



Daikin Industries, Ltd.

Q2 Financial Results Briefing for the Fiscal Year Ending March 2026

November 6, 2025

Event Summary

[Company Name] Daikin Industries, Ltd.

[Company ID] 6367-QCODE

[Event Language] JPN

[Event Type] Earnings Announcement

[Event Name] Q2 Financial Results Briefing for the Fiscal Year Ending March 2026

[Fiscal Period] FY2026 Q2

[Date] November 6, 2025

[Number of Pages] 38

[Time] 10:30 – 11:56
(Total: 86 minutes, Presentation: 36 minutes, Q&A: 50 minutes)

[Venue] Webcast

[Number of Speakers] 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
Kota Miyazumi	Senior Executive Officer, Responsible for Corporate Communication
Shoji Uehara	Executive Officer, Responsible for Global Operations Division
Yasuhisa Hirao	General Manager, Chemicals Division

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com

[Analyst Names]*	Yuichiro Isayama	Goldman Sachs
	Kentaro Maekawa	Nomura Securities
	Tsubasa Sasaki	UBS Securities
	Sho Fukuhara	Jefferies
	Kenjin Hotta	BofA Securities
	Graeme McDonald	Citigroup Global Markets
	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.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com



Presentation

Sakamoto: We will now begin the presentation of Daikin Industries, Ltd.'s financial results for Q2 of the fiscal year ending March 31, 2026. Thank you for taking time out of your busy schedules to join us today. The explanatory material is available on the Investor Relations section of the Company's website, as the e-mailed announcement, and can be downloaded if necessary.

Today's speakers are: 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; Shoji Uehara, Executive Officer, Responsible for Global Corporation Division; Yasuhisa Hirao, General Manager, Chemical Division; and Kota Miyazumi, Senior Executive Officer, Responsible for Corporate Communication. I, Sakamoto of Investor Relations Management Group, will be the facilitator. Thank you for your cooperation.

Today, we will begin with a talk from President Takenaka, and then Vice President Takahashi will give an overview of the financial results, which will take about 40 minutes in total. This will be followed by a Q&A session. The end time is scheduled at 12:00. Now, President Takenaka, please begin.

Takenaka: My name is Takenaka. Thank you very much for taking time out of your really busy schedules to participate in this event. We would like to take this opportunity to thank you all for your continued support of our business activities.

As we announced yesterday, we were able to secure net sales and operating profit in line with our plan in H1 of the fiscal year as a result of our continued strict focus on profit-oriented business operations amid the continuing severe business environment. Although operating profit was only slightly higher than planned, ordinary profit and net profit reached record highs for H1 of a fiscal year.

At the beginning of the period, the plan was formulated with the expectation that the business environment would recover through H2. However, the market recovery has been slower than expected and the business environment is expected to remain severe. Since the beginning of the fiscal year, the Company has been working to increase the speed and effectiveness of its structural reforms by establishing six themes to be promoted as top management priorities. By maximizing the creation of these results, we intend to beat back the harshness of the business environment and ensure that we will achieve annual operating profit of JPY435 billion.

Both sales and operating profit were almost in line with the plan. Takahashi will explain the details of the H1 results later. Net sales were JPY2,478.8 billion and operating profit was JPY246.6 billion, achieving an increase in both sales and operating profit on a real basis, excluding the effect of exchange rates. Especially since Q2, demand has been slower than we had expected due to the sluggish US housing market and the prolonged real estate recession in China. In spite of such circumstances, we have been implementing measures on six themes that we have set as our top matters, such as strengthening sales and marketing capabilities in the US and Europe, expanding sales of high value-added products in the domestic market, increasing selling prices and reducing costs. While demand was tougher than expected, we were able to increase profits in H1 by thoroughly implementing the measures we initially set forth and taking additional measures as well.

I would like to discuss some of the key points in H2 and beyond. First, let me talk about our North American air conditioning business, which is of most interest to you. In the ducted unitary for houses business in the Americas, in addition to regaining customers, we are accelerating the development of new dealers. We are also building a system to enhance customer management and follow-up on business negotiations, thereby strengthening our ability to make proposals to customers. Sales through our own wholesalers, which is one

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com



of our greatest strengths, have been able to grow despite weak demand, and we aim to further increase sales in H2 of the fiscal year.

In addition, by providing dealers with detailed support and guidance through individual visits, we will lower the hurdles to handling environmental premium products such as Fit, leading to increased sales. As for the applied air conditioning business, demand from data centers remained strong. As of the end of H1, the ratio of the solutions business in North America had risen to 60%, and we are on track to meet our target. To continue to expand the solutions business, we will further strengthen sales by application and market, such as semiconductor manufacturing, factories and schools, in addition to data centers.

Regarding the business for data centers, we announced yesterday that Daikin Applied Americas, L.L.C. (DAA) has acquired Chilldyne, Inc., a US company with strengths in liquid cooling technology for data centers. DAA also acquired DDCS, a server rack cooling technology company, in August. With these acquisitions, we now have a complete lineup of chillers, air handling units, cabinet cooling system, and liquid cooling system, and are ready to provide cooling solutions to meet the diversified needs of our customers. We believe we have made a major step toward future business expansion in the data center market.

As for India, sales were weak in H1 due to unfavorable weather conditions as well as the impact of restrained buying following the announcement of a consumption tax cut. However, from October onward, we are responding to the special demand for tax reductions by launching a campaign to promote replacement purchases, and we will take full advantage of our sales and service network and production capacity to take advantage of opportunities to expand sales.

This fiscal year is the final year of our strategic management plan, FUSION25. We are currently in the process of formulating a new plan, FUSION 30, which will start in the next fiscal year, and we plan to incorporate a new capital policy into this FUSION. The basis of our management is to actively invest in future growth opportunities and implement growth strategies to enhance corporate value and contribute to social issues. To support our growth strategy into the future, we intend to meet the expectations of our stakeholders by promoting management with a stronger focus on improving profitability, capital efficiency and ROE.

We would like to draw your attention to three major aspects of our business strategy. The first is a shift to a business structure that earns money through solutions. We would like to offer value proposals over the entire life cycle, not only for energy-saving equipment alone, but also for instrumentation, energy management, and other market and application-specific issues that our customers face. We believe it is important to provide high value-added systems and services for data centers and factories, which are growing markets.

The second point is to achieve the number one sales position in North America and to improve profit margins. In addition to establishing a high position in the unitary market by expanding the use of environmental premium commercial products such as inverters and R32, we will strengthen the Applied business, whose market is expanding, and promote the solutions business.

The third point is to expand business in the Global South. We will set up a major structure for development, production, sales, and service locally to capture the growing demand in the future. By enhancing our product lineup and cost competitiveness, we will also be able to expand in the Middle East and Africa. Although Chinese manufacturers have recently been increasingly aggressive in Southeast Asia and Europe, we will improve profitability over the medium to long term by developing differentiation strategies suited to each market.

We have also been discussing capital allocation. The Company intends to fundamentally review the way it returns cash to shareholders, including not only reinvestment of cash generated by continued investment in growth and stable dividends, but also share buybacks as an option. We are currently in the process of finalizing the details and will explain the specific capital policy in more detail to you when FUSION30 is announced.

Support

Japan 050.5212.7790

Tollfree 0120.966.744

Email Support support@scriptsasia.com

That is all from me. Together with the Board members present today, I would like to answer your questions later.

Sakamoto: Next, Vice President Takahashi, please.

I . FY2025 1st Half Financial Results

Both revenue and profits increased in real terms excluding the effect of foreign exchange rates, resulting in record high profits.

Despite the lingering severity in the business environment that included a sluggish U.S. housing market and protracted real estate slump in China, we increased profits by strengthening our sales and marketing capabilities, implementing strategic selling price measures, and promoting cost reduction initiatives.

The direct impact of U.S. tariffs (operating profit of approximately 18 billion yen) was absorbed by utilizing pass-through pricing and cost reductions.

- ✓ **Air Conditioning business:** Despite being impacted by declining residential demand in the Americas and China, along with the economic downturn and unseasonable weather in Asia, Daikin expanded sales in businesses with strong demand such as Applied and Commercial. Together with a significant recovery in market share for Ducted Unitary for Houses in the Americas, we also expanded sales in Japan with high value-added products while concentrating resources in China on sales of residential multi-split air conditioners. Net Sales and profits increased in real terms, excluding exchange rates.
- ✓ **Chemicals business:** Revenue and profits decreased due to slow demand for semiconductors and the subsequent adjustment in distribution inventory.

	FY2024 H1	FY2025 H1		
(billion yen)	Results	Forecast (May)	Results	YoY
Net sales	2,493.1	2,470.0	2,478.8	99%
Operating profit	246.6	247.0	246.6	100%
(%)	(9.9%)	(10.0%)	(9.9%)	
Ordinary profit	224.2	231.0	241.9	108%
(%)	(9.0%)	(9.4%)	(9.8%)	
Profit attributable to owners of parent	151.7	152.0	160.9	106%
(%)	(6.1%)	(6.2%)	(6.5%)	
USD/JPY	¥153		¥146	
EUR/JPY	¥166		¥168	
RMB/JPY	¥21.2		¥20.3	

FX Effect (YoY)

Net Sales	-71.5 billion yen
Operating Profit	-13.5 billion yen

YoY Results Excluding FX Effect

Net Sales	102%
Operating Profit	105%

3

Takahashi: Thank you for taking time out of your busy schedule to join us today for this earnings presentation. I would like to present an overview of the Q2 financial results along with the presentation material.

Please see page three. In Q2, the Company achieved an increase in both net sales and operating profit in real terms excluding foreign exchange. In the midst of a continuing difficult business environment, including the sluggish US housing market and the prolonged real estate recession in China, we have been implementing proactive measures since last year to strengthen our sales and marketing capabilities in each region, particularly in Europe and the United States. In addition to this, strategic selling price measures and cost reduction efforts have been promoted, and profits have reached record highs.

