

# **SINKO INDUSTRIES LTD.**

(TSE Prime Market Stock Exchange Code: 6458)

## **Financial Results Briefing for the Second Quarter of the Fiscal Year Ending March 31, 2026**

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**December 1, 2025**

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# Table of Contents

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- I. Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2026 P.2 -
- II. Financial Results Forecast for the Fiscal Year Ending March 31, 2026 P.12 -  
(No revision has been made to the forecast announced on May 15, 2025)
- III. Medium-term Management Plan “move.2027” P.17 -
- IV. Initiatives to Implement Cost of Capital Management P.27 -

# **I. Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2026**

# Summary of Financial Results



- Financial results for the second quarter of the fiscal year ending March 31, 2026:  
Consolidated net sales of 25.8 billion yen (6.9% increase YoY) and consolidated operating profit of 3.57 billion yen (0.4% increase YoY)
- Fueled by robust demand for air conditioning for buildings including those in large-scale redevelopment, industrial air conditioning for domestic manufacturing facilities, and data center investments, the business environment remained favorable. Meanwhile, in the domestic construction market, work style reforms in construction and logistics, rising construction costs, and shifts in international trade policies have begun to affect project durations and investment plans, necessitating cautious monitoring of future market trends.
- In the Japan segment, sales increased year over year due to robust air conditioning equipment sales and strong demand for installation and maintenance services. Although efforts were made to establish price revisions and enhance product and service value, rising labor and logistics costs led to a decline in operating income compared to the previous year. The effects of the price revisions implemented at the start of the period are expected to emerge in the latter half, with full-year profit levels projected to improve.
- In the Asia segment, the impact of the slowdown in China's real estate market persisted. This period saw an increase in air conditioning equipment sales volume, resulting in higher sales compared to the same period last year. Increases in gross profit from equipment sales and project income recognition led to a positive segment profit. However, the challenging pricing-focused business environment remains a concern, and efforts to reduce costs and implement a differentiated strategy combining equipment sales and installation are underway to improve future profitability.
- The interim dividend is planned as 20 yen per share, in line with initial expectations (an effective increase of 2 yen per share over the previous period).
- For detailed full-year consolidated earnings forecasts, please refer to pages from p.12 onwards of this document (no revision from the forecast announced on May 15, 2025).

# Consolidated Statements of Income



- Net sales were 25.8 billion yen (up 6.9% year on year), and operating profit was 3.57 billion yen (up 0.4% year on year).

(Unit: millions of yen, %)

	Q2 FYE 2025/3		Q2 FYE 2026/3			YoY	
	Amount	Composition ratio	Amount	Composition ratio	YoY		
					Change	Rate of change	
<b>Net sales</b>	<b>24,201</b>	<b>100.0</b>	<b>25,878</b>	<b>100.0</b>	<b>1,677</b>	<b>6.9</b>	
Japan	21,500	88.8	22,490	86.9	990	4.6	
Asia	2,713	11.2	3,423	13.2	710	26.2	
<b>Gross profit</b>	<b>8,910</b>	<b>36.8</b>	<b>9,604</b>	<b>37.1</b>	<b>694</b>	<b>7.8</b>	
<b>Operating profit</b>	<b>3,561</b>	<b>14.7</b>	<b>3,576</b>	<b>13.8</b>	<b>15</b>	<b>0.4</b>	
Japan	3,652	15.1	3,530	13.6	(122)	(3.3)	
Asia	(112)	(0.5)	32	0.1	144	—	
<b>Ordinary profit</b>	<b>3,907</b>	<b>16.1</b>	<b>3,883</b>	<b>15.0</b>	<b>(24)</b>	<b>(0.6)</b>	
<b>Profit attributable to owners of parent</b>	<b>3,138</b>	<b>13.0</b>	<b>2,611</b>	<b>10.1</b>	<b>(527)</b>	<b>(16.8)</b>	

- In the Japan segment, sales increased year-over-year thanks to robust sales of air conditioning equipment, as well as strong demand for air conditioning installation and maintenance. While initiatives such as price revisions and enhancement of product and service value were pursued, rising personnel and logistics costs resulted in a decline in operating income compared to the same period last year.
- In the Asia segment, increased sales volume of air conditioning equipment led to higher sales year-over-year. Gains from increased equipment sales and recognition of profits from installation projects resulted in the segment turning profitable. Despite the ongoing challenge of a cost-sensitive business environment, measures such as thorough cost reduction and a differentiation strategy combining equipment sales and installation projects are being pursued to improve future profitability.

# Revenue Analysis for the First Half of the Year



- Boosted by increased sales of installation and services and improved profitability in the Asia segment, the profit level for the second quarter alone increased year-on-year (a).
- Against the first-half earnings forecast, consolidated operating income exceeded expectations by 270 million yen (b). Meanwhile, due to rising SG&A expenses such as personnel and logistics costs from the start of the period, the consolidated operating margin for the first half declined year-on-year (c).

(Unit: millions of yen)

		H1					H2	Full Year
		Q1	Q2	H1 total	Initial forecast	Forecast / result difference		
FYE 2025/3	Net sales	11,651	12,550	24,201	—	—	—	—
	Gross profit	4,596	4,314	8,910	—	—	—	—
	Gross profit margin	39.4%	34.4%	36.8%	—	—	—	—
	Operating profit	1,958	1,603	3,561	—	—	—	—
	Operating profit margin	16.8%	12.8%	14.7%	—	—	—	—
FYE 2026/3	Net sales	12,227	13,651	25,878	25,000	878	32,122	58,000
	Gross profit	4,627	4,977	9,604	—	—	—	—
	Gross profit margin	37.8%	36.5%	37.1%	—	(b)	—	—
	Operating profit	1,657	1,919	3,576	3,300	276	6,524	10,100
	Operating profit margin	13.6%	14.1%	13.8%	13.2%	0.6pt	20.3%	17.4%
Change Rate of change	Net sales	576 4.9%	1,101 8.8%	1,677 6.9%	—	—	—	—
	Gross profit	31 0.7%	663 15.4%	694 7.8%	—	—	—	—
	Operating profit	(301) (15.4)%	316 19.7%	15 0.4%	—	—	—	—

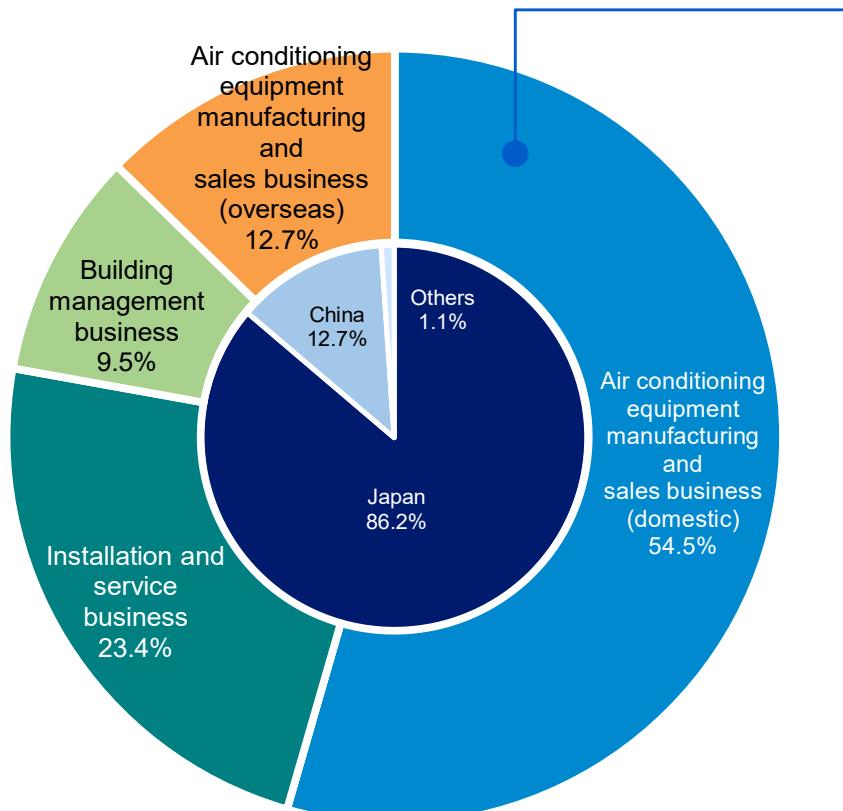
# Group Net Sales by Business



- We operate mainly in Japan, but also with production and sales bases in China and Taiwan. In overseas markets, we have the most such bases in China, and in other regions we operate mainly through agents.

## Consolidated Sales Composition (57.0 billion yen for the fiscal year ended March 31, 2025)

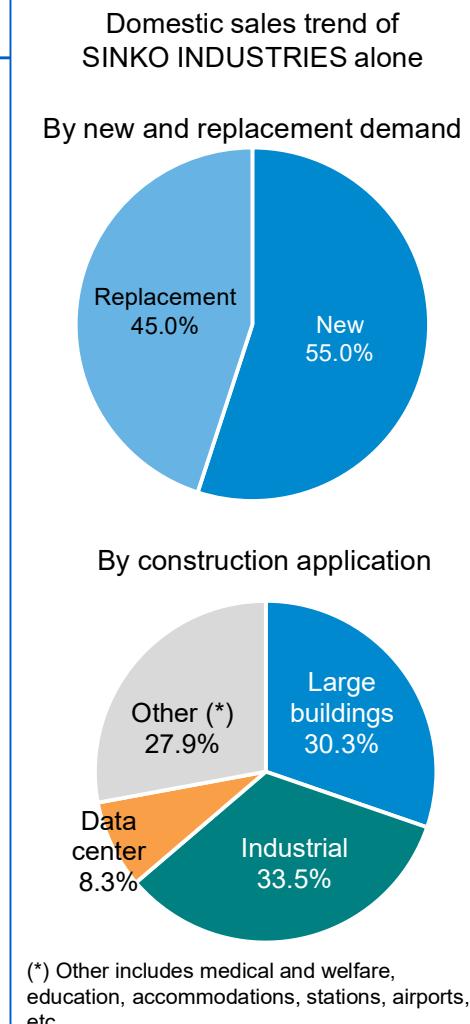
Air conditioning equipment manufacturing and sales business	
SINKO INDUSTRIES LTD.	
BAC JAPAN CO., LTD.	
Shanghai SINKO Air Conditioning Equipment Co., Ltd.	
SINKO Air Conditioning (H.K.) Limited	
Taiwan SINKO Kogyo Co.,Ltd.	
AHU / FCU / heat pump AHU / cooling tower	
Installation and service business	
SINKO ATMOS CO., LTD.	
Building management business	
CHIYODA BLDG. KANZAI CO., LTD.	



Source: the Company's results

\*The outer circle represents net sales categorized by business type and location of seller, while the inner circle represents net sales categorized by customer location.

\*Due to rounding, the total of composition ratios in the pie charts may not be 100%.



