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Code Number: 6367

May 30, 2025

(Commencement date of electronic provision measure: May 26, 2025)

To Shareholders:

Naofumi Takenaka  
President and COO  
Daikin Industries, Ltd.  
Osaka Umeda Twin Towers South,  
1-13-1, Umeda, Kita-ku, Osaka

## **Convocation Notice of the 122nd Ordinary General Meeting of Shareholders**

We hereby inform you of the 122nd 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 122nd 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 Thursday, June 26, 2025, 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., Friday, June 27, 2025 (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 122nd fiscal year (from April 1, 2024, to March 31, 2025)
- 2: Audit Reports on the Consolidated Financial Statements for the 122nd fiscal year (from April 1, 2024, to March 31, 2025) by the Independent Auditor and the Audit & Supervisory Board

**Resolution Items:**

**First Item:** Appropriation of Surplus

**Second Item:** Election of Nine (9) Directors

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

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

**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., Thursday, June 26, 2025**. 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., Thursday, June 26, 2025**

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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 makes it a policy to pay 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 for the 122nd fiscal year as follows, which is a dividend increase of ¥15 per share from that of the preceding year, in light of our posting a higher profit for the fiscal year under review.

This dividend would result in an annual dividend—including the interim dividend—of ¥330 per share, representing an increase of ¥80.

### Year-end dividends

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

Cash of ¥145 per share of common stock of the Company

Total: ¥42,457,066,620

#### (2) Effective date of dividends from surplus

June 30, 2025

**Second Item:** Election of Nine (9) 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, for the purpose of enhancing the monitoring function of the Board of Directors by increasing the percentage of Independent External Directors and conducting more flexible decision-making, we propose the reduction of one (1) Director and the election of nine (9) Directors including four (4) External Directors.

The candidates for Director are as follows.

The skill sets of the candidates for Directors are stated on pages 22 to 28.

Candidate number		Name	Current positions at the Company
1	Reappointment	Masanori Togawa (Male)	Representative Director, Chairman of the Board, and CEO Member of the HRM Advisory Committee, Member of the Compensation Advisory Committee
2	Reappointment	Naofumi Takenaka (Male)	Representative Director, President, and COO Chairman of the Internal Control Committee
3	Reappointment Candidate for External Director Candidate for Independent Director	Tatsuo Kawada (Male)	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 (Male)	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 (Male)	External Director Member of the HRM Advisory Committee, Member of the Compensation Advisory Committee
6	Reappointment Candidate for External Director Candidate for Independent Director	Yuko Arai (Female)	External Director Member of the HRM Advisory Committee, Member of the Compensation Advisory Committee

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

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 2025.

Candidate number	Name (Date of birth)		Number of the Company shares owned
1	Masanori Togawa (January 11, 1949) (Male)  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</p> <p>June 2024      Representative Director, Chairman of the Board, and CEO of the Company (Current position)</p> <p>[Current positions at the Company]</p> <p>Representative Director, Chairman of the Board, and CEO</p> <p>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>Mr. Masanori Togawa previously served as Representative Director, President, and COO, and Representative Director, President, and CEO. Since June 2024, as Representative Director, Chairman of the Board, and CEO, he 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) (Male)  Reappointment	[Brief personal history] April 1986      Entered the Company June 2012      Associate Officer of the Company June 2017      Senior Associate Officer of the Company June 2018      Senior Executive Officer of the Company June 2021      Senior Executive Officer of the Company June 2024      Representative Director, President, and COO of the Company (Current position) July 2024      Chairman of the Internal Control Committee of the Company (Current position)  [Current positions at the Company] Representative Director, President, and COO Chairman of the Internal Control Committee	2,200 shares
Reasons for Nominating Candidate for Director: Mr. Naofumi Takenaka has been engaged in various business operations over many years, including production and development, sales, supply chain management (SCM), and public relations. Since June 2024, as Representative Director, President, and COO, he has 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.			

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	Tatsuo Kawada (January 27, 1940) (Male)  Reappointment Candidate for External Director Candidate for Independent Director	<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.</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 16 out of 16 meetings (100%)

Notes:

1. Mr. Tatsuo Kawada does not hold any special interests in the Company.
2. While there have been transactions, such as raw materials procurement, between the Company and Seiren Co., Ltd., where Mr. Kawada serves as Representative Director, such transactions account for less than 1% of the consolidated net sales either of the Company or of Seiren Co., Ltd. in the latest fiscal year.
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 nine 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) (Male)  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]</p> <p>External Director</p> <p>Member of the HRM Advisory Committee, Member of the Compensation Advisory Committee</p> <p>[Significant positions concurrently held]</p> <p>Chairman and CEO of Iwatani Corporation</p> <p>Chairman of the Board of Iwatani Industrial Gases Corporation</p> <p>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 14 out of 16 meetings (87.5%)

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.
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 nine 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) (Male)  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 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 SDGs and 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 five 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	Yuko Arai (January 27, 1961) (Female)  Reappointment Candidate for External Director Candidate for Independent Director	<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 Outside Director of Mizuno 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 four 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	Koichi Takahashi (May 24, 1956) (Male)  Reappointment	<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, In charge of Promoting Operational Efficiency of the Company (Current position)</p> <p>June 2024      Director and Senior Executive Officer of the Company (Current position)</p> <p>[Current positions at the Company] Director and Senior Executive Officer In charge of Accounting, Finance, Budget, and Promoting Operational Efficiency General Manager of Finance and Accounting Division</p>	7,900 shares

Reasons for Nominating Candidate for Director:

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 Director and Senior Executive Officer since June 2024, he is currently in charge of accounting, finance, budget, and promoting operational efficiency. 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.

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
8	Keiko Mori (September 9, 1974) (Female)  Reappointment	<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>June 2024 Director of the Company (Current position)</p> <p>[Current positions at the Company] Director and Executive Officer In charge of Human Resource Development and Maximizing the Talents of Women Senior Manager in charge of Executive Secretarial Department</p>	1,000 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 Director and Executive Officer since June 2024, she is currently in charge of human resource development and maximizing the talents of women. We have appointed her to continue 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.

Candidate number	Name (Date of birth)		Number of the Company shares owned
9	Kanwal Jeet Jawa (November 10, 1959) (Male)  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</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>June 2024 Regional General Manager, Air Conditioning Business in India and Africa, Global Operations Division 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 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 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.

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

The term of office for Audit & Supervisory Board Member Ryu Yano will expire as of the conclusion of this general meeting of shareholders. Therefore, we propose the election of one (1) Audit & Supervisory Board Member.

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

The candidate for Audit & Supervisory Board Member is as follows.

Name (Date of birth)		Number of the Company shares owned
Atsushi Ukawa (July 19, 1956) (Male)  New appointment Candidate for Audit & Supervisory Board Member (external) Candidate for Independent Director	<p>[Brief personal history]</p> <p>April 1980 Entered the Bank of Ikeda, Ltd. (Currently, The Senshu Ikeda Bank, Ltd.)</p> <p>November 2006 Executive Officer of the above bank</p> <p>May 2010 Executive Officer of The Senshu Ikeda Bank, Ltd.</p> <p>June 2011 Director of the above bank</p> <p>June 2012 Director of Senshu Ikeda Holdings, Inc.</p> <p>June 2014 Managing Director of The Senshu Ikeda Bank, Ltd.</p> <p>June 2016 Director and Senior Managing Executive Officer of the above bank</p> <p>June 2018 Representative Director, President and CEO of Senshu Ikeda Holdings, Inc. (Current position), Representative Director, President and CEO of The Senshu Ikeda Bank, Ltd. (Current position)</p> <p>[Significant positions concurrently held] Representative Director, President and CEO of Senshu Ikeda Holdings, Inc. Representative Director, President and CEO of The Senshu Ikeda Bank, Ltd.</p>	0 shares
<p>Reasons for Nominating Candidate for Audit &amp; Supervisory Board Member (external):</p> <p>Mr. Atsushi Ukawa has abundant experience and deep insight as a corporate manager, including serving as Representative Director of Senshu Ikeda Holdings, Inc., and also has advanced knowledge of finance and accounting. We have appointed Mr. Ukawa as Audit &amp; Supervisory Board Member (external), judging that he will contribute to the monitoring of the Company's overall management and realization of appropriate audits by drawing on such a track record.</p>		

## Notes:

1. Mr. Atsushi Ukawa does not hold any special interests in the Company.
2. While there have been loan transactions between the Company and The Senshu Ikeda Bank, Ltd., where Mr. Ukawa serves as Representative Director, the ratio of amount borrowed from The Senshu Ikeda Bank, Ltd. accounts for less than 1% of the Company's consolidated total assets as of the end of the latest fiscal year.
3. Mr. Ukawa is a candidate for Audit & Supervisory Board Member (external), and the Company will register him with Tokyo Stock Exchange, Inc., as Independent Director if his election is approved.
4. If Mr. Ukawa 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. Ukawa 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 2025.
6. Mr. Ukawa is scheduled to resign from the office of Representative Director, President and CEO of Senshu Ikeda Holdings, Inc., and assume the office of Director and Chairman of Senshu Ikeda Holdings, Inc. as of June 25, 2025.
7. Mr. Ukawa is scheduled to resign from the office of Representative Director, President and CEO of The Senshu Ikeda Bank, Ltd., and assume the office of Director and Chairman of The Senshu Ikeda Bank, Ltd. as of June 25, 2025.

