



# Daikin Management Policy

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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.

# 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

# 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.

# Key Themes for FY2021

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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

# Key Themes for FY2021

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## 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.

# Conclusion

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- ✓ 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.”



### Notes on forecast

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