



# **Presentation of Financial Results for the First Quarter in June 2015**

**August 6, 2015**

***DAIKIN INDUSTRIES, LTD.***

## Summary of First Quarter Financial Results



- In the Air Conditioning business, overseas sales expanded centering on North America and Asia. In China, despite the impact from the economic slowdown, direct sales were utilized to promote sales, and profit was maintained.
- In the Chemicals business, there was a recovery in the semiconductor market, and the business situation shifted favorably.
- In addition to efforts to thoroughly uphold the selling price policy throughout the company and promote total cost reductions, such as curtailing fixed costs, yen depreciation against the U.S. dollar and Chinese yuan also impacted results, and Daikin was able to achieve increased revenue and profits.

(Unit: billion yen)

	Q1(Apr.-Jun.)			FY15 Forecast			
	FY14	FY15	Y/y changes	1H	Y/y changes	Total	Y/y changes
<b>Net Sales</b>	489.4	<b>529.7</b>	<b>108%</b>	1070.0	110%	2060.0	108%
<b>Operating Income</b>	54.1	<b>60.6</b>	<b>112%</b>	125.0	110%	212.0	111%
(Percentage of income to net sales)	(11.1%)	(11.4%)		(11.7%)		(10.3%)	
<b>Ordinary Income</b>	52.7	<b>61.5</b>	<b>117%</b>	125.0	109%	210.0	108%
(Percentage of income to net sales)	(10.8%)	(11.6%)		(11.7%)		(10.2%)	
<b>Net Income</b>	35.7	<b>37.2</b>	<b>104%</b>	82.0	108%	130.0	109%
(Percentage of income to net sales)	(7.3%)	(7.0%)		(7.7%)		(6.3%)	

### FX rate

<b>USD/Yen</b>	102	<b>121</b>	—	115
<b>EUR/Yen</b>	140	<b>134</b>	—	125
<b>RMB/Yen</b>	16.4	<b>19.6</b>	—	18.5

### ■ Effects of FX (Year on year)

On Sales: + 45.0 billion yen  
On Operating Income: + 3.5 billion yen

## ■ First Quarter Sales and Operating Income by Division



(Unit: billion yen)

		Q1(Apr.-Jun.)		Y/y Changes	FY15 Forecast	Y/y changes
		FY14	FY15			
<b>Total</b>	<b>Sales</b>	489.4	<b>529.7</b>	<b>108%</b>	2,060.0	108%
	<b>Operating Income</b> <small>(Percentage of income to net sales)</small>	54.1 <small>(11.1%)</small>	<b>60.6</b> <small>(11.4%)</small>	<b>112%</b>	212.0 <small>(10.3%)</small>	111%
<b>Air-Conditioning</b>	<b>Sales</b>	449.3	<b>483.5</b>	<b>108%</b>	1,842.0	108%
	<b>Operating Income</b> <small>(Percentage of income to net sales)</small>	53.0 <small>(11.8%)</small>	<b>56.6</b> <small>(11.7%)</small>	<b>107%</b>	187.0 <small>(10.2%)</small>	110%
<b>Chemicals</b>	<b>Sales</b>	30.4	<b>36.2</b>	<b>119%</b>	160.0	107%
	<b>Operating Income</b> <small>(Percentage of income to net sales)</small>	1.0 <small>(3.4%)</small>	<b>3.6</b> <small>(9.9%)</small>	<b>350%</b>	21.0 <small>(13.1%)</small>	127%
<b>Others</b>	<b>Sales</b>	9.7	<b>9.9</b>	<b>102%</b>	58.0	106%
	<b>Operating Income</b> <small>(Percentage of income to net sales)</small>	0.1 <small>(1.1%)</small>	<b>0.4</b> <small>(4.3%)</small>	<b>400%</b>	4.0 <small>(6.9%)</small>	112%

