

Brief Report on the Settlement of Accounts (Consolidated) for the Business Year Ended March 31, 2011

May 11, 2011

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

Listed on TSE, OSE

Code No.: 6367

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

Representative: Yuki Yoshi Okano, President and COO

Contact: Susumu Okano,

Senior Executive Officer and General Manager of the Corporate Communication
Department of the Head Office (Tel.: +81-6-6373-4320)

Planned date of Ordinary General Meeting of Shareholders: June 29, 2011

Planned date of start of dividend payment: June 30, 2011

Planned date of the filing of securities report: June 29, 2011

Preparation of supplementary explanatory materials for the settlement of accounts: Yes

Holding briefings on the settlement of accounts: Yes (for institutional investors and analysts)

1. Consolidated Business Results for the Business Year Ended March 31, 2011

(From April 1, 2010, to March 31, 2011)

(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	%
Year ended March 31, 2011	1,160,330	13.3	75,455	71.3	74,800	70.9
Year ended March 31, 2010	1,023,964	-14.8	44,037	-28.3	43,768	-15.8

Note: Comprehensive income was ¥4,518 million (-88.3%) for the year ended March 31, 2011, and ¥38,470 (- %) million for the year ended March 31, 2010.

	Net income		Net income per share	Diluted net income per share	Ratio of net income for the year to shareholders' equity	Ratio of ordinary income to total assets	Operating margin
	Millions of yen	%	Yen	Yen	%	%	%
Year ended March 31, 2011	19,872	2.5	68.14	68.14	4.0	6.6	6.5
Year ended March 31, 2010	19,390	-10.9	66.44	66.43	4.0	3.9	4.3

(Reference) Equity in earnings of affiliates was ¥1,340 million for the year ended March 31, 2011, and ¥345 million for the year ended March 31, 2010.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2011	1,132,506	500,928	43.1	1,672.74
As of March 31, 2010	1,139,655	510,061	43.5	1,701.29

(Reference) Shareholders' equity was ¥487,875 million at the end of the year ended March 31, 2011, and ¥496,178 million at the end of the year ended March 31, 2010.

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2011	78,410	(23,306)	(37,623)	167,295
Year ended March 31, 2010	129,226	(39,848)	(34,941)	159,324

2. Dividends

	Dividend per share					Total cash dividends for the year (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2010	—	16.00	—	16.00	32.00	9,337	48.2	1.9
Year ended March 31, 2011	—	18.00	—	18.00	36.00	10,500	52.8	2.1
Year ending March 31, 2012 (forecast)	—	—	—	—	—		—	

Note: Dividends for the year ending March 31, 2012 have not been determined yet.

3. Consolidated Business Forecast for the Business Year Ending March 31, 2012 (From April 1, 2011, to March 31, 2012)

The full impact of the Great East Japan Earthquake is still uncertain. At this time, we are unable to accurately calculate the consolidated business forecast for the fiscal year ending March 31, 2012. For details, see “(1) Analysis of Results (Business forecast for the next business year)” of “1. Operating Results” on page 7 of the attached document.

4. Other

(1) Changes in Significant Subsidiaries during the Year (Changes in Specified Subsidiaries Resulting in Change in Scope of Consolidation): None

(2) Changes to Principles, Procedures, and Representation of Accounting Procedures

(i) Changes relating to revisions to accounting standards, etc.: Yes

(ii) Changes other than (i) above: No

(3) Number of Shares Issued (common stock)

(i) Number of shares issued at year-end (including treasury stock)

As of March 31, 2011 293,113,973

As of March 31, 2010 293,113,973

(ii) Number of shares of treasury stock at year-end

As of March 31, 2011 1,451,528

As of March 31, 2010 1,465,756

(iii) Average number of shares outstanding during the period

As of March 31, 2011 291,661,032

As of March 31, 2010 291,866,952

(Reference) Summary of Non-Consolidated Business Results for the Business Year Ended March 31, 2011
(From April 1, 2010, to March 31, 2011)

(1) Non-Consolidated Business Results

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2011	426,740	16.8	(2,894)	—	34,244	128.8
Year ended March 31, 2010	365,424	-14.0	(13,157)	—	14,968	—

	Net income		Net income per share	Diluted net income per share
	Millions of yen	%	Yen	Yen
Year ended March 31, 2011	8,310	-36.6	28.49	28.49
Year ended March 31, 2010	13,107	—	44.91	44.90

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2011	772,518	336,872	43.4	1,150.56
As of March 31, 2010	783,244	333,143	42.4	1,138.78

(Reference) Shareholders' equity was ¥335,579 million at the end of the year ended March 31, 2011, and ¥332,128 million at the end of the year ended March 31, 2010.

Presentation of Implementation Status of Audit Procedures

- This Brief Report on the Settlement of Accounts is not subject to audit procedures pursuant to the Financial Instruments and Exchange Act, and audit procedures for financial statements pursuant to the Financial Instruments and Exchange Act had not been completed at the time of the disclosure of this Brief Report on the Settlement of Accounts.

Explanation about the Appropriate Use of the Business Forecast and Other Noteworthy Points

- Statements concerning the future made in these materials, including business forecasts, are based on information obtained by the Company at this time and certain premises the Company judges to be rational. Actual results may differ from forecasts due to various uncertain factors.
- Daikin Industries, Ltd. has not disclosed the projection on dividends for the year ending March 31, 2012, as it is undetermined at this time. The dividend forecast will be disclosed as soon as possible when it becomes available. See “(3) Basic Policy on Profit Distribution and Dividends for the year ended March 31, 2011 and the year ending March 31, 2012” of “1. Operating Results” on page 9 on the reasons for this decision.
- The Company plans to hold a briefing on business results for institutional investors and analysts on May 12, 2011. Documents and materials distributed in this briefing will be posted on the Company's website soon after the briefing.

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1. Operating Results

1. Analysis of Results

(1) Overview of the Year

In Fiscal 2010, the global economy continued to expand, supported by high growth in emerging Asian nations such as China and India. Although recovery varied among countries and regions, the economies in developed nations were generally on track for a gradual recovery supported by exports to emerging countries where economic expansion is continuing, and investment and production are increasing.

In Japan, the economy continued to improve due to increased exports, backed by robust overseas economies, and the effects of various government policies. However, there are concerns about the impact of the Great East Japan Earthquake, which occurred in March.

In such a business environment, the Daikin Group announced at the beginning of the calendar year 2010 its New Year's slogan, "Achieve Goals Today and Open a New Avenue for Future," and implemented various measures mainly focusing on: expanding business in emerging markets such as China and India; increasing global sales of environmentally focused products such as heat-pump heating/hot water supply systems and inverter air-conditioning systems; improving the profitability of the domestic business; minimizing the impacts of fluctuations in foreign exchange and market changes; improving quality and reliability; and, complying with all legal requirements.

After the Great East Japan Earthquake occurred on March 11, the Group established an Emergency Response Headquarters on the following day and has been doing its utmost to minimize the impacts of the earthquake on its business activities while fulfilling its social responsibilities, including providing relief support to employees, their families, affiliates, and business partners, and monetary and material donations to those who suffered from the earthquake and to the affected areas.

The Group sought to increase sales, taking advantage of the recovery in demand, and focused on reducing costs to cover steep rises in the market prices of raw materials and the negative influence of foreign exchange rates resulting from the yen's appreciation. As a result, the Group increased sales and profits in its two mainstay businesses of air-conditioning and refrigeration equipment and fluorochemicals. The Group's consolidated net sales increased by 13.3% year over year to ¥1,160,330 million. Consolidated operating income increased by 71.3% to ¥75,455 million and consolidated ordinary income increased by 70.9% to ¥74,800 million. Meanwhile, consolidated net income increased by 2.5% to ¥19,872 million, with an extraordinary loss recorded, including a ¥26,853 million loss on valuation of investment securities.

Results by business segment are as follows:

(i) Air-Conditioning and Refrigeration Equipment

In the Japanese residential air-conditioning market, the demand for room air conditioners in the first half was greater than that in the same period of the previous year, primarily due to a record-breaking heat wave occurring during and after July. In the second half, demand also significantly surpassed that in the same period of the previous year, due mainly to the effects of last-minute demand prior to changes in the Eco-point system for home electronics and the tailwind from a harsh winter. Given these conditions, the Group's sales volume and sales revenues greatly exceeded those of the previous fiscal year. In particular, we captured demand for products subject to Eco-points by working to increase sales of high value-added products, which included built-in features such as Flash Streamer technology, which removes bacteria not only from room air but also from inside the air conditioner, in addition to the Company's proprietary *URURU* humidification function and four-directional airflow.

In the Japanese commercial air-conditioning equipment market, against the backdrop of a trend towards a moderate recovery of capital investment, demand for packaged air-conditioning systems was higher than the previous year due in part to unusual heat wave. The Group's sales in the first half exceeded those of the same period of the previous year. Industry demand remained robust during and after October. The Group also tapped into this demand, and sales in the second half exceeded those of the same period of the previous year. One of the products that made a significant contribution to sales was the Eco-ZEAS80, a new product in the SkyAir series of air conditioners for stores and offices, which was launched in May and was highly acclaimed for its environment-conscious and energy-saving features. It is capable of reducing CO₂ emissions and energy consumption by as much as approximately 80% compared to the fixed speed (non-inverter) air conditioners produced by the Company 15 years ago.

In the overseas air conditioner business market, there were negative effects from currency exchange

conversions due to the appreciation of the yen against the currencies of various countries, including the Euro. However, sales in yen exceeded those in the previous year due to our efforts to increase sales volumes in each region.

In the European market, sales in local currencies surpassed those in the previous year due to increased sales in such major markets as Italy, the U.K., and Germany. The sales volume of commercial air-conditioning systems increased over the previous year as a result of continued careful support for dealers, although the speed of the recovery of demand was slow due to a sluggish construction market. Sales volume for residential air-conditioning systems rose significantly over the previous year, predominantly in Italy and Spain, due to a heat wave in July. In the heating business, sales volumes were at about the same level as the previous year, mainly due to sales increases in the U.K., Italy, Spain, and other countries, as well as enhanced product lineups through the introduction of new products, while demand for heat-pump heating was sluggish mainly in such major markets as France and Germany.

In China, sales increased significantly over the previous fiscal year as a result of our efforts to develop new dealers in each region. Commercial air-conditioning systems, the Company's leading product, remained robust in line with steady economic growth. Among residential air-conditioning systems, sales of inverter air conditioners in volume price zones rose significantly as a result of tougher energy-conservation regulations. In the large-scale air-conditioning (applied) market, sales increased sharply due to the effects of the release of new products and differentiated products. In the heating business, we focused on building the business base by proceeding with the development of dealers, introducing heat-pump heating products that meet regional needs, and conducting promotional activities.

In the Asia and Oceania markets, sales grew over the previous fiscal year as a result of efforts to strengthen sales networks and product lineups in each country. In the emerging nations of India and Vietnam in particular, sales volumes remained strong, centering on residential air conditioning systems, and sales amount rose significantly over the previous year. In the Oceania market, we maintained sales at the same level as the previous fiscal year when there was sharp growth from the previous year, despite such negative factors as floods in the state of Queensland, New Zealand earthquake, and reduction of housing purchase subsidies by the Australian government.

In the North America market, although the large-scale air-conditioning (applied) market continued to face a difficult environment, sales exceeded those in the previous year due to robust sales of new products developed at the Daikin McQuay Applied Development Center, which was opened in 2009, and expansion of the service business. In the ductless air conditioner market, sales increased from the previous year due to such initiatives as the development of new dealers and enhanced support measures for them.

