



Strategic Management Plan

FUSION 30

May 12, 2026



Message from Masanori Togawa, Chairman and CEO

**Through Fusion 30, we will evolve Daikin's management,
create new value for environment and air,
and become a highly profitable, sustainable company of choice worldwide**

- Since launching Fusion management in 1996, we have consistently pursued management that integrates short-term profitability with medium- to long-term growth. FUSION is an action plan that sets out our direction for the next five years while committing to deliver results over a three-year period. By carefully assessing changes in the business environment, we have maintained an appropriate balance between focusing on near-term earnings and taking proactive steps for medium- to long-term growth, translating this approach into results.
- During the five years of Fusion 25, despite a challenging business environment marked by the COVID-19 pandemic, U.S. tariffs, and conflicts in various regions, we strengthened our product and sales capabilities and thoroughly pursued cost reductions. As a result, we achieved record-high net sales and operating profit.
- At the same time, rapid changes in the operating environment—including a sharp decline in demand in the residential air-conditioning and heat-pump heating markets, rising costs, and intensifying competition driven by the rise of Chinese manufacturers—outpaced our efforts to strengthen these capabilities. As a result, our operating profit margin fell short of the target. In light of these circumstances, the top priority of Fusion 30 is to rebuild our earnings power.

- As part of this effort, we will focus on enhancing profit generation in our high-margin Solutions business, improving profitability in the North American HVAC business, and further strengthening our highly profitable Chemicals business. At the same time, to build a more resilient earnings structure, we will decisively reform our cost structure and take measures to improve underperforming businesses—or withdraw from them where necessary. We will also work to take on the challenge of strengthening areas that are expected to become the next pillars of growth, such as reinforcing our business foundation in IMEA and developing the compressor business.
- To further advance management focused on improving capital efficiency, we will rigorously implement capital policies, including share buybacks. In addition, to ensure the successful completion of FUSION30, we will strengthen our execution structure for driving key themes, build a more disciplined governance framework by increasing the number of outside directors and establishing a CFO position, and renew our executive compensation system with a stronger focus on capital-efficient management.
- Under Fusion 30, we will continue to refine our strengths, including our People-Centered Management, which fully draws on the capabilities of each employee; our proprietary technologies in areas such as environmental and energy-saving solutions and air quality; our global sales and service network; and our frontline capabilities in development and production. At the same time, we regard the judgment and decisiveness to change what must be changed, without hesitation, as an essential pillar of management, and we will practice more flexible and faster management.
- Together with our employees and stakeholders, we will drive the execution of Fusion 30, continue to provide society with new value in the environment and air, and strive to remain a sustainable company and the partner of choice for all our stakeholders.

May 12, 2026
Masanori Togawa
Chairman and CEO

Daikin's unique business foundation and strengths

Energy-saving and environmental technologies (inverters, refrigerants, heat pumps)

IAQ-related technologies

Extensive and robust global sales and service networks

Market-oriented local production for local consumption

People-Centered Management and Flat & Fast organizational management

Economic Value

High-profit, sustainable business growth

Social Value

Value creation for the earth, society, and people

Daikin Group Philosophy

**Together,
We Brighten the Future**

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Execution Structure for FUSION 30

>> While net sales targets have been achieved, operating profit margin remains a challenge

- Net sales exceeded targets due to significant growth in the Applied business, which captured data center demand in North America despite the disruption caused by COVID-19, as well as favorable foreign exchange effects
- On the other hand, the operating profit margin and ROE fell short of targets

	FY 2020 results	FY 2025 plan	FY 2025 results
Net sales	¥2,493 billion	4,550 billion	5,015 billion
Operating profit margin	9.6 %	11.0 %	8.3 %
ROE	10.1 %	12.0 %	9.1 %

Exchange rates for the original budget of the FUSION 25 latter-half plan: ¥125/USD, ¥130/EUR, ¥19.0/CNY
 Exchange rates for FY 2025: ¥151/USD, ¥175/EUR, ¥21.2/CNY

» To respond to significant changes in global demand and the competitive landscape, we will rebuild our earning power under FUSION 30

Factors behind margin pressure

Selling prices declined
due to accelerated equipment commoditization and intensified competition

Costs increased
due to surging market prices

Capital investment was reinforced
in anticipation of future demand growth

Growth in equipment unit sales slowed due to weaker residential demand in the U.S. and China, and weaker heating demand in Europe

Upfront investment was enhanced
in the commercial solutions business platform

Customer-base expansion, equipment development, and value creation are underway

Lower equipment profitability
as cost reductions and price increases were insufficient to fully offset the impact

The Commercial Solutions business has yet to achieve sufficient profitability

Net sales targets have been achieved, while improving operating profit margin remains a challenge

Priorities in FUSION 30

Rebuild earning power



Reference: Market Changes During the FUSION 25 Period and Daikin's Response

		Changes in external environment	Daikin's responses
North America	Residential air conditioners (unitary)	<ul style="list-style-type: none"> The housing market slowed due to rising inflation and persistently high mortgage rates Under the Trump administration, some energy-saving incentives were suspended or reconsidered CAGR^{*2} of air conditioner unit sales (FY2023 → FY2025) Market forecast: 3% → Result: ▲9% 	<ul style="list-style-type: none"> In FY 2025, Daikin recovered market share and maintained its No. 1 position Although we have expanded the environmentally focused premium inverter and heat pump businesses, we still face challenges in market creation, and the transformation in the North American market is still only halfway complete
Europe	Heat pump heating and domestic hot water	<ul style="list-style-type: none"> Combustion boiler regulations were postponed, and subsidies for heat pump heating were scaled back The housing market slowed due to the ECB's policy rate hikes Air conditioner unit sales CAGR^{*2} (FY2023 → FY2025) Market forecast: 24% → Result: ▲11% 	<ul style="list-style-type: none"> Although Daikin maintained the No. 1 share across Europe, sales fell short of the planned level, delaying the recovery of production investments To steadily capture replacement demand, Daikin is strengthening its service structure in each country through both organic initiatives and acquisitions
Asia ^{*1} Oceania	Residential air conditioners	<ul style="list-style-type: none"> Market expansion slowed as consumer spending and construction/equipment investment weakened amid persistently high inflation The low-price segment expanded 	<ul style="list-style-type: none"> Price competitiveness was strengthened through deeper cost reductions, including reviews of product design quality and suppliers
India	Residential air conditioners	<ul style="list-style-type: none"> Demand expanded for both new construction and replacement 	<ul style="list-style-type: none"> Daikin built sales and service networks extending from major cities to regional cities, and established a training framework
Japan	commercial air conditioners	<ul style="list-style-type: none"> The yen weakened sharply, and raw material costs soared 	<ul style="list-style-type: none"> Daikin increased net sales through price increases, the maintenance of selling prices, and a shift to a higher-value-added product mix Daikin also expanded its share by proactively preparing for the designation of VRF as a designated product
China	Residential air conditioners	<ul style="list-style-type: none"> New housing starts remained sluggish Price competition intensified due to the liquidation of excess market inventory 	<ul style="list-style-type: none"> As price competition intensified, Daikin maintained high selling prices and secured profit Daikin also strengthened online customer acquisition and sales of heating and air quality products

*1 Excluding India

*2 compound annual growth rate

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Execution Structure for FUSION 30

» We have defined our development directions in light of the rapidly changing macro environment and industry trends



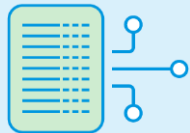
Corporate social responsibility

- Addressing social issues and ensuring business profitability are becoming increasingly important
- Population growth and climate change are intensifying resource shortages and increasing the need for water and food security



Shift to emerging countries and geopolitical risks

- Global economic power is expected to shift to the Global South over the medium to long term
- Geopolitical risks are becoming chronic, and competition to secure resources is intensifying



Social changes due to digital transformation

- AI's rapid advances are fundamentally improving productivity
- Power shortages are becoming more serious due to the expansion of data centers



Increasingly diverse and complex customer needs

- Customer needs are becoming more diverse and complex, and are changing rapidly
- Customers expect comprehensive solutions to their challenges (comfortable environments, energy savings, and labor savings)



Intensifying competition in the air conditioning equipment market

- Competition is intensifying amid the rise of low-cost, high-quality products
- Western companies are shifting toward integrated solutions for entire buildings

FUSION 30 Key Themes

A. Achieving Growth in High-Profit Domains

- 1 Transformation into a Solutions Provider
- 2 Enhancing profitability in the North America Air Conditioning business
- 3 Strengthening the Chemicals business

B. Building a More Resilient Profit Structure

- 4 Decisive Cost Structure Reform
- 5 Turnaround of Low-Profit Businesses

C. Enhancing Key Domains to Achieve Further Growth

- 6 Building a business foundation in IMEA
- 7 Enhancing compressors and pursuing commercialization

D. Enhancing Management Foundation

- 8 Extensive Use of AI
- 9 Maximization of Human Capital Value
- 10 Technology and Product Development Focused on Differentiation
- 11 Creating Environmental Value

E. Capital Policy for Sustainable Growth and Enhancing Corporate Value



To become a highly profitable and sustainable global company of choice
by creating new value through environment and air

Economic Value FY2028 target (FY2030 projection)

Operating profit margin

10% (12%)

ROE

12% (15%)

Net sales CAGR

6%

Social Value FY2030 target

Reduce CO₂ emissions
throughout the lifecycle

40% per net sales
(vs. FY2022 level)

Increase the sales ratio of the
Solutions business

40%
(FY2025: 28%)

Expand access to sustainable air
conditioning infrastructure that
provides safe, secure, and
comfortable air environments

1.0 billion people
(Cumulative total
from FY2019 to FY2030)

Develop global senior
management and leadership
candidates

Over **2,000** people

Improve the level of
PCM Behaviors adoption ^{*1}

75%
(FY2025: 61%)

This plan was prepared based on information available as of the second half of FY2025. If significant changes occur in the business environment going forward, we will consider reviewing our key themes and quantitative targets.

