



Presentation of Financial Results for the First Half Ended in September 2022

November 9, 2022

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«Reference»	

Daikin achieved record high results. Excluding the effect of the exchange rates, both revenue and profits increased.

The harsh business environment persists due to factors including soaring prices for raw materials and logistics, the Shanghai lockdown, and heightened geopolitical risks. Daikin will offset these by accelerating implementation of the Eight Key Themes for FY2022 and responding flexibly to changes in the business situation.

- ✓ In the Air Conditioning business, the Shanghai lockdown affected manufacturing and supply, mainly in China and Japan, but sales expanded in the Americas and Asia. Sales increased in Europe for heat pump hot water heaters, which enjoy strong demand.
- ✓ In the Chemicals business, we took advantage of the recovering demand in the semiconductor and automotive markets to increase both revenue and profits.

(billion yen)	FY2021	FY2022 H1		Y/Y
	H1 Results	Forecast (Aug.)	Results	
Net sales	1,558.9	1,810.0	2,019.8	130%
Operating profit (Percentage of profit to net sales)	192.7 (12.4%)	210.0 (11.6%)	221.7 (11.0%)	115%
Ordinary profit (Percentage of profit to net sales)	196.8 (12.6%)	213.0 (11.8%)	222.7 (11.0%)	113%
Profit attributable to owners of parent (Percentage of profit to net sales)	139.1 (8.9%)	142.0 (7.8%)	156.4 (7.7%)	112%

USD/JPY	¥110
EUR/JPY	¥131
RMB/JPY	¥17.0

¥134
¥139
¥19.9

FX Effect (Y/Y)

On Sales	+185.0 billion yen
On Operating Profit	+18.0 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 Segments

(billion yen)		H1 Results		
		FY2021	FY2022	Y/Y
Total	Sales	1,558.9	2,019.8	130%
	Operating profit (Percentage of profit to net sales)	192.7 (12.4%)	221.7 (11.0%)	115%
Air Conditioning	Sales	1,427.9	1,854.2	130%
	Operating profit (Percentage of profit to net sales)	174.1 (12.2%)	192.9 (10.4%)	111%
Chemicals	Sales	101.9	131.3	129%
	Operating profit (Percentage of profit to net sales)	15.5 (15.2%)	25.8 (19.7%)	167%
Others	Sales	29.1	34.3	118%
	Operating profit (Percentage of profit to net sales)	3.1 (10.7%)	3.0 (8.7%)	95%

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

Profit and Loss Statement

(billion yen)	FY2021 H1	FY2022 H1	Impact on profitability
	115	130	
Net sales	1,558.9	2,019.8	+460.9
Cost of sales	1,010.4	1,341.2	-330.8
	(64.8%)	(66.4%)	
Gross profit	548.4	678.5	+130.1
	(35.2%)	(33.6%)	
Selling general and administrative expenses	355.7	456.9	-101.2
	(22.8%)	(22.6%)	
Operating profit	192.7	221.7	+28.9
	(12.4%)	(11.0%)	
Non-operating gain or losses	4.1	1.0	*1 -3.1
Ordinary profit	196.8	222.7	+25.8
	(12.6%)	(11.0%)	
Extraordinary gains or losses	0.3	6.6	*2 +6.3
Profit before income taxes	197.1	229.2	+32.1
	(12.6%)	(11.3%)	
Corporate taxes, etc.	53.7	68.3	-14.6
Tax burden ratio	27.2%	29.8%	
Profit attributable to non-controlling interests	4.3	4.5	-0.2
Profit attributable to owners of parent	139.1	156.4	+17.3
	(8.9%)	(7.7%)	

*1 Changes in non-operating gains or losses

Inflation accounting adjustment -4.7

Adjustments due to the application of inflation accounting in Turkey

*2 Changes in extraordinary gains or losses

Loss (gain) on valuation of investment securities +6.9 (0.2→7.1)

() parentheses indicate percentage to net sales

Balance Sheet

(billion yen)	2021/9E	2022/9E	Y/Y
Cash and cash equivalents	807.3	707.2	-100.1
Receivables	<u>60 days</u> 510.3	<u>64 days</u> 712.3	+202.0
Inventories	<u>61 days</u> 518.0	<u>79 days</u> 875.5	+357.4
Fixed assets	1,187.9	1,516.8	+328.8
Investment and others	220.2	183.2	-37.0
Others	174.5	257.1	+82.6
Total Assets	3,418.2	4,252.0	+833.8

