DAIKIN

For the Air We Live in

Sustainability Report 2025

How to use this report

This report features a navigation function that allows readers to move between pages and link to external websites.

Back to the contents page

Back to the previous page

Go to the next page

XXXXXXXXXX
Go to the relevant external site

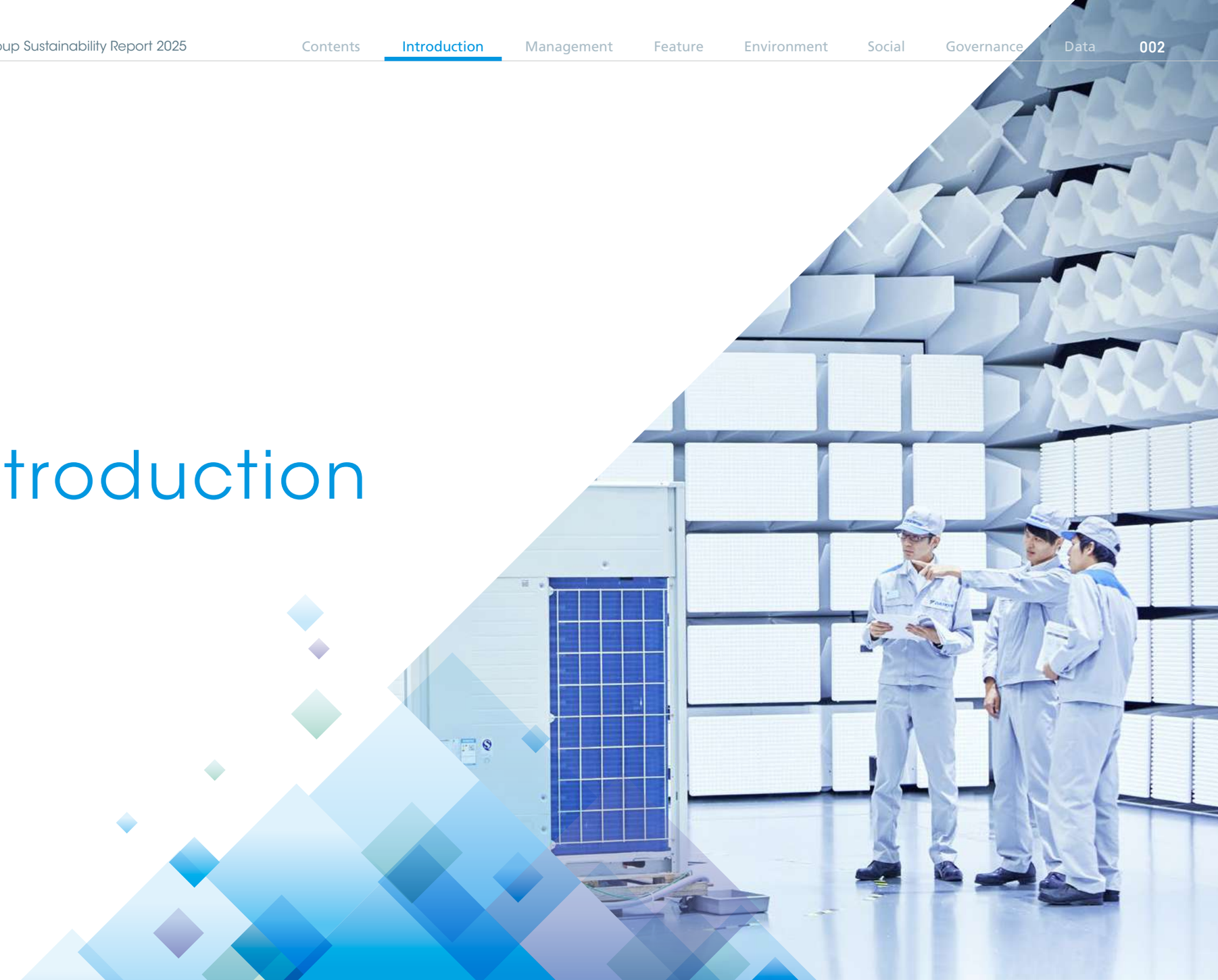
000 XXXXXXXXXX
Go to the relevant page in this report

XXXXXXXXXX
Link to PDF file

Contents

Introduction

Introduction



Introduction

Editorial Policy

The Daikin Group Sustainability Report 2025 presents our basic approach to sustainable growth as well as information on the results of our annual activities and future plans. To supplement the integrated report, we disclose more detailed and comprehensive ESG information.

This report covers Daikin's sustainability activities broken down into environmental (E), social (S), and governance (G) sections and features a separate data section containing relevant quantitative data. "Daikin" as used in this report refers to the Daikin Group, and "Daikin Industries" refers to Daikin Industries, Ltd.

We post previous reports dating as far back as three years on our corporate website.

Sustainability Report
https://www.daikin.com/csr/report

Integrated Report
https://www.daikin.com/investor/library/annual

Reporting Period

Fiscal 2024 (April 1, 2024 to March 31, 2025)
Contains information on some activities taking place after April 2025.

Daikin Organizations Covered

This report covers Daikin Industries and its 350 consolidated subsidiaries (total 351 companies).
Environment: Covers Daikin Industries and its 72 consolidated subsidiaries (more than 95% of manufacturing bases).
Social and Governance: Covers both topics individually.

Third-Party Verification

To ensure reliability of the content of this report, Daikin has a third-party verification conducted for data on greenhouse gas emissions, water use, and waste water.

175 Data Third-Party Verification

Disclosure of Financial and Non-financial Information

Daikin discloses information according to the needs of stakeholders.

Daikin's Media for Information Disclosure

Referenced Standards and Guidelines

- GRI Sustainability Reporting Standards of the Global Reporting Initiative (GRI)
- Task Force on Climate-related Financial Disclosures (TCFD)
- ISO 26000 Guidance on social responsibility
- Environmental Reporting Guidelines of Japan's Ministry of the Environment

Cautionary Statement

In reporting on fiscal 2024 CSR activities, data was carefully reviewed and was revised in cases where discrepancies occurred between actual results and information reported for previous years. Also, because figures are rounded off, totals and breakdowns may not equal the sum of individual figures.

Forecasts, Expectations, and Plans

This report includes forecasts, expectations, and plans, in addition to past and present facts, about Daikin. Please be aware that these are assumptions and judgments made based on the information available at the time this report was written and thus incorporate a degree of uncertainty.

Consequently, there is a possibility that events occurring in the future may turn out differently from the forecasts, expectations, and plans stated in this report.

Introduction

Update History

September 2025: Published Sustainability Report 2025 (English Version)

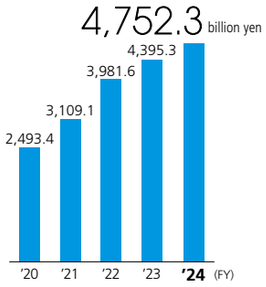
Introduction

Business Lines and Network

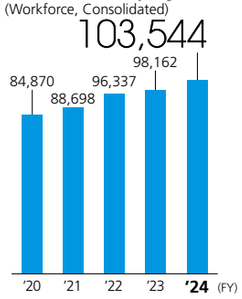
Bringing the World Healthy, Comfortable Lifestyles

Daikin is a global manufacturer with greater than 80% of its net sales originating from outside of Japan and more than 80% of the Group's employees working overseas. In our businesses of air conditioning and fluorochemicals, we respond to the needs that arise from the diverse cultures and values of the world's countries and regions by providing products and services that make people and space healthier and more comfortable.

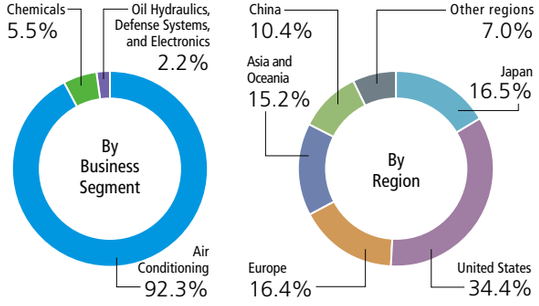
Net Sales (Consolidated)



Number of Employees (Workforce, Consolidated)



Ratio of Sales (Consolidated / Fiscal 2024)



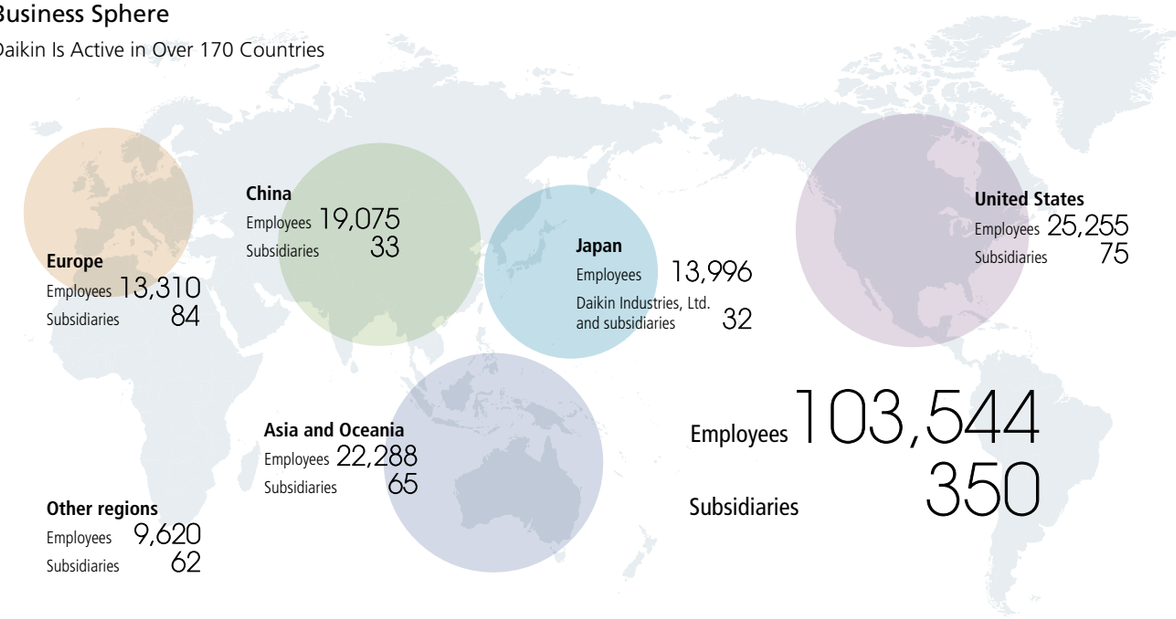
Our Business

Providing Healthy, Comfortable Lifestyles Through Air Conditioning and Fluorochemical Technologies

Air Conditioning	Chemicals	Oil Hydraulics, Defense Systems, and Electronics
Achieving both comfort and environmental performance to satisfy all global air conditioning needs	Utilizing the characteristics of fluorochemicals and contributing to a wide range of fields	Contributing to a wide range of industries with our proprietary hydraulic technologies, high-precision processing technology, and IT solutions
Main Business Fields Residential air conditioners, commercial air conditioners, air filters, air purifiers, space and water heaters, air conditioning systems, refrigeration systems	**Main Business Fields** Semiconductor, automotive, information and telecommunication	**Main Business Fields** Machine tools, in-home medical equipment, IT solutions

Business Sphere

Daikin Is Active in Over 170 Countries



Management

Management

Management

Daikin's Sustainability

Fundamental Approach to Sustainability

Daikin has established Core Values as the bedrock of its corporate management and the Daikin Group Philosophy as its basic management philosophy shared and upheld by all members of the Group. Since this philosophy was first created back in 2002, the Daikin Group's reach has extended further around the world, transforming us into a truly global company. We have developed unique products, services, and solutions with our environmental technologies, thus earning the confidence of society as an environmentally conscious company. Seeing the major changes taking place in our business environment and reflecting upon the trajectory of our constant growth, we needed to identify our underlying strengths and sources of competitiveness so that we can pass these qualities on to future generations to further develop them. As a result, we revamped the Daikin Group Philosophy in 2024 in conjunction with our 100th anniversary.

Today, we find ourselves in a world of uncertainty with upheaval both geopolitically and economically. Companies must not only pursue profit to raise their economic value but also make contributions to the environment and society to raise their social value. Satisfying these external expectations is the responsibility and mission of companies going forward. The first section of the new Group Philosophy, which lays out our purpose, is entitled "Resolve Social Issues and Enhance Corporate Value." This clearly demonstrates the Group's commitment to proactively working to resolve social challenges, particularly as a company that places the "air" so critical to the global environment at the core of its business.

Daikin will continue to pursue efforts to enhance its corporate value and contribute to the sustainable growth of society by putting the Group Philosophy into practice and working to resolve various social challenges, including global environmental problems.

Core Values

Absolute Credibility

Enterprising Management

Harmonious Personal Relations

Daikin Group Philosophy

Purpose

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

Together, We Brighten the Future

1. Resolve Social Issues and Enhance Corporate Value
2. Create New Value by Anticipating Future Needs
3. Realize a Better Society through Innovative Technologies
4. Take Action to Maintain Society's Trust
   (1) Be Transparent to Society and Build Mutual Development
   (2) Grow with our Business Partners
5. Think Globally and Be Flexible and Vibrant
6. Practice "People-Centered Management (PCM)" and Provide Challenging Opportunities
   (1) Create an Open-minded Atmosphere and Provide Ambitious Challengers with More Opportunities
   (2) Value Empathy for Daikin Group Philosophy and Cherish the Pride and Joy of Being Part of the Daikin Group
   (3) Promote and Respect Diversity Management

Daikin Group Philosophy
https://www.daikin.com/corporate/overview/philosophy

Management

Daikin's Sustainability

Highlights of Our Activities

Below, we present a snapshot of Daikin's approach to contributing to the realization of a sustainable society and the initiatives we would like to particularly share when reporting on our activities for fiscal 2024.

Daikin's core business of air conditioning contributes to people's health and is expected to see growing demand as a vital form of infrastructure that supports economic development. However, the increase in energy consumption that accompanies the use of air conditioning is a major social challenge. We believe that reducing this energy consumption, i.e., addressing climate change, is the most important social challenge that we must address.

One of the key themes of Daikin's Fusion 25 Strategic Management Plan is to take on the challenge to achieve carbon neutrality. To monitor these efforts, we established targets to reduce net greenhouse gas emissions throughout the lifecycle of products by 30% or more by 2025 and by 50% or more in 2030, compared to business as usual (BAU) scenario, with the base year set at 2019. By accelerating the spread of environmentally conscious products and other measures, Daikin already reduced net emissions by 27% in fiscal 2024.

In addition, in monozukuri (development and manufacturing) processes, we have set a target of reaching net-zero greenhouse gas emissions at all plants (excluding chemical plants) by 2030. As of June 2025, three plants—Rinkai Factory at Sakai Plant, Daikin Air-Conditioning (Shanghai) Co., Ltd., and Daikin Rexxam Electronics Co., Ltd.—had achieved this target ahead of schedule.

We have incorporated our initiatives for a circular economy into Fusion 25 and are giving top priority to the creation of a system for recovering and reclaiming refrigerants, which are essential for air conditioners. In fiscal 2024, we established a system for the refrigerant recovery and reclamation business at all service stations across Japan, from Hokkaido in the north to Okinawa in the south.

039 Environment Response to Climate Change Challenge to Achieve Carbon Neutrality

058 Environment Circular Economy Building a Refrigerant Eco-Cycle

In this way, Daikin will continue to lead in environmental and social aspects and contribute to resolving social challenges while growing its business, thereby creating new value that improves people's lives, especially in emerging countries.

Underpinning Daikin's sustainable growth is its unique corporate culture and organizational climate, which is based on People-Centered Management (PCM). Since its founding, Daikin has believed that the source of its competitiveness is its people. Our success has been made possible by sharing new ideas and innovating through diversity management that makes the most of employees' individuality.

In fiscal 2024, we formulated PCM Behaviors, a set of behavioral guidelines for each and every employee of the Daikin Group on occasion of revising the Group Philosophy. The aim of PCM Behaviors is to ensure that our employees around the world understand and accept these guidelines, leading to assertive action. We aim to unlock greater growth by developing human resources who are motivated to take on new challenges and can maximize their ability to get the job done.

086 Social Human Resources Daikin's Approach to its People

Daikin is committed to resolving social challenges by collaborating with a variety of stakeholders across sectors and regions, including participation in the World Business Council for Sustainable Development (WBCSD). As the final year of our Fusion 25 Strategic Management Plan, 2025 marks an important year in which we will focus on achieving our targets while also formulating our next strategic management plan. With an eye on future social challenges, we will continue to take on the challenge of creating value by leveraging our strengths, thereby balancing social contribution with business growth and aiming to sustainably enhance corporate value.

Fiscal 2025 Targets and Progress

	FY2020	FY2024	FY2025 target
Net sales	2.49 trillion yen	4.75 trillion yen	4.84 trillion yen
Reduction rate of net greenhouse gas (GHG) emissions* (compared to BAU with 2019 as base year)	7%	27%	Over 30% reduction

* Net GHG emissions equals GHG emissions during the product lifecycle minus contribution to GHG emissions reduction.

Management

Daikin's Sustainability

Overview of Sustainability

Creating New Value and Contributing to Sustainable Development for Society

Through its business, Daikin aims to create new value that makes people and spaces around the world healthy and comfortable. By putting the Group's management philosophy into practice and working to resolve various social challenges, Daikin will continue to enhance its corporate value and contribute to the sustainable growth of society. We have identified material sustainability initiatives facing the company based on an assessment of impacts that our business operations have on the environment and society. Regarding the top priority theme of the environment, we established Environmental Vision 2050 based on an analysis of risks and opportunities. In turn, Fusion Strategic Management Plans are used to establish specific targets as well as plan and execute measures for every five-year period.

Daikin's Aims for Value Creation 010

Provide new value that makes people and space healthier and more comfortable while at the same time reducing environmental impact.

- Value Creation for the Earth
- Value Creation for Cities
- Value Creation for People

Related SDGs

Foundation Underpinning Value Creation 010

- Human Resources
- Co-Creation

Related SDGs

Management

Daikin's Value Creation and Priority SDGs

Daikin contributes to a sustainable society by creating new value that benefits the planet, cities, and people while reducing environmental impacts. Leveraging our strengths, we are committed to contributing to the Sustainable Development Goals (SDGs) through our business of making people and spaces healthy and comfortable.

Daikin's Aims for Value Creation

Value Creation for the Earth

Reduce environmental impact through all business activities and contribute to alleviating climate change

- Further raise the environmental performance of products
- Make effective use of resources
- Help sustain the inherent functions of forests

- Increased energy efficiency from the adoption of inverter air conditioners, etc.
- Development and adoption of lower GWP refrigerants
- Adoption of heat pump space and water heating
- Utilization and adoption of renewable energy

- Initiatives for net zero energy buildings (ZEBs)
- Adoption of energy management and demand response

- Energy efficiency, recycling-oriented, and lower resource production
- Refrigerant conversion in the market along with recovery, reclamation, and destruction

Value Creation for Cities

Contribute to solving energy-related issues arising from urbanization and contribute to the creation of sustainable cities

- Effectively use energy throughout buildings and entire cities
- Create renewable energy
- Build systems for recycling-based societies

Value Creation for People

Pursue new possibilities for air and contribute to healthy, comfortable lifestyles

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

- Protect people from heatstroke and infectious diseases
- Countermeasures for atmospheric pollution
- Creation of value in air and spaces for people's physical and mental wellbeing

- Contribution to increased productivity by providing a comfortable work environment
- Reduce food waste and loss in distribution supply chains

Foundation Underpinning Value Creation

Human Resources

Contribute to the growth of employees and local citizens

- Training to gain advanced skills
- Job creation
- Contribution to local economic development

Co-Creation

Contribute to resolving social challenges through industry-government-academia partnerships

- Formation of market value (international rules and standards)
- Creation of new solutions that contribute to improving quality of life

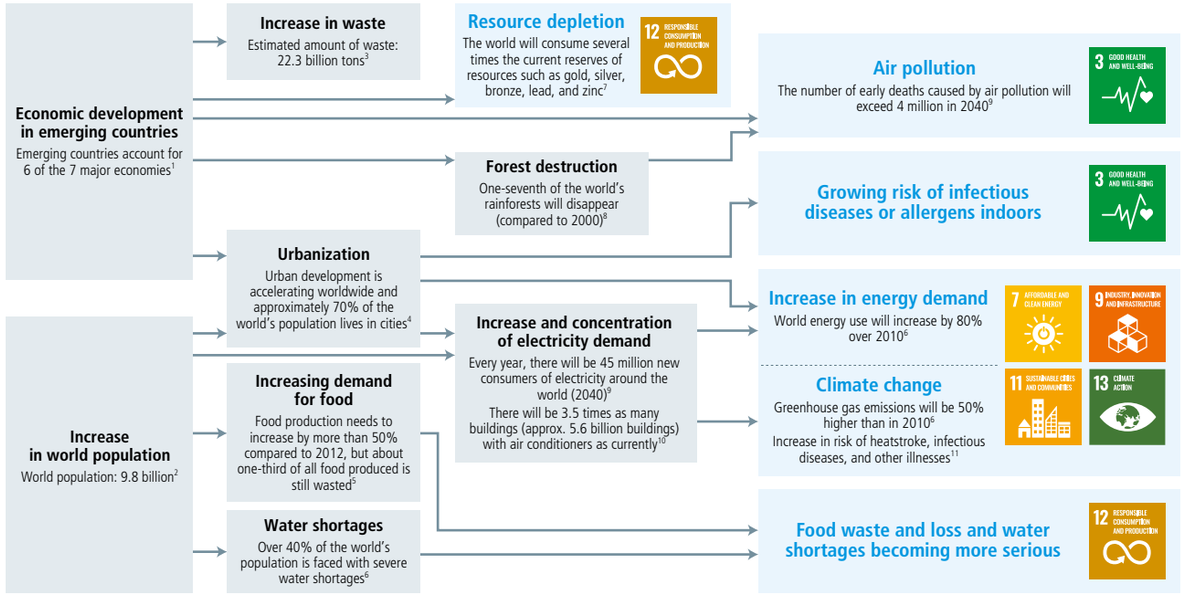
Management

Daikin's Sustainability

Social Challenges Daikin Can Help Resolve

Daikin backcasts from its predictions for society in 2050 to identify social challenges that it can help resolve, aiming for sustainable growth for both the company and society. We will take on these social challenges in accordance with relevant global frameworks and tackle the challenge of creating value by treating business risks as opportunities.

Forecast of Society in Which Daikin Will Operate in 2050 and Identified Social Challenges



1 *The World in 2050*, by PwC
2 *World Population Prospects: The 2017 Revision*, by the United Nations
3 *Estimates and Forecasts for the World's Waste Generation*, by the RISWME
4 *World Urbanization Prospects: The 2018 Revision*, by the United Nations
5 *The future of food and agriculture—Alternative pathways to 2050*, by the Food and Agriculture Organization of the United Nations (FAO)
6 *OECD Environmental Outlook to 2050*, by the Organization for Economic Cooperation and Development (OECD)
7 *The Problem of Worldwide Resource Restrictions by 2050*, by the National Institute for Materials Science (NIMS)
8 *The Future of Forests: Emissions from Tropical Deforestation with and without a Carbon Price, 2016-2050*, by the Center for Global Development (CGD)
9 *World Energy Outlook 2017*, by the International Energy Agency (IEA)
10 *The Future of Cooling*, by the International Energy Agency (IEA)
11 *Quantitative risk assessment of the effects of climate change on selected causes of death, 2030s and 2050s*, by the World Health Organization (WHO)

International Frameworks for Resolving Social Challenges

- **Sustainable Development Goals (SDGs)**: Common goals to find solutions by 2030 for pressing world problems such as poverty, inequality, and climate change in order to realize a sustainable society
- **Paris Agreement to the UN Framework Convention on Climate Change**: An international mechanism that calls for a major greenhouse-gas emitting countries, including emerging countries, to reduce their emissions in order to limit global warming by less than 2°C compared to preindustrial levels by the latter half of this century
- **Kigali Amendment to the Montreal Protocol**: The Amendment mandates to phase down the production and consumption of HFCs in CO_2-equivalent to mitigate their impact on global warming
- **UN Global Compact (UNGC)**: A worldwide framework for sustainable growth supported by companies that endorse universal principles on human rights, labor, environment, and anti-corruption

Management

Daikin's Business Characteristics

Business Characteristics

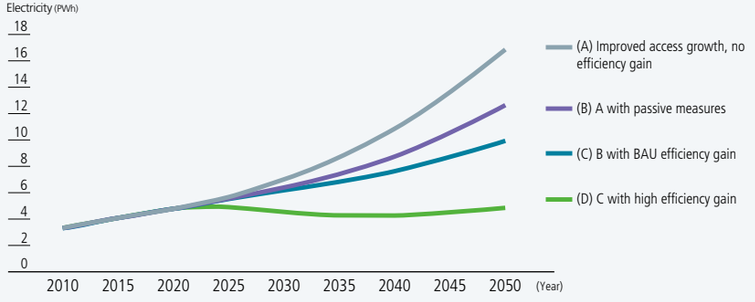
- The spread of Daikin's air conditioning, our core business, represents one form of climate change adaptation, which will be required more in the future. 1
- Daikin possesses technologies that meet diverse needs for air conditioning and air purification. 2
- Electricity used to power air conditioners accounts for roughly 10% of the world's total electricity usage.[1]
- Within the value chain of air conditioners, the operation of air conditioners accounts for most CO_2 emissions. 3

[1] According to IEA *World Energy Outlook 2023*

1 Air Conditioning Electricity Usage as Predicted World

Demand for air conditioners is expected to expand further resulting from economic development in emerging countries. In order to meet demand without increasing greenhouse gas emissions, air conditioner energy efficiency is essential. Global Cooling Watch 2023, published by United Nations Environment Programme, classifies the energy efficiency of air conditioners into four scenarios and forecasts global electricity use.

Forecast of Electricity Use for Cooling[2]

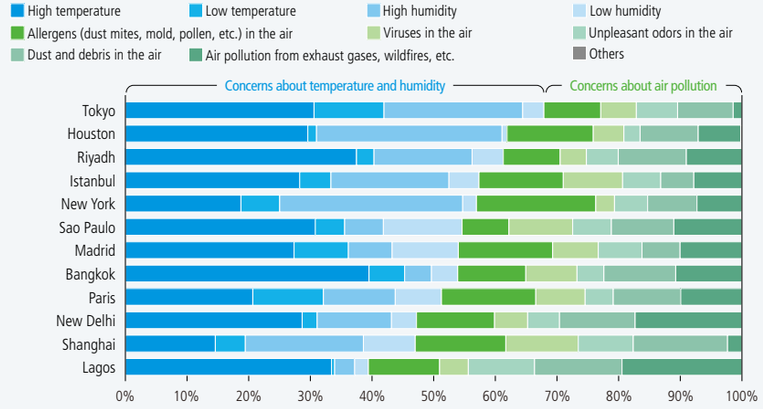


[2] According to *Global Cooling Watch 2023* published by UNEP

2 Daikin World Air Survey

People have a wide range of concerns about air, and their main concerns vary depending on regional characteristics.

Concerns Related to Air in Daily Lives



Source: *Daikin World Air Survey* by Daikin Industries, Ltd.

Management

3 Impacts in the Value Chain and Business Environment

We evaluated the impact our business has on society across the value chain.

Value Chain

Procurement	Development, Design	Manufacturing	Sales, Transportation, Installation	Usage	After-sales Service, Recovery, Recycling	Business Activity Foundation	Relationship with Procurement Society

Impacts of our business and expectations of Daikin

Throughout our supply chain:
- Respond to various procurement risks involving quality control, labor practices, and environmental protection

At our R&D bases:
- Contribute to R&D that strikes a balance between growing air conditioning demand and decarbonization of society
- Contribute to solutions to social challenges such as air pollution and infectious diseases

At our manufacturing bases:
- Increase production efficiency while increasing manufacturing quality
- Mitigate environmental impacts

At our distributors:
- Market products with a lower environmental impact
- Provide training on installation and maintenance techniques

At our customers:
- Reduce CO_2 emissions from electricity consumption
- Prevent heatstroke and increase productivity with air conditioning
- Provide a safe and reliable air environment using ventilation, air purification, and filtration

At maintenance providers:
- Provide high quality after-sales services
- Recycle air conditioners
- Achieve refrigerant eco-cycle (recovery, recycle, reclamation, and destruction)

For sustainable growth:
- Foster human resources
- Compliance
- Strengthen governance and risk management

For growing together with society:
- Collaborate with diverse stakeholders, including governments, international organizations, industry and academia, NPOs and NGOs, experts, and local communities

Key Sustainability Issues

Environmental ■ Social ■ Governance

■ Response to climate change ■ Circular economy readiness ■ Supply chain management ■ Respect for human rights	■ Response to climate change ■ Circular economy readiness ■ Management of chemical substances ■ Prevent air and water pollution ■ Creation of value of air ■ Create innovation through co-creation	■ Response to climate change ■ Quality and customer satisfaction ■ Anti-corruption	■ Response to climate change ■ Prevent air and water pollution ■ Creation of value of air ■ Quality and customer satisfaction ■ Information security	■ Response to climate change ■ Circular economy readiness ■ Quality and customer satisfaction	■ Human resource development ■ Diversity management ■ Respect for human rights ■ Corporate governance ■ Risk management ■ Compliance ■ Information security	■ Response to climate change ■ Management of chemical substances ■ Protecting biodiversity ■ Create innovation through co-creation ■ Stakeholder engagement ■ Contribution to local communities

Greenhouse Gas Emissions*

(million tons-CO_2)

4.62	0.88	0.41	262.60	43.37
Scope 3	Scope 1, 2	Scope 3		

* The figures on this page represent the total for the group in fiscal 2024.

Management

Identifying Material Initiatives

Identified Material Initiatives

Emphasis Placed on Climate Change

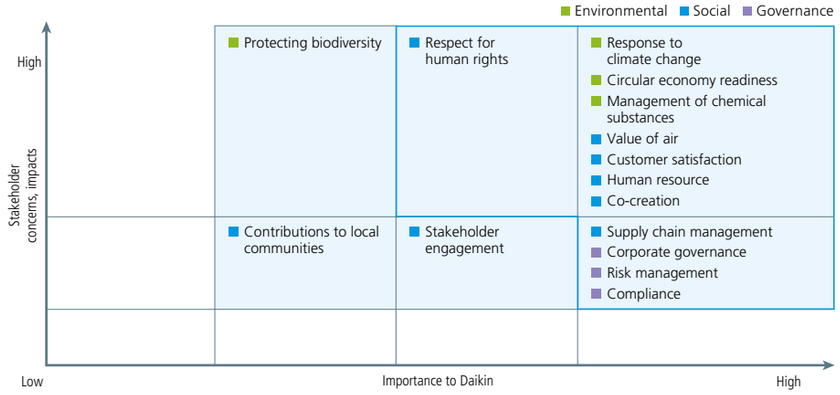
Based on the latest social trends and findings from dialogue with stakeholders, Daikin reviews and identifies key sustainability initiatives as appropriate. Particular emphasis is placed on responding to climate change.

The rapid increase in demand for space cooling predicted mainly in emerging countries represents a major opportunity for Daikin because its core business is air conditioning. The spread of air conditioning is one way to adapt to climate change and it also responds to the need for air purification. However, risks include rising electricity consumption and greenhouse gas emissions from the use of air conditioning. Currently, air conditioning accounts for around 10% of the world's electricity consumption.* With a rapid increase in demand in the future, the impacts are expected to become larger.

Given this, Daikin's mission is to address society's needs for air in the future and to help decarbonize society. With our Environmental Vision 2050 to achieve net zero greenhouse gas emissions, we are promoting efforts under the key strategy themes of the Fusion 25 Strategic Management Plan.

* Based on IEA *World Energy Outlook 2023*

Materiality Analysis



Process for Identifying Material Initiatives

Step 1 Understanding Stakeholder Concerns and Impacts

Using predictions of future society in 2050, Daikin backcasted concerns and impacts surrounding its business environment, and organized social challenges that Daikin could contribute to resolving based on global frameworks.

• Social Challenges Daikin Can Help Resolve
• International Frameworks 011

Step 2 Assessing the Impact of Our Business on Society

Based on the nature of its business, Daikin identified highly relevant initiatives, evaluated their impact on society, and identified initiatives of high importance.

• Daikin's Business Characteristics 012

Step 3 Identifying Material Initiatives for Daikin and Society

Each initiative of high importance was assessed according to two axes: society and the company. In the case of society, Daikin listened to the voices of investors, experts, and outside directors, among others, and evaluated the "stakeholders' concerns and impacts." In terms in the case of the company, Daikin interviewed employees and management to evaluate the "importance for Daikin," ultimately determining the key sustainability initiatives through materiality analysis. The most important initiatives are deliberated by the CSR Committee and approved by the Board of Directors.

Management

Environmental Vision 2050

Environmental Vision 2050 > **Medium- to Long-Term Environmental Strategy**

Toward Net-Zero Greenhouse Gas Emissions

In 2018, Daikin formulated Environmental Vision 2050, with a target of reducing greenhouse gas emissions to net zero by 2050.

Environmental Vision 2050

We will reduce the greenhouse gas emissions generated throughout the entire lifecycle of our products. Furthermore, we are committed to creating solutions that link society and customers as we work with stakeholders to reduce greenhouse gas emissions to net zero.
Using IoT and AI, and open innovation attempts, we will meet the world's needs for air solutions by providing safe and healthy air environments while at the same time contributing to solving global environmental problems.

187 Data Process Used to Formulate Environmental Vision 2050

Setting Targets Aimed at Realizing Environmental Vision 2050

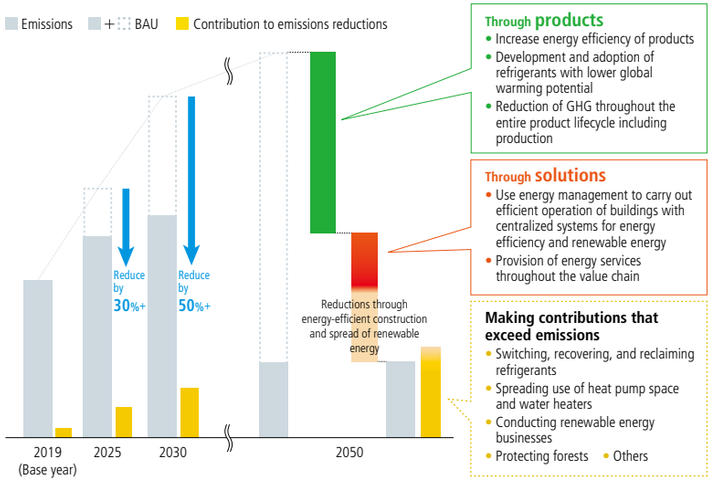
Daikin has established a greenhouse gas emissions reduction target after analyzing the future of its business operations in order to reduce these emissions to net zero while bringing the added value nature of air to people around the world.

Through products **Through solutions**

Reduction targets and results for net greenhouse gas emissions* throughout the lifecycle

* Defined as the total after subtracting our contribution to remissions reduction from our total greenhouse gas emissions.

With 2019 as the base year, reduce net greenhouse gas emissions
by 30% or more in 2025 and by 50% or more in 2030
compared to emissions without measures (business as usual: BAU).
FY2024 results: **27% reduction**



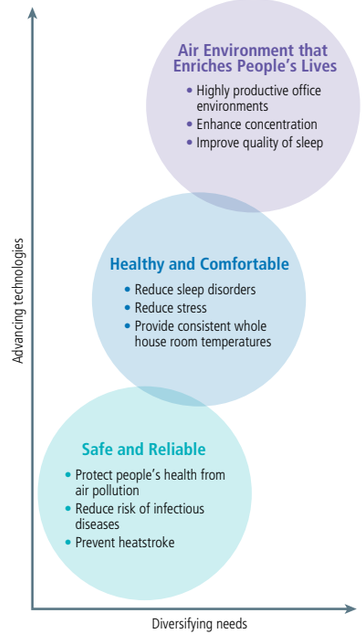
Through products
- Increase energy efficiency of products
- Development and adoption of refrigerants with lower global warming potential
- Reduction of GHG throughout the entire product lifecycle including production

Through solutions
- Use energy management to carry out efficient operation of buildings with centralized systems for energy efficiency and renewable energy
- Provision of energy services throughout the value chain

Making contributions that exceed emissions
- Switching, recovering, and reclaiming refrigerants
- Spreading use of heat pump space and water heaters
- Conducting renewable energy businesses
- Protecting forests
- Others

Through the power of air

Image: The power of air



Management

Strategic Management Plan Fusion 25

Executing Measures within Business Plans

The three themes of the growth strategy (taking on the challenge of carbon neutrality, promoting solutions businesses connected with customers, and creating value with air) for achieving our environmental vision have been incorporated into the key themes of the Fusion 25 Strategic Management Plan. We will now implement this plan aiming to strike a balance between resolving social challenges and business growth.

Fusion 25

Offer new value for the environment and air to realize both contributions to a sustainable society and Group growth

Through products

Challenge to achieve carbon neutrality

- Power consumption reductions during product use
- Heat Pump Space and Water Heating business
- Refrigerant initiatives supporting the AC business
- Reduce greenhouse gas emissions in monozukuri (development and production) and offices, etc.
- Embrace new businesses aimed at a carbon neutral society
- Initiatives toward a circular economy

Through solutions

Promotion of solutions business connected with customers

- Establishment of owner-direct sales network, enhancements to sales proposal capabilities, expansion of service options by application and market, and improvements in business promotion functions
- Tackling the challenge of creating solution models balancing both energy efficiency performance and comfort
- In addition to growth of existing businesses, greater business expansion in Asia where market growth is anticipated

Through the power of air

Creating value with air

- Establishing a large-scale IAQ/Ventilation business
- Creation of IAQ/AE that enrich people's lives
- Pursuit of new value with air

Strategic Management Plan Fusion

Daikin's strategic management plan was established with directions for the Group's growth in five years based on Our Group Philosophy and awareness of current conditions. Currently, Strategic Management Plan Fusion 25 is being implemented with fiscal 2025 as the final year of the strategy. In 2023, the midpoint of Fusion 25, we formulated a three-year plan covering the second half.

Fusion 25
https://www.daikin.com/investor/management/strategy/fusion25

What's Strategic Management Plan Fusion

1. Fusion defines the five-year Group direction based on external business environment and assessment of the current situation
2. Based on this, the key strategy as well as a three-year quantitative targets and implementation plan are finalized
3. Upon the elapse of two years from the start, establish a new quantitative target for the final year (three-year plan for second half)

Main initiatives in the three-year plan for the second half

- Reduction of greenhouse gas emission in manufacturing and offices, etc. (achieve net-zero greenhouse gas emissions at all plants, excluding chemicals plants, by 2030)
- Promotion of switch to heat pump space and water heating in areas where combustion-type systems are still mainstream
- Establishment of refrigerant eco-cycle for recovering and reclaiming refrigerants
- Further promotion of solutions business closely linked with customers, etc.

Management

Information Disclosure Based on the TCFD Framework

For Daikin, climate change represents one important issue affecting its business continuity. In May 2019, we endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD),* which aims to mitigate the risk of instability in financial markets caused by climate change. We reflect the risks and opportunities posed by climate change in management strategy and risk management. At the same time, we will disclose progress appropriately and aim for further growth while contributing to a carbon-free society.

* TCFD was established in 2015 by the Financial Stability Board. It recommends that companies disclose information about the financial impacts of climate change after evaluating related business risks and opportunities.

Governance

The Organization's Governance around Climate-Related Risks and Opportunities

Daikin's mainstay product of air conditioners is characterized by the large amount of CO_2 emissions caused by energy consumption during use. In addition, fluorocarbons used as refrigerants for air conditioners have an effect on climate change. Recognizing the major impact on climate change attributed to our business activities, we believe climate change is an issue that largely affects our medium- to long-term business risks and opportunities.

Based on this, climate change issues are considered an important task to address in order for Daikin to develop sustainably and fulfill its social responsibilities; thus, they are managed by the CSR Committee. The CSR Committee was established by the Board of Directors to spearhead the company's corporate governance. The executive officer in charge of CSR serves as the chairman of the committee, which deliberates on risks and opportunities, policy on initiatives, and targets related to climate change, as well as monitors results and progress of initiatives, in addition to making proposals to CEO, followed by reporting to the Board of Directors.

Strategy

The Actual and Potential Impacts of Climate-Related Risks and Opportunities on the Organization's Businesses, Strategy and Financial Planning

We have formulated strategies based on analysis of climate-related scenarios in *The Future of Cooling* published by the International Energy Agency in 2018.

Demand for air conditioning is expected to roughly triple from current levels by 2050. As demand increases, there is a possibility that each country will tighten its energy regulations on air conditioners and regulations to address refrigerants with a high global warming potential. Excessively strict regulations could pose a risk for Daikin. On the other hand, appropriate regulations can serve as an opportunity to expand our business as they push for the spread of products and services with greater environmental performance, which is our strength.

The popularization of our products and services with excellent environmental performance in emerging countries with particular growth in demand for air conditioning is considered an effective measure to reduce greenhouse gas emissions resulting from air conditioners and contribute to our business growth. For this reason, we have reflected this in business strategies.

We established Environmental Vision 2050 for the final three-year plan of Fusion 20 Strategic Management Plan. Specifically, we aim to achieve net zero greenhouse gas emissions in own business operations by 2050. The targets and measures for 2030 aimed at realizing this goal have been laid out in Fusion 25 Strategic Management Plan.

Details of scenario analysis
Scenarios referenced

- IEA *Sustainable Development Scenario*
- IEA *Base line Scenario, Current Policies Scenario*
- IEA *The Future of Cooling*
- IEA *Net Zero by 2050*
- IEEJ *Reference Scenario*

4-degree scenario with current policies unchanged

- The number of regions requiring air conditioning for day-to-day living will increase due to higher summer temperatures. In addition, as winter temperatures rise, the number of areas suitable for heat pump heating with an outside temperature of about -20 degrees or higher will increase.
- Demand for air conditioners will approximately double by 2030 and roughly triple by 2050.
- Demand for air conditioners in non-OECD countries will increase five-fold from 2016 to 2030, but power generation will only increase by 2.4-fold. (Worldwide power generation will increase 1.4-fold compared the 1.9-fold increase in air conditioner demand.)

Management

1.5-degree scenario with stricter regulations from decarbonization policy

- The progress of reducing use of refrigerants under the Montreal Protocol will be strictly managed and regulations could be tightened if the effectiveness is deemed insufficient.
- In addition, countries that today do not have strong regulations will adopt strict energy conservation policies.

Under the 4-degree and 1.5-degree scenarios

- As temperatures rise, the intensity and frequency of extreme weather will increase, which could increase instances of production shutdowns or postponements due to damages to our own plants or those of suppliers.

Financial Impacts of Carbon Pricing

Out of potential financial impacts, we estimated 2030 carbon tax obligations for each scenario in accordance with the following.

Calculations made assuming tax amount under the 4- and 1.5-degree scenarios according to IEA forecasts based on our CO_2 emissions (Scope 1 and Scope 2) reduction target for 2030 by region.

4-degree scenario: 1.6 billion yen in carbon taxes
1.5-degree scenario: 15.7 billion yen in carbon taxes

Note: The 4-degree scenario assumes the introduction of carbon taxes in the EU and China. These taxes would amount to 39 US dollars/ton-CO_2 in China and 140 US dollars/ton-CO_2 in the EU (according to the IEA *World Energy Outlook 2024* and *Stated Policies Scenario, Net Zero Emissions by 2050 —A Roadmap for the Global Energy Sector*). The 1.5-degree scenario assumes the introduction of carbon taxes in every country around the world. These taxes would amount to 140 US dollars/ton-CO_2 in developed countries (with net zero targets), 90 US dollars/ton-CO_2 in emerging and developing countries (with net zero targets) (according to the IEA).

Process Used to Identify, Assess and Manage Climate-Related Risks and Opportunities

Category		Impact on Daikin's business	Probability of occurrence	Potential financial impact
Risks	Transition	**Stricter regulations on refrigerants** If regulations on refrigerants become too strict, there is a possibility that existing air conditioners no longer compliant with these regulations will become obsolete.	High	Large
		Tight supply and demand for electricity There is a possibility that the spread of air conditioners in emerging countries will increase electricity usage and make it difficult to increase sales of air conditioners due to electricity shortages.	High	Large
	Physical	**Production delays due to major disaster or water shortage** Manufacturing bases located in areas of high water stress, or susceptible to major disasters attributed to extreme weather, face the potential risk of disruptions in production due to the shortage of water necessary for production processes.	Medium	Medium
Opportunities	Transition	**Stricter regulations on refrigerants** Companies without technologies compliant with regulations on refrigerants will be weeded out, resulting in increased sales of air conditioners using refrigerants with lower global warming potential, which is our strength.	High	Large
		Stricter regulations on energy efficiency Companies without technologies compliant with stricter regulations on energy efficiency will be weeded out, resulting in increased sales of air conditioners with high energy efficiency, which is our strength.	High	Large
		Stricter regulations on the use of fossil fuels Regulations on the use of fossil fuels continue to become stricter, and since gas-combustion heaters will be subject to them, there will be an increase in sales on growing demand for heat pump heaters, which is our strength.	High	Large

Evaluation and Management Process of Climate-Related Risks and Opportunities

Information gathering
We gather information on climate-related risks and opportunities from business bases in each region around the world.

→

Identification of important risks and opportunities
Information gathered is evaluated, sorted, and analyzed from the two perspectives of degree of impact on business and likelihood of occurrence, and used to identify important climate-related risks and opportunities for Daikin Group.

→

Determination of policy and measures
We formulate policy on initiatives and proposals on measures for risks and opportunities for deliberation by the CSR Committee, followed by proposals to the CEO and reporting to the Board of Directors.

→

Integration into strategies and implementation
Policy on initiatives and measures is reflected in the Strategic Management Plan Fusion and implemented by each business division.

Management by the Internal Control System
Climate-related risks are integrated into the company-wide risk management process. The Internal Control Committee chaired by the President and COO monitors the management status of company-wide risks and reports to the Board of Directors.

Management

Risk Management

Process for Identifying, Assessing and Managing Climate-Related Risks

Risks and opportunities related to climate change can originate from the transition toward a decarbonized society, including stricter regulations, technology advancement, and market shift, as well as from physical influences, such as acute abnormal weather and chronic temperature increases. We have categorized the various external environmental changes accompanying climate change as "transition risks" and "physical risks," assessed their financial impacts as large, medium, and small, and identified important risks and opportunities.

Every year our business sites around the world identify physical climate-related risks as part of operational risks. After material risks are identified by the Corporate Ethics and Risk Management Committee, we examine action policies and response measures.

Product environmental meetings identify transition-based climate-related risks and opportunities at the time Strategic Management Plan Fusion is fomulated. After material risks and opportunities are identified by the CSR Committee, we examine initiatives and response measures. The initiatives and response measures for identified risks and opportunities are incorporated into Strategic Management Plan Fusion and implemented by each business department.

Moreover, climate-related risks are integrated into the company-wide management process as they are considered to exert large influence on our business strategies. The management status of company-wide risks is monitored by the Internal Control Committee chaired by the President and COO and reported to the Board of Directors.

Metrics and Targets

The Metrics and Targets Used to Assess and Manage Relevant Climate-Related Risks and Opportunities

We incorporate the greenhouse gas emissions reduction target based on Environmental Vision 2050 into the Fusion 25 Strategic Management Plan, as well as manage the progress of our environmental activities by setting metrics and targets related to climate change.

1. Scope 1, 2, 3: With the base year set at 2019, we plan to reduce net GHG emissions from the entire Group by 30% or more by 2025, 50% or more in 2030 and achieve net zero emissions in 2050, compared to a BAU scenario.
2. Scope 1 and 2: Reduce net GHG emissions resulting from manufacturing activities by more than 55% in 2030 compared to 2019.

015 Management Daikin's Sustainability Environmental Vision 2050

See below for indicators and results at manufacturing bases

159 Data ESG Data Environment Reducing Environmental Impacts of Business Activities

Management

Management Structure / Key Themes

Sustainability Management Structure

Daikin has categorized key themes into value provision themes and foundational themes toward achieving sustainable development in its business and in society as it strives to solve society's challenges through its business activities.

The CSR Committee, chaired by the officer in charge of CSR, sets Daikin's CSR direction and monitors the progress of CSR activities. The CSR & Global Environment Center, which has been established under the CSR Committee, leads comprehensive, cross-organizational CSR and sustainability activities throughout the entire Group jointly with relevant corporate divisions.

The CSR Committee is made up of officers in charge of the key sustainability themes and meets once a year to discuss and share ideas on social trends, progress in those key themes, and challenges that require addressing. Items decided on by the CSR Committee are reported to the Board of Directors.

At meetings of the CSR Committee held in fiscal 2024, we reviewed the overall picture of our sustainability initiatives and then discussed Daikin's response to the establishment of systems for the disclosure of sustainability information around the world, along with our individual initiatives, such as for human rights, supply chain management, and carbon neutrality.

Material Sustainability Initiatives

We have identified material sustainability initiatives after analyzing impact assessment conducted on the social situation and our own business operations.

Material Sustainability Initiatives

014 Management Daikin's Sustainability Identifying Material Initiatives

Ten Key Themes Based on the Material Sustainability Initiatives

After taking into account challenges related to transparent and honest business activities to the material sustainability initiatives, we established two sets of five themes. First, under "value provision," there is environment, value of air, customer satisfaction, human resources, and co-creation. Second, under "fundamental," there is respect for human rights, supply chain management, stakeholder engagement, local communities, and corporate governance. We have set indicators and targets for each of these 10 key themes and are now implementing initiatives to achieve them.

Management

Sustainability Targets and Results

We are working to achieve the indicators and targets on the Company's key sustainability themes that we established based on the results of our impact assessment in terms of Daikin and society and the Fusion 25 Strategic Management Plan.

Progressing steadily / Acceleration needed / - No numerical target

Value Provision Themes		Key Themes		Initiatives	Medium-Term Targets	Quantitative Index	Fiscal 2024 Achievements	Explanation of Index
	E	Environment	Response to Climate Change	An air conditioner consumes a large amount of electricity. As the manufacturer to make both air conditioners and refrigerants, Daikin recognizes that it has a great responsibility to society in terms of the global environment. With the aim of resolving environmental and energy problems, we will work to reduce greenhouse gas emissions throughout the entire life cycle of our products and contribute to a carbon-neutral society.	• Reduce net greenhouse gas emissions throughout the entire lifecycle by **30**% or more in fiscal 2025 compared to BAU, with 2019 as the base year • Greenhouse gas emissions from manufacturing (development and production): **1.1** million tons-CO_2 in fiscal 2025	• Net greenhouse gas emissions from our own business operations • Greenhouse gas emissions from manufacturing	• **27% reduction** • **0.88 million tons-CO_2** (33% reduction compared to fiscal 2019)	• We measured the extent of reduction in net greenhouse gas emissions from our own business operations • We measured how much we reduced greenhouse gas emissions generated from product manufacturing and other processes
			Circular Economy Readiness	Air conditioners are made from a variety of resources, including copper and aluminum. In addition, the fluorocarbons used as refrigerants have an impact on global warming. We will contribute to the transition to a recycling-oriented society by providing products and services based on the premise of resource recycling, and by effectively utilizing limited resources to maximize the value of goods. In particular, we place the highest priority on the construction of refrigerant recovery, recycle, and reclamation systems.	• Recovery, recycle, and reclamation of refrigerants from the market through the establishment of a refrigerant eco-cycle	• Amount of refrigerant recovery and reclaiming from market	• **4.34 million tons-CO_2**	• Measure the refrigerant recovered from the market or reclaimed by Daikin and reclaimed refrigerant purchased by Daikin (in CO_2 equivalent)
			Management and Reduction of Chemical Substances	As a company that handles chemicals, we are working to prevent environmental pollution caused by our business activities. In accordance with laws and regulations, we extensively request our material suppliers to prevent prohibited substances from finding their way into our products, and we manage and reduce the emissions of chemical substances we handle in our production processes.	• Reduce chemical substances emissions per unit of production, including PRTR* substances and VOCs, by **10**% in fiscal 2025, based on the average value from fiscal 2013 to fiscal 2015	• Reduction rate of PRTR substances and volatile organic compounds (VOC) emissions	• **45% reduction**	• Measure how much PRTR substances and VOC emissions were reduced compared to the base value (average from fiscal 2013 to fiscal 2015)
			Protecting Biodiversity	Climate change also has a significant impact on biodiversity. In addition to working to reduce greenhouse gas emissions through its business activities, Daikin also supports forest conservation activities to contribute to protection biodiversity outside of its business activities.	• Carrying out forest conservation activities in various parts of the world where critical forests are being lost at a rapid pace	• Number of communities receiving support	• **7 locations** around the world including World Natural Heritage sites	• Number of locations receiving support where we worked with international NGOs and others to implement conservation activities

* Act on the Assessment of Releases of Specified Chemical Substances in the Environment and the Promotion of Management Improvement.

Management

	Key Themes	Initiatives	Medium-Term Targets	Quantitative Index	Fiscal 2024 Achievements	Explanation of Index
Value Provision Themes / S	**Value with Air**	People's awareness and demand for air quality is increasing worldwide against the backdrop of infectious diseases and the adverse health effects of air pollution. As a company that provides value with air globally, Daikin contributes to people's health and comfortable living by providing a safe and reliable air environment through its business.	• Net sales of IAQ/Ventilation business: **380** billion yen in fiscal 2025	• Net sales of IAQ/Ventilation business	• **399.7 billion yen**	• We used net sales to measure the extent to which we provide a safe, reliable, healthy and comfortable air environment
	Customer Satisfaction	It is our social mission as a manufacturer to provide safe, high-quality products and services while responding to diversifying needs. Daikin enhances customer value and provides peace of mind and reliability through its extensive customer focus, experience, track record, and advanced technological capabilities to meet the detailed needs of each market application.	• Net sales of Solutions business*: **1,280** billion yen in fiscal 2025 • Establish service network covering all regions worldwide	• Net sales of Solutions business • Customer satisfaction with after-sales services	• **1,160.9 billion yen** • Japan: **1.15** China: **1.00** India: **1.24** France: **0.99**	• We used net sales to measure the extent to which we provide solutions tailored to needs • We measured customer satisfaction (setting the base year as 1.00)
	Human Resources	In order for Daikin to grow sustainably and continue to contribute to solutions to social challenges, human resources are of utmost importance as the bearers of corporate activities. We will generate strength as an organization and for society by respecting individuality and values, drawing out the infinite potential of individuals, and deepening diversity management.	• Maintain and increase the development of leaders globally	• Number of persons participating in executive management and leadership development programs	• Held in regions around the world including North America and Asia. There were **38** participants in the Group's next-generation leadership development program	• We measured the number of participants in executive management and leadership development programs as an indicator for measuring the development of executive management and leadership globally
			• Ratio of excellent skilled engineers and advanced skilled engineers in strategic engineering positions: **1** in **4** in fiscal 2025	• Ratio of excellent skilled engineers and advanced skilled engineers in strategic engineering positions	• **1** in **5.9 employees**	• We measured the number of persons developed with advanced engineering skills and knowledge and who can lead manufacturing
			• Increase ratio of female managers	• Number of female managers	• **121 employees (8.9%)** (Daikin Industries, Ltd. only)	• We measured the number of female managers and percentage of overseas bases where local nationals are president as indicators for measuring employee diversity
			• Maintain and increase percentage of overseas bases where local nationals are president	• Percentage of overseas bases where local nationals are president	• **42%** (overseas bases)	
			• Frequency rate of lost work time accidents: **0**	• Frequency rate of lost work time accidents	• **1.14**	• We measured whether manufacturing bases are operating safely
	Co-Creation	In order to create new value in an era of a rapidly changing competitive environment, it is necessary to innovate beyond the reach of our own company. By collaborating and partnering with companies, universities, and research institutes, among others, and creating experiences that create new value for society in addition to manufacturing, we aim to create value for society by bringing together people, knowledge, and information from around the world.	• R&D expenditure: **390** billion yen from fiscal 2023 to fiscal 2025 • Promotion of industry-government-academia and industry-industry collaboration	• R&D expenditure • Number of cases of industry-government-academia and industry-industry collaboration	• **135.7 billion yen** • **161** industry-government-academia and **12** industry-industry cases (Daikin Industries, Ltd. only)	• We measured the investment amount for value creation and the number of cases of industry-government-academia and industry-industry collaboration

* Total of commercial, residential and refrigeration solutions.

Management

Value Provision Themes		Key Themes		Initiatives	Medium-Term Targets	Quantitative Index	Fiscal 2024 Achievements	Explanation of Index
	S	Respect for Human Rights		As various human rights issues such as child labor, forced labor, and divulgation of customer information at suppliers, among others, materialize, companies find now more than ever that they must ensure that their business activities respect human rights. Daikin understands various international norms on human rights and respects fundamental human rights.	• Thoroughness of respect for human rights and implementation of human rights due diligence	• Self-assessment implementation rate	• 99%	• We measured how thorough we were in respect for human rights through the implementation rate of self-assessments
		Supply Chain Management		Amid growing concerns, there is momentum to resolve human rights, labor, and environmental issues in the supply chain through dialogue with suppliers. By promoting CSR procurement, Daikin minimizes risk and builds a robust and resilient supply chain.	• Increase Class A CSR procurement achievement rate among all suppliers	• Class A CSR procurement achievement rate	• 84%	• Ratio of suppliers who satisfied Daikin's Class A in-house standards to total procurement value
		Stakeholder Engagement		A company's business activities have a direct or indirect impact on stakeholders, the environment, and society. Understanding the concerns and expectations of stakeholders through dialogue and working to create a virtuous cycle of mutual relationships is essential for companies to fulfill their social responsibilities and continue to grow sustainably. Through two-way communication, Daikin addresses the demands and expectations of society appropriately.	• Engage in dialogue with stakeholders and reflect this dialogue into management	• Number of forums held, number of outside participants	• Held 6 times around the world with a total of 130 people, including university professors and specialists from 49 countries taking part	• Number of dialogue sessions with experts around the world related to our core business of air conditioning
		Communities		In order to operate our business smoothly around the world, it is essential to contribute to the development of each region as a member of the community and to build relationships where we grow together with stakeholders. At Daikin, it is important for employees to take action unique to the region and to build relationships of trust with local residents.	• Contribution to environmental conservation, education support, and cooperation with the local community	• Expenditure for social contribution activities	• 1.7 billion yen	• Monetary amount, through donations, goods, and other ways, that we provided to communities
	G	Corporate Governance	Corporate Governance	As business values change, globalization advances, and calls for corporate social responsibility become stronger, the importance of corporate governance as a check on management is increasing. In order to strengthen corporate governance, Daikin will strive to increase corporate value by speeding up decision-making and business execution as well as improving transparency and soundness in response to management issues and changes in the operating environment.	• Degree of independence from the company, diversity, and transparency of the Board of Directors • Appointment of female officers from inside the company: 1 or more in fiscal 2025	• Number of directors who are outside the company, women, and foreign nationals • Number of female officers appointed from inside the company	• 4 external directors, 2 female directors,* 1 foreign national director among the 9 directors (Daikin Industries, Ltd. only) • 2 (Daikin Industries, Ltd. only)	• We measured the diversity of the make-up of directors • Appointment of female officers from inside the company
			Risk Management		• Strengthen appropriate and smooth risk management capabilities	• Number of meetings of the Corporate Ethics and Risk Management Committee and regional legal and compliance committees	• Held committee meetings 2 times and 4 times, respectively	• Number of meetings as a way to ensure thorough implementation of policies globally
			Compliance		• Strengthen and upgrade global legal and compliance systems	• Self-assessment implementation rate	• 99%	• Implementation rate of self-assessment as a way to foster compliance awareness among each and every employee

Note: Self-assessment refers to a self-check system for verifying the status of compliance with the Group Conduct Guidelines.

* As of July 1, 2025

Feature

Feature

Feature

Strengthening the Capabilities of Our People for a Brighter Future

Why is it important?

Because People Are the Source of Daikin's Competitiveness

Daikin used the milestone of its 100th anniversary in 2024 to review Our Group Philosophy. Since it was revised back in 2002, Daikin has grown into a multinational corporation with approximately 100,000 employees worldwide. This review involved revising wording and structure as well as content so that our increasingly diverse workforce can better comprehend the new Group Philosophy, which now begins with our Purpose, "Together, We Brighten the Future."

The new philosophy clearly states that People-Centered Management, or PCM, forms the foundation of our corporate culture. This stems from our belief that people are the source of our competitiveness and the cumulative growth of all employees is the foundation for the company's development. Previously conveyed as tacit knowledge, this has now been incorporated into Group Philosophy as a strength that Daikin intends to pass on.

007 Management Daikin's Sustainability Fundamental Approach to Sustainability

086 Social Human Resources Daikin's Approach to its People

Daikin Group Philosophy https://www.daikin.com/corporate/overview/philosophy

New Daikin Group Philosophy

Purpose

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

Together, We Brighten the Future

Main Text

1. Resolve Social Issues and Enhance Corporate Value
2. Create New Value by Anticipating Future Needs
3. Realize a Better Society through Innovative Technologies
4. Take Action to Maintain Society's Trust
5. Think Globally and Be Flexible and Vibrant
6. Practice "People-Centered Management (PCM)" and Provide Challenging Opportunities

Daikin's Approach

Formulated PCM Behaviors as Action Guidelines for All Employees

At the same time as updating our Group Philosophy, we also drew up a new set of action guidelines called PCM Behaviors, based on our concept of People-Centered Management. The purpose of these guidelines is to share the long-standing values and corporate culture at the heart of our competitiveness with the Group globally as the behaviors and attitudes we expect, which will lead to further growth and development.

Daikin is now focusing on instilling and putting into practice Group Philosophy and PCM Behaviors across the entire Group. In fiscal 2024, we implemented measures to raise awareness and understanding among all employees to put PCM Behaviors into practice in the workplace. To enable each business base and division to take the initiative in implementing Group Philosophy, we have created support tools such as discussion guidelines, documents, and videos that can be used according to the needs and target employees of each location. Additionally, the team that formulated the Group Philosophy and PCM Behaviors functions as a liaison office to offer support when needed. This includes providing advice about specific measures.

PCM Behaviors
https://www.daikin.com/corporate/overview/pcmbehavior

Example of Tools for Groupwide Sharing

Daikin Group Philosophy booklet (available in 20 languages including Japanese, English and Chinese)

PCM Behaviors Card (available in Japanese, English, and Chinese)

PCM Behaviors video (available in Japanese and English)

Feature

Daikin's Performance

Taking Actions to Instill Daikin Group Philosophy and PCM Behaviors at Business Bases

We began raising awareness of Daikin Group Philosophy and PCM Behaviors at the ceremony held in May 2024 commemorating our 100th anniversary, an event attended by approximately 2,000 employees from Japan and overseas.

The day after the ceremony, we held the four-day Group Management Meeting, which was attended by 275 executives from Japan and overseas. As part of the meeting, we discussed Daikin Group Philosophy and PCM Behaviors and deepened each participant's understanding. The goal was to help executives share their takeaways in their own words with employees at each business base. Executives reaffirmed Daikin's strengths and merits, and discussed the strengths that should be honed and action plans for each business site, wrapping up their discussions with a declaration of action in front of all participants.

Group Management Meeting

Since then, the executives at each business site have taken the lead in implementing Daikin Group Philosophy and PCM Behaviors.

