



# Presentation of Financial Results for the First Quarter in June 2020

August 4, 2020

***DAIKIN INDUSTRIES, LTD.***

# Summary of the First Quarter Financial Results



Despite a global economic slowdown due to the novel coronavirus (COVID-19), Daikin continued business activities while assessing prospects for a recovery in demand by region, business, and product. Financial results exceeded the action plan by promotion of both defensive and proactive measures which included strengthening sales activities using online tools, ensuring product supply through early recovery of factory production, and extensively reducing fixed costs.

In the Air Conditioning business, high customer interest resulted in a sales expansion of products relating to ventilation and air quality.

In the Chemicals business, a lag in recovery of the semiconductor market and low demand in the automotive industry adversely impacted results, but sales expanded for products related to tablet PCs, which increased from greater adoption of telework, and for products related to medical protective clothing.

(billion yen)	Q1 Result (Apr.-Jun.)		
	FY2019	FY2020	Y/Y
<b>Sales</b>	681.3	<b>581.7</b>	85%
<b>Operating Profit</b> (Percentage of profit to net sales)	89.6 (13.2%)	<b>54.5</b> <b>(9.4%)</b>	61%
<b>Ordinary Profit</b> (Percentage of profit to net sales)	89.8 (13.2%)	<b>55.1</b> <b>(9.5%)</b>	61%
<b>Profit Attributable to Owners of Parent</b> (Percentage of profit to net sales)	63.1 (9.3%)	<b>33.1</b> <b>(5.7%)</b>	52%

<b>USD/JPY</b>	¥110	¥108
<b>EUR/JPY</b>	¥123	¥118
<b>RMB/JPY</b>	¥16.1	¥15.2

■ FX Effect (Y/Y)	
On Sales	-22.5 billion yen
On Operating Profit	-5.0 billion yen

