



Presentation of Financial Results for FY2008

(the term ended March 31, 2009)

2009/5/13

DAIKIN INDUSTRIES, LTD.

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Upon discovery of inappropriate accounting practices, our company is correcting a part of brief announcement of the most recent financial statement following the end of the fiscal year at the past financial year.

Data described in this material reflect the correction at the past financial year.

I. Financial results for FY2008

Business Results (Company-wide)



(¥1billion)

	FY2007	Previous forecast (Feb.)	FY2008	Y/y change	Y/y change excluding effect of FX
Sales	1,291.1	1,200.0	1,202.4	7%	+1%
Operating Income <small>(Percentage of income to net sales)</small>	128.1 (9.9%)	60.0 (5.0%)	61.4 (5.1%)	52%	31%
Ordinary Income <small>(Percentage of income to net sales)</small>	121.7 (9.4%)	52.0 (4.3%)	52.0 (4.3%)	57%	
Net Income <small>(Percentage of income to net sales)</small>	74.8 (5.8%)	25.0 (2.1%)	21.8 (1.8%)	71%	
Net Income Per Share	¥262	¥85	¥74	188	
DPS	¥38	¥38	¥38 (Interim dividend ¥19)	—	
DOE	2.2%	—	2.2%	—	

FX rate

Yen / 1USD	114	100	101	—
Yen / 1EUR	162	142	143	—

Management Indicator

	FY207	FY2008
ROA	6.3%	1.9%
ROE	15.9%	4.3%
FCF	+317	70
DVA	66	314

Effects of FX(Y/y) On Sales : 97.0 billion yen
On Operating Income: 27.0 billion yen

DVA=Daikin Economic Value Added (Cost of invested capital calculated at 6%)

< Business Environment >

- The worldwide financial crisis became more acute in the latter half of the year, and the global economy rapidly deteriorated with even greater severity. Beginning with the air conditioning business in the regions of Japan and Europe, a fundamental decline in demand was seen in each region.
- The severity of the recession increased, and there has yet to be any indication of a bottoming out.

< Daikin >

- Within the steep decline in demand caused by the rapid deceleration of the economy and the impact of exchange rates from the appreciation of the yen, we were unable to prevent recording decreased revenue from the previous year.
- Within the severe circumstances such as a sharp increase in price of raw materials, and a decline in operating rate, we vigilantly worked for cost reductions of fixed costs /expenses and streamlining operations; however, we were unable to prevent recording decreased profit from the previous year.

Profit and Loss Statement



(¥1billion)

	FY2007	FY2008	Changes from the last year
	<u>142</u>	<u>93</u>	
Net Sales	1,291.1	1,202.4	88.7
Cost of sales	849.5	838.8	10.8
(Percentage to net sales)	(65.8%)	(69.8%)	1 (+4.0%)
Gross Income	441.5	363.7	77.9
(Percentage of income to net sales)	(34.2%)	(30.2%)	(4.0%)
Selling General and Administrative expenses	313.5	302.3	2 11.2
Operating Income	128	61	66.7
(Percentage of income to net sales)	(9.9%)	(5.1%)	(4.8%)
Non-operating gain or losses	-6.4	-9.4	3 3.0
Ordinary Income	121.7	52.0	69.7
(Percentage of income to net sales)	(9.4%)	(4.3%)	(5.1%)
Extraordinary gains or losses	-3.6	-6.0	4 2.5
Income before Income Taxes	118	46	72.2
(Percentage of income to net sales)	(9.2%)	(3.8%)	(2.3%)
Corporate Taxes, etc.	40.1	21.2	18.9
(Tax burden ratio)	(34.0%)	(46.1%)	(+12.1%)
Minority Interest	3.2	3.0	0.2
Net Income	74.8	21.8	53.1
(Percentage of income to net sales)	(5.8%)	(1.8%)	(4.0%)

1 Increase in burden of fixed costs by the impact of the exchange rate, the effect of reduced production, and reduced sales/production

2 Primary factor of Increase in the selling, general and administrative expenses

Sales promotion expense 8.3
Labor cost +4.0
Shipping cost 3.6
Depreciation expenses +1.5
Payment royalty 1.1

