

November 14, 2006

Summary of Consolidated Interim Financial Results
(For the six months ended September 30, 2006)

Name of Listed Company: **Daikin Industries, Ltd.** Listed on TSE, OSE, NSE, FSE, SSE
Code No.: 6367 Head Office Located in Osaka
(URL: <http://www.daikin.co.jp>)
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Date of board meeting on interim settlement of accounts: November 14, 2006
Use of U.S. Accounting Standards: No

1. Consolidated Business Results for the Interim Term (from April 1, 2006, to September 30, 2006)

(1) Consolidated Business Results

Note: Amounts of less than one million yen are truncated.

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim term ended September 30, 2006	442,692	13.4	41,262	5.0	41,719	7.3
Interim term ended September 30, 2005	390,495	4.4	39,305	19.2	38,873	24.0
Year ended March 31, 2006	792,857		67,077		68,682	

	Net income		Net income per share	Net income per share after adjustment for potentially dilutive shares
	Millions of yen	%	Yen	Yen
Interim term ended September 30, 2006	23,970	8.0	91.11	91.06
Interim term ended September 30, 2005	22,185	13.3	84.29	84.28
Year ended March 31, 2006	40,708		154.25	154.21

Notes:

- Equity in earnings of associated companies accounted for using the equity method was ¥281 million for the interim term ended September 30, 2006, ¥227 million for the interim term ended September 30, 2005, and ¥505 million for the year ended March 31, 2006.
- The average number of outstanding shares (consolidated basis) was 263,102,486 in the interim term ended September 30, 2006, 263,213,986 in the interim term ended September 30, 2005, and 263,197,950 in the year ended March 31, 2006.
- Change in accounting methods: No
- The figures expressed in % for the net sales, operating income, ordinary income and net income for the interim term represent the ratio of increase or decrease from the same interim period a year earlier.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Interim term ended September 30, 2006	780,133	376,819	46.7	1,385.17
Interim term ended September 30, 2005	643,877	304,199	47.2	1,155.91
Year ended March 31, 2006	719,382	343,492	47.7	1,304.69

Note: The number of issued shares (consolidated basis) was 262,969,336 shares at September 30, 2006, 263,168,198 shares at September 30, 2005, and 263,191,026 shares at March 31, 2006.

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Balance of cash and cash equivalents at end of term
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Interim term ended September 30, 2006	33,610	(37,931)	19,534	69,728
Interim term ended September 30, 2005	26,938	(27,595)	1,311	56,904
Year ended March 31, 2006	63,511	(63,420)	(4,283)	54,177

(4) Scope of Consolidation and Application of Equity Method:

Consolidated subsidiaries: 100

Nonconsolidated subsidiaries accounted for by the equity method: 1

Associated companies accounted for by the equity method: 8

(5) Changes in the Scope of Consolidation and the Application of Equity Method:

Consolidation (newly added): 1; Consolidation (excluded): None

Equity method (newly added): None; Equity method (excluded): None

2. Projected Consolidated Business Results for the Year Ending March 31, 2007
(from April 1, 2006, to March 31, 2007)

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Full year	890,000	72,000	43,500

Reference: Projected net income per share (full-year): ¥165.42

The above projections are premised on related information described on page 11 of this document under the title Summary of Consolidated Interim Financial Results for the Fiscal Year Ending March 31, 2007.

November 14, 2006
Daikin Industries, Ltd.

Summary of Consolidated Interim Financial Results
(For the six months ended September 30, 2006)

1. Consolidated Interim Financial Results

Billions of yen, [] Ratios to net sales

	First-half results			Full-year results (projections)		
	Interim term ended September 30, 2006	Interim term ended September 30, 2005	Changes over the previous year	Year ending March 31, 2007	Year ended March 31, 2006	Changes over the previous year
Net sales	442.7	390.5	13.4%	890.0	792.9	12.3%
Operating income	[9.3%] 41.26	[10.1%] 39.31	5.0%	[8.5%] 76.00	[8.5%] 67.08	13.3%
Ordinary income	[9.4%] 41.72	[10.0%] 38.87	7.3%	[8.1%] 72.00	[8.7%] 68.68	4.8%
Net income	[5.4%] 23.97	[5.7%] 22.19	8.0%	[4.9%] 43.50	[5.1%] 40.71	6.9%
Net income per common share (yen)	91.11	84.29	6.82	165.42	154.25	11.17

Note: There are 100 consolidated subsidiaries and 9 companies accounted for by the equity method.

2. Nonconsolidated Interim Financial Results

Billions of yen, [] Ratios to net sales

	First-half results			Full-year results (projections)		
	Interim term ended September 30, 2006	Interim term ended September 30, 2005	Changes over the previous year	Year ending March 31, 2007	Year ended March 31, 2006	Changes over the previous year
Net sales	224.0	217.5	3.0%	437.0	435.0	0.1%
Operating income	[4.3%] 9.64	[4.8%] 10.34	(6.8%)	[4.5%] 19.50	[5.5%] 24.09	(19.0%)
Ordinary income	[5.2%] 11.68	[6.3%] 13.77	(15.2%)	[6.8%] 29.50	[7.5%] 32.56	(9.4%)
Net income	[5.1%] 11.33	[4.0%] 8.69	30.3%	[5.5%] 24.00	[4.9%] 21.38	12.2%
Net income per common share (yen)	43.06	33.03	10.03	91.26	80.82	10.44
Dividend per common share (yen)	14	11	3	28	22	6

<Segment Information (Consolidated)>
Industry Segments

Billions of yen, [] Ratios to net sales

		Interim term ended September 30, 2006	Interim term ended September 30, 2005	Changes over the previous year
Air Conditioning	Net sales	366.4	321.2	14.1%
	Operating income	[9.3%] 34.01	[11.1%] 35.51	(4.2%)
Chemicals	Net sales	56.1	50.7	10.7%
	Operating income	[12.3%] 6.89	[9.6%] 4.86	41.9%
Others	Net sales	20.2	18.6	8.4%
	Operating income	[2.0%] 0.41	[-5.7%] (1.06)	–
Total	Net sales	442.7	390.5	13.4%
	Operating income	[9.3%] 41.26	[10.1%] 39.31	5.0%

Sales by Market

Billions of yen

	Interim term ended September 30, 2006	Interim term ended September 30, 2005	Changes over the previous year
Domestic	225.3	213.3	5.6%
Asia, Oceania	82.4	66.4	24.1%
Europe	109.0	90.3	20.7%
America	21.7	16.4	32.5%
Other regions	4.3	4.1	5.5%
Total	442.7	390.5	13.4%

Projected Results by Industry Segment

Billions of yen, [] Ratios to net sales

		Year ending March 31, 2007 (projections)	Year ended March 31, 2006 (actual results)	Changes over the current year
Air Conditioning	Net sales	727.0	641.7	13.3%
	Operating income	[8.5%] 61.50	[8.9%] 57.11	7.7%
Chemicals	Net sales	120.0	107.4	11.7%
	Operating income	[10.8%] 13.00	[10.0%] 10.75	20.9%
Others	Net sales	43.0	43.8	(1.8%)
	Operating income	[3.5%] 1.50	[-1.8%] (0.77)	–
Total	Net sales	890.0	792.9	12.3%
	Operating income	[8.5%] 76.00	[8.5%] 67.08	13.3%

Status of Business Groups

The Daikin Group is engaged in the development, manufacture (including construction and installation), sales and after-sales services of products in the Air Conditioning, Chemicals and other divisions. Major business lines and subsidiaries and companies accounted for by the equity method in each field are explained below.

