



Presentation of Financial Results for the Third Quarter Ended in December 2020

February 9, 2021

■ Summary of Financial Results

Even now the novel coronavirus (COVID-19) continues to wreak havoc with lockdowns in Europe and extended movement restrictions in Asia. Nevertheless, in the Air Conditioning business, sales expanded for residential-use products, which are exhibiting steady demand, and for ventilation and air purification products, which have gained strong interest because of COVID-19. In the Chemicals business, we faced stagnant demand in the automotive market, whereas sales related to PC tablets and medical protective clothing increased.

In this environment, we worked to build an SCM system to flexibly respond to changes in demand, strengthen sales and marketing capabilities, and launch new products, and these activities led to an increase in revenue and profits, and Daikin recorded new highs in both net sales and operating profit for the third quarter (October-December).

(billion yen)	Q1-3 Result		
	FY2019	FY2020	Y/Y
Net sales	1,951.4	1,841.7	94%
Operating profit	219.1	194.5	89%
(Percentage of profit to net sales)	(11.2%)	(10.6%)	
Ordinary profit	224.0	195.8	87%
(Percentage of profit to net sales)	(11.5%)	(10.6%)	
Profit attributable to owners of parent	148.0	128.7	87%
(Percentage of profit to net sales)	(7.6%)	(7.0%)	

<Reference>

Q3 Result	Y/Y
612.5	103%
62.9	124%
(10.3%)	
64.0	118%
(10.4%)	
44.1	150%
(7.2%)	

USD/JPY	¥109	¥106
EUR/JPY	¥121	¥122
RMB/JPY	¥15.6	¥15.4

FX Effect (Y/Y)

