



**Daikin Industries,Ltd.**

Financial Results Briefing for the Fiscal Year Ended March 2025

May 9, 2025

## Event Summary

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<b>[Company Name]</b>	Daikin Industries,Ltd.	
<b>[Company ID]</b>	6367-QCODE	
<b>[Event Language]</b>	JPN	
<b>[Event Type]</b>	Earnings Announcement	
<b>[Event Name]</b>	Financial Results Briefing for the Fiscal Year Ended March 2025	
<b>[Fiscal Period]</b>	FY2025 Annual	
<b>[Date]</b>	May 9, 2025	
<b>[Number of Pages]</b>	41	
<b>[Time]</b>	10:30 – 12:03 (Total: 93 minutes, Presentation: 43 minutes, Q&A: 50 minutes)	
<b>[Venue]</b>	Webcast	
<b>[Number of Speakers]</b>	6	
	Naofumi Takenaka	President and COO, Member of the Board
	Koichi Takahashi	Member of the Board, Senior Executive Officer, Responsible for Finance, Accounting and Budget
	Satoshi Funada	Senior Executive Officer, Responsible for Japanese AC Sales Division
	Yoshiyuki Hiraga	Senior Executive Officer, Responsible for chemical Division
	Shoji Uehara	Executive Officer, Responsible for Global Operations Division
	Kota Miyazumi	Senior Executive Officer, Responsible for Corporate Communication
<b>[Analyst Names]*</b>	Yuichiro Isayama	Goldman Sachs
	Tsubasa Sasaki	UBS Securities
	Kentaro Maekawa	Nomura Securities
	Yoshinao Ibara	Morgan Stanley MUFG Securities
	Sho Fukuhara	Jefferies
	Graeme McDonald	Citigroup Global Markets

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Satoshi Taninaka

SMBC Nikko Securities

\*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

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## Presentation

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**Sakamoto:** We will now begin the presentation of Daikin Industries, Ltd.'s financial results for the fiscal year ended in March 31, 2025. Thank you for taking time out of your busy schedule to join us today. The explanatory material is available on our website under the Investor Relations section and can be downloaded if necessary.

I would like to introduce today's six speakers: Naofumi Takenaka, President and COO, Member of the Board; Koichi Takahashi, Member of the Board, Senior Executive Officer, Responsible for Finance, Accounting and Budget; Satoshi Funada, Senior Executive Officer, Responsible for Japanese AC Sales Division; Yoshiyuki Hiraga, Senior Executive Officer, Responsible for chemical Division; Shoji Uehara, Executive Officer, Responsible for Global Operations Division; Kota Miyazumi, Senior Executive Officer, Responsible for Corporate Communication; I, Sakamoto of Corporate Investor Relations Group, will be the facilitator. Thank you for your cooperation.

Today, we would like to begin with a presentation by Mr. Takenaka, President, followed by an overview of the financial results by Mr. Takahashi, Senior Executive Officer. The presentation will last approximately 40 minutes in length, followed by a Q&A session. This event is scheduled to conclude at 12:00.

Now, I will hand over to Mr. Takenaka, President.

**Takenaka:** I am Takenaka. Thank you very much for taking time out of your busy schedule to join us today.

In FY2024, both net sales and operating profit exceeded the previous year's levels, enabling the Company to achieve its highest ever performance.

Despite the challenging business environment, such as supply disruptions in Ducted Unitary for Houses in the Americas, declining demand in Europe, and the real estate recession in China, we expanded sales in applied, commercial solutions and steady markets such as Japan and India. In addition, we thoroughly implemented measures to create results in carbon neutrality and energy solutions, which are key themes, as well as thorough implementation of strategic selling price measures and total cost reductions. These efforts have allowed us to cover negative impacts and achieve profit growth, though we fell short of our plan.

Mr. Takahashi will explain the details of the FY2024 financial results later. I would like to elaborate our business outlook for the current FY2025 and our management approach.

The annual plan for FY2025 targets net sales of JPY4,840 billion and an operating profit of JPY435 billion, aiming for a significant double-digit growth or more in profit on a real basis, excluding exchange rate effects. We will also restore the operating profit margin to the 9% level.

This fiscal year, the air conditioning demand is expected to slow down again in all regions, especially for residential use, due to the continuing sluggishness in the US housing market, the difficult recovery prospects in the European heat-pump heating market, and the prolonged real estate recession in China. In addition, the business environment is expected to remain challenging due to soaring prices of procured parts and labor costs caused by inflation, as well as the impact of US tariffs, which will further increase cost-increasing factors.

In this environment, we will strive to create results from the key themes we have been working on, such as increasing selling prices to absorb cost increases, expanding sales and increasing market share, expanding sales of applied air conditioning where demand is growing, fundamentally strengthening service solutions for commercial air conditioning, fundamentally strengthening global total cost reduction and procurement

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capabilities, and improving the efficiency of fixed costs. Through these efforts, we aim to offset the negative impact and achieve record-high performance.

With regard to the US Trump tariffs, we have simulated all possible situations in advance and have been working on measures to deal with them. As for the direct impact of tariffs, we have factored in a negative impact of approximately JPY47 billion on this fiscal year's operating profit forecast, which will basically be completely absorbed by higher selling prices and cost reductions.

Indirect effects, such as economic slowdown and impact on customer demand, cannot be predicted at this time. However, we are prepared to minimize the impact by taking flexible measures according to the future situation, such as increasing cost reductions, introducing differentiated products ahead of schedule, switching suppliers, and taking cost-cutting measures to cope with declining demand.

In addition, in anticipation of a worsening global economy, we have already launched initiatives to improve our corporate structure, increase speed, and enhance our ability to execute by setting six themes to be promoted as top management's priority. We will take on the challenge of surpassing the JPY435 billion in operating profit planned for the current fiscal year through group-wide efforts on a global basis and by creating results in a short period of time.

This year is the final year of the strategic management plan FUSION25. Although we will not reach the quantitative targets we originally set, we believe we will achieve them in real terms, excluding changes from our original demand assumptions, such as the European heat pump heating business and the sluggish Chinese housing market.

We will respond to changes in the business environment by focusing on our growth strategy of promoting carbon neutral, energy service solutions. Furthermore, we will accelerate the implementation of themes that will enhance profitability with a view to medium- to long-term growth, such as strengthening cost reduction, drastically enhancing procurement capabilities, and expanding the applied and commercial solutions business.

In addition, in order to reform our business structure, we announced yesterday an executive appointment. For example, for the applied business, the mother of all development centers will be moved back to Japan from the US to strengthen the product development function and will be under the direct control of the applied business division. Under the leadership of the applied business division, we have created a structure to expand our solutions business not only in the Americas but also globally in Asia and Europe.

Through these structural reforms, we intend to make a major shift from direct expansion systems, in which we have strengths, such as room air conditioners, packaged air conditioners, and VRVs, to applied systems, and from equipment sales to solution proposals, in order to further develop our air conditioning business in the future.

As for the next growth strategy, we are currently planning "FUSION 30," which will be launched in the next fiscal year. In addition to the medium- and long-term growth strategies, we will further strengthen "rate management" with an awareness of profitability and cash flow, capital policy, and investment in the next growth areas, as well as consider and clarify the policy for shareholder returns in relation to these strategies.

I would like to talk specifically about some of the measures that will be undertaken in FY2025 and some of the themes that will be addressed by the top management.

First, let me talk about the air conditioning business in North America. In the Ducted Unitary for Houses business, Daikin Comfort Technologies North America, Inc. (DNA) experienced a customer turnover due to a delay in the supply of R410A units. However, since the second half of FY2024, in addition to getting back

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dealers who left (win-back) and following up with existing customers, we have launched a new dealer development task force and are working to re-strengthen our customer base.

The win-back plan was hampered by a distribution inventory that exceeded expectations, and the number of dealers fell short of our plan. However, the volume of business with dealers that we have regained has increased compared to previous years, and we are seeing the effects of our salespeople's efforts to hone their proposal skills.

In order to strengthen profitability from FY2025 onward, our top priority is to regain market share in the Ducted Unitary for Houses market, and we will strengthen our entry into the front lines of the field to bolster our sales capabilities. We will provide detailed proposals and sales promotion support that goes into each and every dealership, leading to the conversion of dealers into Daikin fans. Under the motto, "No inquiry without a visit, no order without an inquiry," we are doing this by getting into the front lines of the field.

In addition, to accelerate sales of environmental premium products, we initiated sales and process reforms to improve our proposal sales capabilities. In addition to improving the capabilities of our salespeople through thorough training, we have also fundamentally revised our compensation system to raise awareness of selling inverter value-added products such as RA/QA and Fit. Unit sales of Fit have grown significantly by 165% over the previous year, and we aim to expand this to 300,000 units in FY2025.

The applied air conditioning business (DAIKIN APPLIED AMERICAS INC. (DAA)) has enjoyed strong sales to the data center, automotive, semiconductor manufacturing, and other application markets. The service solutions ratio in North America has reached 45%, and this will be raised to 50% to 60% this fiscal year. We will increase our supply capacity by launching production at our new plant in Mexico and increasing production capacity at our existing plants, and we will fully utilize the acquired custom air-handling unit manufacturer.

In the air conditioning business in Europe, we will promote the drastic reinforcement of our operating structure. In order to strengthen the sales capabilities of the Daikin Europe Headquarters, we have reorganized it into a new structure capable of entering into sales companies, quickly grasping market and rival trends, and immediately implementing and laterally deploying countermeasures.

To strengthen profitability, we will accelerate the development of loyal dealers who can propose mid- to high-end room air conditioner models directly to users and strengthen feature-embedded/user-direct sales. Through these efforts, we will work to expand sales of products for commercial use and improve gross profit margins.

In particular, competition in the room air conditioner market is intensifying as Chinese manufacturers enter the market more and more. In order to accelerate the development of differentiated products and maintain our competitive advantage over our competitors, we have already strengthened the development function of our European Design Center.

For heat pump heating, we will concentrate our resources in key markets such as Italy, France, the UK, and Germany. We will pursue measures to strengthen our service network, develop products that enable total cost reductions and simplified construction, and otherwise make a drastic turnaround.

In the air conditioning business in China, we expect the severe business environment to continue in FY2025, but we hope to secure earnings mainly from residential multi-air conditioners. We will maintain high profitability by promoting the speedy development and introduction of differentiated products that are superior to those of Chinese manufacturers and by conducting campaigns in which sales personnel and all dealers work together with increased frequency and density.

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With regard to the six themes that I mentioned earlier, which are to be promoted as top management matters, the CEO and COO, who are the top management of the Company, will be involved to speed up the reform of the Company's structure, assuming that the global economy will deteriorate. We have already assigned officers to lead and sub-lead each theme and have started the study process.

After finalizing the proposal in about a month, we will add what we can to the budget for the current fiscal year. We are considering adding the theme itself, and by working together as a global group, we will produce results in the short term. Through this, we will not only achieve our annual plan but also try to exceed it, even in an uncertain business environment.

Here are some specific examples. The first is to accelerate the launch of new and differentiated products. In order to both expand sales and maintain selling prices amid the risk of demand slowdown, it is essential to introduce differentiated products, system products, and solution products in rapid succession to avoid being drawn into price competition with rivals.

In European heat pump heating, we are taking steps such as bringing forward sales of the R290 Altherma 4 small capacity by six months. In addition, for other mainstay products, we will determine themes to be brought forward or added and clarify the quantitative effects.

We also believe that our strong sales force has been behind our ability to outperform our rivals in the market even under the harsh business environment in China to date. We will transfer the initiatives we have developed in China, such as rapid and opportune new product launches and sales policies emphasizing profitability, to the Americas and Europe to strengthen profitability.

