



# Second-half Plan For The Strategic Management Plan “FUSION 10”

May 28, 2008

Daikin Industries, Ltd.

# Background of Planning

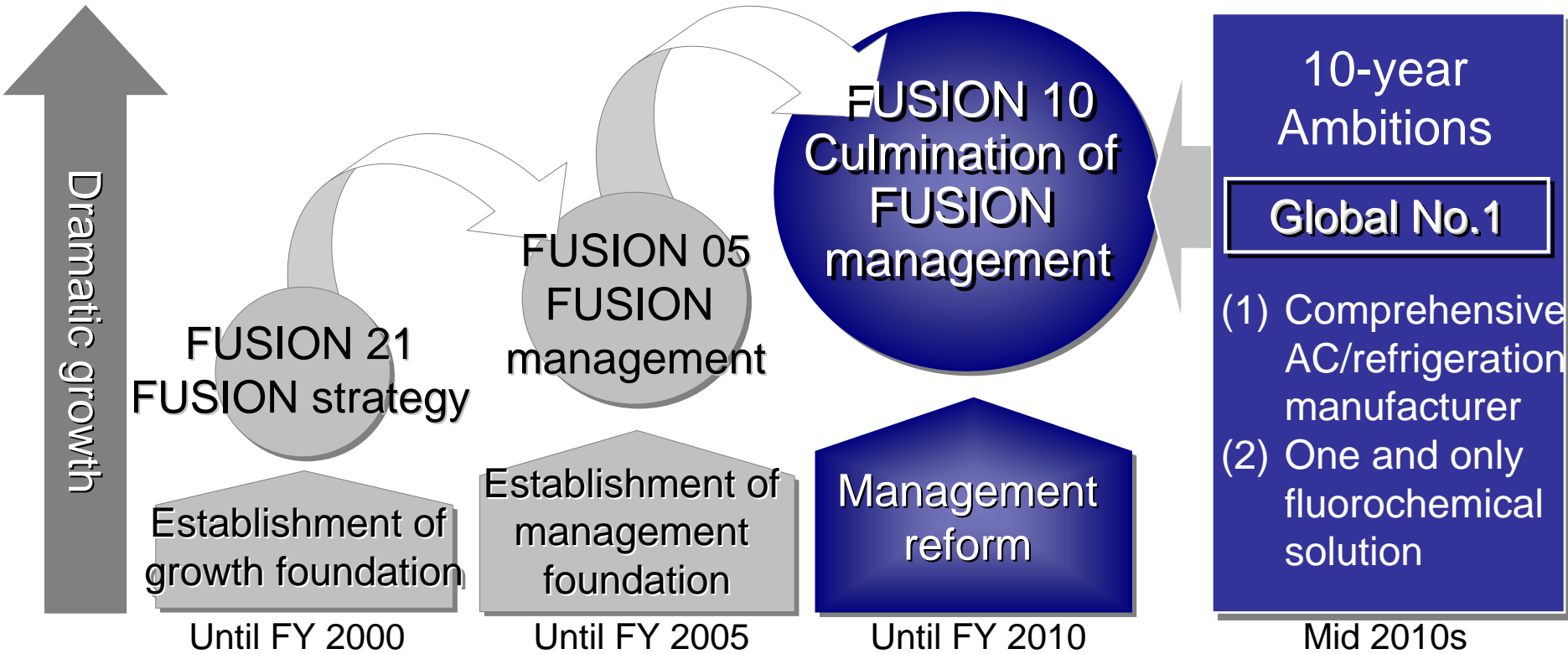
- ◆ After the first half of last fiscal year, the global air conditioner business including Europe largely exceeded the plan, and we estimated that we could achieve the fiscal 2008 target of the strategic management plan [FUSION 10] (referred to as F10 hereafter) almost one year in advance, setting fiscal year 2010 as the target year. As a result, after the second half of last fiscal year, we have studied an interim action plan for the latter 3 years of the F10 (2008 ~ 2010).
- ◆ On the other hand, since the launch of the F10 in 2006, the environment surrounding the business inside and outside the Company has changed considerably for the following reasons.
  - (1) Concern about global environmental problems and global warming in particular is increasing at high speed at a global level.
  - (2) Demand for air conditioners has sharply increased in emerging markets in countries including China, India, and the Middle East.
  - (3) Two years have passed since the acquisition of OYL, and business activities have been financially stable including generation of synergy.

- ◆ In particular, before starting the study on the [Second-half F10 Plan], we laid emphasis on both active contribution to solving global environmental problems and expansion of business making use of such contribution and adjusted the strategies and numerical targets as “environment fusion.”
- ◆ Since the start of this year, although the economic environment has been increasingly uncertain, we defined the fiscal year 2010 target, which has been an imaginary target to date, as a specific numerical goal and we announce today that we were able to work out detailed strategies to realize the numerical goal.
- ◆ No changes have been made to the basic idea or direction of the F10. Dynamic challenges will be rolled out continuously to [maximize corporate value to realize global excellence] and [achieve the global No.1 position in the AC field in fiscal year 2010].

- >> I. Guideline for [FUSION 10]
- II. Numerical goal for fiscal year 2010
- III. Target for contribution to the global environment and promotion of an environmental strategy
- IV. Achievement of the global No.1 position in the AC field
- V. Strategy for growth in the chemicals business
- VI. Strategy for fostering business

# Basic policy for FUSION F10

- 1. Use the achievements made in FUSION 21 and 05 to realize the next leap forward.
- 2. Develop a guidepost to achieving our ambitions for the coming 10 years with the aim of culmination of FUSION management.
- 3. Boldly take on challenges to realize excellent opportunities and achieve large gains: FUSION 10 priority on action.
- 4. Conduct management reform reaching new heights to produce results.



# FUSION 10 Goals

<FUSION 10 goals>

To maximize corporate value to become a truly global and excellent company

To become a world-leading global No.1 business

To shift creation and value creation through technical innovation

Robust profitability and financial structure with excellent capital efficiency

To be worldwide renowned [people-oriented management]

Enhanced [flat & fast management of people and organization] as a driving engine

# Points of the second-half F10 plan

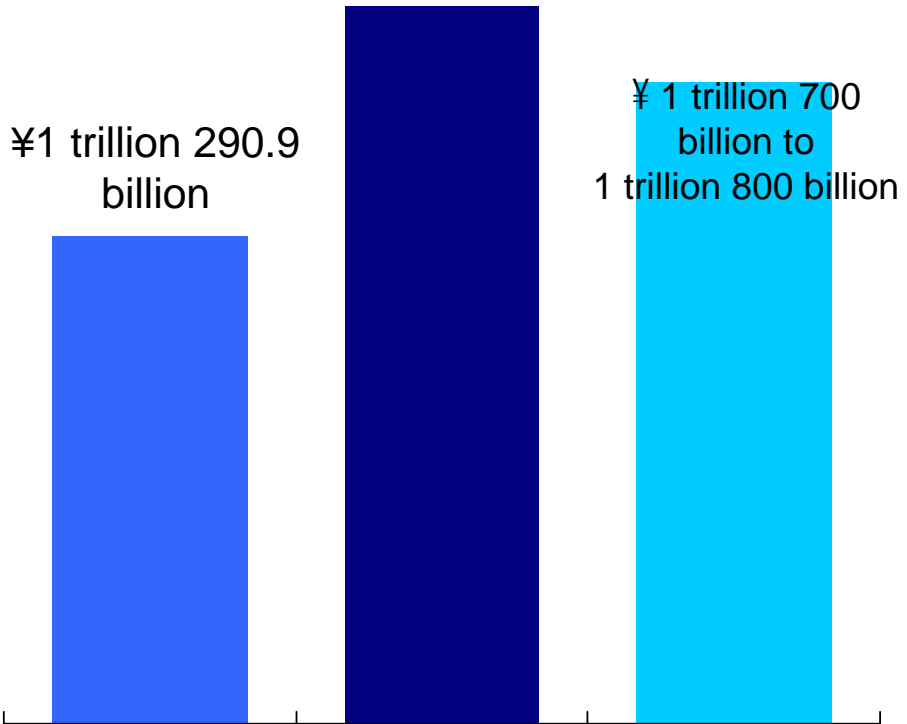


- I. Guideline for [FUSION 10]
- >> II. Numerical goal for fiscal year 2010**
- III. Target for contribution to the global environment and promotion of an environmental strategy
- IV. Achievement of the global No.1 position in the AC field
- V. Strategy for growth in the chemicals business
- VI. Strategy for fostering business

