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Code Number: 6367
June 5, 2026
(Commencement date of electronic provision measure: May 29, 2026)

To Shareholders:

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

Convocation Notice of the 123rd Ordinary General Meeting of Shareholders

We hereby inform you of the 123rd Ordinary General Meeting of Shareholders of Daikin Industries, Ltd. ("Daikin" or the "Company") to be held as indicated below.

For the convocation of this general meeting of shareholders, the Company takes an electronic provision measure for information that constitutes the content of the Reference Documents for the General Meeting of Shareholders, etc. (matters for electronic provision measure), and posts this information on the Company website as "Convocation Notice of the 123rd Ordinary General Meeting of Shareholders."

[Company website]
https://www.daikin.com/investor/stock/meeting

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

[Website on which general shareholder meeting materials are posted]
https://d.sokai.jp/6367/teiji/

[Website of Tokyo Stock Exchange (Listed Company Search)]*
https://www2.jpx.co.jp/tseHpFront/JJK020030Action.do
*Please access the TSE website using the URL above, enter "Daikin Industries" in the "Issue name (company name)" field or "6367" in "Code", and perform a search. Please select "Basic information" and then "Documents for public inspection/PR information." The documents will be available from the "Notice of General Shareholders Meeting/Information Materials for a General Shareholders Meeting" section under "Filed information available for public inspection."

If you are unable to attend the meeting, you may exercise your voting rights in writing (the Voting Rights Exercise Form) or via electronic means (the Internet). Please review the "Reference Documents for the General Meeting of Shareholders" attached hereto, and exercise your voting rights by 5:30 p.m. on Thursday, June 25, 2026, in accordance with "5. Guidance on Exercising Voting Rights" on the following page.

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

Particulars

1. Date and Time: 10:00 a.m., Friday, June 26, 2026 (The reception desk will open at 9:00 a.m.)

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

3. Meeting Agenda

Reports:

1: Business Report, Consolidated Financial Statements and the Non-Consolidated Financial Statements for the 123rd fiscal year (from April 1, 2025, to March 31, 2026)

2: Audit Reports on the Consolidated Financial Statements for the 123rd fiscal year (from April 1, 2025, to March 31, 2026) by the Independent Auditor and the Audit & Supervisory Board

Resolution Items:

First Item: Appropriation of Surplus
Second Item: Election of Ten (10) Directors
Third Item: Election of One (1) Substitute Audit & Supervisory Board Member (external)
Fourth Item: Revision of Compensation for Directors
Fifth Item: Determination of Compensation Amounts and Details Regarding the Introduction of a Post-Delivery-Type Stock Compensation System for Directors (Excluding External Directors)

4. Procedural Rules Pertaining to the Convocation

Handling of Voting Rights in the Event of Multiple Exercise

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

5. Guidance on Exercising Voting Rights

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

On the enclosed Voting Rights Exercise Form, please indicate either approval or disapproval of each agenda and **return the form by 5:30 p.m., Thursday, June 25, 2026.** If you do not indicate either approval or disapproval of each agenda on the Voting Rights Exercise Form, you will be deemed to have voted in favor of each agenda.

Exercising Your Voting Rights via Electronic Means (the Internet)

Please access the relevant website for the exercise of voting rights (https://evote.tr.mufg.jp/) using a personal computer or smartphone. Please enter the login code and password provided in the Voting Rights Exercise Form enclosed herein and follow the instructions to proceed with your votes by indicating either approval or disapproval.

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

[Exercise deadline] by 5:30 p.m., Thursday, June 25, 2026

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

Reference Documents for the General Meeting of Shareholders

First Item: Appropriation of Surplus

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

We propose to pay a year-end dividend for the 123rd fiscal year as follows, which is a dividend increase of ¥30 per share from that of the preceding year, in light of our posting a higher profit for the fiscal year under review.

This dividend would result in an annual dividend—including the interim dividend—of ¥340 per share, representing an increase of ¥10.

Year-end dividends

(1) Amount of dividend assets to be allocated to shareholders
Cash of ¥175 per share of common stock of the Company
Total: ¥51,248,143,100

(2) Effective date of dividends from surplus
June 29, 2026

Second Item: Election of Ten (10) Directors

The terms of office for all of the nine (9) Directors will expire as of the conclusion of this general meeting of shareholders. Therefore, for the purpose of strengthening the monitoring function of the Board of Directors by increasing the percentage of Independent External Directors, we propose the increase of one (1) External Director to a total of five (5) External Directors, and the election of ten (10) Directors including five (5) Internal Directors.

The candidates for Director are as follows.

The skill sets of the candidates for Directors are stated on pages 21 to 28.

Candidate number		Name	Current positions at the Company
1	Reappointment	Masanori Togawa (Male)	Representative Director, Chairman of the Board, and CEO Member of the HRM Advisory Committee, Member of the Compensation Advisory Committee
2	Reappointment	Naofumi Takenaka (Male)	Representative Director, President, and COO Chairman of the Internal Control Committee
3	Reappointment Candidate for External Director Candidate for Independent Director	Tatsuo Kawada (Male)	External Director Chairman of the HRM Advisory Committee, Chairman of the Compensation Advisory Committee
4	Reappointment Candidate for External Director Candidate for Independent Director	Akiji Makino (Male)	External Director Member of the HRM Advisory Committee, Member of the Compensation Advisory Committee
5	Reappointment Candidate for External Director Candidate for Independent Director	Shingo Torii (Male)	External Director Member of the HRM Advisory Committee, Member of the Compensation Advisory Committee
6	Reappointment Candidate for External Director Candidate for Independent Director	Yuko Arai (Female)	External Director Member of the HRM Advisory Committee, Member of the Compensation Advisory Committee
7	New appointment Candidate for External Director Candidate for Independent Director	Gerhard Korbinian Wiesheu (Male)	—

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

Note: The Company has concluded a directors and officers (D&O) liability insurance contract with an insurance company in which Directors of the Company are the insured. The insurance will cover any damages that may occur as a result that the insured take responsibility for liability with regard to their execution of duties or receive a claim for liability against them. If all candidates for Director assume the position of Director, they will be the insured of the directors and officers (D&O) liability insurance contract. The Company intends to renew this contract in July 2026.

Candidate number	Name (Date of birth)		Number of the Company shares owned
1	Masanori Togawa (January 11, 1949) (Male) Reappointment	[Brief personal history] April 1973 Entered the Company June 2002 Director of the Company June 2004 Director and Senior Executive Officer of the Company July 2006 Member of the HRM Advisory Committee of the Company (Current position), Member of the Compensation Advisory Committee of the Company (Current position) June 2007 Director and Senior Executive Officer of the Company June 2011 Representative Director, President, and COO of the Company June 2014 Representative Director, President, and CEO of the Company June 2024 Representative Director, Chairman of the Board, and CEO of the Company (Current position) [Current positions at the Company] Representative Director, Chairman of the Board, and CEO Member of the HRM Advisory Committee, Member of the Compensation Advisory Committee [Significant positions concurrently held] Chairman of The Daikin Foundation for Contemporary Arts	10,300 shares
Reasons for Nominating Candidate for Director: Mr. Masanori Togawa previously served as Representative Director, President, and COO, and Representative Director, President, and CEO. Since June 2024, as Representative Director, Chairman of the Board, and CEO, he has displayed strong leadership and contributed to the implementation of the strategic management plan and growth of the Group. We have appointed him to continue as Director, judging that his abundant experience and accomplishments are necessary for the Company to realize sustainable enhancement of corporate value in the future, and that he is an appropriate person for the position of Director of the Company.			

Note:

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

Candidate number	Name (Date of birth)		Number of the Company shares owned
2	Naofumi Takenaka (January 31, 1964) (Male) Reappointment	[Brief personal history] April 1986 Entered the Company June 2012 Associate Officer of the Company June 2017 Senior Associate Officer of the Company June 2018 Senior Executive Officer of the Company June 2021 Senior Executive Officer of the Company June 2024 Representative Director, President, and COO of the Company (Current position) July 2024 Chairman of the Internal Control Committee of the Company (Current position) [Current positions at the Company] Representative Director, President, and COO Chairman of the Internal Control Committee	3,200 shares
Reasons for Nominating Candidate for Director: Mr. Naofumi Takenaka has been engaged in various business operations over many years, including production and development, sales, supply chain management (SCM), and public relations. Since June 2024, as Representative Director, President, and COO, he has contributed to the implementation of the strategic management plan and growth of the Group. We have appointed him to continue as Director, judging that his abundant experience and accomplishments are necessary for the Company to realize sustainable enhancement of corporate value in the future, and that he is an appropriate person for the position of Director of the Company.			

Note:

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

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

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

Attendance for Meetings of the Board of Directors:
Attended 16 out of 16 meetings (100%)

Notes:
1. Mr. Tatsuo Kawada does not hold any special interests in the Company.
2. While there have been transactions, such as raw materials procurement, between the Company and Seiren Co., Ltd., where Mr. Kawada serves as Representative Director, such transactions account for less than 1% of the consolidated net sales either of the Company or of Seiren Co., Ltd. in the latest fiscal year.
3. Mr. Kawada is a candidate for External Director. The Company will register him with Tokyo Stock Exchange, Inc., as Independent Director if he is selected as External Director.
4. As of the conclusion of this general meeting of shareholders, Mr. Kawada will have been an External Director for 10 years.
5. The Company has concluded a limitation of liability agreement with Mr. Kawada, in accordance with Article 427, Paragraph 1, of the Companies Act and the Company's Articles of Incorporation. Under this contract, liabilities for compensation are the lowest amount of liability stipulated by Article 425, Paragraph 1, of the Companies Act. In the event that his reelection is approved, the Company intends to continue the said agreement with him.

Candidate number	Name (Date of birth)		Number of the Company shares owned
4	Akiji Makino (September 14, 1941) (Male) Reappointment Candidate for External Director Candidate for Independent Director	[Brief personal history] March 1965 Entered Iwatani Corporation June 1988 Director of the above company June 1990 Executive Director of the above company June 1994 Senior Executive Director of the above company June 1998 Executive Vice President of the above company April 2000 President of the above company June 2004 President and Executive Officer of the above company June 2012 Chairman, CEO, and Executive Officer of the above company June 2016 Director of the Company (Current position) July 2016 Member of the HRM Advisory Committee of the Company (Current position), Member of the Compensation Advisory Committee of the Company (Current position) April 2019 Chairman and CEO of Iwatani Corporation April 2026 Chairman of the above company (Current position) [Current positions at the Company] External Director Member of the HRM Advisory Committee, Member of the Compensation Advisory Committee [Significant positions concurrently held] Chairman 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	2,000 shares

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

Attendance for Meetings of the Board of Directors:
Attended 15 out of 16 meetings (93.8%)

Notes:
1. Mr. Akiji Makino does not hold any special interests in the Company.
2. While there have been transactions, such as product sales and raw materials procurement, between the Company and Iwatani Corporation, where Mr. Makino serves as Representative Director, such transactions account for less than 1% of the consolidated net sales either of the Company or of Iwatani Corporation in the latest fiscal year.
3. Mr. Makino is a candidate for External Director. The Company will register him with Tokyo Stock Exchange, Inc., as Independent Director if he is selected as External Director.
4. As of the conclusion of this general meeting of shareholders, Mr. Makino will have been an External Director for 10 years.
5. The Company has concluded a limitation of liability agreement with Mr. Makino, in accordance with Article 427, Paragraph 1, of the Companies Act and the Company’s Articles of Incorporation. Under this contract, liabilities for compensation are the lowest amount of liability stipulated by Article 425, Paragraph 1, of the Companies Act. In the event that his reelection is approved, the Company intends to continue the said agreement with him.

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

Reasons for Nominating Candidate for External Director and Outline of Expected Role: Mr. Shingo Torii has abundant experience and deep insight as a corporate manager gained through serving various positions such as Representative Director of Suntory Holdings Limited. Drawing on such a track record, Mr. Torii has been supervising the Company's management appropriately from an independent standpoint as External Director of the Company since 2020 and has been giving valuable advice on management policies and strategies. He has also been instrumental in ensuring transparency, objectivity, and fairness concerning executive appointment and compensation as a Member of the HRM Advisory Committee and a Member of the Compensation Advisory Committee. For these reasons, we have appointed him to continue as External Director, expecting that he will continue to contribute to enhancement of the Company's corporate value by adequately fulfilling the duties of External Director and proactively making proposals from a broad and advanced perspective including the viewpoint of corporate management for proactively capturing customer needs, the enhancement of corporate value through SDGs and ESG activities, and other areas. Attendance for Meetings of the Board of Directors: Attended 15 out of 16 meetings (93.8%)

Notes:

1. Mr. Shingo Torii does not hold any special interests in the Company.
2. While there have been transactions, such as product maintenance and services, between the Company and Suntory Holdings Limited, where Mr. Torii serves as Representative Director, such transactions account for less than 1% of the consolidated net sales either of the Company or of Suntory Holdings Limited in the latest fiscal year.
3. Mr. Torii is a candidate for External Director. The Company will register him with Tokyo Stock Exchange, Inc., as Independent Director if he is selected as External Director.
4. As of the conclusion of this general meeting of shareholders, Mr. Torii will have been an External Director for six years.
5. The Company has concluded a limitation of liability agreement with Mr. Torii, in accordance with Article 427, Paragraph 1, of the Companies Act and the Company's Articles of Incorporation. Under this contract, liabilities for compensation are the lowest amount of liability stipulated by Article 425, Paragraph 1, of the Companies Act. In the event that his reelection is approved, the Company intends to continue the said agreement with him.

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

Reasons for Nominating Candidate for External Director and Outline of Expected Role: Ms. Yuko Arai has abundant experience and deep insight as a corporate manager gained through serving various positions such as Senior Executive Officer of ALL NIPPON AIRWAYS CO., LTD. Drawing on such a track record, Ms. Arai has been supervising the Company's management appropriately from an independent standpoint as External Director of the Company since 2021 and has been giving valuable advice on management policies and strategies. She has also been instrumental in ensuring transparency, objectivity, and fairness concerning executive appointment and compensation as a Member of the HRM Advisory Committee and a Member of the Compensation Advisory Committee. For these reasons, we have appointed her to continue as External Director, expecting that she will continue to contribute to enhancement of the Company's corporate value by adequately fulfilling the duties of External Director and proactively making proposals from a broad and advanced perspective including the viewpoint of corporate management from customers' perspective and promotion of further participation by female employees. Attendance for Meetings of the Board of Directors: Attended 16 out of 16 meetings (100%)

Notes:

1. Ms. Yuko Arai does not hold any special interests in the Company.
2. Ms. Arai is a candidate for External Director. The Company will register her with Tokyo Stock Exchange, Inc., as Independent Director if she is selected as External Director.
3. As of the conclusion of this general meeting of shareholders, Ms. Arai will have been an External Director for five years.
4. The Company has concluded a limitation of liability agreement with Ms. Arai, in accordance with Article 427, Paragraph 1, of the Companies Act and the Company's Articles of Incorporation. Under this contract, liabilities for compensation are the lowest amount of liability stipulated by Article 425, Paragraph 1, of the Companies Act. In the event that her reelection is approved, the Company intends to continue the said agreement with her.

<table>
<tr><th>Candidate number</th><th>Name
(Date of birth)</th><th></th><th>Number of the Company shares owned</th></tr>
<tr><td>7</td><td>Gerhard Korbinian Wiesheu
(February 12, 1962)
(Male)

New appointment
Candidate for External Director
Candidate for Independent Director</td><td>[Brief personal history]
1987 Entered Commerzbank AG
2001 Entered Metzler Bank
2021 Executive Board Member of the above company
2023 Officer in charge of Private Banking Division of the above company
July 2023 Representative Director and President of the above company (Current position)

[Significant positions concurrently held]
Representative Director and President of Metzler Bank</td><td>0 shares</td></tr>
<tr><td colspan="4">Reasons for Nominating Candidate for External Director and Outline of Expected Role:
Mr. Gerhard Korbinian Wiesheu has abundant experience and deep insight as a corporate manager gained through serving various positions such as Representative Director and President of Metzler Bank, which has more than 300 years of history in Germany. Drawing on such a track record, we have appointed him as External Director, expecting that he will supervise the Company’s management appropriately from an independent standpoint and can contribute to enhancement of the Company’s corporate value by proactively making proposals from a broad and advanced perspective, including the viewpoint of management and business portfolio strategies and management that is conscious of cost of capital and capital policy.</td></tr>
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Notes:

1. Mr. Gerhard Korbinian Wiesheu does not hold any special interests in the Company.
2. There are no transactions between the Company and Metzler Bank, where Mr. Wiesheu serves as Representative Director.
3. Mr. Wiesheu is a candidate for External Director. The Company will report him to Tokyo Stock Exchange, Inc., as Independent Director if he is selected as External Director.
4. If Mr. Wiesheu assumes the position of External Director, the Company intends to conclude a limitation of liability agreement with him, in accordance with Article 427, Paragraph 1, of the Companies Act and the Company’s Articles of Incorporation. Under this contract, liabilities for compensation are the lowest amount of liability stipulated by Article 425, Paragraph 1, of the Companies Act.

