Integrated Report 2026

Fiscal Year Ended March 31, 2026

Aiming to be a highly profitable and sustainable company that continues to be chosen worldwide through the provision of new value for the environment and air

Currently, air-conditioning is said to account for approximately 10% of the world's energy use. Moreover, the International Energy Agency projects that demand for air-conditioning will increase rapidly and global energy demand for space cooling will triple by 2050 compared with 2015, due to the economic growth of developing countries.* Accordingly, reducing the accompanying increase in energy use and greenhouse gas(GHG) emissions is an important social issue. Using heat pump, inverter, refrigerant control, and other technologies that will steer the development of an environmentally conscious society, Daikin is working to contribute to the realization of carbon neutrality. By further strengthening these capabilities and continuously creating new value for the environment and air, we aim to be a highly profitable and sustainable company that continues to be chosen worldwide.

* Source: Daikin estimates based on The Future of Cooling, International Energy Agency, 2018

A Spirit Passed Down from One Generation to the Next

Daikin is the only comprehensive air-conditioning manufacturer in the world that handles both air conditioners and refrigerants. Since its founding in 1924, Daikin has continued to grow by focusing on the air-conditioning and fluorochemicals businesses.

As we continue to rapidly expand our business from both a regional and operational perspective, we will stay true to our Core Values as the foundation of our business management and to our Group Philosophy as the basic philosophy shared by all Group employees, which serve as the guiding principles for our actions.

In celebration of our 100th anniversary in 2024, we have revised our Group Philosophy to be the basic management policy that will underpin Daikin's further growth and development, building on our growth trajectory to date and responding to society's expectations and demands of Daikin going forward.

Our Core Values

- Absolute Credibility
- Enterprising Management
- Harmonious Personal Relations

Our Group Philosophy

Purpose

Our purpose is to provide comfort and security for all.
At Daikin, we believe in the infinite potential of people.
With our passion and innovative technologies,
we create a sustainable and bright future.

Together, We Brighten the Future

1. Resolve Social Issues and Enhance Corporate Value

2. Create New Value by Anticipating Future Needs

3. Realize a Better Society through Innovative Technologies

4. Take Action to Maintain Society's Trust

(1) Be Transparent to Society and Build Mutual Development

(2) Grow with our Business Partners

5. Think Globally and Be Flexible and Vibrant

6. Practice "People-Centered Management (PCM)" and Provide Challenging Opportunities

(1) Create an Open-minded Atmosphere and Provide Ambitious Challengers with More Opportunities

(2) Value Empathy for Daikin Group Philosophy and Cherish the Pride and Joy of Being Part of the Daikin Group

(3) Promote and Respect Diversity Management

Please refer to "Our Group Philosophy" for details.

In Pursuit of Further Growth

Through the globalization of its business in the last 20 years, Daikin has become a comprehensive air-conditioning manufacturer that operates in more than 170 countries and regions around the world.

Going forward, as a leading global company, Daikin will stand at the forefront of today's environmentally conscious society to help resolve its issues while continuing to grow and expand its business on the strength of technologies cultivated in the business of air-conditioning.

Fiscal 2005 Results

Net Sales
¥792.8 billion

Return on assets (ROA)
6.0%

Operating Profit
¥66.5 billion

Ratio of Overseas Sales
46%

Market Capitalization
¥1,086.9 billion

Ratio of Overseas Employees
57%

Operating Profit Margin
8.4%

Two Decades of Remarkable Strides

Net Sales
6.3 times

Market Capitalization
5.0 times

Operating Profit
6.2 times

Overseas Sales
11.4 times

Fiscal 2025 Results

Net Sales
¥5,015.0 billion

ROA
5.0%

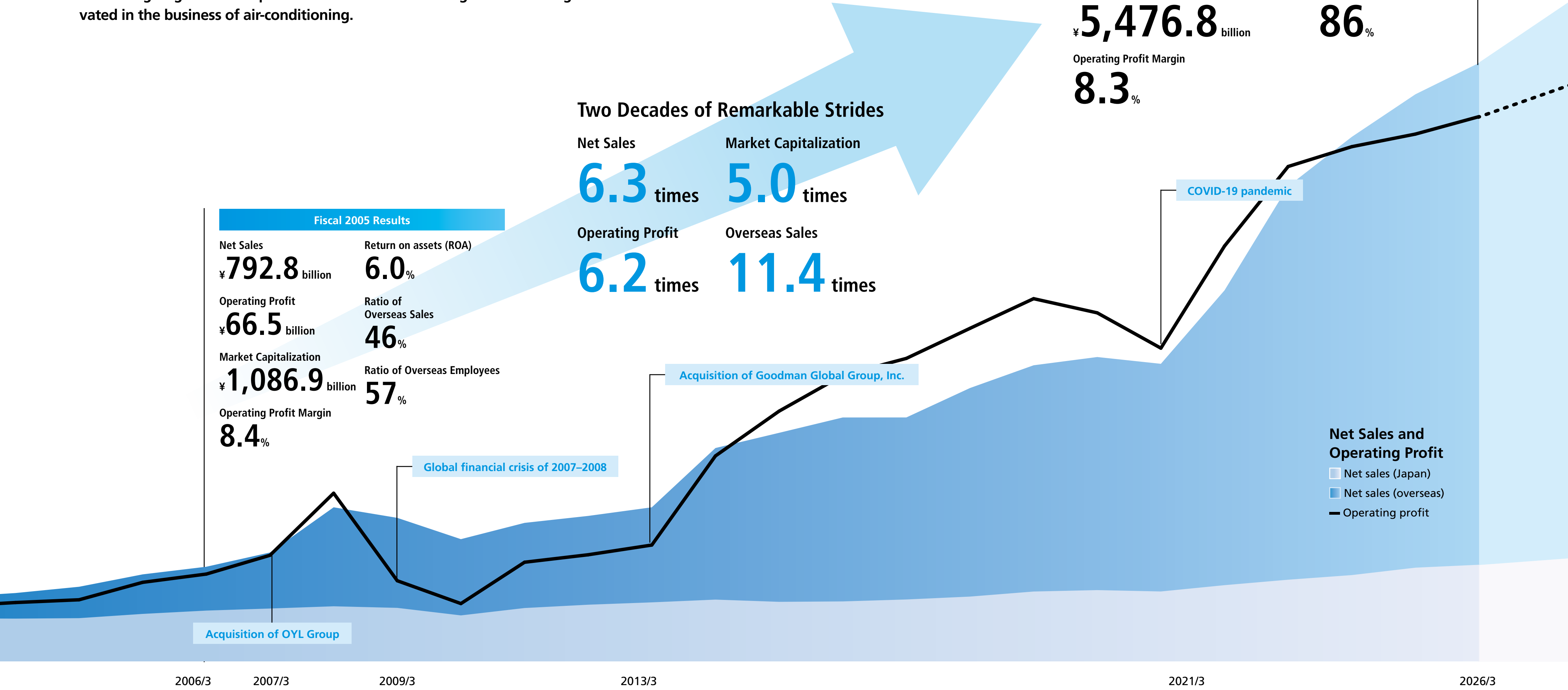
Operating Profit
¥415.0 billion

Ratio of Overseas Sales
84%

Market Capitalization
¥5,476.8 billion

Ratio of Overseas Employees
86%

Operating Profit Margin
8.3%



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Editorial Policy

Integrated Report 2026 was created to provide stakeholders with a comprehensive overview of Daikin's business, including its strengths, business model, unique corporate culture, and strategies for medium- to long-term growth and development.

To complement this report, we have also published *Sustainability Report 2026*, which discloses more detailed and comprehensive environmental, social, and governance (ESG) information to shareholders, investors, and evaluation organizations.

Referenced Guidelines

- International Integrated Reporting Framework of the IFRS Foundation
- Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)
- Guidance for Collaborative Value Creation, issued by Japan's Ministry of Economy, Trade and Industry

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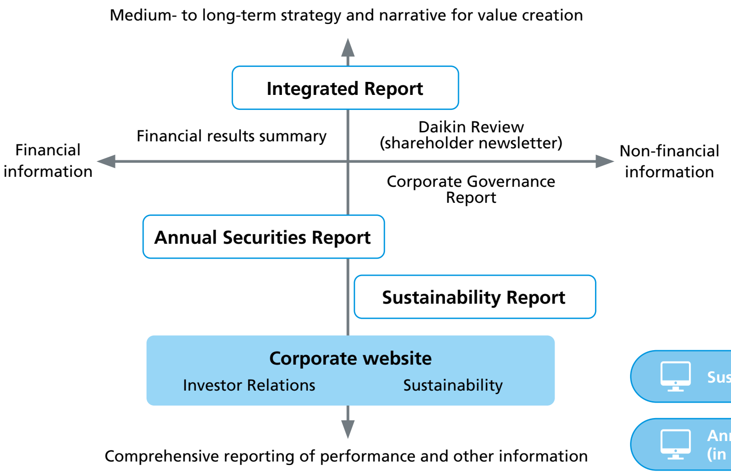
Daikin's Information Disclosure

Daikin places great importance on appropriate communication with stakeholders and provides information through multiple disclosure channels. The Integrated Report and Sustainability Report are regarded as complementary publications and issued simultaneously. The Integrated Report serves as the primary disclosure tool for presenting Daikin's growth strategy from both financial and non-financial perspectives, while the Sustainability Report serves as a supplementary tool for providing detailed non-financial information related to the achievement of sustainable growth.

The Annual Securities Report is regarded as the Company's statutory disclosure document in accordance with the Financial Instruments and Exchange Act.

Roles of Daikin's Information Disclosure Tools



Sustainability Report 2026

Annual Securities Report (in Japanese only)

Scope of Coverage

This report covers Daikin Industries, Ltd. and its 324 consolidated subsidiaries (325 companies in total). However, the data relating to the environmental management system covers Daikin Industries, Ltd. and 77 consolidated subsidiaries, which account for more than 95% of its production sites.

In this report, "the Group" and "Daikin" refer to the Daikin Group overall, while "the Company" refers to Daikin Industries, Ltd.

Period of Coverage

This report covers the period from April 1, 2025 to March 31, 2026 (fiscal 2025).

Forward-Looking Statements

This report contains statements regarding the future plans and strategies of Daikin Industries, Ltd. (the Company), as well as the Company's future performance. These statements are not statements of historical fact and are based on judgments made by the Company on the basis of information known at the time they were written. Readers should therefore refrain from drawing conclusions based only on these statements regarding the future performance of the Company. The actual future performance of the Company may be influenced by economic trends, strong competition in the industrial sectors in which the Company operates, foreign currency exchange rates, and changes in taxation and other systems. For these reasons, these forward-looking statements are subject to latent risk and uncertainty.

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Issuance of *Integrated Report 2026*

The integrated report is issued to provide shareholders and investors with information on the initiatives Daikin is taking to enhance corporate value over the medium to long term. By working alongside all our stakeholders, including customers, business partners, employees, and local communities, we will help overcome social and environmental issues while continuing to develop our business and grow as an organization. Daikin's ultimate goal is to help realize a sustainable society, and this report incorporates detailed information on our approach to achieving it. This report has been compiled with reference to guidelines such as the International Integrated Reporting Framework of the IFRS Foundation and the Guidance for Collaborative Value Creation of Japan's Ministry of Economy, Trade and Industry.

Fiscal 2026 marks the start of Daikin's FUSION 30 strategic management plan. *Integrated Report 2026* explains, from both financial and non-financial perspectives, how we will achieve sustainable growth and enhance corporate value based on the management foundation established under FUSION 25 and our achievements and the issues identified during that period.

As the world's leading comprehensive manufacturer of air conditioners, it is our mission to continue to provide solutions to environmental and social issues. We will continue to grow and expand our business by drawing on the strengths and advanced environmental technologies we have cultivated through a commitment to our corporate culture of People-Centered Management.

This report contains information that is of particular importance for enhancing Daikin's corporate value. For more detailed information, please refer to Daikin's corporate website.

Message from the Chairman of the Board and CEO

Our FUSION 30 strategic management plan outlines a new challenge to transform Daikin into a company with higher profitability and capital efficiency by leveraging its long-cultivated business foundation. As we continue to evolve into a highly profitable and sustainable company, we will further enhance the quality of our management.

Masanori Togawa
Representative Director, Chairman of the Board and CEO

Shifting Our Management Focus to Qualitative Improvement

The world is currently at a major turning point. Structural changes are occurring on multiple fronts, including the transition toward carbon neutrality, increasingly stringent environmental regulations, prolonged geopolitical risks, the economic rise of the Global South and the resulting surge in air-conditioning demand, and rapid societal transformation driven by AI. Against this backdrop, we are facing a highly uncertain future.

In this era of heightened uncertainty, I believe the most important responsibility of management is to clearly define what must be preserved and what must be changed. By preserving what must be preserved and changing what must be changed, we can continue to enhance corporate value.

Since launching our FUSION strategic management plan in 1996, we have continued to pursue a balance between short-term profitability and long-term growth potential. Although our new strategic management plan is an extension of this management philosophy, it places greater emphasis on qualitative improvement by leveraging our long-cultivated business foundation to achieve higher profitability and capital efficiency. What we must preserve are the strengths we have cultivated over many years and our philosophy of People-Centered Management. What we must change is the focus of management. We will evolve our management approach to place greater emphasis on profitability and capital efficiency, thereby further enhancing our corporate value.

The Challenge of Strengthening Our Earnings Power Remaining from FUSION 25

Looking back on the five years of FUSION 25, the business environment proved far more challenging than initially anticipated, due to factors such as the COVID-19 pandemic, U.S. tariff policies, and ongoing conflicts around the world. Despite these circumstances, Daikin achieved record net sales and operating profit, while steadily strengthening its business foundation for future growth by expanding the Applied Business, particularly in North America, and its global sales and service network. These achievements reflect the dedicated efforts of each employee around the world amid a difficult global environment and are a testament to the collective strength of the Daikin Group.

At the same time, several challenges came to light. In addition to fluctuating demand and a changing competitive landscape, the adverse impacts of a business structure dependent on equipment sales and price competition led to our operating profit margin and ROE falling short of our targets. I do not view this simply as a consequence of external environmental changes; rather, I see it as a clear need to further strengthen our earnings power. The business foundation established under FUSION 25 represents a significant achievement and a solid platform for future growth. However, we must evolve management a step further by leveraging that foundation to achieve higher profitability and capital efficiency. Over the next five years, we must rebuild our earnings power on the strength of the foundation we have built for growth. This recognition served as the starting point for formulating FUSION 30.

In formulating FUSION 30, we engaged in extensive dialogue with a wide range of stakeholders, including the capital markets. We earnestly considered their expectations and perspectives on enhancing corporate value, including the rebuilding of earnings power, improvement of operating profit margin and ROE, and revisions to our capital policy, and incorporated them into the plan. At the same time, we will strengthen our management foundation to facilitate the achievement of these goals. We will enhance our execution structure for driving key themes, establish a new chief financial officer (CFO) position to further strengthen financial strategy and capital policy, and increase the ratio of external directors to improve the transparency and objectivity of governance. Furthermore, we are reviewing our executive compensation system to place greater emphasis on profitability and capital efficiency, thereby realizing capital-efficient management.

Enhancing Corporate Value Through Capital-Efficient Management with an ROE Target of More Than 15%

Daikin aims to become a highly profitable and sustainable global company that continues to be chosen around the world by creating new value for the environment and air. To that end, FUSION 30 focuses more than ever on improving our key ratios, including operating profit margin and ROE, and positions the enhancement of profitability and capital efficiency at the core of management policy.

Specifically, we are targeting an operating profit margin of 10% and ROE of 12% by fiscal 2028, with a view to achieving ROE of more than 15% by fiscal 2030. ROE of 12% is merely a milestone. We recognize that consistently generating returns that exceed the cost of capital and translating those results into higher corporate value are essential for investors to fully realize our growth potential. This is not simply about setting numerical targets. Rather, we view FUSION 30 as a Companywide transformation that involves evolving our business model and enhancing the quality of capital allocation.

Transforming Our Business Structure to Generate Profits Throughout the Product Life cycle

So, how do we go about enhancing profitability? The essence of our approach is evolving from a business centered only on equipment sales to one that delivers value throughout the product life cycle.

Over the years, Daikin has continued to build a global sales and service network and an extensive customer base. This network, which allows us to directly maintain relationships with customers around the world, is a strength unique to Daikin and one that our competitors cannot easily replicate. Leveraging this robust foundation, we will strengthen our ability to provide integrated value spanning systems design, installation, operation, and maintenance, alongside advanced operational support using data. Through these initiatives, we will significantly transform our earnings structure. By continuing to deliver value after the sale of equipment through maintenance, upgrades, and operational improvements, we can accumulate stable, recurring revenue streams. Furthermore, by expanding our proposals to encompass customers' equipment operations and energy efficiency, we will shift toward a high-value-added business model that is less dependent on price competition. We will also use data generated from equipment to optimize operations and propose energy-saving solutions, thereby enhancing customer value while improving profitability. By consistently creating value across the entire life cycle, we will transform our business structure into one that continuously generates earnings.

During the five years of FUSION 25, we steadily built the foundation necessary to strengthen our Solutions Business, particularly in North America. This included establishing an owner-direct sales network through the acquisition of manufacturers' representatives* and instrumentation engineering companies, and also the reinforcement of regional management structures for the Applied Solutions Business. These investments are now entering the stage where they will begin to generate tangible returns. Our most important market is data centers, where demand is expanding rapidly. We will continue to deliver solutions in this market by leveraging the cooling systems, global supply network, and service infrastructure we secured under FUSION 25. By establishing a highly profitable business model in the data center market and deploying it globally, we will improve profitability across the Group. In addition to these solutions-oriented initiatives, we will work to boost profitability in the residential unitary business. We aim to strengthen the earnings base of our residential Air Conditioning Business by expanding sales of *Fit* environmental premium products, thereby increasing the ratio of inverter-equipped units and raising the proportion of high-value-added products in our portfolio.

By implementing a business model that generates high profitability throughout the product life cycle, which is currently under development in the Applied Business, and improving product mix in the residential unitary business, we will enhance the profitability of our entire Air Conditioning Business in North America.

In fiscal 2025, the Solutions Business accounted for 28% of net sales in the Air Conditioning Business, and we aim to increase this to 40% by fiscal 2030. The expansion of the Solutions Business will be the primary driver of profitability improvement, accounting for approximately 70% of gross profit growth across the Air Conditioning Business.

* A business format unique to North America, in which companies or individuals enter into proxy agreements with manufacturers to conduct sales activities. Manufacturers' representatives do not normally engage in the resale of products but receive a commission from the manufacturer based on the amount of sales they achieve.

Transforming Our Earnings Structure Through the Extensive Use of AI and a Review of Low-Profit Businesses

Profitability improvement is not limited to specific businesses. It is a Groupwide initiative to reform our cost structure. A key pillar of this effort is the extensive use of AI and digital technologies. Through investments in these areas, we will fundamentally redesign business processes, enhance decision-making, and improve operational efficiency, thereby creating added value and optimizing fixed costs. By leveraging proprietary generative AI that incorporates Daikin's air-conditioning expertise, as well as deploying AI agents globally, we intend to accelerate development and improve the efficiency of indirect operations.

The key to achieving this is not merely reducing costs but enhancing overall efficiency while continuing to invest in areas that will drive our competitiveness going forward. Reducing fixed costs and investing for growth are not mutually exclusive. We will continue to make the investments necessary for future growth while reviewing our business processes and resource allocation, thereby fundamentally transforming our earnings structure.

In addition to these efforts, we will continue to review our business portfolio from the perspective of asset efficiency and allocate capital based on growth potential and profitability. For businesses requiring improvement, we will advance structural reforms aimed at enhancing capital returns, using indicators such as D-ROIC,* and, where necessary, make decisions regarding business withdrawals or divestitures. We will direct capital to areas that offer higher growth potential and profitability. As CEO, I am firmly committed to upholding this discipline.

*Daikin Return on Invested Capital: Daikin's proprietary management indicator for return on invested capital, focusing on elements that can be easily managed at the business unit level. It is used to evaluate the capital efficiency of each business segment and calculated as: Operating profit ÷ Invested capital (Trade receivables + Inventories + Fixed assets).

FUSION 30 Part B: Building a More Resilient Profit Structure ▶ Page 36

Transformation Is Driven by People

The most important foundation for successfully transforming our business structure is, after all, the people in our organization. Regardless of advancements in technology and digital solutions, I firmly believe it is people who ultimately drive and accomplish transformation. This conviction stems from our long-standing philosophy of People-Centered Management, which has guided Daikin since its founding and remains unchanged under FUSION 30.

For example, evolving into a solutions-oriented business model requires people who can deliver integrated value, starting with identifying customer challenges and spanning system design, installation, operation, and maintenance, alongside energy-efficiency optimization. To that end, we will systematically expand our pool of solutions-oriented talent globally while strengthening the digital-savvy talent necessary to support this transformation.

Our investments in AI and digital technologies are intended not only to improve operational efficiency but also to enhance decision-making in the field and create new added value. I believe that increasing the value created by each employee will ultimately strengthen earnings power throughout the Group. Through such investment in human capital, we will steadily evolve our business model and improve profitability.

Leveraging the Rising Global Air-Conditioning Demand as a Major Opportunity to Contribute to the Environment

Daikin's mission is to enhance corporate value by continuing to expand its business and contribute to the resolution of environmental and social issues through the creation of new value.

According to estimates by the International Energy Agency (IEA), global electricity demand for cooling is expected to grow to three times its 2015 level by 2050. Though this presents a significant social challenge from the perspective of energy consumption and GHG emissions, it also represents a major opportunity for Daikin to further contribute to the environment by utilizing its expertise in air-conditioning and refrigerants. Through the wider adoption of energy-efficient air-conditioning systems, low-GWP refrigerants, and the provision of solutions that directly help customers reduce their CO_2 emissions, we are committed to reducing environmental impact. Furthermore, our circular economy initiatives, such as establishing a refrigerant eco-cycle for refrigerant recovery and reclamation and increasing the use of recycled materials, are not merely viewed as environmental measures but as future sources of competitive advantage. Daikin will continue to create value in ways no one else can by achieving business growth and contributing to the environment.

Message from the Chairman of the Board and CEO

Our Commitment to Improving Capital Efficiency While Prioritizing Growth Investments

Under FUSION 30, we are committed to improving capital efficiency alongside enhancing profitability.

In terms of growth investment, we will concentrate resources in areas that offer potential for both growth and profitability, such as North America, India, data center-related businesses, the Applied Business, and the Chemicals Business. We will continue to execute capital expenditures and M&A selectively in areas that lead to future growth. Growth investment remains our highest priority for capital allocation.

From a capital efficiency point of view, we will continue to review our business portfolio and allocate resources based on growth potential and profitability. As for shareholder returns, we are well aware of their importance in enhancing corporate value. While maintaining an appropriate balance with growth investments, we will work to enhance shareholder returns in ways that contribute to improved capital efficiency. As a first step in demonstrating management's commitment to improving capital efficiency, we executed a share buyback of ¥350.0 billion in conjunction with the announcement of FUSION 30. As CEO, I am determined to instill a management approach that focuses on cost of capital and improves the quality of capital allocation.

To further reinforce this transformation into a management approach focused on quality, we are also strengthening our governance and execution capabilities. Under FUSION 30, we established a new CFO position and increased the ratio of external directors to 50%. We also revised our executive compensation system by increasing the proportion of performance-linked bonuses and stock-based compensation. In addition, we introduced D-ROIC as a new performance indicator to promote sustainable improvements in profitability and capital efficiency, as well as total shareholder return (TSR) as an indicator to measure the results of corporate value enhancement. These measures demonstrate our commitment to enhancing the quality and transparency of our management decision-making, facilitating assessment by external parties.

Daikin's Mission Beyond FUSION 30

Daikin celebrated its 100th anniversary in 2024, during the period of FUSION 25. To mark this milestone and look toward the next 100 years, we revised our Group Philosophy, reaffirming our mission and responsibility of continuing to provide comfort and security for all. FUSION 30 represents merely the first step on this long journey.

I anticipate that, even beyond the 2030s, the world will face numerous social issues deeply connected to Daikin's business. For instance, with the expanding demand for air-conditioning, particularly in developing countries, how can we provide healthy and comfortable air environments for everyone regardless of income level? How can we mitigate health risks associated with extreme heat? These are the types of challenges Daikin is uniquely positioned to address through its air-conditioning technologies, solutions for creating value with air, and global sales and service network.

Social challenges should not be viewed separately from business activities. By providing indoor air quality and air environments that support healthy and comfortable lives, while reducing energy consumption and environmental impact, we create value by leveraging Daikin's unique strengths. Through these efforts and the use of Daikin's distinctive technologies and business foundation, we will contribute to the resolution of social challenges, which in turn will lead to our own sustainable growth. Our goal of becoming a highly profitable and sustainable global company stems from our desire to continuously contribute to the betterment of society.

To Our Shareholders and Investors

Under FUSION 30, we will transform the business foundation established under FUSION 25 into one that delivers higher profitability and capital efficiency. We are transitioning from a five-year period focused on establishing a business foundation to a five-year period focused on improving the quality of that foundation to enhance value. Accordingly, we are now at a pivotal turning point.

In this era of heightened uncertainty, we will steadily execute our strategy with both the determination to act and the flexibility to adapt. We remain fully committed to deepening dialogue with shareholders and investors and maximizing corporate value over the long term. We sincerely ask for your continued support.

August 2026
Masanori Togawa
Representative Director,
Chairman of the Board and CEO

Message from the President and COO

By leveraging our collective strengths to address customer issues, we will transform into a solutions-driven business that steadily delivers results.

Transforming into a Highly Profitable Business Structure Under FUSION 30

Under FUSION 25, Daikin achieved record net sales and operating profit. However, operating profit margin and ROE fell short of our targets. I take these results seriously and recognize that improving profitability and capital efficiency, thereby enhancing corporate value, is a key management priority under FUSION 30.

Multiple factors contributed to the decline in operating profit margin. Sales declined in regions that had previously driven profitability, including the heat pump heating market in Europe and the air-conditioning market in China. Although we made upfront investments to expand production capacity and establish our business foundation in anticipation of future demand growth, changes in the market environment delayed the recovery of some of these investments. Furthermore, despite steadily building the foundation for our Solutions Business through measures such as expanding our sales and service network and developing human resources, we were unable to translate these efforts into sufficient earnings.

Regardless, these results cannot be explained solely by changes in the external environment. Issues in our operational approach also need to be revised when considering our ability to respond to demand fluctuations and our execution capabilities in turning the Solutions Business into a source of earnings. In particular, we must further accelerate our efforts to respond quickly to regional market changes, optimize operations on a global basis, and transition to a structure in which the sales, service, and development functions work as one to resolve customer issues.

One of Daikin's strengths is the autonomy of its regional operations and the ability of frontline personnel to make decisions independently. However, with the increasingly rapid changes in our business environment, we need a system that enables swift and agile decision-making across the Group while maintaining discipline in capital efficiency and leveraging our strengths in this area. Evolving our business model from one that has been primarily driven by equipment sales to a solutions-oriented model focused on resolving customer issues is essential.

Under FUSION 30, our objective is not simply to expand our business. Rather, we aim to evolve our management approach so that the business foundation we have built translates into higher profitability and capital efficiency, thereby sustainably enhancing corporate value.

Achieving a Highly Profitable Solutions Business by Addressing Customer Issues

At the core of our profit improvement efforts is the full-scale monetization of the Solutions Business. In light of a rapidly changing environment, our customers face increasingly complex issues such as energy conservation, decarbonization, labor shortages, and improvements to equipment operations. Addressing these issues entails providing value not only through the sale of standalone air-conditioning equipment but also through system design, installation, operation, maintenance, and optimized system management using data.

One of Daikin's major strengths is its extensive HVAC portfolio, ranging from residential and large-scale commercial air-conditioning systems to ventilation and control systems. However, the intensifying competition in the global air-conditioning market is making it difficult to achieve sustainable growth and higher profitability merely through the sale of standalone equipment. This is precisely why we are shifting toward a solutions-oriented business model of continuously delivering value through the resolution of customer issues.

Naofumi Takenaka
Representative Director,
President and COO

In advancing the transformation toward a solutions business, I believe one of my most important responsibilities as COO is to establish a system to develop and deploy talent and share and replicate successful practices globally alongside quickly generating profits and achieving our business plans and targets.

Central to this approach is the expansion of solutions for each application market. For the specific challenges of data centers, factories, and offices, we provide a comprehensive menu of one-stop solutions encompassing large-scale heat source equipment, custom air-handling units, rack cooling systems, and integrated control systems. By delivering value through not only equipment sales but also systems operation and maintenance as well as energy-saving proposals, we will continue to create new sources of recurring revenue.

For data centers, our largest growth sector, Daikin has established a Center of Excellence (CoE) in the United States and is building a framework to deploy successful practices across the Group. By applying the knowledge gained in the U.S. to markets in Europe and Asia, we will accelerate the rollout of solutions across the globe.

Under FUSION 25, we steadily built the foundation for our Solutions Business, centered on North America, through upfront investments aimed at expanding our sales network and product lineups. FUSION 30 is a five-year period during which we will transform these investments into tangible results. AI and digital technologies will drive this transformation. By using data on equipment operation and energy consumption, we can visualize customer issues and propose solutions for energy conservation and operational improvements. By using data to continuously deliver value, we will build long-term customer relationships while enhancing profitability.

Developing the People and Organization Necessary to Achieve Transformation

Strengthening our human resource portfolio and organizational structure is essential to achieving sustainable growth in the Solutions Business. Delivering value based on customer challenges requires going beyond the traditional framework of functions such as sales, services, and development and creating a structure that brings together the necessary knowledge and expertise. As customer issues become increasingly sophisticated and complex, it is becoming more difficult to create customer value by relying on a single area of expertise. The key is to establish a framework that enables professionals with different areas of expertise to collaborate across functions to deliver optimal solutions to customers.

To that end, we will promote personnel rotations between sales and service functions while systematically developing the talent necessary to expand the Solutions Business. Through these initiatives, we will expand the pool of professionals who understand the entire value chain, from customer engagement to operation and maintenance, in order to deliver greater value through solutions for customer issues.

Expanding the Solutions Business requires people who can create customer value through digital technologies. Daikin Information and Communications Technology College was established in 2017 to provide this foundation and has since developed a large number of professionals proficient in digital technology. While these digital-savvy talent have engaged primarily in activities to improve operational efficiency and reform business processes to date, under FUSION 30 we will deploy them more directly into the front lines of the Solutions Business. We will create an environment in which they play key roles in not only driving efficiency but also creating customer value, developing new business models, and achieving the growth and successful transformation of the Solutions Business.

In addition, we will further improve efficiency across the Group by promoting the use of AI and digital transformation for tasks that can be standardized and automated. The time and capacity generated through these measures will be redirected to high-value-added activities, such as solution proposals and customer value creation, to enhance productivity and accelerate business growth. Through such investment in human capital and organizational transformation, we will strengthen the execution capabilities needed to expand the Solutions Business.

Embedding Capital-Efficient Management at the Front Lines Through D-ROIC

In FUSION 30, D-ROIC was adopted as a management indicator to drive improvements in capital efficiency. With invested capital consisting of trade receivables, inventories, and fixed assets, D-ROIC is used to visualize the capital efficiency of each business segment, enabling certain issues to be identified and resolved at the business unit level.

An area that offers significant room for improvement is inventories. I believe the starting point for inventory optimization is improving the accuracy of sales planning. Improved sales projections not only lead to optimal inventory levels but also strengthen the sales and marketing capabilities necessary to capture demand. Furthermore, we will establish a production and supply system that responds immediately to demand fluctuations by strengthening our ability to ensure timely production and streamlining the flow of products and information, thereby reducing inventory levels without sacrificing other areas of our operations.

Our production sites in Mexico, India, and Poland, where we invested for further growth during FUSION 25, will serve as key components of our global supply network as well as in our efforts to build a production and supply system that can respond flexibly to changing demand. At the same time, we will reform our entire supply chain management process, spanning sales, procurement, production, and supply, with the aim of optimizing inventory levels across our global operations.

Drawing on my own experience overseeing supply chain operations for many years, I believe reforming our sales planning, production, and supply capabilities is essential to achieving optimal inventory levels. Guided by this conviction, we have launched a Companywide cross-functional project to restructure our supply chain management and improve both our inventory turnover and accounts receivable turnover.

We will also strengthen our ability to continuously monitor the profitability of capital investments on an individual project basis and respond promptly when performance falls short of our plans. In addition to accelerating the development of differentiated products and expanding sales of high-value-added products, we aim to improve both asset efficiency and profitability by thoroughly reorganizing our product portfolio and making optimal use of production capacity. For example, at our production plant in Poland, originally established to expand the European heat pump heating market, we are enhancing the flexibility of our production system by launching the production of ventilation products and air-handling units, among other measures in response to changes in demand and market conditions. Through these initiatives, we plan to reduce the ratio of capital investment to operating cash flow from 58% under FUSION 25 to 43% under FUSION 30.

Transforming Our Business Portfolio for Further Growth

Improving profitability entails not only investing in growth areas but also continuously reviewing our business portfolio.

Under FUSION 30, we will continue to evaluate low-profitability businesses from the perspectives of profitability, growth potential, and uniqueness. Rather than focusing solely on current performance, we will emphasize the importance of establishing a competitive advantage over the medium to long term and providing unique value by leveraging Daikin’s technologies and customer base. Businesses that currently operate at low profitability but offer future growth potential and leverage Daikin’s unique strengths will be assessed based on their ability to generate value over the medium to long term. For businesses with the potential for improvement, we will take exhaustive measures to enhance profitability and reform their business structure. Conversely, where returns consistently fall below the cost of capital, and the prospect of improvement over the medium to long term does not exist, we will consider more drastic measures, including downsizing or exiting the business.

We must allocate limited management resources to areas that enhance value creation while continuously assessing the competitiveness and future potential of each business. Accelerating investment in high-growth, high-profitability areas, such as the Solutions Business, data center-related businesses, and the Indian market, will enhance the quality of our entire business portfolio.

Optimizing the business portfolio is a key management priority for not only improving D-ROIC but also creating financial capacity for future growth investments. We have positioned the first three years of FUSION 30 as a crucial period for determining the future direction of low-profitability businesses. If we cannot see a clear path to improvement during this period, we will make decisions in a disciplined and timely manner, including the possibility of withdrawal, without waiting the entire three years.

Engaging with the Front Lines and Fulfilling My Responsibility to Execute Decisions

As COO, my role is to translate management policies into concrete results. This involves visiting the front lines to grasp the situation firsthand and, when necessary, reviewing organizational structures and management systems to accelerate decision-making and execution. I believe it is my duty as COO to maintain a cycle of monitoring outcomes through KPIs and leverage those results to drive further improvements.

One of Daikin’s strengths is its corporate culture that fosters close connections between management and frontline operations, enabling honest and transparent communication. While respecting the autonomy of frontline employees, we must make decisions from a Companywide perspective and generate results through cross-functional collaboration. I believe these cumulative efforts will lead to the profitability and capital efficiency improvements outlined in FUSION 30.

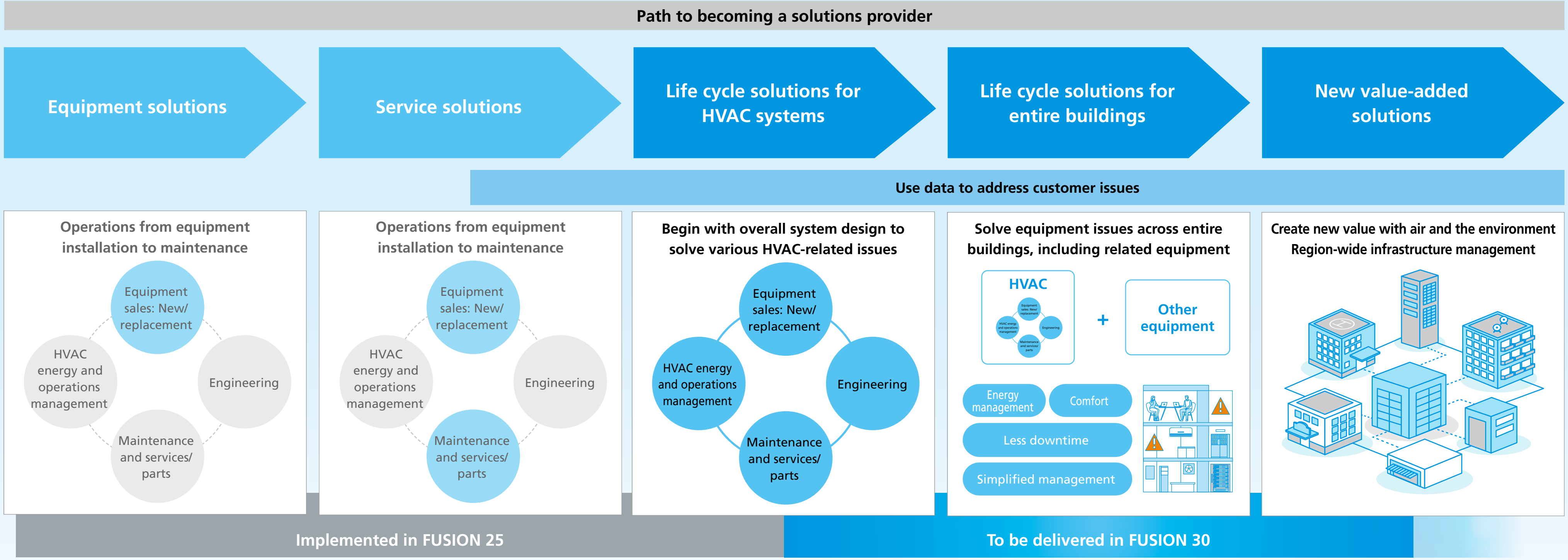
I would like to thank our shareholders and investors for your continued understanding and support of our management. As COO, I will work diligently to improve the profitability of the Solutions Business, transform our human resource portfolio and organizational structure, strengthen business operations through D-ROIC, and reform our business portfolio.

By rebuilding our earnings power and improving capital efficiency, we will continue to enhance corporate value and meet your expectations. We kindly ask for your continued support.

August 2026
Naofumi Takenaka
Representative Director, President and COO

Evolving and Strengthening Profitability of the Solutions Business

In air-conditioning system solutions, Daikin will evolve into a business that not only provides equipment and services but also solves customer issues throughout the life cycle. Alongside strengthening profitability in the after-sales service areas of engineering, maintenance and parts, and operational management, the Company is promoting operational management support using data and AI. Daikin also aims to deliver new value for air by going beyond the boundaries of air-conditioning systems to address the equipment-related challenges of entire buildings.