# First Quarter Sales and Operating Profit by Division

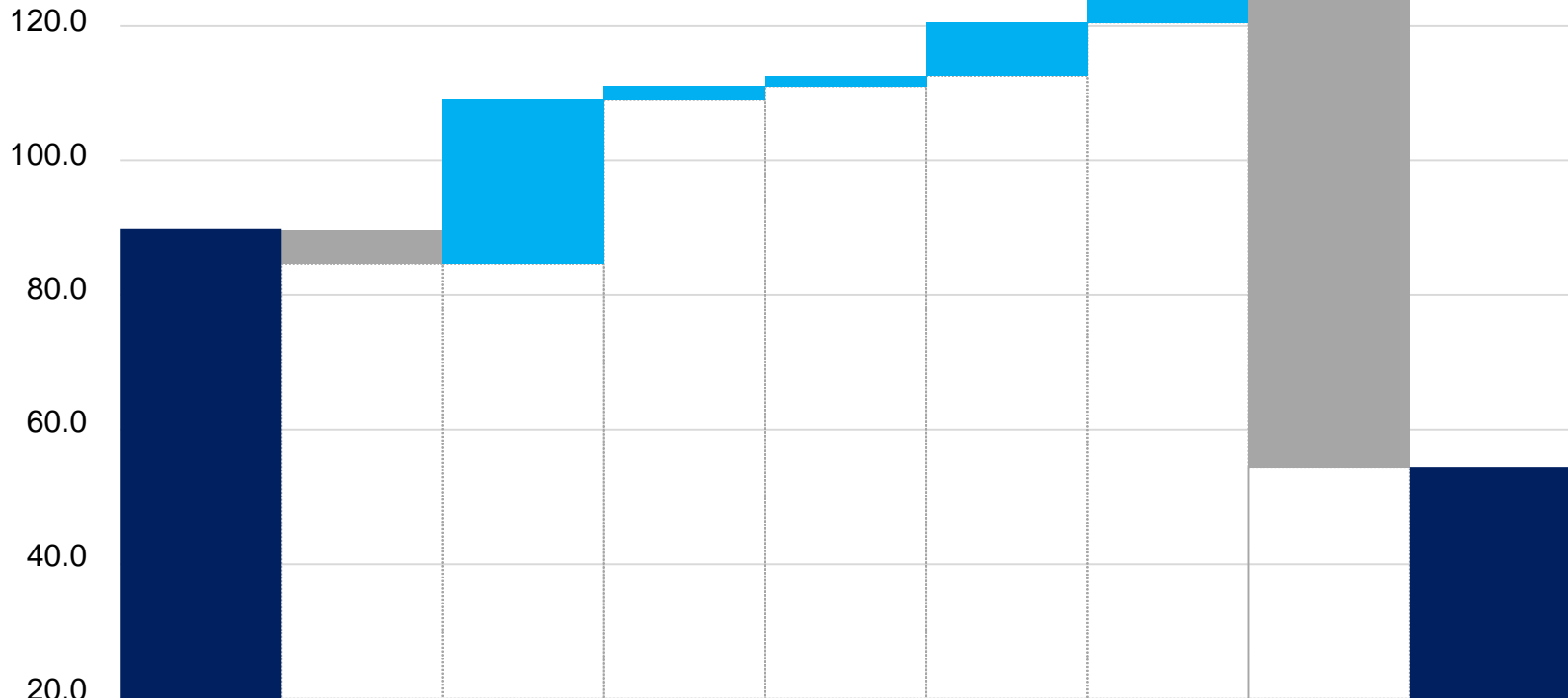


(billion yen)		Q1 Result (Apr.-Jun.)		
		FY2019	FY2020	Y/Y
<b>Total</b>	<b>Sales</b>	681.3	<b>581.7</b>	85%
	<b>Operating Profit</b> (Percentage of profit to net sales)	89.6 (13.2%)	<b>54.5</b> (9.4%)	61%
<b>Air-Conditioning</b>	<b>Sales</b>	625.3	<b>536.7</b>	86%
	<b>Operating Profit</b> (Percentage of profit to net sales)	82.5 (13.2%)	<b>51.6</b> (9.6%)	63%
<b>Chemicals</b>	<b>Sales</b>	44.3	<b>35.6</b>	80%
	<b>Operating Income</b> (Percentage of profit to net sales)	6.3 (14.2%)	<b>2.7</b> (7.5%)	42%
<b>Others</b>	<b>Sales</b>	11.8	<b>9.4</b>	80%
	<b>Operating Income</b> (Percentage of profit to net sales)	0.8 (7.0%)	<b>0.2</b> (2.6%)	30%

# Breakdown of Changes in Operating Profit

## 【Year-on-Year Comparison of 1Q】

(billion yen)



	FY2019 Result	Foreign Exchange	Sales Expansion	Selling Price	Raw Materials	Cost Reductions	Fixed Costs, etc.	COVID-19	FY2020 Result
<b>Total</b>	<b>89.6</b>	<b>-5.0</b>	<b>+24.4</b>	<b>+2.0</b>	<b>+1.5</b>	<b>+8.0</b>	<b>+4.5</b>	<b>-70.5</b>	<b>54.5</b>
Air-Conditioning	82.5	-4.7	+23.6	+2.0	+1.5	+7.5	+4.5	-65.3	51.6
Chemicals	6.3	-0.3	+0.8	—	—	+0.5	—	-4.6	2.7
Others	0.8	—	—	—	—	—	—	-0.6	0.2

- ✓ Based on future demand estimates as a result of the impact from COVID-19 on each business and region, we have revised the action plan and set annual operating profit at 170 billion yen (upwardly revised from the 150 billion yen target set in the action plan announced in May).
- ✓ Air conditioning demand in the first half is expected to exceed the previous estimates made in the May plan, particularly for residential use, due to pent-up demand, various subsidies made by national governments worldwide, and favorable weather. In the second half, because the COVID-19 pandemic is expected to continue in the Americas and India and a global recovery in orders for commercial use equipment is likely to be pushed further back into the future, the situation is expected to be more severe than initially thought in the May plan.
- ✓ Together with strengthening proactive measures such as capitalizing on air quality and ventilation needs, we will meticulously continue defensive measures such as reduction of fixed costs. Second and third round measures will be taken as needed according to demand and market trends. These will be performed in succession and reflected in the action plan as we aim for even higher results.