1. Air Conditioning

Major products: Residential air conditioners, Commercial air conditioners and Refrigeration equipment, Air conditioning and refrigeration equipment for marine vessels, Electronic systems

(1) Manufacture

[Consolidated subsidiaries]

Daikin Electronics Parts Inc. and 2 other companies (manufacture of parts and components for air conditioners)

(2) Sales

[Consolidated subsidiaries]

Daikin Applied Systems Co., Ltd. (manufacture, sales, design and installation of air conditioners, refrigeration equipment and cooling machines)

Daikin Airconditioning & Technology Tokyo Co., Ltd. and 19 other sales companies (sales of air conditioners)

Daikin Air Technology & Engineering Kinki Co., Ltd. and 7 other companies (sales, construction and installation of air conditioners)

OK Kizai Co., Ltd. (manufacture and sales of accessories and parts for air conditioners)

Daikin Facilities Co., Ltd. (servicing and maintenance of air conditioners)

Daikin Trading Co., Ltd. (sales of parts and components for air conditioners)

[Companies accounted for by the equity method]

Moritani Daikin Co., Ltd. (sales of air conditioners)

Nikko Engineering Co., Ltd. and 2 other companies (sales of air conditioners)

(3) Others

[Consolidated subsidiaries]

Daikin Air-Conditioning and Environmental Laboratory, Ltd. and 3 other companies (technological development of air conditioners)

(4) Global operations

[Consolidated subsidiaries]

Daikin Europe N.V., Daikin Industries (Thailand), Ltd. and 16 other companies (manufacture and sales of air conditioners)

Daikin Airconditioning France S.A.S. and 20 other companies (sales of air conditioners)

Daikin Trading (Thailand) Ltd. (sales of parts and components for air conditioners)

Daikin Asia Servicing Pte. Ltd. and 3 other companies (sales of replacement parts and components for air conditioners)

2. Chemicals

Major products: Fluorocarbon gas, Fluoroplastics, Chemical products, Chemical engineering machines

(1) Manufacture and sales

[Consolidated subsidiary]

Toho Kasei Co., Ltd. (manufacture and sales of fluorochemical products and semiconductor cleaning equipment)

(2) Sales

[Consolidated subsidiary]

Daikin Chemical Sales, Ltd. (sales of fluorochemical products)

(3) Global operations

[Consolidated subsidiaries]

Daikin America, Inc., Daikin Fluorochemicals (China) Co., Ltd. and 2 other companies (manufacture and sales of fluorochemical products)

Daikin Chemical France S.A.S. (manufacture of fluorochemical products)

Daikin Chemical Europe GmbH and 4 other companies (sales of fluorochemical products)

[Companies accounted for by the equity method]

MDA Manufacturing, Inc. and 3 other companies (manufacture and sales of fluorochemical products)

3. Other Divisions

Major products: Hydraulic equipment for industrial machinery, Hydraulic equipment for construction machinery and vehicles, Centralized lubrication units and systems, Multilevel car-parking systems, Ammunition, Warheads for guided missiles, Aircraft parts

(1) Manufacture

[Consolidated subsidiary]

Daikin Sauer-Danfoss Manufacturing, Ltd. (manufacture of hydraulic equipment)

(2) Manufacture and sales

[Consolidated subsidiary]

Daikin Lubrication Products & Engineering Co., Ltd. (sales, construction and installation of lubricating equipment)

(3) Sales

[Consolidated subsidiaries]

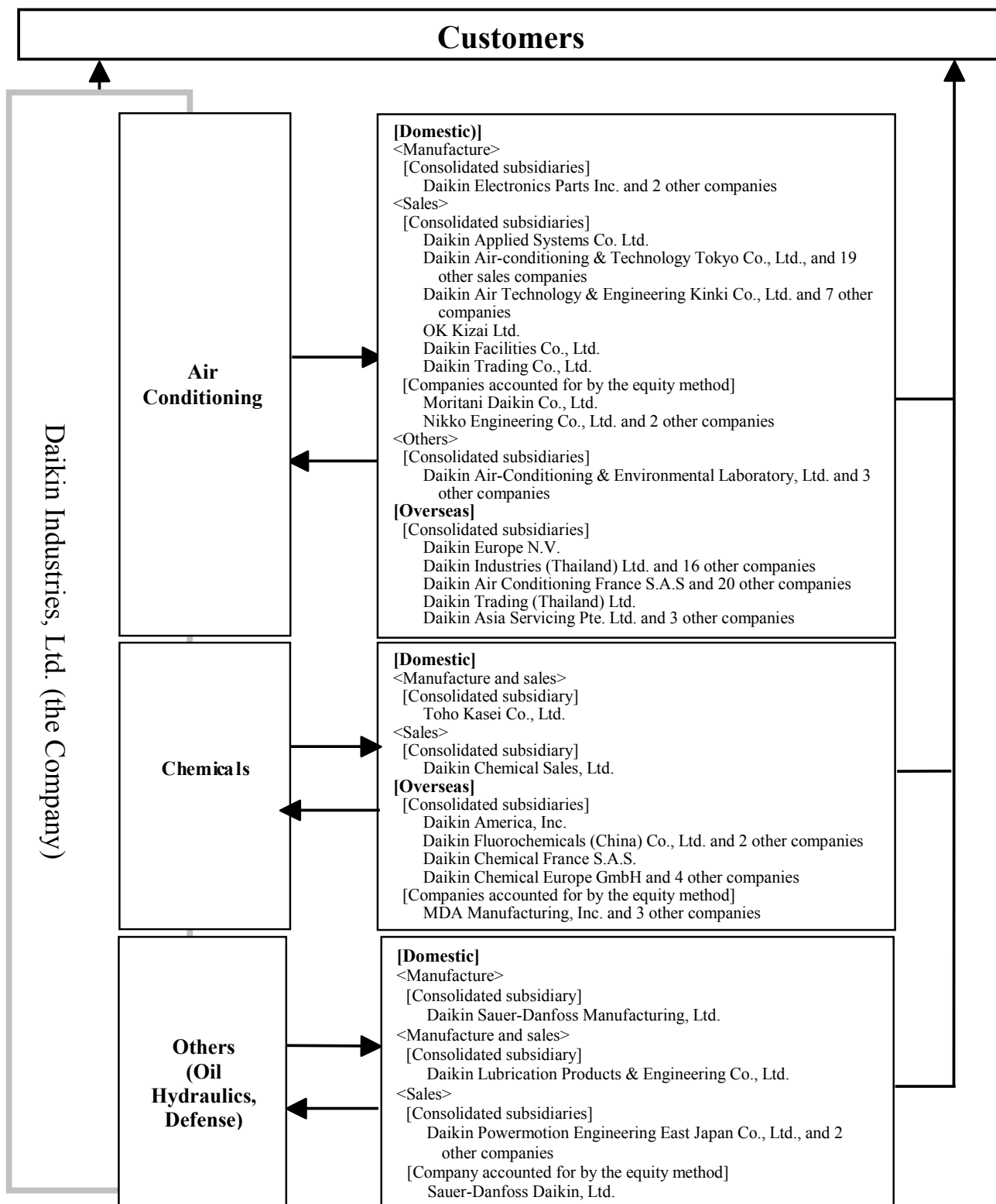
Daikin Powermotion Engineering East Japan Co., Ltd. and 2 other companies (sales of hydraulic equipment)

