DAIKIN

SUSTAINABILITY REPORT 2024

Contents

Introduction

Editorial Policy

The Daikin Group Sustainability Report 2024 presents our basic approach to sustainable growth as well as information on the results of our annual activities and future plans. Up to the fiscal 2022 version, we used two different disclosure media in the form of a printed version and website, but starting from fiscal 2023 we have integrated all information into this report available in PDF. To supplement the integrated report, we disclose more detailed and comprehensive ESG information for shareholders, investors, and ratings agencies.

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, philosophies, and policies. "Daikin" as used in this report refers to the Daikin Group, and "Daikin Industries" refers to Daikin Industries, Ltd.

Daikin publishes the first edition of its annual report in September of each year, which it will then update as needed before the next report is published. In addition, we will post previous reports dating as far back as three years on our corporate website.

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

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, waste water, waste emissions, and chemical substances emissions.

165 Data Third-Party Verification

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

Disclosure of Financial and Non-financial Information

Daikin discloses information according to the needs of stakeholders.

Daikin's Information Disclosure

Cautionary Statement

In reporting on fiscal 2023 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.

What This Report Covers

Term Covered

April 1, 2023 to March 31, 2024

Daikin Organizations Covered

This report covers Daikin Industries and its consolidated subsidiaries.
Financial: Covers Daikin Industries and its 349 consolidated subsidiaries (total 350 companies).
Social and Environment: Data in accordance with the environmental management system covers Daikin Industries and its consolidated subsidiaries; however, the coverage may differ by each item (data coverage range is specified per item). It covers four Daikin Industries, manufacturing bases, eight manufacturing subsidiaries in Japan, and 58 manufacturing subsidiaries overseas (more than 95% of manufacturing bases).

Japan

Daikin Industries, Ltd.	
Head Office	
Tokyo Office	
Sakai Plant	Air conditioning/refrigeration equipment, compressors
Shiga Plant	Air conditioning equipment, compressors
Yodogawa Plant	Fluorochemical products, hydraulic equipment, air-conditioning equipment, precision defense equipment
Kashima Plant	Fluorochemical products

8 Manufacturing Subsidiaries
Daikin Sheet-Metal Co., Ltd.
Daikin Piping Co., Ltd.
Daikin Hydraulic Engineering Co., Ltd.
Daikin Rexxam Electronics (Japan) Ltd.
Daikin Sunrise Settsu Ltd.
DAIKIN FINETECH, LTD.
Kyoei Kasei Industries, Ltd.
Nippon Muki Co., Ltd.

Overseas

58 Manufacturing Subsidiaries
Daikin Air-conditioning (Shanghai) Co., Ltd.
Xi'an Daikin Qing'an Compressor Co., Ltd.
Daikin Device (Suzhou) Co., Ltd.
Daikin Air-conditioning (Shanghai) Co., Ltd. (Huizhou Branch)
Daikin Motor (Suzhou) Co., Ltd.
Daikin Refrigeration (Suzhou) Co., Ltd.
Daikin Air-conditioning (Suzhou) Co., Ltd.
McQuay Air Conditioning & Refrigeration (Suzhou) Co., Ltd.
McQuay Air Conditioning & Refrigeration (Wuhan) Co., Ltd.
Shenzhen McQuay Air Conditioning Co., Ltd.
Daikin Medical Technology (Suzhou) Co., Ltd.
Daikin Industries (Thailand) Ltd.
Daikin Airconditioning (Thailand) Ltd.
Daikin Compressor Industries Ltd.
Daikin Australia Pty., Ltd.
Daikin Airconditioning India Pvt. Ltd.
Daikin Refrigeration Malaysia Sdn.Bhd.
Daikin Malaysia Sdn. Bhd.
Daikin Research & Development Malaysia Sdn.Bhd.
Daikin Electronic Devices Malaysia Sdn.Bhd.
Daikin Steel Malaysia Sdn.Bhd.
Daikin Air Conditioning (Vietnam) Joint Stock Company
P.T. Daikin Manufacturing Indonesia
Daikin Europe N.V.
Daikin Industries Czech Republic s.r.o.
Daikin Device Czech Republic s.r.o.
Daikin Manufacturing Germany GmbH
J & E Hall Limited (United Kingdom)
Daikin Applied Europe S.p.A.
Daikin Isitma Ve Sogutma Sistemleri San. Tic. A.S.
Zanotti s.p.a.
Hubbard Products Ltd
AHT Cooling Systems
Daikin Applied Americas Inc.
Daikin Comfort Technologies North America, Inc.
Quietflex Manufacturing Company, L.P.
DAIKIN AR CONDICIONADO AMAZONAS LTDA.
AAF (Suzhou) Co., Ltd.
AAF (Shenzhen) Co., Ltd.
American Air Filter Manufacturing Sdn. Bhd.
AAF India Private Limited
AAF Saudi Arabia Limited (Saudi Arabia)
AAF-Limited (United Kingdom)
AAF International s.r.o. (Slovakia)
AAF France (GASNY)
AAF France (ECOPARK)
AAF, S.A.U.
Dinair AB
Dinair Filton SIA
AAF-Flanders
Daikin Fluorochemicals (China) Co., Ltd.
Daikin Fluoro Coatings (Shanghai) Co., Ltd.
Jiangxi Datang Chemicals Co., Ltd.
DAIKIN NEW MATERIALS (CHANGSHU) CO., LTD.
Daikin Refrigerants Frankfurt GmbH
Daikin Chemical France S.A.S.
DAIKIN COMPOUNDING ITALY S.p.A.
Daikin America, Inc.

Update History

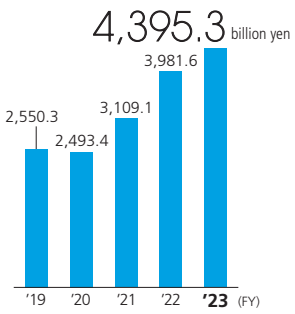
September 2024: Published Sustainability Report 2024 (English Version)

Business Lines and Network

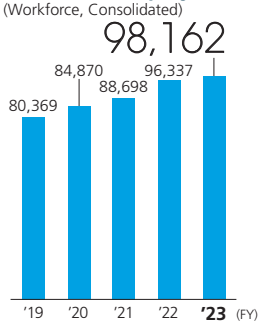
Bringing the World Healthy, Comfortable Lifestyles

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.

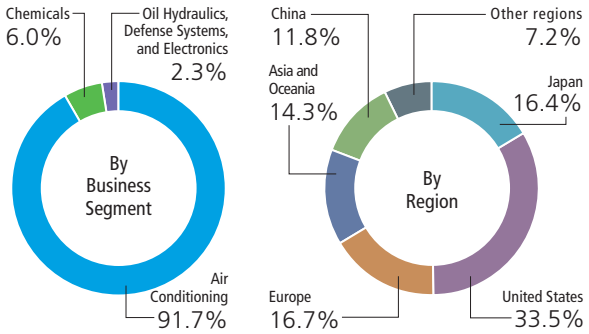
Net Sales (Consolidated)



Number of Employees (Workforce, Consolidated)



Ratio of Sales (Consolidated / Fiscal 2023)



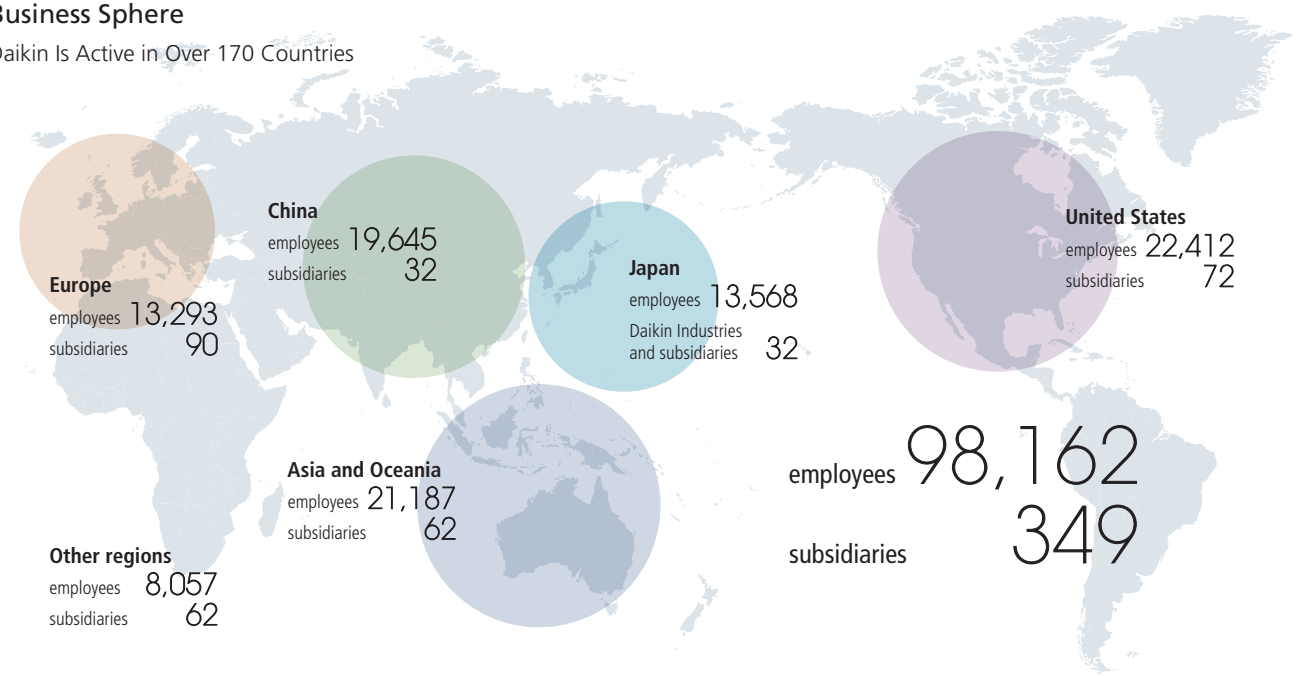
Our Business

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 field, automotive field, information and telecommunication field	**Main Business Fields** Machine tools, in-home medical equipment, IT solutions

Business Sphere

Daikin Is Active in Over 170 Countries



Management

Message from the Chairman

Masanori Togawa
Representative Director, Chairman of the Board, and CEO, Daikin Industries, Ltd.

Daikin will Seize Change as an Opportunity to Contribute to a Sustainable Society and Grow as a Corporate Group

Harnessing Our Strengths to Adapt to a Changing World

Today, the world and economic trends are changing rapidly, the future is uncertain, and the successful experiences of the past are no longer applicable. In fiscal 2023, the Daikin Group further strengthened its five-year Fusion 25 strategic management plan that began in 2021 and formulated a three-year plan for the latter half. Recognizing that change is an opportunity, we will take the lead and aim for further growth.

In fiscal 2023, net sales exceeded 4 trillion yen, up 10% from the previous year, and operating profit increased by 4%, setting a new record high. This is the result of maximizing the Group's strengths of responding quickly to change and getting the job done.

Working to Resolve Social Issues as Part of Our Social Responsibilities as an Air Conditioner Manufacturer

The Group's core business of air conditioning is an important form of infrastructure supporting our daily lives. Approximately 1.1 billion people around the world are at risk of losing their lives due to extreme heat and demand for air conditioners is expected to increase in the future for reasons such as health and economic development.

Air conditioning, on the other hand, consumes enormous amounts of energy. The amount of electricity consumed by the use of air conditioners accounts for about 10% of the world's total electricity consumption. For this reason, attention is now focusing on how to control this from increasing in the future.

Given these circumstances, we believe that addressing society's needs for air solutions and contributing to the decarbonization of society is the Group's most important social mission. In 2018, we formulated Environmental Vision 2050, under which we aim to achieve net-zero greenhouse gas emissions, and set "Challenge to achieve carbon neutrality" as one of the key strategic themes of Fusion 25.

In the three-year plan for the latter half of Fusion 25, we have strengthened our initiatives to decarbonize and achieve a circular economy, which is seeing increasing calls from society due to the faster pace of changes in the external environment. We will further promote the spread of environmentally conscious products using inverter technology and refrigerants with lower global warming potential. In addition, we have set a new target to reach net-zero greenhouse gas emissions by 2030 at all plants except chemical plants, and in fiscal 2023, the Sakai Plant-Rinkai Factory was the first to achieve this. We will

continue to improve the energy efficiency of production facilities and introduce renewable energy at our plants around the world to achieve our targets. We will also add "circular economy initiatives" as a new area to strengthen and give top priority to building a refrigerant recovery and reclamation system vital for air conditioners.

In April 2024, we were selected as one of the Sustainability Transformation (SX) Stocks 2024. SX Stocks select companies that are improving their ability to sustainably generate growth sources and to enhance their corporate value. Daikin was recognized for its corporate stance of creating new value by capitalizing on changes in the world to refine advanced technologies and resolve social issues.

Workforce Diversity as a Driver Behind Our Competitiveness

Currently, human capital management is attracting attention because it aims to elevate the capabilities and motivation of the talent underpinning companies and to increase corporate value. This is exactly what the Group has been practicing as people-centered management.

The Group's greatest strength is diversity management, which believes in the infinite potential of people and makes the most of each person's individuality. The source of our competitiveness has been our diverse workforce that embraces and utilizes each other's values, our efforts to improve our organizational strengths, and the pursuit of ambitious goals. We will continue to be a company that develops human resources from a medium- to long-term perspective and provides employees around the world with the joy of working with passion and opportunities to take on challenges. Going forward, we will harness the abilities of each and every one of our people to lead to the sustainable growth and development of society and the Group.

Aspiring for Greater Growth and Development on Our 100th Anniversary

Daikin will celebrate its 100th anniversary in 2024. We have accelerated our overseas expansion by leveraging our air conditioning and fluorochemical technologies to grow into a global company with operations in more than 170 countries around the world. Over the past three decades, the ratio of overseas operations has expanded from 15% to 84%, and the number of Group employees has rapidly increased from 13,000 to 100,000.

The driving force behind this growth is the Group's unique corporate and organizational cultures fostered over the course of the past century. In order to review these strengths and pass them on to the next generation, we revised Our Group Philosophy on the occasion of this 100th anniversary. Based on society's expectations and demands for Daikin, we have demonstrated our commitment to the sustainable development of society by working to resolve social issues with this philosophy as the basic management concept that will support further growth and development in the future.

Continuing to Live Up to the Expectations of Stakeholders

Daikin supports the 10 principles of the United Nations Global Compact. We are also actively involved in various international initiatives, including the Task Force on Climate-related Financial Disclosures (TCFD) and the World Business Council for Sustainable Development (WBCSD).

We will engage in mutual communication with our stakeholders, including national and local governments, international organizations, and NGOs, and appropriately address the demands and expectations of society as a company that creates value for society and grows alongside its stakeholders.

Masanori Togawa

Masanori Togawa
Representative Director, Chairman of the Board, and CEO
Daikin Industries, Ltd.
July 2024

	FY2020	FY2023	FY2025 target
Net sales	2.49 trillion yen	4.40 trillion yen	4.55 trillion yen
Reduction rate of net greenhouse gas (GHG) emissions* (compared to BAU with 2019 as base year)	7%	17%	Over 30% reduction

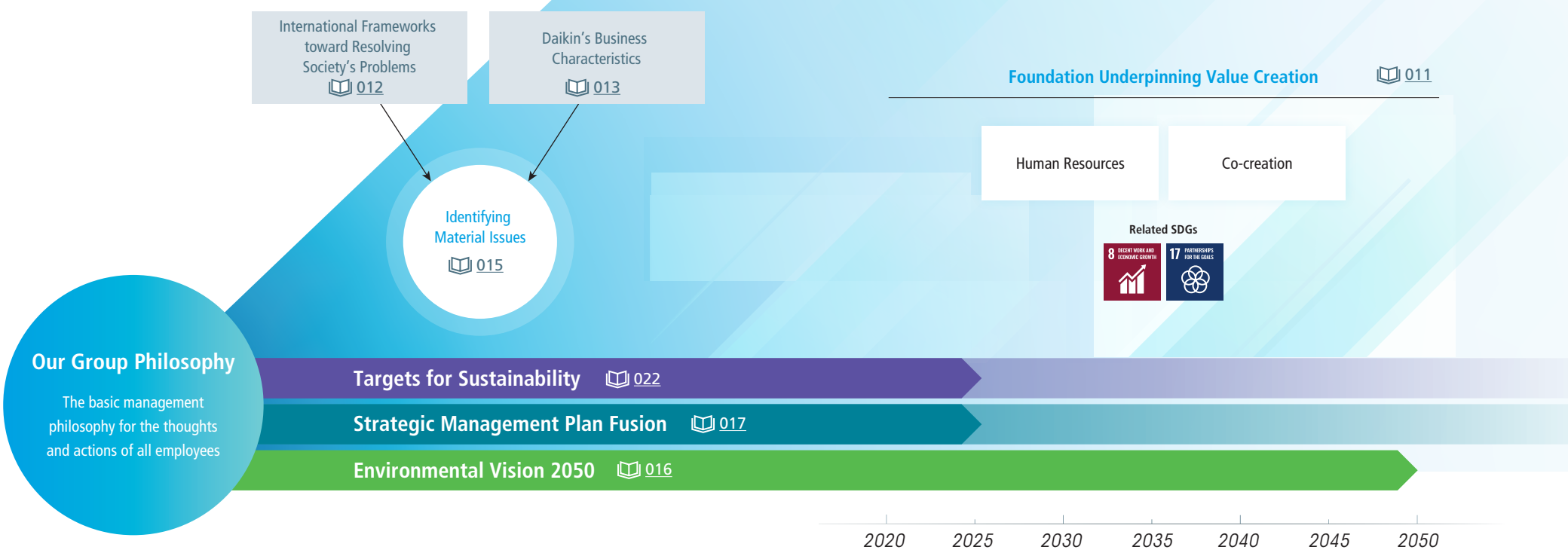
* Net GHG emissions equals GHG emissions during the product lifecycle minus contribution to GHG emissions reduction.

Overview of Sustainability

Overview of Sustainability

Creating New Value and Contributing to Sustainable Development for Society

Daikin pursues management aimed at new value creation to contribute to solutions to social issues and sustainable growth through its businesses. We have identified material sustainability issues 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

011

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

011

- Human Resources
- Co-creation

Related SDGs

Overview of Sustainability

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. We are focusing particularly on eight of the Sustainable Development Goals (SDGs) where we can harness our strengths to make significant contributions through our businesses that deliver comfort and health to people and spaces.

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
- Protect forests and help sustain their inherent functions

- 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)
- Promotion of energy management and demand response

- Initiatives for 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 making work environments more comfortable

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 solving social issues through industry-government-academia partnerships

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

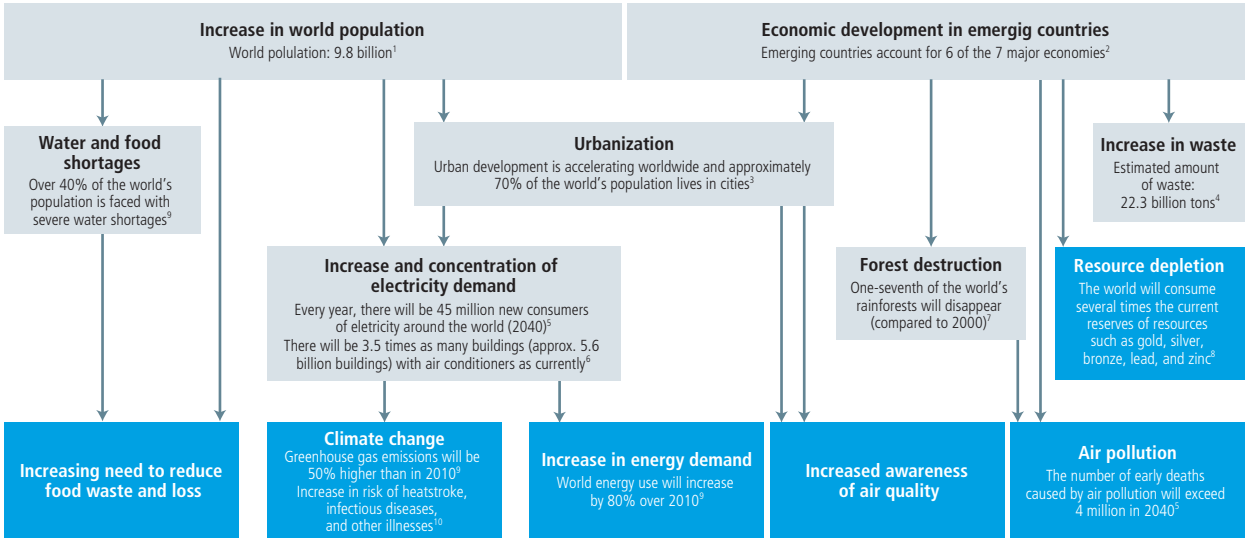
Overview of Sustainability

International Frameworks toward Resolving Society's Problems

Social Problems Daikin Can Help Resolve

- Intensifying climate change
- Increase and concentration of demands for electricity and other energy forms
- Intensifying atmospheric pollution
- Pandemics
- Resource depletion
- Food loss

Forecast of Society in Which Daikin Will Operate in 2050



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)

International Frameworks

• 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

All major greenhouse-gas emitting countries, including emerging countries, shall reduce their emissions in order to limit global warming by less than 2°C compared to pre-industrial levels by the latter half of this century

• Kigali Amendment to the Montreal Protocol

The Kigali Amendment mandates to phase down the production and consumption of HFCs in CO_2-equivalent in order to mitigate their impact on global warming

• UN Global Compact (UNGC)

A worldwide framework for achieving sustainable growth by having member companies recognize universal values in relation to issues such as human rights, labor, environment, and corruption

Overview of Sustainability

Daikin's Business Characteristics

Business Characteristics

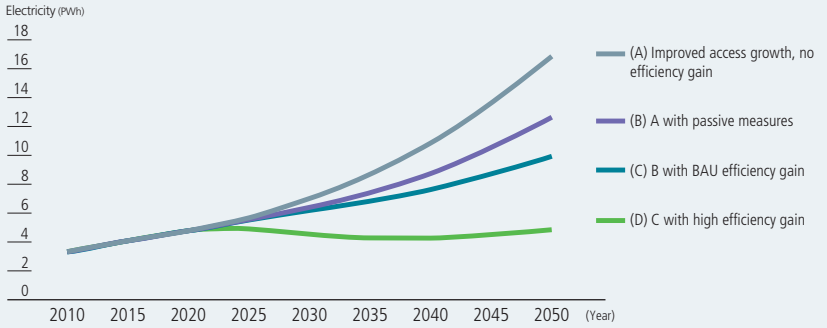
- The spread of Daikin's air conditioning, our core business, represents one form of climate change adaptation, which will be required more in the future. 1
- Daikin possesses technologies that meet the increased demand 2 for air purification due to the COVID-19 pandemic.
- Electricity used to power 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] Estimated by Daikin based on IEA *World Energy Outlook 2023*

1 Air Conditioning Electricity Usage as Predicted by *Global Cooling Watch 2023*

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]

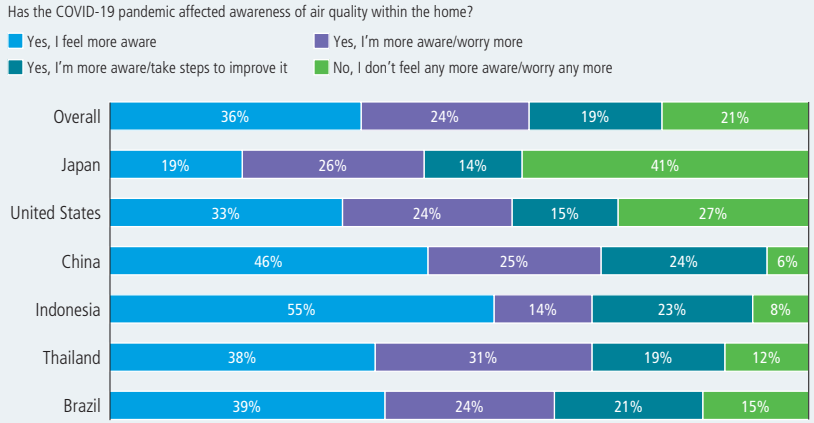


[2] Compiled by Daikin from *Global Cooling Watch 2023* published by UNEP

2 Results of Survey on Air Quality at Home

In addition to demand for space cooling, there is growing interest around the world in indoor air quality following the COVID-19 pandemic.

Results of Survey on Air Quality at Home[3]



[3] Compiled by Daikin based on *Sunstar Global Healthy Thinking Report 2021* by Sunstar Suisse SA

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 issues 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 ■ Prevent air and water pollution ■ Provide safe and reliable air environments ■ Increase the valued-added nature 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 ■ Quality and customer satisfaction ■ Information security	■ Response to climate change ■ Circular economy readiness ■ Quality and customer satisfaction	■ Human resource development ■ Diversity management ■ Corporate governance ■ Risk management	■ Response to climate change ■ Create innovation through co-creation ■ Stakeholder engagement ■ Communities

Greenhouse Gas Emissions*

(million tons-CO_2)

Scope 3	Scope 1, 2	Scope 3		
4.20	0.93	0.43	275.72	47.10

* The figures on this page represent the total for the group in fiscal 2023.

Overview of Sustainability

Identifying Material Issues

Identified Material Issues

Emphasis Placed on Climate Change

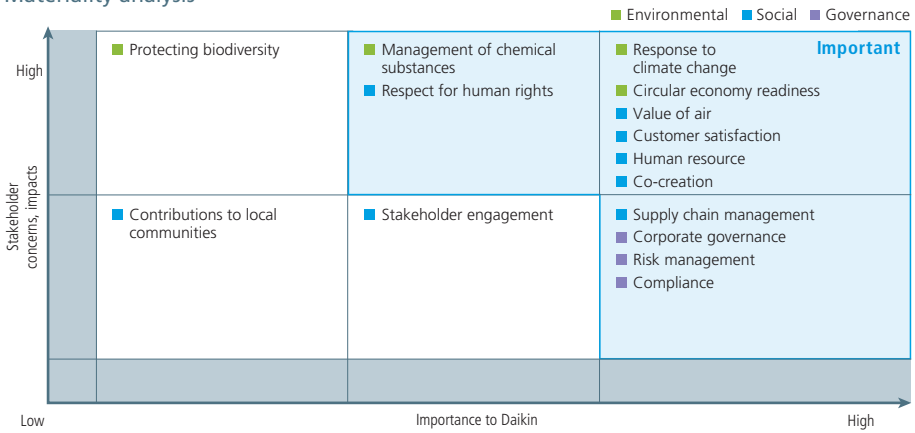
Based on the latest social trends and findings from dialogue with stakeholders, Daikin reviews and identifies key sustainability issues as appropriate. Particular emphasis is placed on responding to climate change.

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 which increased during the COVID-19 pandemic. 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.

* Estimated by Daikin based on IEA *World Energy Outlook 2023*

Materiality analysis



Process for Identifying Material Issues

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 issues that Daikin could contribute to resolving based on global frameworks.

- Social Problems Daikin Can Help Resolve 012
- International Frameworks

Step 2 Assessing the Impact of Our Business on Society

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

- Daikin's Business Characteristics 013

Step 3 Identifying Material Issues for Daikin and Society

Each issue 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 issues through materiality analysis. The most important issues are deliberated by the CSR Committee and approved by the Board of Directors.

Overview of Sustainability

Environmental Vision 2050

Environmental Vision 2050

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.

192 Data Process Used to Formulate Environmental Vision 2050

Medium- to Long-Term Environmental Strategy

Setting Targets Aimed at Realizing Environmental Vision 2050

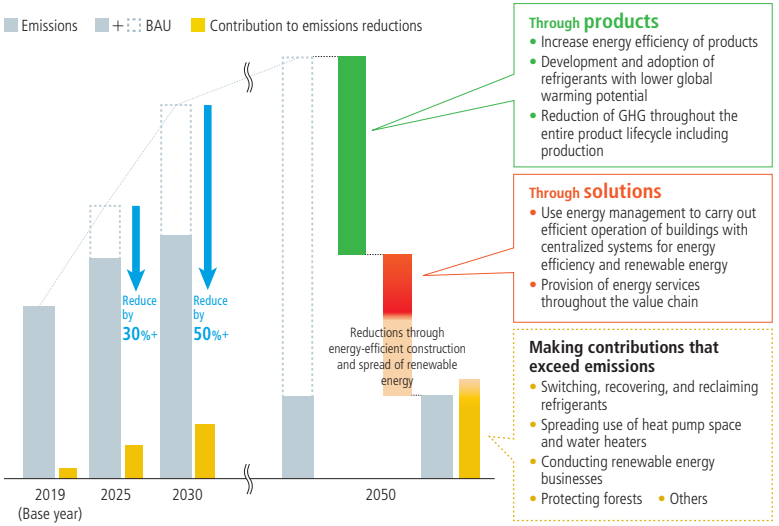
Daikin has established a greenhouse gas emissions reduction target after analyzing the future of its business operations in order to reduce these emissions to net zero while bringing the added value nature of air to people around the world.

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).
FY2023 results: **17% reduction**



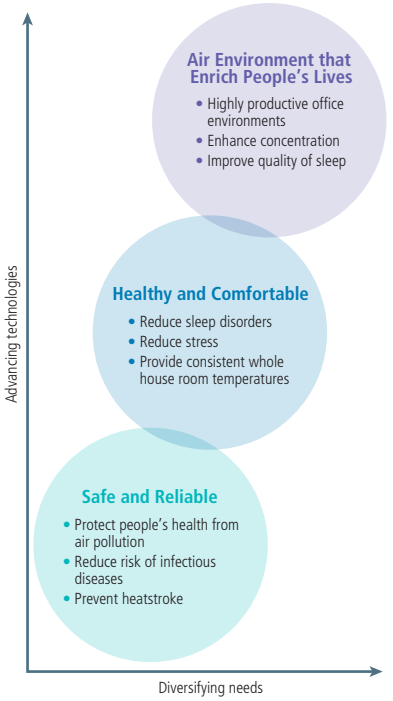
Through products
- Increase energy efficiency of products
- Development and adoption of refrigerants with lower global warming potential
- Reduction of GHG throughout the entire product lifecycle including production

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



Overview of Sustainability

Strategic Management Plan Fusion 25

Strategic Management Plan Fusion 25

Executing Measures within Business Plans

The three themes of the growth strategy 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 issues 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
- Working to achieve net-zero greenhouse gas emissions by 2030 at all plants with the exception of chemicals plants
- 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.

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.)

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: 1.1 billion yen in carbon taxes

1.5-degree scenario: 14.8 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 28 US dollars/ton-CO_2 in China and 120 US dollars/ton-CO_2 in the EU (according to the IEA *World Energy Outlook 2023* 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 medium-term management plan 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.

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.

016 Management Overview of Sustainability Environmental Vision 2050

See below for indicators and results at manufacturing bases

149 Data ESG Data Environment Reducing Environmental Impacts of Business Activities

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 issues 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 2023, we reviewed the overall picture of our sustainability initiatives and discussed individual themes, such as strengthening human resources and intellectual capital, and verifying the progress of our carbon neutrality initiatives.

Material Issues

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

Materiality

015 Management Overview of Sustainability Identifying Material Issues

Ten Key Themes Based on the Material Issues

After taking into account issues related to transparent and honest business activities to the material issues, 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.

Sustainability Targets and Results

We have established indicators and targets on the Company's key sustainability themes based on the results of our impact assessment in terms of Daikin and society and the Fusion 25 Strategic Management Plan. In fiscal 2023, we made changes to the medium-term targets and quantitative indicators for the priority theme of the environment following our review of key sustainability issues.

Value Provision Themes		Key Themes		Initiatives	Medium-Term Targets	Quantitative Index	Fiscal 2023 Achievements	Explanation of Index
Value Provision Themes	E	Environment	Response to climate change	An air conditioner consumes a large amount of electricity. As the only manufacturer in the world 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	• **17% reduction** • **0.93 million tons-CO_2** (30% 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 things. 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	• **4.05 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	• **49% reduction**	• Measure how much PRTR substances and VOC emissions were reduced compared to the base year (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.	• Conservation of **11** million hectares of forests in 7 locations around the world	• Contributions to reducing CO_2 emissions through forest conservation	• **7 million tons-CO_2**	• Measure the amount of CO_2 emissions reduced as a result of forest conservation in seven locations around the world working with NGOs and other partners

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

		Key Themes	Initiatives	Medium-Term Targets	Quantitative Index	Fiscal 2023 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	• **355.8 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	• **1,038.1 billion yen** • Japan: **1.15** China: **1.00** India: **1.24** France: **0.97**	• 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 issues, 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 global leaders	• Number of persons participating in executive management and leadership development programs	• Held in regions around the world including North America and Asia. There were **54** 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 **6.3 employees**	• We measured the number of persons developed with advanced engineering skills and knowledge and who can lead manufacturing
				• Increase ratio of female managers • Maintain and increase percentage of overseas bases where local nationals are president	• Number of female managers • Percentage of overseas bases where local nationals are president	• **108 employees (8.4%)** (Daikin Industries, Ltd. only) • **46%** (overseas bases)	• We measured the number of female managers and percentage of overseas bases where local nationals are president as indicators for measuring employee diversity
				• Frequency rate of lost work time accidents: **0**	• Frequency rate of lost work time accidents	• **1.24**	• 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	• **122.5 billion yen** • **165** industry-government-academia and **13** 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.

