



# Presentation of Financial Results for the First Quarter Ended in June 2021

August 3, 2021

# ■ Summary of Financial Results

## Achieving Record High Financial Results on a Quarterly Basis

- ✓ Facing the effects of soaring market prices for raw materials and the spread of the novel coronavirus (COVID-19) in Asia, Daikin thoroughly implemented seven key themes for fiscal year 2021 (including strategic selling price measures, expansion of sales and market share, and cost reductions) to absorb these negative effects.
- ✓ In the Air Conditioning business, demand exceeded expectations for residential air conditioning, mainly in developed countries. In addition to launching new products and strengthening sales and marketing capabilities, we increased market share by flexibly responding to concerns for shortages, such as for electronic components, and supplying what was needed. We also expanded sales by capturing strong demand in Europe for heat pump type hot water heating systems.
- ✓ In the Chemicals business, a recovery in demand in the semiconductor and automotive markets led to the expansion of sales.

(billion yen)	Q1 Result		
	FY2020	FY2021	Y/Y
<b>Sales</b>	581.7	<b>799.0</b>	137%
<b>Operating Profit</b> (Percentage of profit to net sales)	54.5 (9.4%)	<b>109.3</b> <b>(13.7%)</b>	200%
<b>Ordinary Profit</b> (Percentage of profit to net sales)	55.1 (9.5%)	<b>111.9</b> <b>(14.0%)</b>	203%
<b>Profit Attributable to Owners of Parent</b> (Percentage of profit to net sales)	33.1 (5.7%)	<b>78.6</b> <b>(9.8%)</b>	238%

USD/JPY	¥108	¥110
EUR/JPY	¥118	¥132
RMB/JPY	¥15.2	¥17.0

FX Effect (Y/Y)

Sales	+29.5 billion yen
Operating Profit	+4.0 billion yen

# (Reference) 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

# ■ Financial Results by Segments

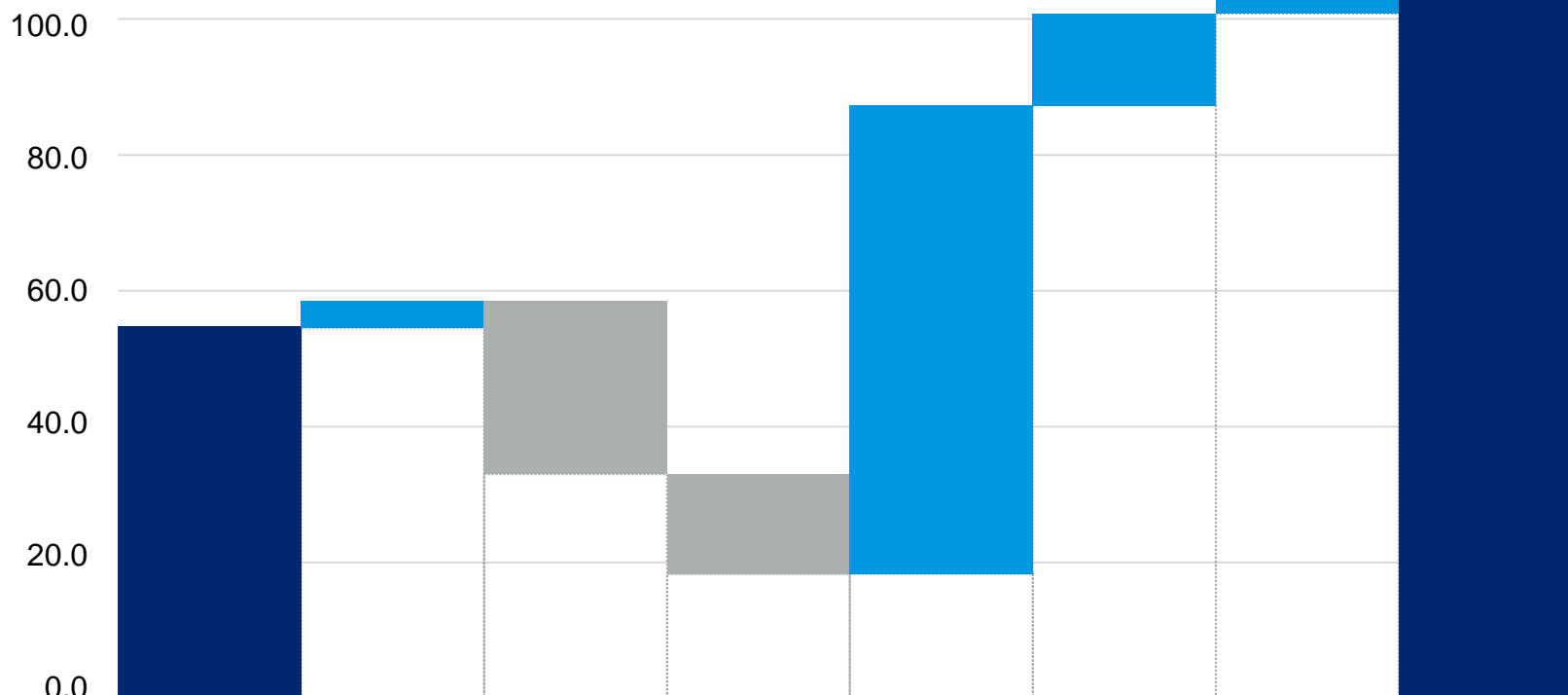
(billion yen)		Q1 Result		
		FY2020	FY2021	Y/Y
<b>Total</b>	<b>Sales</b>	581.7	<b>799.0</b>	137%
	<b>Operating Profit</b> (Percentage of profit to net sales)	54.5 (9.4%)	<b>109.3</b> <b>(13.7%)</b>	200%
<b>Air-Conditioning</b>	<b>Sales</b>	536.7	<b>735.6</b>	137%
	<b>Operating Profit</b> (Percentage of profit to net sales)	51.6 (9.6%)	<b>100.0</b> <b>(13.6%)</b>	194%
<b>Chemicals</b>	<b>Sales</b>	35.6	<b>50.4</b>	142%
	<b>Operating Profit</b> (Percentage of profit to net sales)	2.7 (7.5%)	<b>7.9</b> <b>(15.7%)</b>	298%
<b>Others</b>	<b>Sales</b>	9.4	<b>12.9</b>	137%
	<b>Operating Profit</b> (Percentage of profit to net sales)	0.2 (2.6%)	<b>1.4</b> <b>(10.8%)</b>	559%

