



**Presentation of Financial Results for FY2015
(Term ended March 31, 2016)**

May 11, 2016

DAIKIN INDUSTRIES, LTD.

I . Financial Results for FY2015

II . Business Forecast for FY2016

III . Dividends Plan

《Supplementary Information》

I . Financial Results for FY2015

■ Business Review of FY2015 Financial Results



Despite challenging market conditions, including an economic slowdown in China and a slow recovery for construction starts in Japan, sales in the Air Conditioning business grew overseas centering on North America, Asia, and Europe. Even in China, sales of residential-use multi-split air conditioners continued to expand. Improved sales capabilities, the marketing of high value-added products, and the reduction of total overall costs led to a record high in sales and profits for the third consecutive term.

(billion yen)	FY2014	FY2015		Y/y change	Fusion15 Target
		Forecast (Nov)	Results		
Sales	1,915.0	2,090.0	2043.7	107%	2,050.0
Operating Income <small>(Percentage of income to net sales)</small>	190.6 (10.0%)	212.0 (10.1%)	217.9 (10.7%)	114%	190.0 (9.3%)
Ordinary Income <small>(Percentage of income to net sales)</small>	194.2 (10.1%)	210.0 (10.0%)	209.5 (10.3%)	108%	— —
Profit Attributable to Owners of Parent <small>(Percentage of income to net sales)</small>	119.7 (6.2%)	130.0 (6.2%)	137.0 (6.7%)	115%	— —
USD/JPY	¥110	¥120	¥120		¥95
EUR/JPY	¥139	¥133	¥133		¥125
RMB/JPY	¥17.7	¥19.2	¥18.9		—

■ Management Indicator

	FY2014	FY2015
ROA	5.6%	6.3%
ROE	13.1%	13.4%
FCF	+52.1 billion yen	+78.3 billion yen

Foreign Exchange (Year-on-year)	
Sales	+62.0 billion yen
Operating Income	+2.0 billion yen

■ Business Results by Segments



(billion yen)		FY2014 Results	FY2015		
			Forecast (Nov)	Results	Y/y changes
Total	Sales	1,915.0	2,090.0	2043.7	107%
	Operating Income <small>(Percentage of income to net sales)</small>	190.6 (10.0%)	212.0 (10.1%)	217.9 (10.7%)	114%
Air-Conditioning	Sales	1,710.9	1,860.0	1828.0	107%
	Operating Income <small>(Percentage of income to net sales)</small>	170.5 (10.0%)	187.0 (10.1%)	193.8 (10.6%)	114%
Chemicals	Sales	149.6	172.0	162.3	109%
	Operating Income <small>(Percentage of income to net sales)</small>	16.6 (11.1%)	21.0 (12.2%)	20.6 (12.7%)	125%
Others	Sales	54.5	58.0	53.4	98%
	Operating Income <small>(Percentage of income to net sales)</small>	3.6 (6.6%)	4.0 (6.9%)	3.5 (6.6%)	98%

■ Profit and Loss Statement



(billion yen)

	FY2014	FY2015	Changes from the last year
	<u>107</u>	<u>107</u>	
Net sales	1,915.0	2,043.7	+128.7
Cost of sales	1,265.1	1,332.1	+67.0
(Percentage to net sales)	(66.1%)	(65.2%)	
Gross income	649.9	711.6	+61.7
(Percentage of income to net sales)	(33.9%)	(34.8%)	
Selling general and administrative expenses	459.3	493.7	※1 +34.4
(Percentage to net sales)	(24.0%)	(24.2%)	
Operating income	190.6	217.9	+27.3
(Percentage of income to net sales)	(10.0%)	(10.7%)	
Non-operating gain or losses	3.6	▲ 8.3	※2 ▲ 12.0
Ordinary income	194.2	209.5	+15.3
(Percentage of income to net sales)	(10.1%)	(10.3%)	
Extraordinary gains or losses	▲ 1.7	▲ 3.4	※3 ▲ 1.6
Income before income taxes	192.5	206.2	+13.7
(Percentage of income to net sales)	(10.1%)	(10.1%)	
Corporate taxes, etc.	68.0	64.1	▲ 3.9
Tax burden ratio	(35.3%)	(31.1%)	
Profit attributable to non-controlling interests	4.9	5.1	+0.2
Profit attributable to owners of parent	119.7	137.0	+17.3
(Percentage of income to net sales)	(6.2%)	(6.7%)	

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

Labor costs	+14.9
Sales promotion costs	+3.5
Product shipping costs	+3.0
R&D expense	+5.3