Value Provision Themes		Key Themes		Initiatives	Medium-Term Targets	Quantitative Index	Fiscal 2023 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
	S	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	• 81%	• We measured the ratio of suppliers who satisfied Daikin's Class A in-house standards to total procurement value
	S	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 will address the demands and expectations of society appropriately.	• Engage in dialogue with stakeholders and reflect this dialogue into management	• Number of air conditioner forums held, number of outside participants	• Held 4 times around the world with a total of 75 people, including university professors and specialists from 19 countries taking part	• We measured the number of dialogue sessions with experts around the world related to our core business of air conditioning
	S	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	• 1.8 billion yen	• We calculated the 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 10 directors (Daikin Industries, Ltd. only) • 2 (Daikin Industries, Ltd. only)	• We measured the diversity of the make-up of directors • We measured the appointment of female officers from inside the company
	G	Corporate Governance	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 3 times, respectively	• We measured the number of meetings as a way to ensure thorough implementation of policies globally
	G	Corporate Governance	Compliance		• Strengthen and upgrade global legal and compliance systems	• Self-assessment implementation rate	• 99%	• We measured the 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, 2024

Feature

Promoting the Spread of Energy Saving Technology

Why is it important?

Because Energy Efficient Air Conditioners are a Must for the World to Reach Carbon Neutrality

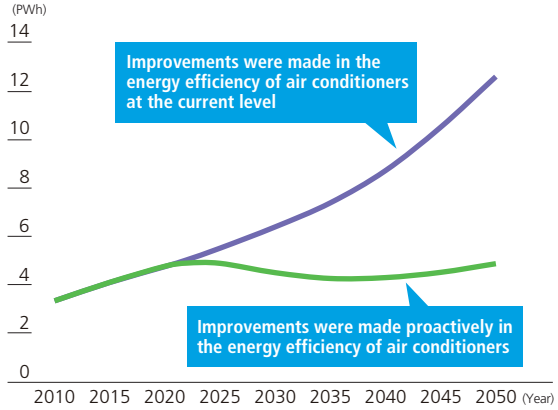
The use of air conditioners accounts for about 10%[1] of the world's total electricity demand. Demand for air conditioners is forecast to continue growing in line with the economic development of emerging countries, while energy demand for space cooling is expected to increase by an average of 4%[2] every year. As the world endeavors toward carbon neutrality, greenhouse gas emissions will only increase if no actions are taken.

On the other hand, air conditioning has become an indispensable form of infrastructure that supports not only comfort but also labor productivity and health. In Asia, Africa, and the Middle East, approximately 1.1 billion people are at risk of losing their lives due to extreme heat.[3]

In order to meet growing demand for space cooling without increasing greenhouse gas emissions, air conditioners must be energy efficient and the use of renewable energy must be encouraged. In particular, the spotlight is on the extent to which energy efficient air conditioners can be spread in emerging countries where demand is increasing.

[1] According to *World Energy Outlook 2023* by the International Energy Agency (IEA).
[2] According to *Space Cooling Tracking Report* by the IEA.
[3] According to *Global Cooling Watch* by the United Nations Environment Programme (UNEP).

Forecast of Electricity Usage for Space Cooling



Note: Compiled by Daikin based on *Global Cooling Watch 2023* by UNEP

Daikin's Approach

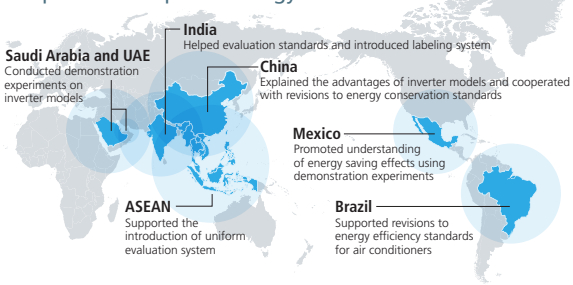
Creating Pathways for Spreading Energy Efficient Air Conditioners Worldwide

One of the key themes of Daikin's Fusion 25 Strategic Management Plan is to take on the challenge of carbon neutrality. In order to reduce electricity consumption from the use of air conditioners, we are spreading and expanding energy efficient products that make use of our core technologies such as heat pumps, inverters, and refrigerant control.

In Asia, Africa, and the Middle East, where air conditioners are becoming more widespread, there are concerns about electricity shortages due to economic development. Despite this, due to the inadequacy of energy efficiency standards for products, inexpensive air conditioners that consume large amounts of electricity are readily available.

Daikin has supported governments around the world in creating standards to promote energy conservation. Teaming up with various stakeholders, we provide support in terms of information provision and technical and human resource development by utilizing our expertise.

Emerging Countries and Regions Where Daikin Has Cooperated to Spread Energy Efficient Air Conditioners



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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

Daikin's Performance

Appealed the Immediate Effectivity of High-Efficient Inverter Air Conditioners to COP28 Participants

An inverter—one form of the energy saving technology for air conditioners—can reduce power consumption by more than 50%[4] compared to non-inverter air conditioners by accurately controlling the rotation speed of the compressor according to operating conditions. Despite the fact that 100% of air conditioners sold in Japan and Europe are already equipped with inverters and are available immediately, the penetration rate of these models in Asia and Africa is still low. In order to reduce CO_2 emissions in emerging countries in the future, there is an urgent need to create an environment where consumers can choose to purchase energy efficient products. Policymakers in each country need to understand the importance and effects of this accessibility.

At the 28th session of the Conference of the Parties (COP28) to the United Nations Framework Convention on Climate Change (UNFCCC) held in 2023, "decarbonization of cooling" was mentioned as one of the main themes. The need for air conditioning as a component of social infrastructure and its energy saving performance is now on the agenda at the national level.

At the Japan Pavilion at COP28, Daikin exhibited a booth explaining how inverters can lower CO_2 emissions. As an immediate solution to improve energy efficiency and reduce power consumption, the booth widely appealed the effects of inverters to policymakers. The technology attracted the interest of visitors as it directly contributes to one of the international targets agreed upon at COP28, which is to "double the global average annual rate of energy efficiency improvements." A total of more than 1,000 people, including about 600 government officials representing some 50 countries, visited the Daikin booth. Visitor feedback included, "I didn't know that Daikin products were sold in so many countries" and "I learned that inverters are a technology with immediate effectivity that can be introduced immediately."

[4] Calculated based on demonstration experiments conducted by Daikin.

COP28— International Conference for Discussing Climate Change Countermeasures

The largest international conference in the world discussing a framework for curbing global warming. In 2023, the meeting was held in Dubai, United Arab Emirates, from November 30 to December 13. National delegations, international organizations, NGOs, and companies from 197 countries and regions that are members of the UNFCCC took part. About 85,000 people, including more than 150 heads of state and government, attended.

COP28
https://unfccc.int/cop28

The Daikin booth at the Japan Pavilion. Using the inverter display model, visitors were able to experience the difference between inverter and non-inverter air conditioners.

Daikin's Senior Executive Officer took part in a Japanese government-sponsored seminar as a speaker.

Next Challenge

Strengthening Collaboration with Stakeholders through the Global Cooling Pledge

At COP28, 63 countries, including Japan, signed on to the Global Cooling Pledge. It calls on countries to reduce greenhouse gas emissions related to air conditioning (cooling), improve energy efficiency, and expand access to air conditioning for vulnerable populations. This is in line with Daikin's ongoing activities to promote energy saving products around the world, and we expressed our support on the day of the announcement.

The Global Cooling Pledge aims to increase the global average energy efficiency of air conditioners by 50% by 2030. In order to achieve this goal and contribute to the carbon neutrality of society, Daikin will continue to provide information and technical support in cooperation with governments and industry groups around the world.

Reassured by Daikin's Efforts to Roll Out Energy Efficiency Technology Around the World

Makoto Kato
Overseas Environmental Cooperation Centre (OECC)

The urgent issue of climate change requires that we reduce greenhouse gases through advanced energy efficiency technologies, and Japan in particular is expected to contribute in this field. At COP28, the promotion of energy efficiency in the field of air conditioning was discussed, and Daikin's energy saving technology development was introduced as an important initiative. Witnessing the enthusiastic attention of stakeholders in each country for Daikin's state-of-the-art technology and proactive stance on sustainability, I feel very reassured in communicating Japan's international contributions.

Accelerating the Development of Globally-Minded Employees

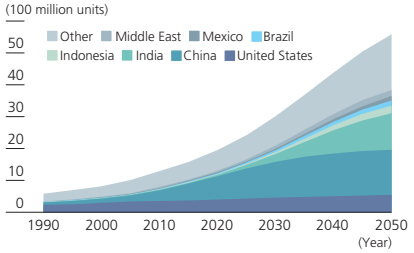
Why is it important?

Because globally-minded employees are vital to unlocking greater business growth

In recent years, human capital management has been attracting more and more attention and people are more aware that drawing out the capabilities of each individual is essential for the sustainable development of a company. Committed to "people-centered management," Daikin has fostered human resources around the world who are responsible for manufacturing, sales, and services. These human resources have provided the foundation for Daikin's growth into a global company with operations in more than 170 countries and over 80% of its sales and workforce located overseas.

Looking ahead, to further enhance the quality of our business operations, it is important to look at our business not only from the perspective of a particular country, but also from a regional and global perspective, and to formulate and execute strategies and measures accordingly. To this end, it is vital that we employ "globally-minded employees" who can demonstrate their abilities and drive the growth of the business regardless of where they may be located around the world. In order to continue meeting the ever-expanding demand for air conditioning, it is also imperative to strengthen human resource development from a broader perspective, in addition to conventional education and training in technology and skills.

Forecast of Air Conditioner Stock (Number of Units)



Graph figures compiled by Daikin based on IEA *The Future of Cooling*

Daikin's Approach

Fostering Human Resources Groupwide Who Can Drive Our Operations Around the World

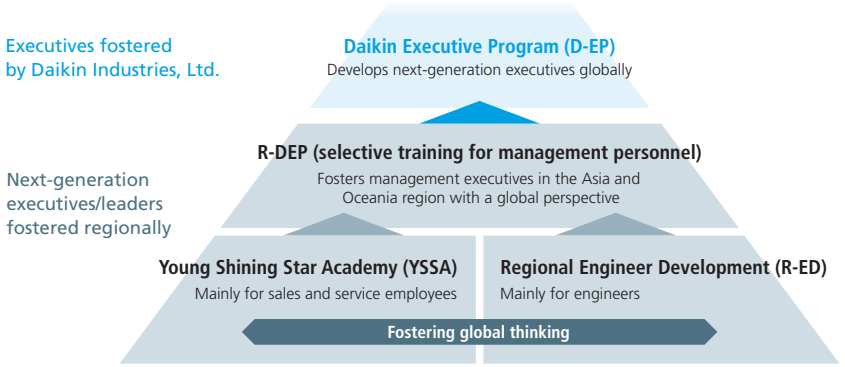
In light of the accelerating globalization of its business operations, Daikin is promoting the development of globally-minded employees across the entire Group. Daikin Industries, Ltd. is taking the lead in developing senior management and business leaders for the Group, while regional management executives and next-generation leaders are also being developed at each of our bases and regions, including Europe, Asia and Oceania, China, and North America. In order to increase the motivation and conviction of each and every employee and to continue strengthening our human resources and organizational capabilities, we are promoting not only technology and skills, but also an understanding of Daikin's DNA, including our management philosophy, sense of values, and culture, leadership and management skills to bring together our diverse workforce, and the ability to think and act independently with an eye toward the future.

Daikin's Performance

Developing Joint Regional Training Systems to Expand Our Global Perspective and Human Networks

For example, in the Asia and Oceania region, our workforce has doubled over the past decade in response to growing demand for air conditioning. In this region, where languages and cultures differ greatly from country to country, we have traditionally conducted human resource development exclusive to each base and country, but in order to further strengthen

System for Fostering Globally-Minded Employees in the Asia and Oceania Region



our business structure, we began joint regional training in 2015. We offer three types of training programs for different levels of employees, including young employees and candidates for executive positions. By the end of fiscal 2023, 320 people from various divisions within the region had participated in joint training, learning face-to-face the skills and knowledge necessary to foster globally-minded employees. Through dialogue with executives, participants gained an understanding of Daikin's DNA and developed an awareness of themselves as leaders. In addition, as a result of broadening their perspectives through discussions and group work with employees from other countries with different thinking and ideas, and fostering their ability to formulate comprehensive regional strategies, each individual's thinking and actions have become more dynamic.

The quality and speed of solutions have also improved as the human network has been strengthened, enabling working level employees to share the issues they face and discuss them from a variety of perspectives and with diverse knowledge. Furthermore, as mutual understanding among bases deepens, strategies and measures that reflect the situation of each base and country are being formulated. For example, the sales division has begun to formulate marketing strategies for the entire Asia-Oceania region, leading to the expansion of the sales network. Also, during product development, we are able to effectively allocate the resources of our development bases and optimize our development plans as a whole by looking at and discussing the needs of each country's market.

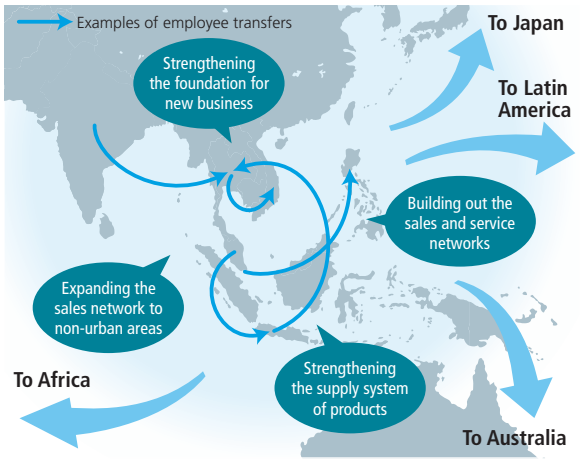
Employee Collaboration and Assignments Across Bases and Borders Strengthens the Business Foundation

While strengthening our training system, we also believe that it is important to provide opportunities for the human resources we have fostered to take the initiative to play an active role at work. With this in mind, we are promoting the production transfer to local bases and the globalization of human resource assignments. As a result, the number of human resources in Asia and Oceania who have mastered Daikin's DNA and can play an active role regardless of geographic location is increasing. When establishing a new base or launching a new project, we can now dispatch the most suitable personnel from other bases in the region, rather than dispatching them from Japan as in the past. For example, local personnel who had been in charge of business planning in India were placed in Australia. They have been driving the applied business by utilizing strategic thinking and team building skills they learned in training, and they were also instrumental in the acquisition of a leading local company. This acquisition significantly expanded the applied business in the Australian market, including expansion of sales beyond its core products and expansion into the services and solutions business area.

In addition, an executive from Thailand who is well versed in Daikin's manufacturing know-how will be appointed president of the new plant to be built in Indonesia in 2024. They will be involved from the start-up of the new plant, drawing on their knowledge and experience in plant operation and management in Thailand.

The presence of such role models who are active across borders serves as an inspiration to other employees around them and helps to raise their awareness by broadening the scope of their own careers and work.

Examples of Employee Assignments Across Bases and Borders



Next Challenge

Continue to Foster Globally-Minded Employees to Grow Our Business Sustainably

In order to further expand our business, we will need to continue to develop new technologies that will enable innovation, expand sales channels to spread our products, and take many other initiatives. To this end, it is important to foster human resources who can play an active role in their respective regions and, by extension, around the world.

Daikin will continue to focus on fostering globally-minded employees to support its air conditioning business in all regions where it operates. Going forward, we will continue to maximize the performance of our workforce through training that is not restricted by national or regional boundaries and by providing opportunities for employees to play an active role, which will lead to sustainable growth for the entire Group.

Respect for Individuals and Strict Yet Fair Human Capital Formation

Tsuyoshi Komori
Representative Director
CORESCO

Amid the rapid development of artificial intelligence, the inherent value of humans in work is being questioned. At the same time, the global environment is changing and geopolitical risks are becoming more acute. In order to further develop global management in such a world, it is essential to strengthen individual uniqueness as well as encourage cooperation and collaboration between individuals. As Daikin practices, recognizing and respecting the potential of individuals across national borders and having a strict yet fair human capital formation process are now an indispensable foundation for a global company.

Environment

Environmental Management

Environmental Management Structure

Basic Policy on Environmental Management and Structure

Environmental Management Globally

Following the Basic Environmental Policy of the Daikin Group, to promote environmental management throughout the Group, 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. 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.

176 Data Policies, Regulations and Guidelines Basic Environmental Policy

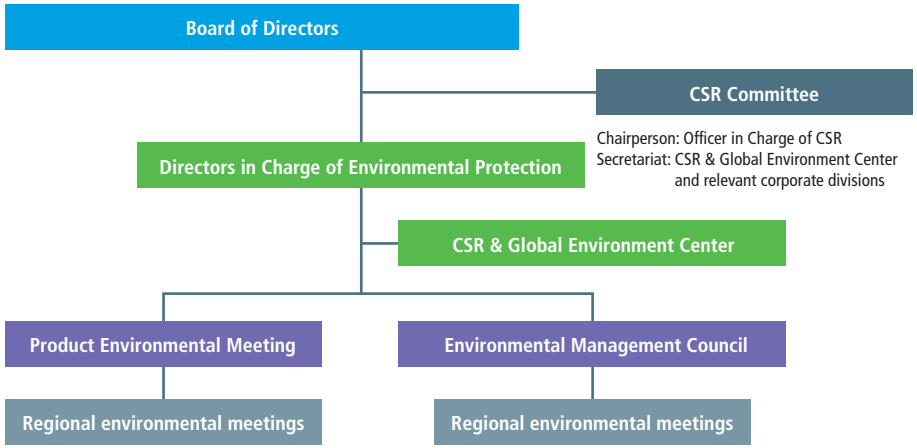
Environmental Management System

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 emissions of greenhouse gases, water, waste, and chemicals verified by a third party.

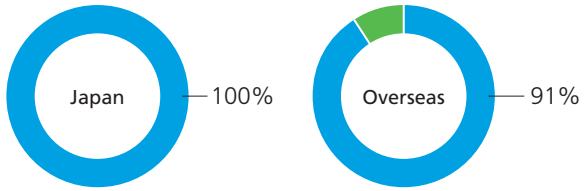
At each Daikin production base and office, systems are in place to minimize environmental damage in the unlikely event that accidents or disasters should occur. Also, we seek closer interactions with nearby residents' associations and conduct factory tours among other daily efforts to maintain an emergency 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 2023 at Daikin.

Structure Driving Environmental Management



Ratio of Employees Belonging to Facilities with ISO 14001 Certification (FY2023)



Daikin Bases Certified for ISO 14001
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/environment/2024/certified-pdf.pdf

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 2023 internal audit of the Daikin Group in Japan, we confirmed legal compliance mechanisms and the status of carbon neutrality initiatives, with six nonconformities having been corrected.

See below for findings from our environmental audits
152_Data_ESG Data_Environment_Environmental Management

Internal Auditor Training

As of the end of fiscal 2023, there are currently 86 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 10 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 addition to lectures, the training in fiscal 2023 incorporated mock audits that simulate actual audit situations. Going forward, we will focus on enhancing the skills of newly appointed auditors with an eye toward the generation change taking place among auditors.

Green Heart Factories and Offices

Green Heart Factories

In fiscal 2005, Daikin established Green Heart Factory, its own unique system to evaluate 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 stages of platinum, gold, silver, and bronze. In the 2022 assessment, two plants were certified gold, 17 as silver, and 10 as bronze.

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. In fiscal 2023, we began a drastic 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.

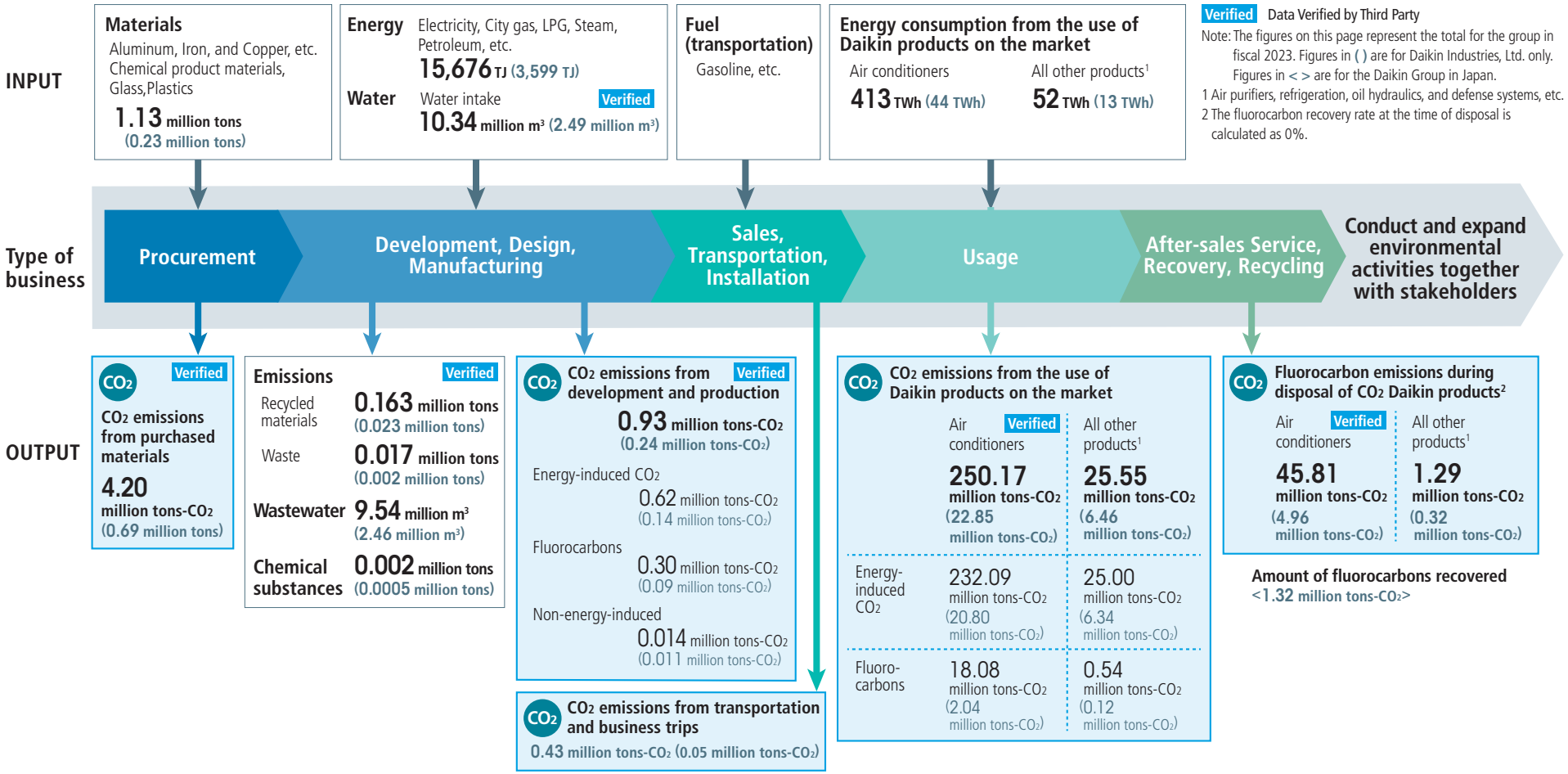
051_Environment_Response to Climate Change_Initiatives in Manufacturing (Development and Production) and Offices

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
145 Data ESG Data Environment
167 Data Third-Party Verification Method of Calculating Greenhouse Gas Emissions Data



Environmental Management

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.

018 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 measure 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-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** If 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
			Environmental pollution from manufacturing bases Chemical substance management at manufacturing bases not functioning, and harmful substances released causing regional environmental pollution, which as a result, causes claims for damages or declining trust of society	Medium	Large
			Conservation of ecosystem Appropriate action is required in response to the breakdown in the balance of ecosystems	Medium	Small
	Opportunities		**Increased awareness toward air quality** As air pollution becomes more serious, the needs for quality air increases	High	Large

Environmental Management

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 our full text on product assessment evaluation items
181 Data Policies, Regulations and Guidelines Product Assessment Items

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.

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

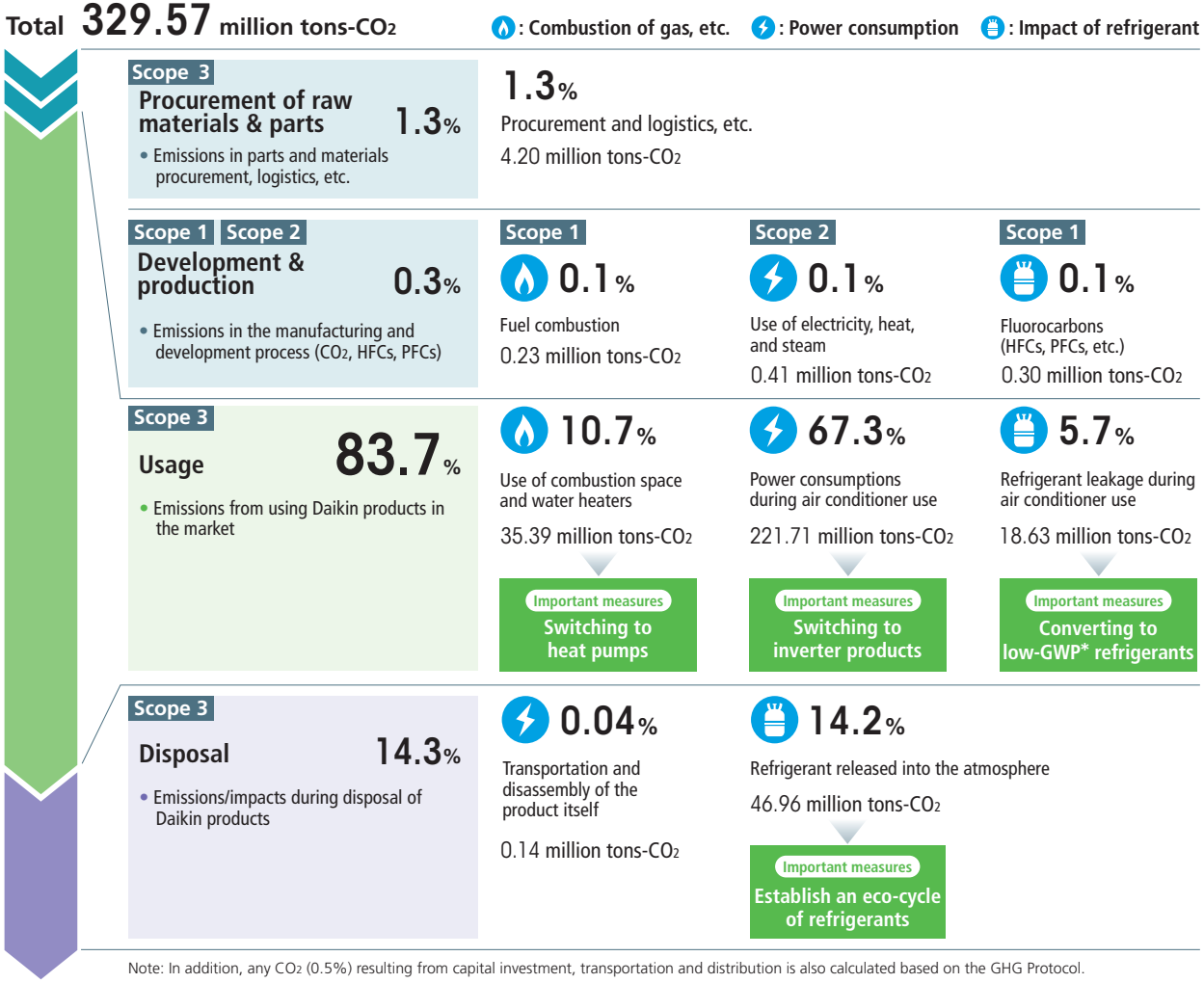
Daikin's greenhouse gas emissions throughout the value chain are calculated based on the international guidelines of the GHG Protocol.* The energy consumption of air conditioners in operation and refrigerants have a large impact on greenhouse gas emissions. Daikin establishes and implements initiatives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

See below for greenhouse gas emissions in the value chain (Scopes 1, 2, and 3)
145 Data ESG Data Environment Mitigating Environmental Impacts in the Value Chain

Overview of Daikin's Greenhouse Gas Emissions (Scope 1, 2, 3) (FY2023)



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

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

Targets and Measures for Carbon Neutrality

Initiative Overview

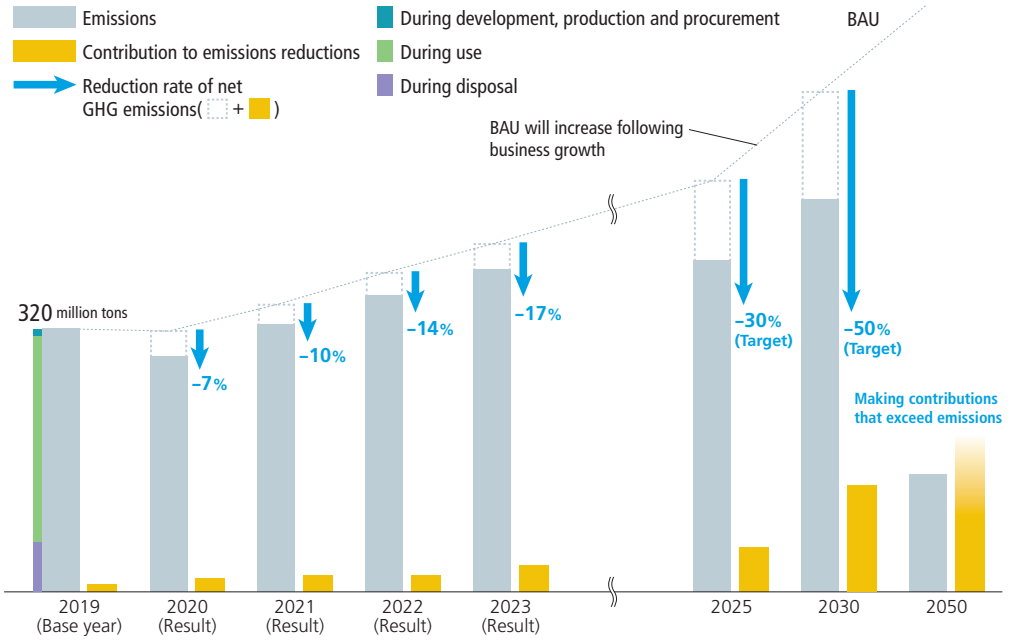
Daikin aims to achieve net zero greenhouse gas emissions throughout its value chain in 2050. As a medium-term goal, Daikin aims to reduce its net emissions[2] by at least 30% in 2025 and by at least 50% in 2030, with 2019 as the base year assuming BAU.[1] These targets are incorporated into the Fusion strategic management plan, with various measures being implemented in terms of both reducing emissions and increasing contribution to emissions reduction.

Daikin is determined to push forward energy saving during product usage, conversion to low-GWP refrigerants, and recovery of refrigerants at the time of product disposal aimed at reaching the targets. Our goal is to contribute to reduced greenhouse gas emissions in society by creating and spreading products and services with a low environmental impact. Moreover, while emissions resulting from Daikin's manufacturing and development processes account for a small fraction of its total emissions, Daikin will strive for their reduction following the 1.5°C scenario as these emissions can be directly controlled.

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

016 Management Overview of Sustainability Environmental Vision 2050

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



Measures Aimed at Reducing Net Emissions

- **Measures during manufacturing (development and production) and at offices** 051
  - Emissions reduction: Reduction of energy-induced and HFC/PFC-induced emissions during development and production
- **Reduce power consumption during product use** 040
  - 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
- **Promote heat pump space and water heaters** 045
  - 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)
- **Reduce environmental impact of refrigerants** 047
  - 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)
- **Measures toward a decarbonized society** 053
  CO_2 recovery and utilization (DAC, CCU), power initiatives such as energy creation and demand control, atmospheric water generator, etc.
- **Circular economy initiatives** 054
  Recovery, recycle, and reclamation of refrigerants, utilization of recycled materials, etc.

Contributions to Reductions of Greenhouse Gas Emissions

Daikin calculates its amount of overall contribution in greenhouse gas reduced through the promotion of its low environmental impact products and services as greenhouse gas emissions reduction contributions. 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 2023, the total reduction contribution was 33.65 million tons-CO_2.

As of March 2024, 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 Daikin's contribution to greenhouse gas emissions reduction.

145 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 combustion 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

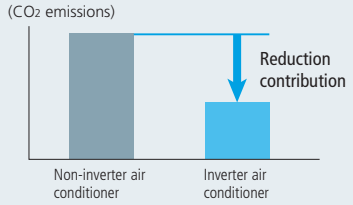
Daikin calculates its contribution to reduction through the spread of refrigeration and air conditioning equipment and space and water heaters with lower emissions using the following three products.

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.

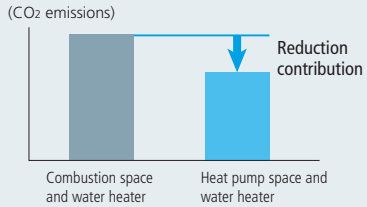
- **Baseline:** Emissions during use of non-inverter air conditioners
- **Target:** Emissions during use of inverter air conditioners
- **Calculation formula:** (power consumption per year per unit of non-inverter air conditioner[2] –power consumption per year per unit of inverter air conditioner[2])×electricity 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.