# Target for company-wide sales and profit

## Sales

¥1 trillion 900 billion



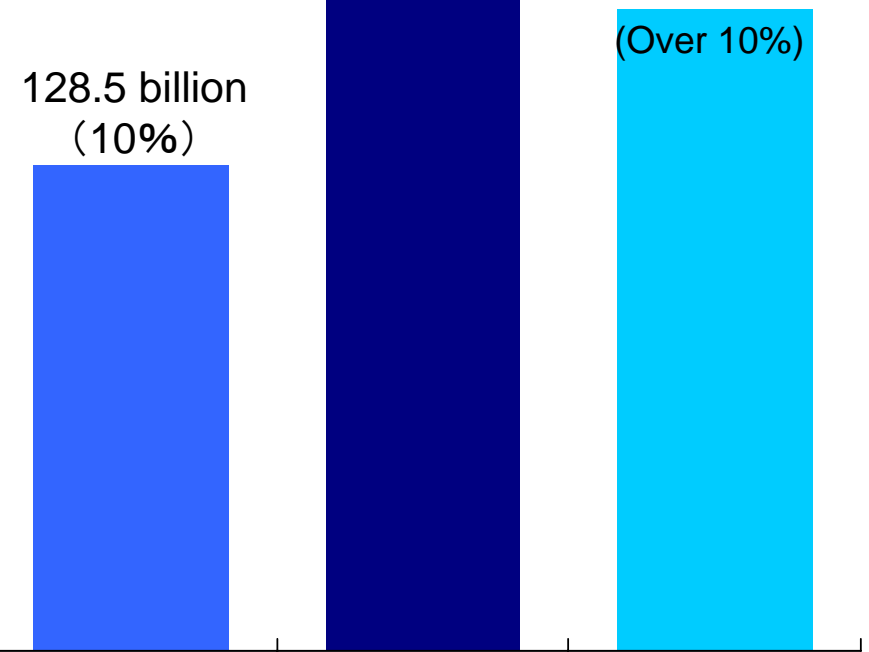
FY 2007  
Actual sales

FY 2010  
Target

Revised F10  
FY 2010 image  
(February/2007)

## Operating profit

¥190 billion  
(10%)



FY 2007  
Actual sales

FY 2010  
Target

Revised F10  
FY 2010 image  
(February/2007)

## <Sales and Profit Plan by Business>

Reference: Previous  
(February/2007)

| Unit: ¥100 million                   |                  | FY 2007<br>Actual sales | FY 2010 Target | FY 2010 image       |
|--------------------------------------|------------------|-------------------------|----------------|---------------------|
| Air<br>conditioning<br>Refrigeration | Sales            | 11,317                  | 17,000         | 14,000 to<br>15,000 |
|                                      | Operating profit | (11%) 1,246             | (10%) 1,720    | Over 10%            |
| chemicals                            | Sales            | 1,161                   | 1,500          | 2,000               |
|                                      | Operating profit | (3%) 35                 | (10%) 150      | Over 15%            |
| Other                                | Sales            | 431                     | 600            | 900                 |
|                                      | Operating profit | (1%) 4                  | (5%) 30        | Over 5%             |
| Company-<br>wide<br>Total            | Sales            | 12,909                  | 19,000         | 17,000 to<br>18,000 |
|                                      | Operating profit | (10%) 1,285             | (10%) 1,900    | Over 10%            |

\* The company-wide total and division total do not match due to company-wide adjustments.

\* Estimated FY 2010 exchange rate: US\$1=¥105. 1 euro=¥155

# Financial Targets

|                          | FY 2007 Actual sales                  | FY 2010 Target                           |
|--------------------------|---------------------------------------|--|
| ROA                      | 6.3%                                  | 7.5%                                     |
| ROE *                    | 15.8%                                 | 15.0%                                    |
| Total sum of 3 years FCF | '06~'08 annual plan<br>+ ¥ 90 billion | '08~'10 annual plan<br>+ ¥ 150.0 billion |
| DVA (EVA)                | ¥ 6.6 billion                         | ¥ 25.0 billion                           |

\* ROE: Equity capital at the beginning of the period of '07 was calculated before capital investment.

(Reference) Average of the manufacturing industry ('06) ROA: 4.0%, ROE: 9.7%

# Investment Plan

|                      | '08 to '10      |
|----------------------|-----------------|
| Total sum of 3 years | ¥ 230.0 billion |

|  | '06 to '08      |
|--|-----------------|
|  | ¥ 160.0 billion |

Over ¥26 billion is planned as environment investment.

- Investment in environmental product development (¥12 billion)  
Low-cost inverters, heat pump heating products, Ecocute, desiccant air conditioners, heat shield paint, etc.
- Greenhouse gas cutting (¥2.7 billion), etc.

\* Environment-related research and development costs increased over 1.5 fold compared to '07.

## Large-scale investment

- For investment in equipment for increased production for plants in Czechoslovakia and Thailand
- For setting up a plant in India (Approx. ¥4.0 billion)
- For setting up the Applied Development Center (Approx. ¥5.0 billion)
- For investment for increased production of ETFE (Approx. ¥7.0 billion)

- I. Guideline for [FUSION 10]
- II. Numerical goal for fiscal year 2010
- >> III. Target for contribution to the global environment and promotion of an environmental strategy**
- IV. Achievement of the global No.1 position in the AC field
- V. Strategy for growth in the chemicals business
- VI. Strategy for fostering business

The most important theme aiming to become a truly global and excellent company is to satisfy both contribution to solving global environmental problems and business expansion based on such contribution.

## Setting the target for FY 2010 global environment contribution

◎ Quantifying the target to reduce greenhouse gas emissions during production

## Setting environmental strategic themes

- (1) Distribution and expansion of inverter products to world markets
- (2) Full-fledged entry into the heating business through heat pump technologies
- (3) Global development of the energy-saving solution business utilizing Air Net
- (4) Product groups contributing to the environment
- (5) Advanced handling of refrigerant for air conditioners

# Target for FY 2010 global environmental contribution

The entire Daikin group aims to cut greenhouse gas emissions during production to:

**Less than 1.4 million tons by FY 2010**  
(reduction of more than 50% at the start of F10 compared to the FY 2005 ratio)

\*Greenhouse gas: CO<sub>2</sub>, HFC, PFC

© Set up a separate reduction target for FY 2010 broken down by business activities aiming to achieve the above target.

- Reduction of HFC and PFC emissions during production activities in domestic plants to less than 150,000 tons
- Reduction of CO<sub>2</sub> emissions in the machinery business to 7% compared to '90, etc.

