



Presentation of Financial Results  
for the First Half in September 2018

November 7, 2018  
***DAIKIN INDUSTRIES, LTD.***

## I . Business Results (Company-Wide)

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《Reference》

Note: This material presents the cumulative Q2 results (April-September).

# I . First Half Business Results (Company-Wide)



Daikin achieved record highs for sales and profits.

In the Air Conditioning business, sales expanded in major regions. In the Chemicals business, we capitalized on strong demand in the semiconductor and automotive markets to increase sales. In addition to the steep price hike for raw materials, Daikin faced substantial changes in the management environment including China-U.S. trade friction, an economic slowdown in China, and a sharp drop in the currencies of emerging countries. Nevertheless, by flexibly implementing measures such as a selling price measures and total cost reductions, we increased operating profit.

(billion yen)	FY2017 H1 Result	FY2018 H1		Y/Y
		Forecast	Result	
<b>Net sales</b>	1,174.5	1,290.0	<b>1,299.0</b>	111%
<b>Operating profit</b> (Percentage of profit to net sales)	149.1 (12.7%)	158.0 (12.2%)	<b>160.6</b> (12.4%)	108%
<b>Ordinary profit</b> (Percentage of profit to net sales)	149.7 (12.7%)	158.0 (12.2%)	<b>162.9</b> (12.5%)	109%
<b>Profit attributable to owners of parent</b> (Percentage of profit to net sales)	101.5 (8.6%)	108.0 (8.4%)	<b>112.8</b> (8.7%)	111%

USD/JPY	¥111	¥105	<b>¥110</b>
EUR/JPY	¥126	¥130	<b>¥130</b>
RMB/JPY	¥16.4	¥16.6	<b>¥16.8</b>

※FX Effect (Year-on-year)

On Sales:  
-1.5 billion yen  
On Operating Profit:  
-6.0 billion yen

(billion yen)		H1 Result		
		FY2017	FY2018	Y/Y
<b>Total</b>	<b>Sales</b>	1,174.5	<b>1,299.0</b>	111%
	<b>Operating profit</b> (Percentage of profit to net sales)	149.1 (12.7%)	<b>160.6</b> (12.4%)	108%
<b>Air-Conditioning</b>	<b>Sales</b>	1,065.5	<b>1,172.4</b>	110%
	<b>Operating profit</b> (Percentage of profit to net sales)	135.0 (12.7%)	<b>140.5</b> (12.0%)	104%
<b>Chemicals</b>	<b>Sales</b>	86.6	<b>101.2</b>	117%
	<b>Operating profit</b> (Percentage of profit to net sales)	12.4 (14.3%)	<b>17.6</b> (17.4%)	143%
<b>Others</b>	<b>Sales</b>	22.4	<b>25.4</b>	113%
	<b>Operating profit</b> (Percentage of profit to net sales)	1.7 (7.5%)	<b>2.5</b> (10.0%)	152%

# Profit and Loss Statement



(billion yen)	FY2017 H1	FY2018 H1	Impact on profitability
	112	111	
<b>Net sales</b>	1,174.5	<b>1,299.0</b>	+124.5
<b>Cost of sales</b>	756.7 (64.4%)	<b>839.0</b> (64.6%)	-82.2
<b>Gross profit</b>	417.8 (35.6%)	<b>460.1</b> (35.4%)	+42.3
<b>Selling general and administrative expenses</b>	268.7 (22.9%)	<b>299.4</b> (23.1%)	※1 -30.7
<b>Operating profit</b>	149.1 (12.7%)	<b>160.6</b> (12.4%)	+11.6
<b>Non-operating gain or losses</b>	0.6	<b>2.2</b>	※2 +1.6
<b>Ordinary profit</b>	149.7 (12.7%)	<b>162.9</b> (12.5%)	+13.2
<b>Extraordinary gains or losses</b>	-0.2	<b>-1.2</b>	※3 -1.0
<b>Profit before income taxes</b>	149.5 (12.7%)	<b>161.6</b> (12.4%)	+12.2
<b>Corporate taxes, etc.</b>	44.9	<b>45.1</b>	-0.2
Tax burden ratio	30.0%	<b>27.9%</b>	
<b>Profit attributable to non-controlling interests</b>	3.1	<b>3.7</b>	-0.6
<b>Profit attributable to owners of parent</b>	101.5 (8.6%)	<b>112.8</b> (8.7%)	+11.3

## ※1 Changes in selling, general and administrative expense

Labor costs	-8.6
Sales promotion costs	-4.7
Product shipping costs	-4.3
R&D expense	-2.1