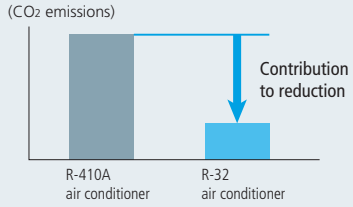
- **Baseline:** Emissions during use of combustion heating
- **Target:** Emissions during use of heat pump heating
- **Calculation formula:** (gas consumption/year per unit of combustion space and water heater[2]×gas emission factor[5] – power consumption/year per unit of heat pump space and water heater[2]×electricity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



Response to Climate Change

Power Consumption Reductions during Product Use

Basic Policy

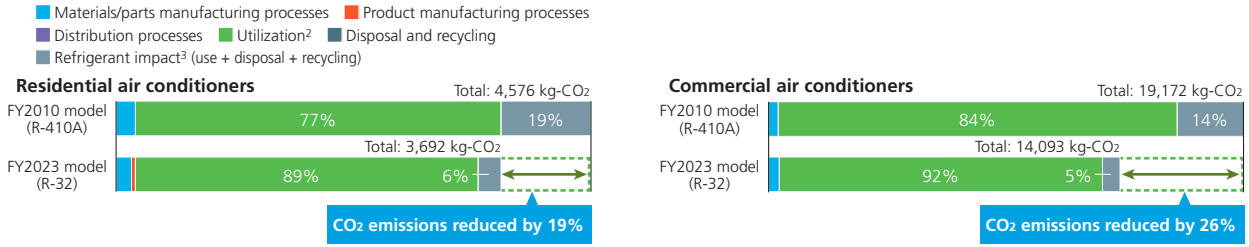
Daikin makes it its mission to reduce energy consumption in order to provide people with safe and comfortable air and contribute to reducing global warming. To this end, we conduct quantitative environmental assessments for each product life cycle in order to develop products and services that use minimal 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 2023, we reduced CO_2 emissions from residential air conditioners by 19% 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.

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. Among our top models in fiscal 2023, residential air conditioner 7.0 and commercial air conditioner 8.0 saw their APF increase.

[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

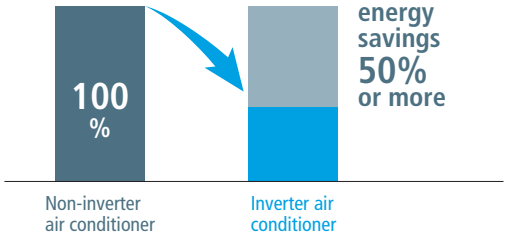
To reduce global warming worldwide, it is crucial to spread the use of highly energy efficient products to all countries. Inverter technology has already been established in Japan and Europe, and Daikin is promoting the spread of inverter air conditioners around the world because they can immediately contribute to energy savings.

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 less energy usage than non-inverter models.*

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 (FY2024)

Market	2022	2023	2024
Japan	100.0%	100.0%	100.0%
EU	100.0%	100.0%	100.0%
Australia	100.0%	100.0%	100.0%
China	97.1%	97.8%	98.5%
India	70.0%	76.0%	81.0%
Brazil	55.0%	65.0%	75.0%
Saudi Arabia	20.0%	24.0%	28.0%

Source: BSRIA World Air Conditioning Overview 2024
Note: The percentage in this report refers to the number of units sold in a given year

026 Feature Environment Promoting the Spread of Energy Saving Technology

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

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] There are three categories: ZEB, Nearly ZEB,[2] and ZEB Ready[3] 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 newer buildings.

Daikin Industries, Ltd. registered as a ZEB planner[4] in 2017 and based on its track record of making its own facilities into ZEBs. Since then, we have been working with general contractors to promote ZEB in Japan and overseas. At the preliminary stage of ZEB reviews, we are promoting consulting-like service to educate and diagnose the feasibility of achievement.

[1] Standard value: Energy consumption value of common buildings of the same size (reference building).
[2] A building that consumes at least 75% less energy compared to normal building energy standards.
[3] A building that consumes at least 50% less energy compared to normal building energy standards.
[4] 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 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	• 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 • The Saga Sales Office of Daikin HVAC Solutions Kyushu Co., Ltd. received ZEB Ready Distinction

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)

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 2023, 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 the environmentally conscious products sales unit ratio (residential air conditioners)

147_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.

Urusara X

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

FIVE STAR ZEAS

ZEAS Connect—Commercial Air Conditioner Subscription Service

Since May 2022, Daikin has been offering ZEAS Connect, a flat-rate subscription service for commercial air conditioners. The service provides commercial air conditioners SkyAir or machi Multi on a monthly subscription basis. By supporting stable daily operation, this service makes it possible to reduce wasteful power consumption.

ZEAS Connect—commercial air conditioner subscription service (available in Japanese only)

https://www.ac.daikin.co.jp/shopoffice/zeas_connect

Ene Focus α, Automatic Operating Control Service Provides Continuous Support for Energy Conservation through Remote Monitoring

Released in December 2020, Ene Focus α, is a remote online monitoring service for air conditioners that enables customers to continuously achieve energy conservation in their air conditioner use through regular suggestions based on the remote monitoring data that suit each user. The controller and software needed for energy-saving operation are provided as a subscription service, which eliminates the initial start-up cost and installation cost, while continuously achieving energy savings.

Energy management service Ene Focus α (available in Japanese only)

https://www.daikincc.com/fcs/service/ene_focus_a/

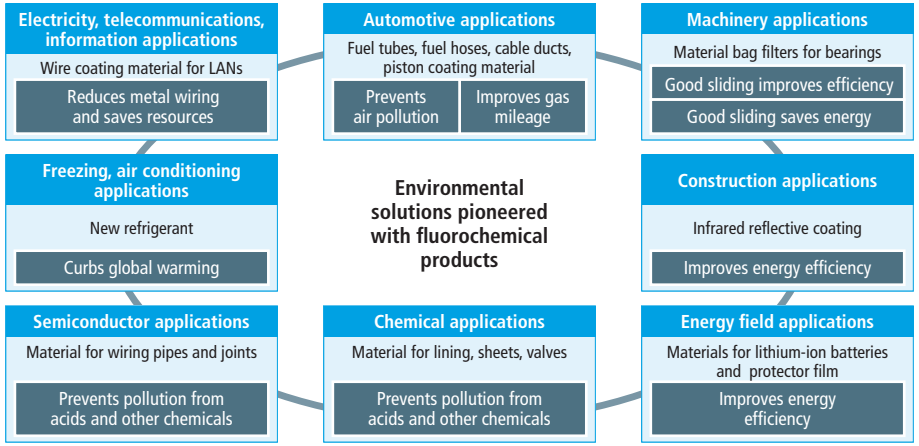
Fluorochemical Products

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 (available in Japanese only)
https://www.daikinchemicals.com/jp/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. In addition, we have also been selling 400 V transformerless models capable of direct power connection since 2018.

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

Daikin's Hydraulic Equipment
https://www.hyd.daikin.com/

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 more than 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.

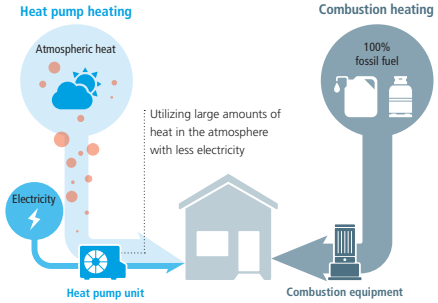
Daikin is engaged in the development and promotion of water heaters and space heaters using highly energy-efficient heat pump technology while striving to increase comfort and reduce CO_2 emissions.

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



Initiatives to Promote the Spread of Heat Pumps

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

Daikin is engaged in the development and promotion of water heaters and space heaters using energy-efficient heat pump technology.

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. The market is expected to grow amid efforts for achieving the EU's goal of carbon neutrality by 2050.

Daikin released Daikin Altherma, a heat pump space and water heater, in Europe in 2006. Since then, we have steadily expanded the product lineup based on the climate and needs of every European country. 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, with the aim of further spreading heat pump space and water heaters.

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

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

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 combustion 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 tax credits and rebates to consumers who purchase heat pumps to electrify their home instead of space and water heating with gas and oil. Heat pumps account for an increasing proportion of air conditioner shipments in the United States, representing a huge opportunity to spread the use of heat pumps.

To meet this demand, Daikin will focus its efforts on proposing and promoting products using heat pumps. 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

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

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/new/pdf/feature2022/env-pdf.pdf

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 2021, we increased the capacity of the heat exchanger on the outdoor units of household ECOCUTE models, which improved the annual performance factor (APF) by 0.2 to 0.3 points compared to conventional models. Moreover, in February 2022, we launched "Ohisama ECOCUTE," the household heat pump water heater that boils water during daytime using excess solar power. On occasion of the fiscal 2022 model changeover, we added a UVC-LED disinfection function and weather forecast-linked self-run function as new features given the rising demand for disinfection resulting from the COVID-19 pandemic and trend toward carbon neutrality.

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.

Promoting Highly Energy-efficient Products Including MEGA-Q Large-Scale Heat Pump

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.

MEGA-Q large-scale commercial heat pump hot water supply system (available in Japanese only)
https://www.ac.daikin.co.jp/waterheater/megaq

Topics

Daikin's JIZAI HEAT, an Industrial High-Temperature Water-Output Heat Pump Chiller, Receives Energy Conservation Award

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 our own factory, we were able to reduce annual CO_2 emissions by approximately 86%.*

This product received the Energy Conservation Center Chairman's Award in the Product & Business Model Category in the Energy Conservation Grand Prize 2023.

JIZAI HEAT

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

JIZAI HEAT circulating heating heat pump (heating model) (available in Japanese only)
https://www.ac.daikin.co.jp/central/chiller/jizai_heat

Response to Climate Change

Reducing the Environmental Impacts of Refrigerants

Approach to the Environmental Impacts of Refrigerants

Working Toward Practical Application of Diversity of Next-Generation Refrigerants

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 contributes to 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)

Choosing the Best Balanced Refrigerant for Each Application to Mitigate Environmental Impact

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 Refrigerant Direction

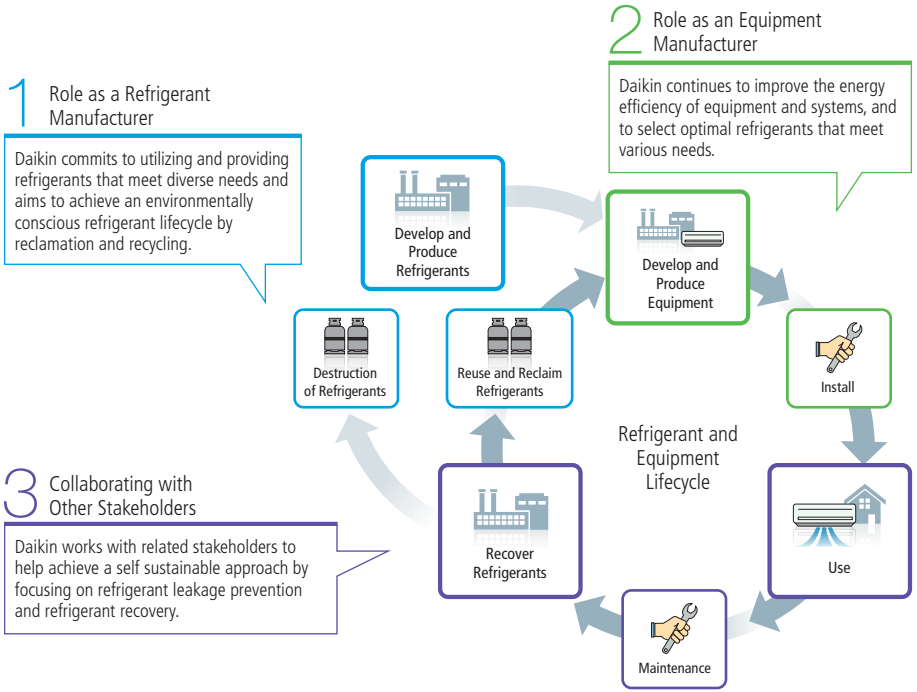
Residential		Commercial, Industrial	
Residential Air Conditioners and Heat Pumps	R-32	VRF Systems	R-32
Residential Hot Water Supply Systems	R-32, CO_2	Commercial Air Conditioners and Heat Pumps	R-32

Refrigeration Systems	Chillers and Heat Pumps
R-32, R-407H, HFOs, HFO blends, CO_2, Hydrocarbon, etc.	R-32, R-1234ze(E), R-1233zd(E), Other HFOs, HFO blends

Focusing on Converting to Alternative Refrigerants and Recovering Fluorocarbons

HCFCs used to be the most commonly used refrigerant, but in the 1980s experts suspected it was depleting the ozone layer, so under the Montreal Protocol, 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.

Daikin's Action on Refrigerant and Goals



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 use amount of HFC itself 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. The Amendment divides developing countries into two groups, which plan to implement reductions individually.

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 of refrigerants for each equipment comprehensively 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 the further reduction of 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.

Protecting the Ozone Layer and Mitigating Global Warming

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 during production and after-sales, and we recover, reclaim, and destroy refrigerants at the end of air conditioner life 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 to 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.

Moreover, we are conducting R&D for improving the accuracy of leak detection in order to minimize 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 Aency.

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

055 Environment Circular Economy Building a Refrigerant Eco-Cycle

Efforts to Prevent Environmental Impact of Fluorocarbon Emissions

Development	Manufacture	Transport, installation	Maintenance	Replacement and disposal	Refrigerant reclamation and destruction
• Develop refrigerants with lower environmental impact • Reduce the charge amount • Develop an automatic charging function	• Recover fluorocarbons generated • Check for refrigerant leaks in machinery	• Prevent refrigerant leaks during installation • Transport safely • Prevent refrigerant leaks due to faulty installation	• Recover refrigerant during maintenance • Preventing refrigerant leakage through periodic inspections	• Recover refrigerant at time of air conditioner replacement • Recover refrigerant from used air-conditioners	Recycle/reclamation or complete destruction

Development and 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 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.

As a result, Daikin has sold more than 49 million R-32 air conditioners in over 130 countries. It is estimated that, including the products of other companies, the worldwide R-32 air conditioner market exceeds 280 million units, whose contribution to CO_2 emissions reduction is estimated at 450 million tons (calculated by Daikin as of December 2023).

Cumulative Total of R-32 Air Conditioners Sold by Daikin (As of December 2023)

Over **49** million air conditioners sold in more than **130** countries worldwide

(Approx. 18 million in Japan and 31 million overseas)

As of December 2023

Refrigeration Products using Natural Refrigerants

In the refrigeration divisions, Daikin supplies specialized air conditioners 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 a global warming potential of 3 in 2019. Since 2020, we have been promoting the use of natural refrigerants mainly in Europe, symbolized by 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.

Initiatives During Production

Fluorocarbon Recovery Equipment Ensures Proper Destruction of Refrigerants

The fluorocarbons emitted in the production processes of the chemicals divisions are raw materials and by-products in the production of fluorochemical products. We have been installing recovery equipment on production lines and properly destroying the fluorocarbon gases recovered. We also take the fluorite generated during the destruction process and reuse it as raw material for the production of fluorochemical products.

In fiscal 2022, we began full-scale operation of a new incinerator at the Kashima Plant, increasing our fluorocarbon destruction capacity by around 20,000 tons-CO_2 compared to the previous fiscal year. In fiscal 2023, we completed the construction of a recovery and reclamation facility at the Yodogawa Plant, and obtained recycling licenses from the Ministry of Economy, Trade and Industry and the Ministry of the Environment. We began reclamation of R-410A and R-32 refrigerants in December 2023. Our overseas plants are also working to increase the recovery of PFC-C318, which we recover and destroy using the equipment in each plant or at a contractor.

Ensuring Refrigerant Leakage Prevention when Charging it into Air Conditioners

During the air conditioner manufacturing process at our worldwide manufacturing bases, we do everything possible to prevent refrigerants leakage during charging. Based on the work manual, certified workers thoroughly inspect for refrigerant leaks three times in the process. We also provide training for workers every year. Additionally, we take measures against leakage from equipment such as refrigerating machines used for research and development.

In fiscal 2023, we added a mechanism to recover the refrigerant from inside the charging appliance in the refrigerant charging and pinch piping processes during production. This significantly reins in the atmospheric emission of refrigerant from this process, lowering the greenhouse gas emissions of production lines for multi-split type air conditioner for commercial buildings by approximately 1,000 tons per year.

Main Initiatives for Reducing Emissions

- We inspect all pipes for leakage before charging refrigerants and make improvements to pipe couplers (joints).
- If operation inspections show that a product must be fixed, we do so after recovering all the refrigerant from it.
- We take every precaution possible during refrigerant charging to prevent refrigerant from being released into the atmosphere.
- We are converting to lower global warming potential refrigerants.
- We introduced charging machines that largely control emissions during charging.

Recovering refrigerant

Efforts during Installation, Use and Repair

Helping Customers Prevent Refrigerant Leakage

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 cloud-based service "Daikin Fluorocarbon Check Tool (Dfct)" that can easily manage fluorocarbons.

Daikin's "Assisnet Service" can notify refrigerant leaks by e-mail through linkage with Dfct. This detection function was recognized as one method for simple statutory inspections in fiscal 2022. In fiscal 2023, we also linked Dfct to the AIRNET Service System.

Daikin Industries, Ltd. has operated and managed all equipment in-house using Dfct since fiscal 2018.

Daikin Fluorocarbon Check Tool (Dfct) (available only in Japanese)
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/

Reliable Repair Work Starting with Refrigerant Recovery

The Daikin Group in Japan has deployed refrigerant recovery equipment at its service bases nationwide to prevent atmospheric emissions during repairs.

Efforts during Recovery, Recycle, Reclamation, and Destruction

See below for Daikin's efforts to recover, reclaim, and destroy refrigerants.

055 Environment Circular Economy Building a Refrigerant Eco-Cycle

Response to Climate Change

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. We will also promote energy creation and the greater introduction of renewable energy, aiming for 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

Topics

Achieved Net-Zero GHG Emissions at the Rinkai Factory

With the keywords of "visualize, reduce, and create," Daikin is advancing energy management at its plants. In fiscal 2023, we achieved net-zero GHG emissions at our Sakai Plant's Rinkai Factory. We are promoting measures to improve the energy efficiency of production facilities, improve air conditioning by controlling the temperature and supply and exhaust air of the entire plant, and reduce HFC emissions. Other actions include the installation of solar panels, the purchase of green electricity, and the use of credits to offset CO_2 from fossil fuels and HFC emissions. In the future, we will roll out these initiatives to other plants.

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).

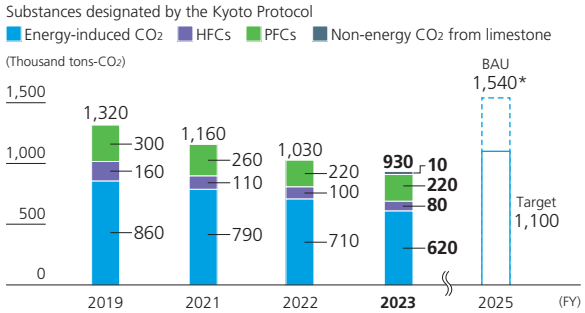
In fiscal 2023, our greenhouse gas emissions totaled 0.93 million tons-CO_2 (30% reduction in comparison to fiscal 2019) after we expanded purchasing of renewable energy. With regard to fluorocarbons, we focused on reducing the atmospheric emissions of HFCs during refrigerant charging in the air conditioning divisions and PFCs used as solvents in the chemicals divisions.

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

See below for greenhouse gas emissions-related data

149 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.

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 2023, CO_2 emissions totaled 0.62 million tons-CO_2. In particular, we have made great progress with the installation of solar panels at our plants in China.

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 new 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 won the Energy Conservation Center Chairman's Award at the Energy Conservation Grand Prize 2023.

JIZAI HEAT Receives the Energy Conservation Center Chairman's Award at the Energy Conservation Grand Prize 2023. (available in Japanese only)

https://www.daikin.co.jp/press/2023/20231218

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 30,130 MWh of electricity through solar power generation in fiscal 2023, which is equivalent to CO_2 emission reductions of around 17,000 tons-CO_2 (estimated by Daikin). In fiscal 2022, we initiated a plan to introduce solar power generation at all of our air-conditioning plants in China by 2025. We made significant progress toward this plan in fiscal 2023.

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.

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

Daikin Australia's current office is certified by NABERS as five out of six stars.

Initiative in Logistics Processes

We have set a goal to reduce CO_2 emissions in logistics processes (transportation, packaging and warehousing). In fiscal 2023, these emissions reduction totaled 1,285 tons-CO_2 compared to our target of 750 tons-CO_2. We are now promoting expanded modal shift and switching transport methods from trucks to freight trains and ferries. In fiscal 2023, our modal shift transition rate stood at 23%.

In Japan, we increased transport by rail and ferry to the Tohoku, Kanto, and Kyushu regions. We have also commenced transport with small electric trucks in the Tokai region and hybrid trucks in the Tokyo metropolitan area. Overseas, we are implementing these emission initiatives to convert the effects of greater logistics efficiency into CO_2. As a result, we have confirmed a reduction of approximately 1,180 tons-CO_2 emissions by shortening transportation distances due to the launch of a new plant in India and a reduction effect of approximately 85 tons-CO_2 emissions by starting the use of biofuel-based vessels (including offsets) for Europe.

Response to Climate Change

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 using its air conditioning and hydraulic machinery technologies.

Micro-hydroelectric power, which utilizes the energy of water flows that occur in rivers or waterways, can be installed in various locations closer to communities as long as there is a flow of water. Nevertheless, micro-hydroelectric power has yet to spread because of the high cost versus actual generation and the size of equipment.

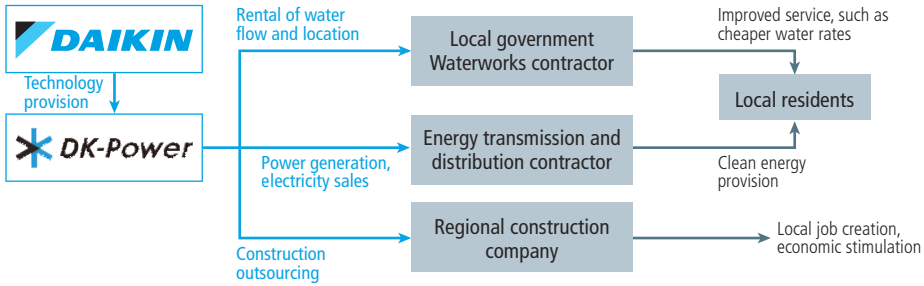
Daikin successfully developed a compact, low-cost pipeline-type micro-hydroelectric power generation system. The technology to convert water flows to electricity makes it possible to create energy without ever producing CO_2 during the power generation process. We commercialized this technology following three years of demonstration testing after government funding was approved in 2013 under the Low Carbon Technology, Research, Development and Demonstration Program of Japan's Ministry of the Environment (MOE). In June 2017, we established DK-Power Co., Ltd., which installs, manages, and operates micro-hydroelectric power generation systems for water supply facilities owned by local governments while selling the electricity generated. As of March 31, 2024, these systems have been installed at a total of 50 locations nationwide in Japan, generating 33,700 MWh of electricity and reducing CO_2 emissions by 15,600 tons-CO_2.

In fiscal 2023, DK-Power's micro hydroelectric power generation business received the New Energy Foundation Chairman's Prize at the New Energy Awards sponsored by the New Energy Foundation.

DK-Power Received "New Energy Foundation Chairman's Prize" of the "2023 New Energy Award" for its Micro-Hydroelectric Power Generation

https://www.daikin.com/press/2024/20240131_2

Business Model Using DK-Power's Micro-hydroelectric Power Generation System



DK-Power, Ltd. (available in Japanese only)

https://www.dk-power.co.jp/

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

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.

See below for our water resource conservation and reduction of waste emissions

063 Environment Environmental Impacts in Business Activities Water Resource Conservation

064 Environment Environmental Impacts in Business Activities Reducing Emissions

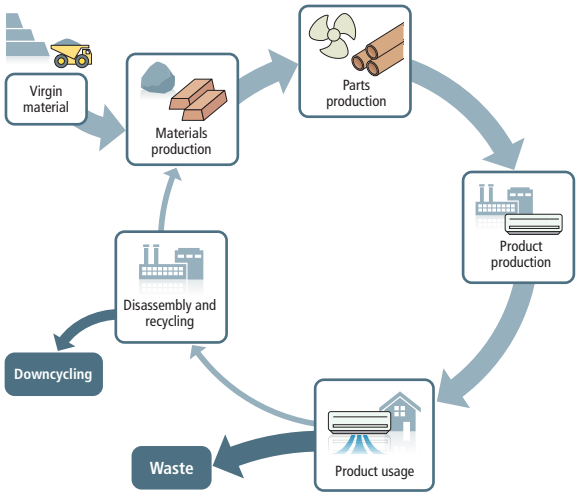
What Daikin Aspires For

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.

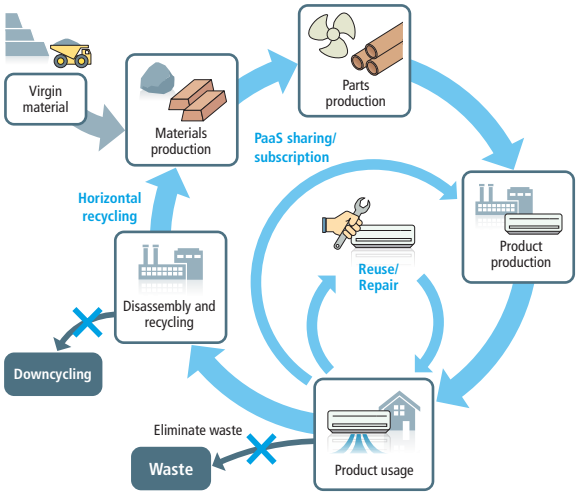
In supplying products and services, we will accelerate development and design based on the premise of resource conservation and recycling. We will promote the use of recycled materials, design products that are easy to recycle, and use subscription- and sharing-based services. Building out a collection 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 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



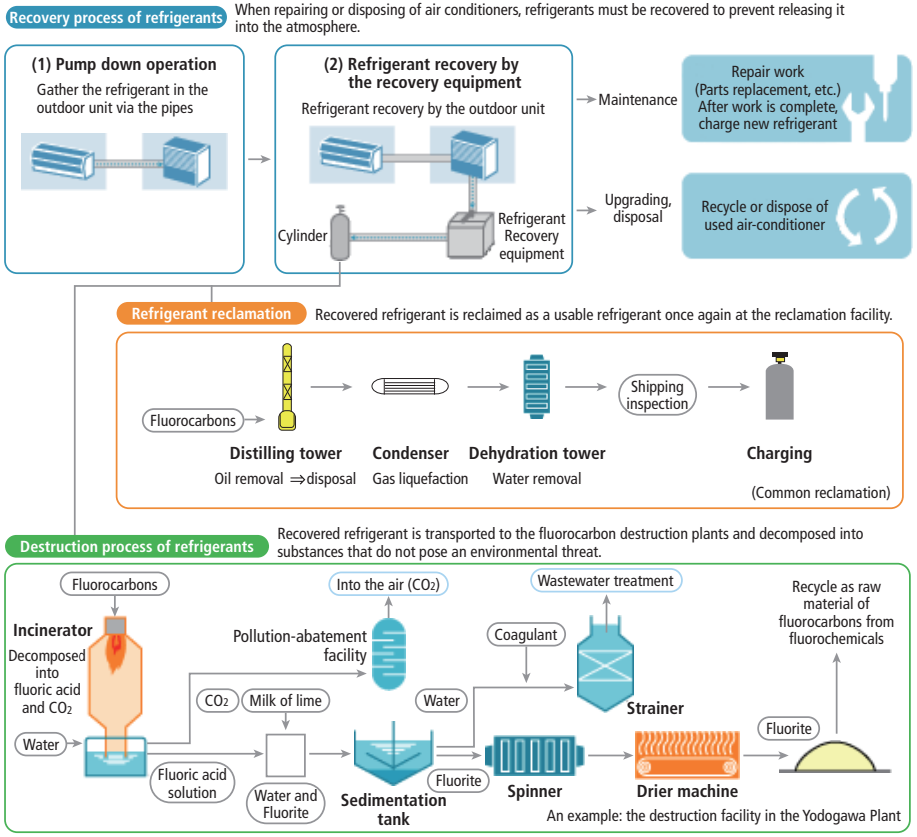
Circular Economy

Building a Refrigerant Eco-Cycle

Basic Policy

The recovery, recycle, reclamation, and destruction of used refrigerants charged in air conditioners and other equipment from the market are important in terms of resource recycling, stable supply of refrigerants, and curbing greenhouse gas emissions. As part of our social responsibility as a company that makes both equipment and refrigerants, Daikin advocates for the establishment of refrigerant eco-cycle.

Recovery, Recycle, Reclamation, and Destruction of Refrigerants



Establish an Eco-Cycle of Refrigerants (Recovery, Recycle, Reclamation, and Destruction)

System for Recovery, Recycle, Reclamation and Destruction of Refrigerants in Europe

In Europe, where people are advocating for a circular economy, there is growing demand for the recovery, recycle, and reclamation of refrigerants from used air conditioners, from the standpoint of the importance of resource recycling and stable supply of refrigerants. Daikin has established a system for recovering, reclaiming and reusing refrigerants from used air conditioners in the European market.

Daikin has established three routes based on the quality condition of the recovered refrigerant, simple reclaiming that removes impurities such as oil and water, full-scale reclaiming that breaks the refrigerant down by component and then readjusts components at a plant to reclaim the quality as good as that of virgin refrigerant, and destruction for refrigerant that cannot be reclaimed. In the process of establishing these routes, we cooperated with A-Gas, a company based in the U.K. that recovers and reclaims refrigerant, and released simple reclaiming equipment under the Daikin brand in fiscal 2019. Daikin Refrigerants Frankfurt GmbH owns a destruction plant in Germany and began operating a reclamation plant there, too. By utilizing this scheme, in fiscal 2019, we commenced sales of VRV L∞P by Daikin air conditioners that use reclaimed refrigerant.

Feature of Fiscal 2019: Environment—Launched New Refrigerant Service in Europe Contributing to a Circular Economy
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/feature2019/env-pdf.pdf

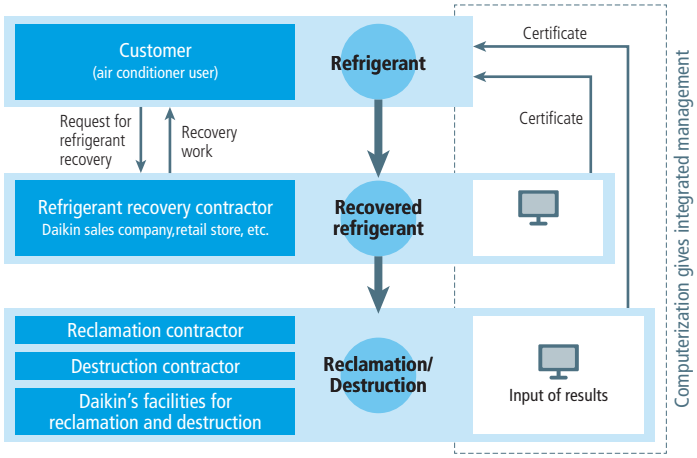
Supporting the Recovery, Recycle, Reclamation and Destruction of Refrigerants in Emerging Countries

In emerging countries, Daikin cooperates with the Japanese government, national governments and other stakeholders to create refrigerant recovery, recycle, reclamation and destruction schemes. In fiscal 2020, we established our own recovery, recycle, 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. We are also exploring recovery systems in Thailand and Malaysia.

Initiatives for the Recovery, Recycle, Reclamation and Destruction of Refrigerants in Japan

In Japan, we have been working on the commercialization of refrigerant recovery, recycle, and reclamation since fiscal 2021, under a promotion structure that integrates the chemicals and air conditioning divisions. Aiming to raise the refrigerant recovery, recycle, and reclamation rates for Japan as a whole, in fiscal 2023, we began operating a new reclamation facility and a system that enables centralized management of data from refrigerant recovery to destruction.

Fluorocarbon Recovery Network System



See below for the amount of fluorocarbons recovered, amount destroyed in fluorocarbon recovery and destruction at time of repair and at time of disposal

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

Fluorocarbon Recovery and Destruction Business on Consignment

At the request of dealers and other businesses, we carry out proper recovery and destruction of refrigerants. The Daikin Contact Center receives calls all day, every day. Upon request, recovered fluorocarbons are delivered to certified contractors or recyclers licensed under the Act on Rational Use and Proper Management of Fluorocarbons nationwide, or are securely destroyed at contracted destruction facilities. In addition, some recovered refrigerants are destroyed at our in-house destruction and treatment facilities, and the resulting reclaimed fluorite is recycled as a raw material for refrigerants and fluorochemical products.

Operation of Fluorocarbon Reclamation Facilities at the Yodogawa Plant

In December 2023, we established a new refrigerant reclamation facility at our Yodogawa Plant and obtained a license as a "Class I Refrigerant Reclamation Contractor." By reclaiming recovered refrigerants at the facilities of our refrigerant reclamation partner companies and Yodogawa Plant, we aim to raise the domestic refrigerant recovery and reclamation rates.

Operation of a Fluorocarbon Recovery Data Network System

Aiming for reliable recovery of fluorocarbons (refrigerants) from commercial refrigeration and air-conditioning equipment, we have begun operating a refrigerant reclamation data network system that enables centralized management of information on all processes from recovery to reclamation and destruction, including the amount of refrigerants recovered, the amount reclaimed by reclamation contractors, and the amount destroyed by destruction contractors. The system contributes to thorough management in compliance with the Act on Rational Use and Proper Management of Fluorocarbons, as well as to the streamlining of legal administrative work at charging, recovery, reclamation, and destruction contractors.

Training Technicians for Refrigerant Recovery and Installation

To ensure the reliable recovery of refrigerants, Daikin provides training to its employees and business partners that covers the specialist knowledge and techniques required.

