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Member, Financial Accounting Standards Foundation

Brief Report on the Settlement of Accounts (Consolidated) for the Business Year Ended March 31, 2019 (J-GAAP)

May 9, 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 Ordinary General Meeting of Shareholders: June 27, 2019
Planned date of start of dividend payment: June 28, 2019
Planned date of the filing of securities report: June 27, 2019
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, 2019

(From April 1, 2018, to March 31, 2019)

(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, 2019	2,481,109	8.3	276,254	8.9	277,074	8.6	189,048	-0.0
March 31, 2018	2,290,560	12.1	253,739	10.0	255,019	10.4	189,051	22.8

Note: Comprehensive income was ¥169,829 million (-26.4%) for the fiscal year ended March 31, 2019, and ¥230,616 million (69.1%) for the fiscal year ended March 31, 2018.

	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, 2019	646.39	645.95	13.9	10.7	11.1
March 31, 2018	646.53	646.08	15.7	10.6	11.1

(Reference) Equity in earnings of affiliates was ¥2,118 million for the fiscal year ended March 31, 2019, and ¥2,547 million for the fiscal year ended March 31, 2018.

(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, 2019	2,700,890	1,446,849	52.4	4,841.15
As of March 31, 2018	2,475,708	1,324,321	52.4	4,433.62

(Reference) Equity capital was ¥1,416,074 million as of March 31, 2019, and ¥1,296,553 million as of March 31, 2018.

(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, 2019	250,009	(165,773)	(68,721)	367,189
March 31, 2018	223,740	(127,458)	(93,954)	357,027

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, 2018	—	65.00	—	75.00	140.00	40,939	21.7	3.4
March 31, 2019	—	70.00	—	90.00	160.00	46,800	24.8	3.5
Fiscal Year ending March 31, 2020 (forecast)	—	80.00	—	80.00	160.00		24.2	

3. Consolidated Business Forecast for the Fiscal Year Ending March 31, 2020
(From April 1, 2019, to March 31, 2020)

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	1,390,000	7.0	164,000	2.1	164,000	0.7	114,000	1.0	389.73
Full year	2,670,000	7.6	285,000	3.2	285,000	2.9	193,000	2.1	659.81

*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, 2019 293,113,973 shares
As of March 31, 2018 293,113,973 shares
(ii) Number of treasury shares at end of period
As of March 31, 2019 605,740 shares
As of March 31, 2018 677,039 shares
(iii) Average number of shares outstanding during the period
Fiscal year ended March 31, 2019 292,470,036 shares
Fiscal year ended March 31, 2018 292,408,634 shares

(Reference) Summary of Non-Consolidated Business Results for the Fiscal Year Ended March 31, 2019
(From April 1, 2018, to March 31, 2019)

(1) Non-Consolidated Business Results

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

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal Year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2019	570,180	8.0	48,752	-0.4	141,634	4.4	123,870	2.4
March 31, 2018	527,847	4.4	48,969	-2.8	135,637	-4.1	120,945	-3.0

	Earnings per share	Diluted earnings per share
Fiscal Year ended	Yen	Yen
March 31, 2019	423.53	423.24
March 31, 2018	413.61	413.32

(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, 2019	1,430,855	777,493	54.2	2,652.10
As of March 31, 2018	1,440,929	712,112	49.3	2,429.89

(Reference) Equity capital was ¥775,772 million as of March 31, 2019, and ¥710,601 million as of March 31, 2018.

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 Friday, May 10, 2019. 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, 2019

Looking at the overall world economy in the fiscal year ended March 31, 2019 (fiscal 2018), moderate expansion was seen during the first half of the period; however, increasing uncertainty and signs of a slowdown in growth were seen from the latter half of the period onward. In the U.S. economy, although residential investment slowed, personal consumption remained strong due to large tax cuts. The growth of the European economy slowed from the latter half of the period due to the stagnation of the German economy and 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. interest-rate hikes. 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, and inventory adjustments for high-tech products. The growth of the Japanese economy was sluggish due to a slowdown in exports, despite firm personal consumption and capital investment.