3 Foreign exchange loss 5.1
Interest rate +2.8

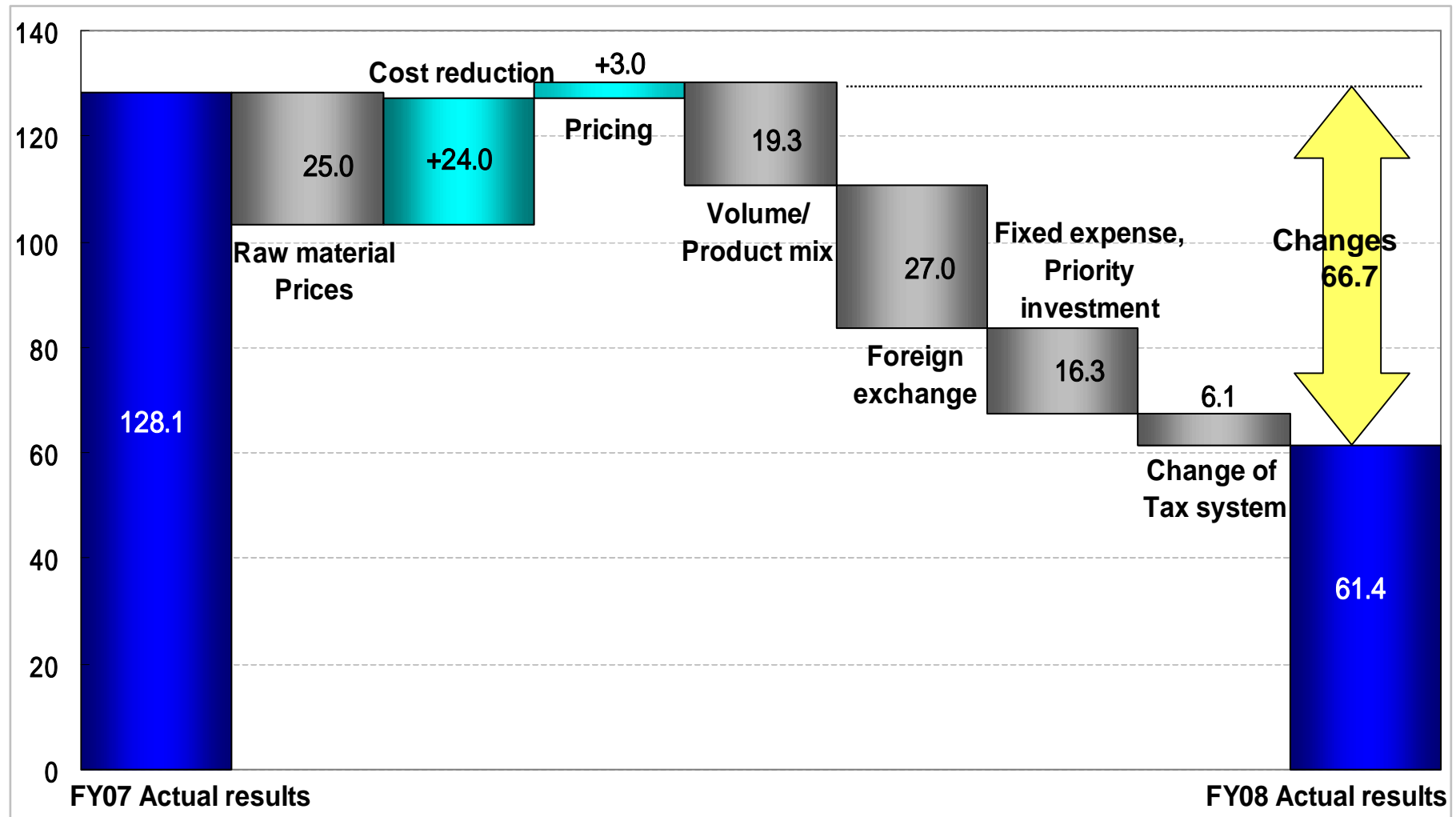
4 loss on disposal of fixed assets 0.8
Changes in defined contribution pensions 1.2

() Percentage of Income to Net sales

FY08 Actual Results: Breakdown of Operating Income



(¥1billion)



Balance Sheets



(¥1billion)

	2008/3E	2009/3E	Changes
Cash and cash equivalents	111.7	105.2	6.5
Receivables	<u>64day</u> 226.2	<u>54day</u> 178.2	47.9
Inventories	<u>68day</u> 236.6	<u>66day</u> 216.6	19.9
Fixed assets	451.0	445.9	5.1
Investment and others	121.3	94.3	26.9
Others	63.4	77.0	+13.6
Total Assets	1,210.1	1,117.4	92.7

	2008/3E	2009/3E	Changes
Trade payables	128.2	80.1	48.1
Interest bearing	356.9	415.1	+58.1
Lease debt	—	2.8	+28.0
(Interest-bearing ratio)	(29.5%)	(37.4%)	
Others	165.0	134.9	30.1
Total liabilities	650.1	632.9	17.2
Total equity	545.6	471.7	-74.0
(Equity ratio)	(45.1%)	(42.2%)	
Share Warrant	0.5	0.8	+0.2
Minority interests	13.8	12.0	1.8
Total net assets	560.0	484.5	75.5
Total	1,210.1	1,117.4	92.7

*Numbers on the left are rating period

Breakdown of interest-bearing debt

(¥1billion)	2008/3E	2009/3E	Y/y change
Short-term borrowings	74.0	74.9	+0.9
C P	58.0	120.0	+62.0
Bonds	20.0	20.0	—
Long-term borrowings	205.0	200.2	4.8
Total	356.9	415.1	+58.1

Results by segments



(¥1billion)

Sales	FY2007	Previous forecast(Feb.)	FY2008	Change from the previous forecast	Y/y change
Air-conditioning	1,131.9	1,057.0	1,059.4	+2.4	6%
Chemicals	116.1	100.0	101.9	+1.9	12%
Others	43.1	43.0	41.1	1.9	5%
Total	1,291.1	1,200.0	1,202.4	+2.4	7%

Operating Income	FY2007	Previous forecast(Feb.)	FY2008	Change from the previous forecast	Y/y change
Air-conditioning	124.2	68.0	71.6	+3.6	42%
Chemicals	3.5	7.5	9.5	2.0	—
Others	0.4	0.5	0.8	0.3	—
Total	128.1	60.0	62.3	+2.3	51%

Japanese Air-conditioning



- Global industry demand for room air conditioners was blessed by the weather in the peak season of July for the first half and exceeded the previous year; however, in the latter half of the year the decline of the previous year continued.
- Within this, Daikin was able to achieve unit sales that exceeded the previous year with a sales promotion strategy centering on our high add-value product Ururu Sarara," which conforms to "2010 Energy Saving Standard" and has an automatic built-in cleaning function, and stressing the environment benefits of energy-saving operation that provides exceptional air comfort.
- Demand for packaged air conditioning suffered in the second half from restrained capital investment due to the recession and weakening of construction starts, and this caused results to fall below those of the first half.
- Impacted by lower industry demand, sales volume and sales at Daikin also fell below the first half; however, through diligent efforts made in sales activities regarding proposals with "VRV Ve-up Q," which enable speedy AC replacements by using existing piping, and "HotEco VRV," the sales volume and sales of VRV exceeded those of the first half.

