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Brief Report on the Settlement of Accounts (Consolidated) for the Three Months Ended June 30, 2021 (J-GAAP)

August 3, 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: August 4, 2021
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, 2021
(From April 1, 2021, to June 30, 2021)

(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, 2021	798,975	37.4	109,254	100.4	111,859	102.9	78,628	137.5
June 30, 2020	581,682	-14.6	54,506	-39.2	55,119	-38.6	33,105	-47.5

Note: Comprehensive income was ¥88,518 million (85.0%) for the three months ended June 30, 2021, and ¥47,852 million (137.2%) for the three months ended June 30, 2020.

	Earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2021	268.68	268.54
June 30, 2020	113.15	113.08

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2021	3,340,381	1,760,464	51.7
As of March 31, 2021	3,239,662	1,698,495	51.4

(Reference) Equity capital was ¥1,726,989 million as of June 30, 2021, and ¥1,665,688 million as of March 31, 2021.

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, 2021	—	80.00	—	80.00	160.00
Fiscal Year ending March 31, 2022	—				
Fiscal Year ending March 31, 2022 (forecast)		90.00	—	90.00	180.00

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

3. Consolidated Business Forecast for the Fiscal Year Ending March 31, 2022
(From April 1, 2021, to March 31, 2022)

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	1,510,000	22.8	183,000	39.0	183,000	38.8	120,000	41.8	410.05
Full year	2,810,000	12.7	290,000	21.5	290,000	20.7	190,000	21.6	649.25

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

*Notes

(1) Changes in Significant Subsidiaries during the Three Months Ended June 30, 2021: 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 June 30, 2021 293,113,973 shares
  - As of March 31, 2021 293,113,973 shares
- (ii) Number of treasury shares at end of period
  - As of June 30, 2021 463,598 shares
  - As of March 31, 2021 469,595 shares
- (iii) Average number of shares outstanding during the three months
  - Three Months Ended June 30, 2021 292,647,026 shares
  - Three Months Ended June 30, 2020 292,587,527 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, August 3, 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 three months ended June 30, 2021 (from April 1, 2021, to June 30, 2021), the overall world economy showed variations in trends in each region due to the presence or absence of activity restrictions caused by the coronavirus (COVID-19). The U.S. economy is recovering steadily, as pent-up demand (demand that had been suppressed) is driving personal consumption associated with the resumption of economic activities accompanying vaccination progress. The European economy showed signs of recovery as economic activities picked up due to the gradual easing of restrictions on activities associated with vaccination progress. In the economies of Asia and emerging countries, the pace of economic recovery is uneven as domestic demand remains sluggish in many countries due to the resurgence of infections. The Chinese economy was supported by strong personal consumption and expansion of exports. The growth of the Japanese economy stagnated due to a decrease in personal consumption following the declaration of the third state of emergency and a decrease in production following a semiconductor shortage.

In such a business environment, the Daikin Group continued to strive for a recovery in business performance with an "aggressive" and "challenging" mindset that is grounded in a lean, robust management structure that includes strengthening our sales and marketing capabilities, rapid development and sales of differentiated products, establishment of a flexible production and supply system that can respond to changes in demand, and thorough cost reductions, which were promoted amid the COVID-19 pandemic. Specifically, we worked to absorb the cost-increasing factors caused by soaring raw material prices and to improve profitability through efforts including further expanding sales and increasing market shares through the introduction of new products that meet new needs, implementing total cost reductions such as material substitution from copper to aluminum, and promoting sales price policies by introducing differentiated products that are recognized for their value by the market and customers.

In addition, we have formulated a strategic management plan "Fusion 25" with a target year of the fiscal year ending March 31, 2026, under which we have launched a variety of initiatives, including strengthening our solutions business, which is not limited to unit sales of equipment; further expanding sales of heat pump heating systems and water heaters; establishing the refrigeration business that connects cold chains from places of production to places of consumption; providing products and services with a focus on demand for air and ventilation as well as solutions for global environmental issues and climate change problems; strengthening our North American air-conditioning business; promoting digitalization to accelerate business and process innovation; reinforcing our technology development capabilities; building a robust supply chain; strengthening our human resource capabilities; developing measures to achieve carbon neutrality; and strengthening advocacy activities.