# Actions to reduce greenhouse gas (Example)

Production

## ◎ Energy saving of plant equipment

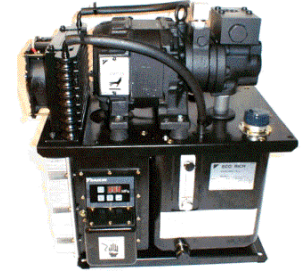
Changing to inverter-assisted fluorescent lights



Use of own energy-saving products



(Energy-saving air-conditioning system)  
(Hybrid oil hydraulics)



## ◎ Non-use of CFCs in airtightness tests for air conditioners

## ◎ Expanded use of green electric power and solar thermal energy

Marketing

## ◎ Execution of environment sales

- Simulation of the amount of CO2 emission , etc.

Logistics

## ◎ Transportation efficiency improvement and modal shift

## Main actions

- ◎ Complete ISO14001 certificate acquisition by 2010 at main OYL bases that have newly joined the group.
- ◎ Recycle substances discharged from production plants for reclamation and eliminate incineration completely by 2010.
- ◎ Strictly control chemical substances and reduce the amount of emission.
  - Reduce the discharged amount of PRTR\* target substances by 50% in Japan by 2010 (over FY 2005).
  - Reduce PFOA\* contained in fluorine products by 95% in 2009 and eliminate it completely by 2012.

\*PRTR: Abbreviation for pollutant release and transfer register  
An institution obligating counting and notification of the amount of specific discharged chemical substances and the amount of waste moved

\*PFOA: Auxiliary agent used for the manufacturing portion of fluorine resin and rubber products  
PFOA is a stable substance but is under investigation and research due to concern about environment and safety.

# Environmental strategic themes (1)

## Distribution and expansion of inverter products to world markets

© Input low-cost inverters into the RA prevalent unit market. In 2012, aim to achieve sales of over 5 million units over FY 2007.

- In the Chinese market to start with, input and expand sales of low-cost inverters jointly developed with Gree.

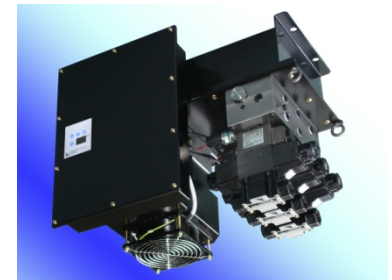
Compared to non-inverter-driven air conditioners, the power consumption of inverter-driven air conditioners is reduced by about 30%.



© Expand sales of inverter-mounted high-efficiency units in the large air conditioner market.

- High-efficiency air-cooled heat pump chillers, large-capacity turbo refrigerators, etc.

© Expand sales in China, USA, and Europe with hybrid oil hydraulic products prevailing in Japan.

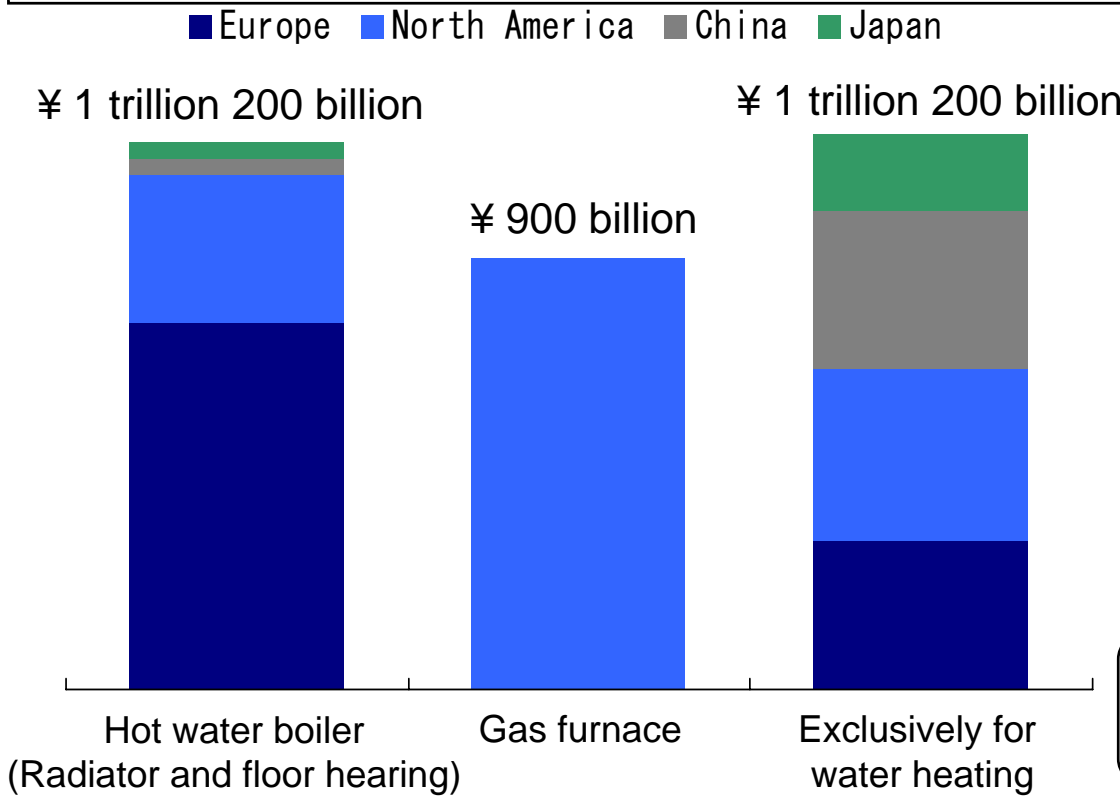


# Environmental strategic themes (2)

Full-fledged entry into the combustion heater market with heat pump heating

Develop heat pump-type heaters and sanitary hot water supply products suitable for the features of each region. Create a business worth over ¥60 billion sales in 2010.

Combustion heating market of the world (Our estimate)



◎ Global market with about ¥2 trillion sales or a market with ¥3 trillion sales including sanitary hot water supply

- ◎ Features include:
- Hot water boiler market in Europe
  - Gas furnace market in North America
  - The increase in the floor heating market expected in China

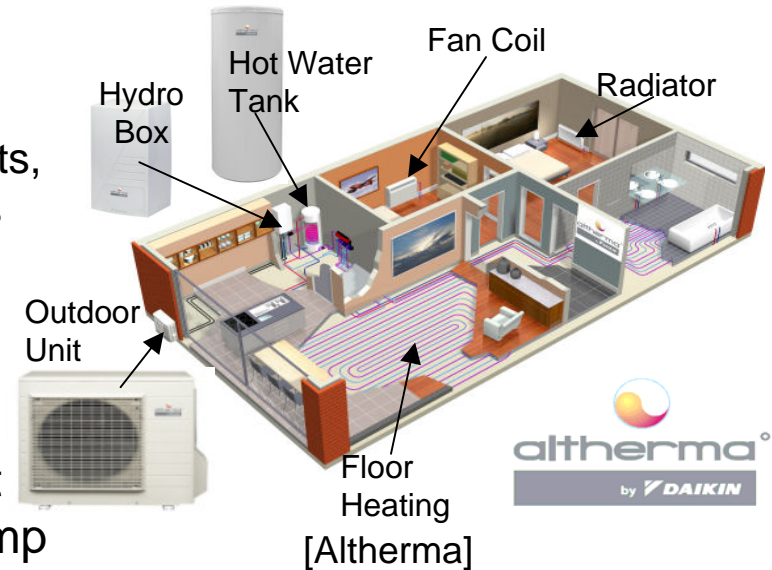
\* Regional heating in Europe and China and the fan heater market in Japan are excluded.

