



Daikin Industries, Ltd.

Financial Results Briefing for the Fiscal Year Ended March 2021

May 12, 2021

Event Summary

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[Number of Speakers]	5	
	Masanori Togawa	President and CEO, Member of the Board
	Yoshihiro Mineno	Senior Executive Officer, General Manager of Global Operations Division
	Satoshi Funada	Senior Executive Officer, General Manager of Japanese AC Sales Division
	Yoshiyuki Hiraga	Executive Officer, Responsible for Chemicals Business
	Kota Miyazumi	Executive Officer, Responsible for Corporate Communication

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Japan 03.4405.3160
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North America 1.800.674.8375
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Presentation

Moderator: I would now like to begin the financial results briefing for Daikin Industries, Ltd. for the fiscal year ended March 31, 2021.

Present today are: Masanori Togawa, President and CEO, Member of the Board; Yoshihiro Mineno, Senior Executive Officer, General Manager of Global Operations Division; Satoshi Funada, Senior Executive Officer, General Manager of Japanese AC Sales Division, Yoshiyuki Hiraga; Executive Officer, Responsible for Chemicals Business; and Kota Miyazumi, Executive Officer, Responsible for Corporate Communication.

First, Mr. Togawa, our President, will explain our management policy, followed by Mr. Miyazumi, our Executive Officer, who will provide an overview of our financial results, followed by a question-and-answer session. The end time is scheduled to be 12.

The explanatory materials are available on our website under Investor Relations, as announced in the email distributed today. There are 2 types of documents available, so please have them ready.

Now, Mr. Togawa, please.

Togawa: Good morning, everyone. Thank you for participating in today's briefing session. I would also like to take this opportunity to express my sincere gratitude to all of you for your continued interest in our business activities.

Now, let me quickly explain the details of our financial results for FY2020 and our management policy for FY2021.

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FY2020 Financial Results

- ✓ Faced with the uncertain future of the COVID-19 pandemic, management took the position that Daikin would immediately confront the crisis, and the entire company pressed forward under the themes of “defensive and proactive measures” and “constitution strengthening and reform” and the Six Emergency Projects.
- ✓ The action plan was upwardly revised four times through flexible management to achieve results that surpassed the projected figures that had been publicly announced.

(billion yen)	in May 2020 (Action Plan)	in Aug. 2020	in Oct. 2020 (Firm budget)	in Nov. 2020	in Feb. 2021	Result	Y/Y
Sales	2,330.0	2,350.0	2,400.0	2,425.0	2,460.0	2,493.4	+33.4
Operating Profit	150.0	170.0	198.0	210.0	232.0	238.6	+6.6

- ✓ The impact of COVID-19 was approximately 350 billion yen in sales and 150 billion yen in operating profit.
- ✓ Not only did we promote definite achievement of short-term financial results, but we also sought to strengthen our management structure for future growth and development.

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Please refer to page 2 of the document titled Daikin Management Policy.

Last year, while the outlook was truly unclear due to the coronavirus disaster, we quickly took a management stance to confront the crisis and established the themes of "defensive and proactive measures" and "constitution strengthening and reform." We also launched Six Emergency Projects as important issues to be tackled by the entire global group, with my own participation, to lead the entire company in creating results.

By responding to ever-changing circumstances and flexibly revising our action plans, we were able to achieve results that exceeded the projected figures, despite 4 upward revisions of results forecast.

For FY2020, actual sales were JPY2,493.4 billion, up JPY33.4 billion from the JPY2,460 billion announced in February. However, the figure was down 2.2% from the previous year. Operating profit was JPY238.6 billion, JPY6.6 billion higher than the announced figure of JPY232 billion. The result was a 10.1% decrease from the previous year.

As a company that operates globally, the impact of the global spread of the new coronavirus has been very significant, and we estimate that it has had a negative impact of approximately JPY350 billion on net sales and JPY150 billion on operating profit.

As a result, both sales and profits decreased compared with previous year. However, I believe that we were able to not only secure short-term results, but also further strengthen our management structure for future growth and development through the measures we took amid the coronavirus disaster.

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We had record-high sales and operating profit in the 3 months of Q3. Sales and income decreased in the 3 months of Q4, but this was due to aggressive upfront investment in sales promotion, product development, and promotion of digitalization for future sales expansion, as well as the increase in raw material and logistics costs from Q4 onward.

Mr. Miyazumi will explain the status by business segment and the status by region of the air conditioning business later.

Strengthening the Structure for FY2020

- ✓ Sales and marketing capabilities were strengthened to expand sales and increase market share.
- ✓ Differentiated products were quickly developed and launched.
-Products related to air quality and ventilation, solution proposals, etc., were launched.
- ✓ Supply capacity was increased throughout the supply chain to enable a flexible and quick response to fluctuations in demand.
- ✓ Costs were drastically cut.
- ✓ Fixed costs were reduced for a lean, robust management structure.

【Reference】 Main Effects of Six Emergency Projects

(billion yen)	Sales	Operating Profit
(1) Sales expansion and greater market share with strengthening of SCM to support it	+27.0	+14.0
(2) Capturing of new demand for air quality and ventilation	+16.0	+4.5
(3) Drastic reduction of fixed costs	-	+20.0

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Please see page 3 of the materials.

As for strengthening our management structure, in more specific terms, we have been strengthening our sales and marketing capabilities to expand sales and increase our market share. In this regard, we have been promoting sales innovation utilizing digital technology in each region, including online sales activities, dealer support, and e-commerce.

Next, with regard to the speedy development and introduction of differentiated products, for example, in Japan, we have expanded the product lineup of room air conditioners with ventilation functions, which had been available only in the flagship models, to the middle zone and even the standard zone. In this way, we believe that we carried out quick product development and launch ahead of our competitors.

We also launched new products such as air purifiers and retrofittable heat reclaim ventilators for stores, and proposed solutions combining air conditioners with ventilation products and high-performance filters.

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Through these measures, we have been able to capture new needs for air quality and ventilation and expand our sales.

In addition to what I have just mentioned, we increased supply capacity through an integrated supply chain of procurement, production, logistics, and sales that can respond flexibly and promptly to changes in demand. We also managed to cut costs thoroughly. In this way, we have promoted the reduction of fixed costs to achieve a lean and robust management structure for all.

I believe that FY2021 will be the time to test whether or not the power we have cultivated in FY2020 was a true power, and how we can make the most of it.

Management Position for FY2021

- ✓ The management environment for the future remains uncertain.
- ✓ With the understanding that there may be highs and lows, we will steer a course with flexible management that quickly responds to changes.

(billion yen)	FY2019 Result	FY2020 Result	FY2021	
			Forecast	Y/Y
Sales	2550.3	2,493.4	2,750.0	110%
Operating Profit	265.5	238.6	270.0	113%

- <Risk factors>
- Soaring prices in the raw materials market and high logistics costs (compared to the previous fiscal year: about 65 billion yen)
 - Sluggish demand for residential air conditioners, slow recovery in the commercial-use air conditioner market, etc.

- 
- ✓ Based on a lean, robust management structure that includes the strengthening of sales and marketing capabilities, capacity to develop differentiated products quickly, building of a flexible manufacturing and supply system that responds quickly to fluctuations in demand, and drastic cost reductions promoted during COVID-19, we will execute with an “aggressive” and “challenging” mindset and aim for a V-shaped recovery in financial results.

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Please see page 4 of the materials.

As for the plan for FY2021, I would first like to share my thoughts on the management stance for this fiscal year.

I would like to talk about how we perceive the business environment this year. Compared to the situation this time last year, when the coronavirus really spread around the world and the future was completely uncertain, the situation has calmed down somewhat and is on a recovery track now, although we still cannot foresee the end of the coronavirus pandemic. We don't know how the situation will change. I believe that such an uncertain future situation will continue.

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There is now a lockdown in India and other countries due to the reemergence of the infection, but I wonder how and in which regions these negative effects will appear. On the other hand, there is a possibility that the economy will recover rapidly when the infection is put under control by widespread use of vaccines and the effects of large-scale economic measures taken by various countries.

With this in mind, I believe it is of utmost importance that we take flexible measures to respond to these changes in the situation I have just mentioned, with greater speed than before. We recognize that it is now important to steer the management in such a flexible manner that we can respond quickly to the ups and downs of the environment.

