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Member, Financial Accounting Standards Foundation

Brief Report on the Settlement of Accounts (Consolidated) for the Three Months Ended June 30, 2019 (J-GAAP)

August 6, 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
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General Manager of the Corporate Communication Department of the Head Office
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Planned date of the filing of quarterly report: August 7, 2019
Planned date of start of dividend payment: —
Preparation of supplementary explanatory materials for the settlement of accounts for the first quarter: Yes
Holding briefings on the settlement of accounts for the first quarter: Yes (for institutional investors and analysts)

1. Consolidated Business Results for the Three Months Ended June 30, 2019
(From April 1, 2019, to June 30, 2019)

(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	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2019	681,298	3.7	89,619	7.8	89,826	5.1	63,106	5.8
June 30, 2018	656,796	12.0	83,119	11.7	85,466	14.0	59,629	16.9

Note: Comprehensive income was ¥20,170 million (-66.1%) for the three months ended June 30, 2019, and ¥59,559 million (-27.9%) for the three months ended June 30, 2018.

	Earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2019	215.74	215.60
June 30, 2018	203.90	203.76

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2019	2,804,361	1,441,954	50.2
As of March 31, 2019	2,700,890	1,446,849	52.4

(Reference) Equity capital was ¥1,408,636 million as of June 30, 2019, and ¥1,416,074 million as of March 31, 2019.

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, 2019	—	70.00	—	90.00	160.00
Fiscal Year ending March 31, 2020	—				
Fiscal Year ending March 31, 2020 (forecast)		80.00	—	80.00	160.00

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

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

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

*Notes

(1) Changes in Significant Subsidiaries during the Three Months Ended June 30, 2019: 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.: Yes
- (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 June 30, 2019 293,113,973 shares
  - As of March 31, 2019 293,113,973 shares
- (ii) Number of treasury shares at end of period
  - As of June 30, 2019 600,545 shares
  - As of March 31, 2019 605,740 shares
- (iii) Average number of shares outstanding during the three months
  - Three Months Ended June 30, 2019 292,509,830 shares
  - Three Months Ended June 30, 2018 292,438,891 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

- For the notes on the use of the business forecast, 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 Tuesday, August 6, 2019. Documents and materials distributed in this briefing will be posted on the Company's website soon after the announcement of business results.

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

(1) Explanation of Operating Results

The overall world economy in the three months ended June 30, 2019 (from April 1, 2019, to June 30, 2019), showed a moderate expansion. In the U.S. economy, although capital investment deteriorated, personal consumption drove economic expansion. In the European economy, strong personal consumption underpinned the economy. Asian and emerging economies remained firm, supported by strong personal consumption and economic stimulation measures in each country. The Chinese economy slowed due to the impact of the trade friction between the United States and China but avoided an economic downturn through support from government policies. The Japanese economy grew moderately on the back of firm capital investment, despite poor performance in exports.

In such a business environment, the Daikin Group worked to enhance its sales and marketing capabilities, improve its product development, production, procurement and quality capabilities, strengthen its human resources, and reduce fixed costs and variable costs in each region.

The Daikin Group's net sales increased by 3.7% year over year to ¥681,298 million for the three months ended June 30, 2019. As for profits, operating profit increased by 7.8% to ¥89,619 million, ordinary profit increased by 5.1% to ¥89,826 million, and profit attributable to owners of parent increased by 5.8% to ¥63,106 million.

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 5.1% year over year to ¥625,285 million. Operating profit increased by 11.4% to ¥82,507 million.

In the Japanese commercial air-conditioning equipment market, industry demand grew year over year due to firm private sector demand and measures to introduce air conditioning at public elementary and middle schools. In the market for stores and offices, the Daikin Group expanded sales mainly for the "SkyAir Series," including "FIVE STAR ZEAS," and "machi Multi," multi-split type room air conditioners that feature individual operation and a slim design. In the market for buildings and facilities, backed by the increasing need for improvements in the work environment, the Group strengthened proposals that meet user applications, including the "VRV Series," which has high energy-saving performance and installation flexibility, and "MULTI CUBE," which enables individual control of temperature and air volume. As a result, net sales of commercial air-conditioning systems increased year over year.

