



Presentation of Financial Results for the Third Quarter in December 2022

February 7, 2023

Summary of Financial Results

Daikin achieved record high results. Both revenue and profits increased even after taking in account the positive effects of the foreign exchange rates.

Despite facing a challenging business environment of soaring market prices for raw materials, high logistics costs, and lower demand in China from the spread of COVID-19, we could offset these negative impacts by accelerating implementation of our key themes for FY2022 and responding flexibly to changing circumstances.

- ✓ In the Air Conditioning business, both revenue and profits increased. In China, 3Q sales significantly declined from the movement restrictions under the zero-corona policy that continued until early December and from an outbreak in infections occurring after the policy was lifted. However, sales grew in the Americas and Asia, and heat pump hot water heaters enjoyed strong demand in Europe.
- ✓ In the Chemicals business, we captured strong demand in the semiconductor and automotive markets to increase both sales and profits.

(billion yen)	Q1-3 Results		
	FY2021	FY2022	Y/Y
Net sales	2,301.9	2,985.7	130%
Operating profit	259.5	303.8	117%
(Percentage of profit to net sales)	(11.3%)	(10.2%)	
Ordinary profit	266.4	299.3	112%
(Percentage of profit to net sales)	(11.6%)	(10.0%)	
Profit attributable to owners of parent	178.7	209.0	117%
(Percentage of profit to net sales)	(7.8%)	(7.0%)	

USD/JPY	¥111	¥137
EUR/JPY	¥131	¥141
RMB/JPY	¥17.3	¥19.9

FX Effect (Y/Y)

On Sales	+281.0 billion yen
On Operating Profit	+27.0 billion yen

(Reference) Eight Key Themes for FY2022

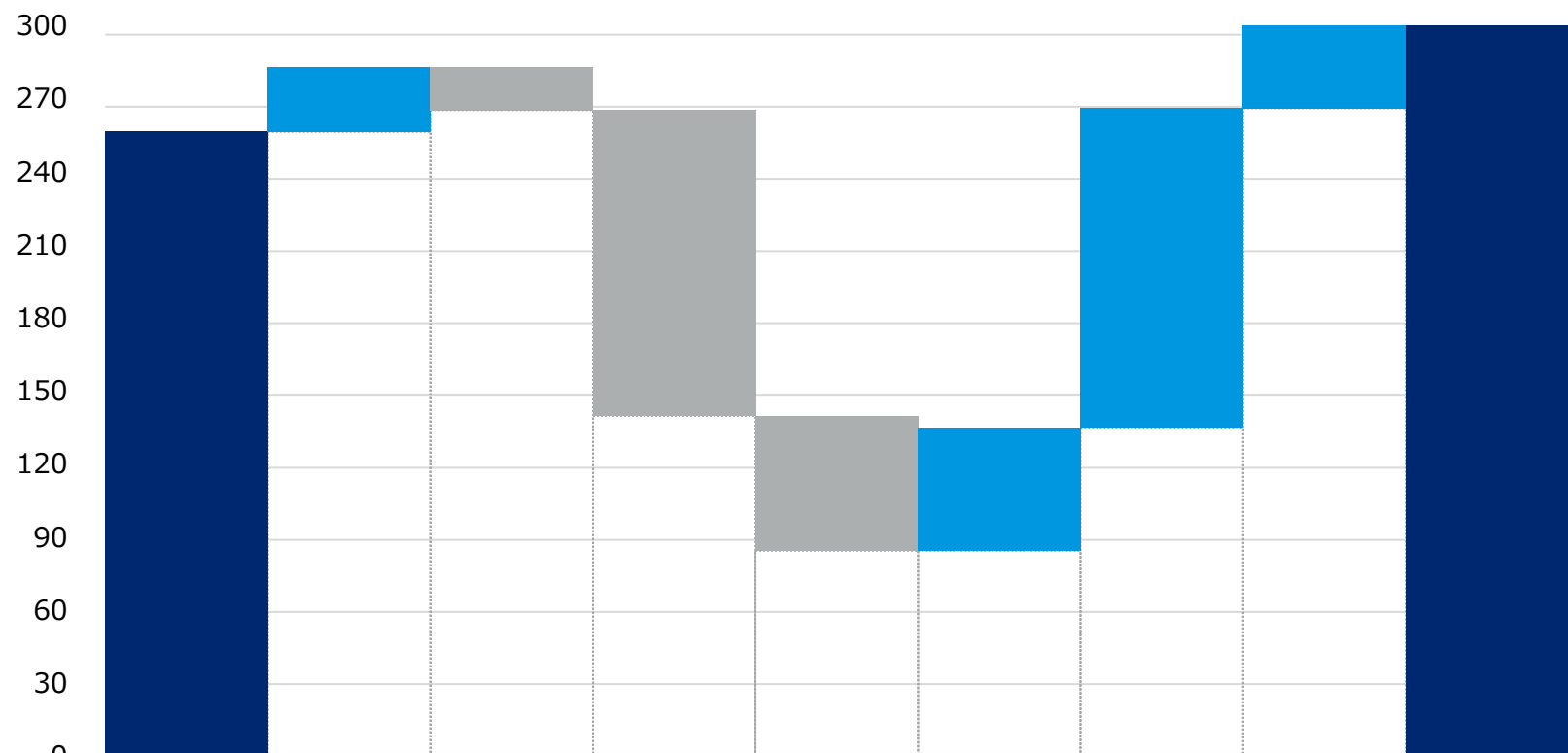
- 1 . Formulate strategic selling price measures
- 2 . Further strengthen sales capabilities such as measures to reinforce commercial-use air conditioning
- 3 . Maximize reductions in variable costs
- 4 . Execute streamlining measures to offset higher logistics costs
- 5 . Streamline existing fixed costs
- 6 . Strengthen procurement and supply capabilities in anticipation of fiscal year 2023 and beyond
- 7 . Maximize profitability by accelerating F25 key themes
- 8 . Create results and maximize profitability for acquired companies and large-scale capital investments
 - + 1 . Capitalize on the changes occurring in the world by utilizing our strengths and taking on the challenge and innovation themes (such as carbon neutrality and digital) that will lead to our next great leap forward.