Next, I would like to explain our business forecast for the current fiscal year, which is for net sales of JPY2,750 billion, up 10% from the previous year, the highest ever, and operating profit of JPY270 billion, up 13% from the previous year.

In the business environment surrounding the Company, as I mentioned earlier, in addition to the uncertain impact of the coronavirus, there have been sharp rises in raw material prices and logistics costs, which have had a significant negative impact of JPY65 billion on operating profit YoY. In addition, there are concerns about a slowdown in the residential air-conditioning market and a delay in the recovery of the commercial air-conditioning market, so I believe that we are still in a difficult situation.

Nevertheless, in the last fiscal year, amidst the coronavirus disaster, we have been working to strengthen our management structure to become leaner and robuster by strengthening our sales and marketing capabilities, developing differentiated products with speed, building a flexible production and supply system that can respond to demand fluctuations, and thoroughly reducing costs. Based on what I have just said, we will continue to implement measures with a aggressive and challenging stance, and we hope to achieve a V-shaped recovery by securing double-digit increases in both sales and profits and surpassing the performance of the pre-coronavirus period.

To achieve this goal, we have set 7 key themes to achieve our business performance this fiscal year, and we have already started implementing them in April. I mentioned speed earlier, and I personally believe that speedy development and implementation of measures will be an important competitive edge in this era of change.

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Key Themes for FY2021

1. Strategic selling price measures that absorbs cost increases of market conditions, etc., with the aim of maintaining profitability
2. Outperforming rivals and increasing market share
 - Further sales expansion of residential-use air conditioners, capturing replacement demand for commercial air conditioners, and acceleration of digital sales
 - Global sales expansion of air quality and ventilation products, development of differentiated products, and development of solution proposal options
3. Reinforcement and maximization of variable cost reductions
 - Replacement of materials from copper to aluminum, standardization of core parts, and expansion of in-house production
4. Measures to control soaring logistics costs and further streamlining of logistics
5. Drastic reduction of fixed costs and as improving efficiency of indirect operations
6. Building of a flexible position that is prepared for the highs and lows of the management environment
7. Start dash of key themes for “Fusion 25” that include heating, air quality, and solutions

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Please see page 5 of the materials.

As for the 7 key themes that we work on this fiscal year, the first of these is a strategic selling price measures aimed at maintaining profitability by absorbing the impact of market conditions and other factors that increase costs.

The second is to expand sales and increase market share to beat our rivals. These include further expanding sales of residential products, capturing and strengthening replacement demand for commercial products, and accelerating sales using digital technology. The other is to expand sales of air quality and ventilation products on a global scale, develop differentiated products, and develop solution proposal options to create a major air quality and ventilation business.

The third point is to reinforce and maximize variable cost reduction on a global basis. In concrete terms, the replacement of copper with aluminum and other materials, the standardization of core parts, and the expansion of in-house production.

The fourth theme is to take measures to control soaring logistics costs such as ocean freight rates, and to further improve logistics efficiency.

The fifth point is to drastically reduce fixed costs. Among them, we will further improve the efficiency of indirect operations this year.

The sixth point is to build a flexible position to prepare for both ups and downs in the business environment.

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The seventh point is that we are currently formulating Fusion 25, and how we make a start dash of its key themes that include heating, air quality, and solutions.

These are the 7 points.

Today, I would like to explain in detail about 3 of them: strategic selling price measures, to expand sales and increase market share, and variable cost reduction.

Key Themes for FY2021

1. Strategic selling price measures

- ✓ Launch differentiated products that are accepted by the market and customers.
- ✓ Determine the ideal selling price that includes the strengthening of product capabilities, sales and marketing capabilities, proposal capabilities, and cost reductions, and develop to each region.
- ✓ Plan for the ideal selling price to yield +44 billion yen (compared to the previous fiscal year) in operating profit.

2. Sales expansion and increasing market share

- ✓ Launch differentiated products that address new needs, promote solution proposals and digital sales.
- ✓ Increase sales of air quality and ventilation products by 1.5 times in FY2021 from the 44 billion yen in sales for FY2020. Launch new products for air purifiers, expand sales of ventilation products, and strengthen solution proposals.
- ✓ Further strengthen SCM. Have procurement, manufacturing, and sales work in close cooperation to respond precisely to demand fluctuations and market changes.

3. Cost reductions

- ✓ Promote replacement from copper to aluminum and stainless steel. Reduce use of copper to half by FY2024. Standardize core parts and expand in-house production.
- ✓ Control costs and promote streamlining even further for logistics and SCM.
- ✓ Strive to drastically reduce fixed costs, such as improving efficiency of indirect operations, and build a lean, robust management structure.

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Please see page 6 of the materials.

First of all, I would like to talk about the strategic selling price policy. As I mentioned earlier, selling prices will play an important role in absorbing the significant cost increase of JPY65 billion.

However, it is not enough to simply raise prices, but to quickly introduce differentiated products that will be recognized by the market and customers for their value, and to review the appropriate selling prices for those differentiated products. The question is how much we can offer solutions that satisfy our customers, such as solution proposals combining air conditioners with ventilation and air quality products, as well as air sensors, etc., and how we can set selling prices accordingly. We are doing this in each region of the country.

What we need to think about in the strategic selling price measures is not simply how the sales price should be. We should also consider factors including strengthening product capability, sales and marketing capability,

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proposal capability, and cost reduction. This is an important initiative that will also lead to the strengthening of our business structure, and I am personally leading this effort.

As for the effect of the selling price increase, when we formulated the budget in March, we expected about JPY28 billion, but we thought that was still insufficient. Negative impact further expanded after that, including more rises in raw material prices and distribution costs. In response to this, we have been working on measures to further increase selling prices, and in the past month, by the end of April, we have been able to achieve a YoY increase of JPY44 billion. In addition, we are still considering further measures.

Next, with regard to sales expansion and market share increase, we have further strengthened support for our sales network in each region in FY2020.

We also worked on a new sales measures using online. In China, for example, we have built a new business model that utilizes customer centers, strengthened showrooms, and customer data management to capture demand as a new way of selling in the age of digitalization. We have also been working on the horizontal development of this model not only in China, but also in other parts of the world.

Based on the sales and marketing capabilities that we strengthened in FY2020, we plan to further strengthen them in FY2021, and promote the introduction of differentiated products that meet new user needs, solution proposals, and the use of digital technology in sales.

In particular, we have said that we aim to make air quality and ventilation products a major business, and overall sales of air quality and ventilation-related products, including air purifiers, total heat reclaim ventilators, air purification system and sensors, were JPY44 billion in FY2020, as compared to JPY27 billion in FY2019. In FY2021, we plan to further increase the amount by about 1 1/2 times to JPY64 billion.

In FY2020, we took advantage of the increased global demand for air quality and ventilation-related products due to the heightened awareness of safety and security caused by the new coronavirus, and quickly began developing differentiated new products mainly for the residential, retail, and building and office markets. We increased sales by speeding up the launch of new products in each region.

In FY2021, we plan to launch new air purifiers for residential and commercial use, expand sales of ventilation equipment such as total heat reclaim ventilators, and further strengthen our solution proposals in each region of the world.

In terms of air purifiers, demand for which is growing rapidly, we plan to sell approximately 1.15 million units globally in FY2021, plus 52% from the previous year. In terms of production, we have already set up a supply system for more than 1 million units to cope with this demand, and we are now in the process of constructing a system to further increase production as the market is expected to expand further in Europe and Asia.

In FY2020, we also worked to strengthen our global procurement, production, inventory, and logistics posture. Specifically, we built a system that enables us to instantly grasp information on procurement, production, logistics, and sales in the 5 global regions and take speedy action from the perspective of total optimization, such as avoiding lost sales opportunities and preventing excess inventory in response to changing conditions. We believe that we have been able to expand sales in response to the recovery in demand by quickly securing parts, taking production measures, and sending products to the front line of sales in conjunction with the sales plans of each region.

In FY2021 as well, we believe that strengthening SCM, as I mentioned earlier, is one of the key points to increase our market share, and we plan to closely coordinate procurement, production, and sales at each of our bases to finely respond to demand fluctuations and market changes.