In the Japanese residential air-conditioning equipment market, industry demand expanded mainly for high value-added models, which performed strongly. The Group improved the value and promotion of products, including expanding the product lineup of "Urusara 7," which is equipped with a function that even controls humidity with the Group's proprietary AI, and "risora," an air conditioner combining design with functionality. 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 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. In the market for large buildings (Applied Systems), reinforcement of the sales network and enhancement of the product lineup amid a strong market led to sales expansion of 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 impact of the economic slowdown due to the trade friction between the United States and China and government policies to restrict new housing construction, the Group enhanced its product lineup aimed at the high-volume market and expanded sales to the regional cities. As a result, net sales increased year over year in the local currency. At the same time, although yen-equivalent net sales declined year over year due to the weak yuan, operating profit increased year over year as a result of reducing fixed costs and promoting cost reductions through measures such as capturing the effects of the weakening market for raw materials. In order to respond to changes in the residential-use market, the Group strengthened its "PROSHOP" specialty shops by shifting sales resources mainly to the regional cities where growth is anticipated. In addition, the Group expanded sales by enhancing its product lineup of high-volume models in addition to existing products for the high-end residential market. In the commercial-use market, while the number of large-scale projects such as new buildings fell, the Group captured robust demand mainly for stores and renovation projects. In the big cities, which are a mature market, the Group expanded sales through the introduction of "Intelligent VRV systems," which uses the Internet to connect with customers and existing VRV models. 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 the development of dealer networks covering urban and regional areas, as well as favorable weather in Thailand and other areas. As a result, net sales increased year over year. Net sales of commercial air-conditioning systems increased year over year mainly due to the bolstering of 'spec-in' activities, expansion of dealer networks and nurturing of dealers that can handle everything from design to installation and sales. In India, net sales of both residential air-conditioning systems and commercial air-conditioning systems grew year over year mainly due to the expansion of dealer networks.

In Europe, net sales increased year over year as a whole. Net sales of residential air-conditioning systems increased year over year due to sales expansion of R32 refrigerant, reinforcement of the sales network, and robust sales in Northern Europe where demand has been strong since the previous year. Net sales of heat pump hot water heating systems for residential use increased year over year due to increased demand resulting from various countries' incentives to encourage replacement of combustion-type heaters with heat pump models, as well as the sales expansion effect of new products. For commercial air-conditioning systems as well, the Group expanded sales of mid- to large-size commercial air-conditioning systems for stores, offices, and hotels by promoting differentiated products for customers and strengthening marketing capabilities to architectural firms. As a result, net sales grew year over year.

In the Middle East and Africa, net sales increased year over year amid risks, including the Iran issue, due to measures such as strengthening marketing capabilities aimed at major developers. In Turkey, amid stagnating demand for commercial air conditioning due to a continued slowdown in building investment, sales of residential air-conditioning and heating systems grew, and net sales increased 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 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 decreased by 11.7% year over year to ¥44,261 million and operating profit decreased by 21.1% year over year to ¥6,283 million.

Net sales of fluoropolymers decreased year over year due to declining demand for semiconductor-related applications worldwide, despite strong demand for LAN cables in the U.S. market and cable-related demand in Asia and Europe. Net sales of fluoroelastomers also decreased year over year due to the impact of falling demand in the automotive field mainly in the U.S., European, and Chinese markets.

Among specialty chemicals, net sales of anti-fouling surface coating agents fell year over year due to declining demand in China and Asia. With regard to oil and water repellents, the Group made progress in expanding sales in Asia, but demand was stagnant in other regions. As a result, net sales decreased year over year. As a result of these factors, overall sales of specialty chemicals were down compared to the same period of the previous fiscal year.

As for fluorocarbon gas, the impact of the drop in sales mainly due to the accumulation of distribution inventory was significant in the European market, which was affected by the rebound against robust demand in the previous fiscal year. As a result, overall sales of gas decreased substantially year over year.

