Translation

November 14, 2006

Summary of Nonconsolidated 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)
President and Representative Director: Yukiyoshi Okano
For more information, contact Michio Shiba, General Manager of the Public Relations Department of the Head Office (Tel:＋81-6-6373-4348) or Takeo Inoue, Manager in charge of the Public Relations Department of the Tokyo Office (Tel:＋81-3-6716-0112)
Date of board meeting on interim settlement of accounts: November 14, 2006
Commencement date of dividend payments: December 11, 2006
Trading unit of the Company's shares: 100 shares

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

(1) Nonconsolidated 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	223,952	3.0	9,637	(6.8)	11,679	(15.2)
Interim term ended September 30, 2005	217,456	(1.2)	10,340	36.3	13,766	49.2
Year ended March 31, 2006	434,986		24,085		32,562	

	Net income		Net income per share
	Millions of yen	%	Yen
Interim term ended September 30, 2006	11,330	30.3	43.06
Interim term ended September 30, 2005	8,693	38.2	33.03
Year ended March 31, 2006	21,381		80.82

Notes:
1) The average number of shares was 263,106,442 shares in the interim term ended September 30, 2006; 263,217,837 shares in the interim term ended September 30, 2005; and 263,201,831 shares in the year ended March 31, 2006.
2) Change in accounting methods: No
3) The figures expressed in % for 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) Nonconsolidated 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	522,692	252,136	48.2	957.96
Interim term ended September 30, 2005	442,469	224,993	50.8	854.93
Year ended March 31, 2006	499,240	247,873	49.7	941.37

Notes:
1. The number of issued shares was 262,973,314 shares at September 30, 2006; 263,172,088 shares at September 30, 2005; and 263,194,961 shares at March 31, 2006.
2. The number of treasury shares was 840,659 shares at September 30, 2006; 641,885 shares at September 30, 2005; and 619,012 shares at March 31, 2006.

2. Projected 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	437,000	29,500	24,000

Reference: Projected net income per share (full-year): ¥91.26

3. Dividends

Cash dividends	Dividend per share (yen)		
	Interim dividend per share	Year-end dividend per share	Annual dividend per share
Year ended March 31, 2006	11.00	11.00	22.00
Year ending March 31, 2007 (actual)	14.00	—	28.00
Year ending March 31, 2007 (projection)	—	14.00	

The above projections are premised on related information described on page 11, in the Summary of Consolidated Interim Financial Results (for the six months ended September 30, 2006)

Nonconsolidated 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		**223,952**		**217,456**	**6,496**		**434,986**
Cost of sales		165,779		160,963	4,815		319,474
Gross profit	**(26.0)**	**58,173**	**(26.0)**	**56,492**	**1,680**	**(26.6)**	**115,512**
Selling, general and administrative expenses		48,535		46,151	2,383		91,426
Operating income	**(4.3)**	**9,637**	**(4.8)**	**10,340**	**(702)**	**(5.5)**	**24,085**
Non-operating income		**2,991**		**4,431**	**(1,439)**		**10,435**
Interest income		103		101	1		219
Dividend income		2,503		3,033	(529)		7,855
Exchange gains		72		242	(169)		666
Income from penalty		—		778	(778)		778
Others		312		276	35		916
Non-operating expenses		**949**		**1,005**	**(55)**		**1,959**
Interest expenses		385		489	(104)		934
Sales discount		379		340	38		652
Others		185		174	10		371
Ordinary income	**(5.2)**	**11,679**	**(6.3)**	**13,766**	**(2,087)**	**(7.5)**	**32,562**
Extraordinary income		**5,591**		**1,189**	**4,402**		**1,811**
Gain on sales of investment securities		19		1,188	(1,168)		1,247
Reversal of allowance for doubtful receivables		—		0	(0)		564
Gain on partial termination of defined benefit plan		792		—	792		—
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		—
Extraordinary loss		**403**		**2,532**	**(2,128)**		**3,829**
Loss on disposals of fixed assets		380		342	37		825
Write-down of investment securities		23		22	1		22
Write-down of investment in subsidiary		—		—	—		817
Impairment loss		—		211	(211)		211
Loss on withdrawal from multilevel car parking system business		—		1,955	(1,955)		1,952
Income before income taxes	**(7.5)**	**16,867**	**(5.7)**	**12,423**	**4,443**	**(7.0)**	**30,544**
Income taxes–current		**2,395**		**1,178**	**1,216**		**8,776**
Income taxes–deferred		**3,141**		**2,552**	**589**		**386**
Net income	**(5.1)**	**11,330**	**(4.0)**	**8,693**	**2,637**	**(4.9)**	**21,381**