In Japan, we continue to hold training sessions and seminars to develop qualified personnel in relation to the Act on Rational Use and Proper Management of Fluorocarbons, and we are also working to enhance the curriculum of our training programs by creating videos explaining standard installation and key points of brazing work. The curriculum of these domestic training programs is shared with our service centers in Singapore and other countries and regions in an effort to train technicians who perform refrigerant recovery and installation globally.

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

Name of training	Fiscal 2023 results
Refrigerant Recovery Technician preparatory workshop	Target: all employees in Japan handling refrigerants Number of participants: 2,768
First and Second Grade Refrigerant Fluorocarbons Handling Technician preparatory workshop	Target: all employees in Japan handling refrigerants Number of participants: 5,015

Circular Economy

Circular Product Design and Service Creation

Basic Policy

Daikin strives to create products and 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 and Development

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
036 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 Results in Fiscal 2023

The main results of development and other initiatives in fiscal 2023 related to resource conservation and resource recycling are presented below.

Residential air conditioners

- The industry's first use of heavy rare earth-free magnets in compressor motors for some models released in 2023, with plans to increase the number of 2024 models using this technology.
- Use of recycled plastic for the cover of the stop valve and some plastic parts in the indoor unit.

Residential air conditioners and other air conditioners in general

- Adoption of recycled PP and HIPS materials in some residential air conditioner models
- Development of technology to manufacture aluminum fins from aluminum scrap generated in plants

Air conditioners for cooling computer equipment

- Weight reduction by changing the layout of parts in indoor units
  6.8% reduction compared with conventional models
- Weight reduction by installing an aluminum air heat exchanger in the outdoor unit
  4% reduction compared with conventional models

Streamer air purifiers

- Use of both resin parts made of new material plus recycled material

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. The key to this business is the direct recovery of valuable resources used to make air conditioners. Air conditioners are made from many metals such as copper and aluminum. In addition, the refrigerant used in air conditioners has a greenhouse effect hundreds to thousands of times greater than CO_2, and if left unattended after a breakdown, air conditioners will release it into the atmosphere. In this business, ownership of the air conditioners remains with Daikin, which ensures that the refrigerant is eventually recovered along with the equipment itself. Energy management can also lower air conditioner electricity consumption and greenhouse gas emissions, and maintenance can prevent refrigerant leaks.

068 Social Value with Air

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

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: Increasing Air Conditioner Functionality with Parts Replacement

The Retrofit Maintenance Plan that Daikin has come up with is a service that can increase the energy efficiency of existing air conditioners. By replacing the control board compressor of multi-split type air conditioners for commercial buildings with the latest components, energy consumption can be reduced. Compared to updating the main unit, replacing parts requires less than one-third of the weight, leading to resource conservation.

Since the start of the service, we have been expanding the service application to include more models.

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.

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 2023, we established a target of 360 tons-CO_2 and achieved a reduction of 395 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.

Looking ahead, we anticipate that products will become larger to accommodate the larger number of energy efficiency functions. We will continue working toward to eventually eliminate our use of polystyrene foam to rein in any increases in our total use of packaging materials.

Main Achievements in Reducing Packaging Materials in Fiscal 2023

- Eliminated the use of polystyrene foam on the top surface of some commercial air conditioner SkyAir models, reducing 65 tons-CO_2 per year
- Achieved packaging specifications for ceiling-suspended indoor units that reduce the use of wood by 192 tons-CO_2 per year
- Reduction of container board usage by changing the combination of top-bottom tray and sleeve for energy-efficient inverter air conditioners bound for North America

Topics

Received the Japan Star Award at the 2023 Japan Packaging Contest

Daikin Industries, Ltd., Oji Holdings, and Oji Container Co., Ltd. won the Japan Star Award (Chairman's Award of the Japan Packaging Institute) at the 2023 Japan Packaging Contest organized by the Japan Packaging Institute for the development of an automated assembly machine for S-round flow packaging trays.

In parallel with the development of an automated machine, we developed packaging materials and changed the conventional four-layer structure, which could not be done by machines, to three layers by adjusting the inner core strength. This resulted in a 2% reduction in packaging volume. The use of containerboard was also reduced by 4%, resulting in an annual reduction of 94 tons-CO_2.

This technology also won the WorldStar Award at WorldStar Competition 2024 organized by the World Packaging Organization (WPO).

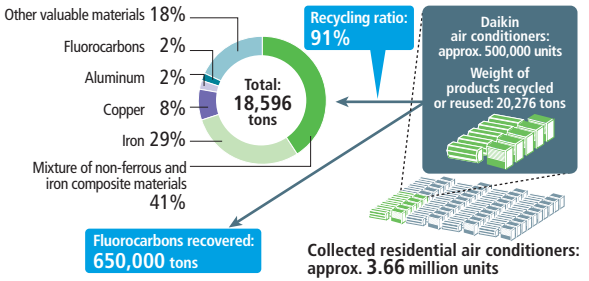
Promoting Recycling

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 2023, we recovered about 0.5 million units totaling 20,276 tons. The recycling ratio was 91% and the amount of fluorocarbons recovered was 0.65 million tons-CO_2.

Recycling of Residential Air Conditioners in FY2023 (Japan)



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

Fluorocarbon Polymer Recovery and Recycle Business

Daikin Compounding Italy S.p.A. recovers waste and cutting scraps from the molding and processing of fluororesin and super engineering plastics, whether made by the company or other companies, and sells recycled products that have been cleaned, crushed, mixed, re-pelletized, and otherwise treated at the company's own facilities. These recycled plastics are used for packing and sealing materials in various industrial fields, as well as materials for tubing and piping.

Recovered PTFE raw materials for recycle

Biodiversity

Protecting Biodiversity

Basic Polic

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, including biodiversity, through their business activities, set targets, and disclose their progress.

Daikin is committed to minimizing the negative impacts of its business activities on biodiversity, while at the same time working to maintain the balance and restore vibrant nature and ecosystems around the world. Furthermore, in light of social trends, Daikin has begun to better understand how its business activities depend on and impact nature in order to disclose information in accordance with the guidelines of the Task Force on Nature-related Financial Disclosures (TNFD).

Basic Policy of Protecting Biodiversity

In September 2010, Daikin established its Basic Policy on Protecting Biodiversity.

In Daikin's business activities, greenhouse gas emissions have a particularly large impact on biodiversity. We consider it most important to minimize our impact on biodiversity by reducing greenhouse gas emissions through efforts to address climate change throughout our business activities, including product development, production, transportation, sales, after-sales service, and supply chain.

In addition to addressing climate change, Daikin's Basic Policy on Protecting Biodiversity promotes efforts to protect and rejuvenate the bounty of nature outside of its business operations.

On top of promoting employee-led efforts to protect and rejuvenate nature at our own facilities and in neighboring communities worldwide, we also work with governments, local residents, NPOs and NGOs to preserve forests around the world as part of our environmental and social contribution activities, acting for the sake of abundant greenery and the air.

178 Data Policies, Regulations and Guidelines Basic Policy of Protecting Biodiversity

Business Activities and Biodiversity

Daikin has identified social issues that have a significant impact on both the company and society, determining that climate change as a top priority issue. We believe that climate change and biodiversity must be addressed based on the fact that they are interdependent and influence each other.

Daikin is working on and disclosing information on climate change in line with the TCFD recommendations. With regard to biodiversity, Daikin is also making efforts to understand the nature-related dependencies and impacts of its overall business activities, organize risks and opportunities, and promote integrated assessment and management.

In recent years, it has been pointed out that identifying and assessing water risks is important not only for business activities but also from the perspective of biodiversity. Daikin is committed to the sustainable use of natural resources, for example, by taking action against water shortages for operations in regions with high water stress.

Similar to carbon neutrality, it is important that biodiversity conservation be addressed throughout the supply chain. Daikin asks its suppliers to consider and address biodiversity in its Green Procurement Guidelines and Supply Chain CSR Promotion Guidelines.

015 Management Overview of Sustainability Identifying Material Issues

063 Environment Environmental Impacts in Business Activities Water Resource Conservation

111 Social Supply Chain Management

Efforts at Bases in Japan

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

At the biotope called Daikin Shiga Forest established in 2012, employees have been exterminating non-native species, introducing and maintaining native species, and conducting biological monitoring surveys with the aim of recreating a satoyama landscape. The Hydrocharis dubia* plants introduced from Yabase-Kihan Island, Shiga Prefecture, in fiscal 2021, are also increasing steadily. We are also using the biotope as part of environmental education for local elementary school students.

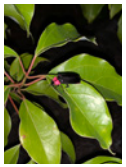
* A floating native plant existing throughout Japan except Hokkaido. Due to environmental changes in rivers and lakes, it has declined rapidly and was listed as a near-threatened species in the Ministry of the Environment's Red List in 2020.

Bird house installed in the forest

Environmental education for elementary school students

Nature Forest at Yodogawa Plant

The Nature Forest at Yodogawa Plant created in 2015 has been nurtured through both natural selection and human care, with the aim of recreating the satoyama landscape of Hokusetsu, the local region. The year 2017 saw the start of firefly habitat maintenance, and by 2023 we had confirmed a total of over 300 fireflies hatching. The forest has contributed to the rich ecosystem of the Yodo River basin, growing into a place where a diverse range of organisms inhabit and visit.



Genji firefly

Black snail

Musk swallowtail

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, all 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.

Biotope at Kanaoka Factory

Ecological survey

Oryzias and Pseudorasbora parva

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)

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 2023, we held four forest development activities, with 64 employees, along with their families, participating at Harashiroyama and 27 at Izuhara.

* 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 Isitma Ve Sogutma Sistemleri Sanayi Ticaret A.S.
Tree planting in the community

Daikin Compressor Industries Ltd.
Tree-planting volunteers at a local forest

Initiatives through Corporate Citizenship Programs

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

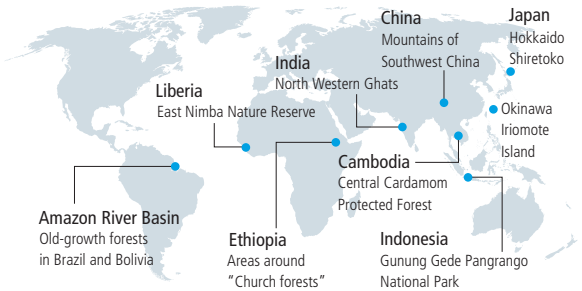
Forests, which nurture biodiversity, produce oxygen through photosynthesis, release water vapor that provides a cooling effect that mitigates rising temperatures and have an air purifying effect that removes air pollutants from the air. Forests are the earth's air conditioner.

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 strengthen our support in Hokkaido's Shiretoko, Indonesia, India, China, and the Amazon River Basin, and re-launch 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

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. 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 2023, a total of 225 employees had participated in reforestation efforts.

Daikin volunteers (September 2023)

Daikin volunteers (February 2024)

Initiatives in Indonesia

Since 2008, Daikin has been working with international NGO Conservation International (CI) on a reforestation project in Gunung Gede Pangrango National Park on Java Island in Indonesia to rejuvenate the forest and its ecosystems.

This national park is covered with valuable tropical forests that are home to many unique species designated as endangered. But in the last several decades, there has been rapid deforestation as social problems such as poverty have forced people to clear land for agriculture and cut down trees to support their lifestyles. Toward solving this problem, Daikin is contributing to reforestation but also providing support to secure alternate livelihoods for residents to reduce their dependence on cutting down trees. So far under this project, about 150,000 trees (local species) were planted on about 300 hectares with the help of 644 local farming families and 20 national park rangers. We have been supporting farming (agroforestry), and providing environmental education to help residents build a foundation for their lifestyles.

In addition, we have also helped bring the natural gift of water and hydropower to households in these areas. This improved the convenience and sanitation, as well as opened up the residents' awareness toward the importance of the forest, with the result that they are more eager to protect their natural resources.

In fiscal 2018, we received a letter of appreciation for our environmental and social contribution activities from the government of Indonesia. The letter recognizes our contributions to the revitalization of forest that serves as a water source for Indonesia's capital of Jakarta as well as our contributions to solving social issues faced by local communities, such as poverty and education. Through forest conservation activities like this, Daikin will contribute to the achievement of SDGs by helping solve social problems such as poverty.

Helping create a livelihood for local farmers: Preparing cucumbers grown in the planted forest to be sold in the market
©Conservation International, Photo by Anton Ario

Initiatives in the Amazon Basin

We are promoting sustainable forest use so that local residents can enjoy the bounty of nature and live alongside the forest. In Amapa, Brazil, the introduction of agroforestry and support for commercialization of agricultural products resulted in a 20% increase in the income of 43 households. These activities have helped to establish infrastructure for livelihoods that do not depend on deforestation.

In the future, the scope of support will be expanded to Bolivia, and efforts will be made to conserve forests in the Amazon River Basin while protecting the rights of indigenous peoples.

Environmental Impacts in Business Activities

Water Resource Conservation

Basic Policy

Daikin strives to reduce water consumption by reusing wastewater as much as possible at its production bases. We will also identify bases with water risks and conserve water resources throughout the value chain. At our production bases around the world, we are strengthening controls on water use.

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.

Addressing Water Risks

Daikin has investigated areas of water stress since fiscal 2014 using the water risk map of the World Resources Institute (WRI) called Aqueduct and the Global Water Tool of the World Business Council for Sustainable Development (WBCSD). 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 have since added rainwater storage pits and taken other countermeasures, along with formulating a business continuity plan (BCP) in case water shortages impact operations.

See below for our water intake and wastewater in water-stressed regions (India, China)
150 Data ESG Data Environment Reducing Environmental Impacts of Business Activities

Water Intake Reduction

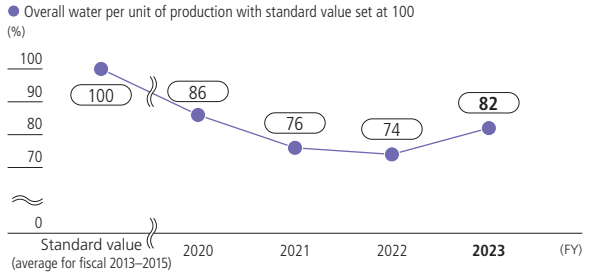
Reducing Water Intake per Unit of Production

Daikin has established a goal of reducing water intake per unit of production by 10% in fiscal 2025 compared to the baseline.* For example, we reduced water intake volumes by reusing water used for cleaning and other processes after purifying it.

In fiscal 2023, we achieved a reduction of 18% 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 wastewater trends, Chemical Oxygen Demand (COD) emissions
150 Data ESG Data Environment Reducing Environmental Impacts of Business Activities

Engagement with Stakeholders

Daikin uses water at each of its manufacturing bases during the cleaning and painting processes for air conditioner parts. This water is released after being treated. At our plants in Japan, we regularly hold discussions with local residents where we share information about our initiatives concerning water.

Environmental Impacts in Business Activities

Reducing Emissions

Basic Policy

Daikin is promoting initiatives for a circular economy as one of the key themes of the medium-term strategic management plan, Fusion 25. As part of this, we are working to recycle waste generated in the production process and reduce the amount of waste generated.

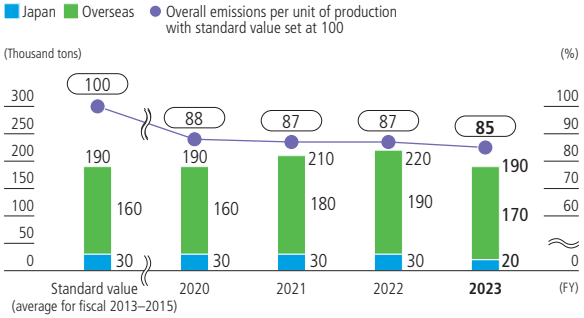
Waste Reduction in Production Processes

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, we are committed to reviewing the production process and reducing deficiencies through equipment renewal.

In fiscal 2023, we achieved a 15% 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 in the previous fiscal year, they worked to thoroughly separate and recycle waste plastics and plastic pallets generated during production. As a result, in fiscal 2023, the Daikin Group in Japan generated 7,443 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.

054 Environment Circular Economy

Environmental Impacts in Business Activities

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.

114 Social Supply Chain Management Responsible Procurement Promoting Green Procurement

Compliance with J-Moss

https://www.daikin.com/csr/environment/j-moss

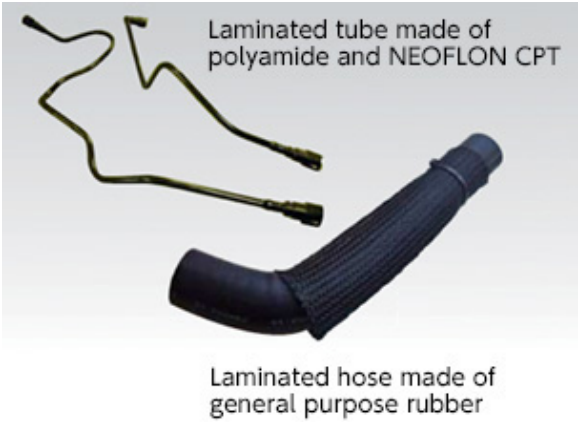
Products that Help Prevent Air Pollution

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

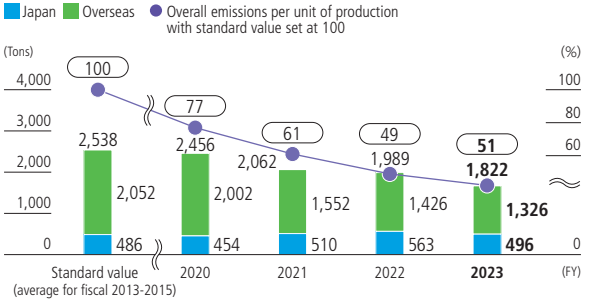
Each Daikin business base in Japan and overseas is making efforts to reduce a variety of chemical substances. They are also working continuously to increase the recovery rate and ensure the appropriate treatment of target substances.

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 2023, we achieved a 49% 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

151 Data ESG Data Environment Reducing Environmental Impacts of Business Activities

Daikin's Approach to PFOA

Daikin Industries, Ltd. and its all affiliates has ceased the manufacture and use of perfluorooctanoic acid (PFOA) and related substances 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. 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

Daikin Industries, Ltd. 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 consider new technologies and practices to help ensure the safe manufacture and use of our fluorine 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
151_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. For example, evacuation training is held based on the scenario of plant accident and tsunami caused by an earthquake, while disaster prevention training is held twice a year based on the scenario of a fire occurring as a secondary disaster at Kashima Plant where Daikin Chemicals is located. In addition, other training was held three times at Shiga Plant, three times at Yodogawa Plant, and six times at Sakai Plant in fiscal 2023.

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.

Social

Value with Air

Value with Air

Overview

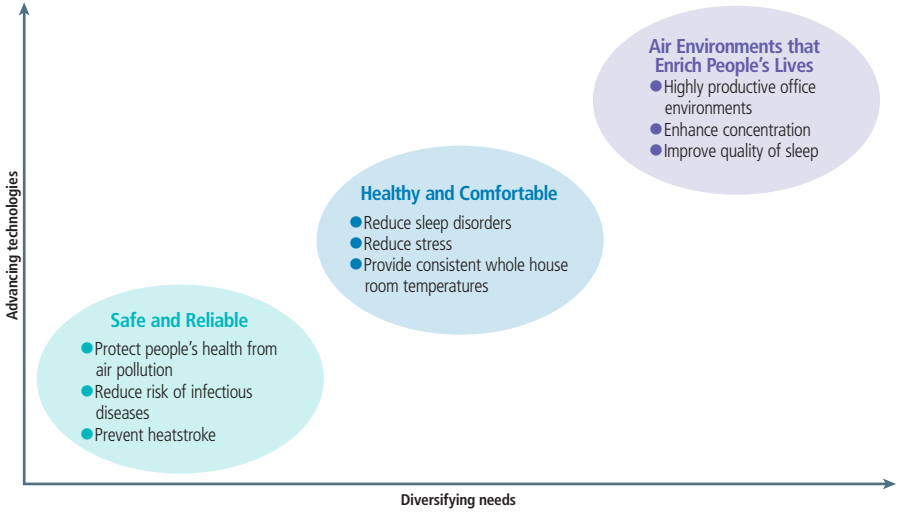
As a company that provides solutions with air, Daikin continues to pursue and create new values with air.

In Daikin's long-term policy outlined in Environmental Vision 2050, we have indicated our determination to resolve social issues with products and solutions that utilize the strength of air, and are executing measures toward this end within the Fusion 2025 strategic management plan.

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.

We are now pursuing greater value with air in all new arenas. We are also tackling the challenge of creating air environments that enrich people's lives and have a positive impact on physical and mental health or help to increase productivity.

Image: The power of air



Safe and Reliable Air

Ventilation and Air Purification

Since the outbreak of the COVID-19 pandemic in 2020, people have been looking for effective ventilation and air purification. In response, Daikin has been using its proprietary technologies to pursue even higher quality ventilation and air purification solutions.

Confirmed Streamer Technology Inactivates the COVID-19 Virus

In February 2022, Daikin, together with the Research Institute for Microbial Diseases, Osaka University, demonstrated* the ability of Daikin's streamer technology to inactivate variants of the novel coronavirus (SARS-CoV-2). Our streamer technology is an air purifying technology that decomposes harmful substances by oxidation with streamer discharge. The results showed that more than 99% of variants were inactivated with exposure for a certain period of time, in comparison to natural decay.

* The results reflect the test condition in which a streamer generator was used, and do not indicate effect of the actual machine or actual usage environment.

Launch of Four UV Streamer Air Purifiers

Since December 2021, Daikin sequentially 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

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

Four new UV Streamer air purifiers launched (available in Japanese only)
https://www.daikin.co.jp/press/2021/20211130

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.

Negative Pressure Unit Preventing the Spread of Infectious Diseases

A negative pressure unit creates a state called "negative pressure" where the air pressure is lower than the surrounding air pressure by controlling the airflow in a certain direction. Isolating infected persons in a space with negative pressure can prevent the spread of air mixed with viruses. Daikin sells negative pressure units based on its proprietary HEPA filter technology to meet urgent needs on the frontline of medicine and, in response to the voices of healthcare professionals, we also sell a collapsible negative pressure booth that can be assembled in a short period of time when needed.

Collapsible negative pressure booth with aluminum frame

Improving Indoor Air Environments using Air Filter Technology

Daikin has expanded its technology domain through a number of M&A deals in the filter business since 2007. We are now harnessing 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.

Compact dust collector on the manufacturing floor

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.

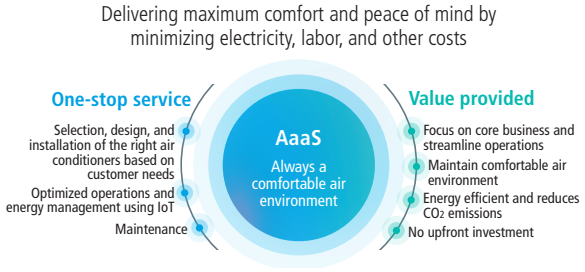
Daikin aims to provide healthy and comfortable air around the world. As part of this effort, we are also focusing on the creation and utilization of new business models. We provide a service that provides access to desirable air environments without having to purchase or own an air conditioner.

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. As of March 31, 2024, we have concluded over 70 contracts for this AaaS, representing a two-fold increase in the previous two 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/

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, 2024, approximately 2,000 units have been sold and installed.

Installing an outdoor unit on a house

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.

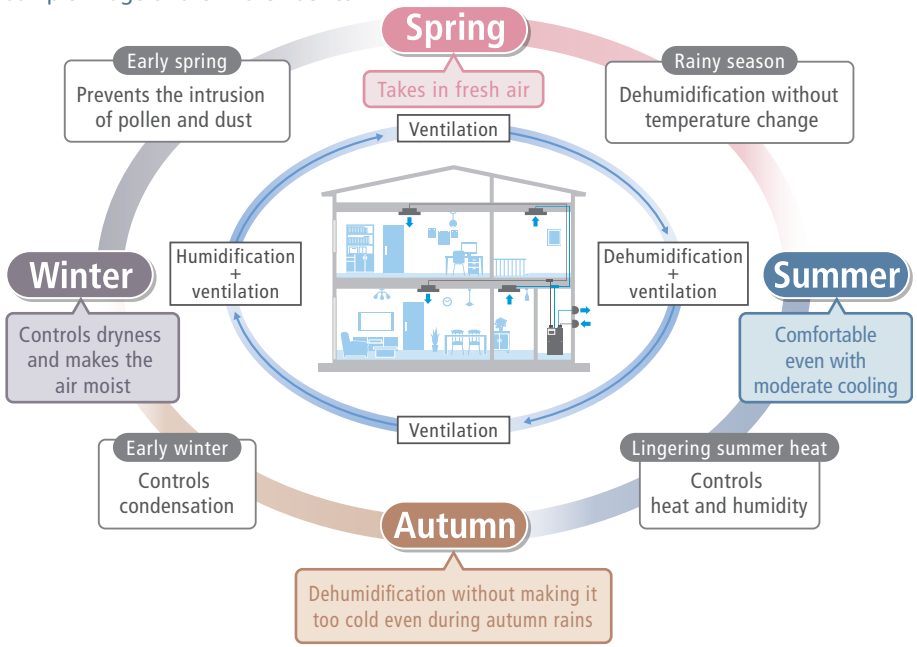
Saravia received the MITI Minister's Award in the Product and Business Model Category at the FY2022 Energy Conservation Grand Prize.

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 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

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.

Creating an Environment Conducive to Napping for Greater Vitality

To help stop low productivity caused by lack of sleep, Daikin is working to create an air environment that allows people to nap more effectively during the day. In collaboration with a laboratory at the University of Electro-Communications, we are conducting research on optimal heat control for daytime napping. After two years of verification, since 2022, we have been conducting demonstration experiments in an office setting with a view to practical application.

An increasing number of offices are encouraging napping for greater worker vitality. Daikin will continue helping workers to improve performance by expanding its lineup of products that improve the quality of sleep.

Feature of Fiscal 2021: New Value Creation—Creating an Environment Conducive to Napping for Greater Vitality
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/feature2021/air-pdf.pdf

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.

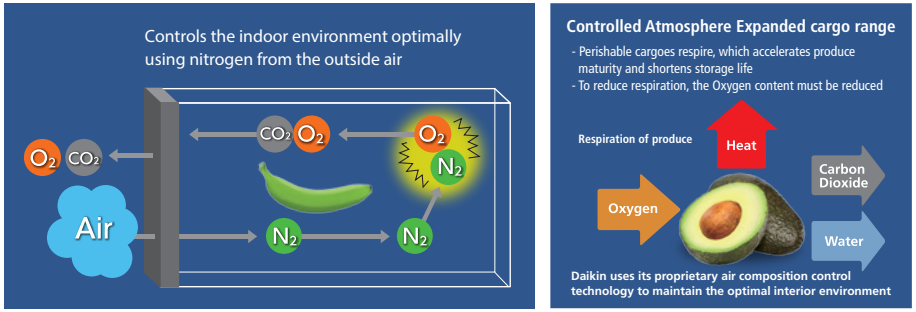
Feature of Fiscal 2022: Value with Air—Making Exercise a Good Habit Using the Power of Air
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/feature2022/air-pdf.pdf

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 Active CA Technology



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

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 service, 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 build up its technological superiority by leading further advanced technologies: inverters, heat pumps, and fluorochemicals. It is also important to combine state-of-the-art technologies from around the world—such as information-communication, sensors, 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 120 manufacturing bases, 53 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.

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

See below for the Technology and Innovation Center (TIC)
099_Social_Co-creation_Approach and System

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. In fiscal 2023, the overall customer satisfaction index (CSI) exceeded that of the previous year, reaching a record high in satisfaction. The CSI also exceeded the target value of 4.40 at all service stations.

See below for customer satisfaction and overall satisfaction
155 Data ESG Data Society Customer Satisfaction

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 350 engineers have been certified under the system.

We have also created a system to certify Daikin service skills overseas. In fiscal 2023, we conducted the certification test in India and Central and South America, in addition to North America, Asia and Oceania. The test will also become available in Europe and China as we strive to improve our service technical skills. Additionally, starting in fiscal 2023, we will convene and conduct the training of key personnel in charge of staff training in each country instead of sending Japanese service experts overseas for their training, thereby creating a foundation that enables human resource development within each country.

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 is scheduled to be held in fiscal 2024. 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. Additionally, we have developed six new courses in fiscal 2023, including courses on the installation of ECOCUTE as the demand for environmentally conscious products that contribute to carbon neutrality is on the rise, as well as courses on renovated properties, among others. We offer a total of 76 courses to dealers, including new courses. Of these, 55 courses are on single subjects and 21 courses are for qualification certification.

Skills training for distributors

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.

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 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.

As of fiscal 2023, a new facility for our European R&D center is under construction 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.

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.

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

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 in Tokyo, Osaka, Shanghai, New York, and Istanbul, we consult with customers while they are browsing actual products and energy management systems.

Virtual Fuha Online Showroom

Since 2020, Daikin operates the virtual showroom fuha on its website offering informative videos on the concerns customers may have or products of interest, as well as direct chat with dedicated staff through Online AC Consultation. In addition, our initiative for customers to experience fuha up-close, such as an Online LIVE Tour that allows customers to see products online, have become well established.

Going forward, we will continue to make more new proposals for Daikin's customers.

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, which boasts 1,000,000 members.

In fiscal 2023, the specific energy-saving feature included in residential air conditioner Urusara was determined based on the results of a user survey (power saving to ensure stable operations once a target temperature is reached).

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, this model is equipped with a long list of features. In fiscal 2018, we added the option of customizable coatings of the front panel from a selection of 600 colors. In March 2024, the new color panel Nordic Brown was released as a complementary color to the latest interior design trend with the highest number of votes in the *watashi risora contest*.

risora, which balances design and functionality

Universal Design in Product Development

Developing Products That Anyone Can Use Easily

Daikin incorporates universal design into product development to enable the operation of products with ease by as many people as possible. Daikin constantly strives to ensure that universal design takes into account the needs of users by developing products with the realization that universal design and monozukuri are one and the same.

Topics

Received the Good Design Award as a Safety-Conscious Product in Use Case

The hybrid ceram product was developed under the concept of *operating with a peace of mind*, featuring an intuitive and user-friendly dial as well as a panel that does not easily overheat as per popular demand.

The product was chosen for the award in fiscal 2023 for its unique air path and mechanism design which offers a safe and secure heating experience unlike with conventional far-infrared heating systems, and for its appearance that can easily fit into variety of spaces no matter the installation environment.

Far infrared heater (HYBRID CERAMHEAT)

Daikin Receives "Good Design Award 2023" for Two Products: "Floor Standing Air Conditioning Unit" and "HYBRID CERAMHEAT"
https://www.daikin.com/press/2023/20231010

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. Two sessions were held in fiscal 2023. Moreover, we have started a new initiative of sending out regular newsletters to customers to share information on new products and exhibition events.

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, once a month the chemicals divisions hold 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

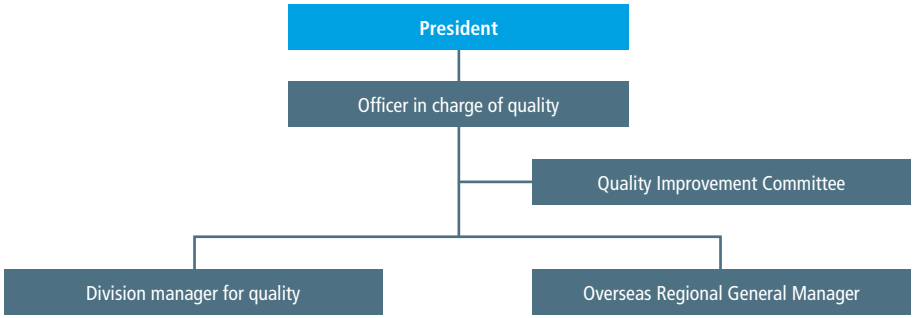
All major manufacturing bases in Daikin have obtained ISO 9001 certification and have quality management systems conforming to this international standard. Company divisions maintain high levels of product quality and ensure proper management of each department, such as development, procurement, and 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. Our efforts to improve design specifications and mitigate malfunctions have led to cost savings.

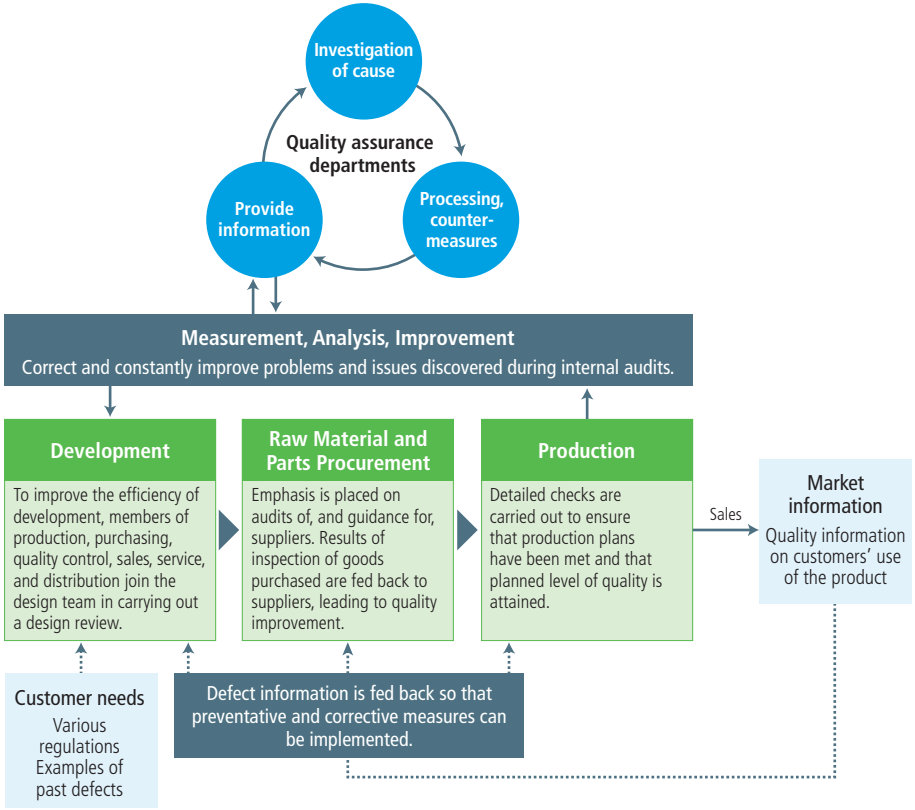
Initiatives by Each Division

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 a quality evaluation system in module development • Implement measures to eliminate lot defects caused by equipment • Conduct measures to prevent outflow of defects due to human error • Enhance the quality of purchased products through co-creation with suppliers • Strengthen the quality assurance system based on the regulation on global quality assurance
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: Eliminate and provide training on defects resulting from operation and equipment (enhance management procedures on equipment, including work environment by stepping up workers' ability to identify risks), and implement defect elimination with early intervention based on trend management. 3. Strengthen quality process: Ongoing implementation of initiatives aimed at both increasing productivity and enhancing quality globally.

