



Presentation of Financial Results for the First Quarter in June 2019

August 6, 2019

DAIKIN INDUSTRIES, LTD.

Summary of the First Quarter Financial Results



Daikin achieved record highs for sales and operating income.

In the Air Conditioning business, sales grew in all major regions, including Japan, the Americas, Europe, and Asia. Even in China, which saw an economic slowdown, revenue and profits increased on a local currency basis due to an improved product lineup in step with market changes.

In the Chemicals business, sales expanded mainly in the field of information and communication technology. However, market deceleration in semiconductors and automobiles affected results, and overall sales fell against the previous fiscal year.

Despite the adverse impact of foreign currency exchange, Daikin achieved profitability by promoting total cost reductions and strictly adhering to a selling price measures.

While continuing to implement growth investments, we will flexibly respond to business environment changes and work to achieve financial results exceeding those of the business forecast for the current fiscal year.

(billion yen)	Q1 Result (Apr.-Jun.)		
	FY2018	FY2019	Y/Y
Sales	656.8	681.3	104%
Operating Income <small>(Percentage of income to net sales)</small>	83.1 (12.7%)	89.6 (13.2%)	108%
Ordinary Income <small>(Percentage of income to net sales)</small>	85.5 (13.0%)	89.8 (13.2%)	105%
Profit Attributable to Owners of Parent <small>(Percentage of income to net sales)</small>	59.6 (9.1%)	63.1 (9.3%)	106%

FY2019 Forecast			
H1	Y/Y	Total	Y/Y
1,390.0	107%	2,670.0	108%
164.0 (11.8%)	102%	285.0 (10.7%)	103%
164.0 (11.8%)	101%	285.0 (10.7%)	103%
114.0 (8.2%)	101%	193.0 (7.2%)	102%

USD/JPY	¥109	¥110
EUR/JPY	¥130	¥123
RMB/JPY	¥17.1	¥16.1

○Effects of FX (Y/Y)