**[Reference regarding the Second Item and the Third Item]**

**1. The Company's approach to the skill sets of its Directors and Audit & Supervisory Board Members**

- The 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 addition, under an organizational structure as a company with an Audit & Supervisory Board, we have established an Audit & Supervisory Board where the majority of members are Audit & Supervisory Board Members (external) to ensure the effectiveness of audits.

- In order for the Company's Board of Directors to make decisions on important business operations for the Group and supervise the Group, and to boost the corporate value, Directors are expected to have a deep insight and an abundant experience in corporate management and global business. In particular, for External Directors, we require that they have work experience such as directors of listed companies.

In addition, toward accomplishing the strategic management plan “Fusion 25,” the Board of Directors as a whole should be equipped with experience and knowledge in legal affairs, risk management and governance, finance and accounting, technology, human capital and diversity management, sustainability, and the environment and energy, in order to further strengthen the Company's corporate governance.

With regard to the Audit & Supervisory Board as well, it is considered important that the members possess knowledge capable of covering a wide range of business areas in auditing the execution of duties by Directors from an independent standpoint, and thus the Audit & Supervisory Board is consist of full-time Audit & Supervisory Board Members who are highly familiar with the Company's business and management system, and Audit & Supervisory Board Members (external) who have acquired abundant management experience at their respective companies or deep insight in their respective areas of expertise such as law or finance and accounting.

- Furthermore, for the functions of management base such as sales, production, finance and accounting, legal affairs, and digital transformation, Executive Officers are appointed to dedicate themselves in executing operations. In addition, each Executive Officer attends the meetings of the Board of Directors in accordance with the agenda and reports on the status of execution to the Directors and Audit & Supervisory Board Members to secure the effectiveness of decision-making and supervision of the Board of Directors.
- In appointing officers, 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, we also emphasize the importance of having excellent personalities, aptitudes, and qualities, and in appointing Directors, qualities necessary for corporate management are also considered important, such as 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.

- In light of the above, if the Second Item and Third Item are approved and passed as originally proposed, the experience and knowledge possessed by the Company's nine Directors and five Audit & Supervisory Board Members, as well as their expected roles, are as shown in the following table. We believe that the Board of Directors and the Audit & Supervisory Board have the necessary skills described above.

- All Directors, based on their extensive experience and knowledge as corporate managers, have achieved significant results in their respective fields. We believe that the skills and attributes possessed by each Director are necessary for further improving the Group's corporate value.

Of these, five Internal Directors, while carrying out their respective operations, possess the skills to strengthen the foundation for growth in this era of change. Four External Directors possess the necessary skills to participate in decision-making and management supervision, in order to ensure the accomplishment of the Group's key strategies, based on extensive experience at their respective companies and knowledge in their respective areas of expertise.

- Audit & Supervisory Board Members consist of two full-time Audit & Supervisory Board Members who are highly familiar with the Company's business and the Group's operations, and three Audit & Supervisory Board Members (external) who have acquired abundant management experience at their respective companies or deep insight in their respective areas of expertise such as law or finance and accounting. They possess the skills necessary to monitor and audit the Company's business activities and provide management advice. By utilizing these skills, Audit & Supervisory Board Members contribute to the sound and sustainable growth of the Company and the enhancement of corporate value.

## 2. Skills matrix for Directors and Audit & Supervisory Board Members

### Directors

Name	Gender	Position	Corporate management	Global business	Legal affairs, risk management and governance	Finance and accounting	Technology	Human capital and diversity management	Sustainability, environment and energy
Masanori Togawa	Male	Representative Director, Chairman of the Board, and CEO	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>			<input type="radio"/>	<input type="radio"/>
Naofumi Takenaka	Male	Representative Director, President, and COO	<input type="radio"/>		<input type="radio"/>		<input type="radio"/>	<input type="radio"/>	
Tatsuo Kawada	Male	External Director	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>		<input type="radio"/>
Akiji Makino	Male	External Director	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>			<input type="radio"/>	<input type="radio"/>
Shingo Torii	Male	External Director	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				<input type="radio"/>
Yuko Arai	Female	External Director	<input type="radio"/>					<input type="radio"/>	
Koichi Takahashi	Male	Director and Senior Executive Officer	<input type="radio"/>		<input type="radio"/>	<input type="radio"/>			
Keiko Mori	Female	Director and Executive Officer	<input type="radio"/>					<input type="radio"/>	
Kanwal Jeet Jawa	Male	Director and Senior Associate Officer	<input type="radio"/>	<input type="radio"/>					



### Audit & Supervisory Board Members

Name	Gender	Position	Corporate management	Global business	Legal affairs, risk management and governance	Finance and accounting	Technology	Human capital and diversity management	Sustainability, environment and energy
Kaeko Kitamoto	Female	Audit & Supervisory Board Member (external)			○	○			
Fumi Takatsuki	Female	Audit & Supervisory Board Member (external)		○	○				
Atsushi Ukawa	Male	Audit & Supervisory Board Member (external)	○		○	○			
Kosei Uematsu	Male	Full-time Audit & Supervisory Board Member		○	○				
Hisao Tamori	Male	Full-time Audit & Supervisory Board Member			○	○			

\*The above list shows a maximum of five items among the areas of highly specialized knowledge and experience possessed by each officer and does not show all the knowledge and experience possessed by each officer.

### 3. Reasons for selection of each skill item

Skill items	Reasons for selection of each skill item
Corporate management	<ul style="list-style-type: none"> <li>• In an era of great uncertainty, it is essential to have corporate management skills to gain insight into social changes from a medium- to long-term perspective, formulate management strategies to enhance corporate value, and thoroughly implement them. It is also an essential skill from a perspective of supervising the status of execution.</li> <li>• In particular, for External Directors, the Company requires that they have work experience such as directors of listed companies.</li> </ul>
Global business	<ul style="list-style-type: none"> <li>• Given that the Company's overseas sales ratio exceeds 80%, it is essential to have extensive expertise in overseas business development or management experience, as well as a deep understanding of regional cultures, business customs, etc.</li> </ul>
Legal affairs, risk management, and governance	<ul style="list-style-type: none"> <li>• As the Company grows and expands as a global group, it is essential to have a deep understanding of each country's laws and regulations required for business and new business development, as well as high sensitivity in risk management. Skills in establishing a group governance structure and in understanding and supervising the status of business operations are also essential.</li> </ul>
Finance and accounting	<ul style="list-style-type: none"> <li>• From a perspective of enhancing profitability and improving financial position, and to thoroughly enforce "ratio management" and promote future growth investments and financial strategies, expertise and practical experience in finance and accounting are essential. It is also an essential skill for the supervision of business operations from a quantitative perspective.</li> </ul>
Technology	<ul style="list-style-type: none"> <li>• For the Company, which regards manufacturing as the foundation of its growth, <i>genba</i> (actual site) knowledge of technology and production is essential.</li> </ul>
Human capital and diversity management	<ul style="list-style-type: none"> <li>• To practice "people-centered management," which is one of the beliefs and values that the Company has valued since its founding, it is essential to have the skills from a human capital perspective to maximize the capabilities of each individual, including the formulation of human resource strategies, human resource development, and the promotion of diversity management.</li> </ul>
Sustainability, environment and energy	<ul style="list-style-type: none"> <li>• In fulfilling our social mission as the world's leading comprehensive air-conditioning manufacturer, it is essential to have executive decision-making and supervisory skills based on knowledge of sustainability. Knowledge and experience in environmental and energy issues are also essential in implementing "challenge to achieve carbon neutrality."</li> </ul>

#### 4. Experience and knowledge of each Director and Audit & Supervisory Board Member and their expected role

##### Directors

Name	Experience and knowledge of each Director and their expected role
Masanori Togawa	Mr. Togawa has served as Representative Director, President, and COO since 2011 and Representative Director, President, and CEO since 2014, and contributed to the execution of the strategic management plan and growth of the Group. Since 2024, as the Representative Director, Chairman of the Board, and CEO, he has continually striven to attain the strategic management plan “Fusion 25” as well as demonstrated his strong leadership to carry on the Company’s unique strengths and promoted 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.
Naofumi Takenaka	Mr. Takenaka has experience across various business operations, including production and development, sales, SCM, and public relations. Since 2024, as Representative Director, President, and COO, he has striven to attain the strategic management plan “Fusion 25” as well as ensured that management policies are incorporated into business activities in the ever-changing environment and enhanced action-taking capabilities for further business expansion.
Tatsuo Kawada	Leveraging the abundant experience and deep insight as a corporate executive of Seiren Co., Ltd., Mr. Kawada provides advice and supervision to the 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.
Akiji Makino	Leveraging the abundant experience and deep insight as a corporate executive of Iwatani Corporation, Mr. Makino provides advice and supervision to the 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.
Shingo Torii	Leveraging the abundant experience and deep insight as a corporate executive of Suntory Holdings Limited, Mr. Torii provides advice and supervision to the Company’s management matters 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.
Yuko Arai	Leveraging the abundant experience and deep insight as a corporate executive of the ANA Group, Ms. Arai provides advice and supervision to the Company’s management matters 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.
Koichi Takahashi	Mr. Takahashi has engaged in accounting and finance over many years at the Company 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.
Keiko Mori	Ms. Mori has engaged in human resource development and maximizing the talents of women over many years at the Company 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.

Name	Experience and knowledge of each Director and their expected role
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 African regions (excluding some regions). Leveraging his rich experience in the air conditioning business and capability in developing business in emerging regions, he aims to further expand business.

