



Brief Report on the Settlement of Accounts (Consolidated) for the Six Months Ended September 30, 2008

November 6, 2008

Name of Listed Company: **Daikin Industries, Ltd.**

Listed on TSE, OSE, NSE, FSE and SSE

Code No.: 6367

(URL: <http://www.daikin.co.jp/>)

President and Representative Director: Yukiyoshi Okano

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Expected date to file a quarterly report: November 13, 2008

Date of start of dividend payments: December 3, 2008

1. Consolidated Business Results for the Six Months Ended September 30, 2008

(From April 1, 2008, to September 30, 2008)

(1) Consolidated Business Results

Note: Amounts less than one million yen are truncated.

Percentages indicate year-over-year increases/decreases.

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended Sep. 30, 2008	666,909	—	65,153	—	62,643	—
Six months ended Sep. 30, 2007	655,458	48.1	80,715	95.6	76,674	83.8

	Net income		Net income per share	Diluted net income per share
	Millions of yen	%	Yen	Yen
Six months ended Sep. 30, 2008	38,656	—	132.37	132.29
Six months ended Sep. 30, 2007	49,104	104.9	176.32	176.19

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Six months ended Sep. 30, 2008	1,241,727	583,558	45.7	1,944.47
Year ended March 31, 2008	1,213,648	563,556	45.3	1,880.01

Note: Shareholders' equity was ¥567,570 million at September 30, 2008, and ¥549,211 million at March 31, 2008.

2. Dividends

(Record Date)	Dividend per common share				
	First quarter	Second quarter	Third quarter	Year-end	Full year
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2008	—	19.00	—	19.00	38.00
Year ending March 31, 2009	—	19.00	—	—	38.00
Year ending March 31, 2009 (prospective)	—		—	19.00	

Note: Changes during the second quarter, ended September 30, 2008, to the prospective dividend for the year ending March 31, 2009: Yes

3. Prospective Consolidated Business Results for the Year Ending March 31, 2009

(From April 1, 2008 to March 31, 2009)

Note: Percentages indicate year-over-year increases/decreases.

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full business year	1,300,000	0.7	105,000	-18.3	100,000	-18.1	61,000	-18.9	208.98

Note: Changes during the second quarter, ended September 30, 2008, to the prospective consolidated business results for the year ending March 31, 2009: Yes

4. Other

- (1) The Status of Changes in Major Subsidiaries (Changes in Specified Subsidiaries that led to Changes in the Scope of Consolidation): None
- (2) Adoption of the Simplified Accounting Treatment and the Accounting Standards for Preparation of Quarterly Consolidated Financial Statements: Yes
(For details, please see “Qualitative Information, Financial Statements, etc. 4. Others.”)
- (3) Changes in Principles, Procedures and Representation of Accounting Procedures Relating to Preparation of the Quarterly Consolidated Financial Statements (Changes of Important Matters as the Basis for the Preparation of Quarterly Consolidated Financial Statements)
 - (i) Changes relating to revisions to accounting standards, etc.: Yes
 - (ii) Changes other than (i) above: Yes
 (For details, please see “Qualitative Information, Financial Statements, etc. 4. Others.”)
- (4) Number of Outstanding Shares (common stock)
 - (i) Number of outstanding shares at term-end (including treasury stock)

As of September 30, 2008	293,113,973
As of March 31, 2008	293,113,973
 - (ii) Number of shares for treasury stock at year-end

As of September 30, 2008	1,224,252
As of March 31, 2008	981,373
 - (iii) Average number of shares during the six months

As of September 30, 2008	292,040,343
As of September 30, 2007	278,502,287

*** Prospective Results and Other Special Items**

(1) The forecasts given above are based on data available at the time of preparation of this document and assumptions that are deemed reasonable. Actual results may differ materially from forecasts as a result of various factors. See “Qualitative Information, Financial Statements, etc. 3. Qualitative Information Regarding Prospects for Consolidated Business Results” for information relating to forecasts.