The Daikin Group's net sales increased by 37.4% year over year to ¥798,975 million for the three months ended June 30, 2021. As for profits, operating profit increased by 100.4% to ¥109,254 million, ordinary profit increased by 102.9% to ¥111,859 million, and profit attributable to owners of parent increased by 137.5% to ¥78,628 million.

Operating results by business segment are as follows:

(i) Air-Conditioning and Refrigeration Equipment

Overall sales of the Air-Conditioning and Refrigeration Equipment segment increased by 37.1% year over year to ¥735,638 million. Operating profit increased by 93.7% to ¥99,959 million.

In the Japanese commercial air-conditioning equipment market, despite a slowdown in demand due to the declaration of a state of emergency this year, industry demand experienced growth year over year resulting from the large drop in demand caused during the same period last year by the declaration of a state of emergency. Under the declaration of a state of emergency, the Group promoted measures to achieve a balance between infection prevention measures and sales activities, including online proposal-based sales. In addition, net sales of commercial air-conditioning systems increased year over year as a result of continued proposal-based sales activities to meet the needs for ventilation and disinfection products, which are of growing interest in the market.

In the Japanese residential air-conditioning equipment market, industry demand was higher year over year due to factors including demand from the more time people spent at home. In addition to strengthening the appeal of models with ventilation functions such as "Urusara X," the Group launched the new "CX Series" with a compact design, and "UV Streamer Air Purifier" with enhanced performance in controlling viruses and bacteria, thereby expanding the product lineup and strengthening user appeal. As a result, net sales of residential air-conditioning systems increased year over year.

In the Americas, although there was a period when supply capacity was affected due to the spread of COVID-19 and the partial shutdown of factories last year, there was no shutdown of factories this year, and sales were strong due to the effect of increased demand caused by intense heat waves and demand from people staying at home. In addition, as a result of efforts to strengthen our sales network through acquisitions and to review selling prices, net sales significantly increased year over year. In the market for large buildings (Applied Systems), net sales increased year over year due to efforts to expand sales of chillers (outdoor equipment that produce chilled water required for air conditioning) and fan coils (indoor devices for temperature control) through the Group's own sales network and to expand the after sales service business against the backdrop of a recovery in the market, which had been stagnant due to the impact of COVID-19.

In China, the economy began to recover, especially in the residential market and personal consumption. The Group strengthened its product lineup of residential-related products and air and ventilation products and accelerated online sales activities in addition to utilizing its existing strength in store sales. Consequently, overall net sales significantly increased year over year, particularly in the residential market. In terms of profits, the Group maintained high levels by expanding sales of highly profitable products and working to reduce costs and curb fixed costs, despite being affected by the sharp rise in raw material prices and semiconductor procurement issues. In the residential-use market, the Group expanded sales by developing sales that combined offline and online sales with its "PROSHOP" specialty shops in order to search for new customers and capture demand for replacements. In the commercial retail market where recovery in demand was slow for stores and offices, the Group expanded customer contact points by leveraging ventilation and cleaning and captured replacement and additional demand. In the large-scale projects market, the Group promoted collaboration with major developers and strengthened solution-based sales. In the Applied Systems air-conditioning equipment market, the Group shifted resources to growth fields such as infrastructure, data centers, and semiconductors while strengthening sales in growth fields such as repair and maintenance.

In Asia and Oceania, sales were firm in April, particularly for residential air-conditioning systems. From May onward, although sales in Oceania continued to be strong, the market environment remained difficult due to lockdowns and tighter restrictions on business activities in India, Malaysia, and other Asian countries as a result of the renewed spread of COVID-19. In commercial air-conditioning systems, a difficult situation continued as the spread of infections caused delays in construction starts and suspension and postponement of construction across the market due to a shortage of workers and mandatory COVID-19 testing at construction sites. Despite these conditions, overall net sales for both commercial use and residential use increased significantly year over year due to strong sales in Oceania and the steady implementation of pricing policies.