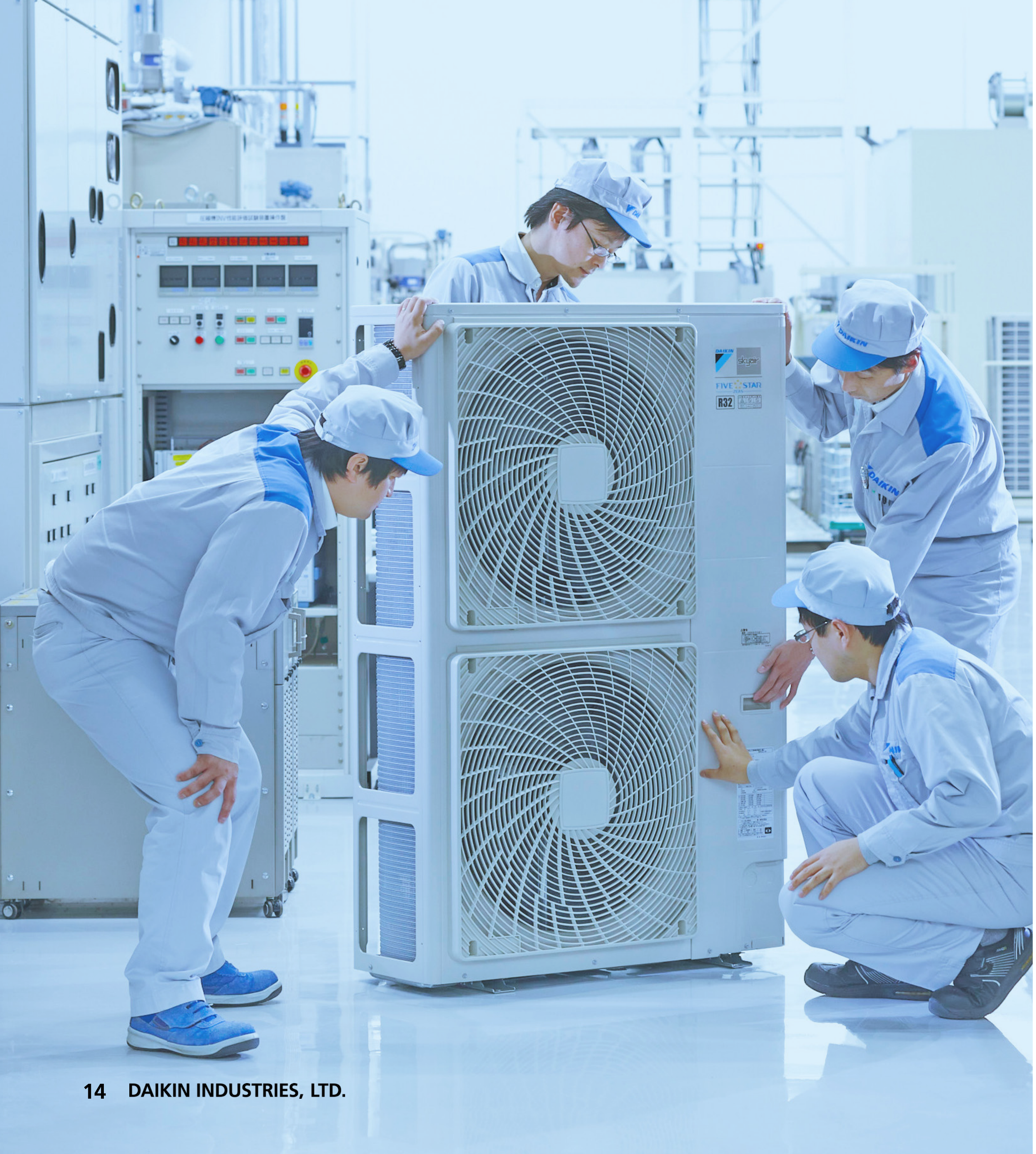


We will strengthen the profitability of the Solutions Business by raising high-margin offerings to 40% of total sales in the Air Conditioning Business.

- **Replacement projects (including equipment sales and engineering)**
- **Maintenance and services**
- **Energy management and other operation management**

Gross profit increase driven by the Solutions Business (fiscal 2025 → fiscal 2030)

+¥420.0 billion About 70% of the Air Conditioning Business's gross profit increase



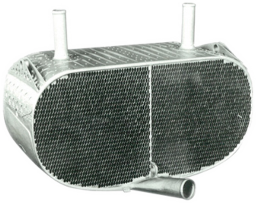
Daikin’s
Value Creation Story

Contents

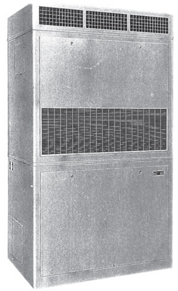
History of the Daikin Group

Since its founding, Daikin has believed in the possibilities of air and continuously embraced new challenges. Daikin's long-cultivated expertise in air, system design capabilities, and the intangible asset of long-term trust with its customers have, in recent years, continued to evolve into a foundation for creating new value through the Company's integration of advancements in digital technologies. Going beyond the provision of air-conditioning equipment, Daikin will continue to tackle global issues as a solution provider that contributes to the entire air-conditioning life cycle.

Founder Akira Yamada



Aircraft radiator tubes manufactured at the time of the Group's founding



Mifujirator, Japan's first packaged air conditioner

Japan's Uncomfortable Office Environments

In the 1960s and 1970s, Japan's large-scale office buildings were mainly air-conditioned using central air-conditioning systems that cooled and heated entire buildings all at once. These systems were often shut off during overtime hours to minimize costs, forcing employees to work in excessively hot or cold office environments.

Multi-Split Air-Conditioning System for Buildings That Ensures Comfort and Minimizes Operating Cost

Daikin became the first company in Japan to introduce the individual air-conditioning system, which heats and cools building floors and rooms individually based on occupancy. This series has continued to expand over the years to provide comfortable air-conditioned environments in settings where people gather and work.

1924
Founding of Osaka Kinzoku Kogyosho Limited Partnership

1935
Development of Japan's first fluorocarbon refrigerant

1951
Launch of Japan's first packaged air conditioner

1958
Entry into the room air-conditioning business

1982
Launch of Japan's first multi-split air-conditioning system for buildings

Founding

Akira Yamada, the founder of Daikin's predecessor Osaka Kinzoku Kogyosho Limited Partnership, joined a private company as an engineer after working at the Osaka Artillery Arsenal. Despite a flood of orders for radiator tubes used on aircraft in 1923, the company's management board at the time was reluctant to take on this business due to the company's poor financial situation. Nonetheless, convinced that the business would be a success, Yamada made it clear that he would take full responsibility for it and accepted orders for the radiator tubes on the condition that he would establish his own factory and assume production as a subcontractor. This factory laid the foundation for the establishment of Osaka Kinzoku Kogyosho.

Despite being a company that specialized in metals, it funneled efforts into the research and development of chemicals thereafter, becoming the first to successfully produce freon in Japan. The development of the Company's very own freon refrigeration technology and fluoropolymers paved the way for the establishment of the backbone of our core business today, the Air Conditioning Business.

Foundation of a Sales Network That Has Overcome a Series of Hardships

Over the first 50 years from our founding, we had to significantly reduce our workforce on three separate occasions because of recurring financial crises. Moreover, due to the effects of the first oil crisis, in 1975 we failed to turn a profit for the first time in a quarter century and were excessively overstaffed.

It was in these circumstances that the then president, Minoru Yamada, put forth the Declaration for Avoiding Employee Layoffs, and a large number of employees were reassigned from the manufacturing division to the sales division with a view to retaining personnel and ensuring business continuity. Through this collective effort, the employees who were reassigned to the sales division established the foundation for Daikin's robust sales network in Japan.

Global Expansion Supported by the Three Pillars of the Air Conditioning Business

When Japan's bubble economy collapsed in the early 1990s, the domestic air-conditioning market was already mature. As a result, current Chairman Emeritus Noriyuki Inoue, who had recently been appointed president, set out to pursue the overseas market.

At the time, air conditioners were not commonly used outside of Japan and the United States. Meanwhile, Daikin was one of only two companies globally that offered a full lineup of air-conditioning products for residential, commercial, and factory and building use. Convinced that harnessing the strengths of the Company's three business segments would clear the path for it to become the world's leading comprehensive manufacturer of air conditioners, Inoue formulated the Three-Pillar AC Business Plan. As part of this plan, Daikin began to establish a global business platform by strategically advancing into the Chinese market, expanding its European business, and conducting M&As overseas. At the same time, the Company proceeded to establish a system based on local production for local consumption to meet the specific needs of each region. The resulting global business and service basis has enabled Daikin to propose solutions and provide operational support that meet diverse customer needs, and this accumulation of customer-driven initiatives has become an important foundation for the development of Daikin's Air-Conditioning Solutions Business.

Signing ceremony with O.Y.L. Industries Bhd.

Press conference for the acquisition of Goodman Global Group, Inc.

Social Issue

Impact of Air Conditioner Refrigerants on Global Warming

Despite the conversion to R410A and other refrigerants that do not deplete the ozone layer, the extent of the impact of air conditioner refrigerants on global warming was still a problem in developed countries.

Daikin's Response

World's First Air Conditioner Featuring R32 Refrigerant

Daikin launched *Urusara 7*, the world's first residential air conditioner featuring R32, an energy-efficient and environment-friendly next-generation refrigerant.

1999

Launch of *Ururu Sarara*, the world's first waterless humidifying room air conditioner

2006

Launch of *Daikin Altherma* heat pump space and water heater

2007

Acquisition of OYL Group, a major global air-conditioning manufacturer

2008

Establishment of business alliance with Gree Electric Appliances, China's top air-conditioning manufacturer

2012

Acquisition of U.S. residential air-conditioning manufacturer Goodman

Launch of *Urusara 7*, the world's first residential air conditioner using new R32 refrigerant

A Leading Air-Conditioning Company That Builds Competitive Advantage Through Technology

Daikin has spearheaded the growth of the air-conditioning industry with innovative products, including packaged air conditioners that operate at the touch of a button (released in 1951) and multi-split air-conditioning systems for buildings (released in 1982). Our greatest invention, however, is *Ururu Sarara* (released in 1999), Daikin's flagship product. Today, as a global leader in the air-conditioning market, Daikin draws on its proprietary technologies to continue to develop environmentally conscious products and is cherished by its customers in the over 170 countries and regions in which it operates. In addition, it has gained valuable insights into diverse climate conditions and usage environments through the accumulation of vast amounts of operational and usage data. These field-driven insights are an invaluable asset that cannot be easily replicated. The combination of long-cultivated technological capabilities and actual usage data amassed from around the world underpins Daikin's commitment to creating new value that goes beyond the provision of air conditioners.


Ururu Sarara, the world's first waterless humidifying room air conditioner

Strategic Pursuit of the Chinese Market Centered on Environmental Value

In 2008, inverters, one of our core technologies at the time, were a crucial element of our business strategy as the shift to more energy-efficient air conditioners played a major role in addressing the intensifying needs for more environmentally conscious products worldwide. This was also the case in China, a market that was essential to our pursuit of becoming the top air conditioner manufacturer in the world.

At the same time, we came to realize that making inverter air conditioners the standard in China's massive air conditioner market through Daikin's efforts alone would be difficult. Therefore, we formed a business alliance with Gree Electric Appliances, the largest manufacturer of air conditioners in China, for the technology transfer of affordably priced inverter air conditioners. As a result, the use of inverter air conditioners, which offer exceptional environmental performance, caught on right away in China. While inverter air conditioners comprised less than 10% of the residential air conditioner market in 2008, they now account for over 90% of this market. Daikin will strive to reduce CO_2 emissions from the use of air conditioners by promoting the use of inverter air conditioners and other energy-efficient air-conditioning systems on a global scale.

Full-Fledged Entry into the U.S. Market

With the aim of strengthening our North America business while sustaining our low-priced residential air conditioner business and Applied Systems (large-scale air-conditioning systems), which had been an area of weakness for us, in 2007, we acquired O.Y.L. Industries Bhd., a global leader in the manufacture of air conditioners. With a price tag of approximately ¥243.8 billion, this was Daikin's first large-scale acquisition. In 2010, this acquisition served as a springboard for becoming the world's top-performing air-conditioning business.

In North America, however, our presence was still minimal in the world's largest market for air conditioners. Due to the substantial differences in the way air conditioners were designed and sold in this region compared with Japan, tapping into this market on our own was quite a challenge, and we were forced to pull out of both our attempts in 1981 and 1998.

We encountered a turning point, however, when we acquired the Goodman Global Group, Inc., in 2012. Through the participation of Goodman, which boasts the top share of the residential air-conditioning market in North America, Daikin made a full-fledged entry into the residential unitary (central air-conditioning system) market and secured a business platform in North America.

History of the Daikin Group

Technology and Innovation Center

Joint press conference with the University of Tokyo

Social Issue	**COVID-19 Pandemic** The global spread of COVID-19 increased the need for safe, reliable, comfortable, and healthy air environments and rapidly expanded the air purification and ventilation market.
Daikin's Response	**Air Conditioner with Ventilation Function** As the only manufacturer that was producing air conditioners with a ventilation function at the time of the pandemic, Daikin incorporated the ventilation function into its entire line of air conditioners available in Japan.

2014
Launch of cooling-only inverter air conditioners for developing countries

2015
Establishment of technology development base, Technology and Innovation Center, and commencement of new initiatives to create new value with air through collaboration with academic and research institutions

Granting of worldwide free access to basic patents for using R32 refrigerant

2018
Establishment of an industry–academia co-creation alliance with the University of Tokyo

2024
Daikin's 100th anniversary

2025
Establishment of joint venture with Copeland, Inc. of the United States

Promotion of the Use of R32 Refrigerant and Our Ambition to Develop Next-Generation Refrigerants

With a global warming potential (GWP)*1 that is two-thirds lower than that of R410A refrigerant, R32 refrigerant is more conducive to environmental sustainability. Although R32 refrigerant is mildly flammable, tests have proven that there are no risks associated with its use when it is handled appropriately. In 1998, however, under standards and regulations that categorized refrigerants as either flammable or nonflammable, R32 refrigerant was classified as flammable and placed in the same category as hydrogen and propane, hampering its use in air-conditioning systems.

To raise awareness of the safe use of R32 refrigerant, Daikin held conferences on its safety and environmental performance around the world, and it was granted approval for a new international standard in 2014. To further encourage widespread use of the refrigerant, Daikin also offered the use of 93 patents related to the manufacture of R32 air-conditioning systems free of charge, and in 2019 it granted free access globally to all such patents it had applied for since 2011.

Today, leveraging insights gained from the development and widespread use of R32 refrigerant, as well as data on air-conditioning usage accumulated from around the world, Daikin is advancing the research and development of next-generation refrigerants that offer even lower GWP as well as exceptional safety, efficiency, and supply stability. Through the continuous advancement of refrigerant technologies, Daikin will help reduce GHG emissions at a global scale.

Becoming a Company That Supports the Entire Air-Conditioning Life Cycle

Daikin established the Technology and Innovation Center (TIC) in 2015 as a hub for creating differentiated products and technologies, with the aim of achieving sustainable growth and development. As the core hub for the Group's technological development, TIC is furnished with state-of-the-art facilities and an open, flat environment that facilitates engagement between internal and external engineers and enhances the co-creation of innovation. With TIC as the control tower for technology, Daikin is strengthening partnerships and collaborations with companies, universities, and research institutions. By attracting people, information, and technology from around the world, Daikin continues to enhance its technological capabilities.

In the digital domain, the Company has been strengthening customer relationships through the development of AI talent via the Daikin Information and Communications Technology College and the utilization of operational data through DK-CONNECT.*2 We have also reinforced our business foundation by incorporating the technologies and know-how acquired through M&As and partnerships. Through these and other efforts, Daikin continues to evolve into a company that not only provides air-conditioning equipment but also contributes to the entire air-conditioning life cycle.

Reinforcing the Business Foundation to Accelerate the Adoption of Inverter Technology

Amid the expanding global demand for air-conditioning, it has become increasingly important to promote the use of energy-efficient air conditioning systems. Committed to fulfilling its responsibility as a leading air-conditioning manufacturer, Daikin is promoting the global adoption of inverter technology. In North America, the world's largest air-conditioning market, we are working to create a favorable environment for inverter adoption and to secure a strong market position. As part of these efforts, the Company formed a joint venture with Copeland, Inc. of the United States in May 2025. We will accelerate the adoption of inverter technology in the North American market by combining Daikin's strengths in the design and manufacturing of inverter compressors with Copeland's sales and service capabilities.

*1 A numerical value representing the potential global warming effect of another greenhouse gas in comparison with that of CO_2.
*2 A solution that enables integrated management of air conditioner functions, such as remote monitoring and control, by connecting control and operational data to the cloud.

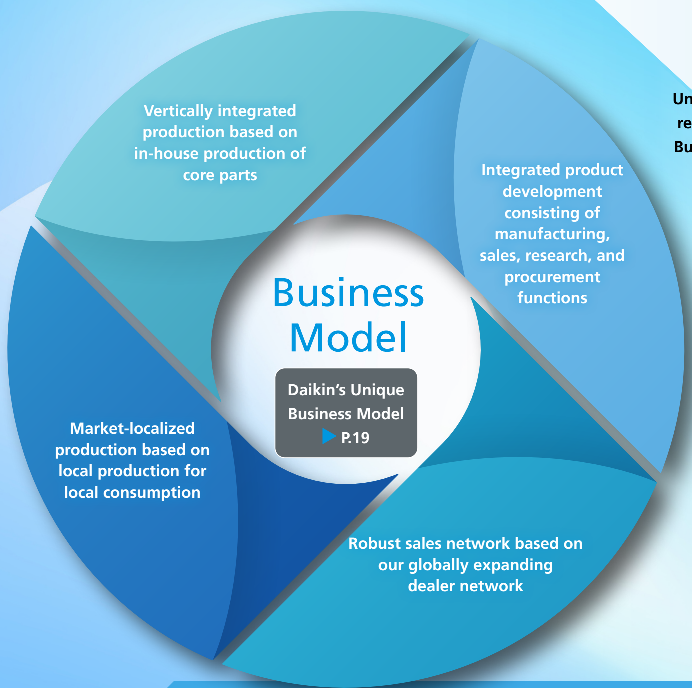
Our Value Creation Process

Drawing on its accumulated strengths and unique business model, Daikin is striving to resolve environmental and social issues through its business activities. The key themes declared in the FUSION 30 strategic management plan are priorities for management. Accordingly, we are addressing these themes over a period of five years, providing new value that contributes to the realization of a sustainable society and the continuous growth of our business.

Our Accumulated Strengths

People-Centered Management

Core air-conditioning technology leading in the application of environmentally friendly practices



Materiality

Please refer to page 23 for details.

A robust foundation for becoming a true solution provider

Under FUSION 30, we will rapidly transform and refocus our business structure on the Solutions Business by building on the business model and foundation we have developed to date.

A well-established business foundation that facilitates new solutions development

- Sales and service networks
- Global customer touchpoints
- Post-installation maintenance and replacement touchpoints
- Operational data and know-how
- Proposal capabilities that combine air-conditioning and refrigerant solutions
- Ability to expand proposals from individual equipment to system solutions

To become a highly profitable and sustainable global company of choice by creating new value through environment and air

FUSION 30

Five Key Themes

- Achieving Growth in High-Profit Domains
- Building a More Resilient Profit Structure
- Enhancing Key Domains to Achieve Further Growth
- Enhancing Management Foundation
- Capital Policy for Sustainable Growth and Enhancing Corporate Value

Economic Value (Fiscal 2028 target)

Operating Profit Margin	ROE	Net Sales CAGR
10%	12%	6%

Social Value (Fiscal 2030 target)

- Reduce GHG emissions throughout the life cycle
  40% per net sales (vs. fiscal 2022 level)
- Increase the sales ratio of the Solutions Business
  40% (fiscal 2025: 28%)
- Expand access to sustainable air-conditioning infrastructure that provides safe, secure, and comfortable air environments
  1.0 billion people
  (cumulative total from fiscal 2019 to fiscal 2030)
- Develop global senior management and leadership candidates
  Over 2,000 people
- Improve the degree of PCM Behaviors practiced*
  75% (fiscal 2025: 61%)

Daikin's Aims for Value Creation

Value Creation for the Earth

Helping mitigate climate change by reducing environmental impact through business activities

- Further raise the environmental performance of our products
- Use resources efficiently
- Protect forests and help sustain their inherent functions

Value Creation for Cities

Contributing to the creation of sustainable cities by solving energy-related issues arising from urbanization

- Use energy effectively throughout buildings and cities
- Generate renewable energy
- Build systems for recycling-based societies

Value Creation for People

Contributing to healthy and comfortable lifestyles by expanding the possibilities of air

- Provide safe and reliable air environments
- Improve indoor environments to support people's healthy and comfortable lifestyles
- Raise productivity to contribute to economic advancement

Our Core Values Please refer to page 2 for details. Our Group Philosophy Please refer to page 2 for details.

*Degree of practice is calculated as the average score of five-level evaluations in interviews with Daikin Industries employees regarding the nine items of "PCM Behaviors," a set of action guidelines based on People-Centered Management.

Daikin's Unique Business Model

Daikin operates its business, which encompasses R&D, manufacturing, and sales and services, around the world, with its Air Conditioning Business at the core. By drawing on our accumulated strengths and forging our unique business model, we continue to provide comfortable air to people around the world.

Characteristics of the Air-Conditioning Business

Country- and region-specific needs	Climate-induced demand shifts	Importance of after-sales services	Regional environmental regulations
Air-conditioning needs vary by country and region due to differences in climate, building design, and lifestyles.	Demand for air conditioners is influenced significantly by climate factors, with demand increasing when temperatures are higher than normal.	After-sales services, such as installation and maintenance, are essential to air conditioners compared with other household appliances.	The environmental standards of products vary by country and are becoming more stringent each year.

Vertically Integrated Production

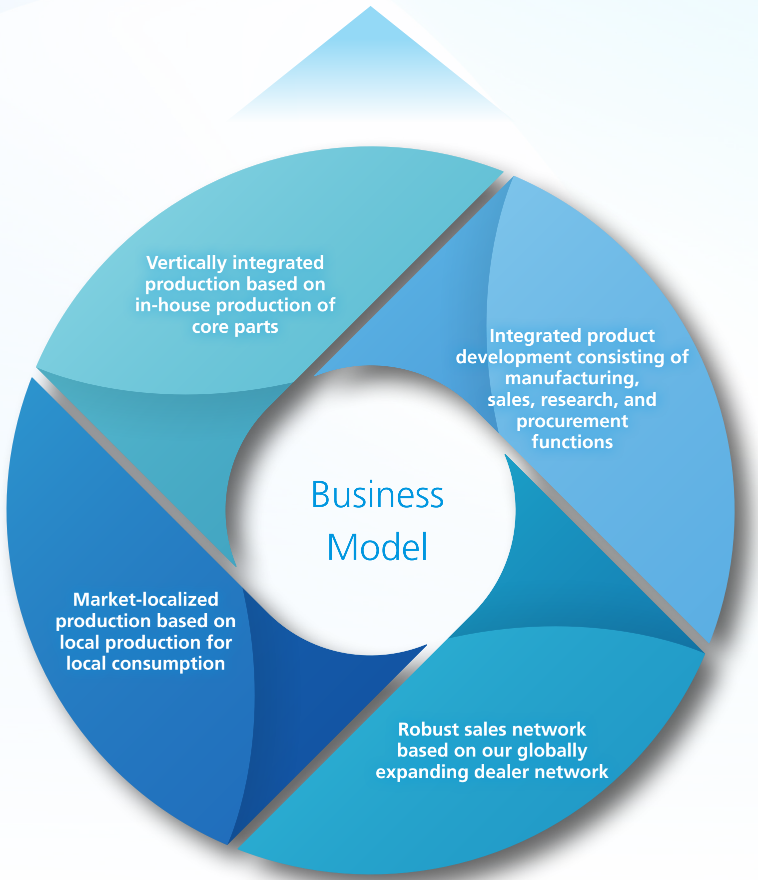
Based on In-House Production of Core Parts

The core components of Daikin's air conditioners, including compressors, motors, printed circuit boards, and refrigerants, are all developed and manufactured in-house. This allows us to not only develop elemental technologies but also build up the bank of technical know-how used in our manufacturing processes. This, by extension, has enabled us to develop and manufacture products in accordance with changes in product standards required by the regulations of each market, the climate and lifestyles of each region, and other customer needs as quickly as possible. In addition, by integrating our in-house production, we have eliminated component shortages and excess inventory, thereby working collectively as an organization to efficiently meet the highly volatile demand for air conditioners stemming from changing climate conditions.

Market-Localized Production

Based on Local Production for Local Consumption

Rather than focusing production specifically in one region, we have established a system in five key regions globally, whereby Daikin's procurement, development, and production processes are all conducted in close proximity to our sales markets, allowing us to address the needs of each region. This system has served as a catalyst for the timely supply of products and the adoption of a sales strategy for swiftly addressing changes in regional demand stemming from climate and economic conditions. Moreover, by using the same basic components throughout our global network and centrally managing the entire Group's inventory of products and components, we have been able to minimize the drawbacks that come with the geographic dispersal of production bases, such as by providing products to regions that experience sudden one-off increases in demand and capitalizing on the versatility of our supply of components from production bases.



Integrated Product Development

Consisting of Manufacturing, Sales, Research, and Procurement Functions

At Daikin, we draw on the R&D capabilities of our major production bases around the world as well as our integrated product development system, which comprises our regional sales and procurement functions, to develop and manufacture products that cater to the diverse needs of each region. Our various divisions that contribute along the process from production through to sales work closely together to monitor the inventory of products and materials consistently. The status of this inventory is reflected in our plans for timely procurement and production. We work to ensure that opportunities do not go to waste and that our products are delivered to our customers as efficiently and swiftly as possible.

Robust Sales Network

Based on our Globally Expanding Dealer Network

Daikin's network of dealers who engage directly with the users of our products play an integral role in addressing the various needs of each region in line with different climates and lifestyles. Based on a direct sales strategy that relies on Daikin's own sales network, the Group provides dealers with detailed information on the features and added value of products generated by market-localized production, as well as with training on installation and maintenance services. These efforts have led both to the establishment of a sales system that extends seamlessly to the provision of installation and maintenance services and to a solid relationship of trust with our dealers.

Core Air-Conditioning Technologies That Drive Our Value Creation

We will lead the air conditioner market by refining our environmental technology going forward, based on a trio of advanced core air-conditioning technologies uniquely developed by Daikin.

Heat Pump Technology

Highly promising and energy-efficient technology used in air conditioners and water heaters to absorb and transfer heat from the air

Daikin's Strengths

- Technological capabilities cultivated over many years as a specialized air conditioner manufacturer
- Ability to develop products unique to the industry
- Ability to develop products that address the needs of various climates and regional characteristics

Competitive Landscape

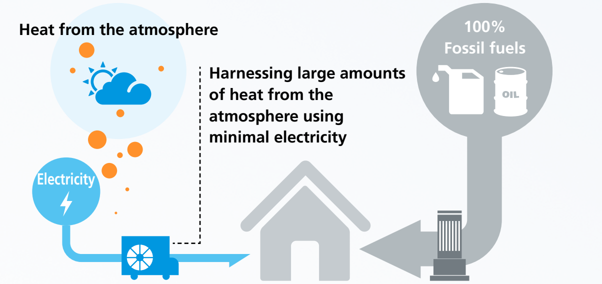
- Intensifying competition in technology sector is focused on increased efficiency and expansion of areas of application
- The ability to deliver stable performance in diverse climatic conditions, including cold regions, is key to widespread adoption
- A growing interest in heat pump technologies with high CO_2 emission reduction potential is being driven by decarbonization policies and stricter environmental regulations

Reducing CO_2 Emissions Through Our Heat Pump Technology

Using minimal amounts of electrical energy, heat pump technology is designed to absorb heat from the air and convert it into large amounts of thermal energy for transfer to areas where it is needed. Since it makes use of radiant heat from the sun, heat pump technology can significantly reduce CO_2 emissions in comparison with the direct heating of water and air by burning fossil fuels, including gas, oil, and coal. In 1958, Daikin developed the first domestic water-cooled heat pump for a packaged air conditioner. Since then, it has continued to push the boundaries of technologies that transfer heat without generating it.

As a leading air-conditioning company, Daikin is developing heat pump technology that contributes to increases in energy efficiency and energy conservation.

Systems for Heat Pump and Combustion Space Heating

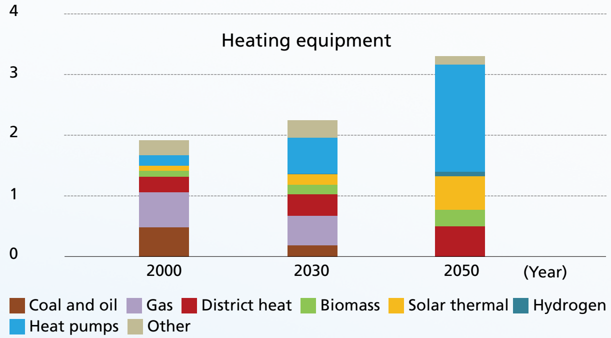


Promoting Increased Use of Heat Pump Heating to Help Realize a Carbon-Neutral Society

Approximately 4 billion tons of CO_2 are emitted by heating sources in the global heating market, and it is estimated that the conversion of 30% of these sources to heat pumps would reduce CO_2 emissions by up to 1.2 billion tons (approximately 3% of total global CO_2 emissions), which is equivalent to the amount of CO_2 emitted by 560 million passenger cars.

The use of energy-efficient water and space heaters has increased in recent years due to heightening environmental awareness. In Europe in particular, where heating and hot water supply accounts for over 80% of household energy consumption due to the continent's cold climate, we are seeing a shift from the use of conventional combustion heaters to heat pump heaters and other systems with lower CO_2 emissions. Daikin is working to develop and promote the increased uptake of water heaters and other heaters that use energy-efficient heat pump technology to contribute to more comfortable lifestyles and reduce CO_2 emissions.

Proliferation of Heat Pump Space and Water Heaters Under the Net-Zero Emissions by 2050 Scenario



The above graph illustrates the proliferation of heat pump space and water heaters based on the Net Zero Emissions by 2050 Scenario of the International Energy Agency (IEA). As of 2020, heat pumps accounted for approximately 10% of the proliferation of heat pump space and water heaters. According to the 2023 update of the IEA's *Net Zero Roadmap*, the figure is expected to reach 25% by 2030 and 55% by 2050, indicating that heat pumps will remain a core technology in the buildings sector.

Inverter Technology

High-precision technology that offers more energy-efficient and comfortable solutions by controlling the compressor motors of air conditioners

Daikin's Strengths

- Development of the world's first cooling-only inverter air conditioner
- A track record of developing industry standards in cooperation with governments and relevant organizations

Competitive Landscape

- Differentiation based solely on energy-saving performance is becoming increasingly difficult with the increasing standardization and adoption of such technology
- Control technologies that optimize the performance of entire air-conditioning systems, as well as individual units, are becoming a new competitive advantage
- Cost competitiveness, reliability, and compliance with energy-efficiency regulations are all considered essential in emerging markets

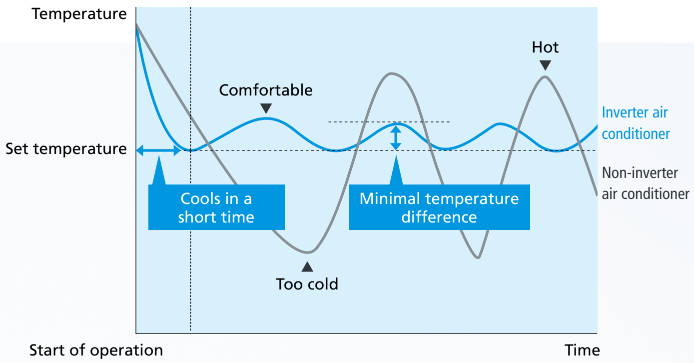
Inverter Technology That Offers More Energy-Efficient and Comfortable Solutions

Inverters control electrical voltage, current, and frequency. An inverter air conditioner appropriately adjusts the speed of the compressor motor according to the load to precisely adjust and control its cooling capacity. Air conditioners without inverters are inefficient, with issues including unstable indoor air temperatures and high energy consumption.

Those equipped with inverters, however, can accurately adjust the air temperature and operate in a comfortable, energy-saving manner. In addition, improvements to conventional motors and heat exchangers can reduce energy use by more than 50%* compared with non-inverter air conditioners.

* Calculated based on in-house demonstration tests

Inverter Air Conditioners vs. Non-Inverter Air Conditioners



Reducing Energy Consumption Through the Increased Use of Inverter Air Conditioners

The use of air conditioners accounts for approximately 10%*1 of the world's total electricity demand. Demand for air conditioners will continue to expand through economic growth in developing countries, and energy demand for cooling is expected to rise by an average of 4%*2 per year.

Daikin is the first company in the world to develop inverters specifically for air conditioners. To control global warming on a global scale, we must promote the wider use of inverter air conditioners and other energy-efficient air conditioners around the world.

While all residential-use air conditioners sold in Japan and Europe come with inverters, most of the residential-use air conditioners sold in the rest of Asia, Africa, and North America are not equipped with this technology.

By continuing to promote the adoption of inverters, Daikin will contribute to reductions in CO_2 emissions from the use of air conditioners.

*1 Source: World Outlook, IEA, 2023
*2 Source: Space Cooling, IEA, 2023

Inverter Air Conditioners as a Percentage of the Residential Air Conditioner Market

Market	2024	2025	2026
Japan	100.0%	100.0%	100.0%
EU	100.0%	100.0%	100.0%
Australia	100.0%	100.0%	100.0%
China	98.5%	99.6%	99.8%
India	85.0%	90.0%	95.0%
Brazil	68.0%	87.4%	97.0%
Saudi Arabia	28.0%	38.0%	55.0%

Source: *BSRIA Market Intelligence 2026*
Note: The percentage in this report refers to the number of units sold in a given year

Refrigerant Control

Technology to control refrigerants that circulate and transfer heat between indoor and outdoor units

Daikin's Strengths

- The only comprehensive air-conditioning manufacturer in the world that engages in everything from the development of refrigerants and air conditioners to the recovery, recycling, and destruction of refrigerants
- First company in the world to establish a technology to control refrigerants for each floor and room using a single outdoor unit
- Ability to select the best refrigerant for each application based on know-how cultivated through extensive research on refrigerants

Competitive Landscape

- Stricter environmental regulations are intensifying competition to meet the need for refrigerants with low global warming potential (GWP) and next-generation refrigerants
- Control technologies that maximize refrigerant performance are growing in importance
- Ability to support the entire refrigerant life cycle, from refrigerant selection to installation and recovery, is critical

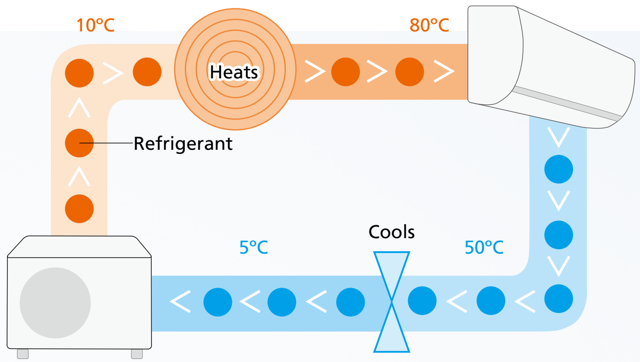
Refrigerant Control Technology: Key to Enhancing Energy Efficiency of Air Conditioners

Refrigerants circulate and transfer heat between indoor and outdoor units. Our refrigerant control technology, which controls refrigerant temperature to efficiently transfer heat, is the key to our air conditioners' energy-efficient capabilities.

Daikin is the first company in the world to establish a technology that controls the state and quantity of refrigerants for each indoor unit using an air-conditioning system for buildings in which multiple indoor units are connected to a single outdoor unit.

As a result, we can operate heating and cooling simultaneously, a functionality for which there is particularly high demand during the change in seasons.

Circulation and Transfer of Heat Between Indoor and Outdoor Units



New Refrigerants (Development of Next-Generation Refrigerants)

The development of next-generation refrigerants is one of Daikin's key initiatives for curbing global warming. We offer a range of environmentally friendly refrigerant options with significantly lower GWP than our mainstream R32 refrigerants. These refrigerants are safer to use than the flammable R290 refrigerant (propane), and we will promote their adoption in line with refrigerant transitions around the world.

When selecting refrigerants, Daikin conducts a comprehensive evaluation of each refrigerant, not only to ensure that it has low GWP but also to assess its energy efficiency, safety, and reliability from an air conditioner point of view and its environmental impact across the entire life cycle, from manufacturing to disposal. Furthermore, to meet the specific performance requirements for each application, including residential and commercial air conditioners, heat pump water heaters, and refrigerators and freezers, Daikin has continued to research the most optimal refrigerant for each application. Going forward, Daikin will keep contributing to the realization of a sustainable society through the advancement of refrigerant and air-conditioning technologies.

	R32	R479B	R479A	R474A	R474B	R290
GWP	675	299	147	<1	<1	<1
Performance	★★★	★★	★★	★★	★★	★★
Safety	Mildly flammable	Mildly flammable	Mildly flammable	Mildly flammable	Mildly flammable	Highly flammable

Lineup of new refrigerants with low environmental impact

Identifying and Incorporating Key Sustainability Themes into the Strategic Management Plan

With the aim of achieving the sustainable growth of both society and its business, Daikin backcasts from its forecasts for society in 2050 to identify the social issues it can help to address. Daikin aims to address social issues through its business activities by leveraging its long-cultivated strengths.

Sustainability Report 2026: Forecast of Society in Which Daikin Will Operate in 2050 and Identified Social Issues

Fundamental Approach to Sustainability

In an era of rapid changes in global affairs and economic conditions, where the future is uncertain, companies are expected not only to create economic value by generating profits but also to enhance social value by providing meaningful contributions to the environment and society. We believe that it is the mission and responsibility of companies to respond to these external expectations and demands. By addressing a wide range of social issues, including global environmental challenges, Daikin will continue to pursue the enhancement of corporate value while contributing to the sustainable development of society.

Sustainability Management Structure

To achieve the sustainable development of both society and its business, Daikin has organized its key sustainability themes into top-priority and priority themes and is working to address social issues through its business activities. The Company sees sustainability as a key management priority and has established the Corporate Social Responsibility (CSR) Committee, chaired by the executive officer in charge of CSR, to guide our activities and manage their progress.

The CSR Committee is jointly administered by the CSR & Global Environment Center and relevant corporate departments and promotes sustainability initiatives across the Group in a comprehensive and cross-functional manner. The committee meets once a year, in principle, and is composed of executive officers responsible for key themes such as the environment (response to climate change) and human resources (human capital). The chief operating officer (COO) also attends this meeting.

The committee discusses Daikin's medium- to long-term direction and Purpose, as well as progress on key themes and challenges in promoting them, taking into account social trends and the activities of other companies. Matters decided by the committee are submitted to the CEO for consultation, which are then reported to the Board of Directors.

In line with our new strategic management plan, FUSION 30, which began in the fiscal year ending March 31, 2027, Daikin strengthened its sustainability management structure by integrating the CSR & Global Environment Center and the Tokyo Office's Public Relations Department to form the Corporate Sustainability Office in July 2026. In conjunction with this move, the CSR Committee was renamed the Sustainability Committee. We will establish a value creation cycle through timely and appropriate information disclosure and ongoing dialogues with stakeholders and ensure consistent communication both internally and externally while resolving social issues through our business activities.

Review of Materiality in Formulating FUSION 30

In formulating the FUSION 30 Strategic Management Plan, Daikin reviewed its key sustainability themes. We identified which sustainability issues to prioritize through an impact, risk, and opportunity (IRO) analysis that considered both risks and opportunities for our business and the impacts of these issues on society. The sustainability issues with significant financial impact have been positioned as top-priority themes and incorporated into FUSION 30 as sustainability indicators.