Quality Control System



Quality Assurance Process



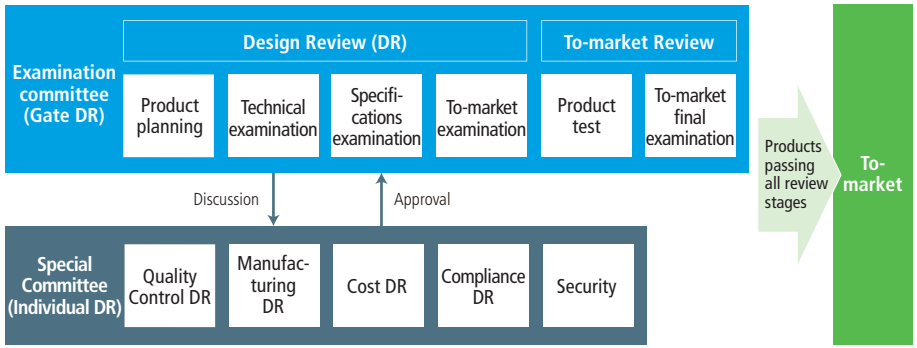
Improving Quality

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 newly 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)

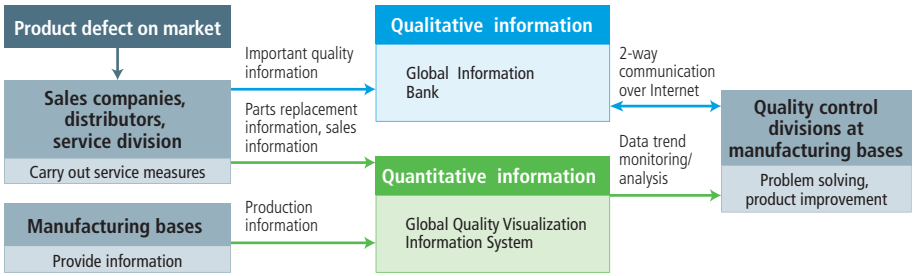


In the chemicals divisions, we have been conducting reviews based on a four-level management system consisting of development theme verification, technology establishment, business-viability establishment, and mass-productivity. We inspect designs from multiple aspects, including technical verification, 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



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 2023, there were no 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

116 Social Supply Chain Management Working Closely with Suppliers

Policy on Product Safety

See below for our initiatives for our policy on product safety

180 Data Policies, Regulations and Guidelines Product Safety Voluntary Action Guidelines

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 worldwide bases. 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 global Daikin Group regarding things like fire, electrical shock, and explosion, and stipulate two layers of 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 (5th edition), published by the Association for Electric Home Appliances, and the Revisions Labeling Procedures, 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. For example, 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.

Human Resources

Fostering Human Resources

Basic Policy

Implementing people-centered management, Daikin conducts human resources development based on on-the-job training,* following its belief that people grow through work experience and the cumulative growth of all group members serves as the foundation for the Group's development, as one of the principles of Our Group Philosophy. In addition, Daikin implements many training programs with consideration for the company's strategy and business direction as well as the change of times, including internal lectures that foster technical development personnel in the field of AI, and overseas base practical training for fostering young, globally-minded employees.

Moreover, 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 to further refine the training of executives and leaders.

* Employees learn and acquire the general knowledge, technical knowledge, skills, and commitment required of their positions while performing their jobs.

Education Measures

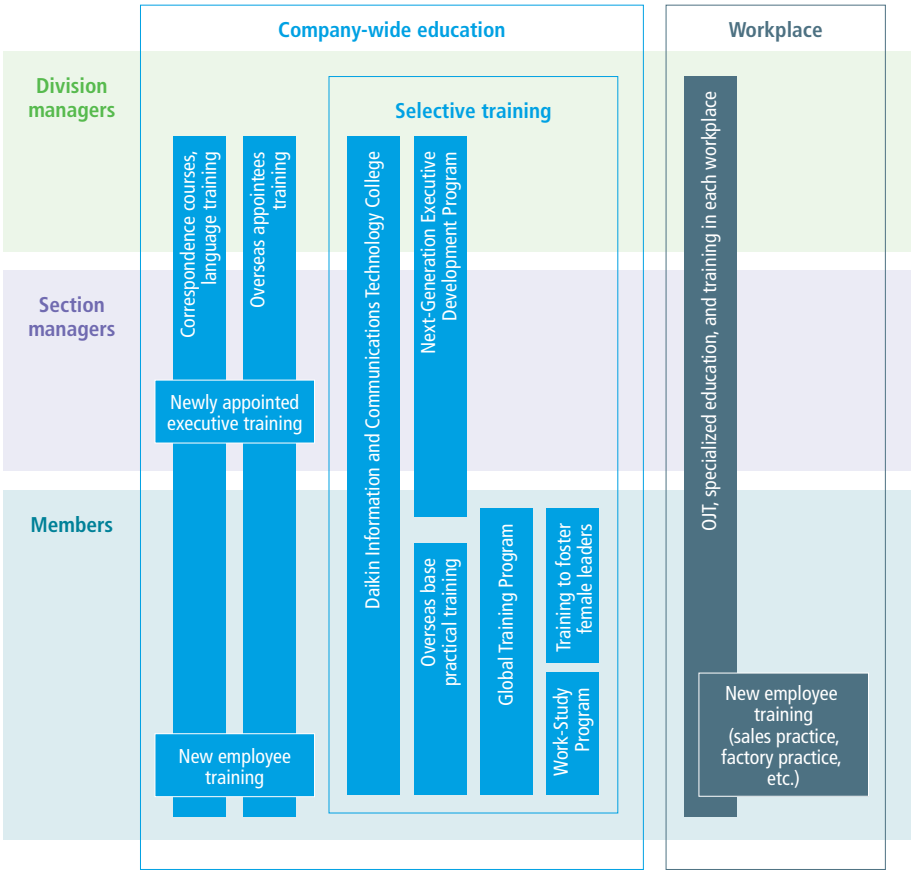
Raising up Personnel to Implement Our Group Philosophy

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.

Accordingly, Daikin is enhancing training opportunities at Daikin Ales Aoya Global Training Center and Eau de Ciel Tateshina Seminar House, which include managerial training and skills and technical training.

In addition, we continue to boost human resources, such as by boosting global recruitment, increasing the number of inter-regional and international deployments, and creating competitive assessment and reward systems, and facilitate mutual communications between divisions and bases.

Education System



Main Training Programs

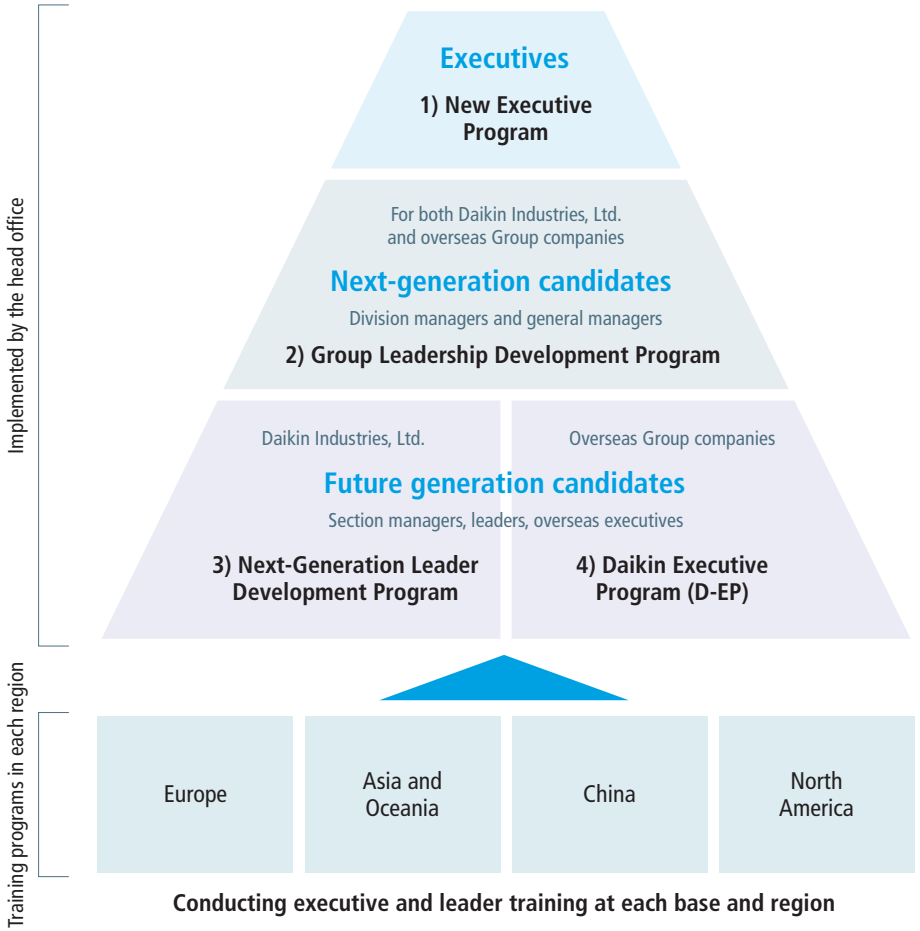
Training name	Purpose	FY2023 results
New Employee Training	To learn "Basics for Members of the Society," "Daikin's Business," and "Practical Skills and Mindset for Work." To gain understanding of what is an ideal employee and people-centered management, and to consider what is required of an employee to advance themselves as their role changes from a student to a member of the society, and connect to their resolution and goal for the next chapter. Period: One and a half months following the welcome ceremony (This includes five nights and six days at the Daikin Ales Aoya Global Training Center in Tottori) Purpose of Overnight Training Camps for New Employees: • To understand Daikin's approach to human resources. • To instill a sense of value and spiritual fuel that fosters a robust professional and personal life.	New employees are provided comprehensive instruction to foster understanding of the organization and our businesses and acquire business skills. At the same time, we newly implemented Global Mindset Training to promote a diverse sense of career, including working abroad, and Self-Activation Training to recognize the source of one's passion and vision, and to set specific goals, as new themes. Targets: 302 new graduate hires In fiscal 2023, we conducted discussion-centered training, with a particular emphasis on the conflicts that arise from the experience of learning from others, the challange of facing oneself, the harmony that lies ahead, and the various emotions. Targets: 381 employees (302 new graduate and 79 mid-career hires)
Overseas Base Practical Training	To foster internationally minded employees who can lead our global business in future, we send young employees to work at overseas bases. Unlike other Daikin employees working overseas, these people 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. Period: Between one and two years at overseas bases	Fiscal 2023 result: 37 employees Total number of employees dispatched since fiscal 1999: 448 employees
Global Training Program for Overseas Personnel	We have held the Global Training Program in Japan to train young employees from Daikin overseas bases. Through training, participants deepen their understanding in areas such as Daikin technologies, quality, and production technologies, so that they can lead Daikin's worldwide efforts at their respective overseas bases.	Cumulative total number of trainees who have taken this training between fiscal 2015 and 2023: 40 employees
Work-Study Programs in Japan	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.	Total number of employees dispatched in fiscal 2023: Seven Daikin employees were sent to study at Toyota Technological Institute, and one employee was sent to the MBA program at International University of Japan.

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 classes: director class, division manager/general manager class, and section manager/leader class, and provided with a specialized training program.

Overview of the Next-Generation Executive Development Program



Next-generation Leaders Candidate Development Program

Program name	Targets
1) New Executives Program	New executives
2) Group Leadership Development Program	Division managers and general managers (From Daikin Industries, Ltd. and overseas Group companies)
3) Next-generation Leaders Training	Section managers and leaders (From Daikin Industries, Ltd.)
4) Daikin Executive Program (D-EP)	Executives and managers at overseas bases (From overseas Group companies)

Training in Each Region and Base

In order to expand our business from the human resources perspective, we are also conducting executive and leadership training in each region and base. In fiscal 2023, we conducted the following initiatives in each location.

Major Training Conducted in Fiscal 2023

Approach to development	Details
Cross-functional Training in Asia/Oceania	• **The 7th Young Shining Star Academy** 30 people participated. Session 0 (October) was held online, and Session 1 (December) was held at the Daikin Ales Aoya Global Training Center and in Osaka. In Session 1, the General Manager of the Human Resources Division conducted a session focused on Our Group Philosophy and People-Centered Management. The role model session was attended by Daikin Air Conditioning Singapore Chairman and Daikin Australia GM. Session 2 (March 2024) was held in Thailand. • **The 4th Regional Engineer Development (R-ED) Program** In the fourth term, 19 people participated. The kick-off session (July) was held online, the first session (August) was held in Thailand, and the second session (November) was held in Japan. In the second session, the MVP team of the third term was also invited to participate in the entire four-day program, providing advice on topics to consider as senior members. The third session (January 2024) was held in Malaysia. The final session (March 2024) was held in Thailand.
Early Development for Air Conditioning Divisions' Management Candidates in the Asia and Oceania Region	• **Held the Advanced Leadership Program and Emerging Leaders Program** In preparation for the relaunch of the R-DEP (selective training for management personnel) program during the COVID-19 pandemic, we began conducting human resource development in countries that showed interest in participating in R-DEP. The program was customized in each country based on the prioritization of each Group company's President. The program was held at PT. Daikin Air Conditioning Indonesia with 20 participants over a four-day period and at Daikin Australia with 25 participants over a six-day period.
Management Training Support	• **Daikin Industries Czech Republic s.r.o. Management Dojo (September, October)** We held a management dojo for managers of Daikin Industries Czech Republic, which marked the seventh such time. There were 29 participants. The two-day group training took place at an external facility. The theme was "opportunities to foster a mindset in employees allowing them to think independently about issues in the workplace and take action." This time around, participants were asked to form groups and set challenges. Each group was able to think in detail and come up with a story. The issues raised this time will continue to be examined within Daikin Industries Czech Republic. • **Daikin Airconditioning (Singapore) Pte. Ltd. Skills for Executive Program (July)** This is a skills enhancement training targeting young employees under the level of assistant manager. This year, 25 participants took part in the program. The theme was "acquiring communication skills for collaboration within the company."
Executive and Leadership Development Program in the United States	In the United States, we organized the Unlimited Potential Program to foster executives and leaders among managers from multiple companies located in the country. The program involved three one-week sessions for between 20 and 30 participants to consider leadership in the context of people-centered management, which was held over four rounds. In the fifth round, 27 people participated. Past students also participated as speakers for their continued learning.

028 Feature Human Resources Accelerating the Development of Globally-Minded Employees

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 2023, this rate was 1 in 2.9 at Daikin in Japan, and 1 in 8.1 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. As of the end of fiscal 2023, there were 51 Takumi and Experts.

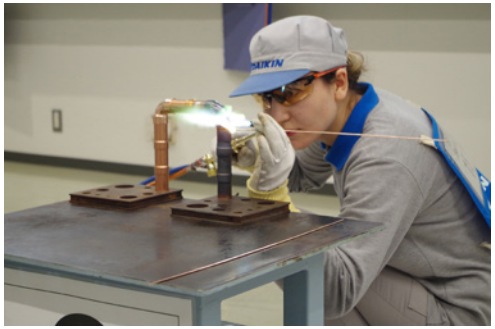
System for Training Excellent Skilled Engineers

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 2023, 340 employees, including employees of partner companies, participated in the Japan regional competition of Global Skills Competitions. Regional competitions were also held in Europe, Asia/Oceania, North and South America, and China. Skills Workshops were also held.



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.

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 Osaka University 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 1,500 by the end of fiscal 2023. We are working to develop 2,000 employees by the end of fiscal 2025.

By the end of fiscal 2023, approximately 440 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
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)
AI Technology Development	Fosters human resources who can externally outsource development using AI technologies and AI development	• AI knowledge (using AI technologies from Osaka University) • Project-based learning (PBL using frontline data)
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.)
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

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/new/pdf/feature2022/hr-pdf.pdf

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 for service engineers, 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
073 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
125 Social Customer Satisfaction Supporting Education

Human Resources

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 90,000 employees and business operations in 170 countries around the world.

173 Data Policies, Regulations and Guidelines Human Rights Policy

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
157 Data ESG Data Society Human Resources

Recruitment and Appointment of Diverse Human Resources

Promoting Local Employees to Managerial Positions at Overseas Bases, and to Officer Positions at Daikin Industries, Ltd.

As Daikin promotes globalized business management, 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, 2024, the ratio of local nationals serving as president or director of an overseas subsidiary stood at 46% and 50%, respectively, showing that we are making progress with the localization of our management resources.

See below for the number and ratio of local nationals serving as president or director of an overseas subsidiary.
159 Data ESG Data Society Human Resources

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 operate 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.

Since 2001, we have eliminated uniform wage items such as age pay and seniority pay. Through these changes, 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.

Building a Global HR Database for Optimal Development and Assignment

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 age, position, and career history at Daikin, the database allows supervisors and employees to fill in other data points such as strengths and expertise, thoughts and hopes for work and career, policies related to development, and records of conversations with supervisors. We will use the database as a tool to further harness the abilities of each individual, which will lead to timely search, training, and assignment of human resources. In the future, after having established a foundation in Japan, we will expand the database globally with the aim of identifying and searching for human resources throughout the Group.

Maximizing the Talents of Women

Daikin Industries, Ltd. is undertaking projects that are directly under top management since 2011 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 2024, women accounted for 19% (1,658) 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 2023

Female Leader Development Program	As part of our measures to systematically develop female candidates for managerial positions, we simultaneously held training sessions to foster female leaders for mid-career and young employees. From June 2023 to February 2024, we held a total of four group training sessions. In addition, training was also conducted for the supervisors of the participants. The purpose of the training was to provide 40 female employees (20 mid-career and 20 young) with the potential to become managers in Daikin in the future to clarify the type of leader they aspire to become based on their strengths and challenges and to create opportunities for them to change their mindset and actions in order to increase their influence in the organization as managers and leaders.
Innovative Women's Active Participation Program	As part of our collaboration with Osaka University to promote diversity and inclusion, we implemented the Innovation Female Participation Promotion Program for female employees in skilled and technical areas. During the three-day program, participants attended lectures at Osaka University. The purpose of the program is to change mindsets so that the participants become influential as a leader in the Daikin Group's skilled and technical areas in the future, and to provide a venue to encourage learning through interactions with female engineers from other companies and female graduate students at Osaka University.
Follow-up Session for Newly Appointed Female Managers	In September, we held a follow-up session for female managers who have been promoted to managerial positions within the past two years. The session was held with the aim of sharing the anxieties and worries that women have after becoming managers, and building relationships where they can support each other.
Career Design Training Sessions for Women	We held a career design training session for young women in March 2024. Participants were selected from young female employees who have been with the company for three to five years. The session was held for about 50 participants. The purpose of this training is to provide participants with an opportunity to think about their careers before a life event, and at the same time, to make them aware that it is okay for each person to have a diverse and unrestricted career without being swayed by typical norms.
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. The purpose of these discussions is to reaffirm the need to promote women's participation and advancement in the workplace, and at the same time, to strengthen the development of women in each department and to accelerate the promotion of women's active participation.

As a result of these initiatives, as of April 2024, the number of female managers was 108 (8%), which is about five times the number in 2011, when efforts to promote women's participation were officially launched. In addition, the ratio of female managers in main overseas business sites outside of Japan is about 20%.

See below for the number of regular hires, the ratio of female hires (Daikin Industries, Ltd. only), the number and ratio of female managers, and the wage gap between men and women.
158 Data ESG Data Society Human Resources

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. (DSS), a cooperative venture with the Osaka Prefecture and Settsu City governments. DSS strives to provide these people 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 maintains a statutory employment rate of persons with disabilities of 2.81% as of the end of fiscal 2023. 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 fiscal 2023, in response to changes in the situation surrounding the employment of persons with disabilities in Japan, including the increase in the statutory employment rate and revisions to the Act for Eliminating Discrimination against Persons with Disabilities, we established a system in which a 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, we conducted e-learning on reasonable accommodation for the entire company, not limited to just to departments where employees with disabilities are enrolled (approximately 94% of the 9,917 employees responded). We have also expanded this training to our domestic affiliates.

In addition, the Corporate Ethics and Risk Management Committee confirmed the current employment status of persons with disabilities at major business sites. 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)
159 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 2024, there were 95 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 new hires and intern trainees of foreign nationality. 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 for foreign national employees.

We will continuously implement various efforts, including following up individually with each foreign national employee.

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 movie screenings and distribute handbooks in collaboration with other companies, providing opportunities for non-LGBTQ+ people to understand 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.

Human Resources

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 not just the R&D department but also by 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. In 2014, 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 by the Osaka Labour Bureau (Ministry of Health, Labour, and Welfare). In 2020, we obtained the right to use the certification logo (Kurumin) under the Act on Advancement of Measures to Support Raising Next-Generation Children.

Going forward, we will continue to help employees achieve an ideal balance of work and childcare while also using their skills to the fullest.

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 2023, the utilization number of childcare leave was 82 for women and 221 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. As a result, the ratio of employees returning to work from childcare leave in less than one year was over 30% as of March 2024.

We host the Seminar for Employees Returning from Childcare Leave for employees returning to work (both men and women), 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)
160 Data ESG Data Society Human Resources

Workplace Environment Development at Daikin Industries, Ltd.

Creating a work environment that supports the balance between life and career for both male and female employees		
Seminar for Employees Returning from Childcare Leave	Purpose	We have been conducting the seminar since 2012 to strengthen the measures that support the continuation of an employee's career and not let childbirth or childcare end a career. 1. To share thoughts and know-how on how to build a career while supporting childcare at home, and to learn the positive impacts of childcare on one's career 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, and to cultivate a company culture that supports career advancement while providing childcare regardless of gender
	Details	Lectures and discussions on careers, know-how on balancing work and childcare, 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 of employees who are raising a child or children. In fiscal 2023, we held the seminar online for around 100 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. To promote systematic utilization of childcare leave, we make announcements on the system and encourage conversations between supervisors and employees. The Human Resources Division also conducts regular check in with eligible employees on their plan 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 Childcare Support Cafeteria Program
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.

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.

In fiscal 2020, we updated our in-house programs following revisions to Japan's Child Care and Family Care Leave Act, enabling family care leave to be taken in hourly units.

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.

See below for the number of employees taking family care leave (Daikin Industries, Ltd. only)
160 Data ESG Data Society Human Resources

Human Resources

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.

173 Data Policies, Regulations and Guidelines Human Rights Policy

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.

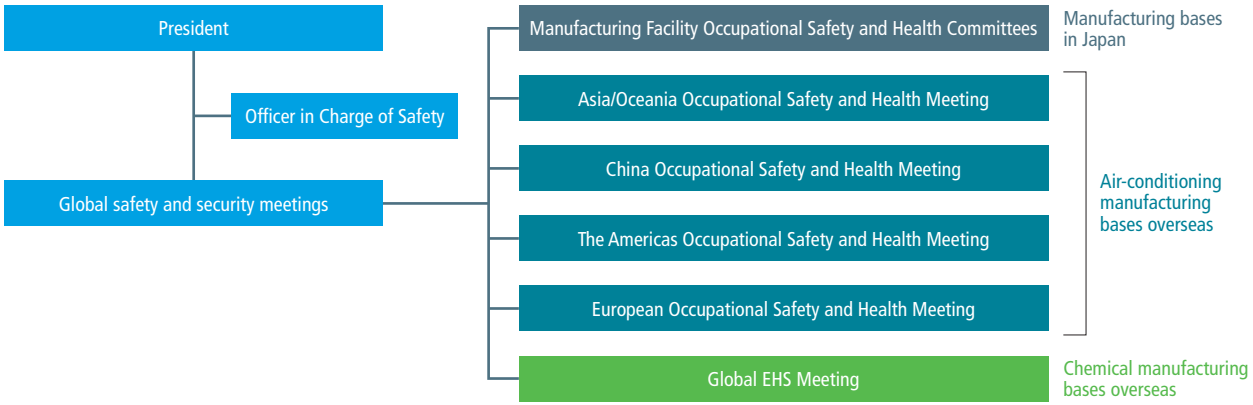
Management Structure

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



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."

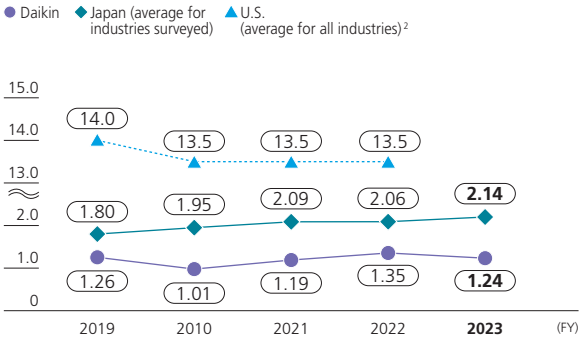
Additionally, we are working to prevent the occurrence of occupational accidents by providing protective equipment, translating procedure manuals into local languages, conducting periodic inspections of equipment, and adopting easy-to-understand labeling using photographs, including at overseas bases.

See below for our countermeasures against serious risks
133 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 2023 was 1.24.

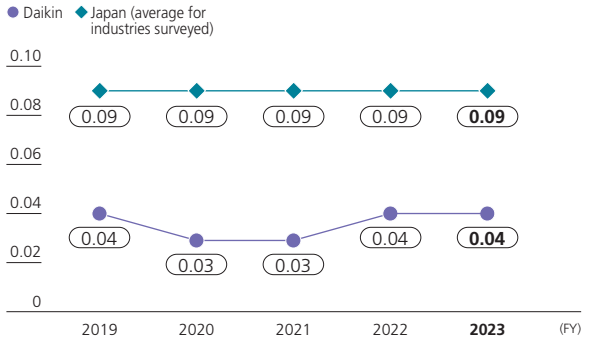
Frequency Rate of Lost-Time Occupational Accidents[1]



[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 2023).
No data was released for the U.S. in fiscal 2023. (As of the end of June 2024)

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

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 2023, 62 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 our bases that have obtained certification for their occupational health and safety management system
160 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. In fiscal 2023, more than 4,000 employees participated in hands-on training.

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., more than 200 employees participated 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.

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
117 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
125 Social Communities Corporate Citizenship Activities Harmony with Communities

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. In fiscal 2023, 99.6% of employees underwent checkups, with issues found in 49.4% of these checkups.

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.

See below for the uptake rate and rate of issues found during health checkups (Daikin Industries, Ltd. only)
161 Data ESG Data Society Human Resources

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 ratio of paid leave taken (Daikin Industries, Ltd. only) and average overtime hours per employees (Daikin Industries, Ltd. only)
161 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
125 Social Communities Corporate Citizenship Activities Harmony with Communities

Human Resources

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 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 will continue to build rewarding workplaces for our employees by matching their dreams and goals with those of Daikin.

Human Resources

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 2023, we continued to hold these meetings with the labor union's headquarters on a regular basis. Participants discussed topics including how to improve workplace structure and motivation, make work more rewarding, and tackle management issues.

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.

In February 2016, the official name was changed from council to federation. 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.

Co-creation

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. It has absorbed cutting-edge technology, including AI and IoT in North America where there is rapid technological progress. In fiscal 2019, we established the Technology and Innovation Center CVC Office as an organization to promote collaboration with start-ups. In this manner, we are accelerating innovation that combines state-of-art technology inside and outside the company, innovative ideas, and knowledge.

Technology and Innovation Center (TIC)

Technology and Innovation Center (TIC)
https://www.daikin.com/about/corporate/tic

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 issues 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 the table at right.

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.

Fiscal 2023 marked the first five years of the agreement's term. To further raise the level of co-creation in the second five-year term, at the steering committee held in 2023, top management from both organizations discussed the type of initiatives to pursue in the future.

Steering committee meeting held in November 2023

Examples of Co-creation with the University of Tokyo (as of March 31, 2024)

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	Considering the value of air conditioning in developing and emerging countries, and the realization of air environments that contribute to well-being
• Creating future technology based on core technology development and new value creation		
	Contract for lectures and joint research	Held 17 social science linked lectures and conducted joint research including one sponsored lecture (fiscal 2023)
	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	Announced research results on expected transition from alternative refrigerants to natural refrigerants (fiscal 2022)
	Proposal of home energy system (PACaaS[2])	Proposed PACaaS for carbon neutrality and examined the reduction of electricity loss using an annual simulation (fiscal 2022)
• Tie-ups with venture businesses with the aim of early social implementation		
	Investment and collaboration with Fairy Devices Inc.[3]	Additional investment to expand collaboration (fiscal 2023); and following Japan and Asia, promoting DX for on-site operations to spread heat pump heating in Europe
Personnel exchanges		
	Global Internships	45 people traveled to Daikin's business bases in North America, Europe, India, and Thailand (fiscal 2023)
	LOOK UTokyo	Held lectures by faculty members of the University of Tokyo aimed at exploring new co-creation themes 41 times since the start of co-creation, with a total of 1,869 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.

Collaboration with Osaka University

In fiscal 2016, Daikin established the Daikin Collaboration Research Institute at Osaka University. 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 Osaka University 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.

In the verification phase, from 2019 to March 31, 2024, we have been creating large-scale themes and developing various solution options while increasing the number of members and fields of activity. After participating in the major event SOCIAL INNOVATION WEEK SHIBUYA, we received many inquiries from the Tokyo Metropolitan Government, local governments, developers, and Expo 2025 Osaka Kansai, such as co-creation, proof-of-concept (POC), and data linkage.

As the next field of energy management research that has been promoted at the Minoh Campus, we will conduct POC at Expo 2025 Osaka Kansai, Haneda Innovation City, the redevelopment of an elementary school in Tokyo's Shibuya Ward, and Aizuwakamatsu Smart City in Fukushima Prefecture.

Examples of Co-creation with Osaka University (as of March 31, 2024)

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 Osaka University. In fiscal 2023, using the cross-appointment system,[1] Associate Professor Kohei Yamanoi of the Institute of Laser Engineering conducted analysis of new refrigerants using laser light and synchrotron radiation as a Daikin employee.
Verification Phase Research	
Energy Management	We transformed Osaka University's new Minoh Campus into a net zero energy building (ZEB). This made the university one of the first to make two buildings ZEB and going forward it plans to do the same with over 15 other buildings. In fiscal 2023, Osaka Prefecture, Osaka University, 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.[2]
Miscellaneous Programs	
Student Researcher Program	We held this training program for outstanding students at the School of Information Science and Technology at Osaka University (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.
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 Osaka University are providing in-depth instructional guidance on particularly challenging issues, as we reached the goal of 1,500 attendees by fiscal 2023 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.

[1] A system that allows researchers and others to enter into employment contracts with multiple institutions and companies and engage in work.
[2] An acronym for International Sustainable Campus Network. A global network of universities on sustainable campuses.

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 humanities-science integration, 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 issues 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 November 2023, we issued a press release detailing our verification that CO_2 can be reused as 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 and inverter control as well as the corrosive mechanism of heat exchangers.

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. From fiscal 2022 to fiscal 2023, we held mini workshops to promote understanding of the course.

Topics

On-site Group Work in the Philippines

In 2023, we conducted overseas human resource training in the Philippines that integrates the humanities and sciences. Incorporating elements of air conditioning into the training programs of Doshisha University and the University of the Philippines, participants deepened their understanding of the current situation and challenges of air conditioning in emerging countries through tours and lectures at local Group companies. Along with the students, four of our young engineers also participated in the program and experienced cross-cultural exchanges.

On-site Group Work (Group Work Practice I & III) in the Philippines
https://grm.doshisha.ac.jp/en/activities.php?c=activities_of_grm_1&pk=1696320790&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.

Similar to fiscal 2022, in fiscal 2023, research focused on themes in the Fusion 25 Strategic Management Plan, especially tackling the challenge to achieve carbon neutrality. We are now utilizing NAIST's capabilities to explore technology seeds that combine the three sciences of bio, information and materials.

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 research and healthcare research through collaboration between healthcare and industry. 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 Tsinghua University-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. In October 2023, we began mass production of 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.

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 co-authored 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.

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, 2024)

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

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.

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

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. For example, Daikin is currently demonstrating a nap environment using scents that encourage sleep. In addition, we have teamed up with Asahi Breweries, Ltd. to create a space where beer tastes good, and we are promoting the well-being business using the "Wind Unit" fan for offices in collaboration with Okamura Corporation.

Topics

Project Evolution from point 0 marunouchi

In fiscal 2023, we conducted the following new initiatives.