#### **Audit & Supervisory Board Members**

Name	Experience and knowledge of each Audit & Supervisory Board Member and their expected role
Kaeko Kitamoto	Ms. Kitamoto has a wealth of experience and highly specialized knowledge in finance and accounting through her years of involvement in corporate auditing practices as a certified public accountant. Leveraging this experience and knowledge, she continues to monitor the Group's entire operations, conduct effective audits, and provide information and advice to management particularly from the viewpoint of maintaining effective financial accounting systems. By doing so from a fair and unbiased perspective as an Audit & Supervisory Board Member (external), we expect that she will continue to contribute to the sound and sustainable growth of the Group.
Fumi Takatsuki	Ms. Takatsuki has a wealth of experience and highly specialized knowledge through her years of experience as an attorney in corporate legal affairs in Japan and overseas. Leveraging this experience and knowledge, she continues to monitor the Group's entire operations, conduct effective audits, and provide information and advice to management particularly from the viewpoints of legal and other compliance and risk management. By doing so from a fair and unbiased perspective as an Audit & Supervisory Board Member (external), we expect that she will continue to contribute to the sound and sustainable growth of the Group.
Atsushi Ukawa	Leveraging the abundant experience and deep insight as a corporate manager of a financial institution, Mr. Ukawa is expected to monitor the Group's entire operations, conduct even more effective audits, and provide appropriate information and advice to management particularly from the viewpoint of experience in corporate management and strengthening group governance. By doing so from a fair and unbiased perspective as an Audit & Supervisory Board Member (external), we expect that he will contribute to the sound and sustainable growth of the Company.
Kosei Uematsu	Mr. Uematsu has an experience as a long-standing member of the Company's management, particularly the global Air Conditioning Business, and extensive experience and insight through his role in monitoring the Group's global and domestic operations from a broad perspective as an Audit & Supervisory Board Member. He has served as a full-time Audit & Supervisory Board Member at the Company since 2015. He continuously contributes to the sound and sustainable growth of the Group by monitoring its entire operations, conducting effective audits, and providing appropriate information and advice to management.
Hisao Tamori	Mr. Tamori has a wealth of experience and knowledge in finance and accounting through his years of involvement in the Company's Finance and Accounting Division. He has served as a full-time Audit & Supervisory Board Member since 2019. He continuously contributes to the sound and sustainable growth of the Group by monitoring its entire operations, conducting effective audits, and providing appropriate information and advice to management.

**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) (Male)  Candidate for Substitute Audit & Supervisory Board Member (external)	<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):</p> <p>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 2025.

# Business Report

## 1. Review of Operations

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

In the fiscal year ended March 31, 2025 (fiscal 2024), conditions for the world economy remained harsh primarily in Europe and the United States. In the U.S. economy, despite strong personal consumption, housing investment was sluggish as a result of continued high interest rates for housing loans. The European economy saw signs of recovery primarily in service demand as inflation continued to cool and wages rose, but it was weighed down by high interest rates and a slump in external demand. The Chinese economy saw a sluggish domestic demand despite strong export-oriented industries. The Japanese economy saw an expansion of capital investment primarily in digital technology-related sectors, although high commodity prices applied downward pressure. In Asia, personal consumption, infrastructure investment, and a recovery in exports supported the economy.

Under this business environment, toward accomplishing the latter-half three-year plan (fiscal 2023 to fiscal 2025) of the strategic management plan “Fusion 25” by fiscal year ending March 31, 2026, as the final year, the Daikin Group accelerated the promotion of 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 worked on the creation of economic, environmental, and social value.

During the fiscal year under review, we addressed the following themes, aiming to improve and enhance the Group’s profit structure and profitability, and to generate results across global operations by leveraging the collective strengths of the Group.

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

- Promote sales price policies and increase our market share
- Enhance cost competitiveness around the world to improve marginal profit margin
- Implement global production, procurement, and logistics reforms to create a resilient supply chain
- Reduce existing fixed costs and prioritize upfront and strategic investments
- Achieve results from acquisitions, investments in production capacity expansion, and investments in research and development that have been carried out

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

- Actively expand the Applied Systems air-conditioning business globally and increase revenue from the commercial air-conditioning solutions business by providing added value for individual applications and markets
- Introduce differentiated products, enhance service capabilities, and respond to work simplification and labor savings in installation

In thoroughly implementing these initiatives amidst the harsh business environment, which includes declining demand in various regions, we closely followed the progress of each region and business and proactively and flexibly responded to changes in our business environment to minimize the negative impact of such changes on our business. At the same time, we worked to further expand our sales in strongly performing regions such as India and Japan and in strongly performing businesses, such as the Applied Systems air-conditioning business and the commercial air-conditioning solutions business, and improve profitability through operational efficiency utilizing digital transformation. We also continued to make investments with an eye to medium- to long-term growth, including investments in production capacity expansion leading to strengthening profitability, investments in research and development, investments aimed at the enhancement of the sales and service networks, and human capital investment for hiring and developing human resources, etc., to accelerate our future business expansion.

The Daikin Group’s net sales increased by 8.1% year over year to ¥4,752,335 million for the fiscal year under review. As for profits, operating profit increased by 2.4% to ¥401,669 million, an ordinary profit increased by 3.4% to ¥366,446 million, and profit attributable to owners of parent increased by 1.7% to ¥264,757 million.

### (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 8.8% year over year to ¥4,384,548 million. Operating profit increased by 5.3% to ¥350,987 million.

In the Japanese air-conditioning equipment market, commercial market demand increased year over year due to a rise in capital investment including large-scale redevelopment and the new construction and renovation of office buildings and commercial facilities. Residential market demand increased year over year, driven in part by the higher-than-average temperatures since April and heightened demand from a record-breaking heat wave as well as a late summer heat. Against this backdrop, in the commercial air-conditioning equipment market, the Group expanded sales of high value-added products, focusing on the “FIVE STAR ZEAS,” which offers high energy-saving performance, “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. In the residential air-conditioning equipment market, backed by expanding needs for energy-saving performance due to rising electricity prices and a significant increase in air-conditioner usage during the summer season, we expanded sales of high value-added products through energy-saving proposals, mainly for “Urusara X,” which has high energy-saving performance, resulting in higher net sales year over year.

In the Americas, last-minute demand surged for residential air-conditioning systems using the current refrigerant (R410A), due to price increases and supply concerns related to product changeover required by refrigerant regulations. In addition to increasing the production of R410A models, the Group accelerated the sales of new models using R32, a low-global-warming-potential refrigerant known for its environmental benefits and energy-saving performance, and expanded its production. The Group also expanded sales of the environment premium product “Fit” system, which has high energy-saving performance. However, sales decreased as the Group was unable to fully capture the demand for R410A models, as well as due to slow shipments to independent distributors. Meanwhile, due to the positive effect of exchange rates, net sales after conversion to Japanese yen grew year over year. With regard to Applied Systems air-conditioning equipment, sales of air-conditioning systems grew as the Group captured demand from the growing data center and manufacturing industry markets by launching a new factory in Mexico and by expanding production capacity at existing factories and custom air handling unit manufacturers. Also, we expanded our solutions business and conducted new corporate acquisitions, which contributed to a significant increase in net sales year over year.

In China, demand has decelerated significantly due to the deteriorating real estate market, which led to a year over year decrease in overall net sales. 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 strengthened its 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. In addition to sales of system products such as air-conditioning, ventilation, heat pump floor heating systems, and air quality sensor products, we also utilized the IoT and data analysis to enhance our home solutions, which provide air quality optimized for individual customers and proposals tailored to their lifestyles. 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 neutrality policies, and we strengthened proposals with energy savings as an inducement. In the Applied Systems air-conditioning equipment market, the Group invested resources to fields with firm demand, such as infrastructure, semiconductor, and medical-related, and also strengthened the repair and maintenance business.

In Asia and Oceania, sales in India significantly grew on the back of its strong economy, driving overall net sales higher year over year. With regard to residential air-conditioning systems, we reinforced our sales network in provincial cities in India, where demand is growing, and implemented sales promotion measures targeting dealers and consumers, as net sales increased year over year. Meanwhile, despite project delays and investment reviews caused by an increasingly uncertain economic outlook, sales expanded for commercial air-conditioning systems due to dealer development and training, resulting in higher net sales year over year. With regard to Applied Systems air-conditioning equipment, sales to factories and data centers grew, resulting in higher net sales year over year.

In Europe, there has been an ongoing decline in demand for residential heat pump hot water heating systems since last fiscal year, but as a result of expanded sales of commercial air-conditioning systems, overall net sales increased year over year. Sales of residential air-conditioning systems slowed temporarily due to high distribution inventories resulting from a decline in demand, but as a result of expanded sales in Italy, Central Europe, and other areas, net sales increased year over year. As for residential heat pump hot water heating systems, the decline in demand prompted by the reduction of government subsidy programs in major markets (Italy, Germany, France, etc.) is showing signs of having bottomed out, but end users are still reluctant to purchase residential heat pump hot water heating systems. Against this backdrop, we continued to work to strengthen our sales capabilities, including dealer development and support for subsidy applications, and expanded product lineup, but net sales were lower year over year. Meanwhile, for commercial air-conditioning systems, net sales increased year over

year as a result of steadily capturing demand from hotels and restaurants which were boosted by the strength of the tourism sector and the energy-saving needs of offices, stores, and similar. 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 government-owned projects in Saudi Arabia and commercial projects such as data centers in the UAE drove sales. In Turkey, sales increased, driven by rising demand for residential air-conditioning systems caused by a heat wave along with our efforts on supporting dealers, etc.

