



**Presentation of Financial Results for FY2016
(Term ended March 31, 2017)**

May 11, 2017

DAIKIN INDUSTRIES, LTD.

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I . Financial Results for FY2016 ■ Companywide Results



Daikin introduced sweeping reforms of its management structure to strengthen sales and marketing capabilities, aggressively launch high value-added products, and implement total cost reductions centering on global procurement. In the Air Conditioning business, sales grew in each of the main regions (Japan, the Americas, China, Asia, and Europe), enabling Daikin to overcome the adverse impact of yen appreciation and post record highs for the fourth consecutive term.

(billion yen)	FY2015	FY2016		Y/y change
		Forecast (Nov.)	Results	
Sales	2,043.7	2,000.0	2044.0	100%
Operating Income (Percentage of income to net sales)	217.9 (10.7%)	222.0 (11.1%)	230.8 (11.3%)	106%
Ordinary Income (Percentage of income to net sales)	209.5 (10.3%)	220.0 (11.0%)	231.0 (11.3%)	110%
Profit Attributable to Owners of Parent (Percentage of income to net sales)	137.0 (6.7%)	145.0 (7.3%)	153.9 (7.5%)	112%

USD/JPY	¥120	¥103	¥108
EUR/JPY	¥133	¥114	¥119
RMB/JPY	¥18.9	¥15.3	¥16.1

Foreign Exchange (Year-on-year)	
Sales	-193.6 billion yen
Operating Income	-37.0 billion yen

■ Management Indicator

	FY2015	FY2016
ROA	6.3%	6.8%
ROE	13.4%	14.5%
FCF	+78.3 billion yen	+52.3 billion yen

Financial Results by Segments



(billion yen)		FY2015 Results	FY2016		
			Forecast (Nov.)	Results	Y/y changes
Total	Sales	2,043.7	2,000.0	2044.0	100%
	Operating Income <small>(Percentage of income to net sales)</small>	217.9 (10.7%)	222.0 (11.1%)	230.8 (11.3%)	106%
Air-Conditioning	Sales	1,828.0	1,797.5	1835.4	100%
	Operating Income <small>(Percentage of income to net sales)</small>	193.8 (10.6%)	198.5 (11.0%)	208.7 (11.4%)	108%
Chemicals	Sales	162.3	150.0	156.8	97%
	Operating Income <small>(Percentage of income to net sales)</small>	20.6 (12.7%)	20.0 (13.3%)	18.3 (11.7%)	89%
Others	Sales	53.4	52.5	51.8	97%
	Operating Income <small>(Percentage of income to net sales)</small>	3.5 (6.6%)	3.5 (6.7%)	3.7 (7.2%)	106%

■ Profit and Loss Statement



(billion yen)

	FY2015	FY2016	Impact on profitability
	<u>107</u>	<u>100</u>	
Net sales	2,043.7	2,044.0	+0.3
Cost of sales	1,332.1	1,313.0	+19.1
(Percentage to net sales)	(65.2%)	(64.2%)	
Gross income	711.6	730.9	+19.4
(Percentage of income to net sales)	(34.8%)	(35.8%)	
Selling general and administrative expenses	493.7	500.2	※1 -6.5
(Percentage to net sales)	(24.2%)	(24.5%)	
Operating income	217.9	230.8	+12.9
(Percentage of income to net sales)	(10.7%)	(11.3%)	
Non-operating gain or losses	-8.3	+0.2	※2 +8.6
Ordinary income	209.5	231.0	+21.5
(Percentage of income to net sales)	(10.3%)	(11.3%)	
Extraordinary gains or losses	-3.4	-0.4	※3 +2.9
Income before income taxes	206.2	230.6	+24.4
(Percentage of income to net sales)	(10.1%)	(11.3%)	
Corporate taxes, etc.	64.1	70.7	-6.6
Tax burden ratio	31.1%	30.7%	
Profit attributable to non-controlling interests	5.1	6.0	+0.9
Profit attributable to owners of parent	137.0	153.9	+17.0
(Percentage of income to net sales)	(6.7%)	(7.5%)	

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

R&D expense	-6.8
Service expense	-2.4
Sales promotion costs	+1.8

※2 Non-operating Gains or Losses

Exchange gain or loss	+11.3(-11.3→0)
Interest	-1.6(-1.5→-3.2)