Sustainability Report 2026: Materiality Identification Process

Materiality Identification Process

Step 1	Step 2	Step 3	Step 4	Step 5
Identification of Sustainability (ESG) Issues	**Analysis and Assessment of Social Impacts and Business Risks and Opportunities**	**Incorporation of the Views of Internal and External Stakeholders**	**Identification of Materiality Through Management Discussion and Approval**	**Incorporation into Strategic Management Plan**
The sustainability issues Daikin needs to address over the medium to long term were identified with reference to the ISO 26000 international guidelines for social responsibility, the disclosure requirements of the Sustainability Standards Board of Japan (SSBJ) and the European Union's Corporate Sustainability Reporting Directive (CSRD), the Guidance for Integrated Corporate Value Creation, and FUSION 30 Strategic Management Plan.	Quantitative analysis and financial and social impact assessments were conducted for each sustainability issue identified in Step 1, taking into account business characteristics, the value chain, likelihood of occurrence, and degree of impact.	The views of a wide range of stakeholders were incorporated through dialogue with internal stakeholders, including key business divisions and executive management, and external stakeholders, such as institutional investors with an environmental, social, and governance (ESG) focus and academic experts.	Discussions were held with executive management on which sustainability issues to prioritize based on Daikin's management policies and strategies. Following deliberation by the CSR Committee, the outcomes were reported to and approved by the Board of Directors, resulting in the identification of five top-priority themes and 14 priority themes.	The five top-priority themes were incorporated into our FUSION 30 Strategic Management Plan. These themes will be integrated into Daikin's business strategies, and KPIs and targets will be set for each item to enhance corporate value.

Identifying and Incorporating Key Sustainability Themes into the Strategic Management Plan

Following deliberation by the CSR Committee and approval by the Board of Directors, Daikin newly identified five top-priority themes and 14 priority themes for sustainability. Of these, the five top-priority themes were incorporated into the FUSION 30 Strategic Management Plan. For each top-priority and priority theme, we also set KPIs and quantitative and qualitative targets.

Sustainability Report 2026: Key Sustainability Themes

Relationship Between FUSION 30 Strategic Management Plan and the Five Top-Priority Sustainability Themes That Are the Starting Point for Value Creation

Social Challenges Daikin Can Help Resolve

Sustainability Report 2026: Social Challenges Daikin Can Help Resolve

Top-Priority Themes	● Business Opportunities / ▲ Business Risks ○ Positive Social Impacts / △ Negative Social Impacts	Development Path to Pursue Under FUSION 30	2030 Indicators and Targets	Five Key Themes of FUSION 30
Deliver new customer value through solutions	● Expansion of solutions business that addresses customer issues throughout the life cycle, including energy management, in response to rising demand for energy efficiency ○ Greater need for solutions to customers' increasingly diverse and complex issues, such as comfortable environments, energy conservation, labor savings, and CO_2 reduction	Accelerate the growth of the Solutions Business that addresses customer issues throughout the life cycle	Increase the sales ratio of the Solutions Business 40% (fiscal 2025: 28%)	Achieving growth in high-profit domains
Provide safe, secure, and comfortable air environments	● Increased demand for air-conditioning equipment due to rising temperatures ○ Contribution to mitigation of health impacts, such as heatstroke and sleep disorders, and improved productivity	Expand business in growth regions, such as India, the Middle East, and Africa (IMEA), where Daikin's technologies can enhance added value	Expand access to sustainable air-conditioning infrastructure that provides safe, secure, and comfortable air environments 1.0 billion people (cumulative total from fiscal 2019 to fiscal 2030)	Enhancing key domains to achieve further growth
Reduce GHG emissions across the entire life cycle	● Heightened demand for Daikin's low-carbon products, where it has a competitive advantage, due to increasing calls for climate change mitigation △ Acceleration of climate change due to higher energy consumption during product use and increased GHG emissions from refrigerant leakage	Pursue new initiatives in the solutions business that contribute to customers' GHG reductions, in addition to expanding sales of energy-efficient equipment, thereby achieving both business growth and reductions in GHG emissions	Reduce GHG emissions throughout the life cycle 40% per net sales (vs. fiscal 2022 level)	Enhancing management foundation
Enhance talent capabilities linked to management strategy	● Expansion of business opportunities through strengthened development of leadership talent	Accelerate the discovery, placement, and development of diverse leaders according to each business and region and promote localization of management on a global level	Develop global senior management and leadership candidates Over 2,000 people	Enhancing management foundation
Build a foundation that enables each employee to take on challenges and grow	● Enhancement of productivity and added value through maximization of value of human capital ○ Contribution to employment and human resource development in each region through talent development initiatives	Accelerate business transformation based on the principles of People-Centered Management (PCM) and enhance talent capabilities to shape the future	Improve the degree of PCM Behaviors practiced*1 75% (fiscal 2025: 61%)	Enhancing management foundation

*1 Degree of practice is calculated as the average score of five-level evaluations in interviews with Daikin Industries employees regarding the nine items of "PCM Behaviors," a set of action guidelines based on People-Centered Management.

Strategies for Enhancing Corporate Value

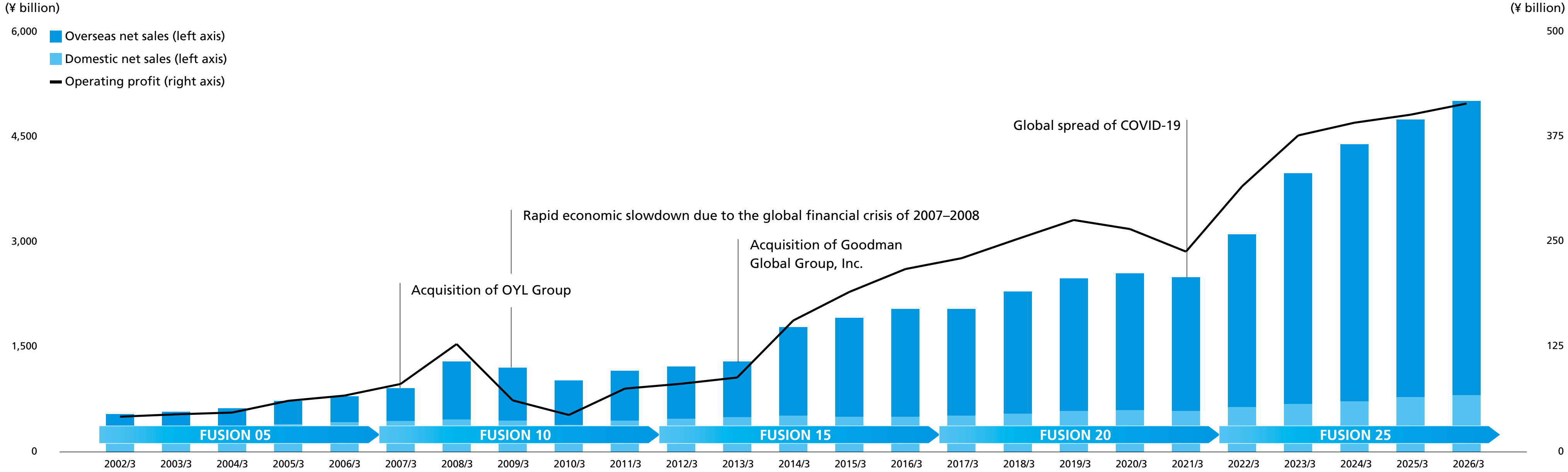
Contents

Enhancing Corporate Value Through Our FUSION Strategic Management Plans

Under its FUSION strategic management plans, Daikin defines the direction of the Group's development over a five-year period, based on the external business environment and current situation. Our initial plan consists of envisioning where we aim to be in five years and setting specific quantitative targets and action plans for the first three years. After two years, our five-year vision is revised into concrete targets, and a detailed action plan is established for the final three years.

	FUSION 05	FUSION 10	FUSION 15	FUSION 20	FUSION 25
	Securing Our Management Foundation Become an attractive company that draws together people, capital, and information	Management innovation Become the global No. 1 AC business	Accelerate growth Become a truly global and excellent company	Business domain expansion/business structure conversion, and enhancement of existing businesses Create new value in the air and environment fields with wisdom and passion	Offer new value for the environment and air to realize both contributions to a sustainable society and Group growth
Overview	Aiming to become a world-class, truly top-tier company, Daikin established a robust profit structure and financial base. The Company secured a world-leading position in its main businesses of Air Conditioning and fluorochemicals while enhancing technological capabilities and transforming its business structure to achieve sustainable growth.	With the aim of realizing global excellence through the maximization of corporate value, Daikin aimed to enhance capital efficiency and develop a robust profit and financial structure through the creation of world-leading businesses and innovative technology.	In light of the rapidly changing business environment, Daikin set out to expand both scale and profitability alongside achieving growth and differentiation. By enhancing its proprietary technologies while refining low-cost, high-quality technologies suited to the needs of markets, we aimed to become a company that continues to turn change and crises into growth opportunities.	Daikin responded swiftly to changes in the business environment by expanding its business domains through the leveraging of IoT and AI technologies in the Air Conditioning Solutions Business. In addition, the Company took the initiative on environmental matters, including the transition to low-GWP refrigerants, while working to further strengthen its existing businesses.	Daikin endeavored to contribute to the betterment of both the environment and society while expanding its business and accelerating the growth of its global operations. Through business transformation, the Company worked to enhance profitability and strengthen the management foundation underpinning its sustainable growth.
Achievements	We achieved market capitalization of ¥1 trillion, established the No. 2 position in the global market for our main businesses, expanded the ratio of overseas business by 15% over five years to 46% of all revenue, and enhanced our technological capabilities, thereby achieving 12 consecutive years of earnings growth and record-setting profit for six years in a row.	We expanded the overseas business ratio to 61% while increasing the scale of our environment-related business by entering the heat pump space and water heating business and also by promoting the wider adoption of inverter-equipped air conditioners in China. We continued to reform our business structure and reinforce our financial structure even after the global financial crisis of 2007–2008, achieving a V-shaped recovery in fiscal 2010.	We expanded sales by fundamentally strengthening sales and marketing capabilities while advancing total cost reductions. We proceeded with full-fledged entry into emerging markets and actively contributed to resolving environmental issues, such as through the world's first practical application of R32 refrigerant. Despite falling short of the plan's final net sales target, we achieved the target for operating profit a year ahead of schedule, vastly improving our operating profit margin at the same time.	We strengthened the air conditioning solutions business, environmental initiatives, and the space and water heating and commercial refrigeration businesses. Despite steady performance until fiscal 2018, business was significantly impacted by the COVID-19 pandemic from fiscal 2019 onward. As a result of which, both net sales and operating profit fell short of the plan's final targets.	Net sales recovered following disruptions caused by COVID-19, and the applied business grew significantly owing to strong demand from data centers in North America. While achieving growth in excess of our plan due to favorable foreign exchange impacts and other factors, we were unable to achieve our targets for operating profit and operating profit margin.

Financial Performance over the Past 25 Years



Review of Strategic Management Plan FUSION 25

Despite a challenging business environment, Daikin achieved record highs in net sales and operating profit in fiscal 2025. However, operating profit margin and ROE fell short of our targets. Under FUSION 30, the Company will focus on rebuilding its earning power to achieve sustainable growth and enhance corporate value.

Quantitative Targets

	Fiscal 2020 Results	Fiscal 2025 Plan	Fiscal 2025 Results
Net sales	¥2,493.4 billion	¥4,550.0 billion	¥5,015.0 billion
Operating profit margin	9.6%	11.0%	8.3%
ROE	10.1%	12.0%	9.1%

Background to Margin Pressure

Selling prices declined due to accelerated equipment commoditization and intensified competition

Costs increased due to surging market prices

Capital investment was reinforced in anticipation of future demand growth

Growth in equipment unit sales slowed due to weaker residential demand in the U.S. and China and weaker heating demand in Europe

Lower equipment profitability as cost reductions and price increases were insufficient to fully offset the impact

Upfront investment was enhanced in the commercial solutions business platform

Customer-base expansion, equipment development, and value creation are underway

The commercial solutions business has yet to achieve sufficient profitability

Net sales targets have been achieved, while improving operating profit margin remains a challenge

Priorities in FUSION 30 Rebuild earning power

Market Changes During the FUSION 25 Period and Daikin's Response

	Changes in External Environment	Daikin's Response
North America Residential air conditioners (unitary)	• The housing market slowed due to rising inflation and persistently high mortgage rates • Under the Trump administration, some energy-saving incentives were suspended or reconsidered • CAGR*2 of air conditioner unit sales (fiscal 2023 to fiscal 2025): Market forecast +3% vs. Actual –9%	• In fiscal 2025, Daikin recovered market share and maintained its No. 1 position • Although we have expanded the environmentally focused premium inverter and heat pump businesses, we still face challenges in market creation and the transformation in the North American market is still only halfway complete
Europe Heat pump heating and domestic hot water	• Combustion boiler regulations were postponed, and subsidies for heat pump heating were scaled back • The housing market slowed due to the ECB's policy rate hikes • CAGR*2 of air conditioner unit sales (fiscal 2023 to fiscal 2025): Market forecast +24% vs. Actual –11%	• Although Daikin maintained the No. 1 share across Europe, sales fell short of the planned level, delaying the recovery of production investments • To steadily capture replacement demand, Daikin is strengthening its service structure in each country through both organic initiatives and acquisitions
Asia*1/Oceania Residential air conditioners	• Market expansion slowed as consumer spending and construction/equipment investment weakened amid persistently high inflation • The low-price segment expanded	• Price competitiveness was strengthened through deeper cost reductions, including reviews of product design quality and suppliers
India Residential air conditioners	• Demand expanded for both new construction and replacement	• Daikin built sales and service networks extending from major cities to regional cities, and established a training framework
Japan Commercial air conditioners	• The yen weakened sharply and raw material costs soared	• Daikin increased earnings through price increases, the maintenance of selling prices, and a shift to a higher-value-added product mix • Daikin also expanded its share by proactively preparing for the designation of VRF as a designated product
China Residential air conditioners	• New housing starts remained sluggish • Price competition intensified due to the liquidation of excess market inventory	• As price competition intensified, Daikin maintained high selling prices and secured profits • Daikin also strengthened online customer acquisition and sales of heating and air quality products

*1 Excluding India *2 Compound annual growth rate

Overview of Strategic Management Plan FUSION 30

Under the previous strategic management plan, FUSION 25, Daikin successfully expanded its business scale but issues concerning profitability and capital efficiency also became apparent. In light of these issues, the Company formulated FUSION 30, under which it will manage business operations with a focus on capital efficiency. Through improvements in profitability and capital efficiency, Daikin aims to sustainably enhance corporate value.

Business Environment Surrounding Daikin

- Corporate social responsibility
- Shift to emerging countries and geopolitical risks
- Social changes due to digital transformation
- Increasingly diverse and complex customer needs
- Intensifying competition in the air-conditioning equipment market

FUSION 30 Key Themes

A. Achieving growth in high-profit domains

1. Transformation into a solutions provider See page 34 for details.
2. Enhancing profitability in the North America Air Conditioning Business See page 35 for details.
3. Strengthening the Chemicals Business See page 62 for details.

B. Building a more resilient profit structure

4. Decisive cost structure reform See page 36 for details.
5. Turnaround of low-profit businesses See page 36 for details.

C. Enhancing key domains to achieve further growth

6. Building a business foundation in IMEA See page 37 for details.
7. Enhancing compressors and pursuing commercialization See page 38 for details.

D. Enhancing management foundation

8. Extensive use of AI See page 39 for details.
9. Maximization of human capital value See page 40 for details.
10. Technology and product development focused on differentiation See page 47 for details.
11. Creating environmental value See page 48 for details.

E. Capital policy for sustainable growth and enhancing corporate value

See page 30 for details.

Quantitative Targets

To become a highly profitable and sustainable global company of choice by creating new value through environment and air

Economic Value Fiscal 2028 Target (Fiscal 2030 Projection)	
Operating profit margin	10% (12%)
ROE	12% (15%)
Net sales CAGR	6%

Social Value Fiscal 2030 Target	
Reduce GHG emissions throughout the life cycle	40% per net sales (vs. fiscal 2022 level)
Increase the sales ratio of the Solutions Business	40% (fiscal 2025: 28%)
Expand access to sustainable air-conditioning infrastructure that provides safe, secure, and comfortable air environments	1.0 billion people (cumulative total from fiscal 2019 to fiscal 2030)
Develop global senior management and leadership candidates	Over 2,000 people
Improve the degree of PCM Behaviors* practiced	75% (fiscal 2025: 61%)

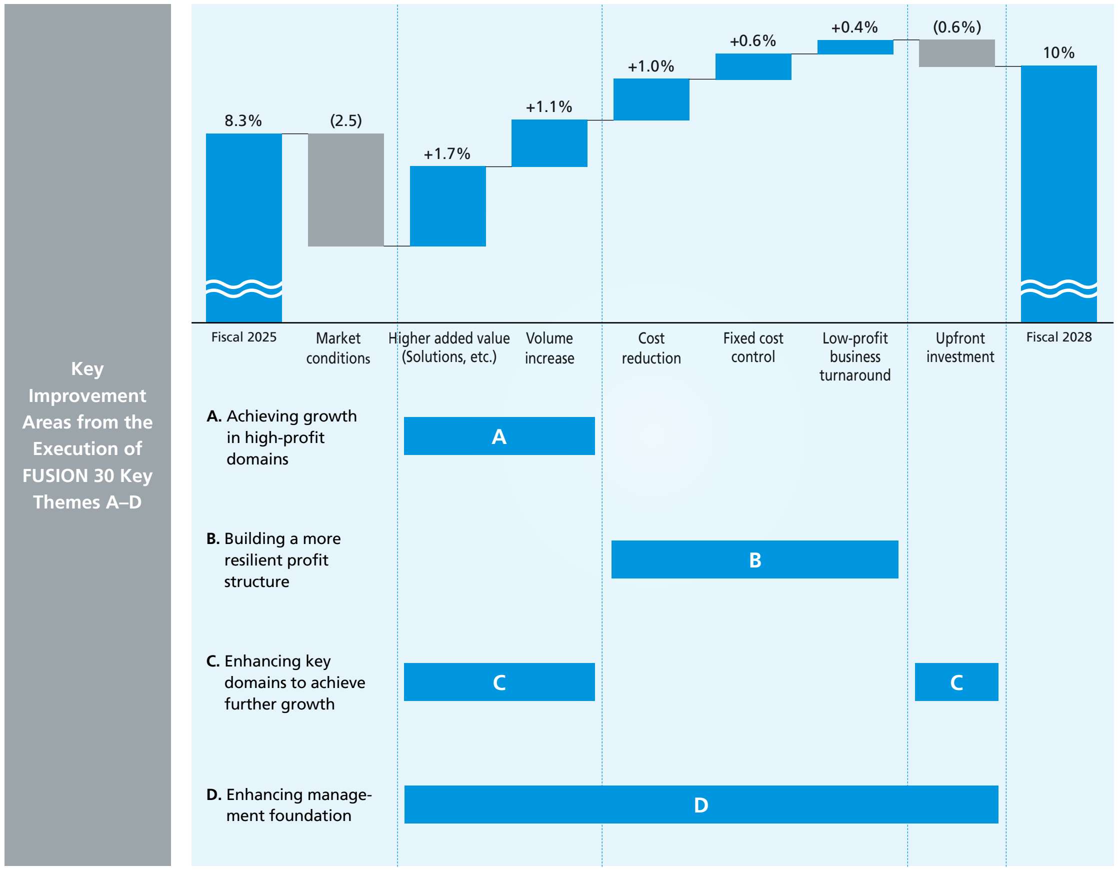
*Degree of practice is calculated as the average score of five-point evaluations in interviews with Daikin Industries employees regarding the nine items of “PCM Behaviors,” a set of action guidelines based on People-Centered Management.

Measures to Rebuild Earning Power

In response to issues concerning profitability and capital efficiency that came to light under FUSION 25, Daikin has positioned the rebuilding of its earning power as management's highest priority under FUSION 30. The Company will steadily proceed with efforts to achieve growth in high-profit domains, build a more resilient profit structure, enhance key domains to achieve further growth, and enhance its management foundation to increase the operating profit margin. In addition, we will promote more efficient use of capital by optimizing capital expenditures and shortening the turnover period of inventories and accounts receivable. Through these measures, Daikin aims to increase its invested capital turnover ratio and achieve steady improvements in earning power and capital efficiency.

Increasing operating profit margin

8.3% (Fiscal 2025)	10% (Fiscal 2028)	12% (Fiscal 2030)



Increasing invested capital turnover ratio

1.2x (Fiscal 2025)	1.25x (Fiscal 2028)	≥1.3x (Fiscal 2030)

Focusing on capital investment efficiency (= capital investment ÷ operating cash flow) (FUSION 25 period → FUSION 30 period)	58% ▸ 43%
Improving working capital management—inventory turnover (Fiscal 2025 → fiscal 2028)	83 days ▸ 72 days
Improving working capital management—accounts receivable turnover (Fiscal 2025 → fiscal 2028)	74 days ▸ 66 days

Financial Strategy Focused on Profitability and Capital Efficiency

Financial strategy that links profitability, capital efficiency, and growth strategy

Under FUSION 30, the enhancement of corporate value through improvement in profitability and capital efficiency is positioned as a key management theme. To achieve this, we will strengthen the earning power of our businesses and appropriately allocate the cash generated to growth investments and shareholder returns, remembering it is important to link these efforts to sustainable growth.

In FUSION 30, we will accelerate investment in key areas, such as the applied, solutions, chemicals, and digital businesses, while also promoting greater efficiency in capital investment and more advanced utilization of assets. By advancing improvements in profitability and capital efficiency, together with investments for future growth in an integrated manner, we aim to achieve our targets for an operating profit margin of 10% and ROE of 12% by fiscal 2028, and realize medium- to long-term enhancement of corporate value.

Quantitative targets set under FUSION 30

	Operating profit margin	ROE	Net sales CAGR
Targets for fiscal 2028 (Envisioned targets for fiscal 2030)	10% (12%)	12% (15%)	6%
Positioning	Indicator showing the results of improved earning power	Indicator showing the results of improved capital efficiency	Indicator showing the results of growth strategy

Breakdown of Growth Investments

	Policy	Investment amount during FUSION 25 plan	Investment amount during FUSION 30 plan (five-year total)
Capital investments	**Improve investment efficiency through focused investments and full utilization of existing assets** • Investments to strengthen capabilities in the key themes of Applied, Chemicals, and India: ¥620.0 billion • Curb new investments by consolidating production sites, making greater use of existing equipment, and taking other measures	¥1.0 trillion	¥1.3 trillion
M&A investments (Based on current assumptions)	**Prioritize investments in the Solutions domain** • Acquisition of service and engineering companies to further strengthen customer touch-points: ¥400.0 billion, etc.	¥0.3 trillion	¥0.5 trillion plus α
R&D and DX investments	**Focus resource allocation on Applied, Solutions, Chemicals, and DX** • Development of differentiation technologies required for expanding the Solutions Business: ¥220.0 billion • Development of highly profitable domains in the Chemicals business: ¥55.0 billion • Building a digital foundation for the full use of AI and data: ¥200.0 billion*, etc.	¥0.7 trillion (R&D: ¥0.6 trillion, digital: ¥0.1 trillion)	¥1.2 trillion (R&D: ¥1.0 trillion, digital: ¥0.2 trillion)

* Includes investments related to security and the operation and renewal of existing systems

Message from the CFO

We aim to enhance profitability and capital efficiency to achieve sustainable growth in corporate value. This is my mission as CFO.

Koichi Takahashi

Member of the Board and Senior Executive Officer, CFO

Role of CFO in supporting corporate value enhancement

In FUSION 30, the improvement of profitability and capital efficiency is positioned as key management themes. As part of my commitment as a manager to advance these key themes, I assumed the role of CFO at the end of June 2026. In addition to conventional accounting, finance, and budget management, I will promote financial strategies and capital policies that are integrated with our management strategy, while also taking responsibility for initiatives to enhance corporate value.

To achieve sustainable growth in corporate value, it is essential to ensure that investments for future growth lead to tangible results and to improve both business profitability and capital efficiency. As CFO, while supporting investments in growth opportunities I will instill financial discipline in management with an unwavering eye on investment returns and capital efficiency. From a financial perspective, I will support management that balances renewed growth with strengthened earning power.

In addition, I will leverage in management the perspectives and awareness of issues gained through dialogue with shareholders and investors and strive to provide ongoing and highly transparent information about our strategies and capital policies.

Financial strategy issues identified in FUSION 25

Looking back at FUSION 25 from a financial perspective, the greatest issue was that although we made investments in growth, we were not able to adequately link these investments to improvements in profitability and capital efficiency. Due in part to external factors, such as a greater-than-expected decline in demand, the operating profit margin and ROE did not reach targeted levels. Though we steadily reduced interest-bearing liabilities, we were not able to fully explain our approach to improving capital efficiency and shareholder returns.

Being aware of these issues, the promotion of capital policies for sustainable growth and enhancing corporate value is one of the key management themes in FUSION 30. We will not only rebuild the earning power and enhance the profitability of our businesses but also address the state of our capital, the denominator of ROE, with the aim of improving capital efficiency. We are formulating plans with a strong focus on both aspects of this. A major feature of the financial strategy in FUSION 30 is that, while pursuing growth we will also evolve management toward the further enhancement of both profitability and capital efficiency.

Advocating for financial ratio management

The keys to simultaneously enhancing profitability and capital efficiency are improving profit margins, raising returns on invested capital, which is an indicator of capital efficiency, and expanding operating cash flow. These are not independent goals but are tightly interconnected. By improving profit margins and increasing capital turnover, we can enhance returns on invested capital, which in turn expands operating cash flow and enables further growth investments and shareholder returns. Creating this virtuous cycle is at the heart of our financial strategy in FUSION 30.

Among these, ROIC is a key indicator for the embedding of financial ratio management throughout front-line operations, a goal that our Group has pursued to date. Accordingly, we have introduced D-ROIC as a KPI and are thoroughly implementing it across the entire Group. (See D-ROIC Tree on page 32) Although normal ROIC is calculated by dividing after-tax operating profit by total invested capital, D-ROIC, which uses operating profit as the numerator, focuses on accounts receivable, inventories, and fixed assets, three items that front-line business units can take responsibility for improving through their daily activities.

As CFO, I will shed light on improvements made on the front lines using the common metric of capital efficiency and link these efforts to enhancing corporate value as a Group-wide outcome. I am aware of the significance of once again setting a 12% target for ROE, which we were unable to achieve under FUSION 25, and will advocate for ratio management toward the achievement of this ROE target from a financial perspective.

Enhancing ROE through both profit growth and capital policy

Our approach to raising ROE is to achieve it through both improved profitability and capital policy. First, we will strengthen the earning power of our businesses by improving D-ROIC through higher operating profit margin and capital turnover, and then further raise ROE by combining these efforts with appropriate capital policy. Accordingly, we do not intend to raise ROE through capital policy alone. This is because doing so would not truly enhance our earning power as a company.

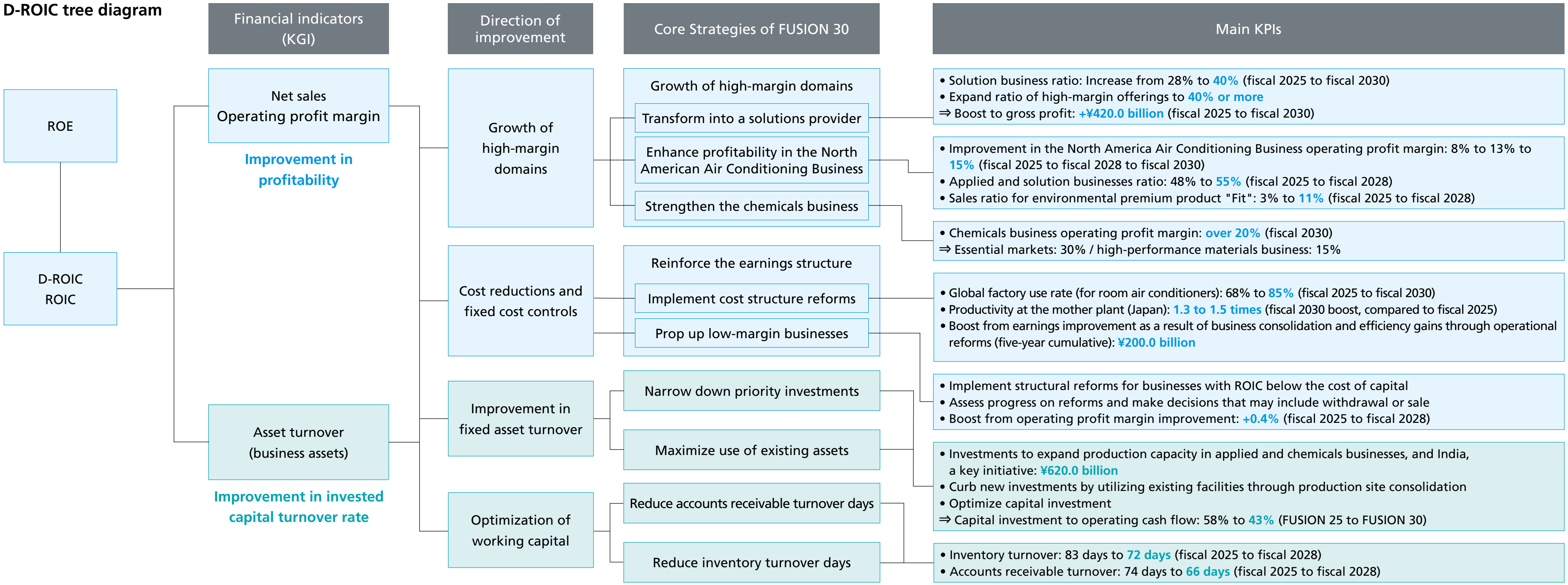
We are keen to achieve higher profit margins through growth in high-profit domains and also by strengthening our earnings structure. First, for growth in high-profit domains, we will expand business in priority application markets, such as data centers, and aim to increase the sales weighting of the Solutions Business in the Air Conditioning Business. In addition, we will review our cost structure while optimizing our global production system, reforming operations, and propping up low-profit businesses, targeting an operating profit margin of 10% for fiscal 2028, and 12% for fiscal 2030.

We aim to improve the invested capital turnover ratio from 1.2 times in fiscal 2025 to 1.25 times by March 31, 2029, and to 1.3 times or higher by March 31, 2031. In addition to improving the efficiency of working capital, we intend to proceed more efficiently and effectively by designating priority domains for capital investments, which have so far focused on expansion of production capacity.

The targets we set in FUSION 30, for ROE of 12% in fiscal 2028, and 15% in fiscal 2030, are based on this approach. Our aim is for management to be more conscious of the cost of capital throughout the Group in order to consistently achieve ROE well above our cost of capital, with the objective of delivering medium- and long-term growth in corporate value that our shareholders can truly appreciate.

Message from the CFO

D-ROIC tree diagram



Cash allocation aimed at enhancing corporate value

Under FUSION 30, we plan to expand operating cash flow to approximately ¥3 trillion over five years.

We will prioritize allocating generated cash to investments that drive future growth. In FUSION 30, we are giving top priority to growth investments totaling ¥1.8 trillion and, while carefully assessing investment effectiveness and expected returns, we will concentrate resources on investments that contribute to both growth and improved profitability.

Based on Daikin's Basic Approach to Capital Policy, which was formulated and announced in May 2026, we are giving priority to allocating generated cash to growth investments, while also comprehensively considering cash on hand and other factors to maintain a sound financial foundation and secure funding capacity for large-scale investments in the future. The remaining cash is then allocated to shareholder returns (dividends and share buybacks). With regard to dividend policy, we will continue to pursue stable and sustained increases in dividends. For share buybacks, we will flexibly make decisions based on investment opportunities, financial capacity and share price levels.

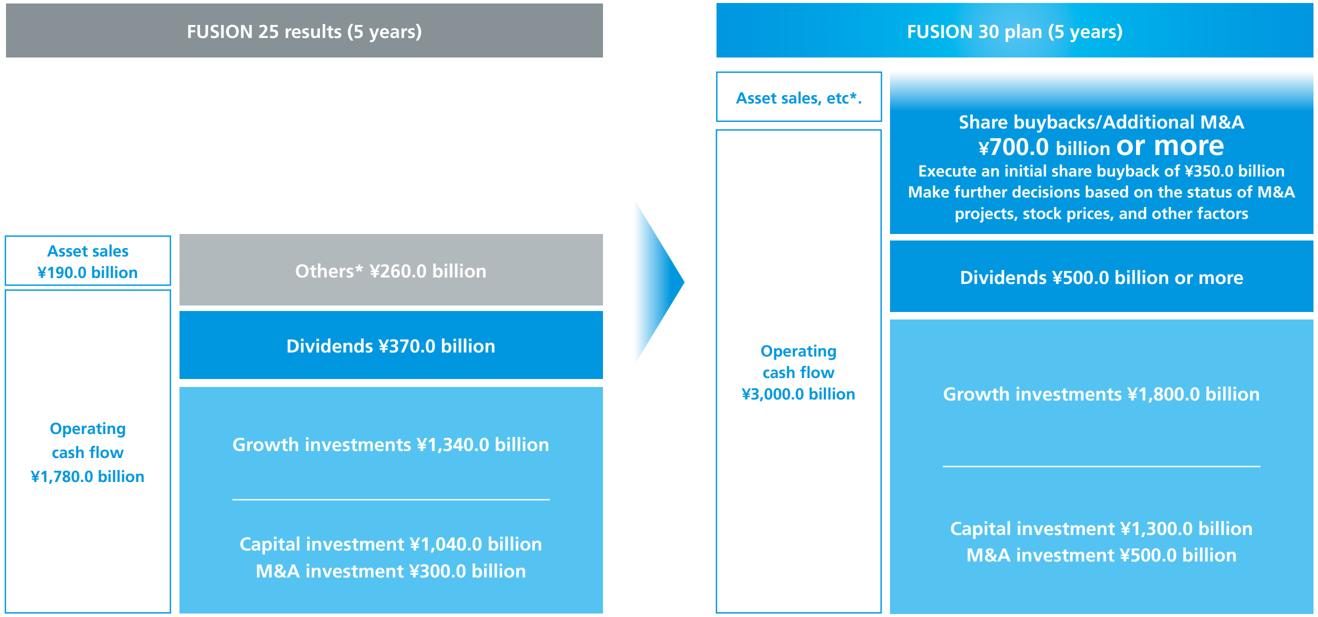
To date, by prioritizing the strengthening of its financial foundation, Daikin has built a robust financial position that supports future growth. Under FUSION 30, we will leverage this foundation and incorporate perspectives gained through dialogue with investors as we advance capital policies aimed at improving capital efficiency.

As a first step, Daikin announced a ¥350 billion share buyback along with the unveiling of FUSION 30. Daikin conducted a commitment-type share buyback through a fixed-price tender offer (FCSR), which is still rare in Japan, and completed the entire share buyback in a single day following the announcement. By executing the share

Daikin's Basic Approach to Capital Policy

- Daikin will actively address environmental and other social issues and aim to be a company that continues to be trusted and chosen by diverse stakeholders by simultaneously enhancing environmental, social, and economic value
- Daikin will strive to sustainably enhance corporate value by expanding its business through growth investments that contribute to future earnings growth, while also improving capital efficiency
- Daikin will allocate the cash generated primarily to growth investments. At the same time, while comprehensively taking into account factors such as the level of cash on hand, Daikin will allocate cash to shareholder returns, including dividends and share buybacks, while maintaining a sound financial foundation and securing investment capacity for future large-scale investments
- For dividends, Daikin will strive to achieve continuous dividend increases while emphasizing stability. Daikin will carry out share buybacks flexibly, taking into account factors such as investment plans and dividend payout levels

Message from the CFO



*Includes the repayment of interest-bearing debt and increases in cash and cash equivalents

*Includes asset sales, cash and cash equivalents, and the utilization of interest-bearing debt

buyback in a short period, we demonstrated a clear commitment to improving capital efficiency. Going forward, we will continue to buy back our shares in a timely and flexible manner, taking into account cash flow, investment trends, and financial capacity. We have not set targets for financial soundness, such as for the shareholders' equity ratio or D/E ratio, but in FUSION 30, we are mindful of maintaining our current credit rating. On the other hand, investors have asked that we also present targets for financial leverage and similar indicators. We will continue to consider how best to present such targets and their appropriate form.

With regard to cross-shareholdings, we will retain shares that have strategic significance and are believed to help enhance corporate value, but the Board of Directors individually examines the benefits and holding risks in light of capital costs, and we will reduce holdings of stocks that are deemed to no longer meet their intended purpose.

Financial discipline to support growth

We have proactively made investments with an eye on future growth, and this has resulted in steady growth and development. On the other hand, under FUSION 25, there were cases where growth investments did not yield sufficient results in return on investment or capital efficiency. Going forward, we will continue to steadily execute growth investments while placing even greater emphasis on achieving desired outcomes.

As CFO, it is my important responsibility to instill financial discipline in management to ensure that growth investments lead to tangible results. We will make investment decisions after carefully assessing both growth opportunities and risks, alongside thoroughly verifying the reliability of earnings plans and prospects for returns on investments. Even after executing investments, we will continue to verify results and ensure that targets are reliably achieved. For M&A deals as well, we will regularly verify results during the post-merger integration (PMI) process and promptly take necessary actions to address any deviations from the plan.

We will also continuously evaluate and review our business portfolio from the perspective of profitability and capital efficiency. Appropriately allocating limited management resources to domains with higher potential for growth and returns is an important initiative for enhancing corporate value. In evaluating these domains, we make decisions based not only on short-term profitability but also by considering future growth, competitive advantages, and the potential for medium- to long-term value creation. On the other hand, for businesses where sufficient improvement or future potential cannot be expected, we will make decisions that may include downsizing or withdrawal, while keeping the cost of capital in mind.

Connecting management and capital markets

FUSION 30 has received a certain level of praise from investors. At the same time, we recognize that there are even higher expectations regarding our ability to deliver and the certainty of our progress going forward. We will meet these expectations by steadily implementing our initiatives, building on results, and providing timely and appropriate information.

The perspectives and awareness of issues gained through dialogue with investors are reflected in management, and we endeavor to sincerely communicate this to capital markets. I believe that, as CFO, I have an important responsibility to enhance the quality of management and increase corporate value through this cycle. Through ongoing and constructive dialogue with investors, we will fulfill our role in connecting management to the capital markets. We kindly ask for your continued understanding and support.

Evolving and Strengthening Profitability of the Solutions Business ▶ P.13

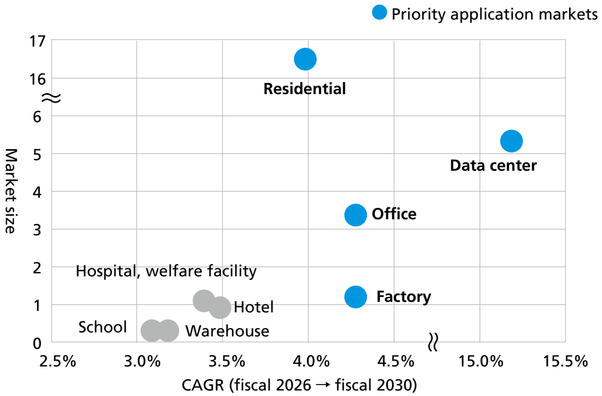
Transformation into a Solutions Provider

Daikin is accelerating its transformation into a solutions provider by strengthening its business foundation through strategies focused on specific application markets and applied solutions. Under Strategic Management Plan FUSION 30, the Company will evolve into a business that not only provides air-conditioning systems but also addresses the equipment-related challenges of entire buildings throughout the life cycle, thereby delivering new value-added solutions.

Application-Specific Strategies

To further accelerate profitability, Daikin will assess the size and growth potential of each application market and determine its unique winning strategies while focusing on expanding business in the four priority application markets of data centers, factories, offices, and residences. We will differentiate ourselves from the competition by providing optimal solutions that address the needs of each application market by combining design, construction, maintenance, and operational management that leverage Daikin's technological and product strengths as an air-conditioning manufacturer, rather than simply providing standalone equipment. In the data center market, in particular, Daikin is developing competitive solutions by leveraging the cooling systems, global supply network, and service capabilities it has developed to date. We will also pursue the steady expansion of other application markets by harnessing our various winning strategies.

