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Code Number: 6367

May 31, 2024

(Commencement date of electronic provision measure: May 27, 2024)

To Shareholders:

Masanori Togawa  
President and CEO  
Daikin Industries, Ltd.  
Osaka Umeda Twin Towers South,  
1-13-1, Umeda, Kita-ku, Osaka

## Convocation Notice of the 121st Ordinary General Meeting of Shareholders

We hereby inform you of the 121st Ordinary General Meeting of Shareholders of Daikin Industries, Ltd. (“Daikin” or the “Company”) to be held as indicated below.

For the convocation of this general meeting of shareholders, the Company takes an electronic provision measure for information that constitutes the content of the Reference Documents for the General Meeting of Shareholders, etc. (matters for electronic provision measure), and posts this information on the Company website as “Convocation Notice of the 121st Ordinary General Meeting of Shareholders.”

[Company website]

<https://www.daikin.com/investor/stock/meeting>

Matters for electronic provision measure are posted on the following website, in addition to the Company website.

[Website on which general shareholder meeting materials are posted]

<https://d.sokai.jp/6367/teiji/>

[Website of Tokyo Stock Exchange (Listed Company Search)]\*

<https://www2.jpx.co.jp/tseHpFront/JJK020030Action.do>

\*Please access the TSE website using the URL above, enter “Daikin Industries” in the “Issue name (company name)” field or “6367” in “Code”, and perform a search. Please select “Basic information” and then “Documents for public inspection/PR information.” The documents will be available from the “Notice of General Shareholders Meeting/Information Materials for a General Shareholders Meeting” section under “Filed information available for public inspection.”

**If you are unable to attend the meeting, you may exercise your voting rights in writing (the Voting Rights Exercise Form) or via electronic means (the Internet). Please review the “Reference Documents for the General Meeting of Shareholders” attached hereto, and exercise your voting rights by 5:30 p.m. on Wednesday, June 26, 2024, in accordance with “5. Guidance on Exercising Voting Rights” on the following page.**

For this ordinary general meeting of shareholders, we plan to offer a live streaming so that shareholders can watch the proceedings of the meeting from their homes and other places. **If you plan to participate in the meeting through the live streaming, please exercise your voting rights in advance in writing (the Voting Rights Exercise Form) or via electronic means (the Internet).**

### Particulars

**1. Date and Time:** 10:00 a.m., Thursday, June 27, 2024 (The reception desk will open at 9:00 a.m.)

**2. Venue:** “Shion Hall” (4F), Hotel Hankyu International  
19-19, Chayamachi, Kita-ku, Osaka, Japan

### 3. Meeting Agenda Reports:

- 1: Business Report, Consolidated Financial Statements and the Non-Consolidated Financial Statements for the 121st fiscal year (from April 1, 2023, to March 31, 2024)
- 2: Audit Reports on the Consolidated Financial Statements for the 121st fiscal year (from April 1, 2023, to March 31, 2024) by the Independent Auditor and the Audit & Supervisory Board

### Resolution Items:

**First Item:** Appropriation of Surplus

**Second Item:** Election of Ten (10) Directors

**Third Item:** Election of One (1) Audit & Supervisory Board Member

**Fourth Item:** Election of One (1) Substitute Audit & Supervisory Board Member (external)

**Fifth Item:** Awarding of Distinguished Service Compensation to Retiring Director

### 4. Procedural Rules Pertaining to the Convocation

#### Handling of Voting Rights in the Event of Multiple Exercise

- (1) In the event voting rights are exercised multiple times in writing, the last arriving vote shall be deemed to be effective.
- (2) In the event voting rights are exercised multiple times via electronic means, the last exercise of voting rights shall be deemed to be effective.
- (3) In the event voting rights are exercised in duplicate form by electronic means and in writing, the exercise of voting rights via electronic means shall be deemed to be effective.

### 5. Guidance on Exercising Voting Rights

#### Exercising Your Voting Rights in Writing (the Voting Rights Exercise Form)

On the enclosed Voting Rights Exercise Form, please indicate either approval or disapproval of each agenda and **return the form by 5:30 p.m., Wednesday, June 26, 2024**. If you do not indicate either approval or disapproval of each agenda on the Voting Rights Exercise Form, you will be deemed to have voted in favor of each agenda.

#### Exercising Your Voting Rights via Electronic Means (the Internet)

Please access the relevant website for the exercise of voting rights (<https://evote.tr.mufg.jp/>) using a personal computer or smartphone. Please enter the login code and password provided in the

Voting Rights Exercise Form enclosed herein and follow the instructions to proceed with your votes by indicating either approval or disapproval.

You may also exercise your voting rights from the website for the exercise of voting rights for smartphones by reading the QR code for login provided in the Voting Rights Exercise Form with your smartphone, without entering the login code and password.

**[Exercise deadline] by 5:30 p.m., Wednesday, June 26, 2024**

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- Ⓞ **Please submit the enclosed Voting Rights Exercise Form to the reception desk upon your attendance at the meeting.**
  - Ⓞ Please note that persons other than shareholders who are entitled to exercise voting rights, such as proxies who are not shareholders and persons accompanying you, are not allowed to enter the venue of the meeting.
  - Ⓞ In the event that any errors are found in the matters for electronic provision measure, corrections will be posted on each of the websites above.

## Reference Documents for the General Meeting of Shareholders

### **First Item:** Appropriation of Surplus

The Company pays stable dividends to shareholders in comprehensive consideration of the ratio of dividends to consolidated net assets, consolidated dividend payout ratio, consolidated operating performance, financial situations, and capital demands.

We propose to pay a year-end dividend of ¥130 per share for the 121st fiscal year.

This dividend would result in an annual dividend—including the interim dividend—of ¥250 per share, representing an increase of ¥10 due to the higher profit posted for the fiscal year under review.

### Year-end dividends

(1) Amount of dividend assets to be allocated to shareholders

Cash of ¥130 per share of common stock of the Company

Total: ¥38,059,524,100

(2) Effective date of dividends from surplus

June 28, 2024

**Second Item: Election of Ten (10) Directors**

The terms of office for all of the ten (10) Directors will expire as of the conclusion of this general meeting of shareholders. Therefore, we propose the election of ten (10) Directors including four (4) External Directors.

The candidates for Director are as follows.

Candidate number		Name	Current positions at the Company
1	Reappointment	Masanori Togawa	Representative Director, President, and CEO Chairman of the Internal Control Committee Member of the HRM Advisory Committee, Member of the Compensation Advisory Committee
2	New appointment	Naofumi Takenaka	Senior Executive Officer In charge of Human Resources and General Affairs Member of the HRM Advisory Committee, Member of the Compensation Advisory Committee
3	Reappointment Candidate for External Director Candidate for Independent Director	Tatsuo Kawada	External Director Chairman of the HRM Advisory Committee, Chairman of the Compensation Advisory Committee
4	Reappointment Candidate for External Director Candidate for Independent Director	Akiji Makino	External Director Member of the HRM Advisory Committee, Member of the Compensation Advisory Committee
5	Reappointment Candidate for External Director Candidate for Independent Director	Shingo Torii	External Director Member of the HRM Advisory Committee, Member of the Compensation Advisory Committee
6	Reappointment Candidate for External Director Candidate for Independent Director Female	Yuko Arai	External Director Member of the HRM Advisory Committee, Member of the Compensation Advisory Committee
7	Reappointment	Takashi Matsuzaki	Director and Senior Executive Officer In charge of Solutions Technologies

Candidate number		Name	Current positions at the Company
8	Reappointment	Kanwal Jeet Jawa	Director and Senior Associate Officer Regional General Manager, Air Conditioning Business in India and East Africa, Global Operations Division Managing Director & CEO of Daikin Airconditioning India Pvt. Ltd.
9	New appointment	Koichi Takahashi	Senior Executive Officer In charge of Accounting, Finance, Budget, and Promoting Operational Efficiency General Manager of Finance and Accounting Division
10	New appointment Female	Keiko Mori	Executive Officer In charge of Human Resource Development and Maximizing the Talents of Women Senior Manager in charge of Executive Secretarial Department

Note: The Company has concluded a directors and officers (D&O) liability insurance contract with an insurance company in which Directors of the Company are the insured. The insurance will cover any damages that may occur as a result that the insured take responsibility for liability with regard to their execution of duties or receive a claim for liability against them. If all candidates for Director assume the position of Director, they will be the insured of the directors and officers (D&O) liability insurance contract. The Company intends to renew this contract in July 2024.

Candidate number	Name (Date of birth)		Number of the Company shares owned
1	Masanori Togawa (January 11, 1949)  Reappointment	<p>[Brief personal history]</p> <p>April 1973 Entered the Company</p> <p>June 2002 Director of the Company</p> <p>June 2004 Director and Senior Executive Officer of the Company</p> <p>July 2006 Member of the HRM Advisory Committee of the Company (Current position), Member of the Compensation Advisory Committee of the Company (Current position)</p> <p>June 2007 Director and Senior Executive Officer of the Company</p> <p>June 2011 Representative Director, President, and COO of the Company</p> <p>June 2014 Representative Director, President, and CEO of the Company (Current position)</p> <p>July 2016 Chairman of the Internal Control Committee of the Company (Current position)</p> <p>[Current positions at the Company] Representative Director, President, and CEO Chairman of the Internal Control Committee, Member of the HRM Advisory Committee, Member of the Compensation Advisory Committee</p>	10,300 shares
<p>Reasons for Nominating Candidate for Director:</p> <p>As Representative Director, President and COO since June 2011, and as Representative Director, President and CEO since June 2014, Mr. Masanori Togawa has displayed strong leadership and contributed to the implementation of the strategic management plan and growth of the Group. We have appointed him to continue as Director, judging that his abundant experience and accomplishments are necessary for the Company to realize sustainable enhancement of corporate value in the future, and that he is an appropriate person for the position of Director of the Company.</p>			

Note:

Mr. Masanori Togawa does not hold any special interests in the Company.

Candidate number	Name (Date of birth)		Number of the Company shares owned
2	Naofumi Takenaka (January 31, 1964)  New appointment	<p>[Brief personal history]</p> <p>April 1986 Entered the Company</p> <p>June 2012 Associate Officer of the Company</p> <p>June 2017 Senior Associate Officer of the Company</p> <p>June 2018 Senior Executive Officer of the Company</p> <p>June 2020 In charge of Human Resources and General Affairs of the Company (Current position)</p> <p>July 2020 Member of the HRM Advisory Committee of the Company (Current position), Member of the Compensation Advisory Committee of the Company (Current position)</p> <p>June 2021 Senior Executive Officer of the Company (Current position)</p> <p>[Current positions at the Company] Senior Executive Officer In charge of Human Resources and General Affairs Member of the HRM Advisory Committee, Member of the Compensation Advisory Committee</p>	1,000 shares
<p>Reasons for Nominating Candidate for Director:</p> <p>Mr. Naofumi Takenaka has been engaged in the air conditioning business over many years, including production and development, domestic sales, supply chain management (SCM), and logistics, and has contributed significantly to the expansion of the business. Serving as Senior Executive Officer since June 2021, he is currently in charge of human resources and general affairs. We have appointed him as Director, judging that his abundant experience and accomplishments are necessary for the Company to realize sustainable enhancement of corporate value in the future, and that he is an appropriate person for the position of Director of the Company.</p>			

Note:

Mr. Naofumi Takenaka does not hold any special interests in the Company.



Candidate number	Name (Date of birth)		Number of the Company shares owned
3	<p>Tatsuo Kawada (January 27, 1940)</p> <p>Reappointment Candidate for External Director Candidate for Independent Director</p>	<p>[Brief personal history]</p> <p>March 1962 Entered Fukui Seiren Kako Co., Ltd. (Currently, Seiren Co., Ltd.)</p> <p>August 1981 Director of the above company</p> <p>August 1985 Managing Director of the above Company</p> <p>August 1987 President of the above company</p> <p>June 2003 President and COO of the above company</p> <p>October 2005 President, CEO, and COO of the above company</p> <p>June 2011 Chairman, President, CEO, and COO of the above company</p> <p>June 2014 Chairman and CEO of the above company (Current position)</p> <p>June 2016 Director of the Company (Current position)</p> <p>July 2016 Member of the HRM Advisory Committee of the Company, Member of the Compensation Advisory Committee of the Company</p> <p>July 2021 Chairman of the HRM Advisory Committee of the Company (Current position), Chairman of the Compensation Advisory Committee of the Company (Current position)</p> <p>[Current positions at the Company] External Director Chairman of the HRM Advisory Committee, Chairman of the Compensation Advisory Committee</p> <p>[Significant positions concurrently held] Chairman and CEO of Seiren Co., Ltd. External Director of Hokuriku Electric Power Company</p>	0 shares

Reasons for Nominating Candidate for External Director and Outline of Expected Role:

Mr. Tatsuo Kawada has abundant experience and deep insight as a corporate manager gained through serving various positions such as Representative Director of Seiren Co., Ltd. Drawing on such a track record, Mr. Kawada has been supervising the Company's management appropriately from an independent standpoint as External Director of the Company since 2016 and has been giving valuable advice on management policies and strategies. He has also been instrumental in ensuring transparency, objectivity, and fairness concerning executive appointment and compensation as a Chairman of the HRM Advisory Committee and a Chairman of the Compensation Advisory Committee. For these reasons, we have appointed him to continue as External Director, expecting that he will continue to contribute to enhancement of the Company's corporate value by adequately fulfilling the duties of External Director and proactively making proposals from a broad and advanced perspective including the viewpoint of shifting to new business models and generating innovation.

Attendance for Meetings of the Board of Directors:

Attended 15 out of 16 meetings (93.8%)

Notes:

1. Mr. Tatsuo Kawada does not hold any special interests in the Company.
2. There are no transactions between the Company and Seiren Co., Ltd., where Mr. Kawada serves as Representative Director.
3. Mr. Kawada is a candidate for External Director. The Company will register him with Tokyo Stock Exchange, Inc., as Independent Director if he is selected as External Director.
4. As of the conclusion of this general meeting of shareholders, Mr. Kawada will have been an External Director for eight years.
5. The Company has concluded a limitation of liability agreement with Mr. Kawada, in accordance with Article 427, Paragraph 1, of the Companies Act and the Company's Articles of Incorporation. Under this contract, liabilities for compensation are the lowest amount of liability stipulated by Article 425, Paragraph 1, of the Companies Act. In the event that his reelection is approved, the Company intends to continue the said agreement with him.

Candidate number	Name (Date of birth)		Number of the Company shares owned
4	Akiji Makino (September 14, 1941)  Reappointment Candidate for External Director Candidate for Independent Director	<p>[Brief personal history]</p> <p>March 1965 Entered Iwatani Corporation</p> <p>June 1988 Director of the above company</p> <p>June 1990 Executive Director of the above company</p> <p>June 1994 Senior Executive Director of the above company</p> <p>June 1998 Executive Vice President of the above company</p> <p>April 2000 President of the above company</p> <p>June 2004 President and Executive Officer of the above company</p> <p>June 2012 Chairman, CEO, and Executive Officer of the above company</p> <p>June 2016 Director of the Company (Current position)</p> <p>July 2016 Member of the HRM Advisory Committee of the Company (Current position), Member of the Compensation Advisory Committee of the Company (Current position)</p> <p>April 2019 Chairman and CEO of Iwatani Corporation (Current position)</p> <p>[Current positions at the Company] External Director Member of the HRM Advisory Committee, Member of the Compensation Advisory Committee</p> <p>[Significant positions concurrently held] Chairman and CEO of Iwatani Corporation Chairman of the Board of Iwatani Industrial Gases Corporation Representative Director and Chairman of the Board of Central Sekiyu Gas Corporation Limited</p>	2,000 shares

Reasons for Nominating Candidate for External Director and Outline of Expected Role:

Mr. Akiji Makino has abundant experience and deep insight as a corporate manager gained through serving various positions such as Representative Director of Iwatani Corporation. Drawing on such a track record, Mr. Makino has been supervising the Company's management appropriately from an independent standpoint as External Director of the Company since 2016 and has been giving valuable advice on management policies and strategies. He has also been instrumental in ensuring transparency, objectivity, and fairness concerning executive appointment and compensation as a Member of the HRM Advisory Committee and a Member of the Compensation Advisory Committee. For these reasons, we have appointed him to continue as External Director, expecting that he will continue to contribute to enhancement of the Company's corporate value by adequately fulfilling the duties of External Director and proactively making proposals from a broad and advanced perspective including the viewpoint of the energy and environmental fields and service businesses.

Attendance for Meetings of the Board of Directors:

Attended 15 out of 16 meetings (93.8%)

Notes:

1. Mr. Akiji Makino does not hold any special interests in the Company.
2. While there have been transactions, such as product sales and raw materials procurement, between the Company and Iwatani Corporation, where Mr. Makino serves as Representative Director, such transactions account for less than 1% of the consolidated net sales either of the Company or of Iwatani Corporation in the latest fiscal year. Although the Company had previously owned shares of Iwatani Corporation, all of these shares had been sold by the end of March 2024.
3. Mr. Makino is a candidate for External Director. The Company will register him with Tokyo Stock Exchange, Inc., as Independent Director if he is selected as External Director.
4. As of the conclusion of this general meeting of shareholders, Mr. Makino will have been an External Director for eight years.
5. The Company has concluded a limitation of liability agreement with Mr. Makino, in accordance with Article 427, Paragraph 1, of the Companies Act and the Company's Articles of Incorporation. Under this contract, liabilities for compensation are the lowest amount of liability stipulated by Article 425, Paragraph 1, of the Companies Act. In the event that his reelection is approved, the Company intends to continue the said agreement with him.

Candidate number	Name (Date of birth)		Number of the Company shares owned
5	Shingo Torii (January 18, 1953)  Reappointment Candidate for External Director Candidate for Independent Director	<p>[Brief personal history]</p> <p>April 1980 Entered ITOCHU Corporation</p> <p>June 1983 Entered Suntory Limited (Currently, Suntory Holdings Limited)</p> <p>March 1992 Director of the above company</p> <p>March 1999 Managing Director of the above company</p> <p>March 2001 Representative Director and Senior Managing Executive Officer of the above company</p> <p>March 2003 Representative Director and Executive Vice President of the above company</p> <p>October 2014 Representative Director and Vice Chairman of the Board of the above company (Current position)</p> <p>June 2020 Director of the Company (Current position)</p> <p>July 2020 Member of the HRM Advisory Committee of the Company (Current position), Member of the Compensation Advisory Committee of the Company (Current position)</p> <p>[Current positions at the Company] External Director Member of the HRM Advisory Committee, Member of the Compensation Advisory Committee</p> <p>[Significant positions concurrently held] Representative Director and Vice Chairman of the Board of Suntory Holdings Limited Outside Director of Zojirushi Corporation Chairperson of the Osaka Chamber of Commerce and Industry</p>	1,000 shares

Reasons for Nominating Candidate for External Director and Outline of Expected Role:

Mr. Shingo Torii has abundant experience and deep insight as a corporate manager gained through serving various positions such as Representative Director of Suntory Holdings Limited. Drawing on such a track record, Mr. Torii has been supervising the Company's management appropriately from an independent standpoint as External Director of the Company since 2020 and has been giving valuable advice on management policies and strategies. He has also been instrumental in ensuring transparency, objectivity, and fairness concerning executive appointment and compensation as a Member of the HRM Advisory Committee and a Member of the Compensation Advisory Committee. For these reasons, we have appointed him to continue as External Director, expecting that he will continue to contribute to enhancement of the Company's corporate value by adequately fulfilling the duties of External Director and proactively making proposals from a broad and advanced perspective including the viewpoint of corporate management for proactively capturing customer needs, the enhancement of corporate value through ESG activities, and other areas.

Attendance for Meetings of the Board of Directors:

Attended 16 out of 16 meetings (100%)

Notes:

1. Mr. Shingo Torii does not hold any special interests in the Company.
2. There are no transactions between the Company and Suntory Holdings Limited, where Mr. Torii serves as Representative Director.
3. Mr. Torii is a candidate for External Director. The Company will register him with Tokyo Stock Exchange, Inc., as Independent Director if he is selected as External Director.
4. As of the conclusion of this general meeting of shareholders, Mr. Torii will have been an External Director for four years.
5. The Company has concluded a limitation of liability agreement with Mr. Torii, in accordance with Article 427, Paragraph 1, of the Companies Act and the Company's Articles of Incorporation. Under this contract, liabilities for compensation are the lowest amount of liability stipulated by Article 425, Paragraph 1, of the Companies Act. In the event that his reelection is approved, the Company intends to continue the said agreement with him.

