<Translation>

Member, Financial Accounting Standards Foundation

Brief Report on the Settlement of Accounts (Consolidated) for the Business Year Ended March 31, 2017 (J-GAAP)

May 10, 2017

Name of Listed Company: **Daikin Industries, Ltd.** Listed on TSE
Code No.: 6367
(URL: http://www.daikin.co.jp/)
Representative: Masanori Togawa, President and CEO
Contact: Motoshi Hosomi,
General Manager of the Corporate Communication Department of the Head Office
(Tel.: +81-6-6373-4320)
Planned date of Ordinary General Meeting of Shareholders: June 29, 2017
Planned date of start of dividend payment: June 30, 2017
Planned date of the filing of securities report: June 29, 2017
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, 2017
(From April 1, 2016, to March 31, 2017)

(1) Consolidated Business Results

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Fiscal Year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2017	2,043,968	0.0	230,769	5.9	231,013	10.2	153,938	12.4
March 31, 2016	2,043,691	6.7	217,872	14.3	209,536	7.9	136,986	14.5

Note: Comprehensive income was ¥136,343 million (432.8%) for the fiscal year ended March 31, 2017, and ¥25,589 million (-89.7%) for the fiscal year ended March 31, 2016.

	Earnings per share	Diluted earnings per share	Ratio of earnings for the fiscal year to shareholders' equity	Ratio of ordinary income to total assets	Operating margin
Fiscal Year ended	Yen	Yen	%	%	%
March 31, 2017	526.81	526.43	14.5	10.2	11.3
March 31, 2016	469.23	468.84	13.4	9.4	10.7

(Reference) Equity in earnings of affiliates was ¥920 million for the fiscal year ended March 31, 2017, and ¥(83) million for the fiscal year ended March 31, 2016.

(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, 2017	2,356,148	1,135,609	47.2	3,802.10
As of March 31, 2016	2,191,105	1,037,469	46.3	3,473.54

(Reference) Equity capital was ¥1,111,636 million at the end of the fiscal year ended March 31, 2017, and ¥1,014,409 million at the end of the fiscal year ended March 31, 2016.

(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, 2017	267,663	(128,823)	(73,543)	344,093
March 31, 2016	226,186	(105,493)	(85,421)	291,205

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, 2016	—	55.00	—	65.00	120.00	35,040	25.6	3.4
March 31, 2017	—	60.00	—	70.00	130.00	38,001	24.7	3.6
Fiscal Year ending March 31, 2018 (forecast)	—	65.00	—	65.00	130.00		23.8	

3. Consolidated Business Forecast for the Fiscal Year Ending March 31, 2018
(From April 1, 2017, to March 31, 2018)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	1,130,000	8.2	143,000	1.9	143,000	2.3	97,000	0.6	331.77
Full year	2,190,000	7.1	243,000	5.3	242,000	4.8	160,000	3.9	547.24

*Notes

(1) Changes in Significant Subsidiaries during the Period: Yes
(Changes in specified subsidiaries resulting in change in scope of consolidation)
New: 1 company Name: Flanders Holdings LLC

(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, 2017 293,113,973 shares
As of March 31, 2016 293,113,973 shares
(ii) Number of treasury shares at end of period
As of March 31, 2017 739,660 shares
As of March 31, 2016 1,075,356 shares
(iii) Average number of shares outstanding during the period
Fiscal year ended March 31, 2017 292,208,175 shares
Fiscal year ended March 31, 2016 291,941,570 shares

(Reference) Summary of Non-Consolidated Business Results for the Fiscal Year Ended March 31, 2017 (From April 1, 2016, to March 31, 2017)

(1) Non-Consolidated Business Results

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

	Net sales		Operating income		Ordinary income	
Fiscal Year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2017	505,569	1.0	50,364	33.1	141,474	63.6
March 31, 2016	500,371	4.8	37,846	53.4	86,467	14.3

	Profit		Earnings per share	Diluted earnings per share
Fiscal Year ended	Millions of yen	%	Yen	Yen
March 31, 2017	124,639	103.0	426.54	426.22
March 31, 2016	61,387	(4.5)	210.27	210.10

(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, 2017	1,363,946	608,294	44.5	2,076.81
As of March 31, 2016	1,308,307	510,697	38.9	1,744.87

(Reference) Shareholders' equity was ¥607,215 million at the end of the fiscal year ended March 31, 2017, and ¥509,578 million at the end of the fiscal year ended March 31, 2016.