[Company accounted for by the equity method]

Sauer-Danfoss Daikin, Ltd. (sales of hydraulic equipment)

[Schematic Diagram of the Daikin Group]

The schematic diagram below describes business lines of the Group, consisting of 100 consolidated subsidiaries (46 domestic, 54 overseas) and 9 companies accounted for by the equity method (5 domestic, 4 overseas).



Management Policies

(1) Basic Management Policy

Under “Our Group Philosophy,” which sets forth basic management perspectives, the Company will, as a corporation continually supplying customers with the highest level of convenience and amenity, enhance its technical bases, use capital effectively and strive to maximize corporate value through the highest-quality products, materials and services. As action guidelines common to the Group, the Company will conduct thoroughly fair corporate activities based on a high level of ethics and fair competition; information disclosure and the fulfillment of accountability in a timely and appropriate manner; and proactive responses to the global environment and active contributions to local communities. Moreover, the Company will make efforts to expand profitability and business operations for the entire Group by enforcing complete information sharing within the Group, establishing resilient management structures that are most appropriate for the solution of incidental problems and tasks, and facilitating the Company’s tradition of a “flat and fast” management system.

(2) Basic Policy on Appropriation of Profit

By setting an immediate target to achieve a ratio of dividends to shareholders’ equity (consolidated basis) of 2.0%, the Company will carry out stable dividend payments by taking into overall account consolidated business results, financial position and capital requirements.

The Company will appropriate internal reserves to strategic investments aimed to strengthen the management structure, accelerate the development of global businesses, promote the penetration of information technology, achieve business expansion and improve its competitive power.

(3) Target Management Indicators

The Company considers the maximization of corporate value its most important management task. Accordingly, the Company promotes the active development of businesses and the reinforcement of its management structure by adopting the virtual company system, as well as FCF (free cash flow), DVA (Daikin value added), ROA (return on total assets), ROE (return on equity) and other indicators of “Ratio Management” as important business administration indicators. The Company particularly places emphasis on FCF as the source of corporate value and also as the integrated core indicator to improve all the other management indicators. To that end, the Company endeavors to create cash flows from operating capital by reducing trade notes and accounts receivable and inventories in line with measures for raising earnings and improving investment efficiency.

As for the appropriation of FCF so created, the Company makes decisions on the use of FCF in view of the current business climate and demand trends and primarily from the standpoint of enhancing corporate value. To avail itself of opportunities to achieve substantial business expansion in global markets, the Company is promoting investments aimed at expanding future returns by upgrading technologies to underlie its competitiveness as a manufacturer, reinforcing its production capabilities and sales network, mergers and acquisitions, partnerships and alliances.

(4) Medium-and-Long-Term Management Strategies

The Company has achieved most of the key goals set forth in “Fusion 05,” the strategic management plan with 2005 as its target year. Based on the results of that plan, we formulated “Fusion 10,” a strategic management plan with 2010 as the target year, to improve corporate value further. The plan aims to maximize corporate value, which is a measure of true global excellence. With total sharing and practice of “Our Group Philosophy” as an absolute condition, the Company intends to work toward the following aims to maximize its corporate value:

- 1) Become the number one business in the world in its field
- 2) Create innovation and value through creative technologies as a leader in bringing changes
- 3) Maintain sturdy earning capacity and a financial structure with capital efficiency
- 4) Realize thorough “management based on human resources” supported by every employee’s pride and contentment in accomplishing his/her work to the best of his/her abilities

(5) Tasks Facing the Company

By thoroughly carrying out the measures mentioned below and identifying tasks to be addressed under the goals for this year, the Company is making all-out efforts to attain its targets: (1) implement comprehensive measures to strengthen its profit-earning structure, such as by keeping total costs down, maximizing sales and promoting the efficiency of indirect departments on the Group level; (2) promote dynamic business development through active investments made as a stepping stone for expansion in the domestic and overseas markets that are most likely to provide favorable opportunities, and achieve early returns from these investments; (3) restore the high-profit earning structure of the fluorochemicals business as early as possible and accelerate the restructuring of the Oil Hydraulics, Defense and Electronics divisions; (4) take thorough measures to fulfill the targets of “Daikin’s Technology Statement”; and (5) enhance and enforce CSR (corporate social responsibilities), including the development and strengthening of human resources, legal compliance, corporate ethics, environmental preservation and stable operations.

(6) Matters Related to the Parent Company

The Company has no parent company.

Operating Results and Financial Position

1. Operating Results

(1) Overview of the interim term

During the interim term ended September 30, 2006, despite sluggish overall growth the global economy followed a course of modest expansion, benefiting from the steady U.S. and high-growth Chinese and other Asian economies.

The Japanese economy continued its private-sector-led recovery, with strong expansion in capital investment and exports supporting the corporate sector.

In this business environment, the Daikin Group adhered to its Group policy for 2006 of “taking on new themes as we work to create a bright future.” In a period of radical transformation in social environment and market structure, the Company is rising to the challenges offered by change—not clinging to the past—to realize this “great leap.” As the first year of “Fusion 10,” we are fully applying ourselves to achieving the goals of this strategic management plan, which sets 2010 as the target year to further improve corporate value.

During the term under review, consolidated net sales increased 13.4%, to ¥442,692 million, compared with the corresponding period of the preceding term. This rise was attributable to strong sales in our mainstay Air Conditioning Division, supported by enhanced sales of distinctive, high-value-added products in Japan. Favorable overseas sales of air conditioning systems in France, China and Australia offset the adverse effects of unseasonable weather in Italy and Spain. Also contributing to the Chemicals Division were expanded sales of fluoroplastics, led by growth in the semiconductor-related sector.

