



# **Presentation of Management Plan for FY2011** **(term ended March 31, 2012)**

**June 16, 2011**  
***DAIKIN INDUSTRIES, LTD.***



## Management Plan for FY2011

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(¥1billion)

	FY2007	FY2008	FY2009	FY2010	FY2011 Forecast	Y/y changes
<b>Sales</b>	<b>1,291.1</b>	<b>1202.4</b>	<b>1024.0</b>	<b>1160.3</b>	<b>1310.0</b>	113%
<b>Operating Income</b> <small>(Percentage of income to net sales)</small>	<b>128.1</b> (9.9%)	<b>61.4</b> (5.1%)	<b>44.0</b> (4.3%)	<b>75.5</b> (6.5%)	<b>85.0</b> (6.5%)	113%
<b>Ordinary Income</b> <small>(Percentage of income to net sales)</small>	<b>121.7</b> (9.4%)	<b>52.0</b> (4.3%)	<b>43.8</b> (4.3%)	<b>74.8</b> (6.4%)	<b>82.0</b> (6.3%)	110%
<b>Net Income</b> <small>(Percentage of income to net sales)</small>	<b>74.8</b> (5.8%)	<b>21.8</b> (1.8%)	<b>19.4</b> (1.9%)	<b>19.9</b> (1.7%)	<b>41.0</b> (3.1%)	206%

## ■ FX rate

Yen/1USD	<b>114</b>	<b>101</b>	<b>93</b>	<b>86</b>	<b>80</b>	—
Yen/1EUR	<b>162</b>	<b>143</b>	<b>131</b>	<b>113</b>	<b>115</b>	—

\*Sensibility of Foreign Exchange  
(Impact of change by 1 yen to operating income)

	FY2010 Result	FY2011 Forecast
US\$	* 0.6billion yen	*0.6billion yen
EUR	0.5billion yen	0.5billion yen

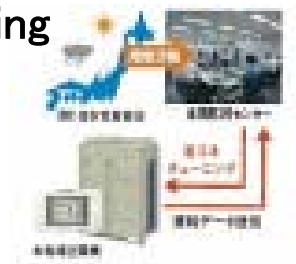
\* Including Chinese Yuan, AUS\$, THB

**We intend to minimize the impact of the Great East Japan Earthquake and soaring market prices of raw materials to achieve increased sales and profit for two consecutive terms.**

- Minimize the impact of the Great East Japan Earthquake.
  - Resourceful management fully capitalizing on product inventory.
  - Regarding parts shortages, support for affected suppliers and efforts to accelerate development of alternative parts.
- Reduce the impact of soaring market prices of raw materials and thoroughly execute pricing policy that offsets surges in market prices.
- Significantly expand sales of and establish a system for developing electricity-saving and energy-efficient products to meet needs during the power shortage.
  - Launch “Electric Power Saving Control Center” to promote our unique energy-saving solution proposals throughout the country.
- Significantly expand sales and improve profitability in emerging countries (volume zone).
- Expand environment-related businesses (heating and applied solutions businesses).
- Select and focus advanced investment and further improve efficiency of working capital (reduce inventory and accounts receivables).
- In the Chemicals business, expand sales of all products, further expand business particularly in China through applications development, ensure higher prices corresponding to surges in market prices, and achieve total cost reduction.

Against the backdrop of the power shortage, actively promote electric-power-saving solution proposals that combine energy-efficient equipment and energy-saving services

- Remote energy-saving tuning  
『Sho-Ene-Toban』

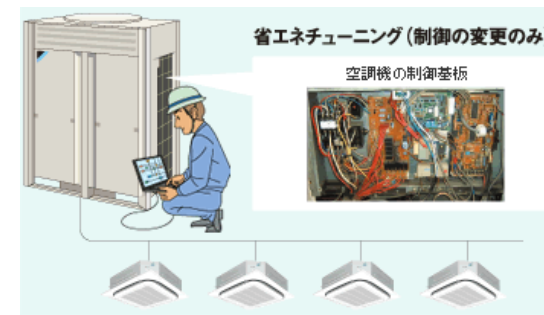


- Reduction of power consumption  
『Ene-Cut』

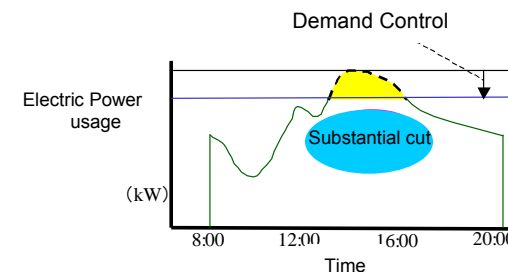


- Significant reduction of daytime power consumption during summer  
『Ice Storage VRV』

