



Daikin Industries,Ltd.

Q3 Financial Results Briefing for the Fiscal Year Ending March 2023

February 7, 2023

Event Summary

[Company Name]	Daikin Industries,Ltd.	
[Company ID]	6367-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Q3 Financial Results Briefing for the Fiscal Year Ending March 2023	
[Fiscal Period]	FY2023 Q3	
[Date]	February 7, 2023	
[Number of Pages]	30	
[Time]	17:00 – 18:05 (Total: 65 minutes, Presentation: 14 minutes, Q&A: 51 minutes)	
[Venue]	Webcast	
[Number of Speakers]	2	
	Kota Miyazumi	Executive Officer, responsible for Corporate Communication
	Kazuhiro Matoba	Head of Investor Relations Management Group, Corporate Communication Office
[Analyst Names]*	Yuichiro Isayama	Goldman Sachs
	Hikaru Mizuno	UBS Securities
	Yoshinao Ibara	Morgan Stanley MUFG Securities
	Tsubasa Sasaki	Mitsubishi UFJ Morgan Stanley Securities
	Hirokazu Miyagi	Mizuho Securities
	Kentaro Maekawa	Nomura Securities
	Graeme McDonald	Citigroup Global Markets

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

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Presentation

Sakamoto: From now, we will begin Daikin Industries, Ltd.'s financial results briefing for Q3 of the fiscal year ending March 2023. Thank you very much for taking time out of your busy schedule to join us today.

The presentation materials are posted on the investor relations page of the Company's website as we announced via email today. Please have them on hand if you need them.

First, I would like to introduce today's speakers.

Kota Miyazumi, Executive Officer, responsible for Corporate Communication, and Kazuhiro Matoba, Head of Investor Relations Management Group, Corporate Communication Office. We have two speakers.

Sakamoto of the Investor Relations Management Group will be facilitating the meeting. Thank you.

First, Mr. Miyazumi will give a 15-minute financial results overview, followed by a question and answer session. The meeting is scheduled to end at 18:00.

Executive Officer Miyazumi, please begin.

Miyazumi: Hello everyone, I'm Miyazumi. Thank you very much for taking time out of your busy schedule to attend today's financial results briefing.

I will explain the outline of the Q3 financial results based on the materials.

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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

2

Please see page two.

The Company's financial results for Q3 of the fiscal year ending March 2023 marked a record high for the period from April to December. In Q3, the air-conditioning business in China was significantly affected by a decline in demand due to the spread of the new coronavirus, but this was compensated for by increased sales in the US, Asia, Europe, and other favorable regions.

We also believe that we were able to strengthen our management structure by responding flexibly to changes in the business environment and accelerating the implementation of strategic selling price measures and sales force enhancement, as set forth in the eight key themes plus one.

The actual exchange rates were JPY137 for the US dollar, JPY141 for the euro, and JPY19.9 for the yuan. The impact of the exchange rates was positive JPY281 billion on sales and positive JPY27 billion on operating profit YoY.

Even excluding the positive effect of foreign exchange, both sales and profit increased YoY.

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(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.

3

Please see page three.

This is a list of key themes for FY2022. This is just for your reference, and I will omit the explanation.

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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 <small>(Percentage of profit to net sales)</small>	259.5 <small>(11.3%)</small>	303.8 <small>(10.2%)</small>	117%
Air Conditioning	Sales	2,103.8	2,733.2	130%
	Operating profit <small>(Percentage of profit to net sales)</small>	234.9 <small>(11.2%)</small>	266.2 <small>(9.7%)</small>	113%
Chemicals	Sales	154.8	193.9	125%
	Operating profit <small>(Percentage of profit to net sales)</small>	20.3 <small>(13.1%)</small>	32.7 <small>(16.9%)</small>	161%
Others	Sales	43.3	58.5	135%
	Operating profit <small>(Percentage of profit to net sales)</small>	4.4 <small>(10.1%)</small>	4.9 <small>(8.4%)</small>	112%

4

Next, on page four, these are the financial results by business segment.

In the air-conditioning business, both sales and profit increased. In China, sales in Q3 declined significantly due to the continued action restrictions imposed by the zero-coronavirus policy, as well as the infection explosion caused by the elimination of the zero-coronavirus policy in early December. On the other hand, we expanded sales in the Americas and Asia, and also increased sales of heat pump hot water heaters in Europe where demand was strong.

In the chemicals business, both sales and profit increased, capturing the recovery in demand in the semiconductor and automobile markets.

With regard to the impact of foreign exchange rates, the air conditioning segment reported sales of JPY260 billion with a positive operating profit of JPY23 billion, while the chemicals business reported sales of JPY21 billion with a positive operating profit of JPY4 billion.

I will explain the status of each business and the status of the air-conditioning business by region later.