Unit sales of AC for the entire Japanese AC market

(1,000units)	FY2008					
	1H	Y/y	2H	Y/y	Total	Y/y
Residential	5,333	+6%	2,260	9%	7,593	+1%
Commercial	416	±0%	311	8%	727	4%

Unit sales of Daikin for the entire domestic market

Residential	+9%	10%	+2%
Commercial	2%	12%	6%



Overseas Air-conditioning



Europe

- In addition to the unseasonable weather in the summer, sales in Europe dropped largely due to the conspicuous recession. Sales for residential and commercial use air conditioners were lower than the previous year.
- Within the substantial decline in demand for the principal countries of Europe, Daikin had aimed to expand market share and attempted to increase sales of applied air conditioners and heaters together with activities for sales expansion in such countries as Central and East Europe, Russia, Middle East where mid- to long-term growth is anticipated.
- A substantial expansion in sales that exceeded 3 times the amount of the previous year was achieved for *Altherma*, a heat pump water heater and heating device.

China

- The recession and decline in the real estate became conspicuous bordering the Olympics, but sales expansion to regions and sales development through meticulous sales of multi air conditioners ranging from residential to commercial building type applications resulted in achieving a sales volume that exceeded the first half for both residential and commercial use.
- Also, under the backdrop of heightened awareness for the environment, Daikin agreed in February 2009 to work in cooperation with Gree Electric Appliances. The foundation is being laid for expanding sales to gain the widespread use of inverter type air conditioners.

America

- Even within a depressed housing and construction market, sales volume demonstrated a shift toward strong performance for both residential and commercial use air conditioners.
- The synergy generated by McQuay and Daikin resulted in our achieving the winning bid for the contract to supply air conditioning for the Freedom Tower. Likewise, the energy-saving technology of Daikin is steadily being recognized, and the name recognition of our company continues to rise.

Asia/Oceania

- in Australia and Singapore, the sales volume fell below the first half due to the impact of lower demand from the recession, but in Malaysia and Thailand sales volume exceeded the first half.

Chemicals

- The impact of declining demand due to the global recession caused a steep drop in sales in the latter half of the year.
- For fluorocarbon resins, sales shifted favorably towards the U.S. LAN market and in China and Europe for the first half, but there was a sharp decline in demand centering on the semiconductor and automotive markets. With the effect of the inventory adjustment, sales fell below the first half.
- In chemical goods, there was strong performance in the expansion of sales in China and Asia for water and oil repellants and sales of fine chemical products related to liquid crystals, but there was a large impact from the drop in demand in Japan, the U.S., and Europe, and sales fell below the first half
- For fluorinated gases, sales shifted favorably in China and Asia centering on new refrigerants (HFC) and sales exceeded the first half.
- There was a worsening in profit due to soaring market prices of raw materials, the impact of the exchange rate, and deterioration of profit ratio due to decreased sales and product structure changes. The operating loss became 9.5 billion yen.

Other businesses

- Oil Hydraulics: Sales of hydraulic equipment for industrial machines were affected by the substantial decrease in production in the latter half of the year for the field of machine tools, and sales fell from the first half. For exports, sales exceeded the first half for sales volume due to sales expansion of differentiated products in the molding machine markets of Taiwan and Korea.
- Sales exceeded the first half for hydraulic equipment used in construction and automotive applications due to overseas sales beginning with the United States and Europe.
- Defense Systems Division: Deliveries to the Ministry of Defense have proceeded according to plan.

II. Management plan for FY2009

Business Forecast



(¥1billion)

	FY2008 Actual Result	FY2009 Forecast	Y/y change
Sales	1,202.4	1,070.0	11%
Operating Income <small>(Percentage of income to net sales)</small>	61.4 (5.1%)	40.0 (3.7%)	35%
Ordinary Income <small>(Percentage of income to net sales)</small>	52.0 (4.3%)	34.0 (3.2%)	35%
Net Income <small>(Percentage of income to net sales)</small>	21.8 (1.8%)	12.0 (1.1%)	45%

Y/y change
excluding
effect of FX

2%

+14%

FX rate

Yen/1USD	101	90	—
Yen/1EUR	143	120	—

Effects of FX(Y/y) On Sales: 115.0 billion yen
On operating Income: 30.0 billion yen

Business forecast (1H/2H)



(¥1billion)

