



# **Presentation of Financial Results for the First Quarter in June.2010**

**August 5, 2010**

***DAIKIN INDUSTRIES, LTD.***

## **Financial Results for the First Quarter in June.2010**

- Summary of First Quarter Financial Results.....P.3
- Outlook for Second Quarter and Entire Fiscal Year..... P.4
- Results by Segments ..... P.5-11
  - First Quarter Sales and Operating Profit by Division
  - Sales by region: Air-conditioning Business, Chemicals
  - Overall First Quarter Divisional Performance

# Summary of First Quarter Financial Results



- Revenue increased over the previous year due to sales expansion in the air conditioning business in the regions of China and Asia and in the chemicals business in the automotive and semiconductor markets.
- In addition to increased sales, operating profit showed a substantial increase over the previous year due to sustained efforts for strengthening the management structure such as total cost-reduction measures.
- Both sales and operating profit proceeded as planned for this term.

(Unit: billion yen)

	1Q(Apr.-Jun.)		
	FY09	FY10	Y/y changes
<b>Net Sales</b>	232.3	<b>260.9</b>	112%
<b>Operating Income</b> (Percentage of income to net sales)	5.3 (2.3%)	<b>15.7</b> (6.0%)	299%
<b>Ordinary Income</b> (Percentage of income to net sales)	6.5 (2.8%)	<b>15.0</b> (5.8%)	229%
<b>Net Income</b> (Percentage of income to net sales)	2.3 (1.0%)	<b>6.6</b> (2.5%)	289%

\*Effects of FX (Year on year)  
On sales: ▲9.2billion yen  
On Operating Income: ▲2.4billion yen

## FX rate

Yen/1USD	¥97	¥92	—
Yen/1EUR	¥133	¥117	—

# ■ Outlook for Second Quarter and Entire Fiscal Year

(Unit: billion yen)

	FY2009 Actual result			FY2010 Forecast		
	1H	2H	Total	1H	2H	Total
<b>Net sales</b>	497.9	526.1	1024.0	<b>560.0</b>	<b>595.0</b>	<b>1155.0</b>
<b>Operating Income</b> (Percentage of income to net sales)	18.4 (3.7%)	25.6 (4.9%)	44.0 (4.3%)	<b>32.0</b> (5.7%)	<b>41.0</b> (6.9%)	<b>73.0</b> (6.3%)
<b>Operating Income</b> (Percentage of income to net sales)	17.9 (3.6%)	25.9 (4.9%)	43.8 (4.3%)	<b>30.0</b> (5.4%)	<b>39.0</b> (6.6%)	<b>69.0</b> (6.0%)
<b>Net Income</b> (Percentage of income to net sales)	10.1 (2.0%)	9.2 (1.7%)	19.3 (1.9%)	<b>15.5</b> (2.8%)	<b>21.5</b> (3.6%)	<b>37.0</b> (3.2%)

## ■ FX rate

<b>Yen/1USD</b>	96	90	93	<b>91</b>	<b>90</b>	<b>91</b>
<b>Yen/1EUR</b>	133	129	131	<b>114</b>	<b>110</b>	<b>112</b>

- ◆ Numerical values for forecast results in the first half and the fiscal year remain unchanged.
- ◆ The projected exchange rate for the second quarter and beyond was adjusted.  
(1 euro =120 yen ⇒110 yen)
- ◆ Efforts will be made to build on past performance by executing measures for further sales expansion and improving the management structure.
  - Challenging sales expansion that exceeds the original budget in all business areas
    - Leverage the effect of heat waves in Japan and Europe in the air conditioning business.  
Further expand sales in the favorable areas of China and Asia.
    - Emphasize sales expansion to the automobile and semiconductor markets for the chemicals business.
  - Promoting additional cost cutting measures and strict control of fixed costs

# ■ First Quarter Sales and Operating Profit by Division

(Unit: billion yen)

Net sales	1Q(Apr.-Jun.)		
	FY09	FY10	Y/y changes
Air-conditioning	212.0	229.5	108%
Chemicals	16.1	25.4	158%
Others	4.2	6.0	144%
<b>Total</b>	<b>232.3</b>	<b>260.9</b>	<b>112%</b>

FY2010 Forecast	Y/y changes
<b>1012.0</b>	111%
<b>108.0</b>	125%
<b>35.0</b>	120%
<b>1155.0</b>	<b>113%</b>

Operating Income	1Q(Apr.-Jun.)		
	FY09	FY10	Y/y changes
Air-conditioning	8.8	15.9	181%
Chemicals	▲ 2.1	0.7	—
Others	▲ 1.4	▲ 0.9	—
<b>Total</b>	<b>5.3</b>	<b>15.7</b>	<b>299%</b>

