<Translation>

Member, Financial Accounting Standards Foundation

Brief Report on the Settlement of Accounts (Consolidated) for the Nine Months Ended December 31, 2024 (J-GAAP)

February 5, 2025

Name of Listed Company: **Daikin Industries, Ltd.** Listed on TSE
Code No.: 6367
(URL: https://www.daikin.co.jp/)
Representative: Naofumi Takenaka, President and COO
Contact: Motoshi Hosomi,
General Manager, Corporate Communication Department
(Tel.: +81-6-6147-9925)
Planned date of start of dividend payment: —
Preparation of supplementary explanatory materials for the settlement of accounts: Yes
Holding briefings on the settlement of accounts: Yes (for institutional investors and analysts)

1. Consolidated Business Results for the Nine Months Ended December 31, 2024

(From April 1, 2024, to December 31, 2024)

(1) Consolidated Business Results (Accumulated)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2024	3,593,224	10.1	318,740	4.0	292,483	3.7	186,712	-3.7
December 31, 2023	3,263,652	9.3	306,490	0.9	282,113	-5.7	193,850	-7.2

Note: Comprehensive income was ¥298,348 million (-8.6%) for the nine months ended December 31, 2024, and ¥326,588 million (20.4%) for the nine months ended December 31, 2023.

	Earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2024	637.72	637.28
December 31, 2023	662.19	661.77

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2024	5,306,961	2,903,475	53.6
As of March 31, 2024	4,880,230	2,687,302	54.0

(Reference) Equity capital was ¥2,842,442 million as of December 31, 2024, and ¥2,637,536 million as of March 31, 2024.

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, 2024	—	120.00	—	130.00	250.00
Fiscal Year ending March 31, 2025	—	185.00	—		
Fiscal Year ending March 31, 2025 (forecast)				135.00	320.00

Note: Revisions to the dividend forecast announced most recently: None
Dividend per share for the 2Q-end of the fiscal year ending March 31, 2025, consists of an ordinary dividend of ¥135 and a commemorative dividend of ¥50 for the Company's 100th anniversary.

3. Consolidated Business Forecast for the Fiscal Year Ending March 31, 2025
(From April 1, 2024, to March 31, 2025)

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	4,770,000	8.5	428,000	9.1	392,000	10.6	267,000	2.6	912.01

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

*Notes

(1) Significant Changes in the Scope of Consolidation during the Nine Months Ended December 31, 2024: Yes
Newly included: 8 companies (Varitec Solutions, LLC and others)
Excluded: 4 companies (ABCO Refrigeration Supply Corp. and others)

(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, 2024	293,113,973 shares
As of March 31, 2024	293,113,973 shares

(ii) Number of treasury shares at end of period

As of December 31, 2024	316,510 shares
As of March 31, 2024	353,293 shares

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

Nine Months Ended December 31, 2024	292,779,764 shares
Nine Months Ended December 31, 2023	292,739,162 shares

Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit corporation: Yes (voluntary)

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 Wednesday, February 5, 2025. Documents and materials distributed in this briefing are posted on the Company's website (https://www.daikin.com/investor/library/results_materials).

Content of Attachment

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

(1) Explanation of Operating Results

In the nine months ended December 31, 2024 (from April 1, 2024, to December 31, 2024), the world economy saw strong performance in the service sector, but conditions remained harsh for the manufacturing sector, primarily in Europe and the United States. In the U.S. economy, despite strong personal consumption, housing investment was sluggish as a result of continuation of high interest rates. The European economy saw signs of recovery primarily in service demand as inflation continued to cool and wages rose, but it was weighed down by high interest rates and a slump in external demand. The Chinese economy saw a sluggish domestic demand despite strong export-oriented industries. The Japanese economy saw an expansion of capital investment primarily in digital technology-related sectors, and personal consumption also showed signs of recovery thanks to a rise in wages, although natural disasters and high commodity prices applied downward pressures. In Asia, personal consumption, infrastructure investment, and a recovery in exports supported the economy.

Under this business environment, toward accomplishing the latter-half three-year plan (fiscal 2023 to fiscal 2025) of the strategic management plan “Fusion 25” by fiscal year ending March 31, 2026, as the final year, the Daikin Group is accelerating the promotion of measures under 11 key strategic 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,” while working on the creation of economic, environmental, and social value.

