Daikin Industries, Ltd.

Briefing on Business Strategy in the Data Center Market

November 27, 2025

Event Summary

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	Graeme McDonald	Citigroup Global Markets
	Toshiharu Morota	Okasan 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.

Presentation

Sakamoto: We begin the Briefing on Business Strategy in the Data Center Market of Daikin Industries, Ltd. Thank you for taking time out of your busy schedule to join us today.

Presentation materials are available in the Investor Relations section of our website, as notified by email. Please have them on hand if you need them.

Let me now introduce today's speakers.

First, today's main speaker, Masaaki Miyatake, Executive Officer in charge of Applied Solution Business. In addition, Makio Takeuchi, Deputy General Manager, Applied Product R&D, Applied Solution Business Division and Feng Shi, Deputy General Manager, Business Strategies, Applied Solution Business Division. These three people are our speakers. Sakamoto of Investor Relations Management Group, Corporate Communication Office will be the moderator. Thank you for your cooperation.

Today, Miyatake, Executive Officer in charge of Applied Solution Business, will make a 20-minute presentation on our business strategy for the North American data center market, followed by a question-and-answer session. The end time is scheduled for 10:00 AM.

Now, Executive Officer Miyatake, please.

Miyatake: Good morning, everyone. Thank you very much for taking time out of your busy schedule to join us today. I am Miyatake, Executive Officer in charge of Applied Solution Business, Daikin Industries, Ltd.

Let me explain the background and agenda of today's briefing.

The data center cooling market is undergoing a major structural change against the backdrop of rising digital demand, including AI applications. We consider this area to be an important growth driver in the medium to long term.

In recent months, we announced our M&As for data centers and investments in laboratories and production facilities, mainly in the North American region, individually through press releases, but we have also received requests from investors for a more detailed overall picture.

We have positioned today's briefing as an opportunity to summarize and present our company's current major direction.

Today's Agenda

- Data Center Market in North America and Our Strategic Goals
- Evolving Cooling Needs and Our Initiatives
- Future Outlook

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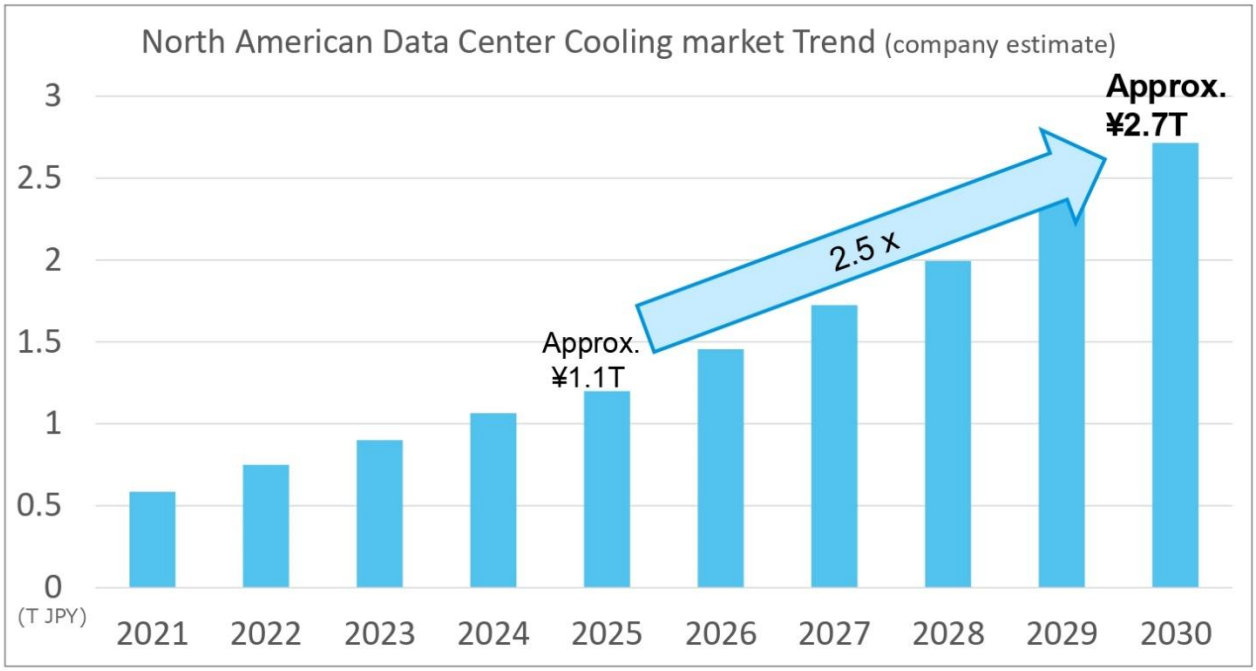
Today's agenda includes data center market in North America and our strategic goals, evolving cooling needs and our initiatives, and future outlook.

North American Data Center Cooling Market Trends and Our Perspective



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First, I would like to explain North American data center cooling market trends.