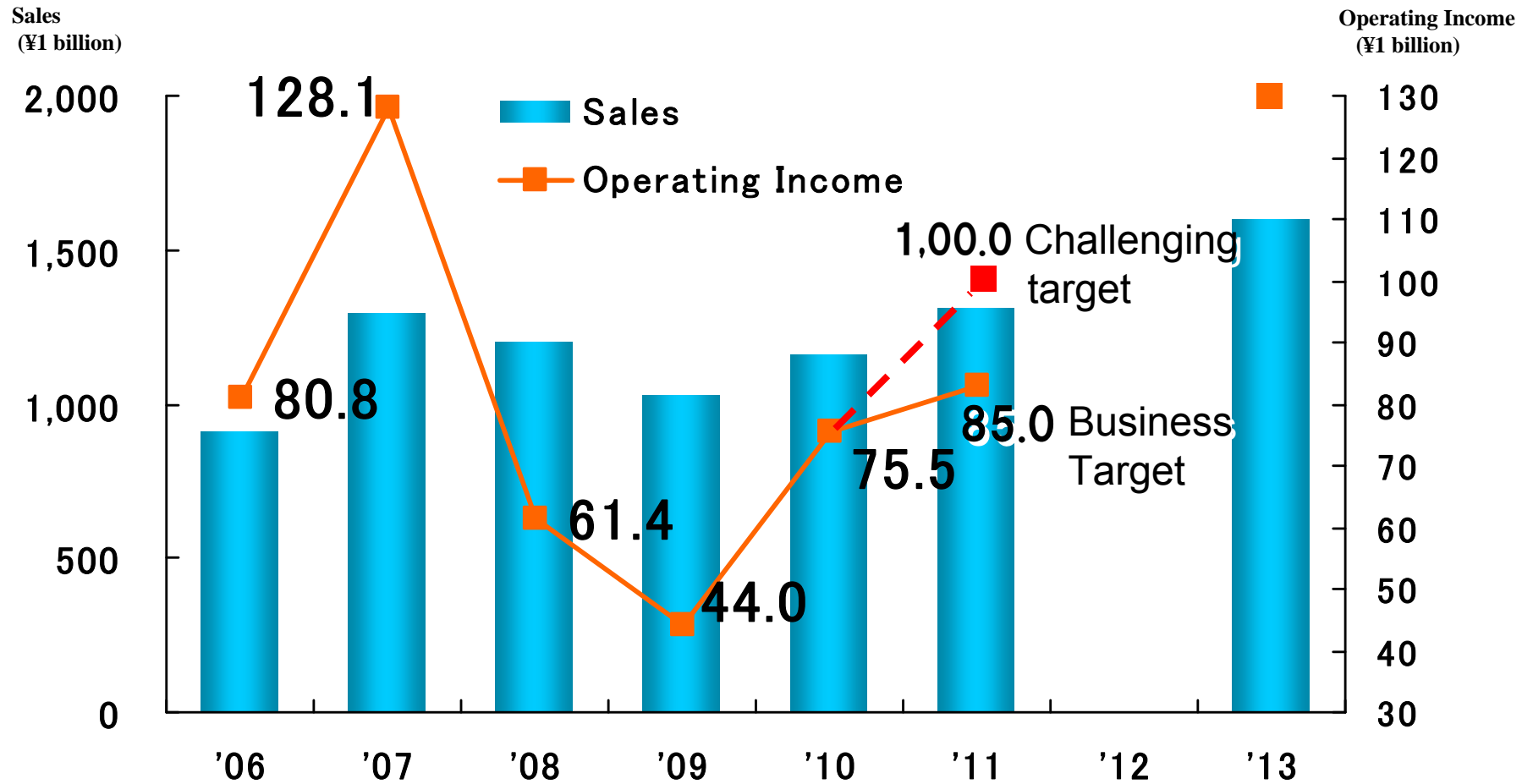
- Refrigerant temperature control  
『VRV Ene-Tuning』



