



Daikin Industries, Ltd.

Q1 Financial Results Briefing for the Fiscal Year Ending March 2023

August 2, 2022

Event Summary

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[Number of Speakers]	2	
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	Tsubasa Sasaki	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
	Yoshinao Ibara	Morgan Stanley MUFG Securities Co., Ltd.
	Hikaru Mizuno	UBS Securities Japan Co., Ltd.
	Tomohiko Sano	JPMorgan Securities Japan Co., Ltd.
	Graeme McDonald	Citigroup Global Markets Japan Inc.
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Presentation

Moderator: From now on, we will start 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 distributed 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.

Kazuhiro Matoba, Department Manager of Corporate IR Group, Corporate Communication Dept.

Matoba: Thank you.

Sakamoto: We have those two speakers. Sakamoto of the IR Group will be facilitating the meeting. Thank you.

First, Mr. Miyazumi will give a 20-minute financial results overview, followed by a question-and-answer session. The meeting is scheduled to end at 17:00.

Executive Officer Miyazumi, please begin.

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

I will explain the Q1 financial results according to the materials.

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Summary of Financial Results

The harsh business environment continues to persist due to such factors as the lengthy impact of COVID-19, soaring prices for raw materials and logistics, and heightened geopolitical risks. The Shanghai lockdown has also had a significant effect. Nevertheless, Daikin minimized impacts by accelerating implementation of FY2022 key themes, capitalizing on a recovery in the air conditioning business in North America, and increasing profits in the Chemicals business. Exchange rates also had an effect that led to operating profit that was on par with the previous year.

- ✓ 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)	Q1 Result		
	FY2021	FY2022	Y/Y
Sales	799.0	967.8	121%
Operating Profit	109.3	107.9	99%
(Percentage of profit to net sales)	(13.7%)	(11.1%)	
Ordinary Profit	111.9	109.5	98%
(Percentage of profit to net sales)	(14.0%)	(11.3%)	
Profit Attributable to Owners of Parent	78.6	70.6	90%
(Percentage of profit to net sales)	(9.8%)	(7.3%)	
USD/JPY	¥110	¥130	
EUR/JPY	¥132	¥138	
RMB/JPY	¥17.0	¥19.6	

FX Effect (Y/Y)
 Sales +79.5 billion yen
 Operating Profit +8.0 billion yen

2

Please see page two. This shows a summary of our financial results.

Although the impact of the Shanghai lockdown was significant, we were able to minimize the impact by accelerating the implementation of key themes, such as thorough implementation of strategic selling price measures and strengthening of sales capabilities, recovery in the North American air conditioning business, and increased profits in the chemicals business. At the same time, we were able to capture the effect of the yen's depreciation, resulting in operating profit at the same level as in the previous fiscal year.

The actual exchange rates were JPY130 for the USD, JPY138 for the EUR, and JPY19.6 for the RMB. The impact of the exchange rates was a positive JPY79.5 billion on sales and a positive JPY8 billion on operating profit 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

Page three is a list of key themes for FY2022.

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Financial Results by Segments

(billion yen)		Q1 Result		
		FY2021	FY2022	Y/Y
Total	Sales	799.0	967.8	121%
	Operating Profit (Percentage of profit to net sales)	109.3 (13.7%)	107.9 (11.1%)	99%
Air Conditioning	Sales	735.6	889.3	121%
	Operating Profit (Percentage of profit to net sales)	100.0 (13.6%)	94.5 (10.6%)	95%
Chemicals	Sales	50.4	63.9	127%
	Operating Profit (Percentage of profit to net sales)	7.9 (15.7%)	12.5 (19.6%)	159%
Others	Sales	12.9	14.6	113%
	Operating Profit (Percentage of profit to net sales)	1.4 (10.8%)	0.9 (5.9%)	61%

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

4

Please see page four. This shows the results by segment.

The air conditioning business was affected by the Shanghai lockdown in terms of production and supply not only in China but also in other regions such as Japan, but in addition to sales expansion in the Americas and Asia, sales of heat pump hot water heaters, for which demand was strong, increased in Europe.

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 JPY74 billion with a positive operating profit of JPY7 billion, while the chemicals segment reported sales of JPY5.5 billion with a positive operating profit of JPY1 billion.

The status of each business and the status of the air conditioning business by region will be explained later.

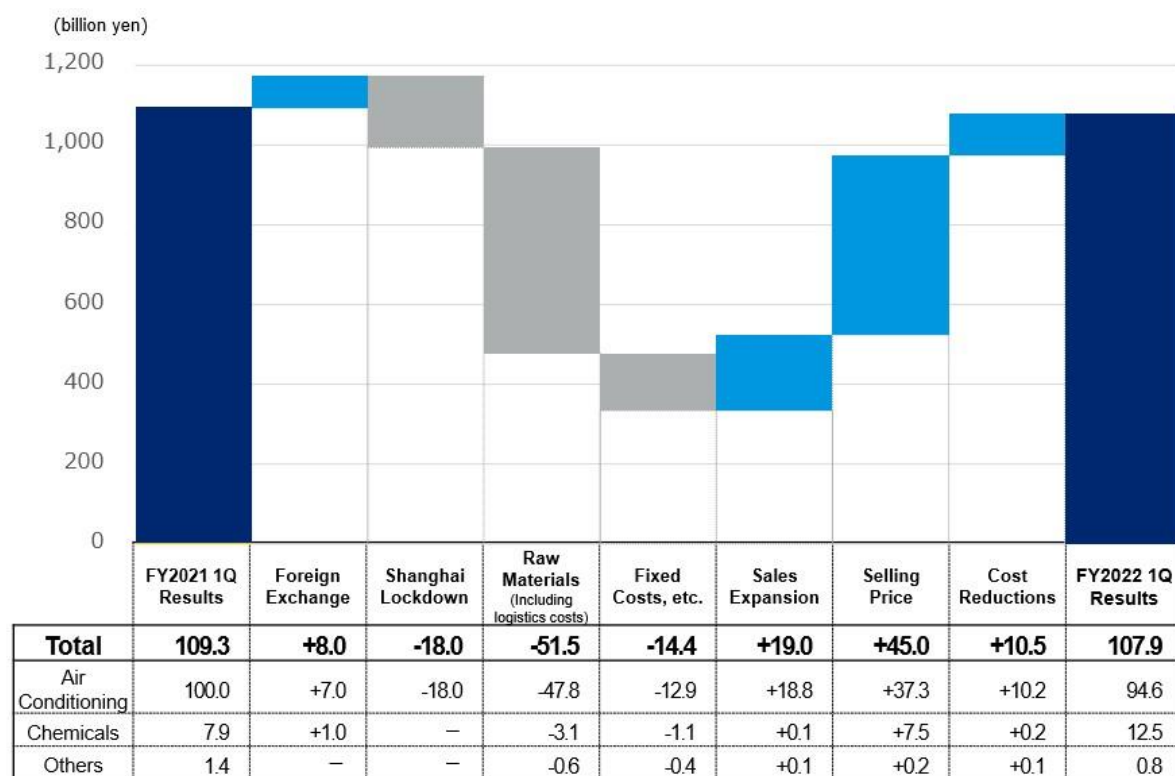
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Breakdown of Changes in Operating Profit - Year-on-Year Results