In addition, in the fiscal year ending March 31, 2025, we are addressing the improvement and enhancement of the Group’s profit structure and profitability even as we work to generate results across global operations by leveraging the collective strengths of the Group. The specific themes for the fiscal year ending March 31, 2025, are as follows.

(Themes for improving and enhancing the Group’s profit structure and profitability)

- Promote sales price policies and increase our market share by launching new and differentiated products, shifting from selling equipment separately to system sales, etc.
- Enhance cost competitiveness around the world to improve marginal profit margin
- Implement global production, procurement, and logistics reforms to create a resilient supply chain
- Reduce existing fixed costs and prioritize upfront and strategic investments
- Achieve results from acquisitions and investments in production capacity expansion that have been carried out

(Themes aimed at generating significant results across global operations by leveraging the collective strengths of the Group)

- Actively expand the Applied Systems air-conditioning business globally and increase revenue from the commercial air-conditioning solutions business by providing added value for individual applications and markets
- Horizontally deploy differentiated technologies, enhance service capabilities, and respond to work simplification and labor savings in installation

In thoroughly implementing these initiatives amidst the harsh business environment, which includes declining demand in various regions, we are closely following the progress of each region and business and proactively and flexibly responding to changes in our business environment to minimize the negative impact of such changes on our business. At the same time, we are further expanding our sales and improving profitability in strongly performing regions such as India and Japan and in strongly performing businesses, such as the Applied Systems air-conditioning business and the commercial air-conditioning solutions business. We are also continuing to implement investments with an eye to medium- to long-term growth, including investments in production capacity expansion leading to strengthening profitability and investments aimed at the enhancement of the sales and service networks.

The Daikin Group’s net sales increased by 10.1% year over year to ¥3,593,224 million for the nine months ended December 31, 2024. As for profits, operating profit increased by 4.0% to ¥318,740 million, an ordinary profit increased by 3.7% to ¥292,483 million, and profit attributable to owners of parent decreased by 3.7% to ¥186,712 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 11.1% year over year to ¥3,335,838 million. Operating profit increased by 8.3% to ¥284,283 million.

In the Japanese air-conditioning equipment market, commercial market demand increased year over year due to a rise in capital investment including large-scale redevelopment and the new construction and renovation of office buildings and commercial facilities. Residential market demand increased year over year, driven in part by the higher-than-average temperatures since April and heightened demand from a record-breaking heat wave as well as a late summer heat. Against this backdrop, the Group strengthened user proposals to the commercial air-conditioning equipment market, focusing on the “FIVE STAR ZEAS,” which combines high energy-saving performance and ease of installation, “machi Multi,” which meets individual operation needs, and other air-conditioning equipment for facilities. Accordingly, net sales increased year over year. In the residential air-conditioning equipment market, we worked to confront expanding needs for energy-saving performance due to rising electricity prices and a significant increase in air-conditioner usage during the summer season by strengthening user proposals, mainly for “Urusara X,” which has high energy-saving performance, resulting in higher net sales year over year.

In the Americas, last-minute demand surged for residential air-conditioning systems using the current refrigerant (R410A), due to price increases and supply concerns related to product changeover required by refrigerant regulations. In addition to increasing the production of R410A models, the Group accelerated the sales of new models using R32, a low-global-warming-potential refrigerant known for its environmental benefits and energy-saving performance, and expanded its production. The Group also expanded sales of the environment premium product “Fit” system, which has high energy-saving performance. However, sales decreased as the Group was unable to fully capture the demand for R410A models, as well as due to slow shipments to independent distributors. Meanwhile, due to the positive effect of exchange rates, net sales after conversion to Japanese yen grew year over year. With regard to Applied Systems air-conditioning equipment, sales of air-conditioning systems grew due to the launch of a new factory in Mexico, production capacity expansion at existing factories, and the expanded sales carried out by custom air handling unit manufacturers. Also, we carried out sales expansion of equipment to growth markets, such as data centers and the manufacturing industry, expanded the solutions business, and conducted new corporate acquisitions, which contributed to a significant increase in net sales year over year.

