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Brief Report on the Settlement of Accounts (Consolidated) for the Nine Months Ended December 31, 2019 (J-GAAP)

February 12, 2020

Name of Listed Company: **Daikin Industries, Ltd.**

Listed on TSE

Code No.: 6367

(URL: <https://www.daikin.co.jp/>)

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Planned date of the filing of quarterly report: February 13, 2020

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, 2019

(From April 1, 2019, to December 31, 2019)

(1) Consolidated Business Results (Accumulated)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
December 31, 2019	1,951,374	4.1	219,121	2.5	224,036	3.8	148,024	-1.2
December 31, 2018	1,875,175	8.9	213,845	6.3	215,922	5.7	149,896	-2.6

Note: Comprehensive income was ¥131,633 million (10.6%) for the nine months ended December 31, 2019, and ¥119,053 million (-51.7%) for the nine months ended December 31, 2018.

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
December 31, 2019	506.00	505.66
December 31, 2018	512.54	512.16

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2019	2,839,246	1,521,339	52.6
As of March 31, 2019	2,700,890	1,446,849	52.4

(Reference) Equity capital was ¥1,492,883 million as of December 31, 2019, and ¥1,416,074 million as of March 31, 2019.

2. Dividends

	(Annual) Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year ended March 31, 2019	—	70.00	—	90.00	160.00
Fiscal Year ending March 31, 2020	—	80.00	—		
Fiscal Year ending March 31, 2020 (forecast)				80.00	160.00

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

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

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	2,610,000	5.2	285,000	3.2	285,000	2.9	195,000	3.1	666.65

Note: Revisions to the consolidated business forecast announced most recently: None

*Notes

(1) Changes in Significant Subsidiaries during the Nine Months Ended December 31, 2019: None

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

(3) Changes in Accounting Policies, Changes in Accounting Estimates, and Retrospective Restatement

(i) Changes in accounting policies relating to revisions to accounting standards, etc.: Yes

(ii) Changes in accounting policies other than (i) above: None

(iii) Changes in accounting estimates: None

(iv) Retrospective restatement: None

(4) Number of Shares Issued (common stock)

(i) Number of shares issued at end of period (including treasury shares)

As of December 31, 2019 293,113,973 shares

As of March 31, 2019 293,113,973 shares

(ii) Number of treasury shares at end of period

As of December 31, 2019 539,332 shares

As of March 31, 2019 605,740 shares

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

Nine months ended December 31, 2019 292,536,154 shares

Nine months ended December 31, 2018 292,461,246 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 Wednesday, February 12, 2020. Documents and materials distributed in this briefing will be posted on the Company’s website soon after the announcement of business results.

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

(1) Explanation of Operating Results

In the nine months ended December 31, 2019 (from April 1, 2019, to December 31, 2019), growth slowed for the overall world economy. Supported by favorable personal spending, the U.S. economy remained solid despite the downward pressure of decreased exports to China and reduced capital investment. Europe saw a decline in capital investment against a background of future uncertainty, including the U.K.'s exit from the EU, and its economy slowed. The pace of growth in Asian and emerging economies slowed moderately due to a slowdown in exports to China and a worsening in personal consumption. The Chinese economy continued to decelerate due to the impact of the trade friction between the United States and China and a slowdown in capital investment. The Japanese economy continued to grow on the back of firm personal consumption and capital investment.

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

The Daikin Group's net sales increased by 4.1% year over year to ¥1,951,374 million for the nine months ended December 31, 2019. As for profits, operating profit increased by 2.5% to ¥219,121 million, ordinary profit increased by 3.8% to ¥224,036 million, and profit attributable to owners of parent decreased by 1.2% to ¥148,024 million. The decrease in the profit attributable to owners of parent compared to the same period of the previous fiscal year is primarily due to the rise in the estimated effective income tax rate applied by the Company in the preparation of the quarterly consolidated financial statements and the ensuing increase in tax expenses.

Operating results by business segment are as follows:

(i) Air-Conditioning and Refrigeration Equipment

Overall sales of the Air-Conditioning and Refrigeration Equipment segment increased by 5.3% year over year to ¥1,776,625 million. Operating profit increased by 6.7% to ¥197,786 million.

