<Translation>

Member, Financial Accounting Standards Foundation

Brief Report on the Settlement of Accounts (Consolidated) for the Six Months Ended September 30, 2020 (J-GAAP)

November 5, 2020

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 6, 2020
Planned date of start of dividend payment: December 2, 2020
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, 2020
(From April 1, 2020, to September 30, 2020)

(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, 2020	1,229,249	-9.2	131,627	-21.8	131,854	-22.5	84,608	-28.6
September 30, 2019	1,354,201	4.2	168,291	4.8	170,056	4.4	118,513	5.1

Note: Comprehensive income was ¥102,232 million (76.8%) for the six months ended September 30, 2020, and ¥57,836 million (-56.9%) for the six months ended September 30, 2019.

	Earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2020	289.16	288.99
September 30, 2019	405.14	404.86

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2020	2,992,183	1,541,712	50.5
As of March 31, 2020	2,667,512	1,462,591	53.8

(Reference) Equity capital was ¥1,511,239 million as of September 30, 2020, and ¥1,434,968 million as of March 31, 2020.

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, 2020	—	80.00	—	80.00	160.00
Fiscal Year ending March 31, 2021	—	80.00			
Fiscal Year ending March 31, 2021 (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, 2021
(From April 1, 2020, to March 31, 2021)

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	2,425,000	-4.9	210,000	-20.9	210,000	-21.9	140,000	-18.0	478.49

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

*Notes

(1) Changes in Significant Subsidiaries during the Six Months Ended September 30, 2020: 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.: None
- (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, 2020	293,113,973 shares
	As of March 31, 2020	293,113,973 shares
(ii)	Number of treasury shares at end of period	
	As of September 30, 2020	482,208 shares
	As of March 31, 2020	529,837 shares
(iii)	Average number of shares outstanding during the six months	
	Six Months Ended September 30, 2020	292,602,540 shares
	Six Months Ended September 30, 2019	292,524,329 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 Friday, November 6, 2020. 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 six months ended September 30, 2020 (from April 1, 2020, to September 30, 2020), while the overall world economy slowed significantly as economic activity stagnated due to the global spread of the coronavirus (COVID-19), some countries saw an upward trend. Although the U.S. economy slowed due to a decline in personal consumption in the first half of the period, it showed signs of recovery from the second half of the period as government economic measures and monetary easing provided support for consumption. The European economy, despite rising exports, experienced downward pressure as personal consumption decreased due to deteriorating employment and income conditions. The growth rate of the economies of Asia and emerging countries slowed substantially as a result of weak service exports due to a sharp decline in foreign tourists and sluggish domestic demand stemming from restrictions on activities imposed by governments. The Chinese economy continued a recovery trend as economic activity resumed quickly, in addition to an increase in exports and new government infrastructure investment. The Japanese economy, despite export gains, experienced downward pressure from sluggish personal consumption due to stay-at-home orders.

In such a business environment, the Daikin Group focused on business management initiatives in production, procurement, and sales, including the launch of cross-divisional projects, to minimize the impact of COVID-19 on the Group and to ensure a rapid recovery upon resolution of the situation. In particular, the Group worked to expand sales of products related to air quality, such as air purifiers and ventilation products, by capitalizing on the growing awareness for the safety and assurance of air and space. In addition, the Group worked to maintain its product supply system despite procurement being impacted from the sales networks, production sites, and suppliers in each country. Although the COVID-19 infection status and market recovery pace vary according to region and individual market, sales are returning to a recovery trend, particularly in residential air-conditioning equipment.

In addition, the Daikin Group set “Accelerating Our 3 Structures of Collaborative Innovation, Let Us Win in this Era of Change” (3 Structures of Collaborative Innovation: Collaborative Innovation with Customers, Collaborative Innovation with External Bodies, and Collaborative Innovation within the Group) as the slogan for its Annual Group Policy for this year (2020). Aiming to generate results, the Group made efforts to strengthen sales and marketing capabilities; improve product development, production, procurement and quality; enhance human resources capabilities; and reduce both fixed and variable costs in each region around the world.