# Sales Trend by Construction Application (SINKO INDUSTRIES alone)

(Millions of yen)

5,000

4,000

3,000

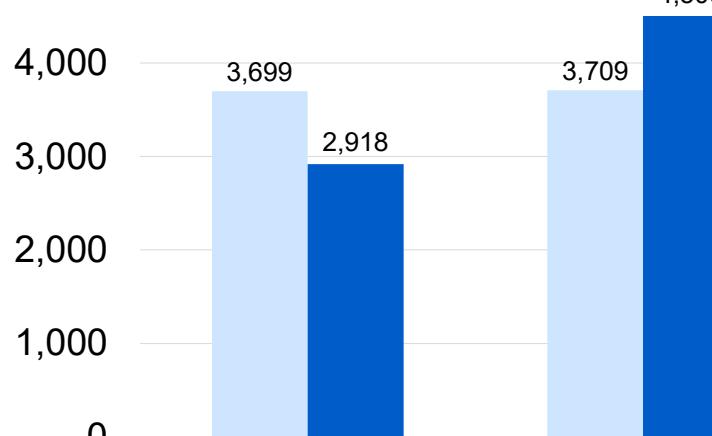
2,000

1,000

0

Q2 FYE 2025/3

Q2 FYE 2026/3



	Large buildings	Industrial	Data center	Other (*2)	Total
Q2 FYE 2025/3 Net sales (*1)	3,699	3,709	1,298	4,337	13,043
Q2 FYE 2026/3 Net sales (*1)	2,918	4,500	2,288	3,306	13,012
YoY					
Change	(781)	791	990	(1,031)	(31)
Rate of change	(21.1)%	21.3%	76.3%	(23.8)%	(0.2)%

\*1 Net sales in Japan of SINKO INDUSTRIES alone

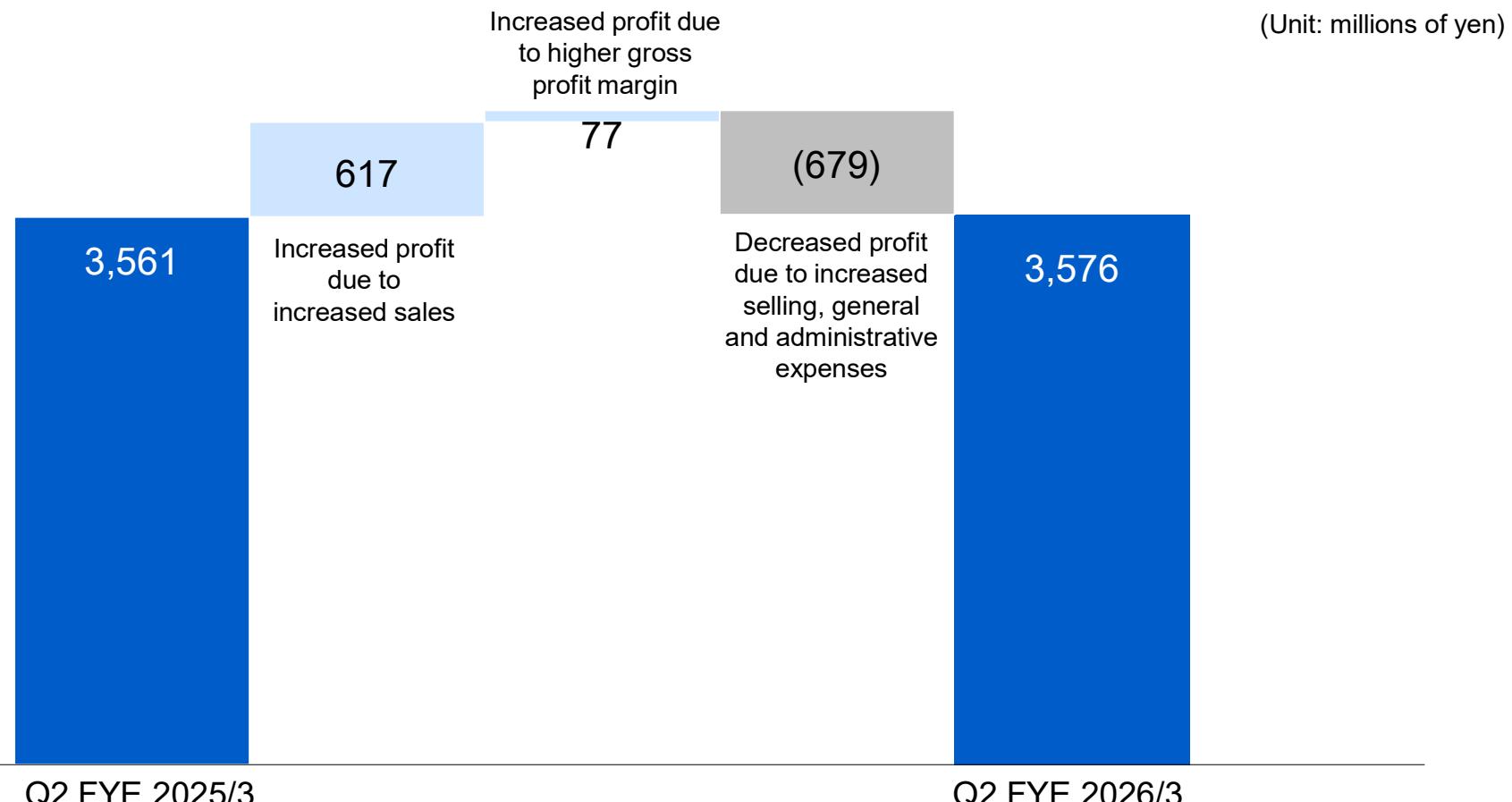
\*2 Other includes medical and welfare, education, accommodations, stations, airports, etc.

- In the large building sector, shipments for redevelopment projects have slowed, resulting in a year-over-year decline in sales. With large projects scheduled for delivery from 2027 onward and an expected rise in demand for equipment updates in aging buildings, efforts to strengthen sales strategies are underway.
- In the industrial sector, sales for new manufacturing bases and research facilities have remained solid, and increased by capturing renovation work. Meanwhile, rising construction costs and concerns over international trade policies are prompting cautious monitoring of market trends in domestic industrial investment.
- In the data center sector, strengthened sales initiatives and strategic investments have driven sales growth. With continued strong demand expected, further efforts to capture demand are being prioritized.
- In other sectors, shipments for large-scale projects targeting hospitals, hotels, and public facilities have stabilized, resulting in a decline in sales.

# Factors for Changes in Operating Profit



- The increase in profit due to the increase in sales was approximately 610 million yen, while a higher gross profit margin lifted profit by around 70 million yen. The decrease in profit due to the increase in other selling, general and administrative expenses such as personnel and logistics expenses was approximately 670 million yen. Total profit increased by approximately 10 million yen year on year.
- In the Japan segment, growth in installation and services drove gross profit higher, while in the Asia segment, increased equipment sales played a major role. Meanwhile, significant rises in SG&A expenses, including personnel and logistics costs, resulted in consolidated operating profit remaining flat compared to the same period last year.



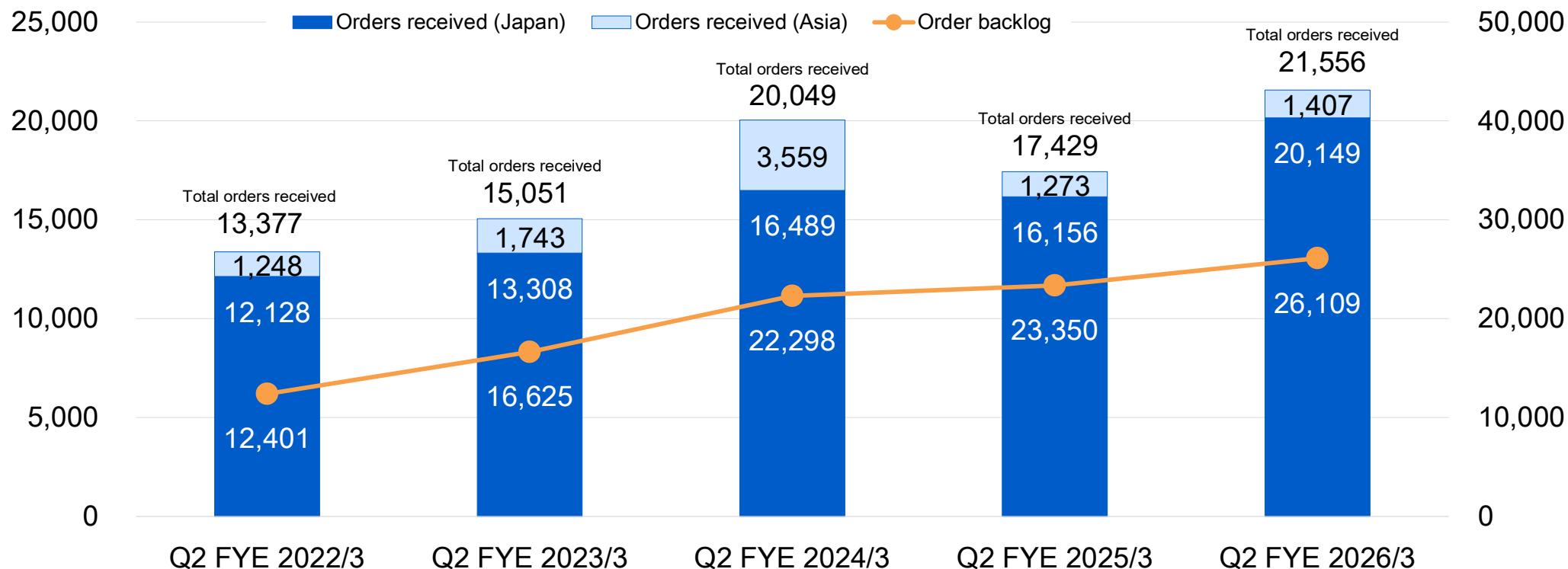
# Trends in Orders Received and Order Backlog



- Amid labor reform initiatives in the construction industry and a surge in construction costs, the trend for early issuance is accelerating, particularly for large-scale domestic projects.
- In the large building sector, orders for redevelopment projects and new construction scheduled for delivery between 2026 and 2027 are increasing.
- In the domestic data center segment, a key target market in the medium-term plan, orders for large-scale projects, including those from hyperscalers, have increased as sales initiatives and strategic investments have been strengthened.

(Orders received, millions of yen)

(Order backlog, millions of yen)



\*The scope of orders received and order backlog included in the totals for each segment is as follows.

