



Daikin Industries, Ltd.

Q3 Financial Results Briefing for the Fiscal Year Ending March 2021

February 9, 2021

Event Summary

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[Participants]		
[Number of Speakers]	2	
	Kota Miyazumi	Executive Officer, Responsible for Corporate Communication
	Kazuhiro Matoba	Department Manager of Corporate IR Group, Corporate Communication Department

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Presentation

Moderator: Now we will start Daikin Industries, Ltd.'s financial results briefing for the third quarter of the fiscal year ending March 2021.

Today's attendees from the Company are Kota Miyazumi, Executive Officer, Responsible for Corporate Communication and Kazuhiro Matoba, Department Manager of Corporate IR Group, Corporate Communication Department. Executive Officer Miyazumi will explain the outline of the financial results for about 15 minutes, and then we will have a question-and-answer session. The meeting is scheduled to end at 5:30 PM.

As delivered by email today, the presentation materials are posted on the Investor Relations page of our website, so please have them on hand.

Now we will begin the presentation of the financial results.

■ 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			<Reference>	
	FY2019	FY2020	Y/Y	Q3 Result	Y/Y
Net sales	1,951.4	1,841.7	94%	612.5	103%
Operating profit	219.1	194.5	89%	62.9	124%
(Percentage of profit to net sales)	(11.2%)	(10.6%)		(10.3%)	
Ordinary profit	224.0	195.8	87%	64.0	118%
(Percentage of profit to net sales)	(11.5%)	(10.6%)		(10.4%)	
Profit attributable to owners of parent	148.0	128.7	87%	44.1	150%
(Percentage of profit to net sales)	(7.6%)	(7.0%)		(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	

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Miyazumi: Hello everyone, this is Kota Miyazumi. Thank you for taking time out of your busy schedules to participate in today's conference call. I will explain the outline of the third-quarter financial results according to the materials.

Please see page two.

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In the current fiscal year, in light of the harsh business environment amid the spread of COVID-19, we are promoting defensive and proactive measures, constitution strengthening and reform. At the same time, we have launched six emergency projects to thoroughly implement the measures.

As the effects of the spread of COVID-19 continue, such as lockdowns in Europe and extended movement restrictions in Asia, we worked to build an SCM system to flexibly respond to changes in demand, strengthen sales and marketing capabilities, and launch new products. 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).

The actual exchange rates were JPY106 for the USD, JPY122 for the EUR, and JPY15.4 for the CNY. The impact of the exchange rates was a negative JPY29 billion on net sales and a negative JPY6.5 billion on operating profit, both in comparison to the year-before figures.

■ 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%

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Please see page three.

These are the financial results by business segment.

In the Air Conditioning Business, amid the COVID-19 pandemic, demand for residential-use products exceeded our forecast due to the expansion of the so-called stay-at-home demand, and ventilation and air purification products gained strong interest. Therefore, we made efforts to secure sales mainly in Japan, Europe, and China. On the other hand, products for commercial use were greatly affected by the decrease in capital investments due to the economic downturn.

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In the Chemicals Business, we faced stagnant demand in the automotive market, whereas sales related to PC tablets increased due to the spread of telework, along with those of well-performing repellents for medical protective clothing.

In Others, the Oil Hydraulics Business saw a decline in demand for industrial machinery.

Regarding the foreign exchange impact, sales in the Air Conditioning Business were lowered by JPY28.1 billion and operating profit by JPY6.1 billion. In the Chemicals Business, sales were slashed by JPY900 million and operating profit by JPY400 million.

I will explain the status of each business and the status of the Air Conditioning Business by region later.

■ Breakdown of Changes in Operating Profit

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



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Please see page four.

This is an analysis of YoY changes in operating profit for the cumulative third quarter.

While there were the negative effects of JPY6.5 billion from foreign exchange rates and JPY147 billion from COVID-19, we enjoyed the positive effects from sales expansion worth JPY86.4 billion, selling prices worth JPY10 billion, cost reductions worth JPY24.5 billion, raw materials worth JPY3.5 billion, and controlled fixed costs worth JPY4.5 billion.

The breakdown by segment is as described.