In Europe, overall net sales were significantly higher year over year, and more than in the same period of 2019 before the impact of COVID-19. From the beginning of the fiscal year, the Group experienced logistical disruptions due to the stranded ship accident in the Suez Canal and semiconductor procurement problems. Nevertheless, the Group expanded sales through stable production and supply systems at the nearest factories in the European region. In residential air-conditioning systems, we captured new and additional demand with our wide product lineup and sales capabilities due to steady demand resulting from people having stayed at home since last year. Sales of residential heat pump hot water heating systems increased substantially and were driven by subsidies under the European Green Deal, which was newly established and expanded in many countries last year to achieve economic recovery and reduce CO_2 emissions. Similarly, sales increased by expanding demand for replacements of gas and oil boilers and strengthening sales capabilities through dealer development and support for subsidy applications. As a result of these factors, net sales in the residential business were significantly higher year over year. In commercial air-conditioning systems, there were signs of a recovery in demand due to the resumption of restaurant operations, the acceptance of tourists, and other economic activities as a result of the lifting of lockdowns in various countries, as well as the prospects for the cessation of the COVID-19 pandemic thanks to accelerated vaccination. In addition to capturing market needs during the COVID-19 pandemic through measures such as proposing improvements in air quality, the Group increased sales by strengthening marketing capabilities in strong markets such as IT infrastructure and factories. As a result, net sales of commercial air-conditioning systems were significantly higher year over year. In the refrigeration business, the Group strengthened sales to the food supermarket industry, where investment is growing, and net sales increased significantly year over year.

In the Middle and Near East and Africa, net sales increased year over year due to strengthened sales in Qatar and Egypt. In Turkey, sales of residential air-conditioning systems and heating systems increased substantially, supported by the government's housing support measures, and despite the impact of the depreciation of the Turkish lira, yen-equivalent net sales grew year over year.

In the filter business, the Group launched infection control products ahead of its competitors to meet the air and ventilation needs that have rapidly increased worldwide due to the spread of COVID-19. In addition, investment in the commercial-use market gradually resumed, especially in Europe and the United States, where vaccination is progressing, and sales to the electronics and semiconductor industries, the pharmaceutical industry, and commercial buildings were also strong. Net sales in the gas turbine and dust collection systems business also increased year over year, as the market was generally on a recovery trend as the investment environment improved.

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 increased by 41.8% year over year to ¥50,417 million. Operating profit increased by 197.6% to ¥7,901 million.

Overall sales of fluorochemical products were significantly higher year over year, due in part to a recovery in demand in a wide range of fields, particularly semiconductors and automobiles, compared to last year when sales fell sharply due to the global outbreak of COVID-19.

Net sales of fluoropolymers were significantly higher year over year due to a clear recovery in global demand for semiconductor and automotive-related applications. Net sales of fluoroelastomers also increased significantly year over year due to a marked recovery in demand, especially in the automotive field.

Among specialty chemicals, there was a recovery in demand for oil and water repellents and semiconductor etching agents, 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 increased year over year due to a recovery in demand.

(iii) Other Divisions

Overall sales of the “Others” segment increased by 37.1% year over year to ¥12,919 million. Operating profit increased by 459.5% to ¥1,391 million.

Net sales of oil hydraulic equipment for industrial machinery increased year over year due to a recovery in demand in the domestic market, especially for machine tools, as well as increased sales to Asia, Europe, and the United States. In addition, net sales of oil hydraulic equipment for construction machinery and vehicles increased year over year due to increased sales to major customers in Japan and the United States.

In defense systems-related products, net sales increased year over year due to increased sales of ammunition to the Ministry of Defense, as well as the capture of increased demand for oxygen concentrators and 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 increased 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 the related product “Smart Innovator.”

(2) Explanation of Financial Position

(i) Assets, Liabilities and Net Assets

Total assets increased by ¥100,718 million from the end of the previous fiscal year to ¥3,340,381 million. Current assets increased by ¥102,710 million from the end of the previous fiscal year to ¥1,836,071 million, mainly due to an increase in notes and accounts receivable – trade, and contract assets. Non-current assets decreased by ¥1,992 million from the end of the previous fiscal year to ¥1,504,309 million, primarily due to a decrease caused by amortization of goodwill.

Liabilities increased by ¥38,749 million from the end of the previous fiscal year to ¥1,579,916 million, mainly due to an increase in notes and accounts payable – trade. Interest bearing debt ratio fell to 22.2% from 23.2% at the end of the previous fiscal year.

Net assets increased by ¥61,969 million from the end of the previous fiscal year to ¥1,760,464 million, primarily due to an increase caused by posting of profit attributable to owners of parent.