For example, at the Technology and Innovation Center (TIC), the focal point of Daikin's technological development, executives led a briefing for employees. Afterwards, about 910 TIC employees gathered again and were split into small teams across departments. They discussed how to incorporate PCM Behaviors into their own works, to put their ideas into practice. Participants were highly motivated, sharing such feedback as "I was inspired by seeing others take the initiative" and "I want to promote innovation and create themes across the Daikin Group."

Group discussion at TIC

In the Chemicals Division, key personnel including executives took part in a two-day, one-night training camp, where they deepened their understanding of Daikin Group Philosophy and PCM Behaviors. They also held extensive discussions on what they and their own organizations should do to prepare for the next medium- to long-term management plan. One executive commented, "We learned about each other's awareness of issues and perspectives, which created a greater sense of unity in the division."

Daikin Group Philosophy and PCM Behaviors is translated and offered in 20 languages, including English and Chinese. Outside Japan, each business base has held briefings and then implemented its own unique measures. For example, Daikin Applied Americas incorporated Daikin Group Philosophy and PCM Behaviors into its own mission, vision, and values to ensure it forms a part of employees' day-to-day work. Daikin Malaysia created a comic and crossword puzzle based on Daikin Group Philosophy and PCM Behaviors. Such initiatives demonstrate that Group companies are assisting their own employees to understand, take ownership, and put Daikin Group Philosophy and PCM Behaviors into practice.

Officer session at Daikin Applied Americas

PCM workshop at Daikin Malaysia

Next Challenge

Strengthening Initiatives and Enhancing Disclosures

In fiscal 2025 and beyond, we aim for all Daikin Group employees to understand, empathize with, and practice Daikin Group Philosophy and PCM Behaviors. At the same time, we will continue and strengthen our existing human resource development measures.

It is also important to effectively disclose information about these efforts. Discussions regarding the disclosure of human capital information are underway at various institutions both in Japan and overseas, and society will likely expect such disclosures even further in the future. Meeting these expectations is one of the important responsibilities of a company. At Daikin, we will continue to collect and analyze information about our own people in line with global trends and expand our disclosures.

I Expect Daikin to Strengthen Its Competitiveness by Sharing and Practicing Its Culture

Charles A. O'Reilly III
Frank E. Buck Professor of Management
Knight Management Center, Stanford University

Charles A. O'Reilly is a prominent American professor of management, specializing in organizational behavior. He is widely known as the proponent of "organizational ambidexterity." Professor O'Reilly has been advising Daikin for some time.

It is commendable that corporate culture and philosophy have been so clearly articulated and documented. The PCM Behaviors express the corporate culture in an action-based manner. This marks an important first step that will allow each individual within the global Group to put these into practice.

Culture can be a source of a company's competitive advantage. Companies that consistently succeed place great importance on their culture. It is vital that everyone understands, accepts, and practices the philosophy and PCM Behaviors, and it is especially crucial for leaders to exemplify these practices.

I expect to regularly monitor the level of understanding and acceptance among members of the global Group and continue initiatives aligned with the HR system.

Feature

Promoting Digital Transformation of On-Site Air Conditioning Services Together with Startup Companies

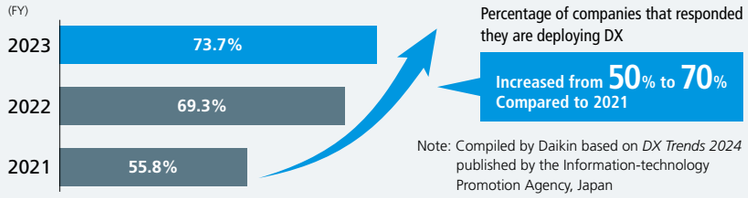
Why is it important?

Because it Can Help Us to Continuously Address Growing Demand for Air Conditioning Worldwide

As digitalization advances rapidly, more and more companies are looking to digital transformation (DX) to ensure their own sustainable growth and contribute to society through their businesses. With concerns over labor shortages due to a decline in the working population and rapid economic development, companies are expected to make effective use of digital technology in their operations.

The environment surrounding air conditioning manufacturers is also changing dramatically. In order to maintain competitiveness in global markets, meet demand for products, and achieve sustainable growth, companies require DX that can get the most out of human resources.

DX Initiatives in Japan



Note: Compiled by Daikin based on *DX Trends 2024* published by the Information-technology Promotion Agency, Japan

Daikin's Approach

Accelerating DX in Frontline Services Supporting the Spread and Stable Operation of Air Conditioning

With the onset of extreme heat and economic development, air conditioning has become an essential component of social infrastructure. As the air conditioning market expands rapidly, especially in emerging countries, Daikin needs to further expand its service structure to continue to meet demand. The spread and stable operation of air conditioning requires equipment installation, regular maintenance, and repairs, but training the service engineers who carry out these tasks takes time. Installation conditions and models vary from site to site, and extensive experience is required in addition to technical skills to handle a variety of sites, making frontline service work difficult to mechanize.

Daikin is therefore promoting DX of its frontline services to increase operational capacity while maintaining service quality. We collaborated with Fairy Devices Inc., a Daikin co-creation partner and startup company with advanced AI technology. The end result is a remote work support solution that combines Fairy Devices' necklace-type smart wearable device called THINKLET® and technology stack* with Daikin's business support web application. This solution has been gradually rolled out since 2019.

* A platform that integrates various technologies and enables them to function individually and in an integrated manner, such as APIs (rules that allow the functions of a program to be used by other programs) and AI engines.

THINKLET®
necklace-type smart wearable device

Daikin's Performance

Accelerating the Spread of Air Conditioners with Our Many Human Resources Supporting One Another

The remote work support solution allows experienced engineers to support and educate on-site engineers from a remote location. On-site engineers wear THINKLET® and communicate with experienced engineers via voice and video. While viewing the actual job site together, they can diagnose the condition of the equipment and carry out work according to the appropriate procedures.

Feature

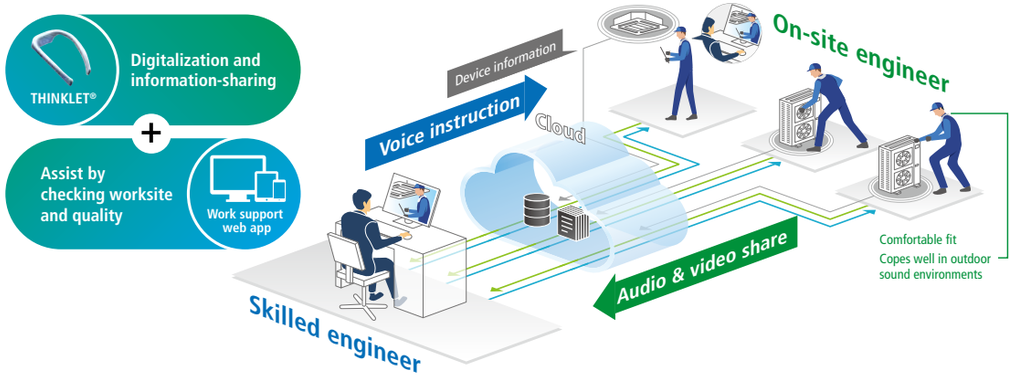
Air conditioner models and installation conditions vary depending on the climate, architectural style, and purpose of use. They also vary depending on the location and condition of the equipment, the surrounding environment, and how it is used. Even if the situation differs from what was previously explained by the customer, or if we rush to the job site without obtaining detailed information in advance, the on-site engineer can receive guidance from experienced and skilled personnel through THINKLET®, allowing them to work smoothly and handle unfamiliar situations.

Another major benefit is that service engineers can simultaneously communicate not only with each other, but also with staff from other departments such as development and quality control. Even if it is discovered on-site that the service department alone cannot handle the equipment because, for example, it may have optional functions or special specifications, the necessary support can be received on-site, which has improved work efficiency. This includes increasing the accuracy and speed of on-site work and reducing time lost by having to take the work back to the office and then come back. Six years have passed since the remote work support solution began operation. As of March 31, 2025, Daikin is using THINKLET® in more than 30 countries as a tool by service partner locations in Japan, Europe, Asia, Latin America, and other areas.

To build on this track record, further development projects have been steadily underway since fiscal 2022. They involve DX, which aims to create a "skilled AI" that can handle any site and incorporate the skills and know-how of skilled workers, which is a strength of Japanese manufacturing, into AI. Through the operation of THINKLET®, Daikin now has a library of 15,000 videos and audio recordings of on-site work around the world as of 2024. This vast library represents a vast archive of information that skilled engineers have passed on to on-site engineers through individual remote support, including their respective experience, tacit knowledge, and on-site know-how. It is already being used by our engineers as a useful teaching material for preparation and review. The plan is to have AI learn from these video and audio recordings and add them to the remote work support solution, aiming to check whether on-site engineers' work procedures are correct and issue an alert when they make a mistake.

Equipping the remote work support solution with skilled AI will help to improve the technical skills and judgment of each individual on-site and for early training of new engineers. Utilization of skilled AI is expected to alleviate the constraints on human resources for remote support and empower a wider range of on-site support. Skilled AI will also continue to learn from interactions during work support around the world and quickly share that knowledge with service engineers globally.

DX of Service Operations using THINKLET®



Daikin will continue to collaborate with Fairy Devices to advance DX solutions at its service sites, quickly train service engineers, and continue to meet the rapidly expanding demand for air conditioning.

Exploring Approaches to Frontline Work Involving both Engineer and AI

Masato Fujino
CEO and CTO
Fairy Devices Inc.

Now that AI can learn from human experience at an astonishing speed and mimic human intellectual activity, we are at a major turning point today. I feel a strong sense of confidence and gratitude for the solid technology and track record we have built up together with Daikin in preparation for the future.

We want to be the first in the world to create a workplace where engineers and AI work together to maximize human potential. Toward this end, we will explore new approaches for people in an age where AI is a given, and disseminate the essence of this.

Next Challenge

Continuing Co-Creation for Creating New Value

Daikin is promoting a number of co-creation endeavors with its core base being the Technology and Innovation Center (TIC), which will celebrate its 10th anniversary in 2025. As the business environment changes dramatically, Daikin aims to utilize DX in production and services, acquire differentiated technologies through co-creation with companies, universities, research institutes, and international organizations in different industries and fields, and create new value related to carbon neutrality and value with air.

Feature

Working Toward Carbon Neutrality in Manufacturing

Why is it important?

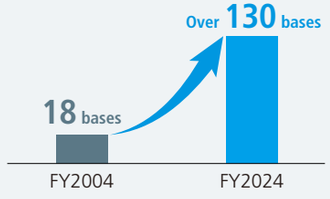
Because of the Need to Balance Business Growth and Carbon Neutrality

The world is entering the implementation phase of decarbonization to pursue efforts to limit the global average temperature to 1.5°C above pre-industrial levels as targeted in the Paris Agreement. Daikin is also taking on the challenge of becoming carbon neutral by 2050 under its Fusion 25 strategic management plan. Toward this end, it is essential that we reduce greenhouse gas emissions from our own activities as well as when our products are used and reach the end of their life cycle.

As demand for air conditioners increases worldwide, Daikin's business scale and network of production sites have expanded rapidly. Unless we take action, however, Daikin's greenhouse gas emissions will only increase moving forward. For this reason, achieving both decarbonization and product supply that meets demand is an important mission for Daikin.

016 Management Daikin's Sustainability Strategic Management Plan Fusion 25

Daikin's Growing Network of Production Bases



Daikin's Approach

Accelerating Initiatives with Global Management and Proprietary Certification System

Based on the Fusion 25 strategic management plan, we have set a target for manufacturing (development and production) of achieving net-zero greenhouse gas emissions by 2030 at all production bases excluding chemical plants. We aim to reduce emissions as much as possible, and for the residual emissions, we will utilize carbon credits, striving for a higher level of carbon neutrality. With this approach, we are fully committed to leveraging our energy-saving technologies to reduce electricity usage, expand renewable energy generation, reduce the use of LNG and LPG through the development of new methods and technologies, and introduce green power.

Daikin oversees over 130 bases with different business formats and scales through its unique, globally unified environmental management system. This system is utilized to share policies from the top down while frontline problem-solving is discussed face-to-face, allowing effective measures to be implemented throughout the Group.

In May 2025, we held a Global Environmental Meeting, bringing together 123 people from 46 Group companies, including presidents, environmental officers, and environmental department heads from around the world. In addition to sharing key energy-saving measures, in-depth discussions were held on solutions to technical issues. At regional environmental meetings held every year, we also exchange information and share technical consultations within the region. Relevant departments are working to develop new technologies and methods to address common global issues, while secretariats in each region spearhead measures to address regional issues by implementing tailored measures. In this manner, the entire Daikin Group is accelerating these actions together.

Furthermore, we operate our own certification system that recognizes and awards carbon neutrality achievement levels. This puts into place an environment where each base is highly motivated to work toward improvements in energy conservation rates and the introduction rates of energy creation solutions.

Group work for achieving long-term targets during the Global Environmental Meeting

Sharing of initiatives and good improvements from each base (China Regional Environmental Meeting)

Feature

Daikin's Performance

Achieved Targets at Three Plants and Now Sharing Good Practices of Each at Other Business Locations Globally

The outcomes of our activities are beginning to materialize, and as of June 2025, Sakai Plant's Rinkai Factory, Daikin Air-conditioning (Shanghai) Co., Ltd. (DIS), and Daikin Rexxam Electronics Ltd. (Shiga, Japan) have achieved carbon neutrality.

Case Study 1: Sakai Plant's Rinkai Factory —Utilization of Proprietary Technology and Development of New Technologies

Rinkai Factory, which manufactures commercial air conditioners, has, with the key words "visualize, reduce, and create," continued to reduce energy waste by visualizing power consumption in real time using one of the products it manufactures, D-BIPS, a building integrating monitoring panel. In order to achieve carbon neutrality, Rinkai Factory has created a new roadmap and implemented additional measures.

The factory's manufacturing process involves a number of high-temperature equipment powered by fossil fuel, and improving the energy efficiency of this equipment was a major challenge. Daikin therefore focused on heat management, which accounts for 38% of the CO_2 emissions in the production process. In 2022, based on an improvement proposal from the factory, Daikin developed a new circulating heating heat pump with high heating capacity called JIZAI HEAT and replaced the factory's gas-combustion boiler. Furthermore, by moving the equipment to shorten the distance to the process that requires heat, heat loss in the factory's piping was reduced. As a result, its annual CO_2 emissions were lowered by approximately 86%. JIZAI HEAT was later commercialized and is now sold as a series of products, contributing to energy conservation at other companies.


Checking for heat loss in real time

In addition to streamlining its production equipment, the factory has created a comfortable working environment and generated energy savings in air conditioning. By controlling the factory's air supply and reducing the inflow of outside air, the factory has lowered or increased room temperatures by more than 6°C in summer and winter. Despite being over 30 years old, the factory has lowered air conditioning energy consumption by approximately 26% annually by improving the operation of air conditioners without additional large capital investments.

Case Study 2: Daikin Air-conditioning (Shanghai) Co., Ltd. —Introduction of New Technologies and Equipment Tailored to the Production Floor

Daikin Air-conditioning (Shanghai) Co., Ltd. (DIS), a manufacturer of commercial air conditioners, has been working to achieve carbon neutrality mainly by reducing its large use of low-pressure compressed air, which has high CO_2 emissions. DIS has made improvements to its entire compressed air system. These include changing from air-driven tools to electric ones, adopting low-energy-consumption vacuum suction cup technology, and reducing pressure loss by improving the air conveyance system. As a result, DIS has significantly reduced waste and decreased CO_2 emissions, while also successfully cutting costs.

Rather than simply installing existing equipment without modification, DIS extensively examined the entire production floor and developed the technology and equipment to suit it either in-house or jointly. Furthermore, DIS changed the heating method of the drying furnace from natural gas to infrared heating and is also working to further improve efficiency by introducing technologies that use ultrasonic and hydrogen in the brazing process.

Next Challenge

Further Technological Development and Global Rollout

Daikin will continue to increase sharing of best practices and steadily implement carbon neutral measures at each of its global bases while working across different departments and plants. We will also continue to develop new installation methods and improve technologies to resolve energy conservation issues, accelerating our company-wide efforts.

The Rinkai Factory is positioned as a global mother factory for carbon neutrality and its knowledge and technology are being rolled out at other manufacturing facilities. We will achieve our targets for 2030 and pave the way to realizing Environmental Vision 2050, while aiming to reduce environmental impacts and achieve sustainable business growth at the same time.

We will also propose the energy saving solutions and improvement measures of our own bases utilizing Daikin's technologies, products and know-how to our customers, thereby contributing to the realization of the carbon neutrality of society as a whole.

Accelerating Carbon Neutrality Measures in China

Yang Xiaojian
General Manager,
Production Engineering Department
Daikin Air-conditioning (Shanghai) Co., Ltd.

Developing carbon-neutral technologies incurs significant costs. Therefore, we aimed for a double effect of energy saving and reduced running costs by implementing automation and labor-saving measures at the time of equipment updates. We will further advance these initiatives, build a low-carbon model that can be shared at other plants, and pave the way toward the achievement of carbon neutrality in China.

Environment

Environment

Environment

Environmental Management

Basic Environmental Policy and Management Structure

Basic Policy on Environmental Management and Structure

Basic Environmental Policy of the Daikin Group

Daikin promotes environmental management throughout the Group in accordance with the Basic Environmental Policy of the Daikin Group.

Environmental Policy of the Daikin Group in Japan
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/environment/env_policy-pdf.pdf

Basic Environmental Policy of the Daikin Group

Lead the Way to an Environmentally Conscious Society

As we continue developing our business operations in various fields, it is our mission to proactively develop initiatives to respond to environmental issues. Incorporating environmental initiatives throughout our management must be a priority for us.

In all aspects of our business operations, including product development, manufacturing and sales, we need to formulate initiatives that sustain and improve the environment. Meanwhile, we need to promote the development of new products and the innovation of technologies that will lead to a more environmentally healthy world.

Under the precept "environmental response is an important management resource," we must integrate environmental initiatives into our corporate management since they can lead to business expansion, improved business performance, and further enhancement of our credibility with outside parties. We intend to continue being a leading company in the practice of "environmental management," thus contributing to a healthier global environment as a good citizen of the earth.

Action Guidelines

1. Ensure that all members of the Group deepen our understanding of environmental issues and take responsibility for the impact our actions have on society in general.
2. Establish, promote, and continuously improve an Environmental Management System to actively and effectively implement Environmental Management as a Group.
3. Develop and implement environmental initiatives in all aspects of our business operations, including product development, production, sales, distribution, services, and recycling. In particular, be a leader in society by developing products, technologies, and business opportunities that contribute to sustaining and improving our environment.
4. Implement environmental initiatives that are globally consistent as well as promote initiatives that respond to the particular circumstances of each country and region. Furthermore, actively promote cooperation and alliances with related companies, external organizations, and institutions.
5. Disclose environmentally related information in a truthful and fair manner. Listen to the views of people both inside and outside the company to continuously improve our environmental preservation efforts.

Environment

Environmental Management Globally

Daikin manages environmental issues related to climate change, water, and waste in each of the five regions including Japan, Europe, the U.S., China, and Asia/Oceania through regional environmental meetings and product environmental meetings.

Regional environmental meetings are held in each region, including Europe, the United States, China, and Asia/Oceania, annually and attended by environmental managers from each base. Efforts aimed at environmental burden reduction and biodiversity preservation are implemented at manufacturing bases. In addition, we hold Global Environmental Meetings every two years. At the meetings, local base presidents, environmental heads, and environmental managers in each division share Group policy and medium-to long-term targets. We then deepen discussions on the rollout of improvement of good practices aimed at achieving our targets along with solutions to technical issues, which helps to strengthen the initiatives at each business site.

In addition, product environmental meetings are held every year and attended by promotional managers of each region in developing products with reduced environmental impact, such as air conditioners. Policies and implementation of development and promotion of environmentally conscious products are discussed, such as products that utilize refrigerants with lower global warming potential and energy efficient inverter technology.

Important themes are then deliberated on by the CSR Committee, and reported to the Board of Directors after being proposed to the CEO.

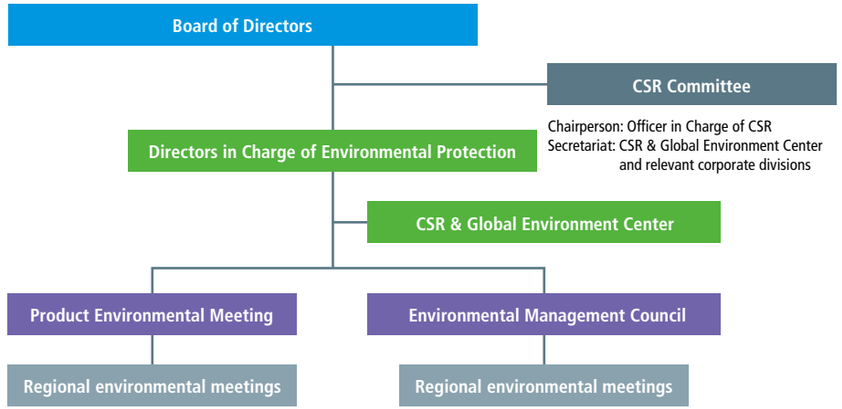
Environmental Management System

Daikin has built and operates an environmental management system (EMS) in accordance with ISO 14001. The creation of environmental management systems is proceeding at companies that are new to the Daikin Group as we work toward certification for ISO 14001 at all bases. To ensure the reliability of data and improve our mechanisms for environmental management, we have data on greenhouse gas emissions, water use, and waste water verified by a third party.

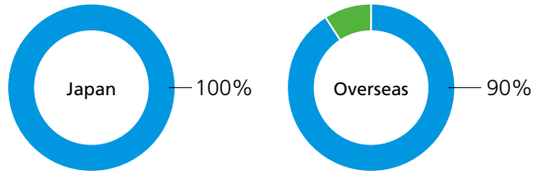
At each Daikin production base and office, systems are in place to minimize environmental damage in the unlikely event that accidents or disasters should occur. Also, we seek closer interactions with nearby residents' associations and conduct factory tours among other daily efforts to maintain an emergency contact system coordinated with local communities.

The Daikin Group makes it a rule to publicly announce all instances of major legal violations related to business operations. There were no cases of major legal violations in fiscal 2024 at Daikin.

Structure Driving Environmental Management



Ratio of Employees Belonging to Facilities with ISO 14001 Certification (FY2024)



Daikin Bases Certified for ISO 14001
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/environment/2025/certified-pdf.pdf

Environment

Environmental Audits

Audit by Internal Auditors and Certification Bodies

At Daikin, based on ISO 14001, inspections by certification bodies are conducted and internal audits are implemented annually. Internal audits focus on conformity with standards and confirmation of legal compliance. In the fiscal 2024 internal audit of the Daikin Group in Japan, auditors confirmed legal compliance mechanisms and provided advice for continuous improvement, with two nonconformities having been corrected.

See below for findings from our environmental audits
162 Data ESG Data Environment Environmental Management

Internal Auditor Training

As of the end of fiscal 2024, there are currently 98 internal auditors undergoing training and skills improvement at the Daikin Group in Japan. Newly appointed and experienced auditors work in pairs so as to pass on skills from one generation to the next and 21 newly appointed auditors work as assistant auditors. Internal auditors also take annual training to improve their skills and ensure standards are being thoroughly met.

In the training held in fiscal 2024, group work was conducted on how to summarize findings in a way that satisfies the audited organization. The aim was to improve auditing skills so that the audited organization could fully understand the findings and use them to make improvements.

Green Heart Factories and Offices

Green Heart Factories

In fiscal 2005, Daikin established Green Heart Factory, its own unique system to evaluate and certify the environmental and social performance of environmentally conscious factories. This certification is awarded once every two years. In 2021, we reviewed assessment criteria and visualized environmental initiatives such as reduction of CO_2 emissions and water usage, along with the progress of SDG achievement at our plants involving social issues. In turn, we certified the actions of each business site into the four classes of platinum, gold, silver, and bronze.

In the 2024 evaluation, six plants were certified as Platinum, 10 as Gold, 15 as Silver, and 25 as Bronze. In addition to Japan, a total of six plants in China, Thailand, and Malaysia, which have accelerated their efforts toward carbon neutrality through solar power generation and other means, were certified as Platinum for the first time.

Green Heart Offices

Daikin Industries began the “Green Heart Office” initiative in fiscal 2011 to promote environmental activities at non-manufacturing bases such as offices. In fiscal 2014, we created a three-stage ranking comprising gold, silver and bronze to evaluate the level of initiatives being undertaken by each base based on “reduce resource usage” and “awareness and contribution.”

In fiscal 2021, all nine of our offices received Gold Class certification. Since then, we have continued to strengthen our efforts. Starting in fiscal 2023, we conducted a in-depth review of our evaluation items in light of changes in the office environment due to the relocation of our Head Office and Tokyo Office as well as the strengthening of our carbon neutrality initiatives. We began using the new evaluation standards in the second half of fiscal 2024.

054 Environment Response to Climate Change Initiatives in Manufacturing (Development and Production) and Offices

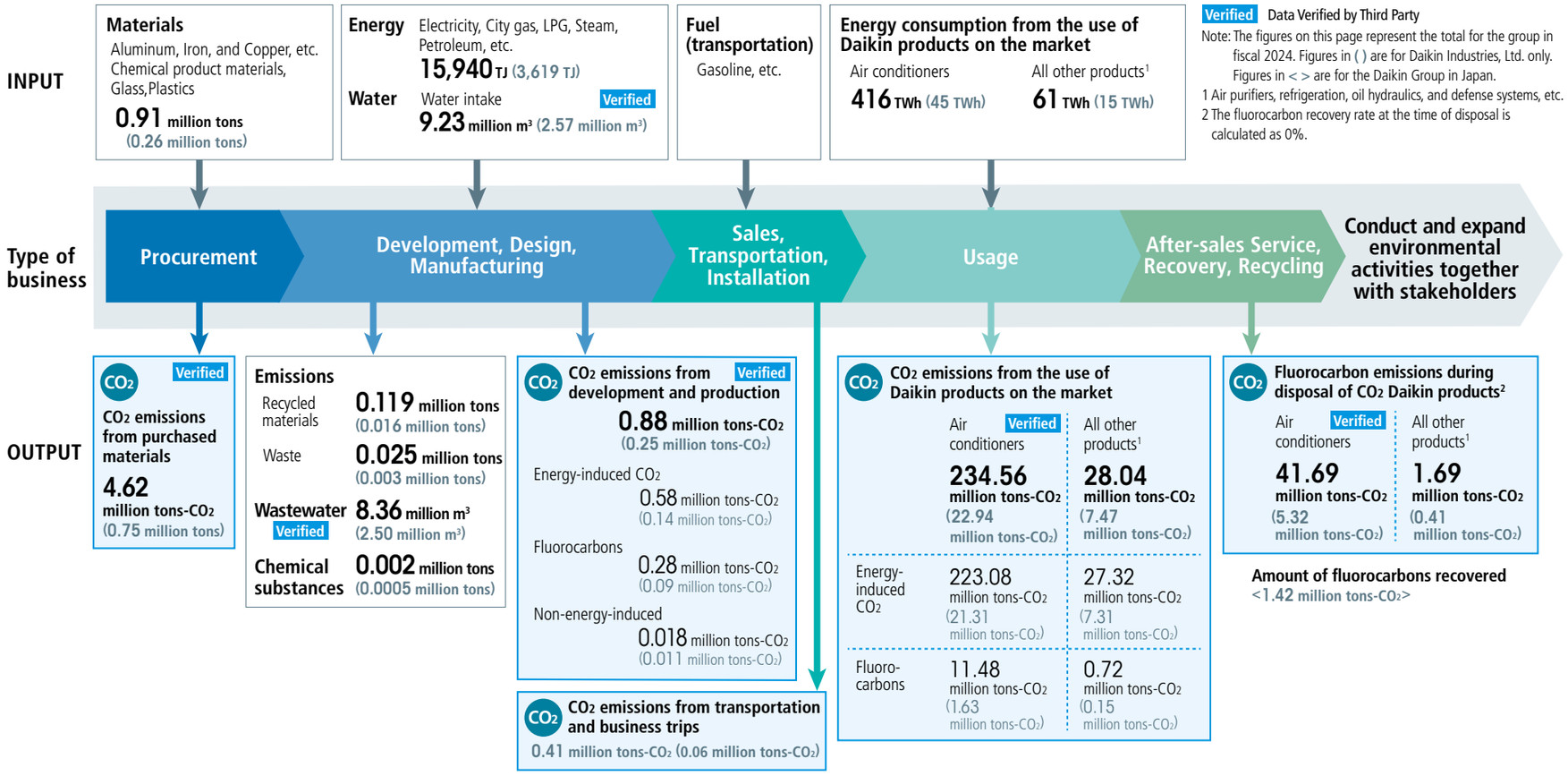
Environment

Environmental Management

Overview of Environmental Impacts

The Daikin Group measures the impact that its business activities have on the environment throughout the value chain: in materials procurement, development, production, transportation, installation, product use, recovery, and recycling. Air conditioners are products that consume large amounts of electricity, and within their product lifecycle, the energy consumed during product use makes a particularly large contribution to climate change.

See below for GHG emissions in the value chain (Scope 1, 2, 3), the method of calculating greenhouse gas emissions data
155 Data ESG Data Environment
177 Data Third-Party Verification Method of Calculating Greenhouse Gas Emissions Data



Environment

Environmental Risks and Opportunities

Daikin's Environmental Risks and Opportunities

Identify Climate Change as the Top Priority Issue

In 2018, we identified environment-related risks and opportunities pertinent to our company, including climate-related risks. The process involved taking in feedback and opinions from experts within and outside of the company, based on prediction of the society in year 2050.

The identified environment-related risks and opportunities are evaluated, organized, and analyzed from the two viewpoints of degree of impact on business and likelihood of occurrence. Based on this, environmental issues that our group company must pay attention to for year 2030 have been drawn.

Among the identified environment-related risks and opportunities, Daikin takes measures in accordance with TCFD recommendations and discloses information in dealing with climate change because it considers this to be the issue with the greatest impact on its management.

017 Management Information Disclosure Based on the TCFD Framework

Identification, Evaluation and Management Process of Environment-Related Risks and Opportunities

We gather information on environment-related risks and opportunities, including those related to the climate, from business bases of each region around the world. Information gathered is then evaluated, organized and analyzed for the degree of impact on business and likelihood of occurrence, and used for identifying environmental-related risks and opportunities of important relevance to our Group. The program policy and measures to address these risks and opportunities are then developed and deliberated by the CSR Committee, followed by proposal to the CEO and report to the Board of Directors.

Program policy and measures are reflected in the mid-term management plan, and carried out at each business division.

Environment

Environment-Related Risks and Opportunities and Potential Impact

Category			Impact on Daikin's business	Probability of occurrence	Potential financial impact
Climate related	Risks	Transition	**Stricter regulations on refrigerants** Regulations on refrigerants become too strict, existing air conditioners will no longer be compliant with these regulations and become obsolete	High	Large
			Tight supply and demand for electricity The spread of air conditioners in emerging countries will increase electricity usage and make it difficult to increase sales of air conditioners due to electricity shortages	High	Large
		Physical	**Production delays due to water shortage or major disasters** Manufacturing bases located in areas of high water stress or susceptible to major disasters caused by extreme weather face the risk of disruptions in production due to the shortage of water	Medium	Medium
	Opportunities	Transition	**Stricter regulations on refrigerants** Companies without technologies compliant with regulations on refrigerants will be weeded out, resulting in increased sales of air conditioners using refrigerants with lower global warming potential, which is our strength	High	Large
			Stricter regulations on energy efficiency Companies without technologies compliant with stricter regulations on energy efficiency will be weeded out, resulting in increased sales of air conditioners with high energy efficiency, which is our strength	High	Large
			Stricter regulations on the use of fossil fuels Regulations on the use of fossil fuels continue to become stricter, and since gas-combustion heating will be subject to them, there will be an increase in sales on growing demand for heat pump heating, which is our strength	High	Large
Environment-related other than climate-related	Risks		**Depletion of raw material resources** Resources for raw material deplete, affecting business operation	High	Large
			Tightening of regulations on chemical substances As regulations become stricter, chemicals that are not in compliance with these regulations can no longer be sold	High	Large
			Enhanced regulation on the use of plastics Demand (regulation) created for reducing plastics usage as the demand for sustainable use of plastics increases	High	Medium
			Air, Water, and Soil Pollution If chemical substance management does not function at production bases and harmful substances are emitted, claims for damages may arise from the impact on human health and ecosystems, leading to a decline in trust of society	Medium	Large
			Depletion of Water Resources If excessive water intake occurs at production bases and water resources are depleted, appropriate measures must be taken to address the impact on biodiversity and local communities	Medium	Small
	Opportunities		**Increased awareness toward air quality** As air pollution becomes more serious, the needs for quality air increases	High	Large

Environment

Environmentally Conscious Design

Initiatives for Environmentally Conscious Design

Commercialize Only Products that Meet Assessment Criteria

In the air conditioning divisions, besides factors like performance and usability, Daikin stresses environmental performance in product development, and incorporates product assessment in the planning and design stages for new products. Product assessment consists of 13 assessment items that we strictly adhere to in developing products.

We also assess global warming impact of air conditioners using the life cycle assessment (LCA) method, which allows us to determine the environmental impact at each stage of a product's life cycle. Products only make it to market after we have assessed them against their predecessor products to confirm they exert less environmental impact.

Product Assessment Items

1. Weight reduction of products
2. Use of recycled materials and parts
3. Packaging
4. Reduction in environmental impact during the manufacturing process
5. Energy and resource conservation in use
6. Product life extension
7. Ease of delivery/collecting/transporting
8. Raise possibility of reuse of resources
9. Ease of disassembly and separation of materials by hand
10. Ease of shredding/classifying for recycling
11. Environmental conservation capabilities
12. Disclosure of information
13. LCA

See below for the complete text on product assessment items.
Product Assessment Items
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/environment/product_assessment_items-pdf.pdf

In the chemicals divisions, when developing new products, we strive to design products that minimize waste and maximize long-term use, emphasizing not only the performance and ease of use but also the environmental emissions during manufacturing and the environmental consciousness of products during and after use.

Environment

Response to Climate Change

Challenge to Achieve Carbon Neutrality

Basic Policy

Addressing climate change is a top priority for Daikin among its key sustainability issues. Daikin is committed to reducing greenhouse gas emissions throughout its value chain, from materials procurement to development, manufacturing, product usage and disposal.

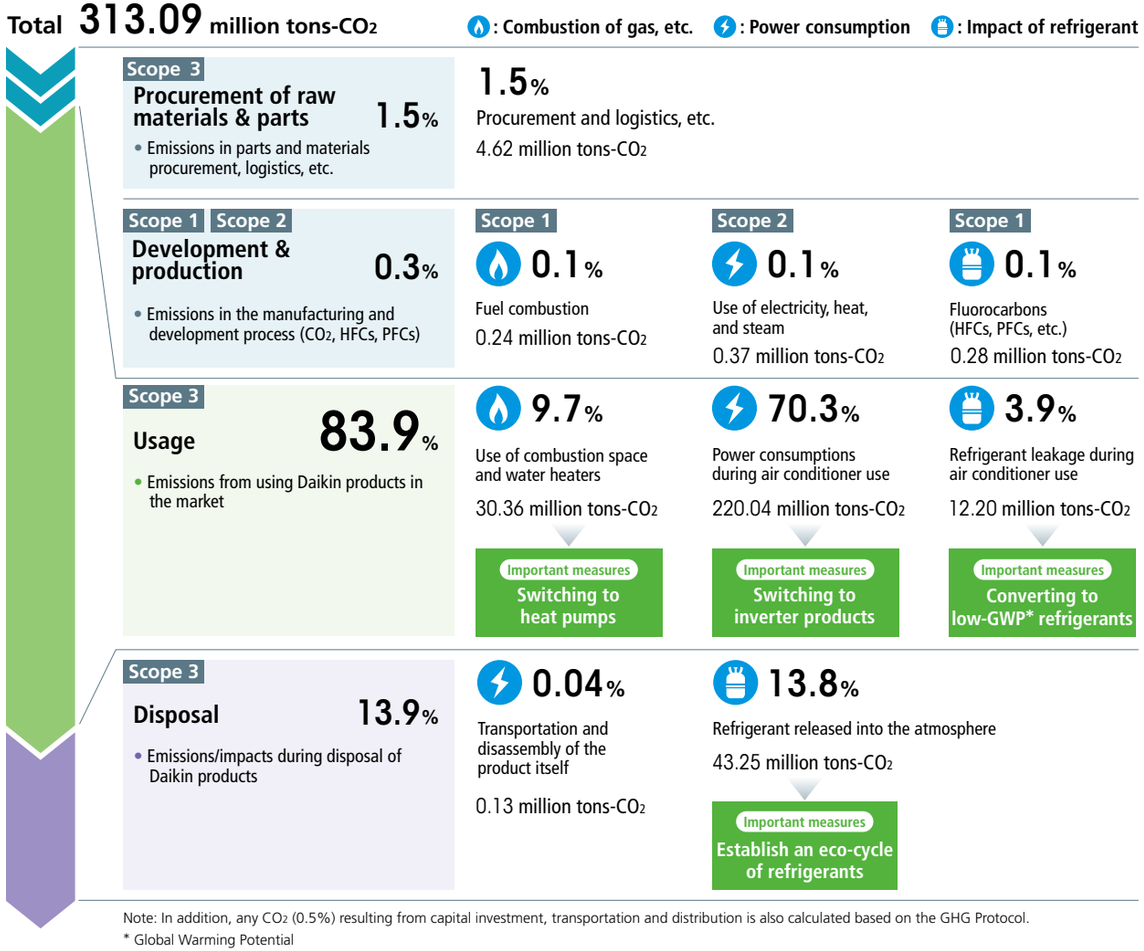
Daikin's Greenhouse Gas Emissions

Daikin's greenhouse gas emissions throughout the value chain are calculated based on the international guidelines of the GHG Protocol.* The energy consumption of air conditioners in operation and refrigerants have a large impact on greenhouse gas emissions. Daikin establishes and implements initiatives based on these calculation results with set targets and plans.

* An international guideline on the calculation and reporting of greenhouse gas emissions. The standard for businesses divides emissions into three scopes (Scope 1, 2, and 3), while Scope 3 is divided into 15 categories.

Greenhouse Gas Protocol
https://ghgprotocol.org/

Overview of Daikin's Greenhouse Gas Emissions (Scope 1, 2, 3) (FY2024)



Note: In addition, any CO_2 (0.5%) resulting from capital investment, transportation and distribution is also calculated based on the GHG Protocol.
* Global Warming Potential

155 Data ESG Data Environment Mitigating Environmental Impacts in the Value Chain

Environment

Targets and Measures for Carbon Neutrality

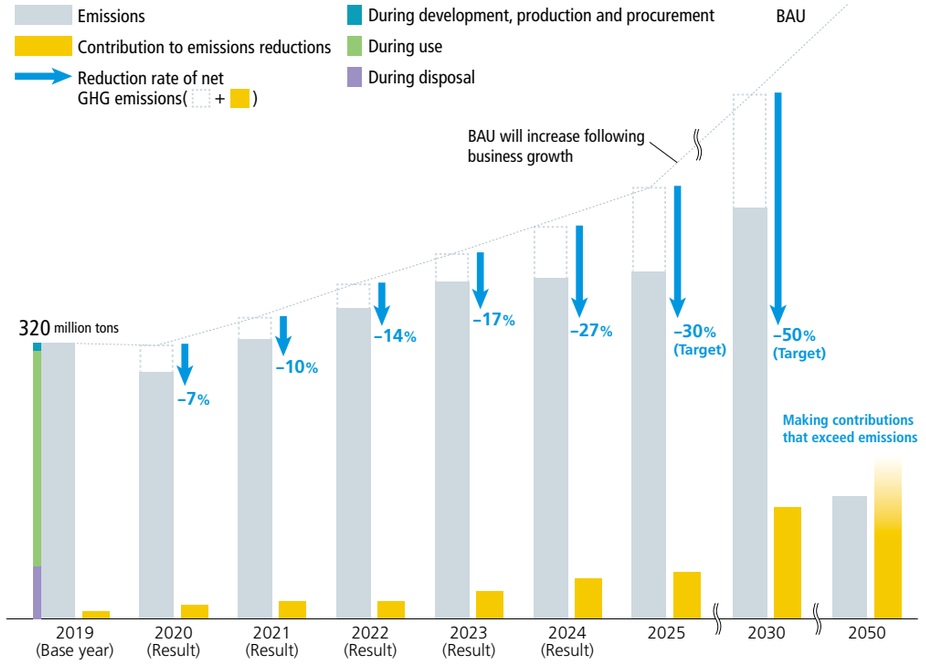
Initiative Overview

Daikin aims to achieve net zero greenhouse gas emissions throughout its value chain in 2050. As a medium-term goal, Daikin aims to reduce its net emissions[1] by at least 30% in 2025 and by at least 50% in 2030, with 2019 as the base year assuming BAU.[2] We are working on reducing emissions in line with the 1.5°C scenario, which aims to limit the global average temperature increase due to climate change to 1.5°C above pre-industrial levels. To achieve this, we will focus on reducing emissions during manufacturing (development and production) and at offices, which we can directly control, as well as reducing power consumption during product use and minimizing the environmental impact of refrigerants. By creating and spreading products and services with low environmental impact, we help to increase contributions to greenhouse gas emissions reductions in society. To reduce net emissions, we are executing various measures to reduce emissions and increase our contribution to emissions reduction by incorporating them into our Fusion strategic management plan.

[1] Defined as the total after subtracting our contribution to emissions reduction from our total greenhouse gas emissions. See the next page on contribution to emissions reduction.
[2] Business As Usual: BAU refers to emissions in case of normal business growth without the implementation of countermeasures.

015 Management Daikin's Sustainability Environmental Vision 2050

Reduction Targets and Results for Net Greenhouse Gas Emissions throughout the Lifecycle



Measures Aimed at Reducing Net Emissions

- **Initiatives in Manufacturing (Development and Production) and Offices** 054
  - Emissions reduction: Reduction of energy-induced and HFC/PFC-induced emissions during development and production
- **Power Consumption Reductions during Product Use** 042
  - Emissions reduction: Promoting inverter products, improving the energy efficiency of equipment through the development of elemental technologies, expanding adoption of energy-efficient systems
  - Increased contribution to reduction: Replacing non-inverter equipment from other companies to inverter units
- **Promoting the Use of Heat Pump Space and Water Heaters** 048
  - Emissions reduction: Replacing combustion space and water heaters, increasing efficiency
  - Increased contribution to reduction: Expanding sales of heat pump space and water heaters (replacing equipment from other companies)
- **Reducing the Environmental Impacts of Refrigerants** 050
  - Emissions reduction: Promote R-32 refrigerants, develop next generation refrigerants, select low GWP refrigerants and equipment development
  - Increased contribution to reduction: Replacing R-410A on competing brand equipment with R-32, promote eco-cycle of refrigerants (refrigerant recovery, recycle, and reclamation)
- **Initiatives for a Decarbonized Society** 056
  CO_2 recovery and utilization (DAC, CCU), power initiatives such as energy creation and demand control, atmospheric water generator, etc.
- **Initiatives for a Circular Economy** 057
  Recovery, recycle, and reclamation of refrigerants, utilization of recycled materials, etc.

Environment

Contributions to Reductions of Greenhouse Gas Emissions

Daikin calculates its overall contribution to greenhouse gas reduction through the promotion of its low environmental impact products and services. The calculation is performed using existing emissions as the baseline figure to determine the amount of possible reduction in emissions when using Daikin's products and services. In fiscal 2024, the reduction contribution was 48.23 million tons-CO_2.

As of March 2025, there is no international standard for calculating reduction contributions. However, Daikin is a participant in discussions on the establishment of rules governing reduction contribution conducted by the World Business Council for Sustainable Development (WBCSD), the International Electrotechnical Commission (IEC), and the GX League promoted by the Ministry of Economy, Trade and Industry. Daikin's reduction contributions are calculated according to the guideline published by the WBCSD and GX League.[1]

See below for data on Daikin's contribution to greenhouse gas emissions reduction.

156_Data_ESG Data_Environment_Mitigating Environmental Impacts in the Value Chain

Contribution by switching from combustion-type to heat pump space and water heater

[1] *Basic Guidelines for Disclosure and Evaluation of Climate-related Opportunities* (published in March 2023 by GX League), Guidance on Avoided Emissions (published in March 2023 by WBCSD)
[2] Based on Dakin's data
[3] Based on IEA *Emissions Factors*
[4] Based on Daikin's internal standards
[5] Based on the European Commission's report of *Space and combination heaters Ecodesign and Energy Labelling*
[6] Based on the IPCC *Fourth Assessment Report*
[7] Calculated as 0% (Daikin also calculates emissions as 0%)

Example of Approach to Calculating Reduction Contribution

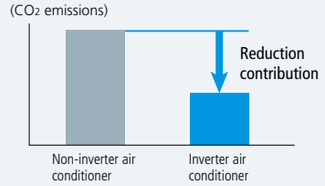
Daikin calculates its contribution to reduction through the spread of refrigeration and air conditioning equipment and space and water heaters with lower emissions using the following three products.

We are currently in the process of establishing the rules for the calculation of the figures, and therefore strive to calculate conservatively. For example, units sold reflect only the amount of increase from the base year (2019) and take into account only countries and regions where the market penetration rate of the target products is less than 50% as of the base year.

Contribution through the spread of energy efficient equipment

Contribute to reduction of emissions during usage in the market by spreading inverter air conditioners which have higher efficiency than non-inverter models.

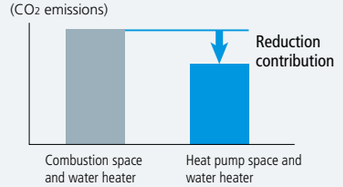
- **Baseline:** Emissions during use of non-inverter air conditioners
- **Target:** Emissions during use of inverter air conditioners
- **Calculation formula:** (power consumption per year per unit of non-inverter air conditioner[2] –power consumption per year per unit of inverter air conditioner[2])×electricity emission factor[3]× product lifespan[4]× units sold[2]



Contribution through the spread of heat pump space and water heater

Contribute to reduction of emissions during usage in the market through the spread of heat pump space and water heaters by switching from combustion heating to electrical heating.

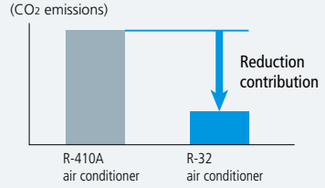
- **Baseline:** Emissions during use of combustion heating
- **Target:** Emissions during use of heat pump heating
- **Calculation formula:** (gas consumption/year per unit of combustion space and water heater[2]×gas emission factor[5] – power consumption/year per unit of heat pump space and water heater[2]×electricity emission factor[3])×product lifespan[4]×units sold[2]



Contribution through the spread of air conditioners using low GWP refrigerants

The spread of air conditioners using R-32 refrigerant which has a lower global warming potential (GWP) than the conventional R-410A refrigerant has contributed to reduced emissions during disposal in the market.

- **Baseline:** emissions of air conditioners using R-410A upon final disposal
- **Targets:** air conditioners using R-32
- **Calculation formula:** (GWP of R-410A[6] – GWP of R-32[6])×charge amount per unit of air conditioner[2]×(1 – recovery rate[7])×units sold[2]



Environment

Power Consumption Reductions during Product Use

Basic Policy

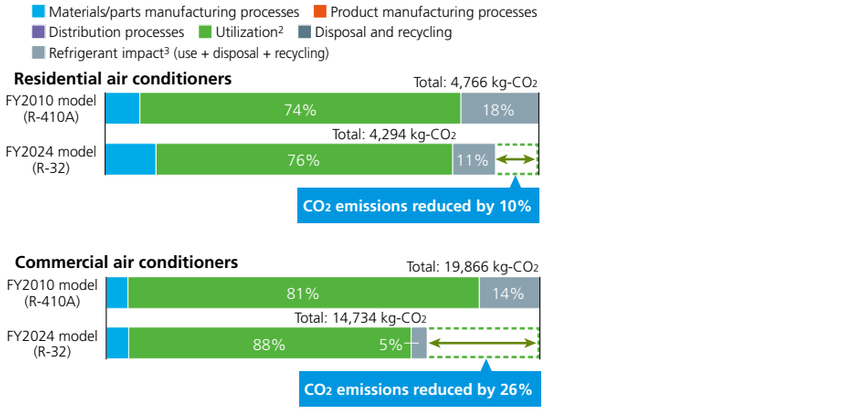
Daikin makes it its mission to reduce energy consumption in order to provide people with safe and comfortable air and contribute to reducing global warming. To this end, we conduct quantitative environmental assessments for each product life cycle in order to develop products and services that use minimal electricity and to combine these in order to optimize the overall energy consumption of buildings.

Life Cycle Assessment

We assess global warming impact of air conditioners using the life cycle assessment (LCA) method, which allows us to determine the environmental impact at each stage of a product's life cycle.

In the life cycle of an air conditioner, the majority of the greenhouse gas that is emitted occurs from consumption of electricity during the product use stage, and refrigerants also represent a substantial impact. In addition to incorporating inverter technology to reduce power consumption, we have been promoting the use of R-32. As a result, in fiscal 2024, we reduced CO_2 emissions from residential air conditioners by 10% and from commercial air conditioners by 26% compared to life cycle CO_2 emissions of fiscal 2010.

Example of LCA: Comparison of CO_2 Emissions over Product Lifecycle[1]



[1] Based on Daikin standards for 2.8-kW class residential air conditioners and 14-kW class commercial air conditioners.
[2] The seasonal power consumption is calculated in accordance with the standard of the Japanese Industrial Standards (JIS) for residential air conditioners and the Japan Refrigeration and Air Conditioning Industries Association for commercial air conditioners.
[3] Refrigerant impact is calculated by obtaining the global warming potential per unit of weight, while factoring in the average leakage rate during the product use, disposal, and recycling stages.

Environment

Improving Annual Performance Factor (APF) and Integrated Part Load Value (IPLV)

In the life cycle of an air conditioner, the majority of the CO_2 that is emitted occurs during product use. Daikin has set strict criteria for energy efficiency in the product use stage in order to improve the energy efficiency of products. Daikin is working to increase annual performance factor (APF)[1] and integrated part load value (IPLV),[2] which are used as indicators of energy efficiency. In fiscal 2024, our top-of-the-line model had an APF of 6.9 for residential air conditioners and 8.0 for commercial air conditioners.

[1] The APF represents heating and cooling capacity per kWh over one year of use of an air conditioner under specific conditions. The higher the APF, the better the air conditioner's energy efficiency.
[2] The IPLV is an energy efficiency indicator obtained by calculating the weighted average of cooling COPs at four different capacities of machine operation. It corresponds to the APF of a packaged air conditioner. The higher the value, the better the actual energy efficiency of a product.

Promoting the Use of Inverter Products

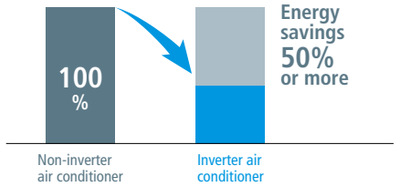
To reduce global warming worldwide, it is crucial to spread the use of highly energy efficient products to all countries. Inverter technology, which has already been established in Japan and Europe, can immediately contribute to energy savings. For this reason, Daikin is promoting the spread of inverter air conditioners around the world. We have already spread this technology in Oceania and the adoption of inverter models is accelerating in China and India in recent years.

Explanation of Terms

Inverter Technology

Inverters are frequency conversion devices that control electrical voltage, current, and frequency. Inverters precisely control the compressor motor, the heart of an air conditioner. Furthermore, in addition to having modified conventional motors and heat exchangers, inverter air conditioners reduce by 50% or more energy usage than non-inverter models while maintaining comfort.*

Comparison of Energy Consumption (Example)



* Calculated based on Daikin's demonstration testing

Spreading the Use of Inverter Products Worldwide

To promote the spread of inverter products in homes, Daikin has been supplying high efficiency and low cost inverter products through a partnership with China's largest air conditioner manufacturer since 2008. In fiscal 2014, we developed an inverter air conditioner at a relatively low price especially for the Asian cooling-only air conditioner market.

We have also worked to develop a mechanism for evaluating the energy efficiency performance of inverter products. To ensure this performance is measured properly, we worked alongside Japan's air conditioning industry to propose the adoption of seasonal energy efficiency ratio (SEER) as an indicator. This approach has been used in ISO standards since 2013. In emerging countries, the use of SEER is starting to spread. Daikin is also working with governments and industry groups in Asia, Latin America, the Middle East, Africa, and other areas to introduce indicators and standards as well as create energy labelling systems as part of support for creating evaluation standards.

Daikin exhibited a booth at the Japan Pavilion at the COP28 to the United Nations Framework Convention on Climate Change (UNFCCC) held in 2023 to promote the effectiveness of inverter technology.

Inverter Products as Percentage of All Residential Air Conditioners Worldwide

Market	2023	2024	2025
Japan	100.0%	100.0%	100.0%
EU	100.0%	100.0%	100.0%
Australia	100.0%	100.0%	100.0%
China	97.8%	98.5%	99.5%
India	76.0%	85.0%	90.0%
Brazil	65.0%	68.0%	71.0%
Saudi Arabia	24.0%	28.0%	31.0%

Source: BSRIA World Air Conditioning Overview 2025
Note: The percentage in this report refers to the number of units sold in a given year

Feature of Fiscal 2023: Environment—Promoting the Spread of Energy Saving Technology
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/feature2023/env-pdf.pdf

Feature of Fiscal 2020: Environment—Creating Standards for a Decarbonized Society Alongside Stakeholders
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/feature2020/env-pdf.pdf

Environment

Providing Solutions

Driven by its core inverter and refrigerant technologies, Daikin's air conditioners help control environmental impact, and not just through individual air conditioners but also via building-wide energy solutions. Through optimal energy management and demand response measures, we are contributing to solving energy-related issues and creating sustainable cities.

Proposing Net Zero Energy Buildings (ZEBs)

Daikin is promoting the spread of net zero energy buildings (ZEBs). A ZEB is a building that achieves a balance between comfort and energy saving performance—at least 50% greater than standards.[1] In Japan, there are three categories: ZEB, Nearly ZEB,[2] and ZEB Ready[2] depending on the energy efficiency rate. Normally, ZEB requires improving the performance of a building's outer layer, using passive energy, incorporating high-efficiency equipment, and using advanced control.

Daikin has accumulated knowledge and advanced technology on LED lighting control as well as air conditioners and ventilation systems and their controls. It is possible to achieve ZEB using our unique system that is versatile and popular for application in existing small- and medium-sized buildings with high energy-saving potential, as well as new buildings. Daikin Industries, Ltd. registered as a ZEB planner[3] in 2017. Since then, we have been working with general contractors in Japan and overseas to promote the spread of ZEB. As a ZEB planner, we measure the load data of existing air conditioners before considering ZEB. Based on the results, we propose the optimal capacity of air conditioner and support the realization of ZEB by renovating facilities and taking other steps.

Daikin is also working to meet similar ZEB standards set by each country and region. For example, in fiscal 2024, we began demonstration experiments in Bangkok and Singapore of an air conditioning system that can achieve the SLE grade (a 60% reduction in energy consumption compared to a benchmark building) under Singapore's green building standard known as Green Mark.

[1] Standard value: Energy consumption value of common buildings of the same size (reference building).
[2] In Japan, Nearly ZEB is a building that consumes at least 75% less energy compared to normal building energy standards and ZEB Ready is a building that consumes at least 50% less energy compared to normal building energy standards.
[3] A business operator that accepts consultations, provides various business support, and discloses information on activities related to ZEB conversion. The registration system is based on application submission to the Sustainable Open Innovation Initiative.

Proposals for carbon neutrality (decarbonized society)
ZEB (net zero energy building) (available in Japanese only)
https://www.ac.daikin.co.jp/zeb

Results of ZEB Related Activities by Daikin

Time	Details
2015	• Completed ZEB conversion for new, large-scale building at our Technology and Innovation Center (TIC) CASBEE certification in the S class, LEED® Platinum certification
2017	• Daikin Industries, Ltd. registered as a ZEB planner
2018	• The Fukuoka Building of Daikin Industries, Ltd. received ZEB Ready Distinction Received the Director-General Prize of Agency for Natural Resources and Energy in the energy conservation best practices category at the fiscal 2018 Energy Conservation Grand Prize, Energy Conservation Category for an existing small- and medium-sized building
2019	• A building owned by Anabuki Kosan Inc., for which Daikin provided consulting services, received ZEB Ready Distinction Received the Chairman Prize of Energy Conservation Center, Japan, at the fiscal 2020 Energy Conservation Grand Prize, Energy Conservation Case Category for being the first in Japan to obtain ZEB Ready for a tenanted building
2020	• Esaka Building owned by Daikin Industries, Ltd. received ZEB Ready Distinction In addition to energy conservation, the building received a high score for its health considerations and rank A in the CASBEE-Wellness Office certification
2022	• Daikin HVAC Solution Co., Ltd. (all 10 companies in the Group), which has a network of domestic sales offices, registered as a ZEB planner • The Omiya Office of Daikin HVAC Solution Tokyo Co., Ltd. was recognized as ZEB Ready • Chiba Service Station received Nearly ZEB Distinction
2023	• The Saga Sales Office of Daikin HVAC Solutions Kyushu Co., Ltd. received ZEB Distinction • Kawagoe Service Station received Nearly ZEB Distinction • The Okayama Branch of Daikin HVAC Solutions Chushikoku Co., Ltd. received ZEB Ready Distinction • The headquarters of Daikin HVAC Solutions Tohoku Co., Ltd. received ZEB Ready Distinction
2024	• Sendai Service Station received Nearly ZEB Distinction • The Mito Sales Office of Daikin HVAC Solutions Tokyo Co., Ltd. received ZEB Ready Distinction • The Matsudo Sales Office of Daikin HVAC Solutions Tokyo Co., Ltd. received ZEB Ready Distinction

Environment

Topics

Green Building Support Service Receives Award at the Fiscal 2024 Energy Conservation Grand Prize

Daikin Industries, Ltd.'s Green Building[1] Support Service, a solution for improving the ESG value of existing buildings, received the Director-General's Prize of the Agency for Natural Resources and Energy in the product and business model category at the fiscal 2024 Energy Conservation Grand Prize, sponsored by the Energy Conservation Center, Japan.

The Green Building Support Service assists in the decarbonization of existing buildings and improvement of their ESG ratings through energy-saving diagnosis, air-conditioning upgrades, and subsequent operational improvements. In one typical example where this service was used, energy-saving renovations resulted in a 56%[2] reduction in power consumption and subsequent operational improvements achieved a further 5%[3] reduction.

[1] A building that is managed and operated with consideration for resource efficiency as well as environmental and social responsibilities.
[2] Comparison of energy consumption in buildings before and after ZEB recovery (primary energy consumption [BEI] 0.49). Before: 845,000 kWh / After: 374,000 kWh.
[3] Reduced by upward of 354,000 kWh with the remote energy management service for air conditioning and energy-saving efforts by building owners and tenants.

Green Building Support Service: Solution to Improve the ESG Value of Existing Buildings (available in Japanese only)
https://www.daikincc.com/fcs/service/GBSS/

City-Wide Optimal Energy Management

Daikin is using its technologies in air conditioning, heating and hot water supply to provide energy saving solutions for entire communities in order to resolve energy issues and contribute to sustainable urban development.

In Europe, since first participating in the Smart Communities Project in Greater Manchester, UK, in fiscal 2014, we have gone on to be involved with a decarbonization verification project for home heating in Lisbon, Portugal, along with the Innovation Ecosystem project for the redevelopment of the former site of Expo Milano in Italy, and a smart city demonstration project for renovating detached houses in Genk, Belgium. In Asia, since fiscal 2020, we have been participating in a project for building a district-level centralized cooling system to optimize control for the entire Tengah Town being developed by the Government of Singapore.

Conceptual image of Tengah Town, a smart city in Singapore (planned completion at the end of 2025)

Environment

Environmentally Conscious Products and Services

Daikin will contribute to solving global environmental and energy problems through the spread of its environmentally conscious products and services while providing a healthy and comfortable air environment, as well as contribute to achieving a carbon neutral society.

Environmentally Conscious Product Sales Unit Ratio

In order to mitigate the global warming impact of its air conditioners, Daikin defines its environmentally conscious products* as Super Green Products and Green Products, developing and spreading the use of these products.

In fiscal 2024, environmentally conscious products accounted for 99% of residential air conditioner units sold.

* A generic term that refers to Super Green Products and Green Products.
Air conditioners that meet all of the following conditions are considered Super Green Products, and air conditioners that meet at least one of the following conditions are considered Green Products.
- Consume at least 30% less electricity than conventional products, e.g., air conditioners equipped with inverters
- Use refrigerants with at least two-thirds less global warming potential than conventional refrigerants, e.g., air conditioners using R-32, a refrigerant with low global warming potential

See below for data on the environmentally conscious products sales unit ratio (residential air conditioners)
157_Data_ESG Data_Environment_Mitigating Environmental Impacts in the Value Chain

Air Conditioning Products and Services for Japan

Urusara X Energy Efficient Residential Air Conditioners

The Urusara X of energy efficient residential air conditioners released in 2020 are residential air conditioners capable of heating and cooling while ventilating. In addition to the existing function of providing air supply, ventilation is added as a new feature that can be switched on according to need. By adding functions such as a new high-efficiency dehumidification and control of the upper limit current, this model further improves energy savings and comfort. The 2024 model features a new function that automatically saves power when the room temperature stabilizes.

Residential air conditioner R series Urusara X (available in Japanese only)
https://www.ac.daikin.co.jp/roomaircon/products/r_series

FIVE STAR ZEAs Series of Air Conditioners for Shops and Offices

The SkyAir series of air conditioners for shops and offices uses R-32 refrigerant with low global warming potential and reduces energy consumption during operation. FIVE STAR ZEAS, which was released in October 2023, has the industry's best-in-class[1] year-round energy consumption efficiency (annual performance factor: APF), reducing power consumption by up to approximately 63%[2] compared to inverter models from 15 years ago.

[1] Daikin research as of August 1, 2023
[2] Estimated by Daikin: Comparison between Daikin's inverter product (SYCP112AB, launched in 2008) and the new model (SSRC112C)

Commercial air conditioners SkyAir series FIVE STAR ZEAS (available in Japanese only)
https://www.ac.daikin.co.jp/shopoffice/products/fivestarzeas

Topics

Daikin Products Receive Two ECCJ Chairman's Awards at the Fiscal 2024 Energy Conservation Grand Prize

Daikin products were recognized with two Energy Conservation Center, Japan Chairman's Awards in the product and business model category at the fiscal 2024 Energy Conservation Grand Prize, sponsored by the Energy Conservation Center, Japan.

AIRNET Service System Remote Monitoring Service for Commercial Air Conditioners

The AIRNET Service System delivers both energy savings and comfort by automatically controlling air conditioners remotely. AI is used to predict the heat load for each room based on the air conditioner's operating data and weather and solar radiation information on the cloud, helping to maintain a comfortable indoor environment with efficient operation. In 30 demonstration experiments in Japan and overseas, AIRNET Service System reduced power consumption up to approximately 20%* throughout the year.

* Verification results for one year (cooling/heating) in an office building (compared to our multi-split type air conditioners for commercial buildings sold after 2015).

