

**Next-term Strategic Management Plan 【Fiscal year target: FY2010】**

**FUSION 10**

**Maximizing corporate worth to become  
a truly global and excellent company**

Daikin Industries, Ltd (Head office: Osaka, Japan) has devised its strategic management plan, FUSION 10, with the fiscal year target of 2010.

**1. Basic Policies of Next-term Strategic Management Plan**

The next-term strategic management plan FUSION 10, targeting fiscal year 2010, builds on the achievements of FUSION 21 (FY1995-FY2000) and FUSION 05 (FY2001-FY2005) and aims to expand business scale as well as comprehensively and substantively enhance Daikin's strengths in order to achieve great gains and realize "brilliant future creation" 10 years from now.

At the same time, in its core businesses of air-conditioning and chemicals, Daikin is placing the highest priority on achieving concrete results in peripheral fields where business opportunities are unfolding and aims to reach new heights by continuing management reform.

<5 Key Policies>

1) "Selection and concentration" to achieve development

Instead of exploring completely new business areas, translate business opportunities in peripheral fields of core businesses into concrete results, at the same time as concentrating on fundamental enhancement of core businesses

2) Rapid business creation through intensive use of flexible alliances and partnerships

Comprehensively pursue synergy through bold M&A, alliances and partnerships, including acquisition of OYL Industries, and accelerate realization of business achievements

3) Enhanced management strengths to survive the new era

Amid the intensifying global mega-competition, undertake challenging management issues that are broader and deeper in scope than ever before, including establishment of a financial strategy and risk management framework for the overall Group and development of unique CSR initiatives, aiming to establish management capabilities to enable maximization of corporate value and market capitalization

4) Establishment of technological capabilities and infrastructure of the highest global standard

Enhance core technologies to reach the highest world standards as well as achieve technology fusion, including in-house technology fusion and cogeneration with outside entities

5) Dramatic strengthening of HR capabilities

Develop Daikin's "people-oriented management," which has formed the foundation of growth thus far, on a global Group basis. At the same time, place utmost priority on strengthening and developing human resource capabilities as a management issue, emphasizing recruitment of diverse employees and

professional development, to undertake bold challenges in new territory and realize imminent business opportunities

## 2. Our Goal

With FUSION 10, Daikin aims to maximize corporate value and become a truly global and excellent company.

### Development Direction and Quantitative Targets

	FY2005 Performance	FY2008 Estimate	FY2010 Goals	10-year Ambitions (Mid 2010s)
Sales	¥ 792.9 billion	More than ¥ 1.35 trillion	More than ¥ 1.7 trillion	<ul style="list-style-type: none"> <li>• Achievement of global No.1 businesses</li> <li>Comprehensive air-conditioning and refrigeration manufacturer</li> <li>Only One fluorochemical solutions</li> </ul>
Operating Profit (%)	¥ 67.1 billion 8.5%	More than ¥ 120 billion 9.0%	More than 10%	
Ratio of Overseas Business	46%	60%	70%	
AC Business	Achieved global No.2 position in AC field	Global No.1 in AC field		
Chemical Business	Achieved global No.2 position in fluorochemicals as a Group	Global No.1 in fluorochemicals		

## 3. 4 Principle Targets to Achieve Our Goal

The comprehensive sharing and practice of Our Group Philosophy is an absolute requirement to Daikin's goal of maximizing corporate value. Furthermore, Daikin aims to 1) establish world-leading No.1 businesses, 2) generate innovation and value through unique technologies as a "shift creation leader," 3) establish a robust fiscal structure and profitability with excellent capital efficiency, and 4) thoroughly implement "people-oriented management" throughout the global Group, maximizing mobilization of collective strengths based on the pride and enthusiasm of each employee. The collective strengths of the global Group will be used to carry out concrete measures to realize these targets.

### 1) World-leading No.1 Businesses

While business scale is obviously necessary to achieving the global No.1 position, Daikin also seeks to become the substantive No.1 by offering the best products and services in the world. At the same time, Daikin desires to develop business in each region of the world as a welcomed and accepted presence.

### Achieve global No.1 position as comprehensive AC and refrigeration manufacturer

Daikin aims to achieve the global No.1 position in 2010 with sales of more than ¥1.4 trillion in the AC field. Daikin will begin by comprehensively enhancing its strengths as a specialist in ductless air-conditioning at the same time as pursuing new business creation in areas peripheral to the core business. In addition, a flexible alliance and partnership strategy will be adopted to rapidly transform various business opportunities into concrete results.

Specifically, in addition to the 4 regional pillars of Japan, Europe, China and Asia/Oceania where it already markets products, Daikin will cultivate full-scale business entry in new markets, including North America, India, Central and South America, and the Middle East and Africa, to achieve its global 8-pillar strategy. At the same time, Daikin will expand from the ¥2 trillion ductless market into the ¥8 trillion comprehensive AC market, which includes the ducted, applied (large-scale industrial AC), low temperature and refrigeration fields. With further expansion into peripheral markets such as heating and hot water supply, Daikin seeks to enlarge its business scope to become a comprehensive AC and refrigeration manufacturer offering a multitude of products and services to all types of customers around the world.

### Achieve global No.1 position in fluorochemicals and develop Only One chemical solutions business

Aiming to achieve the global No.1 position in fluorochemicals by 2010, Daikin will undertake business development focusing on applications development and market creation, the keys to growth in the chemicals business. Specifically, Daikin will expand sales in existing fields and the potentially large markets of the U.S. and China by strengthening relationships in its core fluorochemical market as well as accelerating development of applications and creation of demand in the automotive, semiconductor and other fields that are to receive priority. At the same time, Daikin will further enlarge its business scope by developing original functional materials and markets through promotion in composite materials and growing out of pure-fluoro materials, with a field-specific approach targeting fabricated materials and the processing field.

Furthermore, in order to achieve dramatic growth after 2010, Daikin will develop global strategic alliances and explore new component and device businesses to achieve the global No.1 position in fluorochemicals.

## **2) Generate innovation and value through unique technologies as shift creation leader**

The further acceleration of new product development to support business expansion is an obvious necessity. Going forward, Daikin aims to enhance its core technologies, including AC heat pumps, inverters and fluorochemicals, which have sustained business development up to now, as well as promote fusion with new, cutting-edge technologies in such fields as information, nanotechnology, functional materials and energy. Envisioning the world 10 years from now as a shift creation leader, Daikin will continue to generate the seeds of innovation through development of next-generation core technologies in pursuit of health, comfort and harmony with the environment.

## **3) Robust fiscal structure and profitability with excellent capital efficiency**

Daikin will implement a comprehensive financial strategy to execute timely investments aiming for further growth and development. While executing an aggressive investment strategy, Daikin will maximize operating cash flow to enable further growth investments and increase returns.

Furthermore, aiming to maintain and enhance an agile fiscal structure and realize rapid returns on large-scale investments, Daikin seeks to accelerate its cash generation cycle through more efficient use of operating capital and strict selection of investment targets.

#### **4) Thoroughly implement “people-oriented management” throughout the global Group**

Daikin has long believed in the infinite capacity of people and has implemented people-oriented management in the conviction that people form the basis of a company’s competitiveness and that the cumulative growth of all members serves as the foundation of company growth. With FUSION 10, Daikin aims to further enhance its people-oriented management and thoroughly implement it on a global basis. Subsequently, Daikin aims to further strengthen and reform its corporate structure to that of a truly global and excellent company.

End of Report