



# **Presentation of Financial Results for the Third Quarter in Dec.2011**

**February 8, 2012**

***DAIKIN INDUSTRIES, LTD.***

## **Financial Results for the Third Quarter in Dec.2011**

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# ■ Review of FY2011 3Q Financial Result



**Despite the continuing harsh economic environment, both revenue and profits increased by promoting active development of sale expansion measures and total cost reductions. Increases in revenue and profits are also anticipated for the entire fiscal year.**

**Revenue and profits increased in the 3Q for both sales and operating income over the previous year.**

The air conditioning business experienced a shift toward sales promotion of new energy-saving products in Japan, a strengthening of the sales system in China, growth of inverter air conditioners, and a bullish shift in the chemical business. Profit was ensured by diligence in selling price measures (price increases) and total cost reductions to offset the soaring market prices for raw materials. Also, great efforts were made to minimize the impact of the Great East Japan Earthquake and the drastic appreciation of the yen.

**With substantial factors suggesting a decline in results after the 3Q, projections for consolidated results for the entire fiscal year have been revised.**

Sales and profit in each category are, respectively, expected to fall below previously announced projections due to recessionary pressure originating in the debt problems in Europe, unseasonable weather in Australia during the demand period, parts procurement difficulties from the large flooding in Thailand, decline in currencies of emerging countries, and further quality measures taken for residential-use humidifying and dehumidifying air purifiers.

**Although the future for economic trends and currency fluctuations in the advanced countries in the 4Q is uncertain, measures to achieve profit announced by the Group will be thoroughly promoted with the aim of increasing revenue and profits.**

For the air conditioning business, we are actively promoting sales expansion in emerging countries including India, Turkey, and Brazil where growth is remarkable, and, for the chemical business, we are promoting global sales by concentrating on fields, such as the automotive field, that have favorable conditions. Furthermore, we are extending additional total cost reductions throughout the company centering on fixed costs.

# Business Results(Company-wide)



(¥1billion)

	3Q(Oct.-Dec.)			1-3Q(Apr.-Dec.)			FY11 Forecast		FY11 Forecast	
	FY09	FY10	Y/y changes	FY09	FY10	Y/y changes	Revised Forcast	Y/y changes	Forecast (Nov.)	Y/y changes
<b>Net Sales</b>	279.6	<b>283.6</b>	<b>101%</b>	850.5	<b>905.4</b>	<b>106%</b>	<b>1,240.0</b>	<b>107%</b>	1,280.0	110%
<b>Operating Income</b> <small>(Percentage of income to net sales)</small>	16.0 (5.7%)	<b>12.4</b> (4.4%)	<b>78%</b>	56.4 (6.6%)	<b>60.3</b> (6.7%)	<b>107%</b>	<b>78.0</b> (6.3%)	<b>103%</b>	90.0 (7.0%)	119%
<b>Ordinary Income</b> <small>(Percentage of income to net sales)</small>	15.3 (5.5%)	<b>10.2</b> (3.6%)	<b>67%</b>	54.3 (6.4%)	<b>56.7</b> (6.3%)	<b>105%</b>	<b>75.0</b> (6.0%)	<b>100%</b>	86.0 (6.7%)	115%
<b>Net Income</b> <small>(Percentage of income to net sales)</small>	6.3 (2.3%)	<b>3.2</b> (1.1%)	<b>50%</b>	11.8 (1.4%)	<b>31.3</b> (3.5%)	<b>265%</b>	<b>36.0</b> (2.9%)	<b>181%</b>	46.0 (3.6%)	231%

## FX rate

<b>Yen/1USD</b>	¥83	<b>¥77</b>	—	¥87	<b>¥79</b>	—	<b>¥78</b>	<b>¥77</b>
<b>Yen/1EUR</b>	¥112	<b>¥104</b>	—	¥113	<b>¥111</b>	—	<b>¥108</b>	<b>¥109</b>

### \*Effects of FX (Year on year)

(Oct.-Dec.) On sales: ▲16.0billion yen  
 On Operating Income: ▲3.0billion yen  
 (Apr.-Dec) On sales: ▲38.0billion yen  
 On Operating Income: ▲5.0billion yen

### \*4Q exchange rate

1dollar = 75 yen  
 1 euro = 100 yen  
 (Change from 105 yen rate announced  
 in November yen)