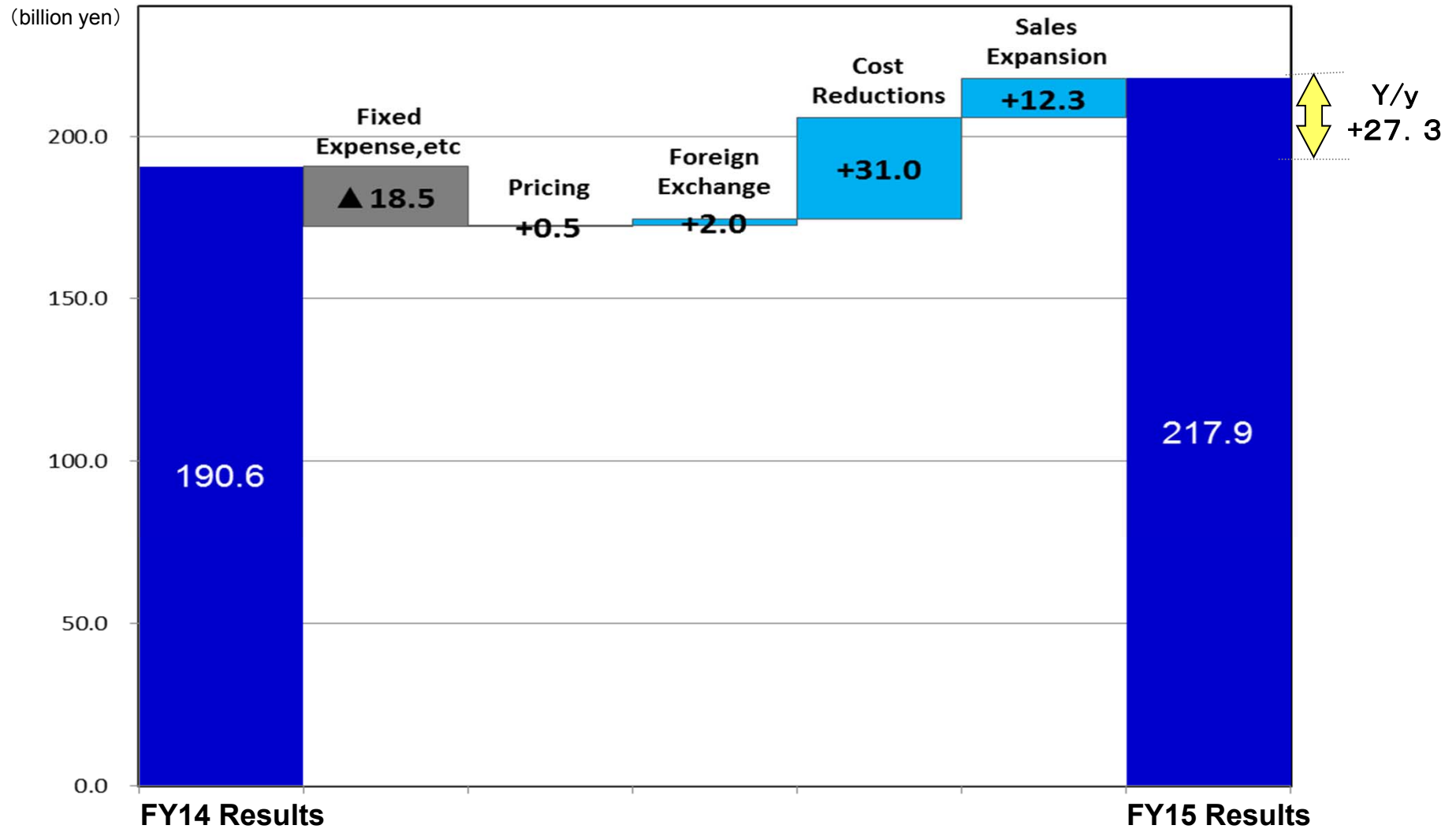
※2 Non-operating Gains or Losses

Exchange gain or loss	▲ 14.3(+3.0 → ▲ 11.3)
Interest	+1.6(▲ 3.1 → ▲ 1.5)

※3 Extraordinary Gains or Losses

Sales of investment securities gain or loss	▲ 3.9(+4.0 → +0.1)
Impairment loss for tangible fixed assets	+4.1(▲ 4.6 → ▲ 0.5)

Breakdown of Changes in Operating Income



<Reference> FY15 Forecast (Nov)	FY14 Operating Income	Fixed Expense, etc.	Pricing	Foreign Exchange	Cost Reductions	Sales Expansion	FY15 Operating Income
	190.6	▲21.0	+0.5	▲0.3	+29.0	+15.9	212.0

Balance Sheet



(billion yen)

	2015/3E		2016/3E		Y/y change
Cash and cash equivalents		286.9		291.2	+4.3
Receivables	<u>68days</u>	354.5	<u>64days</u>	355.6	+1.2
Inventories	<u>68days</u>	354.2	<u>60days</u>	333.7	▲20.5
Fixed assets		924.5		904.0	▲20.5
Investment and others		205.8		176.2	▲29.6
Others		138.1		130.5	▲7.7
Total Assets		2,264.0		2,191.1	▲72.9

	2015/3E	2016/3E	Y/y change
Trade payables	153.9	156.0	+2.1
Interest bearing (Interest-bearing ratio)	662.4 (29.3%)	609.0 (27.8%)	▲53.4
Others	399.3	388.6	▲10.7
Total liabilities	1,215.7	1,153.6	▲62.0
Total equity (Equity ratio)	1,024.7 (45.3%)	1,014.4 (46.3%)	▲10.3
Share Warrant	1.0	1.1	+0.1
Non-controlling interests	22.6	21.9	▲0.7
Total net assets	1,048.3	1,037.5	▲10.8
Total	2,264.0	2,191.1	▲72.9

※Breakdown of interest-bearing debt

	2015/3E	2016/3E	Y/y change
Short-term borrowings	41.9	40.7	▲1.2
CP	16.0	14.0	▲2.0
Bonds	140.0	140.0	+0.0
Long-term borrowings	459.9	410.4	▲49.5
Lease debt	4.6	3.9	▲0.8
Total	662.4	609.0	▲53.4