The Brief Report on the Settlement of Accounts is outside the scope of audit.

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

- The business forecasts are based on information currently available to Daikin Industries, Ltd. (the "Company") and certain assumptions that are deemed reasonable. Actual results may differ significantly from these forecasts. For the basis of presumption of the business forecast and the notes on its use, please refer to "(4) Business Forecast for the Future" of "1. Overview of Operating Results, etc."
- The Company plans to hold a briefing on business results for institutional investors and analysts on Thursday, May 11, 2017. 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, 2017

Looking at the overall world economy in the fiscal year ended March 31, 2017 (fiscal 2016), robust personal consumption drove the U.S. economy. Even as the European economy maintained a moderate recovery, geopolitical risks and other factors remained to put downward pressure on the economy. The Chinese economy slowed gradually. While the emerging economies showed signs of improving overall, downside economic risks remained due to fluctuations in the financial markets and foreign exchange.

Turning to the Japanese economy, a moderate recovery continued, despite signs of weakness in some areas, and was backed by improvement in corporate earnings and an increase in exports.

In such a business environment, the Daikin Group set its New Year's slogan for 2016 as "Let each of us enhance our own strengths to take a big step forward," with the aim of generating results in the first year of "Fusion 20," the Group's strategic management plan that set fiscal 2020 as its target fiscal year. In particular, the Group made efforts to secure net sales and profit by expanding sales of major air-conditioning products in each region around the world and making group-wide efforts to reduce costs.

The Daikin Group's net sales increased by 0.0% year over year to ¥2,043,968 million for the fiscal year under review due to strong sales in the air conditioning business in each region, while the yen appreciated against other currencies, including the Chinese yuan, U.S. dollar, and euro, which had a negative impact such as a decrease in the yen-equivalent. As for profits, sales volume increased in each region and gross margin rates improved through cost reductions, despite a factor of profit decline due to conversion to the yen-equivalent. As a result, operating income increased by 5.9% to ¥230,769 million, ordinary income increased by 10.2% to ¥231,013 million, and profit attributable to owners of parent increased by 12.4% to ¥153,938 million.

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 0.4% to ¥1,835,376 million. Operating income increased by 7.7% to ¥208,749 million.

In the Japanese commercial air-conditioning equipment market, industry demand rose year over year, pushed upward by the impact of the heat wave in Western Japan during the first half of the fiscal year and the government's subsidy system for replacement to high-performance energy-saving equipment. The Daikin Group captured demand for air conditioners for stores and offices, especially those of "FIVE STAR ZEAS" and "Eco-ZEAS" models, and net sales increased year over year.

In the Japanese residential air-conditioning equipment market, industry demand increased year over year due to robust demand that began in the first half from the impact of the heat wave in Western Japan and continued into the third quarter onward. The Daikin Group utilized the brand power of its room air conditioner "Urusara 7," an energy-saving, high value-added product, in an effort to expand sales for all models of residential air conditioners, and net sales exceeded that of the previous fiscal year.

In Europe, while sales were strong, net sales after converting to the yen-equivalent remained flat year over year in the region as a whole. Net sales of residential air-conditioning systems increased year over year in the local currency owing to increased demand stemming from the heat wave in 2015 and remained strong in fiscal 2016. Sales of commercial air-conditioning systems also remained strong, thanks to capturing replacement demand for air-conditioning equipment in major countries despite sluggish economic growth in Europe, and net sales were up year over year in the local currency. Despite stagnant demand in France, which is a major market, net sales of heat pump hot water heating systems grew in Europe overall in the local currency from the previous fiscal year due to significant sales growth in Italy and other countries.