The next step is to materialize and accelerate the implementation of global service and service solution measures. As demand for applied air conditioning expands globally, particularly in North America, Asia, and Europe, we will shift our focus from equipment sales alone to strengthening the development of heat source and secondary-side solutions to enhance profitability.

We will build a foundation to connect with customers through remote monitoring to expand 3S to 5S, not just equipment sales and maintenance and upkeep. We will accelerate the expansion and development of service menus and commercial products in order to propose optimal solutions based on operation data. To capture the data center market, where demand remains strong, we will continue to strengthen our development, sales, and service solution support systems throughout the Company and expand horizontally not only in the US but also in each region.

Particularly in the commercial market, we will strengthen total solutions that provide equipment design and instrumentation for entire buildings, as well as solutions by application market, such as factories, schools, and hospitals.

In the data center market, we will launch a global project to strengthen the exchange of human resources between regions, including the formulation of regional strategies, design and production, technical know-how, and promotion of standardization. This will allow us to horizontally deploy our solid North American sales know-how on a global basis and establish new technologies such as liquid cooling.

For factories, the model will be developed domestically and expanded to other regions, targeting Japanese-affiliated accounts. We will strengthen proposals for space creation that lead to improved working environments and carbon neutrality. In schools, hospitals, and offices, we will promote the materialization of energy management solutions and IAQ solutions.

In terms of drastically improving fixed cost efficiency, one of the measures for FY2025 that we are working on, we aim to achieve results from the core systems and sales support systems we have invested in each region,

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as well as by accelerating the efficiency of indirect operations and creating outcomes through personnel shifts to growth areas.

We will also improve profitability by streamlining existing fixed costs through consolidation of offices and functions and shifting resources to businesses and themes with high growth potential.

That is all from me. Mr. Takahashi will provide a more detailed explanation. I, together with the board members present today, would like to answer any questions you may have later in the meeting.

**Sakamoto:** Next, Mr. Takahashi, Senior Executive Officer, could you please?

## I . FY2024 Financial Results

**Both net sales and operating profit exceeded the previous fiscal year, achieving new record highs.**

**Facing a challenging business environment, Daikin expanded sales in regions and businesses with robust demand, bolstered product and service proposals from the perspective of carbon neutrality and energy solutions, promoted strategic selling price measures, and thoroughly implemented total cost reductions.**

- ✓ Air Conditioning business: In addition to our slow recovery in market share for Ducted Unitary for Houses in the Americas, our business in Europe was impacted by a decline in demand for Heat Pump Heating. Nevertheless, we expanded sales for businesses showing strong demand, such as Applied and Commercial Air Conditioning, and high-performing regions, such as India and Japan. Both revenue and profits improved in real terms excluding the effect of foreign exchange rates.
- ✓ Chemicals business: While efforts were made to expand sales of fine chemicals, the impact of slow semiconductor demand and slow recovery demand of automotives and LAN cables led to lower profits.

(billion yen)	FY2023	FY2024		YoY
	Results	Forecast	Results	
Net sales	4,395.3	4,770.0	4,752.3	108%
Operating Profit	392.1	428.0	401.7	102%
(%)	(8.9%)	(9.0%)	(8.5%)	
Ordinary Profit	354.5	392.0	366.4	103%
(%)	(8.1%)	(8.2%)	(7.7%)	
Profit Attributable to Owners of Parent	260.3	267.0	264.8	102%
(%)	(5.9%)	(5.6%)	(5.6%)	
	USD/JPY	¥145	¥153	
	EUR/JPY	¥157	¥164	
	RMB/JPY	¥20.1	¥21.1	

### FX Effect (YoY)

Net Sales	+165.0 billion yen
Operating Profit	+13.0 billion yen

### YoY Results Excluding FX Effect

Net Sales	104%
Operating Profit	99%

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**Takahashi:** Thank you very much for taking time out of your busy schedule to participate in today's financial results briefing. I would like to present an overview of the financial results for the fiscal year ending March 31, 2025, in accordance with the document provided.

See page three. In the fiscal year ended March 31, 2025, both net sales and operating profit exceeded those of the previous fiscal year, marking a new record high.

The business environment is difficult due to supply disruptions for Residential in the US, declining demand in Europe, and the real estate slump in China. Against this backdrop, we focused on strengthening our applied and commercial solutions businesses and expanding sales in India and domestic air conditioning. In addition to this, we achieved increased sales and profits by creating results in our priority themes of carbon neutrality and energy solutions, and by thoroughly implementing strategic selling price measures and total cost reductions.

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Foreign exchange rates were JPY153 to the dollar, JPY164 to the euro, and JPY21.1 to the Chinese yuan. In comparison to the previous year, foreign exchange had a positive impact of JPY165 billion on net sales and a positive impact of JPY13 billion on operating profit.

## Financial Results by Segment

(billion yen)		FY2023	FY2024		
		Results	Forecast	Results	YoY
Total	Net sales	4,395.3	4,770.0	4,752.3	108%
	Operating Profit (%)	392.1 (8.9%)	428.0 (9.0%)	401.7 (8.5%)	102%
Air Conditioning	Net sales	4,028.8	4,392.0	4,384.5	109%
	Operating Profit (%)	333.3 (8.3%)	371.0 (8.4%)	351.0 (8.0%)	105%
Chemicals	Net sales	263.9	278.0	263.0	100%
	Operating Profit (%)	51.5 (19.5%)	52.0 (18.7%)	46.1 (17.5%)	90%
Others	Net sales	102.6	100.0	104.8	102%
	Operating Profit (%)	7.3 (7.2%)	5.0 (5.0%)	4.5 (4.3%)	62%

\*Air-Conditioning business includes filter, refrigerator and freezer businesses.

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Page four shows results by business segment. The air conditioning business secured increased net sales and operating profit in real terms excluding the effect of foreign exchange rates and achieved the highest ever performance for the air conditioning segment.

In the chemicals business, we worked to expand sales of fine chemicals, but earnings declined due to a slowdown in demand for semiconductors and a delayed recovery in demand for LAN cables.

In the air conditioning business, the foreign exchange had a positive impact of JPY156.5 billion on net sales and a positive impact of JPY11.3 billion on operating profit. In the chemicals business, foreign exchange had a positive impact of JPY8 billion on net sales and JPY2 billion on operating profit.

The status of each business and the regional status of the air conditioning business will be explained later.

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## Profit and Loss Statement

(billion yen)	FY2023	FY2024	vs PY
	110	108	
<b>Net sales</b>	4,395.3	<b>4,752.3</b>	+357.0
<b>Cost of sales</b>	2,885.6 (65.7%)	<b>3,125.6</b> (65.8%)	-240.0
<b>Gross profit</b>	1,509.7 (34.3%)	<b>1,626.7</b> (34.2%)	+117.0
<b>Selling general and administrative expenses</b>	1,117.5 (25.4%)	<b>1,225.0</b> (25.8%)	*1 -107.5
<b>Operating profit</b>	392.1 (8.9%)	<b>401.7</b> (8.5%)	+9.5
<b>Non-operating income and expenses</b>	-37.6	<b>-35.2</b>	*2 +2.4
<b>Ordinary profit</b>	354.5 (8.1%)	<b>366.4</b> (7.7%)	+12.0
<b>Extraordinary income and losses</b>	30.8	<b>9.6</b>	*3 -21.2
<b>Profit before income taxes</b>	385.3 (8.8%)	<b>376.1</b> (7.9%)	-9.2
<b>Income taxes</b>	115.5	<b>100.6</b>	+14.8
Tax burden ratio	30.0%	<b>26.8%</b>	
<b>Profit attributable to non-controlling interests</b>	9.5	<b>10.7</b>	-1.2
<b>Profit attributable to owners of parent</b>	260.3 (5.9%)	<b>264.8</b> (5.6%)	+4.4

\*The parentheses above indicate percentages to net sales.

### \*1 Changes in selling, general and administrative expense

R&D expense	-11.9
Sales promotion / advertising expenses	-5.4
Product shipping costs	-3.8

### \*2 Changes in non-operating gains or losses

Foreign exchange gains	-8.1 (-1.1 → -9.2)
Interest income	+4.0 (16.1 → 20.1)
Interest expenses	+1.9 (44.9 → 43.0)
Inflation accounting adjustment	+3.5 (-12.5 → -9.0)

( Adjustments due to the application of inflation accounting in Turkey. )

### \*3 Changes in extraordinary gains or losses

Loss (gain) on sale of investment securities	-34.1 (46.3 → 12.2)
Impairment loss	+12.2 (12.2 → 0)

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Page five shows changes in major items in the consolidated statements of income. The cost of sales ratio worsened slightly due to higher raw material and parts prices. The SG&A expense ratio remained at the same level as in the previous year due to the reform of the fixed cost structure and efficient management of general expenses.

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## Balance Sheet

(billion yen)	2024/3E		2025/3E		vs PY
Cash and deposits		738.0		<b>802.7</b>	+64.7
Notes and accounts receivable – trade, and contract assets	68 days	815.3	66 days	<b>856.5</b>	+41.2
Inventories	87 days	1,047.7	81 days	<b>1,052.9</b>	+5.1
Fixed assets		1,818.7		<b>1,917.2</b>	+98.5
Investment securities		171.9		<b>160.0</b>	-11.8
Others		288.7		<b>344.1</b>	+55.5
<b>Total Assets</b>		<b>4,880.2</b>		<b>5,133.4</b>	+253.2

	2024/3E	2025/3E	vs PY
Notes and accounts payable – trade	326.0	<b>362.2</b>	+36.1
Interest bearing debt*	968.2	<b>986.9</b>	+18.7
(Interest bearing debt ratio)	(19.8%)	<b>(19.2%)</b>	
Others	898.7	<b>917.7</b>	+19.0
<b>Total liabilities</b>	<b>2,192.9</b>	<b>2,266.7</b>	+73.8
Total equity (Equity ratio)	2,637.5 (54.0%)	<b>2,801.3 (54.6%)</b>	+163.7
Share acquisition rights	3.8	<b>4.2</b>	+0.4
Non-controlling interests	46.0	<b>61.2</b>	+15.2
<b>Total net assets</b>	<b>2,687.3</b>	<b>2,866.7</b>	+179.4
<b>Total liabilities and net assets</b>	<b>4,880.2</b>	<b>5,133.4</b>	+253.2

### \*Breakdown of interest bearing debt

	2024/3E	2025/3E	vs PY
Short-term borrowings	363.2	<b>294.6</b>	-68.6
Commercial papers	50.4	<b>29.6</b>	-20.9
Bonds	140.0	<b>190.0</b>	+50.0
Long-term borrowings	258.4	<b>298.1</b>	+39.7
Lease debt	156.2	<b>174.6</b>	+18.4
<b>Total</b>	<b>968.2</b>	<b>986.9</b>	+18.7

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Page six shows the main items in the consolidated balance sheet and details on interest-bearing debt. Regarding inventories, the number of days held in inventory has been shortened due to production adjustments proceeding as planned and sales growth. We will continue to scrutinize the details of inventories, particularly in the Americas and Europe, and reduce them to an appropriate level.