(iii) Other Divisions

Overall sales of the "Others" segment increased by 1.4% year over year to ¥11,750 million. Operating profit decreased by 23.8% year over year to ¥825 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, sales of ammunition and fuses to the Ministry of Defense fell. As a result, net sales decreased year over year. Net sales of home oxygen equipment were also down 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.

(2) Explanation of Financial Position

(i) Assets, Liabilities and Net Assets

Total assets increased by ¥103,470 million from the end of the previous fiscal year to ¥2,804,361 million. Current assets increased by ¥69,282 million from the end of the previous fiscal year to ¥1,386,887 million, mainly due to an increase in notes and accounts receivable – trade. Non-current assets increased by ¥34,188 million from the end of the previous fiscal year to ¥1,417,474 million, primarily due to an increase in buildings and structures.

Liabilities increased by ¥108,366 million from the end of the previous fiscal year to ¥1,362,407 million, mainly due to an increase in commercial papers. Interest bearing debt ratio rose to 24.5% from 21.7% at the end of the previous fiscal year.

Net assets decreased by ¥4,895 million from the end of the previous fiscal year to ¥1,441,954 million, primarily due to volatility in foreign currency translation adjustment.

(ii) Cash Flows

During the three months ended June 30, 2019, net cash provided by operating activities was ¥63,698 million, an increase of ¥6,925 million from the same period of the previous fiscal year, principally due to a decrease in the amount of increase in trade receivables. Net cash used in investing activities was ¥36,599 million, an increase of ¥5,611 million from the same period of the previous fiscal year, primarily due to an increase in payment for acquisition of consolidated subsidiaries. Net cash provided by financing activities was ¥20,287 million, an increase of ¥20,599 million from the same period of the previous fiscal year, mainly due to an increase in proceeds from long-term borrowings. After including the effect of foreign exchange rate change to these results, net increase in cash and cash equivalents for the three months ended June 30, 2019, amounted to ¥33,957 million, an increase of ¥12,847 million from the same period of the previous fiscal year.

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

With regard to the business environment surrounding the Group, the outlook continues to remain uncertain due to factors such as the impact of trade friction between the United States and China, exchange rates, and the U.K.’s exit from the EU. However, we continue to aim to generate results in accordance with “Fusion 20,” the Group’s strategic management plan, by strengthening our global sales network in individual regions, expanding sales of high value-added products, and strengthening our earnings capabilities in existing business by reducing overall costs. At the same time, we will accelerate the expansion of the Energy Solutions business, Commercial Refrigeration business, and Heating business in an effort to transform our business structure, as well as accelerate our strategic investment in human resources enhancement and development, research and development capabilities reinforcement, and others in the AI and IoT fields. By doing so, we aim to maintain our trend of increased sales and profits as we strive for further growth and development in the medium to long term.

For the consolidated business forecast for the fiscal year ending March 31, 2020, the Group has not revised the business forecast announced on May 9, 2019.

(Reference) Consolidated Business Forecast for the Fiscal Year Ending March 31, 2020

(Millions of yen)

	First half	Full year
Net sales	1,390,000	2,670,000
Operating profit	164,000	285,000
Ordinary profit	164,000	285,000
Profit attributable to owners of parent	114,000	193,000

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	FY2018 (As of March 31, 2019)	First Quarter of FY2019 (As of June 30, 2019)
Assets		
Current assets		
Cash and deposits	367,781	401,169
Notes and accounts receivable – trade	447,831	488,335
Merchandise and finished goods	293,445	293,098
Work in process	50,746	57,681
Raw materials and supplies	92,165	90,187
Other	74,782	66,331
Allowance for doubtful accounts	(9,147)	(9,916)
Total current assets	1,317,605	1,386,887
Non-current assets		
Property, plant and equipment	482,962	547,701
Intangible assets		
Goodwill	322,318	314,987
Other	295,821	279,862
Total intangible assets	618,140	594,849
Investments and other assets		
Investment securities	204,950	194,823
Other	78,567	81,417
Allowance for doubtful accounts	(1,335)	(1,317)
Total investments and other assets	282,182	274,922
Total non-current assets	1,383,285	1,417,474
Total assets	2,700,890	2,804,361
Liabilities		
Current liabilities		
Notes and accounts payable – trade	204,535	208,727
Short-term borrowings	136,066	78,577
Commercial papers	10,000	63,000
Current portion of bonds	50,000	50,000
Current portion of long-term borrowings	42,385	50,537
Income taxes payable	25,575	26,658
Provision for product warranties	52,602	54,679
Other	247,650	261,401
Total current liabilities	768,815	793,581
Non-current liabilities		
Bonds payable	60,000	60,000
Long-term borrowings	275,988	317,309
Retirement benefit liability	11,097	10,720
Other	138,138	180,795
Total non-current liabilities	485,225	568,825
Total liabilities	1,254,040	1,362,407