Establishment of Carbon Offset Room

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 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/

Carbon Offset Room
Image courtesy of: Tanseisha Co., Ltd. / Photographed by: PIPS

Launch of Consulting Service to Support Acquisition of WELL Certification

For customers who are considering obtaining WELL certification, we have started a consulting service that provides total support from feasibility diagnosis to acquisition. This new service is based on our experience of being the first co-working space in Japan to obtain WELL certification.

point 0 marunouchi (available in Japanese only)
https://www.point0.co.jp/coworking/

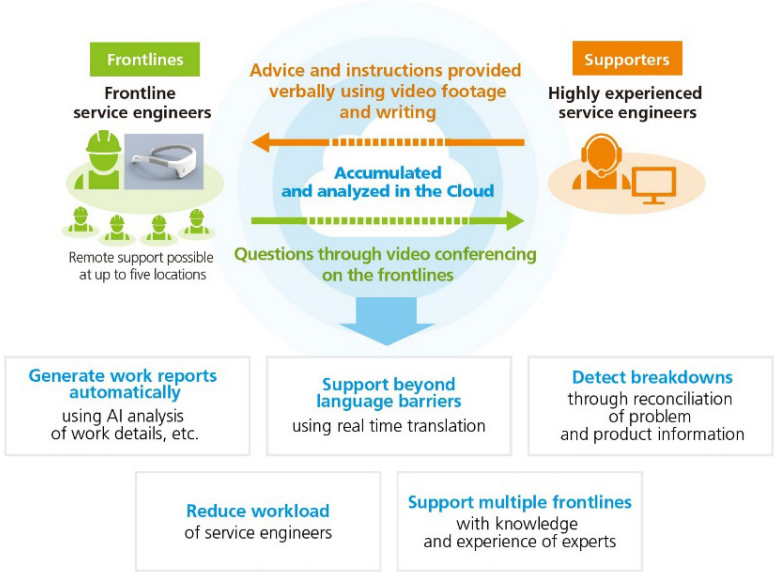
point 0 satellite (available in Japanese only)
https://www.point0.co.jp/satellite/

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



Collaboration with AiCT Consortium

In December 2023, Daikin, 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.

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.

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 Co-operation 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).

173 Data Policies, Regulations and Guidelines Human Rights Policy

171 Data Policies, Regulations and Guidelines CSR Philosophy Group Conduct Guidelines

Supply Chain CSR Promotion Guidelines
https://www.daikin.com/csr/social/supplychain_gl

See below for our participation in the UN Global Compact
122 Social Stakeholder Engagement Participation in Initiatives

133 Governance Risk Management Operational Risks

135 Governance Risk Management Consistency in Compliance

Respect for Human Rights

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 2023, human rights risks related to foreign national employees were revealed based on the results of the self-inspection and risk assessment for fiscal 2022 along with dialogue held with an NGO (The Global Alliance for Sustainable Supply Chains). Therefore, we worked to promote understanding toward reducing these risks. We confirmed the status of foreign technical interns at domestic manufacturing bases. We invited an NGO to hold a seminar for people in charge of foreign technical intern trainees on topics such as the foreign technical intern training system and human rights issues surrounding foreign technical intern trainees. We also invited an attorney to provide training to employees in relevant departments regarding the prevention of discrimination and harassment due to differences in values between foreign national and Japanese employees.

133 Governance Risk Management Operational Risks

111 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

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 conducted CSR questionnaires, which include items regarding respect for human rights, on suppliers in Japan. From fiscal 2019, we conducted these same questionnaires on suppliers outside of Japan as well. In this manner, we are working to increase the level of CSR awareness 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 fiscal 2023, in order to make our human rights policy known to all throughout the value chain, we explained the policy to logistics companies that deliver our products and service partner stores that repair and maintain our products. We also asked them to comply with the policy.

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.

111 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
122 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.

Starting in fiscal 2023, we considered introducing a system as a personal information protection tool and rolling it out to each Group company in an effort to further strengthen management.

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 U.K., Ltd.
https://www.daikin.co.uk/en_gb/about.html

J&E Hall International
https://www.jehall.com/modern-slavery

AAF Ltd.
https://sc82apps.aafintl.com/en-gb/industry/about-us/

Daikin Applied (UK) Ltd.
https://www.daikinapplied.uk/documents-download

Daikin Australia Pty., Ltd.*
https://modernslaveryregister.gov.au/statements/

* Australian Border Force website

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, through annual self-assessments to confirm how well the Group Conduct Guidelines, including respect for human rights, employees assess themselves and thus contribute to their 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 2023, we held seminars for departments that host foreign technical intern trainees and provided training on the prevention of discrimination and harassment due to differences in values between foreign national and Japanese employees.

Human rights training

086 Social Human Resources Workplace Diversity

116 Social Supply Chain Management Working Closely with Suppliers

Complaint Grievance Mechanism

At Daikin Industries, Ltd., employees can contact the internal or external Help-Line for Corporate Ethics to get advice and give opinions on all matters of corporate ethics including human rights, workplace bullying, and sexual harassment.

134 Governance Compliance

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 earn 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.

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.

In our air conditioning divisions, details of our purchasing processes are posted on our website in order to achieve equality of opportunity. All companies satisfying our criteria become eligible to do business with us.

In our chemicals divisions as well, we do business with any supplier meeting our criteria for specifications, quality, price, and delivery time, and we broadly request suppliers to cooperate with our efforts to advance CSR procurement.

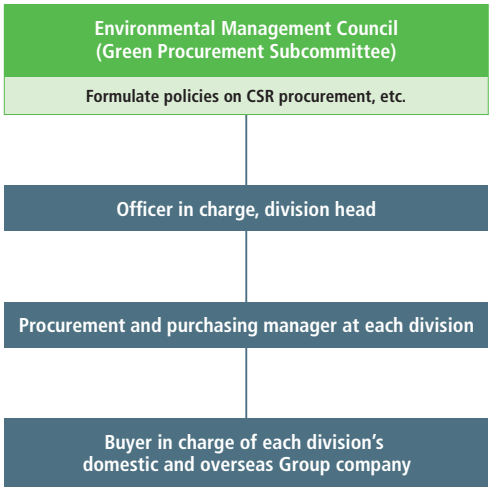
Management Structure

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.

The Green Procurement Subcommittee, which comprises persons in charge of procurement at each business division, implements initiatives on human rights and management of hazardous chemical substances within the supply chain.

Management structure



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.

In the air conditioning divisions, 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. Before we start transactions with new suppliers, we use the Supplier Assessment Standard Sheet, which takes region-specific risks into account, to judge companies based on five criteria of business management, safety management, price management, production management, and environmental management. Suppliers are re-assessed every year at our business sites globally based on our Assessment System for Continuation of Business. We use the same standards globally to evaluate environmental aspects. Companies that do not meet our assessment standards or companies that pose a high risk are required to make improvement plans that we assist them in implementing.

In the chemicals divisions, we assess suppliers based on five criteria: business management, safety management, quality management, environmental management, and production management. We also assess their compliance with the Supply Chain CSR Promotion Guidelines.

Supply Chain CSR Promotion Guidelines
https://www.daikin.com/csr/social/supplychain_gl

Rolling Out Supply Chain CSR Promotion Guidelines

Daikin established "build a robust and resilient supply chain that minimizes risks" 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 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 CSR initiatives.

In fiscal 2023, we reported the results of our CSR survey and analysis at a supplier briefing session attended by 119 domestic companies. We explained items with low scores, such as human rights and information security, to deepen the understanding of suppliers.

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.

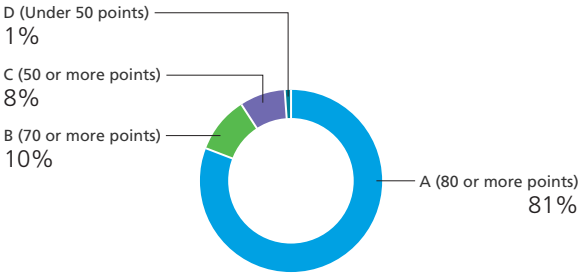
Targets and Results

(%)

Quantitative indicator	Targets	Progress			FY2025 Target
		FY2021	FY2022	FY2023	
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	72	75	81	100

In fiscal 2023, 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 81% in fiscal 2023. We will make efforts going forward 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

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.

Response to Conflict Minerals

Under our Basic Policy on Conflict Minerals[1] 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 RMI.[2] This strengthens our system for surveying the procurement sources of conflict minerals.

[1] 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.
[2] RMI: Responsible Minerals Initiative

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.

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 inspection list also 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 launched green procurement in South America in 2016. In regions where green procurement has been established, such as Europe and China, 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 2023, the Group green procurement rate was 79%.

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.

065 Environment Environmental Impacts in Business Activities Management and Reduction of Chemical Substances

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

Green Procurement Rate

(%)

	FY2019	FY2020	FY2021	FY2022	FY2023
Japan	93	95	95	91	93
Outside Japan	77	77	78	76	75
Entire Group	80	80	80	79	79

Targets and Results

(%)

Quantitative indicator	Target	Progress			FY2025 Target
		FY2021	FY2022	FY2023	
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	80	79	79	100

Risk Management in the Supply Chain

Mitigating Risks Associated with Green Procurement

At Daikin, we strive to reduce growing procurement risks as our business expands around the world and the operations of our suppliers become more globalized.

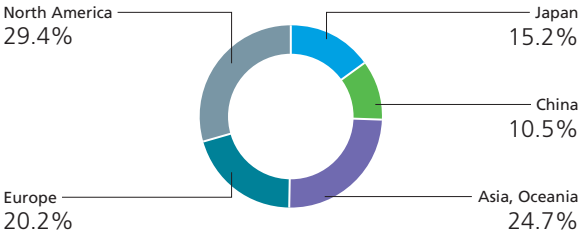
We regularly evaluate suppliers to identify risk and have created an in-house system for making timely decisions on suppliers affected by risk, and we update our databases as needed in order to improve our ability to deal with problems when they arise.

We 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.

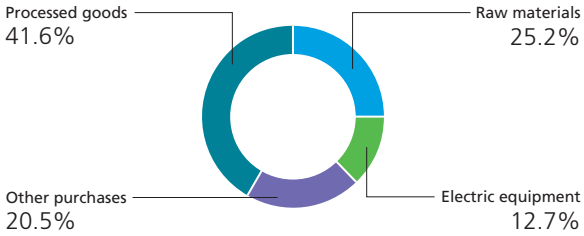
Suppliers that carry parts and materials matching Daikin's core technologies are designated as "Critical Supplier" considering the three categories of "substitution difficulty," "size of transactional value," and "importance of items supplied."

Going forward, we will continue to adjust order volumes through joint meetings of global procurement managers and work on cost improvements, stable procurement, and local procurement.

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.

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.

122 Social Stakeholder Engagement Participation in Initiatives

Supply Chain Management

Working Closely with Suppliers

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.

Quality improvement case study announcement meeting

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. In fiscal 2022, we conducted information sessions on revisions to the Daikin Group's Human Rights Policy and Supply Chain CSR Promotion Guidelines. (Held annually) In 2023, 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 2023, five announcement meetings were held with 123 companies in attendance and 108 quality improvement proposal meetings with 21 companies in attendance.
Quality forum	Explanation of Daikin Industries, Ltd.'s quality policy, defect rate and quality cost of purchased goods, quality abnormalities among companies, and activities aimed at improving quality, targeting suppliers of the chemicals divisions. (Once a year) In fiscal 2023, we explained our quality policy, presented awards for quality initiatives (three companies), and held a quality seminar called "Manager Seminar to Prevent Quality Fraud and Scandals."
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.

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 (59 suppliers visited in fiscal 2023). 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 (14 suppliers audited in fiscal 2023).

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 2023, more than 150 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.

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.

In April 2014, we re-started our air conditioner cooperative. The aim of this cooperative is 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. 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." These activities benefit 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.

Stakeholder Engagement

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 072 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 119 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 111 Social Supply Chain Management	• Daily procurement activities and quality audits • Supplier briefings and Supplier Quality Conferences	Procurement divisions
Employees 080 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 120 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 100 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 104 Social Co-creation Collaborative Innovation Led by Industry-Industry Partnerships	• Joint research, joint development • Participation in industry activities	Research divisions CSR divisions
NPOs, NGOs 120 Social Stakeholder Engagement Dialogue with Governments, International Organizations and NGOs	• Dialogue with NPOs and NGOs	CSR divisions
Communities 124 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

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 Industries, Ltd. 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 Industries, Ltd. 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 online 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 2023, a hybrid sustainability meeting was held both in person and online with over 130 analysts and institutional investors participating. The meeting focused on Daikin's initiatives in the Indian market as the main theme, which included information sharing and discussion held on Daikin's business expansion and initiatives to address environmental and social issues.

Additionally, Daikin is actively conducting individual dialogue sessions with institutional investors on its sustainability and ESG themes. In fiscal 2023, we conducted dialogue on Daikin's initiatives for reducing its overall environmental impact globally and progress report on the Environmental Vision 2050 with a focus on the theme added to the second half of the three-year plan 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 2023 was 98%.

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 2023, approximately 2,000 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.

Dialogue with Governments, International Organizations and NGOs

Air Conditioner Forums, *Konwakai*, Discuss the Future of Air Conditioning with Experts and Industry Groups

Since 1995, Daikin has hosted Air Conditioner 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 fiscal 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.

In addition, we have been conducting technical exchange meetings with the globally influential American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) since 2009. In fiscal 2023, an in-person meeting was held for the first time in four years at our training facility, where we exchanged opinions on approaches to address various environmental challenges surrounding air conditioners and buildings.

See below for our participation in initiatives
122 Social Stakeholder Engagement Participation in Initiatives

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 participates in a number of JRAIA's expert committees, contributing to its activities. In particular, Daikin chairs the Environmental Planning Committee, one such expert committee covering environmental activities. The committee is involved in discussions such as improving energy efficiency of refrigeration and air conditioning equipment that also contributes to reduced impact on climate change, and the use, selection of, and policy on 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

In fiscal 2023, on the occasions of the Washington, D.C. Office relocating and the opening of the Daikin Sustainability & Innovation Center, Daikin U.S. held a Daikin Exchange Meeting with invitations to officials from the White House and Department of Energy, and experts from environmental NGOs, and research institutions. The meeting featured presentation on Daikin's environmental technologies and stance on achieving a sustainable society. In addition, we showcased actual and demonstration equipment for a firsthand experience as well as conducted a discussion on the progress of heat pump movement in the United States.

We are looking to increase the frequency of such information exchanges as we study the direction that Daikin's environmental actions should take.

Topics

Sustainability Conference Held in Belgium, Europe, Inviting Royal Family, Government Officials, and International Organizations

Daikin Europe N.V. (head office in Ostend, Belgium) held a commemorative ceremony on October 2023 in celebration of its 50th anniversary. The ceremony was attended by over 600 guests representing the public and business sectors.

The Prime Minister of Belgium also sent a video message to the ceremony, stating that both the country and Daikin share the same long-term vision for a better future, as we are partners who stand together in green transformation as well as in fighting against climate change.

On the same day, a sustainability conference was also held in Ghent, which was attended by 30 people representing the government and industry organizations, including Her Royal Highness Princess Astrid of Belgium, and Ms. Laura Cozzi, director of the Internation Energy Agency (IEA). At the conference, discussions were held on the importance of government-private collaboration to create a fair competitive environment for low-carbon cooling and heating, including transitioning into clean energy.

Sustainability conference

Daikin Europe N.V. Commemorates Its 50th Anniversary
https://www.daikin.com/press/2023/20231017

Daikin celebrates 50 years of innovation in Europe, the Middle East and Africa
https://www.daikin.eu/en_us/press-releases/Daikin-celebrates-50-years-of-innovation-in-Europe-the-Middle-East-and-Africa.html

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 2021	April	Global	Daikin Airconditioning India Pvt. Ltd., and Daikin Industries, Ltd. applied together with Nikken Sekkei Ltd. to the Global Cooling Prize held in India, and received the Grand Prize for its air conditioning system that has greatly reduced overall environmental impacts than standard models.
	June	Middle East and Africa	Presented information on the necessary policies to spread inverter models, and greenhouse gas emissions reduction via low GWP refrigerant R-32, and exchanged ideas with government affiliates from countries in the Middle East and Africa based on demonstration experiments conducted in the past two years in Saudi Arabia and UAE.
	August	Global	Shared Daikin's policy and future directions through dialogue with the UN COP26 High Level Champion Secretariat, and conducted discussions on the importance for the cooling sector to take action to combat climate change as well as its current challenges.
	November	U.S.	Exhibition of actual heat pump at the Cold Climate Heat Pump Challenge hosted by the United States Department of Energy, which was attended by Vice President Harris.
	January	Global	Continued to participate in the training on Initiative on Fluorocarbon Life Cycle Management and high-efficiency non-fluorocarbon equipment in Japan hosted by the Ministry of the Environment and demonstrated the proper air conditioner installation method.
	February	Vietnam	Worked with the Government of Vietnam as part of the Ministry of the Environment's JCM program to create a refrigerant recovery scheme (Continued in Fiscal 2022, and Fiscal 2023).
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	U.S.	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. As a commitment to environmental contribution and commemoration of the relocation, a discussion was held with officials from the White House, the Department of Energy and environmental NGOs on technologies for achieving carbon neutrality and sustainability.
	June	France	Participated as a panelist in the 8th Global Conference on Energy Efficiency sponsored by the IEA. Discussion with energy ministers, and heads of international agencies, businesses and NGOs was held on what roles energy conservation regulations and international standards can play as energy efficiency becomes important in achieving decarbonization.
	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. Discussion with international organizations and governments on the initiatives on promoting high efficient air conditioners, and the importance of refrigerant life cycle management as a panelist at a side event sponsored by the Japanese government.
	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, aimed at accelerating discussions on decarbonization and resilience in the building industry following the official launch of Buildings Breakthrough at COP28.
	March	Vietnam	Ministry of Environment officials from Vietnam visited Daikin's refrigerant related facilities. Conducted opinion exchange on the creation of refrigerant recovering system.

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

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	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. 018_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. Science Based Targets: Ambitious corporate climate action https://sciencebasedtargets.org/ 146_Data_ESG Data_Environment

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/	CLOMA
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/ **Daikin joins the newly established "GX Business Working Group" as a leader to Build a Framework and Promote Evaluation and Disclosure on Climate-related Opportunities by GX League** https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/social/press_20220930-pdf.pdf	GX League
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/	Circular Partners
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 by the Minister of the Environment in November 2008. **Eco-First Promotion Council (eco1st.jp) (available in Japanese only)** https://www.eco1st.jp/	ECO FIRST
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/	JAPAN CLIMATE INITIATIVE
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/	Challenge Zero

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.

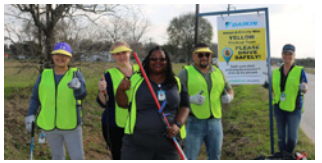
Daikin values its partnership with communities. We strive to contribute to society by donating money and goods, volunteering in various activities, and holding community events.

Protecting the Environment

Conducting Neighborhood Cleanup and Beautification Activities

Employees at our business sites take part in environmental activities including neighborhood cleanups.

Daikin Air-conditioning Technology (Shanghai) Co., Ltd.



Daikin Comfort Technologies North America, Inc.

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
060 Environment Biodiversity

"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

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 2023, around 450 students from five 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 14 elementary schools with around 1,000 students participating in fiscal 2023.

Efforts Overseas

Training Technical School Students 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.

Ho Tai Development Co., Ltd. (Taiwan)
Hosting a visit by university students

Daikin Compressor Industries, Ltd. (Thailand)
Hosts a visit by university 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. In collaboration with a vocational training school, the institute opened an air conditioning technology course for students, providing support such as having employees instruct teachers and providing the air conditioners needed for the course free of charge. As of the end of fiscal 2023, a cumulative total of approximately 400 air conditioner engineers who will play a key role in India's industrial infrastructure have been trained.

Daikin Airconditioning India Pvt. Ltd.
Brazing practice at the Japan-India Institute for Manufacturing (JIM)

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.

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. While the Bon dance festival has also been held in major global manufacturing bases such in China, the U.S., and Europe

In fiscal 2023, the Yodogawa Plant, Shiga Plant, Sakai Plant, and Soka Station held the Bon dance festival for the first time in four years, which had been postponed since 2020. The Yodogawa Plant's festival was a great success, with a record 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.

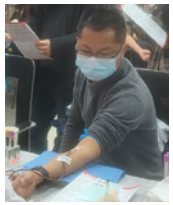
DAIKIN APPLIED AMERICAS INC.
Supports the local food bank

Daikin America, Inc.
Participates in a Christmas event at a facility for people with disabilities

Siam Daikin Sales Co., Ltd. (Thailand)
Donates wheelchairs

Daikin Trading (Thailand) Ltd.
Donates air purifiers to medical facilities

Daikin Comfort Technologies North America, Inc.
Donates stationery to children

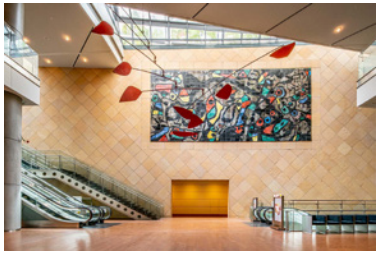


Daikin Fluorochemicals (China) Co., Ltd.
Holds blood drives

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)

http://www.nmao.go.jp/en/index.html

Daikin Supports the Kansai Philharmonic Orchestra

Daikin Industries, Ltd. has supported the Osaka-based Kansai Philharmonic Orchestra since 2006.

Kansai Philharmonic Orchestra

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 37th 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 pre-tournament 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 2024, Orchid Bounty donated ¥6.2 million to a total of 11 organizations and individuals, bringing the contributions since 1995 to ¥185.1 million and total recipients of 277.

The Orchid Bounty donation ceremony

Other Initiatives Overseas

Daikin also supports sports overseas.

Daikin America, Inc.
Hosts a golf tournament

Daikin Croatia Ltd.
Supports hockey team

Daikin Airconditioning Netherlands B.V.
Supports the national ice skating team

Daikin Airconditioning New Zealand Ltd.
Supports girls' rugby team

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, 2024, we have 10 directors (including two woman and one non-Japanese national). These directors oversee prompt and strategic decision making and sound supervision and guidance throughout the entire Group.

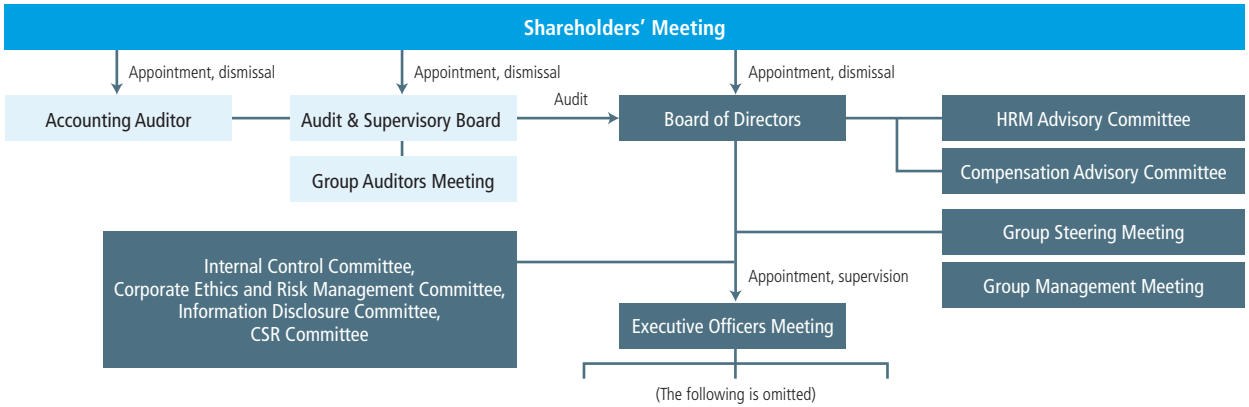
Daikin Industries, Ltd. appoints four external directors and three external Audit & Supervisory Board members with no vested interest in our company. To ensure that the external directors can effectively contribute to Daikin Industries, Ltd.'s corporate governance system, the employees in the Corporate 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

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, 2024)



Audit System

Daikin Industries, Ltd. employs an Audit & Supervisory Board. As of July 1, 2024, 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 2023, 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 95% of the meetings. In addition to topics on business, the Board of Directors worked to enhance deliberations on such themes as response to risks, sustainability initiatives and safety measures both 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 2023, 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 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. The Group Steering Meeting was convened twice in fiscal 2023, covering the key themes of the Fusion 25 Strategic Management Plan, including the refrigerant business and space and water heater business.

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.

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, 2024, the HRM Advisory Committee and the Compensation Advisory Committee consist of five members—four external directors, 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.

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, 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 an 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 corporate officer compensation, corporate officers with compensation over 100 million yen and accounting auditor compensation
163_Data_ESG Data_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.

034 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 21 "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 / Quarterly Report (available in Japanese only)
https://www.daikin.co.jp/investor/library/securities

076 Social Customer Satisfaction Product Quality and Safety
111 Social Supply Chain Management Responsible Procurement
134 Governance Compliance
139 Governance Information Security
037 Environment Response to Climate Change
065 Environment Environmental Impacts in Business Activities Management and Reduction of Chemical Substances

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.

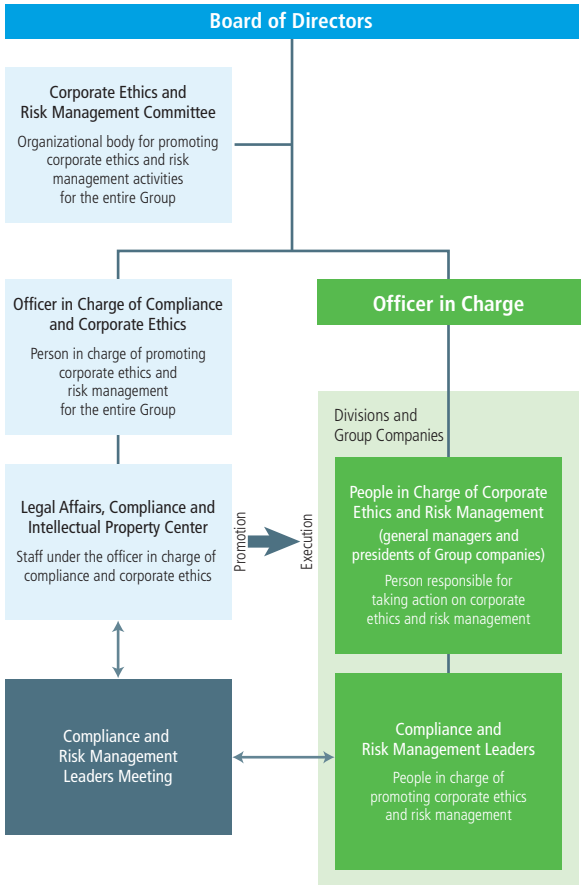
Risks facing the entire company are selected based on risk assessment results and after discussions held at risk assessment evaluation meetings led by the heads of corporate departments, and then finalized after deliberation by the Corporate Ethics and Risk Management Committee.

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 2023

- 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 disaster response a key company-wide theme and we are building stronger, more comprehensive disaster measures that include both hard and soft aspects.

In preparation for earthquake risk, 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.

139 Governance Information Security

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 group-wide 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.

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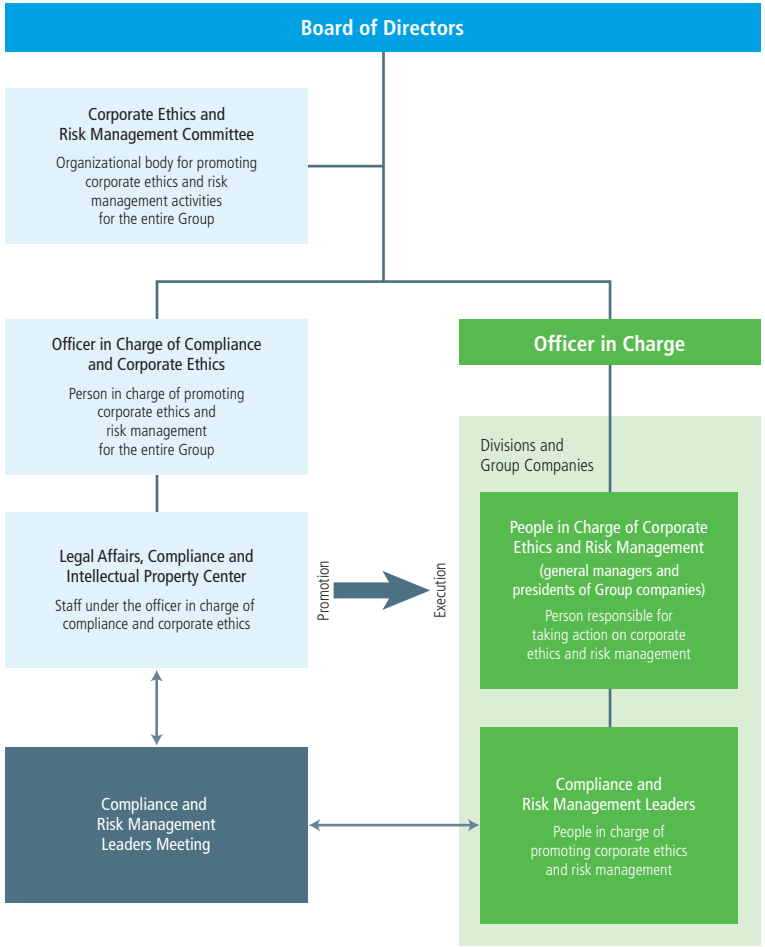
Compliance Management Structure



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.

In fiscal 2023, meetings of the Legal and Compliance Committee on such topics as respect for human rights, personal information protection, and anti-bribery were held for Asia and Oceania in September, and for Europe and China in March 2024.

Legal and Compliance Committee meeting for the Asia and Oceania region

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 Industries, Ltd. prepares annual training plans based on the needs of each division to comply with Japan's Antimonopoly Act, Act against Unjustifiable Premiums and Misleading Representations, and Subcontract Act. We assign experts such as lawyers and employees in the legal department as instructors for division-based training courses. In this way, communication with each division ensures the most effective training. At the same time, self-assessments* include checks that relevant laws are being obeyed.

* 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.

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.

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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 and Integrated Report.

Securities Report / Quarterly Report (available in Japanese only)
https://www.daikin.co.jp/investor/library/securities

Financial Data
https://www.daikin.com/investor/financial

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 2023, we created a new educational video on how to prevent harassment, which was shown to all employees. We also provided employee training on appropriate accounting treatment and preventing mistakes and fraud as key themes of 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 2023

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 2023 at Daikin.

Help-Line

Help-Line for Corporate Ethics Offers Counseling and Gathers Opinions both Inside and Outside Daikin Industries, Ltd.

Daikin Industries, Ltd. has a Help-Line for Corporate Ethics both inside and outside the company, where employees can give opinions or receive consultation on all corporate ethics matters. Through the Help-Line, all advice sought and opinions expressed 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.

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 confirm compliance with internal rules and guidelines using self-assessments.* Based on the results, each company plans and implements their own countermeasures.

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.

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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.

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 2023, there were no incidents involving bribe-related violations or sanctions.

136 Governance Compliance Help-Line

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.

In fiscal 2023, we discovered that a worker of a system development contractor (subcontractor) contracted by Daikin Industries, Ltd. illegally downloaded supplier information of Daikin Industries, Ltd. and its domestic affiliates. No traces of the worker divulging this information to a third party or secondary damages were confirmed.

Daikin Industries, Ltd. made announcements on its website, set up a contact point to handle inquiries, and provided written notices to those whose addresses were identified. In addition, we have taken measures to prevent recurrence, such as reviewing access rights to personal information of development contractors, strengthening internal network security measures, and further strengthening the criteria for selecting contractors. Going forward, we will continue to step up our information security measures.

Apology and Notification concerning the Possibility of Leaked Supplier Information (available in Japanese only)
https://www.daikin.co.jp/taisetsu/2024/240216

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.

171 Data Policies, Regulations and Guidelines CSR Philosophy Group Conduct Guidelines

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.

Information Security Management System

Daikin's Information Security Committee is a deliberation body chaired by the officer in charge of information security. This committee discusses revisions to groupwide information security strategy, policy measures, and common rules (regulations and guidelines). It operates under the Corporate Ethics and Risk Management Committee, to which it 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 Industries, Ltd. 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

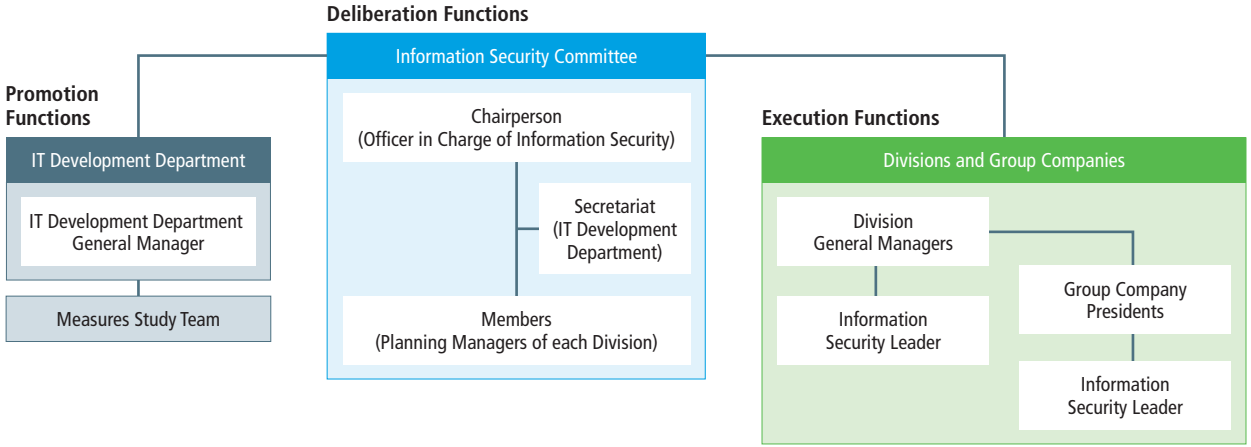
Daikin Industries, Ltd. strives to raise information security awareness among all members through training for officers, managers, and employees. General employees took courses on in-house rules in which they conducted self-assessments.* There were also articles in Daikin's in-house magazine aimed at raising security awareness. In addition to these educational opportunities, we provide training on targeted email attacks.