	FY2008 Actual result			FY2009 Forecast		
	1H	2H	Total	1H	2H	Total
Net sales	666.9	535.5	1,202.4	525.0	545.0	1,070.0
Operating Income <small>(Percentage of income to net sales)</small>	65.2 (9.8%)	3.8 (0.7%)	61.4 (5.1%)	18.0 (3.4%)	22.0 (4.0%)	40.0 (3.7%)
Operating Income <small>(Percentage of income to net sales)</small>	62.6 (9.4%)	10.6 (2.0%)	52.0 (4.3%)	15.0 (2.9%)	19.0 (3.5%)	34.0 (3.2%)
Net Income <small>(Percentage of income to net sales)</small>	38.7 (5.8%)	16.9 (3.2%)	21.8 (1.8%)	3.0 (0.6%)	9.0 (1.7%)	12.0 (1.1%)

FX rate

Yen/1USD	106	95	101	90
Yen/1EUR	163	124	143	120

Effects of FX(Y/y) On Sales: 1H 88.0 bil. yen, 2H 27.0 bil. yen

On operating Income : 1H 23.0 bil. yen, 2H 7.0 bil.yen

- **Within the continuing severe management environment, we are aiming to maintain flat sales and achieve an increase in operating profit on an actual basis that excludes the effect of the exchange rate.**
- **Profit measures are being incorporated through the development of 49 action plans for important priority themes to confront the effect of exchange fluctuations and lower demand. We will be particularly focused on thoroughly securing short-term profit.**

< Important measures for securing short term profit >

- Share increase of existing products
- Sales expansion of products related to the environment (inverter air conditioning equipment, heaters, and applied)
- Promotion of even greater reduction in total costs
- Substantial reduction of fixed costs (restraint in investments, narrowing down of R&D themes, relocation of personnel, grappling with cost reduction throughout the company, etc.)
- All capital expenditures excluding important priority themes have been stopped. To enable great strides to be made when the economy recovers, a proper balance is to be struck for management resources and prioritized distribution (construction of a sales network by development of environmental products, the solutions business, and emerging markets)
- We also advance strengthening our constitution through compressing inventory, etc..

Preparing to secure profits even in the event of the unexpected, a contingency plan has been drafted that incorporates a total of 15 billion yen in further cost reductions to prepare for further worsening in demand.

A stance is being taken that can be put in motion with mobility that corresponds to progress (preparation of second stage countermeasures corresponding to level of decline in demand).

Business Forecast by Segments



(¥1billion)

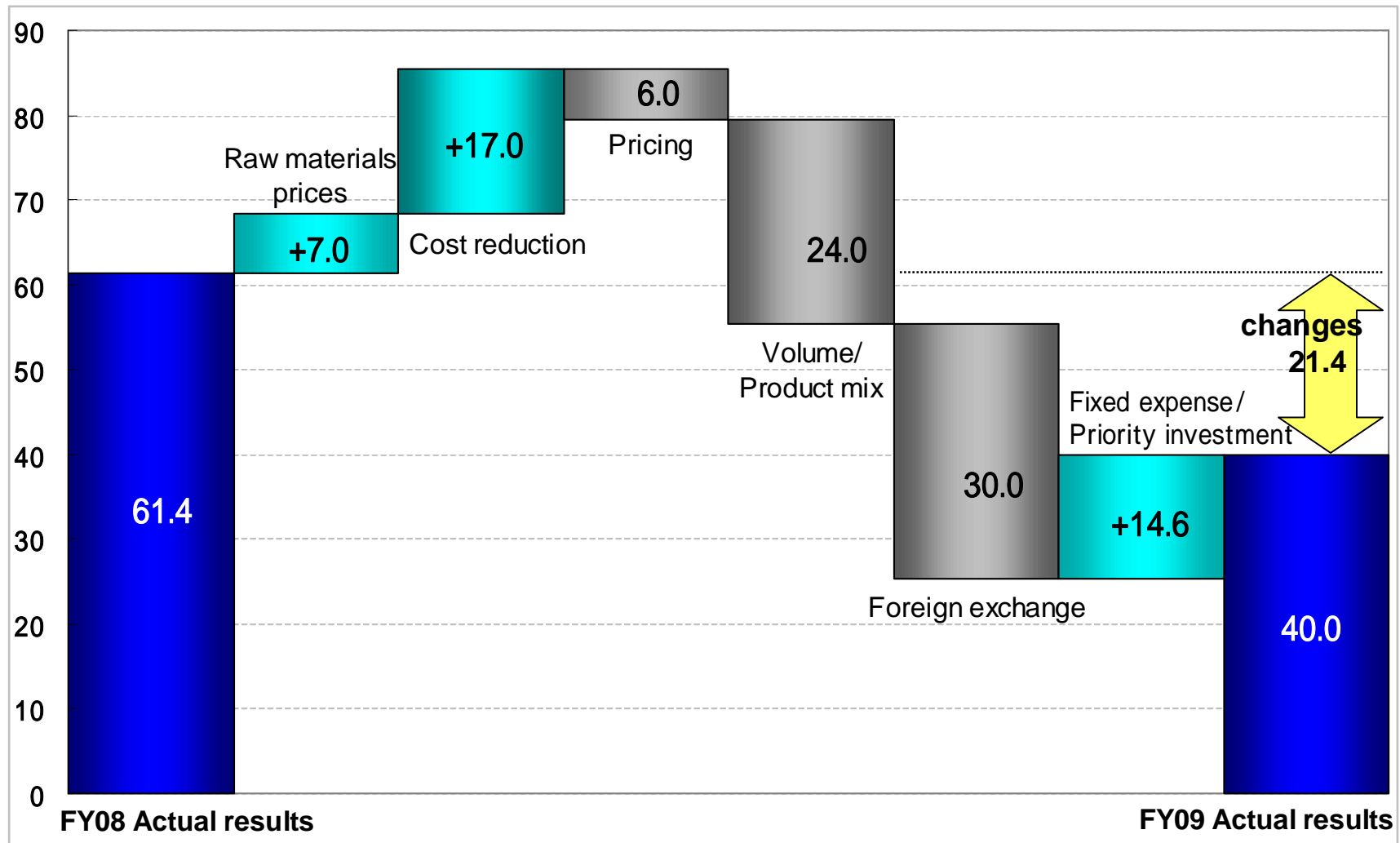
Sales	FY2008 Actual Results	FY2009 Forecast	Change from the last year	Y/y change
Air-conditioning	1,059.4	945.0	114.4	11%
Chemicals	101.9	90.0	11.9	12%
Others	41.1	35.0	6.1	15%
Total	1,202.4	1,070.0	132.4	11%

