



Presentation of Financial Results for the Third Quarter in December 2015

February 9, 2016

DAIKIN INDUSTRIES, LTD.

Summary of Q3 Financial Results



Despite sluggish demand from a mild winter in North America and slow growth in Japanese construction starts, the Air Conditioning Business saw sustained growth for residential multi-split air conditioners in China, and sales in Asia and Europe also significantly grew. In addition to promotion of total cost reductions, Daikin capitalized on falling prices in natural resources to achieve its highest profits for the third consecutive term. In light of the satisfactory progress made in the third quarter, there will be no revision to the FY2015 forecast.

(Unit: billion yen)	Q1-3(Apr-Dec)			FY2015 Forecast	
	FY2014	FY2015	Y/y changes	Revised in Nov	Y/y changes
Net Sales	1,432.7	1,551.7	108%	2,090.0	109%
Operating Income (Percentage of income to net sales)	149.2 (10.4%)	166.6 (10.7%)	112%	212.0 (10.1%)	111%
Ordinary Income (Percentage of income to net sales)	154.9 (10.8%)	164.6 (10.6%)	106%	210.0 (10.0%)	108%
Net Income Attributable to Owners of Parent (Percentage of income to net sales)	93.9 (6.6%)	106.8 (6.9%)	114%	130.0 (6.2%)	109%
Yen/USD	¥107	¥122		¥120	
Yen/EUR	¥140	¥134		¥133	
Yen/RMB	¥17.3	¥19.3		¥19.2	

○Effects of FX (Apr-Dec Y/y)

On Sales: +76.0 billion yen
On Operating Income: +3.5 billion yen

○Breakdown of Changes Operating Income (Apr-Dec Y/y)

Total +17.4 billion yen
FX impact +3.5 billion yen
Sales expansion/selling price +1.5 billion yen
Cost reductions, fixed costs, other +12.3 billion yen

■ Sales and Operating Profit by Segments



(Unit: billion yen)		Q1-3(Apr-Dec)Results			FY2015 Forecast	
		FY2014	FY2015	Y/y changes	Revised in Nov	Y/y changes
Total	Sales	1,432.7	1,551.7	108%	2,090.0	109%
	Operating Income (Percentage of income to net sales)	149.2 (10.4%)	166.6 (10.7%)	112%	212.0 (10.1%)	111%
Air-Conditioning	Sales	1,295.5	1,398.5	108%	1,860.0	109%
	Operating Income (Percentage of income to net sales)	137.4 (10.6%)	152.4 (10.9%)	111%	187.0 (10.1%)	110%
Chemicals	Sales	101.9	118.2	116%	172.0	115%
	Operating Income (Percentage of income to net sales)	10.2 (10.0%)	12.4 (10.5%)	121%	21.0 (12.2%)	127%
Others	Sales	35.3	34.9	99%	58.0	106%
	Operating Income (Percentage of income to net sales)	1.6 (4.5%)	1.8 (5.1%)	111%	4.0 (6.9%)	112%

Sales by Region: Air-Conditioning Business



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

	FY2011 Q1-3		FY2012 Q1-3		FY2013 Q1-3		FY2014 Q1-3		FY2015 Q1-3		FY2015 Forecast	
Japan	107%	283.8	108%	305.5	105%	320.1	97%	309.8	99%	307.7	102%	420.0
Europe	94%	148.3	88%	130.2	130%	169.2	101%	170.5	110%	188.1	108%	245.0
China	120%	147.5	109%	161.0	148%	238.2	110%	263.2	103%	270.1	104%	330.0
Americas	105%	70.9	107%	76.2	365%	278.2	118%	328.1	116%	379.0	116%	510.0
Asia	104%	84.7	113%	95.6	140%	133.9	115%	153.7	114%	174.6	115%	243.0
Oceania	83%	25.0	100%	25.0	122%	30.5	106%	32.4	109%	35.3	105%	46.0
Middle East	130%	16.9	141%	23.8	135%	32.2	95%	30.5	117%	35.6	115%	55.0
Africa	92%	4.7	98%	4.6	150%	6.9	107%	7.4	110%	8.2	104%	11.0
Total	105%	781.8	105%	821.9	147%	1,209.2	107%	1,295.5	108%	1,398.5	109%	1,860.0
Overseas Sales ratio	64%		63%		74%		76%		78%		77%	
Yen/USD	¥79		¥80		¥99		¥107		¥122		¥120	
Yen/EUR	¥111		¥102		¥132		¥140		¥134		¥133	
Yen/RMB	¥12.4		¥12.7		¥16.2		¥17.3		¥19.3		¥19.2	