The Daikin Group’s net sales decreased by 9.2% year over year to ¥1,229,249 million for the six months ended September 30, 2020. As for profits, operating profit decreased by 21.8% to ¥131,627 million, ordinary profit decreased by 22.5% to ¥131,854 million, and profit attributable to owners of parent decreased by 28.6% to ¥84,608 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 decreased by 8.3% year over year to ¥1,131,693 million. Operating profit decreased by 18.4% to ¥124,459 million.

In the Japanese commercial air-conditioning equipment market, industry demand declined significantly, particularly in the market for stores, due to the contraction in economic activities accompanying COVID-19 prevention measures. Although the Daikin Group worked to maintain its sales function through sales operations utilizing remote work and proposal-based sales performed remotely and worked to provide proposals for ventilation and disinfection products that have increased interest from the market, net sales of commercial air-conditioning systems were lower year over year.

In the Japanese residential air-conditioning equipment market, industry demand was higher year over year due to increased demand for air-conditioning systems accompanying greater time spent at home, increased interest in ventilation and disinfection, and the effects of government benefits, which supported demand, as well as the effects of the heat wave since August. The Group’s net sales of residential air-conditioning systems increased year over year. This was due in part to the high value seen by the market for its unique technology of improving air quality, including the “Urusara X,” which has a ventilation function, and the “Streamer Air Purifier.”

In the Americas, net sales decreased year over year as a whole due to the impact from the spread of COVID-19. Residential air-conditioning systems received a positive effect on demand from more time spent at home and greater adoption of remote work, as well as favorable weather conditions. However, net sales declined year over year owing to the impact of COVID-19 throughout the United States and tight supplies resulting from the temporary closure of factories in order to prevent the spread of infection. Net sales of commercial air-conditioning systems also declined year over year due to the review and suspension of projects in certain industries, including the retail and restaurant industries. In the market for large buildings (Applied Systems), despite market stagnation from the spread of COVID-

19, net sales increased year over year as a result of strengthening the sales network and expanding sales, particularly of air handling units (large commercial air-conditioning systems that meet a wide variety of air-conditioning needs depending on the type of business and room application) for which orders were secured before the impact of COVID-19 was felt, along with these parts.

In China, the market was affected by the spread of COVID-19 in April and May and did not fully recover. As a result, net sales declined year over year for the first quarter (April to June). However, net sales for the second quarter (July to September) were higher year over year, partly because the market started to fully function in June. Although sales similarly recovered from June onward, net sales for the six months ended September 30 (April to September) declined year over year. The Group not only recovered sales, but it also took advantage of the softening raw material market conditions, reduced fixed costs, and promoted cost reductions to maintain profits at high levels. Demand from residential air-conditioning systems was on a recovery trend, and the Group searched for new customers and promoted online sales through a new business model that combines online sales with the offline sales of its "PROSHOP" specialty shops, which have been one of the Group's strengths. As a result, sales of residential multi-split type air conditioners, our mainstay product, increased from June onward. As for commercial air-conditioning systems, in order to strengthen sales for large-scale projects such as public investment that have begun, the Group promoted collaborations regarding energy and air quality products with major developers and enhanced its product quality. In the commercial retail markets (such as the market for stores), where demand was slow to recover, the Group expanded its contact with customers through leveraging ventilation, cleaning, and disinfection, and worked to identify demand for replacements and others. As a result, net sales in the second quarter (July to September) remained at the same level year over year. In the Applied Systems air-conditioning equipment market, the Group strengthened sales in the fields where demand is growing, such as infrastructure, data centers and other information-related businesses, as well as repair and maintenance.