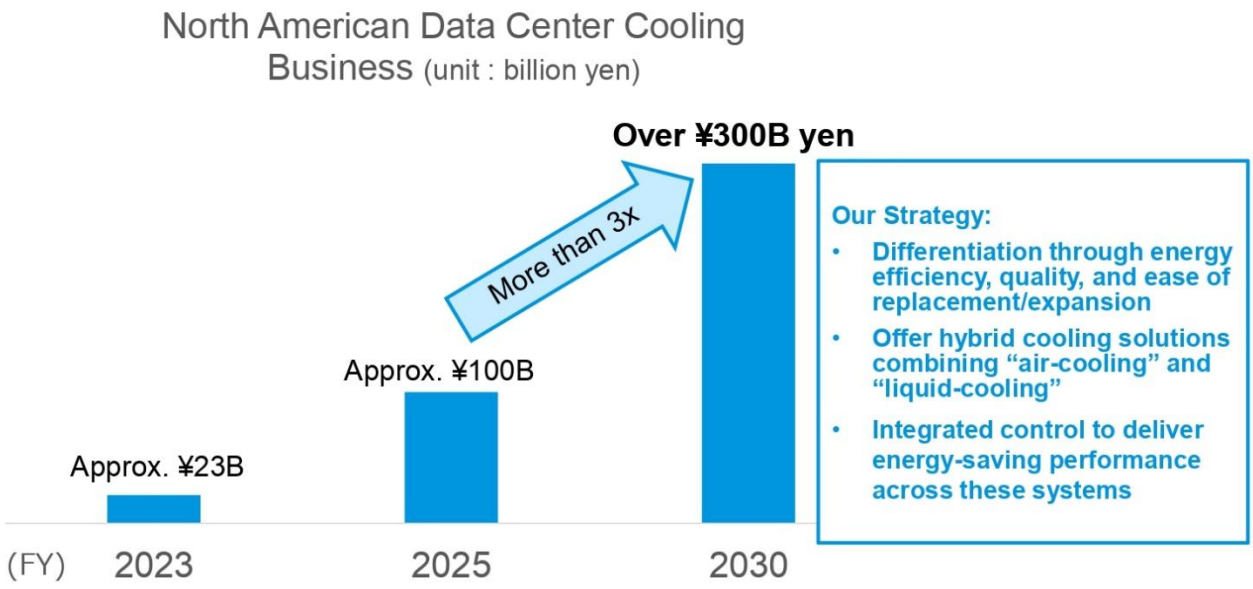
This market is expected to grow very strongly, approximately 2.5 times, from about JPY1.1 trillion in 2025 to about JPY2.7 trillion in 2030.

As a background, the number of new data centers is increasing in response to the expansion of cloud services and rapid growth in data volume. Furthermore, the processing load per AI server is dramatically increasing. So, cooling needs increases exponentially.

Cooling is becoming even more important, and the cooling market is growing strongly in line with the data center market growth.

In the next slide, I would like to explain the business size we are aiming at and the direction we are taking in response to the market growth.

Our Business Plan and Strategy



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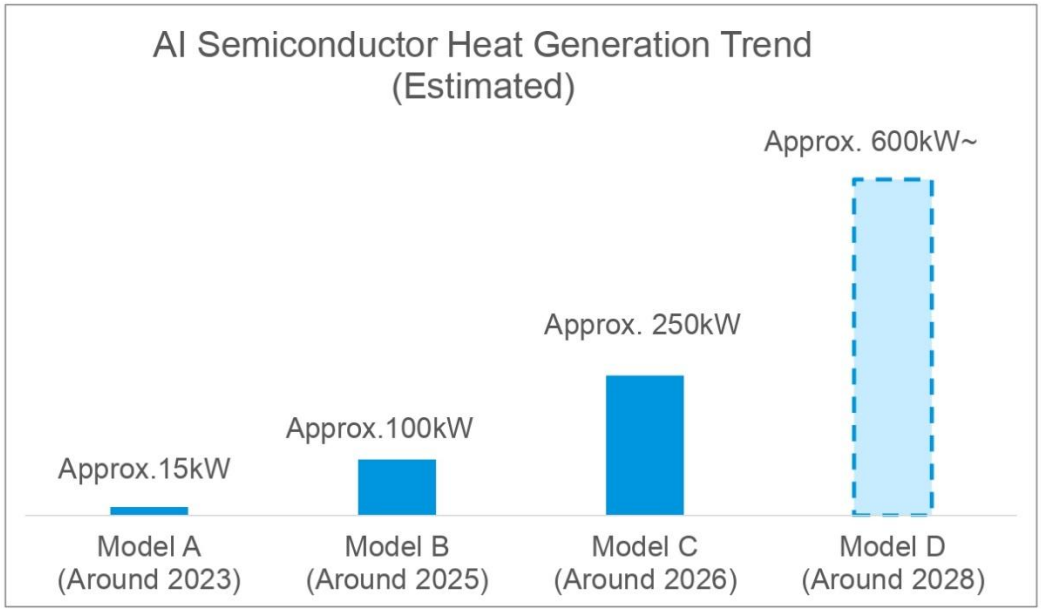
Our North American data center cooling business has grown significantly over the past few years and is expected to increase from approximately JPY23 billion in 2023 to approximately JPY100 billion in 2025.

By 2030, we aim to achieve a business size of JPY300 billion or more, which is more than three times compared to 2025, exceeding the market growth.

In order to achieve our business goals, in addition to differentiation through energy efficiency, quality, and ease of replacement and expansion of server racks, which are renewed in a short cycle, every three to five years, we will offer a full lineup of cooling systems from air-cooling to liquid-cooling, to provide optimal hybrid cooling capacity. Furthermore, we provide integrated control for these systems as a package to achieve unparalleled energy-saving solutions.

AI-Driven Increases in Heat Generation and the Growing Importance of Cooling



As AI processing becomes more advanced, rising heat generation can lead to performance degradation and equipment failures.

➡ Cooling is a critical infrastructure element that ensures stable operation of AI data centers.

