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Brief Report on the Settlement of Accounts (Consolidated) for the Three Months Ended June 30, 2022 (J-GAAP)

August 2, 2022

Name of Listed Company: **Daikin Industries, Ltd.** Listed on TSE
Code No.: 6367
(URL: https://www.daikin.co.jp/)
Representative: Masanori Togawa, President and CEO
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General Manager of the Corporate Communication Department of the Head Office
(Tel.: +81-6-6373-4320)
Planned date of the filing of quarterly report: August 3, 2022
Planned date of start of dividend payment: —
Preparation of supplementary explanatory materials for the settlement of accounts for the first quarter: Yes
Holding briefings on the settlement of accounts for the first quarter: Yes (for institutional investors and analysts)

1. Consolidated Business Results for the Three Months Ended June 30, 2022

(From April 1, 2022, to June 30, 2022)

(1) Consolidated Business Results (Accumulated)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2022	967,755	21.1	107,860	-1.3	109,515	-2.1	70,551	-10.3
June 30, 2021	798,975	37.4	109,254	100.4	111,859	102.9	78,628	137.5

Note: Comprehensive income was ¥207,854 million (134.8%) for the three months ended June 30, 2022, and ¥88,518 million (85.0%) for the three months ended June 30, 2021.

	Earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2022	241.05	240.92
June 30, 2021	268.68	268.54

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2022	4,078,630	2,170,394	52.2
As of March 31, 2022	3,823,998	2,008,109	51.5

(Reference) Equity capital was ¥2,127,644 million as of June 30, 2022, and ¥1,969,686 million as of March 31, 2022.

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, 2022	—	90.00	—	110.00	200.00
Fiscal Year ending March 31, 2023	—				
Fiscal Year ending March 31, 2023 (forecast)		100.00	—	100.00	200.00

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

3. Consolidated Business Forecast for the Fiscal Year Ending March 31, 2023
(From April 1, 2022, to March 31, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	1,810,000	16.1	210,000	9.0	213,000	8.2	142,000	2.1	485.16
Full year	3,480,000	11.9	350,000	10.6	355,000	8.4	230,000	5.6	785.83

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

*Notes

(1) Changes in Significant Subsidiaries during the Three Months Ended June 30, 2022: 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 June 30, 2022	293,113,973 shares
	As of March 31, 2022	293,113,973 shares
(ii)	Number of treasury shares at end of period	
	As of June 30, 2022	425,188 shares
	As of March 31, 2022	429,774 shares
(iii)	Average number of shares outstanding during the three months	
	Three Months Ended June 30, 2022	292,687,292 shares
	Three Months Ended June 30, 2021	292,647,026 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 Tuesday, August 2, 2022. Documents and materials distributed in this briefing will be posted on the Company's website by the time that the briefing starts.

Content of Attachment

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

(1) Explanation of Operating Results

In the three months ended June 30, 2022 (from April 1, 2022, to June 30, 2022), the overall world economy continued to recover, especially in personal consumption, as restrictions on economic activities eased. Meanwhile, the prolonged Russia-Ukraine situation and global inflation increased uncertainty about the future. In the U.S. economy, the favorable employment and income environment and brisk personal consumption due to the reversal of excess household savings supported the economy despite high inflation caused by supply constraints. In the European economy, although the economy was affected by the Russia-Ukraine situation and the contraction of trade transactions, it was supported by active personal consumption due to the reversal of excess savings. In Asia and emerging countries, the economic recovery was driven by strong personal consumption without the imposition of strict activity control measures and by strong exports to the United States. In the Chinese economy, while activity restrictions have been gradually eased in many cities since May, personal consumption has bottomed out, industrial production has picked up, and the economy appears to have escaped the worst phase, the future outlook remains uncertain. In the Japanese economy, although production and exports were down due to the impact of urban lockdowns in China, active personal consumption due to the easing of activity restrictions drove the economy.

To complete the strategic management plan “Fusion 25” formulated in the fiscal year ended March 31, 2022, the Daikin Group is working on measures under nine key themes, including the three growth strategy themes of “Challenge to achieve carbon neutrality,” “Promotion of solutions business connected with customers,” and “Creating value with air.”