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■ 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
¥121
¥15.2

¥106
¥122
¥15.4

¥106
¥123
¥15.5

FX Effect (Y/Y)

Sales -36.0 billion yen
Operating Profit -9.5 billion yen

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Please see page five.

Based on the third quarter financial results, which exceeded our expectations, we revised up our estimate for annual operating profit to JPY232 billion.

We did not change our prospects for the fourth quarter significantly from the previous announcement in November as the severe situation continues centering on commercial air conditioning, due to the impact of the re-expansion of COVID-19. However, we are trying to maintain the momentum in the third quarter by maximizing the results of measures in each region and business, such as expanding the market share of air conditioning products for residential use, expanding sales of ventilation and air purification products, and strengthening the After Sales Service Business.

In addition, we will aggressively make up-front investments for future growth, such as sales promotion activities and product development for ventilation and air purification products, establishment of SCM, and promotion of digitalization, in a bid to expand our business performance in FY2021, the first year of the next strategic management plan.

There was no change in the year-end dividend forecast from the previous announcement. We will reconsider our dividend payment plan based on the full-year results.

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■ 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 <small>(Percentage of profit to net sales)</small>	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 <small>(Percentage of profit to net sales)</small>	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 <small>(Percentage of profit to net sales)</small>	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 <small>(Percentage of profit to net sales)</small>	2.5 (5.0%)	1.7 (5.1%)	48%	3.5 (6.7%)	63%

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Please see page six.

This is our business forecast by segment.

In the Air Conditioning Business, sales increased by JPY31 billion and operating profit increased by JPY20 billion from the previous forecast. In the Chemicals Business, sales increased by JPY1.5 billion and operating profit increased by JPY1 billion from the previous announcement. In the Other Businesses, sales increased by JPY2.5 billion and operating profit increased by JPY1 billion from the previous announcement.

For the Air Conditioning Business, we forecast that foreign exchange rates will have a negative impact of JPY34.8 billion on sales and JPY9 billion on operating profit. In the Chemicals Business, we expect a negative foreign exchange impact of JPY1.2 billion on sales and that of JPY500 million on operating profit.

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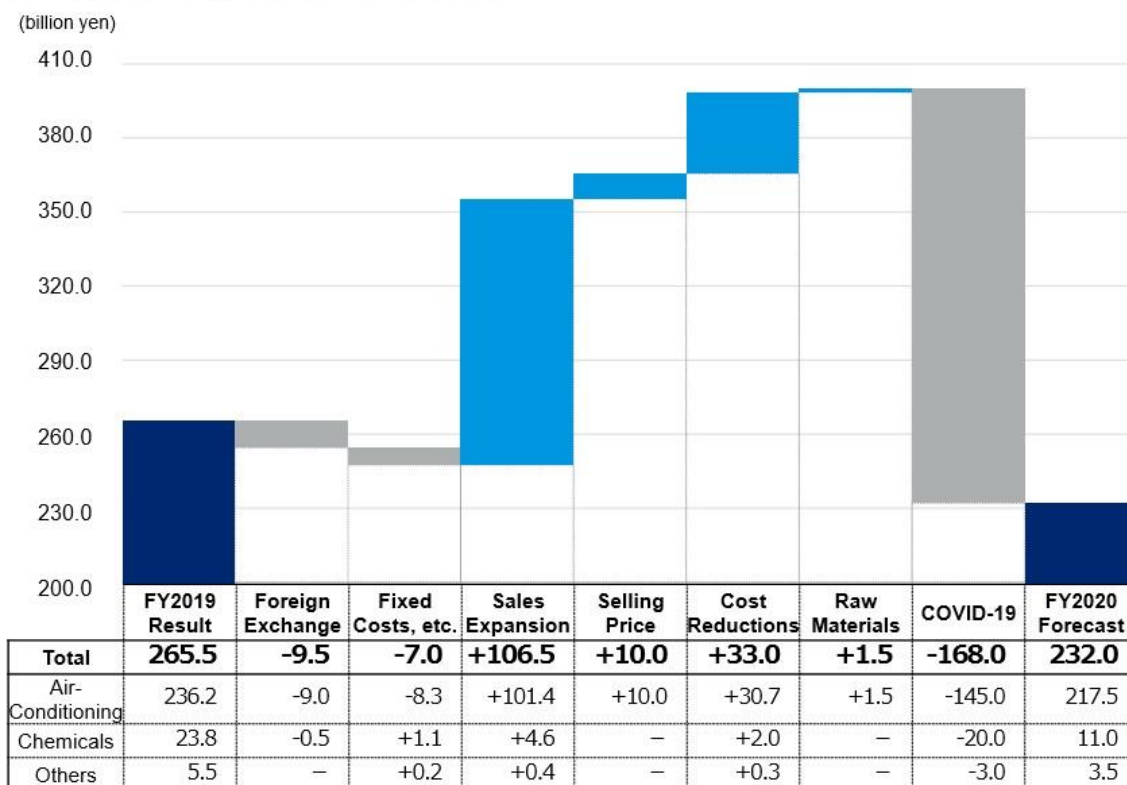
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■ Breakdown of Changes in Operating Profit