In such a business environment, the Daikin Group set "Make a breakthrough, unite our capabilities and take on new challenges" as its New Year's slogan for fiscal 2018. The Group further refined its ongoing efforts to enhance its sales and marketing capabilities, improve its product development, production, procurement, and quality capabilities, and strengthen its human resources. The Group carried out measures aimed at achieving further growth and worked to create an agile yet strong corporate constitution through efforts such as fixed cost reductions. Focusing on activities at its Technology and Innovation Center, the Group also engaged in collaborative creation with outside parties, such as engaging in academic-industrial collaboration and collaboration with other members of industry in order to acquire differentiation technologies. The Group worked to develop medium- and long-term sustainable business, including accelerating the development of differentiation technologies and products at its main sites worldwide. Furthermore, the Group formulated the Fusion 20 Latter-Half Three-Year Plan (fiscal 2018 to fiscal 2020), its strategic management plan that set fiscal 2020 as its target year. In addition to reinforcing its existing businesses such as the Air-Conditioning and Chemicals primarily in the United States and Asia, the Group also engaged in active investment and concrete measures that respond to the changing social needs. These included the promotion of the Air Conditioning Solutions business, which saw the advances and increased penetration of digital technologies such as the IoT and AI as business opportunities; the expansion of new business domains such as Commercial Refrigeration and Heating/Water Heater; and the improvement of its environment technologies.

The Daikin Group's net sales increased by 8.3% year over year to ¥2,481,109 million for the fiscal year under review. As for profits, operating profit increased by 8.9% to ¥276,254 million and ordinary profit increased by 8.6% to ¥277,074 million. Profit attributable to owners of parent decreased by 0.0% to ¥189,048 million 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 8.2% year over year to ¥2, 222,172 million. Operating profit increased by 6.3% to ¥237,645 million.

In the Japanese commercial air-conditioning equipment market, industry demand rose year over year due to strong capital investment. In the market for stores and offices, the Daikin Group expanded sales thanks to the strong 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, a new model was released in the "VRV Series," further improving energy-saving performance and installation flexibility. Furthermore, backed by robust demand and the increasing need for improvements in the work environment, mainly for offices and factories, sales expanded for proposal-based 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 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 the Group's proprietary 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 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 the launches of new products such as a low-cost mini split model and a unitary product with an inverter, and 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, amid the increasingly harsh market environment resulting from the trade friction between the United States and China and government policies to restrict new housing construction, the Group changed its product strategies and expanded sales to the regional cities. As a result, net sales remained flat year over year. At the same time, the Group maintained high earnings by minimizing the impact of changes in currency exchange rates and increases in purchase costs, reducing fixed costs, and promoting cost reductions. 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. As the number of real estate projects fell, 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, while the number of large-scale projects such as new buildings fell, the Group invested its resources in growing markets such as the restaurant, medical, and information fields. In the big cities, the Group focused on capturing replacement demand through “Intelligent VRV systems,” which uses the Internet to connect with customers. In the Applied Systems air-conditioning equipment market, the Group proposed systems tailored to the needs of diverse customers and increased equipment sales for projects ranging from large-scale projects such as infrastructure investment to small- to medium-scale projects, and also expanded sales in the maintenance and 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 the development of dealer networks 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 the expansion of dealer networks and bolstering of ‘spec-in’ activities. In India, sales of residential air-conditioning systems increased due to the expansion of dealer networks and sales expansion in regional cities, and sales of commercial air-conditioning equipment were also strong. As a result, net sales grew year over year.

In Europe, while a deceleration was seen in the economy, net sales increased year over year as a whole as the Group’s efforts to bolster sales capabilities and the launches of new products in European countries resulted in sales growth, especially in major countries such as France. Sales of residential air-conditioning systems rose in each major country due to the expansion of sales of air-conditioning systems with low global warming potential (low-GWP systems) and as the result of efforts aimed at the summer heat wave in Northern Europe. Net sales of commercial air-conditioning systems grew year over year due to new construction and the capture of replacement demand, along with other factors such as the promotion of low-GWP systems in the market for stores. Net sales of heat pump hot water heating systems grew significantly year over year due to a reinforcement of the Group’s dedicated sales system, the development of heating system sales routes, and the introduction of new products.

In the Middle East and Africa, net sales increased year over year as a whole amid instability in the political scene, such as the reinstatement of sanctions on Iran. In the Middle East, the Group expanded its sales network and reinforced its management of projects for which orders had been received. In Africa, sales of residential and commercial air-conditioning systems also increased. In Turkey, even as inflation negatively impacted personal consumption and building investment, the Group raised prices and expanded sales of relatively strong residential heating systems. As a result, net sales increased significantly year over year in the local currency. 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 9.6% year over year to ¥200,790 million and operating profit increased by 27.5% year over year to ¥32,533 million.