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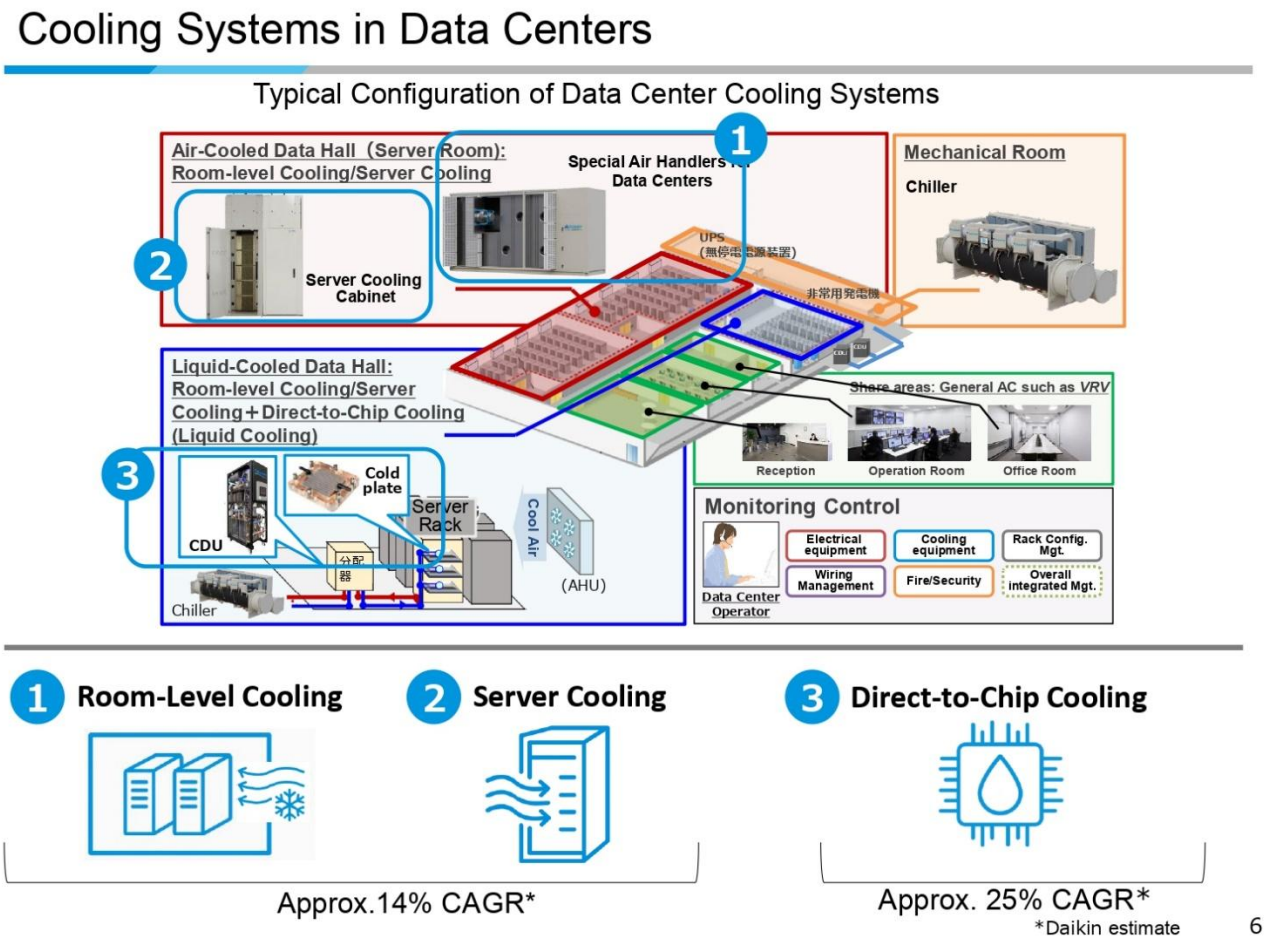
As AI applications are accelerated, data centers require more advanced and faster processing, and the heat generated by semiconductors mounted in servers has increased significantly in line with this trend.

As shown in these graphs, the heat generation has risen rapidly as semiconductor generations advance, from 15 kW per rack around 2023 to 100 kW per rack in 2025. It is expected to be over 600 kW by 2028.

Increased heat generation can cause temperatures to rise inside the server, which may lead to performance degradation or equipment failures. Data centers that operate 24 hours a day, 365 days a year are required to ensure that these risks are controlled, and cooling facilities are positioned as the most important infrastructure to support stable operations.

Against this backdrop, the cooling methods required for data centers are becoming increasingly diverse and sophisticated. We will certainly respond to these changes by combining air-conditioning and liquid-cooling technologies and we will offer our own unique solutions.



I would like to explain cooling methods that are actually used in data centers.

In conventional server rooms, "room-level cooling" in which cool air is sent from air conditioning equipment installed on the wall to cool the entire room, is common and still widely used today.

However, in some areas with high heat generation, the method of uniformly cooling the entire room is not sufficient, and the importance of "server cooling", which cools each rack individually, is increasing.

Furthermore, as AI processing becomes more sophisticated, the heat generation inside the server will rise further, creating the need for more reliable heat removal. For this reason, additional installation of "direct-to-chip cooling," which attaches coolant-flowing metal plates to high heat-generating semiconductors to cool down is increasing rapidly.

Data centers use servers for diverse applications ranging from data storage to advanced AI processing. Since the heat generation varies, cooling methods have also diversified into three types: room-level cooling, server cooling and direct-to-chip cooling.

Of these three cooling methods, we expect that room-level cooling and server cooling will continue to grow steadily at about 14% a year, while direct-to-chip cooling will grow rapidly, at more than 25% a year. All three methods are positioned as important growth areas.