— Exchange rate assumptions: USD/JPY: 145; EUR/JPY: 170; CNY/JPY: 21.0

*1. The implementation level is calculated as the average score of 5-level evaluations in interviews with Daikin Industries employees regarding the 9 items of "PCM Behaviors," a code of conduct based on People-Centered Management. 13



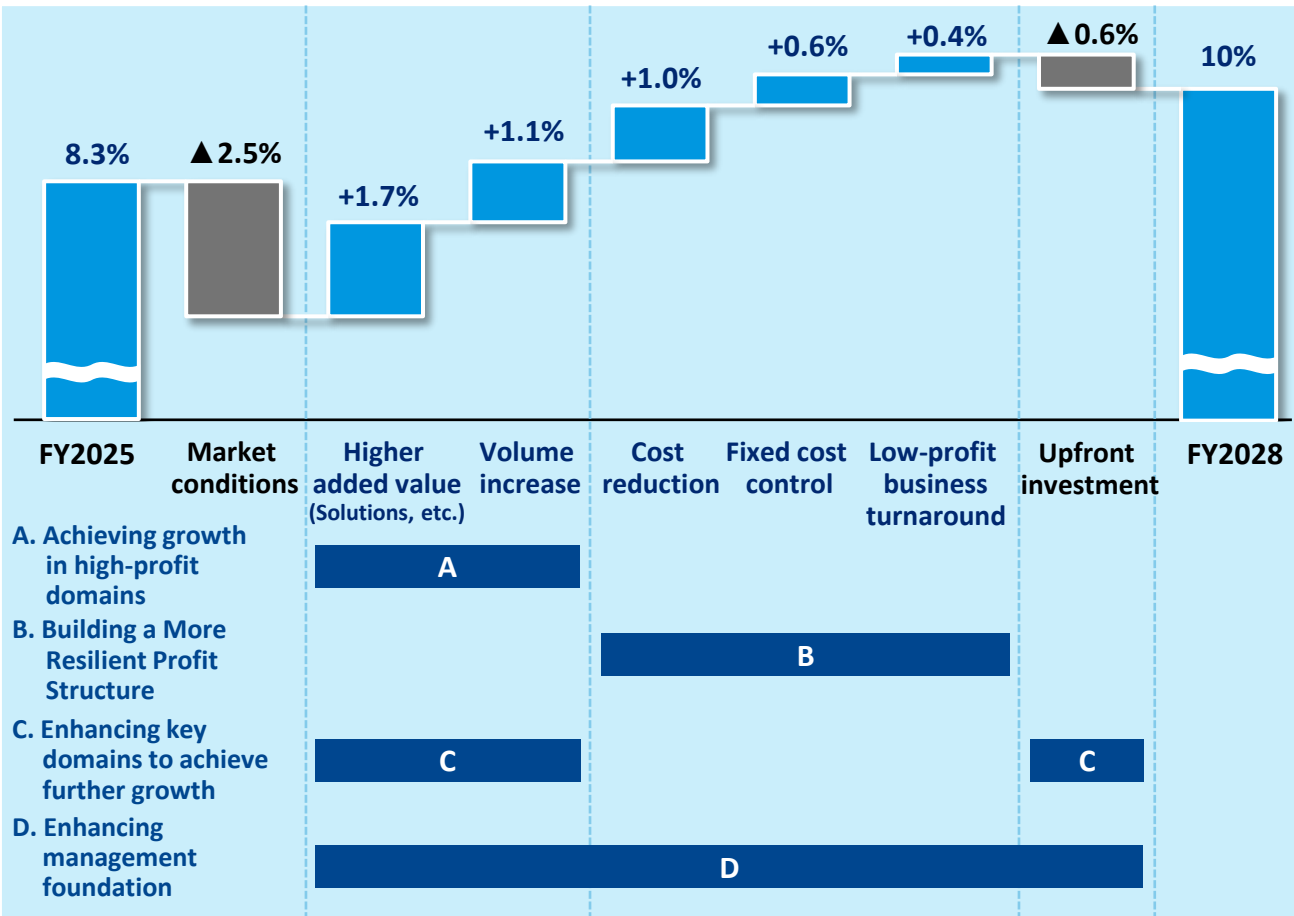
» We will improve profitability and efficiency to generate cash

Increasing operating profit margin

8.3%
(FY2025)

10%
(FY2028)

12%
(FY2030)



Key Improvement Areas from the Execution of FUSION30 Key Themes A-D

	FY2025	Market conditions	Higher added value (Solutions, etc.)	Volume increase	Cost reduction	Fixed cost control	Low-profit business turnaround	Upfront investment	FY2028
A. Achieving growth in high-profit domains			A						
B. Building a More Resilient Profit Structure					B				
C. Enhancing key domains to achieve further growth			C					C	
D. Enhancing management foundation						D			

Increasing invested capital turnover ratio

1.2x
(FY2025)

1.25x
(FY2028)

≥1.3x
(FY2030)

Focusing on capital investment Efficiency [Capital investment/operating cash flow] (FUSION 25 period → FUSION 30 period)

58% → 43%

Improving working capital management - inventory turnover (FY2025 → FY2028)

83 days → 72 days

Improving working capital management - accounts receivable turnover (FY2025 → FY2028)

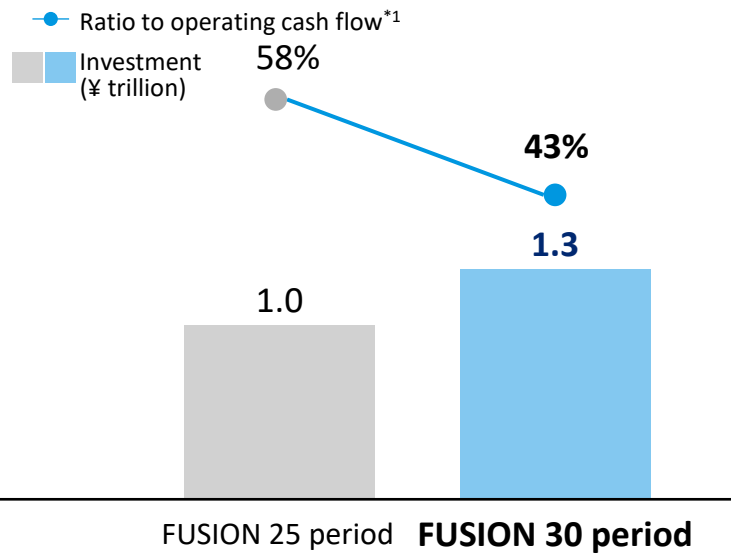
74 days → 66 days



Breakdown of Growth Investments

» By concentrating resources on growth investments in key domains, Daikin will achieve sustainable growth and improved profitability

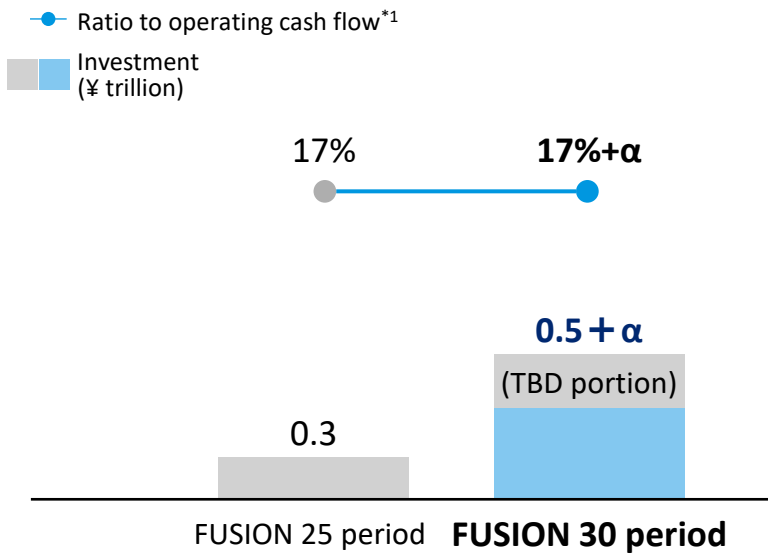
Capital investments



Improve investment efficiency through focused investments and full utilization of existing assets

- Investments to strengthen capabilities in the key themes of Applied, Chemicals, and India: ¥620.0 billion
- Curb new investments by consolidating production sites, making greater use of existing equipment, and taking other measures

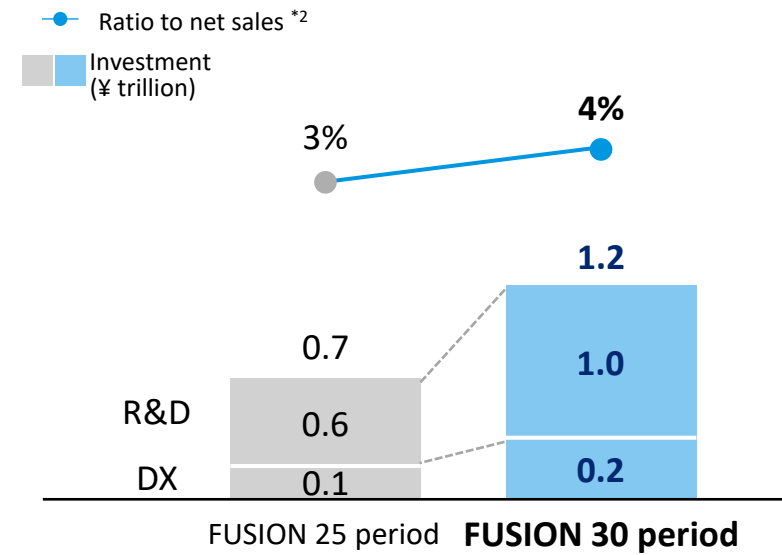
M&A investments (Based on current assumptions)



Prioritize investments in the Solutions domain

- Acquisition of service and engineering companies to further strengthen customer touchpoints: ¥400.0 billion, etc.

R&D and DX investments



Focus resource allocation on Applied, Solutions, Chemicals, and DX

- Development of differentiation technologies required for expanding the Solutions business: ¥220.0 billion
- Development of highly profitable domains in the Chemicals business: ¥55.0 billion
- Building a digital foundation for the full use of AI and data: ¥200.0 billion*3, etc.