5

Please see page five. This is an analysis of YoY changes in operating profit for Q1.

The breakdown by segment is as described. Although we were severely affected by soaring raw material and logistics costs and the Shanghai lockdown, we strived to absorb the negative impact through selling price measures and cost reductions.

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Sales by Region – Air Conditioning Business

*Percentage expresses year on year comparison

(billion yen)	FY2018 Q1		FY2019 Q1		FY2020 Q1		FY2021 Q1		FY2022 Q1	
	Japan	108%	113.6	112%	127.4	91%	116.3	117%	136.4	97%
Europe	122%	87.4	107%	93.8	93%	87.4	157%	137.0	112%	153.8
China	110%	116.7	96%	112.4	79%	89.1	146%	130.0	95%	123.3
Americas	110%	169.0	107%	180.7	92%	166.1	133%	221.6	147%	325.1
Asia	109%	77.5	107%	82.8	64%	53.2	138%	73.5	143%	105.0
Oceania	125%	18.3	92%	16.9	97%	16.3	138%	22.5	129%	29.1
Middle East	92%	10.6	91%	9.7	75%	7.2	186%	13.4	136%	18.2
Africa	116%	1.9	82%	1.6	71%	1.1	115%	1.3	194%	2.5
Total	111%	595.1	105%	625.3	86%	536.7	137%	735.6	121%	889.3
Overseas Sales ratio		81%		80%		78%		81%		85%
USD/JPY		¥109		¥110		¥108		¥110		¥130
EUR/JPY		¥130		¥123		¥118		¥132		¥138
RMB/JPY		¥17.1		¥16.1		¥15.2		¥17.0		¥19.6

6

Please see page six.

Sales by region in the air conditioning business were up significantly YoY in Americas, Asia and Europe.

Excluding the impact of foreign exchange rates, the real YoY comparison in sales was 107% in Europe, 82% in China, 124% in Americas, and 129% in Asia.

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Sales by Region – Chemicals Business

*Percentage expresses year on year comparison

(billion yen)	FY2018 Q1		FY2019 Q1		FY2020 Q1		FY2021.Q1		FY2022.Q1	
Japan	115%	12.3	103%	12.6	71%	9.0	147%	13.2	128%	17.0
Americas	106%	11.3	95%	10.8	71%	7.7	135%	10.3	131%	13.6
China	111%	9.8	90%	8.8	105%	9.3	133%	12.3	123%	15.1
Asia	123%	6.1	87%	5.3	88%	4.7	127%	6.0	132%	7.8
Europe	171%	10.2	63%	6.4	76%	4.8	173%	8.4	121%	10.1
Others	152%	0.4	81%	0.3	40%	0.1	179%	0.2	139%	0.3
Total	121%	50.1	88%	44.3	80%	35.6	142%	50.4	127%	63.9
Overseas Sales ratio	75%		71%		75%		74%		73%	
USD/JPY	¥109		¥110		¥108		¥110		¥130	
EUR/JPY	¥130		¥123		¥118		¥132		¥138	
RMB/JPY	¥17.1		¥16.1		¥15.2		¥17.0		¥19.6	

7

Please see page seven.

Sales by region in the chemicals business increased significantly YoY in all regions.

Excluding the impact of foreign exchange rates, the real YoY comparison in sales was 111% in Americas, 106% in China, and 115% in Europe.

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Business and Regional Overview – Air Conditioning

Japan

Both Residential and Commercial markets saw stagnant demand due to supply shortages from the Shanghai lockdown, lower consumption because of soaring prices, and construction delays from material shortages. Daikin did its best to maintain supply capacity and increase market share while also working to support sales by incorporating the effects of selling price measures.

- ✓ For Residential, we strengthened sales of differentiated products such as **Urusara X**, which switches between air supply and ventilation. By capitalizing on the growing interest in energy savings and air quality needs, we enlarged market share.
- ✓ For Commercial, we expanded market share through 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.
- ✓ For air purifiers, proposals were strengthened in Commercial applications as demand originating from the COVID-19 pandemic has begun to wane.

Y/Y change (Volume basis)		Q1 Results
Residential	Market	84%
	Daikin	99%
Commercial	Market	90%
	Daikin	95%
Applied	Market	102%
	Daikin	114%
Air purifiers	Market	55%
	Daikin	41%

*Applied is based on total sales.

8

Please see page eight. I will now explain the status of the air conditioning business by region.

First, in Japan. Both residential and commercial markets saw stagnant demand due to supply shortages from the Shanghai lockdown, lower consumption because of soaring prices, and construction delays from material shortages. The Company strove to maintain its supply capacity and increased its market share, while also capturing the effects of selling price measures.

For the residential market, 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 and the need for air quality as users stayed at home for longer hours.

