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Member, Financial Accounting Standards Foundation

Brief Report on the Settlement of Accounts (Consolidated) for the Business Year Ended March 31, 2018 (J-GAAP)

May 9, 2018

Name of Listed Company: **Daikin Industries, Ltd.** Listed on TSE
Code No.: 6367
(URL: http://www.daikin.co.jp/)
Representative: Masanori Togawa, President and CEO
Contact: Motoshi Hosomi,
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 28, 2018
Planned date of start of dividend payment: June 29, 2018
Planned date of the filing of securities report: June 28, 2018
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 Fiscal Year Ended March 31, 2018
(From April 1, 2017, to March 31, 2018)

(1) Consolidated Business Results

Note: Amounts less than one million yen are truncated.
Percentages indicate year-over-year increases/decreases.

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal Year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2018	2,290,560	12.1	253,739	10.0	255,019	10.4	189,051	22.8
March 31, 2017	2,043,968	0.0	230,769	5.9	231,013	10.2	153,938	12.4

Note: Comprehensive income was ¥230,616 million (69.1%) for the fiscal year ended March 31, 2018, and ¥136,343 million (432.8%) for the fiscal year ended March 31, 2017.

	Earnings per share	Diluted earnings per share	Ratio of earnings for the fiscal year to shareholders' equity	Ratio of ordinary profit to total assets	Operating margin
Fiscal Year ended	Yen	Yen	%	%	%
March 31, 2018	646.53	646.08	15.7	10.5	11.1
March 31, 2017	526.81	526.43	14.5	10.2	11.3

(Reference) Equity in earnings of affiliates was ¥2,547 million for the fiscal year ended March 31, 2018, and ¥920 million for the fiscal year ended March 31, 2017.

(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, 2018	2,489,953	1,324,321	52.1	4,433.62
As of March 31, 2017	2,356,148	1,135,609	47.2	3,802.10

(Reference) Equity capital was ¥1,296,553 million at the end of the fiscal year ended March 31, 2018, and ¥1,111,636 million at the end of the fiscal year ended March 31, 2017.

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal Year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2018	223,740	(127,458)	(93,954)	357,027
March 31, 2017	267,663	(128,823)	(73,543)	344,093

2. Dividends

	(Annual) Dividend per share					Total cash dividends for the fiscal year (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal Year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2017	—	60.00	—	70.00	130.00	38,001	24.7	3.6
March 31, 2018	—	65.00	—	75.00	140.00	40,939	21.7	3.4
Fiscal Year ending March 31, 2019 (forecast)	—	70.00	—	70.00	140.00		22.7	

3. Consolidated Business Forecast for the Fiscal Year Ending March 31, 2019
(From April 1, 2018, to March 31, 2019)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	1,290,000	9.8	158,000	6.0	158,000	5.6	108,000	6.4	369.31
Full year	2,480,000	8.3	270,000	6.4	268,000	5.1	180,000	-4.8	615.52

*Notes
(1) Changes in Significant Subsidiaries during the Period: None
(Changes in specified subsidiaries resulting in change in scope of consolidation)

(2) Changes in Accounting Policies, Changes in Accounting Estimates, and Retrospective Restatement
- (i) Changes in accounting policies relating to revisions to accounting standards, etc.: None
- (ii) Changes in accounting policies other than (i) above: None
- (iii) Changes in accounting estimates: None
- (iv) Retrospective restatement: None

(3) Number of Shares Issued (common stock)
- (i) Number of shares issued at end of period (including treasury shares)
  - As of March 31, 2018: 293,113,973 shares
  - As of March 31, 2017: 293,113,973 shares
- (ii) Number of treasury shares at end of period
  - As of March 31, 2018: 677,039 shares
  - As of March 31, 2017: 739,660 shares
- (iii) Average number of shares outstanding during the period
  - Fiscal year ended March 31, 2018: 292,408,634 shares
  - Fiscal year ended March 31, 2017: 292,208,175 shares

(Reference) Summary of Non-Consolidated Business Results for the Fiscal Year Ended March 31, 2018
(From April 1, 2017, to March 31, 2018)

(1) Non-Consolidated Business Results

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

	Net sales		Operating profit		Ordinary profit	
Fiscal Year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2018	527,847	4.4	48,969	-2.8	135,637	-4.1
March 31, 2017	505,569	1.0	50,364	33.1	141,474	63.6

	Profit		Earnings per share	Diluted earnings per share
Fiscal Year ended	Millions of yen	%	Yen	Yen
March 31, 2018	120,945	-3.0	413.61	413.32
March 31, 2017	124,639	103.0	426.54	426.22

(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, 2018	1,448,351	712,112	49.1	2,429.89
As of March 31, 2017	1,363,946	608,294	44.5	2,076.81

(Reference) Shareholders' equity was ¥710,601 million at the end of the fiscal year ended March 31, 2018, and ¥607,215 million at the end of the fiscal year ended March 31, 2017.

