SINKO INDUSTRIES LTD.

（TSE Prime Market Stock Exchange Code: 6458）

Financial Results Briefing
for the Fiscal Year Ended March 31, 2025

Date	June 12, 2025	
Venue	Webcast	
Speakers	Satoshi Suenaga	President and CEO
	Tokuji Aota	Representative Director, Executive Vice President and CFO
	Tomoaki Fujii	Director, Senior Executive Officer and General Manager of Corporate Planning Division
	Yasuyuki Aoyagi	Executive Officer and General Manager of Business Strategy Office, Technical Division

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

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*The above refers to the pages in this document, and differs from the pages in the financial results briefing materials published on June 12, 2025.

Notes on forward-looking statements

This material is solely intended to provide information to investors, and it is not intended to solicit sales or purchases.

Forward-looking statements in this material are based on targets and projections and do not constitute promises or guarantees. Please note that the Company’s future performance may differ from the Company’s current forecast.

In addition, while descriptions related to industries, etc. have been prepared based on data that are deemed to be reliable, the Company does not guarantee their accuracy or completeness.

The use of this material by investors for any purpose is assumed to be at their discretion and responsibility, and the Company assumes no responsibility in any circumstances.

Aota: My name is Aota. I would like to thank you all for taking time for this financial results briefing today despite your busy schedules.

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First, I will explain our financial results for the fiscal year ended March 31, 2025, as well as our financial results forecasts for the fiscal year ending March 31, 2026.

After that, Mr. Suenaga, the President, will brief you on the progress of the Medium-term Management Plan “move.2027.”

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SINKO

I. Financial results for the FYE 2025/3

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I. Financial results for the FYE 2025/3

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Summary of Financial Results

- Results for the fiscal year ended March 31, 2025:
  Net sales of 57.0 billion yen, operating profit of 9.98 billion yen (compared to the plan: net sales up 3.6%, operating profit up 5.1%)
- The market environment was strong, driven by demand for industrial air conditioning with the return of manufacturing bases to Japan, building air conditioning for large-scale redevelopment projects, and air conditioning units for cooling data center servers.
- In the Japan segment, production leveling efforts paid off throughout the fiscal year, which also drove increases in consolidated sales and profit. Work to capture demand in our target markets of data centers and air conditioning equipment installation and maintenance also contributed to significant growth in net sales and operating profit.
- In the Asia segment, the impact of the stagnant real estate market in China continued. Despite efforts to raise profit margins, mainly due to a harsh, heavily price-focused business environment, the fiscal year ended with an operating loss.
- In financial strategy, we repurchased a total amount of approximately 4.71 billion yen in treasury shares over one year. And in December, we also carried out a stock split to boost share liquidity and broaden our investor base. In the fiscal year ending March 31, 2026, we are planning share repurchases of approximately 4.58 billion yen (upper limit), to be funded by the convertible bonds whose issue was resolved in March 2025, as part of bold review of our capital structure through the use of debt.
- Through the pursuit of capital cost management under the Medium-term Management Plan "move.2027," ROE improved to 12.8% (up 1.5 points year on year), and PBR stood at 1.4x on March 31, 2025.

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I will first give a summary of the financial results.

The results for the fiscal year ended March 31, 2025 were net sales of 57.0 billion yen and operating profit of 9.98 billion yen. These figures were up 3.6% and 5.1% respectively from our upgraded plan.

Our industry has seen a continuation of investment, primarily in industrial air conditioning due to a return of manufacturing bases to Japan and building air conditioning for redevelopment projects, and there has also been expanded investment in data centers in anticipation of the expansion of AI and cloud services usage. Orders received by equipment installation companies remained at a high level, and the market environment remained strong.

In the Japan segment, the production leveling efforts that we undertook from the beginning of the fiscal year paid off throughout the fiscal year, and were a major factor for the increases in both revenue and profit on a consolidated basis as well.

In contrast, in the Asia segment, the stagnant real estate market in China continued, and due to the harsh, heavily price-focused business environment, the fiscal year ended with an operating loss. With these results, in our consolidated financial results for this fiscal year, we achieved record highs for both net sales and operating profit.

In financial strategy, we promoted management that focuses on the cost of capital and profitability, strengthening shareholder returns and undertaking a bold review of our capital structure. As a result of these efforts, ROE was 12.8%, and PBR stood at 1.4 times at the end of the fiscal year.

Continuing to promote management that focuses on the cost of capital and share price, we will pursue the improvement of profitability in existing markets and venture into new markets. We will also strengthen shareholder returns and make proactive strategic investments with the aim of achieving sustainable growth.

I. Financial results for the FYE 2025/3

A/R DES/GN COMPANY SINKO

Consolidated Statements of Income

■ Net sales were 57.0 billion yen (up 9.7% year on year), and operating profit was 9.98 billion yen (up 15.8% year on year).

(Unit: millions of yen, %)

		FYE 2024/3		FYE 2025/3			
						YoY	
		Amount	Composition ratio	Amount	Composition ratio	Change	Rate of change
Net sales		51,943	100.0	57,005	100.0	5,062	9.7
	Japan	44,426	85.5	49,768	87.3	5,342	12.0
	Asia	7,517	14.5	7,237	12.7	(280)	(3.7)
Operating profit		8,627	16.6	9,986	17.5	1,359	15.8
	Japan	8,448	16.3	10,228	17.9	1,780	21.1
	Asia	135	0.3	(283)	(0.5)	(418)	—
Ordinary profit		9,120	17.6	10,615	18.6	1,495	16.4
Profit attributable to owners of parent		6,580	12.7	7,829	13.7	1,249	19.0
Orders received		37,315	–	32,463	–	(4,852)	(13.0)
Order backlog		20,883	–	20,069	–	(814)	(3.9)
Investment amount		3,268	–	3,059	–	(209)	(6.4)
Depreciation		1,320	–	1,576	–	256	19.4

■ The market environment was strong, driven by demand for industrial air conditioning with the return of manufacturing bases to Japan, building air conditioning for large-scale redevelopment projects, and air conditioning units for cooling data center servers.

■ In the Japan segment, production leveling efforts paid off throughout the fiscal year, which also drove increases in consolidated sales and profit. Work to capture demand in our target markets of data centers and air conditioning equipment installation and maintenance also contributed to significant growth in net sales and operating profit.

■ In the Asia segment, the impact of the stagnant real estate market in China continued. Despite efforts to raise profit margins, mainly due to a harsh, heavily price-focused business environment, the fiscal year ended with an operating loss.

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This is our consolidated statement of income for the fiscal year ended March 31, 2025.

In Japan, thanks to production leveling efforts and our focus on capturing target markets under the Medium-term Management Plan, we recorded major increases in revenue and profit.

In Asia, China's economic slump and the stagnation of its real estate market continue. Moreover, although net sales ballooned in the fiscal year ended March 31, 2024 due to delivery delays, there was a reactionary decline in net sales for the fiscal year ended March 31, 2025, and we recorded an operating loss for this segment.

As a result of these factors, consolidated net sales increased by 9.7% year on year to 57.0 billion yen, and consolidated operating profit increased by 15.8% year on year to 9.98 billion yen.

I. Financial results for the FYE 2025/3

A/R DES/GN COMPANY SINKO

Revenue Analysis for Second Half and Full Fiscal Year

- Although the industry's tendency toward concentration in the second half of the fiscal year remains, due to the effects of production leveling, the profit growth in the first half contributed to growth in the full fiscal year's results.
- Although the revised forecast announced in November last year reflected the decline in profit in the Asia segment, leading to a forecast of a substantive decrease in second-half earnings, the strong performance of the Japan segment offset the decline in the Asia segment better than expected. As a result, operating profit for the second half exceeded even the pre-revision forecast (6.3 billion yen).

(Unit: millions of yen)

* H2 and full-year forecasts are after the revisions announced on November 12, 2024

		H1	H2					Full Year		
			Q3	Q4	H2 total	Forecast*	Forecast/ Result Difference	Full year total	Forecast*	Forecast/ Result Difference
FYE 2024/3	Net sales	22,290	13,996	15,657	29,653	—	—	51,943	—	—
	Gross profit	7,435	5,507	6,158	11,665	—	—	19,100	—	—
	Gross profit margin	33.4%	39.3%	39.3%	39.3%	—	—	36.8%	—	—
	Operating profit	2,527	2,826	3,274	6,100	—	—	8,627	—	—
	Operating profit margin	11.3%	20.2%	20.9%	20.6%	—	—	16.6%	—	—
FYE 2025/3	Net sales	24,201	14,907	17,897	32,804	30,799	2,005	57,005	55,000	2,005
	Gross profit	8,910	6,127	6,760	12,887	—	—	21,797	—	—
	Gross profit margin	36.8%	41.1%	37.8%	39.3%	—	—	38.2%	—	—
	Operating profit	3,561	3,263	3,162	6,425	5,939	486	9,986	9,500	486
	Operating profit margin	14.7%	21.9%	17.7%	19.6%	19.3%	0.3pt	17.5%	17.3%	0.2pt
Change Rate of change	Net sales	1,911 8.6%	911 6.5%	2,240 14.3%	3,151 10.6%	—	—	5,062 9.7%	—	—
	Gross profit	1,475 19.8%	620 11.3%	602 9.8%	1,222 10.5%	—	—	2,697 14.1%	—	—
	Operating profit	1,034 40.9%	437 15.5%	(112) (3.4)%	325 5.3%	—	—	1,359 15.8%	—	—

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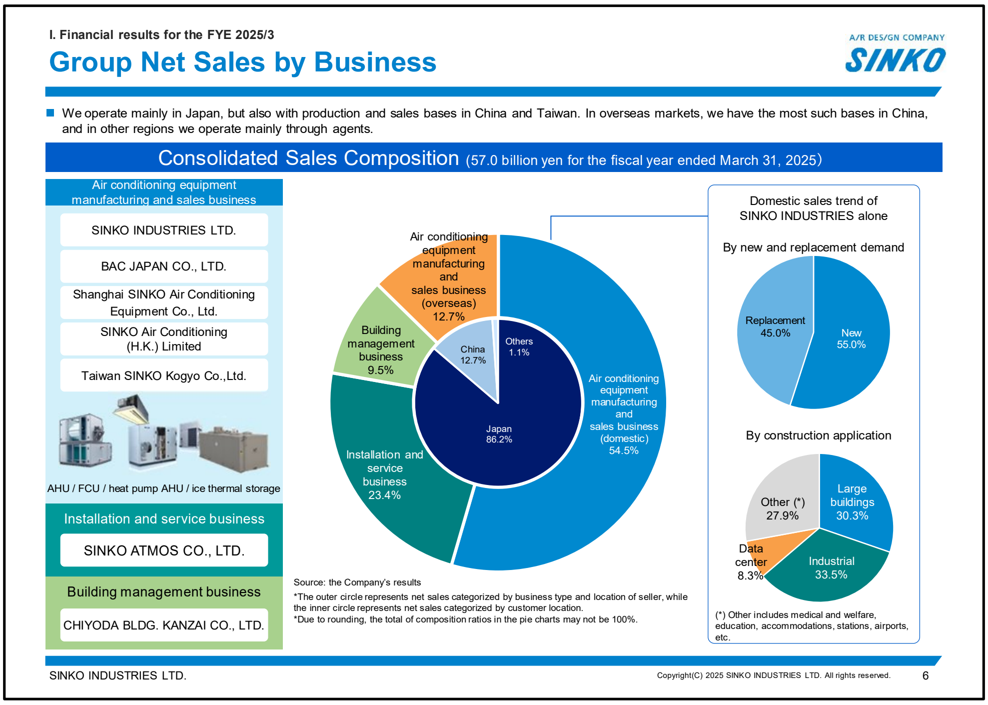
This page provides an analysis primarily of revenue in the 3rd and 4th quarters.