Candidate number	Name (Date of birth)			Number of the Company shares owned
8	Koichi Takahashi (May 24, 1956) (Male) Reappointment	[Brief personal history]		7,900 shares
		April 1979	Entered the Company	
		June 2006	Executive Officer of the Company	
		June 2007	In charge of Accounting, Finance, and Budget of the Company (Current position), General Manager of Finance and Accounting Division of the Company (Current position)	
		June 2010	Director and Executive Officer of the Company	
		June 2014	Director and Senior Executive Officer of the Company	
		June 2018	Senior Executive Officer of the Company	
		June 2021	Senior Executive Officer of the Company, In charge of Promoting Operational Efficiency of the Company (Current position)	
		June 2024	Director and Senior Executive Officer of the Company (Current position)	
		[Current positions at the Company] Director and Senior Executive Officer In charge of Accounting, Finance, Budget, and Promoting Operational Efficiency General Manager of Finance and Accounting Division		

Reasons for Nominating Candidate for Director:

Mr. Koichi Takahashi has been engaged in accounting and finance over many years and has contributed significantly to business expansion of the Company in terms of financial strategy and capital policy. Serving as Director and Senior Executive Officer since June 2024, he is currently in charge of accounting, finance, budget, and promoting operational efficiency. We have appointed him to continue as Director, judging that his abundant experience and accomplishments are necessary for the Company to realize sustainable enhancement of corporate value in the future, and that he is an appropriate person for the position of Director of the Company.

Note:

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

<table>
<tr><th>Candidate number</th><th>Name
(Date of birth)</th><th></th><th>Number of the Company shares owned</th></tr>
<tr><td>9</td><td>Keiko Mori
(September 9, 1974)
(Female)

Reappointment</td><td>[Brief personal history]
April 1997 Entered the Company
July 2015 Senior Manager in charge of Executive Secretarial Department of the Company (Current position)
June 2021 Executive Officer of the Company (Current position), In charge of Human Resource Development and Maximizing the Talents of Women of the Company (Current position)
June 2024 Director of the Company (Current position)

[Current positions at the Company]
Director and Executive Officer
In charge of Human Resource Development and Maximizing the Talents of Women
Senior Manager in charge of Executive Secretarial Department</td><td>1,400 shares</td></tr>
<tr><td colspan="4">Reasons for Nominating Candidate for Director:
Ms. Keiko Mori has been engaged in human resource development and maximizing the talents of women over many years and has contributed significantly to business expansion of the Company. Serving as Director and Executive Officer since June 2024, she is currently in charge of human resource development and maximizing the talents of women. We have appointed her to continue as Director, judging that her abundant experience and accomplishments are necessary for the Company to realize sustainable enhancement of corporate value in the future, and that she is an appropriate person for the position of Director of the Company.</td></tr>
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Note:

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

Candidate number	Name (Date of birth)		Number of the Company shares owned
10	Kanwal Jeet Jawa (November 10, 1959) (Male) Reappointment	[Brief personal history] 1997 Regional Director (Asia Pacific) of Carrier Aircon Limited 2001 Regional Vice President (North&East) of Voltas Limited 2005 Senior Vice President of the above company 2006 Managing Director of Uniflair India Pvt. Ltd. May 2010 Deputy Managing Director & COO of Daikin Airconditioning India Pvt. Ltd. September 2010 Managing Director & COO of the above company July 2017 Managing Director & CEO of the above company (Current position) June 2018 Director and Associate Officer of the Company June 2019 Director and Senior Associate Officer of the Company June 2023 Director and Senior Associate Officer of the Company (Current position) June 2024 Regional General Manager, Air Conditioning Business in India and Africa, Global Operations Division of the Company (Current position) [Current positions at the Company] Director and Senior Associate Officer Regional General Manager, Air Conditioning Business in India and Africa, Global Operations Division [Significant positions concurrently held] Managing Director & CEO of Daikin Airconditioning India Pvt. Ltd.	0 shares
Reasons for Nominating Candidate for Director: Mr. Kanwal Jeet Jawa has been engaged in the air conditioning business in India over many years and has contributed significantly to the expansion of the business. Serving as Director and Senior Associate Officer since June 2023, he is currently in charge of the air conditioning business in India and Africa. We have appointed him to continue as Director, judging that his abundant experience and accomplishments are necessary for the Company to realize sustainable enhancement of corporate value in the future, and that he is an appropriate person for the position of Director of the Company.			

Note:

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

[Reference regarding the Second Item]

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

■ The Company strives to materialize advanced management with an “integrated management” system in which Directors quickly make strategic decisions and conduct sound and appropriate supervision and guidance, thus achieving collective management responsibility across all management, and at the same time, assume work execution responsibility through prompt action. We believe this integrated management system is effective in speeding up decision making and execution. Directors make decisions, execute operations, and provide supervision and guidance in an integrated manner, thus executing their own decisions and taking responsibility for seeing these through.

We appoint multiple external officers who monitor the execution of operations from an independent perspective and offer appropriate supervision and advice during decision making. Through this process they take responsibility for supporting our “integrated management” from the standpoint of transparency and soundness.

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

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

In addition, toward promoting the strategic management plan “Fusion 30,” the Board of Directors as a whole should be equipped with experience and knowledge in legal affairs, risk management and governance, finance and accounting, capital policy that takes into account dialogue with capital markets and the cost of capital, etc., technology, human capital and diversity management, sustainability, the environment and energy, and transformation to a solutions business, in order to further strengthen the Company’s corporate governance.

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

■ Furthermore, for the functions of management base, such as sales, production, finance and accounting, legal affairs, and digital transformation, Executive Officers are appointed to dedicate themselves in executing operations. In addition, each Executive Officer attends the meetings of the Board of Directors in accordance with the agenda and reports on the status of execution to the Directors and Audit & Supervisory Board Members to secure the effectiveness of decision-making and supervision of the Board of Directors.

■ In appointing officers, we emphasize that they have diverse background including nationality, gender, and career from a perspective of business globalization, expanding business, and practicing diversity management.

Furthermore, we also emphasize the importance of having excellent personalities, aptitudes, and qualities, and in appointing Directors, qualities necessary for corporate management are also considered important, such as leadership that draws out the potential of people and drives an organization to enhance action-taking capabilities, speedy action to materialize foresight and insight that are a half step ahead of society gained through staying at the *genba* (actual site) where information originates, willpower and decisiveness to derive solutions to issues without answers, and capability to pass down and further develop the respected philosophy and value of companies.

■ In light of the above, if the Second Item is approved and passed as originally proposed, the experience and knowledge possessed by the Company's 10 Directors and five Audit & Supervisory Board Members, as well as their expected roles, are as shown in the following table. We believe that the Board of Directors and the Audit & Supervisory Board have the necessary skills described above.

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

  Of these, five Internal Directors, while carrying out their respective operations, possess the skills to strengthen the foundation for growth in this era of change. Five External Directors possess the necessary skills to participate in decision-making and management supervision, in order to ensure the promotion of the Group's key strategies, based on extensive experience at their respective companies and knowledge in their respective areas of expertise.
- Audit & Supervisory Board Members consist of two full-time Audit & Supervisory Board Members who are highly familiar with the Company's business and the Group's operations, and three Audit & Supervisory Board Members (external) who have acquired abundant management experience at their respective companies or deep insight in their respective areas of expertise such as law or finance and accounting. They possess the skills necessary to monitor and audit the Company's business activities and provide management advice. By utilizing these skills, Audit & Supervisory Board Members contribute to the sound and sustainable growth of the Company and the enhancement of corporate value.

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

Directors

Name	Gender	Position	Corporate management	Global business	Legal affairs, risk management and governance	Finance, accounting and 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	External Director	○	○	○		○		○	○
Akiji Makino	Male	External Director	○	○	○			○	○	○
Shingo Torii	Male	External Director	○	○	○				○	
Yuko Arai	Female	External Director	○					○		
Gerhard Korbinian Wiesheu	Male	External Director	○	○		○				
Koichi Takahashi	Male	Director and Senior Executive Officer	○		○	○				
Keiko Mori	Female	Director and Executive Officer	○					○		
Kanwal Jeet Jawa	Male	Director and Senior Associate Officer	○	○						

Audit & Supervisory Board Members

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

*The above list shows main items of highly expertise possessed by each officer and does not show all the knowledge and experience possessed by each officer.

3. Reasons for selection of each skill item

Skill items	Reasons for selection of each skill item
Corporate management	・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, accounting and 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 business with an emphasis on maintaining financial soundness and improving capital efficiency as a global company, it is essential to gain knowledge in capital policy, including dialogue with capital markets, management that is conscious of cost of capital, shareholder return policies, 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	・Executive decision-making and supervisory skills based on knowledge of sustainability are essential in fulfilling our social mission as the world's leading comprehensive air-conditioning manufacturer. Furthermore, in advancing the creation of environmental value based on the strategic management plan "Fusion 30," knowledge and experience in environmental and energy issues are also essential.
Solutions and business transformation	・In advancing "transformation into a solutions provider," as articulated in the strategic management plan "Fusion 30," it is essential to have knowledge and experience in transforming the business model from equipment-focused sales type to customer-centered and lifecycle value provision type, and in executing and supervising marketing strategies for each application market, utilization of service, instrumentation, and data, and investment allocation.

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

Directors

Name	Experience and knowledge of each Director and their expected role
Masanori Togawa	Mr. Togawa has served as Representative Director, President, and COO since 2011 and Representative Director, President, and CEO since 2014, and contributed to the execution of the strategic management plan and growth of the Group. 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 its central theme, "transformation into a solutions provider," as the direction for Group strategy, and is driving business restructuring, under his strong leadership to carry on the Company's unique strengths. He is also working to evolve the Group ahead of changes in the times for further growth and development of the Group.
Naofumi Takenaka	Mr. Takenaka has experience across various business operations, including production and development, sales, SCM, and public relations. Currently, as Representative Director, President, and COO, he takes a role in executing the strategic management plan "Fusion 30" and implement the group-wide solutions and business transformations. He ensures that management policies are incorporated into business activities in the ever-changing environment and enhances action-taking capabilities for further business expansion.
Tatsuo Kawada	Leveraging the abundant experience and deep insight as a corporate executive of Seiren Co., Ltd., Mr. Kawada provides advice and supervision to the Company's management matters from an extensive and advanced insight as an independent director with a focus on his viewpoints regarding transition to a high-value-added solutions-focused business and a customer problem-centered business model transformation, innovation creation, and others.
Akiji Makino	Leveraging the abundant experience and deep insight as a corporate executive of Iwatani Corporation, Mr. Makino provides advice and supervision to the Company's management matters from an extensive and advanced insight as an independent director with a focus on his perspectives regarding development of a solutions-focused business in the industrial and energy field and environmental field, improvement of profitability in the service and solutions business, the strengthening of customer touchpoints, and others.
Shingo Torii	Leveraging the abundant experience and deep insight as a corporate executive of Suntory Holdings Limited, Mr. Torii provides advice and supervision to the Company's management matters from an extensive and advanced insight as an independent director with a focus on perspectives regarding corporate management anticipating customers' needs, corporate activities on SDGs and ESG, and others.
Yuko Arai	Leveraging the abundant experience and deep insight as a corporate executive of the ANA Group, Ms. Arai provides advice and supervision to the Company's management matters from an extensive and advanced insight as an independent director with a focus on perspectives regarding customer-centric corporate management and business development, and the further promotion of the activities of female employees.
Gerhard Korbinian Wiesheu	Leveraging the abundant experience and deep insight in international finance and asset management gained at Metzler Bank in Germany and other institutions, 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 his perspectives regarding capital policy such as management and business portfolio strategies and management that is conscious of cost of capital.

Name	Experience and knowledge of each Director and their expected role
Koichi Takahashi	Mr. Takahashi has engaged in accounting and finance over many years at the Company and significantly contributed to business expansion, particularly in terms of financial strategy and capital policy. Currently, he is also engaged in activities to promote operational efficiency through IT. He aims to sustainably enhance corporate value through initiatives related to capital policy, including the promotion of financial strategies based on dialogue with capital markets, business management that is conscious of cost of capital, and shareholder return policies.
Keiko Mori	Ms. Mori has engaged in human resource development and maximizing the talents of women over many years at the Company and significantly contributed to business expansion, particularly in terms of human capital formation. Currently, she is also in charge of training next-generation leaders and overseas executives. She aims to strengthen our management base toward further growth.
Kanwal Jeet Jawa	Mr. Jawa has engaged in the air conditioning business in India over many years to significantly contribute to business expansion. Currently, he is in charge of the air conditioning business in India and African regions (excluding some regions). Leveraging his rich experience in the air conditioning business and capability in developing business in emerging regions, he aims to further expand business.

Audit & Supervisory Board Members

Name	Experience and knowledge of each Audit & Supervisory Board Member and their expected role
Kaeko Kitamoto	Ms. Kitamoto has a wealth of experience and highly specialized knowledge in finance and accounting through her years of involvement in corporate auditing practices as a certified public accountant. Leveraging this experience and knowledge, she continues to monitor the Group’s entire operations, conduct effective audits, and provide information and advice to management particularly from the viewpoint of maintaining effective financial accounting systems. By doing so from a fair and unbiased perspective as an Audit & Supervisory Board Member (external), we expect that she will continue to contribute to the sound and sustainable growth of the Group.
Fumi Takatsuki	Ms. Takatsuki has a wealth of experience and highly specialized knowledge through her years of experience as an attorney in corporate legal affairs in Japan and overseas. Leveraging this experience and knowledge, she continues to monitor the Group’s entire operations, conduct effective audits, and provide information and advice to management particularly from the viewpoints of legal and other compliance and risk management. By doing so from a fair and unbiased perspective as an Audit & Supervisory Board Member (external), we expect that she will continue to contribute to the sound and sustainable growth of the Group.
Atsushi Ukawa	Leveraging the abundant experience and deep insight as a corporate manager of a financial institution, Mr. Ukawa is expected to monitor the Group’s entire operations, conduct even more effective audits, and provide appropriate information and advice to management particularly from the viewpoint of experience in corporate management and strengthening group governance. By doing so from a fair and unbiased perspective as an Audit & Supervisory Board Member (external), we expect that he will contribute to the sound and sustainable growth of the Company.

Name	Experience and knowledge of each Audit & Supervisory Board Member and their expected role
Kosei Uematsu	Mr. Uematsu has an experience as a long-standing member of the Company's management, particularly the global Air Conditioning Business, and extensive experience and insight through his role in monitoring the Group's global and domestic operations from a broad perspective as an Audit & Supervisory Board Member. He has served as a full-time Audit & Supervisory Board Member at the Company since 2015. He continuously contributes to the sound and sustainable growth of the Group by monitoring its entire operations, conducting effective audits, and providing appropriate information and advice to management.
Hisao Tamori	Mr. Tamori has a wealth of experience and knowledge in finance and accounting through his years of involvement in the Company's Finance and Accounting Division. He has served as a full-time Audit & Supervisory Board Member since 2019. He continuously contributes to the sound and sustainable growth of the Group by monitoring its entire operations, conducting effective audits, and providing appropriate information and advice to management.

