



Presentation of Financial Results for the First Quarter in June 2018

August 7, 2018

DAIKIN INDUSTRIES, LTD.

Summary of the First Quarter Financial Results



Daikin achieved record highs for sales and profits. In the Air Conditioning business, sales expanded in major regions. In the Chemicals business, sales grew by incorporating the strong market demand of the semiconductor and automobile industries. Despite a steep hike in raw materials costs, operating income increased due to sales expansion of high value-added products, thorough implementation of a selling price measures, and promotion of total cost reductions that included reduction of fixed costs.

(billion yen)	Q1 Result (Apr.-Jun.)			FY2018 Forecast			
	FY2017	FY2018	Y/Y	H1	Y/Y	Total	Y/Y
Sales	586.6	656.8	112%	1,290.0	110%	2,480.0	108%
Operating Income <small>(Percentage of income to net sales)</small>	74.4 (12.7%)	83.1 (12.7%)	112%	158.0 (12.2%)	106%	270.0 (10.9%)	106%
Ordinary Income <small>(Percentage of income to net sales)</small>	75.0 (12.8%)	85.5 (13.0%)	114%	158.0 (12.2%)	106%	268.0 (10.8%)	105%
Profit Attributable to Owners of Parent <small>(Percentage of income to net sales)</small>	51.0 (8.7%)	59.6 (9.1%)	117%	108.0 (8.4%)	106%	180.0 (7.3%)	95%
USD/JPY	¥111	¥109				¥105	
EUR/JPY	¥122	¥130				¥130	
RMB/JPY	¥16.2	¥17.1				¥16.6	

○Effects of FX (Y/Y)

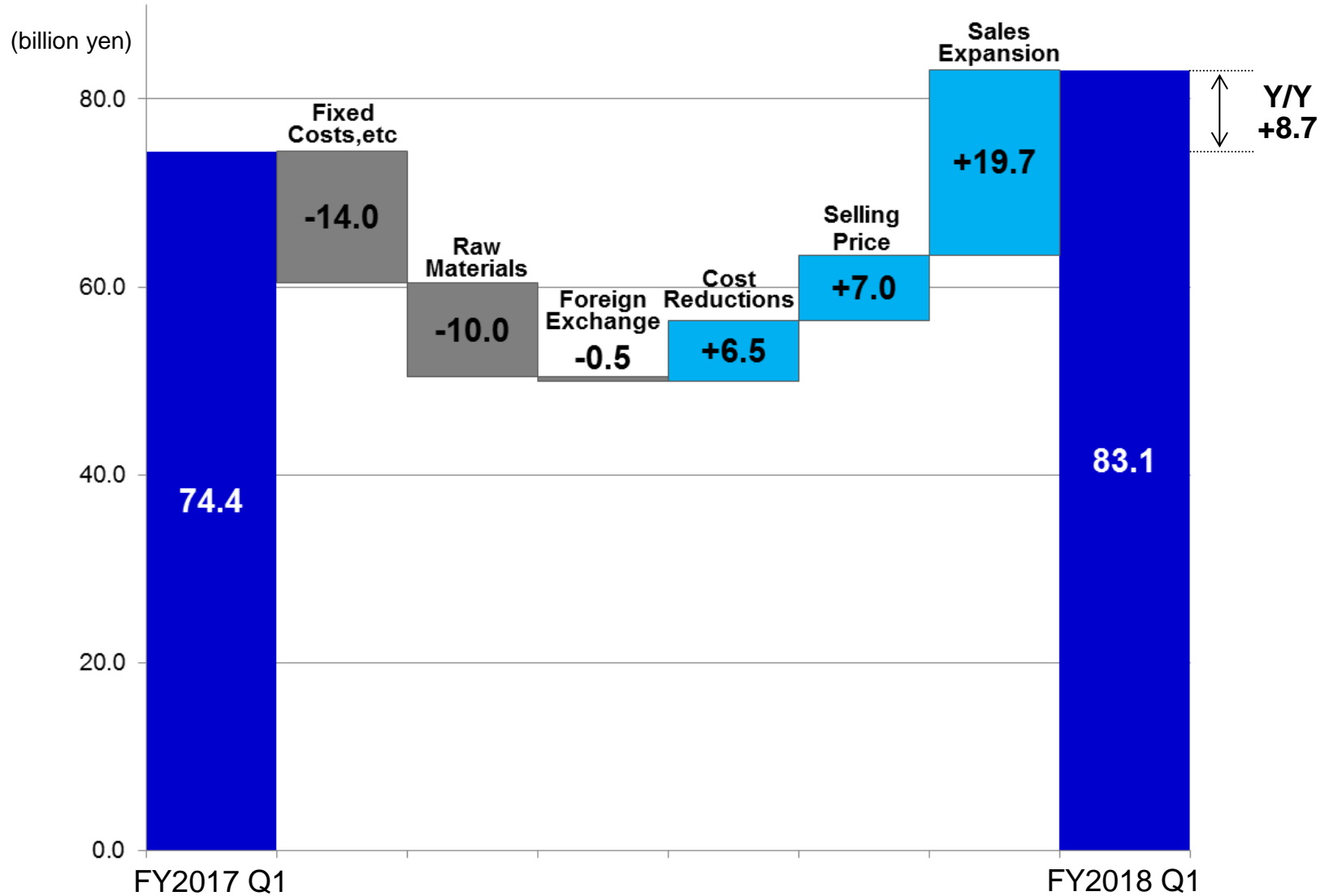
On sales +7.9 billion yen
On Operating Income -0.5 billion yen

