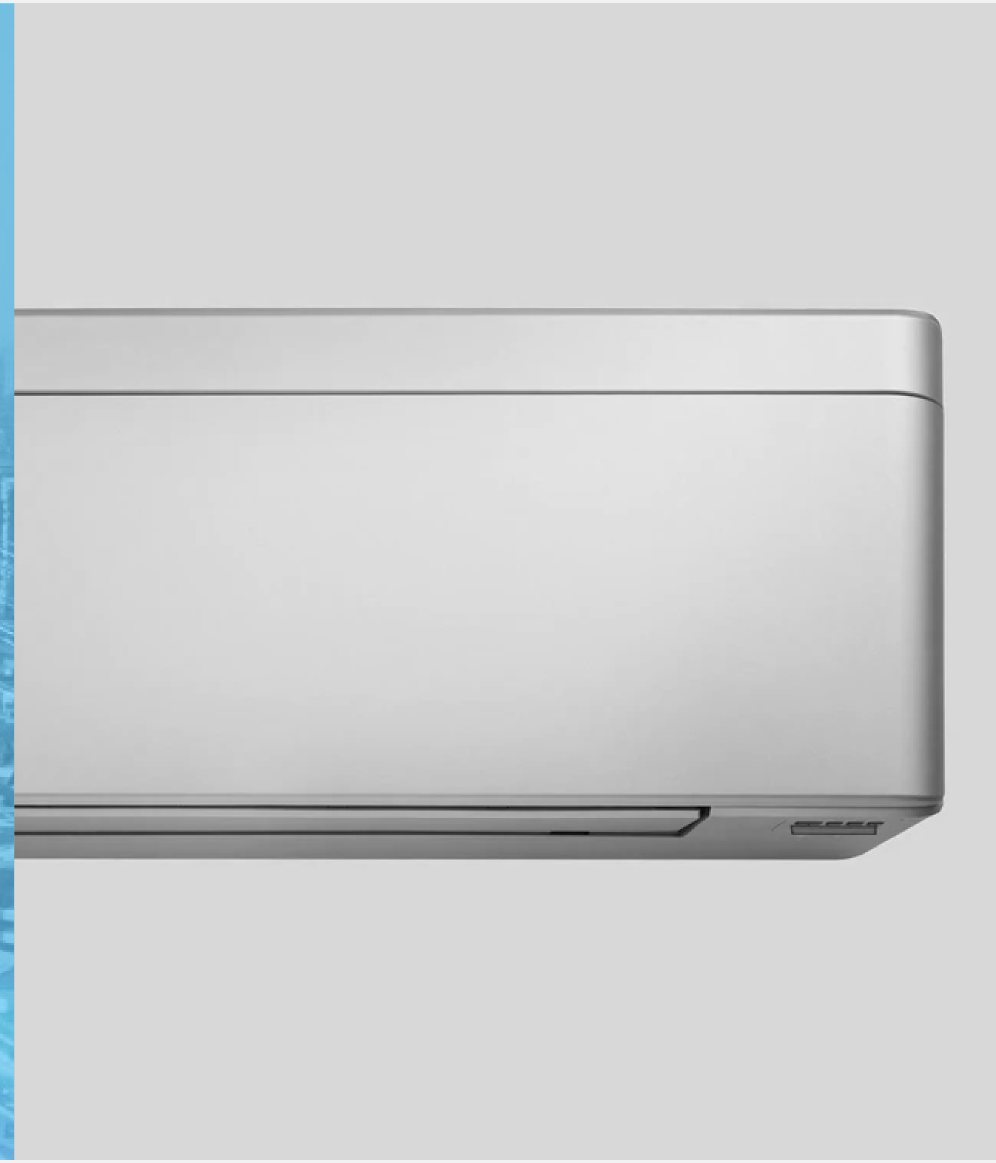
Elliott's Perspectives on Daikin

April 27, 2026



Disclaimer

THIS DOCUMENT HAS BEEN ISSUED BY ELLIOTT ADVISORS (UK) LIMITED ("EAUK"), WHICH IS AUTHORIZED AND REGULATED BY THE UNITED KINGDOM'S FINANCIAL CONDUCT AUTHORITY ("FCA"). NOTHING WITHIN THIS DOCUMENT PROMOTES, OR IS INTENDED TO PROMOTE, AND MAY NOT BE CONSTRUED AS PROMOTING, ANY FUNDS ADVISED DIRECTLY OR INDIRECTLY BY EAUK (THE "ELLIOTT FUNDS").

THIS DOCUMENT IS FOR DISCUSSION AND INFORMATIONAL PURPOSES ONLY. THE VIEWS EXPRESSED HEREIN REPRESENT THE OPINIONS OF EAUK AND ITS AFFILIATES (COLLECTIVELY, "ELLIOTT MANAGEMENT") AS OF THE DATE HEREOF. ELLIOTT MANAGEMENT RESERVES THE RIGHT TO CHANGE OR MODIFY ANY OF ITS OPINIONS EXPRESSED HEREIN AT ANY TIME AND FOR ANY REASON AND EXPRESSLY DISCLAIMS ANY OBLIGATION TO CORRECT, UPDATE OR REVISE THE INFORMATION CONTAINED HEREIN OR TO OTHERWISE PROVIDE ANY ADDITIONAL MATERIALS.

ALL OF THE INFORMATION CONTAINED HEREIN IS BASED ON PUBLICLY AVAILABLE INFORMATION WITH RESPECT TO DAIKIN INDUSTRIES, LTD. (THE "COMPANY" OR "DAIKIN"), INCLUDING PUBLIC FILINGS AND DISCLOSURES MADE BY THE COMPANY AND OTHER SOURCES, AS WELL AS ELLIOTT MANAGEMENT'S ANALYSIS OF SUCH PUBLICLY AVAILABLE INFORMATION. ELLIOTT MANAGEMENT HAS RELIED UPON AND ASSUMED, WITHOUT INDEPENDENT VERIFICATION, THE ACCURACY AND COMPLETENESS OF ALL DATA AND INFORMATION AVAILABLE FROM PUBLIC SOURCES, AND NO REPRESENTATION OR WARRANTY IS MADE THAT ANY SUCH DATA OR INFORMATION IS ACCURATE. ELLIOTT MANAGEMENT RECOGNIZES THAT THERE MAY BE CONFIDENTIAL OR OTHERWISE NON-PUBLIC INFORMATION WITH RESPECT TO THE COMPANY THAT COULD ALTER THE OPINIONS OF ELLIOTT MANAGEMENT WERE SUCH INFORMATION KNOWN.

NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS GIVEN AND NO RESPONSIBILITY OR LIABILITY OR DUTY OF CARE IS OR WILL BE ACCEPTED BY ELLIOTT MANAGEMENT OR ANY OF ITS DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, OR ADVISORS (EACH AN "ELLIOTT PERSON") CONCERNING: (I) THIS DOCUMENT AND ITS CONTENTS, INCLUDING WHETHER THE INFORMATION AND OPINIONS CONTAINED HEREIN ARE ACCURATE, FAIR, COMPLETE OR CURRENT; (II) THE PROVISION OF ANY FURTHER INFORMATION, WHETHER BY WAY OF UPDATE TO THE INFORMATION AND OPINIONS CONTAINED IN THIS DOCUMENT OR OTHERWISE TO THE RECIPIENT AFTER THE DATE OF THIS DOCUMENT; OR (III) ELLIOTT MANAGEMENT'S INVESTMENT PROCESSES OR INVESTMENT OBJECTIVES OR WHETHER THEY WILL OR ARE LIKELY TO BE ACHIEVED OR SUCCESSFUL OR WHETHER ELLIOTT MANAGEMENT'S INVESTMENTS WILL MAKE ANY PROFIT OR WILL NOT SUSTAIN LOSSES. PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS. TO THE FULLEST EXTENT PERMITTED BY LAW, NONE OF THE ELLIOTT PERSONS WILL BE RESPONSIBLE FOR ANY LOSSES, WHETHER DIRECT, INDIRECT OR CONSEQUENTIAL, INCLUDING LOSS OF PROFITS, DAMAGES, COSTS, CLAIMS OR EXPENSES RELATING TO OR ARISING FROM THE RECIPIENT'S OR ANY PERSON'S RELIANCE ON THIS DOCUMENT.

EXCEPT FOR THE HISTORICAL INFORMATION CONTAINED HEREIN, THE INFORMATION AND OPINIONS INCLUDED IN THIS DOCUMENT CONSTITUTE FORWARD-LOOKING STATEMENTS, INCLUDING ESTIMATES AND PROJECTIONS PREPARED WITH RESPECT TO, AMONG OTHER THINGS, THE COMPANY'S ANTICIPATED OPERATING PERFORMANCE, THE VALUE OF THE COMPANY'S SECURITIES, DEBT OR ANY RELATED FINANCIAL INSTRUMENTS THAT ARE BASED UPON OR RELATE TO THE VALUE OF SECURITIES OF THE COMPANY (COLLECTIVELY, "COMPANY SECURITIES"), GENERAL ECONOMIC AND MARKET CONDITIONS AND OTHER FUTURE EVENTS. YOU SHOULD BE AWARE THAT ALL FORWARD-LOOKING STATEMENTS, ESTIMATES AND PROJECTIONS ARE INHERENTLY UNCERTAIN AND SUBJECT TO SIGNIFICANT ECONOMIC, COMPETITIVE, AND OTHER UNCERTAINTIES AND CONTINGENCIES AND HAVE BEEN INCLUDED SOLELY FOR ILLUSTRATIVE PURPOSES. ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE ESTIMATES, PROJECTIONS OR ASSUMPTIONS CONTAINED HEREIN DUE TO REASONS THAT MAY OR MAY NOT BE FORESEEABLE. THERE CAN BE NO ASSURANCE THAT THE COMPANY SECURITIES WILL TRADE AT THE PRICES THAT MAY BE IMPLIED HEREIN, AND THERE CAN BE NO ASSURANCE THAT ANY ESTIMATE, PROJECTION OR ASSUMPTION HEREIN IS, OR WILL BE PROVEN, CORRECT.

THIS DOCUMENT IS FOR DISCUSSION AND INFORMATIONAL PURPOSES ONLY, AND DOES NOT CONSTITUTE (A) AN OFFER OR INVITATION TO BUY OR SELL, OR A SOLICITATION OF AN OFFER TO BUY OR SELL OR TO OTHERWISE ENGAGE IN ANY INVESTMENT BUSINESS OR PROVIDE OR RECEIVE ANY INVESTMENT SERVICES IN RESPECT OF, ANY SECURITY OR OTHER FINANCIAL INSTRUMENT AND NO LEGAL RELATIONS SHALL BE CREATED BY ITS ISSUE, (B) A "FINANCIAL PROMOTION" FOR THE PURPOSES OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 OF THE U.K. (AS AMENDED), (C) "INVESTMENT ADVICE" AS DEFINED BY THE FCA'S HANDBOOK OF RULES AND GUIDANCE ("FCA HANDBOOK"), (D) "INVESTMENT RESEARCH" AS DEFINED BY THE FCA HANDBOOK, (E) AN "INVESTMENT RECOMMENDATION" AS DEFINED BY REGULATION (EU) 596/2014 AND BY REGULATION (EU) NO. 596/2014 AS IT FORMS PART OF U.K. DOMESTIC LAW BY VIRTUE OF SECTION 3 OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 ("EUWA 2018") INCLUDING AS AMENDED BY REGULATIONS ISSUED UNDER SECTION 8 OF EUWA 2018, (F) ANY ACTION CONSTITUTING "INVESTMENT ADVISORY BUSINESS" AS DEFINED IN ARTICLE 28, PARAGRAPH 3, ITEM 1 OF THE FINANCIAL INSTRUMENTS AND EXCHANGE LAW OF JAPAN (THE "FIEL"), (G) ANY ACTION CONSTITUTING "INVESTMENT MANAGEMENT BUSINESS" AS DEFINED IN ARTICLE 28, PARAGRAPH 4 OF THE FIEL, (H) AN ACTION THAT DOES NOT COMPLY WITH THE CRITERIA WHICH THE MINISTER OF FINANCE AND THE COMPETENT MINISTER FOR THE BUSINESS ESTABLISH PURSUANT TO ARTICLE 27-2, PARAGRAPH 1 OF THE FOREIGN EXCHANGE AND FOREIGN TRADE ACT OF JAPAN; OR (I) FINANCIAL PROMOTION, INVESTMENT ADVICE OR AN INDUCEMENT OR ENCOURAGEMENT TO PARTICIPATE IN ANY PRODUCT, OFFERING OR INVESTMENT. NO INFORMATION CONTAINED HEREIN SHOULD BE CONSTRUED AS A RECOMMENDATION BY ELLIOTT MANAGEMENT. THIS DOCUMENT IS NOT INTENDED TO FORM THE BASIS OF ANY INVESTMENT DECISION OR AS SUGGESTING AN INVESTMENT STRATEGY. THIS DOCUMENT IS NOT (AND MAY NOT BE CONSTRUED TO BE) LEGAL, TAX, INVESTMENT, FINANCIAL OR OTHER ADVICE. EACH RECIPIENT SHOULD CONSULT THEIR OWN LEGAL COUNSEL AND TAX AND FINANCIAL ADVISORS AS TO LEGAL AND OTHER MATTERS CONCERNING THE INFORMATION CONTAINED HEREIN. THIS DOCUMENT DOES NOT PURPORT TO BE ALL-INCLUSIVE OR TO CONTAIN ALL OF THE INFORMATION THAT MAY BE RELEVANT TO AN EVALUATION OF THE COMPANY, COMPANY SECURITIES OR THE MATTERS DESCRIBED HEREIN.

NO AGREEMENT, COMMITMENT, UNDERSTANDING OR OTHER LEGAL RELATIONSHIP EXISTS OR MAY BE DEEMED TO EXIST BETWEEN OR AMONG ELLIOTT MANAGEMENT AND ANY OTHER PERSON BY VIRTUE OF FURNISHING THIS DOCUMENT. ELLIOTT MANAGEMENT IS NOT ACTING FOR OR ON BEHALF OF, AND IS NOT PROVIDING ANY ADVICE OR SERVICE TO, ANY RECIPIENT OF THIS DOCUMENT. ELLIOTT MANAGEMENT IS NOT RESPONSIBLE TO ANY PERSON FOR PROVIDING ADVICE IN RELATION TO THE SUBJECT MATTER OF THIS DOCUMENT. BEFORE DETERMINING ON ANY COURSE OF ACTION, ANY RECIPIENT SHOULD CONSIDER ANY ASSOCIATED RISKS AND CONSEQUENCES AND CONSULT WITH ITS OWN INDEPENDENT ADVISORS AS IT DEEMS NECESSARY.

THE ELLIOTT FUNDS HAVE A DIRECT OR INDIRECT INVESTMENT IN THE COMPANY. ELLIOTT MANAGEMENT THEREFORE HAS A FINANCIAL INTEREST IN THE PROFITABILITY OF THE ELLIOTT FUNDS' POSITIONS IN THE COMPANY. ACCORDINGLY, ELLIOTT MANAGEMENT MAY HAVE CONFLICTS OF INTEREST AND THIS DOCUMENT SHOULD NOT BE REGARDED AS IMPARTIAL. NOTHING IN THIS DOCUMENT SHOULD BE TAKEN AS ANY INDICATION OF ELLIOTT MANAGEMENT'S CURRENT OR FUTURE TRADING, VOTING OR OTHER INTENTIONS WHICH MAY CHANGE AT ANY TIME.

ELLIOTT MANAGEMENT INTENDS TO REVIEW ITS INVESTMENTS IN THE COMPANY ON A CONTINUING BASIS AND DEPENDING UPON VARIOUS FACTORS, INCLUDING WITHOUT LIMITATION, THE COMPANY'S FINANCIAL POSITION AND STRATEGIC DIRECTION, THE OUTCOME OF ANY DISCUSSIONS WITH THE COMPANY, OVERALL MARKET CONDITIONS, OTHER INVESTMENT OPPORTUNITIES AVAILABLE TO ELLIOTT MANAGEMENT, AND THE AVAILABILITY OF COMPANY SECURITIES AT PRICES THAT WOULD MAKE THE PURCHASE OR SALE OF COMPANY SECURITIES DESIRABLE, ELLIOTT MANAGEMENT MAY FROM TIME TO TIME (IN THE OPEN MARKET OR IN PRIVATE TRANSACTIONS, INCLUDING SINCE THE INCEPTION OF ELLIOTT MANAGEMENT'S POSITION) BUY, SELL, COVER, HEDGE OR OTHERWISE CHANGE THE FORM OR SUBSTANCE OF ANY OF ITS INVESTMENTS (INCLUDING COMPANY SECURITIES) TO ANY DEGREE IN ANY MANNER PERMITTED BY LAW AND EXPRESSLY DISCLAIMS ANY OBLIGATION TO NOTIFY OTHERS OF ANY SUCH CHANGES. ELLIOTT MANAGEMENT ALSO RESERVES THE RIGHT TO TAKE ANY ACTIONS WITH RESPECT TO ITS INVESTMENTS IN THE COMPANY AS IT MAY DEEM APPROPRIATE.

ELLIOTT MANAGEMENT HAS NOT SOUGHT OR OBTAINED CONSENT FROM ANY THIRD PARTY TO USE ANY STATEMENTS OR INFORMATION CONTAINED HEREIN. ANY SUCH STATEMENTS OR INFORMATION SHOULD NOT BE VIEWED AS INDICATING THE SUPPORT OF SUCH THIRD PARTY FOR THE VIEWS EXPRESSED HEREIN. ALL TRADEMARKS AND TRADE NAMES USED HEREIN ARE THE EXCLUSIVE PROPERTY OF THEIR RESPECTIVE OWNERS.

About Elliott

Founded in 1977, Elliott is one of the oldest investment firms of its kind under continuous management

AUM OF $79.8 BILLION(1)

Returns have been consistent through multiple market cycles with **only two negative years** in the firm's 49-year history

GLOBAL PRESENCE

Elliott invests across the world, with offices in Florida, Connecticut, New York, California and London

SECTOR EXPERTISE

Elliott has significant expertise and a successful track record of investing in industrials companies globally

Our investment approach

- Extensive due-diligence process
- Constructive engagements with management teams and Boards
- Long-term value creation

Select Elliott Investments

DNP	Sumitomo Corporation	Honeywell
Kansai Electric Power power with heart	Johnson Controls	MITSUI FUDOSAN
MOL 商船三井	TOYOTA	SoftBank
Sumitomo Realty & Development	TOKYO GAS	TOSHIBA

Note: (1) As of December 31, 2025.

Elliott's View in Summary

Daikin is an exceptional company with room to achieve significant earnings upside

Daikin is a global HVAC leader...