Operating Income	FY2008 Actual Results	FY2009 Forecast	Change from the last year	Y/y change
Air-conditioning	71.6	40.0	31.6	44%
Chemicals	9.5	0	+9.5	—
Others	0.8	0	+0.8	—
Total	61.4	40.0	21.4	35%

FY2009 Forecast: Breakdown of Operating Income



(¥1billion)



Japanese Air-conditioning

Unit sales of AC for the entire Japanese AC market

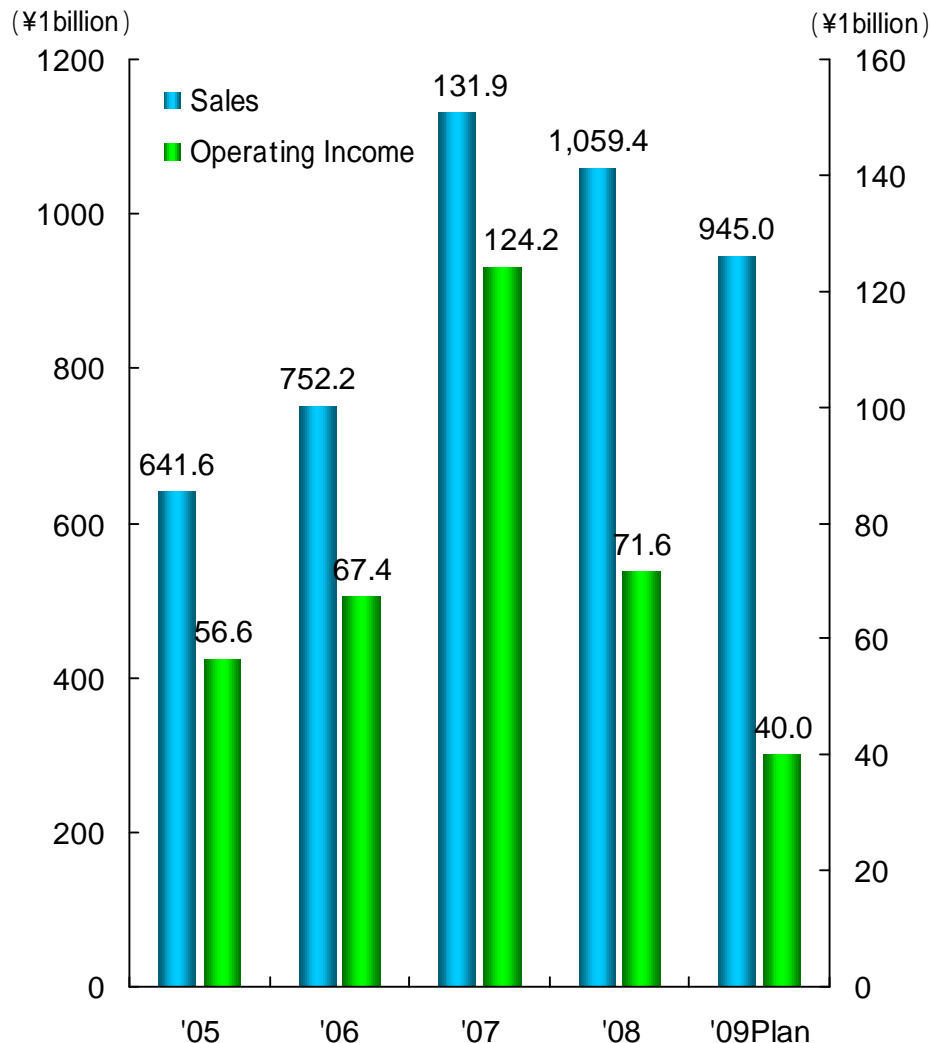
	FY08	Y/y	FY09 Plan	Y/y
Residential	7,593	+1%	6,800	10%
Commercial	727	4%	680	6%

Unit sales of Daikin for the entire Japanese market

Residential	—	+2%	—	+2%
Commercial	—	6%	—	1%

Index related to AC market in Japan [Assumption]

(Y/y change)	FY2008	FY2009 Forecast
Personal spending	0.2% (Forecast)	0.5%
New housing starts	+0.3%	3.5%
Private sector capital investment	8.7% (Forecast)	16.5%
Private sector capital investment Floor areas of new construction of commercial building (Less than 3,000m ³)	2.3%	5.0%



- The business environment in the AC for both residential and commercial market continues to be severe.
- We will develop sales expansion measures along the sales route and aim to increase market share.
- We are attempting to improve profit and loss by maintaining selling price, emphasizing sales of high value-added products, and commissioning RA production to Gree.
- We strengthen maintenance and servicing business catching recession at the chance.
- We construct a new business model which we offer the product and system solution according to customer's needs.