FY2010 Forecast	Y/y changes
<b>64.5</b>	141%
<b>8.0</b>	1143%
<b>0.5</b>	—
<b>73.0</b>	<b>166%</b>

# Sales by region: Air-conditioning Business



Unit: Billion yen

<Reference>  
Published in May

	FY06 1Q		FY07 1Q		FY08 1Q		FY09 1Q		FY10 1Q	
<b>Japan</b>	104%	<b>83.9</b>	110%	<b>91.9</b>	101%	<b>93.2</b>	84%	<b>78.0</b>	<b>103%</b>	<b>80.6</b>
<b>Europe</b>	105%	<b>52.4</b>	212%	<b>111.2</b>	79%	<b>88.3</b>	68%	<b>59.7</b>	<b>96%</b>	<b>57.6</b>
<b>China</b>	123%	<b>13.7</b>	180%	<b>24.7</b>	124%	<b>30.7</b>	70%	<b>21.4</b>	<b>145%</b>	<b>31.0</b>
<b>Asia</b>	143%	<b>11.4</b>	193%	<b>22.0</b>	126%	<b>27.7</b>	70%	<b>19.4</b>	<b>126%</b>	<b>24.4</b>
<b>America</b>	167%	<b>1.0</b>	2440%	<b>24.4</b>	98%	<b>24.0</b>	82%	<b>19.7</b>	<b>103%</b>	<b>20.2</b>
<b>Oceania</b>	112%	<b>6.6</b>	145%	<b>9.6</b>	111%	<b>10.7</b>	77%	<b>8.2</b>	<b>113%</b>	<b>9.3</b>
<b>Middle east</b>	71%	<b>1.0</b>	430%	<b>4.3</b>	149%	<b>6.4</b>	50%	<b>3.2</b>	<b>142%</b>	<b>4.5</b>
<b>Africa</b>	133%	<b>0.8</b>	225%	<b>1.8</b>	106%	<b>1.9</b>	126%	<b>2.4</b>	<b>81%</b>	<b>1.9</b>
<b>Total</b>	108%	<b>170.8</b>	170%	<b>289.9</b>	98%	<b>282.9</b>	75%	<b>212.0</b>	<b>108%</b>	<b>229.5</b>

FY10 Original Forecast	
112%	<b>363.5</b>
104%	<b>229.0</b>
123%	<b>160.0</b>
111%	<b>92.0</b>
116%	<b>100.0</b>
103%	<b>40.5</b>
110%	<b>19.5</b>
103%	<b>7.5</b>
111%	<b>1,012.0</b>

<b>Overseas Sales ratio</b>	<b>51%</b>	<b>68%</b>	<b>67%</b>	<b>63%</b>	<b>65%</b>	<b>64%</b>
<b>FX rate(USD/Yen)</b>	<b>¥115</b>	<b>¥121</b>	<b>¥105</b>	<b>¥97</b>	<b>¥92</b>	<b>¥90</b>
<b>(EUR/Yen)</b>	<b>¥144</b>	<b>¥163</b>	<b>¥163</b>	<b>¥133</b>	<b>¥117</b>	<b>¥120</b>

# Sales by region: Chemicals



Unit: Billion yen

	FY06 1Q		FY07 1Q		FY08 1Q		FY09 1Q		FY10 1Q	
<b>Japan</b>	102%	<b>11.0</b>	105%	<b>11.5</b>	105%	<b>12.1</b>	53%	<b>6.4</b>	<b>157%</b>	<b>10.1</b>
<b>America</b>	119%	<b>8.5</b>	86%	<b>7.3</b>	105%	<b>7.7</b>	60%	<b>4.6</b>	<b>146%</b>	<b>6.7</b>
<b>Asia</b>	67%	<b>1.8</b>	106%	<b>1.9</b>	123%	<b>2.4</b>	63%	<b>1.5</b>	<b>156%</b>	<b>2.3</b>
<b>China</b>	121%	<b>2.4</b>	114%	<b>2.7</b>	121%	<b>3.3</b>	61%	<b>2.0</b>	<b>182%</b>	<b>3.7</b>
<b>Europe</b>	114%	<b>1.7</b>	148%	<b>2.6</b>	113%	<b>2.9</b>	46%	<b>1.3</b>	<b>172%</b>	<b>2.3</b>
<b>Others</b>	64%	<b>0.03</b>	85%	<b>0.02</b>	753%	<b>0.18</b>	142%	<b>0.25</b>	<b>87%</b>	<b>0.2</b>
<b>Total</b>	105%	<b>25.4</b>	102%	<b>26.0</b>	110%	<b>28.5</b>	57%	<b>16.1</b>	<b>157%</b>	<b>25.4</b>

