



Presentation of Financial Results for the First Quarter in Jun.2008

Notes on forecast

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2008/8/6

DAIKIN INDUSTRIES, LTD.

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Business Results(Company-wide)

I . First Quarter Results FY08 ①

- Within the sharp rise in crude oil and growing concern of a business downturn caused by the protracted sub-prime crisis in the United States, we experienced a significant decline in demand for residential air-conditioners in Europe and centering on the four major European countries(Italy, Spain, France, and the United Kingdom) resulting from unseasonable weather.
This situation led to substantially lower overall results for the Daikin Group than previously expected.
- Sales expanded favorably in emerging countries such as Russia, Turkey, and Middle Eastern countries, in European countries surrounding the four major countries (Poland, Greece, and countries of central Europe) and in the regions of China and Asia/Oceania; however a decline was reported in profit and revenue for company-wide total.
- Other businesses such as domestic air-conditioning, oil hydraulics and defense systems have been progressing almost as we planned.

(%) :Profit margin on sales; ___ :Year on year change

(Unit: billion yen)	FY2007(Actual results)			FY2008	Year on year Change
	1Q	1st half	Total	1Q Actual results	
Net sales	<u>158</u> 322.9	<u>148</u> 655.5	<u>142</u> 1,290.9	<u>98</u> 317.8	-5.1
Operating income	(13.9%) 45.0	(12.3%) 80.7	(10.0%) 128.5	(10.7%) 33.9	(-3.3%) -11.1
Ordinary income	(14.0%) 45.1	(11.7%) 76.7	(9.5%) 122.1	(10.8%) 34.2	(-3.2%) -10.9
Net income	(8.2%) 26.5	(7.5%) 49.1	(5.8%) 75.2	(5.9%) 18.9	(-2.3%) -7.6

Exchange rate

(USD/Yen)	¥121	¥119	¥114	¥105
(EUR/Yen)	¥163	¥162	¥162	¥163
(THB/Yen)	¥3.7	¥3.8	¥3.6	¥3.2



Results by Segments

I . First Quarter Results FY08 ②

(%):Profit margin on sales; ____:Year on year change

(Unit: billion yen)	FY2007(Actual results)			FY2008	Year on year Changes
	1Q	1st half	Total	1Q Actual results	
(Air-conditioning)	170	159	150	97	
Net sales	289.9	582.7	1,131.7	282.2	-7.7
Operating income	(15.0%) 43.4	(13.0%) 75.9	(11.0%) 124.6	(12.1%) 34.2	(-2.9%) -9.3
(Chemicals)	102	102	100	110	
Net sales	26.0	26.0	116.1	28.5	2.5
Operating income	(6.5%) 1.7	(19.6%) 5.1	(3.0%) 3.5	(1.1%) 0.3	(-5.4%) -1.4
(Others)	81	76	100	101	
Net sales	7.0	15.4	43.1	7.1	0.1
Operating income	(-1.9%) -0.1	(-2.1%) -0.3	(0.9%) 0.4	(-7.9%) -0.6	(-6.0%) -0.4
(Total)	158	148	142	98	
Net sales	322.9	655.5	1,290.9	317.8	-5.1
Operating income	(13.9%) 45.0	(12.3%) 80.7	(8.9%) 128.5	(10.7%) 33.9	(-3.3%) -11.1

Year-on-year change of unit sales of AC in domestic AC market (Year-on-year growth rate)

		FY2007 Apr.-Jun.	FY2007 Total
Residential	Market	96	97
	Daikin	96	109
Commercial	Market	98	95
	Daikin	101	103

○FY2008 1st quarter business situation

(Domestic AC) Faced with falling demand across the industry in both commercial and residential products compared with the previous year, we has enhanced its general capabilities in activities relating to sales, products, and services.

As a result, commercial AC progressed as planned and improved over the previous year while residential AC remained in line with the industry norm.

(Overseas AC) Due to unseasonable weather, demand in the main countries of Europe for residential AC was stagnant with both sales and revenues experiencing declines compared to the same period during the previous year when sales showed substantial growth.

Conversely, sales progressed favorably in regions of China and Asia/Oceania to surpass those achieved last year.