Sales by Region: Air Conditioning



※Includes refrigerator, freezer and filter businesses

※Percentage expresses year on year comparison

(billion yen)	FY2011		FY2012		FY2013		FY2014		FY2015		FY2016 Forecast	
Japan	107%	388.6	106%	411.5	106%	437.7	94%	413.4	101%	416.9	103%	430.0
Europe	90%	193.5	95%	183.0	127%	232.2	98%	227.1	111%	251.3	99%	250.0
China	116%	187.5	111%	207.3	139%	287.5	110%	317.0	99%	313.6	92%	290.0
Americas	105%	94.3	110%	103.6	351%	363.3	121%	440.7	113%	496.3	108%	534.0
Asia	102%	111.9	122%	136.3	132%	179.4	117%	210.5	113%	237.7	102%	243.0
Oceania	85%	33.8	105%	35.6	118%	41.9	104%	43.6	108%	47.0	98%	46.0
Middle East	138%	24.9	142%	35.4	128%	45.3	106%	47.9	113%	54.0	104%	56.0
Africa	98%	6.9	106%	7.2	138%	10.0	106%	10.6	106%	11.2	98%	11.0
Total	104%	1,041.4	108%	1,120.0	143%	1,597.2	107%	1,710.9	107%	1,828.0	102%	1,860.0
Overseas Sales ratio	63%		63%		73%		76%		77%		77%	
USD/JPY	¥79		¥83		¥100		¥110		¥120		¥110	
EUR/JPY	¥109		¥107		¥134		¥139		¥133		¥125	
RMB/JPY	¥12.4		¥13.3		¥16.4		¥17.7		¥18.9		¥17.0	

■ Sales by Region: Chemicals



※Percentage expresses year on year comparison

(billion yen)	FY2011		FY2012		FY2013		FY2014		FY2015		FY2016 Forecast	
Japan	103%	48.2	89%	43.1	88%	37.9	104%	39.4	101%	39.8	103%	41.0
Americas	113%	30.5	102%	31.1	122%	38.0	112%	42.6	104%	44.5	103%	46.0
China	138%	26.5	96%	25.4	131%	33.2	102%	34.0	100%	33.9	100%	34.0
Asia	140%	15.0	75%	11.3	134%	15.1	111%	16.8	110%	18.4	109%	20.0
Europe	116%	11.5	101%	11.6	122%	14.1	112%	15.8	156%	24.7	101%	25.0
Others	119%	1.3	158%	2.0	116%	2.3	43%	1.0	99%	1.0	—	—
Total	116%	132.9	94%	124.4	113%	140.6	106%	149.6	109%	162.3	102%	166.0
Overseas Sales ratio	64%		65%		73%		74%		75%		75%	
USD/JPY	¥79		¥83		¥100		¥110		¥120		¥110	
EUR/JPY	¥109		¥107		¥134		¥139		¥133		¥125	
RMB/JPY	¥12.4		¥13.3		¥16.4		¥17.7		¥18.9		¥17.0	

Japan

Impacted by an unseasonably cool summer and mild winter, industry demand in the residential-use market remained on par against the previous year.

The slow recovery for construction starts and reversal of last-minute surge in demand prior to the revision in the Rationalization in Energy Use Law caused industry demand for commercial use to decline against the previous year.

To overcome sluggish industry demand in the commercial-use market, Daikin focused on promoting sales of high valued-added products in both residential and commercial use, including Urusara 7 and FIVE STAR ZEAS which employ HFC32 (R32) refrigerant. With an emphasis on air handling units, sales grew in Applied systems, and sales remained on the same level as the previous year.

<Unit Shipments of AC for Japanese market, Daikin>

(Y/y change)		FY2014	FY2015
Residential	Market	86%	101%
	Daikin	84%	104%
Commercial	Market	101%	92%
	Daikin	96%	89%

Americas

Bolstered by strong personal consumption, Daikin implemented market-specific, detailed sales measures. Despite a decline in sales against the previous year for our mainstay residential unitary products, which were adversely impacted by a reversal in demand for last minute surge accompanying stricter energy-saving regulations, overall sales grew over the previous year due to bullish demand for ductless and Applied systems.

- In addition to expansion of the ductless product lineup centered on *VRV* systems, we increased hiring and training of SE personnel and improved our sales network. This led to sales growth in ductless for both residential and commercial use.
- Although sales promotion efforts were made for residential unitary with high efficiency equipment employing inverters, the reversal in demand for last minute surge accompanying stricter energy-saving regulations in 2014 and lower demand for heating equipment due to a mild winter caused sales to decline over the previous year.
- In Applied systems, we strengthened the sales network focusing on urban areas. Not only did equipment sales such as for chillers and air handling units grow, sales also grew for our After Sales business, resulting in sales that exceeded the previous year.

<Ratio of sales increase by products (volume basis)>

(Y/y change)		FY2014	FY2015
Ductless	Residential	121%	141%
	Commercial	SKY	131%
		VRV	114%
Ducted unitary for houses		118%	96%
Applied		105%	111%

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

※VRV・・・Multi-split system for buildings

※The forecasts for Applied are based on sales (local currency).

China

Despite the prolonged severity in the business environment, including the decline in large-scale investments and real estate projects, Daikin focused on retail and direct sales to capitalize on stable personal consumption. Sales for the second half recovered to a level on par with the previous year through sales growth in new differentiated products. In addition to cost reductions centering on in-house production of parts, we capitalized on softening market conditions for raw materials and the exchange rate to achieve sales on par with the previous year and operating income exceeding the previous year.

- In the residential-use market, we utilized the proposal-making and installation capabilities of our PROSHOP specialty shops for retail and direct sales, which are our forte, and expanded sales of New Life Multi Series that proposes various lifestyles to customers. Residential-use multi-split air conditioners drove sales in the middle- to high-end segments where demand is favorable. Sales for the residential-use market overall rose in the second half (Oct-March) over the previous year.
- In the commercial-use and Applied systems markets, sales fell below the previous year due to an economic downturn, but we capitalized on remodeling needs for the shop and general office market segment where demand is relatively bullish. Sales from the second half showed a recovery.