(2) From the current consolidated fiscal year, we have adopted the ASBJ Statement No. 12 Accounting Standard for Quarterly Financial Reporting and its Implementation Guidance – ASBJ Guidance No. 14 Guidance on Accounting Standard for Quarterly Financial Reporting. We have prepared the quarterly financial statements according to the Regulations for Preparing Quarterly Financial Statements.

Qualitative Information, Financial Statements, etc.

1. Qualitative Information on Consolidated Business Results

During the six months from April 1, 2008, to September 30, 2008, the world economy largely decelerated with the serious impact of the worsening U.S. financial crisis. The vicious cycle of the U.S. financial crisis, along with the deterioration of the real economy led to deceleration in Europe, where actual GDP from April 1 through June 30 recorded a negative growth rate for the first time since the initiation of the Euro. The Chinese and other Asian economies, which were previously showing steady growth, decelerated moderately due to sluggish exports to Japan, the United States and Europe. Given such circumstances, the Japanese economy faced an economic downturn due to stagnant domestic and foreign demand. Consumer confidence plunged and investors restrained their new investments.

In such an operating environment, consolidated net sales of the Daikin Group for the six-month period grew 1.7% to ¥666,909 million.

Consolidated operating income decreased 19.3% year over year to ¥65,153 million, ordinary income decreased 18.3% to ¥62,643 million and net income decreased 21.3% to ¥38,656 million.

An overview of results by business segment follows:

(i) Air-conditioning and refrigeration equipment

In domestic residential air-conditioning systems, demand for room air conditioners during the period from April 1 through June 30 was less than a year earlier, but good weather during the peak season of July through September boosted sales for the six months relative to a year earlier. In particular, our group's sales promotion of the high-value-added *URURU* & *SALALA* lines helped increase net sales and the number of products sold from a year earlier. The *URURU* & *SALALA* lines feature an embedded quiet automatic filter cleaning function and conform to 2010 Energy Saving Standards.

In domestic commercial air-conditioning systems, demand for packaged air conditioners from April through June declined year over year, was level with a year earlier from July through mid-August due to extreme heat and decreased thereafter through September due to a decline in capital investment and a decrease in housing starts reflecting the uncertainties of the economy. Aiming to acquire more of the replacement demand, which accounts for 60% of total demand, the Company introduced the *Clean ZEAS-Q* in May 2008 and conducted sales promotion activities. The *Clean ZEAS-Q* features the industry-first automatic self-cleaning function. Sales promotion activities for this new product included cost-reduction proposals made by Daikin and retail stores that help users reduce maintenance costs and save energy using this product. Such efforts helped maintain net sales almost at the same level as a year earlier.

Overseas sales plunged year over year, thereby decreasing operating income. Despite the year-over-year increase in the number of commercial air-conditioning systems sold in all regions, sales of residential air-conditioning systems were primarily regional. Although sales in China and elsewhere in Asia increased, sales in Europe plummeted due to the impact of economic recession and unseasonable weather. As a whole overseas air-conditioning systems, sales promotion other than Europe region boosted the sales surpassing the previous year's results. However, economic slowdown in Europe depressed the ordinary income below the previous year.

By region, the number of residential air-conditioning systems sold in Europe, especially in Italy, Spain and France, decreased year over year due to the drop in consumer spending. However, we strove to recover sales of commercial air-conditioning systems and heating equipment, and sales largely advanced in emerging markets such as Russia. In China, sales of commercial and residential air-conditioning systems increased from the same period of the previous year and sales advanced especially in provincial cities. In the Asia and Oceania regions as well, sales for commercial and residential air-conditioning systems increased year over year. The sales advance for commercial air-conditioning systems was especially remarkable in Australia, Singapore and Thailand.