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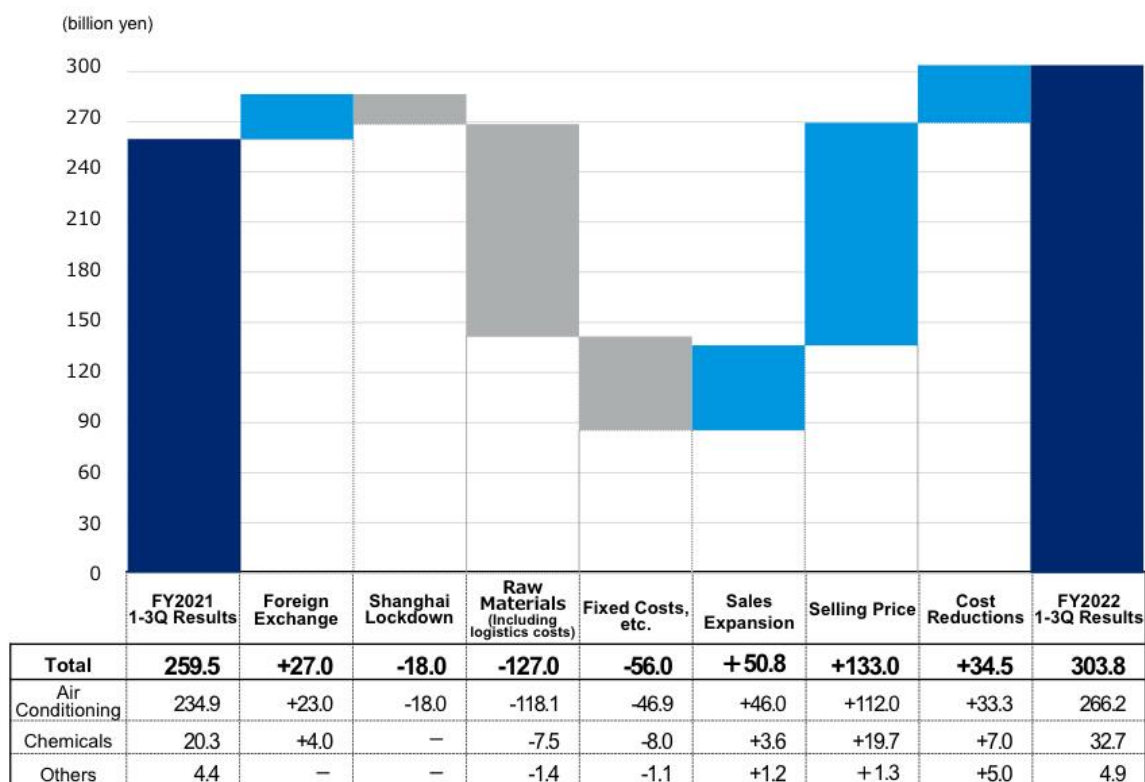
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Breakdown of Changes in Operating Profit



5

Please turn to page five.

This is an analysis of YoY changes in operating profit for Q3.

Although there was a large negative impact due to soaring raw material market prices and logistics costs, we were able to achieve a large increase in profit through sales expansion, sales price measures, and cost reductions.

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Sales by Region – AC Business

* Includes refrigerator, freezer and filter businesses

※Percentage expresses year on year comparison

(billion yen)	FY2018 Q1-3		FY2019 Q1-3		FY2020 Q1-3		FY2021 Q1-3		FY2022 Q1-3	
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

6

Please see page six.

This chart shows sales by region for the air-conditioning business.

Excluding the effect of foreign exchange rates, the real YoY comparison in sales was 115% in Europe, 89% in China, 127% in the Americas, and 134% in Asia.

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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%	51.5
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	

7

Please see page seven.

This chart shows sales by region for the chemicals business.

Excluding the impact of foreign exchange rates, the real YoY comparison in sales was 117% in Americas, 95% in China, and 117% in Europe.

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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.

8

Please see page eight.

From here, I will explain the situation of the air-conditioning business by region.

First, in Japan, industry demand for residential was lower than the previous year due to supply shortages caused by the Shanghai lockdown and consumption curbs caused by soaring prices. We strengthened our sales activities focusing on the ventilation function of Urusara X, and expanded our market share by catching the growing interest in energy saving due to soaring electricity bills and the need for air quality as users stayed at home for longer hours.

Industry demand for commercial exceeded the previous year's level due to a pickup in corporate capital investment. The Company focused on sales proposals that combine air-conditioning equipment with ventilation products that excel in energy efficiency and ease of installation.

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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.

9

Please see page nine.

In the air-conditioning business in Americas, amid a severe business environment in which supply was tight due to a shortage of parts and workers, the Company made efforts to ensure a stable supply of products and sales remained strong, as well as the steady implementation of selling price measures, profitability has improved.

While industry demand for residential unitary products declined from prolonged inflation and higher home interest rates, we increased our market share by strengthening the supply capacity of our Houston plant and utilizing the sales channels of acquired sales companies.

In November last year, local production started for our Daikin Fit system, a heat pump heater equipped with an inverter, and sales are growing.

For ductless, we have greatly expanded sales of VRV by utilizing the sales network of acquired sales companies.

Sales of Daikin North America were 128% of the previous year's level on a local currency basis.