■ First Quarter Sales and Operating Income by Division



(billion yen)		Q1 Result (Apr.-Jun.)			Full Year Forecast	
		FY2017	FY2018	Y/Y	FY2018	Y/Y
Total	Sales	586.6	656.8	112%	2,480.0	108%
	Operating Income <small>(Percentage of income to net sales)</small>	74.4 (12.7%)	83.1 (12.7%)	112%	270.0 (10.9%)	106%
Air-Conditioning	Sales	535.4	595.1	111%	2,220.0	108%
	Operating Income <small>(Percentage of income to net sales)</small>	69.4 (13.0%)	74.1 (12.4%)	107%	236.5 (10.7%)	106%
Chemicals	Sales	41.4	50.1	121%	205.0	112%
	Operating Income <small>(Percentage of income to net sales)</small>	4.6 (11.0%)	8.0 (15.9%)	174%	28.5 (13.9%)	112%
Others	Sales	9.8	11.6	119%	55.0	101%
	Operating Income <small>(Percentage of income to net sales)</small>	0.5 (4.9%)	1.1 (9.3%)	225%	5.0 (9.1%)	105%

Breakdown of Changes in Operating Income



Sales by Region: Air Conditioning



※Includes the refrigerator and freezer and the filter businesses.

※Percentage expresses year on year comparison

(billion yen)	FY2014 Q1		FY2015 Q1		FY2016 Q1		FY2017 Q1		FY2018 Q1		FY2018 Forecast	
	Japan	98%	98.0	97%	94.7	104%	98.9	106%	105.1	108%	113.6	104%
Europe	103%	61.2	94%	57.6	121%	69.8	103%	71.7	122%	87.4	110%	330.0
China	114%	95.3	108%	103.1	89%	91.8	115%	105.7	110%	116.7	106%	362.0
Americas	109%	116.6	118%	138.1	97%	133.7	115%	154.0	110%	169.0	112%	635.0
Asia	112%	57.2	115%	65.6	109%	71.4	100%	71.1	109%	77.5	109%	274.0
Oceania	99%	9.5	108%	10.2	117%	12.0	122%	14.7	125%	18.3	109%	80.0
Middle East	70%	9.3	129%	12.0	102%	12.2	94%	11.5	92%	10.6	114%	65.0
Africa	86%	2.2	99%	2.2	75%	1.6	103%	1.7	116%	1.9	99%	9.0
Total	105%	449.3	108%	483.5	102%	491.5	109%	535.4	111%	595.1	108%	2,220.0
Overseas Sales ratio		78%		80%		80%		80%		81%		79%
USD/JPY		¥102		¥121		¥108		¥111		¥109		¥105
EUR/JPY		¥140		¥134		¥122		¥122		¥130		¥130
RMB/JPY		¥16.4		¥19.6		¥16.5		¥16.2		¥17.1		¥16.6