Under this business environment, we strived to minimize the impact of environmental changes on our business activities by closely following the progress of each region and business and responding to issues while assuming multiple scenarios for both upswings and downswings in our business. Specifically, we continued and strengthened our efforts for the following themes.

- Promote sales price policies by introducing differentiated products that are recognized for their value by the market and customers
- Strengthen sales and marketing capabilities in each business segment, including commercial air-conditioning equipment
- Promote variable cost reduction to cope with deteriorating raw material market conditions and soaring resource prices
- Improve efficiency of logistics costs to cope with further sharp rises in logistics expenses
- Streamline fixed costs while maintaining a balance between aggressive investment and improved profitability
- Strengthen procurement and supply capabilities over the medium term, with a view to the next fiscal year and beyond
- Generate results and profitability from large-scale capital investments

In addition, we have taken changes in the world as opportunities to build a strong corporate structure and generate results by setting challenging themes that will lead to the next leap forward by leveraging the Group’s strengths, such as accelerating the achievement of carbon neutrality and utilizing digital technology.

The Daikin Group’s net sales increased by 21.1% year over year to ¥967,755 million for the three months ended June 30, 2022. As for profits, however, operating profit decreased by 1.3% to ¥107,860 million, ordinary profit decreased by 2.1% to ¥109,515 million, and profit attributable to owners of parent decreased by 10.3% to ¥70,551 million, owing to the sharp rise in raw material prices, lockdowns in China, and other factors.

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 20.9% year over year to ¥889,254 million. Operating profit decreased by 5.5% to ¥94,483 million.

In the Japanese air-conditioning equipment market, industry demand was affected by both demand and supply factors, including postponement of capital investment amid an uncertain business environment, delays in on-site construction schedules due to shortages of semiconductors, parts, and materials, and a rebound from last year’s demand from people staying at home in residential-use market, as both the commercial and residential markets were down year on year. Against this backdrop, the Group worked to minimize the impact by maintaining stable production and supply through the realization of a robust supply chain.

In the Japanese commercial air-conditioning equipment market, we have made more proposals in line with customers’ air-related problems by combining the Group’s ventilation and disinfection products with air-conditioning systems, such as the “SkyAir” and “VRV” series with greatly improved ease of installation, the “Heat Reclaim Ventilator” total heat exchanger unit and “UV Streamer Air Purifier.” In this manner, we have strengthened our product lineup and broadened the scope of our proposals. However, net sales of commercial air-conditioning systems decreased year over year, partly due to the difficult demand environment.

In the Japanese residential air-conditioning equipment market, we have strengthened our approach to users by leveraging our unique product appeal of room air conditioners including “Urusara X,” which is equipped with proprietary functions such as waterless humidification, air supply ventilation, and exhaust air ventilation, along with “risora,” an air conditioner in which close attention was paid to design. We also expanded our appeal of energy-saving performance, a growing need due to rising energy prices. As a result of these efforts, sales of residential air-conditioning systems were on par with the same period of the previous year, despite a drop in demand.

In the Americas, sales expanded due to efforts to improve productivity despite problems such as record-high inflation, tight supply on some models due to parts shortages, and labor shortages. Net sales were significantly higher year over year as a result of the steady implementation of pricing policies. Net sales of residential air-conditioning systems were significantly higher year over year due to steady market share gains resulting from increased sales, as well as efforts to strengthen the sales network through acquisitions and the steady implementation of pricing policies. In the market for large buildings (Applied Systems), net sales increased year over year due to efforts to expand the after sales service business and the effect of sales expansion utilizing the sales companies acquired in the previous fiscal year.