Financial Results by Business Segment

(billion yen)		Q1-3 Results		
		FY2021	FY2022	Y/Y
Total	Sales	2,301.9	2,985.7	130%
	Operating profit (Percentage of profit to net sales)	259.5 (11.3%)	303.8 (10.2%)	117%
Air Conditioning	Sales	2,103.8	2,733.2	130%
	Operating profit (Percentage of profit to net sales)	234.9 (11.2%)	266.2 (9.7%)	113%
Chemicals	Sales	154.8	193.9	125%
	Operating profit (Percentage of profit to net sales)	20.3 (13.1%)	32.7 (16.9%)	161%
Others	Sales	43.3	58.5	135%
	Operating profit (Percentage of profit to net sales)	4.4 (10.1%)	4.9 (8.4%)	112%

Breakdown of Changes in Operating Profit

(billion yen)



	FY2021 1-3Q Results	Foreign Exchange	Shanghai Lockdown	Raw Materials (Including logistics costs)	Fixed Costs, etc.	Sales Expansion	Selling Price	Cost Reductions	FY2022 1-3Q Results
Total	259.5	+27.0	-18.0	-127.0	-56.0	+50.8	+133.0	+34.5	303.8
Air Conditioning	234.9	+23.0	-18.0	-118.1	-46.9	+46.0	+112.0	+33.3	266.2
Chemicals	20.3	+4.0	—	-7.5	-8.0	+3.6	+19.7	+7.0	32.7
Others	4.4	—	—	-1.4	-1.1	+1.2	+1.3	+5.0	4.9

Sales by Region – AC Business

* Includes refrigerator, freezer and filter businesses

※Percentage expresses year on year comparison

	FY2018 Q1-3		FY2019 Q1-3		FY2020 Q1-3		FY2021 Q1-3		FY2022 Q1-3	
(billion yen)										
Japan	107%	364.1	104%	379.7	98%	371.2	105%	390.8	105%	410.8
Europe	112%	239.9	116%	278.9	99%	276.6	135%	372.5	124%	462.7
China	102%	292.9	97%	283.4	97%	275.1	131%	359.7	103%	369.9
Americas	112%	486.3	108%	524.2	95%	499.4	130%	650.2	156%	1,011.4
Asia	110%	203.3	107%	217.3	81%	175.1	117%	204.8	151%	308.9
Oceania	105%	57.9	93%	53.7	107%	57.6	131%	75.3	127%	95.4
Middle East	93%	36.2	93%	33.6	91%	30.5	141%	42.8	151%	64.6
Africa	115%	6.5	88%	5.7	96%	5.5	140%	7.7	122%	9.4
Total	108%	1,687.2	105%	1,776.6	95%	1,691.1	124%	2,103.8	130%	2,733.2
Overseas Sales ratio		78%		79%		78%		81%		85%
USD/JPY		¥111		¥109		¥106		¥111		¥137
EUR/JPY		¥129		¥121		¥122		¥131		¥141
RMB/JPY		¥16.6		¥15.6		¥15.4		¥17.3		¥19.9