The Brief Report on the Settlement of Accounts is outside the scope of audit by a certified public accountant or an audit corporation.

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

- The business forecasts are based on information currently available to Daikin Industries, Ltd. (the "Company") and certain assumptions that are deemed reasonable. Actual results may differ significantly from these forecasts. For the basis of presumption of the business forecast and the notes on its use, please refer to "(4) Business Forecast for the Future" of "1. Overview of Operating Results, etc."
- The Company plans to hold a briefing on business results for institutional investors and analysts on Thursday, May 10, 2018. Documents and materials distributed in this briefing will be posted on the Company's website soon after the briefing.

Content of Attachment

1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year Ended March 31, 2018

Looking at the overall world economy in the fiscal year ended March 31, 2018 (fiscal 2017), the real economy continued to expand steadily, despite sharp fluctuations in the financial and foreign exchange markets at the end of the fiscal year. The U.S. economy remained firm owing to growth in personal consumption and capital investment. The European economy was underpinned by recovery in personal consumption. The Asian and emerging economies continued to show stable overall growth as exports picked up due to economic expansion in developed countries. The Chinese economy also saw steady growth reflecting investment in infrastructure and expansion in exports. Turning to the Japanese economy, the employment environment improved and personal consumption and capital investment continued on a recovery track.

In such a business environment, the Daikin Group set its New Year's slogan for 2017 as "Integrate new power with our solid foundation to enhance our corporate value." The Group made efforts to secure net sales and profit by expanding sales of major air-conditioning products in each region around the world, promoting the Chemicals segment, and making group-wide efforts to reduce costs. The Group continued striving to generate steady results in the second year of "Fusion 20," the Group's strategic management plan that set fiscal 2020 as its target fiscal year.

The Daikin Group's net sales increased by 12.1% year over year to ¥2,290,560 million for the fiscal year under review. As for profits, operating profit increased by 10.0% to ¥253,739 million and ordinary profit increased by 10.4% to ¥255,019 million. Profit attributable to owners of parent increased by 22.8% to ¥189,051 million, partly owing to the decrease in income taxes resulting from tax revisions in the United States.

Results by business segment are as follows:

(i) Air-Conditioning and Refrigeration Equipment

Overall sales of the Air-Conditioning and Refrigeration Equipment segment increased by 11.9% to ¥2,052,884 million. Operating profit increased by 7.0% to ¥223,463 million.

In the Japanese commercial air-conditioning equipment market, industry demand rose year over year due to strong capital investment and new construction. The Daikin Group captured market demand and expanded sales for air conditioners for stores and offices with the SkyAir series, including its mainstay product "Eco-ZEAS," along with a new lineup of "machi Multi," multi-split type room air conditioners that feature individual operation and a slim design. Net sales increased year over year for multi-split type room air conditioners for buildings due to sales expansion of the "VRV" series backed by robust demand mainly for offices and factories.

In the Japanese residential air-conditioning equipment market, industry demand increased year over year owing to firm demand that began in the first half due to a heat wave in the early summer and remained strong in the second half. The Daikin Group expanded sales for the high-end model "Urusara 7" equipped with its unique humidifier functions, as well as for models in the mid-price range, and net sales exceeded those of the previous fiscal year.

In the Americas, net sales increased year over year in the region as a whole due to the success of sales strategies in addition to strong demand. Net sales of residential air-conditioning systems rose year over year as a result of efforts to expand and strengthen the sales network, despite the impact of hurricanes. Net sales grew year over year in the light commercial air-conditioning systems for medium-sized office buildings as a result of implementing sales strategies for each series and each route for multi-split type room air conditioners for buildings. In the market for large buildings (Applied Systems), reinforcement of the sales network and enhancement of the product lineup led to sales growth and expansion of the after sales service business, despite severe conditions including a deteriorating market for raw materials. In addition, net sales in Central and South America increased year over year as a result of the sales growth due to the acquisition of an air-conditioning engineering company in the region.

In China, personal consumption and private-sector demand remained strong, and growth is expanding to regional cities. The Group captured personal consumption in line with market changes and expanded sales networks in regional cities. As a result, sales increased for all products in all regions, and net sales rose year over year. Operating profit also increased year over year owing to cost reductions, including a shift to internal production of parts and productivity enhancements implemented in response to a recent jump in raw material prices. In the residential-use market, the Group focused on its own "PROSHOPs" specialty shops and strengthened its proposal and installation capabilities to expand sales, targeting the mid-range and high-end residential market, mainly through the "New Life Multi Series," residential multi-split type room air conditioners that create new lifestyles. In the commercial-use market, the Group expanded sales focused on the "VRV-X" series, commercial multi-split type room air conditioners that offer enhanced energy-saving performance and design flexibility. The Group reinforced its comprehensive proposal capabilities to meet diverse customer needs, and captured a wide range of markets from buildings to general stores, from new construction to replacement. Furthermore, the Group obtained higher inquiries compared to the previous fiscal year, by bolstering its 'spec-in' activities for architectural firms and developers, as well as direct proposals to major users. In the Applied Systems air-conditioning equipment market, the Group expanded sales by enhancing its product lineup to compete with U.S. manufacturers, and by further reinforcing the after sales service business.