In China, the Group’s production base is centered in Shanghai. Due to the lockdown, production and logistics were suspended in April and May, leading to a delay in product supply and lower sales and resulting in lower overall net sales year over year. In June, when the lockdown was lifted, production and logistics quickly resumed operation in full capacity, and sales for the single month of June were significantly higher year over year. In terms of profits, although profits were affected by soaring raw material prices and the shortage of semiconductors, the Group maintained the high level it has achieved to date by expanding sales of high value-added products and working to reduce costs and curb fixed costs. In the residential-use market, the Group promoted sales activities combining its “PROSHOP” specialty shops and online sales and focused on searching for new customers and capturing demand for replacements. The Group maintained its sales capabilities during the lockdown by leveraging online sales and services, utilizing such means as communicating with customers via live commerce and customer centers, and remotely checking the operation status of customers’ air-conditioning systems. Customers are increasingly concerned about air and environmental issues, and we strengthened our lineup of indoor air quality (IAQ) and ventilation-related products, energy consumption visualization products, and system products including heat pump hot water heating systems. In the commercial-use market, the Group expanded customer contact points by leveraging ventilation and cleaning for stores and offices and captured demand for replacement and additional purchase of equipment. In the large-scale projects market, the Group strengthened its proposals for air, energy, and other solutions. In the factory market, the Group captured demand for replacement to energy-saving equipment in response to environmental measures. In the Applied Systems air-conditioning equipment market, the Group shifted management resources to growth fields such as semiconductor-related and also strengthened the repair and maintenance business.

In Asia and Oceania, sales of both residential and commercial air-conditioning systems remained strong, reflecting a recovery in demand due to the relaxation of activity restrictions in the pandemic. This was despite some construction work delays and postponements due to shortages of materials and workers at construction sites. In India, in particular, sales grew substantially, capturing increased demand due to the intense heat wave and the relaxation of activity restrictions. As a result of continued product supply despite tight supplies of electronic components and other parts and the steady implementation of pricing policies in each country, overall net sales were significantly higher year over year for both residential use and commercial use.

In Europe, the business environment remained challenging due to various problems that arose from the beginning of the period, including the deteriorating Russia-Ukraine situation, soaring energy and logistics costs, and tight supply due to the lockdowns in China. However, overall net sales were higher year over year as a result of sales expansion through strengthened cooperation among production, sales, and supply divisions and efforts to maximize shipments in each country. In residential air-conditioning systems, sales declined in Germany and France due to sluggish demand, but increased in Spain, Italy, and other countries where a heat wave had arrived. In residential heat pump hot water heating systems, demand for replacements of gas and oil boilers grew steadily because of subsidy programs that various national governments had created with the aim to reduce CO_2 emissions. To maximize the capture of demand, we strengthened our sales capabilities, including dealer development and support for subsidy applications, and enhanced production and supply capabilities at our nearest factories. As a result, net sales of residential air-conditioning and heating systems were higher year over year. In commercial air-conditioning systems, despite the impact of supply delays, we maximized sales through our efforts to capture as much demand as possible from projects and thoroughly following up on delivery dates. As a result, net sales of commercial air-conditioning systems were higher year over year. In the refrigeration business, net sales were lower year over year, partly due to a decrease in production caused by a shortage of parts supply.

In the Middle and Near East and Africa, net sales increased year over year, led by strengthened sales in Saudi Arabia, Egypt, and Qatar. In Turkey, net sales were significantly higher year over year due to expanded sales on the strength of quick delivery in commercial air-conditioning systems with the start of local production.

In the filter business, demand recovered moderately, supported by the resumption of economic activities due to the relaxation of activity restrictions in the pandemic. In the United States, despite continued record inflation, sales grew significantly, supported not only by personal consumption on residential products but also by aggressive corporate capital investment. In Europe, sales in high-end markets were strong, capturing the growing needs for energy conservation and air quality. In Asia, despite the impact of lockdowns in China, overall sales of high-performance filters were strong, mainly due to the booming semiconductor market. In Japan, although there was a lull in the expansion of demand for infection control products, sales of high-performance filters expanded in the robust semiconductor market. The gas turbine and dust collection systems business also benefited from strong orders for dust collection systems in Europe, and net sales of the filter business overall were significantly higher year over year.