- Demand control 『i-Demand』



## Challenging targets to generate higher results



# Business forecast (1H/2H)



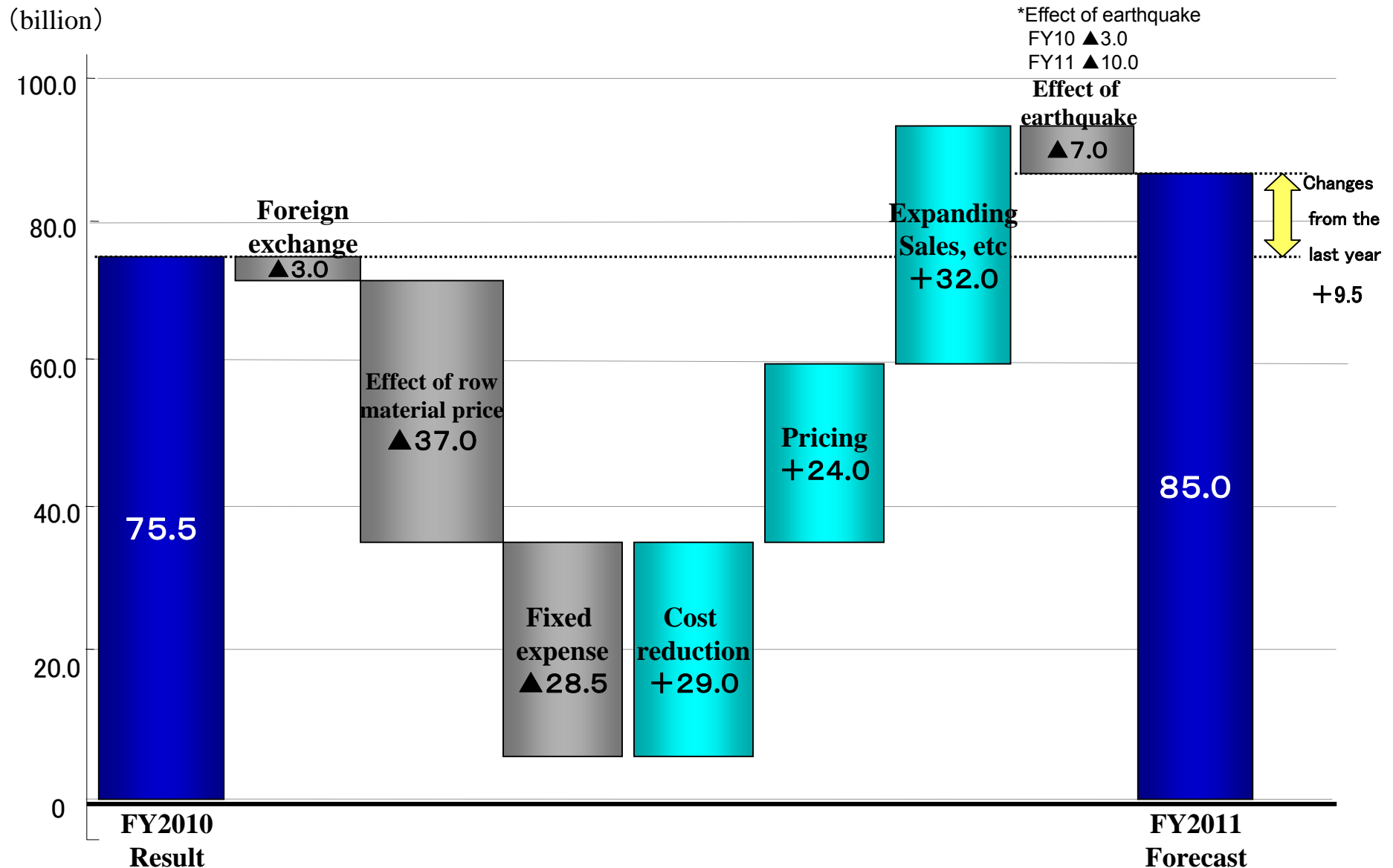
(¥1billion)