Net sales of fluoropolymers rose year over year due to the 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 Japan, China, and Asia. 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 Japan and 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 6.6% year over year to ¥58,145 million. Operating profit increased by 27.5% year over year to ¥6,065 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 home oxygen equipment were strong, while sales of ammunition to the Ministry of Defense fell. As a result, overall net sales decreased year over year.

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 reductions, and sale of “Smart Innovator,” a business application development system.

(2) Overview of Financial Position for the Fiscal Year Ended March 31, 2019

Total assets increased by ¥225,182 million from the end of the previous fiscal year to ¥2,700,890 million. Current assets increased by ¥112,311 million from the end of the previous fiscal year to ¥1,317,605 million, mainly due to an increase in notes and accounts receivable – trade. Non-current assets increased by ¥112,871 million from the end of the previous fiscal year to ¥1,383,285 million, primarily due to an increase in customer relationship resulting from acquisition of consolidated subsidiaries.

Liabilities increased by ¥102,654 million from the end of the previous fiscal year to ¥1,254,040 million, mainly due to an increase in short-term loans payable. Interest bearing debt ratio fell to 21.7% from 22.4% at the end of the previous fiscal year due to an increase in assets mainly resulting from acquisition of consolidated subsidiaries.

Net assets increased by ¥122,528 million from the end of the previous fiscal year to ¥1,446,849 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, 2019

During the fiscal year under review, net cash provided by operating activities was ¥250,009 million, an increase of ¥26,269 million from the previous fiscal year, principally due to an increase in profit before income taxes. Net cash used in investing activities was ¥165,773 million, an increase of ¥38,314 million from the previous fiscal year, primarily due to an increase in payment for acquisition of consolidated subsidiaries. Net cash used in financing activities was ¥68,721 million, a decrease of ¥25,233 million from the previous fiscal year, mainly due to an increase 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 ¥10,228 million, a decrease of ¥2,704 million from the previous fiscal year.

(Reference) Trends in Cash Flow Indicators

	Fiscal Year ended March 31, 2015	Fiscal Year ended March 31, 2016	Fiscal Year ended March 31, 2017	Fiscal Year ended March 31, 2018	Fiscal Year ended March 31, 2019
Equity ratio (%)	45.3	46.3	47.2	52.4	52.4
Market value equity ratio (%)	103.7	112.1	138.8	138.6	140.5
Cash flows/Interest-bearing debt ratio (years)	4.1	2.7	2.3	2.5	2.3
Interest coverage ratio (times)	16.8	25.9	26.8	20.9	21.2

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 future world economy, while the U.S. economy is expected to remain firm, a harsh business environment is forecast due to factors such as the growing impact of trade friction between the United States and China, the economic declines in Europe and China, and the slowdown of the semiconductor-related market. The outlook continues to remain uncertain due to the U.S. trade policies, the U.K.'s exit from the EU, and Middle Eastern geopolitical risks.

In such a business environment, for this year (2019), the Daikin Group has set "With Our 3 Structures of Collaborative Innovation, Let Each of Us Act Quickly and Decisively" as the Group's New Year's slogan, and will speedily and flexibly respond to changes in the business environment as we aim to generate results in accordance with "Fusion 20," the Group's strategic management plan.

Specifically, we will expand sales of high value-added products by continuing our efforts to strengthen our sales networks in individual regions and introduce new products; strengthen our earnings capabilities in existing business by reducing overall costs, through measures such as reducing variable costs using new approaches and improving the efficiency of logistics expenses, which are trending upwards throughout the world; and accelerate the expansion of the Energy Solutions business, Commercial Refrigeration business, and Heating business in an effort to transform our business structure. Through these measures, we will maintain our trend of increased sales and profits, while accelerating our strategic investment in human resources enhancement and development, research and development capabilities reinforcement, and others in the AI and IoT field.

For the fiscal year ending March 31, 2020, we forecast a 7.6% increase in consolidated net sales to ¥2,670,000 million, with operating profit rising 3.2% to ¥285,000 million, ordinary profit increasing 2.9% to ¥285,000 million, and profit attributable to owners of parent increasing 2.1% to ¥193,000 million.

The estimated exchange rate for the fiscal year ending March 31, 2020, is based on the assumption that US$1 equals ¥108 and 1 euro equals ¥125.

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, 2019, and the Fiscal Year Ending March 31, 2020

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, 2019, the Company has proposed an annual cash dividend of ¥160 (¥70 for the interim dividend and ¥90 for the year-end dividend), representing a ¥20 increase over the previous fiscal year.