Despite the previously growing worldwide demand for refrigeration and freezer equipment for marine transportation, demand did not grow much during the period under review and was level with a year earlier. In addition, sales in Europe were sluggish, thereby decreasing net sales and operating income from a year earlier.

Total sales from the Company's Air-Conditioning and Refrigeration Equipment Division grew 0.8% to ¥587,260 million, and operating income decreased 18.8% to ¥61,651 million.

(ii) Chemicals

Sales of fluoropolymers increased year over year due to increased sales of resin for LAN cables in the U.S. markets and sales advances in China and Europe. Sales of chemical products increased due to the expansion of sales for oil- and water-repellent products in China and elsewhere in Asia and LC-related fine chemicals. Fluorocarbon gas sales increased year over year supported by favorable sales in China and other Asian regions, which offset a decrease in sales in Japan.

Total sales by the Chemicals Division rose 6.2% to ¥60,982 million. Operating income decreased 26.0% to ¥3,774 million due to a surge in raw materials prices in the market and the impact of a change in the accounting standard related to the evaluation of inventories.

(iii) Other Divisions

Sales of oil hydraulic equipment for industrial machinery increased year over year. Contributory factors were our sales promotion efforts in the domestic general-purpose industrial machine market, in which demand is relatively stable, and an increase in exports to China and Taiwan of such highly distinctive products as inverter-driven hydraulic units and Oilcon oil cooling units. Sales increased for oil hydraulic equipment used in construction machinery and vehicles, driven by an increase in demand from our major clients for use in overseas markets.

In the Defense Systems Division, delivery of ammunition for Japan's Ministry of Defense was made in the second quarter, earlier than scheduled, thereby increasing sales compared with the same period of the previous year.

Total sales by the Company's other divisions advanced 21.6% to ¥18,666 million, and an operating loss of ¥291 million was recorded.

Note: Although we have adopted the Accounting Standards for Preparation of Quarterly Financial Statements from the current consolidated fiscal year, we included the increase/decrease (%) from the same period of the previous year as reference in the Qualitative Information on Consolidated Business Results.

2. Qualitative Information Regarding the Consolidated Financial Position

As of September 30, 2008, total assets increased ¥28,078 million year over year to ¥1,241,727 million. Current assets increased ¥27,816 million to ¥642,006 million due to increases in accounts receivable and inventories.

Fixed assets increased ¥261 million to ¥599,720 million due to an increase in our capital investments for the air-conditioning and refrigeration equipment businesses at overseas manufacturing bases offsetting devalued investment securities.

Liabilities increased ¥8,076 million to ¥658,168 million due to increases in borrowings and commercial paper, and the interest-bearing debt ratio deteriorated from 29.4% to 30.3%. Net assets increased ¥20,001 million to ¥583,558 million due to net income for the quarter under review that absorbed a ¥5,550 million decrease in retained earnings for dividend payments.

During the six months ended September 30, 2008, net cash provided by operating activities was ¥34,197 million, principally deriving from income before income taxes. Net cash used in investing activities was ¥36,536 million, arising primarily from the acquisition of fixed assets. Net cash provided by financing activities was ¥9,727 million due to increases in borrowings, etc. As a result, cash and cash equivalents at September 30, 2008, amounted to ¥113,554 million.

3. Qualitative Information Regarding Prospects for Consolidated Business Results

As for consolidated business results, we make the following revisions to our full-year forecasts that were announced on August 6, 2008 due to the worsening second quarter consolidated business results, foreign currency's extreme fluctuations of euro, US dollar and Australian dollar, etc., and decelerated world economy during the current six months, all of which are expected to lead to stagnant demand for air-conditioning equipment mainly in Europe.

Among harsh business environment we face for the following six months, we will achieve the initial aim through overhaul cost reduction restraining fixed cost and cash outflow. In addition, we will reduce procurement cost and, to the maximum extent, take advantage of yen appreciation in the business environment where we have developed overseas procurement. Further sales promotion of strong products such as heating equipment in hot region and areas in Europe will be implemented.