For the commercial market, we strengthened proposal-based marketing combining air conditioners and ventilation products, and increased market share.

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Business and Regional Overview – Air Conditioning

Americas

Amidst tight supply due to parts shortages and other factors that created a sluggish market, sales significantly improved over the previous fiscal year through efforts to improve supply capacity, boost sales capabilities, and promote sales of environmentally conscious products. Selling price measures were firmly implemented, and profitability increased.

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

YY change (Volume basis)		Q1 Results
Ducted unitary for houses		105%
Ductless	RA/SKY	97%
	VRV	114%
Applied		112%

*Applied is based on total sales in local currency.

9

Please see page nine.

In the Americas, sales were significantly higher than the previous year as a result of efforts to improve supply capacity, strengthen sales capabilities, and expand sales of environmentally friendly products amid a market slump caused by tight supply due to parts shortages. Profitability has improved, partly due to the steady implementation of selling price measures.

For ducted unitary for houses, sales increased by expanding products equipped with inverters and increased due to strengthened sales of products equipped with inverters as well as enhanced supply capacity at the Houston factory.

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

Sales of Daikin North America were 126% of the previous year's level on a local currency basis.

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Business and Regional Overview – Air Conditioning

China

With Shanghai being the center for our production bases, production and logistics were suspended because of the lockdown in April and May, resulting 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 June sales greatly exceeded those of the previous fiscal year. Since July, we have been working to recover production and achieve the full-year sales plan. While operating profit has been impacted by soaring raw material prices and semiconductor shortages, we have maintained a high 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 utilizing such activities as “live commerce” and “customer centers,” we provided online support for after sales service and maintained sales capabilities. Because of increasing customer interest in air quality and environment, we strengthened the product lineup for system products relating to air quality, 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.

Y/Y change (Local currency basis)	Q1 Results
Residential	82%
Commercial	75%
Applied	99%

10

Please see page 10. This is the air conditioning business in China.

Sales declined significantly in April and May due to the Shanghai lockdown that halted production and logistics, but production and logistics were quickly restored in June when the lockdown was lifted, and sales for the month of June significantly exceeded the previous year’s level. We will recover production from July onward and aim to achieve the full-year sales plan. Despite the effects of soaring raw material market prices and the shortage of semiconductors, operating profit remained at a high level due to efforts to expand sales of high value-added products, reduce costs, and cut fixed costs.

For the residential market, we accelerated sale activities that combine online sales with our PRO SHOP to find new customers and capture renewal demand, but the lockdown had a significant impact, with residential multi-split air conditioner sales at 82% of the previous year’s level.

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Business and Regional Overview – Air Conditioning

Europe, Middle East, and Africa

A severe business environment was the result of higher energy and logistics costs due to situation between Russia and Ukraine along with tight supply from the Shanghai lockdown. In addition to bolstering supply capabilities by integrating manufacturing and sales, we expanded 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 Germany and France due to sluggish demand, whereas sales increased in Spain and Italy 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. To bolster supply capabilities, 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 Refrigerator and Freezer business, a parts shortage from logistics disruptions impacted production, and sales declined.

Y/Y change (Volume basis)		Q1 Results
Residential		93%
Commercial	SKY	97%
	VRV	90%
Heat Pump Heaters		150%
Applied		112%
Refrigerator and Freezer		93%

*Residential, commercial, and heat-pump heaters are only for Europe.
*Applied is based on total sales in local currency.

11

Page 11. 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 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 hot water heaters, backed by growing carbon neutral and energy-saving needs. In order to further strengthen our supply capacity, we are planning to construct a new factory in Poland in addition to increasing the capacity of our existing plant.

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Business and Regional Overview – Air Conditioning

Asia and Oceania

Demand 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 India and Australia, where demand is strong, 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 and Vietnam.
- ✓ In the Commercial market, delays and postponements in the start of construction work continued due to 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 trend to obtain orders.
- ✓ 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: 167% Vietnam: 103%
 Malaysia: 156% Thailand: 98% Indonesia: 108%

Y/Y change (Volume basis)		Q1 Results
Residential		121%
Commercial	SKY	127%
	VRV	132%
Applied		122%

*Applied is based on total sales in local currency.

12

Please see page 12.

In Asia and Oceania, amid demand recovered due to the easing of behavioral restrictions caused by COVID-19, overall sales in the region were significantly higher than the previous year due to sales expansion in India and Australia, as well as the effect of selling prices.

For the residential market, sales increased significantly in India due to the utilization of an online sales management system connecting 10,000 dealers in the country and by capturing increased demand on the back of a heat wave, although sales were affected by unseasonable weather in Thailand and Vietnam.

In the commercial market, amid ongoing delays in construction starts and extended construction periods due to the shortage of laborers at construction sites, we expanded sales by ensuring that demand, which is on a recovery trend, leads to orders through detailed support to dealers.

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Business and Regional Overview – Chemicals

Sales expanded mainly in the semiconductor and automotive markets where demand is strong.

- ✓ 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 China.

Y/Y change (Sales basis)	Q1 Results
For all fluorochemical products	127%
Fluorocarbon Gas	153%
Fluoropolymers & Fluoroelastomers	129%
Fine Chemicals, etc.	117%

13

Please see page 13.

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

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

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

For fine chemicals, sales of etching gas and water and oil repellants agents for textile and paper applications increased.

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Business and Regional Overview – Filters

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 seek measures for control of infections and air quality improvements. Sales exceeded the previous year.

- ✓ In the Air Filter segment, sales for residential air filters expanded in the Americas, whereas sales increased in the semiconductor market in Asia and Japan. In Europe, sales activities were strengthened for high-performance filters in response to the growing needs for energy savings and air quality improvement.
- ✓ In P&I*, we focused on dust collecting equipment in Europe where the demand remains strong despite sluggish capital investment due to soaring crude oil and gas prices. Efforts were also made to improve the business structure with measures including a shift of resources to the After Sales Service business.

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

14

Please see page 14.

