



**Presentation of Financial Results for FY2017
(Term ended March 31, 2018)**

May 10, 2018

DAIKIN INDUSTRIES, LTD.

I . Financial Results for FY2017 . . . P. 3–16

II . Business Forecast for FY2018 . . P. 17–27

III . Dividends Plan P. 28

«Supplementary Information»

Daikin achieved increased revenue and profits for the eighth consecutive term to post a record high in financial results for the fifth consecutive term.

In the Air Conditioning business, sales expanded in all major regions, including the Americas and China, leading company sales to surpass 2 trillion yen for the first time. In the Chemicals business, we capitalized on demand in the semiconductor and automotive markets to achieve a record high in financial results for the second consecutive term.

Even while facing steep prices for raw materials, Daikin boosted profitability by expanding sales of high value-added products, promoting total cost reductions, and maintaining a selling price policy.

(billion yen)	FY2016 Results	FY2017		Y/y change
		Forecast (Feb.)	Results	
Sales	2,044.0	2,270.0	2,290.6	112%
Operating Income	230.8	250.0	253.7	110%
(Percentage of income to net sales)	(11.3%)	(11.0%)	(11.1%)	
Ordinary Income	231.0	249.0	255.0	110%
(Percentage of income to net sales)	(11.3%)	(11.0%)	(11.1%)	
Profit Attributable to Owners of Parent	153.9	184.0	189.1	123%
(Percentage of income to net sales)	(7.5%)	(8.1%)	(8.3%)	

USD/JPY	¥108	¥110	¥111
EUR/JPY	¥119	¥126	¥130
RMB/JPY	¥16.1	¥16.4	¥16.8

Foreign Exchange (Year-on-year)	
Sales	+67.0 billion yen
Operating Income	+3.0 billion yen

■ Management Indicator

	FY2016	FY2017
ROA	6.8%	7.8%
ROE	14.5%	15.7%
FCF	+52.3 billion yen	+51.2 billion yen

(billion yen)		FY2016 Results	FY2017		
			Forecast (Feb.)	Results	Y/y changes
Total	Sales	2,044.0	2,270.0	2,290.6	112%
	Operating Income <small>(Percentage of income to net sales)</small>	230.8 (11.3%)	250.0 (11.0%)	253.7 (11.1%)	110%
Air-Conditioning	Sales	1,835.4	2,041.0	2,052.9	112%
	Operating Income <small>(Percentage of income to net sales)</small>	208.7 (11.4%)	222.5 (10.9%)	223.5 (10.9%)	107%
Chemicals	Sales	156.8	176.0	183.1	117%
	Operating Income <small>(Percentage of income to net sales)</small>	18.3 (11.7%)	23.5 (13.4%)	25.5 (13.9%)	139%
Others	Sales	51.8	53.0	54.5	105%
	Operating Income <small>(Percentage of income to net sales)</small>	3.7 (7.2%)	4.0 (7.5%)	4.8 (8.7%)	127%

(billion yen)	FY2016	FY2017	Impact on profitability
	<u>100</u>	<u>112</u>	
Net sales	2,044.0	2,290.6	+246.6
Cost of sales	1,313.0	1,491.7	-178.7
(Percentage to net sales)	(64.2%)	(65.1%)	
Gross income	730.9	798.8	+67.9
(Percentage of income to net sales)	(35.8%)	(34.9%)	
Selling general and administrative expenses	500.2	545.1	※1 -44.9
(Percentage to net sales)	(24.5%)	(23.8%)	
Operating income	230.8	253.7	+23.0
(Percentage of income to net sales)	(11.3%)	(11.1%)	
Non-operating gain or losses	+0.2	+1.3	※2 +1.0
Ordinary income	231.0	255.0	+24.0
(Percentage of income to net sales)	(11.3%)	(11.1%)	
Extraordinary gains or losses	-0.4	-3.2	※3 -2.8
Income before income taxes	230.6	251.9	+21.2
(Percentage of income to net sales)	(11.3%)	(11.0%)	
Corporate taxes, etc.	70.7	56.9	+13.8
Tax burden ratio	30.7%	22.6%	
Profit attributable to non-controlling interests	6.0	5.9	+0.1
Profit attributable to owners of parent	153.9	189.1	+35.1
(Percentage of income to net sales)	(7.5%)	(8.3%)	

() parentheses indicate percentage of income to net sales

※1 Gain (Loss) Selling, General and Administrative Expenses:

Labor expense	-17.2
R&D expense	-6.8
Product shipping costs	-6.4

※2 Non-operating Gains or Losses

Exchange gain or loss	-2.0 (+0.3→ -1.7)
Equity in earnings of affiliates	+1.6 (+0.9→+2.5)

