



ANNUAL REPORT 1999

Fiscal year ended March 31, 1999



In the three years since the inception of the Fusion 21 strategic management plan, our operational environment has changed dramatically. Therefore, we have completely reevaluated the plan in order to facilitate the realization of its goals.



PROFILE

Profile

Daikin Industries, Ltd., is a global leader in the manufacture of commercial-use and industrial-use air conditioning systems and holds more than one-third of the market share in Japan. It is also a leader in fluorochemicals, with an approximate 20% share of the world market.

Daikin boasts an unparalleled combination of mechanical, electronic, and chemical expertise as well as robust R&D capabilities. The Company is committed to leveraging these strengths to create innovative new products and flexible, highly efficient production systems.

Daikin is a dynamic global company with a well-established presence in five major markets: Japan, China, Southeast Asia, Europe, and North America. Thus, Daikin is poised to excel in an increasingly borderless business environment.

CONTENTS

Contents

Financial Highlights	1
Management Perspective	2
The Fusion 21 st Strategic Management Plan	6
Review of Operations	12
Financial Section	19
Corporate Data	38

FINANCIAL HIGHLIGHTS

Daikin Industries, Ltd. and Consolidated Subsidiaries
Years Ended March 31

	Millions of yen		
	1999	1998	1997
Net sales.....	¥464,332	¥462,519	¥452,675
Operating income	23,004	21,636	21,670
Net income	6,194	5,455	6,645
Total assets.....	434,290	448,739	428,370
Total shareholders' equity.....	149,089	145,332	142,885
	Yen		
Amounts per common share:			
Net income*	¥23.48	¥20.68	¥25.19
Cash dividends applicable to the year	10.00	10.00	10.00

* Calculated on the basis of the weighted average number of common shares outstanding during each year

MANAGEMENT PERSPECTIVE

Management Perspective



Noriyuki Inoue, President

During fiscal 1999, ended March 31, 1999, conditions within the Japanese economy were extremely severe. Although a revival in housing and public investment was seen—thanks to the government’s comprehensive economic stimulus measures—low personal consumption and a large decline in capital investment resulted in weak private-sector demand. In overseas markets, on the other hand, while the economies in Asian nations continued to suffer, the North American and European markets recorded continued growth.

In this operating environment, Daikin and its related Group companies worked together to expand their global business. Furthermore, we strove to develop distinctive products; implement policies for the expansion of sales; pursue total cost reductions, including fixed costs; and solve the management issues necessary to realizing the goals of our strategic management plan, Fusion 21.

As a result of these efforts, the Company was successful in securing increases in both net sales and operating income. The Daikin Group posted consolidated net sales of ¥464.3 billion, up only marginally from fiscal 1998. However, through our operational reform efforts, operating income rose 6.3%, to ¥23.0 billion, and net income for the term was up 13.5%, to ¥6.2 billion.

In light of this, at the general shareholders’ meeting on June 29, 1999, the Board of Directors elected to maintain cash dividends applicable to the year at ¥10.00 per share.

DAIKIN’S BASIC MANAGEMENT POLICY

At present, Daikin is proceeding with its Fusion 21 strategic management plan, which is intended to guide the Company into the 21st century.

Through the Daikin Group's committed efforts, the Company continued its rapid development of business strategies in five global regions; promoted total cost reduction, beginning with the eradication of unprofitable business; and streamlined its workforce through strategic staff reassignments, which were completed ahead of schedule. Furthermore, as a result of our improved structure, we are reaping such rewards as a greater share of Japan's air conditioning market and higher profitability in our Chemicals Division, which centers on high-value-added products.

However, the environment surrounding our business is changing drastically and far exceeding initial expectations. It is more important than ever before to constantly reevaluate our ability to respond to the times and reform operations in efforts to stay one step ahead, based on the concept of creative destruction. Originally, Fusion 21 was intended for reevaluation after its third year; however, we have decided that now is the proper time for its revision.

The revised plan, Fusion 21^D, carries the meaning of improvement, revision, and making a "dash" in the plan's final two years. The basic goal of Fusion 21 remains unchanged: to establish—by the year 2000—the thorough implementation of policies that lay a foundation for the leap into the 21st century. The revised plan includes advanced evaluations of our initial objectives and ideas to bolster our responses to new challenges. From the establishment of this advanced structural reformation, we intend to construct a clearer framework for meeting our objectives by overtaking the competition with concerted Group-wide efforts and progressing toward the realization of our goals. Please refer to pages 6 to 11 for details of this plan.

ISSUES AND AREAS OF EMPHASIS IN FISCAL 2000

As we enter the 21st century, the world economy is facing many regional problems and major challenges in its financial systems. Examples include the economic turmoil in Southeast Asia—an area that has been called the center of world growth—as well as the continued instability of world currencies and stock

prices, amid dynamic movements in financial capital. Also, Japan is suffering from its worst economic conditions in the postwar era, and as of yet, there is no certain recovery in sight.

Despite these severe conditions, Daikin's air conditioner business in Europe and fluorochemical business in the United States are both booming and the Company was able to post increases in net sales for the fifth consecutive term.

When our results are examined closely, however, it becomes clear that although the focus of our efforts has not wavered there are still many hurdles to overcome in our business, profit, and financial structures.

Against this backdrop, it is important for Daikin to take advantage of its creative energy and call upon the combined strength of its Group members to ensure the Company's continued vigorous advancement as it enters the 21st century.

To these ends, we are placing emphasis on the following two issues in fiscal 1999:

1. Implementation of Fundamental Management Reforms

To solve the business, profit, financial, and structural challenges facing the Daikin Group, we are promoting several important reforms as part of the Fusion 21^D plan.

The objectives of these reforms are to raise profitability to a level that is unrivaled by Japan's top corporations, improve performance through the reduction of interest-bearing debt, lead all industries in which the Group is involved, and secure the No. 1 position in Japan's air conditioning market.

Profit Structure

To achieve a sound profit structure that makes the most effective use of human resources, we are promoting the following three measures:

- **Reducing our workforce by 1,000 employees**
It is clearly stated in Daikin's corporate philosophy that employees will not be laid off. The 1,000 employee reduction goal will be met through various other means, such as limiting annual hiring to 50

new recruits for every 300 to 400 employees who reach retirement age every year. Daikin will also encourage and provide support for those employees who choose to join its clients or affiliates. Through these measures, we project a ¥10 billion reduction in fixed costs by March 31, 2003.

- **Establishing separate companies for our R&D and information-systems functions as well as outsourcing the human resources, general affairs, and accounting divisions**

We are now in the process of establishing these goals by December 1999, by which time we hope to achieve the adoption of competitive principles, consolidated operations management, improved efficiency, and appropriate cost allocation based on the volume of individual tasks.

- **Revising personnel compensation policies**

Daikin aims to complete its transition to an incentive-based personnel system by fiscal 2002. We will also promote the diversification of employment terms and conditions, including outsourcing; completely revise our benefits programs; reevaluate our overtime wages in line with the spread of discretionary labor systems; and make use of more appropriate pension fund and bonus systems.

Financial structure

In its efforts to improve asset efficiency and cash flows, the Company will promote the earliest possible adoption of supply-chain management, thereby further reducing sales credit, inventories, and interest-bearing debt.

Business structure

We are carrying out the following three measures to strengthen our business base.

- **Promoting a free-alliance strategy for the air conditioning industry**

As competition intensifies in the global marketplace, every major industry is facing pressure to restructure and otherwise improve operations. For Daikin to succeed in the global air conditioning market, it is promoting a strategy that encompasses tie-ups, acquisitions, and a variety of measures aimed at a full-fledged re-entry into the North American market, survival in the Asian room air conditioning market, and radical action in the market for customized large-scale air conditioning systems.

- **Acquiring the No. 1 position in Japan's air conditioning market**

To triumph in Japan's market for commercial-use, residential-use, and customized large-scale central air conditioning—what we call the “three pillars of air conditioning”—we are bolstering our competitiveness as well as our ability to develop and sell unique products. In terms of revenue, in fiscal 2000 we will revamp our business structure to achieve a break-even point of 85% in the air conditioning market.

- **Fundamentally reconstructing the Oil Hydraulics Division**

With the maturing of the Japanese oil hydraulics market, we are working to strengthen profitability and are setting our sights on global development through strategic alliances and partnerships in which we can assume leading roles.

2. Development of Unique Products

In its efforts to secure a stable source of revenue, Daikin is accelerating the development of such unique and market-leading products as *SUPER INVERTER 60*, an energy-conserving package air conditioner, and fluorinated ethylene propylene (FEP) resin for local area network (LAN) cable, which is very popular in the United States.

In concrete terms Daikin is focusing on the development of:

- **Unique air conditioning products for global markets**

Daikin has always striven to expand business through the aggressive introduction of products that meet the needs of principal global markets. In Europe, where many modern office buildings have no open windows, we are selling Daikin Variable Refrigerant Volume (VRV) systems, a multiunit air conditioning system for building use that enables the settings for each room to be individually controlled for increased energy conservation. In China, we are selling commercial-use package air conditioners with minimal electric requirements for stores and offices. Furthermore, in the Southeast Asian market for residential-use air conditioners—which was until recently dominated by window-type air conditioners—our compact and silent split air conditioners are highly acclaimed. In the future, we will work assiduously to unite our manufacturing, sales, and R&D efforts in Japan and abroad; promote the development of original products that meet the needs of the various local markets; and further accelerate our global development efforts. Already, we are applying a number of original concepts to the development of new products.

- **Environment-friendly air conditioners**

Drawing on our advantage as the world's only comprehensive air conditioning and fluorochemical manufacturer, we have moved ahead of the competition in the development of air conditioners that use hydrofluorocarbons (HFCs)—an alternative to HCFC22, the use of which will be phased out from 2004—and therefore do not damage the ozone layer or contribute to global warming. Sales of these air conditioners commenced in Europe in May 1997 and in Japan in January 1998. With the further development of HFC air conditioners as our goal, we will continue to stay ahead of market trends and promote the changeover to these new products.

We view the concern about environmental issues as opportunities for new business. Thus, we are developing highly unique market-leading products that include

heat reserve and electrical condenser systems as well as other energy-conserving products that are compatible with gas energy, systems that draw less power during times of peak electric power demand, and air conditioners that enable maximum component and materials recycling.

- **Revolutionary room air conditioners**

Calling upon the combined power of our manufacturing, sales, and R&D divisions, in fall 1999 we plan to introduce revolutionary products.