In the filters business, we improved our business structure by building a stable supply system, reducing total costs, and strengthening our sales system, and increased sales of anti-infection products such as high-performance filters in each region in response to growing ventilation needs.

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Capex, Depreciation and R&D Cost

(billion yen)	FY2021		FY2022	
	Q1 Result	Full-year Result	Q1 Result	Full-year Forecast
Capex	29.1	156.3	43.9	210.0
Depreciation	27.9	115.3	33.1	125.0
R&D Cost	19.0	81.5	23.2	85.0

15

Please see page 15.

Capital investments in Q1 totaled JPY43.9 billion, depreciation was JPY33.1 billion, and R&D expenses were JPY23.2 billion. We have not changed our full-year plan for them.

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Companywide Business Plan

Upwardly revised full-year plan to reflect the impact of exchange rates on 1st quarter results

- ✓ From the second quarter onward, we aim to achieve results exceeding announced figures independent of the positive effects of exchange rates by responding quickly to changes in the environment and further strengthening our corporate structure.
- ✓ Although the business environment is becoming even harsher, we will accelerate the creation of results for key themes (strategic selling price measures, strengthening of sales capabilities, cost reductions, etc.) to cover the negative impact of the factors responsible for cost increases.

(billion yen)	FY2022 Forecast							
	(Previously announced)				(Currently announced)			
	H1	Y/Y	Total	Y/Y	H1	Y/Y	Total	Y/Y
Sales	1,710.0	110%	3,380.0	109%	1,810.0	116%	3,480.0	112%
Operating Profit (Percentage of profit to net sales)	200.0 (11.7%)	104%	340.0 (10.1%)	107%	210.0 (11.6%)	109%	350.0 (10.1%)	111%
Ordinary Profit (Percentage of profit to net sales)	203.0 (11.9%)	103%	345.0 (10.2%)	105%	213.0 (11.8%)	108%	355.0 (10.2%)	108%
Profit Attributable to Owners of Parent (Percentage of profit to net sales)	140.0 (8.2%)	101%	228.0 (6.7%)	105%	142.0 (7.8%)	102%	230.0 (6.6%)	106%

USD/JPY
EUR/JPY
RMB/JPY

¥116
¥126
¥18.3

*Exchange rate assumptions for the 2Q onward are based on 1 USD equals ¥115, 1 EUR equals ¥125, and 1 Chinese RMB equals ¥18.0.

16

Please turn to page 16.

We have upwardly revised our full-year business plan to reflect the impact of foreign exchange rates in Q1.

We will continue to take prompt action to address changes in the business environment and further strengthen its structure in Q2 and beyond, aiming to achieve results that exceed the announced figures without relying on the positive effects of foreign exchange rates.

Amidst increasing uncertainty about the future due to ongoing geopolitical risks in Europe and ongoing global inflation, we will counteract the negative impact by accelerating the creation of results from our key themes, including strategic selling price measures, sales force enhancement, and cost reduction.

Although the industry as a whole is facing unpredictable product supply conditions, a heat wave has been hitting Europe and the US since July. We will work to strengthen our supply and sales capabilities to further expand sales and increase market share.

In response to soaring raw material prices, we will strive to build on the results of our key themes by effectively hedging against the softening of the copper and aluminum markets from Q2 onward, duplicating production and procurement, taking measures for the weakened yen in Japan, and considering additional selling price increases in response to global inflation.

There was no change in the year-end dividend forecast from the previous announcement. We will reconsider our dividend payment plan based on the results of H1.

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18

Business Plan by Segment

(billion yen)		FY2022 Forecast			
		(Previously announced)	Y/Y	(Currently announced)	Y/Y
Total	Sales	3,380.0	109%	3,480.0	112%
	Operating Profit (Percentage of profit to net sales)	340.0 (10.1%)	107%	350.0 (10.1%)	111%
Air Conditioning	Sales	3,047.0	108%	3,147.0	111%
	Operating Profit (Percentage of profit to net sales)	302.0 (9.9%)	107%	311.0 (9.9%)	110%
Chemicals	Sales	255.0	120%	255.0	120%
	Operating Profit (Percentage of profit to net sales)	32.0 (12.5%)	117%	33.0 (12.9%)	121%
Others	Sales	78.0	114%	78.0	114%
	Operating Profit (Percentage of profit to net sales)	6.0 (7.7%)	90%	6.0 (7.7%)	90%

17

Please see page 17.

The business plan by segment has been revised to reflect the upward revision of the full-year business plan.

That is all from me.

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Question & Answer

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

Mr. Isayama from Goldman Sachs Japan Co., Ltd., please go ahead.

Isayama [Q]: I am Isayama from Goldman Sachs. Thank you. I would like to ask two questions.

The first is that I am wondering if you could shed some more light on the story of the Chinese lockdown. Overall, I think the financial results were very strong despite the impact of the lockdown, but I wonder if the negative JPY18 billion lockdown impact you are reporting this time is only due to China. In the explanation of each region, it sounded as if the supply of parts from China was delayed and the impact of this on other regions such as Japan was also included. I would like to confirm the nature of the numbers, and if possible, what trajectory monthly production and sales trends are following, and to what extent they have currently recovered.

Since July, we have heard that the demand environment is very favorable, including in Europe and the United States, and I'm wondering if you are responding to this by normalizing production in China. Please tell me about it. Thank you.

Miyazumi [A]: Sure. The negative JPY18 billion impact of the Shanghai lockdown in China is due to the production impact on residential multi-split AC sales in China, as you just mentioned.

In Shanghai, there were also quarantine measures to keep the factory in operation, benefits for employees, and various costs associated with running a production facility under closed conditions. In addition, the impact outside of China was on the supply of parts to Japan, Europe, and Asia.

Some of the additional costs, such as transportation by air, were incurred as an additional cost. Roughly speaking about JPY4 billion out of the JPY18 billion is due to special factors such as so-called abnormal expenses. We now consider this JPY18 billion to be transitory.