In China, demand has decelerated significantly due to the deteriorating real estate market, which led to a year over year decrease in overall net sales. Profits maintained a high level comparable with past results due to measures that included increasing sales of high value-added products and reducing costs. In the residential air-conditioning equipment market, where there was a slowdown in the economy, the Group strengthened its unique sales activities combining online-based activities, such as live broadcasts utilizing showrooms, web strategies, and social media, together with user-direct offline retail sales. We also strengthened sales of system products that combine air-conditioning, dehumidification, ventilation, heat pump floor heating systems, sensors, and controllers, etc. In the commercial air-conditioning equipment market, the markets for government projects, factories, and green buildings (buildings designed with consideration for enhanced environmental performance) have been growing due to the promotion of carbon neutrality policies, and we strengthened proposals with energy savings as an inducement. In the Applied Systems air-conditioning equipment market, the Group invested resources to fields with firm demand, such as infrastructure, semiconductor, and medical-related, and also strengthened the repair and maintenance business.

In Asia and Oceania, sales in India significantly grew on the back of its strong economy, driving overall net sales higher year over year. Net sales of residential air-conditioning systems increased year over year due to increased demand in India and sales promotion measures targeting dealers and consumers. Meanwhile, despite project delays and investment reviews caused by a slowdown in the economy, sales expanded for commercial air-conditioning systems due to dealer development and training, resulting in higher net sales year over year.

In Europe, there has been an ongoing decline in demand for residential heat pump hot water heating systems since last fiscal year, but as a result of expanded sales of commercial air-conditioning systems and the positive effects of exchange rates, overall net sales remained at the same level year over year. In residential air-conditioning systems, during the first half of the fiscal year (April to September), sales rose from July, due in part to the heat wave in Southern Europe. However, in the third quarter (October to December), demand for room air conditioners for use in room heating fell, and net sales remained at the same level year over year. As for residential heat pump hot water heating systems, the decline in demand prompted by the reduction of government subsidy programs in major markets (Italy, Germany, France, etc.) is showing signs of having bottomed out, but end users are still reluctant to purchase residential heat pump hot water heating systems. Against this backdrop, we continued to work to strengthen our sales capabilities, including dealer development and support for subsidy applications, in addition to expanding product lineup, but net sales were lower year over year. Meanwhile, for commercial air-conditioning systems, net sales increased year over year as a result of attentive sales activities to steadily capture demand from hotels and restaurants and were boosted by the strength of the tourism sector and the energy-saving needs of offices, stores, and similar. For the Applied Systems air-conditioning equipment, net sales were higher year over year, mainly due to sales expansion to data centers.

In the Middle and Near East and Africa, net sales were significantly higher year over year. Increased orders for commercial projects in Saudi Arabia and other countries drove sales. In Turkey, sales of residential air-conditioning systems increased.

In the filter business, despite the continued stagnation of the Chinese economy and a delay in recovery of the semiconductor market, among other things, overall net sales increased year over year, due in part to demand remaining firm and the positive effects of exchanges rates. In the United States, net sales increased as sales to wholesalers for residential and commercial applications grew and sales of high-gross-margin products through our own dealerships expanded. In Europe, while sales were affected by the recession, especially the automotive sector, sales rose primarily in Northern Europe, causing sales for Europe as a whole to increase year over year. In Asia and the Middle East, sales in the semiconductor market in Southeast Asia slowed and the prolonged downturn in the Chinese real estate market caused stagnation in demand, resulting in a decline in overall sales in the Asia region including the Middle East and India. In Japan, delays in work periods and inventory adjustments are prolonging mainly due to labor shortages in the construction industry, resulting in decreased sales mainly of high-performance filters for semiconductor manufacturers and semiconductor manufacturing equipment manufacturers. The gas turbine and dust collection systems business saw robust sales due to the expansion of the sales region for special filters used in oil field applications.

In the marine vessels business, net sales increased year over year as a result of growth of sales of marine container refrigeration units and marine vessel air conditioners and refrigeration units.

(ii) Chemicals

Overall sales of the Chemicals segment decreased by 0.5% year over year to ¥188,787 million. Operating profit decreased by 16.3% to ¥32,660 million.