Best-in-Class Market Position:
#1 global HVAC player with leading market share in the U.S. and Japan with diversified exposure across end markets and geographies

Exposed to a Large and Growing Market:
HVAC is a GDP+ growth industry with support from urbanization, electrification, climate-driven cooling demand, and recent tailwinds from data center demand

Strong Moat and Competitive Advantages:
Enduring competitive advantage supported by its innovation edge, vertical integration, fortified distribution networks, and global footprint and scale

... that is deeply undervalued

Share Price Underperformance:
Over the last five years, Daikin shares have underperformed the TOPIX index by 115% and global peers by 208%

Deep Discount to Peers and to its History:
Daikin is the most undervalued global HVAC company, trading at 18x NTM P/E behind every global HVAC peer. At 8.9x NTM EBITDA, it trades at a historically wide discount of 48% to global peers' average of 17.4x: pre-2023, this discount was c. 6% on average

Lagging Return on Equity:
Over the last 8 years, ROE has declined from over 15% to an expected 9% for FY3/26 – driven by margin compression and an overequitized balance sheet

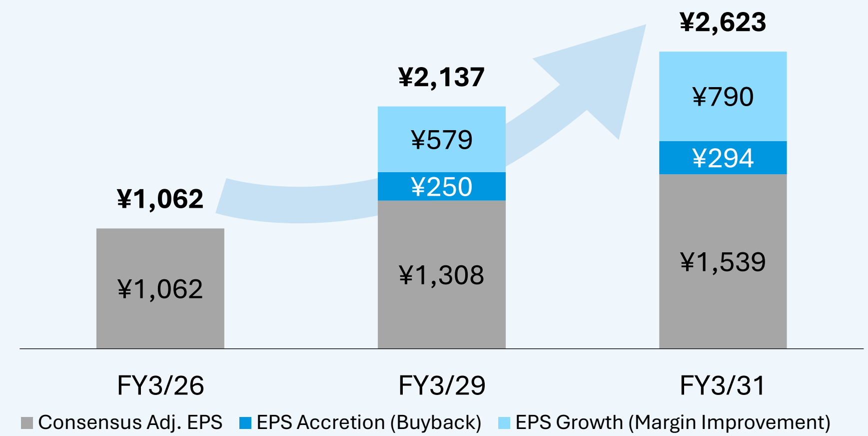
Significant EPS Upside

1. Concrete measures to expand margins
2. Improved shareholder returns
3. Portfolio review of non-core businesses

Daikin's EPS Projection
(¥ per share)

Upside vs. Consensus[1] **>60%** (FY3/29)

Upside vs. Consensus[1] **>70%** (FY3/31)



Sources: Bloomberg as of April 17, 2026.
Note: (1) Consensus EPS is adjusted for goodwill amortization to align with the US GAAP accounting treatment for global peers.

Daikin is a Leading Global HVAC Company

Setting the global standard in HVAC through scale, innovation, and end-to-end capabilities

DAIKIN

Daikin is the #1 global HVAC player with leadership across regions, products, and end markets

Global Scale and Leadership

- **#1 global HVAC player by revenue and market share**
- Market leader in **U.S. and Japan; top-tier in Europe and China**
- Operates in **170+ countries**

Full-Scope HVAC Platform

- End-to-end offering across **residential, commercial, and industrial HVAC**
- Exposure to **high-growth segments**
- Balanced mix across **products, geographies, and end markets**

Structural Competitive Advantage

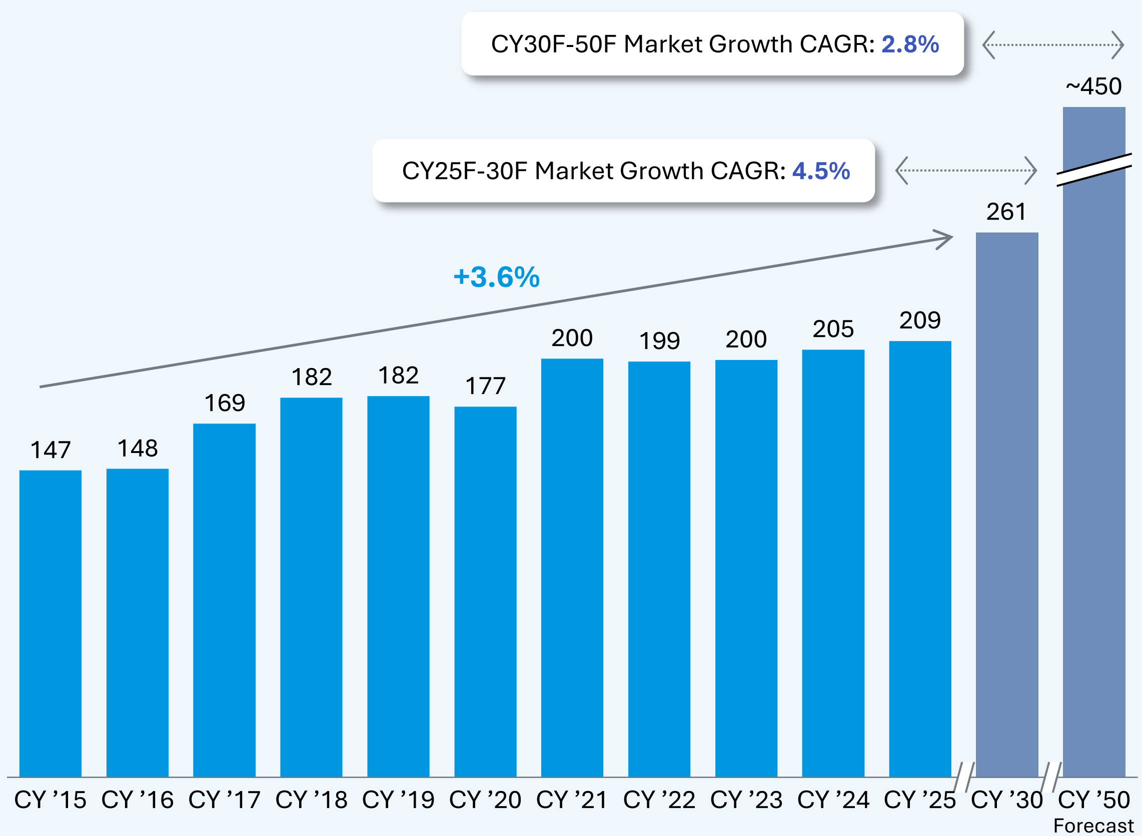
- **Technology leader** in VRV/VRF, inverter, and refrigerants
- **Vertically integrated** across key components
- **Global distribution network** with strong installer and dealer relationships

Sources: Company Disclosures.

HVAC is a Large, Growing Market with Secular Tailwinds

Global HVAC market expected to grow at GDP+, supported by rising urbanization and HVAC penetration, tightening regulatory standards and, recently, strong data center demand

HVAC Market Size, $ bn, CY 2015-2050



Key Drivers of Market Growth

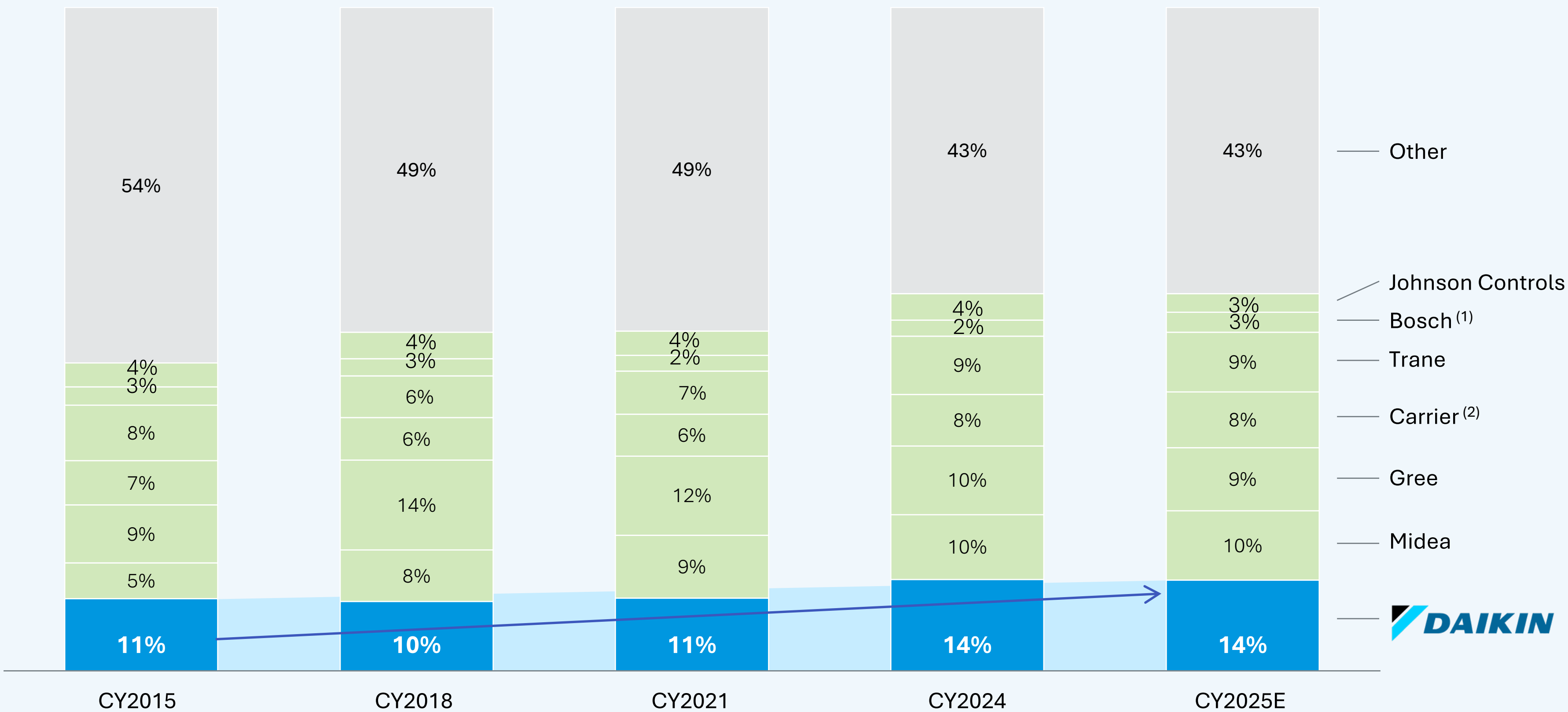
Macro Theme	Description
Economic Growth	▪ Stable GDP growth drives HVAC demand ▪ Large installed base drives ongoing replacement (R&R) ▪ Lower interest and mortgage rates boost new construction and renovation ▪ Rising HVAC penetration in developing countries
Regulatory Changes	▪ Stricter efficiency and electrification standards accelerate HVAC replacement ▪ Subsidies (e.g., EU REPower, IRA) promote heat pump adoption ▪ Refrigerant phase-down drives technology upgrades
Climate Change	▪ 1.5°C global warming by 2050 expands AC demand in previously cool regions
Data/Cloud and AI Proliferation	▪ Data center capacity expected to grow at double-digit annual rate ▪ High-density cooling systems needed for intensive AI workloads

Sources: Global Management Consulting Firm, Company Disclosures.

Daikin Has Gained Global Market Share Over the Last 10 Years

Over the last decade, the global HVAC market has become more consolidated and Daikin has gained share to not only maintain but also strengthen its global #1 position

Daikin Global Market Share in Value %, CY2015-2025E

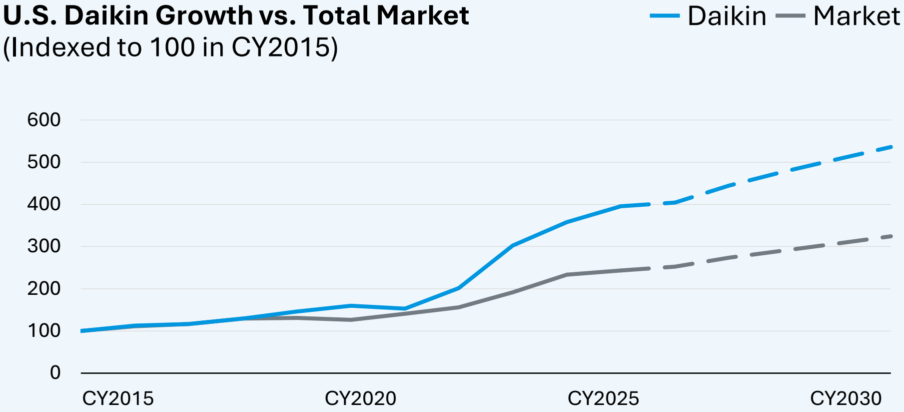


Sources: Global Management Consulting Firm, Company Disclosures.
Notes: (1) Bosch's acquisition of Johnson Controls's Residential and Light Commercial business closed in August 2025, as such the first full year of impact will be 2026; (2) Carrier acquired Viessmann in 2023 (combined share).

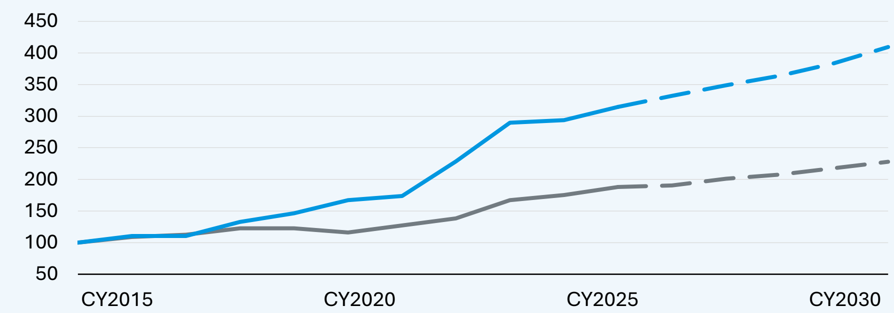
Broad-Based Outperformance in Growth Across All Geographies

Since CY2015, Daikin has improved its leading share positions in the U.S., Europe, and Japan, consistently outperforming overall regional market growth

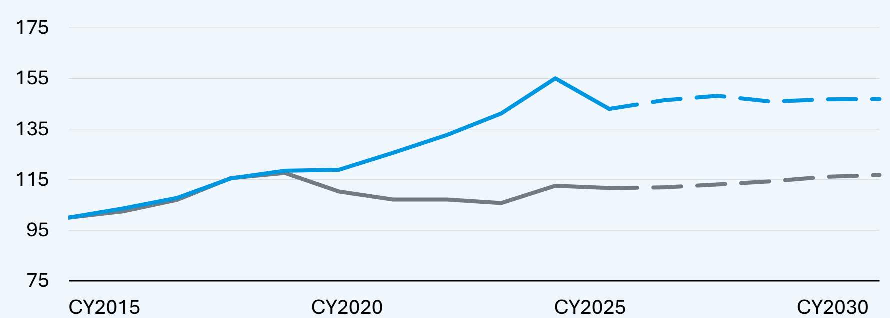
U.S. Daikin Growth vs. Total Market
(Indexed to 100 in CY2015)



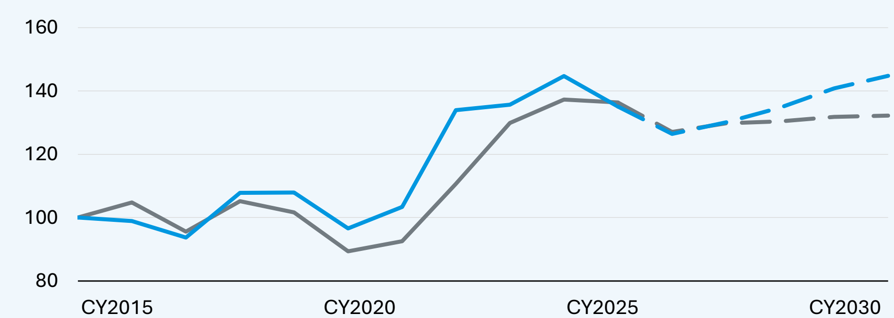
Europe Daikin Growth vs. Total Market
(Indexed to 100 in CY2015)



Japan Daikin Growth vs. Total Market
(Indexed to 100 in CY2015)



China Daikin Growth vs. Addressable Market[(1)]
(Indexed to 100 in CY2015)



Sources: Global Management Consulting Firm, Company Disclosures.
Note: (1) Addressable market defined as Central AC in China.

Daikin Has Strong Competitive Advantages

Daikin's moat is supported by its technology leadership, differentiated manufacturing strategy, fortified distribution, and exposure to high-growth end markets

Technology & Product Leadership

- **Pioneer and leader in the core technologies** required for high-efficiency HVAC systems
- **Superior product quality and reliability**; peers still lag in efficiency and durability

> **Daikin is probably better than everybody else on the ductless side and with VRV or VRF technology.**
>
> Senior Executive, Competitor

Vertical Integration

- **Integrated from components to dealers and distribution**, owning compressor, refrigerant, and dealer networks
- More vertically integrated than peers, enabling **tighter cost control** and **faster supply response**

> **Daikin's in-house production and direct distribution model offer structural cost and supply advantages vs. peers.**
>
> BofA, August 2025

Exposure to High-Growth End Markets

- **Strong position in Residential** (including U.S. cooling and Europe heat pumps – both poised for rebound)
- Top-four player in **Commercial/Industrial HVAC** (including data centers)
- **Broader growth exposure than peers,** driven by Europe's electrification and U.S. retrofit demand

> **Heat pumps and applied cooling are key growth drivers, positioning Daikin above industry-average growth.**
>
> UBS, May 2025

Fortified Distribution

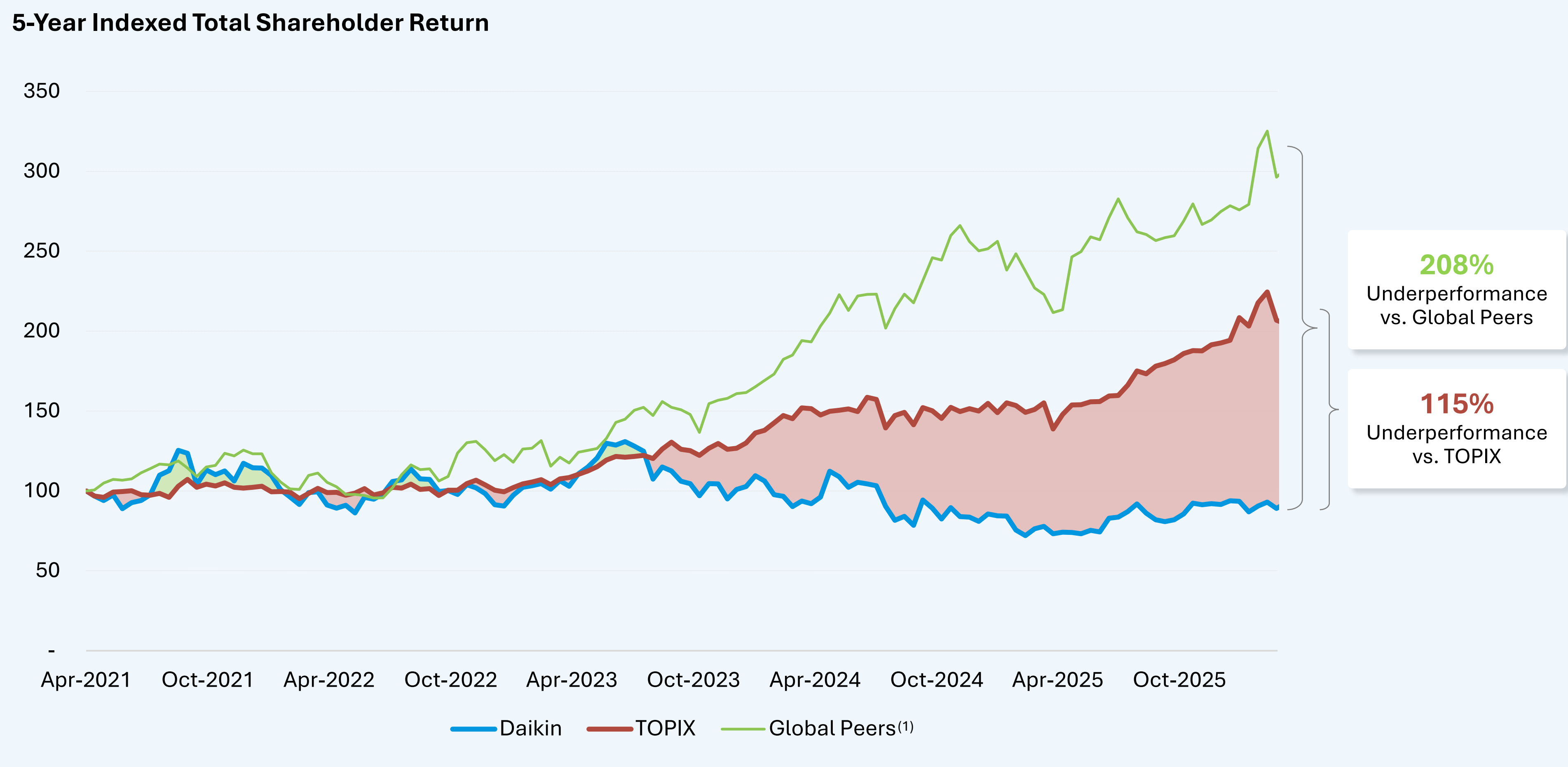
- **Wide network** – direct retail in Japan, dense installer network in Europe, and U.S. dealers via Goodman/Amana
- **Only global HVAC player** with integrated coverage across all major markets

> **Daikin's installer relationships are among the strongest in Europe, critical for premium heat-pump rollout.**
>
> Managing Director, Integrator

Sources: Global Management Consulting Firm, Company Disclosures. Emphasis added to quotes.