(billion yen)	FY2020 Forecast							
	(May)				(Aug.)			
	H1	Y/Y	Total	Y/Y	H1	Y/Y	Total	Y/Y
<b>Sales</b>	1,070.0	79%	2,330.0	91%	1,180.0	87%	2,350.0	92%
<b>Operating Profit</b> <small>(Percentage of profit to net sales)</small>	40.0 (3.7%)	24%	150.0 (6.4%)	56%	100.0 (8.5%)	59%	170.0 (7.2%)	64%
<b>Ordinary Profit</b> <small>(Percentage of profit to net sales)</small>	40.0 (3.7%)	24%	150.0 (6.4%)	56%	100.0 (8.5%)	59%	170.0 (7.2%)	63%
<b>Profit Attributable to Owners of Parent</b> <small>(Percentage of profit to net sales)</small>	23.0 (2.1%)	19%	100.0 (4.3%)	59%	63.0 (5.3%)	53%	114.0 (4.9%)	67%

USD/JPY ¥108  
 EUR/JPY ¥120  
 RMB/JPY ¥15.7

¥108  
 ¥120  
 ¥15.7

# Business Forecast by Segments

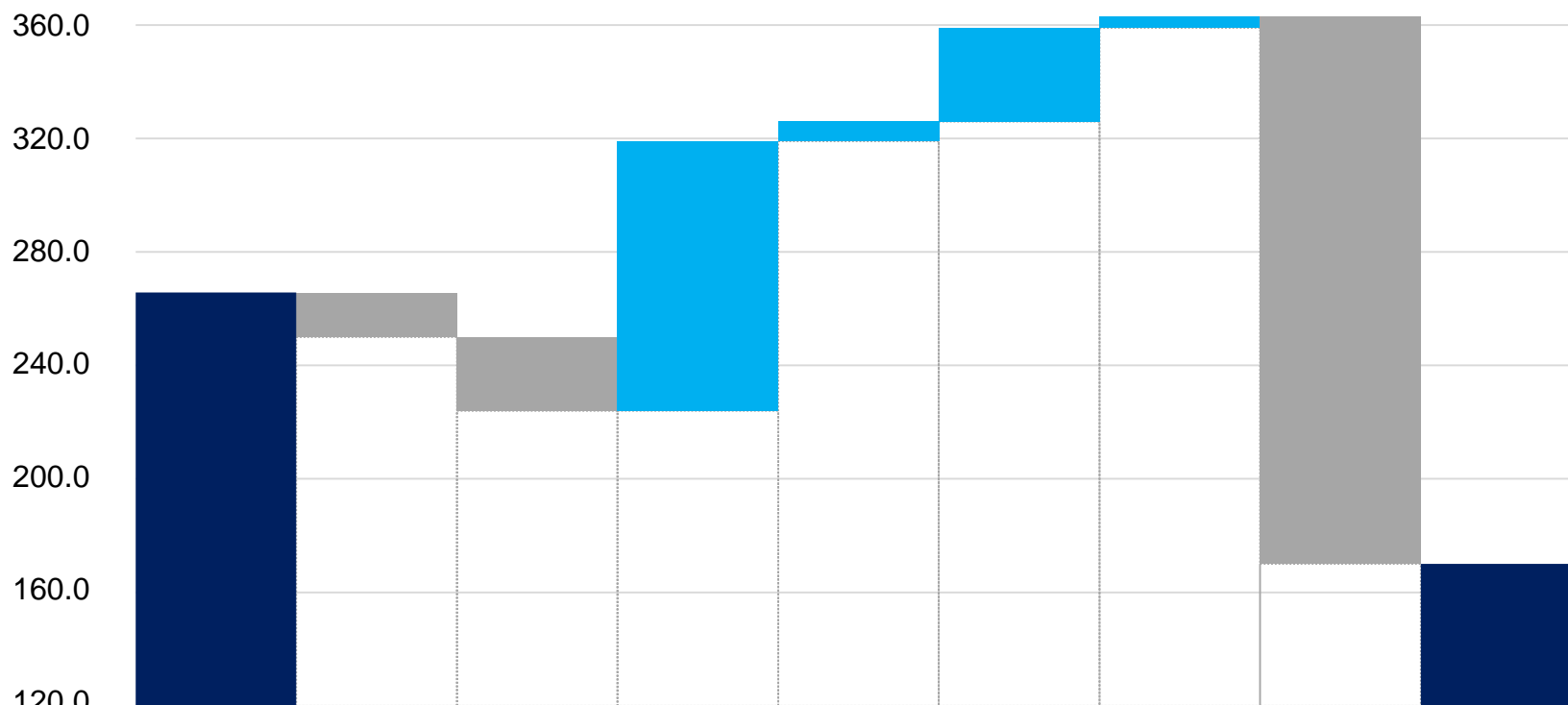


(billion yen)		FY2020 Forecast			
		(May)	Y/Y	(Aug.)	Y/Y
<b>Total</b>	<b>Sales</b>	2,330.0	91%	2,350.0	92%
	<b>Operating Profit</b> (Percentage of profit to net sales)	150.0 (6.4%)	56%	170.0 (7.2%)	64%
