



Presentation of Financial Results for FY2018
(Term ended March 31, 2019)

May 10, 2019

DAIKIN INDUSTRIES, LTD.

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《Reference》

I . Financial Results for FY2018 ■ Companywide Results



Daikin achieved record highs for sales and operating profit for the sixth consecutive term. In the Air Conditioning business, sales grew in all major regions, including Japan, the Americas, and Europe.

In the Chemicals business, sales expanded centering on the semiconductor market. Although market prices for raw materials saw a steep climb and currencies in emerging countries depreciated, we improved profitability through promotion of total cost reductions and strict adherence to our selling price measures.

Moreover, despite the rapid slowdown in the Chinese economy in the second half, we were able to maximize sales and profitability, even in China, in addition to further expanding sales in regions experiencing growth.

(billion yen)	FY2017 Result	FY2018		Y/Y
		Forecast	Result	
Sales	2,290.6	2,480.0	2,481.1	108%
Operating Profit	253.7	270.0	276.3	109%
(Percentage of Profit to net sales)	(11.1%)	(10.9%)	(11.1%)	
Ordinary Profit	255.0	268.0	277.1	109%
(Percentage of Profit to net sales)	(11.1%)	(10.8%)	(11.2%)	
Profit Attributable to Owners of Parent	189.1	180.0	189.0	100%
(Percentage of income to net sales)	(8.3%)	(7.3%)	(7.6%)	

USD/JPY

¥111

¥109

¥111

EUR/JPY

¥130

¥130

¥128

RMB/JPY

¥16.8

¥16.5

¥16.5

※FX Effect (Year-on-year)

On Sales: -28.0 billion yen

On Operating Profit: -14.0 billion yen

■ Management Indicator

	FY2017	FY2018
ROA	7.8%	7.3%
ROE	15.7%	13.9%
FCF	+51.2 billion yen	-9.8 billion yen

(billion yen)		FY2017 Result	FY2018		
			Forecast	Result	Y/Y
Total	Sales	2,290.6	2,480.0	2,481.1	108%
	Operating Profit <small>(Percentage of Profit to net sales)</small>	253.7 (11.1%)	270.0 (10.9%)	276.3 (11.1%)	109%
Air-Conditioning	Sales	2,052.9	2,220.0	2,222.2	108%
	Operating Profit <small>(Percentage of Profit to net sales)</small>	223.5 (10.9%)	234.0 (10.5%)	237.6 (10.7%)	106%
Chemicals	Sales	183.1	205.0	200.8	110%
	Operating Profit <small>(Percentage of Profit to net sales)</small>	25.5 (13.9%)	31.0 (15.1%)	32.5 (16.2%)	128%
Others	Sales	54.5	55.0	58.1	107%
	Operating Profit <small>(Percentage of Profit to net sales)</small>	4.8 (8.7%)	5.0 (9.1%)	6.1 (10.4%)	128%

Profit and Loss Statement

(billion yen)	FY2017	FY2018	Impact on profitability
	112	108	
Net sales	2,290.6	2,481.1	+190.5
Cost of sales	1,491.7	1,612.2	-120.5
	(65.1%)	(65.0%)	
Gross profit	798.8	868.9	+70.1
	(34.9%)	(35.0%)	
Selling general and administrative expenses	545.1	592.7	※1 -47.6
	(23.8%)	(23.9%)	
Operating profit	253.7	276.3	+22.6
	(11.1%)	(11.1%)	
Non-operating gain or losses	+1.3	+0.8	※2 -0.5
Ordinary profit	255.0	277.1	+22.1
	(11.1%)	(11.2%)	
Extraordinary gains or losses	-3.2	-1.8	※3 +1.4
Profit before income taxes	251.9	275.3	+23.5
	(11.0%)	(11.1%)	
Corporate taxes, etc.	56.9	79.6	-22.7
Tax burden ratio	22.6%	28.9%	
Profit attributable to non-controlling interests	5.9	6.6	-0.7
Profit attributable to owners of parent	189.1	189.0	-0.0
	(8.3%)	(7.6%)	

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

Labor expense	-15.1
Product shipping costs	-7.0
Sales promotion costs	-5.4
R&D expense	-4.3
Service expense	-4.1

※2 Changes in non-operating gain or losses

Subsidy income	+1.0 (+1.5→+2.6)
Interest paid	-1.2 (-10.7→-11.9)
Foreign exchange losses	-3.2 (-1.7→-4.8)

※3 Changes in extraordinary gains or losses

Loss on liquidation of subsidiaries and affiliates	+2.9 (-2.9→0)
Casualty loss	-0.7 (0→-0.7)

() parentheses indicate percentage to net sales

(billion yen)	2018/3E	2019/3E	Y/Y
Cash and cash equivalents	357.0	367.8	+10.8
Receivables	<u>64 days</u> 401.2	<u>66 days</u> 447.8	+46.7
Inventories	<u>62 days</u> 387.2	<u>64 days</u> 436.4	+49.1
Fixed assets	970.9	1,101.1	+130.2
Investment and others	227.5	205.0	-22.6
Others	131.9	142.9	+11.0
Total Assets	2,475.7	2,700.9	+225.2

