

**Briefing to Analysts and Investors
on Q3 Financial Results Ending March 31, 2021
Q&A Session
(February 9, 2021)**

Q: How do you explain the strong results in the third quarter? Having upwardly revised the full-year plan, did you review the plan for the fourth quarter?

A: There were three main reasons for the strong third quarter results. First, global sales of residential-use air conditioners were better than expected. Second, we were able to maintain selling price in residential-use air conditioning where sales are strong. Third, in addition to the usual cost reductions, the profit structure reforms undertaken in response to COVID-19 led to a dramatic reduction in fixed costs. Regionally, Daikin sales shifted to the positive side in China from July compared to the previous year as the Chinese economy recovered. In the United States, product supply normalized from the Goodman factory, which had been temporarily suspended in April. In Japan, strong demand centered on air purifiers and ventilation products resulted in steady sales. The full-year plan was upwardly revised to reflect the results of the third quarter. With demand expected to be challenging, particularly for commercial use, the outlook for the fourth quarter remains significantly unchanged.

Q: Global sales for residential-use air conditioning showed steady growth in the background of pent-up demand. For this reason, do you anticipate a reactionary decline in the future?

A: Ventilation and air purifier needs have certainly become apparent during the COVID-19 pandemic and the demand was pushed up in some areas. However, a sharp reactionary decline is not expected. Even after the COVID-19 pandemic becomes contained, we will continue working to create demand by promoting air quality improvements, and we would like these efforts to lead to sales expansion. Also, although the outlook for commercial-use air conditioning appears challenging, ventilation demand will undoubtedly be seen in the future, and we would also like this to lead to sales expansion.

Q: What are the trends and outlook for China in the air conditioning market?

A: For residential multi-split air conditioner, Daikin sales continue to steadily grow due to strong real estate investment. For commercial use, Daikin sales have not returned to the same level of the previous fiscal year because the building and retail markets are in the process of a recovery, but a recovery trend gains steam with the increase in infrastructure investment.

Q: In the Americas, what is the outlook for improved profitability in the next fiscal year and beyond?

A: The economy appears solid due to governmental economic measures, and the demand environment is expected to be good due to an extremely strong housing market. Product supply from the Goodman factory has resumed, and we think it is important to continue to link production to sales expansion. Because continuous investment is necessary for dealer development, it will not be easy to achieve double-digit profit, but we will continue to focus on productivity improvements and sales expansion.

Q: What can you tell us about the growth potential for the European air purifier market?

A: Until now, Japan has been the main market for air purifiers, but air purifier needs are emerging in other countries as well due to the COVID-19 pandemic. In Europe, we plan to sell 50,000 units this term, but we would like to further stimulate demand and expand sales in the next term.

Q: What are your thoughts on fixed costs in the fourth quarter?

A: The plan calls for fixed costs to increase compared up to the third quarter. Working under the premise that COVID-19 will be contained to some extent, we will aggressively perform upfront investments toward a V-shaped recovery for the next fiscal year. Moreover, we will promote product development related to ventilation and air purification and focus on investments for promoting digitalization.

Q: With the market conditions for raw materials rising, especially for copper, what will the impact be on this term and the next? Also, what will the impact be of rising transportation costs?

A: The copper mark is expected to remain high, and it will be necessary to absorb the cost through cost reductions. That aspect is also included in the plan for this term. We also recognize the rise in transportation costs as a negative factor, but the impact on this term is expected to be nominal. In light of the increased costs for the next term, we are investigating measures such as reducing the transportation volume of components in terms of production.

Q: Concerning the Chemicals business, what is the reason for stagnant sales when demand is recovering in the semiconductor and automotive markets?

A: Sales are favorable relating to PC tablets, and semiconductor-related sales are recovering. Particularly in China, there is trend toward recovery in all fields including semiconductors, automobiles, infrastructure-related, and ICT. However, distribution inventory for fluoroelastomers in the automotive market has been at a high level, and orders have been decreasing. Since these issues have been resolved, we anticipate business to recover from the next fiscal year.