Although profit levels dipped temporarily in the 2nd quarter, in the 3rd and 4th quarters, both gross profit margin and operating profit margin increased due to steady progress in our efforts to capture target markets in Japan.

In our revised forecasts announced in November last year, we forecast a substantive decrease in profit in the second half of the fiscal year compared with the initial plan. However, this was offset by the strong performance of the Japan segment, and as a result, operating profit for the second half of the fiscal year surpassed even the pre-revision forecast of 6.3 billion yen.

When we look at the full fiscal year, while there is the construction industry tendency toward concentration in the second half of the fiscal year, due to the effects of production leveling, profits increased significantly in the first half, making a major contribution to the growth in the full fiscal year's results.



To aid your understanding of our business, I will explain the sales composition for the fiscal year ended March 31, 2025.

We have the Japan and Asia segments on a region basis, and the Japan segment accounts for 86% of sales. Sales of the Asia segment come primarily from China. If we look at sales in Japan by business, air conditioning equipment manufacturing and sales accounts for 55%, installation and service for air conditioning equipment 23%, and the building management business 10%.

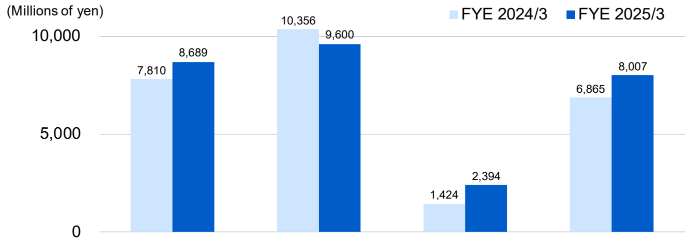
In air conditioning equipment sales in Japan, projects for new installation have accounted for over 50% for three consecutive fiscal years as the economy slowly recovers. In the fiscal year ended March 31, 2025, the ratio of new installation to replacement orders was around 55 to 45.

By construction application, large buildings accounted for 30%, factories and other industrial applications 34%, and data centers 8%.

I. Financial results for the FYE 2025/3

A/R DES/GN COMPANY SINKO

Sales Trend by Construction Application (SINKO INDUSTRIES alone)



		Large buildings	Industrial	Data center	Other (*2)	Total
FYE 2024/3	Net sales (*1)	7,810	10,356	1,424	6,865	26,455
FYE 2025/3	Net sales (*1)	8,689	9,600	2,394	8,007	28,689
YoY	Change	879	(756)	970	1,142	2,234
	Rate of change	11.3%	(7.3)%	68.1%	16.6%	8.4%

*1 Net sales in Japan of SINKO INDUSTRIES alone *2 Other includes medical and welfare, education, accommodations, stations, airports, etc.

- Net sales in the large buildings sector increased due to demand for large-scale redevelopment projects in metropolitan areas, and equipment replacement and renovation works in existing buildings, etc.
- In the industrial sector, despite a decline from the previous fiscal year's record high results, when viewed over a five-year period, the trend of increased sales continues.
- In the data center sector, although net sales declined in the previous fiscal year due to fluctuations in demand, sales grew significantly in this fiscal year due to strengthened sales measures and strategic investments. Inquiries are expected to continue their favorable trend, and we will focus efforts on further capturing demand.
- In the other sector, we captured demand for new construction projects for hospitals, hotels, etc., and refurbishment and maintenance works in public facilities, resulting in a year-on-year increase in net sales.

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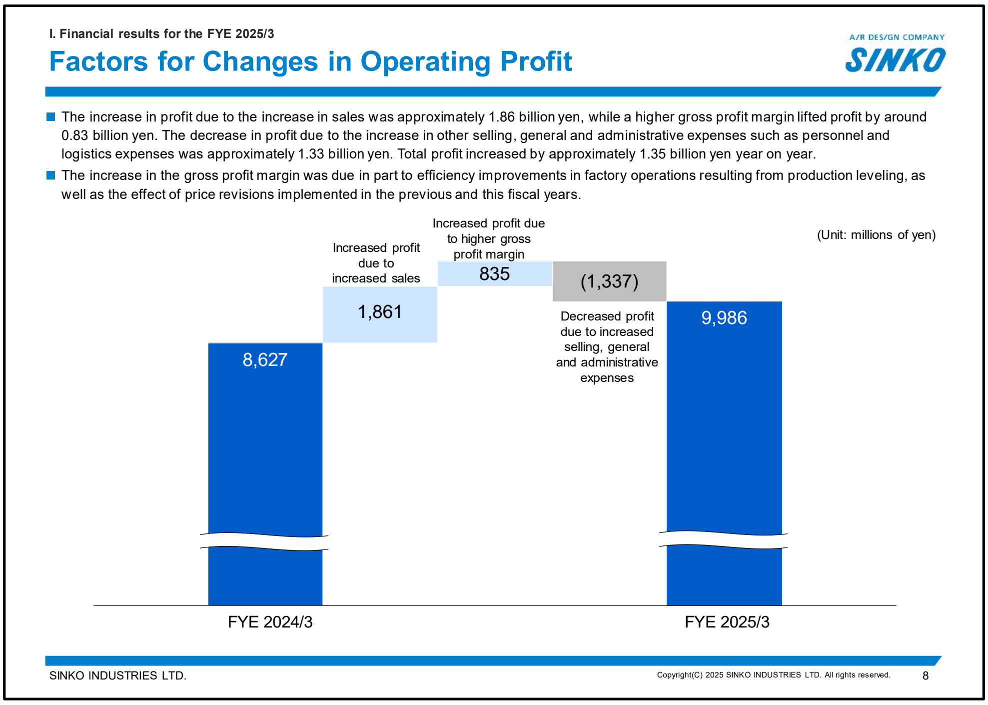
Related to the sales composition by construction application that I mentioned earlier, this page shows the sales amounts of SINKO INDUSTRIES alone and changes in those compared with the previous fiscal year.

In the large buildings sector, we captured demand for redevelopment projects and replacement works in existing buildings, leading to an 11.3% increase in net sales year on year.

In the industrial sector, net sales decreased by 7.3% year on year, but demand remained strong.

In the data center sector, net sales increased by 68.1% year on year, thanks to efforts to strengthen sales and strategic investments.

In the other sector, there was demand for new construction projects such as for hospitals and hotels, and we also captured demand for refurbishment and other works in public facilities, resulting in an increase of 16.6% in net sales year on year.



This page shows the factors for changes in operating profit.

The increase in profit due to the increased net sales was 1.86 billion yen, while a higher gross profit margin lifted profit by 830 million yen. On the other hand, factors behind a fall in profits include an increase in selling, general and administrative expenses such as personnel and logistics expenses, reducing profit by 1.33 billion yen. As a result, operating profit increased by 1.35 billion yen.

I. Financial results for the FYE 2025/3

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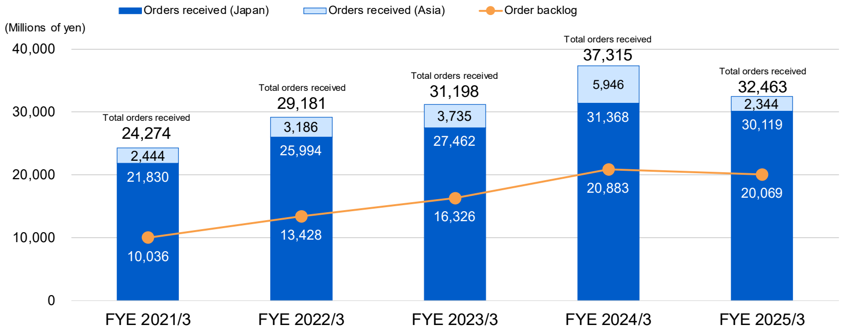
Trends in Orders Received and Order Backlog

- In Japan, due to production leveling and planned receipt of orders in anticipation of medium- to long-term growth, orders received in this fiscal year ended slightly lower than that of the previous fiscal year.
- In Asia (mainly China), orders received in this fiscal year decreased year on year in a reaction against the surge of orders during the previous fiscal year driven by the reopening of the economy after the COVID-19 pandemic.
- Due to work style reforms in the construction and logistics industries, soaring construction costs, and other factors, the impact of longer project durations and reviews of investment plans is expected to emerge from the fiscal year ending March 31, 2026. Going forward, we will sharpen our focus on target markets and concentrate our efforts on winning project contracts and capturing demand in the fiscal year ending March 31, 2027 and beyond.



*The scope of orders received and order backlog included in the totals for each segment is as follows.
Japan segment: Orders received by SINKO INDUSTRIES alone (domestic Group companies not included) in the air conditioning equipment manufacturing and sales business
Asia segment: Orders received for AHU sales by the Chinese subsidiary, Shanghai SINKO Air Conditioning Equipment Co., Ltd. (FCU and other equipment sales and equipment installation, etc. not included)

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This page shows the trends in orders received and order backlog.

