



Daikin Industries, Ltd.

Q2 Financial Results Briefing for the Fiscal Year Ending March 2024

November 8, 2023

Event Summary

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[Number of Speakers]	5	
	Masanori Togawa	President and CEO, Member of the Board
	Satoshi Funada	Senior Executive Officer, General Manager of Japanese AC Sales Division
	Yoshiyuki Hiraga	Senior Executive Officer, Responsible for Chemical Division
	Shoji Uehara	Executive Officer, Responsible for Global Operations Division
	Kota Miyazumi	Executive Officer, Responsible for Corporate Communication
[Analyst Names]*	Yuichiro Isayama	Goldman Sachs
	Tomohiko Sano	JPMorgan Securities
	Tsubasa Sasaki	Mitsubishi UFJ Morgan Stanley Securities
	Kentaro Maekawa	Nomura Securities
	Yoshinao Ibara	Morgan Stanley MUFG Securities
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*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

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Presentation

Sakamoto: We will now begin the Daikin Industries, Ltd. financial results briefing for Q2 of the fiscal year ending March 31, 2024. Thank you for taking time out of your busy schedules to join us today.

Explanatory materials are available in the Investor Relations section of the Company's website, as we informed you by e-mail. Please have them on hand if you need them.

Let me now introduce today's speakers. President, CEO, and Member of the Board, Masanori Togawa; Senior Executive Officer and General Manager of Japanese AC Sales Division, Satoshi Funada; Senior Executive Officer, Responsible for Chemical Division, Yoshiyuki Hiraga; Executive Officer, Responsible for Global Operations Division, Shoji Uehara; and Executive Officer, Responsible for Corporate Communication, Kota Miyazumi. Sakamoto of Corporate IR Group will serve as the moderator. Thank you for your cooperation.

Today, I would like to begin with a brief talk by President Togawa, and then Executive Officer Miyazumi will give an overview of the financial results. We will have a 40-minute presentation followed by a Q&A session. The end time is scheduled for 2:00 PM.

Now, President Togawa, please begin.

Togawa: Hello, everyone. Thank you for joining us today. I would like to begin by explaining the status of the financial results and the outlook for the current fiscal year.

As we announced yesterday, although demand was worse than expected in each region of the world in H1 of the fiscal year, we were able to overcome the negative effects by thoroughly implementing priority measures, including sales expansion and market share increase, and both sales and operating profit exceeded the previous year's levels on a real basis, excluding the effect of foreign exchange rates, and exceeded the plan announced in May, thus achieving a new record high.

In H2 of the fiscal year, the business environment will remain uncertain due to a delay in the recovery of demand for heat pump hot water heating in Europe and concerns about a decline in housing investment in the US. We have decided to leave our annual operating profit plan unchanged from the current announcement. We are currently working to exceed operating profit of JPY400 billion through further implementation of measures under our priority themes. We hope to present the figures again at the end of Q3.

We would like to take advantage of our sales network, product development capabilities, and supply capacity, which are the strengths we have cultivated over the years, to always read the market changes and market ahead, and to create and implement challenging themes with new ideas and thoughts ahead of time.

As for H1 results, Miyazumi will explain the details later, but both net sales and operating profit exceeded the initial plan, with net sales of JPY2,225.2 billion and operating profit of JPY235.7 billion, an increase in both sales and profit.

In H1 of the fiscal year, the business environment surrounding the Company was more challenging than initially expected due to stagnant demand in both the air-conditioning and chemical businesses. In the midst of this situation, the Company flexibly implemented priority measures in response to changes in the business environment, including sales expansion by identifying solid markets and products in each region and business, thorough implementation of strategic selling price measures, strengthening of the solutions business, and thorough cost reductions.

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In particular, we were able to overcome the severe conditions and achieve the highest performance by expanding sales of "Fit," an environmental premium unitary product for residential use in the US, commercial-use applied air conditioning systems, and commercial-use products in Europe.

I would like to talk about four key points that we are focusing on in order to achieve the second-half plan and furthermore exceed the annual plan.

The first is the US air conditioning business. In H1, DNA's shipments of its mainstay unitary products for housing decreased due to the effects of inventory in the distribution channel, but by expanding sales of high value-added products and thoroughly implementing sales price measures, DNA was able to increase sales and strengthen profitability YoY.

Sales of Fit and other environmental premium products also expanded significantly, up 69% from the previous year. We are currently in the process of strengthening our environmental premium business, and in addition to strengthening our sales capabilities through the acquisition of sales companies, we have begun selling our strategic product, the highly efficient inverter unitary Fit under the Goodman brand, which is a volume zone brand in addition to the current high-end model.

At the same time, we are accelerating the development of dealers who can handle environmental premium products by improving training and training facilities to promote the use of inverters.

DAA, an applied air conditioning company, also achieved significant sales growth in H1, mainly for data centers. We are working to strengthen our solutions business for data centers and factories, adding services and energy-saving proposals in addition to equipment.

The new plant in Mexico, which is currently under construction, is scheduled to start up sequentially from December onward, and we believe that by strengthening our supply capacity, we can improve the profitability of the chiller business this fiscal year and expand our environmental premium business in the next fiscal year and beyond.

The second is the European air conditioning business. In the heating business, the current momentum is slowing down due to factors such as the drop in gas prices, changes in the Italian subsidy system, and the rush demand for boilers in response to the accelerated implementation of stricter environmental regulations in Germany. We see the medium- to long-term trend toward decarbonization as unchanged and the demand slowdown as temporary.

Accordingly, we are proceeding as planned with the new Poland plant, which is scheduled to begin trial operation in June 2024 and start operation in October.

Competitors are aggressively investing in and entering the European heat pump heating market, including the acquisition of Viessmann Climate Solutions of Germany by Carrier Global Corporation of the United States. Competition is intensifying, but, on the other hand, we believe that this is an attractive market.

In order to increase our market share, we are also in the process of developing dealers in each country, strengthening our installation and service capabilities, expanding our product lineup with the aim of strengthening our structure as necessary for the future.

Also in Europe, tourists have returned, and these commercial markets, such as hotels, restaurants, and cafes, are recovering. In addition, we are also seeing a recovery in applied air conditioning systems for factories and data centers, and we believe that we can expand sales through proposals that focus on power saving and energy conservation.

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The third is the China air conditioning business. Although the zero-COVID-19 policy has been lifted, and production and sales activities could now be fully deployed for the first time in three years during H1 of this fiscal year, the economic outlook is uncertain and difficult to foresee due to sluggish consumption in addition to a slow recovery in the real estate market.

Despite this situation, we were able to increase residential multi-split air conditioner sales by 106% YoY in H1 by implementing all the sales methods that have been our strength, such as guiding customers from online to our PROSHOP.

In addition to expanding sales of high value-added products, the China air-conditioning business continues to maintain a high profit level due to thorough implementation of selling price measures and cost reductions.

In the residential multi-split air conditioner area, we would like to utilize the stock information on our sales to date and our strong sales network centered on PROSHOP to capture the needs for renovations and updating existing properties.

We have also introduced a new series called "Daikin CARE Central Air System," which combines air conditioning, ventilation, heat pump floor heating, and solution services such as energy conservation and air quality proposals, and we intend to expand sales by taking advantage of this series.

In the Chinese commercial market, the market for government properties, factories, and green buildings is expanding in accordance with the promotion of carbon-neutral policies. We will maintain and expand high profitability through the introduction of new products and systems with energy conservation as the starting point.

Finally, I would like to talk a little about our air conditioning business in India, which is performing particularly well in Asia. In India, we are strengthening our sales and service network, expanding R&D functions, and developing engineers and other human resources with the goal of making India a major base for future growth.

As for the new plant in the south, mass production of room air conditioners started as scheduled in August this year. In addition to expanding sales for commercial use, we intend to expand sales for residential use by taking advantage of our supply capacity and developing new sales routes in regional cities, which will lead to a significant increase in sales. We are also in the process of developing new products and training dealers to expand exports.

That is all for my explanation, and we will be happy to answer your questions later, including those for the members present today.

Sakamoto: Next, Executive Officer Miyazumi, please.

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I . Financial Results for FY2023 1st Half Companywide Results

Both sales and operating profit exceeded plan. Increased sales and operating profit were achieved on a real basis, excluding the effect of foreign exchange rates, for new record highs in financial results.

While stagnant demand in all regions made the business environment challenging, we improved financial results by thoroughly executing measures, including strengthening proposals for products and services that contribute to achieving carbon neutrality and energy savings, expanding our Solutions business, implementing strategic selling price measures, and reducing variable and fixed costs.

- ✓ Air Conditioning business: Sales expanded in China and Asia. Even in Japan, the Americas, and Europe, we worked to improve proposal-based sales in markets identified as robust. These efforts resulted in increased sales and profits.
- ✓ Chemicals business: Despite the significant impact of stagnant demand, a rising trend was sustained in profits by expanding sales and implementing selling price measures for high-performance materials for semiconductor manufacturing equipment in which demand was strong.

	FY2022	FY2023 H1		Y/Y
	H1 Results	Forecast (May)	Results	
(billion yen)				
Net sales	2,019.8	2,090.0	2,225.2	110%
Operating profit	221.7	227.0	235.7	106%
(Percentage of profit to net sales)	(11.0%)	(10.9%)	(10.6%)	
Ordinary profit	222.7	218.0	221.1	99%
(Percentage of profit to net sales)	(11.0%)	(10.4%)	(9.9%)	
Profit attributable to owners of parent	156.4	150.0	153.0	98%
(Percentage of profit to net sales)	(7.7%)	(7.2%)	(6.9%)	
USD/JPY	¥134		¥141	
EUR/JPY	¥139		¥153	
RMB/JPY	¥19.9		¥19.8	

FX Effect (Y/Y)

Net Sales +91.5 billion yen
Operating Profit +8.0 billion yen

Y/Y Results Excluding FX Effect

Net Sales 117%
Operating Profit 108%

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Miyazumi: My name is Miyazumi. I will provide an overview of Q2 financial results while following the presentation materials.

Please see page 3. Both net sales and operating profit exceeded the plan, and both sales and profit increased in real terms, excluding the effect of foreign exchange rates, to reach record highs.

Despite a very difficult business environment with sluggish demand in all regions, the Company expanded its business performance by strengthening proposals for products and services that contribute to carbon neutrality and energy conservation, expanding the solutions business, implementing strategic sales price measures, and thoroughly implementing measures such as cost reductions and fixed cost reductions.