Sales by Region – Chemicals Business

※Percentage expresses year on year comparison

(billion yen)	FY2018 Q1-3		FY2019 Q1-3		FY2020 Q1-3		FY2021 Q1-3		FY2022 Q1-3	
	Japan	117%	40.0	94%	37.7	82%	31.0	135%	41.8	123%
Americas	113%	34.1	92%	31.4	78%	24.4	123%	30.0	144%	43.3
China	103%	29.5	92%	27.1	110%	29.9	131%	39.2	109%	42.9
Asia	120%	19.2	91%	17.5	90%	15.8	120%	19.0	132%	25.2
Europe	124%	25.2	71%	17.8	84%	14.9	160%	23.9	126%	30.1
Others	135%	1.3	82%	1.1	58%	0.6	123%	0.8	128%	1.0
Total	114%	149.4	89%	132.6	88%	116.6	133%	154.8	125%	193.9
Overseas Sales ratio		73%		72%		73%		73%		73%
USD/JPY		¥111		¥109		¥106		¥111		¥137
EUR/JPY		¥129		¥121		¥122		¥131		¥141
RMB/JPY		¥16.6		¥15.6		¥15.4		¥17.3		¥19.9

Business and Regional Overview – Air Conditioning

Japan

Industry demand for Residential suffered a year-on-year decline due to supply shortages from the impact of the Shanghai lockdown and consumer reluctance caused by soaring prices. Daikin strengthened sales of differentiated products such as **Urusara X**, which switches between air supply and air exhaustion. With electricity rates skyrocketing, we capitalized on the growing need for energy savings to expand sales and increase market share. At the same time, air purifier demand stemming from COVID-19 has receded.

Industry demand for Commercial experienced an upturn in facility investment due to signs of a recovery, and sales exceeded the previous year. For this reason, we focused on system proposals that combined SKY/VRV, featuring high energy efficiency and improved ease of installation, with ventilation and purification products, such as heat reclamation ventilators and **UV Streamer** units.

In Applied, sales improved for environmentally conscious equipment such as R32 chillers.

Y/Y change (Volume basis)		Q1-3 Results
Residential	Market	97%
	Daikin	102%
Commercial	Market	101%
	Daikin	98%
Applied	Market	103%
	Daikin	111%

*Applied is based on total sales.

Business and Regional Overview – Air Conditioning

Americas

Within the harsh business environment including tight supply due to parts and labor shortages, we worked to ensure a stable supply of products, resulting in strong sales that greatly exceeded the previous year due to the steady implementation of selling price measures.

- ✓ Industry demand for residential unitary products declined from prolonged inflation and higher home interest rates. To combat this, Daikin leveraged its enhanced supply capabilities and acquisition of sales companies to increase market share. Local production started for our **Daikin Fit system**, a product equipped with an inverter, and sales expanded.
- ✓ In Ductless, we worked to boost supply capacity for RA/SKY and increase market share. Sales for **VRV systems** greatly expanded by utilizing a sales network enhanced by the acquisition of sales companies.
- ✓ In Applied, in addition to the strengthening of service personnel and enlarging of the After Sales Service network, the new consolidation of sales companies had a positive effect, and sales significantly increased over the previous year.

Y/Y change (Volume basis)		Q1-3 Results
Ducted unitary for houses		106%
Ductless	RA/SKY	96%
	VRV	116%
Applied		129%

*Applied is based on total sales in local currency.

