<Translation>

Member, Financial Accounting Standards Foundation

Brief Report on the Settlement of Accounts (Consolidated) for the Nine Months Ended December 31, 2018 (J-GAAP)

February 13, 2019

Name of Listed Company: **Daikin Industries, Ltd.** Listed on TSE
Code No.: 6367
(URL: https://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 the filing of quarterly report: February 14, 2019
Planned date of start of dividend payment: —
Preparation of supplementary explanatory materials for the settlement of accounts for the third quarter: Yes
Holding briefings on the settlement of accounts for the third quarter: Yes (for institutional investors and analysts)

1. Consolidated Business Results for the Nine Months Ended December 31, 2018
(From April 1, 2018, to December 31, 2018)

(1) Consolidated Business Results (Accumulated)

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	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2018	1,875,175	8.9	213,845	6.3	215,922	5.7	149,896	-2.6
December 31, 2017	1,722,440	13.3	201,173	8.0	204,281	8.5	153,937	22.8

Note: Comprehensive income was ¥119,053 million (-51.7%) for the nine months ended December 31, 2018, and ¥246,519 million (85.7%) for the nine months ended December 31, 2017.

	Earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2018	512.54	512.16
December 31, 2017	526.46	526.09

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2018	2,569,106	1,395,408	53.2
As of March 31, 2018	2,475,708	1,324,321	52.4

(Reference) Equity capital was ¥1,366,586 million as of December 31, 2018, and ¥1,296,553 million as of March 31, 2018.

2. Dividends

	(Annual) Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year ended March 31, 2018	—	65.00	—	75.00	140.00
Fiscal Year ending March 31, 2019	—	70.00	—		
Fiscal Year ending March 31, 2019 (forecast)				70.00	140.00

Note: Revisions to the dividend forecast announced most recently: None

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
Full year	2,480,000	8.3	270,000	6.4	268,000	5.1	180,000	-4.8	615.52

Note: Revisions to the consolidated business forecast announced most recently: None

*Notes

(1) Changes in Significant Subsidiaries during the Nine Months Ended December 31, 2018: None

(2) Adoption of Accounting Treatment Specific to Quarterly Consolidated Financial Statement Preparation: Yes

(3) 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

(4) Number of Shares Issued (common stock)

(i)	Number of shares issued at end of period (including treasury shares)	
	As of December 31, 2018	293,113,973 shares
	As of March 31, 2018	293,113,973 shares
(ii)	Number of treasury shares at end of period	
	As of December 31, 2018	625,119 shares
	As of March 31, 2018	677,039 shares
(iii)	Average number of shares outstanding during the nine months	
	Nine months ended December 31, 2018	292,461,246 shares
	Nine months ended December 31, 2017	292,401,128 shares

The Brief Report on the Settlement of Accounts is outside the scope of quarterly review 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 "(3) Explanation of Future Forecast Information Such as Consolidated Business Forecast" of "1. Qualitative Information Regarding Settlement of Accounts for the Period under Review."
- The Company plans to hold a briefing on business results (conference call) for institutional investors and analysts on Wednesday, February 13, 2019. Documents and materials distributed in this briefing will be posted on the Company's website soon after the announcement of business results.

Content of Attachment

1. Qualitative Information Regarding Settlement of Accounts for the Period under Review

(1) Explanation of Operating Results

Looking at the overall world economy in the nine months ended December 31, 2018 (from April 1, 2018, to December 31, 2018), moderate expansion was seen mainly in the United States and Europe; however, increasing uncertainty and signs of a slowdown in growth were seen from the latter half of the period onward. The U.S. economy continued to expand on the back of solid performance in both corporate and household sectors as a result of large tax cuts. The European economy grew moderately, despite widespread concerns about the U.K.'s exit from the EU without a withdrawal agreement. Signs of deceleration spread throughout emerging economies due to depreciation in currencies owing to the U.S. policy interest rate hike. The Chinese economy slowed down from the latter half of the period onward due to increasingly serious trade friction between the United States and China. The Japanese economy continued to grow moderately, underpinned by firm personal consumption and capital investment.