In systems for marine vessels, demand recovered for container refrigeration units, which had slumped significantly in the previous year, resulting in sales that exceeded those in the previous year.

Overall sales of the Air-Conditioning and Refrigeration Equipment segment increased by 10.9% to ¥1,004,578 million, and operating profit increased by 39.7% to ¥64,658 million.

(ii) Chemicals

Increased demand for fluoropolymers from the semiconductor and automobile markets resulted in higher sales from the previous year with sales being particularly high in Japan, China, and other Asian markets. Likewise, sales of fluoroelastomers increased significantly year over year in Japan, Europe, the U.S., China, and other Asian markets and were driven by an increase in demand for automobiles.

Among specialty chemicals, functional materials and intermediary compounds in the fine chemicals category remained robust, while sales in Japan of anti-fouling surface coating agents used in devices such as displays grew. Sales of oil and water repellants and semiconductor-etching products also increased, backed by steady demand. Against this backdrop, overall sales of specialty chemicals grew significantly from the previous year in Japan, the U.S., China, other Asian markets, and Europe.

Sales of fluorocarbon gas increased sharply year over year due to sharp increases in demand in China, Japan, and other Asian markets.

Overall sales of the Chemicals segment rose by 33.1% to ¥114,773 million. As a result of initiatives to boost sales in response to increased demand and to reduce costs, operating income grew sharply to ¥10,852 million during the fiscal year under review from ¥709 million in the previous year.

(iii) Other Divisions

Exports of oil hydraulic equipment for industrial machinery rose above the levels of the previous fiscal year due to a recovery of demand in the European and U.S. markets, in addition to steady performance in the Asian markets, predominantly South Korea, Taiwan, and China. Sales in Japan also increased from the previous year due to a recovery of demand and an expansion of market share in the Company's main categories of machine tools and general-purpose industrial machinery. Sales of oil hydraulic equipment for construction machinery and vehicles were up year over year due to increased demand in the overseas markets of our key customers in Japan.

Despite a decrease of sales resulting from our withdrawal from the civil aircraft components manufacturing business, sales of defense systems-related products were at about the same level as the previous fiscal year due to an increased volume of orders from the Ministry of Defense for ammunitions and warheads for guided missiles.

Sales of the electronics business exceed those in the previous year due to a moderate recovery of overall IT investments within Japan.

Overall sales of the "Others" segment rose by 27.4% to ¥40,978 million. In terms of profits, the segment reported an operating loss of ¥43 million.

The Company adopted the "Accounting Standard for Segment Information Disclosures" and related information from the fiscal year under review, and changed segment classification. Comparisons with figures of the previous fiscal year are made by rearranging the segments of the previous fiscal year to match those of the fiscal year under review.

On a non-consolidated basis, the Company's net sales increased by 16.8% to ¥426,740 million, and an operating loss of ¥2,894 million, an ordinary income of ¥34,244 million and a net income of ¥8,310 million were recorded.

Business forecast for the next business year

The Great East Japan Earthquake has resulted in a slowdown of production activities due to power shortages and a decline in consumption. As a result, there is a strong likelihood of Japan experiencing prolonged economic stagnation. Although the global economy will maintain favorable growth thanks to high-performing economies in emerging countries, there are some factors that may force such economies into a slowdown including the continued high prices of materials and resources, financial instability in Europe, and now the major earthquake in Japan.

Under such circumstances, we announced at the beginning of this year, that the Group's central strategic theme would be "Dash Forward for New Growth" to kick off the Company's strategic management plan "FUSION 15," with fiscal 2015 set as its target year.

the Company will launch a new strategic management plan, "FUSION 15," this year (2011) with a view to achieving those goals by the year ending March 31, 2016. Also we have established a new slogan for the Group, "Dash Forward for New Growth," beginning this year. The Group companies will work together to achieve future business growth including expanding volume zone products for emerging countries and promoting environmental businesses.

We are at this moment unable to reasonably calculate the consolidated business forecast for the year ending March 31, 2012, because the full impact of the Great East Japan Earthquake is still uncertain. The unknowns include an economic downturn resulting from power shortages throughout the summer and a downward trend in consumption, as well as a likely rebound in the economy in the second half of the year due to reconstruction demand.

We will conduct a thorough review of the situation and announce our forecast for the next fiscal year by mid-June of this year.

The direct impact of the Earthquake including damage to our production facilities and product losses was minimal. The impact on our supply chain (parts procurement) was one of our biggest concerns. However, although there remain some uncertainties, the situation continues to improve on a daily basis thanks to the measures that have been taken thus far (including support for the restoration of suppliers taken with the intent to ensure that our supply chain is not interrupted, timely decisions to accelerate production of replacement products, and thorough management of inventories.) We will continue our efforts to minimize declines in production in the first half of the period, and increase production in the second half in order to minimize any delays and losses.

The Earthquake also attracted more public attention to the need for conserving power. We will continue

introducing and proposing power-saving measures using our technologies and eco-conscious products. Furthermore, as the global No. 1 air-conditioner manufacturer in the world, we will work to develop and provide advance technologies, products, and services in the energy-saving sector in order to contribute to the needs of society.

We will also make every effort to increase revenues and profits through intense implementation of Group measures and policies such as expanding volume zone product sales in emerging countries, reinforcing environmental businesses, avoiding price increases for raw materials and product prices, and seeking reductions of overall costs.

(2) Financial Position

(i) Analysis of assets, liabilities, net assets and cash flows

As of March 31, 2011, total assets decreased ¥7,149 million year-on-year to ¥1,132,506 million. Current assets increased ¥41,981 million to ¥599,112 million, mainly due to an increase in notes and accounts receivable-trade. Noncurrent assets decreased ¥49,130 million to ¥533,394 million due to a decrease in property, plant and equipment and a decrease in a change in the market value of investment securities.

Liabilities increased ¥1,983 million to ¥631,578 million, principally due to an increase in notes and accounts payable-trade and income taxes payable, despite of a decrease in commercial papers and loans. The interest-bearing debt ratio declined from 35.0% to 32.9%.

Net assets decreased ¥9,132 million to ¥500,928 million, primarily reflecting payments of dividends and fluctuations in foreign currency translation adjustments despite posting net income.

During the year-ended March 31, 2011, net cash provided by operating activities was ¥78,410 million, a decrease of ¥50,815 million from the previous year, principally due to an increase in notes and accounts receivable and inventories. Net cash used in investing activities was ¥23,306 million, a gain of ¥16,542 million from net cash used in investing activities in the previous year, arising primarily from a decrease in purchases of property, plant and equipment. Net cash used in financing activities was ¥37,623 million, indicating a decrease of ¥2,682 million from net cash used in financing activities in the previous year, mainly because of bonds issued in the previous fiscal year. As a result, cash and cash equivalents at the end of the year amounted to ¥167,295 million.

(ii) Trends in cash flow indicators

The trends in cash flow indicators are shown below.

	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2011
Equity ratio (%)	34.2	45.1	42.2	43.5	43.1
Market value equity ratio (%)	92.9	103.6	70.0	97.9	64.2
Cash flows/interest-bearing debt ratio (years)	5.4	3.5	6.7	3.1	4.8
Interest coverage ratio (times)	12.4	8.9	7.6	19.5	11.8

Notes:

- Equity ratio = Equity capital/Total assets
Market value equity ratio = Aggregate market value of shares/Total assets
Cash flows/Interest-bearing debt ratio = Interest-bearing debt/Operating cash flow
Interest coverage ratio = Operating cash flow/Interest payment
- Each indicator is calculated based on the consolidated financial values.
- Aggregate market value of shares is calculated as follows: (term-end closing stock price) × (term-end number of shares issued (after deducting shares of treasury stock))
- Operating cash flow represents the "Cash flows from operating activities" in the consolidated statements of cash flows.
- Interest-bearing debt indicates the liabilities for which interest is paid on all the liabilities posted in the consolidated balance sheets. Interest payment corresponds to the amount of "Interest paid" in the consolidated statements of cash flows.

(3) Basic Policy on Profit Distribution and Dividends for the year ended March 31, 2011 and the year ending March 31, 2012

The Company provides a stable return to shareholders taking into account consolidated business results, financial position, and funding requirements and other factors based on a policy of maintaining at least 2.0% of consolidated ratio of dividend to net assets.

Internal reserves will be applied to strategic investments in order to expand business and increase competitiveness such as reinforcing management practices, promoting global businesses, and accelerating eco-conscious product development.

For the year ended March 2011, the Company plans to pay an annual cash dividend of ¥36 per share (interim dividend: ¥18, year-end dividend: ¥18). This is an increase of ¥4 from the previous fiscal year.

The dividend for the year ending March 2012 will be determined after taking into consideration our business forecast and other conditions, and it will be announced at the end of the second quarter.

2. Status of the Company Group

The Daikin Group (the Company and its associated companies) is engaged in the manufacture (including construction and installation), and sales of products in the fields of air-conditioning and refrigeration equipment, chemicals, hydraulic equipment, defense systems-related products and others. The filer of the consolidated financial statements (or “the Company”) engages in the manufacture and sales of all these business lines and the associated companies consisting of subsidiaries and affiliated companies partly engage in the manufacture and/or sales of any of the respective business fields of air-conditioning and refrigeration equipment, hydraulic equipment and chemicals. The major business lines of the Company and the respective associated companies are shown below.

1. Air conditioning and refrigeration equipment

A) Major Products

For residential use:	Room air conditioners, Air purifiers, Dehumidifiers, CO ₂ heat pump water heaters
For commercial use:	Packaged air conditioners, Spot air conditioners, Water chilling units, Centrifugal chillers, Absorption chillers, Screw-type chillers, Fan-coil units, Air handling units, Packaged air conditioners for low temperatures, Air purification systems, Total heat exchangers, Duct ventilating fans, Deodorizers, Far infrared space heaters, Freezers, Ammonia water chilling units, Air filters, Industrial dust collectors
For marine vessels:	Container refrigeration units, Marine vessel air conditioners and refrigeration units

B) Company Names

(1) Domestic associated companies

[Consolidated subsidiaries]

Daikin Applied Systems Co., Ltd., Daikin Airtechnology & Engineering Co., Ltd., and one (1) other company for sales, construction and installation of air conditioners, Daikin Airconditioning & Technology Tokyo Co., Ltd., and 20 other sales companies, OK Kizai Ltd., Daikin Rexam Electronics Co., Ltd., Daikin Trading Co., Ltd., Daikin Facilities Co., Ltd., Nippon Muki Co., Ltd., and seven (7) other companies

[Companies accounted for by the equity method]

Moritani Daikin Co., Ltd., and two (2) other companies

(2) Overseas associated companies

[Consolidated subsidiaries]

Daikin (China) Investment Co., Ltd., Daikin Air-conditioning (Shanghai) Co., Ltd., Daikin Airconditioning (Hong Kong) Ltd., Xian Daikin Qingan Compressor Co., Ltd., Daikin Device (Suzhou) Co., Ltd., Daikin Motor (Suzhou) Co., Ltd., Shenzhen McQuay Air-conditioning Co., Ltd., McQuay Air-conditioning & Refrigeration (Wuhan) Co., Ltd., Daikin Industries (Thailand) Ltd., Daikin Trading (Thailand) Ltd., Daikin Compressor Industries Ltd., Daikin Airconditioning (Singapore) Pte. Ltd., OYL Manufacturing Company Sdn. Bhd., Group Associated (C&L) Sdn. Bhd., Daikin Airconditioning India Pvt. Ltd., Daikin Australia Pty. Ltd., Daikin Europe N.V., Daikin Industries Czech Republic s.r.o., Daikin Device Czech Republic s.r.o., Daikin Airconditioning France S.A., Daikin Airconditioning Italy S.p.A., Daikin AC Spain, S.A., McQuay Italia S.p.A., AAF-Limited, AAF-McQuay Inc., Daikin AC (Americas), Inc., and 110 other companies

[Companies accounted for by the equity method]

Zhuhai Gree Daikin Device Co., Ltd. and two (2) other companies

2. Chemicals

A) Major Products

Fluorocarbon gas:	Refrigerants, Cleaning agents
Fluoropolymers:	Ethylene tetrafluoride resins, Molten type resins, Fluoroelastomers, Fluoro paints, Fluoro coatings (for insulating materials, sealing materials, packing, corrosion resistant lining, non-adhesive paint, lubricants, hoses and diaphragms)
Chemicals:	Semiconductor-etching products, Oil and water repellants, Mold release agents, Surface acting agents, Fluorocarbons, Fluorinated oils, Pharmaceutical agricultural intermediates
Chemical engineering machinery:	Solvent deodorizing equipment, Dry air suppliers

B) Company Names

(1) Domestic associated company

[Consolidated subsidiary]
Toho Kasei Co., Ltd.