Ordinary profit decreased mainly due to the impact of higher interest rates but exceeded the plan by JPY3.1 billion.

Actual exchange rates were JPY141 to the dollar, JPY153 to the euro, and JPY19.8 to the Chinese yuan. As for the foreign exchange impact on the previous year, net sales increased by JPY91.5 billion and operating profit increased by JPY8 billion.

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Financial Results by Segments

(billion yen)		H1 Results		
		FY2022	FY2023	Y/Y
Total	Net Sales	2,019.8	2,225.2	110%
	Operating profit (Percentage of profit to net sales)	221.7 (11.0%)	235.7 (10.6%)	106%
Air Conditioning	Net Sales	1,854.2	2,056.0	111%
	Operating profit (Percentage of profit to net sales)	192.9 (10.4%)	205.1 (10.0%)	106%
Chemicals	Net Sales	131.3	124.8	95%
	Operating profit (Percentage of profit to net sales)	25.8 (19.7%)	27.8 (22.3%)	108%
Others	Net Sales	34.3	44.4	130%
	Operating profit (Percentage of profit to net sales)	3.0 (8.7%)	2.8 (6.3%)	94%

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

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Page 4. These are the results by business segment.

In the air conditioning business, sales and profits increased due to expanded sales in China and Asia, as well as the fact that we identified solid markets in Japan, the Americas, and Europe, and worked to expand sales of differentiated products and services.

In the chemicals business, despite being significantly affected by the slowdown in demand, the segment maintained its profit growth trend by expanding sales in markets with strong demand and capturing the effect of selling prices.

As for the amount of foreign exchange impact, the air conditioning business posted a JPY87.4 billion increase in net sales and a JPY5.9 billion increase in operating profit, while the chemicals business posted a JPY4 billion increase in net sales and a JPY2.2 billion increase in operating profit.

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

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Profit and Loss Statement

(billion yen)	FY2022 H1	FY2023 H1	Impact on profitability
	130	110	
Net sales	2,019.8	2,225.2	+205.4
Cost of sales	1,341.2	1,442.4	-101.2
	(66.4%)	(64.8%)	
Gross profit	678.5	782.8	+104.2
	(33.6%)	(35.2%)	
Selling general and administrative expenses	456.9	547.0	-90.1
	(22.6%)	(24.6%)	
Operating profit	221.7	235.7	+14.1
	(11.0%)	(10.6%)	
Non-operating gain or losses	1.0	-14.7	*1 -15.7
Ordinary profit	222.7	221.1	-1.6
	(11.0%)	(9.9%)	
Extraordinary gains or losses	6.6	4.9	*2 -1.7
Profit before income taxes	229.2	225.9	-3.3
	(11.3%)	(10.2%)	
Corporate taxes, etc.	68.3	67.7	+0.6
Tax burden ratio	29.8%	30.0%	
Profit attributable to non-controlling interests	4.5	5.3	-0.7
Profit attributable to owners of parent	156.4	153.0	-3.4
	(7.7%)	(6.9%)	

() parentheses indicate percentage to net sales

*1 Changes in non-operating gains or losses

Foreign exchange gains	-8.2 (10.9→2.7)
Interest income	+1.6 (5.3→6.9)
Interest expenses	-12.1 (8.3→20.4)
Inflation accounting adjustment	-0.8 (4.7→5.6)

Adjustments due to the application of inflation accounting in Turkey

*2 Changes in extraordinary gains or losses

Loss (gain) on valuation of investment securities	-1.8 (7.1→5.3)
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Page 5. Changes in major items in the consolidated profit and loss statement are shown.

Despite efforts to lower the cost of sales ratio by promoting cost reductions, the SG&A-to-sales ratio increased. This was due to an increase in labor costs in addition to upfront investment in R&D, depreciation, and amortization.

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Balance Sheet

(billion yen)	2022/9E		2023/9E		Y/Y
Cash and cash equivalents		707.2		708.8	+1.5
Receivables	64 days	712.3	62 days	756.2	+43.9
Inventories	79 days	875.5	89 days	1,081.0	+205.5
Fixed assets		1,516.8		1,747.4	+230.7
Investment and others		183.2		193.8	+10.6
Others		257.1		282.6	+25.5
Total Assets		4,252.0		4,769.7	+517.6

	2022/9E	2023/9E	Y/Y
Trade payables	367.3	329.5	-37.8
Interest bearing	799.8	1,005.6	+205.8
(Interest-bearing ratio)	(18.8%)	(21.1%)	
Others	800.5	854.1	+53.6
Total liabilities	1,967.6	2,189.1	+221.5
Total equity	2,239.2	2,529.4	+290.2
(Equity ratio)	(52.7%)	(53.0%)	
Share Warrant	3.2	3.9	+0.7
Non-controlling interests	42.0	47.2	+5.2
Total net assets	2,284.4	2,580.5	+296.1
Total liabilities and net assets	4,252.0	4,769.7	+517.6

*Breakdown of interest-bearing debt

	2022/9E	2023/9E	Y/Y
Short-term borrowings	148.0	379.3	+231.3
CP	30.0	116.6	86.6
Bonds	190.0	140.0	-50.0
Long-term borrowings	311.0	224.9	-86.1
Lease debt	120.8	144.7	+23.9
Total	799.8	1,005.6	+205.8

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Page 6. The table shows the major items on the consolidated balance sheet and the details of interest-bearing liabilities.

Interest-bearing debt has increased due to aggressive capital investments, including the construction of a new plant.

With regard to inventories, the Company had adopted a policy of holding a large strategic inventory in response to the supply chain disruption caused by the COVID-19 pandemic, which resulted in longer inventory holding days. We have switched to a policy of inventory reduction this fiscal year and will examine the contents of inventories in each region to bring them back to an appropriate level.

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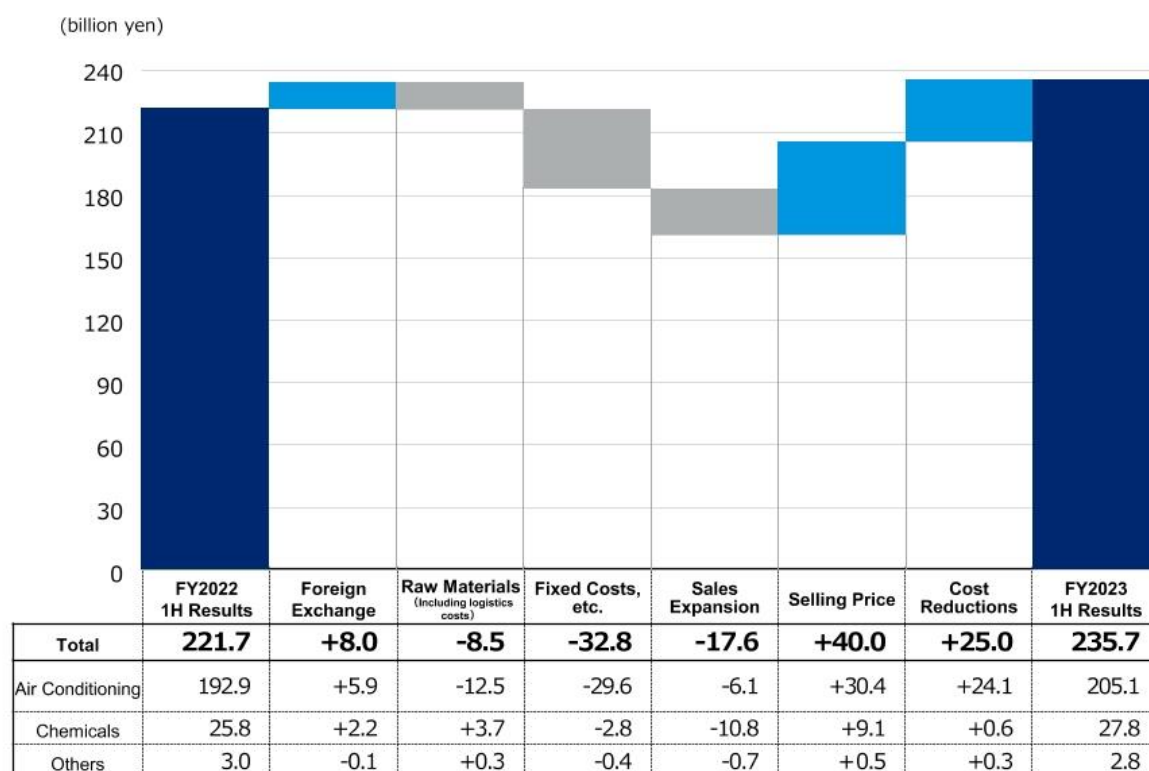
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Breakdown of Changes in Operating Profit

[Year-on-Year Comparison of First Half Results]



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See page 7. This is an analysis of the YoY changes in operating profit for H1 of the fiscal year.

Although the Company was severely affected by sluggish demand, it compensated for the negative impact by implementing selling price measures, thorough cost reductions, and striving for efficient management of fixed costs by curbing hiring and reducing expenses.

The breakdown of the impact on the air-conditioning business due to soaring raw material and distribution costs is as follows: copper is estimated to be positive JPY7 billion, aluminum to be positive JPY5 billion, steel is estimated to have no impact, resins and others to be negative JPY31.5 billion, and distribution costs to be positive by JPY7 billion.

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II . Business Forecast for FY2023 Companywide Business Forecast

With numerous measures for key themes slated for this term, we look to offset the impact of declining demand to achieve new record highs in financial results.

- ✓ The business environment is expected to become increasingly more challenging because of the slow recovery of the demand in Europe for heat pump heating, fears of lower housing investment in the United States from rising interest rates, and stagnant demand for durable consumer goods such as home appliances.
- ✓ We aim to increase market share by leveraging our strong sales network and product development capabilities that meet local needs. To ensure short-term profits, we are implementing strategic selling price measures and drastic total cost reductions.
- ✓ While attempting to expand our business with a focus on carbon neutrality and energy solutions, we will also be steadily implementing growth investments such as new factory construction, capacity expansion, R&D, product development, and investment in IT and digital technologies.