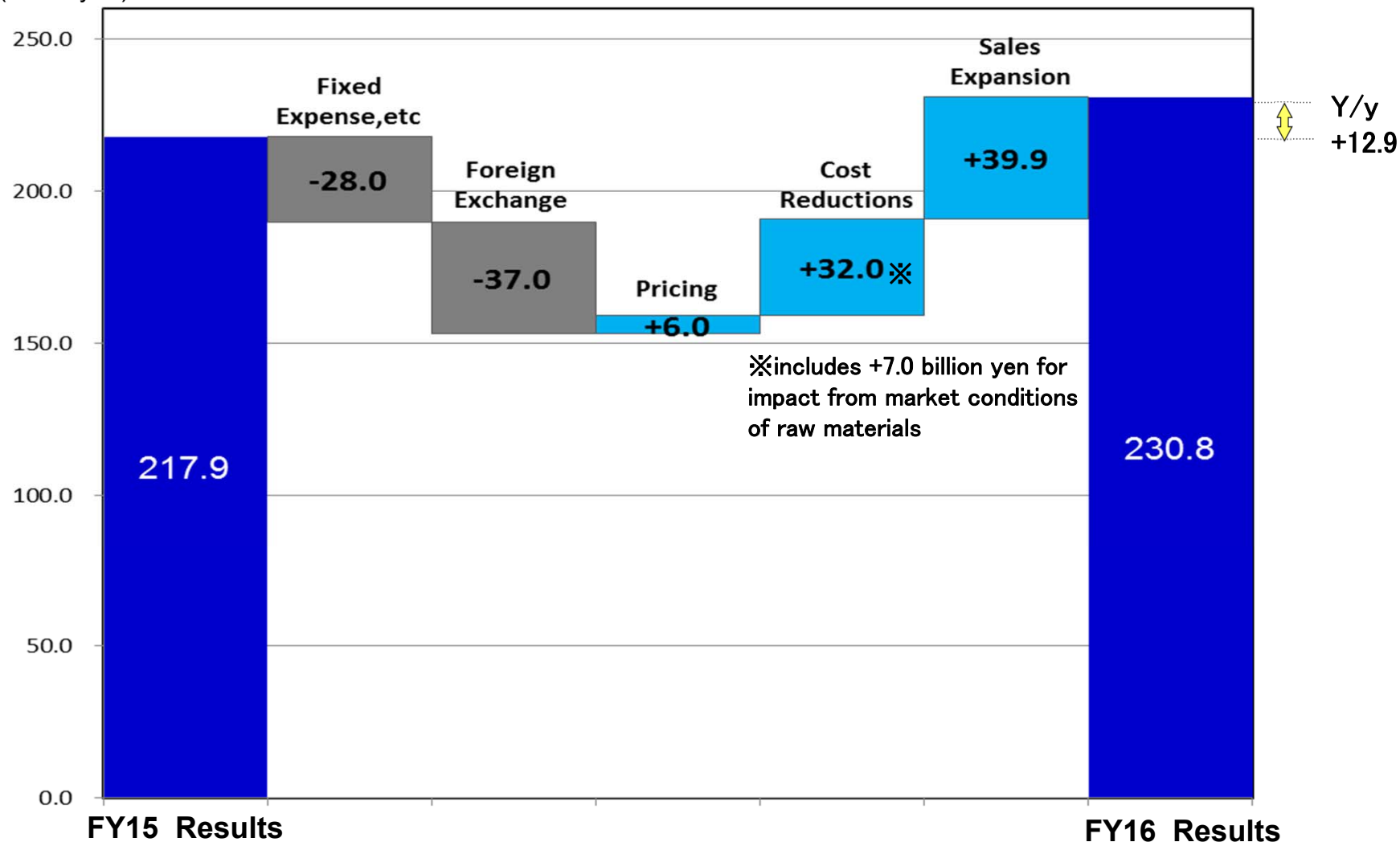
※3 Extraordinary Gains or Losses

Investment loss from revaluation of securities	+0.6(-0.6→0)
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Breakdown of Changes in Operating Income (Y/y)



(billion yen)



<Reference>
FY16
Forecast
(Nov)

FY15
Operating
Income
217.9

Fixed
Expense, etc.
▲26.0

Foreign
Exchange
▲ 49.5

Pricing
+7.0

Cost
Reductions
+32.0

Sales
Expansion
+40.6

FY16
Operating
Income
222.0

Balance Sheet



(billion yen)

	2016/3E		2017/3E		Y/y change
Cash and cash equivalents		291.2		344.1	+52.9
Receivables	<u>64 days</u>	355.6	<u>66 days</u>	369.1	+13.4
Inventories	<u>60 days</u>	333.7	<u>64 days</u>	358.3	+24.7
Fixed assets		904.0		961.5	+57.5
Investment and others		176.2		185.3	+9.1
Others		130.5		137.9	+7.5
Total Assets		2,191.1		2,356.1	+165.0

	2016/3E		2017/3E		Y/y change
Trade payables		156.0		173.1	+17.1
Interest bearing (Interest-bearing ratio)		609.0 (27.8%)		609.4 (25.9%)	+0.5
Others		388.6		438.0	+49.3
Total liabilities		1,153.6		1,220.5	+66.9
Total equity (Equity ratio)		1,014.4 (46.3%)		1,111.6 (47.2%)	+97.2
Share Warrant		1.1		1.1	▲0.0
Non-controlling interests		21.9		22.9	+1.0
Total net assets		1,037.5		1,135.6	+98.1
Total		2,191.1		2,356.1	+165.0

※Breakdown of interest-bearing debt

	2016/3E	2017/3E	Y/y change
Short-term borrowings	40.7	57.7	+17.0
CP	14.0	0	▲14.0
Bonds	140.0	120.0	▲20.0
Long-term borrowings	410.4	420.5	+10.0
Lease debt	3.9	11.3	+7.4
Total	609.0	609.4	+0.4

