



Presentation of Financial Results for Third Quarter in Dec.2007

Notes on forecast

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2008/2/14

DAIKIN INDUSTRIES, LTD.

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Business Results(Company-wide)

. Third Quarter Results FY07

(Results for third-quarter)

Despite the slump in the chemicals business and the slowdown of RA sales growth in France and Spain, we increased our sales due to good sales in Greece and the Eastern European countries, shift of sales focus to commercial air-conditioning products in Europe, and sales promotion of commercial air-conditioning systems in China and Asia.

As a result, we could increase both our sales and profits over the previous year, ensuring nearly the same profit as targeted in our plan. Other businesses such as domestic air-conditioning, oil hydraulics and defense systems have been progressing almost as we planned. The OYL Group has achieved progress as planned, including synergy generation.

(Forecast of this year)

There is no change as to the earnings forecast of this year as announced when the mid-term financial statement was released.

Business Results

(Unit: billion yen)

	FY2006(Actual results)					FY2007				
	1Q	1st half	3Q	9month ended	Total	Actual results				Total plan
						1Q	1st half	3Q	9month ended	Forecast(Nov.)
Net sales	<u>109</u> 204.7	<u>113</u> 442.7	<u>123</u> 215.0	<u>116</u> 657.7	<u>115</u> 912.1	<u>158</u> 322.9	<u>148</u> 655.5	<u>138</u> 296.6	<u>145</u> 952.1	<u>146</u> 1,330.0
Operating income	(9.2%) 18.9	(9.3%) 41.3	(8.2%) 17.6	(8.9%) 58.8	(8.9%) 80.9	(13.9%) 45.0	(12.3%) 80.7	(7.7%) 22.9	(10.9%) 103.6	(9.8%) 130.0
Ordinary income	(9.5%) 19.4	(9.4%) 41.7	(8.3%) 17.8	(9.0%) 59.5	(8.6%) 78.5	(14.0%) 45.1	(11.7%) 76.7	(7.9%) 23.5	(10.5%) 100.2	(9.1%) 121.0
Net income	(6.1%) 12.4	(5.4%) 24.0	(4.1%) 8.7	(5.0%) 32.7	(5.0%) 45.6	(8.2%) 26.5	(7.5%) 49.1	(5.0%) 14.8	(6.7%) 63.9	(5.5%) 73.0

(%):Profit margin on sales; ___:Year to Year(net change from the previous fiscal year)

Exchange rate	FY2006.3Q	FY2007.3Q	FY2007.2nd half Plan
Dollar/Yen	116	117	115
Euro/Yen	148	163	155
THB/Yen	3.1	3.7	3.7

OYL Performance (Unit: billion yen)

	FY07.3Q	FY07.Total plan
Net sales	177.5	240.0
Operating income	13.2	17.0
Goodwill	7.7	▲ 10.2

· Performance in the 3Q of the year ,including synergy, went almost according to plan.



Results by Segments

. Third Quarter Results FY07

Business Results by segments

(Unit: billion yen)

	FY2006 Actual Results					FY2007				
	1Q (Reference)	1st Half	(Reference)		Total	Actual Results				Total Forecast(Nov.)
			3Q	9month ended		1Q	1st Half	3Q	9month ended	
(Air-conditioning)	108	114	126	118	117	170	159	145	154	154
Net sales	170.8	366.4	178.6	544.9	752.6	289.9	582.7	258.8	841.5	1,160.0
Operating income	(10.0%)	(9.3%)	(9.0%)	(9.2%)	(8.6%)	(15.0%)	(13.0%)	(9.0%)	(11.8%)	(10.1%)
	17.1	34.0	16.0	50.0	64.5	43.4	75.9	23.2	99.2	117.0
(Chemicals)	105	111	105	109	108	102	102	101	102	107
Net sales	25.4	56.1	26.1	82.2	116.5	26.0	57.4	26.3	83.7	125.0
Operating income	(8.9%)	(12.3%)	(5.0%)	(10.0%)	(10.4%)	(6.5%)	(8.9%)	(-1.8%)	(5.5%)	(9.6%)
	2.3	6.9	1.3	8.2	12.1	1.7	5.1	-0.5	4.6	12.0
(Others)	136	108	118	112	98	82	76	111	88	104
Net sales	8.6	20.2	10.4	30.6	43.1	7.0	15.4	11.5	26.9	45.0
Operating income	(-4.2%)	(2.0%)	(2.6%)	(2.2%)	(3.1%)	(-1.8%)	(-2.1%)	(0.8%)	(-0.8%)	(2.2%)
	-0.4	0.4	0.3	0.7	1.3	-0.1	-0.3	0.1	-0.2	1.0
(Total)	109	113	123	116	115	158	148	138	145	146
Net sales	204.7	442.7	215.0	657.7	912.1	322.9	655.5	296.6	952.1	1,330.0
Operating income	(9.2%)	(9.3%)	(8.2%)	(8.9%)	(8.9%)	(13.9%)	(12.3%)	(7.7%)	(10.9%)	(9.8%)
	18.9	41.3	17.6	58.8	80.9	45.0	80.7	22.9	103.6	130.0

