



Presentation of Financial Results for the Third Quarter Ended in December 2021

February 7, 2022

■ Summary of Financial Results

Achieving Record High Financial Results for the Cumulative Third Quarter

- ✓ With the reemergence and continued spread of COVID-19, Daikin faced a harsh business environment from soaring prices for raw materials and logistics costs but absorbed the negative impact of these by generating results from its seven key themes for FY2021 (strategic selling prices measures, sales expansion/market share increase, cost reductions, etc.).
- ✓ In the Air Conditioning business, we increased market share by launching new products for indoor air quality (IAQ) and ventilation and by strengthening sales and marketing capabilities. In addition to expanding sales centered on Residential Air Conditioning in the Americas, China, and Europe, we captured strong demand in Europe for heat-pump type heaters.
- ✓ In the Chemicals business, we expanded sales by capitalizing on a recovery in demand in the semiconductor and automotive markets. Despite the soaring prices in the raw material markets, we increased revenue and profits due to a selling price effect.

(billion yen)	Q1-3 Result		
	FY2020	FY2021	Y/Y
Net sales	1,841.7	2,301.9	125%
Operating profit	194.5	259.5	133%
(Percentage of profit to net sales)	(10.6%)	(11.3%)	
Ordinary profit	195.8	266.4	136%
(Percentage of profit to net sales)	(10.6%)	(11.6%)	
Profit attributable to owners of parent	128.7	178.7	139%
(Percentage of profit to net sales)	(7.0%)	(7.8%)	