Overseas Air-conditioning

Europe

- Decreased demand is also seen for fiscal year 2009, and conditions are expected to be severe, particularly in Italy and Spain, due to remaining distributors' inventory.
- Heat pump is admitted as "Renewable energy" and attention is attracted. We strengthen the product quality using our technology which correspond the environmental issues.
- We strengthen the business foundation by expanding the product line-up of heating equipment and creating synergy effect with ROTEX.
- Expand business in emerging markets (such as Turkey and the Middle East) and thoroughly for sales expansion of applied products by strengthening cooperation with McQuay.

China

- The economic growth rate is still high. We aim to extend continuously greatly as a pulling post of the overseas AC business.
- We intend to accelerate the expansion from large cities to regions (inland and western areas) and expand sales to all of China. We will shift sales personnel due to increase share of VRV, and expand the applied business, and also capture public works projects.
- Cooperation with Gree will continue to proceed forward, and we will work to cultivate inland and western markets with volume zone inverter models.
- The heating business is being started up, and we intend to proceed forward by developing and producing products that match the particular market characteristics of each region and constructing a sales channel.

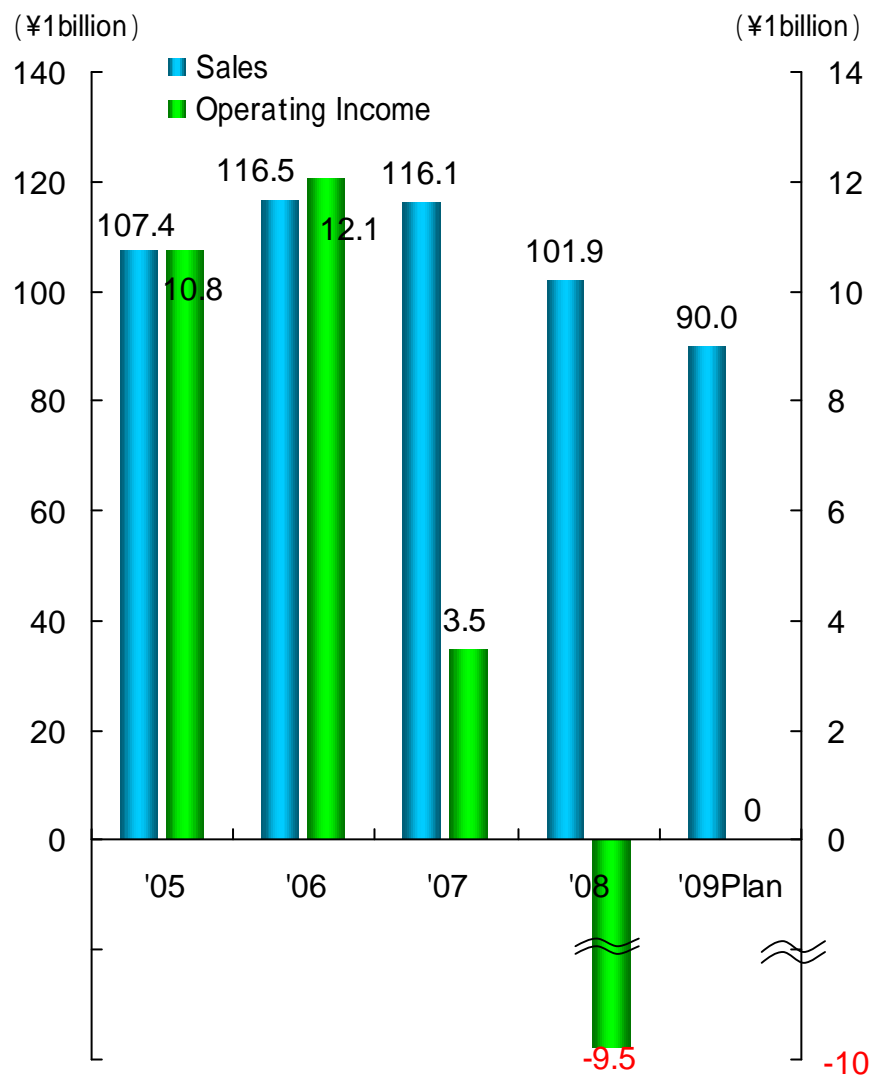
United States

- Demand for applied is likely to suffer a serious decline.
- By utilizing the business foundation for applied that has advanced by both Daikin AC America and McQuay America, we will work to substantially increase share (new product launch, strengthening of after sales service, and constructing a sales channel).

Asia/Oceania

- In the main market of Australia and Singapore, a deceleration basis is expected.
- We will attempt to definitely increase market share utilizing the solid sales network for RA/SKY.
- We intend to strengthen the VRV sales force and attempt to accelerate the creation of demand, particularly in Thailand, Malaysian and Vietnam, and increase share.