(%): Profit margin on sales; ___: Year to Year (net change from the previous fiscal year)

FY2007 3rd quarter business environment and progress of our sales performance

(Domestic AC) Strictly observed the marketing price policy that focuses on earnings for both commercial and residential products. While the demand for residential AC remains unchanged, we ensured higher sales than last year with a sales campaign promoting the “humidifying/dehumidifying features.”

Although the market demand fell from the previous year for commercial AC, our sales grew due to promotion of proposal sales to users highlighting the energy efficiency and the easy-to-install features of our products.

(Overseas AC) Whereas the sales of residential AC in France, Spain and Italy slowed down, we could attain higher sales and profits than last year due to strong sales in Greece and the Eastern European countries, shift of sales focus to commercial AC, and faster sales expansion in China and Asia than we originally forecast. **(Chemicals)** Sales remained on almost the same level as the previous year due to reduced demand for repellents caused by sharp decline in housing starts in US, sales decrease in FEP for LAN cables in US, and the slowdown of the Japanese semiconductor business.

Operating profit fell from the previous year due to the drop in profit margins owing to the change in product portfolio and the increase in fixed costs from prior investment and investment in safety and the environment.

(Others) Both Oil hydraulics and Defense Businesses made gains as planned.

(O Y L) Results of OYL went almost according to plan.

Year-on-year change of unit sales of AC in domestic AC market

		FY2007 Apr.-Dec.	FY2007 Oct.-Dec.	FY2007 Total
Residential	Market	95	94	97
	Daikin	92	90	98
Commercial	Market	99	107	99
	Daikin	96	101	100

Profit and Loss Statement

. Third Quarter Results FY07

P/L

(Unit: billion yen)

	FY2006/1~3Q	FY2007/1~3Q	Year-on year changes
Net sales	<u>116</u> 657.7	<u>145</u> 952.1	+294.4
Cost of sales	(65.8%) 432.6	(65.0%) 618.6	(-0.8%) 1 +185.9
Gross profit	(34.2%) 225.1	(35.0%) 333.5	(+0.8%) +108
Selling, general and administrative expenses	(25.3%) 166.2	(24.1%) 229.9	(-1.1%) 2 +63.6
Operating income	(8.9%) 58.8	(10.9%) 103.6	(+1.9%) +44.8
Non-operating gains or losses			
Interest	-2.0	-3.9	-1.9
Other operating	2.7	0.5	-2.2
Ordinary income	(9.0%) 59.5	(10.5%) 100.2	(+1.5%) +40.8
Extraordinary gains or losses	5.1	-0.7	3 -5.8
Income before taxes	(9.8%) 64.6	(10.5%) 99.6	(+0.6%) +34.9
Corporate taxes etc.	-29.6	-33.1	-3.5
Minority interest	-2.3	-2.5	-0.2
Net income	(5.0%) 32.7	(6.7%) 63.9	(+1.7%) +31.2

(%): Profit margin on sales; ____ : Year to Year (net change from the previous fiscal year)

1 Cost to sales ratio: improved because of the strictly sustained marketing price policy and the sales increase in overseas air-conditioning business which has low cost percentage as well as the total cost reduction that absorbed the rising raw material prices.