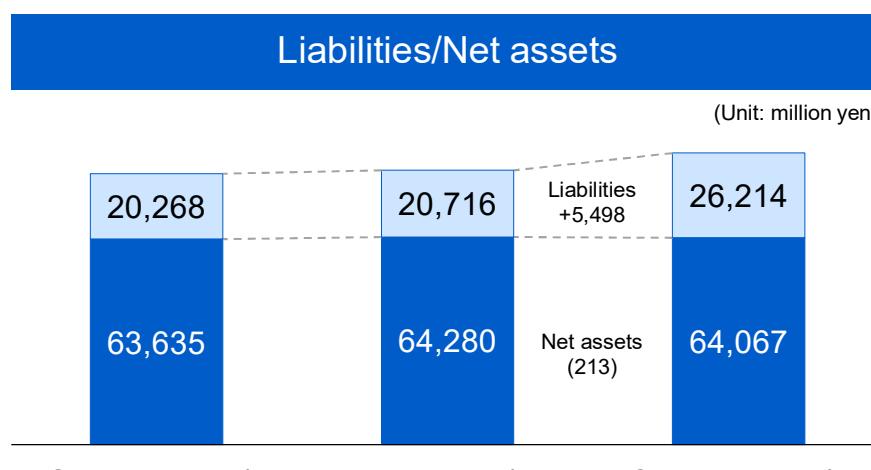
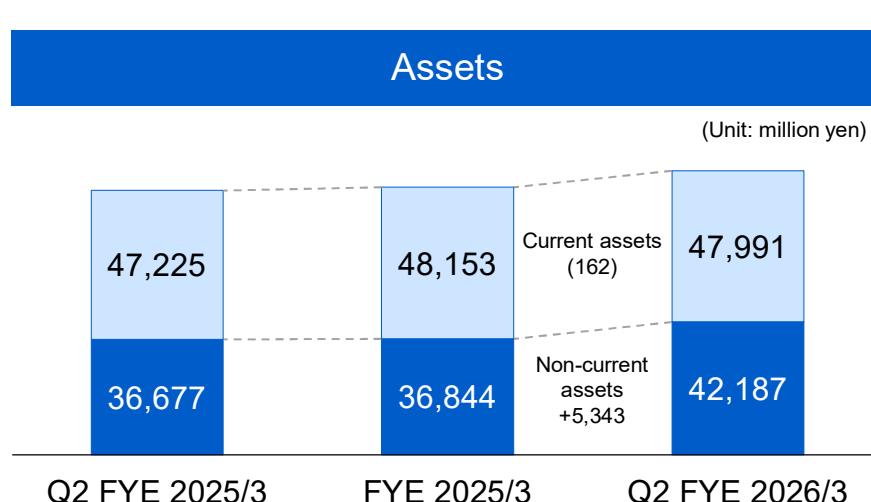
Japan segment: Orders received by SINKO INDUSTRIES alone (domestic Group companies not included) in the air conditioning equipment manufacturing and sales business

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)

# Consolidated Balance Sheets



- Due to the issuance of euro-yen convertible bonds in April 2025 (6.0 billion yen as the funds for share repurchases), cash and deposits increased from the end of the previous period. Trade receivables decreased from the end of the previous period due to seasonal factors.
- While liabilities increased due to the issuance of convertible bonds, net assets decreased due to share repurchases and other factors. The equity ratio also declined by 4.2pt from the end of the previous period.



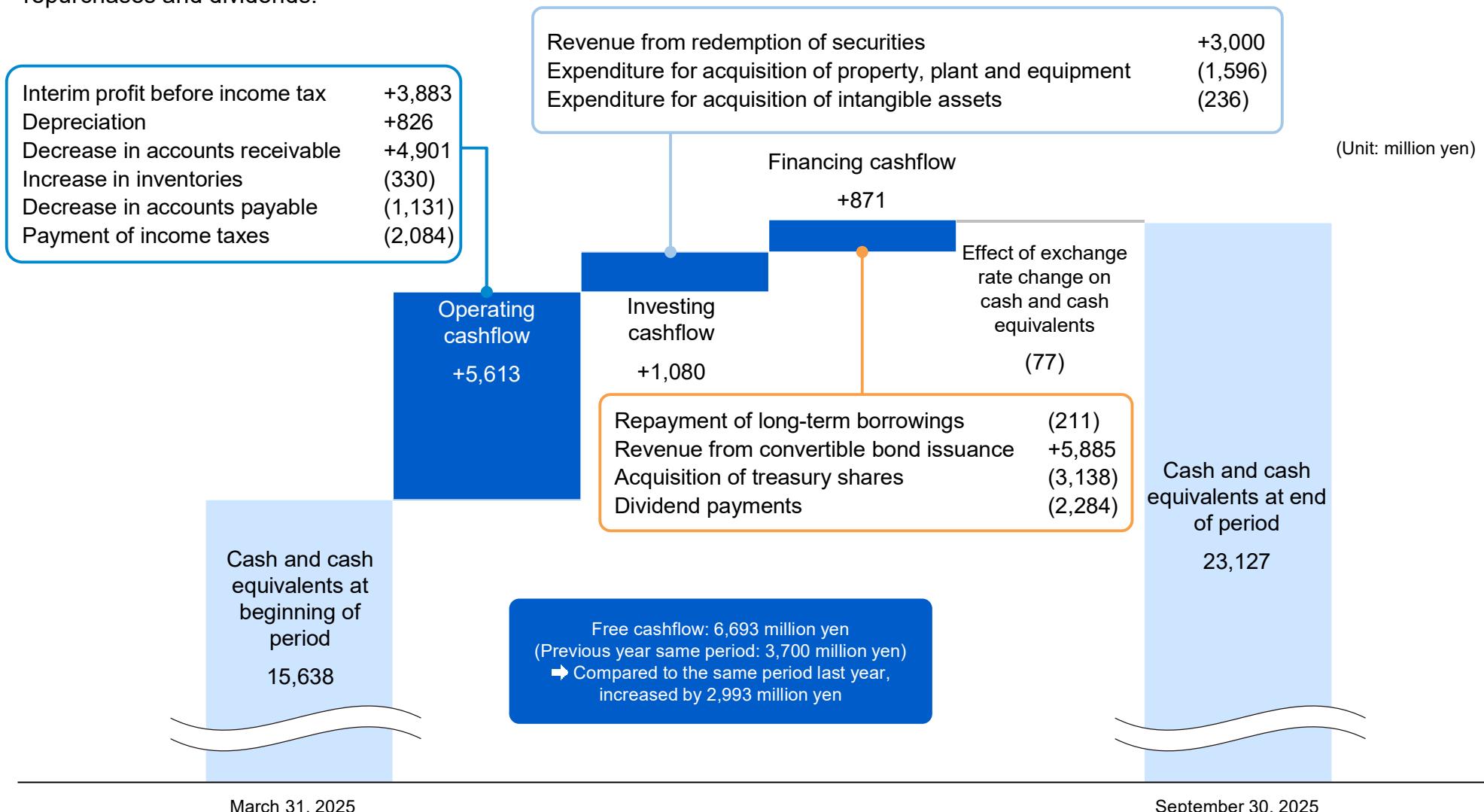
(Unit: million yen)

	FYE 2025/3	Q2 FYE 2026/3	Change
<b>Current assets</b>	<b>48,153</b>	<b>47,991</b>	<b>(162)</b>
<b>Cash and deposits</b>	<b>15,669</b>	<b>23,157</b>	<b>7,488</b>
<b>Notes and accounts receivable - trade</b>	<b>19,249</b>	<b>16,212</b>	<b>(3,037)</b>
<b>Inventories</b>	<b>4,142</b>	<b>4,425</b>	<b>283</b>
<b>Non-current assets</b>	<b>36,844</b>	<b>42,187</b>	<b>5,343</b>
<b>Property, plant and equipment</b>	<b>20,777</b>	<b>22,060</b>	<b>1,283</b>
<b>Intangible assets</b>	<b>1,163</b>	<b>1,251</b>	<b>88</b>
<b>Investments and other assets</b>	<b>14,903</b>	<b>18,875</b>	<b>3,972</b>
<b>Total assets</b>	<b>84,997</b>	<b>90,282</b>	<b>5,285</b>
<b>Total liabilities</b>	<b>20,716</b>	<b>26,214</b>	<b>5,498</b>
<b>(Interest-bearing debt balance)</b>	<b>2,412</b>	<b>2,580</b>	<b>168</b>
<b>Total net assets</b>	<b>64,280</b>	<b>64,067</b>	<b>(213)</b>
<b>Total liabilities and net assets</b>	<b>84,997</b>	<b>90,282</b>	<b>5,285</b>
(Unit: %)			
<b>Equity ratio</b>	<b>71.7</b>	<b>67.5</b>	<b>(4.2)pt</b>

# Consolidated Statements of Cash Flows



- Operating CF increased due to the recording of interim net income and reduction in accounts receivable and accounts payable.
- Investing CF increased due to redemption of securities and acquisitions of property, plant and equipment and intangible assets, among others.
- Financing CF increased as funds were raised through convertible bonds issuance, while shareholder returns were strengthened via share repurchases and dividends.



## **II. Financial Results Forecast for the Fiscal Year Ending March 31, 2026**

(No revision has been made to the forecast announced  
on May 15, 2025)

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

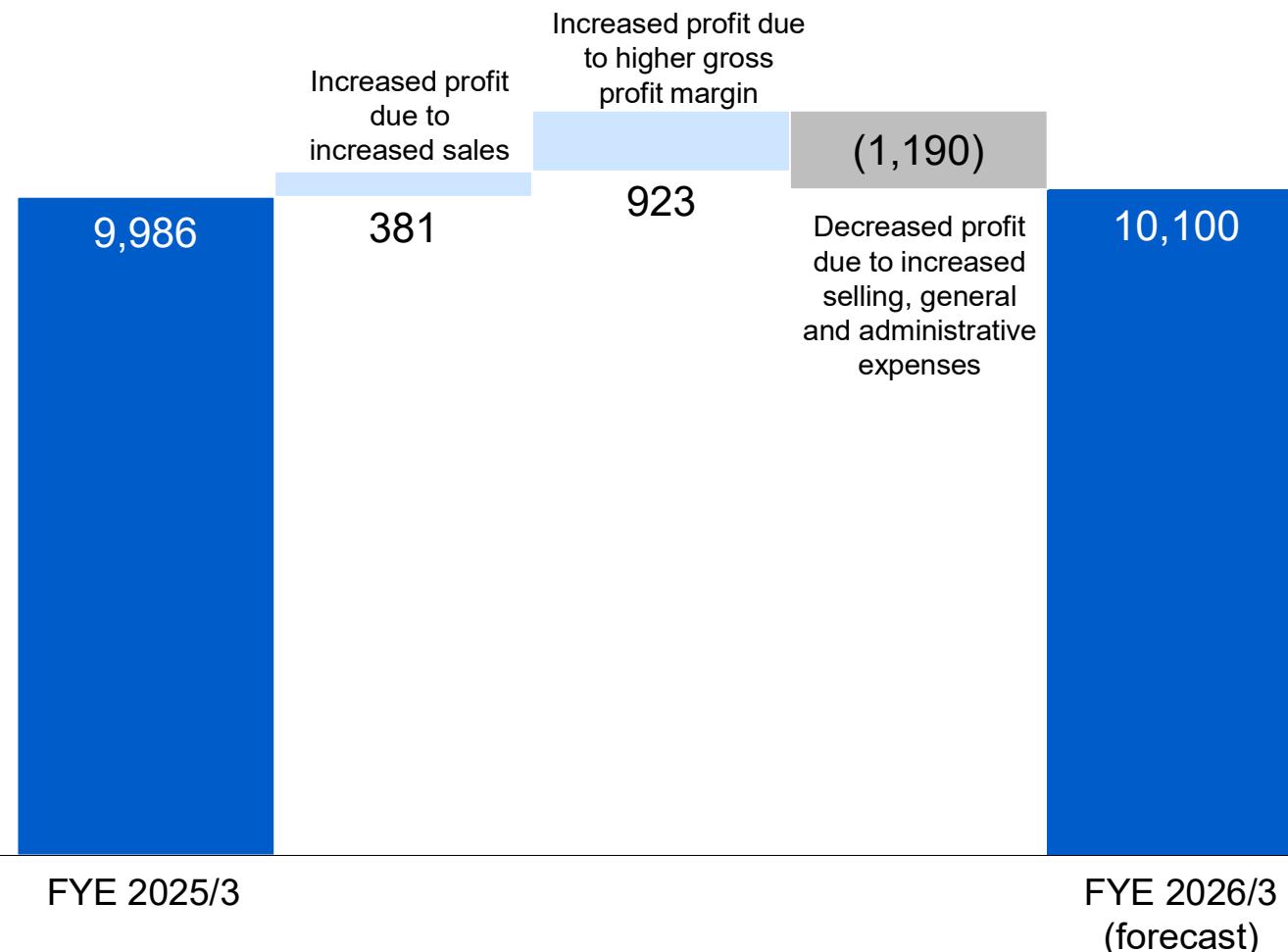
- While investment in air conditioning equipment in Japan is expected to remain strong, due to work style reforms, soaring construction costs, and other factors, the impact of longer project durations and reviews of investment plans is expected to emerge, requiring careful identification of future market 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.