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

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

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

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

Notes:
1. Mr. Ichiro Ono does not hold any special interests in the Company.
2. There are no transactions between the Company and Higobashi Law Office, where Mr. Ono serves as Senior Partner.
3. Mr. Ono is a candidate for Substitute Audit & Supervisory Board Member (external). The Company will register him with Tokyo Stock Exchange, Inc., as Independent Director if he is selected as Audit & Supervisory Board Member (external).
4. If Mr. Ono assumes the position of Audit & Supervisory Board Member, the Company intends to conclude a limitation of liability agreement with him, in accordance with Article 427, Paragraph 1, of the Companies Act and the Company’s Articles of Incorporation. Under this contract, liabilities for compensation are the lowest amount of liability stipulated by Article 425, Paragraph 1, of the Companies Act.
5. The Company has concluded a directors and officers (D&O) liability insurance contract with an insurance company, in which Audit & Supervisory Board Members of the Company are the insured. The insurance will cover any damages that may occur as a result that the insured take responsibility for liability with regard to their execution of duties or receive a claim for liability against them. If Mr. Ono assumes the position of Audit & Supervisory Board Member, he will be the insured of the directors and officers (D&O) liability insurance contract. The Company intends to renew this contract in July 2026.

Supplements common to Fourth Item and Fifth Item

Revision of compensation system for Directors

The compensation system for Directors and Audit & Supervisory Board Members of the Company was established with the aim of increasing their motivation to improve ongoing medium- to long-term business performance in accordance with the management policy to meet the expectations of shareholders and other stakeholders and contributing to value enhancement of the Daikin Group as a whole.

Following deliberations on a new compensation system in line with the achievement of the strategic objectives of the next strategic management plan “Fusion 30,” the Company has decided to revise the compensation system for Directors and Audit & Supervisory Board Members, subject to approval of Fourth Item and Fifth Item at this general meeting of shareholders. The outline of the revised policies for determining compensation for individual Directors is presented on pages 35 to 38.

Fourth Item: Revision of Compensation for Directors

The maximum amount of compensation for Directors of the Company (excluding the salary portion for a Director who also holds an employee post) was set at no higher than ¥1,300 million annually (including ¥60 million as the maximum annual amount of compensation for External Directors), which was approved at the 111th Ordinary General Meeting of Shareholders held on June 27, 2014, and subsequently set at no higher than ¥1,300 million annually (including ¥100 million as the maximum annual amount of compensation for External Directors), which was approved at the 117th Ordinary General Meeting of Shareholders held on June 26, 2020.

After continuous deliberation by the Compensation Advisory Committee, the Company has decided to revise its compensation system for Directors with the aim of providing strong motivation for Directors of the Company to undertake management that further meets the expectations of shareholders and other stakeholders, in order to realize its management plan and enhance corporate value in a sustainable manner.

As part of these efforts, and in light of the rapid and global expansion of our business, we propose revisions to the above-mentioned maximum amount of compensation for Directors to enable us to secure and increase the number of talented personnel, including foreign nationals, that can further enhance our corporate value and to increase the percentage of the performance-linked portion of Director compensation to provide greater incentive and generate even better results with a request for approval to set fixed compensation for Directors of the Company at no higher than ¥800 million annually (including ¥200 million as the maximum annual amount for External Directors), and performance-linked bonuses for Directors of the Company (excluding External Directors) at no higher than ¥1,200 million annually.

Please note that this is separate from the post-delivery-type stock compensation system for Directors (excluding External Directors) that will be introduced in the event that the Fifth Item is approved. As for the amount of compensation for Directors, the amount still excludes a salary portion for a Director who also holds an employee post.

The number of Directors shall be increased from the current nine (9) Directors (including four (4) External Directors) to ten (10) Directors (including five (5) External Directors), subject to the approval of the Second Item. The details of this proposal take into account various circumstances, including the above-mentioned objectives, the scale of the Company’s business, the criteria for calculating monetary compensation, the level of the proportion it represents to total Director compensation, and the number of Directors who will be eligible for the compensation. Based on the results of the deliberations and recommendations of the Compensation Advisory Committee, chaired by an Independent External Director, we have determined that the details of this proposal are necessary and appropriate to set individual Director compensation in accordance with the revised policies for determining compensation for individual Directors. For an overview of the revised policies for determining compensation for individual Directors, please refer to the "Reference" section on page 35 below.

Fifth Item: Determination of Compensation Amounts and Details Regarding the Introduction of a Post-Delivery-Type Stock Compensation System for Directors (Excluding External Directors)

Compensation for Directors (excluding External Directors; "eligible Directors") of the Company consists of fixed compensation and performance-linked compensation in the form of monetary compensation, and stock compensation-type stock options (share acquisition rights). The respective maximum amounts for these Director compensation initiatives have been approved as follows.

(1) Compensation amounts (excluding stock compensation)
The maximum amount of compensation for Directors of the Company (excluding the salary portion for a Director who also holds an employee post) was set at no higher than ¥1,300 million annually (including ¥60 million as the maximum annual amount of compensation for External Directors), which was approved at the 111th Ordinary General Meeting of Shareholders held on June 27, 2014, and subsequently set at no higher than ¥1,300 million annually (including ¥100 million as the maximum annual amount of compensation for External Directors), which was approved at the 117th Ordinary General Meeting of Shareholders held on June 26, 2020. If the Fourth Item is approved as originally proposed, the fixed compensation shall be no higher than ¥800 million annually (including ¥200 million as the maximum annual amount for External Directors), and performance-linked bonuses for Directors at no higher than ¥1,200 million annually.

(2) Stock compensation (share acquisition rights as stock compensation-type stock options)
The maximum amount of compensation (excluding the salary portion for a Director who also holds an employee post) for share acquisition rights ("stock compensation-type stock options") issued to Directors (excluding External Directors) of the Company approved at the 118th Ordinary General Meeting of Shareholders held on June 29, 2021 was set at no higher than ¥360 million annually, with a maximum of 450 share acquisition rights to be issued within one year from the date of the ordinary general meeting of shareholders for each fiscal year.

After continuous deliberation by the Compensation Advisory Committee, the Company has decided to revise its compensation system for Directors with the aim of providing strong motivation for Directors of the Company to undertake management that further meets the expectations of shareholders and other stakeholders, in order to realize its management plan and enhance corporate value in a sustainable manner. As part of these efforts, we request approval to introduce a stock compensation system (the "System") that shall be provided to eligible Directors separately from the amount of Director compensation specified in the Fourth Item. The System shall consist of a post-delivery-type continued service-based stock compensation (restricted stock units; "RSUs") delivered on the condition of continued service for a fixed length of time, and a post-delivery-type performance-linked stock compensation (performance share units; "PSUs") whose payout ratio will vary mainly depending on the status of achievement of targets for performance indicators in addition to the condition of continued service for a fixed length of time.

If this proposal is approved and passed, the existing stock compensation-type stock option system shall be abolished, and no new share acquisition rights as stock compensation-type stock options shall be allocated to Directors of the Company moving forward (stock options already granted will remain in effect).

Outline of the System

The System is a post-delivery-type stock compensation system in which, as compensation for the one-year period from the date of the Company's ordinary general meeting of shareholders to the day before the date of the ordinary general meeting of shareholders held the following year (the "grant period"), RSUs are subject to the condition of continued service for three consecutive years from the date of the Company's ordinary general meeting of shareholders to the day before the date of the ordinary general meeting of shareholders held three years later (the "continued service period"), and PSUs are subject to the same continued service condition, plus group-wide evaluation mainly based on the status of achievement of targets for ROIC (return on invested capital) and TSR (total shareholder return) and other evaluation indicators (including non-financial indicators; "performance evaluation indicators") set by the Company's Board of Directors for each grant period based on management strategies, etc., over three consecutive fiscal years (the "performance evaluation period"), as well as individual evaluations during the grant period, etc. In accordance with this, the number of stock units shall be determined after the end of the continued service period, and the Company's common shares ("Company shares") shall be delivered in accordance with the number of stock units, and money shall be paid to appropriate tax expenses incurred in connection with this delivery.

The issuance or disposal of Company shares under the System shall be carried out in one of the following methods, based on a resolution of the Board of Directors:

(i) The issuance or disposal of Company shares without requiring the payment of money or the provision of in-kind contributions as compensation, etc., to eligible Directors ("structure without contribution").

(ii) The payment of monetary compensation claims as compensation to eligible Directors, and the eligible Directors contributing the entire amount of said monetary compensation claims as in-kind contributions, in exchange for the issuance or disposal of Company shares (In the case of this method, the payment amount per share shall be an amount determined by the Company's Board of Directors within a range that is not particularly advantageous to eligible Directors, based on the closing price of Company shares on the Tokyo Stock Exchange on the business day preceding the date of the resolution of the Board of Directors concerning the decision on such issuance or disposal (if the closing price is not published on that day, it shall be calculated retroactively to the nearest day on which the closing price can be obtained)) ("structure with in-kind contribution").

The initial grant period for RSUs and PSUs covered by the System shall be one year, from the date of the Company's ordinary general meeting of shareholders for the fiscal year ended March 31, 2026, to the day before the ordinary general meeting of shareholders for the fiscal year ending March 31, 2027. The initial continued service period shall be three years, from the date of the Company's ordinary general meeting of shareholders for the fiscal year ended March 31, 2026, to the day before the ordinary general meeting of shareholders for the fiscal year ending March 31, 2029. The initial performance evaluation period for PSUs shall be three fiscal years, from the fiscal year ending March 31, 2027, to the fiscal year ending March 31, 2029. In subsequent years, we plan to implement the System annually, within the scope approved in this proposal, with a grant period of one year based on the date of the Company's ordinary general meeting of shareholders, a continued service period of three consecutive years, and a performance evaluation period of three consecutive fiscal years.

(1) Calculation method for the number of Company shares to be delivered and the amount of money to be paid

Under the System, the Company shall, based on the resolution of the Board of Directors based on the deliberation and recommendation of the Compensation Advisory Committee, determine the number of units (1 unit = 1 stock of Company shares) that serves as the basis for calculating the compensation granted for each fiscal year of service, according to the position, etc. of each eligible Director ("number of basic stock units"). Of which, (i) the RSU portion shall be subject to the condition of continued service during the continued service period, and (ii) the PSU portion shall, in addition to the said condition of continued service, be multiplied by a payout ratio (ranging from the scope of 0% to 200%) based on group-wide evaluations mainly according to the status of achievement of targets for performance evaluation indicators during the performance evaluation period and individual evaluations during the grant period. Based on this, the Company shall determine the final number of stock units ("number of vested stock units") for each eligible Director. The number of Company shares to be delivered and the monetary amount to be paid to each eligible Director shall be determined according to the number of vested stock units.

In the System, the composition ratio of RSUs to PSUs shall, in principle, be determined by the Board of Directors so that the RSU portion accounts for 30% of the number of basic stock units and the PSU portion accounts for 70%. Furthermore, a fixed percentage (generally 50%) of the number of vested stock units shall be delivered in the form of Company shares, with the remainder to be paid in money to appropriate tax payment funds arising from the delivery of Company shares. However, in the event that eligible Directors are non-residents of Japan, or if the Board of Directors determines that it is difficult to deliver Company shares to eligible Directors for any other reason, the Company may not deliver Company shares and instead pay the entire number of vested stock units in money.

The total amount of Company shares (or, in the case of structure with in-kind contribution, the monetary compensation claim for the delivery of such Company shares) and money shall be the amount obtained by multiplying the number of vested stock units by the closing price of Company shares on the Tokyo Stock Exchange on the business day preceding the date of the resolution of the Board of Directors concerning the issuance of Company shares or the disposal of treasury shares related to the allocation of Company shares under the System after the end of the continued service period (if the closing price is not published on that day, it shall be calculated retroactively to the nearest day on which the closing price can be obtained; the "delivery stock price").

The maximum total number of vested stock units shall be 100,000 shares per grant period (Note), the maximum total number of Company shares to be delivered to eligible Directors (the "maximum number of shares to be delivered") shall be 50,000 shares per grant period (Note), and the maximum total compensation to be paid to eligible Directors per grant period shall be the amount obtained by multiplying the maximum amount of the total number of vested stock units for each grant period (100,000 shares) by the delivery stock price.

The proportion of this maximum number of shares to be delivered to the total number of shares issued is effectively less than 0.02% per each grant period, resulting in a minor dilution rate.

(Note) The total number of vested stock units and the total maximum number of shares to be delivered shall be adjusted to a reasonable extent in the event a stock split (including a gratuitous allocation of the Company's common shares) or stock consolidation of the Company's common shares is implemented on or after the date this proposal is approved and passed, or if any other event occurs that necessitates an adjustment to the total number of the Company's common shares to be issued or disposed as Company shares.

(2) Treatment in the event of retirement, etc.

For eligible Directors who resign from their position as Director, Executive Officer, Associate Officer, or employees of the Company, or director or employee of its subsidiary, or any other position determined the Company's Board of Directors, during their continued service period due to expiration of their terms of office, retirement, company reasons, or other reasons deemed justifiable by the Board of Directors, the number of vested stock units shall be calculated reasonably in accordance with the reason for the resignation and the length of service, etc., and Company shares and money shall be delivered and paid to them at the time of resignation or at a time determined by the Board of Directors, according to the said number of vested stock units.

If an eligible Director resigns during the continued service period due to death, severe disability, or other reasons deemed equivalent by the Company's Board of Directors, the number of vested stock units shall be determined to be the same as the number of basic stock units of the said eligible Director, and the successor of the eligible Director concerned shall be paid in money in the amount obtained by multiplying this number of vested stock units by the closing price of Company shares on the Tokyo Stock Exchange on the business day preceding the day of resignation (if the closing price is not published on that day, it shall be calculated retroactively to the nearest day on which the closing price can be obtained). No Company shares shall be delivered to the said successor.

Except in cases of resignation due to any of the reasons stated above, the Company, at the discretion of the Board of Directors following deliberation by the Compensation Advisory Committee, may forfeit all or part of the granted number of basic stock units and not deliver any Company shares or pay any money.

(3) Treatment in the event of organizational restructuring, etc.
If, during the performance evaluation period, a merger agreement in which the Company is extinguished, a stock exchange agreement or stock transfer plan in which the Company becomes a wholly owned subsidiary, or other matters relating to organizational restructuring, etc., are approved at the Company's general meeting of shareholders (or by the Company's Board of Directors if the approval of the Company's general meeting of shareholders is not required for such organizational restructuring, etc.), prior to the effective date of such organizational restructuring, etc., the number of vested stock units shall be determined to be the same as the number of basic stock units for each eligible Director, and they shall be paid in money in the amount obtained by multiplying this number of vested stock units by the closing price of Company shares on the Tokyo Stock Exchange on the business day preceding the day of approval (if the closing price is not published on that day, it shall be calculated retroactively to the nearest day on which the closing price can be obtained).

(4) Conditions for the delivery of Company shares and monetary payment under the System
(i) The individual shall have held the office of Director, Executive Officer, Associate Officer, or employee of the Company, or other position as determined by the Company's Board of Directors on the commencement date of their continued service period.
(ii) The individual shall not have committed specific acts of misconduct as determined by the Company's Board of Directors, or any other reason that the Board of Directors deems justifiable for forfeiting the granted units.
(iii) The individual shall satisfy any other requirements determined by the Company's Board of Directors as necessary to align with the purpose of the System.

In the event of certain circumstances such as misconduct by the eligible Director or the retroactive adjustment of financial statements due to fraudulent accounting, the Company's Board of Directors, after deliberation by the Compensation Advisory Committee, may, regardless of whether the stock compensation has been paid or delivered, seek to forfeit or reclaim all or part of the stock compensation under the System (establishment of a malus and clawback clause).

This proposal has been submitted to resolve the specific calculation method for compensation whose amounts have not yet been determined. The specific timing of payment and allocation to each eligible Director within this framework shall be delegated to the Company's Board of Directors and decided by the Compensation Advisory Committee (a committee chaired by an Independent External Director with a majority of its members comprising Independent External Directors, and composed solely of Directors), which shall be re-authorized by the Board of Directors based on the results of deliberations and recommendations of the Compensation Advisory Committee.

If the Second Item of this general meeting of shareholders is approved and passed as originally proposed, the number of eligible Directors for this proposal shall be five (5). Based on the results of the deliberations and recommendations of the Compensation Advisory Committee, chaired by an Independent External Director, we have determined that the details of this proposal are necessary and appropriate to set individual Director compensation in accordance with the revised policies for determining compensation for individual Directors. For an overview of the revised policies for determining compensation for individual Directors, please refer to the “Reference” section below.