<Ratio of sales increase by market (local currency basis)>

(Y/y change)	FY2014	FY2015	
		Yen Basis	
Residential※	112%	98%	104%
Commercial	93%	86%	91%
Applied	104%	92%	98%

※Includes residential-use multi-split air conditioners

Europe (including Turkey, the Middle East, and Africa)

Demand for residential-use grew significantly largely in the markets of Southern and Central Europe due to warm summer weather, and shipments were steady. Sales activities were bolstered in Turkey and the Middle East, and sales significantly exceeded the previous year for the region overall.

- For residential use, Daikin significantly expanded sales centering on Italy, Spain, and Central Europe by capturing increased demand from the heat wave with the timely supply of products that utilized our strength of local production.
- Despite slow market recovery, including a slowdown in construction demand in the United Kingdom and Germany, Daikin launched new products for *VRV* systems and received orders through detailed sales activities for dealers in each country to expand sales.
- In the heating business, we capitalized on new construction demand together with stricter environmental regulations for residential use in France and the United Kingdom to expand sales for heat pump type hot water heating systems.

<Ratio of sales increase by products (volume basis)>

(Y/y change)		FY2014	FY2015
Residential		89%	142%
Commercial	SKY	97%	107%
	VRV	104%	106%
Heating		104%	112%
Applied		110%	104%

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

※VRV・・・Multi-split system for buildings

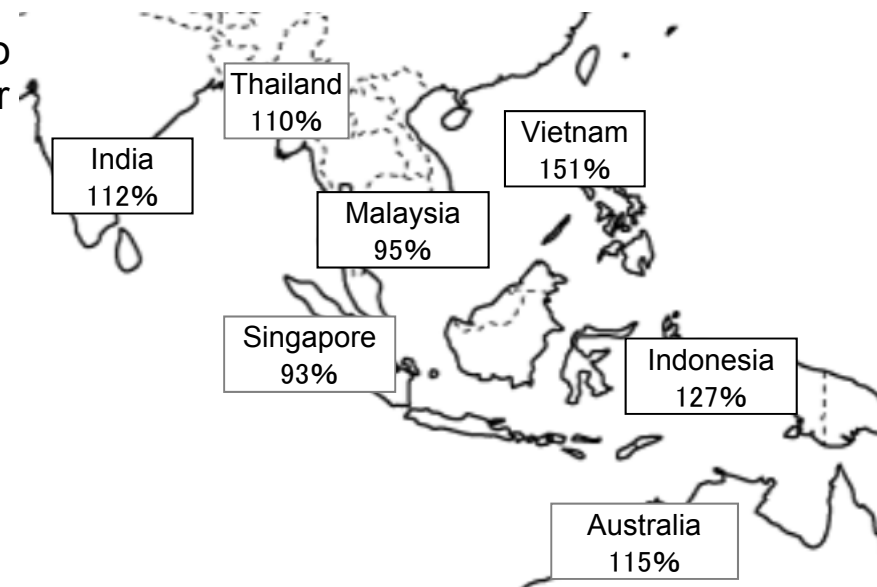
※The forecasts for Applied are based on sales (local currency).

Asia/Oceania

In addition to further efforts toward dealer development, sales grew substantially and exceeded the previous year for overall regional sales by launch of differentiated, energy-saving products corresponding to the needs of each country.

- Capitalizing on demand of a burgeoning middle class, we largely expanded sales centering on Vietnam and Indonesia. Sales grew even in Australia where we have promoted a reform of our sales capabilities.
- Sales expanded in India and Thailand for both residential- and commercial-use products. Efforts were also made for a sales recovery in Singapore and Malaysia where demand is weak.
- In addition to sales expansion, attention was given to increasing composition ratio (cooling-only inverter air conditioner, commercial-use *VRV* systems, etc.) and reducing total costs. Revenue capabilities were increased despite a changing market environment such as slow economic growth in China and foreign exchange fluctuations.

<Year-on-year sales in main countries (local currency)>



Chemicals

Sales expanded by emphasizing fluoropolymers for semiconductors, fluoroelastomers for the automotive industry, and anti-fouling coating agents. Within the decline in selling price in China and the United States, Daikin promoted total cost reductions, resulting in both increased revenue and profits.

- Although sales were restrained because of deteriorating market conditions in China for F-gas, sales exceeded the previous year with the addition of the European gas business acquired from Solvay.
- **Polymers and Fluoroelastomers**
 - Fluoropolymers were impacted by a sales decline in commodities for China and the United States; however, Daikin took advantage of an increase in semiconductor-related demand in Japan and Asia, and sales exceeded the previous year.
 - Fluoroelastomers saw growth in the automotive industry in Europe and Asia.
- In addition to sales expansion in fine chemicals for water and oil repellent agents and surface antifouling agents for smartphones (OPTOOL), sales for intermediates grew for medical applications in Europe.

<Ratio of sales increase by products (aggregate sales)>

(Y/y change)	FY2014	FY2015
For all fluorochemical products	107%	108%
Fluorocarbon Gas	78%	175%
Polymers & Fluoroelastomers	105%	102%
Fine Chemicals, etc.	117%	106%

Other

Oil Hydraulics:

Sales expanded for oil hydraulic equipment used in industrial machinery in Japan and for construction and vehicles in the United States.

