



Presentation of Financial Results for the First Quarter in June 2017

August 8, 2017

DAIKIN INDUSTRIES, LTD.

Summary of the First Quarter Financial Results



Daikin achieved record highs for sales and profits. In the Air Conditioning business, sales expanded in the main markets of Japan, the Americas, and China through an active launch of high value-added products. In the Chemicals business, sales widened in growth markets that included the semiconductor and automotive industries. Even as prices for raw materials soared, in addition to sales growth, we achieved an increase in operating income through the promotion of total cost reductions, such as in the curtailment of fixed costs, that exceeded the previous year, which had benefited from favorable weather.

(billion yen)	Q1(Apr.-Jun.)			FY2017 Forecast			
	FY2016	FY2017	Y/y changes	1H	Y/y changes	Total	Y/y changes
Net Sales	535.5	586.6	110%	1130.0	108%	2190.0	107%
Operating Income	71.2	74.4	105%	143.0	102%	243.0	105%
(Percentage of income to net sales)	(13.3%)	(12.7%)		(12.7%)		(11.1%)	
Ordinary Income	70.5	75.0	106%	143.0	102%	242.0	105%
(Percentage of income to net sales)	(13.2%)	(12.8%)		(12.7%)		(11.1%)	
Profit Attributable to Owners of Parent	49.1	51.0	104%	97.0	101%	160.0	104%
(Percentage of income to net sales)	(9.2%)	(8.7%)		(8.6%)		(7.3%)	
USD/JPY	¥108	¥111				¥108	
EUR/JPY	¥122	¥122				¥118	
RMB/JPY	¥16.5	¥16.2				¥16.0	

○Effects of FX (Apr.-Jun. Y/y)

On Sales:	+4.4 billion yen
On Operating Income:	-2.0 billion yen

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

Total	+3.3 billion yen
Foreign Exchange	-2.0 billion yen
Sales Expansion/Selling Price	+12.3 billion yen
Cost Reductions, Fixed Costs, etc.	-7.0 billion yen

■ First Quarter Sales and Operating Income by Division



(billion yen)		Q1(Apr.-Jun.)		Y/y Changes	FY2017 Forecast	Y/y changes
		FY2016	FY2017			
Total	Sales	535.5	586.6	110%	2,190.0	107%
	Operating Income <small>(Percentage of income to net sales)</small>	71.2 (13.3%)	74.4 (12.7%)	105%	243.0 (11.1%)	105%
Air-Conditioning	Sales	491.5	535.4	109%	1,972.0	107%
	Operating Income <small>(Percentage of income to net sales)</small>	68.5 (13.9%)	69.4 (13.0%)	101%	219.0 (11.1%)	105%
Chemicals	Sales	35.0	41.4	118%	165.0	105%
	Operating Income <small>(Percentage of income to net sales)</small>	2.3 (6.7%)	4.6 (11.0%)	196%	20.0 (12.1%)	109%
Others	Sales	9.0	9.8	109%	53.0	102%
	Operating Income <small>(Percentage of income to net sales)</small>	0.3 (3.0%)	0.5 (4.9%)	177%	4.0 (7.5%)	107%

Sales by Region: Air Conditioning



※Includes the refrigerator and freezer and the filter businesses.

※Percentage expresses year on year comparison

(billion yen)	FY2013 Q1		FY2014 Q1		FY2015 Q1		FY2016 Q1		FY2017 Q1		FY2017 Forecast	
	Japan	99%	99.9	98%	98.0	97%	94.7	104%	98.9	106%	105.1	103%
Europe	134%	59.4	103%	61.2	94%	57.6	121%	69.8	103%	71.7	110%	275.0
China	139%	83.3	114%	95.3	108%	103.1	89%	91.8	115%	105.7	108%	320.0
Americas	449%	107.1	109%	116.6	118%	138.1	97%	133.7	115%	154.0	110%	565.0
Asia	156%	51.0	112%	57.2	115%	65.6	109%	71.4	100%	71.1	110%	256.0
Oceania	130%	9.6	99%	9.5	108%	10.2	117%	12.0	122%	14.7	101%	52.0
Middle East	157%	13.3	70%	9.3	129%	12.0	102%	12.2	94%	11.5	103%	51.0
Africa	164%	2.5	86%	2.2	99%	2.2	75%	1.6	103%	1.7	92%	8.0
Total	153%	426.2	105%	449.3	108%	483.5	102%	491.5	109%	535.4	107%	1,972.0
Overseas Sales ratio	77%		78%		80%		80%		80%		77%	
USD/JPY	¥99		¥102		¥121		¥108		¥111		¥108	
EUR/JPY	¥129		¥140		¥134		¥122		¥122		¥118	
RMB/JPY	¥16.1		¥16.4		¥19.6		¥16.5		¥16.2		¥16.0	