In Asia and Oceania, net sales rose year over year in the region as a whole. Sales of residential air-conditioning systems in Southeast Asia declined due to unseasonal weather in the first quarter, but increased year over year from the second quarter onward. As a result, annual net sales remained flat year over year. Net sales of commercial air-conditioning systems in Southeast Asia increased year over year mainly due to an expansion of dealer networks. In India, net sales grew substantially from the previous fiscal year for both residential and commercial air-conditioning systems mainly due to an expansion of dealer networks.

In Europe, net sales increased year over year in the region as a whole backed by the robust economy. Sales of residential air-conditioning systems were strong in major countries such as France and Spain. In Italy, which is the largest market in Europe, the business environment also took a favorable turn, including optimization of distribution inventory, and sales recovered due to measures such as a strengthening of sales of residential multi-split type room air conditioners. However, net sales for the fiscal year under review remained flat year over year, due to a decline in net sales in the first half compared to the same period of the previous fiscal year. Meanwhile, net sales of commercial air-conditioning systems grew year over year, due to robust sales resulting from the capture of strong demand in new construction, as well as replacement demand, along with other factors such as the launch of new air-conditioning systems for stores. Net sales of heat pump hot water heating systems grew from the previous fiscal year due to sales growth in France and other major European countries, resulting from a reinforcement of our dedicated sales system and the introduction of new products.

In the Middle East and Africa, net sales increased year over year, thanks to efforts to boost orders for small- to medium-scale private-sector projects and replacement projects in Saudi Arabia and other countries, amid a decrease in orders for government projects due to geopolitical unrest, a drop in crude oil prices, and fiscal austerity in these countries. In Turkey, the political unrest that had existed following the attempted coup d'état that occurred the year before last has settled down, and net sales increased significantly year over year due to firm personal consumption and a reinforcement of sales of residential air-conditioning systems and heating systems.

In the marine vessels business, net sales rose year over year due to an increase in unit sales of marine container refrigeration units.

(ii) Chemicals

Overall sales of the Chemicals segment increased by 16.8% to ¥183,147 million and operating profit increased by 39.4% year over year to ¥25,510 million.

Demand for fluoropolymers remained strong for semiconductor-related applications mainly in Japan, China, and Asia, despite declining demand for LAN cable applications in the U.S. market, and overall sales of fluoropolymers rose year over year. Net sales of fluoroelastomers also increased substantially year over year due to robust demand in automotive fields in each region around the world.

Turning to oil and water repellents among specialty chemicals, net sales grew year over year as switchovers to new products progressed in China and other Asia regions. Sales of anti-fouling surface coating agents fell year over year due to the impact of various factors, including sluggish demand in China and other Asia regions. Sales of etchant for cleaning semiconductors increased significantly year over year due to sales growth in Asia where related demand was favorable. As a result of these factors, overall sales of specialty chemicals were up compared to the previous fiscal year.

As for fluorocarbon gas, overall sales of gas increased substantially year over year as a result of price revisions undertaken primarily in Europe to address rising prices of raw materials and a tight supply-demand balance.

(iii) Other Divisions

Overall sales of the "Others" segment increased by 5.2% year over year to ¥54,529 million. Operating profit increased by 26.8% year over year to ¥4,756 million.

Sales of oil hydraulic equipment for industrial machinery grew year over year due to strong performance in the Japanese and U.S. markets. Sales of oil hydraulic equipment for construction machinery and vehicles were up year over year due to robust sales to key customers in Japan and the United States.

In defense systems-related products, net sales of ammunitions and components for guided missiles to the Ministry of Defense fell year over year. Net sales of home oxygen equipment remained flat year over year.

In the electronics business, net sales were on par with the previous fiscal year, as a result of pursuing product development in line with customer needs through measures such as global quality control and shortened design and development periods in database systems for design and development sectors, which are mainstay products.

(2) Overview of Financial Position for the Fiscal Year Ended March 31, 2018

Total assets increased by ¥133,805 million from the end of the previous fiscal year to ¥2,489,953 million. Current assets increased by ¥77,926 million from the end of the previous fiscal year to ¥1,237,811 million, mainly due to an increase in notes and accounts receivable – trade. Non-current assets increased by ¥55,878 million from the end of the previous fiscal year to ¥1,252,142 million, primarily due to an increase in investment securities associated with market value variation.

Liabilities decreased by ¥54,907 million from the end of the previous fiscal year to ¥1,165,632 million, mainly due to a decrease in long-term loans payable. Interest bearing debt ratio fell to 22.3% from 25.9% at the end of the previous fiscal year.