The US tariff measures had a direct negative impact of approximately JPY18 billion on operating profit, but this was fully absorbed by price increases and cost reductions. Actual exchange rates were JPY146 against the US dollar, JPY168 against the euro, and JPY20.3 against the Chinese yuan. The foreign exchange impact was negative JPY71.5 billion on net sales and negative JPY13.5 billion on operating profit.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com



Financial Results by Segment

(billion yen)		H1 Results		
		FY2024	FY2025	YoY
Total	Net Sales	2,493.1	2,478.8	99%
	Operating profit (%)	246.6 (9.9%)	246.6 (9.9%)	100%
Air Conditioning and Refrigeration Equipment	Net Sales	2,316.5	2,306.9	100%
	Operating profit (%)	219.1 (9.5%)	232.3 (10.1%)	106%
Chemicals	Net Sales	129.7	126.8	98%
	Operating profit (%)	26.2 (20.2%)	13.7 (10.8%)	52%
Others	Net Sales	46.9	45.2	96%
	Operating profit (%)	1.3 (2.8%)	0.6 (1.4%)	47%

*Air Conditioning and Refrigeration Equipment business includes filter business.

FX Effect (YoY)

	Air Conditioning and Refrigeration Equipment	Chemicals
Net Sales	-68.5 billion yen	-3.0 billion yen
Operating Profit	-12.7 billion yen	-0.8 billion yen

YoY Results Excluding FX Effect

	Air Conditioning and Refrigeration Equipment	Chemicals
Net Sales	103%	100%
Operating Profit	112%	55%

4

Page four shows result by business segment. In the air conditioning business, sales expanded in businesses where demand was strong, such as applied and Commercial, despite declining demand from residential customers in the Americas and China, economic stagnation in Asia, and unfavorable weather conditions. In addition, we achieved an increase in sales and profit on a real basis, excluding exchange rate fluctuations, by concentrating resources on sales of residential multi-split air conditioners in China, in addition to a significant recovery of the market share for the ducted unitary for houses in the Americas and sales expansion of high value-added products in Japan.

On the other hand, the chemicals business posted significant declines in both sales and profit. The environment surrounding our core business was very severe due to sluggish demand for semiconductors and delayed recovery of demand for automobiles. In this context, we strove to expand sales of wire coating materials for data centers and environmentally friendly water and oil repellents through the development of new applications. The status of each business and the regional status of the air conditioning business will be explained later.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com

Profit and Loss Statement

(billion yen)	FY2024 H1	FY2025 H1	vs PY
	112	99	
Net sales	2,493.1	2,478.8	-14.3
Cost of sales	1,632.3 (65.5%)	1,596.1 (64.4%)	+36.2
Gross profit	860.8 (34.5%)	882.7 (35.6%)	+21.9
Selling general and administrative expenses	614.2 (24.6%)	636.1 (25.7%)	*1 -21.9
Operating profit	246.6 (9.9%)	246.6 (9.9%)	+0.0
Non-operating income and expenses	-22.4	-4.7	*2 +17.7
Ordinary profit	224.2 (9.0%)	241.9 (9.8%)	+17.7
Extraordinary income and losses	-1.7	-4.7	*3 -3.0
Profit before income taxes	222.5 (8.9%)	237.2 (9.6%)	+14.7
Income taxes	65.3	70.4	-5.1
Tax burden ratio	29.3%	29.7%	
Profit attributable to non-controlling interests	5.5	5.9	-0.3
Profit attributable to owners of parent	151.7 (6.1%)	160.9 (6.5%)	+9.3

*The parentheses above indicate percentages to net sales.

*1 Changes in selling, general and administrative expense

R&D expense -4.7

*2 Changes in non-operating gains or losses

Foreign exchange gains or losses +11.1 (-12.1 → -1.0)

Interest income -1.3 (9.9 → 8.6)

Interest expenses +2.4 (-23.2 → -20.8)

Inflation accounting adjustment +10.1 (-4.1 → 6.0)

[Adjustments due to the application of inflation accounting in Turkey.]

*3 Changes in extraordinary gains or losses

Gain on sale of investment securities -3.7 (3.7 → 0)

5

Page five shows changes in major items in the consolidated profit and loss statement. Cost to sales ratio improved due to global cost reduction efforts. On the other hand, the SG&A-to-sales ratio worsened slightly, due to factors such as higher labor costs.

Support

Japan 050.5212.7790

Tollfree 0120.966.744

Email Support support@scriptsasia.com

Balance Sheet

(billion yen)	2024/9E	2025/9E	vs PY		2024/9E	2025/9E	vs PY
Cash and deposits	827.2	876.3	+49.0	Trade payables	349.9	360.7	+10.8
Notes and accounts receivable – trade, and contract assets	61 days 830.4	62 days 845.4	+15.0	Interest bearing debt*	961.7	1,048.1	+86.4
Inventories	72 days 979.5	82 days 1,108.7	+129.2	(Interest bearing debt ratio)	(19.5%)	(19.5%)	
Fixed assets	1,811.4	1,995.6	+184.2	Others	886.2	911.6	+25.4
Investment securities	163.4	184.6	+21.2	Total liabilities	2,197.8	2,320.3	+122.6
Others	318.3	357.1	+38.8	Total equity	2,680.4	2,981.0	+300.7
				(Equity ratio)	(54.4%)	(55.5%)	
				Share acquisition rights	4.4	5.1	+0.7
				Non-controlling interests	47.9	61.3	+13.5
				Total net assets	2,732.6	3,047.5	+314.8
Total Assets	4,930.4	5,367.8	+437.4	Total liabilities and net assets	4,930.4	5,367.8	+437.4

*Breakdown of interest bearing debt

	2024/9E	2025/9E	vs PY
Short-term borrowings	186.5	248.1	+61.6
Commercial papers	97.8	68.7	-29.1
Bonds	190.0	225.0	+35.0
Long-term borrowings	328.1	320.6	-7.5
Lease debt	159.3	185.7	+26.4
Total	961.7	1,048.1	+86.4

6

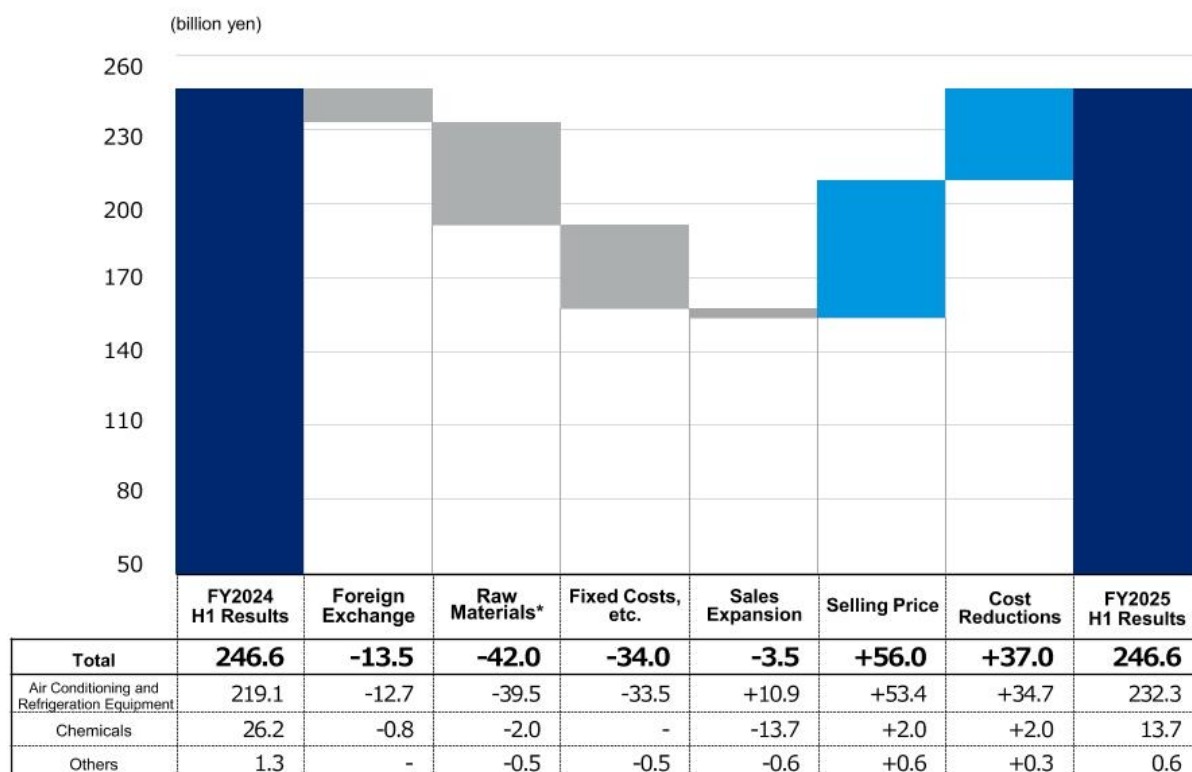
Page six shows the main items on the consolidated balance sheet and a breakdown of interest-bearing debt. Inventories increased in the air conditioning business in the Americas, the air conditioning business in Asia, and the chemicals business, among others, due to the impact of reduced demand. We intend to shorten the number of days of holding by continuing to closely examine the contents of inventories, strengthen receiving and disbursing management, and promote production adjustments, while keeping an eye on market trends in each region.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com

Analysis of Changes in Operating Profit - YoY



*Air Conditioning and Refrigeration Equipment business includes filter business.

*Includes direct tariff impact (-18 billion yen) and logistic costs

7

Page seven shows an analysis of the YoY change in operating profit for H1. Amid the significant impact of declining demand, the Company strived to expand sales of high value-added products, increase market share, and thoroughly implement selling price measures, while promoting total cost reductions, including manufacturing cost reductions and streamlining fixed costs. The direct impact of the US tariff measures of approximately JPY18 billion has been fully absorbed by the JPY13 billion in increased selling prices and JPY5 billion in cost reductions.

Of the impact on the air conditioning business of soaring raw material market prices and distribution costs, we estimate that copper costs had a negative impact of JPY4 billion, aluminum costs JPY3 billion, steel costs JPY0.5 billion, resin and other costs JPY12 billion, and distribution costs JPY2 billion.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com

II . FY2025 Business Forecast

With severity of the business environment in the second half expected to increase even greater than thought at the beginning of the fiscal year, Daikin aims to achieve its annual plan by accelerating results for the six group-wide themes under the direct control of top management (strengthening sales and marketing capabilities, accelerating the development of differentiated new products, and achieving both price increases and increased market share, and maximizing cost reductions).