As part of our efforts to strengthen sales and service capabilities, we have recently made the decision to acquire Venstar, which has strengths in air-conditioning controller development, for approximately JPY14 billion, and Williams, a distributor in the Michigan-Ohio region, a major market in the Midwestern US, for approximately JPY23 billion.

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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%

10

Please see page 10.

In the air-conditioning business in China, sales and operating profit in the H1 were on par with the previous year, but in H2, the business was significantly affected by severe restrictions on activities due to infection control measures and the expansion of infected patients due to the sudden change in the zero-coronavirus policy in early December. Under such circumstances, the Company maintained a high level of operating profit by expanding sales of high value-added products, reducing costs, and cutting fixed costs.

In the residential market, the Company 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. But the impact of sales activity restrictions from H2 was significant, and residential multi-sales in the cumulative period from Q1 to Q3 were 91% YoY.

In the commercial market, we strengthened sales to large buildings by offering energy solutions and air visualization, and to factories by cutting power consumption through energy-saving equipment, and captured the growing renewal demand backed by the promotion of carbon neutral policies.

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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.

11

Please see page 11.

For the air-conditioning business in Europe, Middle East, and Africa, amidst a continuing difficult business environment, including soaring energy and logistics costs and tight supplies due to the Shanghai lockdown, overall sales in the region were significantly higher than the previous year, thanks to efforts to strengthen supply capabilities through integrated production and sales efforts, as well as the effect of selling prices.

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, thorough implementation of spec-in activities led to sales of pent-up demand in stores and offices.

In the heating business, sales grew significantly in each country due to the expansion of product lineups and enhanced services amid continued strong demand for heat pump water heaters, backed by growing carbon neutral and energy-saving needs.

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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.

12

Please see page 12.

In the air-conditioning business in Asia and Oceania, overall sales in the region were significantly higher than the previous year due to the easing of behavioral restrictions caused by the new coronavirus, the expansion of sales of commercial-use air conditioning in major countries, and the effect of selling prices.

For the residential market, sales declined in Thailand, Indonesia, and other countries due to sluggish consumption caused by ongoing inflation and unfavorable weather. However, sales in India increased significantly due to efforts to capture demand on the back of economic growth by utilizing an online sales management system that connects 10,000 dealers.

For the commercial market, amid an improving trend of delays in property construction starts and extended construction periods, the Company expanded sales by ensuring that the recovery in demand was translated into orders through detailed support to dealers.

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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.

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

13

Please see page 13.

In the chemicals business, sales were significantly higher than in the previous year due to the selling price effect, as well as sales expansion mainly in the semiconductor and automotive markets where demand was strong.

Sales of gas expanded mainly in Europe and Japan on the back of strong demand.

Sales of Fluoropolymers expanded for the semiconductor and automotive markets along with the information and communications technology market. Sales of fluoroelastomers also increased for the automotive market, both of which exceeded the previous year's levels in each region.

In fine chemical products, sales of etching gas expanded, and anti-smudge surface coating agents expanded in Japan and the Americas.

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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.

14

Please go to page 14.

In the filter business, amid a moderate recovery in demand, sales of anti-infection products, such as high-performance filters, increased in each region in response to growing needs for energy conservation and air quality. Sales were significantly higher than in the previous year.

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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

15

Please refer to page 15.

Capital investments totaled JPY162.2 billion, depreciation was JPY105.7 billion, and the R&D cost was JPY73.1 billion.

We have not changed our full-year plan for them.

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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 <small>(Percentage of profit to net sales)</small>	363.0 (9.7%)	303.8 (10.2%)	117%	372.0 (9.5%)	118%
Ordinary Profit <small>(Percentage of profit to net sales)</small>	358.0 (9.5%)	299.3 (10.0%)	112%	358.0 (9.2%)	109%
Profit Attributable to Owners of Parent <small>(Percentage of profit to net sales)</small>	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

16

Please see page 16.

The full-year forecast has now been revised upward for the third time this fiscal year, with net sales increased by JPY150 billion and operating profit by JPY9 billion, reflecting the impact of foreign exchange rates in Q3.

In addition, the forecast by segment has been revised. The business environment is expected to change rapidly due to sluggish consumption caused by global inflation, fluctuating energy costs, and the spread of the new coronavirus in China. We will strive to achieve the plan by accelerating the creation of results from our priority themes, such as strategic sales price measures, sales force enhancement, and cost reduction.

Furthermore, looking ahead to the next fiscal year, we will further strengthen our efforts to address the social issues of the times in the heat pump heating, energy solutions, and IAQ/ventilation businesses, and link them to the latter-half three-year plan of the FUSION25 that will start in the next fiscal year.

Assumed foreign exchange rates for Q4 are JPY125 for the US dollar, JPY130 for the euro, and JPY19 for the yuan. The impact of the exchange rates was positive JPY325 billion on sales and positive JPY27 billion on operating profit YoY.

There was no change in the year-end dividend forecast from the previous announcement. We will reconsider our dividend payment plan based on the full-year results.

That's all from me.