## ■ Sales by Region: Air Conditioning



※Includes the refrigeration and filter businesses

(Unit: billion yen) ※Percentage expresses year on year comparison

	FY11 Q1		FY12 Q1		FY13 Q1		FY14 Q1		FY15 Q1		FY15 Forecast	
<b>Japan</b>	119%	95.6	105%	100.4	99%	99.9	98%	98.0	97%	94.7	104%	430.0
<b>Europe</b>	106%	60.8	73%	44.4	134%	59.4	103%	61.2	94%	57.6	97%	220.0
<b>China</b>	120%	37.1	161%	59.8	139%	83.3	114%	95.3	108%	103.1	110%	350.0
<b>Americas</b>	107%	21.7	110%	23.9	449%	107.1	109%	116.6	118%	138.1	113%	497.0
<b>Asia</b>	123%	30.2	109%	32.7	156%	51.0	112%	57.2	115%	65.6	112%	235.0
<b>Oceania</b>	86%	8.0	92%	7.4	130%	9.6	99%	9.5	108%	10.2	101%	44.0
<b>Middle East</b>	103%	4.7	181%	8.5	157%	13.3	70%	9.3	129%	12.0	115%	55.0
<b>Africa</b>	80%	1.6	99%	1.5	164%	2.5	86%	2.2	99%	2.2	104%	11.0
<b>Total</b>	113%	259.5	107%	278.7	153%	426.2	105%	449.3	108%	483.5	108%	1,842.0
<b>Overseas sales ratio</b>	63%		64%		77%		78%		80%		77%	
<b>FX rate (USD/Yen)</b>	¥82		¥80		¥99		¥102		¥121		¥115	
<b>(EUR/Yen)</b>	¥117		¥103		¥129		¥140		¥134		¥125	
<b>(RMB/Yen)</b>	¥12.6		¥12.7		¥16.1		¥16.4		¥19.6		¥18.5	

## ■ Sales by Region: Chemicals



(Unit: billion yen) ※Percentage expresses year on year comparison

	FY11 Q1		FY12 Q1		FY13 Q1		FY14 Q1		FY15 Q1		FY15 Forecast	
<b>Japan</b>	116%	11.7	83%	9.8	91%	8.9	99%	8.7	<b>106%</b>	<b>9.3</b>	<b>100%</b>	<b>39.5</b>
<b>Americas</b>	86%	5.8	123%	7.1	116%	8.3	97%	8.1	<b>122%</b>	<b>9.8</b>	<b>115%</b>	<b>49.0</b>
<b>China</b>	165%	6.0	83%	5.0	153%	7.6	85%	6.5	<b>114%</b>	<b>7.4</b>	<b>106%</b>	<b>36.0</b>
<b>Asia</b>	182%	4.3	54%	2.3	116%	2.6	121%	3.2	<b>125%</b>	<b>4.0</b>	<b>113%</b>	<b>19.0</b>
<b>Europe</b>	124%	2.9	98%	2.8	110%	3.1	123%	3.7	<b>149%</b>	<b>5.6</b>	<b>105%</b>	<b>16.5</b>
<b>Others</b>	150%	0.3	65%	0.2	168%	0.3	46%	0.2	<b>105%</b>	<b>0.2</b>	—	—
<b>Total</b>	122%	30.9	88%	27.2	113%	30.8	99%	30.4	<b>119%</b>	<b>36.2</b>	<b>107%</b>	<b>160.0</b>
<b>Overseas sales ratio</b>	62%		64%		72%		71%		74%		75%	
<b>FX rate (USD/Yen)</b>	¥82		¥80		¥99		¥102		¥121		¥115	
<b>(EUR/Yen)</b>	¥117		¥103		¥129		¥140		¥134		¥125	
<b>(RMB/Yen)</b>	¥12.6		¥12.7		¥16.1		¥16.4		¥19.6		¥18.5	

**Japan**

Although industry demand for residential use survived the downturn in demand from the consumption tax increase, the impact from unseasonable weather was considerable, and sales fell below the previous year. (96% year on year)  
 In addition to a slow recovery in construction starts, industry demand for commercial use suffered a reversal of the last-minute surge in demand prior to the revision in the Rationalization in Energy Use Law (effective from April 2015), and sales declined over the previous year. (89% year on year)  
 With higher procurement costs due to yen depreciation, Daikin introduced sales measures that focused more heavily on profits.

