



Presentation of Financial Results
for the Third Quarter in December 2018

February 13, 2019
DAIKIN INDUSTRIES, LTD.

Summary of Q3 Financial Results



Daikin achieved record highs for sales and operating profits. In the Air Conditioning business, sales expanded in all main regions centering on Japan, the Americas, and Europe. In the Chemicals business, sales grew for the semiconductor and automotive markets, which led to a year-over-year gain in operating profit. Despite the increasingly severity in the business environment, including the global slowdown accompanying the Chinese-U.S. trade friction and lackluster demand in China, we aim to achieve the annual forecast by increasing sales of high value-added products, thoroughly maintaining our selling price measures, and promoting total cost reductions.

(billion yen)	Q1-3 Result			FY2018 Forecast	
	FY2017	FY2018	Y/Y	Revised in Nov.	Y/Y
Net sales	1,722.4	1,875.2	109%	2,480.0	108%
Operating profit	201.2	213.8	106%	270.0	106%
(Percentage of profit to net sales)	(11.7%)	(11.4%)		(10.9%)	
Ordinary profit	204.3	215.9	106%	268.0	105%
(Percentage of profit to net sales)	(11.9%)	(11.5%)		(10.8%)	
Profit attributable to owners of parent	153.9	149.9	97%	180.0	95%
(Percentage of profit to net sales)	(8.9%)	(8.0%)		(7.3%)	

USD/JPY

¥112

¥111

¥109

EUR/JPY

¥129

¥129

¥130

RMB/JPY

¥16.6

¥16.6

¥16.5

FX Effect (Y/Y)