*1 Ratio to operating cash flow: Total investment during each medium-term management plan period (5 years) ÷ Total operating cash flow during each medium-term management plan period (5 years)

*2 Five-year cumulative R&D and digital investment ÷ net sales

*3 Includes investments related to security, and the operation and renewal of existing systems

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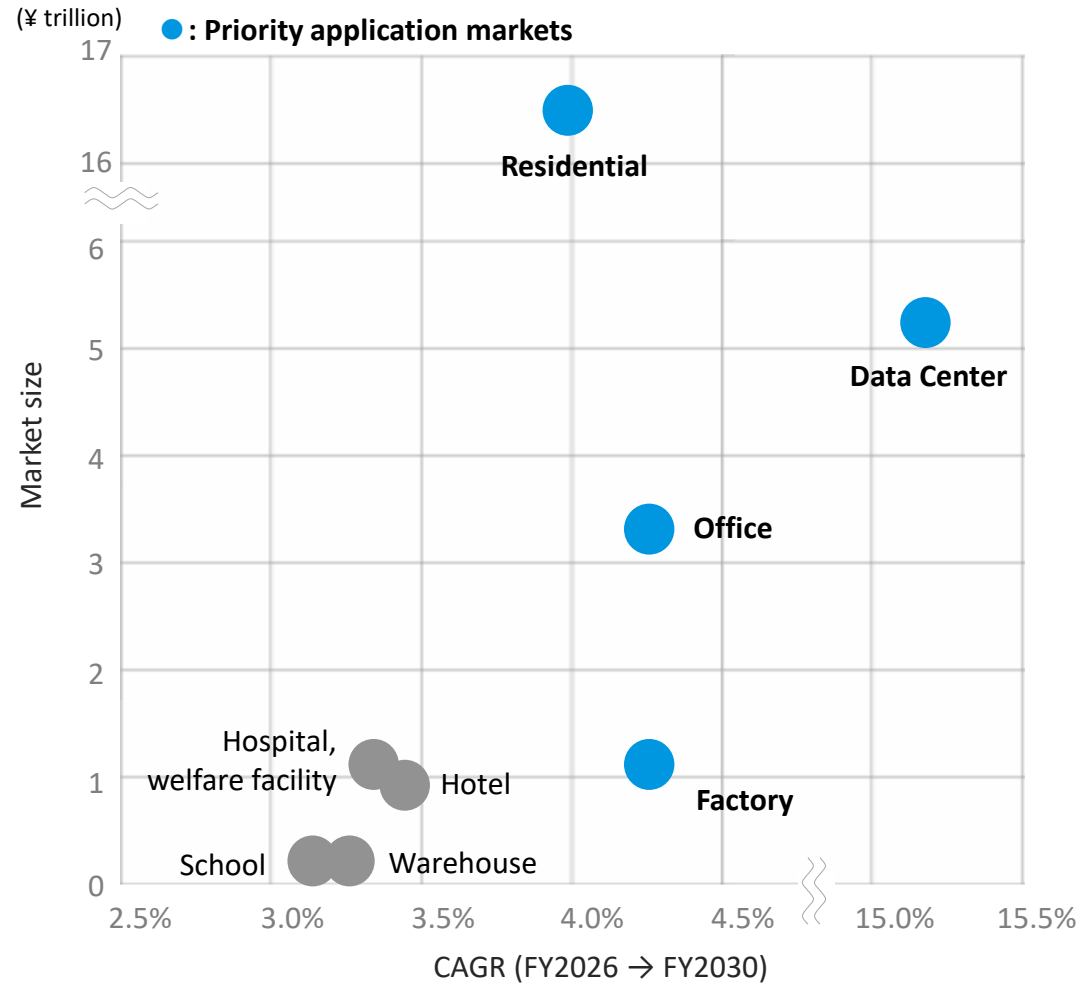
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Execution Structure for FUSION 30

➤ Expand into priority application markets in light of strong market potential and Daikin's unique winning approaches

Priority application markets with growth potential

Market size and CAGR for HVAC and controls equipment by application market*1 (FY2030)



Daikin's winning approaches in priority application markets

Data Center	Leveraging the total cooling systems and global supply and service networks developed during the FUSION 25 period, we will provide end-to-end solutions from design to maintenance
Factory	Leveraging our customer responsiveness through our global development and production bases, together with our product capabilities in instrumentation and factory waste heat utilization technologies, we will contribute to stable operations, energy savings, and decarbonization
Office	Leveraging the global customer base we have developed to date, we will contribute to improved workplace comfort through building-wide energy savings and air quality management
Residential	We will offer new value, such as energy management, comfortable indoor air quality (IAQ) environments, reliability, and safety, by directly approaching homeowners and promoting differentiated system products, including combinations of multi-split air conditioners, ventilation systems, and sensors

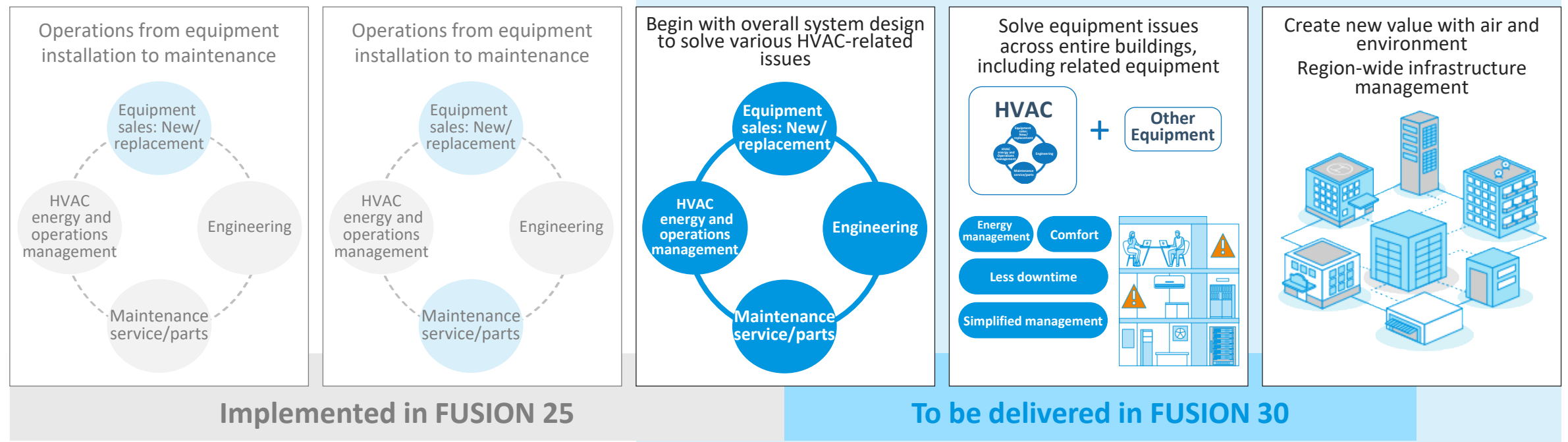
*1. Estimated by Daikin

>> Evolve our business to solve equipment-related challenges across entire buildings, beyond HVAC equipment, throughout the lifecycle

Path to becoming a solutions provider

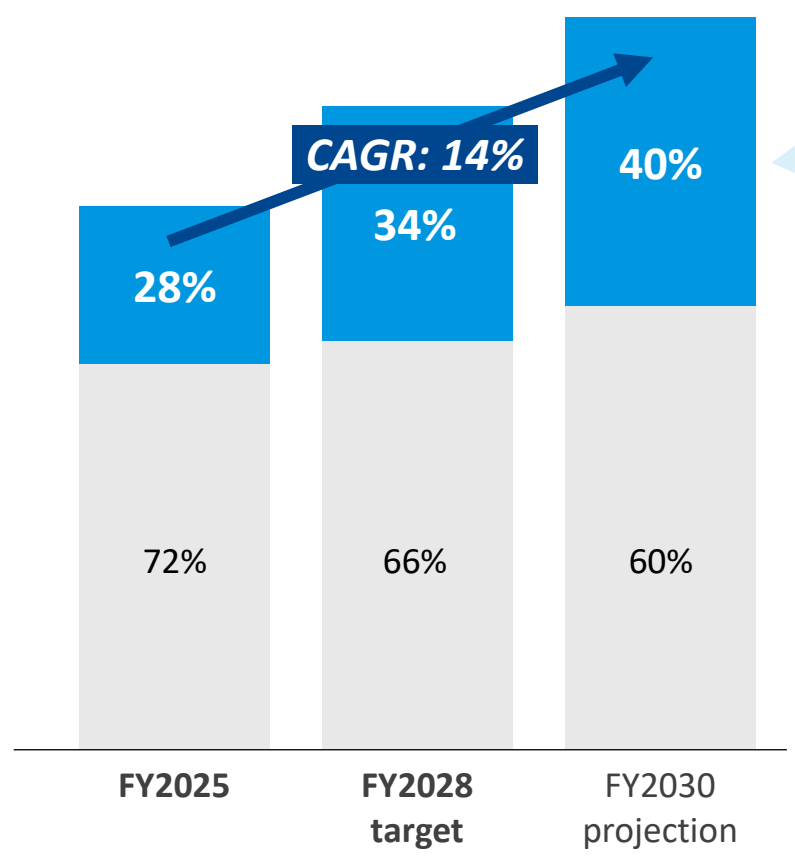


Use data to address customer issues



» By FY2030, expand the Solutions business ratio to 40% of total sales and drive company-wide profit growth through high-margin offerings

Solutions business ratio in the air conditioning business*1



Solutions business (residential and commercial)

Drivers of growth in the Solutions business

Raise high-margin offerings to over 40% of the total mix

Replacement projects (Including equipment sales and engineering)

Maintenance and services

Energy management and other operation management

Gross Profit Increase Driven by the Solutions Business (FY2025 → FY2030) **+¥420.0 billion**
About 70% of the air conditioning business's gross profit increase

