

**Briefing to Analysts and Investors  
on Q3 Financial Results Ending March 31, 2019  
Q&A Session  
(February 13, 2019)**

**Q : What trends in the China air conditioning business do you see for both residential and commercial use in terms of demand and future prospects, and what measures will Daikin undertake in this increasingly severe market?**

**A :** In the residential-use market, the government's policy to curb real estate speculation has triggered a halt in the building of skeleton housing, especially in large urban cities. This has adversely impacted the market of residential-use, multi-split air conditioners, a Daikin strength. To offset this, we have been offering since last fall a lineup of products for housing with interior and replacement demand. In contrast, regional cities are maintaining double-digit market growth, and demand for high-end models, such as residential-use, multi-split air conditioners, continues to grow. For this reason, we intend to further accelerate development of sales networks to regional cities and expand sales.

Moreover, for small mini-split air conditioners, accumulation of distribution stock in the market is said to be around 40,000,000 units, and while it is thought that the impact of this will cause a decline in demand, small mini-split air conditioners account for only about 10% of our air conditioning sales in China, so the impact to Daikin is limited. In the commercial-use market, demand for medium-to-large buildings has declined because of decreased demand in public spending. Nevertheless, we have been working to strengthen sales to stores where renovation demand and similar have been relatively brisk and are promoting sales of differentiated products such as Intelligent VRV systems that connect to the Internet.

Even since January the business environment has been challenging, but we intend to implement measures in rapid succession.

**Q : What impact will the delay in production transfer at Goodman from the one remaining pre-acquisition factory to the new factory have on the plan to improve profit in the U.S. air conditioning business? What is the schedule for completion of the factory transfer?**

**A :** With the bullish demand seen in the United States, we did not want to lose this opportunity and instead gave priority to ensuring stable supply. This is why we decided to continue operation of the former plant for the time being. Plans have not changed to improve the operating profit margin close to 10% over the period from FY2019 to FY2020 as previously mentioned. The schedule for production transfer is currently being reexamined, but we would like to complete it in 2019 at the latest.

**Q : With main currencies exchange rates largely unchanged from the previous fiscal year, how has the exchange rate caused a negative impact?**

**A :** As with the first half, the impact of cross rates for currencies in emerging countries has occurred from the import and export within the Group in the regions of Asia and Europe.

**Q : Progress in capital investments and increase in fixed costs appears weaker than planned. Will there be a revision in the budget?**

**A :** Forward-looking investments for themes and projects with an eye on the future are proceeding as planned. In the implementation stage, we are examining the details of each project in comparison with those of the planning stage of the original budget and are working to make each project efficient and cost effective while curbing fixed costs.

**Q : With the uncertainty lingering over the semiconductor and automobile markets, how has the Chemicals business continued to enjoy success?**

**A :** Overall, the brisk sales for the semiconductor and automobile markets played a significant part, and we are confident that we can achieve our budget for this term.