(2) Overseas associated companies

[Consolidated subsidiaries]
Daikin Fluorochemicals (China) Co., Ltd., Daikin Arkema Refrigerants Asia Ltd., Daikin Chemical Europe GmbH, Daikin America, Inc., and nine (9) other companies

[Companies accounted for by the equity method]
MDA Manufacturing, Inc., and three (3) other companies

3. Others

A) Major Products

Oil Hydraulics

Hydraulic equipment and systems for industrial use:	Pumps, Valves, Hydraulic systems, Oil cooling units, Inverter-controlled pumps and motors
Hydraulic equipment for construction machinery and vehicles:	Hydraulic transmissions, Valves
Centralized lubrication units and systems:	Grease pumps, Control and stack valves

Defense Systems:

Ammunition, Warheads for guided missiles, Home oxygen equipment

Electronics:

Database system for R&D, IT network management systems, Computer graphics systems

B) Company Names

(1) Domestic associated companies

[Consolidated subsidiaries]
Daikin Sauer-Danfoss Manufacturing, Ltd., Daikin Hydraulic Engineering Co., Ltd., and one (1) other company

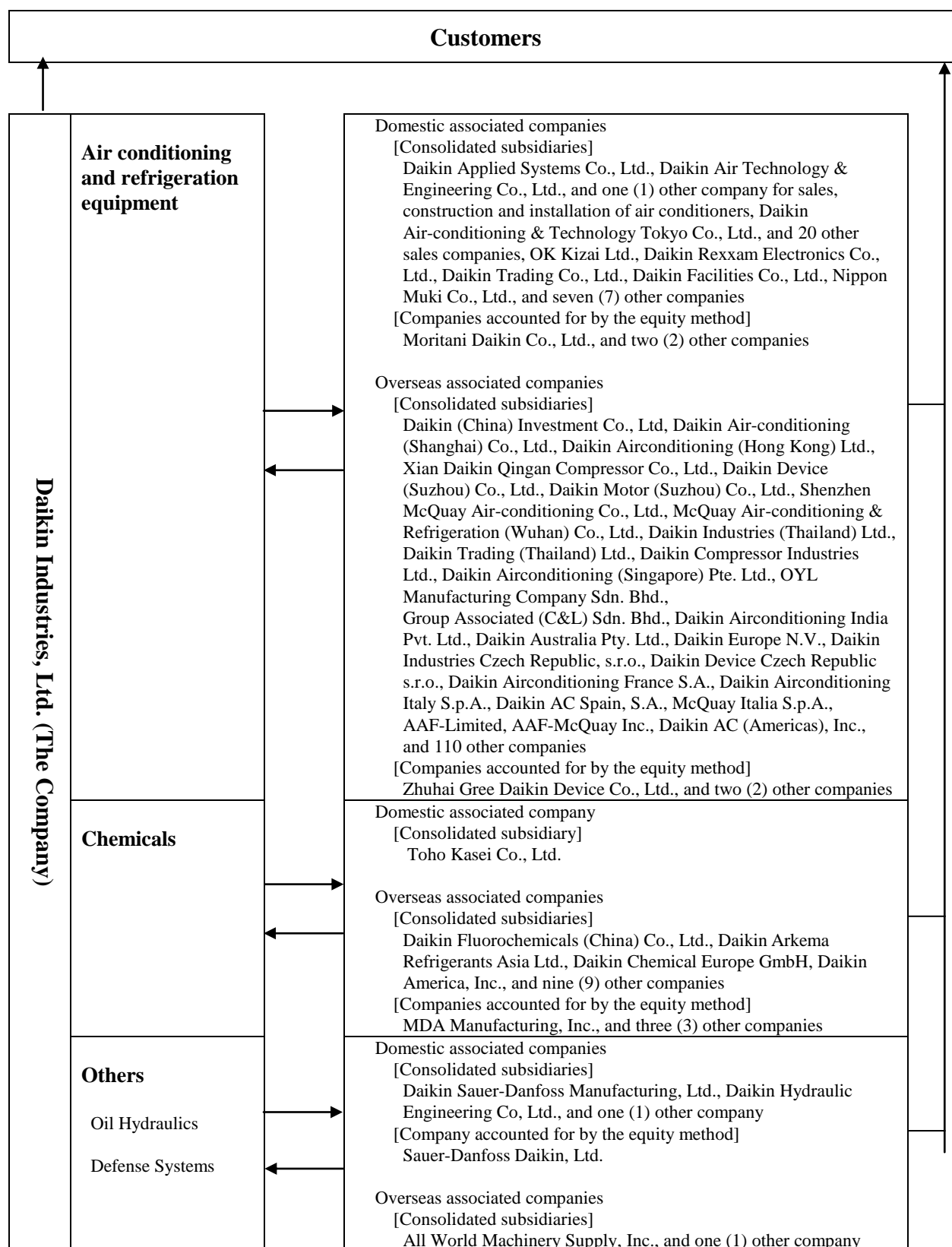
[Company accounted for by the equity method]
Sauer-Danfoss Daikin, Ltd.

(2) Overseas associated companies

[Consolidated subsidiaries]
All World Machinery Supply, Inc., and one (1) other company

[Schematic Diagram of the Company Group]

A schematic diagram of the business lines of the Daikin Group, including one hundred and ninety-one (191) consolidated companies (forty (40) domestic, one hundred and fifty-one (151) overseas) and eleven (11) companies accounted for by the equity method (four (4) domestic, seven (7) overseas), is shown below.



3. Management Policies

(1) Basic Management Policy

Under “Our Group Philosophy,” which sets forth the fundamental mindset of our management, the Company will, as a corporation that continually supplies customers with the highest level of conveniences and amenities, enhance its technical bases, carry out management emphasizing a capital increase and strive to maximize corporate value through the provision of high-quality products, materials and services. The Company will conduct 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, proactive responses to the global environment and active contributions to local communities as action guidelines common to the Group. 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 a resilient management structure most appropriate for the solution of problems and tasks that may come up from time to time and facilitating the Company’s tradition of a “Fast and Flat” management system.

(2) Target Management Indicators

The Company considers the maximization of corporate value to be the most important management task, and by setting up 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 management administration indicators, the Company is developing businesses and strengthening the management structure. The Company is emphasizing FCF as a source of corporate value and as an integrated indicator that enhances all management indicators and is endeavoring to reduce accounts receivable and inventories while taking measures to expand profit and improve investment efficiency so as to create cash flow from operating capital.

(3) Medium- and Long-Term Management Strategies

The Company will launch its strategic management plan “FUSION 15” with 2015 as its target fiscal year. In an era of a paradigm shift when global industrial and social structures are changing significantly, the Company will take such changes as opportunities and proceed with implementing its strategies with a view to achieve its aim of becoming a truly global and excellent company.

In addition to promoting and executing new growth strategies, including full-scale entry into emerging markets such as India and Brazil, development of equipment peripheral and solution businesses to meet the various needs of our customers and expansion of the environment innovation business such as heating/hot water supply and filters, we will take up themes to build a more advanced management base, including innovations in the global product development system and enhancement of global marketing functions.

(4) Tasks to Be Addressed by the Company

The Daikin Group will push forward with initiatives for our future growth and development with all members of the Group working as one, including full-scale entry into emerging markets such as India and Brazil and expansion of environment innovation businesses such as heating/hot water supply and filters, while ensuring maximum short-term profits by expanding businesses in growth markets such as China and other Asian countries, improving the profitability of domestic businesses, and minimizing the impacts of currency and market fluctuations.

The Company will do its utmost to carry out measures in response to the impacts of the Great East Japan Earthquake on its business activities, while disclosing the status of such impacts as soon as they become clear. At the same time, regarding support for restoration, economic development, and social contributions through business activities, which is the primary social mission of corporations at present, the Company will work to provide products and systems that leverage its proprietary technologies to meet new market needs for power-saving measures and reconstruction policies.

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

(Millions of yen)

	As of Mar. 31, 2010	As of Mar. 31, 2011
Assets		
Current assets		
Cash and deposits	160,038	167,718
Notes and accounts receivable-trade	181,137	198,920
Merchandise and finished goods	111,866	121,507
Work in process	41,860	42,267
Raw materials and supplies	31,437	37,997
Deferred tax assets	10,564	9,725
Other	25,312	25,928
Allowance for doubtful accounts	(5,086)	(4,952)
Total current assets	557,131	599,112
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	77,052	71,031
Machinery, equipment and vehicles, net	96,312	83,170
Land	29,607	30,479
Lease assets, net	2,591	3,033
Construction in progress	9,278	8,367
Other, net	19,808	17,925
Total property, plant and equipment	234,650	214,007
Intangible assets		
Goodwill	182,867	170,561
Other	9,436	8,466
Total Intangible assets	192,303	179,028
Investments and other assets		
Investment securities	117,026	97,809
Long-term loans receivable	1,134	975
Deferred tax assets	9,708	15,022
Other	28,740	27,607
Allowance for doubtful accounts	(1,039)	(1,057)
Total investments and other assets	155,570	140,358
Total noncurrent assets	582,524	533,394
Total assets	1,139,655	1,132,506
Liabilities		
Current liabilities		
Notes and accounts payable-trade	97,733	116,905
Short-term loans payable	69,730	68,899
Commercial papers	17,000	5,078
Current portion of long-term loans payable	13,381	2,321
Lease obligations	1,431	1,369
Income taxes payable	8,114	11,856
Deferred tax liabilities	970	2,449
Provision for directors' bonuses	123	140
Provision for product warranties	22,180	21,725
Accrued expenses	48,954	50,214
Other	41,915	46,851
Total current liabilities	321,533	327,812

	(Millions of yen)	
	As of Mar. 31, 2010	As of Mar. 31, 2011
Noncurrent liabilities		
Bonds payable	100,000	100,000
Long-term loans payable	196,208	192,849
Lease obligations	1,562	1,963
Long-term accounts payable-other	1,751	1,187
Deferred tax liabilities	2,648	2,459
Provision for retirement benefits	4,469	3,941
Other	1,421	1,364
Total noncurrent liabilities	308,061	303,766
Total liabilities	629,594	631,578
Net assets		
Shareholders' equity		
Capital stock	85,032	85,032
Capital surplus	82,977	82,977
Retained earnings	375,952	385,760
Treasury stock	(5,528)	(5,472)
Total shareholders' equity	538,433	548,297
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(500)	4,640
Deferred gains or losses on hedges	161	(91)
Foreign currency translation adjustment	(41,916)	(64,970)
Total accumulated other comprehensive income	(42,255)	(60,421)
Subscription rights to shares	1,014	1,293
Minority interests	12,867	11,759
Total net assets	510,061	500,928
Total liabilities and net assets	1,139,655	1,132,506