## ※2 Changes in non-operating gain or losses

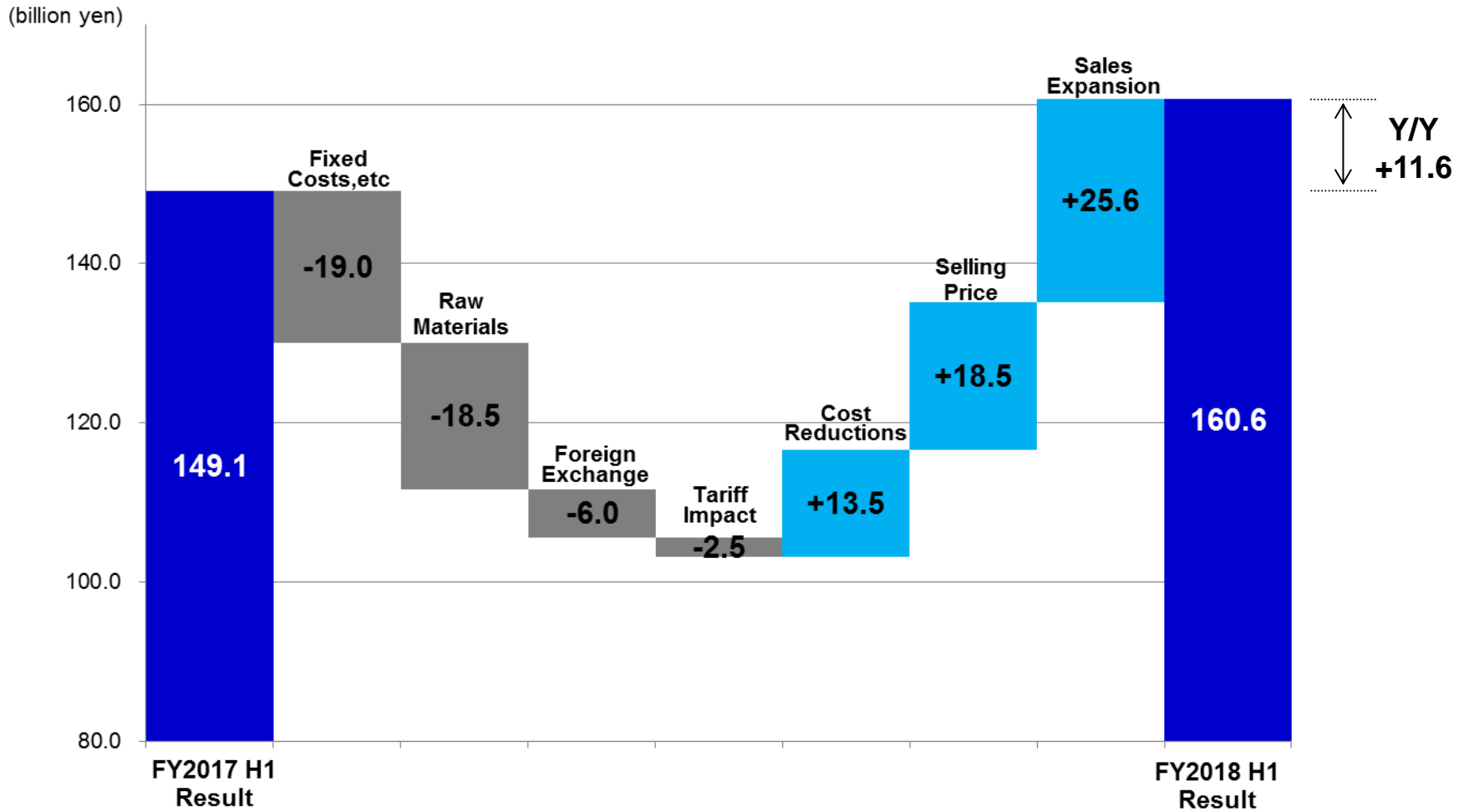
Subsidy income	+1.7 (+0.7→+2.4)
Share of profit of entities accounted for using equity method	+0.6 (+0.8→+1.5)
Interest paid	-1.0 (-5.6→-6.6)

## ※3 Changes in extraordinary gains or losses

Casualty loss	-0.6
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( ) parentheses indicate percentage to net sales

# Breakdown of Changes in Operating Profit



(billion yen)	2017/9E	2018/9E	Y/Y
Cash and cash equivalents	401.6	<b>417.9</b>	+16.4
Receivables	<u>62 days</u> 396.7	<u>59 days</u> <b>419.8</b>	+23.2
Inventories	<u>58 days</u> 376.0	<u>56 days</u> <b>398.6</b>	+22.6
Fixed assets	984.2	<b>992.3</b>	+8.0
Investment and others	215.5	<b>225.8</b>	+10.3
Others	121.7	<b>133.2</b>	+11.5
<b>Total Assets</b>	2,495.8	<b>2,587.7</b>	+91.9

	2017/9E	2018/9E	Y/Y
Trade payables	179.9	<b>190.2</b>	+10.3
Interest bearing	593.0	<b>524.3</b>	-68.8
(Interest-bearing ratio)	(23.8%)	<b>(20.3%)</b>	
Others	443.9	<b>440.2</b>	-3.7
<b>Total liabilities</b>	1,216.8	<b>1,154.7</b>	-62.1
Total equity	1,251.9	<b>1,403.5</b>	+151.6
(Equity ratio)	(50.2%)	<b>(54.2%)</b>	
Share Warrant	1.5	<b>1.8</b>	+0.3
Non-controlling interests	25.5	<b>27.7</b>	+2.2
<b>Total net assets</b>	1,279.0	<b>1,433.0</b>	+154.0
<b>Total liabilities and net assets</b>	2,495.8	<b>2,587.7</b>	+91.9