On Sales -15.5 billion yen
On Operating Income -4.5 billion yen

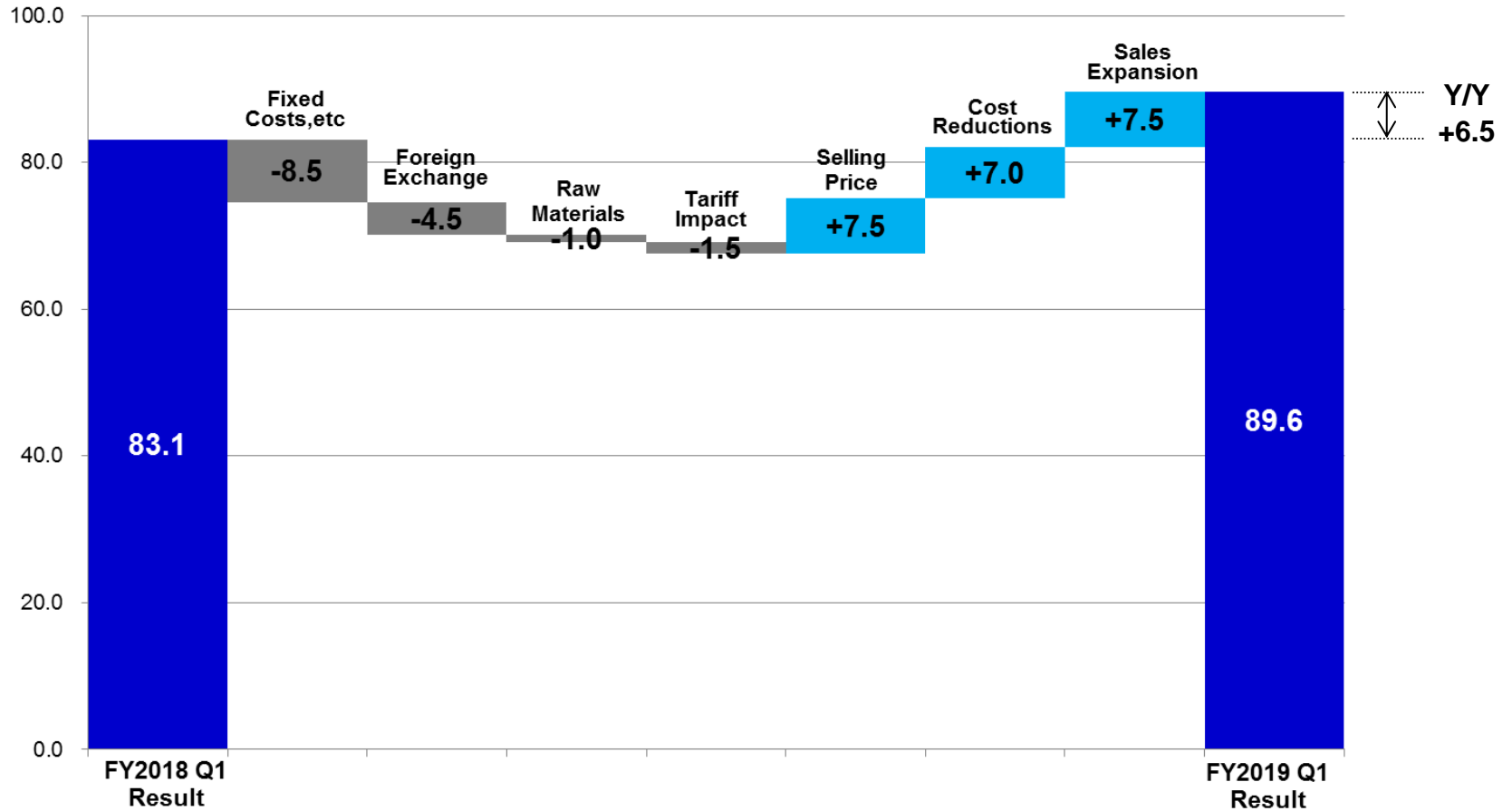
¥108
¥125
¥16.2

■ First Quarter Sales and Operating Income by Division

(billion yen)		Q1 Result (Apr.-Jun.)			Full Year Forecast	
		FY2018	FY2019	Y/Y	FY2019	Y/Y
Total	Sales	656.8	681.3	104%	2,670.0	108%
	Operating Income <small>(Percentage of income to net sales)</small>	83.1 (12.7%)	89.6 (13.2%)	108%	285.0 (10.7%)	103%
Air-Conditioning	Sales	595.1	625.3	105%	2,397.0	108%
	Operating Income <small>(Percentage of income to net sales)</small>	74.1 (12.4%)	82.5 (13.2%)	111%	246.0 (10.3%)	104%
Chemicals	Sales	50.1	44.3	88%	210.0	105%
	Operating Income <small>(Percentage of income to net sales)</small>	8.0 (15.9%)	6.3 (14.2%)	79%	33.0 (15.7%)	101%
Others	Sales	11.6	11.8	101%	63.0	108%
	Operating Income <small>(Percentage of income to net sales)</small>	1.1 (9.3%)	0.8 (7.0%)	76%	6.0 (9.5%)	99%

Breakdown of Changes in Operating Income

(billion yen)



Sales by Region – Air Conditioning



※Includes refrigerator, freezer and filter businesses

※Percentage expresses year on year comparison

(billion yen)	FY2015 Q1		FY2016 Q1		FY2017 Q1		FY2018 Q1		FY2019 Q1		FY2019 Forecast	
	Japan	97%	94.7	104%	98.9	106%	105.1	108%	113.6	112%	127.4	104%
Europe	94%	57.6	121%	69.8	103%	71.7	122%	87.4	107%	93.8	117%	390.0
China	108%	103.1	89%	91.8	115%	105.7	110%	116.7	96%	112.4	99%	340.0
Americas	118%	138.1	97%	133.7	115%	154.0	110%	169.0	107%	180.7	110%	710.0
Asia	115%	65.6	109%	71.4	100%	71.1	109%	77.5	107%	82.8	112%	315.0
Oceania	108%	10.2	117%	12.0	122%	14.7	125%	18.3	92%	16.9	102%	80.0
Middle East	129%	12.0	102%	12.2	94%	11.5	92%	10.6	91%	9.7	100%	53.0
Africa	99%	2.2	75%	1.6	103%	1.7	116%	1.9	82%	1.6	100%	9.0
Total	108%	483.5	102%	491.5	109%	535.4	111%	595.1	105%	625.3	108%	2,397.0
Overseas Sales ratio	80%		80%		80%		81%		80%		79%	
USD/JPY	¥121		¥108		¥111		¥109		¥110		¥108	
EUR/JPY	¥134		¥122		¥122		¥130		¥123		¥125	
RMB/JPY	¥19.6		¥16.5		¥16.2		¥17.1		¥16.1		¥16.2	