For the fiscal year ending March 31, 2020, the Company proposes an annual cash dividend of ¥160 (¥80 for the interim dividend and ¥80 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.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)
Assets		
Current assets		
Cash and deposits	357,027	367,781
Notes and accounts receivable – trade	401,165	447,831
Merchandise and finished goods	264,866	293,445
Work in process	45,199	50,746
Raw materials and supplies	77,160	92,165
Other	68,709	74,782
Allowance for doubtful accounts	(8,834)	(9,147)
Total current assets	1,205,293	1,317,605
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	185,441	200,602
Machinery, equipment and vehicles, net	153,012	159,786
Land	42,996	43,492
Leased assets, net	1,901	1,709
Construction in progress	34,014	34,823
Other, net	37,467	42,548
Total property, plant and equipment	454,834	482,962
Intangible assets		
Goodwill	309,282	322,318
Customer relationship	130,851	189,364
Other	75,926	106,457
Total intangible assets	516,059	618,140
Investments and other assets		
Investment securities	227,526	204,950
Long-term loans receivable	925	1,188
Deferred tax assets	21,212	25,057
Net defined benefit asset	14,734	14,510
Other	35,933	37,810
Allowance for doubtful accounts	(812)	(1,335)
Total investments and other assets	299,520	282,182
Total non-current assets	1,270,414	1,383,285
Total assets	2,475,708	2,700,890

	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	183,991	204,535
Short-term loans payable	45,530	136,066
Commercial papers	—	10,000
Current portion of bonds	—	50,000
Current portion of long-term loans payable	76,988	42,385
Lease obligations	1,499	1,241
Income taxes payable	21,496	25,575
Provision for directors' bonuses	370	333
Provision for product warranties	48,008	52,602
Accrued expenses	121,686	134,847
Other	103,760	111,228
Total current liabilities	603,331	768,815
Non-current liabilities		
Bonds payable	110,000	60,000
Long-term loans payable	311,051	275,988
Lease obligations	9,301	9,959
Deferred tax liabilities	83,261	101,956
Net defined benefit liability	10,551	11,097
Other	23,890	26,222
Total non-current liabilities	548,055	485,225
Total liabilities	1,151,386	1,254,040
Net assets		
Shareholders' equity		
Capital stock	85,032	85,032
Capital surplus	84,388	83,649
Retained earnings	987,546	1,133,100
Treasury shares	(2,894)	(2,589)
Total shareholders' equity	1,154,073	1,299,193
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	74,586	57,685
Deferred gains or losses on hedges	728	619
Foreign currency translation adjustment	72,834	63,808
Remeasurements of defined benefit plans	(5,668)	(5,231)
Total accumulated other comprehensive income	142,479	116,881
Share acquisition rights	1,510	1,720
Non-controlling interests	26,258	29,054
Total net assets	1,324,321	1,446,849
Total liabilities and net assets	2,475,708	2,700,890

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

(Consolidated Statement of Income)

(Millions of yen)

	FY2017 (April 1, 2017, to March 31, 2018)	FY2018 (April 1, 2018, to March 31, 2019)
Net sales	2,290,560	2,481,109
Cost of sales	1,491,731	1,612,186
Gross profit	798,829	868,922
Selling, general and administrative expenses	545,089	592,668
Operating profit	253,739	276,254
Non-operating income		
Interest income	6,817	7,119
Dividend income	4,466	5,129
Share of profit of entities accounted for using equity method	2,547	2,118
Subsidy income	1,521	2,569
Other	2,855	4,311
Total non-operating income	18,207	21,249
Non-operating expenses		
Interest expenses	10,655	11,851
Foreign exchange losses	1,674	4,848
Other	4,597	3,729
Total non-operating expenses	16,928	20,428
Ordinary profit	255,019	277,074
Extraordinary income		
Gain on sales of land	32	0
Gain on sales of investment securities	223	40
Total extraordinary income	255	40
Extraordinary losses		
Loss on disposal of non-current assets	495	802
Loss on sales of land	—	7
Loss on valuation of investment securities	0	315
Loss on liquidation of subsidiaries and associates	2,919	—
Loss on disaster	—	679
Other	2	—
Total extraordinary losses	3,418	1,804
Profit before income taxes	251,857	275,310
Income taxes – current	77,158	77,606
Income taxes – deferred	(20,249)	2,038
Total income taxes	56,908	79,645
Profit	194,948	195,665
Profit attributable to non-controlling interests	5,896	6,616
Profit attributable to owners of parent	189,051	189,048