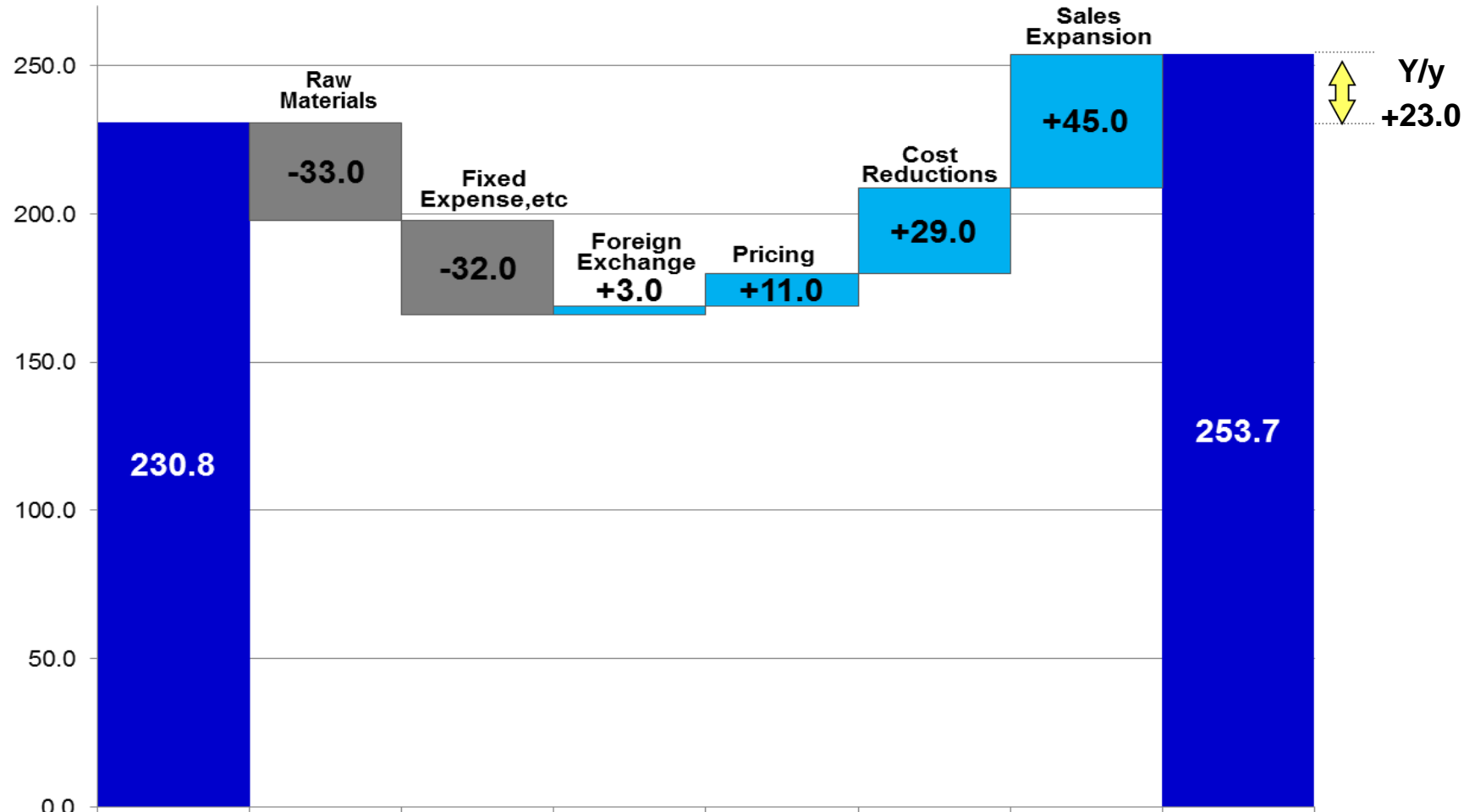
※3 Extraordinary Gains or Losses

Loss on liquidation of subsidiaries and affiliates	-2.9 (0→ -2.9)
--	----------------

Breakdown of Changes in Operating Income (Y/y)



(billion yen)



[Reference]
Announced
(Nov.)

FY2016 Results

FY2016
Operating
Income
230.8

Raw
Materials
-30.0

Fixed
Expense, etc.
-36.0

Foreign
Exchange
-1.0

Pricing
+10.0

Cost
Reductions
+28.0

Sales
Expansion
+48.2

FY2017 Results

FY2017
Operating
Income
250.0

(billion yen)	2017/3E		2018/3E		Y/y change
Cash and cash equivalents		344.1		357.0	+12.9
Receivables	<u>66 days</u>	369.1	<u>64 days</u>	401.2	+32.1
Inventories	<u>64 days</u>	358.3	<u>62 days</u>	387.2	+28.9
Fixed assets		961.5		970.9	+9.4
Investment and others		185.3		227.5	+42.3
Others		137.9		146.1	+8.2
Total Assets		2,356.1		2,489.9	+133.8

	2017/3E	2018/3E	Y/y change
Trade payables	173.1	184.0	+10.8
Interest bearing (Interest-bearing ratio)	609.4 (25.9%)	554.4 (22.3%)	-55.1
Others	438.0	427.3	-10.7
Total liabilities	1,220.5	1,165.6	-54.9
Total equity (Equity ratio)	1,111.6 (47.2%)	1,296.6 (52.1%)	+184.9
Share Warrant	1.1	1.5	+0.4
Non-controlling interests	22.9	26.3	+3.4
Total net assets	1,135.6	1,324.3	+188.7
Total	2,356.1	2,489.9	+133.8

※Breakdown of interest-bearing debt

	2017/3E	2018/3E	Y/y change
Short-term borrowings	57.7	45.5	-12.2
Bonds	120.0	110.0	-10.0
Long-term borrowings	420.5	388.0	-32.4
Lease debt	11.3	10.8	-0.5
Total	609.4	554.4	-55.1