# Business Results by segments



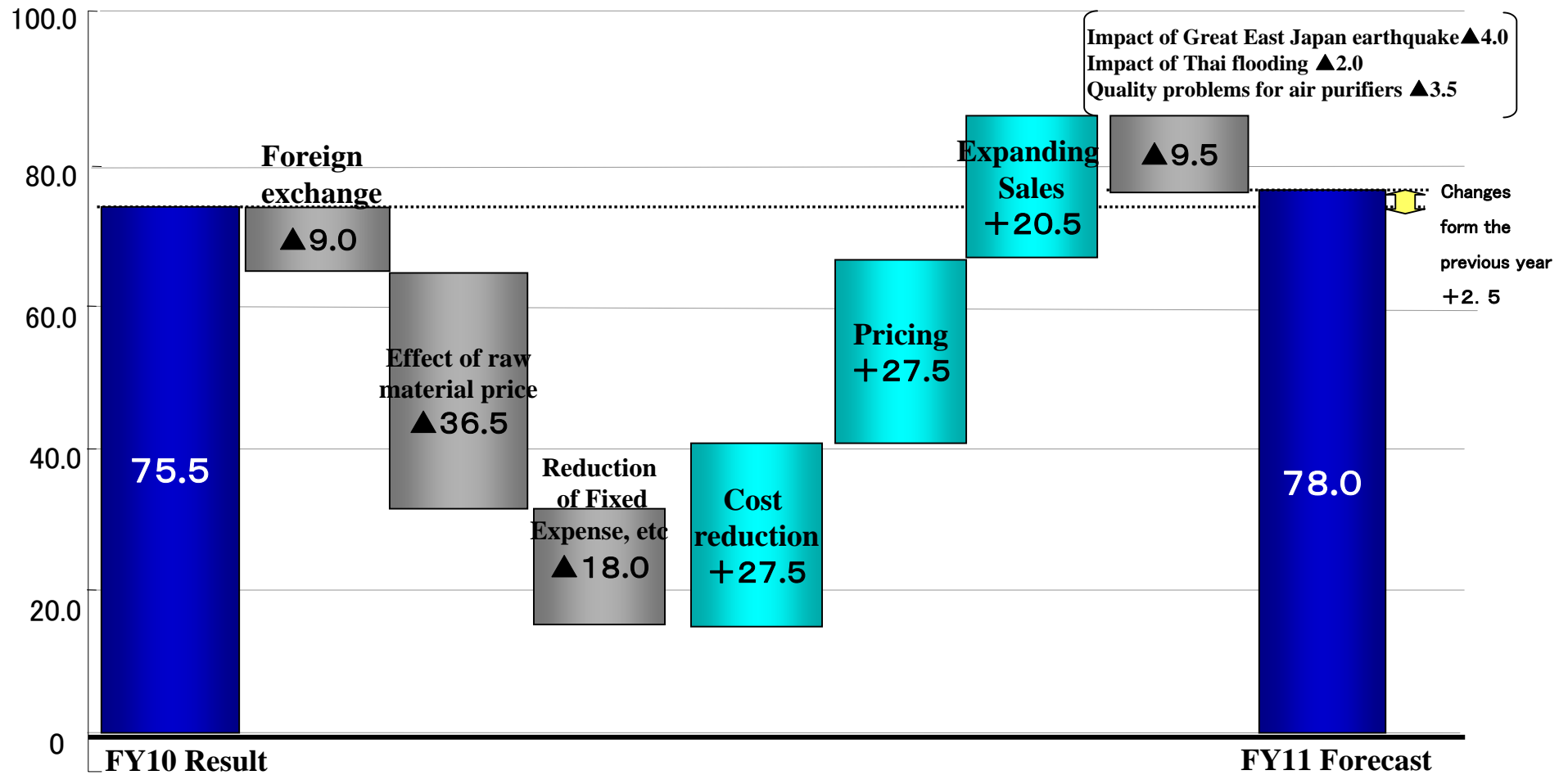
(¥1billion)