USD/JPY	¥106	¥111
EUR/JPY	¥122	¥131
RMB/JPY	¥15.4	¥17.3

FX Effect (Y/Y)	
Sales	+91.5 billion yen
Operating Profit	+13.0 billion yen

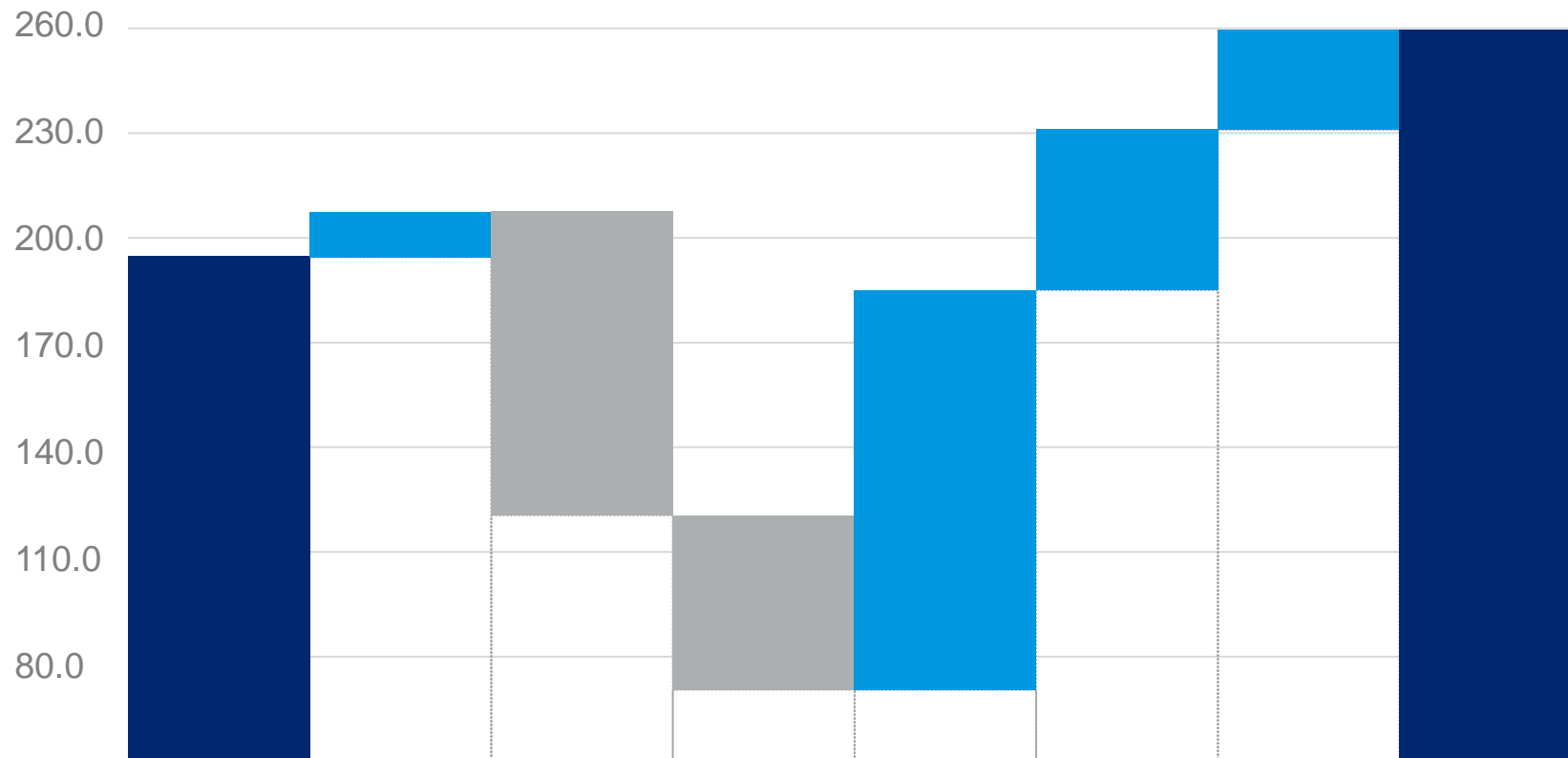
■ Financial Results by Segments

(billion yen)		Q1-3 Result		
		FY2020	FY2021	Y/Y
Total	Sales	1,841.7	2,301.9	125%
	Operating profit <small>(Percentage of profit to net sales)</small>	194.5 <small>(10.6%)</small>	259.5 <small>(11.3%)</small>	133%
Air Conditioning	Sales	1,691.1	2,103.8	124%
	Operating profit <small>(Percentage of profit to net sales)</small>	183.7 <small>(10.9%)</small>	234.9 <small>(11.2%)</small>	128%
Chemicals	Sales	116.6	154.8	133%
	Operating profit <small>(Percentage of profit to net sales)</small>	9.0 <small>(7.7%)</small>	20.3 <small>(13.1%)</small>	224%
Others	Sales	34.0	43.3	127%
	Operating profit <small>(Percentage of profit to net sales)</small>	1.7 <small>(5.1%)</small>	4.4 <small>(10.1%)</small>	252%

■ Breakdown of Changes in Operating Profit

[Year-on-Year Comparison of Q1-3]

(billion yen)



	FY2020 Result	Foreign Exchange	Raw Materials <small>(Including logistics costs)</small>	Fixed Costs, etc.	Sales Expansion	Selling Price	Cost Reductions	FY2021 Result
Total	194.5	+13.0	-87.0	-50.0	+114.5	+46.0	+28.5	259.5
Air Conditioning	183.7	+11.8	-76.5	-45.0	+93.9	+39.3	+27.6	234.9
Chemicals	9.0	+1.2	-10.0	-4.5	+17.4	+6.5	+0.6	20.3
Others	1.7	-	-0.5	-0.5	+3.1	+0.2	+0.3	4.4

■ Companywide Business Forecast

Third Upward Revision Leading to Record Highs and Sales above 3 Trillion Yen

- ✓ While the business environment in the fourth quarter is expected to worsen amid COVID-19 uncertainty, we will absorb the negative effects by generating results for our seven key themes.
- ✓ In the continuing tight supply of electronic components and upheaval in the logistics network, the area of sales, manufacturing, procurement, SCM, and logistics will work closely together on a global level to ensure product supply.
- ✓ While the business environment will be affected by further cost increases such as the soaring prices for raw materials and logistics costs, we will quickly take additional second and third steps to expand sales and increase market share and aim for an even greater effect from selling price measures and cost reductions.

(billion yen)	FY2021 (Previously announced)	FY2021			
	Total Forecast	Q1-3 Result	Y/Y	Total Forecast	Y/Y
Sales	2,930.0	2,301.9	125%	3,050.0	122%
Operating Profit (Percentage of profit to net sales)	300.0 (10.2%)	259.5 (11.3%)	133%	310.0 (10.2%)	130%
Ordinary Profit (Percentage of profit to net sales)	302.0 (10.3%)	266.4 (11.6%)	136%	315.0 (10.3%)	131%
Profit Attributable to Owners of Parent (Percentage of profit to net sales)	203.0 (6.9%)	178.7 (7.8%)	139%	210.0 (6.9%)	134%