	FY2010 Actual result			FY2011 Forecast		
	1H	2H	Total	1H	2H	Total
<b>Net sales</b>	<b>571.0</b>	<b>589.4</b>	<b>1160.3</b>	<b>630.0</b>	<b>680.0</b>	<b>1310.0</b>
<b>Operating Income</b> (Percentage of income to net sales)	<b>40.4</b> (7.1%)	<b>35.0</b> (5.9%)	<b>75.5</b> (6.5%)	<b>41.0</b> (6.5%)	<b>44.0</b> (6.5%)	<b>85.0</b> (6.5%)
<b>Operating Income</b> (Percentage of income to net sales)	<b>38.9</b> (6.8%)	<b>35.9</b> (6.1%)	<b>74.8</b> (6.4%)	<b>41.0</b> (6.5%)	<b>41.0</b> (6.0%)	<b>82.0</b> (6.3%)
<b>Net Income</b> (Percentage of income to net sales)	<b>5.5</b> (1.0%)	<b>14.4</b> (2.4%)	<b>19.9</b> (1.7%)	<b>20.0</b> (3.2%)	<b>21.0</b> (3.1%)	<b>41.0</b> (3.1%)

## ■ FX rate

<b>Yen/1USD</b>	<b>89</b>	<b>83</b>	<b>86</b>	<b>80</b>
<b>Yen/1EUR</b>	<b>114</b>	<b>112</b>	<b>113</b>	<b>115</b>

# Breakdown of changing in Operating Income



# Business Forecast by Segments



(¥1billion)

		FY2010 Result	FY2011 Forecast	Y/y changes
Total	Sales	1,160.3	1,310.0	113%
	Operating Income <small>(Percentage of income to net sales)</small>	75.5 (6.5%)	85.0 (6.5%)	113%
Air-Conditioning	Sales	1,004.6	1,126.0	112%
	Operating Income <small>(Percentage of income to net sales)</small>	64.7 (6.4%)	70.0 (6.2%)	108%
Chemicals	Sales	114.8	140.0	122%
	Operating Income <small>(Percentage of income to net sales)</small>	10.9 (9.5%)	14.0 (10.0%)	129%
Others	Sales	41.0	44.0	107%
	Operating Income <small>(Percentage of income to net sales)</small>	▲ 0.04 —	1.0 (2.3%)	—

# Business Forecast by Segments



## Air-Conditioning business (Japan)

- In reaction to the heat wave and the Eco-Point program of the previous year, demand for residential air conditioners is expected to show a year-on-year decrease, while demand for commercial air conditioners should remain unchanged from the previous year.
- Thoroughly execute pricing policy that offsets surges in market prices (raised prices from April) and total cost reduction.
- Launch energy-efficient differentiated products to improve profitability by increasing the ratio of high value-added products within the overall sales mix.
  - Room air conditioners will be equipped with Flash Streamer technology as a standard feature. For commercial air conditioners, expand sales of 『Eco-ZEAS 80』 featuring overwhelming energy efficiency.
- Actively promote our unique electricity-saving solutions to reinforce energy-saving solutions business.
  - We will establish the Electric Power Saving Control Center to strengthen power-saving options and enable responses to inquiries about meeting power shortage needs during summer.
  - Energy-saving proposals such as 『Air-Net』, 『Ene-Cut』, and 『i-Demand (peak cut)』
- Reinforce proposal specification structure to capture restoration demand, including demand for room air conditioners used in temporary housing.
- Reinforce our current distribution network for Eco-cute, such as dealers with strengths in household equipment (Eco Planners Club stores).