Defense Systems:

Although sales grew for home oxygen concentrators in Japan and China, sales and operating income declined over the previous year due to a drop in orders from the Japanese Ministry of Defense for artillery shells used in target practice.

Electronics:

Sales expanded for R&D support systems (Visual R&D) for IT related capital investment of companies.

Ⅱ . Business Forecast for FY2016

■ Business Review of FY2016 Forecast



Signs of a slowdown linger for the global economy due to uncertainty in the Chinese economy and the impact of low crude oil prices. Similarly, yen appreciation and weakening of currencies in emerging countries are expected to have a significant adverse impact.

Daikin will try to expand sales in each global region of the world centering on North America and Asia by continuing to increase our sales and marketing capabilities and improve product development capabilities. In addition to total cost reductions, we will aim to increase revenue and profits by capitalizing on the market softening of raw materials.

With the start of our new strategic management plan Fusion 20, we will steadily implement investments toward future growth and development.

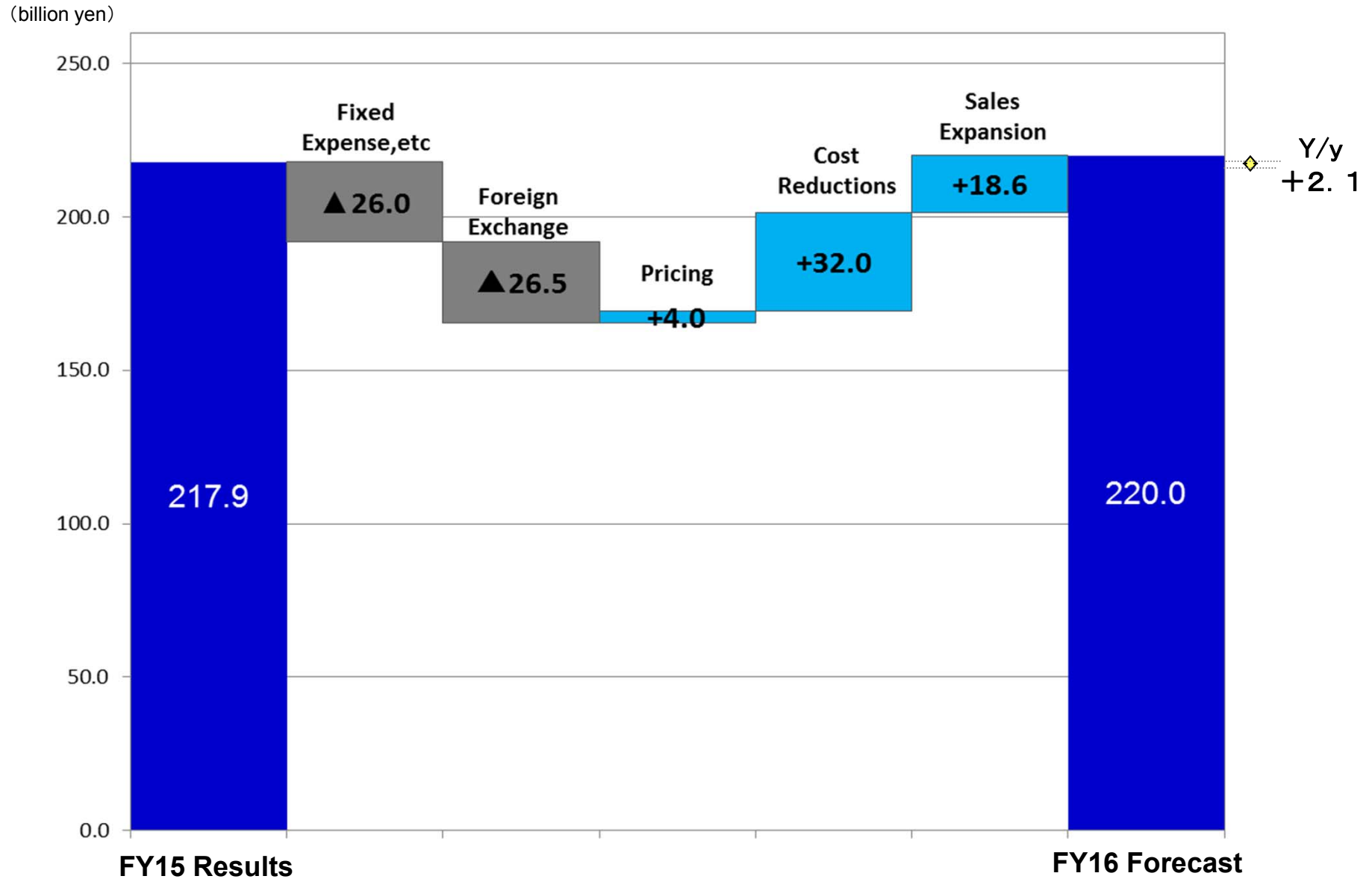
(billion yen)	FY2015 Results	FY2016 Forecast	Y/y change
Sales	2043.7	2080.0	102%
Operating Income (Percentage of income to net sales)	217.9 (10.7%)	220.0 (10.6%)	101%
Ordinary Income (Percentage of income to net sales)	209.5 (10.3%)	217.0 (10.4%)	104%
Profit Attributable to Owners of Parent (Percentage of income to net sales)	137.0 (6.7%)	140.0 (6.7%)	102%

Foreign Exchange (Year-on-year)
 Sales ▲140.0 billion yen
 Operating Income ▲26.5 billion yen