Sales by Region: Chemicals Business



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

	FY2011 Q1-3		FY2012 Q1-3		FY2013 Q1-3		FY2014 Q1-3		FY2015 Q1-3		FY2015 Forecast	
Japan	102%	34.8	89%	30.9	88%	27.2	97%	26.3	110%	28.9	105%	41.5
Americas	108%	20.5	102%	21.0	121%	25.5	107%	27.2	114%	30.9	118%	50.5
China	152%	20.1	84%	17.0	141%	23.9	109%	26.0	101%	26.4	104%	35.5
Asia	148%	11.3	67%	7.6	130%	9.9	110%	10.9	124%	13.5	119%	20.0
Europe	110%	7.7	96%	7.4	130%	9.7	111%	10.7	165%	17.7	155%	24.5
Others	120%	0.9	122%	1.1	199%	2.1	36%	0.8	107%	0.8	—	—
Total	117%	95.3	89%	85.1	115%	98.2	104%	101.9	116%	118.2	115%	172.0

Overseas Sales ratio	64%	64%	72%	74%	76%	76%
Yen/USD	¥79	¥80	¥99	¥107	¥122	¥120
Yen/EUR	¥111	¥102	¥132	¥140	¥134	¥133
Yen/RMB	¥12.4	¥12.7	¥16.2	¥17.3	¥19.3	¥19.2

■ Air Conditioning Business – Japan



Japan

Impacted by unseasonable summer weather and a mild winter, industry demand for residential use was on par with the previous year (Y/y 100%)

Industry demand for commercial use experienced slow growth in construction starts and a reversal of last-minute surge in demand prior to the revision in the Rationalization in Energy Use Law. This led to a decline in results over the previous year (Y/y 92%).

Faced with sluggish demand for commercial use, Daikin worked to promote sales of high value-added products in both residential and commercial use, including Urusara 7 and FIVE STAR ZEAS. Consequently, sales remained at the same level as the previous year.

<Unit Shipments of AC for Japanese market, Daikin>

(Y/y change)		1H Results	Q1-3 Results	FY2015 Forecast
Residential	Market	99%	100%	97%
	Daikin	102%	104%	103%
Commercial	Market	92%	92%	96%
	Daikin	90%	90%	97%

North America

- For ductless, the product lineup was enhanced and included a new *VRV* systems product. Efforts were made to boost sales by market and by sales channel and to expand sales in both residential and commercial use.
- Residential unitary was adversely impacted by a reversal in demand for last minute surge accompanying stricter energy-saving regulations for the last term and by a drop in heating equipment due to a mild winter. Consequently, sales declined over the previous year.
- In Applied systems, sales expanded for high value-added product centering on chillers and air handling units. The After Sales business was fortified, and sales grew steadily.

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

(Y/y change)		1H Results	Q1-3 Results	FY2015 Forecast		
				Market	Daikin	
Ductless	Residential	135%	142%	117%	143%	
	Commercial	SKY	102%	104%	108%	108%
		VRV	101%	110%	114%	114%
Ducted unitary for houses		97%	91%	101%	97%	
Applied(Sales)		110%	112%	105%	115%	

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

※VRV・・・Multi-split system for building

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

China

In the continuing severe business environment, including the decline in large-scale investments and real estate projects, Daikin has focused on direct sales to take advantage of stable consumer spending.

Along with a recovery in sales from the third quarter, we maintained selling price by launch of new products, promoted cost reductions centering on internally-developed parts, and capitalized on softening market conditions and yen depreciation. As a result, both sales and operating income exceeded 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. Sales exceeded the previous year for residential-use multi-split air conditioners in the middle- to high-end residential-use market where demand is favorable. Sales for the third quarter (Oct-Dec) for the residential-use market overall rose over the previous year.
- In commercial-use and Applied systems markets, sales fell below the previous year due to an economic downturn, and we attempted to capitalize on remodeling needs for the shop and general office market segments where demand is relatively bullish.

<Ratio of sales increase in China (local currency basis)>

(Y/y change)	1H Results	Q1-3 Results		FY2015 Forecast	
			Yen Basis	Market	Daikin
Residential※	97%	99%	110%	92%	100%
Commercial	84%	85%	95%	85%	88%
Applied	86%	89%	99%	80%	87%

※Includes residential-use multi-split air conditioners

Air Conditioning Business – Europe



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

For residential use, Daikin took advantage of increased demand from a heat wave, and shipments shifted favorably, even in the second period. The commercial-use and heating businesses were also bullish, and sales for the region overall substantially exceeded those of the previous year.

- For residential use, in addition to seeing results in our efforts to strengthen the sales network system, timely product supply utilizing the strengths of the local production enabled a favorable shift centering on Italy, Spain, and Central Europe.
- In commercial use, despite the slowdown seen in construction demand, Daikin proceeded with detailed sales activities by strengthening dealer development and sales calls. Consequently, sales exceeded the previous year.
- Sales expanded for the heating business, Daikin capitalized on the expansion in demand from stricter environmental regulations in France and the U.K. with heat pump type residential-use hot water heating systems.