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Question & Answer

Sakamoto [M]: We will now have a question and answer session.

Currently, there are five people who have raised their hands. We will let you speak in turn, but due to time constraints, we ask that you limit your questions to two at a time and that you keep your questions brief. We appreciate your understanding and cooperation.

Well, then, Mr. Isayama from Goldman Sachs, please go ahead.

Isayama [Q]: I am Isayama from Goldman Sachs. Thank you.

As for questions, first, please tell us about the trend in China. After giving us the sales growth rates of each of the residential multi, SKY, et cetera, it seems that Q3 has dropped about 20% on a local currency basis, if we simply calculate it. Could you tell us about the monthly trend, whether it fell sharply due to the resurgence of coronavirus infections in December, or whether it was bad from October through December?

On the other hand, we are in Q4 and sales are recovering rapidly because of the reopening. If possible, I would appreciate it if you could tell us what the situation is like now, even the outlook. This is my first question. Thank you.

Miyazumi [A]: Sure. You mean the situation in China.

First of all, in Q3, October, November, and December, the sales ratio was approximately 90% YoY in October, 80% YoY in November, and 60% YoY in December on a local currency basis.

Regarding the current situation in Q4, in January, we had very few business days due to the Chinese New Year, so the situation was quite difficult.

With February and March remaining, we have heard reports from the frontline that to some extent, people and things have begun to move in China. With the elimination of the zero-coronavirus policy last December, both our factory and sales continued to operate, but our customers were unable to move, and our dealers also had difficulty attracting construction personnel, et cetera. Due to the outbreak of the infection, the situation continued to be very severe.

Since this past February, this is finally moving in the direction of normalization. In Q4, we hope to make up the ground in February and March and bring the number to the same level as the previous year.

Isayama [Q]: Thank you very much.

I think what Mr. Miyazumi just mentioned is the overall sales figure for China, but can you tell us what the growth rate was by product, even for the cumulative period up to Q3?

Matoba [A]: In terms of sales in China by product for the cumulative period through Q3, on a local currency basis, residential multi accounted for 91%, small room air-conditioners for 88%, commercial VRV for 90%, commercial SKY for 91%, and applied for 95% compared to the previous year.

Isayama [Q]: Thank you very much.

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Now, let me move on to the second question. Likewise, I wonder if Mr. Miyazumi could add some additional information on the US trend. We have often heard from the local community that the demand for unitary is getting worse, so I honestly think your numbers are excellent. If I am not mistaken, demand was negative in the H2, and I believe you also commented that you wanted to maintain positive growth by increasing selling prices when demand was negative in H2. I think you maintain more than 20% growth even on a local currency basis.

I don't think this is from the effects of the acquisition you mentioned, so what was in good shape? Is it the introduction of Fit or is it a situation where the market share is growing rapidly thanks to the dealers you have acquired so far? I would appreciate any additional information about the US as well, as it appears to be doing very well against the previous year.

Miyazumi [A]: In the US, there is the fact that the increase in selling prices is spreading, and also that the volume is increasing due to the expansion of sales channels. This has enabled us to achieve economies of scale and increased profitability.

Isayama [Q]: Thank you very much, Mr. Miyazumi.

I think the two distributor and dealer acquisitions are very good news, but am I correct in understanding that these will be newly consolidated in the next fiscal year?

Miyazumi [A]: Yes, we believe they will contribute starting next year.

Isayama [Q]: In terms of the current situation, is it correct to say that this is how much has already occurred in the areas you have already explained?

Miyazumi [A]: Yes, that is correct.

Isayama [M]: I understand very well. Thank you very much.

Sakamoto [M]: Thank you very much.

Next, Mr. Mizuno from UBS Securities, please go ahead.

Mizuno [Q]: Hello. I am Mizuno from UBS Securities. Thank you.

For the first question, let me confirm one point in relation to sales by region. In Europe, growth had been around 10% until H1, and now we are seeing growth exceeding 20% in local currency terms. In terms of the macro environment, while there is a bit of uncertainty due to some geopolitical factors, the growth outside of heat pumps seems to be improving. Is my understanding correct? Could you also comment on the sustainability in the future? Please also give us any particular product-specific information that you can tell us about.

Miyazumi [A]: In Europe, as you know, there is a very strong demand for heat pump heating. In addition, there is a problem in Russia, so from the viewpoint of energy conservation, the switch from combustion heating to heat pumps is progressing. The use of room air-conditioners for heating purposes is also increasing, and sales of room air-conditioners are growing.

Looking ahead, it is difficult to predict whether or not Europe will experience a recession due to macroeconomic trends, but we believe that demand for heat pumps will remain firm. Since subsidies are continuing, we expect demand for heat pump heating and the use of room air-conditioners for heating and that demand will remain firm in the next fiscal year.

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Naturally, we are of the view that the real economy will become a little more difficult in terms of the macro environment, but we believe that we must develop measures for each region and each product from a detailed micro perspective.

Mizuno [Q]: Thank you very much.

Is it correct to understand that you are talking about room air-conditioners as a whole market, and not necessarily that Daikin is particularly strong? Or is there something specific to your company?