Sales	-29.0 billion yen
Operating Profit	-6.5 billion yen

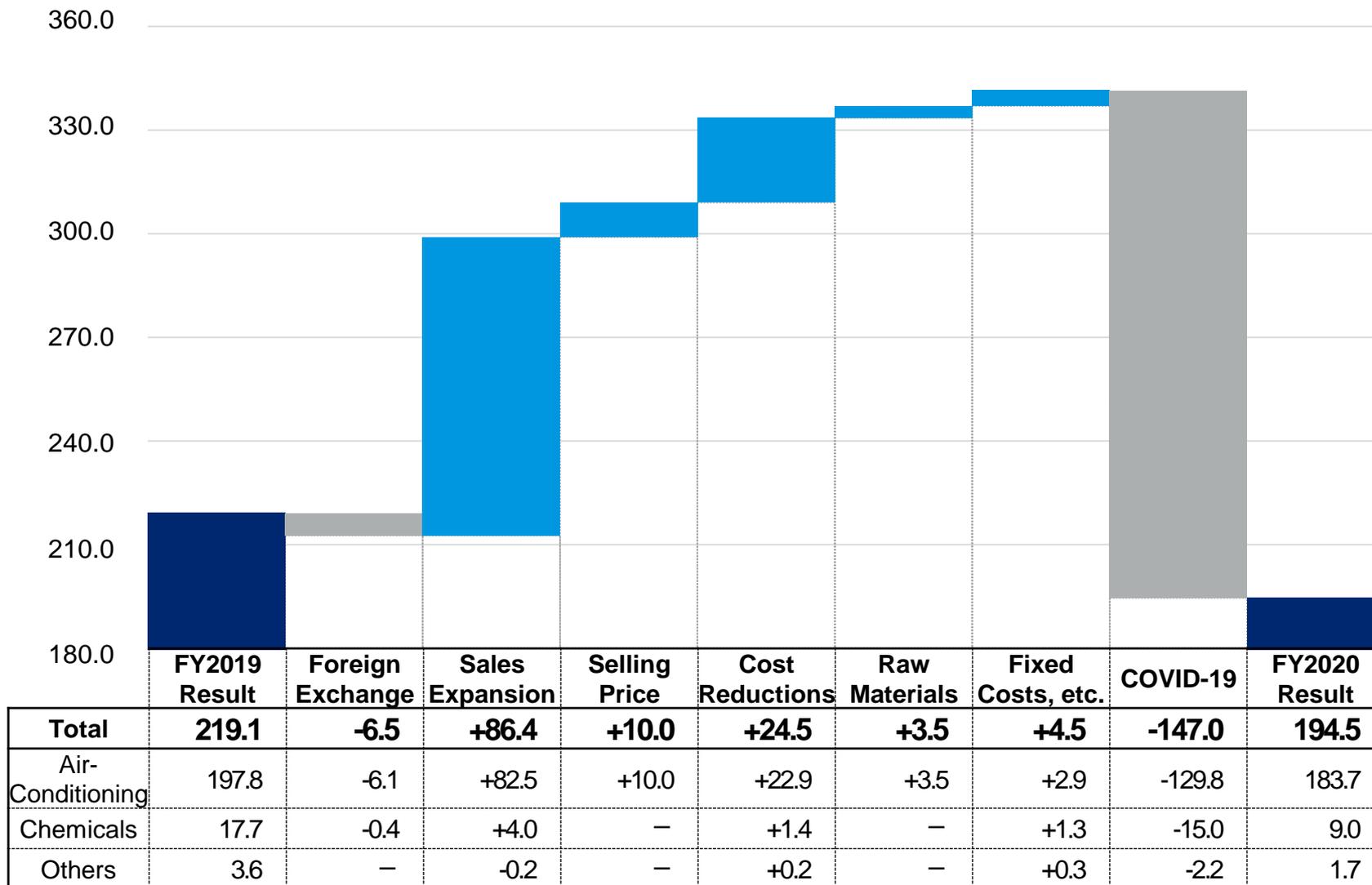
■ Financial Results by Segments

(billion yen)		Q1-3 Result		
		FY2019	FY2020	Y/Y
Total	Sales	1,951.4	1,841.7	94%
	Operating profit <small>(Percentage of profit to net sales)</small>	219.1 <small>(11.2%)</small>	194.5 <small>(10.6%)</small>	89%
Air-Conditioning	Sales	1,776.6	1,691.1	95%
	Operating profit <small>(Percentage of profit to net sales)</small>	197.8 <small>(11.1%)</small>	183.7 <small>(10.9%)</small>	93%
Chemicals	Sales	132.6	116.6	88%
	Operating profit <small>(Percentage of profit to net sales)</small>	17.7 <small>(13.3%)</small>	9.0 <small>(7.7%)</small>	51%
Others	Sales	42.2	34.0	81%
	Operating profit <small>(Percentage of profit to net sales)</small>	3.6 <small>(8.6%)</small>	1.7 <small>(5.1%)</small>	48%

■ Breakdown of Changes in Operating Profit

[Year-on-Year Comparison of Q1-3]

(billion yen)



■ Companywide Business Forecast

- ✓ In the third quarter, despite the impact of COVID-19, we maintained an “aggressive” and “challenging” mindset to achieve financial results that exceeded expectations by linking all measures to the creation of results. Based on third quarter results, we have upwardly revised the plan for annual operating profit to 232 billion yen.
- ✓ While the situation remains uncertain for when COVID-19 will come under control and the difficult conditions centering on the commercial-use air conditioning will improve, we are working to increase share of residential-use air conditioners, expand sales of ventilation and air purification products, and strengthen our After Sales Service business.
- ✓ At the same time, we will aggressively make upfront investments for future growth and ensure that they lead to business expansion in FY2021 (the first year of the next strategic management plan).

(billion yen)	FY2020 (Previously announced)	FY2020			
	Total Forecast	Q1-3 Result	Y/Y	Total Forecast	Y/Y
Sales	2,425.0	1,841.7	94%	2,460.0	96%
Operating Profit (Percentage of profit to net sales)	210.0 (8.7%)	194.5 (10.6%)	89%	232.0 (9.4%)	87%
Ordinary Profit (Percentage of profit to net sales)	210.0 (8.7%)	195.8 (10.6%)	87%	232.0 (9.4%)	86%
Profit Attributable to Owners of Parent (Percentage of profit to net sales)	140.0 (5.8%)	128.7 (7.0%)	87%	150.0 (6.1%)	88%

USD/JPY
EUR/JPY
RMB/JPY

¥107 ¥106
¥121 ¥122
¥15.2 ¥15.4

¥106
¥123
¥15.5

FX Effect (Y/Y)