Market Size and CAGR for HVAC and Controls Equipment by Application Market* (fiscal 2030)
(¥ trillion)

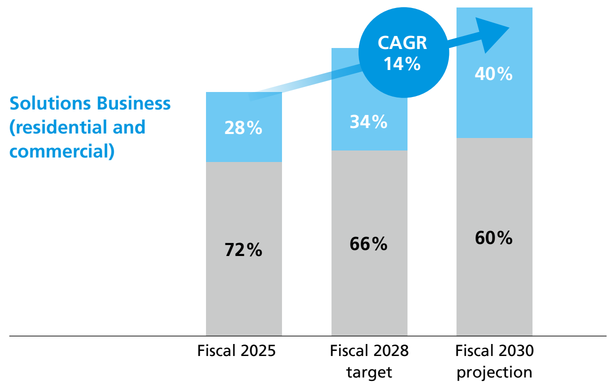


* Estimated by Daikin

Delivering High Added Value in the Solutions Business and Transforming It into a Highly Profitable Business

In the Air Conditioning Business, Daikin aims to increase the share of the Solutions Business from 28% in fiscal 2025 to 40% in fiscal 2030. In particular, we will focus on expanding high-margin offerings, such as replacement projects for existing equipment, maintenance and services, and energy management and other operation management services, to strengthen and improve the profitability of the Solutions Business. Furthermore, to realize both growth and profitability reform in this business, we plan to invest approximately ¥400.0 billion yen in M&A over the five-year period of FUSION 30, in order to acquire digital and engineering capabilities that add value to our Solutions Business.

Solutions Business Ratio in the Air Conditioning Business*



* Air Conditioning Business, excluding other businesses such as Chemicals and Filters

Daikin's winning strategies in priority application markets

Data Center	Leveraging the total cooling systems and global supply and service networks developed during the FUSION 25 period, we will provide end-to-end solutions from design to maintenance
Factory	Leveraging our customer responsiveness through our global development and production bases, together with our product capabilities in instrumentation and factory waste heat utilization technologies, we will contribute to stable operations, energy savings, and decarbonization
Office	Leveraging the global customer base we have developed to date, we will contribute to improved workplace comfort through building-wide energy savings and air quality management
Residential	We will offer new value, such as energy management, comfortable indoor air quality (IAQ) environments, reliability, and safety, by directly approaching homeowners and promoting differentiated system products, including combinations of multi-split air conditioners, ventilation systems, and sensors

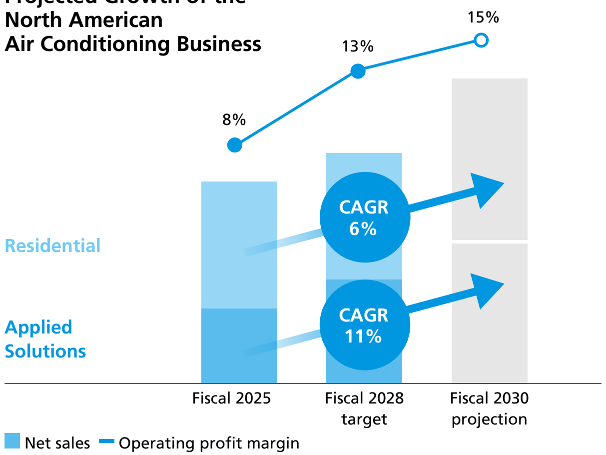
Enhancing Profitability in the North America Air Conditioning Business

By improving sales of environmental premium products and expanding its solutions business, Daikin aims to establish a highly profitable business structure comparable to that of its competitors in the United States.

Key Initiatives

In the Residential Air Conditioning Business, Daikin will expand sales of *Fit* inverter unitary, an environmental premium product, by enhancing its sales and proposal capabilities, while reinforcing the Residential Solutions Business. In the Applied Solutions Business, we will pursue revenue growth by advancing commercial solutions across a wide range of fields, including offices and schools, in addition to the rapidly expanding data center market. The Company will also aggressively invest in the applied business, which is expected to continue to grow, through the establishment of a data center hub to serve as a Center of Excellence (CoE) function that supports its data center strategy. Furthermore, we will establish a highly profitable business structure comparable to that of our competitors in the United States by promoting coordination and standardization of management structures through shared back-office services and enhancing management control through the use of core systems.

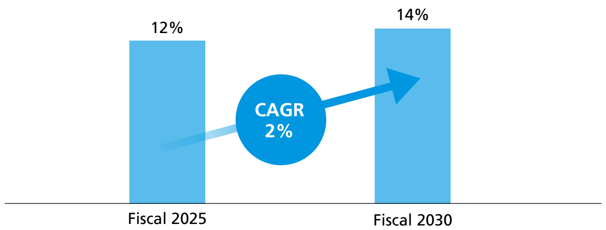
Projected Growth of the North American Air Conditioning Business



Market Trends and Daikin's Approach

Residential

Ratio of inverters in the unitary market*1

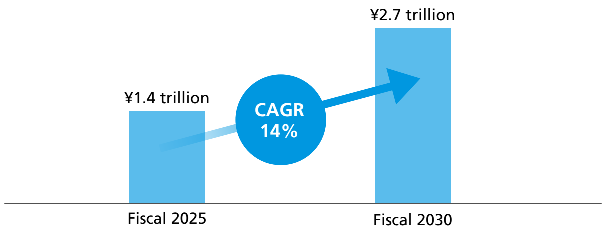


Sales ratio of *Fit*:
3% in fiscal 2025 → 11% in fiscal 2028

Capital/ M&A investment*2	¥150.0 billion

Applied Solutions

Scale of the data center cooling market*1



Sales ratio of applied solutions:
48% in fiscal 2025 → 55% in fiscal 2028

Capital/ M&A investment*2	¥420.0 billion

*1 Estimated by Daikin *2 Cumulative total during FUSION 30

Air Conditioning Business in Other Regions

Shift from selling increasingly commoditized standalone equipment to providing high-value-added products and solutions to enhance profitability

● Residential ● Commercial

Global common policy
- ● Strengthen the rollout of high-value-added system products to differentiate Daikin from competitors
- ● Expand the Applied Solutions Business, centered on expanding our presence in the data center market

Europe (Improve by 3%)*1
- ● Strengthen the product lineup and service structure in anticipation of a recovery in demand for heat pumps for heating
- ● Develop the Residential Solutions Business
- ● Expand earnings by broadening the lineup of natural refrigerant-compatible air conditioning and Applied systems in anticipation of stricter refrigerant regulations

China (Maintain at high level)*1
- ● Develop the premium market by offering "Luxury Air Land," an integrated residential solution
- ● Deploy a sales model that combines strengthened online customer touchpoints with field sales

Japan (Improve to double digits)*1
- ● Build a sales structure to expand sales of residential air-conditioning systems
- ● Expand sales of customized VRV products that meet user needs
- ● Capture replacement demand by leveraging the refrigerant transition as an opportunity

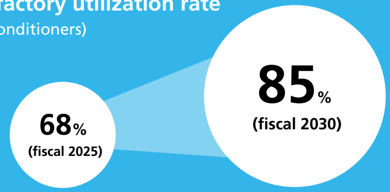
Asia*2 Oceania (Improve by 1%)*1
- ● Expand sales through high-value-added products that deliver superior comfort and design
- ● Increase selling prices by providing optimal systems for each application market

*1 Operating profit margin improvement plan (from fiscal 2025 to fiscal 2028)
*2 Asia excluding India

FUSION 30 Key Theme B: Building a More Resilient Profit Structure

Decisive Cost Structure Reform and Turnaround of Low-Profit Businesses

To strengthen its profit structure, Daikin will implement decisive cost structure reforms on a global basis, including optimizing production strategies and streamlining business processes through operational reforms. In addition, to expedite the turnaround of low-profit businesses, we will implement top-down structural reforms to improve operating profit margins.

Themes	Initiatives	Expected Outcomes
Optimization of the global production structure	**The Air-Conditioning Manufacturing Division will serve as the control tower and manage the production structure across regions in terms of products, quantities, and locations** • Optimize the mix of local production and centralized production to leverage economies of scale in production and procurement • Strengthen production capacity for the Applied business by utilizing existing factories, including the Mexico factory	**Global factory utilization rate** (split air conditioners)  68% (fiscal 2025) 85% (fiscal 2030)
Improving business efficiency through production and procurement operation	**Factory operation innovation using advanced technologies** • Introduce automation equipment for split air conditioner production* • Utilize AI for customized manufacturing of commercial air conditioners **Improve productivity through collaboration with suppliers**	**Productivity at the parent factory in Japan** **1.3–1.5x increase** (fiscal 2030 impact compared with fiscal 2025) Roll out developed technologies globally
Consolidation and streamlining of business processes through operational reform	**Standardize core systems and back-office functions through global cross-functional collaboration** **Maximize the use of AI to improve operational productivity and reallocate existing human resources** • Accelerate development by utilizing proprietary generative AI (LLM) trained on Daikin's air-conditioning expertise • Fully utilize AI agents globally to reduce workforce requirements in production, sales, service, and administrative operations	**Profit improvement impact** **¥200.0 billion** (five-year cumulative total from fiscal 2026 to fiscal 2030) The main impact will come from improving the efficiency of indirect operations and controlling labor costs, with additional contributions to earnings improvement from 2030 onward
Turnaround of low-profit businesses	**Identify underperforming businesses below the cost of capital using ROIC and decisively execute top-down structural reform** **Assess the progress of reforms during the first three years and make and execute management decisions, including withdrawal or divestiture, as appropriate within that period**	**Operating profit margin improvement impact** **+0.4%** (fiscal 2025 → fiscal 2028)

*Automate semi-finished product lines, including heat exchangers and sheet metal parts, as well as inspection processes

Building a Business Foundation in IMEA

We expect significant market expansion in the IMEA (India, the Middle East, and Africa) region, driven by population growth, economic development, and rapid urbanization. Leveraging the business foundation established under FUSION 25, Daikin will continue to expand its operations, with the thriving Indian market as its core hub, while accelerating business development in the Middle East and Africa to increase earnings and achieve future growth.

India

Achievements Under FUSION 25

Under FUSION 25, Daikin focused on building a business foundation to underpin future growth by expanding its sales service network, establishing the new Sri City Plant in southern India, and strengthening its R&D capabilities. These initiatives have reinforced the foundation necessary to further expand Daikin's business within India's rapidly growing market.

Achieve No. 1 share in the air-conditioning market and strengthen profit-generating capability simultaneously

FUSION 30 Initiatives

- Expand high-value-added system products for residential, including ventilation products
- Expand the VRV lineup to capture demand by application
- Expand the dealer network to regional cities and strengthen the service structure
- Strengthen product development capabilities by establishing R&D bases to expand the applied business
- Strengthen in-house production of devices, including compressors and printed circuit boards, to reduce costs

Capital investments: ¥80.0 billion
Number of dealers: Residential specialist dealers 2x
Commercial dealers handling VRV 1.5x

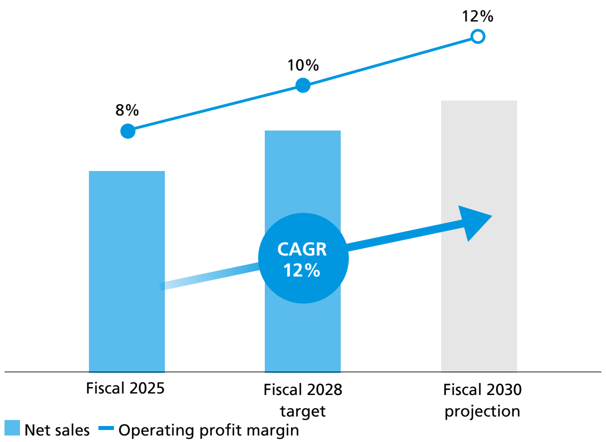
Strengthening the Business Foundation Across IMEA Centered on the Thriving Indian Market

Daikin has positioned India as a key pillar of its growth strategy in the IMEA region. Driven by population growth, economic development, and rapid urbanization, India is a market that will likely continue to experience a substantial growth in demand for air-conditioning. Leveraging the business foundation established under FUSION 25, the Company aims to achieve further growth and enhance profitability through the expansion of its sales network and the development of high-value-added products.

In the Middle East, growth opportunities are expanding in the applied business owing to rising demand for data centers and other factors. In Africa, the Company is building a business foundation to capture the growth in demand expected over the medium to long term.

By advancing business strategies tailored to the characteristics of each region, Daikin aims to expand earnings and achieve sustainable growth across the entire IMEA region.

Growth Outlook for the Indian Market



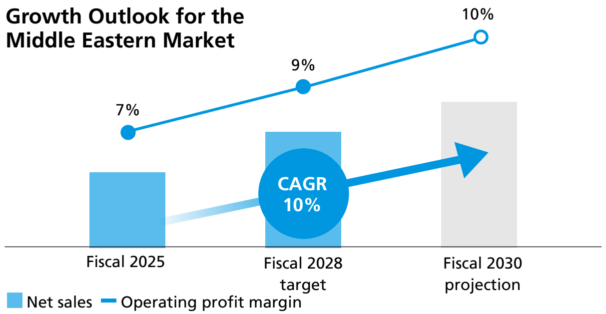
Middle East

Expand the applied business centered on data centers and capture replacement demand for condominium air-conditioning systems

FUSION 30 Initiatives

- Strengthen proposals for service, maintenance, and energy management
- Develop and launch products compatible with high outdoor temperatures
- Establish a new factory for applied products in Saudi Arabia

Growth Outlook for the Middle Eastern Market



Africa

Establish a foothold, looking ahead to a full-scale demand expansion beyond 2040

FUSION 30 Initiatives

- Establish a business development team for full-scale business expansion
- Establish an export base to serve Africa

Enhancing Compressors and Pursuing Commercialization

Compressors are key devices that determine the performance and energy efficiency of air-conditioning systems and are a source of Daikin's competitiveness. As energy-efficiency regulations become increasingly stringent and refrigerant transitions advance around the world, demand for high-efficiency compressors continues to expand. On the strength of its long-cultivated compressor technology, Daikin aims to not only enhance the competitiveness of its Air Conditioning Business but also establish a compressor sales business as a new pillar of growth by expanding this technology globally.

Business Environment Surrounding Compressors

Acceleration of Decarbonization

Increasingly stringent energy-efficiency regulations worldwide are boosting demand for high-efficiency compressors.

Progress in Refrigerant Transitions

The shift toward low-GWP refrigerants is increasing the need for new compressor technologies.

Rising Air-Conditioning Demand

Demand for high-performance compressors is expanding due to the growth of emerging countries and the data center market.

FUSION 30 Strategies

Strengthen technology to enhance competitiveness		Strengthen sales structure
Further strengthen compliance with increasingly stringent environmental regulations and enhance cost competitiveness	Strengthen the product lineup and efficiency to enhance the competitiveness of the Solutions Business	Expand the customer support structure, including engineering and quality support (develop specific measures by utilizing joint ventures*)

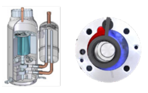
* Joint ventures established with Copeland, Inc. (United States) in May 2025 and Rechi Precision Co., Ltd. (Taiwan) in April 2025.

Strategically establish the Business Promotion Office as a dedicated task force to drive the above initiatives

Our Extensive Line of Compressors to Promote Inverter Use

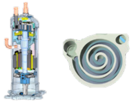
Residential Property | Store/Building | Large-Sized Air Conditioner (Applied)

Swing
Swing structure



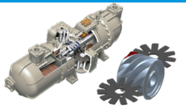
The unique swing structure enables operation at extremely low and high speeds. It is most valuable when used with an inverter for variable-speed operation.

Scroll
Highly efficient spiral structure



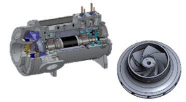
This compressor is well-known for being installed in air-conditioning units in buildings and has the No. 1 share in the industry. It is highly efficient with low noise and high durability even when installed in large equipment that uses a large amount of refrigerants.

Screw
Single-rotor structure



With no eccentric motion in the compression mechanism, its continuous compression process produces low noise and is suitable for large-scale, high-load systems.

Centrifugal
Oil-free magnetic bearing



The unique magnetic-bearing structure enables oil-free operation that requires no maintenance while also being extremely quiet. It is used for large-scale air conditioners and chillers.

Extensive Use of AI

The competitive landscape is undergoing drastic changes due to the rapid advancement of AI. So, we have entered an era in which a company's growth potential is dependent on its ability to leverage data and AI. Daikin has positioned AI utilization as a key theme under Strategic Management Plan FUSION 30. In addition to improving operational efficiency, we will establish a competitive advantage in the solutions business by proposing sophisticated data-driven solutions and optimizing the operation of Daikin's equipment used by our customers.

Creating Value Through Extensive Use of AI

We are delivering new value and enhancing product performance by leveraging data collected from Daikin equipment operating worldwide alongside our long-cultivated development and manufacturing technologies.

Moreover, the digital-savvy talent developed through Daikin Information and Communications Technology College (DICT) engage directly in our business operations to drive innovation across all work processes.

Overview of AI Initiatives

Creating customer value	Energy management	Optimize energy and equipment operations according to building usage
	Equipment management	Use AI to handle 24-hour monitoring, predictive maintenance, and automated repair services
Innovating business processes	Research and development	Automate design and simulation processes to accelerate product development
	Production	Ensure stable, high-quality production processes by incorporating the expertise of experienced engineers
	Sales	Accelerate proposal development by automating the design process of air-conditioning systems and the documentation process for proposals
	Service	Use AI to handle automated reception and initial diagnostics, allowing human staff to focus on providing comprehensive on-site support
	Shared administrative operations	Use AI to handle routine tasks, allowing human staff to focus on tasks that require critical thinking

Building a Foundation for AI and Data Use

To fully leverage AI and accelerate business transformation and the creation of new value, it is essential to establish an environment in which the vast amount of data dispersed across departments and business functions can be utilized safely and efficiently. Daikin is building a foundation that enables the secure use of AI and data across departments, regions, and business domains. We are developing a data platform that allows data to be efficiently collected, integrated, and utilized, while promoting the development and use of AI agents. Through these efforts, we will automate and enhance tasks that were traditionally performed manually, such as information gathering, analysis, decision-making support, and routine operations, thereby boosting productivity across business processes.

Viewing the establishment of this foundation for AI and data utilization as an investment for future growth, we plan to invest a total of ¥150.0 billion over five years to fundamentally streamline internal processes, with the goal of reducing indirect costs by ¥200.0 billion.

Development and Acquisition of Digital-Savvy Talent ▶ Page 45

Action Plan

Establishing a Center of Excellence (CoE) to promote AI and data use

- Establish the new DX Promotion Department in July 2026 to handle Companywide DX activities, from strategic planning to on-site implementation support

Developing a platform for AI and data use

- Develop a Companywide platform for centralized management and use of data
- Create an environment that enables the efficient development and deployment of AI agents

Strengthening AI and data governance

- Clarify use rules and risk management principles and formulate and develop Companywide guidelines to ensure proactive and secure use of AI and data

Examples of AI Use: Supporting Work in Installation and Maintenance Services

Using videos from on-site locations captured by THINKLET®, a neck-mounted, wearable smart device, Daikin has developed a system that automatically detects oversights in air-conditioning inspections and repair work and notifies service engineers wearing these devices.

Daikin won the top prize (1st place) and the special AI Agent Award in the GENIAC-PRIZE, a NEDO Challenge prize program organized by the Ministry of Economy, Trade and Industry and the New Energy and Industrial Technology Development Organization (NEDO).

Maximization of Human Capital Value

Message from the General Manager of the Human Resources Division

Maximizing Human Capital Value Through People-Centered Management to Achieve the Goals of FUSION 30

Masaki Saji

Senior Executive Officer General Manager of the Human Resources Division

Talent to be strengthened globally to achieve the FUSION 30 growth strategy

	Fiscal 2025	Fiscal 2030 Target
Management and leadership candidates	600	More than 2,000
Solutions-oriented talent	7,300	More than 12,500
Digital-savvy talent	2,500	3,500

FUSION 30 strategic management plan: Maximization of Human Capital Value

To accelerate the transformation into a solutions provider, a key theme of FUSION 30, and translate it into Group growth, Daikin must go beyond strengthening specific functions or departments. We must create an environment where each employee can continuously take on new challenges, grow, and deliver results while also changing their mindsets. FUSION 30 is a challenge that will not be realized without the maximization of human capital value, a key theme in enhancing our management foundation.

For many years, Daikin has remained committed to its philosophy of People-Centered Management, based on the belief that "each individual possesses infinite potential, and the cumulative growth of all employees is the foundation for the Company's development." Guided by the conviction that people are the source of competitiveness and the driving force behind transformation, we have focused on developing internal talent who drive change while selectively utilizing M&A and external talent. In addition to cultivating a workforce that can continuously adapt to changing environments, Daikin has strengthened both its people and organization through flexible talent management practices, including bold job transfers, promotions based on merit rather than age or tenure, and opportunities to take on challenging situations. The knowledge, expertise, tacit know-how, and decision-making and execution capabilities accumulated within the organization through these efforts are creating the organizational strength necessary to drive transformation.

In 2024, Daikin established PCM Behaviors as a set of action guidelines for all employees. Regardless of business area or organizational affiliation, these guidelines represent the standards expected of all employees across generations. We believe that consistently practicing these behaviors serves as both the starting point and foundation for the transformation we aim to achieve. Accordingly, Daikin has designated the degree of PCM Behaviors practiced as a key Companywide KPI and has been conducting surveys of all employees since fiscal 2025.

Although the current survey targets employees of Daikin Industries, Ltd., we intend to expand the scope to our global operations in the future. We are looking to implement trial runs at certain overseas locations during fiscal 2026.

As this year marks the launch of FUSION 30, Daikin also conducted a survey to assess employees' level of understanding and alignment with the Company's new direction and whether they have seen any changes. By continuously monitoring our quantitative indicators related to human capital—the foundation of our organization—and the level of penetration of FUSION 30 over time while analyzing the combined results of these surveys, we will continue to carefully examine the state of our people and organization.

Most importantly, the insights gained from these surveys and analyses will be leveraged to inform future management strategies and investments in human capital. Through these continued efforts, we intend to clarify how changes in leading indicators related to human capital contribute to the enhancement of corporate value and communicate this relationship clearly to stakeholders.

PCM Behaviors: Action Guidelines Based on People-Centered Management

Degree of Practice: 61.0%→ 63.3% (Fiscal 2030 Target: 75%)

Innovation & Growth:
Take Bold Action and Seek Growth
People who strive to grow, challenge established norms, and lead innovation

Item	Degree of Practice
Boldly take on challenging situations with full conviction of your potential	57%→60%
Refine and enhance your strengths and expertise until you excel in your field of expertise	58%→60%
Learn humbly	73%→75%

Trust & Teamwork:
Build Genuine Trustworthy Relationships and Teamwork
People who share the Daikin Group's dreams and value dialogue and teamwork

Item	Degree of Practice
Participate with a sense of ownership by sharing information and opinions through deep and extensive discussions ("Flat and Fast management")	59%→61%
Fulfill your roles and responsibilities, and work together toward achieving goals	70%→71%
Respect each person, unleash your infinite potential, and embrace healthy competition	66%→68%

Winning & Achievement:
Strive for Results
People who aspire to achieve great results with passion, strong will, perseverance, and action

Item	Degree of Practice
Envision your goal and take creative action without being bound by past successes	55%→58%
Leverage Daikin's strengths, and pursue uniqueness and differentiation	52%→55%
Set ambitious goals and achieve them with passion and perseverance by continuously taking action	60%→62%

Note: For questions relating to the nine action guidelines included in PCM Behaviors, responses were based on a five-point scale: 1. Always practice; 2. Practice in many situations; 3. Practice to some extent; 4. Do not practice very often; and 5. Rarely practice. "Degree of Practice" was calculated as the average of score-converted responses and indicates the change in results from fiscal 2025 to fiscal 2026.

Understanding People-Centered Management Through Data and Assessing Our Current Position in Achieving FUSION 30

Since fiscal 2025, Daikin has conducted a survey covering all employees to measure the extent to which PCM Behaviors, based on People-Centered Management, are being practiced and to assess how strongly the Company's culture and values are perceived across the organization. In fiscal 2026, the survey was expanded to include questions related to FUSION 30, such as whether employees have developed a deeper understanding of the plan, aligned with its direction, and perceived organizational change. This section summarizes the change in results from the previous year and also summarizes insights derived from analyses combining multiple survey indicators.

Survey Overview

No. of Respondents
6,002
(target population: 9,548)

Respondent Rate
62.9%

Point 1: Steady improvements have been made in the degree of PCM Behaviors practiced.

61.0→63.3% +2.3pt

- The degree of PCM Behaviors practiced improved across all nine items (fiscal 2030 target: 75%)

- Positive responses related to workplace culture increased from the previous year
- While improving responses for "encouraging and supporting employees in their efforts to take on new challenges" (67.9% to 69.8%) and "not criticizing employees for constructive failures" (63.5% to 65.7%), "showing patience even without immediate results" (56.0% to 57.4%) scored relatively low, highlighting the importance of further strengthening a culture that encourages employees to take on new challenges from a medium- to long-term perspective alongside achieving short-term results.

I feel that my supervisor and colleagues encourage and support my efforts to take on new challenges. Positive response rate: **69.8%**

I feel there is a culture that does not criticize constructive failures. Positive response rate: **65.7%**

I feel there is a culture of patience even without immediate results. Positive response rate: **57.4%**

Note: The positive response rate is calculated as the percentage of respondents selecting one of the top two options on a five-point scale.

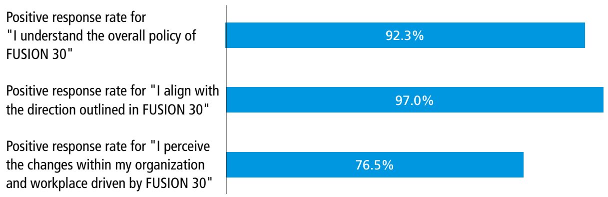
Point 2: Despite improvements in understanding the overall policy of FUSION 30 and aligning with its direction, most employees have yet to perceive changes.

92.3% Understanding

97.0% Alignment

76.5% Perception of change

- In the first year of FUSION 30, many people developed a deeper understanding of the plan and tended to align with its direction but fewer people perceived changes. Accelerating efforts to ensure that the changes will be felt by employees is crucial.



Note: The positive response rate is calculated as the percentage of respondents selecting one of the top three options on a six-point scale.

- Among the nine items of PCM Behaviors, the two items below scored relatively low on degree of practice. Due to their importance in driving transformation under FUSION 30, improving these results is essential.

Envision your goal and take creative action without being dependent on past successes Degree of practice: **57.5%**

Leverage Daikin's strengths and pursue uniqueness and differentiation Degree of practice: **54.8%**

Point 3: Practicing PCM Behaviors and Fostering a Corporate Culture Conducive to Doing So Will Form the Foundation for Executing FUSION 30.

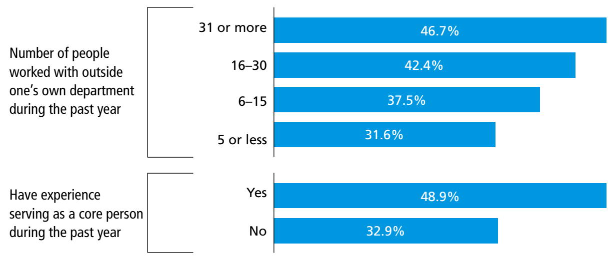
- Employees with higher degrees of practice consistently showed higher levels of understanding, alignment, and perception of change. For perception of change, employees with the highest and lowest levels of PCM Behaviors practiced showed a 64-point gap.
  → Practicing PCM Behaviors will form the foundation for executing FUSION 30.

Degree of PCM Behaviors Practiced	Percentage of employees who deeply understand or understand the direction of FUSION 30	Percentage of employees who strongly align or align with the direction of FUSION 30	Percentage of employees who strongly perceive or perceive the changes driven by FUSION 30
Always practice	84.7%	91.5%	71.8%
Practice in many situations	75.0%	82.4%	50.0%
Practice to some extent	42.0%	57.2%	25.8%
Do not practice very often	15.2%	30.8%	8.8%
Rarely practice	20.8%	20.8%	8.3%

64pt

- The survey also revealed that employees' perception of change under FUSION 30 is closely linked to both the number of people they have worked with outside their own department and whether they have served as a core person in operations or projects.

Percentage of employees who strongly perceive or perceive the changes driven by FUSION 30



Enhancing Corporate Value by Monitoring the Leading Indicators of Human Capital and Organizational Capabilities

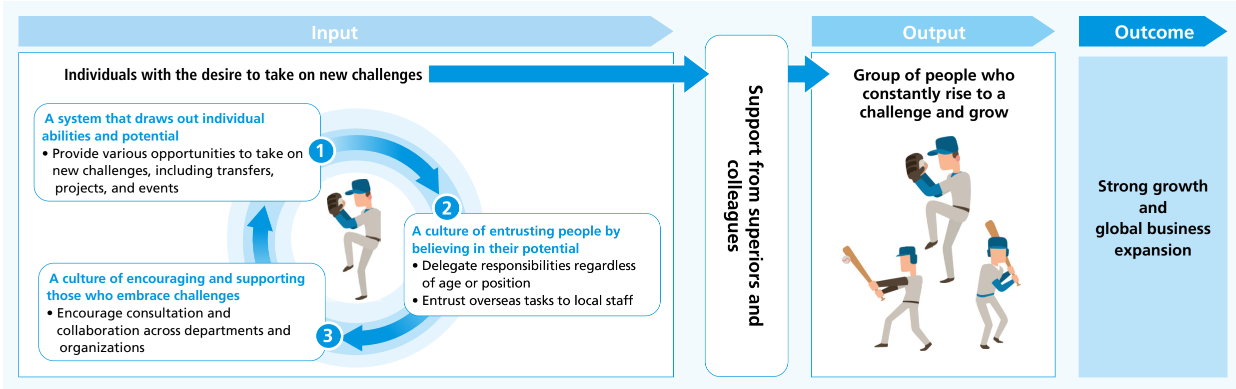
Through this survey, Daikin has begun to quantitatively assess aspects of People-Centered Management, a philosophy that has long been embedded as tacit knowledge and a core element of its corporate culture. By positioning these aspects as leading indicators of the fundamental strengths of our human capital and organization, alongside the direction of our efforts to take on new challenges, and monitoring them over time, we will identify issues and areas for improvement right away and implement measures as necessary.

Human Capital: The Source of Daikin's Strengths

Human Resource Development Process That Underpins Daikin's Strengths

Based on the concept of People-Centered Management, Daikin places a premium on maximizing the motivation and commitment of each individual and encouraging them to take on challenges and grow. With this in mind, we reviewed and established a model for how we utilize people's abilities and how everyone's challenges and growth contribute to enhancing the value of the organization as a whole. The source of our strength lies in three processes deeply rooted in our organization for developing individuals with the desire to take on challenges: 1. Enabling employees to take on challenges and demonstrate their abilities and potential; 2. Entrusting people by believing in their potential; and 3. Encouraging and supporting those who take on challenges at an organizational level.

By creating an environment and system that allows employees to continuously embrace challenges with the support and encouragement of their superiors and colleagues, we will foster a group of people who constantly rise to challenges and grow, which we believe will ultimately improve our business performance and corporate value.



Characteristics and Indicators That Facilitate the Development of Highly Ambitious Personnel

People-Centered Management

The cumulative growth of all employees is the foundation for the Group's development

Source of Strength (Hypothesis)	Characteristics (Hypothesis)	Example Indicators (Fiscal 2025 Results)
Individuals with the desire to take on new challenges	Many individuals with the drive to ambitiously take on challenges	Degree of practice of PCM Behaviors: Boldly take on challenging situations with full conviction of your potential: 60% ↑
		Percentage of employees who have entered their career aspirations into the human resource database: 90.0 ↓
	A corporate culture that maximizes everyone's motivation and commitment	Percentage of supervisors who have entered information on the direction of employee development and added records of dialogues with employees: 93.6% ↓
Step 1: A system that enables employees to take on challenges and demonstrate their abilities and potential	Providing abundant opportunities to take on new challenges	Number of projects participated in by each employee: 1.7 ↑
	Providing opportunities for diverse human resources to thrive	Number of personnel transfers per year: 3,424 ↑
Step 2: A culture of entrusting people by believing in their potential	Delegating responsibilities to highly skilled and committed employees regardless of age or position	Ratio of general employees who have served as a core person: 36% ↑
	Respecting the discretion and judgment of local staff in global business	Ratio of presidents at overseas bases who are local nationals: 41% ↓
Step 3: A corporate culture that encourages and supports those who take on challenges	Fostering a culture that supports those who embrace challenges	Percentage of positive responses to "I feel that my supervisor and colleagues encourage and support my efforts to take on new challenges.": 70% ↑
	Establishment of a corporate culture that encourages consultation and collaboration across departments and organizations	Average number of employees worked with outside one's own department: 25 ↓

Note: The symbols ↑ and ↓ indicate whether the value increased or decreased from the previous fiscal year.

Group of people who constantly rise to the challenge and grow

Source of Strength | Individuals with the desire to take on new challenges

Daikin endeavors to provide opportunities for challenge and growth through daily dialogues between supervisors and subordinates aimed at maximizing everyone's motivation and commitment in line with their career aspirations.

In 2023, we introduced DAIKIN People, a global human resource database that includes basic information about each employee and into which employees can enter information such as their strengths, areas of expertise, and work and career aspirations. Based on this information, Daikin has established a framework for supervisors and employees to engage in dialogue on future challenges and growth. As of fiscal 2025, 90.0% of employees have entered their career aspirations* into the database and 93.6% of supervisors have added records of dialogues with employees. These results align closely with the importance we place on engaging in dialogue with each individual in our human resource development.

* Career aspirations: For one to two and/or five to 10 years from now

Source of Strength: Step 1 | A system that enables employees to take on challenges and demonstrate their abilities and potential

Providing Opportunities to Take on New Challenges

To respond flexibly to the rapidly changing business and management environment, Daikin conducts personnel transfers twice a month (or 24 times a year) as part of its review of organizational structure and active efforts to promote and reassign employees. These opportunities are intended to address business-related needs and play an important role in our human resource development. Daikin does not implement a uniform job rotation system. Rather, we provide individual opportunities for challenge and growth based on an understanding of each employee's desires, aims, and challenges, which is gained through daily dialogue.

Additionally, there are many opportunities for employees to take on challenges outside of their regular duties, such as cross-departmental and Groupwide projects and Companywide events.

Fiscal 2025 Results

Number of personnel transfers **3,424** (equivalent to 36% of all employees)	Number of projects participated in by each employee **1.7***1
Number of executive committee members and staff for summer evening festivals held at domestic business sites **2,919***2	Number of participants in the planning and operation of the Daikin Orchid Ladies Golf Tournament **103**

*1 Average response to "Number of projects participated in over the past year" in an employee survey
*2 Total for Sakai Plant, Yodogawa Plant, Shiga Plant, and Soka Plant

▶ Daikin's Unique Human Resource Development System

At Daikin, we encourage employees to participate in cross-departmental projects and Companywide events. For example, many of our employees take part in the planning and operation of summer evening festivals held at various plants every August and the Daikin Orchid Ladies Golf Tournament held in Okinawa Prefecture in March.

In these projects, we take a customer-centric approach, focusing on how to provide an enjoyable experience for visitors and the local community by having each employee come up with and execute a unique plan. By having employees devise and implement their own plans in line with Daikin's valued principles and business practices, we provide each of them with an opportunity to achieve significant growth. These projects also help enhance teamwork, social networks, and the ability to think, execute, and solve problems across organizational boundaries—capabilities that are utilized at each workplace on a daily basis. The projects play a unique role in Daikin's development of human resources.

Promoting the Active Participation of Diverse Personnel

Daikin places importance on strengthening diversity management and is working to create an organization where diverse personnel can demonstrate their full potential.

In addition to regular hires, we actively recruit mid-career professionals, hiring 111 mid-career employees in fiscal 2025. Mid-career hires accounted for 22.0% of all employees and 30.7% of all management positions.

In addition, 683 employees have been seconded or are attending training at our overseas bases, contributing to the expansion of our global business.

Furthermore, Daikin is committed to developing digital-savvy talent globally through programs such as the Daikin Information and Communications Technology College, which was established in 2017.

Fiscal 2025 Results

Mid-career hires	
Percentage of employees **22.0%**	Percentage of management positions **30.7%**
Digital-savvy talent Approximately **2,500** people	Employees seconded or attending training at overseas bases **683** in total

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Comment from an Employee

DICT Graduates Embracing New Challenges:

Using AI to Resolve Maintenance Issues on the Front Lines

I was part of the first class of students at Daikin Information and Communications Technology College (DICT), where I studied for two years. In addition to classroom learning, the program offered numerous opportunities to apply our knowledge and skills through project-based learning programs conducted by each department. I have developed a strong perspective on how to improve operations in the field and how digital technologies can be leveraged to create business value.

Since 2024, I have been involved in the development of an equipment failure diagnosis support system. When equipment abnormalities occur at production sites, the system uses generative AI to identify potential causes and suggest possible countermeasures, enabling problems to be resolved quickly. With the continued expansion of our global operations, some production sites are struggling to keep pace in developing maintenance engineers. I believe this system will streamline maintenance processes and enhance maintenance quality. I feel that our efforts to apply the digital skills acquired at DICT are paving the way for business transformation, and being directly involved in driving this change is rewarding.

Yoichiro Kume
Factory DX Technology Development Group
Production Engineering Center

Source of Strength: Step 2 — A culture of entrusting people by believing in their potential

A Culture of Delegating Responsibilities Regardless of Age or Position

At Daikin, a unique work practice called “Core Persons & Supporter” has taken root in which highly skilled and committed employees, regardless of age or position, are the “core persons” and everyone else is a “supporter” of the project. Under this approach, responsibilities and tasks are even delegated to general employees who are not in management positions, 829 of whom have assumed leadership roles. This includes roles as leaders for development projects in the R&D department, as foremen and workplace supervisors in the manufacturing department, and as general managers at our various service locations.

Many employees have played key roles as core persons in project-based tasks and, according to a Companywide survey, approximately 40% of employees who have taken on these roles in the past year are in their 20s and 30s.

General employees in leadership roles
829
(equivalent to 10% of all general employees)

Percentage of employees who have served as core persons*

General employees	Employees in their 20s and 30s
36%	44%

* Percentage of employees who responded to the Companywide survey as having served as core persons in a task or project in the past year

A Culture of Delegating Authority to Local Management

With the rapid expansion of its overseas business, Daikin has actively delegated authority to local management overseas. To fully understand the culture of the overseas regions in which we operate and develop businesses rooted in these communities, we appoint local staff to management positions because they best understand local needs and business environments. These efforts have advanced the internationalization of management at our overseas locations. As of fiscal 2025, 41% of presidents and 49% of directors at our overseas business sites were local appointees. We will continue to rapidly develop local staff for management positions and appoint outstanding people regardless of nationality.

Comment from an Employee

Taking on Challenges Across Borders: From Thailand to a Production Site in Indonesia

The project to establish PT. Daikin Industries Indonesia was launched in 2023 to meet the needs of Indonesia’s air-conditioning market, one of the largest in Asia. At the time, I was working for Daikin Industries (Thailand) Ltd. and was given the opportunity to relocate to Indonesia, joining the project as a member of the production engineering team. The project brought together members from four countries: Thailand, Japan, Indonesia, and Malaysia. Though communication presented challenges, the diversity of the team proved to be a strength, enabling us to build production lines that incorporated the technological expertise of each location. I believe Daikin’s greatest strength lies in its commitment to providing employees with opportunities to take on new challenges regardless of one’s country, region, or organizational affiliation. I look forward to continue learning and gaining experience on the global stage while contributing further to Daikin’s growth.