Business and Regional Overview – Air Conditioning

China

Production and logistics were suspended as a result of the Shanghai lockdown in April and May, and sales declined from the delay in product supply. After the lockdown was lifted, production and logistics quickly returned to full operation, and we experienced sales and operating profit for the first half on par with the previous fiscal year. In the second half, the strict restrictions placed on movement to prevent the spread of infection caused a sales decline, and the sudden reversal in zero-corona policy in December resulted in a sharp rise in the number of infected people. Nevertheless, we have been able to ensure a high level for operating profit by expanding sales of high value-added products, reducing costs, and cutting fixed costs.

- ✓ In the Residential market, restrictions on customer visits led us to focus on searching for new customers online, capturing replacement demand, and selling online through customer centers, live commerce, and similar activities centered on our **PROSHOP** specialty stores. Capitalizing on growing customer interest in air quality and the environment and the promotion of carbon neutral policies, we have expanded our lineup of unique system products relating to IAQ, ventilation, energy visualization, and heat pump hot water heaters. In anticipation of a recovery in personal consumption accompanying the resumption of economic activities, resources have been concentrated on retail sales since January.
- ✓ In the Commercial market, we focused on strong infrastructure-related demand due to economic stimulus measures, government projects, and investment projects of major companies. In response to the promotion of carbon neutral policies, we will strengthen sales from the perspective of energy solutions and air visualization for large buildings and power reductions through energy-saving equipment for factories.
- ✓ 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	91%
Commercial	90%
Applied	99%

Business and Regional Overview – Air Conditioning

Europe, Middle East, and Africa

The business environment continued to be difficult due to the tight supply from the Shanghai lockdown, disruptions in logistics networks, and soaring energy costs. Nevertheless, we achieved a significant year-on-year increase for the overall region by maintaining supply through the integration of manufacturing and sales, focusing on sales expansion of heat pump hot water heaters, and implementing selling price measures.

- ✓ In the Residential market, sales not only grew in Italy and Spain because of favorable weather in summer, but we also took advantage of heating needs and saw increased sales in Germany and other countries.
- ✓ In the Commercial market, ‘spec-in’ activities and delivery follow-up were thoroughly implemented and led to sales to stores and offices that capitalized on pent-up demand.
- ✓ In the Heating business, steady demand continued for heat pump water heaters in the background of the green deal policies of governments around the world, leading to a significant expansion in each country, particularly in Italy, France, and Germany. To strengthen our supply capabilities, we decided to increase the capacity of existing factories and construct a new factory.
- ✓ In the Applied market, sales grew for environmentally conscientious products such as R32 chillers.
- ✓ In the Freezer and Refrigerator business, we faced a difficult business environment due to weak investment in supermarkets.

Y/Y change (Volume basis)		Q1-3 Results
Residential		105%
Commercial	SKY	106%
	VRV	101%
Heat Pump Heaters		147%
Applied		122%
Refrigerator and Freezer		88%

*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

Commercial returned to steady sales accompanying the easing of restrictions on movement from COVID-19. In India, sales greatly expanded in tandem with economic growth. Sales for the region overall exceeded the previous fiscal year and were partially boosted by selling price measures.

- ✓ In the Residential market, sales declined in Thailand and Indonesia from stagnant consumption due to higher inflation and unseasonable weather, but in India we worked to strengthen relationships with dealers, and sales expanded.
- ✓ In the Commercial market, as delays and postponements improved for construction starts, we took advantage of the recovery in demand to ensure received orders through meticulous dealer support, resulting in a significant increase in sales.
- ✓ In the Applied market, we focused on the After Sales Service business including maintenance and servicing.

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

Australia: 113% India: 143% Malaysia: 136%

Vietnam: 123% Indonesia: 108% Thailand: 118%

Y/Y change (Volume basis)		Q1-3 Results
Residential		110%
Commercial	SKY	126%
	VRV	127%
Applied		153%

*Applied is based on total sales in local currency.

Business and Regional Overview – Chemicals

Sales expanded primarily in the semiconductor and automotive markets and greatly exceeded the previous fiscal year due to the selling price effect.

✓ Fluorocarbon Gas

- Sales expanded mainly in Europe and Japan by capturing strong demand.

✓ Polymers and Fluoroelastomers

- Fluoropolymers showed a sales increase in the semiconductor and automotive markets along with the information and communications technology market, which includes LAN cables. Sales in all regions outperformed results from the previous fiscal year.
- Fluoroelastomers saw sales growth for the automotive markets where demand is favorable. Sales in all regions significantly exceeded the previous fiscal year.