[Reference regarding the Fourth Item and the Fifth Item]
Overview of the revised policies for determining compensation for individual Directors

a. Basic policy on compensation
The compensation system for Directors and Audit & Supervisory Board Members shall be designed and operated based on the following basic policy:

- Create a system that strongly motivates Directors and Audit & Supervisory Board Members to undertake management that further meets the expectations of shareholders and other stakeholders, in order to realize our strategic management plan “Fusion” and to enhance corporate value in a sustainable manner
- Ensure competitive compensation levels sufficient to secure and retain talented management personnel, while creating a compensation structure that reflects both management results and corporate value
- Create an incentive design that continuously increases the motivation of Directors and Audit & Supervisory Board Members to steadily achieve management targets, enhance the value of the Daikin Group as a whole, and improve capital efficiency over the medium to long term
- Ensure high objectivity and transparency through proactive verification by the Compensation Advisory Committee, comprised mainly of Independent External Directors

b. Details of compensation
[Compensation for Directors excluding External Directors]
Compensation shall consist of basic compensation, performance-linked bonuses, and stock compensation. Stock compensation shall consist of performance-linked stock compensation (PSUs) and continued service-based stock compensation (RSUs). Compensation levels and composition ratios shall be set by benchmarking compensation against companies of a similar business scale and management environment to the Company based on objective compensation survey data collected by a specialist external institution (“Executive Compensation Database” by WTW), and taking into account consistency with the relative positions of the Company’s performance and its basic policy on compensation.

The composition ratio of compensation for the Representative Director, Chairman of the Board, and CEO shall be approximately “basic compensation: performance-linked bonus: stock compensation = 1:1:1.5,” and the breakdown of stock compensation shall be “PSU:RSU = 70%:30%.” For other Directors, the ratio of performance-linked bonuses and stock compensation shall be set according to their position and responsibilities, with higher-ranking Directors being given higher ratios.

<table>
<tr><th colspan="3">Type of compensation, etc.</th><th>Objective/Outline</th></tr>
<tr><td colspan="2">Fixed</td><td>Basic compensation</td><td>• Fixed monetary compensation according to position
• Paid monthly</td></tr>
<tr><td rowspan="3">Variable</td><td>Short-term</td><td>Performance-linked bonuses</td><td>• 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%).
• Performance evaluation combines group-wide and individual evaluations. The Chairman and President are evaluated solely based on group-wide evaluation, while the Senior Executive Officer and below are evaluated by combining individual evaluation using a ratio based on their position.
• Group-wide evaluation is based on the degree of achievement of targets for three indicators: “net sales,” “operating profit,” and “operating profit margin.” Individual evaluation assess the performance of the department supervised and the status of each individual’s efforts to address key issues for the current fiscal year.
• In principle, paid in June after the end of each fiscal year</td></tr>
<tr><td rowspan="2">Medium- to long-term</td><td>Performance-linked stock compensation (PSUs)</td><td>• 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 (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, 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 to be paid in money to appropriate tax expenses.
• Performance evaluation combines group-wide and individual evaluations. The Chairman and President are evaluated solely based on group-wide evaluation, while the Senior Executive Officer and below are evaluated by combining individual evaluation using a ratio based on their position.
• Group-wide evaluation is based on the degree of achievement of the “D-ROIC” indicator in the Fusion 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 plan, over a one-year period (the first year of the performance evaluation period).</td></tr>
<tr><td>Continued service-based stock compensation (RSUs)</td><td>• 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 to be paid in money to appropriate tax expenses.</td></tr>
</table>

Notes:
1. PSU: Performance share unit, RSU: Restricted stock unit
2. D-ROIC: “Return on invested capital” (= Operating profit/Invested capital [Accounts receivable + Inventories + Non-current assets]) as defined by the Company

3. Relative TSR performance evaluation coefficient: Calculated by comparing the Company's TSR (total shareholder return) with TOPIX growth rate inclusive of dividends as follows.
   Performance evaluation coefficient = (i) Company's TSR/(ii) TOPIX growth rate
   (i) = {(B – A) + C}/A
   A: One-month average of April closing prices after the start of the performance evaluation period,
   B: One-month average of April closing prices after the end of the performance evaluation period, C: Total dividends per share during the performance evaluation period
   (ii) = (E – D)/D
   D: One-month TOPIX average for April after the start of the performance evaluation period, E: One-month TOPIX average for April after the end of the performance evaluation period
4. In the event of resignation or other circumstances occurring during the performance evaluation period for PSUs or the continued service period for RSUs, the granted basic stock units shall be treated appropriately according to the judgment of the Board of Directors after deliberation by the Compensation Advisory Committee, taking into consideration the nature of the circumstances and the length of service.

Reference: Target compensation mix of compensation of the Representative Director, Chairman of the Board, and CEO

Fixed compensation	Variable compensation		
	Short-term	Medium- to long-term	
Basic compensation	Performance-linked bonuses	Performance-linked stock compensation (PSUs)	Continued service-based stock compensation (RSUs)
Approx. 28.5%	Approx. 28.5%	Approx. 30%	Approx. 13%

Note: The compensation structure is set at a ratio of basic compensation : performance-linked bonuses : stock compensation = 1:1:1.5. Stock compensation is allocated based on a target mix of approximately 70% PSU and 30% RSU.

[Compensation for External Directors and Audit & Supervisory Board Members]
Compensation for External Directors shall consist solely of basic compensation in light of their responsibilities. Compensation levels shall be set by benchmarking compensation against companies of a similar business scale and management environment to the Company based on objective compensation survey data collected by a specialist external institution ("Executive Compensation Database" by WTW).

Compensation for Audit & Supervisory Board Members shall also consist solely of basic compensation, and compensation levels shall be determined by consultations among Audit & Supervisory Board Members.

c. Guidelines for shareholdings

Consistent with commonly held perspective for sustainable value shared by shareholders, the Company has established guidelines regarding the holding of Company shares by its Representative Directors. Specifically, the Representative Director, Chairman of the Board and CEO, is encouraged to continuously hold Company shares equivalent in value to three times their basic compensation within five years of assuming their relevant position, and the Representative Director and President is encouraged to continuously hold Company shares equivalent in value to two times their basic compensation within five years of assuming their relevant positions.

d. Malus and clawback clause (repayment of compensation, etc.)

To ensure the soundness of the compensation system for Directors and Audit & Supervisory Board Members, the Company sets a malus and clawback clause, where, in the event of certain circumstances such as act of misconduct or fraudulent accounting, the Company may, based on the decision of the Board of Directors after deliberation by the Compensation Advisory Committee, seek to forfeit or reclaim all or part of the performance-linked bonuses and stock compensation paid during the period of the fiscal year in which the incident occurred and the three preceding fiscal years.

e. Decision-making process

The policy for determining the compensation of Directors of the Company is determined by the Board of Directors based on the recommendations of the Compensation Advisory Committee, which is chaired by an External Director and has members selected from among the Directors with a majority of its members comprising External Directors, with the purpose of fully securing objectivity and transparency. The Compensation Advisory Committee shall, with a view to ensuring independence of the Committee's judgment and enhancing its functional effectiveness as an advisory body, examine the relative positions of the Company's performance among comparative companies as well as the appropriateness of the compensation from multifaceted perspectives, with reference to the information collected and advice presented by the compensation advisor from a specialist external institution, and provide recommendations or reports to the Board of Directors as necessary.

The determination of the amounts of compensation for individual Directors is entrusted to the Compensation Advisory Committee by the Board of Directors in order to ensure independence. The Compensation Advisory Committee determines the amounts of individual compensation based on the policies for determining Director compensation determined by the Board of Directors, taking into account the Company's management and overall performance, as well as the responsibilities and achievements of each Director. If the Second Item of this general meeting of shareholders is approved and passed as originally proposed, the Compensation Advisory Committee shall consist of five (5) External Directors and the Representative Director, Chairman of the Board, and CEO, for a total of six (6) members.

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

Business Report

1. Review of Operations

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

In the fiscal year ended March 31, 2026 (fiscal 2025), the world economy performed steadily as a whole on the back of expansion in AI-related investment and support in domestic demand, despite increased uncertainty about the future due to U.S. tariff policies and rising geopolitical risks. In the U.S. economy, although AI-related investment expanded, housing investment remained sluggish due to persistently high interest rates and rising prices. The European economy showed signs of recovery in domestic demand but was weighed down by weak foreign demand and uncertainty surrounding tariffs. The Chinese economy continued to face difficult conditions due to the sluggish real estate market. The Japanese economy, supported by rising wages and expansion in capital investment, performed steadily, despite rising prices acting as a factor for restraint on personal consumption. In Asia, although the effects of slowing foreign demand were evident, each country’s economy was supported overall by domestic demand, including those economies of ASEAN countries.

Under this business environment, the Daikin Group accelerated its implementation of key strategic themes and advanced initiatives aimed at medium- and long-term growth and sustainable development, centered on growth strategies that include carbon neutrality and the promotion of solutions, as outlined in the strategic management plan “Fusion 25” with the final year set to fiscal 2025.

Furthermore, despite the ongoing difficult business environment, we set out the following six Group-wide themes for fiscal 2025, under the direct command of top management, to reinforce our revenue base and increase our profitability, and we worked to generate maximum results.

1. Strengthening sales and marketing capabilities
   ・Enhance profit margin-focused sales strategies
2. Accelerating the launch of new and differentiated products
   ・Expand sales and maintain or increase selling prices in a challenging business environment
3. Bolstering the supply chain, including responses to U.S. tariff measures
4. Maximizing cost reductions
   ・Reduce costs of base models
   ・Switch material from copper to aluminum, stainless steel, etc.
   ・Respond to U.S. tariff measures
5. Accelerating the Service Solutions business globally
   ・Develop solutions for each market and segment
   ・Generate revenue from maintenance, repair services, and parts sales
6. Achieving results through digital investment and process innovation

In advancing these initiatives, we worked as a united global group to thoroughly implement key initiatives and minimize negative impacts amidst a business environment with future uncertainty. We also responded promptly and flexibly to changes in the business environment to achieve our plans for fiscal 2025.

The Daikin Group’s net sales increased by 5.5% year over year to ¥5,015,036 million for the fiscal year under review. As for profits, operating profit increased by 3.3% to ¥414,991 million, ordinary profit increased by 11.4% to ¥408,171 million, and profit attributable to owners of parent increased by 4.0% to ¥275,229 million.

(2) Review of Operations by Business Segment

(i) Air-Conditioning and Refrigeration Equipment

Overall sales of the Air-Conditioning and Refrigeration Equipment segment increased by 5.4% year over year to ¥4,621,131 million. Operating profit increased by 7.4% to ¥376,991 million.

In the Japanese air-conditioning equipment market, commercial market demand increased year over year due to factors including increased construction starts for retail stores and other commercial facilities driven by inbound tourism demand and steady replacement demand centered on offices and commercial facilities. Residential market demand increased year over year. This was due to an increase in advance demand caused by forecasts of a heat wave from April onwards and record high temperatures in summer, together with the impact of the Tokyo Zero Emission Point system, which went into effect on August 30. Against this backdrop, in the commercial air-conditioning equipment market, the Group strengthened user appeal with a focus on high value-added products, such as the “FIVE STAR ZEAS,” which offers energy-saving performance and exceptional ease of installation, the “VRV 7” multi-split type air-conditioner for buildings, which uses R32, a low global warming potential refrigerant, and offers industry-leading energy-saving performance, and the “VRV Q” series, which enables smooth replacement of air-conditioning systems by reusing existing piping. Accordingly, net sales increased year over year. In the residential air-conditioning equipment market, which has benefited from rising interest in energy savings and longer usage hours in summer, we strengthened user appeal for products such as the powerful high-energy-saving model “Urusara X,” which has a toughness cooling function for high outdoor temperatures, providing stable cooling performance even in hot environments, as well as premium cooling that dehumidifies while cooling and enhances comfort by preventing overcooling while controlling humidity. This resulted in higher net sales year over year.

In the Americas, the economic climate remained severe as a result of inflation resulting from U.S. tariffs, continued high interest rates for housing loans, and other factors. Demand for residential air-conditioning systems remained stagnant due to factors such as sluggish replacement demand for air-conditioning systems and distribution inventories remaining high as a result of the last-minute demand associated with the refrigerant regulations that went into effect during the previous fiscal year. Under these circumstances, the Group worked to win back customers, support existing dealers, and develop new dealers. Moreover, the Group expanded market share by increasing sales for models using R32, a low global warming potential refrigerant known for its environmental benefits and energy-saving performance. It also expanded sales of the premium environmental “Fit” system, which has high energy-saving performance, and worked to increase profit margins by advancing sales price policies and cost reductions. As a result of these initiatives, net sales rose year over year. With regard to the Applied Systems air-conditioning business, the Group steadily captured demand by utilizing the chiller factory in Mexico and by enhancing the production capacities of existing factories, and together with the expansion of its after-sales service business, sales increased. Particularly in the field for data centers, a market that continues to expand, sales grew in part due to leveraging the increased production capacity made possible by new factory operations of a custom air handling unit manufacturer and the contributing effect of our new acquisitions, resulting in net sales rising year over year.

In China, demand slowed significantly due to the deteriorating real estate market, which led to a year over year decrease in overall net sales. Profits maintained a high level comparable with past results due to measures that included increasing sales of high value-added products, strengthening solutions, and reducing costs. In the residential air-conditioning equipment market where there was a slowdown in the economy, the Group strengthened its unique sales activities combining online-based activities, such as live broadcasts, web strategies, and social media, with user-direct offline retail sales. In addition to sales of system products such as air-conditioning, ventilation, heat pump floor heating systems, and indoor air quality sensors, we also utilized the IoT and data analysis and enhanced our home solutions, which provide indoor air quality optimized for individual customers and proposals tailored to their lifestyles. In the commercial air-conditioning equipment market, we strengthened proposals with energy savings to appeal to markets for government projects, factories, and green buildings (buildings designed with consideration for enhanced environmental performance) that promote carbon neutrality policies. In the Applied Systems air-conditioning equipment market, we invested resources in fields with firm demand, which included the semiconductor and medical-related fields, while strengthening our service and maintenance business and enhancing our energy-saving replacement and renovation proposals.

In Asia and Oceania, overall net sales fell year over year due to factors such as unseasonable weather in the ASEAN region and India. In residential air-conditioning systems, demand was sluggish due to cooler temperatures and heavy rainfall in the ASEAN region and India compared to last year, resulting in high distribution inventories. Against this backdrop, we made efforts to strengthen sales promotion measures targeting dealers and consumers, but net sales declined year over year. Meanwhile, although project delays and investment reviews generated an increasingly uncertain economic outlook in the ASEAN region, sales expanded for commercial air-conditioning systems due to dealer development and training and sustained sales expansion in India, resulting in higher net sales year over year. With regard to Applied Systems air-conditioning equipment, we strengthened product sales for data centers, etc.

In Europe, overall net sales increased year over year. For residential air-conditioning systems, net sales rose year over year due to sales growth of high value-added products in countries such as Germany and the United Kingdom, where air conditioner penetration levels had typically been low, and France, where demand recovered from July onwards. For residential heat pump hot water heating systems, demand is on a gradual recovery trend, but the market has yet to make a full recovery due to delays in restrictions on combustion-type heaters and instability in subsidy programs and their operation. We have expanded sales by leveraging new products in Germany, where progress is being made in transitioning away from combustion-type heaters, and net sales grew year over year due to the positive effect of exchange rates. For commercial air-conditioning systems, net sales rose year over year due to the strengthening of proposals for products using the low global warming potential refrigerant R32, backed by a growing environmental awareness, and the development of their dealers in each country.

In the Middle and Near East and Africa, net sales increased year over year, driven by sales expansion of large-scale projects in Saudi Arabia and the UAE. In Turkey, sales of residential air-conditioning systems and commercial air-conditioning systems increased significantly in the first and second half of the fiscal year, respectively.

In the filter business, although intensifying price competition in China and market contraction in Japan from investment restraint continued, demand remained solid overall, and net sales rose year over year. In the United States, despite the impact of scaling back low-margin businesses, net sales rose year over year, supported in part by large orders from OEMs. In Europe, sales rose through shipments for large-scale projects in Southern Europe and our capture of replacement demand in Northern Europe, and net sales rose year over year. In Asia and the Middle East, sales in China fell due to the prolonged real estate recession and the continued stagnation in demand. However, thanks to sales expansion in the electronics and semiconductor markets in Malaysia and Thailand, as well as other markets such as hospitals, and our success in bringing in new orders from major customers in the Middle East, overall sales in the Asian region, including the Middle East and India, rose year over year. In Japan, net sales fell year over year due to the stagnation of new construction investments, delays in the recovery of semiconductor demand, and the impact of market contraction. In the gas turbine and dust collection systems business, sales of dust collection systems continued to grow steadily, and sales of special filters for offshore oil fields were sluggish, causing net sales to remain at the same level year over year.