Sales by Region: Air Conditioning



※Includes refrigerator, freezer and filter businesses

※Percentage expresses year on year comparison

(billion yen)	FY2013		FY2014		FY2015		FY2016		FY2017		FY2018 Forecast	
Japan	106%	437.7	94%	413.4	101%	416.9	104%	431.7	104%	449.3	104%	465.0
Europe	127%	232.2	98%	227.1	111%	251.3	100%	250.5	120%	301.1	110%	330.0
China	139%	287.5	110%	317.0	99%	313.6	95%	297.1	115%	342.0	106%	362.0
Americas	351%	363.3	121%	440.7	113%	496.3	103%	513.4	111%	569.5	112%	635.0
Asia	132%	179.4	117%	210.5	113%	237.7	98%	232.9	108%	251.4	109%	274.0
Oceania	118%	41.9	104%	43.6	108%	47.0	109%	51.2	144%	73.7	109%	80.0
Middle East	128%	45.3	106%	47.9	113%	54.0	92%	49.7	114%	56.9	114%	65.0
Africa	138%	10.0	106%	10.6	106%	11.2	78%	8.7	104%	9.1	99%	9.0
Total	143%	1,597.2	107%	1,710.9	107%	1,828.0	100%	1,835.4	112%	2,052.9	108%	2,220.0
Overseas Sales Ratio	73%		76%		77%		76%		78%		79%	
USD/JPY	¥100		¥110		¥120		¥108		¥111		¥105	
EUR/JPY	¥134		¥139		¥133		¥119		¥130		¥130	
RMB/JPY	¥16.4		¥17.7		¥18.9		¥16.1		¥16.8		¥16.6	

※Percentage expresses year on year comparison

(billion yen)	FY2013		FY2014		FY2015		FY2016		FY2017		FY2018 Forecast	
Japan	88%	37.9	104%	39.4	101%	39.8	105%	41.9	112%	46.8	111%	52.0
Americas	122%	38.0	112%	42.6	104%	44.5	94%	42.0	101%	42.6	115%	49.0
China	131%	33.2	102%	34.0	100%	33.9	92%	31.2	124%	38.5	101%	39.0
Asia	134%	15.1	111%	16.8	110%	18.4	97%	17.8	127%	22.6	124%	28.0
Europe	122%	14.1	112%	15.8	156%	24.7	93%	22.9	136%	31.2	119%	37.0
Others	116%	2.3	43%	1.0	99%	1.0	107%	1.0	134%	1.4	—	—
Total	113%	140.6	106%	149.6	109%	162.3	97%	156.8	117%	183.1	112%	205.0
Overseas Sales Ratio	73%		74%		75%		73%		74%		75%	
USD/JPY	¥100		¥110		¥120		¥108		¥111		¥105	
EUR/JPY	¥134		¥139		¥133		¥119		¥130		¥130	
RMB/JPY	¥16.4		¥17.7		¥18.9		¥16.1		¥16.8		¥16.6	

Japan

With personal consumption showing signs of a recovery, industry demand for residential use saw an increase in replacement purchases to energy-saving products, and sales exceeded the previous year. Industry demand for commercial use benefitted from solid growth in capital investments and construction starts to surpass the previous year.

Despite the negative impact from foreign exchange, Daikin maintained its comprehensive selling price policy while expanding sales of high value-added products and promoting cost reductions.

- For residential use, we continued a sales strategy that focused on profitability and expanded sales centered on **Urusara 7** and mid-range models.
- For commercial use, we captured replacement demand by expanding sales of our mainstay products **Eco-ZEAS** and **machi Multi**, a multi-split air conditioner featuring a slim design.
- Applied systems capitalized on redevelopment demand for the Tokyo metropolitan area, and sales substantially grew.

<Market demand indexes relating to AC>

(Increase rate)	FY2016	FY2017
Personal spending	+0.3%	+1.1%
New housing starts	+5.8%	-2.3%
Private capital investment	+1.2%	+3.6%
Floor areas of new construction of non-residential building	+2.7%	+2.9%

<AC sales by product (volume basis)>

(Y/y change)		FY2017
Residential	Market	106%
	Daikin	105%
Commercial	Market	104%
	Daikin	108%
Applied	Market	101%
	Daikin	111%

※Applied is based on sales.

Americas

Backed by strong personal spending and capital investments, the market trended favorably. Together with boosting the production and development system at the new Goodman factory in the United States, we fortified the sales network. Sales of main products grew, and overall sales exceeded the previous fiscal year.

- In residential unitary, procurement and sales were partially impacted last year by the August 2017 hurricane. Nevertheless, we expanded our own dealers in important regions, promoted education and support of dealers, and sales grew.
- In ductless products, Daikin increased market share in the high-end, residential-use market by expanding the **VRV systems** product lineup and developing sales measures by route.
- In Applied systems, the After Sales Service business grew with a sales expansion bolstered by strong sales of air handling units and chillers. We also enlarged after sales service and improved sales capabilities in Latin America.

<AC sales by product (volume basis)>

(Y/y change)	FY2017
Ducted unitary for houses	103%
RA & SKY	113%
VRV	131%
Applied	117%

※SKY・・・Medium or compact size packaged air conditioners

※VRV・・・Multi-split system for buildings

※Applied is based on sales in local currency.