In the marine vessels business, although sales of marine vessel air conditioners and refrigeration units increased, marine container refrigeration units were affected by the impact of lockdowns in China and sales declined due to a decrease in production caused by parts shortages and logistics disruptions. Although production returned to normal in June and sales increased, the impact of the sales decline in April and May was significant, and net sales of the marine vessels business overall declined year over year.

(ii) Chemicals

Overall sales of the Chemicals segment increased by 26.8% year over year to ¥63,907 million. Operating profit increased by 58.6% to ¥12,535 million.

Overall sales of fluorochemical products were significantly higher year over year due to robust demand in a wide range of fields, particularly semiconductors and automobiles, and the implementation of appropriate pricing policies against the backdrop of soaring raw material prices.

Net sales of fluoropolymers increased year over year due to strong global demand for semiconductor and automotive-related applications. Net sales of fluoroelastomers were also significantly higher year over year due to strong demand, especially in the automotive field, and the implementation of pricing policies against the backdrop of soaring raw material prices.

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

As for fluorocarbon gas, net sales were significantly higher year over year due to the steady implementation of pricing policies and sales expansion measures in response to soaring raw material prices.

(iii) Other Divisions

Overall sales of the “Others” segment increased by 13.0% year over year to ¥14,593 million. Operating profit decreased by 38.6% to ¥854 million.

In the oil hydraulic equipment business, net sales of oil hydraulic equipment for industrial machinery increased year over year due to increased sales in the Japanese market, especially for machine tools, as well as increased sales to Europe and the United States. In addition, net sales of oil hydraulic equipment for construction machinery and vehicles increased year on year due to increased sales to major customers in Japan and to the U.S. market.

In the defense systems-related product business, net sales decreased year over year due to a decrease in orders for ammunition to the Ministry of Defense and a lull in demand for oxygen concentrators and pulse oximeters (medical devices that can easily measure blood oxygen saturation without blood collection) associated with the spread of COVID-19.

In the electronics business, 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, remained strong due to increased IT investments by large companies in promoting digital transformation (DX). However, net sales decreased year over year due to decreased sales of CG creation software for the game market.

(2) Explanation of Financial Position

(i) Assets, Liabilities and Net Assets

Total assets increased by ¥254,631 million from the end of the previous fiscal year to ¥4,078,630 million. Current assets increased by ¥121,290 million from the end of the previous fiscal year to ¥2,286,913 million, mainly due to an increase in notes and accounts receivable – trade, and contract assets. Non-current assets increased by ¥133,341 million from the end of the previous fiscal year to ¥1,791,716 million, primarily due to an increase in goodwill and the effect of foreign exchange rates resulting from yen depreciation.

Liabilities increased by ¥92,346 million from the end of the previous fiscal year to ¥1,908,235 million, mainly due to an increase in notes and accounts payable – trade. Interest bearing debt ratio fell to 19.3% from 21.6% at the end of the previous fiscal year.

Net assets increased by ¥162,285 million from the end of the previous fiscal year to ¥2,170,394 million, primarily due to the recording of profit attributable to owners of parent and an increase in accumulated other comprehensive income resulting from exchange rate fluctuations.

(ii) Cash Flows

During the three months ended June 30, 2022, net cash provided by operating activities was ¥44,196 million, a decrease of ¥17,844 million from the same period of the previous fiscal year, principally due to an increase in inventories. Net cash used in investing activities was ¥39,538 million, an increase of ¥79 million from the same period of the previous fiscal year, primarily due to an increase in purchase of shares of subsidiaries. Net cash used in financing activities was ¥130,263 million, an increase of ¥93,160 million from the same period of the previous fiscal year, mainly due to an increase in repayments of long-term borrowings. After including the effect of foreign exchange rate change to these results, net decrease in cash and cash equivalents for the three months ended June 30, 2022, amounted to ¥93,878 million, a decrease of ¥81,266 million from the same period of the previous fiscal year.

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

As the business results for this first quarter exceeded the assumptions of the previous business forecast announced on May 10, 2022, the Group has revised the business forecast for the full year and the first half of the fiscal year ending March 31, 2023, as follows.