Net assets increased by ¥188,712 million from the end of the previous fiscal year to ¥1,324,321 million, primarily due to an increase caused by posting of profit attributable to owners of parent.

(3) Overview of Cash Flows for the Fiscal Year Ended March 31, 2018

During the fiscal year under review, net cash provided by operating activities was ¥223,740 million, a decrease of ¥43,923 million from the previous fiscal year, principally due to an increase in income taxes paid. Net cash used in investing activities was ¥127,458 million, a decrease of ¥1,364 million from the previous fiscal year, primarily due to a decrease in payment for acquisition of consolidated subsidiaries. Net cash used in financing activities was ¥93,954 million, an increase of ¥20,411 million from the previous fiscal year, mainly due to a decrease in short-term loans payable. After including the effect of foreign exchange rate change to these results, net increase in cash and cash equivalents for the fiscal year under review amounted to ¥12,933 million, a decrease of ¥39,954 million from the previous fiscal year.

(Reference) Trends in Cash Flow Indicators

	Fiscal Year ended March 31, 2014	Fiscal Year ended March 31, 2015	Fiscal Year ended March 31, 2016	Fiscal Year ended March 31, 2017	Fiscal Year ended March 31, 2018
Equity ratio (%)	39.9	45.3	46.3	47.2	52.1
Market value equity ratio (%)	83.9	103.7	112.1	138.8	137.8
Cash flows/Interest-bearing debt ratio (years)	3.9	4.1	2.7	2.3	2.5
Interest coverage ratio (times)	18.0	16.8	25.9	26.8	20.9

Notes:

1. 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
2. Each indicator is calculated based on the consolidated financial values.
3. 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 shares])
4. Operating cash flow represents the “Net cash provided by (used in) operating activities” in the consolidated statement of cash flows.
5. Interest-bearing debt indicates the liabilities for which interest is paid on all the liabilities posted in the consolidated balance sheet. Interest payment corresponds to the amount of “Interest expenses paid” in the consolidated statement of cash flows.

(4) Business Forecast for the Future

With regard to the economic environment surrounding the Company for the fiscal year ending March 31, 2019, while a moderate expansion is expected to continue, mainly in the United States, the outlook remains uncertain due to the possible impact of geopolitical risks and increasing protectionism on the world economy and exchange rates. Amid this environment, as we reach the mid-point of “Fusion 20,” the Group’s strategic management plan, the Group will strive to achieve its quantitative targets for fiscal 2018. Also, aiming at fiscal 2020, we will accelerate improvements to our structure and earnings capabilities by generating results from initiatives to date and investment effects while approaching on themes that will make us first movers and pioneers to overcome our rivals.

Specifically, we will overcome the negative impact of the rising raw materials market and the exchange rates through continuous efforts such as expanding global sales in each region and proceeding with the reduction of overall costs while aggressively investing our assets strategically to transform our business structure. We will also aim to maintain the trend of increased sales and profits and strive for further growth and development in the medium to long term.

For the fiscal year ending March 31, 2019, we forecast an 8.3% increase in consolidated net sales to ¥2,480,000 million, with operating profit rising 6.4% to ¥270,000 million, ordinary profit increasing 5.1% to ¥268,000 million, and profit attributable to owners of parent decreasing 4.8% to ¥180,000 million.

The estimated exchange rate for the fiscal year ending March 31, 2019, is based on the assumption that US$1 equals ¥105 and 1 euro equals ¥130.

The business forecasts are based on information currently available to the Company and certain assumptions that are deemed reasonable. A number of factors, some major ones of which are explained below, could cause actual results to differ significantly from these forecasts.

- Drastic changes in demand and supply for products or in the political and economic situations in the major markets of Japan, Europe, the United States, China, and other Asian countries
- Fluctuations in demand for air-conditioning equipment due to unseasonable weather
- Drastic changes in the exchange rates (especially the U.S. dollar and euro rates)
- Serious problems related to quality and manufacturing
- Substantial fluctuations in the market value of securities held by the Company
- Impairment of non-current assets
- Natural disasters

(5) Basic Policy on Profit Distribution and Dividends for the Fiscal Year Ended March 31, 2018, and the Fiscal Year Ending March 31, 2019

The Company will continue to focus on expanding its businesses while investing its assets strategically, and improving its financial structure by such means as proceeding with the reduction of overall costs and enhancing its fiscal position. Through these initiatives, we are committed to being a truly global and excellent company while at the same time further improving our corporate value and enhancing profit returns to our shareholders.

Specifically, by striving to maintain a consolidated ratio of dividend to net assets (Dividend on Equity, DOE) of 3.0% while at the same time aiming for an even higher consolidated dividend payout ratio, we will introduce initiatives to further increase returns to our shareholders with the core goal of stable and continuous dividends.