(ii) Cash Flows

During the three months ended June 30, 2021, net cash provided by operating activities was ¥62,040 million, an increase of ¥2,838 million from the same period of the previous fiscal year, principally due to an increase in profit before income taxes. Net cash used in investing activities was ¥39,459 million, an increase of ¥6,182 million from the same period of the previous fiscal year, primarily due to an increase in purchase of property, plant and equipment. Net cash used in financing activities was ¥37,103 million, a decrease in cash provided by financing activities of ¥271,491 million from the same period of the previous fiscal year, mainly due to a decrease in proceeds from 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, 2021, amounted to ¥12,611 million, a decrease of ¥275,537 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 11, 2021, the Group has revised the business forecast for the full year and the first half of the fiscal year ending March 31, 2022, as follows.

In terms of the business environment surrounding the Company from the second quarter onward, the United States and Europe, in particular, are on the road to recovery thanks to the widespread use of COVID-19 vaccines and economic measures. However, the economic outlook is expected to remain uncertain due to the tightening of measures to curb economic activities in Asia and emerging countries accompanying the spread of COVID-19 and the resurgence of infections in the United States, Europe, and Japan. Furthermore, in the second quarter and onward, the impact of soaring raw material prices and logistics costs is expected to substantially increase.

Under these circumstances, the Group will continue to implement measures while flexibly responding to changes with an "aggressive" and "challenging" mindset. By doing so, we hope to achieve a V-shaped recovery and a new record high in business performance by bouncing back from cost increases expected in the second quarter and onward, such as the sharp rise in raw material prices and logistics costs.

The estimated exchange rate from the second quarter onward has not been changed from the assumption that US$1 equals ¥105 and 1 euro equals ¥125.

Revisions to Consolidated Business Forecast for the Six Months Ending September 30, 2021
(From April 1, 2021, to September 30, 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)	1,450,000	163,000	163,000	107,000	365.63
Revised forecasts (B)	1,510,000	183,000	183,000	120,000	410.05
Increase/decrease (B – A)	60,000	20,000	20,000	13,000	—
Increase/decrease (%)	4.1	12.3	12.3	12.1	—
(Reference) Results for the six months ended September 30, 2020	1,229,249	131,627	131,854	84,608	289.16

Revisions to Consolidated Business Forecast for the Fiscal Year Ending March 31, 2022
(From April 1, 2021, to March 31, 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)	2,750,000	270,000	270,000	177,000	604.83
Revised forecasts (B)	2,810,000	290,000	290,000	190,000	649.25
Increase/decrease (B – A)	60,000	20,000	20,000	13,000	—
Increase/decrease (%)	2.2	7.4	7.4	7.3	—
(Reference) Results for the fiscal year ended March 31, 2021	2,493,386	238,623	240,248	156,249	533.97

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)

	FY2020 (As of March 31, 2021)	First Quarter of FY2021 (As of June 30, 2021)
Assets		
Current assets		
Cash and deposits	736,098	728,551
Notes and accounts receivable – trade	468,330	—
Notes and accounts receivable – trade, and contract assets	—	549,382
Merchandise and finished goods	326,591	329,752
Work in process	34,766	41,522
Raw materials and supplies	108,039	119,614
Other	72,608	80,920
Allowance for doubtful accounts	(13,074)	(13,672)
Total current assets	1,733,361	1,836,071
Non-current assets		
Property, plant and equipment	647,410	651,278
Intangible assets		
Goodwill	268,684	261,373
Other	274,077	271,967
Total intangible assets	542,761	533,340
Investments and other assets		
Investment securities	213,909	210,993
Other	103,436	109,901
Allowance for doubtful accounts	(1,216)	(1,204)
Total investments and other assets	316,129	319,690
Total non-current assets	1,506,301	1,504,309
Total assets	3,239,662	3,340,381
Liabilities		
Current liabilities		
Notes and accounts payable – trade	229,746	257,117
Short-term borrowings	40,754	45,964
Current portion of bonds payable	10,000	10,000
Current portion of long-term borrowings	66,278	267,398
Income taxes payable	20,756	23,415
Provision for product warranties	62,255	64,141
Other	336,193	348,530
Total current liabilities	765,984	1,016,567
Non-current liabilities		
Bonds payable	130,000	130,000
Long-term borrowings	418,803	204,079
Retirement benefit liability	14,539	14,504
Other	211,839	214,765
Total non-current liabilities	775,182	563,349
Total liabilities	1,541,167	1,579,916