In the Middle East and Africa, while sales were strong, net sales after converting to the yen-equivalent decreased year over year in the region as a whole. Net sales increased year over year in the local currency, thanks to efforts to boost orders for private-sector projects amid a series of temporary suspensions or delays, particularly for large-scale government projects, due to prolonged stagnation of crude oil prices and growing geopolitical risks. In Turkey, net sales increased year over year in the local currency, as a result of boosting orders for small- to medium-scale commercial projects and strengthening sales of residential air-conditioning systems. This was despite a series of delays in delivery, mainly for large-scale projects and others, and amid the continuing political unrest that followed the attempted coup d'état in July.

In China, while economic growth is slowing down, the Group intensified its retail sales to capture firm personal consumption. Net sales in the local currency rose year over year in all regions and for all products. Although net sales after converting to the yen-equivalent fell slightly year over year due to the depreciation of the Chinese yuan, operating income increased year over year owing to cost reductions promoted in the production division. In the residential-use market, the Group focused on its own specialty "PROSHOPs" and leveraged its proposal and installation capabilities, which are its strengths, to expand sales mainly in the mid-range and high-end residential market with the "New Life Multi Series," residential multi-split type room air conditioners that propose a variety of lifestyles for customers. In the commercial-use market, the Group expanded sales by carrying out model changes to the mainstay "VRV-X" series, commercial multi-split type room air conditioners that offer enhanced product appeal, including energy-saving performance; enhancing advertising and 'spec-in' for architectural firms; and broadening the range of the target markets to extend from new construction to replacement. In the large-building (Applied Systems) air-conditioning equipment market, the Group expanded sales by carrying out sales activities in a wide range of projects, from large to small- to medium-scale, based on an enhanced product lineup and reinforced after sales service business.

In Asia and Oceania, net sales after converting to the yen-equivalent remained flat year over year in the region as a whole. Nevertheless, net sales in the local currency increased considerably year over year thanks to efforts such as dealer development, expanded sales of differentiated energy-saving products that met local needs, and reinforcement of the service structure, which led to the capturing of demand among the growing middle class. In the residential air-conditioning systems, sales of inverter-type, cooling-only air conditioners with exceptional energy-saving performance were strong, and sales grew particularly in Thailand, Vietnam, Indonesia, and India. Sales of multi-split type room air conditioners for buildings grew due to enhanced 'spec-in' activities and greater focus on dealer development.

In the Americas, net sales increased year over year in the region as a whole due to strong sales. Net sales of residential air-conditioning systems rose year over year as a result of favorable weather in the first half and efforts to expand the sales network. Net sales grew year over year in the light commercial air-conditioning systems for medium-sized office buildings due to the implementation of sales strategies for each route. In the market for Applied Systems, net sales grew year over year thanks to expanded sales of Applied Systems, mainly rooftops equipped with inverters. This was backed by a higher level of demand than the previous fiscal year as well as sales growth in the after sales service business.

In the marine vessels business, net sales fell year over year due to a decrease in sales for marine container refrigeration units and air conditioners for marine vessels associated with falling demand.

(ii) Chemicals

Overall sales of the Chemicals segment decreased by 3.4% to ¥156,754 million and operating income decreased by 11.2% year over year to ¥18,302 million.

Demand for fluoropolymers was robust for semiconductor-related applications in Japan and Asia. However, overall sales of fluoropolymers fell year over year. This was due to the strong yen, price competition in the U.S. market from rival companies and products made in China, and intensified competition in the LAN cable market. Fluoroelastomers were also affected significantly by foreign exchanges, and sales fell year over year, despite robust demand in automotive fields in each region around the world.

Turning to oil and water repellents among specialty chemicals, net sales fell significantly year over year due to sluggish sales affected by delays in switchovers to new products, among other factors, as well as the impact of foreign exchange. Sales of anti-fouling surface coating agents used in devices, such as touch panels, increased year over year, supported by strong demand in China. Sales of etchant for cleaning semiconductors increased year over year due to sales growth in Japan and Asia where related demand was favorable. Overall sales of specialty chemicals were down compared to the previous fiscal year.

As for fluorocarbon gas, overall sales of gas increased substantially year over year as a result of the growth in sales for after sales service in the Americas.

(iii) Other Divisions

Overall sales of the "Others" segment fell by 2.9% year over year to ¥51,837 million. Operating income increased by 6.2% year over year to ¥3,749 million.