■ Sales by Region: Air Conditioning



※Includes refrigerator, freezer and filter businesses

※Percentage expresses year on year comparison

(billion yen)	FY2012		FY2013		FY2014		FY2015		FY2016		FY2017 Forecast	
	Japan	106%	411.5	106%	437.7	94%	413.4	101%	416.9	104%	431.7	103%
Europe	95%	183.0	127%	232.2	98%	227.1	111%	251.3	100%	250.5	110%	275.0
China	111%	207.3	139%	287.5	110%	317.0	99%	313.6	95%	297.1	108%	320.0
Americas	110%	103.6	351%	363.3	121%	440.7	113%	496.3	103%	513.4	110%	565.0
Asia	122%	136.3	132%	179.4	117%	210.5	113%	237.7	98%	232.9	110%	256.0
Oceania	105%	35.6	118%	41.9	104%	43.6	108%	47.0	109%	51.2	101%	52.0
Middle East	142%	35.4	128%	45.3	106%	47.9	113%	54.0	92%	49.7	103%	51.0
Africa	106%	7.2	138%	10.0	106%	10.6	106%	11.2	78%	8.7	92%	8.0
Total	108%	1,120.0	143%	1,597.2	107%	1,710.9	107%	1,828.0	100%	1,835.4	107%	1,972.0
Overseas Sales Ratio	63%		73%		76%		77%		76%		77%	
USD/JPY	¥83		¥100		¥110		¥120		¥108		¥108	
EUR/JPY	¥107		¥134		¥139		¥133		¥119		¥118	
RMB/JPY	¥13.3		¥16.4		¥17.7		¥18.9		¥16.1		¥16.0	

■ Sales by Region: Chemicals



※Percentage expresses year on year comparison

(billion yen)	FY2012		FY2013		FY2014		FY2015		FY2016		FY2017 Forecast	
	YoY %	Value	YoY %	Value	YoY %	Value	YoY %	Value	YoY %	Value	YoY %	Value
Japan	89%	43.1	88%	37.9	104%	39.4	101%	39.8	105%	41.9	106%	44.5
Americas	102%	31.1	122%	38.0	112%	42.6	104%	44.5	94%	42.0	109%	46.0
China	96%	25.4	131%	33.2	102%	34.0	100%	33.9	92%	31.2	101%	31.5
Asia	75%	11.3	134%	15.1	111%	16.8	110%	18.4	97%	17.8	110%	19.5
Europe	101%	11.6	122%	14.1	112%	15.8	156%	24.7	93%	22.9	103%	23.5
Others	158%	2.0	116%	2.3	43%	1.0	99%	1.0	107%	1.0	—	—
Total	94%	124.4	113%	140.6	106%	149.6	109%	162.3	97%	156.8	105%	165.0

Overseas Sales Ratio	65%	73%	74%	75%	73%	73%
USD/JPY	¥83	¥100	¥110	¥120	¥108	¥108
EUR/JPY	¥107	¥134	¥139	¥133	¥119	¥118
RMB/JPY	¥13.3	¥16.4	¥17.7	¥18.9	¥16.1	¥16.0

Japan

Together with a greater need for energy-saving equipment in replacement purchases, industry demand for residential use benefited from a summer heat wave in Western Japan, resulting in sales exceeding the previous year.

Industry demand for commercial use experienced a boost in replacement demand from a moderate recovery in capital investment and a government subsidiary program for energy-saving equipment as sales surpassed the previous year.

Daikin focused on expanding sales of high value-added products including Urusara 7, FIVE STAR ZEAS, and VRV systems for cold regions. In commercial use, marketing capabilities were strengthened by distribution channel, and market share expanded. In addition to thoroughly implementing a pricing policy, we took advantage of lower procurement costs from yen appreciation and achieved record highs for sales and profits.

<AC shipments for Japanese market and Daikin>

(Y/y change)		FY2016
Residential	Market	104%
	Daikin	104%
Commercial	Market	103%
	Daikin	108%
Applied	Market	96%
	Daikin	102%

※ Applied is based on sales.

Americas

With brisk personal spending supporting the economy, sales in the local currency exceeded the previous year due to strengthening of the sales network and sales promotion of new products.

- For ducted unitary for houses, we reinforced our sales network, including the establishment of our own wholesalers. In addition to volume zone models in the context of bullish personal consumption, sales also expanded for high efficiency equipment, and market share increased.
- In ductless(RA, SKY, VRV), we improved marketing capabilities by market, distribution channel, and region. We also worked to build strong relationships with architectural firms and contractors as ductless products continue to gain acceptance in the market. Sales of new *VRV* systems were expanded to the high-end segment of the residential-use market.
- In Applied systems, although price markdowns of competing companies resulted in sluggish chiller sales, we augmented our sales and after sales networks, promoted sales of air handling units, and expanded sales for the aftermarket business such as services and parts.

< Sales ratio by product (volume basis) >

(Y/y change)	FY2016
Ducted unitary for houses	108%
RA & SKY	125%
VRV	112%
Applied	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).

China

Despite slow economic growth, Daikin capitalized on bullish general consumption by bolstering retail and direct sales, and sales grew in all regions and markets. Cost reductions centering on greater in-house production of parts and higher productivity were incorporated to maintain high profitability.