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

(Y/y change)		1H Results	Q1-3 Results	FY2015 Forecast	
				Market	Daikin
Residential		134%	143%	93%	115%
Commercial	SKY	102%	102%	100%	114%
	VRV	107%	104%	103%	111%
Heating		113%	109%	106%	114%
Applied(Sales)		107%	106%	103%	120%

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

※VRV・・・Multi-split system for building

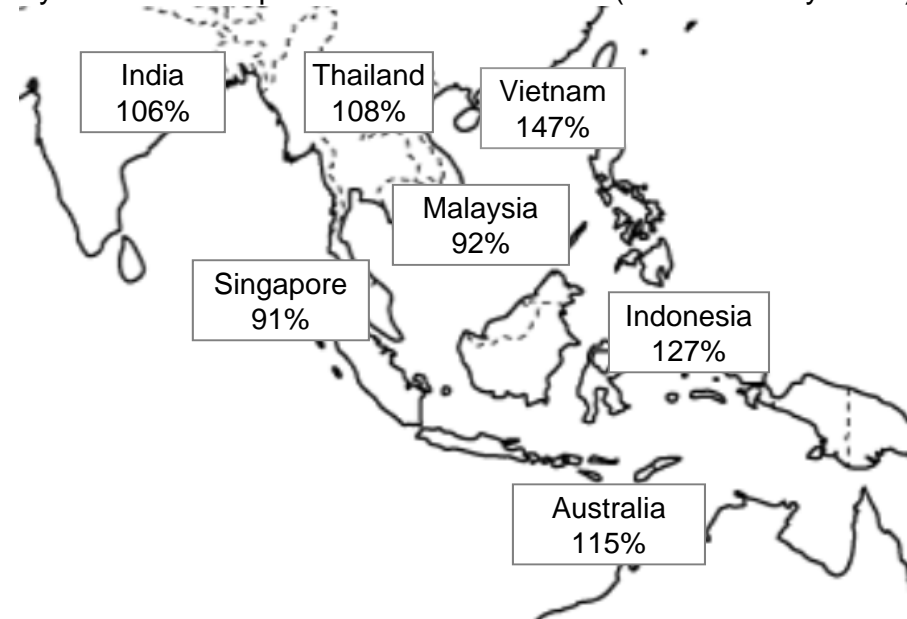
※The forecast for Applied is based on sales (local currency)

Asia/Oceania

Daikin strongly promoted expansion of its sales network, and sales substantially grew for the region overall by launch of energy-saving products corresponding to the needs of each country such as a cooling-only inverter air conditioner.

- Sales expanded centering on Vietnam where demand has grown with a burgeoning middle class. Sales grew even in Australia where a reform of sales capabilities has been implemented.
- Efforts were made for a sales recovery even in Singapore and Malaysia where demand is weak.
- In addition to sales expansion, profitability improved, despite the impact of fluctuations in foreign exchange, by structural improvements for high value-added products (such as cooling-only inverter air conditioners and commercial-use *VRV* systems) and promotion of total costs reductions.

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



Sales expanded in favorable fields such as fluoropolymers for semiconductors and anti-fouling coating agents. Even as the business environment continued to worsen, as seen in the sluggish demand in China and the drop in selling price in the United States, revenue and profits increased by proceeding with reduction in fixed costs, costs reductions in manufacturing, and inventory reduction.

- For fluorocarbon gas, sales decreased for local Chinese air conditioner manufacturers, but sales exceeded the previous year with the addition of the European gas business acquired from Solvay.
- Polymers and Fluoroelastomers
 - In fluoropolymers, Daikin was adversely impacted from a drop in selling price in general-purpose items in China and the United States; however, semi-conductor-related demand centering on Japan and Asia shifted favorably, and sales exceeded the previous year.
 - In fluoroelastomers, sales grew for the automotive industry in Europe, United States, and Asia.
- In fine chemicals, sales of water and oil repellent agents and surface anti-fouling coating agents (OPTOOL) for smartphones expanded.

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

(Y/y changes)	1H Results	Q1-3 Results	FY2015 Forecast	
			Market	Daikin
For all fluorochemical products	119%	115%	103%	118%
Fluorocarbon Gas	168%	179%	103%	147%
Fluoropolymers & Fluoroelastomers	112%	107%	102%	114%
Fine Chemicals, etc.	118%	117%	103%	116%

■ Capex, Depreciation, R&D Cost



(Billion yen)	FY2014 Results		FY2015 Results	
	Q1-3	Total	Q1-3	Year Plan
Capex	57.7	68.0	82.9	120.0
Depreciation	38.3	54.0	43.1	61.0
R&D Cost	31.8	43.0	34.9	46.0



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Notes on forecast

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