	FY2022 Results			FY2023 Forecast (May.)	FY2023			
	H1	H2	Total	Total	H1 Results	H2 Forecast	Total Forecast	Y/Y
(billion yen)								
Net sales	2,019.8	1,961.8	3,981.6	4,100.0	2,225.2	2,014.8	4,240.0	107%
Operating profit (Percentage of profit to net sales)	221.7 (11.0%)	155.4 (7.9%)	377.0 (9.5%)	400.0 (9.8%)	235.7 (10.6%)	164.3 (8.2%)	400.0 (9.4%)	106%
Ordinary profit (Percentage of profit to net sales)	222.7 (11.0%)	143.6 (7.3%)	366.2 (9.2%)	380.0 (9.3%)	221.1 (9.9%)	158.9 (7.9%)	380.0 (9.0%)	104%
Profit attributable to owners of parent (Percentage of profit to net sales)	156.4 (7.7%)	101.4 (5.2%)	257.8 (6.5%)	264.0 (6.4%)	153.0 (6.9%)	111.0 (5.5%)	264.0 (6.2%)	102%
USD/JPY	¥134	¥137	¥135		¥141	¥135	¥138	
EUR/JPY	¥139	¥143	¥141		¥153	¥145	¥149	
RMB/JPY	¥19.9	¥19.6	¥19.8		¥19.8	¥19.5	¥19.6	

FX Effect (Y/Y)

Net Sales	+91.5 billion yen
Operating Profit	+8.0 billion yen

Y/Y Results Excluding FX Effect

Net Sales	117%
Operating Profit	108%

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See page 8. The full-year earnings plan is as explained by Togawa earlier.

Operating profit for H2 of the fiscal year has been lowered from the original plan, but this is due to the fact that we are taking a cautious view of the annual plan at this time, and we will work to bounce back from the impact of reduced demand to achieve even higher results.

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Business Forecast by Segments

(billion yen)		FY2022 Results	FY2023 Forecast (Nov.)			
			H1 Results	H2 Forecast	Total Forecast	Y/Y
Total	Net Sales	3,981.6	2,225.2	2,014.8	4,240.0	107%
	Operating profit <small>(Percentage of profit to net sales)</small>	377.0 (9.5%)	235.7 (10.6%)	164.3 (8.2%)	400.0 (9.4%)	106%
Air Conditioning	Net Sales	3,629.8	2,056.0	1,830.0	3,886.0	107%
	Operating profit <small>(Percentage of profit to net sales)</small>	324.5 (8.9%)	205.1 (10.0%)	140.4 (7.7%)	345.5 (8.9%)	106%
Chemicals	Net Sales	263.4	124.8	135.2	260.0	99%
	Operating profit <small>(Percentage of profit to net sales)</small>	45.4 (17.2%)	27.8 (22.3%)	19.7 (14.6%)	47.5 (18.3%)	105%
Others	Net Sales	88.4	44.4	49.2	94.0	106%
	Operating profit <small>(Percentage of profit to net sales)</small>	7.2 (8.1%)	2.8 (6.3%)	4.2 (8.5%)	7.0 (7.4%)	97%

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See page 9. The business forecast by segment is as stated.

As for the amount of foreign exchange impact, we estimate that the air conditioning business will increase by JPY80.9 billion in net sales and JPY0.7 billion in operating profit, and the chemicals business will increase by JPY4 billion in net sales and JPY1.5 billion in operating profit.

Operating profit in the air conditioning segment has been reduced by JPY1.5 billion from the original plan, mainly because demand for heat pump heating in Europe has not yet returned, and we are taking a cautious view at this time.

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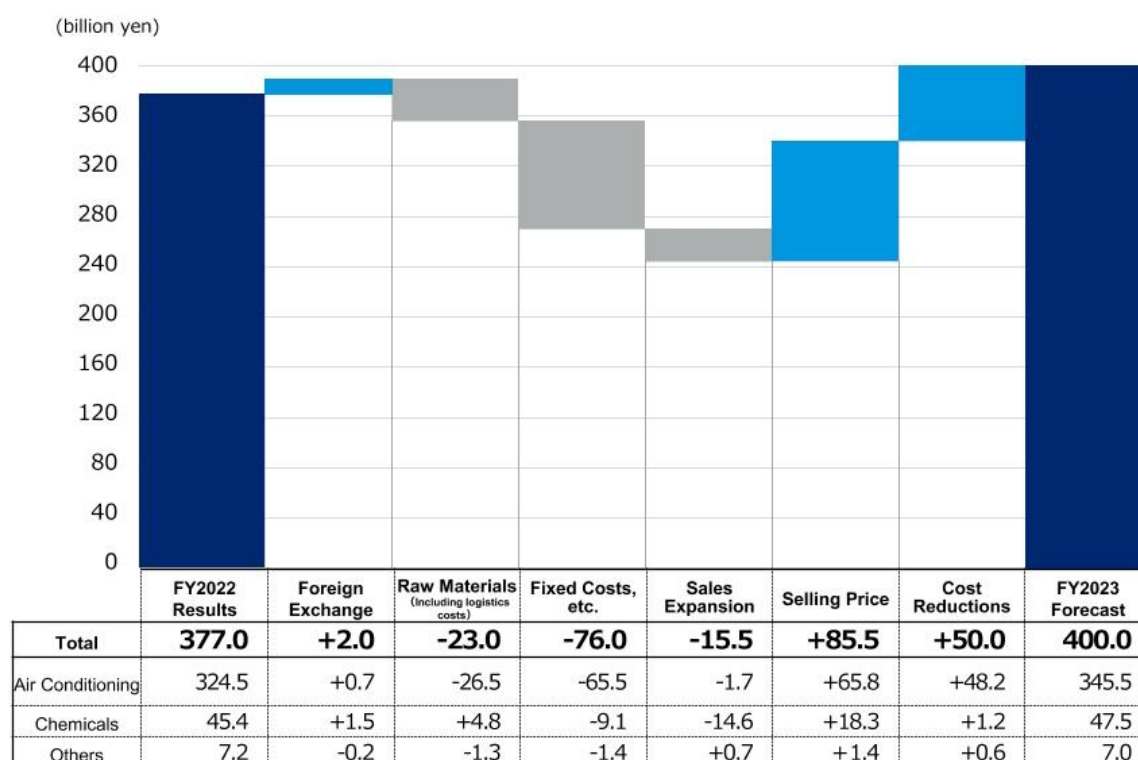
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Breakdown of Changes in Operating Profit

[Year-on-Year Comparison of Forecast]



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Page 10 is an analysis of YoY changes in operating profit in the annual plan.

Although H2 of the fiscal year will also be significantly affected by sluggish demand, we hope to bounce back by sales expansion and increasing our share, as well as by implementing sales price measures and cost reductions thoroughly.

The breakdown of the impact on the air conditioning business due to surging raw material and distribution costs is as follows: copper will be positive JPY7 billion, aluminum will be positive JPY7 billion, steel will be positive JPY3 billion, resins and others will be negative by JPY55.5 billion, and distribution costs will be positive JPY12 billion.

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Sales by Region - AC Business

* Includes refrigerator, freezer and filter businesses

*Percentage expresses year on year comparison

(billion yen)	FY2019 H1		FY2020 H1		FY2021 H1		FY2022 H1		FY2023 H1		FY2023 Forecast (Currently announced)	
	YoY %	Value	YoY %	Value	YoY %	Value	YoY %	Value	YoY %	Value	YoY %	Value
Japan	107%	268.7	93%	250.8	109%	272.8	102%	279.2	105%	294.5	107%	590.0
Europe	113%	188.7	98%	185.7	139%	258.4	118%	305.0	108%	328.3	103%	680.0
China	96%	199.4	91%	181.4	134%	243.2	110%	266.4	101%	270.3	100%	430.0
Americas	108%	369.4	93%	343.9	129%	443.9	155%	688.5	119%	819.0	114%	1,520.0
Asia	106%	148.7	76%	112.5	117%	131.3	155%	203.9	107%	217.1	104%	430.0
Oceania	90%	33.7	106%	35.8	130%	46.7	133%	61.9	100%	62.0	96%	124.0
Middle East	92%	22.0	84%	18.5	144%	26.6	161%	42.9	136%	58.2	103%	100.0
Africa	86%	3.7	84%	3.2	157%	5.0	132%	6.5	100%	6.5	84%	12.0
Total	105%	1,234.4	92%	1,131.7	126%	1,427.9	130%	1,854.2	111%	2,056.0	107%	3,886.0
Overseas Net Sales ratio		78%		78%		81%		81%		86%		85%
USD/JPY		¥109		¥107		¥110		¥134		¥141		¥138
EUR/JPY		¥121		¥121		¥131		¥139		¥153		¥149
RMB/JPY		¥15.7		¥15.3		¥17.0		¥19.9		¥19.8		¥19.6

11

See page 11. This chart shows sales by region for the air conditioning business.

Sales in major regions exceeded the previous year's level. Excluding the effect of foreign exchange rates, YoY sales in real terms were 97% in Europe, 102% in China, 113% in the Americas, and 104% in Asia.

The annual plan is as stated. Excluding the effect of foreign exchange rate fluctuations, we plan YoY real sales growth of 98% in Europe, 101% in China, 112% in the Americas, and 107% in Asia.

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Sales by Region - Chemicals Business

*Percentage expresses year on year comparison

(billion yen)	FY2019 H1		FY2020 H1		FY2021 H1		FY2022 H1		FY2023 H1		FY2023 Forecast (Currently announced)	
	Japan	98%	26.2	72%	18.8	145%	27.2	127%	34.6	97%	33.5	104%
Americas	91%	21.3	76%	16.1	124%	20.0	142%	28.5	78%	22.3	88%	52.0
China	92%	17.9	109%	19.6	128%	25.0	119%	29.7	92%	27.4	95%	53.0
Asia	91%	11.4	88%	10.0	126%	12.6	137%	17.2	92%	15.8	107%	37.0
Europe	68%	12.3	79%	9.7	170%	16.6	125%	20.6	122%	25.2	104%	44.0
Others	93%	0.8	49%	0.4	143%	0.6	115%	0.6	88%	0.6	77%	1.0
Total	89%	90.0	83%	74.6	136%	101.9	129%	131.3	95%	124.8	99%	260.0
Overseas Net Sales ratio		71%		75%		73%		73%		73%		74%
USD/JPY		¥109		¥107		¥110		¥134		¥141		¥138
EUR/JPY		¥121		¥121		¥131		¥139		¥153		¥149
RMB/JPY		¥15.7		¥15.3		¥17.0		¥19.9		¥19.8		¥19.6

*Others: Oceania, Middle East, Africa etc.

12

Page 12. This chart shows sales by region for the chemicals business.

Excluding the effect of foreign exchange rates, real YoY sales in the Americas were 74%, China 93%, and Europe 110%.