	2018/3E	2019/3E	Y/Y
Trade payables	184.0	204.5	+20.5
Interest bearing	554.4	585.6	+31.3
(Interest-bearing ratio)	(22.4%)	(21.7%)	
Others	413.0	463.9	+50.8
Total liabilities	1,151.4	1,254.0	+102.7
Total equity	1,296.6	1,416.1	+119.5
(Equity ratio)	(52.4%)	(52.4%)	
Share Warrant	1.5	1.7	+0.2
Non-controlling interests	26.3	29.1	+2.8
Total net assets	1,324.3	1,446.8	+122.5
Total liabilities and net assets	2,475.7	2,700.9	+225.2

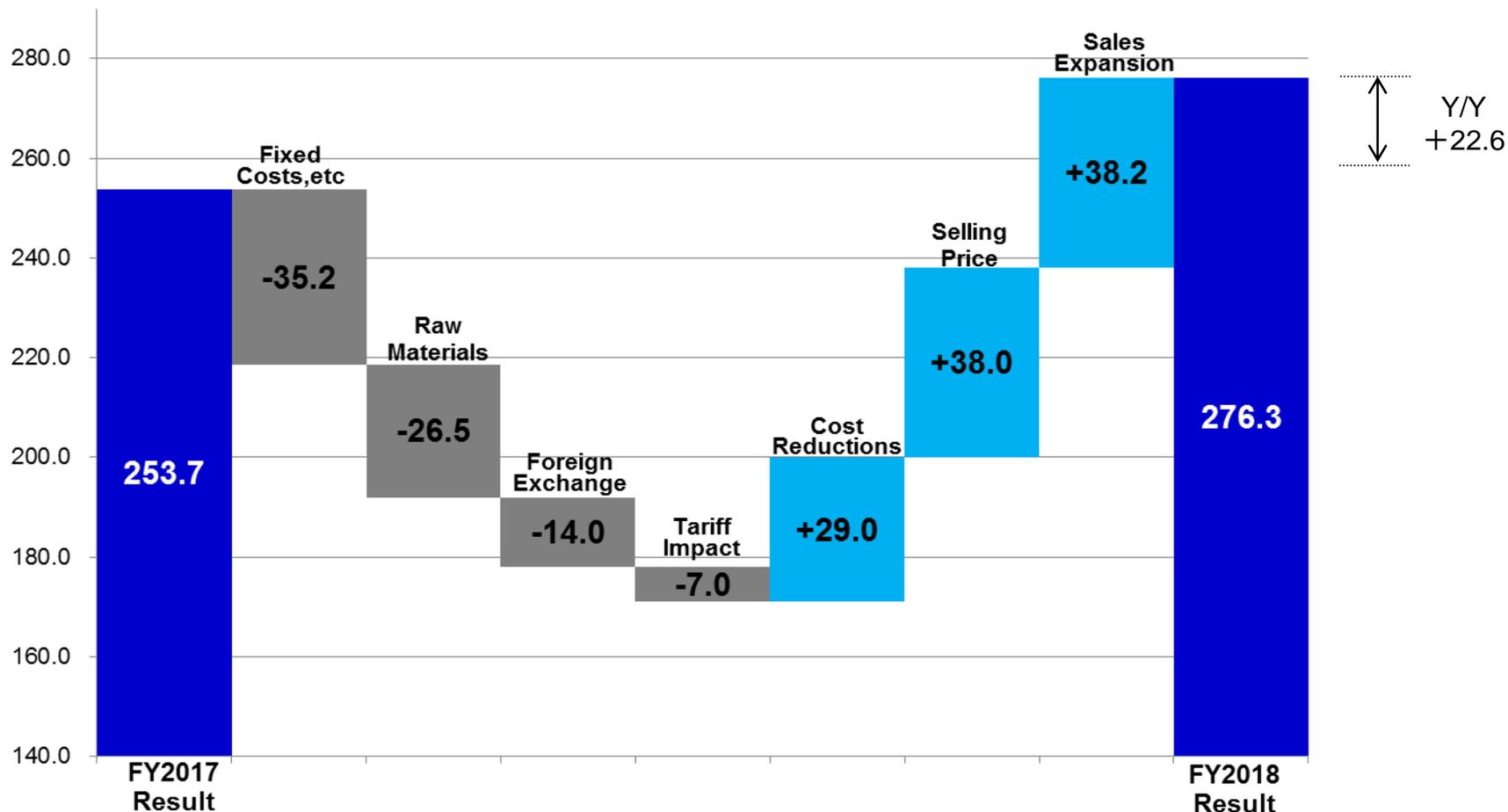
※Breakdown of interest-bearing debt

	2018/3E	2019/3E	Y/Y
Short-term borrowings	45.5	136.1	+90.5
CP	0	10.0	+10.0
Bonds	110.0	110.0	+0.0
Long-term borrowings	388.0	318.4	-69.7
Lease debt	10.8	11.2	+0.4
Total	554.4	585.6	+31.3

※In accordance with application of a partial revision in "Accounting Standard Related to Taxes on Income" from fiscal year 2018, we have retroactively adjusted the figures for the end of March 2018.

Breakdown of Changes in Operating Profit

(billion yen)



[Reference] Announced (Nov.)