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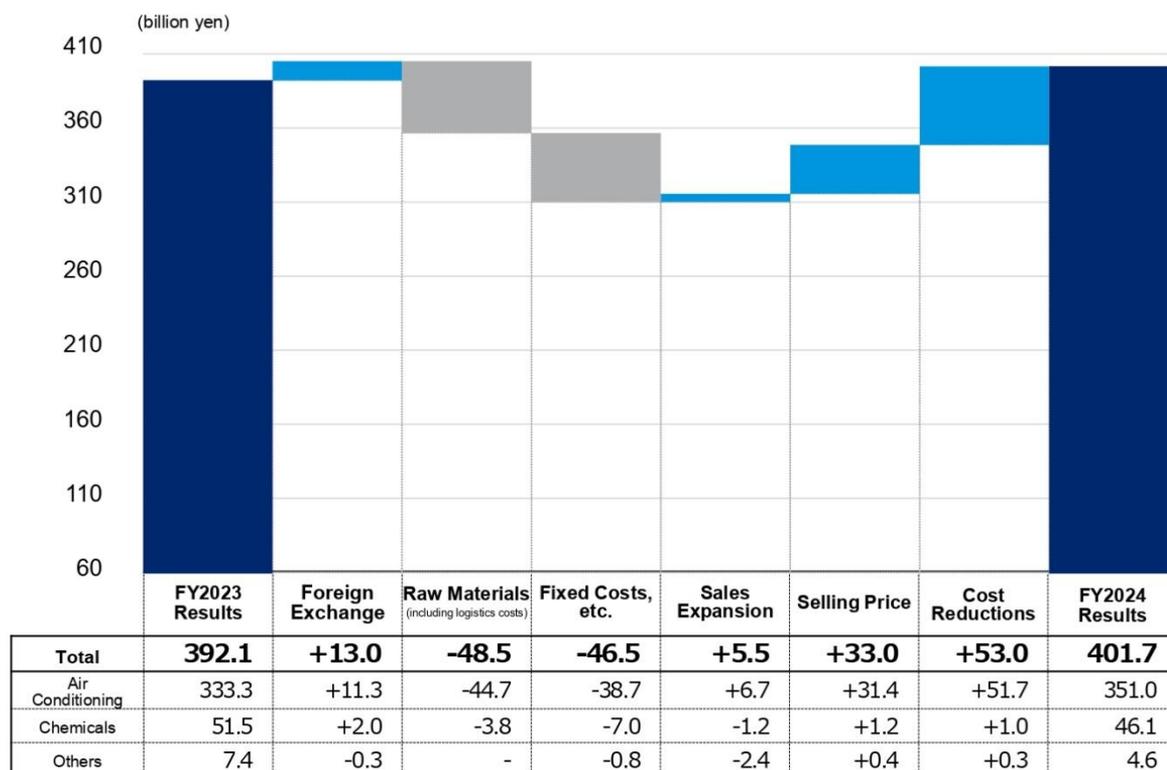
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## Analysis of Changes in Operating Profit - YoY

\*Air-Conditioning business includes filter, refrigerator and freezer businesses.



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Page seven is an analysis of YoY changes in operating profit. In the midst of the significant impact of declining demand, we worked to expand sales and thoroughly implement our selling price policy, while promoting total cost reductions, including manufacturing cost reductions and efficient management of fixed costs.

The breakdown of the impact of rising raw material prices and logistics costs on the air conditioning business is as follows: copper was negatively impacted by JPY11.5 billion, aluminum by JPY1.5 billion, steel by JPY0.5 billion, resins and other materials by JPY22 billion, and logistics costs by JPY9.5 billion.

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## II . FY2025 Business Forecast

Despite the lingering severity in the business environment, including the sluggish U.S. housing market, slow recovery in Heat Pump Heating demand in Europe, and protracted slump in the Chinese real estate market, Daikin will maintain its upward trajectory toward increased revenue and profits. In moving forward, we will continue to further strengthen our competitiveness and profitability to achieve record highs in performance.

In the Air Conditioning business, we will focus on strengthening sales capabilities in the United States and Europe, further boosting the Applied and Commercial Solutions businesses, and expanding sales in high-performing regions such as India. We intend to minimize the negative impacts of rising costs—such as soaring prices of procurement parts, increased labor costs, and U.S. tariffs—by balancing strategic selling price measures and efforts to increase market share alongside global total cost reductions.

The direct impact of the U.S. tariffs will be absorbed by utilizing pass-through pricing and cost reductions. (Details to follow.)

Under a project directly overseen by top management, Daikin will globally promote six Group-wide themes (strengthening sales and marketing capabilities, accelerating the launch of differentiated products, bolstering the supply chain including response to U.S. tariffs, cost reductions, etc.) Our goal will be to improve profitability by strengthening our business structure while also generating results in short term.

(billion yen)	FY2024 Results			FY2025 Forecast					
	H1	H2	Total	H1	YoY	H2	YoY	Total	YoY
Net sales	2,493.1	2,259.3	4,752.3	2,470.0	99%	2,370.0	105%	4,840.0	102%
Operating Profit (%)	246.6 (9.9%)	155.1 (6.9%)	401.7 (8.5%)	247.0 (10.0%)	100%	188.0 (7.9%)	121%	435.0 (9.0%)	108%
Ordinary Profit (%)	224.2 (9.0%)	142.2 (6.3%)	366.4 (7.7%)	231.0 (9.4%)	103%	174.0 (7.3%)	122%	405.0 (8.4%)	111%
Profit Attributable to Owners of Parent (%)	151.7 (6.1%)	113.1 (5.0%)	264.8 (5.6%)	152.0 (6.2%)	100%	120.0 (5.1%)	106%	272.0 (5.6%)	103%
	USD/JPY	¥153	¥152	¥153				¥140	
	EUR/JPY	¥166	¥162	¥164				¥160	

FX Effect (YoY)  
 Net Sales -270.0 billion yen  
 Operating Profit -37.0 billion yen

YoY Comparison Excluding FX Effect  
 Net Sales 108%  
 Operating Profit 118%

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See page eight. The forecast for the fiscal year ending March 31, 2026 is as Mr. Takenaka explained earlier. In order to achieve the operating profit plan for this fiscal year, we believe it is important to achieve a solid performance in the first half of the year.

The demand environment remains severe as distribution inventories in the US and Europe remain high in the air conditioning business, and the recovery of demand in the semiconductor field is delayed in the chemicals business. Under these circumstances, we will strive to achieve the plan through business structure reforms by further increasing market share by strengthening sales capabilities, expanding sales of high value-added products, and further promoting total cost reductions.

Excluding the impact of the significant deterioration in demand for heat pump heating in Europe and the sluggish Chinese housing market, we plan to achieve the level of operating income of 500 billion yen for the fiscal year ending March 31, 2026, as stated in the FUSION25 second half plan.

We assume exchange rates of JPY140 to the dollar, JPY160 to the euro, and JPY19.5 to the Chinese yuan. Regarding the YoY foreign exchange impact, we expect a negative impact of JPY270 billion on net sales and a negative impact of JPY37 billion on operating profit.

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## Business Forecast by Segments

(billion yen)		FY2024	FY2025	
		Results	Forecast	YoY
Total	Net sales	4,752.3	4,840.0	102%
	Operating Profit (%)	401.7 (8.5%)	435.0 (9.0%)	108%
Air Conditioning	Net sales	4,384.5	4,455.0	102%
	Operating Profit (%)	351.0 (8.0%)	383.0 (8.6%)	109%
Chemicals	Net sales	263.0	280.0	106%
	Operating Profit (%)	46.1 (17.5%)	47.0 (16.8%)	102%
Others	Net sales	104.8	105.0	100%
	Operating Profit (%)	4.5 (4.3%)	5.0 (4.8%)	110%

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See page nine. The performance plan by business segment is as stated. In the air conditioning business, foreign exchange is expected to have a negative impact of JPY256.5 billion on net sales and a negative impact of JPY34.5 billion on operating profit. In the chemicals business, we expect a negative impact of JPY11.5 billion on net sales and a negative impact of JPY2.5 billion on operating profit.

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## Effect of U.S. Tariff Measures ① Direct Impact

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Regarding the effect of tariffs on our financial results for the fiscal year ending March 2026, **we anticipate the impact on operating profit to be approximately 47 billion yen**. This impact will be absorbed by utilizing pass-through pricing and cost reductions. Because the finished products manufactured at our factories in Mexico meet USMCA standards, they will be exempt from tariffs.

\*Reflection of tariffs already in effect

- ✓ Tariffs on China (20%), Mexico (25%), and Canada (25%), and tariffs on steel and aluminum (25%)
- ✓ A flat 10% reciprocal tariff on all imports (except for China's 125%)
- ✓ Retaliatory tariffs imposed by China and Canada

### **Currently incorporated into the plan**

#### (1) DNA

- ✓ Impact on imported finished products: **Fit, RA, SKY, VRV system** products imported from Japan, Asia, and Europe.
- ✓ Impact on U.S. products: Parts imported from China and Asia. However, there will be no impact on R32 since the purchased refrigerant is produced in the U.S.

#### (2) DAA

- ✓ Impact of imported finished products: Applied equipment imported from Europe
- ✓ Impact on U.S. products: Parts imported from Asia

#### (3) Chemicals business, Oil Hydraulics business: Products imported from Japan, China, Europe and Asia

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See page 10. As for the direct impact of the US tariff measures on our business performance for the fiscal year ending March 31, 2026, we are currently projecting a negative impact of approximately JPY47 billion on operating profit.

This amount is estimated based on the three tariffs already in effect. The first is tariffs on China, Mexico, and Canada, and on steel and aluminum. The second is a 10% reciprocal tariff levied uniformly on all US imports. However, the reciprocal tariff for China is assumed to be 125%. The third is retaliatory tariffs by China and Canada against the United States. The second of these, the estimated amount of reciprocal tariff impacts, accounts for about three-quarters of the total.

Note that our finished products manufactured in Mexico meet USMCA standards and they will be exempt from tariffs.

The main items subject to taxation are as listed. For DNA, some finished products imported from Japan, Asia, and Europe, and parts imported from China and Asia are affected. There will be no impact on R32 since the purchased refrigerant is produced in the United States.

For DAA, we expect the impact on finished products imported from Europe and parts imported from Asia.

In addition, some commercial products in the chemicals and oil hydraulics businesses are also affected. The most heavily impacted is DNA, which accounts for about three-fourths of the total.

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## Effect of U.S. Tariff Measures ② Indirect Impact

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Because the risk of an economic slowdown from the indirect impact of tariff measures is difficult to predict, it has not been incorporated into the plan. Preparations are being made for multiple scenarios for taking quick action in response to changes in the business environment.

### Possible risks in the future

- ✓ Changes occur in tariffs policy including retaliatory tariffs
- ✓ Economic growth slows due to disruption of global supply chains
- ✓ Consumer purchasing power weakens due to rising product prices
- ✓ Companies postpone capital investments

### Planning for the risk of a global economic slowdown

- ✓ Accelerate and move product development forward; improve leading products
- ✓ Further increase sales of differentiated products
- ✓ Shift resources by identifying growth areas such as high-performing regions/businesses
- ✓ Create results through six Group-wide themes
- ✓ Perform a sweeping review of upfront investments
- ✓ Implement urgent cost reductions

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See page 11. On the other hand, the risk of an economic slowdown due to the indirect effects of tariff measures is difficult to foresee and has not been incorporated in the plan. There is a risk that the impact of reduced demand will become more serious in the future due to slowing economic growth in various countries, consumers' reduced willingness to purchase, and companies holding back on capital investment. However, we are willing to take prompt action in response to changes in the business environment by taking multiple scenarios into consideration.

We are currently studying the details of measures. Specifically, to increase our market share by leveraging our strength in promoting local production for local consumption, switching suppliers and maximizing the use of our production bases in the US and Mexico, and increasing cost reductions and fixed cost containment.