China

Capitalizing on bullish personal consumption and private demand, we substantially increased sales in all regions and markets. Despite the steep prices for raw materials, high profitability was maintained by promoting cost reductions, which included in-house production of parts and improvements in productivity.

- In the residential-use market, we enhanced the proposal-making and installation capabilities of our PROSHOP specialty shops for direct sales and expanded sales in the mid-range and high-end, residential-use markets centering on the **New Life Style Series**, which creates new lifestyles to customers. Brand was promoted through expansion of showrooms with operational equipment in key cities, and we accelerated sales activities that were closely tailored to the local market.
- In the commercial-use market, sales expanded chiefly on **VRV systems** with improved energy efficiency and design flexibility. By strengthening spec-in activities to architectural firms and developers along with direct proposals to major users, Daikin captured a wide-range of the market from buildings to general shops as well as from new construction to remodeling.
- In Applied systems, we developed comprehensive sales activities. In addition to expanding equipment sales by enlarging the product lineup, sales expanded even for the After Sales Service business.

<AC sales by market (aggregate sales in local currency)>

(Y/y change)	FY2017
Residential※	111%
Commercial	111%
Applied	112%

※Multi-split air conditioners for residential use are included.

Europe, Middle East, and Africa

In Europe, which is experiencing a steady economic recovery, we expanded sales of commercial use and heating equipment. In the Middle East, we acquired demand amid the tightening in public investment and obtained orders for small- to medium-sized bid proposals by improving marketing capabilities and product appeal. Sales for the region overall exceeded the previous year.

- For residential use, distributor’s inventory decreased in Italy, the largest market, and sales trended favorably. Daikin expanded the product lineup of R32 units from medium-to-high priced to volume zone models, and promoted sales expansion in major countries including France and Spain. Sales recovered from a first half delay and exceeded the previous fiscal year.
- In commercial use, sales expanded by capitalizing on replacement demand from development **SkyAir** using the low GWP refrigerant R32.
- In the Heating business, sales grew from higher demand for heat pump hot water heating systems due to stricter environmental regulations in France and Italy.
- In Applied systems, together with strengthening the sales system in Europe, we launched products corresponding to the regional needs in the Middle East, and sales expanded.

< AC sales by product (volume basis) >

(Y/y change)		FY2017
Residential		103%
Commercial	SKY	111%
	VRV	105%
Heating		112%
Applied		119%

※SKY・・・Medium or compact size package air conditioners
 ※VRV・・・Multi-split system for buildings
 ※Applied is based on sales in local currency.

Asia/Oceania

Daikin seized demand of the expanding middle class and promoted dealer development that included regional cities and expansion of the after sales service network. Sales exceeded the previous year by promoting sales of diversified products based on regional needs.

- For residential use, sales in Southeast Asia were affected by heavy rainfall in the first quarter; however, second quarter sales grew mainly in Vietnam and Indonesia. In India, Daikin captured demand of the expanding middle class, and sales significantly increased through dealer development, improved productivity, and launch of new products. Sales also continued to expand in Australia where demand is strong.
- For commercial use, we cultivated dealers that can respond in all facets of design, installation, and sales; strengthened spec-in activities; and significantly increased sales in every country, especially in India, Vietnam, Thailand, and Australia.

■ Year-on-year sales of main countries (local currency basis)
 India: 118% Vietnam: 106% Indonesia: 111%
 Malaysia: 88% Thailand: 96% Australia: 140%

< AC sales by product (volume basis) >

(Y/y change)		FY2017
Residential		104%
Commercial	SKY	111%
	VRV	115%
Applied		112%

※SKY・・・Medium or compact size package air conditioners
 ※VRV・・・Multi-split system for buildings
 ※Applied is based on sales in local currency.

Chemicals

Sales increased from the previous fiscal year due to sales promotion to the semiconductor and automotive fields where demand is strong. Despite higher prices for raw materials, operating income substantially exceeded the previous year due to concentrated efforts on selling price measures and total cost reductions.

- Sales of fluorocarbon gas greatly surpassed the previous fiscal year due to sales expansion in Japan and higher prices in Europe from rising prices of raw materials and supply shortages.
- Polymers and Fluoroelastomers
 - For fluoropolymers, we captured the strong demand in the bullish semiconductor-related market centered on Asia, China, and Japan, and sales greatly surpassed the previous year.
 - For fluoroelastomers, sales expanded centering on Japan in the automotive field.
- In Fine Chemicals, sales grew for water and oil repellent agents in Asia and China, whereas sales decreased for the surface antifouling agent **OPTOOL**.

<Chemical sales by product (aggregate sales)>

(Y/y change)	FY2017
For all fluorochemical products	117%
Fluorocarbon Gas	137%
Polymers & Fluoroelastomers	119%
Fine Chemicals, etc.	107%

Filter

Revenue increased by accelerating the pace in strengthening the sales network in each region, including the acquisition of the northern European company Dinair.

- Sales for air filters expanded due to strengthening of the sales networks in Europe and emerging countries and strong sales for large-scale projects in China.
- In P&I ※ we expanded our After Sales Service business despite a challenging business environment and improved our business structure.

※P&I : commercial-use dust collection systems for applications including gas turbines and large-scale plants

Other Businesses

In the Oil Hydraulics business, in addition to launching differentiated products for industrial machinery, sales for construction equipment increased, mainly in North America and Japan, and revenue grew.