In such a business environment, the Daikin Group launched the Fusion 20 Latter-Half Three-Year Plan, the Group's strategic management plan that set fiscal 2020 as its target year, and has been making group-wide efforts to further expand net sales and profit. The Group worked to expand sales in the Air-Conditioning segment and the Chemicals segment in each region around the world and thoroughly reduce costs and expenses, among other things.

The Daikin Group's net sales increased by 8.9% year over year to ¥1,875,175 million for the nine months ended December 31, 2018. As for profits, operating profit increased by 6.3% to ¥213,845 million, ordinary profit increased by 5.7% to ¥215,922 million, and profit attributable to owners of parent decreased by 2.6% to ¥149,896 million. Profit attributable to owners of parent decreased year over year partly owing to the decrease in income taxes in the previous fiscal year resulting from tax revisions in the United States.

Operating 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 8.3% year over year to ¥1,687,212 million. Operating profit increased by 2.6% to ¥185,435 million.

In the Japanese commercial air-conditioning equipment market, industry demand rose year over year due to strong capital investment and new construction. In the market for stores and offices, the Daikin Group expanded sales of the "SkyAir Series," including "FIVE STAR ZEAS" and "Eco-ZEAS," and "machi Multi," which features individual operation and a slim design. In the market for buildings and facilities, model changes to mainstay products of "VRV Series" were newly launched. Furthermore, backed by robust demand and the need for improvements in the work environment, mainly for offices and factories, sales expanded for proposal-based new products that meet user applications, including "MULTI CUBE," which enables individual control of temperature and air volume even in a large space. As a result, net sales of commercial air-conditioning systems increased year over year.

In the Japanese residential air-conditioning equipment market, industry demand remained firm and increased year over year, owing to the heat wave in the summer. In addition to the launch of the new model of "Urusara 7," a high-end model equipped with a function that even controls humidity with unique AI, sales of "risora," an air conditioner combining design with functionality, showed robust performance. As a result, net sales of residential air-conditioning systems exceeded that of the same period of the previous fiscal year.

In the Americas, net sales increased year over year 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 develop a new sales network and to increase selling prices. Net sales grew year over year in the light commercial air-conditioning systems for medium-sized office buildings due to expanded sales of "VRV Series." In the market for large buildings (Applied Systems), reinforcement of the sales network and enhancement of the product lineup amid strong demand led to sales expansion of Applied Systems mainly for rooftops. In addition, sales expansion in the after sales service business led to an increase in net sales year over year.

In China, despite a deteriorating market environment due to an economic slowdown resulting from the trade friction between the United States and China and government policies to restrict new housing construction, the Group enhanced its product lineup and expanded sales to the regional cities. As a result, net sales increased year over year. At the same time, the Group maintained high earnings by pursuing cost reductions, through measures such as reducing fixed costs and expanding internal production. In the residential-use market, in addition to the "New Life Multi Series" aimed at the mid-range and high-end residential market, the Group responded to changes in the market by expanding the "Affordable Multi Series" to capture the general residential market. The Group expanded the sales network of its "PROSHOP" specialty shops mainly in the regional cities where sales were relatively strong. In the commercial-use market, the Group reinforced its product lineup in response to diverse customer needs ranging from stores and offices to large buildings. In the big cities, which are a mature market, the Group focused on capturing replacement demand through the introduction of "Intelligent VRV systems," which uses the Internet to connect with customers. In the

Applied Systems air-conditioning equipment market, the Group increased sales of Applied Systems by conducting meticulous sales activities for projects ranging from large-scale projects to small- to medium-scale projects and enhancing its product lineup, and also expanded sales in the after sales service business as well.

In Asia and Oceania, net sales rose year over year as a whole. Sales of residential air-conditioning systems in Southeast Asia were strong due to development of dealers covering urban and regional areas, and net sales increased year over year. Net sales of commercial air-conditioning systems increased year over year mainly due to expansion of dealer networks and bolstering of 'spec-in' activities. In India, net sales grew year over year due to strong sales mainly for commercial air-conditioning systems.