■ Sales by Region: Chemicals



※Percentage expresses year on year comparison

(billion yen)	FY2013 Q1		FY2014 Q1		FY2015 Q1		FY2016 Q1		FY2017 Q1		FY2017 Forecast	
	Japan	91%	8.9	99%	8.7	106%	9.3	97%	9.0	119%	10.7	106%
Americas	116%	8.3	97%	8.1	122%	9.8	84%	8.3	129%	10.7	109%	46.0
China	153%	7.6	85%	6.5	114%	7.4	108%	8.0	110%	8.8	101%	31.5
Asia	116%	2.6	121%	3.2	125%	4.0	90%	3.6	140%	5.0	110%	19.5
Europe	110%	3.1	123%	3.7	149%	5.6	106%	5.9	100%	5.9	103%	23.5
Others	168%	0.3	46%	0.2	105%	0.2	133%	0.2	132%	0.3	—	—
Total	113%	30.8	99%	30.4	119%	36.2	97%	35.0	118%	41.4	105%	165.0
Overseas Sales ratio		72%		71%		74%		74%		74%		73%
USD/JPY		¥99		¥102		¥121		¥108		¥111		¥108
EUR/JPY		¥129		¥140		¥134		¥122		¥122		¥118
RMB/JPY		¥16.1		¥16.4		¥19.6		¥16.5		¥16.2		¥16.0

Japan

Industry demand in residential-use capitalized on favorable weather as replacements to energy-efficient products progressed. As a result, sales exceeded the previous year.

Industry demand in commercial-use saw a recovery in capital investments and construction starts as sales shifted to bullish.

For Daikin, sales expanded for both residential-use and commercial-use, resulting in new record highs for both sales and operating income.

In residential-use, sales grew for high value-added products. In commercial-use, we promoted development and strengthening of the distribution channel and expanded sales centering on FIVESTAR ZEAS air conditioners for stores and offices. As a result, market share expanded. In Applied systems, sales greatly expanded by strengthening sales activities in the Tokyo metropolitan area.

<AC sales by product (volume basis)>

(Y/y change)		Q1 Results
Residential	Market	110%
	Daikin	112%
Commercial	Market	105%
	Daikin	112%
Applied	Market	105%
	Daikin	125%

※ Applied is based on sales.



Americas

As the market shifted to bullish in the background of solid personal consumption, Daikin continued to promote strengthening of its sales network, and sales greatly exceeded the previous year. On May 24, we opened the new Goodman factory Daikin Texas Technology Park and strengthened the local production and development systems.

- In residential unitary, we expanded the number of our own dealers, and a reinforcement of sales personnel led to a shift toward brisk sales.
- For ductless, sales expanded in the northeastern part of the United States with improvement of the sales system. In particular, we focused on *VRV* systems to the high-end market, and sales greatly expanded.
- In Applied systems, sales expanded for air handling units, a high value-added product, and the after sales service business grew.

<AC sales by product (volume basis)>

(Y/y change)	Q1 Results
Ducted unitary for houses	116%
Residential & SKY	107%
VRV	140%
Applied	112%

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

China

Having entered a period of stable economic growth, direct sales were enhanced in order to incorporate bullish personal consumption and private demand. Sales greatly expanded in all regions and cities. Although impacted by the soaring prices of raw materials, we maintained high profitability by promoting cost reductions, which included in-house production of products, and improvements in productivity.