Sales -36.0 billion yen
Operating Profit -9.5 billion yen

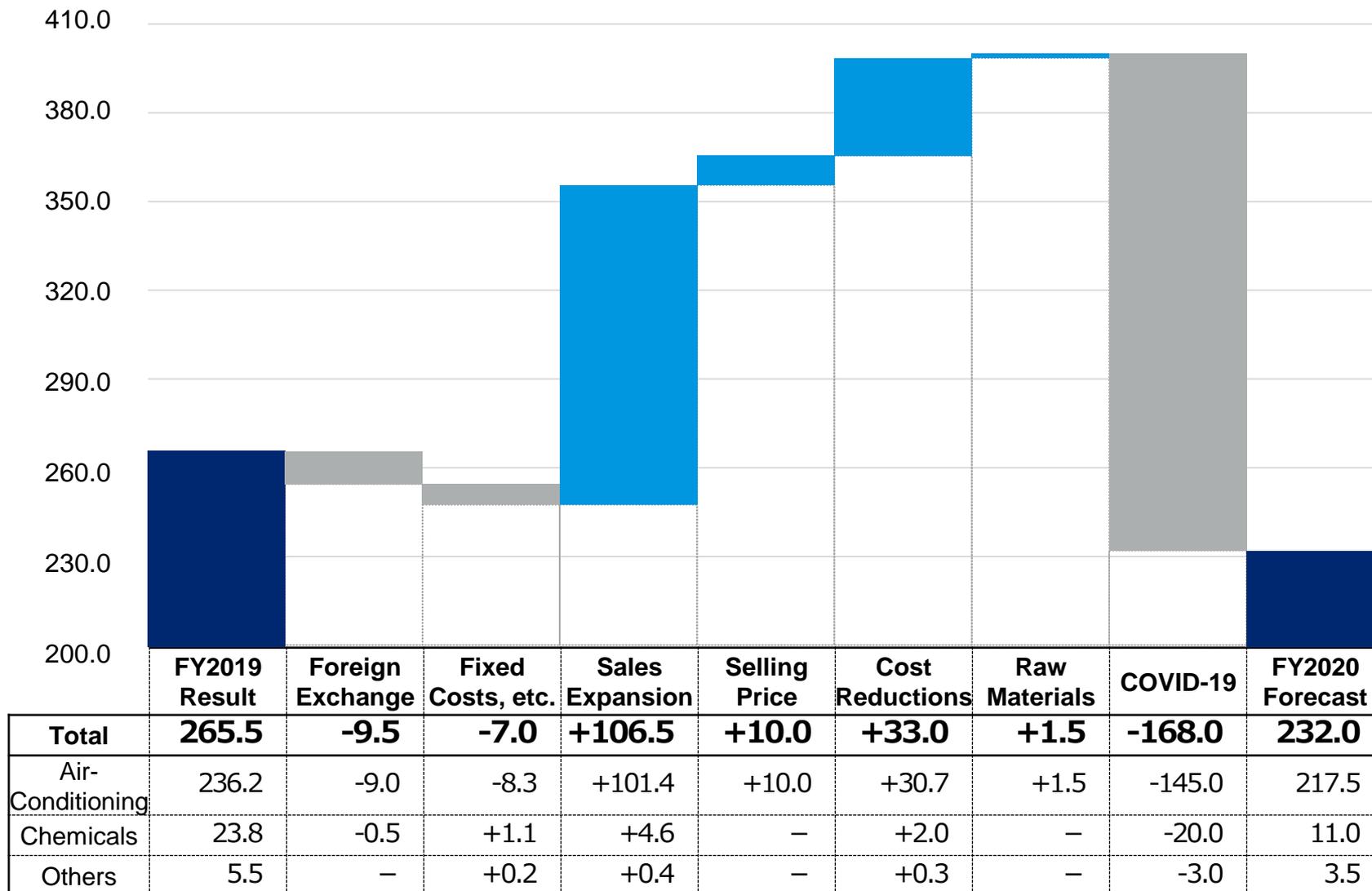
■ Business Forecast by Segments

(billion yen)		FY2020 (Previously announced)	FY2020			
		Total Forecast	Q1-3 Result	Y/Y	Total Forecast	Y/Y
Total	Sales	2,425.0	1,841.7	94%	2,460.0	96%
	Operating Profit (Percentage of profit to net sales)	210.0 (8.7%)	194.5 (10.6%)	89%	232.0 (9.4%)	87%
Air- Conditioning	Sales	2,215.0	1,691.1	95%	2,246.0	97%
	Operating Profit (Percentage of profit to net sales)	197.5 (8.9%)	183.7 (10.9%)	93%	217.5 (9.7%)	92%
Chemicals	Sales	160.0	116.6	88%	161.5	90%
	Operating Profit (Percentage of profit to net sales)	10.0 (6.3%)	9.0 (7.7%)	51%	11.0 (6.8%)	46%
Others	Sales	50.0	34.0	81%	52.5	86%
	Operating Profit (Percentage of profit to net sales)	2.5 (5.0%)	1.7 (5.1%)	48%	3.5 (6.7%)	63%

■ Breakdown of Changes in Operating Profit

[Year-on-Year Comparison of Forecast]

(billion yen)



■ Sales by Region – Air Conditioning

* Includes refrigerator, freezer and filter businesses

※Percentage expresses year on year comparison

(billion yen)	FY2016 Q1-3		FY2017 Q1-3		FY2018 Q1-3		FY2019 Q1-3		FY2020 Q1-3		FY2020 Forecast		FY2020 Forecast (Previously announced)	
	Japan	105%	322.7	105%	340.2	107%	364.1	104%	379.7	98%	371.2	99%	490.0	98%
Europe	96%	181.2	118%	214.5	112%	239.9	116%	278.9	99%	276.6	100%	380.0	100%	380.0
China	92%	248.4	115%	286.3	102%	292.9	97%	283.4	97%	275.1	106%	326.0	101%	310.0
Americas	100%	380.5	114%	432.5	112%	486.3	108%	524.2	95%	499.4	96%	678.0	96%	675.0