		3Q(Oct.-Dec.)Result			1-3Q(Apr.-Dec.)Result			FY2011 Forecast		FY2011 Forecast	
		FY2010	FY2011	Y/y changes	FY2010	FY2011	Y/y changes	Revised Forecast	Y/y changes	Forecast(Nov.)	Y/y changes
Total	Sales	279.6	283.6	101%	850.5	905.4	106%	1,240.0	107%	1,280.0	110%
	Operating Income <small>(Percentage of income to net sales)</small>	16.0 (5.7%)	12.4 (4.4%)	78%	56.4 (6.6%)	60.3 (6.7%)	107%	78.0 (6.3%)	103%	90.0 (7.0%)	119%
Air-Conditioning	Sales	244.0	244.8	100%	742.9	781.8	105%	1,060.0	106%	1,090.0	109%
	Operating Income <small>(Percentage of income to net sales)</small>	15.1 (6.2%)	9.1 (3.7%)	60%	51.3 (6.9%)	47.1 (6.0%)	92%	58.0 (5.5%)	90%	70.0 (6.4%)	108%
Chemicals	Sales	27.8	30.9	111%	81.6	95.3	117%	135.0	118%	145.0	126%
	Operating Income <small>(Percentage of income to net sales)</small>	1.1 (3.9%)	3.6 (11.8%)	339%	5.7 (7.0%)	13.5 (14.2%)	237%	19.0 (14.1%)	175%	19.0 (13.1%)	175%
Others	Sales	7.9	7.9	100%	26.1	28.3	108%	45.0	110%	45.0	110%
	Operating Income <small>(Percentage of income to net sales)</small>	▲ 0.2 —	▲ 0.4 —	—	▲ 0.7 —	▲ 0.3 —	—	1.0 (2.2%)	—	1.0 (2.2%)	—

# Breakdown of changing in Operating Income(Revised)



(Unit: billion)



(Reference) Previous forecast (Nov.)	FY10 Operating Income	Foreign exchange	Effect of row material price	Reduction of Fixed Expense, etc	Cost reduction	Pricing	Expanding Sales	Impact of earthquake	FY11 Operating Income
	75.5	▲8.0	▲38.0	▲25.0	+29.0	+30.0	+30.5	▲4.0	90.0

## Japan

- Although a special procurement dip was feared for residential-use equipment from the heat wave and Ecopoint System of the previous year, replacement purchases for energy-saving equipment provided support, and industry demand remained on par with the previous year.

By promoting electrical power conservation, Daikin experienced increases in share from sales promotion of high value-added models.

- With awareness being high for electrical power conservation and energy-savings in commercial-use products, industry demand centering on replacement demand exceeded the previous year. Daikin made great efforts to promote sales of products, such as 『Eco-ZEAS80』, that offer high energy-savings and conserve electric power. The company also executed as planned an increase in selling prices to offset the soaring market prices for raw materials.
- Demand continues to decrease for Eco-Cute accompanying the decline from the earthquake in consumer confidence for all-electrical houses, and the price war is fierce. Although the situation is extremely challenging for both industry demand and company sales, efforts are being directed toward solutions proposals, including a combination of solar panels, and the business foundation is being strengthened.

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

	(1000units)	1-3Q Result	Y/y	FY11Revised Forecast		FY11 Forecast (Nov.)	
Residential	Market	6,697	99%	8,053	98%	8,006	96%
	Daikin	—	101%	—	102%	—	105%
Commercial	Market	596	110%	830	106%	830	106%
	Daikin	—	104%	—	105%	—	106%
Eco-cute	Market	375	89%	499	88%	539	95%
	Daikin	—	82%	—	83%	—	96%

## Europe

- The European financial crisis has extended to the real economy, and harsh conditions are expected to further continue for air conditioning demand.
- For residential use, demand cooled because of the unseasonably cool summer and protracted stagnant economy. Main countries such as Italy and Spain experienced a large decline, and sales fell below the previous year.
- Despite the stagnating construction market, sales promotion of commercial-use products focused heavily on high value-added VRV models with sales activities utilizing the strong sales networks in each country, including Germany and the United Kingdom.
- Within the harsh business environment where demand is contracting in the largest market of France, heating sales were strengthened in other countries, and sales exceeded the previous year.
- In Turkey where air conditioning demand is growing, Daikin incorporated the sales network of Airfel that was acquired in July, and sales results are expanding favorably.
- Products meeting European needs in stagnant demand  
 (Ex: Currently, measures are being tackled that anticipate such areas as reduction of fixed costs by constitutional reforms and clear, advantageous positioning of managerial resources at the same time as efforts are being made to expand sales that emphasize sales promotion centering on residential-use *[[Nexura]]* (heating and cooling air conditioner that uses radiant heat without direct air flow) and relatively favorable regions (UK, Germany, Turkey, Middle and Near East).