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 fiscal year ended March 31, 2018, the Company has proposed an annual cash dividend of ¥140 (¥65 for the interim dividend and ¥75 for the year-end dividend), representing a ¥10 increase over the previous fiscal year.

For the fiscal year ending March 31, 2019, the Company proposes an annual cash dividend of ¥140 (¥70 for the interim dividend and ¥70 for the year-end dividend).

2. Basic Stance Regarding Choice of Accounting Standards

The Daikin Group applies Japanese general accepted accounting principle (J-GAAP). In terms of the International Financial Reporting Standards (IFRS), the difference between IFRS and J-GAAP, its potential impact on the Daikin Group and other effects are currently being studied. We will address the application of the IFRS appropriately upon taking into account various circumstances both in Japan and abroad.

Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	FY2016 (As of March 31, 2017)	FY2017 (As of March 31, 2018)
Assets		
Current assets		
Cash and deposits	344,093	357,027
Notes and accounts receivable – trade	369,061	401,165
Merchandise and finished goods	249,487	264,866
Work in process	42,249	45,199
Raw materials and supplies	66,565	77,160
Deferred tax assets	35,786	32,517
Other	60,856	68,709
Allowance for doubtful accounts	(8,216)	(8,834)
Total current assets	1,159,884	1,237,811
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	185,002	185,441
Machinery, equipment and vehicles, net	137,252	153,012
Land	37,589	42,996
Leased assets, net	2,026	1,901
Construction in progress	29,591	34,014
Other, net	33,064	37,467
Total property, plant and equipment	424,527	454,834
Intangible assets		
Goodwill	330,876	309,282
Customer relationship	135,773	130,851
Other	70,313	75,926
Total intangible assets	536,963	516,059
Investments and other assets		
Investment securities	185,251	227,526
Long-term loans receivable	1,904	925
Deferred tax assets	5,048	2,940
Net defined benefit asset	13,034	14,734
Other	30,271	35,933
Allowance for doubtful accounts	(735)	(812)
Total investments and other assets	234,773	281,248
Total non-current assets	1,196,264	1,252,142
Total assets	2,356,148	2,489,953

	FY2016 (As of March 31, 2017)	FY2017 (As of March 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	173,147	183,991
Short-term loans payable	57,699	45,530
Current portion of bonds	10,000	—
Current portion of long-term loans payable	67,177	76,988
Lease obligations	1,797	1,499
Income taxes payable	27,769	21,496
Deferred tax liabilities	23,768	27,398
Provision for directors’ bonuses	350	370
Provision for product warranties	49,750	48,008
Accrued expenses	107,928	121,686
Other	107,286	103,760
Total current liabilities	626,676	630,730
Non-current liabilities		
Bonds payable	110,000	110,000
Long-term loans payable	353,292	311,051
Lease obligations	9,462	9,301
Deferred tax liabilities	87,993	70,108
Net defined benefit liability	11,939	10,551
Other	21,174	23,890
Total non-current liabilities	593,863	534,901
Total liabilities	1,220,539	1,165,632
Net assets		
Shareholders’ equity		
Capital stock	85,032	85,032
Capital surplus	84,544	84,388
Retained earnings	837,968	987,546
Treasury shares	(3,160)	(2,894)
Total shareholders’ equity	1,004,385	1,154,073
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	53,041	74,586
Deferred gains or losses on hedges	(119)	728
Foreign currency translation adjustment	61,037	72,834
Remeasurements of defined benefit plans	(6,707)	(5,668)
Total accumulated other comprehensive income	107,251	142,479
Subscription rights to shares	1,079	1,510
Non-controlling interests	22,893	26,258
Total net assets	1,135,609	1,324,321
Total liabilities and net assets	2,356,148	2,489,953

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

(Consolidated Statement of Income)

(Millions of yen)

	FY2016 (April 1, 2016, to March 31, 2017)	FY2017 (April 1, 2017, to March 31, 2018)
Net sales	2,043,968	2,290,560
Cost of sales	1,313,033	1,491,731
Gross profit	730,934	798,829
Selling, general and administrative expenses	500,165	545,089
Operating profit	230,769	253,739
Non-operating income		
Interest income	6,736	6,817
Dividend income	3,694	4,466
Share of profit of entities accounted for using equity method	920	2,547
Foreign exchange gains	329	—
Other	3,066	4,376
Total non-operating income	14,746	18,207
Non-operating expenses		
Interest expenses	9,910	10,655
Foreign exchange losses	—	1,674
Other	4,592	4,597
Total non-operating expenses	14,502	16,928
Ordinary profit	231,013	255,019
Extraordinary income		
Gain on sales of land	451	32
Gain on sales of investment securities	27	223
Other	49	—
Total extraordinary income	529	255
Extraordinary losses		
Loss on disposal of non-current assets	926	495
Loss on valuation of investment securities	—	0
Loss on liquidation of subsidiaries and associates	—	2,919
Other	6	2
Total extraordinary losses	933	3,418
Profit before income taxes	230,609	251,857
Income taxes – current	70,216	77,158
Income taxes – deferred	471	(20,249)
Total income taxes	70,688	56,908
Profit	159,920	194,948
Profit attributable to non-controlling interests	5,982	5,896
Profit attributable to owners of parent	153,938	189,051