Management Plan for Chemicals Division



Demands by Products (Y/y change)

	FY2008	FY2009 Forecast
For all fluorochemical products	10%	14%
FEP in USA	9%	11%
Semiconductor related products	25%	30%

- There is a substantial decrease in overall demand for fluorochemical products. It will take time for demand to recover in the automotive and semiconductor industries.
- As the severe business conditions continue, we are executing all out reductions of fixed costs and other cost reductions. (Narrowing of investment, Improving production efficiency, Shifting of personnel, etc.)
- We intend to give priority to sales expansion in the environmental areas expecting high profitability and growth.
- We promote compound of the fluorine material and another material.
- We continuously promote the structural reform which has worked in the project team since last January.

Management Plan for Other Businesses



Oil Hydraulics

●As severe conditions are expected to continue in the machine industry, we will aim to create new markets and strengthen the business foundation in the markets of China, the United States, and Europe.

Defense System

●We attempt to expand sales in the defense business and also the residential business(the latest oxygen concentrator)

III. Appendix

Foreign Exchange



	FY2007 Actual results			FY2008 Actual Results			FY2009 Forecast
	1H	2H	Total	1H	2H	Total	Total
US\$	¥119	¥109	¥114	¥106	¥95	¥101	¥90
EUR	¥162	¥161	¥162	¥163	¥124	¥143	¥120
THB	¥3.8	¥3.5	¥3.6	¥3.2	¥2.7	¥3.0	—
RMB	¥15.4	¥15.6	¥15.5	¥14.9	¥14.9	¥14.9	—
AUS\$	¥100	¥98	¥99	¥97	¥63	¥80	—

Sensibility of Foreign Exchange

(Impact of change by one yen to operating income)

	FY2009 Forecast
US\$	*0.5 billion yen
EUR	0.5 billion yen

* Including Chinese Yuan,
AUS\$, THB

Sales by region (Company-wide)



(Unit: Billion yen)

	FY2004		FY2005		FY2006		FY2007		FY2008		FY2009 Plan	
Japan	110%	398.1	107%	425.3	104%	442.3	104%	461.6	97%	448.1	93%	415.0
Europe	134%	168.8	106%	178.8	131%	235.0	151%	354.6	80%	282.4	83%	234.8
China	124%	58.9	121%	71.2	130%	92.8	166%	153.8	102%	156.4	98%	153.6
Asia	108%	37.4	114%	42.6	122%	52.1	210%	109.4	98%	107.0	87%	92.7
America	117%	31.8	114%	36.4	119%	43.2	310%	134.2	100%	134.7	91%	122.9
Oceania	125%	27.6	107%	29.6	122%	36.1	134%	48.3	80%	38.4	68%	26.0
Middle east	126%	3.6	134%	4.9	123%	6.0	335%	20.2	124%	25.0	72%	18.0
Africa	126%	3.1	131%	4.1	104%	4.3	214%	9.1	114%	10.4	67%	7.0
Total	117%	729.4	109%	792.8	115%	911.7	142%	1,291.1	93%	1,202.4	89%	1,070.0

Overseas Sales ratio	45%	46%	51%	64%	63%	61%
FX rate(USD/Yen)	¥109	¥112	¥116	¥114	¥101	¥90
(EUR/Yen)	¥135	¥137	¥148	¥162	¥143	¥120

Sales by region (Air-conditioning)



(Unit:Billion yen)

	FY2004		FY2005		FY2006		FY2007		FY2008		FY2009 Plan	
Japan	110%	317.5	107%	338.4	104%	353.2	106%	372.8	99%	370.7	94%	350.0
Europe	135%	160.8	106%	170.1	131%	223.7	153%	341.3	80%	272.1	83%	225.0
China	125%	50.2	120%	60.3	132%	79.6	174%	138.2	102%	140.5	98%	137.0
Asia	105%	25.4	125%	31.8	134%	42.5	234%	99.4	98%	97.7	86%	84.0
America	162%	1.9	150%	2.8	255%	7.2	1439%	102.9	103%	105.8	93%	98.0
Oceania	125%	27.5	107%	29.5	122%	35.9	134%	48.1	78%	37.4	69%	26.0
Middle east	124%	3.5	136%	4.7	124%	5.9	343%	20.1	123%	24.8	73%	18.0
Africa	126%	3.1	131%	4.1	104%	4.2	214%	9.1	114%	10.4	67%	7.0
Total	118%	589.8	109%	641.6	117%	752.2	150%	1,131.9	94%	1,059.4	89%	945.0

Overseas Sales ratio	46%	47%	53%	67%	65%	63%
FX rate(USD/Yen)	¥109	¥112	¥116	¥114	¥101	¥90
(EUR/Yen)	¥135	¥137	¥148	¥162	¥143	¥120

Sales by region (Chemicals)



(Unit:Billion yen)