Regarding the current situation in China, in April and May, Shanghai was completely locked down, so sales were down significantly, especially in the Shanghai area. In April, it was about 60% of the previous year's level, and it was about 90% in May. Since the beginning of June, it has returned to about 110% of the previous year's level. For July, we expect the YoY growth to be about 120%.

Therefore, we are now working in China to recover in Q2 from July to September and return to the level of the same period of H1 of the previous year.

We see the macroeconomic environment in China as probably the most difficult in the past, with a severe real estate market. However, we believe that even in this environment, there are opportunities, and we will work to recover, especially in the area of residential multi-split AC.

We expect that intermittent lockdowns will continue to be implemented not only in Shanghai but also throughout China. Under such circumstances, we are taking steps internally to determine how to secure production and supply, as well as logistics. In China, we hope to achieve figures that exceed those of the previous year for the full year as well.

Isayama [Q]: Thank you very much for your very thorough explanation, Mr. Miyazumi.

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Just to add one point, have shipments to Japan, Europe, and Asia normalized since July? I think there is a combination with the abnormal cost factor, but what do you think?

Miyazumi [A]: I think there will be similar cases in the future, so there will be a slight increase in costs.

Isayama [Q]: Thank you very much.

The second question. I am wondering if you could provide detail of the raw material cost and selling price. I think the impact of high raw material prices, including logistics costs, is quite high progress against the annual plan of minus JPY150 billion.

I have been looking at various companies and have heard that its impact is larger than expected, but do you have a breakdown by material? If not, I am wondering if you could give me an idea of what materials were higher than expected or swung significantly. I think the progress is good regarding the selling price, so I would like you to tell me which region is in good condition.

In addition, raw materials prices such as copper are on a downward trend, and I think there is a tendency for the quantity and procurement of materials to improve as well. I would appreciate it if you could add a supplemental explanation as to whether you have changed your view in this revision of the plan. Thank you.

Miyazumi [A]: The minus JPY51.5 billion in raw materials includes increased logistics costs. Logistics costs are estimated to be roughly JPY8 billion of this total. In our annual plan at the beginning of the fiscal year, we were looking at minus JPY150 billion in raw materials this year, including logistics costs, so we are aware that JPY50 billion at this stage is higher than expected.

Against this backdrop, we believe that our selling price measures are progressing roughly in line with our plan at the beginning of the period, with an increase of JPY45 billion this time. Sales price increases of 4% to 5% are planned. Since we have not yet took the full effect of the price increase, we believe that it will take effect from Q2 onward, and that the full year will be a little more effective.

As for raw materials, as you mentioned, the prices of copper and aluminum have been dropping considerably. Copper, in particular, has dropped significantly due to the global recession and the decline in demand associated with the economic slowdown.

Against this backdrop, we have been hedging our position on copper and aluminum. As of August, we have hedged 90% of the annual procurement volume for copper and 70% for aluminum for the current fiscal year.

Looking at the current market price, copper prices have fallen about 30% from the peak to around USD7,500 in late July. Aluminum prices have fallen roughly 30% from the peak to about USD2,500. By going to hold the cheapest place, we believe that we will be able to capture some positive effects on copper and aluminum in the future.

Isayama [Q]: You have said that the price of steel is quite high since the beginning of the term, but is this as planned? I have seen other companies with higher-than-expected costs in Japan and higher costs in the US, so I was wondering if that might be the reason for the unexpectedly high raw material costs in Q1 at your company as well.

Miyazumi [A]: You are right. In terms of the outlook for raw material and logistics costs, steel manufacturers are requesting price increases, which is a negative factor.

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In terms of logistics, I think this still has a few negative aspects. In particular, the US land freight rates are on the rise, and requests to raise the prices of parts are also increasing, which means that this part of the cost increases.

If such negative effects become apparent to some extent, we may consider an additional price increase or a second price increase at some point in Q2 or later.

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

Sakamoto [M]: Thank you very much.

I am sorry, but there are already six people who have raised their hands. We will try to answer each question in turn, but since time is limited, I would like to ask you to limit your questions to two at a time. Thank you for your cooperation.

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

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

The first point is to confirm what Mr. Isayama just said, about the copper/aluminum hedge, is this already 90% hedged for copper and 70% hedged for aluminum? Specifically, the market is currently declining, so in that sense, I think it is very important to know the timing to hedge. At what price is it hedged, or will it be hedged in the future? Market conditions are down, but I was wondering if you can take in the impact of the decline because you are hedging.

Miyazumi [A]: We have already hedged 90% and 70% as mentioned. Since market conditions have weakened since Q2, it is natural to consider at what timing we will hedge.

We estimate that about JPY6 billion could be captured from the softening effect of copper and aluminum. However, copper is also falling due to declining demand in China, and the copper market itself is extremely volatile, with speculative funds coming and going, so it is difficult to determine the timing of hedging.

As for FY2023, we have hedged about 20% in Japan with respect to copper, and we intend to hedge while keeping a close eye on price trends.

Maekawa [Q]: I understand. The current price of copper has fallen to around USD7,500, but would it be more accurate to say that the positive impact of the market decline will not become apparent until the next fiscal year or later, rather than this year?

Miyazumi [A]: Yes. I think it will come out clearly next year.

Maekawa [Q]: I understand. Thank you.

The second question is to check the macro environment. You mentioned China, but I would like to ask you about Europe and the United States. I think some areas may be strong due to the current heat wave, but in Europe, there is the effect of inflation. However, I think this may be a tailwind for your company on the contrary.

Also, in the US, housing construction starts have dropped quite a bit, so I am not sure how this will affect your US business. However, I think your basic demand in the US was for replacements, so in that sense, I think there is defensiveness.

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In addition to the outlook for the European and US markets, I would appreciate it if you could provide me with some supplemental information, which may be policy-oriented. Thank you.

Miyazumi [A]: First of all, with regard to Europe, it is true that inflation is running high. Also, due to the situation between Russia and Ukraine, energy costs are rising, especially through this winter, and it is said that the macroeconomic environment will be severe, especially in Germany, especially this winter.