Operating Profit	Fixed Costs, etc	Raw Materials	Foreign Exchange	Tariff Impact	Cost Reductions	Selling Price	Sales Expansion	Operating Profit
253.7	-45.0	-35.5	-14.0	-7.0	+29.0	+35.5	+53.3	270.0

Sales by Region – Air Conditioning



※Includes refrigerator, freezer and filter businesses

※Percentage expresses year on year comparison

(billion yen)	FY2014		FY2015		FY2016		FY2017		FY2018		FY2019 Forecast	
	Japan	94%	413.4	101%	416.9	104%	431.7	104%	449.3	107%	481.7	104%
Europe	98%	227.1	111%	251.3	100%	250.5	120%	301.1	110%	332.2	117%	390.0
China	110%	317.0	99%	313.6	95%	297.1	115%	342.0	100%	342.2	99%	340.0
Americas	121%	440.7	113%	496.3	103%	513.4	111%	569.5	113%	645.6	110%	710.0
Asia	117%	210.5	113%	237.7	98%	232.9	108%	251.4	111%	280.2	112%	315.0
Oceania	104%	43.6	108%	47.0	109%	51.2	144%	73.7	106%	78.2	102%	80.0
Middle East	106%	47.9	113%	54.0	92%	49.7	114%	56.9	93%	53.1	100%	53.0
Africa	106%	10.6	106%	11.2	78%	8.7	104%	9.1	99%	9.0	100%	9.0
Total	107%	1,710.9	107%	1,828.0	100%	1,835.4	112%	2,052.9	108%	2,222.2	108%	2,397.0
Overseas Sales ratio	76%		77%		76%		78%		78%		79%	
USD/JPY	¥110		¥120		¥108		¥111		¥111		¥108	
EUR/JPY	¥139		¥133		¥119		¥130		¥128		¥125	
RMB/JPY	¥17.7		¥18.9		¥16.1		¥16.8		¥16.5		¥16.2	

※Percentage expresses year on year comparison

(billion yen)	FY2014		FY2015		FY2016		FY2017		FY2018		FY2019 Forecast	
	Japan	104%	39.4	101%	39.8	105%	41.9	112%	46.8	118%	55.2	103%
Americas	112%	42.6	104%	44.5	94%	42.0	101%	42.6	110%	46.9	101%	47.5
China	102%	34.0	100%	33.9	92%	31.2	124%	38.5	94%	36.3	108%	39.0
Asia	111%	16.8	110%	18.4	97%	17.8	127%	22.6	119%	27.0	107%	29.0
Europe	112%	15.8	156%	24.7	93%	22.9	136%	31.2	108%	33.7	111%	37.5
Others	43%	1.0	99%	1.0	107%	1.0	134%	1.4	124%	1.7	—	—
Total	106%	149.6	109%	162.3	97%	156.8	117%	183.1	110%	200.8	105%	210.0
Overseas Sales ratio		74%		75%		73%		74%		72%		73%
USD/JPY		¥110		¥120		¥108		¥111		¥111		¥108
EUR/JPY		¥139		¥133		¥119		¥130		¥128		¥125
RMB/JPY		¥17.7		¥18.9		¥16.1		¥16.8		¥16.5		¥16.2

Japan

Industry demand for residential use exceeded the previous fiscal year on brisk personal spending together with the effect of an extremely hot summer.

Industry demand for commercial use also exceeded the previous fiscal year due to strong capital investments and construction starts.

Daikin expanded sales and maintained selling prices for both residential and commercial use.

- In Residential Use, we continued a sales strategy that focused on profitability, and sales grew for mid-range and high-end models such as **Urusara 7**, our flagship product, and **risora**, which pursues both functionality and design.
- In Commercial Use, we fully utilized our wide product lineup that includes **FIVE STAR ZEAS**, **Eco-ZEAS**, and the slim design **machi MULTI** and strengthened proposal-type sales. Sales increased in each market segment from stores and offices to factories.
- In Applied Systems, we achieved an industry first with launch of new products featuring the low-GWP refrigerant R32. Sales increased by capitalizing on redevelopment demand for the Tokyo metropolitan area.

<Market demand indexes relating to AC>

(Increase rate)	FY2017	FY2018
Personal spending	+1.1%	+0.5%
New housing starts	-2.9%	+0.7%
Private capital investment	+4.6%	+3.5%
Floor areas of new construction of non-residential building	+3.9%	-3.0%

<AC sales by product (volume basis)>

(Y/Y change)		FY2018
Residential	Market	108%
	Daikin	106%
Commercial	Market	106%
	Daikin	105%
Applied	Market	114%
	Daikin	116%

※Applied is based on sales.

Americas

Brisk personal spending arising from the large-scale tax cuts in the United States energized the market, and Daikin sales exceeded the previous year through expansion of the sales network and launch of new products. Facing higher prices for raw materials and the impact of tariffs due to the China-U.S. trade friction, we initiated measures, such as raising selling prices and reducing costs, to ensure profitability.

- In Residential Unitary we expanded our own dealer network in important regions, in addition to promoting education and support of dealers, and market share grew significantly from introduction of new inverter products for the middle zone (SEER 15-17).
- In Ductless, we improved the sales network for **VRV systems**, and sales focusing on the northeastern region substantially increased for the high-end, residential-use market.
- Applied Systems experienced growth in equipment sales by strengthening of the sales network and enlargement of the product lineup, and the After Sales Service business grew.

<AC sales by product (volume basis)>

(Y/Y change)	FY2018
Ducted unitary for houses	112%
RA & SKY	116%
VRV	117%
Applied	117%

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

※VRV・・・Multi-split system for commercial

※Applied is based on sales in local currency.