(2) Consolidated Statements of Income and Consolidated Statement of Comprehensive Income**Consolidated Statements of Income**

(Millions of yen)

	FY2009 (Apr. 2009-Mar. 2010)	FY2010 (Apr. 2010-Mar. 2011)
Net sales	1,023,964	1,160,330
Cost of sales	704,663	798,666
Gross profit	319,300	361,664
Selling, general and administrative expenses	275,263	286,209
Operating income	44,037	75,455
Non-operating income		
Interest income	2,206	2,359
Dividends income	1,726	1,796
Equity in earnings of affiliates	345	1,340
Foreign exchange gains	945	—
Gain on valuation of derivatives	1,136	—
Refunds of custom duty	—	1,215
Other	4,263	3,216
Total non-operating income	10,623	9,927
Non-operating expenses		
Interest expenses	6,718	6,230
Foreign exchange losses	—	1,376
Other	4,174	2,974
Total non-operating expenses	10,893	10,581
Ordinary income	43,768	74,800
Extraordinary income		
Gain on sales of investment securities	13	0
Gain on reversal of subscription rights to shares	12	44
Gain on extinguishment of tie-in shares	—	429
Other	1	—
Total extraordinary income	27	474
Extraordinary loss		
Loss on disposal of noncurrent assets	967	656
Loss on cancellation of lease contracts	1,040	—
Loss on sales of investment securities	—	616
Loss on valuation of investment securities	3,633	26,853
Loss on abolishment of retirement benefit plan	—	146
Loss on disaster	—	1,105
Other	142	187
Total extraordinary losses	5,784	29,566
Income before income taxes	38,011	45,708
Income taxes-current	16,512	28,913
Income taxes-deferred	(599)	(6,846)
Total income taxes	15,913	22,067
Income before minority interests	—	23,641
Minority interests in income	2,707	3,768
Net income	19,390	19,872

Statements of Comprehensive Income	(Millions of yen)	
	FY2009 (Apr. 2009-Mar. 2010)	FY2010 (Apr. 2010-Mar. 2011)
Income before minority interests	—	23,641
Other comprehensive income		
Valuation difference on available-for-sale securities	—	5,141
Deferred gains or losses on hedges	—	(253)
Foreign currency translation adjustment	—	(23,141)
Share of other comprehensive income of associates accounted for using equity method	—	(869)
Total other comprehensive income	—	(19,122)
Comprehensive income	—	4,518
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	—	1,706
Comprehensive income attributable to minority interests	—	2,812

(3) Consolidated Statements of Changes in Net Assets

(Millions of yen)

	FY2009 (Apr. 2009-Mar. 2010)	FY2010 (Apr. 2010-Mar. 2011)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	85,032	85,032
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	85,032	85,032
Capital surplus		
Balance at the end of previous period	82,977	82,977
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	82,977	82,977
Retained earnings		
Balance at the end of previous period	366,836	375,952
Effect of changes in accounting policies applied to foreign affiliates	—	(158)
Changes of items during the period		
Dividends from surplus	(10,216)	(9,916)
Net income	19,390	19,872
Effect of changes in accounting period of subsidiaries	2	(12)
Change of scope of consolidation	—	36
Disposal of treasury stock	(60)	(13)
Total changes of items during the period	9,116	9,967
Balance at the end of current period	375,952	385,760
Treasury stock		
Balance at the end of previous period	(4,743)	(5,528)
Changes of items during the period		
Purchase of treasury stock	(995)	(5)
Disposal of treasury stock	210	60
Total changes of items during the period	(784)	55
Balance at the end of current period	(5,528)	(5,472)
Total shareholders' equity		
Balance at the end of previous period	530,102	538,433
Effect of changes in accounting policies applied to foreign affiliates	—	(158)
Changes of items during the period		
Dividends from surplus	(10,216)	(9,916)
Net income	19,390	19,872
Effect of changes in accounting period of subsidiaries	2	(12)
Change of scope of consolidation	—	36
Purchase of treasury stock	(995)	(5)
Disposal of treasury stock	150	47
Total changes of items during the period	8,331	10,022
Balance at the end of current period	538,433	548,297

	(Millions of yen)	
	FY2009 (Apr-Mar 2010)	FY2010 (Apr-Mar 2011)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	(15,397)	(500)
Changes of items during the period		
Net changes of items other than shareholders' equity	14,897	5,141
Total changes of items during the period	14,897	5,141
Balance at the end of current period	(500)	4,640
Deferred gains or losses on hedges		
Balance at the end of previous period	464	161
Changes of items during the period		
Net changes of items other than shareholders' equity	(302)	(253)
Total changes of items during the period	(302)	(253)
Balance at the end of current period	161	(91)
Foreign currency translation adjustment		
Balance at the end of previous period	(43,482)	(41,916)
Changes of items during the period		
Net changes of items other than shareholders' equity	1,566	(23,054)
Total changes of items during the period	1,566	(23,054)
Balance at the end of current period	(41,916)	(64,970)
Total accumulated other comprehensive income		
Balance at the end of previous period	(58,415)	(42,255)
Changes of items during the period		
Net changes of items other than shareholders' equity	16,160	(18,166)
Total changes of items during the period	16,160	(18,166)
Balance at the end of current period	(42,255)	(60,421)

	(Millions of yen)	
	FY2009 (Apr. 2009-Mar. 2010)	FY2010 (Apr. 2009-Mar. 2011)
Subscription rights to shares		
Balance at the end of previous period	764	1,014
Changes of items during the period		
Net changes of items other than shareholders' equity	250	278
Total changes of items during the period	250	278
Balance at the end of current period	1,014	1,293
Minority interests		
Balance at the end of previous period	12,035	12,867
Changes of items during the period		
Net changes of items other than shareholders' equity	832	(1,108)
Total changes of items during the period	832	(1,108)
Balance at the end of current period	12,867	11,759
Total net assets		
Balance at the end of previous period	484,485	510,061
Effect of changes in accounting policies applied to foreign affiliates	—	(158)
Changes of items during the period		
Dividends from surplus	(10,216)	(9,916)
Net income	19,390	19,872
Effect of changes in accounting period of subsidiaries	2	(12)
Change of scope of consolidation	—	36
Purchase of treasury stock	(995)	(5)
Disposal of treasury stock	150	47
Net changes of items other than shareholders' equity	17,243	(18,996)
Total changes of items during the period	25,575	(8,973)
Balance at the end of current period	510,061	500,928

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2009 (Apr-Mar 2010)	FY2010 (Apr-Mar 2011)
I. Net cash provided by (used in) operating activities		
Income before income taxes	38,011	45,708
Depreciation and amortization	40,311	39,869
Amortization of goodwill	12,112	11,842
Increase (decrease) in allowance for doubtful accounts	(77)	139
Interest and dividends income	(3,932)	(4,155)
Interest expenses	6,718	6,230
Equity in (earnings) losses of affiliates	(345)	(1,340)
Loss (gain) on disposal of property, plant and equipment	967	656
Loss (gain) on sales of investment securities	(13)	616
Loss (gain) on valuation of investment securities	3,633	26,853
Decrease (increase) in notes and accounts receivable-trade	386	(24,119)
Decrease (increase) in inventories	33,054	(24,501)
Increase (decrease) in notes and accounts payable-trade	16,154	25,880
Increase (decrease) in provision for retirement benefits	(116)	(490)
Decrease (increase) in prepaid pension costs	1,840	1,186
Increase (decrease) in accounts payable-other resulting from transition to a defined-contribution pension plan	(3,945)	(3,890)
Other, net	1,285	2,456
Subtotal	146,045	102,943
Interest and dividends income received	3,928	4,141
Interest expenses paid	(6,633)	(6,633)
Income taxes paid	(14,113)	(22,040)
Net cash provided by (used in) operating activities	129,226	78,410
II. Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(29,983)	(24,578)
Proceeds from sales of property, plant and equipment	2,146	869
Purchase of investment securities	(2,081)	(164)
Proceeds from sales of investment securities	33	897
Payments for investments in capital of subsidiaries and affiliates	(4,817)	(450)
Payments for transfer of business	(465)	—
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(4,561)	—
Purchase of investments in capital of subsidiaries resulting in change in scope of consolidation	(36)	—
Other, net	(81)	119
Net cash provided by (used in) investing activities	(39,848)	(23,306)

	(Millions of yen)	
	FY2009 (Apr-Mar 2010)	FY2010 (Apr-Mar 2011)
III. Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(108,615)	(11,444)
Proceeds from long-term loans payable	20,509	837
Repayment of long-term loans payable	(10,821)	(13,526)
Proceeds from issuance of bonds	99,520	—
Redemption of bonds	(20,000)	—
Cash dividends paid	(10,216)	(9,916)
Cash dividends paid to minority shareholders	(2,465)	(1,510)
Other, net	(2,852)	(2,063)
Net cash provided by (used in) financing activities	(34,941)	(37,623)
IV. Effect of exchange rate change on cash and cash equivalents		
	380	(9,503)
V. Net increase (decrease) in cash and cash equivalents	54,817	7,977
VI. Cash and cash equivalents at the beginning of the year		
	104,322	159,324
VII. Increase in cash and cash equivalents from newly consolidated subsidiary	—	0
VIII. Increase (decrease) of cash and cash equivalents resulting from change in accounting period of subsidiaries	184	(7)
IX. Cash and cash equivalents at the end of the year	159,324	167,295

(5) Notes on the Premises of the Company as a “Going Concern”

None applicable

(6) Basis of Presenting the Consolidated Financial Statements

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 191

Major subsidiaries	Daikin Applied Systems Co., Ltd., Daikin Airtechnology & Engineering Co., Ltd., Daikin Airconditioning & Technology Tokyo Co., Ltd., Daikin (China) Investment Co., Ltd., Daikin Air-conditioning (Shanghai) Co., Ltd., Daikin Device (Suzhou) Co., Ltd., Shenzhen McQuay Air-Conditioning Co., Ltd., Daikin Industries (Thailand) Ltd., Daikin Compressor Industries Ltd., OYL Manufacturing Company Sdn. Bhd., Daikin Australia Pty. Ltd., Daikin Europe N.V., Daikin Industries Czech Republic s.r.o., Daikin Airconditioning France S.A., Daikin Airconditioning Italy S.p.A., Daikin AC Spain, S.A., AAF-McQuay Inc., Daikin Fluorochemicals (China) Co., Ltd., Daikin America, Inc., Daikin Hydraulic Engineering Co., Ltd.
(Newly added)	Due to new establishment: AAF International FZE, Daikin Hydraulics (Suzhou) Co., Ltd., Daikin Consumer Marketing Co., Ltd. Due to increase in importance: Daikin America Funding Corporation, Inc.
(Excluded)	Due to liquidation: OYL (Philippines) Holdings, Inc., McQuay Philippines Sales & Service, Inc., Daikin Chemical (Hong Kong) Ltd., Wuhan McQuay Air-Conditioning & Refrigeration Co., Ltd., McQuay Australia Pty. Ltd. Due to merger with the Company: Daikin Chemical Sales, Ltd. Due to merger between the consolidated subsidiaries: Daikin Powermotion Engineering East Japan Co., Ltd., Daikin Powermotion Engineering Central Japan Co., Ltd., Rotex Heating Systems SEL, AAF-McQuay Holding France and AAF-McQuay France had been merged with other consolidated subsidiaries.