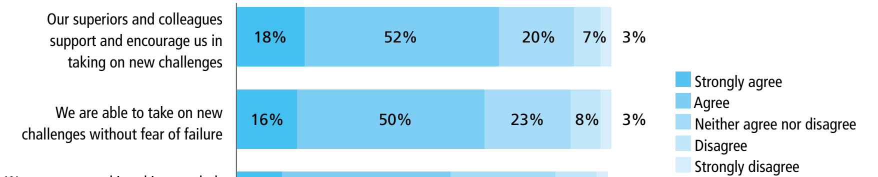
Chaiwit Kormanee
Assistant General Manager
Production Engineering Department
PT. Daikin Industries Indonesia

Source of Strength: Step 3 — A corporate culture that encourages and supports those who take on challenges

We do not criticize employees for forward-looking failures and we value their caring attitudes, allowing them vigorous challenges. We believe that individuals who are highly motivated to take on new challenges should be supported by those around them and that individuals who make greater contributions should be given more opportunities.

Approximately 60% of employees feel that this culture exists at Daikin, according to a Companywide survey. Furthermore, Daikin is a company where there are many opportunities to collaborate with members of other organizations and departments through daily work and Companywide projects and events. Our corporate culture encourages people to consult and discuss with those outside their own departments, and one of its hallmarks is the extent and strength of connections between people both internally and externally.

A Culture of Supporting Those Who Embrace Challenges



Note: Due to rounding of figures, the above percentages may not add up to 100%.

No. of employees who worked with those outside of their own department
Average of 25 people*

* Average response to “Number of employees who worked with those outside of their own department over the past year” in an employee survey

Comment from an Employee

Challenging the Unknown: Realizing an Innovative Refrigerant Reclamation Technology Using Advanced Materials

Upon the establishment of the Technology and Innovation Center (TIC) in 2015, I was transferred there with the mission to create differentiated technologies and products as the core hub for Daikin’s technology development. I took on the challenge of developing technology to purify trace impurities in recovered refrigerants using an absorbent known as MOF.*

It was my first experience developing such technology from scratch for this line of research, so I was constantly faced with uncertainties. What supported me through these challenges was the people around me. Drawing on the relationships I had built since joining the Company, I received support from many people, including colleagues who were not directly involved in the project but participated in discussions and shared our technology with overseas bases. To advance the practical application of this technology, we collaborated with Atomis Inc., a startup originating from Kyoto University. These efforts led to the successful application of MOF-based refrigerant separation and reclamation technology at a plant in Germany in 2023.

* Metal-Organic Frameworks (MOF): “Porous materials” with countless nano-sized pores that form a regular, continuous three-dimensional structure of metals and organic compounds. It is possible to freely design the lattice-like pore space and, by changing the size, shape, and characteristics of the pores, it is possible to absorb and separate only specific gas molecules. By applying MOF technology, Daikin successfully separated refrigerants that could not be separated using conventional technologies.

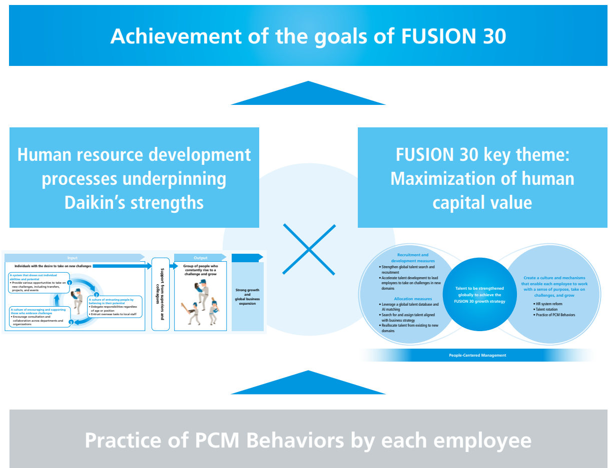
Michiru Kagawa
Chief Engineer
Advanced Function Development Group
Technology and Innovation Center

Maximization of Human Capital Value for the Achievement of FUSION 30

Business Growth Through the Development, Deployment, and Acquisition of Human Capital

Leveraging its strengths in human resource development processes, Daikin will strengthen the human resource capabilities necessary to accelerate business transformation and ensure a bright future under FUSION 30. Specifically, we are advancing three key initiatives: strengthen the development, deployment, and acquisition of human resources who support the growth of key fields, such as solutions and digital transformation; create systems and foster a corporate culture that enable employees to work with a sense of purpose, take on challenges, and grow by staying true to our Group Philosophy and practicing PCM Behaviors; and strengthen the development of leaders who cultivate diverse individualities and capabilities, ensuring the deployment of leaders with the ability to drive transformation.

Daikin will establish and monitor leading indicators related to these initiatives alongside indicators directly linked to business results, such as the sales ratio of the Solutions Business, thereby demonstrating the link between its human resource initiatives and business results.



FUSION 30 strategic management plan: Maximization of Human Capital Value

Development and Acquisition of Solutions-Oriented Talent

To realize our FUSION 30 key theme of achieving transformation into a solutions provider, developing personnel capable of delivering solutions is essential.

We will implement measures such as assigning domestic employees to overseas bases and deploying personnel across regions to share best practices on a global level, with the aim of enhancing human resource development capabilities across the Group.

Specifically, Daikin has set a quantitative target of developing more than 12,500 solutions-oriented talent by fiscal 2030 (7,300 as of fiscal 2025) and will continue to actively promote talent development and acquisition to achieve this goal.

Development and Acquisition of Digital-Savvy Talent

Daikin established DICT in 2017 to accelerate the development of managers, existing employees, and new recruits. In fiscal 2025, we achieved our target of developing approximately 2,000 digital-savvy talent through the program.

Under FUSION 30, Daikin has set a global target of developing approximately 3,500 digital-savvy talent by fiscal 2030 (approximately 2,500 as of fiscal 2025) and will continue to promote the development of such talent across the Group.

We will revise the curriculum and implement other measures to improve the DICT training program by identifying the needs and challenges associated with developing digital-savvy talent based on the key themes of FUSION 30.

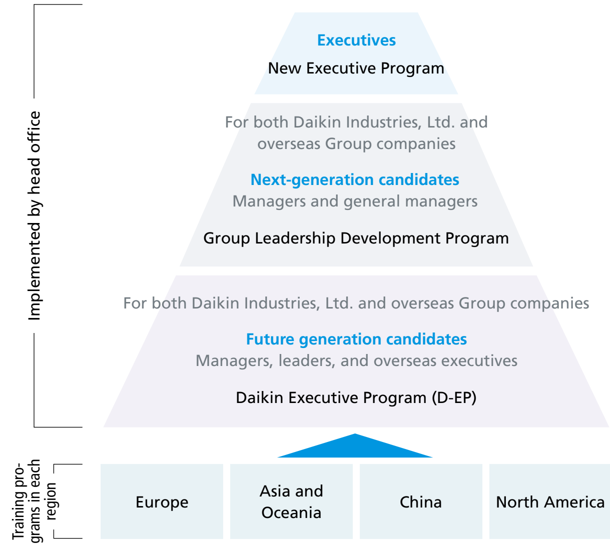
We also intend to accelerate our development process and achieve our quantitative target by expanding the recruitment of mid-career hires and the rotation of internal talent.

Developing the Next Generation of Global Executives and Leaders

In a rapidly changing society, it is important to continuously develop leaders who can drive transformation and manage a diverse team. Daikin will strengthen its executive and leadership development programs, accelerate the identification, deployment, and development of diverse leaders who will shape the future of their respective businesses and regions, and further advance the localization of management to drive and achieve successful business transformation. Specifically, through executive training and dialogues with senior management, Daikin will identify individual aptitudes and leadership potential and has established a target of identifying and developing more than 2,000 global executive and leadership candidates by the end of fiscal 2030 (600 as of fiscal 2025).

As a concrete measure for executive development, Daikin headquarters conducts development programs according to three leadership levels: executive officers, division managers and general managers, and section managers and leaders. Executive and leadership development programs are also conducted within the various regions in which we operate.

Overview of the Next-Generation Executive Development Program



Conducting executive and leader training at each base and in each region

Promotion of Diversity Management

Implementing Diversity Management That Leverages the Uniqueness and Strengths of Each Individual

Daikin has more than 100,000 employees, over 80% of whom work overseas. Our growth to date as a global company has been underpinned by our employees, who are full of passion and vitality. Amid the rapid expansion of our business through partnerships, collaborations, and M&As at a global level, our workforce and values have become more diverse. There is a Japanese saying, "The nail that sticks out gets hammered down." At Daikin, we celebrate "the nail that sticks out," since our diversity management entails allowing each individual, regardless of nationality, age, gender, sexual orientation, gender identity, disability, or employment status to embrace their individual differences and demonstrate their full potential, which in turn will drive innovation and enhance the Group's comprehensive capabilities and competitiveness.

Creating an Environment Where Diverse Talent Can Thrive

Daikin is reviewing its human resource and compensation systems to create an environment where people from all backgrounds can thrive. In fiscal 2021, we expanded our reemployment program, enabling employees who wish to continue to remain employed up to the age of 70 to do so. In fiscal 2024, the Company extended the mandatory retirement age from 60 to 65 and revised its human resource and compensation systems to further encourage all employees, from younger generations to experienced professionals, to continue to take on challenges and grow.

In fiscal 2001, Daikin eliminated standardized wage scales based on age and seniority. Through our latest reforms, we aim to further minimize age-based factors and foster a culture in which diverse talent can take on challenges, grow, and deliver results more than ever.

Maximizing Women's Talents

Daikin considers diversity management as one of the pillars that supports management, and it has been undertaking projects under the direct jurisdiction of upper management that focus on promoting women's participation and advancement at work since 2011. In addition to setting targets under our action plan based on Japan's Act on Promotion of Women's Participation and Advancement in the Workplace, we are implementing a wide range of measures, including changing the mindsets of managers and women employees, accelerating the development of women leaders, supporting early return to work from childcare leave, providing career development support, and fostering an environment and culture that enable employees of all genders to balance work and childcare. As a result of these efforts, there are now two internally appointed women executives and 132 women managers (an increase of six-fold since 2011) as of March 31, 2026, demonstrating steady progress in the development and appointment of women managers and leaders. In addition, more male employees are taking childcare leave, reflecting a workplace culture in which employees of all genders actively participate in childcare. Furthermore, Daikin achieved all three targets set forth in its action plan to promote women's advancement covering the period until the end of fiscal 2025. Going forward, we will accelerate our efforts to achieve the following targets under our new action plan for the five-year period through fiscal 2030.

Targets and Results Under the Action Plan to Promote Women's Advancement for Fiscal 2021 to Fiscal 2025

Quantitative Targets	Fiscal 2025
At least one internally appointed woman executive officer	Two women executive officers
120 women in management positions by the end of fiscal 2025	132 women in management positions
Rate of childcare leave taken by both male and female employees of at least 90% Average number of days taken by male employees of 10 days or more	Rate of childcare leave taken Male: 98.1% Female: 97.8% Average number of days taken by male employees: 36.8

Action Plan to Promote Women's Advancement

1. Plan Period Fiscal 2026 to fiscal 2030 (Five years from April 1, 2026 to March 31, 2031)
2. Quantitative Targets
   - Increase the ratio of women among directors and Audit & Supervisory Board members to 30% by the end of fiscal 2030
   - Increase the number of women in management positions to 200 by the end of fiscal 2030
   - Increase the rate of childcare leave taken by both male and female employees to 100% and the average number of days taken by male employees to 30 or more

▶ Selected as a Nadeshiko Brand for the 10th Time

NADE SHI KO BRAND 2026

In recognition of its efforts to promote the advancement of women in the workplace, Daikin was selected as a Nadeshiko Brand for the 10th time, which is a joint initiative by the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE) to recognize TSE-listed companies that excel in promoting women's empowerment in the workplace.

Building and Leveraging a Global Talent Database: Unlocking the Unlimited Potential of Employees and Optimizing Talent Development and Deployment

As a foundation for maximizing the potential of people—a key source of the Company's competitiveness and strength—Daikin developed the DAIKIN People talent database and began using it for domestic employees in October 2023. The database is utilized as a tool to enable each employee to fully demonstrate their capabilities while ensuring the timely development and deployment of talent.

To better understand their sense of fulfillment and growth, Daikin requested employees' responses to the following four survey items.

Survey Item	Positive Response Rate
I am proud to work for this company.	85.9%
I find my work rewarding.	81.4%
I feel that I am growing through my work.	79.9%
My work allows me to utilize my strengths.	71.9%

Note: The positive response rate is calculated as the percentage of respondents selecting one of the top two options on a five-point scale.

In 2025, Daikin began rolling out the DAIKIN People talent database to overseas Group companies. As of fiscal 2025, data on 1,000 global executives has been registered, laying the groundwork for systematic leadership development and optimal talent deployment.

Promoting Employment and Active Participation of People with Disabilities

We are strengthening our efforts to employ people with disabilities across the Group, including Daikin Industries and its domestic subsidiaries and affiliates. The Group's operations in Japan have set the target of maintaining employment levels above the statutory employment rate of 2.7% and, as of March 31, 2026, the employment rate for people with disabilities stands at 2.93%.

In 1993, Daikin Industries joined forces with Osaka Prefecture and Settsu City (Osaka Prefecture) to jointly establish Daikin Sunrise Settsu Co., Ltd., a special-purpose subsidiary under the Act on Employment Promotion, etc. of Persons with Disabilities. By creating workplace environments that accommodate diverse needs, we are expanding opportunities for employees with disabilities to fully demonstrate their capabilities.

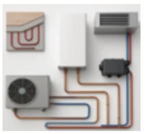
Technology and Product Development Focused on Differentiation

Daikin's transformation into a solutions provider envisioned under FUSION 30 is underpinned by the technological foundation it has cultivated over many years.
Leveraging its strengths in the integrated, in-house development of refrigerant, compressor, and control technologies, Daikin will continue to create differentiated products and solutions that deliver new value to customers.

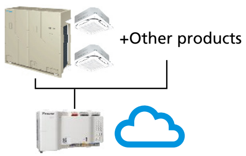
Priority domains for technology and product development

Strengthening product development

- New multi-system products
- New cassette indoor units



- System products centered around VRV
- Multi-functional products integrated with ventilation
- Instrumentation products and solutions apps



- Magnetic bearing centrifugal chillers
- New cooling system
- Clean air systems

etc.

Strengthening technology development, including elemental and core technologies

Priority Domains	Details
Ductless technologies that generate high profits in each region	System control technologies for managing entire spaces
Technologies that support commercial solutions	Algorithms for energy-saving diagnostics and installation simulation for replacement
Elemental technologies for applied products that create differentiation	Technologies for larger-capacity heat sources, high-efficiency equipment, and compatibility with high outdoor temperatures
New technologies to help solve social issues	CO_2 capture technology from the atmosphere, etc.

Production engineering innovation

Process innovation

Aims	Details
Improve performance and reduce costs of key devices	Develop differentiated manufacturing processes, including structural design and material review

Factory innovation

Target Domains	Aims	Details
Split air conditioner	Develop technologies for fully automated production*	Automate assembly using AI and sensors and explore the potential of physical AI
VRV	Mass production of customized products to meet increased orders	Build processes to eliminate production losses
Applied	Improve the efficiency of fully made-to-order production	Build processes from order receipt to production to reduce indirect labor requirements

* Automation technology development: Daikin plans to fully automate production lines for components used in residential air conditioners, such as heat exchangers and sheet metal parts, by fiscal 2030 and fully automate product assembly lines by fiscal 2035.

Proactively Investing in Key Domains to Create Differentiated Products

As the only comprehensive air-conditioning manufacturer in the world that specializes in both air conditioners and refrigerants, Daikin has developed its inverter, heat pump, and refrigerant control technologies entirely in-house. Leveraging a global R&D network of over 50 locations, the Company swiftly rolls out differentiated products tailored to local regulations and market characteristics.

Under FUSION 30, Daikin will further strengthen this technological foundation by investing ¥550.0 billion in global R&D activities during the first three years of the plan. In addition, the Company will invest ¥220.0 billion over five years into the development of differentiated technologies to support the expansion of the solutions business and the creation of high-value-added products. Daikin plans to accelerate the launch of differentiated products while maintaining a new product ratio of 25% or higher each year.

Strengthening Development and Execution Capabilities

To continuously create differentiated products, refining and implementing development themes in a timely manner is essential. Daikin will strengthen its control tower functions to gain a comprehensive view of development themes on a global scale, consolidate overlapping themes, and rapidly deploy differentiated technologies.

Using AI and computer-aided engineering (CAE),* the Company will enhance development efficiency by automating development processes and improving patent-related operations. Regarding external collaboration, Daikin will revise its partnership promotion process and take a phased investment approach to enhance the likelihood of commercialization.

From a human capital perspective, the Company will strengthen the recruitment and development of engineers, particularly in the applied and compressor domains, while fostering talent capable of creating market and customer value. By incorporating insights gained in the field into technology development, Daikin aims to strengthen its team of professionals responsible for creating the next generation of differentiated products.

* The use of computer software to improve product designs and resolve engineering issues.

Creating Environmental Value

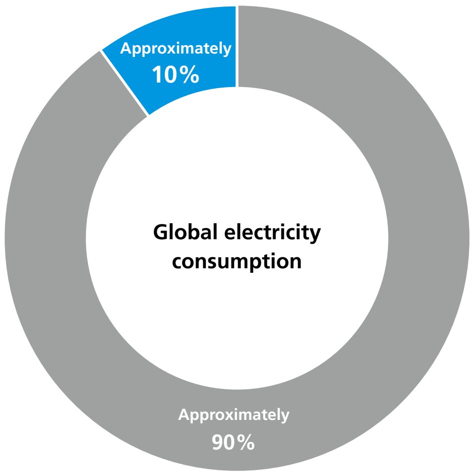
Efforts to achieve carbon neutrality and a circular economy are not only a responsibility to society but also opportunities for future growth.
Harnessing its strengths in energy-saving and refrigerant technologies, Daikin aims to resolve social issues while continuing to grow its business through the creation of environmental value.

Commitment to Creating Environmental Value

With air conditioners estimated to account for approximately 10% of global electricity consumption, promoting energy efficiency and reducing environmental impact are critical responsibilities for Daikin, whose core business is air-conditioning. Moreover, the manufacture of air-conditioning systems requires substantial amounts of resources, such as metals and resins, underscoring the challenge of realizing a circular economy through resource circulation.

The increasingly stringent environmental regulations and rising environmental awareness among consumers are transforming the business landscape significantly. By leveraging its long-cultivated energy-saving and refrigerant technologies to resolve environmental issues and drive business growth, Daikin aims to strengthen its competitive advantage over the medium to long term.

Air-conditioning accounts for approximately 10%

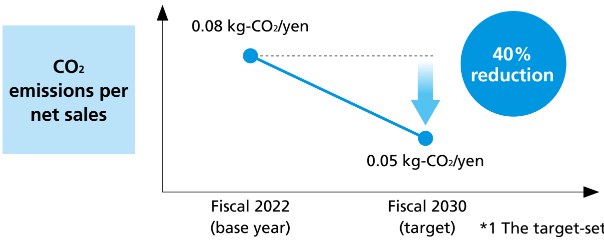


Focus Areas Under FUSION 30

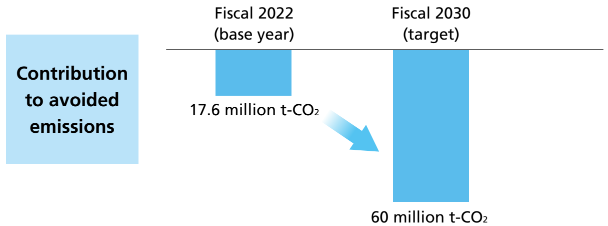
Working toward carbon neutrality

Daikin is promoting the wider adoption of inverters and heat pumps while advancing the shift to low-GWP refrigerants and implementing optimal refrigerant strategies tailored to the regulations and market characteristics of each country and region. Moreover, by advancing circular initiatives that include refrigerant recovery and reclamation, while also promoting energy conservation and the use of renewable energy at production sites, the Company is working to reduce environmental impact across the entire product life cycle, from development and use to recovery and reuse.

Reduce emissions per net sales by 40% from fiscal 2022 levels (Scope 1, Scope 2, and Scope 3)*1



Expand contribution to avoided emissions*2 to 60 million t-CO_2

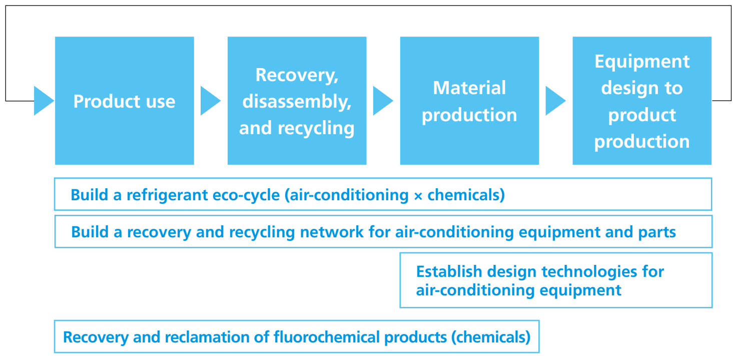


*1 The target-setting method has been revised since FUSION 25.
*2 Calculated in accordance with IEC 63372 as the difference in emissions between scenarios where products with lower emissions, such as inverter air conditioners, air conditioners using low-GWP refrigerant, and heat pumps for heating, are adopted and scenarios where such products are not adopted.

Initiatives for a circular economy

The creation of environmental value requires not only reducing emissions but also establishing a system to circulate refrigerants and other resources. Daikin is advancing the reclamation and reuse of refrigerants recovered from end-of-life air conditioners while building a circular model that encompasses everything from recovery to recycling.

The Company focuses on resource circulation from the product design stage, promoting the reuse of components and the reduction of resource consumption. Through the establishment of a refrigerant eco-cycle and the advancement of a circular economy, Daikin aims to reduce environmental impact while creating new business opportunities.



Daikin Concludes Comprehensive Business Alliance Agreement with ITOCHU Corporation to Develop a Horizontal Recycling Business for Commercial Air Conditioners (in Japanese only)

Establishing a Robust Supply Chain

Amid increasing global supply uncertainties, Daikin has established a unique supply system that achieves an optimal balance between diversification and concentration based on its localization and dual-mechanism approaches.

By developing production and procurement systems tailored to demand in each region and implementing concurrent production at various business sites, we strive to ensure stable supply by mitigating the risk of supply disruptions. Through these initiatives, Daikin is reinforcing its business foundation by strengthening its responsiveness to demand fluctuations and shortening supply lead times.

Strengths

Daikin ensures stable supplies of products with a production system based on a localization approach that ensures that the necessary products are delivered as quickly as possible and a dual-mechanism approach that achieves concurrent production.

We are also developing a procurement network that minimizes risk and maximizes cost competitiveness through region-based procurement aimed at promoting local production for local consumption.

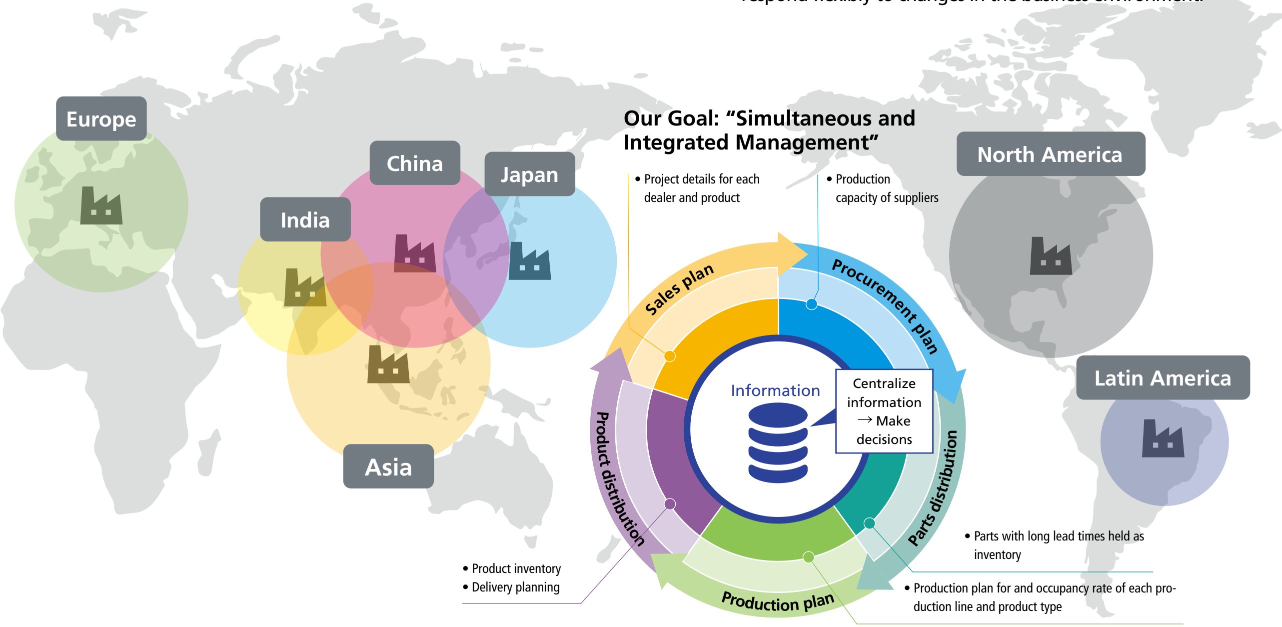
Issues to Address

As the business environment becomes increasingly constrained due to global supply chain disruptions caused by the spread of infectious diseases, natural disasters, and other factors as well as the progress of decoupling on a global scale, the need for resilient supply chains will only increase. As the risk of supply disruption increases through the intertwining of various factors, we must build a supply chain that continues to ensure stable production and mitigate risks.

Achieving a Rapid and Flexible Supply System Through the Implementation of Simultaneous and Integrated Management

In addition to mitigating risks by geographically dispersing and increasing the number of procurement sources, Daikin is developing a framework to respond promptly to demand fluctuations and supply constraints by establishing a localized production system based on the concept of local production for local consumption, standardizing components, and promoting concurrent production at various business sites. Through these initiatives, we are working to ensure stable supply throughout the supply chain.

Furthermore, Daikin is promoting simultaneous and integrated management to centrally manage information related to sales, procurement, manufacturing, and logistics in digital form to be shared across relevant departments. By reflecting demand trends and supply constraint changes in our plans in a timely manner, we are shortening lead times and optimizing inventory levels, thereby developing a supply system that can respond flexibly to changes in the business environment.



Risk Management in the Supply Chain

As we expand our business globally, our suppliers are also becoming more globalized, and we are working to mitigate the increasing levels of procurement risk that accompany this shift.

We are taking measures to ensure that we are fully equipped to address issues promptly, identifying risks through periodic assessments of suppliers, establishing an internal system that instantly determines which suppliers will be affected by a risk, and updating our database as necessary.

To ensure the stable and timely procurement of raw materials and parts at reasonable prices, even in the event of deteriorating business conditions among suppliers, natural disasters, or accidents, we have appointed procurement managers in each region and are geographically dispersing and increasing the number of procurement sources. We are also standardizing components so that they can be used in a wider range of products.

In addition, we have determined our key suppliers by rating those handling the parts and materials compatible with Daikin's core technologies against three criteria—difficulty of securing a replacement supplier, significance of the transaction value, and importance of the items being purchased.

Furthermore, we formulated the Supply Chain CSR Promotion Guidelines and promote CSR procurement by having our suppliers complete a CSR questionnaire on items such as human rights, the environment, and compliance, identifying issues in their CSR initiatives, and requesting that they make improvements.

Sustainability Report 2026: Supply Chain Management

Intellectual Property Activities Supporting Growth Strategies

Daikin regards intellectual property as an important management asset that supports the execution of growth strategies outlined in FUSION 30 and the enhancement of corporate value. We will continuously secure a competitive advantage in the global market by appropriately protecting and leveraging the strengths we have cultivated, including energy-saving and environmental technologies, IAQ technologies, refrigerant and thermal management technologies, and chemical technologies such as fluorochemical materials.

Leveraging Intellectual Property to Accelerate Progress Under FUSION 30

Under FUSION 30, it will become increasingly important to strengthen our Solutions Business, expand our global operations, and utilize digital technologies, including AI. In light of changes in its business environment, Daikin will continue to strengthen its competitive advantage by leveraging not only patents related to products and elemental technologies but also a wide range of intellectual property, including data, know-how, brands, and designs.

Utilizing Intellectual Property in Tandem with Business Strategies

Daikin promotes the use of intellectual property in tandem with its business and technology strategies. In key areas such as energy-saving and environmental technologies, IAQ technologies, refrigerant and thermal management technologies, and chemical technologies, we identify the sources of our strength and competitive advantage while working to protect and utilize the necessary intellectual property.

As we strengthen our Solutions Business, it will become even more essential to utilize not only patents that protect stand-alone equipment and technologies but also intellectual property that comprehensively covers AI integration, software, and data, which underpin the overall value we provide to customers. By appropriately identifying and protecting such intellectual property, Daikin will drive business growth and improve profitability.

The Role of Intellectual Property Information and AI in Management Decision-Making

Amid rapid changes in technologies, markets, and the competitive landscape, a comprehensive understanding of diverse information is essential and must be incorporated into business decisions in order to accurately seize growth opportunities. In addition to intellectual property information such as patent data, Daikin utilizes technological, market, and competitive intelligence to evaluate development themes, identify business opportunities, and consider external partnerships.

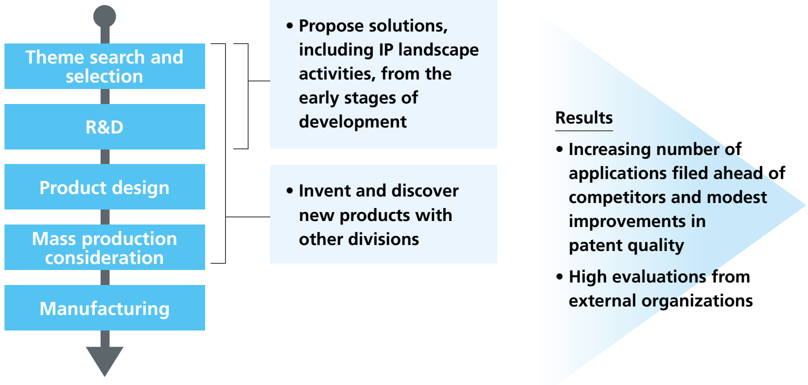
Going forward, we will leverage AI to enhance the efficiency and accuracy of information gathering and analysis, enabling the formulation of more precise intellectual property strategies that strengthen our competitive advantage. Daikin will leverage intellectual property not only as a means of protecting rights but also as an information platform that supports the identification of growth opportunities and management decision-making, in order to achieve its goals under FUSION 30 and enhance its corporate value.

Strengthening Intellectual Property Management Across Our Global Operations

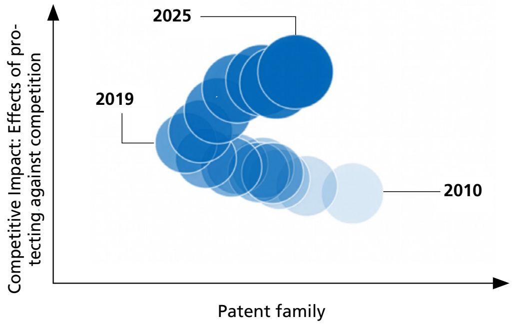
As Daikin continues to expand its global operations, it is becoming increasingly important to appropriately manage and utilize intellectual property in accordance with the market environments, competitive landscapes, regulations, and customer needs of each region. Working closely with business and development divisions in the various regions in which it operates, Daikin is developing frameworks to strengthen intellectual property management for technologies and know-how generated across its global operations.

Through these efforts, we are enhancing our ability to address region-specific business issues while responding appropriately to global imitation risks and changes in the competitive landscape. By leveraging intellectual property as a foundation for regional growth, Daikin will continue to steadily expand its business and maintain its competitive advantages.

Proactive IP Activities



The Increasing Value of Daikin's Patents



Source: Created by Daikin using LexisNexis PatentSight+

External Evaluation of IP Activities

Daikin's IP activities were internationally recognized with the following three annual awards in fiscal 2025.

- 2025 Asia IP Elite (third consecutive time)
- Clarivate Top 100 Global Innovators 2026 (11th time)
- Innovation Momentum 2026: The Global Top 100 (third consecutive time)

Promotion of Advocacy Activities

Daikin supports the activities of WIPO GREEN, an initiative operated by the World Intellectual Property Organization (WIPO), a specialized agency of the United Nations, and has registered patents for its royalty-free, low-GWP R32 refrigerants in the WIPO GREEN database. In addition to leveraging its intellectual property in such ways, the Company draws on its technological expertise and network capabilities to contribute to the establishment of appropriate rules and frameworks through cooperation and constructive dialogue with industry partners, governments, and intellectual organizations.

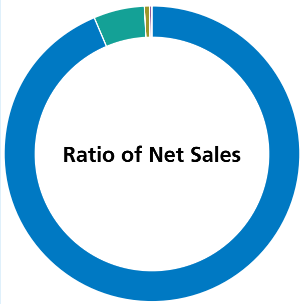
Sustainability Report 2026: Engagement in Public Policy and Rulemaking

Business Strategies

Contents

Overview of Core Businesses

We offer a variety of products and services for the global market to address the specific needs of each country and region that stem from differences in cultures and values, and realize healthy and comfortable lifestyles and spaces.



Air Conditioning
92.2%

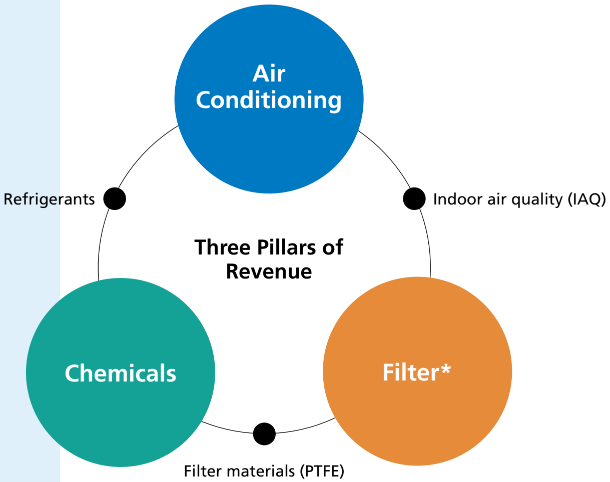
Chemicals
5.6%

Oil Hydraulics
1.5%

Defense Systems
0.6%

Other
0.1%

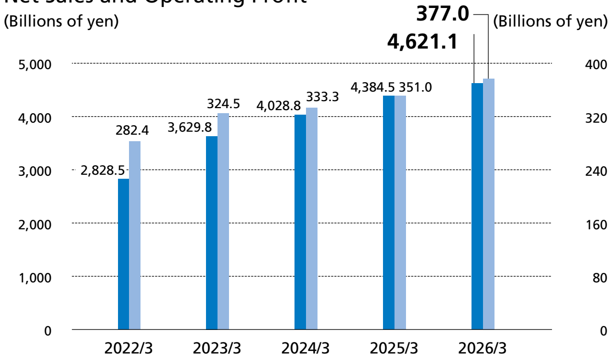
Creating Synergies by Leveraging the Connection Between the Air Conditioning, Chemicals, and Filter Businesses



* Filter includes the Air Conditioning Business

Air Conditioning

Net Sales and Operating Profit



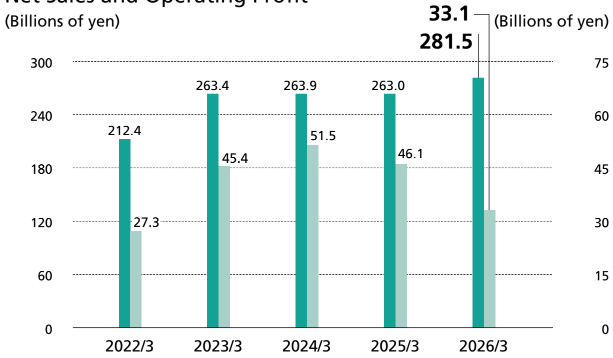
Net sales (left) Operating profit (right)

Major Products

- Room air-conditioning systems
- Air purifiers
- Heat pump hot water supply and room heating systems
- Air conditioners for stores and offices
- Multi-split air-conditioning systems for office buildings
- Air-conditioning systems for facilities and plants
- Total heat exchangers
- Freezers
- Water chillers
- Centrifugal chillers
- Air handling units
- Air filters
- Industrial dust collectors
- Marine-type container refrigeration
- Refrigerating and freezing showcases

Chemicals

Net Sales and Operating Profit



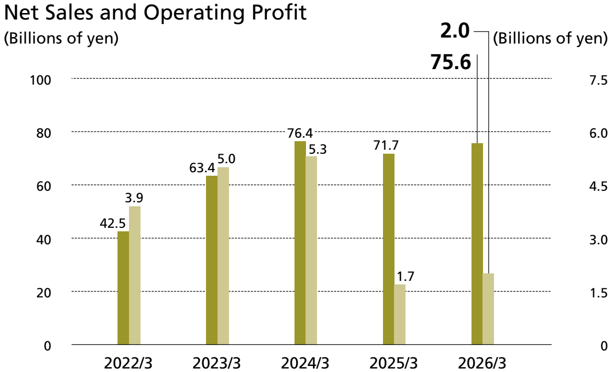
Net sales (left) Operating profit (right)

Major Products

- Fluorocarbon gas
- Fluoropolymers
- Fluoroelastomers
- Fluoropaints
- Fluoro coating agents
- Semiconductor etching agents
- Water and oil repellent agents
- Pharmaceuticals and intermediates
- Dry air suppliers

Oil Hydraulics

Net Sales and Operating Profit



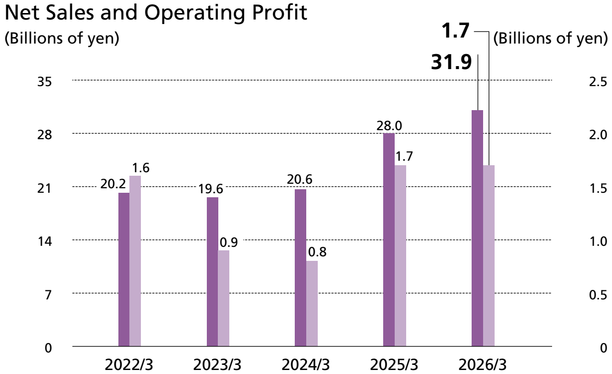
Net sales (left) Operating profit (right)

Major Products

- Oil hydraulic pumps
- Oil hydraulic valves
- Cooling equipment and systems
- Inverter controlled pump motors
- Hydrostatic transmissions
- Centralized lubrication units and systems

Defense Systems

Net Sales and Operating Profit



Net sales (left) Operating profit (right)

Major Products

- Warheads used in military training by the Japan Ministry of Defense, warhead parts used in guided missiles for training purposes
- Home-use oxygen therapy equipment

Overview of Core Businesses

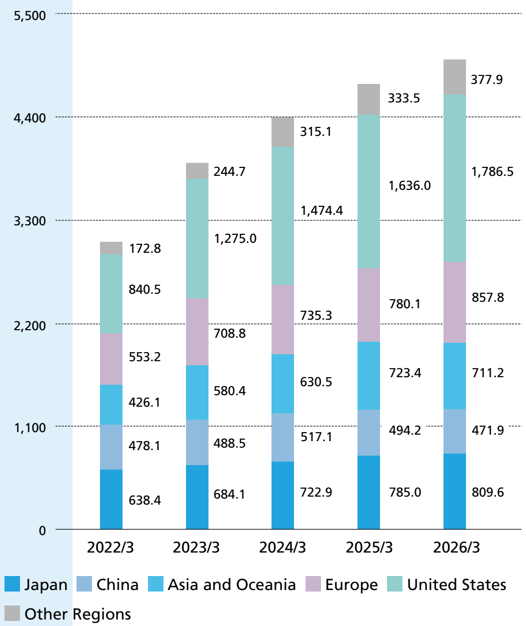
Daikin has expanded its global business to over 170 countries and regions, comprising more than 134 production bases and 69 R&D bases focused on market-localized production.