Sales -15.0 billion yen

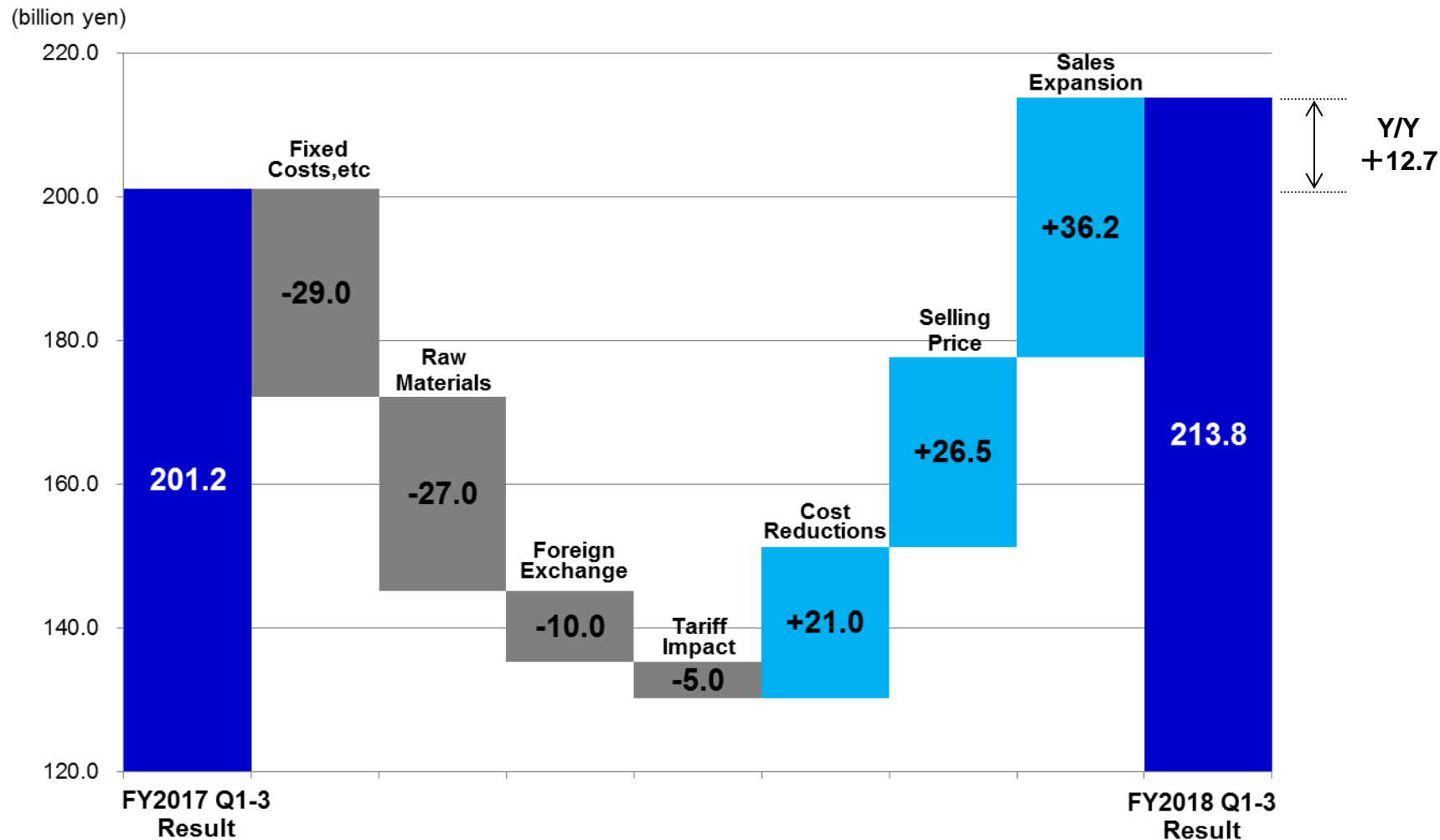
Operating Profit -10.0 billion yen

Q3 Financial Results by Segment



(billion yen)		Q1-3 Result			FY2018 Forecast	
		FY2017	FY2018	Y/Y	Revised in Nov.	Y/Y
Total	Sales	1,722.4	1,875.2	109%	2,480.0	108%
	Operating profit <small>(Percentage of profit to net sales)</small>	201.2 <small>(11.7%)</small>	213.8 <small>(11.4%)</small>	106%	270.0 <small>(10.9%)</small>	106%
Air-Conditioning	Sales	1,557.3	1,687.2	108%	2,220.0	108%
	Operating profit <small>(Percentage of profit to net sales)</small>	180.7 <small>(11.6%)</small>	185.4 <small>(11.0%)</small>	103%	234.0 <small>(10.5%)</small>	105%
Chemicals	Sales	130.5	149.4	114%	205.0	112%
	Operating profit <small>(Percentage of profit to net sales)</small>	17.8 <small>(13.7%)</small>	24.7 <small>(16.6%)</small>	139%	31.0 <small>(15.1%)</small>	122%
Others	Sales	34.6	38.5	111%	55.0	101%
	Operating profit <small>(Percentage of profit to net sales)</small>	2.7 <small>(7.7%)</small>	3.7 <small>(9.5%)</small>	138%	5.0 <small>(9.1%)</small>	105%

Breakdown of Changes in Operating Profit



Sales by Region – Air Conditioning Business



※Includes refrigerator, freezer and filter businesses

※Percentage expresses year on year comparison

(billion yen)	FY2014 Q1-3		FY2015 Q1-3		FY2016 Q1-3		FY2017 Q1-3		FY2018 Q1-3		FY2018 Forecast	
	Japan	97%	309.8	99%	307.7	105%	322.7	105%	340.2	107%	364.1	105%
Europe	101%	170.5	110%	188.1	96%	181.2	118%	214.5	112%	239.9	110%	330.0
China	110%	263.2	103%	270.1	92%	248.4	115%	286.3	102%	292.9	105%	360.0
Americas	118%	328.1	116%	379.0	100%	380.5	114%	432.5	112%	486.3	112%	635.0
Asia	115%	153.7	114%	174.6	97%	169.1	109%	184.5	110%	203.3	111%	280.0
Oceania	106%	32.4	109%	35.3	106%	37.6	146%	54.9	105%	57.9	106%	78.0
Middle East	95%	30.5	117%	35.6	94%	33.4	117%	38.9	93%	36.2	97%	55.0
Africa	107%	7.4	110%	8.2	69%	5.6	100%	5.6	115%	6.5	99%	9.0
Total	107%	1,295.5	108%	1,398.5	99%	1,378.4	113%	1,557.3	108%	1,687.2	108%	2,220.0
Overseas Sales ratio	76%		78%		77%		78%		78%		79%	
USD/JPY	¥107		¥122		¥107		¥112		¥111		¥109	
EUR/JPY	¥140		¥134		¥118		¥129		¥129		¥130	
RMB/JPY	¥17.3		¥19.3		¥16.0		¥16.6		¥16.6		¥16.5	