The world economy from the second quarter onward has become even more uncertain due to ongoing geopolitical risks in Europe, accelerating inflation, and rising interest rates in countries around the world. Against this backdrop, the Group will refine its accumulated strengths and respond flexibly and proactively to changes that occur one after another. We will continue our efforts to achieve carbon neutrality in society as a whole, expand sales by taking advantage of growing energy-saving needs, aggressively introduce differentiated products, and maximize variable cost reductions by replacing materials and standardizing key components, aiming to offset significant cost increases, further increase sales and profits, and strengthen our corporate structure.

The estimated exchange rate from the second quarter onward is based on the assumption that US$1 equals ¥115 and 1 euro equals ¥125.

Revisions to Consolidated Business Forecast for the Six Months Ending September 30, 2022
(From April 1, 2022, to September 30, 2022)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Earnings per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecasts (A)	1,710,000	200,000	203,000	140,000	478.33
Revised forecasts (B)	1,810,000	210,000	213,000	142,000	485.16
Increase/decrease (B – A)	100,000	10,000	10,000	2,000	—
Increase/decrease (%)	5.8	5.0	4.9	1.4	—
(Reference) Results for the six months ended September 30, 2021	1,558,863	192,706	196,844	139,098	475.30

Revisions to Consolidated Business Forecast for the Fiscal Year Ending March 31, 2023
(From April 1, 2022, to March 31, 2023)

	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)	3,380,000	340,000	345,000	228,000	779.00
Revised forecasts (B)	3,480,000	350,000	355,000	230,000	785.83
Increase/decrease (B – A)	100,000	10,000	10,000	2,000	—
Increase/decrease (%)	3.0	2.9	2.9	0.9	—
(Reference) Results for the fiscal year ended March 31, 2022	3,109,106	316,350	327,496	217,709	743.88

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)

	FY2021 (As of March 31, 2022)	First Quarter of FY2022 (As of June 30, 2022)
Assets		
Current assets		
Cash and deposits	817,619	706,359
Notes and accounts receivable – trade, and contract assets	595,076	703,844
Merchandise and finished goods	450,974	507,292
Work in process	44,931	58,616
Raw materials and supplies	175,556	216,529
Other	98,392	113,115
Allowance for doubtful accounts	(16,928)	(18,845)
Total current assets	2,165,623	2,286,913
Non-current assets		
Property, plant and equipment	743,364	809,665
Intangible assets		
Goodwill	270,467	308,416
Other	307,820	333,630
Total intangible assets	578,288	642,046
Investments and other assets		
Investment securities	200,187	201,092
Other	137,811	140,270
Allowance for doubtful accounts	(1,275)	(1,359)
Total investments and other assets	336,722	340,004
Total non-current assets	1,658,374	1,791,716
Total assets	3,823,998	4,078,630
Liabilities		
Current liabilities		
Notes and accounts payable – trade	302,621	357,350
Short-term borrowings	97,376	150,131
Commercial papers	—	70,000
Current portion of bonds payable	30,000	30,000
Current portion of long-term borrowings	334,528	155,422
Income taxes payable	36,745	35,068
Provision for product warranties	72,443	80,296
Other	432,523	487,254
Total current liabilities	1,306,239	1,365,523
Non-current liabilities		
Bonds payable	120,000	120,000
Long-term borrowings	140,526	144,265
Retirement benefit liability	16,116	17,488
Other	233,006	260,958
Total non-current liabilities	509,649	542,712
Total liabilities	1,815,888	1,908,235

(Millions of yen)

	FY2021 (As of March 31, 2022)	First Quarter of FY2022 (As of June 30, 2022)
Net assets		
Shareholders' equity		
Share capital	85,032	85,032
Capital surplus	83,834	83,861
Retained earnings	1,530,107	1,555,203
Treasury shares	(1,846)	(1,827)
Total shareholders' equity	1,697,128	1,722,269
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	59,534	59,788
Deferred gains or losses on hedges	3,436	(216)
Foreign currency translation adjustment	212,278	349,601
Remeasurements of defined benefit plans	(2,691)	(3,797)
Total accumulated other comprehensive income	272,558	405,375
Share acquisition rights	2,546	2,500
Non-controlling interests	35,876	40,249
Total net assets	2,008,109	2,170,394
Total liabilities and net assets	3,823,998	4,078,630