In Europe, net sales increased year over year as a whole. Net sales of residential air-conditioning systems increased year over year due to firm sales in Italy and France, which are major markets, along with the effects of measures including reinforcement of the Group's marketing capabilities such as customer development in each country and sales expansion of R32 refrigerant. Net sales of heat pump hot water heating systems for residential use grew substantially year over year due to reinforcement of the sales system in countries including France, Spain and Italy, and sales promotion of new products, backed by a tailwind of growing popularity due to decarbonization policies. As for commercial air-conditioning systems, the Group also expanded sales of mid- to large-size commercial air-conditioning systems through efforts such as promoting R32 refrigerant in the market for stores, strengthening project management of inquiries, increasing visits to architectural firms, and reinforcing 'spec-in' activities. As a result, net sales grew year over year.

In the Middle East and Africa, the Group strengthened its efforts, including visits to customers and project management, amid lingering geopolitical risks. In Turkey also, sales of heating systems expanded even as the negative impact of inflation on personal consumption and architectural investment materialized. As a result, net sales increased significantly year over year in the local currency as a whole. On the other hand, yen-equivalent net sales decreased year over year due to the impact of the sharp depreciation of the Turkish lira.

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 14.5% year over year to ¥149,418 million and operating profit increased by 38.6% year over year to ¥24,738 million.

Net sales of fluoropolymers rose year over year due to expansion of sales of new products for LAN cable applications in the U.S. market and strong demand for semiconductor-related applications in each region around the world. Net sales of fluoroelastomers also increased year over year due to robust demand in automotive and semiconductor fields in the Japanese and U.S. markets.

Among specialty chemicals, net sales of anti-fouling surface coating agents fell year over year due to the significant effects of declining demand in China. On the other hand, net sales of oil and water repellents grew year over year due to firm demand in China and Asia. As a result of these factors, overall sales of specialty chemicals were up compared to the same period of 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 11.4% year over year to ¥38,545 million. Operating profit increased by 37.8% year over year to ¥3,664 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 to the Ministry of Defense remained flat year over year. Net sales of home oxygen equipment grew year over year due to strong sales of oxygen concentrators.

In the electronics business, net sales grew year over year, as a result of strong sales of "SpaceFinder," a database system for design and development sectors in line with customer needs such as solutions for quality issues, shortened design and development periods, and support for cost reduction, and "Smart Innovator," a business application development system.

(2) Explanation of Financial Position

(i) Assets, Liabilities and Net Assets

Total assets increased by ¥93,397 million from the end of the previous fiscal year to ¥2,569,106 million. Current assets increased by ¥121,251 million from the end of the previous fiscal year to ¥1,326,544 million, mainly due to an increase in cash and deposits. Non-current assets decreased by ¥27,853 million from the end of the previous fiscal year to ¥1,242,561 million, primarily due to a decrease in investment securities associated with market value variation.

Liabilities increased by ¥22,311 million from the end of the previous fiscal year to ¥1,173,697 million, mainly due to an increase in commercial papers. Interest bearing debt ratio fell to 22.0% from 22.4% at the end of the previous fiscal year.

Net assets increased by ¥71,086 million from the end of the previous fiscal year to ¥1,395,408 million, primarily due to an increase caused by posting of profit attributable to owners of parent.

(ii) Cash Flows

During the nine months ended December 31, 2018, net cash provided by operating activities was ¥216,466 million, an increase of ¥24,914 million from the same period of the previous fiscal year, principally due to an increase in profit before income taxes. Net cash used in investing activities was ¥83,717 million, a decrease of ¥10,212 million from the same period of the previous fiscal year, primarily due to a decrease in payment for acquisition of consolidated subsidiaries. Net cash used in financing activities was ¥45,595 million, an increase of ¥22,721 million from the same period of the previous fiscal year, mainly due to a decrease in proceeds from long-term loans payable. After including the effect of foreign exchange rate change to these results, net increase in cash and cash equivalents for the nine months ended December 31, 2018, amounted to ¥75,559 million, a decrease of ¥22,386 million from the same period of the previous fiscal year.

(3) Explanation of Future Forecast Information Such as Consolidated Business Forecast

There have been no changes to the business forecast for the fiscal year ending March 31, 2019, that was announced at the release of the settlement of accounts for the second quarter (November 6, 2018).