Daikin Shares Have Underperformed in Recent Years

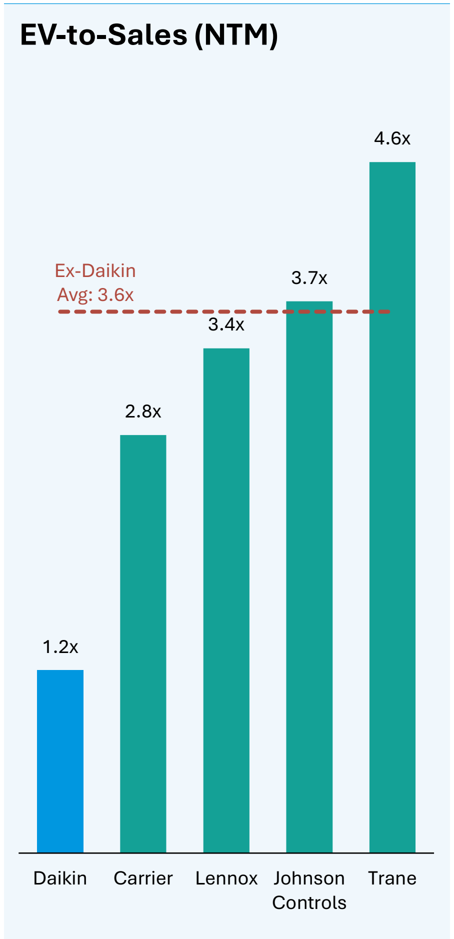
Over the last five years, Daikin shares have underperformed the TOPIX index by 115% and global peers by 208%, with underperformance widening over the last three years

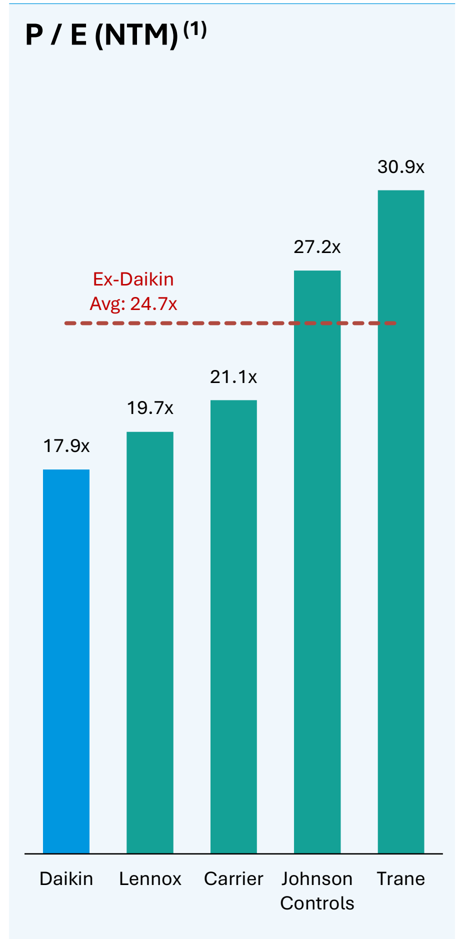


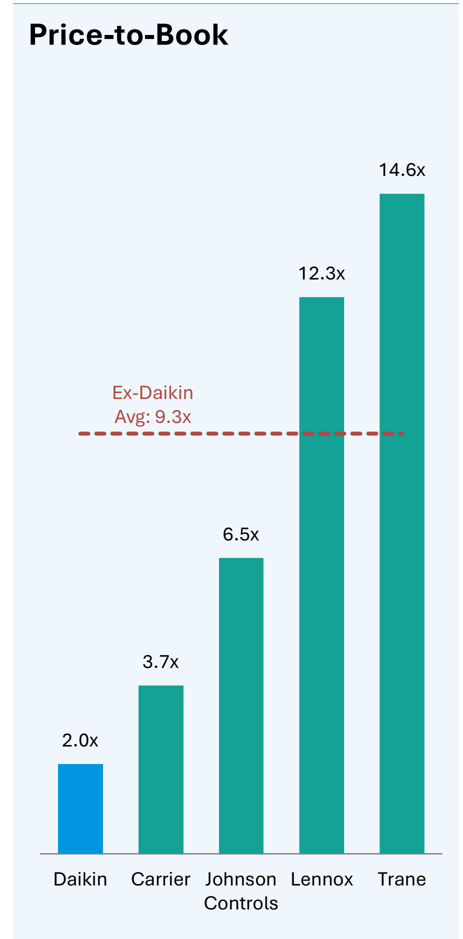
Sources: Bloomberg as of April 17, 2026.
Note: (1) Global Peers include Trane, Johnson Controls, Carrier, and Lennox.

Today, Daikin is the Most Discounted HVAC Company Globally...

Daikin trades at a deep discount to all global peers across all relevant valuation metrics





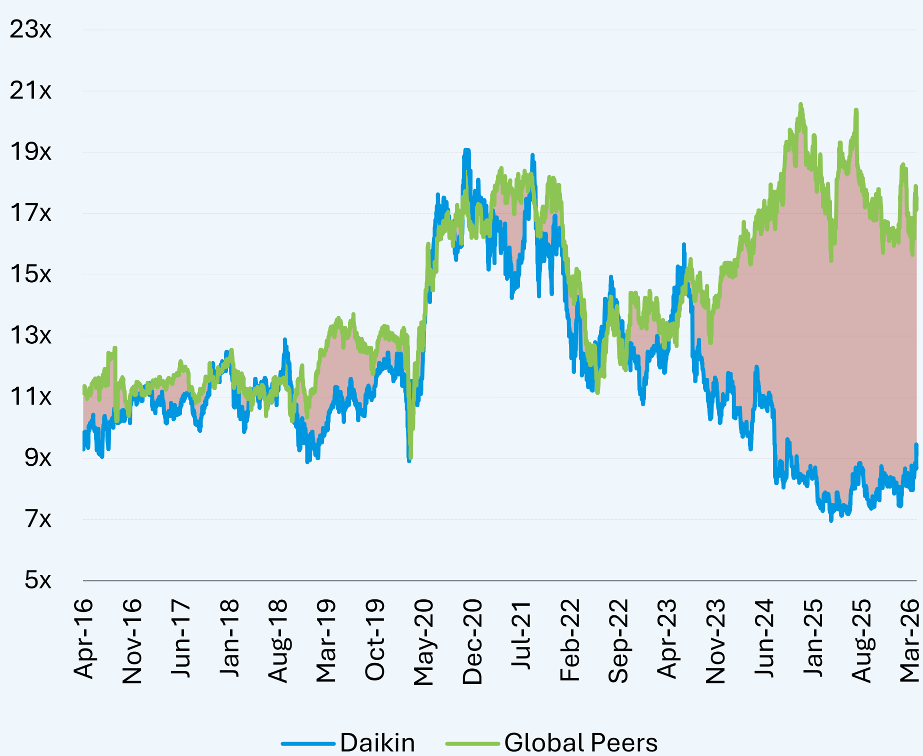


Sources: Bloomberg as of April 17, 2026.
Notes: (1) Daikin is adjusted for goodwill amortization to align with the US GAAP accounting treatment for global peers.

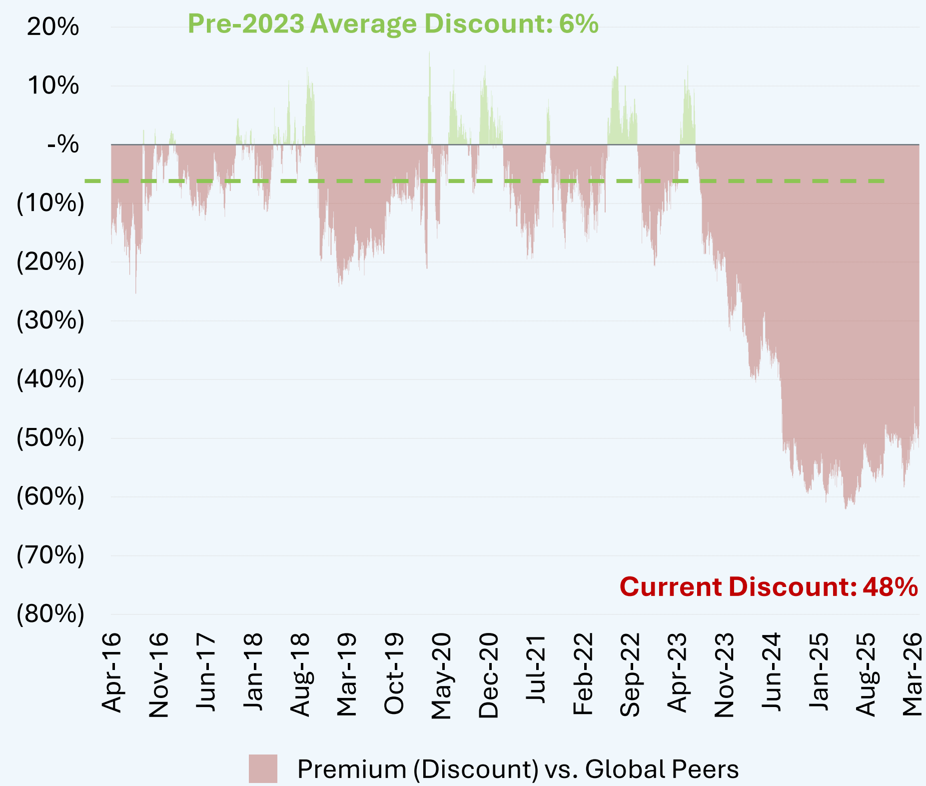
Discount to Global Peers is at Historically Wide Levels

Daikin's discount to global peers is at approximately 50%, close to decade-wide levels, versus an average 6% discount prior to 2023

Historical Valuation
EV/NTM EBITDA



Daikin's Historical Valuation Discount to Global Peers
EV/NTM EBITDA



Sources: Bloomberg as of April 17, 2026.
Note: Global HVAC Peers include Carrier, Lennox, Trane, and Johnson Controls.

Lagging ROE is a Key Source of Daikin's Valuation Discount

Market participants agree that ROE improvement is required to address Daikin's valuation discount

Sell-side Comments

If the new MTP can present a proactive shareholder returns policy, the stock should look heavily undervalued vs U.S. peers on the basis of expected ROE improvement.

SMBC Nikko, December 19, 2025

We believe **mgmt's inclusion of capital allocation and measurement to enhance ROE and ROIC in its 'Fusion 30' business plan will enhance investors' confidence** on the execution capability of Daikin's senior mgmt team.

Jefferies, March 4, 2026

Daikin Comments

[...] we recognize that **one of the reasons for the long-term slump in stock prices** is that, as you mentioned, **ROE has been declining for a long time**, and profit margins have been falling.

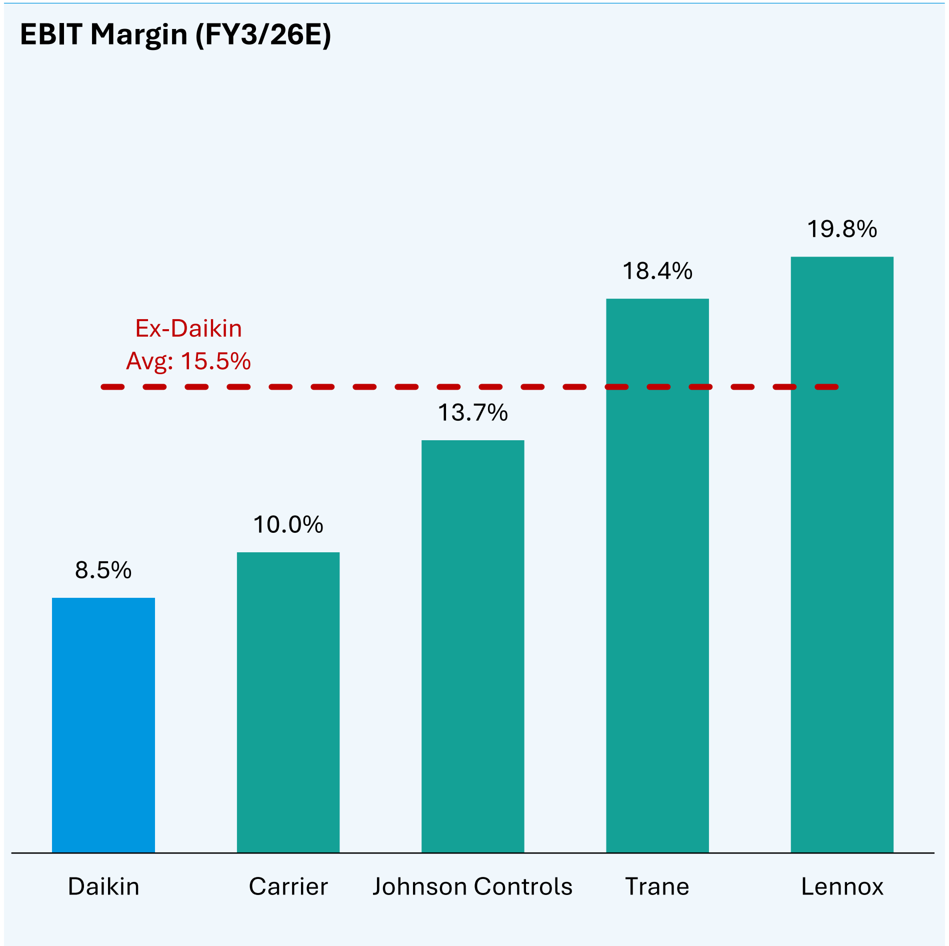
Koichi Takahashi, CFO, Q3 2025 Earnings Call, February 5, 2025

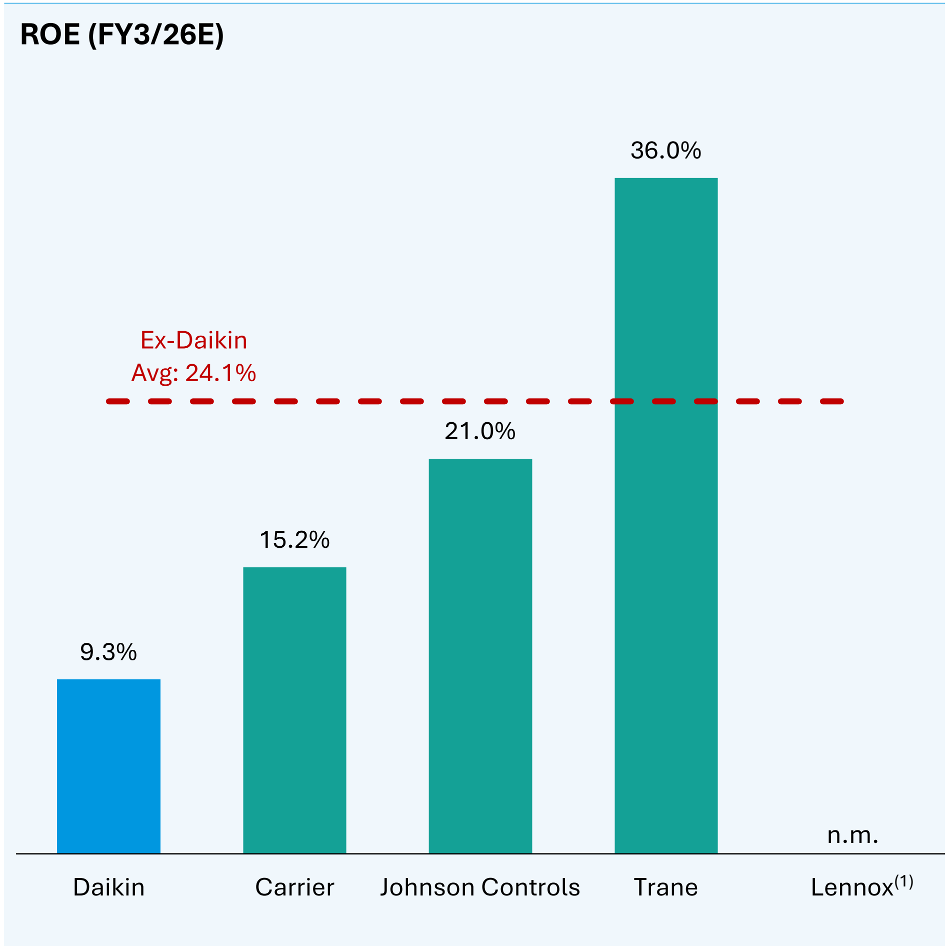
[...] at the results briefing, **it said it plans to focus on improving capital efficiency while also [...] sufficiently consider initiatives that focus on ROE** and then announce them in due course.

Nomura, August 6, 2025

Sources: Broker Reports, Company Disclosures. Emphases added to quotes.