- In the residential-use market, we utilized the proposal-making and installation capabilities of our PROSHOP specialty shops for retail and direct sales and expanded sales in the mid-to-high class housing market centering on New Life Multi Series, a residential-use multi-split air conditioner that offers various lifestyles to customers.
- In the commercial use market, Daikin implemented a model change for VRV systems and further strengthened product appeal such as in energy-saving performance and design flexibility. We also improved “spec-in” activities to architectural firms and advertised products to users. In offering proposals of unique systems to users, we incorporated various needs ranging from shops to commercial buildings and new construction to remodeling.
- In the Applied systems market, despite stagnant investment for large-scale real estate projects, meticulous sales activities were developed by utilizing an improved product lineup and enhancing the After Sales Service business. Consequently, sales expanded centering on small- to medium-sized bid proposals.

<AC sales by market (local currency)>

(Y/y change)	FY2016
Residential ※	118%
Commercial	102%
Applied	108%

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

Europe

(including Turkey, the Middle East, and Africa)

In addition to residential use which capitalized on higher demand from the heat wave two years ago, sales for commercial use were also bullish centering on the markets of Southern Europe, such as Italy and Spain, and Central Europe as Daikin worked to capture replacement demand. Revenue for the overall region grew.

- Centering on Italy, sales trended favorably in residential use of high value-added products such as room air conditioners using R32 refrigerant. Timely product supply utilizing the strength of local production captured recovery demand and led to sales expansion.
- For commercial use, Daikin promoted strengthening of sales capabilities in each country. New *VRV* systems were launched corresponding to regional needs resulting in sales growth.
- Although demand fell in the heating business in the main market of France, sales of heat pump type hot water heating systems were bullish from improvements in “spec-in” activities for residential developers. Even for combustion type heating products, sales of gas boilers expanded in Turkey.
- For Applied systems, we proceeded with the strengthening of the sales system in each country but a decline in demand in the Middle East, which is a major market, affected sales.
- A foundation was built for business expansion in the Refrigerator and Freezer business with the Zanotti (Italy) acquisition.

<AC sales by product (volume basis) >

(Y/y change)		FY2016
Residential		111%
Commercial	SKY	119%
	VRV	111%
Heating		112%
Applied		98%

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

Asia/Oceania

In addition to strongly promoting dealer development, Daikin capitalized on the growing middle class by increasing sales personnel and promoting sales of energy-saving, differentiated products based on regional needs. Consequently, sales in the local currency substantially exceeded the previous year.

- For residential use, sales of cooling-only inverter air conditioners that excel in energy-saving performance trended favorably. Sales expanded greatly centering on Vietnam, Indonesia, and Thailand. Even in India, sales significantly grew by promoting sales of products that match regional characteristics and by strengthening the sales network in regional cities.
- For *VRV* systems, we focused on improving “spec-in” activities and training dealers. Sales substantially grew in each country centering on Vietnam, Indonesia, and Thailand. Even in Australia, a region where we have reformed our sales capabilities, sales of *VRV* systems for installation to luxury homes expanded.

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

Vietnam: 116% India: 120% Australia: 118%
 Malaysia: 106% Thailand: 115% Indonesia: 122%

<AC sales by product (volume basis)>

(Y/y change)		FY2016
Residential		115%
Commercial	SKY	119%
	VRV	124%
Applied		115%

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

※VRV...Multi-split system for buildings

※Applied is based on aggregate sales in local currency.

Chemicals

Despite efforts to reduce total cost reductions and expand sales in the favorable fields of fluoropolymers for semiconductors, fluoroelastomers for the automotive industry, and anti-fouling coating agents, price markdowns of competing companies in China and the United States and fluctuations in currency exchange greatly affected business results.

- Strong sales of fluorocarbon gas were seen in the United States for after sales service.
- Polymers and Fluoroelastomers
 - Although semiconductor-related demand in Japan and Asia trended favorably, the business was adversely impacted by severe competition in the U.S. LAN cable market and a drop in selling price for commodities in China. Consequently, sales fell below the previous year.
 - Fluoroelastomers recovered in the automotive industry centering on Japan and China.
- In Fine Chemicals, sales increased for surface antifouling coating agents for smartphones (OPTOOL) but declined for water and oil repellent agents. Consequently, sales declined over the previous year.

< Sales ratio by product (aggregate sales basis) >

(Y/y change)	FY2016
For all fluorochemical products	97%
Fluorocarbon Gas	115%
Polymers & Fluoroelastomers	95%
Fine Chemicals, etc.	93%

Filter

In the Air Filter business, sales increased in growth fields such as cleanroom equipment for pharmaceuticals and medicine centering on the United States. Taking advantage of the acquisitions of Flanders (U.S.) and Dinair (Sweden), Daikin promoted total cost reductions (productivity improvements, centralized purchasing, and increases in ratio of in-house production, etc.) and fortified the business foundation.

At P&I※ the business structure improved by expanding the After Sales Service business and implementing cost reductions.

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

Other Businesses

In the Oil Hydraulics business, sales expanded for oil hydraulic equipment used for construction and vehicles in the United States, but demand for industrial machinery in Japan and China suffered from sluggish demand, and revenue fell.

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, we captured the markets of electrical machinery and machines and R&D support systems (Visual R&D). Even in facilities CAD, sales grew.

II. Business Forecast for FY2017 ■ Companywide Outlook



To achieve the mid-term implementation plan (quantitative targets for FY2018) of Fusion 20, Daikin's strategic management plan for FY2020, we will actively undertake forward-looking investments that lead medium- to long-term growth with maintaining short-term profits. In particular, Daikin intends to move aggressively toward investments pursuing strengthened sales networks in each country, product development in North America, increased product appeal for heating, and greater production capacity in Asia (Vietnam, India, and Malaysia).