- ✓ In the Americas, sales will expand for Ducted Unitary for Houses. We will recover market share by focusing on regaining customers and highlighting the benefits of differentiated products, such as R32 units and **FIT systems**.
- ✓ Amid weak demand and sluggish sales volume, we will leverage our product development capabilities that customize products to local needs while accelerating the launch of new differentiated products. Profits will be maintained by implementing strategic selling price measures and cost reductions.
- ✓ Capitalizing on the opportunities of a changing environment, we will work to expand our Applied and Commercial Solutions businesses, reduce fixed costs, and optimize inventory. Efforts will be made to improve the business structure from both aspects of profitability and efficiency.

	FY2024 Results			FY2025 Forecast (May.)	FY2025			
	H1	H2	Total	Total	H1 Results	H2 Forecast	Total Forecast	YoY
(billion yen)								
Net sales	2,493.1	2,259.3	4,752.3	4,840.0	2,478.8	2,361.2	4,840.0	102%
Operating profit	246.6	155.1	401.7	435.0	246.6	188.4	435.0	108%
(%)	(9.9%)	(6.9%)	(8.5%)	(9.0%)	(9.9%)	(8.0%)	(9.0%)	
Ordinary profit	224.2	142.2	366.4	405.0	241.9	173.1	415.0	113%
(%)	(9.0%)	(6.3%)	(7.7%)	(8.4%)	(9.8%)	(7.3%)	(8.6%)	
Profit attributable to owners of parent	151.7	113.1	264.8	272.0	160.9	119.1	280.0	106%
(%)	(6.1%)	(5.0%)	(5.6%)	(5.6%)	(6.5%)	(5.0%)	(5.8%)	
USD/JPY	¥153	¥152	¥153		¥146	¥145	¥146	
EUR/JPY	¥166	¥162	¥164		¥168	¥165	¥167	
RMB/JPY	¥21.2	¥21.1	¥21.1		¥20.3	¥20.0	¥20.2	

FX Effect (YoY)

Net Sales	-140.0billion yen
Operating Profit	- 23.5billion yen

YoY Comparison Excluding FX Effect

Net Sales	105%
Operating Profit	114%

8

See page eight. For the full year, we hope to achieve the operating profit of JPY435 billion that we originally planned. Recovery of demand in both the air conditioning and chemicals businesses has been delayed, and the business environment is expected to be more difficult than we had assumed at the beginning of the fiscal year. Under such circumstances, we will aim to achieve the annual plan by accelerating the creation of results for the six cross-company themes under the direct control of top management and by taking steps to respond to changes in the business environment on a case-by-case basis. In particular, strengthening sales and marketing capabilities and cost reductions are measures that will lead to a stronger business structure beyond this fiscal year's performance. We would like to promote it more actively.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com

<Reference> Project Directly under Top Management: Six Group-wide Themes

1. Strengthening sales and marketing capabilities

- Enhance profit margin-focused sales strategies and accelerate the launch of differentiated products

2. Accelerating the launch of new and differentiated products

- Aim to expand sales and maintain or increase selling prices in a challenging business environment

3. Bolstering the supply chain, including responses to U.S. tariff measures

4. Maximizing cost reductions

- Reduce costs of base models
- Switch material from copper to aluminum, stainless steel, etc.
- Respond to U.S. tariff measures

5. Expanding the Service Solutions business globally

- Develop solutions for each market and segment
- Generate revenue from maintenance, repair services, and parts sales

6. Achieving results through digital investment and process innovation

9

Page nine details six cross-company themes being worked on directly by top management. This information is for reference only and will not be explained.

Support

Japan 050.5212.7790

Tollfree 0120.966.744

Email Support support@scriptsasia.com



Business Forecast by Segments

(billion yen)		FY2024 Results	FY2025 Forecast (Nov.)			
			H1 Results	H2 Forecast	Total Forecast	YoY
Total	Net Sales	4,752.3	2,478.8	2,361.2	4,840.0	102%
	Operating profit (%)	401.7 (8.5%)	246.6 (9.9%)	188.4 (8.0%)	435.0 (9.0%)	108%
Air Conditioning and Refrigeration Equipment	Net Sales	4,384.5	2,306.9	2,146.1	4,453.0	102%
	Operating profit (%)	351.0 (8.0%)	232.3 (10.1%)	160.2 (7.5%)	392.5 (8.8%)	112%
Chemicals	Net Sales	263.0	126.8	158.2	285.0	108%
	Operating profit (%)	46.1 (17.5%)	13.7 (10.8%)	24.3 (15.4%)	38.0 (13.3%)	82%
Others	Net Sales	104.8	45.2	56.8	102.0	97%
	Operating profit (%)	4.5 (4.3%)	0.6 (1.4%)	3.9 (6.8%)	4.5 (4.4%)	99%

*Air Conditioning and Refrigeration Equipment business includes filter business.

FX Effect (YoY)

	Air Conditioning and Refrigeration Equipment	Chemicals
Net Sales	-133.9 billion yen	-6.5 billion yen
Operating Profit	-21.7 billion yen	-1.8 billion yen

YoY Results Excluding FX Effect

	Air Conditioning and Refrigeration Equipment	Chemicals
Net Sales	105%	111%
Operating Profit	118%	86%

10

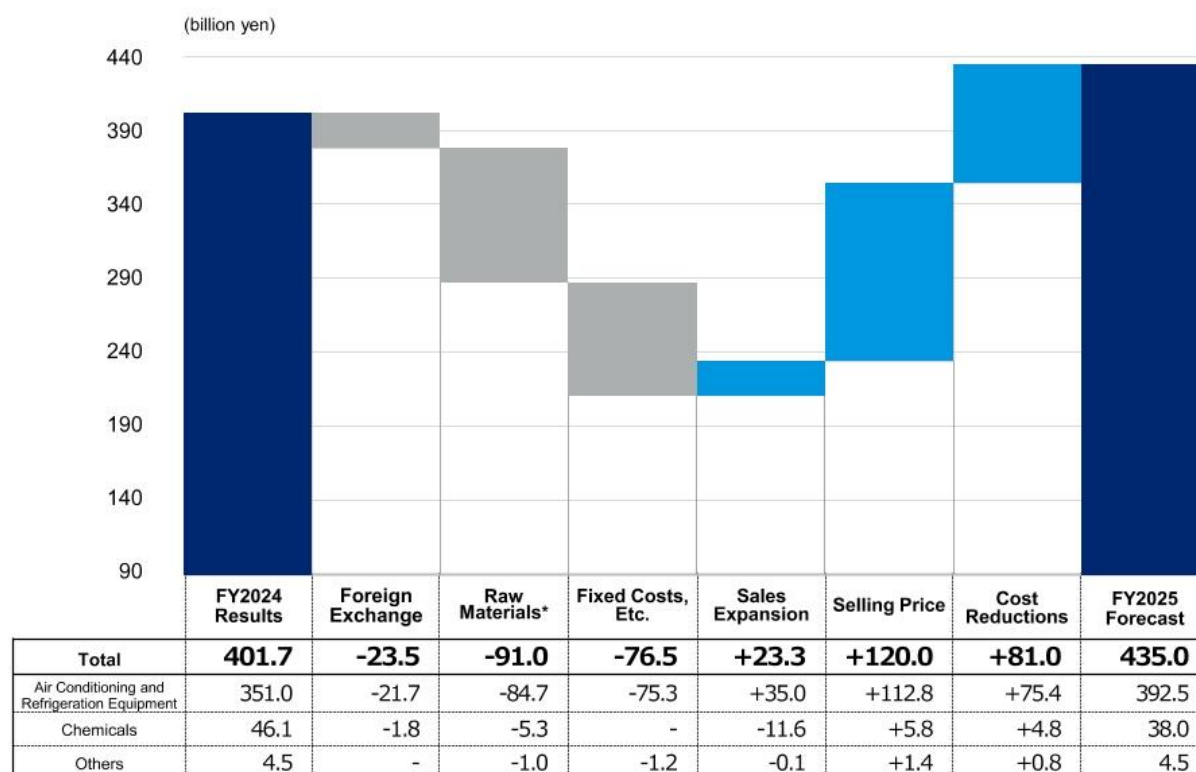
See page 10. The forecast of business performance by segment is as stated.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com

Analysis of Changes in Operating Profit - Forecast



*Air Conditioning and Refrigeration Equipment business includes filter business.

*Includes direct tariff impact (-42 billion yen) and logistic costs

11

Page 11 is an analysis of the factors behind the YoY increase or decrease in the full-year operating profit plan. The raw materials item includes cost increases due to the direct impact of US tariffs, logistics costs, and component price increases by suppliers. Although H2 of the fiscal year will also be significantly affected by sluggish demand, we will expand sales and increase market share, as well as implement thorough sales price measures and cost reductions, to offset the effects of lower demand and higher costs and maintain our profit growth trend.

We plan to absorb the direct impact of the US tariff measures of approximately JPY42 billion by increasing selling prices by approximately JPY32 billion and reducing costs by approximately JPY10 billion. The breakdown of the impact on the air conditioning business due to soaring raw material market prices and distribution costs is estimated to be a negative JPY6.5 billion for copper, a negative JPY5 billion for aluminum, a negative JPY1 billion for steel, a negative JPY25 billion for resins and others, and a negative JPY5 billion for distribution costs.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com

<Reference> Effect of U.S. Tariff Measures ① Direct Impact

The impact of the U.S. tariff measures on our financial plan for the fiscal year ending March 2026 has been recalculated in light of recent changes.

The impact on operating profit is expected to be approximately 42 billion yen.

This impact will be absorbed by utilizing pass-through pricing and cost reductions.