Daikin Lags Behind All Global Peers on ROE and EBIT Margins





Sources: Bloomberg as of April 17, 2026.
Notes: Negative book equity until recently results in non-meaningful ROE for Lennox. FY3/26E figures are based on consensus.

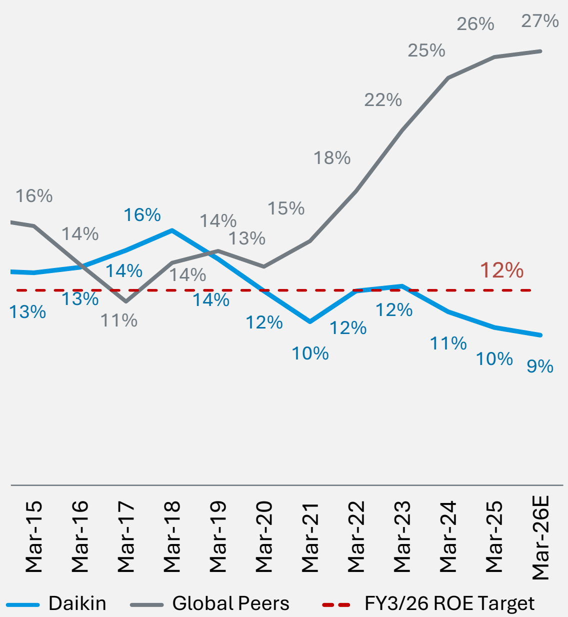
Daikin’s Leverage and Margin Gaps Have Widened Over Time

Daikin’s capital efficiency and margins used to be competitive with global peers, but have deteriorated over the last decade

Key Issues

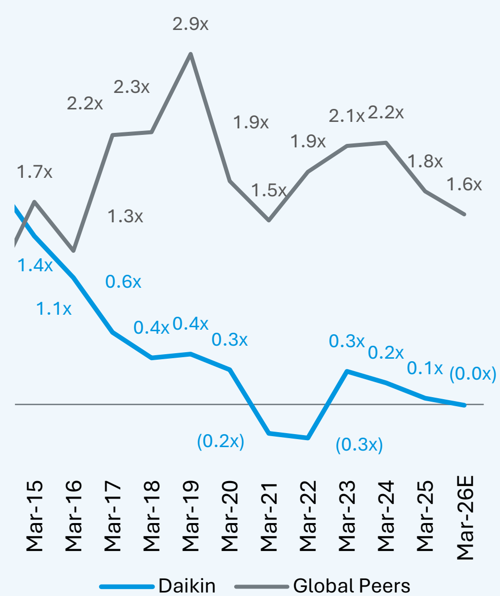
ROE

While once comparable, Daikin’s ROE has dropped in recent years while Peers’[2] has improved



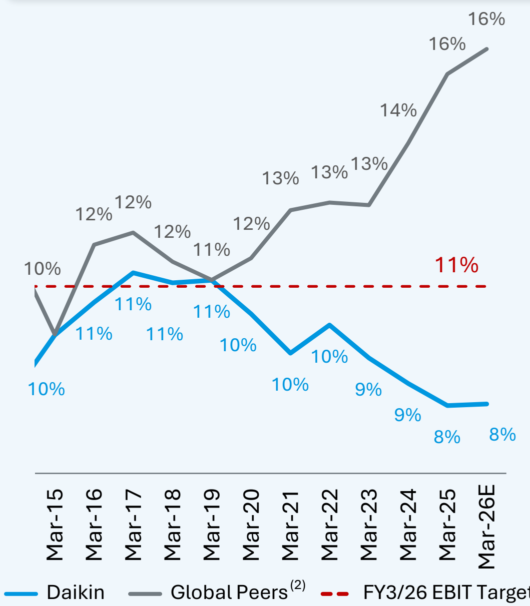
Net Debt[1] (x EBITDA)

Peers[2] carry approximately 2x leverage, while Daikin’s has declined to approximately 0x



EBIT Margin

While Peer margins have improved from c. 10% to >15%, Daikin’s EBIT margin has dropped from >10% to c. 9% in FY3/26, below management’s target of 11%

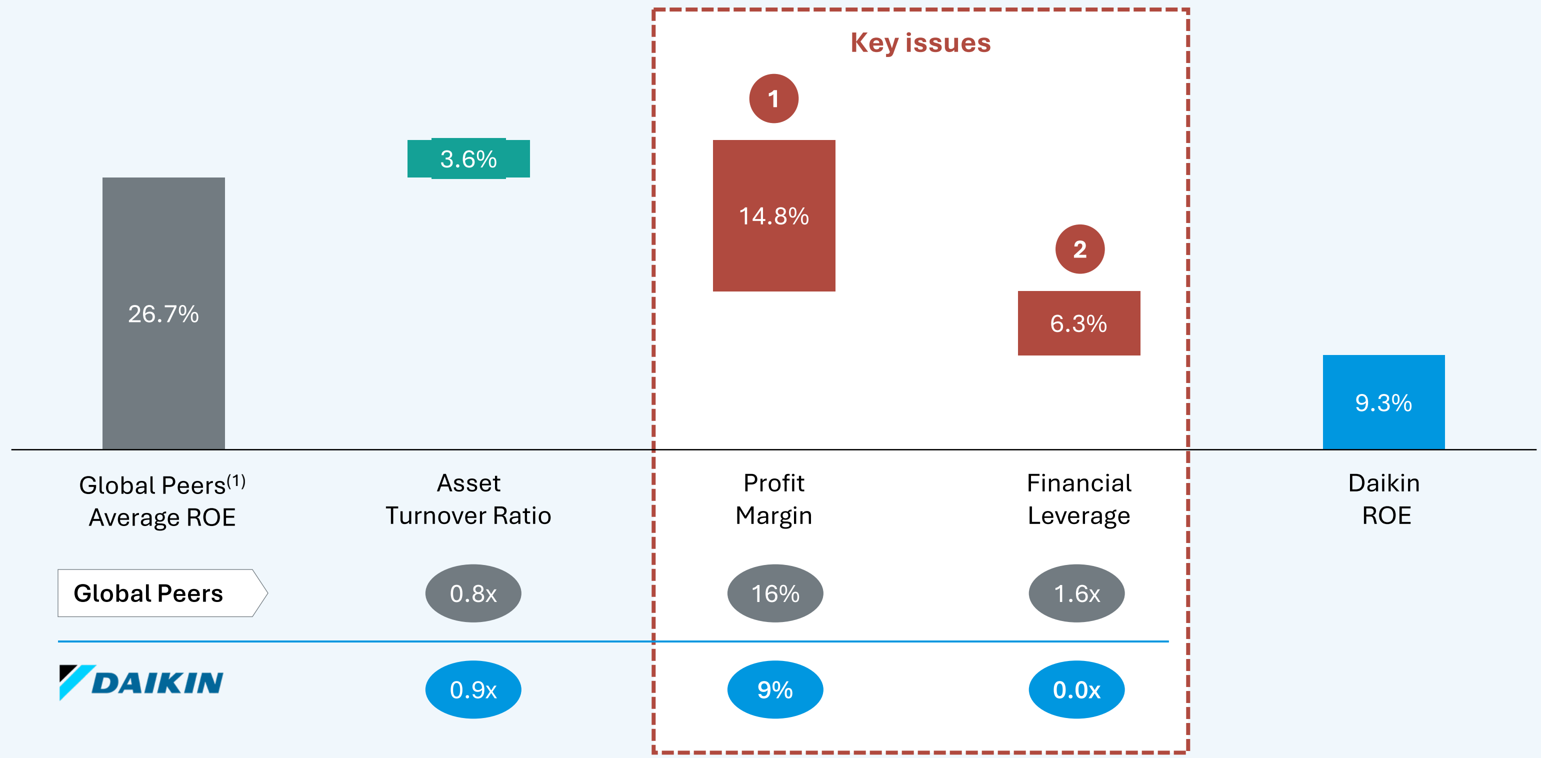


Sources: Company Disclosures, Bloomberg as of April 17, 2026.

Notes: Adjusted to a March fiscal year basis for peers with non-March year-ends. FY3/26 based on consensus. (1) Net debt includes financial lease and for Daikin includes cross shareholdings value (post tax); (2) Global Peers include Johnson Controls and Trane. Peers exclude Carrier because they became listed in 2020 and data prior is limited; Peers exclude Lennox due to negative book equity causing non-meaningful ROE; Johnson Controls excluded for 2015-2017 due to small book equity causing non-meaningful ROE.

Daikin's ROE Underperformance Stems From Overcapitalization and Low Margins

FY3/26E Consensus ROE Components Breakdown



Addressable with:

1

Margin improvement plan that includes **concrete cost-cutting measures.** Elliott's perspective on margin upside follow

2

Balance sheet control, which includes an **appropriate level of leverage and equity reduction through buybacks**

Daikin has opportunities to address key issues through margin improvement and balance sheet control

Sources: Company Disclosures, Bloomberg as of April 17, 2026.
Notes: (1) Peers include Johnson Controls and Trane and excludes (i) Carrier due to limited available data prior to its listing in 2020, and (ii) Lennox due to its negative book equity causing non-meaningful ROE.

Industry Experts Believe There is Room for Improvement on Costs...

External stakeholders see room to streamline Daikin's cost base in ways that could improve efficiency without compromising growth

SG&A	Daikin never completed the integration of acquired companies and **kept all the associated costs in place** Former Senior Exec., Daikin	There is a **near-term opportunity to ruthlessly attack the SG&A** [and significantly reduce costs] by completing the real integration work of [acquired] offices Former Senior Exec., Daikin	**A shared services approach** and the consolidation of some technical services could make a lot of sense and lead to significant cost savings Former Senior Exec., Daikin
CapEx	I'd say the **CapEx discipline is weak** Former Divisional CXO, Daikin	Daikin has aggressively invested in a bid to maintain strong growth, but its **CapEx outlays have grown disproportionately larger relative to sales** in recent years Morgan Stanley, December 2024	Daikin built another new facility that is **now essentially idle** Former Senior Exec., Daikin
Footprint	Daikin has a **big opportunity for consolidation** of its manufacturing footprint EVP, HVAC OEM	Daikin **built a tremendously large facility in Houston**, an investment that was north of 450 million... utilization is low Former Senior Exec., Daikin	It's **not clear that Daikin should maintain its plant in Ostend, Belgium** [...] especially when the company has **newer and cheaper facilities** in Eastern Europe Former Senior Exec., Daikin
Product & Revenue	**Aligning sales incentives** to GPM rather than volumes, could help **boost profitability** BofA, August 2025	If I were running Daikin, **I would have fewer distinct product platforms** Former Senior Exec., Daikin	Daikin is [...] **not very efficient at purchasing,** so the company often pays a higher price for components than most of its peers Former Senior Exec., Daikin

Sources: Expert Interviews, Global Management Consulting Firm. Emphases added to quotes.

...and Daikin's Management Agrees

Management has consistently highlighted cost discipline and margin improvement as key strategic priorities which need to be specified in the medium-term plan

Selected Commentary – Daikin Earnings Calls

[...] based on the **reflection that our consciousness went too far toward sales expansion**, we are now thinking of **shifting to management with an awareness of improving profitability and capital efficiency**

Q1 Earnings, August 2025

The **main objective of the next mid-term plan is to increase the profit margin**. However, we would like to increase profitability, while at the same time being aware of top-line growth

Q3 Earnings, February 2026

This year, we will share cost reduction themes on a global horizontal basis, promote implementation, and **take on the challenge of reducing costs by JPY50 billion, the largest ever**

Annual Earnings, May 2023

[...] we will strive to create results from the key themes we have been working on, such as [...] fundamentally strengthening global **total cost reduction** and procurement capabilities and improving the efficiency of **fixed costs**

Annual Earnings, May 2025

Sources: Company Disclosures. Emphases added to quotes.

We See Tangible Opportunities for Daikin to Reach 14% Margin

A structured cost review suggests a clear path to 500 bps margin improvement by FY3/31 through targeted initiatives, with further potential upside from insider insights

SG&A

¥70-130bn
EBIT Uplift Opportunity
(1.1% - 2.0% margin uplift)

- SG&A ~2pp above FY3/19 and **~10pp above peers**; two-thirds of margin erosion driven by SG&A expansion
- Decentralized model with **duplicative G&A, sales leadership and R&D** across regions/BUs
- Shared services expansion and leadership consolidation support **110–200 bps uplift**

CapEx

¥40-50bn
EBIT Uplift Opportunity
(0.6% - 0.8% margin uplift)

- **CapEx ~3x peers** and above historical norms; elevated depreciation burden
- **Capacity added ahead of demand** (EU heat pumps, Waller, Poland)
- Normalize to 3–4% of revenue; **~70 bps EBIT uplift** from lower depreciation

Footprint Optimization

¥30-50bn
EBIT Uplift Opportunity
(0.5% - 0.8% margin uplift)

- 129 manufacturing sites; **fragmented, acquisition-driven footprint**
- **Underutilized capacity** across regions
- **Overlapping production** (e.g., chillers/AHUs) across multiple facilities
- Plant consolidation and production shifts support **50–80 bps uplift**

Product & Revenue(2)

¥100-160bn
EBIT Uplift Opportunity
(1.6% - 2.5% margin uplift)

- Margin-focused pricing, industrial mix shift, and incentives; **120–180 bps uplift**
- Design-to-value and material optimization**; 40-70 bps uplift**

~¥250-400bn(1)
Total Identified EBIT Uplift Opportunity

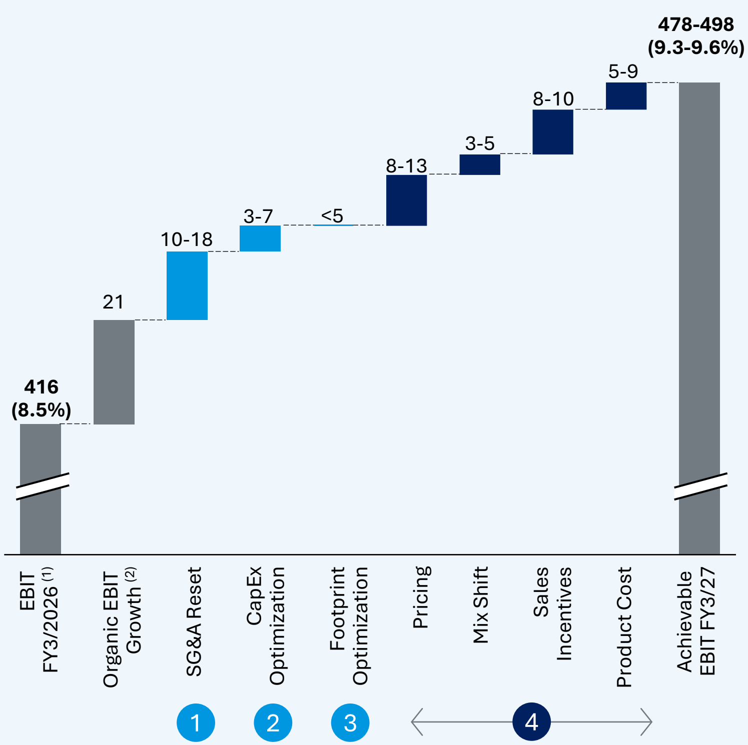
Sources: Company Disclosures, Expert Interviews, Global Management Consulting Firm.
Notes: (1) Cost savings represent EBIT uplift as a percentage of consensus FY3/31F revenue. Component EBIT impacts do not sum to total due to rounding; (2) Includes pricing, product mix, sales incentives and product cost.

Daikin Can Achieve >100 bps of Margin Upside Within a Year…

Several initiatives are immediately actionable and can deliver near-term margin uplift

EBIT Bridge

¥ bn, Achievable EBIT FY3/27



Lever	Quick wins
1 **SG&A Reset** (20-40 bps EBIT uplift by FY3/27)	▪ Consolidation of **finance functions** (e.g., A/P, A/R, accounting) into **shared service centers** in North America & China ▪ Initial EBIT uplift from first phase of **consolidation of the executive layer** across regions
2 **CapEx Optimization** (5-15 bps EBIT uplift by FY3/27)	▪ **Focus CapEx only on critical expansion** projects (e.g., U.S. Applied) ▪ **Reduce CapEx to the historical norm of ~4% of sales,** leading to initial savings from reduced depreciation by FY3/27
3 **Footprint Optimization** (<5 bps EBIT uplift by FY3/27)	▪ **Initiate footprint optimization plans** in North America (Applied) Europe (HP, Applied, Compressors) and China (VRV, Chillers) ▪ Limited EBIT impact in first year due to **phased approach**
4 **Product & Revenue** (50-70 bps EBIT uplift by FY3/27)	▪ EBIT uplift from **updated discount governance, pricing program and margin-focused sales incentive rollout** ▪ **Engineering validation and supplier qualification** to shift copper-heavy components to aluminum in value-tier units

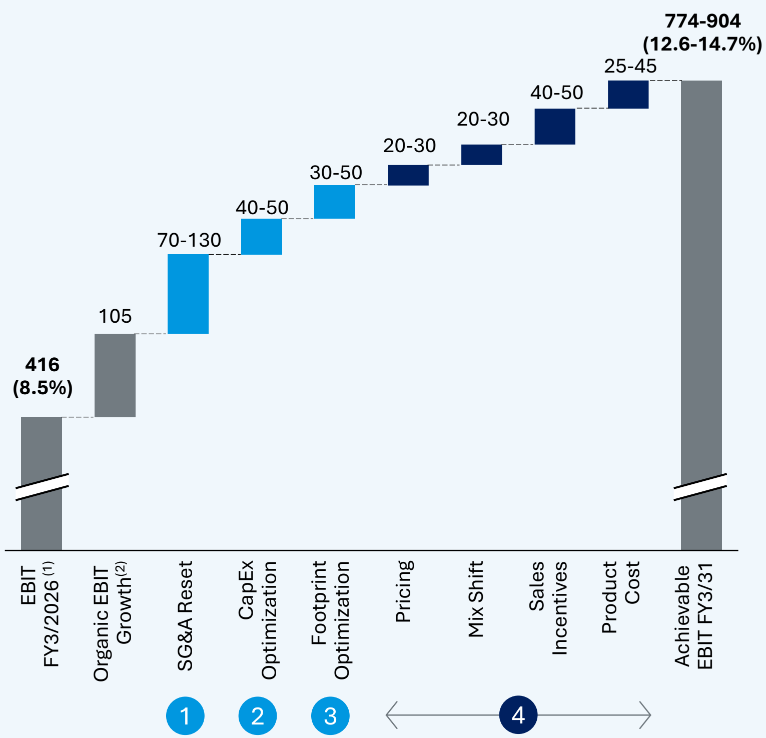
Sources: Company Disclosures, Expert Interviews, Global Management Consulting Firm.
Notes: (1) Consensus EBIT forecast; (2) Calculated based on consensus revenue forecast holding the FY3/26 EBIT margin constant.

