

**Briefing to Analysts and Institutional Investors
on FY 2018 Financial Results Ended March 31, 2019
Q&A Session
(May 10, 2019)**

Q: In the strategic management plan Fusion 20, Daikin announced a target of 348 billion yen in operating profit for fiscal year 2020. Is Daikin still on track to achieve that target?

A: To date, we have been steadily implementing growth investments, M&A, and similar initiatives and view efforts as being largely on schedule. Fiscal years 2019 and 2020 are the years that we expect a return on forward-looking investments. Together with expanding sales chiefly in Asia and the United States, we will accelerate expansion of business domains, including the Service and Solutions, Heating, and Commercial Refrigeration businesses. External factors that were unforeseeable at the time of drafting Fusion 20 Latter-Half Plan (in June 2018), such as the problem of custom duties between China and the United States, stagnation in the China market, and the worsening of exchange rates in emerging countries, have significantly affected operations, but we expect to negate the adverse impact of these by implementing fast recovery measures.

Q: How would you describe the progress for fiscal year 2020 targets aimed at expanding business domains in the Energy Service Solutions and Heating businesses?

A: In the Energy Services Solutions business, Daikin is working to expand business, particularly in the United States, as contribution to energy conservation that improves the overall energy efficiency of buildings, but progress has been somewhat lagging. We believe the key to accelerating expansion of our customer base will be M&A and are currently investigating opportunities. In the Heating business, sales expansion is bullish for heat pump heating systems due to increased environmental awareness in Europe and their contribution to curtailing greenhouse gas emissions.

Q: What factors for fixed costs led to suppression of FY2018 results from the original budget forecast?

A: One was stagnation in the China market. To achieve operating profit in the budget, we reviewed costs for each project and reduced fixed costs by suspending investments that could be postponed beyond fiscal year 2019. The delay in factory consolidation of Goodman factories was another factor. In fiscal year 2019, we plan to control and manage as the situation dictates.

Q: How will the consumption tax hike and increased demand for school air conditioning affect demand in the Japanese AC market for fiscal year 2019?

A: Industry demand for the residential-use market in the current fiscal year is forecast to fall from the previous year when a severe heat wave boosted sales. While it is unclear what impact the consumption tax increase will have, any last-minute surge in demand is expected to be offset on an annual basis by a corresponding reversal in demand after the hike goes into effect. Growth in industry demand for commercial use will largely be attributable to demand for school air conditioning, and the effects will be mostly seen in the first half in line with the budget situation of each local government.

Q: What new sales method are you planning with establishment of a financial subsidiary in China?

A: Currently, there are no companies among air conditioning manufacturers engaged in this business, and we believe that we can start this as a new business. Daikin will establish a system that links to sales promotion including systems used in monthly billings for servicing and maintenance, in addition to equipment, and electronic payments.

Q: What is the current development status for next generation refrigerants?

A: Each company has a variety of initiatives. At Daikin, we intend to lead the industry as the only company that has both an air conditioning business and a chemicals business (refrigerants). Currently, we are contributing to the environment through market promotion of R32 while also working to develop next generation refrigerants with even lower GWP.