[Year-on-Year Comparison of Forecast]



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Please see page seven.

The page shows expected changes in full-year operating profit from the previous year in the annual forecast.

There will be the negative effects from foreign exchange rates worth JPY9.5 billion, higher fixed costs worth JPY7 billion, and COVID-19 worth JPY168 billion. Meanwhile, we estimated the positive effects from sales expansion at JPY106.5 billion, selling prices at JPY10 billion, cost reductions at JPY33 billion, and raw materials at JPY1.5 billion.

The breakdown by segment is as described.

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■ 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)	
	Percentage	Value	Percentage	Value	Percentage	Value	Percentage	Value	Percentage	Value	Percentage	Value	Percentage	Value
Japan	105%	322.7	105%	340.2	107%	364.1	104%	379.7	98%	371.2	99%	490.0	98%	485.0
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		¥15.8		¥15.4		¥15.5		¥15.2

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Please see page eight.

In sales by region in the Air Conditioning Business, we were able to control the declines in Japan, Europe, China, and the Americas. In Asia, however, sales were greatly affected by activity restrictions centered on India.

Sales in real terms, excluding the foreign exchange effects, were 98% of the year-before level in Europe, 98% in China, 98% in the Americas, and 85% in Asia.

We revised the annual sales estimates from the previous announcement, based on the results of the third quarter and the current demand trends.

We estimated real-term sales excluding the foreign exchange effects at 98% of the previous year's level in Europe, 107% in China, 99% in the Americas, and 87% in Asia.

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■ 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%
U\$D/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

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Please see page nine.

Sales in the Chemicals Business incurred YoY falls in many regions due to sluggish demand amid the spread of COVID-19.

In China, where economic activities resumed earlier than other countries, sales significantly exceeded the year-before level due to a recovery in demand for infrastructure investments and automobiles.

Real-term sales excluding the foreign exchange effects were 80% of the year-before level in the Americas, 113% in China, and 83% in Europe.

We revised the annual sales estimates from the previous announcement, based on the results of the third quarter and the current demand trends.

We estimated real-term sales excluding the foreign exchange effects at 86% of the previous year's level in the Americas, 115% in China, and 84% in Europe.

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■ 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.

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Please see page 10.

From here, I will explain the situation of the Air Conditioning Business by region.

First is the Air Conditioning Business in Japan.

Demand for Residential Use exceeded the year-before level due to firm stay-at-home demand and a heat wave in the summer. We strengthened our sales activities focusing on the ventilation function of "Urusara X," and expanded our market share by catching the growing interest in energy saving and the need for air quality as users stayed at home for longer hours. In addition, sales of purifiers significantly expanded as a result of stronger demand and we strengthened our supply capacity.

Industry-wide demand for Commercial Use decreased YoY due to the stagnation of economic activities and reaction to the prior special demand for school air conditioning. By strengthening proposal sales in response to changes in the demand, we expanded sales of ventilation products, such as heat reclaim ventilators, and expanded our market share.

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■ 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%

※RA/SKY・・・Medium or compact size packaged air conditioners
 ※VRV・・・Multi-split system for commercial
 ※Applied is based on sales in local currency.