Reflecting sales expansion in Japan and overseas and concentrated efforts to pare overall costs, operating income increased 5.0% year over year, to ¥41,262 million, ordinary income rose 7.3%, to ¥41,719 million, and net income stepped up 8.0%, to ¥23,970 million, on a consolidated basis.

An overview of results by business segment follows:

1) Air Conditioning

Domestically, overall demand for residential air conditioning systems for the interim term was lower than during the corresponding term of the previous year, attributable to a late end to the rainy season throughout Japan. We focused our sales promotion efforts on high-value-added products, such as the URURU & SALALA systems—air conditioning systems with a humidity control function that realize an industry-leading position in energy saving by clearing 2010 Energy Reduction Standards. Sales volumes surpassed the previous term, maintaining the same sales results.

Sales volumes and sales of commercial air conditioning systems expanded in Japan. While demand for packaged air conditioners maintained the previous year’s levels, our sales promotion efforts focused on marketing to commercial and individual customers of distinctive, high-value-added products, such as Round Flow ZEAS, which features superior energy efficiency, quieter and particularly more comfortable operation, and greater environmental friendliness, as well as the Ve-up Q multi split air-conditioner for office use, which allows individual units to be replaced without changing existing refrigerant piping.

In Europe, unseasonable weather lasting until mid-June decreased sales volumes of residential air conditioning systems in Italy and Spain. This was offset by brisk demand for residential and commercial products in France, leading to overall sales gains. Robust demand from China continued, spurring residential and commercial air conditioning systems sales volumes and sales.

Australia and Thailand recorded strong sales expansion.

Sales volumes of marine container-type refrigeration equipment was negatively impacted by a slowing in demand from European container shipping companies, but overall sales gains were recorded for equipment for marine vessels as a result of favorable sales volumes to Japanese and Asian container shipping companies.

Total sales of the Air Conditioning Division rose 14.1% over the previous term, to ¥366,395 million. The division’s operating income, however, declined 4.2%, to ¥34,006 million, owing to temporary cost increases in line with the shift of manufacturing facilities that supply the European market from Thailand to the Czech Republic—a bid to shift production closer to the market location—as well as to the impact of materials costs.

2) Chemicals

Sales of fluoroplastics increased favorably, supported by expanded sales of domestic semiconductor-related products and robust Chinese, Asian and U.S. markets. Sales of chemical products expanded, with sales expanding for such high-function materials as surface re-forming materials and medical and optical intermediates countering reduced sales

of oil- and water-repellant products. Sales of fluorocarbon gas fell as a result of lackluster sales to Asia.

Total sales of the Chemicals Division advanced 10.7% to ¥56,092 million, and operating income jumped 41.9%, to ¥6,892 million.

3) Other Divisions

Sales of hydraulic equipment for industrial machinery grew, mainly due to increased demand for machine tools and advances in sales of inverter-driven hydraulic units, Oilcon oil cooling units and other distinctive products. Demand for hydraulic equipment for construction vehicles from the United States and China also contributed to this growth.

Increased orders for ammunition for Japan's Self-Defense Forces bolstered sales in the Defense Division.

As a result, total sales from other divisions increased 8.4% year on year, to ¥20,204 million, with operating income of ¥408 million.

On a nonconsolidated basis, total sales increased 3.0% year on year, to ¥223,952 million, operating income decreased 6.8% year on year, to ¥9,637 million, ordinary income fell 15.2% year on year, to ¥11,679 million, and interim net income rose 30.3% year on year, to ¥11,330 million.

(2) Projected Business Results for the Full Business Year

Although there are concerns about inflationary pressure due to higher crude oil prices, as well as interest rate hikes, the global economy is expected to remain on a mild recovery path in view of continued growth of the Chinese and Asian economies and expansion in demand from semiconductor and information technology markets. The Japanese economy is expected to continue benefiting from demand growth, led by increases in capital investment and strong personal consumption against a background of steady corporate performance.

In this operating environment, during the second half of the fiscal year as well, we anticipate increased sales resulting from demand for commercial air conditioners in China and Europe, and owing to robust demand in the Chemicals Division. In line with continuing global increases in demand for air conditioners and chemicals, we will work to bolster sales in growth markets. At the same time, to offset the impact of higher raw materials prices we will endeavor to reduce manufacturing costs, and implement thorough measures to prop up or raise selling prices. We are also implementing measures to reform our profit structure by steadily constraining working capital requirements.

At the same time, to support the growth of our operations we will recruit and train global personnel, substantially raise quality, ensure thorough operational safety and enhance our operating base on the strength of our products and technologies. Such initiatives should establish the foundations for ongoing growth and development in upcoming fiscal years.

The current fiscal year marks the launch of the "Fusion 10" strategic management plan, and we are putting forth every effort to achieve this plan's objectives. We expect the synergies resulting from our acquisition of OYL Industries BHD Co., Ltd., to accelerate these Groupwide objectives.

In the full 2006 fiscal year, our consolidated business results forecast calls for net sales of ¥890.0 billion, up 12% from the preceding term; operating income of ¥76.0 billion, up 13%; ordinary income of ¥72.0 billion, up 5%; and net income of ¥43.5 billion, up 7%.

On a nonconsolidated basis, we forecast net sales of ¥437.0 billion, approximately the same level as during the preceding fiscal year; operating income of ¥19.5 billion, down 19%; ordinary income of ¥29.5 billion, down 9%; and net income of ¥24.0 billion, up 12%.

As our acquisition of OYL Industries BHD was completed after October, the company will not be incorporated into our second-half consolidated accounts. We expect to consolidate the company during the upcoming fiscal year. Consequently, these forecasts exclude OYL Industries BHD's business performance.

Notes:

Exchange rates for the fiscal year are assumed to stand at ¥145 per euro and ¥115 to the dollar.

We intend to raise annual dividends per share by ¥6, to ¥28, comprising an interim dividend of ¥14 and a year-end dividend of ¥14.

Statements made with respect to expectations and forecasts are forward-looking statements based on information available at present and certain assumptions that we consider reasonable. A number of factors, some major ones of

which are explained below, could cause actual results to differ materially from those discussed in the forward-looking statements:

- Drastic changes in the political and economic situations and demand for products in the major markets of Japan, Europe, the United States, and China and other Asian countries
- Fluctuations in demand for air conditioning equipment due to a cold summer and unseasonable weather
- Drastic changes in exchange markets (especially the euro and dollar markets)
- Serious trouble related to quality and manufacturing
- Fluctuations in the market value of securities and other assets held by the Company

2. Financial Position

Net cash provided by operating activities was ¥33,610 million, attributable to a rise of income before income taxes and minority interests. Net cash used in investing activities was ¥37,931 million, due to the acquisition of fixed assets and other factors. Net cash used in financing activities was ¥19,534 million, arising from such factors as increases in short- and long-term borrowings. As a result, cash and cash equivalents at the end of interim term under review amounted to ¥69,728 million.