- **New business areas related to fluorochemicals**

We are developing new processing technologies for fluorocoating materials, fluoropolymers, and fluoroelastomers while promoting creative efforts in such areas as the development of original materials that take advantage of the unique properties of fluorochemicals.

TO OUR STOCKHOLDERS

The most important task for Daikin in the current fiscal year is the solidification and implementation of the measures laid out in the management structure reforms described herein. Already, our directors and employees are acting on the annual policies as set out by the president at the beginning of the year, in accordance with the slogan "Combine our Group strengths and vigorously implement advanced structural reform."

In closing, I wish to thank our shareholders and business partners for their backing in fiscal 1999. We look forward to their continued support in the current fiscal year.

June 29, 1999



Noriyuki Inoue
President

The Fusion 21^D Strategic Management Plan

“Through advanced structural reform, we will establish a corporation in which employees take pride.”

[Strategic management plan targeting FY2000, ending March 31, 2001]

THE AIM OF FUSION 21^D

Three years have passed since the initiation of Fusion 21. The “fusion policies” which were then set forth have been producing substantial results.

On the other hand, the business operating environment has changed beyond the expectations held when Fusion 21 was formulated.

Given these changes, we realized that the original plans and themes were insufficient to respond to the current environment or to establish a foundation for advancement. We decided that the time had come to review the plans through the implementation of structural reform initiatives.

In addition to assessing the level of progress made on issues initially set forth, we have compiled the review of Fusion 21 to strengthen our ability to respond to current issues through advanced structural reform.

The targets are to:

- Reclarify the scenario for solutions
- Stay ahead of the competition through Groupwide efforts
- Accelerate toward achieving our goals

Specifically, the following six items will be implemented on a Companywide level:

1. Establish a Streamlined Profit Structure

- Achieve a break-even point of 80% in FY2002 (85% in FY2000) on a non-consolidated basis.
- Construct a supply/procurement system able to respond flexibly to the severe currency fluctuations that are expected to continue.

2. Strengthen Our Financial Structure

- Establish Daikin's Supply-Chain Management Strategy to reduce inventories and trade receivables.
- Increase cash flow to enable investments in growing markets, especially overseas.

3. Obtain the No. 1 Position in the Global Air Conditioning Market, Maintain the No. 2 Position in the Fluorochemicals Market, and Strengthen the Foundations of Our Remaining Businesses.

- The air conditioning business will aim to obtain the No. 1 global market share (within the ductless air conditioning equipment and applied systems markets) by FY2005 by implementing the Strategy for Five Global Regions and the Three-Pillar Strategy (commercial-use, residential-use, and customized large-scale central air conditioning).
- Our fluorochemicals business will aim to achieve growth in phases, generate ¥150 billion in sales in FY2003, and, as a result, establish a leading position and aim for the No. 1 global market share.
- Our remaining businesses will aim to generate a profit in all of their strategic business units (SBUs) by FY2000 and become the market leaders.

4. Promote the Creation of New Fields and the Development of Highly Differentiated Products

- The Creation of New Fields
 - a. Aim to generate ¥60 billion in sales in new fields in FY2000.
 - b. Create successful businesses in the fields related to semiconductor manufacturing, the commercial and industrial refrigeration field, the services business, the air quality control field, and business fields related to coping with environmental issues.
- Accelerate the development of “one-of-a-kind” and unique products.

5. Establish “Fast & Flat” Management on a Consolidated Basis

- We will establish “fast & flat” management unique to Daikin by incorporating new perspectives in keeping with the trend toward establishing global standards in management.
- We will make a complete transition to a merit-based compensation system by the end of FY2001 to revitalize our corporate culture through emphasizing responsive action.

6. Earn Society's Trust and Establish a Company in Which One Can Take Pride

The meaning of Fusion 21^D

The “D” (dash) in Fusion 21^D has two meanings:

- 1) A revised, reconsidered, reexamined version and
- 2) Making a dash during the remaining two years

Standpoints for Enacting Fusion 21^D

Short- to medium-term targets

Fusion 21 Original Targets

Medium- to long-term targets

Establish a streamlined management structure.

Achieve a constantly growing Daikin Group.

In the short term, Daikin has steadily produced results.

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| <ol style="list-style-type: none"> 1. Earned more than ¥10 billion in ordinary profit even when the sales leveled off in an unfavorable business environment. 2. Recorded sales growth on a consolidated basis—despite the leveling off of growth on a non-consolidated basis—that exceeded the economic growth rate. (Average world economic growth for 1995–98=2.6%; Daikin's average consolidated sales growth for 1995–98=3.4%.) 3. Enhanced global presence. (Overseas business ratio target for FY2000 (30%) attained during FY1998.) | <ol style="list-style-type: none"> 4. Steadily expanded the fluorochemicals business' global market share and secured the No. 2 position. 5. Increased accumulated profit by ¥6 billion (1996–98) by attaining a profit turnaround for unprofitable businesses. 6. Completed the reduction of indirect personnel one year in advance. 7. Steadily increased packaged air conditioning market share in Japan. |
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Daikin, however, faces many structural issues.

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| <ol style="list-style-type: none"> 1. Reduce fixed costs and convert fixed costs to variable costs in order to improve our current break-even point, which stands at more than 90%. 2. Establish a Supply-Chain Management Strategy and enhance asset efficiency through the reduction of inventories and trade receivables to make improvements in our credit rating (currently an A rating by Japan Rating and Investment Information, Inc.) and reduce our debt level. 3. Restructure the Japanese air conditioning (especially the small split room air conditioning business), oil hydraulics, and electronics businesses. 4. Obtain more than ¥60 billion in sales in new fields in | <p>FY2000 through the effective promotion and rapid commercialization of themes related to the new fields.</p> <ol style="list-style-type: none"> 5. Close the gap between us and the global leaders in the overseas air conditioning market while maintaining the leading position in the Japanese market. In particular, formulate plans for catching up in the North American market and in the Applied Systems market. 6. Strengthen the ability to visualize product concepts and promote Core Technology Strategies which leads to the development of highly differentiated products. 7. Enhance the ability of our personnel to take action and fulfill their individual responsibilities to establish Daikin's "fast & flat" management. |
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The business operating environment has changed beyond the expectations we had at the start of Fusion 21.

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| <p>Pursuit of management based on global standards</p> <ul style="list-style-type: none"> • Company performance evaluated on a consolidated basis • Stock price and corporate bond credit rating increasing in significance as the means of evaluating a corporation <p>Prolonged economic slowdown and uncertainty of the economic environment</p> <ul style="list-style-type: none"> • A worsening financing environment • Slumping demand in the Japanese market and existing businesses • Plummeting market prices beyond projections | <p>Severe megacompetition</p> <ul style="list-style-type: none"> • Increasing industrywide reorganization in an extremely competitive environment <p>Concern for the continuously severe fluctuation in exchange rates</p> <p>Direct link between a company's ability to cope effectively with environmental issues and its competitiveness</p> |
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Perspectives for enacting Fusion 21^D

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| <ol style="list-style-type: none"> 1. Maintain the stance of "achieving a constantly growing Daikin Group." 2. Accomplish a full-scale transformation to management on a consolidated basis while balancing consolidated and non-consolidated perspectives. 3. Emphasize the achievement of the break-even-point target. 4. Establish a cash flow oriented management system to enable flexible investments. 5. Obtain the No. 1 position in the global air conditioning market and maintain the No. 2 position in the fluorochemicals market. 6. Generate profit in our remaining businesses by adhering to strict business management. | <ol style="list-style-type: none"> 7. Clarify the scenario for establishing a business foundation from two viewpoints: <ol style="list-style-type: none"> a. Companywide initiatives focusing on the seven policies described in the Fundamental Reform of Management Structure b. Missions assigned to each division 8. Prioritize Companywide structural reform (not a mere listing of issues to be solved). 9. Emphasize a long-term planning perspective. (The target year for some themes have been set for the early 21st century.) 10. Establish the next strategic management plan, effective from April 2001. |
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Balancing the perspectives of both short- and long-term targets

Achieving the FY1999 budget

Establish a Foundation for Advancement in the Early 21st Century

Quantitative Targets on a Companywide Level

Quantitative Conditions for the Establishment of a Business Foundation for FY2000

Items	Targets	Target year
Sales Growth	Achieve sales growth that exceeds global economic growth. (Aim to accomplish a growth rate of more than 5% per annum, exceeding global economic growth.)	FY2000
Profitability	Rank within the top 10 of the 74 major domestic manufacturing companies. (Rank within the top 3/4 of the 74 companies in FY2000.)	FY2002
Streamlined Management Structure	Obtain a break-even point of 80%. (Obtain a break-even point of 85% in FY2000.)	FY2002
Cash Flow Oriented Management	Convert to a management style which places importance on asset efficiency and introduce free cash flow (FCF) targets. (Obtain a ¥20 billion surplus in accumulated FCF in the years between FY1998 and FY2000.)	FY2002
Globalization	Attain an overseas business ratio (% of total sales) of 50%. (Attain 35% for FY2000, an upward revision from the original target of 30%.) Set 50% as the benchmark for becoming a truly global company and obtain this target in FY2003.	FY2003

Directions for Development for Each Division/Business

Directions for Development for Each Division/Business (Missions assigned to each division/business)

To All of Our Divisions/Businesses

Secure profit with an emphasis on accountability.

Air Conditioning Business

- Obtain the No. 1 global market share in FY2005 by developing the Three-Pillar Strategy and the Strategy for Five Global Regions.
- Clarify the directions and develop our Groupwide Value-Chain Strategy by further expanding our business scope to include services business ("solutions business").

Chemicals Division

- Catch up with the global leader in the market by implementing the measures to achieve "Phased Growth."

Oil Hydraulics Division

- Fundamentally restructure the business foundation by FY2000.

Defense Systems Division

- Enhance the defense-related business and establish an independent business for private-sector demand by the early 21st century.

After-Sales Service Division

- Develop the Facility Control System (FCS) business into a profitable business and make the transition to a profit-creating division.

Semiconductor Manufacturing-Related Business

- Develop into an integrated business field for the future.

Electronics Division

- Obtain a profit turnaround and clarify directions for development.