<Unit sales of AC for the entire Japanese market, Daikin sales >

(1000units)		FY2010 Result		FY2011 Forecast	
		Total	Y/y	Total	Y/y
Residential	Market	8,666	128%	7,000	81%
	Daikin	—	128%	—	88%
Commercial	Market	721	119%	730	101%
	Daikin	—	116%	—	105%
Eco-cute	Market	566	112%	539	95%
	Daikin	—	127%	—	102%

<Index of market demand index >

(Y/y change)	FY09	FY10	FY11 Forecast
Personal spending	0.0%	+0.8%	▲0.8%
New housing starts	▲25.4%	+5.6%	+2.0%
Private capital inve	▲13.6%	+4.5%	+1.7%
Floor areas of new construction of commercial building(Less than 3000㎡)	▲22.7%	+8.0%	+4.0%

# Business Forecast by Segments



## Air-Conditioning business (Over seas)

(Europe)

- In major countries, launch new products that meet local needs (radiant floor-standing type air conditioners for residential use; multi-functional VRV for commercial use) and develop finely tuned sales promotion activities leveraging our robust distribution network.
- In emerging markets, develop dealers and introduce standard inverter units to accelerate business expansion in the volume zone.
- Ensure execution of pricing policy that offsets surges in market prices (raised prices from April) and total cost reduction.
- In the heating business, enhance distribution/service networks in each country as well as in our core market of France to capture higher levels of replacement demand.
- In the applied business, expand business by increasing sales of energy-efficient products.

< Increase ratio of sales units in Europe (volume-based ) >

(Y/y change)		FY10	FY11 Forecast	
		Result	Market	Daikin
Residential		123%	102%	103%
Commercial	SKY	106%	105%	106%
	VRV	113%	107%	111%
Heating		102%	108%	126%
Applied(Sales)		106%	102%	112%

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

※VRV・・・Multi-split system for building

※The forecast of Applied is based on local currency

# Business Forecast by Segments



## Air-Conditioning business (Over seas)

(China)

- Continue developing dealers in the steadily growing mid-western and interior regions of China.
- Against the backdrop of increasingly stringent energy-saving regulations, substantially expand sales of standard inverter units for residential use capitalizing on the dealers established in the first half of the fiscal year.
- For commercial-use units, which comprise the main pillar of profitability, accelerate business expansion by launching new products and developing markets in the interior regions.
- In the applied business, launch large-size energy-efficient units to capture brisk demand from infrastructure investment.
- In the heating business, reinforce sales promotion activities to establish our business foundation.

< Increase ratio of sales units in China (volume-based) >

(Y/y change)		FY10 Result	FY11 Forecast	
			Market	Daikin
Residential		135%	108%	149%
Commercial	SKY	104%	108%	131%
	VRV	125%	105%	115%
Applied(Sales)		154%	116%	124%

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

※VRV・・・Multi-split system for building

※The forecast of Applied is based on local currency

# Business Forecast by Segments



## Air-Conditioning business (Over seas)

(Asia & Oceania)

- In addition to strengthening our existing distribution network in Australia, develop national accounts (nationwide mass retailers) and home-builder channels to expand business.
- In Singapore and Thailand, reinforce support for dealers and consistently win project bids.
- In India, aided by robust demand for air conditioners, continue reinforcing distribution network and enhance product portfolio ranging from small- to large-sized units to expand sales.
- In emerging markets (Vietnam, Indonesia, Malaysia, etc.), ensure continued development of dealers. Launch products targeting the volume zone to substantially expand sales of residential air conditioners.

< Increase ratio of sales units in Asia&Oceania (volume-based ) >

(Y/y change)		FY10 Result	FY11 Forecast	
			Market	Daikin
Residential		128%	118%	129%
Commercial	SKY	117%	109%	116%
	VRV	113%	121%	122%

※SKY・・・Middle or compact size package air conditioners  
 ※VRV・・・Multi-split system for building

(North America)

- Amid flat demand in the applied market (99% compared with previous year), aim to continue the double-digit growth of the previous year by expanding sales of energy-efficient products (developed at the Applied Development Center). In addition, accelerate structural reforms (fixed-cost reductions and productivity improvements) to expand profitability.
- For ductless-type air conditioners, reinforce distribution network, enhance sales force, and enhance product line-up to expand the market for energy-efficient air conditioning systems.