Candidate number	Name (Date of birth)		Number of the Company shares owned
6	<p>Yuko Arai (January 27, 1961)</p> <p>Reappointment Candidate for External Director Candidate for Independent Director Female</p>	<p>[Brief personal history]</p> <p>April 1979 Entered ALL NIPPON AIRWAYS CO., LTD.</p> <p>April 2014 Corporate Executive Officer of the above company</p> <p>April 2016 Senior Executive Officer of the above company</p> <p>Director and Senior Vice President of ANA Sales Co., Ltd. (Currently, ANA Akindo Co., Ltd.)</p> <p>April 2021 Director and Senior Vice President of ANA Akindo Co., Ltd.</p> <p>June 2021 Director of the Company (Current position)</p> <p>July 2021 Member of the HRM Advisory Committee of the Company (Current position), Member of the Compensation Advisory Committee of the Company (Current position)</p> <p>April 2022 Senior Advisor of ANA Akindo Co., Ltd. (Current position)</p> <p>[Current positions at the Company] External Director Member of the HRM Advisory Committee, Member of the Compensation Advisory Committee</p> <p>[Significant positions concurrently held] Senior Advisor of ANA Akindo Co., Ltd. Outside Director of Aichi Steel Corporation</p>	500 shares

Reasons for Nominating Candidate for External Director and Outline of Expected Role:

Ms. Yuko Arai has abundant experience and deep insight as a corporate manager gained through serving various positions such as Senior Executive Officer of ALL NIPPON AIRWAYS CO., LTD. Drawing on such a track record, Ms. Arai has been supervising the Company's management appropriately from an independent standpoint as External Director of the Company since 2021 and has been giving valuable advice on management policies and strategies. She has also been instrumental in ensuring transparency, objectivity, and fairness concerning executive appointment and compensation as a Member of the HRM Advisory Committee and a Member of the Compensation Advisory Committee. For these reasons, we have appointed her to continue as External Director, expecting that she will continue to contribute to enhancement of the Company's corporate value by adequately fulfilling the duties of External Director and proactively making proposals from a broad and advanced perspective including the viewpoint of corporate management from customers' perspective and promotion of further participation by female employees.

Attendance for Meetings of the Board of Directors:

Attended 16 out of 16 meetings (100%)

Notes:

1. Ms. Yuko Arai does not hold any special interests in the Company.
2. There are no transactions between the Company and ANA Akindo Co., Ltd., where Ms. Arai serves as Senior Advisor.
3. Ms. Arai is a candidate for External Director. The Company will register her with Tokyo Stock Exchange, Inc., as Independent Director if she is selected as External Director.
4. As of the conclusion of this general meeting of shareholders, Ms. Arai will have been an External Director for three years.
5. The Company has concluded a limitation of liability agreement with Ms. Arai, in accordance with Article 427, Paragraph 1, of the Companies Act and the Company's Articles of Incorporation. Under this contract, liabilities for compensation are the lowest amount of liability stipulated by Article 425, Paragraph 1, of the Companies Act. In the event that her reelection is approved, the Company intends to continue the said agreement with her.



Candidate number	Name (Date of birth)		Number of the Company shares owned
7	Takashi Matsuzaki (December 23, 1958)  Reappointment	[Brief personal history] April 1982 Entered the Company June 2004 Executive Officer of the Company June 2008 Director and Senior Executive Officer of the Company June 2010 Senior Executive Officer of the Company June 2012 Director and Senior Executive Officer of the Company June 2018 Senior Executive Officer of the Company June 2019 Senior Executive Officer of the Company (Current position) June 2020 Director of the Company (Current position) June 2023 In charge of Solutions Technologies of the Company (Current position)  [Current positions at the Company] Director and Senior Executive Officer In charge of Solutions Technologies	10,700 shares
<p>Reasons for Nominating Candidate for Director:</p> <p>Mr. Takashi Matsuzaki has been engaged in the air conditioning business over many years and has contributed significantly to the expansion of the business especially from the perspective of R&amp;D. Serving as Director and Senior Executive Officer since June 2020, he is currently in charge of technology development related to the air-conditioning solutions business. We have appointed him to continue as Director, judging that his abundant experience and accomplishments are necessary for the Company to realize sustainable enhancement of corporate value in the future, and that he is an appropriate person for the position of Director of the Company.</p>			

Note:

Mr. Takashi Matsuzaki does not hold any special interests in the Company.

Candidate number	Name (Date of birth)		Number of the Company shares owned
8	Kanwal Jeet Jawa (November 10, 1959)  Reappointment	<p>[Brief personal history]</p> <p>1997 Regional Director (Asia Pacific) of Carrier Aircon Limited</p> <p>2001 Regional Vice President (North&amp;East) of Voltas Limited</p> <p>2005 Senior Vice President of the above company</p> <p>2006 Managing Director of Uniflair India Pvt. Ltd.</p> <p>May 2010 Deputy Managing Director &amp; COO of Daikin Airconditioning India Pvt. Ltd.</p> <p>September 2010 Managing Director &amp; COO of the above company</p> <p>July 2017 Managing Director &amp; CEO of the above company (Current position)</p> <p>June 2018 Director and Associate Officer of the Company, Regional General Manager, Air Conditioning Business in India and East Africa, Global Operations Division of the Company (Current position)</p> <p>June 2019 Director and Senior Associate Officer of the Company</p> <p>June 2023 Director and Senior Associate Officer of the Company (Current position)</p> <p>[Current positions at the Company] Director and Senior Associate Officer Regional General Manager, Air Conditioning Business in India and East Africa, Global Operations Division</p> <p>[Significant positions concurrently held] Managing Director &amp; CEO of Daikin Airconditioning India Pvt. Ltd.</p>	0 shares
<p>Reasons for Nominating Candidate for Director:</p> <p>Mr. Kanwal Jeet Jawa has been engaged in the air conditioning business in India over many years and has contributed significantly to the expansion of the business. Serving as Director and Senior Associate Officer since June 2023, he is currently in charge of the air conditioning business in India and East Africa. We have appointed him to continue as Director, judging that his abundant experience and accomplishments are necessary for the Company to realize sustainable enhancement of corporate value in the future, and that he is an appropriate person for the position of Director of the Company.</p>			

Note:

Mr. Kanwal Jeet Jawa does not hold any special interests in the Company.

Candidate number	Name (Date of birth)		Number of the Company shares owned
9	Koichi Takahashi (May 24, 1956)  New appointment	<p>[Brief personal history]</p> <p>April 1979 Entered the Company</p> <p>June 2006 Executive Officer of the Company</p> <p>June 2007 In charge of Accounting, Finance, and Budget of the Company (Current position), General Manager of Finance and Accounting Division of the Company (Current position)</p> <p>June 2010 Director and Executive Officer of the Company</p> <p>June 2014 Director and Senior Executive Officer of the Company</p> <p>June 2018 Senior Executive Officer of the Company</p> <p>June 2021 Senior Executive Officer of the Company (Current position), In charge of Promoting Operational Efficiency of the Company (Current position)</p> <p>[Current positions at the Company] Senior Executive Officer In charge of Accounting, Finance, Budget, and Promoting Operational Efficiency General Manager of Finance and Accounting Division</p>	7,900 shares
<p>Reasons for Nominating Candidate for Director:</p> <p>Mr. Koichi Takahashi has been engaged in accounting and finance over many years and has contributed significantly to business expansion of the Company in terms of financial strategy and capital policy. Serving as Senior Executive Officer since June 2021, he is currently in charge of accounting, finance, budget, and promoting operational efficiency. We have appointed him as Director, judging that his abundant experience and accomplishments are necessary for the Company to realize sustainable enhancement of corporate value in the future, and that he is an appropriate person for the position of Director of the Company.</p>			

Note:

Mr. Koichi Takahashi does not hold any special interests in the Company.

Candidate number	Name (Date of birth)		Number of the Company shares owned
10	Keiko Mori (September 9, 1974)  New appointment Female	<p>[Brief personal history]</p> <p>April 1997 Entered the Company</p> <p>July 2015 Senior Manager in charge of Executive Secretarial Department of the Company (Current position)</p> <p>June 2021 Executive Officer of the Company (Current position), In charge of Human Resource Development and Maximizing the Talents of Women of the Company (Current position)</p> <p>[Current positions at the Company]</p> <p>Executive Officer In charge of Human Resource Development and Maximizing the Talents of Women Senior Manager in charge of Executive Secretarial Department</p>	600 shares
<p>Reasons for Nominating Candidate for Director:</p> <p>Ms. Keiko Mori has been engaged in human resource development and maximizing the talents of women over many years and has contributed significantly to business expansion of the Company. Serving as Executive Officer since June 2021, she is currently in charge of human resource development and maximizing the talents of women. We have appointed her as Director, judging that her abundant experience and accomplishments are necessary for the Company to realize sustainable enhancement of corporate value in the future, and that she is an appropriate person for the position of Director of the Company.</p>			

Note:

Ms. Keiko Mori does not hold any special interests in the Company.

<Reference>

**[Skill set of our company's board of directors: experience and knowledge of each director]**

- Our company strives to materialize advanced management with an “integrated management” system in which directors quickly make strategic decisions and conduct sound and appropriate supervision and guidance, thus achieving collective management responsibility across all management, and at the same time, assume work execution responsibility through prompt action. We believe this integrated management system is effective in speeding up decision making and execution. Directors make decisions, execute operations, and provide supervision and guidance in an integrated manner, thus executing their own decisions and taking responsibility for seeing these through. We appoint multiple external officers who monitor the execution of operations from an independent perspective and offer appropriate supervision and advice during decision making. Through this process they take responsibility for supporting our “integrated management” from the standpoint of transparency and soundness.
- In appointing directors, we emphasize that they have diverse background including nationality, gender, and career from a perspective of business globalization, expanding business, and practicing diversity management.

Furthermore, our company believes that the competence sought in directors are qualities necessary in corporate management, namely, leadership that draws out the potential of people and drives an organization to enhance action-taking capabilities, speedy action to materialize foresight and insight that are a half step ahead of society gained through staying at the *genba* (actual site) where information originates, willpower and decisiveness to derive solutions to issues without answers, and capability to pass down and further develop the respected philosophy and value of companies.

Based on the abovementioned appointment policies, directors are appointed, and for independent directors we require that they have work experience such as directors of listed companies.

- With an aim to boost the corporate value of our Group, and in order to increasingly expand our global businesses, accomplish the key strategies set forth in Fusion 25 as well as to strengthen our ability to adapt to changes in the times with an eye toward the future, our company will further enhance corporate governance through our board consisting of corporate managers with extensive experience and deep insight.

All our company's 10 candidates for directors with their extensive experience and deep insight as corporate managers generated significant results in their respective fields thus far. We believe the attributes possessed by each director are necessary skills for further improving our Group's corporate value.

The six candidates for internal director, while carrying out their respective operations, possess the necessary skills in further expanding global businesses, promoting and executing initiatives on environmental strategies and the solutions business, strengthening our foundation for growth in this era of sustainability, and focusing efforts in accomplishing them.

The four candidates for independent directors are selected for their participation in making decisions and supervising management from an independent and neutral point of view. Current members with experiences in their own companies and knowledge in their respective areas, possess the necessary skills in contributing to the Group's accomplishment of the important strategies.

Furthermore, for the functions of management base such as sales, production, finance & accounting, legal affairs, and digital transformation, executive officers are appointed to dedicate themselves in executing operations. At the same time, each officer attends the board

meeting in accordance with the agenda of the board meeting to secure the effectiveness of decision-making and supervision of the board.

If the Second Item is approved as originally proposed, the Board of Directors of the Company will consist of the members who have the experience and expertise as listed on the following page.

No.	Name	Experience and knowledge of each director and their expected role
1	Masanori Togawa	As the Representative Director and President, Mr. Togawa made efforts in executing the strategic management plan and in developing the Group. Going forward, as the Representative Director, Chairman of the Board, and CEO, he will continually strive to attain the Fusion 25 plan as well as demonstrate his strong leadership to carry on the Company's unique strengths and promote measures flexibly and quickly, while also working to evolve the Group ahead of changes in the times for further growth and development of the Group.
2	Naofumi Takenaka	Mr. Takenaka has experience across various business operations, including production and development, sales, SCM, and public relations. Going forward, as Representative Director, President, and COO, he will strive to attain the Fusion 25 plan as well as ensure that management policies are incorporated into business activities in the ever-changing environment and enhance action-taking capabilities for further business expansion.
3	Tatsuo Kawada	Leveraging the abundant experience and deep insight as a corporate executive of Seiren Co., Ltd., Mr. Kawada provides advice and supervision to our company's management matters from an extensive and advanced insight as an independent director with a focus on his viewpoints regarding business model transition, innovation creation, and others.
4	Akiji Makino	Leveraging the abundant experience and deep insight as a corporate executive of Iwatani Corporation, Mr. Makino provides advice and supervision to our company's management matters from an extensive and advanced insight as an independent director with a focus on his perspectives regarding energy, environmental fields, service business, and others.
5	Shingo Torii	Leveraging the abundant experience and deep insight as a corporate executive of Suntory Holdings Limited, Mr. Torii provides advice and supervision from an extensive and advanced insight as an independent director with a focus on perspectives regarding corporate management anticipating customers' needs, corporate activities on SDGs and ESG, and others.
6	Yuko Arai	Leveraging the abundant experience and deep insight as a corporate executive of the ANA Group, Ms. Arai provides advice and supervision from an extensive and advanced insight as an independent director with a focus on perspectives regarding customer-centric corporate management and business development, and the further promotion of the activities of female employees.
7	Takashi Matsuzaki	Mr. Matsuzaki has engaged in the air conditioning business for many years and significantly contributed to expanding business, particularly in terms of R&D and product development. Currently, he is mainly in charge of solutions technologies. He will develop leading-edge technology beyond AC equipment and create new businesses.
8	Kanwal Jeet Jawa	Mr. Jawa has engaged in the air conditioning business in India over many years to significantly contribute to business expansion. Currently, he is in charge of the air conditioning business in India and East African regions. Leveraging his rich experience in the air conditioning business and capability in developing business in emerging regions, he aims to further expand business.

No.	Name	Experience and knowledge of each director and their expected role
9	Koichi Takahashi	Mr. Takahashi has engaged in accounting and finance over many years and significantly contributed to business expansion, particularly in terms of financial strategy and capital policy. Currently, he is also engaged in activities to promote operational efficiency through IT. He aims to strengthen our management base toward further growth.
10	Keiko Mori	Ms. Mori has engaged in human resource development and maximizing the talents of women over many years and significantly contributed to business expansion, particularly in terms of human capital formation. Currently, she is also in charge of training next-generation leaders and overseas executives. She aims to strengthen our management base toward further growth.





contract, liabilities for compensation are the lowest amount of liability stipulated by Article 425, Paragraph 1, of the Companies Act.

5. The Company has concluded a directors and officers (D&O) liability insurance contract with an insurance company, in which Audit & Supervisory Board Members of the Company are the insured. The insurance will cover any damages that may occur as a result that the insured take responsibility for liability with regard to their execution of duties or receive a claim for liability against them. If Ms. Takatsuki assumes the position of Audit & Supervisory Board Member, she will be the insured of the directors and officers (D&O) liability insurance contract. The Company intends to renew this contract in July 2024.

<Reference> If the Third Item is approved as originally proposed, the Audit & Supervisory Board of the Company will consist of the members as indicated below.

	Name	Position at the Company
Audit & Supervisory Board Member (external) Independent Director	Ryu Yano	Audit & Supervisory Board Member (external)
Audit & Supervisory Board Member (external) Independent Director Female	Kaeko Kitamoto	Audit & Supervisory Board Member (external)
New appointment Audit & Supervisory Board Member (external) Independent Director Female	Fumi Takatsuki	Audit & Supervisory Board Member (external)
	Kosei Uematsu	Audit & Supervisory Board Member (full time)
	Hisao Tamori	Audit & Supervisory Board Member (full time)

**Fourth Item:** Election of One (1) Substitute Audit & Supervisory Board Member (external)  
Based on the provisions of Article 329, Paragraph 3, of the Companies Act, we propose the election of one (1) Substitute Audit & Supervisory Board Member to prepare for the possibility that the number of Audit & Supervisory Board Members (external) as defined in Article 335, Paragraph 3, of the Companies Act may become insufficient.

This proposal has been approved by the Audit & Supervisory Board.

The candidate for Substitute Audit & Supervisory Board Member (external) is as follows.

Name (Date of birth)		Number of the Company shares owned
Ichiro Ono (April 3, 1949)	<p>[Brief personal history]</p> <p>April 1978      Registered as a lawyer (Current position)</p> <p>April 1990      Managing Partner of Higobashi Law Office</p> <p>April 2003      Vice Chairman of the Osaka Bar Association</p> <p>April 2009      Member, Mediation Committee, Osaka Family Court</p> <p>July 2012      Chairman, Information Disclosure Review Board, Osaka City</p> <p>July 2020      Senior Partner of Higobashi Law Office (Current position)</p> <p>[Significant positions concurrently held]</p> <p>Senior Partner of Higobashi Law Office</p>	3,000 shares
<p>Reasons for Nominating Candidate for Substitute Audit &amp; Supervisory Board Member (external): Mr. Ichiro Ono has extensive experience and deep insight as a lawyer, including being involved in handling corporate legal affairs for many years. We have appointed Mr. Ono as Substitute Audit &amp; Supervisory Board Member (external) in order to benefit from his experience and insight in the monitoring of overall management and to realize appropriate audits. Although Mr. Ono does not have experience of direct involvement in corporate management, we have judged him able to adequately fulfill the duties of Audit &amp; Supervisory Board Member (external) for the reasons stated above.</p>		

Notes:

1. Mr. Ichiro Ono does not hold any special interests in the Company.
2. There are no transactions between the Company and Higobashi Law Office, where Mr. Ono serves as Senior Partner.
3. Mr. Ono is a candidate for Substitute Audit & Supervisory Board Member (external). The Company will register him with Tokyo Stock Exchange, Inc., as Independent Director if he is selected as Audit & Supervisory Board Member (external).
4. If Mr. Ono assumes the position of Audit & Supervisory Board Member, the Company intends to conclude a limitation of liability agreement with him, in accordance with Article 427, Paragraph 1, of the Companies Act and the Company's Articles of Incorporation. Under this contract, liabilities for compensation are the lowest amount of liability stipulated by Article 425, Paragraph 1, of the Companies Act.
5. The Company has concluded a directors and officers (D&O) liability insurance contract with an insurance company, in which Audit & Supervisory Board Members of the Company are the insured. The insurance will cover any damages that may occur as a result that the insured take responsibility for liability with regard to their execution of duties or receive a claim for liability against them. If Mr. Ono assumes the position of Audit & Supervisory Board Member, he will be the insured of the directors and officers (D&O) liability insurance contract. The Company intends to renew this contract in July 2024.

**Fifth Item: Awarding of Distinguished Service Compensation to Retiring Director**

Mr. Noriyuki Inoue will retire from his position as Director of the Company at the conclusion of this general meeting of shareholders.

Since assuming the position of President in 1994, Mr. Inoue has implemented measures such as multiple reforms, alliances, collaborations, and M&As to successfully drive the growth and development of the Company into becoming the global No. 1 air conditioning manufacturer with consolidated net sales of ¥4,395.3 billion (¥384.3 billion in 1994), consolidated operating profit of ¥392.1 billion (¥6.5 billion in 1994), an overseas business ratio of 84% (15% in 1994), and approximately 100,000 Group employees (13,000 Group employees in 1994) in over 170 countries and regions (around a dozen countries in 1994) worldwide in the fiscal year ended March 31, 2024.

As described below, his wide-ranging accomplishments include: drastic business growth through outstanding management strategies; the establishment of the system for market-localized development, production, and sales on a global scale; the creation of a global standard and pioneering new markets through strategies to open our technologies to other companies around the world; the establishment of a research and development system to continuously produce differentiated products; the establishment of a collaborative creation framework to expand future business domains; the instillation of Our Group Philosophy and the development of human resources to support growth; and the enhancement of external recognition of the Company. As of May 8, 2024, our share price was 23 times as high as that at the time of his appointment as President in 1994, and our market capitalization (¥6.5 trillion) was ranked 27 among the 1,649 companies listed on the Prime Market of the Tokyo Stock Exchange (13 among 716 manufacturers). Mr. Inoue has contributed significantly to the business expansion and profitability growth of the Company and the Group, resulting in a major increase in corporate value.

The Company would like to award ¥4.3 billion as compensation for distinguished service in recognition of his great accomplishments and achievements during his time of managing the Company for over 30 years since his appointment as President.