Commercial and Industrial Refrigeration Business

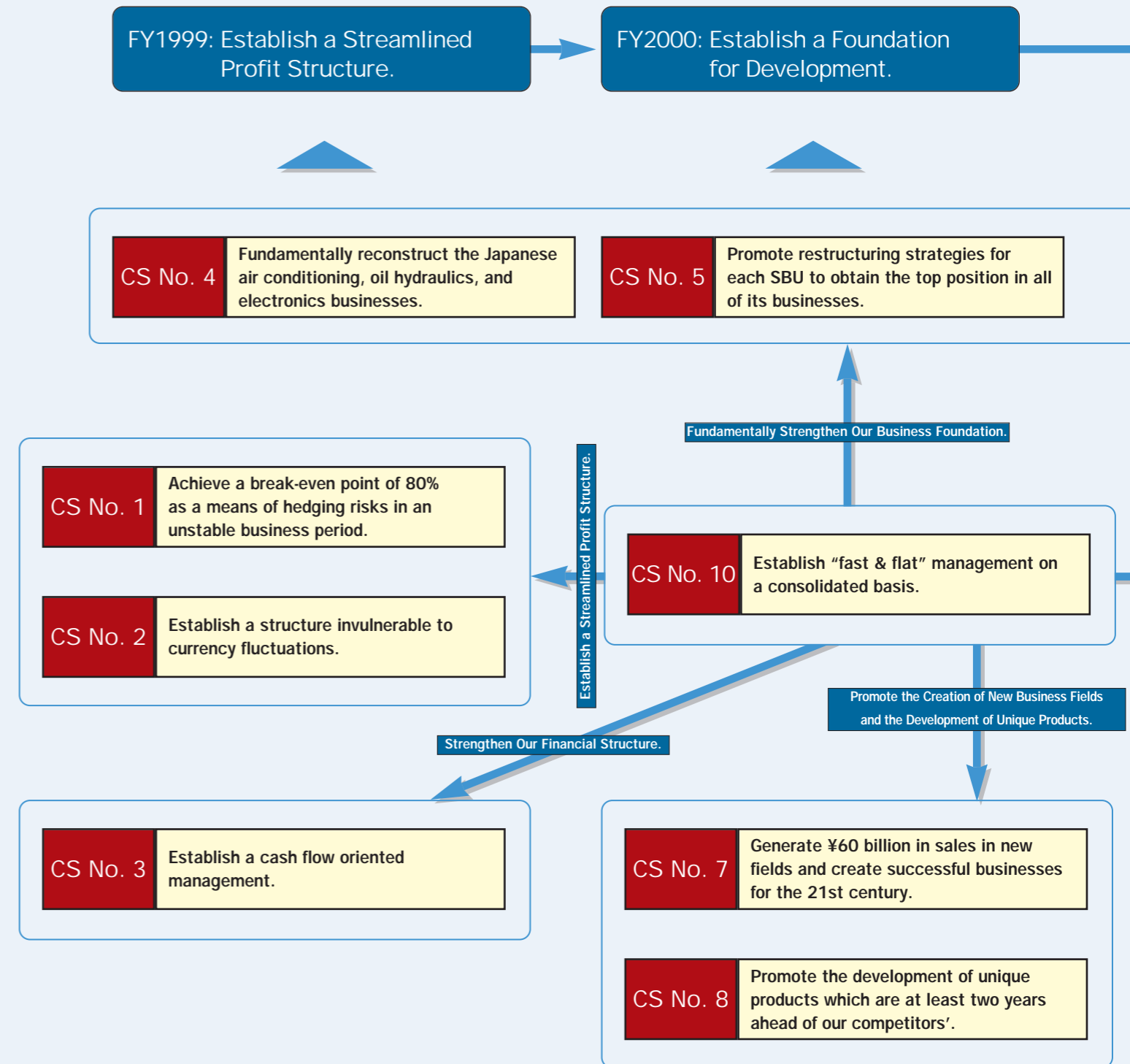
- Develop and strengthen the business foundation by the early 21st century.

Medical Equipment Division

- Define the directions for the division by the end of FY2000.

Scenario for the Development of

Establishing the Foundation for Development through 13 Core Strategies (CS)



Fusion 21^D

Beginning of the 21st Century:
Become a Global and Truly Top-Class Company.

CS No. 6

Obtain the No. 1 position in the global air conditioning market and the No. 2 position in the fluorochemicals market.

Earn Society's Trust.

CS No. 12

Establish global corporate ethics.

CS No. 13

Develop strategies to improve the Company's corporate image.

CS No. 11

Aim to be a leading corporation in solutions to global environmental issues through four initiatives.

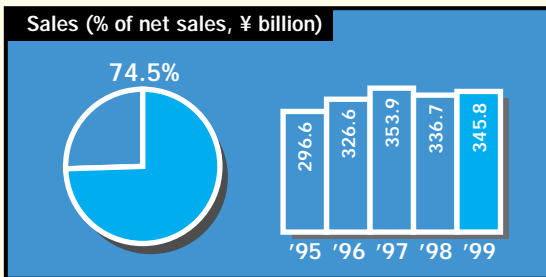
CS No. 9

Promote a core technology strategy by implementing in-house and outsourced technology development.

REVIEW OF OPERATIONS

Review of Operations

AIR CONDITIONING



In fiscal 1999, sales by Daikin's Air Conditioning and Refrigeration Equipment Division rose 2.7%, to ¥345.8 billion. The division's sales accounted for 74.5% of consolidated net sales, compared with 72.8% in the previous fiscal year.

During the term, conditions throughout Japan's air conditioning equipment industry deteriorated even further, due to a slump in consumer spending, a decline in capital investment, and sluggish new construction starts. Against this backdrop, Daikin did its utmost to bolster its network of dealers by proactively offering comprehensive management and sales support. We further strengthened our product development capabilities to meet replacement demand and strove to quickly implement new marketing policies.

Commercial-Use Air Conditioners

In the commercial-use air conditioning market, our efforts at promoting the sale of replacement models proved to be very successful, largely due to our



SUPER INVERTER 60. This new product, developed for the energy conserving age, was released in spring 1998 and is the winner of the Resource Conservation Agency's Director's Award in Japan. This product's relative success is also the result of our Sales Methods

Study Groups, aimed at retail-level demand for replacement units. However, due to a slowdown in the construction of large, nonresidential buildings, sales of air conditioners for new buildings were lackluster, with the Company selling slightly fewer units than in the previous term. Even though retail prices continue to be low, a rise in wholesale prices, coinciding with the introduction of new models in fall 1998, has helped to slow the slump in retail prices. Although our market share increased, net sales were down for the term.

Residential-Use Air Conditioners

In the residential-use air conditioning market, due to factors including more seasonable weather than in the previous term, sales of room air conditioners increased despite overall lackluster personal consumption. However, net sales sank, as a result of the ongoing erosion in retail prices.

Customized Large-Scale Central Air Conditioning Systems

The business environment for customized large-scale central air conditioning equipment was harsh during the term. Reflecting a slide in both new large building construction starts and private-sector capital investment, net sales plummeted.

Global Air Conditioning Equipment Operations

The global market for air conditioning equipment continued to expand during the year, most notably in Europe and Australia. However, demand from ASEAN nations has still not recovered from the currency crises that began in 1997. The situation is particularly unfavorable in Indonesia, where political and economic confusion continue.

Despite these harsh business conditions, we were able to cover weak performances in these areas with favorable performance in Europe and Australia. Net sales rose at a healthy pace, with sales of building-use multiunit air conditioning systems rising markedly. In China, where demand is increasing, our local production and sales subsidiaries are showing healthy



growth, even in the face of severe competition. Also, we have established local sales subsidiaries in Germany and South Africa

through the acquisition of local companies. Likewise, in the Philippines, through the establishment of a joint venture, we have recommenced our advancement into the Philippine market and launched sales operations.

Outlook

In Japan's air conditioning market, we expect the demand for air conditioning equipment to continue to stagnate. However, the decrease in housing tax and other government measures are expected to have a favorable effect on new housing starts, and the demand for room air conditioners is projected to increase. Demand for packaged air conditioners should pick up, as the large volume of units sold in the bubble economy of the late 1980s are nearing their replacement time. It is imperative that we prepare products that match these needs and, to this end, we are continuing to develop new and imaginative products.

Furthermore, in order to cover the decline in sales of packaged air conditioners and room air conditioners, we will strengthen our sales of such new-area products as air cleaners, ventilators, and air fresheners as well as strive for the expansion of the comprehensive air conditioning related business.

In efforts to increase the profitability of our domestic air conditioning operations, we are working to reduce the total cost of doing business—from production and distribution to sales—and are committed to bolstering our earnings structure through enhanced sales power.

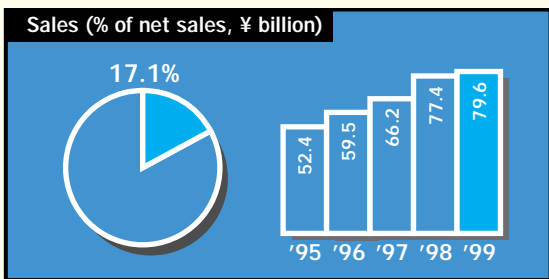
Looking at the global market, especially with regard to small air conditioners, the exports by Korean and Chinese manufacturers into Australia, Saudi Arabia, Turkey, and Europe are particularly noteworthy, and will cause price competition to intensify on a global scale. Also, with the U.K. economy in decline,

financial instability in China, world deflation, and political instability in some areas, future demand is uncertain, but through increased awareness of the global air conditioning market, we expect conditions to improve in the medium term.

Over the past few years, Daikin has been committed to increasing its global market share. To this end, we succeeded in reestablishing our presence in the United States through a joint venture with Modine Manufacturing Company, and have commenced the development of our five global business regions, which include Japan, Europe, North and Latin America, Southeast Asia, and China. For example, Daikin Industries (Thailand) Ltd. is enjoying increased export cost-competitiveness due to improved operating levels and the depreciation of the baht, and we are doing our utmost to expand the sales of its products. At Daikin Europe N.V., we are investing towards the full-fledged manufacture of products that meet the needs of the local market and are strengthening our sales network through acquisitions. In Belgium, we grew to be one of the top three Japanese companies in terms of sales and number of employees, and enjoyed record results in our 25th anniversary year. In the future, we will strive to increase our global market share and organize our sales networks in our five global business regions through the development of an area-by-area, country-by-country global strategy.