2 Selling, general and administrative expenses

(By company) Effects of consolidating OYL + 31.8 bil.yen

(By items) Depreciation of OYL's Goodwill + 7.7 bil.yen

Sales promotion cost + 10.5 bil.yen

Shipping cost + 7.7 bil.yen

Service cost + 3.0 bil.yen

Labor cost + 14.0 bil.yen

Technology research cost + 2.7 bil.yen

3 Breakdown of Extraordinary gains or losses

(Unit: billion yen) (FY06 FY07)

Appraised profit by FX hedge of funds: 4.1 (+ 4.1 0)

Gain on transfer of system of mechanical parking equipment maintenance business: 0.7 (+ 0.7 0)

(FY06.3Q) Gain on ending retirement benefit scheme: 0.6 (+ 0.6 0)

Balance Sheets

. Third Quarter Results FY07

B/S

(Number on the left are retaining period)

(Unit: billion yen)

	Dec.2006	Dec.2007	Changes
Cash and cash equivalents	61.8	110.0	+48.2
Receivables	64day 153.1	59day 206.9	1 +53.8
Inventories	72day 173.5	73day 254.9	2 +81.5
Fixed assets	220.3	457.9	3 +237.6
Investment and others	391.2	156.6	-234.6
Others	46.1	34.8	-11.3
Total assets	1,046.0	1,221.2	+175

Retaining period
without OYL

1 Receivables: Effects of consolidating OYL +¥4.91bil.

2 Inventories: Effects of consolidating OYL +¥38.0bil.

3 Fixed assets: Effects of consolidation OYL +¥38.3bil.

Trade payables <i>(Interest-bearing debt ratio)</i>	80.4 <i>(41.7%)</i>	115.5 <i>(29.6%)</i>	+35.1
Interest-bearing debt	436.3	362.1	4 -74.2
Others	134.4	166.5	+32.1
Total liabilities	651.1	644.1	-7.0

<i>(Equity ratio)</i>	<i>(36.4%)</i>	<i>(46.1%)</i>	
Total equity	380.5	563.2	+182.7
Share warrant	0.2	0.5	+0.3
Minority interests	14.2	13.4	-0.9
Total net assets	394.9	577.1	5 +182.2

Total	1,046.0	1,221.2	+175.2
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Capital expenditure and Depreciation (Unit: billion yen)

	FY2006		FY2007	
	3Q	Total	3Q	Total plan
Capital Expenditure	286	411	373	600
Depreciation	231	329	300	430

4 Breakdown off interest-bearing debt (Unit: billion yen)

	Dec.06	Dec.07	Changes
Short-term borrowings	286.0	78.6	▲ 207.4
CP	89.0	57.0	▲ 32.0
Long-term borrowings	41.3	206.5	+165.2
Bonds	20.0	20.0	+0.0
Total A	436.3	362.1	▲ 74.2

Cash and cash equivalent B	61.8	110.0	+48.2
ctual interest-bearing debt A-	+374.5	+252.1	▲ 122.4

