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Brief Report on the Settlement of Accounts (Consolidated) for the Nine Months Ended December 31, 2020 (J-GAAP)

February 9, 2021

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 10, 2021
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, 2020
(From April 1, 2020, to December 31, 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	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2020	1,841,731	-5.6	194,506	-11.2	195,810	-12.6	128,740	-13.0
December 31, 2019	1,951,374	4.1	219,121	2.5	224,036	3.8	148,024	-1.2

Note: Comprehensive income was ¥171,278 million (30.1%) for the nine months ended December 31, 2020, and ¥131,633 million (10.6%) for the nine months ended December 31, 2019.

	Earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2020	439.97	439.71
December 31, 2019	506.00	505.66

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2020	3,048,183	1,584,188	51.0
As of March 31, 2020	2,667,512	1,462,591	53.8

(Reference) Equity capital was ¥1,554,469 million as of December 31, 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	2,460,000	-3.5	232,000	-12.6	232,000	-13.8	150,000	-12.1	512.67

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

*Notes

(1) Changes in Significant Subsidiaries during the Nine Months Ended December 31, 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 December 31, 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 December 31, 2020 — 471,392 shares
  - As of March 31, 2020 — 529,837 shares
- (iii) Average number of shares outstanding during the nine months
  - Nine Months Ended December 31, 2020 — 292,613,851 shares
  - Nine Months Ended December 31, 2019 — 292,536,154 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 Tuesday, February 9, 2021. 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, 2020 (from April 1, 2020, to December 31, 2020), the overall world economy slowed significantly as economic activity stagnated due to the global spread of the coronavirus (COVID-19). While some countries saw a recovery, the infection is spreading once again in Europe and other regions, and its impact has become prolonged. 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 strong online sales provided support for consumption. The European economy, despite improvements in exports, experienced downward pressure as personal consumption decreased due to prolonged restrictions on activities. In the economies of Asia and emerging countries, export gains and government consumption helped support economies, despite the slow rate of recovery of corporate capital investment. The Chinese economy continued a recovery trend as economic activity resumed quickly, in addition to an increase in exports and government infrastructure investment in the information and telecommunication and energy sectors. The Japanese economy, despite export gains to China, experienced downward pressure from sluggish personal consumption.

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 the economic slowdown on the Group's business results and to ensure a rapid recovery upon containment of COVID-19. 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 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 5.6% year over year to ¥1,841,731 million for the nine months ended December 31, 2020. As for profits, operating profit decreased by 11.2% to ¥194,506 million, ordinary profit decreased by 12.6% to ¥195,810 million, and profit attributable to owners of parent decreased by 13.0% to ¥128,740 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 4.8% year over year to ¥1,691,068 million. Operating profit decreased by 7.1% to ¥183,725 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. The Daikin Group worked to provide proposals for ventilation and disinfection products that have received increased interest from the market. These efforts included the September launch of "Venti-air," which is a total heat exchanger unit with an exposed installation design that can ventilate a room without affecting the room's temperature, online proposal-based sales activities, and television commercials promoting ventilation and the disinfection capabilities of Streamer products. Despite these efforts, net sales of commercial air-conditioning systems were lower year over year due to factors including reduced demand.

In the Japanese residential air-conditioning equipment market, industry demand was higher year over year due to increased interest in ventilation and disinfection, the growing use of remote work, and the effects of this summer's heat wave. The Group's net sales of residential air-conditioning systems increased year over year. This was due to the high value seen by the market for its unique technology of improving air quality, including the "Urusara X," which has ventilation and humidification functions, 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 a time of 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, the Group strengthened the sales network and expanded sales of systems, 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 the spread of infection was felt. As a result, although net sales in the local currency increased year over year, yen-equivalent net sales remained at the same level year over year due to the impact of the exchange rates.

In China, the market was on a recovery trend from June onward, supported by economic measures and monetary easing. The Group strengthened its lineup of ventilation products to meet the changes to the market brought on by COVID-19 and accelerated its sales activities leveraging online tools. As a result, sales increased not only for the second quarter (July to September), but also for the third quarter (October to December). Although sales recovered from the second quarter onward, net sales for the nine months ended December 31 (April to December) declined year over year, partly because of the impact of the spread of infection during the first quarter (April to June). The Group promoted cost reductions, such as by reducing fixed costs and improving productivity, to maintain profits at high levels. As for residential air-conditioning systems, sales of residential multi-split type air conditioners, our mainstay product, increased. The Group promoted sales by combining online approaches such as leveraging the Internet to search for new customers and using live broadcasts with the offline sales of its “PROSHOP” specialty shops, which have been one of the Group’s strengths. As commercial air-conditioning systems faced a difficult market environment with a reduced store and office demand, the Group promoted collaborations with major developers and enhanced its product quality. For sales to stores, the Group worked on sales activities promoting ventilation, cleaning, and disinfection with a focus on identifying demand. In the Applied Systems air-conditioning equipment market, the Group strengthened sales in growth fields, such as infrastructure, data centers and other information-related businesses, as well as in 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. As the Group strengthened sales from May onward to capture the additional demand prompted by the easing of restrictions, sales for the third quarter came close to the same level year over year. In residential air-conditioning systems, despite restrictions on business activities that have remained in place, the Group captured demand from more time spent at home and from a rebound, as restrictions were eased, from the decline in demand in the period 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 infection 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. For the nine months ended December 31, 2020, 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 the spread of infection.