In the marine vessels business, net sales rose year over year for the overall business as a result of an increase in sales for marine container refrigeration units, despite a year-over-year decline in sales for refrigeration units.

(ii) Chemicals

Overall sales of the Chemicals segment increased by 7.0% year over year to ¥281,469 million. Operating profit was significantly affected by the decline in semiconductor demand, decreasing by 28.3% to ¥33,089 million.

Overall net sales of fluorochemical products rose year on year as the result of sales expansion efforts in relatively solidly performing areas. This was amid prolonged distribution inventory adjustments in the semiconductor field and delays in demand recovery of other major markets.

Net sales of fluoropolymers remained at the same level year over year, despite focused Group efforts to capture strong new demand in the data center field. This was mainly due to the stagnation in the construction markets of the United States and China and distribution inventory adjustments for semiconductors. Meanwhile, net sales of fluoroelastomers increased year over year as a result of expanded sales, primarily in the automobile segments of China, Europe, and the United States.

In specialty chemicals, although demand was sluggish in the fields of anti-fouling surface coating agents and intermediate function materials, factors such as the addition of newly consolidated bases in the field of etching agents for semiconductor processing caused net sales to rise year over year.

As for fluorocarbon gas, net sales were higher year over year due to efforts to expand sales in the United States, Asia, and Europe.

(iii) Other Divisions

Overall sales of the “Others” segment increased by 7.3% year over year to ¥112,435 million. Operating profit increased by 8.4% to ¥4,925 million.

In the oil hydraulic equipment business, sales of oil hydraulic equipment for industrial machinery rose for the Japanese and U.S. markets, resulting in an increase in net sales year over year. On the other hand, net sales of oil hydraulic equipment for construction machinery and vehicles fell year over year due to a decline in sales to major customers in Japan.

In the defense systems business, net sales increased year over year due to a rise in orders for medical oxygen concentrators and hypoxic systems (equipment that simulates high-altitude conditions to enhance exercise effectiveness in a short period of time by controlling oxygen concentration).

In the electronics business, although sales of data science software decreased, net sales remained at the same level year over year mainly from expanding sales of “Smart Innovator,” a database system for design and development sectors that meets customer needs by solving quality issues, shortening design and development periods, and supporting cost reductions, and from increasing sales of facility CAD systems.

On a non-consolidated basis, the Company’s net sales increased by 6.1% year over year to ¥840,459 million. Operating profit increased by 219.2% year over year to ¥19,117 million. Ordinary profit increased by 22.9% year over year to ¥184,238 million, and profit increased by 9.8% year over year to ¥185,240 million.

(3) Capital Expenditures

Adhering to the basic strategy of "Focusing Management Resources on More Profitable Areas," the Daikin Group's capital expenditures were mainly allocated to Air-Conditioning and Refrigeration Equipment and Chemicals segments, and the total amounted to ¥300,030 million.

Breakdown of capital expenditures

(Millions of yen)

Business segment	Name of company	Amount of capital expenditure
Air-Conditioning and Refrigeration Equipment	Daikin Industries, Ltd.	15,404
	Daikin Applied Americas Inc. Group	63,130
	Daikin Comfort Technologies North America, Inc. Group	48,755
	Daikin Europe N.V. Group	22,750
	Daikin Airconditioning India Pvt. Ltd. Group	19,372
	Daikin (China) Investment Co., Ltd. Group	15,698
Chemicals	Daikin Industries, Ltd.	44,664
	Daikin America, Inc. Group	7,066
Others	Daikin Industries, Ltd.	6,097

(4) Financing Activities

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

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

Nothing material to report.

(6) Operating Results and the Status of Assets

	120th Business Year (from April 1, 2022, to March 31, 2023)	121st Business Year (from April 1, 2023, to March 31, 2024)	122nd Business Year (from April 1, 2024, to March 31, 2025)	123rd Business Year (from April 1, 2025, to March 31, 2026)
Net sales (Millions of yen)	3,981,578	4,395,317	4,752,335	5,015,036
Ordinary profit (Millions of yen)	366,245	354,492	366,446	408,171
Profit attributable to owners of parent (Millions of yen)	257,754	260,311	264,757	275,229
Earnings per share (Yen)	880.59	889.22	904.27	939.92
Total assets (Millions of yen)	4,303,682	4,880,230	5,133,416	5,809,240
Net assets (Millions of yen)	2,279,095	2,687,302	2,866,693	3,316,538

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

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

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

In the 122nd term, amid a challenging business environment, the Group grew sales in regions and businesses with strong demand by strengthening product and service proposals with carbon neutrality and energy solutions as inducements, promoting strategic selling price measures, and thoroughly implementing total cost reductions. The Group's Air-Conditioning and Refrigeration Equipment segment grew sales in businesses with strong demand such as Applied Systems and commercial air-conditioning as well as in strong regions such as India and Japan, despite delayed share recovery for residential-use unitary products in the Americas and the impact of decreased demand for heat pump heating in Europe, securing higher sales and profits on a real basis excluding foreign exchange effects. In the Chemicals segment, the Group worked to expand sales of chemical products, but it recorded lower sales and profits due to the slowdown in demand for semiconductors and delayed recovery in demand for automobiles and LAN cables.

The results of our operations during the 123rd term are as described in (1) Progress and Results of Operations of the Company Group.

(7) Issues the Group Ought to Contend With

The macroeconomic environment remains uncertain due to policy trends in various countries and the impact of geopolitical risks. In particular, the strengthening of economic security policies and changes in trade policies in various countries, including U.S. tariff policies, are affecting supply chains and heightening uncertainty about the future of the global economy. In addition, the escalation of tensions in the Middle East situation has led to soaring energy prices and disruptions in logistics networks, resulting in extremely high uncertainty in the global economy.

Against this backdrop, under the strategic management plan "Fusion 30," we have set the goal of providing "new value for the environment and air" and becoming a highly profitable, sustainable company that continues to be chosen worldwide, and have established key themes including “transformation into a solution provider.” To realize through these initiatives the vision that we are aiming for, we have positioned the enhancement of earning power as the most important issue in fiscal 2026, the first year of the plan. Additionally, we have set “With Each Individual’s Enhancement of Our Strengths, Let’s Continue to Innovate and Get It Done in this New Era” as the slogan for our Annual Group Policy for 2026, and we intend to respond to the intense changes in the business environment while further strengthening our competitiveness. We will focus on the following specific areas in fiscal 2026.

- Promoting sales price policies while strengthening marketing capabilities and accelerating the market launch of differentiated products
- Enhancing cost competitiveness through variable cost reduction
- Expanding revenue from the global service solutions business
- Reducing the fixed cost ratio to net sales through visualization and drastic review of the fixed cost structure
- Maximizing investment results at an early stage by strengthening the profitability of acquired companies
- Strengthening the business structure and generating results by rolling out best practices across the global group

(8) Major Operations of the Company Group (as of March 31, 2026)

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

Air-Conditioning and Refrigeration Equipment

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

Chemicals

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

Others

Oil Hydraulics Business

Hydraulic equipment and systems for industrial use:

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

Hydraulic equipment for construction machinery and vehicles:

Hydraulic transmissions, Valves

Centralized lubrication units and systems:

Grease pumps, Control and stack valves

Defense Systems Business

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

Electronics Business

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

(9) Principal Bases and Employee Breakdown of the Group (as of March 31, 2026)

1) Principal bases

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

2) Employee breakdown

Business segment	Number of employees	Increase (decrease) from the previous year
Air-Conditioning and Refrigeration Equipment	96,697	366
Chemicals	4,341	(12)
Others	1,930	99
Corporate	1,127	98
Total	104,095	551

Notes:
1. The number of employees is based on the number of employees at work.
2. The number of employees of the Company (the number of employees at work) is 8,212 (an increase of 346 from the previous fiscal year).

(10) Principal Subsidiaries (as of March 31, 2026)

Name of company	Share holding	Capital	Principal operations
Daikin HVAC Solution Tokyo Co., Ltd.	100%	330 million JPY	Sale of air conditioning equipment
Daikin Airtechnology & Engineering Co., Ltd.	100%	275 million JPY	Sale and installation of air conditioning equipment
Daikin (China) Investment Co., Ltd.	100%	242,025 thousand USD	Controlling company of Chinese operations
Daikin Air-conditioning (Shanghai) Co., Ltd.	*87.4%	82,600 thousand USD	Manufacture and sale of air conditioning equipment
Daikin Air-conditioning (Suzhou) Co., Ltd.	*100%	1,200 million CNY	Manufacture and sale of air conditioning equipment
McQuay Central Air Conditioning (China) Co., Ltd.	100%	50 million CNY	Manufacture and sale of air conditioning equipment
Daikin Industries (Thailand) Ltd.	100%	1,300 million THB	Manufacture and sale of air conditioning equipment
Daikin Airconditioning India Pvt. Ltd.	100%	15,829 million INR	Manufacture and sale of air conditioning equipment
Daikin Malaysia Sdn. Bhd.	100%	276,254 thousand MYR	Manufacture and sale of air conditioning equipment
Daikin Australia Pty., Ltd.	100%	10,000 thousand AUD	Manufacture and sale of air conditioning equipment
Daikin Europe N.V.	100%	455,065 thousand EUR	Manufacture and sale of air conditioning equipment
Daikin Industries Czech Republic s.r.o.	*100%	1,860 million CZK	Manufacture and sale of air conditioning equipment
AHT Cooling Systems GmbH	*100%	8,000 thousand EUR	Manufacture and sale of refrigerating and freezing showcases
Daikin Comfort Technologies North America, Inc.	*100%	—	Manufacture and sale of air conditioning equipment
Daikin Applied Americas Inc.	*100%	250 thousand USD	Manufacture and sale of air conditioning equipment
Daikin Manufacturing Mexico, S.de.R.L.de.C.V.	*100%	5,770 million MXN	Manufacture and sale of air conditioning equipment
American Air Filter Company, Inc.	*100%	—	Manufacture and sale of air filter products, etc.
Daikin Fluorochemicals (China) Co., Ltd.	*96.0%	161,240 thousand USD	Manufacture and sale of fluorochemicals
Daikin America, Inc.	*100%	85,000 thousand USD	Manufacture and sale of fluorochemicals
Daikin-Sauer-Danfoss Ltd.	55.0%	400 million JPY	Manufacture and sale of oil hydraulic equipment, etc.

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

(11) Principal Borrowings (as of March 31, 2026)

Creditors	Borrowings (Millions of yen)
Sumitomo Mitsui Banking Corporation	100,797
Sumitomo Mitsui Banking Corporation yen-denominated syndicated loan (Note)	55,000
The Norinchukin Bank	47,228
MUFG Bank, Ltd.	37,265
Development Bank of Japan Inc.	30,000

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

2. Status of Shares (as of March 31, 2026)

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

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

(3) Number of Shareholders: 77,009 (Decrease of 8,175 from the previous fiscal year)

(4) Top 10 Shareholders

Shareholders	Number of shares held (Thousands of shares)	Shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	53,982	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

Notes:
1. Percentage shareholdings are rounded off to one decimal point.
2. Percentage shareholdings are calculated after deducting treasury shares (267 thousand shares).

3. Share Acquisition Rights

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

Issue No.	Exercise price	Type and number of shares reserved	Term of exercise	Number of share acquisition rights	Number of holders
No. 18 (2019)	¥1	Common stock 100 shares per unit of share acquisition rights	July 13, 2022, to July 12, 2034	8	1 Director
No. 19 (2020)	¥1	Common stock 100 shares per unit of share acquisition rights	July 11, 2023, to July 10, 2035	7	1 Director
No. 20 (2021)	¥1	Common stock 100 shares per unit of share acquisition rights	July 17, 2024, to July 16, 2036	8	1 Director
No. 21 (2022)	¥1	Common stock 100 shares per unit of share acquisition rights	July 16, 2025, to July 15, 2037	41	3 Directors
No. 22 (2023)	¥1	Common stock 100 shares per unit of share acquisition rights	July 15, 2026, to July 14, 2038	67	5 Directors
No. 23 (2024)	¥1	Common stock 100 shares per unit of share acquisition rights	July 13, 2027, to July 12, 2039	105	5 Directors
No. 24 (2025)	¥1	Common stock 100 shares per unit of share acquisition rights	July 12, 2028, to July 11, 2040	143	5 Directors

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

Issue No.	Exercise price	Type and number of shares reserved	Term of exercise	Number of share acquisition rights	Number of holders
No. 24 (2025)	¥1	Common stock 100 shares per unit of share acquisition rights	July 12, 2028, to July 11, 2040	699	74 Daikin Industries employees

4. Directors and Audit & Supervisory Board Members

(1) Directors and Audit & Supervisory Board Members (as of March 31, 2026)

Position	Name	Responsibility or significant positions concurrently held
Representative Director, Chairman of the Board, and CEO	Masanori Togawa	Member of the HRM Advisory Committee Member of the Compensation Advisory Committee Chairman of The Daikin Foundation for Contemporary Arts
Representative Director, President, COO, and Member of the Board	Naofumi Takenaka	Chairman of the Internal Control Committee
Member of the Board (external)	Tatsuo Kawada	Chairman of the HRM Advisory Committee Chairman of the Compensation Advisory Committee Chairman and CEO of Seiren Co., Ltd.
Member of the Board (external)	Akiji Makino	Member of the HRM Advisory Committee Member of the Compensation Advisory Committee Chairman and CEO of Iwatani Corporation Chairman of the Board of Iwatani Industrial Gases Corporation Representative Director and Chairman of the Board of Central Sekiyu Gas Corporation Limited
Member of the Board (external)	Shingo Torii	Member of the HRM Advisory Committee Member of the Compensation Advisory Committee Representative Director and Vice Chairman of the Board of Suntory Holdings Limited Chairperson of the Osaka Chamber of Commerce and Industry
Member of the Board (external)	Yuko Arai	Member of the HRM Advisory Committee Member of the Compensation Advisory Committee Outside Director of Aichi Steel Corporation Outside Director of Mizuno Corporation
Member of the Board and Senior Executive Officer	Koichi Takahashi	In charge of Accounting, Finance, Budget, and Promoting Operational Efficiency General Manager of Finance and Accounting Division
Member of the Board and Executive Officer	Keiko Mori	In charge of Human Resource Development and Maximizing the Talents of Women Senior Manager in charge of Executive Secretarial Department
Member of the Board and Senior Associate Officer	Kanwal Jeet Jawa	Regional General Manager, Air Conditioning Business in India and Africa, Global Operations Division Managing Director and CEO of Daikin Airconditioning India Pvt. Ltd.
Audit & Supervisory Board Member (external)	Kaeko Kitamoto	Certified public accountant Outside Director of Harmonic Drive Systems Inc. Independent Director of EBARA CORPORATION
Audit & Supervisory Board Member (external)	Fumi Takatsuki	Lawyer Partner of Oh-Ebashi LPC & Partners Outside Director (Member of the Audit and Supervisory Committee) of Shionogi & Co., Ltd. Outside Auditor of Sankyo Seiko Co., Ltd.
Audit & Supervisory Board Member (external)	Atsushi Ukawa	Director and Chairman of Senshu Ikeda Holdings, Inc. Director and Chairman (Full-time Audit & Supervisory Committee Member) of The Senshu Ikeda Bank, Ltd.
Audit & Supervisory Board Member (full time)	Kosei Uematsu	
Audit & Supervisory Board Member (full time)	Hisao Tamori	

Notes:
1. The Company registered the appointment of External Directors Tatsuo Kawada, Akiji Makino, Shingo Torii, and Yuko Arai and Audit & Supervisory Board Members (external) Kaeko Kitamoto, Fumi Takatsuki, and Atsushi Ukawa to the Tokyo Stock Exchange, Inc. as Independent Directors and Audit & Supervisory Board Members.
2. Audit & Supervisory Board Member Kaeko Kitamoto is a certified public accountant and has considerable knowledge of finance and accounting.
3. Audit & Supervisory Board Member Atsushi Ukawa has many years of experience in a financial institution and has considerable knowledge of finance and accounting.
4. Audit & Supervisory Board Member Hisao Tamori has considerable knowledge of finance and accounting, having been involved in accounting and financial operations of the Company for many years.
5. Atsushi Ukawa was elected as an Audit & Supervisory Board Member at the 122nd Ordinary General Meeting of Shareholders of the Company held on June 27, 2025.
6. Takashi Matsuzaki resigned as a Member of the Board at the conclusion of the 122nd Ordinary General Meeting of Shareholders of the Company held on June 27, 2025, due to the expiration of his term of office.
7. Ryu Yano resigned as an Audit & Supervisory Board Member at the conclusion of the 122nd Ordinary General Meeting of Shareholders of the Company held on June 27, 2025, due to the expiration of his term of office.
8. Member of the Board Masanori Togawa assumed the office of Chairman of The Daikin Foundation for Contemporary Arts on June 11, 2025.
9. Member of the Board Tatsuo Kawada was an External Director of Hokuriku Electric Power Company until June 26, 2025.
10. Member of the Board Akiji Makino was Representative Director and Chairman of KINSEI MATEC CO., LTD. until June 16, 2025.
11. Member of the Board Yuko Arai was a Senior Advisor of ANA Akindo Co., Ltd. until March 31, 2026.

