



Presentation of Financial Results for the First Quarter Ended in June 2023

August 8, 2023

Summary of Financial Results

Both Net sales and operating profit rose year over year. Even after excluding the effects of the foreign exchange rates, revenue and profits increased on a real basis, and Daikin established new record highs in financial results.

While stagnant demand in all regions made the business environment challenging, we worked to increase profitability by strengthening proposals for products and services related to carbon neutrality and energy savings, expanding the Solutions business, implementing strategic selling price measures, and reducing variable and fixed costs.

- ✓ Air Conditioning business: Sales expanded in China and Asia. Even in Japan, the Americas, and Europe, we worked to identify dynamic markets and expand sales of differentiated products and services. This led to higher revenue and profits.
- ✓ Chemicals business: Despite the significant impact of demand slowdown, efforts were made to expand sales in the semiconductor market, and this enabled us to maintain strong growth in profits.

Although an even more severe business environment is expected from the second quarter onwards, we will accelerate initiatives for key themes while also reinforcing and expanding measures in response to changes as we aim to achieve the annual plan (Net sales of 4.1 trillion yen and operating profit of 400 billion yen).

(billion yen)	Q1 Results		
	FY2022	FY2023	Y/Y
Net Sales	967.8	1,094.7	113%
Operating Profit	107.9	117.9	109%
(Percentage of profit to net sales)	(11.1%)	(10.8%)	
Ordinary Profit	109.5	114.8	105%
(Percentage of profit to net sales)	(11.3%)	(10.5%)	
Profit Attributable to Owners of Parent	70.6	80.3	114%
(Percentage of profit to net sales)	(7.3%)	(7.3%)	
USD/JPY	¥130	¥137	
EUR/JPY	¥138	¥149	
RMB/JPY	¥19.6	¥19.6	

FX Effect (Y/Y)

