

**Briefing to Analysts and Investors  
on FY2017 Financial Results Ended March 31, 2018  
Q&A Session  
(Tokyo, May 10, 2018)**

**Q: What affect will price hikes in raw materials have on fiscal year 2018 results?**

A: In addition to the current high price levels for copper and aluminum and the sharp rise in price of steel in the United States due to import duties, fluorite in China has seen a price surge from stricter environmental regulations. Factoring these in our projections, we foresee a year-on-year impact of -39 billion yen (Air Conditioning business: -30 billion yen; Chemicals business: -9 billion yen) for fiscal year 2018. To offset the higher commodity prices, we will endeavor to expand sales, promote further cost reductions, and implement a selling price policy.

**Q: With regard to major factors in changes for operating income, fixed costs for fiscal year 2018 are increasing over fiscal year 2017 (-32 billion yen) to -45 billion yen. In light of this, which areas will you prioritize for investments?**

A: To expand sales, we will enlarge and improve the sales network and after sales service system worldwide; secure and develop SE human resources; and bolster the production system, including construction of new factories in Vietnam and Malaysia and operation of new production buildings in Japan for commercial-use. We will also accelerate efforts to acquire new technology such as AI and IoT and link these technologies to business innovation.

**Q: How do the prospects look for improving profit in the U.S. air conditioning business?**

A: While conducting forward-looking investments, such as for strengthening the sales network and developing differentiated products that utilize heat pumps and inverter technologies, profitability is expected to improve by raising productivity at new factories and strengthening sales promotion of high value-added products.

**Q: Please describe the operation schedule for the new Goodman factory in the United States?**

A: The transfer of two main factories to the new facility has been completed, and production at the new factory has started. Together with steadily putting production on track, we plan to complete transfer of the remaining two factories by the end of February 2019. Profit contribution through cost reductions and higher productivity is expected to be in full swing from fiscal year 2019.

**Q: With regard to the Chinese air conditioning market, are there any concerns that sales will slow, especially for residential-use multi-split air conditioners?**

A : Although restrictions on real estate investment and decline in new housing starts have transformed the market environment, personal consumption supports the economy, and the outlook for future growth in the Chinese air conditioning market remains unchanged. Regarding residential-use multi-split air conditioners, demand is increasing in regional cities where economic development is underway, whereas strong replacement demand is being seen in large urban cities such as Shanghai. Leveraging the brand power, product appeal, and sales capabilities Daikin has cultivated until now, we will work to continue expanding our business.