Although there was sluggish demand for a wide range of fields, particularly semiconductors and automobiles, that accompanied movements in distribution inventory adjustments, overall sales of fluorochemical products remained at the same level year over year due to the positive effects of exchange rates.

Sales of fluoropolymers decreased due to stagnated demand in the fields of LAN cables and materials for semiconductor equipment, but net sales remained at the same level year over year due to the positive effects of exchange rates. Meanwhile, net sales of fluoroelastomers were lower year over year due to distribution inventory adjustments in fields such as automobiles.

In specialty chemicals, demand for anti-fouling surface coating agents and etching agents for semiconductor processing recovered, but demand for oil and water repellents and intermediate function materials declined, causing net sales to remain at the same level year over year.

As for fluorocarbon gas, net sales were higher year over year due to efforts to expand sales and maintain pricing amid a challenging environment of declining demand and a weakening market.

(iii) Other Divisions

Overall sales of the “Others” segment decreased by 5.5% year over year to ¥68,598 million. Operating profit decreased by 64.5% to ¥1,794 million.

In the oil hydraulic equipment business, sales of oil hydraulic equipment for industrial machinery decreased in the Japanese and European markets, resulting in a decrease in net sales year over year. Sales of oil hydraulic equipment for construction machinery and vehicles decreased in both the Japanese and the U.S. markets, resulting in a decrease in net sales year over year.

In the defense systems business, net sales were higher year over year due to strong sales of oxygen concentrators and an increase in sales of hypoxic system (equipment that simulates high-altitude conditions to enhance exercise effectiveness by controlling oxygen concentration).

In the electronics business, despite efforts to expand sales of “SpaceFinder” and “Smart Innovator,” database systems for design and development sectors that meet customer needs by solving quality issues, shortening design and development periods, and supporting cost reductions, net sales decreased year over year due to factors including decrease in number of large projects.

(2) Explanation of Financial Position

(i) Assets, Liabilities and Net Assets

Total assets increased by ¥426,731 million from the end of the previous fiscal year to ¥5,306,961 million. Current assets increased by ¥246,030 million from the end of the previous fiscal year to ¥2,972,629 million, mainly due to an increase in cash and deposits. Non-current assets increased by ¥180,701 million from the end of the previous fiscal year to ¥2,334,332 million, primarily due to an increase in buildings and structures.

Liabilities increased by ¥210,559 million from the end of the previous fiscal year to ¥2,403,486 million, mainly due to an increase in commercial papers. Interest bearing debt ratio rose to 20.7% from 19.8% at the end of the previous fiscal year.

Net assets increased by ¥216,172 million from the end of the previous fiscal year to ¥2,903,475 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 nine months ended December 31, 2024, net cash provided by operating activities was ¥426,645 million, an increase of ¥129,146 million from the same period of the previous fiscal year, primarily due to an increase in trade payables. Net cash used in investing activities was ¥289,801 million, an increase of ¥70,641 million from the same period of the previous fiscal year, primarily due to an increase in time deposits. Net cash used in financing activities was ¥37,737 million, an increase of ¥12,867 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, 2024, amounted to ¥135,741 million, an increase of ¥62,977 million from the same period of the previous fiscal year.

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

The business environment surrounding the Group is seeing continued uncertainties in the recovery of housing investments across the world and the heat pump heating market in Europe, while there are increases in demand for air-conditioning equipment for the United States' and other countries' data centers, as well as in India.

Against this backdrop, the Group will maximize the results of initiatives for the improvement and enhancement of the Group's profit structure and profitability, which have been our priority issues for the current fiscal year, as well as results generated across global operations by leveraging the collective strengths of the Group. By taking new measures to deal with changes, we will offset the impact of the worsening business environment and maintain our position of increasing both sales and profits. At the same time, we will steadily implement themes that lead to medium- to long-term growth, including carbon neutrality and the promotion of energy and service solutions business, which are all growth strategies of our strategic management plan "Fusion 25 Latter-Half Three-Year Plan." Through these efforts, we aim to achieve the targets of our "Fusion 25 Latter-Half Three-Year Plan," and strengthen our corporate structure.

There are no changes to the business forecast for the fiscal year ending March 31, 2025, that we announced at the time of the announcement of the second quarter financial results (November 6, 2024).