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In particular, there is currently a problem of tightness of the semiconductor market. But we have already secured parts to support our sales budget for FY2021 by not only quickly procuring and securing parts, but also quickly implementing alternative development at each of our global development bases.

In addition, sales of residential air conditioners have been performing very well in April, and we are now taking steps to procure parts to prepare for an upturn in sales.

Thirdly, with regard to cost reduction, we will not only absorb the impact of soaring raw material market prices, but also proceed with the implementation of variable cost reduction on a global basis in order to improve our profit structure over the medium- to long-term.

With regard to copper, the price of which has risen significantly, the Company plans to halve its global use of copper by 2024 by replacing it with aluminum, stainless steel, and other materials. In addition, we are planning to standardize core parts and expand in-house production.

With regard to logistics and SCM, in FY2020, we have been implementing drastic measures to strengthen them, including the shift to intra-regional procurement of raw materials and parts, the search for suppliers to achieve this, the further strengthening of production closest to the market, and SCM to cope with changes such as disasters. We are planning to implement further cost control and efficiency improvement measures, as this will help absorb the rising logistics costs.

In addition, we have been working to drastically reduce fixed costs by reviewing our business processes and improving the efficiency of indirect operations. By promoting such total cost reduction, we plan to further promote a lighter and stronger structure.

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Conclusion

- ✓ We will generate results for strengthening the management structure and implement measures for future growth and development while paving the way to new record high profits.
- ✓ The period for new strategic management plan “Fusion 25” is regarded as one for building a foundation to expand business while contributing to the environment and society, and we are formulating a growth strategy.
- ✓ We aim for definite achievement of the FY2021 plan so that we can make a start dash for “Fusion 25.”

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Please see page 7. Lastly, I would like to say a few words about the strategic management plan.

I believe that this fiscal year will be a very important year for our company. We believe that it is important to create the results of our past efforts to strengthen our management structure and pave the way for the renewal of our highest profits, while at the same time implementing measures for further growth and development over the medium- and long-term.

We will be announcing and explaining the details of our next strategic management plan, Fusion 25, in early June, but before that, let me tell you how the 5 years up to 2020, Fusion 20, has been a period of major changes in the structure of the economy, industry, and society.

Awareness of the environment and social issues has been increasing enormously. In addition, the speed and scope of change has been extremely enormous, with innovations in digital technology, changes in people’s awareness of safety and security that have spread in the wake of the coronavirus disaster, and the diversification of work styles. I believe that they have had a significant impact on our business activities.

As a company that has always anticipated these major changes in the world and has grown by taking proactive measures, we see this as an opportunity to leverage our accumulated strengths to achieve further growth and development.

In the next 5 years, the Company will expand its business while contributing to the environment and society. We are planning to formulate a growth strategy that aims to achieve both contribution and business expansion.

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I will now finish my explanation. Next, Mr. Miyazumi will give an overview of the financial results.

I . Financial Results for FY2020 ■ Companywide Results

With an “aggressive” and “challenging” mindset, we endeavored to ensure short-term financial results and strengthen our business structure. Consequently, Daikin was able to achieve financial results that exceeded the financial plan, despite the continuing effects of the COVID-19 pandemic.

Specifically, we made efforts to build an SCM system to flexibly respond to changes in demand; strengthen sales and marketing capabilities; launch new products; and thoroughly reduce fixed costs. In the Air Conditioning business, sales expanded for residential-use products in which demand was strong along with ventilation and air purification products that have attracted attention in the COVID-19 pandemic. In the Chemicals business, stagnant demand in the automotive market affected results, whereas sales related to tablet PCs and medical protective clothing expanded.

(billion yen)	FY2019	FY2020		Y/Y
	Result	Forecast	Result	
Sales	2,550.3	2,460.0	2,493.4	98%
Operating Profit	265.5	232.0	238.6	90%
(Percentage of Profit to net sales)	(10.4%)	(9.4%)	(9.6%)	
Ordinary Profit	269.0	232.0	240.2	89%
(Percentage of Profit to net sales)	(10.5%)	(9.4%)	(9.6%)	
Profit Attributable to Owners of Parent	170.7	150.0	156.2	92%
(Percentage of income to net sales)	(6.7%)	(6.1%)	(6.3%)	
USD/JPY	¥109	¥106	¥106	
EUR/JPY	¥121	¥123	¥124	
RMB/JPY	¥15.6	¥15.5	¥15.7	

FX Effect (Y/Y)

Sales	-22.5 billion yen
Operating Profit	-5.0 billion yen

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Miyazumi: Hello, I am Miyazumi.

I would like to explain the outline of the financial results for FY2020 and the forecast for FY2021 in accordance with the materials.

Please see page 3.

Amid the continuing impact of the spread of infectious diseases, such as the lockdown in Europe and the extension of action restrictions in Asia, we were able to flexibly respond to changes in demand and achieve results that exceeded our plans.

The actual exchange rates were JPY106 to the US dollar, JPY124 to the euro, and JPY15.7 to the Chinese yuan. The impact of foreign exchange rates on net sales and operating profit was negative JPY22.5 billion and JPY5 billion, in comparison to the previous year.

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■ Financial Results by Segments

(billion yen)		FY2019	FY2020		
		Result	Forecast	Result	Y/Y
Total	Sales	2,550.3	2,460.0	2,493.4	98%
	Operating Profit	265.5	232.0	238.6	90%
	(Percentage of Profit to net sales)	(10.4%)	(9.4%)	(9.6%)	
Air-Conditioning	Sales	2,309.1	2,246.0	2,273.8	98%
	Operating Profit	236.2	217.5	223.1	94%
	(Percentage of Profit to net sales)	(10.2%)	(9.7%)	(9.8%)	
Chemicals	Sales	179.9	161.5	164.2	91%
	Operating Profit	23.8	11.0	11.4	48%
	(Percentage of Profit to net sales)	(13.2%)	(6.8%)	(6.9%)	
Others	Sales	61.3	52.5	55.4	90%
	Operating Profit	5.5	3.5	4.1	74%
	(Percentage of Profit to net sales)	(9.0%)	(6.7%)	(7.5%)	

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Please see page 4. The following are the results by business segment.

In the Air-Conditioning, demand exceeded expectations for residential use due to the expansion of pent-up demand caused by the coronavirus and the growing interest in ventilation and air purification, and sales expanded mainly in Japan, Europe, and China. On the other hand, commercial use products were greatly affected by the decline in capital investment due to the economic downturn.

Chemicals was affected by a slowdown in demand in the automotive market and other sectors, but we worked to secure sales by capturing demand for tablets due to the spread of telework and demand for repellent agents for medical protective clothing.

In Others, the Oil Hydraulics business experienced a drop in demand for industrial machinery.

As for the impact of foreign exchange rates, the Air-Conditioning segment reported decrease in net sales of JPY22.0 billion and decrease in operating profit of JPY4.5 billion, while the Chemical segment reported decrease in net sales of JPY0.5 billion and decrease in operating profit of JPY0.5 billion.

The status of each segment and the status of the Air-Conditioning business by region will be explained later.

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■ Profit and Loss Statement

(billion yen)	FY2019	FY2020	Impact on profitability
	103	98	
Net sales	2,550.3	2,493.4	-56.9
Cost of sales	1,665.4	1,629.3	+36.2
	(65.3%)	(65.3%)	
Gross profit	884.9	864.1	-20.8
	(34.7%)	(34.7%)	
Selling general and administrative expenses	619.4	625.5	※1 -6.1
	(24.3%)	(25.1%)	
Operating profit	265.5	238.6	-26.9
	(10.4%)	(9.6%)	
Non-operating gains or losses	3.5	1.6	※2 -1.9
Ordinary profit	269.0	240.2	-28.8
	(10.5%)	(9.6%)	
Extraordinary gains or losses	-12.8	※3 -1.7	+11.1
Profit before income taxes	256.2	238.5	-17.6
	(10.0%)	(9.6%)	
Corporate taxes, etc.	79.0	75.8	+3.2
Tax burden ratio	30.8%	31.8%	
Profit attributable to non-controlling interests	6.5	6.5	0
Profit attributable to owners of parent	170.7	156.2	-14.5
	(6.7%)	(6.3%)	

() parentheses indicate percentage to net sales

※1 Changes in selling, general and administrative expense

R&D expense -3.7

※2 Changes in non-operating gains or losses

Subsidy income -2.5 (+3.2→+0.7)

Interest income -1.5 (+8.0→+6.5)

※3 Changes in extraordinary gains or losses

Impairment loss +23.3 (-23.6→-0.2)

Gain on valuation of investment securities -10.5 (+10.8→+0.3)

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Page 5 shows the changes in major items in the consolidated profit and loss statement.