Sales by Region – Chemicals

※Percentage expresses year on year comparison

(billion yen)	FY2014 Q1-3		FY2015 Q1-3		FY2016 Q1-3		FY2017 Q1-3		FY2018 Q1-3		FY2018 Forecast	
	Japan	97%	26.3	110%	28.9	104%	29.9	114%	34.2	117%	40.0	113%
Americas	107%	27.2	114%	30.9	89%	27.5	110%	30.2	113%	34.1	113%	48.0
China	109%	26.0	101%	26.4	90%	23.8	121%	28.8	103%	29.5	97%	37.5
Asia	110%	10.9	124%	13.5	90%	12.1	131%	16.0	120%	19.2	124%	28.0
Europe	111%	10.7	165%	17.7	90%	15.9	128%	20.4	124%	25.2	120%	37.5
Others	36%	0.8	107%	0.8	89%	0.7	137%	1.0	135%	1.3	72%	1.0
Total	104%	101.9	116%	118.2	93%	110.0	119%	130.5	114%	149.4	112%	205.0
Overseas Sales ratio		74%		76%		73%		74%		73%		74%
USD/JPY		¥107		¥122		¥107		¥112		¥111		¥109
EUR/JPY		¥140		¥134		¥118		¥129		¥129		¥130
RMB/JPY		¥17.3		¥19.3		¥16.0		¥16.6		¥16.6		¥16.5

Japan

Industry demand in residential use exceeded the previous fiscal year on the strength of personal spending and a summer heat wave.

Industry demand in commercial use showed bullish growth from 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, sales strategy continued its focus on profitability, and sales grew for mid-range and high-end models such as **Urusara 7**, our flagship product, and **risora**, which pursues both functionality and design.

In Commercial Use, Daikin fully utilized its product lineup to strengthen proposal-type sales, and sales focusing on urban areas grew based on renovation demand for stores and offices.

In Applied Systems, we launched new products employing the low global warming refrigerant R32 and enhanced the product lineup.

Sales grew based on redevelopment demand for the Tokyo metropolitan area.

<AC sales by product (volume basis)>

(Y/Y change)		Q1-3 Result
Residential	Market	108%
	Daikin	106%
Commercial	Market	107%
	Daikin	107%
Applied	Market	113%
	Daikin	112%

※Applied is based on sales.

Americas

Boosted by capital investments and personal spending arising from the large-scale tax cuts in the United States, the market continued its bullish trend. Expansion of the sales and after sales service networks helped contribute to sales surpassing the previous fiscal year. Faced with higher prices for raw materials and the impact of tariffs due to the China-U.S. trade friction, initiatives, such raising selling prices and reducing costs, were undertaken to ensure profitability.

- In Residential Unitary, the number of Daikin dealers increased, and sales were brisk for SEER 16 in the middle zone due to launch of inverter units with improved price competitiveness. Market share significantly grew.
- In Ductless, we improved the sales network for **VRV systems**, and sales increased significantly in the high-end residential-use market mainly in the Northeast.
- In Applied Systems, in addition to equipment sales, sales for the After Sales Service business grew as a result of improving the sales network and enlarging the product lineup.

<AC sales by product (volume basis)>

(Y/Y change)		Q1-3 Result
Ducted unitary for houses		114%
Ductless	RA/SKY	123%
	VRV	125%
Applied		115%

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

※VRV・・・Multi-split system for commercial

※Applied is based on sales in local currency.

China

Despite the worsening of the market environment by the economic slowdown resulting from the China-U.S. trade friction and the Chinese government’s policy to curb new housing, sales improved over the previous fiscal year by enhancing product lineup and expanding sales in regional cities. Cost reductions such as in-house production and automation were promoted to maintain profits.

- In Residential Use, PROSHOPS specialty stores are increasing, primarily in regional cities, and sales of the **New Life Multi Series** for middle-to-upper class residences have grown. In large cities, new products were launched for general residences in response to market changes.
- In the Commercial Use, we further enhanced the product lineup which ranges from air conditioners for stores and offices to those for large-scale buildings. For major cities in mature markets, we launched the **Intelligent VRV systems**, which links with customers via the Internet, and obtained replacement demand.
- In the Applied Systems, we developed detailed sales activities from small- and medium-sized bid proposals to large-scale projects. In addition to equipment sales by expansion of the product lineup, sales grew for the After Sales Service business.