In the Defense Systems business, sales grew for home oxygen concentrators in Japan; however, because of a decline in orders for the Japanese Ministry of Defense, revenue fell.

In the Electronics business, sales expanded to manufacturers for system products that support operational efficiency, and revenue grew.

Despite higher prices for raw materials and yen appreciation in foreign exchange, Daikin will work to further increase profitability by expanding sales, launching high value-added products, and promoting total cost reductions. While continuing to implement investments for growth, we will aim to achieve the quantitative targets (operating income of 270.0 billion yen) as stated in our strategic management plan Fusion 20 by maintaining our central focus on greater revenue and profits through business expansion.

(billion yen)	FY2017 Results	FY2018 Forecast	Y/y change
Sales	2,290.6	2,480.0	108%
Operating Income	253.7	270.0	106%
(Percentage of income to net sales)	(11.1%)	(10.9%)	
Ordinary Income	255.0	268.0	105%
(Percentage of income to net sales)	(11.1%)	(10.8%)	
Profit Attributable to Owners of Parent	189.1	180.0	95%
(Percentage of income to net sales)	(8.3%)	(7.3%)	

USD/JPY	¥111	¥105
EUR/JPY	¥130	¥130
RMB/JPY	¥16.8	¥16.6

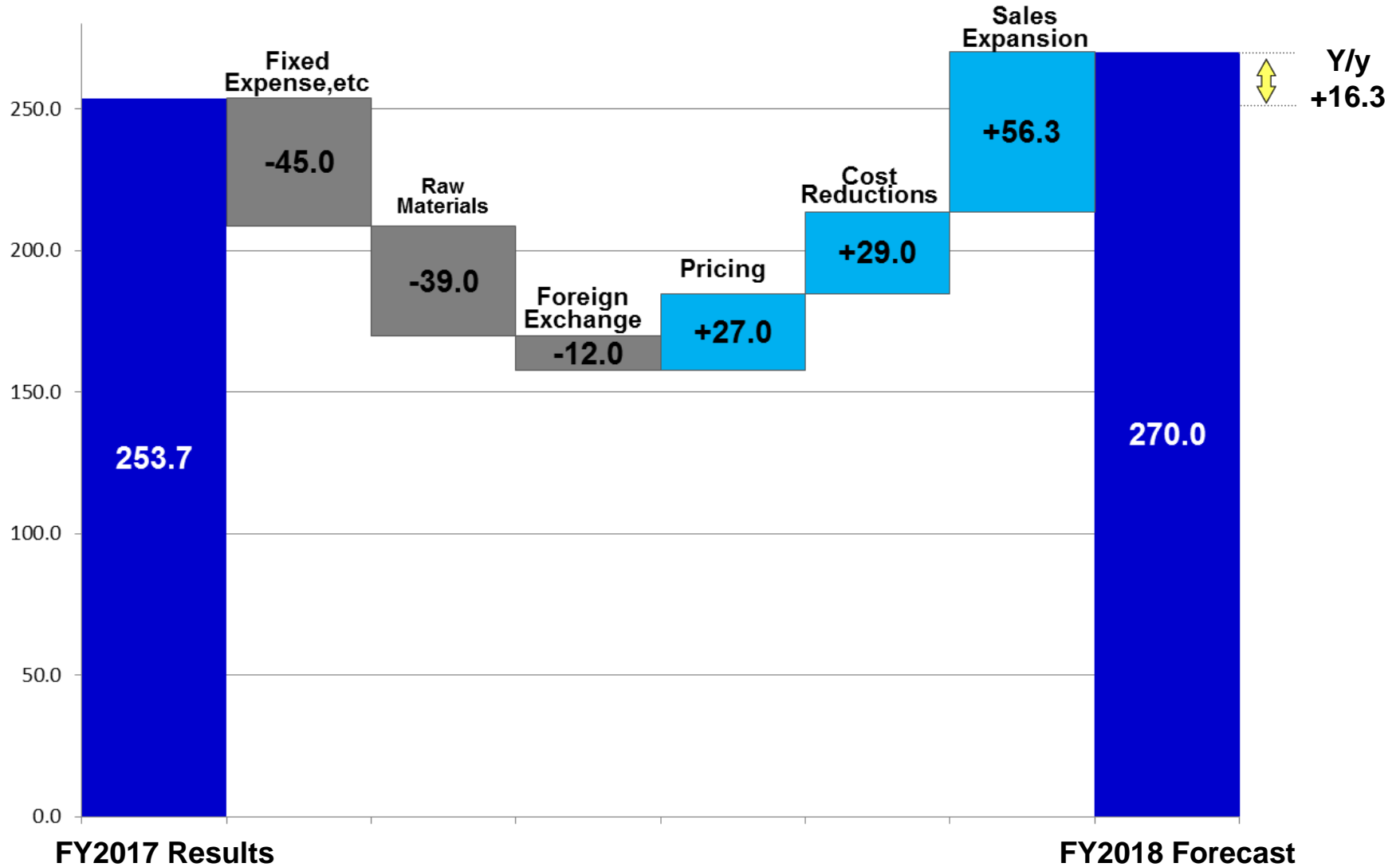
Foreign Exchange (Year-on-year)	
Sales	-42.0 billion yen
Operating Income	-12.0 billion yen