## ◎ Achieving a heating product lineup according to market needs

### Europe

Heat pump-type hot water heater  
Expansion of “Altherma”

- Expansion of distribution by inputting units, etc. adapted to low-ambient temperatures
- Sales scale of ¥ 50 billion in FY 2010

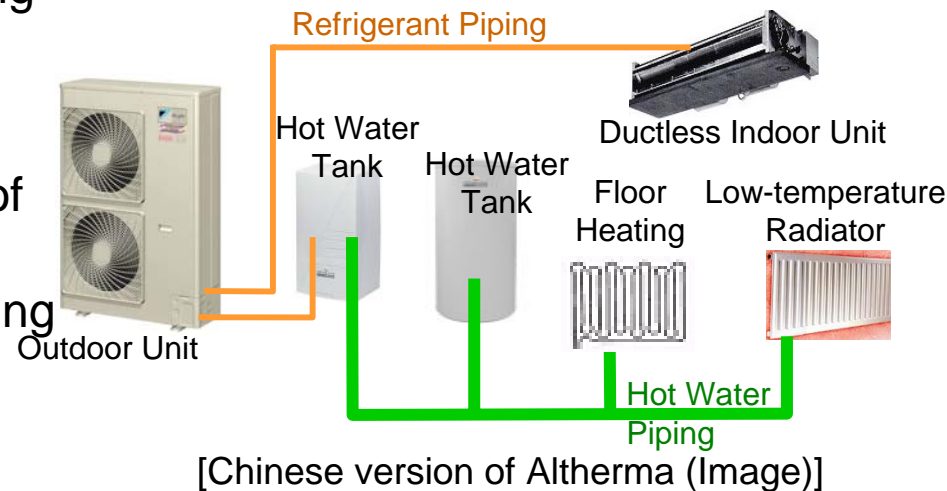


### North America

Replacement of outdoor units for duct split with gas furnaces to the heat pump heat source specialized in heating

### China

Launch of the Chinese version of Altherma that utilizes multi-technologies for floor heating and sanitary hot water supply markets

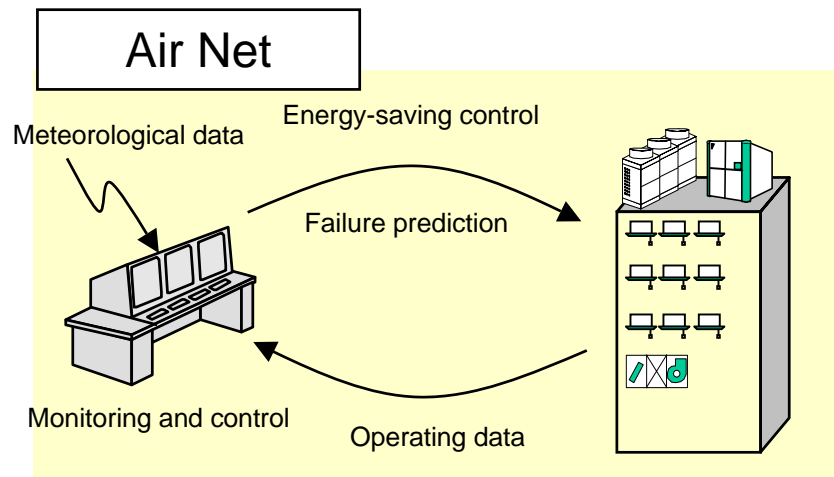


# Environmental strategic themes (3)

Develop the energy-saving solution business using Air Net.

Develop [Air Net II] by adding an energy-saving control function to Air Net and expand energy-saving solution business to the global market.

- ◎ Input [Air Net II] into domestic market ('08).
- ◎ Also develop energy-saving solution business in China, Europe, and Asia where many VRV units are operated.
- ◎ Expand applicable models mainly from VRV to Applied products, VRV, and the Applied compound system. Introduce large items into emerging markets such as the Middle East.



- Our original failure prediction system for air conditioners by means of daily remote monitoring for 24 hours on 365 days.
- Many units are already sold domestically.
- Excessive cooling in the room is controlled in reference to meteorological forecast and air conditioner operating data. Air-conditioning energy consumed indoor units can be substantially reduced.

# Environmental strategic themes (4)

## Environment Contributing Products (Example)

Use of heat pump, heat recovery, and refrigerant control technology

- ◎ Heat pump desiccant  
Building air-conditioning system controlling humidity and temperature individually
- ◎ Ecocute (heat pump-type water heater)  
Commercial-use Ecocute combined with desiccant having a deodorizing function for energy saving
- ◎ Conveni-Pack  
Further improved energy-saving performance and expanded sales into European regions



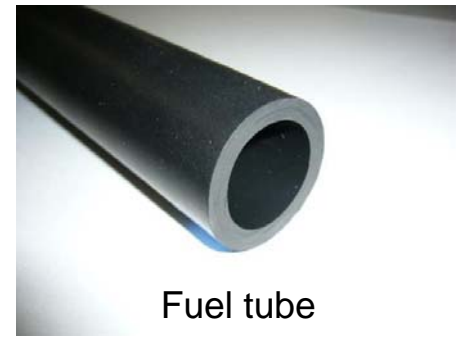
Ecocute



Conveni-Pack

Fluorine products contributing to the environment

- ◎ Fluorine resin for automotive fuel tubes  
Improvement of fuel by low-level gasoline percolation control
- ◎ Heat shield paint



Fuel tube

# Environmental strategic themes (5)

## Actions for handling air conditioner refrigerant

- ◎ In addition to the development of natural refrigerant air conditioners, search for low-GWP refrigerant and development air conditioners using such refrigerant.
- ◎ Promote refrigerant recovery and destruction to minimize refrigerant leakage during services and scrapping.
  - Authorization of an installation contractor and training of service personnel
  - Development of new "joint" (flareless joint) to eliminate refrigerant leakage
  - Installation of a refrigerant recovery device at all overseas service bases



Refrigerant recovery device



Recovery tank

- I. Guideline for [FUSION 10]
- II. Numerical goal for fiscal year 2010
- III. Target for contribution to the global environment and promotion of an environmental strategy
- >> IV. Achievement of the global No.1 position in the AC field**
- V. Strategy for growth in the chemicals business
- VI. Strategy for fostering business

# Estimations for the Air-conditioning and Refrigeration Market

The air-conditioning and refrigeration market will tend to expand in future

- ◎ Demand for air conditioners is expanding in BRICs from the demand estimated when F10 was set forth.
- ◎ Despite deterioration in the local economic environment, future demand is estimated to grow steadily mainly for energy-saving air conditioners, with environmental problems as the following wind.

