

**Briefing to Analysts and Investors
on Q3 Financial Results Ending March 31, 2020
Q&A Session
(February 12, 2020)**

Q : What is the progress status of the announced plan for year- end operating profit of 285 billion yen and the internal challenge target of 295 billion yen? Also, what are your thoughts on the final target of 348 billion yen for the strategic management plan?

A : Although progress current to the third quarter fell below expectations for the Chemicals business, gains in the Air Conditioning business offset the shortfall. In Japan, we faced a warm winter and a reversal of the surge in demand seen ahead of the consumption tax increase, whereas overseas results showed solid growth at local currency base. For the challenge target of 295 billion yen, the negative impact from the decline in the Chemicals business and the impact of foreign exchange in the Air Conditioning business is significant. Recognizing that a gap exists for the next-term target of 348 billion yen, we have formulated 10 group-wide strategic themes and 176 divisional themes into action plans and are making efforts to implement them.

Q : To what extent do you anticipate the new coronavirus COVID-19 to have an impact on business? What countermeasures are you considering?

A : It is too early to know the exact impact at this point. Along with meticulously gathering information and closely monitoring the situation and its consequences, we have developed a system to take all possible countermeasures. In the interim, restrictions on the movement of people inside China are expected to affect logistics, production, and sales activities in China. Regions being supplied partial shipments of parts from China are also expected to be impacted. In preparation for the long haul, we have already begun considering changes to production regions and are reviewing suppliers.

Q : What are the underlying circumstances for expectations of improved sales compared to the first half for residential multi-split air conditioners in China?

A : One reason is the success that we have had in rapid implementing measures in response to market changes. For example, in response to stricter zoning regulations for upscale skeleton condominiums, Daikin quickly launched affordable residential multi series for general residences at a slightly lower price range. Sales of these products have been solid and contributed to profits. Daikin has also taken measures corresponding to market trends such as creating a sales team specializing in replacement demand for high-end residences.

Q : Do you expect profit margins to improve for the Air Conditioning business in the United States since completing consolidation of production at Goodman's new factory?

A : Daikin intends to increase profit margins by improving productivity. Until now, we have been focused on recruitment and training along with capital and upfront investments to consolidate factories. In addition to increasing productivity and proficiency level, sales have steadily expanded over market growth, and production amount has also been secured, which leads us to expect profitability to increase in the future from improvements in productivity.

Q : When do you expect a recovery in the semiconductor market for the Chemicals business?

A : Signs for a recovery in the semiconductor market are becoming clear. Daikin supplies raw materials primarily for memory in the semiconductor market and anticipates a market recovery for semiconductors in about six months.

Q : What is the situation for the Filter business in which revenue continues to decline?

A : With sales reaching only about 90% of the previous year for the third quarter, the situation is serious. An urgent need exists to reorganize the U.S. production system and bolster the sales system. We are also working to add employees by increasing local hires and seconded employees.