USD/JPY	¥120	¥110
EUR/JPY	¥133	¥125
RMB/JPY	¥18.9	¥17.0

(billion yen)	FY2015 Results			FY2016 Forecast		
	1H	2H	Total	1H	2H	Total
Net sales	1,078.7	965.0	2,043.7	1,080.0	1,000.0	2,080.0
Operating Income (Percentage of income to net sales)	124.2 (11.5%)	93.7 (9.7%)	217.9 (10.7%)	125.0 (11.6%)	95.0 (9.5%)	220.0 (10.6%)
Ordinary Income (Percentage of income to net sales)	123.0 (11.4%)	86.6 (9.0%)	209.5 (10.3%)	123.5 (11.4%)	93.5 (9.4%)	217.0 (10.4%)
Profit Attributable to Owners of Parent (Percentage of income to net sales)	80.1 (7.4%)	56.8 (5.9%)	137.0 (6.7%)	81.0 (7.5%)	59.0 (5.9%)	140.0 (6.7%)
Yen/USD	¥122	¥118	¥120			¥110
Yen/EUR	¥135	¥131	¥133			¥125
Yen/RMB	¥19.4	¥18.4	¥18.9			¥17.0

Breakdown of Changes in Operating Income



(billion yen)		FY2015 Results	FY2016 Forecast	Y/y changes
Total	Sales	2043.7	2080.0	102%
	Operating Income <small>(Percentage of income to net sales)</small>	217.9 (10.7%)	220.0 (10.6%)	101%
Air-Conditioning	Sales	1828.0	1860.0	102%
	Operating Income <small>(Percentage of income to net sales)</small>	193.8 (10.6%)	195.0 (10.5%)	101%
Chemicals	Sales	162.3	166.0	102%
	Operating Income <small>(Percentage of income to net sales)</small>	20.6 (12.7%)	21.5 (13.0%)	104%
Others	Sales	53.4	54.0	101%
	Operating Income <small>(Percentage of income to net sales)</small>	3.5 (6.6%)	3.5 (6.5%)	99%

Japan

In the slow recovery for demand in commercial use, we will continue strengthening regional localization and region-based marketing activities. In addition to launch of differentiated products and thorough maintenance of selling price, we will take advantage of lower procurement costs due to yen appreciation and work to expand profits.

- For residential use, we will expand sales of our unique differentiated products, such as multi-split air conditioners that excel in design options, together with high value-added products beginning with Urusara 7, which features improved heating performance.
- In commercial use, we will focus on expanding sales of differentiated, energy-saving products such as FIVE STAR ZEAS and VRV-X. Even in Applied systems, we will promote sales of chillers with high installation flexibility. We will aim to capture redevelopment demand in the Tokyo metropolitan area for the Olympics and increase market share.

<AC unit shipments for entire Japanese market, Daikin>

(Y/y change)		FY2016
Residential	Market	101%
	Daikin	101%
Commercial	Market	103%
	Daikin	109%
Applied	Market	105%
	Daikin	110%

<Market demand indexes relating to AC>

(Y/y change)	FY2014	FY2015	FY2016 Forecast
Personal spending	▲ 2.9%	▲ 0.4%	+1.2%
New housing starts	▲ 10.8%	+4.1%	▲ 1.2%
Private capital investment	+0.1%	+2.2%	+2.4%
Floor areas of new construction of commercial building(Less than 3000m ²)	▲ 4.5%	▲ 1.3%	▲ 2.5%

Americas

In the increasing severity of the competitive environment, we will work to further raise competitiveness with the start of operations at our new factory and improvement of the product development function as we proceed to build a business foundation.

- In residential unitary, we will enhance the lineup of high efficiency products together with increasing cost competitiveness of volume zone models. We will significantly increase sales by strengthening the sales network by establishing our own dealers in the northeastern area where sales capabilities are weak.
- New products of *VRV* systems will be launched in the residential high-end market for ductless. We will work to improve our own sales support bases and strengthen sales capabilities by market, sales channel, and region to accelerate recognition and use of Daikin in the market.
- In Applied systems, we will focus on chillers to increase product appeal and fortify the sales structure together with the aftermarket business where growth potential is high. In Central and South America we will work to for substantial business growth centered on Mexico.

<Ratio of sales increase by products (volume basis)>

(Y/y change)	FY2016	
	Market	Daikin
Ducted unitary for houses	105%	110%
Residential & SKY	112%	120%
VRV	116%	119%
Applied	103%	111%

※SKY...Medium or compact size packaged air conditioner

※VRV...Multi-split system for buildings

※The forecasts for Applied are based on sales (local currency).

China

Together with further strengthening of our unique, nationwide sales network in China through steady dealer development, we will continue to aggressively launch new products. Cost cutting measures, such as raising the percentage of in-house production and increasing local procurement, will be accelerated as we work to integrate development, manufacturing, sales, and after sales service operations and aim to increase profitability.

- In the residential-use market, we will accelerate expansion of PROSHOP specialty shops for retail and direct sales and build a sales network region-based marketing activities ranging from large urban areas to regional cities. We will work to further expand sales by enhancing our product lineup for the New Life Multi Series to include floor heating and comprehensive air cleaning systems and by proposing new value to customers.
- In the commercial-use market, we will upgrade *VRV* systems and launch new products with significantly improved functions to compete for high-rise building projects and strengthen our spec-in activities to architectural firms. For shops and general offices where economic impact is minimal, we will launch new products that meet remodeling needs, build a sales network specializing in retail and direct sales, and promote sales.
- In Applied systems, we will strengthen a product lineup corresponding to all markets from development to small projects and focus on obtaining orders.