< Increase ratio of sales units in North America (volume-based ) >

(Y/y change)		FY10 Result	FY11 Forecast	
			Market	Daikin
Residential		163%	109%	118%
Commercial	SKY	193%	110%	199%
	VRV	137%	127%	130%
Applied(Sales)		115%	99%	115%

※SKY・・・Middle or compact size package air conditioners  
 ※VRV・・・Multi-split system for building  
 ※The forecast of Applied is based on local currency

# Business Forecast by Segments



## Chemical business

- Minimize the impact of the earthquake by maximizing global supply and selling out product inventory.
- Reduce the effects of soaring market prices and ensure higher prices to offset effects.
- Promote applications development to capture demand from infrastructure and environment-related investment in China and accelerate business expansion.
- Further expand sales of Optool (anti-fouling coating material) adopted for smartphones in the first half of the fiscal year.
- Expand sales of environment-related products (heat-shielding paint Zeffle, electrolyte solution for lithium ion batteries, new refrigerants, etc.)
- Make comprehensive efforts to realize a fixed-cost structure that will not backslide in order to achieve significant increases in sales and operating profit exceeding the previous year.

### < Demands by Products (Sales) >

(Y/y changes)	FY10 Result	FY11 Forecast	
		Market	Daikin
For all fluorochemical products	117%	116%	122%
Fluorocarbon Gas	105%	116%	145%
Polymers&Fluoro-elastmers	93%	113%	119%

### < Demands by Area (Sales) >

	FY10 Result	FY11 Forecast
Japan	103%	110%
America	102%	111%
Europe	104%	109%
Asia	111%	140%
China	125%	125%
Total	107%	116%

## Others

- Oil hydraulics business: Start local production in China, expand sales of hybrid oil-hydraulic units that contribute strongly to energy savings, and achieve profit turnaround by reinforcing management constitution through total cost reduction.
- Defense systems business: Make efforts to strengthen home-use oxygen therapy (oxygen enricher) business in addition to defense-related business.
- Electronics business: Strengthen product competitiveness focusing on two core BUs (visual R&D, IT infrastructure (network) management) and the consulting business to establish a stable and profitable business constitution.

## III. Reference

# Sales by region: Air-conditioning Business

	FY2006		FY2007		FY2008		FY2009		FY2010		FY2011 Forecast	
<b>Japan</b>	104%	<b>353.2</b>	106%	<b>372.8</b>	99%	<b>370.7</b>	88%	<b>324.8</b>	112%	<b>364.6</b>	104%	<b>380.0</b>
<b>Europe</b>	132%	<b>223.7</b>	153%	<b>341.3</b>	80%	<b>272.1</b>	81%	<b>220.6</b>	97%	<b>213.8</b>	114%	<b>244.0</b>
<b>China</b>	132%	<b>79.6</b>	174%	<b>138.2</b>	102%	<b>140.5</b>	93%	<b>130.0</b>	125%	<b>162.1</b>	120%	<b>195.0</b>
<b>Asia</b>	134%	<b>42.5</b>	234%	<b>99.4</b>	98%	<b>97.7</b>	85%	<b>82.8</b>	132%	<b>109.5</b>	125%	<b>137.0</b>
<b>America</b>	257%	<b>7.2</b>	1429%	<b>102.9</b>	103%	<b>105.8</b>	81%	<b>85.9</b>	104%	<b>89.7</b>	110%	<b>99.0</b>
<b>Oceania</b>	122%	<b>35.9</b>	134%	<b>48.1</b>	78%	<b>37.4</b>	106%	<b>39.5</b>	101%	<b>39.9</b>	110%	<b>44.0</b>
<b>Middle east</b>	126%	<b>5.9</b>	341%	<b>20.1</b>	123%	<b>24.8</b>	71%	<b>17.7</b>	101%	<b>18.0</b>	111%	<b>20.0</b>
<b>Africa</b>	102%	<b>4.2</b>	217%	<b>9.1</b>	114%	<b>10.4</b>	70%	<b>7.3</b>	96%	<b>7.0</b>	100%	<b>7.0</b>
<b>Total</b>	117%	<b>752.2</b>	150%	<b>1,131.9</b>	94%	<b>1,059.4</b>	86%	<b>908.6</b>	111%	<b>1,004.6</b>	112%	<b>1,126.0</b>