In July 2019, the Distinguished Service Compensation Review Committee, which consists solely of External Directors, was established as an advisory body to the Company's Board of Directors. Since then, the committee considered the details of this proposal through a total of nine discussions while continuously receiving advice from external specialist organizations. As a result of these discussions, the Distinguished Service Compensation Review Committee has concluded that the provision of compensation for distinguished service to Mr. Inoue and the calculated compensation amount were appropriate in view of his accomplishments over the 30 years since his appointment as President in 1994 and his significant contribution to the major improvement in corporate value as a result. The committee is of the view that this proposal should have a high degree of rationality and objectivity in order to gain the understanding and support of a wide range of shareholders. Accordingly, the above amount was calculated using the rate of share price growth from each fiscal year since the abolition of the retirement benefit system in June 2003 to the time of his retirement, referring to the calculation method of said retirement benefit system and reflecting the enhancement of corporate value through to the time of his retirement. The proposal was submitted to the Board of Directors which has also deemed the proposal appropriate in light of the aforementioned reasons and the results of discussions by the Distinguished Service Compensation Review Committee. The Company requests that specifics such as the timing and method of payment be left to the discretion of the Board of Directors.

Mr. Noriyuki Inoue's brief personal history at the Company is as follows.

Name	Brief personal history
Noriyuki Inoue	<p>March 1957 Entered the Company</p> <p>February 1979 Director of the Company</p> <p>February 1985 Managing Director of the Company</p> <p>June 1989 Senior Managing Director of the Company</p> <p>June 1994 President, Representative Director of the Company</p> <p>May 1995 Chairman of the Board and President, Representative Director of the Company</p> <p>June 1996 President, Representative Director of the Company</p> <p>June 2002 Representative Director, Chairman of the Board, and CEO of the Company</p> <p>June 2014 Chairman of the Board and Chief Global Group Officer of the Company (Current position)</p>

Mr. Noriyuki Inoue's major accomplishments since his appointment as President in 1994 are as follows.

Major accomplishments	Details
1. Drastic business growth through outstanding management strategies	<p>Upon his appointment as President in 1994, Mr. Inoue drafted the "Plan for Reform of the Air Conditioning Business," which marked the starting point of the leap that the Company has made in becoming the global No. 1 air conditioning manufacturer today. Key measures were implemented in succession, including the strategy of three pillars of air conditioning business, the four-region development of global business, the development of differentiated products (such as the "Ururu Sarara" and "Super Inverter 60" series), and the development of a wide range of sales channels including large-scale retailers, the housing industry, and major wholesalers of electrical work materials and piping materials. As a pioneer in the industry, he drove our entry into the Chinese market with the latest commercial-use air conditioner models (from 1995), the establishment of our own sales network in Europe and implementation of a strategy to expand sales in Europe (from 1998), and the active pursuit of acquisitions such as OYL Industries (Malaysia, 2006) and Goodman (United States, 2012). In addition to these moves, Mr. Inoue led thorough target management and the formulation and execution of action plans under the "Fusion" strategic management plans. As a result of these efforts, we reached the No. 1 spot globally in the air conditioning business both in brand recognition and actual sales. Our third attempt to capture the U.S. air-conditioning market has placed us among the top companies in the market in which the major global air-conditioning manufacturers compete against each other. As a result, the United States has grown to account for the highest proportion of net sales by region, contributing significantly to the achievement of consolidated net sales of ¥4 trillion.</p>

Major accomplishments		Details
2.	Establishment of the system for market-localized development, production, and sales on a global scale	Mr. Inoue led the establishment of market-localized systems which enable us to develop and produce products that meet the needs of each country and region with short lead times, as well as handle all processes in-house, from production through to installation and maintenance. To date, the Company has established more than 110 production bases and 25 R&D centers around the world (including R&D mother centers with regional headquarters functions in five regions: Europe, the Americas, India, China, and Japan). In Europe, we have developed heat pump-water heaters, the flag bearers of the shift away from fossil fuels, against the backdrop of stricter environmental regulations. In the Americas, we have developed the “FIT” system, an energy-saving, inverter-equipped unitary air conditioner for residential use that utilizes R32 refrigerant with low global warming potential (GWP). In India, we have developed air conditioners that can withstand high ambient temperatures and severe voltage fluctuations. In China, we have developed residential-use central air conditioning systems for condominiums, which represent the main demand, and residential multi-split air conditioners, which are the core of the system. In addition, looking ahead to 2030, we implemented the unprecedented decision to build plants to manufacture air conditioners in India, Poland, Mexico, China, Indonesia, and Japan (Kanto). In the United States, we established a sales network with DAA, which operates the Applied Systems business, and DNA, which is responsible for residential-use unitary products and VRVs. Currently, we are building robust sales networks through acquisitions as we shift to a company possessing its own sales.
3.	Creation of a global standard and pioneering new markets through strategies to open our technologies to other companies around the world	In keeping with Our Group Philosophy, under which we strive to “think and act globally” and “be a company that leads in applying environmentally friendly practices,” Mr. Inoue opened our technologies to other companies, such as providing our inverter technology (saves energy by adjusting the capacity of the outdoor unit according to the operation status of the indoor unit) to Gree Electric Appliances, Inc., a major air conditioner manufacturer in China (since 2008) and providing free access (since 2011) to our patents related to low-GWP refrigerant R32 (has zero ozone-depletion potential, one-third of the GWP of conventional refrigerants), to contribute to the expansion of the market as a whole. To date, inverter technology has been widely used in residential-use air conditioners mainly in Japan, China, Oceania, and Europe, while R32 has been widely used in room air conditioners and commercial-use air conditioners in more than 100 countries worldwide.
4.	Establishment of a research and development system to continuously produce differentiated products	Under the goal of “Daikin Technology Statement,” Mr. Inoue established a development system in which engineers themselves go out to conduct market research in Japan and overseas and plan products from a global perspective. He also launched the meister (master craftsman) system and the trainer system to pass on technology on a global scale and started holding the Skills Competition. In 2015, the Technology and Innovation Center (TIC) was established as a base for realizing open innovation, faster operation, and greater efficiency in Daikin’s core heat pump, inverter, refrigerant control, and fluorochemical technologies.

Major accomplishments	Details
5. Establishment of a collaborative creation framework to expand future business domains	<p>With the advent of the fourth industrial revolution brought about by advances in AI/IoT applications, Mr. Inoue decided that it was necessary to create a framework for collaborative creation going forward. Accordingly, TIC spearheaded the planning and execution of comprehensive joint research and human resource exchanges for industry-academia collaborations (the University of Tokyo, Kyoto University, Osaka University, Nara Institute of Science and Technology, etc.), industry-industry collaborations (Hitachi, Ltd., FUJIFILM Corporation, Murata Manufacturing Co., Ltd., etc.), and industry-government collaborations (RIKEN, National Institute of Advanced Industrial Science and Technology, etc.). In particular, we concluded an industry-academia collaboration agreement for comprehensive joint research and human resource exchange with the University of Tokyo after the university approached us to establish a foundation for research and development aimed at solving social issues. In addition, we formed groups within TIC based on themes such as ventilation, air purification, and clean rooms, and have been working from an early stage to develop new products that add value to air and spaces and bring them to market. As part of these efforts, we have commercialized negative pressure booths for medical institutions and UV air purifiers that use deep ultraviolet irradiation with virus disinfecting capabilities, rolled out solutions which track air quality conditions and provide guidance in the commercial-use air conditioning field, and launched a proposal business that suggests air conditioning equipment that suits stores' specific needs.</p>
6. Instillation of Our Group Philosophy and the development of human resources to support growth	<p>Mr. Inoue led the formulation of Our Group Philosophy, which serves as our code of conduct. This philosophy is adhered to at the manager meetings held annually at major locations around the world and at the global group management meetings held during the periods in which the "Fusion" strategic management plans are revised. The Company also works to instill this philosophy among all Group employees worldwide through training for new employees and executive training in Japan and overseas. With regard to material issues to be addressed under the "Fusion" plans, we work to thoroughly promote "people-centered management" under diversity management to raise awareness of our "fast and flat" management approach. Under our view of continuity and change, every day we endeavor to pass Our Group Philosophy and our corporate culture onto the next generation of management personnel as the source of our competitiveness that should remain unchanged, and our strategies and organization, which should change with the times. Amid recent stagnation in economic activity following the global spread of COVID-19, we achieved our budgets by swiftly executing creative ideas for business continuity in parts procurement, production, supply, sales, maintenance, and the development of unique air conditioning products, in addition to voluntary measures in consideration of the safety and health of our employees across all business sites which were executed under our clear-cut policy. We practice "people-centered management" that truly values relationships between people and believe in the infinite potential of people.</p>

Major accomplishments		Details
7.	Enhancement of external recognition of the Company	Mr. Inoue has broadly contributed to external activities as the head of the Company, including holding important positions in councils related to industrial policy in Japan, in organizations related to the economy and industry, and in the Japan-Belgium Society. In addition, in 2022, the Company received the Nikkei Smart Work Grand Prize (Nikkei Smart Work Management Survey) with the highest rating of S++ in the three categories of Human Resources Placement, Innovation, and Market Expansion. In 2024, we received the award in the Market Expansion category.



# Business Report

## 1. Review of Operations

### (1) Progress and Results of Operations of the Company Group

In the fiscal year ended March 31, 2024 (fiscal 2023), the world economy remained sluggish as a whole as Europe and China experienced economic stagnation, whereas the United States maintained its strong performance. The U.S. economy was supported by an improved employment environment and a wealth effect from rising stock prices, leading to strong personal consumption that drove economic growth despite stagnant housing investment from rising interest rates. The European economy slowed due to a decline in personal consumption and housing investment, both affected by inflation and rising interest rates, along with a decline in exports to China. The Chinese economy saw a real estate recession and sluggish exports to Europe and the United States. Economies in Asia and emerging countries remained strong, supported by the recovery of inbound demand and vigorous personal consumption. Although the Japanese economy saw robust performance in the service sector, the economic recovery remained slow, weighed down by stagnant personal consumption due to inflation.

Under this business environment, the Daikin Group formulated and began implementing the latter-half three-year plan (fiscal 2023 to fiscal 2025) of the strategic management plan “Fusion 25,” with fiscal 2025 as the final year. We worked on creating economic, environmental, and social value by promoting measures under 11 key strategic themes, including the three growth strategy themes of “Challenge to achieve carbon neutrality,” “Promotion of Solutions business connected with customers,” and “Creating value with air,” and adding “Establishment of a major base in India” and “Entry into Chemicals: high-performance and environmental materials businesses” to the nine key strategic themes initially proposed at the time “Fusion 25” was formulated.

During the fiscal year under review, we addressed the following themes, viewing environmental changes as opportunities to expand our business and increase market share, and aiming to reconsolidate profitability.

- Increase the Company’s market share in commercial and residential applications through products and services that are carbon neutral and energy-saving
- Expand profits in the solutions business by providing added value for each application and market
- Build a robust supply chain that can respond quickly and flexibly to changes in the market environment
- Promote sales price policies by introducing differentiated products that meet the needs of the market and customers
- Strengthen cost competitiveness across the globe by reducing variable and logistics costs, replacing materials, improving productivity, etc.
- Reduce fixed costs through the streamlining of back-office operation, etc., using digital technology in order to improve profitability while making aggressive investments
- Achieve results from acquisitions and investments in production capacity expansion that have been carried out

In pursuing these initiatives, we closely followed the progress of each region and business and responded to changes in our environment proactively and flexibly, using them to drive our performance.

The Daikin Group’s net sales increased by 10.4% year over year to ¥4,395,317 million for the fiscal year under review. As for profits, while operating profit increased by 4.0% to ¥392,137 million, ordinary profit decreased by 3.2% to ¥354,492 million mainly due to higher interest expenses from higher interest rates. Profit attributable to owners of parent increased by 1.0% to ¥260,311 million, mainly due to the sale of cross-shareholdings.

### (2) Review of Operations by Business Segment

#### (i) Air-Conditioning and Refrigeration Equipment

Overall sales of the Air-Conditioning and Refrigeration Equipment segment increased by 11.0% year over year to ¥4,028,823 million. Operating profit increased by 2.7% to ¥333,303 million.

In the Japanese air-conditioning equipment market, commercial market demand decreased year over year due to a delayed recovery in demand for stores and offices, which are large markets, while demand recovered for buildings, facilities, factories, and other applications. Despite a heat wave that boosted demand, residential market demand decreased year over year due to the cooling of consumer confidence toward durable consumer goods and a rebound from the high demand of the past several years. Against this backdrop, the Group strengthened user proposals to the commercial air-conditioning equipment market, focusing on high value-added products such as the “FIVE STAR ZEAS,” which combines high energy-saving performance and ease of installation, “machi Multi,” which meets individual operation needs, and the “VRV Q” series replacement type multi-split type air conditioner for buildings, which uses existing refrigerant piping to enable smooth replacement of air conditioning systems. Accordingly, net sales increased year over year. Meanwhile, amid declining demand in the residential air-

conditioning equipment market, we worked to confront rising electricity prices and expanding needs for energy-saving performance in housing equipment by strengthening user appeal, mainly for “Urusara X,” which has high energy-saving performance. As a result, net sales remained at the same level year over year.

In the Americas, sales of residential air-conditioning systems continued to face difficult conditions as industry demand growth stagnated due mainly to prolonged inflation and continuation of high interest rates for home loans. Under such circumstances, net sales increased year over year thanks to a tailwind from the effect of a heat wave in the first half of the fiscal year, improved sales from steady demand for light commercial air-conditioning systems for medium-sized office buildings, strengthened sales networks utilizing companies acquired in the previous fiscal year, and efforts to implement pricing policies. In the market for large buildings (Applied Systems), sales of air-conditioning systems increased due to production capacity expansion and the effect of pricing policies, in addition to the uptake of market growth. Furthermore, sales expansion through acquired companies, sales agents, and custom air handling unit manufacturers proficient in growth markets, such as the manufacturing industry and data centers, and sales expansion through the solutions business, which utilizes instrumentation and engineering companies, contributed to a significant increase in net sales year over year.

In China, the zero-COVID policy was lifted, and we were able to fully implement production and sales activities for the first time in three years. Despite a slow recovery in the real estate market, sales grew mainly in the residential market, and overall net sales were up year over year. Profits maintained a high level comparable with past results due to measures that included increasing sales of high value-added products and reducing costs. In the residential air-conditioning equipment market where there was a slowdown in the economy, the Group’s unique sales activities combining online-based activities, such as live broadcasts utilizing showrooms, web strategies, and social media, together with user-direct offline retail sales, contributed to sales expansion. We also introduced and expanded sales of a new residential multi-split type air conditioner series named “Daikin CARE Central Air System,” which combines air-conditioning, ventilation, and heat pump floor heating systems with solutions services such as energy-saving and indoor air quality (IAQ) proposals. In the commercial air-conditioning equipment market, the markets for government projects, factories, and green buildings (buildings designed with consideration for enhanced environmental performance) have been growing due to the promotion of carbon neutral policies, and new products were launched with energy savings as an inducement. In the Applied Systems air-conditioning equipment market, the Group invested resources to growth fields such as infrastructure and semiconductor-related and also strengthened the repair and maintenance business.

In Asia and Oceania, strong sales in India drove overall net sales higher year over year. In ASEAN and Oceania, amid sluggish consumption and slowing demand due to the persistent high inflation rate, sales promotion measures and visits to dealers among other activities helped sales of residential air-conditioning systems increase year over year. Meanwhile, despite project delays as a result of a deterioration in cash flow for clients and contractors due to the impact of monetary tightening, sales of commercial air-conditioning systems increased year over year due to the promotion of development and training of dealers. In India, net sales of both residential and commercial air-conditioning systems were significantly higher year over year on the back of continued economic growth.

In Europe, demand fell sharply due to high interest rates as a result of monetary tightening policies and stagnant consumption caused by inflation. Although the Group endeavored to maximize shipments in each country against this headwind, a slowdown in demand for air conditioning systems, particularly in the residential market, had a significant impact, and overall net sales in local currency decreased year over year. On the other hand, overall net sales after conversion to Japanese yen were higher year over year due to the positive effect of exchange rates. Sales of residential air-conditioning systems increased in France, Spain, and other countries in the summer due to a heat wave. However, due to the decline in housing starts caused by high interest rates and inflation and a significant impact on consumer confidence from economic slowdown, net sales declined year over year. With regard to residential heat pump hot water heating systems, we worked to strengthen our sales capabilities, including dealer development and support for subsidy applications, and expand our product lineup. However, factors including the reduction of government subsidy programs in major markets such as Italy, Germany, and France, in addition to the decline in European gas prices, brought about a stagnation in replacement demand from gas and oil boilers in many countries, resulting in lower net sales year over year. For commercial air-conditioning systems, pent-up demand due to the easing of COVID-19 activity restrictions had run its course, but net sales increased year over year as a result of attentive sales activities to steadily capture demand from hotels and restaurants recovering from the COVID-19 pandemic and the energy-saving needs of offices, stores, and the like. For the Applied Systems air-conditioning equipment, net sales were higher year over year, mainly due to sales expansion to data centers.

In the Middle and Near East and Africa, net sales were significantly higher year over year. Increased orders for commercial projects in the UAE, Nigeria, and other countries drove sales. In Turkey, sales expanded driven by the strength of quick delivery in commercial air-conditioning systems, for which local production started in the

previous fiscal year. In addition, sales of residential air-conditioning systems also increased significantly due to capturing demand caused by a heat wave and disaster reconstruction demand.

In the filter business, overall demand remained firm in Japan, Europe, and Asia, led by the robust U.S. economy and despite the impact of an economic slowdown in China. In the United States, we expanded sales in high-end markets such as hospitals, pharmaceuticals, and data centers by sales through distributors, including a company acquired in the previous fiscal year. However, net sales declined partly due to our withdrawal from low-profit businesses in order to improve profitability. In Europe, awareness and needs for energy-saving and air quality improvement remained firm, and sales remained stable, especially in the general building and OEM markets. In Asia and the Middle East, sales in the semiconductor market in Southeast Asia slowed and the market in China slowed due to the economic downturn. Nevertheless, overall sales in the Asia region including the Middle East and India remained at the same level year over year. In Japan, sales of high-performance filters and general equipment remained strong as we captured demand from electronics, semiconductor, and pharmaceutical manufacturers. Furthermore, the gas turbine and dust collection systems business continued to see robust sales of special filters for oil field applications. Despite these strong sales in some regions and businesses, net sales of the filter business overall declined year over year as the withdrawal from low-profit businesses in the United States led to a decline in sales.

In the marine vessels business, although sales of marine vessel air conditioners and refrigeration units grew, net sales of the marine vessels business overall declined year over year as a result of a decline in the number of marine container refrigeration units sold due to a slow demand.

#### (ii) Chemicals

Overall sales of the Chemicals segment increased by 0.2% year over year to ¥263,895 million. Operating profit increased by 13.3% to ¥51,470 million.

Although there was a delay in the recovery of demand in a wide range of fields, particularly semiconductors and automobiles, accompanying movements to adjust distribution inventories, overall sales of fluorochemical products remained at the same level year over year due to the positive effects of exchange rates.

Fluoropolymers saw sluggish sales due to factors including a delay in the recovery of demand in the LAN cable field and distribution inventory adjustments in the automotive field. Even so, net sales increased year over year due in part to improved supply capacity from increased production of materials for semiconductor equipment. Meanwhile, net sales of fluoroelastomers were lower year over year due to lower sales in fields such as automobiles.

In specialty chemicals, net sales declined year over year due to a decline in demand for anti-fouling surface coating agents, oil and water repellents, and semiconductor etching agents and other products.

As for fluorocarbon gas, net sales rose considerably higher year over year due to the implementation of pricing policies in response to soaring raw material prices.

#### (iii) Other Divisions

Overall sales of the “Others” segment increased by 16.1% year over year to ¥102,598 million. Operating profit increased by 2.1% to ¥7,335 million.

In the oil hydraulic equipment business, demand for oil hydraulic equipment for industrial machinery decreased in the Japanese market, especially for machine tools. However, a Europe-based company we acquired in the previous fiscal year contributed to increased sales in Europe and the United States, resulting in an increase in net sales year over year. On the other hand, sales of oil hydraulic equipment for construction machinery and vehicles decreased in both the Japanese and the U.S. markets, resulting in a decrease in net sales year over year.

In the defense systems business, net sales increased year over year mainly due to increased orders from the Ministry of Defense. This was despite a decrease in sales of oxygen concentrators and pulse oximeters (medical devices that can easily measure blood oxygen saturation without blood collection).

In the electronics business, sales increased for “Smart Innovator,” a database system for design and development sectors in line with customer needs such as solutions for quality issues, shortened design and development periods, and support for cost reductions, in addition to increased sales for data science software, and net sales increased year over year.