<Reference> Consolidated Business Forecast for the Fiscal Year Ending March 31, 2025
(From April 1, 2024, to March 31, 2025)

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
4,770,000	428,000	392,000	267,000	912.01

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)

	FY2023 (As of March 31, 2024)	Third Quarter of FY2024 (As of December 31, 2024)
Assets		
Current assets		
Cash and deposits	737,961	931,149
Notes and accounts receivable – trade, and contract assets	815,305	776,498
Merchandise and finished goods	696,363	736,345
Work in process	75,932	83,886
Raw materials and supplies	275,446	288,624
Other	148,126	180,442
Allowance for doubtful accounts	(22,536)	(24,318)
Total current assets	2,726,598	2,972,629
Non-current assets		
Property, plant and equipment	1,134,982	1,290,693
Intangible assets		
Goodwill	306,627	288,982
Other	377,099	388,410
Total intangible assets	683,726	677,393
Investments and other assets		
Investment securities	171,857	185,533
Other	163,616	181,263
Allowance for doubtful accounts	(550)	(551)
Total investments and other assets	334,922	366,245
Total non-current assets	2,153,631	2,334,332
Total assets	4,880,230	5,306,961
Liabilities		
Current liabilities		
Notes and accounts payable – trade	326,033	365,099
Short-term borrowings	363,205	262,162
Commercial papers	50,419	152,194
Current portion of bonds payable	10,000	15,000
Current portion of long-term borrowings	63,446	52,918
Income taxes payable	41,261	44,991
Provision for product warranties	104,616	114,068
Other	608,007	618,829
Total current liabilities	1,566,990	1,625,265
Non-current liabilities		
Bonds payable	130,000	175,000
Long-term borrowings	194,918	258,625
Retirement benefit liability	19,910	21,639
Other	281,107	322,955
Total non-current liabilities	625,936	778,221
Total liabilities	2,192,927	2,403,486

(Millions of yen)

	FY2023 (As of March 31, 2024)	Third Quarter of FY2024 (As of December 31, 2024)
Net assets		
Shareholders' equity		
Share capital	85,032	85,032
Capital surplus	78,014	87,238
Retained earnings	1,896,173	1,990,262
Treasury shares	(1,525)	(1,370)
Total shareholders' equity	2,057,695	2,161,163
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	65,729	63,750
Deferred gains or losses on hedges	358	571
Foreign currency translation adjustment	524,273	630,647
Remeasurements of defined benefit plans	(10,520)	(13,691)
Total accumulated other comprehensive income	579,840	681,279
Share acquisition rights	3,771	4,295
Non-controlling interests	45,994	56,737
Total net assets	2,687,302	2,903,475
Total liabilities and net assets	4,880,230	5,306,961

(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 FY2023 (April 1, 2023, to December 31, 2023)	First Nine Months of FY2024 (April 1, 2024, to December 31, 2024)
Net sales	3,263,652	3,593,224
Cost of sales	2,133,257	2,361,679
Gross profit	1,130,395	1,231,544
Selling, general and administrative expenses	823,904	912,803
Operating profit	306,490	318,740
Non-operating income		
Interest income	11,108	14,307
Dividend income	4,693	3,556
Share of profit of entities accounted for using equity method	1,430	1,568
Other	5,494	5,085
Total non-operating income	22,726	24,518
Non-operating expenses		
Interest expenses	32,257	31,769
Foreign exchange losses	424	3,850
Settlement payments	2,547	—
Inflation accounting adjustment	8,633	6,934
Other	3,240	8,220
Total non-operating expenses	47,103	50,775
Ordinary profit	282,113	292,483
Extraordinary income		
Gain on sale of land	37	287
Gain on sale of investment securities	5,674	4,253
Gain on insurance claims	—	607
Total extraordinary income	5,711	5,148
Extraordinary losses		
Loss on disposal of non-current assets	2,285	829
Loss on sale of land	—	169
Loss on valuation of investment securities	5	429
Loss on sale of shares of subsidiaries and associates	0	—
Distinguished service compensation	—	4,300
Other	0	—
Total extraordinary losses	2,291	5,728
Profit before income taxes	285,532	291,903
Income taxes	83,733	96,631
Profit	201,799	195,271
Profit attributable to non-controlling interests	7,949	8,558
Profit attributable to owners of parent	193,850	186,712

