



**Presentation of Financial Results  
for the First Quarter in June 2016**

**August 9, 2016**

***DAIKIN INDUSTRIES, LTD.***

## Summary of the First Quarter Financial Results



In the Air Conditioning business, we strengthened sales and marketing capabilities and expanded sales by actively launching high value-added products in each region. Sales for Asia and Europe grew significantly, and growth continued for residential-use, multi-split air conditioners in China. In Japan, in addition to greater sales capabilities, a heat wave helped propel Daikin to new record highs for sales and profit.

Results from the second quarter and beyond are expected to be substantially impacted by currency exchange fluctuations and increased market uncertainty (such as the fallout from Brexit and fear of an economic slowdown in China). Nevertheless, Daikin intends to achieve the annual budget by expanding sales in high-growth regions such as Asia, capitalizing on yen appreciation in global procurement, and promoting total cost reductions including reduction of fixed costs.

(billion yen)	Q1(Apr.-Jun.)			FY2016 Forecast			
	FY2015	FY2016	Y/y changes	1H	Y/y changes	Total	Y/y changes
<b>Net Sales</b>	529.7	<b>535.5</b>	<b>101%</b>	1080.0	110%	2080.0	102%
<b>Operating Income</b>	60.6	<b>71.2</b>	<b>117%</b>	125.0	110%	220.0	101%
(Percentage of income to net sales)	(11.4%)	(13.3%)		(11.6%)		(10.6%)	
<b>Ordinary Income</b>	61.5	<b>70.5</b>	<b>115%</b>	123.5	109%	217.0	104%
(Percentage of income to net sales)	(11.6%)	(13.2%)		(11.4%)		(10.4%)	
<b>Profit Attributable to Owners of Parent</b>	37.2	<b>49.1</b>	<b>132%</b>	81.0	108%	140.0	102%
(Percentage of income to net sales)	(7.0%)	(9.2%)		(7.5%)		(6.7%)	
	USD/JPY	¥121	¥108			¥110	
	EUR/JPY	¥134	¥122			¥125	
	RMB/JPY	¥19.6	¥16.5			¥17.0	

### ○Effects of FX (Apr.-Jun. Y/y)

On Sales:	-61.4 billion yen
On Operating Income:	-9.0 billion yen

### ○Breakdown of Changes Operating Income (Apr.-Jun. Y/y)

<b>Total</b>	<b>+10.6 billion yen</b>
Foreign Exchange	-9.0 billion yen
Sales Expansion/Selling Price	+18.5 billion yen
Cost Reductions, Fixed Costs, etc.	+1.0 billion yen

## ■ First Quarter Sales and Operating Income by Division



(billion yen)		Q1(Apr.-Jun.)		Y/y Changes	FY2016 Forecast	Y/y changes
		FY2015	FY2016			
<b>Total</b>	<b>Sales</b>	529.7	<b>535.5</b>	<b>101%</b>	2,080.0	102%
	<b>Operating Income</b> <small>(Percentage of income to net sales)</small>	60.6 <small>(11.4%)</small>	<b>71.2</b> <small>(13.3%)</small>	<b>117%</b>	220.0 <small>(10.6%)</small>	101%
<b>Air-Conditioning</b>	<b>Sales</b>	483.5	<b>491.5</b>	<b>102%</b>	1,860.0	102%
	<b>Operating Income</b> <small>(Percentage of income to net sales)</small>	56.6 <small>(11.7%)</small>	<b>68.5</b> <small>(13.9%)</small>	<b>121%</b>	195.0 <small>(10.5%)</small>	101%
<b>Chemicals</b>	<b>Sales</b>	36.2	<b>35.0</b>	<b>97%</b>	166.0	102%
	<b>Operating Income</b> <small>(Percentage of income to net sales)</small>	3.6 <small>(9.9%)</small>	<b>2.3</b> <small>(6.7%)</small>	<b>65%</b>	21.5 <small>(13.0%)</small>	104%
<b>Others</b>	<b>Sales</b>	9.9	<b>9.0</b>	<b>91%</b>	54.0	101%
	<b>Operating Income</b> <small>(Percentage of income to net sales)</small>	0.4 <small>(4.3%)</small>	<b>0.3</b> <small>(3.0%)</small>	<b>64%</b>	3.5 <small>(6.5%)</small>	99%

## Sales by Region: Air Conditioning



※Includes the refrigerator and freezer and the filter businesses.