CHEMICALS



During the period under review, sales by Daikin's Chemicals Division increased 2.9%, to ¥79.6 billion. This figure represented 17.1% of consolidated net sales, up from 16.7% in the previous fiscal year.

The business environment for the period—affected by Japan's prolonged recession—was characterized by a drop in demand from automotive and semiconductor production facilities. However, we achieved record-high net sales for the division, thanks to the continued resilience of the U.S. economy, the surge in demand for FEP for LAN cable, and the increase in demand for CD-R dye solvents in Japan and the rest of Asia as well as aggressive globalization and applications development. In fiscal 2000, with the projected stabilization of Asian economies and recovery of the Japanese economy, we expect market conditions to improve.

In fluoropolymers and fluoroelastomers, sales rose, helped by a surge in the demand for FEP. The growth of FEP demand for LAN cable slowed momentarily at the beginning of 1999 as the focus of information systems investment shifted toward software for year 2000 (Y2K) compliance. However, we forecast a continued increase in demand in this market and are working to increase our manufacturing capacity both in Japan and the United



States. Furthermore, in Europe Daikin Netherlands B.V. has commenced the precompounding of fluoroelastomers and is now ready for shipment.

In fluorocarbons, sales dipped somewhat, reflecting reduced demand for construction materials. However, with the transition to R-410A and other alternative refrigerants for air conditioners, demand for these products is growing. Also, with the Company's patent on R-407C being issued and through cross-licensing with other companies, Daikin is establishing a base to become a global leader in alternative refrigerants.

Regarding other chemicals, sales of oil- and water-repellent finishes in North America, Asia, and Europe rose dramatically, thanks to global marketing efforts. We also expanded sales of etching agents in Asia despite a global downturn in the semiconductor market.

We are also pursuing the global marketing of new products, including *LEZANOVA*, a fluorochemical reagent for the treatment of natural leather; *NEUROFINE*, an ultra-high-performance fluoropolymer air filter; and *ZEFFLE*, a weather-resistant fluorine varnish.

Outlook

Because fluorochemicals are largely used in the automobile, information, and semiconductor processing industries, we anticipate that the demand for fluorochemical products will continue to grow steadily. We are devoting great energy to globalization in efforts to improve our business as we enter the 21st century, emphasizing applications development and market creation by taking advantage of Daikin's strengths as a chemical materials manufacturer.

As a comprehensive fluorochemical manufacturer, our aim is to expand the demand for fluorochemical products by introducing new products and developing new applications, especially in the advanced areas of semiconductors and information technology. We are vigorously promoting the development of environment-friendly products. Organic-solvent-free products and automobile engine component materials that meet environmental regulations are also continuously being developed.

We are pursuing business expansion beyond the boundaries of the present market by increasing the

total demand for fluorochemical products, and our target by the end of fiscal 2000 is a 20% share of the global market.

Five years have passed since we started operations in Decatur, Alabama, with an investment of more than \$200 million in the U.S. market, which accounts for half of the world demand for fluorochemical materials. At Daikin America, Inc.'s Decatur plant, we are striving for operations that are deeply rooted in the local community. In order to provide opportunities to introduce

Daikin and Japanese culture to local residents, we conduct a home-stay program in Japan for high school students and hold an open-plan "Daikin Festival" annually. Sales at Daikin America have steadily

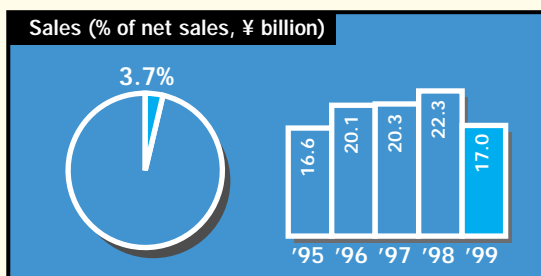


increased, and we have already recovered the cumulative expenditures incurred during initial investment. In the future, we intend to increase the number of locally manufactured products and improve our technical service and marketing functions.

The Asian market holds promise for future growth. In Changshu, China, we are working to construct a new plant in a joint venture with China National Chemical Construction Corp. (CNCCC) and plan to commence production at the beginning of the 21st century. In preparation for this, Daikin held the China-Japan Polymer Processing Technology Conference in May 1998 to improve fluoropolymer processing technology in China and increase demand. In 1998, we started to provide fluorocoating materials produced by Daikin Fluoro Coatings (Shanghai) Co., Ltd., and Daikin Chemical (Hong Kong), Ltd. Also, we established a liaison office in Taiwan, the center of semiconductor manufacturing in Asia.

In the future, we plan to continue proactive global investment while maintaining profitability.

OIL HYDRAULICS



In fiscal 1999, sales for the Oil Hydraulics Division dropped 23.8%, to ¥17.0 billion. This amount accounted for 3.7% of consolidated net sales, down from 4.8% in the previous fiscal year.

The environment surrounding the oil hydraulics business for the term in review still suffered from the impact of Japan's prolonged recession. Demand for oil hydraulics equipment in the industrial machinery, construction, and automotive industries plunged drastically. Exports also suffered from a striking economic slowdown brought on by the Asian currency crisis. The overall demand for oil hydraulics equipment fell 24%, to ¥218.3 billion.

Despite our efforts to develop new clients amid these harsh conditions, the end result was unfortunately a drop in net sales.

New apartment and condominium construction—the main source of demand for multilevel car-parking systems—dipped slightly due to a drop in allotted units. Nevertheless, we were able to achieve an increase in sales mainly through the vigorous promotion of our parking systems to construction companies and design firms in efforts to have these systems adopted at the design stage.



Outlook

The severe conditions surrounding the market for oil hydraulics is expected to continue, and a 4% decrease in demand is forecast for fiscal 2000. To cope with this business environment, we intend in the short term to:

- 1) Bolster our business revenue structure.
- 2) Develop new markets and clients in order to secure sales.

We will also make changes to become a market-based organization and clearly define profit and loss responsibility in order to realize these goals.

In the medium term, a plan for restructuring the Oil Hydraulics Division is being studied and proposed by a Companywide task force.

At the end of March 1999, we commenced sales of our *HIGH SPEED SERIES* of multilevel car parking systems, which are a stronger and faster version of the traditional hydraulic type. Through the promotion of this new product, we are working to increase our market share. Furthermore, in addition to new apartments and condominiums, we are working to develop the housing after-service market as well as the factory and office-building markets, from which we will lay the foundations for tomorrow's business.

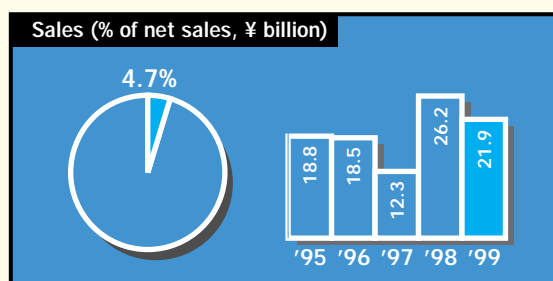
this included a 5.1% cut in the budget for frontline equipment, as government financial reforms had a large impact on the defense industry. Giving first priority to economic recovery, the government did pass a bill that halted the Fiscal Structural Reforms Act. However, defense budgets are expected to continue to decline in fiscal 2000. In the future, as the Defense Agency of Japan is promoting equipment procurement cost-cutting, conditions for the defense industry are expected to worsen.

Outlook

Although the business environment in fiscal 1999 was quite severe, on an ordinary fiscal year basis—excluding the effect of accidents at cooperative plants in fiscal 1997—sales were the highest ever. This was mostly due to an increase in orders for ammunition, but sales of fiber reinforced plastic (FRP) composite vessels, demand oxygen controllers, and other private-sector products have also increased at a healthy pace.

From fiscal 2000 and beyond, with defense budgets in a continual decline, conditions are expected to become even more severe. However, Daikin will endeavor to stabilize revenue in this division and quickly develop business in new private-sector fields, focused on the home oxygen therapy market.

DEFENSE



In fiscal 1999, Daikin's defense-related sales were down 16.4%, to ¥21.9 billion. This represented 4.7% of consolidated net sales, a decline from 5.7% in the previous fiscal year.

Japan's defense budget for the period under review was trimmed only slightly, to ¥4.93 trillion. However,

Maintaining Profitability in Current Business

To maintain the consistent profitability of defense-related operations in the harsh business environment, Daikin will continue with R&D of high-performance, high-value-added products. The Company will work to maximize orders from the Defense Agency and reduce the total cost of doing business by improving quality and productivity as well as streamlining related operations. We will also promote the transformation to a business structure that is capable of meeting the demands of the Defense Agency's cost-cutting plans and strive for an advanced quality assurance system through ISO 9001 certification, the first set of standards for the ammunitions industry.

Expanding into New Businesses

In 1996, we introduced FRP composite vessels for home oxygen therapy use, and sales have grown steadily. In 1997, we launched the *DS10A* demand oxygen controller and in 1998 we introduced the lightweight, 8.4-liter breathing apparatus cylinder for use in fire fighting. In fiscal 2000, we plan to add new peripheral devices to our product lineup. The Company will continue to develop new products built on this innovation and actively search for new secondary and tertiary businesses.



COMPUTER GRAPHICS

In June 1996, Daikin launched *SCENARIST* DVD authoring software, which it aggressively promoted in global markets, including the United States, Europe, and Asia. *SCENARIST* has now become the global standard in such professional content-creation markets as motion-picture production and broadcasting. However, as the market for DVD players and DVD authoring systems has not met expectations, net sales for these products in fiscal 1999 were lackluster.

Looking at business in the field of network computing in Japan, demand for *LSF* (load sharing facility) software surged during the year, primarily owing to demand from the semiconductor design field. When information processing operations are conducted over a network of different types of computers, *LSF* optimizes the burden shared by the machines. Our newly introduced network management system *KINNETICS* is also reporting brisk sales, buoyed by the recognition of its value through its use in major corporations.

Sales of our *SOFTIMAGE* computer graphics animation software, what was hitherto the pillar of the division,

slumped, mostly due to declining demand from video game manufacturers, broadcast stations, and specialty schools. Competitive products aimed at the low-cost tier of the market also declined on a unit basis.

Outlook

To expand operations, we must bolster our DVD authoring systems business. As we look toward 2000, we will firmly grasp the trends in leading-edge technologies and products to strengthen the competitiveness of *SCENARIST*. We are also making efforts to expand our business through the introduction of new products. We are striving for distinctiveness with our *EDK* DVD-ROM authoring software and are proceeding with the development of *SKETCH DVD* (tentative name) fully automated authoring software.