Revisions to the Prospective Consolidated Business Results for the Year Ending March 31, 2009 (From April 1, 2008, to March 31, 2009)

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income
Previous forecasts announced on August 6, 2008 (A)	1,390,000	135,000	129,000	79,500
New forecasts as of November 6 (B)	1,300,000	105,000	100,000	61,000
Increase/decrease (B – A)	- 90,000	- 30,000	- 29,000	- 18,500
Increase/decrease (%)	- 6.5%	- 22.2%	- 22.5%	- 23.3%
Results for the year ended March 31, 2008	1,290,893	128,496	122,106	75,223

The exchange rate for the fiscal year ending March 31, 2009, is based on the assumption that 1 euro equals ¥125 and \$1 equals ¥100, changed from the previous projections that 1 euro equals ¥160 and \$1 equals ¥103.

Average for the full year is changed based on the assumption that 1 euro equals ¥144 and \$1 equals ¥103.

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

4. Others

- (1) Changes in major subsidiaries (changes in specified subsidiaries that led to changes in the scope of consolidation):
None
- (2) Adoption of the simplified accounting treatment and the Accounting Standards for Preparation of Quarterly Consolidated Financial Statements
 1. Computation method for depreciation of fixed assets
The depreciation of fixed assets for which the diminishing method is adopted is proportionally divided within the consolidated fiscal year.
 2. Computation method for tax expenses
Daikin Industries, Ltd., and most of its consolidated subsidiaries, reasonably estimate the effective income tax rate after adoption of tax-effect accounting for income before income taxes for the consolidated fiscal year ending March 31, 2009, and multiply the income before income taxes for the quarter under review with the effective tax rate. "Income taxes—deferred" is included in Income taxes, etc.
- (3) Changes in Principles, Procedures and Representation of Accounting Procedures Relating to Preparation of the Quarterly Consolidated Financial Statements
 1. Since the first quarter, ended June 30, 2008, the Company has adopted the ASBJ Statement No. 12 Accounting Standard for Quarterly Financial Reporting and its Implementation Guidance, issued on March 14, 2007 – ASBJ Guidance No. 14 Guidance on Accounting Standard for Quarterly Financial Reporting, issued on March 14, 2007.
 2. At the domestic companies of the Daikin Group, since the first quarter, ended June 30, 2008, we have adopted the Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, issued on July 5, 2006) and changed the measurement standard for inventories from the cost accounting method to the lower cost method (writing down the book value due to a decline in profitability).
Due to this change, operating income, ordinary income and income before income taxes for the second quarter each decreased ¥1,547 million compared with the application of the previous accounting standard. The impact on the Segment Information is indicated in the Segment Information section.
 3. Since the first quarter, ended June 30, 2008, the Company has adopted the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (ASBJ PITF No. 18, issued on May 17, 2006) and made necessary adjustments for the consolidated settlement of accounts. Compared with the case using the conventional method, the estimated amounts of operating income decreased ¥1,197 million

Daikin Industries, Ltd. (6367), Brief Report on the Settlement of Accounts for the Six Months Ended September 30, 2008 and ordinary income and income before income taxes for the second quarter each decreased ¥323 million. The impact on the Segment Information is indicated in the Segment Information section.

4. Since the first quarter, ended June 30, 2008, the Company has quickly adopted the Accounting Standard for Lease Transactions (issued on June 17, 1993, and the final revision was made on March 30, 2007, Statement No. 13) and the Guidance on Accounting Standard for Lease Transactions (issued on January 18, 1994, and the final revision was made on March 30, 2007, Implementation Guidance on the Accounting Standards No. 16). With these new standards, finance lease deals other than those that transfer the ownership rights of leased properties to lessees, which were previously subject in principle to the accounting treatment in conformance with the methods of normal lease deals, are handled using the accounting method for normal purchase and sale deals and recorded as leased properties.