Anticipated M&A investments (5-year cumulative total): **¥400.0 billion**

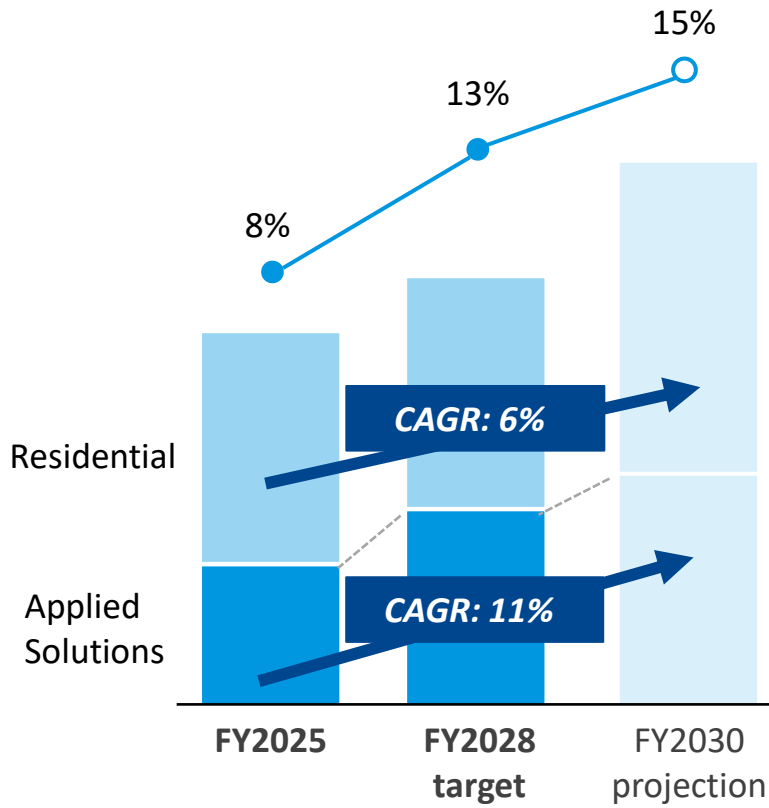
*1 Air Conditioning business, excluding other businesses such as Chemicals and Filters

» Achieve high profitability comparable to U.S. competitors by promoting environmental premium products and expanding the Solutions business

Quantitative targets

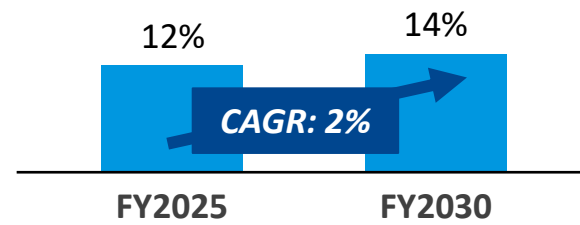
Bar chart: Net sales

Line chart: Operating profit margin

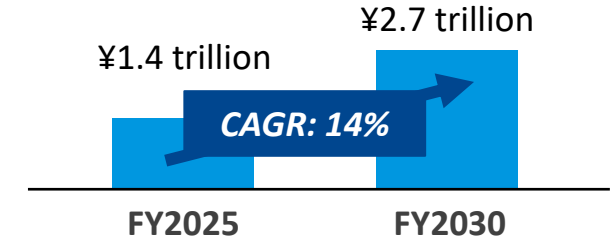


Market trends and growth strategy

Ratio of inverters in the unitary market*1



Scale of the data center cooling market*1



Residential

- Expand the sales of premium environmental inverter products and unitary Fit
- Strengthen the Residential Solutions business
- Enhance sales and proposal capabilities through dealer training

Sales ratio of "Fit":
3% in FY2025 → 11% in FY2028

Capital/M&A investment*2: ¥150.0 billion

Applied Solutions

- Promote the Commercial Solutions business for data centers, offices, schools, etc.
- Establish the North America data center hub (CoE function to support data center strategy)

Sales ratio of Solutions business sales:
48% in FY2025 → 55% in FY2028

Capital/M&A investment*2: ¥420.0 billion

Achieve high profitability

- Reform business processes and enhance management control by utilizing core systems
- Promote coordination and standardization of base functions and management structures through shared services and other measures

*1. Estimated by Daikin *2. Cumulative total during FUSION 30

» Shift from selling increasingly commoditized standalone equipment to providing high-value-added products and solutions to enhance profitability

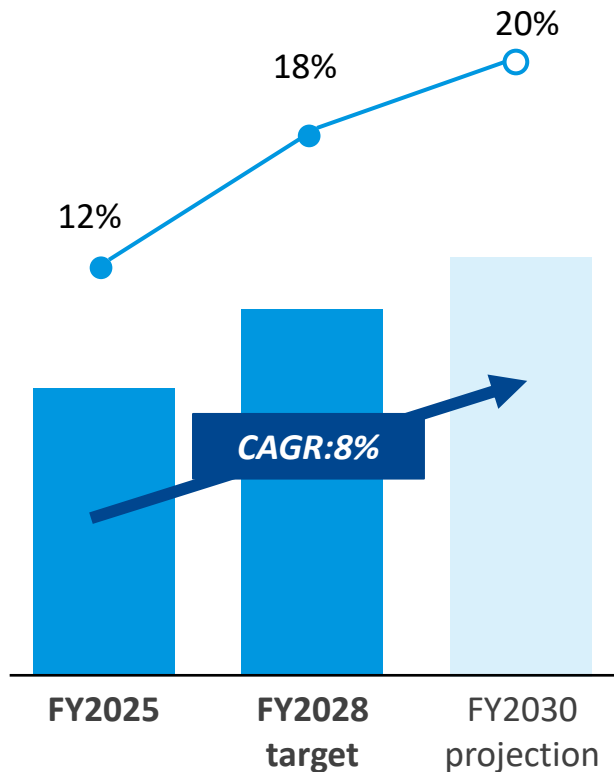
	Residential	Commercial	
Global common policy	Strengthen the rollout of high-value-added system products to differentiate Daikin from competitors	Expand the Applied Solutions business, centered on expanding our presence in the data center market	<p>Operating profit margin improvement plan (FY2025 → FY2028)</p> <p>Up 3%</p> <p>Maintaining high profit margins</p> <p>Improving profit margin to a double-digit level</p> <p>Up 1%</p>
Europe	<ul style="list-style-type: none"> Strengthen the product lineup and service structure in anticipation of a recovery in demand for heat pumps for heating Develop the Residential Solutions business 	<ul style="list-style-type: none"> Expand earnings by broadening the lineup of natural refrigerant-compatible air conditioning and Applied systems in anticipation of stricter refrigerant regulations 	
China	<ul style="list-style-type: none"> Develop the premium market by offering “Luxury Air Land,” an integrated residential solution 	<ul style="list-style-type: none"> Deploy a sales model that combines strengthened online customer touchpoints with field sales 	
Japan	<ul style="list-style-type: none"> Build a sales structure to expand sales of residential air conditioning systems 	<ul style="list-style-type: none"> Expand sales of customized VRV products that meet user needs Capture replacement demand by leveraging the refrigerant transition as an opportunity 	
Asia ^{*1}/Oceania	<ul style="list-style-type: none"> Expand sales through high-value-added products that deliver superior comfort and design 	<ul style="list-style-type: none"> Increase selling prices by providing optimal systems for each application market 	

*1. Asia excluding India

» Aim to further evolve the Chemicals business into a highly profitable business with an operating profit margin exceeding 20% in FY2030 through three growth strategies

Quantitative targets

Bar chart: Net sales
Line chart: Operating profit margin



Market trends and growth strategies

Semiconductors, data centers, and other markets are expected to continue seeing strong growth through 2030

Needs for high-performance materials will further increase as customers enhance the added value of their products

Needs for a shift to low-GWP refrigerants*2 will increase in response to international environmental regulations

Evolve into a key provider in the rapidly growing essential application markets*1

FY2030 Operating Profit Margin: 30%

- Maintain the No. 1 industry share by leveraging high-performance, high-quality existing products to expand sales and by introducing differentiated products that meet customer needs.
- Ultra-high-purity fluoropolymers for semiconductor manufacturing equipment
- Coating materials for next-generation high-speed communication lines used in data centers

Expand the high-performance material business (other than fluorochemicals)

FY2030 Operating Profit Margin: 15%

- Launch new non-fluorochemical products by leveraging Daikin's material development technologies and customer base
- Expand product offerings through business partnerships and M&A



Hydrocarbon-based film processing additives

Build a foundation for expanding the gas business by leveraging synergies between the Air Conditioning and Chemicals businesses

- Promote the development and adoption of new refrigerants that reduce environmental impact (collaborative innovation between the Air Conditioning and Chemicals businesses)



Showcase featuring new refrigerants (Expo 2025 Osaka, Kansai, Japan)

*1 Essential markets: Markets defined by Daikin in which fluoromaterials are essential to industrial development, such as semiconductors, information and communications, automobiles, healthcare, and other fields where high profitability can be expected

*2 Low-GWP refrigerants: Refrigerants with a lower global warming potential than the currently mainstream HFC refrigerants [R410A (GWP: 2,090) and R32 (GWP: 675)]

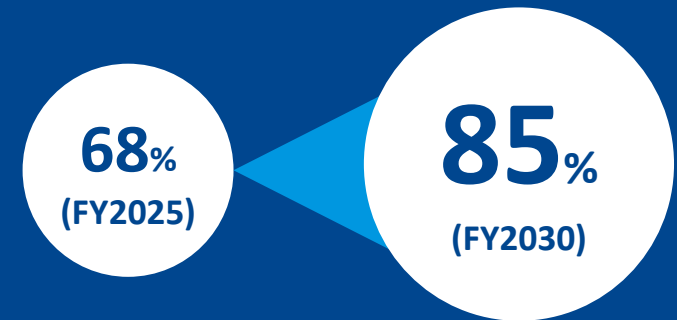
» Optimize Group-wide production and improve productivity through global cross-regional collaboration to maximize the use of existing equipment and curb investment increases

Optimization of the global production structure

The Air Conditioning Manufacturing Division will serve as the control tower and manage the production structure across regions in terms of products, quantities, and locations

- Optimize the mix of local production and centralized production to leverage economies of scale in production and procurement
- Strengthen production capacity for the Applied business by utilizing existing factories, including the Mexico factory

Global factory utilization rate (Split Air Conditioners)



Improving business efficiency through production and procurement operation reform

Factory operation innovation using advanced technologies

- Introduce automation equipment for split air conditioner production
*Automate semi-finished product lines, including heat exchangers and sheet metal parts, as well as inspection processes
- Utilize AI for customized manufacturing of commercial air conditioners

Improve productivity through collaboration with suppliers

Productivity at the parent factory in Japan

1.3–1.5x increase
(FY2030 impact compared
with FY2025)

Roll out developed technologies globally

» Improving operational efficiency through cross-regional global collaboration and AI utilization and strengthening profitability through reforms of low-margin businesses.