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

(Consolidated Statement of Income)

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

	First Three Months of FY2021 (April 1, 2021, to June 30, 2021)	First Three Months of FY2022 (April 1, 2022, to June 30, 2022)
Net sales	798,975	967,755
Cost of sales	513,411	639,356
Gross profit	285,563	328,399
Selling, general and administrative expenses	176,308	220,539
Operating profit	109,254	107,860
Non-operating income		
Interest income	1,809	2,140
Dividend income	2,057	2,748
Share of profit of entities accounted for using equity method	—	133
Foreign exchange gains	824	6,703
Other	999	1,824
Total non-operating income	5,689	13,549
Non-operating expenses		
Interest expenses	2,237	3,266
Share of loss of entities accounted for using equity method	13	—
Settlement payments	—	3,799
Inflation accounting adjustment	—	1,990
Other	834	2,837
Total non-operating expenses	3,085	11,894
Ordinary profit	111,859	109,515
Extraordinary income		
Gain on sale of land	208	—
Gain on sale of investment securities	—	729
Total extraordinary income	208	729
Extraordinary losses		
Loss on disposal of non-current assets	272	121
Loss on sale of land	0	—
Loss on valuation of investment securities	351	3
Total extraordinary losses	623	124
Profit before income taxes	111,444	110,120
Income taxes	30,614	37,425
Profit	80,830	72,694
Profit attributable to non-controlling interests	2,202	2,143
Profit attributable to owners of parent	78,628	70,551

(Consolidated Statement of Comprehensive Income)

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

	First Three Months of FY2021 (April 1, 2021, to June 30, 2021)	First Three Months of FY2022 (April 1, 2022, to June 30, 2022)
Profit	80,830	72,694
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,651)	253
Deferred gains or losses on hedges	(61)	(3,652)
Foreign currency translation adjustment	7,052	138,307
Remeasurements of defined benefit plans	2,195	(1,110)
Share of other comprehensive income of entities accounted for using equity method	1,153	1,362
Total other comprehensive income	7,688	135,159
Comprehensive income	88,518	207,854
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	86,025	203,368
Comprehensive income attributable to non-controlling interests	2,492	4,486

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	First Three Months of FY2021 (April 1, 2021, to June 30, 2021)	First Three Months of FY2022 (April 1, 2022, to June 30, 2022)
I. Cash flows from operating activities		
Profit before income taxes	111,444	110,120
Depreciation	27,895	33,085
Amortization of goodwill	7,984	9,128
Increase (decrease) in allowance for doubtful accounts	421	682
Interest and dividend income	(3,866)	(4,888)
Interest expenses	2,237	3,266
Share of loss (profit) of entities accounted for using equity method	13	(133)
Loss (gain) on disposal of non-current assets	272	121
Loss (gain) on sale of investment securities	—	(729)
Loss (gain) on valuation of investment securities	351	3
Decrease (increase) in trade receivables	(78,688)	(61,148)
Decrease (increase) in inventories	(18,448)	(57,241)
Increase (decrease) in trade payables	24,142	31,922
Increase (decrease) in accounts payable - other	(8,720)	(4,244)
Increase (decrease) in accrued expenses	21,199	17,080
Increase (decrease) in retirement benefit liability	(6)	349
Decrease (increase) in retirement benefit asset	(3,646)	344
Other, net	2,373	(1,992)
Subtotal	84,958	75,725
Interest and dividends received	3,911	5,925
Interest paid	(2,425)	(3,270)
Income taxes paid	(24,403)	(34,184)
Net cash provided by (used in) operating activities	62,040	44,196
II. Cash flows from investing activities		
Purchase of property, plant and equipment	(28,527)	(29,011)
Proceeds from sale of property, plant and equipment	971	1,087
Purchase of investment securities	(618)	(1,026)
Proceeds from sale of investment securities	—	1,245
Proceeds from sale of businesses	437	—
Payments for acquisition of businesses	(1,208)	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(28,911)
Payments for investments in capital of subsidiaries resulting in change in scope of consolidation	(862)	—
Decrease (increase) in time deposits	(5,466)	21,808
Other, net	(4,184)	(4,731)
Net cash provided by (used in) investing activities	(39,459)	(39,538)