(Chemicals) Sales relating to fluoropolymers exceeded the previous year due to sales expansion of products for LAN cables in US market and fluoro-coatings in the markets of China and Asia. Even though gas sales in Japan declined, gas sales in China and Asia shifted favorably to rise above those over the previous year. However, although sales increased, changes in product composition and changes in accounting practices relating to valuation of inventory assets contributed to a dramatic fall in operating profit.



Profit and Loss Statement

I . First Quarter Results FY08 ③

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____=Year on Year change, (%)=Percentage of Income to Net Sales

(Unit: billion yen)	FY2007/1Q		FY2008/1Q		Changes	
Net Sales	<u>158</u>	322.9	<u>98</u>	317.8	※1	-5.1
Cost of Sales	(62.8%)	202.8	(64.3%)	204.3	(+1.5%)	+1.5
Gross Profit	(37.2%)	120.1	(35.7%)	113.5	(-1.5%)	-6.6
administrative expenses	(23.3%)	75.1	(25.0%)	79.6	(+1.8%)	※2 +4.5
Operating Income	(13.9%)	45.0	(10.7%)	33.9	(-3.3%)	※1 -11.1
Non-Operating Income						
		1.2		0.4		-0.8
Interest and Dividend earned		-1.2		-0.4		+0.9
Others		0.1		0.2		+0.1
Ordinary Income	(14.0%)	45.1	(10.8%)	34.2	(-3.2%)	-10.9
Extraordinary Gains or Losses		-0.4		-0.3	※3	+0.1
Interest before Taxes	(13.8%)	44.7	(10.7%)	34.0	(-3.2%)	-10.8
Corporate Taxes, etc		-17.6		-14.3	※4	+3.3
Minority Interest		-0.6		-0.8		-0.2
Net Income	(8.2%)	26.5	(5.9%)	18.9	(-2.3%)	-7.6

※1 Effects of Foreign Exchange(year-on-year): Sales ▲10.5 billion yen / Operating income ▲3.5 billion yen

※2 Changes in selling, general and administrative expenses:

Sales promotion cost ▲0.5 bil.yen, Service cost +0.4 bil.yen

Labor cost +2.0 bil.yen, Technology research cost +0.3 bil. yen, Depreciation +0.4 bil. yen

※3 Effect from changes in accounting practices relating to valuation of inventory assets:

▲1.5 billion yen (Chemical ▲0.9, Air conditioning ▲0.4, Oil hydraulics ▲0.2)



Balance Sheets

I . First Quarter Results FY08 ④

(Unit: billion yen)	Jun.07	May.08	Jun.08	Changes from Jun.07	Changes from Mar.08
Cash and cash equivalents	80.2	111.7	91.4	+11.2	-20.2
Receivables	71Days 250.2	64Days 226.9	69Days 240.6	-9.6	+13.7
Inventories	65Days 230.2	68Days 239.4	76Days 264.9	+34.7	+25.5
Fixed assets	458.5	451.0	※1 455.2	-3.3	+4.2
Investment and others	138.8	121.3	132.4	-6.4	+11.1
Others	64.7	63.4	74.1	+9.5	+10.7
Total assets	1,222.6	1,213.6	1,258.6	+36.0	+44.0
Trade Payables	124.1	128.2	124.8	+0.7	-3.4
(Interest-bearing)	(30.8%)	(29.4%)	(29.6%)		
Interest-bearing debt	376.1	356.9	※2 371.5	-4.6	+14.6
Others	177.0	165.0	173.3	-3.7	+8.3
Total Liabilities	677.2	650.1	669.6	-7.6	+19.5
(Equity ratio)	(43.6%)	(45.3%)	(45.7%)		
Total Equity	532.5	549.2	575.0	+42.5	+25.8
Share warrant	0.2	0.5	0.5	+0.3	—
Minority interests	12.6	13.8	13.5	+0.8	-0.3
Total Net Assets	545.4	563.6	589.0	+43.6	+25.5
Total	1,222.6	1,213.6	1,258.6	+36.0	+44.9

※1 Capital expenditures and Depreciation

(Unit: billion yen)	FY2007		FY2008	
	1Q	Total	1Q	Total
Capital Expenditures	9.1	51.5	13.4	65.0
Depreciation	9.3	38.9	10.0	45.0