※Breakdown of interest-bearing debt

	2017/9E	2018/9E	Y/Y
Short-term borrowings	58.9	<b>51.5</b>	-7.4
CP	37.0	<b>0</b>	-37.0
Bonds	120.0	<b>110.0</b>	-10.0
Long-term borrowings	365.9	<b>352.0</b>	-14.0
Lease debt	11.2	<b>10.8</b>	-0.4
Total	593.0	<b>524.3</b>	-68.8

※In accordance with application of a partial revision in "Accounting Standard Related to Taxes on Income" from fiscal year 2018, we have retroactively adjusted the figures for the end of September 2017.

# Sales by Region – Air Conditioning Business



※Includes the refrigerator and freezer and the filter businesses.

※Percentage expresses year on year comparison

(billion yen)	FY2014 H1		FY2015 H1		FY2016 H1		FY2017 H1		FY2018 H1		FY2018 Forecast (Nov.)		FY2018 Forecast (May)	
	YoY %	Revenue	YoY %	Revenue	YoY %	Revenue	YoY %	Revenue	YoY %	Revenue	YoY %	Revenue	YoY %	Revenue
<b>Japan</b>	99%	214.8	99%	211.9	104%	220.8	105%	232.9	<b>108%</b>	<b>250.7</b>	<b>105%</b>	<b>473.0</b>	104%	465.0
<b>Europe</b>	101%	116.9	110%	128.6	98%	126.4	115%	145.6	<b>114%</b>	<b>166.6</b>	<b>110%</b>	<b>330.0</b>	110%	330.0
<b>China</b>	111%	179.0	106%	189.9	88%	166.8	117%	195.2	<b>107%</b>	<b>207.9</b>	<b>105%</b>	<b>360.0</b>	106%	362.0
<b>Americas</b>	111%	225.5	121%	273.0	99%	270.7	112%	304.4	<b>112%</b>	<b>341.4</b>	<b>112%</b>	<b>635.0</b>	112%	635.0
<b>Asia</b>	114%	104.7	116%	121.1	97%	117.3	107%	126.0	<b>111%</b>	<b>140.3</b>	<b>111%</b>	<b>280.0</b>	109%	274.0
<b>Oceania</b>	102%	19.8	108%	21.4	108%	23.2	142%	32.9	<b>113%</b>	<b>37.3</b>	<b>106%</b>	<b>78.0</b>	109%	80.0
<b>Middle East</b>	82%	19.2	127%	24.4	91%	22.1	113%	25.1	<b>95%</b>	<b>23.9</b>	<b>97%</b>	<b>55.0</b>	114%	65.0
<b>Africa</b>	96%	4.6	106%	4.9	72%	3.5	101%	3.6	<b>122%</b>	<b>4.3</b>	<b>99%</b>	<b>9.0</b>	99%	9.0
<b>Total</b>	105%	884.4	110%	975.2	98%	950.9	112%	1,065.5	<b>110%</b>	<b>1,172.4</b>	<b>108%</b>	<b>2,220.0</b>	108%	2,220.0
<b>Overseas Sales ratio</b>	76%		78%		77%		78%		79%		79%		79%	
<b>USD/JPY</b>	¥103		¥122		¥105		¥111		¥110		¥109		¥105	
<b>EUR/JPY</b>	¥139		¥135		¥118		¥126		¥130		¥130		¥130	
<b>RMB/JPY</b>	¥16.6		¥19.4		¥15.9		¥16.4		¥16.8		¥16.5		¥16.6	



# Sales by Region - Chemicals Business



※Percentage expresses year on year comparison

(billion yen)	FY2014 H1		FY2015 H1		FY2016 H1		FY2017 H1		FY2018 H1		FY2018 Forecast (Nov.)		FY2018 Forecast (May)	
	Percentage	Value	Percentage	Value	Percentage	Value	Percentage	Value	Percentage	Value	Percentage	Value	Percentage	Value
<b>Japan</b>	99%	17.4	110%	19.1	102%	19.4	119%	23.2	<b>115%</b>	<b>26.6</b>	<b>113%</b>	<b>53.0</b>	111%	52.0
<b>Americas</b>	101%	17.6	120%	21.1	87%	18.4	112%	20.5	<b>114%</b>	<b>23.4</b>	<b>113%</b>	<b>48.0</b>	115%	49.0
<b>China</b>	112%	16.6	102%	16.9	91%	15.4	119%	18.3	<b>107%</b>	<b>19.6</b>	<b>97%</b>	<b>37.5</b>	101%	39.0
<b>Asia</b>	110%	7.1	128%	9.0	86%	7.8	135%	10.5	<b>120%</b>	<b>12.6</b>	<b>124%</b>	<b>28.0</b>	124%	28.0
<b>Europe</b>	119%	7.5	163%	12.3	91%	11.2	120%	13.5	<b>135%</b>	<b>18.2</b>	<b>120%</b>	<b>37.5</b>	119%	37.0
<b>Others</b>	44%	0.4	70%	0.3	122%	0.4	170%	0.6	<b>135%</b>	<b>0.9</b>	<b>72%</b>	<b>1.0</b>	—	—
<b>Total</b>	105%	66.6	118%	78.8	92%	72.5	119%	86.6	<b>117%</b>	<b>101.2</b>	<b>112%</b>	<b>205.0</b>	112%	205.0
<b>Overseas sales ratio</b>		74%		76%		73%		73%		74%		74%		74%
<b>USD/JPY</b>		¥103		¥122		¥105		¥111		¥110		¥109		¥109
<b>EUR/JPY</b>		¥139		¥135		¥118		¥126		¥130		¥130		¥130
<b>RMB/JPY</b>		¥16.6		¥19.4		¥15.9		¥16.4		¥16.8		¥16.5		¥16.5