The annual plan is as stated. Excluding the effect of foreign exchange rate fluctuations, we plan YoY sales growth of 86% in the Americas, 96% in China, and 102% in Europe.

Amid the growing trend of distribution inventory adjustment in a wide range of materials, in H2, we will hasten to increase production and expand sales of products for which demand is strong, such as high-function materials for semiconductor manufacturing equipment.

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III. Business and Regional Overview AC Business - Japan

First Half Overall

Industry demand for Residential air conditioning fell year over year due to reluctance among buyers for consumer durable goods. Demand for Commercial air conditioning also declined year over year because of the slow recovery in store and office demand. Daikin strengthened user proposals centered on high value-added products, and sales grew over the previous year.

- ✓ Residential: With rising electricity rates and the growing need for energy savings, we increased market share by strengthening user proposals centered on **Urusara X**.
- ✓ Commercial: Sales expanded for **FIVE STAR ZEAS** and **machi Multi** because of their high energy savings and ease of workability. We also focused on system proposals combining such options as the **UV Streamer Disinfection Unit**, which adds air cleaning and disinfection functions.

Second Half Measures

With soaring energy prices, we will endorse proposals that help reduce electricity bills across all product groups.

Residential: We will launch new products promoting energy savings while aiming to expand sales and increase market share of high value-added products, such as **Urusara X**.

Commercial: We intend to launch new products that have even better energy-saving performance and workability. Also, we will aim to boost sales capabilities through dealer development, expand sales of high value-added products such as **FIVE STAR ZEAS**, and increase market share. We are also focusing on the Solutions business in areas including energy-saving proposals for buildings.

Y/Y change (Volume basis)		H1 Results	Full-Year Forecast
Residential	Market	91%	93%
	Daikin	94%	98%
Commercial	Market	99%	102%
	Daikin	96%	104%
Applied	Market	117%	116%
	Daikin	126%	121%

*Applied is based on total net sales.

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Page 13. From here, we will explain the status of the air conditioning business by region.

First is the air conditioning business in Japan.

While industry demand was lower than the previous year, we achieved higher sales than the previous year by thoroughly implementing strategic selling price measures and strengthening user proposals for high value-added products that meet energy-saving needs.

In H2 of the fiscal year, we will strive to expand sales and increase market share by introducing new, differentiated products with enhanced energy efficiency and ease of installation, and we will also focus on the solutions business, such as energy-saving proposals for buildings, to expand our business.

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16

AC Business - Americas

First Half Overall

While industry demand in Residential remained sluggish, sales for Daikin exceeded the previous fiscal year by expanding sales in Commercial where demand is strong, strengthening sales by leveraging acquired companies, and steadily implementing selling price measures.

- ✓ Ducted Unitary for Houses: Although the situation of distribution inventory gradually improved due in part to the effect of a heat wave, sales dropped year on year because of the slow recovery in industry demand caused by lingering inflation and rising mortgage interest rates.
- ✓ Ductless: We utilized our strong sales network to expand sales and increase market share for **VRV systems**, whereas stagnant demand in the Residential market impacted **RA/SKY** sales, which declined year over year.
- ✓ Applied: Sales grew in a steady market by drawing on distributors with expertise in the manufacturing industry and data centers, and sales substantially exceeded the previous fiscal year.

Second Half Measures

Ducted Unitary for Houses: We will expand the lineup for the environment premium product **Fit system**. Newly eligible for the Inflation Reduction Act (IRA), the highly efficient **Fit system** will be introduced in some regions. We will also aim to further expand sales by focusing on development and training of dealers who can handle inverter products.

Ductless: Our aim is to increase market share by developing and improving our sales network and expanding online sales.

Applied: Along with increasing equipment sales for the manufacturing industry and data centers where demand is strong, we will work to expand and bolster our service personnel while expanding our Solutions business.

Y/Y change (Volume basis)	H1 Results	Full-Year Forecast	
		Market	Daikin
Ducted Unitary for houses	78%	91%	92%
Ductless	RA/SKY	90%	100%
	VRV	104%	116%
Applied	154%	116%	137%

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

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See page 14. The air conditioning business in the Americas.

Amid stagnant housing demand, sales increased YoY due to efforts to strengthen sales capabilities and expand sales of environmentally friendly products, as well as the effect of selling prices.

Ducted unitary for Houses was affected by stagnant demand due to prolonged inflation and rising mortgage rates, but the situation of distribution inventories is improving, partly due to a tailwind from the hot summer.

Sales of Daikin North America, Inc. were 105% YoY on a local currency basis. Although sales of our mainstay ducted unitary products declined, we were able to secure an increase in revenue due to an improved sales mix resulting from expanded sales of "Fit" environmental premium products, thorough implementation of sales price measures, and the effect of new consolidation through acquisitions.

Applied increased sales of equipment to the manufacturing and data center industries, where demand is strong and also increased sales in the solutions business by leveraging acquired instrumentation and engineering companies.

In H2 of the fiscal year, we will focus on expanding the "Fit" lineup and developing and training dealers who can handle inverter machines. In some regions, the Company will also introduce high-efficiency "Fit" products, which are eligible for the Inflation Reduction Act.

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AC Business - China

First Half Overall

After the zero-corona policy was lifted, all manufacturing and sales activities began operating at full speed for the first time in 3 years. Despite the slow recovery in the real estate market, sales expanded, mainly in Residential, to exceed the previous fiscal year. Operating profit remained high from increased sales of high value-added products and cost reduction initiatives.

- ✓ Residential: Our unique sales activities that combine user-direct offline retail sales with online activities, such as live broadcasts using showrooms, web advertising, and SNS, contributed to sales expansion. Sales also grew with the introduction of the **Daikin CARE Central Air System**, a new series of residential multi-split air conditioners integrating air conditioning, ventilation, and heat pump floor heating with solutions services with energy-saving and air quality proposals.
- ✓ Commercial: New products with high energy-saving performance were launched in response to market growth involving government projects, factories, green buildings, etc., from the promotion of carbon neutrality policies.
- ✓ Applied: In addition to investing in growth fields related to infrastructure and semiconductors, we strengthened our maintenance and servicing business.

Second Half Measures

Because of a slow recovery in the real estate market and decline in consumption, the business environment continues to be difficult. For this reason, we will aim for sales expansion by concentrating resources on direct sales to users, differentiating ourselves by proposing unique solutions, and conducting detailed sales activities for each customer.

- ✓ Residential: Resources will shift from the new housing market to the home renovation and resale markets as we aim to further strengthen sales activities that combine online and offline sales.
- ✓ Commercial: Focus will be on markets where demand is increasing in the background of carbon neutrality, such as for buildings and factories.

YY change (Local currency basis)	H1	Full-Year Forecast	
	Results	Market	Daikin
Residential	105%	100%	111%
Commercial	95%	102%	106%
Applied	100%	100%	100%

15

See page 15. The air conditioning business in China.

Following the lifting of the zero-COVID policy, production and sales activities were fully deployed for the first time in three years, and sales were higher than in the previous year. Although the recovery of the real estate market has been delayed, operating profit has remained at a high level due to efforts to expand sales of high value-added products, cost reductions, and fixed cost reductions.

Sales of residential multi-split air conditioners were 106% YoY. Last year, the impact of the Shanghai lockdown was significant, and compared to H1 of FY2021, which was strong, our performance exceeded that, at 103%.

We expect the business environment to remain challenging in H2 of the fiscal year due to the sluggish real estate market as well as cooling personal consumption. We will promote sales activities combining online sales with user-direct retail sales and strengthen proposal-based sales activities combining solution services, such as energy-saving and air quality improvement proposals, to secure sales, particularly of residential multi-split air conditioners.

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AC Business - Europe, Middle East, and Africa

First Half Overall

The ongoing monetary tightening policies made in response to inflation have put a damper on the economy and created a difficult business environment. With a decline in demand for Residential air conditioning and heat pump heating, we endeavored to sell high value-added products and implement thorough selling price measures. Sales also expanded for Commercial air conditioning and Applied. Sales for the region overall remained on par with the previous fiscal year.

- ✓ Residential: A heat wave in Southern Europe helped boost sales in France and Spain, but a decline in demand significantly affected results.
- ✓ Commercial: **VRV systems** sales grew due to energy-saving needs in offices and stores.
- ✓ Heating: Sales decreased due to falling gas prices and changes in subsidy systems of countries such as Italy.
- ✓ Applied: Sales expanded for environmentally conscious products such as small INV chillers using R32.
- ✓ Freezer and Refrigerator: Sales were stagnant because of the slow recovery in demand by food retail chains.

Second Half Measures

Residential: High energy savings will be promoted as we look to expand sales for heating applications.

Commercial: Proposal sales to offices and hotels will be enhanced from the perspective of the environment and energy savings as we aim to capitalize on recovery demand.

Heating: The business environment remains difficult with people holding off purchases because of the drop in gas prices and changes in the subsidy system. However, we will continue assessing market conditions, launch high value-added products, and strengthen development of our dealer network.

Applied: Sales will be expanded to large projects with strong demand.

Freezer and Refrigerator: We will strive to improve the business structure, including strengthening solutions proposals.

Y/Y change (Volume basis)	H1 Results	Full-Year Forecast	
		Market	Daikin
Residential	81%	81%	88%
Commercial	SKY	101%	105%
	VRV	101%	105%
Heat-pump Heaters	73%	73%	88%
Applied	131%	115%	123%
Refrigerator and Freezer	67%	95%	93%

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

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

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See page 16. This is the air conditioning business in Europe, Middle East, and Africa.

The business environment has been severe, with a sluggish economy due to the continuation of monetary tightening policies. Although the Company was affected by declining demand for residential and heat pump heating systems, overall sales in the region exceeded those of the previous year due to sales of high value-added products, efforts to thoroughly implement selling price measures, and sales expansion in the commercial and applied sectors.

For Residential, sales expanded in France and Spain but were significantly affected by the decline in demand.

For Commercial, sales of VRV systems increased by capturing energy-saving needs in the office and store markets.

For Heating, sales were down as demand was much lower than expected due to lower gas prices and changes in subsidy programs in Italy and other countries.

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AC Business - Asia and Oceania

First Half Overall

Despite the difficult business environment in which demand slowed due to sluggish consumption accompanying inflation, overall sales for the regions increased year over year due to efforts to develop and support dealers and strong sales in India.