While sales decreased due to the impact of the coronavirus, the gross profit margin remained at the same level as the previous year due to the promotion of cost reduction mainly in procurement.

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■ Balance Sheet

(billion yen)	2020/3E	2021/3E	Y/Y
Cash and cash equivalents	370.8	736.1	+365.3
Receivables	<u>63 days</u> 440.8	<u>69 days</u> 468.3	+27.6
Inventories	<u>62 days</u> 433.8	<u>69 days</u> 469.4	+35.6
Fixed assets	1,122.6	1,190.2	+67.5
Investment and others	157.3	213.9	+56.6
Others	142.2	161.8	+19.5
Total Assets	2,667.5	3,239.7	+572.1

	2020/3E	2021/3E	Y/Y
Trade payables	189.8	229.7	+39.9
Interest bearing	553.8	751.2	+197.4
(Interest-bearing ratio)	(20.8%)	(23.2%)	
Others	461.3	560.2	+98.9
Total liabilities	1,204.9	1,541.2	+336.2
Total equity	1,435.0	1,665.7	+230.7
(Equity ratio)	(53.8%)	(51.4%)	
Share Warrant	1.9	2.0	+0.1
Non-controlling interests	25.7	30.8	+5.1
Total net assets	1,462.6	1,698.5	+235.9
Total liabilities and net assets	2,667.5	3,239.7	+572.1

Breakdown of interest-bearing debt

	2020/3E	2021/3E	Y/Y
Short-term borrowings	48.9	40.8	-8.2
Bonds	90.0	140.0	+50.0
Long-term borrowings	339.1	485.1	+146.0
Lease debt	75.8	85.4	+9.6
Total	553.8	751.2	+197.4

6

Page 6 shows the main items on the consolidated balance sheet and the details of interest-bearing debt.

In order to prepare for the demand for funds in response to the spread of infectious diseases, we are securing cash reserves through new loans and other means.

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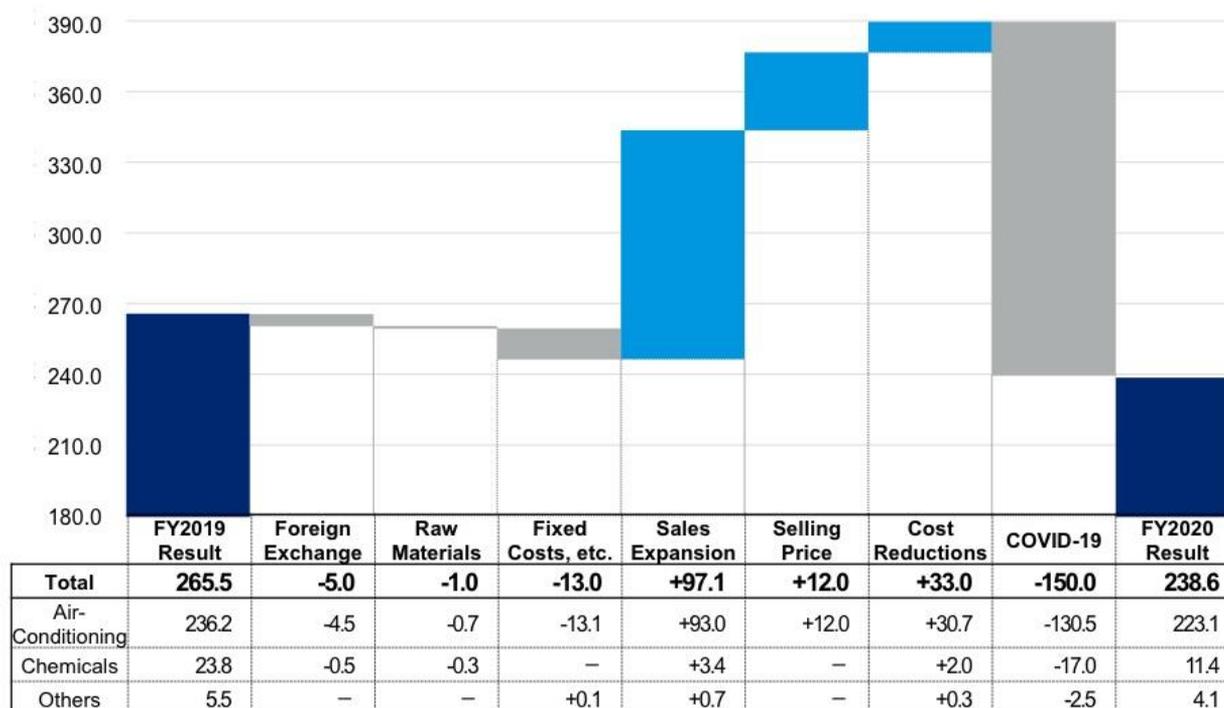
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■ Breakdown of Changes in Operating Profit

[Year-on-Year Comparison of Results]

(billion yen)



7

Please see page 7. This is an analysis of YoY changes in operating profit for FY2020.

Although we were severely negatively impacted by the spread of the coronavirus, we worked to secure maximum profits by expanding sales, implementing thorough sales price measures, cost reductions, and controlling fixed costs.

The breakdown by segment is as described.

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II . Business Forecast for FY2021 ■ Companywide Business Forecast

While it is difficult to predict when the COVID-19 pandemic will be brought under control, the severe business environment is expected to continue due to a slow recovery in demand for commercial-use air conditioning along with soaring prices in the raw materials market and high logistics costs. In addition to expanding sales by launching new differentiated products, promoting ventilation and air purification functions, and strengthening sales and marketing capabilities, we intend to thoroughly implement total cost reductions and selling price measures. In the first year of the new strategic management plan, we will aggressively make upfront investments for future growth; work to create results from the key measures that we have been working on during COVID-19; and aim for a V-shaped recovery in business performance.

(billion yen)	FY2020 Result			FY2021 Forecast					
	H1	H2	Total	H1	Y/Y	H2	Y/Y	Total	Y/Y
Net sales	1,229.2	1,264.1	2,493.4	1,450.0	118%	1,300.0	103%	2,750.0	110%
Operating Profit (Percentage of Profit to net sales)	131.6 (10.7%)	107.0 (8.5%)	238.6 (9.6%)	163.0 (11.2%)	124%	107.0 (8.2%)	100%	270.0 (9.8%)	113%
Ordinary Profit (Percentage of Profit to net sales)	131.9 (10.7%)	108.4 (8.6%)	240.2 (9.6%)	163.0 (11.2%)	124%	107.0 (8.2%)	99%	270.0 (9.8%)	112%
Profit Attributable to Owners of Parent (Percentage of Profit to net sales)	84.6 (6.9%)	71.6 (5.7%)	156.2 (6.3%)	107.0 (7.4%)	126%	70.0 (5.4%)	98%	177.0 (6.4%)	113%
USD/JPY	¥107	¥105	¥106					¥105	
EUR/JPY	¥121	¥126	¥124					¥125	
RMB/JPY	¥15.3	¥16.1	¥15.7					¥16.0	

FX Effect (Y/Y)

Sales	-2.0 billion yen
Operating Profit	-5.0 billion yen

8

Please see page 8.

The plan for FY2021 is as explained earlier by Mr. Togawa.

We assume exchange rates of JPY105 to the US dollar, JPY125 to the euro, and JPY16 to the Chinese yuan, and the impact of the exchange rates on the business plan is expected to be negative JPY2 billion in net sales and negative JPY5 billion in operating profit, in comparison to the previous year.