<b>Air-Conditioning</b>	<b>Sales</b>	2,131.0	92%	2,140.0	93%
	<b>Operating Profit</b> (Percentage of profit to net sales)	146.0 (6.9%)	62%	161.0 (7.5%)	68%
<b>Chemicals</b>	<b>Sales</b>	154.0	86%	160.0	89%
	<b>Operating Income</b> (Percentage of profit to net sales)	4.0 (2.6%)	17%	7.0 (4.4%)	29%
<b>Others</b>	<b>Sales</b>	45.0	73%	50.0	82%
	<b>Operating Income</b> (Percentage of profit to net sales)	0 (-%)	-	2.0 (4.0%)	36%

# Breakdown of Changes in Operating Income

## 【Year-on-Year Comparison of Plan】

(billion yen)



	FY2019 Result	Foreign Exchange	Fixed Costs, etc.	Sales Expansion	Selling Price	Cost Reductions	Raw Materials	COVID-19	FY2020 Forecast
<b>Total</b>	<b>265.5</b>	<b>-15.5</b>	<b>-26.0</b>	<b>+95.0</b>	<b>+7.0</b>	<b>+33.0</b>	<b>+4.0</b>	<b>-193.0</b>	<b>170.0</b>
Air-Conditioning	236.2	-15.2	-24.0	+88.3	+7.0	+30.7	+4.0	-166.0	161.0
Chemicals	23.8	-0.3	-2.0	+6.0	—	+2.0	—	-22.5	7.0
Others	5.5	—	—	+0.6	—	+0.3	—	-4.5	2.0
(May)	265.5	-12.5	-33.0	+69.0	+7.0	+33.0	+4.0	-183.0	150.0