The data shows orders received and order backlogs only for air conditioning equipment sales in both the Japan and Asia segments. It does not include orders for our other products and services, such as cooling towers and installation works.

Consolidated orders received amounted to 32.4 billion yen, a drop of 4.8 billion yen year on year. The main reason for this is a reaction against the large increase in orders received in the fiscal year ended March 31, 2024 in the Asia segment. In the fiscal year ended March 31, 2024, there was a surge of orders in Asia due to the reopening of the economy after the COVID-19 pandemic. In this fiscal year, however, due to the slump in China’s domestic real estate market, there was a decrease in orders received.

Accordingly, the consolidated order backlog also fell by 800 million yen year on year.

Regarding the future outlook for the market, the impact of longer project durations and reviews of investment plans is expected to emerge. The Group will sharpen its focus on our target markets, reinforce our production capacity, and work to capture demand in the fiscal year ending March 31, 2027 and beyond, in our efforts to maintain growth from medium- to long-term perspectives.

I. Financial results for the FYE 2025/3

Consolidated Balance Sheets

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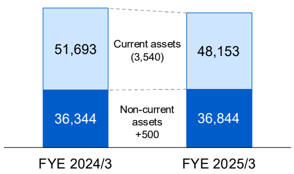
- Cash and deposits decreased mainly due to shareholder returns and payments to suppliers. Property, plant and equipment increased due to capital investments, etc.
- Liabilities decreased due to shortened terms of payments to suppliers, etc. Despite recording of profit, net assets increased only slightly due to shareholder returns, etc.

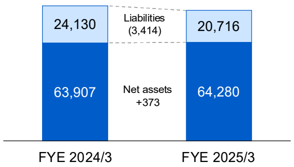
Assets

(Unit: millions of yen)



Liabilities/Net Assets

(Unit: millions of yen)



(Unit: millions of yen)

	FYE 2024/3	FYE 2025/3	Change
Current assets	51,693	48,153	(3,540)
Cash and deposits	17,735	15,669	(2,066)
Notes and accounts receivable – trade	18,593	19,249	656
Inventories	3,700	4,142	442
Non-current assets	36,344	36,844	500
Property, plant and equipment	19,076	20,777	1,701
Intangible assets	1,097	1,163	66
Investments and other assets	16,170	14,903	(1,267)
Total assets	88,038	84,997	(3,041)
Total liabilities	24,130	20,716	(3,414)
(Interest-bearing debts balance)	2,594	2,412	(182)
Total net assets	63,907	64,280	373
Total liabilities and net assets	88,038	84,997	(3,041)

(Unit: %)

Equity ratio	69.4	71.7	+2.3pt

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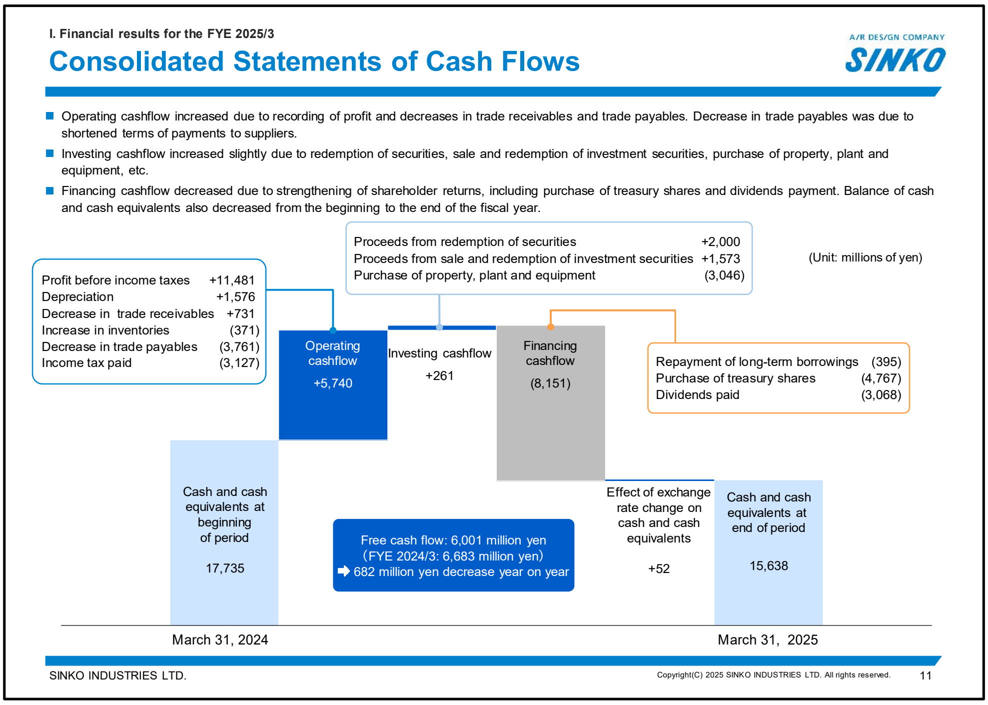
This is our balance sheet.

In terms of assets, cash and deposits fell mainly due to shareholder returns and payments to suppliers, and current assets decreased by 3.5 billion yen year on year.

Non-current assets increased by 500 million yen due to capital investment and other factors. In terms of liabilities, trade payables decreased due to shortened terms of payments to suppliers and other factors.

Despite the recording of profit, net assets increased by only 370 million yen year on year due to payments of dividends and share repurchases.



This page shows the status of our cash flows.

Net cash provided by operating activities was 5.7 billion yen, due to an increase in profit and falls in trade receivables and trade payables.

Net cash provided by investing activities was 260 million yen, due to proceeds from sale and redemption of securities and purchases of property, plant and equipment.

Net cash used in financing activities was 8.1 billion yen, due to share repurchases and dividends paid.

As a result, the balance of cash and cash equivalents fell by 2.0 billion yen from the beginning of the fiscal year.

I. Financial results for the FYE 2025/3

Shareholder Returns (Dividends)

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- In light of the shareholder return policy in the Medium-term Management Plan and financial results for this fiscal year, a year-end dividend will be the amount as previously expected.
- The annual dividend per share for the fiscal year ended March 31, 2025 is 18 yen for the interim dividend and 32 yen for the year-end dividend, for a total of 50 yen, which will be a substantive increase of 15 yen year on year (adjusted for the stock split of common shares conducted on December 1, 2024).

		Annual dividend per share			Total dividends	Amount of treasury shares purchased	Payout ratio (consolidated)	Total payout ratio (consolidated)
		Interim	Year-end	Total				
		Yen	Yen	Yen	Millions of yen	Millions of yen	%	%
FYE 2024/3	**Determined amount**	35.00	70.00	105.00	2,623	1,001	39.6	55.1
	After adjustment for stock split*1	11.67	23.33	35.00				
FYE 2025/3	**Determined amount**	54.00	32.00	— *2	3,608	4,715	46.4	106.3
	After adjustment for stock split*1	18.00	32.00	50.00				
Change	**After adjustment for stock split*1**	6.33	8.67	15.00	985	3,714	6.8pt	51.2pt

*1 As the Company conducted a 3-for-1 stock split of its common shares with an effective date of December 1, 2024, past dividend figures prior to and including the FYE 2025/3 interim dividend have been adjusted to reflect this split.
*2 The total determined amount of the dividend for FYE 2025/3 is not presented, as a simple aggregation is not possible due to the stock split.

Shareholder Benefits

*Number of shares held is adjusted for the stock split

	Number of shares held	Benefit
Held for one year or more	300 shares or more but less than 3,000 shares	Book gift card worth 1,000 yen
	3,000 shares or more	Gift voucher worth 5,000 yen

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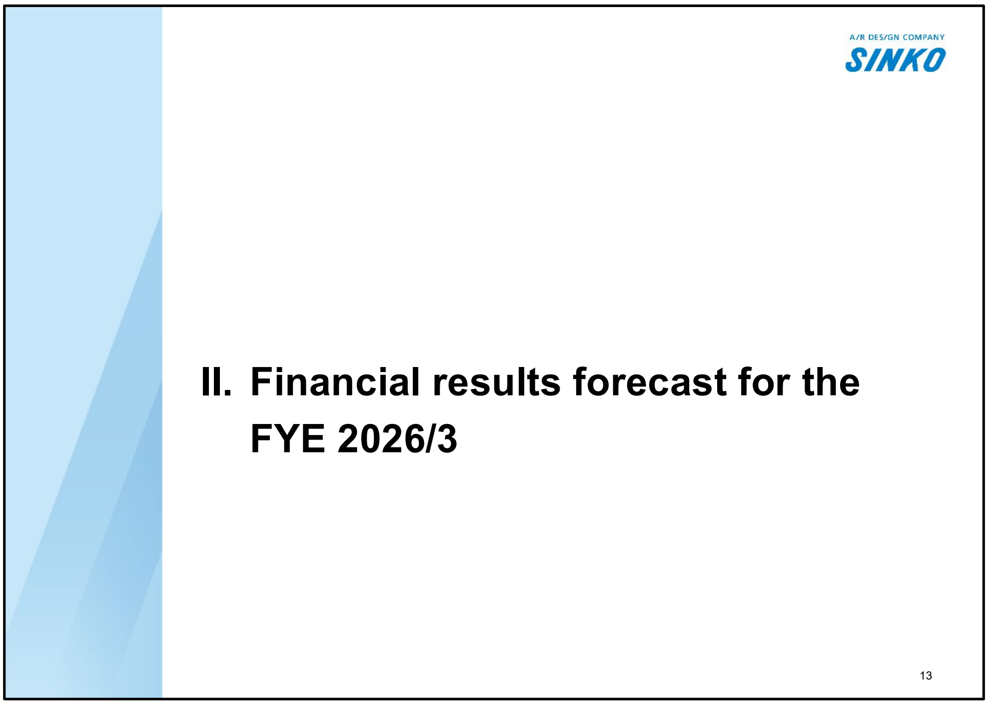
This page shows the dividends for the fiscal year ended March 31, 2025.

In light of the shareholder return policy in the Medium-term Management Plan and financial results for the full fiscal year, we plan to pay a year-end dividend of 32 yen per share as previously forecasted.