(Millions of yen)

	FY2018 (As of March 31, 2019)	First Quarter of FY2019 (As of June 30, 2019)
Net assets		
Shareholders' equity		
Share capital	85,032	85,032
Capital surplus	83,649	83,632
Retained earnings	1,133,100	1,169,851
Treasury shares	(2,589)	(2,567)
Total shareholders' equity	1,299,193	1,335,948
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	57,685	50,487
Deferred gains or losses on hedges	619	(383)
Foreign currency translation adjustment	63,808	27,565
Remeasurements of defined benefit plans	(5,231)	(4,981)
Total accumulated other comprehensive income	116,881	72,687
Share acquisition rights	1,720	1,704
Non-controlling interests	29,054	31,613
Total net assets	1,446,849	1,441,954
Total liabilities and net assets	2,700,890	2,804,361

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

(Consolidated Statement of Income)

For the Three Months Ended June 30 (Millions of yen)

	First Three Months of FY2018 (April 1, 2018, to June 30, 2018)	First Three Months of FY2019 (April 1, 2019, to June 30, 2019)
Net sales	656,796	681,298
Cost of sales	423,130	436,702
Gross profit	233,665	244,595
Selling, general and administrative expenses	150,546	154,976
Operating profit	83,119	89,619
Non-operating income		
Interest income	1,774	1,796
Dividend income	2,600	2,665
Share of profit of entities accounted for using equity method	658	—
Other	3,203	908
Total non-operating income	8,237	5,369
Non-operating expenses		
Interest expenses	3,445	3,506
Share of loss of entities accounted for using equity method	—	22
Foreign exchange losses	1,677	755
Other	767	879
Total non-operating expenses	5,890	5,162
Ordinary profit	85,466	89,826
Extraordinary income		
Gain on disposal of non-current assets	—	529
Gain on sales of land	—	100
Gain on sales of investment securities	40	—
Gain on insurance claims	—	198
Total extraordinary income	40	828
Extraordinary losses		
Loss on disposal of non-current assets	154	—
Loss on valuation of investment securities	270	491
Loss on disaster	354	—
Other	—	5
Total extraordinary losses	779	496
Profit before income taxes	84,726	90,158
Income taxes	23,156	25,051
Profit	61,570	65,106
Profit attributable to non-controlling interests	1,941	1,999
Profit attributable to owners of parent	59,629	63,106

(Consolidated Statement of Comprehensive Income)

For the Three Months Ended June 30 (Millions of yen)

	First Three Months of FY2018 (April 1, 2018, to June 30, 2018)	First Three Months of FY2019 (April 1, 2019, to June 30, 2019)
Profit	61,570	65,106
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,993)	(7,198)
Deferred gains or losses on hedges	242	(1,002)
Foreign currency translation adjustment	(200)	(37,225)
Remeasurements of defined benefit plans	327	250
Share of other comprehensive income of entities accounted for using equity method	(387)	240
Total other comprehensive income	(2,011)	(44,936)
Comprehensive income	59,559	20,170
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	57,792	18,913
Comprehensive income attributable to non-controlling interests	1,766	1,257