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

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

Position	Total compensation (Millions of yen)	Total compensation by type (Millions of yen)			Number of recipients (Persons)
		Fixed compensation	Performance-linked compensation	Stock options	
Directors [of which, External Directors]	1,201 [88]	446 [88]	520 [—]	234 [—]	13 [4]
Audit & Supervisory Board Members [of which, Audit & Supervisory Board Members (external)]	135 [55]	135 [55]	—	—	6 [4]

Notes:
1. Performance-linked compensation includes provision for bonuses for directors (and other officers) recorded in the fiscal year under review, and stock options refer to the fiscal year's expense which is associated with share acquisition rights offered to Directors (excluding External Directors).
2. Total compensation includes the compensation for services of three Directors who retired at the conclusion of the 121st Ordinary General Meeting of Shareholders and one Director and one Audit & Supervisory Board Member who retired at the conclusion of the 122nd Ordinary General Meeting of Shareholders while they were in office.

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

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

(a) Basic policy on compensation

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

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

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

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

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

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

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

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

The "performance-linked compensation" for the Chairman and the President shall be based on a performance-linked coefficient derived from group-wide performance-linked indicators. The "performance-linked compensation" for the Directors excluding the Chairman and the President shall be based on a performance-linked coefficient derived from group-wide performance-linked indicators, and determined in consideration of the degrees of achievement of the single-fiscal-year budgets for "net sales" and "operating profit" of the department supervised, which are targets for day-to-day business operations, and the status of each individual's efforts to address key issues over the short term and the medium to long term. With respect to the key issues, targets according to each individual's duties (contributions to a sustainable society, realization of the Group's growth, challenge to achieve carbon neutrality, promotion of Solutions business connected with customers, creating value with air, etc.,) shall be set in accordance with the 11 key strategy themes set forth in the strategic management plan "Fusion 25."

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

	Net sales (Millions of yen)	Operating profit margin (%)	Operating profit (Millions of yen)
Targets (for the consolidated fiscal year under review)	4,840,000	9.0	435,000
Actual figures (for the consolidated fiscal year under review)	5,015,036	8.3	414,991

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Schedule of and matters deliberated at the Compensation Advisory Committee

	Matters deliberated
October 28, 2025	- Latest environment surrounding executive compensation - Overall picture of the revision of the new compensation system for Directors and Audit & Supervisory Board Members for the next medium-term management plan (Fusion 30)
December 12, 2025	- Executive rank-based compensation levels under the new compensation system for Directors and Audit & Supervisory Board Members (compensation composition ratio) - Revision of incentive compensation under the new compensation system for Directors and Audit & Supervisory Board Members
January 28, 2026	- Basic policy of the new compensation system for Directors and Audit & Supervisory Board Members - Executive rank-based compensation levels under the new compensation system for Directors and Audit & Supervisory Board Members (compensation composition ratio) - Detailed design of incentive compensation (bonuses and stock compensation) under the new compensation system for Directors and Audit & Supervisory Board Members
February 25, 2026	- Compensation table for External Directors and Audit & Supervisory Board Members - Overview of the new compensation system
March 26, 2026	- Details pertaining to performance-linked coefficient of performance-linked compensation for fiscal 2025 - Partial changes related to the design of the new compensation system - Proposal on compensation for Directors and Audit & Supervisory Board Members at the 123rd Ordinary General Meeting of Shareholders
April 28, 2026	- Details pertaining to performance-linked coefficient of performance-linked compensation for fiscal 2025

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

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

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

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

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

Position	Name	Attendance record of Board of Directors' meetings	Principal activities
External Director	Tatsuo Kawada	Attended 16 out of 16 meetings (100%)	We expect Tatsuo Kawada to appropriately supervise the Company's management from an independent standpoint, based on his abundant experience and deep insight as a corporate manager, and also to make suggestions on overall management from a broad and advanced perspective including the viewpoint of shifting to new business models and generating innovation. For the fiscal year under review, he appropriately fulfilled his role as External Director by providing supervision and advice on execution of business operations, including making suggestions on preparedness for expectations and requests from the capital markets and labor-saving through introduction of AI.
	Akiji Makino	Attended 15 out of 16 meetings (93.8%)	We expect Akiji Makino to appropriately supervise the Company's management from an independent standpoint, based on his abundant experience and deep insight as a corporate manager, and also to make suggestions on overall management from a broad and advanced perspective including viewpoints concerning the energy and environmental fields and service businesses. For the fiscal year under review, he appropriately fulfilled his role as External Director by providing supervision and advice on execution of business operations, including making suggestions on perspectives on business growth cycles in management and countermeasures, as well as the ideal form of international social contribution as a company.
	Shingo Torii	Attended 15 out of 16 meetings (93.8%)	We expect Shingo Torii to appropriately supervise the Company's management from an independent standpoint, based on his abundant experience and deep insight as a corporate manager, and also to make suggestions on overall management from a broad and advanced perspective including viewpoints on corporate management for proactively capturing customer needs, the enhancement of corporate value through ESG activities, and other areas. For the fiscal year under review, he appropriately fulfilled his role as External Director by providing supervision and advice on execution of business operations, including making suggestions on the importance of forward-looking global risk management and the ideal approach to developing and hiring diverse human resources.
	Yuko Arai	Attended 16 out of 16 meetings (100%)	We expect Yuko Arai to appropriately supervise the Company's management from an independent standpoint, based on her abundant experience and deep insight as a corporate manager, and also to make suggestions on overall management including management from consumers' perspective and measures to promote further participation of female employees from a broad and advanced perspective. For the fiscal year under review, she appropriately fulfilled her role as External Director by providing supervision and advice on execution of business operations, including making suggestions on the importance of communication in fostering awareness of quality and safety, and the deployment of specific measures.

Position	Name	Attendance record of meetings		Principal activities
		Board of Directors	Audit & Supervisory Board	
Audit & Supervisory Board Member (external)	Kaeko Kitamoto	Attended 15 out of 16 meetings (93.8%)	Attended 14 out of 14 meetings (100%)	We expect Kaeko Kitamoto to make suggestions based on her high level of expertise in financial accounting, in addition to appropriate auditing based on her abundant experience and deep insight gained through accomplishments in corporate audits as a certified public accountant. For the fiscal year under review, she conducted appropriate audits, including making suggestions on strengthening the Group's accounting functions.
	Fumi Takatsuki	Attended 16 out of 16 meetings (100%)	Attended 14 out of 14 meetings (100%)	We expect Fumi Takatsuki to make suggestions based on her expertise in corporate legal affairs, in addition to appropriate auditing based on her abundant experience and deep insight as a lawyer, including being involved in the handling of domestic and international corporate legal affairs. For the fiscal year under review, she conducted appropriate audits, including making suggestions on strengthening the Company's governance including the advice on enhancing the internal reporting system.
	Atsushi Ukawa	Attended 12 out of 13 meetings (92.3%)	Attended 9 out of 10 meetings (90.0%)	We expect Atsushi Ukawa to make suggestions from a broad viewpoint based on risk management and compliance, in addition to appropriate auditing based on his abundant experience and deep insight as a corporate manager of a financial institution. For the fiscal year under review, he conducted appropriate audits, including making suggestions on strengthening the compliance system from a risk management viewpoint.

Note: Atsushi Ukawa assumed the office as an Audit & Supervisory Board Member (external) at the 122nd Ordinary General Meeting of Shareholders of the Company held on June 27, 2025, and accordingly, his attendance records of meetings of the Board of Directors and the Audit & Supervisory Board are on and after that date.

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

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

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

5. Independent Auditors

(1) Name of the Independent Auditors to the Company	Deloitte Touche Tohmatsu LLC (Audit Corporation)
(2) Total amount of compensation to be paid by the Company to the Independent Auditors for the current fiscal year	¥414 million
(3) Reasons for approval of the Audit & Supervisory Board for the amount of compensation to be paid to the Independent Auditors	The Audit & Supervisory Board obtained necessary materials and reports from Directors, relevant departments within the Company, and the Independent Auditors to investigate past activity achievements and compensation records of the Independent Auditors together with its activity plans and the calculation basis of the estimated compensation for the fiscal year under review and discussed the amount of compensation to be paid to the Independent Auditors. As a result, the Board judged this to be appropriate in this regard, hence, pursuant to Article 399, Paragraph 1 of the Companies Act, the Board approved the amount of compensation to be paid to the Independent Auditors.
(4) Non-auditing services provided to the Company by the Independent Auditors	The Company consigns to the Independent Auditors the following services that fall outside the scope of the audit certification services under Article 2, Paragraph 1, of the Certified Public Accountant Law, and pays consideration for the services. Information provision services concerning the disclosure of non-financial information, etc.
(5) Policy on dismissal of or resolution not to re-engage the Independent Auditors	In addition to reasons for dismissal stipulated in each item of Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board will present a movement for dismissal of or resolution not to re-engage the Independent Auditors to the General Meeting of Shareholders, if it is recognized that it is difficult for the Independent Auditors to effectively perform their duties due mostly to the occurrence of cases that damage the eligibility or independence of the Independent Auditors.
(6) Total amount of compensation to be paid by the Company and its subsidiaries to the Independent Auditors	¥414 million
(7) Other items	Major subsidiaries of the Company engaging certified public accounts or audit corporations other than the Company's Independent Auditors to conduct their audits (under Japan's Companies Act or Financial Instruments and Exchange Act, or the overseas equivalents) are as follows: Daikin (China) Investment Co., Ltd. Daikin Air-conditioning (Shanghai) Co., Ltd. Daikin Device (Suzhou) Co., Ltd. Daikin Air-conditioning (Suzhou) Co., Ltd. Daikin Fluorochemicals (China) Co., Ltd. McQuay Central Air Conditioning (China) Co., Ltd.

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

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

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

(Major activities in the fiscal year under review)

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

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

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

Specific measures follow:

(i) In accordance with the management basic direction and code of conduct stipulated in Our Group Philosophy (2024), Handbook for Corporate Ethics and other directives, we will be diligent in execution of duties and take the initiative in applying these principles.

(ii) We have established a “Corporate Ethics and Risk Management Committee” made up of Directors and department managers. This committee oversees Legal Affairs and Compliance Center, which spearheads thorough legal compliance Group-wide. Each department and Group company assigns a compliance, risk management leader to ensure thorough compliance in the Company, their respective departments and Group companies. We hold the “Compliance, Risk Management Leader Meeting” and the “Group Compliance, Risk Management Leader Meeting” to share information, address issues, and promote implementation of policies.

(iii) We have introduced our unique “Self-assessment Checklist” through which each division and Group company conducts an annual autonomous check from the standpoint of legality and risk. Using the results of this check, the Legal Affairs and Compliance Center carries out a legal audit on each division and Group company, and legal compliance is checked in a business audit conducted by the Internal Auditing Department.

(iv) We have established a Helpline for Corporate Ethics. The Legal Affairs and Compliance Center investigates reports made to this facility and forms strategies to prevent recurrence after deliberations with the manager of the relevant division. We have established a system to promote swift adoption of such measures Company-wide.

(v) As stated clearly in our Handbook for Corporate Ethics, we, as a business entity, stand firmly against antisocial forces that damage social order and healthy corporate activities.

(vi) We carry out and are currently improving capacities for periodic and occasional compliance and corporate ethics education across management and employee strata.

(Major activities in the fiscal year under review)

- The “Corporate Ethics and Risk Management Committee” held two meetings in which it shared company-wide compliance issues and deliberated on measures to deal with these issues. We held the “Compliance, Risk Management Leader Meeting” 11 times to ensure thorough compliance. We also held the “Global Legal and Compliance Meeting” as well as the “Regional Legal and Compliance Meeting” in the Asia & Oceania and China regions.
- Based on the “Self-assessment Checklist,” each division and Group company conducted the self-inspection and risk assessment. The results were deliberated by the “Corporate Ethics and Risk Management Committee.”
- We conducted training on compliance and human rights for both Directors and employees.

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

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

(Major activities in the fiscal year under review)

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

(3) Rules and other systems relating to risk management

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

(Major activities in the fiscal year under review)

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

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

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

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

(Major activities in the fiscal year under review)

- The Board of Directors convened 16 meetings, most of which were attended by the four External Directors, who provided appropriate comments concerning management problems.
- We held the Executive Officers Meeting 22 times in which the Executive Officers participated.
- We held the “Group Steering Meeting” four times to deliberate on future management issues, the global refrigerant strategy, and the next strategic management plan “Fusion 30.”

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

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

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

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

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

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

(Major activities in the fiscal year under review)

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

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

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

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

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

(Major activities in the fiscal year under review)

- To exchange opinions, the Audit & Supervisory Board Members had two meetings with the Representative Directors, 31with Directors and Executive Officers and 28 with the Independent Auditors. Also, the Audit & Supervisory Board Members had the "Group Auditors' Meeting" by convening the Group Auditors and internal auditors of the major Group companies at home and abroad.