In the filter business, factors such as sluggish sales in Europe caused by the economic slowdown and intensifying price competition in China and Southeast Asia, where the recovery of the semiconductor market has lagged, have had a negative impact. However, demand was solid, and exchange rates had a positive effect, causing overall net sales to increase year over year. In the United States, sales increased, driven by a growth in commercial sales owing to increased sales of high-gross-margin products through the expansion of our own dealerships. In Europe, although sales rose primarily in Northern Europe, sales for Europe as a whole remained at the same level year over year due to the recession, especially the automotive sector. In Asia and the Middle East, competition for low-priced products intensified and sales in the semiconductor market slowed in Southeast Asia, and the prolonged downturn in the Chinese real estate market caused stagnation in demand, resulting in a decline in overall sales in the Asia region including the Middle East and India. In Japan, there continued to be delays in work periods due to labor shortages in the construction industry and inventory adjustments for semiconductor manufacturing equipment manufacturers, but sales increased as a result of thorough implementation of sales expansion measures. The gas turbine and dust collection systems business saw robust sales due to the expansion of the sales region for special filters used in oil field applications.

In the marine vessels business, net sales increased year over year as a result of growth of sales of marine container refrigeration units and marine vessel air conditioners and refrigeration units.

#### (ii) Chemicals

Overall sales of the Chemicals segment decreased by 0.3% year over year to ¥263,028 million. Operating profit decreased by 10.4% to ¥46,119 million.

Although there was sluggish demand for a wide range of fields, particularly semiconductors and automobiles, that accompanied movements in distribution inventory adjustments, overall sales of fluorochemical products remained at the same level year over year due to the positive effects of exchange rates.

Sales of fluoropolymers decreased due to stagnated demand in the fields of LAN cables and materials for semiconductor equipment, but net sales remained at the same level year over year due to the positive effects of exchange rates. Meanwhile, net sales of fluoroelastomers were lower year over year due to distribution inventory adjustments in fields such as automobiles.

In specialty chemicals, demand for anti-fouling surface coating agents and etching agents for semiconductor processing recovered, but demand for oil and water repellents and intermediate function materials declined, causing net sales to remain at the same level year over year.

As for fluorocarbon gas, net sales were higher year over year due to efforts to expand sales and maintain pricing amid a challenging environment of declining demand and a weakening market.

#### (iii) Other Divisions

Overall sales of the “Others” segment increased by 2.1% year over year to ¥104,757 million. Operating profit decreased by 38.1% to ¥4,543 million.

In the oil hydraulic equipment business, although sales of oil hydraulic equipment for industrial machinery stayed high in the United States, sales decreased in the Japanese and European markets, resulting in a decrease in net sales year over year. 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 were higher year over year due to increased orders from the Ministry of Defense and strong sales of oxygen concentrators and hypoxic systems (equipment that simulates high-altitude conditions to enhance exercise effectiveness in a short period of time by controlling oxygen concentration).

In the electronics business, despite efforts to expand sales of “SpaceFinder” and “Smart Innovator,” database systems for design and development sectors that meet customer needs by solving quality issues, shortening design and development periods, and supporting cost reductions, net sales decreased year over year due to factors including decrease in number of large projects.

On a non-consolidated basis, the Company’s net sales increased by 8.1% year over year to ¥792,314 million. Operating profit decreased by 67.9% year over year to ¥5,989 million. Ordinary profit increased by 29.2% year over year to ¥149,911 million, and profit increased by 17.0% year over year to ¥168,760 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 ¥324,648 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.	14,368
	Daikin Europe N.V. Group	63,241
	Daikin Applied Americas Inc. Group	51,119
	Daikin Comfort Technologies North America, Inc. Group	43,086
	Daikin (China) Investment Co., Ltd. Group	23,353
	Daikin Airconditioning India Pvt. Ltd. Group	18,571
Chemicals	Daikin Industries, Ltd.	20,575
	Daikin Fluorochemicals (China) Co., Ltd. Group	9,638
Others	Daikin Industries, Ltd.	3,888

### (4) Financing Activities

The funds for the above capital expenditures were primarily raised through bank borrowings and funds on hand. In addition, straight bonds were issued, and part of the raised funds was appropriated to the redemption of existing straight bonds.

### (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**

	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)	122nd Business Year (from April 1, 2024, to March 31, 2025)
Net sales (Millions of yen)	3,109,106	3,981,578	4,395,317	4,752,335
Ordinary profit (Millions of yen)	327,496	366,245	354,492	366,446
Profit attributable to owners of parent (Millions of yen)	217,709	257,754	260,311	264,757
Earnings per share (Yen)	743.88	880.59	889.22	904.27
Total assets (Millions of yen)	3,823,038	4,303,682	4,880,230	5,133,416
Net assets (Millions of yen)	2,007,149	2,279,095	2,687,302	2,866,693

Notes:

1. 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 119th Business Year were adjusted retrospectively to reflect the change in this accounting policy.
2. From the 122nd Business Year, the Group has applied the “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022), etc. Figures for the 121st Business Year were adjusted retrospectively to reflect the change in this accounting policy.

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.

In the 121st term, despite the impact of sluggish demand for durable consumer goods due to inflation, a slowdown in demand for heat pump heating in Europe, and distribution inventory adjustments due to a decline in housing investment in the United States, we minimized the negative impact on demand by strengthening product and service proposals, implementing strategic selling price measures, and thoroughly reducing total costs. The Group’s Air-Conditioning and Refrigeration Equipment segment increased both sales and profits due to expanded sales in China and Asia, as well as focused proposal-based sales efforts in Japan, the Americas, and Europe with an eye on strong markets. The Chemicals segment also expanded sales and profits thanks to sales expansion and selling price measures in high-performance materials for semiconductor manufacturing equipment, for which demand is strong.

The results of our operations during the 122nd term are as described in (1) Progress and Results of Operations of the Company Group.

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

The macroeconomic environment remains uncertain due to regime changes in major countries last year as well as significant policy changes by the new U.S. administration. In particular, tariff hikes, trade frictions, and other

disruptions to supply chains have heightened downside risks to the global economy, increasing overall uncertainty.

Against this backdrop, we have set “With our Unique Strengths and Bold Action-Taking, Let’s Conquer the Waves of Change” as the slogan for our Annual Group Policy for 2025. As changes in the business environment continue to intensify, in fiscal 2025, the final year of Fusion 25, we will accelerate the generation of results from the 11 key strategic themes set forth in the latter-half three-year plan, strengthen profitability and competitiveness, and address business structure and operational challenges with a view to the future to maximize the generation of results. We will focus on the following specific areas in fiscal 2025.

- Promoting sales price policies and increasing our market share
- Establishing measures to respond to the tariff policies of the new U.S. administration and promptly implementing them in response to changes in the situation
- Accelerating the launch of new products and differentiated products
- Drastically enhancing cost and procurement competitiveness for the entire Group
- Actively expanding the Applied Systems air-conditioning business globally and increasing revenue from the commercial solutions business by providing added value for individual applications and markets
- Drastically improving the efficiency of existing fixed costs and maximizing the investment effects of system investments, etc.
- Maximizing the utilization of global production bases in an optimum manner Company-wide, and generating results from acquisitions that have been carried out

## **(8) Major Operations of the Company Group (as of March 31, 2025)**

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, 2025)

### 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 HVAC Solution Tokyo Co., Ltd. (Shibuya-ku, Tokyo) Daikin Airtechnology & Engineering Co., Ltd. (Sumida-ku, Tokyo) Daikin Applied Systems Co., Ltd. (Minato-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	96,331	5,013
Chemicals	4,353	283
Others	1,831	22
Corporate	1,029	64
Total	103,544	5,382

Notes:

1. The number of employees is based on the number of employees at work.
2. The number of employees of the Company (the number of employees at work) is 7,866 (an increase of 212 from the previous fiscal year).

**(10) Principal Subsidiaries (as of March 31, 2025)**

Name of company	Share holding	Capital	Principal operations
Daikin HVAC Solution Tokyo Co., Ltd.	100%	330 million JPY	Sale of air conditioning equipment
Daikin Airtechnology & Engineering Co., Ltd.	100%	275 million JPY	Sale and installation of air conditioning equipment
Daikin Applied Systems Co., Ltd.	51%	300 million JPY	Manufacture, sale, design, and installation of air conditioning equipment and refrigeration 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%	15,829 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%	355,065 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, 2025)**

Creditors	Borrowings (Millions of yen)
The Norinchukin Bank	51,600
Sumitomo Mitsui Banking Corporation	50,077
Sumitomo Mitsui Banking Corporation yen-denominated syndicated loan (Note)	35,000
Development Bank of Japan Inc.	30,000
MUFG Bank, Ltd.	15,206

Note: Sumitomo Mitsui Banking Corporation yen-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, 2025)

(1) **Number of Shares Authorized:** 500,000 thousand shares

(2) **Number of Shares Issued:** 293,113 thousand shares

(3) **Number of Shareholders:** 85,184 (Increase of 10,516 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)	56,128	19.2
Custody Bank of Japan, Ltd. (Trust account)	23,033	7.9
State Street Bank and Trust Company 505001	11,197	3.8
JP Morgan Chase Bank 385632	10,736	3.7
Sumitomo Mitsui Banking Corporation	7,500	2.6
State Street Bank West Client - Treaty 505234	5,123	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)	4,599	1.6
State Street Bank and Trust Company 505103	4,394	1.5
MUFG Bank, Ltd.	4,083	1.4