Asia	97%	169.1	109%	184.5	110%	203.3	107%	217.3	81%	175.1	83%	245.0	83%	245.0
Oceania	106%	37.6	146%	54.9	105%	57.9	93%	53.7	107%	57.6	103%	76.0	94%	69.0
Middle East	94%	33.4	117%	38.9	93%	36.2	93%	33.6	91%	30.5	92%	44.0	92%	44.0
Africa	69%	5.6	100%	5.6	115%	6.5	88%	5.7	96%	5.5	84%	7.0	84%	7.0
Total	99%	1,378.4	113%	1,557.3	108%	1,687.2	105%	1,776.6	95%	1,691.1	97%	2,246.0	96%	2,215.0
Overseas Sales ratio	77%		78%		78%		79%		78%		78%		78%	
USD/JPY	¥107		¥112		¥111		¥109		¥106		¥106		¥107	
EUR/JPY	¥118		¥129		¥129		¥121		¥122		¥123		¥121	
RMB/JPY	¥16.0		¥16.6		¥16.6		¥15.6		¥15.4		¥15.5		¥15.2	

■ Sales by Region – Chemicals

※Percentage expresses year on year comparison

(billion yen)	FY2016 Q1-3		FY2017 Q1-3		FY2018 Q1-3		FY2019 Q1-3		FY2020 Q1-3		FY2020 Forecast		FY2020 Forecast (Previously announced)	
	Japan	104%	29.9	114%	34.2	117%	40.0	94%	37.7	82%	31.0	84%	42.0	84%
Americas	89%	27.5	110%	30.2	113%	34.1	92%	31.4	78%	24.4	84%	37.0	84%	37.0
China	90%	23.8	121%	28.8	103%	29.5	92%	27.1	110%	29.9	113%	38.0	110%	37.0
Asia	90%	12.1	131%	16.0	120%	19.2	91%	17.5	90%	15.8	88%	22.5	88%	22.5
Europe	90%	15.9	128%	20.4	124%	25.2	71%	17.8	84%	14.9	86%	21.5	84%	21.0
Others	89%	0.7	137%	1.0	135%	1.3	82%	1.1	58%	0.6	39%	0.5	39%	0.5
Total	93%	110.0	119%	130.5	114%	149.4	89%	132.6	88%	116.6	90%	161.5	89%	160.0
Overseas Sales ratio		73%		74%		73%		72%		73%		74%		74%
USD/JPY		¥107		¥112		¥111		¥109		¥106		¥106		¥107
EUR/JPY		¥118		¥129		¥129		¥121		¥122		¥123		¥121
RMB/JPY		¥16.0		¥16.6		¥16.6		¥15.6		¥15.4		¥15.5		¥15.2