The business forecast for the year remains unchanged from previously announced. Within the growing uncertainty for what awaits the global economy, such as the impact of the China/U.S. trade friction, economic trends of emerging countries, and increased geopolitical risks, Daikin will aim for results that surpass the current business forecast for the year by striving even further to strengthen sales capabilities, expand sales of high value-added products, and promote total cost reductions while thoroughly implementing a selling price measures.

(billion yen)	FY2017 Result			FY2018 Forecast (May)	FY2018 Forecast (Nov.)			
	H1	H2	Total	Total	H1 Result	H2	Total	Y/Y
<b>Net sales</b>	1,174.5	1,116.0	2,290.6	2,480.0	<b>1,299.0</b>	<b>1,181.0</b>	<b>2,480.0</b>	<b>108%</b>
<b>Operating profit</b> <small>(Percentage of profit to net sales)</small>	149.1 (12.7%)	104.7 (9.4%)	253.7 (11.1%)	270.0 (10.9%)	<b>160.6</b> (12.4%)	<b>109.4</b> (9.3%)	<b>270.0</b> (10.9%)	<b>106%</b>
<b>Ordinary profit</b> <small>(Percentage of profit to net sales)</small>	149.7 (12.7%)	105.3 (9.4%)	255.0 (11.1%)	268.0 (10.8%)	<b>162.9</b> (12.5%)	<b>105.1</b> (8.9%)	<b>268.0</b> (10.8%)	<b>105%</b>
<b>Profit attributable to owners of parent</b> <small>(Percentage of profit to net sales)</small>	101.5 (8.6%)	87.6 (7.8%)	189.1 (8.3%)	180.0 (7.3%)	<b>112.8</b> (8.7%)	<b>67.2</b> (5.7%)	<b>180.0</b> (7.3%)	<b>95%</b>
USD/JPY	¥111	¥111	¥111	¥105	<b>¥110</b>	<b>¥108</b>	<b>¥109</b>	
EUR/JPY	¥126	¥134	¥130	¥130	<b>¥130</b>	<b>¥130</b>	<b>¥130</b>	
RMB/JPY	¥16.4	¥17.2	¥16.8	¥16.6	<b>¥16.8</b>	<b>¥16.2</b>	<b>¥16.5</b>	