- ✓ Residential: The slowdown in demand caused overall sales to be on par with the previous fiscal year. In India, we utilized the sales network that has expanded until now to significantly increase sales. In Thailand, we partly took advantage of high temperatures to expand sales.
- ✓ Commercial: As project construction starts continue to be postponed or cancelled, dealer development and support led to the steady conversion of demand into orders and sales expansion.
- ✓ Applied: Equipment sales grew by capturing demand for commercial facilities and factories. We also expanded sales by focusing on the After Sales Service business such as maintenance and servicing.

Year-on-year Net sales of main countries (local currency basis)
 Australia: 101%, India: 128%, Vietnam: 99%
 Malaysia: 99%, Indonesia: 113%, Thailand: 127%

Second Half Measures

Residential: In India, along with accelerating expansion of our sales network in regional cities, we will expand sales by leveraging our supply capabilities with operation of a new factory (August 2023). In regions where inverter penetration rates are low, such as Indonesia and Malaysia, we will promote sales of inverter units excelling in cost competitiveness. We will also focus on developing promotional measures corresponding to customer segments.

Commercial: We will aim to increase sales with direct sales proposals to building owners and search for renovation projects and strengthen high value-added solutions such as energy savings, IAQ, and maintenance and servicing.

Y/Y change (Volume basis)	H1 Results	Full-Year Forecast	
		Market	Daikin
Residential	102%	111%	117%
Commercial	SKY	107%	111%
	VRV	116%	117%
Applied	123%	107%	124%

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

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See page 17. The air conditioning business in Asia and Oceania.

Amid a difficult business environment in which demand slowed due to sluggish consumption associated with inflation, overall sales in the region were higher YoY due to efforts to develop and support dealers in each country, as well as to maintain strong sales in India.

In H2 of the fiscal year, we will continue to expand our business by increasing the use of highly cost-competitive inverter units, strengthening solution proposals in commercial applications, and taking advantage of the supply capacity of our new plant in India to expand sales.

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Chemicals Business

First Half Overall

Sales fell year on year due to the decline in demand for semiconductor manufacturing processes, automotive sector, and fine chemicals, as well as the accompanying distribution inventory adjustment. Nevertheless, profits increased from the expansion of sales in markets with strong demand and selling price measures.

- ✓ Fluorocarbon Gas: Along with relatively strong demand, the beneficial effects of selling price measures led to results that significantly exceeded the previous fiscal year.
- ✓ Polymers and Fluoroelastomers
 - Fluoropolymers: Despite a slowdown in demand in the information and communications technology sector, which includes automobiles and LAN cables, demand for semiconductor manufacturing equipment remained strong, resulting in an increase over the previous fiscal year.
 - Fluoroelastomers: Sales fell year on year due to a slowdown in demand in the automotive sector.
- ✓ Fine Chemicals, etc.: Sales were significantly lower than the previous year due lower demand for anti-smudge surface coating agents, water and oil repellents, and etching agents for semiconductor manufacturing processes.

Second Half Measures

Despite the continuing sluggish demand for products for manufacturing processes, we will expand sales in the semiconductor sector by strengthening supply capacity of materials for manufacturing equipment in strong demand.

In the automotive sector, we will strengthen application development for positive electrode binders and sealing materials for lithium-ion batteries in response to the rising demand for EVs.

For repellent materials, we will expand sales in the textile market for environmentally advanced products.

Y/Y change (Net sales basis)	H1	Full-Year Forecast	
	Results	Market	Daikin
Total	96%	97%	99%
Fluorocarbon Gas	126%	103%	111%
Fluoropolymers & Fluoroelastomers	100%	98%	104%
Fine Chemicals, etc.	75%	91%	82%

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See page 18.

In the chemicals business, sales were lower YoY due to a decline in demand for semiconductor manufacturing processes, automobiles, and fine chemical products, and the resulting adjustments in distribution inventories. On the other hand, operating profit exceeded the previous year's level due to sales expansion and sales price measures in markets with strong demand.

For Fluoropolymers, sales increased YoY due to strong sales of high-performance materials used in semiconductor manufacturing equipment, although sales for automobiles and the information and telecommunications sector such as LAN cables decreased.

Fluoroelastomers were significantly affected by the slowdown in the automotive market.

For Fine chemicals, sales of etching gases, anti-smudge surface coating agents, and water and oil repellants declined.

In H2 of the fiscal year, we will expand sales in the semiconductor field by strengthening our supply capacity of materials for manufacturing equipment, for which demand is strong, and accelerate development of binders and sealing materials for lithium-ion batteries for EVs to meet growing demand for environmentally friendly products.

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Filter Business

First Half Overall

Sales fell against the previous fiscal year due to a drop in sales following steps by the company to withdraw from low profit businesses in the United States.

- ✓ Air Filter: Amid steady demand, sales grew for high-performance filters in the hospital, pharmaceutical, and data center markets in the United States, Europe, and Japan. In Asia, sales decreased from a slowdown in semiconductor investment.
- ✓ P&I*: Sales of special filters used at oil fields were strong. Efforts including shifting resources to the After Sales Service business were made to improve the business structure.

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

Second Half Measures

Air Filter: In each region, we will expand sales of high value-added products for the semiconductor, pharmaceutical, and data center markets while focusing on improving productivity and reducing costs.

P&I: We will focus on strong businesses such as dust collection systems and After Sales Service as we aim to expand sales by strengthening product appeal.

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See page 19.

In the filter business, sales of high-performance filters increased in each region, but sales fell YoY due to the impact of lower sales resulting from the withdrawal from low-profit businesses in the United States.

In H2 of the fiscal year, we will continue to aim to expand sales in high-end markets such as semiconductor plants, pharmaceutical plants, and data centers, where demand remains strong.

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Other Businesses

First Half Overall

Oil Hydraulics: Sales of products to Japan and the United States decreased for construction equipment and vehicles. While demand for industrial equipment fell in the Japanese market, sales to Europe and the United States grew, resulting in overall sales exceeding the previous fiscal year.

Defense Systems: Sales for both oxygen concentrators and pulse oximeters decreased in a reversal of higher demand because of the COVID-19 pandemic, resulting in sales falling below the previous fiscal year.

Electronics: Sales rose from higher sales of database systems for the design and development field that meet customer needs such as for solving quality issues, shortening design and development periods, and supporting cost reductions, and sales for data science software also increased. Consequently, sales exceeded the previous fiscal year.

Second Half Measures

Oil Hydraulics: With the acceleration of carbon neutrality and expansion of the need for energy savings, we will work to expand sales of both construction and industrial equipment.

Defense Systems: We will accelerate online sales of oxygen concentrators and development of local distributors in China.

Electronics: We will strengthen R&D support for the manufacturing industry and solution proposals for the construction industry.

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See page 20.

In the oil hydraulics business, sales for industrial machinery increased due to expanded sales in Europe and the United States.

In the defense systems business, sales declined due to lower sales of oxygen concentrators and pulse oximeters in a reversal to increased demand during the COVID-19 pandemic.

In the electronics business, sales increased due to higher sales of database systems for the design and development fields of the manufacturing industry.

In H2 of the fiscal year, each business will continue to meet customer needs and expand sales in markets where demand is strong.

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IV. Dividends Plan

Daikin plans an annual dividend of 240 yen (interim 120 yen and term-end 120 yen.)

【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.

		FY2019	FY2020	FY2021	FY2022	FY2023 (Forecast)
Dividend per share	Interim	¥80	¥80	¥90	¥100	¥120
	Annual	¥160	¥160	¥200	¥240	¥240
Earning per share	H1	¥405.1	¥289.2	¥475.3	¥534.3	¥522.7
	Annual	¥583.6	¥534.0	¥743.9	¥880.6	¥901.9
(Reference) DOE Trend		3.3%	3.0%	3.2%	3.3%	3.0%

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See page 21.

There is no change in either the amount of the interim dividend or the year-end dividend forecast. Although the future of the business environment is uncertain, we will strive to expand our business performance and reward our shareholders.

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Exchange Rate

	FY2022 Results			FY2023		
	H1	H2	Total	H1 Results	H2 Forecast	Total Forecast
USD	¥134	¥137	¥135	¥141	¥135	¥138
EUR	¥139	¥143	¥141	¥153	¥145	¥149
RMB	¥19.9	¥19.6	¥19.8	¥19.8	¥19.5	¥19.6
THB	¥3.8	¥3.9	¥3.9	¥4.1	¥3.6	¥3.8
AUD	¥94	¥92	¥93	¥93	¥87	¥90

Sensitivity of Foreign Exchange

(Impact of change by 1 yen to operating profit)

	FY2023 Forecast
USD	2.2 billion yen*
EUR	0.9 billion yen

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

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See page 22. The actual exchange rates for H1 of FY2023 and the assumed rates for H2 of FY2023 are shown in the table.

We estimate that a JPY1 change in the exchange rate against USD has a JPY2.2 billion impact on operating profit, and a JPY1 change in the exchange rate against EUR has a JPY0.9 billion impact.

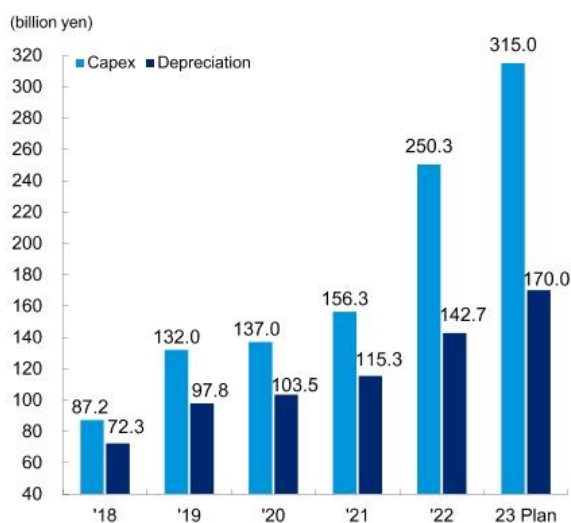
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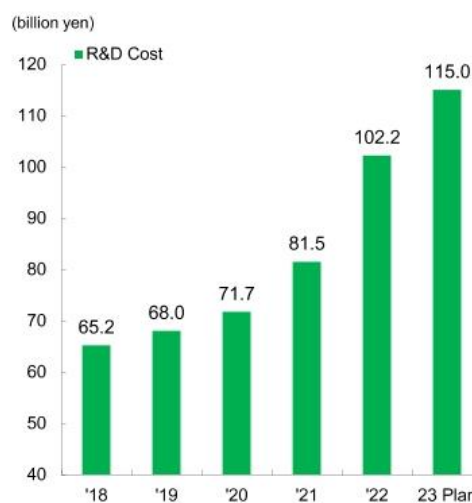
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Capex, Depreciation and R&D Cost

Capex and Depreciation



R&D Cost



<Reference> First Half Trends

(billion yen)	FY2019	FY2020	FY2021	FY2022	FY2023
Capex	54.0	63.3	64.8	95.0	150.4
Depreciation	46.1	50.3	55.7	67.9	80.9
R&D Cost	33.6	33.0	38.7	47.6	59.8

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See page 23. The H1 results for capex, depreciation, and R&D costs are as shown in the table. None of the annual plans have been changed.