Nonconsolidated 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	**190,989**	**182,179**	**8,810**	**195,294**
Cash and deposits with banks	32,453	27,948	4,505	22,896
Notes receivable–trade	1,717	2,491	(774)	1,887
Accounts receivable–trade	54,539	49,599	4,939	68,243
Marketable securities	—	3,000	(3,000)	—
Finished products and merchandise	28,911	29,104	(193)	30,724
Work in progress	34,449	33,636	813	30,843
Raw materials and supplies	3,574	3,510	64	3,437
Prepaid expenses	873	760	112	607
Deferred tax assets	6,010	5,866	144	8,213
Short-term loan receivables	14,912	14,231	681	13,520
Accounts receivable–other	11,829	11,001	827	13,918
Other current assets	1,765	1,093	671	1,062
Allowance for doubtful receivables	(47)	(64)	16	(59)
Fixed assets	**331,702**	**260,290**	**71,412**	**303,945**
Tangible fixed assets	**98,593**	**94,561**	**4,032**	**97,785**
Buildings	25,176	25,533	(356)	25,419
Structures	2,720	2,555	164	2,667
Machinery and equipment	41,269	37,632	3,637	40,063
Vehicles and delivery equipment	68	60	7	74
Furniture and fixtures	8,028	7,518	510	7,598
Land	19,767	19,767	—	19,767
Construction in progress	1,561	1,492	68	2,193
Intangible fixed assets	**1,791**	**1,564**	**226**	**1,763**
Patents, etc.	1,791	1,564	226	1,763
Investment and other assets	**231,317**	**164,164**	**67,153**	**204,396**
Investment securities	166,355	113,837	52,517	152,746
Investments in and advances to unconsolidated subsidiaries and associated companies	47,333	45,480	1,853	46,825
Long-term loan receivables	1,073	1,121	(47)	1,123
Deposits for guarantee	2,723	2,786	(62)	2,792
Prepaid pension expenses	12,849	—	12,849	—
Others	2,020	2,487	(466)	1,884
Allowance for doubtful receivables	(1,038)	(1,548)	509	(975)
Total assets	**522,692**	**442,469**	**80,222**	**499,240**

(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	**200,795**	**159,406**	**41,388**	**184,177**
Notes payable-trade	3,967	4,166	(198)	4,256
Accounts payable - trade	35,049	30,545	4,503	37,844
Short-term borrowings	26,670	25,280	1,390	26,080
Commercial paper	79,000	40,000	39,000	60,000
Current portion of long-term debts	2,364	515	1,848	515
Current portion of straight bonds	—	10,000	(10,000)	—
Accounts payable–other	9,928	7,211	2,716	5,404
Accrued expenses	17,276	17,322	(46)	18,889
Income tax payable	561	387	173	3,172
Advances received	1,081	1,389	(307)	1,103
Deposits received	8,528	8,394	134	9,348
Reserves for guarantee for finished products	6,679	6,360	318	6,100
Construction payable	9,573	7,680	1,892	11,345
Others	113	151	(37)	114
Long-term liabilities	**69,760**	**58,069**	**11,690**	**67,190**
Straight bonds	20,000	20,000	—	20,000
Long-term debts	22,764	25,142	(2,377)	24,882
Long-term accounts payable	10,174	564	9,609	564
Deferred tax liabilities	16,820	9,186	7,633	18,146
Liabilities for retirement benefits	—	3,175	(3,175)	3,596
Total liabilities	**270,555**	**217,476**	**53,079**	**251,367**
(Common stock)				
Common stock	—	**28,023**	—	**28,023**
Capital surplus	—	**25,968**	—	**25,968**
Additional paid-in capital	—	25,968	—	25,968
Retained earnings	—	**152,741**	—	**162,728**
Legal reserves	—	6,066	—	6,066
Deferred capital gains on sale of property	—	3,170	—	3,170
General reserve	—	130,210	—	130,210
Unappropriated income	—	13,295	—	23,282
Net unrealized gain on available-for-sale securities	—	**19,863**	—	**32,699**
Treasury stock	—	**(1,602)**	—	**(1,546)**
Total shareholders' equity	—	**224,993**	—	**247,873**
Total liabilities and shareholders' equity	—	**442,469**	—	**499,240**
(Net assets)				
Shareholders' equity	**222,530**	—	—	—
Common stock	**28,023**	—	—	—
Capital surplus	**25,968**	—	—	—
Additional paid-in capital	25,968	—	—	—
Retained earnings	**171,042**	—	—	—
Legal reserves	6,066	—	—	—
Other retained earnings				
Deferred capital gains on sales of property	3,170	—	—	—
General reserves	144,210	—	—	—
Unappropriated income	17,596	—	—	—
Treasury stock	**(2,504)**	—	—	—
Valuation, currency translation and other adjustments	**29,387**	—	—	—
Net unrealized gain on available-for-sale securities	**29,399**	—	—	—
Net loss on deferred hedging	**(12)**	—	—	—
Stock acquisition rights	**219**	—	—	—
Total net assets	**252,136**	—	—	—
Total liabilities and net assets	**522,692**	—	—	—