# Factors for Changes in Operating profit



- Costs, including personnel and logistics expenses, are expected to increase even further going forward.
- For the fiscal year ending March 31, 2026, we will work to increase added value in our target markets and improve profitability of the Group overall, as well as strive to absorb cost increases through price revisions.

(Unit: millions of yen)



# Shareholder Returns (Dividends)



- Considering the medium-term shareholder return policy and the current period's performance, the annual dividend is expected to be the same as the initial forecast (effectively equal to the previous period).
- Although the total dividend amount is expected to decrease due to ongoing share buybacks, the dividend payout ratio is expected to increase by approximately 1.4 points.

		Annual dividend per share			Total amount of dividends <sup>*3</sup>	Amount of treasury shares purchased <sup>*3</sup>	Payout ratio <sup>*3</sup> (consolidated)	Total payout ratio <sup>*3</sup> (consolidated)
		Interim	Year-end	Total				
		Yen	Yen	Yen	Millions of yen	Millions of yen	%	%
FYE 2025/3	<b>Determined amount</b>	54.00	32.00	- *2	3,608	4,715	46.4	106.3
	<b>After adjustment for stock split<sup>*1</sup></b>	18.00	32.00	50.00				
FYE 2026/3	<b>Determined amount</b>	20.00	-	-	3,535	4,584	47.8	109.7
	<b>Forecast amount</b>	-	30.00	50.00				
Change	<b>After adjustment for stock split<sup>*1</sup></b>	+2.00	(2.00)	0.00	(73)	(131)	+1.4pt	+3.4pt

\*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 (if the split were not considered, the annual dividend per share would be 96 yen at year-end and 150 yen in total).

\*3 Total amount of dividends, amount of treasury shares purchased, payout ratio 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.

## Shareholder Benefits

\*Number of shares held is adjusted for the stock split

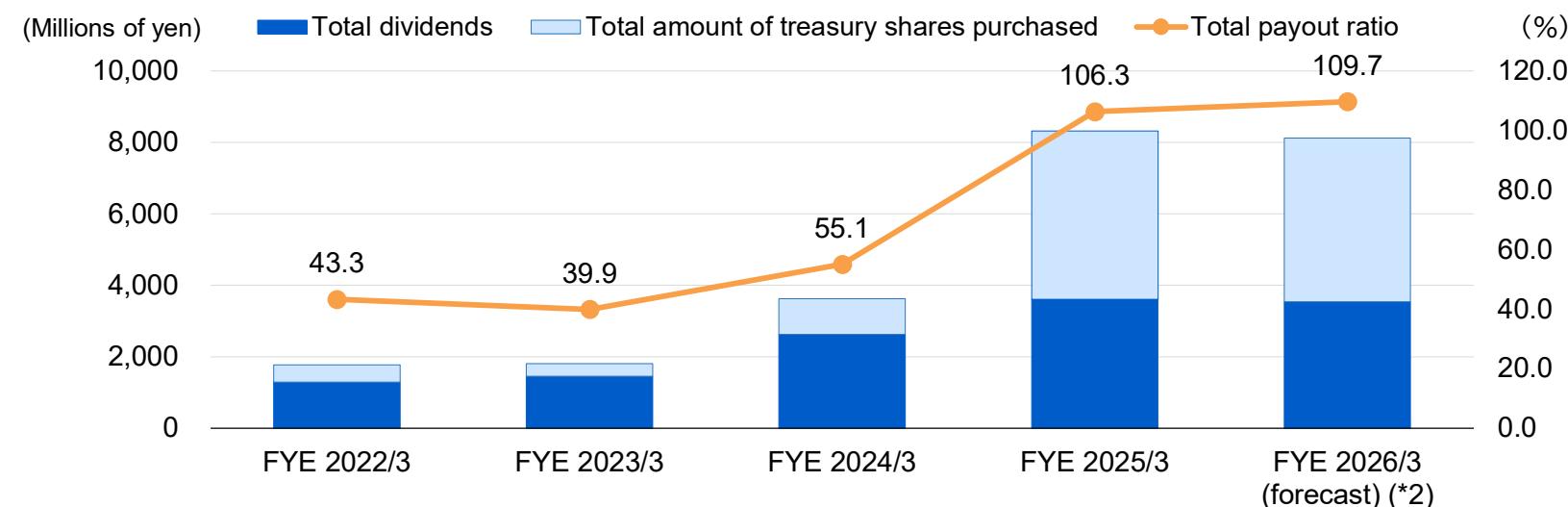
Holding Period	Number of shares held	Benefit
For one year or more	300 shares or more but less than 3,000 shares	Book gift card worth 1,000 yen
	3,000 shares or more	Gift voucher worth 5,000 yen

# 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



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.

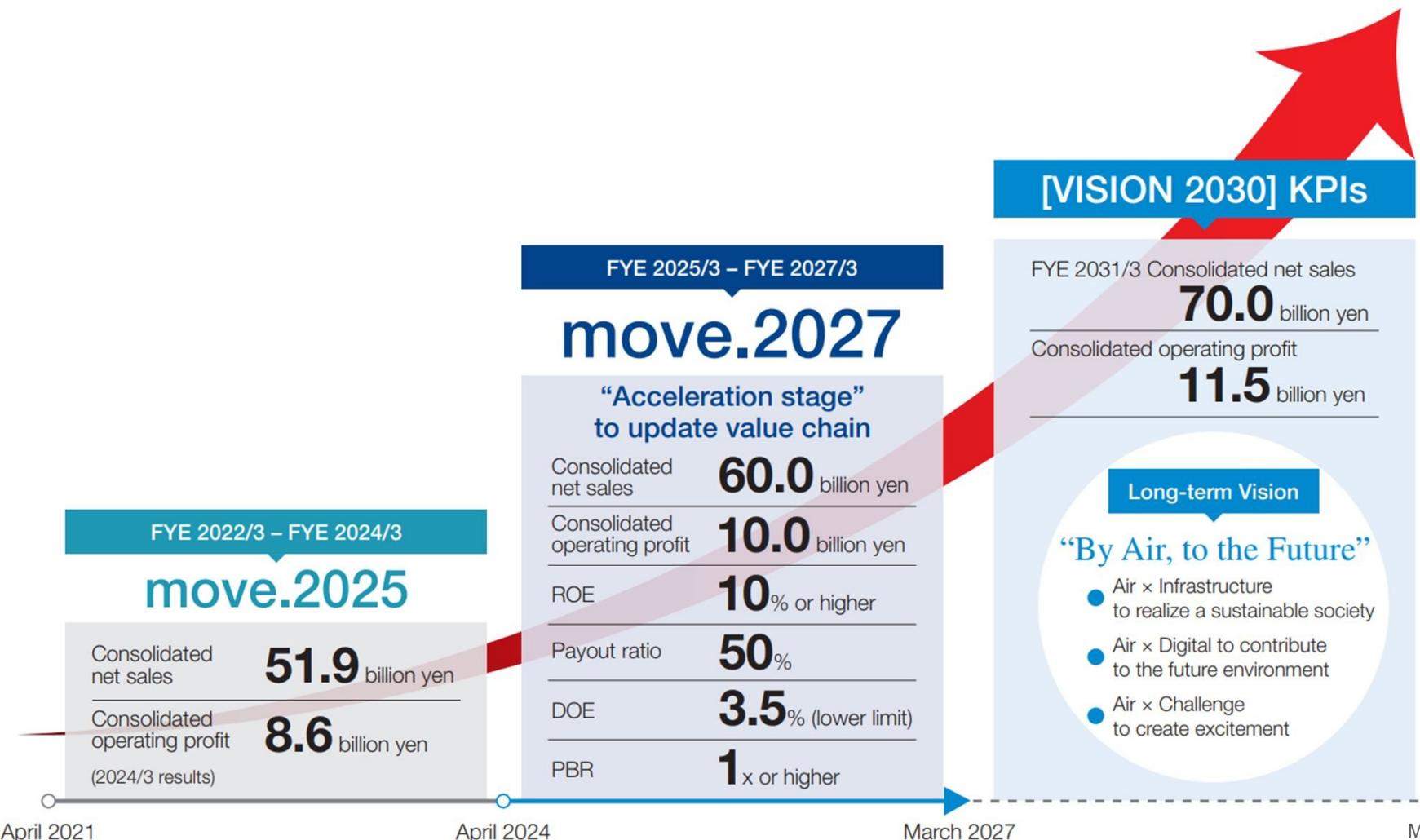
\*2 Total dividends and total payout ratio for FYE 2026/3 are if dividends are paid as expected based on the number of issued shares (excluding treasury shares) as of March 31, 2025, and all the treasury shares not yet acquired (approx. 4.58 billion yen) of the treasury share repurchases resolved on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