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

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
2,480,000	270,000	268,000	180,000	615.52

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

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	FY2017 (As of March 31, 2018)	Third Quarter of FY2018 (As of December 31, 2018)
Assets		
Current assets		
Cash and deposits	357,027	442,800
Notes and accounts receivable – trade	401,165	395,415
Merchandise and finished goods	264,866	281,570
Work in process	45,199	55,654
Raw materials and supplies	77,160	88,310
Other	68,709	72,050
Allowance for doubtful accounts	(8,834)	(9,256)
Total current assets	1,205,293	1,326,544
Non-current assets		
Property, plant and equipment	454,834	463,703
Intangible assets		
Goodwill	309,282	300,202
Other	206,777	211,139
Total intangible assets	516,059	511,342
Investments and other assets		
Investment securities	227,526	193,228
Other	72,806	75,680
Allowance for doubtful accounts	(812)	(1,393)
Total investments and other assets	299,520	267,515
Total non-current assets	1,270,414	1,242,561
Total assets	2,475,708	2,569,106
Liabilities		
Current liabilities		
Notes and accounts payable – trade	183,991	180,244
Short-term loans payable	45,530	75,457
Commercial papers	—	52,000
Current portion of bonds	—	50,000
Current portion of long-term loans payable	76,988	42,487
Income taxes payable	21,496	28,052
Provision for product warranties	48,008	50,599
Other	227,315	237,324
Total current liabilities	603,331	716,166
Non-current liabilities		
Bonds payable	110,000	60,000
Long-term loans payable	311,051	275,954
Net defined benefit liability	10,551	10,260
Other	116,452	111,315
Total non-current liabilities	548,055	457,531
Total liabilities	1,151,386	1,173,697

(Millions of yen)

	FY2017 (As of March 31, 2018)	Third Quarter of FY2018 (As of December 31, 2018)
Net assets		
Shareholders' equity		
Capital stock	85,032	85,032
Capital surplus	84,388	83,614
Retained earnings	987,546	1,093,939
Treasury shares	(2,894)	(2,672)
Total shareholders' equity	1,154,073	1,259,914
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	74,586	50,057
Deferred gains or losses on hedges	728	164
Foreign currency translation adjustment	72,834	61,362
Remeasurements of defined benefit plans	(5,668)	(4,912)
Total accumulated other comprehensive income	142,479	106,672
Share acquisition rights	1,510	1,760
Non-controlling interests	26,258	27,061
Total net assets	1,324,321	1,395,408
Total liabilities and net assets	2,475,708	2,569,106

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

(Consolidated Statement of Income)

For the Nine Months Ended December 31 (Millions of yen)

	First Nine Months of FY2017 (April 1, 2017, to December 31, 2017)	First Nine Months of FY2018 (April 1, 2018, to December 31, 2018)
Net sales	1,722,440	1,875,175
Cost of sales	1,115,373	1,215,280
Gross profit	607,067	659,894
Selling, general and administrative expenses	405,893	446,049
Operating profit	201,173	213,845
Non-operating income		
Interest income	5,081	5,376
Dividend income	4,254	4,930
Share of profit of entities accounted for using equity method	2,023	1,845
Other	3,489	5,198
Total non-operating income	14,848	17,350
Non-operating expenses		
Interest expenses	8,062	8,997
Foreign exchange losses	265	3,610
Other	3,412	2,665
Total non-operating expenses	11,740	15,273
Ordinary profit	204,281	215,922
Extraordinary income		
Gain on sales of land	32	—
Gain on sales of investment securities	1	40
Total extraordinary income	34	40
Extraordinary losses		
Loss on disposal of non-current assets	320	72
Loss on valuation of investment securities	0	315
Loss on disaster	—	656
Other	2	—
Total extraordinary losses	322	1,045
Profit before income taxes	203,992	214,917
Income taxes	45,091	59,539
Profit	158,901	155,377
Profit attributable to non-controlling interests	4,963	5,481
Profit attributable to owners of parent	153,937	149,896

(Consolidated Statement of Comprehensive Income)

For the Nine Months Ended December 31

(Millions of yen)