Under these circumstances, we expect that household purchasing power will probably decline a little. Therefore, I think the situation will continue to be a little difficult for so-called direct expansion, room air conditioners, et cetera.

However, on the other hand, we have a tailwind for heat pump heating, so I think we will concentrate resources on heat pump heating to recover in that area.

In Europe, it has been said that we will probably enter a recession. Under such circumstances, we will continue to expand our heat pump heating business over the next year, and we have announced an investment in Poland this time. That being said, I think we will put heat pump heating business at a core in Europe.

In the US, as you mentioned, mortgage interest rates have been rising, and the number of new construction starts has naturally declined. We believe that the impact will be limited, as 80% of our sales are for the renewal market.

However, of course, looking at the existing housing market, we see from the macro data that prices have remained high, so we are seeing a bit of a slowdown in activity. Although it is limited, we believe it is necessary to conduct detailed operations in this area, such as strengthening sales measures, including the unitary business.

Basically, demand has been strong, but inflation in the US has also reduced the purchasing power of households, so we would like to keep an eye on this.

Maekawa [Q]: Thank you very much. In the US, you have been taking individual measures, including the acquisition of dealers in the northern part of the country, and I think the effects of these measures have been seen in Q1 of this fiscal year.

I'm wondering if it is correct to say that you can compensate for the macro slowdown and aim for growth in the medium term through individual measures in the next fiscal year and beyond. It may still depend on how you see things from now on and what the situation is, but I would appreciate any additional information on this point, including your current thoughts and feedback from the field. Thank you.

Miyazumi [A]: Yes. As you have just mentioned, the macroeconomic environment is difficult, but we will increase the volume base by making sure that we do not miss any opportunities for renewal demand. In addition, we will increase the selling price to increase sales. We will also take advantage of economies of scale to increase profit margins, and so on.

Maekawa [M]: I understand. Thank you very much.

Sakamoto [M]: Thank you very much.

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

Sasaki [Q]: Thank you for your time today. This is Sasaki from Mitsubishi UFJ. I would also like to ask two questions.

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The first question is a simple one, but I wonder if you could tell me how to think about whether Q1 results that ended were up or down compared to the assumptions made at the beginning of the period.

On top of that, the Company plan has been revised upward this time, but as explained in the explanation, I would like to confirm whether or not only the effects of exchange rates have been reflected to revised upward and the rest has not been revised. Thank you.

Miyazumi [A]: We were unable to determine how long the impact of the Shanghai lockdown would last, but to a certain extent, I think it has been within our expectations. I guess that means there is no upswing and no downswing.

As for the upward revision, it is fine to understand that it is an automatic increase by taking into account the effect of foreign exchange in Q1. Although the figures show an upward revision, excluding this, we are still aiming to exceed JPY350 billion.

Sasaki [Q]: The idea is to revise Q1 forecast upward by the amount of the foreign exchange rate to JPY350 billion, but the Company's message is that it would like to make the figure even higher than that, even taking that into account, right?

Miyazumi [A]: Yes, that is what I mean.

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

The second point is a continuation of the previous person's question, but please tell us about the United States. I understand the reasons for this increase, but I wonder if you could tell us a little more about how you were able to achieve this 24% local currency sales growth rate in the face of supply constraints and other macroeconomic conditions that are not good.

In addition, if the yen has weakened so much and sales have increased by 24%, the profit margin in the US is probably much better. Especially since the lockdown in China had a negative sales impact of JPY100 billion for the entire company, I assume that the profit margin in the US has also improved considerably. Could you tell us how the profitability of the United States was in Q1? Thank you.

Miyazumi [A]: Behind the considerable increase in sales is the fact that production capacity has recovered and sales channels have also expanded. Naturally, demand for housing in the US was very strong in Q1, so we were able to deliver products to that demand. I think the biggest factor is the recovery of production.

In this context, Goodman in the US has a very high profit margin. The profit margin for Q1 was very strong, exceeding double digits, and is the highest profit margin in our history.

Sasaki [Q]: In your view, if you can produce this volume of goods in this external environment, is it correct to think that the US has become a substantial profit center?

Miyazumi [A]: Yes. Also, the key is expanding sales channels. I believe that if we can properly create sales channels, we will be able to secure a certain level of profit. Now it is a matter of how to solve the problem of parts procurements and establish production capacity. In addition to production and supply, it is about how to hold down logistics tightly and how to reduce costs in the areas of sales and production.

With the factory being set up in Mexico, the point is how we can strengthen Goodman in both production and sales. We intend to maintain a profit margin of 10% or more.

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

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Sakamoto [M]: Thank you very much.

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

Ibara [Q]: Thank you.

The first point is to confirm the raw materials and selling price. There was talk that the impact of Q1 was unexpectedly large, and that you will handle copper and aluminum, which have been reduced, but there was also talk that it will be difficult for iron and steel, and there was also talk of inflation. Regarding the negative JPY150 billion annual impact you mentioned at the beginning of the fiscal year, is it correct to understand that the negative impact may be a little larger, but you will aim to eventually cancel out the JPY150 billion effect by raising the selling price a second time?

Miyazumi [A]: Yes, that's right. We see that the negative JPY150 billion impact of raw materials will probably increase slightly. I think that will be covered by selling prices, et cetera.

Ibara [Q]: In terms of the year, the selling price and raw materials just cancel each other out. Looking at Q1 alone, raw materials are still slightly more negative, but I think they will probably catch up somewhere down the road. Is it possible to catch up already from about Q2 or about H2? I think you are in a race to keep up with the pace of cost increases and the increase in selling prices, but what is the current outlook for the net portion, and how much do you think you can bring it to a positive level?

Miyazumi [A]: It is not easy. I think that the environment in which sales price increases are progressing is speckled by region when looking at the world. Let me say that the US is the country where it is easiest to raise prices, the so-called inflationary trend.