(billion yen)	FY2017 Results			FY2018 Forecast		
	1H	2H	Total	1H	2H	Total
Net sales	1,174.5	1,116.0	2,290.6	1,290.0	1,190.0	2,480.0
Operating Income <small>(Percentage of income to net sales)</small>	149.1 (12.7%)	104.7 (9.4%)	253.7 (11.1%)	158.0 (12.2%)	112.0 (9.4%)	270.0 (10.9%)
Ordinary Income <small>(Percentage of income to net sales)</small>	149.7 (12.7%)	105.3 (9.4%)	255.0 (11.1%)	158.0 (12.2%)	110.0 (9.2%)	268.0 (10.8%)
Profit Attributable to Owners of Parent <small>(Percentage of income to net sales)</small>	101.5 (8.6%)	87.6 (7.8%)	189.1 (8.3%)	108.0 (8.4%)	72.0 (6.1%)	180.0 (7.3%)
USD/JPY	¥111	¥111	¥111			¥105
EUR/JPY	¥126	¥134	¥130			¥130
RMB/JPY	¥16.4	¥17.2	¥16.8			¥16.6

Breakdown of Changes in Operating Income (Y/y)



(billion yen)



(billion yen)		FY2017 Results	FY2018 Forecast	Y/y changes
Total	Sales	2,290.6	2,480.0	108%
	Operating Income <small>(Percentage of income to net sales)</small>	253.7 (11.1%)	270.0 (10.9%)	106%
Air-Conditioning	Sales	2,052.9	2,220.0	108%
	Operating Income <small>(Percentage of income to net sales)</small>	223.5 (10.9%)	236.5 (10.7%)	106%
Chemicals	Sales	183.1	205.0	112%
	Operating Income <small>(Percentage of income to net sales)</small>	25.5 (13.9%)	28.5 (13.9%)	112%
Others	Sales	54.5	55.0	101%
	Operating Income <small>(Percentage of income to net sales)</small>	4.8 (8.7%)	5.0 (9.1%)	105%

Japan

Solid growth in capital investments are driving a trend toward economic recovery. We intend to build a sales system closely tailored to the local market through meticulous sales activities. In addition to expanding sales of high value-added, we will strive to increase earnings by promoting cost reductions and thoroughly implementing a selling price policy.

- In residential use, we will create a new market through development of differentiated products such as **risora**, which excels in both functionality and design, and **Cocotas**, a multi-split air conditioner for small spaces.
- In commercial use, we will launch **GREEN Multi**, a multi-split air conditioner employing R32, an industry first, and expand sales of high value-added products such as **machi Multi**, a VRV system featuring a slim design. In **SkyAir**, we will add the functions of auto cleaning and anti-theft and investigate shop needs.
- In Applied systems, we will aim to increase share by capturing redevelopment demand for the Tokyo metropolitan area by strengthening spec-in activities.

<Market demand indexes relating to AC>

(Increase rate)	FY2018 Forecast
Personal spending	+0.8%
New housing starts	-0.2%
Private capital investment	+2.7%
Floor areas of new construction of non-residential building	+2.5%

<AC sales forecast by product (volume basis)>

(Y/y change)		FY2018
Residential	Market	96%
	Daikin	102%
Commercial	Market	101%
	Daikin	102%
Applied	Market	107%
	Daikin	119%

※Applied is based on sales.

Americas

Even with the risk of U.S. government policy prioritizing national interests, the economy is expected to remain bullish. We will aim to expand business by enlarging our own dealer network, developing products, and strengthening after sales service as we work to improve productivity at the new Goodman factory.

- In residential unitary, we will strive to increase the product lineup and accelerate sales by launching new inverter unit products as we further expand sales in the volume zone market.
- In ductless, we will aim to raise the diffusion rate for **VRV systems** by strengthening direct sales activities for users and expanding sales of high-end, residential-use products centering on the Northeast, which is the largest market.
- In Applied systems, we will expand after sales service while making efforts in equipment sales such as for chillers and air handling units. Even in Latin America we will strive to expand the Engineering business centering on Mexico.

<AC sales forecast by product (volume basis)>

(Y/y change)	FY2018	
	Market	Daikin
Ducted unitary for houses	106%	110%
RA & SKY	102%	114%
VRV	115%	119%
Applied	103%	123%

※SKY・・・Medium or compact size packaged air conditioners

※VRV・・・Multi-split system for buildings

※Applied is based on sales in local currency.

China

Daikin will develop a national sales network in China extending from large urban areas to regional cities. Additionally, we will launch differentiated products corresponding to market changes from government policies to restrain real estate speculation while maintaining cost reductions, such as in-house production and automation, as we strive to expand both sales and profits.

- In the residential-use market, we will develop detailed sales measures centering in our own PROSHOP specialty shops. In the **New Life Multi Series**, a residential multi-split air conditioner, we will widen the product lineup corresponding to increasing air quality needs. A new business model will be developed that connects customer searches to sales and solutions such as in the development of a brand strategy utilizing the Internet, showrooms with operational equipment, and establishment of customer centers.
- In the commercial-use market, we will promote spec-in activities to architectural firms. We will strive to expand sales launching new products for the diversified needs of building tenants and shops while strengthening system proposal capabilities.
- In the Applied systems market, we will promote meticulous proposal sales to small- and medium-sized bid proposals. In addition, to expanding equipment sales centering on chillers, we will expand the After Sales Service business.