In Asia and Oceania, sales dropped significantly due to the suspension of business activities in many countries in April as a result of governmental decrees in response to the spread of COVID-19. In residential air-conditioning systems, despite restrictions on business activities that have remained in place from May onward, the Group captured demand from more time spent at home and from a rebound, as restrictions were eased from the decline in demand in April when business activities were suspended. In addition, the Group promoted sales through its own dealer channels as shopping malls leasing space to home electronics retailers were closed in many countries due to restrictions on business activities. In commercial air-conditioning systems, a difficult situation continued as the spread of COVID-19 caused delays in construction starts and construction schedules across the market due to a shortage of workers and mandatory COVID-19 testing at construction sites. As described above, net sales of both residential and commercial air-conditioning systems decreased year over year as a whole due to the economic slowdown and decline in personal consumption affected by COVID-19.

In Europe, despite a decline in sales affected by the spread of COVID-19, net sales remained at the same level year over year as a whole as sales recovered sharply due to stronger sales activity from May onwards, when the lockdown was gradually lifted. Residential air-conditioning systems maximized demand by utilizing a production and supply response that took advantage of nearby factories in the Czech Republic and Turkey. In addition, sales of residential heat pump hot water heating systems increased, aided by the European Green Deal's subsidy program and the effect of introduction of new models. As a result of these factors, overall net sales of residential air-conditioning systems increased year over year. Net sales of commercial air-conditioning systems decreased year over year as demand from hotels, restaurants, and stores declined even after the lifting of the lockdown, and recommendations of remote work in many countries resulted in weak demand in the office sector.

In the Middle and Near East and Africa, net sales decreased year over year due to the impact of COVID-19 and the economic downturn caused by falling crude oil prices. In Turkey, while net sales in the local currency increased year over year due to increased sales of residential air-conditioning systems, yen-equivalent net sales decreased year over year due to the impact of the sharp depreciation of the Turkish lira.

In the filter business, sales of hospital and residential filters grew in the United States due to rising demand for ventilation amid the spread of COVID-19, and sales of high-performance filters for hospitals and clean rooms increased in Asia and Europe. The Group also worked to sell products such as negative pressure units that prevent viruses from spreading outside the patient hospital rooms. However, overall net sales in the filter business decreased year over year due in part to a decline in sales for gas turbines as a result of declining demand for electricity.

In the marine vessels business, net sales remained at the same level year over year, despite a decrease in unit sales of marine container refrigeration units.

(ii) Chemicals

Overall sales of the Chemicals segment decreased by 17.0% year over year to ¥74,642 million. Operating profit decreased by 54.1% to ¥5,938 million.

The general condition regarding overall sales of fluorochemical products was harsh due to a decline in demand affected by the spread of COVID-19 in a wide range of fields, including semiconductors and automobiles, and a decline in demand in the European gas market.

Net sales of fluoropolymers decreased year over year due to a global decline in demand for semiconductor and automotive-related applications, as well as a decline in demand related to construction and aircraft in the United States. Net sales of fluoroelastomers also decreased year over year due to the significant impact of falling demand in Japan, the United States, Europe, and Asia, despite recovery in demand in the automotive field, especially in the Chinese market.

Among specialty chemicals, net sales of oil and water repellents grew year over year due to expansion of sales for medical-related applications in China, the United States, and Europe. Net sales of anti-fouling surface coating agents increased year over year as a result of strong sales in China. Despite a difficult demand environment, overall net sales of specialty chemicals remained at the same level year over year due in part to increased sales of these products.

As for fluorocarbon gas, the impact of the decline in global sales was significant, and as a result, overall sales of gas decreased substantially year over year.

(iii) Other Divisions

Overall sales of the “Others” segment decreased by 23.2% year over year to ¥22,913 million. Operating profit decreased by 56.6% to ¥1,224 million.

In oil hydraulic equipment, net sales of oil hydraulic equipment for industrial machinery declined year over year as a result of a decline in capital investment in Japan and declining demand in Asian, European, and U.S. markets triggered by the spread of COVID-19. In addition, net sales of oil hydraulic equipment for construction machinery and vehicles declined year over year due to the impact of decreased demand in the Japanese, European and U.S. markets resulting from the spread of COVID-19.