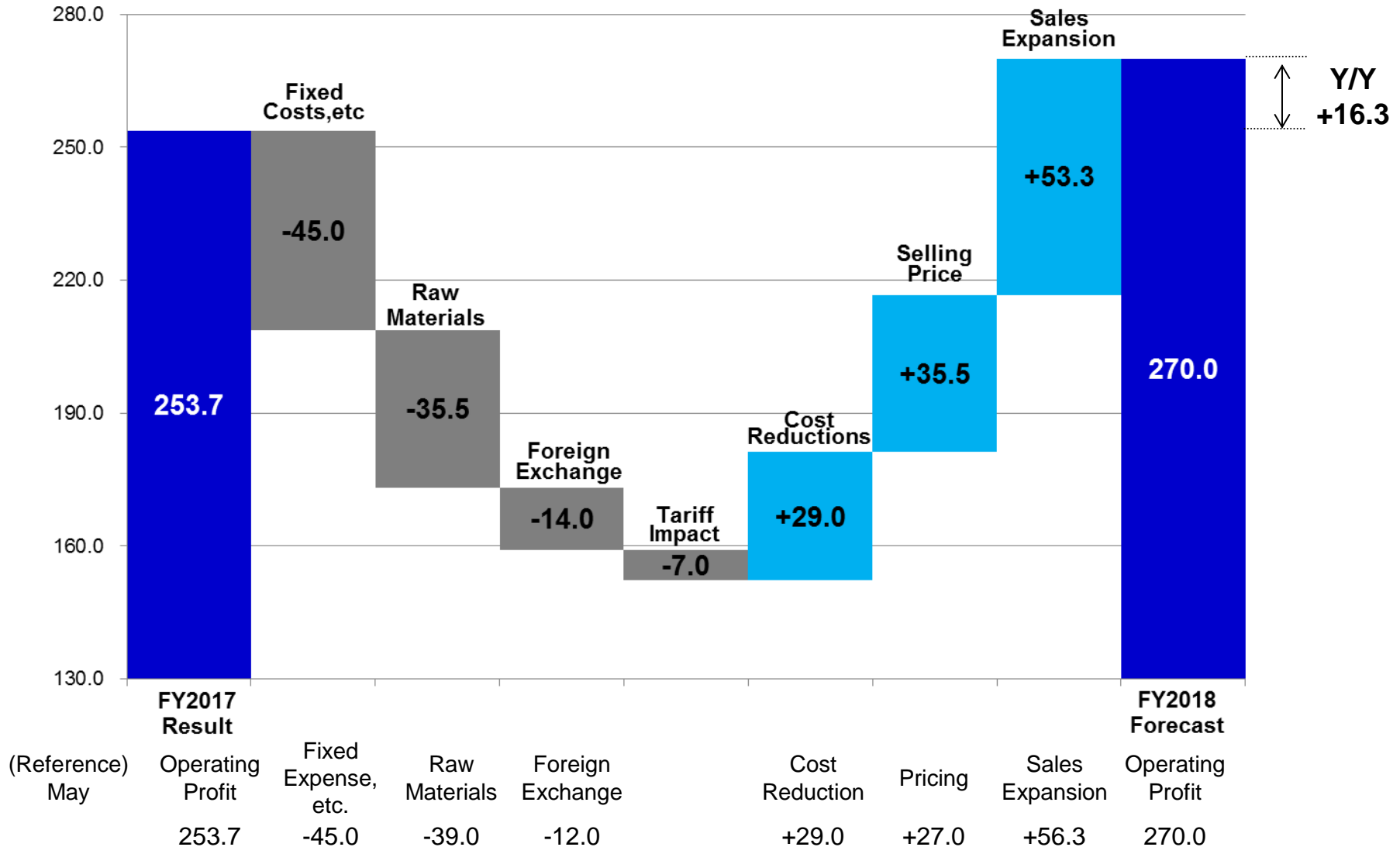
※FX Effect (Year-on-year)  
 On Sales:  
 -32.0 billion yen  
 On Operating Profit:  
 -14.0 billion yen

		FY2017 Result	FY2018 Forecast (May)	FY2018 Forecast (Nov.)			
				H1 Result	H2	Total	Y/Y
(billion yen)							
<b>Total</b>	<b>Sales</b>	2,290.6	2,480.0	<b>1,299.0</b>	<b>1,181.0</b>	<b>2,480.0</b>	<b>108%</b>
	<b>Operating profit</b> (Percentage of profit to net sales)	253.7 (11.1%)	270.0 (10.9%)	<b>160.6</b> (12.4%)	<b>109.4</b> (9.3%)	<b>270.0</b> (10.9%)	<b>106%</b>
<b>Air- Conditioning</b>	<b>Sales</b>	2,052.9	2,220.0	<b>1,172.4</b>	<b>1,047.6</b>	<b>2,220.0</b>	<b>108%</b>
	<b>Operating profit</b> (Percentage of profit to net sales)	223.5 (10.9%)	236.5 (10.7%)	<b>140.5</b> (12.0%)	<b>93.5</b> (8.9%)	<b>234.0</b> (10.5%)	<b>105%</b>
<b>Chemicals</b>	<b>Sales</b>	183.1	205.0	<b>101.2</b>	<b>103.8</b>	<b>205.0</b>	<b>112%</b>
	<b>Operating profit</b> (Percentage of profit to net sales)	25.5 (13.9%)	28.5 (13.9%)	<b>17.6</b> (17.4%)	<b>13.4</b> (12.9%)	<b>31.0</b> (15.1%)	<b>122%</b>
<b>Others</b>	<b>Sales</b>	54.5	55.0	<b>25.4</b>	<b>25.4</b>	<b>55.0</b>	<b>101%</b>
	<b>Operating profit</b> (Percentage of profit to net sales)	4.8 (8.7%)	5.0 (9.1%)	<b>2.5</b> (10.0%)	<b>2.5</b> (10.0%)	<b>5.0</b> (9.1%)	<b>105%</b>

# Breakdown of Changes in Operating Profit



(billion yen)



### First Half Overall

Industry demand for residential use exceeded the previous fiscal year in the tailwind of a heat wave along with brisk personal spending.

Industry demand for commercial use trended bullish due to capital investments and construction starts to surpass that of the previous fiscal year.

Daikin maintained selling price and expanded sales in both residential and commercial use.

In residential use, we continued a sales strategy focused on profitability, and sales grew for mid-range and high-end models including **Urusara 7**.

In commercial use, we focused on marketing activities to stores and offices, and sales expanded for our mainstay model **EcoZEAS** and slim design **machi MULTI**.

In Applied Systems, we captured redevelopment demand for the Tokyo metropolitan area, and sales grew.

### Second Half Measures

For residential use, we will continue to expand sales of high value-added products.

For commercial use, we will strengthen proposal-type sales that utilize a wide product lineup.

Applied Systems will aim to expand sales by launching new products that have adopted the low GWP refrigerant R32.