※Air-Conditioning business includes filter, refrigerator and freezer businesses.

# ■ Breakdown of Changes in Operating Profit

[Year-on-Year Comparison of Q1]

(billion yen)



	FY2020 Result	Foreign Exchange	Raw Materials	Fixed Costs, etc.	Sales Expansion	Selling Price	Cost Reductions	FY2021 Result
<b>Total</b>	<b>54.5</b>	<b>+4.0</b>	<b>-25.5</b>	<b>-14.7</b>	<b>+69.0</b>	<b>+13.5</b>	<b>+8.5</b>	<b>109.3</b>
Air-Conditioning	51.6	+3.5	-24.5	-14.4	+63.4	+12.9	+7.5	100.0
Chemicals	2.7	+0.5	-1.0	-0.3	+4.8	+0.6	+0.6	7.9
Others	0.2	—	—	—	+0.8	—	+0.4	1.4

# ■ Companywide Business Forecast

## Reflecting Strong Q1 with Upward Revision of the Full-Year Plan

- ✓ Adding to the delayed recovery in demand for commercial air conditioning and the prolonged impact of the spread of the COVID-19 pandemic in Asia, the effects of soaring market prices for raw materials and greater logistics costs are expected to further worsen from the second quarter.
- ✓ In response, we will launch new products for the strong demand in residential air conditioning, expand sales and increase market share for indoor air quality (IAQ) and ventilation products, and strengthen solutions by market and application in commercial air conditioning. At the same time, we intend to expand sales of heat pump type heaters, implement comprehensive selling price measures, prepare to supply for an anticipated upsurge in sales, and promote cost reductions.
- ✓ By continuing to produce results for the seven key themes and covering the negative effects, we aim to set a new record high in financial results for the full year.

(billion yen)	FY2021 Forecast							
	(Previously announced)				(Currently announced)			
	H1	Y/Y	Total	Y/Y	H1	Y/Y	Total	Y/Y
<b>Sales</b>	1,450.0	118%	2,750.0	110%	1,510.0	123%	2,810.0	113%
<b>Operating Profit</b> (Percentage of profit to net sales)	163.0 (11.2%)	124%	270.0 (9.8%)	113%	183.0 (12.1%)	139%	290.0 (10.3%)	122%
<b>Ordinary Profit</b> (Percentage of profit to net sales)	163.0 (11.2%)	124%	270.0 (9.8%)	112%	183.0 (12.1%)	139%	290.0 (10.3%)	121%
<b>Profit Attributable to Owners of Parent</b> (Percentage of profit to net sales)	107.0 (7.4%)	126%	177.0 (6.4%)	113%	120.0 (7.9%)	142%	190.0 (6.8%)	122%

USD/JPY

¥105

EUR/JPY

¥125

RMB/JPY

¥16.0

※There have been no changes in the exchange rate assumptions from Q2 of 1 USD: 105 yen; 1 EUR: 125 yen; and 1RMB: 16.0 yen.