In defense systems-related products, net sales decreased year over year as a result of a reduction in sales of ammunition to the Ministry of Defense, despite an increase of sales of home oxygen equipment due to the capture of demand for pulse oximeters (medical devices that can easily measure blood oxygen saturation without blood collection).

In the electronics business, net sales decreased year over year due to a decline in sales of “SpaceFinder,” a database system for design and development sectors, which is sold mainly to manufacturers, resulting from a decline in investment associated with the spread of COVID-19.

(2) Explanation of Financial Position

(i) Assets, Liabilities and Net Assets

Total assets increased by ¥324,671 million from the end of the previous fiscal year to ¥2,992,183 million. Current assets increased by ¥312,422 million from the end of the previous fiscal year to ¥1,616,849 million, mainly due to an increase in cash and deposits. Non-current assets increased by ¥12,248 million from the end of the previous fiscal year to ¥1,375,333 million, primarily due to an increase in investment securities resulting from market value fluctuation.

Liabilities increased by ¥245,550 million from the end of the previous fiscal year to ¥1,450,471 million, mainly due to an increase in long-term borrowings. Interest bearing debt ratio rose to 26.2% from 20.8% at the end of the previous fiscal year.

Net assets increased by ¥79,120 million from the end of the previous fiscal year to ¥1,541,712 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, 2020, net cash provided by operating activities was ¥219,111 million, an increase of ¥41,742 million from the same period of the previous fiscal year, principally due to a decrease in inventories. Net cash used in investing activities was ¥72,036 million, an increase of ¥13,551 million from the same period of the previous fiscal year, primarily due to an increase in time deposits. Net cash provided by financing activities was ¥195,413 million, an increase of ¥276,271 million from the same period of the previous fiscal year, mainly due to an increase 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 six months ended September 30, 2020, amounted to ¥346,686 million, an increase of ¥331,196 million from the same period of the previous fiscal year.

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

While the business environment surrounding the Daikin Group is slowly recovering, mainly in developed countries, the spread of COVID-19 in the United States, India, and Latin American countries has not been stopped. There are also risk factors such as a second wave of COVID-19 in Europe, the confrontation between the United States and China, and a deterioration in corporate earnings. For these reasons, the situation is expected to remain uncertain. In the markets relating to the Company, there were an early resumption of economic activity and a boost in demand for residential air-conditioning systems due to remote work in the six months ended September 30, 2020. However, the Group expects the impact in the third quarter onward to be prolonged in Asia and other emerging countries. In addition, under the new normal in a post-coronavirus future, the Group expects that it will take time for demand for commercial air-conditioning systems to recover in retail, restaurant, lodging, and office-related markets.

Under these circumstances, the business results for the six months ended September 30, 2020 exceeded the expectations of the business forecast announced on October 5, 2020, and the business forecast for the fiscal year ending March 31, 2021, has been revised as follows. Please note that this forecast does not assume large-scale city lockdowns or suspension of production and sales activities caused by a second wave of COVID-19.

Amidst the continuing uncertainty in the business environment, the Group will strive to strengthen its business structure in order to ensure earnings for the fiscal year under review and lead the way to future growth and development by implementing measures with an “aggressive” and “challenging” mindset.

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, 2021
(From April 1, 2020, to March 31, 2021)

	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)	2,400,000	198,000	198,000	130,000	444.32
Revised forecasts (B)	2,425,000	210,000	210,000	140,000	478.49
Increase/decrease (B – A)	25,000	12,000	12,000	10,000	—
Increase/decrease (%)	1.0	6.1	6.1	7.7	—
(Reference) Results for the fiscal year ended March 31, 2020	2,550,305	265,513	269,025	170,731	583.61

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)