Even in the current difficult business environment, we intend to steadily implement investments in production capacity expansion, R&D, and digital investments for future growth and development.

That is all I have to say.

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Question & Answer

Sakamoto [M]: Okay, we will now have time for questions and answers.

Thank you very much for the many people who have already raised their hands. We will try to answer each question in turn, but since time is limited, I would appreciate it if you could ask no more than 2 questions at a time and keep them brief. Thank you for your cooperation.

Now, Isayama of Goldman Sachs, please ask your question.

Isayama [Q]: Isayama, Goldman Sachs. I would like to ask 2 questions about the United States.

First question. You mentioned during Miyazumi's presentation that DNA had a 105% YoY revenue over the previous year, so can you give us a breakdown of the growth here? Q1 was 102% YoY, so 105% for H1 year-to-date means that if it was just Q2, the figure would be 107% or 108% or something like that. I am particularly interested in hearing what factors are contributing to this improvement.

The business environment in the US, or rather the market environment for air conditioning, has not been easy, although there have been some imbalances depending on the manufacturer. So, I would like to know qualitatively which areas were particularly good, such as an improved inventory situation or an improved product mix. Thank you.

Miyazumi [A]: I would like to explain the breakdown of DNA's 105% YoY revenue growth on a local basis.

First, the volume base is minus 18 points. In contrast, selling price was up 3 points, product mix and others were up 16 points, and acquisitions were up 4 points.

The product mix and others are 16 points higher, and there are three major points. The first is the contribution of increased sales for profitable renewals, the second is an increase in the sales composition ratio through our own wholesale route, and the third is an improvement in the product mix, resulting in a 16-point increase.

Isayama [Q]: I think the 169% YoY in sales of environmental premium products, mainly Fit, is a very positive story, and you mentioned that you are still benefiting from the increased composition ratio.

Can you give us even a rough figure for the increase in sales of environmental premium products for DNA or unitary for H1, and how much you plan to sell for the full year?

Miyazumi [A]: The percentage of Fit sales in the overall residential unitary sales is still at the level of about 5%. I would increase the profit margin by raising this portion.

Isayama [Q]: My second question is on that profit margin. We expect profitability in the Americas to increase, as you have increased prices this much, the product mix is improving, and although volume is still down, H1 results were better than expected. Please allow me to ask a question about the current status of profit margins in the Americas for H1.

In addition, I am wondering if the figures for the US are quite good this time and would like to ask whether the US is able to generate some profit even after taking into account production adjustments. Please give me your take on the profitability of the US.

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Togawa [A]: The operating margin for DNA in the US is at a very high point in H1, at 11.5%. For the full year, we are currently projecting a little less than 10% as H2 is a little strict.

Isayama [Q]: These are very high numbers, but were the sales prices good compared to President Togawa's expectations? What else was good about being able to do this, even in light of inventory adjustments?

Togawa [A]: The first is the sales expansion of high value-added products such as Fit, and the second is the sales price policy. I also believe that cost reductions and other measures at our plants have contributed to this, and I believe that our profitability has been strengthened.

As I mentioned earlier, Fit sales increased 169% YoY, and I believe we can still increase this figure. We are currently planning annual sales of a little over 130,000 units, and under our medium-term management plan "FUSION 25," we are trying to increase this number to about 500,000 units. And if we do so, we can expect further improvement in profitability. As for RA and QA, they will be produced in Mexico starting next year, and we are also switching from imports of VRV systems from Asia to local production in the US, and I believe this will also contribute to improved profitability in the future.

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

Sakamoto [M]: Thank you. Next, Sano of JP Morgan Securities, please begin.

Sano [Q]: Sano, JP Morgan. Two questions, please.

First, what is your perception of the current status of heat pumps in Europe? Demand dropped 27% in H1. I understand that there are various movements in each country, so I would like to know what kind of variation in demand there is in each country in your major regions and what your company's share is of that variation. Thank you.

Miyazumi [A]: As I mentioned earlier, the market for heat pump heating and hot water supply in Europe continues to be very challenging.

There are two major reasons. One is the move to reduce subsidies, especially in Italy and France. Also, the price of natural gas, which soared last summer, has recently dropped to about 80% of its peak level, and consumers are now thinking that replacing heat pump heating with combustion heating is not yet necessary.

By region, Italy has seen a large drop due to a significant cut in subsidies. As for France, it is a little more difficult because of the subsidy reductions.

On the other hand, in the UK, there is talk of a slight increase in subsidies, and demand for heat pump heating is a bit strong, so the situation is unfavorable in some areas.

Sano [Q]: What about share?

Miyazumi [A]: We had initially said that we wanted to achieve about 20%, but the current situation is quite difficult, and we estimate that the rate is somewhere between 15% and 20%.

Sano [Q]: On the second point, I would also like to know your strategy regarding heat pumps in Europe.

While you are also taking firm measures to reduce costs, such as not continuing to contract with temporary workers in Belgium, you are also moving to further expand sales of heat pumps for commercial use in Europe as part of your strategy, and you are also talking about the operation of a plant in Poland. How do you intend to control this temporary decrease in demand against strong medium- to long-term demand, including in terms of profits and investment for growth?

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Can you talk about these efforts again, including the changes from three months ago?

Togawa [A]: As I said, heat pump heating is in a very difficult situation, but as I mentioned earlier, in the medium to long term, it is a growing market, and we have no intention of relaxing our investment plans, which we intend to develop.

Regarding short-term initiatives for the current fiscal year, above all, we are strengthening dealer development. We have just been working on this in the H1, and I believe one of the important points is to continue to do so in H2. That and an increase in the volume of orders per store. This is the so-called ISS improvement initiative.

We launched many strategic new products in H1, and we will thoroughly promote them to increase sales per store. Since the situation differs from country to country, we believe it is important to strengthen support for dealers according to the situation.

On the other hand, it is the conversion of air conditioning dealers into heating stores. We have been developing air conditioning dealers for a long time, so it is equally important to develop stores that handle heating, and we are working on such an initiative. There are about 500 air conditioning dealers that are mainly engaged in the residential business and have excellent installation skills and service capabilities. We are in the process of developing each of these stores to be able to handle heating. As of the end of October, we have developed just over 10% and have been able to secure new orders. I believe that is one of the ways to strengthen the sales system.

We are also working to strengthen cooperation with other industries, such as solar power and electric power companies.

We are facing a difficult situation in H2 of this fiscal year, but by thoroughly implementing such measures, we hope to link them to sales.

Sano [M]: I understand. Thank you. That's all from me.

Sakamoto [M]: Thank you. Next, Sasaki from Mitsubishi UFJ Morgan Stanley Securities, please.

Sasaki [Q]: Sasaki, Mitsubishi UFJ. I would like to ask 2 questions as well.

First, let me confirm the selling price. In the plan announced this time, the operating profit of JPY400 billion is unchanged, but compared to the previous plan, the price has been raised by about JPY20 billion. On the other hand, the plan for raw materials has increased positive effects by JPY9 billion. In other words, as inflation subsides, it will be more difficult to raise prices than before, but I think we can say that the fact that you have been able to firmly raise prices in such circumstances has led to profits.

So, my question is, in what specific regions have you been able to raise prices firmly against your initial plan? Also, could you please explain in more detail how you are able to achieve price increases while inflation calms down? Thank you.

Miyazumi [A]: In terms of selling price measures, we have been raising prices since last year.

By region, first of all, in the US, the inflationary trend is still strong, so price increases continue to be accepted to some extent. Since the US is an inflationary country, we believe that the situation has not changed in that price penetration is easy to some extent.

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With regard to the outlook for the US, there have been some observations that purchasing power will decline as the excess savings of the past disappears, but we will continue to raise prices while keeping a close eye on the trends of other companies.

In Europe, inflation is also rising, and I suspect that the situation will become a little more difficult to raise prices due to a drop in investment and consumer confidence.

In Japan, it has been difficult to raise prices because the country has been in a deflationary trend for a long time. I think the direction will be to thoroughly implement such sales price measures, such as raising the added value of products by proposing not only equipment but also systems, differentiating products, and raising their prices.

Togawa [M]: Since the executives in charge of the business in each region are here, I would like them to answer the questions about Asia and Japan.

Uehara [A]: Thank you for your question. My name is Uehara, and I am in charge of the air conditioning business in Asia.

As you pointed out, inflation is rising in Asia, but we believe that inflation is having the opposite effect, making the market easier to sell cheap products, and there is a tendency for selling prices to fall, including at other companies.

Daikin raised its selling prices in Indonesia and the Philippines in the current fiscal year, but in other countries, the prices have remained unchanged since FY2022. In FY2022, we raised the price in the middle of the fiscal year rather than starting in April, so by keeping the selling price unchanged in 2023, the annual selling price effect was generated, and the selling price was higher than in 2022.

Also, in the case of Asia, in the conversion to inverters, which is to say the shift to high value-added products, raising the unit price of sales is in effect a price increase. That is all for the situation in Asia.

Funada [A]: My name is Funada, and I am in charge of sales in Japan. Thank you for your question.

In Japan, it is difficult to pass on prices, but we have raised the price for commercial use since last October. However, many products for commercial use are long-selling products, and the actual price increase is mainly due to the start of the new year in 2023. Currently, this has resulted in an increase of approximately 10% for commercial use.

For residential use, we promote a model change in the fall of each year, and prices are generally increased by 5% to 6%. I think this is accepted, especially since the yen is weak.

As for EcoCute, we raised the price by 10% in March 2023 and are now in the process of expanding sales of this product.

In addition, we are not simply selling equipment for commercial use, but are also working to raise the total price by increasing the ratio of products with high energy efficiency and high added value, as well as by proposing systems that involve instrumentation. That is all from me.