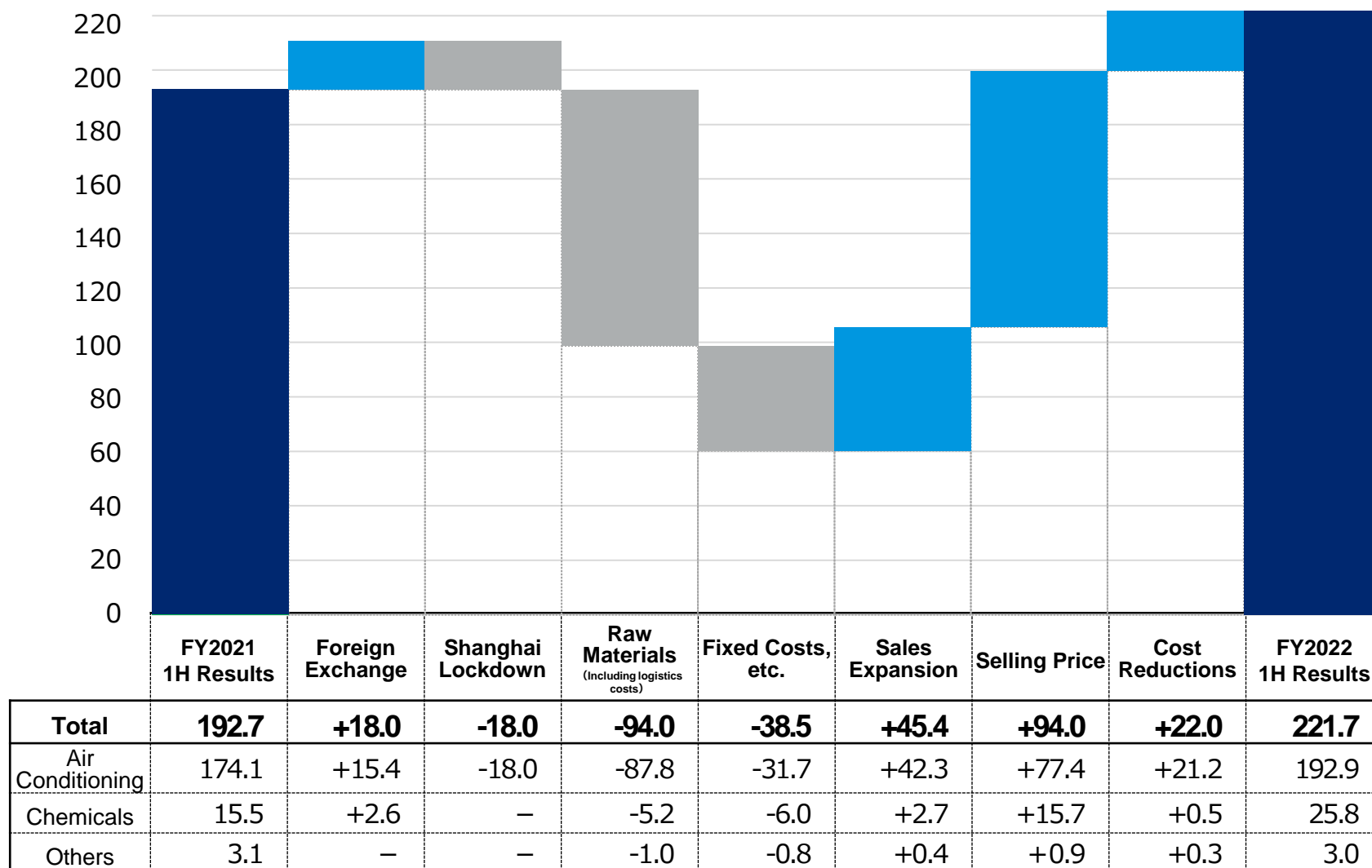
	2021/9E	2022/9E	Y/Y
Trade payables	254.4	367.3	+112.8
Interest bearing	730.8	799.8	+69.0
(Interest-bearing ratio)	(21.4%)	(18.8%)	
Others	601.3	800.5	+199.2
Total liabilities	1,586.6	1,967.6	+381.0
Total equity	1,794.6	2,239.2	+444.6
(Equity ratio)	(52.5%)	(52.7%)	
Share Warrant	2.7	3.2	+0.5
Non-controlling interests	34.4	42.0	+7.6
Total net assets	1,831.7	2,284.4	+452.8
Total liabilities and net assets	3,418.2	4,252.0	+833.8

*Breakdown of interest-bearing debt

	2021/9E	2022/9E	Y/Y
Short-term borrowings	46.3	148.0	+101.7
CP	0.0	30.0	+30.0
Bonds	130.0	190.0	+60.0
Long-term borrowings	468.7	311.0	-157.7
Lease debt	85.9	120.8	+35.0
Total	730.8	799.8	+69.0

Breakdown of Changes in Operating Profit

(billion yen)



II. Business Forecast for FY2022 Companywide Business Forecast

This fiscal year has been upwardly revised twice with the aim of achieving record high results without depending on the positive effects of the exchange rates.

