

**Briefing to Analysts and Investors on First Half Financial Results  
for FY2015 Ending March 31, 2016 Q&A Session  
(Tokyo, November 6, 2015)**

**Q: Please explain concerning the China air conditioning business for the next fiscal year and the future.**

A: Expectations are low concerning public investment, and large-scale investments and real estate projects are unlikely to experience a significant increase. However, the standard for individual incomes is rising, and the middle class size has been expanding. Leveraging the strength of PROSHOPs, Daikin's specialty shops for retail and direct sales, we intend to utilize our sales proposal and installation capabilities and continue to expand sales of residential-use multi-split air conditioners. In regards to commercial use, growth is expected to increase in the future for renovation demand in the shop and general office market segments, and we intend to capture that demand.

**Q: Will Daikin be able to maintain profitability for the China air conditioning business?**

A: We launch new products in China every year and have also been strengthening our sales network. Efforts have also been made to reduce costs through local procurement of parts and materials and in-house production. We believe that we will be able to maintain profits.

**Q: Is there a possibility that profitability will fall due to the impact of depreciation in currencies in emerging countries?**

A: Although we cannot say with absolute certainty [that there will be no impact from currency depreciation] but in addition to launching high value-added products such as cooling-only inverter units, we are also proceeding with cost reductions and believe we can maintain an annual rate of 9-10% profitability.

**Q: Please explain the inventory situation in Europe and Japan [for residential-use room air conditioners].**

A: In Europe, inventory volume is low due to the impact of a heat wave, and shipments to dealers for October were strong. Inventory has also decreased year on year in Japan.

**Q: A trend is seen toward collaborations with competing companies, but are there any regions where the competitive environment is expected to change in the future?**

A: We believe that the North American market will change the most [in terms of the competitive environment]. In North America, environmental and energy regulations are currently more lenient than other regions, but once a decision is made to strengthen these regulations we expect change to occur rapidly. In the future, business will expand beyond stand-alone equipment and begin to center on energy-saving solutions for the entire building. With this, we anticipate a change to occur among competitors and in the competitive environment.

**Q: Concerning prospects in the second half for the chemicals business, which products do you think sales will expand for?**

A: One growth area will be the refrigerant business. Capitalizing on the acquisition of the Solvay refrigerant business in Europe, we will expand refrigerant sales in the automotive market, an area that we had not previously been involved with. Also, sales are expected to be strong for surface anti-fouling coating agents (OPTOOL) for smartphones due to bullish smartphone demand. On the other hand, demand related to semi-conductors is expected to decline for the second half.

**Q: Cost reductions are Daikin's strength, but what specific efforts will the company make?**

A: Generally speaking, we will be looking to achieve improvements in three areas: 1) development cost reductions, 2) procurement cost reductions, and 3) higher productivity. We will proceed with further cost reductions in the development stage such as in the use of general-purpose components. In regards to procurement, good results have been generated from global centralized procurement. Even for productivity, there is still room for further improvement. At the factory, we will make meticulous efforts such as with the elimination of wasteful expenditures for product launch.

**Q: Will there be any room to curtail fixed costs for the second half and in the future?**

A: Over the past few years, we have moved forward with drastic reform of fixed costs and results have been seen in this area. In order to grow further, we must create a lean, tenacious constitution.