Consolidated Interim Statements of Income

(Millions of yen)

Accounts	Current interim term (From April 1, 2006, to September 30, 2006)		Previous interim term (From April 1, 2005, to September 30, 2005)		Changes	Previous year (From April 1, 2005, to March 31, 2006)	
Net sales		442,692		390,495		52,197	792,857
Cost of sales		290,683		250,807		39,876	522,385
Gross profit	(34.3)	152,009	(35.8)	139,688		12,321	(34.1) 270,471
Selling, general and administrative expenses		110,747		100,383		10,363	203,394
Operating income	(9.3)	41,262	(10.1)	39,305		1,957	(8.5) 67,077
Non-operating income		4,096		3,441		654	8,282
Interest income		696		569		126	1,324
Dividend income		583		463		120	726
Equity in earnings of unconsolidated subsidiaries and associated companies		281		227		53	505
Exchange gains		664		—		664	1,049
Income from penalty		—		778		(778)	778
Others		1,871		1,403		467	3,899
Non-operating expenses		3,639		3,873		(234)	6,677
Interest expenses		2,660		2,427		233	4,614
Exchange losses		—		119		(119)	—
Others		978		1,326		(348)	2,062
Ordinary income	(9.4)	41,719	(10.0)	38,873		2,845	(8.7) 68,682
Extraordinary income		5,481		1,188		4,292	2,696
Gain on sales of investment securities		19		1,188		(1,168)	1,248
Gain on partial termination of defined benefit plan		681		—		681	—
Gain on transfer of system of mechanical parking equipment maintenance business		700		—		700	—
Exchange hedge gain on the transaction of acquiring associated company		4,080		—		4,080	—
Gain on insurance for fire of a warehouse in Spain—net		—		—		—	1,447
Extraordinary loss		690		3,379		(2,688)	3,838
Loss on disposals of property, plant and equipment		407		344		63	1,045
Write-down of investment securities		23		22		1	44
Loss on restructuring of associated companies		260		—		260	—
Impairment loss		—		796		(796)	796
Loss on fire of a warehouse in Spain		—		260		(260)	—
Loss on withdrawal from multilevel car parking system business		—		1,955		(1,955)	1,952
Income before income taxes and minority interests	(10.5)	46,509	(9.4)	36,683		9,826	(8.5) 67,540
Income taxes—current		11,816		10,804		1,012	23,936
Income taxes—deferred		9,474		2,454		7,020	274
Minority interests		1,247		1,238		9	2,621
Net income	(5.4)	23,970	(5.7)	22,185		1,784	(5.1) 40,708

Consolidated Interim Balance Sheets

(Millions of yen)

Accounts	Current interim term (As of September 30, 2006)	Previous interim term (As of September 30, 2005)	Changes	Previous year (As of March 31, 2006)
(Assets)				
Current assets	422,904	367,931	54,972	390,970
Cash and deposits with banks	70,940	55,648	15,291	55,461
Trade receivables—notes and accounts	157,409	125,173	32,235	147,679
Marketable securities	—	3,000	(3,000)	—
Inventories	156,972	151,246	5,725	149,242
Deferred tax assets	14,278	13,376	902	14,845
Others	25,985	22,084	3,901	26,564
Allowance for doubtful receivables	(2,682)	(2,598)	(84)	(2,821)
Fixed assets	357,229	275,945	81,283	328,411
Tangible fixed assets	199,780	182,247	17,533	196,485
Buildings and structures	54,917	51,290	3,626	55,568
Machinery & equipment, and delivery equipment	91,804	77,015	14,788	89,571
Land	24,400	23,381	1,019	24,263
Construction in progress	10,517	14,420	(3,902)	9,239
Others	18,141	16,139	2,001	17,842
Intangible fixed assets	13,057	13,131	(73)	13,632
Trade rights	—	1,581	(1,581)	1,280
Goodwill	6,582	—	6,582	—
Consolidation goodwill	—	5,657	(5,657)	5,426
Others	6,475	5,892	582	6,925
Investment and other assets	144,390	80,566	63,823	118,293
Investment securities	120,333	69,815	50,517	107,730
Long-term loan receivables	1,230	1,332	(101)	1,280
Deferred tax assets	2,210	1,993	216	2,044
Prepaid pension expenses	13,452	—	13,452	—
Others	8,363	8,696	(332)	8,370
Allowance for doubtful receivables	(1,199)	(1,270)	71	(1,131)
Total assets	780,133	643,877	136,255	719,382

(Millions of yen)

Accounts	Current interim term (As of September 30, 2006)	Previous interim term (As of September 30, 2005)	Changes	Previous year (As of March 31, 2006)
(Liabilities)				
Current liabilities	317,598	258,844	58,753	284,453
Trade payables–notes and accounts	79,972	68,208	11,764	84,252
Short-term borrowings	56,927	56,503	424	53,044
Commercial paper	80,498	48,668	31,829	60,642
Current portion of long-term debts	5,446	2,766	2,680	3,277
Current portion of straight bonds	—	10,000	(10,000)	—
Income taxes payable	8,159	8,497	(338)	7,643
Reserves for guarantee for finished products	10,338	9,095	1,242	9,542
Accrued expenses	31,830	28,382	3,447	29,785
Others	44,425	26,722	17,702	36,264
Long-term liabilities	85,715	70,572	15,142	80,198
Straight bonds	20,000	20,000	—	20,000
Long-term debt	36,060	35,014	1,046	36,030
Other long-term liabilities	10,860	564	10,295	564
Deferred tax liabilities	17,305	10,513	6,792	18,530
Liabilities for retirement benefits	1,487	4,479	(2,992)	5,072
Total liabilities	403,314	329,417	73,896	364,651
(Minority interests)				
Minority interests	—	10,260	—	11,238
(Shareholders' Equity)				
Common stock	—	28,023	—	28,023
Capital surplus	—	25,969	—	25,968
Retained earnings	—	234,852	—	250,247
Net unrealized gain on available-for-sale securities	—	20,092	—	33,053
Foreign currency translation adjustments	—	(3,132)	—	7,749
Treasury stock	—	(1,606)	—	(1,550)
Total shareholders' equity	—	304,199	—	343,492
Total liabilities, minority interests and shareholders' equity	—	643,877	—	719,382
(Net Assets)				
Shareholders' equity	322,684	—	—	—
Common stock	28,023	—	—	—
Capital surplus	25,968	—	—	—
Retained earnings	271,200	—	—	—
Treasury stock	(2,507)	—	—	—
Valuation, currency translation and other adjustments	41,571	—	—	—
Net unrealized gain on available-for-sale securities	29,680	—	—	—
Net loss on deferred hedging	(32)	—	—	—
Foreign currency translation adjustments	11,924	—	—	—
Stock acquisition rights	219	—	—	—
Minority interests	12,343	—	—	—
Total net assets	376,819	—	—	—
Total liabilities and net assets	780,133	—	—	—