Employees: 104,095

Consolidated Subsidiaries: 324

Sales by Region (Daikin Group)

(Billions of yen)



Major Production and R&D Bases of the Air Conditioning Busines

Production bases R&D bases

Europe

- Daikin Europe N.V. (Belgium, established in 1972)
  Major products: commercial air conditioners and heating products
- Daikin Industries Czech Republic s.r.o. (established in 2003)
  Major products: residential air conditioners
- Daikin Applied Europe S.p.A. (Italy, acquired in 2007)
  Major products: chillers and centrifugal chillers
- Daikin Isitma Ve Sogutma Sistemleri Sanayi Ticaret A.S. (Turkey, established in 2011)
  Major products: residential air conditioners and heating products
- Daikin Manufacturing Poland Sp. z o.o. (2024)
  Major products: heating products
- EMEA Development Center (Belgium, established in 2025)
  Major products: commercial air conditioners, heating products, hardware and software devices, and cloud products
- Daikin Applied Europe S.p.A. (Italy, acquired in 2007)
  Major products: chillers

Asia

- Daikin Industries (Thailand) Ltd. (established in 1990)
  Major products: residential air conditioners and commercial air conditioners
- Daikin Malaysia Sdn. Bhd. (acquired in 2007)
  Major products: residential air conditioners, commercial air conditioners, and chillers
- Daikin Air Conditioning (Vietnam) Joint Stock Company(established in 2018)
  Major products: residential air conditioners
- PT. Daikin Industries Indonesia (established in 2024)
  Major products: residential air conditioners
- Daikin Industries (Thailand) Ltd. (established in 1990)
  Major products: residential air conditioners and commercial air conditioners
- Daikin Refrigeration Malaysia Sdn. Bhd. (established in 1997)
  Major products: chillers and air-handling units

Japan

- Sakai Plant(Sakai, Osaka; established in 1937)
  Major products: commercial air conditioners
- Yodogawa Plant (Settsu, Osaka; established in 1941)
  Major products: chemicals, oil hydraulics, and defense systems
- Shiga Plant (Kusatsu, Shiga; established in 1970)
  Major products: residential air conditioners
- Kashima Plant (Kamisu, Ibaraki; established in 1983)
  Major products: chemicals
- Technology Innovation Center (Settsu, Osaka; established in 2015)
  Advanced development of air-conditioning technologies (residential, commercial, heating, refrigeration, and applied systems)

China

- Daikin Air-conditioning (Shanghai) Co., Ltd. (established in 1995)
  Major products: commercial air conditioners, total heat exchangers
- Daikin Air-conditioning (Suzhou) Co., Ltd. (established in 2011)
  Major products: residential air conditioners and commercial air conditioners
- McQuay Air Conditioning & Refrigeration (Wuhan) Co., Ltd. (acquired in 2007)
  Major products: water-cooled chillers and centrifugal chillers
- Shenzhen McQuay Air Conditioning Co. Ltd. (acquired in 2007)
  Major products: air-cooled chillers and fan coil units
- Daikin Air-conditioning (Huizhou) Co., Ltd. (2024)
  Major products: residential air conditioners
- Shanghai R&D Center (established in 2011)
  Major products: residential air conditioners and commercial air conditioners
- Suzhou Device Development Center (established in 2025)
  Major products: compressors and other devices

India

- Daikin Airconditioning India Pvt. Ltd. (established in 2009)
  Major products: residential air conditioners, commercial air conditioners, water-cooled chillers, and air-cooled chillers
- Daikin Airconditioning India Pvt. Ltd. (established in 2009)
  Major products: residential air conditioners and commercial air conditioners

United States

- DAIKIN APPLIED AMERICAS INC. (Staunton, Virginia; acquired in 2007)
  Major products: large chillers and centrifugal chillers
- Daikin Comfort Technologies North America, Inc. (Houston, Texas; acquired in 2012)
  Major products: residential unitary systems for houses, gas furnaces, and commercial air conditioners
- North American R&D Center (Houston, Texas: established in 2017)
  Major products: residential unitary systems and commercial air conditioners

Latin America

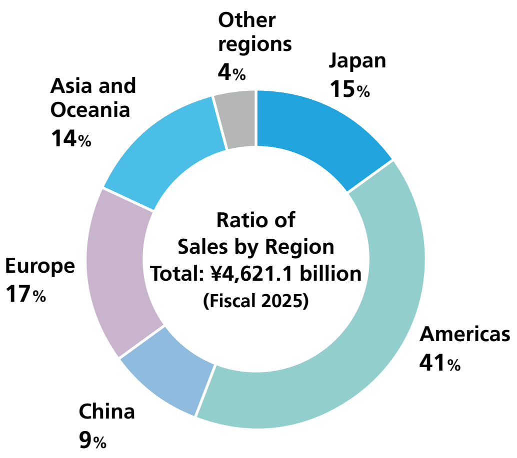
- Daikin Manufacturing México, S. de R.L. de C.V. (2011)
  Major products: residential air conditioners, commercial air conditioners, and air-cooled chillers
- DAIKIN AR CONDICIONADO AMAZONAS LTDA. (established in 2012)
  Major products: residential air conditioners and commercial air conditioners

* Includes production bases of the Filter Business and the Refrigerator and Freezer Business

	Sales	Employees	Consolidated subsidiaries	Global R&D centers (Total for Air Conditioning, Chemicals, and Filter businesses)
Japan	¥809.6 billion	14,490	31	9
United States	¥1,786.5 billion	25,145	59	9
China	¥471.9 billion	18,426	33	12
Europe	¥857.8 billion	13,498	85	20
Asia and Oceania	¥711.2 billion	22,850	66	13
Other Regions (Latin America, Middle East, and Africa)	¥377.9 billion	9,686	50	5

Air Conditioning

From the familiar living spaces of residences and offices to the large spaces of factories and airports, our Air Conditioning Business utilizes a wealth of air-conditioning solutions to provide customers with comfortable spaces. Solutions extend even to the unique spaces of hospitals and kitchens, as Daikin continues to meet the needs of various climates around the world.



Japan
Sales ¥675.8 billion

Americas (including Latin America)
Sales ¥1,898.6 billion

China
Sales ¥403.5 billion

Europe
Sales ¥784.2 billion

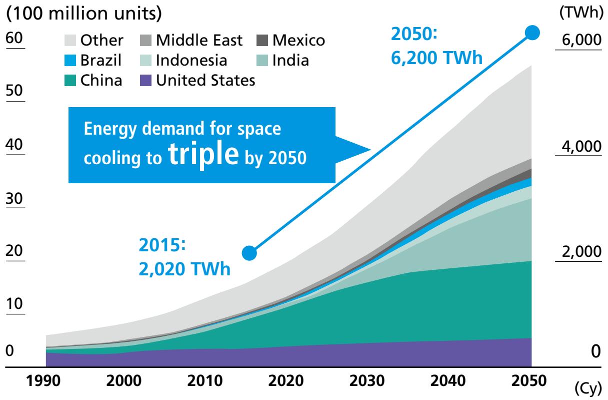
Asia and Oceania
Sales ¥663.1 billion

Other
Sales ¥196.0 billion

Growth Potential of the Air-Conditioning Market

Driven by economic development and urbanization in emerging markets, particularly India and Africa, global demand for air-conditioning is projected to expand over the medium to long term. According to the International Energy Agency (IEA), global electricity demand for cooling is expected to triple by 2050, compared with 2015 levels, making the wider adoption of energy-efficient air conditioners even more important. In many countries and regions, particularly across the Global South and North America, non-inverter air conditioners still account for a substantial share of the market, leaving significant room for replacement with inverter models that offer superior energy efficiency and reduce power consumption. Furthermore, progress toward decarbonization, the increasing need to reduce energy consumption, and rising demand from data centers due to digitalization are further facilitating market growth. Looking ahead, air-conditioning is expected to play an increasingly vital role as a form of social infrastructure that helps optimize the balance between electricity supply and demand, reflecting the high probability of continuous market growth.

Worldwide Air Conditioner Stock (Number of Units) and Electricity Demand



Note: Graph figures compiled by Daikin based on The Future of Cooling, International Energy Agency, 2018

Our Response to the Varying Needs of Each Region

In the air-conditioning business, needs for products and services vary due to different climates, building design, and lifestyles in each country and region. Since product standards and energy-efficiency regulations differ as well, it is essential that we develop products, manufacture them, and create after-sales services and sales networks that cater to these characteristics.

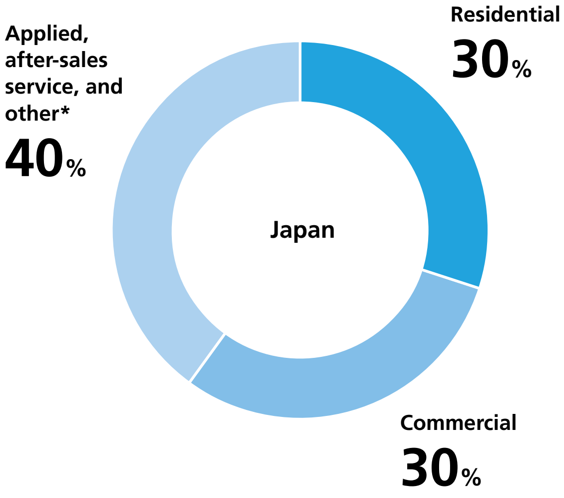
Daikin has established local production for local consumption as a basic strategy, setting up production bases near the intended markets, and created a region-based supply chain in five key regions globally. In terms of procurement, we are promoting the creation of a region-based procurement structure to achieve local production for local consumption. This has led to the rapid launch of new products that are tailored to the market needs in each region and the enhancement of our cost-competitiveness.

Regional Characteristics of Air-Conditioning Markets

Region	Market Characteristics
Japan	• Importance placed on energy-saving capabilities and comfort • Airtightness of buildings • Standardization of heating and cooling on demand through individual ductless air conditioners that use refrigerant piping
Europe	• High energy-saving capabilities and environmental awareness • Importance placed on design • Popularization of heating through radiators and under-floor heating in particular, since users find direct contact with air drafts unpleasant • Standardization of ductless air conditioners that can be retrofitted to existing buildings
China	• Rapid popularization of air conditioners since 1990 • Preferences about interior design and luxury • Advancing use of data • Popularization of easily retrofitted ductless air conditioners
United States	• Birthplace of air conditioners • Preference for heating and cooling floors and rooms inside buildings collectively • Standardization of 24-hour air-conditioning throughout a building through ducted (air duct and water pipe) air conditioners for use in both residences and businesses
Asia	• High need for cooling functions only • Relatively large number of countries and regions with high electricity rates and unstable electricity supply

Japan

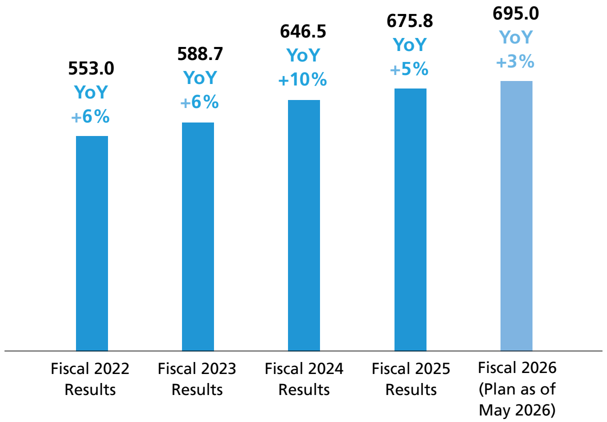
Ratio of Products Sold by Region



* Includes air purifiers

Air Conditioning Business Sales (Japan)

(Billions of yen)



Market Environment

The air-conditioning market in Japan is mature and anchored by replacement demand. In fiscal 2025, residential demand increased from the previous year due to record-breaking heatwaves and subsidies from local governments. Similarly, commercial demand rose from the previous year, driven by increased construction starts for retail and store buildings amid growing inbound tourism, as well as steady replacement demand, particularly for offices and commercial buildings.

Daikin's Competitive Advantages

- Extensive expertise in air-conditioning technologies that deliver exceptional energy efficiency and ease-of-installation
- Provision of comfortable air through the combination of dehumidification, humidification, ventilation, and air purification technologies
- A nationwide service network

Review of FUSION 25

In the residential business, Daikin maintained its top market share by leveraging its extensive product lineup and strengthening user proposals. In addition, it improved profitability by focusing on the expansion of sales of high-value-added products. In the EcoCute heat pump water heating business, Daikin grew profitability through strategic pricing measures and expanded sales of high-value-added models. In the commercial business, the Company strengthened its solution proposals according to specific applications and markets, alongside sales of standalone equipment. In the factory market, it collaborated with other companies to address decarbonization needs, promoting heat recovery and energy-saving solutions. In buildings and medical facilities, it captured replacement demand, driving revenue growth.

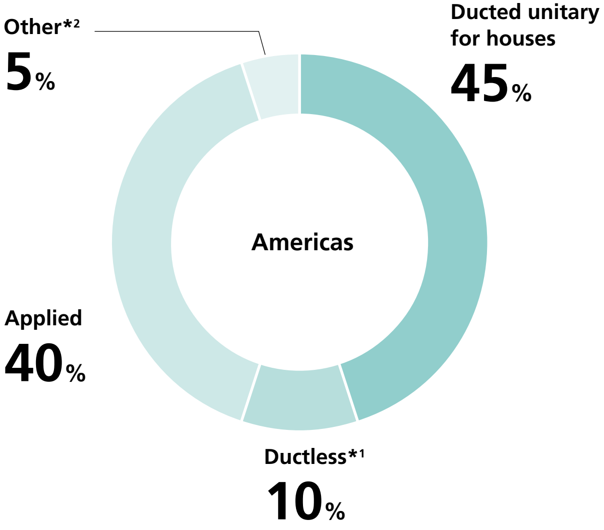
FUSION 30 Strategies

By viewing changes in industrial and social structures as opportunities, Daikin aims to expand its business through a growth strategy centered on the Air Conditioning Business and the Commercial Solutions Business. In the residential business, the Company will focus on introducing differentiated products and building a sales structure to expand sales of residential air-conditioning systems. In the commercial business, we will capture replacement demand through energy-saving proposals while expanding sales of high-value-added products. Furthermore, particularly in factories and buildings, we will strengthen proposals according to customers' specific issues by utilizing data, enhancing our instrumentation systems, and integrating sales activities across the Group. Through these initiatives, Daikin will reinforce its earnings base and expand its business domains focused on solutions.

A green building support system that helps improve the energy efficiency and environmental value of buildings. It provides end-to-end support, from the assessment of energy usage and air-conditioning equipment to equipment upgrades, certification assistance, and operational improvements.

Americas

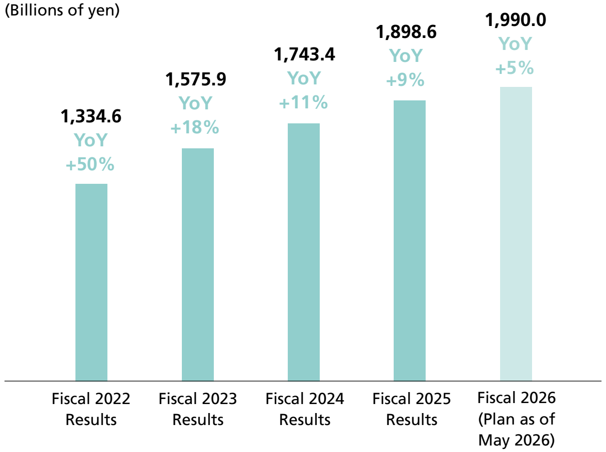
Ratio of Products Sold by Region



*1 Includes residential and commercial use
*2 Filter Business and Latin America business

Air Conditioning Business Sales (Americas)

(Billions of yen)



Market Environment

The residential air-conditioning market in the United States has reached maturity and is based mainly on replacement demand. In fiscal 2025, demand for ducted unitary for houses remained sluggish due to the impacts of prolonged inflation, persistently high mortgage rates, and reactionary impact following the surge in demand for R410A (previous refrigerant) models, stemming from changes in refrigerant regulations. Meanwhile, the Applied Business remained strong, with robust demand particularly for data centers.

Daikin's Competitive Advantages

- Promoting the increased use of inverters, heat pumps, and low-GWP products by taking advantage of opportunities presented by the tightening of environmental regulations
- Ability to develop markets with Daikin's own premium environmental products, such as inverter-equipped unitary products and ductless air conditioners
- Proprietary sales and service networks developed in the United States
- Provision of total cooling solutions encompassing air cooling, liquid cooling, and control systems

Review of FUSION 25

In the residential business, Daikin seized the opportunities presented by growing environmental awareness to create new demand through its environmental premium business and proprietary sales models, while steadily increasing sales of high-value-added products by strengthening its sales and marketing capabilities. The Company also promoted its environmental premium business centered on inverters, heat pumps, and low-GWP refrigerants, but the declining demand in the housing market and rising interest rates indicate that there is still room for improvement in our market-creation efforts. In the Applied Business, Daikin expanded its sales channels and solution platforms by proactively pursuing M&As, achieving growth that exceeded its initial forecast. Owing to the expansion of data center demand, in particular, its business scale and solution ratio both increased, strengthening the foundation for higher profitability.

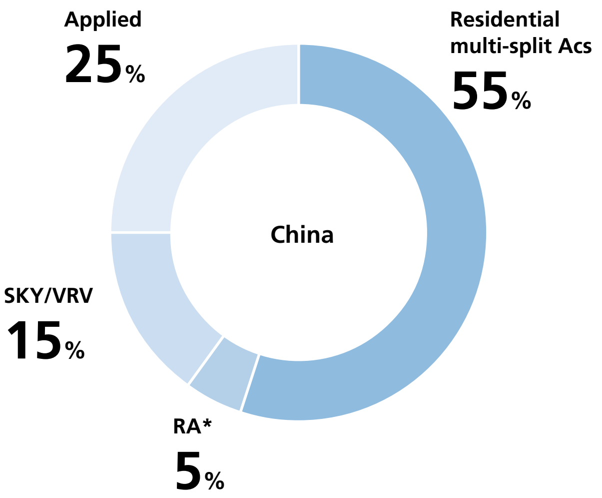
FUSION 30 Strategies

Daikin aims to establish a highly profitable business structure through the expansion of environmental premium products and the Solutions Business. In the residential business, the Company will strengthen sales and proposal capabilities to expand sales of FIT environmental premium products and enhance residential solutions, thereby driving revenue growth. In the Applied Solutions Business, Daikin will capture market growth by promoting commercial solutions for offices and schools, in addition to the rapidly expanding data center market. At the same time, we will move ahead with strategic investments in applied businesses, where there is potential for further growth, including the establishment of R&D hubs that underpin our data center market strategy. Furthermore, Daikin will strengthen business management across the region by promoting collaboration and standardization of management structures and utilizing core systems.

Air-cooled chillers installed at a data center in Texas

China

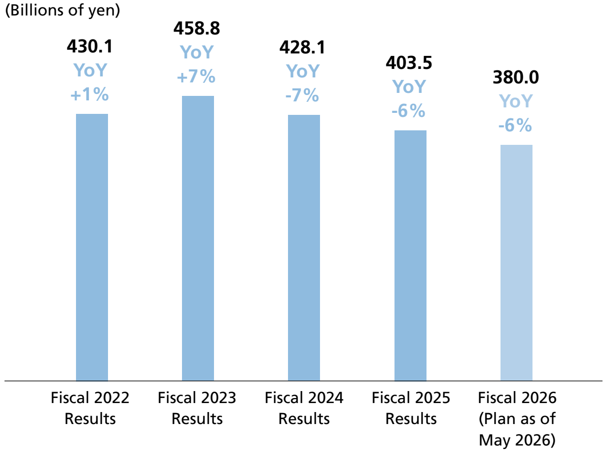
Ratio of Products Sold by Region



* Room air conditioners (excluding residential multi-split air conditioners)

Air Conditioning Business Sales (China)

(Billions of yen)



Market Environment

In fiscal 2025, the residential- and commercial-use markets continued to experience sluggish demand, particularly for new properties, due to deterioration of the real estate market and lower consumer spending. Nevertheless, demand for upgrades and remodeling increased in the residential-use market, while demand for energy-saving solutions remained robust in the commercial-use market in line with the promotion of carbon neutrality policies.

Daikin's Competitive Advantages

- Ability to respond to customer needs through our residential multi-split air conditioners and development capabilities that differentiate our products from the competition
- Proprietary sales activities combining Daikin's exclusive PROSHOP stores and online sales formats
- Daikin's strong brand image, which has been cultivated since entry into the Chinese market

Review of FUSION 25

Despite an extremely challenging market environment marked by a deteriorating real estate market, sluggish consumer spending, and surging raw material costs, Daikin maintained high profitability through the sale of high-value-added system products centered on residential multi-split air conditioners. The Company introduced products that swiftly captured changes in customer needs and strengthened its proprietary sales model by combining offline retail sales with online channels, such as live streaming, web advertising, and social media. Furthermore, we utilized IoT and data analysis to provide even better residential solutions that optimize air quality according to the specific lifestyle of each customer, thereby enhancing our brand power and market creation in the Chinese market.

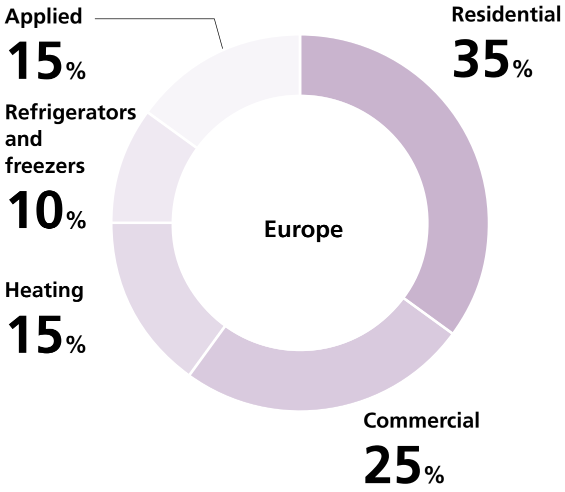
FUSION 30 Strategies

Daikin will endeavor to create new demand through innovations and solutions that offer new value for air. In the residential business, the Company will propose more comfortable lifestyles to customers through system products that offer new value by combining technologies for temperature, humidity, and air quality control, as well as optics and the IoT. In the commercial business, Daikin will strengthen data-driven solutions and application-specific proposals according to market needs. In addition, the Company will promote collaboration among development sites in each region to accelerate the development of differentiated products that cater to the specific needs of the Chinese market. We will also continue to evolve our integrated online–offline sales model, enhance cost competitiveness by utilizing local suppliers, and strengthen customized production, thereby achieving stable and consistently high levels of profitability.

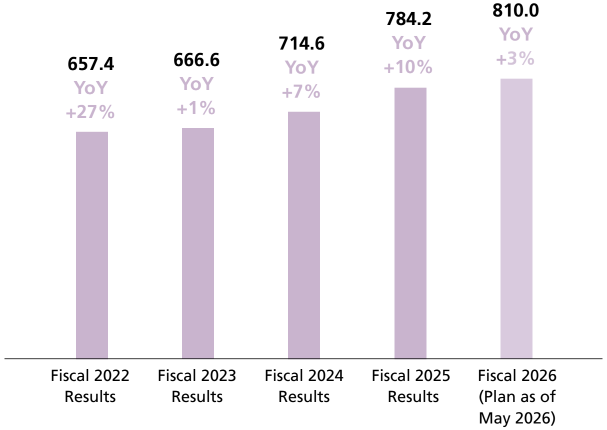
Luxury Air Land: A residential solution concept that delivers new air value to customers as part of Daikin's distinctive brand strategy

Europe, the Middle East, and Africa

Ratio of Products Sold by Region



Air Conditioning Business Sales (Europe, the Middle East, and Africa)
(Billions of yen)



Market Environment

In Europe, despite the impact of inflation, demand expanded in the residential segment, particularly in regions with low air-conditioning penetration rates, due to a heatwave from late June to early July 2025. In the commercial business, market growth continued through energy-saving needs at offices and retail facilities and demand from the tourism sector. In the heat pump heating business, demand for heat pump heaters gradually recovered, but the challenging business environment persisted due to the postponement of combustion boiler regulations and the unstable implementation of subsidy programs, which prevented a full-scale recovery. In the Middle East, demand remained robust in the Applied Business, particularly for data centers and large-scale projects.

Daikin's Competitive Advantages

- Highly environmentally conscious products and a long-cultivated proprietary sales network
- Sales strategies tailored to the business environment and requirements of each country
- Participation in rule-making initiatives that involve the European Union, governments of member countries, and related organizations

Review of FUSION 25

In the residential business, Daikin focused on introducing differentiated products with exceptional environmental performance, leveraging the movement toward carbon neutrality, such as stricter environmental regulations. In the commercial business, the Company expanded its lineup of equipment using R32 refrigerant, promoting the market penetration of R32 refrigerants. In the heat pump heating business, demand for heat pump heating and hot water systems remained sluggish due to the postponement of combustion boiler regulations and the scaling back of subsidy programs. Under these conditions, Daikin focused on strengthening its sales and service networks and promoting sales of heat pump space and water heaters using natural refrigerant R290, particularly in Germany. While maintaining our leading market share in Europe, profitability remained an issue due to delays in recovering production investments. In the Applied Business, sales increased, particularly in the Middle East, by securing large-scale projects, including data centers. In the Refrigerator and Freezer Business, we worked to provide one-stop solutions for retail stores, but further enhancement of our product lineup is needed.

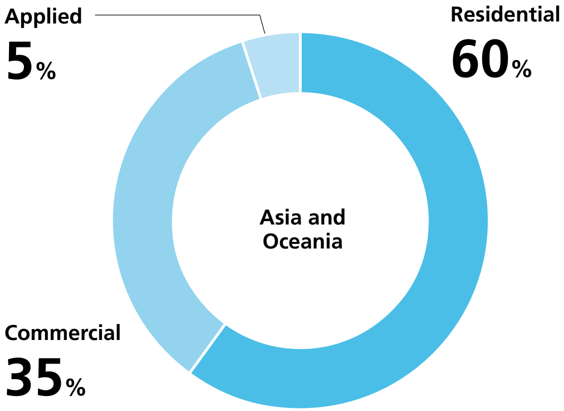
FUSION 30 Strategies

Daikin will strive to improve profitability by enhancing its competitiveness, strengthening the creation of differentiated products, and optimizing its production and supply capabilities. In the residential business, the Company will expand sales of high-value-added products and promote the development of the Solutions Business. In the commercial business, we will expand sales of products using natural and low-GWP refrigerants in anticipation of stricter refrigerant regulations and growing energy-saving needs. In the heat pump heating business, Daikin will focus on expanding its lineup of R290 units and heat pump heating systems using these natural refrigerants, while strengthening its service capabilities. In the Applied Business, the Company will develop an industrial solutions business structure centered on the data center market and tap into robust demand, including that in the Middle East. In addition to air-cooling solutions, we will expand our lineup of liquid-cooling products and natural refrigerant solutions, expanding applications to areas such as factories and district heating and cooling. In the Refrigerator and Freezer Business, Daikin will accelerate the proposal of one-stop solutions to retail stores and work to strengthen its business structure by expanding the maintenance and service domain.

Expanding the lineup of heat pump heaters using natural refrigerant R290

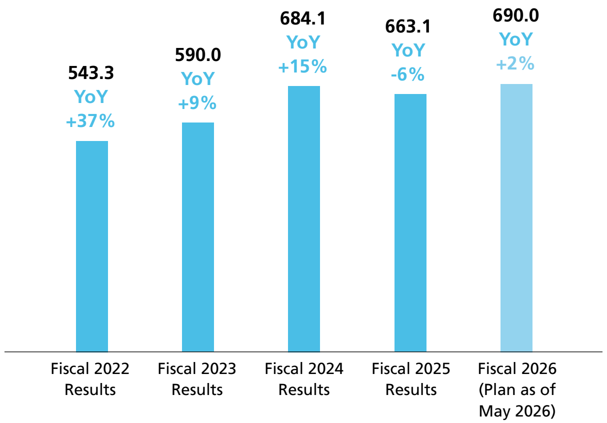
Asia and Oceania

Ratio of Products Sold by Region



Air Conditioning Business Sales (Asia and Oceania)

(Billions of yen)



Market Environment

In fiscal 2025, the residential business experienced sluggish demand in the ASEAN region and India due to cooler temperatures and higher rainfall than in the previous year, resulting in high levels of distribution inventory. In the commercial business, while demand in India remained robust, project delays and revisions of investment plans have increased in the ASEAN region amid heightened economic uncertainty.

Daikin's Competitive Advantages

- Inverter products that meet market needs and reduce environmental impact
- Cost competitiveness through the operation of local production sites in four countries
- Sales and service networks developed and cultivated across major global markets

Review of FUSION 25

In Asia and Oceania, Daikin increased its market share in various countries and established a strong market presence, particularly in the commercial business by expanding production capacity and strengthening its sales network. In the Applied Business, the Company reinforced its business foundation by expanding its product lineup and conducting M&As in the service and solution domains. Meanwhile, rising raw material costs and low-price strategies by Chinese manufacturers highlighted the need to enhance cost competitiveness, expand the lineup of differentiated products, and improve the earnings structure. In India, against the backdrop of soaring air-conditioning demand, Daikin proceeded with the establishment of a sales network that extends into regional cities, the development of dealers, and the localization of its production and development systems, establishing an industry-leading business foundation. Under FUSION 25, sales grew significantly due to increased sales of inverter products and the diversification of sales channels, in particular, strengthening its market competitiveness and brand power.

FUSION 30 Strategies

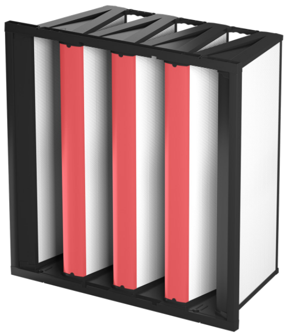
In the ASEAN region, where the market is projected to achieve further growth, Daikin will aim to boost profitability by shifting toward high-value-added products and expanding its Solutions Business. The Company will enhance its proposal-based sales and marketing capabilities through the support, development, and training of dealers, while developing optimal proposals for application markets and data-driven solutions. Through these efforts, Daikin aims to transition from a business structure focused on equipment sales to one that provides value throughout the life cycle. In India, it will further reinforce its integrated business foundation encompassing development, production, sales, and services to steadily capture the surging demand. Furthermore, Daikin will expand its large-scale air-conditioning equipment and services for data centers and factories, while boosting profitability through the development of high-value-added products.

A showroom specializing in proposals for residential premium products and air-conditioning solutions (Indonesia)

Filter Business

Overview of Business Activities

Through the manufacture and sale of air filters and cleaning equipment, the Filter Business contributes to maintaining air quality, helping ensure product quality and human safety. The main products of this business include high-performance filters for clean rooms and dust collection systems at factories. There is a growing need to improve the air around people, such as by reducing air pollution and improving air environments in homes, offices, and factories. By combining the technologies of this business with those of the Air Conditioning and Chemicals businesses, we help control air pollution and ensure proper hygiene management in the pharmaceutical and food industries.



High-performance filters used in markets such as hospitals, data centers, and pharmaceutical facilities

Market Environment

Despite continued market contraction as a result of reduced investment in Japan and intensifying price competition in China, demand remained strong overall.

Daikin's Competitive Advantages

- Combination of air-conditioning and chemical technologies
- Connection to air-conditioning in the IAQ business
- A global product lineup and sales network

Review of FUSION 25

In the air filter business, Daikin focused on restructuring its operations, mainly in North America and Europe. In North America, profitability improved significantly through the expansion of high-margin sales channels by strengthening our sales network focused on the replacement market, as well as through reductions in fixed costs by means of factory restructuring. In Europe, meanwhile, further restructuring is required due to challenges in sales capabilities and product lineup. Furthermore, in P&I*, Daikin worked to improve profitability by reallocating resources to after-sales and maintenance services, but profit stability remained an issue due to sluggish demand and sales of high-margin products.

* Power & Industrial

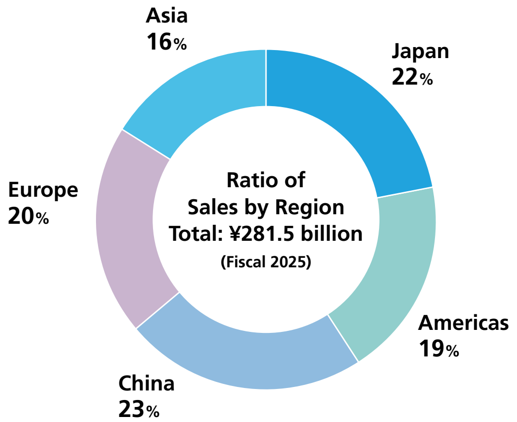
FUSION 30 Strategies

Focusing on the replacement market, which accounts for the majority of the air filter market, Daikin aims to transform its business structure into one that generates stable and continuous profits. The Company will accelerate its global strategy to capture growth markets, such as semiconductors, pharmaceuticals, and data centers, while strengthening sales of differentiated products with advantages in energy efficiency and durability. Furthermore, through collaboration with the Air Conditioning Business, Daikin will strengthen solution proposals combining air-conditioning, ventilation, and filtration. By responding to the changing needs for air quality arising from shifts in industrial structures and the growth of emerging markets through our products and services, we will deliver valuable air solutions that contribute to people's lives and society.

Powder guard filter: A highly durable special filter that efficiently collects dust generated in factory environments to prevent contamination and clogging inside air-conditioning units

Chemicals

Fluoropolymers offer exceptional capabilities in the form of heat and chemical resistance, water and oil repellency, and lubricity. Through its distinctive technology that utilizes these properties, Daikin will continue to expand its Chemicals Business worldwide, where its fluoropolymers are considered indispensable for automobiles, semiconductors, and air conditioner refrigerants, and in a variety of other fields.



Japan
Sales ¥63.2 billion

Europe
Sales ¥55.0 billion

Americas
Sales ¥52.4 billion

Asia
Sales ¥43.8 billion

China
Sales ¥66.1 billion

Other
Sales ¥1.0 billion

Main Fields and Applications of Fluorine Chemical Products

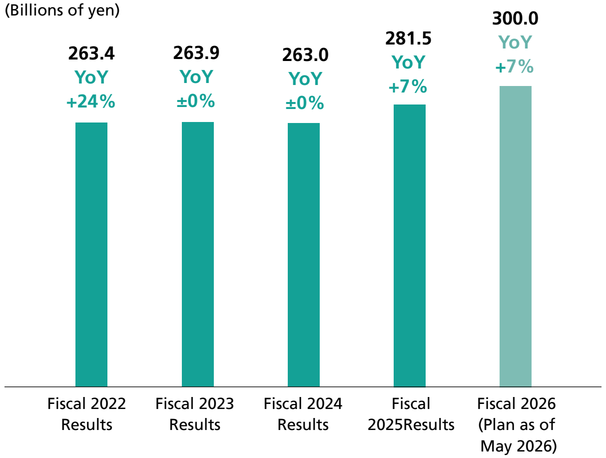
Semiconductor	Automotive	Communications / Data Centers
Wafer carriers (PFA) Chemical bottles / tanks (PFA) Piping fittings (PFA/PTFE)	Fuel hoses (Fluoroelastomers) Crankshaft seals (Fluoroelastomers) Fuel injection devices (Fluoroelastomers)	Touch panel anti-smudge coating (OPTOOL) LAN cables (FEP) Immersion cooling systems for data centers (Cooling fluid)
Energy	**Refrigerant**	**Medical**
Lithium-ion batteries (Fluoropolymers) Solar cells (ETFE film) Wind power generation (ZEFFLE)	Air conditioners (Refrigerant gas)	Asthma inhaler sprays (fluorine gas) Catheters and endoscopes (fluororesins and fluoroelastomers) Artificial dialysis devices (fluoroelastomers and fluororesins)

■ Fluoropolymers / Fluoroelastomers ■ Fine chemicals ■ Fluorocarbon gases

Market Environment

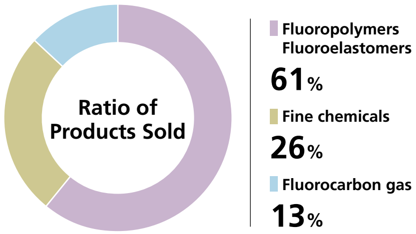
Despite signs of growing demand in the data center sector as well as for some fine chemicals, such as environmentally advanced repellent materials for paper applications, demand slowed across a wide range of sectors, in particular semiconductor manufacturing and automobiles, resulting in a continuously slow market recovery.

Chemicals Business Sales
(Billions of yen)

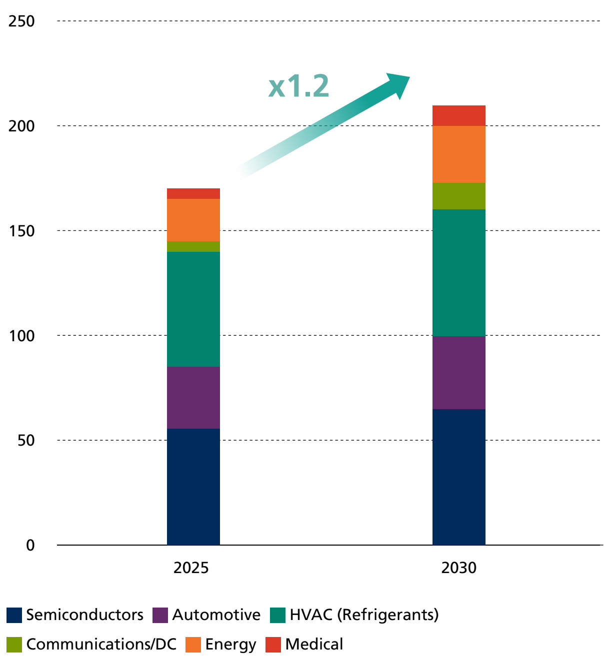


Daikin's Competitive Advantages

- Extensive technical know-how as a pioneer in the fluorochemicals business in Japan
- Expansion of fluorocarbon applications in growth sectors, such as semiconductors, automobiles, information and communications, and medical
- Expansion of application development in cutting-edge fields



Market Size of Fluorochemical Materials (Company Estimate)
(Hundreds of millions of U.S. dollars)



Review of FUSION 25

Amid the shift toward a decarbonized society, demand increased for higher-performance materials and environmentally friendly solutions. In response to these market changes, Daikin developed new applications for fluorinated ethylene propylene (FEP), a high-value-added product, leading to significant sales growth in data center applications. In addition to expanding sales of environmentally advanced repellent materials for textile and paper applications, Daikin worked with other companies to recover and recycle refrigerants using metal-organic frameworks (MOF), thereby strengthening its foundation in the environmental solutions field. Meanwhile, due to trends in the semiconductor market, sales of high-performance materials declined, particularly for semiconductor manufacturing equipment, leaving the challenge of diversifying our stable earnings base.