AIRNET Service System Remote Monitoring Service for Commercial Air Conditioner (available in Japanese only)
https://www.daikincc.com/fcs/service/airnet/

FMACS-VI (M) Air Conditioner for ICT Equipment

FMACS-VI (M) is a year-round cooling type air conditioner for ICT equipment jointly developed with NTT Facilities, Inc. and released in January 2024, with the aim of contributing to carbon neutrality. By adopting R-32 refrigerant with low global warming potential and utilizing Daikin's unique high-efficiency turbo fan, IPM motor, and airflow analysis technology, FMACS-VI (M) consumes around 20% less power annually compared to conventional models.

Note: FMACS is a registered trademark of NTT Facilities Inc.

FMACS-VI (M) indoor unit

Environment

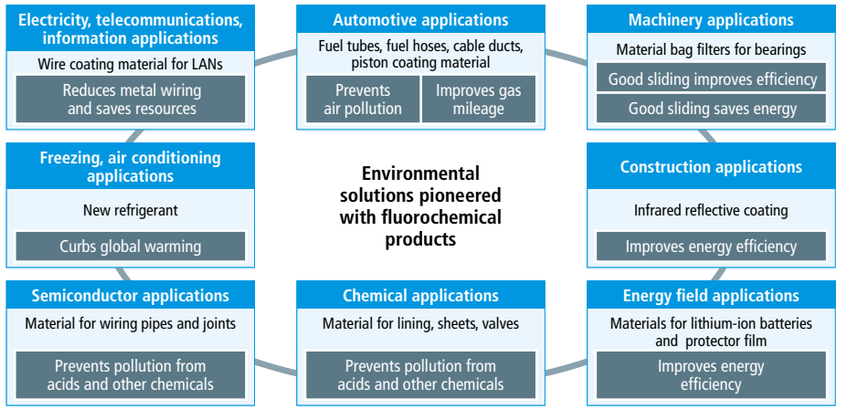
Fluorochemical Products

Fluorine Materials Help to Mitigate Environmental Impacts in a Range of Areas

Daikin proposes materials that contribute not only to performance but also to improved functions of components and modules. Fluorine mainly bonds with carbon atoms to form compounds that are highly stable with the ability to resist heat and repel chemicals and that offer unique qualities such as smoothness and electrical characteristics. Daikin engages in R&D of products that capitalize on the characteristics of fluorine in a variety of fields, thereby contributing to the reduction of environmental impact and environmental conservation.

Daikin's Solutions
https://www.daikinchemicals.com/solutions.html

Environmental Solutions Pioneered with Fluorochemical Products



Helping Improve the Performance of Lithium-Ion Batteries

Lithium-ion batteries are attracting attention as a renewable energy storage system that is indispensable for achieving carbon neutrality. Daikin supplies gasket and binder materials that utilize the characteristics of fluorine for use in lithium-ion batteries, helping to increase their capacity.

Oil Hydraulic Equipment

EcoRich Energy-Efficient Hydraulic Unit

Hydraulic units are incorporated into factory production lines. EcoRich was developed in 1999 and was the world's first product to combine hydraulics technology and air conditioner motor inverter technology. Later, in 2016, the product underwent a model change. Among its many features were a 30% decrease in energy consumption over the previous model. For the new model released in fiscal 2024, we used a newly installed sensor to determine the deterioration state of hydraulic oil, helping to improve productivity by preventing equipment and machinery stoppages.

Energy-Efficient Hydraulic Super Unit

Super Unit automatically controls the rotation speed of the pump according to the operating conditions to achieve energy savings during pressure holing mode and standby. These units are used in a wide range of industrial machinery, where they contribute greatly to energy saving and CO_2 reduction in factories.

Oil Cooling Units

In machine tools, Daikin's Oil Cooling Unit makes possible detailed temperature control of the lubricating and cooling oil, which has a major effect on the precision of the work. Daikin's 9 Series Oil Cooling Unit allows temperature adjustment to ±0.1°C, offering 45% greater energy efficiency than conventional on/off controllers. Since 2020, we have been selling the 10 series, which is smaller and lighter weight. In fiscal 2024, we began selling a new series, which uses R-32 refrigerant with low global warming potential and reduces power consumption by 10% compared to the 10 Series.

We have also developed water-cooled oil conditioners, Rakufil filters that extend the life of our products, and products for overseas export, which allows us to gradually expand our lineup.

Oil Hydraulics
https://www.hyd.daikin.com/

Environment

Response to Climate Change

Promoting the Use of Heat Pump Space and Water Heaters

Basic Policy

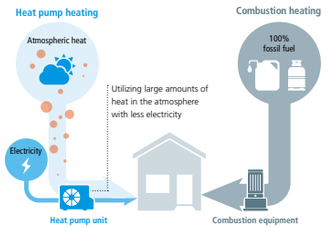
In recent years, growing environmental awareness has led to the spread of highly energy-efficient space and water heaters. In Europe in particular, which has a relatively cold climate, space and water heaters account for approximately 80% of household energy consumption, thus there is an ongoing shift from conventional combustion-heat source equipment to heat pump heating that emits less CO_2. Daikin is engaged in the development and promotion of water heaters and space heaters using highly energy-efficient heat pump technology while striving to increase comfort and reduce CO_2 emissions.

Explanation of Terms

Heat Pump Technology

The heat pump system is a technology that cools the air and heats water by extracting the heat stored in the air. Compared to carrying out space and water heating using methods in which fossil fuels such as gas, oil, and coal are directly burned, heat pump systems greatly reduce CO_2 emissions.

Heat Pump Heating and Combustion Heating Mechanisms



Heat Pump (available in Japanese only)
https://www.daikin.co.jp/air/technology/our-technology/heatpump

Initiatives to Promote the Spread of Heat Pumps

Bringing More CO_2-Reducing Heat Pump Space and Water Heaters to the European Market

Policies on the use of renewable energy have been promoted in Europe since the late 1990s. In January 2009, the heat pump was recognized in the EU as technology that captures renewable energy and heat pump heaters are being recommended as part of this target. In Europe, which uses a particularly large amount of heating, decarbonization efforts are accelerating with the European Green Deal of 2019 and other initiatives. As the EU works to achieve carbon neutrality by 2050, the market for heat pump space and water heaters is expected to expand as an alternative heating method to gas boilers.

Daikin released Daikin Altherma, a heat pump space and water heater, in Europe in 2006. Our goal is to supply and spread products suited to the climate and needs of each country, at affordable prices to many consumers, including installation work.

Moreover, as a leader in the European market, we are working with local governments and vocational schools to develop human resources for service operations such as installation and maintenance.

Product Lineup of Heat Pump Space and Water Heaters in Europe

Time	Details of activities
2006	Launch of Daikin Altherma heat pump space and water heater in the European market
2013	Began technical examination at Daikin Asahikawa Laboratory (Asahikawa, Hokkaido) to develop a system adaptable to cold climates worldwide
2014	Sales of hybrid products combining heat pumps and boilers for extremely cold regions
2018	First in the industry to release models using R-32, a refrigerant with low global warming impact
2019	Development of an R-32 geothermal heat source type suited to cold regions
2020	Released Daikin Altherma 3H HT, an R-32 high temperature discharge type that can replace oil-fired boilers in existing building markets
2025	Launched Daikin Altherma 4H, which uses the low global warming potential refrigerant R-290

Daikin Altherma heat pump space and water heater for the European market

Feature of Fiscal 2022: Environment—Contributing to a Carbon-Neutral Society by Promoting Heat Pump Heating
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/feature2022/env-pdf.pdf

Environment

Increase Proposals of Heat Pump Space and Water Heaters in the North American Market

In North America, mainstream air conditioners are the ducted type, which has ducts that run through the ceilings and sends air to an entire building from an indoor unit. The majority use gas furnace as the heat source, while the ratio of heat pumps in the market is about 30%. Amidst this background, in 2021, the US government announced an environmental policy that aims to achieve net-zero greenhouse gas emissions. In August 2022, the United States enacted the Inflation Reduction Act (IRA), providing rebates to consumers who purchase heat pumps to electrify their home instead of space and water heating with gas and oil. The rebate program is run at the state level. Since heat pumps account for an increasing proportion of air conditioner shipments in the United States, Daikin will focus its efforts on proposing and promoting products using heat pumps. In particular, we have initiated activities to promote understanding of heat pumps on the West Coast and in Northeastern states that are environmentally advanced.

The Daikin FIT Heat Pump, a residential heat pump for the unitary market sold in North America

Supported the Introduction of California's Heat Pump Adoption Target

The state of California in the United States has set a target to deploy six million heat pump units statewide by 2030. In response, Daikin announced in October 2023 that it would significantly increase its supply of inverter-type heat pumps to one million units. In May 2024, Daikin also announced five commitments outlining specific actions. Going forward, Daikin will work closer with California to achieve its target.

Daikin Announces Five Commitments to Accelerate California's Goal of Deploying Six Million Heat Pumps by 2030

https://www.daikin.com/press/2024/20240531

Promoting Residential Water Heaters and Floor Heaters in Japan

In Japan, water heaters account for about 30% of all residential electricity consumption, thus there is a need to switch over to systems with minimal environmental impact to control global warming.

Daikin's heat pump technology is incorporated into ECOCUTE heat pump water heaters and Hot Eco-Floor heat pump hot-water floor heaters. We have continued to update models to improve energy savings, such as by incorporating the ability to communicate with a home energy management system (HEMS), and promoting the use of renewable energy. On the other hand, we have commercialized heat pump units for replacement use that can be partially upgraded.

In fiscal 2023, we launched "Hot Eco Floor" in February 2024, which improves energy efficiency and comfort by changing the water flow temperature according to a home's energy saving performance and the purpose of replacement.

In fiscal 2024, we launched a new EcoCute model in September 2024 that improves the annual performance factor (APF) by up to 0.2 points compared to the previous model through improvements made to the insulation of the hot water storage tank.

Spreading Heat Pumps in Japan's Commercial Market

In Japan, we are marketing space and water heaters for the commercial market as well using highly energy efficient heat pump technology. For example, we began selling a new model of the commercial heat pump water heating system (MEGA-Q) for large-scale facilities such as hotels and welfare facilities.

Additionally, we commercialized and launched JIZAI HEAT, an industrial high-temperature water-output heat pump chiller that we developed as a carbon neutral measure for our own production plants. JIZAI HEAT is a circulating heating heat pump that supplies high-temperature water up to 80°C to factory production processes. It can be used for processes such as drying, heating, concentrated distillation. By replacing combustion-type steam boilers and hot water heaters with this product, CO_2 emissions and fuel costs can be significantly reduced. After introducing the system to the coating line at Sakai Plant's Rinkai Factory, we reduced annual CO_2 emissions by approximately 86%.* In fiscal 2024, in addition to our own Rinkai Factory, we have also installed three JIZAI HEAT units on the cleaning line at our Shiga Plant, and have begun test operations to make the plant completely boiler-free. Furthermore, we added an option to JIZAI HEAT that increases the maximum output temperature to 90°C. By enabling it to handle higher temperatures, JIZAI HEAT can more widely meet the demand for boiler replacement.

* Estimated annual CO_2 emissions and running costs based on measured data from November 2022 to March 31, 2023.

JIZAI HEAT installed at the Rinkai Factory

JIZAI HEAT circulating heating heat pump (heating model) (available in Japanese only)

https://www.ac.daikin.co.jp/central/chiller/jizai_heat

Environment

Response to Climate Change

Reducing the Environmental Impacts of Refrigerants

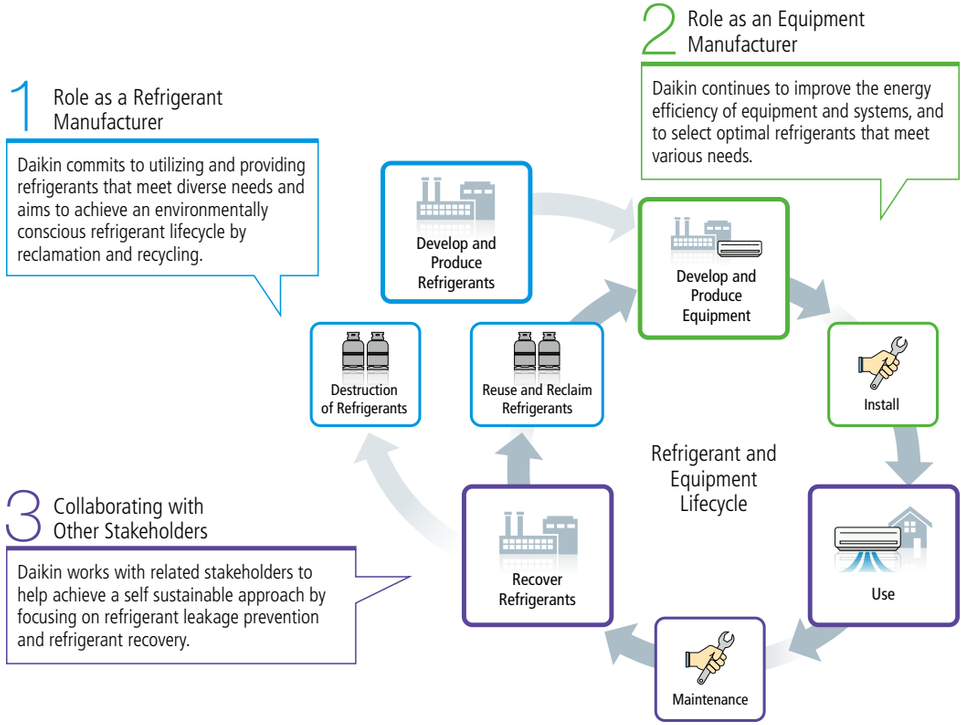
Reducing Environmental Impact of Refrigerants Throughout the Entire Life Cycle

The fluorocarbons used as refrigerants in air conditioners have a global warming impact that is several hundred to several thousand times greater than that of CO_2.

Daikin is the only comprehensive air conditioner manufacturer developing both refrigerants and air conditioners and engaging in the recovery, recycle, reclamation and destruction of refrigerants. In addition to disseminating lower-global-warming-impact refrigerants worldwide, we strictly manage refrigerants, from inspections and leak prevention and detection to recovery, recycle, reclamation, and destruction, so that we can mitigate environmental impacts throughout the entire life cycle.

At all worldwide manufacturing bases, we recover and destroy refrigerants placed in air conditioners during testing and other processes. We ensure thorough recovery of refrigerants by making sure that service engineers recover the refrigerant before conducting any service work at the time of air conditioner repair and replacement, as well as strive to improve our technique in air conditioner installation to prevent refrigerant leakage during product use.

Daikin's Action on Refrigerant and Goals



Please see below for our efforts with stakeholders to recover, recycle, reclaim, and destroy refrigerants.

058 Environment Circular Economy Building a Refrigerant Eco-Cycle

Environment

Approach to Refrigerant Selection

Selecting Refrigerants Using a Holistic Perspective

The refrigerant conveys the heat between the indoor unit and the outdoor unit of air conditioners. Although HFC, the most widely used refrigerant in developed countries, has zero ozone depletion potential, it affects global warming if released into the atmosphere.

Daikin is accelerating the practical use of air conditioners that use refrigerants with as little impact as possible on global warming. In the selection of refrigerants, we focus not only on their direct effect on global warming but also on their effects throughout the life cycle, including energy efficiency during air conditioner use. We make decisions based on all contributing factors; besides the environmental impact of the refrigerant itself, we conduct life cycle assessments of products that look at safety factors such as flammability and toxicity, the cost and availability of the refrigerant, and the expense of producing air conditioners that use the refrigerant.

Daikin's View: Evaluation Index of Refrigerant Selection (common for all applications)

Selecting the Appropriate Refrigerant for Each Application

Different characteristics are required of refrigerants, depending on whether they are used in, for example, residential or commercial air conditioners, water and space heaters, or refrigeration equipment. That is why we have spent years conducting research that will enable the selection of refrigerant that is ideal for each application. We have so far conducted research on all types of next-generation refrigerants such as natural refrigerants and HFC and HFO refrigerants, and have considered their application in products.

Using the knowledge we have built up, we are providing information worldwide at events such as international conferences, academic conferences, and exhibitions, as well as through research paper presentations, on the global warming impact of refrigerants and measures against it.

Daikin's Direction for Mainstream Refrigerants

Residential		Commercial, Industrial	
Residential Air Conditioners and Heat Pumps	**VRF Systems**	**Refrigeration Systems**
R-32	R-32	R-32, R-407H, HFOs, HFO blends, CO_2, Hydrocarbon
Residential Hot Water Supply Systems	**Commercial Air Conditioners and Heat Pumps**	**Chillers and Heat Pumps**
R-32, CO_2	R-32	R-32, R-1234ze(E), R-1233zd(E), Other HFOs, HFO blends

Environment

Shifting to Refrigerants with Lower Environmental Impacts

Switching to Alternative Refrigerants that Do Not Deplete the Ozone Layer

In the 1980s, HCFCs used to be the most commonly used refrigerant, but experts suspected it was depleting the ozone layer, so under the Montreal Protocol adopted in 1987, developed nations agreed to phase out its production in developed countries by 2020. Daikin has for years worked to mitigate ozone layer destruction by developing alternative refrigerants. In 1991, we began the first mass-production of HFC in Japan, a refrigerant with zero ozone depletion potential. We developed and began selling air conditioners that use HFC as the refrigerant in 1995.

Response to the Kigali Amendment

In 2016, at the 28th Meeting of the Parties to the Montreal Protocol, members voted to phase down the CO_2 equivalent total of HFCs, which have a high global warming potential (GWP). This decision is called the Kigali Amendment, named after the city of Kigali where the conference was held. The Amendment came into effect on January 1, 2019.

A major point of the Kigali Amendment is that it is not meant to phase out HCFCs based on their ozone depletion potential (ODP) but rather phase down the production and consumption of HFCs based on their GWP value. The amount of HFC will not be restricted but rather reduced in terms of total GWP of CO_2 equivalent (weight of HFC in Kg x GWP value). By using lower GWP HFCs, it is possible to maintain or increase the amount of HFC used while reducing the overall global warming impact. In enacting the Kigali Amendment, developed countries are implementing reductions based on the common phasedown schedule starting in 2019. Developing countries are divided into two groups, with the first group scheduled to start the regulations in 2024 and the second group in 2028.

Upon the introduction of new refrigerants, the Amendment requires an increase in efficiency of air conditioners in addition to a phasing down of HFCs in terms of total GWP.

Daikin is pursuing the following measures in response to the Kigali Amendment.

1. Daikin welcomes the Kigali Agreement for an HFC phase down in CO_2 equivalent under the Montreal Protocol.

2. The main tenet of Daikin's policy is "diversity of refrigerants." And there is no ideal "one-size-fits-all" refrigerant solution for all applications. In the selection of refrigerants, we need to evaluate global warming impacts comprehensively and throughout the product life cycle such as not only the ODP and GWP value but also safety, energy efficiency, cost-effectiveness, environmental impact, recyclability, and recoverability.

3. Daikin has identified R-32 as a very beneficial refrigerant for single and multi-split air conditioners, packaged air conditioners and heat pumps. Daikin believes that the transition to R-32 will help to meet both the HFC phase down schedule and the HCFC phase out schedule. Daikin is now in the process of researching suitable refrigerants for other applications.

4. To mitigate future global climate change, it is important to take a "Sooner the Better" approach. Early implementation is a key to further reducing future impact. As soon as the most balanced and feasible solution for an application is found, Daikin will commercialize and disseminate the technology to contribute to the efforts to mitigate global climate change.

5. Also, while taking a "Sooner the Better" approach, as a refrigerant manufacturer, Daikin will continue to seek the "optimal refrigerant" for every type of application for further mitigation of global climate change.

Environment

Actively Adopting and Promoting the Spread of Refrigerants with Lower Global Warming Potential

Promoting the Use of R-32, a Refrigerant with Lower Global Warming Potential

In November 2012, Daikin became the first company in the world to launch residential air conditioners using R-32 (HFC) for the Japanese market; R-32 has just one-third the global warming potential of conventional R-410A (HFC) refrigerant. Since then, we have been expanding these R-32 air conditioners into the residential and commercial markets in other countries.

To encourage the adoption of R-32 globally and to help mitigate global warming, Daikin began offering patents related to the manufacture and sales of air conditioners that use R-32 free of charge to companies worldwide.

In addition, Daikin provides technical support in emerging countries by cooperating with governments and international organizations. We provide information and technical support on the impact and countermeasures in relation to refrigerants and global warming. For example, in India, Thailand, and Malaysia, we held seminars for government officials and local industry groups to promote understanding of R-32, and training for local air-conditioning installation and service technicians on the appropriate handling of R-32. In Mexico and Brazil, Daikin was commissioned by the Japan International Cooperation Agency (JICA) to implement projects to spread the use of air conditioners with R-32 refrigerant.

Cumulative Total of R-32 Air Conditioners Sold by Daikin (As of March 2025)

Over **58** million air conditioners sold worldwide

(Approx. 20.7 million in Japan and 37.3 million overseas)

As a result, Daikin has sold more than 58 million R-32 residential air conditioners worldwide. It is estimated that, including the products of other companies, the worldwide R-32 air conditioner market exceeds 370 million units, whose contribution to CO_2 emissions reduction is estimated at 590 million tons (calculated by Daikin as of March 2025).

Refrigeration Products Using Natural Refrigerants

In the refrigeration divisions, Daikin supplies specialized equipment that can control temperature according to highly detailed requirements, such as for marine containers, production lines at food factories, cold storage warehouses, and display cases for retail stores.

Refrigeration products that support the global cold chain from production area to consumer area require the right refrigerant for the right product because of the wide range of applications and temperature ranges.

Daikin began selling a freezing display case that uses R-290 with single-digit global warming potential in 2019. Following the adoption of CO_2 with a global warming potential of 1 in the Conveni-Pack, an integrated system that performs refrigeration, air conditioning, and heating all in a single unit, in 2020, we have been promoting the use of natural refrigerants mainly in Europe, including the launch of a R-290 inverter monoblock refrigeration unit and CO_2 condensing unit

Initiatives During Production and Installation

Prevention of Leaks During Refrigerant Manufacturing

The chemical division's refrigerant production process generates refrigerant products and by-products. We are gradually installing recovery equipment in the production process and properly destroying the recovered by-products. We also take the fluorite generated during the destruction process and reuse it as raw material for the production of refrigerant and fluorochemical products. In fiscal 2022, we began full-scale operation of a new incinerator at the Kashima Plant, increasing our refrigerant destruction capacity.

Prevention of Refrigerant Leaks During Air Conditioner Manufacturing

We strive to reduce the rate of refrigerant leaks in the air conditioner production process at our bases around the world. Certified workers thoroughly inspect for refrigerant leaks three times based on the work instruction manual. We also provide pertinent training to workers every year.

In the refrigerant charging process, we are improving the pipe couplers (joints) that connect the charging tool to the product, and adding a mechanism to recover refrigerant remaining inside the tool. We completed the addition of refrigerant recovery systems at our domestic residential air conditioner production lines by the end of fiscal 2024. By controlling refrigerant emissions from the process, we have reduced annual greenhouse gas emissions by approximately 760 tons.

Recovering refrigerant in the production process

Technical Development to Control Leaks

To connect the copper piping of the outdoor unit and indoor unit, flaring is generally used to expand the copper piping into a trumpet shape. However, flaring requires advanced construction techniques. Daikin developed a mechanical joint that does not require flaring because refrigerant may leak without it. This joint is now being used on its products, helping to stabilize the quality of installation work.

We are also developing technology for leak detection. We provide a service that remotely monitors the operating status of air conditioning equipment, and in the unlikely event of a leak, detects the leak quickly and notifies the administrator by email. We also implement leak prevention measures for our own research and development equipment, such as refrigeration units.

Environment

Initiatives in Manufacturing (Development and Production) and Offices

Basic Policy

The proportion of greenhouse gases emitted from development and production processes and offices is small. Since we can control these emissions, we have set a target for zero emissions. In development and production processes, we will bring forward our targets from 2050 to achieve net-zero GHG emissions by 2030 at all plants except chemical plants, and at our offices of all global bases also by 2030.

Initiatives in Development and Production Processes

Initiatives for Net-Zero Greenhouse Gas Emissions

Based on the following approach, Daikin aims to achieve net-zero GHG emissions by 2030 at all of its plants, except chemical plants. We will implement thorough energy-saving measures, reduce HFCs/PFCs and energy-induced emissions, and develop new energy-saving technologies. Also, we will promote energy creation and the greater introduction of renewable energy.

As of June 2025, Rinkai Factory at Sakai Plant, Daikin Air Conditioning (Shanghai) Co., Ltd., and Daikin Rexxam Electronics (Japan) Ltd. have achieved net-zero greenhouse gas emissions.

Initiatives to Reduce Greenhouse Gas Emissions at Plants

- Reduce HFC/PFC emissions in development and production processes
- Reduce energy-induced CO_2 emissions in development and production processes
- Develop new technologies for the conversion of combustion-type manufacturing facilities to industrial heat pump type or hydrogen-fuelled
- Expand the introduction of energy creation and renewable energy

029 Feature 3 Working Toward Carbon Neutrality in Manufacturing

Reducing Greenhouse Gas Emissions

Daikin emits three kinds of greenhouse gases during development and production processes: CO_2 from energy use, fluorocarbons, and non-energy CO_2 from limestone. We have set a goal for reducing greenhouse gas emissions during the product development and production processes in fiscal 2025 to 1.1 million tons-CO_2 (17% reduction in comparison to fiscal 2019).

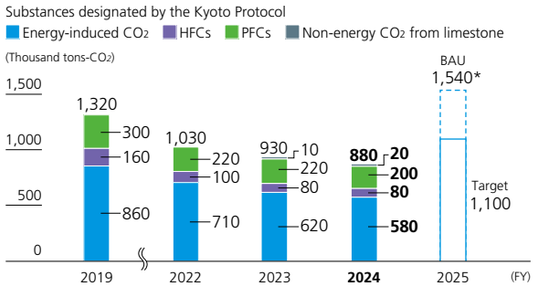
In fiscal 2024, our greenhouse gas emissions totaled 0.88 million tons-CO_2 (33% reduction in comparison to fiscal 2019) after we expanded purchasing of renewable energy. With regard to fluorocarbons, we focused on reducing the atmospheric emissions of HFCs during refrigerant charging in the air conditioning divisions and PFCs used as solvents in the chemicals divisions.

177 Data Third-Party Verification Method of Calculating Greenhouse Gas Emissions Data

See below for greenhouse gas emissions-related data

159 Data ESG Data Environment Reducing Environmental Impacts of Business Activities

Greenhouse Gas Emissions (During Development and Production)



* Predicted values for fiscal 2021 and onward assuming no measures are taken.

Note: In accordance with the revision of the Act on Promotion of Global Warming Countermeasures in April 2023, we have added non-energy CO_2 emissions from limestone from fiscal 2023.

Environment

Reducing Energy-Induced CO_2

We are using IoT to visualize and reduce energy consumption, introduce high-efficiency equipment, install solar panels, and purchase green electricity at our bases around the world. Also, we have continued to take a systematic approach to reduce energy-induced CO_2 emissions by improving energy efficiency during development and production processes.

As a result, in fiscal 2024, CO_2 emissions totaled 0.58 million tons-CO_2. We have made considerable progress in the installation of solar panels at our plants in China and Malaysia, and also in strengthening PFC recovery efforts at the chemicals division's plants.

Promoting Energy-Saving Measures Through Technological Development

As one of the energy-saving measures at our production bases, we are also focusing on the development of energy-saving technologies. We are developing recent technologies, such as encouraging the switch to electrified products, such as to heat pumps from LP gas and electric heaters.

For example, JIZAI HEAT, an industrial high temperature water-output heat pump chiller, can significantly reduce not only CO_2 emissions but also fuel costs by replacing conventional combustion-type steam boilers and hot water heaters.

JIZAI HEAT circulating heating heat pump (heating model) (available in Japanese only)

https://www.ac.daikin.co.jp/central/chiller/jizai_heat

Using Renewable Energy

Daikin is working to expand the use of renewable energy such as solar, wind, and hydro powers with the target of increasing the rate of global renewable energy usage to 10% out of all energy consumption at Daikin's manufacturing bases in 2025.

Daikin's development and manufacturing bases in Japan and overseas, including at the Technology and Innovation Center (TIC), generated an annual total of 47,974 MWh of electricity through solar power generation in fiscal 2024, which is equivalent to CO_2 emission reductions of around 26,000 tons-CO_2 (estimated by Daikin). Globally, we have increased the share of renewable energy to 35%, beating the target of 10%. In fiscal 2024, we made considerable progress in the installation of solar panels at our plants in China and Malaysia. In China, we plan to introduce solar power generation systems at all of our air conditioning plants by 2025.

Daikin Compounding Italy S.p.A. introduced solar power generation system at its factory

Initiatives in Offices

Daikin aims to achieve net-zero GHG emissions at all of its bases around the world by 2030. In addition to reducing resource use and raising awareness through Green Heart Office activities, we are promoting energy conservation by converting buildings to ZEB and upgrading to high-efficiency equipment. We are also promoting energy creation through the introduction of solar power generation, degasification, switching company-owned vehicles to EVs, and conversion to non-fossil electricity.

See below for Daikin's track record in ZEB.

042 Environment Response to Climate Change Power Consumption Reductions during Product Use

Green Building Certification

Daikin has been busy working toward green building certification at its worldwide bases with facilities whose design, construction, and operation are in harmony with the environment and society. In fiscal 2016, the Technology and Innovation Center earned LEED® Platinum certification. It has also earned the highest certification (S class) in Comprehensive Assessment System for Built Environment Efficiency (CASBEE) (current Institute for Built Environment and Carbon Neutral for SDGs [IBECs]).

Daikin Australia's current office is certified by NABERS as five out of six stars. In fiscal 2024, the Suzhou Device Development Center received LEED® Platinum certification and three-star status, the highest level of the Green Building Design Label.

Daikin Air Conditioning Vietnam's new office, which is scheduled to be completed in October 2025, plans to obtain LEED®, WELL, and Platinum certification by LOTUS, Vietnam's green building certification regime.

Initiatives in Logistics Processes

We have set a goal to reduce CO_2 emissions in logistics processes (transportation, packaging and warehousing). In fiscal 2024, these emissions reduction totaled 1,970 tons-CO_2 compared to our target of 1,000 tons-CO_2. We are now promoting expanded modal shift and switching transport methods from trucks to freight trains and ferries. In fiscal 2024, our modal shift transition rate stood at 25%.

In fiscal 2024, we expanded cargo transport volume by ferry from our plants in the Kansai region to the Kyushu region by two times compared to the previous fiscal year. We also promoted the introduction of double-articulated trucks for land transport. At a new plant of Daikin Airconditioning Mexico, S. de R.L. de C.V., the pallet size was modified, improving loading efficiency by 40% and enhancing transportation efficiency.

Environment

Initiatives for a Decarbonized Society

Basic Policy

Realizing a carbon-neutral society requires a multifaceted approach. Daikin will explore and commercialize technologies for decarbonization, such as renewable energy, direct recovery of CO_2 from the atmosphere, and the development of recycling-oriented systems.

Examples of Initiatives

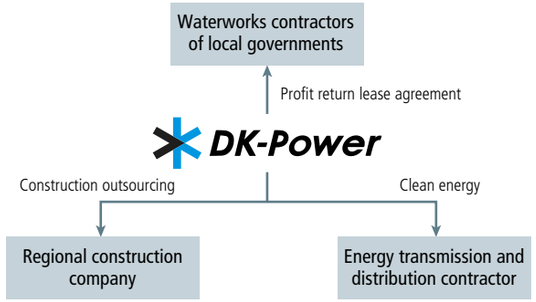
Creating Energy with Micro-Hydroelectric Power Generation

Daikin proposes micro-hydroelectric power generation systems for vertical pipes using its air conditioning and hydraulic machinery technologies to local governments. The system uses water flow from rivers, water supply and sewerage systems, and other sources to generate energy without emitting CO_2 during the power generation process. It is small and low-cost, and can be installed in large numbers even near urban areas. DK-Power, Ltd., a Group company that operates the business, installs the system at water facilities owned by local governments, manages and operates it, and sells the electricity generated.

As of March 31, 2025, these systems have been installed at a total of 60 locations nationwide in Japan, generating 47,000 MWh of electricity and reducing CO_2 emissions by 21,300 tons-CO_2. This is approximately equivalent to the electricity generated by our single plant in Japan.

DK-Power, Ltd. (available in Japanese only)
https://www.dk-power.co.jp/

Business Model Using Micro-Hydroelectric Power Generation System



Recycling CO_2 into Raw Material for Synthetic Resins

Daikin Industries, Ltd. and Doshisha University have discovered that carbide can be synthesized from CO_2 by molten salt electrolysis. Acetylene can be produced by reacting carbide with water. Since acetylene is used as a raw material for synthetic resins and for welding metals, this process is expected to result in material recycling from CO_2.

Molten salt electrolysis is a method of electrolysis in high-temperature molten salt.* Through joint research between the two parties, Daikin Industries, Ltd. and Doshisha University demonstrated that carbide can be synthesized with electrolysis by adding CO_2 to molten salt with a specific formulation. The results were announced by both parties in November 2023. In the future, we aim to contribute to the reduction of CO_2 emitted into the atmosphere by utilizing this technology in thermal power plants and steel mills, which emit large amounts of CO_2. In the future, we will continue to conduct research on manufacturing processes and engineering for social implementation.

* A solid of ionic crystals of salts and oxides is heated to a high temperature and melted into a liquid.

Demonstration of the reuse of CO_2 as acetylene by molten salt electrolysis (available in Japanese only)
https://www.daikin.co.jp/press/2023/20231115

Topics

Investment in New Fund Established by Breakthrough Energy Venture

In April 2024, Daikin Industries, Ltd. invested in Breakthrough Energy Ventures Select Fund I, a new venture capital fund established by Breakthrough Energy Ventures (BEV).* This fund supports the social implementation of environmental technologies of startup companies aimed at achieving carbon neutrality. Through our investment in BEV, we aim to strengthen our research structure in climate tech and deepen collaboration with cutting-edge startup companies.

* A venture capital fund under Breakthrough Energy, which was established by Microsoft founder Bill Gates.

Daikin Invests in Breakthrough Energy Ventures' New Fund to Accelerate Realization of Net-Zero Society
https://www.daikin.com/press/2024/20240425

Environment

Circular Economy

Initiatives for a Circular Economy

Basic Policy

Amid growing concerns about resource depletion and waste problems, the world faces the challenge of moving away from mass production and mass consumption. This necessitates transitioning to a circular economy that creates economic value on the premise that products and raw materials are not simply disposed of as waste.

As a manufacturer of air conditioners, Daikin makes use of a large number of resources such as copper and aluminum. In addition, the refrigerant used for air conditioning is made from fluorite, which is a rare mineral. We believe that working toward a circular economy is not only our responsibility, but also a business opportunity to make a leap forward. Daikin strives to reduce and recycle resources and improve the recyclability of its products. In this context, we place the highest priority on building a system for the recovery, recycle, and reclamation of refrigerants, which are indispensable for our main products of air conditioners.

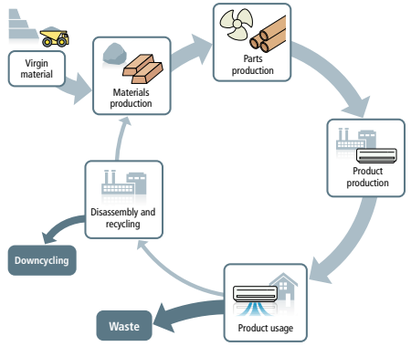
What Daikin Aspires For

Daikin will always carry out all of its business activities in consideration of circularity throughout the value chain, from the procurement of raw materials to the design and production of products, usage by customers, and final disposal.

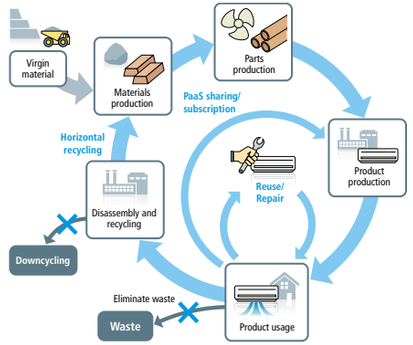
In supplying products and services, we will accelerate development and design based on the premise of resource conservation and recycling. We will promote the use of recycled materials, design products that are easy to recycle, and use subscription- and sharing-based services. Building out a collection network for products that have reached the end of their life is also indispensable for resource recycling. We aim to build a collection system not only for Daikin but also for the entire society together with industry. In addition to reducing waste, we will also work to improve our technology from downcycling[1] to horizontal recycling[2] so that resources can be used effectively for as long as possible.

[1] Recycling in which used products and their components are transformed into products with a lesser value than their original product.
[2] Recycling in which used products and their components are transformed into resources, which are then used to produce the same product with the same value.

Conventional Flow



Circular Economy Flow



Stakeholder Engagement

Daikin is participating in the formulation of the Global Circularity Protocol for Business (GCP), led by the World Business Council for Sustainable Development (WBCSD) and the United Nations Environment Programme (UNEP). The GCP is a corporate information disclosure framework aimed at realizing a circular economy. By providing a framework for measuring and managing corporate circularity, the GCP aims to accelerate the transition to a circular economy in a way that contributes to solutions to social challenges such as decarbonization.

130 Social Stakeholder Engagement Participation in Initiatives

Environment

Circular Economy

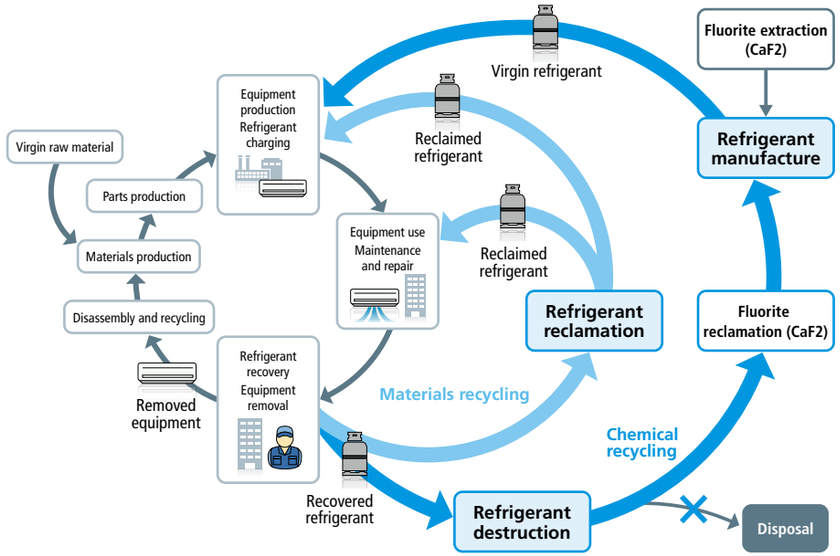
Building a Refrigerant Eco-Cycle

Basic Policy

Lifecycle Refrigerant Management (LRM) is garnering attention around the world for its importance in terms of reducing greenhouse gas emissions, recycling resources, and ensuring a stable supply of refrigerants. LRM refers to the responsible management of refrigerants used in air conditioners and refrigerating machines throughout their life cycle, from manufacture, charging, operation, maintenance, and recovery and reuse of refrigerants at the end of life, to destruction.

As a manufacturer of both equipment and refrigerants, Daikin believes it has a social responsibility to implement and spread LRM. Toward this end, we are promoting the establishment of a refrigerant eco-cycle (recovery, reclamation, and destruction) that forms a focal point of LRM.

Refrigerant Eco-Cycle



Establishing a Refrigerant Eco-Cycle in Japan

Japan already has a system in place for refrigerant recovery. Therefore, under this system, we aim to prevent leakage during air conditioner use, improve the national refrigerant recovery rate, increase the amount of reclaimed refrigerant, and efficiently implement LRM utilizing data.

Managing Refrigerant Leaks in Air Conditioners

Since April 2015, Japan has strict, mandatory guidelines on managing refrigerant leakages in place for users and managers of commercial air conditioners under the Act on Rational Use and Proper Management of Fluorocarbons. In response, in October 2015, we began offering the free cloud-based service Daikin Fluorocarbon Check Tool (Dfct) that can inspect and manage commercial air conditioners compliant with the Act. Daikin Industries, Ltd. has operated and managed all equipment in-house using Dfct since fiscal 2018.

We have also developed technology to remotely detect refrigerant leaks, and incorporated a remote leak detection function into the Assinet Service, which supports the management of commercial air conditioning equipment, and the AIRNET Service System, which monitors the operating status. These can be linked to Dfct, and in the unlikely event that a refrigerant leak is detected, the administrator is notified by email. This remote leak detection function has been recognized as a statutory simple inspection method since fiscal 2022.

Daikin Fluorocarbon Check Tool (Dfct) (available in Japanese only)
https://dfct.daikinaircon.com/

Assisnet Service (available in Japanese only)
https://www.daikincc.com/fcs/service/assisnet_service/

AIRNET Service System (available in Japanese only)
https://www.daikincc.com/fcs/service/airnet/

Environment

Proper Treatment of Recovered Refrigerants at the Yodogawa Plant

At Daikin's Yodogawa Plant, recovered refrigerants are destroyed and the reclaimed fluorite obtained during this process is used as a valuable resource to make refrigerants and raw materials for fluorochemical products.

In December 2023, we established a new fluorocarbon reclamation facility at the Yodogawa Plant and obtained a license as a Class 1 Fluorocarbon Reclamation Business Operator. This has enabled us to reclaim materials into reclaimed refrigerants, which has a lower environmental impact than chemical recycling, and contribute to improving Japan's reclaimed refrigerant supply capacity. We have established an efficient system that can perform reclamation of recovered refrigerants (and destruction of refrigerants that cannot be recycled). In fiscal 2024, the facility reclaimed 31 tons of recovered refrigerants.

Fluorocarbon reclamation equipment

Reclaimed fluorite

LRM Data Network System

We have built an LRM data network system that can centrally manage information on the entire process from refrigerant recovery to reclamation and destruction. Aiming to promote resource circulation and reduce greenhouse gas emissions, this system will collect and manage the amount of refrigerant charged, recovered, reclaimed, and destroyed for a period of 10 to 20 years from the time commercial refrigeration and air conditioning equipment is installed until it is removed, with the participation and cooperation of all parties involved. The system will also contribute to thorough management in compliance with the Act on Rational Use and Proper Management of Fluorocarbons and the efficiency of legal affairs for charging, recovery, recycling, reclamation, and destruction contractors.

Building and Strengthening a Refrigerant Recovery, Recycling, Reclamation and Destruction Network

The Daikin Group in Japan recovers refrigerants that are no longer needed when equipment is repaired or removed in partnership with its own service departments, sales companies, and installation partners. The Daikin Contact Center in Japan accepts requests from dealers and others to pick-up recovered refrigerants 24 hours a day, 365 days a year.

We have built a nationwide network for the proper treatment of recovered refrigerants that begins with our Yodogawa Plant and Kashima Plant, which are licensed under the Act on Rational Use and Proper Management of Fluorocarbons, and extends to refrigerant recycling contractors, refrigerant destruction and treatment contractors, and businesses licensed under the Act. Using this network, we treat the end-of-life refrigerants at the treatment facility closer to the recovery site.

See below for the amount of fluorocarbons recovered, amount destroyed in fluorocarbon recovery and destruction at time of repair and at time of disposal
158 Data ESG Data Environment Mitigating Environmental Impacts in the Value Chain

Topics

Establishment of a System for Refrigerant Recovery and Reclamation Using Our Nationwide Network

In January 2025, Daikin established a system for service engineers to reclaim and reuse recovered refrigerants at all 60 service stations across Japan. We have been building out this system following the Kigali Amendment that came into effect in 2019, with the system now covering Okinawa and Hokkaido. This marks the first time in the industry that refrigerant recovery and reclamation have been made available at nearby locations nationwide.

Switching to reclamation of recovered refrigerants, which previously had to be destroyed, has reduced emissions by 4,485 tons-CO_2 per year (fiscal 2024 results).

Environment

Training Technicians for Refrigerant Recovery and Charging and Reliable Installation

Daikin provides training to its employees and business partners that covers the specialist knowledge and techniques required for refrigerant recovery and charging.

In Japan, we hold training sessions and seminars to develop qualified personnel in relation to the Act on Rational Use and Proper Management of Fluorocarbons. At the same time, we are also working to enhance the curriculum of our training programs for technicians by creating videos that explain standard installation and key points of brazing work. The curriculum of these domestic training programs is shared with our global bases around the world in an effort to train technicians who perform air conditioning related installation work.

Examples of Training Related to Refrigerant Recovery and Installation (in Japan)

Name of training	Target	Number of participants in FY2024
Refrigerant Recovery Technician preparatory workshop	All employees in Japan handling refrigerants	2,208
First and Second Grade Refrigerant Fluorocarbons Handling Technician preparatory workshop	All employees in Japan handling refrigerants	4,525

Technical Development Making the Detection and Identification of Refrigerant Leaks Easier

Dakin is conducting R&D for improving the accuracy of leak detection in order to minimize the amount of refrigerant leakages. In November 2023, we jointly developed the world's first laser technology for the remote detection of R-32 refrigerant leaks in collaboration with Tokyo Gas Engineering Solutions Corporation and RIKEN National Research and Development Agency. We are working on the practical application of this technology.

World's First Laser Technology for Remote Detection of R-32 Refrigerant Leaks
https://www.daikin.com/press/2023/20231115

Global Initiatives

Building a Refrigerant Recovery, Reclamation, and Destruction in Europe and the United States

In Europe, demand for reclaimed refrigerants is increasing from the perspective of a circular economy and stable refrigerant supply. Daikin is strengthening its scheme to recover refrigerants from used air conditioners on the market and reclaim and reuse them. Daikin Refrigerants Frankfurt GmbH has added a reclamation plant to its destruction plant in Germany. Daikin Europe N.V. also promotes the refrigerant recovery and reclamation program "L∞p by Daikin" and sells VRVs and chillers that use reclaimed refrigerants.

In the United States, we are establishing and expanding a scheme to recover refrigerants from residential air conditioners, using the Group's distributors as refrigerant recovery bases.

Supporting the Recovery, Reclamation, and Destruction of Refrigerants in Other Regions

Most emerging countries do not have laws requiring the recovery of refrigerants when equipment is removed, and they lack the systems and infrastructure for the recovery, reclamation, and destruction of refrigerants. As a result, in emerging countries, Daikin cooperates with the Japanese government, national governments, international organizations, and other stakeholders to create refrigerant recovery, reclamation, and destruction schemes.

In fiscal 2020, we established our own recovery and reclamation system in Singapore. Since fiscal 2021, Daikin has been promoting the establishment of a refrigerant recovery system in Vietnam in collaboration with Marubeni Corporation, M-ZETTO, and GenbaNEXT Technologies Private Limited, as part of the Joint Crediting Mechanism (JCM) Financing Support Programme run by Japan's Ministry of the Environment. A local demonstration of the system was held in January 2024, and we are continuing to exchange views with the Ministry of Environment of Vietnam for its deployment throughout the country. In Malaysia, we began working with Iwatani Malaysia Sdn. Bhd. in August 2024 to begin refrigerant recovery and reclamation efforts locally. We are also considering refrigerant recovery schemes in other countries, including Thailand, Indonesia, and India.

See below for our cooperation with environmental policy planning
128 Social Stakeholder Engagement Dialogue with Governments, International Organizations and NGOs

See below for information about our initiatives to reduce the environmental impacts of refrigerants
050 Environment Response to Climate Change Reducing the Environmental Impacts of Refrigerants

Environment

Circular Economy

Circular Product Design and Service Creation

Basic Policy

Daikin strives to design products and create services with the value people demand and that can be used over a long period of time. We maximize the use of resources at all stages of the product life cycle, from design to repair and final disposal.

Initiatives During Design

Making Smaller and Lighter Products

Making products smaller and lighter is effective for reducing the amount of resources used. When making air conditioners, for each product we set weight reduction targets for both the entire product and its components.

However, if making it smaller and lighter means compromised energy efficiency, then the product's environmental performance throughout the entire lifecycle has not yet been improved. When Daikin develops products, we establish weight reduction targets for each product on the condition that the annual performance factor (APF) does not decrease.

Switching to Materials with Relatively Smaller Environmental Impact

The main materials used in air conditioners are metals such as iron, copper, and aluminum. Of these, copper faces the issue of over mining which leads to lower ore grade, while its demand is expected to increase as society strives to decarbonize. Daikin is working to reduce the amount of copper it uses through the establishment of replacement technologies.

In addition, the circular use of plastic resources is also another major challenge. Daikin is making efforts to use recycled materials and alternative materials in its products as well as reduce the amount of plastic-derived packaging materials it uses.

Product Design That Enables Easy Sorting and Recycling

We consider a product's recyclability from its design phase. We adopt the use of resins that are easily recyclable and structures that can easily be dismantled, and promote the labeling of materials for sorting and recycling. In addition, Daikin also strives to reduce parts and develop structures with improved recyclability.

See below for our environmentally conscious design
038_Environment_Environmental Management_Environmentally Conscious Design

Reducing Rare Earth Usage

Daikin is working to reduce the amount of heavy rare earths added for high heat resistance, in parallel with reducing the use of rare earth-based magnets through motor design. Additionally, we will accelerate the reduction of rare earth usage by studying magnets that reduce their use. We are also working to recycle rare earth magnets in collaboration with third parties.

Main Outcomes Related to Resource Conservation and Recycling in Fiscal 2024

Category	Outcome
Residential air conditioners	• Expanded use of compressor models that use heavy rare earth-free magnets. • Use of terbium-free dysprosium diffusion magnets in all products.
Commercial air conditioners	• Some VRV models released in 2025 will have an average weight reduction of 6% through improved control. • Some machi Multi models released in 2025 will have a 3% weight reduction through component changes. • Some VRV models will be equipped with newly developed stainless steel piping technology, reducing the amount of copper piping used. • The exterior parts of the BS unit* of the 2025 model will be changed from sheet metal to recyclable resin.
ECOCUTE	• For models released in fiscal 2024, the outdoor unit was made smaller by improving the insulation performance of the tank.
Others	• Searched for new resin manufacturers to ensure stable procurement of recycled resin. • Established a scheme to use recycled aluminum for heat exchanger fin materials.

* BS unit: A device used to switch between heating and cooling modes in a multi-split type air conditioning system for buildings.

Environment

Creating a Circular Economy-Type Business Model

As part of its business development linked to the circular economy, Daikin provides services that enable customers to access the air environment they desire without having to purchase or own air conditioners. We aim to build a business model adapted to the circular economy by providing the intangible value of "air" through solutions that meet individual needs, including installation, energy management, maintenance, and support in the event of a breakdown.

Subscription-Based Air Conditioner Business

Daikin operates a subscription-based business for air conditioners in Japan and Africa. A major feature of this business in terms of resource circulation is that it can directly recover resources used in the equipment. Air conditioners are made from many metals such as copper and aluminum. Furthermore, if an air conditioner breaks down and is left unattended, the refrigerant inside the device will leak into the air, contributing to global warming. In this business, Daikin owns the air conditioner outright, so both the equipment and the refrigerant can be reliably collected after use.

Energy management can also lower air conditioner electricity consumption and greenhouse gas emissions, and maintenance can prevent refrigerant leaks.

073 Social Value with Air

Initiatives During Use and Repairs

Making products that last longer means that fewer resources are used. Daikin customizes air conditioners in use and provides services that enable energy-efficient and comfortable air conditioning with little in the way of installation and cost. In addition, Daikin has established a repair system around the world and is promoting reuse and repair initiatives.

Retrofit Maintenance Plan

This is a maintenance service that improves durability and extends the lifespan of Daikin's multi-split type air conditioners for commercial buildings that have been in use for about eight years by replacing the retrofit compressor with a new energy-saving refrigerant control system. This conserves resources, as it only requires replacing parts instead of updating the main unit itself. In addition, optimally adjusting the refrigerant temperature according to the load makes it possible to reduce power consumption by about 13% compared to updating the main unit itself.

Overhauls

Daikin also offers preventive maintenance services that involve the overhaul and inspection of air conditioners. By repairing and replacing key components, such as compressors, control boards, and temperature sensors, this service helps to prevent breakdowns due to aged deterioration and extend the service life of products.

Repair System Aimed at Increasing Product Longevity

Daikin is strengthening its repair system by establishing service outlets around the world to address customer repair requests and questions and enquiries regarding products.

In Japan, the Daikin Contact Center is open 24 hours a day, every day of the year to take inquiries and receive requests for repairs. Also, we are making repair requests more accessible, as the telephone Contact Center staff follows a support system that promptly asks for necessary information on the phone and provides adequate directions, and we offer other ways of reaching us other than by telephone, such as over the Internet. Additionally, we are also focusing on increasing the technical capabilities of service engineers, which includes introducing an engineer certification system.

Environment

Initiatives During Transport

Reducing Packaging Materials

Daikin has established a target to reduce CO_2 emissions related to packaging design by 600 tons-CO_2 compared to fiscal 2020 in fiscal 2025 by developing environmentally conscious packaging.

In fiscal 2024, we established a target of 480 tons-CO_2 and achieved a reduction of 518 tons-CO_2 after working to lower the usage of polystyrene foam, which has high CO_2 emission coefficient, and wood, which weighs a lot. We will continue working toward eventually eliminating our use of polystyrene foam to rein in any increases in our total use of packaging materials.

Topics

Received Two Awards at the Japan Packaging Contest 2024

Two Daikin products won awards at the Japan Packaging Contest 2024 organized by the Japan Packaging Institute.

Industrial Packaging Award: Elimination of Adhesive for Packaging for Ceiling Suspended Air Conditioners*

Improvements were made to the packaging material for the indoor unit of commercial ceiling suspended air conditioners for overseas markets to make them recyclable, resulting in an annual reduction of 193 tons-CO_2. Previously, the packaging involved attaching polystyren foam and plywood to cardboard using hot melt adhesive. By devising a new valve structure that does not require adhesive and application to cardboard, we have made it easier to separate the packaging and reduced the amount of wood used.

This technology also won the World Star Award at the World Star Competition 2025 hosted by the World Packaging Organization (WPO).

* Award received by Daikin Industries, Ltd. and Oji Container Co., Ltd.

Large and Heavy Duty Packaging Award: All-Corrugated Board Top Tray for Commercial Type Air Conditioner Outdoor Unit*

This all-corrugated board top tray for the outdoor unit of commercial air conditioners adopts a novel cardboard structure design that reduces CO_2 emissions equivalent to 65 tons annually. Although the structure change results in a larger amount of cardboard usage, the top tray no longer uses styrene foam and plywood as before, resulting in 40% less mass.

* Award received by Daikin Industries and Rengo Co., Ltd.

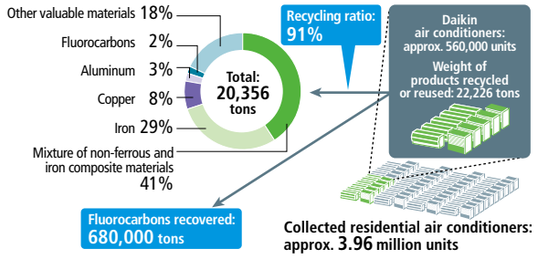
Promoting Recycling

Home Appliance Recycling

Japan's Home Appliance Recycling Law obligates manufacturers to recycle at least 80% of the material from their own residential air conditioners as well as recover and then reuse or destroy refrigerants.

In fiscal 2024, we recovered about 560,000 units totaling 22,226 tons. The recycling ratio was 91% and the amount of fluorocarbons recovered was 680,000 tons-CO_2.

Recycling of Residential Air Conditioners in FY2024 (Japan)



See below for our home appliance recycling results
https://www.daikin.com/csr/environment/recycling

Fluororesin Recovery and Recycle Business

Daikin aims to recycle fluorine materials in all production processes. As part of this, we have begun full-scale development of chemical recycling technology to return fluororesin to fluorite and monomers, the raw materials for fluorine materials. Daikin Compounding Italy collects waste and cutting scraps from the molding and processing of fluororesin and super engineering plastics, including those from other companies. We recycle the waste at our own facilities and sell it as materials for packings, seals, tubes, and pipes.

Recovered PTFE raw materials for recycle

Environment

Circular Economy

Reducing Emissions

Basic Policy

As part of its efforts to move toward a circular economy and society, Daikin is working to reduce waste from production processes and recycle waste that is generated. We aim to minimize waste and maximize the value of resources.

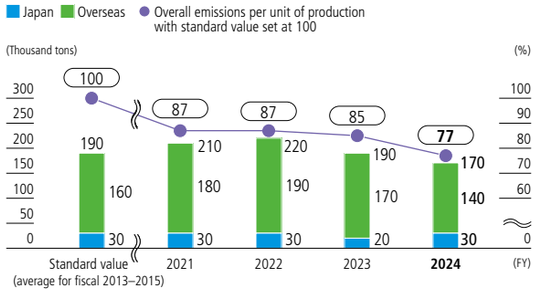
Waste Reduction in Production Processes

Daikin is working to reduce waste emissions from production processes, including hazardous waste, as well as endeavoring to reuse or recycle waste emissions. We have set a target of reducing fiscal 2025 emissions per unit of production across the entire Group by 10% compared to the baseline.* In order to reach this target, in Japan, we are reviewing the production process and equipment renewal, as well as making improvements in packaging for the transport of components.

In fiscal 2024, we achieved a 23% reduction compared to the baseline.

* Average emissions between fiscal 2013 and fiscal 2015.

Emissions/Emissions per Unit of Production



Reducing Emissions of Waste Plastics

Daikin is working to reduce plastic emissions and recycle plastic materials. Group companies in Japan set targets for each business, and they focus on thoroughly separating and recycling waste plastics and plastic pallets generated during production. The recycling rate has been steadily improving in each business. In fiscal 2024, the recycling rate for plastics generated from our domestic air conditioning business was 43.5%, an improvement of 10.5 percentage points over the previous fiscal year.

In fiscal 2024, the Daikin Group in Japan generated 7,059 tons of waste plastics.*

Going forward, we will continue to work to reduce these emissions and recycle plastics as resources.

* Includes in-house processing and excludes other valuable materials.

See below for Daikin's resource recycling initiatives
061 Environment Circular Economy Circular Product Design and Service Creation

See below for our conservation of water resources
066 Environment In Harmony with Nature Water Resource Conservation

Environment

In Harmony with Nature

Daikin's Approach to Natural Capital

Basic Policy

Protect and Rejuvenate the Gifts of Nature Recognizing the Impacts of Our Business Activities

Our society is built on the many blessings of nature. The loss of natural capital such as diversity of flora and fauna, water, soil, and mineral resources affects not only the health of the Earth, but also economic and social stability. The Kunming-Montreal Global Biodiversity Framework (GBF) adopted during the fifteenth meeting of the Conference of the Parties (COP 15) to the Convention on Biological Diversity in 2022 sets an interim goal for 2030 "to halt and reverse biodiversity loss to put nature on a path to recovery." This goal, called "Nature Positive," aims to realize a world in harmony with nature by 2050. To achieve this goal, it is important for companies to understand their dependence on and impact on nature through their business activities, set targets, and disclose their progress.

Daikin is working to minimize the negative impacts of its business activities on climate change, water resources, and biodiversity through its environmental management system. Working with various stakeholders to maintain the balance of precious natural environments and ecosystems around the world and restore their abundance will enable Daikin to contribute to the realization of a world in harmony with nature.

032 Environment Environmental Management

069 Environment In Harmony with Nature Protecting Biodiversity

Dependencies and Impacts on Natural Capital from Our Business Activities

In response to climate change, Daikin is taking action and disclosing information based on the recommendations of the TCFD. With regard to biodiversity, we are working to disclose information in accordance with the guidelines of the Task Force on Nature-related Financial Disclosures (TNFD), identifying nature-related dependencies and impacts of our overall business activities, sorting out risks and opportunities, and promoting comprehensive assessment and management.

In fiscal 2024, we assessed our impacts on nature other than climate change using the Biodiversity Risk Filter developed by the World Wide Fund for Nature (WWF) to evaluate items closely related to the Group's business. Although our dependencies on natural capital were generally low, we found that our dependencies on "water usage" were high and our impacts on "pollution" were also high.

Regarding water usage, an item closely related to the Group's business, we consider the impact of water shortages on plant operations to be a risk. We have identified production bases in areas of high water stress using the water risk map of the World Resources Institute (WRI) called Aqueduct covering the direct operations of all our businesses. We are working to use natural resources sustainably, including by taking measures to prevent depletion in areas of high water stress.

In terms of pollution, we are working to prevent air and water pollution by striving to reduce emissions and manage and reduce chemical substances at each production base.

064 Environment Circular Economy Reducing Emissions

066 Environment In Harmony with Nature Water Resource Conservation

067 Environment In Harmony with Nature Management and Reduction of Chemical Substances

Environment

In Harmony with Nature

Water Resource Conservation

Basic Policy

Recognizing that water is an important resource that is closely related to climate change and biodiversity, Daikin strives to use it in a sustainable manner. We are strengthening controls of water usage at our production bases around the world and reducing water intake by reusing wastewater as much as possible. We are also identifying bases with water risks and working on measures to conserve water resources throughout the entire value chain.

Risks and Opportunities Related to Water Resources

Recognizing that impacts on operations caused by water shortages pose a risk, Daikin assesses water stress levels—more specifically, supply-demand conditions—in regions around the world where we operate manufacturing bases. We also conduct the same assessment on our major business partners and have established water conservation items within the Green Procurement Guidelines. Furthermore, the chemicals divisions, which use large amounts of water, have located manufacturing bases in major river basins with direct access to water resources.

On the other hand, we also recognize that reducing water usage represents an opportunity to lower production costs. We are working to reduce water intake volume, having defined the difference between water intake and water discharge volumes as water consumption volume. All water that is used is treated and purified so it can be returned to water intake sources. For water purification, Daikin has set its own voluntary standards that are even stricter than legal requirements, which it always strictly adheres to.

Green Procurement Guidelines
https://www.daikin.com/csr/social/green_gl

Identifying and Addressing Water Risks

Daikin has investigated areas of water stress around its production bases using the water risk map of the World Resources Institute (WRI) called Aqueduct. As a result, we have identified Daikin Device (Xi'an) Co., Ltd. and Daikin Airconditioning India Pvt. Ltd. as located in areas of high water stress. Both companies are now reducing water intake, utilizing rainwater, and recycling water, along with formulating a business continuity plan (BCP) in case water shortages impact operations.

Initiatives at Daikin Device (Xian)

As a preventive measure against water shortages, Daikin Device (Xian) has installed three filtration devices to reutilize the water used in the inspection process.

Initiatives at Daikin Airconditioning India

Daikin Airconditioning India has installed a water recycling system using RO membranes. This system is used in the cleaning process before outside panel coating, for operational inspections, and for watering.

See below for our water intake and discharge amounts in water-stressed regions (India, China)
160_Data_ESG Data_Environment_Reducing Environmental Impacts of Business Activities

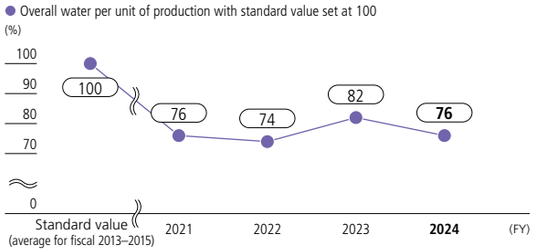
Water Intake Reduction

Reducing Water Intake per Unit of Production

At Daikin's production base, we have established a goal of reducing water intake per unit of production by 10% in fiscal 2025 compared to the baseline.* For example, we reduce water intake volumes by purifying and reusing wastewater that has been used for cleaning and cooling. In fiscal 2024, we achieved a reduction of 24% compared to the baseline

* Average water intake between fiscal 2013 and fiscal 2015.