(F10 initial estimations)

|  | '04 actual sales | '06 estimation | Growth ratio | 2010 estimation | Growth ratio |
|--|------------------|----------------|--------------|-----------------|--------------|
| Total for air conditioning and refrigeration | ¥ 8 trillion     | ¥ 9 trillion   |              | ¥ 10 trillion   |              |
| Air conditioning                             | ¥ 6 trillion     | ¥ 6.5 trillion | Annual 5%    | ¥ 7 trillion    | Annual 5%    |
| Refrigeration                                | ¥ 2 trillion     | ¥ 2.5 trillion | Annual 10%   | ¥ 3 trillion    | Annual 5%    |

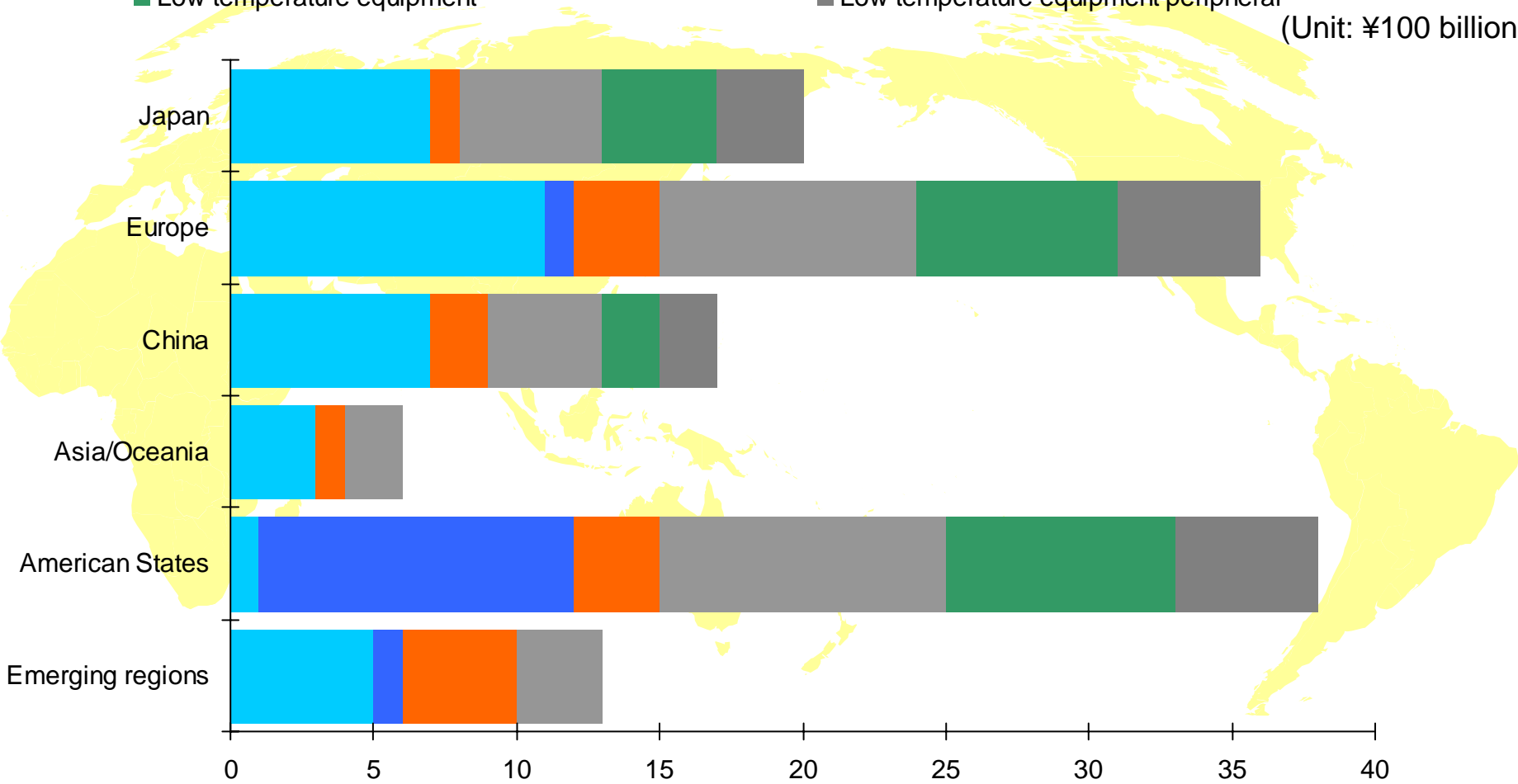
[Provisional calculation for this project]

|  | '04 actual sales | '06 estimation | Growth ratio | 2010 estimation | Growth ratio |
|--|------------------|----------------|--------------|-----------------|--------------|
| Total for air conditioning and refrigeration | ¥ 8 trillion     | ¥ 10 trillion  |              | ¥ 13 trillion   |              |
| Air conditioning                             | ¥ 6 trillion     | ¥ 7 trillion   | Annual 10%   | ¥ 9.5 trillion  | Annual 5%    |
| Refrigeration                                | ¥ 2 trillion     | ¥ 3 trillion   | Annual 20%   | ¥ 3.5 trillion  | Annual 5%    |

# [Air-conditioning and Refrigeration Market in 2010] : ¥13 trillion Global Market and Estimation

■ Ductless      ■ Duct  
■ Applied      ■ Air-conditioning peripheral  
■ Low-temperature equipment      ■ Low-temperature equipment peripheral

(Unit: ¥100 billion)



(Daikin estimate)

\* Peripherals include instrumentation, engineering, services, and members.

# Realization of FY 2010 Air Conditioning Global No.1

Realization of global No.2

Aiming to become the global No.1 in the air-conditioning field

(Unit: ¥100 million)

|   |                      |
|---|----------------------|
|   | FY 2005 Actual sales |
| Daikin Total                            | 6,410                |
| Company A air conditioner (Total sales) | 10,000               |

|                      |
|----------------------|
| FY 2007 Actual sales |
| 10,380               |
| 11,000               |

|                 |
|-----------------|
| FY 2010 Target  |
| 16,200          |
| 16,000 (21,000) |

Mid-2010s

Take on the challenge of achieving global No.1 in comprehensive air-conditioning and refrigeration markets.

- \* Actual sales of other companies and planned values are our estimates based on their announced contents and past growth rates.
- \* Estimated FY 2010 exchange rate: US\$1 = ¥105, 1 euro = ¥155

# Business Plan for Each Global Region

## Europe

'07 actual sales

¥ 341.3 billion

**2010 Target**

¥ **500 billion**

## Japan

'07 actual sales

¥ 372.6 billion

**2010 Target**

¥ **500 billion**

## China

'07 actual sales

¥ 138.2 billion

**2010 Target**

¥ **200 billion**

## North America

'07 actual sales

¥ 102.9 billion

**2010 Target**

¥ **140 billion**

## Emerging regions

**2010 Target**

¥ **100 billion**

## Asia/Oceania

'07 actual sales

¥ 147.5 billion

**2010 Target**

¥ **180 billion**

To new product areas

Creation of environmentally advanced products and business

Creation of large business in the low-temperature and refrigeration market

Establishment of global Applied business, and original solution business

Acceleration of OYL synergy creation

Global development of Applied business

Creation of demand for inverters in the prevalent room air conditioner unit market

Expansion of business in each region

Further growth of existing 4 poles for ductless business

Japan, Europe, China, Asia, and Oceania

Full-fledged entry into the emerging markets of India, Middle and South America, the Middle East, and Africa

Full-fledged entry into the North American market

To new regions (from 4 poles to 8 poles in the world)

# Acceleration of OYL synergy creation

## Synergy creation plan

| (Unit: ¥100 million) | '07 actual sales | '08 plan |
|----------------------|------------------|----------|
| Operating profit     | 73               | 140      |

(Reference: Actual OYL sales and profit)

| (Unit: ¥100 million)                               | '07 actual sales |
|--|------------------|
| Sales  | 2,350            |
| Operating profit<br>(Before goodwill depreciation) | 170              |

Main results in '07: The budget has been actually achieved in the initial year for synergy creation.

- Comprehensive sales were conducted in Italy, France, Spain, Singapore, and Australia.
- Sales of chillers 1.4 times over the previous year were recorded in Italy.
- Introduction of McQuay products into Freedom Tower (NY) was determined (Approx.¥4.3 billion).
- Full-fledged sales of VRV started through the McQuay route in USA.
- ¥1.4 billion synergy was created by purchasing.