Notes:

1. Percentage shareholdings are rounded off to one decimal point.

2. Percentage shareholdings are calculated after deducting treasury shares (306 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	7	1 Director
No. 20 (2021)	¥1	Common stock 100 shares per unit of share acquisition rights	July 17, 2024, to July 16, 2036	8	1 Director
No. 21 (2022)	¥1	Common stock 100 shares per unit of share acquisition rights	July 16, 2025, to July 15, 2037	73	6 Directors
No. 22 (2023)	¥1	Common stock 100 shares per unit of share acquisition rights	July 15, 2026, to July 14, 2038	79	6 Directors
No. 23 (2024)	¥1	Common stock 100 shares per unit of share acquisition rights	July 13, 2027, to July 12, 2039	120	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. 23 (2024)	¥1	Common stock 100 shares per unit of share acquisition rights	July 13, 2027, to July 12, 2039	457	70 Daikin Industries employees

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

##### (1) Directors and Audit & Supervisory Board Members (as of March 31, 2025)

Position	Name	Responsibility or significant positions concurrently held
Representative Director, Chairman of the Board, and CEO	Masanori Togawa	Member of the HRM Advisory Committee Member of the Compensation Advisory Committee
Representative Director, President, COO, and Member of the Board	Naofumi Takenaka	Chairman of the Internal Control 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 Representative Director and Chairman of KINSEI MATEC CO., LTD.
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 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 Outside Director of Mizuno Corporation
Member of the Board and Senior Executive Officer	Takashi Matsuzaki	In charge of Solutions Technologies
Member of the Board and Senior Executive Officer	Koichi Takahashi	In charge of Accounting, Finance, Budget, and Promoting Operational Efficiency General Manager of Finance and Accounting Division
Member of the Board and Executive Officer	Keiko Mori	In charge of Human Resource Development and Maximizing the Talents of Women Senior Manager in charge of Executive Secretarial Department
Member of the Board and Senior Associate Officer	Kanwal Jeet Jawa	Regional General Manager, Air Conditioning Business in India and 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)	Kaeko Kitamoto	Certified public accountant Outside Director of Harmonic Drive Systems Inc. Independent Director of EBARA CORPORATION
Audit & Supervisory Board Member (external)	Fumi Takatsuki	Lawyer Partner of Oh-Ebashi LPC & Partners Outside Director of Shionogi & Co., Ltd. Outside Auditor of Sankyo Seiko Co., Ltd.
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, Kaeko Kitamoto, and Fumi Takatsuki 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. Naofumi Takenaka, Koichi Takahashi and Keiko Mori were elected as Members of the Board at the 121st Ordinary General Meeting of Shareholders of the Company held on June 27, 2024.
5. Fumi Takatsuki was elected as an Audit & Supervisory Board Member at the 121st Ordinary General Meeting of Shareholders of the Company held on June 27, 2024.
6. Noriyuki Inoue, Ken Tayano and Masatsugu Minaka resigned as Members of the Board at the conclusion of the 121st Ordinary General Meeting of Shareholders of the Company held on June 27, 2024, due to the expiration of their terms of office.
7. Toru Nagashima resigned as an Audit & Supervisory Board Member at the conclusion of the 121st Ordinary General Meeting of Shareholders of the Company held on June 27, 2024, due to the expiration of his term of office.
8. Member of the Board Akiji Makino assumed the office of Representative Director and Chairman of KINSEI MATEC CO., LTD. on January 8, 2025.
9. Member of the Board Yuko Arai assumed the office of Outside Director of Mizuno Corporation on June 21, 2024.
10. Audit & Supervisory Board Member Kaeko Kitamoto assumed the office of Independent Director of EBARA CORPORATION on March 26, 2025.
11. Member of the Board Shingo Torii was an Outside Director of Zojirushi Corporation until February 19, 2025.

## (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	Distinguished service compensation	
Directors [of which, External Directors]	5,504 [85]	500 [85]	451 [—]	252 [—]	4,300 [—]	13 [4]
Audit & Supervisory Board Members [of which, Audit & Supervisory Board Members (external)]	131 [53]	131 [53]	—	—	—	6 [4]

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. Distinguished service compensation is paid at the time of retirement of Directors in consideration of achievements during their tenure. Whether to grant such compensation or not and the details of such compensation are deliberated by a committee with all its members comprising External Directors, which is established separately from the Compensation Advisory Committee, reported to the Board of Directors, and determined after deliberation by the Board of Directors and approval by the shareholders at the 121st Ordinary General Meeting of Shareholders.
3. Total compensation includes the compensation for services of three Directors and one Audit & Supervisory Board Member who retired at the conclusion of the 121st Ordinary General Meeting of Shareholders while they were 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 (contributions to a sustainable society, realization of the Group’s growth, challenge to achieve carbon neutrality, promotion of Solutions business connected with customers, creating value with air, etc.) 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)	4,540,000	9.4	425,000
Actual figures (for the consolidated fiscal year under review)	4,752,335	8.5	401,669

(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 Chairman of the Board after confirming the proposed amounts of compensation for individual Directors and deliberating on them from objective perspectives. The Chairman of the Board 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 five members, namely, four External Directors and one in-house Director.

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 four 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 29, 2024	<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 2024</li> <li>- Whether or not to correct the policies on compensation for fiscal 2025</li> </ul>
February 26, 2025	<ul style="list-style-type: none"> <li>- Disclosure of compensation for Directors and Audit &amp; Supervisory Board Members for fiscal 2024 (draft)</li> <li>- Direction of the new compensation system for the next medium-term management plan (Fusion 30)</li> </ul>
March 27, 2025	<ul style="list-style-type: none"> <li>- Compensation level for fiscal 2025 (draft)</li> <li>- Details pertaining to performance-linked coefficient of performance-linked compensation for fiscal 2024</li> </ul>
April 25, 2025	<ul style="list-style-type: none"> <li>- Details pertaining to performance-linked coefficient of performance-linked compensation for fiscal 2024</li> </ul>

Note: The compensation advisor of WTW attended two out of four 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 16 out of 16 meetings (100%)	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 risk-taking in share acquisitions and investments, and emphasizing the importance of global receivables management of the Board of Directors.
	Akiji Makino	Attended 14 out of 16 meetings (87.5%)	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 being prepared for future demand in investment projects and perspectives on growth curves in management.
	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 global quality control and information-sharing frameworks.
	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 communicating Our Group Philosophy and how to ensure its penetration.

Position	Name	Attendance record of meetings		Principal activities
		Board of Directors	Audit & Supervisory Board	
Audit & Supervisory Board Member (external)	Ryu Yano	Attended 16 out of 16 meetings (100%)	Attended 14 out of 14 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 Group's compliance system.
	Kaeko Kitamoto	Attended 16 out of 16 meetings (100%)	Attended 14 out of 14 meetings (100%)	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.
	Fumi Takatsuki	Attended 13 out of 13 meetings (100%)	Attended 10 out of 10 meetings (100%)	We expect Fumi Takatsuki to make suggestions based on her expertise in corporate legal affairs, in addition to appropriate auditing based on her abundant experience and deep insight as a lawyer, including being involved in the handling of domestic and international corporate legal affairs. For the fiscal year under review, she conducted appropriate audits, including making suggestions on compliance overseas.

Note: Fumi Takatsuki assumed the office as an Audit & Supervisory Board Member (external) at the 121st Ordinary General Meeting of Shareholders of the Company held on June 27, 2024, 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	¥393 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. Information provision services concerning the disclosure of non-financial information, etc.
(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	¥393 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 COO (Naofumi Takenaka), and consists of members including General Manager of Finance and Accounting Division (Senior Executive Officer Koichi Takahashi), General Manager of Legal Affairs and Compliance Center (Executive Officer Nin Sokin), 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 and Compliance Center, 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 and Compliance Center 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 and Compliance Center 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, the Americas, China, and Europe 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, information management, antitrust compliance, 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 and Compliance Center 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” once to deliberate on the refrigerant strategy, a key theme of the strategic management plan “Fusion 25.”

#### **(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 and Compliance Center 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, 33 with Directors and Executive Officers and 26 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, 2025**