On a non-consolidated basis, the Company’s net sales decreased by 4.0% year over year to ¥733,157 million. Operating profit decreased by 60.6% year over year to ¥18,685 million. Ordinary profit decreased by 21.0% year over year to ¥115,996 million, and profit increased by 1.0% year over year to ¥144,242 million.

### (3) Capital Expenditures

Adhering to the basic strategy of “Focusing Management Resources on More Profitable Areas,” the Daikin Group’s capital expenditures were mainly allocated to Air-Conditioning and Refrigeration Equipment and Chemicals segments, and the total amounted to ¥311,462 million.

Breakdown of capital expenditures

(Millions of yen)

Business segment	Name of company	Amount of capital expenditure
Air-Conditioning and Refrigeration Equipment	Daikin Industries, Ltd.	17,143
	Daikin Europe N.V. Group	63,853
	Daikin Applied Americas Inc. Group	42,453
	Daikin (China) Investment Co., Ltd. Group	35,951
	Daikin Comfort Technologies North America, Inc. Group	29,715
	Daikin Airconditioning India Pvt. Ltd. Group	17,840
Chemicals	Daikin Industries, Ltd.	15,858
	Daikin Fluorochemicals (China) Co., Ltd. Group	15,504
Others	Daikin Industries, Ltd.	2,436

### (4) Financing Activities

The funds for the above capital expenditures were primarily raised through bank borrowings and funds on hand.

### (5) Succession of Rights and Obligations Relating to Other Corporations’ Business due to Transfer of Business, Division by Absorption or Division by Incorporation, Succession of Business from Other Companies, Acquisition or Disposal of Other Companies’ Stock or Other Interests or Share Acquisition Rights and Merger and Acquisition or Division by Absorption

Nothing material to report.

## (6) Operating Results and the Status of Assets

	118th Business Year (from April 1, 2020, to March 31, 2021)	119th Business Year (from April 1, 2021, to March 31, 2022)	120th Business Year (from April 1, 2022, to March 31, 2023)	121st Business Year (from April 1, 2023, to March 31, 2024)
Net sales (Millions of yen)	2,493,386	3,109,106	3,981,578	4,395,317
Ordinary profit (Millions of yen)	240,248	327,496	366,245	354,492
Profit attributable to owners of parent (Millions of yen)	156,249	217,709	257,754	260,311
Earnings per share (Yen)	533.97	743.88	880.59	889.22
Total assets (Millions of yen)	3,238,702	3,823,038	4,303,682	4,880,230
Net assets (Millions of yen)	1,697,534	2,007,149	2,279,095	2,687,302

Notes:

1. From the 119th Business Year, the Group has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. The operating results and the status of assets show the figures based on this Accounting Standard, etc.
2. From the 120th Business Year, the Group has applied the “IFRS Interpretations Committee’s Agenda Decision: Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38).” Figures for the 118th and 119th Business Years were adjusted retrospectively to reflect the change in this accounting policy.

In the 118th term, in the midst of the ongoing impact of COVID-19, the Group secured short-term business results and reinforced its management structure with an “aggressive” and “challenging” mindset. The Group’s Air-Conditioning and Refrigeration Equipment segment decreased sales and profits due to the spread of COVID-19, despite increases in sales of residential air-conditioning systems for which there was strong demand and ventilation and air purification products for which there was a great deal of interest due to the pandemic. The Chemicals segment decreased sales and profits due mainly to a decline in demand affected by the spread of COVID-19 in a wide range of fields, including the semiconductor and automotive markets, and a decline in demand in the European gas market, despite expanded sales of products used in tablet computers and protective medical gear.

In the 119th term, in addition to the resurgence and prolonged impact of the COVID-19 pandemic, business was also significantly affected by raw material market conditions and soaring logistics costs. However, the Group absorbed the negative impact of these factors by generating results through seven key themes (such as strategic selling price measures, sales expansion, market share improvement, and cost reductions), and the Group’s profitability improved. The Group’s Air-Conditioning and Refrigeration Equipment segment increased both sales and profits as its market share expanded due to the launch of new air and ventilation-related products and enhanced sales and marketing capabilities. The Chemicals segment expanded sales by responding to the recovery of demand in the semiconductor and automobile markets. Despite the impact of soaring raw material prices, the Chemicals segment increased both sales and profits due to the development of sales expansion measures and the simultaneous implementation of pricing policies.

In the 120th term, against the backdrop of challenging business environment affected by raw material market conditions, soaring logistics costs, and rising energy costs, the Group thoroughly implemented the key themes while closely following the progress of each region and business. The Group’s Air-Conditioning and Refrigeration Equipment segment expanded sales in the Americas and Asia, and also focused on sales activities in China after the containment of COVID-19. Furthermore, in Europe, the sales of heat pump hot water heating systems increased due to strong demand, resulting in higher sales and profits. The Chemicals segment also increased both sales and profits, as it captured strong demand in the semiconductor and automobile markets.

The results of our operations during the 121st term are as described in (1) Progress and Results of Operations of the Company Group.

## (7) Issues the Group Ought to Contend With

The global economy is expected to recover gradually going forward. In Europe and the United States, personal consumption is recovering against the backdrop of slowing inflation and a shift to lower interest rates, which is

expected to improve the economies of Europe and the United States, leading to a boost in the Asian and emerging economies.

The Daikin Group celebrates the 100th anniversary of its founding in October 2024. This year, a significant milestone, is positioned as the beginning of our next leap forward, and we have set “With the Strengths we have Built and New Challenges, Let’s Break Open the Next 100 Years” as the slogan for our Annual Group Policy for 2024.

In addition, fiscal 2024 is an extremely important year as it leads to the final year of Fusion 25, and by accelerating the promotion of measures under the 11 key strategic themes set forth in the latter-half three-year plan, we will enhance economic, environmental, and social value.

At the same time, with the aim of achieving the performance goals for fiscal 2024, we will work on improving and enhancing the Group’s profit structure and profitability, and promote the generation of results across global operations by leveraging the collective strength of the Group. We will focus on the following specific areas.

(Themes for improving and enhancing the Group’s profit structure and profitability)

- Promoting sales price policies and increasing our market share by launching new and differentiated products, shifting from selling equipment separately to system sales, etc.
- Enhancing cost competitiveness around the world to improve marginal profit margin
- Implementing global production, procurement, and logistics reforms to create a resilient supply chain
- Reducing existing fixed costs and prioritizing upfront investments and strategic investment
- Generating results from the past acquisitions and investment for production capacity improvement

(Themes aimed at generating significant results across global operations by leveraging the collective strength of the Group)

- Actively expanding the Applied Systems air-conditioning business globally and increasing revenue from the commercial air-conditioning solutions business by providing added value for individual applications and markets
- Horizontally deploying differentiated technologies, enhancing service capabilities, and responding to work simplification and manpower savings in installation

## (8) Major Operations of the Company Group (as of March 31, 2024)

The Group is engaged in the manufacture and sale of the following products:

### Air-Conditioning and Refrigeration Equipment

- For residential use: Room air conditioners, Air purifiers, Heat pump-water heaters, Far-infrared electric heaters, Heat-pump type floor heating systems
- For commercial use: Packaged air conditioning systems, Spot air conditioners, Air purification systems, Deodorizers, Far-infrared electric heaters, Total heat exchangers, Duct ventilating fans, Water chilling units, Ammonia water chilling units, Centrifugal chillers, Screw-type chillers, Fan-coil units, Air handling units, Rooftops, Packaged air conditioners for low temperatures, Freezers, Refrigerating and freezing showcases, Air filters, Industrial dust collectors
- For marine vessels: Container refrigeration units, Marine vessel air conditioners and refrigeration units

### Chemicals

- Fluorocarbon gas: Refrigerants
- Fluoropolymers: Ethylene tetrafluoride resins, Molten type resins, Fluoroelastomers, Fluoro paints, Fluoro coatings
- Chemicals: Semiconductor-etching products, Oil and water repellants, Mold release agents, Surface acting agents, Fluorocarbons, Fluorinated oils, Pharmaceutical agricultural intermediates

### Others

#### Oil Hydraulics Division

Hydraulic equipment and systems for industrial use:

Pumps, Valves, Hydraulic systems, Oil cooling units, Inverter-controlled pumps and motors

Hydraulic equipment for construction machinery and vehicles:

Hydraulic transmissions, Valves

Centralized lubrication units and systems:

Grease pumps, Control and stack valves

#### Defense Systems Division

Ammunitions, components for guided missiles, and aircraft components for the Ministry of Defense, Home oxygen equipment, Healthcare equipment

#### Electronics Division

Process-improvement and knowledge-sharing systems for the design and development sector, CAD/BIM systems for facility design, Molecular simulation software/informatics, IT products and solutions including CG/content creation software, etc.

## (9) Principal Bases and Employee Breakdown of the Group (as of March 31, 2024)

### 1) Principal bases

The Company	Head Office	Osaka (Kita-ku)
	Manufacturing bases	Kanaoka Factory, Sakai Plant (Kita-ku, Sakai, Osaka) Rinkai Factory, Sakai Plant (Nishi-ku, Sakai, Osaka) Yodogawa Plant (Settsu, Osaka) Shiga Plant (Kusatsu, Shiga) Kashima Plant (Kamisu, Ibaraki)
	Sales bases	Tokyo Office (Chuo-ku, Tokyo)
	Overseas offices	New York Office Washington, D.C. Office Beijing Office Guangzhou Office North America R&D Center
Subsidiaries	Japan	Daikin Applied Systems Co., Ltd. (Minato-ku, Tokyo) Daikin Airtechnology & Engineering Co., Ltd. (Sumida-ku, Tokyo) Daikin HVAC Solution Tokyo Co., Ltd. (Shibuya-ku, Tokyo) Daikin-Sauer-Danfoss Ltd. (Settsu, Osaka)
	Overseas	Daikin (China) Investment Co., Ltd. Daikin Air-conditioning (Shanghai) Co., Ltd. Daikin Air-conditioning (Suzhou) Co., Ltd. McQuay Central Air Conditioning (China) Co., Ltd. Daikin Industries (Thailand) Ltd. Daikin Airconditioning India Pvt. Ltd. Daikin Malaysia Sdn. Bhd. Daikin Australia Pty., Ltd. Daikin Europe N.V. (Belgium) Daikin Industries Czech Republic s.r.o. AHT Cooling Systems GmbH (Austria) Daikin Comfort Technologies North America, Inc. Daikin Applied Americas Inc. American Air Filter Company, Inc. Daikin Fluorochemicals (China) Co., Ltd. Daikin America, Inc.

### 2) Employee breakdown

Business segment	Number of employees	Increase (decrease) from the previous year
Air-Conditioning and Refrigeration Equipment	91,318	1,685
Chemicals	4,070	101
Others	1,809	30
Corporate	965	9
Total	98,162	1,825

Notes:

- The number of employees is based on the number of employees at work.
- The number of employees of the Company (the number of employees at work) is 7,654 (an increase of 36 from the previous fiscal year).



**(10) Principal Subsidiaries (as of March 31, 2024)**

Name of company	Share holding	Capital	Principal operations
Daikin Applied Systems Co., Ltd.	100%	300 million JPY	Manufacture, sale, design, and installation of air conditioning equipment and refrigeration equipment
Daikin Airtechnology & Engineering Co., Ltd.	100%	275 million JPY	Sale and installation of air conditioning equipment
Daikin HVAC Solution Tokyo Co., Ltd.	100%	330 million JPY	Sale of air conditioning equipment
Daikin (China) Investment Co., Ltd.	100%	242,025 thousand USD	Controlling company of Chinese operations
Daikin Air-conditioning (Shanghai) Co., Ltd.	*87.4%	82,600 thousand USD	Manufacture and sale of air conditioning equipment
Daikin Air-conditioning (Suzhou) Co., Ltd.	*100%	1,200 million CNY	Manufacture and sale of air conditioning equipment
McQuay Central Air Conditioning (China) Co., Ltd.	100%	50 million CNY	Manufacture and sale of air conditioning equipment
Daikin Industries (Thailand) Ltd.	100%	1,300 million THB	Manufacture and sale of air conditioning equipment
Daikin Airconditioning India Pvt. Ltd.	100%	13,029 million INR	Manufacture and sale of air conditioning equipment
Daikin Malaysia Sdn. Bhd.	100%	276,254 thousand MYR	Manufacture and sale of air conditioning equipment
Daikin Australia Pty., Ltd.	100%	10,000 thousand AUD	Manufacture and sale of air conditioning equipment
Daikin Europe N.V.	100%	155,065 thousand EUR	Manufacture and sale of air conditioning equipment
Daikin Industries Czech Republic s.r.o.	*100%	1,860 million CZK	Manufacture and sale of air conditioning equipment
AHT Cooling Systems GmbH	*100%	8,000 thousand EUR	Manufacture and sale of refrigerating and freezing showcases
Daikin Comfort Technologies North America, Inc.	*100%	—	Manufacture and sale of air conditioning equipment
Daikin Applied Americas Inc.	*100%	250 thousand USD	Manufacture and sale of air conditioning equipment
American Air Filter Company, Inc.	*100%	—	Manufacture and sale of air filter products, etc.
Daikin Fluorochemicals (China) Co., Ltd.	*96.0%	161,240 thousand USD	Manufacture and sale of fluorochemicals
Daikin America, Inc.	*100%	85,000 thousand USD	Manufacture and sale of fluorochemicals
Daikin-Sauer-Danfoss Ltd.	55.0%	400 million JPY	Manufacture and sale of oil hydraulic equipment, etc.

Note: Figures with an asterisk represent percentages including investments by subsidiaries, etc.

**(11) Principal Borrowings (as of March 31, 2024)**

Creditors	Borrowings (Millions of yen)
Sumitomo Mitsui Banking Corporation	70,857
The Norinchukin Bank	34,373
Sumitomo Mitsui Banking Corporation U.S. dollar-denominated syndicated loan (Note)	16,806
MUFG Bank, Ltd.	15,141
Sumitomo Mitsui Trust Bank, Limited	5,000
Sumitomo Life Insurance Company	5,000

Note: Sumitomo Mitsui Banking Corporation U.S. dollar-denominated syndicated loan is co-financed by a group of banks, with Sumitomo Mitsui Banking Corporation as the lead arranger.

## 2. Status of Shares (as of March 31, 2024)

- (1) **Number of Shares Authorized:** 500,000 thousand shares  
(2) **Number of Shares Issued:** 293,113 thousand shares  
(3) **Number of Shareholders:** 74,668 (Increase of 40,473 from the previous fiscal year)  
(4) **Top 10 Shareholders**

Shareholders	Number of shares held (Thousands of shares)	Shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	53,073	18.1
Custody Bank of Japan, Ltd. (Trust account)	21,463	7.3
JPMorgan Chase Bank 385632	8,685	3.0
Sumitomo Mitsui Banking Corporation	8,000	2.7
SSBTC CLIENT OMNIBUS ACCOUNT	5,036	1.7
State Street Bank West Client - Treaty 505234	5,003	1.7
The Master Trust Bank of Japan, Ltd. (The Norinchukin Bank Account)	4,649	1.6
Custody Bank of Japan, Ltd. (Trust account 4)	4,630	1.6
MUFG Bank, Ltd.	4,355	1.5
GIC Private Limited-C	3,859	1.3

Notes:

- Percentage shareholdings are rounded off to one decimal point.
- Percentage shareholdings are calculated after deducting treasury shares (348 thousand shares).

## 3. Share Acquisition Rights

### (1) Share acquisition rights held by Directors and Audit & Supervisory Board Members at the end of the fiscal year under review

Issue No.	Exercise price	Type and number of shares reserved	Term of exercise	Number of share acquisition rights	Number of holders
No. 18 (2019)	¥1	Common stock 100 shares per unit of share acquisition rights	July 13, 2022, to July 12, 2034	8	1 Director
No. 19 (2020)	¥1	Common stock 100 shares per unit of share acquisition rights	July 11, 2023, to July 10, 2035	31	3 Directors
No. 20 (2021)	¥1	Common stock 100 shares per unit of share acquisition rights	July 17, 2024, to July 16, 2036	100	6 Directors
No. 21 (2022)	¥1	Common stock 100 shares per unit of share acquisition rights	July 16, 2025, to July 15, 2037	107	6 Directors
No. 22 (2023)	¥1	Common stock 100 shares per unit of share acquisition rights	July 15, 2026, to July 14, 2038	113	6 Directors

### (2) Share acquisition rights issued to Daikin Industries employees during the fiscal year under review

Issue No.	Exercise price	Type and number of shares reserved	Term of exercise	Number of share acquisition rights	Number of holders
No. 22 (2023)	¥1	Common stock 100 shares per unit of share acquisition rights	July 15, 2026, to July 14, 2038	346	70 Daikin Industries employees

#### 4. Directors and Audit & Supervisory Board Members

##### (1) Directors and Audit & Supervisory Board Members (as of March 31, 2024)

Position	Name	Responsibility or significant positions concurrently held
Chairman of the Board and Chief Global Group Officer	Noriyuki Inoue	Chairman of The Daikin Foundation for Contemporary Arts Chairman of Kansai Philharmonic Orchestra
Representative Director, President and CEO, Member of the Board	Masanori Togawa	Chairman of the Internal Control Committee Member of the HRM Advisory Committee Member of the Compensation Advisory Committee
Member of the Board (external)	Tatsuo Kawada	Chairman of the HRM Advisory Committee Chairman of the Compensation Advisory Committee Chairman and CEO of Seiren Co., Ltd. External Director of Hokuriku Electric Power Company
Member of the Board (external)	Akiji Makino	Member of the HRM Advisory Committee Member of the Compensation Advisory Committee Chairman and CEO of Iwatani Corporation Chairman of the Board of Iwatani Industrial Gases Corporation Representative Director and Chairman of the Board of Central Sekiyu Gas Corporation Limited
Member of the Board (external)	Shingo Torii	Member of the HRM Advisory Committee Member of the Compensation Advisory Committee Representative Director and Vice Chairman of the Board of Suntory Holdings Limited Outside Director of Zojirushi Corporation Chairperson of the Osaka Chamber of Commerce and Industry
Member of the Board (external)	Yuko Arai	Member of the HRM Advisory Committee Member of the Compensation Advisory Committee Senior Advisor of ANA Akindo Co., Ltd. Outside Director of Aichi Steel Corporation
Representative Director, Member of the Board, and Senior Executive Officer	Ken Tayano	In charge of Air Conditioning Business in Japan and Representative of China business Chairman of the Board of Daikin (China) Investment Co., Ltd.
Member of the Board and Senior Executive Officer	Masatsugu Minaka	Representative of Europe, the Middle East and Africa Chairman of the Board of Daikin Europe N.V.
Member of the Board and Senior Executive Officer	Takashi Matsuzaki	In charge of Solutions Technologies
Member of the Board and Senior Associate Officer	Kanwal Jeet Jawa	Regional General Manager, Air Conditioning Business in India and East Africa, Global Operations Division Managing Director and CEO of Daikin Airconditioning India Pvt. Ltd.
Audit & Supervisory Board Member (external)	Ryu Yano	Chief Corporate Advisor of Sumitomo Forestry Co., Ltd.
Audit & Supervisory Board Member (external)	Toru Nagashima	
Audit & Supervisory Board Member (external)	Kaeko Kitamoto	Certified public accountant Outside Director of Harmonic Drive Systems Inc.
Audit & Supervisory Board Member (full time)	Kosei Uematsu	
Audit & Supervisory Board Member (full time)	Hisao Tamori	

Notes:

1. The Company registered the appointment of External Directors Tatsuo Kawada, Akiji Makino, Shingo Torii and Yuko Arai and Audit & Supervisory Board Members (external) Ryu Yano, Toru Nagashima and Kaeko Kitamoto to the Tokyo Stock Exchange, Inc. as Independent Directors and Audit & Supervisory Board Members.
2. Audit & Supervisory Board Member Kaeko Kitamoto is a certified public accountant and has considerable knowledge of finance and accounting.
3. Audit & Supervisory Board Member Hisao Tamori has considerable knowledge of finance and accounting, having been involved in accounting and financial operations of the Company for many years.
4. Kaeko Kitamoto was elected as an Audit & Supervisory Board Member at the 120th Ordinary General Meeting of Shareholders of the Company held on June 29, 2023, and assumed the office on July 1, 2023.
5. Yoshihiro Mineno resigned as a Member of the Board at the conclusion of the 120th Ordinary General Meeting of Shareholders of the Company held on June 29, 2023, due to the expiration of his term of office.
6. Audit & Supervisory Board Member Kaeko Kitamoto assumed the office of Outside Director of Harmonic Drive Systems Inc. on July 1, 2023.