*Reflecting the following tariffs

- ✓ Tariffs on China (54%), Mexico (30%), and Canada (35%), and tariffs on steel, aluminum (including derivatives), and copper (50%)
- ✓ A flat 10% reciprocal tariff on all imports and mutual tariffs between countries
- ✓ Retaliatory tariffs imposed by China and Canada

Currently incorporated into the plan

(1) DNA

- ✓ Impact on imported finished products: Imported products (**FIT system, RA, SKY, and VRV system**) from Japan, Asia, Europe and Mexico.
- ✓ 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. Imports from Mexico are exempt since they meet USMCA standards.
- ✓ Impact on U.S. products: Parts imported from Asia

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

12

See page 12. The direct impact of the US tariff measures on our business performance for the fiscal year ending March 31, 2026, as I mentioned earlier, is currently estimated to be about JPY42 billion. The situation surrounding tariffs is changing rapidly, and we expect the situation to continue to change in the future. There is no change in our policy to absorb the impact by increasing selling prices, reducing costs, changing suppliers and production sites, etc., by taking measures accordingly.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com



<Reference> Effect of U.S. Tariff Measures ② Indirect Impact

We will tackle the risk of an economic slowdown from the indirect impact of tariff measures by preparing for multiple scenarios and taking prompt action in response to changes in the business environment.

Possible risks

- ✓ Changes occur in tariff 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

13

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com

Sales by Region - AC Business

*Percentage expresses year on year comparison

*Includes refrigerator, freezer and filter businesses

(billion yen)	FY2021 H1		FY2022 H1		FY2023 H1		FY2024 H1		FY2025 H1		FY2025 Forecast (Currently announced)	
Japan	109%	272.8	102%	279.2	105%	294.5	110%	323.8	105%	340.6	104%	670.0
Europe	139%	258.4	118%	305.0	108%	328.3	107%	350.6	103%	361.4	104%	740.0
China	134%	243.2	110%	266.4	101%	270.3	96%	260.4	88%	230.4	91%	390.0
Americas	129%	443.9	155%	688.5	119%	819.0	118%	963.2	102%	978.9	104%	1,820.0
Asia	117%	131.3	155%	203.9	107%	217.1	126%	273.2	87%	236.7	96%	515.0
Oceania	130%	46.7	133%	61.9	100%	62.0	114%	70.7	97%	68.9	99%	145.0
Middle East	144%	26.6	161%	42.9	136%	58.2	116%	67.4	121%	81.4	102%	155.0
Africa	157%	5.0	132%	6.5	100%	6.5	111%	7.2	119%	8.6	108%	18.0
Total	126%	1,427.9	130%	1,854.2	111%	2,056.0	113%	2,316.5	100%	2,306.9	102%	4,453.0
Overseas Net Sales ratio	81%		81%		86%		86%		85%		85%	
USD/JPY	¥110		¥134		¥141		¥153		¥146		¥146	
EUR/JPY	¥131		¥139		¥153		¥166		¥168		¥167	
RMB/JPY	¥17.0		¥19.9		¥19.8		¥21.2		¥20.3		¥20.2	

14

Page 14 shows sales by region for the air conditioning business. Excluding the effect of foreign exchange rates, YoY sales in real terms were 102% in Europe, 92% in China, 106% in the Americas, and 90% in Asia. The annual plan is as stated. Excluding foreign exchange effects, real YoY sales is projected to be 102% in Europe, 89% in China, 109% in the Americas, and 99% in Asia.

Support

Japan 050.5212.7790

Tollfree 0120.966.744

Email Support support@scriptsasia.com



Sales by Region - Chemicals Business

*Percentage expresses year on year comparison

*Others: Oceania, Middle East, Africa etc.

(billion yen)	FY2021 H1		FY2022 H1		FY2023 H1		FY2024 H1		FY2025 H1		FY2025 Forecast (Currently announced)	
Japan	145%	27.2	127%	34.6	97%	33.5	100%	33.4	88%	29.2	93%	66.5
Americas	124%	20.0	142%	28.5	78%	22.3	86%	19.3	128%	24.6	133%	55.0
China	128%	25.0	119%	29.7	92%	27.4	123%	33.7	90%	30.4	101%	64.5
Asia	126%	12.6	137%	17.2	92%	15.8	109%	17.2	103%	17.8	133%	46.5
Europe	170%	16.6	125%	20.6	122%	25.2	101%	25.5	96%	24.3	104%	52.0
Others	143%	0.6	115%	0.6	88%	0.6	119%	0.7	79%	0.5	36%	0.5
Total	136%	101.9	129%	131.3	95%	124.8	104%	129.7	98%	126.8	108%	285.0
Overseas Net Sales ratio	73%		73%		73%		74%		77%		77%	
USD/JPY	¥110		¥134		¥141		¥153		¥146		¥146	
EUR/JPY	¥131		¥139		¥153		¥166		¥168		¥167	
RMB/JPY	¥17.0		¥19.9		¥19.8		¥21.2		¥20.3		¥20.2	

15

Page 15 shows sales by region for the chemicals business. Excluding the effect of foreign exchange rates, real sales in the Americas, China, and Europe were 134%, 94%, and 94%, respectively, of the previous year's level. The annual plan is as stated. Excluding the effect of foreign exchange rate fluctuations, we plan YoY real sales of 140% in the Americas, 106% in China, and 109% in Europe.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com

III. Business and Regional Overview AC Business - Japan

First Half Overall

In addition to a sales expansion of high value-added products, we worked to strengthen sales and marketing capabilities and benefitted from a selling price effect as net sales exceeded the previous fiscal year.

- ✓ Residential: Industry demand increased from April due to heat wave forecasts, and results exceeded the level of the previous fiscal year due to record-breaking heat from June to August. With rising electricity prices and substantial increase in the time that customers use their air conditioners, we improved user proposals for the highly energy-saving performance of **Urusara X**.
- ✓ Commercial: Industry demand exceeded the previous fiscal year due to increased construction starts for small shops and retail stores driven by inbound tourist demand. Sales expanded and market share increased by improving user proposals centering on high value-added products such as **FIVE STAR ZEAS**, which combines high energy-saving performance and exceptional ease of installation, **VRV 7**, which employs R32, and **VRV-Q**, which enables smooth air conditioner replacement by using existing refrigerant piping.

Second Half Measures

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 further sales expansion of high value-added products such as **FIVE STAR ZEAS**, we will focus on solutions for buildings and factories as we aim to improve profitability and market share. We will also work toward penetrating the market for R32 units by enhancing proposal sales for **VRV 7**.

YoY change (Volume basis)		H1 Results	Full-Year Forecast
Residential	Market	104%	99%
	Daikin	100%	100%
Commercial	Market	103%	99%
	Daikin	104%	101%
Applied	Market	96%	101%
	Daikin	100%	89%

*Applied is based on total net sales.

16

See page 16. The following section provides an overview of the air conditioning business by region. First, Japan. Demand for both residential and commercial applications exceeded the previous year's levels due to high temperatures nationwide, a recovery in consumer confidence resulting from improved wages, and improved capital investment. Against a backdrop of rising electricity prices and growing energy-saving needs, the Company expanded sales of high value-added products through efforts to strengthen its sales and marketing capabilities, as well as thorough implementation of selling price measures, resulting in higher sales than the previous year.

For residential applications, the emphasis on profitability resulted in a decrease in market share in the volume zone, where price competition is intensifying. However, we are both expanding sales and increasing market share in commercial use. In H2 of the fiscal year, we will continue our efforts to propose and sell differentiated products and services that pursue energy-saving and environmental friendliness, aiming to expand sales in both residential and commercial sectors.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com

AC Business - Americas

First Half Overall

Residential demand remained sluggish due to persistent inflation and high mortgage interest rates. In addition to expanding sales for Applied, Daikin also promoted selling price measures in Residential, and net sales grew year over year.

- ✓ Ducted Unitary for Houses: Amid the rebound from the rush in demand from changes in GWP refrigerant regulations, we significantly increased market share by focusing on new dealer development, working to regaining customers, and expanding sales, mainly of R32 units. Sales grew for our environment premium product **FIT system** because of efforts to strengthen dealer development and support.
- ✓ Ductless: **RA/SKY** models were impacted by the rebound in demand from changes in GWP refrigerant regulations and stagnant demand for Residential, resulting in sales falling year over year. Sales of **VRV** systems decreased from previous year due to project postponements and companies holding off on investments.
- ✓ Applied: Daikin capitalized on the solid demand for data centers and expanded equipment sales by increasing production capacity at its new factory in Mexico and existing factories in the U.S. In our Solutions business, sales also expanded by utilizing instrumentation and engineering companies, resulting in net sales that exceeded the previous fiscal year.

Second Half Measures

Ducted Unitary for Houses: We will work to regain customers, support existing dealers, and develop new dealers as we aim to build awareness of the advantages of R32 units throughout the distribution network, thereby expand sales, and regain market share. For R410A units, we will thoroughly manage sales with meticulous attention to detail. For the **FIT system**, we will focus on developing and supporting dealers.

Ductless: We will expand the sales network handling ductless units by cultivating new customers and further developing existing dealers. We will also strengthen spec-in activities by leveraging our lineup of R32 units.

Applied: Together with increasing equipment sales to data centers, we will enhance our Solutions business by enlarging our After Sales Service network and service menu.

YoY change (Volume basis)		H1 Results	Full-Year Forecast	
			Market	Daikin
Ducted Unitary for houses		89%	83%	100%
Ductless	RA/SKY	97%	108%	121%
	VRV	88%	100%	103%
Applied		114%	116%	117%

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

*Ducted Unitary for houses and Ductless products are manufactured and sold by DNA (Daikin Comfort Technologies North America, Inc.). Applied products are manufactured and sold by DAA (Daikin Applied Americas, L.L.C.).

17

See page 17. The air conditioning business in the Americas faced a difficult business environment with sluggish residential industry demand due to prolonged inflation and high mortgage interest rates. However, sales increased YoY due to sales expansion for Applied as well as promotion of selling price measures in the residential sector. Sales of Daikin Comfort Technologies North America, Inc. (DNA) were 113% of the previous year's level on a local currency basis. Of the factors contributing to the increase in sales, the volume impact was 10 percentage points up, while the selling price impact was 8 percentage points down and the improvement in product mix was 8 percentage points down. The impact of M&A is 0%. In addition, the fact that the Latin American air conditioning companies became part of DNA this fiscal year contributed to the 7-percentage point increase in revenue.