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

<b>(Assets)</b>		<b>(Liabilities)</b>	
	<b>Amounts</b>		<b>Amounts</b>
<b>Current assets</b>	<b>2,853,654</b>	<b>Current liabilities</b>	<b>1,543,047</b>
Cash and deposits	802,663	Notes and accounts payable – trade	362,158
Notes and accounts receivable – trade, and contract assets	856,542	Short-term borrowings	294,643
Merchandise and finished goods	709,232	Commercial papers	29,554
Work in process	72,190	Current portion of bonds payable	15,000
Raw materials and supplies	271,444	Current portion of long-term borrowings	58,176
Other	163,975	Lease liabilities	42,790
Allowance for doubtful accounts	(22,395)	Accrued expenses	283,116
		Income taxes payable	47,193
<b>Non-current assets</b>	<b>2,279,761</b>	Provision for bonuses for directors (and other officers)	259
		Provision for product warranties	112,835
<b>Property, plant and equipment</b>	<b>1,279,327</b>	Other	297,317
Buildings and structures	524,369		
Machinery, equipment and vehicles	415,530	<b>Non-current liabilities</b>	<b>723,675</b>
Land	99,532	Bonds payable	175,000
Leased assets	5,789	Long-term borrowings	239,920
Construction in progress	154,876	Lease liabilities	131,766
Other	79,228	Deferred tax liabilities	93,286
		Retirement benefit liability	21,760
<b>Intangible assets</b>	<b>637,867</b>	Other	61,941
Goodwill	266,337		
Customer-related intangible assets	237,048	<b>Total liabilities</b>	<b>2,266,723</b>
Other	134,481		
		<b>(Net Assets)</b>	
<b>Investments and other assets</b>	<b>362,566</b>	<b>Shareholders' equity</b>	<b>2,239,296</b>
Investment securities	160,032	<b>Share capital</b>	<b>85,032</b>
Long-term loans receivable	1,799	<b>Capital surplus</b>	<b>87,304</b>
Deferred tax assets	66,331	<b>Retained earnings</b>	<b>2,068,308</b>
Retirement benefit asset	36,795	<b>Treasury shares</b>	<b>(1,348)</b>
Other	98,089	<b>Accumulated other comprehensive income</b>	<b>561,985</b>
		Valuation difference on available-for-sale securities	53,770
Allowance for doubtful accounts	(481)	Deferred gains or losses on hedges	945
		Foreign currency translation adjustment	512,313
		Remeasurements of defined benefit plans	(5,042)
		<b>Share acquisition rights</b>	<b>4,212</b>
		<b>Non-controlling interests</b>	<b>61,199</b>
		<b>Total net assets</b>	<b>2,866,693</b>
<b>Total assets</b>	<b>5,133,416</b>	<b>Total liabilities and net assets</b>	<b>5,133,416</b>

**Consolidated Statement of Income**  
**From April 1, 2024, to March 31, 2025**

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

Net sales		4,752,335
Cost of sales		3,125,646
<b>Gross profit</b>		<b>1,626,688</b>
Selling, general and administrative expenses		1,225,019
<b>Operating profit</b>		<b>401,669</b>
Non-operating income		
Interest income	20,109	
Dividend income	3,846	
Share of profit of entities accounted for using equity method	2,176	
Subsidy income	2,275	
Other	5,601	34,010
Non-operating expenses		
Interest expenses	43,030	
Foreign exchange losses	9,163	
Inflation accounting adjustment	9,023	
Other	8,015	69,233
<b>Ordinary profit</b>		<b>366,446</b>
Extraordinary income		
Gain on sale of land	439	
Gain on sale of investment securities	12,162	
Gain on insurance claims	2,108	
Gain on step acquisitions	1,717	16,428
Extraordinary losses		
Loss on disposal of non-current assets	1,198	
Loss on sale of land	181	
Loss on valuation of investment securities	1,051	
Loss on liquidation of subsidiaries and associates	46	
Distinguished service compensation	4,300	
Other	1	6,779
<b>Profit before income taxes</b>		<b>376,095</b>
Income taxes – current	134,613	
Income taxes – deferred	(33,966)	100,647
<b>Profit</b>		<b>275,448</b>
Profit attributable to non-controlling interests		10,690
<b>Profit attributable to owners of parent</b>		<b>264,757</b>

**Consolidated Statement of Changes in Equity**  
**From April 1, 2024, to March 31, 2025**

(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	78,014	1,896,173	(1,525)	2,057,695
Changes in items during period					
Dividends of surplus			(92,227)		(92,227)
Profit attributable to owners of parent			264,757		264,757
Effect of changes in accounting period of subsidiaries			(395)		(395)
Purchase of treasury shares				(7)	(7)
Disposal of treasury shares		591		183	775
Capital increase of consolidated subsidiaries		5,835			5,835
Purchase of treasury shares of consolidated subsidiaries		3,542			3,542
Change in ownership interest of parent due to transactions with non-controlling interests		(679)			(679)
Net changes in items other than shareholders' equity					
Total changes in items during period	—	9,289	172,134	176	181,600
Balance at end of current period	85,032	87,304	2,068,308	(1,348)	2,239,296

	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	65,729	358	524,273	(10,520)	579,840	3,771	45,994	2,687,302
Changes in items during period								
Dividends of surplus								(92,227)
Profit attributable to owners of parent								264,757
Effect of changes in accounting period of subsidiaries								(395)
Purchase of treasury shares								(7)
Disposal of treasury shares								775
Capital increase of consolidated subsidiaries								5,835
Purchase of treasury shares of consolidated subsidiaries								3,542
Change in ownership interest of parent due to transactions with non-controlling interests								(679)
Net changes in items other than shareholders' equity	(11,959)	586	(11,960)	5,477	(17,855)	440	15,204	(2,210)
Total changes in items during period	(11,959)	586	(11,960)	5,477	(17,855)	440	15,204	179,390
Balance at end of current period	53,770	945	512,313	(5,042)	561,985	4,212	61,199	2,866,693

## 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: 350

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:

DAIKIN FINETECH KOREA CO., LTD., Arista Air Conditioning LLC, Varitec Solutions, LLC and its 2 subsidiaries, Modular Comfort Systems, Inc.

Due to new establishment:

Daikin Technology Innovation (Shenzhen) Co., Ltd., Daikin (Taiwan) Air Conditioning Systems Co., Ltd., DAIKIN ARABIA REGIONAL HEADQUARTERS LLC

Due to the application of effective control standards:

Formosa Daikin Advanced Chemicals Co., Ltd.

(Excluded) Due to merger of consolidated subsidiaries:

BV Froid SAS, Groupe BV SAS, ABCO Refrigeration Supply Corp., Orion S.r.l., Hydreco Hydraulics GmbH, AHT SOĞUTMA SİSTEMLERİ TİCARET LİMİTED ŞİRKETİ

Due to liquidation:

Hydreco DBH Holdings Limited, Technoblock Srl, Stejasa USA LLC

(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: 14

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

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

(Excluded) Due to consolidation of subsidiaries:

Formosa Daikin Advanced Chemicals Co., Ltd.

(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. In addition, as for market price fluctuation risks of the raw materials, the Group adopts commodity futures transactions as a hedging instrument, and purchase prices of raw materials 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.



## **Changes in Accounting Policies**

(Application of the Accounting Standard for Current Income Taxes, etc.)

The Group has applied the “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as the “Revised Accounting Standard 2022”), etc., from the beginning of the consolidated fiscal year under review.

With regard to the amendment to categories in which income taxes, etc., should be recorded (taxes on other comprehensive income), the Group follows the transitional treatment prescribed in the proviso of Paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of Paragraph 65-2 of the “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the “Revised Implementation Guidance 2022”). This change in accounting policies has no impact on the consolidated financial statements.

For the amendment related to the revised accounting treatment for consolidated financial statements when gain or loss on sale of shares of subsidiaries, etc., resulting from transactions between consolidated companies were deferred for tax purposes, the Group has applied the Revised Implementation Guidance 2022 from the beginning of the consolidated fiscal year under review. The retrospective application of this change in accounting policies has no cumulative impact on net assets at the beginning of the consolidated fiscal year under review.

(Application of the Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules)

The Group has applied the “Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules” (PITF No. 46, March 22, 2024) from the beginning of the consolidated fiscal year under review. For income taxes, etc., related to the global minimum tax rules, a reasonable amount of such income taxes, etc., has been estimated based on information available at the time of preparing the consolidated financial statements and recognized in profit and loss.

The impact of this change on the consolidated financial statements for the consolidated fiscal year under review is immaterial.

## **Accounting Estimates**

(Valuation of goodwill and intangible assets)

On the consolidated balance sheet as of March 31, 2025, goodwill, customer-related intangible assets, and other under intangible assets (hereinafter, “goodwill, etc.”) were recorded at ¥266,337 million, ¥237,048 million and ¥134,481 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	662
Notes and accounts receivable – trade, and contract assets	1,793
Debt secured by the above collateral	
Notes and accounts payable – trade	1,029
Current portion of long-term borrowings	22
Long-term borrowings	193
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

2. Accumulated depreciation of property, plant and equipment (Millions of yen) 1,409,012

3. Amount of notes endorsed (Millions of yen) 1,602

## Notes to the Consolidated Statement of Changes in Equity

### 1. Type and total number of shares issued as of March 31, 2025

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 27, 2024	Common shares	38,059	130	March 31, 2024	June 28, 2024
Board of Directors' meeting held on November 6, 2024	Common shares	54,167	185	September 30, 2024	December 3, 2024

(2) Of the dividends for which the record date belongs to the fiscal year ended March 31, 2025, those for which the effective date of the dividends will be in the fiscal year ending March 31, 2026

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, 2025	Common shares	Retained earnings	42,457	145	March 31, 2025	June 30, 2025

3. Type and number of shares subject to share acquisition rights at March 31, 2025 (excluding those for which the first day of the exercise period has not yet arrived)

Common shares: 44,200 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, 2025 (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	140,247	140,247	—
Total assets	140,247	140,247	—
(1) Bonds payable	190,000	182,215	(7,785)
(2) Long-term borrowings	298,097	289,942	(8,154)
(3) Lease liabilities	174,557	174,122	(434)
Total liabilities	662,654	646,279	(16,374)
Derivative transactions (Note 3)	(2,547)	(2,547)	—

Note 1: Unlisted shares, etc., (amount recorded in the consolidated balance sheet was ¥8,463 million) and shares of non-consolidated subsidiaries and affiliated companies (amount recorded in the consolidated balance sheet was ¥7,303 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 ¥4,017 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	138,942	—	—	138,942
Bonds (bonds payable)	—	300	—	300
Bonds (other)	—	113	501	615
Others	—	—	390	390
Total assets	138,942	413	891	140,247
Derivative transactions (Note)				
Currency-related instruments	—	(4,218)	—	(4,218)
Interest-related instruments	—	(8)	—	(8)
Commodity	—	1,679	—	1,679