… and >500 bps of Margin Upside Within Five Years

Further efficiency measures, such as back-office consolidation and footprint optimization, can unlock additional upside with manageable execution risk

EBIT Bridge

¥ bn, Achievable EBIT FY3/31



Lever	Medium-term and long-term initiatives
1 **SG&A Reset** (110-200 bps EBIT uplift by FY3/31)	▪ **Fully integrated back offices** across core business units within the Daikin group (e.g., Residential HVAC, Applied, AAF, Refrigeration) ▪ **Consolidated regional HQs** (eliminate parallel CXO roles) and **streamlined commercial capabilities**
2 **CapEx Optimization** (60-80 bps EBIT uplift by FY3/31)	▪ CapEx at ~4% of sales leads to **growing savings from reduced depreciation expenses** by FY3/31 ▪ Disciplined CapEx allocation to core growth vectors (e.g., Applied, Residential in SEA & Africa) **ensures revenue growth is not sacrificed**
3 **Footprint Optimization** (50-80 bps EBIT uplift by FY3/31)	▪ **Complete phased transfer of duplicative applied production lines** (e.g., chillers, air handling units) ▪ **Consolidate European residential HP production** in Poland, shift **compressor production** to East Asia and **integrate AHU production** ▪ **De-duplicate production lines** in China (e.g., VRV and chillers)
4 **Product & Revenue** (160-250 bps EBIT uplift by FY3/31)	▪ **Optimize factory footprint and automation** around aluminum-based designs via process standardization ▪ Fully realize EBIT uplift from **sales incentive scheme, updated discount governance and pricing program** by FY3/29

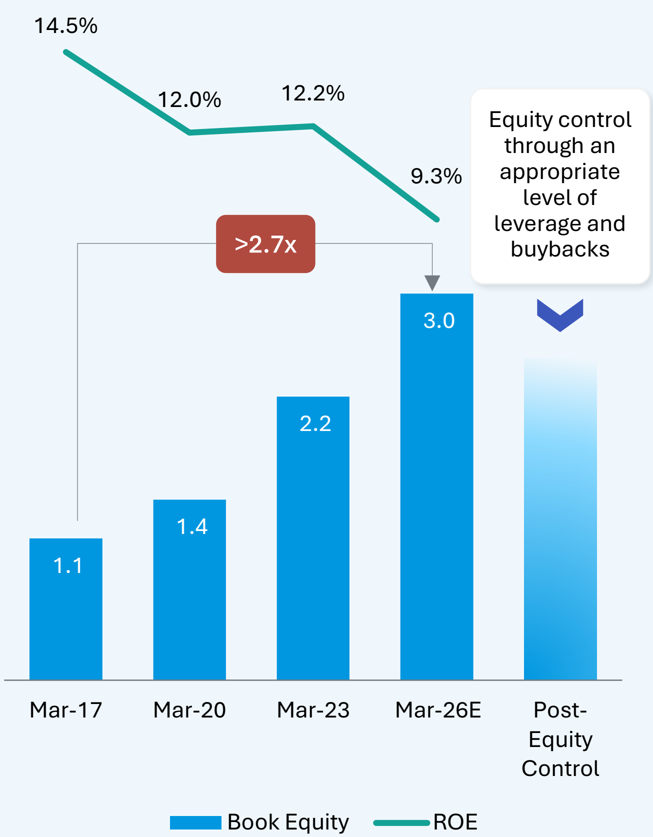
Sources: Company Disclosures, Expert Interviews, Global Management Consulting Firm.
Notes: (1) Consensus EBIT forecast; (2) Calculated based on consensus revenue forecast holding the FY3/26 EBIT margin constant.

Daikin Can Control its Equity Base to Further Improve its ROE

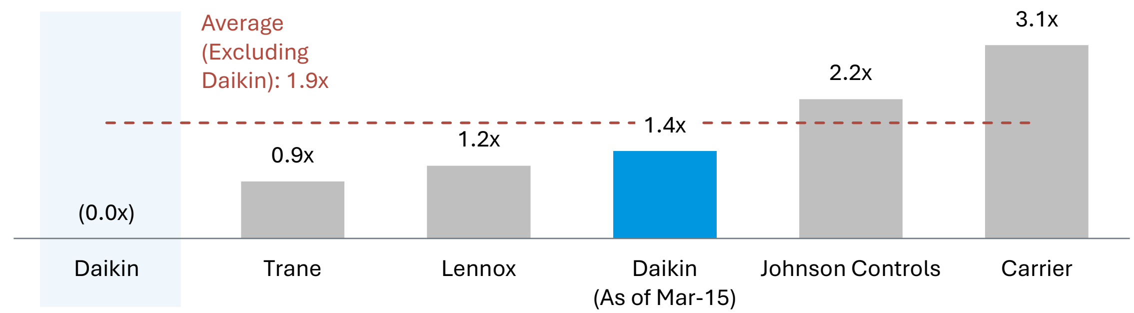
More than ¥1trn of capacity to right-size leverage and reduce book equity, which has grown 2.7x over the last decade, by returning capital to shareholders

Daikin Historical ROE and Book Equity

(Book Equity in ¥ trn)



Net Debt (x EBITDA)



Credit Agency Comments Indicate Additional Leverage Capacity

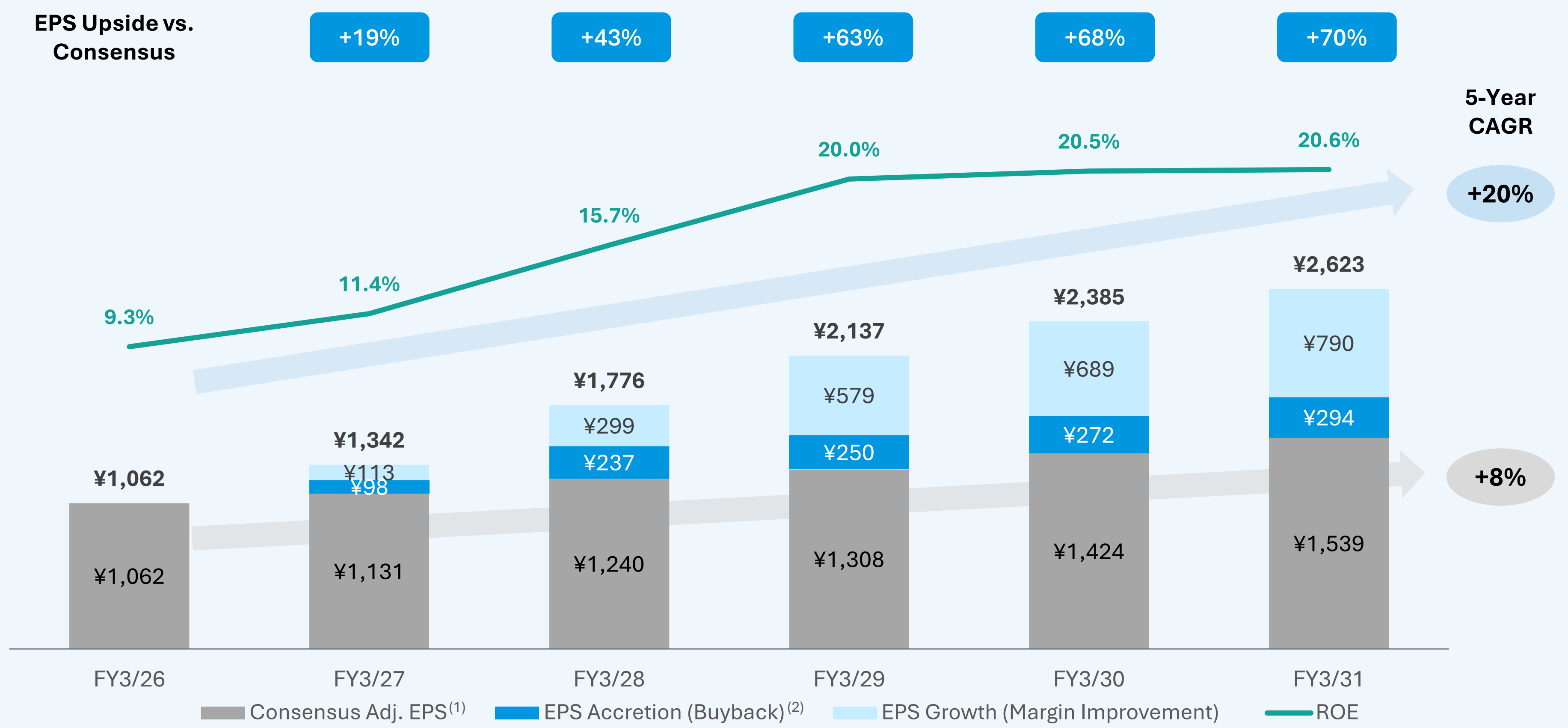
Agency	Date	Comment
Moody's	June 2025	"We could downgrade Daikin's rating if the company is unsuccessful at implementing cost control measures or conducts large debt-funded acquisitions [...]. For example, **debt/EBITDA remaining above 2.0x or its EBITDA margin remaining below 10% on a sustained basis would indicate downward rating momentum.**"
R&I	July 2025	"R&I believes that the company's rating will remain unaffected [by U.S. tariff]. [...] **With the strong cash flow generating capacity, the company is expected to maintain its solid financial base even if it continues a high level of investments.**"
JCR	July 2025	"The financial structure is good, and the **current financial soundness is unlikely to be impaired going forward.**"

Sources: Bloomberg as of April 17, 2026. Emphases added to quotes.

Significant EPS Upside Over the Next Five Years

Daikin can achieve a 20% EPS CAGR over the next five years through both equity base control and execution of the margin improvement plan

Daikin's EPS and ROE Projection (¥ per share; %)



Sources: Bloomberg as of April 17, 2026.
Note: (1) Consensus EPS is adjusted for goodwill amortization to align with the US GAAP accounting treatment for global peers; (2) Assumes a total of ¥1trn in buybacks to be executed throughout FY3/27 and FY3/28 at the current share price.

Significant Opportunity to Review Non-Core Divisions

AAF (filters), AHT (refrigerated display cases), and Oil Hydraulics appear to lack strategic fit within the portfolio and warrant priority consideration for divestiture

DAIKIN

Reporting Segments FY25 Rev. & EBIT %

Segment	Revenue	EBIT Margin
Air Conditioning & Refrigeration Equipment	¥4,385bn (92%)	8.0% EBIT Margin
Chemicals	¥263bn (6%)	17.5% EBIT Margin
Other	¥105bn (2%)	4.3% EBIT Margin

Business Units / Divisions

- **Air Conditioning** ~¥4,100bn
  - Residential
  - Commercial
  - Applied
- **Filter** ~¥160bn
  - AAF International (Residential, commercial & industrial air filters)
- **Refrigeration** ~ ¥90bn
  - AHT a member of DAIKIN group (Refrigerated display cases)
  - Zanotti (comm. & ind. refrigeration)
  - Hubbard a member of DAIKIN group (comm. & transport refrigeration)
  - Tewis (CO_2/industrial refrigeration systems)
- **Chemicals** ~ ¥263bn
  - While Chemicals has some linkages to the core HVAC business, it could be more optimally run as a fully separated business
- **Oil Hydraulics** ~¥70bn
  - Duplomatic Motion Solutions a member of DAIKIN group
  - Continental Hydraulics a member of DAIKIN group
  - Hydreco a member of DAIKIN group
  - Allworld a member of DAIKIN group
  - (Hydraulic components & systems for industrial and mobile equipment)
- **Other** ~ ¥30bn

Priority non-core business (Filter, Refrigeration, Oil Hydraulics)

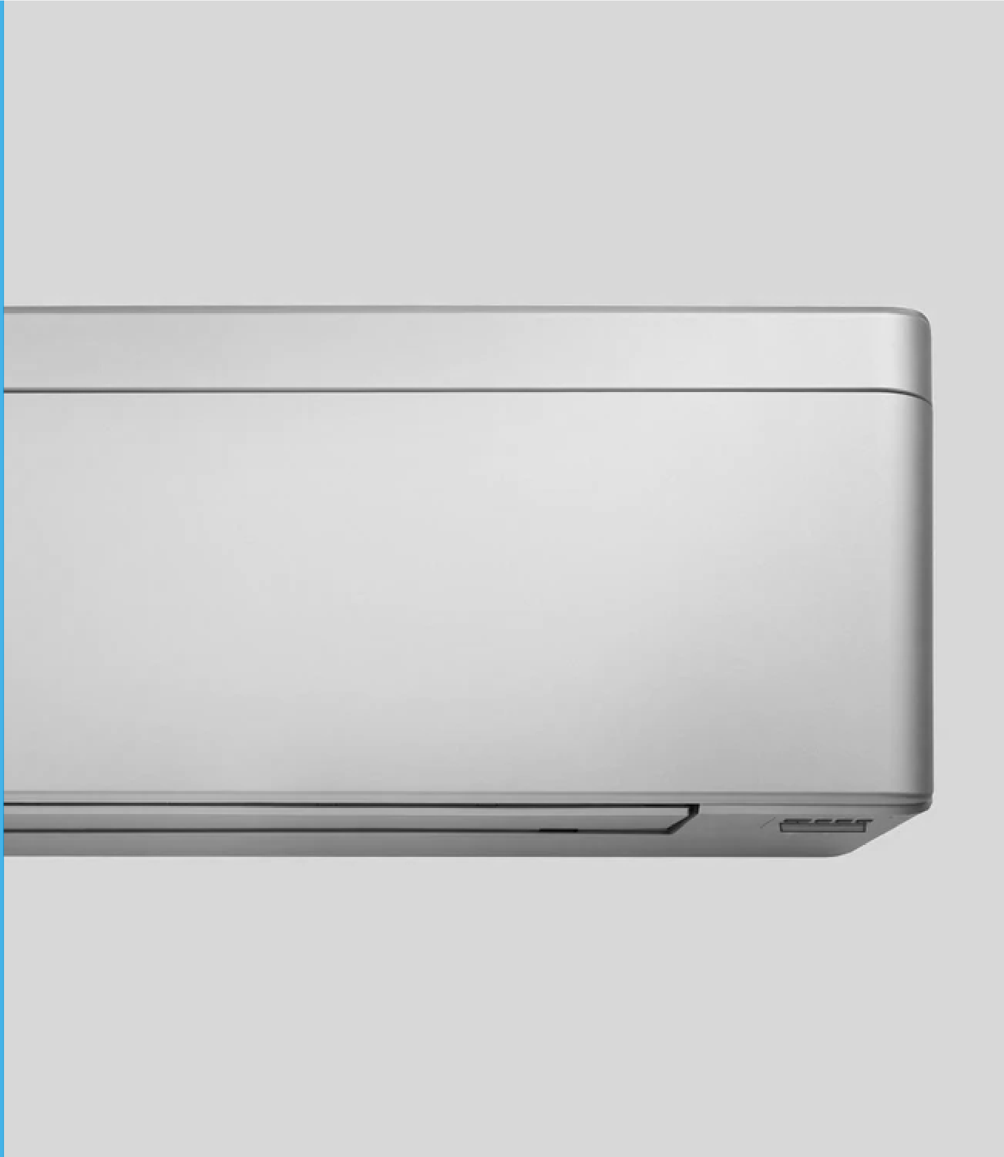
Potential non-core business (Chemicals)

Priority non-core business units / divisions and potential divestiture candidates as part of portfolio rationalization

Priority non-core businesses account for ~10% of Daikin's revenue and divestitures of these businesses would sharpen management focus and signal a clear commitment to portfolio discipline

Sources: Expert Interviews, Global Management Consulting Firm.

Deep Dive: Margin Improvement



Elliott's View on Margin Improvement

Daikin management has an opportunity to tangibly and sustainably improve margins through a wide range of specific, actionable initiatives

Specific steps to achieve higher EBIT margins

- **SG&A Reset:** Streamline regional structures, consolidate shared services, and simplify R&D and leadership layers to reduce duplication and improve operating leverage

- **CapEx Optimization:** Normalize capital intensity and prioritize demand-aligned, high-return investments—particularly in Applied and high-growth residential markets—to reduce depreciation and improve EBIT margins

- **Footprint Optimization:** Rationalize manufacturing network, consolidate sites, and shift production to cost-advantaged locations while standardizing operations

- **Product & Revenue(1):** Simplify products and SKUs, improve sourcing, strengthen pricing discipline, align sales incentives to margin, and increase mix of higher-margin Applied segment and services businesses

Sources: Global Management Consulting Firm.
Note: (1) Includes initiatives to increase pricing, improve product mix, and reduce product cost.

SG&A Reset: Three Key Initiatives

Opportunities across shared services, R&D, and Leadership & Commercial integration could yield ¥70-130bn of EBIT improvement (110-200 bps of margin) by FY3/31

Initiative	Rationale	Market Commentary
1 **Creation of Shared Services Organizations**	▪ Eliminate **duplicative back-office infrastructure** – **Across BUs** (e.g., each of six U.S. BUs has its own G&A structure) – **Across markets** (e.g., each China region has its own G&A structure) ▪ Shared services initiative **already launched in Europe**	**Each BU** [in North America] **operates its own distinct back office.** Former Employee, Daikin Daikin China has many **regional divisions with separate back offices.** Former Employee, Daikin
2 **R&D De-duplication & Consolidation**	▪ **Minimize duplication** in R&D and product development globally and regionally from current **50+ R&D centers** ▪ **Peers'** R&D footprint is more consolidated: Carrier (39), Johnson Controls (10-20), Trane (3) ▪ **Reduce R&D expense** without impacting efficacy	Having 50+ R&D centers is too much [...] you could **further globalize product development**, in key product categories. Former Employee, Daikin There is **potential for consolidating** to a common R&D center, when they buy a platform, they don't integrate the R&D centers. Former Employee, Daikin
3 **Leadership & Commercial Integration**	▪ Eliminate **duplicative executive teams** ▪ **Simplify go-to-market model** and minimize channel conflict across overlapping sales teams ▪ Mirror **integrated structure** of peers	A more consolidated leadership leads to better management. Next to **reducing overhead**, there are significant savings in time and **efficiencies to be gained.** Former Employee, Daikin Across the EU SBUs, there are about 250 positions with a 20% **overlap at the leadership level.** Former Employee, Daikin

Sources: Company Disclosures, Expert Interviews, Global Management Consulting Firm. Emphasis added to quotes.

SG&A Reset: Global Summary

SG&A structures across regions are highly fragmented with duplicative support functions, numerous R&D sites, and overlapping leadership and commercial functions

Region	Current Situation	Recommendation
Americas	▪ **Duplicative G&A structures:** Each of six U.S. BUs has its own support functions ▪ Nine **R&D centers** ▪ **Overlapping sales and services functions:** across Comfort, Applied, AAF, with multiple people calling on the same customer	▪ **Create a single Americas-wide shared services function** to support all Americas businesses ▪ Consolidate to **six R&D facilities** ▪ **Minimize overlap** in sales and services functions "You could immediately consolidate that function with the rep organization you have in the Applied division, rather than having a duplicative sales organization." Former Employee, Daikin
Europe	▪ 17 **R&D centers**, duplicative efforts across sites (e.g., heat pump R&D in Ghent, Ostend, Pilsen) ▪ **Distinct BU leadership** teams and commercial organizations across Resi, Applied, Heat Pumps; distinct **regional management teams**	▪ Anchor European heat pump R&D in the **Ghent technology hub**, shifting development from Ostend and Pilsen ▪ **Remove overlaps** between BU-level executives and **consolidate commercial leadership** under one structure "[Having so many BU] results in a situation where you might have five counterparts from headquarters making demands [...] which is very inefficient." Former Employee, Daikin
APAC	▪ Each **China region** has its **own G&A** ▪ 24 **R&D centers across APAC**	▪ Create a **single shared services (G&A) organization for China** ▪ Designate **Suzhou as the compressor engineering hub**, consolidate development from smaller regional engineering teams; consolidate duplicative R&D across other centers into a **few regional hubs** "A common problem across all of Daikin's branch companies in China [...] each region has finance, HR, etc. – each region manages things its own way" Former Employee, Daikin

Sources: Company Disclosures, Expert Interviews, Global Management Consulting Firm. Emphasis added to quotes.