- 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, which proposes various lifestyles to customers.
- In the commercial-use market, we strengthened PR and “spec-in” activities to architectural firms and building owners for *VRV* systems, which have high energy-efficiency and design flexibility. Offering proposals of unique systems to users, we incorporated a wide range of needs such as from stores to commercial buildings and from new construction to remodeling, and sales grew.
- In the Applied systems market, we enhanced the product lineup, developed detailed activities from the strengthening of our service business, and expanded sales centering on small- to medium-sized bid proposals.

<AC sales by market (local currency basis)>

(Y/y change)	Q1 Results
Residential ※	116%
Commercial	113%
Applied	112%

※Includes residential-use, multi-split air conditioners



Europe, the Middle East, and Africa

Despite the impact from unseasonable weather and political instability in the Middle East, sales for commercial use grew, and results for the region overall exceeded the previous year.

- Although sales grew in Spain and Central Europe for residential use, unseasonable weather caused a significant reversal for Italy, which had enjoyed favorable results for the previous year, and sales overall fell short of the previous year.
- In commercial use, we proceeded with service calls to dealers and follow-up activities for proposal bids as sales of SkyAir expanded in all regions centering on Spain and the U.K.
- In the heating business, sales shifted favorably for high efficiency wall-mounted boilers, and sales expanded of combustion-type heaters.
- 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.

<AC sales by product (volume basis)>

(Y/y change)		Q1 Results
Residential		92%
Commercial	SKY	108%
	VRV	98%
Heating		109%
Applied		104%

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

Asia/Oceania

Despite the impact of unseasonable weather, Daikin achieved sales that exceeded the previous year. We also continued forward with expanding the sales network to regional cities in each country, enhancing the after sales service system, and increasing the number of sales personnel.

- In residential use, we experienced a reversal from the sharp increase in demand from the previous year in Vietnam, Thailand, Indonesia, and Malaysia, and sales significantly decreased. In India, sales substantially grew based on the expansion of demand in regional cities.
- In commercial use, we strengthened the “spec-in” activities and emphasized dealer training. Sales expanded in every country centering on Vietnam and Thailand. Even in Australia, sales of VRV systems for luxury residences experienced remarkable growth.

■ Year-on-year sales of main countries (local currency basis)
 Vietnam : 92% India : 125% Australia : 122%
 Malaysia : 78% Thailand : 90% Indonesia : 93%

<AC sales by product (volume basis)>

		Q1 Results
(Y/y change)		
Residential		92%
Commercial	SKY	108%
	VRV	124%
Applied		115%

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

Despite the deterioration of market conditions for raw materials, Daikin was able to achieve an increase in both revenue and profits by expanding sales in the favorable markets of semiconductors and automotives, reducing costs, and maintaining a selling price policy.

- Sales for fluorocarbon gas expanded for after sales service in the Americas, and sales significantly grew by developing a pricing policy in Japan and Europe.
- Polymers and Fluoroelastomers
 - In addition to capitalizing on an increase in demand relating to semiconductors in Japan, China, and the Americas, sales of fluoropolymers significantly grew over the previous year.
 - Sales of fluoroelastomers were favorable for the automotive field in global regions centering on Japan, China, and Asia.
- Sales for Fine Chemicals grew for water and oil repellents, but due to the impact of reduced sales for the surface antifouling agent OPTOOL, sales declined overall against the previous year.

<Sales ratio by product (aggregate sales basis)>

(Y/y changes)	Q1 Results
For all fluorochemical products	118%
Fluorocarbon Gas	147%
Polymers & Fluoroelastomers	128%
Fine Chemicals, etc.	96%

In the Air Filter business, we utilized the product lineups of both American Air Filter and Flanders Inc. and expanded sales in the residential-use and commercial-use high-end markets. We are proceeding with rationalization of the business with joint procurement and factory integration. Even in Japan, China, and Europe, sales expanded in growth fields that included sales to pharmaceutical and semiconductor factories.

For P&I,※together with expansion of the after sales service business, we promoted cost reductions and worked diligently to improve the business foundation.

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

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Notes on forecast

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