Consolidated Interim Statements of Changes in Shareholders' Equity

Current interim term (from April 1, 2006, to September 30, 2006)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	28,023	25,968	250,247	(1,550)	302,689
Changes during the interim term under review					
Dividends from retained earnings*			(2,895)		(2,895)
Bonuses to directors and corporate auditors*			(110)		(110)
Net income			23,970		23,970
Repurchase of treasury stock				(1,160)	(1,160)
Disposal of treasury stock			(11)	203	191
Net changes to items other than shareholders' equity during the interim term under review					
Total changes during the interim term under review	—	—	20,953	(957)	19,995
Balance as of September 30, 2006	28,023	25,968	271,200	(2,507)	322,684

	Valuation, currency translation and other adjustments				Stock acquisition rights	Minority interests	Total net assets
	Net unrealized gain (loss) on available-for-sale securities	Net loss on deferred hedging	Foreign currency translation adjustments	Total valuation, currency translation and other adjustments			
Balance as of March 31, 2006	33,053	—	7,749	40,803	—	11,238	354,730
Changes during the interim term under review							
Dividends from retained earnings*							(2,895)
Bonuses to directors and corporate auditors*							(110)
Net income							23,970
Repurchase of treasury stock							(1,160)
Disposal of treasury stock							191
Net changes to items other than shareholders' equity during the interim term under review	(3,373)	(32)	4,174	768	219	1,105	2,093
Total changes during the interim term under review	(3,373)	(32)	4,174	768	219	1,105	22,088
Balance as of September 30, 2006	29,680	(32)	11,924	41,571	219	12,343	376,819

* Appropriation of income was resolved at the Ordinary General Meeting of Shareholders in June 2006.

Consolidated Interim Statements of Surplus

Current interim term (From April 1, 2006, to September 30, 2006)

(Millions of yen)

Accounts	Previous interim term (From April 1, 2005, to September 30, 2005)	Previous year (From April 1, 2005, to March 31, 2006)
(Capital surplus)		
Capital surplus at the beginning of year	25,971	25,971
Decrease in capital surplus	2	3
Reversal of gains on disposal of treasury stock	2	3
Capital surplus at the end of interim term	25,969	25,968
(Retained earnings)		
Retained earnings at the beginning of year	215,681	215,681
Increase in retained earnings	22,185	40,731
Net income	22,185	40,708
Cumulative effect of consolidating subsidiaries previously unconsolidated	—	23
Decrease in retained earnings	3,013	6,165
Dividends	2,895	5,790
Bonuses to directors and corporate auditors	110	110
Disposal of treasury stock	—	0
Effect of change of the fiscal year-end of certain consolidated subsidiaries	—	264
Cumulative effect of consolidating subsidiaries previously unconsolidated	7	—
Retained earnings at the end of interim term	234,852	250,247

Consolidated Interim Statements of Cash Flows

(Millions of yen)

Accounts	Current interim term (From April 1, 2006, to September 30, 2006)	Previous interim term (From April 1, 2005, to September 30, 2005)	Previous year (From April 1, 2005, to March 31, 2006)
I. Cash flows from operating activities			
Income before income taxes and minority interests	46,509	36,683	67,540
Depreciation	14,980	12,862	28,409
Interest expenses	3,008	2,662	5,117
Write-down of investment securities	23	22	44
Decrease (increase) in trade notes and accounts receivable	(6,965)	12,360	(8,402)
Increase in inventories	(5,452)	(11,419)	(5,084)
Increase (decrease) in accounts payable	(5,457)	(10,922)	4,945
Other—net	(4,883)	(3,741)	(4,020)
Subtotal	41,763	38,506	88,549
Income taxes paid	(11,131)	(11,574)	(25,281)
Other—net	2,979	6	243
Net cash provided by operating activities	33,610	26,938	63,511
II. Cash flows from investing activities			
Purchases of property, plant and equipment	(19,914)	(26,559)	(46,168)
Payments to acquire investment securities	(18,005)	(1,056)	(18,089)
Other—net	(11)	20	838
Net cash used in investing activities	(37,931)	(27,595)	(63,420)
III. Cash flows from financing activities			
Net increase in short-term borrowings	22,888	9,171	15,759
Increase in long-term debt	3,920	1,356	1,903
Repayments of long-term debt	(2,042)	(4,528)	(4,418)
Payment of cash dividends	(2,895)	(2,895)	(5,790)
Other—net	(2,336)	(1,792)	(11,737)
Net cash provided by (used in) financing activities	19,534	1,311	(4,283)
IV. Effect of exchange rate changes on cash and cash equivalents	336	863	3,226
V. Net increase or decrease in cash and cash equivalents	15,551	1,517	(966)
VI. Cash and cash equivalents at the beginning of the year	54,177	55,385	55,385
VII. Cash and cash equivalents of newly consolidated subsidiaries, at the beginning of the year	—	1	346
VIII. Effect of the change of the fiscal year-end of consolidated subsidiaries	—	—	(588)
IX. Cash and cash equivalents at the end of the interim term	69,728	56,904	54,177

Significant Items Pertaining to the Preparation of the Consolidated Financial Statements

1. Matters Related to the Scope of Consolidation

(1) Number of consolidated subsidiaries: 100

Major consolidated subsidiaries Daikin Applied Systems Co., Ltd., Daikin Air Conditioning & Technology Tokyo Co., Ltd., Daikin Airconditioning & Technology Osaka Co., Ltd., Daikin Airconditioning & Technology Kyushu Co., Ltd., Daikin Air Conditioning & Technology Tokai Co., Ltd., Daikin Europe N.V., Daikin Industries (Thailand) Ltd., Shanghai Daikin Air conditioning Co., Ltd., Daikin America, Inc., Daikin Fluorochemicals (China) Co., Ltd.

(Newly added) Due to new establishment:
Daikin Air Conditioning Greece S.A.

(2) Number of non-consolidated subsidiaries: 9

The impact of total assets, net sales, net income and retained earnings and others of non-consolidated subsidiaries on the respective consolidated total assets, consolidated net sales, consolidated net income and consolidated retained earnings and others is insignificant. For this reason, these companies are excluded from consolidation.

2. Matters Concerning the Application of the Equity Method

(1) Number of companies accounted for by the equity method: 9

Number of non-consolidated subsidiaries to which the equity method is applied: 1
Daikin America Funding Corporation

Number of associated companies accounted for by the equity method: 8

Major associated companies:
Moritani Daikin Co., Ltd., Nikko Engineering Co., Ltd., MDA Manufacturing, Inc.

3. Matters Concerning the Interim Closing Dates of Consolidated Subsidiaries

Of the consolidated subsidiaries, the interim closing date for the settlement of accounts of Shanghai Daikin Air conditioning Co., Ltd., and 20 other consolidated companies is June 30. In preparing the consolidated interim financial statements, we use the financial statements made available as of June 30 for these consolidated subsidiaries. As for any significant transactions made between the interim closing date of their respective settlement of accounts and the interim closing date of our consolidated settlement of accounts, we apply adjustments that are required for consideration.