In fiscal 2023, 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 outside of Japan, we conducted basic 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



Information Security Inspections and Results

Daikin Industries, Ltd. performs in-house checks on information security matters as part of Daikin's 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 Personal Information Protection 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.

See below for our response to personal data regulations
109 Social Respect for Human Rights Human Rights Due Diligence Response to Human Rights Related Laws and Regulations

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.

171 Data Policies, Regulations and Guidelines CSR Philosophy Group Conduct Guidelines

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. With the number of counterfeit products increasing in recent years, we are further strengthening our monitoring of counterfeit products on e-commerce sites and applying for the removal of infringing products.

In fiscal 2023, we held a meeting among our bases in Asia and Oceania to strengthen collaboration and our cooperative structure. We also worked to bolster cooperation between our bases and promoted the expansion of intellectual property activities at each base. Furthermore, we provided training on intellectual property to the development departments at our European bases to foster greater awareness of intellectual property among developers.

In fiscal 2024, which marks the second three-year half of the Fusion 25 Strategic Management Plan, Daikin will once again share its intellectual property strategy with intellectual property stakeholders at overseas Group companies, exchange opinions on measures to step up applications at each base, and strengthen its cooperative structure. Additionally, we will provide intellectual property training to developers at our bases around the world to advance our intellectual property capabilities globally.

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 2023, in addition to paying compensation for patent applications, Daikin compensated employees for 570 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 2023, we awarded incentive bonuses to the creators of 87 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 2022, we applied for 1,067 patents in Japan and 772 patents overseas.

Awarding incentive bonuses to inventor group representatives

In fiscal 2023, in the air conditioning divisions, we utilized IP landscape analysis* to consider application strategies and worked to increase patent applications related to important technologies. In the chemical divisions, we built a portfolio using this same analysis coupled with a micro analysis, clarified strategies for each product and technology, and increased applications based on those strategies.

Going forward, we will continue our efforts to increase our patent portfolio globally while thoroughly eliminating patents that hinder development by conducting thorough preliminary investigations and taking early measures to address problematic patents.

* 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.

049 Environment Response to Climate Change Reducing the Environmental Impacts of Refrigerants Protecting the Ozone Layer and Mitigating Global Warming

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

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/csr/pdf/governance/press_20210701_02-pdf.pdf

Press release: Daikin Expands Patent Non-Assertion Pledge for Air Conditioners 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

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

030 Environment 165 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
Scope1		Use of fuel and fluorocarbon Verified	167 Data Third-Party Verification Method of Calculating Greenhouse Gas Emissions Data	687	600	547	524
Scope 2 (market-based)[1]		Use of electricity and steam Verified		636	557	484	407
Scope 2 (location-based)[2]		Use of electricity and steam Verified		750	618	541	536
Scope3	Category 1	Purchased goods and services Verified	Volume of purchased materials x emission coefficient	4,137	4,048	4,701	4,198
	Category 2	Capital goods	Capital investment amount x emission coefficient	379	449	718	894
	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
	Category 4	Upstream transport and delivery	Transport weight x transport distance x emission coefficient for each type	197	279	325	309
	Category 5	Waste generated in operations	Waste volume x emission coefficient for each type	28	33	35	26
	Category 6	Business travel	Travel expenses x emission coefficient	99	77	83	119
	Category 7	Employee commuting	Number of employees x emission coefficient	31	37	37	41
	Category 8	Leased assets (upstream)	–	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
	Category 10	Processing of sold products	Weight of manufactured intermediate products x emission coefficient	32	41	33	43
	Category 11	CO_2 from use of Daikin's air conditioners in the market Verified	167 Data Third-Party Verification Method of Calculating Greenhouse Gas Emissions Data	258,340	255,150	257,500	250,170
		CO_2 from use of other Daikin products[3] in the market		17,210	24,930	25,660	25,550
	Category 12[4]	Fluorocarbon at time of disposal of Daikin's air conditioners Verified		46,340	46,670	46,090	45,810
		Fluorocarbon at time of disposal of other Daikin products[3]		970	1,910	1,410	1,290
	Category 13	Downstream leased assets	–	N/A	N/A	N/A	N/A
	Category 14	Franchises	–	N/A	N/A	N/A	N/A
	Category 15	Investments	Emissions of investment target companies x ownership percentage	110	406	158	24
	Total			328,020	334,210	336,940	328,640
Comprehensive total				329,340	335,360	337,970	329,570

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.

Contributions to Greenhouse Gas (GHG) Emission Reduction OJG

(Thousand tons-CO_2)

		2020	2021	2022	2023
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
	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
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

* 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
Reduction rate of net greenhouse gas (GHG) emissions (compared to BAU with 2019 as base year)	7	10	14	17

* 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
Emissions from the Group's business activities (Scope 1 and 2)	46.2% reduction by fiscal 2030 (compared to fiscal 2019)	29.5% 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

* Science Based Targets: International greenhouse gas emissions reduction targets in line with the Paris Agreement goals.

Environmentally Conscious Products* as Percentage of Units Sold (Residential Air Conditioners) OJG

(%)

	2019	2020	2021	2022	2023
Environmentally Conscious Products	97	98	99	99	99
Super Green Products	60	69	71	76	76
Green Products	36	29	28	23	23
Other products	3	2	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)

		2019	2020	2021	2022	2023
Japan	Iron	68	63	76	80	63
	Copper	14	14	13	16	13
	Aluminium	13	14	15	17	17
	Other metals	2	2	3	4	4
	Plastics	17	20	22	23	18
	Chemical product materials	141	132	145	143	120
	Glass	0.4	0.4	0.5	0.4	0.5
Overseas	Iron	511	465	519	497	485
	Copper	80	73	71	91	81
	Aluminium	72	69	58	90	79
	Other metals	11	2	2	4	3
	Plastics	88	81	90	104	88
	Chemical product materials	150	127	150	150	164
Total	Iron	579	528	595	577	548
	Copper	94	86	84	107	94
	Aluminium	85	83	73	107	95
	Other metals	13	4	5	8	6
	Plastics	105	101	112	127	106
	Chemical product materials	292	259	295	293	283

CO_2 Emissions Reduction achieved with Packaging Improvements (Air Conditioning) D

(tons-CO_2)

	2021	2022	2023
CO_2 emissions reduction achieved with packaging improvements*	146	270	395

* Reduced use of packaging materials and promotion of returnable packaging

Recycling of Residential Air Conditioners JG

		2019	2020	2021	2022	2023
Residential air conditioners collected by Daikin (units: thousand)*		410	460	460	490	500
Weight of products recycled or reused (tons)		17,197	18,527	18,337	19,998	20,276
Amount recycled (tons)		15,672	16,862	16,700	18,234	18,596
Recycling ratio (%)		91	91	91	91	91
Breakdown (%)	Iron	33	31	32	31	29
	Copper	7	8	8	8	8
	Aluminium	2	2	2	2	2
	Mixture of non-ferrous and iron composite materials	41	41	40	41	41
	CFCs	1.6	1.6	1.7	1.7	1.7
	Other valuable materials	16	16	17	17	18
Fluorocarbons recoverd (CO_2-equivalent) (Thousand tons-CO_2)		530	590	590	650	650

* Number of units accepted

Amount of Fluorocarbons Recovered JG

(Thousand tons-CO_2)

	2019	2020	2021	2022	2023
Electric appliances recycling	530	590	590	650	650
Fluorocarbon recovery and destrution	830	740	760	670	670

Amount Destroyed in Fluorocarbon Recovery and Destruction at Time of Repair and at Time of Disposal JG

(tons)

	2019	2020	2021	2022	2023
Recovered fluorocarbons at time of repair	367	318	333	305	317
Recovered fluorocarbones at time of disposal	63	57	68	34	24
Total	430	375	401	339	340

Note: Amount destroyed at contracted destruction facilities around Japan including our Yodogawa Plant and Kashima Plant.

Reducing Environmental Impacts of Business Activities

Indicators and Results at Manufacturing Bases

Main initiatives	Management items	Fiscal 2025	Fiscal 2023	
		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)	0.93 million tons-CO_2 (30% 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*	15% 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*	18% 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*	49% 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)

		2019	2020	2021	2022	2023
Energy-induced CO_2		860	720	790	710	620
	(Scope1)	220	220	230	230	210
	(Scope2)	640	500	560	480	410
HFC (Scope1)		160	100	110	100	80
PFC (Scope1)		300	240	260	220	220
Non-energy-induced CO_2 (Scope1)		–	–	–	–	10
Total		1,320	1,060	1,160	1,030	930

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

(GJ)

	2019	2020	2021	2022	2023
Electricity	9,116,573	8,538,470	10,335,299	10,294,418	10,209,713
Renewable energy generated	433,841	547,774	1,176,899	2,200,386	2,674,002
City gas	4,407,257	4,267,236	4,685,995	4,770,850	4,353,867
LPG	197,277	156,834	173,618	173,592	126,611
Steam	1,221,504	1,094,880	1,277,454	1,250,779	970,567
Petroleum	48,538	50,699	48,898	71,322	32,850
Total	14,991,148	14,108,119	16,521,264	16,560,960	15,693,608

Water Intake / per Unit of Production OJG

		2019	2020	2021	2022	2023
Water intake (thousand m³)	Japan	1,760	1,670	1,820	1,910	1,820
	Overseas	4,770	4,360	4,510	4,810	4,830
	Total	6,530	6,030	6,330	6,720	6,650
Unit with standard value set at 100 (%)	Japan	88	92	85	89	88
	Overseas	83	84	72	69	79
	Total	84	86	76	74	82

Note: These values are different from values for third-party verification.

Water Intake and Discharge Amounts OJG Verified

(Thousand m³)

		2019	2020	2021	2022	2023
Water Intake		11,580	9,560	9,850	9,710	10,340
Water discharge		9,670	8,320	9,110	8,700	9,540
	Sewerage	3,930	3,880	5,010	4,780	4,790
	Released into ocean/river	5,740	4,440	4,100	3,920	4,740

Chemical Oxygen Demand (COD) emissions OJG

(tons)

	2019	2020	2021	2022	2023
Emissions	1,592	1,764	2,382	2,404	855

Note: Daikin changed its measurement method in fiscal 2020. This new measurement method has been used to retroactively revise the figures for fiscal 2019.

Water Intake and Discharge Amounts in Water-Stressed Regions (India and China)

Daikin Airconditioning India Pvt. Ltd.

(Thousand m³)

	2019	2020	2021	2022	2023
Water intake	58	50	57	53	54
Water discharge	43	37	48	42	43

Daikin Device (Xi'an) Co., Ltd.

(Thousand m³)

	2019	2020	2021	2022	2023
Water intake	25	26	22	23	22
Water discharge	20	21	17	19	18

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

		2019	2020	2021	2022	2023
Emissions (tons)	Japan	521	454	510	563	496
	Overseas	2,153	2,002	1,552	1,426	1,326
	Total	2,674	2,456	2,062	1,989	1,822
Unit with standard value set at 100 (%)	Japan	90	79	81	81	78
	Overseas	85	76	56	43	45
	Total	86	77	61	49	51

Note: These values are different from values for third-party verification.

Compilation of PRTR Substances (PRTR Substances of which at Least 1 ton was Handled) JG

(tons)

Substance name	2023				
	Amount emitted			Amount transported	
	Air	Public waterways	Soil	Waste	Sewage
allyl alcohol	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	0.05
antimony and its compounds	0.00	0.00	0.00	26.00	0.00
ethylbenzene	0.48	0.00	0.00	0.06	0.00
ethylene glycol monobutyl ether (synonym: Butyl cellosolve)	0.00	0.00	0.00	0.00	0.00
xylene	0.61	0.00	0.00	0.07	0.00
chromium and chromium (III) compounds	0.00	0.00	0.00	0.00	0.00
1-chloro-1,1-difluoroethane	10.00	0.00	0.00	0.00	0.00
chlorodifluoromethane	44.69	0.00	0.00	0.00	0.00
2-chloro-1,1,1,2-tetrafluoroethane	1.00	0.00	0.00	0.00	0.00
chloroform	0.84	0.00	0.00	9.53	0.00
tetrachloromethane	0.00	0.00	0.00	0.00	0.00
dichloromethane	19.77	0.00	0.00	4.00	0.00
N,N-dimethylacetamide	0.18	0.06	0.00	0.24	0.00
styrene	0.00	0.00	0.00	0.00	0.00
tetrachloroethylene	34.85	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
trimethylbenzene	0.04	0.00	0.00	0.00	0.00
toluene	3.24	0.02	0.00	0.59	0.00
nickel	0.00	0.00	0.00	0.00	0.00
nickel compounds	0.00	0.00	0.00	0.01	0.00
paraformaldehyde	0.00	0.00	0.00	0.00	0.00
phenol	0.73	0.00	0.00	0.74	0.00
hydrogen fluoride and its water-soluble salts	0.25	0.00	0.00	120.01	0.00
n-hexane	0.20	0.00	0.00	0.45	0.00
water-soluble salts of peroxodisulfuric acid	0.00	0.00	0.00	0.00	0.00
boron compounds	0.00	0.48	0.00	0.64	0.00
poly (oxyethylene) alkyl ether (alkyl C=12-15)	0.03	0.01	0.00	30.00	0.16
poly (oxyethylene) octylphenyl ether	0.01	0.01	0.00	0.00	0.00
poly (oxyethylene) nonylphenyl ether	0.00	0.00	0.00	0.00	0.00
formaldehyde	0.40	0.65	0.00	0.28	0.00
manganese and its compounds	0.00	0.00	0.00	0.00	0.00
methyl isobutyl ketone	0.15	0.00	0.00	0.70	0.00
methylnaphthalene	0.00	0.00	0.00	0.00	0.00
N-methyl-2-pyrrolidone	0.00	0.00	0.00	4.10	0.00
methylenebis (4,1-phenylene) diisocyanate	0.00	0.00	0.00	0.07	0.00
molybdenum and its compounds	0.00	0.00	0.00	0.00	0.00
tritolyl phosphate	0.00	0.00	0.00	0.00	0.00

Air Pollutant Emissions OJG

(tons)

	2019	2020	2021	2022	2023
NO_x	205	119	111	86	75
SO_x	8	5	7	6	5
Dust	70	45	57	61	47

Amount of Waste and Recycled Materials OJG Verified

(tons)

		2019	2020	2021	2022	2023
Japan	Amount of waste	3,274	3,650	4,126	4,060	2,465
	Amount of recycle	27,523	25,191	27,329	26,320	22,593
	Out of the above amount, hazardous waste	20,994	19,455	22,058	22,996	16,814
Overseas	Amount of waste	33,924	28,654	37,178	42,737	14,334
	Amount of recycle	118,383	111,896	142,059	152,359	140,582
	Out of the above amount, hazardous waste	44,062	43,221	57,239	69,076	28,216
Total	Amount of waste	37,198	32,304	41,304	46,797	16,799
	Amount of recycle	145,906	137,088	169,388	178,679	163,175
	Out of the above amount, hazardous waste	65,056	62,676	79,297	92,072	45,030

Emissions / per Unit of Production OJG

		2019	2020	2021	2022	2023
Emissions (tons)	Japan	28,404	26,752	30,917	28,482	23,692
	Overseas	158,400	160,077	180,283	190,898	169,757
	Total	186,804	186,829	211,200	219,380	193,449
Unit with standard value set at 100 (%)	Japan	84	84	70	76	78
	Overseas	88	89	90	89	86
	Total	87	88	87	87	85

Note: These values are different from values for third-party verification.

Environmental Management

Serious Violation so Environmental Laws OJG

(Violations)

	2021	2022	2023
Serious violations of environmental laws	0	0	0

Report from Audits JG

(cases)

		2019	2020	2021	2022	2023
Problems found from internal environmental audits	Major nonconformity	2	1	0	0	1
	Minor nonconformity	22	9	8	3	5
	Improvement	126	77	97	91	76
Problems found by third-party certification institutes	Major nonconformity	0	0	0	0	0
	Minor nonconformity	0	0	1	0	0
	Improvement	7	5	3	4	3

Ratio of Employees Belonging to Facilities That Obtained ISO 14001 Certification OJG

(%)

	2019	2020	2021	2022	2023
Japan	100	100	100	100	100
Overseas	94	93	91	90	91

Daikin Bases Certified for ISO 14001

https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/environment/2024/certified-pdf.pdf

Environmental Accounting[1]

Cost of Environmental Conservation[2]

(million yen)

Category	Major activities	2022		2023	
		Amount of equipment invested	Expenses	Amount of equipment invested	Expenses
Cost in business area		4,639	9,590	10,998	15,175
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.	1,899	2,392	4,545	6,952
2. Global environmental conservation	Introduction of energy efficient facilities/equipment, reduction of fluorocarbon emissions in the production process, and recovery of fluorocarbons.	2,515	2,670	6,064	2,698
3. Resource circulation	Reduction or recycling of waste, subcontracting of waste disposal, and resource conservation activities.	225	4,528	390	5,525
Upstream/ downstream	Recycling of used products, and recovery, recycling, and destruction of fluorocarbons in used products or products still in service.	27	241	49	262
Management activities	Running of company organization for environmental matters, environmental education, environmental information disclosure, and establishment/maintenance of environmental management systems.	100	1,579	74	1,820
Research and development	Work on three major tasks for air conditioners, and development of fluorochemical products with minimized environmental impact.	3,911	17,498	4,647	25,546
Social activities	Provision of personnel and monetary aid to environment-related organizations, and environmental protection activities in local communities.	0.07	201	5	140
Environmental damage	Costs for purification of polluted groundwater and soil.	13	265	14	266
Total		8,691	29,373	15,788	43,208
Total of investment in facilities within the period			250,300		311,500
Total of investment in R&D activities within the period			102,200		122,500

Effects of Environmental Conservation

Effects			Figures	
			2022	2023
Effects corresponding to business area cost	1. Effects of the resources used for business activities	Reduction in CO_2 emissions caused by energy consumption	242,900 tons-CO_2	45,364 tons-CO_2
		Reduction in water consumption	2,224,718 m^3	–1,191,337 m^3
	2. Effects against environmental impacts and waste resulting from business activities	Reduction in fluorocarbon emissions	29 tons	–0.3 tons
		Reduction in waste materials	3,123 tons	26,880 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	490,000 units	500,000 units
		Amount of fluorocarbons recovered	336 tons	341 tons
		Amount of packaging material recycled	145 tons	159 tons

Economic Benefits of Environmental Conservation Efforts (monetary benefits)[3]

(million yen)

Effects		2022	2023
Profit	Profit from sale of recycled items, such as waste or used products, etc.	8,535	7,881
Reduction in expenses	Reduction in energy expenses resulting from energy conservation efforts	–805	349
	Reduction in waste disposal expenses resulting from resource conservation or recycling resources	286	112

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.

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

067 Social

Co-creation

Research and Development Expenses OJG

(billion yen)

	2019	2020	2021	2022	2023
Research and development expenses	68.0	71.7	81.5	102.2	122.5

Customer Satisfaction

Improvement in Customer Satisfaction*

	(Base year)	2019	2020	2021	2022	2023
Japan	(FY2015)	1.14	1.14	1.14	1.15	1.15
China	(FY2018)	1.04	1.04	1.00	1.01	1.00
India	(FY2016)	1.13	1.15	1.19	1.22	1.24
Indonesia	(FY2017)	1.03	1.10	1.11	1.07	1.15
Singapore	(FY2015)	1.00	1.01	1.00	1.00	1.02
Vietnam	(FY2015)	1.14	1.22	1.21	1.22	1.22
Australia	(FY2015)	1.00	1.00	1.02	1.02	1.03
Spain	(FY2016)	1.12	1.13	1.14	1.11	1.11
Italy	(FY2019)	1.00	1.07	1.07	1.08	1.06
France	(FY2019)	1.00	0.98	1.02	1.00	0.97
UAE	(FY2015)	1.04	1.05	1.05	1.05	1.07
Brazil	(FY2020)	–	1.00	1.03	1.06	1.02

* Satisfaction of after-sales services, regarding the base year as 1.00.

Customer Satisfaction with After-sales Service* D

	2019	2020	2021	2022	2023
Overall satisfaction	4.63	4.60	4.60	4.66	4.67

* 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)

	2019	2020	2021	2022	2023
Repair inquiries	919	800	604	579	586
Technical advice	758	789	595	565	589
Parts inquiries	311	254	207	194	176
Others	29	14	13	9	12
Total	2,017	1,858	1,419	1,347	1,363

Number of Inquiries to the Contact Center China

(thousands)

	2019	2020	2021	2022	2023
Repair inquiries	689	788	843	913	970
Technical advice	32	31	36	30	21
Parts inquiries	106	104	97	100	104
Total	828	923	976	1,043	1,096

Human Resources

Employees

Employee Composition* D

	2019		2020		2021		2022		2023	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Number of employees	7,352	1,440	7,458	1,527	7,339	1,579	7,276	1,601	7,236	1,658
Average range of services (years)	16.9	11.0	16.8	10.9	16.7	10.9	16.5	10.6	17.2	12.1
Average age	42.4	35.2	42.4	35.2	41.8	35.4	42.0	35.7	41.9	35.9
Number of managers	1,100	63	1,110	71	1,122	68	1,149	95	1,174	108
Number of directors, Audit & Supervisory Board members and senior executive officers	34	1	37	1	40	2	40	2	41	3
Number of foreign nationals	62	31	64	33	62	34	61	33	58	37

* Includes employees on loan.
Note: Figures as of fiscal year-end.

Employee Make-up by Region* OJG

	2019		2020		2021		2022		2023	
	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	7,499	1	7,732	1	7,652	1	7,618	1	7,654
Domestic Group (Excluding Daikin Industries, Ltd.)	29	5,380	30	5,586	30	5,717	30	5,817	31	5,914
U.S.	58	17,497	61	19,812	67	20,275	75	22,966	72	22,412
China	36	18,996	33	19,360	32	19,567	33	20,599	32	19,645
Europe	78	9,407	75	9,947	77	11,147	86	12,215	90	13,293
Asia, Oceania	51	16,456	54	17,367	55	18,542	61	20,083	62	21,187
Others (Latin America, Middle East, Africa, etc.)	61	5,134	62	5,066	61	5,798	62	7,039	62	8,057
Total	314	80,369	316	84,870	323	88,698	348	96,337	350	98,162

* Figures as of fiscal year-end.

Number of Employees by Gender and Employment Rate of Women OJG

	2019	2020	2021	2022	2023
Men	58,229	61,046	63,753	69,733	73,925
Women	22,140	23,824	24,945	26,604	24,237
Total	80,369	84,870	88,698	96,337	98,162
Women as % of all employees	27.5	28.1	28.1	27.6	24.7

Number of New Employees Hired; Women as Percentage of All New Employees Hired* D

	2019	2020	2021	2022	2023
Men	308	303	284	204	201
Women	123	118	112	87	98
Total	431	421	396	291	299
Women as % of all new employees	28.5	28.0	28.3	29.9	32.8

* Number of people joining the company on April 1.

Number of Employees Leaving, Employee Turnover D

	2019	2020	2021	2022	2023
Men	272	369	332	376	389
Women	69	57	61	69	73
Total	341	426	393	445	462
Employee turnover (%)	3.9	3.7	4.4	5.0	5.2

Development of Human Resources

Human Resources Development of Manufacturing OJG

		2019	2020	2021	2022	2023
Japan	The ratio of excellent or advanced skilled engineers[1] in manufacturing (%)	31.6	30.3	30.5	31.7	34.8
	Ratio[2]	1 in 3.2 employees	1 in 3.3 employees	1 in 3.3 employees	1 in 3.2 employees	1 in 2.9 employees
Overseas	The ratio of excellent or advanced skilled engineers[1] in manufacturing (%)	–	–	6.2	9.1	12.3
	Ratio[2]	–	–	1 in 16.1 employees	1 in 11.0 employees	1 in 8.1 employees
Total	The ratio of excellent or advanced skilled engineers[1] in manufacturing (%)	–	–	14.8	12.5	15.8
	Ratio[2]	–	–	1 in 6.8 employees	1 in 8.0 employees	1 in 6.3 employees

[1] High-skilled engineers with knowledge and leadership.
[2] One out of every employee is Excellent or Advanced Skilled Engineer.

Workplace Diversity

Number and Percentage of Women in Management Positions D

	2019	2020	2021	2022	2023
Number of female managers	63	71	68	95	108
Females as % of all managers	5.4	6.0	5.7	7.6	8.4

Number of Overseas Bases Where Local Nationals are Presidents and Executives OG

	2019	2020	2021	2022	2023
Number of bases where local nationals are presidents and executives	48	43	44	45	47
Number of presidents who are local nationals	32	30	32	34	36
Number of executives who are local nationals	68	68	63	65	73

Percentage of Overseas Bases Where Local Nationals are President and Executives OG

(%)

	2019	2020	2021	2022	2023
Percentage of overseas bases where local nationals are president	47.1	42.9	45.0	44.0	46.0
Percentage of overseas bases where local nationals are executives	48.6	48.2	44.0	45.0	50.0

Number of People with Disabilities Employed and Employment Rate JG

	2019	2020	2021	2022	2023
Number of people with disabilities employed[1]	369	390	362	365	371
Employment rate of people with disabilities[2] (%)	2.44	2.55	2.60	2.69	2.81

1. Legally, one severely disabled person employed is counted as two people with disabilities.
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
All workers	77.2	79.5
Full-time employees	80.3	81.6
Part-time and contract employees	65.4	63.1

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

Work-Life Balance

Number of Employees Taking Childcare Leave* D

(people)

		2019	2020	2021	2022	2023
Number taking childcare leave	Men	337	327	233	214	221
	Women	145	173	93	78	82
	Total	482	500	326	292	303

* 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)

		2019	2020	2021	2022	2023
Number taking family care leave	Men	4	3	3	2	5
	Women	1	1	2	2	3
	Total	5	4	5	4	8

Occupational Safety and Health

Frequency Rate of Lost Work Time Accidents[1] OJG

	2019	2020	2021	2022	2023
Daikin Group (including overseas)	1.26	1.01	1.19	1.35	1.24
Japan (manufacturing industry average)	1.80	1.95	2.09	2.06	2.14
U.S. (average for all industries)[2]	14.0	13.5	13.5	13.5	–

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 2023).
   No data was released for the U.S. in fiscal 2023 (as of the end of June 2024).

Severity Rate* OJG

	2019	2020	2021	2022	2023
Daikin Group (including overseas)	0.04	0.03	0.03	0.04	0.04
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)

	2023
Japan	3
China	18
Asia and Oceania	15
Europe	25
Americas	1
Total	62

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.

Percentage of Employees Taking All Paid Leave D

(%)

	2019	2020	2021	2022	2023
Percentage of Daikin Industries, Ltd. Employees	95.7	91.5	95.8	97.7	97.7
Percentage of Japanese workers in the manufacturing industry (according to Ministry of Health, Labour and Welfare)	52.4	56.3	61.6	62.6	65.8

Average Hours of Overtime per Employee D

(hours)

	2019	2020	2021	2022	2023
Hours	207.80	193.00	211.80	220.80	211.40

Periodic Health Checkup Results D

(%)

	2019	2020	2021	2022	2023
Percentage of employees taking checkup	94	99	99	99	99
Percentage of employees requiring treatment	69	59	63	76	49

Labor-Management Relations

Ratio of Union Member D

(%)

	2019	2020	2021	2022	2023
Percentage of employees in union	87	87	87	86	84

Supply Chain Management

Class A CSR Procurement Achievement Rate* OJG

(%)

	2019	2020	2021	2022	2023
Japan	60	65	66	66	79
Overseas	64	65	73	77	82
Entire Group	63	65	72	75	81

* Procurement value from suppliers that satisfy Daikin's Class A standards of total procurement value.

Green Procurement Rate* OJG

(%)

	2019	2020	2021	2022	2023
Japan	93	95	95	91	93
Overseas	77	77	78	76	75
Entire Group	80	80	80	79	79

* 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)

	2019	2020	2021	2022	2023
Total	1,477	1,292	1,388	1,794	1,828

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

128 Governance

Number of Executives and Breakdown* D

(people)

			2022	2023	2024
Executives	Internal	Men	7 (non-Japanese 1)	6 (non-Japanese 1)	5 (non-Japanese 1)
		Women	0	0	1
	External	Men	3	3	3
		Women	1	1	1
	Total		11	10	10

* Current as of July 1, 2024.

Number of Auditors and Breakdown* D

(people)

			2022	2023	2024
Auditors	Internal	Men	2	2	2
		Women	0	0	0
	External	Men	2	2	1
		Women	0	1	2
	Total		4	5	5

* Current as of July 1, 2024.

Number of Board of Directors' Meetings and Average Attendance D

	2021	2022	2023
Number of meetings	15	16	16
Average attendance of Board of Directors' meetings (%)	97	98	96

Average Appointment Term for Directors* D

(years)

	2024
Average appointment term	5.5

* Current as of July 1, 2024.

Make-up of Human Resources Advisory Commitee and Compensation Advisory Committee* D

(people)

			2022	2023	2024
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	1	0
		Women	0	0	0

* Current as of July 1, 2024.

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

		2019	2020	2021	2022	2023
Directors	Number	12	12	14	12	11
	Amount of compensation (million yen)	1,186	1,281	1,364	1,435	1,441
Audit & Supervisory Board Member	Number	5	4	4	4	5
	Amount of compensation (million yen)	99	99	99	102	122
Total	Number	17	16	18	16	16
	Amount of compensation (million yen)	1,285	1,380	1,463	1,537	1,563

* About compensation amounts
For fiscal 2019, the compensation amount for the term of office of one auditor and two directors who retired is included.
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.

Corporate Officers with Compensation Over 100 Million Yen (Fiscal 2023) D

Name	Total consolidated compensation (million yen)	Category	Company	Total consolidated compensation by type (million yen)		
				Fixed compensation	Stock options	Performance-linked compensation
Noriyuki Inoue	448	Director	Daikin Industries, Ltd.	195	73	218
Masanori Togawa	352	Director	Daikin Industries, Ltd.	132	73	145
Ken Tayano	212	Director	Daikin Industries, Ltd.	95	44	57
		President	Daikin (CHINA) Investment Co., Ltd. (Consolidated subsidiary)	15	–	–
Kanwal Jeet Jawa	189	Director	Daikin Industries, Ltd.	16	34	–
		Director	Daikin Airconditioning India Pvt. Ltd. (Consolidated subsidiary)	84	–	54
Masatsugu Minaka	179	Director	Daikin Industries, Ltd.	–	39	44
		Director	Daikin Europe N.V. (Consolidated subsidiary)	88	–	6
Takashi Matsuzaki	152	Director	Daikin Industries, Ltd.	57	31	63

Note: Only those individuals receiving 100 million yen or more of consolidated remuneration are listed.

Accounting Auditor Compensation D

(million yen)

	2023
Auditing expenses	307

Number of Patent Applications D

(cases)

	2018	2019	2020	2021	2022
Japanese applications	957	1,076	1,045	1,190	1,067
Overaseas applications	513	467	587	597	772

Major Legal Violations OJG

(cases)

	2021	2022	2023
Number of major legal violations	0	0	0

Third-Party Verification

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, waste water, waste emissions, and chemical substances emissions.

Data Covered by Verification

Environmental Impact Data on Business Operations in FY2023

- Scope 1 and Scope 2 greenhouse gas (GHG) emissions, water use, waste water, waste emissions, and chemical substances emissions from business operations of four manufacturing bases in Japan of Daikin Industries, Ltd., eight manufacturing subsidiaries in Japan, and 58 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%.

167 Data Third-Party Verification Method of Calculating Greenhouse Gas Emissions 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 2024 (the 'Report') or reported internally to Daikin Group only for the purpose of internal management for the period of April 1, 2023 through March 31, 2024 (the 'Selected Information'):

1) The following data through business operations of four production bases of Daikin, eight production subsidiaries within Japan and 58 production subsidiaries overseas
   - CO_2 emissions from energy use
   - HFCs and PFCs emissions
   - Water intake and Wastewater
   - Recycled materials and Waste
   - VOC emissions
2) Release amount of PRTR (*1) chemical substances through business operations of four production bases of Daikin and eight production subsidiaries within Japan
   (*1) Pollutant Release and Transfer Register system
3) CO_2 emissions from non-energy use through the use of $CaCO_3$ at two production bases of Daikin and one production subsidiary overseas
4) 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 2024 (the 'Report') or reported internally to Daikin Group only for the purpose of internal management for the period of April 1, 2023 through March 31, 2024 (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.