The trend toward downsized systems and open standards in such fields as game creation, network computing, facilities design and construction CAD, and digital content creation is advancing very quickly. One manifestation of this change is a shift from workstations to PCs. These changes will create new demand in existing markets, and Daikin is committed to meeting this demand by expanding and maintaining the competitiveness of its existing operations as well as continuing to introduce new products. At the same time, with workstations and PCs in use simultaneously, demand is growing rapidly for network systems that integrate them. Therefore, we are promoting our business operations in this rapidly developing field. Also, in the lackluster field of CAD systems, we are introducing low-cost, PC-based 3-D CAD software and will continue to develop new markets.



SEMICONDUCTOR MANUFACTURING EQUIPMENT

In vacuums, we concentrated our energy on expanding direct sales to users in industries other than semiconductors and on developing the Southeast Asian market. However, with the unexpected large decline in domestic semiconductor investment and the stagnating Korean market, net sales fell sharply.

In cryogenics, Daikin was unsuccessful in further increasing exports of cryogenic refrigerators for magnetic resonance imaging (MRI) equipment. However, this was countered by favorable sales of research optical cryo-cooler application systems, with net sales relatively unchanged from the previous term.



In July 1998, the Company established a new business in cluster tools for semiconductor manufacturing. However, due to the steep decrease in semiconductor equipment investment, sales for this business' first fiscal year were limited to domestic research laboratories only.

In the future, we will strive to expand business by increasing replacement sales and accelerating the development of global markets for cryo-pumps and cryo-coolers.

Regarding cluster tools, Daikin will continue to approach semiconductor equipment manufacturers, but as there is little sign of the industry's recovery in the immediate future, we will expand our sales to domestic research laboratories and aggressively promote sales in Korea, where healthy demand is forecast.

CONTENTS

Five-Year Summary	20
Financial Review	21
Consolidated Balance Sheets	24
Consolidated Statements of Income	26
Consolidated Statements of Shareholders' Equity	27
Consolidated Statements of Cash Flows	28
Notes to Consolidated Financial Statements	29
Independent Auditors' Report	37

FIVE-YEAR SUMMARY

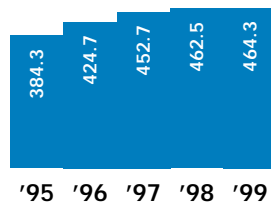
Daikin Industries, Ltd. and Consolidated Subsidiaries
Years Ended March 31

	Millions of yen				
	1999	1998	1997	1996	1995
Net sales	¥464,332	¥462,519	¥452,675	¥424,737	¥384,348
Air conditioning	345,837	336,663	353,903	326,576	296,617
Chemicals	79,629	77,373	66,165	59,541	52,356
Others	38,866	48,483	32,607	38,620	35,375
Operating income	23,004	21,636	21,670	17,554	7,442
Income before income taxes	15,437	11,796	15,259	13,058	6,907
Net income	6,194	5,455	6,645	6,749	2,685
Amounts per common share (in yen):					
Net income*	¥23.48	¥20.68	¥25.19	¥25.58	¥10.18
Cash dividends applicable to the year	10.00	10.00	10.00	8.00	10.00
Total assets	¥434,290	¥448,739	¥428,370	¥413,074	¥392,024
Total shareholders' equity	149,089	145,332	142,885	138,411	134,199
Net property, plant and equipment	132,517	136,901	141,466	135,609	144,965
Number of employees	14,337	13,852	13,669	13,246	13,042

* Calculated on the basis of the weighted average number of common shares outstanding during each year

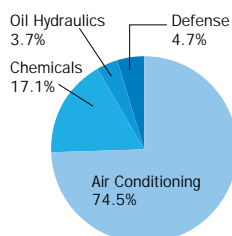
Net Sales

(¥ billion)



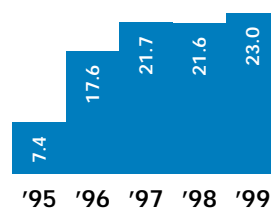
Sales Breakdown

(For fiscal 1999)



Operating Income

(¥ billion)



Net Sales

In fiscal 1999, although domestic sales declined, reflecting the poor conditions of the Japanese economy, overseas air conditioning and chemicals sales rose sharply. As a result, consolidated net sales for the term edged up 0.4%, to ¥464.3 billion.

Looking at sales by business sector, domestic air conditioning sales were hampered by lackluster personal consumption and sluggish nonresidential construction starts. However, overseas air conditioning sales rose, pushed higher by increasing demand in Europe and Australia. Overall, sales in the Air Conditioning and Refrigeration Equipment Division advanced 2.7%, to ¥345.8 billion.

In chemicals, weak demand led to a drop in domestic sales. However, due to continually increasing overseas demand for fluoropolymers and the Company's diligent marketing efforts, sales in the Chemicals Division rose 2.9%, to ¥79.6 billion.

Sales in other operations fell 19.8%, to ¥38.9 billion. This was mainly the result of the relative decline in defense-related sales over the previous term's figures—which were artificially boosted by resumed shipments that followed an accident at a subcontractor's plant in fiscal 1997—and a substantial drop in oil hydraulics equipment sales due to severely declining demand.

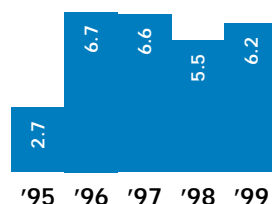
Sales to overseas clients expanded 24.1%, to ¥143.2 billion, and accounted for 30.8% of Daikin's consolidated net sales, a 5.9 percentage point increase from the previous term. By area, European sales jumped 45.2%, and sales to Oceania—mainly Australia—rose 32.2%.

Costs, Expenses, and Earnings

During fiscal 1999, cost of sales amounted to ¥319.3 billion, and the cost of sales ratio was 68.8%, an improvement of 1.2 percentage points. Amid declining domestic air conditioner retail prices, this was attributable to Companywide efforts to streamline its production system and to reduce both costs of design and material and component procurement.

	FY1999	1998	1997	1996	1995
Gross profit (net sales less cost of sales)					
as a % of net sales	31.2	30.0	29.5	29.1	28.0
Operating income as a % of net sales	5.0	4.7	4.8	4.1	1.9
Interest coverage (operating income plus interest and dividend income divided by interest expense) (times)	3.6	3.5	3.4	2.8	1.3
Net income as a % of net sales	1.3	1.2	1.5	1.6	0.7

Net Income (¥ billion)



Selling, general and administrative (SG&A) expenses rose 4.2%, to ¥122.0 billion, mainly due to the addition of 11 newly consolidated subsidiaries.

Owing to the favorable performances of Daikin America, Inc., Daikin Europe N.V., and other overseas subsidiaries, operating income increased 6.3%, to ¥23.0 billion.

In net other expenses, with ¥3.3 billion in exchange losses incurred at the Company's Thai subsidiary in fiscal 1998 due to substantial depreciation of the Thai baht, net other expenses for fiscal 1999 were down 23.1%, to ¥7.6 billion.

As a result, net income for fiscal 1999 increased 13.5%, to ¥6.2 billion.

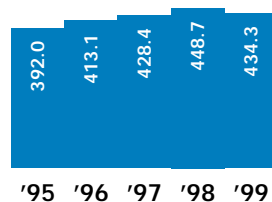
Financial Position

As a result of Daikin's more efficient use of assets, total assets shrank 3.2%, to ¥434.3 billion. By sector, cash and cash equivalents, end of year, were down ¥9.1 billion, through Daikin Industries, Ltd.'s setting of a ¥10.0 billion committed revolving credit facility and the substantial securing of liquidity. Furthermore, notes and accounts receivable decreased ¥6.3 billion, and inventories fell ¥7.5 billion. Net property, plant and equipment for the term dropped ¥4.4 billion, to ¥132.5 billion. Capital expenditures totaled ¥19.6 billion, and depreciation was ¥18.9 billion.

Total liabilities were down ¥19.3 billion, to ¥281.6 billion. This was mainly the result of a ¥14.5 billion decrease in interest-bearing debt as a result of the above-mentioned efficiency in the use of assets.

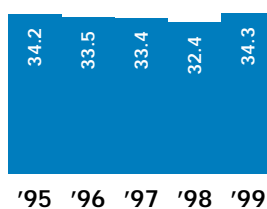
Total shareholders' equity advanced ¥3.8 billion, or 2.6%, to ¥149.1 billion, and the shareholders' equity ratio increased 1.9 percentage points, to 34.3%.

Total Assets (¥ billion)



	FY1999	1998	1997	1996	1995
Notes and accounts receivable (¥ billion).....	103.6	110.0	100.4	89.0	77.7
Inventories (¥ billion).....	95.4	102.9	96.6	87.5	74.5
Interest-bearing debt (not including trade notes discounted) (¥ billion).....	171.9	186.4	180.2	166.6	161.3

Shareholders' Equity Ratio (%)



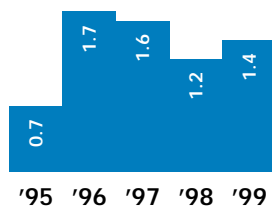
Cash Flows

Due to reductions in both notes and accounts receivable and inventories, net cash provided by operating activities increased ¥11.6 billion, to ¥33.1 billion.

On the other hand, net cash used in investing activities totaled ¥25.5 billion, the bulk of which was due to the Company's capital expenditures of ¥18.9 billion on a cash flow basis.

Net cash used in financing activities totaled ¥17.0 billion, primarily the result of declining interest-bearing debt, compared to net cash provided by operating activities of ¥1.4 billion in fiscal 1998.

**Return on Average
Total Assets**
(%)



As a result, cash and cash equivalents, end of year, amounted to ¥34.5 billion, a drop of ¥9.1 billion. This figure is equivalent to approximately 0.89 times the Company's average monthly net sales of ¥38.7 billion.

Key Financial Indicators

The current ratio for the term increased 0.19 times, to 1.23 times. The main factor was a substantial decrease in current liabilities, made possible by the repayment of ¥30.0 billion in unsecured bonds that were recorded last term in the current portion of long-term debt as due within the year.