Togawa [A]: For the past several years, we have been working on strategic sales price measures as one of our most important policies, so we have been watching rivals and market trends in each region and have taken firm sales price measures based on them. We believe that this time it can lead to profits.

Sasaki [Q]: Second question. Please allow me to confirm the status of inventory.

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You mentioned that distribution inventory is decreasing in the US. Could you be more specific about the current inventory situation in the US market? Also, you are facing a difficult sales situation globally outside of the US. I would also like to know about the availability of inventory in Europe, Asia, China, etc., if possible. Thank you.

Miyazumi [A]: In terms of the status of DNA inventory in the US, we still have some left as of September. The YoY ratio is about 104%, and since it was about 120% in April of this year, it is on a gradual downward trend, but we believe it will take some time for the inventory to clear.

The inventory situation is synchronized with US economic trends, and it is the US, especially DNA, that is showing a trend of declining inventory levels.

I am sure Funada is familiar with domestic matters, so Funada will explain them to you.

In China, the real estate market is still very difficult, and it is difficult to clear inventories, so although we do not have quantitative figures on hand, inventories have accumulated to a small extent.

Funada [A]: In Japan, the distribution inventory for residential products was about 120% YoY at the beginning of the period, but as of the end of September, it had fallen to 87% YoY, including the distribution inventory of mass retailers. Although through other wholesale routes exceeded the previous year's level, the overall distribution inventory of room air conditioners in the H1 declined to a level below that of the previous year.

Togawa [A]: Until last year, we had rather strategically taken measures to build up our inventory.

As inventories grow, so does the interest rate burden, and we are working to reduce inventories by setting specific targets for each region starting this year. Currently, we have been able to significantly reduce regular inventories through these efforts, and we are also making progress on older model inventories as planned.

However, for strategic inventory, there has been a recent decline in demand for heat pump heating in Europe and for DNA in the United States, and we are continuing our efforts to reduce inventories, as we have not been able to keep up with some of the production reductions that have resulted.

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

Sakamoto [M]: Thank you. Next, Maekawa of Nomura Securities, please begin.

Maekawa [Q]: Maekawa, Nomura Securities. I would like to ask 2 questions.

The first question is about heat pump heating in Europe. Regarding the subsidy situation, we were told that Italy is going to cut it in stages during the year, so I am thinking that the situation is currently difficult and will be difficult for a while.

Looking at the medium term, what is the scenario for recovery to a growth trajectory, and at what point in time can we expect it? Since you said that you will not make any changes in the investments, I think you are maintaining the growth perspective of the medium-term plan, but I would like to ask you for some hints on the timing and drivers of recovery. Thank you.

Togawa [A]: This is a difficult decision to make, but I think the major trend is that the market will start to recover in the next year or so. However, this depends on what happens to the European economy. Germany, which has been leading the European economy up to now, is now in a very difficult situation, and I think there are many factors contributing to this, such as stagnant exports to China.

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I don't think it is quite this simple, since there are many factors involved, but the major trend in Europe is environmental regulations. As for environmental regulations, Europe is not loosening up but is increasingly becoming more restrictive. By 2030, new combustion heating systems will no longer be useable, so in that trend, we see this as a major growth market in the medium to long term.

As for what specific numbers we will go with next year, we would like to complete H2 of the current fiscal year and then set targets for next year while watching the situation, that is the honest truth.

Maekawa [Q]: Another thing is that, like your company, I think each company is increasing its capacity for heat pumps. It is often discussed that as capacity starts up and supply increases. Is there a risk of prices falling or competition risk due to the balance of supply and demand? What are your thoughts?

Since it may perhaps be advantageous to increase capacity as early as possible, will you be moving forward with investments in capacity expansion if there are areas where you can accelerate? I would like to know your current thoughts on capacity expansion and price competition risk as well. Thank you.

Togawa [A]: Right now, we are planning to increase production of heat pumps using refrigerants in the Czech Republic and other countries, and we intend to go ahead with that as planned. As for Poland, we are planning to launch heat pumps using natural refrigerant, the so-called propane R290, next year. Since it is a strategic plant for this purpose, we intend to do so as planned.

I believe that competition will intensify, but one point that I think will be important is how quickly we can introduce products that are differentiated from our rivals and high-performance heat pumps that will be well received by customers.

Second, as I mentioned earlier, we are strengthening our sales network. Another very important element is the strengthening of the service network. Unlike regular air conditioning, in the case of heating, especially in cold areas, it would be a serious problem if it stopped. Service enhancement is one of the ways we differentiate ourselves from our competitors.

Third is installation. There are many combustion-type installers in Europe, but not so many can handle heat pumps. This is also a strategic preparedness issue that in the UK we acquired a combustion service company and now in the process of training them to be able to handle heat pumps. We started training installation contractors in the UK, and are now trying to expand laterally to Italy, France, Germany, etc., as well.

For example, if the cost of buying a complete heat pump heating system in a house is 100, the installation cost will be about 200 or even 300. One of the key points is that the construction cost is very high, so I think one of the differentiating features is how we can create products that are construction-saving. We would like to differentiate ourselves from our rivals from the perspectives I just mentioned.

Maekawa [Q]: On the second question, I believe that Applied grew relatively well this quarter, in the Americas and in each region. Is this where you are expanding sales to manufacturing and data centers, or is this a delayed improvement in some areas because demand for Applied was low last year?

I think it includes your company's unique response, including solutions, so I would like to ask you to supplement the background of Applied's growth in each region, which may be different, and its sustainability, whether this growth will still be sustained for the next fiscal year. I would appreciate some hints in this area as well. Thank you.

Togawa [A]: Regarding Applied, I believe that the market will be still growing worldwide. The US is doing particularly well this year. We had many inquiries last year, but due to some procurement problems at our suppliers, we could not procure enough parts and could not convert those inquiries into orders. In other words,

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inquiries were accumulating quite a bit. We were able to solve all of these problems last year, and we are now able to grow steadily.

For data centers, we acquired the secondary side last year. In addition to heat sources, having a strong secondary side has greatly strengthened our ability to propose solutions, and we have received very large orders for data centers in the United States. As for the data centers, we are in the process of deploying them horizontally all over the world now.

The need for carbon neutrality, including for factories, has been increasing significantly, and I believe that Applied can still expand its business by proposing solutions for carbon neutrality, as it is doing now.

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

Miyazumi [A]: I would like to add one additional point. We are often asked the previous question about how we view the European market for heat pump heating, so for your information, we always answer in this way.

We recognize that the European heat pump heating market is now in the long term in terms of product life cycle. Various players are now entering this market because it has a lot of room for growth.

Thus, the first thing that happens is investment competing. As a result, as you mentioned, there is a concern that the supply-demand balance may loosen due to oversupply.

On the other hand, we see this as a leading-edge market, and we believe that it will be easier later on if we first build a profitable base and capture market share during this period. We recognize that this is precisely the background behind Carrier's acquisition of Viessmann.

I believe that players without the ability to invest will eventually be weeded out, and the growth market is now in a situation where companies are making upfront investments. In other words, as a market trend, we expect that companies will continue to focus on strengthening their earnings base rather than on profitability for the next two to three years.

Maekawa [M]: Thank you very much for the details.

Sakamoto [M]: Thank you. Next, Ibara of Morgan Stanley MUFG Securities, please begin.

Ibara [Q]: For the first question, I would like to ask you to comment on your company's inventory.

I think the inventory is much larger than before COVID-19. Of course, there is a difference in exchange rates, and I understand that it will increase since you are expanding the scale of your business.

You mentioned earlier that some of this inventory is strategic, and some is not, and that you are going to be lowering it, but can you tell us if there is a level that you can quantitatively indicate as a goal for appropriate inventory, such as a goal to return to this level over one or two years?

Togawa [A]: At the end of March 2023, we had about JPY990 billion in inventory in terms of value. We hope to lower this amount by about JPY100 billion during the current fiscal year. This is so-called regular or old inventory. We are now working to reduce some of our strategic inventory as well.

In conjunction with the reduction of regular inventory, each department has been instructed to put the scalpel to strategic inventory. Don't hold too much in the name of strategic inventory; reliably sell on demand. I think we have to consider how to hold inventory in combination with such things as how we can sell products that are better than our rivals through differentiation.

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Also important is the extent to which lead time can be reduced. As a medium- to long-term initiative, we are currently working on SCM reform and are in the process of creating a system that allows procurement, production, and distribution based on actual sales data, rather than on a shipment basis. We are working on how to reduce this inventory while also taking advantage of such things.

Ibara [Q]: Do you have an idea of how much progress has been made toward the JPY100 billion reduction target as of H1?

Togawa [A]: Currently, we have not yet made that many reductions. We have been working on this plan in H1, and we are determined to reduce this in H2.

Ibara [Q]: Is it correct to understand that the impact of lower capacity utilization due to inventory reduction is factored into the sales expansion in terms of breakdown of changes in operating profit?

Miyazumi [A]: Yes.

Ibara [Q]: Second, what is the outlook for the raw material impact? I think copper, aluminum, and iron are turning positive in terms of annual YoY impact, but only the resin and other areas are still expected to have a very negative figure of JPY55 billion. I think that semiconductors and electronic components are also included in this category, but I wonder whether resins and other materials will be able to return to positive growth in the same way as other materials or whether they are unlikely to be able to do so easily. The negative impact of JPY55 billion is quite significant, so could you please tell us how you see this area?

Miyazumi [A]: To be honest, the situation is a bit uncertain.

Togawa [A]: For copper and aluminum, I believe we have certainly been able to capture the softening effect.

On the other hand, the prices of gas, oil, and related resin products have risen more than expected, and we are working out specific measures to deal with this situation.

Ibara [M]: I understand. Thank you for your explanation.

Sakamoto [M]: Thank you. Next, Mizuno of UBS Securities, please.

Mizuno [Q]: Mizuno, UBS. Two questions, please.

I am asking because I would like to consider the profit margin in North America from this fiscal year to next. One thing I would like to ask you about is the impact of the refrigerant shift in North America, especially in the area of price increases. It seems to me that more and more air conditioner companies are commenting on their policy to respond to this, or the effect of price increases there.

I think the R32 will become more popular in the future, but could this be the catalyst for your company to raise prices, expand scale, and eventually improve profitability from this fiscal year to the next? Specifically, there may be a direct effect in terms of expanding sales of products with a highly competitive advantage, or an indirect effect, for example, if more companies use R32. Will it make it easier to do business, such as lower procurement costs, as the supply chain is built locally?