✓ Fine Chemicals, Etc.

- Sales for etching gas expanded mainly in Japan and Asia by capitalizing on the recovery in demand in the semiconductor market.
- Sales for anti-smudge surface coating agents expanded in Japan and the Americas.

Y/Y change (Sales basis)	Q1-3 Results
For all fluorochemical products	125%
Fluorocarbon Gas	152%
Fluoropolymers & Fluoroelastomers	131%
Fine Chemicals, etc.	107%

Business and Regional Overview – Filters

As demand gradually recovered, sales significantly increased from the previous fiscal year due to the promotion of sales for high value-added products that pursue measures for control of infectious diseases and air quality improvements and the steady implementation of selling price measures.

- ✓ In the Air Filter segment, sales expanded for high value-added products centering on Commercial in the Americas. Sales to the semiconductor market were strong in Japan, whereas in Europe, sales were steady for high performance in response to the growing needs for energy savings and air quality.
- ✓ In P&I※, sales expanded in the gas turbine market, where demand is strong, as we worked to improve its business structure by shifting resources to the After Sales Service business.

※P&I: Industrial dust collection system for gas turbines, large-scale plants, etc.

Capex, Depreciation and R&D Cost

(billion yen)	FY2021		FY2022	
	Q1-3 Results	Total Results	Q1-3 Results	Total Forecast
Capex	107.4	156.3	162.2	210.0
Depreciation	85.2	115.3	105.7	125.0
R&D Cost	59.0	81.5	73.1	85.0

Companywide Business Forecast

We have upwardly revised our forecast for the third time this term to reflect the impact of the foreign exchange on third quarter results. We intend to swiftly respond to changes in the business environment, including stagnant consumption due to global inflation, fluctuations in energy costs, and the spread of COVID-19 in China, we will strive to offset the negative impacts by building upon the results of our key themes (strategic selling price measures, strengthening of sales capabilities, cost cutting measures, etc.) and achieve our plan.

By approaching the challenges of the times as opportunities, we will further strengthen our efforts in such business areas as heat pump heating, energy solutions, and IAQ / ventilation.

(billion yen)	FY2022 (Previously announced)	FY2022			
	Total Forecast	Q1-3 Results	Y/Y	Total Forecast	Y/Y
Sales	3,760.0	2,985.7	130%	3,910.0	126%
Operating Profit (Percentage of profit to net sales)	363.0 (9.7%)	303.8 (10.2%)	117%	372.0 (9.5%)	118%
Ordinary Profit (Percentage of profit to net sales)	358.0 (9.5%)	299.3 (10.0%)	112%	358.0 (9.2%)	109%
Profit Attributable to Owners of Parent (Percentage of profit to net sales)	235.0 (6.3%)	209.0 (7.0%)	117%	235.0 (6.0%)	108%

USD/JPY

¥137

EUR/JPY

¥141

RMB/JPY

¥19.9

※ Assumptions in Q4 for foreign exchange are

1 USD=125 JPY, 1 EUR=130 JPY, and 1 RMB=19.0 JPY

FX Effect (Y/Y)

On Sales +325.0 billion yen

On Operating Profit +27.0 billion yen

Forecast by Business Segment

		FY2022	FY2022			
		(Previously announced)				
(billion yen)		Total Forecast	Q1-3 Results	Y/Y	Total Forecast	Y/Y
Total	Sales	3,760.0	2,985.7	130%	3,910.0	126%
	Operating Profit (Percentage of profit to net sales)	363.0 (9.7%)	303.8 (10.2%)	117%	372.0 (9.5%)	118%
Air Conditioning	Sales	3,420.0	2,733.2	130%	3,567.0	126%
	Operating Profit (Percentage of profit to net sales)	316.0 (9.2%)	266.2 (9.7%)	113%	322.5 (9.0%)	114%
Chemicals	Sales	260.0	193.9	125%	260.0	122%
	Operating Profit (Percentage of profit to net sales)	41.0 (15.8%)	32.7 (16.9%)	161%	43.0 (16.5%)	158%
Others	Sales	80.0	58.5	135%	83.0	122%
	Operating Profit (Percentage of profit to net sales)	6.0 (7.5%)	4.9 (8.4%)	112%	6.5 (7.8%)	98%



Notes on forecast

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