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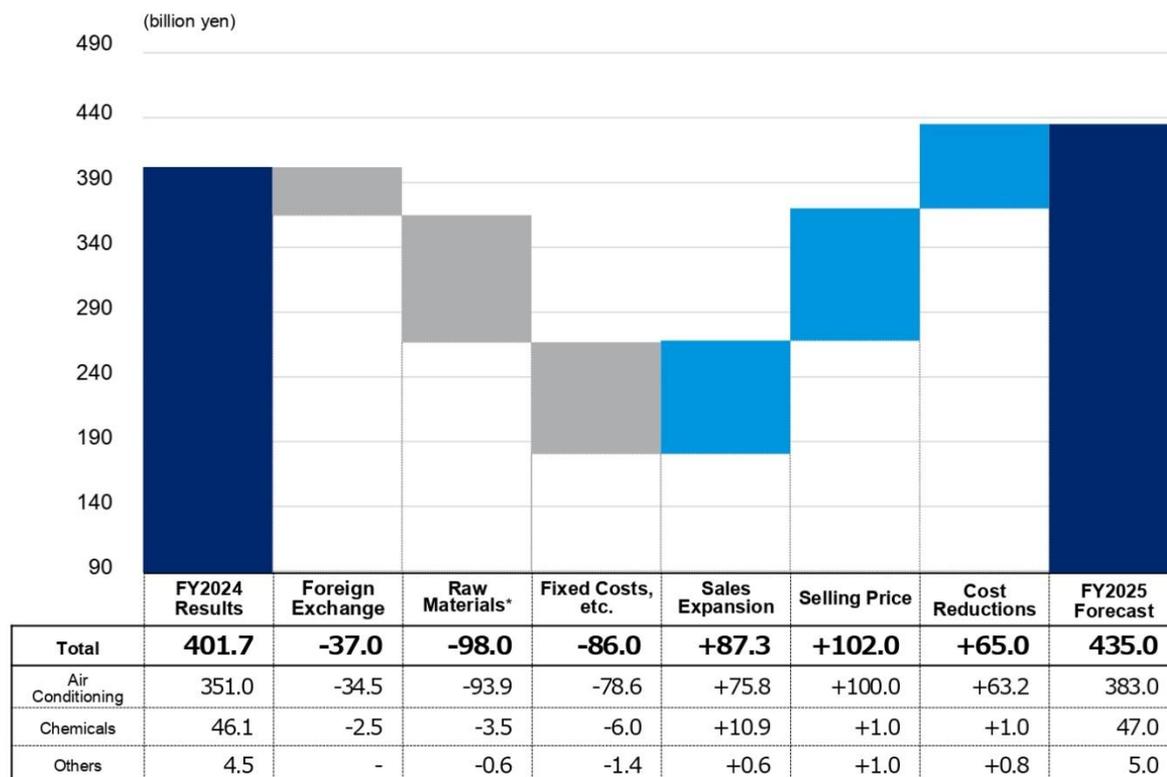
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## Analysis of Changes in Operating Profit - Forecast



\* Air-Conditioning business includes filter, refrigerator and freezer businesses.

\* Includes direct tariff impact (-47 billion yen) and logistic costs

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Page 12 is an analysis of YoY changes in the full-year operating profit forecast for FY2025. The raw materials item includes cost increases due to the direct impact of US tariffs, logistics costs, and component price increases by suppliers. In addition to expanding sales and increasing market share, the Company will maintain its profit growth trend by implementing thorough sales price measures and cost reductions to offset the effects of declining demand and cost increases.

The breakdown of the impact on the air conditioning business due to soaring raw material and logistics costs is estimated to be JPY7 billion for copper, JPY6 billion for aluminum, JPY4 billion for steel, JPY26 billion for resins and others, and JPY7 billion for logistics.

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## Sales by Region - AC Business

\*Percentage expresses year on year comparison

\*Includes refrigerator, freezer and filter businesses

(billion yen)	FY2020		FY2021		FY2022		FY2023		FY2024		FY2025 Forecast	
	<b>Japan</b>	100%	496.0	106%	523.9	106%	553.0	106%	588.7	<b>110%</b>	<b>646.5</b>	<b>102%</b>
<b>Europe</b>	104%	394.5	131%	518.7	127%	657.4	101%	666.6	<b>107%</b>	<b>714.6</b>	<b>102%</b>	<b>730.0</b>
<b>China</b>	107%	327.7	130%	424.7	101%	430.1	107%	458.8	<b>93%</b>	<b>428.1</b>	<b>93%</b>	<b>400.0</b>
<b>Americas</b>	96%	674.8	132%	889.8	150%	1,334.6	118%	1,575.9	<b>111%</b>	<b>1,743.4</b>	<b>104%</b>	<b>1,810.0</b>
<b>Asia</b>	84%	247.8	118%	293.5	141%	414.7	110%	455.2	<b>118%</b>	<b>537.1</b>	<b>105%</b>	<b>565.0</b>
<b>Oceania</b>	108%	79.5	131%	104.5	123%	128.6	105%	134.8	<b>109%</b>	<b>147.0</b>	<b>92%</b>	<b>135.0</b>
<b>Middle East</b>	94%	44.8	135%	60.7	160%	97.0	138%	133.9	<b>113%</b>	<b>151.3</b>	<b>93%</b>	<b>140.0</b>
<b>Africa</b>	105%	8.7	145%	12.6	113%	14.3	105%	15.0	<b>111%</b>	<b>16.7</b>	<b>90%</b>	<b>15.0</b>
<b>Total</b>	<b>98%</b>	<b>2,273.8</b>	<b>124%</b>	<b>2,828.5</b>	<b>128%</b>	<b>3,629.8</b>	<b>111%</b>	<b>4,028.8</b>	<b>109%</b>	<b>4,384.5</b>	<b>102%</b>	<b>4,455.0</b>
<b>Overseas Net Sales ratio</b>		78%		81%		85%		85%		85%		85%
USD/JPY		¥106		¥112		¥135		¥145		¥153		¥140
EUR/JPY		¥124		¥131		¥141		¥157		¥164		¥160
RMB/JPY		¥15.7		¥17.5		¥19.8		¥20.1		¥21.1		¥19.5

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Page 13 shows sales by region for the air conditioning business. Excluding the effect of foreign exchange rates, YoY sales in real terms were 103% in Europe, 89% in China, 105% in the Americas, and 113% in Asia.

The annual plan for FY2025 is as stated. Excluding the effect of foreign exchange rates, we plan YoY real sales of 105% in Europe, 101% in China, 113% in the Americas, and 110% in Asia.

Operating profit margins for each region in FY2024 were 7% in Japan, 4% in Europe, 22% in China, 7% in the Americas, 11% in Asia, 2% in Oceania, and 2% in the Middle East. In FY2025, we plan to achieve higher profit margins than in FY2024 in all regions.

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## Sales by Region - Chemicals Business

\*Percentage expresses year on year comparison

\*Others: Oceania, Middle East, Africa etc.

(billion yen)	FY2020		FY2021		FY2022		FY2023		FY2024		FY2025 Forecast	
	<b>Japan</b>	84%	42.3	138%	58.4	120%	70.1	104%	72.6	99%	71.8	99%
<b>Americas</b>	81%	35.6	116%	41.2	144%	59.3	82%	48.4	85%	41.3	116%	48.0
<b>China</b>	120%	40.5	126%	51.2	109%	55.8	99%	55.4	115%	63.7	104%	66.0
<b>Asia</b>	90%	23.0	118%	27.0	128%	34.6	105%	36.4	96%	34.9	132%	46.0
<b>Europe</b>	88%	22.0	152%	33.5	126%	42.4	118%	49.9	100%	50.0	98%	49.0
<b>Others</b>	66%	0.8	130%	1.1	118%	1.3	88%	1.1	120%	1.4	-	-
<b>Total</b>	91%	164.2	129%	212.4	124%	263.4	100%	263.9	100%	263.0	106%	280.0
<b>Overseas Net Sales ratio</b>		74%		72%		73%		72%		73%		75%
<b>USD/JPY</b>		¥106		¥112		¥135		¥145		¥153		¥140
<b>EUR/JPY</b>		¥124		¥131		¥141		¥157		¥164		¥160
<b>RMB/JPY</b>		¥15.7		¥17.5		¥19.8		¥20.1		¥21.1		¥19.5

14

Page 14 shows sales by region for the chemicals business. Excluding the effect of foreign exchange rates, real YoY sales were 96% in Europe, 110% in China, and 81% in the Americas.

The annual plan for FY2025 is as stated. Excluding the effect of foreign exchange rate fluctuations, we plan YoY sales of 100% in Europe, 112% in China, and 127% in the Americas.

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### III. Business and Regional Overview AC Business - Japan

#### FY2024 Results

Industry demand for Residential grew year-on-year because of higher-than-average temperatures nationwide and an upturn in consumer confidence due to higher wages. Industry demand for Commercial also exceeded the previous year due to increased capital investment in large-scale redevelopment projects as well as from new construction and renovations of office buildings and commercial facilities.

In addition to expanding sales of high value-added products, net sales also increased over the previous fiscal year due to the effectiveness of selling price measures.

- ✓ Residential: In response to rising electricity prices and a substantial increase in length of time customers use air conditioners, we improved user proposals for the high energy-saving performance of **Urusara X**.
- ✓ Commercial: We enhanced user proposals to focus on high value-added products, including **FIVE STAR ZEAS**, which combines high energy-saving performance and ease of installation, **machi Multi**, which corresponds to the needs of small-capacity individual air conditioning, and the **VRV Q** series, which facilitates smooth replacement of air conditioning equipment by utilizing existing refrigerant piping.

#### FY2025 Forecast

Residential: Daikin will concentrate on user proposals for high value-added products such as **Urusara X** while strengthening its spec-in activities for home equipment systems to home builders and construction companies.

Commercial: In addition to sales expansion of high-value-added products such as **FIVESTAR ZEAS**, we will focus on solutions, such as energy-saving proposals for buildings and factories, as we aim to increase market share. Daikin will also work toward market penetration of R32 by expanding the product lineup of **VRV systems** using R32 while bolstering proposal sales.

YoY change (Volume basis)	FY2024		FY2025	
	Market	Daikin	Market	Daikin
Residential	107%	101%	96%	101%
Commercial	106%	104%	97%	101%
Applied	106%	121%	95%	96%

\*Applied is based on total net sales.

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See page 15. From here, the regional overview of the air conditioning business will be explained. First, Japan.

Demand for both residential and commercial applications exceeded the previous year's levels due to high temperatures nationwide and a recovery in consumer confidence resulting from improved wages, as well as improved capital investment. Against the backdrop of rising electricity rates and growing energy-saving needs, the Company expanded sales of high value-added products and implemented thorough sales price measures, resulting in a significant YoY increase in sales.

In FY2025, we will continue our efforts to strengthen sales of differentiated products and services that pursue energy conservation and environmental friendliness, aiming to expand sales and increase market share in both residential and commercial sectors.

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## AC Business - Americas

### FY2024 Results

With product changeovers due to changes in refrigerant GWP regulations, a strong trend was seen for ensuring sufficient inventory of the current refrigerant models (R410A models), and industry demand for Residential sharply increased. Because we had been preparing to switch to the new refrigerant units (R32 units), we were unable meet customer needs for R410A units, leading to a loss of customers and a decrease in sales for Residential Unitary. Nevertheless, net sales improved year-on-year due to a significant increase in sale of Applied business.