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■ Business Forecast by Segments

(billion yen)		FY2020 Result	FY2021	
			Forecast	Y/Y
Total	Sales	2,493.4	2,750.0	110%
	Operating Profit <small>(Percentage of Profit to net sales)</small>	238.6 (9.6%)	270.0 (9.8%)	113%
Air-Conditioning	Sales	2,273.8	2,506.5	110%
	Operating Profit <small>(Percentage of Profit to net sales)</small>	223.1 (9.8%)	244.5 (9.8%)	110%
Chemicals	Sales	164.2	186.5	114%
	Operating Profit <small>(Percentage of Profit to net sales)</small>	11.4 (6.9%)	21.0 (11.3%)	185%
Others	Sales	55.4	57.0	103%
	Operating Profit <small>(Percentage of Profit to net sales)</small>	4.1 (7.5%)	4.5 (7.9%)	109%

9

Please see page 9.

The performance plan by business segment is as described.

All of the foreign exchange effects in the business plan that I just explained are expected in the Air-Conditioning segment.

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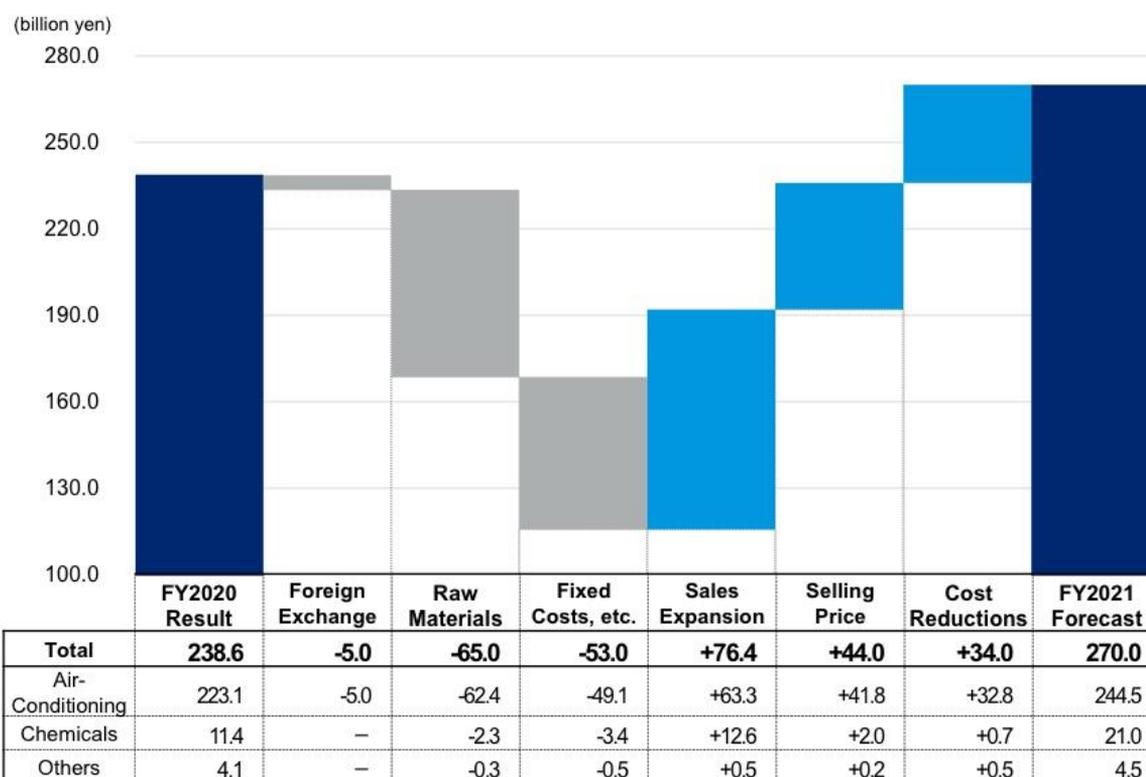
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■ Breakdown of Changes in Operating Profit

[Year-on-Year Comparison of Forecast]



10

Please see page 10. This is an analysis of the YoY increase-decrease in operating profit for FY2021.

In contrast to the negative impact of JPY5 billion from foreign exchange, JPY65 billion from raw materials, and JPY53 billion from increased fixed costs, we are projecting a positive impact of JPY76.4 billion from sales expansion, JPY44 billion from selling prices, and JPY34 billion from cost reductions. The business plan for FY2021 is based on the impact of the new coronavirus.

The breakdown by segment is as described.

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■ Sales by Region - AC Business

* Includes refrigerator, freezer and filter businesses

※Percentage expresses year on year comparison

(billion yen)	FY2016		FY2017		FY2018		FY2019		FY2020		FY2021 Forecast	
	Japan	104%	431.7	104%	449.3	107%	481.7	103%	494.4	100%	496.0	105%
Europe	100%	250.5	120%	301.1	110%	332.2	114%	379.9	104%	394.5	112%	440.0
China	95%	297.1	115%	342.0	100%	342.2	89%	306.1	107%	327.7	105%	345.0
Americas	103%	513.4	111%	569.5	113%	645.6	109%	704.0	96%	674.8	114%	770.0
Asia	98%	232.9	108%	251.4	111%	280.2	105%	294.9	84%	247.8	117%	290.0
Oceania	109%	51.2	144%	73.7	106%	78.2	94%	73.6	108%	79.5	104%	82.5
Middle East	92%	49.7	114%	56.9	93%	53.1	90%	47.8	94%	44.8	112%	50.0
Africa	78%	8.7	104%	9.1	99%	9.0	93%	8.3	105%	8.7	103%	9.0
Total	100%	1,835.4	112%	2,052.9	108%	2,222.2	104%	2,309.1	98%	2,273.8	110%	2,506.5
Overseas Sales ratio		76%		78%		78%		79%		78%		79%
USD/JPY		¥108		¥111		¥111		¥109		¥106		¥105
EUR/JPY		¥119		¥130		¥128		¥121		¥124		¥125
RMB/JPY		¥16.1		¥16.8		¥16.5		¥15.6		¥15.7		¥16.0

11

Please see page 11. Sales by region in the AC business.

Excluding the impact of foreign currency translation, actual sales for FY2020 in Europe were 101%, in China 107%, in the Americas 98%, and in Asia 88% of the previous year's level.

The annual plan for FY2021 is as described.

Excluding the impact of foreign exchange rates, actual sales are planned to be 110% in Europe, 103% in China, 115% in the Americas, and 120% in Asia of the previous year's level.

As for the operating profit ratio for each region, the results for FY2020 were as follows: Japan 9%, Europe 10%, China 25%, the Americas 4%, Asia 11%, Oceania 4%, and the Middle East 3%. In FY2021, we plan to improve profit margins by 1 to 2 percentage points in the Americas and Asia.

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■ Sales by Region - Chemicals Business

※Percentage expresses year on year comparison

(billion yen)	FY2016		FY2017		FY2018		FY2019		FY2020		FY2021 Forecast	
Japan	105%	41.9	112%	46.8	118%	55.2	91%	50.2	84%	42.3	119%	50.5
Americas	94%	42.0	101%	42.6	110%	46.9	94%	44.1	81%	35.6	117%	41.5
China	92%	31.2	124%	38.5	94%	36.3	93%	33.7	120%	40.5	106%	43.0
Asia	97%	17.8	127%	22.6	119%	27.0	95%	25.6	90%	23.0	111%	25.5
Europe	93%	22.9	136%	31.2	108%	33.7	74%	25.0	88%	22.0	114%	25.0
Others	107%	1.0	134%	1.4	124%	1.7	75%	1.3	66%	0.8	118%	1.0
Total	97%	156.8	117%	183.1	110%	200.8	90%	179.9	91%	164.2	114%	186.5
Overseas Sales ratio	73%		74%		72%		72%		74%		72%	
USD/JPY	¥108		¥111		¥111		¥109		¥106		¥105	
EUR/JPY	¥119		¥130		¥128		¥121		¥124		¥125	
RMB/JPY	¥16.1		¥16.8		¥16.5		¥15.6		¥15.7		¥16.0	

12

Please see page 12. Sales by region in the Chemicals business.

In FY2020, demand was sluggish due to the coronavirus, and in many regions, demand was lower than the previous year. In China, where economic activity resumed at an early stage, we captured the recovery in demand for infrastructure investment and for automobiles, and achieved a significant increase over the previous year.