Sales of oil hydraulic equipment for industrial machinery fell year over year due to the impact of stagnant demand in the Japanese market. Sales of oil hydraulic equipment for construction machinery and vehicles remained flat against the previous fiscal year due to the impact of production volume adjustments by Chinese agricultural machinery manufacturers, despite robust sales to key customers in Japan and the U.S.

In defense systems-related products, sales of home oxygen equipment were strong, while sales of ammunitions to the Ministry of Defense decreased, resulting in a decline in net sales compared to the previous fiscal year.

In the electronics business, net sales were on a par with the previous fiscal year, as sales especially of database systems for design and development sectors expanded.

(2) Overview of Financial Position for the Fiscal Year Ended March 31, 2017

Total assets increased by ¥165,043 million from the end of the previous fiscal year to ¥2,356,148 million. Current assets increased by ¥93,115 million to ¥1,159,884 million, mainly due to an increase in cash and deposits. Non-current assets increased by ¥71,927 million to ¥1,196,264 million, primarily due to an increase in buildings and structures.

Liabilities increased by ¥66,904 million from the end of the previous fiscal year to ¥1,220,539 million, mainly due to an increase in notes and accounts payable – trade. Interest bearing debt ratio fell to 25.9% from 27.8% at the end of the previous fiscal year.

Net assets increased by ¥98,139 million from the end of the previous fiscal year to ¥1,135,609 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, 2017

During the fiscal year under review, net cash provided by operating activities was ¥267,663 million, an increase of ¥41,477 million from the previous fiscal year, principally due to an increase in profit before income taxes and a decrease in income taxes paid. Net cash used in investing activities was ¥128,823 million, an increase of ¥23,330 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 ¥73,543 million, a decrease of ¥11,878 million from the previous fiscal year, mainly due to an increase in proceeds from long-term loans payable. After including the effect of foreign exchange rate change to these results, cash and cash equivalents at the end of the fiscal year under review amounted to ¥344,093 million, an increase of ¥52,888 million from the previous fiscal year.

(Reference) Trends in Cash Flow Indicators

	Fiscal Year ended March 31, 2013	Fiscal Year ended March 31, 2014	Fiscal Year ended March 31, 2015	Fiscal Year ended March 31, 2016	Fiscal Year ended March 31, 2017
Equity ratio (%)	35.6	39.9	45.3	46.3	47.2
Market value equity ratio (%)	61.9	83.9	103.7	112.1	138.8
Cash flows/interest-bearing debt ratio (years)	6.8	3.9	4.1	2.7	2.3
Interest coverage ratio (times)	15.3	18.0	16.8	25.9	26.8

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 global economy in the future, while a moderate recovery is expected mainly in the U.S. and in resource-rich countries, the outlook is increasingly uncertain due to factors such as future U.S. trade policies, geopolitical risks in the Middle East, and political trends in Europe.

In the Japanese economy, we expect a moderate recovery in response to the recovery in overseas economies and other factors.

Amid this business environment, for this year (2017), we set “Integrate new power with our solid foundation to enhance our corporate value” as the Group’s New Year’s slogan with the aim of generating results amid the uncertain outlook in the global situation.

Specifically, we will refine our efforts to strengthen our sales and marketing capabilities, improve product development, production, procurement, and quality capabilities, and enhance our human resources capabilities, which we have continued to implement, and further promote initiatives aimed at greater growth. At the same time, we seek both to reinforce our structure with the aim of improving results in the medium to long term and to secure profit in the short term, by making investments after ascertaining areas of common ground between pursuing growth under "Fusion 20," the Group's strategic management plan, and securing short-term profit.

For the fiscal year ending March 31, 2018, we forecast a 7.1% increase in consolidated net sales to ¥2,190,000 million, with operating income rising 5.3% to ¥243,000 million, ordinary income increasing 4.8% to ¥242,000 million, and profit attributable to owners of parent increasing 3.9% to ¥160,000 million.

The estimated exchange rate for the fiscal year ending March 31, 2018, is based on the assumption that US$1 equals ¥108 and 1 euro equals ¥118.

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, 2017, and the Fiscal Year Ending March 31, 2018

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, 2017, the Company has proposed an annual cash dividend of ¥130 (¥60 for the interim dividend and ¥70 for the year-end dividend), representing a ¥10 increase over the previous fiscal year.