While there are different players respectively in room-level cooling, server cooling, and direct-to-chip cooling, we have all three methods by strategically acquiring companies that are unique in their respective fields. Our

ability to provide our customers with optimal cooling equipment on a one-stop basis is our unique feature and advantage.

In the following slides, I will explain our initiatives by cooling method.

Room-Level Cooling Initiatives

- **Entered the Data-Center CRAH* market through the acquisition of Alliance Air Products (2023)**
- **Strong engineering capabilities for large air-handling units customized to each customer's specifications, combined with high energy efficiency**
- **Launch of a new chiller model for data centers (next page)**

Alliance AIR PRODUCTS
a member of DAIKIN group

CRAH by Alliance Air Products

* CRAH (Computer Room Air Handler):An air-conditioning unit designed specifically for server rooms. It supplies cooled air in accordance with the heat-generation characteristics of servers to maintain stable room temperatures. CRAH units are widely used in data centers for Room-Level Cooling.

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First, let me explain our initiatives in the room-level cooling segment.

Compared to other regions, in North America, we see many very large data centers and very high demand for large air-handling units that can stably cool entire server rooms. In addition, since the design specifications of data centers vary greatly from customer to customer, it is important to have engineering capabilities that can flexibly customize them to meet the requirements.

In 2023, we acquired Alliance Air, a company with high technical and engineering capabilities and energy-efficiency and entered the large air-handling business.

By integrating our manufacturing capabilities, we aim to achieve further growth. At present, FY2025, our business has expanded significantly, approximately four times that at the time of acquisition. We are currently working to further develop customers and expand production. Also, in the room-level cooling business, the combination of Alliance Air air-handling units with our high-performance chillers will further enhance our proposal capabilities.

High performance chillers are explained in detail on the next slide.

Room-Level Cooling Initiatives: New Products

- Land availability for data-center construction is becoming a challenge in North America.
  ➡ Demand is rising for high-density facilities and sites with limited water resources or hot climates.

WME-C Quad Chiller

- Expanded capacity for high-density sites
- Industry-leading large-capacity magnetic-bearing chiller

AHR 2026 INNOVATION AWARDS

AWV Chiller

- Upgraded AWV chiller for high-ambient operation

AWM Chiller

NEW

- New Product: Magnetic-Bearing Air-Cooled Chiller for High-Ambient Conditions

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In North America, it has become increasingly difficult to secure land for data center construction, and an increasing number of data centers are being built under harsh environmental conditions, such as high-density facilities on existing sites or sites with limited water resources or high outdoor temperatures. These environments require equipment with greater cooling capacity and the ability to operate stably even under high ambient temperatures.

The new products shown here are examples of how we have expanded our product lineup to address the constraints of construction sites and the needs of our customers, in terms of large capacity and high outdoor temperatures.

By combining these products with the air-handling units of Alliance Air, as explained earlier, we will enhance our comprehensive proposals in the room-level cooling segment.

Our Initiatives in the Server Cooling Segment

Cabinet Cooling Platform Designed for High-Density AI Servers

DDC Solutions' S-Series Cabinet

- High-efficiency, energy-saving cooling at the cabinet level, independent of room-level air conditioning
- Flexible support up to 100kW
  Enables staged, rack-by-rack replacement and expansion
- Optimized airflow within the cabinet to prevent hot spots and ensures high operational stability
- DCIM-based monitoring and optimized control

+

DDC™ SOLUTIONS
a member of DAIKIN group

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Next, I will explain our initiatives in the server cooling segment.

Through the acquisition of DDC Solutions in September this year, we have newly entered the server cooling business.

The typical server cooling system is the rear-door cooling system, in which cold air is blown from the rear of each server rack. However, as servers themselves perform advanced processing such as AI, insufficient capacity and uneven cooling have become apparent, and so-called "hot spots" are an issue for the industry.

DDC Solutions' cooling cabinets are a novel, patented solution that allows for both high heat-handling capacity and energy-efficiency by sealing the enclosure in each rack and optimizing inside airflow.

We believe that the cabinet system, which prevents hot spots, could be a solution that replaces the conventional rear-door system.

By combining this company with our manufacturing capabilities, we plan to establish a mass production system in the spring of FY2026. In the AI data center cabinet cooling market, we will promote solutions offered by DDC Solutions, aiming to obtain a 30% share by 2030.

Direct-to-Chip Cooling (Liquid Cooling) Initiatives

Negative-Pressure Liquid-Cooling for High-Density AI Servers

Chilldyne's Direct-to-Chip Liquid Cooling System

- Negative-pressure design fundamentally reduces the leakage risk—one of the biggest challenges in liquid cooling
- Low installation burden, making it easy to introduce liquid cooling even in existing data centers

CHILLDYNE
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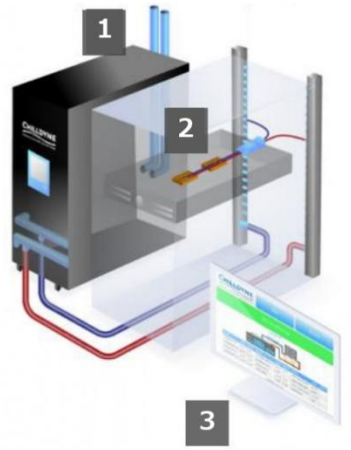

1. CDU: Distributes and circulates coolant between the chiller and cold plates
2. Cold plate : A metal plate that removes heat using liquid cooling
3: Control system that manage the operation of 1 and 2.

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Next, I will explain our initiatives in direct-to-chip cooling, or so-called liquid cooling.