Nonconsolidated 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 share-holders' equity
		Additional paid-in capital	Legal reserves	Other retained earnings			Total retained earning		
				Deferred capital gains on sales of property	General reserves	Unappro-priated income			
Balance as of March 31, 2006	28,023	25,968	6,066	3,170	130,210	23,282	162,728	(1,546)	215,173
Changes during the interim term under review									
Dividends from retained earnings*						(2,895)	(2,895)		(2,895)
Bonuses to directors and corporate auditors*						(110)	(110)		(110)
General reserves*					14,000	(14,000)	—		—
Net income						11,330	11,330		11,330
Repurchase of treasury stock								(1,160)	(1,160)
Disposal of treasury stock						(11)	(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	—	—	—	—	14,000	(5,685)	8,314	(957)	7,356
Balance as of September 30, 2006	28,023	25,968	6,066	3,170	144,210	17,596	171,042	(2,504)	222,530

	Valuation, currency translation and other adjustments			Stock acquisition rights	Total net assets
	Net unrealized gain on available-for-sal e securities	Net loss on deferred hedging	Total valuation, currency translation and other adjustments		
Balance as of March 31, 2006	32,699	—	32,699	—	247,873
Changes during the interim term under review					
Dividends from retained earnings*					(2,895)
Bonuses to directors and corporate auditors*					(110)
General reserves*					—
Net income					11,330
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	(3,300)	(12)	(3,312)	219	(3,093)
Total changes during the interim term under review	(3,300)	(12)	(3,312)	219	4,263
Balance as of September 30, 2006	29,399	(12)	29,387	219	252,136

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

Significant Items Pertaining to the Preparation of the Nonconsolidated Financial Statements

1. Significant Items Pertaining to the Preparation of the Nonconsolidated Financial Statements

(1) Standards and method of assessment of assets

1) Inventories

The cost method by the gross average method

2) Securities

Stocks of subsidiaries and associated companies:

The cost method calculated by the moving average method

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 sales is calculated mainly by the moving average method.)

Securities without market value:

The cost method by the moving average method

3) Derivatives: The market value method

(2) Methods of depreciation of fixed assets:

1) Tangible fixed assets

The diminishing method is used. However, buildings (excluding fixtures) that were acquired on and after April 1, 1998, are depreciated using the straight-line method.

The service life of major items is as follows:

Buildings: 15 to 50 years

Machinery and equipment: 6 to 12 years

Furniture and fixtures: 2 to 6 years

2) Intangible fixed assets

The straight-line method is used. However, software for sales in the market is depreciated by the straight-line method based on the salable effective period (three years).

(3) Standards for appropriation of 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 the estimated amount of uncollectible debts.

2) Reserve for guarantee for finished products

We appropriate the reserve for guarantee for finished products based on the past track records, factoring in prospective guarantees in the future, for the free-repair costs that are expected to be caused on the sold products.

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 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 extraordinary income of ¥792 million.

(4) Methods of treatment of lease deals

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

(5) Method of hedge accounting

1) Method of hedge accounting

At the Company, 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 Company 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, while financial liabilities including borrowings from banks are deemed as hedge coverage.

3) Hedging policy and assessment method of effectiveness of hedges

The Company'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.

The Company has risk management provisions in place, setting forth the upper amount of derivative deals and risk management methods, in accordance with which derivative deals and risk management are carried out. Derivative deal operations are conducted by the Financial Affairs Department, while daily risk management is conducted by the Corporate Planning Department and the implementation status is reported to the Board of Directors of the Company on a regular basis.

A regular test is conducted on the effectiveness of hedging functions of the derivatives held by the Company. Any additional derivative deal of any kind is subject to the above test as to hedging functions of that particular derivative prior to the start of such derivative deals. The effectiveness of the hedge is judged by comparing cumulative total of market fluctuations or cash flow fluctuations for the hedge coverage and that of market fluctuations or cash flow fluctuations for the means of hedging. Such techniques as regression analysis are used whenever necessary.

(6) Accounting treatment of consumption taxes

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

2. 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 ¥251,929 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.

Nonconsolidated Interim Balance Sheets

(Millions of yen)

	Current interim term As of September 30, 2006	Previous interim term As of September 30, 2005	Previous year As of March 31, 2006
1. Accumulated depreciation of tangible fixed assets	265,445	261,712	263,450
2. Contingent liabilities			
Liabilities on guarantee			
Guarantee	124	150	140
Commitment to guarantee	31,995	24,181	28,587
Recognition letters of borrowing, etc.	4,045	3,820	4,523
3. Assets pledged as collateral			
Time deposits	1,212	1,284	1,284
Tangible fixed assets	46,471	45,858	46,535

Lease Deals

Descriptions are omitted as they are disclosed on the EDINET.

Securities

There are no stocks of subsidiaries and associated companies with market values for the current and previous interim terms and the previous year.

(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.