# Sales by Region – Air Conditioning



※Includes refrigerator, freezer and filter businesses

※Percentage expresses year on year comparison

(billion yen)	FY2016 Q1		FY2017 Q1		FY2018 Q1		FY2019 Q1		FY2020 Q1		FY2020 Forecast			
											(May)		(Aug.)	
<b>Japan</b>	104%	98.9	106%	105.1	108%	113.6	112%	127.4	91%	116.3	95%	470.0	95%	470.0
<b>Europe</b>	121%	69.8	103%	71.7	122%	87.4	107%	93.8	93%	87.4	97%	370.0	97%	370.0
<b>China</b>	89%	91.8	115%	105.7	110%	116.7	96%	112.4	79%	89.1	100%	305.0	100%	305.0
<b>Americas</b>	97%	133.7	115%	154.0	110%	169.0	107%	180.7	92%	166.1	89%	630.0	92%	650.0
<b>Asia</b>	109%	71.4	100%	71.1	109%	77.5	107%	82.8	64%	53.2	85%	250.0	78%	230.0
<b>Oceania</b>	117%	12.0	122%	14.7	125%	18.3	92%	16.9	97%	16.3	75%	55.0	87%	64.0
<b>Middle East</b>	102%	12.2	94%	11.5	92%	10.6	91%	9.7	75%	7.2	92%	44.0	92%	44.0
<b>Africa</b>	75%	1.6	103%	1.7	116%	1.9	82%	1.6	71%	1.1	84%	7.0	84%	7.0
<b>Total</b>	102%	491.5	109%	535.4	111%	595.1	105%	625.3	86%	536.7	92%	2,131.0	93%	2,140.0
Overseas Sales ratio	80%		80%		81%		80%		78%		78%		78%	
USD/JPY	¥108		¥111		¥109		¥110		¥108		¥108		¥108	
EUR/JPY	¥122		¥122		¥130		¥123		¥118		¥120		¥120	
RMB/JPY	¥16.5		¥16.2		¥17.1		¥16.1		¥15.2		¥15.7		¥15.7	



# Sales by Region - Chemicals



※Percentage expresses year on year comparison

(billion yen)	FY2016 Q1		FY2017 Q1		FY2018 Q1		FY2019 Q1		FY2019 Q1		FY2020 Forecast			
											(May)		(Aug.)	
<b>Japan</b>	97%	9.0	119%	10.7	115%	12.3	103%	12.6	<b>71%</b>	<b>9.0</b>	<b>81%</b>	<b>40.5</b>	<b>84%</b>	<b>42.0</b>
<b>Americas</b>	84%	8.3	129%	10.7	106%	11.3	95%	10.8	<b>71%</b>	<b>7.7</b>	<b>88%</b>	<b>39.0</b>	<b>88%</b>	<b>39.0</b>
<b>China</b>	108%	8.0	110%	8.8	111%	9.8	90%	8.8	<b>105%</b>	<b>9.3</b>	<b>89%</b>	<b>30.0</b>	<b>104%</b>	<b>35.0</b>
<b>Asia</b>	90%	3.6	140%	5.0	123%	6.1	87%	5.3	<b>88%</b>	<b>4.7</b>	<b>86%</b>	<b>22.0</b>	<b>88%</b>	<b>22.5</b>
<b>Europe</b>	106%	5.9	100%	5.9	171%	10.2	63%	6.4	<b>76%</b>	<b>4.8</b>	<b>90%</b>	<b>22.5</b>	<b>84%</b>	<b>21.0</b>
<b>Others</b>	133%	0.2	132%	0.3	152%	0.4	81%	0.3	<b>40%</b>	<b>0.1</b>	—	—	<b>39%</b>	<b>0.5</b>
<b>Total</b>	<b>97%</b>	<b>35.0</b>	<b>118%</b>	<b>41.4</b>	<b>121%</b>	<b>50.1</b>	<b>88%</b>	<b>44.3</b>	<b>80%</b>	<b>35.6</b>	<b>86%</b>	<b>154.0</b>	<b>89%</b>	<b>160.0</b>
<b>Overseas Sales ratio</b>		74%		74%		75%		71%		75%		74%		73%
<b>USD/JPY</b>		¥108		¥111		¥109		¥110		¥108		¥108		¥108
<b>EUR/JPY</b>		¥122		¥122		¥130		¥123		¥118		¥120		¥120
<b>RMB/JPY</b>		¥16.5		¥16.2		¥17.1		¥16.1		¥15.2		¥15.7		¥15.7

## Japan

Industry demand for Residential Use was negatively affected by COVID-19, but a recovery in demand since May due to pent-up demand and the effect of special cash payments for COVID-19 raised demand to the same level of the previous fiscal year. Daikin strengthened sales of **Urusara X**, which has customer appeal because of its ventilation function. With people spending more time at home, interest for energy savings and a greater need for air quality helped expand share. Sales of air purifiers were also steady.