	FY1999	1998	1997	1996	1995
Current ratio (total current assets divided by current liabilities) (times)	1.23	1.04	1.17	1.14	1.38

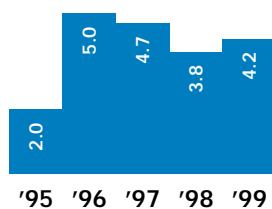
Asset turnover rose 0.04 times, to 1.07 times. This was the result of Daikin's efficiency in the use of assets, which proved to be effective in the face of declining total assets.

Return on average shareholders' equity rose from 3.8% to 4.2%, due to a rise in net income for the fiscal year.

The Company has worked to maintain a return on average shareholders' equity that exceeds long-term market interest rates while bolstering its business results. Focusing on dividends as a means of returning value to our shareholders, we are committed to raising the ratio of cash dividends to shareholders' equity (on a non-consolidated basis) to 2.0% or higher.

Taking the above into account, the Company declared cash dividends applicable to the fiscal year of ¥10.00 per share, the same level as the previous fiscal year. The ratio of cash dividends to shareholders' equity (on a non-consolidated basis) was 1.9%.

**Return on Average
Shareholders' Equity**
(%)



CONSOLIDATED BALANCE SHEETS

Daikin Industries, Ltd. and Consolidated Subsidiaries
March 31, 1999 and 1998

ASSETS	Millions of yen	
	1999	1998
Current assets:		
Cash and cash equivalents:		
Cash	¥ 10,510	¥ 12,740
Time deposits	17,939	16,401
Short-term investments	6,003	14,398
Total	34,452	43,539
Notes and accounts receivable (Note 4):		
Trade notes	27,107	30,807
Trade accounts	78,612	80,996
Allowance for doubtful receivables	(2,088)	(1,830)
Inventories (Note 3)	95,407	102,884
Deferred income taxes	3,987	3,359
Other current assets	10,813	7,726
Total current assets	248,290	267,481
Property, plant and equipment (Note 6):		
Land	23,631	23,267
Buildings and structures	106,424	104,281
Machinery and equipment	248,786	246,899
Construction in progress	6,096	3,247
Total	384,937	377,694
Accumulated depreciation	(252,420)	(240,793)
Net property, plant and equipment	132,517	136,901
Investments and other assets:		
Investments in unconsolidated subsidiaries and associated companies (Note 4)	4,398	5,151
Investment securities (Note 5)	27,777	22,833
Other assets	15,765	14,106
Total investments and other assets	47,940	42,090
Translation adjustments	5,543	2,267
Total	¥434,290	¥448,739

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen	
	1999	1998
Current liabilities:		
Short-term borrowings (Note 6)	¥ 84,413	¥105,095
Current portion of long-term debt (Note 6)	8,374	37,823
Notes and accounts payable (Note 4):		
Trade notes	23,986	27,512
Trade accounts	32,574	34,283
Construction	4,937	6,660
Accrued expenses	16,354	14,973
Income taxes payable	4,483	2,784
Other current liabilities	26,251	26,995
Total current liabilities	201,372	256,125
Long-term liabilities:		
Long-term debt (Note 6)	79,115	43,485
Liabilities for severance indemnities (Note 7)	1,105	1,294
Total long-term liabilities	80,220	44,779
Minority interests	3,609	2,503
Commitments and contingent liabilities (Note 12)		
Shareholders' equity (Notes 8 and 13):		
Common stock with ¥50 par value—authorized, 500,000,000 shares; issued and outstanding, 263,813,973 shares in 1999 and 1998.....	28,023	28,023
Additional paid-in capital	25,968	25,968
Retained earnings	95,099	91,342
Treasury stock, at cost (1,350 shares in 1999 and 2,526 shares in 1998).....	(1)	(1)
Total shareholders' equity	149,089	145,332
Total	¥434,290	¥448,739

CONSOLIDATED STATEMENTS OF INCOME

Daikin Industries, Ltd. and Consolidated Subsidiaries
 Years Ended March 31, 1999 and 1998

	Millions of yen	
	1999	1998
Net sales (Note 4).....	¥464,332	¥462,519
Cost and expenses:		
Cost of sales (Note 4).....	319,336	323,826
Selling, general and administrative expenses (Note 10)	121,992	117,057
Total cost and expenses	441,328	440,883
Operating income	23,004	21,636
Other income (expenses):		
Interest and dividend income.....	1,079	1,295
Interest expense	(6,681)	(6,516)
Gains on sales of investment securities.....	1,586	2,188
Losses on sales of investment securities.....	(489)	(1,394)
Exchange losses incurred in a Thailand subsidiary due to substantial depreciation of the Thai baht.....	—	(3,348)
Other exchange losses, net.....	(1,733)	(1,172)
Losses on disposals of property, plant and equipment	(657)	(631)
Other—net.....	(672)	(262)
Net other expenses	(7,567)	(9,840)
Income before income taxes	15,437	11,796
Income taxes (Note 9):		
Current	9,871	6,769
Deferred	(628)	(428)
Total income taxes	9,243	6,341
Net income	¥ 6,194	¥ 5,455
	Yen	
Amounts per common share:		
Net income	¥23.48	¥20.68
Cash dividends applicable to the year	10.00	10.00

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Daikin Industries, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 1999 and 1998

	Number of common shares issued	Millions of yen			
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost
Balance, March 31, 1997	263,813,973	¥28,023	¥25,968	¥88,894	¥—
Cumulative effect of:					
Consolidation of previously unconsolidated subsidiaries.....				10	
Application of the equity method to an associated company				(13)	
Treasury stock acquisition—net (2,219 shares).....					(1)
Net income.....				5,455	
Appropriations:					
Cash dividends, ¥11.00 per share				(2,902)	
Bonuses to directors and corporate auditors.....				(102)	
Balance, March 31, 1998	263,813,973	28,023	25,968	91,342	(1)
Cumulative effect of:					
Consolidation of previously unconsolidated subsidiaries.....				302	
Treasury stock disposal—net (1,176 shares).....					
Net income.....				6,194	
Appropriations:					
Cash dividends, ¥10.00 per share				(2,638)	
Bonuses to directors and corporate auditors.....				(101)	
Balance, March 31, 1999	263,813,973	¥28,023	¥25,968	¥95,099	¥(1)

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Daikin Industries, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 1999 and 1998

	Millions of yen	
	1999	1998
Operating activities:		
Net income	¥ 6,194	¥ 5,455
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	19,052	20,527
Losses on disposals of property, plant and equipment	657	631
Changes in assets and liabilities:		
Notes and accounts receivable	9,530	(7,702)
Inventories	8,352	(5,848)
Deferred income taxes	(628)	(428)
Other current assets	(2,976)	(1,549)
Trade notes and accounts payable	(7,958)	1,235
Accrued expenses	1,162	(123)
Income taxes payable	1,669	(2,244)
Other current liabilities	(38)	9,739
Other—net	(1,889)	1,855
Net cash provided by operating activities	<u>33,127</u>	<u>21,548</u>
Investing activities:		
Capital expenditures	(18,909)	(17,232)
Increase in investments in unconsolidated subsidiaries and associated companies	(642)	(2,367)
Payments to acquire investment securities	(10,074)	(8,286)
Proceeds from sales of property, plant and equipment	333	349
Proceeds from sales of investment securities	5,215	7,051
Increase in other assets	(1,463)	(1,089)
Net cash used in investing activities	<u>(25,540)</u>	<u>(21,574)</u>
Financing activities:		
Increase (decrease) in short-term borrowings	(21,513)	12,814
Increase in long-term debt	45,119	6,345
Repayments of long-term debt	(37,959)	(14,884)
Payments of cash dividends	(2,638)	(2,902)
Net cash provided by (used in) financing activities	<u>(16,991)</u>	<u>1,373</u>
Cash and cash equivalents from consolidating previously unconsolidated subsidiaries	317	2,167
Net increase (decrease) in cash and cash equivalents	(9,087)	3,514
Cash and cash equivalents, beginning of year	43,539	40,025
Cash and cash equivalents, end of year	¥34,452	¥43,539
Additional cash flow information:		
Interest paid	¥ 6,524	¥ 6,536
Income taxes paid	8,172	8,960

See notes to consolidated financial statements.

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from the consolidated financial statements issued for domestic reporting purposes in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. Daikin Industries, Ltd. (the "Company") and its consolidated domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, and its consolidated foreign subsidiaries in conformity with those of each country of their domicile. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. The consolidated statements of cash flows are not required as a part of the basic financial statements in Japan but are presented herein as additional information.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the Company's consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

Certain reclassifications have been made for 1998 to conform to 1999 presentations.

2. Summary of Significant Accounting Policies

Principles of Consolidation and Accounting for Investments in Unconsolidated Subsidiaries and Associated Companies

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries (collectively, the "Companies"). All significant intercompany items have been eliminated in consolidation.

In 1999 and 1998, certain subsidiaries, previously accounted for by the cost method, were newly included in the consolidated financial statements. The effects of consolidating these subsidiaries have been reflected in the statements of shareholders' equity and cash flows for the years ended March 31, 1999 and 1998.

The Company utilizes the equity method of accounting for investments in unconsolidated subsidiaries and associated companies (in which the Company's ownership is from 20% to 50%), except for certain insignificant unconsolidated subsidiaries and insignificant associated companies. Investments in such unconsolidated subsidiaries and associated companies are stated at cost except that appropriate write-downs are recorded for investments for which the value has been permanently impaired.

In 1998, a certain associated company, previously accounted for by the cost method, was newly accounted for by the equity method. The effects of the application of the equity method have been reflected in the statement of shareholders' equity for the year ended March 31, 1998.

Cash and Cash Equivalents

In reporting cash flows, the Companies include cash, time deposits and short-term investments as cash and cash equivalents.

Time deposits have original maturities within three months and are withdrawable on demand with no diminution of principal.

Short-term investments consist of marketable debt securities issued by the Japanese government and certain listed companies, and are readily convertible to cash without diminution of book value.

Inventories

Inventories of the Company and its consolidated domestic subsidiaries are stated at cost, determined by the average method. Inventories of consolidated foreign subsidiaries are principally stated at the lower of cost, determined by the average method, or market.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed by the

declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998, at rates based on the estimated useful lives of the assets. Depreciation of property, plant and equipment of consolidated foreign subsidiaries is principally computed by the straight-line method at rates based on the estimated useful lives of the assets.

Leases

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that are deemed to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements. These standards are being applied on a step-by-step basis beginning with fiscal years starting on or after April 1, 1996, with full implementation required for fiscal years starting on or after April 1, 1998.