### **III. Medium-term Management Plan “move.2027”**

# move.2027 as an Acceleration Stage



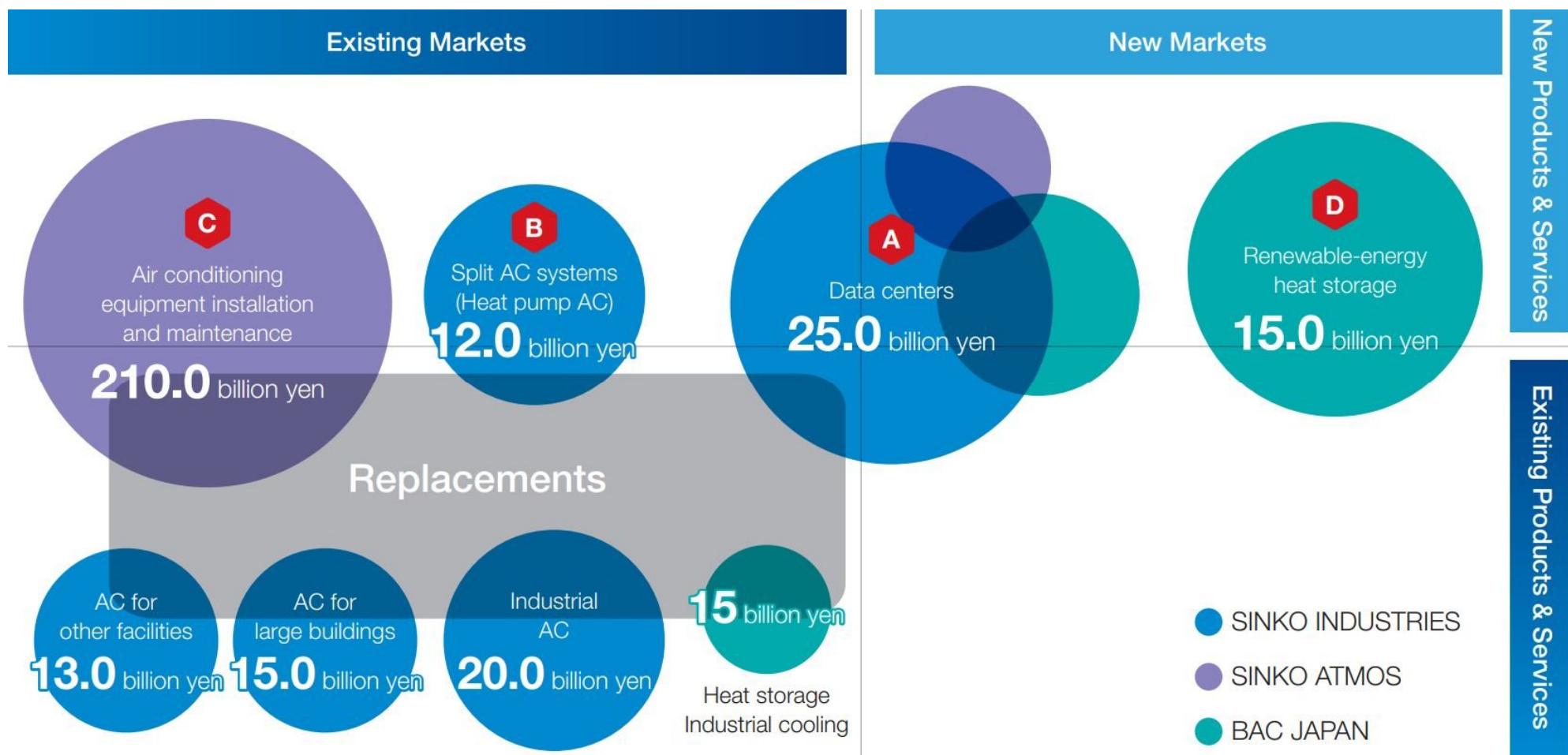
- The Medium-term Management Plan “move.2027,” which began in the fiscal year ended March 31, 2025, progressed at a pace surpassing the initial plans in the first year.
- With an eye on the Long-term Vision “VISION 2030: By Air, to the Future,” we are driving capital cost management and sustainability management on an ongoing basis and identifying materiality for the realization of the Long-term Vision. We have also set new performance targets for the fiscal year ending March 31, 2031.



# Medium-term Business Strategy: Target Markets

- Starting with expansion of existing markets and products, in line with the Medium-term Management Plan policies, we focus our efforts on extending business into four new domains, including data centers.
- Taking into account that the hydrogen cooling market, included in the initial plan, has experienced stagnant demand due to procurement costs and technical challenges, it has been removed from the main themes. However, with progress in decarbonization-related technologies and the continued promise of renewable energy-based heat storage, efforts to generate demand are underway.

## Market Size Matrix for Domestic Air Conditioning-related Domains (Envisaged size in FYE 2027/3)



# Targets and Strategies for Target Markets



- Capturing data centers, split AC system, and air conditioning equipment installation and maintenance markets is progressing steadily and is on track to achieve targets.
- In the renewable energy heat storage market, although sales are expected to decline from the previous term, efforts are underway to strengthen sales and create demand over the long term.

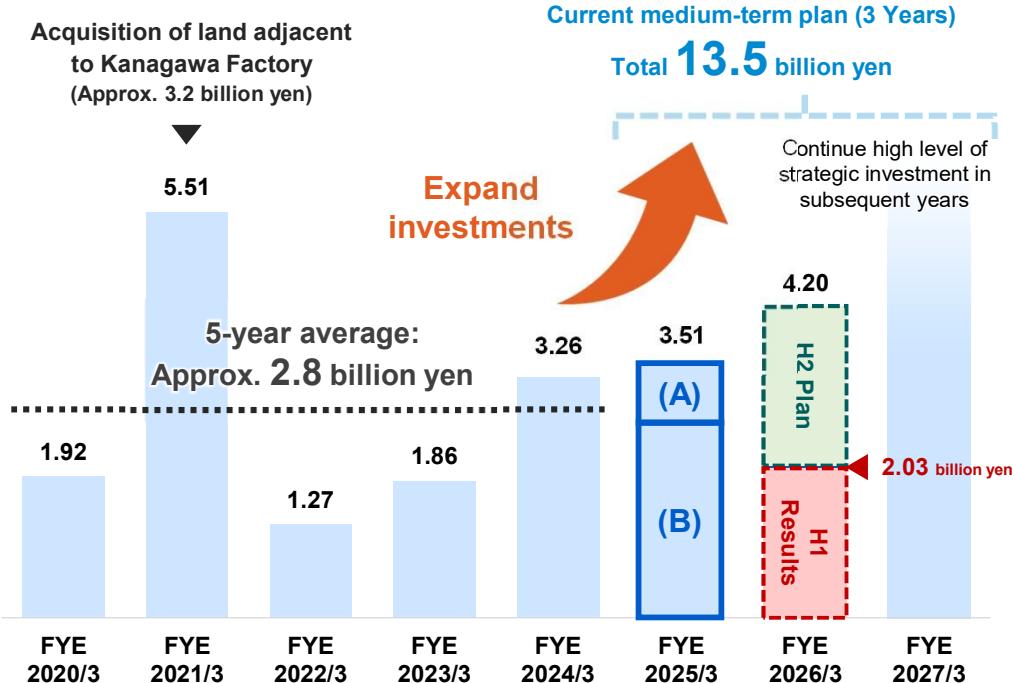
Main Themes of Group Market Strategy	Group sales			Group's Aims	Progress as of September 2025 (Excellent/Good/Fair/Poor)
	FYE 2025/3 Results	FYE 2026/3 Forecasts	FYE 2027/3 Targets		
<b>Data center</b>	4.3 billion yen	<b>4.7 billion yen</b>	<b>5.5 billion yen</b>	<ul style="list-style-type: none"> <li>Leverage SINKO Group value chain to propose total solutions covering products and services</li> <li>Offer stable operation and environmental value</li> </ul>	<p>We are clarifying the strengths and value of products and services, and building a consistent value chain across the group</p> <p><b>E</b> While promoting sales of production to air-cooled data centers, we are also monitoring market changes such as liquid-cooled data centers and container-type data centers</p>
<b>Split AC system</b>	3.0 billion yen	<b>3.15 billion yen</b>	<b>3.3 billion yen</b>	<ul style="list-style-type: none"> <li>Ocoogeo® (all-in-one heat pump air conditioner)</li> <li>Development and sale of heat pump air conditioners compatible with new low-GWP refrigerants</li> </ul>	<p>Sales are on an increasing trend for deliveries to public facilities and hotels, and for outside air treatment applications in data centers</p> <p><b>E</b> We are focusing on creating new needs and proposal-based sales, such as the gymnasium air conditioning system “BREEZE for ARENA®”</p>
<b>Air conditioning equipment installation and maintenance</b>	12.3 billion yen	<b>12.5 billion yen</b>	<b>12.6 billion yen</b>	<ul style="list-style-type: none"> <li>Actively expand post-installation downstream offerings, e.g. service packages, regular inspection packages</li> <li>Expand electrical works related to maintenance and replacement of air conditioning units</li> </ul>	<p>We are capturing steady demand for air conditioning equipment installation work, and we expect sales to grow steadily in this fiscal year</p> <p><b>E</b> We are addressing challenges of resource expansion and creating sustainable human resource development systems to support business growth</p>
<b>Renewable energy heat storage</b>	0.24 billion yen	<b>0.07 billion yen</b>	<b>0.7 billion yen</b>	<ul style="list-style-type: none"> <li>Thermal storage systems for renewable energy</li> </ul>	<p>Sales in this fiscal year are expected through marketing of thermal storage products with a focus on demand response (DR) strategies</p> <p><b>F</b> We are strengthening the foundation by considering sales methods and increasing awareness in line with the transition trend to a decarbonized society</p>

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

# Investment Strategy

- Through proactive strategic investments, promote expansion of revenue in domains expected to grow, improved productivity in existing businesses, strengthening of production capacity, etc.

## Investment Strategy



\*FYE 2025/3 results (A) Growth domains & New businesses: 0.81 billion yen  
(B) Existing businesses & Strengthening foundations: 2.7 billion yen

**FYE 2026/3 First half results**

**2.03 billion yen:**  
Mainly for Kanagawa Factory production expansion, SIMA development, enterprise system upgrades, etc.

**FYE 2026/3 Second half plan**

**2.17 billion yen:**  
Mainly for Kanagawa Factory production expansion, environmental improvements, SIMA development, etc.

**Growth domains & New business**  
4.8 billion yen and above  
(Breakdown)  
- M&A investment: 3.0 billion yen  
- Investment in growth: 1.8 billion yen

**Existing businesses & Strengthening foundations**  
8.7 billion yen and above  
(Breakdown)  
- Strengthen production capacity: 6.5 billion yen  
- SIMA development: 0.9 billion yen  
- Capital investment: 0.8 billion yen

### Domestic market

#### ✓ Invest in growth domains

- Strengthening of development and sales systems for data center AC and heat pump AC
- M&A investments, etc. for expansion of new growth domains

#### ✓ Develop new energy storage markets

- Energy storage systems for renewable energy

### Development systems

#### ✓ Pursue leading development systems based on SSA – Contribute to carbon neutrality

- Development of core components in pursuit of top position in domestic market, development of products to achieve market-specific appeal, etc.