\*Number on the left are year on year basis

<b>Overseas Sales ratio</b>	<b>53%</b>	<b>67%</b>	<b>65%</b>	<b>64%</b>	<b>64%</b>	<b>66%</b>
<b>FX rate(USD/Yen)</b>	<b>¥116</b>	<b>¥114</b>	<b>¥101</b>	<b>¥93</b>	<b>¥86</b>	<b>¥80</b>
<b>(EUR/Yen)</b>	<b>¥148</b>	<b>¥162</b>	<b>¥143</b>	<b>¥131</b>	<b>¥113</b>	<b>¥115</b>

※Year-on-year sales in local currency

	FY2009	FY2010	FY2011
Europe	88%	112%	112%
China	101%	131%	125%
America	88%	113%	119%

# Sales by region: Chemicals



(¥1billion)

	FY2006		FY2007		FY2008		FY2009		FY2010		FY2011 Forecast	
<b>Japan</b>	110%	<b>49.6</b>	100%	<b>49.8</b>	83%	<b>41.5</b>	82%	<b>34.2</b>	<b>137%</b>	<b>46.9</b>	111%	<b>52.0</b>
<b>America</b>	106%	<b>35.0</b>	86%	<b>30.0</b>	88%	<b>26.5</b>	83%	<b>22.1</b>	<b>122%</b>	<b>27.1</b>	115%	<b>31.0</b>
<b>Asia</b>	85%	<b>8.5</b>	104%	<b>8.8</b>	91%	<b>8.0</b>	89%	<b>7.1</b>	<b>150%</b>	<b>10.7</b>	141%	<b>15.0</b>
<b>China</b>	120%	<b>12.7</b>	118%	<b>15.0</b>	103%	<b>15.4</b>	88%	<b>13.5</b>	<b>142%</b>	<b>19.2</b>	154%	<b>29.5</b>
<b>Europe</b>	127%	<b>10.5</b>	116%	<b>12.2</b>	77%	<b>9.4</b>	86%	<b>8.1</b>	<b>122%</b>	<b>9.9</b>	111%	<b>11.0</b>
<b>Others</b>	112%	<b>0.2</b>	71%	<b>0.2</b>	669%	<b>1.2</b>	105%	<b>1.2</b>	<b>85%</b>	<b>1.1</b>	143%	<b>1.5</b>
<b>Total</b>	108%	<b>116.5</b>	100%	<b>116.0</b>	88%	<b>101.9</b>	85%	<b>86.2</b>	<b>133%</b>	<b>114.8</b>	122%	<b>140.0</b>

\*Number on the left are year on year basis

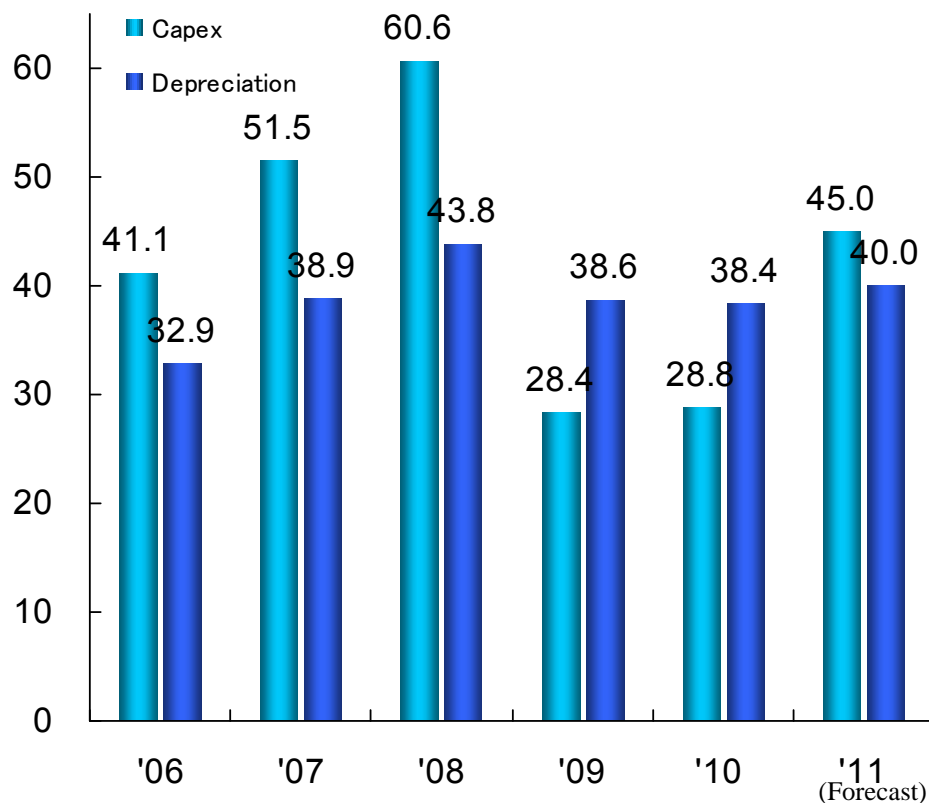
<b>Overseas sales ratio</b>	<b>57%</b>	<b>57%</b>	<b>61%</b>	<b>62%</b>	<b>59%</b>	<b>63%</b>
<b>FX rate(USD/Yen)</b>	<b>¥116</b>	<b>¥114</b>	<b>¥101</b>	<b>¥93</b>	<b>¥86</b>	<b>¥80</b>
<b>(EUR/Yen)</b>	<b>¥148</b>	<b>¥162</b>	<b>¥143</b>	<b>¥131</b>	<b>¥113</b>	<b>¥115</b>