Net Sales	+36.0 billion yen
Operating Profit	+3.0 billion yen

Y/Y Results Excluding FX Effect

Net Sales	109%
Operating Profit	106%

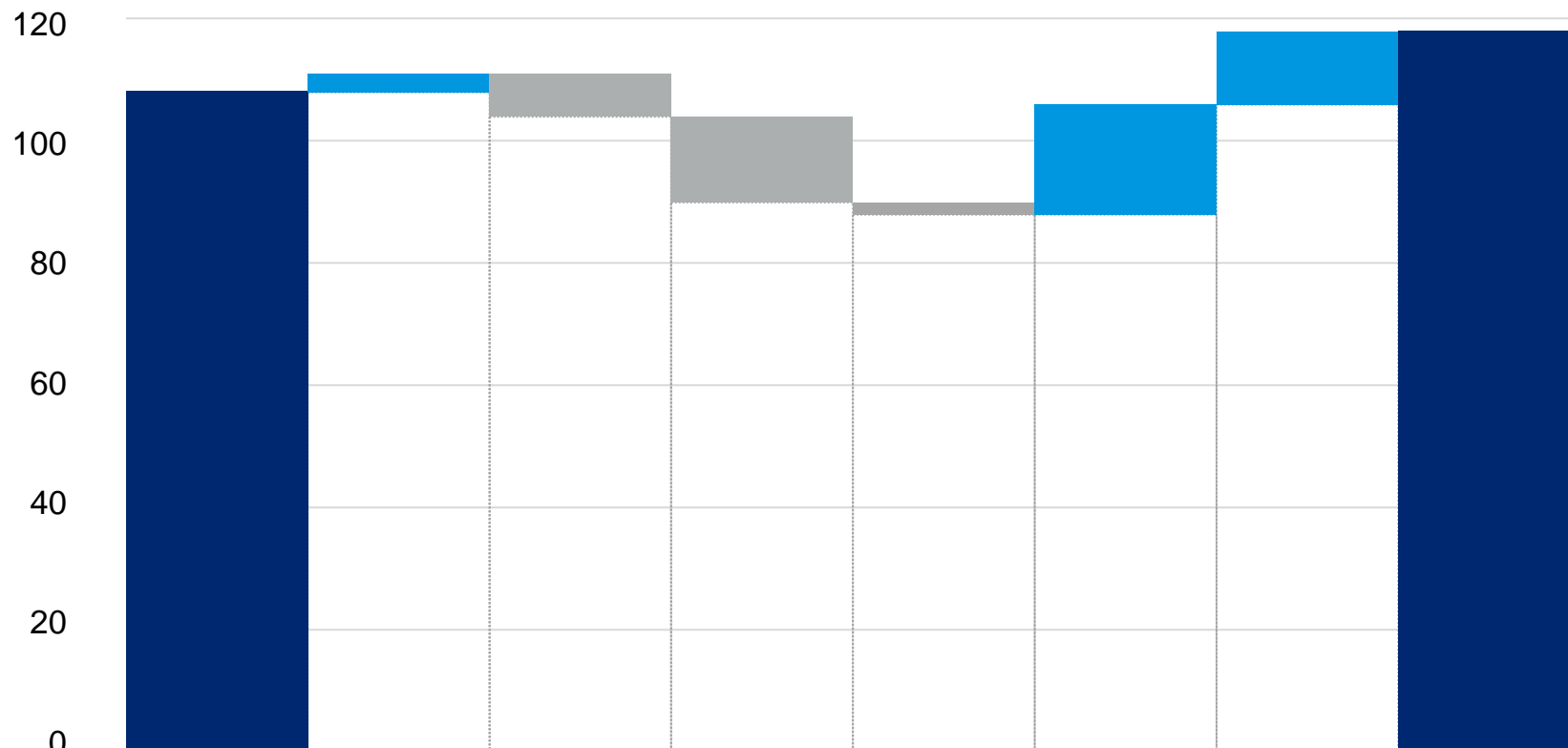
Financial Results by Segments

(billion yen)		Q1 Results		
		FY2022	FY2023	Y/Y
Total	Net Sales	967.8	1,094.7	113%
	Operating Profit (Percentage of profit to net sales)	107.9 (11.1%)	117.9 (10.8%)	109%
Air Conditioning	Net Sales	889.3	1,011.8	114%
	Operating Profit (Percentage of profit to net sales)	94.5 (10.6%)	103.7 (10.2%)	110%
Chemicals	Net Sales	63.9	60.9	95%
	Operating Profit (Percentage of profit to net sales)	12.5 (19.6%)	12.8 (21.0%)	102%
Others	Net Sales	14.6	22.0	151%
	Operating Profit (Percentage of profit to net sales)	0.9 (5.9%)	1.4 (6.4%)	165%

*Air-Conditioning business includes filter, refrigerator and freezer businesses.

Breakdown of Changes in Operating Profit - Year-on-Year Results

(billion yen)



	FY2022 1Q Results	Foreign Exchange	Raw Materials (including logistics costs)	Fixed Costs, etc.	Sales Expansion	Selling Price	Cost Reductions	FY2023 1Q Results
Total	107.9	+3.0	-7.0	-14.0	-2.0	+18.0	+12.0	117.9
Air Conditioning	94.6	+1.9	-8.9	-13.0	+5.1	+12.5	+11.6	103.7
Chemicals	12.5	+1.1	+1.6	-0.8	-7.2	+5.2	+0.3	12.8
Others	0.8	-	+0.3	-0.2	+0.1	+0.3	+0.1	1.4

Net Sales by Region – Air Conditioning Business

* Includes refrigerator, freezer and filter businesses

*Percentage expresses year on year comparison

(billion yen)	FY2019 Q1		FY2020 Q1		FY2021 Q1		FY2022 Q1		FY2023 Q1	
	Japan	112%	127.4	91%	116.3	117%	136.4	97%	132.3	106%
Europe	107%	93.8	93%	87.4	157%	137.0	112%	153.8	114%	174.9
China	96%	112.4	79%	89.1	146%	130.0	95%	123.3	118%	146.0
Americas	107%	180.7	92%	166.1	133%	221.6	147%	325.1	116%	378.1
Asia	107%	82.8	64%	53.2	138%	73.5	143%	105.0	112%	117.4
Oceania	92%	16.9	97%	16.3	138%	22.5	129%	29.1	100%	29.0
Middle East	91%	9.7	75%	7.2	186%	13.4	136%	18.2	130%	23.6
Africa	82%	1.6	71%	1.1	115%	1.3	194%	2.5	117%	2.9
Total	105%	625.3	86%	536.7	137%	735.6	121%	889.3	114%	1,011.8
Overseas Sales ratio		80%		78%		81%		85%		86%
USD/JPY		¥110		¥108		¥110		¥130		¥137
EUR/JPY		¥123		¥118		¥132		¥138		¥149
RMB/JPY		¥16.1		¥15.2		¥17.0		¥19.6		¥19.6