Sales by Region - Chemicals

※Percentage expresses year on year comparison

(billion yen)	FY2015 Q1		FY2016 Q1		FY2017 Q1		FY2018 Q1		FY2019 Q1		FY2019 Forecast	
	YoY %	Value	YoY %	Value	YoY %	Value	YoY %	Value	YoY %	Value	YoY %	Value
Japan	106%	9.3	97%	9.0	119%	10.7	115%	12.3	103%	12.6	103%	57.0
Americas	122%	9.8	84%	8.3	129%	10.7	106%	11.3	95%	10.8	101%	47.5
China	114%	7.4	108%	8.0	110%	8.8	111%	9.8	90%	8.8	108%	39.0
Asia	125%	4.0	90%	3.6	140%	5.0	123%	6.1	87%	5.3	107%	29.0
Europe	149%	5.6	106%	5.9	100%	5.9	171%	10.2	63%	6.4	111%	37.5
Others	105%	0.2	133%	0.2	132%	0.3	152%	0.4	81%	0.3	—	—
Total	119%	36.2	97%	35.0	118%	41.4	121%	50.1	88%	44.3	105%	210.0
Overseas Sales ratio		74%		74%		74%		75%		71%		73%
USD/JPY		¥121		¥108		¥111		¥109		¥110		¥108
EUR/JPY		¥134		¥122		¥122		¥130		¥123		¥125
RMB/JPY		¥19.6		¥16.5		¥16.2		¥17.1		¥16.1		¥16.2

Japan

Industry demand for residential use exceeded the previous fiscal year due to higher temperatures in April and May, leading to replacement purchases for energy-saving products. Industry demand for commercial use largely exceeded the previous fiscal year due to special demand for school air conditioning in addition to stable capital investment.

Daikin maintained selling price and expanded sales in both residential and commercial use.

In Residential Use, we expanded sales for high value-added products such as Urusara 7, which performs automatic operation by utilizing AI technology, and risora, which pursues both design and functionality.

In Commercial Use, together with strengthening sales for FIVE STAR ZEAS, Eco-ZEAS, and differentiated products such as Outer Tower, which is useful as a measure against outdoor heat, we capitalized on school air conditioning demand. However, sales fell short of industry growth due to a sales strategy focused on high profitability.

In Applied Systems, sales expanded for high value-added products including those using R32 refrigerant.

<AC sales by product (volume basis)>

(Y/Y change)		Q1 Result
Residential	Market	113%
	Daikin	114%
Commercial	Market	124%
	Daikin	112%
Applied	Market	111%
	Daikin	112%

※Applied is based on sales.

Americas

Personal spending drove economic expansion, and demand was strong. By striving to strengthen the sales network, maintain a selling price measures, and expand the After Sales Service business, sales for the entire region exceeded the previous fiscal year.

- In Ducted Unitary for Houses, sales decreased from the previous fiscal year due to a high level of distribution stock. Although sales in the southern part of the United States were bullish, the northwestern part of United States and Canada saw unseasonable weather, and sales fell below the previous year, which had previously experienced hot weather.
- In Ductless, sales expanded for **RA/SkyAir** in the residential market centering on the Northeast, the largest regional market in the United States. User Direct sales activities were strengthened in **VRV systems**.
- In Applied Systems, in addition to sales expansion from an enhanced product lineup, the After Sales Service business also grew.

<AC sales by product (volume basis)>

(Y/Y change)		Q1 Result
Ducted unitary for houses		96%
Ductless	RA/SKY	110%
	VRV	112%
Applied		107%

※SKY・・・Medium or compact size packaged air conditioners

※VRV・・・Multi-split system for commercial

※Applied is based on sales in local currency.

China

Despite the economic slowdown resulting from the China-U.S. trade friction and the Chinese government's policy to restrict new housing, Daikin enhanced the product lineup in response to market changes and expanded sales to regional cities. Together with capitalizing on softening market conditions for raw materials, we acted to curtail fixed costs and reduce costs through in-house production and automation. As a result, revenue and profits increased on a local currency basis.

- In Residential Use, sales resources shifted to regional cities expecting growth, and PROSHOP specialty stores increased. In addition to **New Life Multi Series**, which is marketed to middle-to-upper class residences, we enlarged the product lineup for general residences and increased sales.
- In Commercial Use, despite lower demand for new construction of large-scale projects, we capitalized on the stable demand for store projects such as restaurant, and renewal projects. In major cities with mature markets, sales grew by gaining replacement demand with **Intelligent VRV systems**, which link to customers via the Internet.
- In Applied Systems, we proceeded with proposal sales in fields where demand is expected to grow such as data centers. In addition to sales expansion of equipment centered on chillers, sales also grew in the After Sales Service business.

