd 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.