- For residential use, sales promotion of differentiated, energy-saving products led to an increase in market share.
- For commercial use, a product lineup was utilized corresponding to the revision in the Rationalization in Energy Use Law, and sales promotion was expanded centering on high valued-added products featuring energy savings and consideration for the environment.

<Ratio of sales increase in Japan (volume basis) >

	<b>Q1 Results</b>
(Y/y change)	
Residential	<b>102%</b>
Commercial	<b>90%</b>

**North America**

In the economic recovery, we advanced with new business development of a sales network for ductless, and sales expanded. Sales also grew for Applied systems in the backdrop of bullish demand.

Although residential unitary experienced a reversal from the last-minute surge in demand prior to the strengthening of energy regulations, sales of high efficiency units grew for residential unitary.

- In addition to using the Goodman sales network, we proceeded forward with new business development of a sales network. Efforts were made to expand sales of mini split air conditioners (RA, SKY) and VRV systems.
- Sales expanded for high efficiency equipment leveraging the opportunity of higher values for energy efficiency (SEER13→SEER14).
- Applied systems sales grew from equipment sales, including sales for air handling units. Parts sales steadily increased by establishment of our own sales network.

<Ratio of sales increase in North America (volume basis) >

		(Y/y change)	Q1 Results
Ductless	Residential		145%
	Commercial	SKY	94%
		VRV	102%
Ducted unitary for houses			85%
Applied			111%

※SKY・・・Middle or compact size package air conditioners  
 ※VRV・・・Multi-split system for buildings  
 ※Applied is based on local currency

**China**

As air conditioning demand worsened in such areas as large-scale investment and real estate development projects, direct sales expanded. Sales for the China region overall exceeded the previous year when currency conversion is included. High profits were sustained by leveraging launch of new products to maintain selling price and initiating cost reductions focused on in-house parts production.

- In the residential-use market, the focus was on sales promotion centering on PROSHOP specialty shops for retail and direct sales that handle such products as the New Life Multi Series that proposes various lifestyles to customers. Sales in the middle- to high-end residential-use market exceeded the previous year.
- In the commercial-use and Applied systems markets, sales fell below the previous year due to the economic slowdown. A review of product strategy was performed to obtain renovation demand for shops having bullish demand and for offices. Sales expanded further for new products such as centrifugal chillers, and efforts were undertaken to strengthen after sales service.
- Sales for residential-use multi-split air conditioners exceeded the previous year as a result of strengthening direct sales to take in general consumption where prices have bottomed out, and sales for the residential-use market exceeded those of the markets for commercial and Applied systems.

< Ratio of sales increase in China by market (yen basis) >

(Y/y change)	Q1 Results	Local Currency Basis
Residential ※	116%	97%
Commercial	100%	84%
Applied	101%	85%

※Residential-use multi-split air systems are included.



**Europe** (including the Middle and Near East, and Africa)

**There was also unseasonable weather in the main market of Southern Europe, and residential-use sales declined from the previous year, but the trend in the commercial-use segment, heater business, Applied systems was bullish. Sales grew even in emerging regions such as the Middle East.**

- **Although shipments for residential use showed a trend toward recovery from the favorable weather occurring from the middle of June, temperatures for the months of April and May did not rise in the main markets, including Italy, and sales fell against the previous year.**
- **In addition to tackling meticulous dealer follow-up and sales activities in each country, sales for commercial use grew from the launch of new products corresponding to regional needs.**

<Ratio of sales increase in Europe (volume basis) >

(Y/y change)		<b>Q1 Results</b>
Residential		<b>92%</b>
Commercial	SKY	<b>100%</b>
	VRV	<b>104%</b>
Heating		<b>118%</b>
Applied		<b>111%</b>