In December last year, we carried out a stock split and, factoring in the impact of that split, the annual dividend for the fiscal year ended March 31, 2025 represents a 15 yen increase year on year.

The payout ratio will also be up 6.8 points from 39.6% for the previous fiscal year to 46.4% for this fiscal year.



Next, I will explain our financial results forecasts for the fiscal year ending March 31, 2026.

II. Financial results forecast for the FYE 2026/3

A/R DESIGN COMPANY
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Consolidated Statements of Income

- We expect net sales of 58.0 billion yen (up 1.7% year on year) and operating profit of 10.1 billion yen (up 1.1% year on year) for the full fiscal year ending March 31, 2026.
- Regarding the annual dividend per share, in line with the dividend policy in the Medium-term Management Plan “mov.2027,” we plan to pay an interim dividend of 20 yen and a year-end dividend of 30 yen, for a total of 50 yen.

(Unit: millions of yen, %)

	FYE 2025/3		Results forecast for FYE 2026/3			
	Amount	Composition ratio	Amount	Composition ratio	YoY	
					Change	Rate of change
Net sales	57,005	100.0	58,000	100.0	995	1.7
Japan	49,768	87.3	50,000	86.2	232	0.5
Asia	7,237	12.7	8,000	13.8	763	10.5
Operating profit	9,986	17.5	10,100	17.4	114	1.1
Ordinary profit	10,615	18.6	10,700	18.4	85	0.8
Profit attributable to owners of parent	7,829	13.7	7,400	12.8	(429)	(5.5)
Basic earnings per share (yen)	107.68	—	104.66	—	(3.02)	(2.8)
Investment amount	3,059	—	4,200	—	1,141	37.3
Depreciation	1,576	—	1,750	—	174	11.0

- While investment in air conditioning equipment in Japan is expected to remain strong, due to work style reforms, soaring construction costs, and other factors, the impact of longer project durations and reviews of investment plans is expected to emerge, requiring careful identification of future market trends.
- In the second year of the Medium-term Management Plan, we will further sharpen our focus on target markets and work to improve profitability across the Group and strengthen Group synergies.
- As Japan and the Asia region account for almost all the Group’s business, the tariff measures of the U.S. government are not expected to have a direct impact. We will continue to monitor market trends amid uncertainties about the future of the global economy.

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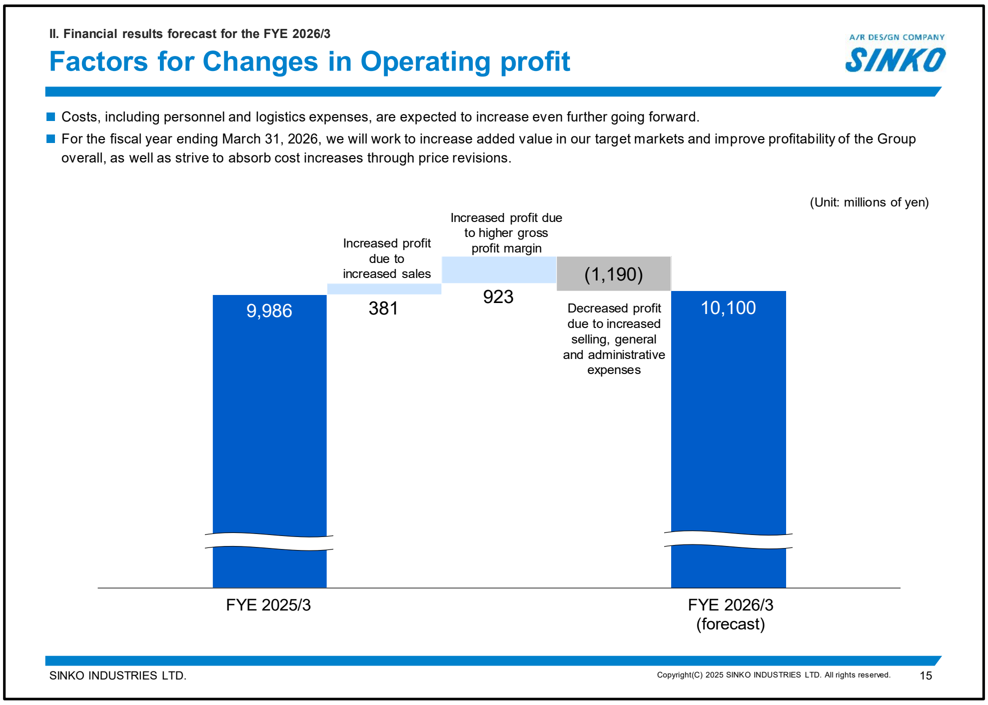
I will now explain our financial results forecasts for the fiscal year ending March 31, 2026.

We forecast that net sales for the full fiscal year will increase by 1.7% year on year to 58.0 billion yen and that operating profit will increase by 1.1% year on year to 10.1 billion yen.

In the domestic construction market, demand for air conditioning equipment is expected to remain strong, with investment in industrial air conditioning and data centers. On the other hand, due to work style reforms that started in the construction and logistics industries, as well as soaring construction costs and other factors, the impact of longer project durations and reviews of investment plans is expected to emerge, and we will need to identify future market trends carefully.

Under these circumstances, in the fiscal year ending March 31, 2026, the second year of the Medium-term Management Plan, in addition to further sharpening our focus on target markets, we will work to improve profitability across the Group and strengthen Group synergies.

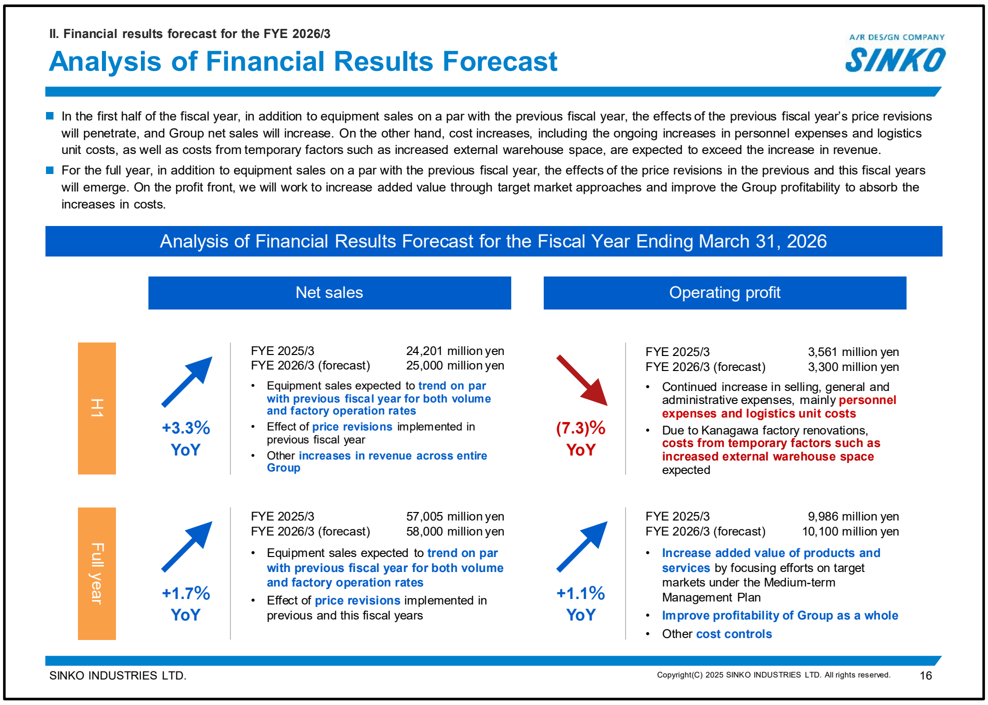


This page shows the factors for changes in operating profit in the financial results forecast from the previous fiscal year.

We forecast increases in profit of 380 million yen resulting from increased sales and 920 million yen due to higher gross profit margin.

On the other hand, we expect a 1.19 billion yen decrease in profit due to higher selling, general and administrative expenses resulting from further rises in costs, including personnel and logistics expenses.

As a result, operating profit for the full fiscal year is expected to increase by 110 million yen year on year.



I will now explain the background and factors behind the changes in the financial results forecast for the fiscal year ending March 31, 2026 compared with the previous year.

For the first half of the fiscal year, we expect a decline in operating profit of 7.3% year on year, against a year-on-year increase in net sales of 3.3%. In terms of sales, we expect that volumes and factory operation rates will be on par with the previous fiscal year. We also forecast an increase in revenue on a consolidated basis due to the effects of the previous fiscal year's price revisions and an increase in sales for the entire Group. On the other hand, in terms of profit, the continued increase in personnel expenses and logistics unit costs will be compounded by temporary factors such as increased external warehouse space, and we forecast a decrease in profit on a consolidated basis.

For the full fiscal year, we expect increases of 1.7% in net sales and 1.1% in operating profit year on year. For these forecasts as well, we expect volumes and factory operation rates on par with the previous fiscal year, and the effects of price revisions implemented at the beginning of this fiscal year are expected to emerge. For this reason, we forecast an increase in revenue on a consolidated basis. On the profit front as well, in addition to increasing added value through capturing target markets under the Medium-term Management Plan, we will work to improve the profitability of the Group as a whole and control other costs. As such, we forecast an increase in profit on a consolidated basis.

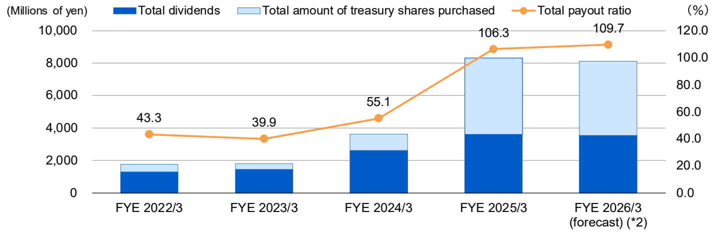
II. Financial results forecast for the FYE 2026/3

A/R DESIGN COMPANY SINKO

Shareholder Returns (Trends in Total Payout Ratio)

- Under the Medium-term Management Plan "move.2027," we have adopted a dividend policy of raising our target payout ratio to 50% and maintaining a minimum DOE of 3.5%. We will work to strengthen our shareholder returns by also conducting share repurchases and raising our total payout ratio.
- Regarding the annual dividend per share for the fiscal year ending March 31, 2026, in line with the above dividend policy, we plan to pay an interim dividend of 20 yen and a year-end dividend of 30 yen, for a total of 50 yen.