<Ratio of sales increase by market (local currency basis)>

(Y/y change)	FY2016	
	Market	Daikin
Residential※	93%	107%
Commercial	96%	101%
Applied	98%	102%

※Includes residential-use multi-split type air conditioners.

Europe

(including Turkey, the Middle East, and Africa)

With a mild recovery expected for the Eurozone, we will implement a detailed sales strategy for each country and accelerate dealer development in the markets of Central and Eastern Europe in addition to our main market of Southern Europe. Structural business reforms, such as reduction of fixed costs and improvement of cost competitiveness, will be promoted to ensure that profits exceed the previous year when there was a heat wave.

- In the EU region, we will promote sales in the residential-use market with new products adopting HFC32 (R32) refrigerant. Spec-in activities focused on *VRV* systems for small stores will be improved as we strive to capitalize on remodeling demand.
- In Turkey, together with capturing the bullish construction demand using detailed sales proposal activities for *VRV* systems, we will take full advantage of local RA production and work to expand sales in the volume zone market.
- In the heating business, we will take advantage of increased demand due to stricter regulations in France and the United Kingdom and promote sales for heat pump type hot water heating systems. We will launch new combustion type heating products and expand sales.
- In Applied systems, we will strengthen system sales centered on instrumentation in addition to enhancing chiller models. In the Middle East, we will enhance sales personnel and promote sales.
- The refrigerator and freezer business will expand as a new business. Taking advantage of our acquisition of Zanotti (Italy), we will develop a wide product lineup and aim to increase share.

<Ratio of sales increase by products (volume basis) >

		FY2016	
		Market	Daikin
(Y/y change)			
Residential		93%	93%
Commercial	SKY	96%	112%
	VRV	102%	113%
Heating		104%	120%
Applied		103%	114%

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

※VRV・・・Multi-split system for buildings

※The forecasts for Applied are based on sales (local currency).

Asia/Oceania

Although concern exists for the impact of a slowdown in the Chinese economy and sagging prices for resources, air conditioning demand remains firm in the backdrop of an expanding middle class. Daikin intends to absorb the impact of fluctuations in foreign exchange by strengthening sales networks in each country, promoting sales of high value-added products, and reducing total costs, and work toward substantially increasing earnings.

- The lineup for cooling-only inverter products (RA) will be enhanced in each country. We will develop a detailed product strategy for each country such as sales of residential-use multi-split air conditioners and capitalize on expanding demand of the middle class centering on Vietnam.
- In India, Daikin is developing products that correspond to the needs of each region and accelerating dealer development as it works to further expand business.
- We will continue training sales personnel and building our own unique Daikin sales network. Efforts will be made to further strengthen spec-in activities for *VRV* systems.
- In addition to enhancing our product lineup such as chillers and air side equipment, we will comprehensively develop a solutions business.

<Ratio of sales increase by products (volume basis)>

(Y/y change)		FY2016	
		Market	Daikin
Residential		105%	107%
Commercial	SKY	108%	113%
	VRV	115%	121%
Applied		104%	121%

- ※SKY・・・Medium or compact size packaged air conditioner
- ※VRV・・・Multi-split system for buildings
- ※The forecasts for Applied are based on sales (yen).

Chemicals

Centered on China, the United States, and Asia, we will develop a strategy that fully takes in account the trends of our rivals. We will expand sales in key markets such as LAN cables, semiconductors, automobiles, and information terminals, and together with promoting application development based on customer needs we will do our best to reduce fixed costs, cut total costs, and lower inventory as we attempt to drastically reform our constitution.

- Daikin intends to expand sales in favorable fields such as the U.S. LAN cable market, where demand is expanding due to use of IoT, and the automobile markets in Europe and China.
- In addition to sales of our surface antifouling agent (OPTOOL) for smartphones, we will promote application development in the field of information terminals beyond display applications such as for wearable devices.
- Focusing on India and Vietnam, we will strengthen our sales system in Asian markets where future demand growth is expected. Sales personnel will be aggressively dispatched by field as we work to cultivate new customers.

<Ratio of sales increase by products (aggregate sales)>

(Y/y change)	FY2016	
	Market	Daikin
For all fluorochemical products	101%	102%
Fluorocarbon Gas	96%	101%
Polymers & Fluoroelastomers	101%	102%
Fine Chemicals, etc.	102%	103%

Filter

We will proceed with integration of Flanders Holdings LLC, and attempt to quickly create synergy (sales expansion, greater productivity, and cost reductions in purchasing) as we establish our position as the leading manufacturer in the United States, the largest market for the filter business. Even in the P&I※ business, we will launch new products and promote strengthening of cost competitiveness in our mainstay products.

- For air filters we will utilize the product lineups and sales networks of AAF and Flanders to expand sales focusing on the United States. Together with promoting sales in the commercial-use high-end market beginning with cleanroom equipment used in the fields pharmaceuticals and medicine, we will work to expand sales in the residential-use retail market.
- In P&I※, we will strengthen development of systems for large-scale gas turbines. Constitutional reforms will be promoted by thoroughly implementing cost reductions and expanding our after sales service business.

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

Other

- In the Oil Hydraulics business, we will expand sales in the market for industrial machinery in Japan and strengthen business development in the United States and Europe.
- In the Defense Systems business, we face the headwind of a reduction in the Japanese Ministry of Defense budget, but we will do our best to expand sales for home oxygen concentrators in Japan and China.
- In the Electronics business, we will expand sales of R&D support systems (Visual R&D).

III. Dividends Plan



○Financial results shifted favorably and an annual dividend of 120 yen is planned for the fiscal year. This payout represents a 20-yen increase per share over the previous year and a 10-yen increase per share over the currently announced.