- ✓ Ducted Unitary for Houses: Although we tried to regain market share by immediately increasing production of R410A models and sales of early launched R32 units, Residential sales fell below the previous fiscal year due to the delay in efforts to lure customers back (win-back), whereas sales of the premium environmentally products **Fit** system grew substantially due to our focus on developing and supporting dealers.
- ✓ Ductless: **RA/SKY** sales grew because of steady sales by our nationwide wholesalers and sales reps. Efforts were made to boost **VRV system** sales by providing technical support and training to dealers.
- ✓ Applied: In addition to increasing production capacity, equipment sales increased, mainly in data centers and manufacturing where demand is strong. Leveraging instrumentation and engineering companies, net sales also increased in the Solutions business to significantly exceed the previous fiscal year.

### FY2025 Forecast

Ducted Unitary for Houses: Through Win-Back, support for existing dealers, and development of new dealers, we aim to build awareness of the advantages of R32 units throughout the distribution network, expand sales, and regain market share. Sales of R410A units will expand through meticulous sales management. We will expand the **Fit** lineup with a focus on developing and supporting dealers.

Ductless: The sales network for handling ductless units will be expanded by new dealer development and training of existing dealers. We will also aim to expand sales by increasing the lineup of R32 units.

Applied: For data centers, where demand is strong, we will utilize the new factory (operation scheduled to start in June 2025) of an acquired company to increase equipment sales and expand the Solutions business by enlarging our After Sales Service network and service menu.

YoY change (Volume basis)	FY2024	FY2025	
	Daikin	Market	Daikin
Ducted unitary for houses	92%	93%	111%
Ductless	RA/SKY	123%	138%
	VRV	93%	101%
Applied	127%	116%	116%

\*Applied is based on total net sales in local currency.

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See page 16. Sales in the air conditioning business in the Americas exceeded the sales target of JPY1,550 billion for FY2025, the final year of FUSION25, as the strong applied business offset the delay in regaining market share in the Ducted Unitary for Houses business.

The overall operating margin for air conditioning in the Americas was 7%. Both DNA and DAA had an operating margin of approximately 8%.

Sales of DNA (Daikin Comfort Technologies North America, Inc.) were 98% of the previous year's level on a local currency basis. The breakdown of factors contributing to the increase or decrease in net sales shows a negative impact of 5 percentage points from volume, while a positive impact of 3 percentage points was due to an improved product mix. Selling prices and M&A had no significant impact. Despite our efforts to regain market share by urgently increasing production of R410A units and launching sales of R32 units, overall unitary sales volume was lower than the previous year due to a delay in customer regain (win-back).

DAIKIN APPLIED AMERICAS INC. achieved a significant increase in sales thanks to continued strong equipment sales, especially for data centers, and steady expansion in the service solutions business. In FY2025, we will expand Ducted Unitary for Houses sales through win-back, support of existing dealers, and development of new dealers.

The progress of win-back has been quite slow relative to the plan, at about 30% of the FY2024 actuals. On the other hand, these efforts are gradually yielding positive results, such as the resumption of business with major dealers and the start of sales at dealers with which we had no prior history of business. By increasing the

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frequency of visits to customers and promoting the superiority of the R32 units, we hope to recapture a large share of the market.

With regard to R410A units, we will steadily link inquiries to sales through meticulous sales management. With regard to the environmental product Fit, we aim to expand sales significantly by developing a sales network to handle the product and expanding the product lineup. In the applied business, we will continue to expand sales in data centers by utilizing the supply capacity of the new factory we acquired.

## AC Business - China

### FY2024 Results

As the business environment continues to be severe with a worsening real estate market and lower consumer spending, net sales fell below the previous fiscal year. To contend with this, Daikin concentrated its resources on direct sales to users, such as in the support of PROSHOP specialty stores and the strengthening of customer centers and live commerce. Operating profit remained at a high level due to sales expansion of high value-added products and cost reduction efforts.

- ✓ Residential: We focused on our own unique sales activities that combine user-direct offline retail sales with online activities such as live broadcasting using showrooms, web advertising, and SNS. In addition to selling system products such as air conditioning, ventilation, heat pump floor heating, and air quality sensors, we strengthened our Residential solutions that utilize IoT and data analysis to propose optimal air quality that is crafted to the individual lifestyle of each customer.
- ✓ Commercial: In response to the growth markets for government projects, factories, green buildings, and other areas due to the promotion of carbon neutrality policies, we are enhancing Solutions proposals by focusing on energy savings.
- ✓ Applied: Efforts were made to strengthen the After Sales Service business, including maintenance and servicing, but it suffered the impact of lower investment, especially in the manufacturing industry.

### FY2025 Forecast

Residential: In addition to the new housing market, we will focus on the expanding remodeled and existing housing market. To maintain high profitability, we will strengthen Residential solutions. We continue to propose new air value to customers by launching new system products to the market by combining hardware and software to provide the optimal air for each situation.

Commercial: In markets such as buildings, factories, and government projects, where demand is expanding in the backdrop of carbon neutrality, we are focusing on sales proposals that focus on energy savings.

YoY change (Local currency basis)	FY2024	FY2025	
	Daikin	Market	Daikin
Residential	92%	95%	103%
Commercial	89%	95%	103%
Applied	82%	91%	102%

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See page 17. In the air conditioning business in China, we focused on customer-direct sales activities amid a continuing difficult business environment, including a deteriorating real estate market and cooling consumption. Operating profit remained at a high level due to efforts to expand sales of high value-added products, reduce costs, and cut fixed costs.

Sales of residential multi-split type air conditioners were 92% of the previous year's level. We believe that we were able to secure maximum sales by demonstrating the strength of our sales capabilities through our unique sales activities that combine offline and online sales, as well as by introducing a new series of system products to capture a wide range of customer needs.

The business environment is expected to remain challenging in FY2025. However, we hope to maintain high profitability by strengthening residential solutions that offer optimal air quality tailored to each customer's lifestyle and differentiate ourselves from our competitors.

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# AC Business - Europe, Middle East, and Africa

## FY2024 Results

Net sales for the region overall exceeded the previous fiscal year.

In Europe, recovery in demand for heat pump heating continued to lag, but net sales improved year on year from a focus on Residential and Commercial sales. In the Middle East, net sales were significantly higher than the previous fiscal year due to the expansion of the Residential sales in Turkey, and Commercial sales in Saudi Arabia.

- ✓ Residential: While sales fell in France and Spain, Daikin focused on dealer development in Italy and Central Europe.
- ✓ Commercial: Sales expanded for segments with strong demand such as hotels and restaurants.
- ✓ H/P Heating: Despite signs in Germany and France that lower demand from subsidy reductions is bottoming out, purchase restraint among customers persists. Daikin focused on strengthening sales capabilities such as dealer development and support in applying for subsidies. In the UK, sales grew due to the movement toward strengthening the subsidy system and banning combustion heating in addition to our efforts for bolstering sales capabilities by acquiring service companies.
- ✓ Applied: Sales of medium-to-large chillers to data centers expanded, along with sales in the After Sales Service business.
- ✓ Freezer and Refrigerator: We enhanced sales capabilities to leverage the recovery in demand from food retail chains.

## FY2025 Forecast

**Residential:** By bolstering dealer support, we will aim to expand mid-range to high-end zones and increase market share. New product launches are also planned even for volume zone.

**Commercial:** With steady demand anticipated in the hotel and restaurant markets, we look to capture replacement demand by focusing on the environment and energy savings. We will aim to expand our Solutions business by strengthening direct proposals to owners, expanding our service menu, and providing energy management support.

**H/P Heating:** We intend to accelerate the use of our air conditioning sales channels and expand sales. In Germany, we will work on dealer development to capitalize on the rapidly expanding demand for R290 units to increase market share and expand sales. In the UK, we will leverage the movement to ban combustion type heating to expand sales.

**Applied:** We will expand sales by identifying markets with steady demand, such as data centers.

**Freezer and Refrigerator:** We are improving our Solution proposals for environmentally conscious products, such as showcases that use CO<sub>2</sub> refrigerant.

YoY change (Volume basis)		FY2024	FY2025	
		Daikin	Market	Daikin
Residential		104%	101%	107%
Commercial	SKY	98%	100%	105%
	VRV	106%	103%	110%
Heat Pump Heating		89%	98%	131%
Applied		106%	103%	113%
Refrigerator and Freezer		139%	103%	122%

\*Residential, commercial, and heat-pump heaters are only for Europe.

\*Applied, Refrigerator and Freezer are based on total net sales in local currency.

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See page 18. Sales in the air conditioning business in Europe, Middle East, and Africa increased from the previous year. In Europe, despite a slow recovery in demand for heat pump heating, sales were higher than a year earlier due to a focus on sales for residential and commercial use. In the Middle East, sales were higher than in the previous year due to increased sales for residential use in Turkey and expanded sales for commercial use in Saudi Arabia.

Although we feel that there are signs that the decline in demand for heat pump heating has bottomed out, the business environment is generally difficult. Meanwhile, demand for natural refrigerant R290 units is growing rapidly in Germany. Against a backdrop of tighter subsidies and a ban on combustion heating in the UK, the Company is leveraging acquired service companies to increase sales.

A significant demand recovery is not expected in FY2025, and the business environment will continue to be difficult. Under such circumstances, we will maximize sales expansion and increase market share by strengthening our sales and service systems and introducing new products that meet customer needs.

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# AC Business - Asia and Oceania

## FY2024 Results

Unrelentingly high inflation led to sluggish demand and a challenging business environment. Nevertheless, strong sales continued in India as we made efforts to develop and support dealers, leading to net sales for the overall region that significantly exceeded the previous fiscal year.

- ✓ Residential: In India, we expanded sales by capitalizing on improvements in our sales network and supply capacity to capture growing demand in an environment of economic growth. By implementing sales measures focused on dealers and consumers, sales expanded in Australia, Vietnam, and other countries.
- ✓ Commercial: We were able to steadily convert small-scale projects into orders and expand sales by developing and supporting dealers and strengthening our Solutions proposals.
- ✓ Applied: Equipment sales expanded by capturing growing demand at factories and data centers. A focus on the After Sales Service business, including Maintenance and Servicing, also contributed to sales growth.

**Year-on-year net sales of main countries (local currency basis)**  
 Australia: 105%, India: 126%, Vietnam: 107%,  
 Malaysia: 107%, Indonesia: 107%, Thailand: 99%

## FY2025 Forecast

**Residential:** In India, we will increase sales by enlarging our sales network in regional cities, adding high value to our products and services, and increasing our production capacity. In the ASEAN region, we will promote the sale of cost-competitive inverter units in countries with low inverter penetration rates, such as Indonesia and Malaysia. We will also expand our customer base by implementing product development and sales strategies that meet the needs of the wealthy and young generations.

**Commercial:** We will aim to expand sales by making direct proposals to building owners and introducing new products. We will strengthen proposals of high value-added Solutions such as energy conservation, IAQ, and maintenance and servicing.

**Applied:** In addition to increasing production capacity, we will focus on our After Sales Service business, such as maintenance and servicing, to expand sales.

YoY change (Volume basis)	FY2024	FY2025	
	Daikin	Market	Daikin
Residential	<b>114%</b>	112%	122%
Commercial	SKY	111%	118%
	VRV	<b>111%</b>	123%
Applied	<b>111%</b>	108%	114%

\*Applied is based on total net sales in local currency.

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See page 19. The air conditioning business in Asia and Oceania is facing a difficult business environment with sluggish demand due to rising inflation. Against this backdrop, efforts to develop and support dealers in each country boosted sales of both residential and commercial products, and overall sales in the region exceeded those of the previous year.

In residential air conditioning, sales grew significantly, taking advantage of the sales network and supply capabilities strengthened in India and capturing growing demand on the back of economic growth. Sales in Australia and Vietnam also grew, thanks to the sales network we have built up over the years.

In commercial air conditioning, we expanded sales by developing and supporting dealers and strengthening solution proposals, which led to steady orders for small-lot projects.