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	FY2016 (April 1, 2016, to March 31, 2017)	FY2017 (April 1, 2017, to March 31, 2018)
Profit	159,920	194,948
Other comprehensive income		
Valuation difference on available-for-sale securities	6,721	21,543
Deferred gains or losses on hedges	2,004	848
Foreign currency translation adjustment	(32,609)	11,672
Remeasurements of defined benefit plans	1,448	1,043
Share of other comprehensive income of entities accounted for using equity method	(1,142)	559
Total other comprehensive income	(23,577)	35,667
Comprehensive income	136,343	230,616
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	131,347	224,280
Comprehensive income attributable to non-controlling interests	4,995	6,336

(3) Consolidated Statement of Changes in Equity

FY2016 (April 1, 2016, to March 31, 2017) (Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	85,032	83,585	720,547	(4,598)	884,567
Changes of items during period					
Dividends of surplus			(36,518)		(36,518)
Profit attributable to owners of parent			153,938		153,938
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares		959		1,441	2,400
Changes in equity allocated to the parent associated with transactions with non-controlling interests					—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	959	117,420	1,438	119,818
Balance at end of current period	85,032	84,544	837,968	(3,160)	1,004,385

(Millions of yen)

	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at beginning of current period	46,319	(2,124)	93,798	(8,151)	129,842	1,118	21,942	1,037,469
Changes of items during period								
Dividends of surplus								(36,518)
Profit attributable to owners of parent								153,938
Purchase of treasury shares								(3)
Disposal of treasury shares								2,400
Changes in equity allocated to the parent associated with transactions with non-controlling interests								—
Net changes of items other than shareholders' equity	6,722	2,004	(32,760)	1,443	(22,590)	(39)	951	(21,679)
Total changes of items during period	6,722	2,004	(32,760)	1,443	(22,590)	(39)	951	98,139
Balance at end of current period	53,041	(119)	61,037	(6,707)	107,251	1,079	22,893	1,135,609

FY2017 (April 1, 2017, to March 31, 2018) (Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	85,032	84,544	837,968	(3,160)	1,004,385
Changes of items during period					
Dividends of surplus			(39,473)		(39,473)
Profit attributable to owners of parent			189,051		189,051
Purchase of treasury shares				(4)	(4)
Disposal of treasury shares		173		270	444
Changes in equity allocated to the parent associated with transactions with non-controlling interests		(330)			(330)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(156)	149,578	265	149,688
Balance at end of current period	85,032	84,388	987,546	(2,894)	1,154,073

(Millions of yen)

	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at beginning of current period	53,041	(119)	61,037	(6,707)	107,251	1,079	22,893	1,135,609
Changes of items during period								
Dividends of surplus								(39,473)
Profit attributable to owners of parent								189,051
Purchase of treasury shares								(4)
Disposal of treasury shares								444
Changes in equity allocated to the parent associated with transactions with non-controlling interests								(330)
Net changes of items other than shareholders' equity	21,544	848	11,796	1,039	35,228	431	3,364	39,024
Total changes of items during period	21,544	848	11,796	1,039	35,228	431	3,364	188,712
Balance at end of current period	74,586	728	72,834	(5,668)	142,479	1,510	26,258	1,324,321

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY2016 (April 1, 2016, to March 31, 2017)	FY2017 (April 1, 2017, to March 31, 2018)
I. Cash flows from operating activities		
Profit before income taxes	230,609	251,857
Depreciation	59,294	66,653
Amortization of goodwill	25,735	28,180
Increase (decrease) in allowance for doubtful accounts	1,617	173
Interest and dividend income	(10,430)	(11,283)
Interest expenses	9,910	10,655
Share of (profit) loss of entities accounted for using equity method	(920)	(2,547)
Loss (gain) on disposal of non-current assets	926	495
Loss (gain) on sales of investment securities	(24)	(223)
Loss (gain) on valuation of investment securities	—	0
Decrease (increase) in notes and accounts receivable – trade	(15,057)	(23,387)
Decrease (increase) in inventories	(23,383)	(26,537)
Increase (decrease) in notes and accounts payable – trade	14,405	4,399
Increase (decrease) in net defined benefit liability	1,288	(1,964)
Decrease (increase) in net defined benefit asset	(1,333)	(1,906)
Other, net	29,688	11,266
Subtotal	322,325	305,833
Interest and dividend income received	10,586	11,835
Interest expenses paid	(9,995)	(10,688)
Income taxes paid	(55,252)	(83,239)
Net cash provided by (used in) operating activities	267,663	223,740
II. Cash flows from investing activities		
Purchase of property, plant and equipment	(88,335)	(85,679)
Proceeds from sales of property, plant and equipment	2,252	2,393
Purchase of investment securities	(165)	(12,481)
Proceeds from sales of investment securities	46	1,093
Purchase of shares of subsidiaries and associates	—	(108)
Payments for investments in capital of subsidiaries and associates	—	(2,405)
Proceeds from transfer of business	—	368
Payments for transfer of business	(1,870)	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(10,544)	(17,470)
Payments for investments in capital of subsidiaries resulting in change in scope of consolidation	(22,452)	(7,861)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	705	—
Other, net	(8,459)	(5,307)
Net cash provided by (used in) investing activities	(128,823)	(127,458)