(2) Number of nonconsolidated subsidiaries: 7

The impact of total assets, net sales, net income and retained earnings of the nonconsolidated subsidiaries on the respective consolidated total assets, consolidated net sales, consolidated net income and consolidated retained earnings is insignificant and their intra-group positioning is immaterial on the whole. For this reason, these companies are excluded from the scope of consolidation.

2. Application of the Equity Method

Number of companies accounted for by the equity method: 11

Number of affiliated companies accounted for by the equity method: 11

Major affiliated companies	Moritani Daikin Co., Ltd., Zhuhai Gree Daikin Device Co., Ltd., MDA Manufacturing, Inc., Arkema Daikin Advanced Fluorochemicals (Changshu) Co., Ltd.
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3. Fiscal Year of Consolidated Subsidiaries

The settlement date of the accounts of 107 consolidated subsidiaries differs from the consolidated settlement date of the Company: June 30 for 7 companies, December 31 for 64 companies and January 1 for 36 companies. In preparing the consolidated financial statements, the financial statements of these companies are provided as of December 31 including provisional ones, with necessary adjustments for consolidation purposes with regard to material transactions between their respective settlement dates and the consolidated settlement date. As McQuay Hellas Air Conditioning S.A. changed its settlement date of accounts to March 31, effective from the year under review, its settlement of accounts was prepared for a period of 15 months. In the consolidated financial statements, its financial results only for the portion of 12 months are reflected, and the change in net assets for the remaining three months is presented in “Effect of changes in accounting period of consolidated subsidiaries” of the Consolidated Statements of Changes in Net Assets.

4. Summary of Significant Accounting Policies

(1) Valuation basis and method for important assets

(i) Securities:

Other securities

Available-for-sale securities for which the fair market values are readily determinable

Valued at market as of the balance sheet date. Unrealized gain or loss is included directly in net assets. The cost of securities sold is determined by the moving-average method.

Available-for-sale securities for which the fair market values are not readily determinable:

Mainly valued at cost determined by the moving-average method.

(ii) Derivatives:

Derivative instruments are valued at fair market value.

(iii) Inventories:

Mainly valued at cost determined by the gross average method (write-down of book values due to the decline in profitability) for inventories at domestic companies, whereas mainly the lower of cost or market determined by the gross average method is adopted for inventories at overseas consolidated subsidiaries.

(2) Depreciation method of major depreciable assets

(i) Property, plant and equipment (excluding lease assets)

The depreciation of property, plant and equipment at the Company and its domestic consolidated subsidiaries is computed by the declining-balance method using the applicable rates based on the estimated useful lives of the assets, whereas the straight-line method based on the estimated service lives is used at overseas consolidated subsidiaries.

However, buildings (excluding building improvements) acquired on or after April 1, 1998, by the Company and/or its domestic consolidated subsidiaries are depreciated using the straight-line method.

The range of useful lives is as follows:

Buildings and structures:	15–50 years
Machinery, equipment and vehicles:	5–15 years

(ii) Intangible assets

The amortization of Intangible assets is computed by the straight-line method.

Computer software for sales in the market is amortized by the straight-line method over the effective salable period (3 years). The amounts of goodwill are equally amortized over 3 to 20 years on a straight-line basis.

(iii) Lease assets

Lease assets related to the finance lease transactions other than those where the ownership of the Lease assets is deemed to be transferred to the lessee is amortized by the straight-line method, assuming the lease period as the useful life and no residual value. Of finance lease transactions other than those where the ownership of the Lease assets is deemed to be transferred to the lessee, those of which the commencement day of the lease transaction is prior to March 31, 2008, are accounted for as ordinary rental transactions.

(3) Accounting standards for important reserves

(i) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount of possible losses from uncollectible receivables based on the actual loan loss ratio from bad debt for ordinary receivables and on the estimated recoverability for specific doubtful receivables.

(ii) Provision for directors' bonuses

The provision for directors' bonuses is provided at an amount based on the amount estimated to be paid at the end of the consolidated fiscal year under review.

(iii) Provision for product warranties

The provision for product warrants is provided for possible free repair costs of sold products at an amount considered necessary based on the past track record plus projected future guarantees.

(iv) Provision for retirement benefits

The provision for retirement benefits is provided for possible payment of employees' post-retirement benefits at the amount to be accrued at the balance sheet date and is calculated based on projected benefit obligations and the fair value of plan assets at the end of the consolidated fiscal year under review.

Actuarial gain or loss is amortized by the straight-line method over a certain period (mainly 10 years), which is shorter than the average remaining service years for employees at the time of recognition, from the following consolidated fiscal year of recognition.

Past service liability is amortized by the straight-line method over a period of 10 years, which is shorter than the average remaining service years for employees at the time of recognition.

(4) Important hedge accounting method

(i) Hedge accounting method

The Daikin Group adopts the deferral hedge accounting method, in principle. Certain foreign exchange contracts are subject to appropriation if they satisfy the requirements of appropriation treatment. For interest rate swaps, the preferential treatment is applied if the swaps satisfy the requirements.

(ii) Hedging instruments and hedged items

For the purpose of hedging exposure to exchange rate fluctuation risk, the Group adopts foreign exchange contracts, currency swaps and currency options as hedging instruments, and financial assets and liabilities denominated in foreign currencies such as monetary receivables and payables as hedged items. Moreover, as for interest rate fluctuation risk, the Group adopts interest rate swaps and interest rate options as hedging instruments, and financial liabilities such as bank loans as hedged items.

(iii) Hedging policy and method of assessing hedging effectiveness

The Daikin Group's risk management focuses on the effective utilization of derivative transactions to avoid the exposure of assets and liabilities to exchange rate fluctuation risk and reduce interest payments for the purpose of circumventing an unexpectedly huge loss. A regular test is conducted to verify the effectiveness of the hedging function of the derivatives held by the Group. An additional derivative of any kind is subject to the above hedging function test and prior assessment before starting such derivative transactions. The hedging effectiveness is judged through the comparison of the cumulative total of the market fluctuations or the cash flow fluctuations of the hedged item with the respective counterparts of the hedging instrument. Financial techniques such as regression analysis are used if necessary. A similar check system is adopted by the consolidated subsidiaries with regard to the assessment of hedging effectiveness.

(5) Accounting for consumption tax

Transactions subject to the consumption tax and the local consumption tax are recorded at amounts exclusive of the consumption tax.

5. Cash and Cash Equivalents in the Consolidated Statements of Cash Flows

Cash and cash equivalents in the consolidated statements of cash flows include cash on hand, demand deposits and short-term investments due within three months from the date of acquisition, which are easily convertible into cash with little or no risk from fluctuation in value.

(7) Changes in the Basis of Presenting the Consolidated Financial Statements

Changes in Accounting Processing Method

(i) Application of the "Accounting Standard for Equity Method of Accounting for Investments" and the "Practical Solution on Unification of Accounting Policies for Associates Accounted for Using the Equity Method"

The Company and its domestic consolidated subsidiaries adopted the "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16 issued on March 10, 2008) and the "Practical Solution on Unification of Accounting Policies for Associates Accounted for Using the Equity Method" (PITF No. 24, March 10, 2008) from the fiscal year under review, and made the necessary corrections to the consolidated settlement of accounts.

As a result, retained earnings at the beginning of the period decreased ¥158 million. Ordinary income and income before income taxes for the fiscal year under review, respectively, increased ¥152 million.

(ii) Application of the "Accounting Standard for Asset Retirement Obligations"

The Company and its domestic consolidated subsidiaries adopted the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008) from the fiscal year under review.

This change has no impact on income and loss.

(8) Notes to the Consolidated Financial Statements**Notes to the Consolidated Balance Sheets**

		(Millions of yen)	
	Previous year	Current year	
1.	Accumulated depreciation of property, plant and equipment	456,439	470,913
2.	Liabilities on guarantee		
	Commitment to guarantee	1,320	668
3.	Assets pledged as collateral		
	Time deposits	642	535
	Accounts receivable-trade	11,775	14,852
	Inventories	6,795	8,598
	Property, plant and equipment	43,599	40,628
	Others	992	1,229

Notes to the Consolidated Statements of Income

		(Millions of yen)	
	Previous year	Current year	
1.	Research and development expenses included in general and administrative expenses and manufacturing costs	28,220	30,770

Notes to the Consolidated Statements of Comprehensive Income

Current year (April 1, 2010, to March 31, 2011)		(Millions of yen)	
1.	Comprehensive income in the consolidated fiscal year immediately before the fiscal year under review		
	Comprehensive income attributable to owners of the parent		35,551
	Comprehensive income attributable to minority interests		2,919
	<u>Total</u>		<u>38,470</u>
(Millions of yen)			
2.	Other comprehensive income in the consolidated fiscal year immediately before the fiscal year under review		
	Valuation difference on available-for-sale securities		14,896
	Deferred gains or losses on hedges		(302)
	Foreign currency translation adjustment		2,019
	Share of other comprehensive income of associates accounted for using equity method		(240)
	<u>Total</u>		<u>16,372</u>

(Additional information)

The Company and its domestic consolidated subsidiaries adopted the “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, June 30, 2010) from the fiscal year under review. However, the amount of “Accumulated other comprehensive income” and “Total accumulated other comprehensive income” for the previous fiscal year are presented by “Valuation and translation adjustments” and “Total valuation and translation adjustments.”

Notes to the Consolidated Statements of Changes in Net Assets

Previous year (April 1, 2009, to March 31, 2010)

1. Shares issued

Type of shares	March 31, 2009	Increase	Decrease	March 31, 2010
Common stock (Thousands of shares)	293,113	—	—	293,113

2. Treasury stock

Type of shares	March 31, 2009	Increase	Decrease	March 31, 2010
Common stock (Thousands of shares)	1,225	295	54	1,465

(Overview of reasons for change)

Principal reason for the increase:

The Company purchased 294 thousand shares from the market.

Principal reason for the decrease:

The exercise of stock options caused a decrease of 54 thousand shares.

3. Subscription rights to shares

Company name	Breakdown	Balance at March 31, 2010 (Millions of yen)
The Company	Subscription rights to shares as stock options	1,014

4. Dividends

(1) Dividend amounts paid

Resolution	Type of shares	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 26, 2009	Common stock	5,545	19	March 31, 2009	June 29, 2009
Board of Directors meeting held on November 10, 2009	Common stock	4,670	16	September 30, 2009	December 4, 2009

(2) Of the dividends for which the record date belongs to the fiscal year ended March 31, 2010, those for which the effective date of the dividends will be in the fiscal year ending March 31, 2011

Resolution	Type of shares	Source of funds for dividends	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders to be held on June 29, 2010	Common stock	Retained earnings	4,666	16	March 31, 2010	June 30, 2010

Current year (April 1, 2010, to March 31, 2011)

1. Shares issued

Type of shares	March 31, 2010	Increase	Decrease	March 31, 2011
Common stock (Thousands of shares)	293,113	—	—	293,113

2. Treasury stock

Type of shares	March 31, 2010	Increase	Decrease	March 31, 2011
Common stock (Thousands of shares)	1,465	1	16	1,451

(Overview of reasons for change)

Principal reason for the increase:

The Company purchased one thousand odd lots shares of the Company.

Principal reason for the decrease:

The exercise of stock options caused a decrease of 16 thousand shares.

