

**Briefing to Analysts and Investors on FY2016 Financial Results**  
**Ended March 31, 2017 Q&A Session**  
**(Tokyo, May 11, 2017)**

**Q : Please describe the situation for sales of residential unitary air conditioners in the U.S. market.**

A : In fiscal year 2016, sales grew at a rate exceeding the growth seen for industry demand, and this can be attributed to activities for strengthening the sales network, including the new establishment of our own dealers. For fiscal year 2017, we intend to accelerate efforts to improve competitiveness, begin full-scale manufacturing at our new factory, and enhance the product lineup through local development. At the same time, we will also continue strengthening the sales network, including expansion of Daikin dealers and bolstering sales personnel, and utilize our added sales capabilities for further expansion of business.

**Q : What is the current level of distribution stock for the Vietnam market?**

A : The tailwind of the heat wave has abated, and the average level for distribution stock increased due to a slowdown in sales from the third quarter. However, favorable weather has continued from the end of April, and inventory is returning to normal levels. The market itself continues to grow.

**Q : How much potential do you see in the Indian market?**

A : In addition to being an extremely hot country, there is a large population, and the market has great potential. The outlook under the Modi administration calls for tax reforms to go forward, and if the complexity of taxes for commodities and services is eliminated, then the pace of market expansion is expected to accelerate further. Additionally, environmental regulations are being strengthened, and a large tailwind is expected from an increase in the widespread use of inverter-type air conditioners employing R32. We plan to operate a new factory in India in fiscal year 2017 in anticipation of even further market growth for the future.

**Q : What impact do you foresee to FY2017 financial results from higher prices for raw materials?**

A : On an operating income basis, we expect a negative impact of 18 billion yen compared with fiscal year 2016. By business segment, the impact to the Air Conditioning business is expected to see a decline of 17 billion yen, whereas the Chemicals business is estimated to be 1 billion yen.

**Q : In light of the planned reduction to 65 yen for FY2017 year-end dividend compared with the 70 yen for year-end dividend of FY2016, could you describe Daikin's position toward dividends for FY2017?**

A : In regards to the dividend forecast for fiscal year 2017, we see a certain degree of uncertainty ahead for the business environment and would like to make a deferment for the annual dividend amount of 130 yen. As always, we strive to provide even greater return on investment to our shareholders by ensuring short-term profits while actively performing forward-looking investments that lead to future sales growth.