## (2) Compensation for Directors and Audit & Supervisory Board Members

### (i) Total compensation for Directors and Audit & Supervisory Board Members

Position	Total compensation (Millions of yen)	Total compensation by type (Millions of yen)			Number of recipients (Persons)
		Fixed compensation	Performance-linked compensation	Stock options	
Directors [of which, External Directors]	1,441 [80]	583 [80]	559 [—]	298 [—]	11 [4]
Audit & Supervisory Board Members [of which, Audit & Supervisory Board Members (external)]	122 [46]	122 [46]	—	—	5 [3]

Notes:

1. Performance-linked compensation includes provision for bonuses for directors (and other officers) recorded in the fiscal year under review, and stock options refer to the fiscal year's expense which is associated with share acquisition rights offered to Directors (excluding External Directors).
2. Total compensation includes the compensation for services of one Director who retired at the conclusion of the 120th Ordinary General Meeting of Shareholders while he was in office.

### (ii) Matters concerning the policies for determining compensation for individual Directors and Audit & Supervisory Board Members

The outline of the policies for determining compensation for individual Directors and Audit & Supervisory Board Members of the Company (“compensation”) is as follows. The policies are determined by the resolution of the Board of Directors of the Company in consideration of deliberations and proposals made by the Compensation Advisory Committee.

#### (a) Basic policy on compensation

The compensation system for Directors and Audit & Supervisory Board Members shall be established with an aim to enhance their motivation to continuously improve medium- to long-term business performance and to contribute to the increase of the value of the Daikin Group as a whole in accordance with the management policy in order to meet the expectations of shareholders and other stakeholders.

#### (b) Policy for determining the amount and composition ratio by type of compensation for individual Directors (including performance-linked compensation, non-monetary compensation, and other fixed compensation)

Compensation for the Directors excluding External Directors shall be comprised of “fixed compensation,” “performance-linked compensation” that reflects the short-term results of the Group and its departments and “stock compensation-type stock options” that reflect medium- to long-term results.

The level of compensation shall be determined as a result of analyzing and comparing compensation data of large Japanese manufacturing companies, using the objective compensation survey data collected by an external institution specializing in research of executive compensation (“Executive Compensation Database” by WTW), which is used by nearly 300 corporations listed on the Prime Market of the Tokyo Stock Exchange. Specifically, three indexes shall be used as basic benchmarks, namely, “net sales growth,” “operating profit margin” and “ROE (return on equity),” and the level of compensation shall be determined by examining the relative positions of the Company’s performance and compensation level among comparative companies, as well as those in relation to the medium- to long-term enhancement of corporate

value. The linkage ratio used for the Company’s “performance-linked compensation” shall be set higher than large Japanese manufacturing companies in order to secure sufficient incentives for the Directors.

In addition to the above, upon retirement a Director may, in consideration of achievements during his/her tenure, be granted compensation (including non-monetary compensation) as deemed appropriate depending on the level of such merit.

The External Directors and Audit & Supervisory Board Members shall be paid “fixed compensation” only.

(c) Policy for determining performance indicators for performance-linked compensation and the method for its computation

For the assessment scaling exponent linked to the group-wide performance, which is used in determining the “performance-linked compensation” for the Directors excluding External Directors, three indexes of “net sales,” “operating profit margin” and “operating profit” shall be selected as performance-linked indicators in consideration of the group-wide numerical targets under the Company’s indicator-based management, the indexes’ mutual relevancy and simplicity, and the trend of other companies. The performance-linked coefficient shall be determined reflecting “net sales” and “operating profit margin” as calculated based on the degree of achievement of the budget for a single fiscal year, and “operating profit” as calculated based on the growth rate linked to the medium- to long-term management plan.

The “performance-linked compensation” for the Chairman and the President shall be based on a performance-linked coefficient derived from group-wide performance-linked indicators. The “performance-linked compensation” for the Directors excluding the Chairman and the President shall be based on a performance-linked coefficient derived from group-wide performance-linked indicators, and determined in consideration of the degrees of achievement of the single-fiscal-year budgets for “net sales” and “operating profit” of the department supervised, which are targets for day-to-day business operations, and the status of each individual’s efforts to address key issues over the short term and the medium to long term. With respect to the key issues, targets according to each individual’s duties shall be set in accordance with the 11 key strategy themes set forth in the strategic management plan “Fusion 25.”

The targets and actual figures of the group-wide performance-linked indicators for the consolidated fiscal year under review are as shown in the table below.

	Net sales (Millions of yen)	Operating profit margin (%)	Operating profit (Millions of yen)
Targets (for the consolidated fiscal year under review)	4,100,000	9.8	400,000
Actual figures (for the consolidated fiscal year under review)	4,395,317	8.9	392,137

(d) Policy for determining the non-monetary compensation and the method for its computation

“Stock compensation-type stock options” shall be granted to the Directors excluding External Directors. In each fiscal year, the number of stock compensation-type stock options to be granted shall be calculated by dividing the amount of compensation, which is determined by reflecting the status and achievements of each individual’s efforts to address short-term and medium- to long-term key issues in the previous fiscal year, based on the executive rank-based standard amount of compensation, by the latest closing stock average. The granted stock compensation-type stock options shall be allowed to be exercised for a period of 12 years after the lapse of three years following the grant date. With respect to the key issues, targets according to each individual’s duties shall be set in accordance with the 11 key strategy themes set forth in the strategic management plan “Fusion 25.”

Outline of the “stock compensation-type stock options” and the status of the granting thereof are as stated in “3. Share Acquisition Rights.”

In addition, as a condition for exercising share acquisition rights as stock compensation-type stock options, an allottee of share acquisition rights may not conduct disposal of the share acquisition rights including a transfer to a third party, and shall not be entitled to exercise the share acquisition rights in the event of the following:

- If, during the exercise period of share acquisition rights, one year has passed after an allottee of the share acquisition rights ceased to hold the office of Director, Executive Officer, Associate Officer, or employee of the Company, or Director or employee of its subsidiary (where such one-year period includes the day on which the allottee ceased to hold such office).

However, if the day on which one year has passed after the allottee ceased to hold such office (where such one-year period includes the day on which the allottee ceased to hold such office) is outside the exercise period of the share acquisition rights, the allottee shall not be entitled to exercise the share acquisition rights as from the expiry of the exercise period, prior to the passage of the one-year period.

If an allottee of share acquisition rights ceases to hold the office of Director, Executive Officer, Associate Officer, or employee of the Company, or Director or employee of its subsidiary, before the arrival of the inception date of the exercise period, the allottee shall be entitled to exercise the share acquisition rights only during a one-year period from the first day of the exercise period.

(e) Re-consent to discretionary decision on the procedural method for determining the compensation and on the details of individual compensation

Policies on the compensation for Directors, the appropriateness of the compensation system, level, etc., and the details of the individual compensation shall be deliberated at the Compensation Advisory Committee chaired by an External Director with a majority of its members comprising External Directors, for the purpose of fully securing objectivity and transparency in the procedure for determining them, while observing the environment surrounding executive compensation. Specifically, the Compensation Advisory Committee shall deliberate on the matters, after examining the relative positions of the Company's performance among comparative companies as well as the appropriateness of the compensation from multifaceted perspectives, with reference to the information and advice presented by the compensation advisor from an external specialist organization, with a view to ensuring independence of the Committee's judgment and enhancing its functional effectiveness as an advisory body. The Compensation Advisory Committee shall propose opinions to the President after confirming the proposed amounts of compensation for individual Directors and deliberating on them from objective perspectives. The President and CEO, Mr. Masanori Togawa, given the Board of Directors' re-consent to his discretionary decision, shall ultimately decide on the amounts of compensation for individual Directors, based on the proposed opinions. If a decision is made that differs from such proposed opinions, the Compensation Advisory Committee shall redeliberate on the reasons for the decision.

The reason for delegating these authorities is the judgment that Mr. Togawa is the most qualified to conduct an accurate and well-informed evaluation of each individual Director and the department he/she supervises, based on a wider view of the management of the Company and the group-wide performance. The Compensation Advisory Committee is chaired by an External Director and composed of six members, namely, four External Directors, one in-house Director, and one Executive Officer who is in charge of HRM.

With respect to the compensation in consideration of achievements during the tenure of the Directors, a committee with all its members comprising External Directors, which is established separately from the Compensation Advisory Committee, shall deliberate whether to grant such compensation or not and the details of such compensation, and the Board of Directors shall determine its specific details and its amount along with the procedure for granting.

The amounts of compensation for individual Audit & Supervisory Board Members shall be determined by consultations among Audit & Supervisory Board Members.

(iii)Matters concerning the resolution of the General Meeting of Shareholders on the compensation for Directors and Audit & Supervisory Board Members

	Type of compensation	Outline of the resolution of the General Meeting of Shareholders	Date, etc. of the resolution of the General Meeting of Shareholders
Directors	Fixed compensation and performance-linked compensation	Maximum amount of ¥1.3 billion per annum (including ¥100 million for External Directors)	June 26, 2020 (117th Ordinary General Meeting of Shareholders) Number of Directors at the time of resolution: 11 Directors (including four External Directors)
	Stock options	No higher than ¥360 million annually, with the maximum number of share acquisition rights issued within one year from the date of the ordinary general meeting of shareholders set at 450 (excluding External Directors)	June 29, 2021 (118th Ordinary General Meeting of Shareholders) Number of Directors at the time of resolution: 11 Directors (including four External Directors)
Audit & Supervisory Board Members	Fixed compensation	No higher than ¥190 million annually	June 27, 2014 (111th Ordinary General Meeting of Shareholders) Number of Audit & Supervisory Board Members at the time of resolution: four Audit & Supervisory Board Members

(iv) The reason for the decision of the Board of Directors that the details of the compensation for individual Directors are in line with the policies as set out in (ii) above

The details of the compensation for individual Directors were determined to be appropriate, as they were based on the multifaceted review of various aspects, including the consistency of the method for computing the performance-linked portion, the performance-linked coefficient, and the level of compensation with the aforementioned policies, after deliberations based on objective and sufficient collected information at as many as three meetings of the Compensation Advisory Committee.

The schedule of and matters deliberated at the Compensation Advisory Committee concerning the decision of the details of the compensation for individual Directors for the fiscal year under review are shown in the table below.

Schedule of and matters deliberated at the Compensation Advisory Committee

	Matters deliberated
October 26, 2023	<ul style="list-style-type: none"> <li>- Latest environment surrounding executive compensation</li> <li>- Activities of the compensation system for Directors and Audit &amp; Supervisory Board Members for fiscal 2023</li> <li>- Whether or not to correct the policies on compensation for fiscal 2024</li> </ul>
March 28, 2024	<ul style="list-style-type: none"> <li>- Compensation level for fiscal 2024 (draft)</li> <li>- Details pertaining to performance-linked coefficient of performance-linked compensation for fiscal 2023</li> </ul>
April 24, 2024	<ul style="list-style-type: none"> <li>- Details pertaining to performance-linked coefficient of performance-linked compensation for fiscal 2023</li> </ul>

Note: The compensation advisor of WTW attended three out of three meetings to provide information and advice from an objective standpoint.

**(3) External Directors and Audit & Supervisory Board Members (External)**

(i) Significant positions concurrently held by External Directors and Audit & Supervisory Board Members (External)

There is no special relationship between the Company and other companies at which External Directors and Audit & Supervisory Board Members (external) hold their concurrent significant positions as listed in “(1) Directors and Audit & Supervisory Board Members.”

(ii) Activities by External Directors and Audit & Supervisory Board Members (External)

Position	Name	Attendance record of Board of Directors' meetings	Principal activities
External Director	Tatsuo Kawada	Attended 15 out of 16 meetings (93.8%)	We expect Tatsuo Kawada to appropriately supervise the Company's management from an independent standpoint, based on his abundant experience and deep insight as a corporate manager, and also to make suggestions on overall management from a broad and advanced perspective including the viewpoint of shifting to new business models and generating innovation. For the fiscal year under review, he appropriately fulfilled his role as External Director such as by providing supervision and advice on execution of business operations, including making suggestions on regular reports to the Board of Directors on the financial position and the importance of communication between management and business sites.
	Akiji Makino	Attended 15 out of 16 meetings (93.8%)	We expect Akiji Makino to appropriately supervise the Company's management from an independent standpoint, based on his abundant experience and deep insight as a corporate manager, and also to make suggestions on overall management from a broad and advanced perspective including viewpoints concerning the energy and environmental fields and service businesses. For the fiscal year under review, he appropriately fulfilled his role as External Director such as by providing supervision and advice on execution of business operations, including making suggestions on the importance of being prepared for risks in investment projects.
	Shingo Torii	Attended 16 out of 16 meetings (100%)	We expect Shingo Torii to appropriately supervise the Company's management from an independent standpoint, based on his abundant experience and deep insight as a corporate manager, and also to make suggestions on overall management from a broad and advanced perspective including viewpoints on corporate management for proactively capturing customer needs, the enhancement of corporate value through ESG activities, and other areas. For the fiscal year under review, he appropriately fulfilled his role as External Director such as by providing supervision and advice on execution of business operations, including making suggestions on the importance of quality and safety and preparation for possible future risks.
	Yuko Arai	Attended 16 out of 16 meetings (100%)	We expect Yuko Arai to appropriately supervise the Company's management from an independent standpoint, based on her abundant experience and deep insight as a corporate manager, and also to make suggestions on overall management including management from consumers' perspective and measures to promote further participation of female employees from a broad and advanced perspective. For the fiscal year under review, she appropriately fulfilled her role as External Director such as by providing supervision and advice on execution of business operations, including making suggestions on the importance of safety education on the global level.



Position	Name	Attendance record of meetings		Principal activities
		Board of Directors	Audit & Supervisory Board	
Audit & Supervisory Board Member (external)	Ryu Yano	Attended 15 out of 16 meetings (93.8%)	Attended 15 out of 15 meetings (100%)	We expect Ryu Yano to make suggestions from a broad and advanced perspective cultivated through his extensive overseas business experience, in addition to appropriate auditing based on his abundant experience and deep insight as a corporate manager. For the fiscal year under review, he conducted appropriate audits, including making suggestions on the importance of a global compliance system.
	Toru Nagashima	Attended 16 out of 16 meetings (100%)	Attended 15 out of 15 meetings (100%)	We expect Toru Nagashima to make suggestions from a broad and advanced perspective cultivated through his experience in global business management, in addition to appropriate auditing based on his abundant experience and deep insight as a corporate manager. For the fiscal year under review, he conducted appropriate audits, including making suggestions on the importance of quality in global business.
	Kaeko Kitamoto	Attended 11 out of 12 meetings (91.7%)	Attended 8 out of 9 meetings (88.9%)	We expect Kaeko Kitamoto to make suggestions based on her high level of expertise in financial accounting, in addition to appropriate auditing based on her abundant experience and deep insight gained through accomplishments in corporate audits as a certified public accountant. For the fiscal year under review, she conducted appropriate audits, including making suggestions on the importance of a global audit system.

Note: Kaeko Kitamoto was elected as an Audit & Supervisory Board Member (external) at the 120th Ordinary General Meeting of Shareholders of the Company held on June 29, 2023, and assumed the office on July 1 of the same year, and accordingly, her attendance records of meetings of the Board of Directors and the Audit & Supervisory Board are on and after that date.

- (iii) Contract liability limitation for External Directors and Audit & Supervisory Board Members (External)  
Complying with Article 427, Paragraph 1, of Japan's Companies Act, as well as Articles 25 and 33 of the Company's Articles of Incorporation, all External Directors and Audit & Supervisory Board Members (external) sign a contract which limits their liabilities under the Article 423, Paragraph 1, of the Companies Act. This contract states that the maximum liability equals to the minimum liability stipulated under Article 425, Paragraph 1, of the Companies Act.

#### **(4) Outline of Directors and Officers (D&O) Liability Insurance Contract**

The Company has concluded a directors and officers (D&O) liability insurance contract, in which Directors, Audit & Supervisory Board Members, Executive Officers, and Associate Officers of the Company, and Directors and Audit & Supervisory Board Members of its subsidiaries are the insured. This insurance contract will cover any damages that may occur as a result that the insured take responsibility for liability with regard to their execution of duties or receive a claim for liability against them. However, this insurance contract will not cover any damages that may occur as a result of acts performed by the insured while recognizing that the acts violate laws and regulations. The Company bears the full amount of the insurance contract premium.

## 5. Independent Auditors

(1) Name of the Independent Auditors to the Company	Deloitte Touche Tohmatsu LLC (Audit Corporation)
(2) Total amount of compensation to be paid by the Company to the Independent Auditors for the current fiscal year	¥307 million
(3) Reasons for approval of the Audit & Supervisory Board for the amount of compensation to be paid to the Independent Auditors	The Audit & Supervisory Board obtained necessary materials and reports from Directors, relevant departments within the Company, and the Independent Auditors to investigate past activity achievements and compensation records of the Independent Auditors together with its activity plans and the calculation basis of the estimated compensation for the fiscal year under review and discussed the amount of compensation to be paid to the Independent Auditors. As a result, the Board judged this to be appropriate in this regard, hence, pursuant to Article 399, Paragraph 1 of the Companies Act, the Board approved the amount of compensation to be paid to the Independent Auditors.
(4) Non-auditing services provided to the Company by the Independent Auditors	The Company consigns to the Independent Auditors the following services that fall outside the scope of the audit certification services under Article 2, Paragraph 1, of the Certified Public Accountant Law, and pays consideration for the services. Advice concerning CSR (Corporate Social Responsibility)
(5) Policy on dismissal of or resolution not to re-engage the Independent Auditors	In addition to reasons for dismissal stipulated in each item of Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board will present a movement for dismissal of or resolution not to re-engage the Independent Auditors to the General Meeting of Shareholders, if it is recognized that it is difficult for the Independent Auditors to effectively perform their duties due mostly to the occurrence of cases that damage the eligibility or independence of the Independent Auditors.
(6) Total amount of compensation to be paid by the Company and its subsidiaries to the Independent Auditors	¥307 million
(7) Other items	Major subsidiaries of the Company engaging certified public accounts or audit corporations other than the Company's Independent Auditors to conduct their audits (under Japan's Companies Act or Financial Instruments and Exchange Act, or the overseas equivalents) are as follows: Daikin (China) Investment Co., Ltd. Daikin Air-conditioning (Shanghai) Co., Ltd. Daikin Device (Suzhou) Co., Ltd. Daikin Air-conditioning (Suzhou) Co., Ltd. Daikin Fluorochemicals (China) Co., Ltd. McQuay Central Air Conditioning (China) Co., Ltd.

## 6. Outline of Resolutions to Establish a System to Confirm Operational Appropriateness

(Basic Philosophy on and Status and Activities of an Internal Control System)

The Daikin Group's system and major activities to confirm operational appropriateness based on Japan's Companies Act and its Enforcement Regulations are outlined below. The "Internal Control Committee" inspects and confirms the status and activities of internal control based on the system's various initiatives, and reports to the Board of Directors. The Committee is chaired by Representative Director, President, and CEO (Masanori Togawa), and consists of members including General Manager of Finance and Accounting Division (Senior Executive Officer Koichi Takahashi), General Manager of Legal Affairs, Compliance and Intellectual Property Department (Executive Officer Masafumi Yamamoto), General Manager of Corporate Planning Department (Executive Officer Hiroaki Ueda), General Manager of Internal Auditing Department, and General Manager of Corporate Communication Department, with the full-time Audit & Supervisory Board Members (Kosei Uematsu and Hisao Tamori) serving as observers.

(Major activities in the fiscal year under review)

- The "Internal Control Committee" held two meetings, and the matters discussed were reported to the Board of Directors.

### (1) System to ensure compliance with laws and regulations by Directors and employees in execution of their duties

We establish a compliance system that tackles and swiftly responds to compliance issues Group-wide.

Specific measures follow:

- (i) In accordance with the management basic direction and code of conduct stipulated in Our Group Philosophy (2002), Handbook for Corporate Ethics and other directives, we will be diligent in execution of duties and take the initiative in applying these principles.
- (ii) We have established a “Corporate Ethics and Risk Management Committee” made up of Directors and department managers. This committee oversees Legal Affairs, Compliance and Intellectual Property Department, which spearheads thorough legal compliance Group-wide. Each department and Group company assigns a compliance, risk management leader to ensure thorough compliance in the Company, their respective departments and Group companies. We hold the “Compliance, Risk Management Leader Meeting” and the “Group Compliance, Risk Management Leader Meeting” to share information, address issues, and promote implementation of policies.
- (iii) We have introduced our unique “Self-assessment Checklist” through which each division and Group company conducts an annual autonomous check from the standpoint of legality and risk. Using the results of this check, the Legal Affairs, Compliance and Intellectual Property Department carries out a legal audit on each division and Group company, and legal compliance is checked in a business audit conducted by the Internal Auditing Department.
- (iv) We have established a Helpline for Corporate Ethics. The Legal Affairs, Compliance and Intellectual Property Department investigates reports made to this facility and forms strategies to prevent recurrence after deliberations with the manager of the relevant division. We have established a system to promote swift adoption of such measures Company-wide.
- (v) As stated clearly in our Handbook for Corporate Ethics, we, as a business entity, stand firmly against antisocial forces that damage social order and healthy corporate activities.
- (vi) We carry out and are currently improving capacities for periodic and occasional compliance and corporate ethics education across management and employee strata.