AI servers generate so much heat from semiconductors that room-level cooling or server cooling alone are not sufficient to cool them sufficiently, and an increasing number of data centers are adopting "liquid-cooling" system that cool chips directly. On the other hand, liquid-cooling system requires the coolant to be carried to the inside of the server, and many customers are concerned about the risk of failure in the event of liquid leakage, which is a major hurdle to the introduction.

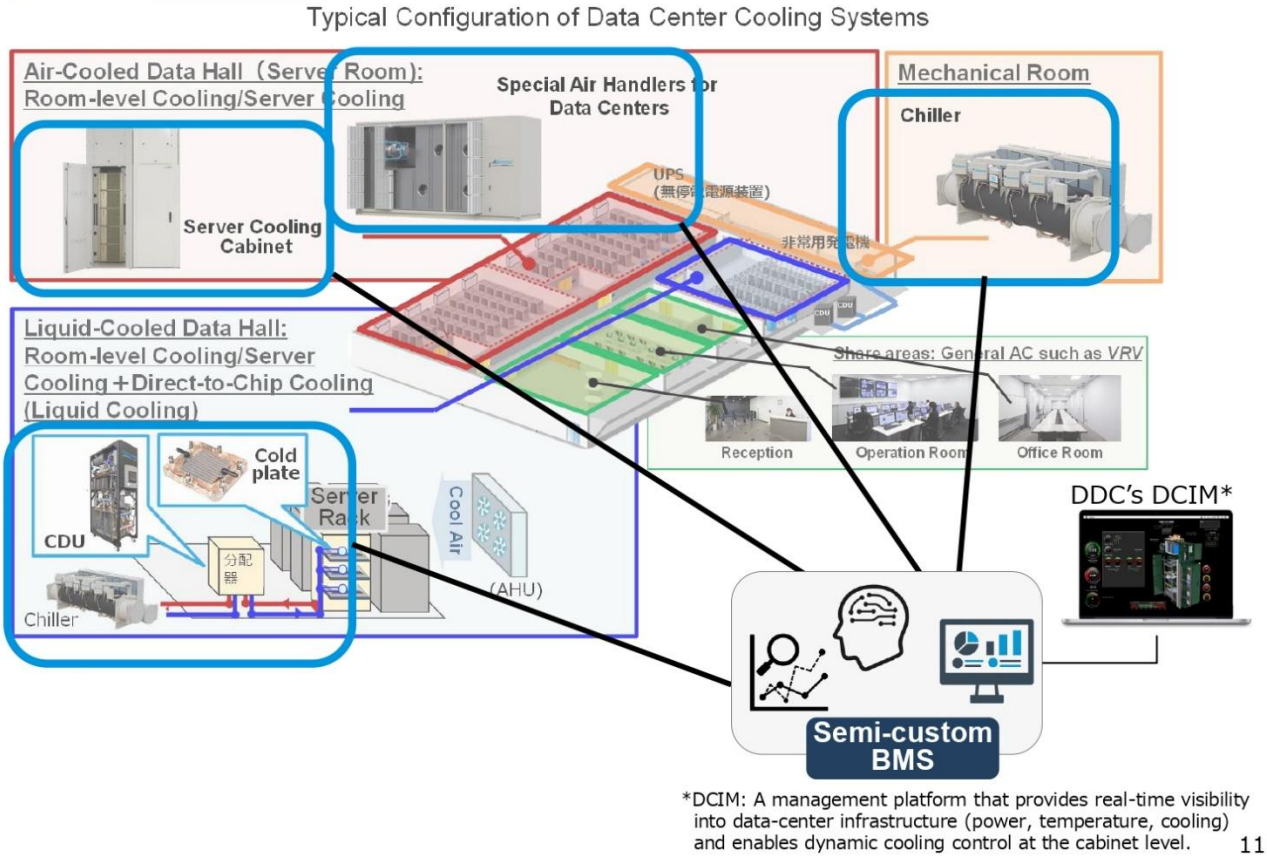
In response to these customer concerns, we entered this area with the acquisition of Chilldyne, a company with proprietary negative-pressure liquid cooling technology.

Its negative-pressure design maintains a constant vacuum inside the piping, so that even if the piping is damaged, the liquid does not leak out but is drawn back inside, greatly reducing the risk of leakage.

Also, Chilldyne's liquid cooling system is simple in structure, minimizing work and countermeasures required during installation, which is a tremendous advantage for construction sites that are in the midst of booming construction and labor shortage.

We will develop liquid cooling solutions that can reliably handle the high heat generation of AI servers by enhancing direct-to-chip cooling with negative pressure liquid cooling at its core. Like DDC Solutions, we plan to integrate our manufacturing capabilities and establish a mass production system in spring 2026.

Our Solutions



These three cooling methods have their own role to play, but we focus on making them function optimally across the business, not individually.

As the number of AI data centers increases, customers need cooling equipment that is reliable enough to operate stably 24 hours a day, 365 days a year, and that saves energy as the power load increases, while avoiding any shortage of cooling capacity.

In this situation, major concerns for customers are where and how cooling capacity should be allocated, and how to balance energy savings, initial cost, and cooling capacity.

We are an air conditioning manufacturer with highly differentiated technologies in all three cooling methods for room-level, server, and direct-to-chip, and our advantage is our ability to propose optimal configurations that combine these technologies. Furthermore, we do not simply provide a lineup of cooling equipment; we internally develop integrated control systems to achieve overall optimization of performance, energy savings, and facility costs from the time of installation to the time of operation.