For the fiscal year ending March 31, 2018, the Company proposes an annual cash dividend of ¥130 (¥65 for the interim dividend and ¥65 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)

	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)
Assets		
Current assets		
Cash and deposits	291,205	344,093
Notes and accounts receivable – trade	355,646	369,061
Merchandise and finished goods	232,018	249,487
Work in process	40,027	42,249
Raw materials and supplies	61,605	66,565
Deferred tax assets	33,986	35,786
Other	58,556	60,856
Allowance for doubtful accounts	(6,279)	(8,216)
Total current assets	1,066,768	1,159,884
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	136,579	185,002
Machinery, equipment and vehicles, net	125,503	137,252
Land	36,364	37,589
Leased assets, net	2,526	2,026
Construction in progress	50,131	29,591
Other, net	33,994	33,064
Total property, plant and equipment	385,099	424,527
Intangible assets		
Goodwill	329,753	330,876
Customer relationship	124,671	135,773
Other	64,436	70,313
Total intangible assets	518,861	536,963
Investments and other assets		
Investment securities	176,152	185,251
Long-term loans receivable	281	1,904
Deferred tax assets	3,474	5,048
Net defined benefit asset	11,540	13,034
Other	29,589	30,271
Allowance for doubtful accounts	(663)	(735)
Total investments and other assets	220,374	234,773
Total non-current assets	1,124,336	1,196,264
Total assets	2,191,105	2,356,148

(Millions of yen)

	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	156,038	173,147
Short-term loans payable	40,675	57,699
Commercial papers	14,000	—
Current portion of bonds	30,000	10,000
Current portion of long-term loans payable	42,940	67,177
Lease obligations	1,942	1,797
Income taxes payable	11,511	27,769
Deferred tax liabilities	24,581	23,768
Provision for directors' bonuses	350	350
Provision for product warranties	46,567	49,750
Accrued expenses	98,450	107,928
Other	96,669	107,286
Total current liabilities	563,727	626,676
Non-current liabilities		
Bonds payable	110,000	110,000
Long-term loans payable	367,491	353,292
Lease obligations	1,929	9,462
Deferred tax liabilities	78,029	87,993
Net defined benefit liability	10,982	11,939
Other	21,474	21,174
Total non-current liabilities	589,907	593,863
Total liabilities	1,153,635	1,220,539
Net assets		
Shareholders' equity		
Capital stock	85,032	85,032
Capital surplus	83,585	84,544
Retained earnings	720,547	837,968
Treasury shares	(4,598)	(3,160)
Total shareholders' equity	884,567	1,004,385
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	46,319	53,041
Deferred gains or losses on hedges	(2,124)	(119)
Foreign currency translation adjustment	93,798	61,037
Remeasurements of defined benefit plans	(8,151)	(6,707)
Total accumulated other comprehensive income	129,842	107,251
Subscription rights to shares	1,118	1,079
Non-controlling interests	21,942	22,893
Total net assets	1,037,469	1,135,609
Total liabilities and net assets	2,191,105	2,356,148

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

(Consolidated Statement of Income)

(Millions of yen)

	FY2015 (April 1, 2015, to March 31, 2016)	FY2016 (April 1, 2016, to March 31, 2017)
Net sales	2,043,691	2,043,968
Cost of sales	1,332,115	1,313,033
Gross profit	711,576	730,934
Selling, general and administrative expenses	493,704	500,165
Operating income	217,872	230,769
Non-operating income		
Interest income	6,968	6,736
Dividend income	3,668	3,694
Foreign exchange gains	—	329
Other	5,631	3,986
Total non-operating income	16,268	14,746
Non-operating expenses		
Interest expenses	8,494	9,910
Foreign exchange losses	11,278	—
Other	4,830	4,592
Total non-operating expenses	24,604	14,502
Ordinary income	209,536	231,013
Extraordinary income		
Gain on sales of land	—	451
Gain on sales of investment securities	111	27
Gain on reversal of subscription rights to shares	3	—
Other	—	49
Total extraordinary income	115	529
Extraordinary losses		
Loss on disposal of non-current assets	1,078	926
Loss on valuation of investment securities	605	—
Impairment loss	490	—
Loss on liquidation of subsidiaries and associates	1,294	—
Other	0	6
Total extraordinary losses	3,468	933
Profit before income taxes	206,183	230,609
Income taxes – current	59,389	70,216
Income taxes – deferred	4,701	471
Total income taxes	64,090	70,688
Profit	142,092	159,920
Profit attributable to non-controlling interests	5,105	5,982
Profit attributable to owners of parent	136,986	153,938