In FY2025, we will continue to achieve significant sales growth in India, where strong demand is expected to continue. In addition, we will expand our business by increasing the use of cost-competitive inverter units and strengthening solution proposals in commercial applications.

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## Chemicals Business

### FY2024 Results

Sales were impacted by the slow recovery in demand for semiconductor manufacturing processes and the automotive sector along with subsequent adjustments in distribution inventory. Nevertheless, the effect of foreign exchange rates kept sales on par with the previous fiscal year.

- ✓ Fluorocarbon Gas: We worked to maintain selling prices in a difficult environment of declining demand.
- ✓ Polymers and Fluoroelastomers
  - Fluoropolymers: The slow recovery in demand for LAN cables and a decline in demand for semiconductor manufacturing equipment affected results.
  - Fluoroelastomers: Sales decreased due to inventory adjustments in the automotive sector.
- ✓ Fine Chemicals, etc.: Sales of anti-smudge surface coating agents and etching agents for the semiconductor manufacturing process increased, whereas demand for water and oil repellents decreased.

### FY2025 Forecast

The business environment remains challenging as demand recovery in the semiconductor and automotive sectors continues to be slow.

We will focus on selling materials for AI semiconductor manufacturing equipment and electrical wire covering materials to meet the needs for faster communication speeds.

Additionally, Daikin is accelerating application development in the data center sector, where demand is expanding.

In the automotive segment, we will strengthen sales for positive electrode binders and sealing materials for lithium-ion batteries for the EV market and accelerate application development for high-performance materials.

In repellents, we will expand sales of environmentally advanced paper-use products amid a shift away from plastic.

YoY change (Net sales basis)	FY2024	FY2025	
	Daikin	Market	Daikin
Total	100%	95%	106%
Fluorocarbon Gas	109%	87%	89%
Fluoropolymers & Fluoroelastomers	99%	95%	104%
Fine Chemicals, etc.	97%	101%	122%

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See page 20. In the chemicals business, sales were at the same level as the previous year due to the rapidly deteriorating business environment. Fluoropolymer results were affected by a delay in the recovery of demand for LAN wires and a decline in demand for semiconductor manufacturing equipment. Fluoroelastomer sales declined due to distribution inventory adjustments in the automotive sector. In fine chemicals, etc., sales of oil and water repellants declined, but sales of anti-smudge surface coating agents and etching agents increased.

The business environment in FY2025 is expected to be challenging due to the continued delay in demand recovery in the semiconductor and automotive sectors. We will strive to expand sales by identifying favorable fields such as materials for AI and semiconductor manufacturing equipment and wire coating materials for data centers. In addition, we will strive to expand sales of binders for lithium-ion batteries, sealing materials, and repellents for paper applications to meet the growing demand for environmentally friendly products.

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## Filter Business

### FY2024 Results

Although a slow recovery in the semiconductor sector had an impact, overall demand remained strong, and the effect of foreign exchange resulted in net sales exceeding the previous fiscal year. However, profitability deteriorated from stagnant sales in the United States for highly profitable businesses, such as semiconductors and pharmaceuticals, and short-term expenses incurred in Europe for factory restructuring to improve productivity.

- ✓ Air Filter: Sales increased in the U.S. due to the expansion of our own dealers. In Europe, sales were strong in Northern Europe, as we captured the needs for energy savings and air quality. In Asia, sales fell from a slow recovery in the semiconductor market and the effect of price competition.
- ✓ P&I\*: While sales were strong because of efforts to expand the sales domain of specialty filters for oil fields, sales revenue fell year over year because of the withdrawal from unprofitable business to improve the business structure.

\*P&I: commercial-use dust collection systems such as for gas turbines and large-scale plants

### FY2025 Forecast

**Air Filter:** In the United States, we will strive to expand sales of high-gross-margin products by strengthening sales at our own dealers. In Japan, Asia, and Europe, Daikin will also work to expand sales in high-end markets such as semiconductors, pharmaceuticals, and data centers, in addition to focusing on productivity improvements and cost reductions to improve profitability.

**P&I:** Resources will be shifted to favorable businesses such as After Sales Services as we work to improve our business structure. For dust collection systems, we will focus on developing new customers by strengthening our sales capabilities to expand sales.

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See page 21. In the filter business, sales exceeded the previous year's level due to generally strong demand and the effect of foreign exchange rates, despite the delayed recovery of the semiconductor market. Profitability deteriorated slightly due to sluggish demand in the US in highly profitable areas such as the semiconductor and pharmaceutical markets, as well as plant reorganization in Europe to improve productivity.

In FY2025, we will strive to expand sales in the high-end market and improve profitability.

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## Other Businesses

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### FY2024 Results

**Oil Hydraulics:** Construction and industry machinery experienced stagnant demand, and sales of construction machinery and vehicles for Japan and the United States fell. Sales for industrial machinery to Japan and Europe also decreased, leading to a decline in net sales compared to the previous fiscal year.

**Defense Systems:** Net sales exceeded the previous fiscal year due to an increase in orders from the Japan Ministry of Defense and sales expansion of oxygen concentrators and hypoxic systems (devices that provide a high exercise effect by controlling oxygen concentration).

**Electronics:** Sales of database systems for the design and development fields decreased, resulting in net sales falling below the previous fiscal year.

### FY2025 Forecast

**Oil Hydraulics:** In response to environmental changes such as stricter environmental regulations and carbon neutrality goals, Daikin will aim to expand sales of highly energy-efficient hybrid equipment.

**Defense Systems:** Together with expanding sales and increasing market share for oxygen concentrators, we will aim to develop new sales opportunities, such as the fitness market, and enhance proposals for hypoxic systems.

**Electronics:** We will strengthen R&D support for the manufacturing industry and Solutions proposals for the construction industry.

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See page 22. In the oil hydraulics business, sales of products for construction machinery, vehicles, and industrial machinery all declined due to sluggish demand. Sales in the defense systems business increased due to an increase in orders from the Ministry of Defense and expanded sales of oxygen concentrators and hypoxia systems. In the electronic business, sales declined due to a drop in sales of database systems for the design and development field.

In FY2025, each business will continue to meet customer needs and expand sales in markets where demand is strong.

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## IV. Shareholder Return

- ✓ The year-end dividend is planned to be increased by 10 yen to 145 yen, due to record highs in net sales and operating profit. Combined with the interim dividend of 185 yen (including the 50 yen commemorative dividend for our 100th anniversary), the total annual dividend is expected to be 330 yen.
- ✓ The dividend for the next fiscal is planned for 330 yen (interim of 165 yen; term-end of 165 yen).

### 【Daikin Dividend Policy】

Together with making every effort to maintain a ratio of dividends to shareholder equity (DOE) of 3.0% based on the principle of always providing stable dividends to shareholders, we will continue striving in our mission to provide shareholders with even greater return by aiming for an increasingly higher level of dividend payout ratio.

		FY2020	FY2021	FY2022	FY2023	FY2024 (Proposed)	FY2025 (Forecast)
<b>Dividend per share</b>	Interim	¥80	¥90	¥100	¥120	¥185	¥165
	Annual	¥160	¥200	¥240	¥250	¥330	¥330
<b>Earnings per share</b>	H1	¥289.2	¥475.3	¥534.3	¥522.7	¥518.0	¥519.1
	Annual	¥534.0	¥743.9	¥880.6	¥889.2	¥904.3	¥929.0
(Reference) DOE Trend		3.0%	3.2%	3.3%	3.0%	3.6%	3.3%

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See page 23. The proposed year-end dividend is JPY145, an increase of JPY10 from the current announcement, as net sales and operating profit for the fiscal year ended March 31, 2025 have reached record highs. Together with the interim dividend of JPY185 that has already been paid, we plan to pay an annual dividend of JPY330.

For the next fiscal year, we forecast that the ordinary dividend, excluding the commemorative dividend, will be JPY330, an increase of JPY50 from FY2024. The total amount remains unchanged as the outlook for the business environment is more uncertain than before. However, we intend to reward our shareholders by achieving our annual plan and increasing dividends to the maximum extent possible.

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## « Reference » Foreign Exchange

### Exchange Rate

	FY2023 Results			FY2024 Results			FY2025 Forecast
	H1	H2	Total	H1	H2	Total	
USD	¥141	¥148	¥145	¥153	¥152	¥153	¥140
EUR	¥153	¥161	¥157	¥166	¥162	¥164	¥160
RMB	¥19.8	¥20.5	¥20.1	¥21.2	¥21.1	¥21.1	¥19.5
THB	¥4.1	¥4.2	¥4.1	¥4.3	¥4.5	¥4.4	¥4.2
AUD	¥93	¥97	¥95	¥101	¥98	¥99	¥90

### Sensitivity of Foreign Exchange

(Impact of change by 1 yen to operating profit)

	FY2025 Forecast
USD	2.3 billion yen
EUR	0.6 billion yen

\*Changes for the THB, RMB, AUD, etc., are assumed to be linked to the USD.

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See page 24. The actual exchange rates for FY2024 and the assumptions for FY2025 are as stated.

We estimate that a JPY1 change in the value of the yen against the dollar has a JPY2.3 billion impact on operating profit, and a JPY1 change in the value of the yen against the euro has a JPY0.6 billion impact.

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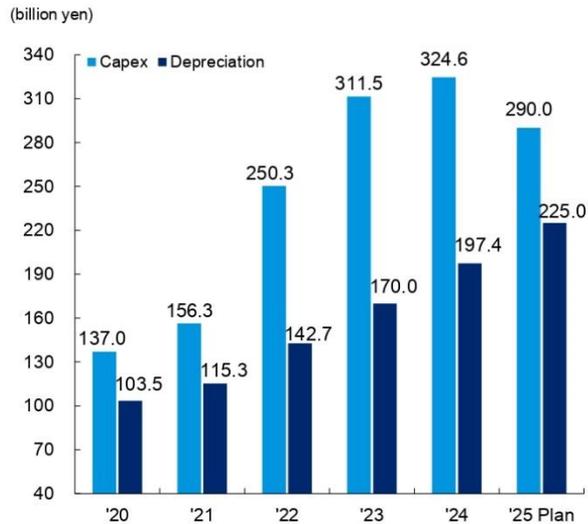
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# Capex, Depreciation and R&D Cost

## Capex and Depreciation



## R&D Cost



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See page 25. The FY2024 actual and FY2025 plan for capital investment, depreciation, and R&D expenses are shown in the table.

Even in the current difficult business environment, we intend to steadily implement investments in production capacity expansion, R&D, and digital investments for future growth and development.

That is all I have to say. Thank you very much.

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## Question & Answer

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**Sakamoto [M]:** We will now have time for questions and answers. Mr. Isayama of Goldman Sachs, could you ask your question?

**Isayama [Q]:** My name is Isayama from Goldman Sachs. Thank you very much. Let me ask you two questions, both about the United States.

First, I would like to know more about your performance in the US market in quantitative terms. The Q4 figure of 92% for Unitary in the US market on page 16 looks rather grim, compared to 96% through Q3 compared to the previous year. The Company appears to be underperforming compared to the competitors in the US, which increased sales for Residential Unitary by roughly double-digit in the January-March period. I would like to ask about DNA's sales for Q4.

At the same time, Mr. Takenaka talked about win-back of what has been delayed. I believe Mr. Takahashi mentioned at the Q3 briefing that he wanted to bring the number of dealers back up to 80% of the 8,500. How far has it returned? You commented that the distribution inventory prevented it. However, I believe you told us that once the 410A inventory is replenished, you will finally be able to go on the offensive. I would like to know how much you actually got back.