### Production systems

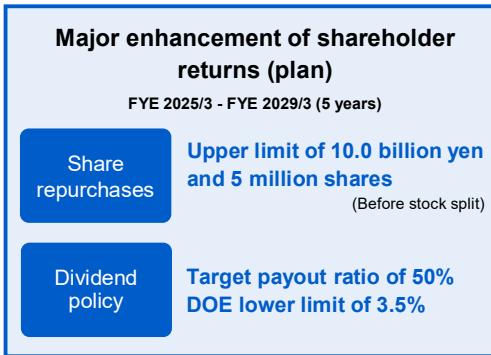
#### ✓ Strengthen next-generation production systems based on SSA – Production process innovation

- Optimal factory operation, expansion of production equipment and capacity, etc.
- Improvement of both quality and production efficiency with DX

# Visualization of Cash Allocation

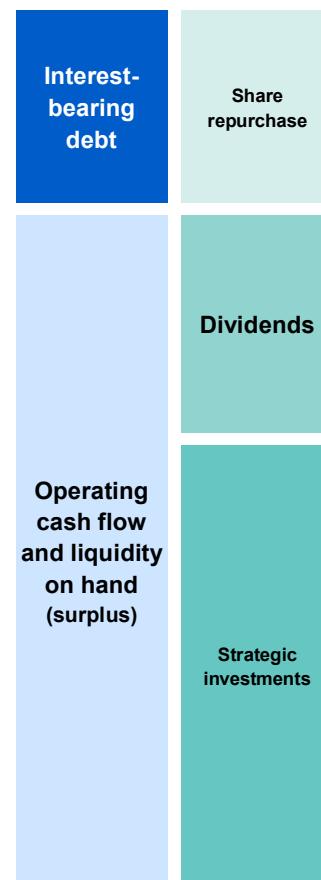
- Implementing a bold review of the capital structure through the strategic use of debt and enhanced shareholder returns
- Operating cashflow and liquidity on hand will be put primarily toward strategic investments with the aim of sustainable profit growth

## Overview of Capital and Financial Strategies



### ■ Visualization of cash allocation

#### Funds Allocation



- ✓ Bold review of the capital structure through the use of debt and enhancement of shareholder returns
- ✓ Funds for share repurchases envisaged to come primarily from the use of debt
- ✓ In April 2025, issued convertible bonds 6.0 billion yen and allocated the full proceeds to share repurchases

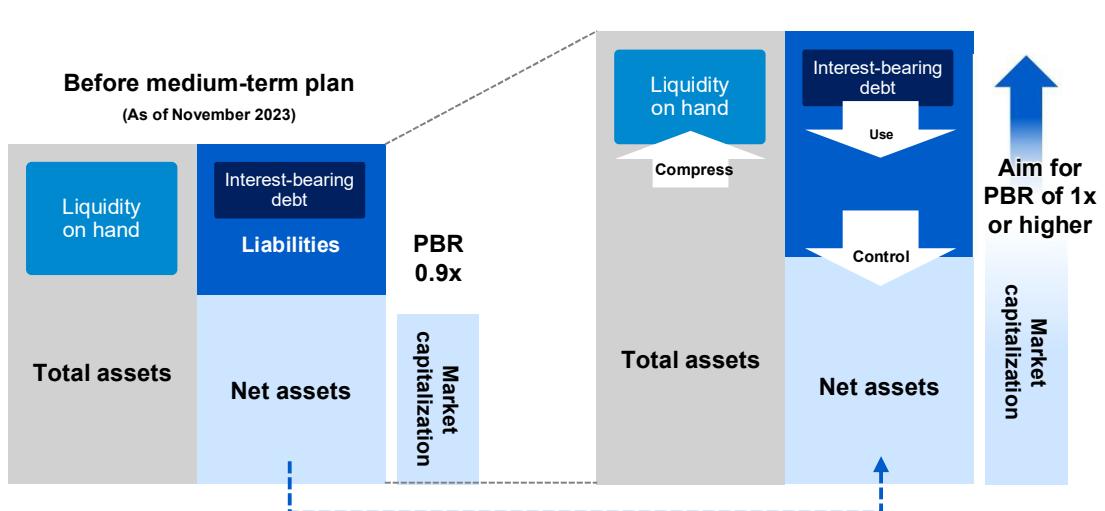
Strong balance sheet control looking toward optimal liabilities and capital structure

Operating cash flow and liquidity on hand (surplus)

- ✓ Operating cashflow and liquidity on hand to be put primarily toward strategic investments
- ✓ Through proactive strategic investments, promote expansion of revenue in domains expected to grow, improvement of productivity in existing businesses, and strengthening of production capacity, etc.

Aim for sustainable profit growth

### ■ Visualization of balance sheet



# Target Markets and Key Capital Investments



Comprehensive testing facility

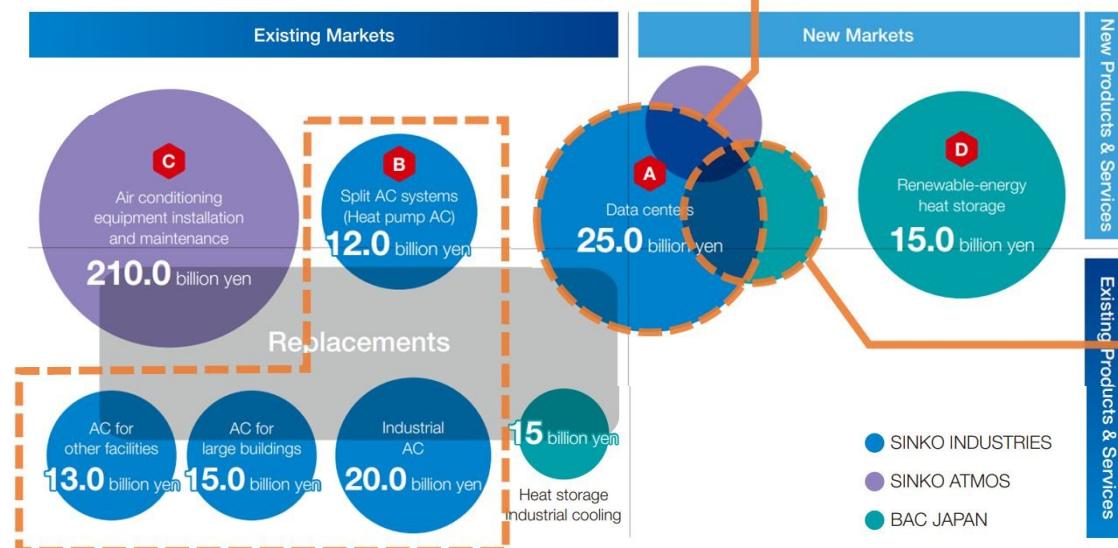
## SINKO AIR DEVELOPMENT LAB

Supports advanced performance testing (commissioning) for air conditioners for cooling data center servers

Data center  
(Air-cooled)



Market Size Matrix for Domestic Air Conditioning-related Domains (Envisaged size in FYE 2027/3)



Data center  
(Air-cooled, liquid-cooled, immersion)

Cooling towers exhibition facility for DC and plants

## BAC BASE

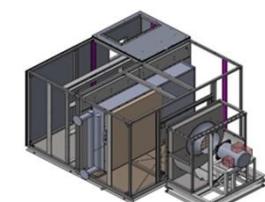
Utilized for product acceptance inspections for DC projects and enhancement of service personnel skills



Strengthening core business

## Enhancement of production capacity (Factory optimization and SIMA project)

By FYE 2031/3, annual production capacity of air conditioners will increase by 30% compared to FYE 2025/3



# Overview of Key Capital Investments

## Enhancement of production capacity

(Factory optimization and SIMA project)

Strengthening  
core business

- While our ability to provide custom-made solutions is a strength, our complex and labor-intensive production system remains a challenge. In view of the declining domestic workforce and the need for sustainable growth, we have initiated [a fundamental production reform to move away from labor-intensive manufacturing](#).
- We are establishing [sustainable manufacturing](#) by streamlining our production processes and operating both the Kanagawa and Okayama factories optimally.
- We are promoting the [DX of design and manufacturing](#) to achieve both shortened manufacturing lead times and improved quality through the digitalization of our products.
- By FYE 2031/3, [annual production capacity of air handling units will increase by 30%](#) compared to FYE 2025/3.



Comprehensive testing facility

## SINKO AIR DEVELOPMENT LAB

Data center  
(Air-cooled)

- To overcome the barrier to entering the data center market posed by actual load testing on equipment and phased inspections (commissioning), it was established in June 2024 within the Kanagawa Factory. It is [one of the largest air conditioning test facilities in Japan](#).
- As a domestic manufacturer, we swiftly entered the air conditioning market for data centers. We are focused on [enhancing our brand recognition and expanding our record of deliveries](#) in the market.
- It includes [a testing room that allows evaluation of heating and cooling performance under severe conditions](#) such as extreme heat and harsh winter, and under JIS/JRA standards.



Cooling towers exhibition facility for DC and plants

## BAC BASE

Data center  
(Air-cooled, liquid-cooled, immersion)

- With an expected increase in sales of large cooling towers, it was established in February 2025 within the Kanagawa Factory with the aim of [strengthening customer appeal and enhancing service personnel skills](#). It stands as one of the largest exhibition facilities for large cooling towers in Japan.
- [Large cooling towers are essential equipment even if liquid cooling and immersion cooling become widespread](#), and they are expected to maintain stable demand in the future.
- We effectively highlight the product's structure, scale, and quality—including service—and have [earned high praise from customers](#).



# Enhancing Competitiveness in the Split AC System



- In the Split AC system market, one of the targets under the Medium-Term Management Plan, we aim not only at equipment sales but also at business expansion into engineering, focusing on consultative sales approaches and capturing air conditioning needs as opposed to conventional central air conditioning system.
- To enhance the appeal of gymnasium air conditioning systems and factory heat countermeasure products, a demonstration facility where customers can experience the air conditioning effect, “SINKO AIR EXPERIENCE SPACE,” is scheduled to open during FYE 2026/3 within the Kanagawa Factory.
- In view of social trends such as decarbonization and future market needs, research and development that supports product competitiveness is also being strengthened from a medium- to long-term perspective.

## Sales Initiatives for Expanding Performance in the Split AC System Market

### Promotion of the gymnasium air conditioning system “BREEZE for ARENA®”

- Since the start of PR in April 2025, proactive promotional activities for BREEZE for ARENA have been underway nationwide targeting municipalities and school officials.
- In the demonstration project being carried out with Hadano City in Kanagawa Prefecture, the heat index (WBGT: wet bulb globe temperature) inside the gymnasium has significantly improved even in the sweltering midsummer heat. Data collection for verifying the effectiveness of the product concept and for promotional use will continue until March 2026.
- The challenges anticipated during the sales phase include balancing municipal budgets and introducing costs. Information on government subsidies is also being gathered, and measures to smoothly implement sales initiatives are concurrently under review.



(Left) BREEZE for ARENA installation status at an elementary school in Hadano City

(Right) Measurement of air conditioning effect (thermography) during BREEZE for ARENA operation

### Air Conditioning Experience Facility “SINKO AIR EXPERIENCE SPACE”

- By designing an interior space reminiscent of a school gymnasium and operating the “BREEZE for ARENA,” we aim to highlight the air conditioning effect.
- It is scheduled to open during FYE 2026/3 within the Kanagawa Factory. After opening, PR activities targeting school officials and architectural firms will be implemented.
- The facility will also exhibit heat countermeasure products intended for small- to medium-sized factories, serving as a platform for consultative sales and capturing needs that differ from conventional central air conditioning system.