Miyazumi [A]: Our company has originally been present in Europe for 50 years, which gives us a strong sales channel. I think that this is our advantage.

Mizuno [Q]: Thank you very much.

I would like to ask another question regarding the details of the analysis of changes in operating profit. I believe the overall increase in operating profit this time is JPY9 billion. Since you mentioned that the annual forecast of foreign exchange effect was originally plus JPY18 billion and plus JPY27 billion in the current revision, so the foreign exchange effect can explain all of the upward revision, but if there is an increase or decrease in other items, please let us know, even if it is qualitative.

In addition, the profit decline due to the raw materials has been gradually decreasing, but the negative impact is still significant, and raw materials prices continue to be volatile. Regarding the status of logistics costs and materials to be procured and the concept of future hedging, et cetera, please let me ask you one more time about your company's current stance.

Miyazumi [A]: Exchange rates are positive by JPY27 billion in Q3 cumulative total. Originally, at the time of the announcement in November, the exchange rate was expected to be positive JPY18 billion, so the difference is JPY9 billion, resulting in a full-year forecast of JPY372 billion. Simply put, that is the calculation.

As to your question about the other items, basically, we see that they are generally progressing online against the figures announced in November.

In terms of the status of procurement for the next fiscal year, copper and aluminum have basically not changed since then from the hedging ratio at the time I mentioned in November. Now that the prices of both copper and aluminum have risen a bit, we are refraining from hedging. We will probably proceed with the timing of future hedging based on the situation.

In terms of logistics costs, marine transportation has eased a little, but on the other hand, land transportation, especially in the US and Europe, has remained high due to labor shortages, so we do not expect it to worsen or improve much compared to our previous assumptions.

Mizuno [M]: I understand. Thank you very much for the detailed explanation. I look forward to the next briefing.

Sakamoto [M]: Thank you very much.

Next, Mr. Ibara from Morgan Stanley MUFG Securities, please go ahead.

Ibara [Q]: Thank you.

First, as I think was mentioned in Mr. Isayama's question earlier, sales in North America have been growing very rapidly, and on the other hand, if we look at the data on page nine, in terms of unitary, 6% of the unit sales. In addition to the overall growth in volume, I think the effect of newly consolidated companies, foreign

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exchange rates, and product mix may have also contributed to the growth. Could you please explain the numbers behind the 56% sales growth in air-conditioning business in Americas over the cumulative period?

Matoba [A]: Matoba will answer the question.

Earlier, I explained that the growth rate of Daikin North America on a local currency basis was a cumulative plus 28%. As Mr. Ihara just pointed out, the volume effect is about 6 percentage points, or nearly 10 percentage points in terms of selling price. I hope you can see it as about 9 points.

In addition, the effect of new consolidations and expansion of sales channels resulting from M&As will be about 9 points, and the remaining 4 points will be the improvement of the mix.

Ibara [Q]: Thank you very much.

Looking at unitary volume alone, the growth rate has not changed much since Q1, about 6%, but the market is getting worse and worse, but Daikin is doing well to maintain 6%. I think you may have explained this earlier, but could you please explain again about the market trend and Daikin's market share?

Matoba [A]: Looking at US residential unitary demand by quarter, Q1 was about the same as the previous year, and Q2 and Q3 were below the previous year's levels. Although Q3 is slightly more negative than Q2, our market share is steadily recovering as we are maintaining the sales growth at 6% in the market.

Ibara [Q]: I understand. Thank you.

Secondly, I think you mentioned earlier that Q3 results were roughly in line with the Company's forecast, excluding foreign exchange. Is that correct?

Also, I think the increase in the number of infected patients due to the lifting of the zero-coronavirus policy in China could not have been assumed at the timing of the interim results, but even if the total was roughly as expected and only the foreign exchange effect remained, if there were any bumps by region or by business, compared to what was assumed in November, could you please explain?

Matoba [A]: We have not prepared the revised annual sales forecast by region, but the situation in China is such that we are about JPY20 billion short of our current annual sales forecast of JPY460 billion. This assumption incorporates the progress made in Q3 and the efforts made in the remaining two months of Q4. We believe that the negative balance will be covered by other regions such as the US, Southeast Asia, and Europe.

Ibara [Q]: In the US, I think the annual unitary target was 110%, but now it is at 106%. If we look at the volume, that target is not easy to see, but as you mentioned earlier, considering that the mix is good and pricing is good, can we assume that North America is moving up?

Matoba [A]: Yes, that's right. You are absolutely correct.

Ibara [M]: I understand. Thank you.

Sakamoto [M]: Thank you very much.

Next, Mr. Sasaki from Mitsubishi UFJ Morgan Stanley Securities, please go ahead.

Sasaki [Q]: I am Sasaki from Mitsubishi UFJ. Thank you for your time today. I would like to ask two questions as well. I will ask one question at a time.

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First, please tell me about your Q3 results. Please tell me the growth rate of each region's air-conditioning business in local currency terms for the October to December period, with figures for the three months only.