On the other hand, it is not easy for price increases to penetrate Japan. Naturally, we will have to be careful to avoid conflicts with competitors, but we will try to cover the rising cost of raw materials by raising selling prices where we can ahead of schedule.

Ibara [Q]: Is it possible that the additional price increase would not be in the fall, like in the past, but rather in the summer, such as now?

Miyazumi [A]: Yes. We believe that it will be necessary to bring forward price increases, including the introduction of new products ahead of schedule and raising prices at that time.

Ibara [Q]: Thank you very much.

The second point is the concept of operating margin. Looking at the Company-wide, the ratio was 13.7% in Q1 last year, but it has dropped to 11.1% this quarter, largely due to the Shanghai lockdown. However, even if we add back the negative JPY18 billion impact of the Shanghai lockdown, it is still about 13%, so it is still a decrease in profit margin compared to last year.

You mentioned earlier that in the US, selling prices have penetrated and improved considerably, but when we look at the overall picture, the margins are a little tighter in Japan that you mentioned earlier regarding the selling price. If so, could you give us a brief idea of the margins by region?

Miyazumi [A]: By region, Japan is a little tighter on margins. In Europe, heat pump heating is doing well, but direct expansion such as RA, VRV, SKY is a little more difficult. China is naturally affected by the lockdown.

Ibara [Q]: Is it safe to understand that the margins in China have not changed, especially in terms of profitability, if the transitory portion is added back?

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Miyazumi [A]: Yes. As for China, you can think of it that way.

Ibara [Q]: I see. Then, is your image that China is only transient, and Japan and Europe are a little more severe in terms of direct expansion?

Miyazumi [A]: Yes.

Sakamoto [M]: Thank you very much.

Next, Mr. Mizuno from UBS Securities Japan Co., Ltd., please go ahead.

Mizuno [Q]: This is Mizuno from UBS Securities. Thank you.

First, I would like to confirm with the Americas. Earlier, you gave us the growth rate of 24% YoY in sales in the Americas on a local currency basis and 26% for Goodman, but the slide for the Americas shows a flat to 14% to 15% sales growth rate, so could you please explain the gap in these figures?

Specifically, I would like to ask you about the volume excluding foreign exchange, the effect of acquisitions, and your comment about expanding sales of high-value-added products equipped with inverters. Please tell us what steps you have taken and how much each item has contributed to the 24% or 26% increase. Thank you.

Matoba [A]: Matoba will answer your question.

As for Goodman (DNA), as you pointed out, the growth in terms of volume is 5 to 6 percentage points, as shown in the material.

The average increase in the selling price is 4% to 5%, but in the US, the average increase in the selling price is slightly higher than that. In addition, the consolidation effect from the acquisition of a new distributor has increased the growth rate by about 8 percentage points. This is only the effect of new consolidation.

In addition, although the improvement in the mix has not yet been significant, some of it has been, and the level of production has risen, so production gains have also been taken out compared to the previous period. Although cost reductions have not yet been achieved, production gains have been added, and Goodman (DNA) has an increase of 26%.

Mizuno [Q]: I understand. Based on what you have just told us, is it correct to say that these are likely to continue in Q2 and beyond for the time being?

Matoba [A]: Yes, that's right. Sales have not changed significantly since the beginning of July and continue to grow steadily.

Mizuno [Q]: Thank you very much.

The other question is about Europe. Slide 11 shows the 150% figure for heat pump heating. When I talk with overseas investors, they pay a lot of attention to this figure, and I would like to ask what you think the upside is.

Now, I think this 150% figure itself is a little higher than the annual target for the annual growth rate, but I believe that you will expand production capacity from the current 250,000 units to 600,000 units at existing plants over the next two years, double plus more. I was wondering if you could give me some idea of what kind of trajectory you would like to go up.

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I would like to know if you can still aim higher than this 150%, considering the current situation of production capacity. The current environment, such as the current energy security situation, and the prospects for increased production capacity at our own place would like to ask about the upside while combining these two elements. Thank you.

Matoba [A]: Matoba will answer your question.

We have recently made a decision to build a new heat pump heating factory in Europe, and the market environment that we have at that time is roughly the annual average for FY2025, and this is about the entire market. For the European heat pump heating market as a whole, we expect an average market growth rate of about 30%. After that, we see a market growth rate of about 10% for 2030.

In contrast, we would like to exceed the growth of that market. In response, we have decided to increase capacity after writing the current blueprint because capacity is urgently needed and production capacity is tight.

Mizuno [Q]: Although the growth rate is high now, is it correct to say that it must inevitably fall over the next two years or so? Should we assume that there are few measures that can be taken to deal with the situation?

Matoba [A]: In terms of capacity, the new factory will be completed in 2024, so until then we expect to be able to manage to increase production at the existing plant. Regarding your question about the case where demand is even higher than expected, we will handle the situation by increasing capacity at existing factories.

The Czech Republic factory has been our main factory, but now we are working to increase production of heat pump heaters by utilizing all of the Group's production bases, including factories in Germany and Turkey. We are looking at the possibility that the supply bottleneck will be eliminated.

Mizuno [Q]: I understand. Thank you. Incidentally, are the current figures for Germany and Turkey all included in the 600,000 units at the existing factories, or are there additional figures?

Matoba [A]: We are increasing the capacity of existing factories, but there is still some room for expansion.

Mizuno [M]: My apologies. Thank you. I look forward to the next briefing. That is all.

Matoba [M]: Thank you.

Sakamoto [M]: Thank you very much.

Next, Mr. Sano from JPMorgan Securities Japan Co., Ltd., please go ahead.

Sano [Q]: Thank you.

The first point concerns profit margins in China. You have told us about the sales recovery trend, but in light of your comment that macroeconomic conditions have been the most difficult to date and the continuation of zero-coronavirus measures, et cetera, I wonder if the situation makes it difficult to reduce costs. Are there any revisions to the forecast for the 25% profit margin in China for the year?

Miyazumi [A]: In China, the profit margin is very high and it is our main earner, but the current situation is a bit difficult due to the lockdown. Nevertheless, we hope you understand that the figure is still above 20%.