(Millions of yen)

	FY2020 (As of March 31, 2021)	First Quarter of FY2021 (As of June 30, 2021)
Net assets		
Shareholders' equity		
Share capital	85,032	85,032
Capital surplus	84,214	84,245
Retained earnings	1,363,505	1,417,353
Treasury shares	(2,012)	(1,986)
Total shareholders' equity	1,530,740	1,584,644
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	68,699	66,048
Deferred gains or losses on hedges	1,292	1,230
Foreign currency translation adjustment	69,470	77,385
Remeasurements of defined benefit plans	(4,513)	(2,318)
Total accumulated other comprehensive income	134,948	142,345
Share acquisition rights	2,019	1,963
Non-controlling interests	30,787	31,511
Total net assets	1,698,495	1,760,464
Total liabilities and net assets	3,239,662	3,340,381

(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 FY2020 (April 1, 2020, to June 30, 2020)	First Three Months of FY2021 (April 1, 2021, to June 30, 2021)
Net sales	581,682	798,975
Cost of sales	380,458	513,411
Gross profit	201,224	285,563
Selling, general and administrative expenses	146,717	176,308
Operating profit	54,506	109,254
Non-operating income		
Interest income	1,373	1,809
Dividend income	2,233	2,057
Foreign exchange gains	—	824
Other	1,150	999
Total non-operating income	4,756	5,689
Non-operating expenses		
Interest expenses	2,253	2,237
Share of loss of entities accounted for using equity method	2	13
Foreign exchange losses	750	—
Other	1,138	834
Total non-operating expenses	4,144	3,085
Ordinary profit	55,119	111,859
Extraordinary income		
Gain on sale of land	—	208
Total extraordinary income	—	208
Extraordinary losses		
Loss on disposal of non-current assets	164	272
Loss on sale of land	53	0
Loss on valuation of investment securities	102	351
Other	1	—
Total extraordinary losses	322	623
Profit before income taxes	54,796	111,444
Income taxes	19,902	30,614
Profit	34,894	80,830
Profit attributable to non-controlling interests	1,789	2,202
Profit attributable to owners of parent	33,105	78,628

(Consolidated Statement of Comprehensive Income)

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

	First Three Months of FY2020 (April 1, 2020, to June 30, 2020)	First Three Months of FY2021 (April 1, 2021, to June 30, 2021)
Profit	34,894	80,830
Other comprehensive income		
Valuation difference on available-for-sale securities	8,734	(2,651)
Deferred gains or losses on hedges	2,336	(61)
Foreign currency translation adjustment	2,195	7,052
Remeasurements of defined benefit plans	98	2,195
Share of other comprehensive income of entities accounted for using equity method	(407)	1,153
Total other comprehensive income	12,957	7,688
Comprehensive income	47,852	88,518
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	46,556	86,025
Comprehensive income attributable to non-controlling interests	1,296	2,492

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	First Three Months of FY2020 (April 1, 2020, to June 30, 2020)	First Three Months of FY2021 (April 1, 2021, to June 30, 2021)
I. Cash flows from operating activities		
Profit before income taxes	54,796	111,444
Depreciation	25,047	27,895
Amortization of goodwill	7,413	7,984
Increase (decrease) in allowance for doubtful accounts	663	421
Interest and dividend income	(3,606)	(3,866)
Interest expenses	2,253	2,237
Share of loss (profit) of entities accounted for using equity method	2	13
Loss (gain) on disposal of non-current assets	164	272
Loss (gain) on valuation of investment securities	102	351
Decrease (increase) in trade receivables	(12,742)	(78,688)
Decrease (increase) in inventories	1,278	(18,448)
Increase (decrease) in trade payables	(3,518)	24,142
Increase (decrease) in accounts payable - other	1,046	(8,720)
Increase (decrease) in accrued expenses	(11,106)	21,199
Increase (decrease) in retirement benefit liability	216	(6)
Decrease (increase) in retirement benefit asset	(252)	(3,646)
Other, net	11,095	2,373
Subtotal	72,853	84,958
Interest and dividends received	3,665	3,911
Interest paid	(2,783)	(2,425)
Income taxes paid	(14,533)	(24,403)
Net cash provided by (used in) operating activities	59,202	62,040
II. Cash flows from investing activities		
Purchase of property, plant and equipment	(25,561)	(28,527)
Proceeds from sale of property, plant and equipment	928	971
Purchase of investment securities	(256)	(618)
Proceeds from sale of businesses	—	437
Payments for acquisition of businesses	—	(1,208)
Payments for investments in capital of subsidiaries resulting in change in scope of consolidation	—	(862)
Decrease (increase) in time deposits	(4,645)	(5,466)
Other, net	(3,742)	(4,184)
Net cash provided by (used in) investing activities	(33,276)	(39,459)