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

(Y/y change)		1-3Q	FY11 Revised Forecast		FY11 Forecast (Nov.)	
		Result	Market	Daikin	Market	Daikin
Residential		90%	88%	91%	92%	92%
Commercial	SKY	76%	93%	82%	98%	103%
	VRV	109%	100%	106%	102%	109%
Heating		107%	105%	106%	108%	115%
Applied		126%	102%	119%	102%	123%

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

# Business Review by Segments(Air-conditioning business)

## China

※calendar year accounting (Jan.- Sep.)

- Although a negative impact has occurred from such factors as the yen appreciation, soaring market prices of raw materials, and tight money policies, two-digit growth has continued by promoting sales of a full product range that extends from small-scale to large-scale and shifting sales promotion from large cities to Midwestern and inland regions.
- Sales of energy-saving products expanded for residential-use products by efforts to accelerate the adoption of inverter units in the market.

Commercial-use products expanded favorably due to a strengthened sales network, products with specifications unique to China, and an abundant product lineup.

Sales promotion for Applied Systems centered on high energy-saving products such as centrifugal chillers, and growth continues to exceed industry demand.

- Although there has been a tendency toward a slowdown in growth (particularly in large cities) since October due to the impact of tight money, real estate investment restrictions, and the freezing of infrastructure investment, two-digit growth has continued to be maintained by sale promotion that utilizes a strong sales network.

### <Year-on-Year Sales by Quarter for Daikin (China) Investment (local currency base)>

1Q (Jan.-Mar.)	2Q (Apr.-Jun.)	3Q (Jul.-Sep.)	4Q (Oct.-Dec.)
122%	132%	123%	115%

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

(Y/y change)	1-3Q Result	FY11 Revised Forecast		FY11 Forecast (Nov.)	
		Market	Daikin	Market	Daikin
Residential	136%	108%	130%	108%	146%
Commercial	SKY	107%	120%	107%	128%
	VRV	105%	125%	105%	122%
Applied	150%	116%	141%	116%	137%

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

※VRV・・・Multi-split system for building

※The forecast of Applied is based on sales (local currency).

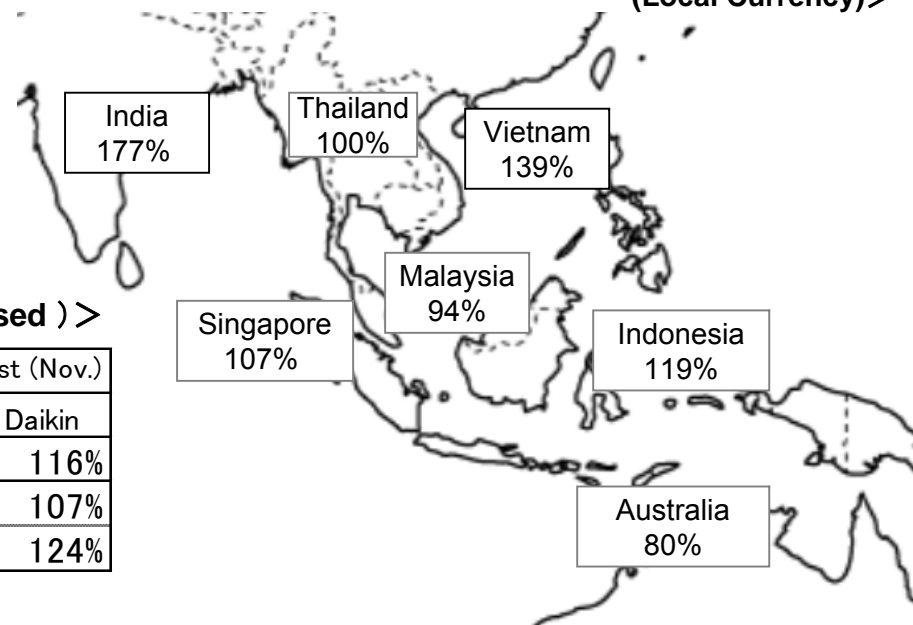
## Asia/Oceania

- Sales for residential-use and commercial-use products expanded favorably in the background of a bullish economic environment for Singapore.
- Sales store development and training was tackled in India and Vietnam, and sales expanded favorably.  
(Year-on-year comparison of sales quantity for residential-use: India 255%; Vietnam 138%)
- Sales fell below the previous year for Australia due to a stagnant construction market and a cool summer.
- Because of the unseasonable weather, sales decreased in Malaysia centering on residential-use products in particular.