■ Business Review by Segments – Air Conditioning

Japan

Industry demand for Residential Use exceeded the previous fiscal year due to a summer heat wave combined with strong pent-up demand. Accordingly, we strengthened product appeal for our company's unique ventilation function and Streamer technology. 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. For air purifiers, sales significantly expanded as a result of higher demand.

Industry demand for Commercial Use fell below the previous fiscal year due to a slump in economic activity as well as from a reversal of the special demand for school air conditioning. Daikin continued proposal sales in response to changes in demand. In addition to greater appeal for ventilation products, such as heat reclaim ventilators, government subsidies helped boost sales, and market share increased. In Applied, changeover to R32 units continued, and profitability improved.

<AC sales by product (volume basis)>

(Y/Y change)		Q1-3 Result
Residential	Market	104%
	Daikin	110%
Commercial	Market	82%
	Daikin	87%
Applied	Market	91%
	Daikin	89%
Air purifiers	Market	174%
	Daikin	195%

※Applied is based on sales.

■ Business Review by Segments – Air Conditioning

Americas

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 using online tools, the temporary stoppage of operations at the Goodman factory in April led to a year-on-year decline in sales.

- In Ducted Unitary for Houses, supply tightened from a shortage in manufacturing personnel due to the continued spread of COVID-19. In the third quarter, efforts were made to stabilize production, normalize supply, and increase sales, but the impact of the sales drop in the first half was substantial, and aggregate sales declined.
- In Ductless, sales expanded in **RA/SKY** due to an increase in demand from the need for living space improvements and the warm summer weather. For **VRV systems**, we focused on online dealer training and strengthened sales activities, but the impact of lower demand by restaurants and similar businesses led to a decline in sales.
- In Applied, we focused on strengthening our sales network. Sales of air handling units and service parts increased due to orders received before the effects of COVID-19 became apparent.

<AC sales by product (volume basis)>

(Y/Y change)		Q1-3 Result
Ducted unitary for houses		96%
Ductless	RA/SKY	122%
	VRV	98%
Applied		102%

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

※VRV・・・Multi-split system for commercial

※Applied is based on sales in local currency.

■ Business Review by Segments – Air Conditioning

China

After a full-scale market reopening in June, government economic measures and monetary easing supported a recovery trend in personal spending. While restrictions on sales activities in April and May significantly impacted the company and resulted in lower aggregate sales year on year, a strengthening of sales activities enabled us to capitalize on the market recovery and achieve higher sales in the second and third quarters than the same periods in the previous fiscal year. High profitability was maintained by promoting cost reductions, such as improved productivity through automation, and fixed costs reductions.

- In the Residential Use market, sales of residential multi-split air conditioners increased. A new business model was created combining online capabilities with existing sales activities at PROSHOP specialty stores. We identified new customers by online events and promoted online sales using live broadcasts.
- In the Commercial Use market, together with promoting collaboration with major developers in large-scale projects where demand is recovering, we improved product appeal through visualization of air environments of high interest. For stores with a delayed recovery, focus was on developing demand by engaging in sales activities promoting ventilation, cleaning, and disinfection.
- In the Applied market, together with strengthening sales for infrastructure-related and data centers, resources shifted to growth fields such as maintenance and servicing.

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

(Y/Y change)	Q1-3 Result
Residential※	101%
Commercial	89%
Applied	99%

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

■ Business Review by Segments – Air Conditioning

Europe, Middle East, and Africa

In Europe, economic activities stopped with the carrying out of lockdowns from mid-October, but sales were on par with the previous fiscal year by capitalizing on pent-up demand in residential use. In the Middle East, the price drop in crude oil and currency depreciation accompanying COVID-19 have impacted results.