※Percentage expresses year on year comparison

(billion yen)	FY2012 Q1		FY2013 Q1		FY2014 Q1		FY2015 Q1		FY2016 Q1		FY2016 Forecast	
	<b>Japan</b>	105%	100.4	99%	99.9	98%	98.0	97%	94.7	<b>104%</b>	<b>98.9</b>	<b>103%</b>
<b>Europe</b>	73%	44.4	134%	59.4	103%	61.2	94%	57.6	<b>121%</b>	<b>69.8</b>	<b>99%</b>	<b>250.0</b>
<b>China</b>	161%	59.8	139%	83.3	114%	95.3	108%	103.1	<b>89%</b>	<b>91.8</b>	<b>92%</b>	<b>290.0</b>
<b>Americas</b>	110%	23.9	449%	107.1	109%	116.6	118%	138.1	<b>97%</b>	<b>133.7</b>	<b>108%</b>	<b>534.0</b>
<b>Asia</b>	109%	32.7	156%	51.0	112%	57.2	115%	65.6	<b>109%</b>	<b>71.4</b>	<b>102%</b>	<b>243.0</b>
<b>Oceania</b>	92%	7.4	130%	9.6	99%	9.5	108%	10.2	<b>117%</b>	<b>12.0</b>	<b>98%</b>	<b>46.0</b>
<b>Middle East</b>	181%	8.5	157%	13.3	70%	9.3	129%	12.0	<b>102%</b>	<b>12.2</b>	<b>104%</b>	<b>56.0</b>
<b>Africa</b>	99%	1.5	164%	2.5	86%	2.2	99%	2.2	<b>75%</b>	<b>1.6</b>	<b>98%</b>	<b>11.0</b>
<b>Total</b>	107%	278.7	153%	426.2	105%	449.3	108%	483.5	<b>102%</b>	<b>491.5</b>	<b>102%</b>	<b>1,860.0</b>
<b>Overseas Sales ratio</b>	64%		77%		78%		80%		80%		77%	
<b>USD/JPY</b>	¥80		¥99		¥102		¥121		¥108		¥110	
<b>EUR/JPY</b>	¥103		¥129		¥140		¥134		¥122		¥125	
<b>RMB/JPY</b>	¥12.7		¥16.1		¥16.4		¥19.6		¥16.5		¥17.0	

## Sales by Region: Chemicals



※Percentage expresses year on year comparison

(billion yen)	FY2012 Q1		FY2013 Q1		FY2014 Q1		FY2015 Q1		FY2016 Q1		FY2016 Forecast	
	<b>Japan</b>	83%	9.8	91%	8.9	99%	8.7	106%	9.3	97%	9.0	103%
<b>Americas</b>	123%	7.1	116%	8.3	97%	8.1	122%	9.8	84%	8.3	103%	46.0
<b>China</b>	83%	5.0	153%	7.6	85%	6.5	114%	7.4	108%	8.0	100%	34.0
<b>Asia</b>	54%	2.3	116%	2.6	121%	3.2	125%	4.0	90%	3.6	109%	20.0
<b>Europe</b>	98%	2.8	110%	3.1	123%	3.7	149%	5.6	106%	5.9	101%	25.0
<b>Others</b>	65%	0.2	168%	0.3	46%	0.2	105%	0.2	133%	0.2	—	—
<b>Total</b>	88%	27.2	113%	30.8	99%	30.4	119%	36.2	97%	35.0	102%	166.0
<b>Overseas Sales ratio</b>	64%		72%		71%		74%		74%		75%	
<b>USD/JPY</b>	¥80		¥99		¥102		¥121		¥108		¥110	
<b>EUR/JPY</b>	¥103		¥129		¥140		¥134		¥122		¥125	
<b>RMB/JPY</b>	¥12.7		¥16.1		¥16.4		¥19.6		¥16.5		¥17.0	

**Japan**

While personal consumption indicated signs of a slowdown for industry demand in residential-use, a heat wave since June helped propel sales.

Construction starts were sluggish for industry demand in commercial-use, but the heat wave and a rebound in demand from the downturn seen after the revision in the Rationalization in Energy Use Law contributed to results. Consequently, sales exceeded the previous year.

Daikin increased revenue by working to expand sales of high value-added products for both residential- and commercial-use products and by thoroughly maintaining selling price.

<AC sales by product (volume basis)>

(Y/y change)		Q1 Results
Residential	Market	101%
	Daikin	101%
Commercial	Market	105%
	Daikin	105%
Applied	Market	97%
	Daikin	90%

※Applied is based on sales.



**Americas**

Although sales were brisk in an economy of strong consumer spending, results were significantly affected by exchange rates, and sales fell below the previous year.

- In residential unitary, we made efforts to expand sales of high-efficiency products equipped with inverters and took advantage of a heat wave that has continued since June.
- For ductless, new products for VRV systems were launched for the high-end residential market. With an improved sales system in the northeastern area, sales grew for residential-use and SkyAir air conditioners.
- For Applied systems, the price competition intensified for chillers. Sales grew in high value-added air handling units and the after sales service business.