<Sales of main countries in Asia, Oceania over the the previous year (Local Currency)>

### Effect of Large-Scale Flooding in Thailand

The flooding impacted parts procurement at manufacturing bases. Currently production has resumed due to concentrated measures such as restoration support provided to suppliers and substitution parts. We are doing our best to minimize the impact to business activities including utilization of parts inventory.



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

(Y/y change)	1-3Q Result	FY11 Revised Forecast		FY11 Forecast (Nov.)	
		Market	Daikin	Market	Daikin
Residential	113%	99%	111%	89%	116%
Commercial	SKY	100%	100%	103%	107%
	VRV	119%	119%	122%	124%

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

※VRV・・・Multi-split system for building

## North America

- In addition to strengthening the sales network and after sales service system, Applied Systems experienced two-digit growth from sales promotion of energy-saving products (including magnetic bearing centrifugal chillers and air-cooled chillers) despite the harsh market environment.
- Sales substantially grew for ductless with sales increasing due to the progress in development and training performed for the sales network and the steady progress in receiving orders for VRV, which has been recognized for its high energy-saving capability.

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

(Y/y change)		1-3Q Result	FY11 Revised Forecast		FY11 Forecast (Nov.)	
			Market	Daikin	Market	Daikin
Residential		98%	109%	110%	109%	115%
Commercial	SKY	118%	114%	125%	114%	124%
	VRV	122%	123%	125%	123%	125%
Applied		119%	99%	117%	99%	124%

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

- Sales of fluorochemical products shifted to favorable centering on China where market expansion is progressing, and both sales and operating income have emerged showing substantial increases in revenue and profit over the previous year.
- Although demand has contracted dramatically from the stagnation of semiconductor industry in the second half and the slower rate of infrastructure investment in China, a substantial increase was ensured for operating income over the previous year due to sales promotion that included fluoroelastomers in the bullish automotive market, promotion of application development such as *OPTOOL* (antifouling surface coating) utilized in smartphones and tablet PC-type devices, further reduction of fixed costs, and increase in productivity.

### < Increase ratio of sales (Sales-based) >

(Y/y changes)	1-3Q Result	FY11 Revised Forecast		FY11 Forecast (Nov.)	
		Market	Daikin	Market	Daikin
For all fluorochemical products	117%	108%	117%	117%	126%
Fluorocarbon Gas	165%	110%	136%	116%	145%
Polymers&Fluoro-elastmers	113%	105%	119%	114%	129%
Fine Chemicals etc	107%	—	106%	—	116%

# Reference

# Sales by region: Air-conditioning Business

(Unit: Billion yen)	FY08 1~3Q		FY09 1~3Q		FY10 1~3Q		FY11 1~3Q		FY11 3Q(Oct.-Dec.)		FY11 Forecast (Revised)		FY11 Forecast (Nov.)	
	<b>Japan</b>	103%	282.8	86%	244.3	109%	265.8	<b>107%</b>	<b>283.8</b>	<b>104%</b>	<b>87.0</b>	<b>106%</b>	<b>387.0</b>	106%
<b>Europe</b>	87%	221.7	75%	166.5	94%	157.2	<b>94%</b>	<b>148.3</b>	<b>84%</b>	<b>39.0</b>	<b>92%</b>	<b>196.0</b>	99%	<b>212.0</b>
<b>China</b>	109%	111.3	87%	97.4	126%	122.8	<b>120%</b>	<b>147.5</b>	<b>113%</b>	<b>52.2</b>	<b>118%</b>	<b>192.0</b>	123%	<b>200.0</b>
<b>Asia</b>	105%	78.1	78%	60.8	134%	81.6	<b>104%</b>	<b>84.7</b>	<b>91%</b>	<b>25.8</b>	<b>110%</b>	<b>120.0</b>	119%	<b>130.0</b>
<b>America</b>	100%	79.3	82%	64.6	104%	67.4	<b>105%</b>	<b>70.9</b>	<b>103%</b>	<b>23.3</b>	<b>105%</b>	<b>94.0</b>	105%	<b>94.0</b>
<b>Oceania</b>	86%	29.4	99%	29.1	103%	30.0	<b>83%</b>	<b>25.0</b>	<b>80%</b>	<b>9.2</b>	<b>93%</b>	<b>37.0</b>	100%	<b>40.0</b>
<b>Middle east</b>	136%	19.8	62%	12.2	106%	13.0	<b>130%</b>	<b>16.9</b>	<b>204%</b>	<b>6.8</b>	<b>150%</b>	<b>27.0</b>	111%	<b>20.0</b>
<b>Africa</b>	122%	7.9	72%	5.7	91%	5.2	<b>92%</b>	<b>4.7</b>	<b>82%</b>	<b>1.4</b>	<b>100%</b>	<b>7.0</b>	100%	<b>7.0</b>
<b>Total</b>	99%	830.2	82%	680.6	109%	742.9	<b>105%</b>	<b>781.8</b>	<b>100%</b>	<b>244.8</b>	<b>106%</b>	<b>1060.0</b>	109%	<b>1,090.0</b>