3. Subscription rights to shares

Company name	Breakdown	Balance at March 31, 2011 (Millions of yen)
The Company	Subscription rights to shares as stock options	1,293

4. Dividends

(1) Dividend amounts paid

Resolution	Type of shares	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2010	Common stock	4,666	16	March 31, 2010	June 30, 2010
Board of Directors meeting held on November 9, 2010	Common stock	5,250	18	September 30, 2010	December 3, 2010

(2) Of the dividends for which the record date belongs to the fiscal year ended March 31, 2011, those for which the effective date of the dividends will be in the fiscal year ending March 31, 2012

Planned date of resolution	Type of shares	Source of funds for dividends	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders to be held on June 29, 2011	Common stock	Retained earnings	5,250	18	March 31, 2011	June 30, 2011

Segment information, etc.**Business Segments**

Previous year (April 1, 2009, to March 31, 2010)

(Millions of yen)

	Air-Conditioning and Refrigeration Equipment	Chemicals	Others	Total	Eliminations or corporate	Consolidated	
Previous year	I. Net sales and operating income or loss						
	Net sales	[-14.2]	[-15.4]	[-29.0]	[-14.8]	[-14.8]	
	(1) Sales to outside customers	908,564	86,223	29,175	1,023,964	—	1,023,964
	(2) Intersegment sales	340	3,682	12	4,034	(4,034)	—
	Total	908,904	89,905	29,188	1,027,998	(4,034)	1,023,964
	Operating expenses	863,120	89,196	31,765	984,082	(4,155)	979,926
	Operating income (loss)	(5.0)	(0.8)	(-8.8)	(4.3)	121	(4.3)
	II. Total assets, depreciation and capital expenditures						
	Total assets	874,177	118,987	26,675	1,019,839	119,816	1,139,655
	Depreciation and amortization	28,382	10,242	1,645	40,270	—	40,270
Capital expenditures	23,985	5,668	836	30,490	—	30,490	

- Notes:
- The business segmentation is determined by taking into account similarities of the type, manufacturing methods and sales methods of products.
 - The figures expressed in parentheses () in the chart above indicate the ratios to net sales, and those expressed in brackets [] indicate the ratio of growth over the previous year.
 - The major products for the respective business segments are as follows:
 - Air-Conditioning and Refrigeration Equipment: Residential air-conditioning equipment, Commercial air-conditioning and refrigeration equipment and systems, Air-conditioning and refrigeration equipment for ships and Electronic systems
 - Chemicals: Fluorocarbon gas, Fluoropolymers, Chemical products and Chemical engineering machines
 - Others: Oil hydraulic equipment for industrial machinery, Oil hydraulic equipment for construction machinery and vehicles, Centralized lubrication units and systems, Ammunition, Warheads for guided missiles
 - Of the "Total assets" above, corporate assets included in "Eliminations or corporate" was ¥129,533 million, which mainly consisted of surplus funds for management (cash and deposits) and long-term investment funds (investment securities) of the Company.

Geographical Segments

Previous year (April 1, 2009, to March 31, 2010)

(Millions of yen)

	Japan	Asia and Oceania	Europe	America	Other	Total	Eliminations or corporate	Consolidated	
Previous year	I. Net sales and operating income or loss								
	Net sales	[-14.0]	[-8.9]	[-20.0]	[-21.4]	[4.7]	[-14.8]	[-14.8]	
	(1) Sales to outside customers	409,222	260,303	240,632	98,033	15,771	1,023,964	—	1,023,964
	(2) Intersegment sales	86,374	62,757	13,489	5,679	115	168,417	(168,417)	—
	Total	495,597	323,061	254,122	103,713	15,887	1,192,381	(168,417)	1,023,964
	Operating expenses	507,448	285,075	233,533	107,977	15,243	1,149,277	(169,351)	979,926
	Operating income (loss)	(-2.9)	(14.6)	(8.6)	(-4.3)	(4.1)	(4.2)	933	(4.3)
	II. Total assets								
		501,672	393,839	208,846	115,375	12,294	1,232,027	(92,371)	1,139,655

- Notes:
- Classification of countries or regions is based on the regions where the respective consolidated companies are located.
 - The figures expressed in parentheses () in the chart above indicate the ratios to net sales, and those expressed in brackets [] indicate the ratio of growth over the previous year.
 - Major countries or regions that belong to classifications other than Japan:
 - Asia and Oceania: Thailand, Singapore, China, Hong Kong, Australia, India, Malaysia
 - Europe: Belgium, Germany, France, Netherland, Spain, Italy, U.K., Greece, Portugal, Czech Republic, Sweden
 - America: U.S.A., Argentina, Mexico, Canada
 - Other: South Africa, Saudi Arabia, United Arab Emirates
 - Of the "Total assets" above, corporate assets included in "Eliminations or corporate" was ¥129,533 million, which mainly consisted of surplus funds for management (cash and deposits) and long-term investment funds (investment securities) of the Company.

Sales to Foreign Customers

(Previous year (April 1, 2009, to March 31, 2010))

(Millions of yen)

		Asia and Oceania	Europe	America	Other	Total
Previous year	I. Overseas sales	275,708	228,884	108,950	25,440	638,984
	II. Consolidated sales					1,023,964
	III. Ratio of overseas sales to consolidated sales	26.9%	22.4%	10.6%	2.5%	62.4%

- Notes: 1. Classification of countries or regions is based on the regions where the major customers are located.
 2. Major countries or regions that belong to each classification:
 (1) Asia and Oceania: Thailand, Singapore, China, Hong Kong, Taiwan, Indonesia, Australia, India, Malaysia
 (2) Europe: Belgium, Germany, France, Netherland, Spain, Italy, U.K., Greece, Portugal, Russia, Sweden
 (3) America: U.S.A., Argentina, Mexico, Canada
 (4) Other: Middle East Area, Africa Area

Segment Information

1. Summary of reported segments

Reported segments of the Company are constituent units of the Company, for which separate financial statements are available and are subject to periodic review by the Board of Directors when deciding the allocation of management resources and evaluating business results.

The Company designates “Air-Conditioning and Refrigeration Equipment” and “Chemicals,” which are segmented based on similarities among products and services, as reported segments.

“Air-Conditioning and Refrigeration Equipment” is engaged in the manufacture (including installation work) and sales of air-conditioning and refrigeration equipment. “Chemicals” is engaged in the manufacture and sales of chemicals.

2. Method of calculating net sales, income or loss, assets, liabilities and other items by business segment

Methods of accounting procedures for reported business segments are generally the same as those for statements in “Basis of Presenting the Consolidated Financial Statements.”

Income of reported segments is the figure based on operating income. Intersegment profit is based on market prices.

3. Information on net sales, income or loss, assets, liabilities, and other items by business segment

(Previous year (April 1,2009, to Mar 31,2010))

(Millions of yen)

		Reported segment			Others (Note) 1	Total	Adjustment (Note) 2	Amount recorded on the consolidated financial statements (Note) 3
		Air-Conditioning and Refrigeration Equipment	Chemicals	Subtotal				
Previous year	Net sales							
	Sales to outside customers	905,571	86,223	991,794	32,169	1,023,964	—	1,023,964
	Intersegment sales	340	3,682	4,022	12	4,034	(4,034)	—
	Total	905,911	89,905	995,817	32,181	1,027,998	(4,034)	1,023,964
	Segment income (loss)	46,295	709	47,005	(3,089)	43,916	121	44,037
	Segment asset	870,449	118,987	989,436	30,403	1,019,839	119,816	1,139,655
	Other items							
	Depreciation and amortization	27,765	10,242	38,008	2,262	40,270	—	40,270
	Amortization of goodwill	12,027	84	12,112	—	12,112	—	12,112
	Investments in companies accounted for by the equity method	7,519	3,689	11,208	457	11,666	—	11,666
Increase in property plant and equipment, and intangible assets	23,437	5,668	29,106	1,384	30,490	—	30,490	

- Notes:
- The "Other" segment is a business segment not included in reported segments. It includes oil hydraulic equipment business, defense systems-related product business, and electronics business.
 - The breakdown for Adjustment is as follows:
 - Adjustment to segment income, ¥121 million, is intersegment transaction elimination.
 - Adjustment to segment assets, ¥119,816 million, includes corporate assets not allocated to each reported segment of ¥129,533 million and (¥9,717 million) of intersegment transaction elimination. Corporate assets mainly consisted of surplus funds for management (cash and deposits) and long-term investment funds (investment securities) of the Company.
 - Segment income is adjusted with operating income in the Consolidated Statements of Income.

Current year (Apr 1,2010 to, Mar 31,2011)

(Millions of yen)

		Reported segment			Others (Note) 1	Total	Adjustment (Note) 2	Amount recorded on the consolidated financial statements (Note) 3
		Air-Conditioning and Refrigeration Equipment	Chemicals	Subtotal				
Current year	Net sales							
	Sales to outside customers	1,004,578	114,773	1,119,352	40,978	1,160,330	—	1,160,330
	Intersegment sales	1,038	6,411	7,450	261	7,712	(7,712)	—
	Total	1,005,617	121,185	1,126,803	41,239	1,168,043	(7,712)	1,160,330
	Segment income (loss)	64,658	10,852	75,510	(43)	75,467	(11)	75,455
	Segment asset	875,920	117,038	992,958	29,915	1,022,874	109,632	1,132,506
	Other items							
	Depreciation and amortization	26,928	10,487	37,415	2,093	39,508	—	39,508
	Amortization of goodwill	11,764	78	11,842	—	11,842	—	11,842
	Investments in companies accounted for by the equity method	6,979	4,329	11,308	650	11,958	—	11,958
Increase in property plant and equipment, and intangible assets	23,069	5,380	28,449	1,544	29,994	—	29,994	

- Notes:
- The "Other" segment is a business segment not included in reported segments. It includes oil hydraulic equipment business, defense systems-related product business, and electronics business.
 - The breakdown for Adjustment is as follows:
 - Adjustment to segment income, (¥11 million), is intersegment transaction elimination.
 - Adjustment to segment assets, ¥109,632 million, includes corporate assets not allocated to each reported segment of ¥118,148 million and (¥8,515 million) of intersegment transaction elimination. Corporate assets mainly consisted of surplus funds for management (cash and deposits) and long-term investment funds (investment securities) of the Company.
 - Segment income is adjusted with operating income in the Consolidated Statements of Income.

(Additional information)

The Company and its domestic consolidated subsidiaries adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, March 21, 2008) from the fiscal year under review.

Relevant Information

Current year (April 1, 2010, to March 31, 2011)

1. Information by product and by service

Information by product and by service is omitted, as segmentation of products and services is the same as that of reported segments.

2. Information by geographical segment

(1) Net sales

(Millions of yen)

Japan	China	Europe	Asia and Oceania	America	Other	Total
446,839	182,313	224,377	162,733	118,805	25,260	1,160,330

Note: Net sales are classified based on countries or regions where respective customers are located.

(2) Property, plant and equipment

(Millions of yen)

Japan	China	America	Europe	Asia and Oceania	Other	Total
95,459	31,992	26,387	30,766	27,840	1,560	214,007

3. Information on principal customers

None applicable

Information on impairment loss of noncurrent assets by reported segment

Current year (April 1, 2010, to March 31, 2011)

None applicable

Information on amount of amortization of goodwill and unamortized balance by reported segment

Current year (April 1, 2010, to March 31, 2011)

(Millions of yen)

	Air-Conditioning and Refrigeration Equipment	Chemicals	Others	Corporate or eliminations	Total
Balance at the end of current period	170,523	38	—	—	170,561

Note: Amount of amortization of goodwill is omitted, as similar information is disclosed in segment information.