1 Shared Services Opportunity

Creation of regional shared services capabilities in the Americas and APAC alongside existing capability in Europe could yield +¥25-40bn of EBIT uplift (40-60 bps of margin)

Peer benchmarks: G&A Approach

Carrier

- Regional shared service centers (Americas, EMEA, APAC) for AP/AR, GL, payroll
- Centralized finance, HR, IT and procurement across HVAC lines
- Standardized ERP backbone

LENNOX

- Highly centralized U.S. back-office (finance, HR, IT)
- Integrated G&A structure across manufacturing + owned distribution
- Tight G&A discipline with limited regional overhead

TRANE TECHNOLOGIES

- Global shared services for finance and HR
- Centralized digital, IT, and procurement organizations
- Rapid integration of acquisitions into common IT systems

Peer benchmarks: G&A Approach

North America

- Consolidate Comfort / Applied / AAF finance, HR, IT into a single regional shared services center
- Centralize AP/AR, payroll, reporting, procurement under one Americas platform
- Eliminate duplicated BU-level G&A support teams

> No BU has implemented shared services for any function, IT, finance, HR… all of it. Every division has its own distinct departments.
>
> Former Employee, Daikin

Europe

- Further scale existing shared services platform across all BUs
- Rationalize overlapping regional HQ functions and admin support
- Standardize ERP and reporting across legacy acquisitions

> Within the BUs, there are many with their own sub-orgs, making the structure quite heavy.
>
> Former Employee, Daikin

APAC

- Establish China-based shared services center for finance, HR, and IT (modeled after European platform) to serve China, SE Asia
- Standardize ERP, reporting, and budgeting processes across legacy acquisitions and regional businesses

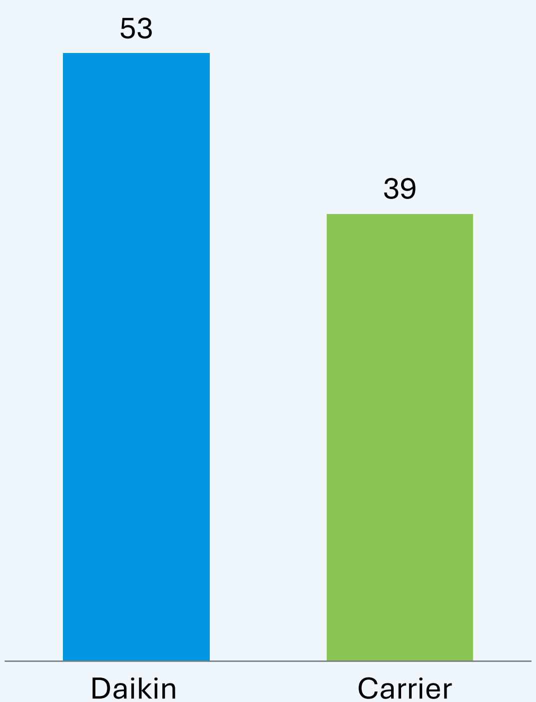
> Each region operates almost independently – finance and HR are duplicated at multiple levels.
>
> Former Employee, Daikin

Sources: Expert Interviews, Global Management Consulting Firm. Emphasis added to quotes.

2 R&D Opportunity

Centralizing R&D both globally and within regions could collectively yield +¥15-25bn of EBIT improvement (20-40 bps of margin)

Daikin's Global R&D Footprint vs. Carrier
of R&D facilities



Daikin R&D Consolidation Opportunities

Global

- Consolidate global platform R&D (compressors, inverters, refrigerants, control algorithms) into one or two global centers of excellence
- Standardize controls architecture globally to reduce product-line software teams and centralize validation and testing
- Eliminate regional duplication on common platforms

> Daikin has many R&D locations globally; several work on similar inverter and refrigerant platforms in different regions, which can be centralized.
> Former Employee, Daikin

Americas

- Consolidate commercial rooftop R&D under single applied leadership to eliminate overlap with Daikin Comfort
- Rationalize legacy acquired R&D centers that have not been integrated
- Centralize HVAC software controls development

> Comfort is developing comm. rooftops and Applied also operates in the comm. rooftop space, creating a big overlap.
> Former Employee, Daikin

Europe

- Centralize heat pump R&D in Ghent as the single European heating hub
- Reduce business unit level engineering silos and integrate acquired development teams

> The BUs have a complete silo approach that's detrimental to overall R&D, especially on the control side.
> Former Employee, Daikin

APAC

- Consolidate compressor engineering into a single Asia hub

> The main compressor dev. center is in Japan, but there is a lot of duplication elsewhere and development activities overlap.
> Former Employee, Daikin

Sources: Expert Interviews, Global Management Consulting Firm. Emphasis added to quotes.

3 Leadership & Commercial Integration

Consolidating multiple senior leadership teams and overlapping Sales and Service functions could result in +¥30-65bn of EBIT improvement (50-100 bps of margin)

Global Competitors

Carrier

- Single regional President
- Residential + Commercial integrated under one regional structure
- Shared commercial governance
- No parallel C-suites in a region

Johnson Controls

- Single regional leader, BU
- HVAC, fire, security structures under Building Solutions
- Integrated equipment, controls services

TRANE TECHNOLOGIES

- One leadership team per region
- Residential + Commercial managed together
- Unified sales organization

Daikin U.S. Consolidation Opportunity

Current State – Fragmented BU Leadership

- Separate executive teams across Comfort, Applied, AAF: parallel functional leadership (CFO, CHRO, CTO, Ops Lead) by BU
- Overlapping sales and services teams; multiple sales and service representatives calling on the same customer

Proposed Model – Unified NA Executives

- Consider single NA CEO across Comfort, Applied, and AAF
- Consolidate multiple BU leadership teams (e.g., CFO, CHRO, CIO, CLO)
- Unified sales and services function to reduce duplication and unify customer ownership

"You want to consolidate and streamline around your sales channels, services, and production. – Former Employee, Daikin

European Consolidation Opportunity

Current State – Fragmented BU Leadership

- Separate leadership by product pillar: e.g., Heat Pump, Air, Refrigeration, Applied – each with dedicated VP- and GM-level leadership, commercial heads, sales governance and regional management teams

"There are many VPs, small kingdoms, there is not much interaction between these SBUs. – Former Employee, Daikin

Proposed Model – Consolidate EU Structure

- Executive Layer Rationalization by removing overlaps between SBU-level executives and consolidating commercial leadership under one regional structure
- Consolidate sales leaders across Residential and Commercial segments to unify account management and eliminate parallel SBU sales chains

Strategic Rationale

- Consolidate regional accountability under a single executive leader and team
- Simplify contractor and distributor engagement through a unified commercial structure
- Improve margin control, pricing discipline, and speed of decision-making

Sources: Expert Interviews, Global Management Consulting Firm.

Structural SG&A Optimization Potential – Americas Example

Creating unified shared services; rationalizing overlapping R&D; and consolidating leadership and Sales & Services of Applied, Comfort, and AAF could unlock significant efficiency gains

Current State

<table>
<tr><th>Daikin Applied</th><th>Daikin Comfort</th><th>AAF</th><th>Daikin America</th><th>AHT Cooling Systems USA</th><th>All World Machinery</th></tr>
<tr><td colspan="2">HVAC</td><td>Air Filtration (Part of HVAC)</td><td>Chemicals and Materials</td><td>Commercial Refrigeration</td><td>Oil Hydraulics</td></tr>
<tr><td>G&A</td><td>G&A</td><td>G&A</td><td>G&A</td><td>G&A</td><td>G&A</td></tr>
<tr><td>R&D</td><td>R&D</td><td>R&D</td><td>R&D</td><td>R&D</td><td>R&D</td></tr>
<tr><td>C-Suite</td><td>C-Suite</td><td>C-Suite</td><td>C-Suite</td><td>C-Suite</td><td>C-Suite</td></tr>
<tr><td>S&S</td><td>S&S</td><td>S&S</td><td>S&S</td><td>S&S</td><td>S&S</td></tr>
</table>

After Consolidation

<table>
<tr><th colspan="2">Daikin
Applied, Comfort, AAF</th><th>Daikin America</th><th>AHT Cooling Systems USA</th><th>All World Machinery</th></tr>
<tr><td colspan="2">HVAC & Air Filtration</td><td>Chemicals and Materials</td><td>Commercial Refrigeration</td><td>Oil Hydraulics</td></tr>
<tr><td colspan="5">G&A</td></tr>
<tr><td>R&D</td><td>R&D</td><td>R&D</td><td>R&D</td><td>R&D</td></tr>
<tr><td colspan="2">C-Suite</td><td>C-Suite</td><td>C-Suite</td><td>C-Suite</td></tr>
<tr><td colspan="2">Sales & Services</td><td>S&S</td><td>S&S</td><td>S&S</td></tr>
</table>

Key:

Combined Organizations

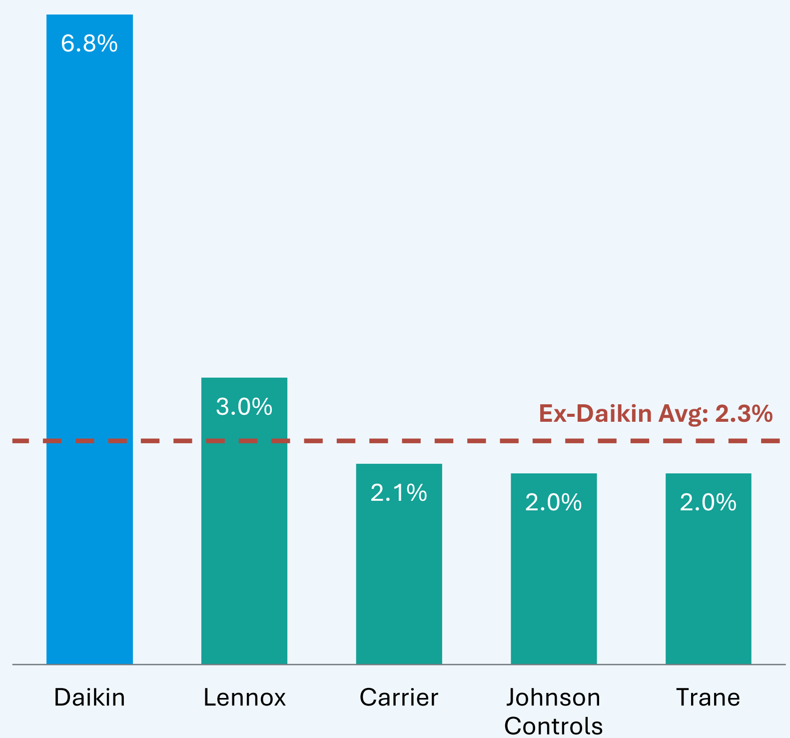
G&A	Single Americas-wide shared services function
R&D	Consolidated R&D centers within Comfort & Applied
C-Suite + S&S	Consolidated C-Suite and sales & services functions across Applied, Comfort & AAF

Sources: Company Disclosures, Expert Interviews, Global Management Consulting Firm.
Note: S&S refers to Sales and Services.

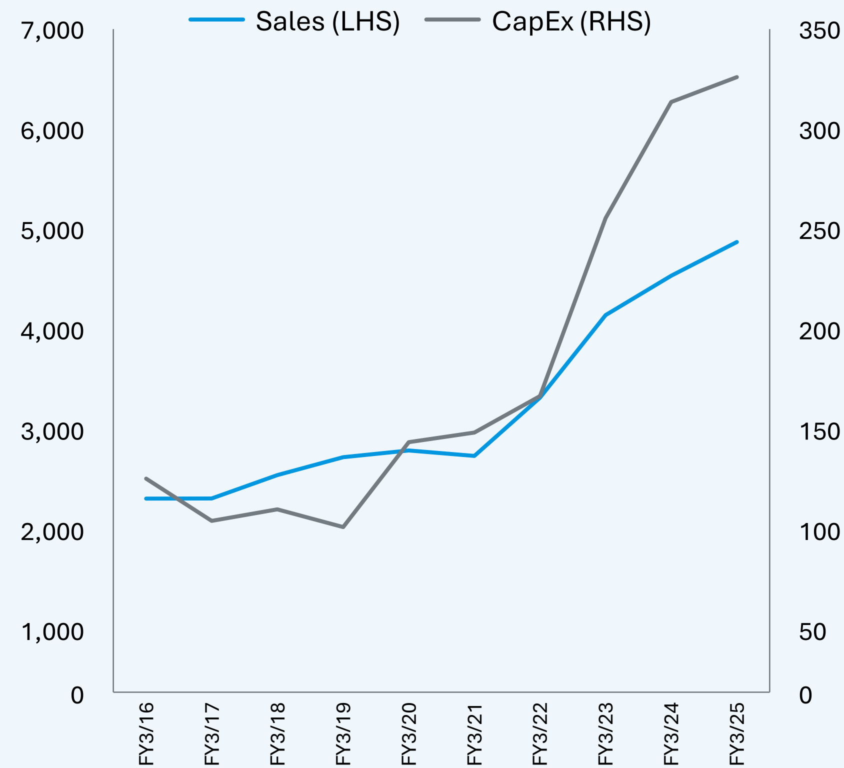
CapEx Has Increased Rapidly...

With CapEx currently above historical and peer levels, there is opportunity to recalibrate investment intensity while maintaining strategic priorities

CapEx / Sales
%, FY3/25



CapEx Increasing Rapidly vs. Revenue
¥ bn, FY3/16 - FY3/25



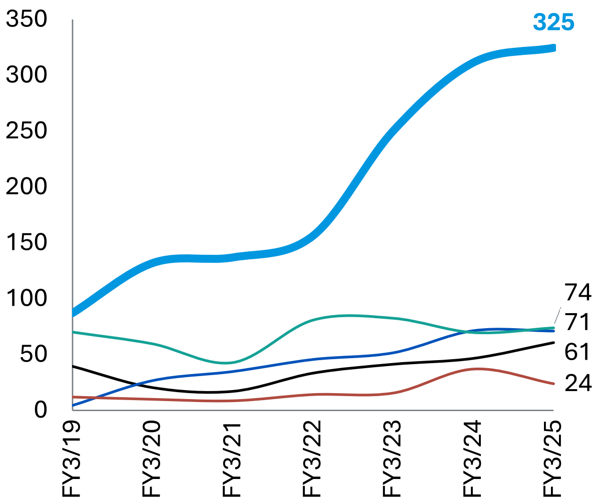
Sources: Bloomberg, Global Management Consulting Firm.

...Without a Proportionate Increase in Revenue Growth

Despite CapEx intensity more than double that of competitors, Daikin has not achieved proportionate revenue outperformance

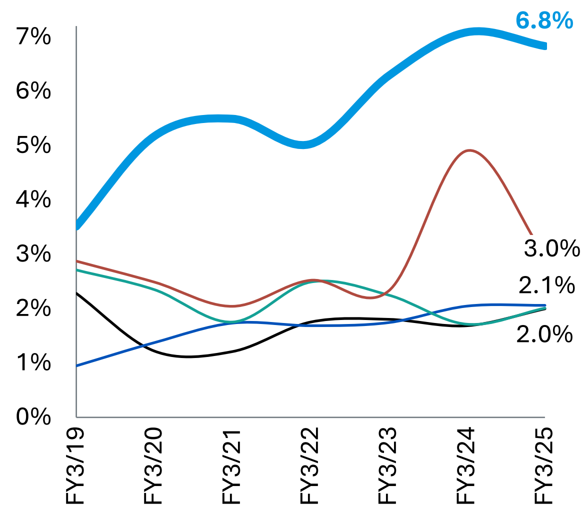
Daikin's CapEx significantly above peers...

Total CapEx, ¥ bn, FY3/19-FY3/25



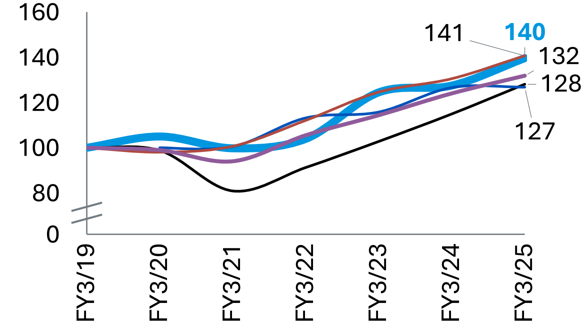
...with CapEx intensity rising over the L5Y...

CapEx/Revenue Ratio, %, FY3/19-FY3/25



...while revenue has not proportionately outperformed competitors

Indexed Revenue, FY3/19-FY3/25[1]



HVAC OEM	CAGR (FY3/19 –FY3/25)[2]
Daikin	5.7%
Trane	4.2%
Carrier	4.9%
Lennox	5.9%

Daikin — Trane — Carrier — JCI — Lennox

We intend to continue to aggressively execute capital investment, growth investment, upfront investment, R&D investment, and digital investment, while prioritizing them and being conscious of improving efficiency.

Daikin Earnings Call, February 2025

The company is shifting to a management policy focused on profitability and capital efficiency, and company-wide profitability looks set to improve.

BofA, August 2025

Sources: Company filings, S&P, Broker reports, Global Management Consulting Firm. Emphasis added to quotes.
Notes: (1) Excluded (for consistency with "Company Disclosures") Johnson Controls due to Residential & Light Commercial HVAC business classification as discontinued operations in Q4/24; (2) Carrier CAGR calculated from FY3/20–FY3/25 as FY3/19 figures are unavailable; Carrier was owned by UTC at the time and did not report standalone quarterly revenue.