Consolidation and streamlining of business processes through operational reform

Standardize core systems and back-office functions through global cross-functional collaboration

Maximize the use of AI to improve operational productivity and reallocate existing human resources

- Accelerate development by utilizing proprietary generative AI (LLM) trained on Daikin's air conditioning expertise
- Fully utilize AI agents globally to reduce workforce requirements in production, sales, service, and administrative operations

Profit improvement impact

¥200.0 billion
(5-year cumulative total from FY2026 to FY2030)

The main impact will come from improving the efficiency of indirect operations and controlling labor costs, with additional contributions to earnings improvement from 2030 onward

Turnaround of low-profit businesses

Identify underperforming businesses below the cost of capital using ROIC and decisively execute top-down structural reform

Assess the progress of reforms during the first 3 years and make and execute management decisions, including withdrawal or divestiture, as appropriate within that period

Operating profit margin improvement impact

+0.4%
(FY2025 → FY2028)

⑥ Building a Business Foundation in IMEA (India, the Middle East, and Africa)

» Build a future business foundation in IMEA, a region that is growing into a major air conditioning market, while contributing to the development of social infrastructure



India

Air conditioning market CAGR: 10%
Air conditioning penetration rate in FY2024: 8%

Achieve No. 1 share in the air conditioning market and strengthen profit-generating capability simultaneously

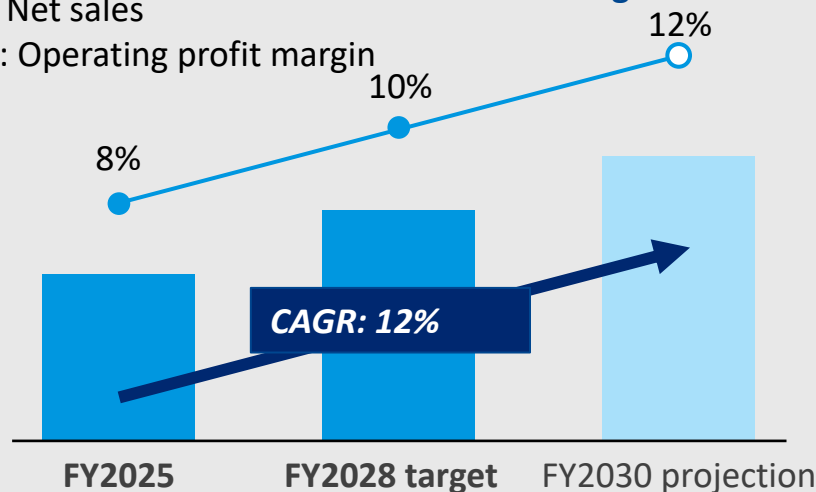
- Expansion of high-value-added system products for residential, including ventilation products
- Expansion of the VRV lineup to capture demand by application
- Expand the dealer network to regional cities and strengthen the service structure
- Strengthen product development capabilities by establishing R&D bases to expand the Applied business
- Strengthen in-house production of devices, including compressors and printed circuit boards, to reduce costs

Capital investments: ¥80.0 billion

**Number of dealers: Residential specialist dealers 2x
Commercial dealers handling VRV 1.5x**

Bar chart: Net sales

Line chart: Operating profit margin

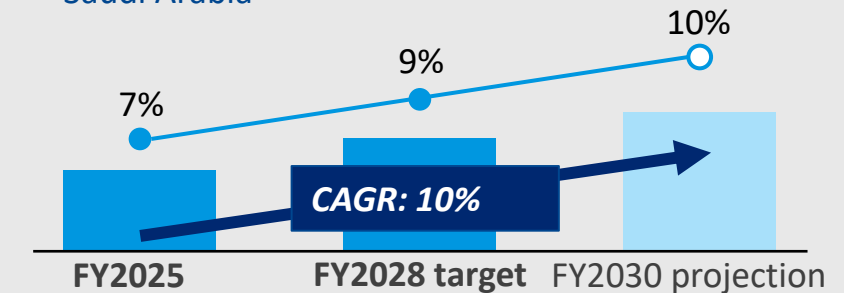


Middle East

Applied market CAGR: 9%
Residential air conditioning Market CAGR: 10%

Expand the Applied business centered on data centers and capture replacement demand for condominium air conditioning systems

- Strengthen proposals for service, maintenance, and energy management
- Develop and launch products compatible with high outdoor temperatures
- Establish a new factory for Applied products in Saudi Arabia



Africa

Population to reach 2.5 billion in 2050
(One-quarter of the world's population)

Establish a foothold, looking ahead to a full-scale demand expansion beyond 2040

- Establish a business development team for full-scale business expansion
- Establish an export base to serve Africa

» Transform the business into a “compressor sales business” that exerts influence across the entire HVAC industry through the global expansion of Daikin’s high-efficiency compressors

Strengthening technology to enhance competability

Further strengthen
compliance with increasingly
stringent environmental
regulations and enhance cost
competitiveness

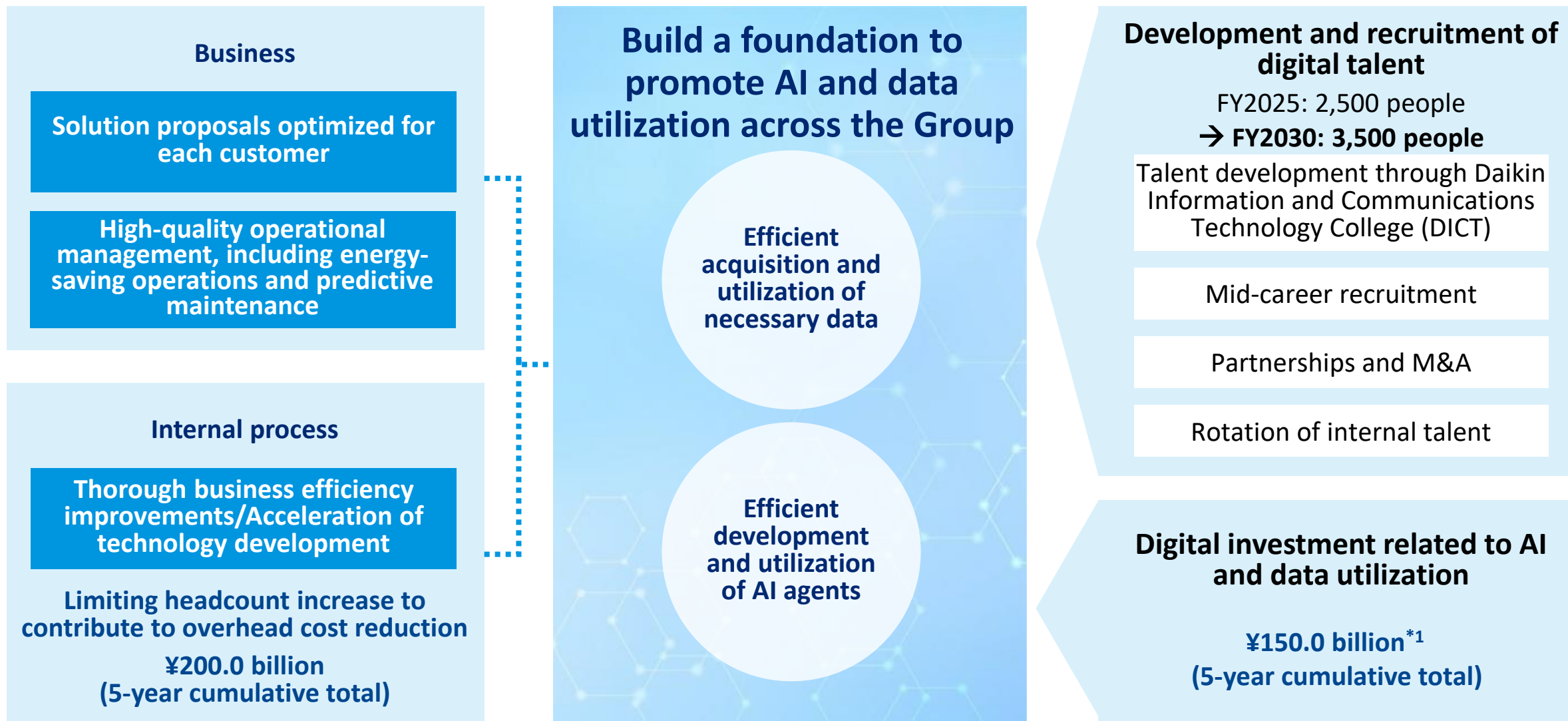
Strengthen the product
lineup and efficiency to
enhance the competitiveness
of the Solution business

Strengthening sales structure

Expand the customer support
structure, including
engineering and quality
support
(Develop specific measures
by utilizing JVs)

Strategically establish a dedicated task force “**Business Promotion Office**” to drive the above initiatives

» Build a foundation for AI and data utilization and strengthen digital talent to drive growth in high-profit domains and build a more resilient earnings structure



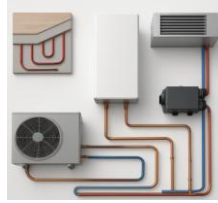
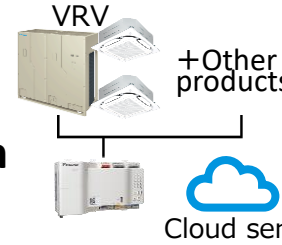

*1. Excluding investments related to security and the operation and replacement of existing systems

» Accelerate business transformation based on the principles of People-Centered Management (PCM) and enhance talent capabilities to shape the future



People-Centered Management

» Differentiated technologies and product development that realize the Group-wide policy of FUSION 30, and manufacturing technologies that enhance cost competitiveness and performance