Also, regarding market share, I believe you mentioned that it was below 20% at the end of Q3. I would like to ask what the current percentage is. I would be grateful if you could provide us with quantitative figures on DNA's performance in regaining dealerships and market share.

**Takahashi [A]:** First of all, regarding win-back, I believe we mentioned that our goal was to get 80% of the 8,500 stores back. In the period that ended, it was roughly 30%, which was far short of the target. Since there was a considerable accumulation of inventory in distribution, we could not get it back as we had hoped.

Although we have not announced the target for the current fiscal year, we have set a target of 80% again internally and are continuing to visit customers.

We estimate that the share would have dropped about 3 percentage points, from 23% the year before last to around 20%.

DNA's Q4 sales were about 95% of the previous year's level.

**Isayama [Q]:** Thank you very much. For the results you have just given us, are you evaluating that you have taken various measures but have lost sales in this quarter?

**Takahashi [A]:** In a nutshell, you are right that we are losing market share. We were losing market share until the first half, and although we tried to recover, we could not.

**Isayama [Q]:** Thank you very much. Second, based on what you have just said, I would like to know DNA's sales plan and growth rate for the current fiscal year.

On page 16, Ducted Unitary for Houses sales are expected to increase 11% YoY. I would appreciate it if you could provide us with sales figures that include price and M&A effects in addition to volume.

In light of the market share trends you just mentioned and the competitive environment, I think there is a possibility that market share may return if you do your best in sales promotion without shifting prices. In that

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case, although profitability is a concern, it appears to outside the Company that the priority should be to regain market share. Against this background, I would like to ask for your thoughts.

Regarding price pass-through, it may be better to be price competitive now. I would like to know your sales plan, its accuracy, and your measures.

**Takahashi [A]:** We plan to increase DNA's sales in FY2025 to 116% of the previous year's level. We are having various discussions internally regarding the current pricing policy. However, there are two major environmental change factors, one of which is the cost increase due to the Trump tariffs. As Mr. Takenaka explained earlier, with regard to tariffs that are already in effect, we will pass on prices to some extent. Our rivals are probably making the same move.

Regarding the background of your question, the issue is how to price R32 units, since the volume of R32 units will be overwhelmingly large in FY2025. Perhaps the competitors will come out with new R454B products. In that case, costs will go up considerably, and we expect that our competitors will raise their prices by almost 10%. In contrast, we plan not to raise it too much.

**Isayama [Q]:** Of the 116%, I think about 5 points of the difference with the volume correspond to the effects of price and M&A. I believe the original mid-term management plan's operating profit of JPY500 billion and the current figure of just over JPY430 billion are your targets. I think the recovery of market share is a very important point in the medium to long term. Do you intend to prioritize price or market share?

Is profitability the only priority, and is the goal to secure margins rather than market share? Or is the argument that the urgency in the US is so great that aggressive promotion is not an option? I would appreciate any hints you can give us.

**Takahashi [A]:** This may sound a little strange, but we are trying to do both. It is very easy to prioritize one over the other, but our major proposition is to balance market share with price, or rather, profitability.

To this end, we will strengthen our sales capabilities and accelerate the development of differentiated products, as Mr. Takenaka explained earlier. In addition to the 6 horizontal themes, the entire company has identified the big theme of simultaneous pursuit of sales expansion and market share increase in the FY2025 management plan, and we will basically strive to increase our market share. However, in the US, rather than increasing market share, we would like to regain market share and maintain profitability.

**Takenaka [A]:** Let me add a little more. As Mr. Takahashi just said, we will aim for both. As mentioned earlier, we lost sales to other companies last fiscal year, so from a management perspective, we recognize that strengthening DNA's sales capabilities is a top priority.

This is because when we expand our inverter further in the future with premium products such as Fit and the superiority of R32, it is important how strong our sales force is compared to our US-based competitors. Our ultimate goal is to be number one. We recognize the importance of clarifying the issues in each region and store and taking steps to address them.

Naturally, the competitive environment and selling prices differ from one company to another, which is why DNA is undertaking a major sales reform. Specifically, as part of sales process reform, we are again providing thorough training to our salespeople. In the past, when the environment became more difficult, priority was placed on volume and sales, but to bring awareness to volume and profit, the compensation system will be reformed based on gross profit. We have also introduced regional and customer-specific management and CRM, through which executives monitor salespeople's KPI's, thereby fundamentally strengthening their impact.

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In addition to taking measures to at least counter the losses, we would like to fundamentally re-identify the issues that need to be addressed in order to make our sales force number one in the US, and take steps to address them.

**Isayama [M]:** I understand very well. Thank you very much, President Takenaka and Senior Executive Officer Takahashi.

**Sakamoto [M]:** Thank you very much. Next, Mr. Sasaki of UBS Securities, could you ask your question?

**Sasaki [Q]:** I am Sasaki from UBS Securities. Thank you for your cooperation. I would like to ask two quick questions.

The first question is about Europe. The explanation you just gave us also shows that the OP margin in Europe was very weak at 4% in the last period. I would like to ask you whether the significant underachievement of the plan in the previous fiscal year was due to the deteriorating performance in Europe. On top of that, please give us some background as to why profit margins have deteriorated so much in Europe.

In contrast, what are your forecasts for Europe for the fiscal year ending March 31, 2026? In particular, how do you expect to improve the profit margin, which has fallen to 4%, and by how much? What are your thoughts and strategies regarding performance?

**Takahashi [A]:** There are two main reasons why we fell short of our company-wide plan. The first is Europe. However, our performance in Europe has been getting progressively worse since the middle of the fiscal year, and this is a major part of the reason why we have not achieved our goal.

Finally, the management plan was to work considerably harder in Q4, including win-back in North America. We failed in this, which we understand was the reason for the failure to achieve the plan. The biggest reason for the shortfall was that the performance of the North American air conditioning business and the European air conditioning business did not reach the plan. Results for applied air conditioning and domestic air conditioning were better than planned, but this could not offset the shortfall.

Why is the profit margin so low? As Mr. Takenaka mentioned, we are basically continuing to invest in facilities and R&D, including the plant in Poland, based on the assumption that heat pump heating will grow significantly in the medium to long term. Therefore, in a situation with slightly heavy fixed costs, demand has been drastically reduced.

In 2025, for example, demand has fallen to about one-third of FUSION's assumptions. Sales have fallen accordingly, and the structure has become very heavily weighted toward fixed costs. As a result, production was lower, which led to inefficiency in all aspects; I believe this was the biggest factor.

The environment for heating will not improve dramatically in the next fiscal year, but now that we have hit bottom, we will continue to improve our performance, including expanding sales of R290 units. We would like to increase the profit margin by a little over 1 percentage point compared to the current 4%.

**Sasaki [Q]:** Thank you very much. In Europe, if sales of heat pump heating do not recover, will it be tough in terms of profitability? Also, there is talk of a stimulus package in Europe, have you seen any benefits from it?

**Takahashi [A]:** The most significant factor is the deterioration in the profitability of heat pump heating, but internally we see a slight decline in the profitability of residential air conditioners and commercial air conditioners as a whole as a problem.

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In particular, with regard to residential air conditioners, the ratio of the high-value-added zone, in which we excel, is decreasing somewhat. We hope to recover this again and aggressively propose new products and sales channels to our customers to achieve a certain scale of business.

As for the economic stimulus package, we have not heard much from the local market that it seems to be working and improving business performance. We have heard that tourism demand has returned in some countries and that related commercial demand is starting to move. However, in general, we have not received much information from the local side as you have just pointed out.

**Sasaki [Q]:** I understand very well. Thank you very much. Second, please tell us about your US applied business. You mentioned earlier that DAA's OP margin is now 8%, and I believe the scale of sales is also increasing.

Please tell us how much actual sales were for the fiscal year ended March 31, 2025, and how much sales are expected for the fiscal year ending March 31, 2026. You also said you would increase the solution ratio about 50% to 60%. Please tell us how much applied is expected to contribute to the profit margin forecast for this fiscal year.

**Takahashi [A]:** As you indicated, we plan to grow applied sales significantly this fiscal year. DAIKIN APPLIED AMERICAS is targeting double-digit, over 10% growth in sales. The profit margin was about 8% in the period just ended, while there was a slight increase expected this year.

**Takenaka [A]:** The profit margin after amortization of goodwill is just over 8% the year under review, and we hope to bring this closer to 10% in FY2025.

**Sasaki [Q]:** Is the margin increasing by this amount because the solution ratio is expanding?

**Takenaka [A]:** Yes. However, the ratio of solutions is still low compared to the three US companies. In particular, since our equipment stock is small, we recognize that there is still a gap with other companies in terms of 3S, 4S, and 5S for that stock.

On the other hand, with regard to equipment, sales to data centers have expanded considerably. In the area of equipment, demand is very strong right now and we are able to maintain a high profit margin because of our supply capacity. In any case, we recognize that expanding solutions is the key to future profitability and profit growth.

That is one of the reasons why we took steps to strengthen this point in yesterday's executive appointments, and we intend to expand on this in the future.

**Sasaki [Q]:** Thank you very much. According to the explanation you just gave us, sales are now close to JPY1 trillion and OP margins are close to double digits, so is the US applied business becoming a business that contributes to profits to the same extent as the air conditioning business in China?

**Takahashi [A]:** The profit scale of the China business is around JPY100 billion, and the US applied business is not so large yet.

**Sasaki [M]:** I understand. Thank you very much.

**Sakamoto [M]:** Thank you very much. Next, Mr. Maekawa of Nomura Securities, could you ask your question?

**Maekawa [Q]:** My name is Maekawa from Nomura Securities. Thank you very much for your explanation. Let me ask you two questions as well.

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The first is about the unitary in the US. You mentioned that sales were hampered by R410A inventory, but what is the current inventory situation? I believe that the inventory is decreasing since production is no longer possible at the end of December 2024. With inventory levels still high, are you trying to cope with the situation through self-help efforts?

I am sure that it will eventually return to an appropriate level, but I would like to confirm whether this understanding is correct.

**Takahashi [A]:** Distribution inventories remain high. However, as you have just pointed out, we expect that inventory will be aggressively digested as we enter the season. It is difficult to say exactly when the inventory will be eliminated but we expect that it will be sooner rather than later.

**Maekawa [Q]:** I think that if the housing market itself deteriorates or if other companies attack shipments of new refrigerant machines, there may be a delay in resolving the distribution inventory. How has the speed of inventory elimination changed compared to the past?

**Takenaka [A]:** We expect industry demand for Ducted Unitary for Houses to be about 93% in FY2025, partly due to inflation concerns and high interest rates. According to the information we have, the inventory in the distribution channel has been built up to 120% of the previous year's level.

Since the demand is 93%, we have no choice but to give priority to shipments from distribution for the time being. Conversely, we expect that the real competition will be after the summer.

Therefore, we recognize that sales in the Americas during April to June will be quite severe. However, win-back is still a work in progress, and in the case of the US, different states have different attitudes toward energy conservation. By leveraging our strengths and continuing to expand sales of high value-added products, we ultimately aim to achieve annual shipments of 111% of the previous year's level.

**Maekawa [Q]:** Understood, thank you very much. Second, I would like to ask you about tariff measures. The direct cost increase of JPY47 billion is expected to have an impact, which will be countered by price pass-on and cost reductions. Sales price is factored in as a factor for the JPY100 billion increase in profit this fiscal year, but how much of this is due to the tariff impact that will be passed on in prices?

You are already seeing movement in the competition. I would like to know about your company's price pass-through efforts.

**Takahashi [A]:** In response to the JPY47 billion cost increase due to tariffs, we plan to take measures of around JPY40 billion in selling prices and around JPY7 billion in cost improvement.