Despite the impact in the market of higher prices for raw materials expected for this term, we will aim for increased revenue and profits by expanding sales in every global region, promoting total cost reductions, and maintaining selling price.

(billion yen)	FY2016 Results	FY2017 Forecast	Y/y change
Sales	2044.0	2190.0	107%
Operating Income (Percentage of income to net sales)	230.8 (11.3%)	243.0 (11.1%)	105%
Ordinary Income (Percentage of income to net sales)	231.0 (11.3%)	242.0 (11.1%)	105%
Profit Attributable to Owners of Parent (Percentage of income to net sales)	153.9 (7.5%)	160.0 (7.3%)	104%

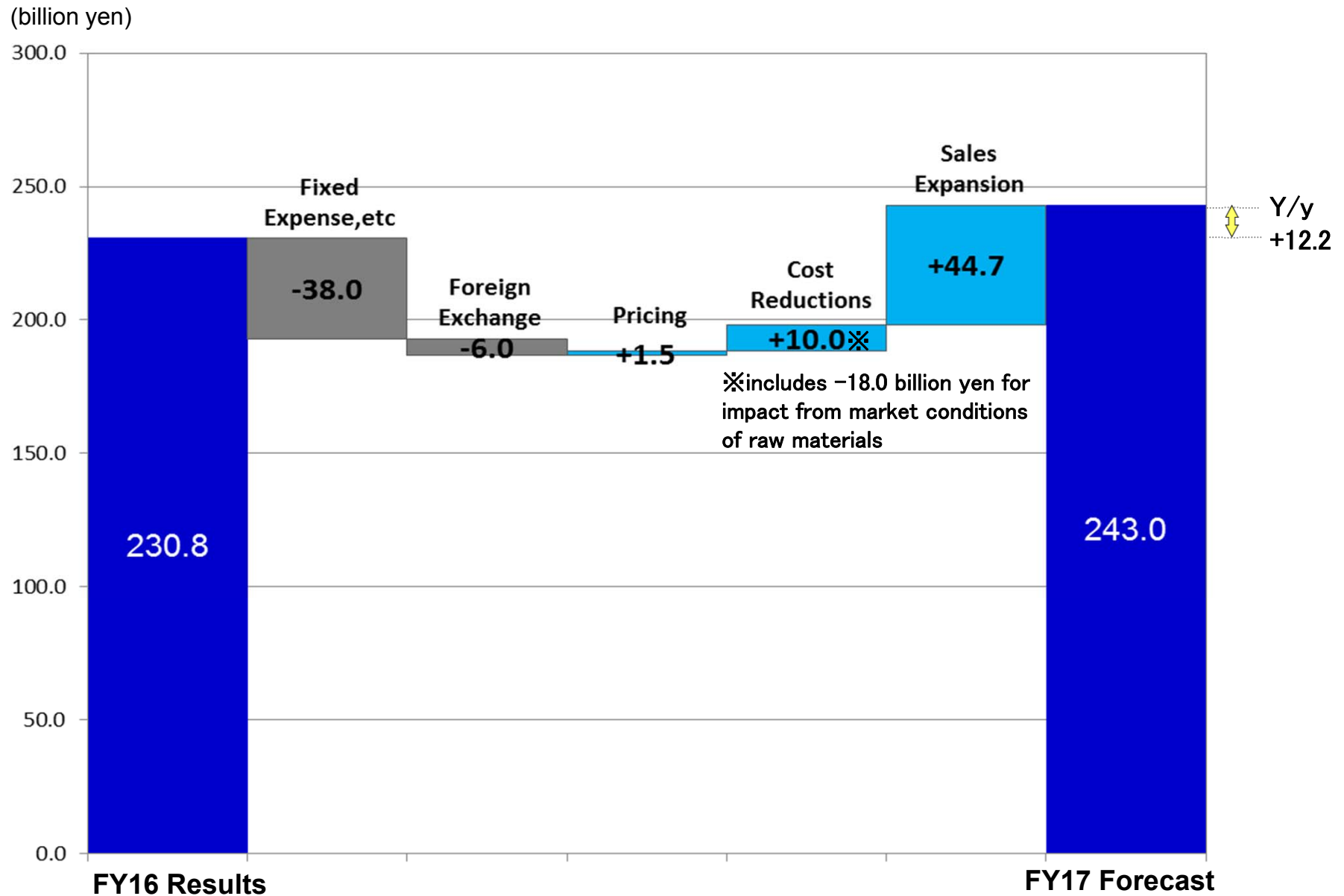
USD/JPY	¥108	¥108
EUR/JPY	¥119	¥118
RMB/JPY	¥16.1	¥16.0

Foreign Exchange (Year-on-year)	
Sales	-19.0 billion yen
Operating Income	-6.0 billion yen