In the Japanese commercial air-conditioning equipment market, industry demand was affected by the rebound from the rush demand prompted by the consumption tax hike from October onward. However, due in part to firm demand for installation of air conditioning at public elementary and middle schools in the first half of the fiscal year, industry demand grew year over year for the first nine months. In the market for stores and offices, the Daikin Group expanded sales mainly for the "SkyAir Series," including "FIVE STAR ZEAS," and "machi Multi Series," multi-split type air conditioners that feature individual operation and a slim design. Observing an increase in the need for work environment improvements, the Group strengthened proposals in the market for buildings and facilities to meet user applications, including the "VRV Series," which has high energy-saving performance and installation flexibility, and "MULTI CUBE," which enables individual control of temperature and air volume. As a result, net sales of commercial air-conditioning systems increased year over year.

In the Japanese residential air-conditioning equipment market, industry demand was roughly the same as those of the same period of the previous fiscal year due to a slow recovery from the rebound following the rush demand prompted by the consumption tax hike from October onward, in addition to the warm winter. Against this demand background, the Group expanded sales mainly for high value-added models. In addition to "Urusara X," with its "mold proof with water" function, which uses the Daikin Group's unique water supply-free humidification technology to clean the interior of indoor units, the Group also released "Urusara mini," a "Ururu Sarara" model for use in smaller rooms that is suitable for bedrooms and children's rooms. Furthermore, the Group improved the value and promotion of products, including expanding the product lineup of "risora," an air conditioner combining design with functionality. As a result, net sales of residential air-conditioning systems exceeded that of the same period of the previous fiscal year.

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

In China, amid the increasingly harsh market environment resulting from the impact of the economic slowdown due to the trade friction between the United States and China and government policies to restrict new housing construction, the Group enhanced its product lineup aimed at the high-volume market and expanded sales to the regional cities. As a result, net sales increased year over year in the local currency. At the same time, although yen-equivalent net sales declined year over year due to the weak yuan, operating profit increased year over year as a result

of reducing fixed costs and promoting cost reductions through measures such as capitalizing on the effects of the weakening market for raw materials. In order to respond to changes in the residential-use market, the Group strengthened its “PROSHOP” specialty shops by shifting sales resources mainly to the regional cities where growth is anticipated. In addition, the Group expanded sales by enhancing its product lineup of high-volume models in addition to existing products for the high-end residential market. In the commercial-use market, while the number of large-scale projects such as new buildings fell, the Group captured robust demand mainly for stores and renovation projects. In the big cities, which are a mature market, the Group expanded sales through the introduction of “Intelligent VRV systems,” which uses the Internet to connect with customers. In the Applied Systems air-conditioning equipment market, the Group increased sales of Applied Systems by promoting proposal-based sales in fields with growing demand, including the field for data centers, and also expanded sales in the after sales service business as well.

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

In Europe, net sales increased year over year as a whole. Net sales of residential air-conditioning systems increased year over year due to strong sales in the northern European regions including northern France, Belgium, the Netherlands, and Germany, as a result of the summer heat wave and the reinforcement of the Group’s sales capabilities. Net sales of residential heating systems increased significantly year over year, boosted by various countries promoting heat pump hot water heating systems that are effective at reducing CO₂ emissions. Net sales increased significantly year over year especially in France, due to the major shift in demand from oil boilers to heat pump hot water heating systems thanks to the effects of the government incentives, as well as reinforcement of the Group’s sales system and the introduction of new products. Net sales of commercial air-conditioning systems also grew year over year due to the expansion of sales to stores, offices, and hotels by visiting contractors and architectural firms in each country, reinforcing ‘spec-in’ activities, strengthening project management of inquiries, and further promoting products using environmentally-conscious, recycled refrigerant that differentiate the Group from its competitors and R32 refrigerant.

In the Middle East and Africa, amid an economic slowdown in the main market of Dubai, the Group worked to reinforce its sales system, and net sales rose year over year in the local currency. However, due to the exchange rate, yen-equivalent net sales decreased year over year. In Turkey, net sales grew year over year in the local currency due to robust sales of heating systems, despite the sluggish demand in air-conditioning systems due to the economic recession following a sharp decline in the Turkish lira in August 2018. On the other hand, yen-equivalent net sales decreased year over year due to the impact of Turkish lira depreciation.

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

(ii) Chemicals

Overall sales of the Chemicals segment decreased by 11.3% year over year to ¥132,559 million and operating profit decreased by 28.5% year over year to ¥17,693 million.

The general condition regarding overall sales of fluorochemical products was harsh and largely affected by the decline in demand worldwide, mainly in the semiconductor and automotive fields, and the downturn in the gas market in Europe.

