

**Briefing to Analysts and Investors
on Q1 Financial Results Ending March 31, 2019
Q&A Session
(August 7, 2018)**

Q: To what extent did the global heat wave have a positive effect on the first quarter and what impact will it have on the second quarter and in the future?

A: The effect will be seen in the second quarter. While the heat wave may have marginally influenced the first quarter, such as in Japan and Europe, the first quarter results are due to our efforts to strengthen sales capabilities and product appeal.

Q: In the Asia business, what factors do you attribute to the slower growth rate in India compared to the same period of the previous year?

A: India experienced extremely bullish growth last year, and so the growth rate for this year appears low. Nevertheless, we are on track to achieve our annual plan. In other regions of Asia, unseasonable weather in Vietnam adversely impacted results, but this is viewed as a temporary setback and poses no long-term concern.

Q: In the China business, has there been a negative impact on the business environment due to restrictions on real estate investments and other factors and do you foresee any change in outlook for the future?

A: Large-scale real estate investments are decreasing, and the market environment is expected to remain bleak for the near future. Despite this, first quarter results for our main product of residential-use multi-split air conditioners proceeded as planned. With the number of new housing starts trending lower, we will strengthen measures, including development of a sales network that shifts focus from the mature markets of large urban cities to regional cities where the market is growing. First quarter results for commercial-use exhibited slow growth. Consequently, in addition to strengthening marketing activities to architectural firms and developers, we will also concentrate on winning bids for replacement demand.

Q: Why was progress on the annual plan for the Chemicals business better than past years?

A: The business environment was favorable in the semiconductor and automotive markets, and we continued cost reductions and maintained a selling price policy. In Europe, tighter supply for gas and rising prices led to higher profits.

Q: How will trade friction between the United States and China affect business from the second quarter and how will you respond to it?

A: On July 6, the U.S. government invoked additional tariffs with second and third rounds of tariffs expected for the future. While we are seeing a partial impact even to our own company's U.S. operations, we hope to minimize the effect by taking flexible action at an early stage. Specifically, in addition to immediately investigating such measures as changing parts suppliers and switching to in-house production, we are considering reducing costs and raising selling prices.