The depreciation expense of leased properties is computed, assuming the lease period as the useful life and no residual value.

Finance lease deals that were initiated before the adoption of these new accounting methods continue to be subject to the accounting treatment in conformance with the methods of normal lease deals, which has no significant effect on the statement of income.

5. Consolidated Financial Statements**(1) Consolidated Balance Sheets**

(Millions of yen)

	Current year (As of September 30, 2008)	Previous year (As of March 31, 2008) (Condensed)
(Assets)		
Current assets		
Cash and deposits with banks	114,476	111,656
Trade receivables—notes and accounts	230,830	226,932
Finished products and merchandise	164,010	147,315
Raw materials and supplies	38,997	38,421
Work in progress	55,063	53,640
Other	44,428	41,676
Allowance for doubtful receivables	(5,800)	(5,452)
Total current assets	642,006	614,189
Fixed assets		
Tangible fixed assets	251,914	243,142
Intangible fixed assets		
Goodwill	194,339	200,733
Others	7,756	7,125
Total intangible fixed assets	202,096	207,859
Investments and other assets		
Investment securities	116,322	121,254
Others	30,482	28,186
Allowance for doubtful receivables	(1,095)	(984)
Total investments and other assets	145,709	148,457
Total fixed assets	599,720	599,458
Total assets	1,241,727	1,213,648

(Millions of yen)

	Current year (As of September 30, 2008)	Previous year (As of March 31, 2008) (Condensed)
(Liabilities)		
Current liabilities		
Notes and accounts payable	126,505	128,198
Short-term borrowings	76,743	73,950
Commercial paper	72,000	58,000
Current portion of long-term debt	6,734	8,810
Income taxes payable	14,479	13,531
Reserves for guarantee for finished products	18,624	18,953
Others	111,269	111,576
Total current liabilities	426,357	413,021
Long-term liabilities		
Straight bonds	20,000	20,000
Long-term debts	198,824	196,166
Liabilities for retirement benefits	4,695	4,291
Others	8,291	16,612
Total long-term liabilities	231,811	237,070
Total liabilities	658,168	650,091
(Net Assets)		
Shareholders' equity		
Common stock	85,032	85,032
Capital surplus	82,977	82,977
Retained earnings	392,868	355,069
Treasury stock	(4,742)	(3,500)
Total shareholders' equity	556,135	519,578
Valuation, currency translation and other adjustments		
Valuation difference on available-for-sale securities	3,426	10,101
Net loss on deferred hedging	(32)	371
Foreign currency translation adjustments	8,040	19,159
Total valuation, currency translation and other adjustments	11,434	29,632
Stock acquisition rights	764	521
Minority interests	15,223	13,823
Total net assets	583,558	563,556
Total liabilities and net assets	1,241,727	1,213,648

(2) Consolidated Statements of Income
(From April 1, 2008, to September 30, 2008)

(Millions of yen)

	For six months (From April 1, 2008, to September 30, 2008)
Net sales	666,909
Cost of sales	443,446
Gross profit	223,462
Selling, general and administrative expenses	158,308
Operating income	65,153
Non-operating income	
Interest income	1,123
Dividend income	1,172
Others	2,660
Total non-operating income	4,955
Non-operating expenses	
Interest expense	3,652
Others	3,813
Total non-operating expenses	7,466
Ordinary income	62,643
Extraordinary income	
Gain on sales of investment securities	2
Total extraordinary income	2
Extraordinary loss	
Loss on disposal of property, plant and equipment	319
Write-down of investment securities	416
Total extraordinary loss	736
Income before income taxes and minority interests	61,909
Income taxes, etc.	21,488
Minority interests	1,765
Net income	38,656