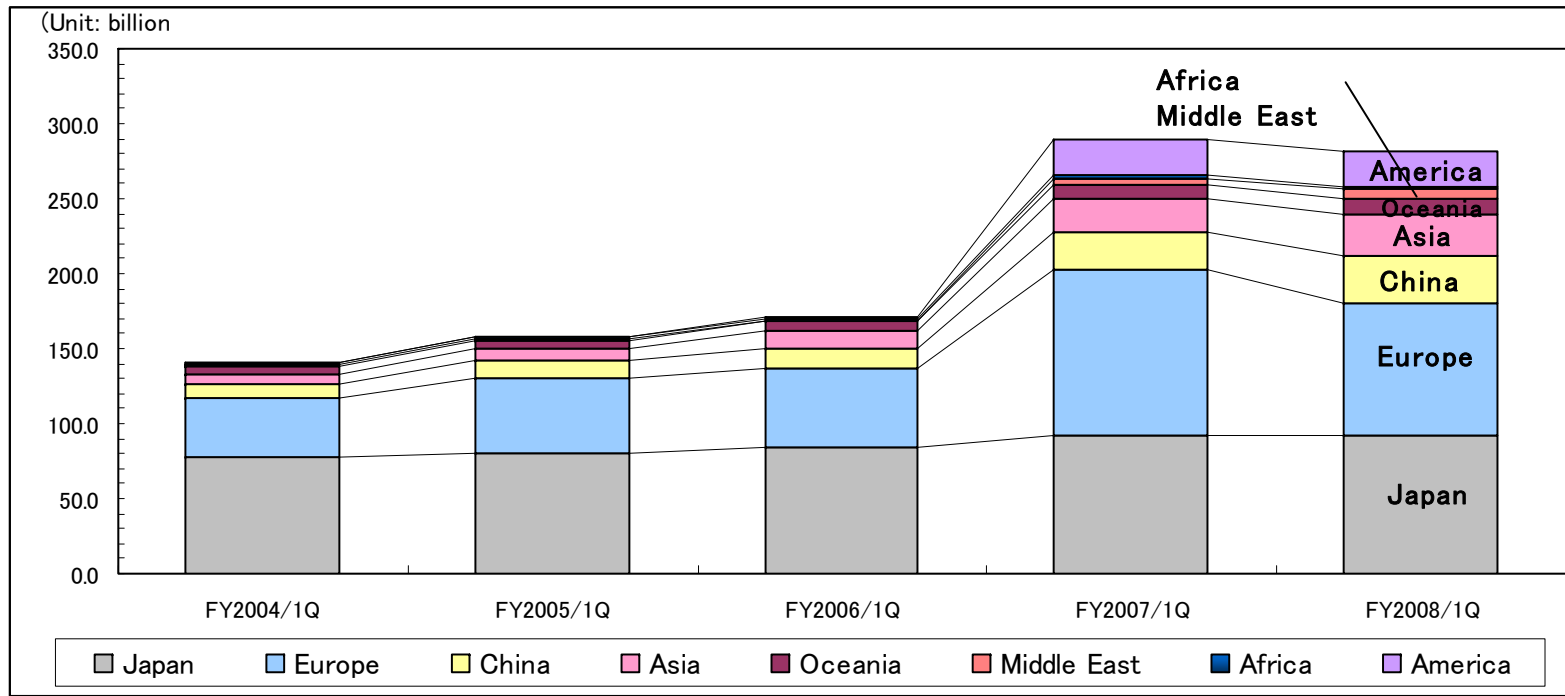
※2 Breakdown of interest-bearing debt

(Unit: billion yen)	Jun.07	Jun.08	Changes
Short-term borrowings	209.7	81.8	-127.9
CP	89.0	69.0	-20.0
Long-term borrowings	57.4	200.7	143.3
Bonds	20.0	20.0	-
Total A	376	371	-4.6
Cash and cash equivalent B	80.2	91.4	11.2
Actual interest-bearing debt A-B	295.9	280.1	-15.8



Sales by Region(Air-conditioning)