(Millions of yen)

	FY2016 (April 1, 2016, to March 31, 2017)	FY2017 (April 1, 2017, to March 31, 2018)
III. Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,243)	(14,336)
Proceeds from long-term loans payable	50,350	45,180
Repayments of long-term loans payable	(61,263)	(67,179)
Proceeds from issuance of bonds	9,944	—
Redemption of bonds	(30,000)	(10,000)
Cash dividends paid	(36,518)	(39,473)
Dividends paid to non-controlling interests	(4,264)	(5,412)
Proceeds from share issuance to non-controlling shareholders	233	—
Other, net	(782)	(2,733)
Net cash provided by (used in) financing activities	(73,543)	(93,954)
IV. Effect of exchange rate change on cash and cash equivalents	(12,408)	10,607
V. Net increase (decrease) in cash and cash equivalents	52,888	12,933
VI. Cash and cash equivalents at beginning of period	291,205	344,093
VII. Cash and cash equivalents at end of period	344,093	357,027

(5) Notes to Consolidated Financial Statements

Notes on the Premises of the Company as a "Going Concern"

None applicable

Changes in Accounting Policy

None applicable

Additional Information

[Impact of the change in income tax rates, etc. in the United States]

The Tax Cuts and Jobs Act was enacted in the United States on December 22, 2017 (local time) which mainly featured the reduction of federal income tax rates. In accordance with this change, deferred tax assets and deferred tax liabilities have been calculated using the legal effective tax rate based on the revised tax rates. As a result, deferred tax liabilities (net of deferred tax assets) and income taxes - deferred recorded in the consolidated fiscal year under review decreased by ¥18,659 million and ¥19,469 million, respectively.

Segment Information, etc.

[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 sale of air-conditioning and refrigeration equipment. “Chemicals” is engaged in the manufacture and sale of chemicals.

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

Methods of accounting procedures for reported business segments are in accordance with the accounting policies used to prepare consolidated financial statements.

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

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

Previous fiscal year (April 1, 2016, to March 31, 2017) (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				
Net sales							
Sales to outside customers	1,835,376	156,754	1,992,131	51,837	2,043,968	—	2,043,968
Intersegment sales	388	12,265	12,654	520	13,174	(13,174)	—
Total	1,835,765	169,020	2,004,785	52,357	2,057,143	(13,174)	2,043,968
Segment profit	208,749	18,302	227,052	3,749	230,802	(33)	230,769
Segment asset	1,943,887	191,048	2,134,935	34,641	2,169,577	186,571	2,356,148
Other items							
Depreciation	46,056	11,600	57,657	1,621	59,278	—	59,278
Amortization of goodwill	25,735	—	25,735	—	25,735	—	25,735
Investments in entities accounted for using equity method	11,595	6,709	18,304	—	18,304	—	18,304
Increase in property, plant and equipment, and intangible assets	76,389	12,551	88,941	1,403	90,345	—	90,345

Notes: 1. The “Others” segment is a business segment not included in reported segments. It includes the oil hydraulic equipment business, the defense systems-related product business, and the electronics business.

2. The breakdown of adjustments is as follows:

(1) The adjustment of ¥(33) million to segment profit comprises the elimination of intersegment transactions.

(2) The adjustment of ¥186,571 million to segment assets includes corporate assets not allocated to each reported segment of ¥190,000 million and ¥(3,428) million of intersegment transaction elimination. Corporate assets mainly consist of surplus funds for management (cash and deposits) and long-term investment funds (investment securities) of the Company.

3. Segment profit is adjusted with operating profit in the Consolidated Statement of Income.

Current fiscal year (April 1, 2017, to March 31, 2018) (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				
Net sales							
Sales to outside customers	2,052,884	183,147	2,236,031	54,529	2,290,560	—	2,290,560
Intersegment sales	585	15,388	15,973	428	16,402	(16,402)	—
Total	2,053,469	198,535	2,252,004	54,957	2,306,962	(16,402)	2,290,560
Segment profit	223,463	25,510	248,974	4,756	253,730	9	253,739
Segment asset	1,995,203	216,884	2,212,087	37,624	2,249,712	240,241	2,489,953
Other items							
Depreciation	52,054	12,987	65,041	1,604	66,646	—	66,646
Amortization of goodwill	28,147	32	28,180	—	28,180	—	28,180
Investments in entities accounted for using equity method	13,791	9,462	23,253	—	23,253	—	23,253
Increase in property, plant and equipment, and intangible assets	82,751	11,873	94,624	1,965	96,589	—	96,589

Notes: 1. The "Others" segment is a business segment not included in reported segments. It includes the oil hydraulic equipment business, the defense systems-related product business, and the electronics business.