Customers can entrust optimization of their entire cooling system to a single supplier, rather than having to coordinate with multiple suppliers for each component of the cooling system. It is of great value to our customers, and we will continue to strengthen this as a source of differentiation from our competitors.

Strengthening Production and Development Capabilities

1. Strengthening production capacity

Photo: New factory (Mexico)

2. Strengthening our Development structure

Photo: Technology and Innovation Center (Osaka)

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In order to continue to expand these solutions, we are strengthening both our production and our development capabilities.

First, in terms of production, we are making investments in stages to stably meet the rapidly growing demand. While exchanging opinions with key customers individually, we determine and execute necessary capital investments in a timely manner.

On the development side, in addition to reinforcement of applied engineering, including TIC in Japan, we are also strengthening our development system and testing facilities in the United States.

Furthermore, through discussions with DDC Solutions, Chilldyne, and other acquired companies, we are ready to combine their technologies and expertise with our own development capabilities to develop differentiated cooling equipment.

In addition, to ensure that customer feedback and the latest trends in cooling technology are promptly reflected in our development, we have formed a cross-sectional development team, including acquired companies, and strengthened our structure to respond immediately to market changes.

Also, we are promoting industry-academia and industry-industry collaborations with universities and partner companies to accelerate technological development with an eye to future data center needs.

To implement these measures, we plan to establish a new "Data Center Solution Hub" in North America.

With Deputy General Manager Takeuchi, who is also present here at the helm, we will further solidify the system for the integrated evolution of the three cooling methods by cross-sectionally overseeing these initiatives.

Finally, we will continue to provide solid value in the data center cooling area based on our technological and on-site capabilities. We will continue to accurately grasp the needs of our customers and changes in the market, and work toward sustainable business growth and increased corporate value. We appreciate your continued support.

Thank you very much for your kind attention.

Question & Answer

Sakamoto [M]: We have time for questions and answers.

Mr. Sasaki of UBS Securities, please ask your questions.

Sasaki [Q]: My name is Sasaki from UBS Securities. Let me ask you two questions.

First, could you tell us a little more in depth, how you see your competitive advantage?

I understand that through company acquisitions, your company has built a strong position in total solutions with three different data center cooling methods.

The current situation is that major US air conditioning companies have a very high market share, and in addition, various start-ups are emerging.

Could you please summarize and tell us where your company is superior to other companies and where the strength of US competitors lies?

Miyatake [A]: As you have pointed out, US competitors in the applied business are also investing heavily in the data center cooling area, and we feel very threatened by their investment. Currently, we are proactively engaged in investing activities to compete with them.

As I explained earlier, our superiority lies in our ability to control room-level cooling, server cooling, and direct-to-chip cooling in combination.

For example, DDC Solutions, a company with strengths in server rack cooling, has a unique solution for eliminating server hot spots, which has received high praise from outside the company.

In the growing field of liquid cooling, Chilldyne's negative pressure system has an advantage as it can provide an answer to leakage risk, the major concern of liquid-cooling systems.

Our strength lies in the fact that we can further increase efficiency by controlling these systems in combination with our existing room-level cooling products, such as chillers and air-handling units.

In terms of comprehensive strength combining these three, we believe that we have acquired the ability to surpass and even beat our competitors.

Sasaki [Q]: Is it correct to say that the strengths of your company are the provision of total solutions and technological capabilities?

Miyatake [A]: Yes, you are correct.

Sasaki [Q]: My second question is about your business plan. You explained that current sales of the North American data center cooling business are about JPY100 billion, and you aim for over JPY300 billion by 2030.

First, am I correct in understanding that DDC and Chilldyne are not included in JPY100 billion for FY2025?

In addition, what is your approach to profitability? Of course, you are making upfront investments at the moment, so SG&A expenses and other expenses are probably high, but please tell us how you expect the

profitability of the data center business to change in the future as the product mix improves and the solution ratio increases.

Miyatake [A]: First of all, FY2025 sales of JPY100 billion do not include the two acquired companies. It includes the existing Daikin business and the Alliance Air business acquired in 2023. The sales target of JPY300 billion for FY2030 includes the sales of DDC and Chilldyne.

In terms of profitability, the data center business is leading the earnings of our business in North America, and we believe it will continue to be the center and pillar of our earnings for the next five years. As for the profit target for 2030 for North America as a whole, we are in the process of finalizing the FUSION 30 target, but the data center business will remain a growth driver and a pillar of our business, and we will continue to improve its profitability.

Sasaki [Q]: Can you further improve the profitability of the data center business? In addition, could you please explain the background behind the high profit margin of the data center business?

Miyatake [A]: Currently, the data center business is more profitable than other applications, and we believe that the data center business will account for an even higher percentage of revenue by 2030.

The data center business includes colocation companies, hyperscalers, and various other customers. In our business with hyperscalers, we spend many years discussing specifications directly with the manufacturer, and we customize our designs to their unique specifications. In some cases, direct selling is possible.

These features of the data center business have led to higher profit margins.

Sasaki [Q]: The products themselves are high-end and have added value, and direct sales mean that marketing expenses are not so high, so profit margins can be high, am I right?

Miyatake [A]: Yes. Your understanding is correct.

Sakamoto [M]: Mr. Maekawa of Nomura Securities, please ask your questions.

Maekawa [Q]: My name is Maekawa from Nomura Securities. I know this is a difficult area to analyze as the market is rapidly emerging but thank you very much for all the information you have provided. You categorize the data center cooling methods into three types: room-level cooling, server cooling, and direct-to-chip cooling. Right now, I think that room-level cooling is still mainstream, but as you explained, I wonder if the market for liquid cooling could expand rapidly as the semiconductor heat generation rises.