I. Third Quarter Results FY07 ⑤



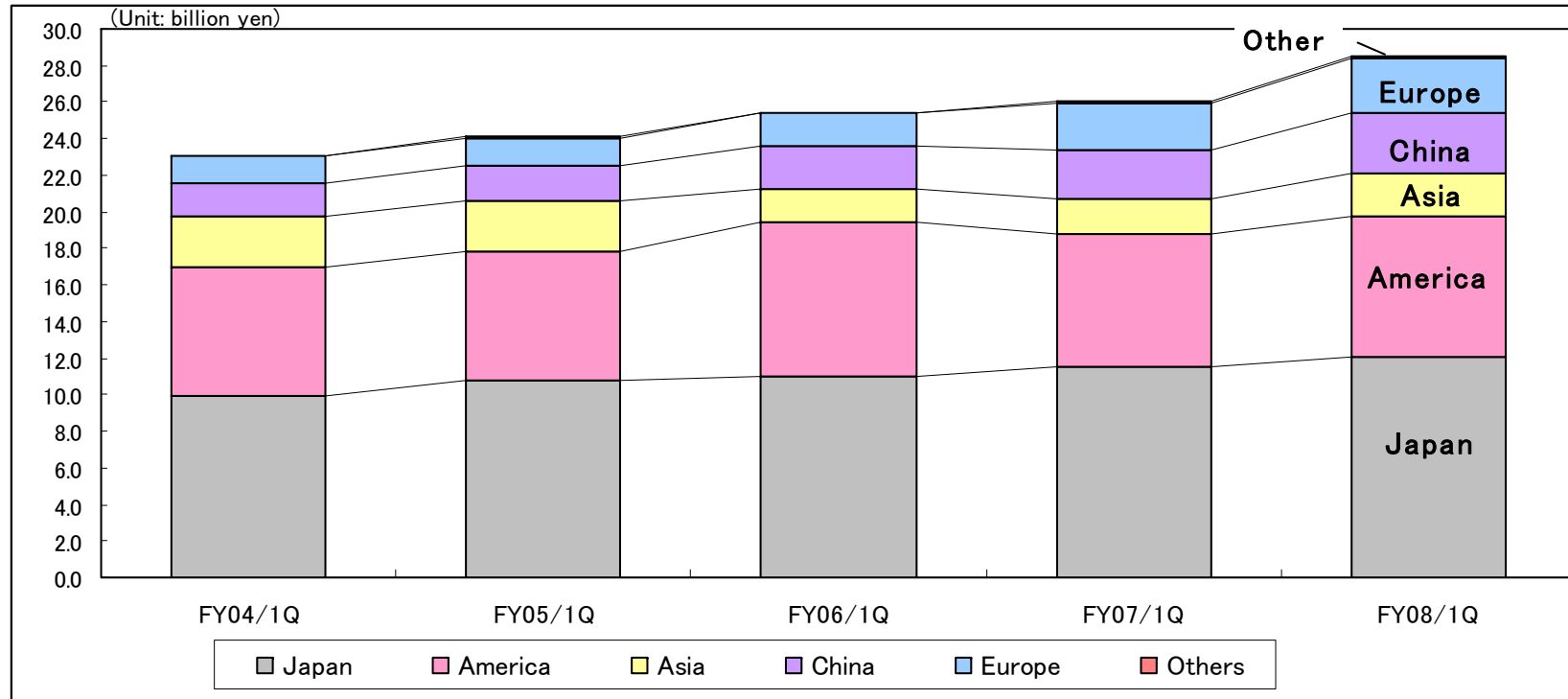
	FY2004/1Q	FY2005/1Q	FY2006/1Q	FY2007/1Q	FY2008/1Q
Japan	77.7	103% 80.4	104% 83.9	110% 91.9	101% 92.6
Europe	38.8	129% 49.9	105% 52.4	212% 111.2	79% 88.3
China	10.4	107% 11.1	123% 13.7	180% 24.7	124% 30.7
Asia	5.9	136% 8.0	141% 11.4	194% 22.0	126% 27.7
Oceania	5.5	107% 5.9	111% 6.6	146% 9.6	111% 10.7
Middle East	1.3	109% 1.4	72% 1.0	429% 4.3	151% 6.4
Africa	0.6	108% 0.6	130% 0.8	230% 1.8	105% 1.9
America	0.3	168% 0.6	178% 1.0	2367% 24.4	98% 24.0
Total	140.5	112% 158.0	108% 170.8	170% 289.9	97% 282.2

Overseas sales ratio	45%	49%	51%	68%	67%
FX rate (USD/JPY)	¥110	¥108	¥115	¥121	¥105
(EUR/JPY)	¥132	¥136	¥144	¥163	¥163



Sales by Region (Chemicals)