<AC sales by product (volume basis)>

(Y/Y change)		H1 Result	FY2018 Forecast
Residential	Market	107%	103%
	Daikin	105%	105%
Commercial	Market	106%	102%
	Daikin	106%	102%
Applied	Market	114%	106%
	Daikin	108%	114%

※Applied is based on sales.

<Market demand indexes relating to AC>

(Y/Y change)	FY2017	FY2018 Forecast	
		in Mar.	in Sep.
Personal spending	+0.8%	+0.8%	+0.9%
New housing starts	-2.9%	-0.2%	+1.9%
Private capital investment	+3.1%	+2.7%	+3.8%
Floor areas of new construction of non-residential building	+3.9%	+2.5%	-0.5%

## First Half Overall

Demand trended robustly due to capital investment accompanying the large tax cuts and buoyant personal spending. Despite the impact of price hikes for raw materials and tariffs by the China-U.S. trade friction, we worked to maintain profitability by increasing selling prices and reducing costs. In addition to expansion of the sales network, sales surpassed the previous fiscal year due to price increases.

- In residential unitary, sales saw significant growth due to a heat wave along with expansion of the sales network.
- For ductless, sales of **VRV systems** trended bullish in the residential high-end market.
- Applied Systems experienced growth in equipment sales by strengthening the sales network and enlarging the product lineup, and the After Sales Service business grew.

## Second Half Measures

The sales network will be strengthened. For residential unitary, we will promote comfort with SEER16 for the middle zone and launch inverter units with improved price competitiveness to expand sales.

Efforts will be made to minimize the impact of tariffs by increasing prices and reducing costs. Factory transfer will be completed this fiscal year to the new Goodman factory located in the Daikin Texas Technology Park, leading to even greater improvements in productivity.

<AC sales by product (volume basis)>

(Y/Y change)		H1 Result	FY2018 Foercast	
			Market	Daikin
Ducted unitary for houses		114%	107%	112%
Ductless	RA/SKY	120%	104%	119%
	VRV	128%	112%	115%
Applied		118%	104%	123%

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

※VRV・・・Multi-split system for commercial

※Applied is based on sales in local currency.

## First Half Overall

The sales network expanded in China nationwide from large urban cities to regional cities. Faced with a decline in large-scale real estate investments and new housing starts, Daikin captured brisk personal spending and expanded sales by strengthening direct sales. Revenue and profits increased from the launch of differentiated products, thorough implementation of a selling price measures, and promotion of cost reductions by in-house production and automation.

- In the residential-use market, we strengthened proposal-making and installation capabilities centered on PROSHOP specialty shops. We enlarged the lineup with the **New Life Multi Series** multi-split air conditioner to address the increasingly important need for air quality and expanded sales centered on the mid-range and high-end residential market.
- In the commercial-use market, we enhanced the product lineup ranging from shops and offices to large-scale buildings with a focus on **VRV systems**. Spec-in activities to architectural firms and developers were strengthened, and we captured a broad market extending from new construction to remodeling.
- In the Applied Systems market, we developed detailed sales activities from small-to-medium sized bids to large-scale projects. In addition to increasing equipment sales by enlarging the product lineup, we also expanded sales in the After Sales Service business.

## Second Half Measures

In the increasingly challenging business environment, we plan to expand sales in regional cities and gain replacement demand in large urban cities. Aiming for business expansion, we will launch products according to changing market conditions while strengthening our after sales service capabilities.

< AC sales by market (aggregate sales in local currency) >

(Y/Y change)	H1 Result	FY2018 Forecast	
		Market	Daikin
Residential※	103%	98%	106%
Commercial	105%	101%	107%
Applied	109%	103%	104%

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

## First Half Overall

In Europe, sales of environmentally-conscious products grew in the background of a moderate economic recovery. In the Middle East, currency depreciation impacted results, but sales for the region overall exceeded the previous fiscal year.

- In residential use, unseasonal weather affected sales in Spain, but sales of R32 units grew in all major countries.
- In commercial use, spec-in activities were strengthened for **VRV systems**, but results were affected by price markdowns of competing companies. Even as **SkyAir** sales increased to environmental needs in Europe, lower demand caused sales to decrease in the Middle East.
- In the Heating business, the environmental performance of our heat pump type hot water heating systems received high praise, and sales largely expanded.
- In Applied Systems, we launched new products conforming to stricter environmental regulations such as chillers that have adopted R32. In addition to expanding sales in the largest market of the Middle East, sales also grew even for France and Spain.

## Second Half Measures

For residential use, we will take advantage of the R32 product lineup and expand sales.

For commercial use, we will expand the R32 product lineup with **SkyAir** and aim to increase sales of refrigerant-saving models for **VRV systems**.

In the Heating business, we will aim to increase market share by introducing highly efficient products in heat pump type hot water heating equipment.

In the Refrigerator and Freezer business, we plan to expand sales by jointly using sales networks and product lineups with Zanotti.

< AC sales by product (volume basis) >

(Y/Y change)		H1 Result	FY2018 Foercast	
			Market	Daikin
Residential		103%	102%	103%
Commercial	SKY	94%	96%	97%
	VRV	106%	102%	108%
Heating		123%	110%	123%
Applied		107%	101%	130%

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

※VRV・・・Multi-split system for commercial

※Applied is based on sales in local currency.