## Main future actions

◎ Sales integration was implemented in almost all countries.

- Europe: Greece, Hungary, Italy (services). A decision has been made for these countries.
- Middle East: A new sales company was established and sales functions were unified.

◎ Acceleration of Applied business expansion

- Reinforcement of sales and service systems in North America
- Establishment of a new Applied sales company in China
- Examination of production bases in USA, Europe, and Asia
- Sales expansion in Japan for McQuay turbo refrigerators

# Global development of Applied business

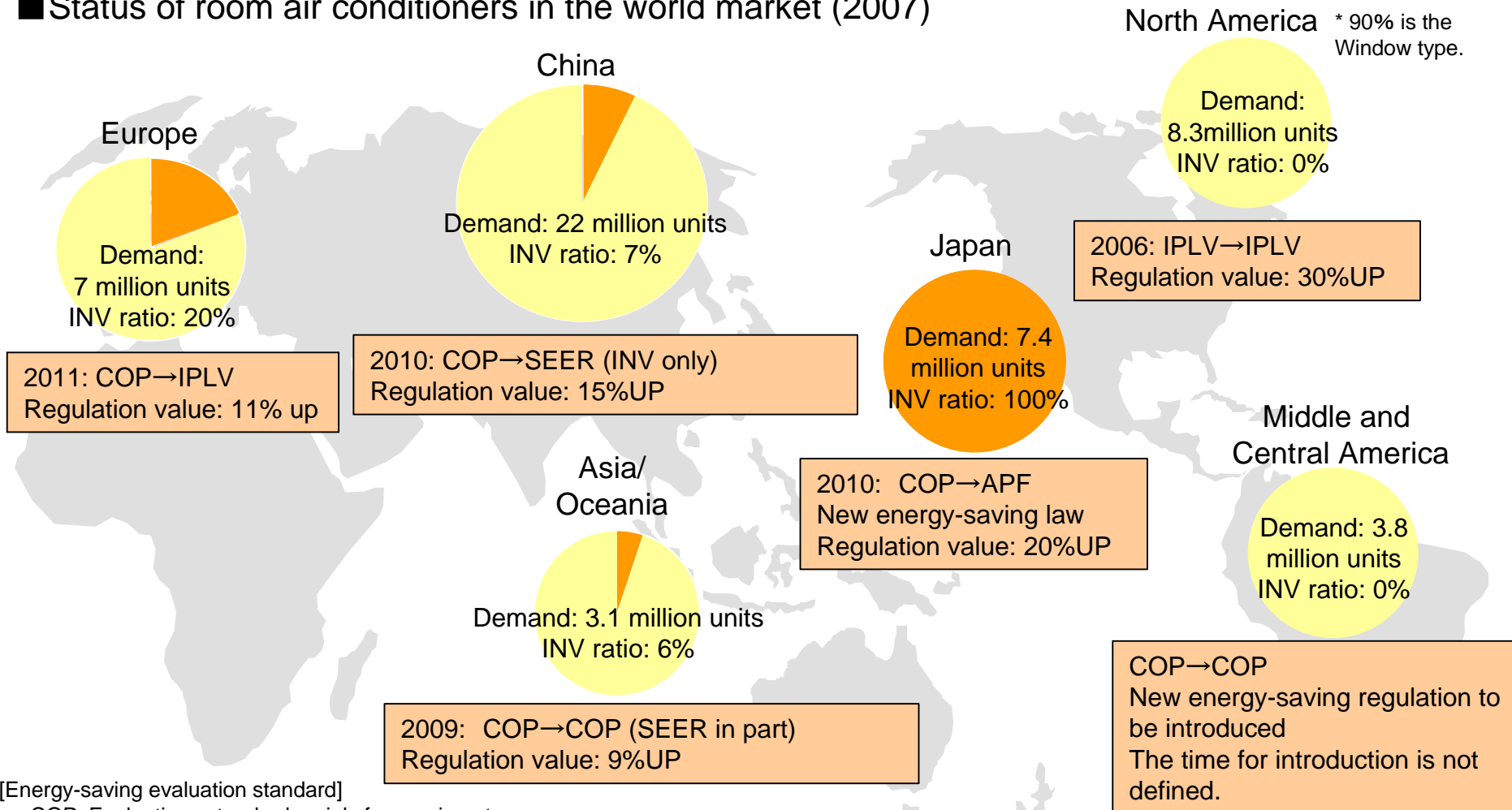
3 years for connecting to big results, making use of  
the foundations laid to date  
Aiming to achieve sales of ¥240 billion scale in 2010

- ◎ Addition of Daikin's inverter and packaging technology to McQuay's Applied technology and continuous development of products every year that suit each region
  - Air-cooled screw chiller, large-capacity turbo, 2-stage high-efficiency turbo, etc.
- ◎ Establishment of the North American Applied Development Center
  - Establish the Center in McQuay plant in Minneapolis.
  - Assemble 80 development engineers from global regions (Japan, Europe, USA, and China).
  - Invest about ¥5.0 billion to fulfill test facilities.
- ◎ Global development of a differentiated compound system (VRV + Applied)
- ◎ Development of large-capacity turbo refrigerators for entry into markets in the Middle East (regional cooling and heating)
- ◎ Reinforcement of service business in each region
- ◎ Reinforcement of system solution power through affiliation with control makers

# Creation of demand for inverters in the room air conditioner prevalent unit market

Distribute inverters in the prevalent unit market through cooperation with Gree Electric as the detonator.

## ■ Status of room air conditioners in the world market (2007)



[Energy-saving evaluation standard]

- COP: Evaluations standard mainly for non-inverters
- APF/SEER/IPLV: Evaluation standard for inverters

(Researched by Daikin Industries)

# Business Expansion in Regions in the Global Market

## Europe

Establishment of an overriding No.1 based on environmentally considerate products

◎ Expansion of RA·SKY·VRV businesses by accelerating the environment product strategy

- Clear the 2015 regulation value of SEER\* in advance in 2010.

◎ High profitability of Applied business

- Conduct sales of high value-added products by Daikin and McQuay (such as energy-saving chillers) .
- Develop differentiated products (such as combination with VRV).

◎ Expansion of the heat pump heating business

- There is a ¥50 billion sales target in 2010.

◎ Promotion of refrigeration business

- Promote Conveni-pack and products of J&E Hall and expand sales of condensing units.

\* SEER: Indicates seasonal energy consumption efficiency obtained by dividing the total cooling volume by the electric power supplied during the period of its service.



## China

Establish a firm position as a comprehensive air conditioner maker

- ◎ Sales expansion to local cities
  - Establish a 6-region system (Beijing, Shanghai, Guangzhou, Chengsu, Jiangsu, Chechiangu)
- ◎ Acceleration of an environment product strategy
  - Aim to mount inverters on all models by 2010.
- ◎ Full-fledged entry into the RA prevalent unit market through cooperation with Gree Electric.
- ◎ Penetration into the Applied market
  - Fulfill the McQuay brand product lineup.
- ◎ Arrangement of a sales network of strategy for all markets and all regions.

## Asia/Oceania

Realize the regional No.1 as a comprehensive air conditioner maker

- ◎ Business expansion in the ASEAN region
  - In addition to the Oceania region, realize No.1 in the ASEAN region.
- ◎ Reinforcement of own sales network in each country
- ◎ Full-fledged development of commercial-use market (VRV, Applied, large PA)

# North America

Establish a sales route and business foundation by selecting goods appropriately.  
~ Acquisition of presence in the US manufacture oligopoly market ~

## ◎ Sales expansion of ductless products (RA, QA, VRV)

- Utilize ductless technologies based on environment awareness as the following wind. <North America VRV sales target (units)>
- Accelerate business development focusing on the high-class housing market.

| '06 actual sales | '07 actual sales | 2010 plan |
|------------------|------------------|-----------|
| 1,700            | 3,300            | 24,000    |

## ◎ Penetration into the duct split market

- Develop hybrid products by combining furnace and IAQ equipment with our original technologies.