○Concerning the dividend for the next period, an annual dividend of 120 yen (interim 60 yen, term-end 60 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.

		FY11	FY12	FY13	FY14	FY15 (Proposed)	FY16 (Forecast)
Dividend per share	Interim	¥18	¥18	¥23	¥40	¥55	¥60
	Annual	¥36	¥36	¥50	¥100	¥120	¥120
Earning per share	1H	¥96.4	¥30.9	¥203.0	¥259.3	¥274.6	¥277.4
	Annual	¥141.4	¥149.7	¥318.3	¥410.2	¥469.2	¥479.4

Reference)	FY14	FY15 (Proposed)	FY16 (Forecast)
DOE Trends	3.2%	3.4%	3.3%

Supplementary Information

Exchange Rate

	FY2014 Results			FY2015 Results			FY2016 Forecast
	1H	2H	Total	1H	2H	Total	
USD	¥103	¥117	¥110	¥122	¥118	¥120	¥110
EUR	¥139	¥139	¥139	¥135	¥131	¥133	¥125
THB	¥3.2	¥3.6	¥3.4	¥3.6	¥3.2	¥3.4	¥3.2
RMB	¥16.6	¥18.8	¥17.7	¥19.4	¥18.4	¥18.9	¥17.0
AUD	¥96	¥96	¥96	¥92	¥84	¥88	¥82

Exchange Sensitivity

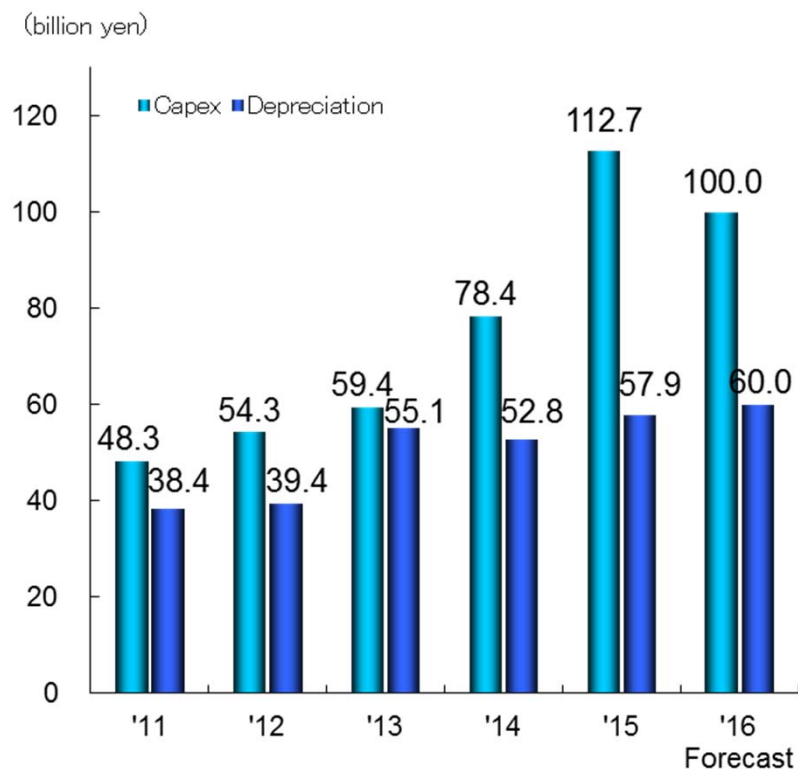
	FY16 Forecast
USD	*1.4 billion yen
EUR	0.5 billion yen

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

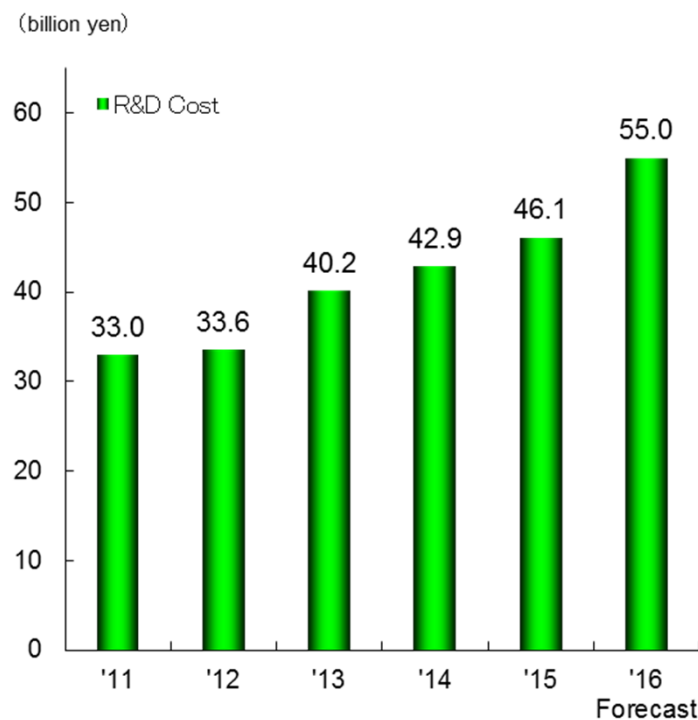
Capital Expenditure, Depreciation and R&D Cost



Capex and Depreciation



R&D Cost



(billion yen)	FY11	FY12	FY13	FY14	FY15	FY16 Forecast
Capex	48.3	54.3	59.4	78.4	112.7	100.0
Depreciation	38.4	39.4	55.1	52.8	57.9	60.0
R&D Cost	33.0	33.6	40.2	42.9	46.1	55.0

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.
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