I would like to know the current composition ratio of these three methods, in terms of sales or in terms of market size. Also, how will things change from now to 2030? I believe your company's strategy should be made based on the data, so I would like to ask you about your company's view on how the data center cooling market will move in the future.

Miyatake [A]: As you say, the current mainstream is definitely room-level cooling. There are many air-handling unit and chiller players, and room-level cooling is a common cooling method in data centers. In addition, with the rapid development of AI servers, server cooling and chip cooling are growing at a very rapid pace.

Frankly, it is difficult to estimate how rapidly the ratio will change. However, although it is qualitative, I feel that the ratio of chip cooling has increased more than we assumed for the last two years.

We made strategic acquisitions in order to quickly obtain these three cooling methods.

Maekawa [Q]: Right now, I think your competitors are traditional applied manufacturers and room-level cooling manufacturers, but I think they are also considering similar strategies to enter the liquid cooling and server cooling market.

I would appreciate it if you could tell us whether you feel that your company is ahead of them.

Miyatake [A]: Data center industry competitors include not only traditional manufacturers such as JCI, TRANE, and Carrier, but also specialized players in data center cooling equipment. As they expand their territory to include air conditioning, the number of players in the data center cooling market is very large.

In terms of competitive advantage, as I have already mentioned, we are one of the first companies to have room-level cooling, liquid cooling, and server cooling businesses. The objective is to develop, market, and sell products ahead of competitors by combining Daikin's existing refrigerant control technology and manufacturing know-how with the strengths of acquired companies.

Naturally, I believe that other companies will also partner and collaborate with startups and make new acquisitions. However, we are confident that we are one step ahead of our competitors at present. We will grasp market needs and take on the challenge of new technologies ahead of our competitors.

Maekawa [Q]: My second question is about the details of FY2025 sales of JPY100 billion. May I understand that this is mostly from your existing applied HVAC business?

In addition, what is the current sales scale of Chilldyne and Alliance Air? Chilldyne is a start-up, and I know it is not that big yet, but what is the current size of Chilldyne, and when sales reach JPY300 billion in 2030, how much will Chilldyne's sales be, and how much will Alliance Air's sales be?

Shi [A]: My name is Shi. I am in charge of business strategies.

First, as mentioned earlier, the current sales of JPY100 billion are mostly generated by applied products for room-level cooling, such as chillers and air-handling units. Naturally, some services, etc. are included.

As Miyatake mentioned earlier, the sales mix in 2030 is difficult to read. Although I cannot give a specific figure because of the extremely rapid technological innovation in the industry, based on a general theory, I estimate that 70% to 80% of sales will be from conventional room-level cooling, and 20% to 30% will be replaced by liquid cooling and other methods.

Maekawa [Q]: Since 70% to 80% is from room-level cooling, and if the market for room-level cooling continues to be large, will you aim to capture the market by promoting your company's strengths, such as energy-saving performance?

Shi [A]: You are right. We are now able to propose one-stop total solutions. We also expect to gain recognition from customers.

Sakamoto [M]: Mr. Hotta of BofA Securities, please ask your questions.

Hotta [Q]: My name is Hotta from BofA Securities.

Firstly, please talk a little more about your sales force.

In your answer to an earlier question, you mentioned that you will sell directly to GAFA-related companies. I believe that in order to triple your sales from JPY100 billion in 2025 to JPY300 billion in 2030, you will also need to strengthen your sales force. What do you think about this?

Miyatake [A]: This is Miyatake.

I would like to say a few words about our sales force. As you pointed out, we have acquired equipment and solutions for data centers, but of course, as we aim to achieve sales of more than JPY300 billion, strengthening our sales capabilities will be key.

In North America, we have a rep system, with the rep appointed in each state to represent the manufacturer. There are a large number of data center operators throughout the United States, with their headquarters and locations scattered throughout the states.

At Daikin Applied Americas, our national account team and state rep team each have a dedicated data center team under the direct control of the president. We will work with them to strengthen our system to conduct everything from upstream to downstream, from specifications to sales.

Since the acquisition of DDC Solutions and Chilldyne, we have already held three or four study sessions and proposal meetings. We believe that we now have sufficient sales capabilities to propose these three cooling methods as a system. Now, it is just a matter of execution.

Hotta [Q]: Regarding the ability of DAA's current sales force to handle the situation. Am I correct in understanding that there is no need to acquire a new distributor specializing in data centers in the future or to form alliances or collaborations to strengthen sales capabilities?

Miyatake [A]: Naturally, we remain alert to all opportunities and do not consider our current sales network to be perfect. If we come across such an opportunity, we will actively consider it. Earlier I mentioned we are letting reps handle sales, but we are also in the process of in-house development of reps in major US cities.

This development means that reps will be joining the Daikin Group. We are pursuing a policy of developing total solutions and service solutions within the region by combining the after-sales service originally handled by Daikin Applied Americas and the sales capabilities of the rep. This is a very important initiative to increase profitability in North America.

If any piece of this initiative is necessary to further accelerate the data center business, we will actively evaluate options, including acquisitions.

Hotta [Q]: Second question. Let me confirm the profitability.

In your earlier response, you said that the data center business is the revenue driver. I believe that the data center business currently has a higher profit margin than the average profit margin of applied solution business.

Am I correct in my understanding that the data center business will drive applied business' overall profitability toward 2030, and if sales increase to JPY300 billion, overall applied solution business' profitability will also increase? Or should we assume that the profit margin of the data center business will increase in the future through total solution sales?