- ✓ We will ensure budget achievement by rapidly addressing emerging risks (high global inflation, increasing energy costs, etc.) and improve our corporate structure.
- ✓ Even as the severity of the business environment increases, Daikin will minimize the negative effects of stagnant demand and increased costs by generating further results from key themes (strategic selling price measures, strengthening sales capabilities, cost reductions, etc.)
- ✓ Taking advantage of the challenges of the times as opportunities, we will further strengthen measures for the heat pump type hot water heater, Energy Service Solutions, and the IAQ and ventilation businesses.

	FY2021 Results			FY2022 Forecast (Aug.)	FY2022			
	H1	H2	Total	Total	H1 Results	H2 Forecast	Total Forecast	Y/Y
(billion yen)								
Net sales	1,558.9	1,550.2	3,109.1	3,480.0	2,019.8	1,740.2	3,760.0	121%
Operating profit	192.7	123.6	316.4	350.0	221.7	141.3	363.0	115%
(Percentage of profit to net sales)	(12.4%)	(8.0%)	(10.2%)	(10.1%)	(11.0%)	(8.1%)	(9.7%)	
Ordinary profit	196.8	130.6	327.5	355.0	222.7	135.3	358.0	109%
(Percentage of profit to net sales)	(12.6%)	(8.4%)	(10.5%)	(10.2%)	(11.0%)	(7.8%)	(9.5%)	
Profit attributable to owners of parent	139.1	78.6	217.7	230.0	156.4	78.6	235.0	108%
(Percentage of profit to net sales)	(8.9%)	(5.1%)	(7.0%)	(6.6%)	(7.7%)	(4.5%)	(6.3%)	
USD/JPY	¥110	¥115	¥112		¥134	¥125	¥129	
EUR/JPY	¥131	¥130	¥131		¥139	¥125	¥132	
RMB/JPY	¥17.0	¥18.0	¥17.5		¥19.9	¥18.0	¥18.9	

FX Effect (Y/Y)