## ◎ Development of new business and products

- Heating business (Altherma, Ecocute, etc.) • Environment products (cold-storage VRV, etc.)

# Japan

Business expansion to realize an overwhelming No.1 position

## ◎ Increasing the share of PA and RA business and maximizing the profit

<'08 target share>

## ◎ Sales expansion of differentiated products (DESICA, Clear Force, etc.)

|    |     |
|----|-----|
| PA | 47% |
| RA | 20% |

## ◎ Expansion of environment- and energy-saving products and their business

- Expand sales of differentiated products (ZEAS, Hot-Eco VRV, Ecocute, etc.)
- Promote propositions for the environment by combining energy-saving equipment and the Air Net system.

# Emerging regions

[Middle East] Scale of the FY 2010 market: Approx. ¥300 billion  
(growth of about 135% annual ratio)

- ◆ Sales: Actual sales of ¥7.0 billion in FY 2007, Target scale of ¥40 billion in FY 2010
  - ◎ Establishment of a new business model with service business as a core
    - Strengthen maintenance business through tie-ups with local service companies.
  - ◎ Development of products according to market characteristics such as regional cooling and heating
    - Input into markets with McQuay's large turbo refrigerators and high-efficiency turbo refrigerators through joint development with IHI , etc.

[India] Scale of the FY 2010 market: Approx. ¥200 billion  
(growth of about 117% annual ratio)

- ◆ Sales: Actual sales of ¥8.0 billion in FY 2007, Target scale of ¥30 billion in FY 2010
  - ◎ Response to large-scale equipment companies by maximizing the use of OYL products
  - ◎ Sales expansion of ductless high-class units
  - ◎ Establishment of VRV and Applied production bases

[Russia] Scale of the FY 2010 market: Approx. ¥110 billion  
(growth of about 107% annual ratio)

- ◆ Sales: Actual sales of ¥10 billion in FY 2007, Target scale of ¥20 billion in FY 2010
  - ◎ Arranging and strengthening own sales network
  - ◎ Sales expansion of OYL's low-cost RA

- I. Guideline for [FUSION 10]
- II. Numerical goal for fiscal year 2010
- III. Target for contribution to the global environment and promotion of an environmental strategy
- IV. Achievement of the global No.1 position in the AC field
- >> V. Strategy for growth in the chemicals business**
- VI. Strategy for fostering business

# Sales and Profit Plan for the Chemicals Business

Maintain growth over the 10% annual ratio in sales and recover 2-digit profitability

| (Unit: ¥100 million) | '07 actual sales | 2010 Target | Previous term ('07/2) 2010 image |
|----------------------|------------------|-------------|----------------------------------|
| Sales                | 1,161            | 1,500       | 2,000                            |
| Operating profit     | (3%) 35          | (10%) 150   | (15%) —                          |

Concentrate on resources of ETFE, FEP, repellent, and fluorine rubber

- Implement large investment in ETFE as the most important product.
- Create demand and expand the market in China with FEP-LAN and repellent.

Address environment-related themes focusing on the post F10

- Develop business, making best use of environment products.

# Global Expansion of the ETFE Business

Achieve No.1 position in FY 2010 in the world's largest market in USA.  
 Target for FY 2010: Over ¥10 billion sales and 40% of shares

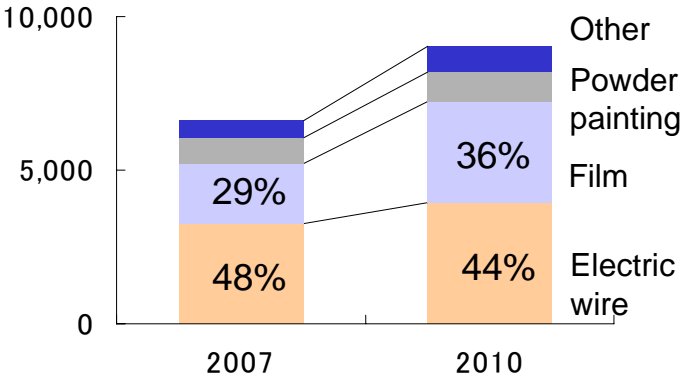
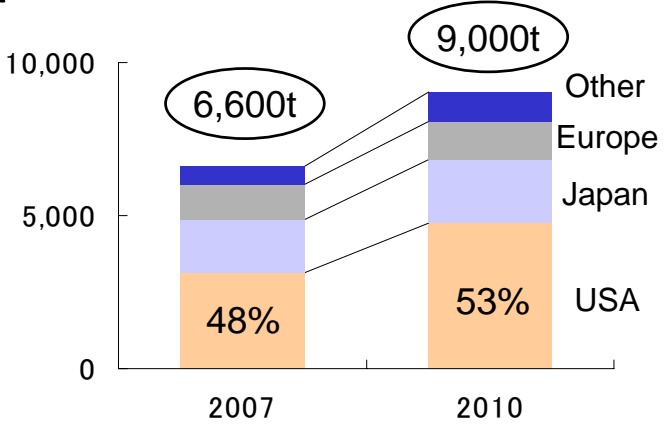
◎ Expansion of sales by market development and expansion of applications

- Penetration into the aircraft electric wire market utilizing abundant selection of goods
- Expansion of sales for solar battery film application

◎ Establish supply system to realize No.1 business in North America.

- Implemented investment in 2008 to increase 2,000 ton production capability.

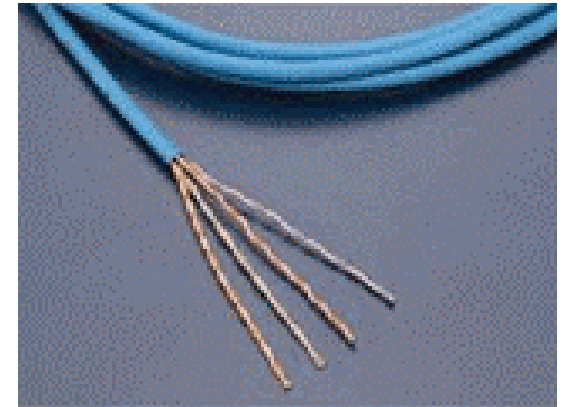
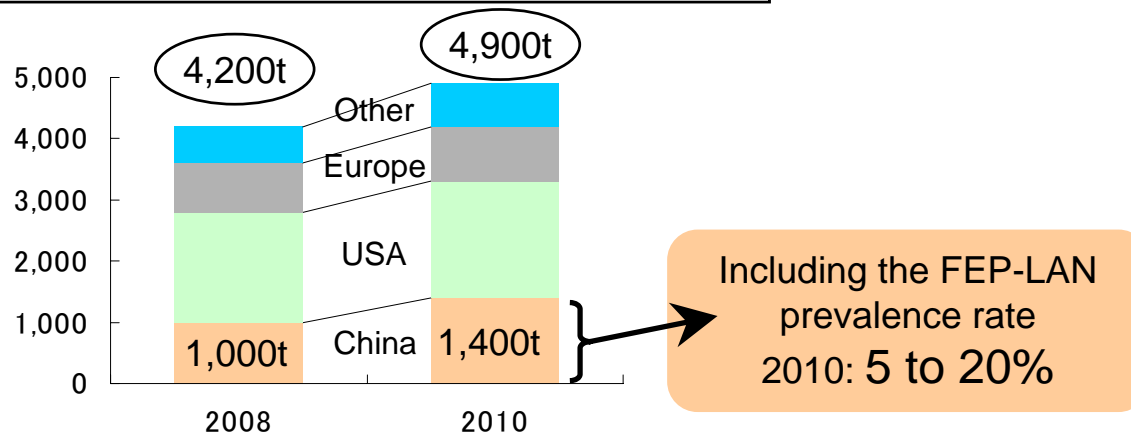
ETFE market scale (Quantitative base)