In terms of refrigerants, do you have an opinion on the impact on profitability in North America over the current and next fiscal year? Thank you.

Togawa [M]: Hiraga will answer regarding the North American trend in refrigerant regulation.

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Hiraga [A]: Regarding refrigerant regulations, the future is still uncertain. Right now, GWP of 750 is one border, although it depends on the region. With the rapid reduction, we will have to consider how we can continue to use GWP 750 items or whether we need to consider other options such as natural refrigerants.

Our idea is to promote the good points of the R32 and to spread its use during the period when the GWP limit is 750.

Togawa [A]: To answer your question more clearly, the GWP limit for refrigerants will be 750 from 2025. Therefore, we are in the process of switching all product development to R32, since 410A will no longer be able to use, although we are now mainly using 410A in the US market. We are planning to switch all of our products to R32 by 2025.

Naturally, switching to R32 will require development costs and investment, which will naturally be recovered through sales prices and other means.

Then, there is the other thing: the trend of our competitors. We have been conducting various activities to create a group regarding R32, but it is not always easy to do so. Rather, some rivals are promoting 454B as a refrigerant with the GWP limit of 500 in mind.

However, since R32 is a single refrigerant, we believe it is a very good refrigerant in terms of total cost, including recovery and reuse, so we are explaining these points to the industry and related environmental groups and are also working to extend the use of R32.

Mizuno [Q]: The other thing is that this is also related to revenue in North America. Please follow up with regard to sales channel strategies.

First of all, just to confirm the numbers, please tell us how you are keeping track of the numbers internally in terms of the ratio of these two sales channels: your own distributors, which were commented on today, and the dealers who have multi-brands, in contrast to that.

I would like to confirm on that. I understand from your post-financial statement interview that three months ago there was a tough competitive environment in the multi-brand sales channel. The question is whether the situation has improved.

With regard to your own sales channels, I think you are saying that this time around, even with the increase in revenue and the improvement in the product mix, that is what is working. When sales of Fit and other products increase in the future, sales of high value-added products will increase, and you will promote your products to customers through our own distributors to expand sales. When that happens, the ratio of your own distributors will inevitably increase, leading to improved profitability. Please give us a hint if you can picture such a scenario. Thank you.

Togawa [A]: Roughly speaking, the percentage is 60% for our own distributors and about 40% for others, or independent distributors. Naturally, our own distributors understands our sales strategy and follow such a policy, which means that they are doing so at a high profit margin.

On the other hand, other distributors or independent ones tend to sell what is easy to sell, which inevitably leads to lower selling prices. However, this is not necessarily the case.

I recently spoke with a major wholesaler in the US, and they, too, said that they want something differentiated in the coming era, and that they would like to handle so-called environmental premium products to increase their sales, and that doing so would also improve profits for the wholesaler.

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We are trying to expand Fit not only to the premium zone, but also to the Goodman brand, the so-called volume zone. They are in a situation where they want to handle and sell more of these.

In the US market, we are trying to create more and more markets for environmental products such as inverters, heat pumps, and low-GWP products. As I said, with both our own distributors and those of others, as well as independent wholesalers, wanting to extend themselves in the face of such trends, we believe it is important how to incorporate our strategies into concrete measures and execute them with speed.

Mizuno [M]: Thank you for your careful explanation. Thanks again.

Sakamoto [M]: Thank you. Now, we are sorry, but we have only a limited amount of time left, so we will end the session with only two more questioners. Fukuhara of Jefferies, please.

Fukuhara [Q]: Fukuhara of Jefferies. I have 2 questions.

The first is regarding your company's market share. Earlier, you commented that the market share target for heat pumps in Europe is about 20%, but currently is 15%. What I am wondering is which company is taking the market share. Also, you made a comment about the leading edge, but what do you see as the way to regain market share in the future? Thank you.

Miyazumi [A]: I mentioned earlier that our heat pump heating and hot water supply market share is roughly between 15% and 20%. The current situation is roughly in the neighborhood of 17%. We are aiming to increase its market share to 20% for the time being.

The European heat pump heating and hot water market is currently at a bit of a plateau, and the reason for this is due to the two factors I mentioned earlier. From here, we will naturally go for market share by still investing aggressively.

In terms of heat pump heating in Europe, our main battleground is Germany, so we believe it is very important to solidify our sales base in Germany. Naturally, German combustion heating manufacturers have a very strong channel, and we believe that taking on the sales channel for combustion heating systems will be a driver for our future growth.

Togawa [A]: Now, Miyazumi answered, but I am always saying don't just go for market share; don't lower the selling price. How can we increase our market share while maintaining a decent selling price and increasing profits? This is a policy that I have issued for all of our locations over the past few years, not just heat pump heating in Europe. Therefore, we are focusing on strategic sales price measures as well as sales expansion and market share increasing.

We are currently at about 17% of the European heat pump market share, but we are looking to challenge for a share of over 20%. To achieve this, as I mentioned earlier, we need to further strengthen our dealer development and sales network in Germany, France, and other countries, as well as how we can increase the sales volume per dealer, or ISS. To this end, I believe that providing sales promotion support to dealers like no other is also an important measure.

Also, we are trying to increase our market share by strengthening our air conditioning stores, which is one of our strengths, so that they can handle more heating systems, and so on. Naturally, the speedy development and introduction of differentiated products is one of these measures.

Fukuhara [Q]: Second question. This time, the annual sales plan for China is set at 101% for the current fiscal year, from 102% in the initial plan of FY2023. Although it is a small correction, what is the nuance of the reason

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behind it? Is it because the environment is getting tougher, or is it just the result of close scrutiny? Also, you mentioned earlier that residential multi-split was 106% in H1. Do you have an annual plan here?

Togawa [A]: I think you all know that China is in a very difficult market, the real estate market is very sluggish. It is hard to see now when the real estate market will improve. I think everyone's view is that if the real estate market continues as it is now, this downturn will still continue.

As I have already explained today, we have been working on sales online and offline, the introduction of new residential multi-split products, and a new residential multi-split system called the Daikin CARE service. As a result of these efforts, even in under difficult circumstances, we achieved sales and profits in H1 of the fiscal year, and are on track to maintain high profitability in H2 of the fiscal year under similarly difficult conditions. We would like to continue to work steadily on such initiatives.

As for next year, at this stage, it is difficult to foresee the situation yet.

Miyazumi [A]: I will give you some figures. We are planning for roughly 102% to 105% of our annual sales of residential multi-split.

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

Sakamoto [M]: Thank you. Now, to the next and last questioner. McDonald of Citigroup Global Markets, please.

McDonald [Q]: I'll be brief due to time constraints.

One is that you mentioned the heat pump heating market today, and I spoke with a local consultant a few weeks ago, and there are concerns about oversupply. There is also new entry share, and the fact that not only your company but other manufacturers are not revising their capital investment plans. After all, given the trend of selling prices, maybe they will fall by about 40% within 5 years.

After all, consumer sentiment is also quite down, and there is a lot of talk about carbon neutrality and decarbonization, but wouldn't cheaper products be better? If so, can you comment on how Daikin will maintain its selling price policy?

Local people are quite concerned about the risk of price collapse, so although President Togawa said he wants to maintain the selling price, I am wondering that it may not be possible.

Togawa [A]: You are right, and I think the key is how to produce a product that customers will recognize the value in. We have been developing such products to see if we can produce high-performance, power-saving products ahead of our rivals.

Now, we are building an R&D center in Ghent, Belgium. The experiment building is already ready, but all R&D buildings will not be completed until next year. We believe that such a readiness will enable us to create even more differentiated products. Naturally, first, we are also in the process of strengthening our human resources for development technology, etc., and I believe that we are in a stronger position than our rivals, and that we will be able to create even more differentiated products.

Second, as I mentioned earlier, the construction cost is higher than the product, so how can we lower this construction cost? We are acquiring stores that do combustion-type heating work and turning them into stores that can handle heat pump heating and seeing how we can expand the business to include inexpensive construction work. I think this is an important perspective in this area as well. We are working on this in the

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UK first, but at the same time, I think it is important to expand it horizontally at a speedy pace, for example in Germany, France, etc.

We believe that through such efforts, we can increase our market share while maintaining a certain level of price.

McDonald [Q]: When I talk to the people who work in the air-conditioning stores, they say that they can't install from air conditioning to heat pumps so easily and that the industry has to change the structure more, such as more modular production and design changes. One bottleneck in Europe is the lack of installers themselves. Not only your company, but the industry as a whole need to put a little more effort into this area.

Togawa [A]: You are right, and other companies in the industry as a whole are taking such initiatives. In particular, manufacturers of combustion heating systems are now switching their business structure from combustion heating to heat pump heating, and they too believe that this is a major issue, so they are working on such initiatives.

However, I would like you to understand that we are now working to see how far we can go to stay one step ahead of such moves by our rivals.

McDonald [Q]: The UK government is also trying to backtrack on its carbon neutral strategy. I don't think you should have such long-term expectations in the UK.

Togawa [A]: It's a pretty good system, and I hope you will use it once. Thank you in advance for your consideration.

McDonald [Q]: One last thing. Isayama's question was about the profit margin in the US. DNA's H1 was 11.5%, so what was H1 performance for the Americas as a whole? Also, I heard that DNA's profit margin last year was around 11% to 12%, so I am aware that DNA's profit margin has not changed much compared to the previous year. What do you say?

Miyazumi [A]: In addition to DNA and DAA, the Americas as a whole includes figures for filters and Latin America, so it is difficult to go to double digits there at the moment. I believe this trend will probably continue a bit longer.

In terms of DNA alone, last year the margin was 11% to 12%, but due to distribution inventory problems, etc., the margin has been pushed down a little. We would like to aim for 10% of the total for the Americas by 2025.

Togawa [A]: Right now, I think it's just under 7% for the Americas as a whole.

DAA's earnings have improved a little, but as I have said before, this is an issue that will require more time, and I believe that production at the Mexican plant and other factors will make a positive contribution from now on. Also, our target for this year's solution ratio is about 40%, but I think we have reached 36-37% in H1. We are working to bring this to about 40% per year, and we are confident that we will be able to achieve 10% in 2025, as our earnings will increase as the solution ratio rises.

McDonald [M]: I understand. Thank you for your time today.

Sakamoto [M]: Thank you. With that, I would like to conclude the financial results briefing. Thank you very much for your participation to the end.

[END]

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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.*
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