<AC sales forecast by market (aggregate sales in local currency)>

(Y/y change)	FY2018	
	Market	Daikin
Residential※	98%	106%
Commercial	101%	107%
Applied	99%	102%

※Multi-split air conditioners for residential use are included.

Europe, Middle East, and Africa

With prospects of a moderate recovery for air conditioning demand in response to solid economic growth, Daikin will incorporate the stricter environmental regulations and promote differentiated products that adopt low GWP refrigerant R32.

We will significantly increase sales even in new businesses of heating, freezers, and refrigerators.

- In residential use, we will take advantage of a wide product range of R32 units and expand sales.
- In commercial use, we will aim to enhance the lineup of R32 units in SkyAir. Even in VRV systems, we will strengthen spec-in activities for refrigerant-saving models and expand sales.
- In the Heating business, we will promote dealer development in major countries such as France and Germany. We will expand sales by launching new products of heat pump type hot water heaters with high energy savings.
- In Applied systems, we will attempt to increase orders for large-scale bid proposals by strengthening marketing capabilities in all countries centered on the largest market of the Middle East and launching new chiller products corresponding to local needs.
- In the Refrigerator and Freezer business, we will mutually use the sales networks and product lineups with Zanotti and expand sales of new products for small shops.

<AC sales forecast by product (volume basis)>

		FY2018	
		Market	Daikin
(Y/y change)			
Residential		106%	103%
Commercial	SKY	99%	99%
	VRV	102%	110%
Heating		110%	112%
Applied		101%	130%

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

※VRV・・・Multi-split system for buildings

※Applied is based on sales in local currency.

Asia/Oceania

In anticipation of expanding air conditioning demand from a growing middle class, we will work to strengthen supply capabilities by operation of new factories in Vietnam and Malaysia, expand our sales network in all countries, and enlarge the After Sales Service business as we substantially increase sales.

- In residential use, we will work to accelerate market conversion to inverters mainly in India, Vietnam, and Thailand and strengthen sales expansion of differentiated products such as residential-use, multi-split air conditioners in all Asian countries. In India, we will accelerate dealer development in all regional cities in addition to expanding inverter products for stricter environmental regulations.
- In commercial use, we will continue to focus on dealer cultivation. In **SkyAir**, we will launch cooling only inverter type R32 air conditioners ahead of other companies. In **VRV systems**, we will strengthen spec-in activities by new products based on local needs.
- In Applied systems, we will strengthen profitability by increasing productivity with the new factory in Malaysia and expanding the After Sales Service business including maintenance business.

< AC sales forecast by product (volume basis) >

(Y/y change)		FY2018	
		Market	Daikin
Residential		108%	114%
Commercial	SKY	107%	112%
	VRV	115%	119%
Applied		104%	135%

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

※VRV・・・Multi-split system for buildings

※Applied is based on sales in local currency.

Chemicals

We will capitalize on the bullish demand in the semiconductor market and the brisk demand of the automotive market to expand sales.

In addition to expanding the Fluorocarbon Gas business, we will accelerate application development in such areas as surface modification agents and lithium-ion batteries for automobiles. Despite the continuing impact of high prices for raw materials, we will aim to increase revenue and profits by raising prices and reducing costs.

- For fluorocarbon gas, we will capitalize on replacement demand, especially in Europe, for freezers and refrigerators with high environmental performance using low GWP refrigerants and will also expand sales for air conditioners in the Asian market.
- We will strengthen product supply capabilities for the semiconductor market and capitalize on vigorous demand relating to AI/IoT.
- In the U.S. market, we will attempt to increase share by launching new products in the LAN cable market and improving marketing capabilities.
- We will aim to expand sales of environmentally-conscious water and oil repellent agents for the markets of China and Asia.
- We will strive toward creating synergy with Heroflon S.p.A., the Italian manufacturer of fluoropolymer compounds that we acquired last year. (Acquisition was completed at the end of October 2017).

<Chemical sales forecast by product (aggregate sales)>

(Y/y change)	FY2018	
	Market	Daikin
For all fluorochemical products	106%	112%
Fluorocarbon Gas	106%	118%
Polymers & Fluoroelastomers	106%	110%
Fine Chemicals, etc.	105%	113%

Filter

We will continue strengthening sales network for air filters centering on Asia where the market is growing.

In the United States and Europe, we intend to expand sales in the bio, pharmaceuticals, and automobile markets, where high-end markets are showing strong growth, by accelerating sales of energy-saving products.

In P&I,※ we will further expand the After Sales Service business, work to strengthen business in North America, and establish a stable business foundation.

※P&I: commercial-use dust collection systems such as for gas turbines and large-scale plants

Other Businesses

In the Oil Hydraulics business, we will expand sales in the market for industrial machinery in Japan and accelerate the building of a business foundation in Europe in addition to expanding U.S. business.

In the Defense Systems business, business conditions are challenging due to the decline in orders from the Japanese Ministry of Defense; however, we will work to expand sales of home oxygen concentrators in Japan and China.

In the Electronics business, we will continue to expand sales of R&D support systems (Visual R&D) .