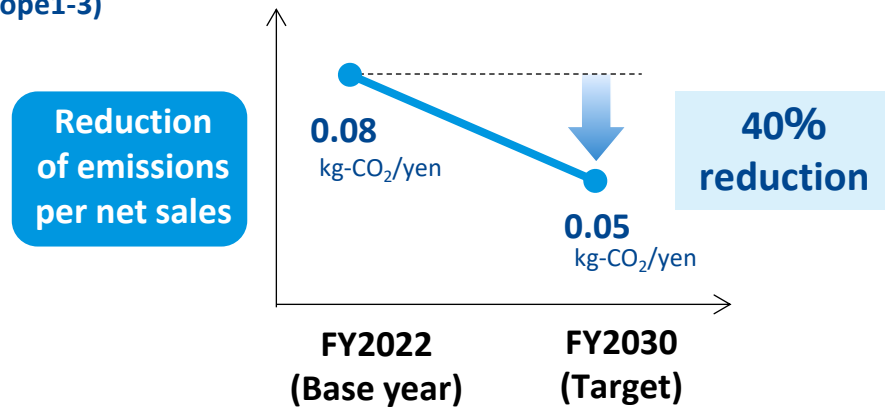
Priority domains for technology and product development	Strengthening product development			
	<ul style="list-style-type: none"> • New multi-system products • New cassette indoor units 	<ul style="list-style-type: none"> • System products centered around VRV • Multi-functional products integrated with ventilation • Instrumentation products and solutions apps 	<ul style="list-style-type: none"> • Magnetic bearing centrifugal chillers • New cooling system • Clean air systems 	etc.
Strengthening technology development, including elemental and core technologies				
<p style="color: #0070c0; text-align: center;">Ductless technologies that generate high profits in each region</p> <p style="text-align: center;">System control technologies for managing entire spaces</p>		<p style="color: #0070c0; text-align: center;">Technologies that support commercial solutions</p> <p style="text-align: center;">Algorithms for energy-saving diagnostics and installation simulation for replacement</p>		<p style="color: #0070c0; text-align: center;">Elemental technologies for applied products that create differentiation</p> <p style="text-align: center;">Technologies for larger-capacity heat sources, high-efficiency equipment, and compatibility with high outdoor temperatures</p>
Strengthening technology development, including elemental and core technologies				
Production engineering innovation	Process innovation		Factory innovation	
	<p style="text-align: center;">Improve performance and reduce costs of key devices</p> <p style="text-align: center;">Develop differentiated manufacturing processes, including structural design and material review</p>	<p style="text-align: center; border: 1px solid #0056b3; border-radius: 10px; display: inline-block;">Split air conditioner</p> <p style="text-align: center;">Develop technologies for fully automated production*¹</p> <p style="text-align: center;">Automate assembly using AI and sensors and explore the potential of physical AI</p>	<p style="text-align: center; border: 1px solid #0056b3; border-radius: 10px; display: inline-block;">VRV</p> <p style="text-align: center;">Mass production of customized products to meet increased orders</p> <p style="text-align: center;">Build processes to eliminate production losses</p>	<p style="text-align: center; border: 1px solid #0056b3; border-radius: 10px; display: inline-block;">Applied</p> <p style="text-align: center;">Improve the efficiency of fully made-to-order production</p> <p style="text-align: center;">Build processes from order receipt to production to reduce indirect labor requirements</p>
Anticipated global R&D investment: ¥550.0 billion (first 3 years)			New product ratio: 25% or higher	

*1. Automation technology development: Full automation of lines for components used in residential air conditioners, such as heat exchangers and sheet metal parts, by FY2030, and full automation of product assembly lines by FY2035

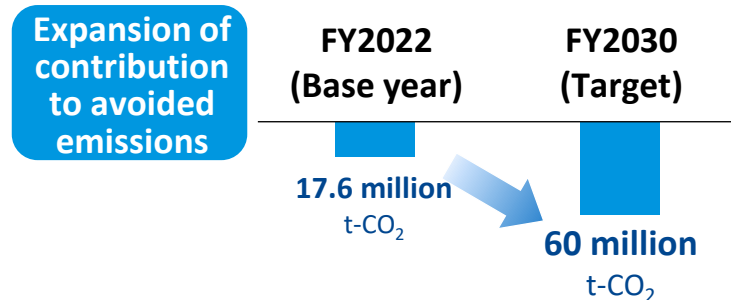
» Address social issues through our businesses by reducing CO₂ emissions and advancing a circular economy

Working toward carbon neutrality

- Reduce emissions per net sales by 40% from FY2022 levels*1 (Scope1-3)



- Expand contribution to avoided emissions*2 to 60 million t-CO₂

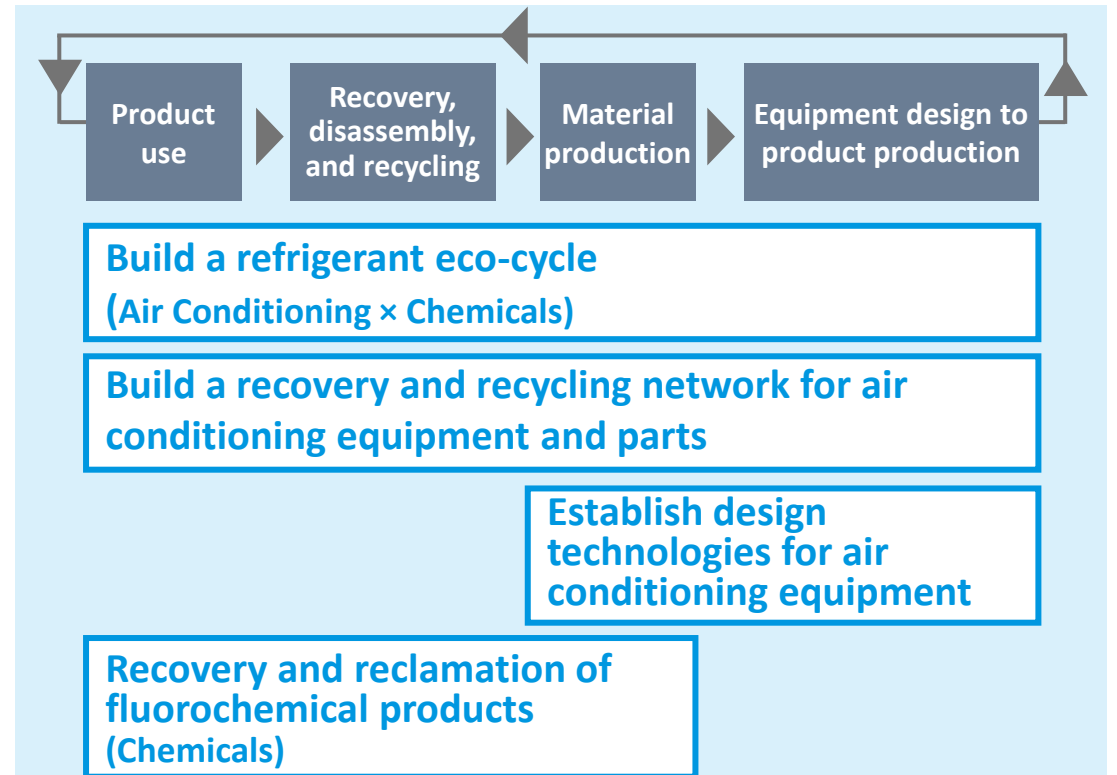


*1. The target-setting approach has been changed since FUSION 25

*2. Calculated based on IEC 63372 as the difference between emissions when products with lower emissions, such as inverter units, low-GWP units, and heat pumps for heating, are introduced and emissions when they are not introduced

Initiatives for a circular economy

- Leverage partnerships and collaborations with other companies to establish a framework for procuring recycled materials and acquire the technologies necessary to achieve a circular economy



» Daikin has strengthened its financial foundation by steadily repaying interest-bearing debt; going forward, Daikin will further promote management with an emphasis on capital efficiency, while also expanding shareholder returns

Enhancing Corporate Value through Balanced Growth Investment and Capital Efficiency

Growth investments

Prioritize growth investments

Investment capacity

Maintain financial discipline and credit strength while preserving capacity for attractive investment opportunities

Dividends

Continue to deliver stable and growing dividends

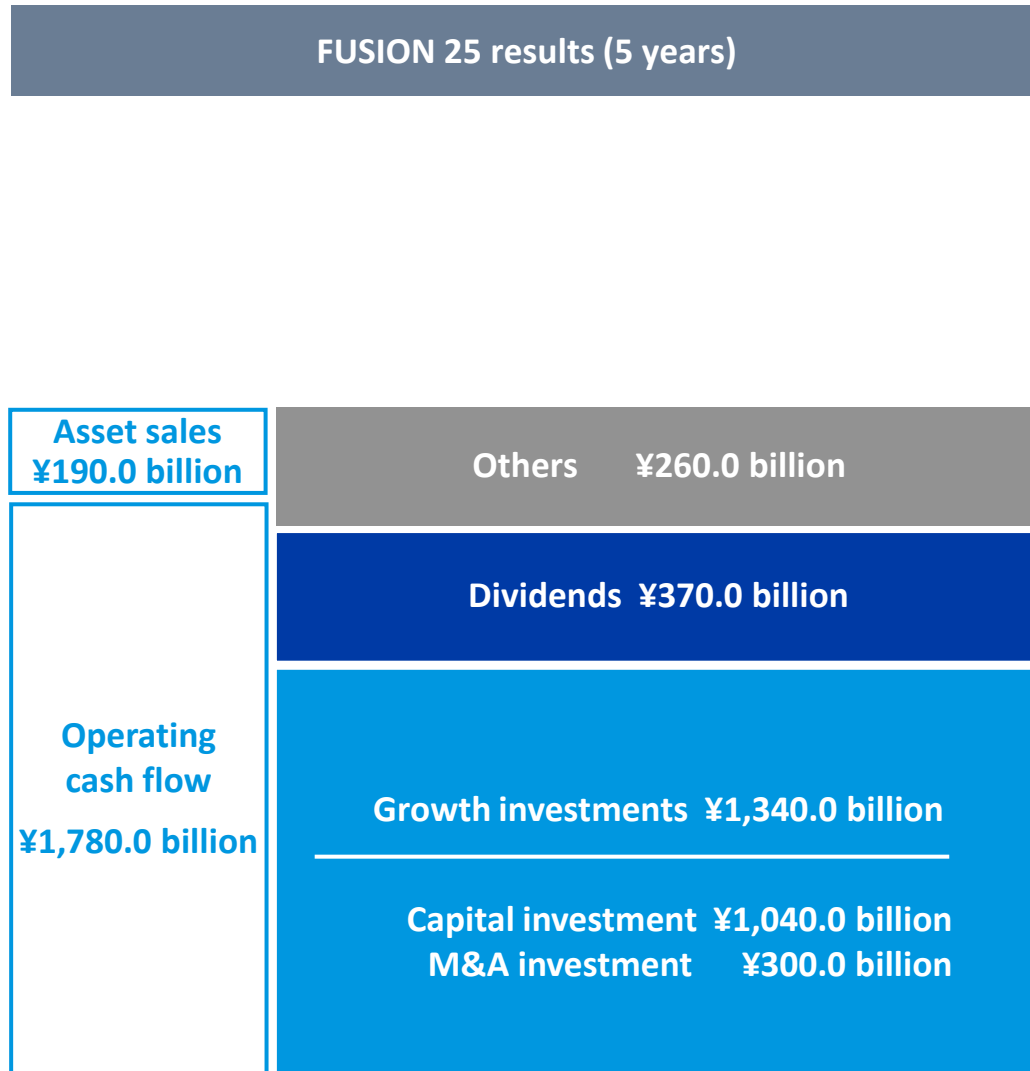
Share buybacks

Execute share buybacks flexibly, considering investment opportunities, financial strength, capital efficiency, etc.