Industry demand for Commercial Use fell below the previous year due to the slowdown in capital investment and the reversal in demand from the special demand for school air conditioning. Daikin expanded market share by strengthening proposal sales in response to changes in demand. By utilizing online tools and other methods to continue sales and marketing activities, sales improved for ventilation products such as heat reclaim ventilators. In Applied, we went forward with replacement to models adopting R32 refrigerant, and profitability improved.

<AC sales by product (volume basis)>

(Y/Y change)		Q1 Result
Residential	Market	100%
	Daikin	104%
Commercial	Market	75%
	Daikin	82%
Applied	Market	87%
	Daikin	78%
Air purifiers	Market	148%
	Daikin	179%

※Applied is based on sales.

## Americas

Weakening of the employment and income environments led to sluggish personal spending and slow demand, resulting in a sales decline for the region overall over the previous fiscal year. Although the Goodman factory was closed temporarily to prevent spread of the infectious disease COVID-19, we promoted use of online tools and worked to ensure maximum sales.

- In Ducted Unitary for Houses, we promoted technical support to dealers using online tools and sales using e-commerce. We captured a greater need for improvement in living space environments due to restrictions on going outside and a recovery in demand due to favorable weather.
- In Ductless, sales expanded in RA/SKY air conditioners by capitalizing on the need to improve the environment for living spaces. For **VRV systems**, sales fell below the previous year due to a decline in demand from the postponement and cancelation of projects at stores and restaurants.
- In Applied, we continued factory operations by careful measures to prevent infection and the multi-sourcing of suppliers. Sales increased due to the shipment of orders that were received before the impact of COVID-19 became apparent.

<AC sales by product (volume basis) >

(Y/Y change)		Q1 Result
Ducted unitary for houses		93%
Ductless	RA/SKY	107%
	VRV	72%
Applied		107%

※SKY・・・Medium or compact size packaged air conditioners

※VRV・・・Multi-split system for commercial

※Applied is based on sales in local currency.

## China

Even as manufacturing activities returned to normal, sales declined over the previous year because of the impact that COVID-19 had on sales activities.

From April, markets began reopening in China nationwide. Daikin studied the situation for recovery by region and market and promptly made investments in sales resources. Daikin also improved online sales activities and achieved the same sales level in June as the previous fiscal year. By taking advantage of the softening in market conditions for raw materials, reducing fixed costs, and promoting cost reductions, we worked to maintain high profitability.

- In the Residential Use market, Daikin enhanced the product lineup for general residences in addition to middle-to-upper class residences and worked to recover sales of residential multi-split air conditioners. Despite restricted sales activities, we focused on identifying new customers by hosting online events and broadcasts of live concerts, and strengthening online sales.
- In the Commercial Use market, we promoted sales activities directed at cleaning, disinfection, and ventilation where interest was high. We reinforced the lineup of IAQ-related products such as residential heat reclaim ventilators and air purifying systems and worked on proposing solutions for air.
- In the Applied market, we promoted proposal sales in fields such as data centers where demand is expanding by acceleration of digitalization.

<AC sales by market (aggregate sales in local currency)>

(Y/Y change)	<b>Q1 Result</b>
Residential※	<b>82%</b>
Commercial	<b>78%</b>
Applied	<b>91%</b>

※Multi-split air conditioners for residential use are included.

## Europe, Middle East, and Africa

In Europe, although lockdown has been lifted in stages, the economy was sluggish, and sales fell below the previous fiscal year. In the Middle East, the falling prices for crude oil accompanying the COVID-19 pandemic and currency depreciation affected results.

- In Residential Use, demand has trended toward a recovery since May with the easing of stay-at-home restrictions and the appearance of warm weather in countries such as Spain. Stable product supply due to localized production enabled Daikin to expand share.
- In Commercial Use, business activities continued online even during the lockdown. While sales of ventilation products such as heat reclaim ventilators increased, business suspension of hotels and shops and a slowdown in office demand impacted results.
- In the Heating business, we worked to obtain demand from resumption of new housing starts and incentives promoting replacement to heat pump type hot water heating systems in Germany and the Netherlands.