Water Intake per Unit of Production



See below for our water intake and discharge amounts, Chemical Oxygen Demand (COD) emissions
160_Data_ESG Data_Environment_Reducing Environmental Impacts of Business Activities

Engagement with Stakeholders

Daikin discloses information about our water-related initiatives. For example, at our plants in Japan, we hold regular meetings with local residents every year to report on our water-related initiatives and hold discussions.

Environment

In Harmony with Nature

Management and Reduction of Chemical Substances

Basic Policy

Daikin makes efforts to prevent pollution caused by products and prevent pollution from plant operations. We request that materials suppliers thoroughly prevent the inclusion of prohibited chemical substances from entering our products in accordance with legal regulations. In addition, we manage and reduce emissions of chemical substances handled in the manufacturing process, as well as monitor voluntary standards for hazardous substance emissions in the air and water.

Compliance with Restrictions on Hazardous Chemicals

Management of Chemical Substances Contained in Products

Daikin has a list of designated control substances that are restricted under the RoHS Directive,[1] the REACH Regulation,[2] and other laws. These are stated in our Green Procurement Guidelines and we work to prevent the presence of these chemicals in our products.

[1] The RoHS Directive (Restriction of Hazardous Substances Directive) 2011/65/EU is a regulation in the EU prohibiting the use of certain hazardous substances in electrical and electronic equipment.
[2] The REACH Regulation 1907/2006/EC on chemical substances went into effect in Europe in June 2007. REACH obligates companies manufacturing or importing at least 1 ton of chemical substances a year in the EU to register with EU authorities. REACH covers almost all chemicals on the market in the EU.

See below for information about compliance with regulations on hazardous chemicals.

122 Social Supply Chain Management Responsible Procurement Promoting Green Procurement

Compliance with J-Moss
https://www.daikin.com/csr/environment/j-moss

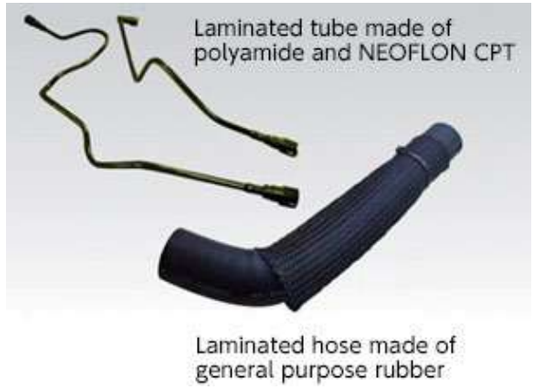
Products that Help Prevent Air Pollution

Fluorine Materials for Automobiles that Suppress VOC Leakage

The automotive industry strictly regulates the transpiration of volatile organic compounds (VOCs), which contribute to air pollution. Daikin supplies fluorine materials that contribute to the prevention of air pollution.

NEOFLON CPT is a material for automobile fuel tubes and hoses that prevents permeation and leakage of VOCs in the hot engine surroundings. It reduces permeation to just one-fifth of Daikin's previous product, NEOFLON ETFE.

Automobile Fuel Hose Made of Fluororesin



Management and Reduction of Chemical Substances During Production

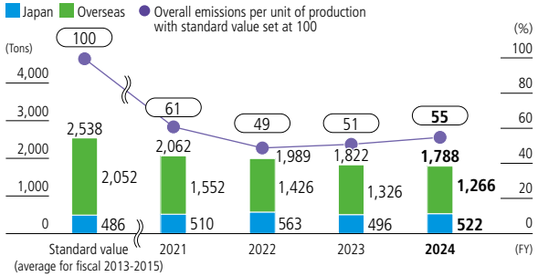
Establishing Reduction Targets for PRTR-Regulated Substances and VOC

Each Daikin business base in Japan and overseas is making efforts to reduce a variety of chemical substances. They are also working continuously to increase the recovery rate and ensure the appropriate treatment of target substances.

We are working toward a target of reducing emissions per unit of production (total of PRTR[1] substances and VOCs) in fiscal 2025 by 10% compared to the baseline.[2] In fiscal 2024, we achieved a 45% reduction against the standard value.

[1] Act on the Assessment of Releases of Specified Chemical Substances in the Environment and the Promotion of Management Improvement
[2] Average chemical substance emissions between fiscal 2013 and fiscal 2015

Chemical Emissions (total of PRTR substances and VOCs) / per Unit of Production



See below for our compilation of PRTR substances

161 Data ESG Data Environment Reducing Environmental Impacts of Business Activities

Environment

Daikin's Approach to PFOA

Daikin has ceased the manufacture and use of perfluorooctanoic acid (PFOA) as of the end of calendar year 2015. Our Yodogawa Plant (Settsu City, Osaka Prefecture, Japan) has voluntary implemented measures such as pumping and cleaning up of groundwater to date in response to the detection of PFOA in the groundwater around the plant. Starting in 2023, we began construction of a water-impermeable wall around the perimeter of the Yodogawa Plant to ensure any PFOA is contained on site.

As the company that manufactured and used PFOA in the past, we will continue to monitor trends relevant to PFOA and to take action in consultation with the local authorities.

Daikin's Approach to PFOA
https://www.daikinchemicals.com/sustainability/pfoa.html

Daikin's Approach to PFAS

At its chemical plants, Daikin strives to minimize its environmental impacts including by capturing PFAS (perfluoroalkyl and polyfluoroalkyl substances) in process water discharges at its PFAS manufacturing sites. We recognize the need for continuous improvement in manufacturing stewardship. Going forward, we will consider new technologies and practices to help ensure the safe manufacture and use of our chemical products.

Daikin's Approach to PFAS
https://www.daikinchemicals.com/sustainability/pfas.html

Daikin's Approach to SOx and Nox

We measure and manage emissions of sulfur oxides (SOx) and nitrogen oxides (NOx), which are required to be measured by the laws and regulations applicable to each business base, in accordance with laws and regulations. We are also taking steps to further curtail their emissions.

See below for air pollutant emissions
161 Data ESG Data Environment Reducing Environmental Impacts of Business Activities

Storage and Treatment of PCBs

Daikin abides by national laws in properly managing equipment containing PCBs (polychlorinated biphenyls). Treatment of all waste containing high PCB concentrations was completed. Waste with low PCB concentrations is being disposed of based on a Daikin disposal plan.

Preventing Pollution

Minimizing Environmental Damage in Case of Accident or Disaster

Daikin has systems in place that allow it to minimize environmental damage if there should be an accident or calamity at Daikin manufacturing bases around the world. Our Disaster Prevention Manual details how to deal with emergencies like chemical and oil leaks, spills, and earthquakes. The manual is the basis for regular emergency drills. We hold disaster prevention drills at least twice a year at all domestic manufacturing sites. By conducting drills simulating the leakage of oil or chemical substances, we ensure that measures are taken to prevent actual leakage into the soil or wastewater.

Monitoring of Pollutants

Daikin controls air and water pollution using voluntary standards that are stricter than national emission standards and local government by-laws. We regularly measure our various environmental impacts and work to either prevent or decrease them.

Environment

In Harmony with Nature

Protecting Biodiversity

Basic Policy

To achieve nature positivity, Daikin strives to minimize the negative impacts of its business activities on biodiversity, while at the same time working to maintain the balance of precious natural environments and ecosystems around the world and restore their abundance.

Biodiversity and Climate Change

Biodiversity is seriously affected by the loss of habitats and the destruction of ecosystems caused by climate change, which means that climate change countermeasures are essential to realizing a world that is in harmony with nature. Daikin considers climate change to be a top priority and believes that it is most important to minimize impacts on biodiversity by reducing greenhouse gas emissions throughout all of its business activities, including product development, production, transportation, sales, and service. Similar to carbon neutrality, it is important that biodiversity conservation be addressed throughout the entire supply chain. Daikin asks its suppliers to consider and address biodiversity in its Green Procurement Guidelines and Supply Chain CSR Promotion Guidelines.

014 Management Daikin's Sustainability Identifying Material Initiatives
039 Environment Response to Climate Change Challenge to Achieve Carbon Neutrality
119 Social Supply Chain Management

Basic Policy of Protecting Biodiversity

In September 2010, Daikin established its Basic Policy on Protecting Biodiversity. Based on this policy, we will reduce greenhouse gas emissions from our business activities, which have a particularly large impact on biodiversity. We will also promote efforts to protect and restore nature outside of our business operations.

Basic Policy of Protecting Biodiversity

We act for the sake of abundant greenery and fresh air.

Thinking Behind Our Basic Philosophy

Our society is built upon the many blessings that nature gives us. The source of these blessings is biodiversity. The loss of this biodiversity would hurt our water, food, and other aspects of our life.

Daikin's business also has a major effect on biodiversity through our contribution to global warming.

To contribute to a sustainable society, we strive to reduce our contribution to global warming throughout our business activities, and to maintain balance in ecosystems so that we can help bring back the abundance of the natural world.

Main Efforts

1. We are committed to promoting efforts to mitigate global warming from the perspective of biodiversity as well.

- Reduce greenhouse gas emissions throughout our entire business activities, including product development and production, transportation, sales, service, and the supply chain.

2. As a member of the community living in the bounty of nature, we work with our employees to promote initiatives to protect and regenerate nature.

- In the countries and regions in which we do business, we work with governments, residents groups, NPOs, and NGOs in efforts including the protection and rejuvenation of nature.
- We create new forests on our premises.
- We support employees in their volunteer work.
- We provide the public with information and education.

(Established September 2010)

Environment

Efforts at Bases

Shiga Plant Rejuvenates a Community Forest for Coexistence Between People and Nature

Employees have taken the lead in recreating the region's original satoyama landscape in the Daikin Shiga Forest biotope located on the premises of our Shiga Plant. In addition to continuing to eradicate invasive species, conserve and maintain native species, and conduct biological monitoring surveys, the biotope is also used as a place for environmental learning for local elementary school students. In recognition of these efforts, the biotope was certified as a Nature Coexistence Site by the Ministry of the Environment in November 2024.

Environmental learning and tree planting

自然共生サイト認定 30by30

Ministry of the Environment Nature Coexistence Site logo

Nature Forest at Yodogawa Plant

We are actively managing the forest at the Yodogawa Plant, which was created in 2015, with the aim of recreating the satoyama landscape of Hokusetsu. We started developing a habitat for fireflies in 2017 and confirmed a population of over 300 in two consecutive years since 2023. Ten years after its creation, the forest is growing into a rich nature preserve for the Yodo River basin as an all new ecosystem. The forest has become a habitat and a stopover for a variety of fauna, including peregrine falcons, Chinese windmill, Japanese silvereye, damselfly, and raccoon dogs. In fiscal 2024, we confirmed sightings of band-winged grasshopper and other organisms that prefer riverbanks, woodpeckers such as Japanese pygmy woodpecker and great spotted woodpecker, and carnivorous wild birds, such as bull-headed shrike.

Japanese silvereye

Damselfly

Bull-headed shrike

Biodiversity Conservation at the Sakai Plant's Biotope

Sakai Plant established a biotope in 2012 with the aim of creating a home for living organisms. Since then, employees and their families have participated in the greening of the area around the biotope. As a result, the biotope at the Kanaoka Factory, which is surrounded by residential areas, is home to many aquatic organisms, including Oryzias and Pseudorasbora parva, and other fish, and is also visited by birds such as spot-billed ducks and wagtails to rest their wings.

In fiscal 2024, the Kanaoka Factory formulated an action plan for biodiversity conservation through to 2030. We have also begun the Kanaoka Minami Daikin Forestation project in collaboration with a nearby elementary school.

Forestation work with local elementary school students

Daikin Ales Aoya Training Center Works to Protect and Rejuvenate Natural Forests on Coastal Dunes and Beaches

Daikin Ales Aoya Global Training Center in Tottori Prefecture, Japan is located at a coastal dune known for its "whistling sand." The area is home to a typical coastal vegetation ecosystem: starting from the beach gradually giving way to taller trees. However, this coastal vegetation has been rapidly disappearing in the last decade or two. When Daikin Industries, Ltd. began to not just protect these rare beaches and dunes, but also bring back the nature that had been lost so that this coastal ecosystem could once again return to its natural state, we began by surveying the region's vegetation, based on which we made a proposal to plant vegetation. After implementation, we had advice from experts in the monitoring and fostering of the vegetation.

These activities were recognized with Excellent Stage 3 certification, which is the second highest level on the 5-step evaluation of the SEGES social/environmental contribution greenery evaluation system run by the Organization for Landscape and Urban Green Infrastructure.

Daikin Ales Aoya (overview)

Social & Environmental Green 2025 社会・環境貢献緑地 SEGES

Mark of certification for the SEGES (Social and Environmental Green Evaluation System)

Rejuvenating Community Forests in Osaka Prefecture

Daikin is also rejuvenating forests around its business sites. Using the adopt-a-forest program,* Daikin has been involved in Satoyama restoration in Harashiroyama forest in Takatsuki City, Osaka Prefecture since fiscal 2012 and in Izuhara in Ibaraki City since fiscal 2016.

At Harashiroyama forest, which was traditionally used to harvest bamboo, and to obtain wood for firewood and making charcoal, Daikin is working with local residents to thin out the forest that had become overgrown. In fiscal 2024, a total of 95 people including employees and their families participated in the activities.

* A program where Osaka Prefecture works with companies and forest owners to encourage their involvement in forest upkeep work.

Initiatives at Overseas Bases

At its bases around the world, Daikin takes part in a number of nature conservation activities in forests, along rivers, and coastal areas at its business locations and in the local communities.

Daikin Europe N.V.
Nature observation event

Daikin Airconditioning (Thailand) Ltd.
Tree planting in the community

Environment

Initiatives Through Corporate Citizenship Programs

"Forests for the Air" Project Helps Preserve Irreplaceable Resources—The World's Valuable Forests

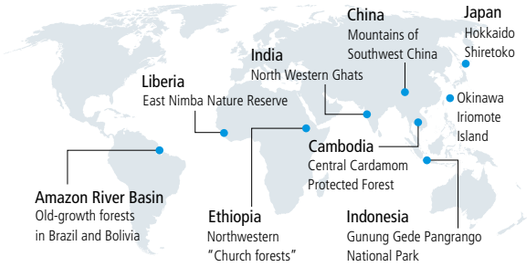
Forests, which nurture biodiversity, produce oxygen through photosynthesis, release water vapor that provides a cooling effect that mitigates rising temperatures and have an air purifying effect that removes air pollutants from the air. Forests are the earth's air conditioner.

With its business of providing a comfortable air environment, Daikin is committed to the movement to protect and nurture vibrant forests. Since 2014, Daikin has implemented the "Forests for the Air" project to conserve the world's valuable forests. Over the 10-year period to the end of 2023, the project has conserved 11 million hectares of forests and contributed to the reduction of more than 7 million tons of CO_2 emissions.

In response to growing interest in biodiversity in recent years, we have decided to extend the project for another 10 years on the occasion of Daikin's 100th anniversary in 2024. We will have strengthened our support in Hokkaido's Shiretoko, Indonesia, India, China, and the Amazon River Basin, and re-launched the project on Okinawa Prefecture's Iriomote Island and in Ethiopia.

This project aims not only to plant trees but also to establish a forest conservation system led by local residents. Taking advantage of global partnerships with international NGOs and other organizations, we will provide localized community support, such as supporting agriculture as an alternative source of income to deforestation and environmental education.

Regions Covered by the "Forests for the Air" Project



"Forests for the Air" Project
https://www.daikin.com/csr/forests

Initiatives in Shiretoko, Japan

Shiretoko Nature Foundation, Shari Town, and Rausu Town have concluded an agreement to support the conservation and restoration of the natural environment in Shiretoko, Hokkaido, one of the areas receiving assistance as part of the "Forests for the Air" project. Daikin contributes to the reforestation of Shiretoko through donations and the dispatch of employee volunteers twice each year, as well as through the development of environmental human resources. By the end of 2024, a total of 245 employees had participated in reforestation efforts.


Daikin volunteers (September 2024)


Daikin volunteers (February 2025)

Initiatives in the Amazon Basin

The Amazon plays an important role in regulating temperatures globally because it is the location of the world's largest tropical rainforest, which also happens to be one of the most diverse habitats on Earth. However, the forests of the Amazon are deteriorating due to development, slash-and-burn agriculture, and wildfires. In each case, social issues such as poverty are the underlying causes.

In response, Daikin began providing support in the Amapa region of Brazil, located in the Amazon basin, in 2014. Daikin also started providing support in Bolivia in fiscal 2024. Working alongside international NGO Conservation International (CI), Daikin strives to conserve forests and support local residents.

Deforestation disproportionately affects indigenous peoples, whose livelihoods depend heavily on forest resources for hunting, gathering, agriculture and fishing, and for their culture and spiritual life.

In Bolivia's Madidi National Park, we introduced agroforestry, encourage the processing and sale of agricultural products, and promote ecotourism in the Tacana community living on the southern edge of the park. We also support women's capacity building based on the idea that sustainable forest stewardship can only be achieved with the local community playing a key role.


Visit to a Tacana community

Initiatives in Sichuan Province, China

Hongya, the beneficiary of assistance in Sichuan Province, China, is a biodiversity hotspot and part of the Giant Panda National Park. Through technical support for sustainable forestry stewardship and the promotion of ecotourism, Daikin aims to create an environment where people and nature can coexist.


Commemorative ceremony held locally

Social

Social

Social

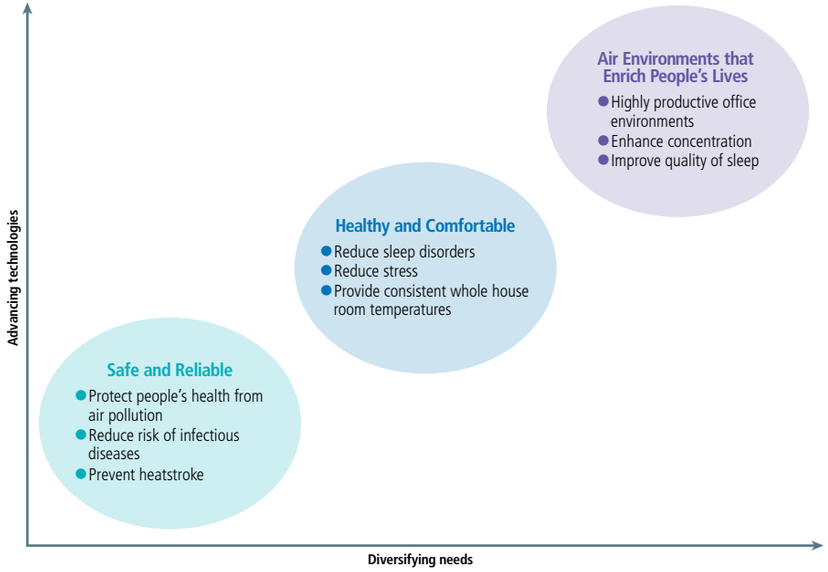
Value with Air

Basic Policy

Air is a form of natural capital shared worldwide. As a company that places air at the heart of its business, Daikin has set in its Environmental Vision 2050 a goal of contributing to the resolution of social challenges with products and solutions that harness the power of air.

Daikin capitalizes on its technologies for controlling temperature, humidity, air purification, and air flow refined as a dedicated manufacturer of air conditioners to deliver safe, reliable, healthy and comfortable air environments to people around the world. Furthermore, we will also take on the challenge of exploring and creating new value in air that goes beyond these boundaries and enriches people's lives.

Image: The Power of Air



Safe and Reliable Air

Air Purification

Daikin has been using its proprietary technologies to pursue even higher quality air purification solutions.

One of Daikin's proprietary technologies is streamer discharge, a type of plasma discharge. Streamer technology generates high-speed electrons with high oxidative decomposition over a wide area in three dimensions. It has an oxidative decomposition capacity that is more than 1,000 times greater than general plasma discharge called glow discharge. Streamer technology also has a sustained effect against odors, fungi, and indoor pollutants such as formaldehyde. Daikin has demonstrated in collaboration with a number of universities and public research institutes that streamer technology works on harmful substances such as COVID-19 virus, attenuated influenza viruses, noroviruses, along with toxins and bacteria that cause food poisoning.

Streamer technology (available in Japanese only)
https://www.daikin.co.jp/air/technology/our-technology/streamer

Launch of Four UV Streamer Air Purifiers

Since 2021, Daikin has released four commercial air purifiers equipped with its streamer technology and UVC LED, which eradiates deep ultraviolet, offering a high antiviral and antibacterial effect. These form part of our lineup suited to care facilities, hospitals, and restaurants.

UV Streamer Air Purifier Series

Social

Formulated Reference Guidelines on Infectious Disease Control for Schools Through Industry–Academia Collaboration

Through industry–academic collaboration, in October 2021, Daikin formulated a reference guideline for school administrators that summarizes specific measures on how to prepare the indoor environment to reduce the risks of respiratory infections, such as COVID-19, based on technical experiments.

In school settings, not only is it difficult to ventilate air without ensuring the distance between bodies and compromising comfort, but regular disinfection work also requires time and effort. By providing practical and specific measures using the reference guidelines that can be implemented at an early stage and expand their implementation, we can expect to create a safer, secure, and more comfortable learning environment.

Improving Indoor Air Environments Using Air Filter Technology

Daikin has been contributing to solutions to the indoor air environment issues facing customers, while expanding its technology domain through a number of M&A deals in the filter business since 2007.

For example, a food factory in Mexico faced the problem of dust from the chili peppers used in the production process. As a countermeasure, the company introduced a dust collector manufactured by American Air Filter, a Group company, which greatly improved the air quality within the factory. In addition, a machine parts factory in Thailand, which faced the issue of removing oil mist in the air generated by machine tools, introduced a removal device manufactured by American Air Filter.

Dust collector installed at a food factory in Mexico

Going forward, we will harness our powerful air filter technology in air purification and dust collection to improve indoor air environments. This includes supplying compact dust collectors to the manufacturing floor, in addition to general buildings and clean rooms, where there is growing need due to stricter workplace environment protection regulations.

Healthy and Comfortable Air

New Business Models

The spread of air conditioning represents one way to adapt to climate change, and at the same time, it will be increasingly necessary in the future to maintain health and improve productivity. However, there are some areas, especially in Africa and Southeast Asia, where space cooling is still not widespread.

Daikin aims to provide healthy and comfortable air around the world. As part of this effort, we are also focusing on the creation and utilization of new business models. We offer a service that provides access to desirable air environments without having to purchase or own an air conditioner.

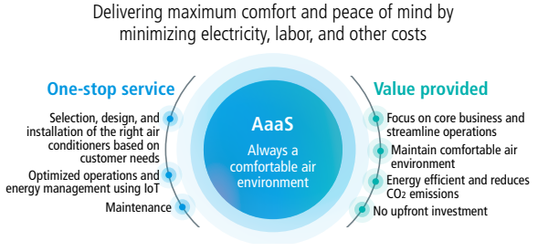
AaaS, a One-Step Service for Air Conditioner Adoption and Operation Management

Daikin has been providing a new PaaS* service called Air as a Service (AaaS) together with Mitsui & Co., Ltd. since 2016. AaaS is a monthly subscription-based air conditioning service that eliminates the need to purchase air conditioners. Under this service, Daikin provides everything from air conditioner selection and installation to operation and maintenance as a one-stop service, resulting in optimized energy management. AaaS can continuously lower a customer's overhead and workforce in terms of upfront installation cost of air conditioners, electricity consumption, and operations management. In 2023, we added a light plan to our service options, which excludes remote monitoring predictive maintenance services from our conventional one-stop service.

As of March 31, 2025, we have concluded a running total of over 90 contracts for this AaaS, representing an increase of 50 in the previous three years.

* PaaS: An acronym for Product as a Service. A type of service provided over the Internet.

Value Provided by AaaS



Feature of Fiscal 2020: New Value Creation—Providing Comfortable Air Environments Using the Best Format Possible, from Goods to Services

https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/feature2020/value-pdf.pdf

Air as a Service (available in Japanese only)

https://airasaservice.com/

Social

Subscription-Based Air Conditioning Business in Tanzania

Daikin has begun rolling out subscription-based high efficiency air conditioners for small offices and stores as well as homes in Tanzania. By reducing the cost of installation and the burden of electricity bills, we intend to promote the spread of air conditioners in Africa. The project is operated by Baridi Baridi Inc., a joint venture with WASSHA Co., Ltd., an electricity service provider that uses IoT technology in regions of Africa without electricity. Since the launch of sales in October 2021, the company has expanded its business, and as of March 31, 2025, approximately 3,500 units have been sold and installed.

Installing an outdoor unit on a house

Operating an air conditioner on a specialized app

Feature of Fiscal 2019: New Value Creation—Delivering Healthy and Comfortable Air Environments and Spaces to Africa with Collaborative Innovation
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/feature2019/value-pdf.pdf

Baridi Baridi Inc.
https://baridibaridi.com/en.html

Ventilation and Humidity Control System for Houses

In recent years, houses with a high degree of air tightness and heat insulation have become popular because they are not affected by the outside temperature and have a high heating and cooling effect. However, these houses tend to have stagnant air flow, and it is necessary to take measures against house dust and condensation. Daikin's ventilation and humidity control systems for houses provide a healthy and comfortable air environment by taking in and circulating fresh air 24 hours a day, 365 days a year.

Saravia Dehumidifying Outdoor Air Processing Ventilation System Optimized for ZEH

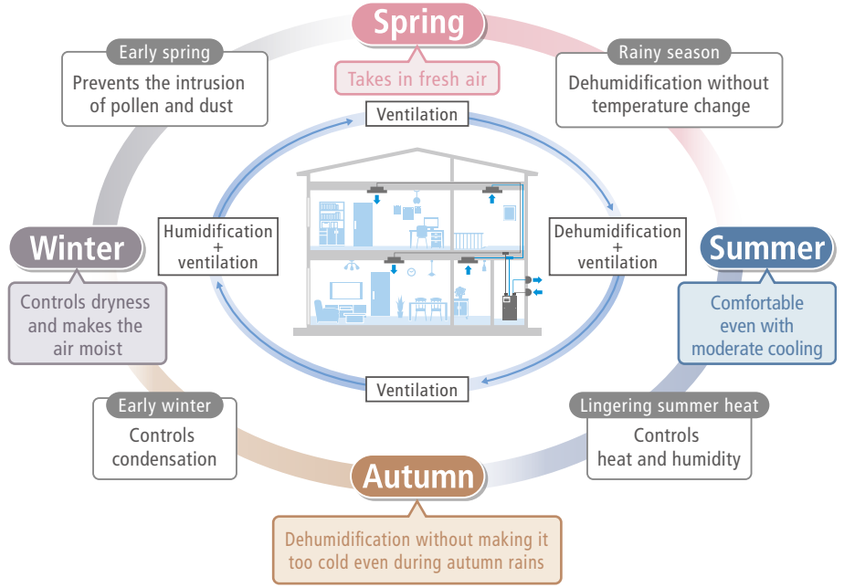
The Saravia energy efficient ventilation system offers excellent dehumidifying performance in living spaces that are subject to relatively high humidity, such as zero energy houses (ZEH) that are highly air tight and use dense insulation. Savaria combines a total heat exchanger and heat pump heat exchanger into the same unit to adjust the temperature and humidity of outside air before supplying it inside, which helps control changes in room temperature caused by dehumidification and ventilation. Because it dehumidifies air before supplying it indoors without relying on a room air conditioner, Saravia can also reduce energy consumption. As a result, Saravia can reduce electricity consumption used to ventilate and air condition an entire house by around 20% compared to using a conventional total heat exchanger. Saravia received the MITI Minister's Award in the Product and Business Model Category at the FY2022 Energy Conservation Grand Prize.

DESICA Series Highly Rated for both Commercial and Detached Home Use

Requiring no water drainage or supply pipes, commercial grade DESICA instead uses outside air to control humidity, either humidifying or dehumidifying. When combined with high sensible heat type multi-split type air conditioners, DESICA helps buildings attain zero energy building (ZEB) status.

DESICA HOME AIR for detached homes, which controls humidity and ventilation throughout the entire house, provides high-quality air and energy efficiency. With an extensive lineup of air conditioners to choose from, DESICA maintains the best balance of temperature and humidity control in countless combinations.

Sample Image of the DESICA Series



DESICA HOME AIR (available in Japanese only)
https://www.ac.daikin.co.jp/kanki_home/desica_home

Social

Air Environments that Enrich People's Lives

Daikin pursues the limitless possibilities of air. Our ideal air is something that promotes healthy minds and bodies, and facilitates study and work. We will embrace the challenge to create new value with air that enriches people's quality of life with an eye toward the future.

Oxygen Concentration Control Contributing to People's Health and Vitality

We are working to create various air environments utilizing our technologies that control oxygen concentration. Our goal is to provide the best possible air environment to suit people's mental and physical health and vitality. For example, this involves providing low oxygen spaces for people who are active and require short bursts of energy or high oxygen spaces to increase learning efficiency.

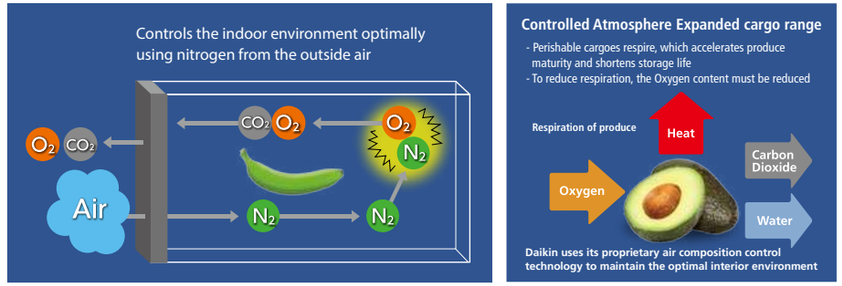
Feature of Fiscal 2022: Value with Air—Making Exercise a Good Habit Using the Power of Air
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/feature2022/air-pdf.pdf

Freezer and Refrigeration Technology Supporting the Distribution of Fresh Food Products

Our technology for fine control of a wide range of temperatures and air composition supports the worlds food logistics.

Our marine container reefers maintain its internal temperatures precisely in 0.1°C increments at sea around the world, where the outside air temperature ranges from minus 30°C to plus 50°C, and the air composition inside the container is also controlled by our Active CA technology, which optimizes the amount of oxygen and carbon dioxide inside the container to suppress the respiration of fresh produce and delay ripening. Maintaining a high degree of freshness even during long-term transport contributes to the reduction of food loss and the realization of more vibrant diets around the world.

Mechanism of DAIKIN Active CA Technology



DAIKIN Active CA
https://www.ref.daikin.com/daikin-active-ca

Social

Customer Satisfaction

Basic Policy

The Daikin Group Philosophy states that our mission is to create new value by anticipating the future needs of customers. By providing high quality products, materials, and services, as well as proactively proposing new solutions, we will not only improve convenience and comfort for customers, but also increase the level of customer satisfaction.

Expanding Our System for Customer Satisfaction

In order to meet diverse customer needs and create new value that contributes to society, it is important that Daikin first builds up its technological superiority by leading further advanced technologies: inverters, heat pumps, and fluorochemicals. It is also important to combine state-of-the-art information communication technologies from around the world, sensors, advanced materials, processing, and air quality improvement technology with Daikin technologies to come out with products and services that provide new value to customers.

Given this belief, Daikin established the Technology and Innovation Center (TIC) as a hub for creating new value in November 2015. Starting with the TIC and R&D centers in China, Europe and North America, we have established development bases in 36 locations and six regions around the world. We strive to understand the culture and values of each region and accurately and promptly assess the needs of each region and apply that knowledge to product development.

Daikin has over 130 manufacturing bases, 59 development bases, and business operations in over 170 countries around the world including air conditioning and chemicals. We manufacture and provide stable supplies of products according to local needs in the most suitable locations closest to customers.

Moreover, we also develop human resources who will play a leading role in creating innovation. In December 2017, the Daikin Information and Communications Technology College (DICT) was opened within TIC in order to continuously develop human resources capable of technical and business development using AI.

See below for the Technology and Innovation Center (TIC)
106_Social_Co-Creation_Approach and System

See below for the Daikin Information and Communications Technology College (DICT)
087_Social_Human Resources_Fostering Human Resources

Increasing Satisfaction with Services

Building a Worldwide Customer Service System

For customers in Japan, the Daikin Contact Center is open 24 hours a day, every day of the year for general inquiries. We have also established a service structure overseas, including Contact Centers and our website and app so that customers can access the service they need according to the situation in their particular country or region based on Daikin's slogan of "speed, accuracy, and good manners."

Customer Service Center (China)

Understanding Service Satisfaction

At Daikin, we conduct a customer survey annually to assess the degree of service satisfaction. For example, we conduct questionnaires on our after-sales services in Japan. The Customer Satisfaction Index (CSI) for fiscal 2024 was 4.64, achieving our CSI target of 4.40 or higher for the sixth consecutive year at all service stations.

See below for the improvement in customer satisfaction and overall satisfaction
165_Data_ESG Data_Society_Customer Satisfaction

Social

Enhancing Training System for Service Engineers

Training of Service Engineers

At Daikin, we aim to increase customer satisfaction by continually enhancing the skills of our engineers and level of dedication.

In addition to basic training on air conditioning service quality for service engineers, we conduct a variety of training and lectures for each management level and job description and provide education necessary for acquiring certification.

For example, we run Service University, which offers a four-year training program. Moreover, we conduct an evaluation examination for service engineers and have established a rule of not allowing engineers who have not met a certain level of technical capabilities to perform repair work unsupervised. We also strive to enhance the technical skills of service engineers in performing precise and reliable work onsite.

We have a system in place for recognizing high level skills among service engineers. Using this system, we conduct quantitative evaluation and certification of professional engineers following a set of key performance indicators (KPI). Moreover, we also have a specialist certification system in place to promote cultivation of engineers with expertise in specific models. To date, over 600 engineers have been certified under the system.

We have also created a system to certify Daikin service skills overseas. In fiscal 2024, the certification exam was held in all regions worldwide. Going forward, we will work to improve technical levels by further expanding learning materials and increasing opportunities to take training courses. We will also continue our efforts, which began in fiscal 2023, to recruit training personnel and key people from each country to undergo training in Japan, and then establish a foundation for them to develop human resources in their own countries.

Case Study: Daikin Service Olympics and Service Awards

Since organizing the first Service Olympics in 2016, Daikin has held contests in each region around the world where service engineers compete with regard to their skills.

The second Service Olympics were held in 2024. The 45 service engineers made it past regional qualifying rounds around the world divided into the DX (Direct Expansion) and AP (Applied) divisions competed for overall points through various competitions.

Also, at service bases across Japan, teams are created that compete against each other in the annual Service Awards tournament. There, teams are quantitatively judged and awarded for their level of service in areas such as speed, accuracy, and good manners.

Educational Programs to Improve Installation Quality

Daikin offers training courses for its engineers and dealers to enhance their installation and service skills at seven locations in Japan.

In fiscal 2024, we expanded our training courses for sales positions and hands-on learning materials. We also developed two new courses and one revamped course to help employees acquire new skills and knowledge. We now have an extensive lineup of 87 training courses in total, including 66 single-subject and 21 qualification training courses.

In addition, we hold special training programs that combine online and in-person training for new mid-career recruits from sales companies, helping them improve their skills and grow quickly.

Skills training for dealers

Training at the "Training Lab" as a DX Development Base

In collaboration with the sales and development divisions, we newly installed duct-type products for high-performance housing in the "Training Lab" and created education support tools, such as training videos on installation methods and points of caution, for practical application on the installation of duct to foster engineers.

We also provide training that allows employees to remotely operate the equipment installed in the Training Lab to understand its functions and effects, which can then be used in sales proposals.

Social

Understanding and Reflecting Customer Needs

Stepping Up Worldwide Marketing Research

Daikin conducts surveys on the latest trends in each of its development bases worldwide. We also focus on understanding regional characteristics including climate. For example, we have set up field equipment to collect data on cold climates at the Daikin Asahikawa Lab. In addition, we are also working with local venture companies and start-ups through the Open Innovation Lab in Silicon Valley and Shenzhen to explore new businesses and technologies. We also collaborate with a number of universities in Japan.

In January 2025, we completed construction on our new Daikin's EMEA Development Center (EDC) in Ghent, Belgium aimed at strengthening research and development of heat pump heating. Moreover, as the market grows in India, we are also expanding our R&D center in India. We will accelerate the development of products that match the needs of India and other emerging countries. In Japan, we are working on enhancing the technical research function of the Tokyo branch of TIC.

Daikin's EMEA Development Center

Feature of Fiscal 2018: Customer Satisfaction—Global Product Development Structure to Quickly Address Various Regional Needs

https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/feature2018/cs-pdf.pdf

Moreover, we are putting efforts into collection of data and assessing and understanding the needs of each and every customer through communication. This includes in-person discussions in showrooms and online feedback, as well as continuous implementation of questionnaires to receive feedback on our products.

Daikin Solutions Plaza Interactive Showroom

To anticipate future customer desires, we believe it is essential that product designers and engineers deepen direct communications with customers. At our Solutions Plaza facilities located around the world, we consult with customers while they are browsing actual products and energy management systems.

Daikin Solutions Plaza Fuha Osaka

fuha, Daikin's hands-on showrooms (available in Japanese only)

https://www.ac.daikin.co.jp/fuha

Survey Results Go Toward Improving Products and Services

Each division collects customers' opinions on Daikin products through an online questionnaire. Questionnaires are also conducted on CLUB DAIKIN, the Daikin membership site for customers with our products.

In fiscal 2024, we conducted a number of surveys for future product planning purposes including an energy conservation awareness survey, daily life concerns, and product users.

Gathering Customer Feedback for Use in Products Development

Product case study: risora

In response to requests for stylish air conditioners from customers who "want to remodel their home to become more fashionable but don't know what to do about the air conditioner," in fiscal 2017, risora was developed to offer designs that pursue harmony with interior design. With a body of only 185 mm in thickness and a long list of features, risora also offers a paid optional service called risora Custom Style that allows the consumer to customize the indoor unit panel with their preferred color. We aim to create a culture where it is fun to choose an air conditioner that creates one's ideal space.

risora, which balances design and functionality

risora Custom Style (available in Japanese only)

https://www.ac.daikin.co.jp/risora/customstyle

Social

Topics

Started an Initiative for Direct Proposals and Sales Through Customer Dialogue

Daikin has created a new brand called The Art Line, which designs inspiring spaces using imaginative ideas. As the first step, we launched products that feature the visuals and textures of traditional crafts, artworks, and natural materials on the front panel of risora, a slim-fitting residential air conditioner, and a humidifying streamer air purifier (70 type).

These products are now available at the Daikin Solutions Plaza Fuha Tokyo and Daikin Solutions Plaza Fuha Osaka. Consumers can touch the decorative panel and check the color and texture.

Going forward, we will continue to propose energy-saving, high-value-added products, as well as engage in direct proposals and sales while exploring new needs and interacting with customers at our points of contact.

The Art Line

The Art Line—A New Brand for Designing Inspiring spaces with Imaginative Thinking (available in Japanese only)
https://www.daikin.co.jp/press/2025/20250117

Product case study: Sugodan Heater Series for Cold Regions

Cold regions face unique challenges such as extreme temperature fluctuations, low minimum temperatures, heavy snowfall, and seasonal winds, which can be difficult to replicate in a normal laboratory setting.

At Daikin Asahikawa Laboratory, we are developing and conducting demonstration experiments of air conditioning systems that can be adapted to various buildings, utilizing the extremely cold environment.

In fiscal 2024, we added a new high-heating housing air conditioner for cold regions featuring a ceiling-mounted cassette single-flow design to our Sugodan series lineup.

Sugodan series (available in Japanese only)
https://www.ac.daikin.co.jp/sugodan

Universal Design in Product Development

Developing Products That Anyone Can Use Easily

Daikin has adopted the concept of universal design, which aims to create products that are easy to use for many different people, irrespective of age, gender, physical ability, or cultural background. By listening to users and taking into consideration their various perspectives, we aim to create products that are easy for anyone, whether they have expert knowledge of air conditioning or not.

Topics

Received Good Design Award for Beautiful User Interface and Excellent Operability

The Simple Touch Controller (for Southeast Asian markets) for air conditioners received a 2024 Good Design Award.
Air conditioning accounts for 50% of electricity consumption of offices in Southeast Asia and electricity bills are rising.
Although energy-saving solutions have evolved, the controllers are complex, making them difficult to use for air conditioning administrators who are not experts, and there was an issue that the controllers were not used at all. With this in mind, we aimed to create an air conditioning controller that can be easily operated even by non-experts.

In this development project, we made it possible to complete these functions on a single device and made the basic air conditioning operations easier by referring to the touch operation of smartphones, which are familiar to users. This enables individual temperature adjustments and prevents users from forgetting to turn off the air conditioner, which is expected to increase energy conservation effects.

- Simple user interface for easy basic operation
- Energy saving design considerations for temperature adjustment and preventing users from forgetting to turn it off
- Focuses on essential functions and integration of previously separate functions

Simple Touch Controller
(for Southeast Asian markets)

Daikin Receives "Good Design Award 2024" with Two Products for Southeast Asia: "Simple Touch Remote Controller" and "Outdoor Unit for Room Air Conditioners"
https://www.daikin.com/press/2024/20241016

Social

Chemicals Divisions Initiatives

The chemicals divisions have identified "improvement of quality," "stable supply," "communication," "response to needs (development of new products)," "information provision to customers," and "environmental consciousness" as the main points to increase customer satisfaction, and aim to gain greater trust and satisfaction from customers by continually assessing information regarding the level of customer satisfaction and making improvements accordingly.

Product Study Sessions and Various Exchange Gatherings

While fluorochemical products are highly advanced and highly functional materials, molding/processing them can sometimes require specialized methods. We not only visit our customers to provide information on our products, but we also regularly conduct production information sessions, technical seminars, and product seminars, titled "the Fluorine Classroom," to explain about processing methods using our in-house equipment. Three sessions were held in fiscal 2024. Moreover, we send out regular newsletters to customers to share information on new products and exhibition events (fiscal 2024: sent out 13 in Japan and eight overseas).

At networking sessions for top executives such as the "Chemicals Customer Appreciation Meeting" and "Dai Fluorine Gas Meeting," we deepen our connections by introducing our efforts in developing new applications, the functions of fluorochemicals that can lead to the development of new applications, and future development plans globally.

Moreover, we have opened a showroom in Shenzhen China at the DAIKIN Dream Gallery to showcase not only products but also demonstrate their functions. In 2022, we opened an innovation center in Dortmund, Germany.

Sharing Broad Knowledge About Product Features and Their Target Fields, Etc.

The sales representatives of the chemicals divisions need to listen to researchers and product developers, who are Daikin customers, about the product functions they seek and offer them the ideal products for their needs. In order to optimize product functions in accordance with the circumstances of these customers, it is essential to have diverse knowledge of such things as processing methods, amount of additives, and temperatures.

For this purpose, the chemicals divisions hold monthly meetings that integrate business, research, and manufacturing, and training sessions. The goal is to share not only business information, but also knowledge regarding products, related laws and patent information. By giving concrete examples of product applications and use, as well as relaying customer needs, these meetings aid in the development of new products and applications. They also give sales staff a deeper understanding of product features so that they can provide customers with new solutions.

Chemicals Business
https://www.daikinchemicals.com/

Customer Satisfaction

Product Quality and Safety

Basic Policy

Providing Safe, High-Quality Products and Services

With this in mind, Daikin strives to stay ahead of customer needs by providing high-quality products and services based on its corporate policies of "Absolute Credibility," "Enterprising Management," and "Harmonious Personal Relations."

With a quality management system in place, we ensure that our products are of the highest levels of safety and quality in all processes from design and manufacture to sales and after-sales service.

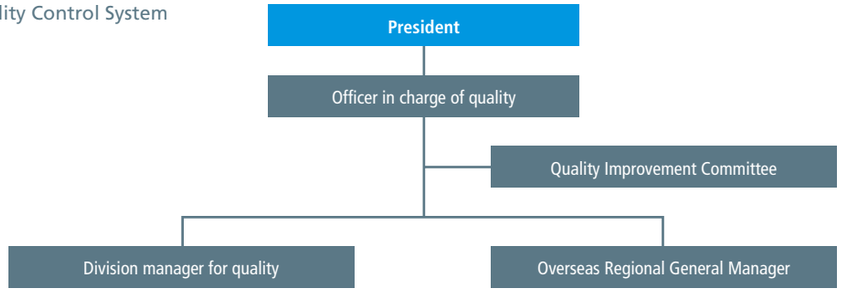
Product Quality Management Structure

Thorough Management in Development, Procurement, and Production

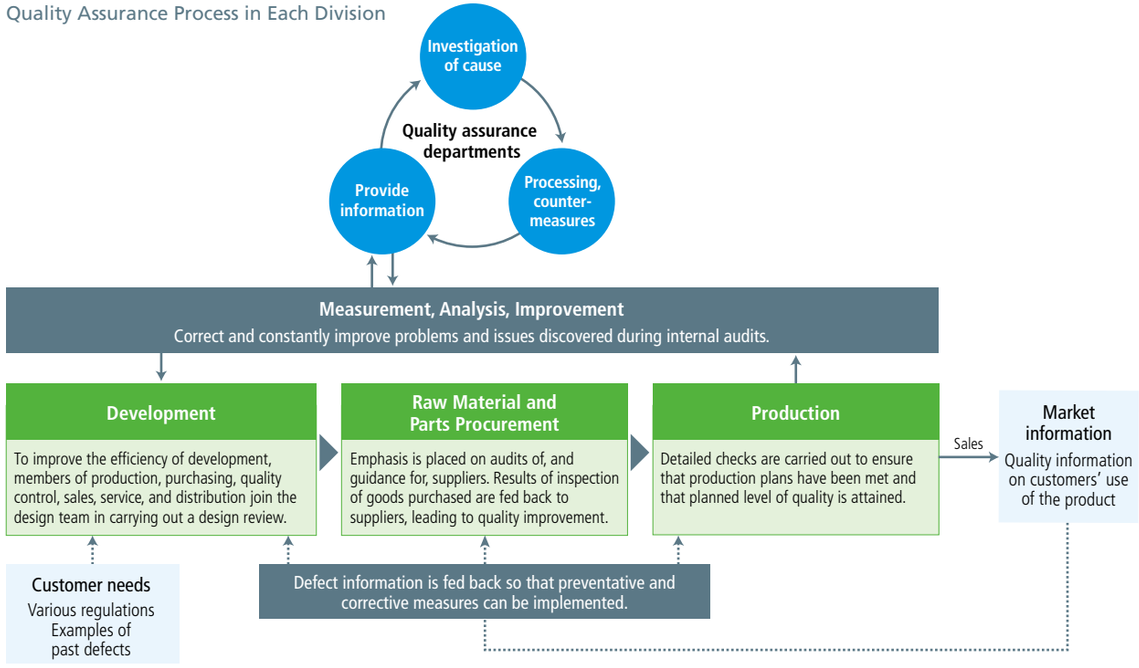
All major manufacturing bases in Daikin have obtained ISO 9001 certification and have quality management systems conforming to this international standard. Company divisions maintain high levels of product quality and ensure proper management of each department, such as development, procurement, and production. We are also working alongside contract manufacturers to improve quality.

In all aspects of the quality management system, each division continuously carries out internal audits, assesses the operational system, and continues to make improvement. Furthermore, every year each division sets key quality measures and targets based on the Group's new year policy and then plans and executes a fiscal year plan based on these measures and targets.

Quality Control System



Quality Assurance Process in Each Division



Social

Initiatives by Each Division

Division Name	Quality Program
The air conditioning divisions	With the goal of establishing a Daikin quality that meets customer expectations, the air conditioning divisions strive to take the following initiatives: • Establish operational methods for quality assurance of system products • Conduct preventive activities aimed at eradicating equipment-related defects and human error • Thoroughly manage changes and impact deployment • Create a system for autonomous deployment of preventive measures centered on key suppliers; and • Strengthen quality capabilities at global business sites.
The chemicals divisions	In the chemicals divisions, we are working to further improve quality and ensure stable supply to meet customer satisfaction. In order to eliminate waste due to quality defects, we are strengthening the verification of settings and management of conditions for making quality products in the manufacturing process. These efforts will drive an awareness toward improving overall quality and ensure dependable quality that helps retain customers even when demand is low. 1. Improve product appeal: Accurately assess customer needs, study the difference in quality compared to competitors' products, and implement quality improvement. 2. Achieve zero defects: Working to eliminate defects by strengthening operation management, equipment management and training, automating trend management and issuing alerts, and discovering and dealing with early signs of trouble. 3. Strengthen quality process: Ongoing implementation of initiatives linking global collaboration, including exchanges of improvements, aimed at both increasing productivity and enhancing quality.

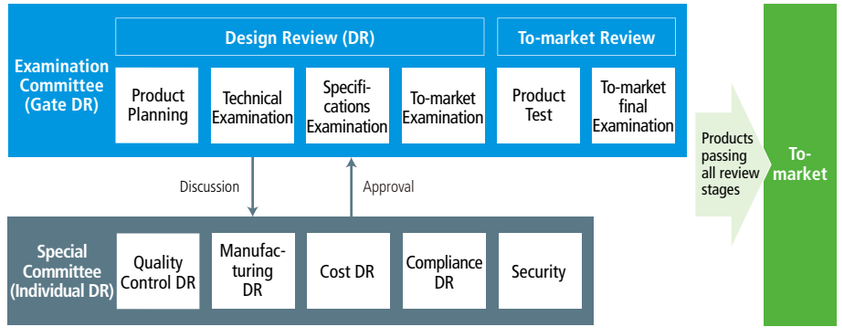
Improving Quality

Only Those Products That Pass Our Strict Design Review for Product Safety Are Manufactured

The air conditioning divisions have reformed their development process with a stricter, more segmented design review* under which the personnel in charge of the development divisions inspect the proposed products for conformity to Daikin standards using the five criteria of an individual design review (DR): product quality, monozukuri (the art of manufacturing), cost effectiveness, compliance, and security. The item of security was added in fiscal 2020 in response to the heightened information security risks for our company's products.

* Design review: A system of coordinated activities covering design quality of products under development and the various processes involved in bringing these products to fruition. The products in question are objectively assessed and improvement suggestions are made, and only those products that pass each stage can move onto the next.

Development Process Raises Quality (Air Conditioning Divisions)

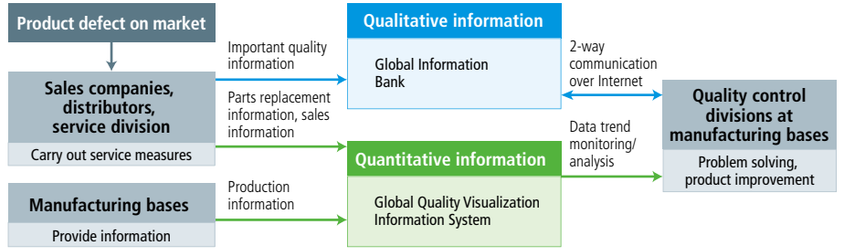


In the chemicals divisions, we have been conducting reviews based on a four-level management system consisting of development theme verification, technology establishment, business-viability establishment, and mass-productivity. We inspect designs from multiple aspects, including technical verification, quality, monozukuri, cost, legal regulations, safety, and environmental compliance. We meet with the production divisions relevant to manufacturing, quality assurance and materials as to whether a product meets the passing criteria for each gate to proactively address issues in aiming for development without backtracking.

Tracking Customer Information and Product Information

We have two systems for gathering information—on customers and products—from markets around the world. The information is used to solve problems at each base and thus create better products.

System for Sharing Information to Solve Problems



Social

Establishing Protocol for Promptly Handling Product Accidents

Daikin products are designed based on quality standards and design standards that ensure that, even if users misuse machinery or use it beyond recommended limits, there is no danger for the users; and even if there is a product accident, the danger to the user is minimized. In case of a product accident, we have systems in place that allow us to quickly relay the necessary information and handle the problem, and minimize the impact on the product users and the general public.

We strive to prevent major product accidents from occurring. When the cause of a minor product accident is discovered, we examine it to determine whether this could also lead to an accident. The information we gather is reflected into the development of future products.

In fiscal 2024, there were two cases of product recall.

Important Announcements (available in Japanese only)
https://www.daikin.co.jp/taisetsu?ID=daikintop

Working Closely with Suppliers

See below for our initiatives for raising product quality and ensuring safety together with suppliers

124 Social Supply Chain Management Working Closely with Suppliers

Product Safety Voluntary Action Guidelines

Daikin believes that its important management task is to provide products that satisfy customers from the standpoint of our customer when designing and making products that have an important level of safety and quality. To this end, we have formulated the following basic policies on product safety in efforts to provide ever-greater levels of safety and quality in products.

Product Safety Voluntary Action Guidelines

1. Legal Compliance
The Group shall observe the Consumer Product Safety Act and other product-related laws and safety standards.

2. Ensuring Product Safety
The Group shall establish a quality management system and execute measures to maintain product safety in all processes extending from product design to production, sales, and after sales service. And the Group shall display appropriate, easy-to-understand instructions and warnings on products and in instruction manuals to ensure the safe use of our products by our customers.

3. Collecting and Providing Product Accident Information
The Group shall actively collect information from our customers concerning accidents involving Daikin products and quickly report this information to our executive management while providing customers with suitable information.

4. Immediate and Appropriate Response to Product Accidents
In the unlikely event of a safety problem occurring in the use our product, our first and primary concern shall be for the safety of our customers, and we shall take immediate actions to minimize and prevent the occurrence of a serious accident. Actions to be taken immediately shall include repairing or replacing the product in question, publicizing the problem through the appropriate media, and submitting a statutory report on the problem to the relevant authorities. All relevant people outside the company, including sales company personnel, will be informed of the situation.

5. Product Safety Promotion
The Group shall establish a quality assurance system that it uses to ensure product safety and quality. We shall ascertain information related to the safety and quality in the marketplace and provide accurate feedback to personnel within our company in order to reflect it into future product design and manufacture.

6. Education, Training, and Monitoring
The Group shall constantly make every effort to promote the safety and quality of our product through widespread education and training within the company in laws and regulations on product safety. We also shall regularly monitor work to ensure product safety is being achieved.

(Formulated in June 2007)

Social

Global Product Safety Standards

We have formulated our Global Product Safety Standards to ensure products are designed for the utmost safety by having standards common to all Daikin bases worldwide. The goal is to make sure that products can be operated safely and that damage is limited to the absolute minimum in case of a product accident—whether the customer is using the product correctly or incorrectly, and whether the customer can operate the product safety during an atypical usage situation.

These safety standards set common rules for the Daikin Group globally regarding things like fire, electrical shock, and explosion, and promote safety in the design: design that will prevent accidents from occurring, and design that will minimize damage should an accident occur.

Efforts to Ensure Safety

Clear and Concise Product Use Instructions

The Consumer Product Safety Act obligates companies to design products for safety and provide consumers with information and warnings so that household product accidents can be avoided.

Based on the failsafe philosophy, Daikin's system of checks ensures that customer safety is the top priority in design and that design review (DR) leads to safe products.

Our website also provides consumers with information including the model number and production year of products already on the market. We abide by the Ministerial Ordinance of Technical Standards for the Electrical Appliance and Material Safety Law by placing labels on our electrical appliances (which are covered by this law) that state the duration of product use.

Optimizing Information Tool

Daikin strives to provide customers with accurate, easy-to-understand operating instructions so that they can use our products safely.

We conduct labeling of the product itself, user manuals, installation manuals, and packaging materials in compliance with industry guidelines, such as the Guidelines for Labeling Household Products for Safe Use, published by the Association for Electric Home Appliances, and the revised Labeling Procedures for Ensuring the Safety of Residential Air Conditioners, published by the Japan Refrigeration and Air Conditioning Industry Association.

When we make product user manuals, we make sure they are readable, easy to understand, and easily searchable. This ensures that customers can use products with peace of mind. We work with our design, quality control, service, and sales departments to improve areas of customer confusion in order to make manuals with which customers can get the answers they need quickly. Furthermore, we have created a video page on the support site and published the WEB Video Manual for users to fix issues on their own when they cannot determine whether the system's operation status is normal or abnormal based on the user's manual alone.

Social

Human Resources

Daikin's Approach to its People

Basic Policy

Daikin Group Philosophy states, "Practice 'People-Centered Management (PCM)' and Provide Challenging Opportunities." People-centered management is a philosophy that has been used since the company's founding, based on the beliefs that "Each individual possesses infinite potential" and "The cumulative growth of all employees is the foundation for the company's development." Through this, we aim to bring out the motivation and satisfaction of our employees and to elevate the strength of each individual to the driving force of the organization. Recognizing the inherent goodness of people, Daikin is fully committed to empowering its employees who are the source of its competitiveness and enabling them to take bold actions and seek growth through extensive training opportunities. We are also working to promote communication between departments and bases as well as build a personnel system that will help us accelerate the empowerment of our human resources, including strengthening our global recruitment capabilities, allocating human resources beyond national and regional boundaries, and building a competitive evaluation and pay system.

Daikin Group Philosophy
https://www.daikin.com/corporate/overview/philosophy

PCM Behaviors

In May 2024, to mark the 100th anniversary of its founding, Daikin revised its Daikin Group Philosophy and formulated PCM Behaviors, a set of employee action guidelines based on People-Centered Management.

PCM Behaviors presents the behaviors and attitudes expected of each employee. As our business scale expands and the number of employees increases, the purpose of PCM Behaviors is to further strengthen the understanding and practice of the values that are one of the Group's unifying forces and sense of unity, and to utilize the unique "intangible assets" that we have cultivated over the years, such as the proud traditions, good culture, beliefs, philosophy, and conduct principles, throughout the entire Group globally in this era of rapid change.

025 Feature 1 Strengthening the Capabilities of Our People for a Brighter Future

PCM Behaviors

Take Bold Action and Seek Growth
Innovation & Growth

People who strive to grow, challenge established norms, and lead innovation

1. Boldly take on challenging situations with full conviction of your potential
2. Refine and enhance your strengths and expertise until you excel in your field of expertise
3. Learn humbly

Build Genuine Trustworthy Relationships and Teamwork
Trust & Teamwork

People who share the Daikin Group's dreams and value dialogue and teamwork

4. Participate with a sense of ownership by sharing information and opinions through deep and extensive discussions ("*Flat and Fast management*")
5. Fulfill your roles and responsibilities, and work together towards achieving goals
6. Respect each person, unleash your infinite potential, and embrace healthy competition

Strive for Results
Winning & Achievement

People who aspire to achieve great results with passion, strong will, perseverance, and action

7. Envision your goal and take creative action without being bound by past successes
8. Leverage Daikin's strengths, and pursue uniqueness and differentiation
9. Set ambitious goals and achieve them with passion and perseverance by continuously taking action

PCM Behaviors
https://www.daikin.com/corporate/overview/pcmbehaviors

Social

Fostering Human Resources

Basic Policy

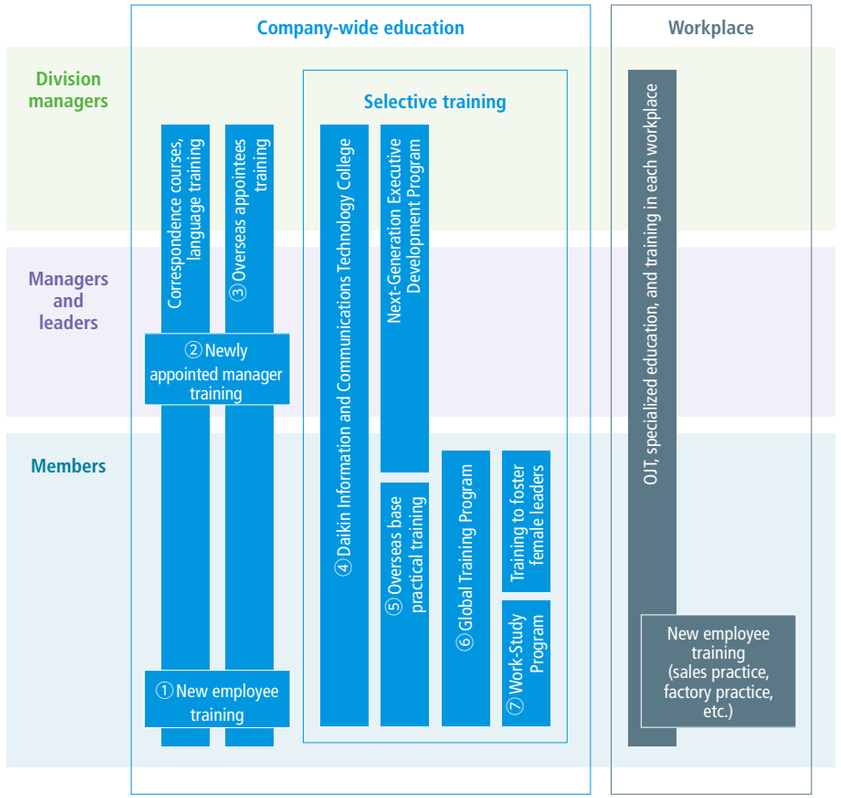
With the Group's growing global business expansion and demand for response to change, Daikin is cultivating human resources who will understand and practice Daikin Group's philosophy, while possessing the management skills to guide employees with a diverse range of values in a common direction and ability to look to the future in posing their own questions.

Education Measures

Raising up Personnel to Implement Our Group Philosophy

In order to foster as many global business leaders as possible who will support the growth and development of the Group, Daikin will strengthen measures to develop managerial executives and next-generation leaders in each region and base. In Japan, Daikin implements many human resource development measures centered on on-the-job training. These include internal lectures that foster technical development personnel in the field of AI, and overseas base practical training for fostering young, globally-minded employees.

Education System



For details about our training programs, see the next page.