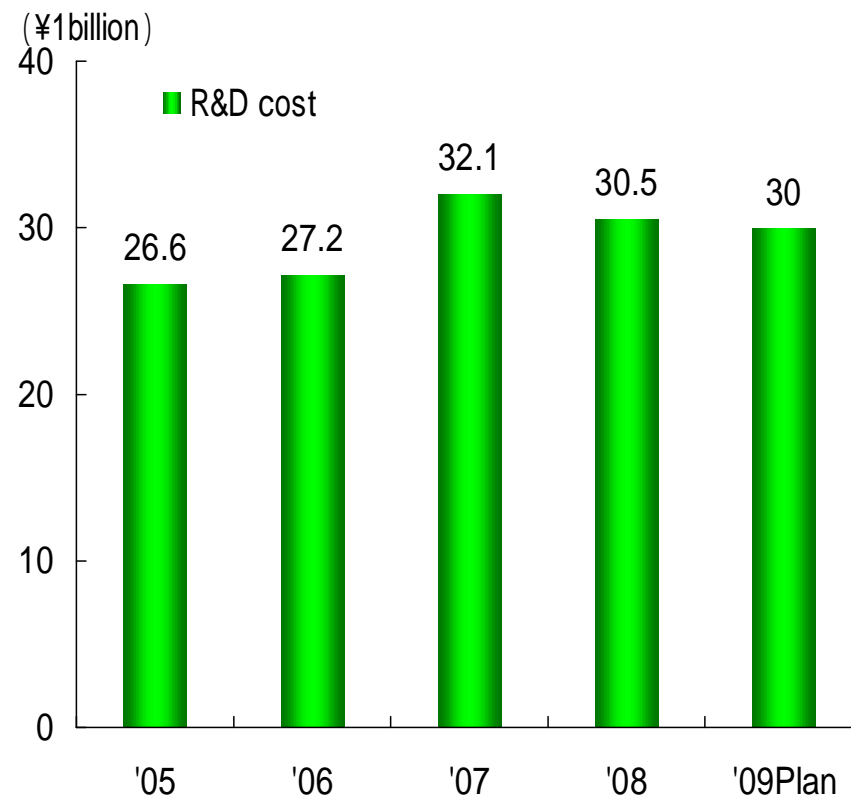
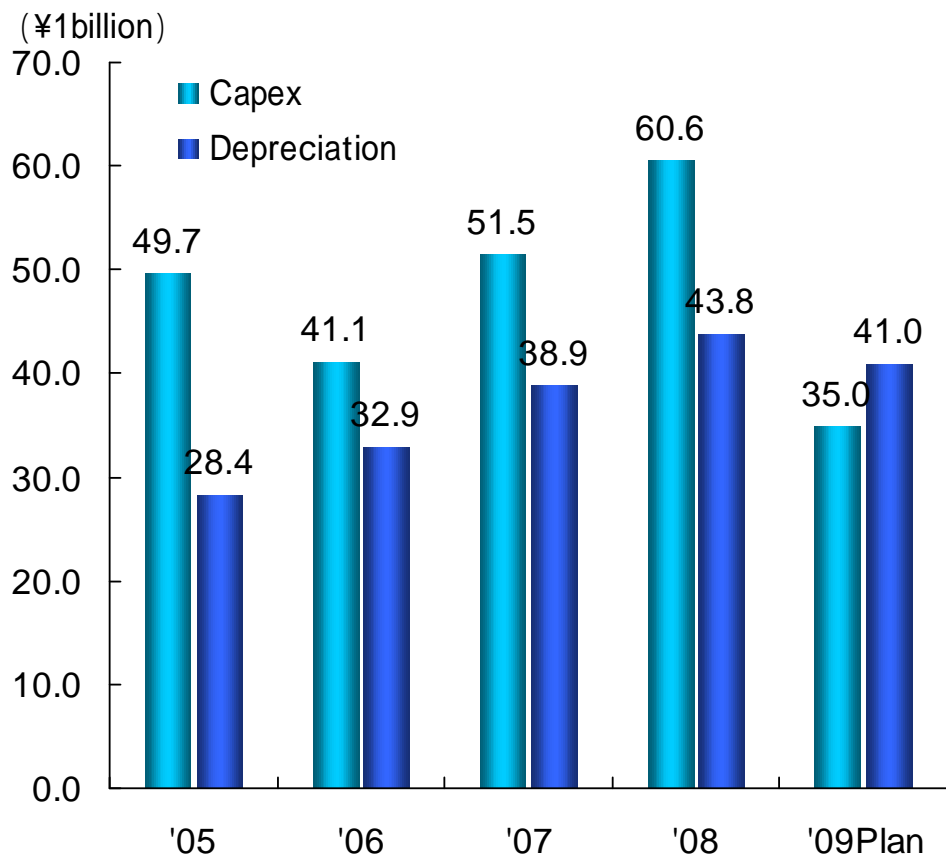
	FY2004		FY2005		FY2006		FY2007		FY2008		FY2009	
Japan	110%	42.3	107%	45.2	110%	49.6	101%	49.8	83%	41.5	83%	34.5
America	115%	29.7	111%	33.1	106%	35.0	86%	30.0	88%	26.5	87%	23.0
Asia	116%	11.4	88%	10.0	85%	8.5	104%	8.8	91%	8.0	93%	7.5
China	121%	8.3	127%	10.6	120%	12.7	118%	15.0	102%	15.4	104%	16.0
Europe	109%	7.7	107%	8.3	128%	10.5	116%	12.2	77%	9.4	96%	9.0
Others	153%	0.22	108%	0.24	104%	0.25	71%	0.18	667%	1.18	-	-
Total	113%	99.6	108%	107.4	108%	116.5	100%	116.0	88%	101.9	88%	90.0

Overseas sales ratio	58%	58%	57%	57%	60%	62%
FX rate(USD/Yen)	¥109	¥112	¥116	¥114	¥101	¥90
(EUR/Yen)	¥135	¥137	¥148	¥162	¥143	¥120



Capital Expenditure and Depreciation

R&D Cost





DAIKIN INDUSTRIES, LTD.

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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