In sales of ducted unitary for houses, while sales were significantly affected by the backlash from last year's rush demand due to changes in GWP value regulations for refrigerants, we focused on developing new dealers and regaining customers to expand sales, especially of new refrigerant R32 units, and significantly increased our market share. Although the progress of our "Win-back" strategy is below the plan at approximately 55% as of the end of September, the volume of transactions per dealer has increased significantly, and we feel that we are making progress in building relationships with dealers, including new dealers. We will continue to strengthen individual visits.

Daikin Applied Americas maintained strong sales of equipment, particularly for data centers, and its service solutions business also expanded steadily, resulting in increased sales. As for the operating profit margin of each company, Daikin North America improved by 12%, or 2 percentage points over the previous year, and Daikin Applied Americas decreased by 10%, or 1 percentage point over the previous year. The decline in the operating margin of Daikin Applied Americas was due to an increase in the amortization of goodwill resulting

Support

Japan 050.5212.7790

Tollfree 0120.966.744

Email Support support@scriptsasia.com

from the acquisition and upfront investment for the expansion of the solutions business. In H2, we hope to both expand sales of ducted unitary for houses and regain market share by pursuing the superiority of the R32 units through regaining customers, supporting existing dealers, and developing new dealers.

As for the former refrigerant R410 units, we will steadily link inquiries to sales through meticulous sales management. In the environmental premium product Fit, we aim to expand sales significantly through detailed sales support and installation guidance at dealers. In the applied business, which is performing well, we will continue to expand sales for data centers.

AC Business - China

First Half Overall

Amid the continuing severe business environment, worsening real estate market, and lower consumer spending, net sales fell below the previous fiscal year. To contend with this, Daikin focused resources on direct sales to users, such as in support of **PROSHOP** specialty stores and enhancement of customer centers and live commerce. Operating profit remained at a high level due to sales expansion of high value-added products, strengthening of the Solutions business, 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, web advertising, and SNS. In addition to selling system products such as air conditioning, ventilation, heat pump floor heating, and air quality sensors, the company has bolstered Residential solutions leveraging IoT and data analysis to propose optimal air quality that is crafted to the individual lifestyle of each customer.
- ✓ Commercial: In light of carbon neutrality policies, we enhanced our energy-saving solutions proposals on markets where demand is relatively strong, such as government projects, factories, and green buildings.
- ✓ Applied: Efforts were made to improve business for maintenance and servicing but were impacted by the lower rate for investment, especially in the manufacturing industry.

Second Half Measures

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 intend to propose new value for air to customers with system products that combine hardware and software to provide optimal air for each lifestyle.

Commercial: Attention will be on proposal sales that focus on energy savings for government properties, factories, and buildings.

YoY change (Local currency basis)	H1	Full-Year Forecast	
	Results	Market	Daikin
Residential	98%	87%	100%
Commercial	82%	82%	86%
Applied	78%	80%	89%

18

See page 18. In the China air conditioning business, 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, strengthen the solutions business, reduce costs and fixed costs.

Sales of residential multi-split air conditioners were 98% of the previous year's level. We believe that we were able to secure maximum sales by promoting our unique sales activities that combine offline and online sales, as well as by demonstrating the strength of our sales force by proposing optimal air quality tailored to each customer's lifestyle.

We expect the severe business environment to continue in H2 of the fiscal year. However, we will strive to secure sales, mainly of residential multi-split air conditioners, by strengthening sales activities not only in the new housing market but also in the remodeling and existing home markets, as well as by enhancing proposal-based sales activities combining solutions.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com

AC Business - Europe, Middle East, and Africa

First Half Overall

Net sales for the region overall exceeded the previous fiscal year. In Europe, recovery in demand for Heat Pump Heating lacked vigor, so we focused on Residential and Commercial sales and achieved net sales that exceeded the previous fiscal year.

In the Middle East, Residential sales in Turkey increased, whereas Saudia Arabia and the UAE also saw growth in Commercial sales, leading to significantly higher year-over-year net sales.

- ✓ Residential: Sales from August in Italy fell due to a drop in temperatures, but sales expanded in Central and Eastern Europe, Germany, and the UK, where penetration rates for AC equipment are low.
- ✓ Commercial: Sales of products using R32 increased with the growing awareness for the environment.
- ✓ H/P Heating: Despite signs of weak demand bottoming out in the second half of last year, a full recovery has not yet occurred. Daikin focused on strengthening sales capabilities, such as dealer development and support in applying for subsidies. Sales expanded in Germany, where demand is relatively strong.
- ✓ Applied: Sales of medium-to-large chillers to data centers expanded, along with sales in the After Sales Service business.
- ✓ Freezer and Refrigerator: Sales were affected by lower capital investment among major customers.

Second Half Measures

Residential: Through dealer development, we will aim to expand mid-range to high-end zones and increase market share.

Commercial: Direct proposals to environmentally conscious owners will be improved. We will focus on the Solutions business by expanding our service menu and providing energy management support.

H/P Heating: In Germany, we aim to expand sales and increase market share by moving up the launch of the R290 small-capacity unit. In the UK, we will work to expand sales by improving our After Sales Service system and increasing support for subsidy applications.

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

Freezer and Refrigerator: We are improving our solutions proposals for environmentally conscious products, such as showcases that use CO₂ refrigerant.

YoY change (Volume basis)		H1 Results	Full-Year Forecast	
			Market	Daikin
Residential		105%	106%	115%
Commercial	SKY	105%	103%	112%
	VRV	107%	105%	112%
Heat-pump Heaters		98%	91%	106%
Applied		108%	100%	110%
Refrigerator and Freezer		94%	103%	120%

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

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

19

See page 19. Although the resilience of demand for heat pump heating in Europe lacked strength, sales were higher than in the previous year due to our focus on sales for residential and commercial use. In the Middle East, sales were significantly higher than the previous year due to increased residential sales in Turkey and expanded commercial sales in Saudi Arabia and the UAE. Demand for heat pump heating has been flat since bottoming out in H2 of last fiscal year and has yet to fully recover. Against this backdrop, we have focused on dealer development and assistance with subsidy applications, and have increased sales in Germany, where demand is strong. In a severe business environment where demand is not expected to recover significantly in H2 of the fiscal year, we will maximize our efforts to expand sales and increase market share by strengthening our sales and service systems and introducing new products that meet customer needs ahead of schedule.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com

AC Business - Asia and Oceania

First Half Overall

Sales for the region overall fell year-over-year due to an economic slowdown in India and ASEAN countries together with unseasonable weather.

- ✓ Residential: Although efforts were made to strengthen dealer development and sales promotion measures to consumers, the ASEAN region saw sluggish demand due to the U.S. tariffs, which led to a price competition. In India, demand temporarily slowed due to a cool summer, the early onset of the rainy season, and purchasing restraint following the announcement of a consumption tax cut on August 15, 2025. Sales fell significantly throughout the region.
- ✓ Commercial: Even as project delays and cancellations increased from the uncertainty caused by U.S. tariff measures, we steadily secured small- and medium-sized orders. In India, we strengthened dealer development and expanded sales.
- ✓ Applied: Along with strengthening sales to factories and data centers, we focused on the After Sales Service business, including maintenance and servicing.

YoY net sales of main countries (local currency basis)

Australia: 103% India: 92% Vietnam: 91%
Malaysia: 91% Indonesia: 85% Thailand: 82%

Second Half Measures

Residential: In India, we will aim to expand sales in regional cities and promote equipment replacements to take advantage of the consumption tax cut (implemented on September 22, 2025). In the ASEAN region, we will enhance our sales capabilities and implement product development and sales strategies that meet the needs of customers among the affluent and younger generation.

Commercial: By developing and supporting dealers, we aim to strengthen our proposal and sales capabilities and expand sales of small- and medium-sized projects. We will also strengthen our proposals for high-value-added solutions such as energy savings, IAQ, and maintenance and servicing.

Applied: We will focus on our After Sales Service business, such as maintenance and servicing, to expand sales.

YoY change (Volume basis)		H1 Results	Full-Year Forecast	
			Market	Daikin
Residential		77%	100%	105%
Commercial	SKY	101%	105%	109%
	VRV	98%	113%	118%
Applied		95%	102%	111%

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

20

See page 20. In the air conditioning business in Asia and Oceania, overall sales in the region were lower than the previous year due to the economic slowdown in India and the ASEAN region, as well as unfavorable weather conditions. In the residential sector, we worked to develop dealers and strengthen sales promotion measures for consumers. However, demand was sluggish in ASEAN countries. In India, demand also temporarily slowed down due to a cool summer, early arrival of the rainy season, and the announcement of a consumption tax reduction, which resulted in holding back on buying, among other factors. As a result, sales in India declined significantly.

In the commercial segment, while projects were delayed and investments were reviewed, we focused on developing and nurturing dealers and increased sales, especially in India. In H2 of the fiscal year, we will continue to expand our business by developing products and sales strategies that meet a wide range of customer needs and by strengthening solution proposals in the commercial sector. In India, in particular, we will expand sales in regional cities and lead other companies in launching a replacement campaign, taking advantage of the consumption tax reduction, in order to significantly increase sales.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com



Chemicals Business

First Half Overall

Net sales fell below the previous fiscal year due to sluggish demand in the semiconductor sector, a slow recovery in demand in the automotive sector, and the subsequent adjustments in distribution inventory.

- ✓ Fluorocarbon Gas: Faced with a challenging environment of falling demand, Daikin worked to maintain selling prices and expand sales in the United States and Asia.
- ✓ Polymers and Fluoroelastomers
 - Fluoropolymers: We worked toward developing applications for FEP and expanded sales of coating material for electrical wire used at data centers, in addition to LAN cables. High-performance polymers for semiconductor manufacturing equipment continue to be affected by the decline in demand.
 - Fluoroelastomers: We focused on sales in the automotive sector.
- ✓ Fine Chemicals, Etc.: Despite being impacted by stagnant demand for surface antifouling coating agents and water and oil repellents, financial results on par with the previous fiscal year due to new consolidation effect.