USD/JPY

¥107

¥111

EUR/JPY

¥128

¥131

RMB/JPY

¥16.7

¥17.3

※Assumptions in Q4 for foreign exchange are

1 USD=110 JPY, 1 EUR=128 JPY, and 1 RMB=17.5 JPY

FX Effect (Y/Y)

Sales

+116.0 billion yen

Operating Profit

+17.0 billion yen

■ Business Forecast by Segments

(billion yen)		FY2021 (Previously announced)	FY2021			
		Total Forecast	Q1-3 Result	Y/Y	Total Forecast	Y/Y
Total	Sales	2,930.0	2,301.9	125%	3,050.0	122%
	Operating Profit (Percentage of profit to net sales)	300.0 (10.2%)	259.5 (11.3%)	133%	310.0 (10.2%)	130%
Air Conditioning	Sales	2,665.5	2,103.8	124%	2,772.0	122%
	Operating Profit (Percentage of profit to net sales)	270.0 (10.1%)	234.9 (11.2%)	128%	277.5 (10.0%)	124%
Chemicals	Sales	201.5	154.8	133%	213.5	130%
	Operating Profit (Percentage of profit to net sales)	24.0 (11.9%)	20.3 (13.1%)	224%	26.5 (12.4%)	233%
Others	Sales	63.0	43.3	127%	64.5	116%
	Operating Profit (Percentage of profit to net sales)	6.0 (9.5%)	4.4 (10.1%)	252%	6.0 (9.3%)	145%

■ Sales by Region – AC Business (Includes refrigerator, freezer and filter businesses)

※Percentage expresses year on year comparison

(billion yen)	FY2017 Q1-3		FY2018 Q1-3		FY2019 Q1-3		FY2020 Q1-3		FY2021 Q1-3	
	Japan	105%	340.2	107%	364.1	104%	379.7	98%	371.2	105%
Europe	118%	214.5	112%	239.9	116%	278.9	99%	276.6	135%	372.5
China	115%	286.3	102%	292.9	97%	283.4	97%	275.1	131%	359.7
Americas	114%	432.5	112%	486.3	108%	524.2	95%	499.4	130%	650.2
Asia	109%	184.5	110%	203.3	107%	217.3	81%	175.1	117%	204.8
Oceania	146%	54.9	105%	57.9	93%	53.7	107%	57.6	131%	75.3
Middle East	117%	38.9	93%	36.2	93%	33.6	91%	30.5	141%	42.8
Africa	100%	5.6	115%	6.5	88%	5.7	96%	5.5	140%	7.7
Total	113%	1,557.3	108%	1,687.2	105%	1,776.6	95%	1,691.1	124%	2,103.8
Overseas Sales ratio		78%		78%		79%		78%		81%
USD/JPY		¥112		¥111		¥109		¥106		¥111
EUR/JPY		¥129		¥129		¥121		¥122		¥131
RMB/JPY		¥16.6		¥16.6		¥15.6		¥15.4		¥17.3

■ Sales by Region – Chemicals Business

※Percentage expresses year on year comparison

(billion yen)	FY2017 Q1-3		FY2018 Q1-3		FY2019 Q1-3		FY2020 Q1-3		FY2021 Q1-3	
	Japan	114%	34.2	117%	40.0	94%	37.7	82%	31.0	135%
Americas	110%	30.2	113%	34.1	92%	31.4	78%	24.4	123%	30.0
China	121%	28.8	103%	29.5	92%	27.1	110%	29.9	131%	39.2
Asia	131%	16.0	120%	19.2	91%	17.5	90%	15.8	120%	19.0
Europe	128%	20.4	124%	25.2	71%	17.8	84%	14.9	160%	23.9
Others	137%	1.0	135%	1.3	82%	1.1	58%	0.6	123%	0.8
Total	119%	130.5	114%	149.4	89%	132.6	88%	116.6	133%	154.8
Overseas Sales ratio		74%		73%		72%		73%		73%
USD/JPY		¥112		¥111		¥109		¥106		¥111
EUR/JPY		¥129		¥129		¥121		¥122		¥131
RMB/JPY		¥16.6		¥16.6		¥15.6		¥15.4		¥17.3

■ Business and Regional Overview – Air Conditioning

Japan

Industry demand for Residential Air Conditioning declined from the previous year due to the impact of unseasonable weather in the summer and the end of pent-up demand. Daikin launched a new product called **Urusara X**, which switches between air supply and air exhaust ventilation. Sales and market share expanded by leveraging the growing interest in energy savings and the need for IAQ due to more time spent indoors.