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	FY2015 (April 1, 2015, to March 31, 2016)	FY2016 (April 1, 2016, to March 31, 2017)
Profit	142,092	159,920
Other comprehensive income		
Valuation difference on available-for-sale securities	(21,498)	6,721
Deferred gains or losses on hedges	(1,659)	2,004
Foreign currency translation adjustment	(86,963)	(32,609)
Remeasurements of defined benefit plans	(5,572)	1,448
Share of other comprehensive income of entities accounted for using equity method	(808)	(1,142)
Total other comprehensive income	(116,502)	(23,577)
Comprehensive income	25,589	136,343
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	22,488	131,347
Comprehensive income attributable to non-controlling interests	3,101	4,995

(3) Consolidated Statement of Changes in Equity

FY2015 (April 1, 2015, to March 31, 2016) (Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	85,032	83,443	617,128	(5,220)	780,384
Changes of items during period					
Dividends of surplus			(33,567)		(33,567)
Profit attributable to owners of parent			136,986		136,986
Purchase of treasury shares				(479)	(479)
Disposal of treasury shares		183		1,101	1,284
Changes in equity allocated to the parent associated with transactions with non-controlling interests		(41)			(41)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	141	103,418	622	104,182
Balance at end of current period	85,032	83,585	720,547	(4,598)	884,567

(Millions of yen)

	Accumulated other comprehensive income					Subscrip-tion rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensi-ve income			
Balance at beginning of current period	67,818	(464)	179,566	(2,580)	244,340	992	22,594	1,048,311
Changes of items during period								
Dividends of surplus								(33,567)
Profit attributable to owners of parent								136,986
Purchase of treasury shares								(479)
Disposal of treasury shares								1,284
Changes in equity allocated to the parent associated with transactions with non-controlling interests								(41)
Net changes of items other than shareholders' equity	(21,499)	(1,659)	(85,767)	(5,571)	(114,498)	126	(652)	(115,024)
Total changes of items during period	(21,499)	(1,659)	(85,767)	(5,571)	(114,498)	126	(652)	(10,841)
Balance at end of current period	46,319	(2,124)	93,798	(8,151)	129,842	1,118	21,942	1,037,469

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

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

(Millions of yen)

	Accumulated other comprehensive income					Subscription rights to shares	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	46,319	(2,124)	93,798	(8,151)	129,842	1,118	21,942	1,037,469
Changes of items during period								
Dividends of surplus								(36,518)
Profit attributable to owners of parent								153,938
Purchase of treasury shares								(3)
Disposal of treasury shares								2,400
Changes in equity allocated to the parent associated with transactions with non-controlling interests								—
Net changes of items other than shareholders' equity	6,722	2,004	(32,760)	1,443	(22,590)	(39)	951	(21,679)
Total changes of items during period	6,722	2,004	(32,760)	1,443	(22,590)	(39)	951	98,139
Balance at end of current period	53,041	(119)	61,037	(6,707)	107,251	1,079	22,893	1,135,609