Trends in total payout ratio



	FYE 2022/3	FYE 2023/3	FYE 2024/3	FYE 2025/3	FYE 2026/3 (forecast) (*2)
Basic earnings per share (yen) (*1)	53.04	59.54	88.37	107.68	104.66
Dividend per share (yen) (*1)	16.67	19.00	35.00	50.00	50.00
Payout ratio (%)	31.4	31.9	39.6	46.4	47.8
Total payout ratio (%)	43.3	39.9	55.1	106.3	109.7 (*2)

*1 As the Company conducted a 3-for-1 stock split of its common shares with an effective date of December 1, 2024, figures for basic earnings per share and dividend per share have been adjusted to reflect this split.

*2 Total dividends and total payout ratio for FYE 2026/3 are if dividends are paid as expected based on the number of issued shares (excluding treasury shares) as of March 31, 2025, and all the treasury shares not yet acquired (approx. 4.58 billion yen) of the treasury share repurchases resolved on March 13, 2025 (upper limit of 6.0 billion yen) are acquired.

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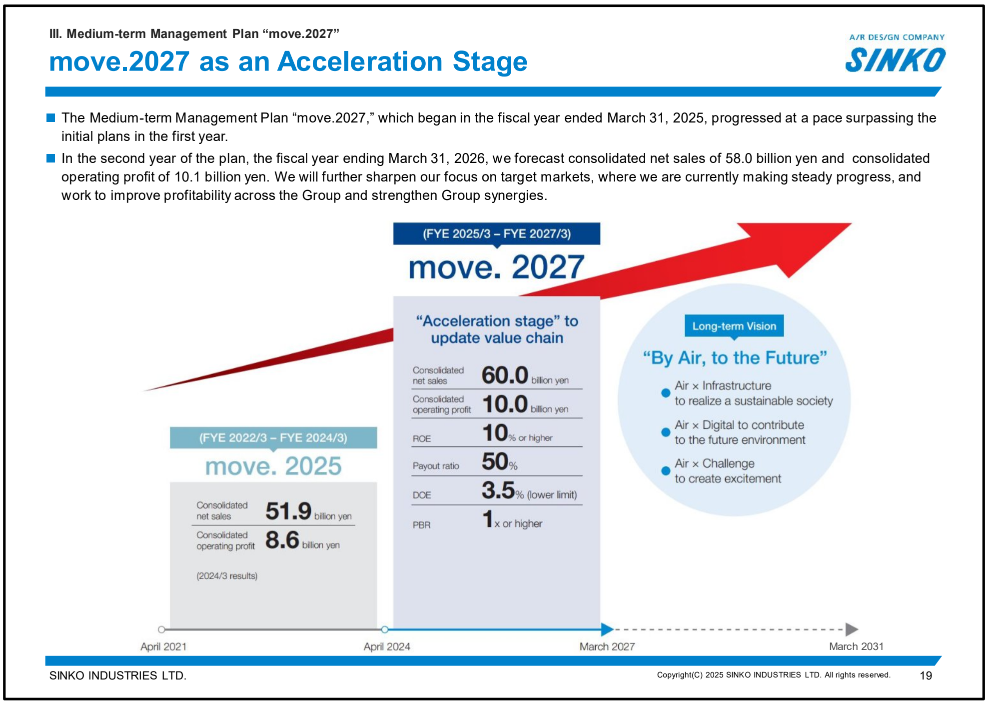
I will now brief you on shareholder returns for the fiscal year ending March 31, 2026.

Regarding the dividends for the fiscal year ending March 31, 2026, based on our target payout ratio of 50% and the full-year financial results forecast, we plan to pay an interim dividend of 20 yen per share and a year-end dividend of 30 yen, for a total of 50 yen per share, expecting the payout ratio to be 47.8%.

In the Medium-term Management Plan, we also set a goal of improving our total payout ratio, including by share repurchases. In the fiscal year ending March 31, 2026, we plan to conduct share repurchases of up to 4.58 billion yen. If all of these share repurchases are completed, the total payout ratio is expected to be 109.7%.

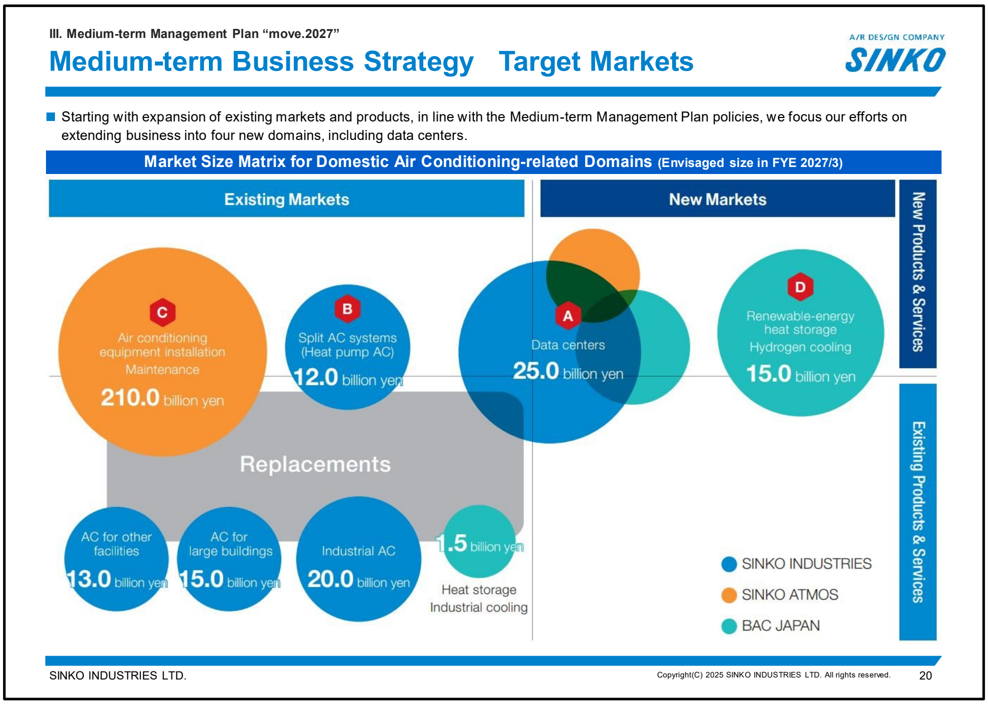
Next, Mr. Suenaga, the President, will brief you on the progress of the Medium-term Management Plan "move.2027."

Suenaga: I’m Suenaga, the President. I will now brief you on the progress of the Medium-term Management Plan.



This page shows the financial results targets of the Medium-term Plan that started last fiscal year, as well as our Long-term Vision. We have set financial results targets of 60.0 billion yen in net sales and 10.0 billion yen in operating profit for the fiscal year ending March 31, 2027. We are also promoting management that is conscious of cost of capital and profitability, and we aim to continue to achieve ROE of 10% or higher and PBR of 1 time or higher.

In the fiscal year ended March 31, 2025, we recorded growth far surpassing the initial plans for the first year of the Plan, achieving our targets for ROE and PBR. In the fiscal year ending March 31, 2026, the second year of the Plan, we will sharpen our focus on target markets and work to improve profitability across the Group in our efforts to maintain growth.



This page shows our targets in the domestic air conditioning-related market for the achievement of the Group's growth.

We are pursuing four target markets that are expected to grow: data centers, split AC systems, air conditioning equipment installation and maintenance, and renewable-energy heat storage and hydrogen cooling.

III. Medium-term Management Plan "move.2027"

Targets and Strategies for Target Markets

A/R DES/GN COMPANY SINKO

- Capturing the data center and air conditioning equipment installation and maintenance markets is progressing steadily and is on track to achieve targets.
- For the split AC system market, we achieved the initial target two years ahead of schedule. We will adopt new initiatives to accelerate business expansion and aim even further height.

Group Target Markets and Strategies

Main Themes of Group Market Strategy	Group Sales			Group's Aims	Progress in FYE 2025/3 (Excellent/Good/Fair/Poor)	
	FYE 2024/3 Results	FYE 2025/3 Results	FYE 2027/3 Targets			
Data center	2.2 billion yen	4.3 billion yen	5.5 billion yen	• Leverage SINKO Group value chain to propose total solutions covering products and services • Offer stable operation and environmental value	E	Clarified products and service strengths and value and built a Group-wide consistent value chain Steadily accumulating inquiries and results through proactive marketing to Japanese and overseas DC operators
Split AC system	2.1 billion yen	3.0 billion yen	3.3 billion yen	• Ocoogeo® (all-in-one heat pump air conditioner) • Development and sale of heat pump air conditioners compatible with new low-GWP refrigerants	E	Growth in sales to industrial customers, including for heat stroke prevention purposes at manufacturing sites. Achieved FYE 2027/3 initial target two years ahead of schedule Established a specialized division and developed proposal-based marketing mainly for small- to medium-sized buildings
Air conditioning equipment installation and maintenance	11.1 billion yen	12.3 billion yen	12.6 billion yen	• Actively expand post-installation downstream offerings, e.g. service packages, regular inspection packages • Expand electrical works related to maintenance and replacement of air conditioning units	E	Captured strong demand for air conditioning equipment installation, resulting in steady sales growth in this fiscal year Worked to secure personnel, which is an issue for expansion of business performance
Renewable-energy heat storage Hydrogen cooling	-	0.24 billion yen	0.7 billion yen	• Thermal storage systems for renewable energy • Develop market for high-spec cooling systems for hydrogen production processes, etc.	F	Secured sales results for this fiscal year through DR (demand response) driven marketing of heat storage products No results for hydrogen cooling for this fiscal year due to delay in forming market

Raised the split AC system market's final sales target
3.0 billion yen ➡ 3.3 billion yen