China

The severe market environment continued due to the economic slowdown resulting from the China-U.S. trade friction and the Chinese government's policy to curb new housing.

Nevertheless, we enhanced our product lineup and expanded sales in regional cities. By reducing costs through in-house production and automation, high profits were maintained.

- In Residential Use, we increased the number of PROSHOP specialty stores, primarily in regional cities, and sales of the **New Life Multi Series** expanded for middle-to-upper class residences. In large cities, new products were launched for general residences in response to market changes.
- In Commercial Use, we utilized a wide product range and acquired brisk demand such as for restaurants and data centers. For major cities in mature markets, we launched the **Intelligent VRV system**, which links to customers via the Internet, and captured replacement demand.
- In Applied Systems, we developed detailed sales activities from small- and medium-sized bid proposals to large-scale projects. In addition to higher equipment sales by expansion of the product lineup, sales grew for the After Sales Service business.

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

(Y/Y change)	FY2018
Residential※	100%
Commercial	100%
Applied	106%

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

Europe, Middle East , and Africa

In Europe, sales grew for environmentally-conscious products. Although currency depreciation impacted business in Turkey, sales for the overall region surpassed the previous fiscal year.

- In Residential Use, despite the lingering effect of unseasonable weather in Spain, sales of high value-added products such as R32 units increased mainly in France and Italy.
- In Commercial Use, spec-in activities were strengthened for **VRV systems** to counter price markdowns by competing companies. Although **SkyAir** sales grew in Europe for high value-added products such as R32 units, orders in the Middle East saw a decline.
- In Heating, we expanded the sales and after sales service networks and greatly expanded sales of heat pump type hot water heating systems.
- In Applied Systems, products including R32 chillers were launched in response to environmental regulations, and the sales system in each country was strengthened. Sales significantly grew in the largest market of the Middle East as well as in France and Germany.

<AC sales by product (volume basis) >

(Y/Y change)		FY2018
Residential		99%
Commercial	SKY	92%
	VRV	105%
Heating		121%
Applied		122%

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

※VRV・・・Multi-split system for commercial

※Applied is based on sales in local currency.

Asia and Oceania

The sales network in each country expanded from urban areas to regional cities. By strengthening the after sales service system and bolstering the sales force, we were able to capture demand of the ever-growing middle class, and sales greatly exceeded the previous fiscal year.

- In Residential Use, sales expanded in all countries, especially in India, Indonesia, and Thailand, from development of differentiated products such as cooling-only inverter units that meet stricter energy-saving regulations.
- In Commercial Use, sales expanded in all countries but most prominently in India, Thailand, and Vietnam. Daikin provided training for dealers who can handle everything from design to installation, and sales and spec-in activities were strengthened.
- In Applied Systems, sales significantly grew with improvement of product supply capabilities through new plant operation in Malaysia.

■ Year-on-year sales of main countries (local currency basis)

India: 117% Vietnam: 108% Australia: 112%
 Thailand: 111% Malaysia: 111% Indonesia: 123%

<AC sales by product (volume basis)>

(Y/Y change)		FY2018
Residential		113%
Commercial	SKY	108%
	VRV	117%
Applied		123%

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

※VRV・・・Multi-split system for commercial

※Applied is based on sales in local currency.

Daikin greatly expanded sales by capitalizing on demand in the semiconductor and automotive markets. Amid the higher prices for raw materials, we raised selling prices and promoted total cost reductions. These actions led to gains that significantly exceeded the previous fiscal year in both sales and operating profit.

- Fluorocarbon gas in Europe showed a sharp increase in distribution stock from the second half of the fiscal year while sales in Japan and Asia expanded.
- Polymers and Fluoroelastomers
 - For Fluoropolymers, in addition to capturing demand in the semiconductor market mainly in Japan, China, and Asia, sales of new products for LAN cable in the United States also greatly increased.
 - For Fluoroelastomers, sales expanded in the automotive market, mainly in the United States and Japan.
- In Fine Chemicals, although sales decreased for the surface antifouling agent **OPTOOL**, sales grew for water and oil repellent agents in China and Asia.

<Chemical sales by product (aggregate sales)>

(Y/Y change)	FY2018
For all fluorochemical products	110%
Fluorocarbon Gas	104%
Polymers & Fluoroelastomers	114%
Fine Chemicals, etc.	105%

Filter

In Air Filter, we reorganized the manufacturing system and enhanced the sales system to improve profitability. At P&I※ the After Sales Service business was strengthened.

- In Air Filter, sales decreased in the United States but grew in the high-end market in Japan and Europe.
- At P&I, despite the severe demand environment, we worked to improve the business structure centering on the expansion of the After Sales Service business.

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

Other Businesses

In the Oil Hydraulics business, sales for both industrial equipment and construction equipment grew in Japan and North America.

In the Defense Systems business, sales fell due to the impact of a budget cut for artillery shells by the Japanese Ministry of Defense.

In the Electronics business, sales of R&D support systems (visual R&D) expanded, and revenue increased.