I . First Quarter Results FY08 ⑥



(Unit: billion yen)	FY2004/1Q	FY2005/1Q	FY2006/1Q	FY2007/1Q	FY2008/1Q
Japan	10.0	108% 10.7	102% 11.0	105% 11.5	105% 12.1
America	7.0	101% 7.1	119% 8.5	86% 7.3	105% 7.7
Asia	2.8	96% 2.7	67% 1.8	106% 1.9	123% 2.4
China	1.7	113% 2.0	121% 2.4	114% 2.7	121% 3.3
Europe	1.5	101% 1.5	114% 1.7	148% 2.6	113% 2.9
Others	0.0	153% 0.0	64% 0.0	85% 0.0	753% 0.18
Total	23.1	104% 24.1	105% 25.4	102% 26.0	110% 28.5

Overseas sales ratio	57%	55%	57%	56%	58%
FX rate (USD/JPY)	¥110	¥108	¥115	¥121	¥105
(EUR/JPY)	¥132	¥136	¥144	¥163	¥163

Revision of Business Forecast

II. Business Forecast for FY08 ⑦

___=Year on year change, (%)=Percentage of Income to Net Sales

(Unit: billion yen)	FY2007			FY2008 Plan					
	1st Half	2nd half	Total	Forecast (May.08)			Revised Forecast		
				1st Half	2nd Half	Total	1st Half	2nd Half	Total
Net sales	<u>148</u> 655.5	<u>135</u> 635.4	<u>142</u> 1,290.9	<u>104</u> 682.0	<u>113</u> 718.0	<u>108</u> 1,400.0	<u>103</u> 676.0	<u>112</u> 714.0	<u>108</u> 1,390.0
Operating income	(12.3%) 80.7	(7.5%) 47.8	(10.0%) 128.5	(11.4%) 78.0	(8.6%) 62.0	(10.0%) 140.0	(10.4%) 70.0	(9.1%) 65.0	(9.7%) 135.0
Ordinary income	(11.7%) 76.7	(7.1%) 45.4	(9.5%) 122.1	(10.9%) 74.5	(8.1%) 58.5	(9.5%) 133.0	(10.0%) 67.5	(8.6%) 61.5	(9.3%) 129.0
Net income	(7.5%) 49.1	(4.1%) 26.1	(5.8%) 75.2	(7.0%) 47.5	(4.8%) 34.5	(5.9%) 82.0	(6.4%) 43.0	(5.1%) 36.5	(5.7%) 79.5

Exchange rate (USD/Yen) ¥100 ¥104 ¥103 ¥103
 (EUR/Yen) ¥155 ¥162 ¥160 ¥161

Sales and Operating Income by Segments

(Unit: billion yen)	FY2007	FY2008 Plan	
		Forecast(May.08)	Revised Forecast
Air-conditioning			
Sales	<u>150</u> 1,131.7 (11.0%)	<u>109</u> 1,232.0 (10.7%)	<u>108</u> 1,222.0 (10.4%)
Operating income	124.6	131.5	126.5
Chemicals			
Sales	<u>100</u> 116.1 (3.0%)	<u>103</u> 120.0 (5.8%)	<u>103</u> 120.0 (5.8%)
Operating income	3.5	7.0	7.0
Others			
Sales	<u>100</u> 43.1 (0.9%)	<u>111</u> 48.0 (3.1%)	<u>111</u> 48.0 (3.1%)
Operating income	0.4	1.5	1.5
Total			
Sales	<u>142</u> 1,290.9 (10.0%)	<u>108</u> 1,400.0 (10.0%)	<u>108</u> 1,390.0 (9.7%)
Operating income	128.5	140.0	135.0

※Assumption of exchange rates for the 2nd quarter:
 ¥160/EUR , ¥103/USD

- Trends found in the 1Q results were assessed, and a revision was made for budgetary forecasts announced in May of this year.
- While concern exists for the steep rise in the price of steel and for the reduced demand of room air conditioners due to unseasonable weather in Europe, we intend to achieve our planned targets by implementing selling price measures, reducing total costs, and expanding sales in Japan, where heat wave conditions have created a tailwind, and in global markets, where expanded sales potential exists in the emerging markets, including China, Asia, and the Middle East. Measures to expand sales in Europe are also being performed centering on commercial air-conditioners, applied systems, and heaters.