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY2015 (April 1, 2015, to March 31, 2016)	FY2016 (April 1, 2016, to March 31, 2017)
I. Cash flows from operating activities		
Profit before income taxes	206,183	230,609
Depreciation	57,921	59,294
Impairment loss	490	—
Amortization of goodwill	26,281	25,735
Increase (decrease) in allowance for doubtful accounts	(251)	1,617
Interest and dividend income	(10,637)	(10,430)
Interest expenses	8,494	9,910
Share of (profit) loss of entities accounted for using equity method	83	(920)
Loss (gain) on disposal of non-current assets	1,078	926
Loss (gain) on sales of investment securities	(111)	(24)
Loss (gain) on valuation of investment securities	605	—
Decrease (increase) in notes and accounts receivable – trade	(19,689)	(15,057)
Decrease (increase) in inventories	1,493	(23,383)
Increase (decrease) in notes and accounts payable – trade	10,317	14,405
Increase (decrease) in net defined benefit liability	708	1,288
Decrease (increase) in net defined benefit asset	7,998	(1,333)
Other, net	5,615	29,688
Subtotal	296,582	322,325
Interest and dividend income received	11,270	10,586
Interest expenses paid	(8,737)	(9,995)
Income taxes paid	(72,929)	(55,252)
Net cash provided by (used in) operating activities	226,186	267,663
II. Cash flows from investing activities		
Purchase of property, plant and equipment	(96,696)	(88,335)
Proceeds from sales of property, plant and equipment	992	2,252
Purchase of investment securities	(2,586)	(165)
Proceeds from sales of investment securities	193	46
Purchase of shares of subsidiaries and associates	(357)	—
Proceeds from transfer of business	120	—
Payments for transfer of business	(3,181)	(1,870)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,310)	(10,544)
Payments for investments in capital of subsidiaries resulting in change in scope of consolidation	—	(22,452)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	705
Other, net	(2,665)	(8,459)
Net cash provided by (used in) investing activities	(105,493)	(128,823)

(Millions of yen)

	FY2015 (April 1, 2015, to March 31, 2016)	FY2016 (April 1, 2016, to March 31, 2017)
III. Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2,838)	(1,243)
Proceeds from long-term loans payable	—	50,350
Repayments of long-term loans payable	(40,076)	(61,263)
Proceeds from issuance of bonds	—	9,944
Redemption of bonds	—	(30,000)
Cash dividends paid	(33,567)	(36,518)
Dividends paid to non-controlling interests	(6,528)	(4,264)
Proceeds from share issuance to non-controlling shareholders	—	233
Other, net	(2,410)	(782)
Net cash provided by (used in) financing activities	(85,421)	(73,543)
IV. Effect of exchange rate change on cash and cash equivalents	(31,015)	(12,408)
V. Net increase (decrease) in cash and cash equivalents	4,255	52,888
VI. Cash and cash equivalents at beginning of period	286,949	291,205
VII. Cash and cash equivalents at end of period	291,205	344,093

(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]

Effective from the fiscal year ended March 31, 2017, the Company has applied the Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016).

Segment Information

[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, income 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.

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

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

Previous fiscal year (April 1, 2015, to March 31, 2016) (Millions of yen)

	Reported segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded on the Consolidated Financial Statements (Note 3)
	Air-Conditioning and Refrigeration Equipment	Chemicals	Subtotal				
Net sales							
Sales to outside customers	1,828,012	162,285	1,990,298	53,393	2,043,691	—	2,043,691
Intersegment sales	613	10,295	10,909	500	11,409	(11,409)	—
Total	1,828,626	172,581	2,001,207	53,893	2,055,100	(11,409)	2,043,691
Segment income	193,785	20,620	214,406	3,529	217,935	(63)	217,872
Segment asset	1,798,332	189,507	1,987,840	35,370	2,023,210	167,894	2,191,105
Other items							
Depreciation	44,325	12,055	56,381	1,527	57,908	—	57,908
Amortization of goodwill	26,183	98	26,281	—	26,281	—	26,281
Investments in entities accounted for using equity method	11,814	6,798	18,612	—	18,612	—	18,612
Increase in property, plant and equipment, and intangible assets	90,616	18,156	108,773	3,938	112,711	—	112,711

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) Adjustment to segment income, ¥(63) million, is intersegment transaction elimination.
   (2) Adjustment to segment assets, ¥167,894 million, includes corporate assets not allocated to each reported segment of ¥173,175 million and ¥(5,281) 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 income is adjusted with operating income in the Consolidated Statement of Income.