Excluding the impact of foreign exchange rates, the real YoY change in sales was 83% in the Americas, 120% in China, and 86% in Europe.

The annual plan for FY2021 is as described.

Excluding the impact of foreign exchange rates, we are forecasting YoY change in sales of 118% in the Americas, 104% in China, and 115% in Europe.

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III. Business and Regional Overview ■ AC Business - Japan

FY2020 Results

Industry demand for Residential Use exceeded the previous year due to a summer heat wave in addition to pent-up demand and special cash payments. Accordingly, Daikin strengthened promotion of its unique ventilation function and Streamer technologies. Sales for high value-added products such as **Urusara X** increased, and we expanded market share by capturing the growing interest in energy savings and the need for air quality due to longer hours residing indoors.

Industry demand for Commercial Use fell year on year due to stagnation in economic activities and a reversal of the special demand for school air conditioning. Daikin strengthened system proposals that combine air conditioners and ventilation products. Government subsidies also helped to increase sales and expand market share. In Applied Systems, profitability improved with conversion to R32 units.

For air purifiers, we improved the product lineup and quickly boosted production capacity. Sales substantially grew based by capitalizing on demand.

FY2021 Forecast

For Residential Use products, we will expand sales of high value-added products by strengthening promotion of ventilation and air purification functions within the reversal in demand. For cold regions, we will launch new products and attempt to further increase market share.

For Commercial Use, we will expand sales based on a recovery in demand accompanying the resumption of economic activities. We intend to expand the lineup of heat reclaim ventilators and Streamer units, and strengthen proposal sales. We will continue to expand sales of air purifiers for Residential Use and expand our lineup for Commercial Use as well.

Y/Y change (Volume basis)	FY2020		FY2021	
	Market	Daikin	Market	Daikin
Residential	105%	111%	94%	100%
Commercial	85%	91%	105%	106%
Applied※	86%	91%	102%	103%
Air purifiers	177%	189%	89%	133%

※Applied is based on sales.

13

Please see page 13. We will now explain the status of the AC business by region.

First, Japan.

In the Residential sector, industry demand exceeded that of the previous year due to the effects of pent-up demand and special cash payment, as well as a summer weather tailwind. The Company strengthened its sales activities to promote the ventilation function of Urusara X and expanded its market share by capturing the growing interest in energy conservation and air quality due to the longer time spent in rooms.

In the Commercial-use sector, industry demand fell below the previous year’s level due to stagnant economic activities and a reversal reaction to the special demand for school air-conditioning systems. The Company increased its market share by strengthening proposal-based sales activities that combine air conditioners and ventilation products. Sales of air purifiers also increased substantially as we quickly established a system to increase production and captured strong demand.

In FY2021, we will expand our lineup of high value-added products equipped with ventilation and air purification functions, and aim to increase sales and market share for both residential and commercial use by strengthening proposal-based sales.

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■ AC Business - Americas

FY2020 Results

Government economic measures and strong personal spending bolstered the economy, and demand was steady in the housing market. While Daikin did its best in sales activities utilizing online sales tools, the temporary stoppage of Goodman factory operations in April had a large impact that led to a year-on-year decline in sales.

- In Ducted Unitary for Houses, supply tightened from a shortage of manufacturing personnel due to the COVID-19 pandemic. From the second half of the year, sales expanded with an increase in personnel and normalization of supply, but the sales dip in the first half was substantial, and sales declined for the year.
- In Ductless, sales expanded in **RA/SKY** by capturing the rising demand from the need for improvement in living spaces and higher demand due to warm weather in the summer. For **VRV systems**, we worked to strengthen online sales activities, but sales fell due to lower demand such as for restaurants.
- In Applied, together with a focus on strengthening the sales network, we expanded market share centering on air handling units to meet ventilation needs.

FY2021 Forecast

In Ducted Unitary for Houses, we intend to significantly regain share lost in the previous fiscal year.

We will focus a sales utilizing online tools and improve production capacity. We expand sales by the launch of new products equipped with inverters specialized for replacement. In Ductless, we will strengthen the sales network for **VRV systems** centering on the

northeastern region. We will work to make R32 refrigerant mainstream in the market and launch new RA products that have adopted R32 ahead of other companies in some regions. In Applied, we will respond to differing application needs, and strengthen circular type of solution proposals from sales and service of products to replacement.

Y/Y change (Volume basis)		FY2020		FY2021	
		Daikin	Market	Daikin	Market
Ducted unitary for houses		97%	99%	113%	
Ductless	RA/SKY	114%	109%	116%	
	VRV	95%	109%	110%	
Applied※		99%	97%	110%	

※Applied is based on sales in local currency.

14

Please see page 14.

In the Air-Conditioning business in the Americas, the economy was supported by government economic measures and strong personal consumption, and demand in the housing market remained strong. Although the Company made efforts in sales activities using online tools, sales fell below the previous year's level due to the impact of the temporary closure of the Goodman factory in April to prevent the spread of infectious diseases.

In Ducted Unitary for Houses, we worked to stabilize production at the Goodman Plant to normalize supply, and sales from Q3 turned positive YoY.

In Ductless, RA/SKY expanded sales by capturing the needs for improved living space and increased demand due to good weather in summer. Goodman's overall sales in local currency terms were 98% of the previous year's level.

Applied increased its market share by capturing ventilation needs with its air handling units.

In FY2021, we will promote initiatives to strengthen our production capabilities, such as stabilizing our manufacturing workforce and automating our production lines. In Ducted Unitary for Houses, we will work to regain market share by introducing new products specialized for renewal. We also aim to increase the market penetration of the R32 by launching RA products equipped with the R32 ahead of our competitors.

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■ AC Business - China

FY2020 Results

After full-scale market resumption in June, the economy showed a recovery trend because of government economic policies and monetary easing. Capitalizing on the market recovery, Daikin strengthened its product lineup of air quality and ventilation products where needs are increasing and promoted sales through utilization of online sales tools. Sales recovered and began to exceed the previous fiscal year from July. High profitability was maintained by cost reductions, including productivity improvements through automation, and reduction of fixed costs.

- In the Residential Use market, we built a new business model that combines online sales with conventional sales at **PROSHOP** specialty stores. Focus was given to sales that used live broadcasts and identified new customers by online events, and sales expanded for residential multi-split air conditioners.
- In the Commercial Use market, we collaborated with major developers of large-scale projects in which demand showed signs of recovery. To stores and offices where there demand recovery has been slow, we adopted sales activities that promoted ventilation, cleaning, and disinfection.
- In the Applied market, sales expanded by shifting resources to growth fields, such as maintenance and servicing, and strengthening sales to infrastructure-related and data centers.

FY2021 Forecast

We will continue to utilize online tools to promote sales of residential multi-split air conditioners. With the increased interest in air quality and energy management, we will enhance our lineup of products and services. Detailed total solutions will be offered for each market and customer including air conditioning, ventilation, and air quality improvement.

Y/Y change (Local currency basis)	FY2020	FY2021	
	Daikin	Market	Daikin
Residential	111%	102%	106%
Commercial	98%	100%	103%
Applied	107%	100%	100%

15

Please see page 15.

In Air-Conditioning business in China, sales exceeded the previous year's level for the full year by strengthening sales activities, combining offline and online activities, and capturing the market recovery from June.

Sales of Residential multi-split air conditioners, in particular, grew significantly, recording 117% of the previous year, thanks to the success of online events to find new customers and sales activities using live broadcasts.

In the Commercial market, we promoted collaboration with major developers for large-scale properties for which demand is recovering. In addition, for retail properties, we worked on sales activities emphasizing ventilation, cleaning, and sterilization.

In the Applied market, we are shifting our resources to growth areas such as infrastructure-related and data center applications.

In FY2021, we will continue to focus on expanding sales of residential multi-split air-conditioning systems, and provide optimal solutions for each market and customer by expanding our lineup of products and services to meet the growing interest in air quality and energy management.

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■ AC Business - Europe, Middle East, and Africa

FY2020 Results

In Europe, economic activities were stagnant from the lockdowns, but we greatly expanded sales of heat pump type hot water heating systems and capitalized on pent-up demand in residential use to achieve overall sales that exceeded the previous year. In the Middle East, results were impacted by a decrease in investments accompanying falling crude oil prices and currency depreciation.