- In Residential Use, we captured recovery demand with a stable supply through localized production. With more time spent indoors, air conditioners gained greater general acceptance even in Germany, the Netherlands, and Belgium, resulting in sales growth.
- In Commercial Use, system sales combined with ventilation products, such as heat reclaim ventilators, increased, but results were impacted by a decline in demand at hotels, retail stores, and offices.
- In the Heating business, we utilized a wide product lineup for heat pump type hot water heating systems to capitalize on higher demand due to incentives and expanded market share.
- In Applied, sales shifted to a strong trend for R32 chillers with high environment performance.

<AC sales by product (volume basis)>

(Y/Y change)		Q1-3 Result
Residential		104%
Commercial	SKY	92%
	VRV	89%
Heating		107%
Applied		93%

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

※VRV・・・Multi-split system for commercial

※Applied is based on sales in local currency.

■ Business Review by Segments – Air Conditioning

Asia and Oceania

Taking advantage of environment improvement needs for living spaces, we focused on sales activities that utilized online tools. Although efforts were made on sales in the countries with strong demand, sales were significantly affected by decreased demand due to COVID-19 and restrictions on activities in every country, including India. This situation has led to a year-on-year sales decline.

- In Residential Use, Daikin promoted sales through its own dealer routes since electronics retail stores were closed. In Australia and Malaysia, results exceeded the previous fiscal year. In India, efforts were made to strengthen relationships with dealers, such as with online training, and results for the third quarter greatly exceeded the previous fiscal year.
- In Commercial Use, slowing capital investments in the stagnant economy and the impact of construction delays and postponements due to a shortage of workers at construction sites led to a decrease in sales.
- In Applied, we focused on the After Sales Service business such as for maintenance and servicing.

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

Australia: 108%, Vietnam: 74%, India: 71%,
Malaysia: 98%, Thailand: 83%, Indonesia: 77%

<AC sales by product (volume basis)>

(Y/Y change)		Q1-3 Result
Residential		85%
Commercial	SKY	84%
	VRV	80%
Applied		89%

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

※VRV・・・Multi-split system for commercial

※Applied is based on sales in local currency.

■ Business Review by Segments – Chemicals

Although we strengthened sales activities for the semiconductor market, which is showing a recovery trend, and for surface antifouling coating agents and water and oil repellents, which are performing well, lower demand caused by COVID-19 significantly impacted results, and sales fell below the previous fiscal year.

- In Fluorocarbon Gas, sales fell sharply year on year worldwide due to lower air conditioning demand.
- In Polymers and Fluoroelastomers
 - Fluoropolymers saw a sales expansion for infrastructure investments in China, but lower demand in the first half for semiconductors and automobiles, in addition to weak demand in the United States for construction and aircraft-related, led to an overall sales decrease.
 - Fluoroelastomers experienced sales growth for the automotive market in China, but they were significantly impacted from decreased demand in other regions.
- In Fine Chemicals, focus was on sales of surface antifouling coatings for PC tablets, and sales expanded in China and Japan. For water and oil repellents, sales grew in medical-related and paper applications. Etching gas capitalized on a recovery trend in demand in the semiconductor market, and sales expanded in China and Japan.

<Chemical sales by product (aggregate sales)>

(Y/Y change)	Q1-3 Result
For all fluorochemical products	88%
Fluorocarbon Gas	62%
Polymers & Fluoroelastomers	86%
Fine Chemicals, etc.	100%

■ Business Review by Segments – Filters

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 segment, we capitalized on growing ventilation needs and promoted sales of products to mitigate the spread of COVID-19 such as high-performance filters and negative pressure units. Sales in the United States and Asia expanded for hospitals, cleanrooms, and residences.
- In P&I*, within the difficult business environment, resources were shifted to the After Sales Service business, and efforts were made to improve the business structure, but results were significantly impacted by lower demand in the gas turbine market.

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

■ Capex, Depreciation and R&D Cost

(billion yen)	FY2019		FY2020	
	Q1-3 Result	Total Result	Q1-3 Result	Total Forecast
Capex	88.9	132.0	96.9	130.0
Depreciation	71.0	97.8	75.6	100.0
R&D Cost	50.2	68.0	50.6	70.0



Notes on forecast

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