Investment Securities

Publicly traded securities are carried at the lower of cost or market. Other securities are carried at cost, except that appropriate write-downs are recorded for securities for which the value has been permanently impaired. The cost of securities sold is determined by the average method.

Severance Indemnities and Pension Plans

Substantially all employees of the Companies are covered by non-contributory trustee pension plans. The Companies' policy for the trustee pension plans is to fund and charge to operations pension costs determined on the basis of an actuarial method. These costs include normal costs and prior service costs amortized over a 15-year period.

Directors and corporate auditors are not covered by the aforementioned plans. The Company makes provisions for severance indemnities to its directors and corporate auditors based upon management's estimates of amounts which will be payable, subject to approval of shareholders, for services rendered to date.

Stock and Bond Issuance Expenses

Stock and bond issuance expenses are charged to income as incurred.

Foreign Currency Translations

Foreign currency amounts are translated into Japanese yen at the rates in effect at each balance sheet date for short-term receivables and payables, and at historical rates for long-term receivables and payables, except for those covered by forward exchange contracts which are translated at the contracted rates. However, when there is a significant unrealized exchange loss related to long-term receivables and payables derived from foreign currency fluctuations, such receivables and payables are translated into Japanese yen at the exchange rates in effect at the balance sheet date. Revenue and expense items denominated in foreign currencies are translated at historical rates. Exchange gains or losses are credited or charged to income as incurred. However, exchange gains or losses arising from the translation of long-term receivables or payables at forward contract rates are deferred and amortized over the terms of the related contracts.

Foreign Currency Financial Statements

The balance sheet accounts of the consolidated overseas subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date except for shareholders' equity, which is translated at the historical exchange rates. Differences arising from such translation are shown as "Translation adjustments" in the accompanying consolidated balance sheets. Revenue and expense accounts of the consolidated overseas subsidiaries are translated into Japanese yen at the annual average rate.

Income Taxes

Income taxes are provided for amounts currently payable for each year. The Companies do not recognize deferred income taxes relating to temporary differences between tax and

financial reporting purposes except for those resulting from the elimination of intercompany profits.

Cash Dividends

Cash dividends charged to retained earnings are those actually paid during the year and represent the year-end dividends for the preceding year and the interim dividends for the current year.

Amounts per Common Share

The computation of net income per common share is based on the weighted average number of shares outstanding. The average number of common shares used in the computation was 263,813,973 for the years ended March 31, 1999 and 1998.

3. Inventories

Inventories at March 31, 1999 and 1998 consisted of the following:

	Millions of yen	
	1999	1998
Finished products and merchandise	¥54,607	¥ 62,394
Semi-finished products and work-in-process	30,615	31,355
Raw materials and supplies	10,185	9,135
Total	¥95,407	¥102,884

4. Investments in Unconsolidated Subsidiaries and Associated Companies

Certain financial information (unaudited), with respect to unconsolidated subsidiaries and associated companies at March 31, 1999 and 1998 was as follows:

	Millions of yen	
	1999	1998
Current assets	¥18,864	¥19,680
Other assets	6,797	6,301
Current liabilities	(15,391)	(14,125)
Other liabilities	(1,858)	(2,360)
Net assets	¥ 8,412	¥ 9,496

Receivables and payables, with respect to transactions with unconsolidated subsidiaries and associated companies at March 31, 1999 and 1998 were as follows:

	Millions of yen	
	1999	1998
Trade notes and accounts receivable	¥2,406	¥4,364
Trade notes and accounts payable	450	778

Sales to and purchases from unconsolidated subsidiaries and associated companies for the years ended March 31, 1999 and 1998 were as follows:

	Millions of yen	
	1999	1998
Sales	¥8,192	¥15,802
Purchases	6,813	6,024

5. Investment Securities

The aggregate carrying value and market value of non-current marketable equity and debt securities included in investment securities at March 31, 1999 and 1998 were as follows:

	Millions of yen	
	1999	1998
Carrying value	¥25,894	¥20,665
Market value	40,043	35,253

The difference between the above carrying amounts and the amounts shown in the accompanying balance sheets principally consists of non-marketable securities.

6. Short-Term Borrowings and Long-Term Debt

Short-term borrowings of the Companies consisted of bank overdrafts, notes to banks and commercial paper. As is customary in Japan, the Companies obtain financing by discounting trade notes receivable with banks. Such discounted notes and the related contingent liabilities are not included in the consolidated balance sheets but are disclosed as contingent liabilities (see Note 12). Unused short-term bank credit lines were ¥10,000 million at March 31, 1999. Weighted average interest rates of short-term borrowings at March 31, 1999 and 1998 were 2.24% and 2.15%, respectively.

Long-term debt at March 31, 1999 and 1998 consisted of the following:

	Millions of yen	
	1999	1998
6.35% unsecured bonds, due 1999	¥ —	¥30,000
1.60% unsecured bonds, due 2002	20,000	—
1.925% unsecured bonds, due 2004	10,000	—
2.70% unsecured bonds, due 2006	10,000	—
Collateralized loans from government sponsored banks with interest ranging from 3.76% to 8.15%, due through 2006	11,250	16,254
Collateralized loans from banks with:		
Fixed interest ranging from 2.70% to 3.46%, due through 2001	4,200	4,200
Floating interest ranging from 0.59% to 1.34%, due through 2004	19,500	19,700
Unsecured loans from banks, payable in foreign currencies, with interest ranging from 3.85% to 7.45%, due through 2005	8,957	7,675
Unsecured loans from banks with interest ranging from 0.54% to 8.00%, due through 2023	3,582	3,479
Total	87,489	81,308
Current portion due within one year	(8,374)	(37,823)
Total	¥79,115	¥43,485

The interest rates on a substantial portion of the loans from banks fluctuate with current market rates and certain other factors.

The Companies have entered into various interest rate swap agreements covering certain portions of long-term debt as a means of managing interest rate exposure. Because the counterparties to those interest swap agreements are limited to major financial institutions, the Companies do not anticipate any losses arising from credit risk. As of March 31, 1999 and 1998, the notional principal amounts of such agreements totaled ¥25,351 million and ¥68,764 million, respectively. The impact on interest expense from these agreements is recognized over the lives of the respective agreements, which are the same as the terms of the related loans.

Annual maturities of long-term debt outstanding at March 31, 1999 were as follows:

Year ending March 31	Millions of yen
2000	¥ 8,374
2001	6,549
2002	11,894
2003	26,762
2004 and thereafter	33,910
Total	¥87,489

At March 31, 1999, property, plant and equipment with a net book value of ¥59,260 million were pledged as collateral for short-term borrowings and long-term debt.

Certain loan agreements provide that the lender may require the Companies to submit proposals for paying dividends, issuing additional long-term debt and certain other matters, for prior approval. As is customary in Japan, security must be given if requested by a lending bank. Banks have the right to offset cash deposited with them against any debt or obligation that becomes due, or, in case of default and certain other specified events, against all other debt payable to them. To date, none of the lenders has ever exercised this right with respect to debt of the Companies. In addition, the indentures for the mortgage bonds require prior approval for an issue of bonds, merger, pledge of assets as collateral for other indebtedness, and the disposition of any significant facilities. The indentures also grant holders the right to request additional collateral.

7. Severance Indemnities and Pension Plans

Under most circumstances, employees of the Companies terminating their employment, either voluntarily or upon reaching mandatory retirement age, are entitled to a severance indemnity or an annuity based on their rate of pay at the time of termination, length of service and certain other factors.

The Company and its consolidated domestic subsidiaries maintain non-contributory trustee pension plans covering substantially all of their employees. The pension plans are required to be revalued at least once every five years. The unamortized prior service costs of such plans at March 31, 1999 and 1998 were ¥21,091 million and ¥19,789 million, respectively.

Expenses with respect to severance indemnities and pension plans for the years ended March 31, 1999 and 1998 were ¥4,315 million and ¥4,203 million, respectively.

8. Shareholders' Equity

The Japanese Commercial Code (the "Code") requires at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital are credited to additional paid-in capital.

The Code also requires companies to appropriate from retained earnings to a legal reserve an amount equal to at least 10% of all cash payments which are made as an appropriation of retained earnings until such reserve equals 25% of stated capital. This reserve amount, which is included in retained earnings, totaled ¥5,321 million and ¥5,048 million as of March 31, 1999 and 1998, respectively, and is not available for dividends but may be used to reduce a deficit by resolution of the shareholders.

The Company may transfer portions of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Company may also transfer portions of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

Under the Code, the Company may issue new common shares to existing shareholders without consideration as a stock split pursuant to resolution of the Board of Directors. The Company may make such a stock split to the extent that the aggregate par value of the shares outstanding after the stock split does not exceed the stated capital. However, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split shall not be less than ¥50.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semi-annual interim dividends may also be paid upon resolution of the Board of Directors, subject to limitations imposed by the Code.

Under the Code, the amount available for dividends is based on retained earnings as recorded on the Company's books. At March 31, 1999, retained earnings recorded on the Company's books were ¥80,738 million. Such retained earnings included ¥75,327 million which is designated as general and specific reserves but is available for future dividends subject to approval by shareholders and legal reserve requirements.

9. Income Taxes

The Companies are subject to a number of taxes based on income. The actual effective income tax rates differ from the normal statutory rate for the following reasons:

	1999	1998
Normal statutory income tax rate	48.0%	51.0%
Permanent non-deductible expenses	5.0	6.1
Temporary difference	10.0	2.6
Losses of consolidated subsidiaries	9.2	12.4
Utilization of loss carryforwards of consolidated subsidiaries	(6.1)	(17.0)
Difference in subsidiaries' tax rates	(8.6)	(1.7)
Other—net	2.4	0.4
Actual effective income tax rate	59.9%	53.8%

10. Research and Development Costs

Research and development costs charged to income were ¥13,025 million and ¥13,232 million for the years ended March 31, 1999 and 1998, respectively.

11. Leases

The Companies lease certain computer equipment and other assets. Lease payments under finance leases were ¥2,231 million and ¥1,596 million for the years ended March 31, 1999 and 1998, respectively.