**Maekawa [Q]:** I understand. In other words, the JPY60 billion, excluding the JPY40 billion, is not from tariff measures but from the originally planned sales price measures?

**Takahashi [A]:** Yes.

**Maekawa [Q]:** Have you already seen any effect of this JPY60 billion? Also, I would appreciate it if you could tell us how much work has now been started on the JPY40 billion tariff measure.

**Takahashi [A]:** In North America, for example, we have already announced those that were finalized in early April.

**Maekawa [Q]:** What about the JPY60 billion selling price measure other than tariff measures? Does this include price increases during the term?

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**Takahashi [A]:** There are two major effects of selling prices. The first is to capture the effect of price revisions for new products introduced in the second half of last fiscal year, and the second is to capture the effect of price revisions for new products to be introduced this fiscal year.

**Maekawa [M]:** I understand. Thank you very much.

**Sakamoto [M]:** Thank you very much. Next, Mr. Ibara of Morgan Stanley MUFG Securities, could you ask your question?

**Ibara [Q]:** My name is Ibara from Morgan. Thank you for your cooperation. The first is about the profitability of the Asian business. In FY2024, sales grew very strongly, especially in India, while the profit margin was 11%, the same as last year.

Originally, the profit margin in India was somewhat lower than that of Asia as a whole, and I believe you mentioned that the reason for this was upfront investment. Is this situation still going on? Can you tell us what the margins are likely to be for India and Asia as a whole for the next fiscal year?

**Uehara [A]:** Thank you for your question. I will answer your question.

As you have pointed out, the profit margin of the Indian business is still low compared to Asia as a whole, and the increase in the profit contribution of the Indian business is a factor pushing down the profit margin of Asia as a whole.

Another factor is the transfer of production of equipment originally exported from Thailand and Malaysia to the United States to Mexico. Since the profit margin on those export products was higher than the profit margin on the Asian market, this decrease has pushed down the profit margin in the Asian region.

In response to this, in addition to our ongoing cost reduction efforts, we will also promote initiatives such as sales expansion of high value-added products and business-use sales in India, and we hope to raise the profit margin in India by about 1 percentage point from the FY2024 level.

**Ibara [Q]:** Is the profit margin in India still lower than the Asian average of 11%, even with a 1 percentage point increase?

**Uehara [A]:** Yes, it is still low. Less than 10%.

**Ibara [M]:** Thank you very much.

**Takenaka [A]:** In India, the penetration rate of residential air conditioning is still low at 7% to 8%, and our business is mainly room air conditioners.

At the same time, we are developing strong distributors and exclusive retailers that can offer a full lineup of products. We hope to use them to increase sales of our high value-added products, products such as multi-split and commercial VRV in room air conditioners, and to raise profit margins.

Production is already near full capacity, and we are able to produce everything from room air conditioners to applied systems in India. On the other hand, there are still many issues to be addressed in terms of cost. We hope to improve our profit margin by increasing the ratio of high value-added products and by implementing cost reductions by taking advantage of in-house production.

We hope you understand that we are implementing the above initiatives. Specific numerical targets will be defined in the next mid-term management plan.

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**Ibara [Q]:** When I visited India last year, I had the impression that the pricing in India tends to be lower than in other countries in Southeast Asia, and that the strategy is more about securing volume.

Now that you have a sales network, do you want to raise prices a bit more like other Southeast Asian countries?

**Takenaka [A]:** That is correct.

**Ibara [Q]:** Will that be realized starting this year?

**Uehara [A]:** In the volume zone, there is a fierce competition with local manufacturers. In that area, the selling price difference must be reduced to some extent.

Meanwhile, demand for high value-added products is gradually increasing. Therefore, we are currently working to raise the average selling price by shifting as much as possible to sales of high value-added products.

**Ibara [Q]:** Thank you very much. Secondly, the capital investment plan is JPY 290 billion, which is the first time in a long time that it has been lower than the previous year's level.

In such a difficult business environment, is there a possibility that you will revise your business strategy? I have the impression that Daikin has been managed with a rather aggressive approach to capital investment, R&D, and other activities.

From what I have heard today, I get the impression that you will continue your aggressive stance and continue your company's winning pattern. I would be very grateful if you could give us some indication as to whether there is any possibility of a change in policy or any new measures to be taken in the future.

**Takenaka [A]:** I believe that it is no longer enough for us to stick to the one-size-fits-all approach that we have always been good at, which is to invest on the premise of growth and earn a return. We recognize that this will not be enough to strengthen our earning power in the future.

Until now, we have relied on the growth of its direct expansion air conditioning equipment. However, looking at the world, there is still room for growth in the area of applied air conditioning. With this in mind, we are now discussing exactly what our capital policy should be if we are to place our focus on the Solutions business in the future.

**Ibara [Q]:** From the outside looking in, it is difficult to understand the new measures President Takenaka is talking about. Do you have any specific examples you can share with us?

**Takenaka [A]:** We are currently discussing this internally in order to announce it in the next management plan, so please wait a little longer.

**Ibara [M]:** I understand. Thank you very much.

**Sakamoto [M]:** Thank you very much. Next, Mr. Fukuhara of Jefferies Securities, could you ask your question?

**Fukuhara [Q]:** Hello. This is Fukuhara of Jefferies. Thank you for your time today.

The first is the concept of the JPY47 billion in tariff impact with the current forecast. You mentioned earlier that the portion to be absorbed through price pass-through is JPY40 billion. However, on page 12, the JPY47 billion tariff impact is included in raw materials, and selling price is a separate item.

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If the price pass-through and cost cutting are successful, will JPY47 billion be simply added to the JPY435 billion of operating profit planned? Or is the tariff impact already included in changes in operating profit, so even if it works out, it will not exceed JPY435 billion?

**Takahashi [A]:** The negative JPY47 billion due to the tariff impact and the positive JPY47 billion due to the absorbing the tariff impact are included in this figure, so please understand that it would be JPY435 billion if it could work as planned.

**Fukuhara [Q]:** I understand. My second question is about the current status of refrigerants in the US. I think there is talk in the industry about a shortage of R454b supply.

If other companies are forced to raise their prices further due to such a situation, will your company still not raise its prices? Could you please explain again the supply situation of refrigerant and the concept of selling price?

**Hiraga [A]:** I will first answer about supply. We have selected R32, not R454b, and together with the chemicals division, we have been establishing a supply system for R32 over the medium to long term, mainly in the US, but also in China and India.

**Takenaka [A]:** The supply of R32 refrigerant is proceeding without problems. On the other hand, as you pointed out, we have heard that there is a considerable shortage of small-lot refrigerant for R454b at some sites. R454b is a mixture of R32 and R1234yf refrigerants. We recognize that the R454b supply disruption could be an opportunity for us.

Since we fell behind in sales of R410A units, we are taking steps to gain an edge in sales of new refrigerant models, while keeping a close eye on the situation at other companies.

**Takahashi [A]:** We are planning to revise and raise the prices of R32 units this year. We do not say that prices will not be raised. However, we will not raise prices as much as other companies' price increases.

**Fukuhara [M]:** I understand. Thank you very much.

**Sakamoto [M]:** Thank you very much. Next, Mr. McDonald of Citigroup Global Markets, could you ask your question?

**McDonald [Q]:** Thank you very much for today. In my opinion, I don't think there has been this much talk about market share in a decade or so.

When it comes to market share and profitability, there does not seem to be a balance. This is related to Mr. Ibara's question: capital investment, R&D investment, and M&A investment have been growing all these years. As you explained, you had record profits last year and record profits again this year under difficult circumstances, which I think is highly evaluated within the Company. However, from the outside looking in, costs are substantial but returns are decreasing, and ROE has been declining for the past several years with no signs of a turnaround.

If the next mid- to long-term plan, FUSION30, does not emphasize profitability a bit more and raise the focus on ROE and ROIC, I think foreign investors and stock prices will leave Daikin. While it is important to grow the top line, I think more attention needs to be paid to profitability and returns. What do you think about that?

**Takenaka [A]:** I recognize that you are right. Therefore, our goal for this year is to raise the profit margin again, to 10%, and of course, we are considering our capital policy, including where to invest.

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At the very least, this year we will first shift our emphasis from volume and sales to selling price and gross profit margin. In addition, we intend to work on how to increase the composition ratio of strategic products and how to reduce unprofitable products. We have instructed each division to ensure that profit margins are improved, and we are currently working on this.

**McDonald [Q]:** I think that although the US applied business and the Indian business are growing, the profit margins on both are lower than the overall average. By this time next year, the company should be generating even more revenue.

**Takenaka [A]:** I think you are right. Thank you for your input. We are just now beginning to consider the portfolio. I would like to take the opportunity to explain again.

**McDonald [M]:** Thank you.

**Sakamoto [M]:** Thank you very much. The end time is approaching, and we will take the last question. Mr. Taninaka of SMBC Nikko Securities, could you ask your question?

**Taninaka [Q]:** My name is Taninaka from SMBC Nikko Securities. Let me ask you two questions. The first is about the concept of fixed costs. In the fiscal year ended March 2025, the negative impact of fixed costs on operating profit was planned to increase by JPY73 billion YoY. Please give us some background on how you were able to control this to JPY46.5 billion. Is it also possible to control the negative impact of JPY86 billion on operating profit due to fixed costs planned for the fiscal year ending March 31, 2026? I know it depends on the volume to some extent.

**Takahashi [A]:** I remember receiving comments from everyone at the last briefing and other meetings that there was little reduction in fixed costs.

As I mentioned at the beginning of this presentation, the situation in North America and Europe deteriorated rapidly, and the entire company has been working to improve cost efficiency since the latter half of the fiscal year. We evaluate that we were able to capture the positive results of these efforts

We are willing to invest this much in fixed costs in order to make sure that we can do the themes we want to do this fiscal year. The majority of the costs include depreciation, research and development, and personnel costs.

However, as I mentioned earlier, the indirect impact of the Trump tariffs has not been determined. So at this point, we are also preparing a contingency plan for how much we will reduce fixed costs if demand decreases to a certain degree. There is a consensus within the Company to lower the amount of fixed costs if the business environment deteriorates.

**Taninaka [Q]:** Thank you very much. The second point is regarding price. While sales expansion effects and sales volume fell short of the plan to some extent in the fiscal year ended March 31, 2025, profit growth due to selling price effects was JPY33 billion as planned. Could you give us some background on this? Also, is there any certainty that the JPY102 billion planned for the current fiscal year can be achieved even if sales volume declines to some extent?

**Takahashi [A]:** As we mentioned in our previous answer, we are conscious of profitability, and we have basically ensured within the Company that we will complete the measures to increase sales prices that we initially set forth. We believe this allowed us to increase prices almost as planned.

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Therefore, there has been an opinion during discussions with the front line that if the price had not been raised, the sales volume would have been a little higher. In the previous year, however, we focused on profitability. At this point in time, we plan to work through this selling price plan again this fiscal year.

However, again, we have discussed internally that if demand drops significantly due to the indirect effects of the Trump tariffs, it will be very difficult to achieve this price increase plan. As Mr. Takenaka mentioned, one of the very important themes that we are promoting as a top matter is to accelerate or advance product development, even with minor changes.

We believe that unless we produce products that appeal to customers, we will not be able to raise selling prices in a period of declining demand. Under the direction of top management, the currently planned product development plan to move forward or materialize some additional minor changes is already underway.

**Taninaka [M]:** I understand very well. Thank you very much. That's all from me.

**Sakamoto [M]:** Thank you very much. This concludes the financial results briefing. Thank you very much for your participation to the end.

[END]

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