(Consolidated Statement of Comprehensive Income)

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

	First Nine Months of FY2023 (April 1, 2023, to December 31, 2023)	First Nine Months of FY2024 (April 1, 2024, to December 31, 2024)
Profit	201,799	195,271
Other comprehensive income		
Valuation difference on available-for-sale securities	19,524	(1,970)
Deferred gains or losses on hedges	(956)	212
Foreign currency translation adjustment	105,739	107,592
Remeasurements of defined benefit plans	(1,263)	(3,171)
Share of other comprehensive income of entities accounted for using equity method	1,745	413
Total other comprehensive income	124,789	103,077
Comprehensive income	326,588	298,348
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	317,067	288,150
Comprehensive income attributable to non-controlling interests	9,520	10,198

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	First Nine Months of FY2023 (April 1, 2023, to December 31, 2023)	First Nine Months of FY2024 (April 1, 2024, to December 31, 2024)
I. Cash flows from operating activities		
Profit before income taxes	285,532	291,903
Depreciation	124,379	144,227
Amortization of goodwill	33,706	36,504
Increase (decrease) in allowance for doubtful accounts	2,972	880
Interest and dividend income	(15,801)	(17,864)
Interest expenses	32,257	31,769
Share of loss (profit) of entities accounted for using equity method	(1,430)	(1,568)
Loss (gain) on disposal of non-current assets	2,285	829
Loss (gain) on sale of investment securities	(5,674)	(4,253)
Loss (gain) on valuation of investment securities	5	429
Decrease (increase) in trade receivables	50,564	65,930
Decrease (increase) in inventories	(23,693)	(28,947)
Increase (decrease) in trade payables	(56,365)	26,364
Increase (decrease) in accounts payable - other	(17,088)	(21,470)
Increase (decrease) in accrued expenses	2,172	11,607
Increase (decrease) in retirement benefit liability	(2,057)	859
Decrease (increase) in retirement benefit asset	(2,721)	2,788
Other, net	11,166	(3,414)
Subtotal	420,210	536,577
Interest and dividends received	18,317	19,160
Interest paid	(31,455)	(31,185)
Income taxes paid	(109,571)	(97,906)
Net cash provided by (used in) operating activities	297,499	426,645
II. Cash flows from investing activities		
Purchase of property, plant and equipment	(190,560)	(187,728)
Proceeds from sale of property, plant and equipment	1,806	4,237
Purchase of investment securities	(1,027)	(16,729)
Proceeds from sale of investment securities	7,634	5,626
Purchase of shares of subsidiaries and associates	(893)	(1,096)
Payments for acquisition of businesses	(8,683)	(573)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,125)	(2,707)
Payments for investments in capital of subsidiaries resulting in change in scope of consolidation	—	(17,237)
Decrease (increase) in time deposits	(26,676)	(52,765)
Other, net	367	(20,826)
Net cash provided by (used in) investing activities	(219,159)	(289,801)

(Millions of yen)

	First Nine Months of FY2023 (April 1, 2023, to December 31, 2023)	First Nine Months of FY2024 (April 1, 2024, to December 31, 2024)
III. Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	142,744	(4,367)
Proceeds from long-term borrowings	14,541	103,159
Repayments of long-term borrowings	(47,169)	(59,314)
Proceeds from issuance of bonds	—	59,802
Redemption of bonds	(20,000)	(10,000)
Dividends paid	(76,109)	(92,235)
Proceeds from share issuance to non-controlling shareholders	464	15,110
Dividends paid to non-controlling interests	(2,721)	(7,547)
Repayments of lease liabilities	(35,004)	(42,022)
Other, net	(1,615)	(322)
Net cash provided by (used in) financing activities	(24,869)	(37,737)
IV. Effect of exchange rate change on cash and cash equivalents	19,293	36,634
V. Net increase (decrease) in cash and cash equivalents	72,764	135,741
VI. Cash and cash equivalents at beginning of period	548,242	634,008
VII. Increase (decrease) in cash and cash equivalents resulting from change in accounting period of subsidiaries	257	(1,511)
VIII. Cash and cash equivalents at end of period	621,263	768,237

(4) Notes to Consolidated Financial Statements

Significant Matters Serving as the Basis for Quarterly Consolidated Financial Statement Preparation

The quarterly consolidated financial statements were prepared in accordance with Article 4, Paragraph 1 of the Standards for the Preparation of Quarterly Financial Statements, etc., of Tokyo Stock Exchange, Inc. and accounting standards for quarterly financial statements generally accepted as fair and reasonable in Japan (however, the omission of descriptions prescribed in Article 4, Paragraph 2 of the Standards for the Preparation of Quarterly Financial Statements, etc., applies).