FX Effect (Y/Y)

Sales +18.0 billion yen  
Operating Profit -0.2 billion yen

# ■ Business Forecast by Segments

(billion yen)		FY2021 Forecast			
		(Previously announced)	Y/Y	(Currently announced)	Y/Y
<b>Total</b>	<b>Sales</b>	2,750.0	110%	2,810.0	113%
	<b>Operating Profit</b> (Percentage of profit to net sales)	270.0 (9.8%)	113%	290.0 (10.3%)	122%
<b>Air-Conditioning</b>	<b>Sales</b>	2,506.5	110%	2,563.0	113%
	<b>Operating Profit</b> (Percentage of profit to net sales)	244.5 (9.8%)	110%	262.5 (10.2%)	118%
<b>Chemicals</b>	<b>Sales</b>	186.5	114%	188.0	115%
	<b>Operating Profit</b> (Percentage of profit to net sales)	21.0 (11.3%)	185%	22.5 (12.0%)	198%
<b>Others</b>	<b>Sales</b>	57.0	103%	59.0	107%
	<b>Operating Profit</b> (Percentage of profit to net sales)	4.5 (7.9%)	109%	5.0 (8.5%)	121%

# ■ Sales by Region – Air-Conditioning Business

※Percentage expresses year on year comparison

(billion yen)	FY2017 Q1		FY2018 Q1		FY2019 Q1		FY2020 Q1		FY2021 Q1	
	<b>Japan</b>	106%	105.1	108%	113.6	112%	127.4	91%	116.3	<b>117%</b>
<b>Europe</b>	103%	71.7	122%	87.4	107%	93.8	93%	87.4	<b>157%</b>	<b>137.0</b>
<b>China</b>	115%	105.7	110%	116.7	96%	112.4	79%	89.1	<b>146%</b>	<b>130.0</b>
<b>Americas</b>	115%	154.0	110%	169.0	107%	180.7	92%	166.1	<b>133%</b>	<b>221.6</b>
<b>Asia</b>	100%	71.1	109%	77.5	107%	82.8	64%	53.2	<b>138%</b>	<b>73.5</b>
<b>Oceania</b>	122%	14.7	125%	18.3	92%	16.9	97%	16.3	<b>138%</b>	<b>22.5</b>
<b>Middle East</b>	94%	11.5	92%	10.6	91%	9.7	75%	7.2	<b>186%</b>	<b>13.4</b>
<b>Africa</b>	103%	1.7	116%	1.9	82%	1.6	71%	1.1	<b>115%</b>	<b>1.3</b>
<b>Total</b>	109%	535.4	111%	595.1	105%	625.3	86%	536.7	<b>137%</b>	<b>735.6</b>
<b>Overseas Sales ratio</b>		80%		81%		80%		78%		81%
<b>USD/JPY</b>		¥111		¥109		¥110		¥108		¥110
<b>EUR/JPY</b>		¥122		¥130		¥123		¥118		¥132
<b>RMB/JPY</b>		¥16.2		¥17.1		¥16.1		¥15.2		¥17.0



# ■ Sales by Region – Chemicals Business

※Percentage expresses year on year comparison

(billion yen)	FY2017 Q1		FY2018 Q1		FY2019 Q1		FY2020 Q1		FY2021.Q1	
	<b>Japan</b>	119%	10.7	115%	12.3	103%	12.6	71%	9.0	<b>147%</b>
<b>Americas</b>	129%	10.7	106%	11.3	95%	10.8	71%	7.7	<b>135%</b>	<b>10.3</b>
<b>China</b>	110%	8.8	111%	9.8	90%	8.8	105%	9.3	<b>133%</b>	<b>12.3</b>
<b>Asia</b>	140%	5.0	123%	6.1	87%	5.3	88%	4.7	<b>127%</b>	<b>6.0</b>
<b>Europe</b>	100%	5.9	171%	10.2	63%	6.4	76%	4.8	<b>173%</b>	<b>8.4</b>
<b>Others</b>	132%	0.3	152%	0.4	81%	0.3	40%	0.1	<b>179%</b>	<b>0.2</b>
<b>Total</b>	118%	41.4	121%	50.1	88%	44.3	80%	35.6	<b>142%</b>	<b>50.4</b>
<b>Overseas Sales ratio</b>		74%		75%		71%		75%		74%
<b>USD/JPY</b>		¥111		¥109		¥110		¥108		¥110
<b>EUR/JPY</b>		¥122		¥130		¥123		¥118		¥132
<b>RMB/JPY</b>		¥16.2		¥17.1		¥16.1		¥15.2		¥17.0