# Creation of Demand for FEP-LAN and Expansion of Business in China

Target for FY 2010: Over ¥5.0 billion sales

LAN cable market scale  
(Quantitative base including non-fluorine products  
such as polyethylene products)



- ◎ Accelerate to change demand for high value-added FEP products.
  - Expand sales of FEP products as an alternative to existing general-purpose polyethylene cables by improving the opportunity of execution of [new comprehensive wiring regulations in China].
- ◎ Accelerate to create demand by investing monopoly capital into cable production JV.
  - Expand sales channel through business cooperation with system suppliers and system integrators.

- I. Guideline of [FUSION 10]
- II. Numerical goal for fiscal year 2010
- III. Target for contribution to the global environment and promotion of an environmental strategy
- IV. Achievement of the global No.1 position in the AC field
- V. Strategy for growth in the chemicals business

**>> VI. Strategy for fostering business**

# Chemicals and Oil Hydraulics Businesses

Accelerating Global Penetration with Energy-saving Hybrid Products As a Core

Aiming to Achieve over ¥40 billion Sales in FY 2010

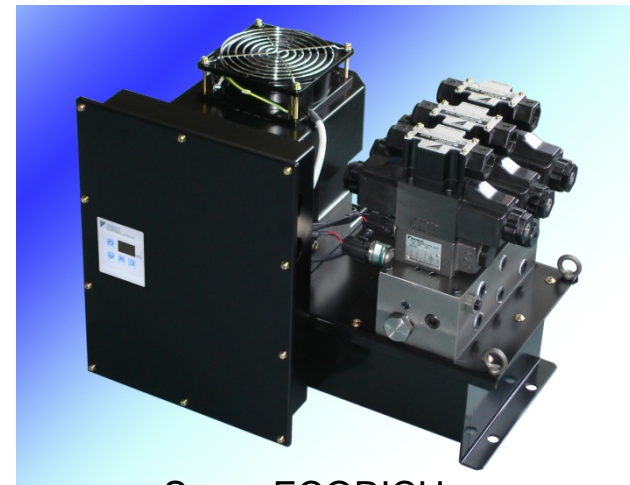
## ◎ Development in China

- Create demand for hybrid oil hydraulics equipment in the machine tool and forming machine markets.

## ◎ Development in North America

- Develop MRO business with AWM as a core.

\* MRO business is a solution-type business to contract a complete set of Maintenance, Repair, and Operation.

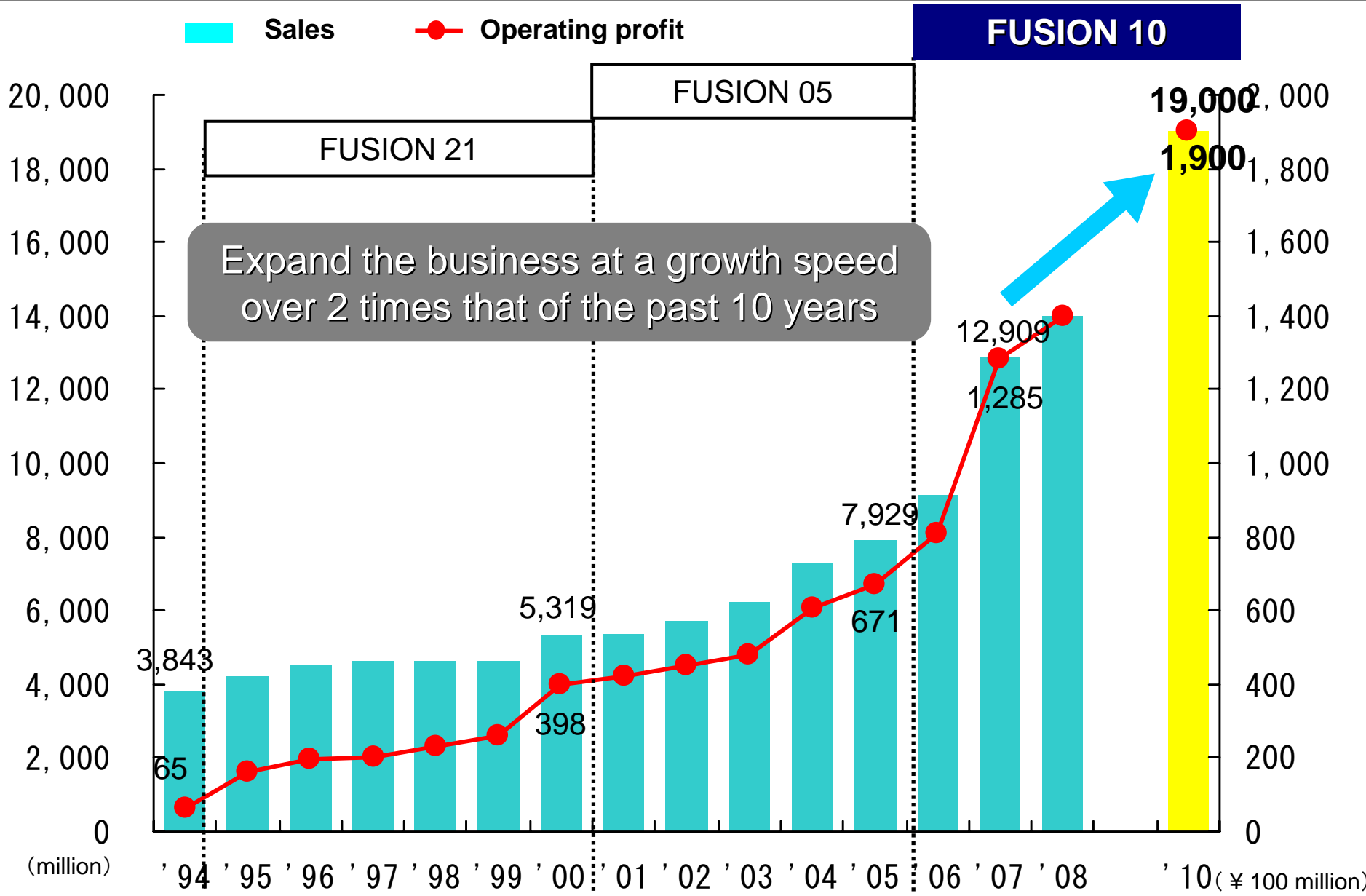


Super ECORICH

Expand business of ¥10 billion scale in overall global markets

- ◎ Input hybrid products into the construction machine market and create demand.

# Aiming at Culmination of FUSION Management



# Note on the prospects

This presentation is intended to provide information only and is not intended to invite any action. This presentation (including the actual performance plan) has been prepared by us based on trustworthy information available at this point, and includes risk or uncertainty. However, we shall not be held responsible for assuredness and perfectibility hereof.

This presentation shall be used at your own judgment. We shall not be held responsible for any losses that may be a result of your investment judgment by entirely depending on the estimations, numerical targets, and the like stated in this presentation.