



# About Our Management Policy

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President & CEO

# Details of Today's Announcement

## ■ Business Forecast for First Half and Full Year

(billion yen)	Revised in Aug.		Revised in Oct.			
	H1	Total	H1	vs Plan in Aug.	Total	vs Plan in Aug.
Sales	1,180.0	2,350.0	1,205.0	+25.0	2,400.0	+50.0
Operating Profit	100.0	170.0	121.0	+21.0	198.0	+28.0
Ordinary Profit	100.0	170.0	121.0	+21.0	198.0	+28.0
Profit Attributable to Owners of Parent	63.0	114.0	75.0	+12.0	130.0	+16.0

## ■ Dividend

Because of the extreme uncertainty surrounding the business environment, the dividend forecast for the current fiscal year had been “undecided.” However, based on budget finalization, we plan to pay an annual dividend of 160 yen per share (interim of 80 yen and year-end dividend of 80 yen), which is the same amount as the previous year. This amount is in accordance with our basic principle that strives to maintain a ratio of dividend to shareholder equity (DOE) of 3.0% and always provide stable dividends to shareholders.

# Management Approach for the COVID-19 Crisis (in May)

## Measures Based on the Impact of the Sudden COVID-19 Outbreak

- ✓ Defensive measures: 43 themes  
(Thorough suppression of fixed costs, rapid support to dealers and business partners, etc.)
- ✓ Proactive measures: 31 themes  
(Strengthening of sales via the Internet, development of measures focused on changes in consumer mood and behavior)
- ✓ Constitution strengthening and reform: 17 themes  
(Establishment of a lean, robust fixed cost structure, increased operational efficiency by utilizing AI and IoT in reform of business processes.)

## Six Emergency Projects Being Addressed by Top Management as Important Management Issues

- (1) Strengthening procurement, manufacturing, inventory, and logistics globally
- (2) Outperforming rivals in response to global changes and declining demand; and strengthening sales and marketing capabilities to increase market share while maintaining selling price
- (3) Expanding sales of air and ventilation products; developing and launching new differentiated products; and creating solutions on a global level to thoroughly capture the growing demand resulting from greater awareness for air quality and ventilation
- (4) Drastically cutting fixed costs (breakeven point and dramatic reduction in ratio of fixed costs to sales)
- (5) Prioritizing large-scale investments (capital investments and investments / loans) in the unprecedented uncertainty for the future of the business environment
- (6) Raising funds by having a detailed knowledge of the capital demand for the entire Group

# Budget Finalization

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- ✓ In light of the uncertainty for the FY2020 outlook, Daikin started with 150 billion yen for its annual operating profit (announced in May) as part of its “action plan,” which was based on the current conditions at the time for each business and region. Responding flexibly to the ever-changing conditions, we revised annual operating profit to 170 billion yen in August when we announced the financial results for the first quarter.
- ✓ While the uncertainty in the outlook remains unchanged, it is the intention of management to establish definitive targets as a part of the budget and have the entire Daikin Group once again achieve targets as it makes further progress in strengthening a corporate constitution that leads to further growth and development.
- ✓ Finalization of the budget this time led to the announcement of a commitment to 198 billion yen for operating profit. Concerning the dividend forecast, the annual dividend will remain unchanged at 160 yen. This is in accordance with our dividend policy and its principle to always provide a stable dividend.
- ✓ We intend to thoroughly implement measures with an “aggressive” and “challenging” mindset as we challenge ourselves toward achieving an annual operating profit that exceeds 200 billion yen.

# [Reference] Business Forecast

(billion yen)	in May		in Aug.		in Oct.	
	H1	Total	H1	Total	H1	Total
Sales	1,070.0	2,330.0	1,180.0	2,350.0	1,205.0	2,400.0
Operating Profit	40.0	150.0	100.0	170.0	121.0	198.0
Ordinary Profit	40.0	150.0	100.0	170.0	121.0	198.0
Profit Attributable to Owners of Parent	23.0	100.0	63.0	114.0	75.0	130.0

## ■ Comparison with Action Plan Announced in May

Operating Profit	+48.0
COVID-19	-7.0
Foreign Exchange	-3.0
Sales Expansion	+39.5
(Strengthening of marketing and sales capabilities, and preparation for manufacturing	+37.0)
(Sales expansion of air quality and ventilation products	+2.5)
Fixed Costs, etc.	+17.0
Cost Reductions, Raw Materials	+1.5

# Progress in Emergency Projects

## **(1) Strengthening procurement, manufacturing, inventory, and logistics globally**

- ✓ We have responded to changes such as demand fluctuations and regulations on logistics and production by understanding information on procurement, production, and sales of the five global regions. This has enabled us to avoid opportunity loss and expand sales.
- ✓ To promote medium- to long-term development, we are built a strong, flexible SCM that extends globally.

## **(2) Outperforming rivals in response to global changes and declining demand; and strengthening sales and marketing capabilities to increase market share while maintaining selling price**

- ✓ As demand declines, we are working closely with customers to meticulously capture demand and expand sales.
- ✓ All five main air conditioning divisions are expected to achieve higher sales than the previous year in the second half.

(Japan 101%, Europe 107%, China 118%, Asia / Oceania 100%, and the United States 100%)

Japan: We are aiming to further increase market share for commercial use and gain the No. 1 share for residential use.

Europe: Expand sales for residential and commercial use utilizing environmental technology as we work to achieve a large sales expansion of heat pump type heating systems.

China: In addition to offline sales utilizing our unique sales network, we will promote online and e-commerce sales. Annual sales are expected to exceed the previous year as we develop best practices in China to other regions.