Social

Main Training Programs

Training name	Target participants (period)	Purpose/Details	FY2024 results
New Employee Training	New graduate hires (One and a half months following the welcome ceremony) Mid-career hires also participate in New Employee Training	• To comprehensively learn about fundamentals and etiquette of working adults, Daikin's business operations, and practical work skills and mindset, including understanding of the organization and acquisition of business skills. • To deepen understanding of what is an ideal employee and people-centered management, and connect the "determination" and "goals" for personal growth in corporate life as their role changes from student to working professional. • During an approximately one and a half month training program for new employees, a 5-night, 6-day intensive training retreat for new recruits is held at Daikin Ales Aoya Global Training Center in Tottori Prefecture. This gathering includes new graduates, mid-career hires, senior employees from various departments, and management executives, all coming together to understand Daikin's valued perspective on "people" and to learn as many important aspects as possible regarding what they should value in their work and private lives.	412 A total of 555 employees attended the New Employee Training camp including 143 mid-career hires
Newly appointed manager training	Newly appointed manager Includes mid-career hires for manager positions (Total of three days)	• To acquire knowledge of internal systems as a manager, including the Daikin Group Philosophy, human resources system, accounting, and compliance. • Management and leadership training.	First half: 85 employees (held in July 2024) Second half: 51 employees (held in January 2025)
Overseas appointees training	Overseas appointees (Two days and other voluntary training is available for language skill and management, etc.)	• To deepen understanding of the Daikin Group Philosophy, and people-centered management, as a mission for the penetration of the corporate philosophy at overseas workplaces. • To clarify roles and expectations at the assigned location and learn the knowledge and insights required for local management such as human resources, labor, finance, and compliance.	85
Daikin Information and Communications Technology College	Managers and current employees (Up to one year) New employees (Two years)	• Fostering of digital talent to respond to periods of major change in industrial and social structures. • Broad training from basic knowledge such as mathematics to programming, machine learning and AI applications.	218
Overseas base practical training	Young employees in Japan (One to two years)	• To cultivate talent from a young age who will be responsible for the future development of the Group globally through challenges in environments different from Japan. • Participants take on practical work projects as they cooperate with local dealers, suppliers, business partners, and universities, striving to think outside the box, take on new challenges, and improve their abilities to communicate within foreign cultures.	34
Global Training Program	Young employees overseas (Six months to one year)	• To develop local young talent responsible for global bases. Through training, participants deepen their understanding of the mother site's technology, quality, and production techniques, learn how to proceed with their work, and contribute to the development of each base in the future.	5 employees (training completed) 6 employees (undergoing training)
Work-Study Programs in Japan	Young employees with two or more years of practical work experience (Two years or four years)	• Daikin sends young employees to universities in Japan in order to improve their technological skills, acquire MBAs, widen their perspective, and build human resource networks.	Toyota Technological Institute: 7 MBA program at International University of Japan: 1

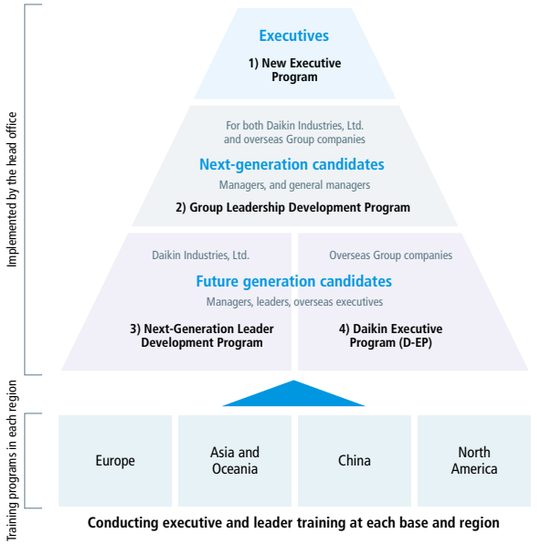
Social

Training Next-Generation Executives and Leaders

Training by the Entire Group

The entire Group is training executives and business leaders who will shoulder the responsibility of future growth and development. Target trainees are divided into three groups: executives, next-generation candidates (division managers/general managers), and future generation candidates (managers/leaders/overseas executives), and provided with a specialized training program.

Overview of the Next-Generation Executive Development Program



Feature of Fiscal 2023: Human Resources—Accelerating the Development of Globally-Minded Employees

https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/feature2023/hr-pdf.pdf

Next-Generation Leaders Candidate Development Program

Program name	Targets (period)	Target / Details	Results
1) New Executives Program	New executives	Broaden horizons, expand perspectives, and transform awareness and behavior as an officer.	38
2) Group Leadership Development Program	Division managers and general managers [From Daikin Industries, Ltd. and overseas Group companies]	Foster management executive talent supporting the Group's growth and development.	
3) Next-generation Leaders Training	Managers and leaders [From Daikin Industries, Ltd.] (August to March)	Discovery and early development of personnel who can take on executive roles. To learn about Daikin's unique management and refine one's own leadership skills.	
4) Daikin Executive Program (D-EP)	Executives and managers at overseas bases [From overseas Group companies] (July to January)	Especially in D-EP (for foreign nationals), we place a strong emphasis on deepening understanding of Daikin's strengths, history, and unique thinking and management.	

Executive and Leadership Development Strategies in Key Regions and Bases

Program, targets and main purpose	Results
Europe PanEMEA Management Development Journey Targets: General managers from Daikin Europe N.V. and executive personnel from European Group companies. Main purpose: To develop executive candidates who will lead the future EMEA region beyond business boundaries.	25
Asia and Oceania Region Regional Daikin Executive Program (R-DEP) 12-day in-person training in Japan and Thailand, along with online coaching (from May to December). Targets: General managers of Group companies in the Asia-Oceania region. Main purpose: To cultivate leaders who will drive business across countries in the Asia-Oceania region. To understand and practice management philosophy, values, culture, and Daikin-style management. To strengthen human networks within the Asia-Oceania region.	20
North America Unlimited Potential Program Discussions among participants and talks from executives and prominent figures both inside and outside the company (four days of training held three times a year). Targets: Executives in the Americas Main purpose: To deepen the understanding of Daikin's approach to people and facilitate continuous growth for oneself, colleagues, and subordinates. To build a network across the Americas and foster a sense of unity as the Americas Group.	42

Social

Fostering Monozukuri Human Resources

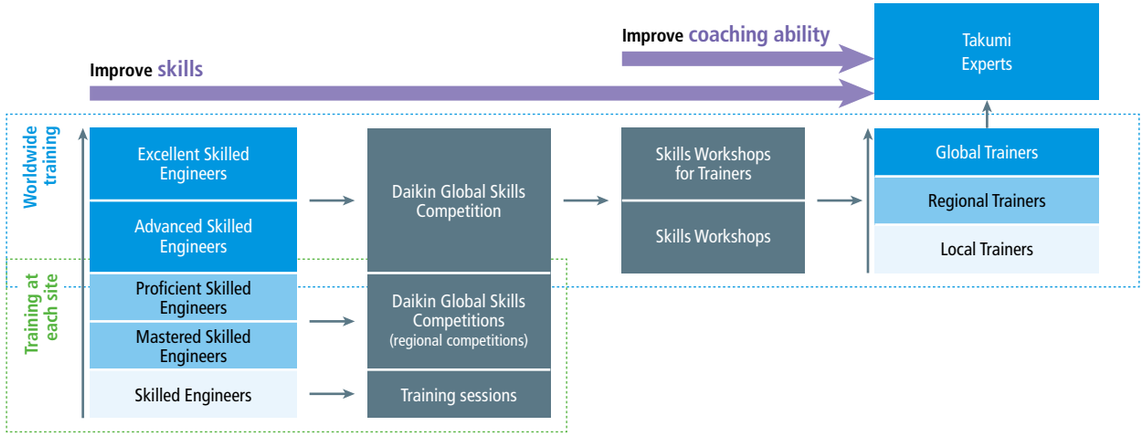
Focus on Excellent Skilled Engineers Conveying Techniques to Overseas Bases and the Training of Advanced Skilled Engineers

Daikin fosters human resources capable of passing on the skills that are the foundation of our monozukuri. Brazing, general lathing, sheet metal working, metal painting, arc welding, die making, finishing, milling, machine maintenance, and chemical plant operational strategic skills are the foundation of monozukuri. Even if production becomes automated, these skills must be passed down as competencies that can be carried out manually. This is because passing down these skills will foster a sense of passion and pride in skilled engineers' own work, and encourage them to take initiative in quality improvement, which leads to continuous quality improvement.

Daikin has established a company-wide Skill Succession Committee that takes the lead in fostering excellent skilled engineers or an advanced skilled engineer, both of whom possess advanced skills and knowledge and leadership abilities. Daikin has set a goal of having 1 in 4 employees working in production worldwide be an excellent skilled engineer or an advanced skilled engineer. In fiscal 2024, this rate was 1 in 2.6 at Daikin in Japan, and 1 in 7.4 at overseas bases. As our business expands globally, we are stepping up our worldwide training.

Furthermore, among the excellent skilled engineers or advanced skilled engineers, ones who particularly demonstrate skills or leadership capabilities are designated as "Takumi" or "Expert" depending on their skill level, while potential candidates are designated as "Trainer" to foster future Takumi and Experts both in Japan and overseas. By the end of fiscal 2024, there were 54 Takumi and Experts.

System for Training Excellent Skilled Engineers



Skills Competitions Boost Level of Production Workers

Once every two years, the Global Skills Competition for Daikin's worldwide manufacturing bases is held with the aim of boosting the skill level of employees based on fundamental processes and practical theories in manufacturing and promoting universal quality.

Participants in the competition battle to be the best in the world through written tests and simulators aimed at promptly responding to worksite accidents, and predictive modulation tasks involving actual machines.

In years when there are no skills competition held, we hold skills training sessions for future leaders, with Takumi, Experts, and Trainers as the instructors.

In fiscal 2024, 134 employees, representing 13 countries and 27 bases, including employees of partner companies, participated in the tenth competition of Global Skills Competitions.

Skills Competitions

Experienced Workers Pass On Techniques and Skills

Since 1994, Daikin Industries, Ltd. has worked to boost the level of its manufacturing by having a Kaizen Team of experienced workers lead a 4 to 6-month training course for young employees in the manufacturing divisions, which are promoting refinement and automation of manufacturing and technical strengths.

Social

Fostering Human Resources in the AI Field

Daikin Information and Communications Technology College

In 2017, Daikin Information and Communications Technology College was established as an institute to foster human resources in the digital fields* to meet the rapidly changing structures of industry and society. The college invites professors from universities such as the University of Osaka and leading-edge research institutes to give a wide range of courses in everything from basics such as math to programming, machine learning, and applied AI. We are accelerating the pace at which we foster managers and existing and new employees and have reached the goal of completing digital training for 1,000 employees by the end of fiscal 2021 and 1,800 by the end of fiscal 2024. We are working to develop 2,000 employees by the end of fiscal 2025.

By the end of fiscal 2024, approximately 490 new employees who have completed the two-year training were assigned to their respective divisions, and began undertaking jobs on the themes of creating new businesses and streamlining business processes using digital technology at the core.

* We aim to train innovators in digital technology and AI who are capable of putting their specialized knowledge into action as well as inspiring others around them to do the same.

Activity Details

Name	Objective	Details	FY2024 results
Fostering Digital Human Resources Among Newly Hired Employees	Fosters specialist human resources in digital solutions unique to Daikin who understand technology in air conditioning and chemicals, etc.	[First year] AI knowledge (using AI technologies from Osaka University), real data analysis using AI, IoT knowledge, business division knowledge and business model, etc. [Second year] Project-based learning (PBL using frontline data)	New hires in 2023: 50 New hires in 2024: 80
AI Technology Development		• AI knowledge • Project-based learning	53
System Development	Fosters human resources who can externally outsource systems development and development of systems needed for introducing AI to existing systems	• System development training (implementation, test method, system quality, test automation, operation method, etc.)	14
AI Utilization for Managers	Fostering managers and leaders that play the role in data utilization strategy	• AI literacy and AI business knowledge training • Training on PBL-themed proposal writing	21

Feature of Fiscal 2022: Human Resources—Accelerating Our Business Transformation through the Development of Human Resources in DX
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/feature2022/hr-pdf.pdf

Social

Fostering Service Engineers

Established an Essential Knowledge and Skills Training System for Improving Service Quality

At Daikin, we are conducting training of service engineers who are responsible for the maintenance of products. We conduct basic training on air conditioner service quality, as well as various training and qualification acquisition training for each level and position type.

See below for more information on our efforts to develop service engineers
078 Social Customer Satisfaction Enhancing Training System for Service Engineers

Fostering Students in Science and Technology

Supporting Development and Employment of Science and Technology Students in Emerging Countries

Daikin is focused on development and employment assistance for science and technology students particularly in emerging countries in order to foster engineers critical to the spread of air conditioning around the world.

See below for more information on our education support overseas
133 Social Communities Corporate Citizenship Activities Supporting Education

Daikin's Unique Approach to Human Resource Development

Daikin encourages employees to go beyond their departments and participate in cross-functional projects and company-wide events. For example, at the Bon dance festivals held every August at our plants in Japan, attended by many local residents, employees participate as executive committee members and event staff. In particular, the executive committee is mainly made up of young employees from various departments, who plan the event and coordinate with related parties both inside and outside the company.

Every year, the Daikin Orchid Ladies Golf Tournament, which serves as the opening round of the Japanese women's professional golf tour, is held in Okinawa Prefecture in March. More than 100 employees from our bases are involved in planning and running the event as a company-wide project.

FY2024 Results

Event or project name	Executive committee and staff
Bon dance festivals	3,350 (total for Sakai Plant, Yodogawa Plant, Shiga Plant, and Soka Station)
Daikin Orchid Ladies Golf Tournament	108

In these projects, we always think from the customer's perspective, asking ourselves what we can do to make sure that local residents and visitors have a good time, with each employee coming up with and executing their own original plans. After all opinions are exhausted until a consensus is reached, the leader makes a decision by consensus in a "flat and speedy" manner. This provides an opportunity for each employee to grow significantly by putting into practice the philosophy and work methods that are important in Daikin's people-centered management.

Furthermore, the teamwork and personal networks that transcend organizational boundaries, as well as the ability to think outside the box, execute, and solve problems in order to realize a plan, are all cultivated through these projects. These skills are then put to good use in the daily work of each workplace and function as our own unique form of human resource development.

Social

Workplace Diversity

Basic Policy

Daikin believes it is our people who make us competitive. A company can only grow stronger by having a diverse range of employees working within an organization that is conducive to mutual understanding of one another's values and that allows everyone to shoot for a lofty goal.

The Daikin Group Human Rights Policy cites diversity and inclusion (respect for diversity and prohibition of discrimination and harassment) as one initiative for employees. Our Group Conduct Guidelines state that while respecting diverse values and approaches to work, we shall mutually accept our respective differences, act in harmony, gather the abilities we possess, and strive to be a Group in which each member expresses his or her ambitions and then takes bold actions with great passion and perseverance to realize those ambitions.

Based on this philosophy, we strive for diverse management in which we maximize the talents of all people, regardless of their nationalities, ages, genders, sexual orientation, gender identity, or disability. This goes for both periodically hired employees and career hires.

As we expand our business globally, the diversity of the Daikin's workforce has increased with every passing year. Our diversity management combines such diverse personnel and harnesses their individuality and strengths into the combined capabilities of the Group. We believe that the biggest strength of the Daikin Group lies in its more than 100,000 employees and business operations in over 170 countries and regions around the world.

Daikin Group Human Rights Policy
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/social/humanrights_policy-pdf.pdf

Group Conduct Guidelines

10. Respect for Human Rights and Diversity and Observance of Labor Laws

We shall respect the human rights of each and every employee and shall not engage in conduct that discriminates on the basis of nationality, race, ethnicity, religion, color of skin, age, gender, sexual orientation, or disability. Diversity in individual values is enthusiastically accepted, and we shall work to make the unique talents and abilities of each and every person the driving force of the organization. We shall also observe both the letter and spirit of all labor laws and regulations of each country and region, and under no circumstances shall we sanction the labor of underage employees, minors who do not meet the minimum legal age requirements (child labor), or labor performed under compulsion or against a person's will (forced labor).

See below for number of employees (Daikin Industries, Ltd. only), employee make-up by region, number of employees by gender and employment rate of women
168_Data_ESG Data_Society_Human Resources

Recruitment and Appointment of Diverse Human Resources

Promoting Local Employees to Regional Management Executive Positions at Overseas Bases, and to Officer Positions at Daikin Industries, Ltd.

We are promoting more employees at overseas bases to managerial positions.

As part of our efforts to develop executive managers, in addition to the Daikin Executive Program (D-EP) for management at our local bases around the world, we established the Group Leadership Development Program to develop management candidates within the Group both in Japan and overseas.

At the same time, outstanding personnel hired at overseas bases are being chosen and trained for positions as officers at Daikin Industries, Ltd. (Group head office).

As of March 31, 2025, the ratio of local nationals serving as president or director of an overseas subsidiary stood at 42% and 46%, respectively.

See below for the Number and Percentage of Overseas Bases Where Local Nationals are Presidents and Executives
169_Data_ESG Data_Society_Human Resources

Social

Building a Global HR Database

Building a Global HR Database to Develop and Assign Talent that Draws out the Infinite Potential of Every Individual

In October 2023, we established and started using a database of our global human resources called DAIKIN People as a platform for maximizing the power of our people, a source and strength of Daikin's competitiveness. In addition to containing basic information about each employee, such as department, position, and career history at Daikin, the database allows employees to fill in other data points such as strengths and expertise, thoughts and hopes for work and career, and supervisors to fill in information on directions related to employee development. Supervisors can also add records of conversations with employees. In this manner, information is accumulated and updated constantly. We will use this database as a tool to further harness the abilities of each individual, which will lead to timely training and assignment of human resources.

In addition, to understand employees' sense of job satisfaction and growth, we posed questions from four perspectives: "I am proud to work at this company," "I feel motivated in my work," "I feel like I am growing through my work," and "My work allows me to make use of my strengths."

In fiscal 2024, over 70%* of employees gave positive responses to each question, and in particular, over 80% of employees gave a positive response to the question, "I am proud to work at this company."

Response to Questions
90% of the target employees responded

Questions	Percentage of positive responses
I am proud to work at this company	84.4%
I feel motivated in my work	79.7%
I feel like I am growing through my work	75.8%
My work allows me to make use of my strengths	70.6%

* Of the responses "I strongly agree," "I somewhat agree," "I can't say," "I don't really agree," and "I completely disagree," "I strongly agree" and "I somewhat agree" were counted as the "percentage of positive responses."

The responses are analyzed according to each department. In turn, the Human Resources Division and each department work together to implement measures to foster a desire to take on challenges and pursue growth in each employee, improve job satisfaction, and resolve organizational issues.

Going forward, we will roll this out to our affiliated companies globally, with the aim of understanding the talent of the entire Group and helping each individual thrive professionally.

Workplaces that Empower Every Worker

Offering a Work Environment Where All Can Thrive Professionally

Daikin Industries, Ltd. raised its mandatory retirement age from 60 to 65 effective April 1, 2024. In conjunction with this, we are also steadily reviewing our personnel and compensation systems in order to create a work environment in which each and every employee, regardless of age, can take on challenges and grow, contribute their abilities, and continue to play an active role.

In addition to eliminating the mandatory retirement age for managerial positions, which was previously set at 56 years old, we will continue to use the qualification grade, evaluation, and wage systems applied to those under the age of 59 until the retirement age of 65 under the new system. We have revised the wage level to a consistent system until the age of 65, and changed it to a system in which wages will not decline uniformly depending on age.

In 2001, we eliminated uniform wage items such as age pay and seniority pay. Through further changes in fiscal 2024, we aim to minimize uniform age factors and accelerate the challenges and growth opportunities of each individual employee.

Going forward, we will continue to explore and implement system reviews for all employees, including new measures to accelerate the challenges and growth opportunities of each employee and restructuring of support systems (benefits programs) that support each employee.

Social

Maximizing the Talents of Women

In 2011, Daikin Industries, Ltd. launched a project directly under top management with a focus on promoting women's participation and advancement at work. In our action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace, we established the following targets and expanded on efforts including reinvention of the thinking of managers and female employees, early cultivation of female leaders, support for early return from childcare leave, and encouragement of male employees to participate in childcare.

Action Plan to Promote Women's Advancement

1. Period: Fiscal 2021 to fiscal 2025
(Five years between April 1, 2021 to March 31, 2026)

2. Quantitative targets
- At least one female director from internal appointment by the end of fiscal 2025
- Minimum of 120 female managers by the end of fiscal 2025
- At least 90% consumption rate of childcare leave among both genders, and ensure male employees continue to take an average of 10 days or more

Increasing the Percentage of Female Employees

As of the end of March 2025, women accounted for 18.7% (1,712) of all employees of Daikin Industries, Ltd.

We began our proactive policy of hiring more women for all positions in technical, skilled, and clerical fields, and focused on hiring new graduates with the determination and drive for long-term careers. As a result, the percentage of women hired accounted for around 30% of all new graduates hired. Additionally, we actively hire talent using midcareer recruitment and hiring, including for women in managerial positions.

Main Initiatives in Fiscal 2024

Female Leader Development Program	• As part of our measures to systematically develop female candidates for managerial positions, the Female Leader Development Program targets female candidates for managerial positions. The program has been held annually since 2011. In addition to a total of four group training sessions, we conducted training for the supervisors of the participants. • The program raises awareness among participants about their own strengths and issues and reveals how they can become leaders. At the same time, the program seeks to change the mindset and actions of participants to increase their influence in the organization as managers and leaders.
Innovative Women's Active Participation Program	• As part of our collaboration with the University of Osaka to promote diversity and inclusion, we implemented a program for female employees in skilled and technical areas. During the three-day program, participants attended lectures at the University of Osaka. • The program changes mindsets so that the participants become influential as a leader in the Daikin Group's skilled and technical areas in the future, and provides a venue to encourage learning through interactions with female engineers from other companies and female graduate students at the University of Osaka.
Discussions among Department Heads	• In order to accelerate efforts within each department to promote women's empowerment, the Human Resources Department held discussions with the heads of each department. • These discussions further reaffirm the need to promote women's participation and advancement in the workplace, to strengthen the development of women in each department, and to accelerate the promotion of women's active participation.
Talk session with the President	• Held to coincide with International Women's Day in March to consider diversity as a whole. • The program promotes understanding of diversity initiatives and provides an opportunity for each participant to think about their own challenges and growth. • After a message from the President about diversity, a talk session was held that included engagement with the participants.

As a result of these initiatives, as of April 2025, the number of female managers has risen to 121 (8.9%), which is about six times the number in 2011, when efforts to promote women's participation were officially launched. We achieved the target of female managers (120 by the end of fiscal 2025) set out in our action plan currently being implementing under the Act on Promotion of Women's Participation and Advancement in the Workplace, 18 months ahead of schedule.

Selected as Nadeshiko Brand for the 9th Time

In recognition of its efforts to promote women's participation in the workforce, Daikin was selected as a "Nadeshiko Brand" for fiscal 2024, a program jointly run by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange to evaluate listed companies that excel in promoting women's participation in the workforce. This marks the ninth time that we have been selected.

Nadeshiko Brand

See below for the Number of New Employees Hired; Women as Percentage of All New Employees Hired, Number and Percentage of Women in Management Positions, and Gender Pay Gap (Daikin Industries, Ltd. only)
168_Data_ESG Data_Society_Human Resources

Social

Employment of Persons with Disabilities

In 1993, based on the Act on Employment Promotion etc. of Persons with Disabilities, Daikin Industries, Ltd. established Daikin Sunrise Settsu Co., Ltd., a cooperative venture with the Osaka Prefecture and Settsu City governments. DSS strives to provide persons with disabilities with an environment conducive to working so that they have the opportunity to make the most of their talents. Also, we are stepping up efforts for the employment of persons with disabilities across the Group, including at Daikin Industries, Ltd. and other affiliates in Japan.

Targeting a level above the statutory requirement of 2.5%, the Daikin Group in Japan maintained an employment rate of persons with disabilities of 2.9% in fiscal 2024. Group company Daikin Air-conditioning (Shanghai) Co., Ltd. Is proactively hiring persons with disabilities. In December 2013, the company was recognized by the government as a national training base for persons with disabilities.

In response to changes in the situation surrounding the employment of persons with disabilities in Japan, we established a system in which the Executive Officers Committee and companywide committee (Corporate Ethics and Risk Management Committee) continuously follows up on our initiatives for persons with disabilities. In order to continuously expand the employment of persons with disabilities throughout the Group, we hold meetings to promote the employment of persons with disabilities at our affiliated companies in Japan. We formulate and implement employment targets for each company and the action plan to achieve them.

In accordance with revisions to the Act for Eliminating Discrimination against Persons with Disabilities requiring reasonable accommodation in fiscal 2023, we conducted e-learning on reasonable accommodation for the entire company, not limited to just to departments where employees with disabilities are enrolled (for approximately 94% of the 9,917 employees).

We have also expanded this training to our domestic affiliates.

Going forward, we will continue working to create an environment in which each and every employee, regardless of disability, can maximize their abilities in each workplace.

Daikin Sunrise Settsu Co., Ltd.

See below for the number of persons with disabilities employed and employment rate (Group companies in Japan)
169 Data ESG Data Society Human Resources

Hiring Non-Japanese Nationals

As Daikin's business becomes increasingly globalized, Daikin Industries, Ltd. is aggressively hiring university graduates from a large number of countries. As of the end of March 2025, there were 90 foreign nationals working at Daikin Industries, Ltd.

In October 2018, we published a Japan Living Guide containing information to facilitate the start of their life and work in Japan for offices where new hires and intern trainees of foreign nationality work. In November 2018, we published a handbook for workplaces with foreign national employees to facilitate communication and provide hints about how to develop their careers. Also, we provide seminars, workshops, and Japanese lessons.

Additionally, when employees of a foreign nationality work at our overseas Group companies, we take appropriate measures according to the situation, such as making manuals and notices available in multiple languages.

Understanding of the LGBTQ+ Community

Daikin aims to create workplaces conducive to working for all employees, regardless of nationality and gender.

In 2018, Daikin Industries, Ltd. has clearly established definitions of human resource rules on marriage and gender to recognize things like common-law marriage (including same sex partners) and gender identity (what gender a person identifies himself or herself as). We are also promoting understanding of the LGBTQ+* community by releasing information via newsletters. In addition, we hold voluntary events to raise awareness and distribute handbooks in collaboration with other companies, providing opportunities for non-LGBTQ+ people to deepen their understanding of what it means to be LGBTQ+.

* LGBTQ+: An acronym describing the community of sexual minorities standing for lesbian (L), gay (G), bisexual (B), transgender (T), and queer or questioning. The plus indicates all others.

Efforts in the Hiring Process

Daikin's Group Conduct Guidelines states we shall respect the human rights of each and every employee and shall not engage in conduct that discriminates on the basis of nationality, race, ethnicity, religion, color of skin, age, gender, sexual orientation, or disability. We are taking the same measures in our hiring process to respect each individual's diversity and prevent discrimination.

For example, Daikin Industries, Ltd. no longer requires job applicants to indicate gender and nationality nor include a portrait on the entry sheet and resume. In addition, we are conducting thorough education among employees involved in hiring to prevent discrimination.

Social

Work-Life Balance

Basic Policy

Daikin Industries, Ltd. stresses a work-life balance for employees. We have a range of systems and measures that allow us to make use of a diverse range of human resources. The company has established an action plan that is already underway for helping employees both men and women with children to continue both work and home duties with peace of mind. We have been certified as a company complying with the Act on Advancement of Measures to Support Raising Next-Generation Children. We have put efforts into strengthening systems for both childcare leave and childcare support and encouraging male employees to take more childcare leave.

Helping Employees Match Work Schedule with Lifestyle

Employing Flexible Work Systems such as Flex Time and Discretionary Work System

Daikin Industries, Ltd. has introduced a flex time system that allows employees greater flexibility in terms of work. We also have a discretionary work system that can be taken advantage of by the R&D department and employees in other company departments conducting duties such as planning, proposals, and surveys related to company operations.

Support for Childcare While Working

Creating a Workplace Where Employees Can Balance Their Jobs and Childcare

Daikin Industries, Ltd. strives to create an environment where employees can continue their jobs even after having children. We achieved the targets of our first action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children. For this, the company was certified as "Kurumin" by the Osaka Labour Bureau (Ministry of Health, Labour, and Welfare) on four occasions in 2007, 2012, 2014, and 2020. Furthermore, in recognition of our measures and efforts to support employees to strike a balance between work and childcare, regardless of gender, we received Platinum Kurumin certification in 2025.

Symbol Showing Certification as a Company Supporting Employees' Childcare Efforts

Utilization of Childcare Leave

Daikin Industries, Ltd. is expanding its support for employees to ensure that they can achieve work-life balance in terms of childcare and continue working even after giving birth and caring for a child or children. An increasing number of employees are utilizing these systems and measures with the help of their partners to achieve work-life balance. In fiscal 2024, the utilization number of childcare leave was 74 for women and 235 for men.

We support employees if they desire to return to work from childcare leave early, offering enhanced working formats and childcare support services so that these individuals can make a smooth transition back to work.

We host the Seminar for Employees Returning from Childcare Leave for employees returning to work, irrespective of gender, their partners who also work at Daikin but did not take childcare leave, and the supervisors of both. The seminar provides an opportunity for employees returning to work and their partners to think about their own situation of work-life balance and future career choices, while for supervisors, it offers an opportunity to rethink their management approach to employees returning to work from childcare leave.

See below for the number of employees taking childcare leave (Daikin Industries, Ltd. only)
170 Data ESG Data Society Human Resources

Social

Workplace Environment Development at Daikin Industries, Ltd.

Creating a work environment that supports the balance between life and career irrespective of gender		
Seminar for Employees Returning from Childcare Leave	Purpose	We conduct the seminar to strengthen the measures that support the continuation of an employee's career and not let childbirth or childcare end a career. 1. To understand the mindset needed to balance work and childcare while shaping their future career, including know-how for balancing both, and the positive impacts that childcare can have on work. 2. To dispel unconscious bias such as gender roles. 3. For supervisors to consider their management approach to bring out the potential of diverse human resources, including employees balancing work and childcare.
	Details	Lectures and discussions on careers, know-how sharing on balancing work and childcare by participants, and panel discussions were held by senior employees (men and women) who have experienced childcare leave and supervisors whose subordinates include employees who have children. It provided an opportunity for those involved to think about their careers from a long-term perspective, and for supervisors, an opportunity to think about their management approaches for drawing out the diversity of team members, including employees who are raising a child or children. In fiscal 2024, we held the seminar online for around 130 participants.
	Targets	Total of four: For employees returning from childcare leave and their supervisors. For partners of a returnee from childcare leave and their supervisors (External partners can also participate if they want to).
Creating an environment that encourages male employees to take childcare leave		We publish and distribute the Handbook on Balancing Work and Childcare among male employees with a recently born child and their supervisors, which includes information for new fathers. We raise awareness of the system to promote systematic utilization of childcare leave, facilitate dialogue between supervisors and subordinates, and link these actions up with confirmation of each individual's intentions and necessary considerations. The Human Resources Division also conducts regular check in with eligible employees on their plans to take the leave. We also host seminars jointly with other companies that encourage men to achieve work-life balance in terms of childcare.
Supporting early return from childcare leave		The following program was introduced for employees returning from long-term childcare leave whose child is less than 6 months of age. 1. Flexible workstyle to enable an easy transition that balances work with life • Shorter workday of 4 hours a day • Shorter flexible workday of 6 hours a day • Work-from-home for up to 4 times a week 2. Strengthen services to support parents of infants in balancing life and career • Expand the subsidy amount and list of support within the Cafeteria Plan to Support Challenges and Growth
Other forms of support (lactation rooms)		We have set up private lactation rooms inside the health care centers of each business site. At our head office building, we have a dedicated lactation room in the common area that is accessible to all lactating mothers.
Supporting employees looking for daycare facilities		
Daycare facilities concierge service		This service provides comprehensive support from experts on search for daycare facilities, which includes information on how to conduct searches and details on daycare facilities, as well as getting advice from experts.
Daycare and Childcare Leave Support Seminars		In addition to the daycare facilities concierge program, we began hosting seminars to share information on how to look for daycare facilities, know-how and examples of other employees. The aim of the seminar is to provide reference and address concerns on searches for daycare facilities to facilitate a smooth entrance for the children.
Matching employees with company-owned daycares		In order to support employees in finding daycare for their children, we began matching services for employees with company-owned daycares. We list daycares that are owned by the company with openings on the website, and support employees with a smooth application to put their children into daycare facilities.

Social

Support for Family Care and other Employee Benefit Systems

Daikin Industries, Ltd. has established a variety of employee welfare programs. For example, these include a defined contribution plan, paid leave, dormitories for singles and company housing, recreational facilities, a home loan program, property accumulation savings program, and stock ownership plan.

Family Care Leave and Shortened Working Hours

Daikin Industries Ltd. has developed a number of family care programs to help employees achieve work-life balance when caring for a family member.

Under our family care leave system, eligible employees can take leave up to a maximum of 365 days, which can be taken continuously or broken up into numerous leave blocks, up to three times whenever that member's conditions become such as to require care.

With our system for adjustment of working hours for family care (under which employees can opt to work a staggered or flexible work schedule, or a shorter six-hours-per-day schedule), for each family member who requires care, employees can break their use of this system into two or more times over a period of three years starting from initial use of this system. Under our short family care leave, employees can take leave in hourly units.

In addition, employees eligible under this system can also elect to work from home.

See below for the number of employees taking family care leave (Daikin Industries, Ltd. only)
170 Data ESG Data Society Human Resources

Introduction of D-Vita Cafeteria Plan to Support Challenges and Growth

With the aim of creating an environment that maximizes the potential of its people, Daikin introduced the D-Vita Cafeteria Plan to Support Challenges and Growth as part of its employee benefits in April 2025. Vita is Latin for life, living, and vitality. The aim of the plan is to support employees' challenges and growth from the perspectives of their personal growth, mental and physical health, and improving their quality of life, and to help each employee increase their productivity and produce results over the course of their long careers at the company.

In addition to the basic points awarded to those eligible, employees who balance work with childcare or family care are awarded "childcare support points" and "family care support points," ensuring they can receive support when they use the system to balance work and life.

The cafeteria plan offers childcare-related assistance in the form of subsidies for babysitters, family support center fees, sick childcare, after-school childcare, and other services. Family-care-related assistance includes assistance for the use of external services, as well as assistance for purchasing care supplies, elderly care monitoring services, and other services required for providing care while working. Additionally, we have set up a total of 15 programs, including support for health promotion and disease prevention, support for learning and self-improvement, subsidies for infertility treatment, and subsidies for the use of housekeeping services to reduce the burden of daily housework.

Occupational Safety and Health

Basic Policy

Daikin is working to create safe workplaces having formulated the Daikin Group Human Rights Policy based on international rules and guidelines including the UN Guiding Principles on Business and Human rights and the ILO Declaration on Fundamental Principles and Rights at Work. The Daikin Group Conduct Guidelines, which clarify the desired actions to be taken by each and every one of the Group's officers and employees, state that we are constantly aware of and taking action on the safe operation of our workplaces. In compliance with international rules and the laws of each country on occupational health and safety, we strive to create a "zero accident" workplace where Daikin employees and subcontractor employees work safely, both for their own sake and to instill a feeling of safety in the minds of residents around our factories.

Daikin Group Human Rights Policy
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/social/humanrights_policy-pdf.pdf

Group Conduct Guidelines

9. Ensuring the Safety of Operations

We shall take all possible precautions for safe operations and act with a mindset of "Safety First" to ensure the safety of the workplace and further gain the trust of people in the regions we serve.

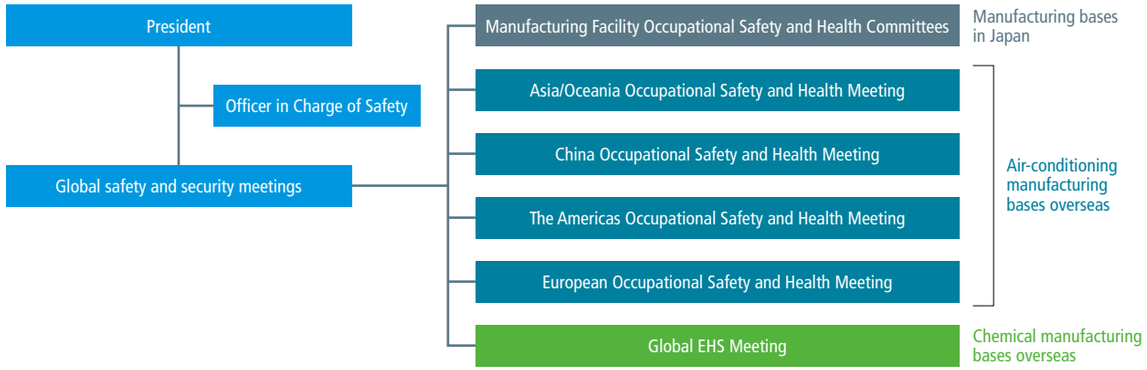
Management Structure

Officer in Charge of Safety Leads Safety and Accident-Prevention Efforts

Daikin has appointed an officer in charge of safety to promote safety and disaster prevention measures. Global safety and security meetings, chaired by the officer in charge of safety, are held twice a year. At these meetings, reports are provided on the occurrence of accidents in Japan and overseas, the contents of Occupational Safety and Health Meetings in each region, the status of support for overseas bases where accidents occur frequently, and the status of measures to address common global issues. Meetings also deliberate on measures to further improve safety levels.

In Japan, Occupational Safety and Health Committees are established at each plant to devise annual safety policies, formulate occupational safety and health plans and implement the PDCA cycle. Overseas, employees responsible for safety are appointed at each manufacturing base. Annual Occupational Safety and Health Meetings are held in each region in an attempt to improve the level of safety measures.

Occupational Safety and Health Management Structure



Social

Risk Assessment

To prevent the occurrence of occupational injuries, Daikin carries out safety countermeasures after each base conducts risk assessments and identifies facilities that pose a high risk of injury. When an injury occurs at a base either inside or outside of Japan, matters concerning the monthly occurrence, causes, and countermeasures are reported to the officer in charge of safety via the department responsible for safety at Daikin Industries, Ltd., pursuant to the Group's injury reporting guidelines. In turn, this information is reported to and shared with the global safety and security meeting two times per year.

For example, with regard to accidents related to "getting caught in or trapped by machinery," "cuts," and "transport work," which have accounted for a large number of accidents globally in recent years, we share the details of the accidents and countermeasures at each base at global safety and security meetings. We also implement an improvement cycle where we carry out risk reduction activities for these accidents after categorizing them into "people," "people and equipment," and "equipment."

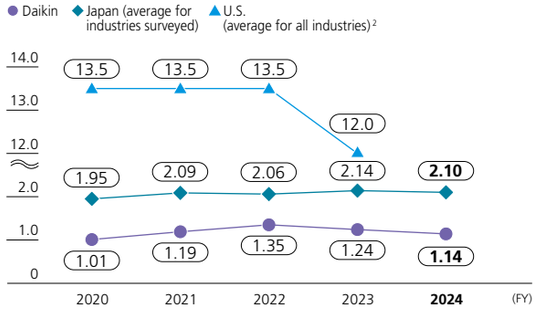
Additionally, we are working to prevent the occurrence of occupational accidents by providing protective equipment, translating procedure manuals into local languages, conducting periodic inspections of equipment, and adopting easy-to-understand labeling using photographs, including at overseas bases.

See below for our countermeasures against serious risks
141 Governance Risk Management Preparing for Other Major Risks

Targets and Results

Aiming for "zero accident" workplaces, Daikin utilizes a rate showing the frequency of occupational accidents resulting in lost work time as an indicator of operational safety. The frequency rate of occupational accidents for the entire Daikin Group, including overseas, in fiscal 2024 was 1.14.

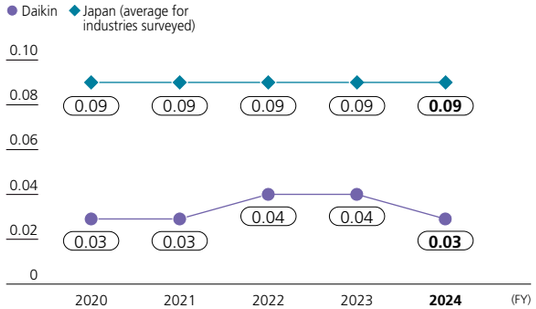
Frequency Rate of Lost-Time Occupational Accidents[1]



[1] This shows the frequency of occupational accidents resulting in lost work time, expressed in number of casualties for every 1,000,000 working hours.
Frequency rate = Number of fatalities/injuries caused by occupational accidents resulting in lost work time / Total actual working hours × 1,000,000

[2] Calculated based on information from U.S. Bureau of Labor Statistics (November 2024)
No data was released for the U.S. in fiscal 2024. (As of the end of July 2025)

Severity Rate*



* This shows the severity of the calamity, expressed in man-days lost per 1,000 hours worked
Severity rate = Total number of working days lost / Total actual working hours × 1,000

Social

Occupational Safety and Health Management System

Daikin has manufacturing bases around the world and we ensure safe plant operation and worker safety through the creation of occupational safety and health management systems at each base. Under this system, we use risk assessment to reduce and manage the risk of health and safety problems, we formulate, execute and monitor the progress of action plans, and we ensure that we are continuously in compliance with laws and regulations.

In addition, every year, we conduct internal and external audits, along with education and safety patrols with the aim of achieving "zero accident" workplaces.

As of the end of fiscal 2024, 60 bases (approximately 50% of all manufacturing bases) had acquired certification related to ISO 45001 and other occupational safety and health management systems.

See below for the Number of Sites that Obtained Occupational Safety and Health Management System Certification
170 Data ESG Data Society Human Resources

Employee Education and Training

Daikin conducts a variety of education and training on occupational safety and health. This applies to everyone who works at Daikin, including employees (part-time employees and dispatched employees included), business partners, partner companies, and contractors.

Daikin Industries Ltd. places an important focus on hands-on training that simulates situations where certain actions or situations could invite danger. Using specially made devices and machines, employees take part in hands-on mock training in which they experience what it is like to be caught in or trapped by machinery in the equipment manufacturing industry, where such accidents are common; and where they see firsthand the danger of fire and pressure caused by chemical reactions common in the chemicals manufacturing industry. We continue to hold training based on effective programs that combine with theoretical learning in the classroom.

At our overseas bases, we are improving technical proficiency levels through participation in training held in Japan and aim for zero occupational accidents by providing safety training and conducting safety patrols, among other initiatives. For example, at Daikin Fluorochemicals (China) Co., Ltd., every year several hundred employees including those from affiliates participate in safety training at the training and education center inside the company's plant. This center was certified as a "petrochemical industry safety education base" by the China Chemical Industry Federation, an important organization within China's petrochemical industry. In this manner, we provide training not only to our own employees but also to our customers, affiliated companies and organizations.

Additionally, every July, coinciding with Japan's nationwide safety week, the President and CEO disseminates a message to the entire Group on our priority initiatives for that particular fiscal year in order to foster greater awareness of safety. Every year, management, the safety officer and departments responsible for safety visit our bases in Japan and overseas to provide coaching in terms of safety assurance, while departments responsible for safety consolidate accident data monthly to share with persons in charge of safety at each business base in an effort to raise awareness of safety.

Hands-on training

See below for our efforts to ensure safety of our business partners on assembly lines
125 Social Supply Chain Management Working Closely with Suppliers Ensuring Safety Inside Plants

See below for our countermeasures and disaster prevention training in preparation for natural disasters
133 Social Communities Corporate Citizenship Activities Harmony with Communities

Social

Employee Health Management and Mental Health Care

Supporting Employee Health through Checkups and Counseling

Daikin Industries, Ltd. strives to maintain employees' health by providing all employees with semi-annual health checkups, as well as semi-annual special checkups for those engaged in specialized work, as required by health and safety laws.

Employees who are found to have problems are put under the direct guidance of the company health clinic and are given thorough guidance in necessary measures to take. At such secondary checkups, employees are given personalized health guidance and advice on improving their habits that matches their individual lifestyles.

Employees who require detailed examinations and treatment are sent monthly follow-up emails as part of our efforts to decrease the number of people not getting the care they need.

If an employee is found to be working excessive hours, he or she is checked by an industrial physician, and if the employee needs special attention, he or she and his or her superior will receive guidance from the physician. At interviews with industrial physicians, employees are given not just health advice but also consultation regarding family life and other personal matters.

Awareness of Individuals and Organizations Dealing with Mental Health Issues and Provision of Specialist Care

Daikin Industries, Ltd. strives to maintain the physical and mental health of employees.

Based on guidelines from the Ministry of Health, Labour and Welfare, four types of mental healthcare measures, such as self-care and care by dedicated outside staff, are planned and implemented at all bases depending on the needs of each base.

We conduct stress checkups at all Daikin bases in Japan. Persons judged to have a high risk of stress meet with industrial physicians so that their problems could be discovered early and solved through numerous approaches such as self-care and work environment improvement.

Eliminating Long Working Hours

Eliminating Long Working Hours by Obligating Employees to Leave at Closing

Time and Boosting Work Efficiency Daikin strives to comply with labor related laws and regulations in the countries and regions where it operates and to eliminate prolonged working hours of employees, under the Group Conduct Guidelines that state, "Respect for Human Rights and Diversity and Observance of Labor Laws."

Group Conduct Guidelines

10. Respect for Human Rights and Diversity and Observance of Labor Laws

We shall respect the human rights of each and every employee and shall not engage in conduct that discriminates on the basis of nationality, race, ethnicity, religion, color of skin, age, gender, sexual orientation, or disability. Diversity in individual values is enthusiastically accepted, and we shall work to make the unique talents and abilities of each and every person the driving force of the organization. We shall also observe both the letter and spirit of all labor laws and regulations of each country and region, and under no circumstances shall we sanction the labor of underage employees, minors who do not meet the minimum legal age requirements (child labor), or labor performed under compulsion or against a person's will (forced labor).

For example, Daikin Industries, Ltd. strives to eliminate long working hours through measures such as obligating employees to leave the office at a designated closing time once a week and prohibiting employees from coming to work on their days off (unless absolutely necessary and approved by the department head).

In this way, we are making a concerted effort to improve both work rule compliance and work efficiency. Yearly plans are made for each employee's duties and working hours, and to ensure that work management is in line with the plans, checklists are filled out to manage daily work.

Furthermore, by implementing a planned 5-day paid work leave system and establishing general paid leave, we aim to promote respect for work-life balance and a more vibrant work environment.

See below for the Percentage of Employees Taking All Paid Leave and Average Hours of Overtime per Employee (Daikin Industries, Ltd. only)
171 Data ESG Data Society Human Resources

Stakeholder Engagement

Dialogue with Communities for Safer Plants

We have established venues for regular dialogue with local community members for safer plants in order to provide added peace of mind to the people living around our plants.

See below for our interactions with local communities
133 Social Communities Corporate Citizenship Activities Harmony with Communities

Social

Employee Evaluation and Treatment

Basic Policy

Daikin offers "fairness of opportunity and reward": a workplace where employees are rewarded for putting their motivation to work and taking every opportunity for success.

Employee Evaluation and Treatment

Fair Evaluation and Compensation Structure

In fiscal 2001, Daikin Industries, Ltd. eliminated standardized wage scales based on age and seniority, along with uniform pay raises. Instead, we switched to a compensation system that rewards performance, not age or seniority.

Our performance evaluation focuses on how well employees improve their abilities. This evaluation also looks at job results in three categories called achievements, challenging spirit, and growth. To ensure even greater fairness of evaluation, managers evaluate their staff only after consulting with other managers. Employees are also evaluated based on their level of contribution to company successes and to the organization as a whole. In fiscal 2002, this compensation system was extended to include Daikin Group companies in Japan.

In addition, we have begun formulating a global, Group-wide human resources policy that includes evaluation and compensation in aiming to implement personnel measures that promote the desire to work and a sense of job satisfaction for all employees throughout the entire Group.

Job Placement and Transfer Mindful of Employee Circumstances

Whenever possible, Daikin Industries, Ltd. asks new employees where they want to work and if possible assigns them to the departments and sections of their choice. If new employees cannot be placed in the department or section of their desire due to personal aptitude and company needs, we do all we can to gain their understanding.

When we consider transferring an employee, the supervisor and employee meet to discuss strengths and specializations, job and career thoughts and aspirations, policy on human resource development, and records of employee meetings with their supervisors, which have been entered into DAIKIN People, our global human resources database, by both the supervisor and employee. Whenever possible, we consider employees' individual circumstances for relocations and ensure their spirit of challenge is reflected in the posts they are assigned to. For employees who wish to work overseas, we have established a practical training system to support employees in foreign positions.

We continue to build rewarding workplaces for our employees by matching their dreams and goals with those of Daikin.

Social

Labor Management Relations

Basic Policy

Daikin Industries, Ltd. believes that cooperative labor management relations are the foundation of company management. We therefore place the utmost emphasis on equality of labor and management, as well as mutual trust between both sides. Our stance has, and always will be, to face the truth in solving all problems, and to speak frankly and draw clear lines between what is and what is not possible.

Except for managers and some contract employees, around 80% of those at Daikin Industries, Ltd. are union members. The company holds frank discussions with the labor union. As soon as business plans are clarified, management holds a meeting where it explains these plans to the labor union. In fiscal 2024, we continued to hold these meetings with the labor union's headquarters on a regular basis. Participants discussed topics including challenges in workplace culture, motivation, how to make work more rewarding, and management issues, among others.

Employee working conditions and status are matters discussed between labor and management, with results of these discussions promptly reported.

Respecting the Rights of Workers

Specification in Work Regulations and Agreements and Publicizing of Respect for Workers Rights

At Daikin Industries, Ltd., we believe that the company should respect its employees as individuals and strive to improve their welfare, and that employees should fulfill their duties as workers. The principle of respect for the rights of the worker is specified in work regulations and labor agreements. We give a thorough explanation of the work regulations and labor agreement to new employees when they join the company, and the labor union also conducts similar education of employees to ensure employees have access to this information.

Creation of the All Daikin Federation of Labor Unions

The Daikin Industries' labor union established a federation structure in February 2014 to further expand activities across the entire Daikin Group, including enhancing labor-management relations at each company and using the mutual aid system to capitalize on scale merits. This move also aimed to create solidarity within the Group in terms of labor unions, strengthen the employment base of workers, and maintain and improve working conditions.

Today, the federation comprises 24 independent labor unions.

Dialogue with Employees

Hearings for Employees to Improve Working Conditions

Daikin Industries, Ltd. has about 10 hearings a year with at least 4% of its employees (approximately 300 employees). Salary negotiations with the labor union are held between labor and management with consideration for factors including company performance, operational issues, world trends, and the work of the labor union. On top of that, each employee is interviewed. This results in employees receiving a salary that both sides agree is fair under the circumstances.

Besides salary, employees are also given hearings when there are matters to report from the company, such as new fiscal year Group policies, budget and performance reports, and a message from the president at bonus time. Other ways that we hold regular opportunities for dialogue with employees include meetings between managers and their workers during announcement of annual targets and employee evaluations. Listening to frank employee opinions ensures that we can continuously improve labor-management relations.

Social

Approach and System

Basic Policy

Daikin has identified co-creation as one of its priority themes for sustainability. At Daikin, we define co-creation as the inclusive effort to deepen interaction between personnel of two organizations internally and externally who can explore questions together in creating new value for the future. With the aim of Sharing Dreams and Ambitions Inside and Outside Daikin to Realize a Healthy, Comfortable Lifestyle through Air, as a manufacturer, Daikin is not only focused on the traditional manufacturing, but also creating experiences that provide new value to customers and society.

Daikin contributes to consumer lifestyles through its core technologies of inverter, heat pumps and fluorochemicals. We believe that the advancement of our proprietary technologies and integration of these technologies with the world's diverse cutting-edge technologies will contribute to the creation of new value for society.

Accordingly, Daikin aims to create innovations beyond our own organizations through synergistic effects realized with other companies, universities, research institutes, and international organizations from different industries and fields.

Technology and Innovation Center as the Core Base of Co-Creation

In order to create new value against the backdrop of the fast-paced evolution of technology, it is essential that we engage in collaborative innovation that transcends existing frameworks and integrates a wide range of knowledge. Daikin established the Technology and Innovation Center (TIC) in November 2015 as a hub to promote internal and external collaboration. We have established 36 development bases in six regions worldwide to identify the needs of each region promptly and accurately for product development.

There are around 900 engineers from a wide range of fields working at TIC. We aim to attract people, information, and technology from around the world and promote innovation by bringing together the strengths of Daikin engineers and enhancing collaboration and alliances with companies, universities, and research institutes that possess unique technologies in different industries and fields. TIC is filled with places that encourage active discussions among engineers. Some of the examples include the Future Lab and Open Lab that promote collaboration. They are utilized by universities and partner companies under comprehensive collaborative agreements with Daikin to promote their strengths and technology to Daikin Group engineers and for Daikin to propose issues it would like to address. Moreover, the facility also offers fellows rooms that can be freely accessed by visiting university professors and opinion leaders from Japan and around the world.

In fiscal 2017, we opened the Daikin Open Innovation Lab Silicon Valley as a branch of TIC. Silicon Valley is the epicenter of rapid technological advances, enabling us to incorporate cutting-edge technologies such as AI and IoT into our solutions business, while also working to acquire and commercialize technologies in the field of decarbonization. In fiscal 2019, we established the Technology and Innovation Center CVC Office as an organization to promote collaboration with start-ups. Since its establishment, the CVC Office has invested in more than 30 startup companies and venture capital firms in Japan and abroad (as of January 31, 2025). Through these investments, it has built relationships with partners in a variety of fields. In this manner, we are accelerating innovation that combines state-of-the-art technology inside and outside the company, innovative ideas, and knowledge.

Technology and Innovation Center (TIC)
https://www.daikin.com/about/corporate/tic

056_Environment_Response to Climate Change_Initiatives for a Decarbonized Society

Technology and Innovation Center (TIC)

Social

Main Startups Daikin Has Invested In (As of March 2025)

provigate
WASSHA
Aidemy
Fairy Devices
NATURE ARCHITECTS
JDSC UPGRADE JAPAN
ハイアルチ EASY&FAST
bitkey
FLOSFIA
SENSIO AIR
TeraWatt TECHNOLOGY
SiRC
atomis
ZUTACORE
HACARUS
NATURE
Monochrome
Advanced Composite
SHIZEN CONNECT
POPPY

Co-Creation Area (Daikin Industries, Ltd. Tokyo Office)
Available for use by startup companies and other co-creation partners as a place for co-creation activities

Social

Co-Creation

Collaborative Innovation Led by Industry–Government–Academia Partnerships

As part of its collaborative innovation led by industry–government–academia partnerships, Daikin aspires to contribute to solutions to global social challenges by focusing on collaboration with universities and research institutes in Japan and abroad.

Collaboration with the University of Tokyo

In 2018, we signed a "University Corporate Relations Agreement" with the University of Tokyo for a 10-year partnership with investment of approximately 10 billion yen. Under this agreement, we are working on the three co-creation programs and personnel exchanges.

In addition, the main feature of this agreement is the full-fledged exchange of human resources between the two parties. The University of Tokyo instructors and students, entrepreneurs, and Daikin employees can go freely between the organizations of the agreement parties with the aim of sharing knowledge, conducting joint research, and building career paths. Daikin also collaborates with the University of Tokyo to develop globally minded human resources through global internships at its many bases.

In fiscal 2024, halfway through the agreement's term, a steering council representing the top management of both organizations met to discuss the social implementation of the results of co-creation, including a compression-adsorption hybrid heat pump cycle and home energy system. The Second DAIKIN–UTokyo LAB. University Corporate Relations Forum was held in July 2024, featuring messages from the Executive Director of the International Energy Agency (IEA) and the Secretary-General of the Organisation for Economic Cooperation and Development (OECD). Executives from both organizations also gave speeches and a panel discussion was held on the value of air and expanding efforts into the Global South.

Examples of Co-Creation with the University of Tokyo (As of March 31, 2025)

Category		Details
Three co-creation programs		
• Creating a vision for the future that will contribute to business and will be needed in the future as well		
	Vision for the value of air	Formulated the Vision for the value of air 2024 and presented it at the Second DAIKIN–UTokyo LAB. University Corporate Relations Forum
• Creating future technology based on core technology development and new value creation		
	Contract for lectures and joint research	Held 16 social science linked lectures and conducted joint research including one sponsored lecture
	IFI-CEM Collaborative Research Unit[1]	Conducted demonstration testing on technologies, systems and infrastructure required for a circular economy
	Proposal of compression-adsorption heat pump cycle	Continuing verification of transition from alternative refrigerants to natural refrigerants
	Proposal of home energy system (PACaaS[2])	Continuing demonstration of PACaaS toward carbon neutrality and began verification of economic value when implemented in society
• Tie-ups with venture businesses with the aim of early social implementation		
	Collaboration with Fairy Devices Inc.[3]	Following Japan and Asia, promoting DX for on-site operations to spread heat pump heating in Europe
Personnel exchanges		
	Global Internships	30 people traveled to Daikin's business bases in North America, Europe, India, and Thailand
	LOOK UTokyo	Held lectures by faculty members of the University of Tokyo aimed at exploring new co-creation themes 42 times since the start of co-creation, with a total of 1,912 employees participating
	Participation in Seminars	Participated in seminars given by the academic frontier of the East Asian Academy for New Liberal Arts to broaden their horizons, which provided opportunities for exchanges with diverse people and knowledge

[1] The official name of the unit is "Circular Economy Business Model Collaborative Research Unit for Sustaining Ideal Air."
[2] An acronym for Power & Air Conditioning as a Service.
[3] A start-up company originating from the University of Tokyo.

Social

Collaboration with the University of Osaka

In fiscal 2016, Daikin established the Daikin Collaboration Research Institute at the University of Osaka. This institute is developing new materials, new processes, and processing technologies related to the air conditioner business.

In fiscal 2020, we solicited new ideas for research themes on air and spaces from students attending all schools of the University of Osaka ultimately establishing the shared vision of Leading the Future of People and Space. In turn, we formulated the three main pillars of "Infrasharing," "Mass customization of environment," and "Digital Twin City" in pursuing this vision. We promoted research on these specific themes and are now moving on to the verification phase for certain positive research outcomes.

Examples of Activities in Fiscal 2024

- **Participation in event at Shibuya Smart City**
  Toward the realization of a cooler Shibuya, we participated in SOCIAL INNOVATION WEEK held in Shibuya City based on the theme of resolving social challenges related to climate change, such as energy conservation in buildings and towns and measures against heat.
- **Set up cool spots at Haneda Innovation City**
  These spots providing airport management companies, developers, and passengers with places to cool off as a way to prevent heatstroke in the summer
- **Interactive tour for high school students**
  We held an interactive tour introducing heat pump technology and fluorochemical technology at the University of Osaka's SEEDS program for high school students called Industry on Campus.
- **Held Workshop on Thermoelectric Conversion Technology**
  We held a workshop on thermoelectric conversion technology in collaboration with the Co-Creation Bureau of the University of Osaka, inviting prominent professors from the fields of engineering, science, and engineering to discuss current technical challenges and future prospects.

Examples of Co-Creation with the University of Osaka (As of March 31, 2025)

Category	Details
Joint-Research on Air Conditioning and Chemical Core Technology	
Air Conditioning Business	We developed elemental technology for upgrading and differentiating manufacturing through a partnership with the Joining and Welding Research Institute, which possesses world-leading technologies.
Chemicals Business	We created innovative platform technology for substitution with new fluorine materials and nonfluorine materials and extensively utilized the cutting-edge analysis equipment and technologies of the University of Osaka. In fiscal 2024, we built a foundation to promote the development of materials limited to fluorine and to research into alternative technologies in order to come up with innovative material solutions.
Verification Phase Research	
Energy Management	We transformed the University of Osaka's new Minoh Campus into a net zero energy building (ZEB). This made the university one of the first to make two buildings ZEB. In fiscal 2023, Osaka Prefecture, the University of Osaka, and Daikin Industries, Ltd. signed a partnership agreement to promote ZEB in Osaka Prefecture. In addition, we received the Osaka Governor's Award, the highest award at the 2022 Osaka Climate Change Action Awards, and the 2023 ISCN Excellence Award (Partnerships for Progress category) from ISCN.* ZEB has been put into practical use at the following locations: the University of Osaka, Shibaura Institute of Technology, and one location of NTT Facilities Inc. There has been an increase in inquiries from universities and major developers aiming to build smart campuses.
Miscellaneous Programs	
Student Researcher Program	We held this training program for students at the School of Information Science and Technology at the University of Osaka (PhD students). Also, we conducted an internship program, which incorporates learning about challenges that may arise when using information technologies, and aims to cultivate human resources with practical skills through real life learning using actual data. We are promoting a hands-on internship called "New Business Creation Workshop" in which young and mid-career members of the business division and TIC act as group work facilitators.
Leading Researcher Program	The program receives corporate funding from the phase of fundamental research with an anticipation for advanced research results from outstanding, young researchers. The program explored the theme of the estimation system for body composition (body fat ratio) that can be useful in the sports gym business of the Defense Systems Division.
AI Human Resources Cultivation Program (Daikin Information and Communications Technology College [DICT])	We achieved the initial target of 1,000 information science engineer attendees within the Group in fiscal 2021 through classroom work at DICT. Instructors from the University of Osaka are providing in-depth instructional guidance on particularly challenging issues, as we reached the goal of 1,800 attendees by fiscal 2024 and now are working to increase this number to 2,000 by the end of fiscal 2025.
Diversity Research Environment Achievement Initiative Project	We continued to implement the innovation female participation promotion program, reception with female graduate students, and career advancement support program during childcare leaves. We are conducting an online festival to encourage more high school girls to consider studying the sciences.

* An acronym for International Sustainable Campus Network. A global network of universities on sustainable campuses.

Social

Collaboration with Kyoto University

Daikin began comprehensive collaboration with Kyoto University in 2013 with the aim of value creation by integrating the humanities and sciences. We are now engaging in interdisciplinary collaboration and exchanges, including creating new themes related to air and space and cutting-edge technology that will transform our mainstay businesses of air conditioning and chemicals.

Since 2021, we have been promoting joint research in the form of humanities-science integration under the new keyword of "well-being (a society for better living)" proposed by Kyoto University covering the five areas of air and healthcare, cutting-edge technology, smart cities, emerging countries, and venture business. In terms of healthcare-industry collaboration and in emerging countries, we are researching themes that contribute to people's health and the future of the rapidly growing Asia and Africa regions, respectively. In cutting-edge technology, we are promoting collaboration and linkages in the fields of materials, energy, cold chain, and utilization of ventures.

Since 2022, we have been working on the formation of a new industry-academia collaboration ecosystem to promote the social implementation of research seeds.

Researcher Grants

As part of an industry-academia collaboration ecosystem, we launched the Daikin GAP Fund Program in 2022. We are inviting researchers from Kyoto University to submit approaches to social challenges in an effort to support social implementation and entrepreneurship. In fiscal 2022, 10 projects were selected and received grants, and in fiscal 2023, eight projects were selected by introducing a new grant method according to the size of the project.

Collaboration with Doshisha University

In March 2020, Doshisha University and Daikin concluded a comprehensive collaboration agreement with the goal of conducting practical R&D on the theme of environmental issues. To reduce greenhouse gas emissions through its businesses, Daikin will harness the proprietary technology and knowledge of Doshisha University and develop talent in collaborative innovation through joint research.

Decomposition and Reuse of CO_2

We are conducting research on the technology to reuse CO_2 in chemicals and materials after decomposition via electrolysis utilizing Doshisha University's molten salt electrolysis technology and Daikin's fluorine technology. In 2023, we verified that CO_2 can be reused as acetylene. In fiscal 2024, we continued to work on industry-industry co-creation to improve the efficiency of electrolysis control technology with the aim of improving acetylene productivity. We also implemented initiatives to expand the range of compounds produced beyond acetylene.

Demonstration of the reuse of CO_2 as acetylene by molten salt electrolysis (available in Japanese only)
https://www.daikin.co.jp/press/2023/20231115

Further Efficiency of Air Conditioning

We are conducting research on the themes of motor structure, inverter control, the corrosive mechanism of heat exchangers, compressor characteristic evaluation and product vibration analysis.

Mini Workshop for Educational Programs

We launched a course called Co-Creation for Next Environment between Doshisha and Daikin at Doshisha University in fiscal 2021. Through joint learning between our young employees and students, we aim to achieve a high educational effect. In fiscal 2024, we implemented 13 educational programs in which our young employees and students learned alongside one another.

Topics

Conducted On-Site Group Work in Belgium

In fiscal 2024, we conducted on-site group work in Belgium. Ten students and four young engineers from Daikin participated, touring local Group companies and undergoing on-site training on the energy policies of the European Parliament and the European Commission.