First Half Overall

In each country, we expanded the sales network from urban to regional cities. Sales exceeded the previous fiscal year by such activities as development of differentiated product based on local needs and strengthening of the after sales service network.

- In residential use, Vietnam was impacted by unseasonal weather, but sales increased significantly centered on Thailand, Indonesia, and Malaysia.
- In commercial use, focus was on strengthening spec-in activities and providing dealer support. Sales expanded in each country primarily in India, Vietnam, and Thailand.
- In Applied Systems, sales significantly increased by improving product supply capabilities with operation of a new factory in Malaysia.

Second Half Measures

We will promote dealer development and expansion of the after sales service network. In residential use, we will accelerate market promotion of inverters and expand sales of differentiated products such as residential-use multi-split air conditioners. In commercial use, we will launch cooling only inverter units in **SkyAir** using R32 refrigerant ahead of other companies. In **VRV systems**, we will strengthen spec-in activities by new products based on the energy efficiency needs of each country.

■ Year-on-year sales of main countries (local currency basis)  
 India: 111%      Vietnam: 103%      Australia: 119%  
 Malaysia: 117%      Thailand: 119%      Indonesia: 128%

< AC sales by product (volume basis) >

(Y/Y change)		H1 Result	FY2018 Foercast	
			Market	Daikin
Residential		114%	105%	115%
Commercial	SKY	111%	106%	110%
	VRV	121%	114%	121%
Applied		115%	106%	123%

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

## First Half Overall

Sales expanded by capturing demand in the bullish semiconductor and automotive markets. In response to higher prices for raw materials, we promoted price increases and cost reductions to achieve record highs for sales and operating profit.

- Sales for fluorocarbon gas significantly increased due to higher prices of raw materials, mainly in Europe, and higher sales prices occurring from supply shortages.
- Polymers and Fluoroelastomers
  - For fluoropolymers, sales expanded for the semiconductor market in all global regions and for new LAN cable products in the U.S. There was also a consolidation effect for Heroflon (Italy), and sales greatly surpassed the previous fiscal year.
  - For fluoroelastomers, sales increased for the automotive market centered on the U.S.
- In Fine Chemicals, although sales decreased for the surface antifouling agent **OPTOOL**, sales grew for water and oil repellent agents in China and Europe.

## Second Half Measures

We plan to expand sales for the bullish semiconductor and LAN cable markets as well as for repellants where demand is favorable in China and Asia.

We will utilize the synergy from with the acquired Heroflon and accelerate application development in the automotive market.

<Chemical sales by product (aggregate sales)>

(Y/Y change)	H1 Result	FY2018 Foercast	
		Market	Daikin
For all fluorochemical products	<b>117%</b>	107%	112%
Fluorocarbon Gas	<b>130%</b>	106%	118%
Polymers & Fluoroelastomers	<b>121%</b>	107%	115%
Fine Chemicals, etc.	<b>105%</b>	105%	105%

### First Half Overall

Together with reorganizing the production system to improve profitability, we accelerated strengthening of the sales system.

Despite sales expansion in Japan and Europe, sales declined for the previous fiscal year due to lower sales in the U.S. and Asia.

- Air Filter saw an increase in high-end sales in Japan due to strong demand for the bullish semiconductor market, but there were supply delays in the United States, and sales also fell in Asia.
- At P&I<sup>※</sup>, despite the adverse market environment, we promoted total cost reductions, including lower fixed costs. We also worked to improve our business structure.

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

### Second Half Measures

In addition to recovering from supply delays in the United States, we will strive to improve Air Filter sales in Europe for the automotive market. We will aim to expand sales in all global regions, focused mainly on commercial use.

At P&I, we will work on strengthening the sales staff, expand the After Sales Service business, and promote cost reductions to build a stable business foundation.

### First Half Overall

In the Oil Hydraulics business sales grew mainly in Japan and North America for both industrial machinery and construction equipment, and revenue increased.

In the Defense Systems business, sales increased for artillery shells to the Japanese Ministry of Defense and for home oxygen concentrators, and revenue increased.

In the Electronics business, sales trended favorably for system products that support operational efficiency for manufacturing, and revenue increased.

### Second Half Measures

In the Oil Hydraulics business, we will work to strengthen business in Europe together with continuing to expand sales in Japan and North America.

In the Defense Systems business, we plan to expand sales of home oxygen concentrators in Japan and China.

In the Electronics business, we will strengthen sales of R&D support systems (visual R&D).