\*Number on the left are year on year basis

<b>Overseas Sales ratio</b>	<b>66%</b>	<b>64%</b>	<b>64%</b>	<b>64%</b>	<b>66%</b>	<b>63%</b>	<b>64%</b>
<b>FX rate(USD/Yen)</b>	<b>¥103</b>	<b>¥94</b>	<b>¥87</b>	<b>¥79</b>	<b>¥77</b>	<b>¥78</b>	<b>¥84</b>
<b>(EUR/Yen)</b>	<b>¥151</b>	<b>¥133</b>	<b>¥113</b>	<b>¥111</b>	<b>¥104</b>	<b>¥108</b>	<b>¥112</b>

## ※Year-on-year sales in local currency

	1-3Q	3Q(Oct.-Dec.)	FY11 Forecast (Revised forecast)	FY11 Forecast (Nov.)
Europe	96%	91%	96%	103%
China	127%	118%	124%	128%
America	116%	111%	116%	117%

# Sales by region: Chemicals



(Unit: Billion yen)	FY08 1~3Q		FY09 1~3Q		FY10 1~3Q		FY11 1~3Q		FY11 3Q(Oct.-Dec.)		FY11 Forecast (Revised)		FY11 Forecast (Nov.)	
	<b>Japan</b>	94%	34.2	69%	23.5	145%	34.0	102%	34.8	91%	10.7	105%	49.0	114%
<b>America</b>	96%	21.2	70%	14.8	127%	18.9	108%	20.5	126%	7.4	118%	32.0	118%	32.0
<b>Asia</b>	104%	6.7	69%	4.6	166%	7.7	148%	11.3	126%	3.6	131%	14.0	150%	16.0
<b>China</b>	120%	12.6	72%	9.0	147%	13.3	152%	20.1	137%	6.6	138%	26.5	156%	30.0
<b>Europe</b>	99%	8.1	67%	5.4	130%	7.0	110%	7.7	107%	2.4	121%	12.0	121%	12.0
<b>Others</b>	731%	1.0	94%	0.9	82%	0.7	120%	0.9	100%	0.3	143%	1.5	143%	1.5
<b>Total</b>	100%	83.7	70%	58.3	140%	81.6	117%	95.3	111%	30.9	118%	135.0	126%	145.0

\*Number on the left are year on year basis

<b>Overseas sales ratio</b>	<b>60%</b>	<b>61%</b>	<b>58%</b>	<b>64%</b>	<b>58%</b>	<b>64%</b>	<b>63%</b>
<b>FX rate(USD/Yen)</b>	<b>¥103</b>	<b>¥94</b>	<b>¥87</b>	<b>¥79</b>	<b>¥77</b>	<b>¥78</b>	<b>¥84</b>
<b>(EUR/Yen)</b>	<b>¥151</b>	<b>¥133</b>	<b>¥113</b>	<b>¥111</b>	<b>¥104</b>	<b>¥108</b>	<b>¥112</b>

## ※Year-on-year sales in local currency

	1-3Q	3Q(Oct.-Dec.)	FY11 Forecast (Revised forecast)	FY11 Forecast (Nov.)
America	119%	138%	130%	132%
China	160%	144%	145%	162%
Europe	112%	112%	127%	126%

## ■ Expenditure, Depreciation, R&D Cost



(¥1billion)	FY2010		FY2011		
	1-3Q	Result	1-3Q	Forecast (Revised)	Forecast (Nov.)
Capex	19.4	29.9	31.2	42.0	45.0
Depreciation	29.5	39.8	28.0	40.0	40.0
R&D Cost	22.9	30.8	25.5	33.0	33.0



# ***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.