Second Half Measures

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

We will focus on sales of electrical wire coating materials to meet the needs for faster communication speeds and materials for AI semiconductor manufacturing equipment. Additionally, Daikin is accelerating application development in the data center sector, where demand is expanding.

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

In repellents, sales of environmentally-advanced, paper-based products are expanding amid a shift away from plastic.

YoY change (Net sales basis)	H1	Full-Year Forecast	
	Results	Market	Daikin
Total	98%	91%	108%
Fluorocarbon Gas	99%	87%	100%
Fluoropolymers & Fluoroelastomers	96%	89%	104%
Fine Chemicals, etc.	101%	96%	124%

21

See page 21. In the chemicals business, sales were lower than the previous year due to sluggish demand in semiconductors, delayed demand recovery in the automotive sector, and the resulting distribution inventory adjustments. In fluoropolymers, sales of coating materials for wires used in data centers expanded as a result of efforts to develop applications for FEP, despite the impact of declining demand for semiconductor manufacturing equipment. In fluoroelastomers, we focused on sales in the automotive field.

We expect the business environment to remain severe in H2 of the fiscal year as well, as demand recovery in the semiconductor and automotive sectors continues to be delayed. We will strive to expand sales by identifying favorable fields such as wire coating materials for data centers and materials for AI semiconductor manufacturing equipment. In addition, we will strive to expand sales of binders and sealing materials for lithium-ion batteries and water and oil repellants for paper to meet the growing demand for environmentally friendly products.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com

Filter Business

First Half Overall

Although the semiconductor market was affected by a slow recovery, demand remained strong overall. Net sales fell year over year due to the negative impact of foreign exchange rates.

- ✓ Air Filter: In the U.S., we are focusing on high-margin products and sales routes. In Europe, sales are expanding in Northern Europe. In Asia, sales are expanding to the pharmaceutical market.
- ✓ P&I*: In addition to a sales decline in specialty filters for oil fields, sales fell due to the decrease in large scale projects and construction delays.

*P&I: Dust collection systems for gas turbines and commercial dust collectors

Second Half Measures

Air Filter: The semiconductor sector is expected to continue to be challenging. In the U.S., we will work to expand sales to the high-end market by strengthening our own sales networks. In Europe, Daikin will aim to increase sales to the food market by obtaining product certification. We will work to improve profitability by focusing on raising productivity and reducing costs.

P&I: Resources will be shifted to favorable businesses such as After Sales Services as we work to improve our business structure.

22

See page 22. In the filter business, demand was generally firm, but sales were lower than the previous year due to the negative impact of foreign exchange rates. In H2 of the fiscal year, we will continue our efforts to expand sales in the high-end market and improve profitability.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com

Other Businesses

First Half Overall

Oil Hydraulics: Demand for both construction and industrial machinery was stagnant. Sales of construction machinery products for Japan decreased. Sales of industrial machinery products to Japan and the U.S. expanded as the result of meticulous customer follow-up. Net sales were on par with the previous fiscal year.

Defense Systems: Despite the expansion of sales for oxygen concentrators and hypoxic systems (devices that provide high exercise benefits by controlling oxygen concentration), orders from the Ministry of Defense decreased, and sales declined year over year.

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

Second Half Measures

Oil Hydraulics: For construction machinery, we will strive to expand sales of new, highly energy-efficient products. For industrial machinery, we will identify strong markets and strengthen our spec-in activities.

Defense Systems: For oxygen concentrators, we will introduce specialized equipment tailored for each customer, and for hypoxic systems, we will work to strengthen our proposal capabilities and aim to expand sales.

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

23

See page 23. In the oil hydraulics business, despite sluggish demand, sales remained at the same level as the previous year due to meticulous customer follow-up and thorough implementation of sales price measures. In the defense systems business, sales of oxygen concentrators and hypoxia systems expanded, but orders from the Ministry of Defense declined, resulting in lower sales. In the electronic business, sales declined due to a drop in sales of database systems for the design and development field. In H2 of the fiscal year, each business will continue to meet customer needs and expand sales in markets where demand is strong.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com

IV. Shareholder Return

We plan an interim dividend of 165 yen, and an annual dividend of 330 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.

		FY2021	FY2022	FY2023	FY2024	FY2025 (Forecast)
Dividend per share	Interim	¥90	¥100	¥120	¥185 *	¥165
	Annual	¥200	¥240	¥250	¥330	¥330
Earnings per share	Interim	¥475.3	¥534.3	¥522.7	¥518.0	¥549.6
	Annual	¥743.9	¥880.6	¥889.9	¥904.3	¥956.3
(Reference) DOE Trend		3.2%	3.3%	3.0%	3.6%	3.3%

*The interim dividend for fiscal year 2024 includes a 50-yen commemorative dividend for the 100th anniversary of the company's founding.

24

See page 24. The Company plans to pay an interim dividend of JPY165 and an annual dividend of JPY330, both unchanged from the dividend forecast at the beginning of the fiscal year. Although the future of the business environment is uncertain, we will strive to expand our business performance and reward our shareholders.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com

 **SCRIPTS**
Asia's Meetings, Globally

26

《Reference》 Foreign Exchange

Exchange Rate

	FY2024 Results			FY2025		
	H1	H2	Total	H1 Results	H2 Forecast	Total Forecast
USD	¥153	¥152	¥153	¥146	¥145	¥146
EUR	¥166	¥162	¥164	¥168	¥165	¥167
RMB	¥21.2	¥21.1	¥21.1	¥20.3	¥20.0	¥20.2
THB	¥4.3	¥4.5	¥4.4	¥4.5	¥4.3	¥4.4
AUD	¥101	¥98	¥99	¥95	¥93	¥94

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.

25

See page 25. Assumptions for foreign exchange rates for H1 of FY2025 and H2 of FY2025 are as stated. There is no change in the foreign exchange sensitivity from the assumption at the beginning of the period. 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.

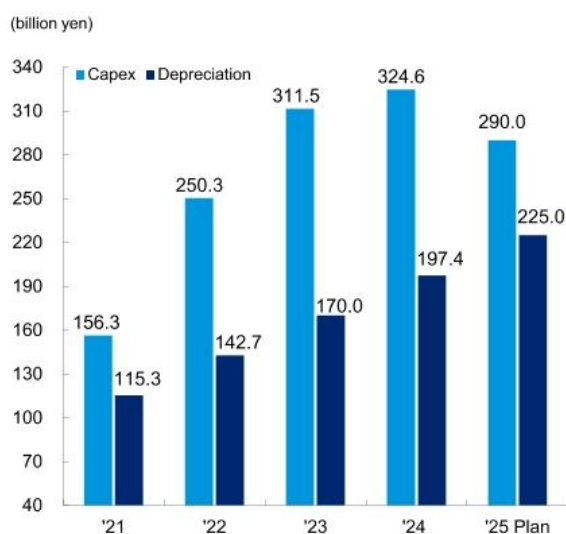
Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com

Capex, Depreciation and R&D Cost

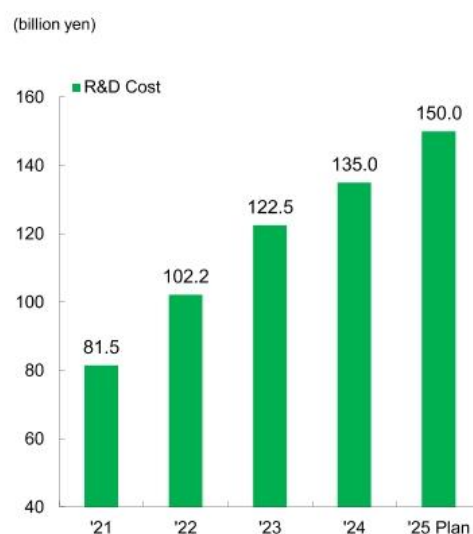
Capex and Depreciation



<Reference> First Half Trends

(billion yen)	FY2021	FY2022	FY2023	FY2024	FY2025
Capex	64.8	95.0	150.4	164.7	129.9
Depreciation	55.7	67.9	80.9	94.5	105.3
R&D Cost	38.7	47.6	59.8	66.8	72.7

R&D Cost



26

Page 26 shows capital expenditures, depreciation and R&D expenses. The annual plan remains unchanged. That is all I have to say. Thank you very much.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com

Question & Answer

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

Isayama [M]: My name is Isayama from Goldman Sachs. Let me ask you two questions about North America. The first is about the residential business in North America. I think it is great that you recorded an increase in sales as in Q1, but it was mainly due to selling prices and mix. I am concerned about the delays in the Win-back strategy and the distribution inventory of manufacturing and sales, as mentioned by the vice president. You mentioned that you have regained market share. What was your market share in H1? Also, is the delay in Win-back a result of aggressive selling price increases? Or was it because the market was dominated by competing 454B units, making it difficult to appeal to independent dealers? Or is it because of the tight inventory situation in manufacturing and sales? I would be happy to hear more about the current situation. I would like to consider this as a hint for the next term.

Takahashi [A]: Thank you very much. First, we received a question about residential use, where the volume of sales has not grown as much as expected. In the residential air conditioning business in the Americas, as I am sure you all know from listening to the announcements of US manufacturers, demand is very severe. Probably, we believe that the overall industry demand for residential air conditioning in H1 was 77%, well below the previous year's level. The numbers from July to September were even lower than that. In this environment, our volume was only approximately 10% down from the previous year, and as a result, our market share has improved significantly. Last year, our market share was a little less than 20%, but in H1, we were able to increase our market share by about 3 percentage points, which is significantly outperforming our competitors.

Regarding the second point, the progress of the Win-back in H1 was 55%, which is slightly behind the plan. However, the reason for this is that the overall demand in the industry is very severe and is not recovering well. However, the criteria for the Win-back are a dealer with 130% YoY sales, and administratively, there are some dealers in the so-called Win-back reserve, with sales ranging from 90% to 120% of the previous year's level. These Win-back and reserve companies have seen significant YoY sales growth. This has been a great response and has led to an increase in market share. We intend to continue these customer regain initiatives in H2.