Sales by Region: Chemicals

※Percentage expresses year on year comparison

(billion yen)	FY2014 Q1		FY2015 Q1		FY2016 Q1		FY2017 Q1		FY2018 Q1		FY2018 Forecast	
	Japan	99%	8.7	106%	9.3	97%	9.0	119%	10.7	115%	12.3	111%
Americas	97%	8.1	122%	9.8	84%	8.3	129%	10.7	106%	11.3	115%	49.0
China	85%	6.5	114%	7.4	108%	8.0	110%	8.8	111%	9.8	101%	39.0
Asia	121%	3.2	125%	4.0	90%	3.6	140%	5.0	123%	6.1	124%	28.0
Europe	123%	3.7	149%	5.6	106%	5.9	100%	5.9	171%	10.2	119%	37.0
Others	46%	0.2	105%	0.2	133%	0.2	132%	0.3	152%	0.4	—	—
Total	99%	30.4	119%	36.2	97%	35.0	118%	41.4	121%	50.1	112%	205.0
Overseas Sales ratio		71%		74%		74%		74%		75%		75%
USD/JPY		¥102		¥121		¥108		¥111		¥109		¥105
EUR/JPY		¥140		¥134		¥122		¥122		¥130		¥130
RMB/JPY		¥16.4		¥19.6		¥16.5		¥16.2		¥17.1		¥16.6

Japan

Industry demand for residential use struck a bullish tone behind a recovery in personal spending, and this led to an upturn in replacement purchases for energy-saving products.

Industry demand for commercial use rose against the previous fiscal year due to a strong showing in capital investments and construction starts.

Daikin maintained both a thorough selling price measures and sales expansion in both residential and commercial use.

In residential use, sales grew for high value-added products including **Urusara 7**, which features our unique humidity control technology, and **risora**, which excels in both functionality and design.

In commercial use, sales expanded for our flagship model **EcoZEAS** and for the slim design **machi MULTI**, which is marketed to stores and offices. In the commercial building market, sales of **VRV systems** also increased for offices and factories as Daikin gained demand in each market.

In Applied systems, we captured redevelopment demand for the Tokyo metropolitan area, and sales grew.

< AC sales by product (volume basis) >

(Y/Y change)		Q1 Result
Residential	Market	103%
	Daikin	105%
Commercial	Market	106%
	Daikin	107%
Applied	Market	114%
	Daikin	115%

※Applied is based on sales.

Americas

Strong market growth was seen due to capital investments accompanying large tax cuts and buoyant personal spending in the United States. Under these favorable conditions, Daikin strengthened its sales network and expanded its After Sales Service business as sales substantially increased over the previous fiscal year.

- Sales for residential unitary were strong due to an increase in our own dealers.
- For ductless, direct sales activities for users were bolstered in **VRV systems**, and sales significantly increased for the high-end, residential-use market.
- In Applied systems, in addition to improved equipment sales resulting from a fortified sales network and enhanced product lineup, sales also grew in the After Sales Service business. Business expansion was also seen in Central and Latin America due to acquisition of an AC engineering company.

<AC sales by product (volume basis)>

(Y/Y change)		Q1 Result
Ducted unitary for houses		109%
Ductless	RA/SKY	120%
	VRV	113%
Applied		118%

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

※VRV・・・Multi-split system for commercial

※Applied is based on sales in local currency.

China

The sales network expanded throughout China from large to regional cities. Although large-scale real estate investments have declined, Daikin capitalized on bullish personal spending by strengthening direct sales, and sales expanded. Despite the impact of a steep price hike in raw materials, both revenue and profits increased by thorough implementation of a selling price measures and promotion of cost reductions utilizing in-house production and automation.