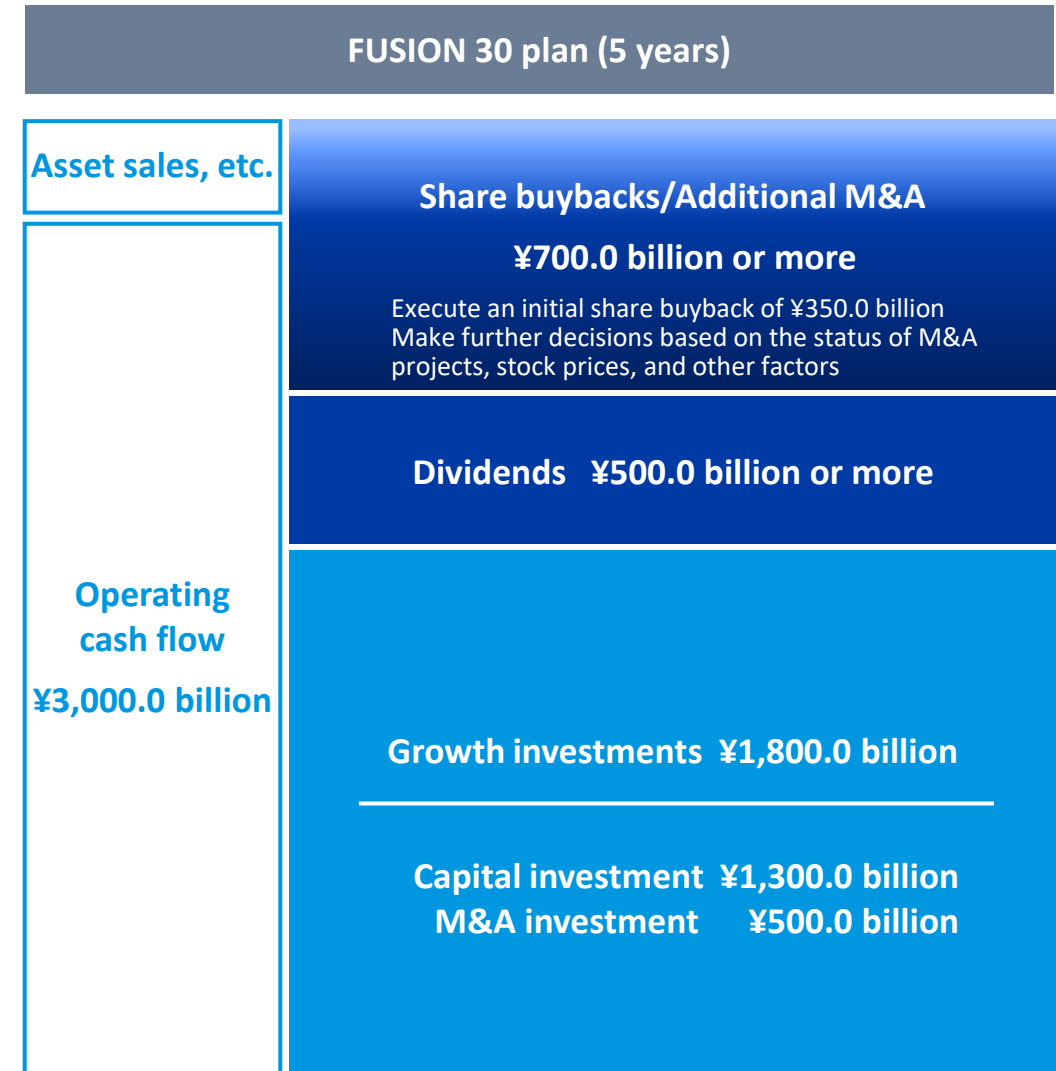
Daikin's Basic Approach to Capital Policy

- Daikin will actively address environmental and other social issues and aim to be a company that continues to be trusted and chosen by diverse stakeholders by simultaneously enhancing environmental, social, and economic value
- Daikin will strive to sustainably enhance corporate value by expanding its business through growth investments that contribute to future earnings growth, while also improving capital efficiency
- Daikin will allocate the cash generated primarily to growth investments. At the same time, while comprehensively taking into account factors such as the level of cash on hand, Daikin will allocate cash to shareholder returns, including dividends and share buybacks, while maintaining a sound financial foundation and securing investment capacity for future large-scale investments
- For dividends, Daikin will strive to achieve continuous dividend increases while emphasizing stability. Daikin will carry out share buybacks flexibly, taking into account factors such as investment plans and dividend payout levels

» Enhance shareholder returns while maintaining a priority on growth investments



“Others” include the repayment of interest-bearing debt and increases in cash and cash equivalents



“Asset Sales, etc.” include asset sales, cash and cash equivalents, and the utilization of interest-bearing debt

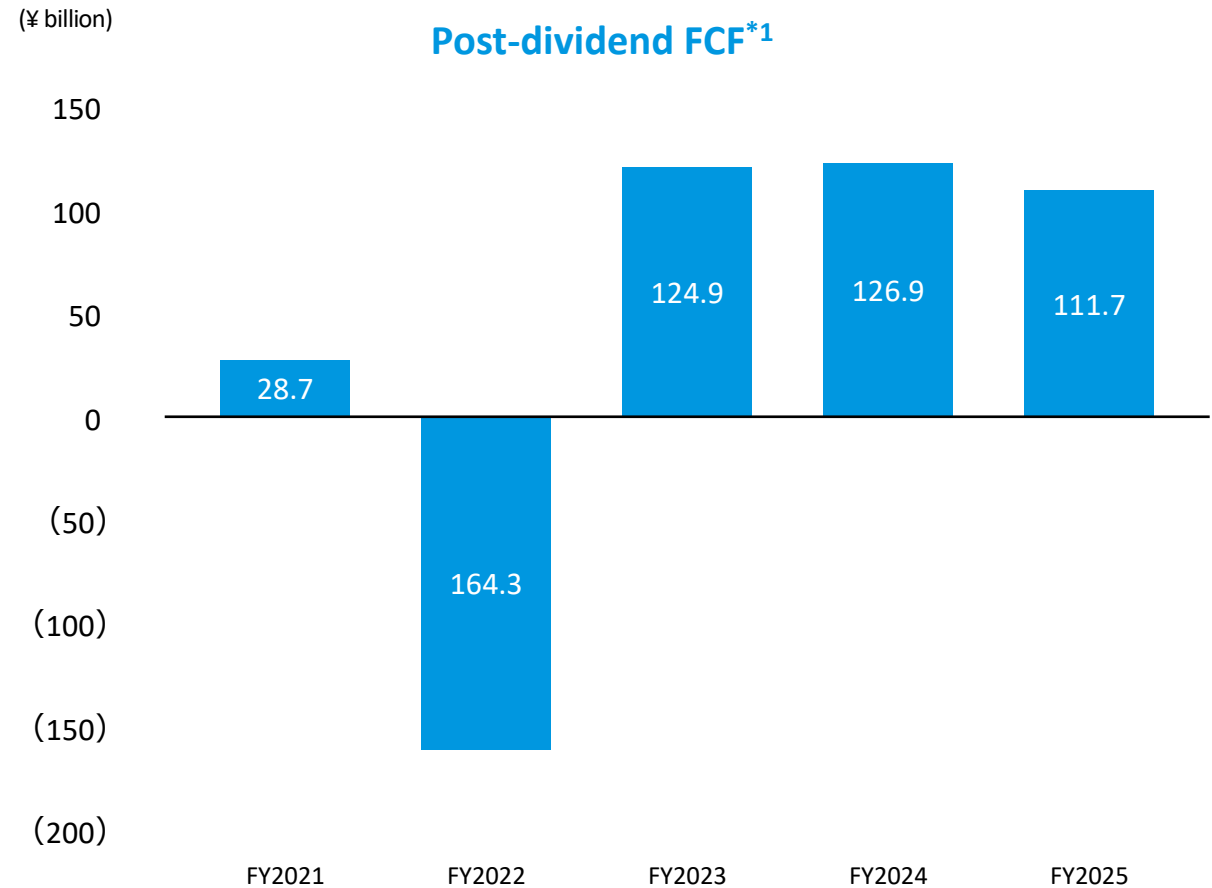
» Daikin is committed to an initial ¥350 billion share buyback and will continue to execute additional buybacks, while maintaining a balance between capital efficiency and financial strength

May 2026

Share buyback

¥350.0 billion

- To demonstrate management’s commitment to improving capital efficiency, Daikin will conduct a commitment-type share buyback through a fixed-price tender offer (FCSR), with a planned acquisition amount of ¥350.0 billion
- For FY2027 and beyond, Daikin will continue to conduct flexible share buybacks while comprehensively assessing FCF levels and investment plans



*1 Post-dividend FCF = Operating cash flow – cash flows from investing activities – dividends ± change in time deposits

» Transition from the DOE policy to a new dividend policy focused on stable and growing dividends

FY2025 Proposed Dividend

Annual Dividend

¥340

YoY change

+¥10

*In FY2025, in addition to a ¥10 dividend increase, Daikin maintained the ¥50 commemorative dividend, resulting in an effective dividend increase of ¥60.