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

(Y/Y change)	Q1-3 Result
Residential※	101%
Commercial	101%
Applied	107%

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

Europe, Middle East, and Africa

In Europe, sales grew for environmentally-conscious products in the moderate economic recovery. Although currency depreciation impacted business in the Middle East, sales for the overall region surpassed the previous fiscal year.

- In Residential Use, the impact of unseasonable weather in Spain remained, and sales of high value-added products such as R32 units increased mainly in France and Italy.
- In Commercial Use, spec-in activities were strengthened for **VRV systems**, but results were affected by price markdowns of competing companies. While **SkyAir** sales expanded in Europe for high value-added products such as R32 units, sales in the Middle East decreased, and sales for the overall region declined against the previous fiscal year.
- In the Heating business, sales greatly expanded for heat pump type hot water heating systems that have high environmental performance.
- In Applied Systems, sales expanded for products based on stricter environmental regulations such as chillers adopting R32. In addition to the largest market of the Middle East, sales expanded even for France and Spain.
- In the Refrigerator and Freezer business, sales expanded by mutually using the sales networks and product lineups with Zanotti.

< AC sales by product (volume basis) >

(Y/Y change)		Q1-3 Result
Residential		102%
Commercial	SKY	87%
	VRV	103%
Heating		124%
Applied		109%

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

※VRV・・・Multi-split system for commercial

※Applied is based on sales in local currency.

Asia/Oceania

All countries increased their respective sales networks from urban areas to regional cities, and sales surpassed the previous fiscal year by developing differentiated products based on regional needs, strengthening the after sales service system, and bolstering the sales force.

- In Residential Use, sales expanded in all countries, especially in India, Thailand, and Indonesia.
- In Commercial Use, together with focusing attention on nurturing dealers, we expanded the **VRV system** lineup based on the energy-saving needs of each country and strengthened spec-in activities. Sales expanded mainly in India, Vietnam, and Thailand.
- In Applied Systems, sales significantly grew with improvement of product supply capabilities through new plant operation in Malaysia.

■ Year-on-year sales of main countries (local currency basis)
 Australia: 111% India: 114% Vietnam: 107%
 Malaysia: 110% Thailand: 113% Indonesia: 123%

< AC sales by product (volume basis) >

(Y/Y change)		Q1-3 Result
Residential		111%
Commercial	SKY	107%
	VRV	118%
Applied		130%

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

In addition to expanding sales in the semiconductor and automotive markets, Daikin promoted total cost reductions and increased selling prices. This led to gains that significantly exceeded the previous fiscal year in both sales and operating profit.

- Sales for Fluorocarbon Gas significantly increased from higher selling prices in response, primarily in Europe, to rising raw materials costs and tighter supply.
- Polymers and Fluoroelastomers
 - For Fluoropolymers, sales of new products for LAN cable in the United States saw an upward trend. Sales grew in every global region, even in the semiconductor market. A consolidation effect was seen from the acquisition of Heroflon (Italy), and sales significantly increased over the previous year.
 - For Fluoroelastomers, sales were strong for the automotive market, mainly in the United States and Japan.
- In Fine Chemicals, although sales for the surface antifouling agent **OPTOOL** decreased, sales of water and oil repellants grew substantially, mainly in China and Asia.

<Chemical sales by product (aggregate sales)>

(Y/Y change)	Q1-3 Result
For all fluorochemical products	114%
Fluorocarbon Gas	123%
Polymers & Fluoroelastomers	117%
Fine Chemicals, etc.	105%

Air Filter sales grew in Japan and Europe for the high-end market such as semiconductors and pharmaceuticals; however, sales fell in the United States and Asia, leading to a decline in sales against the previous year.

At P&I ※, despite the challenging market environment, we enhanced the After Sales Service business and promoted total cost reductions.

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

(billion yen)	FY2017		FY2018	
	Q1-3	Total	Q1-3	Year Plan
Capex	63.9	96.6	58.5	100.0
Depreciation	49.6	66.7	54.0	68.0
R&D Cost	45.9	62.1	47.7	68.0



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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