Pro forma information of leased property under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 1999 and 1998 was as follows:

	Millions of yen		
	Furniture and Fixtures	Others	Total
For the year ended March 31, 1999			
Acquisition costs	¥7,360	¥1,471	¥8,831
Accumulated depreciation	3,173	732	3,905
Net leased property	¥4,187	¥ 739	¥4,926

Obligations under finance leases:

	Millions of yen	
	1999	1998
Due within one year	¥2,136	¥1,810
Due after one year	2,790	2,509
Total	¥4,926	¥4,319

The amount of acquisition costs and obligations under finance leases includes the imputed interest expense portion.

Depreciation expense, which is not reflected in the accompanying statement of income, computed by the straight-line method, was ¥2,231 million for the year ended March 31, 1999.

12. Commitments and Contingent Liabilities

Commitments for capital expenditures outstanding at March 31, 1999 totaled approximately ¥2,961 million.

Contingent liabilities at March 31, 1999 were as follows:

	Millions of yen
Loans guaranteed	¥ 452
Trade notes discounted	1,035

13. Subsequent Event

At the general shareholders' meeting held on June 29, 1999, the Company's shareholders approved the following:

Payment of a cash dividend of ¥5.00 per share to shareholders of record as of March 31, 1999 (total of ¥1,319 million), and a transfer from retained earnings to legal reserve of ¥141 million.

14. Segment Information

Information about operations in different industry segments, foreign operations and sales to foreign customers of the Companies for the years ended March 31, 1999 and 1998 is as follows:

(1) Operations in Different Industries

a. Sales and Operating Income

	Millions of yen				
	1999				
	Air Conditioning	Chemicals	Others	Eliminations	Consolidated
Sales to customers	¥345,837	¥79,629	¥38,866	¥ —	¥464,332
Intersegment sales	3	902	4	(909)	—
Total sales	345,840	80,531	38,870	(909)	464,332
Operating expenses	336,939	67,118	38,180	(909)	441,328
Operating income	¥ 8,901	¥13,413	¥ 690	¥ —	¥ 23,004

Beginning in 1999, enterprise tax is included in income taxes.

b. Assets, Depreciation and Capital Expenditures

	Millions of yen				
	1999				
	Air Conditioning	Chemicals	Others	Corporate	Consolidated
Assets	¥262,207	¥82,004	¥31,844	¥58,235	¥434,290
Depreciation	10,227	7,647	1,072		18,946
Capital expenditures	10,093	8,315	1,164		19,572

a. Sales and Operating Income

	Millions of yen				
	1998				
	Air Conditioning	Chemicals	Others	Eliminations	Consolidated
Sales to customers	¥336,663	¥77,373	¥48,483	¥ —	¥462,519
Intersegment sales	8	1,142	—	(1,150)	—
Total sales	336,671	78,515	48,483	(1,150)	462,519
Operating expenses	330,660	66,811	45,895	(1,150)	442,216
Operating income before enterprise tax	¥ 6,011	¥11,704	¥ 2,588	¥ —	20,303
Enterprise tax (income tax) included in operating expenses					(1,333)
Operating income					¥ 21,636

b. Assets, Depreciation and Capital Expenditures

	Millions of yen				
	1998				
	Air Conditioning	Chemicals	Others	Corporate	Consolidated
Assets	¥266,902	¥81,485	¥40,629	¥59,723	¥448,739
Depreciation	11,533	7,530	1,158	—	20,221
Capital expenditures	11,538	5,472	1,124	—	18,134

Corporate assets consist principally of the Company's cash, time deposits, short-term investments and investment securities.

Notes: Air Conditioning consists of Air Conditioning and Refrigeration Equipment, Electronics, Vacuums and Cryogenics, and Medical Equipment.

Chemicals consists of Fluorochemicals.

Others consists of Oil Hydraulics and Defense.

(2) Foreign Operations

The foreign operations of the Companies for the years ended March 31, 1999 and 1998 are summarized below.

	Millions of yen						
	1999						
	Japan	Asia and Oceania	Europe	Americas	Other	Eliminations and Corporate	Consolidated
Sales:							
Outside customers ..	¥345,384	¥34,453	¥53,568	¥29,508	¥1,419	¥ —	¥464,332
Interarea transfers...	57,476	11,591	165	643	—	(69,875)	—
Total sales	402,860	46,044	53,733	30,151	1,419	(69,875)	464,332
Operating expenses	390,338	45,435	48,345	25,783	1,321	(69,894)	441,328
Operating income	¥ 12,522	¥ 609	¥ 5,388	¥ 4,368	¥ 98	¥ 19	¥ 23,004
Assets	¥319,151	¥37,110	¥33,832	¥29,625	¥ 885	¥13,687	¥434,290

	Millions of yen					
	1998					
	Japan	Asia and Oceania	Europe	Americas	Eliminations and Corporate	Consolidated
Sales:						
Outside customers	¥370,285	¥29,544	¥37,320	¥25,370	¥ —	¥462,519
Interarea transfers	44,088	18,060	109	581	(62,838)	—
Total sales.....	414,373	47,604	37,429	25,951	(62,838)	462,519
Operating expenses.....	404,046	42,653	34,955	22,277	(63,048)	440,883
Operating income	¥ 10,327	¥ 4,951	¥ 2,474	¥ 3,674	¥ 210	¥ 21,636
Assets.....	¥339,479	¥36,441	¥24,784	¥29,646	¥18,389	¥448,739

Sales are summarized by geographic area based on the countries where subsidiaries are located.

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 1999 and 1998 were as follows:

	Millions of yen	
	1999	1998
Asia and Oceania	¥ 49,858	¥ 44,566
Europe.....	54,825	37,765
Americas	32,588	28,643
Other.....	5,881	4,384
Total sales to foreign customers.....	¥143,152	¥115,358

**Deloitte Touche
Tohmatsu**



To the Board of Directors and Shareholders
of Daikin Industries, Ltd.:

We have examined the consolidated balance sheets of Daikin Industries, Ltd. and consolidated subsidiaries as of March 31, 1999 and 1998, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Daikin Industries, Ltd. and consolidated subsidiaries as of March 31, 1999 and 1998, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

Deloitte Touche Tohmatsu

Osaka, Japan
June 29, 1999

**Deloitte Touche
Tohmatsu
International**

CORPORATE DATA

Corporate Data

As of June 29, 1999

BOARD OF DIRECTORS

Noriyuki Inoue

President

Takeshi Matsui

Executive Vice President

Yasushi Yamada

Executive Vice President

Satoshi Mizuno

Senior Managing Director

Tatsuo Sueyoshi

Senior Managing Director

Sadanori Yagi

Managing Director

Yoshihiro Kato

Managing Director

Tadashi Shibai

Managing Director

Yukiyoshi Okano

Managing Director

Hiroyuki Kitai

Managing Director

Osamu Okumura

Managing Director

Yohnosuke Ohsaka

Managing Director

Katsuhiko Takagi

Managing Director

Katashi Uryu

Director

Minoru Yoshino

Director

Masahiko Amano

Director

Kiyoshi Ninomiya

Director

Guntaro Kawamura

Director

Kunikazu Torikoshi

Director

Hiroshi Tanaka

Director

Takenori Miyamoto

Director

Toshinari Oka

Director

CORPORATE AUDITORS

Kenji Kosaka

Senior Corporate Auditor

Yoshiaki Hanaoka

Corporate Auditor

Nobuyuki Shibata

Corporate Auditor

Yoshitake Hata

Corporate Auditor

PRODUCTS

AIR CONDITIONING AND INDUSTRIAL-REFRIGERATION EQUIPMENT

Residential-Use

Air Conditioners

- Room air conditioners
- Air cleaners
- Dehumidifiers

Industrial Refrigeration and Air Conditioners

- Packaged air conditioners
- Spot air conditioners
- Medium- and low-temperature air conditioners
- Air cleaners
- Total heat exchangers
- Infrared ceramic space heaters
- Marine-type container refrigeration units
- Marine vessel air conditioners and refrigerators

Custom and Large-Scale Refrigeration and Air Conditioners

- Water chilling units
- Screw-type refrigerators
- Turbo refrigerators
- Absorption refrigerators
- Air-handling units
- Fan-coil units

FLUORO-CHEMICALS

- Fluorocarbons
- Fluoroplastics
- Fluoroelastomers
- Fluorinated oils
- Oil- and water-repellent finishes
- Mold release agents
- Surfactants
- LEZANOVA fluorine-impregnated leather
- Pharmaceuticals and intermediates
- Etching agents for semiconductors
- NEURÖFINE high-performance air filters
- ZEFFLE weather-resistant fluorine varnish
- Organic solvent recovery and treatment equipment
- Dry air suppliers (Open dry chambers, dry dehumidifiers)

OIL HYDRAULICS AND LUBRICATION EQUIPMENT

- Pumps and motors
- Control valves
- Stack valves
- Positioning motors
- Oil cooling units
- Power packages
- Hydrostatic transmissions
- Centralized lubrication units and systems
- Multilevel car-parking systems

DEFENSE PRODUCTS

- Ammunition
- Aircraft parts
- Safety and arming devices
- Warheads
- Home oxygen therapy equipment

COMPUTER GRAPHICS

- Computer graphics systems
- DVD authoring systems
- Network management systems
- CAD/CAM/CAE systems

SEMICONDUCTOR EQUIPMENT

- Cryopumps
- Cryogenic refrigerators
- Vacuum transport modules

CONSOLIDATED SUBSIDIARIES

(OVERSEAS)

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Daikin Chemical Europe GmbH
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Facsimile: 49-211-1640732

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Facsimile: 86-752-361-3438

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Germany GmbH
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Facsimile: 49-89-74427-223

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Phone: 86-20-8761-6810
Facsimile: 86-20-8761-7170

(DOMESTIC)

Daikin Plant Co., Ltd.

Daikin Air Conditioning
and Technology Tokyo Co., Ltd.

Daikin Air Conditioning
and Technology Osaka Co., Ltd.

Daikin Air Conditioning
and Technology Kyushu Co., Ltd.

Daikin Air Conditioning
and Technology Tokai Co., Ltd.

OK Kizai Ltd.

44 other companies

AFFILIATED COMPANIES

(OVERSEAS)

Daikin U.S. Corporation

Daikin Chemical Netherlands B.V.

11 other companies

(DOMESTIC)

Kyoei Kasei Industries Ltd.

Daikin Sunrise Settsu Co., Ltd.

18 other companies

OFFICES

HEAD OFFICE

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Beijing, Shanghai

PLANTS AND FACTORIES

Sakai Plants (Kanaoka Factory,
Rinkai Factory), Yodogawa Plant,
Shiga Plant, Kashima Factory

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