5 OYL's assets worth ¥146.0bil. is included

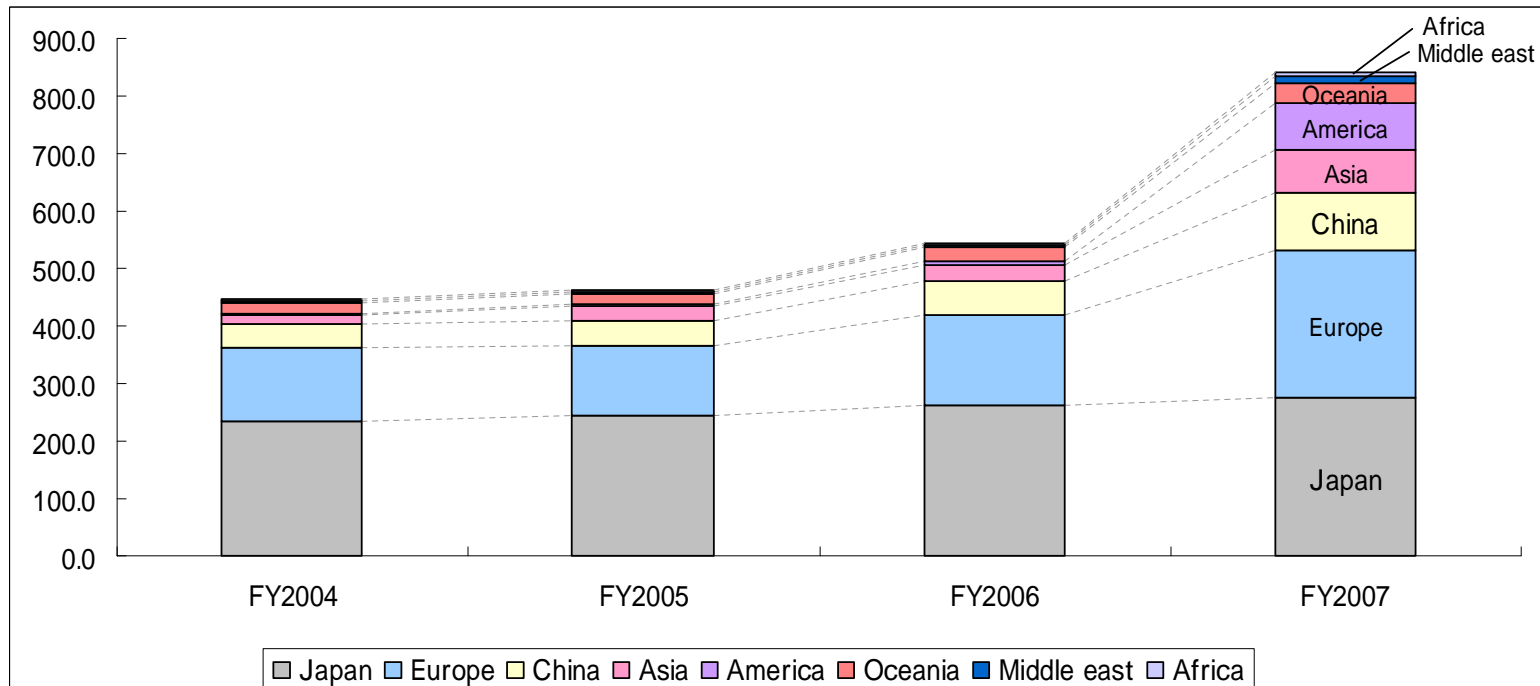


Sales by Region(Air-conditioning)

. Third Quarter Results FY07

Sales by region (Air-conditioning)

The amount of 1 ~ 3 Q



(Unit: billion yen)

	FY2004.1 ~ 3Q		FY2005.1 ~ 3Q		FY2006.1 ~ 3Q		FY2007.1 ~ 3Q		OYL (Reference)
Japan	111%	235.9	104%	245.0	107%	262.9	104%	274.7	—
Europe	146%	127.6	95%	121.1	128%	155.4	164%	255.5	39.9
China	124%	38.6	116%	44.6	132%	58.9	174%	102.5	22.2
Asia	100%	18.0	129%	23.3	128%	29.7	249%	74.1	32.5
America	151%	1.2	161%	2.0	243%	4.9	1627%	79.6	72.0
Oceania	140%	20.8	99%	20.5	127%	26.0	131%	34.2	1.5
Middle east	137%	2.6	137%	3.6	116%	4.2	350%	14.6	7.6
Africa	132%	2.2	124%	2.7	105%	2.8	227%	6.4	1.8
Total	121%	447.0	104%	462.9	118%	544.9	154%	841.5	177.5

Overseas sales ratio	47%	47%	52%	67%
FX rate (USD/YEN)	¥109	¥112	¥116	¥117
(EUR/YEN)	¥135	¥137	¥148	¥163