Current fiscal year (April 1, 2016, to March 31, 2017) (Millions of yen)

	Reported segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded on the Consolidated Financial Statements (Note 3)
	Air-Conditioning and Refrigeration Equipment	Chemicals	Subtotal				
Net sales							
Sales to outside customers	1,835,376	156,754	1,992,131	51,837	2,043,968	—	2,043,968
Intersegment sales	388	12,265	12,654	520	13,174	(13,174)	—
Total	1,835,765	169,020	2,004,785	52,357	2,057,143	(13,174)	2,043,968
Segment income	208,749	18,302	227,052	3,749	230,802	(33)	230,769
Segment asset	1,943,887	191,048	2,134,935	34,641	2,169,577	186,571	2,356,148
Other items							
Depreciation	46,056	11,600	57,657	1,621	59,278	—	59,278
Amortization of goodwill	25,735	—	25,735	—	25,735	—	25,735
Investments in entities accounted for using equity method	11,595	6,709	18,304	—	18,304	—	18,304
Increase in property, plant and equipment, and intangible assets	76,389	12,551	88,941	1,403	90,345	—	90,345

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

2. The breakdown of adjustments is as follows:
(1) Adjustment to segment income, ¥(33) million, is intersegment transaction elimination.
(2) Adjustment to segment assets, ¥186,571 million, includes corporate assets not allocated to each reported segment of ¥190,000 million and ¥(3,428) million of intersegment transaction elimination. Corporate assets mainly consist of surplus funds for management (cash and deposits) and long-term investment funds (investment securities) of the Company.

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

[Relevant Information]

Previous fiscal year (April 1, 2015, to March 31, 2016)

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

2. Information by geographical segment
(1) Net sales

(Millions of yen)

Japan	U.S.	China	Asia and Oceania	Europe	Other	Total
502,233	484,950	349,265	304,626	276,587	126,027	2,043,691

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

(2) Property, plant and equipment

(Millions of yen)

Japan	U.S.	China	Asia and Oceania	Europe	Other	Total
140,640	91,186	77,981	34,957	31,379	8,955	385,099

3. Information by principal customers
None applicable

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

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

2. Information by geographical segment
(1) Net sales

(Millions of yen)

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

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

(2) Property, plant and equipment

(Millions of yen)

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

3. Information by principal customers
None applicable

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

Previous fiscal year (April 1, 2015, to March 31, 2016)

(Millions of yen)

	Air-Conditioning and Refrigeration Equipment	Chemicals	Others	Corporate or eliminations	Total
Impairment loss	40	—	450	—	490

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

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

Previous fiscal year (April 1, 2015, to March 31, 2016)

(Millions of yen)

	Air-Conditioning and Refrigeration Equipment	Chemicals	Others	Corporate or eliminations	Total
Balance at end of current period	329,753	—	—	—	329,753

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

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

(Millions of yen)

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

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

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

Previous fiscal year (April 1, 2015, to March 31, 2016)
No important items applicable.

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

Per Share Information

(Yen)

	Previous fiscal year (April 1, 2015, to March 31, 2016)	Current fiscal year (April 1, 2016, to March 31, 2017)
Net assets per share	3,473.54	3,802.10
Earnings per share	469.23	526.81
Diluted earnings per share	468.84	526.43

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

	Previous fiscal year (April 1, 2015, to March 31, 2016)	Current fiscal year (April 1, 2016, to March 31, 2017)
Earnings per share		
Profit attributable to owners of parent (Millions of yen)	136,986	153,938
Amount not belonging to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent related to common stock (Millions of yen)	136,986	153,938
Average number of shares of common stock during the year (Thousands of shares)	291,941	292,208
Diluted earnings per share		
Increase in the number of shares of common stock (Thousands of shares)	239	214
[Of the above, stock options by exercising subscription rights to shares] (Thousands of shares)	[239]	[214]
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.

	Previous fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)
Total net assets (Millions of yen)	1,037,469	1,135,609
Deduction from total net assets (Millions of yen)	23,060	23,972
[Of the above, subscription rights to shares] (Millions of yen)	[1,118]	[1,079]
[Of the above, non-controlling interests] (Millions of yen)	[21,942]	[22,893]
Shareholders' equity pertaining to common stock at the end of the fiscal year (Millions of yen)	1,014,409	1,111,636
Number of shares of common stock used to calculate net assets per share (Thousands of shares)	292,038	292,374

Significant Subsequent Events

None applicable