Despite relatively strong LAN cable-related demand, net sales of fluoropolymers decreased year over year due to declining demand for semiconductor and automotive-related applications worldwide. Net sales of fluoroelastomers also decreased year over year due to the impact of falling demand in the automotive field mainly in the U.S., European, and Chinese markets.

Among specialty chemicals, net sales of anti-fouling surface coating agents fell year over year due to sluggish sales, mainly in Asia. With regard to oil and water repellents, net sales fell year over year due to stagnant demand in China and the United States. As a result of these factors, overall sales of specialty chemicals were down compared to the same period of the previous fiscal year.

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

(iii) Other Divisions

Overall sales of the “Others” segment increased by 9.5% year over year to ¥42,189 million. Operating profit decreased by 0.8% year over year to ¥3,634 million.

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

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

In the electronics business, net sales grew year over year, as a result of strong sales of “SpaceFinder,” a database system for design and development sectors in line with customer needs such as solutions for quality issues, shortened design and development periods, and support for cost reductions, as well as sales of molecular design systems and CG creation systems.

(2) Explanation of Financial Position

(i) Assets, Liabilities and Net Assets

Total assets increased by ¥138,355 million from the end of the previous fiscal year to ¥2,839,246 million. Current assets increased by ¥73,428 million from the end of the previous fiscal year to ¥1,391,033 million, mainly due to an increase in cash and deposits. Non-current assets increased by ¥64,926 million from the end of the previous fiscal year to ¥1,448,212 million, primarily due to an increase in buildings and structures.

Liabilities increased by ¥63,865 million from the end of the previous fiscal year to ¥1,317,906 million, mainly due to an increase in commercial papers. Interest bearing debt ratio rose to 22.7% from 21.7% at the end of the previous fiscal year.

Net assets increased by ¥74,489 million from the end of the previous fiscal year to ¥1,521,339 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, 2019, net cash provided by operating activities was ¥251,383 million, an increase of ¥34,916 million from the same period of the previous fiscal year, principally due to an increase in depreciation. Net cash used in investing activities was ¥89,596 million, an increase of ¥5,879 million from the same period of the previous fiscal year, primarily due to an increase in payment for acquisition of consolidated subsidiaries. Net cash used in financing activities was ¥69,147 million, an increase of ¥23,552 million from the same period of the previous fiscal year, mainly due to a decrease in short-term borrowings. After including the effect of foreign exchange rate change to these results, net increase in cash and cash equivalents for the nine months ended December 31, 2019, amounted to ¥83,224 million, an increase of ¥7,664 million from the same period of the previous fiscal year.

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

There have been no changes to the business forecast for the fiscal year ending March 31, 2020, that was announced at the release of the settlement of accounts for the second quarter (November 6, 2019).

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

Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Earnings per share
Millions of yen 2,610,000	Millions of yen 285,000	Millions of yen 285,000	Millions of yen 195,000	Yen 666.65

The business forecasts are based on information currently available to the Company and certain assumptions that are deemed reasonable. A number of factors, some major ones of which are explained below, could cause actual results to differ significantly from these forecasts.

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

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	FY2018 (As of March 31, 2019)	Third Quarter of FY2019 (As of December 31, 2019)
Assets		
Current assets		
Cash and deposits	367,781	450,385
Notes and accounts receivable – trade	447,831	430,496
Merchandise and finished goods	293,445	305,643
Work in process	50,746	59,127
Raw materials and supplies	92,165	88,756
Other	74,782	67,258
Allowance for doubtful accounts	(9,147)	(10,634)
Total current assets	1,317,605	1,391,033
Non-current assets		
Property, plant and equipment	482,962	572,758
Intangible assets		
Goodwill	322,318	304,586
Other	295,821	276,478
Total intangible assets	618,140	581,065
Investments and other assets		
Investment securities	204,950	212,671
Other	78,567	82,933
Allowance for doubtful accounts	(1,335)	(1,217)
Total investments and other assets	282,182	294,388
Total non-current assets	1,383,285	1,448,212
Total assets	2,700,890	2,839,246
Liabilities		
Current liabilities		
Notes and accounts payable – trade	204,535	189,327
Short-term borrowings	136,066	47,162
Commercial papers	10,000	92,000
Current portion of bonds	50,000	—
Current portion of long-term borrowings	42,385	100,900
Income taxes payable	25,575	25,121
Provision for product warranties	52,602	56,476
Other	247,650	270,878
Total current liabilities	768,815	781,867
Non-current liabilities		
Bonds payable	60,000	90,000
Long-term borrowings	275,988	240,844
Retirement benefit liability	11,097	12,789
Other	138,138	192,404
Total non-current liabilities	485,225	536,039
Total liabilities	1,254,040	1,317,906