In addition to that, I would like to ask you about your perspective on the performance of the air-conditioning business. Looking at the profit increase/decrease analysis you provided, the contribution to profit growth from sales expansion in the air-conditioning business for the October to December period was only JPY3.7 billion. The first question is to ask about the background behind this.

I suspect that this is due to the deterioration of the product mix in China and a considerable increase in unrealized profits as seen in the balance sheet. I would be very happy to hear your thoughts on this. Thank you.

Matoba [A]: First of all, I would like to show you the growth rate by region, and I will show you the figures for just the three months of Q3 for the air-conditioning business. Japan is plus 12%, Europe is plus 25%, China is minus 20%, the Americas is plus 26%, and Asia is plus 27%.

As you pointed out, Q3 profit was affected by the drop in sales in China and the elimination of unrealized profit, as was the case in Q2.

Sasaki [Q]: Thank you very much.

Just for Q3 alone, could you please tell us what the impact of the elimination of unrealized profit was, if you have the numbers?

Matoba [A]: Sorry. Let me refrain from telling you the amount.

Sasaki [Q]: Although sales in China are down 20%, sales in other regions have increased considerably, so am I correct in understanding that unrealized profit is having a considerable negative impact?

Matoba [A]: Yes, that's right. It is not at the level of substantial, but it continues to appear. Inventory levels are rising overall, as the company is also setting up strategic inventories in areas where sales are strong.

Sasaki [Q]: In the future, for example, in the summer of the next fiscal year, inventories will be cleared since it is the demand season. In that case, the unrealized profit in the strategic inventory will become actualized. Can I assume that it will be easier to achieve results?

Matoba [A]: Yes, that's right. The air-conditioning season is about to begin and shipments will be in full swing, so the key to success will be how well we can link this to sales.

Sasaki [Q]: I understand very well. Thank you.

Second, what is your approach to price pass-through? Although the rising costs of materials and logistics have been a considerable headwind for your company, the impact of the raw material market and logistics cost hikes in Q3 alone was a negative JPY33 billion, while the positive effect of selling prices was JPY39 billion, so I think the selling price measures are providing a tailwind. As Mr. Miyazumi mentioned earlier, cost increase factors have run their course, and I think it is time for the strategic sales price measures to finally start generating positive results. I wonder if you could tell us what you think about the future outlook for selling prices. Thank you.

Miyazumi [A]: Prices are usually raised by about 2% to 3% per year, basically at the time of new product launches. Last year was also a very inflationary year, and I think the situation was such that the price pass-

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through was successful to some extent, with the inflationary amount also added to the price. Our approach is to pass on the price of inflation in addition to the normal price increase in the next fiscal year onward.

Sasaki [Q]: With regard to the effects of the selling price measures, is it correct to think that you are entering a period of recovery in the future?

Miyazumi [A]: Yes, that's right.

Sasaki [Q]: Looking at the regions, I think the selling price effect has been quite strong in the US so far, but could you tell us if there is any color to the price increase by region?

Miyazumi [A]: The US, with its strong inflationary pressures, is a country where price shifting is easily penetrated.

On the other hand, in Japan, there is still a little deflationary pressure, or supply side inflation, and the demand side is not so strong. Therefore, it is difficult for price increases to penetrate the market.

Sasaki [Q]: How about Europe, Asia, and China?

Miyazumi [A]: In Europe, demand for heat pump heating is strong, so, to some extent, the price increase is likely to penetrate the market.

In Asia, as I mentioned earlier, capital investment is returning to the commercial sector and demand is firm. When it comes to Asia, it is also India. We expect that sales volume will increase and profit will be generated in the future, as demand is very strong in India.

Sasaki [Q]: Are you saying that it is easier to raise prices outside of Japan?

Miyazumi [A]: Yes. I think Japan is the most difficult environment to raise prices.

Sasaki [M]: I understand very well. Thank you very much.

Sakamoto [M]: Thank you very much.

Well then, Mr. Miyagi from Mizuho Securities, please go ahead.

Miyagi [Q]: I am Miyagi from Mizuho Securities. Thank you for your explanation. I have two questions.

The first is the availability of inventory at dealers and distributors. Is the situation still very low compared to normal levels due to the supply chain problems that continue to drag on, especially in the North American region, or is it rather a situation where inventory at dealers and distributors has increased considerably? Could you please explain the situation for some of the regions, especially North America? Thank you.

Matoba [A]: With regard to the inventory, the US market is now at a somewhat high and excessive level. The same applies to Japan. While inventory levels are a little high in Japan and the US, we believe that in other regions, such as China, Europe, and Asia, inventory levels are normal.

Miyagi [Q]: Thank you very much.

In that sense, am I correct in understanding that your company's sales in Q3 are no longer being pushed up beyond actual demand due to inventory buildup by dealers and distributors, and that your sales are this strong?

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Matoba [A]: Yes, that's right. We believe that there has been no particular impact from the adjustment of distribution inventories.