II. Business Forecast for FY2019 ■ Companywide Forecast



Projections call for an even more challenging business environment due to the impact of China-U.S. trade friction, a slowdown in demand in China, and stagnated investment in the semiconductor market. Nevertheless, Daikin intends to maintain the underlying direction of increased revenue and profits by strengthening sales and marketing capabilities, accelerating development of differentiated products, and further promoting total cost reductions. Moreover, we intend to accelerate business expansion in all global regions beginning with the Americas and Asia. While executing a continuation of growth investments, we will flexibly respond to changes in the business environment as we aim to achieve even higher financial results.

(billion yen)	FY2018 Result	FY2019 Forecast	Y/Y
Sales	2,481.1	2,670.0	108%
Operating Profit (Percentage of Profit to net sales)	276.3 (11.1%)	285.0 (10.7%)	103%
Ordinary Profit (Percentage of Profit to net sales)	277.1 (11.2%)	285.0 (10.7%)	103%
Profit Attributable to Owners of Parent (Percentage of Profit to net sales)	189.0 (7.6%)	193.0 (7.2%)	102%
USD/JPY	¥111	¥108	
EUR/JPY	¥128	¥125	
RMB/JPY	¥16.5	¥16.2	

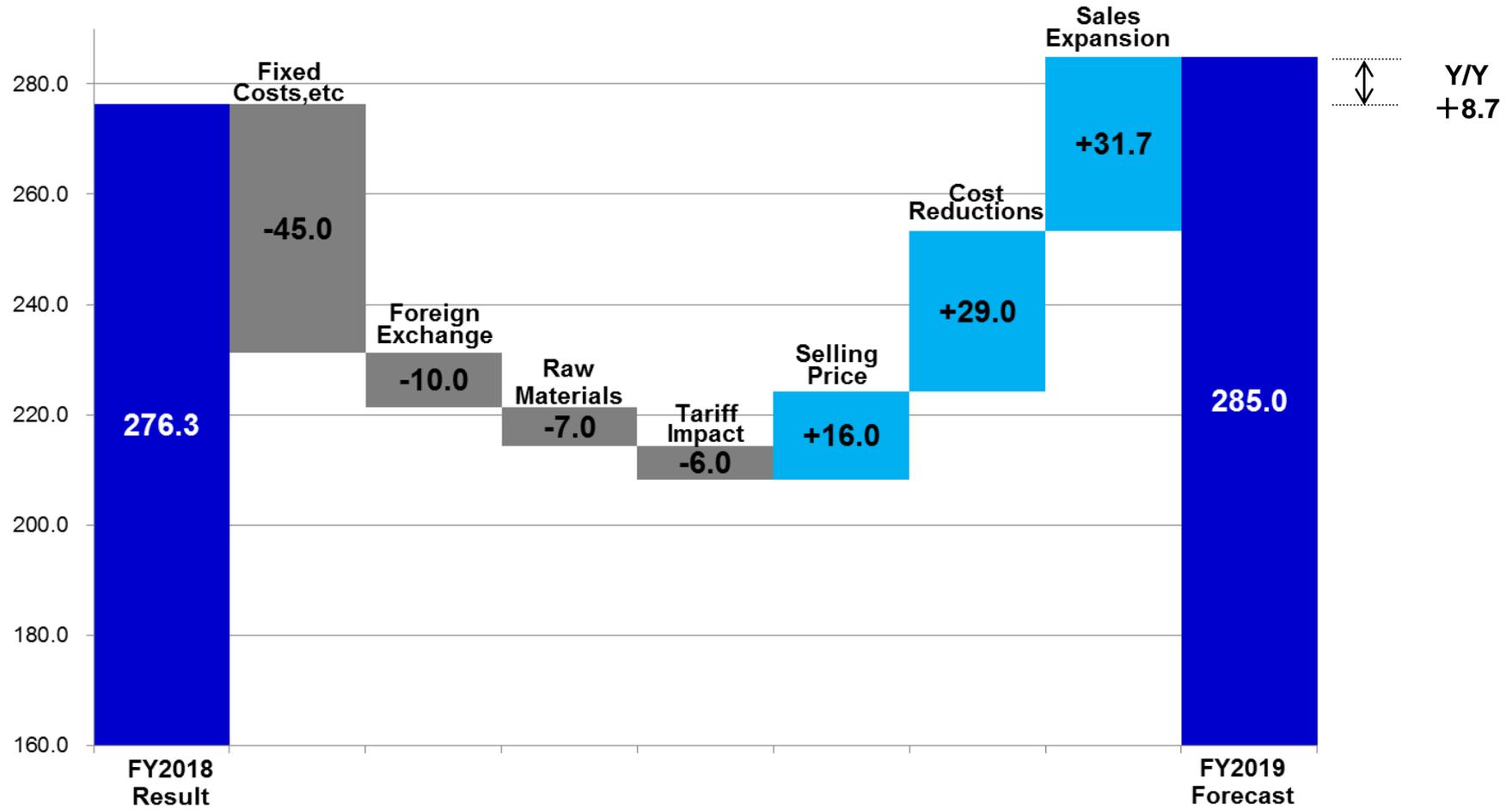
※FX Effect (Year-on-year)