(Millions of yen)

	First Three Months of FY2021 (April 1, 2021, to June 30, 2021)	First Three Months of FY2022 (April 1, 2022, to June 30, 2022)
III. Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	8,420	118,468
Proceeds from long-term borrowings	8,038	46,871
Repayments of long-term borrowings	(22,336)	(254,408)
Dividends paid	(23,427)	(32,216)
Dividends paid to non-controlling interests	(1,795)	(41)
Repayments of lease liabilities	(6,002)	(8,936)
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	(37,103)	(130,263)
IV. Effect of exchange rate change on cash and cash equivalents	1,909	31,727
V. Net increase (decrease) in cash and cash equivalents	(12,611)	(93,878)
VI. Cash and cash equivalents at beginning of period	662,267	717,802
VII. Increase (decrease) in cash and cash equivalents resulting from change in accounting period of subsidiaries	(1,586)	(570)
VIII. Cash and cash equivalents at end of period	648,068	623,353

(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, 2023, 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 practical solution on the accounting and disclosure under the group tax sharing system]
The Company and some domestic consolidated subsidiaries transitioned from the consolidated taxation system to the group tax sharing system from the first quarter of the fiscal year ending March 31, 2023. Accordingly, the Company and some domestic consolidated subsidiaries comply with the treatment prescribed in "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021, hereinafter the "Practical Solution No. 42") regarding the accounting treatment and disclosure of corporate and local income taxes and tax effect accounting. Additionally, the changes in accounting policies in conjunction with the application of the Practical Solution No. 42, in accordance with paragraph 32 (1) of the Practical Solution No. 42, are deemed to have no effect.

[Accounting estimates related to the impact of COVID-19]
There are no significant changes to the presumption related to the impact of COVID-19 stated in Additional Information of the securities report for the fiscal year ended March 31, 2022.

[Application of hyperinflationary accounting to Turkish subsidiaries]
As Turkey's cumulative inflation rate over the previous three years has exceeded 100%, from the beginning of the first quarter of the fiscal year ending March 31, 2023, the Group has consolidated the financial statements of Turkish subsidiaries upon adjustment in accordance with International Accounting Standard 29 (IAS 29) "Financial Reporting in Hyperinflationary Economies." As a result, the cumulative impact of the application of this accounting standard has been reflected as a decrease of ¥13,070 million in the balance of retained earnings at the beginning of the first quarter of the fiscal year ending March 31, 2023. Additionally, the effect of inflation on the net monetary position of the Group for the three months ended June 30, 2022, is presented as "inflation accounting adjustment" under "non-operating expenses."

Revenue Recognition

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

Segment Information, etc.

I. For the three months ended June 30, 2021 (From April 1, 2021, to June 30, 2021)
1. Information on net sales and profit or loss amounts by reported segment and information on disaggregate revenue

(Millions of yen)

	Reported segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded on Consolidated Statement of Income (Note 3)
	Air-Conditioning and Refrigeration Equipment	Chemicals	Subtotal				
Net sales							
Japan	136,369	13,206	149,576	10,168	159,744	—	159,744
U.S.	198,752	9,996	208,748	1,732	210,481	—	210,481
Europe	137,042	8,357	145,399	221	145,620	—	145,620
Asia and Oceania	95,999	5,989	101,988	261	102,250	—	102,250
China	129,971	12,299	142,270	469	142,739	—	142,739
Other	37,503	568	38,071	66	38,138	—	38,138
Revenue from contracts with customers	735,638	50,417	786,056	12,919	798,975	—	798,975
Other revenue	—	—	—	—	—	—	—
Sales to outside customers	735,638	50,417	786,056	12,919	798,975	—	798,975
Intersegment sales	401	2,939	3,341	283	3,625	(3,625)	—
Total	736,040	53,357	789,397	13,203	802,601	(3,625)	798,975
Segment profit	99,959	7,901	107,861	1,391	109,252	2	109,254

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 ¥2 million to segment profit comprises the elimination of intersegment transactions.
3. Segment profit is adjusted with operating profit in the Consolidated Statement of Income.

