

Briefing to Analysts and Investors on FY 2015 Financial Results
Ended March 31, 2016 Q&A Session
(Tokyo, May 11, 2016)

Q: Please describe the China air conditioning business strategy based on the macroeconomic trends.

A: Slower GDP growth is predicted in China for fiscal year 2016, and a sluggish recovery is also seen in real estate investment for the immediate future. In aiming for sales expansion, Daikin will utilize the proposal and installation capabilities that are the forte of its PROSHOP specialty shops for retail and direct sales. Together with continuing sales promotion of residential multi-split air conditioners, Daikin will launch in the commercial-use market VRV systems featuring a new compressor and new products for replacement demand of stores and general offices.

Q: Please explain your investment approach for maintaining growth in Asia.

A: Sales in Asia are rapidly expanding and the current challenge for Daikin is increasing production capacity. Specifically, we have undertaken the task of increasing capacity at our production factories in Thailand, India, and Malaysia and are investigating the possibility of establishing new manufacturing plants in the future.

Q: To what extent has the synergy plan for the Goodman acquisition been achieved?

A: Totaled over three years, synergy creation of 24 billion yen (based on operating income) was achieved according to the original budget. Through streamlining that integrated the procurement function and improved efficiency of the logistics and back office functions, synergy has steadily progressed since the original budget with an increase in measures. However, progress for synergy from a sales aspect has slightly lagged. From fiscal year 2016, new products will be launched utilizing Daikin technology, and sales expansion will be accelerated in the residential premium zone.

Q: What cost benefits exist from establishing a new factory in the U.S. and strengthening local development?

A : Although we would like to refrain from expressing specific numerical targets at this time, we are moving ahead with efficiency improvements that utilize Goodman strengths and Daikin manufacturing technology and will be working to significantly improve production capacity and productivity.

Q: When thinking of the long-term business model for Daikin, what composition ratio would you like for the Service business?

A : Expanding our Service business is one of our important themes. The key to unlocking business development is not only after sales service but also includes repair and maintenance contracts and energy-saving solutions.