On Sales	+205.0 billion yen
On Operating Profit	+18.0 billion yen

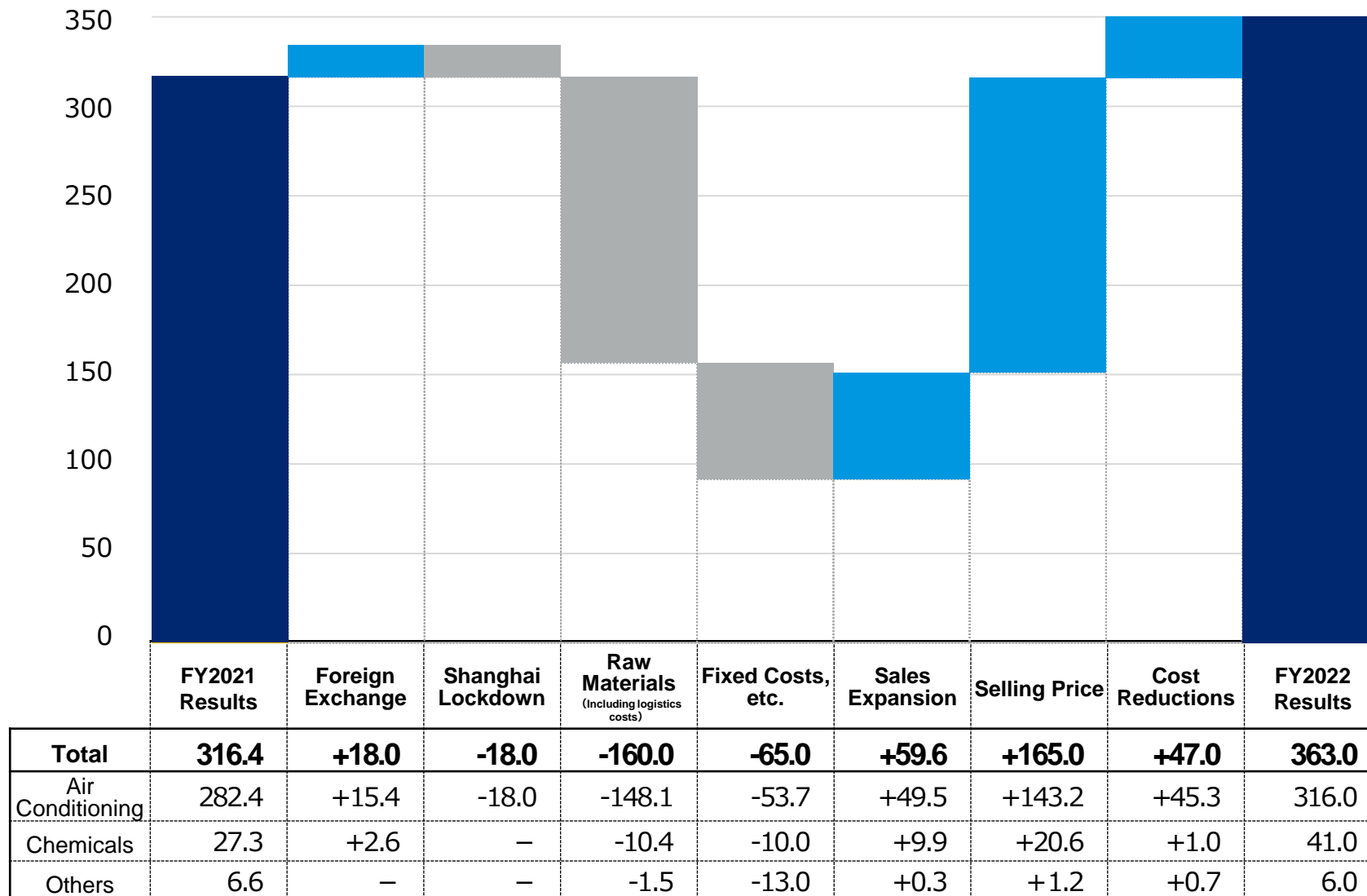
Business Forecast by Segments

		FY2021 Results	FY2022 Forecast (Aug.)	FY2022 Forecast (Nov.)			
				H1 Results	H2 Forecast	Total Forecast	Y/Y
(billion yen)							
Total	Sales	3,109.1	3,480.0	2,019.8	1,740.2	3,760.0	121%
	Operating profit (Percentage of profit to net sales)	316.4 (10.2%)	350.0 (10.1%)	221.7 (11.0%)	141.3 (8.1%)	363.0 (9.7%)	115%
Air Conditioning	Sales	2,828.5	3,147.0	1,854.2	1,564.8	3,420.0	121%
	Operating profit (Percentage of profit to net sales)	282.4 (10.0%)	311.0 (9.9%)	192.9 (10.4%)	123.1 (7.9%)	316.0 (9.2%)	112%
Chemicals	Sales	212.4	255.0	131.3	128.7	260.0	122%
	Operating profit (Percentage of profit to net sales)	27.3 (12.9%)	33.0 (12.9%)	25.8 (19.7%)	15.2 (11.8%)	41.0 (15.8%)	150%
Others	Sales	68.2	78.0	34.3	45.7	80.0	117%
	Operating profit (Percentage of profit to net sales)	6.6 (9.7%)	6.0 (7.7%)	3.0 (8.7%)	3.0 (6.6%)	6.0 (7.5%)	90%

Breakdown of Changes in Operating Profit

[Year-on-Year Comparison of Forecast]

(billion yen)



Sales by Region - AC Business

* Includes refrigerator, freezer and filter businesses

*Percentage expresses year on year comparison

(billion yen)	FY2018 H1		FY2019 H1		FY2020 H1		FY2021 H1		FY2022 H1		FY2022 Forecast (Currently announced)		FY2022 Forecast (May)	
Japan	108%	250.7	107%	268.7	93%	250.8	109%	272.8	102%	279.2	105%	550.0	105%	550.0
Europe	114%	166.6	113%	188.7	98%	185.7	139%	258.4	118%	305.0	112%	580.0	106%	550.0
China	107%	207.9	96%	199.4	91%	181.4	134%	243.2	110%	266.4	108%	460.0	106%	450.0
Americas	112%	341.4	108%	369.4	93%	343.9	129%	443.9	155%	688.5	139%	1,240.0	112%	1,000.0
Asia	111%	140.3	106%	148.7	76%	112.5	117%	131.3	155%	203.9	129%	380.0	109%	320.0
Oceania	113%	37.3	90%	33.7	106%	35.8	130%	46.7	133%	61.9	115%	120.0	101%	105.0
Middle East	95%	23.9	92%	22.0	84%	18.5	144%	26.6	161%	42.9	129%	78.0	99%	60.0
Africa	122%	4.3	86%	3.7	84%	3.2	157%	5.0	132%	6.5	95%	12.0	95%	12.0
Total	110%	1,172.4	105%	1,234.4	92%	1,131.7	126%	1,427.9	130%	1,854.2	121%	3,420.0	108%	3,047.0
Overseas Sales ratio		79%		78%		78%		81%		81%		84%		82%
USD/JPY		¥110		¥109		¥107		¥110		¥134		¥129		¥116
EUR/JPY		¥130		¥121		¥121		¥131		¥139		¥132		¥126
RMB/JPY		¥16.8		¥15.7		¥15.3		¥17.0		¥19.9		¥18.9		¥18.3