As currently announced, Daikin plans an annual dividend of 140 yen (interim 70 yen and term-end 70 yen)

#### 【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.

		FY2014	FY2015	FY2016	FY2017	FY2018 (Forecast)
Dividend per share	Interim	¥40	¥55	¥60	¥65	¥70
	Annual	¥100 ※	¥120	¥130	¥140	¥140
Earning per share	H1	¥259.3	¥274.6	¥330.1	¥347.1	¥385.8
	Annual	¥410.2	¥469.2	¥526.8	¥646.5	¥615.5

(Reference) DOE Trends

3.6%

3.4%

3.0%

※includes a 90th anniversary commemorative dividend of 10 yen

■ Exchange Rate

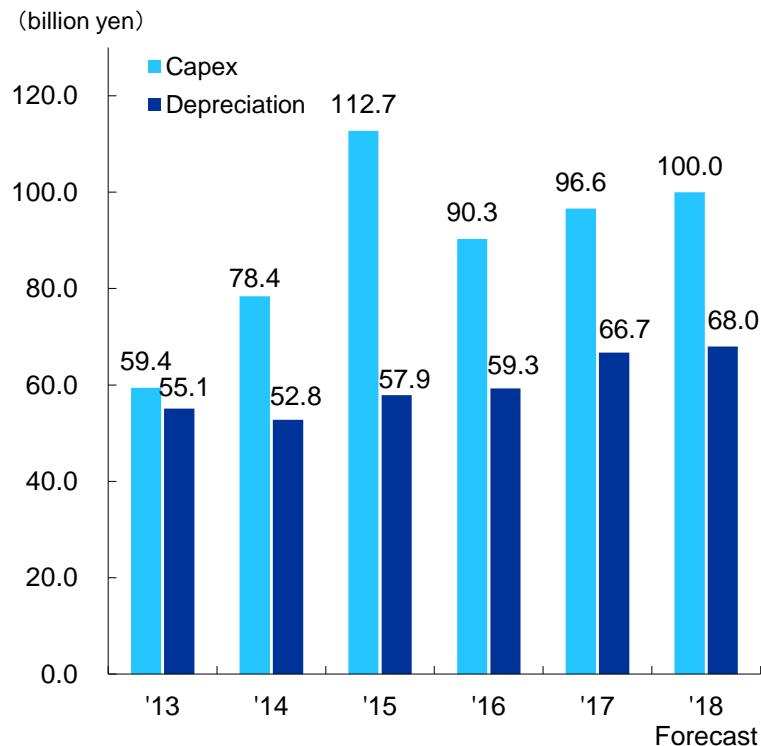
	FY2017 Result			FY2018 Forecast		
	H1	H2	Total	H1 Result	H2	Total
USD	¥111	¥111	¥111	¥110	¥108	¥109
EUR	¥126	¥134	¥130	¥130	¥130	¥130
THB	¥3.3	¥3.5	¥3.4	¥3.4	¥3.3	¥3.4
RMB	¥16.4	¥17.2	¥16.8	¥16.8	¥16.2	¥16.5
AUD	¥86	¥86	¥86	¥82	¥81	¥82

■ Sensitivity of Foreign Exchange  
(Impact of change by 1 yen to operating profit)

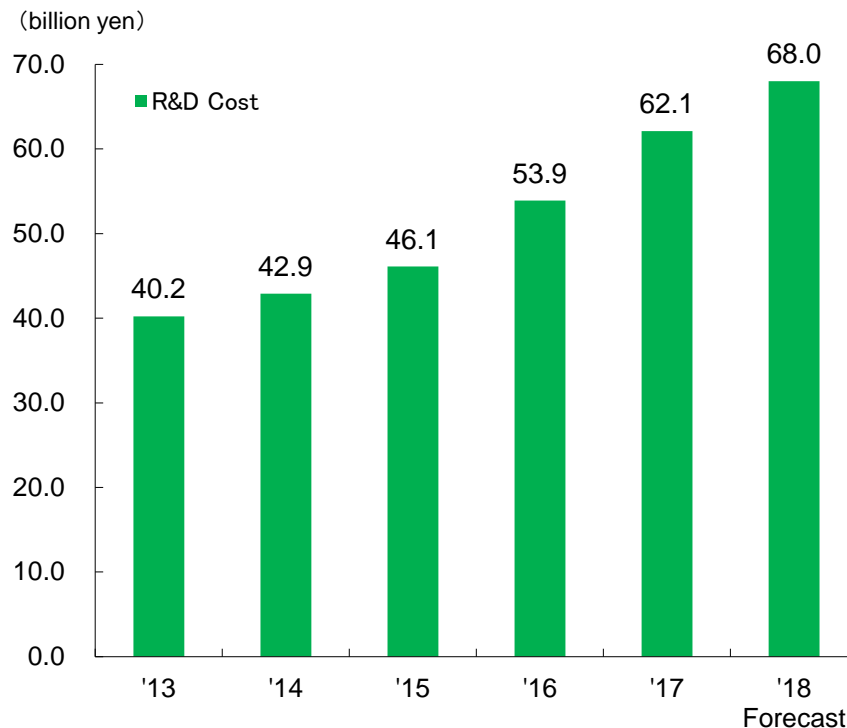
	FY2018 Forecast
USD	1.7 billion yen ※
EUR	0.6 billion yen

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

## Capex and Depreciation



## R&D Cost



<Reference> First Half Trends

(billion yen)	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Capex	28.8	38.9	49.1	39.7	40.4	39.8
Depreciation	26.5	24.9	28.6	28.3	32.5	35.7
R&D Cost	19.2	21.3	22.7	26.1	30.3	31.7



# ***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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