4. Matters Concerning Accounting Standards

(1) Standards and method of assessment of assets

1) Securities

Available-for-sale securities

Securities with market values: The market value method based on market prices, etc., on the date of the interim settlement of accounts (the assessment difference is treated by the full capital inclusion method, and the cost of sale is calculated mainly by the moving average method)

Securities without market value: The cost method by the moving average method

2) Derivatives: The market value method

3) Inventories: For assessment, domestic companies mainly use the cost accounting method by the gross average method, whereas overseas companies mainly use the lower-of-cost-or-market method by the gross average method.

(2) Method of depreciation of significant depreciable assets:

Domestic companies use the diminishing method, provided that the straight-line method is used for buildings (excluding fixtures) that were acquired on and after April 1, 1998. Overseas subsidiaries mainly use the straight-line method based on the estimated service life.

The service life of major items is as follows:

Buildings and structures: 15–50 years

Machinery and equipment, and delivery equipment: 5–15 years

(3) Standards for appropriation of significant reserves

1) Allowance for doubtful receivables

To prepare for the losses due to uncollectible bad debts, we review the possibility of collecting debts in general based on the loan-loss ratio, and that of collecting special debts such as the debts that are likely to become bad debts, on an individual basis, and appropriate an estimated amount of uncollectible debts.

2) Reserves for guarantee for finished products

We appropriate the reserves for free repair costs on sold products based on the past track record, factoring in prospective future guarantees.

3) Allowance for retirement benefits

To prepare for employee's severance and retirement benefits, we appropriate the liability for retirement benefits at an amount recognized to have accrued as of the interim closing date, based on the estimated amount of the liabilities of severance and retirement benefits and that of pension assets as of March 31, 2007.

As for difference due to the revision of accounting standards, the amount proportionately divided over 7 years is treated as cost.

As for actuarial difference in terms of mathematical computation, the amount proportionately divided by the straight-line method in a certain number of years (10 years) within the average remaining service period of employees at the time of occurrence of such liabilities is treated as cost from the next accounting year.

As for past service liabilities, the amount proportionately divided by the straight-line method in a certain number of years (10 years) within the average remaining service period of employees at the time of occurrence of such liabilities is treated as cost

(Additional information)

The Company and certain subsidiaries abolished part of the qualified retirement pension plan and adopted a defined contribution pension system, effective on June 1, 2006, and adopted Accounting Standard No. 1 regarding the transition between severance systems, issued on January 31, 2002 by Accounting Standards Board of Japan. This transition led to appropriation of special income of ¥681 million

(4) Methods of treatment of lease deals

Finance lease deals other than those that transfer the ownership rights of leased properties to lessees are subject in principle to the accounting treatment in conformance with the methods of normal lease deals.

(5) Method of hedge accounting

1) Method of hedge accounting

For the Daikin Group, the deferral hedge accounting treatment is applied in principle. As to the forward-exchange contracts eligible for allocation treatment, allocation treatment is applied. As for the interest rate swaps that meet the requirements for special treatment, special treatment is applied.

2) Means of hedging and hedge coverage

For the purpose of avoiding foreign currency risks, the Daikin Group deems foreign exchange contracts, currency swaps and currency options as means of hedging, and foreign currency financial assets and liabilities including foreign currency monetary claims and debts as hedge coverage. As to interest rate fluctuation risks, interest rate swaps and interest rate options are deemed as means of hedging, whereas financial liabilities including borrowings from banks are deemed as hedge coverage.

3) Hedging policy and assessment method of the effectiveness of hedges

The Daikin Group's risk management places emphasis on effective utilization of derivative deals aimed to avoid foreign currency fluctuation risks exposed to assets and liabilities and reduce interest payments for the purpose of circumventing unexpectedly large management loss. A regular test is conducted on the effectiveness of hedging functions of the derivatives held by the Daikin Group. Any additional derivative deal of any kind is subject to the above test as to the hedging functions of that particular derivative prior to the start of such derivative deals. The effectiveness of the hedge is judged by comparing the cumulative total of the market fluctuations or the cash flow fluctuations for the hedge coverage and that of the market fluctuations or the cash flow fluctuations for the means of hedging. Such techniques as regression analysis are used whenever necessary. The same check system is adopted in the Company's consolidated subsidiaries.

(6) Accounting treatment of consumption taxes

Accounting for consumption taxes is performed using the tax exclusion method.

5. Scope of Funds in the Consolidated Interim Statements of Cash Flows

Cash and cash equivalents in the consolidated interim statements of cash flows are composed of the funds on hand, savings that can be drawn at any time, and the short-term investments that can be easily converted into cash and that have little risk of fluctuation of values because they are redeemable within three months from the date of acquisition.

6. Change in Accounting Method

(Accounting Standards on the Presentation of Net Assets on Balance Sheets)

Effective from the current interim term ended September 30, 2006, the Company has adopted the "Accounting Standard for the Presentation of Net Assets on Balance Sheets" (Accounting Standard No. 5 issued on December 9, 2005) and the "Implementation Guideline on the Accounting Standard for the Presentation of Net Assets on Balance Sheets" (Accounting Standard Implementation Guideline No. 8 issued on December 9, 2005). As a result, the amount of capital at the end of the first half was ¥364,289 million.

(Accounting Standard for Stock Options)

From the interim term under review, the Accounting Standard for Stock Options (Accounting Standard No. 8, issued on December 27, 2005) and the Implementation Guideline on the Accounting Standard for Stock Options (Accounting Standard Implementation Guideline No. 11, issued on May 31, 2006) are applied. As a result, operating income, ordinary income and income before income taxes were each reduced by ¥219 million.

Consolidated Interim Balance Sheets

	Current interim term As of September 30, 2006	Previous interim term As of September 30, 2005	(Millions of yen) Previous year As of March 31, 2006
1. Accumulated depreciation of tangible fixed assets	353,211	335,027	346,863
2. Contingent liabilities			
Liabilities on guarantee			
Guarantee	—	150	—
Commitment to guarantee	1,267	926	1,082
3. Assets pledged as collateral			
Tangible fixed assets	48,283	47,520	48,183
Time deposits	1,212	1,284	1,284
Accounts receivable - trade	5,649	4,446	6,203
Inventories	7,341	4,562	4,611
Others	1,362	344	713

Lease Deals

Descriptions are omitted as they are disclosed on the EDINET.