Sales by Region - Chemicals Business

*Percentage expresses year on year comparison

(billion yen)	FY2018 H1		FY2019 H1		FY2020 H1		FY2021 H1		FY2022 H1		FY2022 Forecast (Currently announced)		FY2022 Forecast (May)	
Japan	115%	26.6	98%	26.2	72%	18.8	145%	27.2	127%	34.6	120%	70.0	116%	68.0
Americas	114%	23.4	91%	21.3	76%	16.1	124%	20.0	142%	28.5	141%	58.0	131%	54.0
China	107%	19.6	92%	17.9	109%	19.6	128%	25.0	119%	29.7	113%	58.0	119%	61.0
Asia	120%	12.6	91%	11.4	88%	10.0	126%	12.6	137%	17.2	133%	36.0	133%	36.0
Europe	135%	18.2	68%	12.3	79%	9.7	170%	16.6	125%	20.6	110%	37.0	107%	36.0
Others	135%	0.9	93%	0.8	49%	0.4	143%	0.6	115%	0.6	91%	1.0	-	-
Total	117%	101.2	89%	90.0	83%	74.6	136%	101.9	129%	131.3	122%	260.0	120%	255.0
Overseas sales ratio		74%		71%		75%		73%		73%		73%		73%
USD/JPY		¥110		¥109		¥107		¥110		¥134		¥129		¥116
EUR/JPY		¥130		¥121		¥121		¥131		¥139		¥132		¥126
RMB/JPY		¥16.8		¥15.7		¥15.3		¥17.0		¥19.9		¥18.9		¥18.3

First Half Overall

Both Residential and Commercial air conditioning markets saw stagnant demand due to supply shortages from the Shanghai lockdown, lower consumption because of soaring prices, and construction delays from material shortages. In addition to doing our best to maintain supply capacity, we also worked to ensure sales by incorporating the selling price effect.

- ✓ For Residential, we strengthened sales of differentiated products that includes **Urusara X**, which switches between air supply and ventilation. By capitalizing on the growing interest in energy savings and air quality (IAQ) needs, we increased market share.

For air purifiers, demand is originating from the COVID-19 pandemic has begun to wane.

- ✓ For Commercial, we focused on system proposals that combine **SKY/VRV**, which feature 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.

Second Half Measures

For Residential, in addition to high energy efficiency, we will expand sales of high value-added products featuring ventilation and air cleaning functions along with stylish designs. We will bolster sales activities in cold regions in anticipation of firm demand and aim to further increase market share.

For Air Purifiers, we will enlarge the lineup of models equipped with UV Streamer, which improves the suppression of viruses and bacteria.

For Commercial, Daikin is accelerating new dealer development, strengthening proposal sales for energy-saving and ventilation products, and building a subscription business model that proposes air conditioners at a fixed price.

Y/Y change (Volume basis)		H1 Results	Full-Year Forecast
Residential	Market	96%	95%
	Daikin	104%	102%
Commercial	Market	98%	98%
	Daikin	97%	98%
Applied	Market	104%	102%
	Daikin	117%	117%

*Applied is based on total sales.

First Half Overall

In the harsh business environment including record high inflation, tight parts supply, and labor shortages, we worked to provide a stable supply of products, and sales trended favorably. Sales greatly exceeded the previous year due to the steady implementation of selling price measures.

- ✓ In Ducted Unitary for Houses, sales and market share increased by enhancing the supply capacity of the Houston factory in addition to expanding products equipped with inverters.
- ✓ In Ductless, we worked to improve supply capacity for **RA/SKY** and increased market share. Sales for **VRV systems** greatly expanded by strengthening the sales network of acquired sales companies.
- ✓ In Applied, in addition to the effect of the new consolidation of sales companies, sales expanded in the After Sales Service business.

Second Half Measures

In Ducted Unitary for Houses, local production will begin in November for the **FIT system**, a high value-added product equipped with an inverter, and we will accelerate market creation of premium environmental products.

In Ductless, we will improve the supply system for **RA/SKY**, where demand is expanding. In **VRV systems**, we will launch a new product that raises energy efficiency.

In Applied, we will work to expand equipment sales to data centers, factories, and schools where demand is strong, and grow our Solutions business by increasing the number of service employees and enlarging our After Sales Service network.

Y/Y change (Volume basis)		H1	Full-Year Forecast	
		Results	Market	Daikin
Ducted Unitary for houses		106%	95%	110%
Ductless	RA/SKY	99%	109%	116%
	VRV	111%	108%	116%
Applied		123%	108%	129%

*Applied is based on total sales in local currency.

First Half Overall

Because Shanghai is the center for our production bases, production and logistics were suspended in April and May during the lockdown, and this resulted in product supply delays and a decline in sales. When the lockdown was lifted in June, production and logistics quickly returned to full operation, and sales from June greatly exceeded those of the previous fiscal year. This led to a sales recovery in which sales for the first half were on par with the previous year. While operating profit suffered under soaring raw material prices and semiconductor shortages, we have maintained a high profit level until now through sales expansion of high value-added products, cost reductions, and suppression of fixed costs.