FUSION 30 Strategies

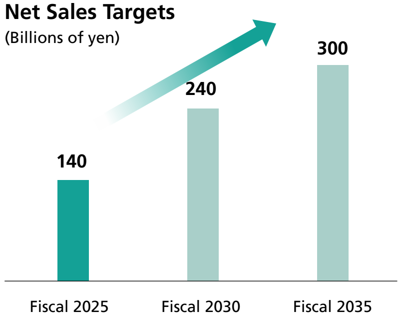
By advancing the three growth strategies described below, Daikin aims to evolve into a highly profitable business with an operating profit margin of over 20% by fiscal 2030. To that end, the Company will strengthen its business foundation by enhancing development and manufacturing capabilities, accelerating business transformation through digital transformation (DX), and creating environmental value by leveraging the increasingly stringent environmental regulations for chemical substances as growth opportunities.

Strategy 1

Evolving into a Key Provider in the Rapidly Growing Essential Markets

In the rapidly growing essential markets of semiconductors and data centers, Daikin will maintain its No. 1 share in the industry by expanding sales of existing fluorochemical products and introducing new products that meet increasingly sophisticated customer needs. In doing so, we will evolve this business into a highly profitable operation with an operating profit margin of 30% by fiscal 2030.

Net Sales Targets
(Billions of yen)

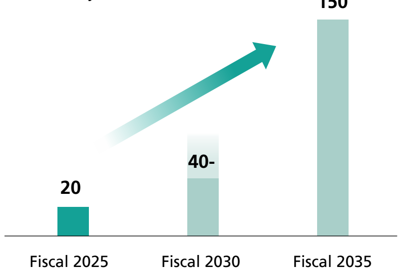


Strategy 2

Expanding the High-Performance Materials Business Beyond Fluorochemical Materials

In response to the growing need for high-performance materials arising from the increasing added value of customers' products, Daikin will expand its high-performance materials business beyond fluorochemical materials. We will launch new products by leveraging Daikin's material development technologies and customer base and broaden our product portfolio through business partnerships and M&As, thereby expanding business in growth areas.

Net Sales Targets
(Billions of yen)

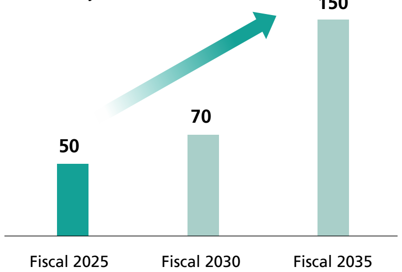


Strategy 3

Expanding the Gas Business by Leveraging Synergies Between the Air Conditioning and Chemicals Businesses

Leveraging its expertise as a leading air-conditioning manufacturer, Daikin will develop next-generation refrigerants with reduced environmental impact and promote their global adoption. In doing so, we will establish a foundation for expanding our fluorine gas business.

Net Sales Targets
(Billions of yen)



Leveraging Synergies Between the Air Conditioning and Chemicals Businesses

Resource Circulation of Refrigerants

Daikin has established a system in which the Air Conditioning and Chemicals businesses collaborate to handle the development, production, recovery, recycling, and reuse of the refrigerants that determine the performance of air-conditioning systems and contribute to their environmental impact. By regenerating used refrigerants to high purity levels and circulating them, we contribute to reducing GHG emissions and energy consumption across the entire life cycle, while ensuring stable resource supply and creating new earnings opportunities. Furthermore, Daikin is expanding recovery and regeneration schemes across all fluorine resources and is strengthening the competitiveness of its Air Conditioning Business by accelerating the transition to a circular economy.

Development of Next-Generation Refrigerants

As momentum toward refrigerants with low global warming potential (GWP) increases due to stricter environmental regulations, Daikin is combining its air-conditioning and chemical technologies to develop next-generation refrigerants and apply them to air-conditioning equipment. Leveraging its strength in optimizing the combination of refrigerants and air-conditioning equipment, the Company is introducing products that balance environmental and air-conditioning performance, while expanding global adoption through demonstration tests. In addition to air-conditioning applications, Daikin will expand into adjacent fields such as freezers and EVs, creating new demand and fueling the growth of the gas business.

In Europe (Germany), refrigerants are also recovered from third-party equipment and regenerated into high-purity refrigerants equivalent to new refrigerants.

Efforts to Comply with Environmental Regulations

Daikin's Approach to PFAS

PFAS (Per- and polyfluoroalkyl substances) are a general term for many different types of organic fluorine compounds and have properties such as heat resistance, weather resistance, chemical resistance, water and oil repellency, lubricity, and electrical insulation. Fluor materials, including those considered PFAS, are used in essential societal applications, such as semiconductors, automobiles, telecommunications, medicine and medical devices, energy, and air conditioning/heatpumps/refrigeration.

PFAS have different properties, applications, and environmental characteristics, and their properties vary greatly. Daikin's manufacturing sites around the world will continue to work closely with regulatory authorities to comply with regulations and strive to reduce any environmental impact. For example, we have already achieved a 99% recovery rate of polymerization emulsifiers from fluoropolymer manufacturing processes in the United States and Europe. Furthermore, we are focusing on the development of advanced PFAS destruction technologies. In particular, we are accelerating technological development through collaborations with industry partners and academic institutions, with an emphasis on technologies that can be practically implemented in wastewater treatment processes.

Daikin closely monitors legal and regulatory trends regarding PFAS. We are committed to engage with stakeholders, including regulatory authorities, as a responsible manufacturer to achieve a sustainable society and system that address both environ mental/ societal challenges and business development, balancing environmental considerations with the importance and diversity of PFAS in cutting-edge industries.

Daikin is committed to reducing emissions of PFAS and continuously improving manufacturing processes to promote a sustainable fluorochemical business. We will continue to advance research and development of fluorochemical products that meet the needs for further high-performance materials and environmental sustainability. Furthermore, we will work to develop products and expand our business using materials other than fluorine depending on the application, aiming to become a "leading company in high-performance materials that are essential for the development of cutting-edge industries."

Daikin's PFAS initiatives

Daikin's Approach to PFOA

PFOA is a type of PFAS chemical, a general term for many different types of organic fluorine compounds.

Daikin has used PFOA since the late 1960s. By the early 2000s, we became aware of the possibility of PFOA remaining in the environment for long periods of time, and we voluntarily began to reduce environmental emissions from the manufacture/use of PFOA and to develop alternative substances. By 2015, we had ceased the manufacture/ use of PFOA in our domestic and overseas facilities. In 2019, PFOA was designated as restricted substances in the Stockholm Convention on Persistent Organic Pollutants.

As a company that manufactured and used PFOA in the past, Daikin will continue to closely monitor developments regarding PFOA and continue to respond in consultation with the government.

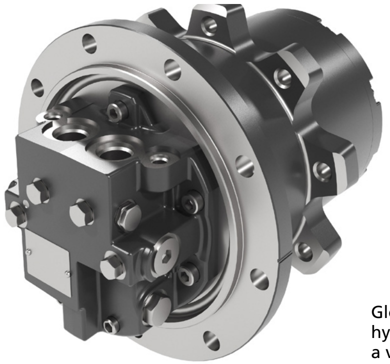
Daikin's approach to PFOA
Discontinuation of manufacturing and use of PFOA at Daikin

Oil Hydraulics

Daikin contributes to the development of industries by opening up new possibilities for power control through its unique, energy-efficient oil hydraulic technology.

Overview of Business Activities

In 1929, Daikin became the first company in Japan to handle lubrication equipment for shipbuilding and engine manufacturers, and since then the Oil Hydraulics Business has been contributing to worldwide industrial development. We develop and manufacture environmentally conscious oil hydraulic pumps and units using a hybrid system that combines hydraulic control technology and motor/inverter technology.



Global launch of BMV hydraulic motors featuring a variable two-displacement motor and a reduction gearbox optimized for crawler vehicles, delivering low speed, high-torque performance

Market Environment

In the Oil Hydraulics Business, demand for oil hydraulic equipment for industrial machinery remained weak due to the impact of the economic slowdown, mainly in Japan and Europe. Demand for oil hydraulic equipment for construction machinery and vehicles also continued on a downward trend, due to the effects of economic stagnation and import tariffs in the United States.

Daikin's Competitive Advantages

- Extensive lineup of energy-efficient products
- Ability to develop high-precision, silent, and miniaturized devices using technology cultivated in the Air Conditioning Business

Review of FUSION 25

Regarding oil hydraulic equipment for industrial machinery, Daikin steadily advanced full-scale entry into the European market as well as global expansion. In Japan, the Company focused on the environmental machinery market, where demand remained strong, and expanded sales by strengthening sales capabilities and introducing new products. In terms of oil hydraulic equipment for construction machinery and vehicles, Daikin developed into a stable business in Japan and North America by leveraging its competitive core technologies, reinforcing its proprietary products and sales capabilities, and enhancing its service capabilities in response to customer needs.

FUSION 30 Strategies

Daikin will expand its global business through the development of high-value-added products that leverage its fluid control technologies, the shift toward solutions business by strengthening proposal and service capabilities, and collaboration with business partners. In terms of oil hydraulic equipment for construction machinery and vehicles, the Company will further strengthen its technological and service capabilities while expanding its scope of applications, with the aim of achieving both growth and profitability. As for oil hydraulic equipment for industrial machinery, against the backdrop of stricter refrigerant regulations and growing environmental awareness, Daikin will enhance competitiveness centered on differentiated products that offer high levels of operating and energy efficiency. Furthermore, the Company will strengthen its earnings base by reforming its sales structure and improving cost competitiveness at its European and domestic operations.

Launch of oil condition sensors for monitoring hydraulic oil (to address labor-saving needs such as labor shortage at production sites)

Defense Systems

Daikin's superior machining and quality control technologies are used in the manufacture of defense-related products, and medical products, and in other industries where high levels of reliability and performance are critical.

Overview of Business Activities

In the Defense Systems Business, Daikin continuously expands the scope of manufacturing using high-precision processing technology that has been refined through its R&D and manufacture of defense-related products. It also manufactures and sells home-use oxygen therapy equipment, providing oxygen concentrators* that require the highest levels of reliability, performance, functionality, and quality.

* Hypoxic system: Equipment that simulates high-altitude conditions to enhance exercise effectiveness over a short period of time by controlling oxygen concentration

An oxygen concentrator that enables patients with respiratory diseases to receive oxygen therapy at home

Involvement in the Manufacture of White Phosphorus Munitions

Daikin has completely ceased its involvement in the manufacture of smoke grenades containing white phosphorus upon the expiration of its contract for fiscal 2025 and has no plans to reengage in such activities in the future.

Market Environment

In Japan, demand for oxygen concentrators remained solid, while in China, demand was impacted by the economic slowdown. Demand for hypoxic systems remained steady overall, owing to growing needs for hypoxic training among professional sports teams, fitness gyms, and university athletic programs.

Daikin's Competitive Advantages

- High-precision processing technology that meets the needs of defense-related products requiring high levels of functionality and quality
- Oxygen control technology requiring high levels of reliability for the medical device field; application of this technology to develop business in the healthcare sector

Review of FUSION 25

In the medical oxygen concentrator business, Daikin expanded sales and achieved the top market share in Japan by introducing differentiated products that accurately captured market demand and by leveraging its customer-oriented sales capabilities. In addition, by applying the oxygen control technologies cultivated through the development and production of oxygen concentrators, the Company expanded into new healthcare fields, including the sale of hypoxic systems for athletes and fitness enthusiasts. Under the OXORA brand, Daikin worked to build its business foundation by enhancing brand recognition and expanding its dealer network through the demonstration of the reliability and quality of this oxygen therapy equipment at exhibitions and in the media.

FUSION 30 Strategies

In the medical oxygen concentrator business, Daikin aims to enhance profitability by maintaining its leading share in the mature domestic market while continuing to expand the product lineup. In China, the Company will strengthen its business by enhancing cost competitiveness and leveraging technologies developed in Japan to introduce products that are distinguished in terms of durability and low-noise operation, while aiming to expand its business in the North American and Indian markets, where there is the potential for further growth. In the hypoxic systems business, Daikin will continue to expand its market share and recognition among athletes, while broadening its market reach through installations at major fitness gym chains, thereby solidifying its business in the Japanese market.

Corporate Governance

Our Vision for Corporate Governance: A System That Ensures Management Is Always a Step Ahead

An Integrated Management Framework That Facilitates Timely Decision-Making and Business Execution

Under this framework, directors assume responsibility for both business execution and management.

Directors make strategic decisions in a timely manner and provide sound and appropriate supervision and guidance, thereby fulfilling their responsibilities for all areas of management through cooperation.

A Supervisory Function That Ensures Sound and Transparent Management

Through its adoption of a company with an audit and supervisory board organizational system, Daikin is strengthening and exercising the supervisory function of the Board of Directors through the efforts of its internal directors. This function is also being enhanced through the efforts of the Company's Audit & Supervisory Board members and the participation of external directors who possess a wealth of experience in supervising management from an independent and objective perspective.

An Officer Personnel and Compensation System Tailored to Medium- to Long-Term Increases in Corporate Value

To fulfill the expectations of shareholders and all other stakeholders, Daikin's officer personnel and compensation system is designed to enhance the motivation of directors so that they continuously improve the Company's performance over the medium to long term and contribute to increasing Daikin's overall value in accordance with its management policies.

For details on Daikin's corporate governance and specific initiatives related to compliance and risk management, please refer to the websites below.

Corporate Governance Report

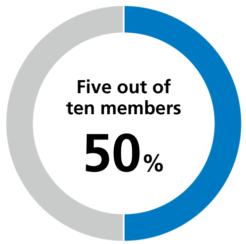
Sustainability Report 2026: Governance

Daikin's Governance at a Glance

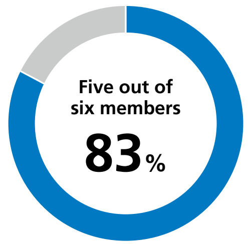
Organizational System: Company with an audit and supervisory board	**Number of Directors:** 10 (of whom, two are non-Japanese directors and two are female directors)	**Number of Audit & Supervisory Members:** 5 (of whom, two are female Audit & Supervisory Board members)
Anti-Takeover Measures: None	**Percentage of Shares Held by People Who Are Not Japanese:** 46%	

Composition of the Board of Directors and Other Committees

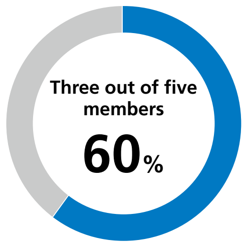
Ratio of Independent, External Directors



Directors

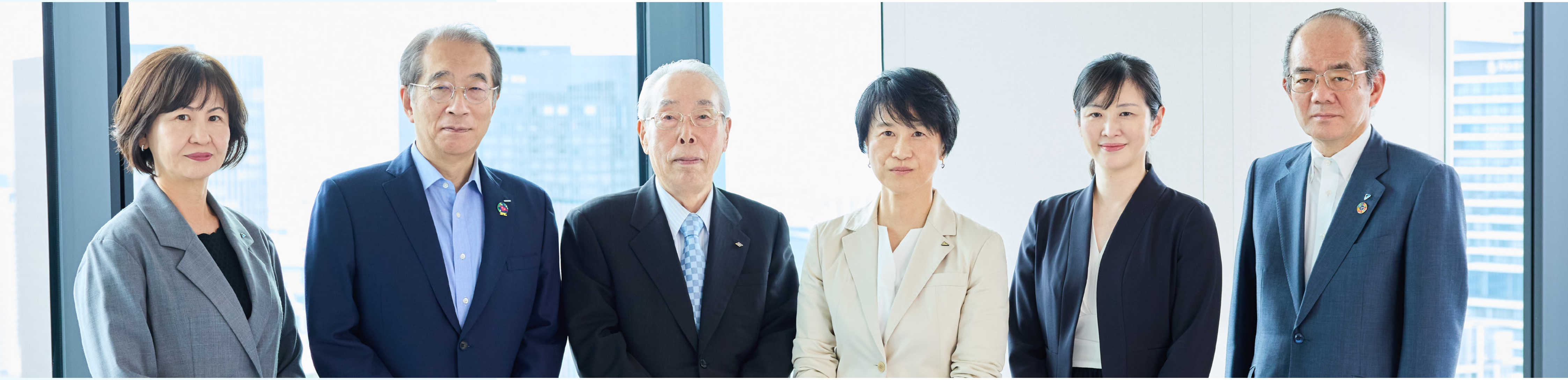


Members of the HRM Advisory Committee and the Compensation Advisory Committee



Audit & Supervisory Board Members

Roundtable Discussion Between Outside Directors



Yuko Arai
Member of the Board (External)

Shingo Torii
Member of the Board (External)

Tatsuo Kawada
Member of the Board (External)

Kaeko Kitamoto
Audit & Supervisory Board Member (External)

Fumi Takatsuki
Audit & Supervisory Board Member (External)

Atsushi Ukawa
Audit & Supervisory Board Member (External)

Assessing the Execution and Challenges of FUSION 30 from an External Perspective with a View to Sustainably Enhancing Corporate Value

Daikin has announced its new Strategic Management Plan FUSION 30 and is pursuing a transformation toward a solutions-oriented business structure. In the process of formulating FUSION 30, the Company declared the rebuilding of its earnings power as a top priority in light of the profitability and capital efficiency issues identified in FUSION 25, in addition to engaging in extensive discussions on key themes, such as growth investments, capital policy, and the strengthening of management foundation, at the Board of Directors and other meetings with external officers.

In this roundtable discussion, three external directors and three external Audit & Supervisory Board members exchanged views based on their professional background and knowledge and their assessment of Daikin's growth to date. The discussion focused on topics such as their expectations and concerns regarding the execution of FUSION 30, key areas for improving profitability and capital efficiency from their perspective as external officers, and the role of governance in supporting global growth. External director Akiji Makino was unable to participate in this discussion, so a separate message from him regarding FUSION 30 is included in this report.

Please share your assessment of FUSION 25. Also, what do you view as challenges in executing FUSION 30?

Kawada Looking back on FUSION 25, I believe Daikin achieved solid results in terms of business expansion, having achieved record net sales and operating profit for five consecutive years. On the other hand, operating profit margin and ROE fell short of targets, leaving challenges in improving profitability and capital efficiency. Given the challenging business environment, advancing transformation while addressing these issues is a key management issue under FUSION 30, and I feel that the Company has a challenging road ahead.

Torii From the point of view of an external director, I believe Daikin still has significant room for growth. In the air-conditioning business, an increasing number of markets are expected to see full-scale growth, such as India, Latin America, and Africa, presenting considerable opportunities from a geographical perspective. In addition, the data center field, which has been identified as a priority application market in FUSION 30, is seeing greater demand for cooling systems with the growth of the AI industry, leading to new business opportunities. I believe these are areas where Daikin's technological capabilities can be fully leveraged and drive its medium- to long-term growth.

Ukawa As the competitive environment becomes increasingly intense, I believe one of the key challenges is utilizing Daikin's technology to further differentiate from competitors while expanding sales volume and improving operating profit margin. It is important to determine how profitability and capital efficiency can be improved and how to prioritize these strategies accordingly, while leveraging Daikin's long-standing technological strengths. The announcement of a large-scale share buyback of ¥350.0 billion in conjunction with FUSION 30 reflects management's strong commitment to strengthening capital policy and shareholder returns. Going forward, however, an important issue will be how to balance growth investments with capital efficiency. Investors have also raised questions regarding the execution of the plan. I believe meeting their expectations will ultimately depend on the Company's ability to produce results.

Kawada Under FUSION 30, Daikin is pursuing a transformation toward a solutions-oriented business structure. However, because the Company has achieved steady results over the years, it can be easy to settle for the status quo and resist change. It is natural to maintain the same approach when a company has been achieving record results year after year. This tendency can be even stronger in a company like Daikin, which has a stable business foundation. For that reason, it is important for the Company's top executives and management team to continually communicate the need for change and to ensure that this sense of urgency is shared throughout the organization. At Daikin, the message that "we must change" is already being communicated across the Group. The key is to not let it become a one-off message, but rather to embed it as a shared mindset across the organization. Doing so will be critical to ensuring the successful execution of FUSION 30.

What are Daikin's strengths in achieving the successful execution of FUSION 30?

Torii I believe Daikin's greatest strength lies in its exceptional capabilities in both manufacturing and software. Although the principle of heat pumps themselves has not changed drastically over time, Daikin possesses an integrated technology platform encompassing three domains: mechanical engineering (fundamental technologies such as machining and brazing that date back to the Industrial Revolution), chemistry (heat exchange and refrigerants), and electronics (inverters and AI). This multifaceted technological capability is a key source of competitiveness, and Daikin's ongoing commitment to cultivating these strengths is further differentiating the Company from its peers. I also have opportunities to observe young employees presenting agenda items at the Board of Directors' meetings. This not only reflects Daikin's open culture but also demonstrates the Company's strong commitment to talent development. I believe it is a good example of how Daikin's People-Centered Management has taken root throughout the organization.

Arai I also feel that Daikin's strength lies in its people. The determination of each director to set ambitious goals and the Companywide commitment to achieving them are clearly evident, even in Board meetings. In addition, Daikin's culture of emphasizing communication and the spirit of hospitality contributes significantly to employee engagement. Employee-led initiatives such as the annual summer festival (Bon Odori), held to strengthen ties with local communities, and the Daikin Orchid Ladies Golf Tournament* not only foster a strong sense of unity across the organization but also have a positive impact on customer relations. Ultimately, these efforts contribute to the creation of customer value.

* Opening event of the Japan Women's Professional Golf Association (JLPGA) Tour

Takatsuki Through my visits to Daikin's business sites in China, I sensed the initiative and ambition of each employee. Not only those seconded from Japan, but also local executives, have the ability to drive the organization forward. I felt that this strength of people is the driving force behind Daikin's global expansion and this, along with the Company's technological capabilities, form the pillars of Daikin's global competitiveness.

Roundtable Discussion Between Outside Directors

Daikin has declared the transformation to a solutions-oriented business structure as a key theme of FUSION 30. How would you assess the direction of this transformation?

Torii The concept of air quality is becoming increasingly important due to its impact on health and living environments. In light of environmental changes such as the increased risk of heatstroke due to global warming and growing concerns over infectious diseases, the air-conditioning industry is evolving from the mere provision of standalone equipment to the delivery of health and comfort. Against this backdrop, Daikin's transformation into a solutions-oriented business structure focused on integrating hardware and software solutions is highly meaningful and represents an important step in not only expanding business domains but also improving profitability.

Arai In the domestic market, the increasing number of smaller households and other trends are providing advantages, however, the declining number of housing units over the long term and intensifying competition from overseas manufacturers will pose greater risks to companies that rely solely on equipment sales. Accordingly, directing greater attention to air-conditioning services is the natural way to proceed and one that allows Daikin to leverage its strengths. Meanwhile, clearly demonstrating the progress and results of this strategy to capital markets will be critical in ensuring effective communication with investors.

Kitamoto Regarding the FUSION 30 target of increasing the sales ratio of the Solutions Business from 28% to 40%, I believe it is essential that the Company quantitatively tracks progress and continuously monitors performance through the Board of Directors' meetings and other venues. As for CO_2 reduction targets, it is important to illustrate how and the extent to which initiatives, such as increasing the inverter ratio and expanding the added value of air conditioners, lead to reductions in CO_2 emissions. Investors will have a better understanding of Daikin's strategy if the relationship between the Solutions Business and environmental value is explained using concrete metrics and easy-to-understand narratives.

Arai The slogan "a company that provides solutions with air," embodies the direction of the Solutions Business. Daikin is expected to continue creating new value, including through collaboration with external partners, and demonstrate it to the market in a tangible way. Just as boarding passes evolved from paper tickets to two-dimensional barcodes in the airline industry, innovations that improve both convenience and efficiency may initially face challenges but eventually become industry standards. I believe management will be called upon to determine the timing of such changes even more as we move forward.

What are the distinctive features of Daikin's governance and what areas should be further strengthened going forward?

Takatsuki A distinctive feature of Daikin's governance is the established practice of sharing and discussing monthly and quarterly results and issues with all members, including external officers, at the Board of Directors' and joint executive meetings. Rather than narrowing down the information to be shared, the Company openly shares issues with all members, which I believe enhances the quality of decision-making. Moreover, as a company that operates globally, it will become increasingly important to communicate the background and direction of its strategies in a manner that can be easily understood by all employees and stakeholders around the world. Amid ongoing changes in the competitive environment and workforce composition, I believe more in-depth discussions will be needed regarding productivity enhancement, including the use of AI, and the role of talent development. Advancing these areas with a focus on the growth of both the business and each employee will further strengthen the Company's competitiveness.

Kitamoto At the foundation of Daikin's governance is its culture of People-Centered Management, which has enabled the Company to build a strong internal control framework. Meanwhile, from a governance perspective, it is important to recognize that there will inevitably be areas that are difficult to fully oversee, such as subsidiaries and sub-subsidiaries of companies acquired through M&A.

With this in mind, I believe that strengthening organizational structures, information sharing, and communication is key to enhancing governance. There are various approaches to Group governance. Selecting the approach that best aligns with Daikin's culture and characteristics is most important, which must then be communicated and embedded throughout the Group. Most importantly, the Company must maintain an open and transparent culture and ensure that its long-standing corporate ethics are shared across the entire Group. From a quantitative management perspective, establishing indicators such as D-ROIC as a common language throughout the organization is vital, and they must be deployed in a clear and easy-to-understand manner to enable all employees to work toward clear objectives. I believe that establishing a governance framework in which the top management of subsidiaries is responsible for overseeing these goals will drive the entire organization forward.

Takatsuki From a Group governance perspective, I believe there is room to reassess the Company's approach to managing its increasing number of business sites. As companies continue to join the Daikin Group through acquisitions, it will be necessary to reexamine whether such a large number of locations is truly necessary. Though integration may be difficult given that each business segment has been operated independently, it is necessary to consider whether continuing to expand the number of business sites is the right approach from the perspectives of compliance, accounting, and taxation. I believe considering the most appropriate approach to managing a global group is necessary. Alongside a management stance of emphasizing profitability, Daikin needs to consider the management structure of the Group overall.

Arai Another distinctive feature of Daikin's governance is its integrated management framework, which ensures ample time for discussion through joint executive meetings. Providing an opportunity for all members, including external officers, to share the same information and directly engage in in-depth discussions is a major strength in ensuring effective governance. At the same time, I believe governance effectiveness can be further strengthened through improvements in cash and credit management and greater transparency and visibility of financial information.

What are the keys to strengthening human capital in Daikin's efforts to successfully execute transformation?

Ukawa Daikin's profit-focused strategies include a number of initiatives aimed at expanding the Solutions Business, accelerating growth in the North American HVAC business and chemicals business, reforming the cost structure, and improving or withdrawing low-profit businesses. However, I believe the most critical element is the human capital that supports these initiatives. Developing talent capable of executing excellent strategies is essential. That is why, alongside improvements in capital efficiency, I consider human capital disclosure to be incredibly important. Although FUSION 30 focuses on developing digital-savvy talent and maximizing human capital value, I believe investor evaluation will highly depend on the concrete action plans implemented and the tangible results produced. People-Centered Management is a concept that Daikin has valued since its founding. At a time when human capital management is in global demand and many companies are being forced to gain ground, Daikin is well-positioned to compete by leveraging its inherent strengths. It is imperative that this competitive advantage is disclosed to investors in a clear and visible manner.

Kawada As the Company continues to expand in scale, managing both people and capital with a focus on efficiency is becoming increasingly important. I feel that it is necessary to continuously discuss and improve areas such as productivity per employee and capital allocation.

Ukawa Ultimately, it is people who drive transformation. Whether it be improving performance, engaging with customers on the front lines, or devising new business models, these are all done by people. Therefore, to successfully execute FUSION 30, it is essential that Daikin leverages its strength in People-Centered Management to the fullest. As external directors and external Audit & Supervisory Board members, we will continue to support these efforts through discussion at Board of Directors' and Audit & Supervisory Board meetings.

Akiji Makino
Member of the Board (External)

Communicating the Progress of FUSION 30 to Capital Markets

Under FUSION 30, I believe it is important to clearly communicate Daikin's approach to realizing its growth strategy to the capital markets. Though the Company's medium- to long-term initiatives are steadily moving forward, their progress, achievements, and remaining challenges must be explained in a way that is easily understood by investors. Accurately conveying the aims and progress of its strategies will be key to deepening understanding of Daikin's corporate value.

Furthermore, as a company that operates globally, how Daikin views its relationship with society is another key issue. Communicating the value Daikin provides through its business activities in each region and the direction of its efforts, including how it addresses social issues, fosters understanding and support among investors and other stakeholders. It is also crucial to continuously monitor the progress and results of these strategies and present them in a clear and transparent manner. As external directors and external Audit & Supervisory Board members, we intend to appropriately monitor progress, deepen discussions with the executive team, and contribute to the successful execution of Daikin's strategies.

Basic Philosophy

The Daikin Group strives to raise corporate value through corporate governance. We carry out decision-making with foresight, as well as by executing business with greater speed, transparency, and soundness in response to challenges and changes in the business environment.

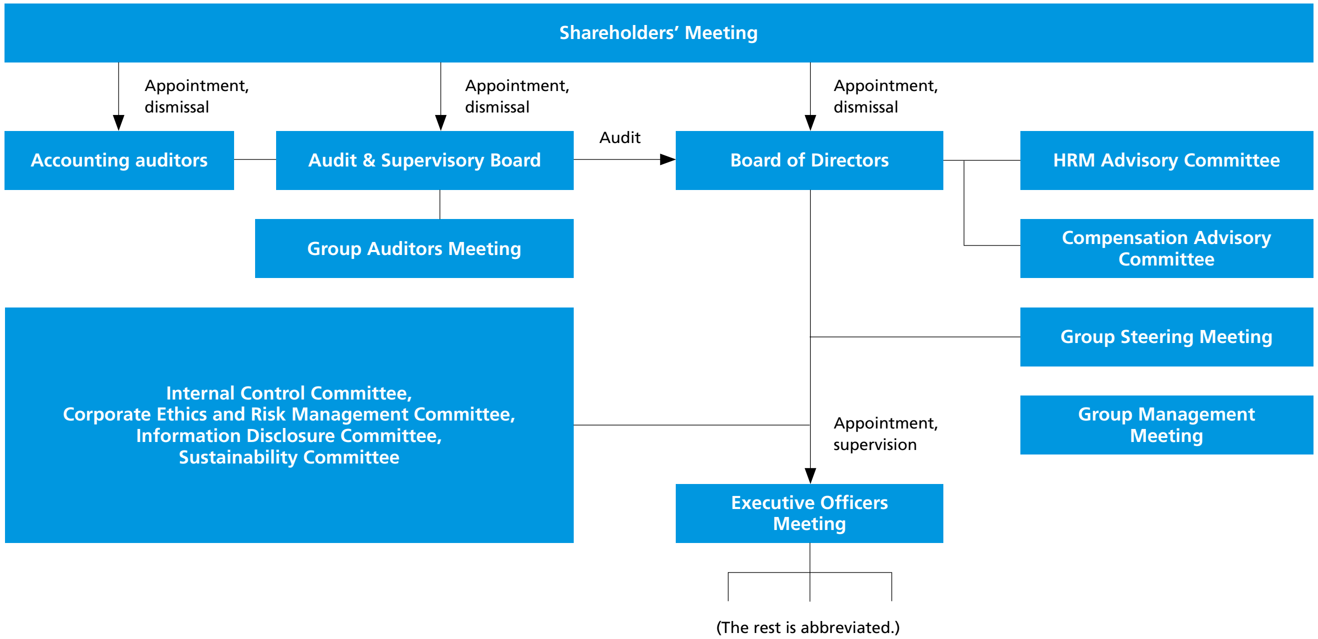
We strive to improve our current integrated management framework, under which directors assume responsibility for both business execution and management. In this way, we fulfill our responsibility for management, making strategic decisions quickly and providing appropriate supervision. We also seek to improve the monitoring function conducted by third parties, including multiple external directors.

We aim for management with greater speed, soundness, and transparency. We will continue to boost corporate value by seeking and implementing new ways to achieve optimal corporate governance, pursuing best practices in all facets and at all levels of the Daikin Group.

Key Points	1.Unique Integrated Management Framework 2.Executive Officer System and Board Composition 3. Management System 4. Enhancement of Group Cohesiveness 5. Officer Personnel and Compensation System

Corporate Governance Report: Basic Philosophy

Corporate Governance System (As of July 1, 2026)



Audit System

Daikin Industries, Ltd. has adopted a company with an audit and supervisory board organizational system and accordingly established an Audit & Supervisory Board. As of July 1, 2026, Daikin Industries, Ltd. had five Audit & Supervisory Board members, three of whom were external Audit & Supervisory Board members. One of the principal nomination criteria for external Audit & Supervisory Board members, which are the same as those for external directors, is being independent of the Company in terms of not having a conflict of interest with Daikin Industries, Ltd.

Audit & Supervisory Board members attend meetings of the Board of Directors, as well as other important meetings, receive reports, and express frank and diverse opinions.

Sustainability Report 2026: Audit System

Group Management

Daikin strives to raise corporate value and fulfill corporate social responsibility through actions based on our Group Philosophy. We conduct appropriate Group management by ensuring that Group companies maintain close communications to share directives and orders, as well as guidance, advice, and evaluations.

With the exception of inside information, key decisions made by the Board of Directors and the Executive Officers Meeting are shared within the Group. We execute corporate actions based on consensus to ensure appropriate decisions are made to the satisfaction and agreement of all relevant parties.

Sustainability Report 2026: Group-Wide Governance

Skill Sets of Directors and Audit & Supervisory Board Members

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 are responsible for monitoring the execution of operations and 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 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.

The Audit & Supervisory Board consists of two full-time Audit & Supervisory Board members who are highly familiar with Daikin's business and the Group's operations and three external Audit & Supervisory Board members 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.

Corporate Governance Report: The Company's approach to the skill sets of its Directors and Audit & Supervisory Board Members

Skills Matrix for Directors and Audit & Supervisory Board Members

Name	Gender	Position	Corporate management	Global business	Legal affairs, risk management and governance	Finance and accounting, capital policy	Technology	Human capital and diversity management	Sustainability, environment and energy	Solutions and business transformation
Masanori Togawa	Male	Representative Director, Chairman of the Board and CEO	●	●	●			●	●	●
Naofumi Takenaka	Male	Representative Director, President and COO	●		●		●	●		●
Tatsuo Kawada	Male	Member of the Board (External)	●	●	●		●		●	●
Akiji Makino	Male	Member of the Board (External)	●	●	●			●	●	●
Shingo Torii	Male	Member of the Board (External)	●	●	●				●	
Yuko Arai	Female	Member of the Board (External)	●					●		
Gerhard Korbinian Wiesheu	Male	Member of the Board (External)	●	●		●				
Koichi Takahashi	Male	Member of the Board and Senior Executive Officer, CFO	●		●	●				
Keiko Mori	Female	Member of the Board, Executive Officer	●					●		
Kanwal Jeet Jawa	Male	Member of the Board, Senior Associate Officer	●	●						
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	Audit & Supervisory Board Member (Full-time)		●	●					
Hisao Tamori	Male	Audit & Supervisory Board Member (Full-time)			●	●				

Note: 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 include all of their knowledge and experience.

Reasons for Selection of Each Skill Item

Skill Items	Reason for Selection of Each Skill Item
Corporate management	• 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. • In particular, for External Directors, the Company requires that they have work experience such as directors of listed companies.
Global business	• 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.
Legal affairs, risk management and governance	• 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.
Finance and accounting, capital policy	• 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. • To conduct management that prioritizes the maintenance of financial soundness and the enhancement of capital efficiency as a global corporation, it is essential to have knowledge regarding capital policy, including dialogue with capital markets, management conscious of the cost of capital, shareholder return policy, and business portfolio strategies.
Technology	• For the Company, which regards manufacturing as the foundation of its growth, *genba* (actual site) knowledge of technology and production is essential.
Human capital and diversity management	• 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.
Sustainability, environment and energy	• 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 promoting the creation of environmental values based on the strategic management plan "Fusion 30."
Solutions and business transformation	• In promoting the "transformation to a solutions provider" as set forth in the strategic management plan "Fusion 30," it is essential to have the knowledge and experience in transforming a business model to move from an equipment sales-driven model to a customer-centered and life cycle value-provision type in addition to executing and supervising market-specific approaches, service operations, instrumentation, data utilization, and investment allocation.

Evaluation of the Effectiveness of the Board of Directors

The secretariat of the Board of Directors distributes questionnaires to directors and members of the Audit and Supervisory Board in advance, conducting interviews based on the questions. The interviews are conducted in individual or group formats to encourage open and active discussions. Based on the interview results, the Board of Directors discusses, analyzes, and evaluates findings, identifying any issues to address for further enhancement of effectiveness. The Board determines initiatives for the next fiscal year and strengthens Board governance through a PDCA cycle.

Assessment Results for Fiscal 2025

Based on the interviews with directors and auditors, and deliberations at Board of Directors meetings, we confirmed that the Board of Directors engages in appropriate decision-making and supervision and that its effectiveness is being ensured. We will continue to improve the effectiveness of the Board of Directors based on the results of the latest effectiveness evaluations.

No. of Board of Directors' Meetings Held and Attendance Thereat (Fiscal 2025)

No. of meetings held	Average attendance rate
16 times	97% (external directors)
	94% (external Audit & Supervisory Board members)

Sustainability Report 2026: Organizational Structure Supports Speedy Management Implementation

Main Agenda Items at Board of Directors’ Meetings (Fiscal 2025)

Classification	Agenda Items
FUSION strategic management plan	• Discussion on M&As and capital investment projects toward completion of the FUSION 25 strategic management plan • Discussion on formulation of the next strategic management plan, FUSION 30
Financial and capital policies	• Discussion on formulation of Daikin’s Basic Approach to Capital Policy
Governance	• Reorganization of Daikin’s unique corporate governance and organizational structure
Succession	• Measures to develop the next generation of executives
Risk management	• Safety issues in Japan and overseas • Daikin’s risk response, including litigation • Recent trends in security export control and the Daikin Group’s efforts in this area

Activities for External Directors and Audit & Supervisory Board Members (Fiscal 2025)

- Exchange of views on formulation of FUSION 30 and sharing of insights gained through dialogue with the capital markets
- Conducting of plant tours in Japan and reporting on the status of execution by respective divisions

Key Initiatives to Enhance Effectiveness

Key Initiatives Implemented in Fiscal 2025

- Enhanced the depth and quality of discussions pertaining to formulation of the FUSION 30 strategic management plan
- Enhanced sharing of information regarding dialogues with the capital markets
- Provided more comprehensive reports on business execution activities to strengthen supervisory functions
- Improved reports on the status of compliance and risk management to strengthen supervisory functions
- Conducted plant tours in Japan and provided information on Daikin’s latest products to strengthen information sharing with external directors

Questionnaire and Interview Items

1. Composition and operation of the Board of Directors
2. Board of Directors’ meetings agendas
3. Quality of discussions at Board of Directors’ meetings
4. Issues to be addressed in future Board of Directors’ meetings (including strengthening profitability, improving capital efficiency, and governance)

Evaluation Summary and Interview Results

Interviews conducted during fiscal 2025 included the following responses:

- “Improvements are being made year after year on the quality of information provided in advance and requests for participation in executive officer meetings.”
- “For investment proposals, explanations of the underlying strategies and the Company’s future direction have been strengthened, contributing to a better understanding of the overall picture.”
- “More comprehensive reports on business execution activities have strengthened the Board’s supervisory function.”
- ”Reporting and discussions on technology strategies need to be strengthened.”
- “Earlier distribution of translated materials (English and Chinese) is desired.”