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Current year (From April 1, 2008, to September 30, 2008)
Cash flows from operating activities	
Income before income taxes and minority interests	61,909
Depreciation	21,094
Amortization of goodwill	6,282
Increase (decrease) of allowance for doubtful receivables	813
Interest income and dividend income	(2,295)
Interest expense	3,652
Equity in loss (earnings) of unconsolidated subsidiaries and associated companies	(459)
Loss (gain) on disposal of property, plant and equipment	319
Loss (gain) on sales of investment securities	(2)
Write-down (gain on revaluation) of investment securities	416
Decrease (increase) in trade notes and accounts receivable	(11,652)
Decrease (increase) in inventories	(26,106)
Increase (decrease) in accounts payable	3,027
Increase (decrease) in allowance for retirement benefits	431
Decrease (increase) in prepaid pension costs	(133)
Increase (decrease) in accounts payable due to a shift to a defined contribution pension plan system	(3,273)
Other—net	(123)
Subtotal	(53,900)
Interest and dividends received	2,313
Interest paid	(4,113)
Income taxes paid	(17,904)
Net cash provided by operating activities	34,197
Cash flows from investing activities	
Purchases of property, plant and equipment	(26,881)
Gain on sales of property, plant and equipment	242
Payments to acquire investment securities	(6,372)
Gain on sales of investment securities	4
Payments for business transfers	(309)
Payments for acquisition of newly consolidated subsidiaries	(591)
Payments for acquisition of investments in capital of consolidated subsidiaries	(324)
Other—net	(2,303)
Net cash used in investing activities	(36,536)
Cash flows from financing activities	

Net increase (decrease) in short-term borrowings	17,522
Increase in long-term debt	9,697
Repayment of long-term debt	(8,627)
Payment of cash dividends	(5,550)
Payment of cash dividends to minority shareholders	(1,652)
Other—net	(1,661)
Net cash provided by financing activities	9,727
Effect of exchange rate changes on cash and cash equivalents	(4,318)
Net increase (decrease) in cash and cash equivalents	3,070
Cash and cash equivalents at the beginning of the year	110,483
Cash and cash equivalents at the end of the six months	113,554

From the current consolidated fiscal year, we have adopted the Accounting Standards for Preparation of Quarterly Financial Statements (Business Accounting Standard No. 12) and the Implementation Guidance on the Accounting Standards for Preparation of Quarterly Financial Statements (ASBJ Implementation Guidance No. 14). We have prepared the quarterly financial statements according to the Regulations for Preparing Quarterly Financial Statements.

(4) Note to Going Concern Assumption

None applicable

(5) Segment Information

Industry Segments

For six months (April 1, 2008, to September 30, 2008)

(Millions of yen)

	Air conditioning	Chemicals	Others	Total	Eliminations	Consolidated
Net sales						
(1) Sales to outside customers	587,260	60,982	18,666	666,909	—	666,909
(2) Intersegment sales	257	2,905	9	3,172	(3,172)	—
Total	587,518	63,887	18,675	670,081	(3,172)	666,909
Operating income (loss)	61,651	3,774	(291)	65,134	19	65,153

1. The type of business is determined by taking into account the similarities of the kinds, manufacturing methods and sales methods of products.
2. Major products included in each type of business are as follows:
 - (1) Air conditioning: Residential air conditioners, Commercial air conditioners and refrigeration equipment, Air-conditioning and refrigeration equipment for ships, Electronic systems
 - (2) Chemicals: Fluorocarbon gas, Fluoroplastics, Chemical products, Chemical engineering machines
 - (3) Others: Hydraulic equipment for industrial machinery, Hydraulic equipment and machines for construction machines and vehicles, Centralized lubrication units and systems, Ammunition, Warheads for guided missiles, Aircraft parts
3. (Changes in Accounting Procedures)
 - (1) As explained in “Qualitative Information, Financial Statements, etc. 4. (3) 2.,” at the domestic companies of the Daikin Group, since the first quarter, ended June 30, 2008, we have adopted the Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, issued on July 5, 2006) and changed the measurement standard for inventories from the cost accounting method to the lower cost method (writing down the book value due to a decline in profitability).
Due to this change, operating income decreased ¥596 million for Air Conditioning and ¥797 million for Chemicals and the operating loss for Others increased ¥153 million compared with the application of the previous accounting standard.
 - (2) As explained in “Qualitative Information, Financial Statements, etc. 4. (3) 3.,” since the first quarter, ended June 30, 2008, the Company has adopted the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (ASBJ PITF No. 18, issued on May 17, 2006) and made necessary adjustments for the consolidated settlement of accounts. Compared with the case using the conventional method, the estimated amounts of operating income decreased ¥1,151 million for Air Conditioning and ¥45 million for Chemicals.