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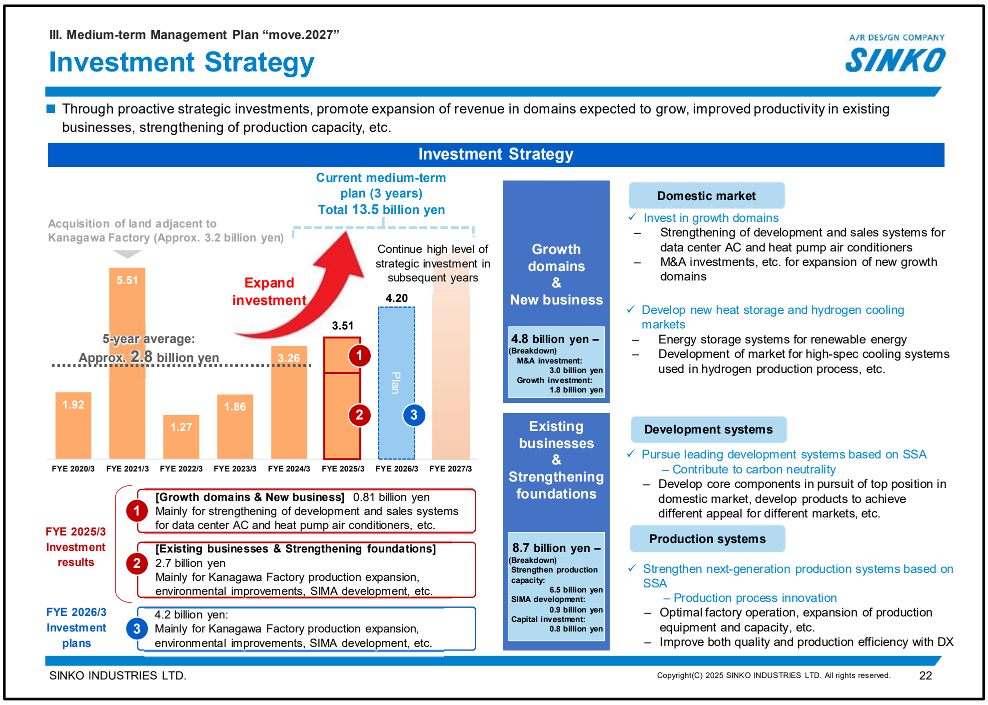
This page shows our final sales targets for each target market and actual sales results in the fiscal year ended March 31, 2025. I will now briefly explain the progress made in each of these target markets.

In the data center market, we clarified the Group's strengths and value and executed sales strategies based on the Group's value chain concept. As a result, Group net sales for the fiscal year ended March 31, 2025 amounted to 4.3 billion yen.

In the split AC system market, we saw growth in sales to industrial customers, including for heat stroke prevention purposes at manufacturing sites. This enabled us to achieve the sales target for the fiscal year ending March 31, 2027 two years ahead of schedule. For this reason, we decided to raise the final target from 3.0 billion yen to 3.3 billion yen for this market. Going forward, through the establishment of a specialized division that will be in charge of proposal-based marketing, we will accelerate the expansion of business results and aim to achieve the higher target.

In the air conditioning equipment installation and maintenance market, we captured strong demand and achieved steady growth in sales. In the fiscal year ended March 31, 2025, we recorded net sales of 12.3 billion yen, against our final target of 12.6 billion yen. On the other hand, labor shortages and human resources development are issues for future growth, so we will also work on measures such as the promotion of work style reforms and improvement of employee engagement.

In the renewable-energy heat storage market, through the DR (demand response) driven marketing of heat storage products, we secured sales results of 240 million yen. While the formation of a market for hydrogen cooling has taken longer than expected, we will work to capture this market from long-term perspectives.

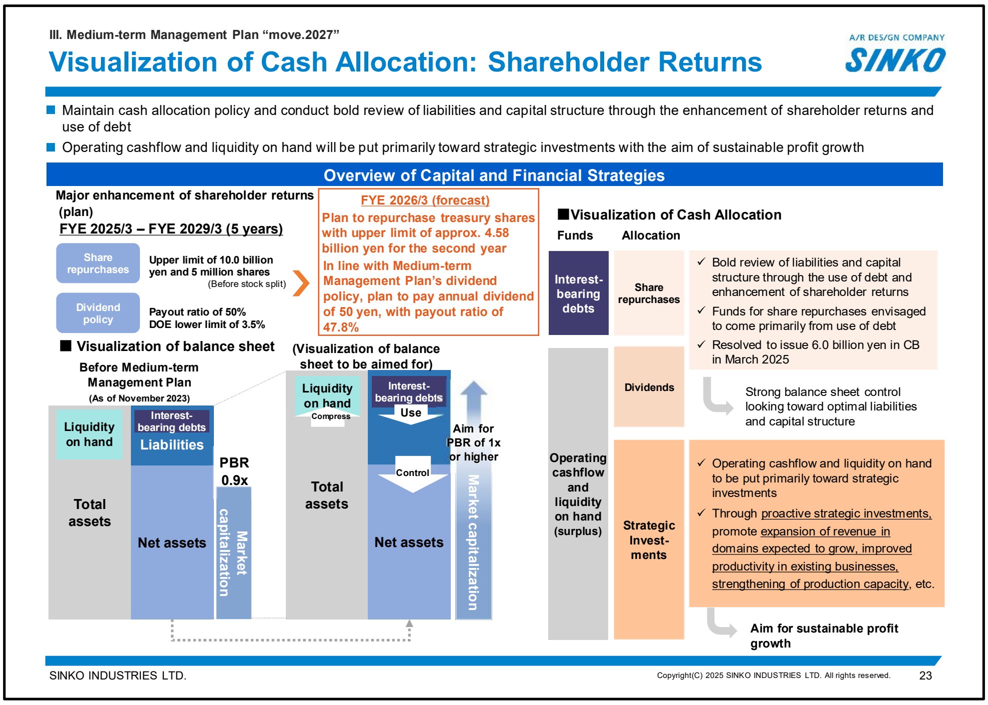


I will now explain our investment strategy.

We plan to make investments of 13.5 billion yen in total over the three years of the Medium-term Management Plan, consisting of 4.8 billion yen in the development of growth domains and new businesses and 8.7 billion yen in strengthening the foundations of existing businesses.

In terms of the first-year results, we executed investments worth 3.51 billion yen. 810 million yen of this was in growth domains and new businesses and 2.7 billion yen in strengthening the foundations of existing businesses. In growth domains and new businesses, we invested in strengthening product development and sales systems for data center AC and split AC systems. In the strengthening of the foundations of existing businesses, we invested in the enhancement of production capacity of the Kanagawa Factory and in the DX initiative “SIMA Project.”

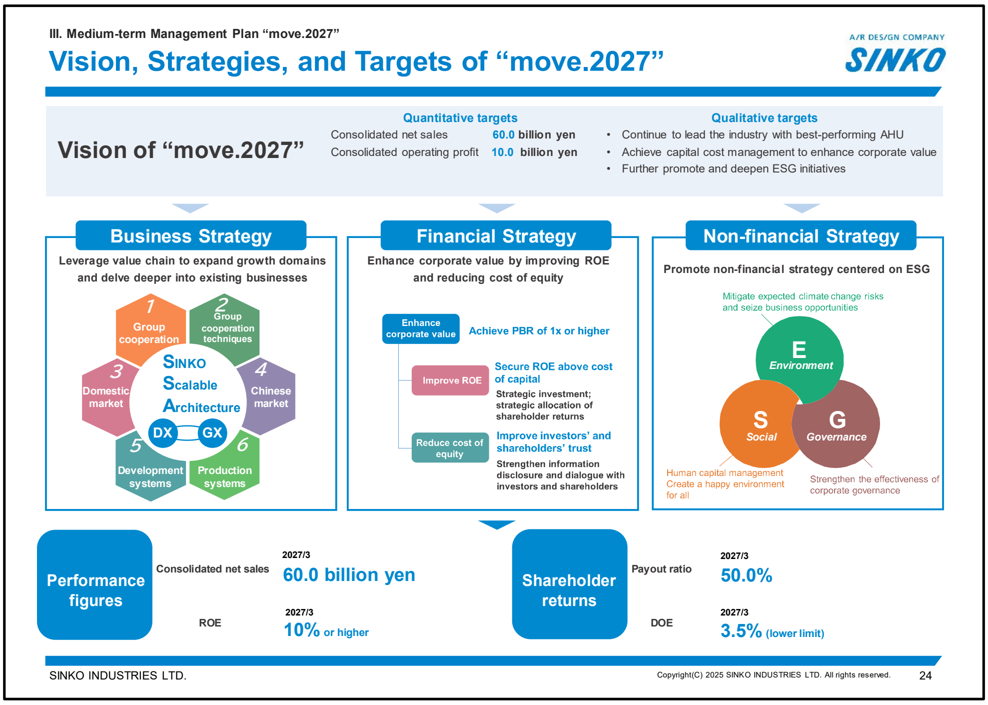
We will continue to work on the enhancement of production capacity and other initiatives in the fiscal year ending March 31, 2026, with plans for investment totaling 4.2 billion yen.



In addition to growth investments, we will concentrate our efforts on shareholder returns.

In March this year, we resolved to issue 6.0 billion yen in convertible bonds to fund treasury share repurchases. This was one example of our bold review of our capital structure through the use of debt. In the fiscal year ending March 31, 2026, we plan to purchase up to 4.58 billion yen in treasury shares, and we will also work to improve the payout ratio in line with the dividend policy in the Medium-term Management Plan.

