

**Briefing to Analysts and Investors
on Q1 Financial Results Ending March 31, 2020
Q&A Session
(August 6, 2019)**

Q : How would you describe the current status and future prospects for the air conditioning business in China?

A : Despite the harsh business environment, sales exceeded the previous year on a local currency basis. Although upscale skeleton condominiums are being restricted by zoning regulations, our mainstay residential multi-split air conditioners shifted to the plus side from the previous year. As a countermeasure for this regulation, affordable residential multi series were launched in October, as the result the sales are underway. Moreover, sales resources were shifted from mature markets to regional cities experiencing market growth, and expansion of the sales network is being accelerated. With the looming impact of China-U.S. trade friction, the business forecast remains uncertain. However, in addition to expanding the market to regional cities and increasing sales of Intelligent VRV systems that connect to customers via the Internet, we will continue to challenge ourselves by adopting new measures in rapid succession, including a billing model that provides for servicing and maintenance services.

Q : In the U.S. air conditioning business, what triggered the fall in sales volume for residential unitary air conditioners over the previous year? Also, what is the outlook from the Q2?

A : Shipments of residential unitary air conditioners were temporarily held back due to inventory adjustments by wholesalers, but actual sales to end users exceeded the previous year. Future demand may exhibit a slowdown from the previous year, which benefited from favorable weather, but we do not expect a significant drop.

Q : What is the outlook from the Q2 for the air conditioning business in Europe and Japan where results have been strong?

A : In Europe, in addition to bullish sales of environmentally-conscious products, the favorable weather has been a tailwind. Temperatures for June and July rose mainly in France, Italy, and Spain, and orders were strong for residential air conditioners. While demand significantly fell in Japan with the lower July temperatures, a sudden temperature increase in the fourth week led to a sales recovery.

Q : What assumptions are made for the effect of tariffs from China-U.S. trade friction?

A : The plan for current term projects a negative effect of minus 6 billion yen on operating income. While List 4 has been imposed this time, the impact has been incorporated into the budget and is expected to stay within this range. While measures are being taken to minimize the amount of financial impact, some measures have already been partially implemented, such as transferring parts suppliers from China to Southeast Asia.

Q : Please talk about the current status and future prospects for a challenging target.

A : The publicly-announced amount for annual operating income this year is 285 billion yen, but the Company is internally promoting initiatives to achieve an operating income of 295 billion yen as a challenging target by further expanding sales in each region. All indications show that good progress was made in the Q1 toward this target. Regarding future prospects, fears of a slowdown in the global economy have increased, and the currency exchange poses significant risk. Nevertheless, we work toward further improvement in business results by expanding sales, prioritizing fixed costs even further and continuing to spur on further cost reductions.