FY2026 Dividend Forecast

Annual Dividend

¥360

YoY change

+¥20

Dividend per Share Trend (¥)

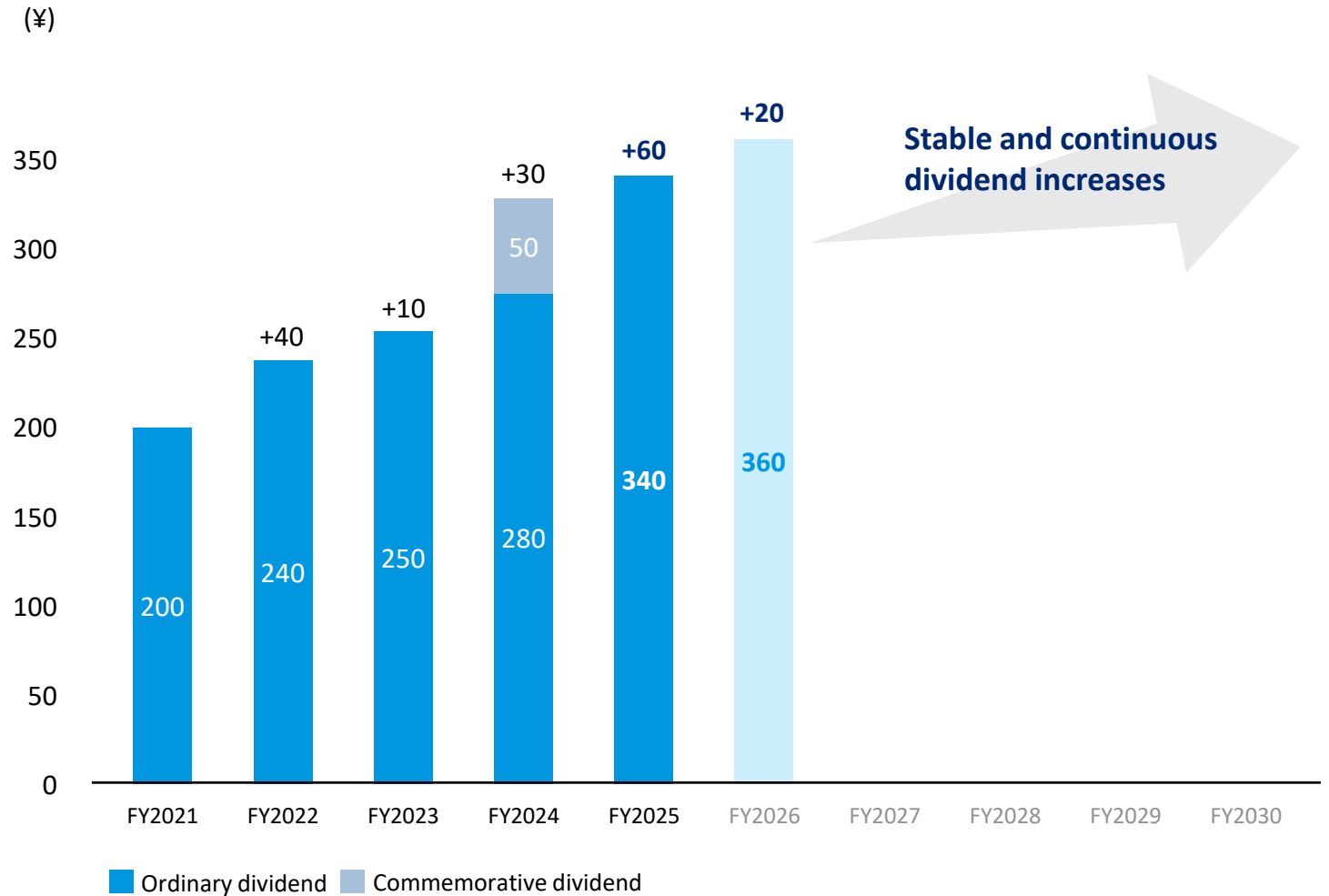


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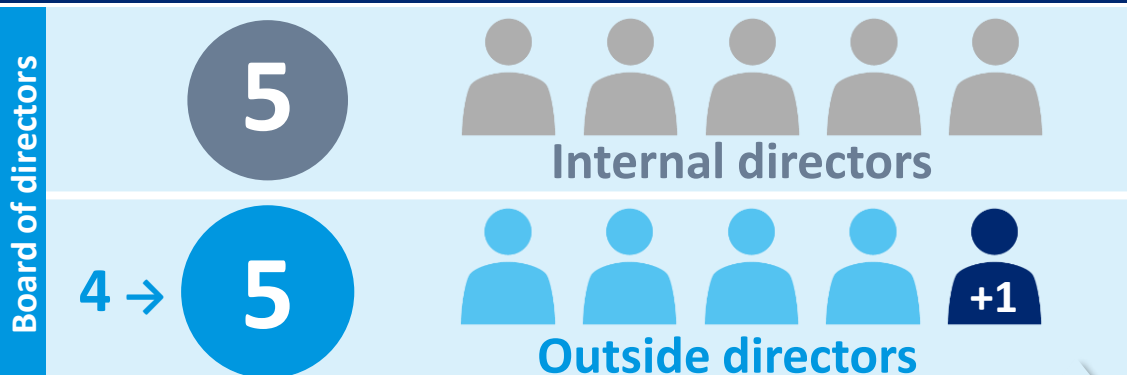
FUSION 30 Key Themes

IV

Execution Structure for FUSION 30

» Strengthen governance and execution to promote financial strategy and capital policy while transitioning to a profit-generating structure

Increase the ratio of outside directors to 50%



- Appoint a non-Japanese independent director with a financial institution background
- In particular, strengthen monitoring functions for financial and global strategies

Establish the CFO (Chief Financial Officer) position

- Expected roles**
- Responsibility for financial strategy and capital policy linked to management strategy
 - Promote ratio management, financial strategy, and capital policy, with a focus on strengthening profit-generating capability and ROE as set out in FUSION 30
 - Lead IR/SR strategy and information disclosure to deepen capital market understanding of Daikin's policies and enhance corporate value

Key Enhancements to the Execution Structure Supporting FUSION30

- **Advance regional strategies for the Applied Solutions business**
 - Strengthening management and production structures in North America
 - Reinforcing sales structures by major countries in Europe and across the Middle East region
 - Enhancing global technology development and product development capabilities, etc.
- **Launch a company wide cross-functional project to drive SCM reform**
- **Advance the global service business strategy**
- **Strengthen the foundation of the India business while advancing future growth initiatives**
- **Establish a dedicated task force to evaluate and advance the compressor business** (Compressor Business Strategy Office)
- **Reorganize and strengthen the digital organization to accelerate AI adoption across the enterprise**
- **Strengthen corporate functions** (capital markets engagement, communication strategy, sustainability initiatives, etc.)

» Align executive incentives more closely with long-term shareholder value through greater linkage to profitability, capital efficiency, and stock performance

Key Revisions to Executive Compensation

Increase variable compensation to drive long-term corporate value

- Abolish stock options and shifted the focus to performance-linked bonuses and equity-based compensation
- Introduce performance-linked PSUs (70%) and retention-based RSUs (30%) as equity-based compensation

Introduce performance metrics aligned with profitability and asset efficiency

- For performance-linked PSUs, emphasized improving “earning power” by linking incentives to return on invested capital and total shareholder return relative to the TOPIX benchmark
- For performance-linked bonuses, use net sales, operating profit, and operating profit margin to incentivize balanced growth in revenue and profitability

Ensure long-term alignment with shareholder interests and risk accountability

- Impose post-vesting holding requirements
- Introduce malus and clawback provisions (excessive correction of financial statements, material misconduct, significant deterioration in performance, etc.)

Enhance the objectivity and independence of compensation governance

- Change the authority to determine individual compensation from the Representative Director and CEO to the Compensation Advisory Committee

Compensation structure

(Example Calculation)

Previous System	Base compensation	Performance-linked bonuses	Equity-based compensation
	55%	28%	17%
New System	Base compensation	Performance-linked bonuses ^{*1}	Equity-based compensation
	28.5%	28.5%	43%
			Performance-linked (PSU) ^{*2} 70%

*1 As annual evaluation indicators, add operating profit margin to net sales and operating profit to promote simultaneous growth in scale and profitability

*2 PSU (Performance Share Unit): A type of stock-based incentive compensation in which rewards are granted based on business performance and stock price performance. Use D-ROIC and TSR as medium-term performance evaluation indicators to reinforce awareness of strengthening profit-generating capability and market outperformance.

• D-ROIC: Return on invested capital (= Operating profit ÷ Invested capital [Trade receivables + Inventories + Fixed assets])

• TSR: Relative comparison of Daikin's TSR (share price appreciation over 3 years + dividends) with TOPIX TSR including dividends

*3 RSU (Restricted Stock Unit): A compensation scheme that grants employees “units,” or rights to receive company shares in the future, subject to certain conditions or restrictions. As service-based stock compensation, require continued holding of shares for at least 3 years to reinforce alignment with shareholder value creation

- **This plan has been prepared based on information available as of the second half of FY 2025**
 - **Key exchange rate assumptions: USD/JPY: ¥145; EUR/JPY: ¥170; CNY/JPY: ¥21.0**
 - **Market growth assumptions (FY2025 → FY2030): Air conditioning equipment market CAGR: 4%; Fluorochemicals market CAGR: 6%**
 - **Macroeconomic assumptions: Global real GDP growth rate (annual average): 3.2%**
- **If significant changes occur in the business environment going forward, we may consider revising the key themes and quantitative targets**
- **M&A investment amounts are based on current assumptions and may change depending on the future business environment, the status of deal considerations, and other factors**



Notes Concerning Forward-Looking Statements

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