	FY2019 (As of March 31, 2020)	Second Quarter of FY2020 (As of September 30, 2020)
Assets		
Current assets		
Cash and deposits	370,793	729,952
Notes and accounts receivable – trade	440,755	430,624
Merchandise and finished goods	292,579	271,778
Work in process	49,686	37,743
Raw materials and supplies	91,517	92,580
Other	69,657	65,858
Allowance for doubtful accounts	(10,561)	(11,688)
Total current assets	1,304,427	1,616,849
Non-current assets		
Property, plant and equipment	579,980	594,487
Intangible assets		
Goodwill	281,969	263,118
Other	260,687	253,933
Total intangible assets	542,656	517,052
Investments and other assets		
Investment securities	157,328	177,028
Other	84,326	87,952
Allowance for doubtful accounts	(1,206)	(1,187)
Total investments and other assets	240,448	263,793
Total non-current assets	1,363,085	1,375,333
Total assets	2,667,512	2,992,183
Liabilities		
Current liabilities		
Notes and accounts payable – trade	189,843	187,285
Short-term borrowings	48,937	56,680
Current portion of bonds payable	—	10,000
Current portion of long-term borrowings	105,900	62,546
Income taxes payable	19,893	23,670
Provision for product warranties	52,849	54,517
Other	276,532	277,289
Total current liabilities	693,957	671,989
Non-current liabilities		
Bonds payable	90,000	130,000
Long-term borrowings	233,184	448,534
Retirement benefit liability	13,219	13,620
Other	174,559	186,327
Total non-current liabilities	510,963	778,481
Total liabilities	1,204,921	1,450,471

(Millions of yen)

	FY2019 (As of March 31, 2020)	Second Quarter of FY2020 (As of September 30, 2020)
Net assets		
Shareholders' equity		
Share capital	85,032	85,032
Capital surplus	83,898	84,149
Retained earnings	1,254,072	1,315,275
Treasury shares	(2,264)	(2,065)
Total shareholders' equity	1,420,739	1,482,391
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	29,764	43,166
Deferred gains or losses on hedges	(2,797)	(355)
Foreign currency translation adjustment	(5,051)	(6,263)
Remeasurements of defined benefit plans	(7,687)	(7,700)
Total accumulated other comprehensive income	14,228	28,848
Share acquisition rights	1,886	2,147
Non-controlling interests	25,736	28,324
Total net assets	1,462,591	1,541,712
Total liabilities and net assets	2,667,512	2,992,183

(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 FY2019 (April 1, 2019, to September 30, 2019)	First Six Months of FY2020 (April 1, 2020, to September 30, 2020)
Net sales	1,354,201	1,229,249
Cost of sales	874,442	798,125
Gross profit	479,758	431,124
Selling, general and administrative expenses	311,466	299,496
Operating profit	168,291	131,627
Non-operating income		
Interest income	3,758	2,895
Dividend income	3,026	2,517
Share of profit of entities accounted for using equity method	143	354
Foreign exchange gains	259	—
Other	2,356	2,266
Total non-operating income	9,544	8,034
Non-operating expenses		
Interest expenses	6,190	4,407
Foreign exchange losses	—	1,514
Other	1,589	1,885
Total non-operating expenses	7,779	7,807
Ordinary profit	170,056	131,854
Extraordinary income		
Gain on disposal of non-current assets	435	—
Gain on sales of land	122	—
Gain on insurance claims	198	—
Total extraordinary income	757	—
Extraordinary losses		
Loss on disposal of non-current assets	—	141
Loss on sales of land	—	53
Loss on valuation of investment securities	511	83
Other	5	1
Total extraordinary losses	516	280
Profit before income taxes	170,297	131,574
Income taxes	47,959	43,500
Profit	122,337	88,073
Profit attributable to non-controlling interests	3,823	3,464
Profit attributable to owners of parent	118,513	84,608

(Consolidated Statement of Comprehensive Income)

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

	First Six Months of FY2019 (April 1, 2019, to September 30, 2019)	First Six Months of FY2020 (April 1, 2020, to September 30, 2020)
Profit	122,337	88,073
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,460)	13,401
Deferred gains or losses on hedges	(1,378)	2,441
Foreign currency translation adjustment	(58,303)	(1,203)
Remeasurements of defined benefit plans	297	(11)
Share of other comprehensive income of entities accounted for using equity method	(656)	(469)
Total other comprehensive income	(64,500)	14,158
Comprehensive income	57,836	102,232
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	55,112	99,227
Comprehensive income attributable to non-controlling interests	2,724	3,004