	(Millions of yen)	
	FY2018 (As of March 31, 2019)	Third Quarter of FY2019 (As of December 31, 2019)
Net assets		
Shareholders' equity		
Share capital	85,032	85,032
Capital surplus	83,649	83,862
Retained earnings	1,133,100	1,231,365
Treasury shares	(2,589)	(2,305)
Total shareholders' equity	1,299,193	1,397,955
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	57,685	63,024
Deferred gains or losses on hedges	619	(402)
Foreign currency translation adjustment	63,808	37,832
Remeasurements of defined benefit plans	(5,231)	(5,526)
Total accumulated other comprehensive income	116,881	94,928
Share acquisition rights	1,720	1,936
Non-controlling interests	29,054	26,519
Total net assets	1,446,849	1,521,339
Total liabilities and net assets	2,700,890	2,839,246

(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 FY2018 (April 1, 2018, to December 31, 2018)	First Nine Months of FY2019 (April 1, 2019, to December 31, 2019)
Net sales	1,875,175	1,951,374
Cost of sales	1,215,280	1,266,000
Gross profit	659,894	685,373
Selling, general and administrative expenses	446,049	466,251
Operating profit	213,845	219,121
Non-operating income		
Interest income	5,376	5,669
Dividend income	4,930	4,920
Share of profit of entities accounted for using equity method	1,845	292
Foreign exchange gains	—	1,430
Other	5,198	3,569
Total non-operating income	17,350	15,883
Non-operating expenses		
Interest expenses	8,997	8,231
Foreign exchange losses	3,610	—
Other	2,665	2,737
Total non-operating expenses	15,273	10,968
Ordinary profit	215,922	224,036
Extraordinary income		
Gain on sales of land	—	597
Gain on sales of investment securities	40	—
Gain on insurance claims	—	255
Gain on reversal of share acquisition rights	—	24
Total extraordinary income	40	877
Extraordinary losses		
Loss on disposal of non-current assets	72	283
Loss on valuation of investment securities	315	468
Loss on disaster	656	—
Other	—	5
Total extraordinary losses	1,045	757
Profit before income taxes	214,917	224,156
Income taxes	59,539	70,149
Profit	155,377	154,007
Profit attributable to non-controlling interests	5,481	5,982
Profit attributable to owners of parent	149,896	148,024

(Consolidated Statement of Comprehensive Income)

For the Nine Months Ended December 31

(Millions of yen)

	First Nine Months of FY2018 (April 1, 2018, to December 31, 2018)	First Nine Months of FY2019 (April 1, 2019, to December 31, 2019)
Profit	155,377	154,007
Other comprehensive income		
Valuation difference on available-for-sale securities	(24,527)	5,338
Deferred gains or losses on hedges	(563)	(1,021)
Foreign currency translation adjustment	(11,266)	(25,217)
Remeasurements of defined benefit plans	757	(294)
Share of other comprehensive income of entities accounted for using equity method	(723)	(1,178)
Total other comprehensive income	(36,324)	(22,373)
Comprehensive income	119,053	131,633
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	114,089	126,071
Comprehensive income attributable to non-controlling interests	4,963	5,562

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	First Nine Months of FY2018 (April 1, 2018, to December 31, 2018)	First Nine Months of FY2019 (April 1, 2019, to December 31, 2019)
I. Cash flows from operating activities		
Profit before income taxes	214,917	224,156
Depreciation	54,027	70,990
Amortization of goodwill	21,862	22,630
Increase (decrease) in allowance for doubtful accounts	1,108	1,372
Interest and dividend income	(10,306)	(10,590)
Interest expenses	8,997	8,231
Share of loss (profit) of entities accounted for using equity method	(1,845)	(292)
Loss (gain) on disposal of non-current assets	72	283
Loss (gain) on sales of investment securities	(40)	—
Loss (gain) on valuation of investment securities	315	468
Decrease (increase) in trade receivables	7,074	18,072
Decrease (increase) in inventories	(37,996)	(21,907)
Increase (decrease) in trade payables	(4,007)	(10,572)
Increase (decrease) in retirement benefit liability	(69)	1,655
Decrease (increase) in retirement benefit asset	(390)	(731)
Other, net	15,694	14,227
Subtotal	269,415	317,993
Interest and dividends received	10,655	11,032
Interest paid	(9,208)	(9,184)
Income taxes paid	(54,396)	(68,458)
Net cash provided by (used in) operating activities	216,466	251,383
II. Cash flows from investing activities		
Purchase of property, plant and equipment	(62,231)	(70,875)
Proceeds from sales of property, plant and equipment	924	3,257
Purchase of investment securities	(855)	(521)
Proceeds from sales of investment securities	46	—
Purchase of shares of subsidiaries and associates	—	(141)
Payments for acquisition of businesses	(6,160)	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(667)	(11,081)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	21	—
Payments for investments in capital of subsidiaries resulting in change in scope of consolidation	(730)	—
Proceeds from merger	48	—
Decrease (increase) in time deposits	(10,851)	541
Other, net	(3,260)	(10,776)
Net cash provided by (used in) investing activities	(83,717)	(89,596)