# ■ Business and Regional Overview – Air-Conditioning

## Japan

Industry demand for Residential Air Conditioning continued to show strong pent-up demand. Daikin reinforced sales of high value-added products such as **Urusara X**, which is equipped with a ventilation function. With more time being spent indoors, interest has grown for energy savings and increased the need for IAQ. Taking advantage of this, we expanded market share. For air purifiers, we launched the **UV Streamer Air Purifier** with a function that significantly inhibits viruses and bacteria, and captured the strong demand.

Industry demand for Commercial Air Conditioning improved over the previous fiscal year as economic activities gradually recovered. Daikin enhanced system proposals that combine air conditioners and ventilation products. Sales for ventilation equipment, such as heat reclaim ventilators, grew substantially. For Applied, we improved sales of R32 chillers.

Y/Y change (Volume basis)		Q1 Result
Residential	Market	101%
	Daikin	115%
Commercial	Market	107%
	Daikin	112%
Applied	Market	89%
	Daikin	79%
Air purifiers	Market	130%
	Daikin	164%

※Applied is based on total sales.

# ■ Business and Regional Overview – Air Conditioning

## Americas

Accompanying the resumption of economic activities, pent-up demand drove personal consumption, and the economy steadily recovered. Daikin expanded sales mainly in the residential market where demand is strong. Partly from the effect of selling prices and the tailwind of a heat wave, sales substantially exceeded the previous fiscal year.

- In Ducted Unitary for Houses, we accelerated initiatives to increase manufacturing personnel and reduce employee turnover while strengthening productivity. Sales increased due to the launch of new products equipped with inverters.
- In Ductless, we captured the rising demand for **RA/SKY** in the housing market and expanded sales. In addition to strong sales for the residential segment, sales of **VRV systems** also increased for Commercial Air Conditioning with the resumption of projects. Sales company acquisitions also contributed to a substantial increase in sales over the previous fiscal year.
- In Applied, in addition to increasing sales of chillers and fan coils, we strengthened our After Sales Service business, and sales expanded.

(Y/Y change)		Q1 Result
Ducted unitary for houses		123%
Ductless	RA/SKY	181%
	VRV	162%
Applied		113%

※Applied is based on total sales in local currency.

# ■ Business and Regional Overview – Air Conditioning

## China

The market recovered with the support of solid personal consumption and increased exports. Together with strengthening the lineup of IAQ and ventilation products, we accelerated sales activities utilizing online tools. Sales substantially exceeded the previous fiscal year. Despite the impact of soaring raw material prices, we thoroughly expanded sales of high value-added products, cost reductions, and reduced fixed costs to maintain high profits.

- For the Residential Air Conditioning market, we enhanced sales activities that combine online sales with conventional sales at our **PROSHOP** specialty stores. By focusing on identifying new customers and capturing replacement demand, we significantly expanded sales of residential multi-split air conditioners.
- For the Commercial Air Conditioning market, we expanded sales by promoting collaboration with major developers in large-scale projects. To stores and offices where recovery in demand has been slow, we strengthened proposal sales that promoted ventilation and cleaning and captured replacement demand.
- For the Applied market, together with a shift in sales resources to growth markets, such as infrastructure and data centers, we strengthened our maintenance and servicing business.

Y/Y change (Local currency basis)	Q1 Result
Residential	136%
Commercial	120%
Applied	109%

# ■ Business and Regional Overview – Air Conditioning

## Europe, Middle East, and Africa

In Europe, sales expanded by capitalizing on the quick recovery in demand with stable supply through localized production. In the Middle East, capital investment resumed with the recovery of crude oil prices. Sales for the region overall substantially exceeded the previous fiscal year.

