

Strategic Management Plan [Target Year: Fiscal Year 2025 (ending March 31, 2026)]

Formulation of Fusion 25 Latter-Half Three-Year Plan

Offering new value for the environment and air to realize both contributions to a sustainable society and Group growth

Daikin Industries, Ltd. has formulated the Latter-Half Three-Year plan (FY2023-FY2025) for its strategic management plan Fusion 25 with fiscal year 2025 as the final year.

Having started in fiscal year 2021, Fusion 25 now marks the mid-year of the five-year plan. Because of the global spread of the COVID-19 pandemic, Fusion 25 started in the midst of unprecedented environmental changes and great uncertainty for the future. Responding to a series of environmental changes that included supply chain problems, acceleration of the movement toward a decarbonized society, the emergence of geopolitical risks, and rising inflation, Daikin achieved results by taking measures one step or half a step ahead of competitors and by leveraging the strengths it has cultivated over many years, such as business localization based on local production for local consumption, a sales network that has expanded worldwide, and the action-taking ability of the organization.

This fiscal term Daikin plans net sales of ¥4.1 trillion and operating profit of ¥400 billion, which are well ahead of its original Fusion 25 midway targets (net sales of ¥3.1 trillion and operating profit of ¥325 billion).

Based on the results of the first half of Fusion 25 and changes in the business environment, quantitative targets of ¥4.55 trillion for net sales and ¥500 billion for operating profit (operating profit margin of 11%) have been set in the Latter-Half Three-Year Plan for achievement in fiscal year 2025.

In addition to the key themes of "Challenge to Achieve Carbon Neutrality," "Promotion of Solutions Business Connected with Customers," "Creating Value with Air," and "AC Business in North America" that were among the Nine Key Themes set at the outset, the company has added two new themes, including the theme of "Establishment of a Major Base in India." To further refine and implement these key strategies, the Latter-Half Plan calls for Daikin to invest approximately ¥1.2 trillion over the next three years for research and development, enhancement of production capacity, and further business expansion in response to the changing times.

Through Fusion 25, a management strategy that emphasizes execution, Daikin looks to provide new value for the environment and air, contribute to a sustainable society, and realize growth of the Daikin Group.

1. Quantitative Targets for the Latter-Half Three-Year Plan

1) FY2025 Targets (Financial Results)

(unit: ¥100M)	FY2020 Results	FY2023 Forecast	FY 2025 Targets (Announced here)
Net Sales	24,934	41,000	45,500
Operating Profit (%)	2,386 (9.6%)	4,000 (9.8%)	5,000 (11%)

2) Investment Plan for Fiscal 2023-2025 (three-year cumulative, unit: ¥100 million)

R&D Investment	3,900
Capital Investment	8,000
Digital Investment	1,800

2. Direction of the Latter-Half Three-Year Plan

In formulating the Fusion 25 Latter-Half Three-Year Plan, Daikin took the changes in the external environment over the past two years in account and backcasted from medium- to long-term trends for after 2025 to set themes that should be addressed now with an eye to 2030. Daikin will promote the implementation of 11 themes, adding the new two themes of "Establishment of a major base in India" and "Chemicals: Challenge to become a leading company in high-performance and environmental materials," to the Nine Key Themes set forth in the original plan.

[Overview of the 11 Key Strategies]



(Reference) Main First-Half Achievements of Fusion 25

- In response to changes in the external environment, such as movement restrictions due to the spread of COVID-19, soaring raw material prices, rising energy prices, and high inflation, Daikin strengthened sales and marketing capabilities, thoroughly implemented selling price policies, and maximized cost reductions. Through the execution of these measures, the negative impacts were greatly absorbed, and the company had greatly exceeded in FY2022 the First-Half Plan for Fusion 25 (FY2023).
- To achieve carbon neutrality, Daikin is expanding its heat pump heating business in Europe and building a system to accelerate the use of inverters in the United States and Asia. Additionally, the company is strengthening its business foundation to enhance its Solutions business, expanding its air conditioning business in North America, and building a strong supply chain.

[Comparison of Financial Results for the Final Year of the Previous Strategic Management Plan (FY2020) and the Latest Year (FY2022)]

(1) Trends of Company-Wide Performance

(Unit: ¥100M)	FY2020	FY2022
Net Sales	24,934	39,816
Operating Profit	2,386	3,770
Operating Profit Margin	9.6%	9.5%

(2) Changes in Sales for AC Business by Region (unit: ¥100M) Major Achievements

	FY2020	FY2022	Main Results of Efforts
Japan	4,960	5,530	Expanded sales of high value-added products meeting needs for IAQ, ventilation, and energy savings
Americas	6,748	13,346	Expanded sales of environmental premium products such as the <i>FIT</i> system for residential use, strengthened the sales and after sales service networks in each region, and built a foundation for the Solutions business through M&A
Asia	2,478	4,147	Expanded business in India, where the market is growing rapidly, and strengthened online sales activities in each region
China	3,277	4,301	Strengthened sales activities that integrated online and offline activities even with restrictions on movement
Europe	3,945	6,574	Significantly expanded the heat pump heating business

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