Securities

1. Available-for-sale securities with market values

(Millions of yen)

Category	Current interim term As of September 30, 2006			Previous interim term As of September 30, 2005			Previous year As of March 31, 2006		
	Acquisition cost	Book value per consolidated interim balance sheets	Unrealized gains	Acquisition cost	Book value per consolidated interim balance sheets	Unrealized gains	Acquisition cost	Book value per consolidated balance sheets	Unrealized gains
Stocks	62,399	112,055	49,655	27,935	61,432	33,496	44,908	100,106	55,197
Other	503	811	307	503	746	243	503	948	444
Total	62,903	112,866	49,963	28,439	62,179	33,739	45,412	101,055	55,642

2. Available-for-sale securities without marketable value

(Millions of yen)

Category	Current interim term As of September 30, 2006	Previous interim term As of September 30, 2005	Previous year As of March 31, 2006
	Book value per consolidated interim balance sheets	Book value per consolidated interim balance sheets	Book value per consolidated balance sheets
Unlisted shares	1,892	1,911	1,909
Others	1,520	5,233	1,032

Derivative Deals

Descriptions are omitted as they are disclosed on the EDINET.

Stock Options

Descriptions are omitted as they are disclosed on the EDINET.

Segment Information

1. Industry Segments

(Millions of yen)

	Air Conditioning	Chemicals	Others	Total	Eliminations	Consolidated	
Current interim term	Net sales and operating income or loss						
	Net sales	[14.1]	[10.7]	[8.4]	[13.4]	[13.4]	
	(1) Sales to outside customers	366,395	56,092	20,204	442,692	—	442,692
	(2) Intersegment sales	230	2,515	2	2,748	(2,748)	—
	Total	366,626	58,608	20,207	445,441	(2,748)	442,692
	Operating expenses	332,619	51,715	19,799	404,134	(2,703)	401,430
Operating income (loss)	<9.3> 34,006	<12.3> 6,892	<2.0> 408	<9.3> 41,307	(44)	<9.3> 41,262	
Previous interim term	Net sales and operating income or loss						
	Net sales	[3.9]	[4.1]	[15.4]	[4.4]	[4.4]	
	(1) Sales to outside customers	321,172	50,681	18,641	390,495	—	390,495
	(2) Intersegment sales	238	1,588	9	1,836	(1,836)	—
	Total	321,410	52,270	18,651	392,331	(1,836)	390,495
	Operating expenses	285,901	47,413	19,713	353,028	(1,838)	351,190
Operating income (loss)	<11.1> 35,509	<9.6> 4,856	<- 5.7> (1,062)	<10.1> 39,303	1	<10.1> 39,305	
Previous year	Net sales and operating income or loss						
	Net sales	[8.9]	[7.8]	[9.5]	[8.8]	[8.8]	
	(1) Sales to outside customers	641,657	107,411	43,788	792,857	—	792,857
	(2) Intersegment sales	487	3,376	19	3,883	(3,883)	—
	Total	642,145	110,787	43,808	796,740	(3,883)	792,857
	Operating expenses	585,034	100,034	44,582	729,651	(3,870)	725,780
Operating income (loss)	<8.9> 57,110	<10.0> 10,753	<-1.8> (773)	<8.5> 67,089	(12)	<8.5> 67,077	

Notes

- Business segments are determined by taking into account the similarities of kinds, manufacturing methods and sales methods of products.
- The figures expressed in < > indicate the ratio to the net sales, and those expressed in [] indicate the year over year rate of growth over the previous interim term/fiscal year.
- Major products included in each business segment are as follows:
 - Air Conditioning Residential air conditioners, Commercial air conditioners and refrigeration equipment, Air conditioning and refrigeration equipment for marine vessels, Electronic systems
 - Chemicals Fluorocarbon gas, Fluoroplastics, Chemical products, Chemical engineering machines
 - Others Hydraulic equipment for industrial machinery, Hydraulic equipment for construction machinery and vehicles, Centralized lubrication units and systems, Multilevel car-parking systems, Ammunition, Warheads for guided missiles, Aircraft parts

2. Geographical Segments

(Millions of yen)

	Japan	Europe	America	Asia and Oceania	Other	Total	Eliminations	Consolidated	
Current interim term	Net sales and operating income or loss								
	Net sales	[4.3%]	[26.8%]	[22.2%]	[28.4%]	[30.2%]	[13.4%]	[13.4%]	
	(1) Sales to outside customers	244,229	110,019	18,524	68,507	1,412	442,692	—	442,692
	(2) Intersegment sales	52,922	1,963	1,731	36,688	—	93,305	(93,305)	—
	Total	297,152	111,982	20,255	105,195	1,412	535,998	(93,305)	442,692
	Operating expenses	282,270	96,497	18,964	97,642	1,430	496,803	(95,373)	401,430
Previous interim term	Net sales and operating income or loss								
	Net sales	[4.6%]	[-6.3%]	[13.2%]	[24.1%]	[8.8%]	[4.4%]	[4.4%]	
	(1) Sales to outside customers	234,154	86,745	15,163	53,346	1,084	390,495	—	390,495
	(2) Intersegment sales	43,426	1,380	1,010	36,758	—	82,575	(82,575)	—
	Total	277,580	88,125	16,174	90,105	1,084	473,071	(82,575)	390,495
	Operating expenses	263,330	76,368	16,581	78,318	1,069	435,669	(84,479)	351,190
Previous year	Net sales and operating income or loss								
	Net sales	[5.8%]	[8.7%]	[22.4%]	[18.6%]	[11.0%]	[8.8%]	[8.8%]	
	(1) Sales to outside customers	465,539	174,810	33,443	116,276	2,786	792,857	—	792,857
	(2) Intersegment sales	96,162	3,270	3,571	67,278	—	170,283	(170,283)	—
	Total	561,702	178,081	37,015	183,555	2,786	963,141	(170,283)	792,857
	Operating expenses	531,341	165,635	36,703	163,344	2,640	899,666	(173,886)	725,780
Operating income	<6.5%> 30,360	<7.1%> 12,445	<0.9%> 311	<17.4%> 20,211	<5.2%> 145	<8.0%> 63,474	3,602	<8.5%> 67,077	

Note: The figures expressed in < > indicate the ratio to the net sales, and those expressed in [] indicate the year over year rate of change over the previous interim term/fiscal year.

3. Sales to Foreign Customers

(Millions of yen)

	Asia and Oceania	Europe	America	Other	Total	
Current interim term	I. Overseas sales	82,402	108,955	21,741	4,333	217,433
	II. Consolidated sales					442,692
	III. Ratio of overseas sales to consolidated sales	18.6%	24.6%	4.9%	1.0%	49.1%
Previous interim term	I. Overseas sales	66,391	90,289	16,409	4,105	177,196
	II. Consolidated sales					390,495
	III. Ratio of overseas sales to consolidated sales	17.0%	23.1%	4.2%	1.1%	45.4%
Previous year	I. Overseas sales	143,310	178,821	36,403	8,965	367,500
	II. Consolidated sales					792,857
	III. Ratio of overseas sales to consolidated sales	18.1%	22.6%	4.6%	1.1%	46.4%

(Significant subsequent events)

On October 11, 2006, the Company acquired 45.2% of the shares of OYL Industries BHD Co., Ltd., by mutual transaction. Further, through tender offer of this stock on October 6, 2006, we had acquired stock corresponding to 99.3% of total share voting rights as of November 10, 2006.

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