- ✓ For the Residential market, we accelerated sales activities that combine online sales with our **PROSHOP** specialty stores, focused on identifying new customers, especially in the residential multi-split air conditioner segment, and obtained replacement demand. During the lockdown, in addition to promoting sales and contracts, we provided online support for after sales service and maintained sales capabilities. Due to increased customer interest in IAQ and environment, we expanded the product lineup for system products relating to IAQ, ventilation, energy visualization, and heat pump hot water heaters.
- ✓ In the Commercial market, customer contact points were expanded by capitalizing on interest at stores and offices in ventilation and air purification. We incorporated demand for equipment replacements and additional purchases. For large projects, we reinforced proposals with air visualization and energy solutions. For factories, we gained replacement demand with energy-saving proposals utilizing energy visualization.
- ✓ In the Applied market, in addition to shifting resources to growth fields that include infrastructure and semiconductors, we strengthened our maintenance and servicing business.

Second Half Measures

In the slow economic recovery, we will leverage our forte in direct sales to users to promote meticulous sales activities for each customer. We aim for sales to surpass the strong performance of the previous fiscal year.

- ✓ For the Residential market, we will expand the lineup of system products (air conditioning, IAQ, heating, IoT, etc.) and strengthen sales activities that combine offline and online.
- ✓ For the Commercial market, we will accelerate the development of a Solutions business for each market and customer. We intend to capture the expansion of the heat pump market for carbon neutrality and the rising demand for energy management.

Y/Y change (Local currency basis)	H1 Results	Full-Year Forecast	
		Market	Daikin
Residential	96%	90%	100%
Commercial	94%	95%	101%
Applied	101%	100%	101%

First Half Overall

The business environment has been difficult from the tight supply due to Shanghai lockdown, disruptions in logistics networks, and soaring energy costs. Daikin continued to maintain supply that integrated manufacturing and sales and focused on expanding sales of heat pump hot water heaters. Capitalizing on a selling price effect, sales for the region overall exceeded the previous fiscal year.

- ✓ In the Residential market, sales declined in France due to sluggish demand, whereas sales increased in Italy and Spain as the result of a heat wave.
- ✓ In the Commercial market, 'spec-in' activities and delivery follow-up were thoroughly implemented.
- ✓ In the Heating business, we greatly expanded sales in each country centered on Italy, France, and Germany amid the steady demand for heat pump hot water heaters. Daikin decided to increase capacity at existing factories and build a new factory to bolster supply capabilities.
- ✓ In the Applied market, sales of air handling units expanded for large projects including factories and hospitals.
- ✓ In the Freezer and Refrigerator business, a parts shortage from logistics disruptions impacted production, and sales declined.

Second Half Measures

In Residential, we will strengthen sales activities in each country to expand sales of high value-added products that feature energy savings and heating functions.

In Commercial, we will strengthen proposal sales to hotels and restaurants from the perspective of the environment and energy savings and capture replacement demand.

In the Heating business, we will further capture demand for heat pump heating and increase market share to achieve decarbonization.

In Applied, we will widen the R32 chiller lineup.

In the Freezer and Refrigerator business, we intend to expand sales to food retailers.

Y/Y change (Volume basis)		H1 Results	Full-Year Forecast	
			Market	Daikin
Residential		101%	102%	104%
Commercial	SKY	101%	102%	103%
	VRV	96%	108%	107%
Heat-pump Heaters		145%	133%	155%
Applied		118%	104%	115%
Freezer and Refrigerator		94%	109%	105%

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

*Applied is based on total sales in local currency.

First Half Overall

Demand for both Residential and Commercial recovered from an easing in behavior restrictions from COVID-19. We enlarged our unique sales network and strengthened sales activities utilizing online tools. In addition to sales expansion in major countries, there was a selling price effect, and sales for the region overall greatly exceeded the previous fiscal year.

- ✓ In the Residential market, sales significantly grew in India by strengthening dealer relationships and capitalizing on demand from a heat wave. Sales expanded for Malaysia and Australia, whereas unseasonable weather impacted sales in Thailand.
- ✓ In the Commercial market, delays and postponements in the start of construction work continued due to material shortages and insufficient workers at the building sites, but we were able to expand sales by providing detailed support to dealers and steadily capitalizing on demand from a recovery.
- ✓ In the Applied market, sales expanded by concentrating on the After Sales Service business including maintenance and servicing.

Year-on-year sales of main countries (local currency basis)
 Australia: 118%, India: 139%, Vietnam 132%
 Malaysia: 164%, Thailand: 115%, Indonesia: 108%

Second Half Measures

In Residential, we will launch inverter air conditioners that greatly excel in cost competitiveness and promote their widespread use with a focus on markets such as Malaysia and Indonesia where inverter AC penetration is low.