On Sales: -42.0 billion yen
On Operating Profit: -10.0 billion yen

(billion yen)	FY2018 Result			FY2019 Forecast		
	H1	H2	Total	H1	H2	Total
Net sales	1,299.0	1,182.1	2,481.1	1,390.0	1,280.0	2,670.0
Operating Profit (Percentage of Profit to net sales)	160.6 (12.4%)	115.6 (9.8%)	276.3 (11.1%)	164.0 (11.8%)	121.0 (9.5%)	285.0 (10.7%)
Ordinary Profit (Percentage of Profit to net sales)	162.9 (12.5%)	114.2 (9.7%)	277.1 (11.2%)	164.0 (11.8%)	121.0 (9.5%)	285.0 (10.7%)
Profit Attributable to Owners of Parent (Percentage of Profit to net sales)	112.8 (8.7%)	76.2 (6.4%)	189.0 (7.6%)	114.0 (8.2%)	79.0 (6.2%)	193.0 (7.2%)
USD/JPY	¥110	¥112	¥111			¥108
EUR/JPY	¥130	¥126	¥128			¥125
RMB/JPY	¥16.8	¥16.2	¥16.5			¥16.2

Breakdown of Changes in Operating Profit

(billion yen)



(billion yen)		FY2018 Result	FY2019 Forecast	Y/Y
Total	Sales	2,481.1	2,670.0	108%
	Operating Profit <small>(Percentage of Profit to net sales)</small>	276.3 (11.1%)	285.0 (10.7%)	103%
Air-Conditioning	Sales	2,222.2	2,397.0	108%
	Operating Profit <small>(Percentage of Profit to net sales)</small>	237.6 (10.7%)	246.0 (10.3%)	104%
Chemicals	Sales	200.8	210.0	105%
	Operating Profit <small>(Percentage of Profit to net sales)</small>	32.5 (16.2%)	33.0 (15.7%)	101%
Others	Sales	58.1	63.0	108%
	Operating Profit <small>(Percentage of Profit to net sales)</small>	6.1 (10.4%)	6.0 (9.5%)	99%

Japan

Industry demand for residential use is expected to decline against the previous fiscal year when a summer heat wave helped boost demand.

Industrial demand for commercial use is expected to increase year on year due to special procurements by schools for air conditioning and brisk capital investments.

In addition to sales promotion of high value-added products, Daikin will work to increase profits by promoting cost reductions and strictly maintaining selling prices.

- In Residential Use, we will promote sales of high value-added products such as **Urusara 7** and **risora**.
- In Commercial Use, we will expand sales of differentiated products such as **MULTI CUBE**, a product enabling individual control even in large spaces like factories, and **Outer Tower**, an air conditioner that is invaluable for use outdoors as a measure against heat. Production and installation capabilities are being strengthened in anticipation of higher demand by schools for air conditioning.
- In Applied Systems, the After Sales Service business will be strengthened in addition to sales promotion of R32 units.

<Market demand indexes relating to AC>

(Increase rate)	FY2019 Forecast
Personal spending	+0.5%
New housing starts	-7.1%
Private capital investment	+2.1%
Floor areas of new construction of non-residential building	+1.5%

<AC sales forecast by product (volume basis)>

(Y/Y change)		FY2019
Residential	Market	92%
	Daikin	100%
Commercial	Market	102%
	Daikin	104%
Applied	Market	100%
	Daikin	106%

※Applied is based on sales.

Americas

Amid bullish demand, Daikin aims to expand business and improve profitability. While residential investment is expected to slow, we will look to increase market share by enlarging our own dealer network and launching new products. With completion of production transfer to the new Goodman factory, we will work to improve productivity even further.

- In Residential Unitary, we will work to expand sales of middle-zone (SEER 15-17) inverter units launched in the previous fiscal year in addition to further expanding sales in the volume zone market. A smart thermostat will also be newly launched, and we will pursue energy savings from not only equipment but also from the aspect of software.
- In Ductless, we will enhance our product lineup for cold regions and work to expand sales of high-end, residential-use products, mainly in the largest market of the Northeast.
- In Applied Systems, we will undertake sales expansion of equipment such as chillers and air handling units while enhancing the After Sales Service business. Even in Latin America, we will strengthen the sales system centering on Mexico and work to expand the Engineering business.

<AC sales forecast by product (volume basis)>

(Y/Y change)	FY2019	
	Market	Daikin
Ducted unitary for houses	104%	108%
RA & SKY	110%	116%
VRV	112%	113%
Applied	108%	113%

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

※VRV・・・Multi-split system for commercial

※Applied is based on sales in local currency.

China

In light of market uncertainty, Daikin will conduct flexible business operations corresponding to market changes and work to build a new business model for continued business growth.

- In Residential Use, we will enlarge the sales networks in regional cities where growth is expected. At the same time, we will strengthen the product lineup for general residences, which are rapidly increasing in large cities. Customer search will be linked to sales and solutions through such activities as brand appeal of unique Daikin products available on newly established E-commerce sites that are directly-managed and creation of customer centers.
- In Commercial Use, we will expand sales of **Intelligent VRV systems** that use the Internet to connect with customers and provide value to customers over the entire air conditioning lifecycle, including energy-saving diagnostics, failure prediction, and replacement proposals. Furthermore, we will expand a new sales model that extends beyond equipment sales with servicing and maintenance.
- In Applied Systems, we will promote proposals in the markets that are expected to grow such as those for data centers and semiconductor factories. In addition to equipment sales centered on chillers, we will expand the After Sales Service business.