<AC sales by market (aggregate sales in local currency)>

(Y/Y change)	Q1 Result
Residential※	104%
Commercial	100%
Applied	102%

※Multi-split air conditioners for residential use are included.

Europe, Middle East, and Africa

In Europe, sales grew favorably for environmental products in the background of brisk personal consumption. Overall regional sales exceeded the previous fiscal year, offsetting the effect of currency depreciation in Turkey.

- In Residential Use, unseasonable weather in April and May adversely affected sales in Italy and Spain, but sales of high value-added products such as R32 units expanded mainly in France and the United Kingdom.
- In Commercial Use, sales of **SkyAir** R32 models and refrigerant-saving **VRV systems** expanded.
- In Heating, we improved the lineup of heat pump type hot water heating systems using R32 to increase sales.
- In Applied Systems, sales grew for chillers using R32, which were launched in the market ahead of other companies. Focusing on the Middle East, which is the largest market, and Germany, sales significantly expanded.

<AC sales by product (volume basis) >

(Y/Y change)		Q1 Result
Residential		101%
Commercial	SKY	100%
	VRV	102%
Heating		124%
Applied		115%

※SKY・・・Medium or compact size package air conditioners

※VRV・・・Multi-split system for commercial

※Applied is based on sales in local currency.

Asia/Oceania

The sales networks in each country expanded from urban to regional cities. We endeavored to improve the After Sales Service system and increase sales personnel to sales exceeded the previous fiscal year.

- In Residential Use, sales of differentiated products, such as cooling-only inverter air conditioners, increased mainly in Thailand and Vietnam. And also in India, creation of sales networks in regional cities was accelerated, and sales significantly grew.
- In Commercial Use, together with focusing attention on dealer development, spec-in activities were strengthened. Sales grew in each country, particularly in Vietnam, Malaysia, and India.
- In Applied Systems, sales significantly grew by expansion of the After Sales Service business, such as servicing and maintenance.

■ Year-on-year sales of main countries (local currency basis)

India: 117% Vietnam: 107% Thailand: 115%

Malaysia: 109% Indonesia: 106% Australia: 97%

<AC sales by product (volume basis)>

(Y/Y change)		Q1 Result
Residential		109%
Commercial	SKY	106%
	VRV	107%
Applied		138%

※SKY...Medium or compact size package air conditioners

※VRV...Multi-split system for commercial

※Applied is based on sales in local currency.

A decline in demand in the semiconductor and automotive markets and the effect from the price surge occurring last year in Europe for refrigerant gas led to lower year-on-year sales.

- Fluorocarbon gas, sales declined due to the slow down of the demand in Europe against the high demand of the previous fiscal year and sales fell accompanied by accumulation in distribution stock. As the result, sales were lower than the previous fiscal year.
- Polymers and Fluoroelastomers
 - For Fluoropolymers, sales expanded in the United States for LAN cable and in Asia and Europe for general use electrical wire and electrical wire used in household electrical appliances, but lower global demand related to semiconductors resulted in a sales drop.
 - For Fluoroelastomers, sales were impacted by lower demand in the automotive market in the U.S., Europe, and China.
- In Fine Chemicals, the decrease in demand in the semiconductor market led to a decrease in sales for etching gas. Sales also fell for the surface antifouling agent **OPTOOL**. While sales for water and oil repellent agents were strong in Asia, sales declined in other regions. As a result, overall sales for Fine Chemicals fell below the previous fiscal year.

<Chemical sales by product (aggregate sales)>

(Y/Y change)	Q1 Result
For all fluorochemical products	88%
Fluorocarbon Gas	77%
Polymers & Fluoroelastomers	93%
Fine Chemicals, etc.	87%

In Air Filter, sales decreased in the major markets of the United States and Europe, resulting in a decline in sales over the previous fiscal year.

At P&I,※ despite the severe demand environment, we worked to improve the business structure centering on the expansion of the After Sales Service business.

※P&I: Commercial- use dust collection systems for applications including gas turbines and large-scale plants



Notes on forecast

- This data is compiled for informational purposes and is not to be construed as a solicitation of any action. This data (includes management plan) was compiled by Daikin Industries., Ltd. (the Company) based on reliable information available at the time of compilation. It may include some risks and uncertainties. The Company is not responsible for its accuracy or completeness.
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