SINKO AIR EXPERIENCE SPACE - Completed project rendering

# Initiatives for the Growth of Each Group Company



Installation and service business

## SINKO ATMOS CO., LTD.

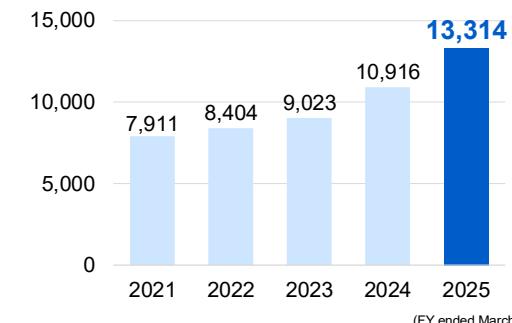
**SINKOATMOS**

- We aim to expand regular maintenance contracts and package and digitalize services, to strengthen relationships with end users of air conditioning equipment and create a stable stock business.
- We also position strengthening human capital as a key management issue, and are working to expand construction resources and to establish a sustainable human resource development system.



(Millions of yen)

Net sales trends



Manufacturing and sales business of air conditioning-related equipment

## BAC JAPAN CO., LTD.

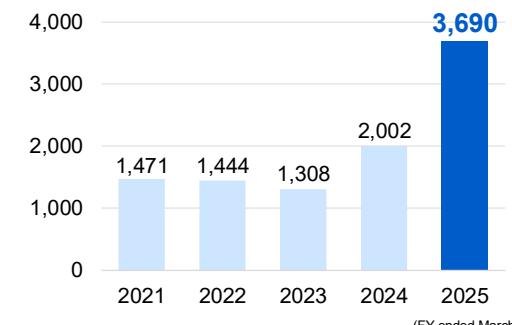


- Clarify product strengths like energy saving and water conservation, and expand our track record for data center and plant applications.
- We are identifying growth markets, such as liquid-cooled data center and container-type data center, and implementing sales strategies to secure a competitive edge.
- We are advancing product improvements and system proposals that meet Japan's unique market demands and environmental regulations, while also focusing on exploring promising targets for the mid- to long-term.



(Millions of yen)

Net sales trends



Building management business

## CHIYODA BLDG. KANZAI CO., LTD.

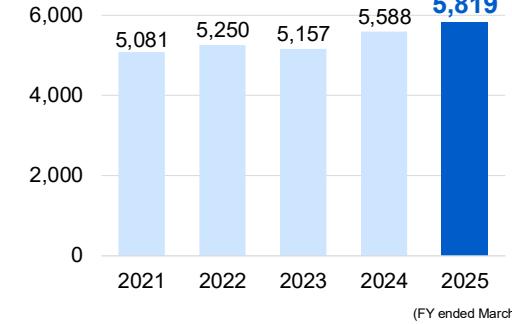


- In response to structural challenges in the building maintenance industry, such as labor shortages and rising costs, we are focusing on improving profitability and securing human resources.
- We are also advancing initiatives to create new businesses and strengthen our revenue base, such as using drones for infrastructure inspections and undertaking insulation work suitable for heatstroke prevention.



(Millions of yen)

Net sales trends



## **IV. Initiatives to Implement Cost of Capital Management**

# Progress and Results Regarding the Medium-term Financial Strategy



- Based on the request announced by Tokyo Stock Exchange (TSE) in March 2023 regarding measures to realize management that is conscious of capital cost and share price, our group is promoting management focused on these aspects in the medium-term management plan "move.2027" starting in fiscal year ended March 31, 2025. It clearly states that capital cost management will be the central axis of business operations by newly setting quantitative targets such as ROE and PBR as management indicators.
- The three-year medium-term period has reached its midpoint. While reviewing our efforts to promote capital cost management, we will continue to strive to enhance corporate value in order to achieve the long-term vision "VISION 2030: By Air, to the Future."

## Financial Strategy in the Medium-term Management Plan "move.2027"

Enhancing corporate value by improving ROE and reducing cost of equity

### Enhance corporate value

[Target] Achieve PBR of 1x or higher

#### Improve ROE

[Policy] Securing ROE above capital cost  
 [Measures] Strategic allocation of investments and shareholder returns

#### Reduce cost of equity

[Policy] Improving investors' and shareholders' trust  
 [Measures] Strengthening information disclosure and dialogue with investors and shareholders

## Efforts and results in the first half of the medium-term period

The first year of the medium-term period, fiscal year ended March 31, 2025, is progressing smoothly.  
 We will continue to pursue initiatives to enhance corporate value.

### Enhance corporate value

By the end of March 2025, the PBR stood at 1.4,

[Results] achieving the target of 1x or higher (and aiming to maintain this achievement in the future)

#### Improve ROE

[Results] For fiscal 2025, ROE reached 12.8%, achieving the target of at least 10% (and aiming to maintain this achievement in the future)

- ✓ Improving capital efficiency through a review of the capital structure, a reduction in cross-shareholdings, and enhanced shareholder returns
- ✓ As a result of executing business and investment strategies based on target markets, consolidated operating profit has grown at a pace exceeding the original plan

#### Reduce cost of equity

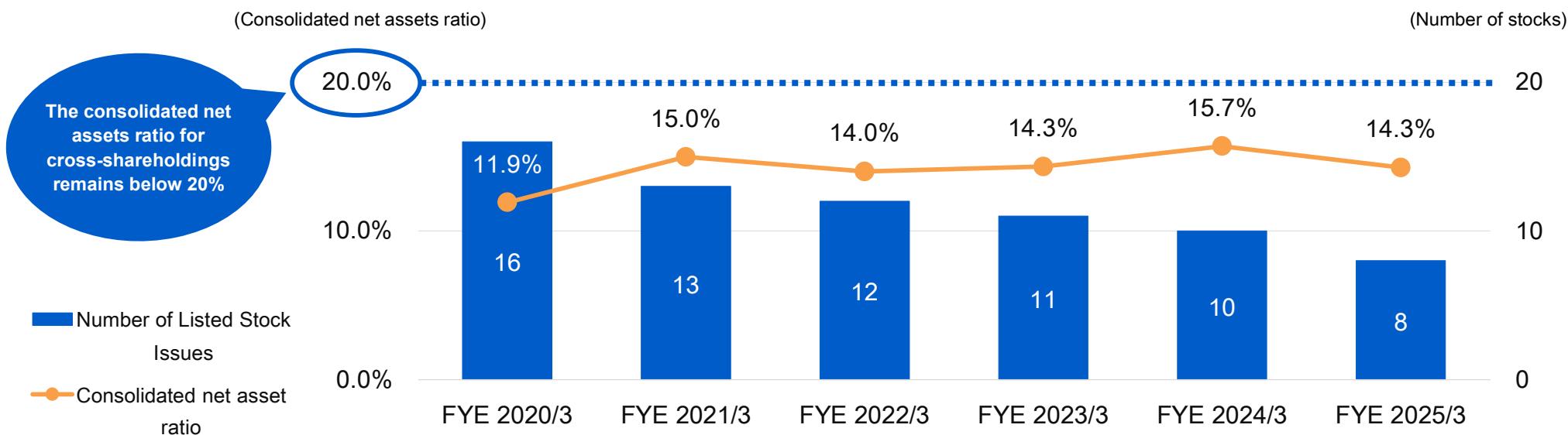
[Results] Proactively promoted robust disclosure and dialogue with the capital market

- ✓ We are working to enhance recognition among domestic and international investors and improve the liquidity of our shares through expanded disclosure methods and scope, and measures such as stock splits
- ✓ The status of dialogues with shareholders and investors conducted through individual meetings is reported to the Board of Directors, and matters deemed beneficial to the company are addressed proactively

# Reduction of Cross-shareholdings

- To improve capital efficiency, cross-shareholdings have been continuously reduced. The Board of Directors will comprehensively evaluate the rationale for these holdings, and those determined as sellable were largely divested by the fiscal year ended March 31, 2025.
- Although holdings in capital alliance partners and major business partners will be maintained, efforts will be made to enhance governance transparency by disclosing the purposes of these holdings and dividend amounts in the securities reports.

## Status of Holdings in Cross-shareholdings (Listed Issue)



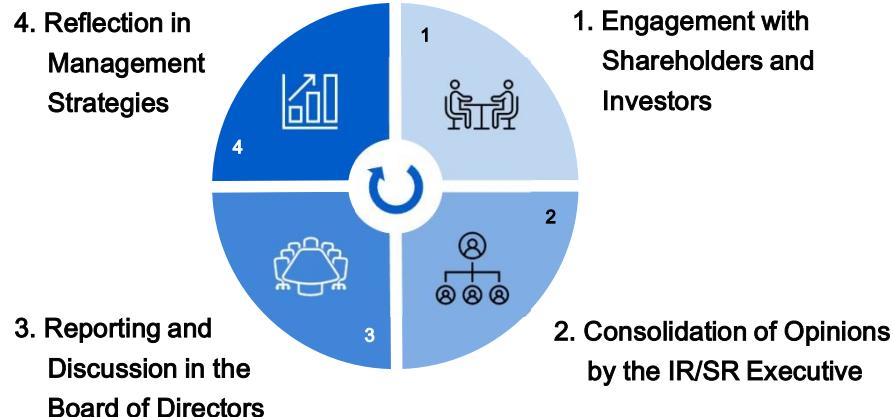
Number of listed stocks (issue)	16	13	12	11	10	8
Total amount on the balance sheet (in million yen)	5,519	7,639	7,560	8,269	10,044	9,171
Consolidated net assets (in million yen)	46,254	50,981	53,982	57,683	63,907	64,280
Consolidated net assets ratio (%)	11.9	15.0	14.0	14.3	15.7	14.3

# Engagement with Shareholders and Investors

- The status of IR/SR activities is reported to management through the responsible officer, and opinions deemed beneficial are addressed proactively.
- In addition to holding semi-annual earnings briefings, over 80 individual meetings are conducted annually (actual results for the fiscal year ended March 31, 2025), and tours of our plants and showrooms are held as needed to enhance opportunities for dialogue.