Ref: BVJ_20898344

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 seven physical site visits, selected on a risk based bases at the following locations:
   - Daikin Head Office
   - Daikin Industries, Ltd., Sakai Plant
   - Daikin Comfort Technologies Manufacturing, L.P., DTTP
   - Daikin Applied Americas Inc. Staunton
   - Daikin Device (Xian) Co., Ltd.
   - Daikin Isitma Ve Sogutma Sistemleri San. Tic. A.S.
   - Daikin Manufacturing Germany GmbH
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	523,608	・CO_2 from energy use, HFCs and PFCs: GHG emissions through business operations of four production bases of Daikin, eight production subsidiaries within Japan and 58 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)	536,372	
Scope 2 (market-based)	406,757	
Scope 3 (Category 1, 11 and 12)	300,180,155	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: 4,198,489 t-CO_2e | Category 11: 250,174,542 t-CO_2e | Category 12: 45,807,124 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
June 28, 2024

[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_20898344

Independent Assurance Statement
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/environment/2024/verification-pdf.pdf

Third-Party Verification

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 58 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: Based on Environmental Activity Evaluation Program (Eco-Action 21) (1998, Ministry of the Environment); for natural gas in Japan, the coefficient used is based on 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 58 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 is the four manufacturing bases of Daikin Industries, Ltd. as well as the eight domestic manufacturing subsidiaries and 58 overseas manufacturing subsidiaries.
- 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 58 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
  - Based on Environmental Activity Evaluation Program (Eco-Action 21) (1998, Ministry of the Environment)

(5) Purchased products and services (Energy-induced CO_2) Scope 3

- Scope of calculation covers components and materials purchased for air conditioners, water heaters, oil hydraulic products, filters, and fluorochemical products produced in Japan, China, Thailand, Malaysia, India, Belgium, the Czech Republic, the Netherlands, France, Italy, Germany, Türkiye, and the U.S.
- 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.

(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: Value reported in "Revisions of Emission Coefficient, Etc. During Use of Refrigeration and Air Conditioning Equipment" by Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry, March 17, 2009
  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

Policies, Regulations and Guidelines

CSR Philosophy

Basic Management Policy of the Daikin Group

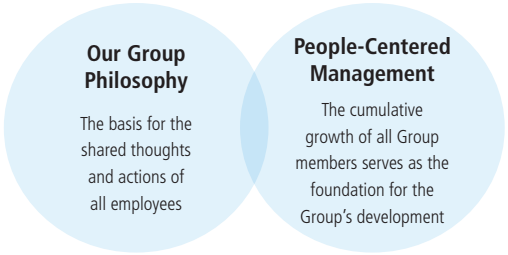
Our Group Philosophy and People-Centered Management

Our Group Philosophy is the basis for all action aimed at becoming a corporate group that is trusted by customers worldwide, and that instills pride in Daikin employees around the globe. Daikin's People-Centered Management, meanwhile, is based on the belief that employee growth generates corporate growth and is implemented with the goal of creating a workplace where employees can use their talents to the fullest.

Daikin believes that if both employees and company executives put Our Group Philosophy and People-Centered Management into practice, then we can achieve sustainable development and growth.

Corporate Policies

1. Absolute Credibility
2. Enterprising Management
3. 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 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 (About Daikin)
https://www.daikin.com/corporate/overview/philosophy

How We View CSR

How We View CSR

1. Through the strict implementation of Our Group Philosophy, the Daikin Group will fulfill its social responsibilities worldwide in all facets of relationships with stakeholders, thereby raising corporate value and contributing to the sustainable development of society.

2. Based upon thorough observance of legal compliance and corporate ethics, the Daikin Group will focus on contributing to society through its business activities. As a good corporate citizen, we will be highly sensitive to the needs of each world region in carrying out our social contribution activities.

3. We will incorporate CSR into business activities so that CSR and our business are integrally intertwined in an ongoing synergy that contributes to better business performance.

4. We will carry out CSR activities through open, two-way communication with society and always ensure that we are accountable for, and transparent in, our actions.

Group Conduct Guidelines

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.

Note: The specific guidelines apply to Daikin Industries, Ltd. and its Group companies in Japan only.

1. Providing Safe, High Quality Products and Services

We shall make every effort to ensure the safety and quality of our products and services from the standpoint of our customers. Should a problem occur regarding safety, we shall immediately take appropriate action.

Specific Guidelines

https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/data/conduct_01-pdf.pdf

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.

Specific Guidelines

https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/data/conduct_02-pdf.pdf

3. Observing Trade Control Laws

We shall not participate in any transactions that may undermine the maintenance of global peace and security and world order. We shall always act in compliance with all applicable export- and import-related laws and regulations of each country and region, as well as the Daikin Group Security Trade Control Policy, which relates to foreign trade control.

Specific Guidelines

https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/data/conduct_03-pdf.pdf

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.

Specific Guidelines

https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/data/conduct_04-pdf.pdf

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.

Specific Guidelines

https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/data/conduct_05-pdf.pdf

6. Prohibition of Insider Trading

To maintain the trust of the securities market, we shall not use non-public information about the Daikin Group or other companies to buy or sell stocks or other securities (insider trading).

Specific Guidelines

https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/data/conduct_06-pdf.pdf

7. Timely and Appropriate Disclosure of Corporate Information

Aiming to be an "open company" with high transparency and earn the respect of society, we shall actively convey corporate information in a timely fashion not only to shareholders and investors but also to a wide spectrum of society, and engage in two-way communication.

Specific Guidelines
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/data/conduct_07-pdf.pdf

8. Preservation of the Global Environment

We shall observe all applicable environmental laws and regulations of each country and region and practice initiatives that preserve the global environment in all aspects of our business operations, including product development, manufacturing, sales, distribution, and services. Also, each and every one of us shall deepen our knowledge of environmental issues, reduce the environmental load in the workplace and at home, and strive toward biodiversity conservation.

Specific Guidelines
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/data/conduct_08-pdf.pdf

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.

Specific Guidelines
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/data/conduct_09-pdf.pdf

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).

Specific Guidelines
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/data/conduct_10-pdf.pdf

11. Protection of Company Assets

We shall properly manage the tangible and intangible assets of our company to protect and utilize effectively these assets.

Specific Guidelines
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/data/conduct_11-pdf.pdf

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.

Specific Guidelines
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/data/conduct_12-pdf.pdf

13. Practicing Moderation in Entertainment, Gift Exchanges, and Invitations

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 regards 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.

Specific Guidelines
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/data/conduct_13-pdf.pdf

14. Maintaining a Firm Attitude against Anti-social Activities

We shall take a firm attitude against anti-social forces or organizations that threaten the safety and order of the citizens of society.

Specific Guidelines
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/data/conduct_14-pdf.pdf

15. Relationship with Society

We aim to be a good corporate citizen that is trusted by society and we shall do our best to act with humility and modesty while at the same time having self-awareness and taking pride in our actions. Moreover, we shall participate in social contribution activities centered on environmental conservation, education support, and cooperation with the local community.

Specific Guidelines
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/data/conduct_15-pdf.pdf

16. Observing Each Category of Industry Law and Regulation

We shall accurately comprehend and observe all business laws and regulations of each country and region applicable to our business activities.

Specific Guidelines
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/data/conduct_16-pdf.pdf

Policies, Regulations and Guidelines

Human Rights Policy

Daikin Group Human Rights Policy

Based on Our Group Philosophy, we at the Daikin Group have promoted the creation of a work environment that respects diverse personal values and work ethics while enabling employees to feel both pride and enthusiasm toward their work.

Owing to our good corporate culture as exemplified by our free and open organizational culture, sense of unity, and teamwork, we continue to challenge high goals by empowering all members with the means to fully demonstrate their respective individuality and capabilities.

It is our firm conviction that the constant refinement of this unique corporate culture and creation of environments in which diverse human resources take on challenges and play active roles lead to "respect for human rights" and sustainable growth for our business.

For our business overall, including manufacturing and sales, we will continue to work in cooperation with all business partners and affiliated companies based on strong relationships of trust by promoting "respect for human rights" as we aim for mutual growth and contribution to a sustainable society.

Compliance with Norms and Laws Related to Respect for Human Rights

This Group Human Rights Policy (the "Policy") was formulated in accordance with the Daikin Group Management Philosophy to clarify our commitment to respect human rights and to show the expectations to employees and supply chain partners for understanding, compliance and implementation.

This Policy is also guided by the principles and guidance contained in the United Nations Guiding Principles on Business and Human Rights, the Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises, and others.

We follow all applicable laws and regulations of each country and region that we operate in. We will comply with local laws and regulations where they conflict with international human rights standards while seeking to respect the principles of the latter.

Scope of Application

This Policy applies to all directors and employees of Daikin Industries, Ltd., and its consolidated group companies.

We also work with our supply chain partners worldwide to promote human rights, expecting them to understand and follow this Policy.

Our Commitment and Initiative to Respecting Human Rights

To Employees

Our employees are at the heart of everything we do at Daikin to achieve sustainable. We strive to create a workplace where employees feel safe and motivated to unlick their full potential and grow with us.

We take the following actions in consideration of the human rights of our employees.

- Diversity and Inclusion (Respect for Diversity, Prohibition of Discrimination and Harassment)
  - We accept people with diverse values, including different cultures, ethnicities, generations and customs, and implement to provide them with opportunities to maximize their individuality, qualities and abilities. We will continue to bring together the diverse strengths of each individual and further refine our efforts to enhance them as a strength of the organization and expand them to the global group.
  - We are committed to maintaining a workplace environment free from discrimination and harassment on the grounds of nationality, race, ethnicity, religion, color, age, gender, sexual orientation, disability, etc. If we identify any issue in any workplace, we will take a corrective action immediately and make efforts to prevent a recurrence.

- Working Hours and Fair Compensation
  - We comply with all applicable labor laws and regulations on working hours, wages and other working conditions in each country and region that we operate in.
    Further, we strive to compensate employees for individual performance in a competitive level relative to the labor market in each region and industry.

- Creating a safe workplace
  - We recognize the critical importance of protecting the safety of our employees, and we strive to thoroughly comply applicable safety and health-related laws and regulations, as well as internal policies.
    Further, we strive to develop a safe and secure working environment for each and every employee by regularly developing advanced cases in Japan and other global groups.

- Freedom of Association and Collective Bargaining
  - We continue to respect employees' rights to form or join labor unions, and to engage in collective bargain in accordance with applicable laws and regulations in each country and region that we operate in.

- Protection of Personal Data and Privacy
  - We comply with the Act on the Protection of Personal Information and related laws and regulations.
    Further, we strive to develop and enforce internal rules for the proper management of personal information and the protection of privacy.

We at the Daikin Group trust each and every employee and expect them to follow this Policy and practice our commitment to respect human rights in our daily operations.

To Supply Chain Partners

We recognize the importance of valuing and respecting our supply chain partners and building a high level of relationships of trust with them throughout our operations.

Together with supply chain partners who share the core values of this Policy with us, we continue to promote initiatives to respect human rights including the elimination of forced labor. To this end, we continue to exchange views and engage in dialogue regarding "the latest guidelines and laws on human rights" and "our own policies and activities".

We expect our supply chain partners to comply with the applicable laws and regulations in each country and region that we operate in and uphold Daikin's Supply Chain CSR Promotion Guideline and principles set in this Policy.

Establishment of Systems and Mechanisms to Meet Commitments

To fulfill our commitment to respect human rights, we have established responsible departments and created action plans for the following initiatives, and the global group will work together to promote these initiatives.

- Education and training: Providing regular education and training sessions to employees, deepening their understanding of and compliance with the "Approach to Respect for Human Rights" and the "Group's Policy and Commitment on Human Rights."

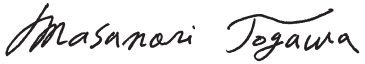
- Conduct human rights due diligence: Conducting human rights due diligence to identify risks across our business operations and working to prevent, avoid, or mitigate them.
  - Taking promptly corrective measures to eliminate the relevant event and remedy the rights if we identify that we caused or are involved in adverse impacts to human rights

- Establishment of remedial mechanisms: In order to identify and respond to human rights issues related to our business activities in a timely manner, we strive to develop effective remedies and remedial mechanisms, such as by establishing a reporting mechanism in accordance with laws and customs applicable in the country or region where we operate.

- Monitoring and disclosure: Tracking and evaluating the status of our efforts to respect human rights, and applying the lessons learned to the continuous improvement
  - Reporting our human rights initiatives and their progress in a timely and appropriate manner through our website and other means

- Dialogue activities: Engaging in dialogues with stakeholders regarding our human rights initiatives

Established: July 27, 2022
Revised: March 28, 2024
Daikin Industries, Ltd.
President and CEO



This Policy above has been approved by the Board of Directors of Daikin Industries, Ltd.

Policies, Regulations, and Guidelines

Basic Environmental Policy

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.

Policies, Regulations, and Guidelines

Environmental Policy of the Daikin Group in Japan

Environmental Policy of the Daikin Group in Japan

Following the Group Philosophy and Daikin's Environmental Vision 2050, the Daikin Group is actively addressing a variety of social and environmental issues and practicing environmental management for the continuous growth of the Group, while contributing to the sustainable development of society.

As the only company in the world that manufactures both air conditioners and the refrigerants used in them, Daikin has supplied products and services featuring environmental technologies to customers around the world. At the same time, there is a strong need to address growing electricity demand from the use of air conditioners driven by rising demand for air conditioning worldwide and to reduce greenhouse gas emissions from refrigerants.

While working toward "net zero greenhouse gas emissions," we will provide healthy and comfortable air environments that are safe and secure and reduce environmental impacts including global warming as much as possible through the "creation of new value with air."

We have set environmental targets for the following items in all Group organizations and sites in Japan, and promote continual improvement of the environmental management system.

1. We promote the following "carbon neutrality" initiatives.
   - Reduce CO_2 emissions from manufacturing and offices by expanding the use of energy-efficient and renewable energy, developing energy-efficient technologies, and promoting recovery, recycle, reclamation, and destruction of fluorocarbons.
   - Reduce CO_2 emissions from the use of products by promoting inverter products, improving the energy efficiency of products through the development of elemental technologies, converting combustion heaters to heat pump space and water heaters, and expanding energy-efficient solutions.
   - Disseminate refrigerants with low global warming potential, develop next-generation refrigerants, and promote recovery and reuse of refrigerants at the time of product disposal.
   - Create new environmental businesses such as energy creation, and develop new technologies for CO_2 separation, recovery, and reuse.
2. We strengthen our adaptation to climate change to minimize the impact of climate-related disasters on our business.
3. We identify and meet compliance obligations, including laws and regulations and the needs and expectations of interested parties.
4. We promote a circular economy to accelerate resource recycling.
5. We reduce the amount of waste and wastewater generated from our manufacturing and other business activities and promote recycling. Also, we promote the substitution of harmful chemical substances and reduction of emissions to prevent environmental pollution.
6. We promote "Green Heart Factory" and "Green Heart Office" activities to realize environmentally conscious factories and offices.
7. We strive to enhance our accountability by disclosing environment-related information to society with increased objectivity and transparency, and communicating with society in an open and fair manner.
8. We promote environmental protection by working on "biodiversity protection" to protect and rejuvenate nature.

August 1, 2024
Naofumi Takenaka
Representative Director, President and COO
Daikin Industries, Ltd.

Policies, Regulations, and Guidelines

Basic Policy of Protecting Biodiversity

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 blessing 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)

Policies, Regulations, and Guidelines

Basic Policy on Tax Compliance

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.

Policies, Regulations, and Guidelines

Product Safety Voluntary Action Guidelines

Product Safety Voluntary Action Guidelines

The Daikin Group (hereinafter, "the Group") believes that its most important management task is to provide products that satisfy customers from the standpoint of our customer when designing and making products that have a high 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.

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)

Policies, Regulations, and Guidelines

Product Assessment Items

Product Assessment Items

	Assessment item		Assessment standard
01. Weight reduction of products	1-1	Weight and volume reduction of products, and main raw materials and parts	Have the weight and volume of products (including main raw materials and parts) been reduced?
	1-2	Weight reduction of scarce materials	Have fewer scarce materials been used?
	1-3	Reduction of refrigerants	Has less refrigerant (HFC) been used?
02. Use of recycled materials and parts	2-1	Use of recycled plastics	Have recycled plastics been used?
	2-2	Labelling use of recycled plastics	Have parts been labelled as using recycled plastics?
	2-3	Use of recycled parts	Have reused parts been used, and are these of standard quality?
03. Packaging	3-1	Reduce weight of packaging, simplify packaging	• Have weight and volume of packaging been reduced? Has packaging been simplified? • Is used packaging material small and separable? Can it be easily collected and transported?
	3-2	Make it possible to recycle more packaging	• Has the use of compound materials been reduced? • Is it easy to separate each type of material in compound materials? • Have common materials been used across products? • Has packaging reuse been considered?
	3-3	Use recycled packaging materials	Has recycled packaging material been used?
04. Reduction in environmental impact in the manufacturing process	4-1	Reduce amount of production waste	Have products been designed so that less waste is generated during production?
	4-2	Energy efficiency in the production stage	Are product specifications such that less energy is consumed in the production stage?

Assessment item			Assessment standard
05. Energy and resource conservation in use	5-1	Improve energy efficiency during use	Has the product been made more energy efficient during use?
	5-2	Reduce energy consumption in standby mode	Has the product been made more energy efficient in standby?
	5-3	Include energy and resource saving functions	Are there energy and resource saving functions?
	5-4	Reduce amount of product consumables	Has the amount of consumables been reduced?
06. Product life extension	6-1	Improve durability of products and main parts and materials	Are products, parts, and materials more durable than before?
	6-2	Greater ease of replacement and maintenance of consumables	• Does construction make it easy for users to remove and attach? • Do parts need to be replaced less often than before? • Has information provision improved regarding parts replacement on the main unit and the user manual?
	6-3	Possibility and greater ease of maintenance and repair	• Have parts requiring maintenance and repair been clearly indicated? • Are parts common across products? • Does construction allow for easy maintenance and repair?
	6-4	Tell customers how to get longer use out of products	• Are users and repair companies being provided with maintenance and repair information that will extend product life? Are the content, explanations, and illustration methods of the information improved over previous information? • Can Daikin provide repair companies with breakdown diagnosis and repair measures, as well as information related to safety and other matters?
07. Ease of delivery/ collecting/transporting	7-1	Improve handling and safety of products during delivery, collection, and transport	• Have items been loaded evenly and balanced, and can collection and transport take place safely? • For heavy, bulky items, are handles and wheels properly positioned?
	7-2	Improve loading efficiency of products during delivery, collection, and transport	Is it easy to improve loading efficiency, and is there no danger of items falling off?
08. Raise possibility of reuse of resources	8-1	Raise possibility of use of plastics	Have easy-to-recycle plastics been used?
	8-2	Raise recycling ratio	Has the overall possible recycling ratio of the product been raised?

Assessment item			Assessment standard
09. Ease of disassembly and separation of materials by hand	9-1	Easy to disassemble products and separate applicable parts by hand	• Does construction make it easy to disassemble products and remove parts by hand? • Do products have a recycling logo that indicates greater ease of disassembly? Is information provided that makes disassembly easy?
	9-2	Reduce compound materials	Is there less use of compound materials that make parts and materials separation difficult?
	9-3	Use common materials across products	Have common materials been used across products?
10. Ease of shredding/classifying for recycling	10-1	Make shredding easier	• Is shredding with a shredder easy? • Can products and parts fit into a shredder? • Has there been a check to ensure that there are no substances that may damage or dirty the equipment or the materials that will be reused?
11. Environmental conservation capabilities	11-1	Use low global warming potential refrigerants	Do products use low global warming potential refrigerants, which contribute less to global warming?
	11-2	Reduce PVC	Has the amount of PVC been reduced?
	11-3	Protect environment during recycling and disposal stages	• Have safety measures been taken and has refrigerant been properly recovered so that there are no leaks of refrigerants or refrigerator oil during collection and transport? • Are refrigerant recovery methods stated in the documentation? • Can parts, including environmentally harmful substances, be removed using standard tools?
	11-4	Provide information to persons at all stages of the life cycle	Have users and relevant contractors been provided with proper information?
12. Disclosure of information	12-1	Label product, parts, user manual, packaging, etc.	Are there energy and resource saving functions?
	12-2	Provide information in product catalogs and on the website	• Do product catalogs and the website provide users with information on matters such as energy efficiency and resource efficiency functions? • Is there documentation giving information on how to recycle and protect the environment, and information on safety during product disposal?
13. LCA (Life Cycle Assessment)	13-1	Determine the environmental impact at each lifecycle stage	Has a lifecycle assessment been conducted regarding the environmental impact at each lifecycle stage, such as materials, production, transport, use, and final disposal?
	13-2	Consider how to reduce environmental impact during the lifecycle	Does a lifecycle assessment show that the product exerts less environmental impact in terms of CO_2 emissions and global warming potential?

GRI Standard Comparison Table

Statement of use	Daikin has reported the information cited in this GRI content index for the period from 1 April 2023 to 31 March 2024 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	004 What This Report Covers
2-3	Reporting period, frequency and contact point	003 Editorial Policy Inqurries for Sustainability https://www.daikin.com/contact/csr/agree
2-4	Restatements of information	–
2-5	External assurance	165 Third-Party Verification
2. Activities and workers		
2-6	Activities, value chain and other business relationships	About Daikin https://www.daikin.com/corporate 013 Daikin's Business Characteristics 111 Responsible Procurement
2-7	Employees	About Daikin https://www.daikin.com/corporate 086 Workplace Diversity
2-8	Workers who are not employees	–
3. Governance		
2-9	Governance structure and composition	129 Corporate Governance Management https://www.daikin.com/corporate/overview/summary/directors
2-10	Nomination and selection of the highest governance body	129 Corporate Governance
2-11	Chair of the highest governance body	129 Corporate Governance
2-12	Role of the highest governance body in overseeing the management of impacts	015 Identifying Material Issues 021 Management Structure / Key Themes 129 Corporate Governance 132 Risk Management
2-13	Delegation of responsibility for managing impacts	021 Management Structure / Key Themes 129 Corporate Governance
2-14	Role of the highest governance body in sustainability reporting	021 Management Structure / Key Themes
2-15	Conflicts of interest	–

Disclosure		Relevant page number or web address
2-16	Communication of critical concerns	132 Risk Management 129 Corporate Governance
2-17	Collective knowledge of the highest governance body	–
2-18	Evaluation of the performance of the highest governance body	129 Corporate Governance
2-19	Remuneration policies	129 Corporate Governance
2-20	Process to determine remuneration	129 Corporate Governance
2-21	Annual total compensation ratio	–
4. Strategy, policies and practices		
2-22	Statement on sustainable development strategy	008 Message from the Chairman
2-23	Policy commitments	169 CSR Philosophy 107 Respect for Human Rights
2-24	Embedding policy commitments	134 Compliance 107 Respect for Human Rights 111 Responsible Procurement
2-25	Processes to remediate negative impacts	021 Management Structure / Key Themes 022 Sustainability Targets and Results
2-26	Mechanisms for seeking advice and raising concerns	134 Compliance
2-27	Compliance with laws and regulations	134 Compliance
2-28	Membership associations	122 Participation in Initiatives

Disclosure		Relevant page number or web address
5. Stakeholder engagement		
2-29	Approach to stakeholder engagement	118 Stakeholder Engagement
2-30	Collective bargaining agreements	098 Labor Management Relations

GRI 3: Material Topics

Disclosure		Relevant page number
3-1	Process to determine material topics	015 Identifying Material Issues
3-2	List of material topics	015 Identifying Material Issues
3-3	Management of material topics	021 Management Structure / Key Themes 022 Sustainability Targets and Results 132 Risk Management

Topic Standards

Economic

Disclosure		Relevant page number
Economic Performance		
201-1	Direct economic value generated and distributed	155 ESG Data (Society)
201-2	Financial implications and other risks and opportunities due to climate change	018 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	086 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	–
Anti-corruption		
205-1	Operations assessed for risks related to corruption	134 Compliance 132 Risk Management 137 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	134 Compliance 169 CSR Philosophy
Tax		
207-1	Approach to tax	134 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	–

Environmental

Disclosure		Relevant page number
Materials		
301-1	Materials used by weight or volume	033 Overview of Environmental Impacts
301-2	Recycled input materials used	–
301-3	Reclaimed products and their packaging materials	057 Circular Product Design and Service Creation 064 Reducing Emissions
Energy		
302-1	Energy consumption within the organization	033 Overview of Environmental Impacts 145 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	145 ESG Data (Environment) 022 Sustainability Targets and Results
Water		
303-1	Interactions with water as a shared resource	063 Water Resource Conservation
303-2	Management of water discharge-related impacts	–
303-3	Water withdrawal	145 ESG Data (Environment)
303-4	Water discharge	
303-5	Water consumption	–

Disclosure		Relevant page number
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	060 Biodiversity
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	033 Overview of Environmental Impacts 145 ESG Data (Environment)
305-2	Energy indirect (Scope 2) GHG emissions	
305-3	Other indirect (Scope 3) GHG emissions	
305-4	GHG emissions intensity	145 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	

Disclosure		Relevant page number
Waste		
306-1	Waste generation and significant waste-related impacts	033 Overview of Environmental Impacts
306-2	Management of significant waste-related impacts	054 Initiatives for a Circular Economy 064 Reducing Emissions
306-3	Waste generated	145 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	111 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	086 Workplace Diversity 090 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	090 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	093 Occupational Safety and Health
403-2	Hazard identification, risk assessment, and incident investigation	093 Occupational Safety and Health 134 Compliance
403-3	Occupational health services	–
403-4	Worker participation, consultation, and communication on occupational health and safety	093 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	093 Occupational Safety and Health 116 Working Closely with Suppliers
403-8	Workers covered by an occupational health and safety management system	093 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	080 Fostering Human Resources

Disclosure		Relevant page number
404-3	Percentage of employees receiving regular performance and career development reviews	097 Employee Evaluation and Treatment
Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees	129 Corporate Governance 086 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	098 Labor Management Relations
Child Labor		
408-1	Operations and suppliers at significant risk for incidents of child labor	108 Human Rights Due Diligence
Forced or Compulsory Labor		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	108 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	108 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	111 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	076 Product Quality and Safety
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	–

Disclosure		Relevant page number
Marketing and Labeling		
417-1	Requirements for product and service information and labeling	076 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	–

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 our belief 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.

169 Data Policies, Regulations and Guidelines CSR Philosophy

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.

021 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

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.

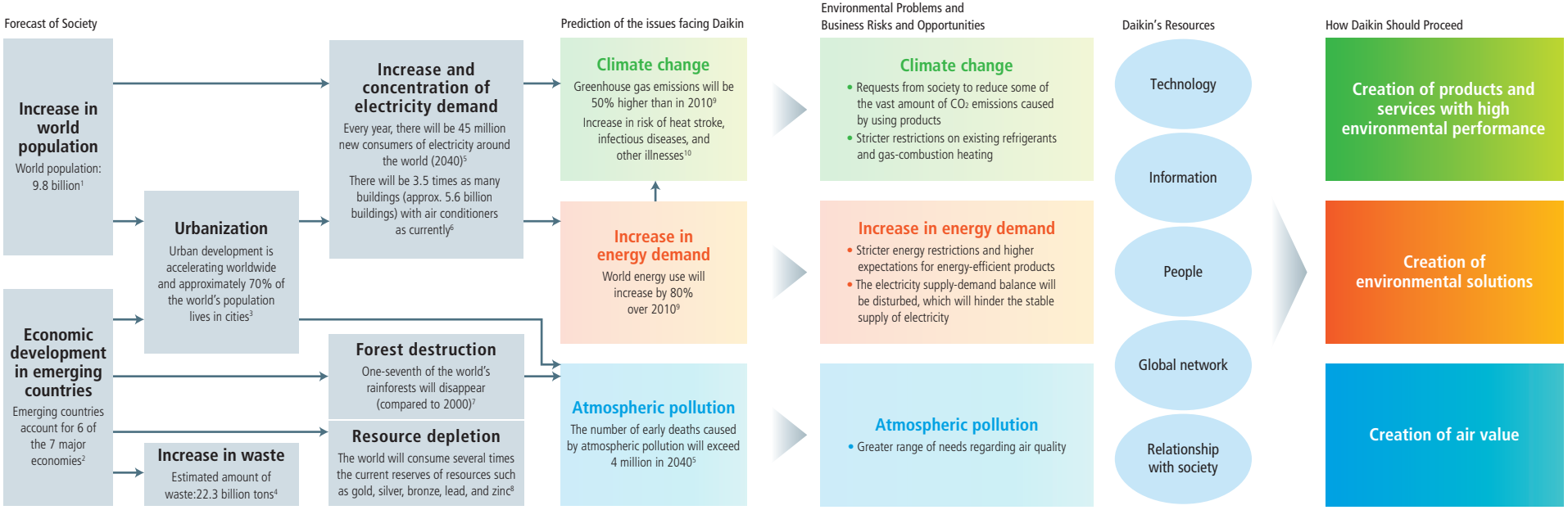
Forecast of Society in Which Daikin Will Operate in 2050

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

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)

Honors for Daikin

Overall CSR

Daikin Industries, Ltd.

Chosen for inclusion in the MSCI ESG Leaders Indexes

2024 MSCI ESG Leaders Indexes Constituent

Chosen for inclusion in the MSCI Japan ESG Select Leaders Index

2024 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX

Chosen for inclusion in the MSCI Japan Empowering Women Index (WIN)

2024 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

Chosen for inclusion in the MSCI Japan ESG Select Leaders Index

2024 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

Received AA ESG Rating from MSCI

MSCI ESG RATINGS AA

CCC B BB BBB A AA AAA

MSCI ESG Research website

https://www.msci.com/our-solutions/sustainable-investing

THE USE BY Daikin Industries, LTD. OF ANY MSCI ESG RESEARCH LLC OR ITS AFFILIATES ("MSCI") DATA, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT, RECOMMENDATION, OR PROMOTION OF Daikin Industries, LTD. BY MSCI. MSCI SERVICES AND DATA ARE THE PROPERTY OF MSCI OR ITS INFORMATION PROVIDERS, AND ARE PROVIDED 'AS-IS' AND WITHOUT WARRANTY. MSCI NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI.

Chosen for inclusion in the FTSE Blossom Japan Index

FTSE Blossom Japan Index

Chosen for inclusion in the FTSE Blossom Japan Sector Relative Index

FTSE Blossom Japan Sector Relative Index

FTSE Russell website

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.

Selected for Climate Change Measures in CDP's "Climate Change A-"

CDP DISCLOSER 2023

CDP

https://www.cdp.net/en

Selected as a SX Brand and DX Stock by the Ministry of Economy, Trade and Industry and Tokyo Stock Exchange

SX Brand 2024

DX銘柄2024 Digital Transformation

Daikin Selected For "Sustainability Transformation (SX) Brands 2024"

https://www.daikin.com/press/2024/20240423

Daikin Selected as Digital Transformation Stock 2024

https://www.daikin.com/press/2024/20240528

Chosen for inclusion in the SOMPO Sustainability Index

2024 Sompo Sustainability Index

Sompo Asset Management Co., Ltd. Sustainable Asset Management (available in Japanese only)

https://www.sompo-am.co.jp/institutional/product/06/

Recognition of Products and Services

Daikin Industries, Ltd.

Won FY2023 Energy Conservation Grand Prize (organized by the Energy Conservation Center, Japan)

- ECCJ Chairman Prize in the products and business model category
  JIZAI HEAT, an industrial high-temperature water-output heat pump chiller that contributes to carbon neutrality

045 Environment Response to Climate Change Promoting the Use of Heat Pump Space and Water Heaters Initiatives to Promote the Spread of Heat Pumps

DK-Power, Ltd.

Received FY2023 New Energy Award (organized by the New Energy Foundation)

- New Energy Foundation Chairman's Award
  Micro hydroelectric power generation project that utilizes existing water supply facilities and has zero cost burden for local governments

053 Environment Response to Climate Change Initiatives for a Decarbonized Society Examples of Initiatives

Customer Satisfaction Honors

Daikin Industries, Ltd.

Two of Daikin's products won a Good Design Award for fiscal 2023

- Floor Standing Air Conditioning Unit for Australia and New Zealand
- Far infrared heater Hybrid Ceramheat

Human Resource Honors

Daikin Industries, Ltd.

7th NIKKEI Smart Work Management Survey

- Received the Marketing Prize
- Received the highest rating of 5 stars in overall ranking for the seventh consecutive year (deviation value of 70 and above)

(Nikkei, Inc.)

The Nikkei Smart Work Management Survey (available in Japanese only)
https://smartwork.nikkei.co.jp/survey/

Recognition for Co-Creation

Daikin Industries, Ltd.

5th Japan Open Innovation Prize

- Received the Minister for Internal Affairs and Communications Award for efforts with Fairy Devices Inc.

Recognition for Intellectual Property

Daikin Industries, Ltd.

Selected for the Asia IP Elite Awards 2023 (Industrials Team of the Year) (Law Business Reserch Limited)

IAM's 2023 Asia IP Elite revealed
https://www.iam-media.com/article/iams-2023-asia-ip-elite-revealed

Newspaper and Magazine Rankings

Daikin Industries, Ltd.

Ranked 15th overall in the 18th CSR Rankings (Toyo Keizai Inc.)

Toyo Keizai Japan CSR Rankings (Toyo Keizai Inc.) (available in Japanese only)
https://biz.toyokeizai.net/-/csr/ranking/

Received 4.5 stars certification in the 5th Nikkei SDGs Management Survey (overall deviation of 65 or higher, but less than 70) (Nikkei, Inc.)

Nikkei SDGs Management Survey (available in Japanese only)
https://www.nikkei-r.co.jp/service/survey/sdgs_survey/

Best Japan Brands 2023 20th (Interbrand)

Best Japan Brands 2023 (Interbrand)
https://interbrand.com/newsroom/interbrand-announces-best-japan-brands-2023/

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