In Europe, despite the impact of lockdowns imposed once again in various countries from the middle of October onward because of a second wave of COVID-19, net sales remained at the same level year over year as a whole due to stronger sales activity. Residential air-conditioning systems maximized demand, with a robust performance due to firm establishment of remote work and needs from more time spent at home, even after summer, when the market recovered sharply. In addition, sales of residential heat pump hot water heating systems increased significantly, especially in Germany and Italy, aided by new and greater subsidies under the European Green Deal, an economic stimulus measure for European nations aimed at achieving greenhouse gas reduction targets for 2030. This coincided with the introduction of new models, the strengthening of marketing capabilities, the expansion of dealer networks, and other efforts. As a result of these factors, overall net sales of residential air-conditioning systems increased year over year. As for commercial air-conditioning systems, demand from offices, hotels, restaurants, and stores, which are major applications, further declined with the imposition of lockdowns once again. Even at food retailers with strong performance, new store construction and renovation projects were cancelled or postponed. Although sales were maximized through the use of proposal-based sales effectively leveraging online tools amid this difficult market environment and the restrictions placed on sales activities such as visits to customers and worksites, net sales of commercial air-conditioning systems decreased year over year.

In the Middle and Near East and Africa, net sales decreased year over year due to a decrease in the number of projects, especially for the commercial market, affected by the economic slowdown caused by the COVID-19 pandemic, and credit limitations placed because of customer financing conditions. In Turkey, despite a significant increase in sales of residential air-conditioning systems, yen-equivalent net sales remained at the same level year over year due to the impact of the sharp depreciation of the Turkish lira.

In the filter business, rising demand for ventilation amid the spread of COVID-19 caused sales of high-performance filters for hospitals and clean rooms to increase in Asia and Europe, and sales of hospital and residential filters were strong in the United States as a stable supply system was established. The Group also worked to strengthen its sales of air purifiers mainly to public facilities. However, overall net sales in the filter business decreased year over year due in part to a decline in sales of commercial dust collection systems for gas turbines, large plants, and similar facilities as a result of the spread of infection throughout the world.

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 decreased by 12.0% year over year to ¥116,648 million. Operating profit decreased by 48.9% to ¥9,034 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 the major drop during the first half of the period, as well as a decline in demand for construction and aircraft in the United States, despite the recovery trend of global demand for semiconductor and automotive-related applications. Despite recovery in demand in the automotive field, net sales of fluoroelastomers also decreased year over year due to the significant impact of falling demand in Japan, Europe, and Asia.

Among specialty chemicals, net sales of anti-fouling surface coating agents increased year over year as a result of strong sales in China. In addition, net sales of semiconductor etching agents increased year over year due to sales expansion to meet recovering demand. However, due in part to the general decline in demand from the impact of COVID-19, overall net sales of specialty chemicals remained at the same level year over year.

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 19.4% year over year to ¥34,015 million. Operating profit decreased by 52.1% to ¥1,740 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 infection.

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 robust sales of oxygen concentrators as well as the capture of demand for 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 remained at the same level year over year due in part to a sales recovery in the game market and the university and public sector markets, where the impact of COVID-19 is relatively low. This was despite a decline in sales of “SpaceFinder,” a database system for design and development sectors that is sold mainly to manufacturers, which suffered 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 ¥380,670 million from the end of the previous fiscal year to ¥3,048,183 million. Current assets increased by ¥337,688 million from the end of the previous fiscal year to ¥1,642,115 million, mainly due to an increase in cash and deposits. Non-current assets increased by ¥42,982 million from the end of the previous fiscal year to ¥1,406,067 million, primarily due to an increase in investment securities resulting from market value fluctuation.

Liabilities increased by ¥259,073 million from the end of the previous fiscal year to ¥1,463,995 million, mainly due to an increase in long-term borrowings. Interest bearing debt ratio rose to 25.2% from 20.8% at the end of the previous fiscal year.