Net Sales by Region – Chemicals Business

*Percentage expresses year on year comparison

(billion yen)	FY2019 Q1		FY2020 Q1		FY2021 Q1		FY2022 Q1		FY2023 Q1	
	Japan	103%	12.6	71%	9.0	147%	13.2	128%	17.0	94%
Americas	95%	10.8	71%	7.7	135%	10.3	131%	13.6	78%	10.7
China	90%	8.8	105%	9.3	133%	12.3	123%	15.1	86%	13.0
Asia	87%	5.3	88%	4.7	127%	6.0	132%	7.8	99%	7.7
Europe	63%	6.4	76%	4.8	173%	8.4	121%	10.1	132%	13.4
Others	81%	0.3	40%	0.1	179%	0.2	139%	0.3	55%	0.2
Total	88%	44.3	80%	35.6	142%	50.4	127%	63.9	95%	60.9
Overseas Net Sales ratio		71%		75%		74%		73%		74%
USD/JPY		¥110		¥108		¥110		¥130		¥137
EUR/JPY		¥123		¥118		¥132		¥138		¥149
RMB/JPY		¥16.1		¥15.2		¥17.0		¥19.6		¥19.6

Business and Regional Overview – Air Conditioning

Japan

Both Residential and Commercial saw sluggish demand due to a delay in economic recovery and decline in consumer confidence caused by soaring prices. In addition to expanding sales of differentiated products, we incorporated the effects of selling price measures, and net sales exceeded the previous year.

- ✓ Residential: Sales improved for differentiated products such as **Urusara X**. We also capitalized on the growing need for energy savings due to higher electricity bills to increase the sales ratio of medium- to high-end products.
- ✓ Commercial: Sales expanded for **FIVE STAR ZEAS** and **machi Multi** because of their high energy savings and ease of workability. We also focused on system proposals combining such options as the **UV Stream Disinfection Unit**, which adds air cleaning and disinfection functions.

Y/Y change (Volume basis)		Q1 Results
Residential	Market	95%
	Daikin	90%
Commercial	Market	100%
	Daikin	96%
Applied	Market	114%
	Daikin	115%

*Applied is based on total net sales.

Business and Regional Overview – Air Conditioning

Americas

Sluggish housing demand and distribution inventory adjustments led to a severe market environment. In addition to strengthening sales capabilities and expanding sales of environmentally conscious products, we also capitalized on the effect of selling price measures, and net sales exceeded the previous year.

- ✓ Ducted Unitary for Houses: Although sales volume increased significantly for our environmental premium product **FIT**, sales fell year on year from stagnant growth in industry demand due to prolonged inflation, rising interest rates for home loans, and efforts to curb distribution inventory.
- ✓ Ductless: In the Commercial market where demand is relatively strong, we utilized our enhanced sales network to increase VRV system sales. For RA/SKY, sales fell below the previous fiscal year due to efforts to curb distribution inventory.
- ✓ Applied: In addition to expanding equipment such as air handling units and chillers, net sales also increased for the After Sales Service business, leading to results that greatly exceeded the previous fiscal year.

Y/Y change (Volume basis)		Q1 Results
Ducted unitary for houses		73%
Ductless	RA/SKY	70%
	VRV	101%
Applied		154%

*Applied is based on total net sales in local currency.

Business and Regional Overview – Air Conditioning

China

Once the zero-corona policy was lifted, all manufacturing and sales activities began operating at full speed for the first time in 3 years. While the recovery of the real estate market has lagged, sales for Residential, Commercial, and Applied products have significantly expanded, and net sales exceeded the previous year. Operating profit maintained a high level due to greater sales of high value-added products and cost reduction initiatives.

- ✓ Residential market: In addition to user-direct retail sales, our unique online sales activities, such as live broadcasts using showrooms, web advertising, and SNS, contributed to sales growth. To meet customer needs, we launched the residential multi-split air conditioner series **Daikin CARE Central Air System**, which combines air conditioning, ventilation, heat pump floor heating, and Solution services that include energy-saving and air quality proposals.
- ✓ Commercial market: Deliveries resumed to projects that had been suspended because of the zero-corona policy, and sales grew. New products with high energy-saving performance were launched in response to the market growth for government projects, factories, green buildings, etc., from the promotion of carbon neutrality policies.
- ✓ Applied market: In addition to investing in growth fields related to infrastructure and semiconductors, we strengthened our maintenance and servicing business.