(Major activities in the fiscal year under review)

- The “Corporate Ethics and Risk Management Committee” held two meetings, in which it shared company-wide compliance issues and deliberated on measures to deal with these issues. We held the “Compliance, Risk Management Leader Meeting” 10 times to ensure thorough compliance. We also held the “Regional Legal and Compliance Meeting” in the Asia & Oceania, Europe, and China regions.
- Based on the “Self-assessment Checklist,” each division and Group company conducted the self-inspection and risk assessment. The results were deliberated by the “Corporate Ethics and Risk Management Committee.”
- We conducted training on compliance, human rights, harassment prevention, etc., for both Directors and employees.

## **(2) System for data storage, management, and disclosure relating to execution of duties by Directors**

The minutes of important committee and other meetings are retained for a storage period in accordance with the stipulations of separate in-house regulations. Regarding disclosure of important information outside the Company, the “Disclosure Committee” ensures completeness and appropriateness of important disclosure and is working to improve accountability.

(Major activities in the fiscal year under review)

- We have retained the minutes of important committees and other meetings, including the Board of Directors’ Meeting, in accordance with the stipulations of in-house regulations.
- We regularly held the “Disclosure Committee” meetings before the disclosure of quarterly results to deliberate the appropriateness of the information provided in documents related to financial results. We also deliberated on important disclosure including non-financial information on a case-by-case basis.

## **(3) Rules and other systems relating to risk management**

Executive Officers and the Directors responsible for operations have the authority and responsibility for building risk management systems, which oversee the entire Group. Each of them in their own domain focuses on product liability, quality, safety, production, sales activities, and natural disasters in a cross-sectoral manner. Regarding Company-wide risks, the Officer responsible for Corporate Ethics and Compliance supervises risk management, and operates through the Legal Affairs, Compliance and Intellectual Property Department in order to specify major risks based on risk assessment and to formulate countermeasures after deliberations with the “Corporate Ethics and Risk Management Committee.”

(Major activities in the fiscal year under review)

- We specified a list of major risks for the fiscal year under review, comprising those related to information management, quality, overseas crisis management, economic security, response to human rights, countermeasures against natural disasters, safety measures, and prevention of improper accounting. Subsequently, we deliberated them in the “Corporate Ethics and Risk Management Committee” meeting and implemented countermeasures to these risks.

#### **(4) System to ensure efficient execution of duties by Directors**

We have introduced the efficient execution framework dubbed “Executive Officer system,” which allows us to achieve prompt decisions through substantive discussions by the reduced number of Directors. It also accelerates the Directors’ self-directed decision-making process in each business division, geographical location, and corporate function.

We have established the “Group Steering Meeting,” which acts as the supreme deliberating body that manages our Group. Important management policies and strategies are determined promptly and in a timely manner, resulting in faster problem-solving processes. We have also implemented a system which allows our Directors and Executive Officers to appropriately and effectively execute their duties through administrative authority and decision-making rules that are based on various internal regulations and centered on the Board of Directors’ regulations, the Executive Officers Meeting regulations and collective decision-making regulations. This initiative encourages participation, advice and guidance in management decision-making from an independent and neutral external standpoint and provides a check function to raise appropriate and effective execution of duties by Directors and Executive Officers. This is achieved through permanently maintaining four or more External Directors with no conflicting interests with the Company.

(Major activities in the fiscal year under review)

- The Board of Directors convened 16 meetings, most of which were attended by the four External Directors, who provided appropriate comments concerning management problems.
- We held the Executive Officers Meeting 22 times in which the Executive Officers participated.
- We held the “Group Steering Meeting” two times to deliberate on the key themes of the strategic management plan “Fusion 25,” namely, refrigerants business and space and water heating business.

#### **(5) System to ensure fair business practices in the Group comprising Daikin Industries, its parent company, and subsidiaries**

To raise corporate value throughout the Group and fulfill social responsibilities, the Company and its subsidiaries aspire to conduct that upholds Our Group Philosophy, strengthens links of direction, orders, and communication between Group companies, and ensures fair business practices Group-wide, while carrying out guidance, advice, and assessment. Important items determined by the Board of Directors and Executive Officers meeting are promptly shared throughout the Group, with the exclusion of data that could be construed as insider information. Thus through corporate behavior based on unanimous intent, we aim to cultivate an understanding and secure fair business practices.

The departments responsible for management and support for Group companies are determined at the Head Office, and we promote strategies for continuous cooperation in day-to-day operations. Simultaneously, we have established “Group Management Meeting” to share information and familiarize basic strategies group by group and to facilitate and strengthen support for solving problems and tasks of the Group companies.

We strive to handle important decisions and business execution in subsidiaries through pre-emptive consultation and involvement and regular ascertainment of business conditions based on the stipulations of the “Limits of Authority of Daikin Group Companies,” which was updated and further subdivided in April 2008.

To respond to the internal control reporting system (Financial Instruments and Exchange Act), the Company began revising and upgrading its internal control systems related to financial reporting in August 2005, and subsequently develops and establishes systems designed to ensure the appropriateness of all operational processes throughout the Daikin Group that could affect financial reporting. In order to submit valid and appropriate internal control reports as stipulated in Article 24.4.4 of the Financial Instruments and Exchange Act, the Company will carry out ongoing evaluations and make required corrections to ensure that the structures established to date are functioning properly and also continually ensure conformity with the Financial Instruments and Exchange Act and other related laws and ordinances. In addition to its internal control systems, in fiscal 2008 the Company established global accounting rules and is working to ensure familiarity with these rules at a global level and make further improvements with respect to the validity and accuracy of accounting and financial reporting.

Furthermore, the Company strengthened accounting functions in business divisions and subsidiaries throughout the company, implemented accounting audits by the Finance and Accounting Division, implemented special audits by the Internal Auditing Department, developed and strengthened self-monitoring in each business division, carried out training for persons in charge of accounting, and implemented monitoring by the Finance and Accounting Division. Furthermore, the Company is working to establish and strengthen appropriate systems to support the preparation of reliable financial reports such as strengthening communication functions of the Legal Affairs, Compliance and Intellectual Property Department to convey the importance of compliance.

(Major activities in the fiscal year under review)

- The details of discussions and results of the Board of Directors' Meetings and Executive Officers' Meetings were reported to each division and Group company to share information concerning company-wide issues.
- We made an assessment on the status and activities of our internal control systems related to financial reporting. We made required corrections and reported the results to the Board of Directors.
- To confirm the appropriateness of accounting procedures, we implemented measures including accounting audits and special audits. The operational status of these measures was reviewed by the "Corporate Ethics and Risk Management Committee."

#### **(6) Ensuring effectiveness of the audit by the Audit & Supervisory Board Members**

In addition to the Board of Directors' Meeting, Audit & Supervisory Board Members attend the Executive Officers Meetings and technology/product strategy meetings to receive reports and deliver opinions. In addition, to ensure effectiveness of the audit, a system is in place by which the Audit & Supervisory Board is updated on important items that influence management and performance. In that respect, Directors, Executive Officers and employees of the Company and its Group companies report matters regarding the execution of duties that need to be reported to the Audit & Supervisory Board Members appropriately and in a timely manner. The Company also notifies Executive Officers and employees of the Company and its Group companies that disadvantageous treatment on account of having made such reports is prohibited.

The Audit & Supervisory Board Members meet periodically to exchange opinions with the Representative Directors, the Executive Officers and the Independent Auditors. They also attend various types of important meetings and verify investigations and documents on related departments, and we make sure their authority extends throughout the Group without restraint. To support this system, the Group Auditors have been appointed to each of the major Group companies, ensuring smooth flow of information. The Audit & Supervisory Board Members also periodically assemble "Group Auditors' Meeting" in order to exchange information and make improvements to auditing procedures. In addition, the Company bears the expenses necessary for the execution of duties by the Audit & Supervisory Board Members as they are incurred.

Auditing staff members to the Audit & Supervisory Board Members have been appointed, and Audit Office has been established to assist with their duties. The Audit Office members act on the order of the Audit & Supervisory Board Member, and their transfer and performance assessments are conducted based on the opinions of the Audit & Supervisory Board.

(Major activities in the fiscal year under review)

- To exchange opinions, the Audit & Supervisory Board Members had two meetings with the Representative Directors, 29 with Directors and Executive Officers and 33 with the Independent Auditors. Also, the Audit & Supervisory Board Members had the "Group Auditors' Meeting" by convening the Group Auditors and internal auditors of the major Group companies at home and abroad.

**Consolidated Balance Sheet**  
**As of March 31, 2024**

(Millions of yen, rounded down to the nearest million yen)

(Assets)	Amounts	(Liabilities)	Amounts
<b>Current assets</b>	<b>2,726,598</b>	<b>Current liabilities</b>	<b>1,566,990</b>
Cash and deposits	737,961	Notes and accounts payable – trade	326,033
Notes and accounts receivable – trade, and contract assets	815,305	Short-term borrowings	363,205
Merchandise and finished goods	696,363	Commercial papers	50,419
Work in process	75,932	Current portion of bonds payable	10,000
Raw materials and supplies	275,446	Current portion of long-term borrowings	63,446
Other	148,126	Lease liabilities	40,087
Allowance for doubtful accounts	(22,536)	Accrued expenses	273,044
		Income taxes payable	41,261
<b>Non-current assets</b>	<b>2,153,631</b>	Provision for bonuses for directors (and other officers)	353
		Provision for product warranties	104,616
<b>Property, plant and equipment</b>	<b>1,134,982</b>	Other	294,521
Buildings and structures	422,744		
Machinery, equipment and vehicles	347,884	<b>Non-current liabilities</b>	<b>625,936</b>
Land	85,135	Bonds payable	130,000
Leased assets	5,476	Long-term borrowings	194,918
Construction in progress	202,520	Lease liabilities	116,110
Other	71,220	Deferred tax liabilities	110,193
		Retirement benefit liability	19,910
<b>Intangible assets</b>	<b>683,726</b>	Other	54,804
Goodwill	306,627		
Customer-related intangible assets	246,186	<b>Total liabilities</b>	<b>2,192,927</b>
Other	130,912		
		<b>(Net Assets)</b>	
<b>Investments and other assets</b>	<b>334,922</b>	<b>Shareholders' equity</b>	<b>2,057,695</b>
Investment securities	171,857	<b>Share capital</b>	<b>85,032</b>
Long-term loans receivable	1,381	<b>Capital surplus</b>	<b>78,014</b>
Deferred tax assets	52,249	<b>Retained earnings</b>	<b>1,896,173</b>
Retirement benefit asset	27,419	<b>Treasury shares</b>	<b>(1,525)</b>
Other	82,564	<b>Accumulated other comprehensive income</b>	<b>579,840</b>
		Valuation difference on available-for-sale securities	65,729
Allowance for doubtful accounts	(550)	Deferred gains or losses on hedges	358
		Foreign currency translation adjustment	524,273
		Remeasurements of defined benefit plans	(10,520)
		<b>Share acquisition rights</b>	<b>3,771</b>
		<b>Non-controlling interests</b>	<b>45,994</b>
		<b>Total net assets</b>	<b>2,687,302</b>
<b>Total assets</b>	<b>4,880,230</b>	<b>Total liabilities and net assets</b>	<b>4,880,230</b>

**Consolidated Statement of Income**  
**From April 1, 2023, to March 31, 2024**

(Millions of yen, rounded down to the nearest million yen)

Net sales		4,395,317
Cost of sales		2,885,644
<b>Gross profit</b>		<b>1,509,673</b>
Selling, general and administrative expenses		1,117,536
<b>Operating profit</b>		<b>392,137</b>
Non-operating income		
Interest income	16,108	
Dividend income	5,015	
Share of profit of entities accounted for using equity method	1,605	
Subsidy income	1,936	
Other	5,289	29,955
Non-operating expenses		
Interest expenses	44,900	
Settlement payments	2,570	
Inflation accounting adjustment	12,501	
Foreign exchange losses	1,112	
Other	6,515	67,600
<b>Ordinary profit</b>		<b>354,492</b>
Extraordinary income		
Gain on sale of land	37	
Gain on sale of investment securities	46,259	46,297
Extraordinary losses		
Loss on disposal of non-current assets	2,839	
Loss on valuation of investment securities	409	
Loss on sale of shares of subsidiaries and associates	0	
Impairment loss	12,244	
Other	0	15,494
<b>Profit before income taxes</b>		<b>385,294</b>
Income taxes – current	129,010	
Income taxes – deferred	(13,550)	115,459
<b>Profit</b>		<b>269,835</b>
Profit attributable to non-controlling interests		9,523
<b>Profit attributable to owners of parent</b>		<b>260,311</b>

**Consolidated Statement of Changes in Equity**  
**From April 1, 2023, to March 31, 2024**

(Millions of yen, rounded down to the nearest million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	85,032	79,478	1,712,165	(1,676)	1,874,999
Changes in items during period					
Dividends of surplus			(76,112)		(76,112)
Profit attributable to owners of parent			260,311		260,311
Effect of changes in accounting period of subsidiaries			(191)		(191)
Purchase of treasury shares				(6)	(6)
Disposal of treasury shares		399		158	557
Capital increase of consolidated subsidiaries		(858)			(858)
Change in ownership interest of parent due to transactions with non-controlling interests		(1,003)			(1,003)
Net changes in items other than shareholders' equity					
Total changes in items during period	—	(1,463)	184,007	151	182,695
Balance at end of current period	85,032	78,014	1,896,173	(1,525)	2,057,695

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	51,980	459	315,392	(7,801)	360,031	3,116	40,947	2,279,095
Changes in items during period								
Dividends of surplus								(76,112)
Profit attributable to owners of parent								260,311
Effect of changes in accounting period of subsidiaries								(191)
Purchase of treasury shares								(6)
Disposal of treasury shares								557
Capital increase of consolidated subsidiaries								(858)
Change in ownership interest of parent due to transactions with non-controlling interests								(1,003)
Net changes in items other than shareholders' equity	13,749	(100)	208,880	(2,719)	219,809	655	5,046	225,512
Total changes in items during period	13,749	(100)	208,880	(2,719)	219,809	655	5,046	408,207
Balance at end of current period	65,729	358	524,273	(10,520)	579,840	3,771	45,994	2,687,302



## Notes to the Consolidated Financial Statements

### Basis for Presenting the Consolidated Financial Statements

#### 1. Scope of Consolidation

(1) Number of consolidated subsidiaries and names of major companies among them

Number of consolidated subsidiaries: 349

Major subsidiaries: Omitted as they are described in “(10) Principal subsidiaries” of “1. Review of Operations” in the Business Report.

Increase/decrease in the number of consolidated subsidiaries during the consolidated fiscal year under review

(Newly added) Due to acquisition:

Brooktherm Refrigeration Ltd and its 2 subsidiaries, Robert Heath Group Limited and its 2 subsidiaries, BKF-KLIMA A/S

Due to new establishment:

Suita indoor sportsground Air Conditioning Co., Ltd., Daikin Airconditioning (Cambodia) Co., Ltd.

(Excluded) Due to merger of consolidated subsidiaries:

UNI-Klima-und Gebaudetechnik GmbH, The RAL Supply Group, Inc., S&A Supply, Inc., Universal Supply Group, Inc., Zanotti Smart Solutions S.L.

Due to liquidation:

Daikin Refrigerants Asia Ltd., OOO AHT Cooling Systems Russia

(2) Names of major non-consolidated subsidiaries

A major non-consolidated subsidiary: Kyoei Kasei Industries, Ltd.

Reason for exclusion of the non-consolidated subsidiaries from consolidation:

The non-consolidated subsidiaries are small in corporate size and the impact of their aggregate total assets, net sales, profit (loss) attributable to owners of parent (amounts corresponding to the equity held by the Company) and retained earnings (amounts corresponding to the equity held by the Company) and others on the respective consolidated financial statements is insignificant. For this reason, these companies are excluded from the scope of consolidation.

#### 2. Application of the Equity Method

(1) Number of major non-consolidated subsidiaries and affiliated companies accounted for by the equity method and names of major companies among them

Number of affiliated companies accounted for by the equity method: 15

Major affiliated companies: Zhuhai Gree Daikin Device Co., Ltd.

Significant changes to the scope of application of the equity method:

(Excluded) Due to sales of equities:

Z-ice Srl

(2) Names of non-consolidated subsidiaries and affiliated companies not accounted for by the equity method

Major (Non-consolidated subsidiary)

companies: Kyoei Kasei Industries, Ltd.

(Affiliated company)

Daimics Co., Ltd.

Reason for not applying the equity method to these companies:

The impact of excluding these non-consolidated subsidiaries and affiliated companies without applying the equity method on the consolidated financial statements is insignificant in view of the profit (loss) attributable to owners of parent (amounts corresponding to the equity held by the Company) and retained earnings (amounts corresponding to the equity held by the Company) and others, and their intra-group positioning is immaterial on the whole. For this reason, the equity method is not applied to these companies.

### 3. Summary of Significant Accounting Policies

#### (1) Valuation basis and method for important assets

##### (i) Securities:

Available-for-sale securities

Securities other than shares that do not have a market value:	Valued at fair market value. (Unrealized gain or loss is included directly in net assets. The cost of securities sold is determined by the moving-average method.)
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Shares that do not have a market value:	Mainly valued at cost determined by the moving-average method.
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Investments in investment limited partnerships and similar partnerships (investments deemed to be securities pursuant to Article 2, Paragraph 2 of the Financial Instruments and Exchange Act)	Valued at the net amount proportionate to the Company's equity, based on the latest financial statements available depending on the reporting date specified in the partnership agreement.
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(ii) Derivatives: Derivative instruments are valued at fair market value.

(iii) Inventories: Mainly valued at cost determined by the gross average method (write-down of book values due to the decline in profitability) for inventories at domestic companies, whereas mainly the lower of cost or market determined by the gross average method is adopted for inventories at overseas consolidated subsidiaries.

#### (2) Depreciation method of major depreciable assets

##### (i) Property, plant and equipment (excluding leased assets)

The depreciation of property, plant and equipment is computed by the straight-line method.

##### (ii) Intangible assets

The amortization of intangible assets is computed by the straight-line method.

Software for sales in the market is amortized by the straight-line method over the effective salable period (3 years). Customer-related intangible assets are amortized by the straight-line method over its useful life (mainly 30 years).

The amounts of goodwill are equally amortized over 4 to 20 years on a straight-line basis.

##### (iii) Leased assets

Leased assets related to the finance lease transactions other than those that transfer ownership right is amortized mainly by the straight-line method, assuming the lease period as the useful life and no residual value.

#### (3) Accounting standards for important reserves

##### (i) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount of possible losses from uncollectible receivables based on the actual loan loss ratio from bad debt for ordinary receivables and on the estimated recoverability for specific doubtful receivables.

##### (ii) Provision for bonuses for directors (and other officers)

The provision for bonuses for directors (and other officers) is provided at an amount based on the amount estimated to be paid at the end of the fiscal year under review.

(iii) Provision for product warranties

The provision for product warranties is provided for possible free repair costs of sold products at an amount considered necessary based on the past track record plus projected future guarantees.

(4) Other important matters as the basis for presenting the consolidated financial statements

(i) Important hedge accounting

(a) Hedge accounting method

The Group adopts the deferral hedge accounting method, in principle. Certain foreign exchange contracts are subject to appropriation if they satisfy the requirements of appropriation treatment. For interest rate swaps, the preferential treatment is applied if the swaps satisfy the requirements.

(b) Hedging instruments and hedged items

For the purpose of hedging exposure to exchange rate fluctuation risk, the Group adopts foreign exchange contracts, currency swaps and currency options as hedging instruments, and financial assets and liabilities denominated in foreign currencies such as monetary receivables and payables as hedged items. Moreover, as for interest rate fluctuation risk, the Group adopts interest rate swaps and interest rate options as hedging instruments, and financial liabilities such as bank borrowings as hedged items.

(c) Hedging policy and method of assessing hedging effectiveness

The Group's risk management focuses on the effective utilization of derivative transactions to avoid the exposure of assets and liabilities to exchange rate fluctuation risk and reduce interest payments for the purpose of circumventing an unexpectedly huge loss. A regular test is conducted to verify the effectiveness of the hedging function of the derivatives held by the Group. An additional derivative of any kind is subject to the above hedging function test and prior assessment before starting such derivative transactions. The hedging effectiveness is judged through the comparison of the cumulative total of the market fluctuations or the cash flow fluctuations of the hedged item with the respective counterparts of the hedging instrument. Financial techniques such as regression analysis are used if necessary. A similar check system is adopted by the consolidated subsidiaries with regard to the assessment of hedging effectiveness.