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	—	182,215	—	182,215
Long-term borrowings	—	289,942	—	289,942
Lease liabilities	—	174,122	—	174,122
Total liabilities	—	646,279	—	646,279

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 it is classified as Level 2 fair market value. The fair market value of some other bonds, etc., is calculated using unobservable inputs, and it 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 it 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	646,479	71,785	718,264	66,779	785,044
U.S.	1,581,852	40,133	1,621,986	14,056	1,636,043
Europe	714,553	49,989	764,543	15,574	780,118
Asia and Oceania	684,087	34,886	718,973	4,459	723,433
China	428,087	63,721	491,809	2,416	494,226
Other	329,487	2,511	331,999	1,470	333,469
Revenue from contracts with customers	4,384,548	263,028	4,647,577	104,757	4,752,335
Other revenue	—	—	—	—	—
Sales to outside customers	4,384,548	263,028	4,647,577	104,757	4,752,335

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, 2024)	End of the fiscal year under review (March 31, 2025)
Receivables from contracts with customers	788,529	829,215
Contract assets	26,775	27,327
Contract liabilities	149,703	155,312

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 ¥114,209 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	1 year or more
As of March 31, 2025	154,161	86,551	67,609

## Per Share Information

Net assets per share: ¥9,567.14

Earnings per share: ¥904.27

## 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	32,639
Tax loss carryforwards	25,732
Software and other assets	25,525
Inventories	21,871
Unrealized profit of inventories	21,592
Provision for bonuses	8,744
Allowance for doubtful accounts	5,337
Investment securities	3,020
Deferred revenue	2,961
Foreign income tax credit	571
Retirement benefit liabilities	194
Other	65,870
Subtotal of deferred tax assets	214,064
Valuation allowance for tax loss carryforwards (Note)	(20,057)
Valuation allowance for future deductible temporary differences, etc.	(8,949)
Subtotal of valuation allowance	(29,006)
Total deferred tax assets	185,057

#### Deferred tax liabilities:

Undistributed earnings of consolidated subsidiaries	(78,425)
Intangible assets	(57,412)
Valuation difference on available-for-sale securities	(24,258)
Retirement benefit assets	(7,302)
Reserve for tax purpose reduction entry of non-current assets	(1,738)
Other	(42,876)
Total deferred tax liabilities	(212,012)

Net deferred tax assets (liabilities) (26,955)

(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 (*)	607	364	594	533	1,899	21,734	25,732
Valuation allowance	(594)	(321)	(517)	(493)	(1,591)	(16,539)	(20,057)
Deferred tax assets	12	43	76	39	308	5,194	5,675

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

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)	
Difference in foreign subsidiaries' tax rate	(7.2)
Amortization of goodwill	2.9
Tax credit for experimentation and research expense, etc.	(2.7)
Tax and tax effect imposed on dividends from foreign subsidiaries	1.8
Dividends income and others that are permanently excluded from taxable income	(1.3)
Valuation allowance	1.1
Entertainment expenses and others that are permanently excluded from taxable loss	0.6
Other	1.0
Actual effective income taxes rate after the adoption of tax-effect accounting	26.8

3. 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.

4. Change in income tax rate

With the enactment of the "Act for Partial Amendment of the Income Tax Act, etc." by the Diet on March 31, 2025, the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities for the consolidated fiscal year under review (limited to those to be eliminated on or after April 1, 2026) was changed from the previous consolidated fiscal year's 30.58% to 31.47%.

As a result, the amounts of valuation difference on available-for-sale securities and remeasurements of defined benefit plans decreased by ¥681 million and ¥85 million, respectively, while the amounts of deferred tax liabilities (after deducting the amount of deferred tax assets) and income taxes - deferred recorded in the consolidated fiscal year under review increased by ¥790 million and ¥23 million, respectively.

## 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	108,143
Service cost	2,817
Interest cost	2,274
Actuarial losses (gains) arising during the period	(14,968)
Prior service cost arising during the period	4,269
Amount of retirement benefits paid	(4,872)
Effect of changes in scope of consolidation	380
Effect of changes in accounting period	(6)
Foreign currency translation adjustment	102
Ending balance for projected benefit obligation	98,140



(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	120,659
Expected return on plan assets	3,778
Actuarial losses (gains) arising during the period	(3,969)
Employer contributions	1,480
Amount of retirement benefits paid	(3,467)
Foreign currency translation adjustment	306
Ending balance for plan assets	118,789

(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	5,007
Retirement benefit expenses	1,010
Amount of retirement benefits paid	(385)
Other	(18)
Ending balance for retirement benefit liabilities	5,614

(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)	(90,195)
Plan assets	118,789
	28,593
Retirement benefit obligation (unfunded)	(13,558)
Net amount for assets and liabilities recorded on the consolidated balance sheet	15,034
Retirement benefit liabilities	(21,760)
Retirement benefit assets	36,795
Net amount for assets and liabilities recorded on the consolidated balance sheet	15,034

Note: Including the benefit plan applying the simplified method

(5) Amount of retirement benefit expenses and its breakdown

	(Millions of yen)
Service cost	2,817
Interest cost	2,274
Expected return on plan assets	(3,778)
Recognized actuarial losses (gains) during the period	1,413
Amortization of prior service cost during the period	290
Retirement benefit expenses calculated by the simplified method	1,010
Other	50
Total	4,076

(6) Remeasurements of defined benefit plans

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

	(Millions of yen)
Prior service cost	3,995
Actuarial gain	(14,182)
Total	(10,186)

(7) Accumulated remeasurements of defined benefit plans

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

	(Millions of yen)
Unrecognized prior service cost	3,515
Unrecognized actuarial gain	153
Total	3,668

(8) 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	25%
International equities	4%
Insurance assets (general account)	11%
Cash and deposits	43%
Alternative investments	17%
Total	100%

(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.

(9) Basis for computation used in actuarial calculation

Basis for computation used in major actuarial calculation

Discount rate	mainly 2.1%
Expected long-term rate of return on plan assets	mainly 2.5%
Expected rate of salary increases	mainly 5.9%

Note: The discount rate applied in the calculation at the beginning of the consolidated fiscal year under review was mainly 0.3%. However, after reviewing the discount rate at the end of the fiscal year, it was determined that a change in the discount rate would have a significant impact on the amount of projected benefit obligations and the discount rate was changed to 2.1%.

3. Defined contribution plan

Amount of contribution required to defined contribution plan paid by the Company and its consolidated subsidiaries is ¥18,438 million.

**Non-Consolidated Balance Sheet**  
**As of March 31, 2025**

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

(Assets)	Amounts	(Liabilities)	Amounts
<b>Current assets</b>	<b>411,287</b>	<b>Current liabilities</b>	<b>358,533</b>
Cash and deposits	37,986	Notes payable – trade	724
Notes receivable – trade	42	Electronically recorded obligations – operating	1,849
Electronically recorded monetary claims – operating	1,695	Accounts payable – trade	54,708
Accounts receivable – trade	123,668	Short-term borrowings	87,132
Merchandise and finished goods	76,939	Commercial papers	25,000
Work in process	23,879	Current portion of bonds payable	15,000
Raw materials and supplies	25,035	Current portion of long-term borrowings	10,993
Prepaid expenses	5,850	Lease liabilities	300
Short-term loans receivable	84,703	Accounts payable – other	33,245
Accounts receivable – other	20,746	Accrued expenses	14,947
Other	11,363	Income taxes payable	497
Allowance for doubtful accounts	(623)	Contract liabilities	3,327
		Deposits received	92,362
		Provision for bonuses for directors (and other officers)	259
		Provision for product warranties	6,508
		Notes payable – facilities	184
		Electronically recorded obligations – facilities	364
		Accounts payable – facilities	10,283
		Other	842
		<b>Non-current liabilities</b>	<b>308,202</b>
		Bonds payable	175,000
<b>Non-current assets</b>	<b>1,499,149</b>	Long-term borrowings	126,173
<b>Property, plant and equipment</b>	<b>202,349</b>	Lease liabilities	550
Buildings	75,081	Long-term accounts payable – other	18
Structures	8,194	Long-term income taxes payable	191
Machinery and equipment	60,083	Provision for retirement benefits	3,874
Vehicles	113	Other	2,394
Tools, furniture and fixtures	16,104		
Land	24,367	<b>Total liabilities</b>	<b>666,736</b>
Leased assets	760		
Construction in progress	17,643	<b>(Net assets)</b>	
<b>Intangible assets</b>	<b>4,367</b>	<b>Shareholders' equity</b>	<b>1,186,475</b>
Patent right, etc.	4,367	<b>Share capital</b>	<b>85,032</b>
<b>Investments and other assets</b>	<b>1,292,431</b>	<b>Capital surplus</b>	<b>87,116</b>
Investment securities	150,327	Legal capital surplus	82,977
Shares of subsidiaries and associates	966,142	Other capital surplus	4,138
Investments in capital of subsidiaries and associates	111,684	Proceeds from disposal of treasury shares	4,138
Long-term loans receivable from subsidiaries and associates	30,016	<b>Retained earnings</b>	<b>1,015,666</b>
Long-term loans receivable	438	Legal retained earnings	6,066
Long-term prepaid expenses	585	Other retained earnings	1,009,600
Prepaid pension cost	19,858	Reserve for tax purpose reduction entry of non-current assets	3,785
Guarantee deposits	7,031	Reserve for specific stocks purchase	267
Deferred tax assets	6,744	General reserve	146,210
Other	35	Retained earnings brought forward	859,336
Allowance for doubtful accounts	(432)	<b>Treasury shares</b>	<b>(1,339)</b>
		<b>Valuation and translation adjustments</b>	<b>53,013</b>
		Valuation difference on available-for-sale securities	53,161
		Deferred gains or losses on hedges	(148)
		<b>Share acquisition rights</b>	<b>4,212</b>
		<b>Total net assets</b>	<b>1,243,700</b>
<b>Total assets</b>	<b>1,910,436</b>	<b>Total liabilities and net assets</b>	<b>1,910,436</b>