(Millions of yen)

	First Three Months of FY2020 (April 1, 2020, to June 30, 2020)	First Three Months of FY2021 (April 1, 2021, to June 30, 2021)
III. Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	41,682	8,420
Proceeds from long-term borrowings	243,048	8,038
Repayments of long-term borrowings	(21,745)	(22,336)
Dividends paid	(23,336)	(23,427)
Dividends paid to non-controlling interests	(28)	(1,795)
Repayments of lease obligations	(5,284)	(6,002)
Other, net	52	(0)
Net cash provided by (used in) financing activities	234,388	(37,103)
IV. Effect of exchange rate change on cash and cash equivalents	2,611	1,909
V. Net increase (decrease) in cash and cash equivalents	262,925	(12,611)
VI. Cash and cash equivalents at beginning of period	321,151	662,267
VII. Increase (decrease) in cash and cash equivalents resulting from change in accounting period of subsidiaries	(58)	(1,586)
VIII. Cash and cash equivalents at end of period	584,019	648,068

(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, 2022, 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 Policies

[Application of the Accounting Standard for Revenue Recognition, etc.]

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter "Revenue Recognition Standard"), etc., from the beginning of the first quarter of the fiscal year ending March 31, 2022, and has recognized revenue in the amount expected to be received in exchange for promised goods or services at the time when the control of these goods or services is transferred to the customer.

The impact of the application of the Revenue Recognition Standard, etc., on the quarterly consolidated financial statements is minimal.

The application of the Revenue Recognition Standard, etc., is subject to the transitional treatment provided for in the proviso of Paragraph 84 of the Standard. However, it has no impact on the balance of retained earnings at the beginning of the fiscal year ending March 31, 2022, and per share information.

As a result of this application of the Revenue Recognition Standard, etc., "notes and accounts receivable – trade," which had been presented under "current assets" in the consolidated balance sheet of the fiscal year ended March 31, 2021, are included in "notes and accounts receivable – trade, and contract assets" from the first quarter of the fiscal year ending March 31, 2022. In accordance with the transitional treatment provided for in Paragraph 89-2 of the Revenue Recognition Standard, the Company has not reclassified financial statements for the previous fiscal year by using the new presentation method. Furthermore, in accordance with the transitional treatment provided for in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), information on disaggregate revenue from contracts with customers for the three months ended June 30, 2020, is not presented.

[Application of the Accounting Standard for Fair Value Measurement, etc.]

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019, hereinafter "Fair Value Measurement Accounting Standard"), etc., from the beginning of the first quarter of the fiscal year ending March 31, 2022 and in accordance with the transitional treatment provided for in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Company will continue to apply the new accounting policy prescribed by the Fair Value Measurement Accounting Standard, etc., into the future. This has no impact on the quarterly consolidated financial statements.

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]
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, 2021.

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, 2020 (From April 1, 2020, to June 30, 2020)
1. Information on net sales and profit or loss amounts by reported segment

(Millions of yen)

	Reported segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded on Consolidated Statement of Income (Note 3)
	Air-Conditioning and Refrigeration Equipment	Chemicals	Subtotal				
Net sales							
Sales to outside customers	536,692	35,567	572,260	9,422	581,682	—	581,682
Intersegment sales	561	2,260	2,822	152	2,974	(2,974)	—
Total	537,254	37,828	575,082	9,574	584,656	(2,974)	581,682
Segment profit	51,600	2,655	54,255	248	54,504	2	54,506

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 ¥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, 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
China	129,971	12,299	142,270	469	142,739	—	142,739
Asia and Oceania	95,999	5,989	101,988	261	102,250	—	102,250
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