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, 2025, 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 Current Income Taxes,” etc.]
The Company has applied the “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as the “Revised Accounting Standard 2022”), etc. from the beginning of the first quarter of the fiscal year ending March 31, 2025.

With regard to the amendment to categories in which income taxes, etc., should be recorded (taxes on other comprehensive income), the Company follows the transitional treatment prescribed in the proviso of Paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of Paragraph 65-2 of the “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the “Revised Implementation Guidance 2022”). This change in accounting policies has no impact on the quarterly consolidated financial statements.

For the amendment related to the revised accounting treatment for consolidated financial statements when gain or loss on sale of shares of subsidiaries, etc., resulting from transactions between consolidated companies were deferred for tax purposes, the Company has applied the Revised Implementation Guidance 2022 from the beginning of the first quarter of the fiscal year ending March 31, 2025. This change in accounting policies was applied retrospectively, and the quarterly consolidated financial statements for the same period of the previous fiscal year and the consolidated financial statements for the previous fiscal year have accordingly been restated. This change in accounting policies has no impact on the quarterly consolidated financial statements for the same period of the previous fiscal year and the consolidated financial statements for the previous fiscal year.

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.

[Segment Information]

I. For the nine months ended December 31, 2023 (From April 1, 2023, to December 31, 2023)

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	437,686	49,790	487,476	41,424	528,901	—	528,901
U.S.	1,059,079	33,970	1,093,050	9,941	1,102,992	—	1,102,992
Europe	475,311	37,699	513,010	14,448	527,458	—	527,458
Asia and Oceania	424,822	24,848	449,671	3,093	452,765	—	452,765
China	389,544	41,975	431,519	2,228	433,748	—	433,748
Other	214,909	1,445	216,355	1,432	217,787	—	217,787
Revenue from contracts with customers	3,001,354	189,729	3,191,083	72,568	3,263,652	—	3,263,652
Other revenue	—	—	—	—	—	—	—
Sales to outside customers	3,001,354	189,729	3,191,083	72,568	3,263,652	—	3,263,652
Intersegment sales	1,317	21,617	22,935	636	23,572	(23,572)	—
Total	3,002,671	211,347	3,214,018	73,205	3,287,224	(23,572)	3,263,652
Segment profit	262,403	39,018	301,421	5,049	306,471	18	306,490

Notes: 1. The “Others” segment is a business segment not included in reported segments. It includes the oil hydraulic equipment business, the defense systems business, and the electronics business.
2. The adjustment of ¥18 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, 2024 (From April 1, 2024, to December 31, 2024)

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	478,339	50,958	529,297	40,073	569,371	—	569,371
U.S.	1,212,477	25,933	1,238,411	10,384	1,248,795	—	1,248,795
Europe	509,960	37,401	547,362	11,966	559,329	—	559,329
Asia and Oceania	506,013	24,161	530,174	3,363	533,538	—	533,538
China	365,195	48,403	413,598	1,731	415,329	—	415,329
Other	263,851	1,929	265,780	1,078	266,859	—	266,859
Revenue from contracts with customers	3,335,838	188,787	3,524,625	68,598	3,593,224	—	3,593,224
Other revenue	—	—	—	—	—	—	—
Sales to outside customers	3,335,838	188,787	3,524,625	68,598	3,593,224	—	3,593,224
Intersegment sales	2,016	19,896	21,913	1,161	23,075	(23,075)	—
Total	3,337,854	208,684	3,546,538	69,760	3,616,299	(23,075)	3,593,224
Segment profit	284,283	32,660	316,943	1,794	318,738	2	318,740

Notes: 1. The “Others” segment is a business segment not included in reported segments. It includes the oil hydraulic equipment business, the defense systems 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