Y/Y change (Local currency basis)	Q1 Results
Residential	124%
Commercial	128%
Applied	107%

Europe, Middle East, and Africa

The economic slowdown resulting from the ongoing tight monetary policies enacted to reign in persistently high inflation made the business environment challenging. Whereas demand for heat pump heating hit a temporary lull, sales expanded in Commercial and Applied due to products having appeal from an environmental and energy-saving perspective, and overall regional net sales exceeded the previous fiscal year.

- ✓ Residential: While sales increased in countries such as France and Spain due to higher temperatures, other countries were greatly affected by a decline in consumer confidence from the economic slowdown.
- ✓ Commercial: Sales expanded by meticulous ‘spec-in’ activities addressing the energy-saving needs of offices and stores.
- ✓ Heating business: Demand for heat pump water heaters continued expanding in the background of the green deal policies of European governments. However, the first quarter was heavily impacted by lower gas prices and changes to Italy's subsidy system.
- ✓ Applied: Sales expanded due to environmentally conscious products such as R32 compact INV chillers.
- ✓ Freezer and Refrigerator business: Severe business environment continues due to weak supermarket investment.

Y/Y change (Volume basis)		Q1 Results
Residential		87%
Commercial	SKY	104%
	VRV	102%
Heat Pump Heaters		88%
Applied		119%
Refrigerator and Freezer		77%

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

*Applied, Refrigerator and Freezer are based on total net sales in local currency.

Business and Regional Overview – Air Conditioning

Asia and Oceania

Despite the difficult business environment that included a slowdown in consumption from inflation and unseasonable weather in India, net sales for the region overall exceeded the previous year due to efforts to develop and support dealers.

- ✓ Residential: Focused on developing new stores, supporting dealers online, and promoting the proliferation of inverters. Rising temperatures acted as a tailwind in expanding sales in Indonesia, Thailand, and other countries. While an unseasonably cool summer resulted in sluggish demand in India, sales increase by utilizing the sales network that has been expanded.
- ✓ Commercial: Through meticulous dealer support, we ensured that recovery demand led to confirmed orders, and sales expanded mainly in India and Thailand.
- ✓ Applied: In addition to expanding equipment sales, we concentrated on the After Sales Service business, such as maintenance and servicing.

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

Australia: 102% India: 120% Vietnam: 107%

Malaysia: 103% Indonesia: 123% Thailand: 130%

Y/Y change (Volume basis)		Q1 Results
Residential		104%
Commercial	SKY	108%
	VRV	119%
Applied		151%

*Applied is based on total net sales in local currency.

Business and Regional Overview – Chemicals

Net sales decreased year on year as a result of lower demand for semiconductor process materials, automobiles, and fine chemical products.

✓ Fluorocarbon Gas

In addition to relatively strong demand, we also incorporated the effect of selling price measures, leading to sales that significantly exceeded the previous year.

✓ Polymers and Fluoroelastomers

-Fluoropolymers: Despite strong sales for semiconductor manufacturing equipment, sales decreased in the information and communication field, including LAN cable, resulting in sales remaining on par with the previous year.

-Fluoroelastomers: Sales fell below the previous year from stagnant demand in the automotive field.

✓ Fine Chemicals, Etc.

Demand for etching agents, anti-smudge surface coating agents, and water and oil repellents declined, leading to sales that fell below the previous fiscal year.

Y/Y change (Net sales basis)	Q1 Results
For all fluorochemical products	95%
Fluorocarbon Gas	151%
Fluoropolymers & Fluoroelastomers	100%
Fine Chemicals, etc.	72%

Business and Regional Overview – Filters

Net sales declined from the impact of withdrawing from low-profit businesses in the United States, and sales declined year on year.

- ✓ Air Filter: Sales of high-performance filters for hospitals, pharmaceuticals, and data centers grew amid steady demand in the United States, Europe, and Asia. In Japan, we expanded sales to the semiconductor market since demand for infectious disease control products has run its course.
- ✓ P&I (※): Efforts were made to improve the business structure, which included 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

	FY2022		FY2023	
	Q1 Results	Full-year Results	Q1 Results	Full-year Forecast
(billion yen)				
Capex	43.9	250.3	79.0	315.0
Depreciation	33.1	142.7	39.2	170.0
R&D Cost	23.2	102.2	30.2	115.0



Notes on forecast

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