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	FY2017 (April 1, 2017, to March 31, 2018)	FY2018 (April 1, 2018, to March 31, 2019)
Profit	194,948	195,665
Other comprehensive income		
Valuation difference on available-for-sale securities	21,543	(16,898)
Deferred gains or losses on hedges	848	(109)
Foreign currency translation adjustment	11,672	(8,109)
Remeasurements of defined benefit plans	1,043	447
Share of other comprehensive income of entities accounted for using equity method	559	(1,166)
Total other comprehensive income	35,667	(25,835)
Comprehensive income	230,616	169,829
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	224,280	163,450
Comprehensive income attributable to non-controlling interests	6,336	6,378

(3) Consolidated Statement of Changes in Equity

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
Increase (decrease) resulting from change in accounting period of subsidiaries					—
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					Share acquisition rights	Non-controlling interests	Total net assets
	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			
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
Increase (decrease) resulting from change in accounting period of subsidiaries								—
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

FY2018 (April 1, 2018, to March 31, 2019) (Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	85,032	84,388	987,546	(2,894)	1,154,073
Changes of items during period					
Dividends of surplus			(42,407)		(42,407)
Profit attributable to owners of parent			189,048		189,048
Increase (decrease) resulting from change in accounting period of subsidiaries			(1,087)		(1,087)
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares		178		307	485
Changes in equity allocated to the parent associated with transactions with non-controlling interests		(917)			(917)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(739)	145,554	304	145,119
Balance at end of current period	85,032	83,649	1,133,100	(2,589)	1,299,193

(Millions of yen)

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	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			
Balance at beginning of current period	74,586	728	72,834	(5,668)	142,479	1,510	26,258	1,324,321
Changes of items during period								
Dividends of surplus								(42,407)
Profit attributable to owners of parent								189,048
Increase (decrease) resulting from change in accounting period of subsidiaries								(1,087)
Purchase of treasury shares								(2)
Disposal of treasury shares								485
Changes in equity allocated to the parent associated with transactions with non-controlling interests								(917)
Net changes of items other than shareholders' equity	(16,900)	(109)	(9,025)	436	(25,598)	210	2,796	(22,591)
Total changes of items during period	(16,900)	(109)	(9,025)	436	(25,598)	210	2,796	122,528
Balance at end of current period	57,685	619	63,808	(5,231)	116,881	1,720	29,054	1,446,849

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY2017 (April 1, 2017, to March 31, 2018)	FY2018 (April 1, 2018, to March 31, 2019)
I. Cash flows from operating activities		
Profit before income taxes	251,857	275,310
Depreciation	66,653	72,323
Amortization of goodwill	28,180	26,992
Increase (decrease) in allowance for doubtful accounts	173	792
Interest and dividend income	(11,283)	(12,249)
Interest expenses	10,655	11,851
Share of loss (profit) of entities accounted for using equity method	(2,547)	(2,118)
Loss (gain) on disposal of non-current assets	495	802
Loss (gain) on sales of investment securities	(223)	(40)
Loss (gain) on valuation of investment securities	0	315
Decrease (increase) in notes and accounts receivable – trade	(23,387)	(37,638)
Decrease (increase) in inventories	(26,537)	(38,790)
Increase (decrease) in notes and accounts payable – trade	4,399	8,619
Increase (decrease) in net defined benefit liability	(1,964)	(137)
Decrease (increase) in net defined benefit asset	(1,906)	291
Other, net	11,266	14,085
Subtotal	305,833	320,410
Interest and dividend income received	11,835	12,831
Interest expenses paid	(10,688)	(11,817)
Income taxes paid	(83,239)	(71,415)
Net cash provided by (used in) operating activities	223,740	250,009
II. Cash flows from investing activities		
Purchase of property, plant and equipment	(85,679)	(85,487)
Proceeds from sales of property, plant and equipment	2,393	1,821
Purchase of investment securities	(12,481)	(1,443)
Proceeds from sales of investment securities	1,093	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	(17,470)	(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	(7,861)	(67,264)
Proceeds from merger	—	48
Decrease (increase) in time deposits	—	(591)
Other, net	(5,307)	(6,095)
Net cash provided by (used in) investing activities	(127,458)	(165,773)

(Millions of yen)

	FY2017 (April 1, 2017, to March 31, 2018)	FY2018 (April 1, 2018, to March 31, 2019)
III. Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(14,336)	100,640
Proceeds from long-term loans payable	45,180	—
Repayments of long-term loans payable	(67,179)	(118,172)
Redemption of bonds	(10,000)	—
Cash dividends paid	(39,473)	(42,407)
Dividends paid to non-controlling interests	(5,412)	(4,414)
Other, net	(2,733)	(4,367)
Net cash provided by (used in) financing activities	(93,954)	(68,721)
IV. Effect of exchange rate change on cash and cash equivalents	10,607	(5,286)
V. Net increase (decrease) in cash and cash equivalents	12,933	10,228
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	357,027	367,189

(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

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

From the beginning of the fiscal year ended March 31, 2019, 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.