<AC sales by product (volume basis)>

(Y/Y change)		<b>Q1 Result</b>
Residential		<b>97%</b>
Commercial	SKY	<b>82%</b>
	VRV	<b>77%</b>
Heating		<b>94%</b>
Applied		<b>79%</b>

※SKY・・・Medium or compact size package air conditioners

※VRV・・・Multi-split system for commercial

※Applied is based on sales in local currency.

## Asia/Oceania

Although we concentrated on sales activities that utilized our own dealer routes and online tools, measures to restrict activities in each country, including India, significantly impacted results, and sales fell below the previous fiscal year.

- In Residential Use, with the closing of electronics retail stores, we promoted sales by our own dealer routes. Since May, we focused on expanding sales in countries such as Vietnam and Malaysia where demand is recovering. Even in India, despite an extension of the lockdown, we made effort in sales activities using online tools.
- In Commercial Use, construction delays and postponements due to lockdowns in every country affected results, and sales declined.
- In Applied, we focused on after sales service business such as maintenance and servicing.

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

Australia: 108%   Vietnam: 71%   Thailand: 88%  
 Malaysia: 72%   India: 37%   Indonesia: 84%

<AC sales by product (volume basis)>

(Y/Y change)		Q1 Result
Residential		70%
Commercial	SKY	67%
	VRV	61%
Applied		92%

※SKY・・・Medium or compact size package air conditioners

※VRV・・・Multi-split system for commercial

※Applied is based on sales in local currency.

In addition to the lag in recovery of the semiconductor market and slowing demand in the automotive market, the COVID-19 pandemic impacted results, and sales fell below the previous fiscal year.

- Sales for fluorocarbon gas significantly dropped worldwide due to a decrease in air conditioning demand, and sales, especially in Europe, substantially declined against the previous fiscal year.
- Polymers and Fluoroelastomers
  - Fluoropolymers experienced a decrease in sales due to a lag in recovery of the semiconductor market and a decrease in demand for LAN cable in the U.S. and aircraft-related markets.
  - Fluoroelastomers showed a sharp decline in sales due to lower demand in the automotive-related markets in Japan, Europe, the United States and Asia.
- In Fine Chemicals, sales for surface antifouling agents expanded by capitalizing on increased demand for tablet PCs due to increase in telework. Although demand in apparel for water and oil repellent agents decreased, sales grew for medical protective clothing.

<Chemical sales by product (aggregate sales)>

(Y/Y change)	Q1 Result
For all fluorochemical products	<b>80%</b>
Fluorocarbon Gas	<b>45%</b>
Polymers & Fluoroelastomers	<b>78%</b>
Fine Chemicals, etc.	<b>103%</b>

To drastically reform the business structure, we worked to build a stable supply system, reduce total costs, and strengthen sales capabilities of high value-added products.

- In the Air Filter, we focused selling products to mitigate the spread of COVID-19 such as high-performance filters and negative pressure units. While sales declined in Europe and Japan due to restrictions on sales activities and market slump, sales increased in the main market of the United States by capitalizing on greater demand for residential use in addition to strengthening of proposal sales for hospitals and government projects.
- In P&I※ made efforts to improve its business structure centered on expanding the After Sales Service business despite the challenging business environment, but sales declined due to the postponement of periodic repairs.

\* P&I: Commercial-use dust collection systems for applications including gas turbines and large-scale plants



	FY2019		FY2020	
	Q1 Result	Full-year Result	Q1 Result	Full-year Forecast
(billion yen)				
Capex	23.8	132.0	31.4	130.0
Depreciation	22.5	97.8	25.0	100.0
R&D Cost	16.1	68.0	15.8	70.0



### **Notes on forecast**

- This data is compiled for informational purposes and is not to be construed as a solicitation of any action. This data (includes management plan) was compiled by Daikin Industries., Ltd. (the Company) based on reliable information available at the time of compilation. It may include some risks and uncertainties. The Company is not responsible for its accuracy or completeness.
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