Daikin Can Concentrate Resources on Core Growth Areas

A more focused allocation of capital toward higher-return growth segments can support strategic priorities while moderating overall investment intensity

Historical CapEx Spend Focus Areas[1]

Estimated Avg. CapEx as % of Sales (FY3/20 – FY3/25)[2]

Division	Americas	APAC	EMEA
Residential HVAC	**Example investment:** **SLP plant** (Mexico; CY23 – CY24)	**Example investment:** **China, India & Indonesia plants** (CY22-24)	**Example investment:** **Poland heat pump plant** (CY23 – CY25)
Applied & Commercial HVAC	**Example investment:** **Tijuana plant** (Mexico; CY24 – CY25)	**Example investment:** **Australia plant** (CY24 – CY25) as key investment area	**Example investment:** **Belgium expansion and R&D Center** (CY22 – CY25)[3]

Suggested Focus Areas for Future CapEx Spend

Avg. CapEx as % of Sales (FY3/26 – FY3/31)

Americas	APAC	EMEA
↘ **~2-3%** (reduce CapEx to Sales by 1-2 pp.)	→ **~4-5%** (keep CapEx to Sales at current level)	↘ **~2-3%** (reduce CapEx to Sales by 1-2 pp.)
→ **~3-4%** (keep CapEx to Sales at current level)	→ **~3-4%** (keep CapEx to Sales at current level)	→ **~3-4%** (keep CapEx to Sales at current level)

Rationale

- **Excess capacity in Waller and Poland** enables CapEx reduction in North America and Europe
- **Support residential HVAC growth in high-growth APAC regions** (e.g., India, SE Asia) and export to **growing African markets**
- Continuous investment in Applied capacity to **support mix shift to commercial / industrial end markets** across all regions
- Dedicated investment in the U.S. and Mexico to **support data center-related demand in North America**

↗ → ↘ Change in CapEx as % of Sales ratio vs. historical ratio | <2% – >5% CapEx as % of Sales | Key Area for CapEx Reduction

Sources: Company Disclosures, Expert Interviews, Global Management Consulting Firm.

Notes: (1) Table shows example areas of investment (not exhaustive) based on press releases; excludes RoW; (2) Estimate based on industry benchmarks, company press releases, and expert interviews; (3) Investment encompasses both Residential and Commercial segments.

CapEx Discipline Will Not Constrain Company Growth

Growth can be sustained through more targeted investments and better utilization of existing capacity, as supported by historical and competitive proof points

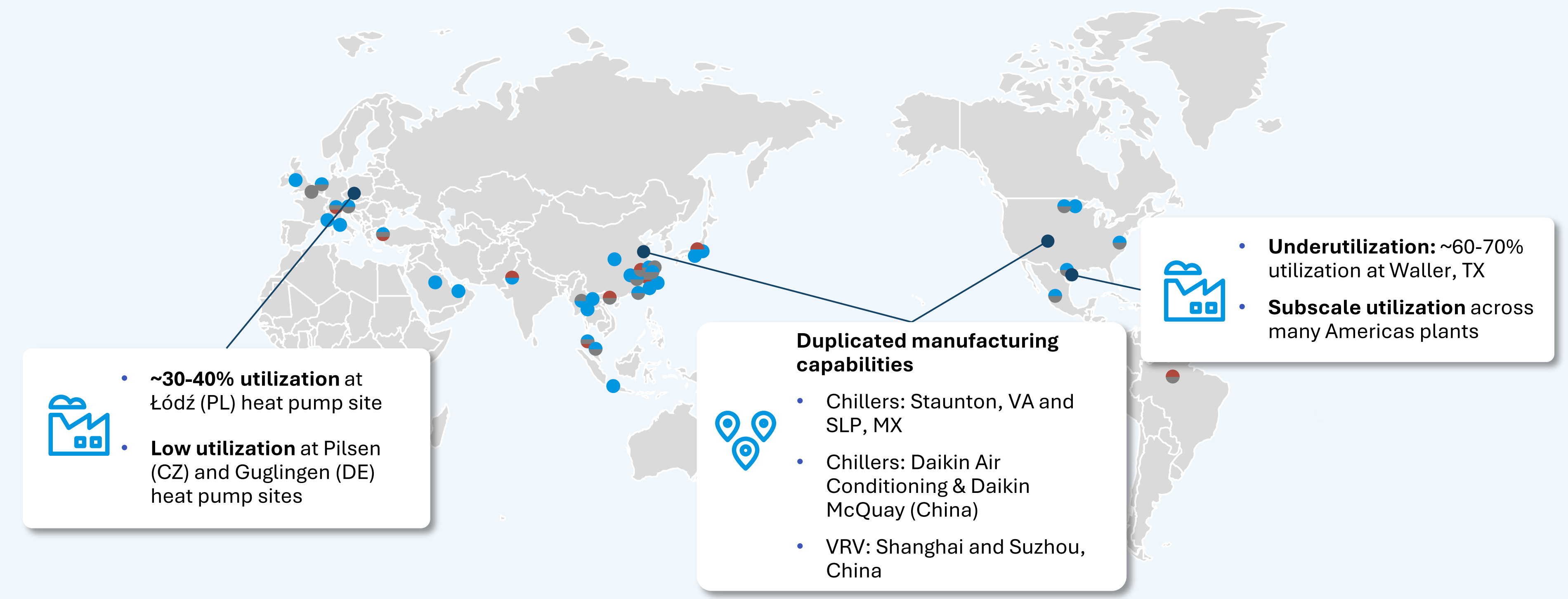
Amount of investment remains unchanged	While CapEx-to-Sales ratio will decrease to historical levels, with sales increase, **absolute amount of CapEx spending is not expected to change**
Strategic Growth Investments Should Continue	A **focused allocation of capital toward higher-return growth segments** ensures sustained growth of Daikin (e.g., Applied, APAC Residential)
Existing Capacity Can Absorb Higher Demand Levels	**Major facilities are currently underutilized and can accommodate increased demand** without requiring significant incremental CapEx (e.g., Waller, Poland)
Historical Proof Points Exist	**Daikin has previously demonstrated its ability to grow with a lower capital intensity** – between FY3/18 and FY3/22, the company delivered ~8% revenue CAGR while maintaining a CapEx-to-Sales ratio of 4-5%
Competitive Proof Points Exist	**Peers such as Carrier, Lennox and Trane have achieved comparable growth rates to Daikin** while maintaining CapEx-to-Sales ratios below 3% on average over the last five years

Sources: Global Management Consulting Firm.

Daikin's Global Manufacturing Footprint

Daikin operates 129 manufacturing sites globally, with legacy and acquired facilities contributing to sub-optimal utilization and duplicative manufacturing capabilities

Daikin's Major Global Footprint (Primary Locations)



- **~30-40% utilization** at Łódź (PL) heat pump site
- **Low utilization** at Pilsen (CZ) and Guglingen (DE) heat pump sites

Duplicated manufacturing capabilities

- Chillers: Staunton, VA and SLP, MX
- Chillers: Daikin Air Conditioning & Daikin McQuay (China)
- VRV: Shanghai and Suzhou, China

- **Underutilization:** ~60-70% utilization at Waller, TX
- **Subscale utilization** across many Americas plants

Daikin Commercial/Industrial Production Bases

Daikin Residential Production Bases

Daikin Other Production Bases

Current footprint fragmentation and underutilization imply a substantial opportunity to rationalize the network and unlock structural cost savings

Sources: Company Disclosures, Expert Interviews, Global Management Consulting Firm.

Factory Footprint Optimization

Low factory utilization indicates significant uplift potential across regions via manufacturing facility consolidation and optimization

Target Region	Revenue [1] (FY3/25)	# Mfg. Plants	Potential Opportunities – Our Hypotheses	Estimated global EBIT impact
1 North America	¥1,743bn	25 [2]	▪ Expanding the use of underutilized but cost-efficient production sites driven by scale or jurisdiction advantages	**¥20bn – 30bn (30-50 bps)[3]**
2 Europe	¥715bn	37	▪ Consolidation of residential heat pump production in Poland ▪ Consolidate air handling unit production in Milan (Italy) ▪ Shift compressor production to East Asia	**¥5bn – 10bn (10-15 bps)**
3 APAC	¥1,612bn	56	▪ Consolidate chiller production in China between Daikin Air Conditioning & Daikin McQuay ▪ Consolidate VRV production in Suzhou	**¥5bn – 10bn (10-15 bps)**
Total				**¥30bn – 50bn (50-80 bps)**

EBIT improvement by (1) better utilizing lower cost facilities (lower direct labor and manufacturing overhead), and (2) rationalizing certain sites (reduced fixed manufacturing costs, e.g., rent, indirect labor, manufacturing depreciation, utilities)

Sources: Company Disclosures, Expert Interviews, Global Management Consulting Firm.
Notes: (1) HVAC-only revenue, excluding RoW; (2) Including Ardmore plant whose closure was announced in 2025. (3) Excludes one-time costs (e.g., severance) and capital costs & tariff impact.

1 North America Footprint: Acquisition-Built Without Integration

The current network reflects layered acquisitions, decentralized decisions, and limited structural rationalization

Daikin's North America Key Manufacturing Plants [1]

#	State	City	Division	Relative Size (Sq ft)	History
1	TX	Houston (Waller)	Comfort	>400K	New investment (2017)[1]
2	PA	Pittston	Comfort – Quietflex	<110K	Via acquisition (2012)
3	AZ	Phoenix/Tolleson	Comfort – Quietflex	<110K	Via acquisition (2012)
4	FL	Groveland (x2)	Comfort – Quietflex	110K – 400K	Via acquisition (2012)
5	TX	Houston	Comfort – Quietflex	110K – 400K	Via acquisition (2012)
6	MN	Faribault (North)	Applied	110K – 400K	New investment (2018)
7	MN	Faribault (South)	Applied	<110K	Legacy
8	MN	Owatonna	Applied	110K – 400K	Legacy
9	VA	Verona (Staunton)	Applied	>400K	Legacy
10	AZ	Phoenix	Applied	110K – 400K	New investment (2026)
11	Mexico	San Luis Potosí	Applied – DMMX	>400K	New investment (2011)
12	Mexico	San Luis Potosí	Applied – DMMX	>400K	New investment (2024)
13	Mexico	San Luis Potosí	Applied – DMMX	>400K	New investment (2024)
14	Mexico	San Luis Potosí	Applied / Comfort - DMMX	>400K	New investment (2025)
15	Mexico	Tijuana	Applied – Alliance Air	>400K	Via acquisition (2023)
16	AL	Decatur	Chemicals	<110K	Legacy
17	KY	Louisville	AAF Flanders	<110K	Via acquisition (2006)
18	MO	Columbia	AAF Flanders	<110K	Via acquisition (2016)
19	AR	Fayetteville	AAF Flanders	110K – 400K	Via acquisition (2016)
20	OK	Ardmore	AAF Flanders	110K – 400K	Via acquisition (2016)
21	NC	Washington (x2)	AAF Flanders	<110K	Via acquisition (2016)
22	SC	Ladson	AHT Cooling Systems	110K – 400K	Via acquisition (2018)
23	IL	Roscoe	All World Machinery	110K – 400K	Via acquisition (2008)

Consolidation of subscale factories is underway; AAF Flanders announced in 2025 that the Ardmore plant would close

- **Acquisition-led expansion with limited post-merger integration,** leaving legacy plant networks largely intact
- **Division-level optimization over network-level design,** with minimal coordination across facilities
- **Little structural consolidation or rationalization,** even where capacity and capabilities overlap, aside from the Waller (DTTP) opening in 2017 [2]
- **Growth-focused capital deployment,** prioritizing expansion over footprint efficiency and standardization

Sources: Company Disclosures, Expert Interviews, Global Management Consulting Firm.
Note: (1) Groveland (#4) and Washington (#21) includes two facilities in the same item; (2) Daikin consolidated four Goodman U.S. plants as part of the Waller (DTTP) opening.

1 North America Improvement Actions

Focused plant optimization provides a clear path to ¥20-30bn EBIT uplift by FY3/31 (30-50 bps of EBIT margin uplift)(1)

1. Consolidate production of Quietflex from 4 facilities into Waller, TX

- From four dispersed facilities currently in Groveland, FL; Phoenix, AZ; Pittston, PA; and Houston, TX
- Houston facility heavily underutilized
- Could materially reduce manufacturing costs, boosting utilization of Waller plant

2. Scale Chiller Manufacturing at SLP

- SLP provides a cost-advantaged manufacturing platform (~10 pp lower cost position):

  "No one thought that SLP plant could be so productive so quickly, but SLP has proven itself as a viable location for high-quality products at productive rates"
  Former Employee, Daikin
- Opportunity to increase output of air-cooled products by leveraging existing capacity
- Potential to scale centrifugal production (e.g., new WME Quad line) through phased expansion
- Positions SLP as a high-efficiency hub supporting North American production

3. Centralize AAF production into 1-2 facilities, vs the current 6+

- 6+ current AAF facilities are result of an acquisition and have not been consolidated
- Opportunity to centralize production in 1-2 of the current AAF locations and/or potentially into an existing Daikin facility or new greenfield development
- Could drive up factory utilization and reduce manufacturing costs

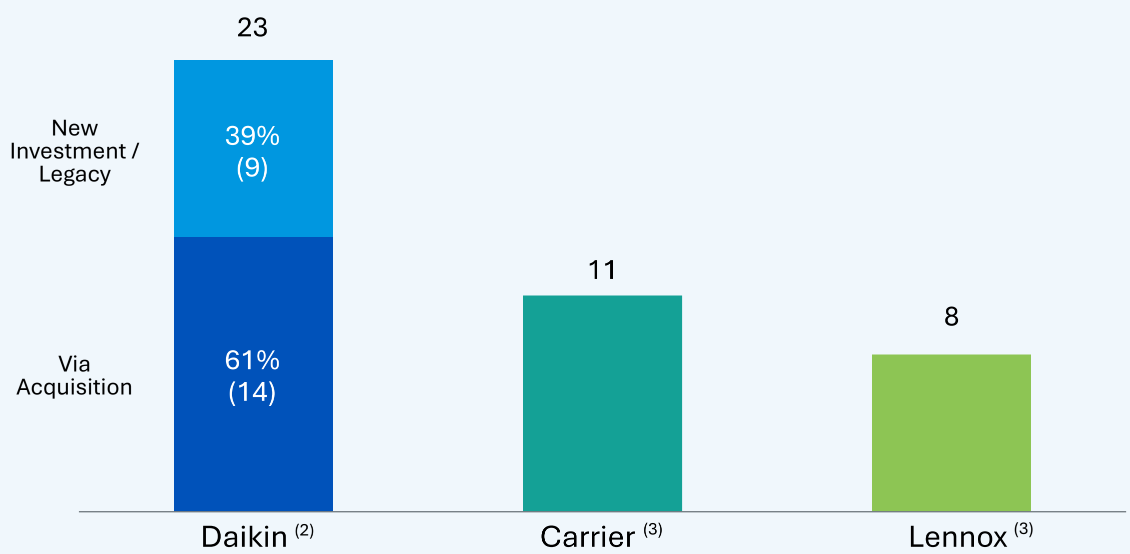
Daikin Applied Production Bases | Daikin Comfort Production Bases | Daikin Other Production Bases (2)

Sources: Company Disclosures, Expert Interviews, Global Management Consulting Firm.
Notes: (1) Excludes one-time costs (e.g., severance) and capital costs; (2) Map shows principal facilities (principal facilities refer to individually reported facilities listed in recent marketing materials, investor presentations, and/or company websites; remaining facilities represent the delta to the number of facilities reported on a global basis, which includes subsidiaries).

1 North America Mfg. Facilities: Fragmented Footprint vs. Peers

Daikin's footprint is far more fragmented than its peers (Lennox and Carrier), pointing to significantly greater consolidation potential

Daikin's North America HVAC Footprint vs. Peers (1)
# of manufacturing facilities



> **Lennox has always had fewer factories compared to other manufacturers,** many of whom have a whole bunch of subscale factories.

Former Exec VP, Competitor

Competitors' approach to manufacturing footprint

- Lennox and Carrier have kept their manufacturing footprints largely unchanged, with no major site additions over the past five years
- Both have absorbed acquisitions into their existing networks rather than expanding the overall plant count
- Lennox and Carrier have been able to drive productivity and utilization growth by growing volumes faster than capacity

> **All three of the main U.S. competitors are much better at consolidating and integrating facilities**. Daikin is the only one that stands out. For instance, when Carrier acquires a business, they always have integrated legacy facilities into their 'focus facilities'

Former Employee, Daikin

Sources: Company Disclosures, Expert Interviews. Emphases added to quotes.
Notes: (1) Trane and Johnson Controls excluded due to broader business mix beyond HVAC; (2) Note Groveland and Washington facilities each have two plants; (3) Reported principal HVAC facilities.

2 Europe Improvement Actions

Plant consolidation provides a path to FY3/31 EBIT uplift of ¥5-10bn (10-15 bps of EBIT margin uplift)

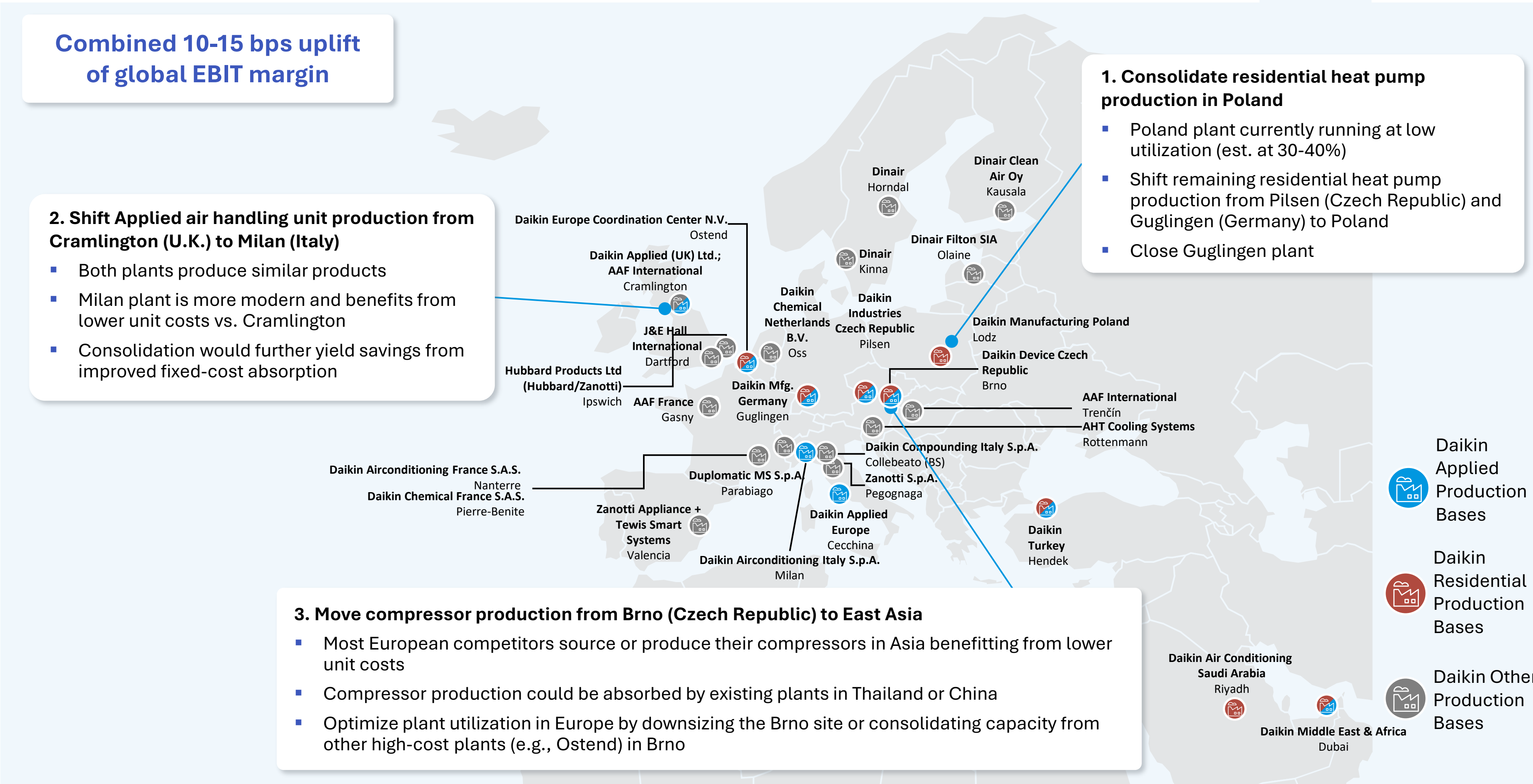
Combined 10-15 bps uplift of global EBIT margin