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	First Three Months of FY2018 (April 1, 2018, to June 30, 2018)	First Three Months of FY2019 (April 1, 2019, to June 30, 2019)
I. Cash flows from operating activities		
Profit before income taxes	84,726	90,158
Depreciation	17,626	22,539
Amortization of goodwill	7,541	6,936
Increase (decrease) in allowance for doubtful accounts	506	961
Interest and dividend income	(4,374)	(4,461)
Interest expenses	3,445	3,506
Share of loss (profit) of entities accounted for using equity method	(658)	22
Loss (gain) on disposal of non-current assets	154	(529)
Loss (gain) on sales of investment securities	(40)	—
Loss (gain) on valuation of investment securities	270	491
Decrease (increase) in trade receivables	(57,100)	(44,705)
Decrease (increase) in inventories	(3,306)	(12,589)
Increase (decrease) in trade payables	14,451	10,349
Increase (decrease) in retirement benefit liability	(18)	(229)
Decrease (increase) in retirement benefit asset	(113)	(530)
Other, net	10,969	12,548
Subtotal	74,083	84,466
Interest and dividends received	4,890	4,903
Interest paid	(3,792)	(4,187)
Income taxes paid	(18,408)	(21,483)
Net cash provided by (used in) operating activities	56,773	63,698
II. Cash flows from investing activities		
Purchase of property, plant and equipment	(18,103)	(21,944)
Proceeds from sales of property, plant and equipment	116	2,119
Purchase of investment securities	(305)	(55)
Proceeds from sales of investment securities	46	—
Purchase of shares of subsidiaries and associates	—	(141)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(9,765)
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	(730)	—
Proceeds from merger	48	—
Decrease (increase) in time deposits	(10,891)	545
Other, net	(1,188)	(7,358)
Net cash provided by (used in) investing activities	(30,987)	(36,599)

(Millions of yen)

	First Three Months of FY2018 (April 1, 2018, to June 30, 2018)	First Three Months of FY2019 (April 1, 2019, to June 30, 2019)
III. Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	41,489	(3,279)
Proceeds from long-term borrowings	—	74,105
Repayments of long-term borrowings	(19,296)	(19,286)
Dividends paid	(21,933)	(26,326)
Dividends paid to non-controlling interests	(24)	(27)
Other, net	(546)	(4,897)
Net cash provided by (used in) financing activities	(311)	20,287
IV. Effect of exchange rate change on cash and cash equivalents	(4,362)	(13,428)
V. Net increase (decrease) in cash and cash equivalents	21,110	33,957
VI. Cash and cash equivalents at beginning of period	357,027	367,189
VII. Increase (decrease) in cash and cash equivalents resulting from change in accounting period of subsidiaries	(66)	(7)
VIII. Cash and cash equivalents at end of period	378,071	401,139

(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, 2020, 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.

Changes in Accounting Policy

From the beginning of the first quarter of fiscal year ending March 31, 2020, the overseas consolidated subsidiaries have applied "Leases" (IFRS 16, January 13, 2016; ASU 2016-02, February 25, 2016). Following the application of this accounting standard, as of June 30, 2019, "property, plant and equipment," "other" in "current liabilities" and "other" in "non-current liabilities" increased by ¥56,860 million, ¥15,611 million, and ¥41,429 million, respectively. Furthermore, ¥11,757 million of leasehold interests in land hitherto included in "other" in "intangible assets" has been included in "property, plant and equipment" from the first quarter of fiscal year ending March 31, 2020. This change does not have a significant impact on profit or loss for the three months ended June 30, 2019.

Segment Information, etc.

I. For the three months ended June 30, 2018 (From April 1, 2018, to June 30, 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	595,089	50,115	645,205	11,590	656,796	—	656,796
Intersegment sales	178	4,727	4,905	163	5,069	(5,069)	—
Total	595,267	54,843	650,110	11,754	661,865	(5,069)	656,796
Segment profit	74,070	7,963	82,033	1,083	83,117	2	83,119

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 ¥2 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 three months ended June 30, 2019 (From April 1, 2019, to June 30, 2019)

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	625,285	44,261	669,547	11,750	681,298	—	681,298
Intersegment sales	813	3,982	4,796	203	4,999	(4,999)	—
Total	626,099	48,244	674,343	11,953	686,297	(4,999)	681,298
Segment profit	82,507	6,283	88,791	825	89,617	2	89,619

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 ¥2 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

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.