In Commercial, we will focus on sales to hospitals, schools, and hotels, where growth is expected because of the COVID-19 pandemic, while strengthening proposals for high value-added solutions such as energy savings, IAQ, and maintenance.

In Applied, we will focus on sales to public facilities, which is a growth field, and aim for sales growth by expanding our service network and enhancing product appeal.

Y/Y change (Volume basis)		H1 Results	Full-Year Forecast	
			Market	Daikin
Residential		117%	109%	111%
Commercial	SKY	134%	115%	118%
	VRV	134%	119%	120%
Applied		147%	76%	126%

*Applied is based on total sales in local currency.

First Half Overall

Sales expanded mainly in the semiconductor and automotive markets, and sales greatly exceeded the previous fiscal year because of the effect of selling price measures.

- ✓ Fluorocarbon Gas
 - Sales for fluorocarbon gas expanded in Europe and Japan by capitalizing on steady 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 water and oil repellents agents grew in textile and paper applications in China and the Americas.
 - Sales for etching gas expanded mainly in Japan and Asia by capitalizing on steady demand in the semiconductor market.
 - Sales for anti-smudge surface coating agents expanded in Japan and the Americas.

Second Half Measures

We aim to continue expanding sales and increasing market share by launching differentiated products and strengthening supply capabilities centered on the semiconductor / information and communication technology markets where demand is expected to remain strong.

In response to high demand for environmentally conscious products such as EVs, we will expand binder sales for lithium-ion batteries.

Not only fluorine, but application development will also be strengthened for non-fluorine materials.

Y/Y change (Sales basis)	H1	Full-Year Forecast	
	Results	Market	Daikin
For all fluorochemical products	129%	118%	122%
Fluorocarbon Gas	167%	114%	125%
Polymers & Fluoroelastomers	133%	122%	125%
Fine Chemicals, etc.	112%	112%	114%

First Half Overall

As demand gradually recovered with the resumption of economic activities, we promoted construction of a stable supply system, total cost reductions, and sales of high value-added products that pursue measures for control of infectious diseases and air quality improvements.

Sales exceeded the previous year.

- ✓ In the Air Filter segment, sales for both residential and commercial air filters expanded in the Americas, and in Asia and Japan, sales grew in the semiconductor and electric components markets. In Europe, sales are strong for high-performance filters in response to the growing needs for energy savings and air quality.
- ✓ In P&I*, we focused on dust collecting equipment in Europe where demand remains strong despite sluggish capital investment due to soaring crude oil and gas prices.

Second Half Measures

In the Air Filter segment, we will work to expand sales in each region in markets with high demand, such as for cleanrooms at semiconductor and pharmaceutical factories, and focus on improving productivity and conducting cost reductions.

In P&I, we aim to improve profitability by strengthening the After Sales Service business and reducing fixed costs as we work to build a stable business foundation.

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

Other Businesses

First Half Overall

In the Oil Hydraulics business, sales increased by capitalizing on a steady recovery in demand for hydraulic equipment for industrial and construction equipment.

In the Defense Systems business, demand has run its course for pulse oximeters, which measure blood oxygen saturation, and oxygen concentrators. Nevertheless, sales were on par with the previous year.

In the Electronics business, sales of CG production software decreased, but year-on-year sales remained largely unchanged since an increase in corporate IT investment led to strong demand for database systems in the design and development fields.

Second Half Measures

In the Oil Hydraulics business, we will strengthen 'spec-in' activities for industrial and construction equipment manufacturers. We will also work to build a business foundation in the European market that takes advantage of the Diplomatic MS acquisition in Italy and leads to environmental contribution and business expansion in the field of industrial equipment.

In the Defense Systems business, we will strengthen sales of differentiated products in anticipation of a winding down in demand for medical equipment aimed at COVID-19 and work to increase market share.

In the Electronics business, we will endeavor to expand sales in the manufacturing and construction industries where demand is expected to be strong.

IV. Dividends Plan

Daikin plans an annual dividend of 220 yen (interim 100 yen and term-end 120 yen.)

【Daikin Dividend Policy】

Together with making every effort to maintain a ratio of dividends to shareholder equity (DOE) of 3.0% based on the principle of always providing stable dividends to shareholders, we will continue striving in our mission to provide shareholders with even greater return by aiming for an increasingly higher level of dividend payout ratio.