Isayama [Q]: Thank you very much. We have also received previous explanations to the effect that the Win-back is a moving target. How much are you aiming for next year? Or, since the next mid-term plan is just about to start, do you have any points, such as market share, that you would like to set as your goals for North America?

Takahashi [A]: Next year will just be the first year of FUSION, so we would like to refrain from making a public announcement as a company at this time. However, we expect to regain the top position in residential air conditioning this fiscal year, probably if we continue at the same pace. We would like to set a goal of firmly establishing our leading position in residential air conditioning.

Isayama [Q]: I understand. Thank you very much. Second, let me ask you about the DAA, especially the data center. This time, you acquired Chillydyne, and there was another deal in August. As of last year, I believe you mentioned that there may be a significant business opportunity in water cooling. After looking at sales figures for Applied for H1, I imagine that you are steady but in line with the industry. Once again, please tell us how much revenue you are currently generating for data centers at DAA. Also, what are the factors that make it difficult to compete with US competitors in terms of growth rate? Is it a sales channel or a network of

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com

products? What challenges have led to some of the acquisitions, including the recent Chilldyne? I would be very interested in your explanation of this as well.

Takahashi [A]: I don't have detailed figures at hand, but I believe that about 20% of our sales in H1 were from data centers. Takenaka will talk about competitiveness and position.

Takenaka [A]: Thank you for your question. You are right, and we recognize that the growth of data centers in the market is almost the same as our growth. The main reason for this is the product lineup. We are now in the process of expanding our lineup of centrifugal chillers at a rapid pace.

In addition, with regard to sales channels, we are working with the sales reps we have acquired to date, as well as the newly acquired Chilldyne and DDC, to concretize all product sales actions for each sales rep. We are in the process of strengthening our sales channels, and together with the expansion of our product lineup through this acquisition, we hope to expand our sales in H2 of the fiscal year, and in the next fiscal year as well.

We also recognize that the final key is a total solution. In the area of instrumentation, we have now acquired everything, such as , air handling units, rack cooling, and liquid cooling. We have started development of systems that can control them in total. We would like to match them to our customers' needs and increase our market share through differentiation.

Isayama [Q]: Thank you, Mr. Takenaka. DAA was still in the phase of lineup expansion, M&A, and other upfront investments, etc., and profit margins were slightly lower due to goodwill amortization. I have the impression that DNA is in the stage of trying to increase its earning power once more from the next fiscal year onward, while DAA is entering a stage where up-front investments for growth are made.

Takenaka [A]: That is correct. However, for both DNA and DAA, we have already taken steps to invest in production at the Mexican plant. In terms of supply capacity, we are already running toward 2025 and 2026. For the time being, we believe that investments related to DAA will focus on M&A investments in solutions, engineering, instrumentation, and service sales.

Isayama [M]: I understand very well. Thank you very much.

Sakamoto [M]: Thank you very much. Next, Mr. Maekawa of Nomura Securities, please 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. The first is about North America. Regarding the increase in market share, the situation may be different from last year, as the industry is experiencing a rebound from last year's temporary demand. But in fact, the market share has increased by 3 percentage points due to a significant switch of models to R32 and higher sales by companies that were won back. I think the level is therefore back to 23%. Please explain a little more about the background behind this increase in market share in North America. I understand that DNA's profit margin is also improving, but what measures are working?

Takenaka [A]: Originally, our biggest priority theme for this year was to strengthen our sales and marketing capabilities, and we have been implementing this. In particular, DNA is strengthening its proposal-based sales force, which can sell so-called environmental premium products, as well as providing training for each dealer. This is an enhancement of training for everyone from management to installers. We also changed our systems and sales processes as a profit-oriented measure. We have changed our focus from the traditional emphasis on the number of units to an emphasis on the model mix and profitability, and we have also put considerable effort into changing the nature of our sales staff. We recognize that the total result has been seen.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com



Naturally, the ultimate goal of increasing market share is to turn the US market into an inverter. To this end, we are working to strengthen our sales force and support. For example, sales from dealers we have regained have more than doubled over the last year, and the number of Fit handled there has also increased. Furthermore, the ratio of inverters has increased significantly over the past year, and we are seeing results in the strengthening of essential sales capabilities. We would like to ensure the development of new leaders and to win back dealers to achieve solid profitability and increased market share.

Maekawa [Q]: I understand very well. Thank you very much. Second, what is your approach to capital allocation? I understand that the final announcement will be made along with the FUSION at the end of this fiscal year. You commented that you would consider including share repurchases, which have not been implemented to date. What is the background behind this change in thinking? I would like to ask President Takenaka what kind of awareness of the issues you have.

Takenaka [A]: In a nutshell, as you have pointed out in our communications, we were able to achieve record profits in H1, but the current share price is less than half of the highest price since listing that are recorded in 2024, and we take very seriously the fact that we are not meeting the expectations of our shareholders. On the other hand, we also recognize that we have not received sufficient recognition for our future growth. As I mentioned earlier, we are also conscious of capital efficiency and willing to accelerate growth.

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

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

Sasaki [M]: My name is Sasaki from UBS Securities. Thank you for your time today. Let me ask you two questions. First, can you tell us a little more about the state of the market environment for residential air conditioning in the US on page 17?

I believe there is quite a large inventory buildup in reaction to the previous year's refrigerant regulation change. Could you share the status of your company and the inventory situation in the market as a whole? In addition, with the transition to a new refrigerant this year, I believe that only your company uses R32. Please tell us how you see the strength of R32 now that sales have actually started, in terms of competitive advantage over other companies, feedback from customers, response, etc.

In addition, the number of data centers is increasing in the US right now, and the cost of electricity is rising very steeply. Under these circumstances, you mentioned earlier that your company is also increasing the ratio of inverters. Is there a shift in demand toward so-called energy-efficient air conditioning, for example, in terms of Fit sales and the trend toward inverters? Please tell us in an organized overview what the current business environment is like in the US air conditioning market.

Takenaka [A]: Thank you very much. Originally, wholesalers' distribution inventory was about 127% of the previous year's level as of April, but as of the end of September, it had fallen to 103% of the previous year's level. In H1, we had to prioritize selling off our inventory of R410A units, so we spent the entire first half of the year getting our inventory down to the same level as last year. We estimate that H2, and especially the beginning of the new year, will begin with normal inventory levels, and we believe that we will be able to increase sales. We are currently thinking about this so that we can launch sales vertically while carefully monitoring how low mortgage rates will fall.

R32 has many advantages, such as energy savings, space savings, ease of installation of small piping, advantages of a single refrigerant, and so-called price-cost power, so we will make sure that these advantages permeate customers. We are already feeling the response.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com



Your point about the electricity bill is correct. For example, in Houston, Texas, where we are based, the cost of electricity has nearly tripled. Despite the advantages of inverters, electrical work is a bit more complicated than in the past, and it is taking time to change the mindset and culture of the people involved, including installers. We are currently implementing a specific theme to change the culture of HVAC installation and handling. This includes reaching out not only to installers but also to industry associations and related stakeholders.

In addition, we have established a joint venture with Copeland for inverter compressors and have also started single sales activities. We will begin supplying samples to various companies around December. Through these activities, we hope to form a market in which we have an advantage.

Sasaki [Q]: Thank you very much. You mentioned that DNA's sales in H1 increased 8% due to mix and 8% due to ASP. Could you tell us what specific products contributed to the increase in mix and unit cost?

Takahashi [A]: Fit, which is one of our strengths, has been growing YoY. Sales of products equipped with inverters, which are highly profitable, are also growing, and the ratio of inverters is increasing. In addition, while there are variations from year to year, the sales channel mix and product mix have resulted in gains. The product mix improved as a result of efforts to increase sales of high-value-added products and products with higher selling prices. We also tried to maintain selling prices.

Sasaki [Q]: Thank you very much. Second, please tell us about China. I know the business environment in China is very difficult, but could you tell us how profitability actually fared in H1? In the stock market, many domestic and foreign institutional investors are concerned about the risk of a decline in your company's high profit margins in China. Could you tell us if the high profit margins in China are sustainable, along with your strategy for maintaining high profit margins?

Takahashi [A]: Thank you very much. Although sales in China were negative YoY, we were able to maintain a profit margin of over 20%. The main reason for this is that we do not compete with local manufacturers on price at all, and we thoroughly promote high value-added products to our customers.

As a change from the past, we have considerably strengthened and increased our menu of new air quality proposals for our customers this fiscal year. Local manufacturers are also coming out with products similar to simple residential multi-split air conditioners with one outdoor unit and multiple indoor units. However, we are beginning to offer customers a variety of space comfort proposals, such as smells, aromas, and airflow, in addition to dehumidification and humidification.

Sales of residential multi-split air conditioners also remained at almost the same level as the previous year, despite the very difficult conditions, due in part to the effect of this enhanced menu of proposals. According to the local top management, they have been able to maintain profit margins by making sure to offer new proposals and new added value to their customers anyway.

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

Sakamoto [M]: Thank you very much. Next, Mr. Fukuhara of Jefferies, please ask your question.

Fukuhara [Q]: My name is Fukuhara from Jefferies. Thank you again for your time today. I have two questions. The first is about the Applied business. You have just explained about the Applied business in the US. If possible, please let us know if there are any differences in strategies and sales methods of the Applied business in Europe, Asia, and China.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com



Takahashi [A]: In each region, we are basically implementing the same strategy. We are working to increase the solution ratio by proposing detailed solutions to customers in addition to selling equipment by market, such as data centers, factories, and hospitals.

The solution ratio is probably up to 55% to 60% in North America, but in other regions, equipment sales are still somewhat higher, and the solution ratio is lower than in North America. Therefore, a major challenge in other regions is to increase the solution ratio.

In China, competition with local manufacturers is very tough. How can we produce products with good performance in a situation where the cost competitiveness of equipment and competition is even tougher than in other regions? We are thoroughly developing new products and competing with our rivals.