On-Site Group Work in Belgium
https://grm.doshisha.ac.jp/en/activities.php?c=activities_of_grm_1&pk=1727834309&jaen=en

Collaboration with Nara Institute of Science and Technology

In 2012, Daikin Industries, Ltd. and the Nara Institute of Science and Technology (NAIST) established the Future Joint Research Laboratories, through which both are collaborating from the stage of research theme identification. In fiscal 2024, the Laboratories explored seeds that could utilize the university's strengths in the information field and then matched them with needs in the chemical industry.

Social

Collaboration with Tottori University

Daikin began a comprehensive collaboration with Tottori University in May 2021 with the aim of promoting programs such as arid land scientific research and healthcare research through collaboration between healthcare, industry, and agriculture. The program involves research projects such as the air conditioning solution research at Tottori University's Arid Dome, the only arid land research facility in Japan, and on stress reduction. In addition, through interaction between researchers and students, we are fostering arid land expert human resources capable of creating an air conditioning solutions business.

Collaboration with Tsinghua University

In 2003, the Tsinghu–Daikin R&D Center was established at Tsinghua University in Beijing, one of China's top universities. Since then, Daikin and the university have worked together to jointly conduct technology development. We are conducting joint research in the fields of air quality, energy conservation, and energy, as well as fluorine materials for automobiles and semiconductors. In fiscal 2023, we established a joint venture with the Research Institute of Tsinghua University in Shenzhen called Daikin Tsingyan Advanced Technologies (Huizhou) Co., Ltd. We mass-produce O-rings used in harsh environments such as semiconductor manufacturing, automobiles, oil mills, and chemical plants.

Collaboration with RIKEN

In 2016, Daikin Industries, Ltd. teamed up with RIKEN, Japan's only comprehensive research institution dedicated to the natural sciences, to launch the RIKEN-DAIKIN Wellness Life Collaboration Program.

In fiscal 2024, at 2024 Herrick Conferences held at the Ray W. Herrick Laboratories at Purdue University in the United States, we presented our technical results for R-32 refrigerant leak detection using lasers entitled *Rapid On-site Refrigerant Leak Detection Using Reflective Infrared Laser Technology*, together with RIKEN and Tokyo Gas Engineering Solutions Corporation.

Contributions to Infectious Disease Control

In the spring of 2020, under the theme of "comfortable and healthy spaces," we were the only air conditioning manufacturer to participate in the "RIKEN Project on Prediction and Countermeasure for Virus Droplet Infection under the Indoor Environment" using the framework of the Comprehensive Partnership Agreement. We used the Fugaku supercomputer to analyze the airflow of commercial air purifiers, and contributed to research on infection control measures and their effectiveness. In addition, through the Cabinet Office website, we are posting videos that convey safety messages regarding airflow.

Development of World's First Laser-Based Detector for R-32 Refrigerant Leaks

In fiscal 2023, we worked with RIKEN and Tokyo Gas Engineering Solutions Corporation to develop the world's first laser-based R-32 refrigerant leak detector and issued a press release in November. The detector was on display at the International Symposium on New Refrigerants and Environmental Technology 2023 sponsored by the Japan Refrigeration and Air Conditioning Industry Association, and also appeared in COOLING POST, an influential overseas media outlet in the air conditioning industry.

World's First Laser Technology for Remote Detection of R-32 Refrigerant Leaks
https://www.daikin.com/press/2023/20231115

COOLING POST World News (November 15, 2023)
https://www.coolingpost.com/world-news/daikin-develops-remote-detector-for-r32-leaks/

Collaboration with the National Institute of Advanced Industrial Science and Technology

Since 2015, we have been working with the National Institute of Advanced Industrial Science and Technology (AIST) in all technological fields in aiming to resolve the technical challenges we embrace at Daikin. Fully harnessing AIST's areas of expertise in social implementation and standardization, we are promoting development of magnetic cooling systems as a next-generation air conditioning technology and research into the health benefits of adding functional substances to air.

In fiscal 2023, Daikin Industries, Ltd. and AIST coauthored a paper that examined the selection of useful substances to be sprayed into the air and mechanism of their effects on human health in order to create healthy air.

Social

Co-Creation

Collaborative Innovation Led by Industry–Industry Partnerships

With the framework of competition undergoing a rapid transformation due to digital transformation and decarbonization, innovation with an eye toward the future of the world in five and 10 years into the future is necessary. Daikin is tackling this challenge around the world using collaborative innovation led by industry–industry partnerships.

Examples of Collaboration through Industry–Industry Partnerships (As of March 31, 2025)

Partner	Theme	Start
Daicel Corporation	Creation of safe and reliable air conditioning and ventilation products	2016
Hitachi, Ltd.	Establishment of next-generation production model using IoT	2017
Partner companies under the collaborative platform called CRESNECT	Creation of new value and services across air and space	2018
FUJIFILM Corporation	Air conditioner noise reduction	2019
Fairy Devices Inc.	Promotion of DX centered on the frontline of air conditioner service operation	2019
AiCT Consortium	Co-creation for the realization of next-generation energy management through collaboration between EVs and air conditioning	2023
Shizen Connect	Effective utilization of surplus renewable electricity	2024

Partnership with Hitachi, Ltd.

In fiscal 2022, we commenced the development and demonstration of a data utilization platform that can efficiently recognize and identify issues in manufacturing. By linking processing on the production line with all the data on workmanship, we are verifying whether frontline workers can quickly identify and stop variations in quality.

In fiscal 2023, we began construction and verification of an equipment fault diagnosis support system that utilizes generative AI. We are currently examining whether this system can contribute to maintaining and improving equipment maintenance capabilities, which poses an issue during the globalization of a production base network.

Partnership with FUJIFILM Corporation

In November 2022, we launched Urusara X which offers a standard soundproofing duct for the outdoor unit based on the jointly developed technology for “silent humidifying and ventilation kit.”

Commercialization of New Noise Reduction Technology for Air Conditioners by FUJIFILM and Daikin (available in Japanese only)
https://www.daikin.co.jp/press/2022/20220118

Social

Collaboration Using the Co-Creation Platform CRESNECT

In 2019, Daikin opened a membership-type co-working space called point 0 marunouchi, in Marunouchi, Tokyo, as part of the CRESNECT spatial data co-creation platform. At the same time, we established point0 Inc. as the project management company. At point 0 marunouchi, the companies participating in the project are conducting various demonstration testing.

point 0 marunouchi (available in Japanese only)
https://www.point0.co.jp/coworking/

point 0 satellite (available in Japanese only)
https://www.point0.co.jp/satellite/

Establishment of Carbon Offset Room

In fiscal 2023, the conference room at point 0 marunouchi was renovated into a carbon offset room. In collaboration with Tanseisha Co., Ltd., which is involved in the creation of spaces at commercial and cultural facilities, we have developed a space that visualizes the reduction of CO_2 emissions. We will carry out carbon offsets of CO_2 emitted in the renovated meeting room.


Carbon Offset Room
Image courtesy of: Tanseisha Co., Ltd. / Photographed by: PIPS

Carbon offsetting for office renovation conducted by point 0 and Tanseisha, Co., Ltd. aimed at carbon neutrality (available in Japanese only)
https://www.point0.co.jp/news/20230607-2/

Launch of Consulting Service to Support Acquisition of WELL Certification

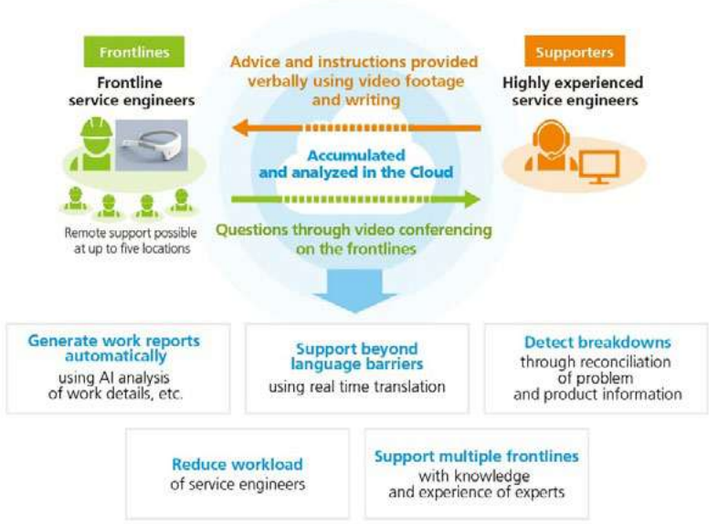
In fiscal 2023, we started a consulting service that provides total support from feasibility diagnosis to acquisition for customers who are considering obtaining WELL certification. This new service is based on our experience of being the first co-working space in Japan to obtain WELL certification.

Collaboration with Daikin and Fairy Devices Inc.

Daikin and Fairy Devices Inc., a startup company with roots at the University of Tokyo, are working on an initiative to promote digital transformation (DX) on the frontline of service operations through the creation of connected workers, Fairy Devices will provide its voice recognition, edge AI, and data analysis technologies, while Daikin will contribute its frontline expertise globally, as the two work together to resolve issues faced by service operations.
In fiscal 2019, the two companies developed a remote work support solution where experienced service engineers can support and train workers in remote locations. We aim to use this solution to quickly foster talented service engineers while at the same time improving the technical skills and decision-making abilities of workers around the world. In fiscal 2021, we began to establish and expand our global intellectual properties portfolio, representing a crucial element of frontline DX.

In fiscal 2022, this initiative received the Minister of Internal Affairs and Communication Award at the 5th Japan Open Innovation Awards organized by the Cabinet Office. It was recognized for not only offering a high degree of utility to address many frontline issues faced by organizations but also because it is now in the implementation stage.

Overview of Remote Work Support Solutions



027 Feature 2 Promoting Digital Transformation of On-Site Air Conditioning Services Together with Startup Companies

Social

Collaboration with AiCT Consortium

In December 2023, Daikin Industries, Ltd., Nissan Motor Co., Ltd., TIS Inc., and Matsumoto Precision Inc., under the AiCT Consortium, began a commercialization review for the construction of a new energy management system that combines a charge and discharge control system for EVs and a demand system for commercial air conditioning control using renewable energy.

All four companies are participating in the AiCT Consortium, which is working to realize a citizen-centered smart city in Aizuwakamatsu City, which promotes local production for local consumption of renewable energy. In the process of strengthening cooperation toward the realization of a recycling-oriented society through the efficient use of energy, we have decided to implement this project. We will bring together the knowledge of the four companies to work on decarbonization and economic revitalization, with the aim of sparking innovation from the region.

In fiscal 2024, we confirmed that the combination of air conditioners and EVs will reduce peak power consumption and improve comfort. Going forward, we will expand our activities to use energy efficiently both within and outside the region. We also plan to conduct practical verification of power supply and demand adjustments to promote local production and consumption of energy within the region.

Under AiCT Consortium, Nissan Motor, Daikin, TIS, and Matsumoto Precision begin verification of practical application of energy management in which EVs and commercial air conditioning are coordinated (available in Japanese only)

https://www.daikin.co.jp/press/2023/20231219

EV and charger/discharger installed at Matsumoto Precision Inc.

Collaboration with Shizen Connect Inc.

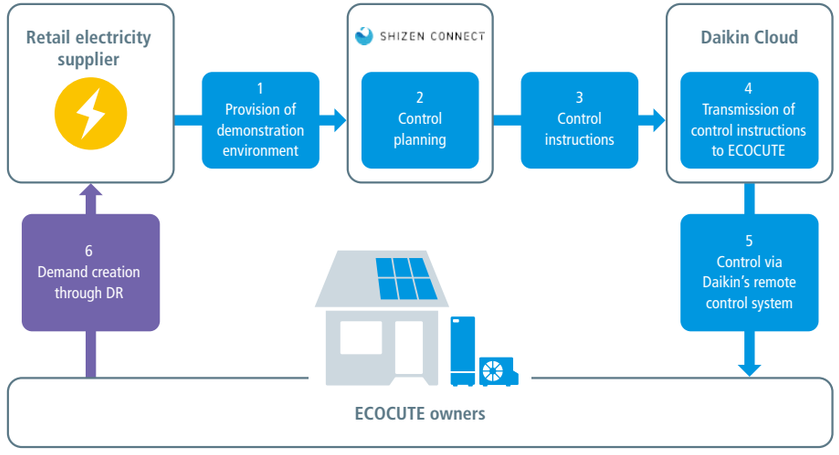
Daikin Industries, Ltd. and Shizen Connect Inc. began a demonstration test in October 2024 on demand response (DR), which creates electricity demand to make effective use of renewable energy. The test involves shifting the heating time of residential ECOCUTE to times when renewable energy generation is high. The test is being conducted with the cooperation of Tohoku Electric Power Co., Inc., Hokuriku Electric Power Company, Hokkaido Electric Power Co., Inc., and Shikoku Electric Power Group and will evaluate the effects of renewable energy output control.

The test aims to link the Shizen Connect energy management system developed and operated by Shizen Connect with Daikin's ECOCUTE remote control system to verify the technical feasibility, economic benefits, and CO_2 reduction effects, and to contribute to the realization of a decarbonized society.

Shizen Connect, Daikin, and three major electric power companies conduct joint demonstration project to effectively utilize surplus renewable electricity (available only in Japanese)

https://www.daikin.co.jp/press/2024/20240731

Demonstration Scheme



Social

Respect for Human Rights

Policy and Management Structure

Formulation of Human Rights Policy

In recent years, a number of human rights issues have emerged in business, including child labor or forced labor at suppliers and the leakage of personal information of customers and employees. For this reason, there is growing interest among the international community in how business activities affect human rights. Business activities that respect human rights represent one vital element of a company's social responsibilities.

In 2022, Daikin formulated the Daikin Group Human Rights Policy based on the principles and guideline set out in the United Nations Guiding Principles on Business and Human Rights, the Universal Declaration of Human Rights, the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises. In addition to our commitment to respect for human rights and compliance with international norms related to human rights and the laws and regulations applicable in each country and region where we operate, this policy also includes human rights due diligence, remedy mechanism, employee training, and dialogue with stakeholders as a system and mechanism to realize our commitment. Furthermore, respect human rights is included in the Group Conduct Guidelines which specifies the actions each individual officer and employee of the Group should take, and we strive to ensure that respect is adhered to. We have established a section on respecting human rights in Daikin's Supply Chain CSR Guidelines for our business partners, and ask them to ensure thorough compliance.

Furthermore, Daikin endorses and participates in the United Nations Global Compact, which supports companies in abiding by universal principles on human rights and labor.

Management Structure

At Daikin, the officer in charge of human resources is the person responsible for initiatives related to respect for human rights. The secretariat (composed of human resources departments, corporate planning departments, legal departments, and CSR departments) and business departments (procurement departments, etc.) located within the Daikin Industries headquarters. We are working together to promote initiatives to respect human rights throughout the value chain and work together to advance measures ensuring that human rights are respected across the value chain. The human resources department is responsible for considering and deciding on the direction of the Group's human rights initiatives, including formulating human rights policies. The Corporate Ethics and Risk Management Committee, whose secretariat is the legal department, advances operational risk management and thorough compliance, positions human rights risks as a material form of operational risk, and reviews the previous fiscal year's activities within the company and in the supply chain. Based on the results, we decide on the activities for the year and follow up on progress. The CSR Committee, whose secretariat is the CSR department, promotes the Group's CSR and sustainability efforts in an integrated and cross-functional manner. The CSR Committee takes a bird's-eye view of all sustainability initiatives, including respect for human rights in the value chain, and aims to discuss matters from different medium- to long-term perspectives and identify issues. The results are reported to the Internal Control Committee, chaired by the President and COO. In turn, the results of meetings of the Internal control Committee are reported to the Board of Directors.

Group Conduct Guidelines

10. Respect for Human Rights and Diversity and Observance of Labor Laws

We shall respect the human rights of each and every employee and shall not engage in conduct that discriminates on the basis of nationality, race, ethnicity, religion, color of skin, age, gender, sexual orientation, or disability. Diversity in individual values is enthusiastically accepted, and we shall work to make the unique talents and abilities of each and every person the driving force of the organization. We shall also observe both the letter and spirit of all labor laws and regulations of each country and region, and under no circumstances shall we sanction the labor of underage employees, minors who do not meet the minimum legal age requirements (child labor), or labor performed under compulsion or against a person's will (forced labor).

Daikin Group Human Rights Policy
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/social/humanrights_policy-pdf.pdf

Group Conduct Guidelines
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/governance/conduct-pdf.pdf

Supply Chain CSR Promotion Guidelines
https://www.daikin.com/csr/social/supplychain_gl

See below for our participation in the UN Global Compact
130_Social_Stakeholder Engagement_Participation in Initiatives

141_Governance_Risk Management_Operational Risks

143_Governance_Compliance_Consistency in Compliance

Social

Human Rights Due Diligence

Identification and Assessment of Human Rights Risks as Well as Risk Mitigation and Countermeasures

Human Rights Risk Assessment

Daikin identifies and assesses human rights risks within its entire value chain within its operational risk management structure. We increased questions on respect for human rights within the self-assessments that we conduct every year to check compliance with the Conduct Guidelines. We will more carefully monitor issues, such as human rights violations, and assess human rights risks based on the severity and potential risks within risk assessments that root out the risks facing the company and each division. Risks, the issues identified in self-assessments and risk assessments, along with countermeasures are reported to and shared with the legal compliance meeting of each region and the Corporate Ethics and Risk Management Committee in an effort to mitigate risk. Moreover, these details are reported to the Internal Control Committee chaired by the President and COO and also reported to the Board of Directors.

In fiscal 2024, we found that human rights violations against foreign workers occurred at the business partner of an overseas Group company. Daikin recognizes the importance of providing appropriate, effective, and prompt remedies for this issue. We are working toward a resolution in collaboration with an NGO and others. Additionally, we are sharing the causes and measures related to this issue within the Group in an effort to prevent recurrence in the future.

News Release: Business & Human Rights Resource Centre
141 Governance Risk Management Operational Risks
119 Social Supply Chain Management Responsible Procurement

Human Rights Risks in the Daikin Group Value Chain and Relation to Major Stakeholders

	Details of risks	Related stakeholders
Occupational safety and health	• Eroding safety or health due to work accidents or poor working environment	Suppliers Employees
	• Noise, vibration, fires, etc. at bases	Suppliers Community members Employees
	• Child labor, forced labor	Suppliers Employees
Products and services	• Harm to customers' lives and health because of faulty products or services	Customers
	• Wrongful use or abuse—unforeseen by the company—of products or technologies	Customers
Discrimination	• Lack of concern for people because of their gender, or because they are members of indigenous groups, ethnic monitories, LGBTQ+, immigrant laborers, etc. (inappropriate language, advertising expressions, etc.)	Customers Suppliers Community members Employees
Communities	• Air and water pollution, misuse of natural resources	Suppliers Community members Employees
	• Destruction of indigenous cultures and environment	Community members
Societies and government	• Procurement of conflict minerals associated with inhumane acts	Suppliers
	• Leakage of personal information	Customers Suppliers Employees
	• Violations of human rights related laws or regulations	Customers Suppliers Community members Employees

Social

Respecting Human Rights in the Supply Chain

In terms of the supply chain, Daikin's Supply Chain CSR Promotion Guidelines contain provisions on respect for human rights, including barring of discrimination due to race or gender and elimination of child and forced labor. Our suppliers inside and outside of Japan are urged to carefully abide by these guidelines.

Beginning in fiscal 2018, we conduct CSR questionnaires, which include items regarding respect for human rights, on suppliers in Japan. From fiscal 2019, we conduct these same questionnaires on suppliers outside of Japan along with regular questionnaires on the human rights initiatives of business partners as well. In this manner, we are working to raise awareness of human rights at our suppliers. Also, at regular supplier briefings, we share feedback on CSR survey results, as well as issues identified through the survey and responses.

In addition, we take part in subcommittees on supply chains and human rights due diligence of the Global Compact Network Japan, the local body of the UN Global Compact. These subcommittees are made up of UN Global Compact member companies and organizations.

See below for our initiatives in fiscal 2024
119_Social_Supply Chain Management_Responsible Procurement

Supply Chain CSR Promotion Guidelines
https://www.daikin.com/csr/social/supplychain_gl

See below for our participation in the UN Global Compact
130_Social_Stakeholder Engagement_Participation in Initiatives

Response to Human Rights Related Laws and Regulations

Response to Personal Data Regulations

Daikin has its own Group guidelines for the protection of personal information that it strictly enforces. These guidelines are the basis for promotion systems and rule systems of each Daikin Group company. In addition, we have formulated rules regarding the handling of personal data in the EU. These rules cover the requirements under the General Data Protection Regulation (GDPR), a regulation on the personal data of EU citizens. The Daikin rules cover protection measures for when personal data is taken out of the EU, the recording and control of how personal data is handled, and measures to ensure safe management of personal information. We have also set up a hotline for inquiries from residents of the EU. Every employee in the Daikin Group is familiarized with these rules.

To further ensure the protection of personal information, we introduced the system as a personal information protection tool at all Group companies in Japan from May 2024. We will also be rolling out the system to overseas subsidiaries in Europe, Southeast Asia, and other regions.

Response to the U.K. and Australia's Modern Slavery Acts

Our Group companies in the U.K. and Australia have released the following statements based on the Modern Slavery Acts enforced by the U.K. and Australia.

Statement

Daikin Airconditioning UK Ltd.
https://www.daikin.co.uk/en_gb/about.html

J&E Hall International
https://www.jehall.com/modern-slavery

Daikin Applied (UK) Ltd.
https://www.daikinapplied.uk/documents-download

Daikin Australia Pty., Ltd.
https://modernslaveryregister.gov.au/statements/19035/

Social

Human Rights Education

At Daikin, we regularly conduct human rights training for each level of employee to raise awareness toward human rights among officers and employees. Additionally, using annual self-assessments by employees, we confirm how well the Group Conduct Guidelines, including respect for human rights, are being implemented, thus contributing to improved understanding of the guidelines.

At Daikin Industries, Ltd. training is held every year for all officers, new employees including those at affiliates, and newly appointed managers. For example, during officer training, we invite experts to conduct human rights training for directors, executive officers, and full-time directors every year. In addition to learning about human rights issues surrounding Daikin and regulatory trends related to human rights in Japan and overseas, participants also check assessments of our efforts. We also conduct harassment training as part of training for new managers and raise awareness regarding how to handle information received from subordinates.

In fiscal 2024, we held study sessions on harassment prevention for our domestic sales companies. For example, regarding customer harassment, an area where companies need to further strengthen their measures, we provided training to sales company employees about the context, corporate responsibilities, and response strategies.

Human rights training

093_Social_Human Resources_Workplace Diversity
124_Social_Supply Chain Management_Working Closely with Suppliers

Remedy Mechanism

Daikin has established a contact point for receiving reports related to human rights from various stakeholders, including employees and business partners. We accept reports concerning human rights from our stakeholders through the grievance form of the Japan Center Engagement and Remedy on Business and Human Rights (JaCER),* of which Daikin is a member.

Furthermore, reports made to this contact point are kept confidential and whistleblowers are not treated unfairly for having made a report.

* JaCER aims to provide a non-judicial platform for grievance redress and to act in a professional capacity to support and promote redress of grievances by member companies based on the United Nations Guiding Principles on Business and Human Rights.

JaCER Grievance Form
https://jacer-bhr.org/en/application/form.html

142_Governance_Compliance

Social

Supply Chain Management

Responsible Procurement

Basic Policy

Daikin is working with suppliers worldwide in ensuring responsible procurement in order to fulfill its social responsibility across the entire supply chain. We consider our suppliers of raw materials and parts as important partners, with whom we are promoting relationships of trust through open, equal, and fair trade. At the same time, Daikin promotes CSR procurement with consideration for the environment, quality, occupational safety, and human rights within its supply chain including our suppliers in order to live up to society's trust as a global company.

Supply Chain CSR Promotion Guidelines
https://www.daikin.com/csr/social/supplychain_gl

Green Procurement Guidelines
https://www.daikin.com/csr/social/green_gl

Guide to Our Global Sourcing Activities
https://www.daikin.com/purchase

Purchasing Philosophy and Purchasing Policy

Purchasing Philosophy:

"Respect Independence" and "Cooperation and Competition"

Purchasing Policy:

- Fair relations based on an open door policy
  Provide open, equal, and fair opportunities for all companies, regardless of their locality, size, and sales results.
- Mutual growth through mutual trust
  Create open conditions for business dealings and respect free competition.
- Look for good partners
  In procuring from overseas, look for companies to share common profit and offer useful products to society.
- Observe laws, and maintain confidentiality
  Observe laws on business dealings and respect the spirit of these laws.

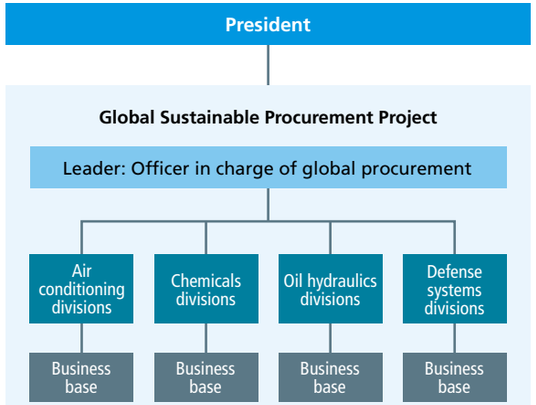
Management Structure

Daikin has identified supply chain management as one of its priority sustainability themes.

Each officer shares information and deliberates on the progress and challenges related to supply chain management at the CSR Committee, which is chaired by the officer in charge of CSR. In turn, decisions made by the Committee are reported to the Board of Directors.

In fiscal 2024, we established a project reporting directly to the president and led by the officer in charge of global procurement and launched efforts for human rights and reducing environmental impacts in the supply chain, with an eye to compliance with laws and regulations on sustainability globally.

Management Structure



Giving All Suppliers an Equal Opportunity

Daikin has an open door policy on choosing suppliers in which we welcome bids from any company, regardless of nationality, size, or transaction results.

Daikin accepts estimates and proposals from multiple companies in order to achieve equality of opportunity. All companies satisfying our criteria become eligible to do business with us.

Social

CSR Procurement

Evaluation of Supplier

Before starting business dealings with Daikin, we ensure potential partners understand our Purchasing Policy, and we assess them on consistent standards. After business dealings begin, we conduct regular re-assessments based on ISO 9001, investigate compliance with our Supply Chain CSR Promotion Guidelines, and then review the business relationship accordingly.

Daikin evaluates suppliers from many perspectives including their management practices, quality, and environmental initiatives. After beginning a business relationship, we have our business sites globally reassess the relationship annually. To ascertain the ability of suppliers to address ESG related risks, we investigate their compliance with the Supply Chain CSR Promotion Guidelines, which represent standards used globally by the Group, and determine whether the business relationship with suppliers can be continued.

Supply Chain CSR Promotion Guidelines
https://www.daikin.com/csr/social/supplychain_gl

Rolling Out Supply Chain CSR Promotion Guidelines

Daikin established "build a resilient supply chain" as the company's sustainability indicator and target for 2025, as an initiative for the sustainable development of business together with suppliers that runs alongside "look for good partners" pursuant to our Purchasing Policy. This target proclaims that we will conduct socially responsible procurement as we tackle issues like the environment, human rights, and labor throughout the supply chain.

In April 2017, Daikin formulated its Supply Chain CSR Promotion Guidelines. These guidelines aim to further CSR, including at suppliers and other partners through stable and ongoing growth. In addition to standard requirements such as proper management and abidance with laws and regulations, the guidelines urge suppliers to strive to be better in every aspect of CSR, such as improving performance in the environment, quality, occupational safety, and human rights, and abstaining from dealing with companies in war-torn regions, targeting a compliance rate of 100% with the above among both domestic and overseas suppliers. We request primary suppliers to extend the same guidelines to secondary and subsequent suppliers, in striving to penetrate the guidelines across the entire supply chain.

At Daikin, we have conducted CSR questionnaires among suppliers equivalent to 80% of total procurement value in Japan and overseas for monitoring compliance with these guidelines and provide the results of questionnaires to suppliers as feedback. In addition, we evaluate suppliers by classifying their CSR initiatives according to our own standards and then recommend improvements or provide guidance to suppliers, in order to improve the quality of their initiatives. Furthermore, we promote our suppliers to educate and train their workers periodically, disclose information regarding their activities and progress properly on their website or other tools, and have continuous dialogue with their stakeholders.

CSR Procurement Targets and Results

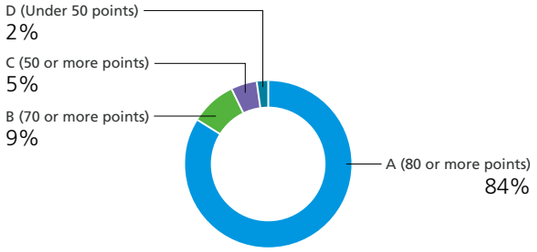
(%)

Quantitative indicator	Targets	Progress			FY2025 target
		FY2022	FY2023	FY2024	
Percentage of requests made to suppliers to implement initiatives based on the Guidelines	Request all suppliers to carry out CSR initiatives based on the Supply Chain CSR Promotion Guidelines	100	100	100	100
Percentage of suppliers reaching Class A ranking in CSR procurement	Improving percentage of suppliers reaching Class A ranking in CSR procurement	75	81	84	100

Social

In fiscal 2024, we revised and strengthened the Supply Chain CSR Promotion Guidelines and improved CSR survey questionnaire items related to human rights, occupational safety and health, and conducted the survey. The percentage of suppliers with class A, the highest level of CSR initiatives, was 84%. We have requested that class D suppliers and those with low scores on human rights-related items formulate improvement plans. We will continue to hold dialogue with these supplier to increase the percentage of class A suppliers to 100%.

Results of CSR Questionnaires



A: for suppliers with excellent CSR initiatives
B: for suppliers currently implementing CSR initiatives
C: for suppliers with certain challenges in terms of CSR initiative themes
D: for suppliers who do not implement CSR initiatives and face many challenges

Response to Conflict Minerals

Under our Basic Policy on Conflict Minerals* established in July 2013 and "11. Respect for human rights and diversity, and compliance with labor-related laws" of the Supply Chain CSR Promotion Guidelines, the Daikin Group strives to identify materials from the Democratic Republic of the Congo and its surrounding countries and recommends suppliers to procure minerals from smelters with conflict-free certification.

From fiscal 2016, we have been conducting surveys of suppliers with regard to their use of conflict minerals as part of our CSR procurement. In our air conditioning divisions, we began operating an online registration system for results of conflict mineral surveys based on the latest system or tool designed by the Responsible Minerals Initiative. This strengthens our system for surveying the procurement sources of conflict minerals.

* The four minerals of tin, tantalum, tungsten and gold, which are mined in the Democratic Republic of the Congo and surrounding countries and used by rebel groups to purchase weapons.

Basic Policy Regarding Conflict Minerals

To ensure that Daikin does not inadvertently provide assistance to inhumane acts of armed groups in the Democratic Republic of the Congo and surrounding countries, we are taking active measures to uphold appropriate mineral procurement by raising transparency of the supply chain in cooperation with our global business partners.

Supply Chain CSR Promotion Guidelines
https://www.daikin.com/csr/social/supplychain_gl

Social

Promoting Green Procurement

Daikin Group Requests that Worldwide Suppliers Abide by Green Procurement Guidelines

Daikin established its Green Procurement Guidelines in fiscal 2000 and requires suppliers from which it procures materials in Japan and overseas to abide by these guidelines to place a priority on the procurement of materials and parts used in manufacturing that reduce environmental burdens.

In implementing these guidelines, we evaluate suppliers on environmental protection activities using a green procurement inspection list. This list contains information on the presence or absence of environmental management systems, chemical substances management, and other data.

Green Procurement Guidelines
https://www.daikin.com/csr/social/green_gl

Increasing the Green Procurement Rate

Our goal is to require compliance with the Green Procurement Guidelines by all of our suppliers inside and outside of Japan. Supplier procurement rate scores of 82 points or more on the green procurement inspection list are set as the green procurement rate,* which we promote globally with the aim of 100% compliance. The supplier procurement rate corresponds to suppliers inside and outside of Japan accounting for 80% of total procurement value. Additionally, we ask suppliers below a certain standard to make improvements and provide guidance to assist them. Supporting improvements in supplier environmental activities enables us to continue doing business with them.

In fiscal 2024, the Group green procurement rate was 82%.

Looking ahead, we will continue working to increase the green procurement rate in each region through briefings and other events aimed at facilitating an understanding of the importance of green procurement among suppliers.

* Green procurement rate = Value of goods procured from suppliers who meet our assessment criteria / Value of all goods procured

Compliance with Restrictions on Toxic Chemicals

Daikin maintains a list based on the RoHS Directive[1] and the REACH Regulation[2] regarding chemicals contained in products. These are stated in our Green Procurement Guidelines, which we require our suppliers to abide by. We regularly revise our green procurement guidelines in response to the increasingly stringent regulations on chemical substances.

Also, we introduced chemSHERPA, a chemical substance management system recommended by the Ministry of Economy, Trade and Industry in fiscal 2018 so that we can accurately and promptly manage information on chemical substances.

[1] The RoHS Directive (Restriction of Hazardous Substances Directive) 2011/65/EU is a regulation in the EU prohibiting the use of certain hazardous substances in electrical and electronic equipment.
[2] The REACH Regulation 1907/2006/EC on chemical substances went into effect in Europe in June 2007. REACH obligates companies manufacturing or importing at least 1 ton of chemical substances a year in the EU to register with EU authorities. REACH covers almost all chemicals on the market in the EU.

067 Environment In Harmony with Nature Management and Reduction of Chemical Substances

Green Procurement Rate

(%)

	FY2020	FY2021	FY2022	FY2023	FY2024
Japan	95	95	91	93	96
Outside Japan	77	78	76	75	80
Entire Group	80	80	79	79	82

Green Procurement Targets and Results

(%)

Quantitative indicator	Target	Progress			FY2025 target
		FY2022	FY2023	FY2024	
Percentage of suppliers requested to carry out initiatives based on the guidelines	Request all suppliers to carry out initiatives based on the Green Procurement Guidelines	100	100	100	100
Green procurement rate	Increase green procurement rate	79	79	82	100

Social

Risk Management in the Supply Chain

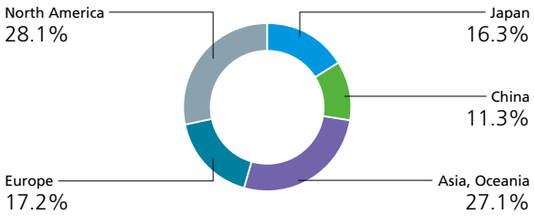
Mitigating Risks Associated with Green Procurement

At Daikin, we have appointed persons in charge of procurement in each region and strive to reduce growing procurement risks as our business expands around the world and the operations of our suppliers become more globalized.

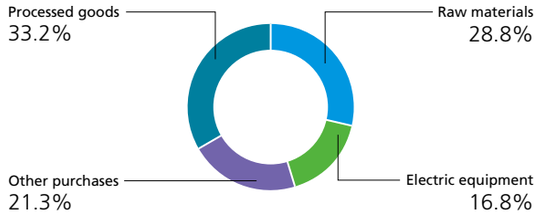
We regularly evaluate suppliers to identify risk and have created an in-house system for making timely decisions on suppliers affected by risk, and we update our databases as needed in order to improve our ability to deal with problems when they arise. We appoint persons in charge of procurement in each region and encourage the use of multiple suppliers across different regions and the commonization and/or standardization of parts in order to procure raw materials and parts in a stable and timely manner at reasonable prices even if one supplier faces a deterioration in financial situation or in case of a natural disaster or accident. Suppliers that carry parts and materials matching Daikin's core technologies are designated as "Critical Supplier" considering the three categories of "substitution difficulty," "size of transactional value," and "importance of items supplied."

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

Transactions by region (procurement value basis)



Transaction by industry (procurement value basis)



Ensuring Compliance with the Subcontract Act

There are several thousand Daikin suppliers and subcontractors covered by the Subcontract Act. Our Subcontract Act Compliance Guidelines ensure that all Daikin divisions are in full compliance with the Act. We provide training to employees of relevant divisions and have them participate in third-party seminars.

Comprehensive compliance inspections ensure that appropriate payment methods are being followed. We also constantly check the financial situation of subcontractor suppliers and production outsource suppliers and, if necessary, implement assistance measures such as relaxation of payment methods.

Training for Procurement Department Staff

Daikin regularly provides training on CSR and green procurement to procurement department staff. For example, in the domestic air conditioning divisions, we provide explanations of the Supply Chain CSR Promotion Guidelines to over 100 procurement department staff every year, share information on domestic and international regulatory trends for chemical substances, and reflect this in the activities of procurement department staff.

Participation in Initiatives

Since October 2008, Daikin Industries, Ltd. has been an official member of the UN Global Compact, an initiative of the United Nations. It is also a member of the local body Global Compact Network Japan. We take part in the subcommittee on supply chains, a subcommittee comprising representatives of member companies and organizations. Subcommittee members meet to discuss and exchange information on CSR efforts in the supply chain, and to collaborate and cooperate in order to advance these efforts and thus strengthen supply chain management.

130 Social Stakeholder Engagement Participation in Initiatives

Supply Chain Management

Working Closely with Suppliers

Building a Relationship of Growth

Daikin takes every possible opportunity to communicate with suppliers and promote mutual understanding and trust.

In the air conditioning divisions, managers including the general manager and the senior manager of the Global Procurement Division regularly visit suppliers, where they lead briefings, goodwill gatherings, and awards ceremonies as part of communication enhancement efforts. With the aim to provide the impetus for innovation leading to new and better manufacturing; for example, counter the weakening of Japan's manufacturing amidst intensifying globalization by helping make Japanese suppliers more internationally competitive and by boosting our ability to quickly respond to sudden changes such as exchange rates and market conditions, we restarted our air conditioner cooperative in April 2014. Starting in fiscal 2023, we established a CSR workshop within our air conditioning cooperative, and reported on activities covering the three topics of "ethical practices," "logistics improvement," and "safety transformation." This workshop benefits both suppliers and Daikin, including through business collaboration.

In the chemicals divisions, besides the ongoing Quality Forum meetings, purchasing managers keep in close contact with suppliers to gather and exchange information in areas such as technology, quality, and prices. Any problems that come up are solved through extraordinary or emergency support requests to relevant divisions. Particular emphasis is given to follow-up on outsourced production start-up, and we work with suppliers while the chemicals divisions work alongside the Quality Assurance Department and engineering divisions to examine the products onsite.

Quality forum

Supporting Suppliers

Support for Quality Improvement and CSR Initiatives

Daikin supports its suppliers in quality improvement and CSR activities by hosting information sessions and training on ways to improve quality and CSR procurement. Daikin also provides on-site production quality guidance for suppliers.

Support Provided to Suppliers

Supplier meetings	We provide information on the policies and conditions of Daikin Industries, Ltd. as well as CSR information, including the environment and human rights for suppliers of the air conditioning divisions. (Held annually) In fiscal 2024, we provided information on our compliance, information security, and carbon neutrality activity plans. These meetings were held four times, with 126 companies participating.
Quality improvement case study announcement meetings, quality improvement proposal meetings	We conduct announcement meetings involving suppliers of the air conditioning divisions to share good improvement practices as well as quality improvement proposal meetings for suppliers with quality issues to seek improvement. (Held annually) In fiscal 2024, five announcement meetings were held with total of 183 companies in attendance and 186 quality improvement proposal meetings with total of 26 companies in attendance.
Quality forum	For business partners of the chemical divisions, we explain our quality policy, share quality anomalies in procured products, and hold a lecture on quality improvement. (Held annually) In fiscal 2024, we explained our quality policy, presented quality initiative awards (to 3 companies), and held a quality seminar on approaches to zero foreign substances.
Commendation system	Suppliers that make significant contributions to the areas of development, production, quality, price, delivery, environment and global business are presented with a CEO Award, COO Award or Special Commendation once a year in order to recognize the daily contributions of suppliers.
Technical instruction for suppliers	Managers and certified excellent engineers "Takumi" of Daikin Industries, Ltd. visit suppliers of the air conditioning divisions to provide instructions.
Technical exchange meetings	For suppliers of the chemicals divisions, Daikin representatives conducted both in-person visits to suppliers and online meetings to exchange information to propose new technology and innovative techniques.
Technical meetings	For suppliers of the chemicals divisions, information sessions on Daikin technology are held to provide a platform for making technical proposals between Daikin and its suppliers.

Social

Quality Audits

The auditing institution conducts regular external audits based on ISO 9001, and internal audits are conducted jointly in the Air Conditioning Manufacturing Division and at suppliers of the air conditioning divisions. Moreover, our representatives conduct visits to suppliers for checks on management items concerning the procurement and quality of newly adopted parts and the production process to streamline production on a regular basis (75 suppliers visited in fiscal 2024). In addition, we also regularly conduct audits on suppliers' quality processes based on Daikin's quality guidelines.

Suppliers of the chemicals divisions who provided defective products underwent audits based on ISO 9001 by visiting Daikin representatives (24 suppliers audited in fiscal 2024).

Aiming for Zero Defects through ZD Activities at Bases Worldwide

Since fiscal 2007, the air conditioning divisions have been working with suppliers taking part in the Supplier Quality Conference in an initiative called ZD (zero defect) activities. The goal is to achieve zero defects through 3S (visual checks for "sort, sweep and standardize"), preventative measures (look for potential defects in production processes), and prevention of reoccurring problems (through regular maintenance).

Ensuring Safety Inside Plants

Daikin Industries, Ltd. asks for business partners and staff of outsourcing partners to cooperate in making plants safer.

Assisting Business Partners and Staff of Outsourcing Partners to Ensure Safety

Plant safety liaison meetings	Awareness of safety is raised and information sharing carried out in order to safeguard staff of outsourcing partners. (Meetings are held bi-monthly.) In addition, safety patrols are held.
Driving safety seminars	Drivers of supplier delivery vehicles that frequent our factories are taught about traffic rules on- and off-site. (Once a year, in fiscal 2024, 300 people from 250 companies participated in the seminars held online and in person.)
Training for partner companies	Training is held on safety and work quality management, information on hazardous chemicals provided using Safety Data Sheets (SDS), and pocket-sized safety booklets are handed out to workers of partner companies performing periodic maintenance of chemical facilities.

Stakeholder Engagement

Basic Policy

So that we can continue to contribute to society, Daikin uses every means possible to gather the opinions of stakeholders, report these to company officers, and reflect them in our management, all with a focus on stakeholder engagement.*

Daikin's main stakeholders are the customers to whom we provide products and services, those directly affected by our business including shareholders, investors, employees, and business partners, as well as members of local communities, who are affected by our business activities. Moreover, the national and local governments of the countries where we do business, and those countries' industry groups, are connected to our efforts to improve environmental performance and disseminate environmental technologies. But no single group of stakeholders has priority over another; they are all important to Daikin.

* The process of being actively involved with one or more stakeholders through dialogue or other means, with the aim of achieving a mutually acceptable outcome, in the course of a corporation's integration of its social responsibility into day to day practice. (From the Keidanren's Charter of Corporate Behavior)

Stakeholder Engagement Efforts

Stakeholders	Main dialogue methods and opportunities	Main dialogue representatives at Daikin
Customers 077 Social Customer Satisfaction	• Daily sales activities · Dialogue during repair visits • Contact Centers · Showrooms • "Thank You" sales events and product explanations at distributors • Website and social media	Sales divisions Service divisions General affairs divisions
Shareholders and investors 127 Social Stakeholder Engagement Dialogue with Shareholders and Investors	• Shareholders' meetings, briefings for investors, and response to individual requests for information • Integrated Report, business reports and information for investors, Sustainability Report • Website	General affairs divisions Corporate communication divisions
Procurement business partners 119 Social Supply Chain Management	• Daily procurement activities and quality audits • Supplier briefings and Supplier Quality Conferences	Procurement divisions
Employees 086 Social Human Resources	• Interviews based on daily dialogue and employee self assessments • Labor-management council meetings, labor union council meetings • Group Management Meeting and Managers' meetings	All divisions Human Resources Division Corporate Planning Department
National and international organizations 128 Social Stakeholder Engagement Dialogue with Governments, International Organizations and NGOs	• Dialogue with government representatives in each country • Dialogue with UN representatives	Public relations divisions
Universities and academia 108 Social Co-Creation Collaborative Innovation Led by Industry–Government–Academia Partnerships	• Air Conditioner Forums (Konwakai) • Joint research and joint development	Public relations divisions Research divisions
Other businesses, industries 112 Social Co-Creation Collaborative Innovation Led by Industry–Industry Partnerships	• Joint research, joint development • Participation in industry activities	Research divisions CSR divisions
NPOs, NGOs 128 Social Stakeholder Engagement Dialogue with Governments, International Organizations and NGOs	• Dialogue with NPOs and NGOs	CSR divisions
Communities 132 Social Communities	• Informing local communities of emergency disaster drills • Factory tours and involvement with local groups and events • Providing environmental education	Group companies Daikin bases CSR divisions

Social

Dialogue with Shareholders and Investors

Considerations for Information Disclosure

Based on Our Group Philosophy's policy of "With Our Relationship with Society in Mind, Take Action and Continue to Earn Society's Trust," Daikin believes in its responsibility to shareholders and investors to abide by laws, conduct corporate activities with the utmost in ethics, and earnestly disclose information to ensure transparency of management.

For company-related information such as decisions and occurrences, in line with the rules of the Tokyo Stock Exchange, we disclose timely information on the stock exchange's TDnet online system, and promptly on the Daikin website. Even for information that we are not legally obligated to promptly disclose, we do everything possible to release information that we believe will help the investment decisions of shareholders and investors.

Disclosure Policy
https://www.daikin.com/investor/management/disclosure

Disclosing Information in a Fair and Timely Manner

Daikin conducts a range of IR activities aimed at improving understanding in areas like our company's current state and management philosophy for shareholders and investors.

For analysts and institutional investors, we hold financial performance briefings every financial quarter. In addition, we speak with investors over 500 times a year through business briefings, plant tours, sustainability briefings, and face-to-face meetings. Moreover, we also hold company briefings for individual investors.

Furthermore, in order to ensure fair disclosure of information to everyone, regardless of whether they are institutional or private investors in Japan or other countries, we strive to disclose IR information in English and actively disseminate information on our corporate website.

In fiscal 2024, a hybrid sustainability meeting was held both in person and online with over 110 analysts and institutional investors participating. The main topic was the global strategy for compressors, one of the main inverter devices key to energy conservation, and specific efforts were explained to promote the spread of highly energy-efficient inverter air conditioners. We conveyed how Daikin's proprietary technological capabilities are accelerating efforts to realize a decarbonized society along with our work to achieve both business growth and the resolution of environmental and social challenges. A discussion was also held with participants.

Additionally, Daikin is actively conducting individual dialogue sessions with institutional investors on its sustainability and ESG themes. In fiscal 2024, we conducted dialogue on Daikin's initiatives for reducing its overall environmental impact globally and progress report mainly on the Environmental Vision 2050 and detailed initiatives to meet the challenge to achieve carbon neutrality, which is a part of Daikin's growth strategy themes identified in its Fusion 25 Strategic Management Plan.

Respect for Exercising Voting Rights

To ensure that shareholders have more time to consider new proposals before voting at the Ordinary General Meeting of Shareholders, Daikin Industries, Ltd. promptly posts the announcement of the meeting at least a week earlier than is legally required on the Daikin website and on the website of the Tokyo Stock Exchange.

Also, Daikin has created Daikin Review, a booklet with easy to understand information on the company's performance and topics for disclosure and dissemination at the same time as the convocation notice, helping individual shareholders to better understand Daikin's company management and inform their decisions when exercising voting rights.

Dialogue with Employees

Sustainability Communication

Daikin engages in various ways of communication to help employees gain a deeper appreciation of its sustainability goals and to encourage working together as a group.

For example, annual sustainability e-learning is conducted for all domestic employees. The attendance rate in fiscal 2024 was 99.8%.

Moreover, Daikin shares videos from the senior executive officer in charge of CSR with domestic and overseas employees, covering the importance of contributing to a sustainable society through its business and discussing the ideal image the Group is striving to become. Furthermore, sustainability briefings are conducted for every station and department. In fiscal 2024, approximately 2,200 employees attended the briefings. The meetings provide information on the changes in society and extrapolate the relationship between society and the Group's overall business activities using the data published in the sustainability report to allow employees to think about how their individual work relates to society.

Going forward, we will continue to listen to the voices of our employees and promote dialogue so that each employee understands the connection between their work and society and is able to perform their daily work with a sense of purpose.

Sustainability briefing at the Tokyo Office

Social

Dialogue with Governments, International Organizations and NGOs

Forums, *Konwakai*, Discuss the Future of Air Conditioning with Experts and Industry Groups

Since 1995, Daikin has hosted Forums (Konwakai) in Japan as a place to exchange opinions with experts in air conditioning, construction and energy on the future of air conditioning. Since 2007, these Konwakai have spread worldwide to Europe, the U.S., China, Asia/Oceania, Latin America, and the Middle East / Africa. At each Konwakai, we exchange ideas and opinions with local experts to apply to achieving carbon neutrality via air conditioners and product development, harnessing environmental technology.

See below for our participation in initiatives
130 Social Stakeholder Engagement Participation in Initiatives

Forums held in Fiscal 2024

Month held	Name	Location	External participants (persons)	Countries represented
March 2024	North America Forum	U.S.	21	3
May 2024	North America Forum	Japan	9	3
June 2024	Latin America Forum	Mexico	29	11
August 2024	Asia and Oceania Forum	Thailand	20	9
January 2025	Japan Forum	Japan	21	1
January 2025	Europe, the Middle East, and Africa Forum	Belgium	30	22

Opinion Exchange and Information Sharing with Industry Groups

As part of its stakeholder engagement, Daikin participates in industry groups and actively engages in opinion exchange and information sharing. Daikin is a member of the Japan Refrigeration and Air Conditioning Industry Association (JRAIA). JRAIA has established committees, with expert members from its affiliated companies to conduct regular meetings for discussions and information sharing pertaining to the future of the refrigeration and air conditioning industry. As part of the activity, Daikin provides cooperation on the research and administrative measures on climate related issues, and conducts inspections and certifications on the environmental performance of refrigeration and air conditioning equipment and their test devices.

Daikin was appointed as the company chair in June 2024. Through this position, we are taking a leadership role in solving various industry issues, such as improving the energy efficiency of refrigeration and air conditioning, which also contributes to reducing the impact of climate change, and using and selecting appropriate refrigerants. In addition, Daikin is also involved in the operation of the International Symposium on New Refrigerants and Environmental Technology hosted by JRAIA once every two years.

Active Information Exchange with International Organizations and NPOs and NGOs

Daikin participated in the 29th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP29), held in Baku, Azerbaijan in November 2024. During the convention, Daikin took part in a seminar on building decarbonization at the Japan Pavilion. Daikin's senior executive officer in charge of the environment took part in a panel discussion with members of the International Energy Agency (IEA) and the European Commission, where he promoted heat pump technology, which is essential for decarbonization, and its environmental performance.

Social

Daikin Cooperates in Formation of Environmental Policy

As it does business in countries around the world, Daikin ties up and cooperates with national and local governments and industry groups to come up with proposals and to call on all parties concerned for the betterment of society. We plan to continue proactively disclosing useful information with countries around the world.

Recent International Initiatives (3-year period)

Fiscal 2022	October	Global	Review of The Future of Heat Pumps special report by the IEA.
	October	Global	Participation in IEA-sponsored roundtable on the future of heating.
	November	U.S.	Discussion held on the occasion of the visit to Japan by the Houston Mayor Sylvester Turner led investment and trade mission.
	December	U.S.	Participated in the White House Electrification Summit, where discussions were held on decarbonization by 2050 together with the Secretary of Energy and Chair of the Council on Environmental Quality, among others.
	March	Global	Discussion with IEA Deputy Executive Director Mary Warlick on her visit to Japan.
	March	Global	Discussion held on occasion of the visit to Japan by a delegation led by the Lieutenant Governor of California.
Fiscal 2023	April	U.S.	Participated in the Executive Roundtable discussion at the White House on heat pump manufacturing and deployment following invitation by Secretary Granholm of the U.S. Department of Energy.
	May	Switzerland	Participated in the WBCSD Liaison Delegate Meeting and discussed sustainability issues including climate change and redressing inequality.
	May	U.S.	The Daikin Sustainability & Innovation Center is opened within the Washington, D.C. Office which was relocated to nearby the White House.
	June	France	Participated as a panelist in the 8th Global Conference on Energy Efficiency sponsored by the IEA. A discussion was held on what roles energy conservation regulations and international standards can play.
	October	U.S.	Secretary of the Alabama Department of Commerce visited the Tokyo Office. Discussion on the initiatives taken toward sustainability and decarbonization at Daikin America and discussions were held.
	November	UAE	Participated in the WBCSD Council Meeting 2023. Conducted discussion on world sustainability issues with over 400 participants representing governments, international organizations, CEOs, and CSOs in attendance.
	November	UAE	A booth was set up at the COP28 Japan Pavilion to promote inverter and energy-saving technologies that contribute to decarbonization. Participated in a side event hosted by the Government of Japan.
	March	France	Participated in the Buildings and Climate Global Forum, co-organized by France and the United Nations Environment Programme (UNEP), which involves national governments and the private business sector.
	March	Vietnam	Ministry of Environment officials from Vietnam visited Daikin's refrigerant related facilities. Conducted opinion exchange on the creation of refrigerant recovering system.
	March	Indonesia	Shared an overview of our refrigerant recovery demonstration project in Vietnam and proposed the need for a comprehensive approach at the World Bank-sponsored 16th Annual East Asia and Pacific (EAP) and Montreal Protocol (MP) Joint Regional Workshop on MP Implementation.
Fiscal 2024	April	Switzerland	Participated in the WBCSD Liaison Delegate Meeting to discuss sustainability issues such as climate change and reduction of inequality.
	May	Republic of Kenya	Participated in the 9th Annual Global Conference on Energy Efficiency hosted by the IEA. With energy efficiency gaining importance as a means to decarbonize, we held discussions with energy officials from various countries, international organizations, and companies.
	August	Thailand	Shared an overview of our refrigerant recovery demonstration project in Vietnam and proposed the need for a comprehensive approach at the Group Seminar for Asian Countries on Fluorocarbons Life Cycle Management 2024 organized by the Ministry of the Environment, Japan, the Asian Development Bank, and the Climate and Clean Air Coalition (Secretariat: Overseas Environmental Cooperation Center, Japan [OECC]).
	September	France	Attended the IEA Energy Business Council (EBC) meeting and discussed energy issues with attendees from the IEA and over 100 participants from private companies.
	September	U.S.	Participated in the WBCSD Council Delegate Meeting 2024 to discuss sustainability issues such as climate change and reduction of inequality.
	September	U.S.	Participated in various events at Climate Week NYC 2024, one of the world's largest climate change events, where we discussed and exchanged information on climate change issues with leaders of companies, international organizations, and governments.
	November	Republic of Azerbaijan	Participated as a panelist in two side events at COP29, where we discussed issues toward decarbonization in the building sector and accelerating the spread of heat pumps.
	November	Philippines	Introduced our case studies at the Joint Thematic Workshop of Southeast Asia and Pacific Island Countries National Ozone Officers on National Inventory of Banks of ODS/HFC and Strategy for Management of Unwanted Controlled Substances, organized by UNEP. Discussions were held to reflect collection and reclamation in each country's policies.
	January	Malaysia	Malaysian government officials visited Japan to develop an ecosystem for electronic and electrical equipment waste management and refrigerant recovery and reclamation. They toured Daikin's refrigerant recycling facility as a leading example.
	February	Kingdom of Bahrain	Participated in a workshop on the selection of next-generation refrigerants and air conditioning technologies in high temperature ambient (HAT) regions, co-hosted by the GCC countries and UNEP, where we shared our technical knowledge in the region.

Feature of Fiscal 2020: Environment—Creating Standards for a Decarbonized Society Alongside Stakeholders
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/feature2020/env-pdf.pdf

Feature of Fiscal 2018: Environment Promoting the Spread of Energy Efficient Technology through Dialogue and Collaboration with Governments and International Agencies
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/feature2018/env-pdf.pdf

Social

Stakeholder Engagement

Participation in Initiatives

Participation in Initiatives

Daikin actively participates in a number of initiatives. These venues allow us to address the requests and expectations of society in an appropriate way while communicating and collaborating with various stakeholders including governments, municipalities, international organizations, experts, industry, academia, and other companies.

Initiatives and Groups We Participate In

UN Global Compact	We have participated in the UN Global Compact for sustainable growth since 2008. The Global Compact requires participating companies from around the world to support and implement the 10 principles covering the four areas of human rights, labor, environment and anti-corruption. **United Nations Global Compact Company Information** https://unglobalcompact.org/what-is-gc/participants/2733
World Business Council for Sustainable Development (WBCSD)	Daikin joined the World Business Council for Sustainable Development (WBCSD) in 2023. The CEOs of more than 200 companies from 35 countries around the world participate in this platform, which cooperates with governments, NGOs, and international organizations on sustainability issues such as climate change, nature, and diversity. Participants share their initiatives and experiences with addressing issues related to sustainable development. **World Business Council for Sustainable Development (WBCSD)** https://www.wbcsd.org/
Task Force on Climate-related Financial Disclosures (TCFD)	In May 2019, we stated our endorsement of the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB) in order to promote the disclosure of business risks and opportunities attributed to climate change. 017_Management_Information Disclosure Based on the TCFD Framework **Task Force on Climate-related Financial Disclosures** https://www.fsb-tcfd.org/
Science Based Targets initiative (SBTi)	The Science Based Targets initiative provides support and certification on science-based setting of carbon emissions reduction targets. In February 2024, Daikin received certification on its greenhouse gas emissions reduction target for fiscal 2030 to keep the global average temperature rise due to climate change at below 1.5°C compared to pre-industrial levels. Furthermore, we obtained certification for our net zero target in July 2025. **Science Based Targets: Ambitious corporate climate action** https://sciencebasedtargets.org/ 156_Data_ESG Data_Environment

Social

Japan Clean Ocean Material Alliance (CLOMA)	Japan Clean Ocean Material Alliance (CLOMA) is a platform for strengthening collaboration and accelerating innovation among a wide range of affiliated members that transcends industry types in order to address the issue of ocean plastic waste. Daikin has been a member of CLOMA since 2019. **Japan Clean Ocean Material Alliance** https://cloma.net/english/
GX Business Working Group run by the Ministry of Economy, Trade and Industry	The GX League is a platform for companies to collaborate with the government and academia aimed at realizing sustainable growth through green transformation (GX) in order to achieve carbon neutrality and social reform in 2050. In 2022, Daikin helped establish the GX Business Working Group with six leader companies and 73 member companies to "make rules for market creation." **GX League** https://gx-league.go.jp/en/
Circular Partners	Circular Partners is a partnership launched by the Ministry of Economy, Trade and Industry to promote collaboration among industry, government and academia to achieve circular economy based on the ministry's strategy for a growth-oriented, resource-autonomous economy formulated in March 2023. Daikin has been a part of the partnership since its inception in December 2023. **Circular Partners (available in Japanese only)** https://www.cps.go.jp/
Eco-First Program run by Japan's Ministry of the Environment	The Eco-First Program is a program in which the Minister of the Environment certifies companies for their commitment to taking advanced environmental conservation initiatives. Daikin Industries, Ltd. was certified as an Eco-First Company in November 2008. **Eco-First Promotion Council (available in Japanese only)** https://www.eco1st.jp/
Japan Climate Initiative (JCI)	A network for increasing information dissemination and discussions among companies, local governments, and NGOs actively engaged in climate change countermeasures, which we have participated in since September 2020. **Japan Climate Initiative** https://japanclimate.org/english/
Keidanren's Challenge Zero	Daikin has been a participant in Challenge Zero since September 2020, which is an initiative run by Keidanran (Japan Business Federation) in collaboration with the Japanese government. The initiative disseminates and promotes innovations domestically and internationally by companies and groups for realizing a decarbonized society. **Challenge Zero** https://www.challenge-zero.jp/en/

Social

Communities

Corporate Citizenship Activities

Basic Policy

Focus of Activities: Protecting the Environment, Supporting Education, Living in Harmony with Communities

Daikin does business globally and strives to be a locally rooted company wherever it operates, with its employees taking the initiative in conducting activities that are valuable to local society. Our Group Conduct Guidelines are the basis for action that Daikin employees must take, and they clearly state our aim of being a good corporate citizen that is trusted by society.

Under our Group Conduct Guidelines, based on our three pillars of protecting the environment, supporting education, and living in harmony with communities, we use our management resources to contribute to society in every way possible.

1. Protecting the Environment
   As a worldwide provider of pleasant air environments, we contribute to solving environmental problems on a global scale. We are working with a number of partners including governments, local residents, NGOs, and employees of the Group to protect and rejuvenate areas around our business sites as well as important natural environments around the world.

2. Supporting Education
   By contributing state-of-the-art technologies to society, we support education for future generations and help build a society where both technological advancement and sustainability are possible. We aim to be a trusted company by providing various forms of financial assistance and technological provision at our bases around the world.

3. Living in Harmony with Communities
   In conducting our business around the world, we stand committed to identifying the needs and challenges facing the communities where we operate as well as finding solutions to them. We help communities to progress proactively by providing them with the support they need in the areas of local culture, arts, sports, and disaster relief.

Daikin values its partnership with communities. We strive to contribute to society by donating money and goods, volunteering in various activities, and holding community events.

Protecting the Environment

Conducting Neighborhood Cleanup and Beautification Activities

Employees at our business sites take part in environmental activities including neighborhood cleanups.

Daikin Malaysia Sdn. Bhd.

Daikin Industries Czech Republic s.r.o.

Contributing to Biodiversity Conservation in Communities

We engage in activities to help preserve biodiversity in the areas in and around our business sites.

See below for our initiatives around business bases/stations
070 Environment In Harmony with Nature Protecting Biodiversity Efforts at Bases

“Forests for the Air” Project

We have been conducting activities since 2014 to conserve important forests around the world as part of our environmental and social programs.

“Forests for the Air” Project
https://www.daikin.com/csr/forests

See below for the “Forests for the Air” Project and our initiatives around business bases/stations
070 Environment In Harmony with Nature Protecting Biodiversity Efforts at Bases

Social

Supporting Education

Efforts in Japan

"Circle of Life" Free Environmental Education Program for Elementary School Children

Daikin Industries, Ltd. has developed an environmental education program for elementary school students called "Circle of Life," and has been providing schools across Japan with free teaching materials since 2010. The program focuses on Daikin's reforestation efforts and instructs children about the relationship between global environmental issues and the ecosystem and our daily lives through fun and engaging activities. In fiscal 2024, around 350 students from four schools took part in the program, while Daikin employees were dispatched to give lessons at two schools.

A Daikin employee leads an environmental lesson at a school

"Circle of Life" Environmental Education program (available in Japanese only)
https://www.daikin.co.jp/csr/edu

Daikin Leads Science Classes at Elementary Schools

In support of the Sakai Municipal Board of Education's initiative to implement special classes on science, Daikin employees take on the role of teachers in science experiments in schools. The children conduct actual experiments in which, for example, they see how an air conditioner conveys heat and cools the air, and how an air purifier uses electricity to clean the air. The event was held at 12 elementary schools with around 920 students participating in fiscal 2024.