- In the residential-use market, proposal-making and installation capabilities were enhanced centering on PROSHOPS, our company’s unique specialty shops for direct sales. In response to a greater need for air quality, we improved our product lineup with the **New Life Style Multi Series** and expanded sales focusing on the mid-range and high-end, residential-use markets.
- In the commercial-use market, we strengthened the product lineup ranging from shops and offices to large-scale buildings with a focus on **VRV systems** . Spec-in activities for architectural firms and developers were strengthened to capture a broad market extending from new construction to remodeling.
- In the Applied systems market, we expanded meticulous sales activities covering from small-to-medium sized bids to large-scale projects. In addition to increasing equipment sales by enhancing the product lineup, we also increased the After Sales Service business.

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

	Q1 Result
(Y/Y change)	
Residential※	107%
Commercial	102%
Applied	108%

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

Europe, Middle East, and Africa

Although adversely impacted by political instability in the Middle East, sales for environmentally conscious products expanded in Europe, where the economy is benefiting from a recovery in personal spending. Consequently, sales for the region overall exceeded the previous year.

- In residential use, we expanded high value-added products including R32 equipment.
- In commercial use, sales of high value-added products in **SkyAir**, such as R32 units, increased in Europe from stricter environmental regulations. However, stagnant sales in the Middle East resulted in a sales decline for the overall region compared to the previous fiscal year. Spec-in activities of energy-saving refrigerant models were bolstered for **VRV systems**, and sales grew.
- In the Heating business, sales expanded based on energy-saving needs by launching new products for heat pump type water heating systems.
- In Applied systems, we acquired demand within stagnant sales in the Middle East, the largest market, as a result of product development corresponding to regional needs.

<AC sales by product (volume basis) >

(Y/Y change)		Q1 Result
Residential		108%
Commercial	SKY	90%
	VRV	109%
Heating		115%
Applied		100%

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

※VRV...Multi-split system for commercial

※Applied is based on sales in local currency.

Asia/Oceania

We expanded the sales network from urban to regional areas in each country, strengthened the after sales service structure, and bolstered sales personnel. Sales exceeded the previous fiscal year.

- In residential use, sales in Vietnam declined due to unseasonable weather, while sales of cooling-only inverter air conditioners increased in Indonesia, Thailand, and Malaysia. In India, we even capitalized on greater demand resulting from dealer development in regional cities.
- In commercial use, we focused on strengthening spec-in activities and developing dealers. Sales grew in each country centering on India, Thailand, and Vietnam.
- In Applied systems, sales grew due to enlargement of the After Sales Service business, including the maintenance business.

■ Year-on-year sales of main countries (local currency basis)
 India: 108% Vietnam: 96% Australia: 127%
 Malaysia: 109% Thailand: 124% Indonesia: 134%

<AC sales by product (volume basis)>

(Y/Y change)		Q1 Result
Residential		110%
Commercial	SKY	107%
	VRV	119%
Applied		111%

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

In addition to sales expansion in the bullish semiconductor and automotive markets, both sales and operating income greatly exceeded the previous fiscal year due to cost reductions and selling price measures.

- Sales of fluorocarbon gas significantly grew by sales expansion of after sales service in Europe and development of a selling price measures.
- Polymers and Fluoroelastomers
 - For fluoropolymers, in addition to the sale of new products for LAN cable in the United States, we capitalized on the bullish, semiconductor-related demand in Japan, China, and the Americas. Furthermore, there was a consolidation effect for Heroflon (Italy), which was acquired last year, and sales greatly surpassed the previous fiscal year.
 - For fluoroelastomers, we expanded sales for automobiles, a segment in which demand is increasing in every region worldwide.
- For Fine Chemicals, demand for water and oil repellents has shifted favorably in China and Europe. Even the surface antifouling agent **OPTOOL** compensated for declining sales in China by expanding sales in other regions.

<Chemical sales by product (aggregate sales)>

(Y/Y change)	Q1 Result
For all fluorochemical products	121%
Fluorocarbon Gas	133%
Polymers & Fluoroelastomers	124%
Fine Chemicals, etc.	110%

Sales of air filters in Japan and Europe increased for high-end products in the semiconductor and pharmaceutical markets, but overall divisional sales fell below the previous year due to a drop in sales in the United States and severe price competition in Asia.

Despite the severe demand environment, P&I* worked to improve its business structure with a focus on enlarging the After Sales Service business.

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



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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