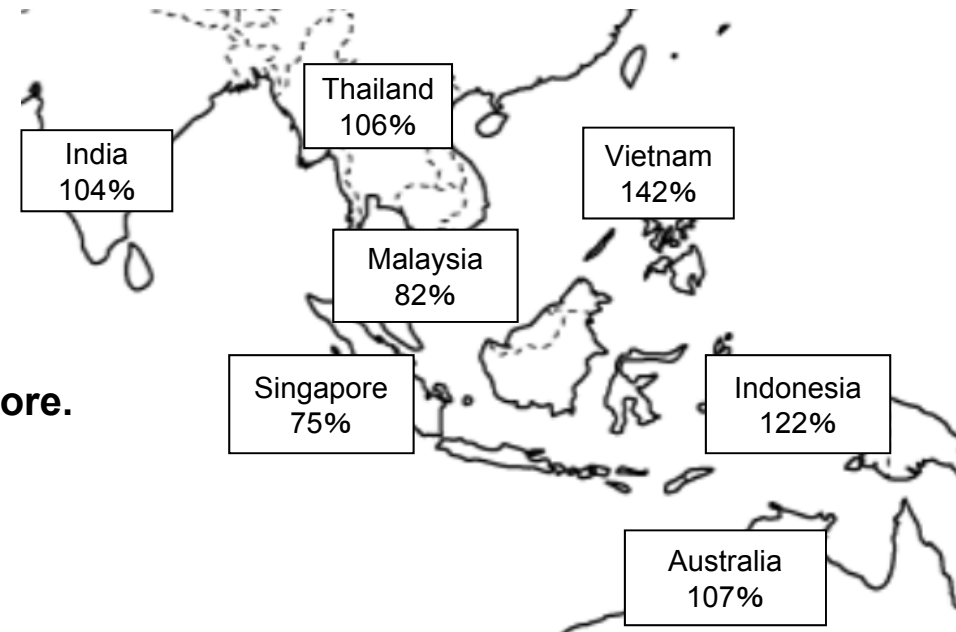
※SKY・・・Middle or compact size package air conditioners  
 ※VRV・・・Multi-split system for buildings  
 ※Applied is based on local currency

**Asia/Oceania**

Together with continuing to enhance dealer development, Daikin advanced by launch of energy-saving products such as cooling-only inverter units for residential use and sales promotion of *VRV* systems for commercial use, and sales of the overall region exceeded the previous year.

- In Vietnam, we promoted dealer development , and sales significantly grew as we steadily took advantage of an expansion in demand.
- In India, sales expanded centering on commercial use.
- The sales network in Australia was reinforced, and both residential and commercial use have shifted favorably.
- In Thailand, residential–use sales were depressed from a slow recovery in consumer spending but sales expanded for commercial use centering on *VRV* systems.
- The number of new projects fell in Singapore.

<Year-on-year sales for Apr.-Jun. in main countries (local currency basis)>



**Sales of fluoropolymers for semiconductors and surface anti-fouling coating agents have shifted favorably. Yen depreciation has been incorporated into total cost reductions such as in reducing fixed costs, and both revenue and profits increased.**

- **Fluorocarbon Gas**
  - Although sales to air conditioner manufacturers in the China region have decreased, sales increased over the previous year by the addition of the European gas business gained from the acquisition of Solvay.
- **Polymers & Fluoroelastomers**
  - Demand in China decreased for fluoropolymers; however, demand related to semiconductors shifted favorably centering on Japan and Asia, and sales exceeded the previous year.
  - Sales of fluoroelastomers grew for the automotive industry in the U.S. and Asia.
- **Fine Chemicals, etc.**
  - Sales shifted favorably for surface anti-fouling coating agents (OPTOOL) that are used in touch panels and other applications.

<Ratio of sales increase by product (sales amount basis) >

(Y/y changes)	Q1 Results
For all fluorochemical products	119%
Fluorocarbon Gas	144%
Polymers & Fluoroelastomers	117%
Fine Chemicals, etc.	118%



# ***DAIKIN INDUSTRIES, LTD.***

## **Notes on forecast**

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