Miyagi [Q]: I think the lead time has increased quite a bit due to the supply chain problems, but are there any signs that sales are strong but orders are falling, or that there is some kind of gap between orders and sales, both for residential and business use?

Matoba [A]: I am not sure that we are seeing any fluctuations that are attributable to inventory levels. We believe that it largely depends on the impact of market strength or weakness.

Miyagi [Q]: I understand. Thank you.

The second is about refrigerants. In particular, the refrigerant used in heat pump heating, or what other companies call air-to-water, I believe that all Japanese-affiliated competitors have been following your company in the adoption of R32 for ordinary cooling and air conditioning systems.

Looking at it recently, I feel that some manufacturers are trying to take a slightly different route than your company, such as using R290 (propane) and natural refrigerants in air-to-water.

I wonder if you could talk about your company's stance on the use of natural refrigerants in heat pump heating, and your strategy for refrigerants other than R32 in the areas of heat pump heating and air-to-water. Thank you.

Miyazumi [A]: As you mentioned, more and more manufacturers are gradually adopting propane. Our basic approach is that refrigerants are adopted based on a comprehensive assessment of performance, safety, and other aspects, and that they should be diverse. At this point, we believe that R32 refrigerant is suitable.

From a carbon-neutral perspective, it is naturally better to have a lower global warming potential, but propane is flammable, and there are risks involved. Even when other companies use propane as a refrigerant, they use it for package –type products and R32 for products that have long refrigerant pipes. For safety reasons, it will not be easy to jump to conclusions and go with propane.

Miyagi [Q]: Thank you very much.

Is it your company's stance that R32 is the most suitable technology for air-to-water and heat pump heating, as well as for conventional air conditioning and cooling systems?

Miyazumi [A]: Yes. Naturally, we will work on that part in case that we adopt propane, but again, propane has the risk of accidents. There is also a risk of explosion depending on how the industrial waste contractor handles the waste. We also believe that propane will not become widespread unless we do something cross-industry in terms of the circular economy.

Miyagi [M]: I understand. Thank you. That's all.

Sakamoto [M]: Thank you very much.

Next, Mr. Maekawa from Nomura Securities, please go ahead.

Maekawa [Q]: I am Maekawa from Nomura Securities. Thank you very much for your explanation. I would like to ask two questions.

The first point is about profit and loss. On page five, regarding the JPY118.1 billion for raw materials, I would like to first confirm the breakdown here, just for the air-conditioning business.

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Matoba [A]: I am sorry. I am unable to answer the part about Q3 results because I have not been able to break it down.

Maekawa [Q]: I understand.

I think the negative here is gradually shrinking in Q1, Q2, and Q3 as prices were on the rise last year. The negative figure in the metal price area is shrinking, and the logistics cost area is rather rising. Do you have such an image? I don't mind a qualitative answer, but how should we view it?

Matoba [A]: As a trend, both actual and forecast views have not changed. As you have just pointed out, the impact on copper and aluminum is smaller than originally estimated. On the other hand, price hikes by suppliers for parts procurement have been coming in as scheduled, and the negative impact has been rather large.

In logistics, the situation differs considerably between ocean freight rates and land freight rates, but while ocean freight rates are settling, land freight rates are still on the rise. This is basically a situation where the actual results have been moving almost in line with what we indicated last November that we were seeing in terms of this trend. We have not made any major changes to our view of the full year.

Maekawa [Q]: I understand. Thank you.

In the context of the increase/decrease of profit, as mentioned in the earlier question, I would like to ask about sales expansion. It is quite small and I am not sure if you are talking about just unrealized profit. Looking at the contents of the report, we see that sales in China declined, while sales in Europe and the US rose sharply. I think China will return to sales to some extent in Q4, but the same sales expansion effect remains in Q4 as we subtract now, so it is difficult to fall into profit even if sales increase, or this situation seems to continue in Q4. Is this solely due to the impact of inventory, or are there concerns about differences in profit margins for sales that are growing in different regions, or a worsening mix, et cetera? Please tell me about it.

Matoba [A]: We are planning to cover the negative impact of China with other regions, but in terms of profit margin, the high profit margin in China cannot be fully covered by other regions. Therefore, we believe that the effect of sales expansion appears weak because of this.

Maekawa [Q]: In the US and elsewhere, the profit margin is certainly not very high. Since you have also raised prices, I don't think the image of marginal profit is that bad, but in expanding this dealer network, is there anything that has changed your traditional sales methods and approach?

Matoba [A]: No, there has not been any major change, especially in the US business. We have not changed our basic approach, which is to continue to invest aggressively in sales channels, R&D, and dealer network expansion, while expanding sales to improve profit margins.

Maekawa [Q]: I understand. Thank you.

The second point is your view of the Chinese market. In the short term, we are seeing a recovery and improvement in consumption, and then, taking it one step further, we understand that regulations on real estate, which had been quite strict in the past, have eased somewhat. What are your thoughts on the impact of this area on the market, especially when looking at the Chinese market over the medium to long term?

At the ESG presentation the other day, I believe that the Chinese market was given a high growth rate of 7%, and I think we are beginning to hear positive stories amid the slowdown in the Chinese market. Please tell us your thoughts.