Information on gain on occurrence of negative goodwill by reported segment

Current year (April 1, 2010, to March 31, 2011)

None applicable

Tax-Effect Accounting

Previous year From April 1, 2009, to March 31, 2010	Current year From April 1, 2010, to March 31, 2011
1. Breakdown of deferred tax assets and deferred tax liabilities by major cause	1. Breakdown of deferred tax assets and deferred tax liabilities by major cause
(Millions of yen)	(Millions of yen)
Deferred tax assets:	Deferred tax assets:
Tax loss carryforwards	Investment securities
Provision for product warranties	Tax loss carryforwards
Investment securities	Provision for product warranties
Software and other assets	Software and other assets
Inventories	Inventories
Provision for bonuses	Provision for bonuses
Unrealized profit of inventories	Unrealized profit of inventories
Accounts payable-other	Provision for retirement benefits
Provision for retirement benefits	Foreign income tax credit
Allowance for doubtful accounts	Allowance for doubtful accounts
Valuation difference on available-for-sale securities	Accounts payable-other
Long-term accounts payable-other	Long-term accounts payable-other
Others	Others
Subtotal of deferred tax assets	Subtotal of deferred tax assets
Less valuation allowance	Less valuation allowance
Total deferred tax assets	Total deferred tax assets
Deferred tax liabilities:	Deferred tax liabilities:
Undistributed earnings of consolidated subsidiaries	Undistributed earnings of consolidated subsidiaries
Prepaid pension cost	Prepaid pension cost
Reserve for advanced depreciation of noncurrent assets	Valuation difference on available-for-sale securities
Others	Reserve for advanced depreciation of noncurrent assets
Total deferred tax liabilities	Others
Net deferred tax assets	Total deferred tax liabilities
	Net deferred tax assets
2. Reconciliation between the normal statutory effective income tax rate and the actual effective tax rate after the adoption of tax-effect accounting	2. Reconciliation between the normal statutory effective income tax rate and the actual effective tax rate after the adoption of tax-effect accounting
Notes are omitted, because the difference between the normal statutory income tax rate and the actual effective income tax rate is 5% or less of the normal statutory income tax rate.	(%)
	Normal statutory effective income tax rate
	(Reconciliation items)
	Difference in tax rates with those of foreign subsidiaries
	Unrecognized tax effect on foreign income tax credit
	Amortization of goodwill
	Valuation allowance
	Tax and tax effect imposed on dividends from foreign subsidiaries
	Other
	Actual effective income tax rate after the adoption of tax-effect accounting

Retirement Benefits

Previous year From April 1, 2009, to March 31, 2010		Current year From April 1, 2010, to March 31, 2011																																	
<p>1. Provision for retirement benefits</p> <p>The Company and its domestic consolidated subsidiaries have a defined benefit corporate pension plan and a retirement lump-sum plan as defined-benefit plans, as well as a defined contribution pension plan. Several overseas consolidated subsidiaries have either defined benefit or defined contribution pension plans.</p>		<p>1. Provision for retirement benefits</p> <p>The Company and its domestic consolidated subsidiaries have a defined benefit corporate pension plan and a retirement lump-sum plan as defined-benefit plans, as well as a defined contribution pension plan. Several overseas consolidated subsidiaries have either defined benefit or defined contribution pension plans.</p> <p>Two domestic consolidated subsidiaries abolished the retirement lump-sum plan in September 2010, and shifted partly to a defined benefit corporate pension plan and partly to a defined contribution pension plan.</p>																																	
<p>2. Projected benefit obligation</p> <p style="text-align: right;">(Millions of yen)</p> <table> <tr> <td>Projected benefit obligation</td> <td style="text-align: right;">(69,068)</td> </tr> <tr> <td>Fair value of plan assets</td> <td style="text-align: right;">67,355</td> </tr> <tr> <td>Subtotal</td> <td style="text-align: right;">(1,712)</td> </tr> <tr> <td>Unrecognized prior service cost</td> <td style="text-align: right;">(217)</td> </tr> <tr> <td>Unrecognized actuarial gain</td> <td style="text-align: right;">9,723</td> </tr> <tr> <td>Net amount recorded on the consolidated balance sheets</td> <td style="text-align: right;">7,793</td> </tr> <tr> <td>Prepaid pension cost</td> <td style="text-align: right;">12,262</td> </tr> <tr> <td>Provision for retirement benefits</td> <td style="text-align: right;">(4,469)</td> </tr> </table>		Projected benefit obligation	(69,068)	Fair value of plan assets	67,355	Subtotal	(1,712)	Unrecognized prior service cost	(217)	Unrecognized actuarial gain	9,723	Net amount recorded on the consolidated balance sheets	7,793	Prepaid pension cost	12,262	Provision for retirement benefits	(4,469)	<p>2. Projected benefit obligation</p> <p style="text-align: right;">(Millions of yen)</p> <table> <tr> <td>Projected benefit obligation (Note)</td> <td style="text-align: right;">(68,817)</td> </tr> <tr> <td>Fair value of plan assets</td> <td style="text-align: right;">66,129</td> </tr> <tr> <td>Subtotal</td> <td style="text-align: right;">(2,687)</td> </tr> <tr> <td>Unrecognized prior service cost</td> <td style="text-align: right;">(75)</td> </tr> <tr> <td>Unrecognized actuarial gain</td> <td style="text-align: right;">9,892</td> </tr> <tr> <td>Net amount recorded on the consolidated balance sheets</td> <td style="text-align: right;">7,129</td> </tr> <tr> <td>Prepaid pension cost</td> <td style="text-align: right;">11,070</td> </tr> <tr> <td>Provision for retirement benefits</td> <td style="text-align: right;">(3,941)</td> </tr> </table>		Projected benefit obligation (Note)	(68,817)	Fair value of plan assets	66,129	Subtotal	(2,687)	Unrecognized prior service cost	(75)	Unrecognized actuarial gain	9,892	Net amount recorded on the consolidated balance sheets	7,129	Prepaid pension cost	11,070	Provision for retirement benefits	(3,941)
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<p>3. Periodic benefit costs</p> <table> <tr> <td>Service cost</td> <td style="text-align: right;">3,137</td> </tr> <tr> <td>Interest cost</td> <td style="text-align: right;">1,968</td> </tr> <tr> <td>Expected return on plan assets</td> <td style="text-align: right;">(1,950)</td> </tr> <tr> <td>Amortization of prior service cost</td> <td style="text-align: right;">(33)</td> </tr> <tr> <td>Recognized actuarial loss</td> <td style="text-align: right;">1,926</td> </tr> <tr> <td>Net periodic benefit cost</td> <td style="text-align: right;">5,048</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">3,039</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">8,087</td> </tr> </table>		Service cost	3,137	Interest cost	1,968	Expected return on plan assets	(1,950)	Amortization of prior service cost	(33)	Recognized actuarial loss	1,926	Net periodic benefit cost	5,048	Other	3,039	Total	8,087	<p>3. Periodic benefit costs</p> <table> <tr> <td>Service cost (Note)</td> <td style="text-align: right;">3,174</td> </tr> <tr> <td>Interest cost</td> <td style="text-align: right;">1,930</td> </tr> <tr> <td>Expected return on plan assets</td> <td style="text-align: right;">(2,148)</td> </tr> <tr> <td>Amortization of prior service cost</td> <td style="text-align: right;">(38)</td> </tr> <tr> <td>Recognized actuarial loss</td> <td style="text-align: right;">1,376</td> </tr> <tr> <td>Net periodic benefit cost</td> <td style="text-align: right;">4,294</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">2,274</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">6,569</td> </tr> </table>		Service cost (Note)	3,174	Interest cost	1,930	Expected return on plan assets	(2,148)	Amortization of prior service cost	(38)	Recognized actuarial loss	1,376	Net periodic benefit cost	4,294	Other	2,274	Total	6,569
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<p>“Other” mainly consist from amount of Company’s annual contribution to defined contribution pension plan,</p>		<p>“Other” mainly consist from amount of Company’s annual contribution to defined contribution pension plan,</p> <p>Besides that stated above, loss on termination of retirement benefit plans of ¥146 million is recorded under extraordinary loss.</p>																																	
<p>4. Basis for computation used in determining projected benefit obligation</p> <table> <tr> <td>Term-allocation method of employees’ estimated retirement benefit amount</td> <td>The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year.</td> </tr> <tr> <td>Discount rate</td> <td>Mainly 2.0%</td> </tr> <tr> <td>Rate of expected return on plan assets</td> <td>Mainly 2.5%</td> </tr> <tr> <td>Amortization period of prior service cost</td> <td>Mainly 10 years</td> </tr> <tr> <td>Amortization period of actuarial gain/loss</td> <td>Mainly 10 years</td> </tr> </table>		Term-allocation method of employees’ estimated retirement benefit amount	The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year.	Discount rate	Mainly 2.0%	Rate of expected return on plan assets	Mainly 2.5%	Amortization period of prior service cost	Mainly 10 years	Amortization period of actuarial gain/loss	Mainly 10 years	<p>4. Basis for computation used in determining projected benefit obligation</p> <table> <tr> <td>Term-allocation method of employees’ estimated retirement benefit amount</td> <td>The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year.</td> </tr> <tr> <td>Discount rate</td> <td>Mainly 2.0%</td> </tr> <tr> <td>Rate of expected return on plan assets</td> <td>Mainly 2.5%</td> </tr> <tr> <td>Amortization period of prior service cost</td> <td>Mainly 10 years</td> </tr> <tr> <td>Amortization period of actuarial gain/loss</td> <td>Mainly 10 years</td> </tr> </table> <p>Note: Some subsidiaries adopt the simple method for calculating benefit obligations and service costs.</p>		Term-allocation method of employees’ estimated retirement benefit amount	The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year.	Discount rate	Mainly 2.0%	Rate of expected return on plan assets	Mainly 2.5%	Amortization period of prior service cost	Mainly 10 years	Amortization period of actuarial gain/loss	Mainly 10 years												
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Amortization period of prior service cost	Mainly 10 years																																		
Amortization period of actuarial gain/loss	Mainly 10 years																																		
Term-allocation method of employees’ estimated retirement benefit amount	The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year.																																		
Discount rate	Mainly 2.0%																																		
Rate of expected return on plan assets	Mainly 2.5%																																		
Amortization period of prior service cost	Mainly 10 years																																		
Amortization period of actuarial gain/loss	Mainly 10 years																																		

Per Share Information

(Yen)

	Previous year (From April 1, 2009, to March 31, 2010)	Current year (From April 1, 2010, to March 31, 2011)
Net assets per share	1,701.29	1,672.74
Net income per share	66.44	68.14
Diluted net income per share	66.43	68.14

Note: The basis for calculations is provided below.