<Reference>  
Published in May

FY10 Original Forecast	
129%	<b>44.2</b>
113%	<b>25.0</b>
131%	<b>9.3</b>
141%	<b>19.0</b>
112%	<b>9.1</b>
114%	<b>1.4</b>
125%	<b>108.0</b>

<b>Overseas sales ratio</b>	<b>57%</b>	<b>56%</b>	<b>58%</b>	<b>60%</b>	<b>60%</b>	<b>60%</b>
<b>FX rate(USD/Yen)</b>	<b>¥115</b>	<b>¥121</b>	<b>¥105</b>	<b>¥97</b>	<b>¥92</b>	<b>¥90</b>
<b>(EUR/Yen)</b>	<b>¥144</b>	<b>¥163</b>	<b>¥163</b>	<b>¥133</b>	<b>¥117</b>	<b>¥120</b>

# Overall First Quarter Divisional Performance

## Air-conditioning business

### Japan

- In addition to stagnant consumer spending, demand for residential-use air conditioning was lower than the previous year due to unseasonable weather in April and May.

Although lower than the previous year, sales recovered due to favorable weather occurring from June, launch of new Daikin products (Ururu Sarara with built-in 4-directional airflow built that flows up, down, left and right), and sales expansion of small-sized volume units.

- Demand for commercial-use was comparable to previous year.  
Sales rose against the previous year due to comprehensive follow up to dealers with proposals featuring improved energy-savings and launch of differentiated energy-saving products including Eco-ZEAS 80.
- Share for Ecocute (heat pump type hot water supply system) expanded due to measures to strengthen sales such as development of dealers specializing in residential equipment (ECO Planners Club).

	(1000units)	FY2010			
		1Q	Y/y	Total	Y/y
Residential	Market	1,878	98%	7,000	104%
	Daikin	—	99%	—	113%
Commercial	Market	179	101%	606	100%
	Daikin	—	102%	—	103%

(Our estimated)

# ■ Overall First Quarter Divisional Performance

## Air-conditioning business

### Europe

- Although low-level demand has persisted since last year, Daikin has followed up its efforts to dealers and expanded active sales promotion with a shift that has occurred largely as planned.
- For residential-use, a shift was seen that slightly exceeded plan, especially for Italy, France, and Spain.
- For commercial-use, the shift exceeded the previous year largely as planned. Although there is a sense that demand is bottoming out, recovery remains sluggish.
- Sales of Daikin Altherma High Temperature have contributed to the heating business (Daikin Altherma) and exceeded previous year's results 126% (unit sales base).

### China

- Revenues have substantially increased (145% over the previous year) for the first quarter (Jan-March period). Sales are expanding to inland regions and the lineup been expanded to residential-use, commercial-use, applied systems, etc. Progress has been made in improving the sales system by strengthening dealer support and increasing employees.
- The second quarter (April-June) and beyond continues to be favorable. Company sales have also experienced high growth.
- A favorable shift was seen for residential-use by newly launched inverter volume zone models. With more stringent regulations (executed from June) to raise level for energy savings, further promotion is being attempted for widespread use of inverter models.
- Inquires are strong in the heating business for Daikin Altherma with China specifications.

# ■ Overall First Quarter Divisional Performance

---

## Air-conditioning business

### Asia/Oceania

- There has been a favorable shift in conditions overall.
- Business for Thailand and Singapore has exceeded planned. In particular, in Thailand, a heat wave has continued since April, and sales have substantially expanded.
- Launch of a volume zone model for residential-use began in India, and sales have substantially expanded.
- In Vietnam and Indonesia, dealer development has progressed, and sales have expanded satisfactory.
- In Australia, there is concern for the effect of subsidies ending for home purchases and the rise in interest rates, but a shift has occurred to brisk sales.

### North America

- Demand for the applied business is harsh, but Daikin efforts are going according to plan. There is a trend toward recovery for pending inquiries. New products continue to be developed, and energy-saving products are being promoted to increase product appeal and obtain orders.
- A sales network is being organized and demand is being created for ductless and VRVs with results exceeding planned.

# ■ Overall First Quarter Divisional Performance

---

## Chemical business

- Revenue and profit have substantially increased.
- In addition to developing sales expansion measures that take advantage of demand recovery in the automobile and semiconductor markets, efforts are being made for sales involving infrastructure investment in China.
- Operating profit has favorably shifted as planned. Despite the effect of steep increases in market prices, there has been a substantial improvement from the deficit of the previous term due to the strengthening of the business constitution, such as the reduction in fixed costs continued from the previous fiscal year, as well as expanded sales of popular products.



# ***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.
- The Company asks for your own discretion in using this data. The Company accepts no liability for any loss or damage of any kind arising out of judgment for investment made solely relying on the business forecast or target figures described in the data.