- In Residential Use, Daikin captured the recovery in demand in places such as France and Spain due to stable supply through localized production, and sales expanded. Widespread sales were even seen in Germany, the Netherlands, and Belgium.
- In Commercial Use, system sales combining ventilation equipment such as heat reclaim ventilators strengthened, but a decline in demand at hotels, retail stores, and offices impacted results.
- In the Heating business, sales substantially increased by utilizing a wide product lineup of heat pump type heaters. We expanded market share by capitalizing on favorable demand resulting from high environmental awareness and incentives.
- In Applied, sales of R32 chillers with high environmental performance were strong.

FY2021 Forecast

In Residential Use, we will expand sales of high value-added products by capturing the strong demand due to continued investment for living environments.

In Commercial use, we will strengthen sales to favorable areas such as IT infrastructure amid the slow recovery in demand. In the Heating business, we will strive to capture strong demand and increase market share by strengthening sales and marketing capabilities. In Applied, we will enlarge the lineup of R32 chillers. In the Refrigerator and Freezer business, we intend to accelerate one-stop solution development to each market. Sales of environmentally conscious products using natural refrigerants such as CO2 and propane will be strengthened.

Y/Y change (Volume basis)		FY2020		FY2021※1	
		Daikin	Market	Daikin	Market
Residential		109%	102%	103%	
Commercial	SKY	95%	100%	101%	
	VRV	90%	98%	103%	
Heating		113%	118%	132%	
Applied※2		97%	101%	107%	

※1 The targeted regions have been partially changed from the FY2021 plan. Until FY2020, residential-use and commercial-use products was shown in the total of Europe, the Middle East, and Africa. This has been changed to only Europe from FY2021.

※2 Applied is based on sales in local currency.

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Please see page 16.

In Europe, economic activity stagnated due to the implementation of lockdowns in many countries, but sales increased YoY due to a large increase in sales of heat pump type hot water heating systems, as well as capturing pent-up demand in residential applications. On the other hand, the Middle East was affected by a decline in investment due to the drop in crude oil prices and the depreciation of currencies.

Sales of products for Residential use increased as a result of the recovery in demand due to the stable supply of products through localized production.

In Commercial use sector, although we made efforts to sell ventilation products such as heat reclaim ventilators, we were affected by the decline in demand from hotels, stores, and offices.

In the Heating business, sales of heat pump type heaters increased, driven by rising environmental awareness and incentives to promote substitution from combustion heating.

In FY2021, we will continue to increase sales in the residential use sector, where demand is strong, and strengthen sales of differentiated products that are environmentally conscious.

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■ AC Business - Asia and Oceania

FY2020 Results

In Asia, because COVID-19 had a significant impact on the decrease in demand and activity restrictions, we promoted dealer support by utilizing online tools. Inventories were strategically held, and sales significantly recovered from the second half sales, but the results could not compensate for the large decrease of the first half, and sales declined year on year.

In Oceania, sales expanded based on strong demand, and sales exceeded the previous year.

- In Residential Use, we promoted sales utilizing our own dealer sales channels while home electronics mass retailers were closed. Results for Australia and Malaysia exceeded the previous fiscal year. In India, we tried to strengthen relationships with dealers using such activities as online training. As a result, sales from the third quarter greatly surpassed the previous fiscal year.
- In Commercial Use, we focused on sales for public facilities that were not easily affected by COVID-19, but sales declined due to sluggish capital investment from the economic downturn, delays in start of construction work due to insufficient workers at the construction sites, and postponement of construction.
- In Applied, we strengthened the After Sales Service business in areas including maintenance and servicing.

FY2021 Forecast

■ Year-on-year sales of main countries (local currency basis)
 Australia: 104% India: 82% Vietnam: 77%
 Malaysia: 101% Thailand: 84% Indonesia: 73%

As the impact of the COVID-19 pandemic remains in Asia, we aim to improve the percentage of inverter use by strengthening development sales network in regional city and sales activities utilizing online tools. In the Residential Use market where signs of recovery in demand are being seen, we will expand sales of high value-added products by promoting air quality improvement. In Commercial Use, the focus is on sales for public facilities where demand is anticipated because of government economic measures. In Applied, we will aim to expand sales by improving the service network and strengthening product capabilities.

Y/Y change (Volume basis)	FY2020		FY2021	
	Daikin	Market	Daikin	Market
Residential	87%	116%	120%	
Commercial	SKY	88%	113%	114%
	VRV	88%	119%	122%
Applied	98%	106%	135%	

*Applied is based on sales in local currency.

17

Please see page 17.

In Asia, despite the impact of the decline in demand and restrictions on activities due to the spread of the coronavirus, the Company focused on sales activities using online tools, and sales recovered significantly from H2 of the fiscal year. However, the impact of the sales decline in H1 was significant, and sales fell below the previous year's level. On the other hand, sales in Oceania expanded in response to firm demand.

In the Residential sector, sales in Australia and Malaysia increased from the previous year as we expanded sales through our own distributor channels, while home electronics mass retailers closed in many countries. In India, sales from Q3 onward were significantly higher than the previous year due to the implementation of online training and other initiatives to strengthen relationships with dealers.

In the Commercial sector, sales declined due to a slowdown in capital investment caused by the economic downturn, and the impact of delayed construction starts and extended construction periods due to a shortage of workers at construction sites.

Although the impact of the spread of infectious diseases is expected to remain in Asia in FY2021, we aim to expand sales of high value-added products by identifying markets where demand is expected to recover, such as the residential use market and public facilities for commercial use.

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■ Chemicals Business

FY2020 Results

Although we strengthened sales activities for semiconductors where the market is showing signs of a recovery as well as for surface anti-fouling coating agents and water and oil repellent agents, the impact of decreased demand due to COVID-19 was substantial, and sales declined over the previous fiscal year.

- In Fluorocarbon Gas, sales dropped worldwide due to a decrease in demand, causing sales to fall against the previous fiscal year.
- Polymers and Fluoroelastomers
 - Fluoropolymers showed an increase in sales for infrastructure in China, but a decrease in demand of the first half for semiconductor and automotive markets and a decrease in the United States for construction and aircraft-related demand impacted sales.
 - Fluoroelastomers saw sales expand to the automotive market in China, but other regions were affected by a decrease in demand.
- In Fine Chemicals, sales of surface antifouling agents focused on tablet PCs, and sales expanded in China and Japan. Sales of water and oil repellent agents grew for medical-related and paper applications. Sales of etching gas expanded in China and Japan by capturing demand in the recovery for the semiconductor market.

FY2021 Forecast

Daikin will aim to significantly expand sales and increase market share centering on the mainstay semiconductor and automotive markets. In response to growing demand for next-generation automobiles and 5G, we will strengthen application development

in the fields of lithium-ion battery materials and information and communications technology.

To respond to increasing demand in the semiconductor market, we will steadily implement upfront investments such as expanding a fluoropolymer manufacturing plant in China, which we started last year.

Y/Y change (Sales basis)	FY2020	FY2021	
	Daikin	Market	Daikin
For all fluorochemical products	91%	108%	114%
Fluorocarbon Gas	62%	105%	106%
Polymers & Fluoroelastomers	91%	110%	116%
Fine Chemicals, etc.	102%	108%	111%

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Please see page 18.

The Chemical business strengthened sales activities for semiconductors, for which the market is recovering, and for surface antifouling coating agents and water and oil repellents, for which demand is strong, but sales fell below the previous year's level due to the significant impact of the decline in demand caused by the coronavirus.

Sales of Fluorocarbon Gas declined globally due to a decrease in demand.

Sales of Polymers decreased due to a decline in demand for semiconductor- and automobile-related products in H1 of the fiscal year, as well as a drop in demand for construction- and aircraft-related products in the US, despite increased sales of infrastructure-related products in China.

Sales of Fluoroelastomers expanded in the automotive market for China, but were greatly affected by the decline in demand in other regions.

In Fine Chemicals, sales of surface antifouling agents for tablets and etching gas expanded in China and Japan, and sales of water and oil repellents for medical-related applications and paper applications grew.

In FY2021, we will expand sales to the semiconductor and automotive markets and implement upfront investment in preparation for increased demand.