(billion yen)	FY2016 Results			FY2017 Forecast		
	1H	2H	Total	1H	2H	Total
Net sales	1,044.8	999.2	2,044.0	1,130.0	1,060.0	2,190.0
Operating Income (Percentage of income to net sales)	140.4 (13.4%)	90.4 (9.0%)	230.8 (11.3%)	143.0 (12.7%)	100.0 (9.4%)	243.0 (11.1%)
Ordinary Income (Percentage of income to net sales)	139.8 (13.4%)	91.2 (9.1%)	231.0 (11.3%)	143.0 (12.7%)	99.0 (9.3%)	242.0 (11.1%)
Profit Attributable to Owners of Parent (Percentage of income to net sales)	96.4 (9.2%)	57.5 (5.8%)	153.9 (7.5%)	97.0 (8.6%)	63.0 (5.9%)	160.0 (7.3%)

Yen/USD	¥105	¥111	¥108	¥108
Yen/EUR	¥118	¥119	¥119	¥118
Yen/RMB	¥15.9	¥16.3	¥16.1	¥16.0

Breakdown of Changes in Operating Income (Y/y)



■ Business Forecast by Segments



(billion yen)		FY2016 Results	FY2017 Forecast	Y/y changes
Total	Sales	2044.0	2190.0	107%
	Operating Income <small>(Percentage of income to net sales)</small>	230.8 (11.3%)	243.0 (11.1%)	105%
Air-Conditioning	Sales	1835.4	1972.0	107%
	Operating Income <small>(Percentage of income to net sales)</small>	208.7 (11.4%)	219.0 (11.1%)	105%
Chemicals	Sales	156.8	165.0	105%
	Operating Income <small>(Percentage of income to net sales)</small>	18.3 (11.7%)	20.0 (12.1%)	109%
Others	Sales	51.8	53.0	102%
	Operating Income <small>(Percentage of income to net sales)</small>	3.7 (7.2%)	4.0 (7.5%)	107%

Japan

Growth in personal spending lacks vigor, but a recovery is expected for capital investments as Olympic demand goes into full swing. In addition to expanding sales of high value-added products and thoroughly implementing its pricing policy, Daikin will work to significantly improve marketing capabilities by market and distribution channel while increasing revenue.

- For residential use, Daikin will promote sales of unique differentiated products such as its flagship model Urusara 7 and multi-split air conditioners that excel in design options.
- For commercial use, together with working to promote sales of high value-added products such as FIVE STAR ZEAS, *VRV* systems that install to narrow spaces, and replacement *VRV* systems, we will build a circulatory business beginning with inspection services corresponding to fluorocarbon emission regulations. Even for Applied systems, sales will be promoted for chillers high in energy savings. In capitalizing on redevelopment demand for the Tokyo metropolitan area, we aim to increase market share.

<Sales forecast by product (volume basis)>

(Y/y change)		FY2017
Residential	Market	96%
	Daikin	102%
Commercial	Market	103%
	Daikin	109%
Applied	Market	114%
	Daikin	127%

※ Applied is based on sales

<Market demand indexes relating to AC>

(Y/y change)	FY2015	FY2016	FY2017 Forecast
Personal spending	+0.5%	+0.6%	+0.7%
New housing starts	+4.6%	+5.6%	▲ 6.1%
Private capital investment	+0.6%	+2.5%	+3.2%
Floor areas of new construction of non-residential building	▲ 5.0%	+4.1%	+3.0%

Americas

With stable market growth from brisk personal spending and capital investments, Daikin will accelerate efforts to raise competitiveness through greater cost competitiveness with the start of full-fledged manufacturing operations at its new factory and development of products that are unique to the regions centering on an improved R&D function. This increase in competitiveness is expected to lead to sales growth.

- For ducted unitary for houses, we will continue to promote strengthening of the sales network such as establishing our own dealers and increasing sales personnel and expand the product lineup as we aim to increase market share.
- For ductless(RA, SKY, VRV), we will enhance product lineup by market, such as *VRV* systems for detached homes with the ability to connect to gas furnaces and *VRV* systems for cold regions. Efforts to expand sales will be accelerated by establishing strong relationships with contractors and focusing on the Northeast where the market scale is large.
- In Applied systems, in addition to fortifying our own sales network and bolstering product appeal centered on chillers, we will concentrate on the aftermarket business where market growth potential is high. Even in Central and South America, we will emphasize SE training, particularly in Mexico, and promote business expansion.

<Sales forecast by product (volume basis)>

(Y/y change)	FY2017	
	Market	Daikin
Ducted unitary for houses	103%	107%
RA & SKY	112%	128%
VRV	117%	123%
Applied	102%	111%

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

※VRV・・・Multi-split system for buildings

※ Applied is based on aggregate sales in local currency.

China

Together with continuing to expand our unique sales nationwide network through steady dealer development, we will aggressively launch differentiated products. Cost cutting measures, such as raising the percentage of in-house production and increasing adoption of locally produced parts and materials, 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 expand PROSHOPS, specialty shops that perform retail and direct sales, from large urban areas to regional cities and accelerate sales activities extending to regions. We will develop new measures such as strengthening brand appeal by utilizing the Internet and new establishment of trial showrooms as we attempt to promote sales even further.
- In the commercial-use market, “spec-in” activities to architectural firms will be improved. We will launch new high-efficiency *VRV* system products that feature a new type of compressor and air system products that respond to greater needs for air quality. Even in the commercial-use market, Daikin will promote sales growth with construction of a sales network specializing in retail and direct sales.
- In the Applied systems market, we will focus on acquiring orders in every market possible from development bid proposals to small bid proposals by enhancing our specialized shops network and launching new products centering on chillers.

