

**Briefing to Analysts and Investors on FY2016 Financial Results
for the Period Ending March 31, 2017 Q&A Session
(Tokyo, November 9, 2016)**

Q: Concerning the upward revision in operating income margin for the annual budget from the beginning of the term (announced in May) in the air conditioning business, which regions do you think will be primarily responsible for the improvement in profitability?

A: We anticipate improvement in profits for Japan, Asia, and Europe.

Q: What is the current level of distribution stock for each of the global regions?

A: In light of the strong sales in each region of the air conditioning business, we see no evidence of excessive distribution stock. In particular, the Asia region has seen production battling to keep pace with demand for a long time now. Currently, we are rapidly at work to strengthen regional localization of the production system by enhancing production capacities at existing local factories (in Thailand and India) and are moving forward with preparations to establish a new production base in Vietnam where growth is remarkable.

Q: To what extent do you think there will be cost advantages from operations at the new US factory? (including shortening the number of days for holding inventory at Goodman)

A: I would like to refrain from stating a specific numerical target, but we are promoting efforts to improve efficiency by utilizing cutting-edge production technology at our factory and are substantially improving production capacity and productivity. We hope to compress producers' inventories and convert to a production system that can quickly supply products in response to customer demand.

Q: Concerning the background for establishing a new factory for Applied Systems in Malaysia, what potential do you see in the future for an Applied business market in Asia?

A: Currently, in Asia, demand for large-scale air conditioning equipment is expanding greatly, and the Applied business is a field where we can expect excellent growth. In Malaysia, we have Daikin Malaysia (formerly O.Y.L. Manufacturing), which has a production base for commercial-use packaged air conditioners. Consequently, we decided to establish the factory in Malaysia because of the advantages such as sharing common parts and equipment.

Q: With a downward revision of the annual budget for the Chemicals business, what business strategy do you expect to undertake in the future?

A: Aggressive pricing of competing companies is intensifying centered on the markets of China, Europe, and the Americas. Together with sales expansion in favorable fields such as the fluorocarbon gas business and semiconductors as well as promotion of application development, we will proceed for the future by decreasing procurement costs for raw materials and reforming the production process as we work to improve profitability.