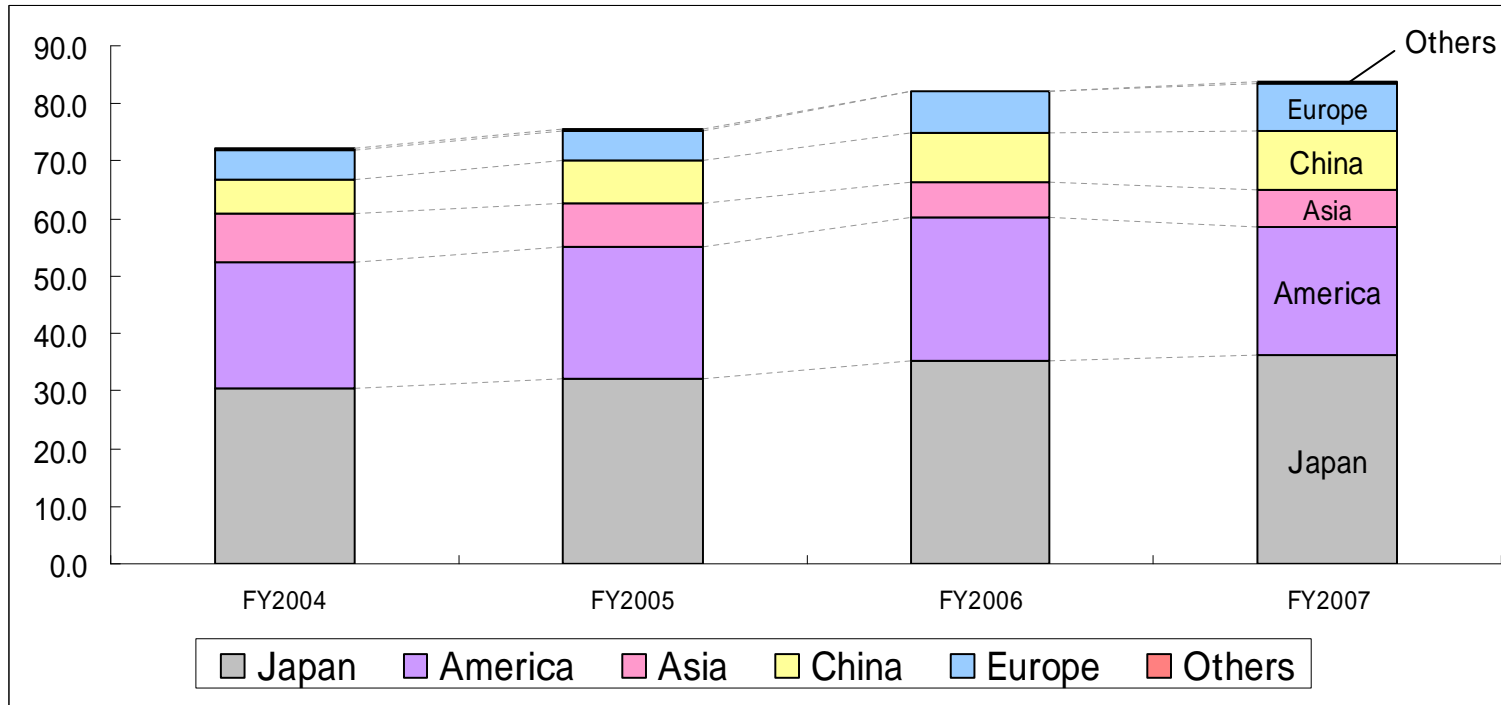


Sales by Region (Chemicals)

. Third Quarter Results FY07

Sales by region (Chemicals)

The amount of 1 ~ 3 Q



(Unit: billion yen)

	FY2004		FY2005		FY2006		FY2007	
Japan	113%	30.6	105%	32.2	109%	35.3	103%	36.4
America	121%	21.7	105%	22.7	110%	25.0	89%	22.1
Asia	138%	8.7	90%	7.8	79%	6.1	105%	6.4
China	120%	5.8	125%	7.3	120%	8.7	120%	10.5
Europe	110%	5.2	104%	5.4	129%	6.9	118%	8.2
Others	157%	0.16	94%	0.15	101%	0.15	84%	0.13
Total	118%	72.1	105%	75.6	109%	82.2	102%	83.7

Overseas sales ratio	58%	57%	57%	57%
FX rate(USD/YEN)	¥109	¥112	¥116	¥117
(EUR/YEN)	¥135	¥137	¥148	¥163