# Capital Expenditure, Depreciation and R&D cost



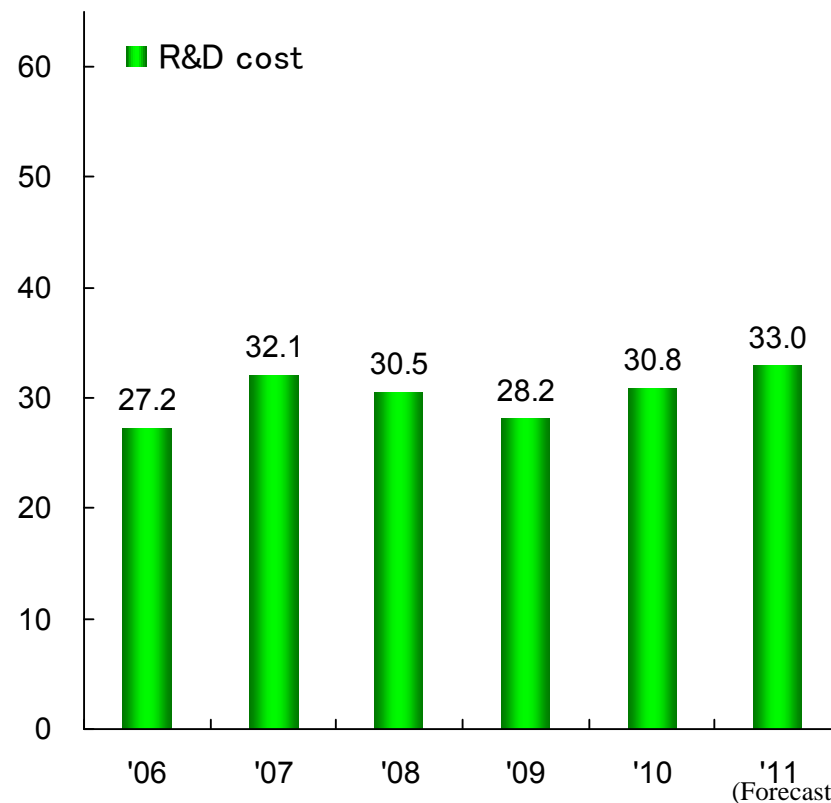
## Capex and Depreciation

(billion yen)



## R&D Cost

(billion yen)



(billion yen)	FY06	FY07	FY08	FY09	FY10	FY11 (Forecast)
<b>Capex</b>	<b>41.1</b>	<b>51.5</b>	<b>60.6</b>	<b>28.4</b>	<b>28.8</b>	<b>45.0</b>
<b>Depreciation</b>	<b>32.9</b>	<b>38.9</b>	<b>43.8</b>	<b>38.6</b>	<b>38.4</b>	<b>40.0</b>
<b>R&amp;D Cost</b>	<b>27.2</b>	<b>32.1</b>	<b>30.5</b>	<b>28.2</b>	<b>30.8</b>	<b>33.0</b>



# ***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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