1. Consolidate residential heat pump production in Poland

- Poland plant currently running at low utilization (est. at 30-40%)
- Shift remaining residential heat pump production from Pilsen (Czech Republic) and Guglingen (Germany) to Poland
- Close Guglingen plant

2. Shift Applied air handling unit production from Cramlington (U.K.) to Milan (Italy)

- Both plants produce similar products
- Milan plant is more modern and benefits from lower unit costs vs. Cramlington
- Consolidation would further yield savings from improved fixed-cost absorption



3. Move compressor production from Brno (Czech Republic) to East Asia

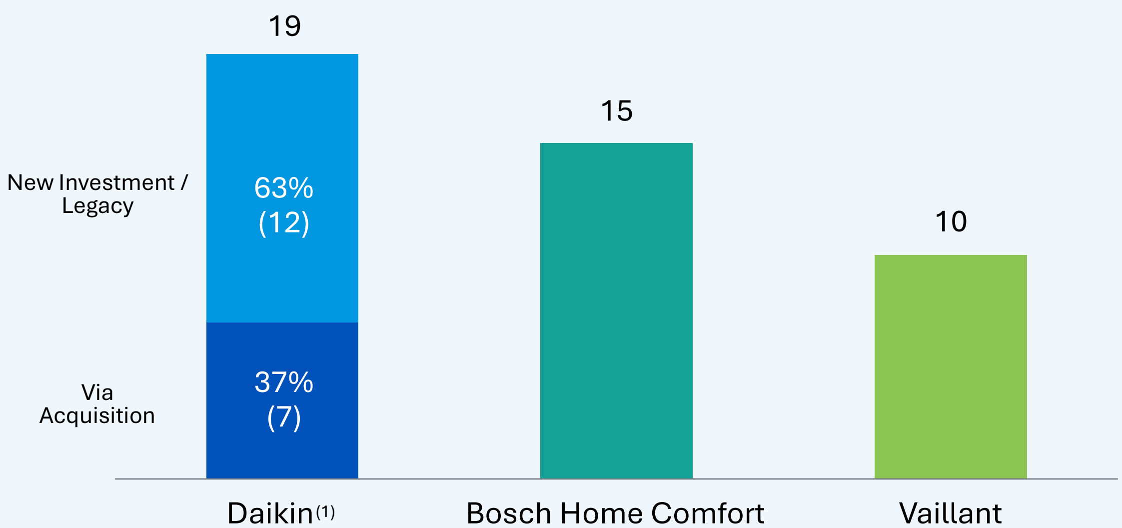
- Most European competitors source or produce their compressors in Asia benefitting from lower unit costs
- Compressor production could be absorbed by existing plants in Thailand or China
- Optimize plant utilization in Europe by downsizing the Brno site or consolidating capacity from other high-cost plants (e.g., Ostend) in Brno

Sources: Company Disclosures, Expert Interviews, Global Management Consulting Firm.
Note: Map shows 27 principal facilities, out of a total of 37 facilities (principal facilities refer to individually reported facilities listed in recent marketing materials, investor presentations, and/or company websites; remaining facilities represent the delta to the number of facilities reported on a global basis, which includes subsidiaries).

2 Europe Mfg. Facilities: Fragmented Footprint vs. Peers

Daikin's footprint is more fragmented than its peers (Bosch and Vaillant), implying greater consolidation potential

Daikin's European HVAC Footprint vs. Peers
# of manufacturing facilities



The [fragmented footprint in Europe] is largely historic. The majority of these are acquired companies, and **Daikin simply left the plants as they were post-acquisition**... Daikin keeps the factories post-acquisition.

Former Employee, Daikin

Competitors' approach to manufacturing footprint

- Competitors maintain more compact footprints than Daikin
- Bosch Home Comfort paused its planned Dobromierz (Poland) heat pump factory in 2025 due to softer demand and economic uncertainty
- In contrast, Daikin proceeded with its Poland plant opening in 2025 but is running at low utilization (est. 30-40%)

Bosch Group has decided to **suspend the start of construction of the heat pump plant** [...] Growing political and economic uncertainty in Europe is negatively affecting the European heat pump market. Its growth is now expected to be slower than previously assumed.

Magdalena Kołomańska, Head of Corporate Comm. for Bosch in Poland

Sources: Company Disclosures, Global Management Consulting Firm. Emphases added to quotes.
Note: (1) Daikin reports 37 European production plants (2024 Investor Day), including 27 large facilities, 19 of which are principal HVAC plants.

3 APAC Improvement Actions

Plant consolidation in China could also provide EBIT growth of ¥5-10bn by FY3/31 (10-15 bps of global EBIT margin)

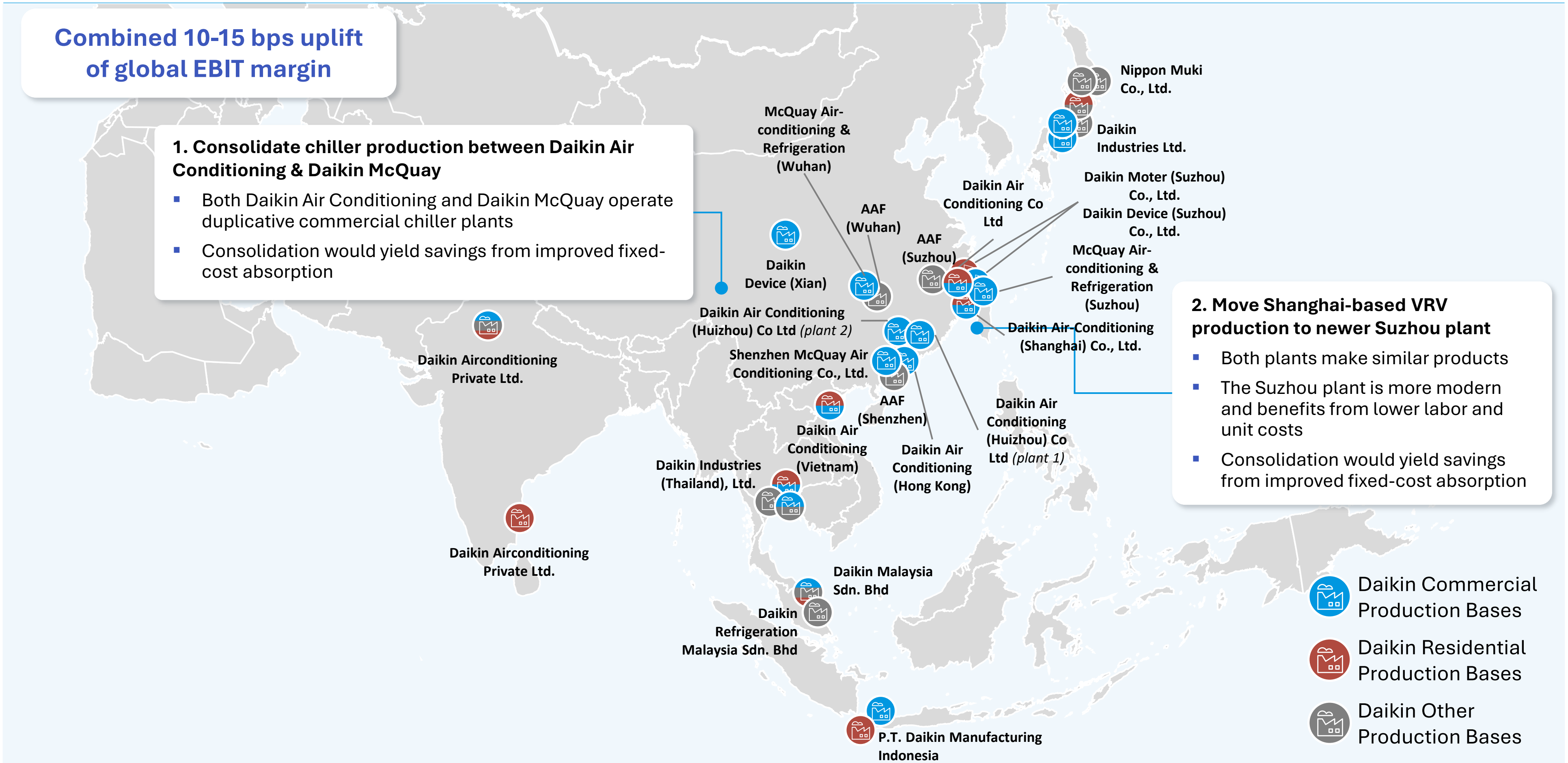
Combined 10-15 bps uplift of global EBIT margin

1. Consolidate chiller production between Daikin Air Conditioning & Daikin McQuay

- Both Daikin Air Conditioning and Daikin McQuay operate duplicative commercial chiller plants
- Consolidation would yield savings from improved fixed-cost absorption

2. Move Shanghai-based VRV production to newer Suzhou plant

- Both plants make similar products
- The Suzhou plant is more modern and benefits from lower labor and unit costs
- Consolidation would yield savings from improved fixed-cost absorption

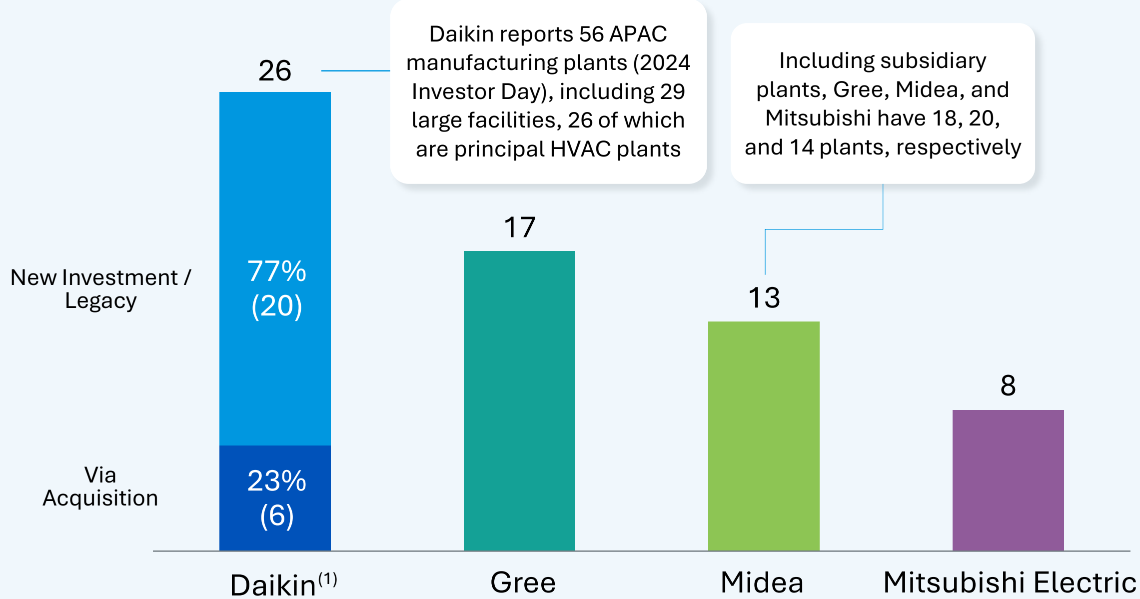


Sources: Company Disclosures, Expert Interviews, Global Management Consulting Firm.
Note: Map shows 29 principal facilities, out of a total of 56 facilities (principal facilities refer to individually reported facilities listed in recent marketing materials, investor presentations, and/or company websites; remaining facilities represent the delta to the number of facilities reported on a global basis, which includes subsidiaries).

3 APAC Mfg. Facilities: Fragmented Footprint vs. Peers

Daikin's APAC footprint is larger and more fragmented than its peers (Gree, Midea, and Mitsubishi Electric)

Daikin's APAC HVAC Footprint vs. Peers
# of manufacturing facilities



"There are three McQuay factories acquired in China [...] however, despite the acquisition, **McQuay and Daikin maintain separate management architectures with little overlap or integration**. They now operate as two independent brands."

Former Employee, Daikin

Competitors' approach to manufacturing footprint

- Chinese manufacturers (e.g., Midea, Gree) concentrate production in large integrated bases, with vertically integrated, co-located component manufacturing
- Japanese peers (e.g., Mitsubishi Electric) maintain a core of production sites, primarily concentrated in Japan and Thailand
- Daikin operates a significantly larger manufacturing footprint across APAC, reflecting historical acquisitions and regional expansion

"Our primary base in Asia is a large factory in Thailand [...] that has **very large production volumes supporting not only Asia but Europe and the U.S.**. By producing for various regions, we reduce our exposure to demand fluctuations."

Deputy Group Leader, Sales and Marketing, Peer HVAC OEM

Sources: Company Disclosures, Global Management Consulting Firm. Emphasis added to quotes.
Note: (1) Daikin reports 56 APAC production plants (2024 Investor Day), including 26 principal HVAC plants.

Product and Revenue

We estimate +¥100-160bn of EBIT uplift by FY3/31 – 160-250 bps of EBIT margin uplift – from product cost optimization, disciplined pricing, and business mix shifts

Initiative	Potential Opportunities	Est. EBIT impact (¥, bps)
1 **Product Cost Reduction (Design-to-Value)**	**Material optimization:** Increase aluminum usage and reduce copper intensity to structurally lower material cost and volatility exposure **Platform simplification:** Standardize SKUs and increase global part commonality to drive scale leverage **Value-tier alignment:** Engineer products to match cost structure to segment positioning (e.g., value vs. premium)	**¥25bn – 45bn (1)** **(40-70 bps)**
2 **Revenue Discipline**	**Pricing discipline:** Tighten pricing execution in softer markets (e.g., China, European Resi) to sustain marginal pricing uplift as tailwinds moderate **Segment focus:** Target incremental pricing uplift in segments with stronger price elasticity (e.g., data centers) **Inflation-aligned pricing:** Capture limited price uplift above cost inflation	**¥20bn – 30bn** **(30-50 bps)**
3 **Business Mix Improvement**	**Industrial mix expansion:** Increase share of higher-margin industrial / non-residential end markets **Services attachment:** Expand the offering and attachment rate of high-margin services and maintenance across the installed base **Salesforce incentives:** Align incentive structures to prioritize profitability and product mix, encouraging higher-margin product placements	**¥60bn – 85bn** **(90-130 bps)**
Total		**¥100bn – 160bn (2)** **(160-250 bps)**

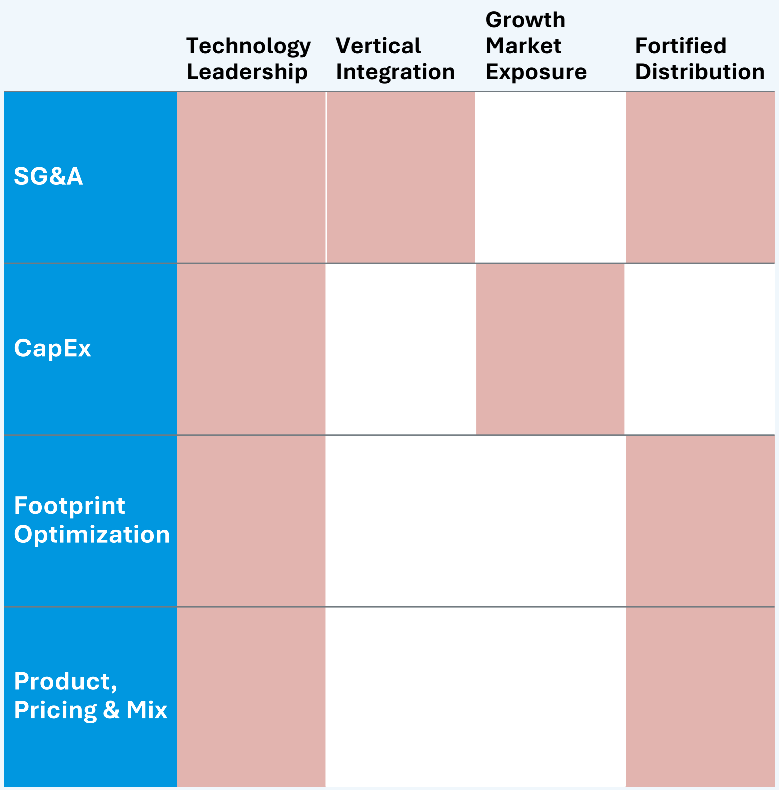
> It's a viable target to achieve a long-term profit increase with a shift from copper to aluminum [...] the value to mid-tier residential and some of the smaller commercial units could make that switch
>
> Former Employee, Daikin

Sources: Company Disclosures, Expert Interviews, Global Management Consulting Firm.
Notes: (1) EBIT impact primarily focused on material optimization; additional margin expansion could be created through platform simplification and value-tier alignment; (2) Component EBIT impacts do not sum to total due to rounding.

Daikin Can Improve its Margins Without Losing its Moat

Efficiency initiatives can be implemented thoughtfully to drive margin uplift while preserving Daikin's core competitive advantages

Potential Optimization Risks and Risk Mitigants



	Potential Risk	Actionable Mitigant
SG&A	R&D de-duplication could weaken **technology & product leadership**	Target only overlapping research; preserve distinct programs
CapEx	Reduced CapEx threatens **product leadership** and **high-growth positioning**	Suggested reduction is modest and **reduces capex only to Daikin's own historical average** Proposed reduced capex **exceeds the peer average by 2pp** of sales
Footprint Optimization	Plant consolidation may reduce **vertical integration** and create future **capacity shortfalls**	**Consolidate duplicative sites,** prioritizing those unlikely to meet near- or mid-term utilization thresholds
Product, Pricing & Mix	Greater aluminum use may **dilute Daikin's premium** positioning Mix shift could drive **customer loss**	Use **aluminum only in the value segment** where competitors have already shifted Prioritize **growth segments** (e.g., Americas Applied) and layer in **services,** without displacing core portfolio – **customers will benefit**

Potential risk

Sources: Company Disclosures, Expert Interviews, Global Management Consulting Firm.

Elliott Advisors (U.K.) Ltd
6th Floor Park House
116 Park Street
London W1K 6AF
UNITED KINGDOM

www.elliottmgmt.com