1. Net assets per share

	Previous year (As of March 31, 2010)	Current year (As of March 31, 2011)
Total net assets in the consolidated balance sheets (Millions of yen)	510,061	500,928
Shareholders' equity pertaining to common stock (Millions of yen)	496,178	487,875
Breakdown of the difference between the two amounts above (Millions of yen):		
Subscription rights to shares	1,014	1,293
Minority interests	12,867	11,759
Shares issued of common stock (Thousands of shares)	293,113	293,113
Treasury stock of common stock (Thousands of shares)	1,465	1,451
Number of shares of common stock used to calculate net assets per share (Thousands of shares)	291,648	291,662

2. Net income per share and diluted net income per share

	Previous year From April 1, 2009 to March 31, 2010	Current year From April 1, 2010 to March 31, 2011
Net income (Millions of yen)	19,390	19,872
Amount not belonging to common shareholders (Millions of yen)	—	—
Net income related to common stock (Millions of yen)	19,390	19,872
Average number of shares of common stock during the year (Thousands of shares)	291,866	291,661
Breakdown of the increase in shares of common stock used to calculate diluted net income per share (Thousands of shares):		
Stock options by exercising subscription rights to shares	28	5
Increase in the number of shares of common stock (Thousands of shares)	28	5
Overview of residual securities excluded from the calculation of diluted net income per share, as they have no dilutive effect	<p>Stock options resolved by the Board of Directors meeting held on June 29, 2006: Subscription rights to shares: 2,787 units (278,700 shares)</p> <p>Stock options resolved by the Board of Directors meeting held on June 28, 2007: Subscription rights to shares: 2,880 units (288,000 shares)</p> <p>Stock options resolved by the Board of Directors meeting held on June 27, 2008: Subscription rights to shares: 3,080 units (308,000 shares)</p>	<p>Stock options resolved by the Board of Directors meeting held on June 29, 2006: Subscription rights to shares: 2,547 units (254,700 shares)</p> <p>Stock options resolved by the Board of Directors meeting held on June 28, 2007: Subscription rights to shares: 2,620 units (262,000 shares)</p> <p>Stock options resolved by the Board of Directors meeting held on June 27, 2008: Subscription rights to shares: 3,080 units (308,000 shares)</p> <p>Stock options resolved by the Board of Directors meeting held on June 26, 2009: Subscription rights to shares: 2,940 units (294,000 shares)</p> <p>Stock options resolved by the Board of Directors meeting held on June 29, 2010: Subscription rights to shares: 2,900 units (290,000 shares)</p>

(Significant Subsequent Events)

None applicable

(Omission of Disclosure)

The notes to Consolidated Statements of Cash Flows, lease transactions, related-party transactions, financial instruments, securities, derivative transactions, stock options have been omitted hereby, as the information disclosure of the respective statements on the Brief Report on the Settlement of Accounts was considered insignificant.

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

(Millions of yen)

	Previous year (As of March 31, 2010)	Current year (As of March 31, 2011)
Assets		
Current assets		
Cash and deposits	18,660	26,597
Notes receivable-trade	953	1,904
Accounts receivable-trade	55,395	60,153
Merchandise and finished goods	29,737	29,737
Work in process	29,123	31,908
Raw materials and supplies	3,120	3,604
Advance payments-trade	23	2
Prepaid expenses	999	1,033
Deferred tax assets	10,940	7,648
Short-term loans receivable from subsidiaries and affiliates	18,961	16,856
Accounts receivable-other	16,033	15,690
Other	1,878	1,349
Allowance for doubtful accounts	(10)	(18)
Total current assets	185,817	196,469
Noncurrent assets		
Property, plant and equipment		
Buildings, net	28,192	26,930
Structures, net	2,952	2,729
Machinery and equipment, net	33,933	30,049
Vehicles, net	110	75
Tools, furniture and fixtures, net	6,287	5,279
Land	20,243	20,243
Lease assets, net	1,953	2,143
Construction in progress	3,083	1,579
Total property, plant and equipment	96,756	89,032
Intangible assets		
Patent right	0	0
Leasehold right	284	284
Right of trademark	0	—
Right of using facilities	16	14
Software	1,770	1,515
Telephone subscription right	139	139
Total intangible assets	2,211	1,954
Investment and other assets		
Investment securities	111,852	92,587
Stocks of subsidiaries and affiliates	299,483	299,883
Investments in capital	10	10
Investments in capital of subsidiaries and affiliates	65,424	66,374
Long-term loans receivable	298	221
Long-term loans receivable from employees	206	185
Long-term loans receivable from subsidiaries and affiliates	827	650
Long-term prepaid expenses	205	153
Prepaid pension cost	10,840	9,845
Deferred tax assets	5,415	11,349
Guarantee deposits	2,931	2,928
Other	3,060	2,158
Allowance for doubtful accounts	(2,097)	(1,285)
Total investment and other assets	498,458	485,063
Total noncurrent assets	597,427	576,049
Total assets	783,244	772,518

(Millions of yen)

	Previous year (As of March 31, 2010)	Current year (As of March 31, 2011)
(Liabilities)		
Current liabilities		
Notes payable-trade	3,210	3,837
Accounts payable-trade	29,597	37,486
Short-term loans payable	51,150	50,350
Commercial papers	17,000	3,000
Current portion of long-term loans payable	12,509	1,708
Lease obligations	1,123	1,031
Accounts payable-other	7,811	4,259
Accrued expenses	16,589	19,581
Income tax payable	369	1,175
Advances received	948	992
Deposits received	9,880	15,646
Provision for directors' bonuses	123	140
Provision for product warranties	11,226	8,054
Notes payable-facilities	805	634
Accounts payable-facilities	4,421	5,713
Other	147	319
Total current liabilities	166,913	153,933
Noncurrent liabilities		
Bonds payable	100,000	100,000
Long-term loans payable	181,792	180,082
Lease obligations	943	1,215
Long-term accounts payable-other	450	414
Total noncurrent liabilities	283,187	281,712
Total liabilities	450,101	435,646
Net Assets		
Shareholders' equity		
Capital stock	85,032	85,032
Capital surplus		
Legal capital surplus	82,977	82,977
Total capital surplus	82,977	82,977
Retained earnings		
Legal retained earnings	6,066	6,066
Other retained earnings		
Reserve for advanced depreciation of noncurrent assets	3,179	3,179
Reserve for special depreciation	30	25
General reserve	146,210	146,210
Retained earnings brought forward	14,749	13,135
Total retained earnings	170,235	168,616
Treasury stock	(5,523)	(5,468)
Total shareholders' equity	332,721	331,158
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(610)	4,539
Deferred gains or losses on hedges	16	(118)
Total valuation and translation adjustments	(593)	4,420
Subscription rights to shares	1,014	1,293
Total net assets	333,143	336,872
Total liabilities and net assets	783,244	772,518

(2) Non-Consolidated Statements of Income

(Millions of yen)

	Previous year (From April 1, 2009, to March 31, 2010)	Current year (From April 1, 2010, to March 31, 2011)
Net sales	365,424	426,740
Cost of sales	284,720	331,465
Gross profit	80,704	95,274
Selling, general and administrative expenses	93,861	98,169
Operating income (loss)	(13,157)	(2,894)
Non-operating income		
Interest income	265	309
Interest on securities	17	7
Dividends income	34,450	43,840
Other	811	1,044
Total non-operating income	35,544	45,201
Non-operating expenses		
Interest expenses	3,828	3,720
Interest on bonds	1,076	1,471
Interest on commercial papers	166	16
Sales discounts	506	615
Foreign exchange losses	299	539
Other	1,543	1,697
Total non-operating expenses	7,419	8,062
Ordinary income	14,968	34,244
Extraordinary income		
Gain on sales of investment securities	13	—
Gain on liquidation of subsidiaries and affiliates	159	271
Gain on extinguishment of tie-in shares	165	741
Gain on reversal of subscription rights to shares	12	44
Reversal of allowance for doubtful accounts	—	796
Other	0	—
Total extraordinary income	351	1,854
Extraordinary loss		
Loss on disposal of noncurrent assets	612	300
Loss on cancellation of lease contracts	1,026	—
Loss on sales of investment securities	—	616
Loss on valuation of investment securities	3,624	26,837
Loss on valuation of stocks of subsidiaries and affiliates	236	131
Loss on disaster	—	1,073
Other	56	—
Total extraordinary loss	5,556	28,958
Income before income taxes	9,762	7,140
Income taxes-current	1,214	5,369
Income taxes-deferred	(4,559)	(6,539)
Total income taxes	(3,344)	(1,169)
Net income	13,107	8,310

(3) Non-Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Previous year (From April 1, 2009, to March 31, 2010)	Current year (From April 1, 2010, to March 31, 2011)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	85,032	85,032
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	85,032	85,032
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	82,977	82,977
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	82,977	82,977
Retained earnings		
Legal retained earnings		
Balance at the end of previous period	6,066	6,066
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	6,066	6,066
Other retained earnings		
Reserve for advanced depreciation of noncurrent assets		
Balance at the end of previous period	3,179	3,179
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	3,179	3,179
Reserve for special depreciation		
Balance at the end of previous period	35	30
Changes of items during the period		
Reversal of reserve for special depreciation	(5)	(5)
Total changes of items during the period	(5)	(5)
Balance at the end of current period	30	25

(Millions of yen)

	Previous year (From April 1, 2009, to March 31, 2010)	Current year (From April 1, 2010, to March 31, 2011)
General reserve		
Balance at the end of previous period	168,210	146,210
Changes of items during the period		
Reversal of reserve for special depreciation	(22,000)	—
Total changes of items during the period	(22,000)	—
Balance at the end of current period	146,210	146,210
Retained earnings brought forward		
Balance at the end of previous period	(10,086)	14,749
Changes of items during the period		
Dividends from surplus	(10,216)	(9,916)
Reversal of general reserve	22,000	—
Reversal of reserve for special depreciation	5	5
Net income	13,107	8,310
Disposal of treasury stock	(60)	(13)
Total changes of items during the period	24,835	(1,614)
Balance at the end of current period	14,749	13,135
Total retained earnings		
Balance at the end of previous period	167,405	170,235
Changes of items during the year		
Dividends from surplus	(10,216)	(9,916)
Reversal of general reserve	—	—
Reversal of reserve for special depreciation	—	—
Net income	13,107	8,310
Disposal of treasury stock	(60)	(13)
Total changes of items during the period	2,830	(1,619)
Balance at the end of current period	170,235	168,616
Treasury stock		
Balance at the end of previous period	(4,739)	(5,523)
Changes of items during the period		
Purchase of treasury stock	(994)	(4)
Disposal of treasury stock	210	60
Total changes of items during the period	(783)	55
Balance at the end of current period	(5,523)	(5,468)

(Millions of yen)

	Previous year (From April 1, 2009, to March 31, 2010)	Current year (From April 1, 2010, to March 31, 2011)
Total shareholders' equity		
Balance at the end of previous period	330,675	332,721
Changes of items during the period		
Dividends from surplus	(10,216)	(9,916)
Net income	13,107	8,310
Purchase of treasury stock	(994)	(4)
Disposal of treasury stock	150	47
Total changes of items during the period	2,046	(1,563)
Balance at the end of current period	332,721	331,158
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	(15,418)	(610)
Changes of items during the period		
Net changes of items other than shareholders' equity	14,808	5,149
Total changes of items during the period	14,808	5,149
Balance at the end of current period	(610)	4,539
Deferred gains or losses on hedges		
Balance at the end of previous period	(34)	16
Changes of items during the period		
Net changes of items other than shareholders' equity	51	(135)
Total changes of items during the period	51	(135)
Balance at the end of current period	16	(118)
Total valuation and translation adjustments		
Balance at the end of previous period	(15,453)	(593)
Changes of items during the period		
Net changes of items other than shareholders' equity	14,860	5,014
Total changes of items during the period	14,860	5,014
Balance at the end of current period	(593)	4,420

(Millions of yen)

	Previous year (From April 1, 2009, to March 31, 2010)	Current year (From April 1, 2010, to March 31, 2011)
Subscription rights to shares		
Balance at the end of previous period	764	1,014
Changes of items during the period		
Net changes of items other than shareholders' equity	250	278
Total changes of items during the period	250	278
Balance at the end of current period	1,014	1,293
Total net assets		
Balance at the end of previous period	315,986	333,143
Changes of items during the period		
Dividends from surplus	(10,216)	(9,916)
Net income	13,107	8,310
Purchase of treasury stock	(994)	(4)
Disposal of treasury stock	150	47
Net changes of items other than shareholders' equity	15,110	5,292
Total changes of items during the period	17,157	3,728
Balance at the end of current period	333,143	336,872

(4) Notes Regarding the Premises of the Company as a “Going Concern”

None applicable

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.