■ Exchange Rate

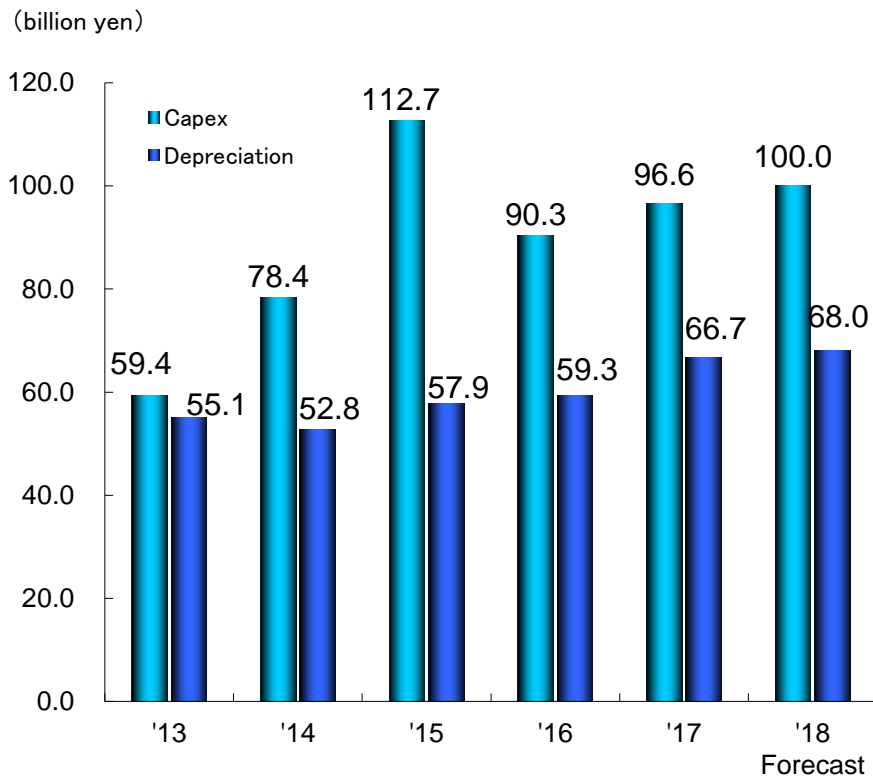
	FY2016 Results			FY2017 Results			FY2018 Forecast
	1H	2H	Total	1H	2H	Total	
USD	¥105	¥111	¥108	¥111	¥111	¥111	¥105
EUR	¥118	¥119	¥119	¥126	¥134	¥130	¥130
THB	¥3.0	¥3.2	¥3.1	¥3.3	¥3.5	¥3.4	¥3.4
RMB	¥15.9	¥16.3	¥16.1	¥16.4	¥17.2	¥16.8	¥16.6
AUD	¥79	¥84	¥82	¥86	¥86	¥86	¥84

■ Exchange Sensitivity (Impact of a 1-yen fluctuation to operating income)

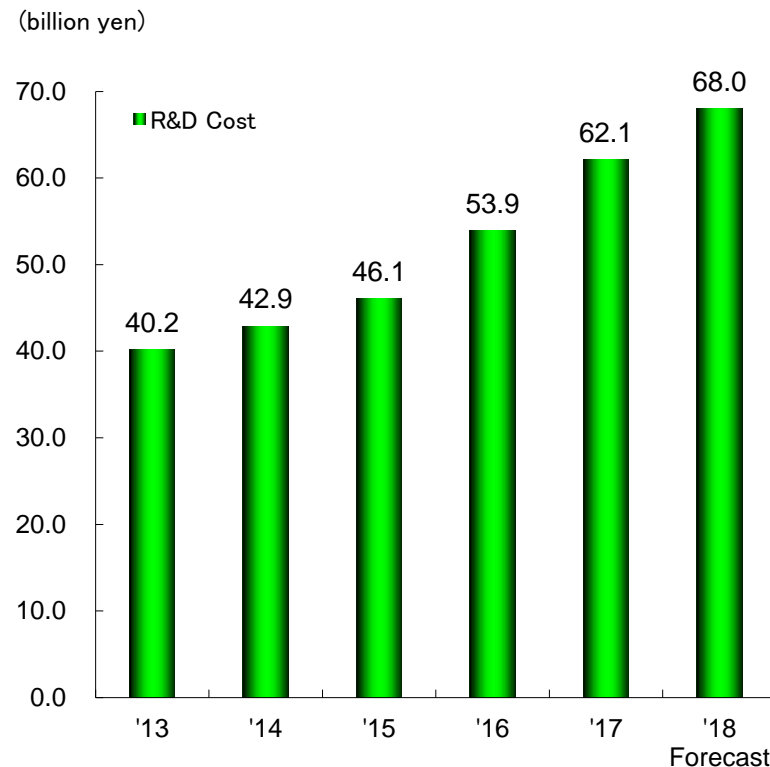
	FY2018 Forecast
USD	1.7 billion yen※
EUR	0.6 billion yen

※Changes for the THB, RMB, AUD, etc., are assumed to be linked to the USD

Capex and Depreciation



R&D Cost



(billion yen)	FY2013	FY2014	FY2015	FY2016	FY2017 Results	FY2018 Forecast
Capex	59.4	78.4	112.7	90.3	96.6	100.0
Depreciation	55.1	52.8	57.9	59.3	66.7	68.0
R&D Cost	40.2	42.9	46.1	53.9	62.1	68.0



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.