(ii) Accounting policy for retirement benefits

(a) Method of attributing expected benefit to periods of service

The method of attributing expected benefit to the current period in calculation of projected benefit obligation is based on the benefit formula.

(b) Method of recognizing actuarial gains/losses and prior service costs

Actuarial gains and losses are amortized by the straight-line method over a certain period (mainly 10 years), which is within the average remaining service period of employees at the time of recognition. Prior service costs are amortized by the straight-line method over a certain period (mainly 10 years), which is within the average remaining service period of employees at the time of recognition.

(iii) Recognition criteria for revenue and expenses

The Group primarily manufactures and sells air-conditioning and refrigeration equipment for residential, commercial and marine vessel use, chemical products such as fluorine products, oil hydraulics-related products such as hydraulic equipment, defense systems-related products such as ammunition, components for guided missiles for the Ministry of Defense, and electronics-related products. The Group deems that its principal performance obligation is to deliver finished goods to customers. As a rule, such performance obligation is deemed to have been satisfied when control over the product is transferred to the customer on the delivery date, etc., under the terms of contracts, etc., and revenue is recognized at that point of time. In addition, the Group provides services such as construction contracts or maintenance services. In those services, the control of goods or services is transferred to customers and the Group's performance obligation is satisfied, over a certain period of time. Therefore, as a rule, revenue is recognized according to the degree of progress or the period. Revenue is measured at the amount of consideration promised in a contract with a customer, from which discount, rebate, etc., are deducted. Consideration in the product sales contract is collected primarily within one year from the date when the product is delivered to the customer. In such product sales contracts, no material financial elements are involved.

## Accounting Estimates

(Valuation of goodwill and intangible assets)

On the consolidated balance sheet as of March 31, 2024, goodwill, customer-related intangible assets, and other under intangible assets (hereinafter, “goodwill, etc.”) were recorded at ¥306,627 million, ¥246,186 million and ¥130,912 million, respectively.

In valuation of goodwill, etc., the Company assesses whether or not there is an indication that goodwill, etc., may be impaired. With regard to the goodwill, etc., that have an indication of impairment, it is assessed whether or not impairment losses need to be recognized, based on the future cash flows.

An indication of impairment includes continuous operating losses, remarkable deterioration of management environment, and discrepancy from a business plan.

Future cash flows are based on a business plan approved by management, and future periods are estimated in consideration of future uncertainties. A significant assumption in estimating future cash flows is the net sales growth and the rate of return for the business plan and beyond. In addition, a significant assumption in calculating the discounted present value of future cash flows is the discount rate. These assumptions are affected by future uncertain economic conditions and the business conditions of the Company, and may have a material impact on the consolidated financial statements for the following consolidated fiscal years. The Company continuously monitors its business performance and strives to take measures before it becomes difficult to recover its investment.

## Notes to the Consolidated Balance Sheet

### 1. Assets pledged as collateral and corresponding secured debt

	(Millions of yen)
Cash and deposits	741
Notes and accounts receivable – trade, and contract assets	1,905
Merchandise and finished goods	67
Work in process	0
Raw materials and supplies	582
Other (current assets)	686
Land	8
Debt secured by the above collateral	
Notes and accounts payable – trade	1,336
Current portion of long-term borrowings	22
Long-term borrowings	216
In addition to the above, the following assets are pledged as collateral for borrowings, etc. advanced to investee companies from financial institutions.	
Investment securities	800
In addition to the above, the following assets that are eliminated in consolidation are pledged as collateral.	
Shares of consolidated subsidiaries eliminated in consolidation	11
In addition to the above, ¥5,450 million in assets of foreign subsidiaries is pledged as collateral for lines of credit. There are no outstanding borrowings using these lines of credit.	

2. Accumulated depreciation of property, plant and equipment	(Millions of yen) 1,296,386
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3. Amount of notes endorsed	(Millions of yen) 2,824
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## Notes to the Consolidated Statement of Income

### Impairment loss

In the fiscal year ended March 31, 2024, an impairment loss of ¥12,244 million was recorded for customer-related intangible assets and trademark right of the group of AHT Cooling Systems GmbH, a consolidated subsidiary.

The group, which manufactures and sells refrigerating and freezing showcases, etc., saw a reduction in sales due to greater-than-expected investment restraint by customers, and underperformed the business plan revaluated in the previous fiscal year.

Accordingly, as a result of reviewing the medium-term business plan again while aiming to expand sales channels and strengthen the production and sales systems, and also reflecting the rise in discount rates due to increasing interest rates, the book value has been reduced to the recoverable value.

## Notes to the Consolidated Statement of Changes in Equity

### 1. Type and total number of shares issued as of March 31, 2024

Common shares: 293,113,973 shares

### 2. Dividends

#### (1) Dividend amounts paid

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2023	Common shares	40,982	140	March 31, 2023	June 30, 2023
Board of Directors' meeting held on November 7, 2023	Common shares	35,130	120	September 30, 2023	December 4, 2023

(2) Of the dividends for which the record date belongs to the fiscal year ended March 31, 2024, those for which the effective date of the dividends will be in the fiscal year ending March 31, 2025

Planned date of resolution	Type of shares	Source of funds for dividends	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders to be held on June 27, 2024	Common shares	Retained earnings	38,059	130	March 31, 2024	June 28, 2024

3. Type and number of shares subject to share acquisition rights at March 31, 2024 (excluding those for which the first day of the exercise period has not yet arrived)

Common shares: 39,600 shares

## Notes to Financial Instruments

### 1. Status of financial instruments

#### (1) Policy on treatment of financial instruments

The Group raises necessary funds (mainly, bank borrowings and bond issuance) in the light of business capital expenditure projects. For short-term working capital, funds are raised from bank borrowings and commercial papers, and temporary surplus funds are being managed with secure financial funds. We use derivatives trading for actual demand only, and do not use it for speculation purposes, in order to mitigate the risks described below. The Group does not use any special type of derivatives trading (leveraged trading) that involves high price volatility.

#### (2) Details of financial instruments, their risks, and risk management systems

Operating receivables, namely, notes and accounts receivable – trade are exposed to customer credit risk. In order to deal with these risks, in accordance with the credit management policy and global accounting rules, we have a system to check the credit status of our key business partners as well as a system to control due dates and balances of each business partner.

For notes and accounts payable – trade, payment due dates are usually within one year.

The currency exchange risk of the debts and credits in foreign currencies which arise from global business operations is hedged by using forward exchange contracts, currency swaps, etc., in principle against the net amount of the debts and credits in the same currency. Also, depending on the foreign exchange market conditions, similar derivatives transactions are used in respect of the foreign currency debts and credits, which are expected to incur from the anticipated transactions.

Investment securities are mainly shares in the companies, which are business partners for the purpose of business alliances or capital tie-ups. While investment securities are exposed to market value fluctuation risks, we review the market value and the financial conditions of the issuers (business partners) on a regular basis and continuously review the status of the shareholdings by taking into account relationships with business partners.

Short-term borrowings and commercial papers are mainly used as working capital. Long-term borrowings and bonds payable are used mainly for the purpose of procuring funds necessary for capital expenditures. While the operating debts, borrowings and bonds payable are exposed to liquidity risk, the Finance and Accounting Division manages such risk by timely planning and updating the cash management planning and is prepared for liquidity risk by setting up a commitment credit line so that funds settlement may be done if there is any sudden change in the fund-raising markets. Part of the long-term borrowings on a floating rate basis, which is exposed to interest rate fluctuation risks, is hedged by the use of derivative transactions such as interest rate swaps, etc.

Derivative transactions are transactions which include forward exchange contracts, etc., for the purpose of hedging exchange fluctuation risks of the debts and credits denominated in foreign currencies, interest rates swap transactions, etc., for the purpose of hedging interest fluctuation risks of borrowings, and commodity futures transactions for the purpose of hedging the market price fluctuation risks of the raw materials. Derivative transactions are entered into in accordance with Regulation of Derivatives Trading, which set out the authority for transactions, the maximum amount, etc. Derivative transactions are conducted by the Finance and Accounting Division and monitored daily by the Corporate Planning Department for internal checking and are regularly reported to the Company's Board of Directors. A similar management system is also adopted by consolidated subsidiaries. Derivative transactions are entered into only with financial institutions with high credit ratings in order to mitigate credit risk.

With respect to derivative transactions, which satisfy the hedge accounting criteria, hedge accounting is applied. Hedging instruments and hedged items related to hedge accounting, hedge policies and methods for evaluating effectiveness of hedges are set forth in "Important hedge accounting" under "Basis for Presenting the Consolidated Financial Statements."

(3) Supplementary explanation of matters concerning fair market value, etc., of financial instruments

Variable factors are considered in calculating fair market value of financial instruments, and therefore the pricing may fluctuate if different assumptions are applied.

2. Matters concerning fair market value, etc., of financial instruments

The prices recorded in the consolidated balance sheet, fair market value and the difference between those as of March 31, 2024 (consolidated financial closing date for the fiscal year under review), are as follows. "Cash and deposits," "notes and accounts receivable – trade, and contract assets," "notes and accounts payable – trade," "short-term borrowings," "commercial papers," and "income taxes payable" are omitted because they are cash, or they are settled in a short period of time and their fair market value approximates their book value.

(Millions of yen)

	Amount recorded in the consolidated balance sheet	Fair market value	Difference
(1) Investment securities			
Available-for-sale securities	147,118	147,118	—
Total assets	147,118	147,118	—
(1) Bonds payable	140,000	137,326	(2,674)
(2) Long-term borrowings	258,364	250,819	(7,545)
(3) Lease liabilities	156,197	155,834	(363)
Total liabilities	554,561	543,979	(10,582)
Derivative transactions (Note 3)	(1,812)	(1,812)	—

Note 1: Unlisted shares, etc. (amount recorded in the consolidated balance sheet was ¥9,418 million) and shares of non-consolidated subsidiaries and affiliated companies (amount recorded in the consolidated balance sheet was ¥12,199 million) are treated as shares, etc. that have no market prices, and are not included in "(1) Investment securities."

Note 2: Investments in partnerships and other similar business entities that are recorded in the consolidated balance sheet in the net amount proportionate to the Company's equity, are not included in "(1) Investment securities." The amount of such investments recorded in the consolidated balance sheet was ¥3,120 million.

Note 3: Net credits/debts arising from derivative transactions are shown at net value, and items that total to a net debt are shown in parentheses.

3. Matters concerning the breakdown, etc. of financial instruments by appropriate fair market value level

The fair market value of financial instruments is classified into the following three levels, based on the observability and the materiality of the inputs for the calculation of fair market value.

Level 1 fair market value: Fair market value calculated using the quoted market price, formed in an active market, for an asset or liability for which such fair market value is calculated, among the observable inputs for the calculation of fair market value.

Level 2 fair market value: Fair market value calculated using observable inputs for the calculation of fair market value other than the Level 1 inputs.

Level 3 fair market value: Fair market value calculated using unobservable inputs for the calculation of fair market value.

When multiple inputs that have a significant impact on the calculation of fair market value are used, fair market value is classified to the level with the lowest priority in the calculation of fair market value among the levels to which each of those inputs belongs.

(1) Financial instruments recorded at fair market value in the consolidated balance sheet

(Millions of yen)

	Fair market value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	146,262	—	—	146,262
Bonds (bonds payable)	—	300	—	300
Bonds (other)	—	145	320	466
Others	—	—	90	90
Total assets	146,262	445	410	147,118
Derivative transactions (Note)				
Currency-related instruments	—	(2,758)	—	(2,758)
Interest-related instruments	—	20	—	20
Commodity	—	925	—	925

Note: Net credits/debts arising from derivative transactions are shown at net value, and items that total to a net debt are shown in parentheses.

(2) Financial instruments other than financial instruments recorded at fair market value in the consolidated balance sheet

(Millions of yen)

	Fair market value			
	Level 1	Level 2	Level 3	Total
Bonds payable	—	137,326	—	137,326
Long-term borrowings	—	250,819	—	250,819
Lease liabilities	—	155,834	—	155,834
Total liabilities	—	543,979	—	543,979

Note: Explanation of valuation methods used in the calculation of fair market value and inputs for the calculation of fair market value

Investment securities

Since listed shares, etc., are traded on active markets, their fair market value is classified as Level 1 fair market value. The fair market value of bonds payable, etc., is calculated mainly by the discounted present value method based on the total amount of principal and interest and an interest rate that takes into account the remaining term of the bonds and credit risk, and is classified as Level 2 fair market value. The fair market value of some other bonds, etc., is calculated using unobservable inputs, and is classified as Level 3 fair market value.

Derivative transactions

The fair market value of foreign exchange contracts, currency swaps, interest rate swaps, and commodity futures is calculated by the discounted present value method, etc., using observable inputs such as interest rates, foreign exchange rates and the market value of futures, and is classified as Level 2 fair market value.

Bonds payable

The fair market value of bonds payable issued by the Company is valued at the market price. The Company's bonds are classified as Level 2 fair market value because they have a market price but are not traded on an active market.

### Long-term borrowings

The fair market value of long-term borrowings is calculated by the discounted present value method based on the total amount of principal and interest and an interest rate that takes into account the remaining term of the obligation and credit risk, and is classified as Level 2 fair market value. The fair market value of long-term borrowings with variable interest rates that are subject to the preferential treatment for interest rate swaps is calculated by the discounted present value method based on the total amount of principal and interest treated together with the interest rate swap, and an interest rate that takes into account the remaining term of the obligation and credit risk, and is classified as Level 2 fair market value.

### Lease liabilities

The fair market value of lease liabilities is calculated by the discounted present value method based on the total amount of principal and interest and an interest rate that takes into account the remaining term of the obligation and credit risk, and is classified as Level 2 fair market value.

## **Revenue Recognition**

### 1. Information on the breakdown of revenue from contracts with customers

(Millions of yen)

	Reported segment			Others (Note)	Total
	Air-Conditioning and Refrigeration Equipment	Chemicals	Subtotal		
Net sales					
Japan	588,697	72,630	661,327	61,557	722,885
U.S.	1,413,575	47,542	1,461,118	13,292	1,474,410
Europe	666,585	49,920	716,505	18,785	735,290
Asia and Oceania	589,944	36,443	626,387	4,152	630,540
China	458,797	55,380	514,177	2,916	517,093
Other	311,223	1,978	313,201	1,895	315,097
Revenue from contracts with customers	4,028,823	263,895	4,292,718	102,598	4,395,317
Other revenue	—	—	—	—	—
Sales to outside customers	4,028,823	263,895	4,292,718	102,598	4,395,317

Note: The “Others” segment is a business segment not included in reported segments. It includes the oil hydraulic equipment business, the defense systems business, and the electronics business.

### 2. Basic information for understanding revenue from contracts with customers

Basic information for understanding revenue is as described in “Basis for Presenting the Consolidated Financial Statements, 3. Summary of Significant Accounting Policies, (4) Other important matters as the basis for presenting the consolidated financial statements, (iii) Recognition criteria for revenue and expenses.”

### 3. Information for understanding the amount of revenue for the consolidated fiscal year under review and following consolidated fiscal years

#### (1) Balance of contract assets and contract liabilities

Breakdown of receivables from contracts with customers, contract assets and contract liabilities is as follows:

(Millions of yen)

	Beginning of the fiscal year under review (April 1, 2023)	End of the fiscal year under review (March 31, 2024)
Receivables from contracts with customers	683,720	788,529
Contract assets	22,594	26,775
Contract liabilities	118,284	149,703

Contract assets relate primarily to the Group’s rights to consideration for performance obligations that have been recognized as revenue but not yet invoiced, in contracts where the performance obligation is fulfilled over a specific period of time. Contract assets are reclassified to receivables when the right to consideration becomes unconditional. Contract liabilities mainly consist of consideration received by the Group from customers prior to the delivery of products and the completion of services.



The volume of transactions for which revenue was recognized in the consolidated fiscal year under review and that was included in the beginning balance of contract liabilities, amounted to ¥91,034 million.

For the consolidated fiscal year under review, the amount of revenue recognized from performance obligations that were fulfilled (or partially fulfilled) in prior periods was immaterial.

(2) Transaction price allocated to remaining performance obligations

The amount of transaction price allocated to unfulfilled (or partially unfulfilled) performance obligations as of the end of the consolidated fiscal year under review and the expected timings of revenue recognition for such amount are as follows. The Group applies the convenience method of accounting in practice and does not provide information on remaining performance obligations with original expected terms of one year or less.

(Millions of yen)			
	Remaining performance obligations	Expected timing of revenue recognition	
		Year-end balance	Within a year
As of March 31, 2024	123,246	66,469	56,777

### Per Share Information

Net assets per share:	¥9,009.19
Earnings per share:	¥889.22

### Tax Effect Accounting

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

		(Millions of yen)
Deferred tax assets:		
Provision for product warranties		29,134
Tax loss carryforwards		24,346
Unrealized profit of inventories		21,671
Software and other assets		21,325
Inventories		20,744
Provision for bonuses		8,416
Allowance for doubtful accounts		5,315
Deferred revenue		3,322
Retirement benefit liabilities		1,625
Investment securities		914
Foreign income tax credit		290
Other		52,008
Subtotal of deferred tax assets		189,116
Valuation allowance for tax loss carryforwards (Note)		(19,480)
Valuation allowance for future deductible temporary differences, etc.		(6,098)
Subtotal of valuation allowance		(25,579)
Total deferred tax assets		163,536
Deferred tax liabilities:		
Undistributed earnings of consolidated subsidiaries		(83,462)
Intangible assets		(65,455)
Valuation difference on available-for-sale securities		(27,974)
Retirement benefit assets		(6,768)
Reserve for tax purpose reduction entry of non-current assets		(1,691)
Other		(36,129)
Total deferred tax liabilities		(221,481)
Net deferred tax assets (liabilities)		(57,944)

(Note) Tax loss carryforwards and related deferred tax assets amounts by expiration years

(Millions of yen)

	Within a year	1 year less than 2 years	2 years less than 3 years	3 years less than 4 years	4 years less than 5 years	5 years or more	Total amount
Tax loss carryforwards (*)	501	158	715	524	1,641	20,804	24,346
Valuation allowance	(80)	(133)	(362)	(303)	(1,610)	(16,990)	(19,480)
Deferred tax assets	420	25	352	221	31	3,814	4,865

(\*) Tax loss carryforwards are amounts calculated by multiplying the statutory tax rate.

2. Accounting treatment of corporate and local income taxes, and accounting treatment of tax effect accounting for these taxes

The Company and some domestic consolidated subsidiaries have applied the group tax sharing system and comply with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, August 12, 2021), regarding accounting treatment of corporate and local income taxes, accounting treatment of tax effect accounting for these taxes, and these disclosures.

## Retirement Benefits

1. Outline of the retirement benefit plans adopted

The Company and its domestic consolidated subsidiaries have a defined benefit corporate pension plan and a retirement lump-sum plan as defined-benefit plans, as well as a defined contribution pension plan. Several overseas consolidated subsidiaries have either defined benefit or defined contribution pension plans. Retirement benefit liabilities and retirement benefit expenses for certain of the retirement lump-sum plans held by the Company and its domestic consolidated subsidiaries are calculated using the simplified method.