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	First Six Months of FY2019 (April 1, 2019, to September 30, 2019)	First Six Months of FY2020 (April 1, 2020, to September 30, 2020)
I. Cash flows from operating activities		
Profit before income taxes	170,297	131,574
Depreciation	46,071	50,291
Amortization of goodwill	14,708	14,899
Increase (decrease) in allowance for doubtful accounts	1,187	982
Interest and dividend income	(6,785)	(5,413)
Interest expenses	6,190	4,407
Share of loss (profit) of entities accounted for using equity method	(143)	(354)
Loss (gain) on disposal of non-current assets	(435)	141
Loss (gain) on valuation of investment securities	511	83
Decrease (increase) in trade receivables	(13,461)	11,960
Decrease (increase) in inventories	(4,937)	32,763
Increase (decrease) in trade payables	(8,098)	(3,453)
Increase (decrease) in retirement benefit liability	371	208
Decrease (increase) in retirement benefit asset	(702)	(579)
Other, net	17,650	12,914
Subtotal	222,423	250,425
Interest and dividends received	7,231	5,476
Interest paid	(6,480)	(4,967)
Income taxes paid	(45,806)	(31,823)
Net cash provided by (used in) operating activities	177,368	219,111
II. Cash flows from investing activities		
Purchase of property, plant and equipment	(42,438)	(54,387)
Proceeds from sales of property, plant and equipment	2,511	1,778
Purchase of investment securities	(108)	(474)
Purchase of shares of subsidiaries and associates	(141)	—
Payments for acquisition of businesses	—	(345)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(10,535)	—
Decrease (increase) in time deposits	568	(11,583)
Other, net	(8,341)	(7,024)
Net cash provided by (used in) investing activities	(58,484)	(72,036)

(Millions of yen)

	First Six Months of FY2019 (April 1, 2019, to September 30, 2019)	First Six Months of FY2020 (April 1, 2020, to September 30, 2020)
III. Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(53,233)	7,207
Proceeds from long-term borrowings	73,054	242,808
Repayments of long-term borrowings	(23,305)	(68,878)
Proceeds from issuance of bonds	—	49,825
Redemption of bonds	(40,000)	—
Dividends paid	(26,326)	(23,314)
Dividends paid to non-controlling interests	(1,286)	(531)
Repayments of lease obligations	(9,801)	(11,750)
Other, net	39	46
Net cash provided by (used in) financing activities	(80,858)	195,413
IV. Effect of exchange rate change on cash and cash equivalents	(22,534)	4,198
V. Net increase (decrease) in cash and cash equivalents	15,490	346,686
VI. Cash and cash equivalents at beginning of period	367,189	321,151
VII. Increase (decrease) in cash and cash equivalents resulting from change in accounting period of subsidiaries	(7)	(58)
VIII. Cash and cash equivalents at end of period	382,672	667,780

(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, 2021, 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.

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]
In the Additional Information of the securities report for the fiscal year ended March 31, 2020, the Company presumed that the impacts of COVID-19 would last through the first half of the fiscal year ending March 31, 2021, in general. However, based on the current situation, the Company assumes the impacts to continue throughout the fiscal year ending March 31, 2021. There is no impact from this change.

Segment Information, etc.

I. 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

II. For the six months ended September 30, 2020 (From April 1, 2020, to September 30, 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	1,131,693	74,642	1,206,336	22,913	1,229,249	—	1,229,249
Intersegment sales	591	4,730	5,322	310	5,632	(5,632)	—
Total	1,132,285	79,372	1,211,658	23,223	1,234,882	(5,632)	1,229,249
Segment profit	124,459	5,938	130,398	1,224	131,623	4	131,627

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