Geographical Segments

For six months (April 1, 2008, to September 30, 2008)

(Millions of yen)

	Japan	Asia and Oceania	Europe	America	Other	Total	Eliminations	Consolidated
Net sales								
(1) Sales to outside customers	261,903	151,640	184,676	64,472	4,215	666,909	—	666,909
(2) Intersegment sales	68,745	55,441	3,152	4,472	259	132,071	(132,071)	—
Total	330,649	207,081	187,828	68,945	4,475	798,980	(132,071)	666,909
Operating income	19,985	20,655	19,854	29	114	60,640	4,513	65,153

- Countries and regions in the above geographical segments are where our consolidated subsidiaries are located.
- Major countries and regions included in each regional segment except for Japan
 - Asia and Oceania: Thailand, Singapore, China, Hong Kong, Australia, India and Malaysia
 - Europe: Belgium, Germany, France, Netherlands, Spain, Italy, England, Greece, Portugal, Czech Republic and Sweden
 - America: U.S.A., Argentina, Mexico and Canada
 - Other: South Africa, Saudi Arabia and UAE
- (Changes in Accounting Procedures)
 - As explained in “Qualitative Information, Financial Statements, etc. 4. (3) 2.,” at the domestic companies of the Daikin Group, since the first quarter, ended June 30, 2008, we have adopted the Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, issued on July 5, 2006) and changed the measurement standard for inventories from the cost accounting method to the lower cost method (writing down the book value due to a decline in profitability).
Due to this change, operating income in Japan decreased ¥1,547 million compared with the application of the previous accounting standard.
 - As explained in “Qualitative Information, Financial Statements, etc. 4. (3) 3.,” since the first quarter, ended June 30, 2008, the Company has adopted the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (ASBJ PITF No. 18, issued on May 17, 2006) and made necessary adjustments for the consolidated settlement of accounts. Compared with the case using the conventional method, the estimated amounts of operating income decreased ¥67 million in Asia and Oceania, ¥1,100 million in Europe and ¥29 million in America.

Sales to Foreign Customers

For six months (April 1, 2008, to September 30, 2008)

(Millions of yen)

	Asia and Oceania	Europe	America	Other	Total
I. Overseas sales	164,752	175,124	68,769	17,082	425,728
II. Consolidated sales					666,909
III. Ratio of overseas sales to consolidated sales	24.7%	26.3%	10.3%	2.6%	63.8%

- Countries and regions in the above geographical segments are where our consolidated subsidiaries are located.
- Major countries and regions included in each regional segment
 - Asia and Oceania: Singapore, China, Hong Kong, Taiwan, Indonesia, Australia, India, Malaysia and Thailand
 - Europe: England, France, Italy, Germany, Spain, Belgium, Greece, Portugal, Russia, Netherlands and Sweden
 - America: U.S.A., Mexico, Argentina and Canada
 - Other: Middle East and Africa