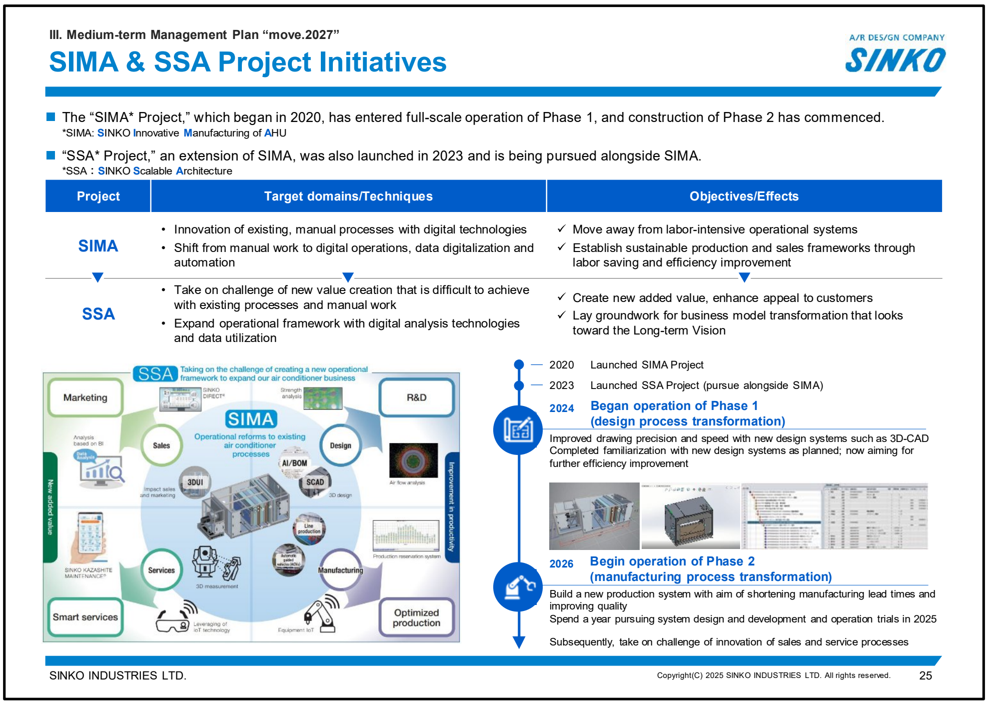
Through these efforts, we will conduct both growth investments and shareholder returns with certainty and aim for sustainable growth by maintaining profitability above cost of capital.



This page provides an overview of the Medium-term Management Plan.

The Group will undertake the challenge toward medium-term growth with a three-pillar approach of business strategy, financial strategy, and non-financial strategy.

On the following pages, I will explain the progress of the Medium-term Management Plan and our main initiatives.



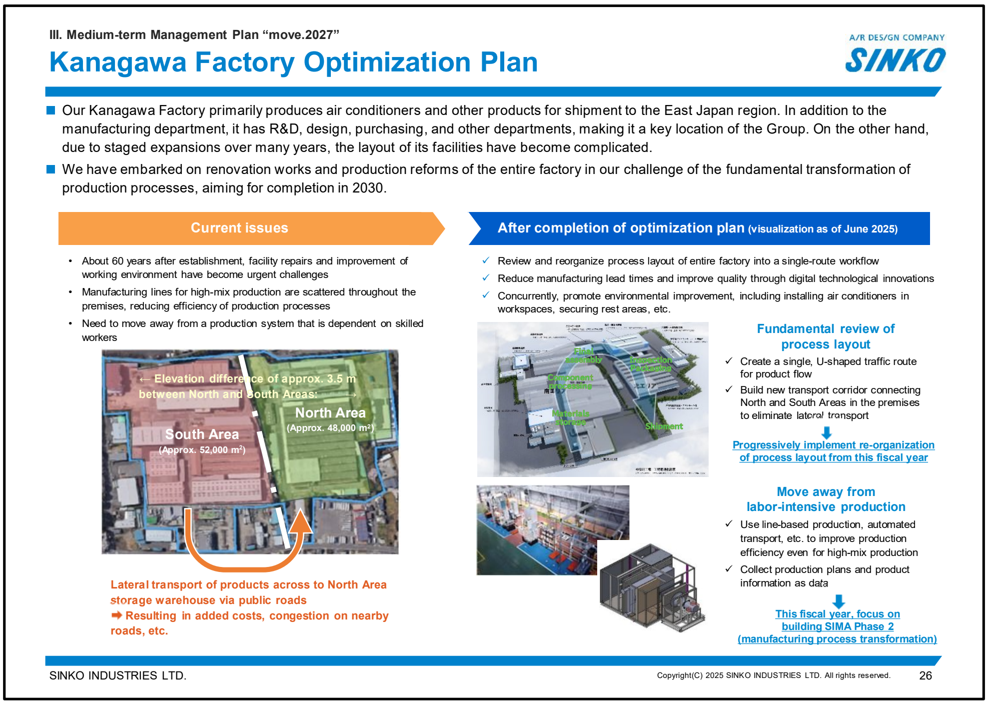
I will now present our SIMA and SSA Projects, which we are working on as DX strategies.

To move away from labor-intensive production systems, we launched the “SIMA Project” as an initiative to digitalize existing processes in 2020, and we have been proceeding steadily with the project ever since. In addition, in 2023, we launched the “SSA Project,” which leverages DX beyond the framework of existing processes, and are pursuing it alongside SIMA.

These projects have the framework of DX in common, but they differ in the domains that they target and their objectives. The aims of SIMA are the data digitalization and automation in existing operations that have previously depended on manual work and the replacement of manual work with digital operations, with the aim of improving efficiency. By contrast, SSA is taking on the challenge of operations that have been difficult to achieve with existing processes and manual work, with the aim of creating new value for customers and laying the groundwork for business model transformation that looks toward realizing the Long-term Vision.

In the SIMA Project, Phase 1 operation has already begun with the aim of transformation of design processes. In the previous fiscal year, we worked on familiarization with the new design systems to improve the precision and speed of drawing. The familiarization process has been completed as planned, and we will now aim to make even further improvements in efficiency.

In the next fiscal year of 2026, we plan to commence Phase 2 operations, which aim at the transformation of manufacturing processes. In Phase 2, we will improve the efficiency of manufacturing processes with a new production system that achieves both shorter manufacturing lead times and quality improvements. Our plan for this fiscal year is to proceed with system design and development and operation trials, working steadily toward the commencement of operation of the new production system.



On a par in importance with the SIMA transformation of manufacturing processes is the optimization plan for our Kanagawa Factory.

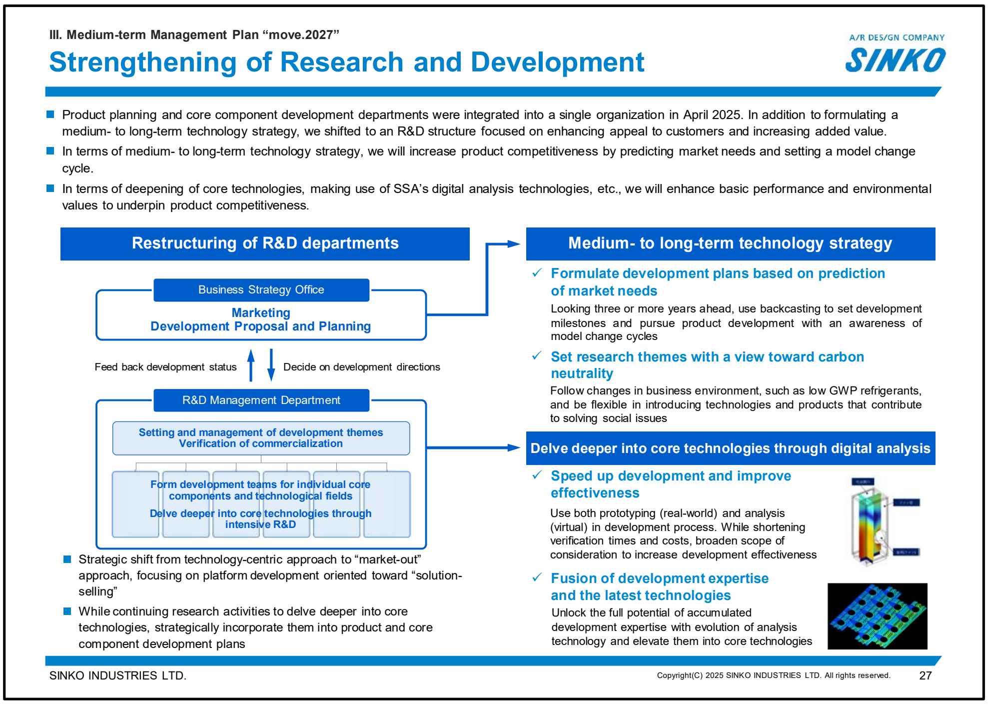
Kanagawa Factory primarily produces air conditioners and other products for shipment to the East Japan region. In addition to the manufacturing department, it has R&D, design, and purchasing departments, making it a key location of the Group. In 2020, we acquired land adjacent to the existing South Area premises, adding it to the factory as the North Area, almost doubling the area occupied by the factory. Currently, products are primarily manufactured in the South Area, and the North Area is used as a storage space for finished products.

On the other hand, due to repeated extensions in stages over the 60 years since it first opened, the factory now faces challenges such as the aging of its facilities and the complicated layout of those facilities. In this optimization plan, we will conduct a fundamental revamping of the entire Kanagawa Factory to solve production process issues, with the aim of leading to future growth.

Currently, because manufacturing lines for high-mix production are scattered throughout the South Area premises, the traffic flows of people and materials have become increasingly complex, reducing efficiency of production processes. In the optimization plan, we will reorganize the North and South Areas with a unified approach and review the process layouts. The plan is to create a single, U-shaped traffic route from materials storage through component processing and assembly, and onto shipment. The reorganization of process layouts into a single traffic route will be implemented progressively from this fiscal year.

In addition, to move away from a production system that is dependent on skilled workers, we will proceed with efficiency improvements and digitalization of tasks in conjunction with Phase 2 of SIMA. We will also concurrently work on the repairs of aging facilities and the improvement of the working environment.

Through these initiatives, we intend to raise the production capacity in line with the pace of growth outlined in the Medium-term Management Plan. We expect the expansion of the capacity at a rate of about 5% per year on average.



I will now talk about the strengthening of research and development.

To promote research and development from medium- to long-term perspectives and raise the competitiveness of our products, we overhauled our R&D systems this fiscal year and merged product planning and core component development into a single organization. This new organization will pursue marketing and product development planning from a technological perspective, and the directions thus decided will be incorporated into specific development plans.

We will move away from the conventional approach of building strategies centered on technologies and products, and instead pursue a transition toward “market-out” and “solution-selling” approaches, in which strategies are updated in line with changes in market needs and the environment.

At the same time, we are evolving our research and development techniques with the use of the SSA digital analysis. Until now, we have been working on development with a trial-and-error approach through physical prototyping and actual measurements. However, by incorporating techniques that use both physical prototypes and digital analysis, we can now reduce the time and costs needed for verification.