Net assets increased by ¥121,596 million from the end of the previous fiscal year to ¥1,584,188 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, 2020, net cash provided by operating activities was ¥303,997 million, an increase of ¥52,613 million from the same period of the previous fiscal year, principally due to a decrease in inventories. Net cash used in investing activities was ¥118,150 million, an increase of ¥28,553 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 ¥151,205 million, an increase of ¥220,352 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 nine months ended December 31, 2020, amounted to ¥347,554 million, an increase of ¥264,329 million from the same period of the previous fiscal year.

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

During the third quarter (October to December 2020), social, economic, and production activities gradually resumed. In residential air-conditioning systems, there was a boost in demand due to increased interest in air quality and ventilation and the growing use of remote work. From the fourth quarter onward, the world economy is expected to remain uncertain due to risk factors such as COVID-19 spreading once again and the confrontation between the United States and China. In the markets relating to the Company, the Group expects the impact 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 nine months ended December 31, 2020, exceeded the expectations of the business forecast announced on November 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 COVID-19 spreading once again.

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 continued implementation of measures with an “aggressive” and “challenging” mindset.

The estimated exchange rate from the fourth quarter onward is based on the assumption that US$1 equals ¥105 and 1 euro equals ¥125.

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)	2,425,000	210,000	210,000	140,000	478.49
Revised forecasts (B)	2,460,000	232,000	232,000	150,000	512.67
Increase/decrease (B – A)	35,000	22,000	22,000	10,000	—
Increase/decrease (%)	1.4	10.5	10.5	7.1	—
(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)	Third Quarter of FY2020 (As of December 31, 2020)
Assets		
Current assets		
Cash and deposits	370,793	734,353
Notes and accounts receivable – trade	440,755	421,509
Merchandise and finished goods	292,579	287,351
Work in process	49,686	43,067
Raw materials and supplies	91,517	97,110
Other	69,657	70,669
Allowance for doubtful accounts	(10,561)	(11,946)
Total current assets	1,304,427	1,642,115
Non-current assets		
Property, plant and equipment	579,980	606,064
Intangible assets		
Goodwill	281,969	259,385
Other	260,687	258,969
Total intangible assets	542,656	518,355
Investments and other assets		
Investment securities	157,328	193,346
Other	84,326	89,475
Allowance for doubtful accounts	(1,206)	(1,174)
Total investments and other assets	240,448	281,647
Total non-current assets	1,363,085	1,406,067
Total assets	2,667,512	3,048,183
Liabilities		
Current liabilities		
Notes and accounts payable – trade	189,843	196,798
Short-term borrowings	48,937	53,887
Commercial papers	—	20,000
Current portion of bonds payable	—	10,000
Current portion of long-term borrowings	105,900	62,280
Income taxes payable	19,893	21,548
Provision for product warranties	52,849	56,064
Other	276,532	291,057
Total current liabilities	693,957	711,636
Non-current liabilities		
Bonds payable	90,000	130,000
Long-term borrowings	233,184	415,301
Retirement benefit liability	13,219	14,767
Other	174,559	192,289
Total non-current liabilities	510,963	752,358
Total liabilities	1,204,921	1,463,995

(Millions of yen)

	FY2019 (As of March 31, 2020)	Third Quarter of FY2020 (As of December 31, 2020)
Net assets		
Shareholders' equity		
Share capital	85,032	85,032
Capital surplus	83,898	84,203
Retained earnings	1,254,072	1,335,996
Treasury shares	(2,264)	(2,020)
Total shareholders' equity	1,420,739	1,503,212
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	29,764	54,170
Deferred gains or losses on hedges	(2,797)	199
Foreign currency translation adjustment	(5,051)	5,955
Remeasurements of defined benefit plans	(7,687)	(9,067)
Total accumulated other comprehensive income	14,228	51,257
Share acquisition rights	1,886	2,046
Non-controlling interests	25,736	27,672
Total net assets	1,462,591	1,584,188
Total liabilities and net assets	2,667,512	3,048,183

(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 FY2019 (April 1, 2019, to December 31, 2019)	First Nine Months of FY2020 (April 1, 2020, to December 31, 2020)
Net sales	1,951,374	1,841,731
Cost of sales	1,266,000	1,193,732
Gross profit	685,373	647,999
Selling, general and administrative expenses	466,251	453,492
Operating profit	219,121	194,506
Non-operating income		
Interest income	5,669	4,659
Dividend income	4,920	4,038
Share of profit of entities accounted for using equity method	292	581
Foreign exchange gains	1,430	—
Other	3,569	2,759
Total non-operating income	15,883	12,038
Non-operating expenses		
Interest expenses	8,231	6,808
Foreign exchange losses	—	1,624
Other	2,737	2,302
Total non-operating expenses	10,968	10,734
Ordinary profit	224,036	195,810
Extraordinary income		
Gain on sales of land	597	—
Gain on liquidation of subsidiaries and associates	—	0
Gain on insurance claims	255	—
Gain on reversal of share acquisition rights	24	—
Total extraordinary income	877	0
Extraordinary losses		
Loss on disposal of non-current assets	283	408
Loss on sales of land	—	115
Loss on valuation of investment securities	468	171
Loss on liquidation of subsidiaries and associates	—	5
Other	5	1
Total extraordinary losses	757	701
Profit before income taxes	224,156	195,109
Income taxes	70,149	61,050
Profit	154,007	134,058
Profit attributable to non-controlling interests	5,982	5,317
Profit attributable to owners of parent	148,024	128,740