<AC sales forecast by market (local currency)>

(Y/y change)	FY2017	
	Market	Daikin
Residential ※	104%	110%
Commercial	101%	105%
Applied	100%	106%

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

Europe

(including Turkey, the Middle East, and Africa)

With a mild expansion expected for air conditioning demand in the background of brisk personal spending, we will launch differentiated products using R32 refrigerant and promote sales expansion by fortifying the sales network. We will enhance marketing capabilities, even in new businesses including heating and refrigerator and freezer equipment. Structural business reforms, such as bolstering the manufacturing system, curtailing fixed costs, and reducing overall costs, will be promoted with the aim of ensuring that profits exceed the previous year.

- In residential use, Daikin will enhance its lineup of R32 models and accelerate market acceptance.
- In commercial use, together with capitalizing on small bid proposals in *VRV* systems, we will launch SkyAir models that employ R32 refrigerant with the aim of increasing market share.
- In the heating business, we will launch new products for high-efficiency, heat pump type hot water heating systems. Even sales of combustion type heating products, including gas boilers, will be promoted.
- In Applied systems, we will strengthen system sales centering on instrumentation. Even in the largest market of the Middle East, we will expand sales by launching chillers that match the special characteristics of the region and by increasing sales personnel.
- In the Refrigerator and Freezer business, we will mutually use the sales network and product lineup with Zanotti and strive to maximize integration and synergy.

<Sales forecast by product (volume basis)>

(Y/y change)		FY2017	
		Market	Daikin
Residential		100%	101%
Commercial	SKY	104%	106%
	VRV	103%	107%
Heating		108%	111%
Applied		102%	119%

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

Asia/Oceania

In the recovery of resources prices and the tailwind of moderate growth in the U.S. economy, the Asian economy shifted to bullish. In anticipation of strong expansion in the background of an expanding middle class, we are promoting the strengthening of sales networks in each country and increasing sales personnel. In India and Thailand, we enlarged air conditioning supply capability, and sales are expected to significantly grow.

- Together with promoting dealer development and training that is based on expansion of demand in regional cities, we will strengthen the lineup for cooling-only inverter-type air conditioners (RA). Furthermore, new products will be launched for residential-use, multi-split air conditioners for the middle class in Vietnam and Thailand, and we are working to accelerate widespread use in the market.
- In *VRV* systems, we will improve “spec-in” activities and focus on dealer training to respond consistently for instrumentation, installation, and sales. Together with identifying replacement demand in Indonesia, Daikin will launch differentiated products in India such as cooling-only *VRV* systems and aim to further expand sales.
- For Applied systems, we will strengthen local manufacturing and enhance product lineup as we move forward with our After Sales Service business and build a foundation for business expansion.

< Sales forecast by product (volume basis) >

		FY2017	
		Market	Daikin
(Y/y change)			
Residential		106%	112%
Commercial	SKY	105%	109%
	VRV	113%	117%
Applied		107%	120%

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

※VRV・・・Multi-split system for buildings

※ Applied is based on aggregate sales in local currency.

Chemicals

Although orders have decreased from major customers of surface antifouling agents (OPTOOL), that decline will be recovered by sales expansion in the flourishing semiconductor market, recovery of share by the launch of new products for water and oil repellent agents, and promotion of application development that corresponds to customer needs. Consequently, sales are expected to grow. With higher prices for raw materials and the adverse impact of price markdowns of competing companies, we will aim to maintain profitability through constitutional reforms such as curtailing fixed costs, reducing costs overall, and decreasing inventory.

- Capitalizing on semiconductor demand that is expanding from use of IoT, “spec-in” activities will be promoted as we aim to increase market share.
- Centering on the United States, which is the largest air conditioning market, we will focus on the After Sales Service business such as collection and reuse of refrigerant gas. We intend to build a circulatory business that corresponds to the life cycle of both refrigerant and air conditioning equipment.
- In the Asian market, where demand is expanding, we will implement detailed marketing and sales activities by field. Additionally, supply and sales systems for refrigerant gas will be strengthened as we work to accelerate sales expansion.

< Sales forecast by product (aggregate sales basis) >

(Y/y change)	FY2017	
	Market	Daikin
For all fluorochemical products	102%	105%
Fluorocarbon Gas	100%	101%
Polymers & Fluoroelastomers	103%	108%
Fine Chemicals, etc.	102%	102%

Filter

In the Air Filter business, integration and synergy will be accelerated for the acquired companies of Flanders and Dinair. Together with utilizing the product lineups and sales networks of both AAF and Flanders in the United States and promoting sales expansion in the residential-use market and the high-end segment of the commercial-use market, we will promote sales expansion of high-end products for cleanrooms and factories even in Northern Europe.

At P&I ※, we will incorporate demand for small- to medium-sized bid proposals and establish a stable business foundation by expansion of the After Sales Service business.

※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 building a foundation in the United States and Europe.

In the Defense Systems business, we will do our best to expand sales for home oxygen concentrators in the private sector.

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 130 yen is planned for the fiscal year. This payout represents 10 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 130 yen (interim 65 yen, term-end 65 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.