# Progress in Emergency Projects

## **(3) Expanding sales of air and ventilation products; developing and launching new differentiated products; and creating solutions on a global level to thoroughly capture the growing demand resulting from greater awareness for air quality and ventilation**

- ✓ In response to the growing interest in air quality worldwide, we were the first to introduce air quality and ventilation products. Sales of air quality and ventilation related products this year will be 160% year over year.
- ✓ Sales for residential air purifiers are expected to grow significantly by 205% year-on-year. Production will start in Malaysia by the end of 2020, and we will also manufacture these products in Japan.
- ✓ As the leading air-conditioning manufacturer, we have developed globally by determining the future customer needs, quickly developing products, and proposing solutions in becoming a large-scale business.

Japan: Expand the RA lineup with built-in air ventilation function, launch a new air purifier product, and introduce a new heat exchanger that can be retrofitted.

Americas: Launch a UV light that disinfect heat exchangers and construct a system to detect air quality in air ducts.

China: Introduce a residential use heat exchanger and an air purification system.

Europe: Introduce a high efficiency heat exchanger.

Asia: Equip RA with a high-performance filter, strengthen sales of air purifiers.

# Progress in Emergency Projects

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## **(4) Drastically cutting fixed costs**

- ✓ The structure for fixed costs will be reviewed from a medium- to long-term perspective with the aim of achieving a lean, robust constitution.

## **(5) Prioritizing large-scale investments (capital investments and investments / loans) in the unprecedented uncertainty for the future of the business environment**

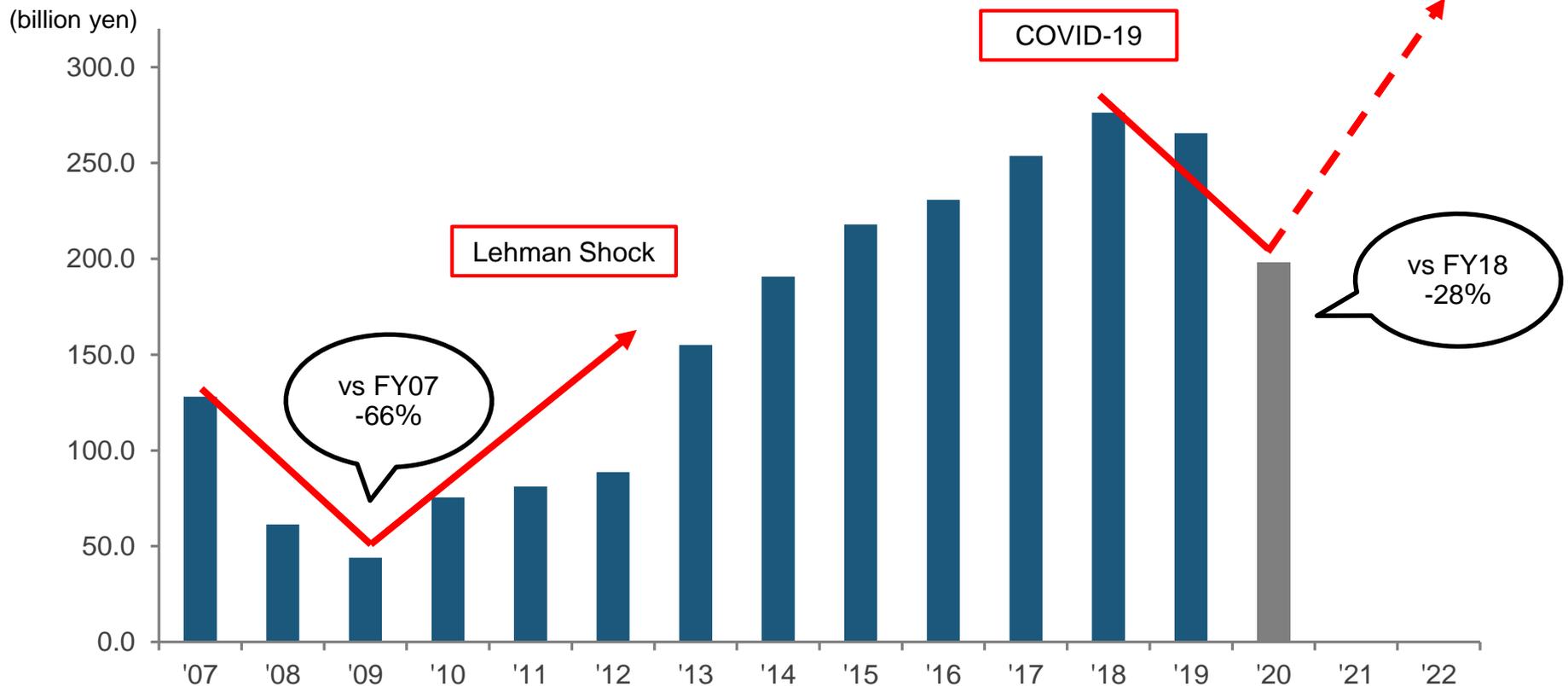
- ✓ Based on the business environment and market trends, upfront investments will be performed aggressively as an opportunity to become stronger.

## **(6) Raising funds by having a detailed knowledge of the capital demand for the entire Group**

- ✓ We have already secured funds to respond to the spread of COVID-19. We will also be flexible to the demand for funds for alliances, partnerships, and M&A.

# Management Stance beyond FY2021

- ✓ Profitability is expected to quickly recover by thoroughly implementing aggressive and challenging measures.  
In 2022, we foresee a return to profits at a pre-COVID-19 level.
- ✓ The year 2024 will be the 100th anniversary of our founding, and we would like to welcome it with record high financial results and significant growth and development.
- ✓ We will open up the future through our strengths of challenging ourselves and thoroughly taking action.





### **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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