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

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

(Significant change in goodwill amount)
None applicable

(Significant gain on bargain purchase)
None applicable

II. For the three months ended June 30, 2022 (From April 1, 2022, to June 30, 2022)

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

(Millions of yen)

	Reported segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded on Consolidated Statement of Income (Note 3)
	Air-Conditioning and Refrigeration Equipment	Chemicals	Subtotal				
Net sales							
Japan	132,346	16,950	149,296	10,767	160,063	—	160,063
U.S.	295,855	13,342	309,198	2,631	311,829	—	311,829
Europe	153,763	10,096	163,860	273	164,134	—	164,134
Asia and Oceania	134,040	7,847	141,887	307	142,195	—	142,195
China	123,283	15,075	138,358	511	138,870	—	138,870
Other	49,965	595	50,560	101	50,662	—	50,662
Revenue from contracts with customers	889,254	63,907	953,162	14,593	967,755	—	967,755
Other revenue	—	—	—	—	—	—	—
Sales to outside customers	889,254	63,907	953,162	14,593	967,755	—	967,755
Intersegment sales	419	5,676	6,095	363	6,459	(6,459)	—
Total	889,673	69,584	959,257	14,957	974,215	(6,459)	967,755
Segment profit	94,483	12,535	107,019	854	107,873	(13)	107,860

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 ¥(13) 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 July 28, 2022, the Company issued domestic straight bonds with the following terms and conditions. The overview is as follows:

Name of the bonds	Daikin Industries, Ltd. 30th Unsecured Bonds (with limited inter-bond pari passu clause)
Issue date	July 28, 2022
Aggregate face value of bonds or aggregate value of book-entry transfer bonds (yen)	¥20,000 million
Issue price (yen)	The bonds shall be issued at ¥100 per face value of ¥100
Interest rate (%)	0.459% per annum
Maturity	7 years
Redemption method	1. Redemption price The bonds shall be redeemed at ¥100 per face value of ¥100 2. Redemption method and redemption date (1) The aggregate amount of the principal shall be redeemed on July 27, 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 redemption of bonds and the repayment of long-term borrowings.
Collateral	The bonds are unsecured by assets and guarantees and without reservation of specific assets.
Book-entry transfer institution	Japan Securities Depository Center, Incorporated 7-1 Nihombashi Kabuto-cho, Chuo-ku, Tokyo
Financial covenants (restrictions on collateral provision)	1. While the unredeemed balance of these bonds remains, in the event that the Company, after the issue of these bonds, creates security interest on other unsecured bonds, which have already been issued in Japan or which will be issued in Japan in the future (however, including the 31st 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. 31st Unsecured Bonds (with limited inter-bond pari passu clause)
Issue date	July 28, 2022
Aggregate face value of bonds or aggregate value of book-entry transfer bonds (yen)	¥20,000 million
Issue price (yen)	The bonds shall be issued at ¥100 per face value of ¥100
Interest rate (%)	0.544% per annum
Maturity	10 years
Redemption method	1. Redemption price The bonds shall be redeemed at ¥100 per face value of ¥100 2. Redemption method and redemption date (1) The aggregate amount of the principal shall be redeemed on July 28, 2032. (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 redemption of bonds and the repayment of long-term borrowings.
Collateral	The bonds are unsecured by assets and guarantees and without reservation of specific assets.
Book-entry transfer institution	Japan Securities Depository Center, Incorporated 7-1 Nihombashi Kabuto-cho, Chuo-ku, Tokyo
Financial covenants (restrictions on collateral provision)	1. While the unredeemed balance of these bonds remains, in the event that the Company, after the issue of these bonds, creates security interest on other unsecured bonds, which have already been issued in Japan or which will be issued in Japan in the future (however, including the 30th 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.