

**Daikin Industries, Ltd. Briefing to Analysts and Investors on
FY2017 Financial Results Ending March 31, 2018
Q&A Session
(Tokyo, November 8, 2017)**

Q How will the soaring prices for raw materials affect the outlook for the current term and the one to follow?

At the beginning of the term, we originally saw the year-end impact on the current fiscal year at -18 billion yen (Air Conditioning: -17 billion yen; Chemicals: -1 billion yen) over the previous year. However, prices for copper, aluminum, and steel have increased above original estimates, resulting in a negative impact of -13 billion yen (Air Conditioning: -10 billion yen; Chemicals: -3 billion yen) for the first half. With prices expected to continue rising in the future, we have revised the year-end impact to -30 billion yen (Air conditioning: -23.5 billion yen; Chemicals: -6.5 billion yen) compared to the previous year.

For the next fiscal year, we are compiling the budget from the view of an 18-month budget. At the present time, there are no concrete figures but results will be negatively affected with no hedging. Working on the assumption that rising prices will be covered as much as possible through efforts that include total cost reductions and sales expansion, we are also investigating other options such as increasing prices with the launch of new products.

Q To what extent do the semiconductor and automotive fields account for sales in the thriving Chemicals business?

Q Sales for polymers and fluoroelastomers significantly increased as a result of incorporating the solid demand seen in the semiconductor and automotive fields. Within the Chemicals business, the semiconductor field accounts for approximately 16% of sales while the automotive field accounts for approximately 18%. We expect the strong sales in these markets to continue.

Q With the rise in raw material prices, will fluorite procurement become more difficult in the future for the Chemicals business?

Q For the meantime, we anticipate fluorite prices to continue rising since China is strengthening environmental regulations over the medium to long term. Concerning refrigerant gas, we will work to ensure that the status of raw material prices is fully understood even by our business partners. Currently, fluorite is being procured primarily from China, but we also have suppliers in Mexico and other countries and are making preparations.

Q Could you briefly explain about the conditions of each country in Asia?

A Although the weather did not suddenly improve in the second quarter, we are tackling things such as strengthening the sales network in order to rebound from the delay in the first quarter. The distribution inventory in Vietnam is also returning to a proper level. Favored with good weather and economy, Australia saw a substantial expansion in sales. India also continues to perform well. While there are both positives and negatives to draw from each country there is no change in our outlook for Asia to continue being a growth market.

Q Please explain concerning the market situation in China.

A Consumer spending remains bullish, and the market is expanding for residential-use multi-split air conditioners. Although competitors have also begun launching products focusing on the residential-use multi-split market, we are continuing to expand by utilizing our unique sales network and the strength of our product lineup.

Q How did the recent hurricane Harvey in the United States affect results?

A Although there was no damage to the factory in Houston itself, we suspended factory operations for three days to ensure the safety of our employees. Furthermore, even though shipments were delayed due to the effect on logistics, sales since October for Goodman have been brisk.