Consolidated Balance Sheet
As of March 31, 2026

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

(Assets)	Amounts	(Liabilities)	Amounts
Current assets	**3,262,880**	**Current liabilities**	**1,688,870**
Cash and deposits	933,484	Notes and accounts payable – trade	419,985
Notes and accounts receivable – trade, and contract assets	1,011,104	Short-term borrowings	286,097
Merchandise and finished goods	769,715	Commercial papers	28,393
Work in process	78,570	Current portion of bonds payable	25,000
Raw materials and supplies	289,616	Current portion of long-term borrowings	94,285
Other	203,907	Lease liabilities	52,328
Allowance for doubtful accounts	(23,519)	Income taxes payable	50,632
		Provision for bonuses for directors (and other officers)	323
Non-current assets	**2,546,359**	Provision for product warranties	132,908
Property, plant and equipment	**1,464,475**	Accrued expenses	305,260
Buildings and structures	585,839	Other	293,655
Machinery, equipment and vehicles	482,098		
Land	107,313	**Non-current liabilities**	**803,831**
Leased assets	6,099	Bonds payable	200,000
Construction in progress	195,105	Long-term borrowings	249,387
Other	88,018	Lease liabilities	159,095
		Deferred tax liabilities	102,204
Intangible assets	**669,541**	Retirement benefit liability	23,418
Goodwill	274,767	Other	69,726
Customer-related intangible assets	228,708	**Total liabilities**	**2,492,702**
Other	166,066	**(Net Assets)**	
		Shareholders' equity	**2,405,138**
Investments and other assets	**412,342**	**Share capital**	**85,032**
Investment securities	199,020	**Capital surplus**	**68,521**
Long-term loans receivable	1,892	**Retained earnings**	**2,252,762**
Deferred tax assets	71,039	**Treasury shares**	**(1,178)**
Retirement benefit asset	36,878	**Accumulated other comprehensive income**	**844,702**
Other	104,001	Valuation difference on available-for-sale securities	82,318
Allowance for doubtful accounts	(490)	Deferred gains or losses on hedges	1,737
		Foreign currency translation adjustment	768,278
		Remeasurements of defined benefit plans	(7,632)
		Share acquisition rights	**4,813**
		Non-controlling interests	**61,884**
		Total net assets	**3,316,538**
Total assets	**5,809,240**	**Total liabilities and net assets**	**5,809,240**

Consolidated Statement of Income
From April 1, 2025, to March 31, 2026

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

Net sales		5,015,036
Cost of sales		3,282,519
Gross profit		**1,732,516**
Selling, general and administrative expenses		1,317,524
Operating profit		**414,991**
Non-operating income		
Interest income	18,795	
Dividend income	4,433	
Share of profit of entities accounted for using equity method	1,331	
Subsidy income	1,966	
Inflation accounting adjustment	14,519	
Other	5,769	46,816
Non-operating expenses		
Interest expenses	38,976	
Foreign exchange losses	1,448	
Settlement payments	2,059	
Other	11,153	53,637
Ordinary profit		**408,171**
Extraordinary income		
Gain on sale of land	518	
Gain on sale of investment securities	13,831	
Gain on sale of shares of subsidiaries and associates	0	
Gain on liquidation of subsidiaries and associates	15	
Gain on revision of retirement benefit plan	1,345	15,712
Extraordinary losses		
Loss on disposal of non-current assets	7,395	
Loss on sale of land	18	
Loss on sale of investment securities	141	
Loss on valuation of investment securities	232	
Loss on liquidation of subsidiaries and associates	22	
Loss on valuation of shares of subsidiaries and associates	39	
Impairment loss	11,849	
Loss on disaster	554	20,255
Profit before income taxes		**403,628**
Income taxes – current	125,940	
Income taxes – deferred	(8,658)	117,281
Profit		**286,346**
Profit attributable to non-controlling interests		11,117
Profit attributable to owners of parent		**275,229**

Consolidated Statement of Changes in Equity
From April 1, 2025, to March 31, 2026

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

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	85,032	87,304	2,068,308	(1,348)	2,239,296
Changes in items during period					
Dividends of surplus			(90,774)		(90,774)
Profit attributable to owners of parent			275,229		275,229
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		604		171	776
Change in ownership interest of parent due to transactions with non-controlling interests		(19,387)			(19,387)
Net changes in items other than shareholders' equity					
Total changes in items during period	—	(18,782)	184,454	170	165,842
Balance at end of current period	85,032	68,521	2,252,762	(1,178)	2,405,138

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	53,770	945	512,313	(5,042)	561,985	4,212	61,199	2,866,693
Changes in items during period								
Dividends of surplus								(90,774)
Profit attributable to owners of parent								275,229
Purchase of treasury shares								(0)
Disposal of treasury shares								776
Change in ownership interest of parent due to transactions with non-controlling interests								(19,387)
Net changes in items other than shareholders' equity	28,548	791	255,965	(2,589)	282,716	601	685	284,003
Total changes in items during period	28,548	791	255,965	(2,589)	282,716	601	685	449,845
Balance at end of current period	82,318	1,737	768,278	(7,632)	844,702	4,813	61,884	3,316,538

Notes to the Consolidated Financial Statements

Basis for Presenting the Consolidated Financial Statements

1. Scope of Consolidation

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

Number of consolidated subsidiaries: 324

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

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

(Newly added) Due to acquisition:

Kylslaget AB, Saltire Facilities Management Ltd., Dynamic Data Centers Solutions, Inc., Hirmer GmbH (company name changed to Daikin Fluid Technology GmbH), Chilldyne, Inc.

Due to new establishment:

IRS Americas, LLC, DAIKIN RECHI INDIA PRIVATE LIMITED, DAIKIN CHEMICAL INDIA PRIVATE LIMITED, Daikin Applied Middle East LLC

(Excluded) Due to merger of consolidated subsidiaries:

Daikin TMI,LLC and 2 other companies, CYVSA MANTENIMIENTO, S.A. DE C.V. and 11 other companies

Due to liquidation:

Goodman Global Holdings, Inc. and 14 other companies, CYVSA INTERNATIONAL, INC., CARIBBEAN ENGINEERING GROUP INC., Zanotti Transblock Italia Srl, Hydreco Hydraulics (Holdings) PTY LTD, AAF Luftreinigungssysteme GmbH

(2) Names of major non-consolidated subsidiaries

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

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

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

2. Application of the Equity Method

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

Number of affiliated companies accounted for by the equity method: 16

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

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

(Newly added) Due to new establishment:

C-D Compression Technologies LLC, C-D Compression Technologies Europe GmbH

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

Major companies: (Non-consolidated subsidiary)

Kyoei Kasei Industries, Ltd.

(Affiliated company)

Daimics Co., Ltd.

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

3. Summary of Significant Accounting Policies

(1) Valuation basis and method for important assets

(i) Securities:

Available-for-sale securities

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

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

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

(2) Depreciation method of major depreciable assets

(i) Property, plant and equipment (excluding leased assets)
The depreciation of property, plant and equipment is computed by the straight-line method.

(ii) Intangible assets
The amortization of intangible assets is computed by the straight-line method.
Software for sales in the market is amortized by the straight-line method over the effective salable period (3 years). Customer-related intangible assets are amortized by the straight-line method over its useful life (mainly 30 years).
The amounts of goodwill are equally amortized over 4 to 20 years on a straight-line basis.

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

(3) Accounting standards for important reserves

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

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

(iii) Provision for product warranties

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

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

(i) Important hedge accounting

(a) Hedge accounting method

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

(b) Hedging instruments and hedged items

For the purpose of hedging exposure to exchange rate fluctuation risk, the Group adopts foreign exchange contracts, currency swaps and currency options as hedging instruments, and financial assets and liabilities denominated in foreign currencies such as monetary receivables and payables as hedged items. Moreover, as for interest rate fluctuation risk, the Group adopts interest rate swaps and interest rate options as hedging instruments, and financial liabilities such as bank borrowings as hedged items. In addition, as for market price fluctuation risks of the raw materials, the Group adopts commodity futures transactions as a hedging instrument, and purchase prices of raw materials as hedged items.

(c) Hedging policy and method of assessing hedging effectiveness

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

(ii) Accounting policy for retirement benefits

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

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

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

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

(Additional information)

The Company has revised its retirement benefit and pension plans effective April 1, 2025, and transferred a portion of its defined benefit corporate pension plan and retirement lump-sum plan to a defined contribution pension plan. The accounting treatment on this transfer has been applied in accordance with “Accounting for Transfer between Retirement Benefit Plans” (ASBJ Guidance No. 1). The amount of impact resulting from this transfer is as disclosed in Retirement Benefits.

(iii) Recognition criteria for revenue and expenses

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

Accounting Estimates

(Valuation of goodwill and intangible assets)

On the consolidated balance sheet as of March 31, 2026, goodwill, customer-related intangible assets, and other under intangible assets (hereinafter, “goodwill, etc.,”) were recorded at ¥274,767 million, ¥228,708 million and ¥166,066 million, respectively.

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

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

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

Notes to the Consolidated Balance Sheet

1. Assets pledged as collateral and corresponding secured debt

	(Millions of yen)
Cash and deposits	1,163
Notes and accounts receivable – trade, and contract assets	2,297
Buildings	386
Land	2,577
Debt secured by the above collateral	
Notes and accounts payable – trade	1,916
Short-term borrowings	314
Current portion of long-term borrowings	22
Long-term borrowings	171

In addition to the above, the following assets are pledged as collateral for borrowings, etc., advanced to investee companies from financial institutions.

Investment securities	800

In addition to the above, the following assets that are eliminated in consolidation are pledged as collateral.

Shares of consolidated subsidiaries eliminated in consolidation	11

	(Millions of yen)
2. Accumulated depreciation of property, plant and equipment	1,667,422

	(Millions of yen)
3. Amount of notes endorsed	2,437

Notes to the Consolidated Statement of Income

Impairment loss

In the fiscal year ended March 31, 2026, an impairment loss of ¥11,849 million was recorded for customer-related intangible assets and trademark right of the group of AHT Cooling Systems GmbH, a consolidated subsidiary.

The group, which manufactures and sells refrigerating and freezing showcases, etc., saw a reduction in sales due to the impact of customers reviewing their investment plans, and underperformed the assumed business plan.

Accordingly, as a result of reviewing the medium-term business plan incorporating optimization of the production system, enhancement of added value, and improvement of cost efficiency, etc., the book value has been reduced to the recoverable value.

Notes to the Consolidated Statement of Changes in Equity

1. Type and total number of shares issued as of March 31, 2026
   Common shares: 293,113,973 shares

2. Dividends

(1) Dividend amounts paid

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 27, 2025	Common shares	42,457	145	March 31, 2025	June 30, 2025
Board of Directors' meeting held on November 5, 2025	Common shares	48,317	165	September 30, 2025	December 2, 2025

(2) Of the dividends for which the record date belongs to the fiscal year ended March 31, 2026, those for which the effective date of the dividends will be in the fiscal year ending March 31, 2027

Planned date of resolution	Type of shares	Source of funds for dividends	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders to be held on June 26, 2026	Common shares	Retained earnings	51,248	175	March 31, 2026	June 29, 2026

3. Type and number of shares subject to share acquisition rights at March 31, 2026 (excluding those for which the first day of the exercise period has not yet arrived)
   Common shares: 57,800 shares

Notes to Financial Instruments

1. Status of financial instruments

(1) Policy on treatment of financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

The prices recorded in the consolidated balance sheet, fair market value and the difference between those as of March 31, 2026 (consolidated financial closing date for the fiscal year under review), are as follows. "Cash and deposits," "notes and accounts receivable – trade, and contract assets," "notes and accounts payable – trade," "short-term borrowings," "commercial papers," and "income taxes payable" are omitted because they are cash, or they are settled in a short period of time and their fair market value approximates their book value.

(Millions of yen)

	Amount recorded in the consolidated balance sheet	Fair market value	Difference
(1) Investment securities Available-for-sale securities	177,441	177,441	—
Total assets	177,441	177,441	—
(1) Bonds payable	225,000	211,421	(13,579)
(2) Long-term borrowings	343,672	333,869	(9,802)
(3) Lease liabilities	211,423	212,197	773
Total liabilities	780,095	757,487	(22,607)
Derivative transactions (Note 3)	(3,526)	(3,526)	—

Note 1: Unlisted shares, etc., (amount recorded in the consolidated balance sheet was ¥9,267 million) and shares of non-consolidated subsidiaries and affiliated companies (amount recorded in the consolidated balance sheet was ¥8,031 million) are treated as shares, etc., that have no market prices and are not included in "(1) Investment securities."

Note 2: Investments in partnerships and other similar business entities that are recorded in the consolidated balance sheet in the net amount proportionate to the Company's equity, are not included in "(1) Investment securities." The amount of such investments recorded in the consolidated balance sheet was ¥4,280 million.

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

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

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

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

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

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

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

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

(Millions of yen)

	Fair market value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	175,658	—	—	175,658
Bonds (bonds payable)	—	300	—	300
Bonds (other)	—	88	505	593
Others	—	—	889	889
Total assets	175,658	388	1,394	177,441
Derivative transactions (Note)				
Currency-related instruments	—	(6,504)	—	(6,504)
Interest-related instruments	—	128	—	128
Commodity	—	2,849	—	2,849

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

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

(Millions of yen)

	Fair market value			
	Level 1	Level 2	Level 3	Total
Bonds payable	—	211,421	—	211,421
Long-term borrowings	—	333,869	—	333,869
Lease liabilities	—	212,197	—	212,197
Total liabilities	—	757,487	—	757,487

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

Investment securities

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

Derivative transactions

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

Bonds payable

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

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

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

Revenue Recognition

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

(Millions of yen)

	Reported segment			Others (Note)	Total
	Air-Conditioning and Refrigeration Equipment	Chemicals	Subtotal		
Net sales					
Japan	675,759	63,162	738,921	70,714	809,636
U.S.	1,720,110	51,406	1,771,516	14,996	1,786,513
Europe	784,207	54,991	839,199	18,597	857,796
Asia and Oceania	663,086	43,839	706,925	4,303	711,228
China	403,527	66,101	469,628	2,289	471,917
Other	374,439	1,968	376,408	1,534	377,943
Revenue from contracts with customers	4,621,131	281,469	4,902,601	112,435	5,015,036
Other revenue	—	—	—	—	—
Sales to outside customers	4,621,131	281,469	4,902,601	112,435	5,015,036

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

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

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

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

(Millions of yen)

	Beginning of the fiscal year under review (April 1, 2025)	End of the fiscal year under review (March 31, 2026)
Receivables from contracts with customers	829,215	978,465
Contract assets	27,327	32,639
Contract liabilities	155,312	144,557

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

The volume of transactions for which revenue was recognized in the consolidated fiscal year under review and that was included in the beginning balance of contract liabilities, amounted to ¥118,358 million.

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

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

(Millions of yen)

	Remaining performance obligations	Expected timing of revenue recognition	
	Year-end balance	Within a year	1 year or more
As of March 31, 2026	189,393	99,984	89,408

Per Share Information

Net assets per share: ¥11,097.60
Earnings per share: ¥939.92

Tax Effect Accounting

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

(Millions of yen)

Deferred tax assets:	
Provision for product warranties	37,867
Tax loss carryforwards	31,985
Software and other assets	31,251
Inventories	22,666
Unrealized profit of inventories	21,800
Provision for bonuses	11,562
Allowance for doubtful accounts	5,761
Investment securities	3,544
Deferred revenue	2,626
Foreign income tax credit	1,260
Retirement benefit liabilities	1,021
Other	75,802
Subtotal of deferred tax assets	247,151
Valuation allowance for tax loss carryforwards (Note)	(22,149)
Valuation allowance for future deductible temporary differences, etc.	(10,167)
Subtotal of valuation allowance	(32,316)
Total deferred tax assets	214,834
Deferred tax liabilities:	
Undistributed earnings of consolidated subsidiaries	(80,684)
Intangible assets	(62,360)
Valuation difference on available-for-sale securities	(37,488)
Retirement benefit assets	(8,663)
Reserve for tax purpose reduction entry of non-current assets	(1,729)
Other	(55,073)
Total deferred tax liabilities	(245,999)
Net deferred tax assets (liabilities)	(31,165)

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

(Millions of yen)

	Within a year	1 year less than 2 years	2 years less than 3 years	3 years less than 4 years	4 years less than 5 years	5 years or more	Total amount
Tax loss carryforwards (*)	589	396	565	786	536	29,111	31,985
Valuation allowance	(541)	(354)	(477)	(658)	(448)	(19,668)	(22,149)
Deferred tax assets	47	41	88	128	87	9,442	9,836

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

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

Retirement Benefits

1. Outline of the retirement benefit plans adopted
The Company and its domestic consolidated subsidiaries have a defined benefit corporate pension plan and a retirement lump-sum plan as defined-benefit plans, as well as a defined contribution pension plan. Effective April 1, 2025, the Company transferred a portion of its defined benefit corporate pension plan and retirement lump-sum plan to a defined contribution pension plan. Several overseas consolidated subsidiaries have either defined benefit or defined contribution pension plans. Retirement benefit liabilities and retirement benefit expenses for certain of the retirement lump-sum plans held by the Company and its domestic consolidated subsidiaries are calculated using the simplified method.

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

	(Millions of yen)
Beginning balance for projected benefit obligation	98,140
Service cost	3,362
Interest cost	2,664
Actuarial losses (gains) arising during the period	(3,444)
Prior service cost arising during the period	902
Amount of retirement benefits paid	(4,453)
Foreign currency translation adjustment	4,505
Decrease due to transfer to defined contribution pension plan	(33,454)
Other	84
Ending balance for projected benefit obligation	68,308

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

	(Millions of yen)
Beginning balance for plan assets	118,789
Expected return on plan assets	3,009
Actuarial losses (gains) arising during the period	(1,185)
Employer contributions	2,057
Amount of retirement benefits paid	(3,079)
Foreign currency translation adjustment	3,298
Decrease due to transfer to defined contribution pension plan	(37,155)
Ending balance for plan assets	85,734

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

	(Millions of yen)
Beginning balance for retirement benefit liabilities	5,614
Retirement benefit expenses	120
Amount of retirement benefits paid	(236)
Decrease due to transfer to defined contribution pension plan	(1,513)
Other	(19)
Ending balance for retirement benefit liabilities	3,965

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

	(Millions of yen)
Retirement benefit obligation (funded)	(56,724)
Plan assets	85,734
	29,009
Retirement benefit obligation (unfunded)	(15,549)
Net amount for assets and liabilities recorded on the consolidated balance sheet	13,460
Retirement benefit liabilities	(23,418)
Retirement benefit assets	36,878
Net amount for assets and liabilities recorded on the consolidated balance sheet	13,460

Note: Including the benefit plan applying the simplified method

(5) Amount of retirement benefit expenses and its breakdown

	(Millions of yen)
Service cost	3,362
Interest cost	2,664
Expected return on plan assets	(3,009)
Recognized actuarial losses (gains) during the period	818
Amortization of prior service cost during the period	92
Retirement benefit expenses calculated by the simplified method	120
Other	426
Subtotal	4,477
Loss (gain) due to transfer to defined contribution pension plan (Note)	(1,345)
Total	3,132

Note: Recorded under extraordinary income

(6) Remeasurements of defined benefit plans

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

	(Millions of yen)
Prior service cost	(1,472)
Actuarial gain	7,318
Total	5,846

Note: The amount of actuarial gain for the consolidated fiscal year under review includes a reclassification adjustment of ¥(5,118) million arising from the partial transfer from the defined benefit pension plan to the defined contribution pension plan.