	(Millions of yen)	
	First Nine Months of FY2018 (April 1, 2018, to December 31, 2018)	First Nine Months of FY2019 (April 1, 2019, to December 31, 2019)
III. Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	79,210	(4,206)
Proceeds from long-term borrowings	—	72,825
Repayments of long-term borrowings	(77,931)	(48,194)
Proceeds from issuance of bonds	—	29,874
Redemption of bonds	—	(50,000)
Dividends paid	(42,407)	(49,730)
Dividends paid to non-controlling interests	(341)	(5,762)
Other, net	(4,125)	(13,954)
Net cash provided by (used in) financing activities	(45,595)	(69,147)
IV. Effect of exchange rate change on cash and cash equivalents	(11,594)	(9,414)
V. Net increase (decrease) in cash and cash equivalents	75,559	83,224
VI. Cash and cash equivalents at beginning of period	357,027	367,189
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	(66)	(7)
IX. Cash and cash equivalents at end of period	432,520	450,359

(4) Notes to Consolidated Financial Statements

Notes on the Premises of the Company as a “Going Concern”

None applicable

Notes on Significant Changes in Shareholders’ Equity

None applicable

Adoption of Accounting Treatment Specific to Quarterly Consolidated Financial Statement Preparation

[Calculation of tax expenses]

The Company and some of its consolidated subsidiaries, reasonably estimate the effective income tax rate after the adoption of tax-effect accounting for profit before income taxes for the consolidated fiscal year ending March 31, 2020, and multiply profit before income taxes for the reporting period by the estimated effective tax rate. However, if as a result of the computation using the estimated effective income tax rate lacks rationality to a remarkable extent, the Company adopts the method of using the legal effective tax rate.

Changes in Accounting Policy

From the beginning of the first quarter of fiscal year ending March 31, 2020, the overseas consolidated subsidiaries have applied “Leases” (IFRS 16, January 13, 2016; ASU 2016-02, February 25, 2016). Following the application of this accounting standard, as of December 31, 2019, “property, plant and equipment,” “other” in “current liabilities” and “other” in “non-current liabilities” increased by ¥61,325 million, ¥16,019 million, and ¥45,997 million, respectively. Furthermore, ¥12,725 million of leasehold interests in land hitherto included in “other” in “intangible assets” has been included in “property, plant and equipment” from the first quarter of fiscal year ending March 31, 2020. This change does not have a significant impact on profit or loss for the nine months ended December 31, 2019.

Segment Information, etc.

I. For the nine months ended December 31, 2018 (From April 1, 2018, to December 31, 2018)

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

(Millions of yen)

	Reported segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded on Consolidated Statement of Income (Note 3)
	Air- Conditioning and Refrigeration Equipment	Chemicals	Subtotal				
Net sales							
Sales to outside customers	1,687,212	149,418	1,836,630	38,545	1,875,175	—	1,875,175
Intersegment sales	446	13,418	13,865	442	14,307	(14,307)	—
Total	1,687,658	162,837	1,850,495	38,987	1,889,483	(14,307)	1,875,175
Segment profit	185,435	24,738	210,173	3,664	213,838	6	213,845

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, 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

The above represents a translation, for reference and convenience only, of the original notice issued in Japanese. We did our utmost to ensure accuracy in our translation and believe it to be of the highest standard. However, due to differences of accounting, legal and other systems as well as of language, this English version might contain inaccuracies, and therefore might be inconsistent with the original intent imported from the Japanese. In the event of any discrepancies between the Japanese and English versions, the former shall prevail as the official version.