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

(Y/Y change)	FY2019	
	Market	Daikin
Residential※	95%	100%
Commercial	98%	102%
Applied	102%	100%

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

Europe, Middle East , and Africa

An economic slowdown in Germany and Italy and the Brexit issue have had an effect on the business environment. Taking advantage of stricter environmental regulations, Daikin will promote sales of high value-added products.

- In Residential Use, we will enlarge the product lineup of R32 units and expand sales.
- In Commercial Use, we will promote sales of **SkyAir** using R32 and focus on the large markets of Spain and France. For **VRV systems**, we will respond to the tightening of fluorocarbon regulations by moving ahead of other companies in the introduction of new products that use recycled refrigerant.
- In the Heating business, we intend to capture bullish demand and increase market share by appealing to customers with the environmental performance of our heat pump type hot water heating systems.
- In Applied Systems, we will enhance marketing capabilities in each country centering on the Middle East, our largest market, and work to expand orders by launching new products of energy-saving and low-GWP refrigerant equipment that correspond to stricter environmental regulations.
- In the Refrigerator and Freezer business, we will mutually use the sales networks and product lineups of Zanotti and AHT and work to expand the overall business for cold chain.

< AC sales forecast by product (volume basis) >

(Y/Y change)		FY2019	
		Market	Daikin
Residential		100%	106%
Commercial	SKY	101%	101%
	VRV	107%	108%
Heating		111%	129%
Applied		101%	104%

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

※VRV・・・Multi-split system for commercial

※Applied is based on sales in local currency.

Asia and Oceania

With an ever-increasing expansion of the middle class, air conditioning demand is expected to grow. To meet this demand, Daikin will extend its sales network in every country from large urban areas to regional cities. In addition to launching differentiated products based on regional needs, we will work to expand our After Sales Service business and significantly increase sales.

- In Residential Use, together with accelerating a market shift to inverters in each country, we will expand sales of differentiated products such as residential-use multi-split air conditioners. In India, we will accelerate establishment of sales networks in regional cities and significantly increase sales.
- In Commercial Use, we will continue to focus on fostering dealers. In **SkyAir**, we will promote sales centering on Thailand and Vietnam for cooling-only R32 refrigerant inverter air conditioners, which feature greater cost competitiveness. In **VRV systems**, we will develop differentiated products corresponding to regional needs and strengthened spec-in activities. We will promote detailed proposal-type sales by application such as for schools and hospitals.
- In Applied System, we will strengthen recruitment and fostering of SE human resources and expand the After Sales Service business including servicing, inspections, and maintenance.

<AC sales forecast by product (volume basis)>

(Y/Y change)		FY2019	
		Market	Daikin
Residential		107%	110%
Commercial	SKY	109%	115%
	VRV	115%	121%
Applied		104%	134%

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

※VRV・・・Multi-split system for commercial

※Applied is based on sales in local currency.

The business environment is expected to be challenging as demand in the semiconductor market decreases due a corrective phase. In addition to promoting sales in the favorable fields of batteries and information and communications technology, we will work to expand high value-added products, reduce costs, and maintain our selling price measures as we aim for increased revenue and profits.

- In Fluorocarbon Gas, despite the downturn in demand in Europe, we will globally promote sales of low-GWP refrigerant for refrigerators and freezers.
- In the Semiconductor market, together with aiming for greater share by strengthening marketing capabilities, Daikin expects a recovery in demand relating to IoT/AI from 2020 and beyond and will strengthen its capabilities to supply and develop differentiated products.
- In the Automotive market, we intend to strengthen spec-in activities and expand sales for lithium battery materials used for next-generation vehicles.
- In the Information and Communications Technology field, we will work to expand sales to the LAN cable market in which demand is increasing in the United States.

<Chemical sales forecast by product (aggregate sales)>

(Y/Y change)	FY2019	
	Market	Daikin
For all fluorochemical products	101%	107%
Fluorocarbon Gas	98%	93%
Polymers & Fluoroelastomers	101%	108%
Fine Chemicals, etc.	101%	110%

Filter

In Air Filter, together with reorganization of the manufacturing system in the United States, we intend to expand sales in the biotechnology, pharmaceuticals, and automotive markets where growth is projected especially in Japan, Europe, and Asia.

In P&I※ we will work to further expand the After Sales Service business, reduce total costs, and establish a stable business foundation.

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

Other Businesses

The Oil Hydraulics business will continue to expand sales in Japan and North America while strengthening business in Europe.

In the Defense Systems business, we will work to expand sales of home oxygen concentrators in Japan and China.

In the Electronics business, we will strengthen sales of system products that support operational efficiency for manufacturing and building facilities.

- ◆ Financial results trended favorably and an annual dividend of 160 yen is planned for the fiscal year. This payout represents a 20-yen increase per share over the previous year and a 20-yen increase per share over the currently announced.
- ◆ Concerning the dividend for the next term, an annual dividend of 160 yen (interim 80 yen, term-end 80 yen) is planned.

【Daikin Dividend Policy】

Together with making every effort to maintain a ratio of dividends to shareholder equity (DOE) of 3.0% based on the principle of always providing stable dividends to shareholders, we will continue striving in our mission to provide shareholders with even greater return by aiming for an increasingly higher level of dividend payout ratio.