(6) Notes in Case of Extreme Changes in the Amount of Shareholders' Equity

None applicable

[Reference]**Consolidated Statement of Income for the Previous Interim Term**

	Previous interim term From April 1, 2007, to September 30, 2007	
	Amount (Millions of yen)	%
Net sales	655,458	
Cost of sales	421,368	
Gross profit	234,090	35.7
Selling, general and administrative expenses	153,374	
Operating income	80,715	12.3
Non-operating income		
Interest income	1,238	
Dividend income	900	
Equity in earnings of unconsolidated subsidiaries and associated companies	327	
Others	1,609	
Total non-operating income	4,075	
Non-operating expenses		
Interest expense	4,925	
Exchange losses	765	
Others	2,425	
Total non-operating expenses	8,116	
Ordinary income	76,674	11.7
Extraordinary income		
Gain on sales of investment securities	2	
Total extraordinary income	2	
Extraordinary loss		
Loss on disposal of property, plant and equipment	355	
Write-down of investment securities	19	
Total extraordinary loss	374	
Income before income taxes and minority interests	76,303	11.6
Income taxes—current	19,207	
Income taxes—deferred	6,336	
Minority interest	1,654	
Net income	49,104	7.5

(2) Consolidated Statements of Cash Flows for the Previous Interim Term

(Millions of yen)

	Previous interim term (From April 1, 2007, to September 30, 2007)
I. Cash flows from operating activities	
Income before income taxes and minority interests	76,303
Depreciation	19,268
Amortization of goodwill	5,825
Interest expense	5,418
Write-down of investment securities	19
Increase in trade notes and accounts receivable	(6,375)
Increase in inventories	(15,791)
Decrease in accounts payable	(5,649)
Other—net	(839)
Subtotal	78,180
Income taxes paid	(17,797)
Other—net	(3,372)
Net cash provided by operating activities	57,010
II. Cash flows from investing activities	
Purchases of property, plant and equipment	(21,460)
Payments to acquire investment securities	(9,724)
Other—net	(1,161)
Net cash used in investing activities	(32,346)
III. Cash flows from financing activities	
Net increase in short-term borrowings	(214,391)
Increase in long-term debt	119,622
Repayments of long-term debt	(9,731)
Payment of cash dividends	(3,682)
Proceeds from issuance of new shares	113,314
Other—net	(3,475)
Net cash provided by financing activities	1,656
Effect of exchange rate changes on cash and cash equivalents	2,643
Net increase in cash and cash equivalents	28,963
Cash and cash equivalents at the beginning of the year	82,658
Cash and cash equivalents at the end of the interim term	111,622

Segment Information

Industry Segments

Previous consolidated interim term (April 1, 2007, to September 30, 2007)

(Millions of yen)

	Air conditioning	Chemicals	Others	Total	Eliminations	Consolidated
Net sales						
(1) Sales to outside customers	582,697	57,406	15,353	655,458	—	655,458
(2) Intersegment sales	218	2,661	9	2,889	(2,889)	—
Total	582,915	60,068	15,363	658,347	(2,889)	655,458
Operating income (loss)	75,938	5,099	(319)	80,718	(3)	80,715

Geographical Segments

Previous consolidated interim term (April 1, 2007, to September 30, 2007)

(Millions of yen)

	Japan	Asia and Oceania	Europe	America	Other	Total	Eliminations	Consolidated
Net sales								
(1) Sales to outside customers	250,141	135,800	200,696	64,525	4,293	655,458	—	655,458
(2) Intersegment sales	74,700	55,393	2,823	3,882	158	136,957	(136,957)	—
Total	324,842	191,193	203,519	68,408	4,451	792,416	(136,957)	655,458
Operating income	29,777	19,224	31,696	1,820	217	82,735	(2,020)	80,715

Sales to Foreign Customers

Previous consolidated interim term (April 1, 2007, to September 30, 2007)

(Millions of yen)

	Asia and Oceania	Europe	America	Other	Total
I. Overseas sales	143,734	193,437	68,902	15,735	421,808
II. Consolidated sales					655,458
III. Ratio of overseas sales to consolidated sales	21.9%	29.5%	10.5%	2.4%	64.4%

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.