Uehara [A]: I am in charge of the air conditioning business in Asia and Oceania. We expect Applied in Asia to continue to grow at a CAGR of perhaps 5% or more through 2030. As for priority applications, we expect a large expansion in data centers and factories in Asia, as well as in district cooling with a carbon-neutral background. In response, we are currently working to enhance our equipment lineup and strengthen our system for proposing solutions. We will strengthen the product lineup by application, such as large turbo, magnetic bearing turbo, secondary side, etc. At the same time, we are rapidly strengthening our system to offer customers not only equipment sales but also energy conservation and energy management in combination with controls and are receiving more orders for solutions. In terms of equipment sales, we are probably number one in ASEAN.

Fukuhara [Q]: Thank you very much. DAA's profit margin is up to 10%, but is the profit margin for Applied in other areas about the same?

Takahashi [A]: In Europe, the profit margin is about the same as in the US. In China, I believe the profit margin is higher than in the US.

Uehara [A]: In Asia, profit margins for service and maintenance are still much lower than in the US, and profit margins are lower than in the US. We hope to increase our profit margin by making improvements in the future.

Fukuhara [Q]: I understand. Thank you very much. My second question is about the business in India. This was the second consecutive quarter of YoY declines in Q1 and Q2. I understand that weather factors are the primary reason, but what I am concerned about is the change in market share. I understand that your company's basic stance is not to lower prices, but does the way you set your prices have any impact on your market share? Also, looking at the progress of sales in India in H1, how certain are you of achieving your JPY200 billion annual plan?

Uehara [A]: Currently our competitors in the Indian residential market are local manufacturers and some Korean manufacturers. We have historically refrained from engaging in price competition and do not target the lowest volume zone. The upper and middle tiers are referred to as double premium, and we are selling to this group. Regarding market share, we believe we maintained or slightly increased our market share in H1. As for our annual sales plan of JPY200 billion, although sales for residential use fell significantly below the previous year's level in H1, sales for commercial use increased by more than 10%, and we believe that we will manage to achieve our initial plan of JPY200 billion for the full year.

Fukuhara [M]: I understand. Thank you very much. That is all.

Sakamoto [M]: Thank you very much. Next, Mr. Hotta of BofA Securities, please ask your question.

Support

Japan 050.5212.7790

Tollfree 0120.966.744

Email Support support@scriptsasia.com

Hotta [Q]: Thank you very much. Let me ask one quick question. First, Mr. Takenaka made a comment about managing the Company with ROE and profitability in mind. I believe that three indicators of performance-based compensation for directors today, including the president, are used: sales, operating margin, and operating profit amount. For directors other than the chairman and president, it would be operating profit and sales revenue, I suppose. Have there been any discussions within the Company to change these performance-linked KPIs to KPIs that are more tied to ROE, profitability, and returns in order to manage the Company with a greater awareness of ROE and profitability in the future? If it is not being done, please tell us what the reason is.

Takenaka [A]: Yes, the Compensation Advisory Committee is in the midst of discussions to review the compensation standards for directors in conjunction with the start of FUSION30 next year. We would like to make a presentation on the contents in conjunction with FUSION. In addition, we are also discussing long term incentives.

Hotta [M]: I understand very well. Thank you very much. That is all.

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

McDonald [M]: Thank you very much for today.

Takenaka [M]: Thank you very much.

McDonald [Q]: I heard a lot of happy things: there was mention of share buybacks, you will be more aware of ROE, and you will reexamine KPIs for performance-linked compensation. On the other hand, I still have to ask the tough questions. One is cash flow. First half results for cash flow are down about 60% to 70% compared to last year. Sales and profit levels are at record highs, but cash flow has not peaked at all. There are many reasons for this background. Inventory is increasing and M&A is having an impact. Capital investment is also still at a high level. Looking at the cash flow situation, I do not believe we can effusive in my praise.

I am a bit confused as to how you can focus more on shareholder returns if you do not generate cash flow. M&A had a particularly large impact on the current financial results. You had a cash outflow of about JPY50 billion in H1. How much did this contribute to profits? Over the past 20 years, Daikin has acquired various companies, but it is difficult to understand their contributions, and I am wondering how I should evaluate them.

Can you give us some idea of the effectiveness and contribution of M&A? Many investors are particularly interested in the most recent M&A related to the business for data centers. What criteria do you use to execute M&A?

Takahashi [A]: Thank you for your comments and questions. Recent M&A activity has been primarily with North American air conditioning rep agencies. Although we refrain from disclosing specific figures, we are certain that we have been able to generate sales as well as profits for those sales rep acquisitions.

On the other hand, projects for data centers are an area that we intend to expand greatly in the future. In particular, our most recently announced acquisition of Chilldyne is aimed at acquiring their technology. From a short-term perspective, such as this year or next year, we do not expect much contribution to profits due to the burden of amortization of goodwill. However, we believe that they will be able to contribute to profits from FY2027 onward, and as for sales, we believe that they will be able to make a contribution from the next fiscal year. Conversely, the European freezer and refrigerator business is currently struggling in terms of M&A effects. After amortization of goodwill, the profit level has been zero or slightly in the red.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com



McDonald [Q]: Do you have a cash flow forecast for the current fiscal year?

Takahashi [A]: We are targeting about JPY150 billion, although this is only on an internal management basis and the standard is slightly different from the free cash flow on the consolidated cash flow statement. We are currently experiencing a slight increase in inventories, and we believe that progress against our plan is a little behind schedule.

Regarding inventories, although the H1 results are in line with our plan, we recognize that they remain at a high level compared to the previous year, and we are now in the process of company-wide efforts to reduce them.

McDonald [Q]: Thank you. One more point, there was a reference to goodwill amortization in the earlier discussion of Chilldyne. Aren't you considering adopting IFRS?

Takahashi [A]: We are discussing it. In anticipation of the adoption of IFRS, we have already completed unification of almost all standards, such as standards for recording sales and depreciation of tangible fixed assets. On that basis, we do not see much incentive to adopt IFRS at this time. Adopting IFRS requires considerable expense and manpower. The current assessment is that there is no need to go that far.

McDonald [Q]: Amortization of goodwill will be more than JPY24 billion in H1 alone, or about JPY50 billion for the year. I personally think it would be better to move to IFRS since it is a substantial amount of money. Again, I would expect a little more aggressive disclosure in the future with respect to acquisitions with large amounts. This will make it easier to discuss and evaluate capital efficiency.

Takenaka [A]: Thank you very much. Understood. We will continue to consider and make decisions on how to measure and disclose investment returns in terms of KPIs.

McDonald [M]: OK. That's all from me. Thank you very much.

Takenaka [M]: Thank you very much.

Sakamoto [M]: Thank you very much. The next person will be the last to ask a question. Mr. Taninaka of SMBC Nikko Securities, could you ask a question?

Taninaka [Q]: My name is Taninaka from SMBC Nikko Securities. Let me ask you two questions. The first point concerns the analysis of changes in operating profit for the full year. The annual plan for operating profit remains unchanged, but looking at each item, the sales expansion effect has been revised downward by about JPY64 billion compared to the initial plan. On the other hand, the selling price effect has been revised upward by JPY18 billion from the initial plan. It is common for the selling price effect to decline when sales volume declines. Could you tell us the background behind the upward revision of the selling price effect this time?

Takahashi [A]: Thank you for your question. In the current fiscal year, demand was tougher than expected after the initial plan was formulated, and in addition to the impact of the US tariffs, the thorough implementation of selling price measures was a more important policy than ever before. We have already seen positive effects in H1, and we intend to continue to capture these effects in H2 by steadily implementing measures in each region.

Taninaka [Q]: Thank you very much. Second, what is the background behind your ability to improve the progress of the Win-back to 55% in the North American market, where demand has deteriorated so much? For example, with inflation, are customers becoming more price-conscious, and do they prefer the R32 because of its price advantage over the R454B unit? I am aware of the features and efficiency of your products. Is it possible that the superiority of the new refrigerant may have led to winning back?

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com

 **SCRIPTS**
Asia's Meetings, Globally

Takenaka [A]: In addition to the superiority of R32 units in terms of energy efficiency and ease of installation, I think the biggest reason is that we are meeting the needs of each and every dealer and providing detailed support. For example, each dealer has its own needs, such as training for installers or support for energy-saving proposals. This has allowed us to expand sales of high value-added products.

Taninaka [M]: Understood. Thank you very much. That's all from me.

Sakamoto [M]: Thank you very much. With that, we would like to conclude the financial results briefing. Thank you very much for your participation to the end.

Takenaka [M]: Thank you very much.

[END]

Document Notes

1. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.*
2. *This document has been translated by SCRIPTS Asia.*

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com



Disclaimer

SCRIPTS Asia reserves the right to edit or modify, at its sole discretion and at any time, the contents of this document and any related materials, and in such case SCRIPTS Asia shall have no obligation to provide notification of such edits or modifications to any party. This event transcript is based on sources SCRIPTS Asia believes to be reliable, but the accuracy of this transcript is not guaranteed by us and this transcript does not purport to be a complete or error-free statement or summary of the available data. Accordingly, SCRIPTS Asia does not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information contained in this event transcript. This event transcript is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal.

In the public meetings and conference calls upon which SCRIPTS Asia's event transcripts are based, companies may make projections or other forward-looking statements regarding a variety of matters. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the applicable company's most recent public securities filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are accurate and reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the anticipated outcome described in any forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE PUBLIC MEETING OR CONFERENCE CALL. ALTHOUGH SCRIPTS ASIA ENDEAVORS TO PROVIDE ACCURATE TRANSCRIPTIONS, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE TRANSCRIPTIONS. IN NO WAY DOES SCRIPTS ASIA OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BY ANY PARTY BASED UPON ANY EVENT TRANSCRIPT OR OTHER CONTENT PROVIDED BY SCRIPTS ASIA. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S PUBLIC SECURITIES FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS. THIS EVENT TRANSCRIPT IS PROVIDED ON AN "AS IS" BASIS. SCRIPTS ASIA DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, AND ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT.

None of SCRIPTS Asia's content (including event transcript content) or any part thereof may be modified, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of SCRIPTS Asia. SCRIPTS Asia's content may not be used for any unlawful or unauthorized purposes.

The content of this document may be edited or revised by SCRIPTS Asia at any time without notice.

Copyright © 2025 SCRIPTS Asia K.K. ("SCRIPTS Asia"), except where explicitly indicated otherwise. All rights reserved.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com