- In Residential Air Conditioning, we expanded sales by obtaining pent-up demand in countries such as France and Spain. Widespread sales were also seen in Germany, the Netherlands, and Belgium.
- In Commercial Air Conditioning, sales expanded for models such as refrigerant-saving **VRV systems** with the resumption of economic activities accompanying the lifting of lockdowns.
- In the Heating business, sales expanded by utilizing a lineup of wide-ranging products for heat pump type heaters. Market share expanded by capitalizing on strong demand from high environmental awareness and incentives.
- In Applied, sales of environmentally conscious products such as R32 chillers increased.
- In the Refrigerator and Freezer business, we accelerated development of one-stop solutions. Sales expanded to food retailers where demand is strong.

Y/Y change (Volume basis)		Q1 Result
Residential		119%
Commercial	SKY	141%
	VRV	140%
Heat Pump Heaters		211%
Applied		144%

※Residential, commercial, and heating are only for Europe.

※Applied is based on total sales in local currency.

# ■ Business and Regional Overview – Air Conditioning

## Asia and Oceania

Accompanying the resurgence of the COVID-19 pandemic, business activities have become restricted in all Asian countries. Nevertheless, we have worked to enlarge our own dealer networks and strengthen sales activities utilizing online tools. Because of sales expansion in Oceania where demand is strong and selling price measures, sales for the region overall greatly exceeded the previous fiscal year.

- In Residential Air Conditioning, Indonesia, Vietnam, and Australia expanded sales, whereas countries such as Malaysia and Thailand were impacted by restrictions on activities. Even in India, initiatives were implemented that included online training to strengthen relationships with dealers, and sales significantly increased.
- In Commercial Air Conditioning, we focused on sales for public facilities where demand is relatively stable and expanded sales despite sluggish capital investment resulting from the economic downturn, delays in start of construction work due to insufficient workers at the construction sites, and postponements of construction.
- In Applied, we concentrated on the After Sales Service business such as maintenance and servicing.

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

Australia: 112%    India: 221%    Vietnam: 104%

Malaysia: 124%    Thailand: 92%    Indonesia: 126%

Y/Y change (Volume basis)		Q1 Result
Residential		125%
Commercial	SKY	133%
	VRV	121%
Applied		126%

※Applied is based on total sales in local currency.

# ■ Business and Regional Overview – Chemicals

Sales activities were strengthened with a focus on the semiconductor and automotive markets where demand has largely recovered, and sales for all product groups expanded. Sales substantially exceeded the previous fiscal year.

- In Fluorocarbon Gas, sales expanded in Europe, and selling price was increased against the backdrop of soaring market prices accompanying environmental restrictions. Sales greatly exceeded the previous fiscal year.
- Polymers and Elastomers
  - Fluoropolymers sales expanded by capitalizing on recovery in demand for the semiconductor market and LAN cables. Results exceeded the previous fiscal year in each region.
  - Fluoroelastomers sales expanded for the automotive market where demand is favorable. Results exceeded the previous fiscal year in each region.
- In Fine Chemicals, sales for anti-smudge surface antifouling agents decreased due to lower demand from a reversal of the strong sales in the previous fiscal year for table PCs and smartphones. Sales for water and oil repellent agents grew mainly on paper applications where demand was strong due to an increase in food takeout. Sales of etching gas expanded in China and Japan in response to the recovery in demand in the semiconductor market.

Y/Y change (Sales basis)	Q1 Result
For all fluorochemical products	<b>142%</b>
Fluorocarbon Gas	<b>121%</b>
Polymers & Elastomers	<b>154%</b>
Fine Chemicals, etc.	<b>128%</b>

## ■ Business and Regional Overview – Filters

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As demand recovered, mainly in Europe, Japan, and the United States, we promoted the construction of a stable supply system, total cost reductions, and sales of high value-added products seeking virus prevention measures and air quality improvements. Sales exceeded the previous fiscal year.

- In the Air Filter segment, we responded to the growing needs for ventilation and strengthened sales activities for products that mitigate the spread of infectious diseases, such as high-performance filters and negative pressure units. Sales for hospitals, cleanrooms, and residences expanded in each region.
- In P&I\*, demand in the gas turbine market is improving in the recovering economy. We made efforts to improve the business structure by shifting resources to the After Sales Service business.

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



## ■ Capex, Depreciation and R&D Cost

	FY2020		FY2021	
	Q1 Result	Full-year Result	Q1 Result	Full-year Forecast
(billion yen)				
Capex	31.4	137.0	29.1	150.0
Depreciation	25.0	103.5	27.9	115.0
R&D Cost	15.8	71.7	19.0	80.0



### Notes on forecast

This data is compiled for informational purposes and is not to be construed as a solicitation of any action.

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