Efforts Overseas

Focusing Particularly on the Development of Engineers in Emerging Countries

We offer scholarships and take in interns as part of efforts to provide technical school students in emerging countries with better employment opportunities. We also have tours of our worldwide factories to raise interest in technology among local students. Further, Daikin donates air conditioners to technical schools used for instruction in technical training and supports the development of engineers essential for the spread of air conditioning.

Daikin Airconditioning (Cambodia) Co., Ltd.
Technical instruction for students

In India, for example, we participated in the Manufacturing Skill Transfer Promotion Program by Japan's Ministry of Economy, Trade and Industry and India's Ministry of Skill Development and Entrepreneurship, and opened the Japan-India Institute for Manufacturing (JIM) in 2017. We train service engineers who install and repair our air conditioners and also work with vocational training schools to offer technical guidance on installation and repair and provide training equipment free of charge. In recent years, there has been growing demand for service engineers in Africa. Daikin Airconditioning India Pvt. Ltd. has accepted many trainees at its training center and established training facilities in Nigeria, Kenya, and Tanzania to support their development.

Japan-India Institute for Manufacturing (India)

Harmony with Communities

Interactions with Local Communities

Responding Sincerely to Opinions from Local Communities

Each of our plants in Japan has a representative assigned to promote communication with local communities. Assigned personnel hold regular meetings with local community representatives and take other measures to proactively promote company-community interactions and receive any community complaints.

A Safe Plant Open to the Community

With safety being the top priority, each plant in Japan does all it can to ensure safety so that nearby residents can live in peace of mind. When there is noise or vibration from operations of a plant, we set up a number that residents can call so that we can quickly deal with any complaints.

Besides group meetings with community associations, Daikin plant employees take part in local disaster prevention drills as each of the plant's efforts to work with the community in making Daikin facilities safe. And with the aim of being a plant open to the community, each Daikin company site welcomes community associations, schools, and citizens for factory tours.

Disaster Preparedness Measures and Disaster Prevention Drills

Each plant has measures in place should there ever be a natural disaster. Besides providing our factories as evacuation sites in the event of a disaster, we have stored supplies of food, water, and emergency equipment. Daikin holds disaster prevention drills every year, which are analyzed afterwards to study ways to improve disaster prevention measures. Daikin bases in Japan have introduced an employee safety confirmation system for determining the whereabouts and safety of employees when disaster strikes.

Social

Deepening Community Relations around the World at Summer Bon Dance Festivals

The Daikin-sponsored traditional Bon dance festival is a major event attracting large crowds of locals every summer. The Bon dance festival that first began in 1971 at our Yodogawa Plant was eventually expanded into a program that encompasses the entire area. The event has evolved into one of Japan's largest corporate-sponsored Bon dance events and has been reported in media around the world as a successful example of interactions between companies and the community. The Bon dance festival has also been held at our major manufacturing bases around the world, including in China, the U.S., and Europe.

In fiscal 2024, the event was held at the Yodogawa Plant, Shiga Plant, Sakai Plant, Soka Station, and Daikin America, Inc. The Yodogawa Plant event, which was planned and run by young employees, was a huge success, attracting approximately 27,000 visitors.

Yodogawa Plant

Daikin America, Inc.

Global Locations
https://www.daikin.com/locations/business/ac/north_america

Other Initiatives Overseas

Daikin recognizes the importance of having employees play the lead role in building strong relationships with local community members through support provided to local charities and volunteer activities.

Daikin Air-conditioning (Shanghai) Co., Ltd.
Visited care facilities

Daikin Airconditioning (Cambodia) Co., Ltd.
Donated to elementary schools

Siam Daikin Sales Co., Ltd.
Donated bicycles to local children

Daikin Comfort Technologies North America, Inc.
Held event for local elementary schools

PT Daikin Airconditioning Indonesia
Supported flood recovery effort

Daikin AR Condicionado Amazonas Ltda.
Supported flood recovery effort

Contributing to Promotion of Art and Culture

The Daikin Foundation for Contemporary Arts

In 1996, Daikin Industries, Ltd. established the Daikin Foundation for Contemporary Arts to mark the company's 70th anniversary. It supports the activities of the National Museum of Art, Osaka, including exhibitions, academic research, lectures, and publications, in hopes of further revitalizing arts and culture in Osaka, the birthplace of Daikin Industries, Ltd.

The National Museum of Art, Osaka

The National Museum of Art, Osaka (NMAO)
https://www.nmao.go.jp/en/

Daikin Supports the Kansai Philharmonic Orchestra

Daikin Industries, Ltd. has supported the Osaka-based Kansai Philharmonic Orchestra since 2006.

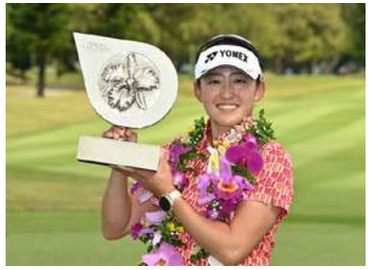
Kansai Philharmonic Orchestra

Social

Contributing to Promotion of Sports

Daikin Orchid Ladies Golf Tournament

For over 30 years since 1988, Daikin Industries, Ltd. has been sponsoring the Daikin Orchid Ladies Golf Tournament, the opening event of the Japan Ladies' Pro Golf Tour (hereinafter, "Daikin Orchid"). The slogan "Ever Onward with Okinawa," indicates our desire to join with Okinawa in continuously addressing the challenges of the future and work closely with local communities.



Champion of the 38th Tournament, Chisato Iwai

Daikin Orchid (available in Japanese only)
https://www.daikin.co.jp/orchid

"An amateur tournament" is held as part of Daikin Orchid as a qualifying tournament for participation in the main tournament. The amateur tournament qualifies amateur lady golfers from Okinawa or reside in Okinawa, with a total of 5,000 players participating so far. From this competition, 20 players have become professional golfers.

The pro and amateur tournaments and the pretournament festival provide venues for representatives of Okinawan and mainland businesses to deepen interactions in an informal setting. This has led to the emergence of the Okinawa Konwakai. The association, which seeks to bridge Okinawa and the mainland, organizes a variety of vibrant activities that include forums and presentations aimed at further promoting and developing Okinawa.

In addition, Orchid Bounty was established in 1995 with funds from participants in the pro-am tournament and donations from both organizers. Funds are presented to individuals and organizations that are active in the promotion of arts, culture, sports, and education in Okinawa Prefecture.

In 2025, Orchid Bounty donated ¥6.9 million to a total of 13 organizations and individuals. This brings the contributions since 1995 to ¥192 million and total recipients of 290.

The Orchid Bounty donation ceremony

Other Initiatives Overseas

Daikin also supports sports overseas.

Daikin Industries (Thailand) Ltd.
Signed official partnership with Chonburi Football Club

Daikin Comfort Technologies North America, Inc.
Signed official partnership with Houston Astros

Daikin America, Inc.
Held charity golf tournament

Daikin Malaysia Sdn. Bhd.
Supported international badminton tournament

Governance

Governance

Governance

Corporate Governance

Basic Policy

Further Boosting Corporate Value

Daikin believes that the role of corporate governance is to accelerate decision making and operational execution work in anticipation of and in response to changes in management tasks and the management environment while concurrently promoting consistently high levels of management transparency and soundness, thereby increasing the Group's corporate value. The Group will continue to raise corporate value by ensuring the increasing sophistication of speedy management and still-higher levels of transparency and soundness. We will achieve this by constantly reviewing and implementing optimal corporate governance and by spreading best practices throughout the entire Daikin Group.

Corporate Governance Structure

Management and Operational Execution Systems

Rather than adopt a U.S.-style "committee system" that completely separates decision making and work supervision from operational execution, Daikin Industries, Ltd. has adopted an "integrated management" system that provides more advanced management. We believe that this system is effective in speeding up decision making and execution considering the characteristics of our Group's business.

In an integrated management system, directors quickly make strategic decisions and conduct sound and appropriate supervision and guidance, thus achieving management responsibility through cooperation across all management and at the same time achieving work execution responsibility through prompt action. Numerous external officers monitor the execution of operations from an independent perspective and offer appropriate supervision and advice during decision making, in the process taking responsibility for supporting our "integrated management" from the standpoint of transparency and soundness. To improve execution of operations, Daikin Industries, Ltd. has introduced an Executive Officer System, whose members are appointed by the Board of Directors.

The goal of this system is to accelerate the speed of execution based on autonomous judgments and decisions in units handling each region, division, and function.

Directors are selected with an emphasis on having a diverse range of personnel representing people of varying genders, nationalities, and experience. As of July 1, 2025, we have nine directors (including two women and one non-Japanese national). These directors oversee prompt and strategic decision making and sound supervision and guidance throughout the entire Group.

Daikin Industries, Ltd. appoints four external directors and three external Audit & Supervisory Board members with no vested interest in our company. To ensure that the external directors can effectively contribute to Daikin Industries, Ltd.'s corporate governance system, the employees in the Corporate Planning Department are assigned to provide the external directors with early notice of Board of Directors meetings. In addition, in the case that an external director is not able to attend a Board of Directors meeting, the assistants provide the external director with related materials and subsequently provide the external director with an explanation of the proceedings of the meeting and provide other assistance.

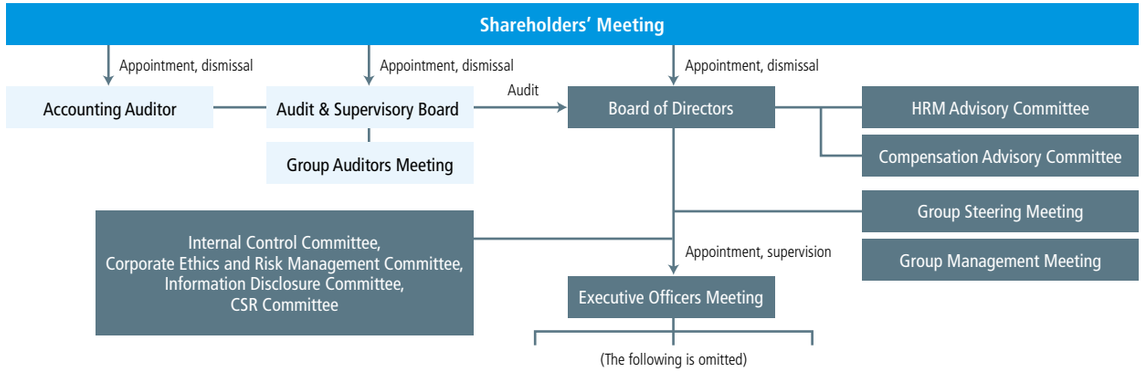
Management
https://www.daikin.com/corporate/overview/summary/directors

Disclosure Policy
https://www.daikin.com/investor/management/disclosure

For information on the skill sets of directors and Audit & Supervisory Board members, please see page 22 of our Corporate Governance Report.

Corporate Governance Report
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/governance/cg_report-pdf.pdf

Corporate Governance Structure (As of July 1, 2025)



Governance

Audit System

Daikin Industries, Ltd. employs an Audit & Supervisory Board. As of July 1, 2025, Daikin Industries, Ltd.'s five Audit & Supervisory Board members include three external Audit & Supervisory Board members.

The Audit & Supervisory Board members attend meetings of the Board of Directors as well as other important meetings and receive reports. In addition, they are able to express diverse opinions. To ensure effective audit functions, the Audit & Supervisory Board receives reports on important issues related to management and performance when necessary and also investigates relevant units, confirms approval of documents, and regularly exchanges opinions with representative directors, executive officers, and the independent auditors.

To ensure the effectiveness of Audit & Supervisory Board members, there is the Office of Audit & Supervisory Board Members. Staff of the Office carry out their duties to support the work of Audit & Supervisory Board members under the orders of Audit & Supervisory Board members. The opinions of the Audit & Supervisory Board are respected on matters related to personnel transfers, work evaluations, and other matters pertaining to the Office of Audit & Supervisory Board Member staff members.

The Audit & Supervisory Board stipulates Code of Audit & Supervisory Board Member Auditing Standards, in which it is written that members should strive to constantly educate themselves to improve the quality of audits. One way they educate themselves is through participation in working groups and training events sponsored by the Japan Audit & Supervisory Board Members Association. The Audit & Supervisory Board communicates closely with accounting auditors. It also receives advice when necessary from outside experts such as certified public accountants and lawyers.

Organizational Structure Supports Speedy Management Implementation

Daikin Industries, Ltd. is striving to ensure prompt decision-making by having a smaller number of directors and having them take part in practical debate on issues. Three organs—the Board of Directors Meeting, the Group Steering Meeting, and the Executive Officers Meeting—are the main management bodies.

The Board of Directors is the Group-wide decision-making body for items stipulated in laws, regulations, and articles of incorporation. It also provides sound, appropriate supervision and guidance in the execution of operations. In fiscal 2024, the Board of Directors Meeting was convened 16 times, with external directors attending on average 97% of the meetings and external Audit & Supervisory Board members attending on average 100% of the meetings. In addition to the capital investment and M&A related to the key strategic themes of the Fusion 25 Strategic Management Plan, we strived to expand deliberations on such topics as risk response, sustainability initiatives and safety efforts in Japan and overseas. To evaluate board effectiveness, each director is interviewed individually each year as a way to confirm his or her effectiveness and to conduct self-evaluations. During the evaluation of board effectiveness in fiscal 2024, we confirmed there were no issues in the operation of board meetings, as well as received opinions for further enhancing the supervisory function of the Board of Directors, including increasing information provision for external directors and external Audit & Supervisory Board members and expanding discussion topics for (progress reports on investment projects, etc.) meetings of the Board of Directors. Going forward, we will continue to improve the operation of board meetings as well as further strengthen decision making and supervision functions to further improve board effectiveness.

The highest deliberation organ for the Group's management system is the Group Steering Meeting, which strives to constantly speed up the pace at which the Daikin Group decides on future direction and solves issues related to important management policy and strategies. In fiscal 2024, the Group Steering Meeting discussed refrigerant strategy and policy, a key theme of the Fusion 25 Strategic Management Plan.

The Executive Officers Meeting, established following the introduction of the Executive Officer System, promotes speedy implementation and thorough deliberation regarding important management tasks related to operational execution.

At the same time, to ensure the effectiveness of audits, we developed a system with the Internal Control Committee, the Corporate Ethics and Risk Management Committee, the Information Disclosure Committee, and the CSR Committee positioned under the Board of Directors. We are strengthening governance as the foundation for sustainable growth.

For evaluation of board effectiveness, see page 4 of our Corporate Governance Report.

Corporate Governance Report

https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/governance/cg_report-pdf.pdf

HRM and Compensation Advisory Committees

To ensure the transparent management of its corporate officer personnel and remuneration processes, Daikin Industries, Ltd. has established the HRM Advisory Committee and the Compensation Advisory Committee. These committees engage in discussions and deliberations regarding issues including corporate officer nomination criteria, corporate officer candidates, and remuneration.

As of July 1, 2025, the HRM Advisory Committee and the Compensation Advisory Committee consist of five members—four external directors and one internal director—and is chaired by one of the four external directors. In addition, the suitability of candidates and their training plan for the successors of executives such as directors, CEOs, and executive officers, are to be first deliberated and examined by the HRM Advisory Committee, followed by the same process by the Board of Directors.

Governance

Group-Wide Governance

To ensure governance throughout the entire Group, including companies acquired by Daikin, the Group Management Meeting is held regularly with the aim for action based on unified opinion throughout the Group. It does this by sharing important Group policies and basic strategies, as well as providing support for problem-solving in Group companies.

The Group Auditors Meeting, made up of auditors from the main Group companies and internal auditors, works to strengthen auditing and control functions throughout the Group and ensure that these functions are working to the fullest.

To further raise corporate governance and Group management as a multinational company, Daikin has put a Chief Global Group Officer position in place. Under this position, the Group strives to further improve cohesiveness across global operations.

Corporate Governance Report
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/governance/cg_report-pdf.pdf

Corporate Officer Remuneration

The Compensation Advisory Committee is chaired by an external director and a majority of its members are external directors. This ensures the validity of policies of remuneration for directors, along with the remuneration system and levels of remuneration, and to fully secure objectivity and transparency in decision making procedures related to individual remuneration, while closely monitoring the environment surrounding officer remuneration.

Specifically, from the perspective of ensuring the independence of judgment and enhancing the effectiveness of its functions as an advisory body, the Compensation Advisory Committee examines and deliberates from various angles the relative position of the Company's performance position and remuneration level among the group of comparative companies, appropriateness of remuneration, etc., while utilizing information gathering and advice from external specialized organizations. In turn, the committee confirms and deliberates the contents of proposals concerning the amount of remuneration, etc. for each individual director from an objective perspective and submits its opinions to the Chairman of the Board. Following discretionary approval from the Board of Directors and based on the applicable reports, Masanori Togawa, the Chairman of the Board and CEO, makes the final decision on the amount of individual compensation for directors.

Daikin Industries, Ltd.'s corporate officer remuneration system is designed in accord with the Group's management policy and responds to shareholders' expectations by increasing corporate officers' motivation to promote a sustained increase in Group performance over the medium to long term and thereby contributing to a rise in the Group's corporate value.

Directors' remuneration includes "fixed compensation," "performance-linked compensation" that reflects the Group's short-term performance (net sales and operating income) and each director's job responsibilities, and "stock options" that reflect the Group's medium- to long-term performance. The performance-linked compensation of Daikin directors is given a somewhat higher ratio of linkage with performance than average to ensure that the incentive effect of that compensation is sufficient. The remuneration of external directors and corporate auditors includes "fixed compensation" only.

Compensation levels are determined based on consideration of Daikin's performance and remuneration levels relative to other leading manufacturing companies in Japan based on analysis and comparison using objective remuneration survey data collected by an outside specialized institution on the remuneration of corporate officers (executive compensation databases of Willis Towers Watson), which is employed by around 300 companies listed on the Prime Market of the Tokyo Stock Exchange.

See below for Executive Compensation, Corporate Officers with Compensation over 100 Million Yen, and Accounting Auditor Compensation
173_Data_ESG Data_Governance

Governance

Risk Management

Basic Policy and Management Structure

With the Daikin Group expanding rapidly around the globe, we have introduced company-wide, cross-organizational risk management in order to quickly get an overall picture of risks from a global point of view and reduce the risks. With our President and COO as the highest ranking person in Daikin's risk management structure, we carry out risk management in the following three areas.

1. **Strategic risk**
   Risk related to strategic decision-making in the management of Daikin (Division in charge: Corporate Planning Department)
2. **Internal control risk in financial reports**
   Risk related to the reliability of financial reports (Division in charge: Finance and Accounting Division)
3. **Operational risk**
   Management and operational risk related to internal and external causes (Division in charge: Corporate Ethics and Risk Management Committee)

Strategic risk is deliberated on by management members through platforms such as the Group Steering Meeting and the Executive Officers Meeting. As for risk related to the reliability of financial reports and operational risk, the Internal Control Committee, headed by the President and COO, inspects these biannually to ensure that they are being properly managed within the Group's risk management and overall internal control structure.

036 Environment Environmental Management Environmental Risks and Opportunities

Business-Related and Other Risks

The following are possible risks affecting the Daikin Group's financial situation, business performance, and other areas.

For details about each risk, see page 26 "Operating Risks" of Securities Report (available in Japanese only).

Business-Related and Other Risks

1. **Risks related to market environment**
   1. Risks related to changes in market environment
   2. Risks related to fluctuations in foreign exchange rates and financing environment
   3. Risks related to fluctuations in the market value of securities
2. **Risks related to business activities**
   1. Risks related to technologies, products or services
   2. Risks related to acquisitions or partnerships with other companies
   3. Quality and accountability for products and services
   4. Risks related to procurement
   5. Legal regulations
   6. Information security
3. **Risks related to the environment, such as climate change**
4. **Others**
   1. Impairment of long-lived assets
   2. Natural disasters

Securities Report / Semiannual Report (available in Japanese only)
https://www.daikin.co.jp/investor/library/securities

082 Social Customer Satisfaction Product Quality and Safety
119 Social Supply Chain Management Responsible Procurement
142 Governance Compliance
149 Governance Information Security
039 Environment Response to Climate Change
067 Environment In Harmony with Nature Management and Reduction of Chemical Substances

Governance

Operational Risks

The directors and executive officers in charge of a duty have the authority and responsibility to create a Groupwide, cross-organizational system that covers the entire sphere of that duty; for example, in terms of product liability and quality, safety, production and sales activities, and disasters.

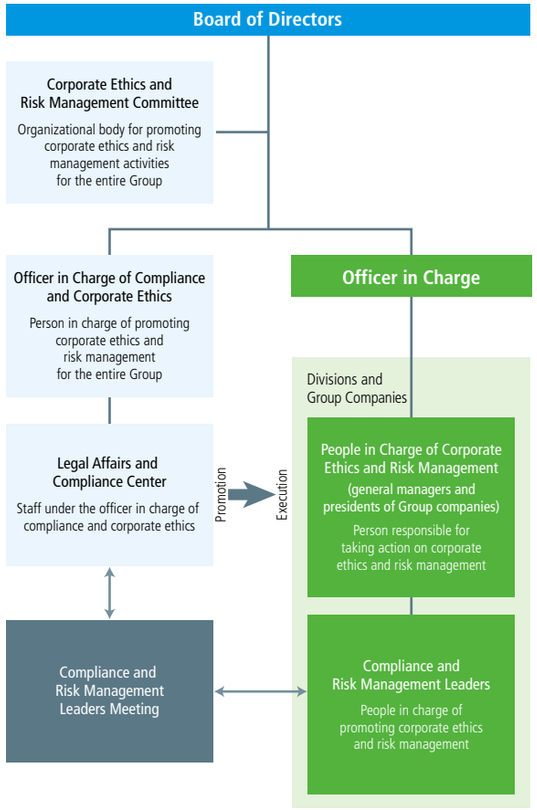
Risks facing the entire company are selected based on risk assessment results and after discussions held at risk assessment evaluation meetings led by the heads of corporate departments, and then finalized after deliberation by the Corporate Ethics and Risk Management Committee.

All divisions and major group companies around the world carry out annual risk assessments to determine the most important risks in line with the risks faced across the company. Based on this, companies propose and implement countermeasures to reduce risk. They also make reports on the progress of these measures and present and share them via the Corporate Ethics and Risk Management Committee.

Major Operational Risks in Fiscal 2024

- Natural disasters
- Safety risks
- Product quality
- Information management
- Strengthening of overseas crisis management
- Respect for human rights
- Increasing employment of persons with disabilities

Operational Risk Management Structure



Preparing for Other Major Risks

Revamping Natural Disaster Risk Measures and Stepping Up Safety Measures

With natural disasters such as typhoons and torrential rains occurring with increasing frequency, Daikin Industries, Ltd. is taking measures against natural disasters as a whole, not just earthquakes. To this end, we are making risk countermeasures for disaster response a key company-wide theme and we are taking stronger, more comprehensive disaster measures that include both hard and soft aspects.

In preparation for earthquake, we have made and are implementing proposals in areas including reinforcement of earthquake resistance at our plants and flooding measures at our chemical plants, as well as evacuation drills to prepare for flooding. Despite various natural disasters occurring, the measures that we have in place allowed us to avoid any fatal damage.

We are also creating a business continuity plan (BCP), and making and implementing proposals to, for example, ensure stable procurement of parts and materials and implement countermeasures for logistics.

Measures to Deal with Information Leak

Daikin has made preventing information leaks one of its key company-wide themes. IT-related divisions and compliance-related divisions cooperate closely, and personal information managers and information security leaders in each division lead efforts to minimize the risk of information leaks.

In addition, we are working to reinforce our management capacities to prevent leakages of important technical information.

149 Governance Information Security

Governance

Compliance

Basic Policy and Management Structure

Daikin inspects and checks whether the group's internal controls are functioning appropriately, including risk management, through the Internal Control Committee chaired by the President and COO. In addition, the Corporate Ethics and Risk Management Committee carries out operational risk management and ensures compliance.

The Corporate Ethics and Risk Management Committee is the organ for leading groupwide corporate ethics activities. It is headed by the officer in charge of compliance and corporate ethics and made up of general managers and presidents of major group companies in Japan. At meetings held twice a year, the committee focuses on solving key issues and reports on efforts by overseas group companies to tackle compliance issues.

Our Group Conduct Guidelines stipulate the appropriate behavior of our directors and employees, and compliance and risk management leaders (CRLs) are appointed in each division and major worldwide group companies to ensure thorough compliance. By regularly confirming the state of compliance and risk management efforts, sharing information, and making the Group Conduct Guidelines second nature to everyone, we aim to cultivate a corporate culture and improve a system in which all employees ensure that they and their colleagues are always in compliance.

Group Conduct Guidelines

Daikin's Group Conduct Guidelines define the fundamental corporate ethics and compliance that each and every officer and employee of all Group companies around the world must follow in conducting businesses globally.

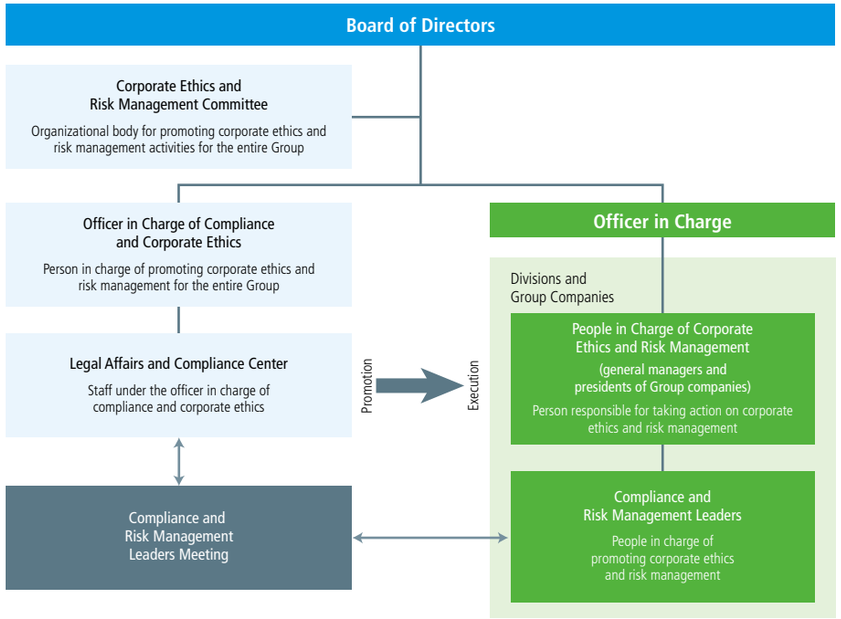
Each Group company globally then establishes their specific codes of conduct in accordance with the laws and customs of each country and region. In this manner, we comprehensively promote best practices in corporate ethics and compliance.

1. **Providing Safe, High Quality Products and Services**
2. **Free Competition and Fair Trading**
3. **Observing Trade Control Laws**
4. **Respect and Protection of Intellectual Property Rights**
5. **Proper Management and Utilization of Information**
6. **Prohibition of Insider Trading**
7. **Timely and Appropriate Disclosure of Corporate Information**
8. **Preservation of the Global Environment**
9. **Ensuring the Safety of Operations**
10. **Respect for Human Rights and Diversity and Observance of Labor Laws**
11. **Protection of Company Assets**
12. **Proper Handling of Accounting Procedures**
13. **Practicing Moderation in Entertainment, Gift Exchanges, and Invitations**
14. **Maintaining a Firm Attitude against Anti-social Activities**
15. **Relationship with Society**
16. **Observing Each Category of Industry Law and Regulation**

Group Conduct Guidelines Specific Guidelines
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/governance/conduct-pdf.pdf

Governance

Compliance Management Structure



Consistency in Compliance

Ensuring Constant Compliance with Conduct Guidelines Through Self-Assessments, a Daikin Initiative

Every year, we conduct self-checks regarding compliance with the Group Conduct Guidelines using our proprietary self-assessment system. The results are used to glean issues facing each workplace and implement countermeasures, which are then reported to and shared with the Corporate Ethics and Risk Management Committee.

Based on the results of the self-assessment, we select departments and group companies subject to audits and the legal department conducts legal audits annually regarding the status of compliance initiatives. Additionally, we conduct a compliance survey.

The results of the self-assessment are shared with the internal auditing department and finance and accounting department and utilized in audits conducted onsite.

Handbook for Corporate Ethics Uses Concrete Examples to Make Group Conduct Guidelines Known to All Employees

Our Group Conduct Guidelines stipulate the appropriate behavior of our directors and employees globally including Group companies. The guidelines are available not only in Japanese, but they have also been translated into English and Chinese. To help directors and employees act in accordance with these guidelines, we have also created the Handbook for Corporate Ethics, which uses concrete examples to help all employees attain a thorough understanding of compliance.

Daikin Industries, Ltd. gives employees, along with this handbook, compliance cards that they must carry with them at all times so that they can be sure they are following rules and always be aware of the importance of compliance. In the area of legal compliance, compliance and risk management leaders in each division head efforts to gather the latest legal information and check to see if laws are reflected in company rules and manuals. There are also daily triple checks to ensure everyone is following laws and company rules and manuals.

Formulating Common Worldwide Rules and Sharing Them with Overseas Group Companies

Daikin has formulated common worldwide rules that it shares with each overseas group company for all Daikin bases around the world to carry out compliance and risk management. Each overseas group company has created a management system for its own region based on these common worldwide rules. Each of these systems has compliance committees and Corporate Ethics Handbooks, and they conduct regular self-assessments and risk management checks. In addition, members of the legal department of Daikin Industries, Ltd. join compliance committee meetings in each global region in efforts to confirm the state of compliance and risk management and to share information.

Furthermore, to strengthen these systems in each region, we established the Americas CLO Office in January 2024 to oversee important legal matters and compliance activities throughout the region. We also launched the Regional Compliance Center in October 2024 to oversee compliance and risk management activities across the Asia and Oceania region.

In fiscal 2024, we held legal and compliance committee meetings in the Asia and Oceania region in July, the Americas region in September, China in February 2025, and the Europe region in March 2025. These meetings covered such topics as antitrust laws, personal information protection, and trade compliance.

Governance

Free Competition and Fair Business Dealings

Daikin conducts fair business practices based on our Group Conduct Guidelines, which state that we conduct free competition and fair business dealings.

Group Conduct Guidelines

2. Free Competition and Fair Trading

We shall observe all applicable laws and regulations relating to fair competition and fair trade of each country and region, including antimonopoly laws. Furthermore, we shall conduct fair sales and procurement activities based on proper corporate ethics and in accordance with sound business practices and social norms.

Daikin is committed to preventing anti-competitive behavior and complying with Japan's Antimonopoly Act, the Act against Unjustifiable Premiums and Misleading Representations, the Subcontract Act, and other relevant laws. Toward this end, we conduct risk assessments every year, including on anti-competitive behavior, and check our compliance with the relevant laws during self-assessments.* In turn, we select audit targets based on the results of these self-assessments, and the legal department also conducts legal audits every year. In fiscal 2024, there were no cases involving violations or sanctions related to anti-competitive behavior.

We also provide training to employees both in Japan and overseas. For example, at Daikin Industries, each division creates an annual training plan and instructors are dispatched from law firms and the legal department to lead training sessions. In this manner, we are working in unison with each division to ensure thorough compliance with the relevant laws.

In fiscal 2024, we established the Antimonopoly Act Compliance Guidelines and Competitor Contact Manual, which stipulate procedures and precautions to prevent violations of the Antimonopoly Act. This includes cartels and other "illegal agreements with competitors," which pose particularly high risks to our business operations. To ensure the guidelines and manual are made known to all employees, we held information sessions for employees of our domestic and overseas group companies.

* A unique system developed by Daikin where individual employees check their own actions pursuant to the Group Conduct Guidelines. Self-assessments are conducted every year, based on which issues of each organization are identified and compliance countermeasures taken.

141 Governance Risk Management Operational Risks

Tax Compliance

Basic Policy and Management Structure

Daikin is working to improve tax transparency pursuant to Proper Handling of Accounting Procedures set forth in the Daikin's Group Conduct Guidelines. Based on these guidelines, we clarify our basic approach toward tax compliance and ensure thorough tax compliance.

Tax related risks are overseen by the officer in charge of accounting and finance and reported to the board of directors. In case of uncertainty over the application or interpretation of tax laws, we respond appropriately after seeking out the advice of external professionals.

Group Conduct Guidelines

12. Proper Handling of Accounting Procedures

We shall comply with all accounting standards and tax laws of each country and region as well as internal company rules in properly performing accounting procedures.

Tax Payment History

We disclose the amount of the Group's corporate income tax liability, including the differences from the statutory effective tax rate in our Securities Report.

Securities Report / Semiannual Report (available in Japanese only)
https://www.daikin.co.jp/investor/library/securities

Governance

Basic Policy on Tax Compliance

1. Approach to Risk Management and Governance Arrangements in Relation to Taxation

At Daikin, we consider the payment of tax to be a critical element of our corporate social responsibilities (CSR).

We believe that our tax payments play an important role in the development of the countries and regions in which we operate, which in turn results in the sustainable development and corporate value enhancement of the Daikin Group.

Recognizing that tax related risk is an important element among the many business risks facing the Daikin Group, we address tax related risks in accordance with our Group's risk management principles.

2. Tax Compliance

We are committed to full compliance with the applicable laws and regulations in each of the jurisdictions in which the Daikin Group operates. We also respect not only the letter but the spirit of the law.

3. Prohibition of Tax Avoidance and Attitude Toward Tax Planning

Daikin does not undertake tax planning that lacks commercial substance, or which involves artificial or aggressive transactions or structures undertaken solely for tax reasons. All intercompany transactions within the Group are conducted on an arm's length basis as described in the OECD Transfer Pricing Guidelines, and consistent with local laws and regulations.

4. Level of Tax Risk Accepted

External advice may be sought if issues are significantly uncertain or complex.

To mitigate risks, including the risk of double taxation, we routinely consider effective measures to increase certainty in our positions, such as Advance Pricing Arrangements (APA) and Mutual Agreement Procedures (MAP) for transfer pricing.

5. Approach to Dealing with Tax Authorities—Trust and Transparency

We strive to act in good faith and maintain an open, constructive and cooperative relationship with tax authorities. Through the approach described above, we aim to achieve a robust and predictable tax position.

We demonstrate our commitment to transparency by disclosing information required under applicable laws and regulations, when requested by taxation authorities.

Governance

Education

Focus on Educating Employees Toward Thorough Compliance

At Daikin Industries, Ltd., compliance education is conducted each year targeting all employees based on the Group Conduct Guidelines. Additionally, employees who are studying look at case studies related to legal matters in specific areas, such as sales, production, and procurement. Education is also divided by employee category, with courses for directors, new employees, newly appointed managers, compliance and risk management leaders (CRLs), and other categories of employees.

At Daikin Industries, Ltd., employees receive a company newsletter and an email every other month, which uses familiar case studies to raise employee awareness of the importance of compliance. Moreover, whenever there is an important revision to a relevant law or regulation, all employees take e-learning on the matter.

In fiscal 2024, we provided training on compliance with the Act on Ensuring Proper Transactions Involving Specified Entrusted Business Operators (commonly known as "Freelance Act"), as well as training on information management as an important topic for self-assessments. Overseas group companies conduct compliance education based on the laws of each country and rules of the company.

Major Legal Violations in Daikin in Fiscal 2024

The Daikin Group makes it a rule to publicly announce all instances of major legal violations related to business operations.

There were no cases of major legal violations in fiscal 2024 at Daikin.

Help-Line

Help-Line for Corporate Ethics Offers Counseling and Gathers Opinions both Inside and Outside Daikin

Daikin has a Help-Line for Corporate Ethics, where employees and others can give opinions or receive consultation to enable the early detection and correction of legal violations or other unethical behaviors.

For example, at Daikin Industries, Ltd., all advice sought and opinions expressed to the internal and external (law firm) hot lines are kept strictly confidential, and reported matters are dealt with promptly and appropriately.

No retribution is taken against either those persons reporting problems and seeking advice, or those persons helping investigate the reported matters. Department heads and managers also receive education on harassment in newly appointed manager training, etc. so that they can appropriately deal with the information provided during counseling with their staff.

The legal department investigates all queries and opinions to the Help-Line, and works with related company divisions to decide on measures to prevent the reoccurrence of problems. This makes for the smooth creation of measures and the solution of problems.

To ensure it is known to all, the Help-Line's contact information is provided on the compliance card that all employees carry with them at all times. We are also making improvements to increase employee accessibility to the Help-Line, including accepting submissions via online form accessed by 2D barcode.

We have also set up a separate internal hotline exclusively for the Freelance Act to ensure compliance.

118 Social Respect for Human Rights Human Rights Due Diligence Remedy Mechanism

Governance

Prohibiting Bribery and Corruption

Basic Policy and Management Structure

With the progress of a global economy, demand for anti-corruption is increasing while regulations are being tightened not only domestically but also in international business. Daikin has established its policy on "Free Competition and Fair Trading," "Practicing Moderation in Entertainment and Gift Exchanges," and "Maintaining a Firm Attitude against Anti-social Activities" in its Group Conduct Guidelines. The legal department spearheads the prevention of corruption and bribery under the supervision of the Executive Officer in charge of Corporate Ethics and Compliance.

At each division and our principal Group companies in Japan and abroad, we conduct risk assessments annually, including risks concerning bribery and corrupt practices, and confirm compliance with internal rules and guidelines using self-assessments.* Based on the results, each company plans and implements their own countermeasures. Legal audits are also conducted every year by the legal departments of Group companies in Japan and overseas, which select the targets of these audits.

Each company reports and shares the status of these initiatives with the Corporate Ethics and Risk Management Committee, with the results reported to the Internal Control Committee chaired by the President and COO. Furthermore, the Company's risk response is reported to the Board of Directors.

* A unique system developed by Daikin where individual employees check their own actions pursuant to the Group Conduct Guidelines. Self-assessments are conducted every year, based on which the issues of each organization are identified and compliance countermeasures taken.

Group Conduct Guidelines
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/governance/conduct-pdf.pdf

141 Governance Risk Management Operational Risks

Group Conduct Guidelines

2. Free Competition and Fair Trading

We shall observe all applicable laws and regulations relating to fair competition and fair trade of each country and region, including antimonopoly laws. Furthermore, we shall conduct fair sales and procurement activities based on proper corporate ethics and in accordance with sound business practices and social norms.

Group Conduct Guidelines

13. Practicing Moderation in Entertainment and Gift Exchanges

We shall exercise moderation and perform within the acceptable range of social norms and obey the laws and regulations of each country and region in regard to entertainment, the exchange of presents, and invitations relating to the development of our global business. In particular, we shall not entertain, provide gifts of monetary value to, or extend invitations to public officials in Japan or abroad that violate the applicable laws and regulations in each respective country and region.

Group Conduct Guidelines

14. Maintaining a Firm Attitude Against Anti-Social Activities

We shall take a firm attitude against an anti-social force or organization that threatens the safety and order of the citizens of society.

Thoroughly Implementing Compliance Guidelines for Preventing Bribery of Public Officials, Etc.

We created our Compliance Guidelines for Preventing Bribery of Public Officials, Etc., which give detailed directives related to entertaining, gift exchanges, and invitations for government officials. These guidelines are being strictly implemented throughout the Daikin Group. These guidelines are always applied to companies that newly join the Daikin Group through M&A in an effort to prevent wrongdoing with regard to the guidelines Groupwide.

The guidelines stipulate policies in areas such as entertainment, gift exchanges, and invitations for public officials, and outsourcing to third parties. The goal is to have standards and approval processes regarding dining and other interactions with public officials and others. The guidelines are also for preventing the dispersion of profit indirectly to public officials and others via third parties such as by hiring dealers, agents, or consultants. To this end, third party business partners are selected through a strict screening process and are required to sign a contract covering anticorruption. When there are questions regarding interpretation and application of laws, we have a consultation hotline in the legal department, which we constantly encourage concerned parties to make use of.

We confirm compliance with the guidelines by conducting self-assessments.* Any compliance problems found and their countermeasures are shared by reporting them to the Corporate Ethics and Risk Management Committee. We are also working to roll out the guidelines to newly acquired companies as well.

Governance

Educational Activities

Daikin holds training for managers and employees so that each and every one is knowledgeable and thoroughly aware of compliance with laws and company regulations. The training is conducted to ensure that employees obey rules on sound and transparent relations with government offices, are compliant with the Political Funds Control Law and the Public Offices Election Act, and conduct entertainment and gift exchanges with business partners in moderation. Since the Compliance Guidelines for Preventing Bribery of Public Officials, Etc. were introduced, we have striven to ensure they are familiar to all employees by holding briefings for each division and group company around the world and providing e-learning for all employees of Daikin Industries, Ltd.

For employees of divisions and group companies in frequent contact with public officials, members of our legal department visit and lead periodic educational sessions.

Monitoring

Since formulating the Compliance Guidelines for Preventing Bribery of Public Officials, Etc., we have carried out audits in divisions and group companies that do business in countries and regions where corruption is prevalent to ensure that bribes are not occurring. The Internal Auditing Department spearheads the monitoring of divisions and Group companies inside and outside of Japan. If an issue arises, the department is ready to respond immediately.

Guideline-related issues discovered during the audits are dealt with by creating solutions in collaboration with relevant divisions and groups, and these are reported to the Board of Directors and the Internal Control Committee. In addition, issues and successful countermeasures are shared via the Corporate Ethics and Risk Management Committee and Global Legal and Compliance Meetings attended by compliance and risk management leaders in each worldwide region.

Help-Line System

Daikin Industries, Ltd. has an internal and external Help-Line for Corporate Ethics, through which employees can give opinions or receive consultation on all corporate ethics matters, including bribe-related issues.

In fiscal 2024, there were no incidents involving bribe-related violations or sanctions.

146_Governance_Compliance_Help-Line

Governance

Information Security

Basic Policy on Information Security

Proper Management and Use of All Confidential Information Including That of Other Companies

Daikin's Group Conduct Guidelines state that we manage and use confidential information appropriately. We also established the Information Security Basic Policy. Daikin stipulates that information leaks from internal information systems, Daikin products and services, and plant equipment systems constitute a major company-wide risk. Therefore, information security leaders in each division lead efforts in making Basic Regulations of Information Security and Common Security Guidelines. We also strictly manage confidential information we are holding that is the property of other companies.

And with the increasingly widespread problems of companies losing information over the Internet, we are striving to raise the awareness of employees regarding managing their information; for example, we have strict company policies regarding use of social media.

There were no incidents of improper information management or leaks in fiscal 2024.

Information Security Basic Policy

The Daikin Group recognizes that one of our most important management issues is to deliver safe and highly reliable products and services and protect our information assets as well as customers' information assets in our possession from various types of threats by addressing information security risks which increase on a daily basis. To deal with these issues, we established the Group basic information security policy and united as the Daikin Group to further reinforce information security.

1. Our Group complies with rules and regulations, national guidelines, and other social standards in connection with information security.
2. Our Group establishes and complies with internal rules related to information security based on the basic information security policies.
3. Our Group implements appropriate security measures from personnel, organizational, and technological perspectives to protect and manage information.
4. Our Group provides continuous education and awareness programs for information security to all employees.
5. Our Group properly collects information and quickly reports to top management in the event that a security problem occurs on information assets. In addition, we rapidly investigate the cause and strive to minimize the damage and prevent recurrence.
6. Our Group inspects the information security management system and its initiatives and continuously reviews and improves them.

Group Conduct Guidelines

5. Proper Management and Utilization of Information

We shall properly manage and effectively utilize the confidential information of our company, the confidential information obtained from other companies, and the personal information of our customers and employees and shall not obtain any information through improper means. We shall thoroughly execute IT security management for our computer systems and the data-resources saved on them.

Group Conduct Guidelines
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/governance/conduct-pdf.pdf

Governance

Information Security Management System

Daikin established the Information Security Committee, chaired by the officer in charge of information security, under the Corporate Ethics and Risk Management Committee. It discusses revisions to groupwide information security strategy, policy measures, and common rules (regulations and guidelines), and reports important information security matters, as well as notifications that must be sent to all employees and strictly followed. Matters decided on by the Corporate Ethics and Risk Management Committee are reported to the Internal Control Committee, chaired by the President and COO, as well as to the Board of Directors. The officer in charge of information security also chairs the Corporate Ethics and Risk Management Committee.

We are taking steps to strengthen the information security management systems of our Group companies both in Japan and overseas by assigning information security leaders and establishing company rules.

Thorough Information Security

Daikin continuously reviews the situation by assessing compliance with security rules at each Group company and implementing improvement activities in order to prevent information security incidents before they occur. We have also put into place a system for reporting and addressing information security incidents to minimize damages even if one was to occur.

Employees who discover an incident or situation that could lead to a security threat are required to report to the information security leader of their department and then follow his/her instructions. Information security leaders in turn report to the IT Development Department, which serves as the secretariat of the Information Security Committee, following the incident response standards. The IT Development Department spearheads efforts to investigate the cause and prevent the recurrence of these incidents.

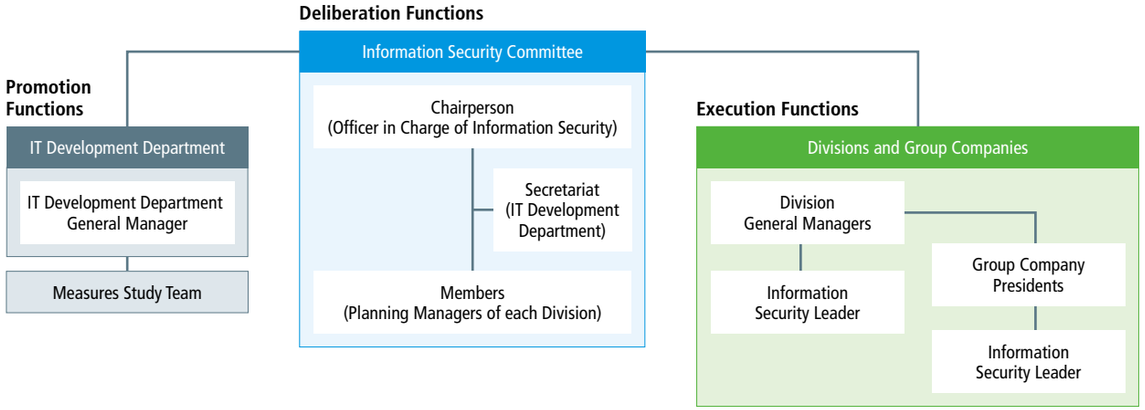
Information Security Education

Daikin strives to raise roll-specific information security awareness among all members through rank-based training for managers, employees and information security leaders. Managers and employees took job-category-specific courses on in-house rules in which they conducted self-assessments.* There were also articles in Daikin's in-house magazine on the importance of security to raise awareness. In addition to these educational opportunities, we provide training on targeted email attacks.

In fiscal 2024, we held training for information security leaders in Japan led by an outside expert who discussed the recent evolution of cyberattacks and countermeasures companies must take. For information security leaders in Japan and overseas, we conducted security training using e-learning.

* Daikin's proprietary system for checking the conduct of each and every employee pursuant to the Group Conduct Guidelines. Implemented annually, these checks identify issues within organizations that lead to compliance countermeasures.

Information Security Management System



Governance

Information Security Inspections and Results

Daikin performs in-house checks on information security matters as part of its proprietary self-assessment system. Every year, we conduct tests of incident response procedures to check the workflow of incident response and the established scenarios. These tests reveal deficiencies and issues, which help us to strengthen countermeasures.

As a result of audits and inspections, problems that have come to light and their countermeasures are reported to the Information Security Committee. As for major issues and matters that all employees must be notified of and strictly follow, these are reported to the Corporate Ethics and Risk Management Committee, the Internal Control Committee, and the Board of Directors.

Protecting Customer Information

Personal Information Managers and Thorough Employee Education

To properly protect the range of customer information entrusted to us, Daikin has a Privacy Policy, as well as various in-house rules for information protection. In the Daikin Group in Japan, we hold annual conferences for personal information managers and others in each division in an effort to reduce risk related to confidential information and personal information.

Particularly, in divisions that handle repair information data on customers on a daily basis, we do everything possible to keep this information secure. To continually monitor and improve on our information security system, employees conduct their own self-assessments, the legal department conducts legal audits, and the Internal Auditing Department conducts operational audits.

Privacy Policy
https://www.daikin.com/privacy

See below for our response to personal data regulations
117 Social Respect for Human Rights Human Rights Due Diligence Response to Human Rights Related Laws and Regulations

Governance

Respect for Intellectual Property Rights

Basic Policy

Acquiring and Utilizing Intellectual Property Rights While Respecting That of Other Companies as Well

Daikin understands that intellectual property rights constitute a valuable company asset. We thus strive to both protect these rights and use them effectively. Our Group Conduct Guidelines state that we will respect other companies' intellectual property rights and ensure that our inventions do not infringe on these rights.

Group Conduct Guidelines

4. Respect and Protection of Intellectual Property Rights

Recognizing that intellectual property rights are important company assets, we shall strive to protect and maintain our intellectual property rights and effectively utilize them. Furthermore, we shall respect and make every effort not to infringe upon the intellectual property rights of other companies.

Group Conduct Guidelines
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/governance/conduct-pdf.pdf

Based on the Group Conduct Guidelines, we formulated more detailed points in our Compliance Action Guidelines, which state that we will acquire patents and avoid infringement by having the person in charge of R&D at Daikin be the person responsible for a patent and having the researcher/developer understand that he/she is the sole developer of the product or invention.

In new product and new technology development, part of the design review process involves verification that these products and technologies do not infringe on existing patents. In collaborations with other companies, we distinguish between open technologies and confidential technologies, and confidential technologies are designated as such and kept out of reach.

Initiatives for Intellectual Properties
https://www.daikin.com/corporate/ip

System for Protection of Intellectual Property

Intellectual Property Manager in Research Department

To actively support researchers/developers, the intellectual property department assigns an intellectual property manager in each division.

The intellectual property managers stay connected with each other, and manage the variety of intellectual property matters that come up daily, which includes filing/acquisition of rights in Japan and abroad, reduction of risk of infringement upon and infringement by other companies, and analysis of intellectual properties. They also educate employees of various ranks and levels on intellectual property and reward Daikin patent awardees. Using this approach, we are strategically implementing intellectual property activities jointly involving researchers/developers and sales representatives.

We will continue to strive to better manage our intellectual property rights by acquiring and using a greater number of patents and higher quality patents.

Strengthening the Intellectual Property Rights System in Line with Globalization

Overseas, we are building an intellectual property rights system tailored to the unique situation of each region to facilitate the globalization of our business operations.

In North America, we have built out an intellectual property rights system centered around our in-house team of patent lawyers, while in Europe, we assign key persons in intellectual property rights to our development bases to step up patent applications based on regional needs. In China, the intellectual property team of each subsidiary actively applies for patents including utility models while working closely with external patent offices. We are also increasing patent applications and effective design applications in response to counterfeiting in emerging countries such as India, Brazil and those in Southeast Asia. In response to the globalization of business, we work closely with each of our business bases outside of Japan to acquire and maintain necessary trademark rights and to proactively combat infringing products. In response to the recent increase in counterfeit products on e-commerce sites and fake advertisements on social media, we are stepping up our monitoring and focusing on the removal of infringing products and fake advertisements.

In fiscal 2024, in order to strengthen cooperation, we held a global intellectual property meeting to share our intellectual property strategy with intellectual property personnel working at overseas Group companies. At the meeting, discussions were held on measures to increase patent applications at each base. We also held joint meetings with our bases in the Asia and Oceania region to strengthen cooperation between bases and promote more active intellectual property activities at each. In addition, we provide intellectual property training to developers at each of our bases globally. As a result of these activities, the number of patent applications filed by Group companies increased from 127 in 2020 to 289 in 2023.

In fiscal 2025, the final year of the Fusion 25 strategic management plan, we will further deepen collaboration with each of our business sites to improve our intellectual property capabilities globally.

Governance

Encouraging Employees to Create Intellectual Property

Two Systems Stimulate Creation of Intellectual Property

Daikin Industries, Ltd. has two systems for stimulating employees' motivation to invent and for spurring the creation of intellectual property.

The first is the Compensation System for Employee Inventions, a system in which Daikin pays employees for inventions created on the job that result in patent applications as well as successful uses of the patent. In fiscal 2024, in addition to paying compensation for patent applications, Daikin compensated employees for 708 successful uses of patents. The second is the Incentive System for Valuable Patents, which gives employees incentive bonuses for valuable patents. This includes differentiation technologies that greatly contribute to sales, technologies with high expectations as future contributors to business, and patents with a certain level of patent income. In fiscal 2024, we awarded incentive bonuses to the creators of 108 patents.

While these systems are aimed at stepping up Daikin's intellectual creativity, they also represent an effort to promptly tackle pressing issues, such as increasing the quality and quantity of patents in competitive fields, and increasing the number of patents in our key technological fields, in particular in emerging countries. In fiscal 2023, we applied for 973 patents in Japan and 707 patents overseas.

Valuable patents incentive reward ceremony

In the air conditioning divisions, we are working to increase the number of patent applications covering key technologies after reviewing our patent strategy globally using the IP landscape* initiated in fiscal 2023. In the chemical divisions, we are developing environmental materials, including binders for dry processes that do not require organic solvents in the production of lithium-ion batteries, along with fluorine-free water- and oil-repellent materials. For these technologies, we have used our IP landscape from the early development stages to apply for patents strategically and build a global patent network.

Going forward, we will continue to conduct preliminary investigations and take prompt measures to address problematic patents to ensure the elimination of patents that impede development and to continue expanding our patent base globally.

* IP landscape analysis: An analysis conducted when determining a company's management and business strategies that incorporates intellectual property into management and business data. This process involves sharing the results (overview of the current situation, future outlook, etc.) with executive management and business managers, who provide feedback on the results, and holding discussions and consultations for planning and consideration.

Scientific Technology Transfer

Worldwide Free Access to Patents for Equipment Using Next-Generation Refrigerant

To encourage the worldwide adoption of R-32, which has a low global warming potential (GWP) compared to conventional refrigerants, in September 2011, Daikin began offering companies in emerging countries 93 patents related to the manufacture and sales of air conditioners that use R-32 free of charge. In September 2015, these patents were offered to companies worldwide, including developed countries.

In July 2019, we announced our non-assertion pledge describing the grant of free access to our pledged patents, all 176 of which have been filed in 2011 and later, for the manufacture and sale of air conditioners using R-32 single-component refrigerant. Free access to the pledged patents without our prior permission or without a contract in writing enabled other companies to make use of these patents quicker and easier, which represents a step forward in promoting the use of R-32.

In July 2021, we newly added 123 patents to this pledge for use of our patents without prior permission related to the manufacture and sale of air conditioners using single-component refrigerant R-32.

In July 2022, we added another 120 patents, including 30 jointly held with Daikin Europe N.V., our European subsidiary.

Today, we have made a total of 419 patents accessible to any party without fee and the need for prior permission or contract.

050_Environment_Response to Climate Change_Reducing the Environmental Impacts of Refrigerants

Press release: Daikin Offers Worldwide Free Access to Patents for Equipment Using Next-Generation Refrigerant

https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/governance/press_20150910-pdf.pdf

Press release: Patent Non-Assertion Pledge for Equipment Using Low GWP Refrigerant HFC-32

https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/governance/press_20190701-pdf.pdf

Press release: Daikin Expands Patent Non-Assertion Pledge for Equipment Using Low GWP Refrigerant HFC-32 (published July 1, 2021)

https://www.daikin.com/-/media/Project/Daikin/daikin_com/press/2021/210701/press_20210701-pdf.pdf

Press release: Daikin Expands Patent Non-Assertion Pledge for Equipment Using Low GWP Refrigerant HFC-32 (published July 1, 2022)

https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/governance/press_20220701_2-pdf.pdf

Data

Data

Data

ESG Data

Environment

Companies covered by data: D Daikin Industries, Ltd. JG Including group in Japan Verified Data verified by a third party
OG Overseas group companies only OJG Including group companies in Japan and overseas

031 Environment 175 Data Third-Party Verification

Mitigating Environmental Impacts in the Value Chain

GHG emissions in the value chain (Scope1,2,3) OJG

(Thousand tons-CO_2)

Scope and Category			Assessment method	2019 (base year)	2021	2022	2023	2024
Scope1		Use of fuel and fluorocarbon Verified	177 Data Third-Party Verification Method of Calculating Greenhouse Gas Emissions Data	687	600	547	524	514
Scope 2 (market-based)[1]		Use of electricity and steam Verified		636	557	484	407	366
Scope 2 (location-based)[2]		Use of electricity and steam Verified		750	618	541	536	559
Scope3	Category 1	Purchased goods and services Verified	Volume of purchased materials x emission coefficient	4,137	4,048	4,701	4,198	4,624
	Category 2	Capital goods	Capital investment amount x emission coefficient	379	449	718	894	932
	Category 3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	Purchased electricity, steam, and fuel x emission coefficient for each type	93	100	99	96	99
	Category 4	Upstream transport and delivery	Transport weight x transport distance x emission coefficient for each type	197	279	325	309	284
	Category 5	Waste generated in operations	Waste volume x emission coefficient for each type	28	33	35	26	24
	Category 6	Business travel	Travel expenses x emission coefficient	99	77	83	119	127
	Category 7	Employee commuting	Number of employees x emission coefficient	31	37	37	41	43
	Category 8	Leased assets (upstream)	–	N/A[5]	N/A[5]	N/A[5]	N/A[5]	N/A[5]
	Category 9	Downstream transportation and delivery	Transport volume x emission coefficient	53	77	99	70	61
	Category 10	Processing of sold products	Weight of manufactured intermediate products x emission coefficient	32	41	33	43	40
	Category 11	CO_2 from use of Daikin's air conditioners in the market Verified	177 Data Third-Party Verification Method of Calculating Greenhouse Gas Emissions Data	258,340	255,150	257,500	250,170	234,560
		CO_2 from use of other Daikin products[3] in the market		17,210	24,930	25,660	25,550	28,040
	Category 12[4]	Fluorocarbon at time of disposal of Daikin's air conditioners Verified		46,340	46,670	46,090	45,810	41,690
		Fluorocarbon at time of disposal of other Daikin products[3]		970	1,910	1,410	1,290	1,690
	Category 13	Downstream leased assets	–	N/A	N/A	N/A	N/A	N/A
	Category 14	Franchises	–	N/A	N/A	N/A	N/A	N/A
	Category 15	Investments	Emissions of investment target companies x ownership percentage	110	406	158	24	5
	Total			328,020	334,210	336,940	328,640	312,210
Comprehensive total				329,340	335,360	337,970	329,570	313,090

1. Market-based is the calculation of Scope 2 emissions reflecting contracts for purchased electricity. 2. Location-based is the calculation of Scope 2 emissions based on the average emission coefficient for electricity of a specific location.
3. Non-air conditioner data indicates air purifiers and refrigeration/oil hydraulics/defense systems, etc. 4. Calculated with fluorocarbon recovery rate as 0%. 5. Includes Scope 1 and Scope 2.

Data

Contributions to Greenhouse Gas (GHG) Emission Reduction OJG

(Thousand tons-CO_2)

		2020	2021	2022	2023	2024
Amount of contribution to emission reduction*	Contribution to greenhouse gas emission reduction through the spread of air conditioners and heat pumps, hot water supply systems and refrigeration systems with lower emissions	1,500	5,000	6,680	5,330	7,040
	Contribution to greenhouse gas emission reduction due to the use of R-32 refrigerant in air conditioners and refrigeration systems by other companies as a result of the Daikin group's offer of free access to the patents, technical support, etc.	9,200	11,260	11,220	24,270	36,850
Amount of refrigerant recovery and recycling from market	Refrigerant recovered from the market or reclaimed by the Daikin group and reclaimed refrigerant purchased by the Daikin group (in CO_2 equivalent)	4,600	4,670	4,450	4,050	4,340

* Calculated with F-gas recovery rate as 0%.
Note: Reviewed by the third-party.

Reduction Rate of Net Greenhouse Gas (GHG) Emissions* OJG

(%)

	2020	2021	2022	2023	2024
Reduction rate of net greenhouse gas (GHG) emissions (compared to BAU with 2019 as base year)	7	10	14	17	27

* Net GHG emissions equals GHG emissions during the product lifecycle minus contribution to GHG emissions reduction.

Greenhouse Gas Emissions Reduction Target (SBT* 1.5-degree Target) and Results OJG

Daikin has obtained certification from the SBTi for the following greenhouse gas reduction targets.

	Target	2023	2024
Emissions from the Group's business activities (Scope 1 and 2)	46.2% reduction by fiscal 2030 (compared to fiscal 2019)	29.5% reduction	33.3% reduction
Emissions from use and disposal of the Group's products (Scope 3 category 11 and 12)	55% reduction per operating profit (yen) by fiscal 2030 (compared to fiscal 2019)	32.3% reduction	37.4% reduction

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

Data

Environmentally Conscious Products* as Percentage of Units Sold (Residential Air Conditioners) OJG

(%)

	2020	2021	2022	2023	2024
Environmentally Conscious Products	98	99	99	99	99
Super Green Products	69	71	76	76	81
Green Products	29	28	23	23	19
Other products	2	1	1	1	1

* Environmentally conscious products: A generic term that refers to Super Green Products and Green Products.
Air conditioners that meet all of the following conditions are considered Super Green Products, and air conditioners that meet at least one of the following conditions are considered Green Products.
- Consume at least 30% less electricity than conventional products.
  Example: Air conditioners equipped with inverters.
- Use refrigerants with at least two-thirds less global warming potential than conventional refrigerants.
  Example: Air conditioners using R-32, a refrigerant with lower global warming potential.

Materials Used OJG

(Thousand tons)

		2020	2021	2022	2023	2024
Japan	Iron	63	76	80	63	75
	Copper	14	13	16	13	14
	Aluminium	14	15	17	17	18
	Other metals	2	3	4	4	3
	Plastics	20	22	23	18	20
	Chemical product materials	132	145	143	120	127
	Glass	0.4	0.5	0.4	0.5	0.5
Overseas	Iron	465	519	497	485	455
	Copper	73	71	91	81	113
	Aluminium	69	58	90	79	92
	Other metals	2	2	4	3	4
	Plastics	81	90	104	88	111
	Chemical product materials	127	150	150	164	137
	Glass	–	–	–	–	9
Total	Iron	528	595	577	548	530
	Copper	86	84	107	94	127
	Aluminium	83	73	107	95	110
	Other metals	4	5	8	6	7
	Plastics	101	112	127	106	131
	Chemical product materials	259	295	293	283	263
	Glass	0.4	0.5	0.4	0.5	9

Note: Glass figures until fiscal 2023 are for the Group in Japan and from fiscal 2024 for the Group globally.