2. The breakdown of adjustments is as follows:
   (1) The adjustment of ¥9 million to segment profit comprises the elimination of intersegment transactions.
   (2) The adjustment of ¥240,241 million to segment assets includes corporate assets not allocated to each reported segment of ¥244,908 million and ¥(4,666) million of intersegment transaction elimination. Corporate assets mainly consist of surplus funds for management (cash and deposits) and long-term investment funds (investment securities) of the Company.

3. Segment profit is adjusted with operating profit in the Consolidated Statement of Income.

[Relevant Information]

Previous fiscal year (April 1, 2016, to March 31, 2017)

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	U.S.	China	Asia and Oceania	Europe	Other	Total
518,453	503,489	329,247	303,416	274,054	115,307	2,043,968

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

(2) Property, plant and equipment

(Millions of yen)

Japan	U.S.	China	Asia and Oceania	Europe	Other	Total
140,562	128,483	70,229	43,092	33,092	9,066	424,527

3. Information by principal customers
   None applicable

Current fiscal year (April 1, 2017, to March 31, 2018)

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	U.S.	China	Asia and Oceania	Europe	Other	Total
542,725	551,819	381,665	349,189	332,955	132,204	2,290,560

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

(2) Property, plant and equipment

(Millions of yen)

Japan	U.S.	China	Asia and Oceania	Europe	Other	Total
154,689	123,080	70,958	57,418	39,801	8,886	454,834

3. Information by principal customers
None applicable

[Information Related to Impairment Loss of Non-current Assets by Reported Segment]

Previous fiscal year (April 1, 2016, to March 31, 2017)
None applicable

Current fiscal year (April 1, 2017, to March 31, 2018)
None applicable

[Information Related to Amount of Amortization of Goodwill and Unamortized Balance by Reported Segment]

Previous fiscal year (April 1, 2016, to March 31, 2017)

(Millions of yen)

	Air-Conditioning and Refrigeration Equipment	Chemicals	Others	Corporate or eliminations	Total
Balance at end of current period	330,876	—	—	—	330,876

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

Current fiscal year (April 1, 2017, to March 31, 2018)

(Millions of yen)

	Air-Conditioning and Refrigeration Equipment	Chemicals	Others	Corporate or eliminations	Total
Balance at end of current period	307,868	1,414	—	—	309,282

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

[Information Related to Gain on Bargain Purchase by Reported Segment]

Previous fiscal year (April 1, 2016, to March 31, 2017)
No important items applicable.

Current fiscal year (April 1, 2017, to March 31, 2018)
No important items applicable.

Per Share Information

(Yen)

Item	Previous fiscal year (April 1, 2016, to March 31, 2017)	Current fiscal year (April 1, 2017, to March 31, 2018)
Net assets per share	3,802.10	4,433.62
Earnings per share	526.81	646.53
Diluted earnings per share	526.43	646.08

Notes: 1. The basis for calculations of earnings per share and diluted earnings per share is provided below.

Item	Previous fiscal year (April 1, 2016, to March 31, 2017)	Current fiscal year (April 1, 2017, to March 31, 2018)
Earnings per share		
Profit attributable to owners of parent (Millions of yen)	153,938	189,051
Amount not belonging to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent related to common stock (Millions of yen)	153,938	189,051
Average number of shares of common stock during the year (Thousands of shares)	292,208	292,408
Diluted earnings per share		
Increase in the number of shares of common stock (Thousands of shares)	214	204
[Of the above, stock options by exercising subscription rights to shares] (Thousands of shares)	[214]	[204]
Overview of residual securities excluded from the calculation of diluted earnings per share, as they have no dilutive effect	—	—

2. The basis for calculations of net assets per share is provided below.

Item	Previous fiscal year (As of March 31, 2017)	Current fiscal year (As of March 31, 2018)
Total net assets (Millions of yen)	1,135,609	1,324,321
Deduction from total net assets (Millions of yen)	23,972	27,768
[Of the above, subscription rights to shares] (Millions of yen)	[1,079]	[1,510]
[Of the above, non-controlling interests] (Millions of yen)	[22,893]	[26,258]
Shareholders' equity pertaining to common stock at the end of the fiscal year (Millions of yen)	1,111,636	1,296,553
Number of shares of common stock used to calculate net assets per share (Thousands of shares)	292,374	292,436

Significant Subsequent Events

None applicable