2. Defined benefit plan

(1) Adjustment table for the beginning and ending balances for projected benefit obligation (excluding the benefit plan applying the simplified method)

	(Millions of yen)
Beginning balance for projected benefit obligation	107,172
Service cost	2,220
Interest cost	2,014
Actuarial losses (gains) arising during the period	908
Prior service cost arising during the period	0
Amount of retirement benefits paid	(6,508)
Decrease due to plan termination	(3,075)
Foreign currency translation adjustment	5,560
Other	(150)
<u>Ending balance for projected benefit obligation</u>	<u>108,143</u>

(2) Adjustment table for the beginning and ending balances for plan assets (excluding the benefit plan applying the simplified method)

	(Millions of yen)
Beginning balance for plan assets	116,348
Expected return on plan assets	3,691
Actuarial losses (gains) arising during the period	(866)
Employer contributions	6,464
Amount of retirement benefits paid	(5,619)
Decrease due to plan termination	(3,679)
Foreign currency translation adjustment	4,292
Other	29
<u>Ending balance for plan assets</u>	<u>120,659</u>

(3) Adjustment table for the beginning and ending balances for retirement benefit liabilities under the simplified method

	(Millions of yen)
Beginning balance for retirement benefit liabilities	4,162
Retirement benefit expenses	1,214
Amount of retirement benefits paid	(352)
Other	(17)
<u>Ending balance for retirement benefit liabilities</u>	<u>5,007</u>

(4) Adjustment table for the ending balances for projected benefit obligation and plan assets, and retirement benefit liabilities and assets recorded on the consolidated balance sheet

	(Millions of yen)
Retirement benefit obligation (funded)	(101,192)
Plan assets	120,659
<u></u>	<u>19,467</u>
Retirement benefit obligation (unfunded)	(11,958)
<u>Net amount for assets and liabilities recorded on the consolidated balance sheet</u>	<u>7,508</u>
Retirement benefit liabilities	(19,910)
Retirement benefit assets	27,419
<u>Net amount for assets and liabilities recorded on the consolidated balance sheet</u>	<u>7,508</u>

Note: Including the benefit plan applying the simplified method

(5) Amount of retirement benefit expenses and its breakdown

	(Millions of yen)
Service cost	2,220
Interest cost	2,014
Expected return on plan assets	(3,691)
Recognized actuarial losses (gains) during the period	260
Amortization of prior service cost during the period	(147)
Retirement benefit expenses calculated by the simplified method	1,214
Other	38
<u>Total</u>	<u>1,911</u>

(6) Remeasurements of defined benefit plans

Breakdown of the items (before adoption of tax-effect accounting) recorded in remeasurements of defined benefit plans is as follows:

	(Millions of yen)
Unrecognized prior service cost	(480)
Unrecognized actuarial gain	14,335
<u>Total</u>	<u>13,855</u>

(7) Plan assets

(i) Breakdown of plan assets

Percentages of major asset classes to total plan assets are as follows:

Domestic bonds	1%
Domestic equities	0%
International bonds	38%
International equities	12%
Insurance assets (general account)	12%
Cash and deposits	1%
Alternative investments	36%
<u>Total</u>	<u>100%</u>

(ii) Method for setting the expected long-term rate of return on plan assets

Current and expected allocation of plan assets and long-term rate of return on various assets composing the plan assets are taken into account in determining the expected long-term rate of return on plan assets.

(8) Basis for computation used in actuarial calculation

Basis for computation used in major actuarial calculation

Discount rate	mainly 0.3%
Expected long-term rate of return on plan assets	mainly 2.5%
Expected rate of salary increases	mainly 5.9%

3. Defined contribution plan

Amount of contribution required to defined contribution plan paid by the Company and its consolidated subsidiaries is ¥16,146 million.

**Non-Consolidated Balance Sheet**  
**As of March 31, 2024**

(Millions of yen, rounded down to the nearest million yen)

(Assets)	Amounts	(Liabilities)	Amounts
<b>Current assets</b>	<b>513,940</b>	<b>Current liabilities</b>	<b>424,912</b>
Cash and deposits	31,512	Notes payable – trade	3,402
Notes receivable – trade	2,020	Accounts payable – trade	53,899
Accounts receivable – trade	115,279	Short-term borrowings	141,958
Merchandise and finished goods	76,575	Commercial papers	45,000
Work in process	22,369	Current portion of bonds payable	10,000
Raw materials and supplies	23,611	Current portion of long-term borrowings	9,940
Prepaid expenses	2,587	Lease liabilities	304
Short-term loans receivable	181,855	Accounts payable – other	31,369
Accounts receivable – other	45,554	Accrued expenses	15,267
Other	12,576	Income taxes payable	7,481
Allowance for doubtful accounts	(1)	Contract liabilities	3,203
		Deposits received	79,899
		Provision for bonuses for directors (and other officers)	353
		Provision for product warranties	5,275
		Notes payable – facilities	4,418
		Accounts payable – facilities	12,509
		Other	628
<b>Non-current assets</b>	<b>1,262,940</b>	<b>Non-current liabilities</b>	<b>174,093</b>
<b>Property, plant and equipment</b>	<b>190,126</b>	Bonds payable	130,000
Buildings	76,748	Long-term borrowings	35,473
Structures	7,708	Lease liabilities	566
Machinery and equipment	54,522	Long-term accounts payable – other	259
Vehicles	87	Provision for retirement benefits	3,526
Tools, furniture and fixtures	16,474	Deferred tax liabilities	1,610
Land	24,367	Other	2,656
Leased assets	785		
Construction in progress	9,430	<b>Total liabilities</b>	<b>599,005</b>
<b>Intangible assets</b>	<b>3,905</b>	<b>(Net assets)</b>	
Patent right, etc.	3,905	<b>Shareholders' equity</b>	<b>1,109,174</b>
<b>Investments and other assets</b>	<b>1,068,908</b>	<b>Share capital</b>	<b>85,032</b>
Investment securities	157,283	<b>Capital surplus</b>	<b>86,524</b>
Shares of subsidiaries and associates	741,875	Legal capital surplus	82,977
Investments in capital of subsidiaries and associates	111,035	Other capital surplus	3,547
Long-term loans receivable from subsidiaries and associates	32,690	Proceeds from disposal of treasury shares	3,547
Long-term loans receivable	397	<b>Retained earnings</b>	<b>939,133</b>
Long-term prepaid expenses	617	Legal retained earnings	6,066
Prepaid pension cost	18,882	Other retained earnings	933,066
		Reserve for tax purpose reduction entry of non-current assets	3,840
Guarantee deposits	6,531	Reserve for specific stocks purchase	329
Other	41	General reserve	146,210
Allowance for doubtful accounts	(447)	Retained earnings brought forward	782,686
		<b>Treasury shares</b>	<b>(1,516)</b>
		<b>Valuation and translation adjustments</b>	<b>64,929</b>
		Valuation difference on available-for-sale securities	64,835
		Deferred gains or losses on hedges	94
		<b>Share acquisition rights</b>	<b>3,771</b>
		<b>Total net assets</b>	<b>1,177,875</b>
<b>Total assets</b>	<b>1,776,881</b>	<b>Total liabilities and net assets</b>	<b>1,776,881</b>

**Non-Consolidated Statement of Income**  
**From April 1, 2023, to March 31, 2024**

(Millions of yen, rounded down to the nearest million yen)

Net sales		733,157
Cost of sales		528,411
<b>Gross profit</b>		<b>204,746</b>
Selling, general and administrative expenses		186,061
<b>Operating profit</b>		<b>18,685</b>
Non-operating income		
Interest income	13,427	
Interest on securities	32	
Dividend income	94,436	
Foreign exchange gains	3,464	
Other	795	112,155
Non-operating expenses		
Interest expenses	12,586	
Interest on bonds	461	
Loss on valuation of derivatives	945	
Other	852	14,845
<b>Ordinary profit</b>		<b>115,996</b>
Extraordinary income		
Gain on sale of investment securities	46,006	
Gain on insurance claims	14	46,020
Extraordinary losses		
Loss on disposal of non-current assets	464	
Loss on valuation of investment securities	408	
Loss on valuation of shares of subsidiaries and associates	1,133	2,006
<b>Profit before income taxes</b>		<b>160,010</b>
Income taxes – current	18,577	
Income taxes – deferred	(2,809)	15,768
<b>Profit</b>		<b>144,242</b>

**Non-Consolidated Statement of Changes in Equity**  
**From April 1, 2023, to March 31, 2024**

(Millions of yen, rounded down to the nearest million yen)

	Shareholders' equity									
	Share capital	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
			Proceeds from disposal of treasury shares			Reserve for tax purpose reduction entry of non-current assets	Reserve for specific stocks purchase	General reserve	Retained earnings brought forward	
Balance at beginning of current period	85,032	82,977	3,148	86,125	6,066	3,847	353	146,210	714,526	871,003
Changes in items during period										
Dividends of surplus									(76,112)	(76,112)
Reversal of reserve for tax purpose reduction entry of non-current assets						(6)			6	—
Provision of reserve for specific stocks purchase							52		(52)	—
Reversal of reserve for specific stocks purchase							(76)		76	—
Profit									144,242	144,242
Purchase of treasury shares										
Disposal of treasury shares			399	399						
Net changes in items other than shareholders' equity										
Total changes in items during period	—	—	399	399	—	(6)	(24)	—	68,160	68,129
Balance at end of current period	85,032	82,977	3,547	86,524	6,066	3,840	329	146,210	782,686	939,133

	Shareholders' equity		Valuation and translation adjustments			Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of current period	(1,667)	1,040,493	51,261	(29)	51,232	3,116	1,094,842
Changes in items during period							
Dividends of surplus		(76,112)					(76,112)
Reversal of reserve for tax purpose reduction entry of non-current assets		—					—
Provision of reserve for specific stocks purchase		—					—
Reversal of reserve for specific stocks purchase		—					—
Profit		144,242					144,242
Purchase of treasury shares	(6)	(6)					(6)
Disposal of treasury shares	158	557					557
Net changes in items other than shareholders' equity			13,573	123	13,697	655	14,352
Total changes in items during period	151	68,680	13,573	123	13,697	655	83,033
Balance at end of current period	(1,516)	1,109,174	64,835	94	64,929	3,771	1,177,875

## Notes to the Non-Consolidated Financial Statements

### Significant Accounting Policies

#### 1. Valuation basis and method for assets

##### (1) Securities

Shares of subsidiaries and affiliated companies: Valued at cost determined by the moving-average method.

##### Available-for-sale securities

Securities other than shares that do not have a market value: Valued at fair market value.  
(Unrealized gain or loss is included directly in net assets. The cost of securities sold is determined by the moving-average method.)

Shares that do not have a market value: Valued at cost determined by the moving-average method.

Investments in investment limited partnerships and similar partnerships (investments deemed to be securities pursuant to Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) Valued at the net amount proportionate to the Company's equity, based on the latest financial statements available depending on the reporting date specified in the partnership agreement.

(2) Derivatives: Derivative instruments are valued at fair market value.

(3) Inventories: Valued at cost determined by the gross average method (write-down of book values due to the decline in profitability).

#### 2. Depreciation method of non-current assets:

##### (1) Property, plant and equipment (excluding leased assets)

The depreciation of property, plant and equipment at the Company is computed by the straight-line method.

##### (2) Intangible assets

The amortization of intangible assets is computed by the straight-line method.

Software for sales in the market is amortized by the straight-line method over the effective salable period (3 years).

##### (3) Leased assets

Leased assets related to the finance lease transactions other than those that transfer ownership right is amortized by the straight-line method, assuming the lease period as the useful life and no residual value.

#### 3. Accounting standards for reserves

##### (1) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount of possible losses from uncollectible receivables based on the actual loan loss ratio from bad debt for ordinary receivables and on the estimated recoverability for specific doubtful receivables.

##### (2) Provision for bonuses for directors (and other officers)

The provision for bonuses for directors (and other officers) is provided at an amount based on the amount estimated to be paid at the end of the fiscal year under review.

##### (3) Provision for product warranties

The provision for product warranties is provided for possible free repair costs of sold products at an amount considered necessary based on the past track record plus projected future guarantees.

##### (4) Provision for retirement benefits

- The provision for retirement benefits is provided for possible payment of employees' post-retirement benefits at the amount to be accrued at the balance sheet date and is calculated based on projected benefit obligations and the fair value of plan assets at the balance sheet date. The provision for retirement benefits and the



retirement benefit expenses are calculated and amortized as follows:

- (i) Method of attributing expected benefit to periods of service  
The method of attributing expected benefit to the current period in calculation of projected benefit obligation is based on benefit formula.
  - (ii) Method of recognizing actuarial gains/losses and prior service costs  
Actuarial gains and losses are amortized by the straight-line method over a certain period (10 years), which is within the average remaining service period of employees at the time of recognition, and the allocated amounts are expensed from the fiscal year following the respective fiscal year of recognition. Prior service costs are amortized by the straight-line method over a certain period (10 years), which is within the average remaining service period of employees at the time of recognition.
- Unrecognized actuarial gains or losses and unrecognized past service costs on the non-consolidated balance sheet are treated differently from on the consolidated balance sheet.

#### 4. Recognition criteria for revenue and expenses

The Company primarily manufactures and sells air-conditioning and refrigeration equipment for residential, commercial and marine vessel use, chemical products such as fluorine products, oil hydraulics-related products such as hydraulic equipment, defense systems-related products such as ammunition, components for guided missiles for the Ministry of Defense, and electronics-related products. The Company deems that its principal performance obligation is to deliver finished goods to customers. As a rule, such performance obligation is deemed to have been satisfied when control over the product is transferred to the customer on the delivery date, etc., under the terms of contracts, etc., and revenue is recognized at that point of time. In addition, the Company provides services such as maintenance services. In those services, the control of goods or services is transferred to customers and the Company's performance obligation is satisfied, over a certain period of time. Therefore, as a rule, revenue is recognized according to the degree of progress or the period. Revenue is measured at the amount of consideration promised in a contract with a customer, from which discount, rebate, etc., are deducted. Consideration in the product sales contract is collected primarily within one year from the date when the product is delivered to the customer. In such product sales contracts, no material financial elements are involved.

#### 5. Other important matters as the basis for presenting the non-consolidated financial statements

##### (1) Hedge accounting

##### (i) Hedge accounting method

The Company adopts the deferral hedge accounting method, in principle. Certain foreign exchange contracts are subject to appropriation if they satisfy the requirements of appropriation treatment. For interest rate swaps, the preferential treatment is applied if the swaps satisfy the requirements.

##### (ii) Hedging instruments and hedged items

For the purpose of hedging exposure to exchange rate fluctuation risk, the Company adopts foreign exchange contracts, currency swaps and currency options as hedging instruments, and financial assets and liabilities denominated in foreign currencies such as monetary receivables and payables as hedged items. Moreover, as for interest rate fluctuation risk, the Company adopts interest rate swaps and interest rate options as hedging instruments, and financial liabilities such as bank borrowings as hedged items.

##### (iii) Hedging policy and method of assessing hedging effectiveness

The Company's risk management focuses on the effective utilization of derivative transactions to avoid the exposure of assets and liabilities to exchange rate fluctuation risk and reduce interest payments for the purpose of circumventing an unexpectedly huge loss. The Company has formulated the Risk Management Rules, which outline a risk management method and other details such as a cap on the amount of funds that can be used for derivative transactions. Derivative transactions are routinely conducted by the Finance and Accounting Division and routine risk management operations by the Corporate Planning Department based on the Rules, and the status of derivative trading is regularly reported to the Company's Board of Directors. A regular test is conducted to verify the effectiveness of the hedging function of the derivatives held by the Company. An additional derivative of any kind is subject to the above hedging function test and prior assessment before starting such derivative transactions. The hedging effectiveness is judged through the comparison of the cumulative total of the market fluctuations or the cash flow fluctuations of the hedged item with the respective counterparts of the hedging instrument. Financial techniques such as regression analysis are used if necessary.

## Notes to the Non-Consolidated Balance Sheet

### 1. Assets pledged as collateral

Assets pledged as collateral for borrowings advanced to investee companies from financial institutions	(Millions of yen)
Investment securities	800

### 2. Accumulated depreciation of property, plant and equipment

(Millions of yen)  
404,330

### 3. Liabilities on guarantee

#### (1) Guarantees

Guarantees on the bank borrowings of the following affiliated companies payable to financial institutions  
(Millions of yen)

Daikin Ar Condicionado Brasil Ltda.	5,074
Daikin Ar Condicionado Amazonas Ltda.	1,095
Daikin Chemical Europe GmbH	769
AAF S.A.U	445
American Air Filter Company, Inc.	241
Four (4) other companies	91
Total	<u>7,718</u>

#### (2) Commitments to guarantee

Commitments to guarantee on the bank borrowings of the following affiliated companies payable to financial institutions

	(Millions of yen)
Daikin Airconditioning India Pvt. Ltd.	7,832
Daikin Ar Condicionado Brasil Ltda.	2,444
AAF-McQuay UK Limited	2,017
Daikin Applied Americas Inc.	2,002
Daikin Airconditioning Philippines, Inc.	1,634
Five (5) other companies	3,117
Total	<u>19,048</u>

### 4. Monetary receivables/payables from/to affiliated companies (excluding those separately presented under the respective account titles)

	(Millions of yen)
Short-term monetary receivables	318,085
Short-term monetary payables	124,286
Long-term monetary payables	7

## Notes to the Non-Consolidated Statement of Income

Volume of transactions with affiliated companies

	(Millions of yen)
Operating transactions	
Sales amount	508,193
Purchase amount	214,505
Non-operating transactions	183,123

## Notes to the Non-Consolidated Statement of Changes in Equity

Type and number of shares of treasury shares as of March 31, 2024

Common shares: 348,403 shares

### Tax Effect Accounting

#### 1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

(Millions of yen)

##### Deferred tax assets:

Software and other assets	21,235
Shares of subsidiaries and associates	17,294
Inventories	4,291
Provision for bonuses	2,951
Provision for product warranties	1,613
Investment securities	847
Enterprise tax payable	799
Provision for retirement benefits	519
Allowance for doubtful accounts	143
Long-term accounts payable – other	79
Other	3,024
Subtotal of deferred tax assets	52,802
Less valuation allowance	(19,752)
Total deferred tax assets	33,049

##### Deferred tax liabilities:

Valuation difference on available-for-sale securities	(27,564)
Prepaid pension cost	(5,215)
Reserve for tax purpose reduction entry of non-current assets, etc.	(1,880)
Total deferred tax liabilities	(34,660)

Net deferred tax assets (liabilities) (1,610)

#### 2. Reconciliation between the normal statutory effective income tax rate and the actual effective tax rate after the adoption of tax-effect accounting

	(%)
Normal statutory effective income tax rate	30.6
(Reconciliation items)	
Dividends income and others that are permanently excluded from taxable income	(16.6)
Tax credit for experimentation and research expense, etc.	(5.9)
Foreign income tax withheld relating to dividends from foreign subsidiaries	2.9
Valuation allowance	(0.7)
Unrecognized tax effect on foreign income tax credit	(0.7)
Entertainment expenses and others that are permanently excluded from taxable loss	0.6
Per capita inhabitant's tax	0.1
Other	(0.5)
Actual effective income taxes rate after the adoption of tax-effect accounting	<u>9.9</u>

#### 3. Accounting treatment of corporate and local income taxes, and accounting treatment of tax effect accounting for these taxes

The Company has applied the group tax sharing system and complies with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, August 12, 2021), regarding accounting treatment of corporate and local income taxes, accounting treatment of tax effect accounting for these taxes, and these disclosures.

## Transactions with Related Parties

### Subsidiaries

Attribute	Company name	Ownership percentage of voting rights (%)	Relationship with the Company	Description of transactions	Transaction amount (Millions of yen)	Account title	Year-end balance (Millions of yen)
Subsidiary	Daikin HVAC Solution Tokyo Co., Ltd.	100% (directly holding)	Sale of air conditioning equipment	Sale of air conditioning equipment (Note 1)	88,112	Accounts receivable – trade	8,816
	Daikin Consumer Marketing Co., Ltd.	100% (directly holding)	Sale of air conditioning equipment	Sale of air conditioning equipment (Note 1)	75,519	Accounts receivable – trade	14,054
	Daikin Comfort Technologies North America, Inc.	100% (indirectly holding)	Loan	Loan (Note 3)	31,240	Short-term loans receivable	32,553
				Interest income (Note 2)	1,844	Other current assets	21
	Daikin Applied Americas Inc.	100% (indirectly holding)	Loan	Loan (Note 3)	71,481	Short-term loans receivable	70,799
				Loan	2,401	Long-term loans receivable from subsidiaries and associates (incl. current portion)	40,146
				Repayment of loan	9,028		
				Interest income (Note 2)	6,321	Other current assets	308
	American Air Filter Company, Inc.	100% (indirectly holding)	Loan	Loan (Note 3)	28,074	Short-term loans receivable	31,341
				Interest income (Note 2)	1,857	Other current assets	24
	Daikin (China) Investment Co., Ltd.	100% (directly holding)	Borrowing	Borrowing (Note 3)	16,397	Short-term borrowings	18,747
				Interest payment (Note 2)	385	Accrued expenses	387

Notes:

1. The terms applicable to transactions have been determined with reference to the market price in the same way as with the terms applicable to transactions in general.
2. The interest rate has been determined in accordance with the market interest rate.
3. Borrowing and loan are related to CMS (Cash Management System), and transaction amount shows the average balance during the period.

### Per Share Information

Net assets per share: ¥4,010.39

Earnings per share: ¥492.72

The above represents a translation, for reference and convenience only, of the original notice issued in Japanese. We did our utmost to ensure accuracy in our translation and believe it to be of the highest standard. However, due to differences of accounting, legal and other systems, as well as of language, this English version might contain inaccuracies and therefore might be inconsistent with the original intent imported from the Japanese. In the event of any discrepancies between the Japanese and English versions, the former shall prevail as the official version.