(Consolidated Statement of Comprehensive Income)

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

	First Nine Months of FY2019 (April 1, 2019, to December 31, 2019)	First Nine Months of FY2020 (April 1, 2020, to December 31, 2020)
Profit	154,007	134,058
Other comprehensive income		
Valuation difference on available-for-sale securities	5,338	24,405
Deferred gains or losses on hedges	(1,021)	2,996
Foreign currency translation adjustment	(25,217)	11,385
Remeasurements of defined benefit plans	(294)	(1,378)
Share of other comprehensive income of entities accounted for using equity method	(1,178)	(187)
Total other comprehensive income	(22,373)	37,220
Comprehensive income	131,633	171,278
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	126,071	165,769
Comprehensive income attributable to non-controlling interests	5,562	5,509

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	First Nine Months of FY2019 (April 1, 2019, to December 31, 2019)	First Nine Months of FY2020 (April 1, 2020, to December 31, 2020)
I. Cash flows from operating activities		
Profit before income taxes	224,156	195,109
Depreciation	70,990	75,641
Amortization of goodwill	22,630	22,332
Increase (decrease) in allowance for doubtful accounts	1,372	1,063
Interest and dividend income	(10,590)	(8,697)
Interest expenses	8,231	6,808
Share of loss (profit) of entities accounted for using equity method	(292)	(581)
Loss (gain) on disposal of non-current assets	283	408
Loss (gain) on valuation of investment securities	468	171
Decrease (increase) in trade receivables	18,072	25,914
Decrease (increase) in inventories	(21,907)	15,640
Increase (decrease) in trade payables	(10,572)	282
Increase (decrease) in retirement benefit liability	1,655	1,170
Decrease (increase) in retirement benefit asset	(731)	46
Other, net	14,227	18,800
Subtotal	317,993	354,111
Interest and dividends received	11,032	8,756
Interest paid	(9,184)	(7,688)
Income taxes paid	(68,458)	(51,181)
Net cash provided by (used in) operating activities	251,383	303,997
II. Cash flows from investing activities		
Purchase of property, plant and equipment	(70,875)	(76,328)
Proceeds from sales of property, plant and equipment	3,257	3,149
Purchase of investment securities	(521)	(1,435)
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	(11,081)	(14,164)
Payments for investments in capital of subsidiaries resulting in change in scope of consolidation	—	(5,305)
Decrease (increase) in time deposits	541	(13,854)
Other, net	(10,776)	(9,865)
Net cash provided by (used in) investing activities	(89,596)	(118,150)

(Millions of yen)

	First Nine Months of FY2019 (April 1, 2019, to December 31, 2019)	First Nine Months of FY2020 (April 1, 2020, to December 31, 2020)
III. Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(4,206)	24,948
Proceeds from long-term borrowings	72,825	242,999
Repayments of long-term borrowings	(48,194)	(100,471)
Proceeds from issuance of bonds	29,874	49,824
Redemption of bonds	(50,000)	—
Dividends paid	(49,730)	(46,738)
Dividends paid to non-controlling interests	(5,762)	(703)
Repayments of lease obligations	(14,079)	(18,698)
Other, net	125	44
Net cash provided by (used in) financing activities	(69,147)	151,205
IV. Effect of exchange rate change on cash and cash equivalents	(9,414)	10,502
V. Net increase (decrease) in cash and cash equivalents	83,224	347,554
VI. Cash and cash equivalents at beginning of period	367,189	321,151
VII. Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(47)	—
VIII. Increase (decrease) in cash and cash equivalents resulting from change in accounting period of subsidiaries	(7)	(58)
IX. Cash and cash equivalents at end of period	450,359	668,647

(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 on the quarterly consolidated financial statements from this change.

Segment Information, etc.

I. For the nine months ended December 31, 2019 (From April 1, 2019, to December 31, 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	1,776,625	132,559	1,909,185	42,189	1,951,374	—	1,951,374
Intersegment sales	684	11,367	12,051	420	12,471	(12,471)	—
Total	1,777,309	143,926	1,921,236	42,609	1,963,845	(12,471)	1,951,374
Segment profit	197,786	17,693	215,480	3,634	219,114	6	219,121

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, 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