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Miyazumi [A]: To be honest, it is quite difficult to look at the Chinese market. As you mentioned, the Chinese government has been taking measures to boost the real estate market, and this year they are planning to bring the GDP growth rate back to the 5% level. We will naturally continue to take advantage of any measures taken by the government to support the economy.

On the other hand, what will happen to China's real estate market in the medium term is probably a different matter, and it is likely that the direction that the Chinese economy has taken over the past 20 years, which was driven by real estate development, will change under the Xi Jinping administration. In other words, if China shifts from an economic development-oriented economy to one based on expanding domestic demand and personal consumption, we will invest more resources in residential multi and generate more revenue in this business portfolio.

Maekawa [Q]: Up until now, I think that real estate development has had a background of skeleton properties, but now that demand has matured and demand for renewal has emerged, I wonder if a shift to high value-added products such as residential multi is possible. Do you intend to change the sales direction of your company in the Chinese market?

Miyazumi [A]: I believe that personal consumption, such as residential use, will take center stage in the future, so I think that we will expand our high value-added products for residential use to inland areas through bundled sales and system proposals.

Also, in terms of sales methods, I think it is only natural that the combination of online and offline sales will become more sophisticated.

Maekawa [M]: I understand. Thank you.

Sakamoto [M]: Thank you very much.

Since the scheduled time is approaching, we will conclude the session with the next question.

Mr. McDonald from Citigroup Global Markets, please go ahead.

McDonald [Q]: Regarding cash flow, Mr. Miyazumi mentioned at the beginning that the Company acquired Venstar and Williams in the US for about JPY14 billion and JPY23 billion, respectively. What kind of sales contribution do they make? Earlier, there was a breakdown of the growth rate, and you mentioned that the effect of M&A was about 9 percentage points, but what do you consider the impact of sales and profit, respectively? Even in H1, you acquired an Italian hydraulic manufacturer. What is the effect of this? Please tell us about this point.

Matoba [A]: Regarding the effect of the new consolidation, the companies we recently decided to acquire in the US have not been consolidated yet, but the acquisitions we have made in the past few years have a consolidation effect of JPY44 billion in terms of value.

McDonald [Q]: Will that be next year's sales?

Matoba [A]: I'm sorry, I mean contribution to the results through Q3.

McDonald [Q]: Is it only in the US?

Matoba [A]: Yes, that's right.

McDonald [Q]: When did you acquire Venstar and Williams?

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Matoba [A]: This is the end of last December, Q3 period, so we will consolidate the data in the future. We are in the process of acquiring six major companies such as these distributors. Of this amount, JPY44 billion is the result of new consolidation.

On the other hand, the hydraulic equipment company acquired in Europe has started periodic consolidation of profit and loss from this Q3, with net sales of JPY5.4 billion. The profit margin is more than 5%, but if we include the amortization of goodwill, we are not seeing a contribution to profit.

McDonald [Q]: I understand.

In the end, in terms of cash flow, you have spent a cumulative total of about JPY78 billion on M&A. I wonder if free cash flow has turned negative due to capital expenditures and inventory growth.

What do you think about this cash flow situation? How much of a negative figure are you looking at for the current fiscal year, given the various factors such as the impact of foreign exchange and inventories? Regarding the cash flow situation, is this year the most negative? Do you think it will get better next year? Do you still plan to increase the strategic inventory?

Matoba [A]: Regarding investment, the first three years of our current strategic plan are based on the basic concept of investing aggressively, especially in growth, so we are planning to invest quite aggressively this fiscal year as well. The basic approach for the next fiscal year will be the same.

McDonald [Q]: In the end, this is the third upward revision, but the dividend has not changed. I think your company's policy is 3% DOE, so I don't think it needs to change to some extent, but why don't you increase the dividend a little more?

Matoba [A]: Regarding dividends, we have not reviewed them as of this Q3, but we would like to review them at the end of the fiscal year, after looking at the full-year results and performance.

McDonald [Q]: I understand.

Finally, I have another question regarding the chemicals business. Excluding foreign exchange, I have the impression that sales are slowing down and the profit margin is also decreasing a little compared to Q1 and Q2, but at the beginning of the meeting, you said that sales for semiconductors and automobiles are still expanding in the chemicals business. When will this chemicals business happen?

Matoba [A]: The reason for the very high profit margin in the chemicals business is that sales to the semiconductor and automobile industries are large and the high profit margin business is very strong. Compared to the strong performance in H1, the momentum has slowed somewhat in Q3, but it continues to be strong.

However, since the inventory allowance of molders for semiconductors and automobiles has run its course, we expect that demand in the next fiscal year will be a little tougher than in the current fiscal year.

McDonald [M]: I see. Thank you, Mr. Matoba.

Matoba [M]: Thank you very much.

Sakamoto [M]: With that, I would like to conclude the financial results briefing.

Thank you for participating throughout the entire presentation.

Miyazumi [M]: Thank you very much.

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Matoba [M]: Thank you.

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