Industry demand for Commercial Air Conditioning exceeded the previous year in a gradual renewal of economic activities. Daikin enhanced system proposals that combine air conditioners and ventilation products, such as heat reclamation ventilators, and both sales and market share increased. In Applied, sales of R32 chillers grew.

While air purifiers were affected from the second quarter by a reversal of the increased demand seen in the previous fiscal year from the special cash payment for COVID-19, market share increased due to expansion of the product lineup.

Y/Y change (Volume basis)		Q1-3 Results
Residential	Market	91%
	Daikin	104%
Commercial	Market	103%
	Daikin	114%
Applied	Market	97%
	Daikin	88%
Air purifiers	Market	75%
	Daikin	89%

※Applied is based on total sales.

■ Business and Regional Overview – Air Conditioning

Americas

Personal consumption drove an economic recovery, but supply constraints and inflation beginning from the summer led to an economic decline. Daikin expanded sales centered on the Residential Air Conditioning market where demand is strong, and results were maximized by the effect of selling price measures. Acquisitions of sales companies also contributed to a substantial increase in sales over the previous fiscal year.

- In Ducted Unitary for Houses, we focused on strengthening supply capabilities by promoting initiatives to increase the number of manufacturing personnel and reduce employee turnover. Sales increased due to the launch of new products equipped with inverters.
- In Ductless, we captured the rising demand for **RA/SKY** in the Residential Air Conditioning market and expanded sales. Sales for **VRV systems** were strong in Residential and also expanded in Commercial Air Conditioning.
- In Applied, we capitalized on the market recovery and increased chiller sales. Sales also grew for the After Sales Service business.

Y/Y change (Volume basis)		Q1-3 Results
Ducted unitary for houses		115%
Ductless	RA/SKY	140%
	VRV	121%
Applied		108%

※Applied is based on total sales in local currency.

■ Business and Regional Overview – Air Conditioning

China

Even though the economy has been slowing since the second half, personal consumption has trended strong. Daikin promoted sales combining offline and online sales and expanded sales of IAQ and ventilation products along with products that comply with environmental regulations. Consequently, sales saw a significant increase over the previous year. Operating profit was impacted by soaring prices for raw materials and semiconductor shortages, but we maintained high profitability by expanding sales of high value-added products, reducing costs, and curtailing fixed costs.

- In the Residential Air Conditioning market, we promoted sales activities combining online sales with conventional sales at our **PROSHOP** specialty stores and focused on identifying new customers and capturing replacement demand. System proposals that combine products, such as floor heating, were strengthened, and we greatly expanded sales of residential multi-split air conditioners.
- In the Commercial Air Conditioning market, customer contact points were expanded by leveraging interest at stores and offices in ventilation and air purifying. We incorporated demand for equipment replacements and additional purchases. For large projects, we reinforced sales through solutions proposals. Under the backdrop of environmental regulations, we capitalized on replacement demand that is expanding for energy-saving equipment.
- In the Applied market, in addition to shifting resources to growth fields that include infrastructure and semiconductors, we strengthened our maintenance and servicing business.

Y/Y change (Local currency basis)	Q1-3 Results
Residential	118%
Commercial	109%
Applied	104%

■ Business and Regional Overview – Air Conditioning

Europe, Middle East, and Africa

In Europe, despite restrictions of economic activities since November due to the reemergence of COVID-19, sales for residential air conditioners and heat-pump heaters expanded. In the Middle East, sales expanded in every country, particularly Turkey. Sales for the region overall greatly exceeded the previous fiscal year.

- In the Residential market, unseasonable summer weather impacted results in countries such as France and Spain, but sales expanded on strong demand in Italy and Central Europe.
- In the Commercial market, sales to hospitals and food retailers were strengthened. Sales expanded by capitalizing on customer needs with proposals for IAQ improvement.
- In the Heating business, we utilized a wide product lineup of heat-pump heaters to substantially increase sales in each country, especially in France, Italy, and Germany.
- In Applied, we strengthened sales in favorable markets such as factories and hospitals and expanded sales of R32 chillers and air handling units.
- In the Refrigerator and Freezer business, Daikin accelerated development of one-stop solutions and expanded sales to food retailers where demand is strong.

Y/Y change (Volume basis)		Q1-3 Results
Residential		112%
Commercial	SKY	115%
	VRV	119%
Heat Pump Heaters		160%
Applied		119%
Refrigerator and Freezer		134%

※Residential, commercial, and heat-pump heaters are only for Europe.