Key Measures for Improvement in Fiscal 2026

- Enhance explanations of the overall strategic framework behind investment projects
- Enhance reporting on business execution status (including strengthening reports from each business unit on industry–academia collaboration and corporate venture capital activities)
- Enhance reporting and discussions regarding dialogues with institutional investors through IR/SR activities
- Accelerate the sharing of materials and strengthen the information-sharing infrastructure through the use of digital tools

Corporate Governance Report: Matters Related to Decision-making Regarding Individual Officer Remuneration

Executive Officer Compensation System

The Compensation Advisory Committee deliberated extensively on the role of a new compensation system aligned with the strategic objectives of the FUSION 30 strategic management plan, resulting in a revision of the executive officer compensation system. In addition, authority for determining individual compensation amounts for directors was delegated from the representative director, chairman of the Board and CEO to the Compensation Advisory Committee to further ensure independence. Based on the compensation policy determined by the Board of Directors, the Committee shall determine individual compensation amounts in light of the Company's management conditions and overall business results, alongside each director's responsibilities and performance.

Basic Policies on Executive Officer Compensation

Executive officer compensation is designed and administered in accordance with the following basic policies:

- To establish a system that strongly motivates executive officers to proactively take on management challenges aimed at realizing the FUSION strategic management plan and achieve sustainable enhancement of corporate value, thereby meeting the expectations of shareholders and other stakeholders.
- To maintain a competitive level of compensation sufficient to attract and retain outstanding management talent while adopting a compensation structure that reflects both management performance and corporate value.
- To incorporate an incentive structure that increases unwavering motivation for the steady achievement of management targets, an improvement in medium- to long-term capital efficiency, and enhancement of corporate value for the entire corporate group.
- To ensure a high degree of objectivity and transparency through proactive reviews conducted by the Compensation Advisory Committee, which is primarily composed of independent external directors.

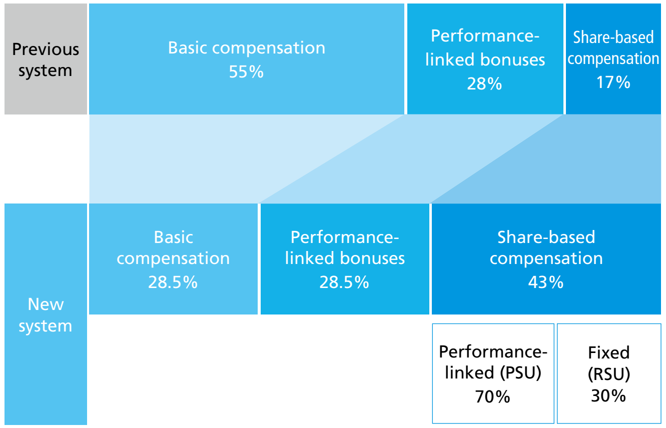
Compensation System

Compensation for directors excluding external directors consists of basic compensation, performance-linked bonuses, and share-based compensation. Share-based compensation consists of performance-linked stock compensation (PSU) and continuous service stock compensation (RSU). Performance evaluation combines Groupwide and individual evaluations. The chairman of the Board and president are evaluated solely based on Groupwide evaluation, while senior executive officers and below are evaluated by combining individual evaluation using a ratio based on their position.

The target compensation mix for the representative director, chairman of the Board, and CEO will generally be Basic Compensation : Performance-Linked Bonuses : Share-Based Compensation = 1 : 1 : 1.5, with the share-based compensation component allocated at a ratio of PSUs : RSUs = 70% : 30%. For other directors, the proportion of performance-linked bonuses and share-based compensation is determined according to their position and responsibilities, such that directors in more senior positions receive a higher proportion of performance-linked bonuses and share-based compensation.

Types of Compensation, etc.			Objective/Outline
Fixed		Basic Compensation	• Fixed monetary compensation according to position
Variable	Short term	Performance-linked bonuses	• Monetary compensation aimed at providing an incentive for achieving management targets for each fiscal year • The amount to be paid is calculated by multiplying the executive rank-based standard amount by a performance evaluation coefficient (ranging from 0% to 200%) • Groupwide evaluation is based on the degree of achievement of targets for three indicators: net sales, operating profit, and operating profit margin. Individual evaluation assesses the performance of the department supervised and the status of each individual's efforts to address key issues for the current fiscal year
Variable	Medium to long term	Performance-linked stock compensation (PSUs)	• Stock compensation aimed at providing an incentive for achieving medium-term management targets and corporate value enhancement over three consecutive fiscal years • At the beginning of each fiscal year, basic stock units (1 unit = 1 stock of Company shares) equivalent to the executive rank-based standard amount shall be granted Three years after this grant, the number of vested stock units shall be determined by multiplying the number of basic stock units granted by a performance evaluation coefficient (ranging from 0% to 200%), 50% of which shall be delivered in stock, with the remainder paid in cash for the purpose of covering tax expenses • Groupwide evaluation is based on the degree of achievement of the D-ROIC indicator in the FUSION strategic management plan, which measures the Company's underlying earnings over a three-year period, as well as the status of relative TSR (compared to TOPIX growth rate inclusive of dividends), which measures the results of enhancing corporate value. Individual evaluation assesses the status of each individual's efforts to carry out medium- to long-term initiatives, such as the key issues set forth in the FUSION strategic management plan, over a one-year period (the first year of the performance evaluation period)
Variable	Medium to long term	Continued service-based stock compensation (RSUs)	• Stock compensation aimed at increasing motivation to share value with shareholders over the long term and enhance corporate value in a sustainable manner • At the beginning of each fiscal year (in July, in principle), basic stock units (1 unit = 1 stock of Company shares) equivalent to the executive rank-based standard amount shall be granted. Three years after this grant, RSUs shall be determined, 50% of which shall be delivered in stock, with the remainder paid in cash for the purpose of covering tax expenses

Target Compensation Mix for the Representative Director, Chairman of the Board, and CEO



Total Compensation for Directors and Audit & Supervisory Board Members (Fiscal 2025)

Position	Total Amount of Compensation (Millions of Yen)	Total Amount by Compensation Type (Millions of Yen)			Number of Eligible Executives
		Fixed Compensation	Compensatory Stock Options	Performance-Linked Compensation	
Directors (excluding external directors)	1,112	358	234	520	9
Audit & Supervisory Board members (excluding external Audit & Supervisory Board members)	80	80	–	–	2
External Directors	88	88	–	–	4
External Audit & Supervisory Board Members	55	55	–	–	4

Compensation for Certified Public Accountants (Fiscal 2025)

Compensation for audit certification duties	**¥292 million**

Corporate Officers (As of July 1, 2026)

Directors

Experience and Knowledge of Each Director and Their Expected Role

Masanori Togawa

Representative Director,
Chairman of the Board and CEO

Member of the HRM Advisory Committee

Member of the Compensation Advisory Committee

Date of birth: January 11, 1949
Term of office: 24 years
Number of Company shares owned: 10,300

Significant Concurrent Posts

Chairman of The Daikin Foundation for Contemporary Arts

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. Currently, as the Representative Director, Chairman of the Board, and CEO, he has positioned the strategic management plan "Fusion 30," formulated in 2026, and, particularly, the core theme of "transformation to a solutions provider" as the direction of the Company's strategy and is leading, under his strong leadership, the transformation of the Group's business structure. While carrying forward the Company's unique strengths, he has also worked to evolve the Group ahead of changes in the times for further growth and development of the Group.

Naofumi Takenaka

Representative Director,
President and COO

Chairman of the Internal Control Committee

Date of birth: January 31, 1964
Term of office: 2 year
Number of Company shares owned: 3,200

Mr. Takenaka has experience across various business operations, including production and development, sales, SCM, and public relations. Currently, as Representative Director, President, and COO, he is in charge of executing the strategic management plan "Fusion 30." In particular, by implementing solutions and business transformation on a Company-wide, cross-divisional basis, he ensures that management policies are incorporated into business activities in the ever-changing environment, and enhances action-taking capabilities for further business expansion.

Koichi Takahashi

Member of the Board and Senior Executive Officer, CFO

Date of birth: May 24, 1956
Term of office: 2 year
Number of Company shares owned: 7,900

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. Since 2026, as a Director, Senior Executive Officer, and CFO, he has worked to sustainably enhance the Company's corporate value through efforts related to capital policy, including promoting a financial strategy based on dialogue with capital markets, implementing business management conscious of the cost of capital, and enhancing shareholder return policy.

Keiko Mori

Member of the Board, Executive Officer

Date of birth: September 9, 1974
Term of office: 2 year
Number of Company shares owned: 1,400

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.

Kanwal Jeet Jawa

Member of the Board, Senior Associate Officer

Date of birth: November 10, 1959
Term of office: 8 years
Number of Company shares owned: 0

Significant Concurrent Posts

Managing Director and CEO of Daikin Airconditioning India Pvt. Ltd.

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.

Corporate Officers (As of July 1, 2026)

Directors

Experience and Knowledge of Each Director and Their Expected Role

Tatsuo Kawada

Chairman of the HRM Advisory Committee
Chairman of the Compensation Advisory Committee

Member of the Board (External)

Date of birth: January 27, 1940
Term of office: 10 years
Number of Company shares owned: 0

Significant Concurrent Posts

Chairman and CEO of Seiren Co., Ltd.

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 the shift to a high-value-added, proposal-based business, transformation to a customer issue-driven business model, innovation creation, and others.

Akiji Makino

Member of the HRM Advisory Committee
Member of the Compensation Advisory Committee

Member of the Board (External)

Date of birth: September 14, 1941
Term of office: 10 years
Number of Company shares owned: 2,000

Significant Concurrent Posts

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

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 development of proposal-based business in industrial and energy fields and environmental fields, and improvement of profitability and strengthening of customer touchpoints in service and solutions business.

Shingo Torii

Member of the HRM Advisory Committee
Member of the Compensation Advisory Committee

Member of the Board (External)

Date of birth: January 18, 1953
Term of office: 6 years
Number of Company shares owned: 1,000

Significant Concurrent Posts

Representative Director and Vice Chairman of the Board of Suntory Holdings Limited

Chairperson of the Osaka Chamber of Commerce and Industry

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

Member of the HRM Advisory Committee
Member of the Compensation Advisory Committee

Member of the Board (External)

Date of birth: January 27, 1961
Term of office: 5 years
Number of Company shares owned: 500

Significant Concurrent Posts

Outside Director of Aichi Steel Corporation

Outside Director of Mizuno Corporation

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.

Gerhard Korbinian Wiesheu

Member of the HRM Advisory Committee
Member of the Compensation Advisory Committee

Member of the Board (External)

Date of birth: February 12, 1962 Term of office: June 26, 2026
Number of Company shares owned: 0

Significant Concurrent Posts

Representative Director and President of Metzler Bank

Leveraging the abundant experience and deep insight in global finance and asset management acquired at institutions, such as the Metzler Bank in Germany, Mr. Wiesheu 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 management strategy and business portfolio strategy, management conscious of the cost of capital, and capital policy.

Corporate Officers (As of July 1, 2026)

Audit & Supervisory Board Members

Experience and Knowledge of Each Director and Their Expected Role

Kaeko Kitamoto

Audit & Supervisory Board Member (External)

Date of birth: April 15, 1965
Term of office: 3 years
Number of Company shares owned: 0

Significant Concurrent Posts

Certified Public Accountant

Outside Director of Harmonic Drive Systems Inc.

Independent Director of EBARA CORPORATION

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

Audit & Supervisory Board Member (External)

Date of birth: June 24, 1975
Term of office: 2 year
Number of Company shares owned: 0

Significant Concurrent Posts

Partner of Oh-Ebashi LPC & Partners

Outside Director of Shionogi & Co., Ltd.

Outside Auditor of Sankyo Seiko Co., Ltd.

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

Audit & Supervisory Board Member (External)

Date of birth: July 19, 1956
Appointed:1 year
Number of Company shares owned: 0

Significant Concurrent Posts

Representative Director, President and CEO of Senshu Ikeda Holdings, Inc.

Representative Director, President and CEO of The Senshu Ikeda Bank, Ltd.

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

Audit & Supervisory Board Member (Full-Time)

Date of birth: January 21, 1952
Term of office: 11 years
Number of Company shares owned: 8,000

Mr. Uematsu has 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

Audit & Supervisory Board Member (Full-Time)

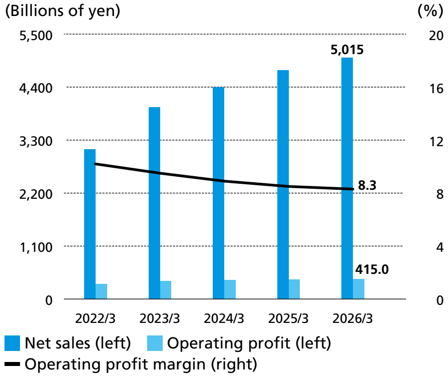
Date of birth: July 31, 1960
Term of office: 7 years
Number of Company shares owned: 1,000

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.

Financial Highlights

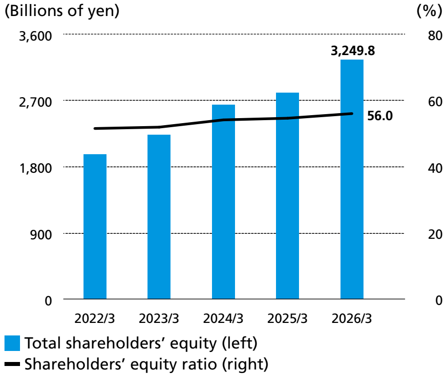
Daikin Industries, Ltd. and Consolidated Subsidiaries (For the Years Ended March 31)

Net Sales / Operating Profit / Operating Profit Margin



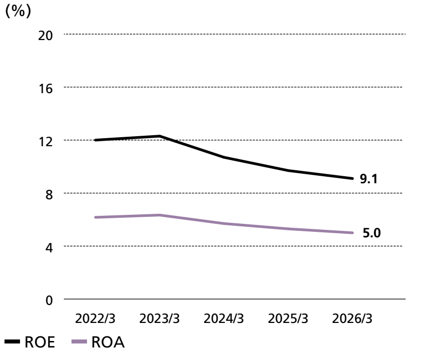
Amid a greater-than-anticipated decline in demand and a continuously challenging business environment marked by geopolitical risks, tariffs, and rising costs, Daikin maintained a strong focus on profitability and achieved record results in both net sales and operating profit.

Total Shareholders' Equity / Shareholders' Equity Ratio



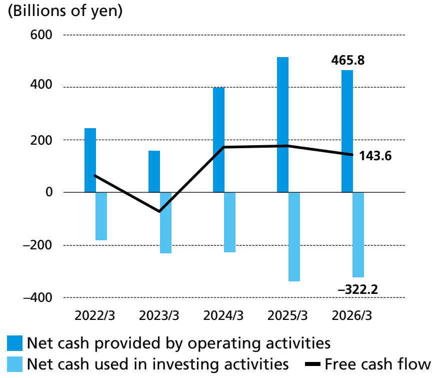
In fiscal 2025, Daikin's shareholders' equity ratio came in at 55.9%, exceeding 50% for the ninth consecutive year. The Company continues to take positive steps to ensure its financial stability.

Total Shareholders' Equity / Shareholders' Equity Ratio



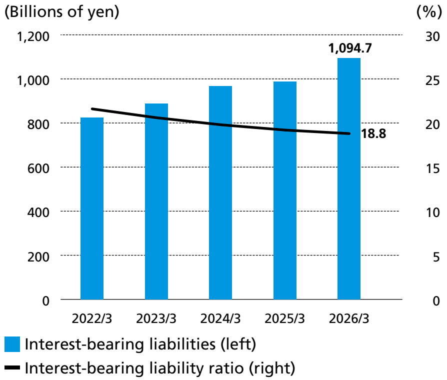
By steadily executing growth investments and translating those investments into improved profitability and capital efficiency, Daikin aims to achieve sustainable earnings growth. The cash generated will be allocated to future growth investments and shareholder returns, with the goal of enhancing corporate value through improvements in ROE and ROA.

Cash Flow



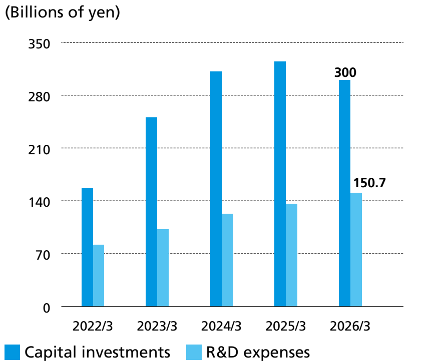
Daikin aims to expand operating cash flow through improved profitability and capital efficiency, creating a virtuous cycle in which the cash generated is allocated to growth investments and shareholder returns.

Interest-Bearing Liabilities / Interest-Bearing Liability Ratio



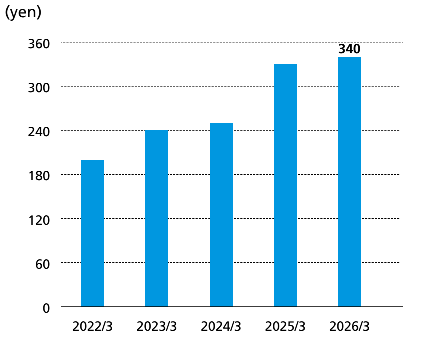
While prioritizing growth investments, Daikin strives to maintain a sound financial position by generating strong operating cash flow and exercising disciplined financial management. Interest-bearing liabilities and interest-bearing liability ratio are managed appropriately, taking into account the balance between growth investments and capital efficiency.

Capital Investments / R&D Expenses



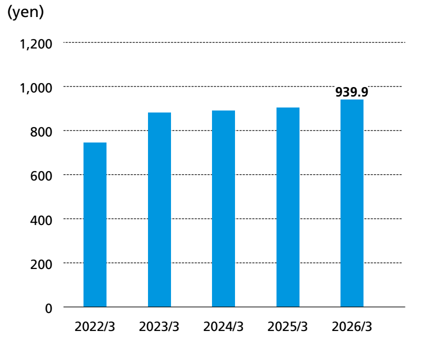
Capital investments and R&D expenses are regarded as strategic investments aimed at driving growth and differentiation in key domains. Daikin prioritizes the allocation of resources to areas that offer potential for future growth and profitability.

Dividend per Share (DPS)



Daikin has continued to deliver stable dividend increases and, while prioritizing growth investments, aims to provide stable and continuous returns to shareholders through sustained earnings growth.

Earnings per Share (EPS)



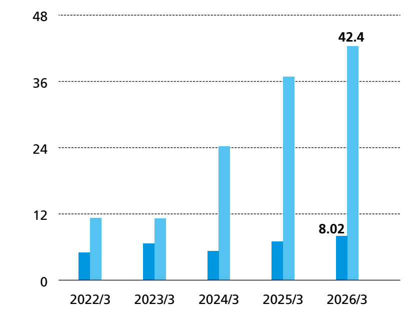
Daikin aims to achieve long-term growth in earnings per share by generating returns from growth investments and improving profitability. By enhancing our earnings power and capital efficiency, we will sustainably enhance corporate value.

Non-Financial Highlights

Daikin Industries, Ltd. and Consolidated Subsidiaries (For the Years Ended March 31)

Amount of Avoided Emissions

(Million tons-CO_2)



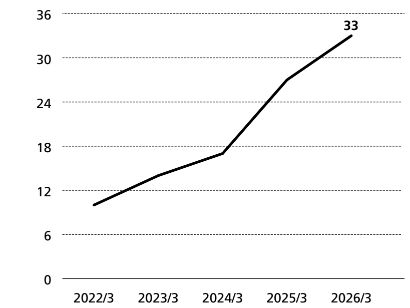
■ Avoided emissions through the spread of air conditioners and heat pumps, hot water supply systems, and refrigeration systems with lower emissions

■ Avoided emissions due to the use of R32 refrigerant in air conditioners and refrigeration systems by other companies as a result of Daikin's offer of free access to patents and technical support, etc.

Notes: 1. The figures above are calculated with an F-gas recovery rate of 0%.
2. The information above has been reviewed by an independent third party.

Reduction Rate of Net GHG Emissions*

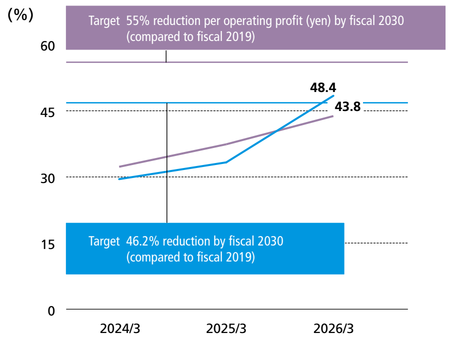
(%)



* Net GHG emissions = GHG emissions during the product life cycle minus avoided emisions.

GHG Emissions Reduction Target (SBT* 1.5°C Target) and Results

(%)



■ Emissions from the Group's business activities (Scope 1 and 2)

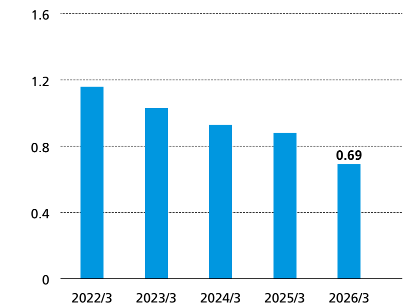
■ Emissions from use and disposal of the Group's products (Scope 3 category 11 and 12)

In 2024, Daikin received certification on its GHG emissions reduction target for fiscal 2030 to keep the global average temperature rise due to climate change at below 1.5°C compared to pre-industrial levels. We also obtained certification for our net zero target in July 2025.

* Science Based Targets: International GHG emissions reduction targets in line with the Paris Agreement goals

GHG Emissions (from Development and Production Processes)

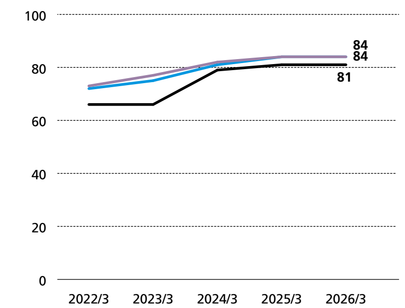
(Million tons-CO_2)



Aiming to lower GHG emissions from our manufacturing processes (development and production) to 1.1 million tons-CO_2 by fiscal 2025 (a 17% reduction from fiscal 2019 levels), we were able to reduce GHG emissions to 0.69 million tons-CO_2 in fiscal 2025 (a 47%reduction from fiscal 2019 levels).

Class A CSR Procurement Achievement Rate*

(%)

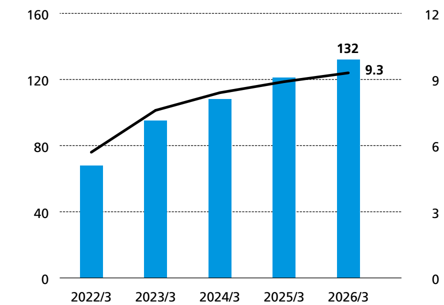


— Japan — Overseas — Entire Group

* Ratio of suppliers who satisfied Daikin's Class A in-house standards to total procurement value

Number and Percentage of Women in Management Positions

(people) (%)

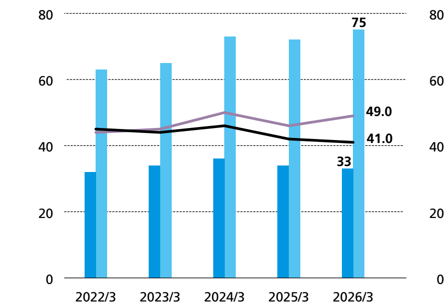


■ Number of women in management positions (left)
— Ratio of women in management positions (right)

Promoting the advancement of women is one of Daikin's key management initiatives. Accordingly, we implement several measures that include fostering a shift in mindset among managers and women employees, accelerating the development of women leaders, supporting early return to work following childcare leave, and encouraging male employees to participate in childcare.

Number and Ratio of Presidents and Executives at Overseas Bases Who Are Local Nationals

(people) (%)

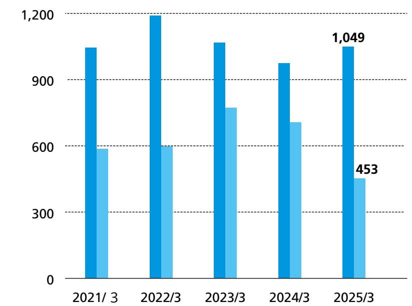


■ No. of presidents(left) ■ No. of executives (left)
— Ratio of presidents (right) — Ratio of directors (right)

Daikin is actively promoting the appointment of local employees to management executive positions at overseas Group companies.
At the same time, we identify and develop outstanding personnel from among local employees at overseas Group companies and appoint them to executive positions at Daikin Industries, Ltd. (Group head office).

Number of Patent Applications

(Patent applications)



■ Japan ■ Overseas

Note: The latest figures available are for the fiscal year ended March 31, 2025.

Daikin is working to stimulate employees' motivation to invent, spur the creation of intellectual property, increase the quality and quantity of patents in competitive fields, and increase the number of overseas patents in key technological fields, in particular in emerging countries.

Eleven-Year Financial Highlights

Daikin Industries, Ltd. and Consolidated Subsidiaries (For the Years Ended March 31)

(Millions of yen)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Operating Results (for the year):											
Net sales	¥2,043,691	¥2,043,969	¥2,290,561	¥2,481,109	¥2,550,305	¥2,493,387	¥3,109,106	¥3,981,578	¥4,395,318	¥4,752,335	**¥5,015,036**
Gross profit	711,576	730,935	798,829	868,923	884,898	864,136	1,057,338	1,331,476	1,509,674	1,626,688	**1,732,517**
Selling, general and administrative expenses	493,704	500,166	545,089	592,668	619,385	625,513	740,987	954,443	1,117,536	1,225,019	**1,317,525**
Research and development expenses*1	46,138	53,870	62,051	65,216	67,968	71,738	81,535	102,208	122,500	135,711	**150,756**
Operating profit	217,872	230,769	253,740	276,255	265,513	238,623	316,351	377,033	392,138	401,669	**414,992**
EBITDA*2	302,075	315,798	348,574	375,570	393,999	372,217	464,413	559,257	607,702	647,686	**691,199**
Net profit attributable to owners of the parent	136,987	153,939	189,052	189,049	170,731	156,250	217,710	257,755	260,312	264,758	**275,229**
Cash Flows (for the year):											
Net cash provided by operating activities	¥ 226,186	¥ 267,663	¥ 223,740	¥ 250,009	¥ 302,167	¥ 374,691	¥ 245,071	¥ 158,897	¥ 399,568	¥ 514,451	**¥ 465,849**
Net cash used in investing activities	(105,493)	(128,823)	(127,459)	(165,773)	(156,187)	(159,667)	(180,790)	(229,794)	(227,189)	(337,407)	**(322,240)**
Free cash flow*3	120,693	138,840	96,281	84,236	145,980	215,024	64,281	(70,897)	172,379	177,044	**143,609**
Net cash provided by (used in) financing activities	(85,422)	(73,544)	(93,955)	(68,721)	(169,934)	98,942	(48,698)	(113,089)	(129,623)	(153,469)	**(156,378)**
Financial Position (at year-end):											
Total assets	¥2,191,105	¥2,356,149	¥2,475,708	¥2,700,891	¥2,667,513	¥3,238,703	¥3,823,038	¥4,303,683	¥4,880,230	¥5,133,416	**¥5,809,241**
Total interest-bearing liabilities	608,981	609,430	554,371	585,642	553,807	751,213	824,874	887,684	968,239	986,901	**1,094,656**
Total shareholders' equity	1,014,409	1,111,636	1,296,553	1,416,075	1,434,968	1,664,729	1,968,727	2,235,031	2,637,536	2,801,282	**3,249,840**
Per Share Data (yen):											
Net income (basic)	¥ 469.23	¥ 526.81	¥ 646.53	¥ 646.39	¥ 583.61	¥ 533.97	¥ 743.88	¥ 880.59	¥ 889.22	¥ 904.27	**¥ 939.92**
Shareholders' equity	3,473.54	3,802.10	4,433.62	4,841.15	4,904.46	5,688.57	6,726.45	7,635.27	9,009.19	9,567.14	**11,097.60**
Free cash flow	413	475	329	288	499	735	220	(242)	589	605	**490**
Cash dividends	120.00	130.00	140.00	160.00	160.00	160.00	200.00	240.00	250.00	330.00	**340.00**
Ratios (%):											
Gross profit margin	34.82%	35.76%	34.87%	35.02%	34.70%	34.66%	34.01%	33.44%	34.35%	34.23%	**34.55%**
Operating profit margin	10.66	11.29	11.08	11.13	10.41	9.57	10.17	9.47	8.92	8.45	**8.27**
EBITDA margin	14.78	15.45	15.22	15.14	15.45	14.93	14.94	14.05	13.83	13.63	**13.78**
Return on shareholders' equity (ROE)	13.44	14.48	15.70	13.94	11.98	10.08	11.98	12.26	10.68	9.74	**9.10**
Shareholders' equity ratio	46.30	47.18	52.37	52.43	53.79	51.40	51.50	51.93	54.05	54.57	**55.94**

*1 Research and development expenses are included within general and administrative expenses and manufacturing expenses.
*2 Earnings before interest, taxes, depreciation, and amortization (EBITDA) = Operating profit + Depreciation and amortization
*3 Free cash flow = Net cash provided by operating activities + Net cash used in investing activities

Notes:
1. Effective from April 1, 2018, the consolidated financial statements for the fiscal year ended March 31, 2018, have been revised in accordance with a change in accounting policy.
2. Effective from April 1, 2022, the consolidated financial statements for the fiscal year ended March 31, 2021, and the fiscal year ended March 31, 2022, have been revised in accordance with a change in accounting policy.

Investor Dialogue and External Evaluations

Communication with Shareholders and Investors

As stated in its Group Philosophy, Daikin Industries will remain a trusted company that acts with consideration for its relationship with society. Accordingly, in addition to complying with laws and regulations and conducting business activities with high ethical standards, we must maintain a high level of management transparency by actively disclosing information to shareholders and investors.

Daikin Industries conducts a wide range of investor relations (IR) activities to keep Shareholders and investors informed about its business activities and developments.

Main Investor Relations Activities in Fiscal 2025

Target	Investor Relations Activity	No. of Times Held
Analysts and institutional investors	Meetings with institutional investors	Over 500
	Of which, group meetings:	13
	Financial results briefings	4
	Sustainability briefings	1
	Conferences sponsored by securities firms	9
Individual investors	Company briefings	2 (online)
Employees	Sustainability briefings (held individually by domestic business sites and divisions)	7 (approx. 2,500 participants)

Key External Recognition

- Selected for inclusion in the MSCI Selection Indexes

MSCI Selection Indexes Constituents 2026

- Selected for inclusion in the MSCI Nihonkabu ESG Select Leaders Index

2026 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX

- Selected for inclusion in the MSCI Japan ESG Select Leaders Index

2026 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

- Chosen for inclusion in the FTSE JPX Blossom Japan Index
- Chosen for inclusion in the FTSE JPX Blossom Japan Sector Relative Index

FTSE JPX Blossom Japan Index

FTSE JPX Blossom Japan Sector Relative Index

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Daikin Industries, Ltd. has been independently assessed according to the FTSE Blossom Japan Index criteria and the FTSE Blossom Japan Sector Relative Index, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Index Series. The FTSE Blossom Japan Index Series is designed to measure the performance of Japanese companies that demonstrate strong Environmental, Social and Governance (ESG) practices. There are two indexes within the family, the FTSE Blossom Japan Index and FTSE Blossom Japan Sector Relative Index. The indexes are widely used by sustainable investment funds and for creating and evaluating financial products.

FTSE Russell website
https://www.ftserussell.com/

- Chosen for inclusion in the Sompo Sustainability Index

2026 Sompo Sustainability Index

- Selected for CDP's A List, the highest rating, in the categories of Climate Change and Water Security

Climate CDP A List 2025 / Water CDP A List 2025

- Selected as an A-list company for CDP's 2025 Supplier Engagement Assessment (SEA)

Supplier Engagement Leader CDP 2025

- Received the Energy Conservation Grand Prize Award (organized by the Energy Conservation Center, Japan) in the category of Best Products and Business Models
  - Received the Energy Conservation Center, Japan Chairman's Award for the Heat Recycle System, an innovative energy-efficient ventilation system that recovers and reuses exhaust heat from ventilation
  - Received the Energy Conservation Center, Japan Chairman's Award for the Hexagon GX, an air-cooled modular chiller (heat pump chiller) that contributes to the realization of carbon neutrality
- Received the Good Design Award 2025 (sponsored by the Japan Institute of Design Promotion) for the Wired Remote Controller for Europe; the Ice Cool Spot rest area of Expo 2025 Osaka, Kansai, Japan; and AIR CREATOR, a residential retail brand for the Southeast Asian market

GOOD DESIGN AWARD 2025

- Awarded the Platinum Kurumin certification by Japan's Ministry of Health, Labour and Welfare in recognition of our outstanding support for employees in balancing work and childcare

プラチナくるみん 子育てサポートしています

- Received a rating of 4.5 stars (deviation value of 65 to 70) in the Nikkei Smart Work Management Survey and a rating of 4 stars (deviation value of 60 to 65) in the Nikkei SDGs Management Survey.

NIKKEI SDGs 2025 / NIKKEI Smart Work 2025

Company Overview and Investor Information (As of March 31, 2026)

Company name Daikin Industries, Ltd.

Head office Osaka Umeda Twin Towers South, 1-13-1, Umeda, Kita-ku, Osaka, 530-0001, Japan

Tel: 81-6-6147-6864

Tokyo office Tokyo Midtown Yaesu—Yaesu Central Tower, 2-2-1, Yaesu, Chuo-ku, Tokyo, 104-0028, Japan

Tel: 81-3-3520-3100

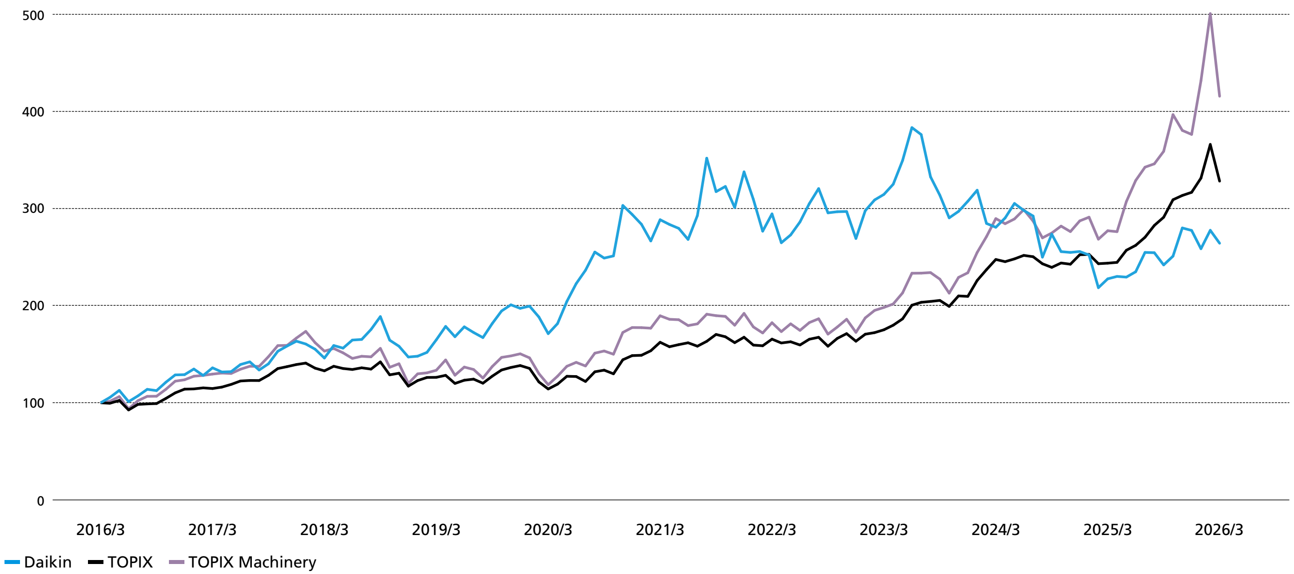
Fiscal year-end date	March 31
Date of founding	October 25,1924
Paid-in capital	¥85,032 million
Number of subsidiaries and affiliated companies	Consolidated subsidiaries: 324 Affiliates: 16
Number of employees	104,095 (Consolidated)
Total number of authorized shares	500,000 thousand
Total number of shares issued	293,113 thousand
Number of shareholders	77,009
Shareholder register administrator	Mitsubishi UFJ Trust and Banking Corporation, 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Ordinary General Meeting of Shareholders	June
Auditor	Deloitte Touche Tohmatsu LLC

Major Shareholders (10 Largest by Shareholding)

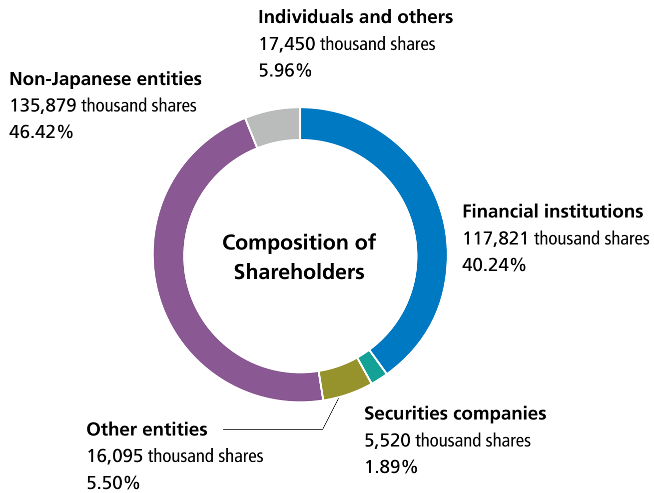
Shareholders	No. of Shares Held (Thousand Shares)	Shareholding Ratio* (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	53,982	18.4
Custody Bank of Japan, Ltd. (Trust account)	21,511	7.3
State Street Bank and Trust Company 505001	11,039	3.8
Elliott International, L.P.	8,828	3.0
The Chase Manhattan Bank, N.A. London SECS Lending Omnibus Account	7,493	2.6
Sumitomo Mitsui Banking Corporation	7,000	2.4
State Street Bank and Trust Company 505103	5,627	1.9
JP Morgan Chase Bank 385781	4,013	1.4
MUFG Bank, Ltd.	3,811	1.3
State Street Bank and Trust Company 505223	3,652	1.2

* Shareholding ratio: Percentage shareholdings are rounded off to one decimal point and calculated after deducting treasury shares (267 thousand shares).

Total Shareholder Return



Notes:
1. Total shareholder return (TSR): Total rate of return on investment reflecting capital gains and dividends
2. TSR is calculated based on cumulative dividend amounts and stock price fluctuations for Daikin and based on the stock market index inclusive of dividends for TOPIX (prepared by the Company based on data provided by Bloomberg, etc.).
3. Graph data represents market prices indexed by TSR with closing price data as of March 31, 2014, as a base of 100 (holding period up to March 31, 2024).



Note: Treasury stock of 267,441 shares is included in "Individuals and others." Shares have been rounded down to the nearest thousand shares.

Daikin Industries, Ltd.
Investor and Shareholder Relations Office
E-mail:ir.req@daikin.co.jp