(7) Accumulated remeasurements of defined benefit plans

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

	(Millions of yen)
Unrecognized prior service cost	2,042
Unrecognized actuarial gain	7,472
Total	9,514

(8) Plan assets

(i) Breakdown of plan assets

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

Domestic bonds	1%
Domestic equities	0%
International bonds	37%
International equities	2%
Insurance assets (general account)	15%
Cash and deposits	21%
Alternative investments	24%
Total	100%

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

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

(9) Basis for computation used in actuarial calculation

Basis for computation used in major actuarial calculation

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

3. Defined contribution plan

Amount of contribution required to defined contribution plan paid by the Company and its consolidated subsidiaries is ¥21,084 million.

Non-Consolidated Balance Sheet
As of March 31, 2026

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

(Assets)	Amounts	(Liabilities)	Amounts
Current assets	**469,861**	**Current liabilities**	**393,718**
Cash and deposits	93,009	Electronically recorded obligations – operating	1,875
Electronically recorded monetary claims – operating	1,476	Accounts payable – trade	53,730
Accounts receivable – trade	149,448	Short-term borrowings	91,050
Merchandise and finished goods	71,791	Commercial papers	25,000
Work in process	25,037	Current portion of bonds payable	25,000
Raw materials and supplies	28,451	Current portion of long-term borrowings	17,850
Prepaid expenses	5,023	Lease liabilities	322
Short-term loans receivable from subsidiaries and associates	61,598	Accounts payable – other	29,209
Other	34,768	Accrued expenses	15,663
Allowance for doubtful accounts	(745)	Income taxes payable	9,458
		Contract liabilities	3,513
		Deposits received	97,601
		Provision for bonuses for directors (and other officers)	323
		Provision for product warranties	9,099
		Electronically recorded obligations – facilities	2,084
		Accounts payable – facilities	10,917
		Other	1,017
Non-current assets	**1,701,962**	**Non-current liabilities**	**409,870**
Property, plant and equipment	**239,559**	Bonds payable	200,000
Buildings	75,980	Long-term borrowings	203,655
Structures	9,712	Lease liabilities	563
Machinery and equipment	64,067	Provision for retirement benefits	2,170
Vehicles	120	Other	3,481
Tools, furniture and fixtures	15,073		
Land	24,346	**Total liabilities**	**803,589**
Leased assets	786	**(Net assets)**	
Construction in progress	49,471	**Shareholders' equity**	**1,281,717**
Intangible assets	**4,463**	**Share capital**	**85,032**
Patent right	1,781	**Capital surplus**	**87,721**
Leasehold interests in land	284	Legal capital surplus	82,977
Trademark right	1	Other capital surplus	4,743
Software	2,239		
Other	155	**Retained earnings**	**1,110,132**
Investments and other assets	**1,457,939**	Legal retained earnings	6,066
Investment securities	187,998	Other retained earnings	
Shares of subsidiaries and associates	1,063,595	Reserve for tax purpose reduction entry of non-current assets	3,765
Investments in capital of subsidiaries and associates	114,629	Reserve for specific stocks purchase	137
Long-term loans receivable	181	General reserve	146,210
Long-term loans receivable from employees	201	Retained earnings brought forward	953,954
Long-term loans receivable from subsidiaries and associates	59,899	**Treasury shares**	**(1,168)**
Long-term prepaid expenses	1,267	**Valuation and translation adjustments**	**81,701**
Prepaid pension cost	22,032	Valuation difference on available-for-sale securities	81,397
Deferred tax assets	1,438	Deferred gains or losses on hedges	304
Other	7,125	**Share acquisition rights**	**4,813**
Allowance for doubtful accounts	(431)	**Total net assets**	**1,368,233**
Total assets	**2,171,823**	**Total liabilities and net assets**	**2,171,823**

Non-Consolidated Statement of Income
From April 1, 2025, to March 31, 2026

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

Net sales		840,459
Cost of sales		603,795
Gross profit		**236,664**
Selling, general and administrative expenses		217,546
Operating profit		**19,117**
Non-operating income		
Interest income	6,746	
Interest on securities	81	
Dividend income	167,634	
Foreign exchange gains	3,468	
Other	678	178,609
Non-operating expenses		
Interest expenses	8,304	
Interest on bonds	1,972	
Loss on valuation of derivatives	637	
Other	2,573	13,488
Ordinary profit		**184,238**
Extraordinary income		
Gain on sale of investment securities	13,823	
Gain on revision of retirement benefit plan	1,345	15,169
Extraordinary losses		
Loss on disposal of non-current assets	162	
Loss on sale of land	14	
Loss on sale of investment securities	141	
Loss on valuation of investment securities	232	
Loss on valuation of shares of subsidiaries and associates	39	590
Profit before income taxes		**198,817**
Income taxes – current	21,467	
Income taxes – deferred	(7,890)	13,576
Profit		**185,240**

Non-Consolidated Statement of Changes in Equity
From April 1, 2025, to March 31, 2026

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

	Shareholders' equity									
		Capital surplus			Retained earnings					
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
						Reserve for tax purpose reduction entry of non-current assets	Reserve for specific stocks purchase	General reserve	Retained earnings brought forward	
Balance at beginning of current period	85,032	82,977	4,138	87,116	6,066	3,785	267	146,210	859,336	1,015,666
Changes in items during period										
Dividends of surplus									(90,774)	(90,774)
Reversal of reserve for tax purpose reduction entry of non-current assets						(20)			20	—
Provision of reserve for specific stocks purchase							68		(68)	—
Reversal of reserve for specific stocks purchase							(199)		199	—
Profit									185,240	185,240
Purchase of treasury shares										
Disposal of treasury shares			604	604						
Net changes in items other than shareholders' equity										
Total changes in items during period	—	—	604	604	—	(20)	(130)	—	94,617	94,466
Balance at end of current period	85,032	82,977	4,743	87,721	6,066	3,765	137	146,210	953,954	1,110,132

	Shareholders' equity		Valuation and translation adjustments			Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of current period	(1,339)	1,186,475	53,161	(148)	53,013	4,212	1,243,700
Changes in items during period							
Dividends of surplus		(90,774)					(90,774)
Reversal of reserve for tax purpose reduction entry of non-current assets		—					—
Provision of reserve for specific stocks purchase		—					—
Reversal of reserve for specific stocks purchase		—					—
Profit		185,240					185,240
Purchase of treasury shares	(0)	(0)					(0)
Disposal of treasury shares	171	776					776
Net changes in items other than shareholders' equity			28,235	453	28,688	601	29,290
Total changes in items during period	170	95,241	28,235	453	28,688	601	124,532
Balance at end of current period	(1,168)	1,281,717	81,397	304	81,701	4,813	1,368,233

Notes to the Non-Consolidated Financial Statements

Significant Accounting Policies

1. Valuation basis and method for assets

(1) Securities

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

Available-for-sale securities

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

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

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

2. Depreciation method of non-current assets:

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

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

(2) Intangible assets

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

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

(3) Leased assets

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

3. Accounting standards for reserves

(1) Allowance for doubtful accounts

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

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

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

(3) Provision for product warranties

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

(4) Provision for retirement benefits

- The provision for retirement benefits is provided for possible payment of employees' post-retirement benefits at the amount to be accrued at the balance sheet date and is calculated based on projected benefit obligations and the fair value of plan assets at the balance sheet date. Note that for certain employees, the full amount of the year-end payment obligation based on internal regulations has been recorded. The provision for retirement benefits and the retirement benefit expenses are calculated and amortized as follows:

(i) Method of attributing expected benefit to periods of service
The method of attributing expected benefit to the balance sheet date in calculation of projected benefit obligation is based on benefit formula.

(ii) Method of recognizing actuarial gains/losses and prior service costs
Actuarial gains and losses are amortized by the straight-line method over a certain period (10 years), which is within the average remaining service period of employees at the time of recognition during each fiscal year, and the allocated amounts are expensed from the fiscal year following the respective fiscal year of recognition.
Prior service costs are amortized by the straight-line method over a certain period (10 years), which is within the average remaining service period of employees at the time of recognition.
(Additional information)
The Company has revised its retirement benefit and pension plans effective April 1, 2025, and transferred a portion of its defined benefit corporate pension plan and retirement lump-sum plan to a defined contribution pension plan. The accounting treatment on this transfer has been applied in accordance with "Accounting for Transfer between Retirement Benefit Plans" (ASBJ Guidance No. 1). The amount of impact resulting from this transfer is presented as "gain on revision of retirement benefit plan" under "extraordinary income."

- Unrecognized actuarial gains or losses and unrecognized past service costs on the non-consolidated balance sheet are treated differently from on the consolidated balance sheet.

4. Recognition criteria for revenue and expenses

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

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

(1) Hedge accounting

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

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

(iii) Hedging policy and method of assessing hedging effectiveness
The Company's risk management focuses on the effective utilization of derivative transactions to avoid the exposure of assets and liabilities to exchange rate fluctuation risk and reduce interest payments for the purpose of circumventing an unexpectedly huge loss. The Company has formulated the Risk Management Rules, which outline a risk management method and other details such as a cap on the amount of funds that can be used for derivative transactions. Derivative transactions are routinely conducted by the Finance and Accounting Division and routine risk management operations by the Corporate Planning Department based on the Rules, and the status of derivative trading is regularly reported to the Company's

Board of Directors. A regular test is conducted to verify the effectiveness of the hedging function of the derivatives held by the Company. An additional derivative of any kind is subject to the above hedging function test and prior assessment before starting such derivative transactions. The hedging effectiveness is judged through the comparison of the cumulative total of the market fluctuations or the cash flow fluctuations of the hedged item with the respective counterparts of the hedging instrument. Financial techniques such as regression analysis are used if necessary.

Change in Presentation Method

1. Non-consolidated balance sheet

The following items have been reclassified in presentation effective from the fiscal year ended March 31, 2026 in order to ensure consistency with the disclosure in the annual securities report.

Category	Items presented in the fiscal year ended March 31, 2025	Items presented in the fiscal year ended March 31, 2026	Amount for the fiscal year ended March 31, 2026 (Millions of yen)
Current assets	Short-term loans receivable	Short-term loans receivable from subsidiaries and associates	61,598
Current assets	Accounts receivable – other	Other (Current assets)	16,412
Intangible assets	Patent right, etc.	Patent right	1,781
		Leasehold interests in land	284
		Trademark right	1
		Software	2,239
		Other (Intangible assets)	155
Investments and other assets	Long-term loans receivable	Long-term loans receivable	181
		Long-term loans receivable from employees	201
Investments and other assets	Guarantee deposits	Other (Investments and other assets)	7,091
Non-current liabilities	Long-term accounts payable – other	Other (Non-current liabilities)	804

For the fiscal year under review, “notes receivable - trade” (¥6 million in the fiscal year under review) under “current assets,” which was presented separately in the previous fiscal year, has been included in “electronically recorded monetary claims - operating,” as the quantitative impact on the financial statements has become insignificant.

Notes to the Non-Consolidated Balance Sheet

1. Assets pledged as collateral

Assets pledged as collateral for borrowings advanced to investee companies from financial institutions

	(Millions of yen)
Investment securities	800

	(Millions of yen)
2. Accumulated depreciation of property, plant and equipment	439,040

3. Liabilities on guarantee

(1) Guarantees

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

	(Millions of yen)
Calefaccion y Ventilacion, SA de CV	719
Daikin Chemical Europe GmbH	582
AAF S.A.U	377
American Air Filter Company, Inc.	299
AAF International Airfiltration Systems L.L.C.	149
Three (3) other companies	64
Total	2,191

(2) Commitments to guarantee

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

	(Millions of yen)
Daikin Airconditioning India Pvt. Ltd.	4,907
Daikin Airconditioning Philippines, Inc.	4,268
AAF-McQuay UK Limited	2,543
PT Daikin Industries Indonesia	1,974
Daikin Advanced Materials Korea Co., Ltd.	733
Six (6) other companies	1,997
Total	16,424

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

	(Millions of yen)
Short-term monetary receivables	157,637
Short-term monetary payables	126,934
Long-term monetary payables	15

Notes to the Non-Consolidated Statement of Income

Volume of transactions with affiliated companies

	(Millions of yen)
Operating transactions	
Sales amount	565,599
Purchase amount	262,169
Non-operating transactions	255,733

Notes to the Non-Consolidated Statement of Changes in Equity

Type and number of shares of treasury shares as of March 31, 2026

Common shares: 267,441 shares

Tax Effect Accounting

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

	(Millions of yen)
Deferred tax assets:	
Software and other assets	31,121
Shares of subsidiaries and associates	20,097
Provision for bonuses	3,821
Inventories	3,410
Provision for product warranties	2,863
Enterprise tax payable	990
Investment securities	700
Provision for retirement benefits	429
Allowance for doubtful accounts	377
Long-term accounts payable – other	5
Other	6,013
Subtotal of deferred tax assets	69,833
Less valuation allowance	(22,958)
Total deferred tax assets	46,875
Deferred tax liabilities:	
Valuation difference on available-for-sale securities	(36,642)
Prepaid pension cost	(6,681)
Reserve for tax purpose reduction entry of non-current assets, etc.	(2,113)
Total deferred tax liabilities	(45,436)
Net deferred tax assets (liabilities)	1,438

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

	(%)
Normal statutory effective income tax rate	30.6
(Reconciliation items)	
Dividends income and others that are permanently excluded from taxable income	(24.2)
Foreign income tax withheld relating to dividends from foreign subsidiaries	5.2
Tax credit for experimentation and research expense, etc.	(4.4)
Unrecognized tax effect on foreign income tax credit	(0.6)
Entertainment expenses and others that are permanently excluded from taxable loss	0.5
Valuation allowance	0.1
Per capita inhabitant's tax	0.1
Other	(0.6)
Actual effective income taxes rate after the adoption of tax-effect accounting	6.8

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

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

Transactions with Related Parties

Subsidiaries

Attribute	Company name	Ownership percentage of voting rights (%)	Relationship with the Company	Description of transactions	Transaction amount (Millions of yen)	Account title	Year-end balance (Millions of yen)
Subsidiary	Daikin HVAC Solution Tokyo Co., Ltd.	100% (directly holding)	Sale of air conditioning equipment	Sale of air conditioning equipment (Note 1)	108,163	Accounts receivable – trade	10,052
	Daikin Comfort Technologies North America, Inc.	100% (indirectly holding)	Sale of air conditioning equipment	Sale of air conditioning equipment (Note 1)	50,456	Accounts receivable – trade	22,674
	Daikin Applied Americas Inc.	100% (indirectly holding)	Loan	Loan (Note 2)	45,783	Short-term loans receivable from subsidiaries and associates	38,291
				Loan	45,009	Long-term loans receivable from subsidiaries and associates (incl. current portion)	75,423
				Repayment of loan	11,905		
				Interest income (Note 3)	4,769	Other current assets	242
	Daikin Holdings America Inc.	100% (directly holding)	Capital increase	Underwriting of capital increase (Note 4)	111,877	—	—

Notes:
1. The terms applicable to transactions have been determined with reference to the market price in the same way as with the terms applicable to transactions in general.
2. Borrowing and loan are related to CMS (Cash Management System), and transaction amount shows the average balance during the period.
3. The interest rate has been determined in accordance with the market interest rate.
4. The underwriting of capital increase includes, in part, contributions in kind of shares of the Company’s overseas subsidiaries.

Per Share Information

Net assets per share: ¥4,655.75

Earnings per share: ¥632.59

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