	First Nine Months of FY2017 (April 1, 2017, to December 31, 2017)	First Nine Months of FY2018 (April 1, 2018, to December 31, 2018)
Profit	158,901	155,377
Other comprehensive income		
Valuation difference on available-for-sale securities	30,450	(24,527)
Deferred gains or losses on hedges	1,221	(563)
Foreign currency translation adjustment	55,272	(11,266)
Remeasurements of defined benefit plans	340	757
Share of other comprehensive income of entities accounted for using equity method	334	(723)
Total other comprehensive income	87,617	(36,324)
Comprehensive income	246,519	119,053
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	240,556	114,089
Comprehensive income attributable to non-controlling interests	5,962	4,963

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	First Nine Months of FY2017 (April 1, 2017, to December 31, 2017)	First Nine Months of FY2018 (April 1, 2018, to December 31, 2018)
I. Cash flows from operating activities		
Profit before income taxes	203,992	214,917
Depreciation	49,604	54,027
Amortization of goodwill	21,344	21,862
Increase (decrease) in allowance for doubtful accounts	741	1,108
Interest and dividend income	(9,335)	(10,306)
Interest expenses	8,062	8,997
Share of loss (profit) of entities accounted for using equity method	(2,023)	(1,845)
Loss (gain) on disposal of non-current assets	320	72
Loss (gain) on sales of investment securities	(1)	(40)
Loss (gain) on valuation of investment securities	0	315
Decrease (increase) in notes and accounts receivable – trade	3,968	7,074
Decrease (increase) in inventories	(19,859)	(37,996)
Increase (decrease) in notes and accounts payable – trade	(6,413)	(4,007)
Increase (decrease) in net defined benefit liability	(2,273)	(69)
Decrease (increase) in net defined benefit asset	(359)	(390)
Other, net	4,908	15,694
Subtotal	252,676	269,415
Interest and dividend income received	9,831	10,655
Interest expenses paid	(8,175)	(9,208)
Income taxes paid	(62,780)	(54,396)
Net cash provided by (used in) operating activities	191,552	216,466
II. Cash flows from investing activities		
Purchase of property, plant and equipment	(62,979)	(62,231)
Proceeds from sales of property, plant and equipment	1,944	924
Purchase of investment securities	(5,449)	(855)
Proceeds from sales of investment securities	3	46
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	—	(6,160)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(17,359)	(667)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	21
Payments for investments in capital of subsidiaries resulting in change in scope of consolidation	(3,735)	(730)
Proceeds from merger	—	48
Decrease (increase) in time deposits	—	(10,851)
Other, net	(4,208)	(3,260)
Net cash provided by (used in) investing activities	(93,929)	(83,717)

(Millions of yen)

	First Nine Months of FY2017 (April 1, 2017, to December 31, 2017)	First Nine Months of FY2018 (April 1, 2018, to December 31, 2018)
III. Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	51,695	79,210
Proceeds from long-term loans payable	45,180	—
Repayments of long-term loans payable	(67,052)	(77,931)
Redemption of bonds	(10,000)	—
Cash dividends paid	(39,473)	(42,407)
Dividends paid to non-controlling interests	(1,709)	(341)
Other, net	(1,514)	(4,125)
Net cash provided by (used in) financing activities	(22,873)	(45,595)
IV. Effect of exchange rate change on cash and cash equivalents	23,197	(11,594)
V. Net increase (decrease) in cash and cash equivalents	97,946	75,559
VI. Cash and cash equivalents at beginning of period	344,093	357,027
VII. Increase (decrease) in cash and cash equivalents resulting from change in accounting period of subsidiaries	—	(66)
VIII. Cash and cash equivalents at end of period	442,040	432,520

(4) Notes to Consolidated Financial Statements

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

None applicable

Notes on Significant Changes in Shareholders' Equity

None applicable

Adoption of Accounting Treatment Specific to Quarterly Consolidated Financial Statement Preparation

[Calculation of tax expenses]

The Company and some of its consolidated subsidiaries, reasonably estimate the effective income tax rate after the adoption of tax-effect accounting for profit before income taxes for the consolidated fiscal year ending March 31, 2019, and multiply profit before income taxes for the reporting period by the estimated effective tax rate. However, if as a result of the computation using the estimated effective income tax rate lacks rationality to a remarkable extent, the Company adopts the method of using the legal effective tax rate.