※Applied is based on total sales in local currency.

■ Business and Regional Overview – Air Conditioning

Asia and Oceania

The reemergence of COVID-19 had a significant impact in causing a decline in demand. To combat this, we worked to expand our own sales network and promote dealer support with the use of online tools. In addition to expanding sales in Asian countries where restrictions on conduct have been relaxed and in Oceania where demand is relatively strong, there has also been a selling price effect as overall sales for the region exceeded the previous year.

- In the Residential market, sales expanded in Indonesia and Australia. In India, we enlarged the sales network and significantly expanded sales by strengthening the relationship with dealers. In Malaysia, sales have increased since the third quarter due to a relaxation of restrictions on conduct.
- In the Commercial market, we focused on sales to public facilities where demand is relatively stable and expanded sales despite sluggish capital investment from the economic downturn, delays in start of construction work due to insufficient workers at the building sites, and construction postponements.
- In Applied, we concentrated on the After Sales Service business such as maintenance and servicing.

■ Year-on-year sales of main countries (local currency basis)

Australia: 116% India: 153% Malaysia: 99%
Vietnam: 90% Indonesia: 119% Thailand: 92%

Y/Y change (Volume basis)		Q1-3 Results
Residential		112%
Commercial	SKY	111%
	VRV	112%
Applied		100%

※Applied is based on total sales in local currency.

■ Business and Regional Overview – Chemicals

Centering on the semiconductor and automotive markets where demand is strong, sales expanded in all product groups including fluorocarbon gas, fluoropolymers, fluoroelastomers, and fine chemicals. Sales substantially exceeded the previous fiscal year.

- For Fluorocarbon Gas, applications expanded to medical fields in Europe, and sales exceeded the previous fiscal year.
- Polymers and elastomers
 - Fluoropolymers showed a sales increase from a recovery in demand in the semiconductor market and the information and communications technology field, including LAN cables. Sales in all regions bested the previous fiscal year.
 - Fluoroelastomers saw sales grow in the automotive market, and sales in all regions surpassed the previous year.
- In Fine Chemicals, sales for anti-smudge surface coating agents decreased due to lower demand from a reversal of the strong sales in the previous fiscal year for tablet PCs and smartphones. Sales for water and oil repellent agents grew mainly in Europe, China, and Asia. By capitalizing on a recovery in demand in the semiconductor market, we increased sales of etching gas in China and Japan.

Y/Y change (Sales basis)	Q1-3 Results
Total	133%
Fluorocarbon Gas	121%
Polymers & Elastomers	144%
Fine Chemicals, etc.	119%

■ Business and Regional Overview – Filters

As demand began to recover mainly in Japan, Europe, and the United States, we built a stable supply system, reduced total costs, and promoted sales of high value-added products that seek to mitigate the spread of infectious diseases and improve air quality.

- In the Air Filter segment, we responded to the growing need for ventilation and strengthened sales activities for high value-added products that mitigate the spread of infectious diseases such as high-performance filters and negative pressure units. Sales for hospitals, cleanrooms, and residences expanded in each region.
- In P&I*, together with expanding sales in the gas turbine market where demand is strong, efforts were made to improve the business structure by shifting resources to the After Sales Service business.

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

■ Capex, Depreciation and R&D Cost

	FY2020		FY2021	
	Q1-3 Result	Total Result	Q1-3 Result	Total Forecast
(billion yen)				
Capex	96.9	137.0	107.4	150.0
Depreciation	75.6	103.5	85.2	115.0
R&D Cost	50.6	71.7	59.0	80.0

(Reference) Key Themes for FY2021

1. Strategic selling price measures that absorbs cost increases of market conditions, etc., with the aim of maintaining profitability
2. Outperforming rivals and increasing market share
 - Further sales expansion of residential-use air conditioners, capturing replacement demand for commercial air conditioners, and acceleration of digital sales
 - Global sales expansion of air quality and ventilation products, development of differentiated products, and development of solution proposal options
3. Reinforcement and maximization of variable cost reductions
 - Replacement of materials from copper to aluminum, standardization of core parts, and expansion of in-house production
4. Measures to control soaring logistics costs and further streamlining of logistics
5. Drastic reduction of fixed costs and as improving efficiency of indirect operations
6. Building of a flexible position that is prepared for the highs and lows of the management environment
7. Start dash of key themes for “Fusion 25” that include heating, air quality, and solutions



Notes on forecast

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