Data

CO_2 Emissions Reduction achieved with Packaging Improvements (Air Conditioning) D

(tons-CO_2)

	2021	2022	2023	2024
CO_2 emissions reduction achieved with packaging improvements*	146	270	395	518

* Reduced use of packaging materials and promotion of returnable packaging

Recycling of Residential Air Conditioners JG

		2020	2021	2022	2023	2024
Residential air conditioners collected by Daikin (units: thousand)*		460	460	490	500	56
Weight of products recycled or reused (tons)		18,527	18,337	19,998	20,276	22,226
Amount recycled (tons)		16,862	16,700	18,234	18,596	20,356
Recycling ratio (%)		91	91	91	91	91
Breakdown (%)	Iron	31	32	31	29	29
	Copper	8	8	8	8	8
	Aluminium	2	2	2	2	3
	Mixture of non-ferrous and iron composite materials	41	40	41	41	41
	CFCs	1.6	1.7	1.7	1.7	1.7
	Other valuable materials	16	17	17	18	18
Fluorocarbons recoverd (CO_2-equivalent) (thousand tons-CO_2)		590	590	650	650	680

* Number of units accepted

Amount of Fluorocarbons Recovered JG

(Thousand tons-CO_2)

	2020	2021	2022	2023	2024
Electric appliances recycling	590	590	650	650	680
Fluorocarbon recovery and destrution	740	760	670	670	740

Amount Destroyed in Fluorocarbon Recovery and Destruction at Time of Repair and at Time of Disposal JG

(tons)

	2020	2021	2022	2023	2024
Recovered fluorocarbons at time of repair	318	333	305	317	333
Recovered fluorocarbones at time of disposal	57	68	34	24	43
Total	375	401	339	340	376

Note: Amount destroyed at contracted destruction facilities around Japan including our Yodogawa Plant and Kashima Plant.

Data

Reducing Environmental Impacts of Business Activities

Indicators and Results at Manufacturing Bases

Main initiatives	Management items	Fiscal 2025	Fiscal 2024	
		Targets	Targets	Results
Greenhouse Gas	Reduce greenhouse gas emissions (fluorocarbons and energy)	1.10 million tons-CO_2 (17% reduction compared to fiscal 2019)	1.10 million tons-CO_2 (17% reduction compared to fiscal 2019)	0.88 million tons-CO_2 (33% reduction compared to fiscal 2019)
Emissions	Reduce waste generated	Unit reduction in emissions of 10% against standard value*	Unit reduction in emissions of 10% against standard value*	23% reduction
Water	Reduce water usage	Unit reduction in water intake of 10% against standard value*	Unit reduction in water intake of 10% against standard value*	24% reduction
Chemicals	Reduce PRTR substances and VOC emissions	Unit reduction in chemical emissions of 10% against standard value*	Unit reduction in chemical emissions of 10% against standard value*	45% reduction

* Average for fiscal 2013–2015. Most recent figures are used for manufacturing bases that newly joined the Group.

Greenhouse Gas Emissions (Development and Production) OJG Verified

(Thousand tons-CO_2)

		2020	2021	2022	2023	2024
Energy-induced CO_2		720	790	710	620	580
	(Scope1)	220	230	230	210	220
	(Scope2)	500	560	480	410	370
HFC (Scope1)		100	110	100	80	80
PFC (Scope1)		240	260	220	220	200
Non-energy-induced CO_2 (Scope1)		–	–	–	10	20
Total		1,060	1,160	1,030	930	880

Note: In accordance with the revision of the Act on Promotion of Global Warming Countermeasures in April 2023, we have added non-energy CO_2 emissions from limestone from fiscal 2023.

Energy Consumption OJG

(TJ)

	2020	2021	2022	2023	2024
Electricity	8,538	10,335	10,294	10,210	10,777
Renewable energy generated	548	1,177	2,200	2,674	4,013
City gas	4,267	4,686	4,771	4,354	4,516
LPG	157	174	174	127	117
Steam	1,095	1,277	1,251	971	988
Petroleum	51	49	71	33	33
Total	14,108	16,521	16,561	15,694	16,431

Data

Water Intake / per Unit of Production OJG

		2020	2021	2022	2023	2024
Water intake (thousand m³)	Japan	1,670	1,820	1,910	1,820	1,790
	Overseas	4,360	4,510	4,810	4,830	4,860
	Total	6,030	6,330	6,720	6,650	6,650
Unit with standard value set at 100 (%)	Japan	92	85	89	88	90
	Overseas	84	72	69	79	71
	Total	86	76	74	82	76

Note: These values are different from values for third-party verification.

Water Intake and Discharge Amounts OJG Verified

(Thousand m³)

		2020	2021	2022	2023	2024
Water intake		9,560	9,850	9,710	10,340	9,230
Water discharge		8,320	9,110	8,700	9,540	8,360
	Sewerage	3,880	5,010	4,780	4,790	4,910
	Released into ocean/river	4,440	4,100	3,920	4,740	3,450

Chemical Oxygen Demand (COD) emissions OJG

(tons)

	2020	2021	2022	2023	2024
Emissions	1,764	2,382	2,404	855	901

Water Intake and Discharge Amounts in Water-Stressed Regions (India and China)

Daikin Airconditioning India Pvt. Ltd. (Thousand m³)

	2020	2021	2022	2023	2024
Water intake	50	57	53	54	64
Water discharge	37	48	42	43	43

Daikin Device (Xi'an) Co., Ltd. (Thousand m³)

	2020	2021	2022	2023	2024
Water intake	26	22	23	22	24
Water discharge	21	17	19	18	19

Chemical Emissions (total of PRTR Substances and VOCs) / per Unit of Production OJG

		2020	2021	2022	2023	2024
Emissions (tons)	Japan	454	510	563	496	522
	Overseas	2,002	1,552	1,426	1,326	1,266
	Total	2,456	2,062	1,989	1,822	1,788
Unit with standard value set at 100 (%)	Japan	79	81	81	78	77
	Overseas	76	56	43	45	50
	Total	77	61	49	51	55

Note: These values are different from values for third-party verification.

Data

Compilation of PRTR Substances (PRTR Substances of which at Least 1 ton was Handled) JG

(tons)

Substance name	2024				
	Amount emitted			Amount transported	
	Air	Public waterways	Soil	Waste	Sewage
antimony and its compounds	0.00	0.00	0.00	8.30	0.00
ethylbenzene	0.44	0.00	0.00	0.18	0.00
xylene	0.56	0.00	0.00	0.14	0.00
1-chloro-1,1-difluoroethane	10.00	0.00	0.00	0.00	0.00
chlorodifluoromethane	44.00	0.00	0.00	0.00	0.00
2-chloro-1,1,1,2-tetrafluoroethane	1.10	0.00	0.00	0.00	0.00
chloroform	0.78	0.00	0.00	16.00	0.00
tetrachloromethane	0.00	0.00	0.00	0.00	0.00
dichloromethane	22.54	0.00	0.00	3.70	0.00
N,N-dimethylacetamide	0.22	0.06	0.00	0.29	0.00
N,N-Dimethylformamide	0.00	0.00	0.00	2.00	0.00
styrene	0.00	0.00	0.00	0.00	0.00
copper salts (water-soluble, except complex salts)	0.00	0.00	0.00	0.00	0.00
toluene	3.65	0.05	0.00	0.77	0.00
phenol	0.65	0.00	0.00	0.66	0.00
hydrogen fluoride and its water-soluble salts	0.22	0.00	0.00	99.00	0.00
n-hexane	1.12	0.00	0.00	7.50	0.32
water-soluble salts of peroxodisulfuric acid	0.00	0.00	0.00	0.00	0.00
boron compounds	0.00	0.47	0.00	0.63	0.00
poly (oxyethylene) alkyl ether (alkyl C=12-15)	0.03	0.01	0.00	41.00	0.25
formaldehyde	0.38	0.62	0.00	0.27	0.00
methylenebis (4,1-phenylene) diisocyanate	0.00	0.00	0.00	0.11	0.00
tritolyl phosphate	0.00	0.00	0.00	0.00	0.00
alpha-Alkyl-omega-hydroxypoly (oxyethylene) (limited to those the alkyl group is C=9-11 and mixture thereof, and the number average molecular weight is less than 1,000)	0.00	0.00	0.00	3.40	0.07
Tetrafluoroethylene	27.00	0.00	0.00	0.00	0.00
paraformaldehyde	0.00	0.00	0.00	0.00	0.00
methyl isobutyl ketone	0.27	0.00	0.00	3.10	0.03
N-methyl-2-pyrrolidone	0.01	0.00	0.00	11.00	0.10

Air Pollutant Emissions OJG

(tons)

	2020	2021	2022	2023	2024
NO_x	119	111	86	75	35
SO_x	5	7	6	5	6
Dust	45	57	61	47	16

Data

Amount of Waste and Recycled Materials OJG Verified

(tons)

		2020	2021	2022	2023	2024
Japan	Amount of waste	3,650	4,126	4,060	2,465	2,976
	Amount of recycle	25,191	27,329	26,320	22,593	24,479
	Out of the above amount, hazardous waste	19,455	22,058	22,996	16,814	14,759
Overseas	Amount of waste	28,654	37,178	42,737	14,334	22,717
	Amount of recycle	111,896	142,059	152,359	140,582	142,565
	Out of the above amount, hazardous waste	43,221	57,239	69,076	28,216	27,750
Total	Amount of waste	32,304	41,304	46,797	16,799	25,706
	Amount of recycle	137,088	169,388	178,679	163,175	166,964
	Out of the above amount, hazardous waste	62,676	79,297	92,072	45,030	42,532

Emissions / per Unit of Production OJG

		2020	2021	2022	2023	2024
Emissions (tons)	Japan	26,752	30,917	28,482	23,692	25,205
	Overseas	160,077	180,283	190,898	169,757	159,950
	Total	186,829	211,200	219,380	193,449	185,155
Unit with standard value set at 100 (%)	Japan	84	70	76	78	72
	Overseas	89	90	89	86	78
	Total	88	87	87	85	77

Note: These values are different from values for third-party verification.

Environmental Management

Serious Violation of Environmental Laws OJG

(Violations)

	2021	2022	2023	2024
Serious violations of environmental laws	0	0	0	0

Report from Audits JG

(cases)

		2020	2021	2022	2023	2024
Problems found from internal environmental audits	Major nonconformity	1	0	0	1	0
	Minor nonconformity	9	8	3	5	2
	Improvement	77	97	91	76	65
Problems found by third-party certification institutes	Major nonconformity	0	0	0	0	0
	Minor nonconformity	0	1	0	0	0
	Improvement	5	3	4	3	4

Ratio of Employees Belonging to Facilities That Obtained ISO 14001 Certification OJG

(%)

	2020	2021	2022	2023	2024
Japan	100	100	100	100	100
Overseas	93	91	90	91	90

Daikin Bases Certified for ISO 14001

https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/environment/2025/certified-pdf.pdf

Data

Environmental Accounting[1]

Cost of Environmental Conservation[2]

(million yen)

Category	Major activities	2023		2024	
		Amount of equipment invested	Expenses	Amount of equipment invested	Expenses
Cost in business area		10,998	15,175	10,683	21,693
1. Environmental impact reduction	Introduction, maintenance, and management of pollution prevention facilities/equipment, expenses for measurement/analysis of air pollution control, water pollution control, vibration, and noise.	4,545	6,952	3,241	9,963
2. Global environmental conservation	Introduction of energy efficient facilities/equipment, reduction of fluorocarbon emissions in the production process, and recovery of fluorocarbons.	6,064	2,698	6,659	4,734
3. Resource circulation	Reduction or recycling of waste, subcontracting of waste disposal, and resource conservation activities.	390	5,525	783	6,996
Upstream/ downstream	Recycling of used products, and recovery, recycling, and destruction of fluorocarbons in used products or products still in service.	49	262	109	881
Management activities	Running of company organization for environmental matters, environmental education, environmental information disclosure, and establishment/maintenance of environmental management systems.	74	1,820	56	1,788
Research and development	Work on three major tasks for air conditioners, and development of fluorochemical products with minimized environmental impact.	4,647	25,546	5,122	21,345
Social activities	Provision of personnel and monetary aid to environment-related organizations, and environmental protection activities in local communities.	5	140	4	214
Environmental damage	Costs for purification of polluted groundwater and soil.	14	266	0	128
Total		15,788	43,208	15,974	46,049
Total of investment in facilities within the period			311,500		324,600
Total of investment in R&D activities within the period			122,500		135,700

Data

Effects of Environmental Conservation

Effects			Figures	
			2023	2024
Effects corresponding to business area cost	1. Effects of the resources used for business activities	Reduction in CO_2 emissions caused by energy consumption	45,364 tons-CO_2	28,594 tons-CO_2
		Reduction in water consumption	–1,191,337 m^3	955,661 m^3
	2. Effects against environmental impacts and waste resulting from business activities	Reduction in fluorocarbon emissions	–0.3 tons	6 tons
		Reduction in waste materials	26,880 tons	–9,165 tons
Effects corresponding to upstream/ downstream cost	Effects associated with benefits and services that are calculated and based on business activities	Number of residential air conditioners collected	500,000 units	560,000 units
		Amount of fluorocarbons recovered	341 tons	368 tons
		Amount of packaging material recycled	159 tons	104 tons

Economic Benefits of Environmental Conservation Efforts (monetary benefits)[3]

(million yen)

Effects		2023	2024
Profit	Profit from sale of recycled items, such as waste or used products, etc.	7,881	12,486
Reduction in expenses	Reduction in energy expenses resulting from energy conservation efforts	349	454
	Reduction in waste disposal expenses resulting from resource conservation or recycling resources	112	413

1 The costs and effects of Daikin's environmental efforts were calculated based on the Environmental Accounting Guidelines 2005 released by Japan's Ministry of the Environment.
2 Expenses include labor costs but not depreciation expenses for investment in facilities. The expenses not fully allocated to environmental protection were proportionally divided and totaled according to a relevant Daikin standard.
3 The environmental conservation effects and economic benefits were calculated by comparing the adjusted output to the previous fiscal year.

Data

ESG Data

Society

Companies covered by data: D Daikin Industries, Ltd. JG Including group in Japan
OG Overseas group companies only OJG Including group companies in Japan and overseas

072 Social

Co-creation

Research and Development Expenses OJG

(billion yen)

	2020	2021	2022	2023	2024
Research and development expenses	71.7	81.5	102.2	122.5	135.7

Customer Satisfaction

Improvement in Customer Satisfaction*

	(Base year)	2020	2021	2022	2023	2024
Japan	(FY2015)	1.14	1.14	1.15	1.15	1.15
China	(FY2018)	1.04	1.00	1.01	1.00	1.00
India	(FY2016)	1.15	1.19	1.22	1.24	1.24
Indonesia	(FY2017)	1.10	1.11	1.07	1.15	1.14
Singapore	(FY2015)	1.01	1.00	1.00	1.02	1.00
Vietnam	(FY2015)	1.22	1.21	1.22	1.22	1.22
Australia	(FY2015)	1.00	1.02	1.02	1.03	1.02
Spain	(FY2016)	1.13	1.14	1.11	1.11	1.12
Italy	(FY2019)	1.07	1.07	1.08	1.06	1.03
France	(FY2019)	0.98	1.02	1.00	0.97	0.99
UAE	(FY2015)	1.05	1.05	1.05	1.07	1.09
Brazil	(FY2020)	1.00	1.03	1.06	1.02	1.00

* Satisfaction of after-sales services, regarding the base year as 1.00.

Data

Customer Satisfaction with After-sales Service* D

	2020	2021	2022	2023	2024
Overall satisfaction	4.60	4.60	4.66	4.67	4.64

* Results of responses online as well as on postcard-sized surveys that are sent to a random sampling of customers one or two weeks after they receive servicing. Average of a scale of 5.

Number of Inquiries to the Contact Center JG

(thousands)

	2020	2021	2022	2023	2024
Repair inquiries	800	604	579	586	556
Technical advice	789	595	565	589	611
Parts inquiries	254	207	194	176	175
Others	14	13	9	12	9
Total	1,858	1,419	1,347	1,363	1,351

Number of Inquiries to the Contact Center China

(thousands)

	2020	2021	2022	2023	2024
Repair inquiries	788	843	913	970	883
Technical advice	31	36	30	21	9
Parts inquiries	104	97	100	104	340
Total	923	976	1,043	1,096	1,232

Data

Human Resources

Employees

Employee Composition* D

	2020		2021		2022		2023		2024	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Number of employees	7,458	1,527	7,339	1,579	7,276	1,601	7,236	1,658	7,457	1,712
Average range of services (years)	16.8	10.9	16.7	10.9	16.5	10.6	17.2	12.1	17.4	12.4
Average age	42.4	35.2	41.8	35.4	42.0	35.7	41.9	35.9	42.1	36.2
Number of managers	1,110	71	1,122	68	1,149	95	1,174	108	1,236	121
Number of directors, Audit & Supervisory Board members and senior executive officers	37	1	40	2	40	2	41	3	39	5
Number of foreign nationals	64	33	62	34	61	33	58	37	56	34

* Includes employees on loan.
Note: Figures as of fiscal year-end.

Employee Make-up by Region* OJG

	2020		2021		2022		2023		2024	
	Number of companies	Number of employees	Number of companies	Number of employees	Number of companies	Number of employees	Number of companies	Number of employees	Number of companies	Number of employees
Daikin Industries, Ltd. (Only)	1	7,732	1	7,652	1	7,618	1	7,654	1	7,866
Domestic Group (Excluding Daikin Industries, Ltd.)	30	5,586	30	5,717	30	5,817	31	5,914	31	6,130
U.S.	61	19,812	67	20,275	75	22,966	72	22,412	75	25,255
China	33	19,360	32	19,567	33	20,599	32	19,645	33	19,075
Europe	75	9,947	77	11,147	86	12,215	90	13,293	84	13,310
Asia, Oceania	54	17,367	55	18,542	61	20,083	62	21,187	65	22,288
Others (Latin America, Middle East, Africa, etc.)	62	5,066	61	5,798	62	7,039	62	8,057	62	9,620
Total	316	84,870	323	88,698	348	96,337	350	98,162	351	103,544

* Figures as of fiscal year-end.

Data

Number of Employees by Gender and Employment Rate of Women OJG

	2020	2021	2022	2023	2024
Men	61,046	63,753	69,733	73,925	78,546
Women	23,824	24,945	26,604	24,237	24,998
Total	84,870	88,698	96,337	98,162	103,544
Women as % of all employees	28.1	28.1	27.6	24.7	24.1

Number of New Employees Hired; Women as Percentage of All New Employees Hired* D

	2020	2021	2022	2023	2024
Men	303	284	204	201	295
Women	118	112	87	98	115
Total	421	396	291	299	410
Women as % of all new employees	28.0	28.3	29.9	32.8	28.0

* Number of people joining the company on April 1.

Number of Employees Leaving, Employee Turnover D

	2020	2021	2022	2023	2024
Men	369	332	376	389	176
Women	57	61	69	73	74
Total	426	393	445	462	250
Employee turnover (%)	3.7	4.4	5.0	5.2	2.7

Note: Due to the increase in the retirement age (from 60 to 65) implemented in April 2024, there will be no employees reaching mandatory retirement age until the end of March 2029.

Development of Human Resources

Human Resources Development of Manufacturing OJG

		2020	2021	2022	2023	2024
Japan	The ratio of excellent or advanced skilled engineers* in manufacturing (%)	30.3	30.5	31.7	34.8	37.8
	Ratio	1 in 3.3 employees	1 in 3.3 employees	1 in 3.2 employees	1 in 2.9 employees	1 in 2.6 employees
Overseas	The ratio of excellent or advanced skilled engineers* in manufacturing (%)	–	6.2	9.1	12.3	13.4
	Ratio	–	1 in 16.1 employees	1 in 11.0 employees	1 in 8.1 employees	1 in 7.4 employees
Total	The ratio of excellent or advanced skilled engineers* in manufacturing (%)	–	14.8	12.5	15.8	17.0
	Ratio	–	1 in 6.8 employees	1 in 8.0 employees	1 in 6.3 employees	1 in 5.9 employees

* High-skilled engineers with knowledge and leadership.

Data

Workplace Diversity

Number and Percentage of Women in Management Positions D

	2020	2021	2022	2023	2024
Number of female managers	71	68	95	108	121
Females as % of all managers	6.0	5.7	7.6	8.4	8.9

Number of Overseas Bases Where Local Nationals are Presidents and Executives OG

	2020	2021	2022	2023	2024
Number of bases where local nationals are presidents and executives	43	44	45	47	50
Number of presidents who are local nationals	30	32	34	36	34
Number of executives who are local nationals	68	63	65	73	72

Percentage of Overseas Bases Where Local Nationals are President and Executives OG

(%)

	2020	2021	2022	2023	2024
Percentage of overseas bases where local nationals are president	42.9	45.0	44.0	46.0	42.0
Percentage of overseas bases where local nationals are executives	48.2	44.0	45.0	50.0	46.0

Number of People with Disabilities Employed and Employment Rate JG

	2020	2021	2022	2023	2024
Number of people with disabilities employed[1]	390.0	409.0	427.5	454.0	480.5
Employment rate of people with disabilities[2] (%)	2.55	2.60	2.69	2.81	2.91

1. Based on the calculation method prescribed by the Ministry of Health, Labour and Welfare.
2. Disability employment rate = number of people with disabilities employed / number of full-time employees.
Note: Figures as of end of fiscal year.

Gender Pay Gap D

(%)

	2022	2023	2024
All workers	77.2	79.5	80.4
Full-time employees	80.3	81.6	82.1
Part-time and contract employees	65.4	63.1	65.5

Note: Figures calculated based on the provisions of the Act on Promotion of Women's Participation and Advancement in the Workplace (Act No. 64 of 2015).
Average annual wage of female workers ÷ Average annual wage of male workers x 100

Data

Work-Life Balance

Number of Employees Taking Childcare Leave* D

(people)

		2020	2021	2022	2023	2024
Number taking childcare leave	Men	327	233	214	221	235
	Women	173	93	78	82	74
	Total	500	326	292	303	309

* Number of employees taking childcare leave each fiscal year.
Note: Revisions to the Act on Childcare Leave, Caregiver Leave in April 2023 require that companies disclose the rate of employees taking childcare leave calculated according to a specified formula. As a result, figures for fiscal 2021 were changed to this formula and revised retroactively.

Number Taking Family Care Leave D

(people)

		2020	2021	2022	2023	2024
Number taking family care leave	Men	3	3	2	5	6
	Women	1	2	2	3	1
	Total	4	5	4	8	7

Occupational Safety and Health

Frequency Rate of Lost Work Time Accidents[1] OJG

	2020	2021	2022	2023	2024
Daikin Group (including overseas)	1.01	1.19	1.35	1.24	1.14
Japan (manufacturing industry average)	1.95	2.09	2.06	2.14	2.10
U.S. (average for all industries)[2]	13.5	13.5	13.5	12.0	–

1. This shows the frequency of occupational accidents resulting in lost work time, expressed in number of casualties for every 1,000,000 working hours.
Frequency rate = Number of injuries or fatalities from occupational accidents resulting in lost work time / Total actual working hours × 1,000,000
2. Calculated based on information from U.S. Bureau of Labor Statistics (November 2024).
No data was released for the U.S. in fiscal 2024 (as of the end of July 2025).

Severity Rate* OJG

	2020	2021	2022	2023	2024
Daikin Group (including overseas)	0.03	0.03	0.04	0.04	0.03
Japan (manufacturing industry average)	0.09	0.09	0.09	0.09	0.09

* This shows the severity of the calamity, expressed in man-days lost per 1,000 hours worked.
Severity rate = Total number of working days lost / Total actual working hours × 1,000

Number of Sites that Obtained Occupational Safety and Health Management System Certification OJG

(base)

	2024
Japan	3
China	18
Asia and Oceania	17
Europe	21
Americas	1
Total	60

Note: The number of bases with ISO 45001 certification, with approximately 50% of all production bases having obtained the certification. Bases with other certifications are excluded.

Data

Percentage of Employees Taking All Paid Leave D

(%)

	2020	2021	2022	2023	2024
Percentage of Daikin Industries, Ltd. Employees	91.5	95.8	97.7	97.7	95.8
Percentage of Japanese workers in the manufacturing industry (according to Ministry of Health, Labour and Welfare)	56.3	61.6	62.6	65.8	70.4

Average Hours of Overtime per Employee D

(hours)

	2020	2021	2022	2023	2024
Hours	193.00	211.80	220.80	211.40	215.40

Labor-Management Relations

Ratio of Union Members D

(%)

	2020	2021	2022	2023	2024
Percentage of employees in union	87	87	86	84	84

Supply Chain Management

Class A CSR Procurement Achievement Rate* OJG

(%)

	2020	2021	2022	2023	2024
Japan	65	66	66	79	81
Overseas	65	73	77	82	84
Entire Group	65	72	75	81	84

* Procurement value from suppliers that satisfy Daikin's Class A standards of total procurement value.

Green Procurement Rate* OJG

(%)

	2020	2021	2022	2023	2024
Japan	95	95	91	93	96
Overseas	77	78	76	75	80
Entire Group	80	80	79	79	82

* Green procurement rate = Value of goods procured from suppliers who meet our assessment criteria / Value of all goods procured

Communities

Expenditure for Social Contribution Activities OJG

(million yen)

	2020	2021	2022	2023	2024
Total	1,292	1,388	1,794	1,828	1,704

Data

ESG Data

Governance

Companies covered by data: D Daikin Industries, Ltd. JG Including group in Japan
OG Overseas group companies only OJG Including group companies in Japan and overseas

136 Governance

Number of Executives and Breakdown* D

(people)

			2023	2024	2025
Executives	Internal	Men	6 (non-Japanese 1)	5 (non-Japanese 1)	4 (non-Japanese 1)
		Women	0	1	1
	External	Men	3	3	3
		Women	1	1	1
	Total		10	10	9

* As of July 1 each year.

Number of Auditors and Breakdown* D

(people)

			2023	2024	2025
Auditors	Internal	Men	2	2	2
		Women	0	0	0
	External	Men	2	1	1
		Women	1	2	2
	Total		5	5	5

* As of July 1 each year.

Number of Board of Directors' Meetings and Average Attendance D

	2022	2023	2024
Number of meetings	16	16	16
Average attendance of Board of Directors' meetings (%)	98	96	98

Average Appointment Term for Directors* D

(year)

	2025
Average appointment term	6.1

* As of July 1 each year.

Make-up of Human Resources Advisory Commitee and Compensation Advisory Committee* D

(people)

			2023	2024	2025
Human Resources Advisory Commitee and Compensation Advisory Committee	Internal directors	Men	1	1	1
		Women	0	0	0
	External directors	Men	3	3	3
		Women	1	1	1
	Executive officers	Men	1	0	0
		Women	0	0	0

* As of July 1 each year.

Data

The Vesting for Variable CEO Compensation D

Period during which CEO's change in compensation is based on	Within 3 to 12 years from the allotment date

Executive Compensation* D

		2020	2021	2022	2023	2024
Directors	Number	12	14	12	11	13
	Amount of compensation (million yen)	1,281	1,364	1,435	1,441	5,504
Audit & Supervisory Board Member	Number	4	4	4	5	6
	Amount of compensation (million yen)	99	99	102	122	131
Total	Number	16	18	16	16	19
	Amount of compensation (million yen)	1,380	1,463	1,537	1,563	5,635

* About compensation amounts
For fiscal 2020, the compensation amount for the term of office of one director who retired is included.
For fiscal 2021, the compensation amount for the term of office of three directors who retired are included.
For fiscal 2022, the compensation amount for the term of office of one director who retired is included.
For fiscal 2023, the compensation amount for the term of office of one director who retired is included.
For fiscal 2024, the compensation amount for the term of office of three directors and one auditor who retired is included.

Corporate Officers with Compensation Over 100 Million Yen (Fiscal 2024) D

Name	Total consolidated compensation (million yen)	Category	Company	Total consolidated compensation by type (million yen)			
				Fixed compensation	Stock options	Performance-linked compensation	Distinguished service compensation
Noriyuki Inoue	4,405	Director	Daikin Industries, Ltd.	48	–	56	4,300
Masanori Togawa	390	Director	Daikin Industries, Ltd.	150	71	168	–
Naofumi Takenaka	208	Director	Daikin Industries, Ltd.	62	71	72	–
Kanwal Jeet Jawa	203	Director	Daikin Industries, Ltd.	18	31	–	–
		Director	Daikin Airconditioning India Pvt. Ltd. (Consolidated subsidiary)	95	–	57	–
Takashi Matsuzaki	156	Director	Daikin Industries, Ltd.	57	31	67	–
Koichi Takahashi	126	Director	Daikin Industries, Ltd.	42	35	48	–

Notes: 1. Only those individuals receiving 100 million yen or more of consolidated remuneration are listed.
2. Noriyuki Inoue resigned as a Member of the Board at the conclusion of the 121st Ordinary General Meeting of Shareholders of the Company held on June 27, 2024, due to the expiration of their terms of office.
3. Distinguished service compensation is paid at the time of retirement of Directors in consideration of achievements during their tenure. Whether to grant such compensation or not and the details of such compensation are deliberated by a committee with all its members comprising External Directors, which is established separately from the Compensation Advisory Committee, reported to the Board of Directors, and determined after deliberation by the Board of Directors and approval by the shareholders at the 121st Ordinary General Meeting of Shareholders.

Data

Accounting Auditor Compensation D

(million yen)

	2024
Auditing expenses	393

Number of Patent Applications D

(cases)

	2019	2020	2021	2022	2023
Japanese applications	1,076	1,045	1,190	1,067	973
Overaseas applications	467	587	597	772	707

Major Legal Violations OJG

(cases)

	2022	2023	2024
Number of major legal violations	0	0	0

Data

Third-Party Verification

To ensure reliability of the content of this report, Daikin contracts with a third-party to verify its data on greenhouse gas emissions, water use, and waste water.

Data Covered by Verification

Environmental Impact Data on Business Operations in FY2024

- Scope 1 and Scope 2 greenhouse gas (GHG) emissions, water use, and waste water from business operations of four manufacturing bases in Japan of Daikin Industries, Ltd., eight manufacturing subsidiaries in Japan, and 64 manufacturing subsidiaries overseas.
- Category 1 (purchased goods and services), 11 (use of sold products), and 12 (final product disposal) emissions of Scope 3 GHG emissions calculated in line with the GHG Protocol's "Corporate Value Chain (Scope 3) Accounting and Reporting Standard."

Scope of Review

Contribution to Greenhouse Gas Emission Reduction through the Use of Products

- Amount of contribution to greenhouse gas emission reduction*
  - Contribution to greenhouse gas emission reduction through the spread of air conditioners, space and water heaters, and refrigeration systems with lower emissions
  - Contribution to greenhouse gas emission reduction due to the use of R-32 refrigerant in air conditioners and refrigeration systems by other companies as a result of the Daikin group's offer of free access to the patents, technical support, etc.
- Amount of refrigerant recovery and reclamation from market
  - Refrigerant recovered from the market or reclaimed by the Daikin group and reclaimed refrigerant purchased by the Daikin group (in CO_2 equivalent)

* Calculated with F-gas recovery rate as 0%.

177 Data Third-Party Verification Method of Calculating Greenhouse Gas Emissions Data

Data

Independent Assurance Statement

INDEPENDENT ASSURANCE STATEMENT

To: Daikin Industries, Ltd.

Bureau Veritas Japan Co., Ltd. (Bureau Veritas) has been engaged by Daikin Industries, Ltd. (Daikin) to provide limited assurance and to conduct an external review over sustainability information selected by Daikin. This Assurance Statement applies to the related information included within the scope of work described below.

Selected information
The scope of our assurance work was limited to assurance over the following information included within Daikin Group Sustainability Report 2025 (the 'Report') or reported internally to Daikin Group only for the purpose of internal management for the period of April 1, 2024 through March 31, 2025 (the 'Selected Information'):
1) The following data through business operations of four production bases of Daikin, nine production subsidiaries within Japan and 65 production subsidiaries overseas
   - CO_2 emissions from energy use
   - HFCs and PFCs emissions
   - Water intake and Wastewater
2) CO_2 emissions from non-energy use through the use of $CaCO_3$ at two production bases of Daikin and one production subsidiary overseas
3) Categories 1, 11 and 12 of Scope 3 GHG emissions accounted in line with the GHG Protocol's 'Corporate Value Chain (Scope 3) Accounting and Reporting Standard'

The scope of our review work was limited to review about the following information included within Daikin Group Sustainability Report 2025 (the 'Report') or reported internally to Daikin Group only for the purpose of internal management for the period of April 1, 2024 through March 31, 2025 (the 'Selected Information'):
1) Contribution to greenhouse gas emission reduction through the spread of air conditioners and heat pumps, hot water supply systems and refrigeration systems with lower emissions
2) Contribution to greenhouse gas emission reduction due to the use of R-32 refrigerant in air conditioners and refrigeration systems by other companies as a result of the Daikin group's offer of free access to the patents, technical support, etc.
3) Refrigerant recovered from the market or reclaimed by the Daikin group and reclaimed refrigerant purchased by the Daikin group (in CO_2 equivalent)

Reporting criteria
The Selected Information included within the Report needs to be read and understood together with the reporting criteria stated in the Report.
The Selected Information reported internally to Daikin Group only for the purpose of internal management needs to be read and understood together with the internal reporting criteria defined by Daikin.

Limitations and Exclusions
Excluded from the scope of our work is any verification of information relating to:
- Activities outside the defined verification period;
- Any other information within the Report, which is not listed as the 'Selected Information'.

This limited assurance engagement relies on a risk based selected sample of sustainability data and the associated limitations that this entails. This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist.

Responsibilities
This preparation and presentation of the Selected Information in the Report are the sole responsibility of the management of Daikin.
Bureau Veritas was not involved in the drafting of the Report or of the Reporting Criteria. Our responsibilities were to:
- obtain limited assurance about whether the Selected Information has been prepared in accordance with the Reporting Criteria by conducting our assurance work;
- assess the reliability and accuracy of the Selected Information by conducting our review work;
- form an independent conclusion based on the procedures performed and evidence obtained; and
- report our conclusions to the Directors of Daikin.

Assessment Standard
We performed our assurance work in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (Effective for assurance reports dated on or after December 15, 2015) issued by the International Auditing and Assurance Standards Board and ISO14064-3 (2019): Greenhouse gases - Part 3: Specification with guidance for the verification and validation of greenhouse gas statements.
We performed our review work by using Bureau Veritas' standard procedures for external review of sustainability information.

Summary of work performed
As part of our independent verification, our work included:
1. Conducting interviews with relevant personnel of Daikin;
2. Reviewing the data collection and consolidation processes used to compile Selected Information, including assessing assumptions made, and the data scope and reporting boundaries;
3. Reviewing documentary evidence provided by Daikin;
4. Reviewing Daikin systems for quantitative data aggregation and analysis;
5. Verification of sample of data back to source by carrying out six physical site visits, selected on a risk based bases at the following locations:
   - Daikin Head Office
   - Daikin Industries, Ltd. Shiga Plant
   - Nippon Muki Co., Ltd. Yuki Plant
   - Aizu Nippon Muki Co., Ltd.
   - Daikin Air-conditioning (Shanghai) Co., Ltd.
   - DAIKIN AMERICA, INC.
6. Reperforming a selection of aggregation calculations of the Selected Information;
7. Comparing the Selected Information to the prior year amounts taking into consideration changes in business activities, acquisitions and disposals.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement.
Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Verified greenhouse gas emissions
We performed our verification work on greenhouse gas emissions data in accordance with the requirements of ISO14064-3(2019).
Verified data in greenhouse gas assertion made by Daikin are as follows.

	Greenhouse gas emissions [t-CO_2e]	Boundary
Scope 1	513,738	・CO_2 from energy use, HFCs and PFCs: GHG emissions through business operations of four production bases of Daikin, nine production subsidiaries within Japan and 65 production subsidiaries overseas ・CO_2 emissions from non-energy use through the use of $CaCO_3$ at two production bases of Daikin and one production subsidiary overseas
Scope 2 (location-based)	558,635	
Scope 2 (market-based)	365,511	
Scope 3 (Category 1, 11 and 12)	280,871,850	Categories 1, 11 and 12 of Scope 3 GHG emissions accounted and reported in line with the GHG Protocol's 'Corporate Value Chain (Scope 3) Accounting and Reporting Standard' within the boundaries defined by Daikin for each category.

The breakdown of Scope 3 emissions are as follows.
Category 1: 4,623,881 t-CO_2e | Category 11: 234,561,940 t-CO_2e | Category 12: 41,686,029 t-CO_2e

Conclusion
On the basis of our methodology and the activities described above:
- Nothing has come to our attention to indicate that the Selected Information has not been properly prepared, in all material respects, in accordance with the Reporting Criteria;
- It is our opinion that Daikin has established appropriate systems for the collection, aggregation and analysis of quantitative data within the scope of our work.

Statement of Independence, Integrity and Competence
Bureau Veritas is an independent professional services company that specialises in quality, environmental, health, safety and social accountability with over 190 years history. Its assurance team has extensive experience in conducting verification over environmental, social, ethical and health and safety information, systems and processes.
Bureau Veritas operates Quality Management System which complies with the requirements of globally recognized quality management standard, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, quality reviews and applicable legal and regulatory requirements which we consider to be equivalent to ISQM 1 & 2[1].
Bureau Veritas has implemented and applies a Code of Ethics, which meets the requirements of the International Federation of Inspections Agencies (IFIA)[2], across the business to ensure that its employees maintain integrity, objectivity, professional competence and due care, confidentiality, professional behavior and high ethical standards in their day-to-day business activities. We consider this to be equivalent to the requirements of the IESBA code[3].

Bureau Veritas Japan Co., Ltd.
Yokohama, Japan
July 2, 2025

[1] International Standard on Quality Management 1 & 2
[2] International Federation of Inspection Agencies - Compliance Code - Third Edition
[3] Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants

Ref: BVJ_24920381

Independent Assurance Statement
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/environment/2025/verification-pdf.pdf

Data

Method of Calculating Greenhouse Gas Emissions Data

Greenhouse gas emissions data are calculated as follows.

(1) Use of fuel at sites (Energy-induced CO_2) Scope 1
- The scope of calculation covers four manufacturing bases of Daikin Industries, Ltd., eight manufacturing subsidiaries in Japan, and 64 manufacturing subsidiaries overseas.
- However, the following may not be included in calculation: newly consolidated bases, sites that are newly established and that don't yet have a data collection system in place, and sites whose emissions are negligible. For sites where data procurement is difficult, calculation is based on estimates of past data, for example.
- Heat generation per unit, CO_2 emissions coefficient: the Act on the Promotion of Global Warming Countermeasures.

(2) Emissions of HFCs and PFCs in production processes at sites Scope 1
- The scope of calculation covers four manufacturing bases of Daikin Industries, Ltd., eight manufacturing subsidiaries in Japan, and 64 manufacturing subsidiaries overseas.
- For estimates of emissions of HFCs and PFCs, material balances and emissions coefficients are set and calculated based on methods stipulated in the Act on the Promotion of Global Warming Countermeasures.
- Global warming potentials of HFCs and PFCs are from the IPCC Fifth Assessment Report.

(3) Non-energy-induced and energy-induced CO_2 (from limestone) emissions in production processes at sites Scope 1
- The scope of calculation covers four manufacturing bases of Daikin Industries, Ltd., eight manufacturing subsidiaries in Japan, and 64 manufacturing subsidiaries overseas.
- Calculations are based on emissions coefficients stipulated in the Act on the Promotion of Global Warming Countermeasures.
- Global warming potentials are from the IPCC Fifth Assessment Report.

(4) Use of electricity and heat at sites (Energy-induced CO_2) Scope 2
- The scope of calculation covers four manufacturing bases of Daikin Industries, Ltd., eight manufacturing subsidiaries in Japan, and 64 manufacturing subsidiaries overseas.
- CO_2 emissions coefficients are as follows.

  Purchased electricity: Use one of the following
  - Coefficients provided by electricity distribution companies
  - Coefficients published by national and local governments (and government agencies)
  - Coefficients published by the IEA

  Purchased heat: Use one of the following
  - Coefficients provided by heat distributors
  - Coefficients based on the Act on the Promotion of Global Warming Countermeasures

(5) Purchased products and services (Energy-induced CO_2) Scope 3
- Scope of calculation covers components and materials purchased for air conditioners, refrigerating machines, water heaters, oil hydraulic products, filters, and fluorochemical products produced by 41 Group companies in Japan, China, Asia, Europe, and the United States, etc.
- For each, purchased amount is multiplied by CO_2 emission coefficient.
- CO_2 emission coefficient is based on the Inventory Database for Environment Analysis, by the National Institute of Advanced Industrial Science and Technology, and the Japan Environmental Management Association for Industry.
- For raw materials used to produce chemical products, approximately 80% of the highest volume ones were selected, and a 100% value estimate calculation was done.

Data

(6) CO_2 emissions from the use of products sold (Energy-induced CO_2) Scope 3

- Scope of calculation covers the use of products sold globally which includes residential air conditioners, air conditioners for shops, offices and buildings, air conditioners for factories, central air conditioning units and equipment for hot water supply and heating.
- Calculation method: Annual energy consumption × Product lifecycle × Electricity CO_2 emission coefficient (or Gas* CO_2 emission coefficient) × Sales volume
  * used as fuel in combustion heating equipment
- Data for the calculation method are as follows.
  Annual energy consumption: Catalogue value, standard value, or value calculated assuming actual usage conditions
  Product lifecycle: 10 years for residential equipment and 13 years for others
  Electricity CO_2 emission coefficient: Value reported in IEA Emissions Factors

(7) CO_2 emissions from the use of products sold (Fluorocarbons) Scope 3

- Scope of calculation is same as part (6).
- Calculation method: Refrigerant charge amount × Annual leakage rate × Product lifecycle × Global warming potential × Sales volume
- Data for the calculation method are as follows.
  Refrigerant charge amount: Catalogue value
  Annual leakage rate: Statistics from Japanese government agencies
  Product lifecycle: 10 years for residential equipment and 13 years for others
  Global warming potential: Value reported in IPCC Assessment Report

(8) CO_2 emissions from the disposal of products sold Scope 3

- Scope of calculation is same as part (6).
- For calculation method, impact by refrigerant release is calculated by refrigerant charge amount × global warming potential × (1- recovery rate) × sales volume. Emissions associated with the transport, disassembly etc. of waste products is calculated by multiplying the emission per unit by sales volume.
- Data for the calculation method are as follows.
  Refrigerant charge amount: Catalogue value
  Global warming potential: Value reported in IPCC Assessment Report
  Recovery rate: Set to 0% conservatively

Data

GRI Standard Comparison Table

Statement of use	Daikin has reported the information cited in this GRI content index for the period from 1 April 2024 to 31 March 2025 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

Universal Standard

GRI 2: General Disclosures 2021

Disclosure		Relevant page number or web address
1. The organization and its reporting practices		
2-1	Organizational details	About Daikin https://www.daikin.com/corporate
2-2	Entities included in the organization's sustainability reporting	003 Editorial Policy Securities Report (available in Japanese only) https://www.daikin.co.jp/investor/library/securities
2-3	Reporting period, frequency and contact point	003 Editorial Policy Inquries for Sustainability https://www.daikin.com/contact/csr/agree
2-4	Restatements of information	–
2-5	External assurance	175 Third-Party Verification
2. Activities and workers		
2-6	Activities, value chain and other business relationships	About Daikin https://www.daikin.com/corporate 012 Daikin's Business Characteristics 119 Responsible Procurement
2-7	Employees	About Daikin https://www.daikin.com/corporate 093 Workplace Diversity
2-8	Workers who are not employees	–
3. Governance		
2-9	Governance structure and composition	137 Corporate Governance Management https://www.daikin.com/corporate/overview/summary/directors
2-10	Nomination and selection of the highest governance body	137 Corporate Governance
2-11	Chair of the highest governance body	137 Corporate Governance
2-12	Role of the highest governance body in overseeing the management of impacts	014 Identifying Material Initiatives 020 Management Structure / Key Themes 137 Corporate Governance 140 Risk Management
2-13	Delegation of responsibility for managing impacts	020 Management Structure / Key Themes 137 Corporate Governance
2-14	Role of the highest governance body in sustainability reporting	020 Management Structure / Key Themes
2-15	Conflicts of interest	–

Data

Disclosure		Relevant page number or web address
2-16	Communication of critical concerns	140 Risk Management 137 Corporate Governance
2-17	Collective knowledge of the highest governance body	–
2-18	Evaluation of the performance of the highest governance body	137 Corporate Governance
2-19	Remuneration policies	137 Corporate Governance
2-20	Process to determine remuneration	137 Corporate Governance
2-21	Annual total compensation ratio	–
4. Strategy, policies and practices		
2-22	Statement on sustainable development strategy	Integrated Report https://www.daikin.com/investor/library/annual
2-23	Policy commitments	007 Fundamental Approach to Sustainability 142 Compliance 115 Respect for Human Rights
2-24	Embedding policy commitments	142 Compliance 115 Respect for Human Rights 119 Responsible Procurement
2-25	Processes to remediate negative impacts	020 Management Structure / Key Themes 021 Sustainability Targets and Results
2-26	Mechanisms for seeking advice and raising concerns	142 Compliance
2-27	Compliance with laws and regulations	142 Compliance
2-28	Membership associations	130 Participation in Initiatives

Disclosure		Relevant page number or web address
5. Stakeholder engagement		
2-29	Approach to stakeholder engagement	126 Stakeholder Engagement
2-30	Collective bargaining agreements	105 Labor Management Relations

GRI 3: Material Topics

Disclosure		Relevant page number
3-1	Process to determine material topics	014 Identifying Material Initiatives
3-2	List of material topics	014 Identifying Material Initiatives
3-3	Management of material topics	020 Management Structure / Key Themes 021 Sustainability Targets and Results 140 Risk Management

Data

Topic Standards

Economic

Disclosure		Relevant page number
Economic Performance		
201-1	Direct economic value generated and distributed	165 ESG data (Society)
201-2	Financial implications and other risks and opportunities due to climate change	017 Information Disclosure Based on the TCFD Framework
201-3	Defined benefit plan obligations and other retirement plans	–
201-4	Financial assistance received from government	–
Market Presence		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	–
202-2	Proportion of senior management hired from the local community	093 Workplace Diversity
Indirect Economic Impacts		
203-1	Infrastructure investments and services supported	–
203-2	Significant indirect economic impacts	–
Procurement Practices		
204-1	Proportion of spending on local suppliers	–

Disclosure		Relevant page number
Anti-corruption		
205-1	Operations assessed for risks related to corruption	142 Compliance 140 Risk Management 147 Prohibiting Bribery and Corruption
205-2	Communication and training about anti-corruption policies and procedures	
205-3	Confirmed incidents of corruption and actions taken	–
Anti-competitive Behavior		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	142 Compliance
Tax		
207-1	Approach to tax	142 Compliance
207-2	Tax governance, control, and risk management	
207-3	Stakeholder engagement and management of concerns related to tax	
207-4	Country-by-country reporting	–

Data

Environmental

Disclosure		Relevant page number
Materials		
301-1	Materials used by weight or volume	035 Overview of Environmental Impacts
301-2	Recycled input materials used	–
301-3	Reclaimed products and their packaging materials	061 Circular Product Design and Service Creation 064 Reducing Emissions
Energy		
302-1	Energy consumption within the organization	035 Overview of Environmental Impacts 155 ESG data (Environment)
302-2	Energy consumption outside of the organization	
302-3	Energy intensity	
302-4	Reduction of energy consumption	
302-5	Reduction in energy requirements of products and services	155 ESG data (Environment) 021 Sustainability Targets and Results
Water		
303-1	Interactions with water as a shared resource	066 Water Resource Conservation
303-2	Management of water discharge-related impacts	–
303-3	Water withdrawal	155 ESG data (Environment)
303-4	Water discharge	
303-5	Water consumption	–
Biodiversity		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	–
304-2	Significant impacts of activities, products, and services on biodiversity	065 In Harmony with Nature
304-3	Habitats protected or restored	
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	–
Emissions		
305-1	Direct (Scope 1) GHG emissions	035 Overview of Environmental Impacts 155 ESG data (Environment)
305-2	Energy indirect (Scope 2) GHG emissions	
305-3	Other indirect (Scope 3) GHG emissions	
305-4	GHG emissions intensity	155 ESG data (Environment)
305-5	Reduction of GHG emissions	
305-6	Emissions of ozone-depleting substances (ODS)	
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	

Data

Disclosure		Relevant page number
Waste		
306-1	Waste generation and significant waste-related impacts	035 Overview of Environmental Impacts
306-2	Management of significant waste-related impacts	057 Initiatives for a Circular Economy 064 Reducing Emissions
306-3	Waste generated	155 ESG data (Environment)
306-4	Waste diverted from disposal	
306-5	Waste directed to disposal	
Supplier Environmental Assessment		
308-1	New suppliers that were screened using environmental criteria	119 Responsible Procurement
308-2	Negative environmental impacts in the supply chain and actions taken	

Social

Disclosure		Relevant page number
Employment		
401-1	New employee hires and employee turnover	093 Workplace Diversity 097 Work-Life Balance
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	–
401-3	Parental leave	097 Work-Life Balance
Labor/Management Relations		
402-1	Minimum notice periods regarding operational changes	–

Disclosure		Relevant page number
Occupational Health and Safety		
403-1	Occupational health and safety management system	100 Occupational Safety and Health
403-2	Hazard identification, risk assessment, and incident investigation	100 Occupational Safety and Health 142 Compliance
403-3	Occupational health services	–
403-4	Worker participation, consultation, and communication on occupational health and safety	100 Occupational Safety and Health
403-5	Worker training on occupational health and safety	
403-6	Promotion of worker health	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	100 Occupational Safety and Health 124 Working Closely with Suppliers
403-8	Workers covered by an occupational health and safety management system	100 Occupational Safety and Health
403-9	Work-related injuries	
403-10	Work-related ill health	
Training and Education		
404-1	Average hours of training per year per employee	–
404-2	Programs for upgrading employee skills and transition assistance programs	087 Fostering Human Resources

Data

Disclosure		Relevant page number
404-3	Percentage of employees receiving regular performance and career development reviews	104 Employee Evaluation and Treatment
Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees	137 Corporate Governance 093 Workplace Diversity
405-2	Ratio of basic salary and remuneration of women to men	–
Non-discrimination		
406-1	Incidents of discrimination and corrective actions taken	–
Freedom of Association and Collective Bargaining		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	105 Labor Management Relations
Child Labor		
408-1	Operations and suppliers at significant risk for incidents of child labor	116 Human Rights Due Diligence
Forced or Compulsory Labor		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	116 Human Rights Due Diligence
Security Practices		
410-1	Security personnel trained in human rights policies or procedures	–
Rights of Indigenous Peoples		
411-1	Incidents of violations involving rights of indigenous peoples	–

Disclosure		Relevant page number
Human Rights Assessment		
412-1	Operations that have been subject to human rights reviews or impact assessments	116 Human Rights Due Diligence
412-2	Employee training on human rights policies or procedures	
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	–
Local Communities		
413-1	Operations with local community engagement, impact assessments, and development programs	–
413-2	Operations with significant actual and potential negative impacts on local communities	–
Supplier Social Assessment		
414-1	New suppliers that were screened using social criteria	119 Responsible Procurement
414-2	Negative social impacts in the supply chain and actions taken	–
Public Policy		
415-1	Political contributions	–
Customer Health and Safety		
416-1	Assessment of the health and safety impacts of product and service categories	082 Product Quality and Safety
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	–

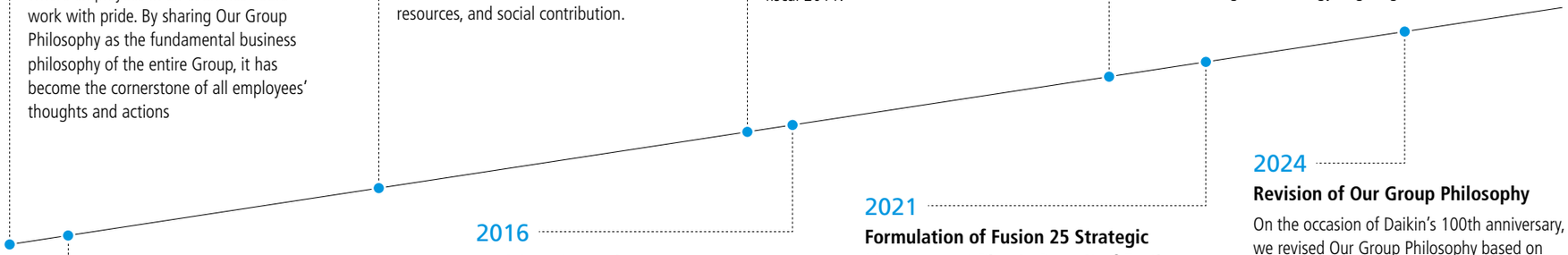
Data

Disclosure		Relevant page number
Marketing and Labeling		
417-1	Requirements for product and service information and labeling	082 Product Quality and Safety
417-2	Incidents of non-compliance concerning product and service information and labeling	–
417-3	Incidents of non-compliance concerning marketing communications	–
Customer Privacy		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	–

Data

History of Sustainability Activities

Daikin has rapidly expanded as a global corporate group, and with this expansion have come greater expectations and demands from society. We are committed to contributing to a sustainable society through our business activities in response to the expectations of our various stakeholders while implementing Our Group Philosophy.



2002
Daikin Formulates Our Group Philosophy

Daikin formulated Our Group Philosophy with the aim of becoming a corporate group trusted by worldwide customers and where employees in all countries could work with pride. By sharing Our Group Philosophy as the fundamental business philosophy of the entire Group, it has become the cornerstone of all employees' thoughts and actions

2005
Daikin Defines Its Philosophy on Responsibility toward Stakeholders

We expressed that the Daikin's CSR is to conduct business that puts Our Group Philosophy into practice and fulfills our responsibility to society by meeting the expectations of shareholders.

2008
Establishment of Key Themes

Considering the Group's business characteristics, business plan, and impacts on stakeholders, we established key CSR themes in four areas: the environment, quality & customer satisfaction, human resources, and social contribution.

2011
Promotion of CSR Activities Based on the Fusion 15 Strategic Management Plan

We incorporated CSR activities into the Fusion 15 Strategic Management Plan launched in fiscal 2011.

2016
Revision of Key Themes

When we formulated Fusion 20, we revised the materiality of various efforts of the Daikin Group, and as a result came up with four key CSR themes—the environment, new value creation, customer satisfaction, and human resources—as ways to carry out CSR for value provision. We added to this the theme of fundamental CSR, thus giving us five key themes under Fusion 20. In addition, we established goals of quantitative indicators for each theme for 2020.

2018
Formulation of Environmental Vision 2050

Daikin established Environmental Vision 2050 with the goal of reducing greenhouse gas emissions to net zero by 2050. In addition to reflecting the measures in the final three years of Fusion 20 strategic management plan, we also developed a medium- to long-term strategy targeting 2030.

2021
Formulation of Fusion 25 Strategic Management Plan in Pursuit of Further Contribution to a Sustainable Society

Our key themes, including the challenge to achieve carbon neutrality, as well as the target value for 2030 in aiming to achieve net-zero greenhouse gas emissions by 2050 are established in Fusion 25, our strategic management plan. In addition, we reviewed our materiality, arriving at 10 materiality themes, with a target for 2025 set for each.

020_Management_Management Structure / Key Themes

2024
Revision of Our Group Philosophy

On the occasion of Daikin's 100th anniversary, we revised Our Group Philosophy based on our growth trajectory and the expectations and requests of our stakeholders. We will make a new Daikin Group Philosophy the basic concept of management for further growth and development.

Daikin Group Philosophy
https://www.daikin.com/corporate/overview/philosophy

Data

Process Used to Formulate Environmental Vision 2050

Formulation Process

In 2018, Daikin formulated Environmental Vision 2050, which calls for the Group to reduce its greenhouse gas emissions to net zero by 2050. Looking at the long term, we have predicted how society will change by 2050 and have made a list of the risks and opportunities for Daikin's business.

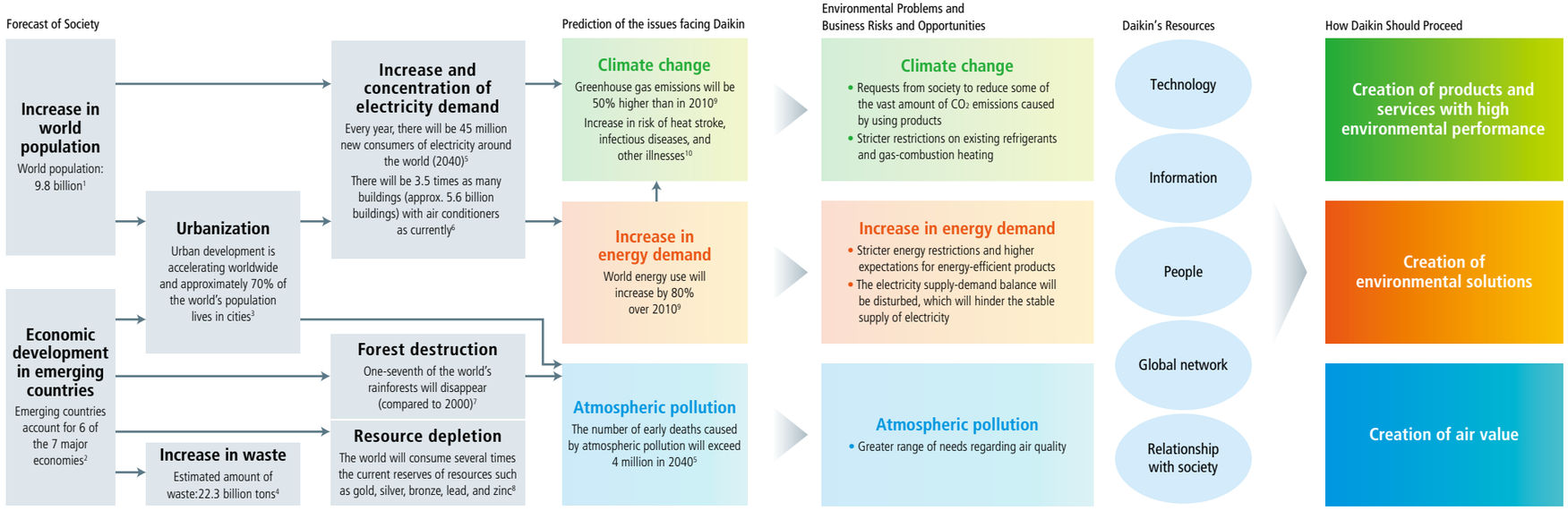
Forecast of Society in Which Daikin Will Operate in 2050 (As of 2018)

Based on the relationship between Daikin's business and the global environment, we came up with a long-term environmental to-do list that takes into account what the world will be like for Daikin's business in 2050 judging by current social scenarios.

How Daikin Should Proceed Based on Risks and Opportunities (As of 2018)

Daikin came up with business risks and opportunities in relation to the environmental problems it has identified.

We determined how we should proceed in order to solve these problems based on the company's resources.



Daikin Referred to the Following Reports When Making Its Forecasts

1 *World Population Prospects: The 2017 Revision*, by the United Nations / 2 *The World in 2050*, by PwC / 3 *World Urbanization Prospects: The 2018 Revision*, by the United Nations / 4 *Estimates and Forecasts for the World's Waste Generation*, by the RISWME / 5 *World Energy Outlook 2017*, by the International Energy Agency (IEA) / 6 *The Future of Cooling*, by the International Energy Agency (IEA) / 7 *The Future of Forests: Emissions from Tropical Deforestation with and without a Carbon Price, 2016-2050*, by the Center for Global Development (CGD) / 8 *The Problem of Worldwide Resource Restrictions by 2050*, by the National Institute for Materials Science (NIMS) / 9 *OECD Environmental Outlook to 2050*, by the Organization for Economic Cooperation and Development (OECD) / 10 *Quantitative risk assessment of the effects of climate change on selected causes of death, 2030s and 2050s*, by the World Health Organization (WHO)

Data

Honors for Daikin (Daikin Industries, Ltd.)

Inclusion in ESG Indexes

Chosen for inclusion in the MSCI Selection Indexes

Chosen for inclusion in the MSCI Japan ESG Select Leaders Index

2025 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX

Chosen for inclusion in the MSCI Japan ESG Select Leaders Index

2025 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

Received AA ESG Rating from MSCI

Sustainable investing powered by insight
https://www.msci.com/data-and-analytics/sustainability-solutions

THE INCLUSION OF Daikin Industries, LTD. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF Daikin Industries, LTD. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

Chosen for inclusion in the FTSE Blossom Japan Index

Chosen for inclusion in the FTSE Blossom Japan Sector Relative Index

FTSE Russell Indices, Insights & Data
https://www.lseg.com/en/ftse-russell

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

Chosen for inclusion in the SOMPO Sustainability Index

Sompo Asset Management Co., Ltd. Management
https://www.sompo-am.co.jp/english/

Recognitions and Accreditations by Ratings Agencies

Selected for Climate Change Measures in CDP's "Climate Change A"

Selected for CDP's Supplier Engagement Assessment (SEA) A-list for the 2024 disclosure cycle

CDP
https://www.cdp.net/en

Selected for SX Brand and DX Stock by the Ministry of Economy, Trade and Industry and Tokyo Stock Exchange

Daikin Selected for "SX Brands 2025"
https://www.daikin.com/press/2025/20250514

Daikin Selected for DX Stocks 2025
https://www.daikin.com/press/2025/20250530

Data

External Recognitions Regarding ESG

Won FY2024 Energy Conservation Grand Prize (organized by the Energy Conservation Center, Japan)
Products and business model category

- Director-General Prize of the Agency for Natural Resources and Energy
  "Green Building Support Service: A solution to improve the ESG value of existing buildings"
- ECCJ Chairman Prize
  "AIRNET Service System: Air conditioning remote monitoring and proactive heat load prediction for energy conservation
- ECCJ Chairman Prize
  "FMACS-VI(M): air conditioner for ICT equipment that contributes to carbon neutrality"

Two of Daikin's products won a Good Design Award for fiscal 2024
(Sponsored by the Japan Institute of Design Promotion)

- Simple Touch Controller for Southeast Asia
- Residential Air Conditioner Outdoor Unit for Southeast Asia

077_Social_Customer Satisfaction

The "Daikin Shiga Forest" at the Shiga Plant was recognized by the Ministry of the Environment as a "Nature Symbiosis Site" where biodiversity conservation is being promoted

069_Environment_In Harmony with Nature_Protecting Biodiversity

Selected as a "Nadeshiko Brand" by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange as a company that excels in promoting women's active participation in the workforce

Certified as "Platinum Kurumin" by the Ministry of Health, Labour and Welfare as a company providing excellent child-rearing support

097_Social_Human Resources_Work-Life Balance

Received three awards, including the "Minister of Economy, Trade and Industry Award" at the Ministry of Economy, Trade and Industry's "Industrial Standardization Awards" in recognition of participation in international rule-making activities

Selected for LexisNexis Intellectual Property Solutions' "Innovation Momentum 2025 The Global Top 100," which identifies companies that drive innovation based on patent data

Selected as one of Clarivate's "Top 100 Global Innovators 2025" in recognition of intellectual property activities

Selected as an "Asia IP Elite 2024" by the Intellectual Asset Management (IAM), which recognizes companies that excel in intellectual property strategy

152_Governance_Respect for Intellectual Property Rights

Newspaper and Magazine Rankings

Received 4.5 stars certification in the NIKKEI Smart Work Management Survey (deviation value of 65 or higher, but less than 70) (Nikkei, Inc.)

Received 4 stars certification in the NIKKEI SDGs Comprehensive Survey (overall deviation of 60 or higher, but less than 65) (Nikkei, Inc.)

Ranked 16th overall in the 2025 (19th) CSR Rankings (Toyo Keizai Inc.)

Best Japan Brands 2024
19th
(Interbrand)

DAIKIN INDUSTRIES, LTD.

Inquiries

CSR & Global Environment Center

Osaka Umeda Twin Towers South

1-13-1, Umeda, Kita-ku, Osaka

530-001, Japan

PHONE: +81-6-6147-9460

Email: csr@daikin.co.jp

Website: https://www.daikin.com/csr/

Ver.1