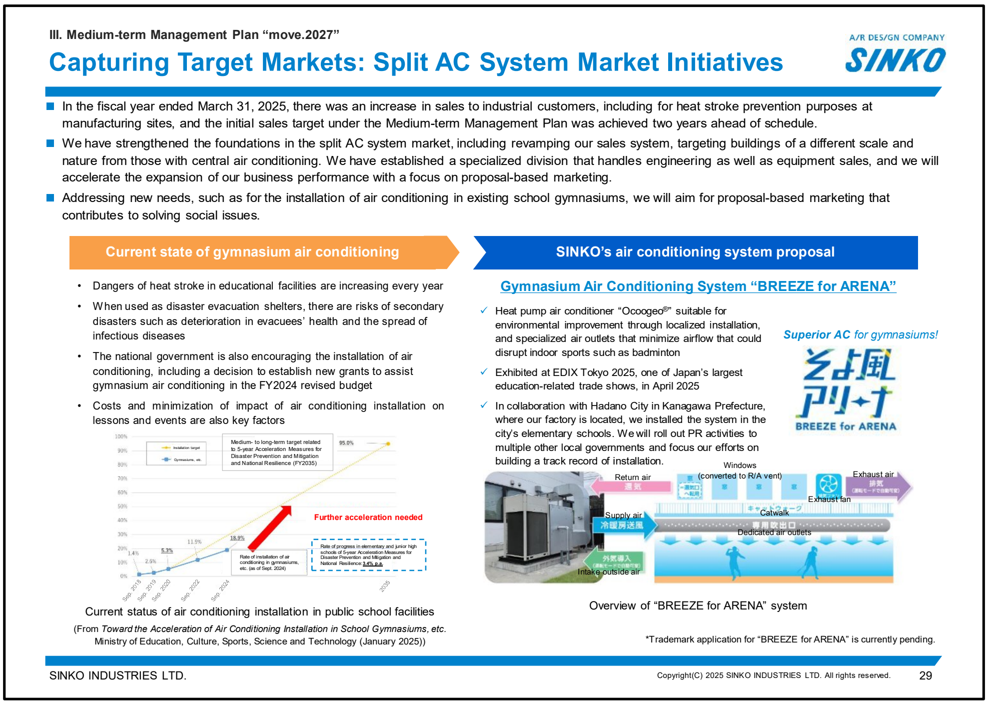
Through such technological evolution, we will unlock the full potential of the development expertise that we have cultivated and establish them as core technologies that underpin the competitiveness of our products.

On this page, I will present our initiatives in the data center market as one of our target markets.

As I explained in our financial results briefing in December last year, in capturing the data center market, there are two major requirements, namely the “high reliability of products” and the “establishment of support system for emergencies.” To satisfy these requirements, in addition to working on sales strategies that leverage our technological capabilities and competitiveness, we are also proceeding with the establishment of the value chain with Group-wide integrated system.

In terms of progress in these initiatives, “BAC BASE,” a showroom for large cooling towers for data centers sold by Group company, BAC JAPAN, recently opened in the grounds of the Kanagawa Factory. Since it opened in February 2025, we have already had many customers, including data center operators, tour the facility, and they have highly praised not only the quality of the products but also our on-site response capabilities. The demonstration units on display can actually be operated, which helps to effectively promote the products’ quality and performance. They are also being used to improve on-site capabilities and service quality.

By providing tours of this facility alongside the comprehensive testing facility that started operations earlier, we will leverage the Group’s strengths to maximize the Group profits.



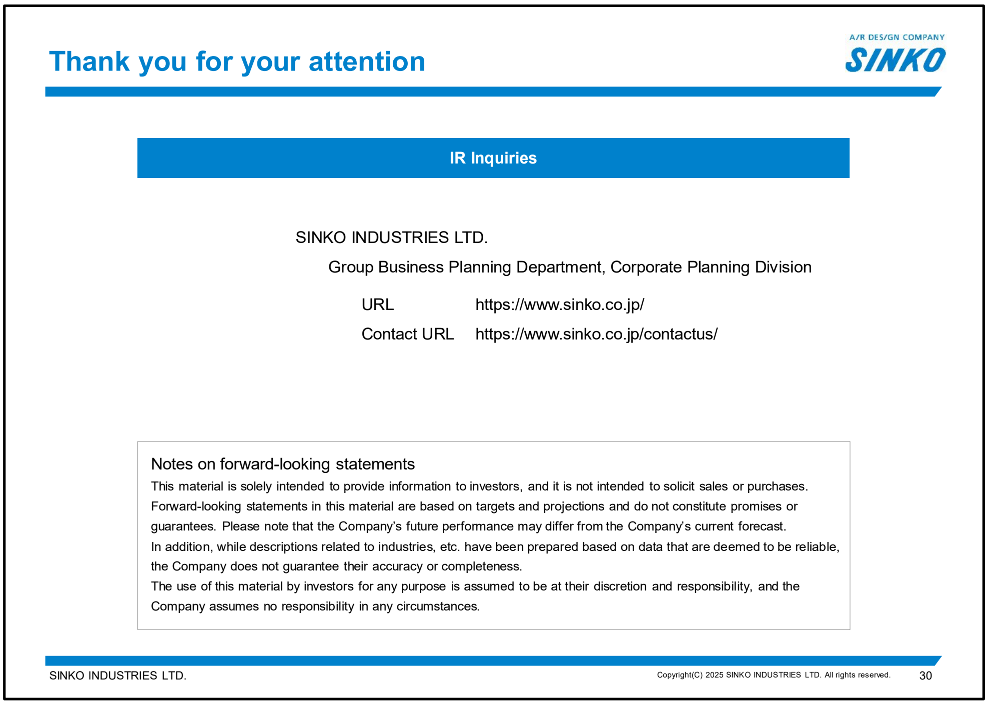
Finally, I will present our initiatives in the split AC system market.

As was explained earlier, sales to industrial customers increased significantly in the fiscal year ended March 31, 2025, and we reached the Medium-term Management Plan’s initial target of 3.0 billion yen in net sales for this sector two years ahead of schedule. For the split AC system market, we have set up a specialized division to handle engineering as well as equipment sales, and we have embraced the challenge of proposal-based marketing that differs from that of conventional central air conditioning.

Today, as an example of such proposal-based marketing initiatives, I would like to present our new air conditioning systems for existing school gymnasiums. Due to the intense climate change of recent years, the dangers of children being affected by heat stroke at educational facilities are increasing. In addition, school gymnasiums play an important role as evacuation shelters at times of disaster, but without air conditioning, there is the risk of secondary disasters such as deterioration in evacuees’ health and the spread of infectious diseases among evacuees.

Under these circumstances, air conditioning of gymnasiums has become a major social issue, and the need for gymnasium air conditioning is expected to increase going forward. For example, new government grants are to be established to assist with the installation of air conditioning in gymnasiums. To address such needs, we have developed the gymnasium air conditioning system “BREEZE for ARENA.” This system comprises the heat pump air conditioner “Ocoogeo,” which is suited to environmental improvements, and specialized air outlets that create gentle breezes. Compared with spot coolers and electric fans, BREEZE for ARENA demonstrates the high degree of effectiveness of commercial air conditioning, while taking the style of use in educational settings into account, making it suitable for gymnasiums.

We exhibited BREEZE for ARENA at EDIX Tokyo 2025, one of Japan’s largest education-related trade shows, in April 2025, and we have already rolled out PR activities to multiple local governments. Further, in collaboration with Hadano City in Kanagawa Prefecture, where our Kanagawa Factory is located, we have actually installed BREEZE for ARENA at gymnasiums of elementary schools in the city, in a demonstration project to verify the effectiveness and cost of the system. We posted details of the demonstration project on our website on June 2, so I hope you will take a look.



This concludes my report on the progress of the Medium-term Management Plan.

Thank you for your attention.

Summary of Q&A Session

Q: Could you tell us the envisaged size of the market for gymnasium air conditioning? Also, are there any concerns about a decline in profitability of projects due to local government budget issues?

A: (Suenaga) At this point in time, we estimate the market size to be around 2 billion yen a year, but we will continue to make detailed estimation going forward. Regarding concerns about a decline in profitability, there are various factors, such as the problem of refrigerant regulations, which make predictions difficult, but we believe that we can secure a certain level of profitability, and we intend to engage in activities to win orders.

Q: Could you tell us about your efforts to raise the prices of your products?

A: (Suenaga) As soaring materials prices and rising personnel expenses become more noticeable every year, we have been requesting price revisions from our customers. We implemented price rises of about 5% in May this year for our suppliers and transport companies. As a price pass-through, we raised our prices by about 3% in May, and our customers have generally been understanding. On the other hand, there are concerns about the impact of the soaring materials prices, such as the postponement of construction on large-scale projects, so we will continue to monitor the situation.

Q: Is there any upside potential for the data center market target in the Medium-term Management Plan?

A: (Suenaga) We are not considering a review of the Plan at this stage. Some large data center operators have started reviewing their plans due to power and land issues, but we are continuing our efforts across the entire Group. In the hyper-scaler sector, there are also customers who have declared that they will not slow down their construction plans. Opinions are divided among customers about a decline in demand for air cooling systems due to the transition to liquid cooling and immersion cooling systems, and we have not been able to gather a clear picture at this time. However, due to the spread of AI data centers, the performance requirements for server-cooling air conditioners has doubled in the past three years, so we believe that the decline in net sales will be limited compared with the decline in the number of units sold. Going forward, we will execute sales strategies in line with the government's Vision for a Digital Garden City Nation and other initiatives.

Q: What are your predictions for the business environment of Group company, SINKO ATMOS?

A: (Suenaga) SINKO ATMOS's main business of installation, service and maintenance is in an extremely niche market, and it has very few competitors of a similar scale. There is also an extremely high rate of repeat purchases from customers that have installed our products, and because the company also performs maintenance work on other companies' products, ATMOS's business results have increased significantly in the past ten years. We believe that there is still plenty of room for growth in the market, whose size is estimated to be around 210 billion yen. However, labor shortages remain as an issue for expansion of business results, so how we overcome this challenge will be a key point for the future.

Q: Could you give us your perception of the expected order volume for this fiscal year?

A: (Suenaga) As announced in our outlook for the fiscal year ending March 31, 2026, we cannot expect a major increase in orders received, and the impact of postponement of works as a result of soaring materials prices, labor shortages, and work style reforms, is starting to emerge. Under these circumstances, leveraging the strengths of our sales force, we will build up sales in small projects, where we enjoy high rates of repeat customers, and aim to achieve our targets for this fiscal year of increases in revenue and profit.