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Please see page 11.

It shows the Air Conditioning Business in the Americas.

While the US government's economic measures and strong personal consumption bolstered the economy and demand was steady in the housing market, we did our best in sales activities using online tools. However, sales incurred a YoY decline due to the temporary stoppage of operations at the Goodman factory in April to prevent the spread of COVID-19.

In Ducted Unitary for Houses, we made efforts to stabilize production at the Goodman plant, normalized supply, and expanded sales in the third quarter.

In Ductless, sales expanded in RA/SKY, due to a rise in demand from the need for living space improvements and the hot summer weather. Goodman's overall sales were 96% of the year-before level on a local currency basis.

In Applied, sales for air handling units and service parts increased due to orders received before the effects of COVID-19 became apparent.

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■ 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.

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Please see page 12.

In the Air Conditioning Business in China, the Company managed to capture demand after the full-scale reopening of the market in June by strengthening sales activities, and sales posted a YoY increase in the third quarter, as they did in the second quarter.

In the Residential Use market, sales of residential multi-split air conditioners increased. We created a new business model by combining online capabilities with existing sales activities at PROSHOP specialty stores. This new business model contributed to the sales expansion since June.

In the Commercial Use market, we improved our product appeal while we promoted collaboration with major developers in large-scale projects, where demand was recovering. For stores with a delayed recovery, we focused on developing demand by engaging in sales activities to promote ventilation, cleaning, and disinfection.

In the Applied market, we shifted our resources to growth fields, such as infrastructure-related areas and data centers.

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■ 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.

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Please see page 13.

In the Air Conditioning Business in Europe, economic activities stagnated as lockdowns were implemented in each country from mid-October, but we secured sales on a par with the year-before level as we capitalized on stay-at-home demand in residential use. On the other hand, in the Middle East, sales fell YoY due to the effects of falling crude oil prices and currency depreciation due to the spread of COVID-19.

In Residential Use, sales increased as we captured recovery demand with stable supply through localized production.

In Commercial Use, we succeeded in increasing sales of ventilation products, such as heat reclaim ventilators, but the results were impacted by declines in demand at hotels, retail stores, and offices.

In the Heating Business, we utilized our product lineup for heat pump type hot water heating systems and increased sales, supported by the incentive to promote replacement from combustion heating.

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■ 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.

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In the Air Conditioning Business in Asia and Oceania, we focused on sales activities that utilized online tools, taking advantage of the growing need for improving living spaces. However, sales were significantly affected by restrictions on activities in India and other countries, leading to its YoY decline.

In Residential Use, we promoted sales through our own dealer routes while electronics retail stores were closed. In Australia and Malaysia, sales exceeded the year-before levels. In India, we made efforts to strengthen relationships with dealers, such as online training, and sales in the third quarter were significantly higher than the year-before level.

In Commercial Use, sales declined due to slowing capital investments in the stagnant economy and the impact of construction delays and postponements due to a shortage of workers at construction sites.

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■ 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%

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In the Chemicals Business, we strengthened sales activities for the semiconductor market, which is showing a recovery trend. For surface antifouling coating agents and water and oil repellents, which are performing well, sales were significantly affected by lower demand due to the spread of COVID-19, leading to a YoY decline.

Sales of fluorocarbon gas fell sharply YoY worldwide due to declining demand for air conditioning.

Sales of fluoropolymers expanded in China for infrastructure investments. However, overall sales decreased YoY due to lower demand in the first half for semiconductors and automobiles, in addition to weak demand in the US for construction and aircraft-related use.

Sales of fluoroelastomers expanded growth for the automotive market in China, but they were significantly affected by declines in demand in other regions.

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

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■ 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

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In Filters, we have been accelerating the improvement of our business structure, and we worked to build a stable supply system, reduce total costs, and strengthen sales capabilities.

In the Air Filter Business, 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, in the US and Asia.

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■ 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

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Capex totaled JPY96.9 billion, depreciation was JPY75.6 billion, and the R&D cost was JPY50.6 billion.

We have not changed our full-year plan for them.

That's all for my explanation. Thank you very much.

[END]

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