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■ Filter Business

FY2020 Results

To drastically reform the business structure, we built a stable supply system, reduced total costs, and promoted sales of high value-added products that seek to mitigate the spread of infectious diseases and improve air quality.

- In the Air Filter segment, we promoted sales of high value-added products in response to the growing needs for mitigating the spread of infectious diseases and improving air quality. In the United States, we expanded sales of high-performance filters centering on residential use. In Japan, there was an impact from government subsidies, and sales grew for negative pressure units. Even in Asia, sales expanded in such applications as pharmaceuticals, semiconductors, and hospitals.
- In P&I*, resources were shifted to the After Sales Service business and efforts were made to improve business structure despite the severe business environment, but results were significantly impacted by lower demand in the gas turbine market.

FY2021 Forecast

In the Air Filter segment, together with a focus on improving productivity and reducing costs, we will aim to expand sales in each region to markets where demand is strong such as hospitals, pharmaceutical facilities, and offices. In addition to high-performance filters, we will focus on sales of products such as negative pressure units and commercial air purifiers that prevent the spread of infectious diseases.

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

*P&I: commercial-use dust collection systems such as for gas turbines and large-scale plants **19**

Please see page 19.

In the Filter business, we are accelerating the improvement of our business structure, and are working to build a stable supply system, reduce total costs, and strengthen our sales structure.

In the Air Filter business, sales of high-performance filters and negative pressure machines increased in the US, Japan, and Asia in response to growing needs for countermeasures against infectious diseases.

In FY2021, we will promote product development in pursuit of improved air quality and aim to expand sales to the hospital, pharmaceutical, and office markets, where demand remains strong.

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■ Other Business

FY2020 Results

In the Oil Hydraulics business, demand for hydraulic equipment for industrial and construction equipment decreased due to such factors as stagnant capital investments, and revenue declined.

In the Defense Systems business, sales grew for pulse oximeters, which measure oxygen saturation in the blood without collecting blood, and oxygen concentrators, but sales to the Japanese Ministry of Defense decreased, and revenue declined.

In the Electronics business, sales of database systems for the design and development fields decreased due to the slowdown in investment in the manufacturing industry, and revenue declined.

FY2021 Forecast

In the Oil Hydraulics business, we will strengthen spec-in activities for manufacturers of machine tools and construction equipment to capitalize on a recovery in demand.

In the Defense Systems business, we are strengthening sales of differentiated products such as oxygen concentrators equipped with a function to detect the number of breaths taken.

In the Electronics business, we will work to expand sales by capitalizing on the resumption and strengthening of corporate IT investment.

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Sales in the Oil Hydraulics business decreased due to a decline in demand for both industrial machinery and construction machinery applications as a result of a slowdown in capital investment.

In the Defense Systems business, in the field of civilian demand, sales of pulse oximeters, which can measure the oxygen saturation level in blood without drawing blood, and oxygen concentrators increased, but sales to the Japanese Ministry of Defense decreased, resulting in a decline in revenue.

Sales in the Electronic business decreased due to a decline in sales of database systems for design and development due to a slowdown in investment in the manufacturing industry.

In FY2021, we will strive to capture the recovery in demand in each business and expand sales in robust markets.

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IV. Dividends Plan

- ◆ As currently announced, Daikin plans an annual dividend of 160 yen (interim 80 yen and term-end 80 yen.)
- ◆ Concerning the dividend for the next term, an annual dividend of 180 yen (interim 90 yen, term-end 90 yen) is planned.

【Daikin Dividend Policy】

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

		FY2016	FY2017	FY2018	FY2019	FY2020 (Proposed)	FY2021 (Forecast)
Dividend per share	Interim	¥60	¥65	¥70	¥80	¥80	¥90
	Annual	¥130	¥140	¥160	¥160	¥160	¥180
Earning per share	H1	¥330.08	¥347.13	¥385.76	¥405.14	¥289.16	¥365.63
	Annual	¥526.81	¥646.53	¥646.39	¥583.61	¥533.97	¥604.83
(Reference) DOE Trends		3.6%	3.4%	3.4%	3.3%	3.0%	3.0%

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We plan to pay an annual dividend of JPY160 per share for the current fiscal year, as currently announced. For the next fiscal year, we plan to pay an annual dividend of JPY180, consisting of an interim dividend of JPY90 and a term-end dividend of JPY90.

There is no change in our dividend policy. We will continue to make efforts to further enhance shareholder returns based on the principle of stable and continuous dividend payments.

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《Reference》 ■ Foreign Exchange

■ Exchange Rate

	FY2019 Result			FY2020 Result			FY2021 Forecast
	H1	H2	Total	H1	H2	Total	
USD	¥109	¥108	¥109	¥107	¥105	¥106	¥105
EUR	¥121	¥121	¥121	¥121	¥126	¥124	¥125
RMB	¥15.7	¥15.5	¥15.6	¥15.3	¥16.1	¥15.7	¥16.0
THB	¥3.5	¥3.5	¥3.5	¥3.4	¥3.5	¥3.4	¥3.4
AUD	¥75	¥73	¥74	¥73	¥79	¥76	¥77

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

	FY2021 Forecast
USD	1.7 billion yen ※
EUR	0.6 billion yen

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

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The actual exchange rates for FY2020 and the assumed exchange rates for FY2021 are shown in the table below.

Regarding sensitivity of foreign exchange, we estimate that a change of JPY1 against the US dollar will have an impact of JPY1.7 billion on operating profit, and a change of JPY1 against the euro will have an impact of JPY600 million.

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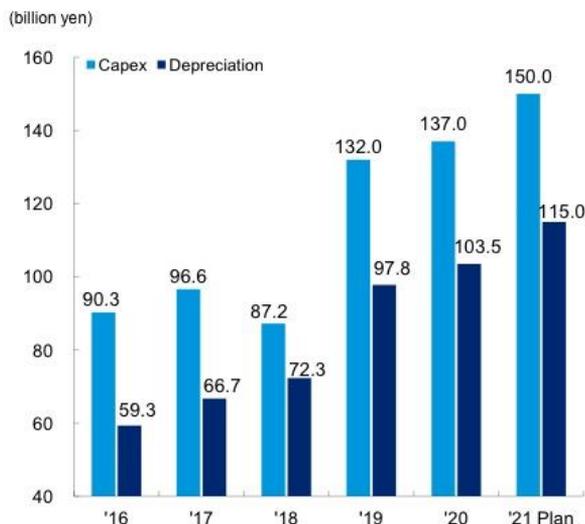
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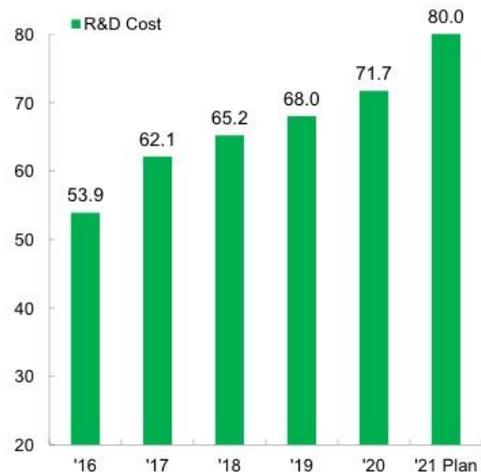
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■ Capex, Depreciation and R&D Cost

Capex and Depreciation



R&D Cost



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Please see page 23.

Actual results of capital expenditures, depreciation and amortization, and research and development expenses are shown in the table below.

In FY2021, we plan to invest JPY150 billion in capital expenditures, JPY115 billion in depreciation and amortization, and JPY80 billion in R&D.

To further expand our business, in the Air-Conditioning business, we will invest in capacity expansion of our plants in Vietnam and India, compliance with CARB regulations in the US, and expansion of plant in Applied sector, etc. In the Chemical business, we would like to proactively invest in capacity expansion in China and the US to meet the increasing demand for semiconductors and batteries. However, due to the uncertain outlook caused by the coronavirus, we will make more careful decisions on the order of priority, timing of implementation, and amount of investment.

This concludes my explanation.

[END]

Document Notes

1. Portions of the document where the audio is unclear are marked with [Inaudible].

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