※includes a 90th anniversary commemorative dividend of 10 yen

		FY2014	FY2015	FY2016	FY2017	FY2018 (Proposed)	FY2019 (Forecast)
Dividend per share	Interim	¥40	¥55	¥60	¥65	¥70	¥80
	Annual	¥100 ※	¥120	¥130	¥140	¥160	¥160
Earning per share	H1	¥259.3	¥274.6	¥330.1	¥347.1	¥369.3	¥389.7
	Annual	¥410.2	¥469.2	¥526.8	¥646.5	¥646.4	¥659.8

(Reference) DOE Trends

3.2%

3.4%

3.6%

3.4%

3.5%

Exchange Rate

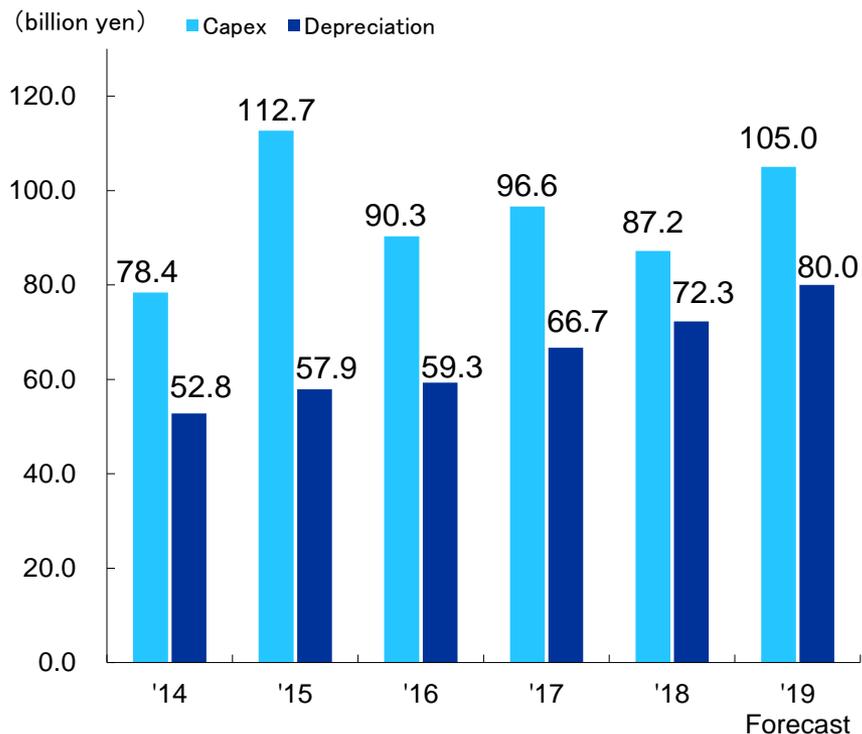
	FY2017 Results			FY2018 Results			FY2019 Forecast
	H1	H2	Total	H1	H2	Total	
USD	¥111	¥111	¥111	¥110	¥112	¥111	¥108
EUR	¥126	¥134	¥130	¥130	¥126	¥128	¥125
THB	¥3.3	¥3.5	¥3.4	¥3.4	¥3.4	¥3.4	¥3.4
RMB	¥16.4	¥17.2	¥16.8	¥16.8	¥16.2	¥16.5	¥16.2
AUD	¥86	¥86	¥86	¥82	¥80	¥81	¥80

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

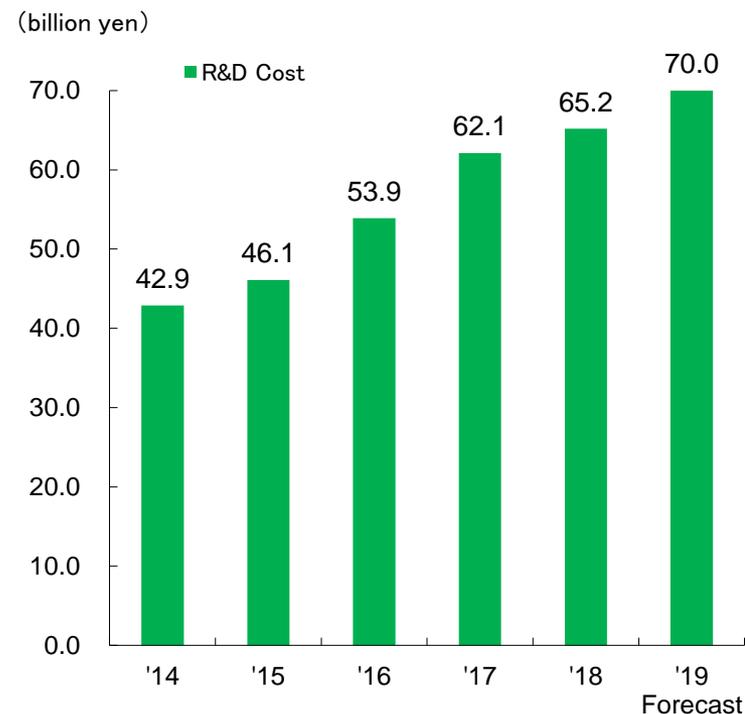
	FY2019 Forecast
USD	1.8 billion yen※
EUR	0.6 billion yen

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

Capex and Depreciation



R&D Cost



(billion yen)	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019 Forecast
Capex	78.4	112.7	90.3	96.6	87.2	105.0
Depreciation	52.8	57.9	59.3	66.7	72.3	80.0
R&D Cost	42.9	46.1	53.9	62.1	65.2	70.0

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.