Additional Information

[Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.]

From the beginning of the three months ended June 30, 2018, the Daikin Group applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). Accordingly, deferred tax assets are presented under investments and other assets, and deferred tax liabilities are presented under non-current liabilities.

[Business Combination through Acquisition]

At the Board of Directors meeting held on November 6, 2018, the Company resolved to acquire the entire equity interests of Cool International Holding GmbH, which owns AHT Cooling Systems GmbH (hereinafter, "AHT"), from European Cooling 2 S.à r.l., an affiliated company of Bridgepoint, through Daikin Europe N.V., the Company's consolidated subsidiary. Accordingly, the Company entered into an equity transfer agreement on November 22.

1. Objective

The Company is adding AHT's refrigerating and freezing showcases to its own wide range of products, services, and solutions based on its air-conditioning and refrigeration equipment. This will enable the Company to become a one-stop provider offering complete coordination of air-conditioning and refrigeration products, and further strengthen its business as a comprehensive air-conditioning and refrigeration equipment manufacturer.

2. Name of company to acquire equity interests from

European Cooling 2 S.à r.l.

3. Name, description of business, and size of acquired company

(i) Company name: Cool International Holding GmbH

(ii) Description of business: Holding company of the manufacturing and sales company of commercial refrigerating and freezing showcases

(iii) Size (Fiscal year ended December 31, 2017):
Consolidated total assets: €809 million (¥109,197 million)
Consolidated net sales: €480 million (¥60,893 million)

4. Timing of acquiring equity interests

February 2019 (plan)

5. Acquisition value and ratio of equity interests after acquisition

(i) Acquisition value: To be determined

(ii) Ratio of equity interests after acquisition: 100.0%

6. Fund-raising methods

Fund on hand and loans

Segment Information, etc.

I. For the nine months ended December 31, 2017 (From April 1, 2017, to December 31, 2017)
1. Information on net sales and profit or loss amounts by reported segment

(Millions of yen)

	Reported segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded on Consolidated Statement of Income (Note 3)
	Air-Conditioning and Refrigeration Equipment	Chemicals	Subtotal				
Net sales							
Sales to outside customers	1,557,344	130,499	1,687,843	34,597	1,722,440	—	1,722,440
Intersegment sales	472	11,620	12,093	289	12,382	(12,382)	—
Total	1,557,816	142,119	1,699,936	34,886	1,734,823	(12,382)	1,722,440
Segment profit	180,662	17,844	198,507	2,659	201,166	6	201,173

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 adjustment of ¥6 million to segment profit comprises the elimination of intersegment transactions.
3. Segment profit is adjusted with operating profit in the Consolidated Statement of Income.

2. Information related to impairment loss of non-current assets and goodwill by reported segment
(Significant impairment loss of non-current assets)
None applicable

(Significant change in goodwill amount)
None applicable

(Significant gain on bargain purchase)
None applicable

II. For the nine months ended December 31, 2018 (From April 1, 2018, to December 31, 2018)

1. Information on net sales and profit or loss amounts by reported segment

(Millions of yen)

	Reported segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded on Consolidated Statement of Income (Note 3)
	Air-Conditioning and Refrigeration Equipment	Chemicals	Subtotal				
Net sales							
Sales to outside customers	1,687,212	149,418	1,836,630	38,545	1,875,175	—	1,875,175
Intersegment sales	446	13,418	13,865	442	14,307	(14,307)	—
Total	1,687,658	162,837	1,850,495	38,987	1,889,483	(14,307)	1,875,175
Segment profit	185,435	24,738	210,173	3,664	213,838	6	213,845

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 adjustment of ¥6 million to segment profit comprises the elimination of intersegment transactions.3. Segment profit is adjusted with operating profit in the Consolidated Statement of Income.

2. Information related to impairment loss of non-current assets and goodwill by reported segment

(Significant impairment loss of non-current assets)

None applicable

(Significant change in goodwill amount)

None applicable

(Significant gain on bargain purchase)

None applicable