In the case of China, there is a strong aspect of policy recession. With the resumption of economic activity, we believe that the numbers will come back up again if logistics are secured and goods can be sold to some extent without a total lockdown as there has been in the past. Of course, there are still some unpredictable

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aspects, but we believe that once economic activities return to normal to some extent, the profit margin will naturally return to the previous level.

Sano [Q]: Thank you very much.

The second point concerns the chemicals business. I think you are off to a good start, with a very high operating profit of JPY12.5 billion and a profit margin of 19.6%. I understand that the full-year plan itself includes foreign exchange rate effects, et cetera, but I think we can expect to see an upward swing in progress here as well. Could you tell me a little more about your outlook for the 2Q onwards?

Miyazumi [A]: With regard to chemicals, we are very strong in the semiconductor and automotive markets. However, if the global economy slows down a bit in the recession ahead, I think there will be downside factors, including semiconductor and automotive markets.

However, the general view is that the recession will be shallow, so we assume that it will not be like the Lehman Shock.

Therefore, we now believe that we can expect some solid performance for chemicals as well.

Sano [M]: I understand. Thank you. That is all.

Sakamoto [M]: Thank you very much.

Next, Mr. McDonald from Citigroup Global Markets Japan Inc., please go ahead.

McDonald [Q]: Two quick points.

First, the upward revision is only JPY2 billion in net income compared to JPY100 billion in sales. In the past two to four years, the average net profit margin has been about 6% to 7%, but please tell me why you have only raised by JPY2 billion this time. In addition, please tell us what the JPY3.8 billion settlement of non-operating expenses in Q1 is about. This is the first question.

Matoba [A]: This is Matoba.

The amount of the settlement payment for Q1 is JPY3.8 billion, which is the result of the settlement of a dispute with a rival manufacturer concerning a fluorochemical patent.

As for the final profit, the tax burden rate is a little higher than in a normal year, although it has not yet been properly estimated toward the end of the fiscal year. As already mentioned in Q1 of this fiscal year, the estimated amount of tax on dividends from overseas subsidiaries has increased due to higher earnings of overseas subsidiaries, while the level of final profits has not increased significantly.

Because of this, we expect the tax rate and tax burden to be slightly higher than in a normal year. Because of this, there are some special factors in the non-operating section mentioned earlier, and the tax rate and the tax burden rate are estimated to be a little high at this point, so the increase in final profit is a little smaller than before.

McDonald [M]: I understand.

Last, briefly, this is a confirmation of the sales price measure. Of the JPY45 billion in Q1, how much is North America in your image? In terms of the North America, in Mr. Miyazumi's discussion, mortgage rates are rising, and to some extent, housing construction starts may fall, though the impact may be limited.

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When we talk to people in the US, we sometimes hear that there must be quite a lot of inventory accumulated. I have a theory that if you enter into a recession in North America in the future, the impact may be limited to some extent in your case, but that it may be difficult to pass through the price increase due to the growing inventory in the future. What do you think about this?

Matoba [A]: In terms of sales price, we expect an increase of JPY45 billion this fiscal year, of which about JPY37 billion will be generated by air conditioning. We have not been able to break it down by region, but you can image that the US accounts for almost half of this amount.

The other four regions are also showing positive sales price effects, so Japan, China, Southeast Asia, and Europe are all showing positive results, but the US is showing a stronger effect.

Miyazumi [A]: With regard to inventories, we expect that they will naturally build up a little due to the recession and that sales will be a little sluggish, so it will be more difficult to raise selling prices, but we are not too pessimistic about this.

McDonald [Q]: Thank you very much.

Last, just to confirm, you mentioned earlier that Goodman has the highest earnings. What is your image of Q1 profit margin for the Americas as a whole?

Matoba [A]: We haven't had the figures for Q1 only, so I cannot give you the figures themselves. We are off to a good start for our anticipated plan for the year.

McDonald [M]: I understand. Thank you. I look forward to the next briefing.

Sakamoto [M]: Thank you very much.

It is time to end, but since one of you raised your hand, I would like to take the last question.

Mr. Watanabe from Mito Securities Co., Ltd., please go ahead.

Watanabe [Q]: This is Watanabe from Mito Securities. Thank you. I have one question.

In Q1, I feel that air conditioning is off to a good start despite the difficult external environment. With the implementation of eight key themes, I know that the competition is different in each region, but your company is off to a good start, and I feel that you are making a difference against the competition. Could you please give us some comments on this point? That's all.

Matoba [A]: In the air conditioning business, I believe that we have increased our market share in each region in Q1. I think the biggest factor was the fact that we were able to respond to the supply, and there was no opportunity loss.

In addition, in the area of selling price measures, we have not simply raised prices, but have implemented price increases in a manner that customers recognize the value of the product, along with the introduction of new products. We believe that we have also been able to speed up product development for this purpose.

We are also strengthening and developing our sales network, including acquisitions in the United States. We have continued to strengthen our dealer network since before the coronavirus, and we are making steady progress in this area as well, so I believe that we are strengthening our sales capabilities.

Watanabe [Q]: Do you have any comments about Asia?

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Matoba [A]: In Asia, there is finally a movement toward the resumption of the post-coronavirus economy, and the market economy has also restarted, and I think the situation is starting to move in that direction. However, it still depends on the country. As far as our sales trends are concerned, India and Malaysia have returned to normal economic conditions and are in a situation where we can increase sales.

In Thailand and Vietnam, the economic recovery is still a little slow, and in Indonesia, there are still some restrictions on activities. The overall situation is still a bit mixed at the moment, but we are moving toward the resumption of economic activities.

Watanabe [M]: Thank you. That is all.

Sakamoto [M]: Thank you very much.

With that, I would like to conclude the financial results briefing. Thank you very much for staying with us until the end.

Miyazumi [M]: Thank you.

Matoba [M]: Thank you.

[END]

Document Notes

1. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.*
2. *This document has been translated by SCRIPTS Asia.*

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