		FY12	FY13	FY14	FY15	FY16 (Proposed)	FY17 (Forecast)
Dividend per share	Interim	¥18	¥23	¥40	¥55	¥60	¥65
	Annual	¥36	¥50	¥100	¥120	¥130	¥130
Earning per share	1H	¥30.9	¥203.0	¥259.3	¥274.6	¥330.1	¥331.8
	Annual	¥149.7	¥318.3	¥410.2	¥469.2	¥526.8	¥547.2

Reference)	FY15	FY16 (Proposed)	FY17 (Forecast)
DOE Trends	3.4%	3.6%	3.2%

■ Exchange Rate

	FY2015 Results			FY2016 Results			FY2017 Forecast
	1H	2H	Total	1H	2H	Total	
USD	¥122	¥118	¥120	¥105	¥111	¥108	¥108
EUR	¥135	¥131	¥133	¥118	¥119	¥119	¥118
THB	¥3.6	¥3.2	¥3.4	¥3.0	¥3.2	¥3.1	¥3.1
RMB	¥19.4	¥18.4	¥18.9	¥15.9	¥16.3	¥16.1	¥16.0
AUD	¥92	¥84	¥88	¥79	¥84	¥82	¥82

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

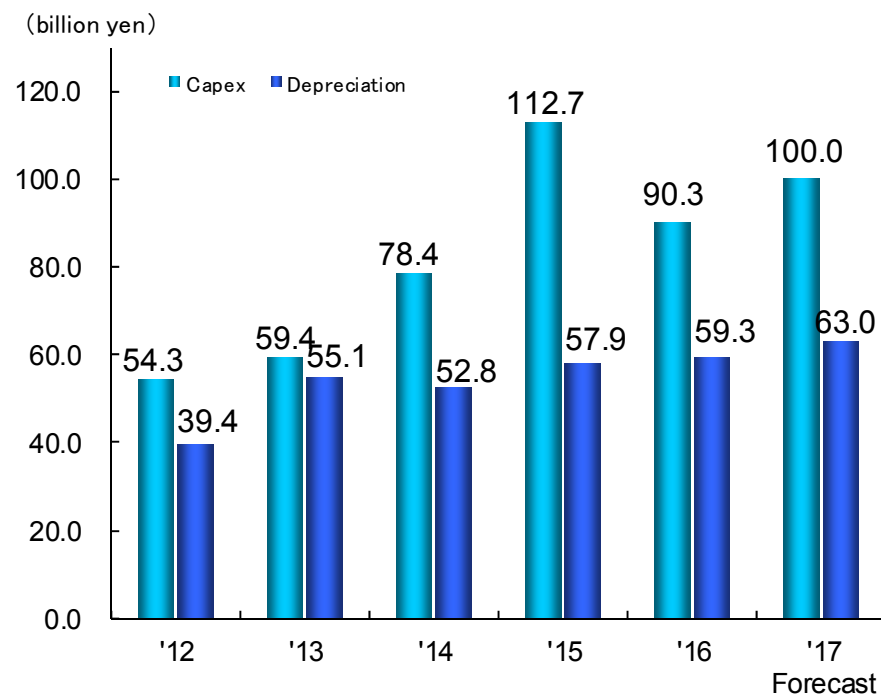
	FY17 Forecast
USD	*1.5 billion yen
EUR	0.5 billion yen

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

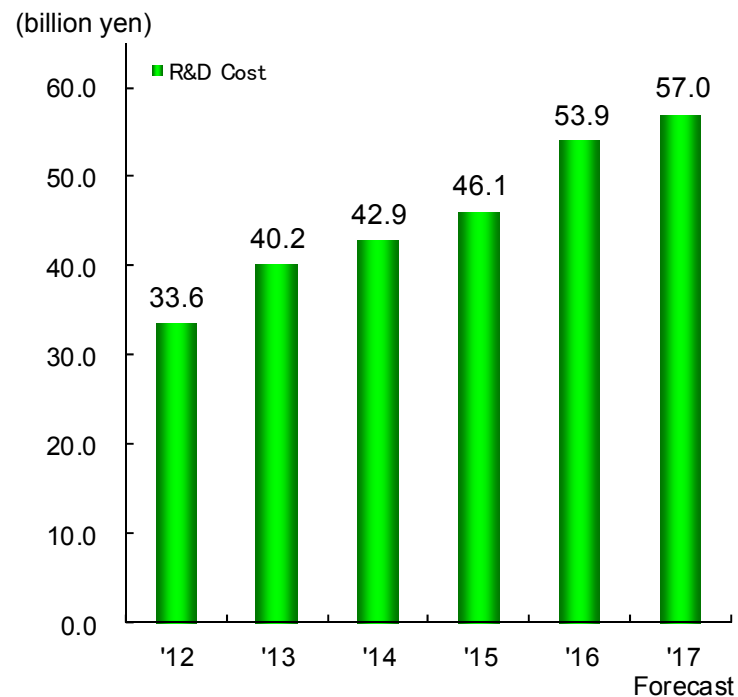
Capital Expenditure, Depreciation and R&D Cost



Capex and Depreciation



R&D Cost



(billion yen)	FY12	FY13	FY14	FY15	FY16 Results	FY17 Forecast
Capex	54.3	59.4	78.4	112.7	90.3	100.0
Depreciation	39.4	55.1	52.8	57.9	59.3	63.0
R&D Cost	33.6	40.2	42.9	46.1	53.9	57.0

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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