Miyatake [A]: By combining equipment sales force and sales profit, we will further increase profitability through total solutions, including after-sales service. In this regard, we believe that the profitability of the data center business in 2030 will raise the overall profitability of Daikin Applied Americas.

Hotta [Q]: Do you have an idea of the return rate when sales reach JPY300 billion?

Miyatake [A]: We are currently considering our next five-year plan, but we would like to aim for JPY300 billion in sales and a 15% profit margin in the data center business.

Hotta [Q]: If the operating profit margin for DAA is about 10% now, and the profit margin for the data center business will be slightly higher than that, may I understand that the overall profit margin for DAA will increase by several percentage points by 2030?

Miyatake [A]: Yes, you are correct.

Sakamoto [M]: Mr. McDonald from Citigroup Global Markets, please ask your questions.

McDonald [Q]: We heard many positive talks today, but briefly, what is the biggest risk right now? Are there any points of concern?

Miyatake [A]: Rather than risks for our company, the first thing that comes to mind right now is the risk of the data center market itself, which I believe is felt not only by me but also by all investors.

On the other hand, it is true that a large market is expanding before our eyes, and as an air conditioning manufacturer, we believe that we can best increase our profitability by competing in this area. Naturally, even with the risks involved, we are making large investments to further increase our profitability. This was the focus of our explanation today.

McDonald [Q]: Do you think the blue-sky scenario will continue for a while?

Miyatake [A]: Yes. Although various problems in data centers emerge every day, we currently believe that AI-related demand will continue. So, for players targeting the cooling market, North America is a particularly large market, and we believe that demand will continue to grow in the future.

McDonald [Q]: Thinking calmly about risks, you mentioned earlier that your company's comprehensive strength is one of your competitive advantages. However, the scale of your business is still small. Perhaps your business is smaller and possibly less profitable compared to competitors.

Mr. Miyatake mentioned earlier that you would like to consider M&A if there are opportunities in the future, and if the market is strong now, I think it is acceptable to expand business through M&A.

However, given Daikin’s past challenges in generating synergies from acquisitions and recorded impairment losses, I believe that M&A risks will remain a concern for Daikin in the future. What are your thoughts on this? I believe that not only your company, but other companies want similar start-ups and technologies, but the acquisition price is too high.

Miyatake [A]: The risks of M&A are, of course, as you have pointed out, and I am fully aware of that.

However, I apologize for repeating, but when it comes to data centers, technological innovation is advancing more rapidly than expected. While startups present significant risks, we are confident that acquiring and integrating these companies will yield substantial returns that outweigh the associated risks.

McDonald [Q]: Second question. This is a question I received from investors.

This briefing focuses on the North American data center cooling business, and I think the people who are most interested are American companies and American investors. In the future, it would be beneficial if such briefings could be held in English and provide opportunities for American investors to participate.

I think there is a great need, and it would be beneficial for your company's information dissemination efforts. I hope you will consider this suggestion. This is a request rather than a question.

Miyatake [A]: We would love to have such an opportunity. Frankly speaking, I also believe that we have less exposure than other US manufacturers, and we have finally reached the stage where we can actively share information. I would like to proceed in this direction. Thank you very much.

Sakamoto [M]: Mr. Morota of Okasan Securities, please ask your questions.

Morota [Q]: I think immersion cooling can be a more advanced method than water cooling. I noticed that immersion cooling was not discussed in today's briefing, but the most recent issue of Nikkei Cross-Tech featured a special section on cooling. I believe your company is working on two-phase immersion cooling for servers. Can you tell us if you are primarily considering using your own technology for immersion cooling?

Takeuchi [A]: My name is Takeuchi, and I am in charge of product development.

As for immersion cooling, our Chemical Business Division is developing refrigerants for immersion cooling. The technology will be based on refrigeration technology, which is one of our strongest points. In reality, the market is very small. Commercialization is currently under consideration, and TIC is engaged in technological development.

Morota [Q]: In conclusion, is it correct to assume that you will have a full lineup for the cooling system?

Takeuchi [A]: Yes. We will then proceed based on the timing of the market launch and the characteristics of the market.

As Miyatake explained several times, we will first enter the big market in front of us. The biggest technological hurdle for us was achieving differentiation in direct server cooling engineering. Considering this point, we made the decision to partner with Chilldyne and DDCS.

In terms of supply capacity, reliability, and quality, which are the biggest challenges, we will utilize our manufacturing technologies to provide instantaneous force and scalability so that users can use our products without worries. We made the acquisitions and our strategies, considering these points can differentiate us from our competitors.

Morota [Q]: When you explained about data center cooling systems, I think you mentioned that a full lineup of solutions is one of your company's differentiators and competitive strengths. I understand that cooling is a major issue for data centers, but I think power is also very important.

A manufacturer with both power systems and cooling systems, for example, would seem to have a more complete lineup. Do you think such a company would have an advantage in your view?

Takeuchi [A]: I think it depends on how the power is supplied. In the United States, there are many cases where solar power is the main source of electricity, but as you mentioned, there are also gas turbines and other types of power generation, and some discussions now include nuclear power. Gas turbines, among other sources, use primary energy, but there are also heat absorption and cooling systems. Considering the combination with such things, I think it could be advantageous to work in unison with electric power.

I think it is very reasonable to do it on a project basis, but I am aware that we need to have more discussions on whether we should deal with M&A, partnerships, or collaboration as a company.

Sakamoto [M]: Thank you very much for your many questions and comments. This concludes the question-and-answer session.

This concludes today's briefing. Thank you very much for your participation.

[END]

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