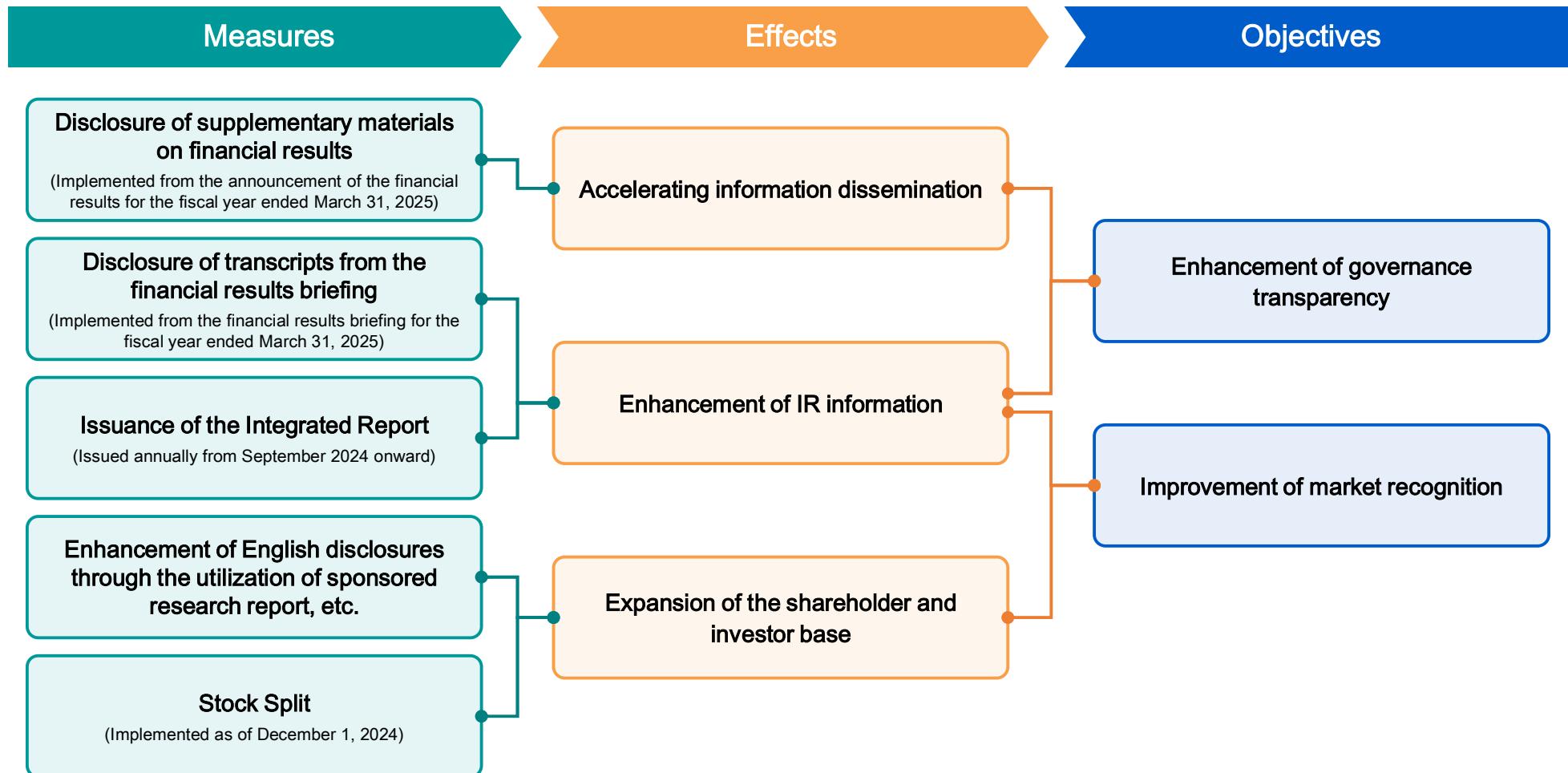
## Feedback on Governance



Examples of Feedback and Requests from Investors	Status of Response to Feedback and Requests
We highly appreciate the medium-term management plan that adopts capital cost management.	We have taken note of the market's evaluation of this plan, and we will strive to operate our business with a greater awareness of capital cost.
In order to save the effort of calculating and comparing with the prior period based on sales composition ratios, I would like the actual figures to be included in the financial results briefing materials.	We have revised the financial results briefing materials as requested.
I believe there is a need to reassess the profitability of group businesses, and I hope to stimulate internal discussions involving the management team.	All feedback received from investors has been reported to and deliberated by the Board of Directors.
I would like the order intake figures to be disclosed simultaneously with the summary of financial results.	Supplementary materials including orders received were disclosed concurrently with the summary of financial results.
I would like to see an enhancement in the English disclosure of IR information.	The supplementary materials and transcripts of the financial results briefing have been disclosed in English.

## Efforts to Enhance Governance Transparency and Market Recognition

- Since the announcement of our medium-term management plan “move.2027” in November 2023, while our share price has risen sharply, our market capitalization has remained around 100 billion yen over the past year.
- To sustainably enhance corporate value, we are not only building a clear value creation story but also working to improve recognition in the capital markets and governance transparency through straightforward communication.



# Issuance of the 'Integrated Report 2025'

- Beginning in 2024, our group has issued an Integrated Report with the aim of enhancing communication with the capital markets and deepening dialogue with stakeholders.
- The latest 'Integrated Report 2025', issued at the end of September 2025, focuses on [the concretization of the roadmap for realizing our long-term vision], [systematic materiality identification], and [a special feature on our group's key initiatives and human capital].



## SINKO INDUSTRIES LTD. 'Integrated Report 2025'

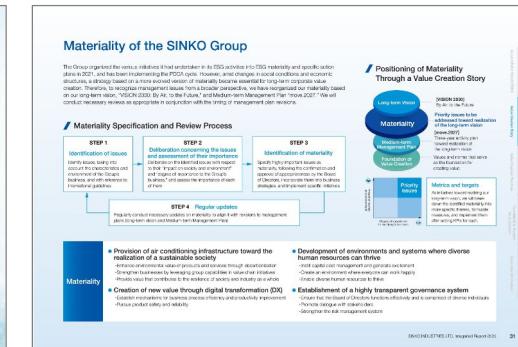
\*The English and Chinese versions was published in late December 2025.

▼ View and Download Here ▼

<https://www.sinko.co.jp/sustainability/integrated-report>



Roadmap for the Long-Term Vision



SINKO Group Materiality Identification



SINKO Group Special Feature on Key Initiatives  
(Data centers, Split AC systems and DX Strategy)

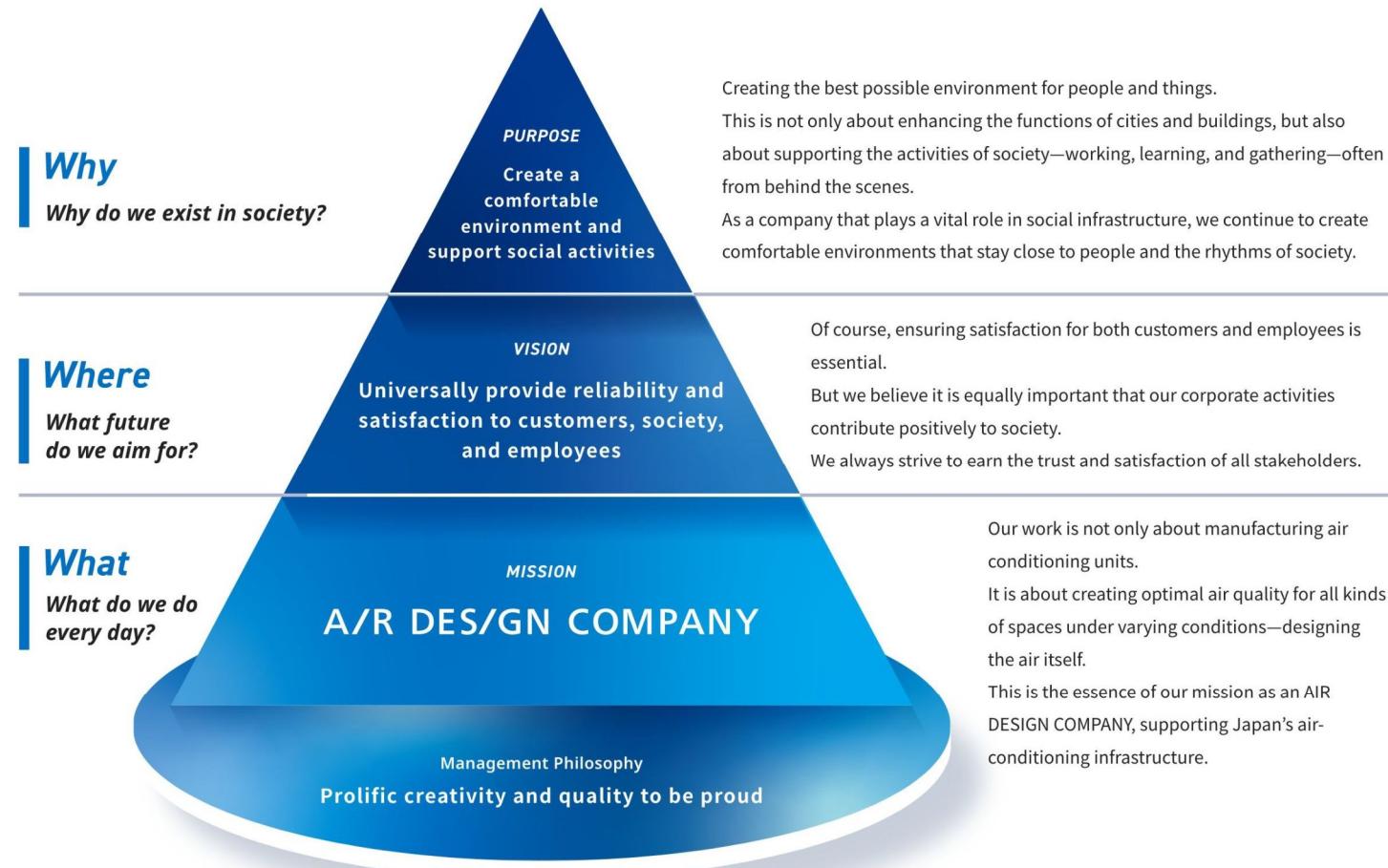


SINKO Group Introduction to Human Capital  
(Employee Roundtable and Outside Directors' Roundtable)

# SINKO Group's Mission “AIR DESIGN COMPANY”



- As a foundation for sustainably enhancing corporate value, we have clarified our group-wide philosophy. We define our group's *raison d'être* (PURPOSE) as “[creating a comfortable environment and supporting social activities](#)” and are committed to establishing an organizational culture that encourages employee initiative.
- The essence of our group's business (MISSION) is “[AIR DESIGN COMPANY](#).” Beyond manufacturing, selling, and servicing air conditioning equipment, we deliver optimal air quality to society to create comfortable environments.



## Reference: Stock Price Trend

- Since the announcement of the medium-term management plan “move.2027”, which set forth the implement of capital cost management, in November 2023, our stock price has consistently traded above a PBR of 1.0.
- While steadily implementing measures to continuously achieve the current mid-term plan's target of a PBR of at least 1, we are also committed to building a value creation story and enhancing corporate value sustainably, with an eye on the long-term vision ‘VISION 2030: By Air, to the Future’.

Stock Price Trend (January 2023 - October 2025)

\*Displays the trend of adjusted stock prices, considering the stock split implemented as of December 1, 2024



# Thank you for your attention

## IR Inquiries

SINKO INDUSTRIES LTD.

Group Business Planning Department, Corporate Planning Division

URL <https://www.sinko.co.jp/>

Contact URL <https://www.sinko.co.jp/contactus/form/>

### 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.