**Non-Consolidated Statement of Income**  
**From April 1, 2024, to March 31, 2025**

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

Net sales		792,314
Cost of sales		584,136
<b>Gross profit</b>		<b>208,177</b>
Selling, general and administrative expenses		202,187
<b>Operating profit</b>		<b>5,989</b>
Non-operating income		
Interest income	7,366	
Interest on securities	37	
Dividend income	150,608	
Other	551	158,563
Non-operating expenses		
Interest expenses	7,960	
Interest on bonds	1,169	
Foreign exchange losses	2,392	
Loss on valuation of derivatives	1,166	
Other	1,952	14,641
<b>Ordinary profit</b>		<b>149,911</b>
Extraordinary income		
Gain on sale of land	425	
Gain on sale of investment securities	12,159	
Gain on sale of shares of subsidiaries and associates	17,945	
Gain on insurance claims	1,161	31,692
Extraordinary losses		
Loss on disposal of non-current assets	270	
Loss on valuation of investment securities	1,041	
Loss on valuation of shares of subsidiaries and associates	80	
Distinguished service compensation	4,300	
Other	1	5,693
<b>Profit before income taxes</b>		<b>175,910</b>
Income taxes – current	11,484	
Income taxes – deferred	(4,334)	7,150
<b>Profit</b>		<b>168,760</b>

**Non-Consolidated Statement of Changes in Equity**  
**From April 1, 2024, to March 31, 2025**

(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	3,547	86,524	6,066	3,840	329	146,210	782,686	939,133
Changes in items during period										
Dividends of surplus									(92,227)	(92,227)
Reversal of reserve for tax purpose reduction entry of non-current assets						(55)			55	—
Reversal of reserve for specific stocks purchase							(61)		61	—
Profit									168,760	168,760
Purchase of treasury shares										
Disposal of treasury shares			591	591						
Net changes in items other than shareholders' equity										
Total changes in items during period	—	—	591	591	—	(55)	(61)	—	76,650	76,533
Balance at end of current period	85,032	82,977	4,138	87,116	6,066	3,785	267	146,210	859,336	1,015,666

	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	(1,516)	1,109,174	64,835	94	64,929	3,771	1,177,875
Changes in items during period							
Dividends of surplus		(92,227)					(92,227)
Reversal of reserve for tax purpose reduction entry of non-current assets		—					—
Reversal of reserve for specific stocks purchase		—					—
Profit		168,760					168,760
Purchase of treasury shares	(6)	(6)					(6)
Disposal of treasury shares	183	775					775
Net changes in items other than shareholders' equity			(11,673)	(242)	(11,916)	440	(11,476)
Total changes in items during period	176	77,301	(11,673)	(242)	(11,916)	440	65,825
Balance at end of current period	(1,339)	1,186,475	53,161	(148)	53,013	4,212	1,243,700

## 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.)
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Shares that do not have a market value:	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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(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.

## Changes in Accounting Policies

(Application of the Accounting Standard for Current Income Taxes, etc.)

The Company has applied the “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as the “Revised Accounting Standard 2022”), etc., from the beginning of the fiscal year under review.

With regard to the amendment to categories in which income taxes, etc., should be recorded, the Company follows the transitional treatment prescribed in the proviso of Paragraph 20-3 of the Revised Accounting Standard 2022. This change in accounting policies has no impact on the financial statements.

(Application of the Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules)

The Company has applied the “Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules” (PITF No. 46, March 22, 2024) from the beginning of the fiscal year under review. For income taxes, etc., related to the global minimum tax rules, a reasonable amount of such income taxes, etc., has been estimated based on information available at the time of preparing the financial statements, and recognized in profit and loss.

The impact of this change on the financial statements for the fiscal year under review is immaterial.

## Change in Presentation Method

(Non-Consolidated Balance Sheet)

From the fiscal year under review, “electronically recorded monetary claims - operating,” which was included in “notes receivable - trade” under “current assets” in the previous fiscal year, has been separately presented to ensure clarity in presentation. “Electronically recorded monetary claims - operating” for the previous fiscal year was ¥1,934 million.

## 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
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(Millions of yen)

2. Accumulated depreciation of property, plant and equipment	421,202
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### 3. Liabilities on guarantee

#### (1) Guarantees

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

Calefaccion y Ventilacion, SA de CV	663
Daikin Chemical Europe GmbH	639
AAF S.A.U	330
American Air Filter Company, Inc.	282
Daikin Ar Condicionado Brasil Ltda.	140
Six (6) other companies	101
Total	2,158

#### (2) Commitments to guarantee

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

(Millions of yen)

AAF-McQuay UK Limited	3,026
Daikin Airconditioning India Pvt. Ltd.	2,704
Daikin Airconditioning Philippines, Inc.	1,759
Daikin Ar Condicionado Brasil Ltda.	718
Daikin Advanced Materials Korea Co., Ltd.	711
Five (5) other companies	1,051
Total	9,973



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

	(Millions of yen)
Short-term monetary receivables	188,663
Short-term monetary payables	120,964
Long-term monetary payables	14

### **Notes to the Non-Consolidated Statement of Income**

Volume of transactions with affiliated companies

	(Millions of yen)
Operating transactions	
Sales amount	526,287
Purchase amount	250,467
Non-operating transactions	251,121

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

Type and number of shares of treasury shares as of March 31, 2025

Common shares: 306,617 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	25,416
Shares of subsidiaries and associates	20,085
Inventories	3,629
Provision for bonuses	3,400
Provision for product warranties	1,990
Investment securities	689
Provision for retirement benefits	472
Allowance for doubtful accounts	339
Enterprise tax payable	134
Long-term accounts payable – other	5
Other	4,446
Subtotal of deferred tax assets	60,611
Less valuation allowance	(22,688)
Total deferred tax assets	37,923

#### Deferred tax liabilities:

Valuation difference on available-for-sale securities	(23,651)
Prepaid pension cost	(5,506)
Reserve for tax purpose reduction entry of non-current assets, etc.	(2,021)
Total deferred tax liabilities	(31,179)
Net deferred tax assets (liabilities)	6,744

### 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	(28.1)
Foreign income tax withheld relating to dividends from foreign subsidiaries	5.8
Tax credit for experimentation and research expense, etc.	(4.0)
Valuation allowance	1.3
Adjustments to book value of investment in shares of subsidiaries	(1.2)
Unrecognized tax effect on foreign income tax credit	(0.7)
Entertainment expenses and others that are permanently excluded from taxable loss	0.7
Per capita inhabitant's tax	0.1
Other	(0.4)
Actual effective income taxes rate after the adoption of tax-effect accounting	4.1

### 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.

### 4. Change in income tax rate

With the enactment of the “Act for Partial Amendment of the Income Tax Act, etc.” by the Diet on March 31, 2025, the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities for the fiscal year under review (limited to those to be eliminated on or after April 1, 2026) was changed from the previous fiscal year's 30.58% to 31.47%.

As a result, the amounts of deferred tax assets (after deducting the amount of deferred tax liabilities), income taxes - deferred recorded in the fiscal year under review, valuation difference on available-for-sale securities,

reserve for tax purpose reduction entry of non-current assets, and reserve for specific stocks purchase decreased by ¥253 million, ¥418 million, ¥671 million, ¥49 million, and ¥0 million, respectively, while the amount of retained earnings brought forward increased by ¥50 million.

## 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)	99,313	Accounts receivable – trade	9,867
	Daikin Applied Americas Inc.	100% (indirectly holding)	Loan	Loan (Note 2)	31,207	Short-term loans receivable	47,338
				Loan	8,157	Long-term loans receivable from subsidiaries and associates (incl. current portion)	38,164
				Repayment of loan	9,862		
				Interest income (Note 3)	3,903	Other current assets	218
	Daikin Applied Systems Co., Ltd.	51% (directly holding)	Sale of shares of subsidiaries and associates	Sale of shares of subsidiaries and associates (Note 4)	18,108	—	—
	Daikin Holdings America Inc.	100% (directly holding)	Capital increase	Underwriting of capital increase	148,136	—	—
	Daikin Europe N.V.	100% (directly holding)	Capital increase	Underwriting of capital increase	34,122	—	—
	Daikin Airconditioning India Pvt. Ltd.	100% (directly holding)	Capital increase	Underwriting of capital increase	25,894	—	—

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. Borrowing and loan are related to CMS (Cash Management System), and transaction amount shows the average balance during the period.
3. The interest rate has been determined in accordance with the market interest rate.
4. The sale of shares refers to the transfer of shares of Daikin Applied Systems Co., Ltd. held by the Company through a share buyback conducted by said company. The transfer price was determined based on the results of a stock price calculation by a third-party institution.

### Per Share Information

Net assets per share: ¥4,233.12  
Earnings per share: ¥576.39

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.