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 (From 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	1,981,545	216,296	2,197,841	37,624	2,235,466	240,241	2,475,708
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.
4. From the current fiscal year, the Daikin Group applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), which changed the method of presentation. Segment assets for the previous fiscal year are indicated using converted figures that reflect changes to the method of presentation.

Current fiscal year (From April 1, 2018, to March 31, 2019) (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	2,222,172	200,790	2,422,963	58,145	2,481,109	—	2,481,109
Intersegment sales	714	18,123	18,837	646	19,483	(19,483)	—
Total	2,222,887	218,913	2,441,800	58,792	2,500,592	(19,483)	2,481,109
Segment profit	237,645	32,533	270,179	6,065	276,245	9	276,254
Segment asset	2,230,118	230,736	2,460,854	41,008	2,501,863	199,027	2,700,890
Other items							
Depreciation	57,166	13,488	70,654	1,667	72,321	—	72,321
Amortization of goodwill	26,792	200	26,992	—	26,992	—	26,992
Investments in entities accounted for using equity method	13,552	10,096	23,648	—	23,648	—	23,648
Increase in property, plant and equipment, and intangible assets	68,982	15,913	84,895	2,266	87,161	—	87,161

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 ¥199,027 million to segment assets includes corporate assets not allocated to each reported segment of ¥211,636 million and ¥(12,609) 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 (From 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.	Asia and Oceania	China	Europe	Other	Total
542,725	551,819	349,189	381,665	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

Current fiscal year (From April 1, 2018, to March 31, 2019)

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.	Asia and Oceania	China	Europe	Other	Total
585,106	625,041	387,092	379,628	366,670	137,570	2,481,109

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
161,703	134,542	70,656	61,802	44,606	9,651	482,962

3. Information by principal customers
   None applicable

[Information Related to Impairment Loss of Non-current Assets by Reported Segment]
Previous fiscal year (From April 1, 2017, to March 31, 2018)
None applicable

Current fiscal year (From April 1, 2018, to March 31, 2019)
None applicable

[Information Related to Amount of Amortization of Goodwill and Unamortized Balance by Reported Segment]
Previous fiscal year (From 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.

Current fiscal year (From April 1, 2018, to March 31, 2019)

(Millions of yen)

	Air-Conditioning and Refrigeration Equipment	Chemicals	Others	Corporate or eliminations	Total
Balance at end of current period	321,182	1,136	—	—	322,318

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 (From April 1, 2017, to March 31, 2018)
No important items applicable.

Current fiscal year (From April 1, 2018, to March 31, 2019)
No important items applicable.

Per Share Information

(Yen)

Item	Previous fiscal year (April 1, 2017, to March 31, 2018)	Current fiscal year (April 1, 2018, to March 31, 2019)
Net assets per share	4,433.62	4,841.15
Earnings per share	646.53	646.39
Diluted earnings per share	646.08	645.95

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

Item	Previous fiscal year (April 1, 2017, to March 31, 2018)	Current fiscal year (April 1, 2018, to March 31, 2019)
Earnings per share		
Profit attributable to owners of parent (Millions of yen)	189,051	189,048
Amount not belonging to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent related to common stock (Millions of yen)	189,051	189,048
Average number of shares of common stock during the year (Thousands of shares)	292,408	292,470
Diluted earnings per share		
Increase in the number of shares of common stock (Thousands of shares)	204	197
[Of the above, stock options by exercising share acquisition rights] (Thousands of shares)	[204]	[197]
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, 2018)	Current fiscal year (As of March 31, 2019)
Total net assets (Millions of yen)	1,324,321	1,446,849
Deduction from total net assets (Millions of yen)	27,768	30,775
[Of the above, share acquisition rights] (Millions of yen)	[1,510]	[1,720]
[Of the above, non-controlling interests] (Millions of yen)	[26,258]	[29,054]
Shareholders' equity pertaining to common stock at the end of the fiscal year (Millions of yen)	1,296,553	1,416,074
Number of shares of common stock used to calculate net assets per share (Thousands of shares)	292,436	292,508

Significant Subsequent Events

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.