		FY2018	FY2019	FY2020	FY2021	FY2022 (Forecast)
Dividend per share	Interim	¥70	¥80	¥80	¥90	¥100
	Annual	¥160	¥160	¥160	¥200	¥220
Earning per share	H1	¥385.8	¥405.1	¥289.2	¥475.3	¥534.3
	Annual	¥646.4	¥583.6	¥478.5	¥743.9	¥802.9
(Reference) DOE Trend		3.4%	3.3%	3.0%	3.2%	3.0%

Exchange Rate

	FY2021 Results			FY2022		
	H1	H2	Total	H1 Results	H2 Forecast	Total Forecast
USD	¥110	¥115	¥112	¥134	¥125	¥129
EUR	¥131	¥130	¥131	¥139	¥125	¥132
RMB	¥17.0	¥18.0	¥17.5	¥19.9	¥18.0	¥18.9
THB	¥3.4	¥3.5	¥3.4	¥3.8	¥3.4	¥3.6
AUD	¥83	¥83	¥83	¥94	¥83	¥88

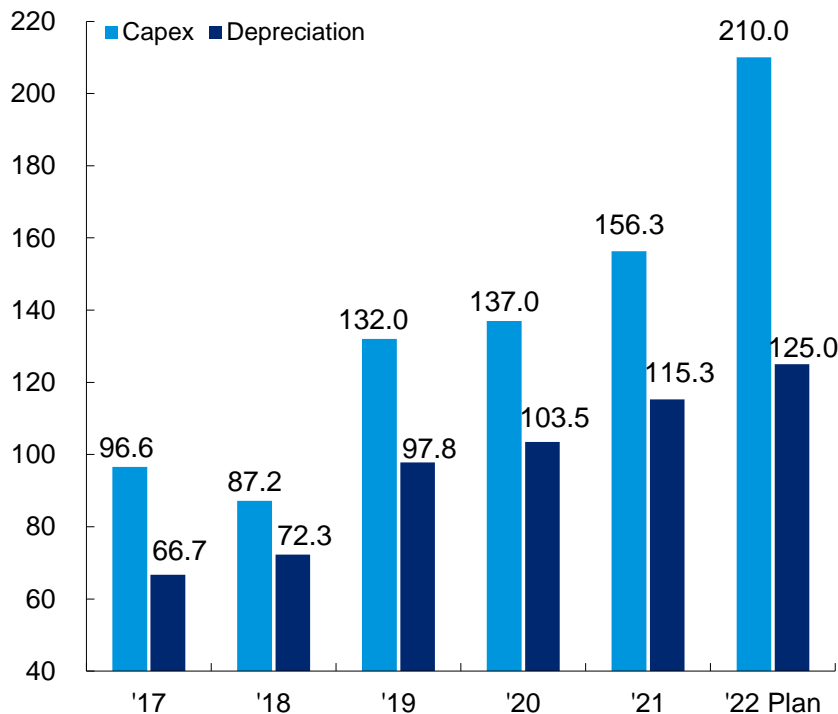
Sensitivity of Foreign Exchange (Impact of change by 1 yen to operating profit)

	FY2022 Forecast
USD	1.8 billion yen *
EUR	0.8 billion yen

*Changes for the THB, RMB, AUD, etc., are assumed to be linked to the USD.

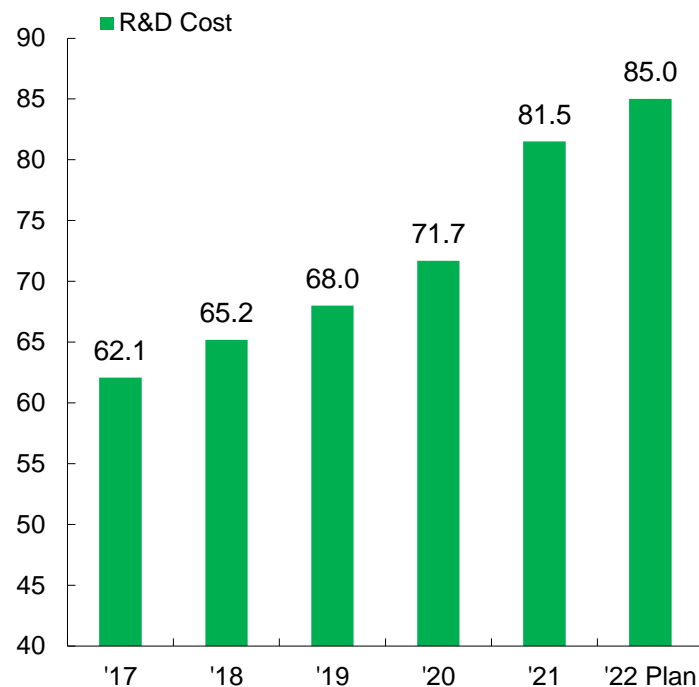
Capex and Depreciation

(billion yen)



R&D Cost

(billion yen)



<Reference> First Half Trends

(billion yen)	FY2018	FY2019	FY2020	FY2021	FY2022
Capex	39.8	54.0	63.3	64.8	95.0
Depreciation	35.7	46.1	50.3	55.7	67.9
R&D Cost	31.7	33.6	33.0	38.7	47.6



Notes on forecast

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