<AC sales by product (volume basis) >

(Y/y change)	Q1 Results
Ducted unitary for houses	104%
Residential & SKY	116%
VRV	106%
Applied	101%

※SKY...Medium or compact size packaged air conditioner  
 ※VRV...Multi-split system for buildings  
 ※Applied is based on sales (local currency)



**China**

Although large-scale real estate investment remained sluggish in the economic slowdown, a recovery was seen in the residential-use market. Together with improved direct sales to capitalize on strong consumer spending, Daikin maintained high profits by enacting cost-cutting measures centered on in-house production of parts and taking advantage of softening market conditions for raw materials and. Despite yuan depreciation, operating income remained on par with the previous year.

- In the residential-use market, we utilized the proposal-making and installation capabilities of our PROSHOP specialty shops, which are our forte, and expanded sales in the middle to high-end residential market centering on the New Life Style Series. This product series features residential-use, multi-split air conditioners that propose various lifestyles to customers.
- In the commercial-use market, we bolstered “spec-in” proposals to architectural firms and promotional activities to users. Centering on *VRV* systems, we also took advantage of remodeling needs for shops and general offices where demand is relatively strong.
- In the Applied systems market, meticulous sales activities were developed by enhancing the product lineup and strengthening the sales system. We were able to reap demand for small- and medium-sized projects, and sales exceeded the previous year.

<AC sales by market (local currency basis) >

(Y/y change)	Q1 Results
Residential ※	112%
Commercial	99%
Applied	109%

※Includes residential-use, multi-split air conditioners





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

With greater demand stemming from last year’s heat wave, residential-use sales were robust and focused on the main market of Southern Europe. Sales for the region overall increased significantly over the previous year through efforts to improve the sales system, even in Turkey.

- In residential-use, we captured increased demand in Southern and Central Europe by product supply utilizing our strength of local production, and sales expanded. Especially in Italy, sales favorably shifted for new products adopting HFC32 (R32) refrigerant.
- In commercial-use, we linked meticulous dealer visits to orders centering on *VRV* systems that closely matched local needs, and sales expanded.

<AC sales by product (volume basis)>

(Y/y change)		Q1 Results
Residential		172%
Commercial	SKY	133%
	VRV	125%
Heating		115%
Applied		111%

※SKY・・・Medium or compact size packaged air conditioner  
 ※VRV・・・Multi-split system for buildings  
 ※Applied is based on sales (local currency)

**Asia/Oceania**

In addition to continuing to vigorously promote dealer development, Daikin captured the expanding middle-class demand by striving to expand sales of energy-saving, differentiated products corresponding to regional needs. Consequently, sales significantly expanded centering on Vietnam, India, and Indonesia.

- In residential-use, sales were strong for cooling-only inverter air conditioning units that represent a part of Daikin’s differentiated products. Sales significantly expanded in Vietnam, Thailand, and Indonesia. Even in India, Daikin strengthened its sales network, and sales significantly grew.
- In commercial-use, we improved “spec-in” activities for *VRV* systems and focused on training sales employees. Sales largely grew centered on Australia where reform of sales capabilities has been promoted.

<AC sales by product (volume basis)>

		Q1 Results
(Y/y change)		
Residential		136%
Commercial	SKY	132%
	VRV	135%
Applied		116%

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

Although efforts were made to expand sales of fluorocarbon gas and anti-fouling surface coating agents, business was adversely affected by markdowns in price by competing companies in China and the United States and the impact of foreign currency exchange. As a result, there was a decline in both revenue and profits.

- Fluorocarbon gas
  - Strong sales were seen in after sales service in the Americas and to car air conditioner manufacturers in Europe.
- Polymers and Fluoroelastomers
  - Although semiconductor-related demand centering on Asia shifted favorably for fluoropolymers, the business was influenced by a selling price drop for commodities in China and the United States. Consequently, sales fell below the previous year.
  - Sales did not grow in Europe and Asia for fluoroelastomers, and results declined against the previous year.
- Fine chemicals
  - Sales expanded for surface antifouling agents used for smartphones (OPTOOL). Similarly, sales grew for intermediates having medical and liquid crystal applications.

< Sales increase by product (aggregate sales) >

(Y/y changes)	Q1 Results
For all fluorochemical products	97%
Fluorocarbon Gas	124%
Polymers & Fluoroelastomers	88%
Fine Chemicals, etc.	103%

- The procedures for acquisition of the U.S. company Flanders were completed as of April 27, 2016, and results are consolidated from the first quarter.
- In the Air Filter business, Daikin is taking advantage of its acquisition of Flanders by promoting sales expansion and total cost reductions (centralized purchasing and improvement of in-house production at factories, etc.)
- At P&I※ business, sales expanded in Asia from the growth of the after service business.

※P&I : commercial-use dust collection systems for applications including gas turbines and large-scale plants.

# ***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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